

LIFE MAY PUT LIMITS ON YOU.

YAPI KREDİ
IS HERE TO
REMOVE THOSE
LIMITS.



Dedication to deliver.

ABOUT THE REPORT

NATURE, PERIOD AND SCOPE OF THE REPORT

The first Integrated Annual Report of Yapı ve Kredi Bankası A.Ş. and its affiliated domestic subsidiaries (Yapı Kredi Faktoring, Yapı Kredi Leasing, Yapı Kredi Asset Management and Yapı Kredi Invest) ["Yapı Kredi" or "the Bank"], this report presents the 12-month activity period of Yapı Kredi between 1 January 2020 and 31 December 2020, and financial and non-financial data of Yapı ve Kredi Bankası A.Ş. and its affiliated domestic subsidiaries. The report also covers financial data for other domestic subsidiaries and international subsidiaries, in relation to which information is included herein.

The Report will also be presented to the 2021 Ordinary General Meeting of Yapı Kredi in its nature as an Annual Report.

CONTENT AND REGULATORY FRAMEWORK

This Report presents the integrated business model of Yapı Kredi that creates long-term value for all of its stakeholders, its management of risks and opportunities,

future strategies, stakeholder communication, and its performance on economic, environmental and social indicators. The report also covers the Bank's material issues identified with the involvement of a broad base of stakeholders, governance approach in the light of sectoral and global trends, and its performance and goals in financial and non-financial areas.

The Report has been prepared in accordance with the GRI Standards "Core" option, and based on the International <IR> Framework [2013] published by the International Integrated Reporting Council (IIRC). Borsa İstanbul Sustainability Index Banking Criteria, United Nations Global Compact Principles, United Nations Sustainable Development Goals (SDGs), and Women's Empowerment Principles (WEPs), of which Yapı Kredi is a signatory, were also taken into consideration in the preparation of the report.

The Report also incorporates United Nations Principles for Responsible Banking reporting, in which Yapı Kredi was involved as a founding signatory with the aim of steering the sustainability banking of the future.

AUDIT APPROACH

Selected economic indicators, sustainability governance, energy, GHG emissions, water consumption, waste generation, environmental investment, compliance with environmental legislation, renewable energy financing, GHG emissions avoided through renewable energy financing, occupational health and safety, employee training, parental leaves, anti-bribery, anti-corruption, and human rights indicators provided in this report have undergone a limited assurance by an independent audit firm, PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., in accordance with the ISAE 3000 (Revised) and ISAE 3410 standards. The list of indicators reviewed and the scope of the review are included in the Independent Assurance Statement provided in the [Appendices](#) section.

The financial data presented in the Report have been audited by the same independent audit firm. Independent Auditor's Statements can be found on pages [219-224](#) and [361-366](#) of the Report.

ESG INDICES THAT
YAPI KREDİ QUALIFIES
TO BE INCLUDED
IN AND INITIATIVES
SUPPORTED BY
THE BANK



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OUTLOOK

As the Covid-19 pandemic shapes 2020 and the future

In 2020, the global economy agenda revolved around the Covid-19 pandemic that quickly spread across the whole world after breaking out in China, the measures governments adopted against the pandemic, and the economic implications thereof. In this process, closure of borders and restrictions imposed over activities in certain sectors by the countries in an effort to prevent the spreading of the pandemic led to significant economic effects worldwide. Total shutdown or partial operation of numerous sectors led by the services industry caused decelerated economic activity and surged unemployment.

Implementing lockdown measures resulted in significantly decreased production indices, loss of labor and declined confidence indices all over the world. Fiscal measures of significant magnitudes were put in place globally in an attempt to counter the permanent damage the pandemic would create upon supply chains and production capacity. In the process, central banks in numerous countries implemented rate cuts, and countries including emerging economies introduced support programs of substantial magnitudes for sectors and households impacted by the pandemic, through asset buying, liquidity support and lending

programs. While international organizations projected 3% rise for the world GDP in 2020 in the pre-pandemic period, the world economy contracted by 3.5% according to the calculations conducted by the IMF.

Emerging economies were negatively affected by the serious dimensions the pandemic reached and investors' tendency to turn to safe harbors due to declined global risk appetite, resulting in high investment outflows from these countries.

Diminishing global demand and compulsory production limitations because of the pandemic led to sharp declines in the world trade volume. Global trade volume narrowed significantly as trade and global added-value chain were negatively impacted by this situation. In addition, a clear-cut solution has yet to be achieved in the trade wars between the US and China that occupied the global agenda before the Covid-19 outbreak.

Particularly oil and commodity prices declined because of decelerated global economic activity, coupled with the splits between the oil exporting countries (OPEC+). Later on, oil prices recovered partially upon reconciliation attempts among producers and supply interruptions.



Diminishing global demand and compulsory production limitations because of the pandemic led to sharp declines in the world trade volume.

Turkish economy sustained its strong recuperation in the third and the fourth quarter of the year despite the Covid-19 pandemic, geopolitical tensions and the recent volatilities in international markets. As Turkey gradually offset the effects of the Covid-19 pandemic that emerged by early 2020, it carried on with its increasing economic activity on the back of the diligence exercised by the Central Bank of the Republic of Turkey (CBRT), Banking Regulation and Supervision Agency (BRSA), Treasury and the government.

In this period of important international and geopolitical developments, Turkish public authorities and the Turkish private sector keep putting their best efforts to maintain and further the well-being and welfare of the Turkish economy. As the government reassured trust in international markets with the New Economic Program announced, it also kept supporting the private sector with new Credit Guarantee Fund packages. The BRSA loosened the legal requirements imposed on banks. Taking all necessary actions to contribute to this struggle, the Turkish banking sector uninterruptedly carried on with its operations and kept standing by the customers that needed support. The banking sector extended support to customers by postponing their loan repayments, upon request.

A business partner standing by its employees and stakeholders under any circumstance

Besides the uninterrupted service provided to its customers in this period, Yapı Kredi kept spending extraordinary effort for ensuring the health and safety of its employees. From the onset of the pandemic, the Bank took various actions and introduced practices that enhance the total value offered to customers.

With the launch of crisis management at Yapı Kredi, a 5-phase action plan was formulated and put into implementation. The first step taken in this framework was to ready the IT infrastructure as required and the infrastructure called for by large-scale remote working was thus provided. The second important step of the plan was overseas travel ban on Yapı Kredi employees. While physical meetings, events, trainings and customer visits were cancelled, employees with chronic diseases and expecting employees were given administrative leave. Sanitization equipment were replenished across the Bank and dispatched to branches.

Within the scope of pandemic crisis management, Yapı Kredi discontinued the operation of its branches located in hospitals, university campuses and shopping malls. As the potential savings presented by the new working model began to accrue, 75% of the employees joined the work-from-home cycle. Head Office, Call Center, and branch network employees with rotating periods of in-office presence with remote working were included in this scope.

While Yapı Kredi Call Center switched to work-from-home order, branches furnished service from 10:00 to 16:30 hours on a 50% alternating basis in the March-June period. Call Centers were redesigned, and all direct sales teams were reassigned to the call center outside business hours.

In line with the efforts to ensure business continuity at Yapı Kredi, all meetings and trainings were moved to the online environment, and seamless continuity was secured in customer services thanks to transactions handled through digital channels and Call Centers.

In line with the goal of enhancing the value offered to customers, cash withdrawal limits from ATMs was increased and daily contactless transaction limit was raised. While fees charged to money transfers made via digital/mobile banking and ATMs were cancelled, customer representatives began offering remote service with the increased use of mobile approvals. Through sources made available for customer representatives and also for the Call Center, Yapı Kredi expanded its remote customer relations capabilities.

While rotating periods of in-office presence with remote working were sustained, social distancing and protective hygiene measures are being carefully applied at every corner of Yapı Kredi organization.

In line with the new and controlled normal life in Turkey, Yapı Kredi continues to offer all services out of its branches, in addition to comprehensive digitalization efforts.

Vaccine efforts back positive projections for the future

Projections regarding the world and Turkish economies that lost pace due to the pandemic present a more positive outlook for the year ahead as the vaccine efforts gain momentum.

Having taken on an important role for keeping the wheels turning in an economically and financially tough year, the banking sector will maintain this key role in the recovery process as well. The positive effects of the steps taken lately for the sake of financial normalization will also lend important support to the sector. In addition, the sector will carry on with its normalization upon phasing out of the temporary regulations introduced in 2020, and the positive effect of the cautious steps taken this year will support the sector. In 2021, the banking sector is anticipated to register loan growth in real Turkish lira terms, somewhat above the inflation. In view of the macroeconomic conditions shaped by the end of 2020, pressure is anticipated upon net interest margin in 2021 after the CBRT's rate hike at the end of 2020 as part of the fight against the inflation. It is predicted that asset quality might be exposed to pressures in the event that the effects of the pandemic persist. However, the banking sector is anticipated to preserve and even increase its profitability levels on the back of the steps taken against potential asset quality deterioration in 2020, coupled with the improvement in provisions.

An approach addressing short-, medium- and long-terms simultaneously

Taking all these developments into consideration when formulating the Bank's strategy, Yapı Kredi takes it forward making clarifications with short, medium and long-term perspectives. On one hand, the Bank takes actions that will maximize the benefit to stakeholders by adjusting to instantly changing short-term developments with an agile approach, and continues to transform its investments and the Bank's culture in accordance with the future, on the other. Yapı Kredi focuses on initiatives that will carry it into the future, and to do that, continues to take position by predicting the future.

While the pandemic accelerates the changes that already started in consumer behaviors and companies' ways of doing business, as well as in the economy, it will also lead to radical transformation of industries. One of the most significant examples in this sense is the increased need for producers of foodstuff, which make the first link of the supply chain, because of the Covid-19 pandemic. Self-sufficient closed communities will be formed. Governments will take measures aimed at improving production through supportive policies. E-commerce already acquired a different momentum as compared to previous years, which accelerated the investments in this field.

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Dynamic change in consumer behaviors

Surveys conducted by McKinsey show that consumer expenditures dropped by 30-50% in April 2020, when the pandemic's impact was at its highest. Increasingly more people recognize the importance of basic necessities that constitute strategic consumer expenditures. A global study [Euromonitor, 2020] revealed that certain necessities such as foodstuff and household items grew in this period as compared to pre-pandemic times. On the other hand, in these days when people were confined to their homes, interest in technology increased significantly. Demand is growing particularly for AI and robotic products. Voice commanded equipment gain the foreground as they offer contactless experience.

Covid-19 compelled transition to work-from-home model in the working system with the exception of just a few sectors. This compulsory shift initiated an environment where flexible working models will continue to exist as the new normal in the future. The pandemic turned homes which are living spaces into venues where various activities such as work, socialization, entertainment and relaxation are carried out together. Since homes are places to spend the whole life, a consumer profile emerges that will purchase digital solutions or electronic innovations that will make life easier at home. The business world is anticipated to allocate lower budgets to physical

areas and channel their investments to digital and other remote service models.

Tendencies are observed which imply that online social activities will persist even after social distancing rules are loosened. Companies that had this experience through meetings held on various applications discovered that things get done also this way and will thus reduce air travel costs and hotel expenses incurred for meetings.

The latest consumer index survey [EY Future Consumer Index, 2020] suggest that the current "save and stockpile" will migrate to two segments called "remain frugal" and "cautiously extravagant" after the pandemic. Top anticipation of consumers is caring for their own health and adoption of new actions to this end.

Life and future are in the digital

A new normal is in the making, wherein uninterrupted access independent from location becomes more important than ownership. Consumers demand provision of services that will let them self-satisfy their all kinds of needs, anytime, anywhere. Transparency, seeing everything in a single place, and personalized services and products will gain even more importance.

In this respect, the digital transformation that the finance sector is undergoing gained speed further. Digital channels will improve content-wise, and different remote

service models will emerge. The role and purpose of physical branches will differ, and banks will take place within the ecosystems of customers' daily lives to fulfill their needs in addition to financial ones and to make their lives easier.

Technology caused new players to have a stake in the financial sector, as in many others, along with the arrival of new business models. Those banks that are able to join forces and partner with these entities and to create ecosystems will be able to turn threat into advantage.

The innovations in technology also entail new opportunities for the banking sector within the new normal. Digital channels, artificial intelligence, robotic technology, analytic systems and cloud systems enhance the customer experience and formation of more profitable business models on the back of less capital and more efficient business processes. Blockchain technology will transform a variety of fields including contracts, payment and collection systems.

Human-orientation is an unchanging goal

In view of these projections, six priorities were set when devising the initiatives that will drive Yapı Kredi into the future in medium-long term: human-orientation, innovation, agility, productivity, target-driven and sustainability. Yapı Kredi will continue to shape all initiatives in the light of these priorities.

Yapı Kredi adapts both its business environment and its service model to the future in a bid to offer human-oriented experiences. In addition, the Bank carries on with investments in agile and innovative systems and solutions at the same speed. While reforming itself with productive processes and working models, the Bank is also taking actions to evolve the corporate culture.

In focus by countries and business world: climate crisis

Believing that sustainability will play a central role in future business models, Yapı Kredi approaches its sustainability strategy on the axes of the fight against global climate crisis and environment, effective risk management and governance, sustainable finance, and people and society. Within this context, Yapı Kredi evaluates the potential risks and opportunities in the short, medium and long-term, and defines its sustainability goals through the Sustainability Committee, composed of a Board Member and senior executives.

In 2020, governments and companies alike kept taking actions in relation to sustainability, despite the pandemic. The European Union's (EU) allocation of 37% of the Recovery and Resilience Facility exclusively to green transition, which the EU introduced to mitigate

the economic and social impact of the pandemic, has served as an indication of the strict adherence to sustainability in economic relief packages.

Within the scope of stakeholder groups' anticipations regarding the fight against climate crisis, major technology companies and Asian countries including China, Japan and South Korea disclosed their net-zero targets and strategies. With the same understanding, major energy companies declared they will support the Paris Climate Agreement and pledged to six principles to support energy transition, which was a big development. Accordingly, a significant transformation toward low-carbon economy is anticipated by 2030.

Within the frame of its strategy to fight climate crisis for defying the devastating effects that will result from climate crisis, Yapı Kredi targets to reduce its GHG emissions resulting from its operational activities through renewable energy supply and energy efficiency investments, and those resulting from its lending activities through reducing its credit risk in carbon-intensive sectors. To back Turkey's transition to low-carbon economy, Yapı Kredi targets to increase the share of financing it extends to renewable energy, energy efficiency and green technology.



Yapı Kredi targets to reduce its greenhouse gas emissions resulting from its lending activities through reducing its credit risk in carbon-intensive sectors.

The Bank keeps a close eye on the implications of the carbon border adjustment mechanism that will be launched under the European Green Deal announced in 2019 by the European Commission with respect to national regulations and the sectors that will be included in the Deal. Upon the introduction of the mechanism envisaged as a component of the EU Emissions Trading System (ETS), the regulatory agencies in Turkey might possibly introduce an emissions trading system or carbon tax aligned with the EU in Turkey. In this context, Yapı Kredi intends to support its customers' transition to low-carbon economy with the financial solutions it offers and to avert the potential risks that might arise within the scope of the arrangement. Yapı Kredi will also hold workshops and informative events for its customers in relation to international environmental and social sustainability criteria, national and international regulations, and sustainability trends.

Transparency regarding climate risks and opportunities

Yapı Kredi treats its risk management in relation to sustainability as a priority topic with respect to the Bank's compliance with the future regulatory framework, investor expectations and its reputation before the stakeholders. Committed to achieve alignment

with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in its reporting, the Bank will manage its environmental and social impact resulting from its lending operations within the frame of international standards keeping its environmental and social risk assessment system embedded in its lending processes up-to-date. To this end, Yapı Kredi joined among the supporters of TCFD in 2021, in a restatement of its support to transparency in this field.

In tandem with the pandemic, investments in sustainable finance got diversified. Social bond issues, including Covid-19 bonds, were more than ten times what they were the year before, whereas green bond issuances topped USD 1 trillion cumulatively in 2020 (Climate Bond Initiative, 2020). In the years ahead, the need for sustainable finance flow will further increase within the scope of the transition to sustainable economy, and sustainable finance solutions and instruments will become the mainstream financing services. The financial services sector will then be expected to guide the real sector through advisory services in the area of sustainability.

Capitalizing on the opportunities in sustainable finance proactively, the Bank carried out its first green bond issuance by early 2020. Targeting to take on a growing role in the

sustainable finance market that expands each year, Yapı Kredi will significantly diversify its sustainable products and services portfolio in the future, and strengthen its collaborations in sustainability with international financial institutions.

Moving forward with the support of efficiency-driven process approach

Based on an efficiency-driven process management approach, the Bank has set the need-based evolution of the performance system and a lean organization as its key focal areas. In this context, our main goals for the future include creating a lean structure which is empowered and capable of making decisions, and actually making and implementing decisions, ensuring accountability; remaining an agile organization, and further improving this structure and carrying it forward. Along this line, it is targeted to have branches concentrate more on higher value-added products and services, and to push digital channels forward in other areas; an assessment model approach has been adopted which will be taken as basis by the sales service model. Moreover, work has begun to carry on with the remote working model introduced across the Bank upon the pandemic in the form of a hybrid working model in the future, based on an approach to business emphasizing the most efficient use of the human capital.

MESSAGE FROM THE CHAIRMAN



BEING THE BANK THAT
“ELIMINATES THE
BORDERS” IN TURKEY,
YAPI KREDİ INTEGRATES
ITS PIONEERING AND
POWERFUL POSITION
IN THE SECTOR AND
RESPONSIBLE GROWTH
CONCEPT WITH
SUSTAINABILITY.

Dear Stakeholders,

2020 has been a year that the humanity fought back with enormous commitment, solidarity and unity to overcome the many hardships the year presented Turkey and the world with. Due to the Covid-19 pandemic that still continues to influence various aspects of life, the world economies were severely tested with unprecedented challenges, and global markets strove to deal with the kinds of crises never experienced before.

In addition to the pandemic and its impacts, the Brexit process, the United States presidential elections, natural disasters in Turkey and in various parts of the world, regional clashes and civil disturbances that the year featured reveal how extremely challenging 2020 has been.

For Turkey, 2020 was characterized by the Covid-19 pandemic, against which our country's struggle continues, geopolitical tensions in the Middle East, the Mediterranean and our country's own sphere,

and volatilities in international markets. Backed by its young and dynamic population, strong healthcare system, efficient and productive manufacturing network and experienced banking sector, Turkey was positively decoupled from many countries in the world, despite the difficulties. As Turkey gradually eliminated the hardships handed by 2020, it was able to capture economic growth, thanks to the attentive approach of the Central Bank of the Republic of Turkey (CBRT), the Banking Regulation and Supervision Agency (BRSA), Treasury and other governmental agencies, which was shaped according to the course of the pandemic. Although the pandemic heightened once again and some restrictions were enforced towards the end of the year, implementations compatible with the market conditions were reintroduced, reinstating the regular order of the economy.

Through this period that has been the scene to unmatched and unprecedented developments,

Turkish public authorities and the Turkish private sector kept spending their best efforts to maintain the balances within the Turkish economy. While the policies announced were aimed at ensuring the continuity of the domestic market, the banking sector kept implementing the Credit Guarantee Fund packages extending support to the SMEs, and deferred repayments of loans by customers, should they so need. Moreover, the BRSA stretched legal requirements in an effort to mitigate the pandemic's effects upon the financial sector, and provided support to bank customers and the banking sector through this hard time.

Taking the necessary actions to support this struggle with the awareness of its place and responsibility in the Turkish economy, the banking sector kept standing by the customers who needed, while continuing to offer services uninterrupted. During 2020, total loans of the banking sector expanded by 33.4% annually to TL 3,405 billion. In the same period,

the deposits base enlarged 33.1% to reach TL 3,288 billion. Due to revised classification rules, non-performing loans ratio of the sector improved by 123 bps since the beginning of the year, and was registered as 4.0%.

Besides its contribution to our economy and the banking sector through these dire times that we are going through, Yapı Kredi continues to regard the safety of its employees as its primary and most important priority. The Bank's services offered with strict adherence to safety continue uninterrupted, on the back of new working rules that the Bank has been carefully implementing since the first day of the emergence of the pandemic in Turkey, measures targeted at maximum protection of employee health, and protective gear provided on an ongoing basis to each unit of the Bank.

Driven by its vision to create value for the society, Yapı Kredi pursues its operations ensuring environmental compatibility, taking the society's expectations into consideration, and looking out for the needs of future generations. With this consciousness, being the bank that "eliminates the borders" in Turkey, Yapı Kredi integrates its pioneering and powerful position in the sector and responsible growth concept with sustainability.

Recognizing its responsibilities with respect to management of environmental and social impacts, our Bank continues to exhibit a high performance in sustainability management. Along this line, in the reporting period, Yapı Kredi remained a constituent of Borsa İstanbul (BIST) Sustainability Index and FTSE4Good Emerging Markets Index, an index

measuring environmental, social and governance performances of companies maintained by FTSE Russel, a global index provider affiliated to the London Stock Exchange. The Bank continued to act as a pioneer in gender equality and women employment, earned the Equal Opportunities Certification (FEM), which is a gender equality certification developed under the leadership of the Women Entrepreneurs Association of Turkey (KAGİDER) and the technical assistance of the World Bank, and has been one of the five companies from Turkey to qualify for being included in 2021 Bloomberg Gender-Equality Index.

In 2020, Yapı Kredi diversified its funding sources made available to renewable energy projects by carrying out its first green bond issuance in the amount of USD 50 million, which is compliant with the Green Bond Principles of the International Capital Market Association (ICMA) and market standards. In the reporting period, the Bank also published its Sustainability Bond Framework, which is aligned with the ICMA Green Bond Principles, ICMA Social Bond Principles, and ICMA Sustainability Bond Guidelines.

On another note, our Bank continued to make life easier for its customers during the pandemic, thanks to numerous innovations it has introduced to the banking sector. The Bank made use of technology so as to add value to the lives of its customers and employees alike, based on an approach that puts the human at the center. Thanks to its continual investments in the area of digital banking, Yapı Kredi has been by the side of all its stakeholders and was

able to eliminate the borders for them through these rough times as well.

In the light of all these developments, we foresee that digital transformation will get faster and become more prevalent in people's lives in the period ahead. With the digital infrastructures that are constantly developed and upgraded, our Bank will adjust to new circumstances in the shortest time possible, and will keep pioneering the sector, while continuing to effectively satisfy customer expectations with its high quality services.

Also in 2021, Yapı Kredi will preserve its solid banking indicators by focusing on a healthy balance sheet structure and continue to stand by its customers, employees, the Turkish banking sector and all its stakeholders all around the country with the services it offers. With its customer-centric service that the Bank has been maintaining for 76 years as part of its identity, and with its commitment to its environmental, social and governance responsibility, Yapı Kredi will continue to extend support in every aspect it is capable of contributing to through the uncertain and rough times experienced.

I would like to take this opportunity to thank all our customers for their unyielding support and trust, our valuable shareholders, and in particular, all our employees for enriching our values with their committed and hard work in this rough period, and their families.

Ali Y. Koç
Chairman

MESSAGE FROM THE CEO



YAPI KREDİ PRESERVED
ITS ROBUST BALANCE
SHEET STRUCTURE
THROUGH CONTINUED
STRENGTHENING OF
ITS SOUND LIQUIDITY
STRUCTURE DESPITE
MARKET VOLATILITIES.

Dear Stakeholders,

2020 has been a year overshadowed by the coronavirus [Covid-19] pandemic that gripped the whole world, the effects of which are still ongoing. Having deeply impacted the whole life all around the world in the first half of the year, the pandemic once again revealed how fragile global economic balances are. Measures adopted in an effort to prevent the spreading of the disease resulted in economic crises in many countries around the world.

During 2020 that has been the stage to many other difficulties apart from the Covid-19 pandemic, as a nation we were grieved by the earthquakes in Elazığ and İzmir, while environmental disasters happened in various parts of the world, and regional geopolitical tensions arose.

Succeeding in sustaining its economy and stability despite all these challenges, Turkey introduced measures that would mitigate the economic and social impact of the pandemic, such as eased regulatory framework, additional liquidity support and tax relief in parallel with the central banks and regulatory authorities in the world, and embarked upon a rapid recovery process in the second half of the year. Normalization steps also began to be taken upon positive implications of the process, and while certain temporary regulations were discontinued toward the end of the year to put the economy and the system back on their regular order, practices compatible with the current economic conditions were reintroduced.

Yapı Kredi carefully continued to apply the protective measures in line with the guidance provided by the Ministry of Health and comprehensive precautions implemented across the Koç Group. Our Bank carefully and attentively managed the process on the basis of a 5-phase action plan. The Bank continued to protect employee health at a superior level through remote working arrangements, sanitization, social distancing rules, and protective gear supplied to all levels within the organization, without allowing any interruption in the services rendered to our customers.

In addition to those, Yapı Kredi carries on with its initiatives that will support its customers and the national economy, while taking into consideration the economic effects of the process as well. Launched during the reporting period, postponement granted -upon request- to loan

repayments of individual and corporate customers is still being implemented. Day-to-day banking needs and commercial activities of customers are backed by existing credit lines, which are being increased where necessary. Furthermore, our activities are ongoing within the scope of Treasury-backed and CGF-guaranteed [Credit Guarantee Fund] "Cheque Payment Support Package" and "Opex Loan Support Package" announced by the Banks Association of Turkey.

In 2020, Yapı Kredi postponed loans worth approximately TL 19 billion of its more than 450 thousand customers to support them through rough times, and expanded the range of transactions that can be performed via the digital channels, order to reduce the risk of contact. The Bank increased cash withdrawal limits from the ATMs, upper limit of contactless credit card spending, did not charge any commission on money transfers made through ATMs, digital and mobile banking, and lifted the obligation to pay the minimum amount due on credit cards of its customers, upon request. Additionally, the Bank launched a system prioritizing healthcare workers and individuals above the age of 65 at call centers, and allocated a TL 10 million-fund for procuring equipment and consumables needed by health institutions and healthcare workers.

Looking at the Bank's 2020 performance, total cash and non-cash loan volume augmented by 20.0% and rose to TL 382.7 billion, and the solid support extended to the national economy continued at the same pace. Total assets of Yapı Kredi, on the other hand, grew 18.3% over the previous year, and amounted to TL 486.5 billion. As gross operating profit reached TL 14.9 billion, the Bank's net profit was registered as TL 5,080 million and its return on tangible equity as 12.0%.

On the funding side, total deposits went up to TL 264.4 billion, up by 14.4%, and the market share among private banks came to 14.2%. The Bank's customer deposits expanded by 14.7% as compared to end-2019 to TL 259.3 billion, and the Bank's market share within private banks reached 14.5%. In line with its strategic goals, Yapı Kredi attained 16.4% market share in Turkish lira demand deposits, up 70 basis points annually, and 13.6% market share in foreign currency demand deposits, up 9 basis points, and kept supporting funding costs.

Yapı Kredi preserved its robust balance sheet structure through continued strengthening of its sound liquidity structure despite market volatilities. The Bank's total and FC liquidity coverage ratios were 148% and 454% respectively, whereas its consolidated capital adequacy ratio was 16.7% and Tier-1 ratio was 13.6% with the support of internal capital generation [excluding the regulatory forbearances].

SUPPORT TO THE NATIONAL ECONOMY

Yapı Kredi carries on with its initiatives that will support its customers and the national economy, while taking into consideration the economic effects of the Covid-19 process as well.

On the back of new products and services developed with digital transformation, the number of digital banking active customers was increased by more than 1 million and that of mobile banking active customers by more than 1.1 million. 16% of customers who did not use digital banking applications before the pandemic got acquainted with the Bank's digital banking applications in this period. Moreover, new customer acquisition increased by more than 2 times via the new service model, "Video Transaction Assistants", in 2020. All these developments drove the share of non-branch channels in total banking transactions to 97% as at year-end.

Besides the strong performance of Yapı Kredi, 2020 has been the scene to important developments for the Bank. The change of the shareholding structure was finalized with the enforcement of the share sales agreement signed by and between the two controlling shareholders in February, and 9.02% share held by UniCredit was acquired by Koç Holding. UniCredit sold 12% of its shares to the market. Hence, free float ratio of Yapı Kredi went up to 30%.

In May, the Bank secured a syndication loan for USD 283.5 million and EUR 534.6 million which was participated by 38 banks from 18 countries, and a fund from European Bank for Reconstruction and Development (EBRD) in the amount USD 100 million for medium-scale enterprises to fulfill their short-term liquidity needs. The strong support to the Turkish

economy continued through the second half of the year, and a syndicated loan of USD 334 million and EUR 440.5 million that was participated by 39 banks from 21 countries was secured also in this period. All in all, the Bank obtained funds worth more than USD 2 billion throughout the year, including the syndication obtained from international markets thanks to solid international relationships and shareholding structure. Moreover, the confidence held in the national economy and Yapı Kredi in the international markets was endorsed once again with the subordinated debt issue of USD 500 million carried out in January 2021, which achieved a book building of more than six times of the targeted amount.

Our support to the SMEs that are the backbone of the national economy continued and further increased also this year. Lending within the scope of CGF programs are place among the largest-volume financing support extended to the SMEs amounted to TL 8.3 billion in 2020, and total CGF market share rose to 19.0%. Hence, Yapı Kredi successfully retained its market share leadership in CGF programs in 2020.

The 2020 Integrated Annual Report gives an account of the Bank's integrated business model that creates long-term shared value for all of its stakeholders. In this report, Yapı Kredi takes a holistic approach ranging from its sustainability priorities to risk and opportunity management, from its future strategies to stakeholder communication and environmental,

THE SUPPORT TO THE SMES THAT ARE THE BACKBONE OF THE NATIONAL ECONOMY CONTINUED AND FURTHER INCREASED ALSO THIS YEAR AND TOTAL CGF MARKET SHARE ROSE TO 19.0%.

social and governance management concept.

Yapı Kredi embraces a responsible growth understanding that creates value for all segments of the society, paying attention to the effects its banking operations have on all its stakeholders for 76 years. With a customer-centric and innovative approach to banking, the Bank focuses on digitalization, and works hard and committedly to offer the best to its customers. Investments in digitalization and R&D will continue at an increasing extent in the future, and solid collaborations in this area will go on.

In line with its sustainable and innovative product development targets, our Bank carried out its first green bond issue in January 2020. Allocating the funds generated on the bond to renewable energy projects, Yapı Kredi sustained its support to Turkey's transition to a low-carbon economy. In this framework, renewable energy projects accounted for 43% of the energy loan book of the Bank at the end of 2020.

On the other hand, Yapı Kredi continues to be guided in its operations by the Sustainable Development Goals, which are intended to devise solutions to global issues and spread the concept of responsible finance. The Bank continues to take place among the banks steering the sector with respect to sustainability through the United Nations Principles for Responsible Banking (UN PRB), of which it is a founding signatory. Additionally, based on its disclosure to the Carbon Disclosure Project (CDP),

the world's leading environmental reporting initiative, it has qualified for the leadership category in CDP Water Security program this year, as it did last year. With its high performance in sustainability management, the Bank remained a constituent of Borsa İstanbul (BIST) Sustainability Index, and FTSE4Good Emerging Markets Index, an index measuring environmental, social and governance performances of companies maintained by FTSE Russel, a global index provider affiliated to the London Stock Exchange. Regarding gender equality among its priorities, Yapı Kredi has been one of the five companies from Turkey that qualified for the Bloomberg Gender Equality Index in 2021 with its 2020 reporting under the said Index.

Yapı Kredi has provided solid bases for its goals in the coming years with its powerful performance in 2020. The Bank carries on with its responsible growth that contributes to the national economy, while uncompromising from its service quality based on its "Unlimited Service" concept, and maintaining the health of its employees and customers as its top priority.

While presenting our 2020 Integrated Report, I would like to take this opportunity to thank all our stakeholders, and particularly, our loyal customers that carry our Bank into the future, our shareholders for their unyielding trust and support, and our employees for their valuable efforts.

Gökhan Erün
CEO



SOLID FOUNDATIONS

Yapı Kredi has provided solid bases for its goals in the coming years with its powerful performance in 2020.

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Established in 1944 as Turkey's first retail focused private bank with a nationwide presence, Yapı Kredi has always played a pioneering role in the banking sector. In 2006, legal merger of Yapı Kredi and Koçbank [together with the two banks' core subsidiaries operating in the same sectors] was completed. In 2007, the segment based service model was completed and branch expansion started. In 2008, innovative product, service and distribution channels were developed and the branch network was rapidly expanded. In 2009, due to the global economic crisis, the branch expansion was suspended temporarily, while strict cost management and efficiency initiatives were carried. In 2013, capital base was strengthened and the Bank continued effective liquidity management via balanced growth in loans and deposits.

In 2015, Yapı Kredi focused on digital banking. While fields and products creating added value gained the foreground in 2017, tight cost management and productivity increase were persevered.

In 2018 and 2019, priority was given to prudent approach to asset quality, active liquidity management and strengthening the capital structure. The Bank aimed reducing the concentration in lending and deposits, spreading out with smaller tickets, and focused on transaction banking in commission generation.

In 2020, when the Covid-19 pandemic put life on hold all over the world, Yapı Kredi quickly introduced numerous arrangements across a number of areas from the working order to service delivery formats, and displayed an approach focused on protecting the health of its

CONTRIBUTION TO THE ECONOMY
MOVING FORWARD WITH THE TARGET OF CONTINUOUSLY BUILDING ON THE STEADY CONTRIBUTION PROVIDED TO THE FINANCING OF THE TURKISH ECONOMY, YAPI KREDİ PRESERVED ITS POSITION AS THE THIRD LARGEST PRIVATE BANK IN TURKEY IN 2020 WHEN IT KEPT CREATING VALUE FOR THE SHAREHOLDERS BY GIVING THE FOREGROUND TO CUSTOMER-CENTRIC APPROACH TO BANKING AND INNOVATION.

TOTAL ASSET SIZE
TL 486 BILLION

835
BRANCHES

16,037
EMPLOYEES

4,535
ATMs

stakeholders, and principally of its employees. In this rough period, the Bank posted successful results in all of its business segments and mainly in the digital banking business line that makes customers' lives easier and adds value, and kept generating added value by reinforcing its contribution to the Turkish economy.

Targeting to constantly increase its contribution to the financing of the Turkish economy with its customer-centric approach, Yapı Kredi provides service to its customers with 16,037 employees and 835 branches covering all regions of Turkey. Total cash and non-cash loans of the Bank increased by 20% and reached TL 383 billion in 2020, while its total assets were worth TL 486 billion.

Yapı Kredi delivers its products and services via its 4,535 ATMs, innovative internet banking, leading mobile banking, call center and approximately 788 thousand POS terminals. 97% of the Bank's transactions carried out through non-branch channels as at year-end 2020.

Yapı Kredi is active in retail banking [comprising of card payment systems, individual banking, business banking, private banking and wealth management] as well as corporate, commercial banking and SME banking. The Bank's operations are supported by domestic subsidiaries engaged in asset management, brokerage, leasing and factoring as well as international banking subsidiaries in the Nederland, Malta and Azerbaijan.

30.03%

Yapı Kredi has a free-float rate of 30.03% as at year-end 2020.

THE 3RD

**LARGEST
PRIVATE BANK IN
TURKEY**

1944

Yapı Kredi was established in 1944.

VISION, MISSION, STRATEGY AND VALUES

Vision

To be the undisputed leader in the finance sector

Mission

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

Strategy

A customer centric commercial bank driven by cutting edge technology and committed workforce, delivering responsible growth

Best-in-class profitability, backed by a strong balance sheet, resulting in enhanced and sustainable shareholder returns

VALUES

Customer Centricity

Our unique service culture and business philosophy center on our customers. We enrich our customers' experiences with the service we deliver in line with our motto "Limitless Service" ever since our incorporation, and we focus on achieving mutual development, building a win-win relationship, and creating value.

'Being United', Standing Together, We are One

As Yapı Kredi Family, we work coalescing into one team. Team spirit and common sense are our strongest characteristics. This spirit is constantly nurtured by open communication, cooperation and helping one another.

Competitiveness

We target leadership in every area we are engaged. We always strive to achieve the best predicting the present and the future, and we undertake challenging targets with utmost energy and motivation.

Target Orientation

We set ourselves high targets in every respect and we work hard to achieve them while we maintain our focus at all times.

Resilience

We focus on business continuity and uninterrupted service at uncertain and complicated times; we are always prepared for every contingency and we remain strong even in the face of the toughest circumstances.

Agility

We take the right decisions rapidly in response to changes in the market, and we exercise the same speed and flexibility in catering to our customers' demands. We manage change proficiently both internally and externally, without compromising quality. Hence, we always maintain our competitive advantage.

Innovation

Our innovative capability is the pivot of our competitive strength. We believe in continuous development. We implement new ideas, use our resources efficiently, and we constantly review and improve ourselves, our business, our work processes and products.

Productivity

We believe not in working limitlessly, but in working to overcome limitations. We value the added value we create. Technologies, work systems and processes that will increase our productivity are critical to us.

Sustainability

We work for creating permanent value for all our stakeholders. Regarding social development as the priority goal, we maintain a service approach focused on sustainability. We concentrate on the long-term impacts of our decisions and actions, and we embrace sustainability in every economic, social and governance area, and we align our business processes accordingly.

SHAREHOLDING STRUCTURE

As at year-end 2020, 49.99% of the shares in Yapı Kredi are held by the Koç Group, whereas 20.00% are held by the UniCredit Group, with the remaining 30.03% being in free float. The Bank's publicly-floated shares are traded on Borsa İstanbul.

Shareholder's Title	Share Amount (TL)	Ownership [%]
Koç Financial Services A.Ş.	3,459,065,642.23	40.95
Koç Holding A.Ş.	762,197,343.00	9.02
UniCredit S.p.A	1,689,410,260.00	20.00
Others	2,536,378,038.77	30.03
Total	8,447,051,284.00	100.0



Its establishment dating back to 1926, the Koç Group is the largest conglomerate in Turkey with its revenues, exports and more than 100 thousand employees. The total revenue of the Koç Group corresponded to 6.4% of Turkey's national income while its exports accounted for 6.7% of Turkey's total exports as at year-end 2020.

As a result of the transfer of shares on 5 February 2020, within the context of share purchase agreements regarding the Bank and KFS shares, signed by the Bank's direct and indirect shareholders UniCredit S.p.A., Koç Holding A.Ş., KFS and shareholders of KFS; 100% of the shares representing KFS share capital were transferred to Koç Group [Koç Holding, Koç companies, Koç Family, and related foundations controlled by Koç Family] pro-rata their shareholdings in KFS. Koç Holding, who did not hold any direct shares in Yapı Kredi share capital before the transaction, currently has 9.02% of Yapı Kredi share capital whereas UniCredit S.p.A. directly has 31.93%.

Accordingly, Koç Group's direct and indirect stake in Yapı Kredi [previously at 40.97%] increased by 9.02%. Yapı Kredi and its subsidiaries, previously a joint venture of Koç Holding and UniCredit before the transaction, have become the subsidiaries of Koç Holding A.Ş. after the transaction.

As a result of sales transaction carried out by accelerated book building [ABB] method to institutional investors on February 13, 2020, UniCredit S.p.A.'s ownership at Yapı Kredi has reduced to 20% and the Bank's free float increased to 30.03%.

MILESTONES

1944**Establishment**

Yapı Kredi, Turkey's first retail focused private bank with a nationwide presence, was established

1946

Tradesmen loan was extended followed by other sector-specific loans

1950's**Strengthened Market Position****1960's****Children's Banking**

With children's accounts, Yapı Kredi expanded the coverage of deposit banking and introduced children to banking services

1984**First Online Application in Banking**

Turkey's first inter-branch online banking application was launched

1985**Foundation of Corporate Banking**

Yapı Kredi has been the first to initiate corporate banking services under the name Wholesale Commercial Banking

1986**Yapı Kredi Bonds Go Cross-border**

Yapı Kredi has been the first Turkish bank whose bonds and certificates were traded on international capital markets

1987**Cross-border Online Connection**

Yapı Kredi has been the first bank to establish online connection with overseas representation offices

1988**First Consumer Loan**

Turkey's first consumer loan was extended

1988**First Overdraft Credit Card**

Yapı Kredi Visa Classic Card has been Turkey's first overdraft credit card

1989**First Auto Loan**

Turkey's first auto loan was extended

1991**WorldCard**

WorldCard that is accepted worldwide was launched

1998**Teletel**

24/7 telephone banking made available all over Turkey

1990's

Shopping point system and installment shopping were commenced in credit card products

The first Turkish bank to be awarded ISO 9001 Quality Certification

2000**TeleWAP**

Turkey's first mobile banking branch

2018**Capital Increase**

The paid-in capital of Yapı Kredi was raised by TL 4.1 billion to TL 8.45 billion

2019**The First Additional Tier-1 Issuance within Turkish Deposit Banks**

Additional Tier-1 issuance of USD 650 million was carried out

1964**First Collective Agreement**

The first collective bargaining agreement in banking was signed

1967**First Computer in Banking**

Yapı Kredi introduced computers into the Turkish banking industry

1975

Yapı Kredi has been the first bank to receive authorization for maintaining foreign currency position in Turkey

1980

Yapı Kredi was acquired by Çukurova Holding

1987**Listing**

Yapı Kredi stock was quoted on İstanbul Stock Exchange

1988**Foundation of Individual Banking**

A number of firsts were introduced in Turkey in keeping with "Active Banking" concept.

1988**Tele-24**

All financial needs of customers began to be fulfilled by ATMs

1988**Telecard**

Turkey's first debit card was issued

1991**Telephone Banking**

First telephone banking service was initiated

1991**First POS Device**

Turkey's first POS device was put to use

1992**Overdraft Account**

Overdraft Account, a revolutionary step in the Turkish banking sector, was introduced

2006**Biggest Merger in the Turkish Banking Sector**

Resulting from the merger of Koçbank, the 8th largest bank [an associate of Koç Finansal Hizmetler; which is a 50-50 joint venture by Koç Holding and UniCredit] with Yapı Kredi, 7th largest bank, Yapı Kredi became the 4th largest private bank

2009**Turkey's First iPhone Application**

The first financial app in Turkish developed for iPhone was introduced

2020**Change in Shareholding Structure (05 February 2020)**

The shareholding agreement between Koç Holding and UniCredit ended

2020**Increased Public Floatation (13 February 2020)**

The free float ratio of Yapı Kredi went up to 30% upon UniCredit's sale of shares

2020**Covid-19**

During the Covid-19 pandemic, which affected the whole world, uninterrupted service and support was provided to customers while prioritizing the health of employees.

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HISTORIC LEADERSHIP IN THE SECTOR



YAPI KREDİ IS THE UNCHANGING LEADER OF THE CREDIT CARDS BUSINESS LINE FOR 32 YEARS.

Products and Services

Card Payment Systems

Worldcard, World Gold, World Platinum, Play, Taksitçi, World Eko, Opet Worldcard, KoçAilem Worldcard, Adios, Adios Premium, Crystal, World Business, Debit Cards (TLcard, Play TLcard, Business TLcard) Desktop POS, Mobile POS, Contactless POS, ADSL POS, Cash Register POS, Virtual POS, Mail Order, World Mobile, Prepaid Cards (World Cash, Play Cash, World Cash Virtual), Mobile Payment, Payment with QR Code, Payment from Inside the Car

Yapı Kredi's Areas of Differentiation and Strength

- The broad member merchants network making the Bank the market leader in the credit card outstanding volume
- Bonus point, discount and installment possibilities at extensive contracted member merchant network
- Campaign offers in all sectors to all Worldcard customers every month, enabled by partnerships with major brands
- License agreements with three banks driving the prevalence of the World brand
- Market leadership in NFC payments thanks to the completed and ongoing infrastructure developments to adjust to digital payment (QR and NFC) options
- Historical leadership in credit cards for 32 years
- End-to-end digital and personalized shopping experience to card-holder customers enabled by World Mobile, and fast, reliable mobile payment solutions integrated with World Mobile

CONTRIBUTION TO FINANCIAL FUTURE



YAPI KREDİ CONTRIBUTES VALUE TO THE PEOPLE'S LIVES WITH ITS INDIVIDUAL AND RETAIL BANKING PRODUCTS AND PLAYS A PART IN THE CONSTRUCTION OF THE FINANCIAL FUTURE.

Retail and Individual Banking

- Deposits: Time Deposits, Demand Deposits, Flexible Time Deposits, Fund Deposits, Gold Deposits, 5D Deposits, Inflation Indexed Deposits, Employee Term Account, Housing & Dowry Account.
- Loans: General Purpose Loans, Individual Flexible Accounts, Mortgage Loan, Personal Finance Mortgage Loan, Home Improvement Loans, Workplace Loans, Auto Loans, FordFinans Auto Loans, Installment Payment System for Schools (TEST),
- Individual Payments: Bill Payments, Regular Payments, Rent Payments
- Insurance products: Health Insurance, Life Insurance, Non-Life Insurance, Private Pension
- Investment Products: Funds, Stocks, Bills, Snowballs, My First Money, Cumulative Products, Gold Saving, FX Saving, Order Tracking, My Smart Broker, Investment Packages
- Safe Deposit Box, Gold Days (Scrap Gold), Findeks Package, Product Bundles

- Expert and experienced workforce
- Products and services tailored according to customers' characteristics and needs within the frame of the service model updated in 2020
- Priority services and privileges focused on customer satisfaction on all channels
- Customer relationship management based on a long-term perspective
- Assortment of investment products offered to suit customer profiles
- Sustained leadership in health insurance branch with 35.5% market share as of year-end 2020 enabled by digital services and conveniences provided

STRATEGIC BUSINESS PARTNER OF COMPANIES OF ANY SCALE



YAPI KREDİ TAKES PLACE WITHIN THE PRODUCTION AND COMMERCIAL CYCLE OF A BROAD ARRAY OF COMPANIES RANGING FROM MULTINATIONALS OPERATING IN TURKEY TO THE SMES.

Products and Services

Corporate, Commercial and SME Banking
Working Capital Loans, Long-Term Loans, Letters of Guarantee, Money Transfers, Project Finance, Direct Debit System, BANKOTM-OHES, Payment Products, Collection Products, Commercial Credit Cards, POS, Public Payments, Derivatives, Import and Export Letters of Credit, Documentary Collection Payments, Guarantees, Import and Export Financing Products (ECAs, FC Loans, Forfaiting, Import and Prefinancing Promissory Note Avalization, T. Eximbank Credits, CBRT Credits, Corporate Finance Advisory, Financial Advisor, MGA Finance, Capital Management Advisory

Yapı Kredi's Areas of Differentiation and Strength

- Second place in cash and non-cash loans among private banks
- Mixed branch service model in order to offer the highest quality service to potential commercial customers through geographical penetration
- High quality customer services enabled by digitalized products, services and processes
- Monitoring on the basis of customers through pricing tools, cross-selling, new products and services, profitability-focus
- Focus on companies' cash flows through strong monitoring in cash management and foreign trade activities
- The Bank's overall performance backed by strong payroll acquisition, supply chain and private banking customer acquisition Strong and comprehensive finance support to the SMEs through the strategic collaborations established with the programs run by the Credit Guarantee Fund (CGF), where it plays a pioneering role among private sector banks, and Small and Medium Industry Development Organization (KOSGEB) as well as special loan agreements made with foreign financial institutions

DISCIPLINE SHAPED BY COMPETENCE, TRUST AND TECHNOLOGY



YAPI KREDİ OFFERS HIGH QUALITY SOLUTIONS FOR THE ASSETS UNDER ITS MANAGEMENT ON THE BACK OF ITS COMPETENCIES AND EXPERIENCE.

Treasury

Treasury manages Yapı Kredi's liquidity needs, interest rate risk and foreign currency (FC) position, and controls the Bank's investment portfolio.

- Robust infrastructure and know-how
- New products introduced in line with client needs and market developments while serving with a broad product range
- Transaction and order management at competitive market prices.
- Foreign Trade Finance Platform set up to respond to demands related to foreign trade faster and systematically, and to handle foreign trade data management

The third largest private bank in Turkey, Yapı Kredi successfully pursues its customer-centric, pioneering and innovative banking concept in all of its fields of activity.

SUBSIDIARIES OF YAPI KREDİ

DOMESTIC SUBSIDIARIES	Products and Services	Areas of Differentiation and Strength
	<p>Provides financial leasing solutions for machinery and equipment to a broad array of companies with a particular focus on construction, printing, automotive, tourism, agriculture, medical and real estate sectors.</p>	<ul style="list-style-type: none"> · The biggest balance sheet in the sector · The sector’s first mobile application, first online transactions, and secondhand sales module on mobile · Collaboration developed with manufacturers and distributors in various sectors and the sector’s first digital platform addressing the same · World Lease product allowing leasing using a credit card · Yapı Kredi Leasing School offering training programs ranging from professional expertise to managerial competence
	<p>Provides a wide range of services from domestic and overseas equity transactions to derivatives and advisory services.</p>	<ul style="list-style-type: none"> · Ranks first in terms of market share in equities and derivatives · High quality sales and execution service to domestic and foreign institutional investors for different products · One of the leading domestic brokerage house in various IPOs
	<p>Offers sustainable quality in domestic and overseas factoring services, produces unique strategic solutions to the customer portfolio.</p>	<ul style="list-style-type: none"> · The sector’s leader since 2001 with its solid partnership and financial structure coupled with high market share · Named “Turkey’s Best Factoring Company” in 2020 by the Global Banking and Finance Review magazine
	<p>Offers Private Pension Funds Management and Discretionary Portfolio Management, and Investment Advisory services.</p>	<ul style="list-style-type: none"> · Consistent and solid track record in performance · Pioneering the sector with advanced product management expertise · Broad range of deep-seated client management services and sales support functions · Market leader in mutual funds excluding money market and short-term bonds&bills funds with 29% share

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INTERNATIONAL SUBSIDIARIES	Products and Services	Areas of Differentiation and Strength
	Offers a broad range of products, services and solutions in retail, corporate and private banking segments.	<ul style="list-style-type: none"> Deep-seated market knowledge and strong transaction capabilities in foreign trade and structured commodity finance Service to non-resident Yapı Kredi customers Competence in taking advantage of the opportunities presented by money and capital markets in correspondent banking
	Offers a broad range of products and services in retail and corporate banking segments.	<ul style="list-style-type: none"> Investments in digital products and channels High quality services in economic relations between Turkey and Azerbaijan and in foreign trade
	Offers services in corporate and commercial banking segments.	<ul style="list-style-type: none"> On 25 October 2019, Yapı ve Kredi Bankası A.Ş. Board of Directors resolved to liquidate Yapı Kredi Bank Malta Ltd., which is wholly-owned by the former through Yapı Kredi Holding B.V. Liquidation procedures are envisaged to be completed upon obtaining the permissions from the Maltese legal authorities and the said approval process is in progress. The liquidation of Yapı Kredi Bank Malta is not anticipated to bear a material impact with respect to the operations and financial statements of Yapı ve Kredi Bankası A.Ş.

THE OPERATIONS OF YAPI KREDİ ARE SUPPORTED BY ITS DOMESTIC SUBSIDIARIES IN ASSET MANAGEMENT, BROKERAGE, LEASING AND FACTORING.

Yapı Kredi Leasing:

18.4% market share on the basis of leasing receivables

Yapı Kredi Factoring:

13.3% market share on the basis of total transaction volume

Yapı Kredi Invest:

First in terms of market share in equities and derivatives with a market share of 13.8%

Yapı Kredi Asset Management:

Market leader in qualified funds with 29% share

2020 POSITIONING

	Market Share [sector]	Ranking [sector]
Total Bank	2020	2020
Total Loans [Cash + Non-Cash]	8.6%	6
Deposits	7.7%	7
Net Profit	9.3%	5
Distribution Network		
Personnel ⁽¹⁾	8.6%	6
Branch ⁽¹⁾	8.4%	6
ATM	9.0%	5
Retail Banking		
Credit Card Outstanding	16.8%	1
Credit Card Issuing	17.8%	1
Number of Credit Cards	15.8%	1
Consumer Loans	7.8%	6
General Purpose Loans	9.8%	5
Corporate and Commercial Banking		
Leasing Receivables	18.4%	1
Factoring Turnover	13.3%	1
Cheque Clearing	13.2%	2
Private Banking and Wealth Management		
Mutual Funds	15.7%	2
Equity Transaction Volume	13.8%	1

⁽¹⁾ Bank only employee number: 16,037; Bank only branch number: 835

Sectoral market shares are calculated based on BRSA monthly data as of December 2020 and BRSA weekly data as of 31 December 2020. Sectoral data consists of those of deposit and development and investment banks.

SUMMARY FINANCIALS

Volumes	2019	2020	Change
Assets (billion TL)	411	486	18%
Cash + Non-Cash Loans (billion TL)	319	383	20%
Cash Loans (billion TL)	229	282	23%
TL Cash Loans (billion TL) ⁽¹⁾	133	167	26%
Customer Deposits (billion TL)	226	259	15%
TL Customer Deposits (billion TL)	99	103	4%

Profitability				
Revenues (million TL)	21,229	25,912	22%	
Operating Expenses (million TL)	7,664	8,926	16%	
Net Income (million TL)	3,600	5,080	41%	
Return on Average Tangible Equity	9.4%	12.0%	256	basis points
Return on Assets	0.9%	1.1%	21	basis points
Cost/Income Ratio	34.9%	33.4%	-154	basis points

Capital and Liquidity				
Bank Capital Adequacy Ratio ⁽²⁾	16.7%	17.2%	51	basis points
Bank Tier-1 Ratio ⁽²⁾	13.7%	14.2%	50	basis points
Loans / (Deposits + TL Bills) (Bank Only)	97.1%	104.9%	776	basis points

Asset Quality				
Non-Performing Loans Ratio	7.4%	6.2%	-119	basis points
Provisions / Gross Loans	7.2%	8.1%	91	basis points
Cost of Risk ⁽³⁾	292	251	-41	basis points

Notes:

All data based on consolidated financials unless otherwise stated

⁽¹⁾ Excluding FX-indexed loans

⁽²⁾ Including the regulatory forbearances

⁽³⁾ The ratio of total loan impairment provisions to total gross loans excluding collections; Adjusted for FX hedge on ECL.

BOARD OF DIRECTORS

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ANNEXES

Ali Y. KOÇ

Chairman of the Board of Directors

Ali Y. Koç graduated from Rice University in Business Administration and completed his MBA degree at Harvard Business School. Between 1990-1991, he attended the American Express Bank Management Trainee program. Between 1992-1994, he worked as an Analyst at Morgan Stanley Investment Bank. Between 1997-2006, Koç held various senior level positions at Koç Holding such as the New Business Development Coordinator and President of the Information Technology Group. Between 2006-2010, he was the President of the Corporate Communications and Information Technology Group. Koç has been a Board Member of Koç Holding since January 2008 and was named Vice Chairman in February 2016. He is also the Chairman of various Koç Group companies. Additionally, Koç contributes to Turkey's social and economic development by serving as President at Fenerbahçe Sports Club, a Board Member at URAK (International Competition Research Association) and a Board Member at Endeavor Association. He is also a member at TÜSİAD (Turkish Industry and Business Association) and a Member of the Global Advisory Council of Bank of America, Harvard University and CFR. Koç has been Board Chairman of Yapı Kredi and Koç Financial Services since April 2016.

Levent ÇAKIROĞLU

Vice Chairman of the Board of Directors

Levent Çakiroğlu graduated from Ankara University - Faculty of Political Sciences, Business Administration Department and received his master's degree from University of Illinois. He started his professional career at the Ministry of Finance in 1988. Between 1997-1998, he taught as part time instructor at Bilkent University and served as Vice President of Financial Crimes Investigation Board at the Ministry of Finance. Çakiroğlu joined Koç Group in 1998 as Koç Holding Financial Group Coordinator. He was the General Manager of Koçtaş between 2002-2007, CEO of Migros between 2007-2008, CEO of Arçelik between 2008-2015 and the President of the Durable Goods Group of Koç Holding A.Ş. between 2010-2015. Çakiroğlu was appointed as the Deputy CEO of Koç Holding in February 2015 and he took over the CEO position in April 2015. As of April 2016, Çakiroğlu is also a Board Member at Koç Holding. Çakiroğlu has been a Board Member at Yapı Kredi and Koç Financial Services since April 2015 and in February 2020, he was appointed as Vice Chairman of Yapı Kredi Board. Çakiroğlu is also a Board Member in various Koç Group Companies.

Gökhan ERÜN

Executive Director and Chief Executive Officer (CEO)

Gökhan Erün earned his undergraduate degree from Istanbul Technical University - Department of Electronics and Communications Engineering and his graduate degree from Yeditepe University in Business Administration. Erün began his career at Garanti Bank Treasury Department in 1994. Between 1999-2004, Erün served as the Senior Vice President of Commercial Marketing and Sales Department. After becoming the CEO of Garanti Pension and Life in 2004, he was appointed as Executive Vice President of Garanti Bank in September 2005. Erün began to serve as the Deputy CEO of Garanti Bank in September 2015, also in charge of Corporate Banking Coordination, Treasury, Treasury Marketing and Financial Solutions, Derivatives, Cash Management and Transaction Banking, and Financial Institutions. In addition, he held positions in the Boards of various Garanti Bank subsidiaries. As of January 2018, Erün has continued his career in Yapı Kredi as Executive Director in Board of Directors and Chief Executive Officer (CEO). In addition, Erün is the CEO of Koç Financial Services and holds positions in the Boards of various Yapı Kredi Group subsidiaries.

Ahmet F. ASHABOĞLU**Member of the Board of Directors**

Ahmet F. Ashaboğlu holds a Bachelor of Science degree from Tufts University and a Master's of Science degree from Massachusetts Institute of Technology (MIT) in Mechanical Engineering. In 1994, he began his career as a Research Assistant at MIT. Between 1996-1999, Ashaboğlu held various positions in capital markets within UBS Warburg, New York. Between 1999-2003, he worked as a Consultant at McKinsey & Company, New York. In 2003, Ashaboğlu joined Koç Holding as Finance Group Coordinator. Since 2006, he has been serving as the CFO of Koç Holding. In addition to being a Board Member at Yapı Kredi and Koç Financial Services since September 2005, Ashaboğlu is also a Board Member at Yapı Kredi Koray Real Estate Investment Trust and various Koç Group Companies.

A. Ümit TAFTALI**Member of the Board of Directors**

A. Ümit Taftalı earned his Bachelor of Science degree in Finance from Ball State University (Indiana) and his MBA degree from University of South Carolina. He also participated in senior executive programs at Harvard University. Taftalı is an investment banker and wealth manager with over 30 years of international experience. He has worked in executive positions in Atlanta, New York and London for Merrill Lynch & Company, Bankers Trust Company and Goldman Sachs International. Taftalı represented and advised Mrs. Suna [Koç] Kıraç between 2001-2020. He is a Member of Koç Holding Executive Committee as well as Chairman of Kare Portföy. Taftalı is or has been Board/Founding Member of various philanthropic and professional organizations such as Suna-İnan Kıraç Foundation, Educational Volunteers Foundation of Turkey [TESEV], Turkish Industrialists and Businessmen Association (TÜSİAD), Saint Joseph Educational Foundation, Educational Volunteers Foundation of Turkey [TEGV], Galatasaray Sport Club, American Finance Association [USA], Financial Management Association [USA], Museum of American Financial History [USA], Ball State University Foundation [USA], Turkish Bankers Association [UK], University of South Carolina Foundation [USA]. Taftalı has been a Board Member of Yapı Kredi and Koç Financial Services since April 2016.

Wolfgang SCHILK**Member of the Board of Directors**

Wolfgang Schilk graduated from University of Wien Law School in 1992 and completed his postgraduate management trainee program at Creditanstalt-Bankverein [CA-BV]. Between 1994-1996, he worked at CA-BV as the Restructuring and Workout Manager responsible for Corporate Banking. Between 1996-2004, Schilk worked as the Head of Credit Unit at Bank Austria Creditanstalt. In 2004, he became the Head of Regional Office responsible for Corporate Banking. In 2006, he worked as the Head of Regional Office responsible for Private and SME segments. Between 2007-2010, he was the Head of Risk Management responsible for Private and SME segments in Bank Austria. Between 2010-2016, Schilk served as the Chief Risk Officer [CRO] of Yapı Kredi. In September 2016, he was appointed as CRO for Central and Eastern Europe [CEE] region. In addition to being a Board Member at Yapı Kredi and Koç Financial Services since October 2016, Schilk is also a Supervisory Board Member at UniCredit Bank Czech Republic & Slovakia and Zagrebacka Banka. Starting from November 2020, Schilk also took over the function of CRO for UniCredit Bank Austria.

Niccolò UBERTALLI

Member of the Board of Directors

Niccolo Ubertalli graduated from Politecnico di Torino (Turin, Italy) with a Bachelor's Degree in Material Engineering in 1996 and received his Master's in Business Administration from Owen Graduate School of Management at Vanderbilt University (Tennessee, USA) in 2000. During his graduate program, he worked at Teksid Aluminum Foundry as Program Manager and Process Engineer. In 2000, Ubertalli moved to Milan (Italy) and worked at McKinsey as Senior Associate until 2002. Between 2002-2004, he worked at UniCredit Clarima as Director of Major Relations Divisions. Between 2004-2006, Ubertalli worked at MBNA (USA and UK) as First Vice President. Between 2006-2009, Ubertalli relocated to Bulgaria to work at UniCredit Consumer Financing as Chairman and Executive Director. In 2009, he moved back to Italy and continued his career at UniCredit as the Chief of Staff for Group CEO and between 2011-2012, as the Head of Group

Consumer Finance. In 2012, he moved to Romania and assumed the position of Deputy CEO at UniCredit Tiriac Bank. During his time there between 2012-2015, he was a Member of Management Board for UniCredit Tiriac as well as a Member of Supervisory Boards for Pioneer Investments, UniCredit Consumer Finance Bulgaria, UniCredit Consumer Finance Romania and Ergo Asigurari de Viata S.A. Romania. Between 2015-2019, he continued his career in Yapı Kredi as executive director and Deputy Chief Executive Officer. In addition, he held board positions in various Yapı Kredi Group subsidiaries. In 2019, he was appointed co-CEO Commercial Banking, CEE. He is member of the UniCredit Executive Management Committee.

Dr. Ahmet ÇİMENOĞLUMember of the Board of Directors
(Independent)⁽¹⁾

Ahmet Çimenoğlu graduated from Department of Economics at Boğaziçi University in 1992. He started his professional life as an economist at Yapı Kredi in 1995, after completing his MA in Economics at Boğaziçi University, Istanbul. He received his PhD degree in economics at Istanbul Technical University in 2002. He worked as the Chief Economist, and Head of Strategic Planning and Research at Yapı Kredi, respectively, between July 2004 and February 2009. In March 2009, he joined Koç Holding as the Head of Economic Research. He is currently the Chief Economist of the Koç Holding. Mr. Çimenoğlu has been serving as a Board member at Koç Financial Services and Yapı Kredi since March 2019.

Virma SÖKMEN

Member of the Board of Directors
[Independent]

Virma Sökmen has a Bachelor degree in Finance from LaSalle University. She began her professional career at research and investment banking departments of Körfezbank and Çarşı Menkul Değerler. Between 1993-2001, Sökmen worked at Midland Bank A.S. as a Credit Analyst. Between 2001-2010, she served as Corporate Banking Group President and an Executive Vice President of Corporate and Commercial Banking at HSBC. Sökmen managed corporate banking, commercial banking foreign trade and provision management, factoring, corporate and commercial insurance, corporate marketing and cash management units since 2010. Sökmen also served as the Assistant General Manager, responsible from Corporate and Commercial Banking, at HSBC. Since 2016, Sökmen is a Managing Partner at Credia Partners. Sökmen has been a Board Member of Yapı Kredi and Koç Financial Services since March 2019. In addition, Sökmen became an Independent Board at Sarkuysan Elektrolitik Bakır San ve Tic AŞ in June 2020.

Nevin İMAMOĞLU İPEK

Member of the Board of Directors
[Independent]^[1]

Nevin İmamoğlu İpek graduated from Ankara University, Faculty of Political Sciences, Department of Business Administration in 1993 and she earned an MBA degree at the same university in 1997. İpek also earned a Master of Accounting degree from the University of Michigan in 2001. İpek began her career at the Capital Markets Board of Turkey and served as Assistant to Expert between 1997-2005, Deputy Head of Corporate Finance Department between 2005-2006 and Head of Institutional Investors Department between 2006-2007. She joined Koç Group in 2007 and still is serving as Finance Coordinator responsible from Compliance to Securities Regulation. She is also heading the Capital Markets Working Group in TÜSİAD from 2013. Nevin İmamoğlu İpek has been a Board Member of Yapı Kredi and Koç Financial Services since February 2020.

[1] Based on Capital Markets Board's Item 6[3] a of the Communiqué Serial II-17.1 on Corporate Governance, Ahmet Çimenoğlu and Nevin İmamoğlu İpek, Members of the Audit Committee are deemed as Independent Board Members.

Notes: The members of the Board of Directors each have a one-year term of duty. Appointments of members are set out annually at the Annual Shareholders' Meeting.

Ali Y. Koç, Ahmet F. Ashaboğlu, Levent Çakıroğlu, and A. Ümit Taftalı, who are members of the Board of Directors, are also members of Board of Directors at other Koç Group companies due to their positions in Koç Holding.

Niccolò Ubertalli and Wolfgang Schilk, who are members of the Board of Directors, are also members in other UniCredit companies due to their positions in UniCredit Group.

MANAGEMENT

PRESENTATION

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Gökhan ERÜN

Executive Director and Chief Executive Officer (CEO)

Gökhan Erün earned his undergraduate degree from Istanbul Technical University, Department of Electronics and Communications Engineering and his graduate degree from Yeditepe University in Business Administration. Erün began his career at Garanti Bank Treasury Department in 1994. Between 1999-2004, Erün served as the Senior Vice President of Commercial Marketing and Sales Department. After becoming the CEO of Garanti Pension and Life in 2004, he was appointed as Executive Vice President of Garanti Bank in September 2005. Erün began to serve as the Deputy CEO of Garanti Bank in September 2015, also in charge of Corporate Banking Coordination, Treasury, Treasury Marketing and Financial Solutions, Derivatives, Cash Management and Transaction Banking, and Financial Institutions. In addition, he held positions in the Boards of various Garanti Bank subsidiaries. As of January 2018, Erün has continued his career in Yapı Kredi as Executive Director in Board of Directors and Chief Executive Officer (CEO). In addition, Erün is the CEO of Koç Financial Services and holds positions in the Boards of various Yapı Kredi Group subsidiaries.



Erhan ADALI

Assistant General Manager - Corporate and Commercial Banking

After graduating from the Faculty of Political Sciences, Public Administration at Istanbul University in 1987, Erhan Adalı began his professional career at Garanti Bankasi as an Internal Auditor Assistant. After serving in various positions, Adalı worked as the Corporate Branch Manager, Commercial Banking Regional Manager and Coordinator in SME Banking Marketing between 1997 and 2005. Adalı worked as the CEO of Garanti Pension and Life Company from 2005 to 2012 and continued to serve as Executive Vice President of Credits at Garanti Bank until 2015. He served as a member of Board of Garanti Leasing and Garanti Mortgage in 2015-2017. Adalı has been Assistant General Manager in charge of Corporate, Commercial and SME Banking and a Member of the Executive Committee since March 2018. Adalı is also a Member of the Board of Directors of Yapı Kredi Factoring, Yapı Kredi Leasing, Yapı Kredi Netherlands NV, BCP, Yapı Kredi Bank Azerbaijan and Yapı Kredi Bank Malta.



Hakan ALP

Assistant General Manager - Human Resources, Organization and Internal Services

After graduating from Ankara University, Faculty of Political Sciences, Department of International Relations, Hakan Alp started his professional career in 1991 at Garanti Bank's Audit Department and then served as Training Manager at the same bank between 1997 and 1999. Alp has worked for Humanitas Doğuş Human Resources Management as Assistant General Manager in charge of Training, Executive Development, Finance and Administration, Operation between 2000 and 2003. Alp served as Assistant General Manager of Human Resources Management at Tansaş Retail Chain between 2003 and 2005, and then he became Assistant General Manager of Human Resources Management at Süttaş in 2006. Alp started to work as Human Resources Executive Vice President at QNB Finansbank in 2007 and was assigned as Assistant General Manager of Human Resources in 2010 and worked there until 2018. As of September 2018, Alp works at Yapı Kredi as Assistant General Manager of Human Resources, Organization and Internal Services.

Yakup DOĞAN

Assistant General Manager - Alternative Delivery Channels

After graduating from the Faculty of Business Administration at Çukurova University, Yakup Doğan started his career at İşbank as an Assistant Specialist in 1992. Between 1996 and 2001, he worked at Ottoman Bank in Senior Management positions responsible for the development of Retail Banking, Credit Cards and Alternative Delivery Channels. In 2001, Doğan joined Koçbank as Alternative Delivery Channels Manager. With the merger of Yapı Kredi and Koçbank in 2006, Doğan held the position of Alternative Delivery Channels Executive Vice President in Yapı Kredi. Doğan has been Assistant General Manager in charge of Alternative Delivery Channels at Yapı Kredi since May 2009.



Cahit ERDOĞAN

Assistant General Manager - Information Technologies and Operations Management

Following graduation from Istanbul Technical University Faculty of Mechanical Engineering, Cahit Erdoğan completed his MBA degree from Rochester Institute of Technology. Erdoğan started his professional career at Xerox Corporation (Rochester, NY) as a Business Analyst. In 2000, Erdoğan started his Management Consultancy career by joining Accenture Turkey. Until 2019, he worked in Accenture as Consultant, Manager and Senior Manager and in February 2008, he was appointed as Turkey Country Lead of the Management Consulting. Erdoğan joined Yapı Kredi in 2009 as Chief Information Officer (CIO). Since July 2013, he assumed the position of Assistant General Manager in charge of Information Technologies and Operations at the Bank and as of May 2020, he is the Chief Operations Officer (COO), responsible of Information Technologies and Operations. Mr. Erdoğan is also a member of the Executive Committee in Yapı Kredi since July 2013, the Chairman of the Board of Directors in Yapı Kredi Technology A.Ş. since May 2015 and member of Executive Committee in Yapı Kredi Investment & Securities A.Ş. since March 2020.



Nurgün EYÜBOĞLU

Assistant General Manager - Credits

After graduating in 1991 from Boğaziçi University Faculty of Administrative Sciences with a Degree in Economics, Nurgün Eyüboğlu began her career in İktisat Bankası as Management Trainee in the same year. She joined Koçbank in 1993 and worked as Branch Manager until 2004. With the merger of Yapı Kredi and Koçbank in 2006, Eyüboğlu held the position of Head of Corporate and Multinational Companies in Yapı Kredi until 2009. In February 2009, she was appointed as General Manager of Yapı Kredi Leasing. Eyüboğlu has been Assistant General Manager in charge of Corporate and Commercial Credits since February 2013. As of March 2020, she has been appointed as Assistant General Manager of Credits and member of the Executive Committee. Eyüboğlu is also a member of the Board of Directors of Yapı Kredi Faktoring, Yapı Kredi Leasing and Kredi Kayıt Bürosu (KKB).



Abdullah GEÇER

Assistant General Manager - Internal Audit

After graduating from the Department of Economics at Middle East Technical University in 1996, Abdullah Geçer began his professional career at the Undersecretariat of Treasury as an Assistant Sworn Bank Auditor. Having served in this position between 1996 and 2000, Abdullah Geçer assumed Sworn Bank Auditor and Senior Sworn Bank Auditor positions in Banking Regulation and Supervision Agency of Turkey between 2000 and 2007, and completed the MBA in Finance program at University of Nottingham in 2006. Serving as a coordinator in Koç Holding Audit Group in 2007 – 2020, Abdullah Geçer was appointed as the Assistant General Manager for Internal Audit in Yapı Kredi on 20 April 2020.





Demir KARAASLAN

Assistant General Manager - Financial Planning and Administration

Mr Karaaslan graduated from Marmara University, Business Administration department in 1999. Between September 1999 and December 2004, he worked at PricewaterhouseCoopers (PwC) where he joined as an Assistant Auditor and promoted to Audit Manager. He continued his career at Koçbank between 2005 and 2006 as Head of Budget & Planning. In 2006, following the merger of Koçbank and Yapı Kredi Bank, he was appointed as Vice President responsible from Planning & Control. He has been the Head of Planning & Control since 2010 and promoted as Executive Vice President in 2011. Starting from January 2016, he was appointed as Assistant General Manager in charge of Retail Credits. Currently, he continues to serve as Chief Financial Officer (CFO) starting from March 2020. Mr Karaaslan also assumes the positions of member of Board in several subsidiaries of Yapı Kredi Bank. Karaaslan was also a board member of Credit Bureau and a member of The Banks Association of Turkey Risk Center.



Mehmet Erkan ÖZDEMİR

Assistant General Manager - Compliance, Internal Control and Risk Management

After graduating from Middle East Technical University, Department of Economics in 1989, Mehmet Erkan Özdemir worked as a Sworn-in Bank Auditor on the Sworn-in Bank Audit Board of the Banking Regulation and Supervision Agency between April 1994 and August 2001. He joined Koç Holding in August 2002 as Audit Coordinator in the Koçbank Audit Group, responsible for the financial companies of the Group. Özdemir was assigned as Compliance Officer and Assistant General Manager in charge of the Compliance Office in April 2008. Özdemir has been served as Assistant General Manager in charge of Compliance and Internal Control since October 2013. Mr. Özdemir became also responsible for Risk Management for the Bank as of October 2020 and has serving as Assistant General Manager in charge of Compliance, Internal Control and Risk Management.



Cemal Aybars SANAL

Assistant General Manager - Legal Affairs

After graduating from Istanbul University Faculty of Law, Cemal Aybars Sanal began his career in 1986 at Sanal&Sanal Law Firm as Partner. Between 1992 and 1995, he worked at Shell Company of Turkey Limited as an Attorney, between 1995 and 1998 at White&Case Law Firm as an Attorney, between 1998 and 1999 at Shell Company of Turkey Limited as Chief Legal Counsel and a Member of the Board of Directors, between 1999 and 2006 at Boyner Holding as Chief Legal Counsel and Vice President. After working as a freelance attorney between 2006 and 2007, Sanal worked at ELIG Law Firm as Senior Consultant from 2007 to 2008. Sanal has been Assistant General Manager in charge of Legal Affairs at Yapı Kredi since July 2008.



Serkan ÜLGEN

Assistant General Manager - Retail Banking

Serkan Ülgen received his B.S. degree in Industrial Engineering from Bilkent University, Ankara in 1998. Following his graduation, he started his professional career at BENKAR Consumer Financing and Credit Card Services within Boyner Group. In 2001, he joined Yapı Kredi Bank and since then, held different positions in Retail Banking and Card Payment Systems at Yapı Kredi. In this time period he got his MBA degree from Boğaziçi University, Istanbul in 2005.

Serkan Ülgen, has been working as Yapı Kredi's Assistant General Manager responsible for Retail Banking and a member of the Executive Committee since January 1, 2018. Ülgen is also a Member of the Board of Yapı Kredi Bank Azerbaijan.

In addition to his responsibilities in the Bank, Ülgen is also a board member of Interbank Card Center (BKM), Allianz Life and Pension, Tanı Marketing and Communication Services, Yapı Kredi Pension Fund Foundation and UK-based 441 Trust Company companies. Also, Ülgen has been serving as the Head of the Supreme Council of Turkey within Visa Turkey and continuing his duty as the Advisory Board Member within MasterCard Europe.

Saruhan YÜCEL

Assistant General Manager – Treasury and Financial Institutions

Saruhan Yücel earned his undergraduate degree from Istanbul University Department of Business Administration and his graduate degree from University of Illinois in Business Administration. Yücel started his career at Koçbank in fund Management Department in 2000. Following his role as Securities Portfolio Manager, between 2002 and 2003, in Yapı Kredi Portfolio in Investment Funds Management Fixed Income department, between 2003 and 2018, he worked as FX and Money Markets Senior Dealer, FX Markets Vice President, Fixed Income Securities Vice President and Balance Sheet Management and Fixed Income Securities Executive Vice President in Yapı Kredi Bank. Following June 2018, he continued his career as Treasury Management Assistant General Manager. He is also Member of the Executive Committee at Yapı Kredi Bank.



Mehmet Erkan AKBULUT

Head of Collection and Workout Management

Mehmet Erkan Akbulut graduated from Business Administration Department of Faculty of Political Science at Ankara University in 1989. He has started his career in Yapı Kredi Bankası as an Assistant Internal Auditor, then worked as Department Manager in Credits Management, then as Directors in Corporate Banking Management and Commercial Banking Management. He has been expatriated to Yapı Kredi Azerbaijan and worked as Assistant General Manager, Credits during 2009-2013. Returning to Yapı Kredi, he has worked as Director and then Group Director in Monitoring and Workout in Corporate and Commercial Credits between 2013-2018. Between 2018-2020 he has worked as the Group Director of Corporate and Commercial Credits Underwriting. Since August 2020, he has been working as Head Of Collection and Workout Management.



Kürşad KETECİ

Strategic Planning, Investor Relations and Corporate Development, EVP

Kürşad Keteci earned his undergraduate degree from Marmara University Business Administration. Keteci began his career at Andersen Audit and Consultancy in 2001. Between 2001 and 2003 he worked in audit work of several banks and financial institutions. Between 2003 and 2006 he worked in Transaction Services Department for M&A activities as well as consultancy projects in financial sector. He worked as Deputy CFO in Bankpozitif Investment Bank between 2006 to 2012. He was responsible for budget and planning, reporting, Asset&Liability and capital management as well as FI and investor relations.

He joined Yapı Kredi in 2012 and served as Head of Financial Reporting, Head of Budget and Planning and Head of Corporate Strategy and Investor Relations within CFO team. Since 2018, Keteci has been working as Strategic Planning, Investor Relations and Corporate Development Executive Vice President.



Arda ÖZTAŞKIN

Corporate Communications, VP

Arda Öztaşkın graduated from TED Ankara College and from Ankara University, Faculty of Political Science. Having started his career at Demirbank in the Advertising and Public Relations Department, he then worked at Dışbank and Fortis. Öztaşkın joined Yapı Kredi as Vice President of Brand Management in 2008. Since 2018, he has been leading the Corporate Communications team of Yapı Kredi which is responsible for brand management, strategic communication, corporate social responsibility and sustainability-related matters. A member of the Advertisers' Association, MMA and Association of Corporate Communicators, Mr. Öztaşkın is a visiting lecturer in various universities giving classes in consumer behavior, brand management, leadership communication and crisis management.



BOARD OF DIRECTORS AND COMMITTEES

Board of Directors

The Board of Directors convenes upon the request of the Chairman when necessitated by the Bank's business. The Board of Directors reviews and decides on the corporate agenda, as authorised by the Articles of Association of the Bank, laws and regulations. In 2020, the Board of Directors convened 10 times with the required majority and quorum satisfied.

Executive Committee

The Executive Committee is the decision making body of the Group, established to collectively decide upon priority topics, facilitate information sharing among senior management and support strong team spirit. The Committee holds regular bi-weekly meetings or according to the needs of the bank [at least once a month]. All decisions are taken unanimously by the members. In 2020, the Executive Committee convened 70 times with the required majority and quorum satisfied.

The Committee's responsibilities include:

- Defining Group strategies and the Bank's structural risk management
- Managing asset-liability guidelines including pricing and interest rates
- Evaluating existing products and approving new products
- Assessing credit, operational, market and liquidity risks
- Ensuring coherence of the Bank's commercial policies and principles with budget objectives
- Further improving customer satisfaction and marketing activities
- Internal and external communication plans
- Approving the Bank's annual project plan and major organisational changes
- Optimising market risk strategies within the guidelines set by the Board of Directors

Executive Committee Members

Chairman	Gökhan Erün	Executive Director and Chief Executive Officer (CEO)
Member	Cahit Erdoğan	Assistant General Manager - Information Technologies and Operations
Member	Serkan Ülgen	Assistant General Manager - Retail Banking
Member	Erhan Adalı	Assistant General Manager - Corporate and Commercial Banking
Member	Saruhan Yücel	Assistant General Manager - Treasury and Financial Institutions
Member	Hakan Alp	Assistant General Manager - Human Resources, Organization and Internal Services
Member	Nurgün Eyüboğlu	Assistant General Manager - Credits
Member	Demir Karaaslan	Assistant General Manager - Financial Planning and Administration
Member	Yakup Doğan	Assistant General Manager - Alternative Delivery Channels

Attendees of the Committee without voting rights

Member	Mehmet Erkan Özdemir	Assistant General Manager - Compliance, Internal Control and Risk Management
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Credit Committee

The Credit Committee is an advisory and deliberative body whose purpose is to provide guidelines for the Bank's lending activity in coherence with the credit policy, economic objectives and the Bank's overall risk profile. The Credit Committee normally convenes once a week. In 2020, the Credit Committee convened 53 times with the required majority and quorum satisfied. The Committee reviews loan applications and restructuring requests within its authorised delegated limit or advises the Board of Directors for those that are not. The Credit Committee also outlines parameters for credit scoring, lending and monitoring systems.

Credit Committee Principal Members

Chairman	Gökhan Erün	Executive Director and Chief Executive Officer (CEO)
Member	Ahmet Çimenoğlu	Member of the Board of Directors (Independent)
Member	Virma Sökmen	Member of the Board of Directors (Independent)

Credit Committee Alternate Members

Alternate Member	A. Ümit Taftalı	Member of the Board of Directors
Alternate Member	Levent Çakıroğlu	Vice Chairman of the Board of Directors

Audit Committee

The Audit Committee administers the Bank in terms of compliance with local laws and internal regulations. The Committee convenes quarterly or more, according to the needs of the Bank. In 2020, the Audit Committee convened 4 times with the required majority and quorum satisfied. The Committee reports at least once every six months to the Board of Directors. The Committee's responsibilities include:

- Monitoring the performance of Internal Audit, Compliance and Internal Control as well as Risk Management departments
- Fulfilling the relevant tasks as determined by Banking and Capital Market regulations
- Approving and monitoring the Annual Audit Plan and the charter of the internal audit function
- Verifying adequacy of internal control systems
- Monitoring audit projects and evaluating significant findings
- Appointing, compensating and overseeing external auditors, rating, valuation and support service institutions
- Monitoring the financial reporting process
- Reviewing procurement policies and practices

Audit Committee Members

Chairman	Ahmet Çimenoğlu	Member of the Board of Directors
Member	Nevin İmamoğlu İpek	Member of the Board of Directors

Corporate Governance Committee

The Corporate Governance Committee is an advisory body that assists the Board of Directors on compliance to Corporate Governance Principles, investor relations activities and public disclosures. The Committee is responsible for identifying and providing guidance for any conflicts of interest that may arise. The Committee confirms that proper flow of information is ensured by the Koç Financial Services, Subsidiaries and Shareholder Relations Unit to shareholders and investors. All decisions of the Committee are taken unanimously and can only be implemented after the approval of the Board of Directors if taken by majority. Conducting studies in the scope of evaluating and determining of the independent candidates suitable for Board of Directors, presenting the nominated candidates to the Board of Directors for approval. In 2020, the Corporate Governance Committee convened 2 times with the required majority and quorum satisfied.

Corporate Governance Committee Members

Chairperson	Virma Sökmen	Member of the Board of Directors
Member	Nevin İmamoğlu İpek	Member of the Board of Directors
Member	M. Erkan Özdemir	Assistant General Manager – Compliance, Internal Control and Risk Management

Remuneration Committee

The Remuneration Committee monitors and audits compliance of the Bank's compensation principles and remuneration practices with its structure, strategies, long-term targets and risk approach on behalf of the Board of Directors. The Committee convenes at least twice a year or according to the needs of the Bank. In 2020, Remuneration Committee convened 2 times with the required majority and quorum satisfied.

Remuneration Committee Members

Member	Ali Y. Koç	Chairman of the Board of Directors
Member	Levent Çakıroğlu	Vice Chairman of the Board of Directors

Disciplinary Committee

The Disciplinary Committee has the purpose of determining the disciplinary actions/penalties according to the cases and to the Disciplinary Regulations. The Disciplinary Committee's duties, authorities and responsibilities as well as working principles and procedures are set by the Board of Directors.

Disciplinary Committee Members

Chairman	Hakan Alp	Assistant General Manager - Human Resources, Organization and Internal Services Department
Member	Cemal Aybars Sanal	Assistant General Manager - Legal Department
Member	Mehmet Erkan Özdemir	Assistant General Manager - Compliance, Internal Control and Risk Management
Member	Demir Karaaslan	Assistant General Manager - Financial Planning and Administration
Member	A representative from Bank Assistant General Managers with the Human Resources, Organization and Internal Services Department's advice and the approval of CEO for 1 calendar year	

Cost Management and Efficiency Committee

The Cost Management and Efficiency Committee is responsible of central cost and purchase management. Within this scope, the Committee monitors monthly evolution of main cost items compared with the budgeted targets, review status of planned cost saving actions and demands related with the projects, negotiate unbudgeted and high amount demands defines new cost saving / cost management initiatives.

Cost Management and Efficiency Committee Members

Chairman	Demir Karaaslan	Assistant General Manager - Financial Planning and Administration
Member	Cahit Erdoğan	Assistant General Manager - Information Technologies and Operations
Member	Hakan Alp	Assistant General Manager - Human Resources, Organization and Internal Services

Attendees of the Committee without voting rights

Member	Aytaç Yoloğlu	Purchasing and Insurance Vice President
Member	İbrahim Uç	Technology Purchasing Manager
Member	Seçil Ayıntap	Cost Management Vice President
Member	Kürşad Keteci	Strategic Planning and Investor Relations Executive Vice President
Member	Erkut Baloğlu	Process and Program Management Executive Vice President

Credit Risk Staging and Provisioning Committee

Credit Risk Staging and Provisioning Committee is formed to evaluate and make necessary decisions regarding credit staging, credit provisioning and credit rating activities in compliance with IFRS9 and reporting the results to top management and other committees. Credit Risk Staging and Provisioning Committee, conducts monitoring and evaluation of staging/provisioning risky clients, makes decisions regarding stage overrides of necessary clients evaluates LLP impact of client rating upgrade or downgrade, evaluates for approval of parameter and methodology changes regarding LLP calculations, examines and approves the staging/provisioning effect of the realization of identified risks, examines year-end and month-end LLP forecasts.

Credit Risk Staging and Provisioning Committee Members

Member	Mehmet Erkan Özdemir	Assistant General Manager - Compliance, Internal Control and Risk Management
Member	Demir Karaaslan	Assistant General Manager - Financial Planning and Administration
Member	Nurgün Eyüboğlu	Assistant General Manager - Credits
Member	Erhan Adalı	Assistant General Manager - Corporate and Commercial Banking
Member	Mehmet Erkan Akbulut	Head of Collection and Workout Management

* Strategic Risk Control Vice President Berk Uras, who served as a member of the Credit Risk Staging and Provisioning Committee in 2020, left his position at the bank as of January 2021.

Information Systems Steering Committee

To support IT Strategy Management function and senior management in the Executive Board, To determine the priority order of IT investments and projects, to make the necessary guidance by evaluating the changes needed in the plan, Evaluate capacity distributions and review roadmap, To follow the status of ongoing IT programs and projects, To resolve resource conflicts between projects, To make the necessary guidance to ensure IT architecture and IT projects comply with the legislation, It is responsible for monitoring service levels for IT services and reviewing improvements.

Information Systems Steering Committee Members

Member	Cahit Erdoğan	Assistant General Manager - Information Technologies and Operations
Member	Demir Karaaslan	Assistant General Manager - Financial Planning and Administration or a manager to appoint
Member	Cengiz Arslan	Yapı Kredi Technology General Manager
Member	Elif Kūçūkaltun	Project and Program Management Vice President
Member	Gūlter Bedel	Yapı Kredi Technology Assistant General Manager
Member	Ōzgūr Őaęlar	Yapı Kredi Technology Assistant General Manager
Member	Taylan Gūney	Yapı Kredi Technology Assistant General Manager
Member	Uęur GŌkhan Ōzding	Yapı Kredi Technology Assistant General Manager
Member	Hakkı Erdoğan	Yapı Kredi Technology Assistant General Manager
Member	GŌkhan Yalçın	Yapı Kredi Technology Assistant General Manager
Member	Kūřad Keteci	Strategic Planning and Investor Relations Executive Vice President
Member	İrem Ōzyurt	A representative from Human Resources, Organization & Internal Services Management
Member	Kaan Dinç	A representative from Compliance and Internal Control
Member	Ōzkan Aygūl	A representative from Compliance and Internal Control
Member	Feyza Torlak	A representative from Legal Department
Member	Other relevant business unit representatives	

Information Security Committee

On behalf of the Bank's Board of Directors; It carries out activities for creating, updating and implementing information security policies, Information security policy reviews procedures and processes at least once a year, and also reviews them after major security incidents, new vulnerabilities or significant changes in technical infrastructure, Ensures the establishment of an information security management system that is obliged to observe its implementation throughout the bank, Provides oversight of the compliance of the Information Security strategic plan and Information Security objectives with the business objectives of the bank on behalf of the Board of Directors, Gives opinion and approval to the bank's information security policy before it is submitted for the approval of the board of directors, Approves the asset classification guide prepared for the classification of information assets, Approves the information security awareness training program, Is responsible for ensuring effective controls on information systems to ensure the confidentiality, integrity and accessibility of information assets and for conducting effective surveillance to manage security risks arising from the use of information systems, When necessary, it enables working groups to be created in different areas of information security.

Information Security Committee Members

Chairman	Gökhan Erün	CEO
Vice Chairman	Cahit Erdoğan	Assistant General Manager - Information Technologies and Operations
Coordinator	Gökhan Yalçın	Information Security Officer
Member	Cengiz Arslan	Yapı Kredi Technology General Manager
Member	Mehmet Erkan Özdemir	Assistant General Manager - Compliance, Internal Control and Risk Management
Member	Hakan Alp	Assistant General Manager - Human Resources, Organization & Internal Services
Member	Cemal Aybars Sanal	Assistant General Manager - Legal Department
Member	Hakan Yılmaz	Data Governance and Analytics Director

Business Continuity Committee

Roles of the Business Continuity Committee are, to plan what needs to be done in case of any Emergency and Crisis in order to take effective measures in case of disaster, crisis or interruption, By giving opinions to Business Continuity and IS Continuity plans, Considering all the factors related to the events that occur, declaring that there is a crisis situation, Deciding on the implementation of plans to protect reputation, brand value, value-creating activities and the interests of stakeholders, To propose actions to ensure the continuity of critical operations / ensure that they can be saved within the targeted timeframe and to return to the pre-crisis state, To fulfill the function of the IS Continuity Committee described in the regulations, Coordinating with other rescue, continuity and response teams, It is responsible for informing the Crisis Management Team.

Business Continuity Committee Members

Member	Cahit Erdoğan	Assistant General Manager - Information Technologies and Operations
Member	Hakan Alp	Assistant General Manager - Human Resources, Organization & Internal Services
Member	Yakup Doğan	Assistant General Manager - Alternative Distribution Channels
Member	Mehmet Erkan Özdemir	Assistant General Manager - Compliance, Internal Control and Risk Management
Member	Cemal Aybars Sanal	Assistant General Manager - Legal Department
Member	Yasemin Hatem	Operational, Reputational Risk and BCM Management Manager
Member	Arda Öztaşkın	Corporate Communications Vice President
Member	Erkut Baloğlu	Process and Program Management Executive Vice President
Member	Cengiz Arslan	Yapı Kredi Technology General Manager
Member	Hakkı Erdoğan	Yapı Kredi Technology Infrastructure, Network and Operations Assistant General Manager

* Strategic Risk Control Vice President Berk Uras, who served as a member of the Business Continuity Committee in 2020, left his position at the bank as of January 2021.





LIFTING THE BORDERS: SUSTAINABLE BANKING

For 76 years, we have been lifting the borders facing our country's sustainable development. With our understanding that knows no limits for those who produce and work, we have contributed TL 382.7 billion to the Turkish economy in 2020. While giving all segments increased access to financing with the products and services we offer from SMEs that make the backbone of the economy to startups, from renewable energy finance to green home loans, we also kept supporting Turkey's transition to a low-carbon economy. In 2020, we became the leader in CGF in terms of market share with 19.0%. The financing we have provided to renewable energy projects amounted to USD 2.4 billion at year-end 2020. We have diversified our initiatives in sustainable finance by carrying out our first green bond issuance, which is aligned with ICMA Green Bond Principles.

SUSTAINABILITY MANAGEMENT

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The financial instruments and services offered by the banking sector bear a direct and/or indirect impact upon the lives of a large segment of the society. Mainly customers, investors, employees and non-governmental organizations, and other stakeholder groups anticipate banks to produce values in economic, social and environmental sustainability areas.

In its sustainability management, Yapı Kredi takes into consideration the expectations of all of its internal and external stakeholders. Based on this understanding, all environmental, social and governance [ESG] factors are addressed, and ESG key performance indicators are followed up annually. Each year, Yapı Kredi transparently discloses its ESG performance in its integrated reports. Within the scope of its annual ESG reporting, the Bank obtains limited assurance statement for specific

indicators that it has identified as material.

Sustainability Management System (SMS)

At Yapı Kredi, sustainability is one of the strategic areas that the Bank focuses on, and the Bank considers ESG factors in its corporate governance strategy. Yapı Kredi embeds sustainability in its day-to-day business cycle within the scope of SMS. Sustainability is incorporated in decision making mechanisms through SMS, while the same is true also for defining associated duties and responsibilities. Within the scope of SMS, sustainability activities are followed up holistically within the framework of policies and procedures. Within SMS, actions are taken aimed at the environmental and social impacts of the Bank's both operational and banking activities.

Yapı Kredi Sustainability Committee

The Sustainability Committee is the highest authorized structure of the SMS within Yapı Kredi. The Committee is responsible for integrating sustainability in business processes and for monitoring sustainability performance. Set up in 2014, the Committee is co-chaired by a Board Member and Assistant General Manager of Credits, who are members of the Committee. The Committee regularly reports its activities to the Executive Committee and the Board of Directors each year. In addition to that, six working groups sponsored by the Committee members and working on different aspects of sustainability are responsible for the management of sustainability projects at the Bank.

Working under the Corporate Communications Management, the Sustainability Unit provides the internal coordination for realizing

SUSTAINABILITY COMMITTEE

<p>Ahmet Çimenoğlu Board Member Co-Chair</p>	<p>Nurgün Eyüboğlu Credits Management Co-Chair</p>	<p>Hakan Alp Human Resources, Organization and Internal Services Management</p>	<p>Cahit Erdoğan Information Technologies and Operations Management</p>	<p>Demir Karaaslan Financial Planning and Financial Affairs Management</p>
<p>M. Erkan Özdemir Compliance, Internal Control and Risk Management</p>	<p>Serkan Ülgen Retail Banking Management</p>	<p>Kaan Şakul Corporate Banking Sales Management</p>	<p>Kürşad Keteci Strategic Planning and Investor Relations</p>	<p>Arda Öztaşkın Corporate Communications Management</p>

Yapı Kredi's sustainability strategy and policies. The Unit monitors the Bank's sustainability targets and performance, coordinates working groups under the Sustainability Committee, makes proposals to the Committee and working groups regarding sustainability trends and

agenda, ensures data consolidation in relation to sustainability at the Bank, and handles sustainability communication. The Sustainability Unit directly reports the progress and performance achieved in the area of sustainability to the Sustainability Committee, and conveys the

current developments in this area to the Committee. Internal task and responsibility assignments in relation to sustainability occur in line with the Sustainability Management System. During 2020, Bank employees received 157 hours of general sustainability training.

Yapı Kredi's Strategic Priorities in relation to Sustainability

Under the sustainability strategy defined by the Sustainability Committee, Yapı Kredi deals with its sustainability initiatives under four main pillars. When determining its strategic priorities, the Bank has taken into consideration internal and external shareholders' expectations, national and international trends and initiatives, environmental, social and governance (ESG) indices and ratings.

Climate
Crisis and
Environment

Risk Management
and Corporate
Governance

Sustainable
Finance

Human and
Society

Yapı Kredi works towards qualifying for national and international ESG indices and scorings, strengthening its position, and constantly improving its performance.

Yapı Kredi;

- has, since 2017, been a constituent of FTSE4Good Emerging Index, an index measuring ESG performances by companies, which is maintained by FTSE Russel, a global index provider wholly owned by London Stock Exchange Group,
- has been a constituent of Borsa İstanbul (BIST) Sustainability Index since its launch in 2014, and BIST Corporate Governance Index since 2008. The Bank is one of the 58 companies that qualified to be included in the BIST Sustainability Index in the December 2020-October 2021 period,
- outperformed the global and sectoral averages with its reporting under the Bloomberg Gender Equality Index reporting it has made in 2020, and qualified for 2021 Bloomberg Gender Equality Index. The Index evaluates companies across five pillars, which are female leadership and talent pipeline, equal pay and gender pay parity, inclusive culture, sexual harassment policies and pro-women brand,
- reports to the Carbon Disclosure Project (CDP) Climate Change Program since 2016 and CDP Water Program since 2018. The Bank was assigned a score of B (Management) in 2020 for CDP Climate Change and A- (Leadership) in 2020 for CDP Water Security,
- is one of the supporters of the Task Force on Climate-related Financial Disclosures (TCFD).

GRI 102-20

BUSINESS MODEL AND STRATEGY

TRENDS THAT HAVE IMPLICATIONS FOR THE SECTOR



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ABOUT YAPI KREDİ

BUSINESS MODEL AND STAKEHOLDERS

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INNOVATIVE BANKING

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INPUTS

FINANCIAL CAPITAL

- Solid balance sheet structure
- Financing resources that contribute to the development of the economy

DIGITAL BANKING

- Operations driven by digitalization and technology
- R&D initiatives and partnerships that help the ecosystem improve

COMPETENT EMPLOYEES

- 16.938¹ competent employees
- Yapı Kredi culture built upon Customer Centricity, 'Being United', Standing Together, We are One, Competitiveness, Target Orientation, Resilience, Agility, Innovation, Productivity and Sustainability
- Powerful leadership
- Deep-rooted know-how of 76 years

RELATIONSHIP AND SOCIAL CAPITAL

- Trust-based relations with customers
- Cooperation with the stakeholders in the sector
- Two-way dialogue with stakeholders

INFRASTRUCTURE

- 835 branches
- Innovative banking network that lifts limits with Internet branch, mobile app, customer relations center and 4,535 ATMs, 3,333 of which are enabled ATMs.

Customer-centric banking concept that creates values for all the stakeholders

- Yapı Kredi offers banking services in the areas of retail banking (card payment systems, individual banking, business banking, private banking and wealth management), and corporate, commercial and SME banking.

Responsible Growth

- Yapı Kredi espouses a corporate governance concept built on transparency, responsibility and accountability in its banking operations. The Bank pursues its activities with the vision of responsible growth that creates value for all the segments, while monitoring implications for all stakeholders.

- Yapı Kredi manages its environmental and social impact associated with its financing and operational activities, and works to grow solidly through effective risk management and to contribute to the economy.

APPROACH

Customer-Centric and Innovative Banking

- It is among the primary objectives of Yapı Kredi to focus on customers' experiences, evolving expectations and needs, and to offer the optimum products and services by correctly steering the customers.
- Concentrating on digitalization in its activities, the Bank makes use of new technology, collaborates with stakeholders, and develops its products and services that cater to the needs of all segments from the SMEs to entrepreneurs.
- Yapı Kredi constantly invests in its employees' skills in order to offer the best to its customers, and drives the Bank into the future drawing on its flexible and competent employee body and experienced management team.

¹Number of employees for the Bank only: 16.037

TRENDS THAT HAVE IMPLICATIONS FOR THE SECTOR

DIGITALIZATION AND TECHNOLOGY

SOCIAL CHANGES

CLIMATE CRISIS

OUTPUTS

FINANCIAL CAPITAL

- TL 5,080 million net profit
- TL 382.7 billion contributed to the economy
- 17.2% capital adequacy ratio

INTELLECTUAL CAPITAL

- Investment advisory and wealth management
- Ratio of digital banking customers - 78%
- Ratio of mobile banking customers - 73%
- 1,176 project ideas conveyed through Evreka (Eureka), the intrapreneurship platform of Yapı Kredi

HUMAN CAPITAL

- The first bank in the sector that switched to the work-from-home scheme
- 456 Yapı Kredi managers who received Leadership in Hybrid Working Model training
- 62% - ratio of women employees, 40% - ratio of women in managerial levels
- 485 Yapı Kredi employees that transferred between segments under the My Career Journey program
- 83%² - retention rate after maternity leave

RELATIONSHIP AND SOCIAL CAPITAL

- Loan and deposit products that address the needs and characteristics of all customer groups
- Leader in the sector in Customer Relations Centers with complaint handling time decreased to one day
- Community investments worth ~TL 50 million

NATURAL CAPITAL

- The first green bond issuance worth USD 50 million
- USD 2.4 billion financing to renewables projects with a total installed capacity of 6,931 MW
- Transition to the zero waste system at the Head Office buildings

INVESTORS AND SHAREHOLDERS

- Maximized market capitalization
- Superior service delivered to national and international investors
- The 3rd largest private bank in Turkey
- Pioneering the future of banking in Turkey based on solid banking foundations

EMPLOYEES

- Qualified Yapı Kredi employees possessing the competencies of the future
- Equal opportunity concept that forms the basis of all HR processes
- A working environment that establishes the work-life balance
- 77% employee satisfaction
- 76% employee engagement
- Yapı Kredi culture that has been preserved for 76 years

CUSTOMERS

- Increasing financial inclusion through products and services that are delivered to each and every segment of the society
- Secure, high-quality service

SOCIETY AND PLANET

- Support to Turkey's transition to a low-carbon economy with climate-oriented financing products
- 4 million tons of CO₂e³ avoided through renewable energy financing
- Banking notion pursuing the social and environmental needs of future generations
- Support extended to sustainable development through versatile corporate social responsibility projects
- Contribution to culture and art for 76 years

STAKEHOLDER VALUE

²Number of employees that continued to work for the Bank for at least 12 months after returning to work following maternity leave.

³Based on Yapı Kredi's share in the financing extended to projects. Covers the GHG emissions avoided during 2020.

TRENDS, THEIR IMPLICATION FOR THE SECTOR AND YAPI KREDİ'S RESPONSE

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TRENDS

ECONOMIC AND POLITICAL DEVELOPMENTS

During 2020, the global economy agenda revolved around the Covid-19 pandemic that quickly spread across the whole world after breaking out in China, the measures governments adopted against the pandemic, and the economic implications thereof. Closure of borders and restrictions imposed over activities in certain sectors by the countries in an effort to prevent the spread of the pandemic in the process led to significant economic effects of a global scale. Total shutdown of numerous sectors led by the services industry caused decelerated economic activity and surged unemployment.

Lockdown measures implemented resulted in significantly decreased production indices, loss of labor and declined confidence indices all over the world. Fiscal measures of significant magnitudes were put in place globally in an attempt to counter the permanent damage the pandemic would create upon supply chains and production capacity. In the process, central banks in a large number of countries implemented rate cuts, and countries including emerging economies introduced support programs of substantial magnitudes for sectors and households impacted by the pandemic, through asset buying, liquidity support and lending programs.

While international organizations projected 3% rise for the world GDP in 2020 in the pre-pandemic period, according to latest estimations provided by the IMF, the world economy contracted by 3.5% in 2020.

The significant dimensions the pandemic acquired and declined global risk appetite led investors to turn to safe harbors. This situation negatively affected emerging economies, resulting in high investment outflows from these countries, which led to marked rises in risk premiums of emerging countries. In the period that followed, net fund inflows to bonds markets of emerging markets began to be observed as a result of the relatively increased global risk appetite, and fund outflows were replaced by new inflows as of end-September also in equity markets.

Slumped global demand and compulsory production limitations because of the pandemic led to sharp declines in the world trade volume. Global trade volume shrank significantly as trade and global added-value chain were negatively impacted by this situation. Covid-19 cases that took an upturn in autumn augmented the uncertainties regarding global economy in the period ahead. In addition, a clear-cut solution has yet to be achieved in the trade wars between the US and China that occupied the global agenda before the Covid-19 outbreak.

Particularly oil and commodity prices plunged because of decelerated global economic activity, coupled with the splits between the oil exporting countries (OPEC+). Later, oil prices recovered partially upon reconciliation attempts among producers and supply interruptions.

Although the Turkish economy suffered a sharp contraction in the second quarter of 2020 due to the negative impacts of the pandemic and essential measures implemented to contain the outbreak such as temporary closure of mass meeting locations, restriction of domestic and international travel, and weekend lockdowns, it embarked upon a strong recuperation period in the third quarter of the year. Despite re-enforcement of certain restrictions in the last quarter, the economy preserved its solid structure. Therefore; Turkish economy grew by 1.8% in 2020. The Central Bank of the Republic of Turkey (CBRT), Banking Regulation and Supervision Agency (BRSA), Republic of Turkey Ministry of Treasury and Finance and the government exercised extreme diligence to try and eliminate the negative effects of the pandemic upon national economy. Legal requirements were stretched to support the banking and finance sector, deferment was granted to loan repayments by financially distressed customers, and Credit Guarantee Fund package remained in effect to support the SMEs. While some

of temporary arrangements were discontinued towards the end of the year given their positive reflections, practices compatible with the current circumstances of the economy were reinstalled. Discontinued practices include assets ratio and compulsory provisioning linked to loan growth among others.

Having taken all necessary actions to contribute to this battle, the banking sector carried on uninterruptedly with its activities and kept standing firmly by the side of its customers. In this period, high liquidity ratios were maintained in the sector, while growth rate of balance sheets picked up further speed in connection with credit support packages and the BRSA regulation. Total assets of the sector expanded by 35% to converge on TL 5.7 trillion in the twelve months to year-end 2020. TL loans, supported particularly by the CGF loan packages and low interests in the first half of the year, grew by 42% as compared to year-end 2019. In the reporting period, the downtrend in FC loans persisted due to decelerated long-term investments coupled with the attempted rebalancing in the private sector featuring heightened FC position. In addition, deposits that serve as the largest funding source of banks increased by 33% annually at year-end 2020 through the increase of TL deposits by 23% and FC deposits by 14.7%. On the other hand foreign currency adjusted deposit growth was realized at 19%. TL and

ALTHOUGH THE TURKISH ECONOMY SUFFERED A SHARP CONTRACTION IN THE SECOND QUARTER OF 2020 DUE TO THE NEGATIVE IMPACTS OF THE PANDEMIC, IT EMBARKED UPON A STRONG RECUPERATION PERIOD IN THE SECOND HALF OF THE YEAR WITH GOVERNMENT SUPPORT.

FC deposit growth differentiated between private and public banks, TL deposits increased by 41% in the public banks, while it demonstrated a 9% increase among the private banks. Similarly, FC deposits increased by 32% among public banks while it increased by 5% among their private peers. Loan to deposit ratio went up marginally from 103% in 2019 to 104% in 2020.

In addition, gradual tightening steps began to be taken in relation to the monetary policy starting from the beginning of August, while looking out for the repercussions of the rapid recovery in economic activity driven by a strong lending momentum upon inflation and external balance. The CBRT implemented monetary tightening by significantly increasing its one-week repo rate in September, November and December. Lending slowed down in connection with the regulatory arrangements introduced by the BRSA that accompanied the tightened monetary policy. The rise in interest rates that occurred in the last quarter of the year resulted in suppressed margins for the banking sector.

Projections regarding the world and Turkish economies that lost pace due to the pandemic present a more positive outlook for the year ahead as the vaccine efforts gain momentum. Having taken on an important role for keeping the wheels turning in an economically and financially rough year, the banking sector will maintain its central role in the recovery process as well.

The positive effects of the steps taken lately for the sake of financial normalization, such as the repealed practices of assets ratio and compulsory provisioning, will also lend important support to the sector. In addition, the positive effect of the cautious steps taken this year will prop the sector. Continuing to float high in 2021 after rising by the end of 2020, the funding costs are expected to put pressure on net interest margin in 2021. The CBRT states that tight monetary policy stance will be maintained determinedly for a long period of time until the formation of solid indicators pointing at permanent decline in inflation and price stability. In 2021, Turkish lira lending is anticipated to expand in real terms in the banking sector. Although asset quality is expected to deteriorate somewhat in connection with the revocation of the BRSA's temporary measures, it is expected that this deterioration will not have an impact on profitability due to the prudent provisioning strategies the banks pursued in 2020. All things considered, the upward momentum in the profitability of the Turkish banking sector is expected to persist.

IN 2021, TURKISH LIRA LENDING IS ANTICIPATED TO EXPAND IN REAL TERMS IN THE BANKING SECTOR.

HOW WE MANAGE

2020 has been a tough year due to the ongoing implications of trade wars, the Brexit process, the tensions in the Middle East, Eastern Mediterranean and the Caucuses, and the Covid-19 pandemic. Despite the repercussions of these developments in international markets and the volatilities they instigated in the economy, Yapı Kredi successfully preserved its strong key indicators at the end of the year owing to its robust balance sheet, solid capitalization, adequate liquidity levels and its prudent management approach predicting future developments.

With the support of ongoing internal capital generation, Yapı Kredi was able to maintain its capital adequacy

ratios [excluding the contribution of the regulatory forbearances provided the BRSA] well above the legal requirement. The Bank's consolidated capital adequacy ratio was 467 bps above the statutory share capital limit, and reached 16.7% as at year-end 2020.

The Bank, despite the uncertainties and the possible effects of the Covid-19 pandemic, maintained its liquidity at approximately USD 12 billion, more than 3.4 times of its short-term debt, in 2020. On the basis of the most recent quarterly averages, the Bank's total and FC liquidity coverage ratios at year-end were both well above the regulatory limits at 148% (limit: 100%) and 454% (limit: 80%), respectively.

As part of its prudent management approach, the Bank preserved its robust balance sheet structure against the uncertainties in the economy and those resulting from the pandemic with a total provision amount of TL 8.1 billion it has set aside in 2020, and created a buffer against potential future risks. The

Bank's total coverage ratio went up to 8.1% (2019: 7.2%).

Through all these measures taken, Yapı Kredi ensured minimal impact on its key indicators resulting from the increased funding costs in the second half of the year and from the policy rate that was raised by 675 basis points in the fourth quarter of the year. The Bank increased its loan to deposit margin by 94 basis points over that in 2019 during the course of the year, and succeeded in closing the year with a net interest margin of 3.78% and a return on average tangible equity (RoATE) of 12.0%.

In the future, Yapı Kredi will keep implementing its prudent balance sheet management and strategies without compromising its priorities; the Bank will also continue to quickly adjust to changes in the market thanks to its lean and agile organizational structure, adopt new measures as and when it deems necessary, and preserve its strong key indicators.

TRENDS

CHANGES IN THE
REGULATORY
FRAMEWORK

Being a critical component of the financial system, the banking sector is strictly regulated, which keeps its activities under control. The activities of the banks that deliver a variety of services within the financial system are regulated, kept under control and supervised by several public authorities, namely the Banking Regulation and Supervision Agency (BRSA), the Central Bank of the Republic of Turkey (CBRT), Capital Markets Board of Turkey (CMB) and the Republic of Turkey Ministry of Trade.

Numerous regulatory changes were introduced in the Turkish banking sector in 2020, while necessary preparations were initiated for the enforcement of others in 2021. Hence, 2021 is anticipated to be a busy year with respect to the changes in the regulatory framework governing banks. While some of these changes are intended to regulate the banks' operations, some others are directly targeted at economic activities.

Regulatory authorities introduced numerous measures in an effort to mitigate the economic impact of the Covid-19 pandemic that broke out in 2020 upon banks, as well as real and legal person customers. As the effect of the pandemic is anticipated

to persist, the measures will likely continue to be implemented in 2021 as well.

Following suit of the past several years, the Republic of Turkey Ministry of Treasury and Finance announced additional CGF packages in 2020 to drive economic growth and to supply the market with liquidity for this purpose.

Within the frame of macroprudential steps taken to provide financial stability and reduce current deficit, the BRSA limited the maturities of consumer loans and auto loans during 2020. In addition, the number of installments permissible with credit card purchases were either increased or decreased, depending on the relevant products and services. Aiming to contain the effects of the pandemic upon economic activity, the BRSA also made regulations to facilitate repayments by restructuring or granting deferment on the repayment installments of general-purpose loans taken out by real persons who are financially distressed.

Regarding distance provision of services without necessitating face-to-face contact and communication with the customers, the BRSA enforced a change that will pave the way for distance provision of all kinds of services in general without the execution of a wet signature during 2020. Subsequently, the obligation to establish the contractual relationship for debit cards and credit cards with a wet signature was repealed, allowing digital approval of the card contract. The draft regulation allowing individuals to become a customer without visiting the bank's service location was published and is expected to take effect in 2021.

In addition to these regulations introduced, the "Regulation on Banks' Information Systems and Electronic Banking Services" issued by the BRSA imposing significant changes for the banks' information system infrastructures and electronic banking channels came into effect in phases, on 1 July 2020 and 1 January 2021.

For facilitating repayment of credit card debts, certain measures regulating minimum amounts due were introduced. To help commercial customers improve their repayment capabilities, actions such as restructuring and deferment were encouraged. The BRSA also incited the banks to finance the real sector and consumers by way of the asset ratio practice that it began implementing during the course of the year, which was abandoned by the end of the reporting period. On another note, an exceptional decision was also introduced, which doubled the time a loan is allowed to be overdue before being classified as a non-performing loan from 90 days to 180 days. At year-end 2020, the validity of the arrangement was extended until end-June 2021. In addition to those, decisions were adopted in relation to some exceptional practices aimed at containing the impacts of volatile exchange rates and asset values upon banks, which involve capital adequacy calculations for banks.

The CBRT enforced arrangements limiting the fees to be charged on commercial customers. Additionally, the CBRT targeted to steer the financial markets by actively using the reserve requirement mechanism throughout the reporting period. On top of those, based on the decision to simplify the reserve

requirement regulation to increase the effectiveness of the monetary transmission mechanism, the CBRT terminated the reserve requirement practice that links the reserve requirement ratios and interest/remuneration rates to real loan growth rates as of November 2020, which had been introduced in 2019.

Based on an amendment to the Law on Payment and Securities Settlement Systems, Payment Services and Electronic Money Institutions, the responsibility for regulating was transferred from the BRSA to the CBRT. This has enforced an arrangement contained

in the European Union's [EU] revised Payment Services Directive [PSD2] that allows certain banking services to be offered via fintechs, which are third party technological solutions, through Application Programming Interfaces [APIs]. Ancillary arrangements concerning the details in the amended Law published in 2019 are anticipated to be released in 2021 and further clarify the regulatory details in relation to the topic.

In the wake of the positive reflections of the pandemic management and the normalization process, certain regulations were revoked. The assets

ratio requirement enforced by the BRSA was repealed as of the end of the year, while the applicability of the decision to double the time a loan is allowed to be overdue before being classified as a non-performing loan from 90 days to 180 days was extended from year-end 2020 until June 2021. Potential new regulations that may be introduced depending on the course of the pandemic or practices that might be repealed in conjunction with the normalization steps have left a mark on the banking sector. The sector added momentum to its preparations to adapt to the variable environment circumstances.

HOW WE MANAGE

The changes in the regulatory framework that directly impact the banking products and services offered and business processes are closely monitored by specialized teams at Yapı Kredi. The said changes are reviewed and interpreted by regulatory compliance, legal and other departments, their implications are analyzed, and associations and

legal authorities are contacted as necessary. Full regulatory compliance is ensured as a result of related planning processes. At the same time, potential possibilities and opportunities arising from regulatory changes are identified by Yapı Kredi, upon which focus is placed on these opportunities during new product and service developments.

The banking sector presents a very active and volatile regulatory atmosphere. While alignment with it requires an agile business model, it also compels the existence of complementary components. Through its specialized regulatory compliance teams, Yapı Kredi keeps a close eye on the regulatory framework, along with planned or

enforced changes therein as well as planned or enforced new rules and requirements.

Through close collaboration with related business units, impact analyses are conducted, upon which necessary decisions for regulatory alignment of processes and business models are quickly taken jointly with related units. Regulatory compliance is achieved not only by way of ensuring compliance of processes and business models, but also through regular activities of audit and control units. Within this framework, Internal Audit and Internal Control units also regularly and continuously undertake audit and control activities regarding the regulatory compliance of banking activities.

TRENDS

**BUSINESS
SUSTAINABILITY
THROUGH THE
PANDEMIC**

Nowadays, businesses risk numerous unforeseeable threats, a disadvantage resulting from globalization. The Covid-19 outbreak of March 2020 that was declared a pandemic by the World Health Organization (WHO) is also a very serious risk factor for all the countries in the world in social, economic and psychological terms, as well as physical health.

Corporations need to make the necessary preparations in order to rapidly adapt and successfully manage the progress in order to overcome this crisis with minimum impact. This process calls for:

- Formulating new working and business models to ensure business sustainability,
- Developing contingency action plans,
- Reviewing the benefits to be provided to employees,
- Revisiting risk factors,
- Revising operational activities.

In view of this necessity, businesses are advised to collaborate with, and seek consultancy from, firstly medical authorities when framing their decisions, and redesign their systems so as to ensure social isolation to reduce the disease's transmission rate.

The measures to be adopted are expected to involve not just the business sustainability, but also employees' adjustment to the new way of doing business, fulfillment of shifting individual demands and employment security.

THE Covid-19 OUTBREAK IS VERY SERIOUS RISK FACTOR FOR ALL THE COUNTRIES IN THE WORLD IN SOCIAL, ECONOMIC AND PSYCHOLOGICAL TERMS, AS WELL AS PHYSICAL HEALTH.



HOW WE MANAGE

Putting the Covid-19 pandemic that took the whole world in its grip and its effects under close watch from the very first day, Yapı Kredi has been attentively managing the process on the basis of a 5-phase protocol set. Based on a commitment to protect the community health with primary focus being given to employees and customers, a series of measures were introduced before the emergence of the disease in Turkey. Within the framework of business and operational continuity, the Bank undertook regular information sharing and communication, implemented sanitization and disinfection programs for work spaces, and completed infrastructural preparations for all eligible employees to work remotely. In addition, working hours of branches were updated, while a work-rotation scheme was put in place. Preparations were

completed to enable remote working for employees at the Customer Relations Center providing service out of three different locations, and remote working model was put into life for all these employees.

The Bank has been supplying personal protective gear such as masks, disinfectants and gloves for all of its employees at any level on an ongoing basis. In addition, Yapı Kredi extended support to hospitals by donating emergency equipment worth TL 10 million as a demonstration of its commitment to fight the pandemic.

Amid the economic uncertainty and stagnant market environment caused by the Covid-19 pandemic of 2020, actions were taken to keep Yapı Kredi's profitability at projected levels and to preserve the Bank's asset quality.

Taking also the economic effects of the pandemic into consideration, Yapı Kredi introduced economy support packages. Within this context, the Bank granted postponement for loan repayments and credit card payments worth approximately TL 19 billion of its more than 450 thousand individual and corporate customers. The Bank

did not charge fees for EFT/money transfers made through alternative distribution channels and for cardless cash withdrawals/deposits, and supported the banking needs and commercial activities of its individual and corporate customers within existing and increased limits, as the case may be. The Bank also joined the Treasury-supported and CGF-backed [Credit Guarantee Fund] "Cheque Payment Support Package" and "Opex Loan Support Package" programs with the purpose of minimizing the potential effects of the pandemic on the employment, manufacturing, trade and payment systems.

Yapı Kredi will continue to review the measures it has adopted to mitigate the effects of the pandemic and the support packages introduced during 2020 according to the potential course of the Covid-19 pandemic in the coming period, and to address the risks with a multifaceted, careful and comprehensive approach.

THE FIRST BANK IN THE SECTOR TO TRANSFER TO THE REMOTE WORKING MODEL

TRENDS

CLIMATE CRISIS

Special Report on Global Warming of 1.5° C released by Intergovernmental Panel on Climate Change (IPCC) in 2018 highlighted extraordinary weather, extreme temperatures, water scarcity and ecosystem damages that our planet will be faced with in the wake of global warming of 1.5°C above pre-industrial levels. In the report, scientists particularly pointed at the emergency of the situation.

Despite the Covid-19 pandemic, the climate crisis remained a critical agenda item in 2020. Although the social isolation of a large segment of the people during the pandemic produced a positive impact in terms of reducing greenhouse gas emissions, 2020 was recorded as one of the hottest years in history.

In this context, managing physical and transition risks stemming from the climate crisis became all the more critical, and national and international regulators took certain actions regarding climate crisis management.

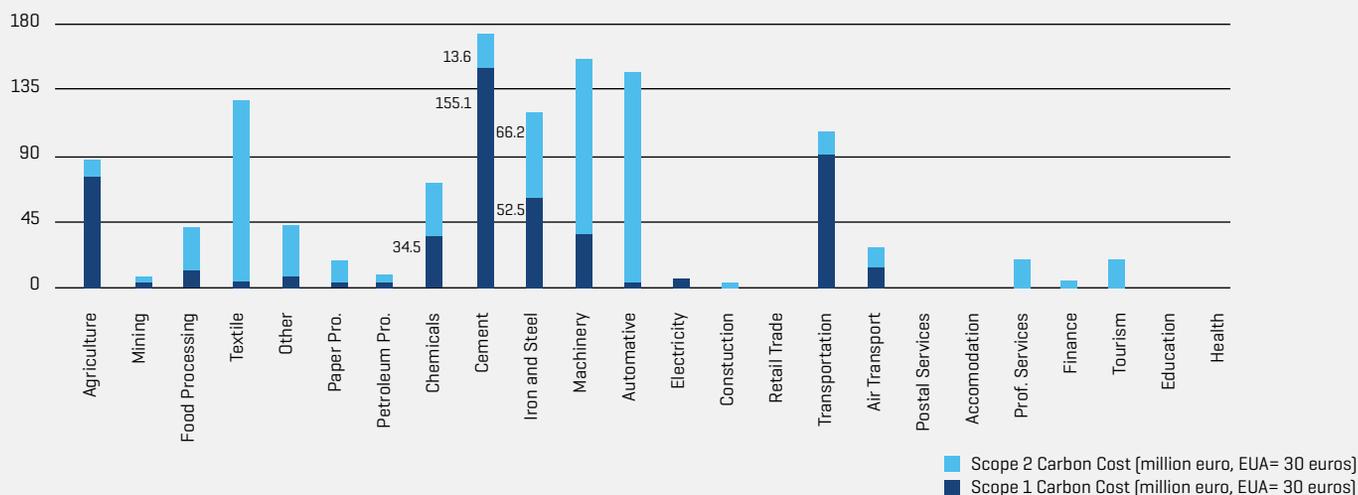
The business community and regulators started working on the potential impacts of the European Green Deal that was announced in 2019 by Ursula von der Leyen, the President of the European Commission, upon Turkey, who ships half of its exports to the European Union (EU). Under the carbon border adjustment mechanism envisaged to be launched by the Deal, the EU will determine the import price of products in selected sectors taking the relevant carbon content into consideration. The sectoral carbon price that Turkey's exports may be exposed to [see page 57 Carbon Cost table] indicates that the production processes in Turkey would become more sustainable in the period ahead, in the event that the carbon border adjustment mechanism is introduced in view of the current per ton price [30 Euro/tCO₂e*] of the carbon in the EU's Emissions Trading System (ETS).

On another note, the flood disaster in China, Typhoon Goni in the Philippines, and the fire, derecho and hurricane phenomena in the USA, as well as the bushfires that broke out in 2019 and continued until early 2020 in Australia, bared the cost of climate risks upon governments, the people and the business world, in particular the insurance industry [MunichRe]. New Zealand and UK's announcement that reporting in line with Task Force on Climate-related Financial Disclosures (TCFD) recommendations will become compulsory for specific sectors indicates that the financial impact of climate risks are being prioritized also by regulators and capital markets. Integration of TCFD reporting, which is designed to give investors, lenders and insurers access to correct data on climate risks in the decisions they will take, with various environmental, social and governance (ESG) reporting templates and achievement of a greater degree of uniformity in reporting point that companies will be systematically defining, measuring and disclosing climate risks in the future.

^(*)Based on the then-current price at the time of the writing of "The New Climate Regime Through the Lens of Economic Indicators" report [<https://ember-climate.org/data/carbon-price-viewer/>].

Carbon Cost (Million euros, 2018)*

Scope 1 Total Cost =478 million euro
Scope 1 + 2 Total Cost =1,085 million euro



The carbon cost of Turkey's exports based on a price assumption of EUA=30 euros.

In Turkey, the communiqué amending the Corporate Governance Communiqué published by the Capital Markets Board of Turkey [CMB] in October 2020, urges publicly-floated companies to do reporting within the frame of Sustainability Principles Compliance Framework, including GHG emissions and climate change governance. While the practices addressed by the Principles are

on a voluntary basis, reasons for non-compliance are expected to be disclosed in the reporting. These developments reveal that regulators and capital markets in Turkey consider climate crisis as a material issue with respect to market stability and investors.

THE BUSINESS COMMUNITY AND REGULATORS STARTED WORKING ON THE POTENTIAL IMPACTS OF THE EUROPEAN GREEN DEAL UPON TURKEY, WHO SHIPS HALF OF ITS EXPORTS TO THE EUROPEAN UNION (EU).

^(*)Yeldan, E., Acar, S. Aşıcı, A. A. [2020] The New Climate Regime Through the Lens of Economic Indicators, TÜSİAD, <https://tusiad.org/en/press-releases/item/10643-tusiad-s-the-new-climate-regime-through-the-lens-of-economic-indicators-report-was-introduced>

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All activities in connection with sustainability, including management of climate-related risks and opportunities are carried out under the supervision of the Sustainability Committee, which is co-headed by a Board member. The Committee's activities are regularly reported to the Executive Board and the Board of Directors.

The Bank categorizes climate risks and opportunities in two groups: physical and transition-related. In this context, the Bank defines extreme weather, extreme temperatures, national and international regulations related to climate change, stakeholder expectations, market expectations changing with the transition to a low carbon economy, and emerging technologies as climate-related risks and opportunities. The implications of these risks and opportunities with respect to Yapı Kredi are determined within the scope of the collaboration

of different units within the Bank and in view of national and international regulations, trends and initiatives.

Basic approaches to climate-related risks are addressed also in the Reputational Risk Policy and Lending Policies, which are approved by the Board of Directors. Matters related to risk areas and critical sectors (non-environment friendly establishments, nuclear energy, mining and thermal power plant industry, water infrastructure and dam industry, etc.) are defined by the reputational risk management guidelines and are also assessed within the scope of the Environmental and Social Risk Assessment (ESRA) system. A forward-looking capital planning approach has been embraced in order to sustain the Bank's operations in the event of losses resulting from contingencies or deteriorations in the markets. The Bank monitors the number of inundation incidents, cost of physical damage resulting from extraordinary weather events, the share of fossil-fuel projects in the energy portfolio, carbon footprint of the project finance energy portfolio, the Bank's operational GHG emissions, GHG emission intensity per Bank employee (Scope 1 and Scope 2) and the Bank's energy consumption within the scope of climate risks. The Bank

keeps a close eye on the potential risk indicators that may arise within the frame of possible regulations in the period ahead.

At Yapı Kredi, potential risks that may arise from extraordinary weather events are addressed in an integrated manner, and necessary infrastructural measures related to climate change are taken on the basis of branches and regional offices. As part of the combat against climate change, Yapı Kredi calculates and obtains verification of its Scope 1 and Scope 2 GHG emissions in accordance with the ISO 14064 standard in its operational activities. The Bank obtains limited assurance statement for its Scope 1, Scope 2 and Scope 3 GHG emissions in accordance with ISAE 3410 International Standard on Assurance Engagements. GHG emissions, energy consumption and energy intensity metrics are monitored on an annual basis; Yapı Kredi is projected to reduce its GHG emissions by 27.5% by 2030 as compared to 2019 within the frame of compliance with the Well Below 2 Degrees (WB2D) scenario. Yapı Kredi implements energy efficiency and renewable energy supply initiatives for reducing its GHG emissions resulting from its operations, and sets yearly, five-year and ten-year targets.

On another note, Yapı Kredi manages the climate risks arising from its lending operations within the scope of the ESRA system that it applies to loan requests for investment amounts of USD 10 million and over. For high risk projects and investments, the Bank monitors air pollution impact by following up local environmental permissions and related air measurements, as well as through Environmental and Social Action Plans. Yapı Kredi began working to achieve total compliance with the Equator Principles [EP4, 2020] in the coming year, when managing all of its environmental and social risks, including climate risks.

Believing in the vitality of standing by its customers in the combat against climate crisis and Turkey's transition to a low-carbon economy, Yapı Kredi targets to organize capacity building activities for its customers within the frame of national and international regulations and trends. In this context, the Bank administered customer questionnaires to identify its customers' sustainability priorities in 2020 in order to understand its corporate customers' needs and to offer them customized solutions.

The Bank also proactively capitalizes on climate-related opportunities that arise within the scope of market, regulatory and stakeholder expectations. Within the frame of sustainable finance, Yapı Kredi continued in the reporting period to cooperate with international financial institutions including the European Investment Bank (EIB), European Bank for Reconstruction and Development (EBRD) and Proparco, a subsidiary of the French Development Agency (Agence Française de Développement-AFD). Having carried out its first green bond issuance in compliance with the International Capital Market Association (ICMA) Green Bond Principles [2018] early 2020, the Bank thus diversified the funds it extends to green projects.

By year-end 2020, the Bank's renewable energy volume amounted to approximately USD 2.4 billion and accounted for 43% of the project finance energy portfolio. In the period ahead, Yapı Kredi intends to broaden and diversify its sustainable product portfolio in line with the market and customer expectations.

**BY YEAR-END
2020, YAPI KREDİ'S
RENEWABLE ENERGY
VOLUME AMOUNTED
TO APPROXIMATELY
USD 2.4 BILLION.**

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TRANSFORMATION OF HUMAN CAPITAL

In the wake of the abrupt and uncalled-for invasion of our lives by the pandemic, customer behaviors, ways of doing business, employee needs and expectations changed radically. Accordingly, a fast-moving transformation was triggered in working habits,

employee engagement and motivation, necessary new talents and skills improvement, performance management and training leaders turned towards the new world needs.

We are going through a period when the banking sector that plays a key role in the economy focused on the transformation in the human resources management in order to ensure business sustainability during and after the pandemic.

In the transforming banking sector, it has become much more critical to discover and retain talents that quickly adjust to the ongoing transformation, clearly understand customer needs and provide solutions

therefor, take decisions swiftly, conceive and implement creative ideas. In addition, efforts are also being spent to ensure the continuity of employee communication and sustainability of information transfer, and to identify/redefine critical roles.

YAPI KREDİ HAS BEEN THE FIRST BANK TO DECIDE THAT SOME EMPLOYEES WOULD WORK FROM HOME PERMANENTLY.

HOW WE MANAGE

Having formulated its vision to recruit the human capital possessing the qualifications needed by the organization in the shortest time possible, Yapı Kredi Human Resources is introducing new practices in relation to the transformation of the human

capital in every department from post-pandemic employer brand initiatives to recruitment, from training and development activities to career management, from performance and leadership development to employee engagement and motivation.

Within the context of transforming human capital and evolving working models, Yapı Kredi Human Resources charged ahead with its work to strengthen and heighten the employer brand perception in the eyes of students, candidates and Yapı Kredi employees. In order to do select the right talents, required competencies were revised against

the new world requirements, and recruitment processes were adjusted to the new era. On-campus and social media communications were enriched, directed towards the needs of young talents. According to the results of university surveys conducted, Yapı Kredi rose from the fourth spot to the third among the most preferred banks.

In the wake of the pandemic, activities were carried out regarding the transformation of working models as well. Yapı Kredi has been the first bank to decide that some employees would work from home permanently. Based on this approach, the Bank developed a

remote working approach for more than one third of the employees in the head office in order to provide more flexibility and cut office costs.

For simplification of the working order, Yapı Kredi Human Resources is planning to manage this process by dividing the employees into three groups. Only 28% of the head office employees will continue work from office due to banking regulations, whereas 36% will be predominantly working from home. The rest of the employees will shift to a hybrid model involving a combination of work-from-home and in-office presence arrangements. The plan will be implemented in phases, and it is slated for full implementation from the second half of 2021.

New practices have been introduced that will help employees adjust to the new working model and support their motivation upon transition to the hybrid working model. From 15:00 to 16:00 hours on Tuesdays and Thursdays have been designated as "Meeting-free Hours" so that employees can better focus on their work and plan their time. Through internal announcements, it has been advised against setting meetings between these hours. In addition, meeting durations were limited to 40 minutes for productivity and efficiency purposes, and memos were published for leaving at least

a 10-minute intermission between meetings or resuming long meetings after a 10-minute break. Ideal duration and tips on effective content depending on the types of meetings were shared.

Video series, instant announcements and memos are planned to be carried on throughout the year to support efficient and productive performance in the hybrid working model. In addition, initiatives were carried out to support and grant privileges to Yapı Kredi employees in their social lives. The close-knit work-life order required not to balance but to integrate the two. BizClub, providing the setting for all Yapı Kredi employees to participate in social events, concerts, workshops under a single roof taking advantage of the privilege of belonging to Yapı Kredi at more favorable terms, had 8,342 members as at year-end 2020.

The pandemic also influenced career management models. Reassignments were made in line with the fast changing needs for more flexible utilization of labor and multi-disciplinary teams were created.

While priority is given to make sure that Yapı Kredi employees define their own career paths, training programs and career development are conducted in parallel to each

other. Numerous training and development programs are being shaped according to the needs and development expectations of different target groups.

For Yapı Kredi, it has become a priority to train and educate the leaders compatible with the new world and the new working model from within the organization. Yapı Kredi's leadership also focused on developing and training the future leaders from within the Bank. In addition to Yapı Kredi's leadership, prospective leaders also continue to be supported with development programs in continuous learning, creating a collaborative environment, appreciating different perspectives and opinions, learning from mistakes, familiarization with new approaches, conceiving and implementing creative ideas. Also all employees are provided with development opportunities related to working more efficiently and adjustment to the new order under the hybrid working model in the light of the new world priorities.

 Read more in the [Talented and Committed Employees](#) section of the Report.

TRENDS

**DIGITALIZATION AND
CYBER SECURITY**

In the 21st century that set the stage for the "Digital Age", globalization is bringing people, systems and financial markets closer, compelling reconstruction of information in these modern times. The information age increases the interaction of numerous critical structures including finance, electronic communication, transportation, energy and healthcare with technology.

With the changing age, expectations and behaviors of businesses and users also alter. Demands and needs of businesses and users keep evolving with the growing prevalence of transparency, availability, fast communication and interaction, access to an unlimited market and intense competition, combined with the digitalization of product and service trade.

The pandemic that broke out in 2020 triggered a gigantic transformation for the whole world, one that is still ongoing. In this new world, user behaviors also changed, and it has become a necessity for customers to perform their transactions in contactless manner. Along this line, the already-rising digitalization gained momentum.

All these developments give rise to important innovations and changes in the banking and finance market as

well. Aiming to maximize customer satisfaction by delivering banking transactions as a fast, secure and perfect experience, banks produce new solutions so that customers can get the most comprehensive service from digital banking products.

Open banking is even more important with respect to developing new solutions in the banking sector. Through Open Banking, banks will be able to deliver their own products and services at a substantially personalized extent in line with customer needs on different platforms. Additionally, they will be able to acquire new customers through other service providers, and will thus be able to offer a higher number of innovative products and services to their customers.

Those banks that make broader use of technology, are capable of offering innovative products, are more active in product development, focus on human and technology interaction, and reformulate and manage their work flows in line with the technology get one step ahead of competition. Constantly advancing technology and the competition among banks lead to more investments in digitalization, innovation, R&D, and employee training.

In the digital age we are living through, information is delivered to every individual in the society through digital channels. By now, individuals use digital media at a gradually increasing intensity for the basic necessities of daily life. Banking products and services also take place within these basic necessities of the people.

Increasing prevalence and accessibility of Internet use and

mobile devices give retail or corporate customers easy reach to much more comprehensive banking products and services. Resource utilization that is optimized thanks to the Internet and mobile services is reflected to customers in the form of services, which drive customers to opt for digital channels at a growing extent.

Compulsory social isolation through the pandemic instigated remote performance of a number of activities such as work-from-home, education, communication, shopping etc. Accordingly, digital security emerged as a topic that is overemphasized and that will acquire higher priority in the long-term. The Covid-19 pandemic acted as an accelerator upon the technological transformation in progress.

The expansion in the digitalizing banking ecosystem and intense online activity during the pandemic brought along a rise in cyber attacks and fraudulent acts threatening the security of customers and the bank, which rendered risk management all the more important with respect to business sustainability. As a result, banks inevitably turned towards more effective and productive solutions without hurting the customer experience, while aligning with the regulatory framework introduced for the sector.

Possessing a high-level security notion, the Turkish banking sector has the technological infrastructure that will ensure the protection of customer data and cyber security on the back of the strict security policies and strategies implemented, effective risk management and the high rate of resources allocated to innovation.

HOW WE MANAGE

Pioneering the sector through digitalization, Yapı Kredi offers personalized, on-site and efficient service to its customers.

Also in 2020, the Bank defied the negative effects of the pandemic to uninterrupted carry on with its services, offering the latest technology to its customers on its digital banking channels based on its innovative approach. Closely monitoring the advancements in technology within the scope of its digital banking strategy, Yapı Kredi targets to deliver an excellent experience by quickly adjusting to the changes in customers' emerging needs, lifestyles and usage habits.

Focusing on offering the products and services targeted at the current necessities, customer needs and demands employing the right technology and delivering the right experience, the Bank continues to develop its products and services in this respect.

Throughout 2020 in which the pandemic has taken its toll, Yapı Kredi broadened its product array made available on digital and mobile channels with the aim of decreasing the contact risk, carried on with new customer acquisition independent from place via "Video Transaction Assistants", and lifted the fees charged on money transfers through ATMs, Digital/Mobile Banking in order to encourage customers to perform their transactions digitally. Having increased its distance customer relations capabilities through resources created for the Call Center, the Bank launched an application that prioritizes healthcare workers and customers above the age of 65.

Thanks to all these steps, the number of digital banking active customers increased by more than 1 million whereas that of mobile banking active customers by more than 1.1 million in 2020, and 16 percent of customers who did not use digital banking applications previously got acquainted with the Bank's digital banking applications in this period. New customer acquisition increased by more than two folds via "Video Transaction Assistants" and the share of non-branch channels in total banking transactions went up to 97 percent as at year-end.

The Bank's systems were supported with advanced analytical and artificial intelligence capabilities in order to proactively monitor and prevent the cyber threats and incidents of fraud that Yapı Kredi and its customers were exposed to, due to increased digital traffic in 2020. A team working around the clock and certain systems have been developed, and work is in progress related to the automatization of these systems.

Within the scope of anti-fraud initiatives, systems tracking customer actions are updated to respond to novel types of incidents and actions to raise increased security awareness are taken by regularly informing customers about current incidents.

Code of Ethics and Business Conduct

For the banking sector that is dominated by a highly competitive environment, it is important to address ethical values, anti-bribery, anti-corruption and human rights efforts within the framework of principles and policies. Yapı Kredi manages all of its business processes in line with its Code of Ethics and Business Conduct.

Code of Ethics and Business Conduct, which is available for use by all employees, was reviewed and updated also in 2020, so as to ensure it is concise, simple, easy-to-understand and inclusive of the current developments in the regulatory framework. The updated Code of Ethics and Business Conduct Policy is adapted to the Bank and all [domestic and international] subsidiaries.

Yapı Kredi ensures consistency among organization processes, internal communication, personal development and performance management with the disciplinary/ethical rules, and aims to prevent digressions by encouraging its employees to act in accordance with the compliance culture.

The Bank has established a Whistleblowing Policy that defines the channels whereby unacceptable behaviors of employees and third parties [suppliers, contractor etc. real or legal persons] can be reported anonymously. The whistleblowing channels are managed under the Audit Committee that reports directly to the Board of Directors. These channels are open for use by individuals from within and outside the Bank, and are managed confidentially in five main areas,

namely internal audit, anti-bribery and anti-corruption, ethics, sanction violations and conflicts of interest. The whistleblowing channels employ the local languages at the Bank's international subsidiaries and the Whistleblowing Policy has been translated into the local languages where Yapı Kredi pursues operations. There is a Whistleblowing Channels Reporting Process document, which describes the management of the process for notification and reporting of unacceptable behaviors, and associated responsibilities.

For notifying and reporting unacceptable behaviors within the context of the Code of Ethics and Business Conduct, the e-mail account etik@yapikredi.com.tr, letters or the phone number +90 212 339 73 53 can be used, and anonymous reporting is also possible. During 2020, 132 notifications were received by the whistleblowing channels, and all of them have been resolved. During the reporting period, there were no notifications/reports concerning discrimination reported through the whistleblowing channels.

In a bid to ensure compliance with the Code of Ethics and Business Conduct and to disseminate the culture of ethics, content and images prepared by the Bank within the scope of the Code of Ethics are e-mailed to all the employees at certain intervals. Additionally, messages about the subject are posted on the Bizler+ intranet platform which can be accessed by all employees.

All notifications received by the whistleblowing channels are reviewed by the Ethics Unit, which issues a preliminary warning or written reprimand depending on

the nature of the incident. Based on the outcomes of routine, periodic or spot controls performed using the Bank's digital infrastructures within the scope of the Ethic Unit's activities, contradictions to the Code of Ethics can be directly escalated to the Disciplinary Committee if the same violates the provisions of the Disciplinary Regulation and/or recurs within the period of time it applies. Disciplinary punishments up to and including termination of employment contract can be implemented depending on the nature of the incident. Violations of Code of Ethics that result in a written reprimand are taken into consideration in the performance management process of the concerned employees. The implications of the deficiencies in competence and behavioral indicators and/or violations of compliance matters upon performance-based incentives are determined according to guidelines and internal policies.

Yapı Kredi is a member of the Ethics and Reputation Society (TEİD) which works to assist and guide companies in the creation and execution of their codes of ethics and business conduct, anti-bribery and anti-fraud policies and processes, and to ensure that companies' ethical values are embraced in all their administrative and commercial functions.

Yapı Kredi was named among Turkey's most ethical companies for the 8th year in a row in the ETİKA Turkey Ethics Award organized by Center for Ethical Values Association (EDMER).

 Yapı Kredi Code of Ethics and Business Conduct can be found [here](#).

0 Yapı Kredi Whistleblowing Policy can be found [here](#).

Code of Ethics and Business Conduct Training

At Yapı Kredi, Code of Ethics and Business Conduct training is assigned to all; temporary, part-, half- and full-time employees and managers, including the Board of Directors. The content of the existing distance training was updated in line with the updated Code of Ethics and Business Conduct, and reassigned to all employees, including those at domestic and international subsidiaries. Moreover, virtual classroom training began to be offered through online platforms, in addition to classroom training. During 2020, 4,792 hours of training was given to 9,045 employees for raising increased awareness of the Code of Ethics and Business Conduct.

Prevention of Laundering Proceeds of Crime and Financing of Terrorism

Activities associated with the legal obligations within the scope of prevention of laundering proceeds of crime and financing of terrorism and achieving full compliance with related national and international legislation and guidelines are carried out by Compliance, Internal Control and Risk Management that directly report to the Audit Committee. Yapı Kredi carries out activities in accordance with the Corporate Policy on Prevention of Laundering of Proceeds of Crime and Financing of Terrorism and other policies and procedures in place.

Within this context, practices regarding customer acceptance, customers' risk classification, monitoring and assessment, and Know-Your-Customer obligations are successfully carried out to achieve full compliance and avert possible risks. Incorporation of robotic technology in operational areas within customer acceptance and monitoring activities ensured more efficient analytical use of the human resource. For transactions considered to be suspicious, Yapı Kredi undertakes Suspicious Transactions Reporting to the Financial Crimes Investigation Board (MASAK) within the scope of the laws and regulations governing the Bank.

In order to follow up international sanctions, the Bank performs all the controls regarding the decisions of international organizations and institutions, including the United Nations, European Unions, U.S. Department of the Treasury - Office of Foreign Assets Control (OFAC), etc.

The Bank organizes classroom training for all new hires as part of the orientation program, and annual online training programs for the entire employee body.

Audits to verify the compliance of all these activities with the policies and procedures are conducted with a risk-based approach at certain intervals by Yapı Kredi Internal Audit Department. Activities for the prevention of laundering proceeds of crime and financing of terrorism are regularly reported to the Audit Committee/Board of Directors.



0 The Corporate Policy on Prevention of Laundering of Proceeds of Crime and Financing of Terrorism can be found [here](#).

MATERIAL ISSUES

Yapı Kredi’s material issues make the foundation of its business model and value creation concept, and provide guidance in setting the Bank’s corporate strategy. When determining the material issues that are regularly reviewed; stakeholder analysis, external trends, executive inputs, and risks and opportunities are considered.

<p>Material issues for stakeholders are identified based on:</p> <ul style="list-style-type: none"> Inputs and expectations of priority individuals and institutions within all stakeholder groups sought through stakeholder analysis; Global and sectoral trends, and the priorities of international organizations and global sustainability indices determined through external trend analysis. 	<p>Material issues for Yapı Kredi are identified based on:</p> <ul style="list-style-type: none"> Inputs and expectations of senior management; The Bank’s strategic plan; Financial, regulatory, innovative and competitive risks and opportunities assessed through a four-stage impact analysis.
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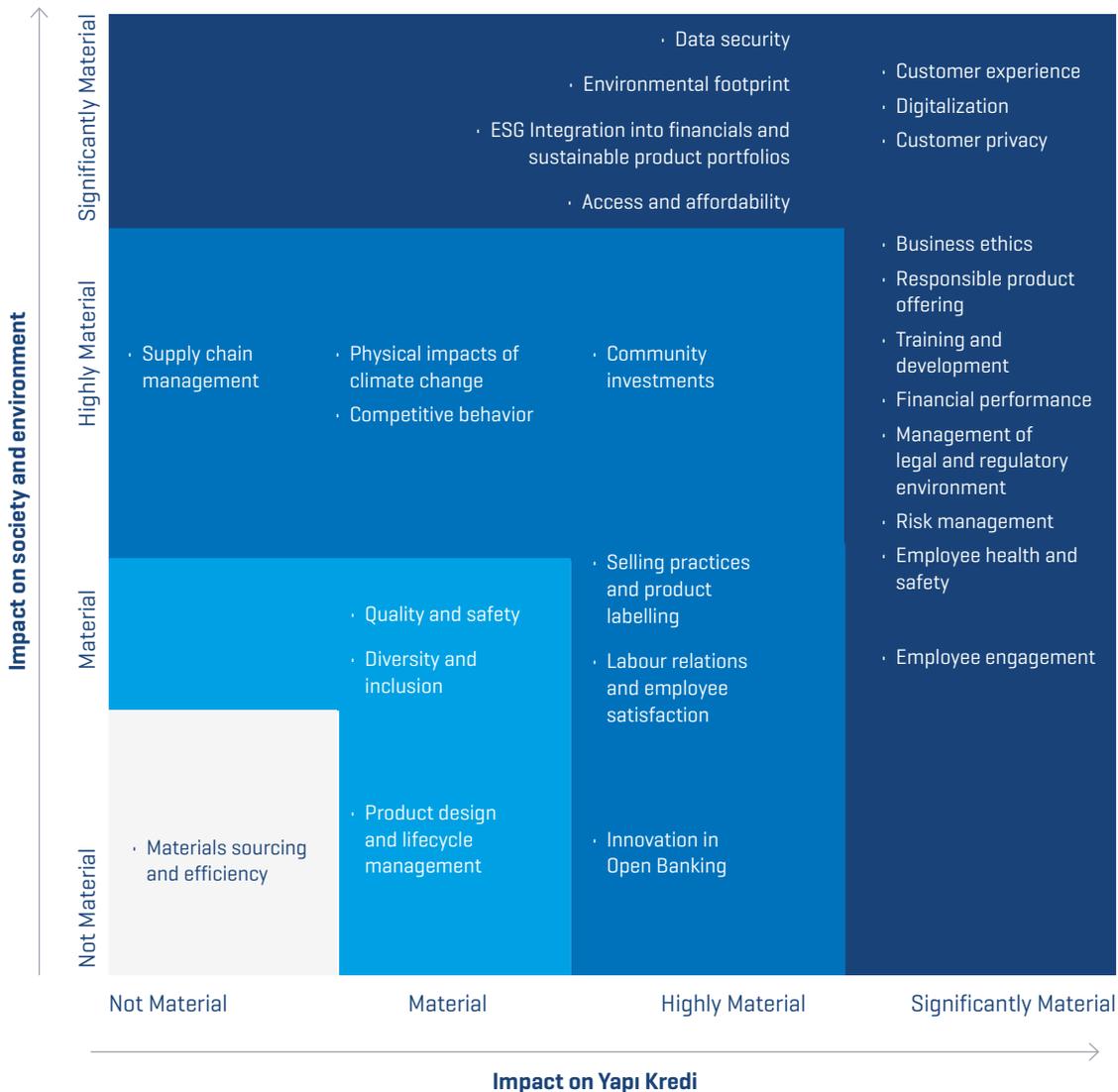
Contribution to Sustainable Development Goals

	Material Issue	SDG
Financial Capital	Business ethics	
	Financial performance	
	Management of legal and regulatory environment	    
	Risk management	
	ESG integration into financials and sustainable product portfolios	
Intellectual Capital	Digitalization	
	Data security	
Human Capital	Training and development	
	Employee health and safety	  
	Employee engagement	
Relationship and Social Capital	Customer experience	   
	Customer privacy	
	Responsible product offering	
Natural Capital	Environmental footprint	  

In 2020, the Bank has updated its material issues. When updating, the Bank took into consideration the outcomes of its materiality analysis performed specifically in relation to the Bank's environmental, social and governance (ESG) rating, strategy decisions of senior management and current mega trends impacting the banking sector.

Upon an assessment of external trends, risks and opportunities entailed in each issue and the material issues of other banks in the sector were included in the analysis.

Material Issues Matrix



STAKEHOLDER RELATIONS

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When determining its business strategy and priorities, Yapı Kredi defines the expectations of its internal and external stakeholders, and takes into consideration the value its operations create for its stakeholders in the short-, medium- and long-term.

Understanding the issues that stakeholders consider material for Yapı Kredi and finding out their expectations enable the Bank to better manage risks and opportunities. The Bank espouses the concept of establishing mutual and effective communication with all stakeholders, which it categorizes as employees, customers, investors, non-governmental organizations (NGOs), international organizations, business partners, public agencies, suppliers and universities.

Customers lie at the heart of Yapı Kredi's business model and constitute one of the most important stakeholder groups. The Bank considers its customers' feedback, and improves and enhances customer experience and the value proposition delivered to them.

Further information about how customer feedback is integrated into all processes and communication with customers can be found in the [Customer Experience Research](#) and the [Customer Relations Center](#) sections of the Report.

Human capital is the most important asset that serves as the foundation of Yapı Kredi's sustainability. Yapı Kredi constantly improves its work model, employee training and development programs, and fringe benefits offered to employees in order to respond to employee expectations and prepare for the future of work.

Further information about the methods of communication with the employees and the investments Yapı Kredi makes in the development of its human capital can be found in the [Talented and Committed Employees](#) section of the Report.

Yapı Kredi actively takes part in sectoral initiatives and non-governmental organizations, and heeds multi-stakeholder communication and cooperation. The Bank spends efforts to become a member of, and contribute to, international standards and initiatives on sustainability.

Relations with shareholders are carried out by the Investor Relations Department. During 2020, the Investor Relations Department held 8 analysts day meetings and about 400 teleconferences within the frame of shareholder relations. In this period, the Bank participated in 15 conferences and 7 roadshows, and met with existing and potential investors, and made sure that shareholders were better informed about current developments.

A member of The Banks Association of Turkey (BAT), the Bank actively takes part in all the activities of the Association, and is represented on the BAT Board of Directors.

Yapı Kredi participated as a founding signatory in **the United Nations Principles for Responsible Banking (UN PRB)** established under **the United Nations Environment Programme Finance Initiative (UNEP FI)**, of which the Bank is a member since 2017. Taking part actively in the working groups of UN PRB, the Bank cooperates and shares experiences at an international level with other banks in relation to sustainability.

Yapı Kredi [United Nations Principles for Responsible Banking Reporting Index](#) can be found [here](#).

An active member of **Turkish Industry and Business Association's (TÜSİAD)** Environment and Climate Change Working Group, Yapı Kredi also participates in the said working group's Climate Change and Low-Carbon Economy, Financing Models and Incentives, and Partnership for Market Readiness (PMR) Sub-Working Groups. The Bank is among the active members of Gender Equality and Energy Working Groups, as well. Collaborations are carried out with various public agencies, NGOs and international organizations through TÜSİAD's working groups. Yapı Kredi contributes to TÜSİAD's position

statements and extends support for reports and research associated with workspaces depending on the working groups' agendas.

Additionally, taking place in the Local Network Turkey of UN Global Compact, the world's largest corporate sustainability initiative, Yapı Kredi follows up Sustainable Finance, Inclusion and Diversity, Gender Equality and Environment Working Groups within **Global Compact Turkey**. In 2017, the Bank became a founding signatory of the Global Compact Turkey's Declaration on Sustainable Finance that represents a sectoral collaboration within the scope of the activities of Global Compact Turkey Sustainable Finance Working Group. The Bank contributes to the annual updates of this declaration.

Presenting its financial and non-financial data in its integrated reports based on shared value creation model since 2019 reporting period, Yapı Kredi is a member of Integrated Reporting Turkey Network (ERTA), with the aim of heightening awareness of integrated reporting and integrated thinking in Turkey and contributing to integrated reporting efforts.

In a bid to closely monitor the developments in investors relations in Turkey and in the world, Yapı Kredi participates in major seminars, panels, conferences and workshops of **the Turkish Investor Relations Society (TÜYİD)**, and follows up training and communication groups.

Being a member of **the Ethics and Reputation Society (TEİD)** as well, Yapı Kredi participates in training and working group activities at TEİD.

 Communication methods with stakeholder groups can be found [here](#).

CORPORATE MEMBERSHIPS AND INITIATIVES

- Advertisers' Association / RVD
- Corporate Communication Professionals Association / KİD
- Corporate Governance Association of Turkey / TKYD
- Corporate Volunteers Association / ÖSGD
- Credit Reference Agency / KKB
- Education Volunteers Foundation of Turkey / TEGV
- Equality at Work Platform and Declaration
- Ethics and Reputation Society / TEİD
- Family Health and Planning Foundation of Turkey / TAPV
- Financial Literacy and Access Association / FODER
- For My Country Project
- Foreign Economic Relations Board / DEİK
- Foundation for Economic Research / İAV
- Global Compact Turkey
- Institute of International Finance / IIF
- Integrated Reporting Turkey Network/ ERTA
- Interbank Card Center/ BKM
- International Chamber of Commerce - Turkey / ICC
- İstanbul Foundation for Culture & Arts / İKSV
- İzmir Foundation for Culture & Arts / İKSEV
- Learning and Development Association of Turkey / TEGEP
- Task Force on Climate-related Financial Disclosures / TCFD
- The Banks Association of Turkey/ BAT
- Turkish Foreign Trade Association / TURKTRADE
- Turkish Industry and Business Association / TÜSİAD
- Turkish Investor Relations Society / TÜYİD
- Turkish Marine Environment Protection Association / TURMEPA
- United Nations Environment Programme Finance Initiative / UNEP FI
- Visa Colorful Horizons / I Can Manage My Money Program
- Women's Empowerment Principles / WEPs

RISK MANAGEMENT

PRESENTATION

FROM THE
MANAGEMENTABOUT
YAPI KREDIBUSINESS
MODEL AND
STAKEHOLDERSRESPONSIBLE
GROWTHINNOVATIVE
BANKINGHUMAN
FOCUSCORPORATE
GOVERNANCEFINANCIAL
INFORMATION

ANNEXES

Risk management is important in order to capture opportunities by following up global trends, to differentiate in the competitive environment, and to improve economic, social and governance performances. Recognizing the role of risk management in lasting sustainable growth, Yapi Kredi takes steps to establish an effective risk management structure and risk culture.

Risk management is carried out by 107 employees working under the Audit Committee with the purpose of measuring, monitoring, reporting and keeping under control the potential risks that the Bank may be exposed to on stand-alone and consolidated bases, taking into consideration international regulatory framework and employing methods that are compliant with the national legislation. The highest-ranked manager responsible for risk management is the Assistant General Manager for Compliance, Internal Control and Risk Management. Risk management is carried out in three different areas, namely credit risk, strategic risk control and market risk.

Yapi Kredi ensures accurate and healthy strategic risk management through corporate functions and management committees. In this process, the Board of Directors sets up and oversees all control mechanisms and processes necessary for successfully implementing targets and strategies.

Risk Culture at Yapi Kredi

The Bank's Risk Management Framework consists of the following components: risk governance, definition of scope and identification of risk, evaluation of the risk profile, determining the risk appetite, monitoring and reporting.

For effective risk management, the Bank trains experts from within its own organization, and makes investments to establish risk system infrastructures. The Bank carries out activities to create a risk management infrastructure that seeks not only to achieve regulatory compliance but also allows monitoring and measuring independently from executive functions, supports business and decision-making processes, and is integrated with day-to-day operations. Automated reporting and validations are conducted for effective analysis, monitoring and control mechanisms. The policies established, processes defined, targets, responsibilities and regular trainings serve to broad-based adoption of the risk culture by the employee body.

Risk management strategy of the Bank is to ensure capital optimization by way of risk measurement using methods aligned with international standards and local regulations and maintaining risk vs return balance within the frame of sustainable growth target, and secure sustainable growth within this balance. The

Bank's risk management approach, the Internal Capital Adequacy Assessment Process (ICAAP) is based on solid risk management techniques, and prospective planning and capital assessment based on the risk profile.

Against losses resulting from contingencies or deteriorations in the market, a forward-looking capital planning approach has been espoused so that the Bank can carry on with its operations. The most advanced international practices are utilized to identify, measure, analyze and control risks. The process of defining the risk and determining the appropriate measurement method has a dynamic structure, whereby risk management is improved based on advanced international practices and analyses used by the Bank are updated parallel to the business evolution. A risk appetite framework that is integrated with budgeting is created in order to maximize the operations while achieving the budget targets set for the Bank, and correct risk positions are followed up using this framework.

In 2020, the Credit Policies, which reflect the Bank's strategy with regard to asset quality, effective risk management and regulatory compliance strategy, was updated. Credit Policies cover common standards, restrictions and principles applicable across the Bank, including all implementations in relation to credits management.

In addition, regular updates and improvements continued for the rating/scoring systems. A forward-looking capital planning approach has been adopted to guarantee continued operations of the Bank against potential losses that might result from contingencies or deteriorations in the markets. A risk appetite framework integrated with the budget process is developed in order to carry out the operations at an optimum level while reaching the budget targets set for the Bank, and correct risk positions are pursued through this framework.

As part of the Bank's risk management activities, Liquidity Coverage Ratio Report is prepared and submitted to the Banking Regulation and Supervision Agency (BRSA) within the scope of the "Regulation on Calculation of Liquidity Coverage Ratio for Banks" published by the BRSA in conformity with BASEL III guidelines. The Total Liquidity Coverage Ratio (LCR) of Yapı Kredi was well above the regulatory and internal limit and triggering levels. The conformity of this ratio to threshold levels approved every year by the Board of Directors is closely monitored; LCR was 148% on average in the last quarter of 2020.

Risks

When identifying the Bank's risk exposure, the Bank's main fields of activity, competitive environment, regulatory framework, best practices by international banks, and cost-benefit analysis in relation to the measurement of the risk exposure are taken into consideration.

Credit Risk

Credit risk refers to possible loss that the Bank may be exposed to by reason of the borrower's failure to timely fulfill its contractual obligations in part or in whole.

Through credit risk management, Yapı Kredi aims to measure, mitigate and take necessary precautions against the credit risk with the help of efficient and smooth rating/scoring models, strategies and processes.

The primary strategies pursued at Yapı Kredi for Credit Risk are as follows:

- Actively implementing the Credit Policies Guidelines for ensuring continuity of the shared risk management concept in place across the organization
- Allocating the credit portfolio to less risky sectors
- Avoiding excessive concentration in group risks and strictly adhering to existing legal limits
- Focusing on customers with better ratings
- Avoiding transactions that will give rise to high credit risk and reputational risk
- Managing the country risk in accordance with the set strategy, policy and implementation procedures
- Taking necessary measures to prevent new defaults in individual loans and SME loans

In addition to financial credit risks, investments' possible environmental and social risks such as environmental, human rights, ethical and corruption risks are also evaluated. New investments and projects to be provided with financing are addressed within the scope of the Environmental and Social Risk Assessment System.

 Detailed information about the management of the loans disbursed with respect to environmental and social risks can be found in the section titled [Responsible Finance](#).

Counterparty Credit Risk (CCR)

Counterparty credit risk is the risk of the counterparty to a financial agreement to lapse into default before the due date specified in the agreement and its failure to fulfill its contractual payment obligations. Agreements subject to CCR are agreements covenanted individually between the parties, such as over-the-counter derivatives agreements and margin trading.

At Yapı Kredi, amounts involved in counterparty credit risk are calculated and monitored on a daily basis, using the most advanced methods stipulated by international regulations. The calculations take into account the current market conditions and various stress scenarios.

Risks subject to counterparty credit risk is ultimately a credit risk and is a part of the Bank's general credit risk monitoring/follow-up processes.

Credit Concentration Risk

Credit concentration risk refers to exposure to potential losses at a magnitude that might hinder the Bank from carrying on with its core activities in a healthy manner as a result of the concentration of risk in a certain loan or group.

Residual Risk

Residual risk refers to risks that arise when the credit risk mitigation techniques used turn out to be less effective than projected. For residual risk management at Yapı Kredi, adequate liquidity and validation of collateral valuation is monitored regularly at least once a year, and monitoring and revaluation frequency is increased in case of major changes in market conditions. In addition, collaterals are regularly updated by the Bank's units within this scope, and review rules are applied in line with the regulations and communiqués published by the BRSA.

Operational Risk

Operational risk is defined as the risk of loss arising from errors, violations, interruptions or damages caused by internal processes, employees, systems or external events.

Yapı Kredi's Operational Risk Management Policy, which was updated in 2020, covers group-wide principles and standards regarding operational risk management structure; strategies concerning

operational risk control, measurement and management system practices, and the frequency, content and recipients of operational risk reports.

Business Continuity Management Policy is intended to minimize the risks that might threaten the continuity of the Bank's operations, and to ensure resumption of critical products and services within acceptable times in case of possible interruptions. The policy is regularly updated and submitted for the approval of the Board of Directors.

Efforts for achieving compliance with Basel-II's advanced measurement approach are carried out under operational and reputational risk. In this regard, the Bank's operational risk losses and key risk indicators are monitored, scenario analyses are performed and risk-based insurance management activities are undertaken to mitigate risk. On a yearly basis, risk assessment of support services and new products is carried out and a risk inventory of information technologies is prepared. Risk is mitigated by preparing business continuity plans for potential disasters such as the İstanbul earthquake, Covid-19 etc. on the basis of action plans. Risk culture and awareness are improved through the operational risk strategies and training programs developed. Operational risk, reputational risk and business continuity activities are presented to the Board of Directors

on a quarterly basis via the Audit Committee.

Reputational Risk

The Reputational Risk Management Policy that went into effect in 2013 to define the set of principles and procedures for controlling, measuring and mitigating reputational risks was revised in 2020 in view of legal and internal standards. The policy focuses on reputational risk control system for establishing and maintaining effective reputational risk management, measuring, monitoring and reporting activities involved in defining, preventing reputational risks and restoring the Bank's reputation as well as identifying sensitive sectors and risky areas in conformity with credit policies and international standards.

Market Risk

Market Risk refers to the risk exposure of the Bank's positions followed up in the trading portfolio, which the Bank aims to capitalize on in the short term actual and/or anticipated spreads, and the changes in interest rates, exchange rates, equity, commodity and volatility.

The term "position" refers to the positions the Bank takes in its own portfolio and those arising from the services rendered to the customers or from market-making. The trading portfolio covers the financial instruments exposed to short term price/interest rate

fluctuations. Valid positions should be in conformity with the standards and principles stipulated in the Financial Markets Guidelines approved by the Board of Directors. The Financial Markets Guidelines are updated at least annually in line with the new regulatory and internal arrangements, the needs of business units and the annual budget, and provides guidance to market risk measurement, limiting and monitoring functions.

Steering all treasury operations and market risk management functions of Yapı Kredi, the Financial Markets Guidelines set out the competencies and procedures in the relevant area, and also covers all detailed provisions governing these areas. The Guidelines are firstly implemented by the Treasury Management and Market Risk Management units; they are also pursued by all the other units in order to ensure an integrated risk management system. It is ensured that all positions carried by Yapı Kredi conform to the limits set out in the guidelines.

The limit system regarding Treasury Management and Market Risk activities covers all factors associated with market, credit, country and liquidity risks, and additionally, the organizational structure and the list of approved treasury products. The Market Risk Management Department is responsible for expanding and adapting the limit systems in line with their experiences, the needs of business units and the annual

budget. The limits set are monitored by being compared to current limit utilizations through daily reports. The related reports also take into account the current market conditions, stress and scenario analyses. In cases of limit overruns, the actions set out in the Guidelines are taken. Regulatory and economic capital requirement is calculated and monitored regularly within the scope of market risk.

Financial Investment Risk

Financial investment risk refers to risks arising from items such as Yapı Kredi's affiliates/subsidiaries or stock portfolio maintained for non-trading purposes. Financial investment risk is used to determine the risk specific to shareholders' equity. Shareholders' equity portfolio basically consists of listed and unlisted stock, equity-backed derivatives, private equity, investment trust units, hedge funds and related private equity funds. Financial investment risk is monitored and reported to related units on a quarterly basis.

Property Risk

Property risk is defined as potential losses arising from the fluctuations in the market value of the real estate portfolio of Yapı Kredi. Property risk is quantified for measuring the underlying risk of property prices and for inclusion in total economic capital calculation within holistic risk profile assessment. Basically,

property risk has a dual objective: Retrospective (for follow-up purposes) and Prospective (for capital planning purposes). Accordingly, the Bank takes property risk into consideration for risk management purposes and in relation to its capital planning goals. Property risk reports are issued quarterly and incorporate unconsolidated and consolidated results.

Operating Risk

Operating risk is defined as unexpected changes in the opposite direction in the business volume and/or margins, which do not stem from credit, market or operational risks. They can arise from significant worsening in market conditions, changes in competitive conditions or customer behavior, and they can also be affected by the changes in regulatory requirements. Operating risk is measured for capturing the concealed volatility in revenues and for inclusion in total economic capital calculation within holistic risk profile assessment. Operating risk measurement is performed in two forms: retrospectively for follow-up purposes, and prospectively within the framework of the budget. For follow-up purposes, the operating risk is calculated quarterly on the basis of the actualized Profit and Loss Statement [full-year]. Prospective operating risk measurement is based on projected Profit and Loss Statement, as is done in budgeting and planning processes.

Liquidity Risk

Liquidity risk refers to the Bank's inability to fulfill its repayment obligations timely and completely with the assets at its disposal. By nature, liquidity risk is a kind of risk that banks can be faced with suddenly and that might create dramatic outcomes for financial institutions. It needs to be monitored at high frequencies such as daily, weekly or monthly, and closely watched separately in terms of major currencies. Yapı Kredi measures liquidity risk as short-term and medium/long-term liquidity risk. Various stress tests are performed on liquidity risk in the light of statistical and scientific analyses and assumptions that are based on historic experiences. This ensures close monitoring of the status of the Bank's liquidity risk in the current situation and also in extraordinary market conditions; necessary information is provided to senior management, and the healthy structure of the Bank's balance sheet is maintained by taking timely and effective actions. The scope of the liquidity risk is composed of both on- and off-balance sheet items. The magnitude and the highly dynamic nature of its scope compel multi-faceted measurements.

Yapı Kredi monitors liquidity risk by taking into consideration the latest local and international regulations (e.g. Basel, EBA) and best practices, and through the dedicated liquidity risk policy that is reviewed and

revised every year. In this framework, liquidity risk measurements are performed, a wide variety of limits are assigned ranging from risk appetite indicators to granular indicators, and the existing status of each metric as compared to its respective limits is regularly followed up and necessary actions are taken. Some of the actions taken include money swaps, coordination in deposit and credit movements, management of interbank transactions, repo and reverse repo transactions, and management of the Central Bank of the Republic of Turkey [CBRT] reserves in harmony with liquidity risk management. While doing these, the Bank's profitability and risks are considered together, and it is ensured that the Bank's liquidity risk is managed conservatively.

Strategic Risk

Strategic risk refers to the risk of loss that the Bank may suffer due to faulty commercial choices, misimplementation of commercial choices made, or failure to analyze or interpret the changes in the sector well.

Yapı Kredi provides accurate and healthy strategic risk management via corporate functions and management committees. In this process, the Board of Directors sets up and supervises all necessary control mechanisms and processes to successfully implement targets and strategies.

Interest Rate Risk

Interest rate risk is the risk of loss that may result in the Bank's capital or revenues due to the movements in interest rates. Changes in interest rates make an effect by altering the underlying values of the Bank's assets, liabilities and off-balance sheet items and/or economic values of future cash flows (and in some cases, the cash flows themselves).

Interest rate risk management at Yapı Kredi is intended to protect the financial strength of the balance sheet against the possible adverse effects of the changes in interest rates upon net interest income and economic value. Interest rate risk is managed through an adequate assets/liabilities composition that will be compliant with the Bank's Risk Appetite Framework [RAF], revenues and economic value sensitivity measurement and monitoring. Created in view of the latest local and international regulations and best practices, the Bank's interest rate risk policy is reviewed and revised at least once a year. In addition, interest rate risk measurements are performed periodically through metrics and limits determined by taking into account the current market conditions and stress scenarios, and reported to the senior management.

In order to mitigate interest rate risk or to eliminate limit overruns at Yapı Kredi, the Bank implements hedge accounting, which is compliant with the International Financial

Reporting Standards (IFRS) and allows application of specific accounting procedures for derivative products.

Country and Transfer Risk

Country risk refers to the potential risk of loss for the Bank that may result from failure of, or avoidance by, the borrowers in a country to fulfill their external liabilities due to the volatilities in the economic, financial, social and/or political circumstances.

In order to manage country risk, the Bank allocates a country limit at a level that will accommodate the total limit of all banks/countries in a country in favor of which a limit has been allocated. The main banking system monitors the country risk and limit, and limits risk controls are performed in connection therewith.

Transfer risk refers to the potential risk of loss for the Bank that may result from the borrower's inability to convert the local currency into the foreign currency payable to the Bank and/or its failure to make the payment in the foreign currency. This risk usually realizes because of the foreign currency scarcity that results from the foreign currency restriction measures adopted by the government of the borrower's country. Loans in a foreign currency are followed up in the Bank's concentration reports, and sensitivity analyses are shared with the senior management on a monthly basis.

Anti-Bribery and Anti-Corruption Risk

Banks are institutions that rely on the trust factor in their operations. Increased competitive environment and digitalization pressure banks to improve their efficiencies, to perform more profitable transactions at lower costs and using more productive workforce. These developments in the competitive environment and digitalization expose the banks to various risks including anti-bribery and anti-corruption.

At Yapı Kredi, business processes are evaluated against bribery and corruption risks. Areas entailing corruption risk are identified, and analyzed according to risk assessment methodology. Giving/receiving gifts and entertainment offers made/received, sponsorships and donations, outsourced tasks, business offers, mergers, acquisitions, major investments and relations with civil servants are defined as activities entailing high corruption risk, and are prioritized when being reviewed within the scope of risk assessment methodology. Operations undergo assessment at certain intervals, work is carried out to identify possible risks and business processes are updated when necessary. Assessment results are reported to the Audit Committee at certain intervals. Disciplinary punishment up to and including termination of the employment contract is given in the event that

the Anti-Bribery and Anti-Corruption Policy is violated.

In the reporting period, no confirmed bribery incidents were reported through the whistleblowing channels set up within the scope of the combat against bribery and corruption. No disciplinary punishments were given in the reporting period on account of bribery or corruption.

To ensure compliance with Anti-Bribery and Anti-Corruption program, contents and images prepared by the Bank are emailed as announcements to all employees at regular intervals during the year. In addition, messages about the topic are posted under the tab Compliance on Bizler+, an internal platform accessible by all employees.

All employees, including subcontractors engaged by Yapı Kredi, are given Anti-Bribery and Anti-Corruption training. In 2020, 271 hours of training was provided to 902 employees for raising increased awareness of anti-bribery and anti-corruption among employees. Training activities are regularly reported to the Audit Committee.

Within the scope of the anti-bribery and anti-corruption program, third parties are demanded to conform to related Yapı Kredi policies; also, their employees are demanded to internalize the principles contained in these policies, and to carry out their activities in accordance with those

principles. By carrying out training and awareness initiatives in this area, reviews are performed to determine the pre-agreement status with the third parties, and related provisions are incorporated in the agreements executed with third parties. In 2020, no anti-bribery and anti-corruption incidents involving third parties occurred; and there are no companies whose contracts were revoked on such grounds.

O Yapi Kredi Anti-Bribery and Anti-Corruption Policy can be found [here](#).

Environmental Risks

Recognizing the transformative power of financing on the real sector, Yapi Kredi manages all of its environmental impact including climate change and water risks stemming from its lending activities within the scope of the Environmental and Social Risk Assessment (ESRA) System. Accordingly, all new investment and project finance loan requests and project advisory services, which are in the scope of corporate and commercial banking and have an investment amount of USD 10 million and above, are subject to ESRA System.

The combat against climate change and water management are addressed in the Bank's Reputational Risk Policy and Lending Policy. Reputational risk management concerning risky areas and sensitive sectors (companies and establishments with a high

environmental impact, nuclear energy, mining and thermal power plant infrastructure etc.) are outlined in these policies.

Q Detailed information about environmental risks can be found in the [Climate Crisis](#) section of the Report and in the [Responsible Finance](#) section.

Technology Risks and Opportunities

One of the most intensive investors in technology, the banking sector is also among the ones, which are exposed to the risks stemming from technology and digitalization, and which take advantage of opportunities.

The opportunities internet and mobile banking offer to banks and customers from the standpoint of banks can be defined as the capability to offer products at lower costs, to be accessible 24/7 independent from time and place, to reduce transaction costs in branches and to constantly increase reduced costs as the number of customers using internet/mobile banking increases. From the standpoint of customers, the opportunities include the relatively faster and easier accessibility of the system used, the time and cost saving the system provides, and increased financial access.

Information technology (IT) risks are among the risks of the highest importance for the Bank. By establishing IT risk management policies, the Bank makes sure that IT

risks are measured, monitored and reported. This helps define the threats against the Bank's critical assets and processes, weaknesses are identified and kept under control, thus enabling prevention of unexpected threats against the Bank and mitigation of losses.

Policies are reviewed every year, revised when necessary and presented for the approval of the Board of Directors. In addition, the IT risk map and action plans are created and Information and Communication Technologies risk assessment is performed. There is a Business Continuity Management Policy in place at the Bank which is designed to ensure continuity of operations and to mitigate associated risks. In addition to that policy, necessary practices for business continuity are introduced through Contingency Action, Crisis Management and Business Recovery Plans.

Furthermore, losses resulting from external fraud are analyzed in detail by the related business unit and internal systems. To this end, a number of developments at the Bank have been completed for monitoring and preventing fraud. As part of the activities to combat external fraud, customers' suspicious transactions are monitored 24/7. In order to prevent possible incidents of fraud, regular analyses are performed using attempted frauds and new fraud trends. New products/services are followed up and supervision systems are updated so as to respond to current fraud trends.

Human Rights Risks

Tackling risks related to all forms of modern slavery including but not limited to child labor, forced labor and human trafficking within the scope of human rights risks and managing them in the most effective manner possible, Yapı Kredi addresses human rights risks within the framework of the Human Rights Statement it has released. Yapı Kredi Human Rights Statement has been prepared based on the Universal Declaration of Human Rights, Fundamental Conventions of the International Labour Organization (ILO) and the United Nations Guiding Principles on Business and Human Rights, as well as national legislation and internal policies. Yapı Kredi Human Rights Statement addresses the headings of gender equality, diversity, right to collective agreement, prevention of forced labor and child labor, work-life balance, protection of personal data, relations with suppliers, human rights awareness initiatives targeting employees, and measures against human rights violations. Yapı Kredi Human Rights Statement is reminded to all employees through internal communication announcements, and the statement can be accessed on the Intranet and corporate website. To ensure access by the Bank's subsidiaries, Yapı Kredi Human Rights Statement has also been translated into English and Azerbaijani. Yapı Kredi Human Rights Statement is regularly reviewed, and updated

as and when deemed necessary. Furthermore, Koç Holding, the principal shareholder of Yapı Kredi, is a Participant in UN Global Compact, and every year, Yapı Kredi reports on the 10 principles of UN Global Compact. Within the frame of human rights efforts, Yapı Kredi participates in Global Compact Turkey Gender Equality Working Groups that also tackle Turkish Industry & Business Association (TÜSİAD) Gender Equality and Women's Empowerment Principles (WEPS) initiatives.

Spreading its sensitivity in relation to human rights along the entire value chain, the Bank incorporates an article requiring compliance with the Universal Declaration of Human Rights, Fundamental Conventions of the ILO and Yapı Kredi Human Rights Statement in the agreements made with its suppliers. In addition, suppliers are urged to operate responsibly in relation to environmental and social rights including human rights within the scope of Yapı Kredi Responsible Procurement Policy.

Awareness training for employees regarding human rights continued across the Bank also during the reporting period. In 2020, 303 employees received 91 hours of training designed to increase awareness of human rights. No cases of child labor, forced or compulsory labor, preventing of employees' right to organize or collective bargaining were established in the reporting period.

 Yapı Kredi Human Rights Statement can be found [here](#).

 Yapı Kredi Responsible Procurement Policy can be found [here](#).



LIFTING THE BORDERS: A VISION FOR THE FUTURE

Via Yapı Kredi Volunteers, we continue to contribute value to the community all over Turkey through the digital platform. Since the launch of the platform in 2019 to date, 1,300 Yapı Kredi Volunteers in total took part in over 70 social responsibility projects and contributed to the community. With our project “Science Migration to Anatolia”, we have reached 130 thousand children in the last 3 years, including children under state protection, and we will now touch the lives of even more children as the role model teachers join in. We are targeting to bring the number of teachers from more than 8 thousand right now to 50 thousand and to have 360 role model teachers graduate from our project. During the pandemic, we have digitally carried out “I Read, I Play”, our project run in cooperation with the Educational Volunteers Foundation of Turkey (TEGV) which is designed to improve creative thinking skills of primary school children who do not have access to modern education, and reached more than 1,200 children.

Yapı Kredi, taking into consideration the far-reaching influence the sector has, embraces a responsible growth approach in its operations, which will increase positive impacts on all of its stakeholders and create value for all the segments. Based on the fact that a huge responsibility falls upon the finance sector for devising solutions for the global environmental and social issues, Yapı Kredi effectively manages the environmental and social impacts arising from its own operations, and the projects and investments financed by the Bank.

Being the third largest private bank in Turkey, Yapı Kredi works to achieve growth enabled by solid steps and to contribute to the economy. The Bank contributed TL 382.7 billion to the sustainable growth of the Turkish economy through the loans extended in 2020.

Yapı Kredi has espoused the responsible finance approach in order to support the combat against environmental problems including the climate crisis and to increase its contribution to Turkey's sustainable development. This concept is underpinned by the Environmental and Social Risk Assessment (ESRA) System that was updated in 2019.

The ESRA System

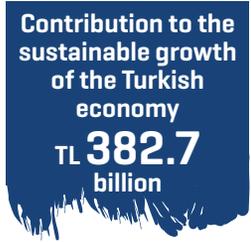
For identifying, preventing or minimizing the environmental and social risks involved in projects and investments that will be financed, Yapı Kredi implements the ESRA System that is based on the national legislation and the International Finance Corporation's (IFC) Environmental and Social Performance Standards. As per ESRA, initially all loan requests received by the Bank are evaluated with respect to the Bank's lending policies and the Exclusion List contained in the Environmental and Social Policy. Under no circumstances, financing is provided to activities that do not comply with these policies or are included in the Exclusion List.

 Yapı Kredi Environmental and Social Policy and the Exclusion List can be found [here](#).

At Yapı Kredi, the ESRA System is carried out by an expert team under the Corporate and Commercial Loans Department. The co-head of the Sustainability Committee, the Assistant General Manager of Credits is responsible for the execution of the system. During the reporting period, Environmental and



Yapı Kredi has espoused the responsible finance approach in order to support the combat against environmental problems including the climate crisis and to increase its contribution to Turkey's sustainable development.



Contribution to the sustainable growth of the Turkish economy
TL **382.7** billion

Social Risk Assessment experts received 63 hours of sustainability training in total, which also covered environmental and social risk management.

In 2019, Yapı Kredi expanded the scope of the ESRA System that it has been applying since 2017 to all investment and project financing loan requests with a maturity of at least 3 years and a loan amount of USD 20 million and above. Accordingly, since 2019, all new investments, project finance loans and financial advisory projects provided with funding and services under corporate and commercial segments and having an investment amount of USD 10 million and above are assessed within the scope of the ESRA System. In addition, the Bank, from 2019 onwards, started to perform environmental and social risk assessment for thermal power plant projects, for which restructuring of existing loans are requested.

During 2020, investment and project finance loan requests with an investment amount of USD 10 million and above, which were compliant with the Bank's policies and were not included in the Exclusion List, were evaluated in terms of environmental and social aspects according to the Procedure for Assessment of Environmental and Social Risks of Credit Activities. Based on the

outcome, the relevant risk category was determined for a given project, upon which corresponding action and monitoring plans were created.

Environmental and social risk categories are defined as follows:

Category A

Business activities that have an adverse environmental or social risk and/or impact that is diverse, irreversible or unforeseen, and of significant severity

Category B

Business activities that have an adverse environmental or social risk and/or impact that is limited, generally localized to the project area, largely reversible and already subject to mitigation measures

Category C

Business activities that have minimal or no environmental or social risk and/or impact

In order to monitor all environmental and social issues associated with investments, which are categorized under Risk Category A or B, actions to be taken against, and necessary monitoring activities for, the potential risks involved in the projects are determined depending on the classification.

 Further information about the ESRA System can be found [here](#).

Each year, Yapı Kredi reports the implementation results in connection with the ESRA System and discloses them within one year following the end of the related operating year.

The results are presented every year during the Sustainability Committee meeting. Within this framework, the reports provide:

- The number of projects directly rejected without undergoing the ESRA System on account of noncompliance with the Environmental and Social Policy and the related Exclusion List,

- The number of projects assessed within the scope of the System, total credit line allocated, and the number of projects that received first disbursements,
- Risk classification of the projects assessed within the scope of the System.

During 2020, 29 investments were assessed within the scope of the ESRA System; these investments were allocated a total credit line of USD 1 billion 84 million as at December 2020. In 2020, no projects were rejected on account of non-compliance with the Environmental and Social Policy or being included in the Exclusion List.

Projects Assessed Within the Context of ESRA System in 2020

Sectoral Breakdown		Investment Amount Subject to Assessment (USD million)
Infrastructure	Hospital, Port or Hotel	66.1
	Infrastructure (Highway)	224.0
Construction	Production Facility	379.2
	Overhaul and Renovation	23.4
Mining		210.4
Power Generation	Natural Gas-fired Combined Cycle Power Plant and Generation from End-of-Life Tire	53.5
	Wind Energy Power Plant (WPP)	74.8
Renewable Energy	Solar Power Plant (SPP)	13.0
	Biogas and Biomass Power Plant (BPP)	40.0
Total		1,084.4

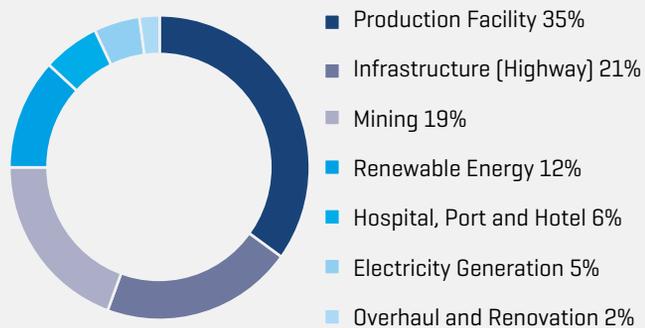
The distribution of the projects evaluated within the scope of the ESRA System in 2020 by categories is as follows:

Risk Categories Based on Customers	Total Projects Assessed
A	19
B	8
C	3
Risk Categories Based on Projects	Total Projects Assessed
A	19
B	5
C	6

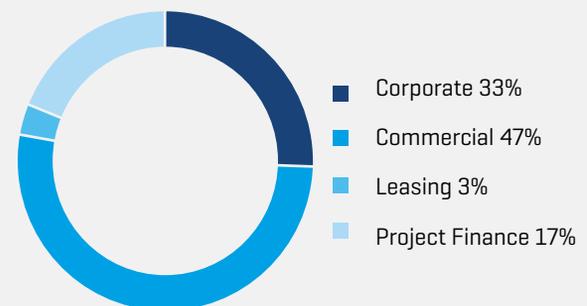
The Bank's targets with respect to Environmental and Social Sustainability for 2021 are outlined below:

- Improve its ESRA system within the frame of the updated Equator Principles [EP4, July 2020]
- Develop awareness activities targeted at customers in order to strengthen ESRA practices

Sectoral Breakdown of Projects Assessed Within the Context of ESRA System [%]



Segmental Breakdown of Projects Assessed Within the Context of ESRA System [%]



ENVIRONMENTAL IMPACT

PRESENTATION

FROM THE
MANAGEMENTABOUT
YAPI KREDİBUSINESS
MODEL AND
STAKEHOLDERSRESPONSIBLE
GROWTHINNOVATIVE
BANKINGHUMAN
FOCUSCORPORATE
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Environmental sustainability is a fundamental responsibility of banks within sustainability context. Yapı Kredi manages its impact resulting from its operations and lending activities upon the environment as part of its Sustainability Management System (SMS) and makes environmental reporting annually.

With the aim of systematically managing its environmental impacts, Yapı Kredi received ISO 14001 certification for its head office buildings, Yapı Kredi Plaza Building D and Yapı Kredi Banking Base, and set up the Environmental Management System (EMS) in 2016. Since 2018, EMS is being implemented at the Bank's subsidiaries, namely Yapı Kredi Faktoring, Yapı Kredi Leasing, Yapı Kredi-Koray Real Estate Investment Trust, Yapı Kredi Culture Arts and Publishing (YKKSŞY), Yapı Kredi Asset Management and Yapı Kredi Invest. Yapı Kredi buildings home to nearly 31% of the employees of the Bank and the Bank's affiliated domestic subsidiaries, possess ISO 14001 Environmental Management System Certification.

At Yapı Kredi, EMS related activities are handled by the Operational Environmental Impact Working Group that reports to the Sustainability Committee. At the senior management level, EMS is executed by the Process and Program Management Executive Vice President that directly reports to the Executive Director and Assistant General Manager. The EMS Team is responsible for establishing, maintaining and improving EMS, and ensuring its effectiveness.

Each year, Yapı Kredi offers training regularly to ensure alignment with EMS requirements at all stages of its banking operations, keeps its employees informed about the latest regulatory developments, raises awareness of energy efficiency, climate change, water management and waste management, and develops environmentally-sensitive behavior models internally and externally.

Yapı Kredi monitors its direct and indirect environmental performance through targets and improvements. The Bank's targets in relation to its Greenhouse Gas (GHG) emission reduction, energy efficiency and water efficiency projects are classified under three categories: annual, 5-year and 10-year. Related targets are included in the performance assessment processes of the team implementing, leading and monitoring the projects.

Performance assessments against the targets set and the outcomes of internal examinations conducted at least once a year at departments having an environmental impact are discussed and evaluated in biannual management review meetings. The main purpose of the management review process is to evaluate the annual performance against EMS targets, monitor the efficiency of the system's implementation and ensure continuous improvement of the system. Review activities are supported by the senior management.

During the reporting period, the Yapı Kredi's investments, outlays and donations associated with the protection of the environment amounted to

TL 3.19 million.

During the reporting period, the Bank's investments, outlays and donations associated with the protection of the environment amounted to TL 3.19 million. No administrative fines were imposed against the Bank on account of non-compliance with the Environment Law and regulations during the reporting period.

GHG Emissions

Climate crisis is a global issue that poses a high risk for numerous sectors including the banking sector. The greatest impact the banking sector has on the environment results from the projects financed within the scope of lending activities. Yapı Kredi manages its indirect environmental impact within the frame of Environmental and Social Risk Assessment (ESRA) System, and creates action plans as and when necessary.

Since 2011, Yapı Kredi has been calculating its GHG emissions (Scope 1 and Scope 2) of the Head Office (Yapı Kredi Plaza Building D, Banking Base) and facility buildings (Bayramoğlu Training Building, Yeniköy Koru Building, and Darıca Archive Building) in accordance with ISO 14064-1 GHG Emissions Reporting Standard, verified and certified by independent accredited institutions.

Through follow-ups, the Bank makes improvements for reducing GHG emissions. In this vein, the coverage of the ISO 14064-1 certification was expanded so as to include all buildings of the Bank including branches and subsidiaries. Furthermore, emissions

resulting from commuter buses for employees, business trip flights, paper consumption and emissions from waste (Scope 3) are also being included in the reporting scope of Yapı Kredi, and limited assurance statement is received for these data from an independent audit firm every year.

During 2020, as part of the efforts to combat the global climate crisis, Yapı Kredi supplied the portion of 15,000 MWh of its electricity need from renewable resources, which produced a CO₂e reduction of around 7 thousand tons. Through upgrading to energy-efficient lighting systems, the Bank avoided 2.5 tons of CO₂e. Projects related to energy efficiency and procuring energy from renewable sources will be ongoing in the years ahead.

Since 2016, Yapı Kredi transparently discloses its environmental strategy, performance and targets to its stakeholders within the scope of the CDP Climate Change Program. Yapı Kredi was assigned a score of B (Management) in CDP 2020 Climate Change Program.

Water Management

Yapı Kredi closely monitors water consumption and introduces various projects to reduce the same.

In 2019, the Bank obtained ISO 14046 Direct Water Footprint Certificate for its Head Offices and facility buildings, and has become the first financial institution satisfying this standard in Turkey. Within the frame of its environmental goals for 2020, the Bank has renewed its ISO 14046 Direct Water Footprint Certificate.

DURING 2020, AS PART OF THE EFFORTS TO COMBAT THE GLOBAL CLIMATE CRISIS, YAPI KREDI SUPPLIED THE PORTION OF 15,000 MWH OF ITS ELECTRICITY NEED FROM RENEWABLE RESOURCES, WHICH PRODUCED A CO₂E REDUCTION OF AROUND 7 THOUSAND TONS.

Hence, the Bank has internationally endorsed the effective management system it has in place within the frame of its targets for efficient use of water resources and reduction of wastewater, and added speed to its efforts in this direction.

The Bank's efforts continued for efficient and effective management of water resources in 2020. Potable water treatment units were put into use in 2020 at the Head Office Plaza Building D and Banking Base facilities for obtaining ready-to-use, good quality fresh water in sufficient quantity. Within the frame of another water-smart initiative at Darıca Administrative and Archive buildings, well water and drainage water from buildings are collected and used for landscape irrigation.

Since 2018, Yapı Kredi has been reporting its water security and management strategy, performance and targets within the scope of CDP Water Program. Having received CDP Turkey 2019 Water Leader award, the Bank was assigned A- [Leadership] score also in the CDP 2020 Water Program, and thus remained within the leadership category. Hence, Yapı Kredi has been the only firm from the Turkish financial services sector to be included in the leadership category under the CDP Program.

Waste Management

Yapı Kredi attaches great importance to management of natural resources, and develops programs and projects for reducing waste generation and recycling the waste generated. The Bank has been running a recycling project since 2008 to ensure and support the sustainability of natural resources. The first principle for minimizing waste is to ensure

reduction at source and the second one is to reduce the amount of waste. In this context, packaging waste are collected separately, sorted according to their types in the recycling containers within the facility and sent for recycling.

Equipment no longer used at the Bank undergo an evaluation, upon which they are donated if still usable, thus reducing waste. Equipment that is not fit for reuse are considered as waste and sent for recycling; if non-recyclable, then they are disposed of by licensed companies.

Within the scope of the Zero Waste Project of the Ministry of Environment and Urbanization, recycling containers conforming to the Zero Waste Regulation were procured for the Head Office buildings in 2020, thus ensuring effective sorting of waste at the source. In waste storage areas, waste labels were revised according to the regulation, and renovations across the waste area were completed. As part of the Zero Waste Project, the Banking Base facility earned the Zero Waste Certification in 2020. Zero waste system was introduced at Plaza Building D facility, and application has been filed for obtaining Zero Waste Certification.

Under the "Project to End the Use of Single-Use Plastics", use of selected single-use plastics was terminated at Head Office Buildings, facility buildings, regional buildings and branches. Mugs and flasks began to be distributed to employees to replace single-use plastics falling under this scope

Yapı Kredi attaches great importance to ensure that its hazardous waste resulting from its operations is



Having received CDP Turkey 2019 Water Leader award, the Bank was assigned **A- [Leadership]** score also in the CDP 2020 Water Program, and thus remained within the leadership category.

recycled employing the correct methods. In this framework, 291.53 tons of hazardous and 941.33 tons of non-hazardous waste have been recovered and recycled for a total of 1,232.9 tons of waste in 2020.

Innovative investments and digital processes offered to employees and customers at Yapı Kredi help eliminate the paper used for numerous transactions. Thanks to the paperless transacting and digitalization initiatives that started in 2018 and still continue, 54 million sheets of paper was saved annually in 2020, saving 4,590 trees from being cut. The steps taken within the target of reducing A4 paper consumption included in the Bank's environmental goals resulted in the reduction of consumption by 33.4%.

During 2020, more than 856,792 kg of paper and paper packaging, more than 11,325 kg of plastic and plastic packaging, more than 8,330 kg of glass and glass packaging, and more than 46,809 kg of metal were collected for recycling across the Bank. The waste collected avoided more than 156,813 kg of GHG emissions, saved 23,990 m³ of water and 14,565 trees.

Awareness and Training Initiatives

Yapı Kredi values contribution of all of its employees and individuals to improve environmental performance. The Bank believes that it is important to create awareness and drive changes in behavior in this respect. In keeping with this understanding, Yapı Kredi offered 770 hours of environmental training, which also

addressed ISO 14001 Environmental Management System, climate change and water stress, to 1,856 Yapı Kredi employees and 10.5 hours to 35 employees of subcontractors in 2020. In addition, communication aimed at raising awareness of environmental and sustainability issues were carried out during the reporting period through internal portal, e-mail and social networks.

Drills are being carried out at the Head Office buildings within the scope of Environmental Emergencies since 2017, thus refreshing the proactive methods that need to be implemented at the time of an environmental spillage or environmental accident.

Yapı Kredi Environmental Targets

Short-Term Environmental Targets for 2020	Status
Expanding the coverage of the certification compliant with the ISO 14064-1 GHG Emissions Reporting Standard to all locations and domestic subsidiaries of the Bank	ISO 14064 Certification coverage was expanded across the Bank and subsidiaries, and certification has been obtained.
Ensuring the continuity of the ISO 14046 Direct Water Footprint Certification at the Head Offices and facility buildings	ISO 14046 Direct Water Footprint Certification has been renewed.
Transitioning to the Zero Waste System at the Yapı Kredi Banking Base building	Banking Base facility set up the infrastructure compliant with the zero waste regulation and obtained Zero Waste Certification.
Obtaining 15% of the Bank's total electricity consumption in 2020 from renewable sources	Supplying 15,000 MWh of green electricity in total, 16.6% of the Bank-wide electricity consumption was obtained from renewables..
Medium-Term Environmental Targets for 2020 (base year 2015)	
Reducing electricity consumption at the Head Office buildings by 5%	Electricity consumption at the Head Office buildings (Banking Base and Plaza D Building) were reduced by 13.66% as compared to 2015.
Reducing the emissions resulting from energy consumption at the Head Office buildings by 5%	Scope 2 emissions at Head Office buildings were reduced by 62.35% as compared to 2015.

CONTRIBUTION TO THE SOCIETY

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ANNEXES

Ever since its foundation in 1944, Yapı Kredi has been carrying out activities and authoring long-lived projects in keeping with its responsibility to contribute value to the society. Yapı Kredi firmly believes that organizations seeking to leave their mark in history should produce benefits not just for themselves but also for the society; hence, the Bank signs its name under various initiatives lifting the borders in a number of areas.

All investments made in a vast array of causes from education to culture and arts, environment to economic development are backed by innovative and sustainable social responsibility projects seeking lasting solutions to social problems. In an effort to bring all these projects to broad audiences, Yapı Kredi relentlessly carried on with its activities in spite of the tough circumstances in 2020 stemming from the pandemic.

Culture & Arts Initiatives

Yapı Kredi Culture Arts and Publishing (YKKSŞ) kept spicing up the cultural and artistic world also through the pandemic.

Established in 1984 under Yapı Kredi's roof, YKKSŞ is one of the most deep-rooted and eminent culture and art institutions in Turkey. In 2020, YKKSŞ kept releasing important publications, and organizing cultural events and exhibitions, which make valuable contributions to social development and cultural life.

The exhibition titled "Meanwhile in the Mountains: Sagalassos" that opened in 2019 at Yapı Kredi Culture and Art Exhibition Hall remained on display until 23 August 2020. It was visited by 64,536 people whereas the online exhibition was viewed by 47,265 people in 2020. The live exhibition tour broadcast on the Instagram was followed by 9,926 users.

While the exhibition Karagöz, My Dear was showcased at the Museum in the last quarter of 2020, the galleries hosted the exhibitions Meydan / Square and Milat / Milestone for the art lovers, which attracted 10,629 visitors in total. During 2020, total number of visitors to exhibitions held by Yapı Kredi Culture and Art reached 75,165.

3,500 people were hosted at 58 events held at Loca, and Oda located inside the bookstore until March 15th. Within the scope of the restrictions imposed in connection with the Coronavirus (Covid-19) pandemic, YKKSŞ activities and events were migrated to online channels such as YouTube and Instagram from April and nearly 70 online events were organized. These events are still on the air and continue to reach a growing number of people.

Having published its 5,711th title since its establishment, Yapı Kredi Publications published 1,139 titles in 2020, 193 of them new, for a total of more than 5.6 million books. Throughout the year, approximately 30 thousand students, teachers and librarians were brought together with

Yapı Kredi firmly believes that organizations seeking to leave their mark in history should produce benefits not just for themselves but also for the society; hence, the Bank signs its name under various initiatives lifting the borders in a number of areas.

authors and editors within the scope of 100 school and library events, 75 of them online. YKKSİ has planned to publish 225 new titles in 2021.

In 2020, Yapı Kredi's outlays in cultural and artistic events, sponsorships and corporate social responsibility initiatives amounted to TL 10.9 million. In addition, the Bank's charitable donations and aids added up to TL 34.6 million.

Events and Projects

Rendezvous with Yapı Kredi

A Sabahattin Ali Tragedy, a documentary by Nebil Özgentürk on the last episode of the masterful writer's life, was brought to viewers at Yapı Kredi bomontiada ALT. In the documentary, the author's daughter Filiz Ali tells the story of his father's disappearance and the excruciating times that followed.

In the event "Ahmet Ümit - Murder on the Orient Express Film" that was the first part of the Multisensory Experience series, Ahmet Ümit, the leading name of Turkish crime fiction, watched the film Murder on the Orient Express together with his readers. Held at Yapı Kredi Culture and Art Loca, the event presented the audience with the chance to experience the film based on the worldwide famous book by the same title from Agatha Christie through their senses of taste, scent and touch.

In "The '90s, Warts and All" event, the 1990s were put on the table together with the most popular names of the period. The 1990s were analyzed at the gathering moderated by Burak Ünal, which featured Grup Vitamin members, who are among the top names closely associated with the popular culture in the '90s, Hakan Küfündür, Prof. Nilüfer Narlı [Bahçeşehir University Head of Sociology Department], and Reyhan Karaca as speakers.

"An Interview - Here and Now: Game Changers" event moderated by Burak Ünal took place at Yapı Kredi bomontiada with İpek Yavuzer, who made a sharp turn from academic life to dancing and climbed up to as high as world champion in this new career, Simay Bülbül, one of the most talented fashion designers in Turkey who set up an association for foster family volunteering, entrepreneur Neslihan Canpolat and actress Gökçe Eyübođlu. At the event that hosted game changers in their respective fields, the career stories of the participants were shared.

The leading name of the Turkish crime fiction, Ahmet Ümit got together with his readers in the "Mystery Films Selected by Ahmet Ümit" event series held within the scope of Rendezvous with Yapı Kredi. During the event series, the films Seven, The Big Sleep and Angel Heart were watched together with the audience.

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193 of them new,
for a total of **more than 5.6 million** books.

Tackling the effect of photography on human psychology and the passion for selfies, the chat session named "The Passion to be Seen in the Photograph: Selfie" moderated by Merih Akoğul hosted Cem Mumcu, author, artist, psychiatrist and publisher. The event was brought to the audience at Yapı Kredi Culture and Art.

Access to Finance and Financial Inclusion

An advanced financial system and widespread availability of financial services are important factors for social welfare and reduced inequalities. The United Nations Sustainable Development Goals emphasize under a number of its goals the importance of the society's access to finance, primarily of women, farmers, small and medium-sized enterprises, startups and youth, for sustainable growth and development. Yapı Kredi, with the financial solutions offered, works with the aim of giving increased access to finance to all segments of the society and to furnish products aligned with their needs.

Digital Solutions

Digital onboarding through Yapı Kredi Mobile, which Yapı Kredi launched in 2018 as a first in Turkey, has acquired a unique significance in terms of providing access to finance during the pandemic. Accordingly, people wishing to become a customer of Yapı Kredi were able to access the service 24/7 from anywhere in Turkey.

The demographic distribution of customers onboarded via Yapı Kredi Mobile in 2020 included also regions presenting a low number of branches in Turkey. In addition, all customers and particularly customers above the age of 55 within the scope of the pandemic measures opt to have the documents necessary to be signed physically delivered to their locations by messenger service. Yapı Kredi has initiated investments for transforming onboarding via video contact process into an end-to-end digital onboarding format, leaving the messenger service out, in 2021 upon enforcement of the new regulatory framework.

Enabled Banking

Yapı Kredi successfully carries on with its Enabled Banking Program that it launched in 2008, which was the first of its kind in the sector.



Yapı Kredi, with the financial solutions offered, works with the aim of giving increased access to finance to all segments of the society and to furnish products aligned with their needs.

3,333 enabled Yapı Kredi ATMs designed to cater to the needs of physically- and visually-impaired customers are in service all over Turkey. On the other hand, online chat application is offered for hearing-impaired individuals. Open for use by all customers, ATMs offer free-of-charge transacting to individuals with disabilities and are granted priority when they call the Customer Relations Center.

Within the scope of the cooperation between Yapı Kredi Publications (YKY) and Assistive Technology and Education Laboratory for Individuals with Visual Disabilities (GETEM), 617 books were converted into audio books and made digitally available as of 2020 under the project "No Barriers for My Country".

0 Yapı Kredi Enabled Banking microsite can be found [here](#).

Financial Literacy

University students in their junior and senior years who applied for becoming an intern at branches from different cities in Turkey took part in the Yapı Kredi Youth Development Program, which was launched online in 2020. Under the program, financial literacy training was offered to students with the aim of increasing their financial literacy level. 473 students participated in the program and 220 active students were reached.

Education

I Read, I Play

Since 2006, Yapı Kredi has been conducting the project "I Read, I Play" in collaboration with the Educational Volunteers Foundation of Turkey (TEGV) to give elementary school children that do not have access to modern educational means the chance to benefit from extracurricular educational activities. More than 9 thousand volunteers at TEGV's activity points around the country are implementing the project, which reached 326,078 children by March 2020.

As educational programs were moved to the digital platform to respond to distance education need triggered by the pandemic that emerged in the first months of 2020, the digital version of the I Read, I Play program was developed. 1,203 children took part in the Online I Read, I Play activities from July until the end of 2020.

**3,333 ENABLED YAPI
KREDI ATMS DESIGNED
TO CATER TO THE NEEDS
OF PHYSICALLY- AND
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SERVICE ALL OVER TURKEY.**



Science Migration to Anatolia

In 2020, Yapı Kredi launched the second phase of the project “Science Migration to Anatolia” introduced in cooperation with the Young Guru Academy (YGA) with the aim of contributing sustainable value to the society. The Project “Science Migration to Anatolia”, in which YGA volunteers and Yapı Kredi Volunteers take part, reached 130 thousand children within 3 years. The project has achieved its first target; in the second phase, role model teachers were included in the project to bring the touch of science to the lives of more children all over Turkey to maximize the value contributed to the society. The project, which will be digitalized and go global in 2021, is targeted to reach 50 thousand teachers and 128 thousand children, and to have 360 teachers graduate the program.

In the new phase of the project, which will take place in two separate legs in the first and second halves of the year with role model teachers all over Turkey, teacher training will take place at first. Following the training, the teachers will make use of experiments and projects to demonstrate to children how technologies that seem complex are actually understandable. Role model teachers who receive training under

the program will take the science sets prepared by the YGA Graduate to the students at schools where they work. At Science Festivals to be held throughout the year, the children will develop and exhibit projects with the science sets they are given. Throughout the process, Yapı Kredi Volunteers all over the country will continue to actively extend support to the project.

Yapı Kredi Vocational and Technical Anatolian High School

Yapı Kredi Vocational and Technical Anatolian High School is one of the main projects Yapı Kredi supports in the field of education. Located in Çayırova, Kocaeli and admitting girl students only, the high school began to offer education in the 2008-2009 academic year, and had its first graduates in 2012. Today, over 500 students pursue their education in Child Development and Education, Graphics and Photography, Information Technologies, Food and Beverage Services and Office Management departments of the high school.

In 2020, 20 Yapı Kredi Vocational and Technical Anatolian High School students benefited from the educational achievement scholarship initiated in 2012.

The Project “Science Migration to Anatolia”, in which YGA volunteers and Yapı Kredi Volunteers take part, reached **130 thousand children** within **3 years.**

Academy

Anatolian Scholars

Having sustained its support to Koç University's Anatolian Scholarship Program, which was founded in 2011, Yapı Kredi supported 12 scholars in 2020.

Yapı Kredi Professorship in Economic Research

Yapı Kredi established the Yapı Kredi Professorship in Economic Research at Koç University to lift the borders between the finance sector and the universities.

Yapı Kredi Professorship in Economic Research targets to provide a joint working platform for the academicians working in the fields of economics and finance, and private sector professionals with the ultimate goal of contributing to the sustainable development of Turkey. Yapı Kredi Professorship in Economic Research is headed by Prof. Dr. Selva Demiralp, faculty member of Koç University College of Administrative Sciences and Economics.

Environment

Turkey's Life Small Grant Program

Yapı Kredi has been supporting WWF-Turkey's "Turkey's Life Small Grant Program" since 2014 in a bid to raise awareness of biodiversity in Turkey and to protect the natural heritage. In the IV. grant term of the program with Yapı Kredi as its main sponsor, support was extended to projects for protecting primitive hive beekeeping in Hemşin, Rize; otters in Fethiye, Muğla; and imperial eagles in Thrace and Bolu. In this context, support has been given to wildlife protection projects of local non-governmental organizations in Anatolia.

FidanChallenge

In the aftermath of the forest fires that occurred in Hatay in the last quarter of 2020, Yapı Kredi participated in the sapling donation drive (FidanChallenge) in support of reforestation efforts in the area and donated 30 thousand saplings.

Gender Equality

Mardin İpekyolu Guesthouse Project

In cooperation with the Foundation for the Support of Women's Work (KEDV), Yapı Kredi extends support to help improve the capacities of women's cooperatives and to economically and socially empower women with low income. In this context, Yapı Kredi contributes to the Mardin İpekyolu Guesthouse project together with KEDV, thus supporting the participation of women in economic life as well as regional development.

Campaign for Ending the Violence Against Women and Girls

Yapı Kredi joined in the "16 Days of Activism against Gender-Based Violence" starting from 25 November that marks the International Day for the Elimination of Violence against Women until 10 December, Human Rights Day, as part of the battle against violence against women and girls with its buildings lit in orange color also this year. The Bank also extended support to the national campaign organized by UN Women Turkey, and shared messages on its communication channels to raise awareness of the escalating cyber violence against women and girls.

During the Covid-19 pandemic that imprinted 2020, Yapı Kredi consolidated its social impact with the initiatives it has put into life.

Bringing life to a standstill across the world, the Covid-19 pandemic has marked a period of heightened importance of the social contributions of economic actors. In this process, it has become ever-important for companies to offer additional value and support to their stakeholders, and first of all to their employees.

In response to the pandemic, Yapı Kredi has been handling the process in alignment with the guidance provided by the Republic of Turkey Ministry of Health and the precautions introduced across the Koç Group. In this context, the number one priority has been protecting the health and safety of the public, Yapı Kredi employees, their families and customers. While focusing on this priority, the Bank sustained its contribution to the Turkish economy alongside uninterrupted delivery of its products and services to its customers.

Yapı Kredi has been exercising the utmost care and diligence in the handling of the process, making thorough plans at every stage and introducing the relevant practices. Necessary sanitization was carried out painstakingly in all working locations and branches from the very first day, and necessary protective gear for employees such as masks, disinfectants and gloves have been supplied. The Bank obligated use of gloves by everyone touching money in branches and main vaults.

Gradual working plan and precautions

From June 1, Yapı Kredi initiated gradual return-to-office process while maintaining social isolation and protecting employee health.

Accordingly:

- A working scheme is being applied involving a rotation working format with in-office presence of no more than 30% of the employees each week.
- The occupancy rate of Head Office buildings is not allowed to exceed 10%.
- Yapı Kredi employees with chronic diseases, or who are pregnant with legal maternity leave still some time away, are using breastfeeding leave, are in individual with disabilities status, or have relatives who are healthcare workers, continue to work from home if they have the means enabling home working; otherwise, these individuals are granted administrative leave of absence.
- Body temperature is taken when entering the Bank's offices and branches.
- Use of masks and gloves are strongly recommended when getting/riding on employee commuting vehicles.
- Employee commuting vehicles are sanitized regularly on a daily basis, and only the vehicle's ventilation is operated instead of the air-conditioner.

Yapı Kredi has been exercising the utmost care and diligence in the handling of the process, making thorough plans at every stage and introducing the relevant practices.

- Employee commuting vehicles admit passengers limited to half of their capacities, in line with social distancing rules.
- Body temperatures of Yapı Kredi employees are checked by thermal cameras at the entrances of the Head Office building, and employees scan their ID cards without touching the sensors when entering the buildings.
- No more than two people are allowed to ride in the elevators at the same time, which are regularly sanitized.
- The seating arrangement in the offices is being designed in line with the social distancing rules.
- Vending machines with mask and glove sets have been installed in the offices.

Yapı Kredi prefers digital channels for all meetings and does not admit visitors. The Bank advises against the use of meeting rooms, if not absolutely necessary. Through continuous announcements, the Bank's employees are reminded to comply with the social distancing rules at their homes and in the office.

Cafeteria spaces were redesigned with a focus on employee health and hot meal service has been discontinued. Employees supply their lunch boxes safely from the cafeteria. While meals order from outside the office and courier deliveries for personal purposes are not allowed, medications ordered from pharmacies are permissible.

The Bank's healthcare center continues to be stand by the

employees and to offer service during the process. A healthcare area was set up in Plaza Building D and the Banking Base between 25 June and 31 July, and free-of-charge antibody testing was administered to employees, who wished to be tested.

In this process, the Bank paid the utmost attention to making sure that employees felt their value and importance to Yapı Kredi at every opportunity. The highlights of the actions the Bank took in this respect include questionnaires on returning to work, information and communication activities, and videos shot with psychologists and pedagogues. All these initiatives were designed, taking special care to convey a personalized message to Yapı Kredi employees, rather than being constructed in a corporate language.

For uninterrupted service, motivation and morale...

For uninterrupted service, preparations for enabling all tasks to be carried out through remote access were completed and implemented quickly. A substantial part of the Bank's employees are able to work from home on the basis of remote access model, with the technological infrastructure put in place therefor.

Tests for controlling the means that would enable all employees at the Yapı Kredi Customer Relations Center to work from their homes were completed within a few day's time, and approximately 1,400 Customer Relations Center employees located in Çayirova, İzmir and Samsun switched to the work-from-home format.



Approximately 1,400 Customer Relations Center employees located in Çayirova, İzmir and Samsun switched to the work-from-home format.

Especially during the pandemic, digital tools are being used more heavily with the aim of ensuring that Yapı Kredi employees work more efficiently and comfortably, and of supporting their development. BizTube, which was launched last year to let Yapı Kredi employees learn from one another by sharing their knowledge and experience, acquired great importance during the pandemic. In addition to that, Yapı Kredi's podcast platform BizCast went live.

A number of initiatives were carried out to boost morale ranging from the activities under BizClub, the Yapı Kredi employees' club for maintaining work and non-work life together, to playlists created on Spotify for giving the employees a good day.

Activities were planned and carried out with psychologists to help the teams working from their homes to easily plan their days, to spend their time at home more pleasantly, and to contribute to their efficient performance. Thinking that explaining the process surrounding the pandemic to the children and maintaining a healthy communication between parents and children are also critical, the Bank shot and shared a series of videos with Dr. Özgür Bolat exclusively for Yapı Kredi employees. In order to strengthen positive thoughts and feelings, Yapı Kredi employees celebrated the International Day of Happiness. Phone conversations were held with more than 2 thousand employees with chronic diseases or whose family

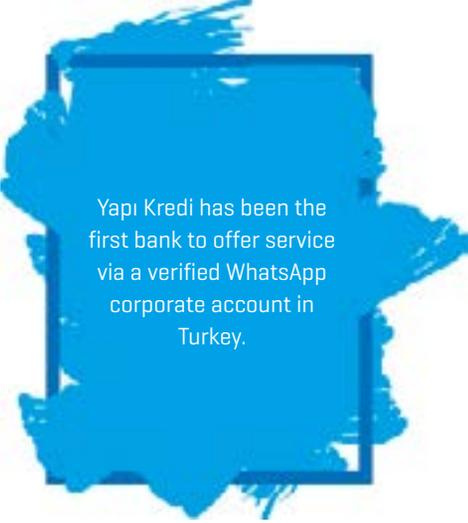
members have chronic diseases. In meetings participated also by the CEO, a careful ear was turned to what employees had to say. All these efforts and initiatives are ongoing.

Healing baskets and get-well wishes are being sent to Yapı Kredi employees who contract the Covid-19 virus, and their health is monitored closely.

An approach that regards customers also as social stakeholders

Yapı Kredi stands by its customers and offers them major conveniences during the pandemic. The Customer Relations Center, Yapı Kredi Mobile, Yapı Kredi Internet Banking and the ATM network continue to offer uninterrupted service around the clock. In this framework, customers are encouraged to turn to digital channels. Individual customers and corporate customers alike can execute almost all transactions offered out of the branches using Yapı Kredi's digital channels in this period, when it is vital to avoid contact. More than 800 individual and corporate banking transactions can be easily performed. Customers are urged to Stay at Home through all communication channels, and conveniences are offered to customers at all service outlets.

For users wishing to become Yapı Kredi customers without going to a branch, onboarding via Video Transaction Assistants through Yapı Kredi Mobile function has been offered. Yapı Kredi has been the first bank to offer service via a



Yapı Kredi has been the first bank to offer service via a verified WhatsApp corporate account in Turkey.

verified WhatsApp corporate account in Turkey. With this capability, customers can send their questions as a message from their mobile devices to Yapı Kredi, and get detailed information about products and services.

Under the present circumstances, it is of the utmost importance for customer health to transact without touching the POS device. As contactless transactions become routine in daily life, contactless Yapı Kredi credit card volume expanded by 4 folds, and credit card customers began to perform 2 out of every 3 physical purchases in contactless format. The solutions offered by World Pay also enable contactless payment from the mobile phone without touching the POS device. Upon the emergence of the pandemic, the use of contactless mobile payment solutions escalated dramatically.

Branches remained important throughout the pandemic, as they always are. In addition to the measures adopted, customers going to a branch can see the density in the nearest branch on the map within Yapı Kredi Mobile app, which is denoted in red, yellow or green, as the case may be, and reserve a queue number on any future date from the branch of their choice without going to the branch. This practice supports customer visits to branches while looking out for social distance.

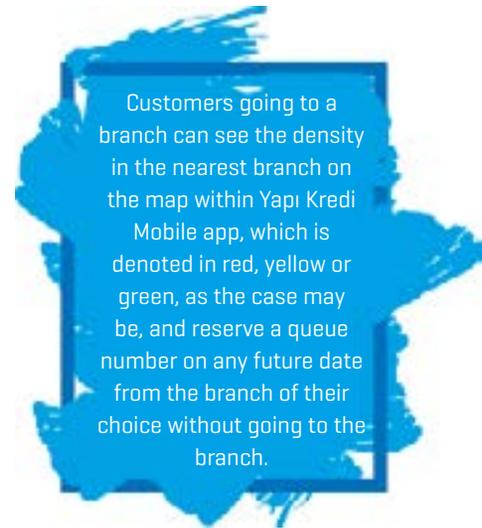
E-commerce has been another area that gained momentum with the Covid-19 pandemic. In the wake of

the stay-at-home period, physical shopping was replaced by online shopping. During the pandemic, 1 out of every 3 purchases of Yapı Kredi customers took place on the e-commerce channel. This ratio was 1 out of every 5 purchases before the pandemic.

In a bid to present ease-of-use to customers above the age of 65 and to healthcare workers who have been working for us day and night through this period, a new system has been introduced. This new system allows customers above the age of 65 and healthcare workers to easily and quickly reach the transaction they wish to perform without going through the preliminary menus, when they call Yapı Kredi Customer Relations Center from their registered number. Healthcare workers, the heroines and heroes of the pandemic, are greeted with applause when they call Yapı Kredi Customer Relations Center.

Support to the Ministry of Health

A TL 10 million fund has been allocated to the Ministry of Health to be used for supporting the needs of state hospitals within the frame of the battle against the pandemic, and support was extended for the procurement of equipment and consumables urgently needed by healthcare institutions. 10 patient monitors and 1 central nursing station for patient monitoring were donated to Ömer Halisdemir Teaching and Research Hospital in Niğde.



Customers going to a branch can see the density in the nearest branch on the map within Yapı Kredi Mobile app, which is denoted in red, yellow or green, as the case may be, and reserve a queue number on any future date from the branch of their choice without going to the branch.

BECOME A YAPI KREDİ CUSTOMER
WITHOUT HAVING TO VISIT
A BRANCH!



DOWNLOAD NOW!

 **YapiKredi**
Dedicated to deliver

USE YAPI KREDİ MOBILE AND WORLD MOBILE
CONTACTLESS PAYMENT OPTIONS

**STAY CONTACTLESS,
STAY HEALTHY!**



 **YapiKredi**



**YAPI KREDİ MOBILE
OFFERS CONTACTLESS
DEPOSITS AND
WITHDRAWALS AT ATMs!**

 **YapiKredi**
Dedicated to deliver





LIFTING THE BORDERS: BANKING FOCUSED ON TECHNOLOGY

Being the bank that introduced numerous firsts in the sector to the customers, we have effectively used our digital channels also through the pandemic and offered countless conveniences to our customers. The number of onboarding and account opening via Yapı Kredi Mobile doubled, while contactless payment solutions led by Payment with QR Code and Payment from within the Car transactions increased by more than 100%. While the monthly average number of cash deposits/withdrawals with QR Code without touching the ATM reached 3.5 million, logins to our digital channels topped 1.5 billion.

IMPACTFUL PRODUCTS AND SERVICES

Renewed in the second half of 2019, The Retail Banking service model completed 2020 with a successful performance and continued to improve its value proposition to customers.

Retail Banking

Retail Banking includes Card Payment Systems, Individual and Business Banking, Private Banking and Wealth Management.

In keeping with its customer-centric banking concept, Yapı Kredi offers services in the Individual, Individual Portfolio and Blue Class sub-segments to individual customers.

Yapı Kredi furnishes customized services to its business-owner customers via Business Portfolio Managers positioned in branches.

Individual / Individual Portfolio

Customers in the Individual Portfolio segment with savings and higher loan requirements are provided with customized services through Individual Consultants at branches. This segment is designed for customers in between Individual and Blue Class. While providing customer satisfaction with a model based on a one-to-one relationship with customers in this segment, faster services are provided to customers with daily banking transaction needs in the Individual segment.

Blue Class

In the Blue Class segment, which was established to provide special services to customers with investment needs, it is aimed to provide the products, services and tailored solutions suitable for each investor profile.

The Bank provides investment services to Blue Class customers with the contribution of its subsidiaries Yapı Kredi Invest and Yapı Kredi Asset Management. Customers can access Blue Class Investment Services through all channels, and customers

Corporate, Commercial and SME Banking

The business line serves companies with an annual turnover of more than TL 2 million, sub-segmented under SME Banking (between TL 2-25 million), Commercial Banking (between TL 25-500 million) and Corporate Banking (over TL 500 million).

Notes:

Within total revenues, 21% remaining from the sum of retail banking and corporate, commercial and SME banking revenues is attributable to treasury and other operations.

Service model better tailored to customer needs

in this segment are also provided with direct consultancy services from Yapı Kredi Invest and Yapı Kredi Asset Management.

Private Banking and Wealth Management

Private Banking and Wealth Management serves high net-worth individual customers.

Breakdown by Business Units



Business Banking

The Business Banking segment, established to provide solutions to business owners with a dynamic business structure, responds to all financial needs of business owners regarding their individual and commercial activities through Business Portfolio Managers at branches.

Subsidiaries

Yapı Kredi Invest
Yapı Kredi Asset Management

Breakdown by Business Unit



SME/ME Banking

SME/ME Banking serves companies with an annual turnover between TL 2 million and TL 25 million. Massive risk management approach is followed in SME and ME segments.

Subsidiaries

Yapı Kredi Leasing
Yapı Kredi Faktoring
Yapı Kredi Nederland
Yapı Kredi Azerbaijan
Yapı Kredi Malta*

The Bank's other subsidiaries include Yapı Kredi Koray Real Estate Investment Company, Banque de Commerce et de Placements, Yapı Kredi Culture, Art and Publishing, Yapı Kredi Technology as well as Allianz Yaşam ve Emeklilik.

Segmentation criteria of the Bank was changed on 1 January 2021. Prior to that date, Retail Banking included Card Payment Systems, Individual and Business Banking, Private Banking and Wealth Management and SME Banking, while Corporate and Commercial Banking included corporate banking and commercial banking.

*On 25 October 2019, Yapı ve Kredi Bankası A.Ş. Board of Directors resolved to liquidate Yapı Kredi Bank Malta Ltd., which is wholly-owned by the former through Yapı Kredi Holding B.V. Liquidation procedures are envisaged to be completed after related permissions are obtained from the Maltese legal authorities and the said approval process is in progress. The liquidation of Yapı Kredi Bank Malta is not anticipated to bear a material impact with respect to the operations and financial statements of Yapı ve Kredi Bankası A.Ş.

Profile	
Branches	760
Portfolio Managers	1,483

Positioning	Market Share [sector]*	Market Share [private banks]*
Consumer Loans	7.8%	16.1%
General Purpose Consumer Loans	9.8%	16.5%
Housing Loans	4.4%	14.4%
Auto Loans	18.2%	25.0%

Individual Banking

Yapı Kredi sustained its expansion in terms of revenues and active customers in the Individual Banking segment in 2020.

During the Covid-19 pandemic, uninterrupted high-quality service was furnished to customers through branches, the call center and all digital channels. By digitalizing its products and service processes, Yapı Kredi constantly upgrades its customers' service experience. Thanks to the projects launched in keeping with the digital conversion strategy, the numbers of active digital and mobile users expanded in 2020. During the reporting period, the number of digital banking active customers increased by 16% and that of mobile banking active customers by 20%.

Technology eliminating the obligation to visit a branch!

78% of the Bank's active customers are using digital channels. This ratio reached 73% for mobile banking in 2020. A high 94% of the customers active in digital banking also use mobile channels actively. The share of digital channels in

non-cash transactions rose to 98%, and penetration rate in product sales through digital channels rose from 58% in 2019 to 65% during the pandemic. 53% of financial transactions are made through digital channels excluding ATMs.

The Bank has been offering the 24/7 onboarding through Yapı Kredi Mobile since December 2018, adjusting it to evolving technology. This channel enabled individuals wishing to become a customer of Yapı Kredi to do so through Yapı Kredi Mobile without having to go to a branch during the pandemic. With the regulatory arrangements anticipated to be enforced by early 2021, all documents that used to require execution of a wet signature will be completed with digital approval thereafter, thus enabling end-to-end digital customer experience.

21% growth in individual deposit assets

In 2020, the deposits of Individual Banking customers increased by 21%. While the bank continued to grow rapidly in TL deposits; TL Demand Deposits grew by 36%, and FX Demand Deposits volume increased by 133%.

Redesigned time deposit screens expedited time-consuming procedures such as pricing and follow-up, systematized the process end-to-end, and increased the efficiency of the process, while rendering it more user- and customer-friendly by earning time both for sales teams and customers.

Gold Days for collecting scrap gold that represents an important component of deposits was initiated in other cities after İstanbul. The number of Yapı Kredi branches hosting Gold Days went up to 10.

Recovery in individual general purpose loans in the second half of the year

One of the basic products the Yapı Kredi focuses on is individual general purpose loans presented for various needs of customers.

The Covid-19 pandemic that impacted Turkey from the first quarter of 2020 resulted in contracted demand for individual general purpose loans. With the normalization steps taken after June, demand for general purpose loans began to return to normal. With the effect of projects carried out in relation to digital credit sales

*Sectoral and private bank market shares are calculated based on BRSA monthly data as of December 2020 and BRSA weekly data as of 31 December 2020. Sectoral data consists of those of deposit and development and investment banks, while private banks data are composed of those of deposit/domestic private and deposit/foreign bank data.

Increase in mobile banking in active customers

20%

Improvement in online shopping loan performance

133%



processes and improving customer experience, the volume of individual loans expanded, and Yapı Kredi's share among private banks rose to 16.5% as at year-end.

As part of the digitalization efforts, as of the end of 2020, almost all of the loans extended from the branch received digital approval for credit documents. In addition, in order to increase customer satisfaction, online shopping credit is offered as a payment option, especially on the online platforms of the sectors that are affected by credit card installment restrictions.

Online shopping loan product is being actively used in almost all of the major e-commerce sites operating in Turkey. During the year, the number of contracted companies rose to 15 with the addition of 6 new businesses, and online shopping loan performance improved by 104% thanks to increased e-commerce demand and growing business prevalence.

Yapı Kredi granted deferment on more than 400 thousand individual customer loans within the scope of the economic support package it has introduced in 2020.

Rise in Flexible Account balance accompanying normalization

In the wake of the pandemic, the overall sector's overdraft accounts balance had contracted in the second quarter of 2020. As a result of the increase in customer demand and needs with the normalization that started in the third quarter, Yapı Kredi Flexible Account balance increased by 13% at the end of 2020 compared to the previous year, parallel to the rise in the sector..

In addition, the Bank achieved a 92% e-account statement ratio in Flexible Account e-account statement mailing thanks to cost saving initiatives in 2020.

Developments in mortgages

In 2020, Yapı Kredi continued to offer successful services with tailored products in mortgages via the Call Center, branches and the "loan now" channel. Additionally, the Bank collaborates with corporate real estate firms and construction companies to offer mortgages for housing projects.

Due to the improvement of interest rates in favor of customers in 2020, deferred demands of customers came to levels that can be fulfilled. Focus was placed on housing units with Energy Identification Document with the aim of increasing high energy-efficient housing in Turkey; customers continue to be extended loans at affordable interest rates and down payment terms that correspond to the energy class. Also in the period ahead, Yapı Kredi intends to concentrate on customer-focused lending process by offering digital solutions rather than conventional lending processes.

Service was rendered by assigning Bank employees to sales offices of residential projects half- or full-time. Including the new projects that the Bank is involved in as a guarantor, the share of project-based mortgage loans to total mortgage loans reached 9% in 2020.

A first in housing finance

The Payment-Protected Financing Model, a first in housing finance, guarantees the healthy completion of the projects. In this context, in a project, the first phase of which was delivered in April 2020, Yapı Kredi offers advantageous services to customers with project-specific loan rates.

Solid performance in auto loans

Yapı Kredi kept performing solidly in auto loans also in 2020. The Bank continued to provide auto loan services with an ever-enhancing service quality to individual and commercial customers alike both at the dealer and at the branch through the extensive and efficient dealer network and campaigns offering attractive payment terms designed according to customer needs.

In 2020 dominated by the circumstances stemming from the pandemic, Yapı Kredi achieved a high volume growth of 144%, and was one of the sector's leaders with 25% market share among private banks.

The Ford Finance program, a partnership between Yapı Kredi and Ford, continued in 2020, while further increasing its efficiency.

Yapı Kredi Blue Class

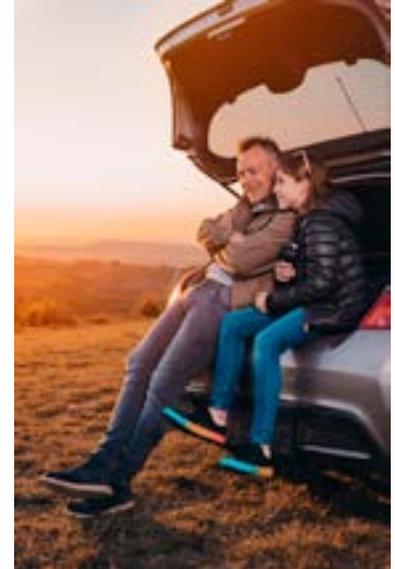
Launched in July 2019, Yapı Kredi Blue Class goes beyond classical banking, and supports the investment decisions of its customers with the direct consultation of its portfolio managers.

In addition to serving Blue Class customers with 394 Portfolio Managers in 296 branches of the Bank in 2020, remote services are being provided with 29 Central Blue Class Portfolio Managers under the Central Portfolio Management structure launched in June 2018.

Yapı Kredi Blue Class offers its customers the opportunity to evaluate their savings in the most accurate way with their expert portfolio managers, who are specially known for their customers, and with different products and services. Specialist portfolio managers, who regularly keep in touch with them, focus on the financial needs of the customers and meet the expectations in the best way.

Yapı Kredi Blue Class Customers can benefit from the priority service model in all branches, call their own private line for all banking transactions, connect directly to the customer representative for 7 days and 24 hours, meet their cash needs with a special high ATM withdrawal limit, and secure valuable items and documents in rental safes in Yapı Kredi branches.

Deposits of customers, who benefited from Blue Class Banking portfolio management services, increased by 43% year-on-year in 2020. The demand deposit volume, which is the main element of the strategy of being the main bank of customers, enlarged by 240% in 2020. While TL demand deposits expanded 124%, FC demand deposits grew by 207% in US dollars.



**IN 2020, YAPI KREDİ
ACHIEVED A HIGH VOLUME
GROWTH OF 144% IN
INDIVIDUAL AUTO LOANS.**



Bancassurance

At year-end 2020, Yapı Kredi attained 14.8% market share in the aggregate of life, non-life and health insurance segments. While maintaining its leadership in health insurance with a market share of 35.5%, the Bank commands 17.1% market share in life insurance, 7.1% in non-life insurance, and 16.9% in private pension with the pension company whose sales it intermediates.

In the bancassurance field, products and functions offered through digital channels increased in 2020. Customers' vehicles, homes and cyber risks can be easily and quickly provided with cover through products positioned on digital channels. The share of Alternative Delivery Channels exceeded 30% in the sales of motor own-damage policies offered via the Bank.

Yapı Kredi keeps furnishing solutions for all insurance and private pension needs of customers. Emphasis is placed on the digitalization of bancassurance products and services, and action plans to this end are being devised. The diversification of products and functions available through digital channels is being increased, and the Bank carries on with its investments in a bid to offer better and faster service to its customers.

Outlook

Yapı Kredi's targets with respect to Retail Banking for 2021 are outlined below:

- Continue to invest in digitalization to make financial services more accessible by everyone. In keeping with its digital transformation strategy, the Bank will channel its investments predominantly to development of digital service models, alignment with new technology and developments, open banking and neo-banking. The Bank will quickly adapt to these new regulatory approaches redefining the banking business with the emergence of new technologies, and will develop innovative products and services in line with its Open Banking-focused service concept in the medium-term.
- The Bank envisages that expansion of digital and mobile customers will continue at an increasing rate in 2021, as an output of digitalization-focused marketing and sales activities coupled with the mobile-first channel usage approach.
- We maintain our goal to achieve broad-based growth in deposits in the medium and long term.
- Work will be ongoing on mobile approval service model in order to support remote service in the branch service model, and both individual and commercial product ranges will be broadened. In addition, digital onboarding will become the focal point in the periods ahead, following regulatory changes.
- In 2020, processes, infrastructure and front ends of unsecured loans were renewed end-to-end. Similar developments are planned for secured loans in 2021. This way, we will increase channel diversity to drive sales growth, and also improve operational efficiency and customer experience alike, by introducing digital solutions at the same time.

BUSINESS BANKING

PRESENTATION

Profile	
Branches	734
Portfolio Managers	796

FROM THE
MANAGEMENT

Holistic approach to individual and commercial activities

Yapı Kredi offers service within an integrated approach to Business Banking customers. Customers' individual and commercial activities are addressed concurrently, and service is rendered by Business Portfolio Managers assigned particularly according to their financial needs.

Efficient service to Yapı Kredi Mobile business banking customers

An infrastructure allowing easy transition between individual and corporate customers without requiring password entry was created on Yapı Kredi Mobile in order to give tradespeople and sole proprietorships access to both individual and commercial products on digital channels.

The number of business banking customers using **digital channels**

increased by **11%** and that of those using mobile banking channels by

14%.

BUSINESS
MODEL AND
STAKEHOLDERSRESPONSIBLE
GROWTHINNOVATIVE
BANKINGHUMAN
FOCUSCORPORATE
GOVERNANCEFINANCIAL
INFORMATION

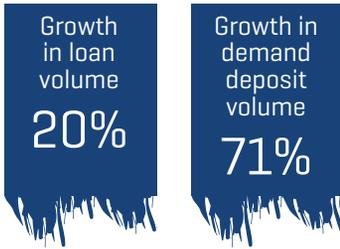
ANNEXES

Amid the challenging operating environment of 2020 that resulted from the Covid-19 pandemic, Yapı Kredi introduced remote service schemes on its digital channels and its service model alike from March onwards, prioritizing the health of its employees and customers. In order to let customers complete their banking transactions from a distance, product sales documents were put in a format allowing digital approval; the corporate mobile approval function introduced enabled customers to approve the sales documents without compelling a branch visit. Along the same line, customers were provided with the means to send transaction instructions through Corporate Internet Banking and Yapı Kredi Mobile.

The digitalization projects introduced served to increase the number of business banking customers using digital channels by 11% and that of those using mobile banking channels by 14%.

Yapı Kredi support against the impact of the pandemic

With the aim of supporting the customers who were impacted by the pandemic, deferment was granted for principal amount and interest payments due on loans of customers, who requested, at the same terms and conditions.



In order to extend support to customers who were having difficulty in affording such costs as salaries, rents, raw material purchases and the like and who needed financing to pay their cheques, the Bank participated in Treasury-backed Credit Guarantee Fund (CGF) loan programs and provided financing to businesses. In addition to CGF loan programs, the Bank also made available loans entailing grace periods to businesses in the same period. The volume of lending to business banking segment customers grew by 20% year-over-year.

Strengthened deposit base

In line with the ongoing strategy to strengthen the deposit base, priority was given to increasing deposit products' performance, and 71% growth was achieved in the demand deposit volume of business banking customers.

AN INFRASTRUCTURE ALLOWING EASY TRANSITION BETWEEN INDIVIDUAL AND CORPORATE CUSTOMERS WITHOUT REQUIRING PASSWORD ENTRY WAS CREATED ON YAPI KREDİ MOBILE.

Updated infrastructure for Productive Card

Working together with regional managers specialized in Agricultural Banking, allocation and segment teams, the Bank continued to offer products and services aimed at supporting production by farmers, and updated the infrastructure of the Productive Card they use for agricultural input purchases. While the new Productive Card offers the Bank's customers the chance to do interest-free purchases from contracted member merchants, they are also able to make their payments upon harvest and earn bonus points on their purchases.

Solutions that open up the door to the digital world for businesses

During 2020 when the presence of businesses in the digital world became important and e-commerce gained the foreground, Yapı Kredi kept offering solutions to businesses that would help them carry their businesses to the digital world within the scope of cooperations the Bank has established with companies offering e-commerce, e-document solutions and website creation services.

Outlook

Yapı Kredi's targets with respect to Business Banking for 2021 are outlined below:

- Accelerate new customer acquisition within the scope of broad-based growth
- Continue to invest in digital banking channels so as to keep offering solutions enabling easy transacting for its customers
- Ensure healthy and sustainable growth in loans through effective risk management
- Increase cross-selling rate with core banking products, and be the customers' bank of choice in terms of cash flow and product diversity.

CARD PAYMENT SYSTEMS

PRESENTATION

FROM THE
MANAGEMENTABOUT
YAPI KREDİBUSINESS
MODEL AND
STAKEHOLDERSRESPONSIBLE
GROWTHINNOVATIVE
BANKINGHUMAN
FOCUSCORPORATE
GOVERNANCEFINANCIAL
INFORMATION

ANNEXES

Profile	
Number of Credit Cards	11.9 million
Number of Debit Cards	13.0 million
Number of Merchants	606 thousand

World: Leader since 1988 to date

Yapı Kredi has been the market leader in card payment systems in Turkey since 1988 with World, its main credit card brand. The Bank's solid position in this area is enabled by its innovative initiatives that exceed customer expectations and always lead the card payment systems sector.

In 2020, Yapı Kredi maintained its pioneering approach in card payment systems and leading position in the sector with over 11.9 million credit cards.

According to the 2020 Nilson Report, Yapı Kredi's credit card program World sustained its leadership in Continental Europe and ranked the seventh largest credit card program in Europe. Globally, Yapı Kredi takes the 66th spot in terms of the size of card payment systems.

LEADER IN
TURKEY'S
CARD PAYMENT
SYSTEMS
MARKET FOR
32 YEARS



Positioning	Market Share [sector]*	Market Share [private banks]*
Credit Card Outstanding	16.8%	22.0%
Credit Card Issuing	17.0%	21.2%
Commercial Credit Card Outstanding	16.7%	26.7%
Credit Card Acquiring	17.8%	24.1%
Number of Credit Cards	15.8%	21.8%

In spite of the intense competition and challenging market conditions, Yapı Kredi retained its undisputed and long-standing leadership position in total credit card outstanding volume and displayed a strong growth in profitability in 2020.

Throughout the year, the Bank focused on new customer acquisition, lasting customer relations, cost reduction and increased cross-sales efforts while maintaining a disciplined approach to installments and loyalty points.

In 2020, Yapı Kredi was the sector's leader in credit card outstanding volume and acquiring volume with TL 33.9 billion and TL 189 billion, respectively.

The unchanging goal of Yapı Kredi is to continually offer innovative solutions.

In 2020, Yapı Kredi carried out numerous innovative and customer-focused projects to further strengthen its market position and boost customer satisfaction through the Covid-19 pandemic that gripped the whole world. These projects are summarized below:

- The Bank kept implementing new approaches in data analysis to better understand the usage behavior of card holders and thereby present more effective and tailored offers for them.
- Relunched as the user-friendly new interface of Yapı Kredi Wallet in 2019, World Mobile kept increasing the number of its active users in 2020.
- Using the "Card Tracking" menu added to World Mobile, users, Yapı Kredi customers and non-customers alike, can follow up the evaluation and delivery stages of their applications for a new credit/debit card made through any channel or their renewed

*Sectoral and private bank market shares are calculated based on BRSA monthly data as of December 2020 and BRSA weekly data as of 31 December 2020. Sectoral data consists of those of deposit and development and investment banks, while private banks data are composed of those of deposit/domestic private and deposit/foreign bank data.

11.9
million
credit cards

TL 33.9
billion
credit card
outstanding volume

credit/debit cards. The app also allows customers to set their card passwords upon its receipt, get mobile passwords and do card settings such as e-commerce authorization.

- Leading the digital transformation of card payment systems, Yapı Kredi keeps offering all digital payment solutions under the World Pay roof through Payment with QR Code at POS and on the Internet, Mobile Payment and Payment from Inside the Car functions, and continues to provide its customers with the option to make contactless payment with their mobile devices.
- In December 2020, app-to-app and web-to-app payment solutions were introduced, which allow completion of payment by selecting a card through Yapı Kredi Mobile or World Mobile apps without entering card data when shopping online.
- Facilitating and accelerating credit card purchases of customers, Yapı Kredi retained its leadership in the number of contactless cards issued and retail volume, with the contactless feature of cards that shorten cash register transactions and increase shopping circulation at member merchants. The share of contactless credit cards in

physical transactions almost tripled as compared to the previous year.

- Communication activities and campaigns continued in 2020 in relation to the use of contactless cards in transportation. The coverage of transportation systems using contactless cards in Turkey was expanded to reach 26 provinces/districts. Istanbulkart top-up function was added to Yapı Kredi Mobile; customers can also give a top-up instruction, besides topping up their cards.
- In 2020, Yapı Kredi concentrated on its customers' online shopping experience and its improvement, which resulted in increased share of online shopping in total shopping as compared to the previous year.
- Customers applying for a credit card can now start shopping using their digital cards, without waiting for the delivery of their plastic cards. Yapı Kredi customers can instantly access their digital cards through World Mobile, Yapı Kredi Mobile and Internet Bank immediately upon the approval of their card applications. They can forthwith start using the limit they define on their digital cards in online shopping and with POS devices using the QR code.

- The regulatory framework introduced in 2020 allows making distance credit card agreements without the execution of a wet signature. Yapı Kredi quickly adjusted to this new system, and began establishing distance contract relationship in customers' card applications, whereby the Bank made it possible for its customers to instantly use their digital cards without waiting for their plastic cards to be delivered to them by messenger service.
- In 2020, the Bank began to manage the limits made available to individual and commercial cards of its commercial customers in the nature of individuals under a joint limit. This allows customers holding an individual card to easily get a commercial card within the scope of the joint limit, and Yapı Kredi customers were offered the possibility to benefit from special World bonus point campaigns of the World Business card without any sector restrictions.

For the Blue Class affluent portfolio, the array of hotels, restaurants and cafés was expanded and agreements were made with the prestigious brands in Turkey to increase card use by cardholders, and acquire new cardholders for the affluent portfolio.

Conveniences and services for the pandemic days

To ease its customers' payment of their card debts during the pandemic, Yapı Kredi decreased the minimum payment amount to zero for customers who requested so. The practice allowed customers to pay their debts without defaulting, in the amounts that suited them.

With the higher demand for contactless payments during the pandemic and upon increase of spending limit with contactless cards to TL 250, the volume of Yapı Kredi contactless credit cards quadrupled, and credit card customers realized 2 out of every 3 physical purchases using contactless cards.

Upon the Covid-19 outbreak, customers' preferences outweighed on the side of Payment with QR Code on POS, Mobile Payment and Payment from Inside the Car solutions offered by World Pay. In 2020, the volume of transactions with World Pay solutions grew nearly 4 times as compared with 2019.

Thanks to regular campaigns organized, e-commerce channel was used in 1 out of every 3 purchases by Yapı Kredi customers. This ratio was 1 out of every 5 purchases in the pre-pandemic period.

The development has been completed for establishing the contractual relationship in distant format when customers apply for a credit card through World Mobile, Yapı Kredi Mobile, Internet Banking or Customer Relations Center.

The Bank kept offering uninterrupted service 24/7 through the Call Center, Yapı Kredi Mobile and Yapı Kredi Internet Banking. The Bank's customers can finalize almost the entire range of services currently offered out of branches through Yapı Kredi's digital channels, and easily perform more than 800 banking transactions digitally.

The broadest member merchant network in Turkey

In 2020, Yapı Kredi consolidated its pioneering position in member merchant business with the help of its strong collaborations and its wide product range resulting from its innovative investments despite the effects of the worldwide Covid-19 pandemic. The Bank maintained its approach focused on customer satisfaction through more than 80 campaigns per month offered via 600 thousand member merchants in 2020.

In 2020, the Bank sustained its successful performance in member merchant business, and continued to steer the sector by taking pioneering steps.

Yapı Kredi's investments that grew over the years and sped up member merchants' digitalization journeys found ample space for application in the field upon evolution of consumer habits in this direction particularly during the pandemic; thus, the Bank, having been minimally impacted by the adverse consequences of the process, preserved its solid position in the market. The factors that drove Yapı Kredi forward in the sector in 2020 included the rapid



TO EASE ITS CUSTOMERS' PAYMENT OF THEIR CARD DEBTS DURING THE PANDEMIC, YAPI KREDİ DECREASED THE MINIMUM PAYMENT AMOUNT TO ZERO FOR CUSTOMERS WHO REQUESTED SO.

fulfillment of customers' demands for contactless POS conversion and "hygienic" payment options offered to customers thanks to the extensive 2d-code payment infrastructure.

Sectors fulfilling basic necessities such as supermarkets, food wholesalers and e-commerce, where Yapı Kredi is traditionally strong in terms of member merchant network, gained the foreground through Corona days, which allowed the Bank to preserve and further reinforce its top position in the sector. In order to increase the depth commanded in these sectors, cooperation agreements continue with major brand member merchants, as well as investments in the virtual POS product.

Tourism has been one of hardest-hit sectors by the pandemic; hence, international card transaction volume slumped. Strongly believing that international card transactions will pick up in the future, Yapı Kredi carried on with its investments and collaborations in this field. Accordingly, cards bearing the Discover logo, one of the world's biggest card schemes, are now accepted at Yapı Kredi POS devices and ATM network. Additionally, Yapı Kredi initiated work for supporting Dynamic Currency Conversion feature on its POS devices and ATMs, and enabled this function on its ATM channel during 2020.

Outlook

2021 goals of Yapı Kredi with respect to card payment systems include the following:

- Continuing to increase digital channel usage rate both by card customers and POS customers on the back of enhanced customer experience on digital channels
- Adding new options to new generation digital payment solutions provided under World Pay roof, and delivering a fast and easy payment experience to customers
- Making the necessary developments for digital execution of the payment experience also on the end of member merchants,
- Expanding the customer base of World Cash, Play Cash and World Cash Digital pre-paid cards developed to cater to customer needs, which allow cash withdrawal and spending limited to the amount deposited to the card without necessitating a credit line or bank account, and reaching unbanked individuals through these cards.



DURING THE PANDEMIC, YAPI KREDİ CUSTOMERS REALIZED 1 OUT OF EVERY 3 PURCHASES USING E-COMMERCE CHANNEL.

Profile

Private Banking Service Points	20
Portfolio Managers	131

Private Banking and Wealth Management offers service to high net-worth individual customers.

Yapı Kredi Private Banking offers integrated wealth management through the Bank's subsidiaries, Yapı Kredi Invest and Yapı Kredi Asset Management, as well as the entire range of banking products and services for all financial needs of its customers.

Leadership sustained during the pandemic

Yapı Kredi Private Banking manages assets worth TL 77 billion in total via its 20 Private Banking Locations, five of which are outside İstanbul, and preserves its leadership in the sector on the back of a vast array of products that are aligned with customers' expectations and risk perceptions.

Yapı Kredi Private Banking kept performing solidly in 2020 thanks to its approach prioritizing financial expectations and needs of its customers, and strong customer communication. Private banking deposits reached TL 43.9 billion, mutual funds to TL 10.6 billion, assets under custody to TL 7.7 billion, stocks to TL 9.9 billion, and pension funds to TL 2 billion.

During the pandemic, Yapı Kredi increased penetration in non-deposit

qualified investment products, and captured above 20% growth annually.

In 2020, new practices were also introduced with the aim of improving Private Banking clients' experience with investment products. CMB Compatibility Test presented both at the branch and on digital channels has been updated as a new investor profiling so that customers can choose the investment products compatible with their investment profiles. Customers are also able to access suggested asset distribution aligned with their investor profile.

In addition, transaction menus related to investment products on digital channels were also revamped, new functions were introduced so that customers can easily follow up their investments. The number of customers using digital channels increased by 25% during the pandemic.

Digital channel integrations continued with the purpose of improving customers' branch experiences; the practice of securely signing transaction instructions to branches with mobile approval through digital channels was expanded.

Aimed at supporting altered customer communication during the pandemic, developments enabling online video contacts between branch teams and customers were completed. Global



Yapı Kredi Private Banking manages assets worth **TL 77 billion** in total via its **20** Private Banking Locations, **5** of which are outside İstanbul,

YAPI KREDİ PRIVATE BANKING CONTINUED TO FOCUS ON NOT ONLY FINANCIAL NEEDS BUT ALSO NON-FINANCIAL EXPECTATIONS OF ITS CUSTOMERS AS PART OF ITS HOLISTIC APPROACH TO WEALTH MANAGEMENT.

uncertainties stemming from the pandemic and activity in markets were closely watched throughout the year, and projections developed by specialist teams in order to give direction to clients' investments were shared with them on a daily basis; the clients continued to receive recommendations regarding investment products suited to market conditions.

Having concentrated on customer acquisition and deepening in existing clients through strong brand perception and intensive customer communication through digital channels in line with the tough market conditions of 2020, Yapı Kredi Private Banking displayed a development performance with a particular focus on qualified products.

Customer Satisfaction Focus

Yapı Kredi Private Banking continued to focus on not only financial needs but also non-financial expectations of its customers as part of its holistic approach to wealth management.

Tax, inheritance, real estate, education, art and philanthropy consultancy services for the customers are being provided through first-rate contracted firms and customer demands are received both via branches and Internet

banking. Within this scope, articles and news about these topics are posted on digital channels, and events are organized at various times.

While clients' expectations are fulfilled through education and philanthropy consultancy, support is extended to investments made in the future at the same time. Education consultancy helps Private Banking clients' children or grandchildren steer their education according to their future targets, preferred professions, expectations and qualifications. Philanthropy consultancy, on the other hand, renders making charitable donations easy and meaningful, and supports a sustainable future by highlighting the benefit contributed to the community and encouraging a donation culture.

In addition, our culture and arts activities that have been received with great interest in previous years were held online in 2020, featuring the leading names in their respective fields.

2020 Customer Satisfaction Questionnaire

Yapı Kredi Private Banking overall customer satisfaction questionnaire was conducted in the first quarter of 2020.

According to the results of the questionnaire, Yapı Kredi Private Banking segment clients' overall satisfaction is at a similar -and high- level with that in the previous year. It is seen that customers are satisfied with the service they receive and consider Yapı Kredi as their primary bank. According to the questionnaire, Yapı Kredi is assigned a Net Promoter Score of 44, which denotes the likelihood of customers' recommending Yapı Kredi. Satisfaction with the portfolio executive is a high 85.

Outlook

The Bank's targets with respect to Private Banking and Asset Management for 2021 are outlined below:

- Expand the customer base by focusing on products and services aligned with the financial expectations and needs of diverse customer groups
- Digitalize the sales force and processes so as to boost efficiency
- Diversify the portfolio with a long-term investment approach

CORPORATE AND COMMERCIAL BANKING

PRESENTATION

Profile	
Branches	49
Portfolio Managers	360

Positioning	Market Share [sector]*	Market Share [private banks]*
Kurumsal Krediler	7.4%	14.9%
Gayrinakdi Krediler	10.8%	19.4%
Çek Tahsilat ve Ödemeler	13.2%	-

FROM THE MANAGEMENT

Yapı Kredi has positioned itself among Turkey's leading banks in the Corporate and Commercial Banking segment with its distinguished products and services.

ABOUT YAPI KREDİ

Besides servicing a wide array of local companies, the Bank also delivers tailored services for international and multinational conglomerates. Products and services offered include project finance, cash management, foreign trade finance; Under investment banking, corporate finance advisory, financial advisory, capital management advisory, and merger and acquisition finance and banking service charges management under the fees and commissions center.

BUSINESS MODEL AND STAKEHOLDERS

RESPONSIBLE GROWTH

INNOVATIVE BANKING

HUMAN FOCUS

CORPORATE GOVERNANCE

FINANCIAL INFORMATION

ANNEXES

Corporate and Commercial Banking serves companies with an annual turnover of more than TL 25 million, and is sub-divided into Commercial Banking and Corporate Banking.

At Yapı Kredi;

- 11 regional offices and 45 branches deliver Commercial Banking services, and
- 4 branches in total serve under Corporate Banking, 3 of them catering to Corporate Banking segment and 1 branch servicing International and Multinational Banking segment.

Commercial Banking is represented in 39 cities with 121 Commercial Portfolio Managers in 112 Retail Banking Branches within the scope of the new service model introduced by early 2019. In addition, Yapı Kredi offers services on an international level through its subsidiaries in Azerbaijan and the Netherlands as well as the Yapı Kredi Bahrain Branch.

Amid the tough circumstances that dominated 2020, Yapı Kredi quickly adapted to working models aligned with its evolved customer needs drawing on its customer-centric service model, and kept supporting Corporate and Commercial Banking customers.

Yapı Kredi undertakes projects seeking to simplify business processes with the ultimate goal of providing even faster services to Corporate and Commercial Banking customers, using time efficiently and effectively. New technical and specialty training programs are provided for sales personnel in order to identify and steer customer needs through the right channels and do so with a rapid and quality service approach, given the digital solutions available in branches.



YAPI KREDİ PROVIDED PROJECT FINANCE IN THE APPROXIMATE AMOUNT OF USD 2,395 MILLION TO RENEWABLE ENERGY PROJECTS WITH A TOTAL INSTALLED CAPACITY OF 6,931 MW AS AT YEAR-END 2020.

*Sectoral and private bank market shares are calculated based on BRSA monthly data as of December 2020 and BRSA weekly data as of 31 December 2020. Sectoral data consists of those of deposit and development and investment banks, while private banks data are composed of those of deposit/domestic private and deposit/foreign bank data.

Project Finance

Yapı Kredi is among the leading banks in long-term project and structured finance. Drawing on its authentic service model and deep-rooted experience in this line of business, the Bank offers a broad range of services including financial advisory, structuring, arrangement and project finance.

The project finance portfolio of Yapı Kredi covers projects in infrastructure, energy, commercial property and acquisition finance sectors. Its robust balance sheet allows Yapı Kredi to provide financing support to large-scale projects.

In 2020, the pandemic resulted in reduced investment appetite, and high volatilities in exchange rates. This stagnant environment led to postponement of new projects for their reconsideration in the future.

The tenders planned to increase capacity building on the renewable energy side could not be carried out due to this macroeconomic environment. On the other hand, since projects eligible for benefiting from the Renewable Energy Support Scheme [YEKDEM] must have become operational by year-end 2020, investments in projects that had already obtained their licenses and eligible for YEKDEM gained speed.

Despite these negative developments, Yapı Kredi kept contributing to the national economy and maintained the amount allocated to projects in the order of USD 8.7 billion. Yapı Kredi's support to project finance customers that were faced with economic difficulties during the pandemic exceeded USD 250 million within the scope of restructuring and refinancing.

Support for Renewable Energy Projects

Sustainable products and services make up the other area that Yapı Kredi focuses on based on its responsible finance concept.

It is critical for the banking sector to effectively manage the risks and to capitalize on the opportunities arising from climate change. Yapı Kredi gives priority to increasing renewable energy capacity and offering climate-focused products supporting energy efficiency in order to back Turkey's transition to a low-carbon economy.

In this context, the Bank provided project finance in the approximate amount of USD 2,395 million to renewable energy projects with a total installed capacity of 6,931 MW as at year-end 2020.

Renewable Energy Projects Financed as at Year-End 2020

Type of Project/ Investment	Loan Volume ¹ [USD million]	Installed Capacity ² [MW]	Electricity Generation ³ [kWh]	Avoided GHG Emissions ⁴ [tCO ₂ e]
HEPP	1,516	5,365	12,034,613,234	2,535,034
WPP	429	995	2,503,145,830	875,947
GPP	148	119	597,470,170	268,831
SPP	220	296	544,521,589	253,802
Biomass	82	156	690,224,400	143,831
TOTAL	2,395	6,931	16,369,975,223	4,077,445

¹Amount of Loan: The amount of loans extended for renewable energy projects as at year-end 2020.

²Installed Capacity: The installed capacity of the renewable energy portfolio as at year-end 2020.

³Electricity Generation: 2020 data for electricity generated from renewable energy power plants in the renewable energy portfolio. The following considerations were taken into account when deriving the data:

- The period subject to calculation covers the timeframe between 01 January 2020 and 31 December 2020,
- Real-time production figures for renewable energy projects have been obtained from Enerji Piyasaları İşletme A.Ş. (EPIAŞ / Energy Exchange İstanbul - EXIST) [seffaflik.epias.com.tr],

- Production figures for unlicensed SPP projects are based on customers' statements,

- For two SPP projects with a total installed capacity of 86 MW, for which the 12-month production figures were unavailable for 2020, calculation has been performed on the basis of 2019 production figures based on prorated estimations for the months for which production figures were unavailable.

⁴Avoided GHG Calculation: Avoided GHG Emissions (tCO₂e) = Annual quantity of power generated from renewable energy power plants (kWh)*IEA Turkey 2020 power grid emissions coefficient *Yapı Kredi's Financing Share Percentage (%)

With the highly-anticipated abatement of the effect of the pandemic, the potential increase in overall investment appetite is expected to reflect on energy investments as well. The contribution of shareholders' equity will have a higher importance in investments which will be assessed under the new incentive mechanism that came into force in 2021 for renewable energy investments.

Yapı Kredi Project Finance aims to support investments in renewable energy and energy efficiency for protecting the environment and minimizing the impacts of climate change, contribute to the country's development by establishing long-term business partnerships with customers, and rise to the position of the leading bank in the market by acquiring increased market share.

The first green bond issuance

Green bonds are financing instruments whose proceeds are used for projects that bear a positive impact upon the environment and climate change.

Yapı Kredi carried out its first green bond issuance in January 2020. The 5-year maturity fund in the amount of USD 50 million that can be used towards renewable energy financing will contribute to investments in sustainability area, including renewable energy projects.

The Bank maintains its aim to contribute to the financing of renewable energy projects making use of the funds it secures from various international financial institutions including the European Investment

Bank (EIB), European Bank for Reconstruction and Development (EBRD), and Proparco, an associate of AFD – the French Development Agency.

Within the frame of green bond issuance, Yapı Kredi will be making and publishing reports annually. The report will disclose the loans allocated from out of the green bond fund, along with the environmental impacts of the projects financed by these loans. The topics addressed in the report are followed up by Yapı Kredi Project Finance, Allocation, Treasury and Sustainability teams.

Outlook

- The decelerating effect that stemmed from the pandemic in the short term in investments is anticipated to continue in project finance transactions. In the medium and long term, on the other hand, Turkey's growing need for energy will compel new investments.
- Our country presents great potential in terms of renewable energy, which hands us an important opportunity for reducing external dependency in energy. Turkey's transition process to a low-carbon economy also makes growth in renewable energy a priority. Government incentives in this area are expected to be clarified in the coming period, following which investments are anticipated to accelerate. On the other hand, it is envisaged that government-backed infrastructure investments such as transportation and healthcare would also resume.



YAPI KREDİ CARRIED OUT ITS FIRST GREEN BOND ISSUANCE IN JANUARY 2020.

- Yapı Kredi will keep supporting renewable energy and energy efficiency projects also in the coming period, and will more actively interact with its customers in relation to topics including environmental and social impact management, new regulations including the European Green Deal, and occupational health and safety.

Cash Management and Foreign Trade Finance

Yapı Kredi commands a solid position in the sector with Turkish lira and foreign currency cash management and foreign trade finance solutions it provides to its customers through various channels. The Bank supports these services with its expert teams assigned at the Head Office, Corporate Banking Centers and commercial and retail regional offices.

Yapı Kredi provides numerous different products and services country-wide including cash transfer services, digital banking and operational services. In addition to cash management, the Bank also provides data integration and reconciliation solutions for these products.

Pioneering position in e-banking

Instructions bearing wet signatures, which used to be frequently used by customers in their daily operations, are beginning to be replaced by electronic signature solutions offered by the Bank, resulting in increased use of e-signatures. In 2020,

Yapı Kredi further strengthened its leading position in e-banking with its high performance in direct debit (DDS) and BANKO bulk payment systems. The Bank increased the prevalence of the Supplier Finance product and helped its corporate and commercial banking customers manage their supply processes more efficiently and reach alternative financing facilities.

The bulk payment system BANKO, digital payment and collection solutions such as Supplier Finance and DDS facilitated customers' operations and increased their access to financing during the pandemic.

Yapı Kredi also offers a variety of support services and payment management options to Turkish companies engaged in international trade. The Bank supports customers via innovative and alternative structured foreign trade products and solutions, as well as traditional import and export products.

Under a practice introduced in 2020, exporter customers can now issue Certificate of Acceptance for Export Price via Internet banking instead of physical environment. On the other hand, within the scope of a collaboration with Koç Sistem, e-document solutions began to be offered to all customers in an advantageous structure.

In 2021, Yapı Kredi will carry on with its product and service developments and implementations, which will drive digitalization of its customers and increase efficiency in cash flow management.



Yapı Kredi offers a variety of support services and payment management options to Turkish companies engaged in international trade.

A value chain of more than 20,000 companies

Koç Group Dealer and Supplier Network Business Development Unit, taking place under the business line, carries out its activities with the aim of satisfying the growing banking needs of the customers, dealers and suppliers of Koç Group, which has one of the largest dealer and supplier networks in Turkey, and targets to support them in achieving sustainable growth through the financial advisory it offers.

Loan products, cash management and foreign trade financing products, and products offering digital solutions are provided via the Bank's extensive branch network and digital channels.

Made up of more than 20,000 companies, this network is further strengthened with Yapı Kredi products and services, and contributes enormously to the economy.

Yapı Kredi offers alternative solutions to its customers' foreign trade finance needs through Turkish Eximbank Export Credit Programs, the CBRT's pre- and post-shipment financing facilities that support exports, and export credit agencies and Eximbanks of other countries. The Bank also develops long-term and favorable financing products sourced from correspondent banks for the investment needs of its customers.

The number of customers using Yapı Kredi's cash management and foreign trade finance products was above 250 thousand at the end of 2020.

Controlling 13.2% market share in cheque clearing in 2020, Yapı Kredi intermediated the foreign trade transactions of its more than 16 thousand customers. Yapı Kredi's market share of Turkey's foreign trade volume was approximately 15%.

Investment Banking

Investment Banking manages corporate finance advisory, financial advisory and capital management advisory services at the Bank.

Corporate Finance Advisory

With its Corporate Finance Advisory team establishes dialogues on a strategic level with its customers operating particularly in energy, infrastructure, consumer goods, retail, finance, telecom/media/technology and general industries and provides thorough M&A advisory services to target firms based in Turkey and abroad.

Financial Advisory

Yapı Kredi is the sector leader in project finance advisory. The Financial Advisory team assists clients throughout the entire chain of financial processes including the structuring, negotiating with creditors and obtaining the right mix of financing from various national and international lenders for their large-scale projects and restructuring projects that can be evaluated within the scope of project finance.

Yapı Kredi is an active player primarily in infrastructure (airport, port, bridge, tunnel and highway) projects, as well as in various PPPs, energy, oil, gas, mining, petrochemicals and biochemical sectors.

Controlling **13.2%** market share in cheque clearing in 2020, Yapı Kredi intermediated the foreign trade transactions of its **more than 16 thousand** customers.

Capital Management Advisory (CMA)

Capital Management Advisory provides consultancy services for developing sound balance sheet structure, ensuring optimum debt-equity ratios, and satisfying financial needs by using the most suitable products in line with sector-specific factors and offers the most appropriate banking products and financing options for this purpose. In addition, the CMA also intermediates all kinds of structured finance services [syndicated loans, club loans, refinancing etc.] based on balance sheet as needed by the companies.

International and Multi-National Banking

Yapı Kredi is one of the first banks to introduce a service model focused on international and multinational companies.

In order to offer more effective, need-based and 360-degrees service to customers in this scope, two separate units named IMB [International & Multinational Relationship Banking] and Cross-Border Banking Activities Unit operate under the International Banking roof.

International Banking Branch

Servicing exclusively companies with foreign shareholding, the Branch extends support via customer representatives experienced in services and products that international and multi-national companies may need, are fluent in various languages, and are specialized in the needs of such companies.

Cross Border Banking Function

Acting as the first point of contact for investors from abroad, this function delivers advisory regarding Turkey and the banking system. In addition, the Function takes part in settings linked to consulates and foreign capital investments [domestic trade shows, attaché offices, etc.] and shares information about the Bank and the banking sector; it also carries out sales and marketing activities to entice foreign investors to choose Yapı Kredi.

The Cross-Border Banking Function extends support to account opening processes of companies with foreign shareholders at the International Banking branch or at any other branch of Yapı Kredi within Turkey and its over-seas subsidiaries. The Function contributes to the promotion and increased use of all product groups of the Bank in coordination with all product groups and various units.

In 2020, the Cross-Border Banking Function team completed the foreign account opening of 5 Turkish firms associated with their overseas investments, and acquired 64 firms backed by foreign capital that have investments in Turkey as new customers for the Bank by completing their account opening at IMB and other Yapı Kredi branches.

Outlook

The Bank's targets with respect to Corporate and Commercial Banking for 2021 are outlined below:

- Increase synergy among segments and ensure in-depth fulfillment of all corporate customer needs with the commencement of service provision also to MEs and SMEs under the Corporate and Commercial Banking roof,
- Consolidate its position before customers as a business partner by offering a wide range of services from daily transactions to financial advisory,
- Reducing concentration and spreading out through cash-flow based customer acquisition,
- Focus on value chain management to build stronger relationships with customers' subsidiaries and suppliers,
- Ensure operational efficiency through effective use of digital channels, and give priority to digital channels in sales,
- Continue to make a difference in customer experience by incorporating smart systems in process design,
- Continue to take part in major projects that require expertise and create added value for the country.

SME BANKING

PRESENTATION

Profile	
Branches	671
Portfolio Managers	1,051

FROM THE
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STAKEHOLDERSRESPONSIBLE
GROWTHINNOVATIVE
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ANNEXES

Standing by the SMEs amid the circumstances stemming from the pandemic

The circumstances stemming from the pandemic that deeply impacted the economic cycle in 2020 negatively affected the activities of small and medium-sized enterprises as well. In this process, Yapı Kredi brought in economic support packages to help maintain the cash flow cycle of the SMEs and to mitigate the negative impacts of the pandemic. The Bank continued to extend support by allocating additional credit lines and granting deferments on loan repayments to its customers who needed.

In a bid to support its customers amid this challenging operating environment, Yapı Kredi participated in two Treasury-backed Credit Guarantee Fund programs initiated in April 2020 within the scope of the Economic Stability Shield program. These programs were Opex Loan Support Package, which is designed to finance customers' fixed costs such as salaries, rents, raw material purchase, etc., and the Cheque Payment Support Package, which is intended to finance the payment of the cheques customers did or will endorse based on pre-pandemic actual commercial relations. The Bank provided a loan facility of TL 8 billion in total in the first half of 2020: ca. TL 6.8 billion under the Opex Loan Support Package, and ca. TL 1.2 billion under the Cheque Payment Support Package.

In SME loans, for which growth targets were defined at the onset of 2020, lending volumes turned to stable following the pandemic conditions that increased in March; at that time, 3-month deferment option was introduced for Yapı Kredi customers who were affected by the pandemic. From March onwards, TL 1.6 billion in principal amounts and interests that were due of more than 8,000 customers were granted deferment. Targeted at the sustainability of customers' financial structures, this initiative will be carried on until March 2021 for customers who request it.

In the same period, the supportive approach to SMEs regarding their borrowing needs was persevered with the stretched restrictions in June, and Installment Commercial Loans grew by 8% as at the end of the year.

In the second half of the year, the Bank participated in the Credit Guarantee Fund Tourism Support Package with the objective of extending support to tourism, which is one of the most affected sectors by the pandemic, and provided financing in the amount of TL 410 million to its customers.

Under agricultural banking, a financing support of approximately TL 500 million was offered to support the production of our farmers in 2020.

Loan repayments were eased also for Yapı Kredi customers in the regions



YAPI KREDİ BROUGHT IN ECONOMIC SUPPORT PACKAGES TO HELP MAINTAIN THE CASH FLOW CYCLE OF THE SMEs AND TO MITIGATE THE NEGATIVE IMPACTS OF THE PANDEMIC.

TL 410 million
financing within
the Credit Guarantee
Fund Tourism
Support Package

TL 500 million
financing within
the Credit Guarantee
Fund Agricultural
Support Package

affected by the earthquakes in Elazığ, Malatya and İzmir, and the flood disaster in Giresun that occurred in 2020 on top of the pandemic.

In keeping with the strategy of strengthening the deposit base of the SME banking segment, weight was given to performance increase in deposit products in 2020, and nearly 30% expansion was secured in terms of volume, mainly in TL demand deposits.

In spite of the unexpected circumstances 2020 had in store, preset revenue and profitability targets were attained.

For an uninterrupted service experience

Having carried on with its activities uninterrupted in order to support its customers and offer seamless service during the pandemic, Yapı Kredi kept offering services remotely to its customers during the work-from-home period, via the infrastructure that Yapı Kredi developed.

Developments that would allow distant execution of product approval and documentation procedures without a branch visit were launched for protecting the health of customers and employees.

The corporate mobile approval practice introduced enables customers in the nature of

sole-proprietorships to fulfill their basic banking needs including commercial loans, member merchant, banking product and service packages, and World Business card through remote approval. E-instruction function, on the other hand, lets customers send their instructions through Corporate Internet Banking and Yapı Kredi Mobile.

Easy transition infrastructure was introduced making it possible for sole-proprietorship customers to easily switch between individual and corporate user sections on Yapı Kredi Mobile; thus, customers can now reach both retail and commercial products.

Versatile support to the SMEs

Authoring numerous innovations for its SME customers, Yapı Kredi continued to develop solutions for other needs of its customers in the last quarter of the year, besides offering financial services. During the pandemic that compelled digitalization, collaborations were launched that enabled SMEs to carry their businesses to the digital world.

Under the cooperation agreements made with Turkey's leading e-commerce, e-document solutions and website creation/integration service providers, Yapı Kredi customers were offered solutions that provided various

opportunities including opening free-of-charge virtual shops in the online marketplace, advantageous collection, e-commerce site creation at special prices, marketplace integration, discounted prices on Virtual POS, and minimized e-document costs.

Outlook

Yapı Kredi's targets regarding SME Banking in 2021 are as follows:

- Sustain its vision as the leader bank in the SME segment by achieving increased market shares in loans and deposits,
- Secure enlarged lending volume to support post-pandemic economic growth,
- Continuously invest in digital platforms and offer unique customer experience, ease of transacting and pioneering solution suggestions,
- Enhance portfolio service quality in SME banking and offer service entailing a more effective portfolio management service,
- Increase non-banking solutions offered to SMEs on the back of third-party collaborations,
- Continue to participate in programs facilitating SMEs' access to financing made available by domestic and foreign entities, and secure loan expansion.

YAPI KREDİ ASSET MANAGEMENT

PRESENTATION

Profile	
Employees	51

Positioning	Market Share (sector)
Mutual Funds	15.7%

FROM THE
MANAGEMENT

Commanding the sector's leadership, Yapı Kredi Asset Management has consistently maintained its position and sustained its activities since 2002. In 2020, the company adjusted to the changing market conditions, and offered Private Pension Funds Management, Discretionary Portfolio Management and Investment Advisory services, in addition to products tailored to meet the diverse needs of its clients, as it did in previous years.

Yapı Kredi Asset Management ranked second in the sector with a 15.7% market share in mutual funds. On the other hand, the company is the sector's longstanding leader, when money market funds also known as qualified funds are excluded. Total assets under the company's management amount to approximately TL 44 billion.

BUSINESS
MODEL AND
STAKEHOLDERS

Yapı Kredi Asset Management aims to respond optimally to investors' needs on the basis of a broad range of investment products formulated to respond to different market conditions via;

Yapı Kredi Asset Management's achievements have been crowned with a number of prestigious national and international awards. Yapı Kredi Asset Management was recognized with 4 different awards by 3 different international organizations, two of which were World Finance and Institutional Investor, including best asset management and best pension fund management awards. In addition, the Company also earned the "Leader in Pension Mutual Fund Returns - 2019" award in the Portfolio Management category at the 5th TCMA Capital Markets Awards in 2020.

- 22 mutual and 13 hedge funds under its management,
- a total of 26 pension mutual funds of three different pension companies,
- Discretionary portfolio management models designed according to the needs of 460 individual and 9 institutional customers classified under various wealth segments, and investment advisory services offered to 81 customers.

In 2021, Yapı Kredi Asset Management will quickly adapt to digitalizing market conditions based on its innovative perspective and resolutely continue to work for delivering the highest benefits to investors drawing on its growing communication platforms.

In 2020, Yapı Kredi Asset Management ranked **2nd** in the sector with **15.7%** market share in mutual funds.

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YAPI KREDİ INVEST

Profile	
Employees	216

Yapı Kredi Invest is among Turkey's leading investment houses with 30 years of experience in capital markets. As a 99.98%-owned subsidiary of Yapı Kredi, the company aims to be a one-stop shop in delivering solutions for its customers, and handles a wide array of transactions ranging from domestic and international equities to sophisticated derivative products and advisory services.

Yapı Kredi Invest continues to prioritize digital channels to develop simple and rapid solutions tailored to meet customer needs. Remaining close to its customers to better satisfy their needs and supporting their decision-making processes with comprehensive and solid research are among the main pillars of Yapı Kredi Invest's service culture.

Yapı Kredi Invest takes one of the top ranks in the sector in terms of business volume and profitability. Despite the challenging conditions stemming from the pandemic in 2020, the company retained its leadership position in equity trading and futures and options transactions in terms of volume and market share, which was captured in 2018. At the 5th TCMA Capital Markets Awards, Yapı Kredi Invest claimed two Gold Bull awards, "Leader in Borsa İstanbul Equity Market Trading Volume" and "Leader in Borsa İstanbul Derivatives Market Trading Volume".

Positioning	Market Share (sector)
Equity Transaction Volume	13.8%
Futures and Options Transaction Volume	17.8%

In spite of the tough conditions that prevailed through the pandemic, Yapı Kredi Invest successfully intermediated the first bond issue of Anadolu Group Holding in the amount of TL 175 million, which was the highest-amount real sector bond issue in 2020. Moreover, Yapı Kredi Invest signed its name under a number of successful projects including Tüpraş bond issue in the amount of TL 500 million with a 2-year maturity, and the highly successful Arzum IPO, in which the company was the leader. With a book building that amounted to TL 11.3 billion for an offering of TL 260 million, the IPO was finalized with a broad participation.

Yapı Kredi Invest's priorities include reaching new customers and customer segments, increasing the agility of customer sales channels, and strengthening access to these channels. Attaching great importance to digital delivery channels, the company determinedly continues to increase the diversity of services delivered to customers through these channels, and to offer higher quality and faster service.

In 2021, Yapı Kredi Invest will sustain its operations in line with its sustainable growth and development goal amid shifting market conditions, and keep offering original and high-quality products that satisfy customer needs.



YAPI KREDİ LEASING

PRESENTATION

Profile	
Customers	4,544
Branches	14
Employees	132

Positioning	Market Share (sector)
Financial Leasing Receivables	18.4%

FROM THE
MANAGEMENT

Yapı Kredi Leasing was established in 1987, and 99.99% of its shares are held by Yapı Kredi. Yapı Kredi Leasing holds a market share of 18.4% in terms of leasing receivables. Yapı Kredi Leasing continues to leave its print in the leasing sector and to stand by its customers at all times with its infrastructure backed by investments in technology, smart solutions, expert teams and vast market experience.

In 2020, Yapı Kredi Leasing alleviated the effects of Covid-19 by taking fast and agile actions, and achieved the targeted quantities and amounts. The Company continued to provide financing for machinery investments in the real sector, with a particular focus on manufacturing, textile and construction equipment industries.

Yapı Kredi Leasing will seek to retain its leadership in the sector, to further consolidate its customer network and sector positioning in 2021.

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Profile	
Customers	3,603
Branches	9
Employees	126

Positioning	Market Share (sector)
Factoring turnover	13.3%

99.95% of its shares held by Yapı Kredi, Yapı Kredi Faktoring was established in 1999.

Yapı Kredi Faktoring is differentiated from its competition with its robust capital structure and performance, in-depth experience, and its expert team that has adopted a high quality approach to service.

Yapı Kredi Faktoring holds a market share of 13.3% in total business volume, and 21.2% in international factoring volume. In addition, the company reached a total business volume of TL 19.7 billion, of which 78% is derived on domestic transactions and 22% on international transactions.

Yapı Kredi Faktoring renders factoring services across Turkey through its HQ in İstanbul and its branches in Adana, Ankara, Antalya, Beyoğlu, Bursa, Güneşli, İzmir, Kadıköy and Kartal. In 2020, Yapı Kredi Faktoring kept diversifying its funding sources to provide financing to its customers at a more affordable rate.

Its close relationship with the nationwide sales and service network of Yapı Kredi Bank and the synergy created represent Yapı Kredi Faktoring's most important service and competitive advantages.

In 2020, Yapı Kredi Faktoring was named the Best Factoring Company in Turkey by Global Banking and Finance Review magazine.

Since 2002, Yapı Kredi Faktoring has consistently ranked among the top companies in the Best Export Factoring Company index worldwide as compiled by the Factors Chain International (FCI) based in Amsterdam. Yapı Kredi Faktoring is a member of the Association of Financial Institutions, as well as of FCI.

Yapı Kredi Faktoring aims to increase customer numbers and penetration in all segments in 2021, while deepening relationships with existing customers.

YAPI KREDİ BANK NEDERLAND

PRESENTATION

Profile	
Asset Size	USD 2.05 billion
Branches	-
Employees	58

FROM THE MANAGEMENT

Yapı Kredi Bank Nederland offers a wide array of products and services in retail, corporate and private banking. The Bank's main objective is to support Yapı Kredi's customer base residing abroad. Wholly owned by Yapı Kredi, the bank serves its customers out of its head office in Amsterdam.

In 2020, the bank sustained its favorable performance despite volatile and increasingly regulated market conditions. Yapı Kredi Bank Nederland offers savings and deposit products to its customers in the area of retail banking. In corporate banking, the bank provides structured commodity finance and trade finance solutions. In its operations the Bank also utilizes the synergy of Yapı Kredi Group.

cash management as well as Islamic banking products. In the area of correspondent banking, the bank uses the opportunities presented by money and capital markets as appropriate to its balance sheet requirements.

BUSINESS MODEL AND STAKEHOLDERS

Yapı Kredi Bank Nederland offers a wide array of products and services in retail, corporate and private banking, with the main objective of supporting Yapı Kredi's customer base residing abroad. Wholly owned by Yapı Kredi, the bank serves its customers out of its head office in Amsterdam.

Yapı Kredi Bank Nederland, while continuing its trade finance activities where market conditions play a telling role, offers its corporate customers marine finance, project finance,

In 2021, Yapı Kredi Bank Nederland will focus on maintaining profitability at a sustainable level while managing risks and regulatory compliance and keeping customer satisfaction at the highest level.

RESPONSIBLE GROWTH

INNOVATIVE BANKING

YAPI KREDİ BANK MALTA

Profile	
Asset Size	USD 93.6 million
Branches	-
Employees	3

HUMAN FOCUS

Established in 2014 for providing services to Yapı Kredi's corporate and commercial customers, Yapı Kredi Bank Malta started its operations in 2015. On 25 October 2019, the Board of Directors of Yapı Kredi, which holds 100% shares of the bank through

Yapı Kredi Holding B.V., decided to liquidate Yapı Kredi Bank Malta Ltd. During this timeframe, the bank did not take on any new customers and the existing customers and their products were transferred to other Group banks. As at year-end 2020,

total assets of the bank amounted to USD 93.6 million, and the liquidation of the bank is in progress. The Bank carries on with its operations in full compliance with legal requirements.

CORPORATE GOVERNANCE

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Note:

On 25 October 2019, Yapı ve Kredi Bankası A.Ş. Board of Directors resolved to liquidate Yapı Kredi Bank Malta Ltd., which is wholly-owned by the former through Yapı Kredi Holding B.V. Liquidation procedures are envisaged to be completed within 18 months after related permissions are obtained from the Maltese legal authorities and the said approval process is in progress. The liquidation of Yapı Kredi Bank Malta is not anticipated to bear a material impact with respect to the operations and financial statements of Yapı ve Kredi Bankası A.Ş.

Profile	
Asset Size	USD 214,6 million
Branches	9
Employees	247

Positioning	Market Share (sector)
Credit Card Outstanding Volume	3.11%
Credit Card Acquiring	2.13%

Yapı Kredi holds 99.80% of the shares in Yapı Kredi Bank Azerbaijan that was established in 1998. Yapı Kredi Bank Azerbaijan provides a wide range of products and services in retail and corporate banking through its nine branches located in Baku and Sumgait.

Azerbaijan implemented travel bans and lockdowns from the end of the first quarter of 2020 in an effort to take under control the spreading of the Covid-19 pandemic. The government provided various financial relief tools to sectors impacted by the situation and financial assistance to individuals in need.

From the inception of lockdowns, actions were taken to ensure safe and healthy working conditions of Yapı Kredi Bank Azerbaijan employees, and the necessary technical infrastructure has been established accordingly. Customers were offered uninterrupted service through alternative delivery channels and digital channels.

In this context, Yapı Kredi Bank Azerbaijan quickly integrated in the Instant Payment System Project launched by the country's Central Bank and has been one of the first banks to implement the system. This allowed retail customers to safely and quickly perform easy data entry such as their phone and ID numbers, as well as domestic payments and transfers through Internet and mobile banking channels.

Initiated in 2020, Contactless Card and POS Project will be put into implementation in the early months of 2021 and will thus enable customers to carry out their shopping with contactless POS devices. The bank continues to offer service to its over 2,000 member merchants with new generation POS devices incorporating contactless feature.

In 2021, Yapı Kredi Bank Azerbaijan will keep investing in its digital products and channels and maintain its innovative approach.

Although hardships are predicted in the collection of loans due to declined economic activity in connection with the restrictions, a high 10.4% improvement has been secured in the non-performing loans book owing to the programs announced by the Central Bank for deferment of loans, coupled with the actions taken. Active balance sheet management through this period helped preserve the bank's sound funding structure and solid liquidity. On another front, commission income dropped due to decreased transaction volumes during the pandemic. Notwithstanding, profitability was preserved by keeping costs and loan provisions under close watch. In 2021, Yapı Kredi Bank Azerbaijan will continue to create added value for the Azerbaijani economy drawing on its strong shareholders and balance sheet structure.

The Turkish market struggled with the effects of the pandemic in 2020.

Following a powerful start to the year, the pandemic exerted its shrinking impact upon economies in the first quarter of 2020. Rapid measures adopted by central banks and authorities produced significant gains for maintaining financial stability. It was observed that measures supporting employment and domestic demand in particular was adopted in Turkey.

Towards the end of the second quarter, economies embarked upon a recovery period in the wake of the gradual loosening of the measures implemented against the pandemic. With the contribution of the supportive policies enforced in our country, recuperation started in many sectors in the third quarter. However, the recovery in the tourism industry was limited due to international travel bans, which led to a reduction in tourism revenues that are critical for narrowing the current account deficit.

In the third quarter, the fluctuation in exchange rates were taken under control by way of monetary tightening measures adopted by the CBRT. In keeping with its goal to maintain price stability, the CBRT implemented monetary tightening by significantly increasing its one-week repo rate, which is its primary policy tool, in September and November. In November, the CBRT changed liquidity management and decided to provide all short-term funding through the policy rate.

Within the scope of normalization, the BRSA increased swap transaction limits of banks with non-resident financial institutions, repealed the value day practice in FC transactions of resident customers, and decreased Exchange Transactions Tax rate.

Focused on effective liquidity management and diversified funding base

During 2020, Yapı Kredi effectively managed its liquidity and further diversified its funding base, drawing on its experience in interest and exchange rate risk management. On another front, the Bank kept fulfilling the Turkish manufacturing industry's need for financing with the product versatility and maturity profiles made available within the frame of asset and liability management.

Implementations increasing the value offered to customers during the pandemic

During the pandemic, Yapı Kredi took important and quick steps on the axis of digitalization. Having contributed to the customers and the Bank, some of these steps directly related with treasury transactions. Through Yapı Kredi FX+, the foreign currency trading platform offered to customers, corporate customers were able to reach and trade on FC markets without a broker in between. On the other hand, face-to-face customer visits and corporate meetings that were interrupted during the pandemic were carried out through the Internet, and business continuity was ensured diligently.

In 2020, while the share of investment products on digital channels increased in the sector, Yapı Kredi Digital Banking increased its market share in investment transactions from 9% to 11% on the back of premium products and services it offers.

Yapı Kredi Treasury Management operates its activities through the Treasury and Financial Institutions groups.

Treasury

The Treasury is in charge of managing the Bank's liquidity requirements, interest rate risks, foreign exchange position, and controls its investment portfolio.

Fixed Income Securities

Yapı Kredi is one of the 11 market-makers designated by the Republic of Turkey Ministry of Treasury and Finance. Having remained an active player in the securities market throughout 2020, the Bank's market share in the BIST bonds market was 11.02% as of 2020 year-end. Furthermore,

Yapı Kredi also borrowed TL 15.50 billion from the domestic market through 88 issuances in total in 2020.

Money Markets and Balance Sheet Management

The Money Markets and Balance Sheet Management Unit manages the interest rate risks associated with the Bank's on and off-balance sheet liabilities in a manner that is highly responsive to market developments and in line with the Bank's Risk Policy. Accordingly, the Bank created a flexible balance sheet structure by paying regard to effective management of liquidity positions as well as loan and investment portfolios, risk-return balances, and customer requirements.

During 2020 that presented many pandemic-induced difficulties, Yapı Kredi continued to source low-cost funds through various borrowing instruments from international financial markets, enabled by the high credibility..

Foreign Exchange and Derivatives

The Foreign Exchange and Derivatives Unit handles the pricing of all kinds of commodities, derivatives and structured products, as well as of spot and forward foreign exchange on international markets. The Unit ensures effective pricing that is aligned with the Bank's position and market conditions, while developing various derivative products by taking into account customers' needs associated with OTC derivatives markets.

Treasury Marketing

The Treasury Marketing Group offers hedging products against current and future financial risks to the Bank's customers from all segments, combining its technological infrastructure with its know-how. These products are being designed across a broad range from spot foreign currency transactions to complex interest and commodity derivatives, in alignment with needs specific to each customer. Parallel to the Bank's policies prioritizing digitalization, the Treasury Marketing Group also targets to further enhance customer experience and satisfaction with the digital infrastructures it offers to customers that continue to be upgraded.

Budget Planning and Financial Monitoring

The Budget Planning and Financial Monitoring unit focuses on effective management of the Bank's balance sheet and income statement in accordance with the risk management principles. The unit also analyzes the effects of changes in market conditions on the Bank's profitability and operations, and extends support to other units of the Treasury.

Treasury Products Management

Product management teams enable provision of investment products and services also through digital channels besides branch channels, in keeping with the Bank's strategy.

Mutual Funds and Fixed Income Securities Product Management

Mutual Funds and Fixed Income Securities Product Management Unit follows up the markets, applicable legislation and requirements, and is responsible for delivering mutual funds and fixed income products to customers. The team is also responsible for the coordination between Yapı Kredi Asset Management and the Bank.

Working on the basis of an approach that quickly adjusts to market developments and customer needs, the unit introduced 4 new funds in 2020, in addition to the existing 31 mutual funds catering to different strategies. Yapı Kredi customers can reach mutual funds through branches and all Alternative Delivery Channels, whereas they can reach bills, bonds, Eurobonds, and repo products through telephone and Internet banking, in addition to branch channels.

Foreign Exchange, Derivatives and Capital Markets Product Management Unit

The unit is responsible for the products' design, operation, efficiency and revision requirements in line with the product policies of Yapı Kredi. The products handled by the team are FC transactions, gold, equity, equity offering, TurkDex, warrants, OTC derivatives, as well as equity and futures trading on overseas stock exchanges (TradeBOX). The team also intermediates the order transmission between Yapı Kredi Invest and Yapı Kredi Bank, as well as providing the coordination between the two.

Upon the introduction of the Investor Profile Test in 2020, smart offers and services aligned with the customer profile began to be offered as an uninterrupted experience through digital channels.

Within the scope of the Bank's digitalization strategy, the Product Management Teams launched projects authorizing use of digital channels for securities account, introducing Akıllı Borsacım (My Smart Stockbroker) bringing the equity recommendations in Yapı Kredi Invest research reports to the transaction screens, and those enabling FC order transactions, FC alert, past asset viewing, fund portfolio returns, and purchasing of Eurobonds through telephone and Internet banking.

In 2021, efforts are ongoing to launch new products and services and their delivery to customers through all channels with uninterrupted experience.

Financial Institutions

Correspondent Banking

2020 has been yet another successful year for Yapı Kredi in terms of correspondent banking activities despite the volatility in global and domestic markets. Throughout the year, the Bank responded to its customers' needs for foreign trade finance with the support of its network of nearly 1,800 international banks. Successful correspondent banking activities resulted in the renewal of syndicated loans and maintained the market share in foreign trade finance.

Syndication with the highest participation

In May 2020, Yapı Kredi successfully renewed its syndicated loan. The facility with a maturity of 367 days comprised of two tranches in terms of USD and EUR. The loan in the total amount of USD 283.5 million and EUR 534.6 million is designed to fulfill the pre-export funding needs of customers.

Having the largest lender base among its kind at the time of its execution, the facility has been provided with the participation of 38 banks from 18 countries. The syndicated loan carried an all-in cost of Libor+2.25% and Euribor+2.0% for a 367-day maturity.

Syndication with the highest amount

In October, Yapı Kredi successfully rolled over a second syndicated loan in two tranches, comprising 367-day and two-year terms in USD and EUR, raising USD 334 million and EUR 440.5 million. The dual currency term loan facility, secured to finance foreign trade, was participated by 39 banks from 21 countries and was the highest amount syndicated loan at the time. The all-in cost of the facility was determined as Libor+2.50% and Euribor+2.25% for the 367-day maturity in keeping with the market developments.

In addition to syndicated loans, Yapı Kredi continued funding transactions linked to foreign trade, as well.

International Debt and Capital Markets

In 2020, Yapı Kredi continued to secure funds from international markets by diversifying its funding sources. In the reporting period, the Bank secured international funds worth around USD 2 billion including syndication thanks to its robust international relations and solid shareholding structure. Furthermore, the subordinated bond issue of USD 500 million was carried out successfully in January 2021, which achieved a book building of more than six folds of the targeted amount.

In January 2020, the Bank realized its first green bond issue that is in compliance with the ICMA Green Bond Principles for the financing of renewable energy projects and secured a funding of USD 50 million. Additionally, the Bank sourced USD 100 million from the EBRD to be on-lent to SMEs for their short-term liquidity needs.

In June 2020, on the other hand, Yapı Kredi released its Sustainability Bond Framework for the first time.

Throughout the year, the Bank secured funds from international markets also by way of bilateral loans.

Outlook

The Bank's targets with respect to Treasury and Financial Institutions groups for 2021 are outlined below:

- Fulfill the manufacturing industry's need for financing,
- Retain its leadership in the area of correspondent relations and contribute to the country's foreign trade activities by expanding its correspondent network,
- Further increase its funding diversity,
- Increase the diversity of sustainability-themed funds,
- Continue and further diversify its cooperation with international financial institutions,
- Maintain its disciplined approach to sustain solid liquidity and funding position.



In May 2020, Yapı Kredi successfully renewed its syndicated loan. Having the largest lender base among its kind at the time of its execution, the facility has been provided with the participation of 38 banks from 18 countries.

ALTERNATIVE DELIVERY CHANNELS

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Number of ATM's	4,535
Digital Banking Active Customer Penetration	78%
Product Sale Penetration Rate Through Digital Channels*	69%
Customer Relations Center Annual Customer Contact	81 million
Customer Relations Center Sales Number	8.3 million
*General Purpose Consumer Loans, Credit Cards, Invoice Payments, Flexible Account, Time Deposits	
Positioning	Market Share [sector]
ATM	8.96%

In relation to Alternative Delivery Channels, Yapı Kredi targets to:

- Increase digital onboarding,
- Improve sales capabilities of digital channels to satisfy customers' need for banking products,
- Offer end-to-end digital services and innovative solutions that fully cater to customers' all banking needs,
- Create value both for the Bank and the customers by enhancing customer satisfaction, and
- Develop new business models that will expand the banking ecosystem.

As part of its digital banking strategy, Yapı Kredi targets to produce products and services molded by customers' usage habits and offer tailored solutions to customers' needs by closely monitoring the latest technological developments. The Bank also contributes to shaping the banking world of the future starting from today with applications that make a difference in the fintech climate and set the standards for the sector.

In 2020, Yapı Kredi's annual customer interaction on digital channels reached 1.5 billion. While 98% of non-cash transactions went through digital channels, the share these channels had in the sales of five main products reached up to 69%.

The contactless banking ecosystem the Bank enabled through its investments and innovations in digital channels allowed uninterrupted fulfillment of customer needs specifically during the pandemic.

Driven by its initiatives targeted at being the bank of choice in physical and alternative delivery channels, Yapı Kredi acts with the vision of delivering a perfect customer experience that will provide the direct solution for customers' needs.

Also in 2020, Yapı Kredi focused on perfecting customer experience, optimizing customer interaction and delivering standard-setting solutions in the sector. Along this line, the Bank offered a number of new services

on digital channels to its customers, while improving the banking ecosystem. Besides innovations, Yapı Kredi enriched customer experience for a large number of services made available on digital channels, and increased customer interaction.

With its efforts in the reporting period, the Bank's active digital customers grew by 16% over 2019, and 78% of the Bank's active customers were converted to digital. Approximately 98% of non-cash transactions executed at the Bank went through digital channels.

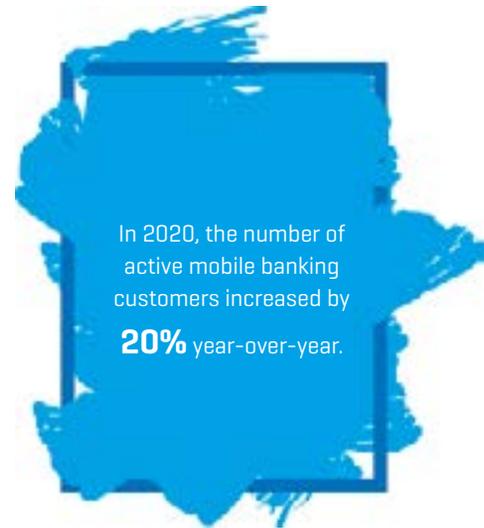
Deepened relations with customers and process improvements resulted in significant increases in sales activities realized through digital channels, and the penetration ratio reached 69% in five main products as at December 2020.

The share of contactless cash withdrawals via Yapı Kredi Mobile using QR Code reached 24% at

the Bank. The Bank's customer interactions on digital channels reached 1.5 billion in 2020.

Based on the Bank's strategy to position mobile as the Bank's remote control, Yapı Kredi maintains its focus on this channel. In 2020, the number of active mobile banking customers increased by 20% year-over-year. While the Bank's active mobile banking customers penetration was 73%, 94% of active digital customers use mobile banking.

Taking differentiating customer expectations into account, Yapı Kredi designed remote onboarding experience in 2018, making use of the latest availability trends and technology, and kept further improving it in the following years. In 2020, the Bank enabled its customers to easily renew their phone number details without going to the branch using the same infrastructure, and increased its end-to-end digitalized processes.



Increase in active digital banking customers

16%

Share of digital channels in non-cash transactions

98%

Investment products in digital channel

Also in 2020, Yapı Kredi introduced developments which will make things easier for its customers wishing to invest and which are targeted at the needs of each customer profile. The Bank redesigned the customer experience of all investment products on digital channels end-to-end, broadened its product portfolio with new products and services, and thus helped its customers who are new to investing to decide and invest more easily. These developments produced a 142% expansion in investment transactions carried out digitally.

Dark mode feature for Yapı Kredi Mobile

The Bank remodeled the user interface and upgraded Yapı Kredi Mobile's design to the latest standards, giving the foreground to simplicity and ease-of-use. In addition, the Bank launched the dark mode feature that runs in integration with mobile operating systems in line with customer feedback, and has been one of the pioneering banks to do so. Yapı Kredi achieved the best scores in the banking sector with an average score of 4.7 points on application stores calculated based on customer ratings.

Bancassurance products are also on the digital

Yapı Kredi widened its insurance and pension products portfolio on its mobile channels in cooperation with Allianz Sigorta. The Bank moved insurance products such as

Complementary Health Insurance and TCIP policies available on a medium that its customers can easily reach with Yapı Kredi Mobile. In this way, the dissemination of related products has been ensured.

Bancassurance products are also on the digital

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The Bank redesigned the customer experience end-to-end in General Purpose Loan, Credit Card and Flexible Account products on digital channels and added new functions to existing processes. Hence, customers were given easy access to loan products in line with their needs. This development almost doubled the general purpose loan sales volume and credit card sales quantity through digital channels at the Bank in just 2 months. In December 2020, sales penetration through digital increased by 23 points on a year-over-year basis for the General Purpose Loan.

In the wake of the FAST/KOLAS Project that is run jointly by all other Interbank Credit Center-member [BKM] banks, Yapı Kredi launched the use of common data such as mobile

Expansion in investment transactions carried out digitally
142%



phone number or email address also as recipient data instead of the IBAN/ Account Number.

With the Secure Payment integrated with the Turkish Union of Public Notaries, the Bank lets customers easily and securely handle second hand vehicle purchase/sales transactions through Yapı Kredi Mobile.

Yapı Kredi launched Card Tracking project allowing card customers to digitally track their cards end-to-end. This new feature enables customers to view the current status of their cards using the Track Card menu on Yapı Kredi Mobile and World Mobile applications. The function contributed to convert the Bank's card customers to digital.

Innovations in security solutions

The Bank continued to improve its customers' experience also through new security solutions. Along this line, the Bank introduced the Smart Notification for Yapı Kredi Mobile and Internet Banking users, and made its customers' lives easier while complying with the relevant communiqué. In addition, for data security purposes, the Bank began to convey the notifications incorporating financial data associated with products and services that it previously emailed to its customers under the Messages menu created on Digital Channels.

Contactless and fast approval solution with Mobile Approval

Working to digitalize the processes on non-digital channels besides its products, the Bank launched the Mobile Approval Project. This solution lets the Bank's customers approve and carry on with their transactions on digital banking channels instead of signing documents, while delivering the additional benefit of easy, contactless approval through their own mobile devices during the pandemic.

Artificial Intelligence solutions

The Bank continued to offer service via its verified WhatsApp corporate account, which it had launched as the first of its kind in Turkey, and built on the capabilities of the AI-based chatbot in 2020. In addition, the Bank also put the Chatbot – Yapı Kredi Banking Bot in service for its users also on yapikredi.com.tr. during the reporting period, the chatbot responded to over 3 million messages on three different media.



Innovations for Corporate Customers

New features have been introduced on all corporate digital channels for corporate customers. Corporate Mobile Approval was launched for corporate customers. In addition, for sole-proprietorship customers, the mechanism allowing switching between Retail and Corporate users was made available on Yapı Kredi Mobile. This allows sole proprietorships to access Retail and Corporate products with a single password. In addition, the Bank expanded the set of e-instructions that it launched last year, and simplified and improved its processes.

The increased importance of digital channels during the pandemic

During the pandemic, the use of Yapı Kredi's Digital Channels grew parallel to the increased need of customers to perform transactions independent from location and in contactless manner, especially through the times when staying at home was extremely critical. Yapı Kredi increased digital onboarding by a massive 217% during the pandemic. In a questionnaire among customers, 89% of respondents said that they keep using Yapı Kredi Mobile, with an NPS score of 81% assigned by this group.

Meanwhile, Yapı Kredi began intensive work to fulfill the growing demand for contactless transactions. The Bank created additional benefit by expedited introduction of numerous products and services that were already in development phase. Adaptation of customers to digital banking gained momentum as contactless transaction became a standard of daily life during the pandemic.

Yapı Kredi stood by its customers through the pandemic also with communication activities. The Bank published descriptive posts on its website, explicating to its customers that banking transactions can be executed easily through digital channels.

Yapı Kredi carried on with its investments in digitalization of its branches, by shaping it according to customers' emerging needs. Contactless transaction penetration of the Bank, which was developing digital solutions to be able to offer contactless service to customers, reached 24%.

In this framework, the Bank agilely increased the upper limits for a number of transactions on its digital channels involving those such as loans and foreign currency.

While the process was simplified for customers wishing to get One Password for using digital channels, developments were made for remote onboarding of individuals above the age of 65 via video transaction assistants.

New trends in banking

Yapı Kredi envisages to offer different services to its customers besides banking products, while undertaking initiatives to create new income models within the frame of platform banking.

Formulating its open banking strategy by monitoring the existing and anticipated regulatory framework in relation to open banking and considering the business models emanating from this concept, the Bank targets to keep expanding the borders of the service rendered to its customers on the basis of cooperations it will develop also in the period ahead.

Best digital bank in Turkey for the fourth time!

The services Yapı Kredi offers through digital channels have been endorsed by prestigious organizations in the world, as well as in Turkey. Crowned with a total of 50 awards in 2020, most of which are global ones, the Bank was named the Best Digital Bank in Turkey for the fourth consecutive year at the Digital Banking Awards organized by the Global Finance magazine.

ATM Network and Self-Service Banking

One of the top five banks in Turkey in terms of ATM coverage with 4,535 ATMs, Yapı Kredi continued to upgrade its ATM network, and make headway in transforming its entire ATM network with ATMs equipped with the latest technology.

In keeping with its growth strategy in non-branch channels for the ATM network, the Bank also kept increasing its touch points and moved up to number 5 spot in the sector. The expansion of the ATM network will be carried on in a manner to give easier access to cash not only to Yapı Kredi customers but also to customers of other domestic and foreign banks.

While all ATMs of the Bank feature both cash withdrawal and cash deposit capabilities, Yapı Kredi is among the sector's pioneers with 90% share of Re-cycle ATMs in its network.

Annual transaction volume through the Yapı Kredi ATM network closed in on TL 200 billion, while 220 million transactions were performed. Nine out of every ten cash transactions went through ATMs.

The customers seized upon QR Code, which allows transacting without touching the ATM; hence, 2 million customers performed approximately 40 million transactions at ATMs using QR code annually. One out of every four transactions are executed using QR code.

As part of the vision of increasing financial access, Yapı Kredi has been one of the first banks to launch Cash Withdrawal with QR in 2020, in addition to cash withdrawal, cash deposit, credit card debt payment, and credit card debt/limit querying on the menus of Shared ATM Network, thus expanding the range of services non-customers can use at Yapı Kredi ATMs whenever they need it.

DCC [Dynamic Currency Conversion] option was made available for cash withdrawals performed by holders of foreign banks' cards and transacting experience was thus enhanced.

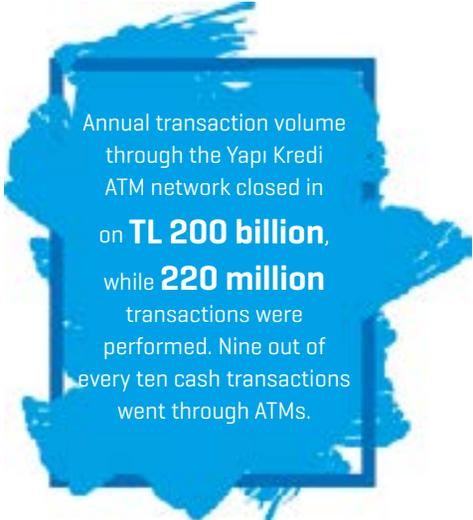
Outlook

Yapı Kredi's 2021 targets for Digital Banking are summarized below;

- Keep offering digital services backed by new service models and sector-leading innovative solutions in the digitalizing world,
- Introduce investments that will perfect the experience by better analyzing customer behaviors and needs,

Monitor cooperation opportunities with fintechs and startups, and develop new products and services aligned with customers' lifestyles, compliant with the changes in the regulatory framework,

- Increase conversion of corporate customers to the digital by digitalization of processes and documents and addition of new products.



Annual transaction volume through the Yapı Kredi ATM network closed in on **TL 200 billion**, while **220 million** transactions were performed. Nine out of every ten cash transactions went through ATMs.

INFORMATION TECHNOLOGIES AND OPERATIONS

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Information Technologies

Yapı Kredi Information Technologies steered its activities on the basis of an approach taking into consideration customer and employee needs that were reshaped by the effects of the pandemic in 2020.

In line with this approach, Yapı Kredi continued to bring the most innovative and pioneering applications to customers in keeping with the banking business of the future vision.

The importance of digitalization is increasing by the day. Thanks to its infrastructure at high standards, the Bank authored projects that delivered productivity, speed and superior customer experience on all channels, and thus sustained its leadership in product diversity and digitalization.

Value generation and matters in focus during the pandemic

For employee health

The priority of Yapı Kredi during the pandemic has been to carry on with its activities uninterrupted while protecting the health of its employees and customers. In this framework, the remote working model has been introduced in the first place.

Shortly after the start of the pandemic, all Head Office teams including Yapı Kredi Customer Relations Center and branch

portfolio managers began offering non-stop service to customers from their homes. Investing in digital channels for many years, the Bank quickly adapted to the home office model and successfully handled the process, backed by its hardware and equipment facilitating remote working.

356 process improvements were carried out, aimed at ensuring efficient, comfortable and secure work-from-home conditions for the employees through the Covid-19 period, and necessary measures were taken for employee health and business continuity as well. Homes of Yapı Kredi employees were connected with branch communication infrastructures, and the scope of ID authentication with the use of video chat at the call center was expanded.

Yapı Kredi predicts that the remote working model will become routine -but neither compulsory nor continuous- in business life in the post-pandemic period, and thus shapes its initiatives according to this perspective.

356 PROCESS IMPROVEMENTS WERE CARRIED OUT, AIMED AT ENSURING EFFICIENT, COMFORTABLE AND SECURE WORK-FROM-HOME CONDITIONS FOR THE EMPLOYEES THROUGH THE COVID-19 PERIOD.



For improved customer experience

The use of Yapı Kredi Mobile, Customer Relations Center and Yapı Kredi Internet Banking channels by Yapı Kredi customers increased visibly, and June marked the breaking of an all-time record in the number of transactions performed through digital channels.

In this scope, the Bank made developments, which will continue to be used also after the pandemic, aimed at enhancing customer satisfaction and experience and at broadening the set of transactions.

As such, the Bank provided to the customers with mobile approval

Remote onboarding easily

The new service model launched in 2020 allows onboarding through "Video Transaction Assistants" on Yapı Kredi Mobile without going to a branch. Average new customer acquisition in the first half of 2020 increased by 190% over the previous half-year, and new customer acquisition via "Video Transaction Assistants" during the pandemic increased by 265% as compared to the previous 6-month period. In June, digital onboarding grew by 2.5 times as compared with the first 3 months of the year.

During 2020, Yapı Kredi launched 255 IT projects.

Highlights of these projects are summarized below:

- Retail Banking loan application, evaluation and disbursement processes and decision support systems were redesigned with a perspective enhancing customer experience and employing new technology.
- Infrastructure for digital channel investment services was renewed with the aim of optimum fulfilment of customers' investment needs. Additionally, various products, reports and functions were added.
- While Complementary Health Insurance and Compulsory Earthquake Insurance (TCIP) functions were added to Mobile Banking, customer experience enhancements were made as well.
- Control points were simplified in order to mitigate operational risk, and quality of control was improved by the use of robots and artificial intelligence.
- Priority was given to cyber security investments within the scope of information technologies, and works focused on service continuity and cost optimization continued.
- Processes and roles for increasing the productivity of the service model in branches was reviewed, revised and digitalized.



During 2020, Yapı Kredi
launched **255**
Information Technologies
projects.

- Investment services model was renewed end-to-end, incorporating revisions aimed at improving processes, channels and customer experience.
- Easy Address, co-developed with the CBRT, has been launched, which allows money transfers without necessitating IBAN or account information, by linking the account with a mobile phone number, T.R. ID number, email address, tax ID number or passport number.
- Collaborative efforts with the CBRT within the scope of Instant and Continuous Transfer of Funds (in Turkish: FAST), developments were made enabling 24/7 money transfer and much more quickly than it can be done currently.
- New Technologies were increased and modular service developments were carried out for effective, productive and scalable management of technological infrastructure.
- Internet Banking, Mobile Banking, ATM and Call Center channels began offering service via cloud-based systems.
- Improvements for updating analytical service model revision, model upgrades and high quality development of data technologies in a short period of time were conducted.
- Work was initiated for revising the service model for corporate customers, diversification of their channel usage, and facilitating digital channel access easily.
- Increasing the diversity of insurance products, mitigation of operational risk, and formulation of processes respecting consumer rights with defined control points have been completed.
- Productivity and service quality at branches were increased through lean, user-friendly screen designs and process digitalization.
- Business model of salary payment and banking for retirees has been revised, and customer satisfaction was enhanced with customized campaigns on the basis of individual companies and customers.

Operations Management

Yapı Kredi kept offering service delivering the best customer experience, and within the frame of high quality, easy and effortless banking principles based on its motto of “No limits in Service”.

During 2020, more than 700 processes were reviewed and improved accordingly.

Service Quality

- Rate of compliance with transaction service standards in 2020 was 96%.
- During 2020, priority was given to replacement of contact POS terminals installed at member merchants with contactless terminals, and the number of active contact POS terminals in the field was reduced by 46%. This improvement supported the number of contactless transactions upward amid the pandemic circumstances.

Yapı Kredi kept offering service delivering the best customer experience, and within the frame of high **quality, easy and digital banking** principles based on its motto of “No limits in Service”.

- All branches were given access to the centralized support structure in operational terms in order to prevent service interruptions at branches.

Productivity

- As a result of the projects and developments aimed at ensuring efficiency and productivity on all service channels, annually 94% of all financial transactions on average were executed either digitally or automatically in 2020.
- In line with the remote service model, customers were provided with the chance to transact in paperless format by way of digital and mobile approval. 84% of the transactions are being performed with digital approval in paperless format at the Bank. This also entails an environmental contribution from Yapı Kredi, as the Bank saves paper, which also offers advantages in terms of the retention and archiving of physical documents.
- Robotic use in processes was increased, and the number of robotic employees reached 20 as of year-end 2020. Robotic software programs handle more than 90 processes, and 4.2 million transactions were performed by robots during 2020.
- AI-based products handled 26.6 million transactions across 28 different processes in 2020, extending decision-making support to users.
- Within the scope of Decentralized Cash Management (DCM) Depots for custody and processing of banknotes on behalf of the CBRT, authorization was requested for Ankara and İzmir Cash Centers, in addition to the previously authorized İstanbul European Side and Kozyatağı Cash Centers. Authorization for İzmir Cash Center was received, which became operational. Authorization for Ankara Cash Center is anticipated to be received in the first months of 2021.
- Cash optimization software developed in-house for better optimization of the cash at branches was put into pilot run in the fourth quarter of 2020. The software is slated for rolling out across the Bank in the first quarter of 2021. The software is intended to ensure operating at lower cash desk levels and funding costs.
- Under the Unnamed Cards Project, the rollout of which was completed in the last quarter of 2020, 297 thousand Instant Cards were shipped in total to Yapı Kredi Branches, 251 thousand of them debit cards and the remaining 46 thousand credit cards. This helped increase the rate of card acquisition and activation of newly acquired customers or of customers with branch contact, thus securing savings in messenger services.
- Automated calculation of the LTV ratio (80%, 85%, 90%) that will be subject to housing loans according to the Energy Identification Document data entered into survey reports and based on the energy performance of real estates, and their automated input in loan evaluations enhanced customer satisfaction and also pioneered the sector.
- Disposal of acquisitions assigned to Yapı Kredi from borrowers continued.
- Transition was secured to the integrated structure using Safir (scanning customer instructions with the OCR, a development by the R&D team, and their automated conveyance to the system performing the relevant transaction) for Regular Payment, Automated Payment and Dealer Bill Payment customer instructions. This ensured completion of transactions in a shorter period of time, while minimizing faulty data provision by users.
- Based on the amendment to the CBRT's Export and FC-Earning Services Rediscount Credit Implementation Guidelines, commercial banks may borrow in Turkish lira. System integration is made for the changes and controls introduced by the implementation guidelines.
- Report generation and informative emailing has been automated for monthly employment statement aimed at tracking the number of employees.

Operational Risk

- In order to mitigate and standardize operational risk, approval steps began to be transferred to centralized teams at the Bank.
- Main Vault Automation Software was purchased to mitigate risks stemming from operations in Cash Centers. Necessary software adjustment of the said software was made within the frame of Yapı Kredi work flows in the fourth quarter of 2020; pilot run will be initiated at Istanbul Cash Centers in the first quarter of 2021. Subsequently, the software will be rolled out across Cash Centers. The roll out will be finalized upon full integration of the software in the main banking system.
- The project for automatic customer calling in the case of instructions requiring customer provisions in money transfer transactions was put in pilot run in 3 branches in 2020. With the launch of the project across all branches in 2021, it is targeted to minimize calls involving user intervention and mitigate operational risk.
- Assignment screen was put into use, in which system entry of assignments made in favor of third parties by the Bank or by customers will be made. This also enabled monitoring the assignments in favor of third parties by the Bank or by customers along with the assignments collateralized by Yapı Kredi. This eliminated the risks resulting from the absence of systemic tracking of assignments

made in favor of third parties by the Bank or by customers.

- Development and automatization continued for systems supported with advanced analytical and AI capabilities in order to proactively monitor and prevent attempted fraud and cyber attacks that customers and the Bank are exposed to. These developments include systems and a team working around the clock.
- Development of anti-fraud processes continued employing detection applications based on analytical behaviors.
- Investments in cyber security and anti-fraud increased, resulting in more than TL 190 million invested in this area in the past 3 years.
- Anti-fraud systems monitoring customer actions are constantly updated to respond to new types of incidents.
- Security alerts are being sent regularly through various channels in order to raise increased awareness of security among customers.

Environmentally-Sensitive Operations

- As a result of paperless transaction and digitalization initiatives ongoing at the Bank since 2018, 54 million sheets of paper were saved in 2020, rescuing approximately 4,590 trees from being cut.
- Within the scope of the 2020 Zero Waste Project, recycling containers conforming to the Zero Waste Regulation were procured

for the Head Office buildings, thus ensuring effective sorting of waste at the source. In waste storage areas, waste labels were revised according to the regulation, and renovations across the waste area were completed. With the Zero Waste Project, the Banking Base facility earned the Zero Waste Certification. Application has been filed for obtaining a Zero Waste Certification for Plaza Building D facility.

- Within the scope of 2020 environmental goals, work was carried on in relation to ISO 14046 Direct Water Footprint Certification, as a result of which recertification was secured.
- Potable water treatment units were put into use in 2020 at the Head Office Plaza Building D and Banking Base facilities for obtaining ready-to-use, good quality fresh water in sufficient quantity.
- At Darica Administrative and Archive buildings, well water and drainage water from buildings continued to be collected and used for landscape irrigation, another water-efficient initiative. The project served to replacement of municipal water by well water for landscape irrigation purposes.
- The Bank obtained a score of A- at the CDP Water Program 2020 and qualified for the leadership category. Obtaining the highest score in the Turkish finance sector for the past two years in a row, Yapı Kredi was awarded with CDP Turkey 2019 Water Leadership award.

- Under the Project to End the Use of Single-Use Plastics, plastic use was terminated at Head Office Buildings, service buildings, regional buildings and branches. Mugs and flasks began to be distributed to employees to replace single-use plastics falling under this scope.
 - In 2020, 16.6% of the electricity need was supplied from renewable energy resources. Accordingly, 15,000 MWh electricity has been supplied from renewable sources, which produced a CO₂e reduction of 7 tons.
 - During 2020, more than 856,792 kilograms of paper and paper packaging, more than 11,325 thousand kilograms of plastic and plastic packaging, more than 8,330 thousand kilograms of glass and glass packaging, and more than 46,809 thousand kilograms of metal were collected for recycling across the Bank. The waste collected avoided more than 156,813 kilograms of GHG emissions, saved 23,990 cubic meters of water and 14,565 trees.
 - In 2020, the Bank offered 770 hours of environmental training, which also addressed ISO 14001 Environmental Management System and climate change issues, to 1,856 Yapı Kredi employees and 10.5 hours to 35 subcontractors.
- Outlook**
- Yapı Kredi targets to sustain and speed up the progress it has secured in information Technologies, service quality, productivity and operational risk in the period ahead.
- Product and service delivery at high quality on all channels will continue, the scope of branch and non-branch digital experience will be further expanded in 2021. The prioritized topics in 2021 include greater concentration on analytical models and systems, and further speeding up model upgrades.
- In line with the Bank's strategic principles, strengthening asset quality, optimization of operational and service models, digital transformation projects, data management and analytics are identified as the priority areas.
- The Bank's targets with respect to Information Technologies and Operations Management for 2021 are outlined below:
- Constantly review and improve banking processes to achieve the best customer experience, high productivity and low operational risk
 - Enrich customer acquisition processes using digital channels, with a special focus on salary customers,
 - Expand product and service delivery processes supporting remote service,
 - Employ artificial intelligence and robotic technologies for accelerating the work processes involved in customers' product and service demands, and mitigate risks in transactions by ensuring complete and accurate information flow,
 - Broaden the use of robots and increase the number of robotic processes
- Implement application modernization and migrate apps to the Corporate Cloud environment so as to work in harmony with the Cloud architecture in parallel with the target of increasing agility and scalability in technology infrastructure
 - Continue to employ artificial intelligence, advanced analytics and machine learning technologies that will optimally cater to customer experience and expand them across different channels and applications, while increasing the success and productivity of fraud detection systems,
 - Carry on with initiatives supported with technology at the maximum extent in processes that customers can securely complete via video transaction assistants without a branch visit, with the aim of improving customer experience,
 - Set up structures that automatically check the regulatory compliance of processes, and generate early warning signals in case of non-compliance, in keeping with Responsible Banking approach,
 - Work on a hybrid working model redefining the post-pandemic work-from-home and in-office presence balance,
 - Carry on with projects and initiatives for implementation of emission reduction measures by way of upgrading to energy-efficient lighting systems and use of energy-efficient electrical and electronic equipment, and for supplying energy from renewables.

TECHNOLOGICAL RISKS AND CYBER SECURITY

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Digital transformation and technology have led the banking sector to develop risk management tools to ensure security and privacy of customer information and their personal data, and to manage increasing cyber threats.

At Yapı Kredi, the Information Security Committee oversees the information security management system. Acting on behalf of the Board of Directors, the Committee establishes, updates and implements information security policies. The Committee reviews the policies, procedures and processes at least on an annual basis, and reports to the Board of Directors annually on cyber security.

 Read more about the Information Security Committee [here](#).

Priority is given to cyber security investments

At Yapı Kredi, data security is managed within the frame of related policies and processes. Data are classified according to their confidentiality, integrity and availability degrees. In this context, security measures are adopted to ensure the integrity and confidentiality of data. Controls have been designed for detecting and preventing data leaks. With this understanding, investments in cyber security are given priority at the Bank. The Bank performs surveillance 24/7 in order to detect and prevent cyber attacks. Logs of security trails collected from all programs are subjected to correlation rules, and likely cyber incidents are detected

and prevented. Regular internal and external audits, vulnerability analysis of information assets, and penetration tests are conducted in the light of international standards and local regulatory framework.

Yapı Kredi Information Technologies and Operations Management targets to continually review and improve banking processes, and to enrich digital channels with innovative products and services. Furthermore, it also aims to expand the use of artificial intelligence, advanced analytics and machine learning technologies that are being used for increasing the agility and scalability of technology infrastructure, and upgrading the success and efficiency of fraud and corruption detection systems to different channels and applications. In this framework, fraud prevention processes have been developed employing analytical behavior-based detection applications; AI-based models used for detecting credit card fraud have been introduced to protect customers from fraud, and systems tracking customer behaviors for preventing fraud and counterfeiting have been put into implementation.

Implementations that go beyond achieving full compliance with the legislation

Based on its internal policies including Code of Ethics and Business Conduct Principles, Corporate Policy on Protection and Processing of Personal Data, and Information Security Policy, Yapı Kredi implements procedures

that go beyond the requirements of the Banking Law and provisions of other applicable legislation. The Bank constantly shares information with the customers regarding internal policies, and the measures the customers themselves can take for cyber security. The Bank also keeps all of its employees informed about any changes in applicable legislation and/or rules, and urges its employees to comply with internal policies and guidelines.

Yapı Kredi is governed by the regulations of the Banking Regulation and Supervision Agency (BRSA) that regulates the banking sector in Turkey. The BRSA has published a regulation on Information Systems and Electronic Banking Services. This regulation obligates the presence of an information management system mechanism that is equivalent to ISO 27001 Information Security Management System. Yapı Kredi undergoes annual audits by the BRSA both with respect to the regulation and the COBIT framework.

In cases requiring data sharing with third party companies, in contacts made with such companies, Yapı Kredi incorporates data security commitments aligned with Yapı Kredi's policies and standards and expected of the banks within the scope of outsourcing and support services procurement under the BRSA Information Systems and Electronic Banking Regulation.

Data security and privacy are included in information security awareness training programs

offered to all employees, thus keeping the employees informed and conscious about these subjects. In addition to Information Security training, awareness is raised among employees within the scope of training provided in relation to the Personal Data Protection Law. During the reporting period, 8,359 employees received 3,413 hours of information security training.

Security audits

Yapı Kredi IT Audit conducted the following audits directly related to security during 2020.

World Mobile Application

The purpose of the audit is to evaluate the adequacy, efficiency and effectiveness of access rights and audit trail management, authentication and session management, data privacy and communication security, as well as platform and interface security with respect to providing reasonable assurance.

Management of Infrastructure Trail Logs

The purpose of the Management of Infrastructure Trail Logs audit is to analyze and evaluate the adequacy, effectiveness and efficiency of the Governance and Organization, Servers and Databases, Network and Security Systems, Infrastructure Systems and Client Computers areas of the trail log management process within

the generation, retention, archiving, securing and following up of trail logs with the aim of providing reasonable assurance.

In the wake of the pandemic, remote service and its security have become two of the top priority issues for Information Systems Security Management. Adopting decisions swiftly, Yapı Kredi has securely and completely set up the necessary infrastructure for working from home, thus enabling secure, fast and uninterrupted remote service delivery by employees to customers.

Initiatives regarding cyber security awareness based on an understanding putting the customers and employees in the focal point continued at an increasing extent during 2020. As per high-quality, responsible and compliant banking principle, achieving compliance particularly with the laws and regulations governing banking has been the top priority. Developments in information technologies, new business models, security solutions, attacks and threats related to cyber security, and security regulations were monitored closely. In order to safeguard the data customers entrust to the Bank, actions taken in relation to cyber security will be continued to be reviewed and improved in alignment with the national and international security standards.



INITIATIVES REGARDING CYBER SECURITY AWARENESS BASED ON AN UNDERSTANDING PUTTING THE CUSTOMERS AND EMPLOYEES IN THE FOCAL POINT CONTINUED AT AN INCREASING EXTENT DURING 2020.

OTHER SUBSIDIARIES

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Yapı Kredi Koray Real Estate Investment Trust^(*)

Established in 1996, Yapı Kredi Koray Real Estate Investment Trust operates in both residential and commercial real estate development with 30.45% of its shares held by Yapı Kredi. In 2020, Yapı Kredi Koray Real Estate Investment Trust finalized the sales of one independent section in Levent Loft 2 project. Residential unit sales in Ankara Çankaya Project, on the other hand, are targeted to be completed in 2021.

Banque de Commerce et de Placements

Established in 1963 in Switzerland and 31% of its capital held by Yapı Kredi, Banque de Commerce et de Placements [BCP] is active in structured commodity finance, wealth management, treasury and capital markets.

For nearly sixty years, BCP has been offering tailored services to its commercial, private and institutional clients. BCP enjoys a solid reputation as a top quality service provider in its fields of activity and serves an ever-growing number of customers and correspondent banks across the globe with a wide range of innovative and value-added products and services. Founded under Swiss Banking Law and Regulations, BCP is supervised by FINMA, the Swiss financial markets supervisory authority.

Headquartered in Geneva, BCP also operates through its branches in Luxembourg and Dubai.

The course of Covid-19 resulted in declined commodity trade volume in 2020, and in credit losses of some companies engaged in this market, which injured large-scale banks as well. Although the bank's risk appetite subsided significantly during the reporting period for the reason mentioned above, BCP strategically chose to keep offering service to its deep-rooted and broad customer base, as opposed to many large banks holding an important position in commodity trade that discontinued their operations in this segment.

In 2020, BCP registered a cost-to-income ratio of 57% and a Tier-1 ratio of 14.5%. The bank booked a net profit of CHF 6.1 million at the end of 2020. International commodity finance volume of BCP was CHF 27.6 billion in 2020, close to the 2019 figure. Despite lower profitability, the bank's consistency in customer-oriented business policy has enabled BCP to further increase its recognition in the commodity finance market.

Having set its strategic goal as product and geographical diversification in its main business lines, BCP intends to continue expanding its customer base while maintaining good asset quality backed by effective risk control as its top priority.

Allianz Yaşam ve Emeklilik

Covering also Allianz Yaşam ve Emeklilik A.Ş., Allianz is one of the largest insurance and asset management groups in the world. The group offers services to over 100 million customers with its more than 147 thousand employees in more than 70 countries.

As a company operating under Allianz Turkey, aiming to pioneer next-generation insurance with a focus on customer satisfaction and technology and to become a social brand improving the society's life standards, Allianz Yaşam ve Emeklilik operates in private pension and life insurance, offering individual and corporate customers a wide range of tailored products.

Allianz became the principal shareholder of Yapı Kredi Pension on 12 July 2013 by purchasing 80% of its shares. Following the change in shareholding structure, the name of the company was changed to Allianz Yaşam ve Emeklilik A.Ş. on 27 September 2013.

Yapı Kredi, together with its subsidiaries, hold 20% share in total in Allianz Yaşam ve Emeklilik A.Ş. the long-term strategic cooperation with the company is governed by a 15-year exclusive bancassurance agreement that commenced in 2013. Accordingly, insurance and private pension products of Allianz are brought to customers through Yapı Kredi's extensive branch network and innovative alternative delivery channels.

Allianz Türkiye, the umbrella structure that also incorporates Allianz Yaşam ve Emeklilik, was once again among the leading companies in the insurance sector in 2020, with a premium and contribution production figure of TL 12.4 billion according to consolidated data. Leading the sector in a number of areas including customer experience, employee engagement, agility, digitalization, sustainability and innovation, Allianz Türkiye has become the first to

^(*)With the Yapı Kredi Board of Directors decision dated 24 February 2021, it was decided to sell the shares held by the Bank in the capital of Yapı Kredi Koray Real Estate Investment Trust [YKK REIT], which shares represent 30.45% of YKK REIT's capital and have a nominal value of TL 12,179,872.00, to execute a Share Transfer Agreement with Koray Gayrimenkul ve Yatırım A.Ş. for the sales transaction, and to consummate share transfer following necessary legal permissions. The Share Transfer Agreement was executed by and between the Bank and Koray Gayrimenkul ve Yatırım A.Ş. on 24 February 2021.

publish an integrated report among non-public companies, as well as in the insurance and pension sector.

Yapı Kredi Cultural Activities, Arts and Publishing

Established in 1984 and wholly owned by Yapı Kredi, Yapı Kredi Cultural Activities, Arts and Publishing (YKKSYS) is one of the most deep-rooted culture and art companies in Turkey. YKKSYS brings important publications, cultural events and exhibitions to the society, which make valuable contributions to social development and cultural life.



You can read more on YKKSYS's 2020 activities in the section titled [Contribution to the Society](#).

Yapı Kredi Technology

Yapı Kredi Technology has been carrying on with its innovative, high added-value and R&D-focused products and projects in the finance sector from out of İstanbul Technical University Arı Technopark since 2015. Upon establishment of the On-site R&D Center located in Yapı Kredi Bank Çayırova campus in 2019, R&D-focused innovative projects began to be executed from out of two different locations.

As was the case in 2019, the mobile banking channel sustained its expansion across the banking industry in 2020. The Covid-19 produced an effect that turned mobile channels into the primary delivery channel of banks. Along this line, Yapı Kredi Technology enriched Yapı Kredi Mobile Banking app with a number of innovative functions, in view of the circumstances imposed by Covid-19.

Developed using the computer vision technology, Project ASSOS began to be used by Yapı Kredi in 2020. The Project allows Internal Auditors to verify the presence and authenticity of signatures on all general purpose, auto and mortgage loan documents extended by branches, without going to the branches. Preparations are currently underway for integrating ASSOS in business processes of different operation teams.

TAT [Text Analysis Tool], which is an artificial intelligence application enabling audit teams to make a detailed search on the incident and request records of the Customer Relations Center at Yapı Kredi, was recently put into use at the Bank. Securing higher operational efficiency, TAT application uses semantic search with the help of natural language processing and language models, thus expanding the scope of records to be examined.

In 2020, major progress was achieved in relation to CV Parsing Project co-developed by Yapı Kredi Technology and KoçDigital. Slated for introduction in 2021, the Project is intended to evaluate approximately 2.8 million job applications received each year by Koç Holding companies in a faster and more effective manner, using natural language processing, deep learning, information extraction and classification methods.

New projects were initiated in 2020 for predicting credit risk and identifying fraudulent acts through different channels. These projects are planned to be put into use at Yapı Kredi in 2021.

Project REACH, of which Yapı Kredi Technology is among the partners,

received an acceptance within the scope of the Horizon2020 program funded by the EU Commission. In Project REACH that supports the innovative solutions provided by startups for the challenges facing large corporations, Yapı Kredi Technology takes place as both data and challenge supplier. The Project also provided a significant rise in the number of funded projects carried out at Yapı Kredi Technology.

At the annual ITU ARI Teknokent Beetech Technology Awards, Yapı Kredi Technology preserved its ranking in 2019 and was honored with the 1st place in the National/International Supported Project category in the medium-scale company segment. Yapı Kredi Technology is a stakeholder in ITU Çekirdek. Besides offering mentoring support to startups, the company is the sponsor of the BigBang Startup Challenge that rewards and invests in prominent startups. These awards exhibit the importance Yapı Kredi Technology accords to its ecosystem and R&D activities.

In 2021, Yapı Kredi Technology will concentrate on creating even more value by sharing its know-how in relation to artificial intelligence with the Group companies. Additionally, the company targets to increase its national and international collaborations in an effort to commercialize its proprietary finance solutions.

Through its investments in R&D activities and technology, Yapı Kredi Technology aims to be the first company that comes to mind with respect to artificial intelligence and mobile banking technologies in the banking sector.



biz'i

Rules to follow as we live with coronavirus!

Dr. Özlem Akyliz, our workplace doctor, explained the rules to follow as we live with coronavirus.

In the first video of our series you can find:

- The correct approach in the coronavirus pandemic;
- Your responsibilities as an individual and as team member;
- 3 vital rules that will most efficiently protect you against coronavirus;
- The symptoms following which a PCR test is taken to diagnose coronavirus;
- Chronic diseases that fall under the Ministry of Health's definition of groups at risk, as well as answers to any question you may have.

Soğuk Merkez

YapıKredi



biz'i

GÜVENLİ İŞE DÖNÜŞ KILAVUZU

YapıKredi





biz'i

Do you know what to look for when using a mask?

Don't wear masks for periods of the mask that are below the time specified on the mask.

If you experience dizziness, headache or other symptoms, stop the use of the mask or take a break from wearing the mask.

If the medical mask is contaminated, moisture or torn during use, replace it with a new one.

Don't wear shared medical masks with others.

Don't touch your medical mask to the thought-contaminated areas.

HOW TO WEAR A MASK

Before wearing the mask, wash your hands for at least 20 seconds with water and regular soap.

Hold the mask by the top and bottom, not your hands with alcohol based hand sanitizer for 20-30 seconds.

Wear the mask with the fabric side outward, secure the metal piece on the upper side on the bridge of the nose.

If the mask has ear loops, secure them around the ears.

If the mask has straps, fit the upper straps on the back of the head and the lower straps on the neck.

Secure the metal piece on the upper side on the bridge of the nose. Press with the mask covers the nose, mouth and chin, not through the fabric.

HOW TO REMOVE A MASK

Remove the mask without touching the exposed fabric side that covers the nose, mouth and chin to avoid contamination.

If the mask has ear loops, hold the loops and remove the mask.

If it has straps, undo the lower strap, fit and then the upper strap. This will prevent dropping the mask.

Hold the bottom or straps of the mask, throw it in a trash can and wash your hands for 20 seconds at intervals.

After removing the mask, wash your hands for at least 20 seconds with water and regular soap.

In the absence of water and soap, use your alcohol-based hand sanitizer for 20-30 seconds.

If you have any questions, please contact the Workplace Health and Safety Department soğukmerkez@yapikredi.com.tr

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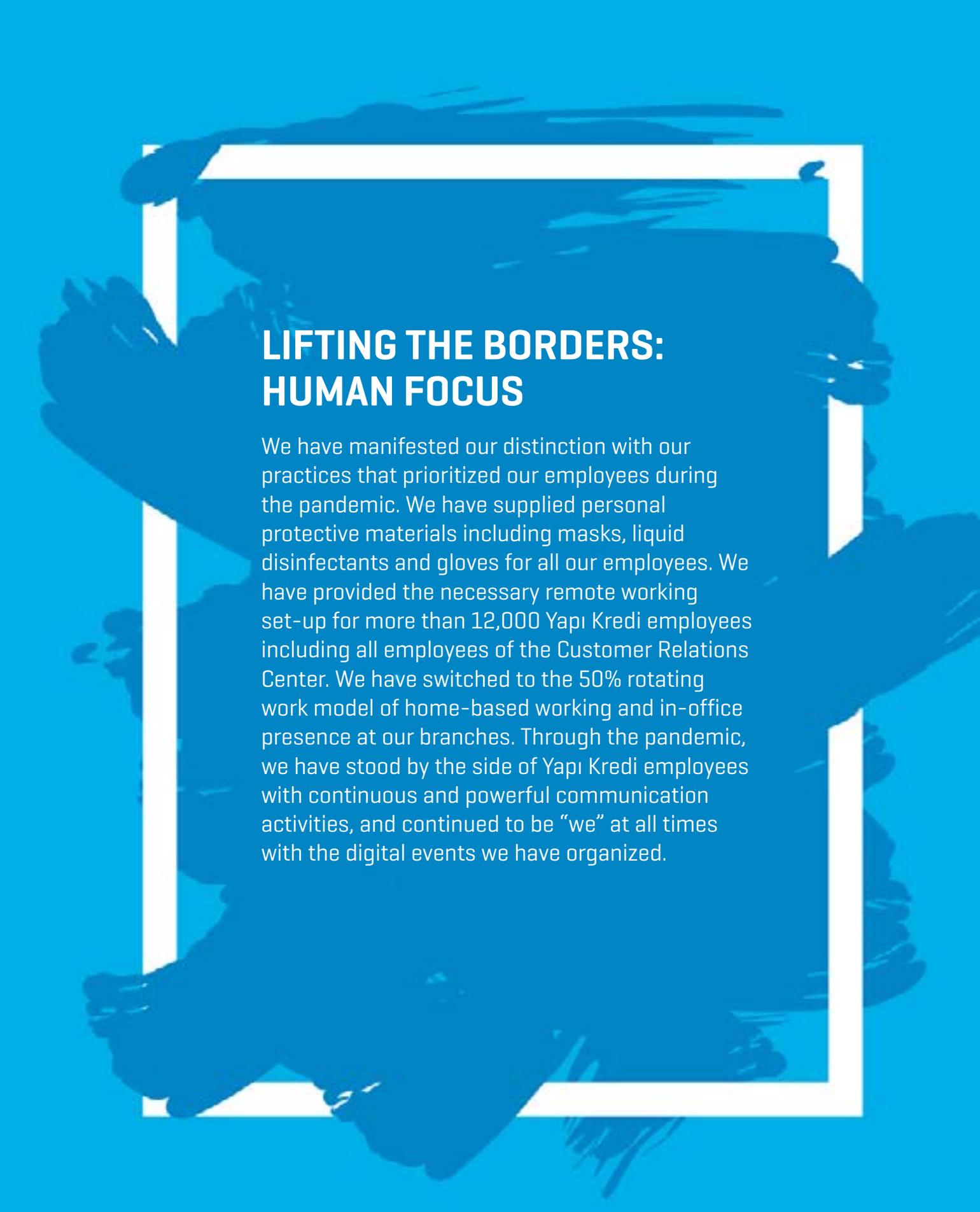
Our health comes first always...

We've rapidly taken every measure throughout the pandemic. We have also quickly put necessary materials in place. We carefully continue to comply with health measures until the danger of the pandemic passes.

Following are the materials provided for Yapı Kredi employees:

	Masks	6,5 million p.c.
	Gloves	8 million p.c.
	Disinfectants	80 tonnes
	Face visors	1,5K p.c.
	Disinfection against contagious diseases	3,527 litres
	Laptops	2,720 p.c.
	Temperature measurement devices	1,174 p.c.
	Disinfectant stands	400 p.c.

YapıKredi



LIFTING THE BORDERS: HUMAN FOCUS

We have manifested our distinction with our practices that prioritized our employees during the pandemic. We have supplied personal protective materials including masks, liquid disinfectants and gloves for all our employees. We have provided the necessary remote working set-up for more than 12,000 Yapı Kredi employees including all employees of the Customer Relations Center. We have switched to the 50% rotating work model of home-based working and in-office presence at our branches. Through the pandemic, we have stood by the side of Yapı Kredi employees with continuous and powerful communication activities, and continued to be “we” at all times with the digital events we have organized.

CUSTOMER EXPERIENCE RESEARCH

PRESENTATION

FROM THE
MANAGEMENTABOUT
YAPI KREDİBUSINESS
MODEL AND
STAKEHOLDERSRESPONSIBLE
GROWTHINNOVATIVE
BANKINGHUMAN
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ANNEXES

Targeting to offer the best-fitting products and services

It is among the fundamental objectives of Yapı Kredi to focus on customers' experience, evolving expectations and needs, and to offer the best-fitting products and services by guiding the customers accurately. To this end, the Bank focuses on digitalization in its activities, cooperates with companies developing new technology, and stakeholders, and thus develops products and services addressing all segments.

Yapı Kredi places its customers at the heart of its business and targets to deliver the best customer experience at all times in keeping with its excellent service understanding. The effective, transparent, and solution-oriented communication established through different channels with the customers let the Bank develop and design its products and services according to their requests, needs and expectations.

Having established the Innovation and Customer Experience Division in 2017 with the vision of achieving excellence in customer experience, Yapı Kredi continues its activities with the goal of delivering a lean and understandable customer experience.

Customer Experience Committee

Set up with the aim of closely monitoring customer experience in a holistic manner and further improving it, the Customer Experience Committee regularly follows up quality data, customer complaints, and customer perception that is measured by various surveys.

The Committee's standing members consist of the Assistant General Managers of Alternative Delivery Channels, Retail Banking, Corporate and Commercial Banking, Compliance, Internal Control and Risk, Information Technologies and Operations Management, Human Resources, Organization and Internal Services, Financial Planning and Administration, while the Assistant General Manager of Legal Affairs and Corporate Communications Management Director join the Committee as and when required by the agenda items. Thanks to the activities of the Committee, the topics and projects that need to be prioritized to improve customer experience are submitted for management approval, implemented, and their implications are monitored with an efficient approach.

YAPI KREDİ PLACES ITS CUSTOMERS AT THE HEART OF ITS BUSINESS AND TARGETS TO DELIVER THE BEST CUSTOMER EXPERIENCE AT ALL TIMES IN KEEPING WITH ITS EXCELLENT SERVICE UNDERSTANDING.

As stated in the form created in view of the BRSA's Minimum Principles and Procedures to be Followed by Banks in Assessing Individual Customer Applications, the Bank follows up customer complaints, the number of applications received by the Bank which are in the form of written/verbal objections, complaints involving problems, grievances, dissatisfaction regarding retail products and services from financial consumers who may or may not be Bank customers, their distribution by subject according to the channel they were received through, the resolution time of the application by the Bank, and the number of applications concluded in favor of or against the applicant on a quarterly basis.

99.5% response rate

99.5% of the customer complaints received during the reporting period have been responded to. All of the responded complaints have been resolved. The complaints that remained open fall under the scope of unanswerable contacts [unspecified reason for contact, irrelevant to banking, contact information not provided etc.] specified in BAT Minimum Principles and Procedures to be Followed by Banks in Assessing Individual Customer Applications.

26% decrease was secured in the total number of complaints thanks to developments made in relation to customer complaints that are assigned priority since 2017.

During 2020, 94.32% of complaints concerning violation of customer privacy and loss of data have been responded to and resolved. Unanswered entries are either in recurrent/erroneous entry status or they are by customers who cannot be reached.

The Bank's position in the sector according to data compiled by the Banks Association of Turkey and actions for improvement are also reported to the Board of Directors. Written/verbal requests, suggestions and complaints received by the Bank are resolved quickly and effectively through three different methods: proactive, first contact, and work-arounds/quick fixes.

- With Proactive Solutions, when a customer experiences a problem, the problem is identified, resolved and information is provided to the customer by the system.
- With First Contact Resolution [FCR], the issue is resolved upon the first contact the customer establishes with the Bank.
- With work-arounds/quick fixes, the problematic points customers have in relation to existing products and services are identified and improved.

Yapı Kredi focuses on digitalization in its activities, cooperates with companies developing new technology, and stakeholders, and thus develops products and services addressing all segments.

Rate of response
to the customer
complaints

99.5%

Decrease in the
total number of
complaints

26%

Mostly designed by using big data, machine learning and artificial intelligence, these solutions help increase operational efficiency as well as customer satisfaction.

With its activities allowing monitoring the customer experience on a daily basis, Yapı Kredi continued to measure its customers' overall satisfaction, along with the Net Promoter Score (NPS) which is a globally accepted metric, in 2020. Thanks to these initiatives, the Bank received 600 thousand feedbacks from customers, which it used to devise its action plans for improving customer experience. The Bank will keep enhancing the structure that it has constructed in customer experience measurement by placing the customer in the focal point and taking proactive actions that will maximize the positive experience.

Additionally, Yapı Kredi targeted to switch to a single common metric across the Bank by expanding the use of the Net Promoter Score in the measurement of customer experience across all customer segments and channels. Based on financial data and an easy to understand method, NPS will facilitate customer experience management and will act as a guide in setting priorities.

Yapı Kredi employs a customer satisfaction tracking system that covers a broad customer base; in 2020, the Bank received feedbacks from 7 out of every 10 customers. Managers at branches and the Customer Relations Center can follow up these customer feedbacks on a daily basis, can get back to customers and produce solutions, and guide their employees in these matters. In 2020, the Bank successfully renewed its ISO 10002 Customer Satisfaction Quality Management Certification as a result of the audits performed.

Yapı Kredi improves customer experience in cooperation with its employees. The employees convey the creative ideas they conceive based on their own experiences or customer feedbacks to the Bank via the Evreka [Eureka] Idea Management platform. Accessible by all employees, the platform collects ideas about various subjects including enhancement of customer and employee experience, increasing product and service diversity, productivity, cost optimization and the like, and promotes the conversion of employees' creative ideas into projects that will create value. During 2020, 1,176 new ideas were collected within this scope. Idea study conducted in relation to the pandemic was named the "best initiative" by the European Financial Market Association (EFMA) participated by 120 financial groups from 133 countries.



Idea study conducted in relation to the pandemic was named the "best initiative" by the European Financial Market Association (EFMA) participated by **120** financial groups from **133** countries.

Specific initiatives for the pandemic

In a rough year such as 2020, Yapı Kredi enhanced customer satisfaction thanks to its employees' efforts coupled with central developments.

In the reporting period, important developments were introduced with the priority given to internal needs.

- The Bank continued to offer uninterrupted service 24/7 through all of its channels also during the course of the Coronavirus [Covid-19] pandemic. In this tough period that transformed habits and routines, Yapı Kredi quickly adapted to changing needs and kept offering service uninterruptedly to its customers.
- In order to contribute to the protection of public health in this process, Yapı Kredi informed its customers about how they can use digital channels in a manner to steer them to Yapı Kredi Mobile, Internet Banking and Customer Relations Center to execute their banking transactions. In addition, through Yapı Kredi Mobile, the Bank shared information regarding functions such as cash withdrawal without touching the ATM, mobile payment solutions, e-instruction for corporate customers, mobile approval and the like so that customers could perform the transactions they frequently need in a contactless manner.

End-to-end Track Card capabilities introduced in this period let users follow up on the information about the cards they digitally applied for at any time, and to easily do the card settings.

- Having carried a large number of transactions that previously compelled a branch visit to the online environment, the Bank also increased the upper limits on general purpose loans, flexible accounts, money transfers and investment transactions performed through digital channels. Individual and corporate customers alike are able to perform their banking transactions quickly and securely via Yapı Kredi Mobile on a single application. While the branch use frequency of customers went down by 30% in this period, usage frequency of digital banking increased by 17%. Digital channel use rate, on the other hand, went up from a high 70% to 75% during the pandemic.

- Yapı Kredi Mobile lets Yapı Kredi customers easily perform contactless transactions that have become even more critical amid the pandemic, such as cash withdrawal/deposit without touching the ATM, mobile payment solutions, etc. Yapı Kredi customers opt for contactless cash withdrawal with QR Code for 30% of money withdrawal transactions.

Yapı Kredi focuses on digitalization in its activities, cooperates with companies developing new technology, and stakeholders, and thus develops products and services addressing all segments.

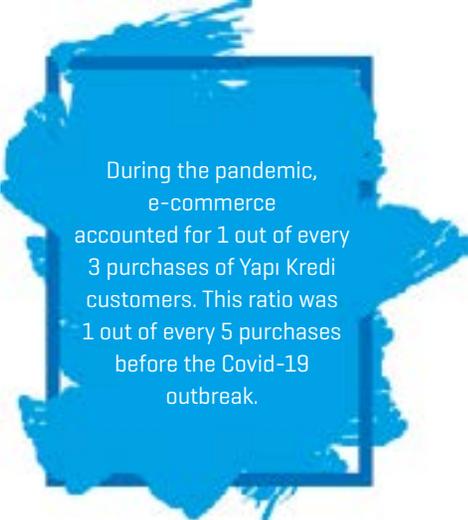
Increase in the usage frequency of digital banking

17%

Digital channel use rate

75%

- Yapı Kredi Individual Customers can become customers of the Bank via “Video Transaction Assistants” through Yapı Kredi Mobile, without going to a branch. Following the completion of the application form through Yapı Kredi Mobile, users can initiate a face-to-face contact with “Video Transaction Assistants” on their phones at any time. Since this service was launched prior to the pandemic, those wishing to become customers of Yapı Kredi were able to open their bank accounts seamlessly without going to a branch. On the back of this service, number of users becoming the Bank’s customer for the first time grew by 2.5 folds as compared to the pre-pandemic period.
- In 2020, the number of Yapı Kredi Mobile active customers increased by 20% as compared to 2019. In addition, the number of users opening a bank account for the first time through Yapı Kredi Mobile increased over the pre-Covid-19 period, and customer acquisition was more than doubled. Moreover, the Bank strove to offer service so as to address its customers from all age intervals. According to survey results among above-56 customers who began to actively use mobile applications, 89% of the customers said they will continue to perform every transaction that can be performed through mobile through the mobile.
- While the ATM usage frequency of Yapı Kredi customers declined by 15% for the sake of reducing physical contact, total ATM transaction volume grew by 10% as higher quantities were involved in each transaction.
- In this period, the Customer Relations Center played an important part with respect to customers’ needs to establish one-on-one human contact instantly. Incoming calls to the Customer Relations Center increased by 22% in this period. Video calls received by the Customer Relations Center through Yapı Kredi Mobile were handled by Video Transaction Assistants. There was an increase also in the ratio of customers who were onboarded through this service.
- Overall spending and payment habits/methods of customers also varied:
 - With the lockdown periods, physical shopping was replaced by online shopping. During the pandemic, e-commerce accounted for 1 out of every 3 purchases of Yapı Kredi



During the pandemic, e-commerce accounted for 1 out of every 3 purchases of Yapı Kredi customers. This ratio was 1 out of every 5 purchases before the Covid-19 outbreak.

customers. This ratio was 1 out of every 5 purchases before the Covid-19 outbreak. The ratio changed to 1 out of 4 during the normalization period, when daily e-commerce volume increased by 35% as compared to the pre-pandemic period, and by 25% as compared to the pandemic period.

Contactless Yapı Kredi credit card volume doubled, and credit card customers made 1 out of every 2 physical purchases using the contactless feature. While the share of contactless transactions in physical shopping transactions was 27%, that went up to 47% during the pandemic and to 57% during normalization. In addition contactless credit card volume expanded by 85% as compared to the pandemic period, and by 252% as compared to pre-pandemic period. Back when the Covid-19

disease first emerged in Turkey, transaction amount limit for contactless payment with debit and credit cards was increased from TL 120 to TL 250. Yapı Kredi has been the first bank in Turkey to adjust to this change.

Owing to the security, speed and ease new payment technologies offer, the need to make a payment without touching the POS device increased in the wake of the pandemic, and contactless mobile payment methods began to be preferred at a growing extent by the customers in this period. The solutions offered by World Pay allow customers to make their payments without contacting the POS device using the Mobile Payment feature through their mobile phones or Pay with QR Code on POS devices. They can also pay for gas at

Opet gas stations without getting out of their cars. During normalization, monthly average of transactions using Mobile Payment tripled, whereas transactions using QR Code function on POS devices grew by 15 folds as compared to the pre-pandemic period. The monthly average number of transactions using the Bank's Payment from within the Car solution that almost involves zero contact at the time of payment increased by 4 folds during normalization.

 Customer Satisfaction Policy, which guarantees the good service delivered to customers, can be found [here](#).

Increase in the
incoming calls to the
Customer Relations
Center
22%

Increase in the
volume of Yapı Kredi
contactless credit
cards
2 folds

CUSTOMER RELATIONS CENTER

PRESENTATION

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Efficient service catering to altered needs during the pandemic

Yapı Kredi Customer Relations Center quickly adjusted to customers' transformed needs in 2020 and stood by them for their banking services during the pandemic in keeping with the vision of providing limitless service. All kinds of needs of Yapı Kredi customers are responded to 24/7, in Turkish and English languages. Upon the emergence of the pandemic, Yapı Kredi Customer Relations Center quickly switched to the work-from-home order for all its three locations and provided uninterrupted service, while launching a number of new practices that make our customers' lives easier.

Through the Customer Relations Center that dealt with a substantially increased number of calls during 2020, uninterrupted service was furnished to Yapı Kredi customers through various channels including inbound and outbound calls, IVN, chat, e-mail, social media, chatbot, video call, WhatsApp and IVR, for a total number of 81 million contacts during 2020.

In this period that we were unable to reach our customers physically because of the pandemic, branch and direct sales teams carried on with their activities through the Customer Relations Center, and human resource was used fluidly thus preventing loss of productivity.

8.3 million product and service sales

The Customer Relations Center continued to be a strong sales outlet in 2020, selling 8.3 million products and services. The Customer Relations Center is accountable for 20% of total individual general purpose loan

sales and 32% of credit card sales. Acting as the Bank's main channel for customer retention and recovery, the Customer Relations Center achieved a 73% success rate in retention activities and 14% in customer recovery.

With the "Individual General Purpose Loan Renewal", which was started to be sold by the Customer Relations Center by the end of 2019, Yapı Kredi customers can close their loans outstanding at the Bank or other banks, and apply for and obtain a new loan at the current interest rate. Total sales figure of this product reached 85 thousand for a total volume of approximately TL 3.4 billion. Sales targets for Yapı Kredi Customer Relations Center are set in terms of number for agents and managers, who are financially rewarded in parallel with their successful performance against sales targets and actualizations.

107 self-service transactions

A substantial part of the excellent service provided to Yapı Kredi customers occur through the Voice Assistant. The interactive voice response system has an intelligent system that recognizes customers, predicts transactions and converse with natural dialogue. In 2020, the number of self-service transactions was increased from 93 to 107, which drove the self-service usage rate from 62.7% to 63.2%, and over 1 million sales in total occurred through this channel.

During the pandemic, a new system was initiated to make life easier for customers above the age of 65 and for healthcare workers. These people were able to reach the transaction

they wished to perform easily and quickly without going through the preliminary menus when they called the Customer Relations Center from their registered phone numbers. Healthcare workers, the heroines and heroes of the pandemic period, were prioritized when they called the Customer Relations Center. Customer satisfaction achieved on the back of all these innovations improved the interactive voice response system score upgraded with the natural dialogue model by +2 points.

The activities Yapı Kredi carries out through the Customer Relations Center with the objective of deepening across different customer segments continued by offering service to two different segments with a larger group in 2020. Remote portfolio service rendered to Blue Class and Individual Portfolio customers continues with increasing strength. It is targeted to diversify the investment products in the portfolios of Blue Class customers, to increase the share of the wallet with the Bank, and to achieve customer acquisition by deepening in potential customers in the individual segment, in addition to credit sales.

Rise in the number of customers

Efforts for customer acquisition and achieving increased depth in existing customers have been continued in the field of Business Banking in 2020. Approximately 12 thousand customers were activated thanks to a number of initiatives including member merchant acquisition, Business Card, Bill Payments, and Installment Commercial Loan products sales. In addition, product diversity was increased, and efforts were spent to increase depth

with customers by way of existing POS turnover growth and inactive member merchant campaigns. In this segment, the Customer Relations Center was accountable for 8 out of every 100 Business Cards, 5 out of every 100 POS devices sold at Yapı Kredi. Targeting customers who convert to digital channels at a high speed, the Video Banking channel focused on new customer acquisition and on activating existing passive customers in 2020. Thanks to the video banking function, which enables onboarding without visiting the branch as a first in Turkey, new customer acquisition increased by 217%.

During the pandemic, everyone wishing to become a Yapı Kredi customer was given the chance to onboard without leaving their homes via Video Transaction Assistants. In this context, it is aimed to eliminate the functional difference between the branch and the Customer Relations Center to let customers perform their banking transactions easily without leaving their spots. Transactions which previously compelled a branch visit were introduced and 5 new functions were added. During 2020, a total of 230 thousand unique customers were contacted under video banking. In addition, service continued to be offered to customers through WhatsApp, through which 1 million customers in total were contacted.

Contribution of complaint prevention efforts

Complaint prevention efforts in 2020 reduced customer complaints. The existing processes were supported with artificial intelligence and robotic process optimization

technologies. The systemic developments allowed automatic classification of the subject matter and type of customer contacts, and automatic incorporation of necessary information within the system entry during the complaint handling process. The outcome was high efficiency in complaint handling. These improvements decreased complaint solution time to one day, while putting Yapı Kredi Customer Relations Center in the sector leader position. With the artificial intelligence technology introduced in complaint handling, the Bank received the "Productive Project" award in the "Best Use of Technology in Customer Experience" category at the 3rd CX Awards Customer Experience Awards 2020.

Digital channels and new communication models employed in social media management helped decrease social media response time to 14 minutes on average. Along with fast communication, the Bank also produced content adapted to social media dynamics and novelties in each contact, espoused a cordial communication manner, and positioned itself as the leader in the sector thanks to these characteristics.

Periodic training programs on social engineering attacks and other known fraudulent methods for all Yapı Kredi customer agents and team leaders involved in the delivery of telephone banking services to customers are updated and given each year; also initiatives are carried out to raise employees' awareness on security. In addition, all Bank employees are periodically provided with "Information Security" training in distance learning format.

THE CUSTOMER RELATIONS CENTER CONTINUED TO BE A STRONG SALES OUTLET IN 2020, SELLING 8.3 MILLION PRODUCTS AND SERVICES.

With the artificial intelligence technology introduced in complaint handling, Yapı Kredi received the "Productive Project" award in the "Best Use of Technology in Customer Experience" category at the 3rd CX Awards Customer Experience Awards 2020.

Self-service usage rate

63.2%

Number of self-service transactions

107

AWARDS

	Category/Ranking	Organization
	General Banking	
PRESENTATION FROM THE MANAGEMENT ABOUT YAPI KREDİ	CDP Turkey Water Leader	CDP
	Cash Management – Sector Leader	Euromoney
	Best Private Bank Turkey 2020	Global Banking & Finance Awards
	Best Corporate/Institutional Digital Bank for Online Treasury Services in Western Europe	Global Finance World's Best Digital Bank Awards
	Best Consumer Digital Bank in Turkey	
	SME Loan- Pizza Restaurant- Radio - Finance - Bronze Prize	Crystal Apple
	Financial Services - Bronze Stevie	
	Financial Services/Banking - Best New Product or Service of the Year - Financial Services - Bronze Stevie	Stevie International Business Awards
	"End2End Digital Card Journey" - Best New Product or Service of the Year - Consumer Services - Bronze Stevie	
	Alternative Delivery Channels	
BUSINESS MODEL AND STAKEHOLDERS	Best User Interface - Silver Stevie	
	Banking - Silver Stevie	Stevie International Business Awards
	Best Home/Welcome Page - Gold Stevie	
	Banking/Bill Paying - Award of Distinction	
	User Interface - Award of Distinction	The Communicator Awards
RESPONSIBLE GROWTH	User Experience - Award of Distinction	
	Best Mobile Banking Adaptive Site - Europe	Global Finance World's Best Digital Bank Awards
INNOVATIVE BANKING	"Do Not Panic Button Radio 01" Radio Episode- Financial Services - Award of Achievement	Felis Awards
	Most Valuable Product - Silver Stevie	
	Best User Experience - Gold Stevie	
	Best User Experience - Bronze Stevie	
	"IBAN Scanner" Experimental & Innovation - Gold Stevie	Stevie International Business Awards
	Business/Government - Gold Stevie	
	"Mobile - Stories" Experimental & Innovation - Gold Stevie	
	"Mobile Financial Services/Banking - Bronze Stevie Approval"	
	Integrated Mobile Experience - Silver Stevie	
	Experimental & Innovative - Award of Distinction	
CORPORATE GOVERNANCE	Best Visual Design - Aesthetic - Award of Excellence	
	Best Visual Design - Function - Award of Distinction	
	Best User Interface - Award of Distinction	
	Best User Experience - Award of Distinction	The Communicator Awards
	Finance - Award of Distinction	
	Best Practices - Award of Distinction	
	Integrated Mobile Experience - Award of Distinction	

	Category/Ranking	Organization	
World Mobile	Marketing – Silver Stevie	Stevie International Business Awards	
	“Use of Yan-dex Smart Vadaa”	Digital – Use of Mobile Media – Silver	Crystal Apple
		Digital Marketing – Online Advertisement – 2 nd Prize	Gold Spider
		EMEA Use of Mobile Media – Bronze	MMA / Smarties
	Digital Marketing – Best New Digital Ideas – Silver		
“World Mobile Launch” Creative Communication – Best Integrated Campaign – Silver	Sardis Awards		
Yapı Kredi WhatsApp	Innovation for Mobile – Award of Excellence	The Communicator Awards	
Master Chatbot	Artificial Intelligence / Machine Learning Solution- Bronze Stevie		
Video Banking	Integrated Mobile Experience – Gold Stevie	Stevie International Business Awards	
	Identity and Access Security Solution – Bronze Stevie		
	Payments Solution – Gold Stevie		
YKY Screen Time	EMEA Use of Mobile Media – Gold	MMA / Smarties	
	EMEA Marketing Promotion – Gold		
	Turkey Marketing Promotion – Silver	Prida Awards	
	Figital Projects – Prida Award		
	Data Use – Certificate Award		
	Online-Offline Integration – Silver		Social Media Awards
Corporate Communications Management			
Women’s Day Film, Afife Jale	Film Category - Corporate Image - Award of Achievement	Felis Awards	
	Film-TV and Cinema – Corporate Image – Crystal Award	Crystal Apple	
May 19 th PUBG Procession	Innovative Media – Gold	İstanbul Marketing Awards	
	Sports Communication – Gold		
	Best Use of Technology, Online – Winner	Martech Awards	
	Best Use of Technology, Social Networks – Winner		
	Social Media – Gold	Mixx Awards	
	Special Awards / Game-Changer Project Category – Prida Award	Prida Awards	
	Strategic Communication / Occasion Communication – Prida Award		
Occasion Campaign – Silver	Social Media Awards		
Let’s Remove the Obstacles Launch	Banks and Financial Institutions – Silver	Effe	
	Conventional Brand Communication – Gold	İstanbul Marketing Awards	
Unlimited Thanks Film	Creative Communication – Best Reputation Management – Silver	Sardis Awards	
	Unlimited Thanks Film – Most Valuable Corporate Response – Bronze Stevie	Stevie International Business Awards	
Today’s retirees are so out of the ordinary – the Promenade Film	Film-TV and Cinema – Banking, Insurance and Financial Services – Silver	Crystal Apple	
Subsidiaries			
Yapı Kredi Faktoring	Best Factoring Company Turkey	Global Banking & Finance Awards	
Yapı Kredi Asset Management	Best Portfolio Manager – Turkey	Global Brands	
	Leader in Pension Mutual Fund Returns – 2019 Award		
Yapı Kredi Invest	Leader in Borsa İstanbul Equity Market Trading Volume – Gold Bull	Turkish Capital Markets Association, 5 th Capital Markets Awards	
	Leader in Borsa İstanbul Derivatives Market Trading Volume – Gold Bull		

PROTECTION AND PROCESSING OF PERSONAL DATA

PRESENTATION

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Rights associated with personal data are among fundamental rights and freedoms recognized with a high degree of protection against encroachment with the Constitution [Article 20] of the Republic of Turkey. Yapı Kredi has been exercising utmost sensitivity to achieve full compliance with the Personal Data Protection Law no. 6698 (“the Law”), which has been adopted on 24 March 2016 and went into force upon its publication in the Official Gazette dated 7 April 2016, along with other regulatory framework associated with the implementation of the Law.

Aiming to offer the best experience and satisfaction to its customers, Yapı Kredi attaches great importance to rights and freedoms of its customers as well. Maximum care is taken to process all personal data of real persons that deal with the Bank, including those making use of its products and services, in accordance with the Law on the Protection of Personal Data, and to safeguard their privacy and security.

The Bank has appointed the Assistant General Manager for Compliance, Internal Control and Risk Management operating under the Audit Committee as the Personal Data Protection (PDP) Compliance Officer. Accordingly, Personal Data Protection Law Compliance Section has been set up.

The Bank works towards ensuring compliance with the obligations stipulated by the regulatory framework governing protection of personal data via the “Yapı ve Kredi Bankası A.Ş. Corporate Policy on Protection and Processing of Personal Data” and “Yapı ve Kredi Bankası A.Ş. Employees Corporate Policy on Protection and Processing of Personal Data”. The Bank employs a risk-based approach to determine the strategies, internal controls and measures, operating rules and responsibilities regarding the matters associated with the processing of data obtained within the scope of its activities and with the protection of confidentiality of these data. The Bank also carries out initiatives to raise awareness of personal data subjects and company employees regarding the matter.

The Bank’s Personal Data Protection policies cover the protection and processing of personal data of existing and potential customers; customers’ officials and shareholders; real persons providing guarantee; employee candidates and intern candidates; prospective business partners; employees, shareholders and authorized officers of business partners; prospective subcontractors/suppliers/support services providers; employees, shareholders and authorized officers of subcontractors/suppliers/support services providers; campaign/contest

participants; visitors; members of the press; family members and relatives of data subjects, and other third parties. Personal data are disclosed to the following third parties for the purposes stipulated in the Law, applicable legislation and related policies: legally competent authorities, business partners, suppliers, shareholders, subsidiaries. Terms and conditions for the fulfillment of obligations imposed by the Personal Data Protection Law are supplemented to contracts with third parties. In addition, the Bank acts in compliance with the related legal obligations imposed by the BRSA in outsourced services.

0 Yapı ve Kredi Bankası A.Ş. Corporate Policy on Protection and Processing of Personal Data, which sets out the principles and rules for the processing of personal data performed pursuant to the provisions of the Personal Data Protection Law and applicable legislation and the rights of involved parties, can be reached [here](#).

Pursuant to the principles set out in the Law, Yapı Kredi Faktoring, Yapı Kredi Leasing, Yapı Kredi Asset Management and Yapı Kredi Securities have their own corporate policies on Personal Data Protection. These policies can be reached on the corporate websites of Yapı Kredi’s subsidiaries.

Personal data subjects can lodge applications regarding their rights associated with the following in written form or through their registered electronic mail (KEP) address, secure electronic signature, mobile signature or electronic mail address of the related subject that has been notified previously to Yapı Kredi and registered in the Bank's system and/or any channel whereby the data subject's identification can be verified:

- To learn whether or not data relating to him/her are being processed;
- To request information if his/her personal data have been processed;
- To learn the purpose of the processing of personal data and whether or not data are being processed in compliance with such purpose;
- To learn the third party recipients to whom the data are disclosed within the country or abroad;
- To request rectification of the processed personal data which is incomplete or inaccurate and request such process to be notified to third persons to whom personal data is transferred;
- To request erasure or destruction of personal data in the event that the data is no longer necessary in

relation to the purpose for which they were collected, despite being processed in line with the law and other applicable laws, and request such process to be notified to third persons to whom personal data is transferred;

- To object to negative consequences about him/her that are concluded as a result of analysis of the personal data processed by solely automatic means;
- To demand compensation for the damages he/she has suffered as a result of an unlawful processing operation.

Obligations associated with data security have an important place among the Bank's obligations in relation to the personal data it processes. In this context, the Bank takes the necessary technical and administrative measures to ensure the level of security appropriate for preventing unlawful processing of data, preventing unlawful access to personal data and safeguarding personal data. Along this line, the Bank takes the necessary and adequate actions for remedying any breach by creating an effective and fast solution mechanism against data breaches in its internal plans and procedures. In case of revisions and/or updates to the policies, current versions are made public on corporate websites.

Yapı ve Kredi Bankası A.Ş. and its subsidiaries registered with the Data Controllers' Registry (VERBİS), which is a legal obligation under the Personal Data Protection Law, on 30 September 2020.

Personal Data Protection Law Training

Under the Personal Data Protection Law, the Bank, being the data controller, is obliged to provide training on protection of personal data to all of its employees. To achieve compliance with the Law and to heighten awareness of personal data, training is given to all employees, including the employees of Yapı Kredi's subsidiaries, every year. During the reporting period, 3,706 hours of Personal Data Protection Law training was given to 3,867 employees.

TALENTED AND COMMITTED EMPLOYEES

PRESENTATION

FROM THE MANAGEMENT

ABOUT YAPI KREDİ

BUSINESS MODEL AND STAKEHOLDERS

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Yapı Kredi believes that delivering the best products and services to customers and thus driving its business forward every day is possible only with a talented and committed workforce. The Bank invests in its flexible, innovative and experienced human capital that bears the deep-seated sectoral know-how of 76 years, and responds to the evolving conditions of the world and the sector together with its competent employees.

Yapı Kredi joins hands with its employees to continue to create value, enabled by professional training programs, employee development programs, and working conditions that are based on work-life balance.

Making gender equality a guiding principle also in its workforce, Yapı Kredi is the bank boasting the highest ratio of women employees in its organization.

MAKING GENDER EQUALITY A GUIDING PRINCIPLE ALSO IN ITS WORKFORCE, YAPI KREDİ IS THE BANK BOASTING THE HIGHEST RATIO OF WOMEN EMPLOYEES IN ITS ORGANIZATION.

STRATEGIC GOALS

- TO BE TURKEY'S LEADING INSTITUTION IN HUMAN RESOURCES
- TO TRAIN THE BEST BANKERS IN TURKEY'S BANKING SECTOR
- IN ACCORDANCE WITH THE BANK'S DIGITALIZATION STRATEGY, ORGANIZE TRAINING ACTIVITIES AND EVENTS FOR THE DEVELOPMENT OF CURRENT EMPLOYEES
- AS THE BANK ADVANCES TOWARDS ITS GOALS, SUPPORTING EMPLOYEES TO DISCOVER AND REALIZE THEIR POTENTIAL

Talent Acquisition

The vision of Yapı Kredi Human Resources [HR] is formulated to recruit the human capital possessing the qualifications needed by the organization in the shortest time possible. With this approach, HR is introducing new implementations in relation to the transformation of the human capital in every department from employer brand initiatives to recruitment, training and development activities to career management, performance and leadership development to initiatives

for driving employee engagement and motivation.

Continuing with its activities for strengthening and heightening its employer brand perception in the eyes of students, candidates and Yapı Kredi employees, the Bank pursues its HR operations to select the right talents in line with its goals and values.

While developing approaches and practices that will attract young talents to Yapı Kredi, priority was given to HR implementations that

will help Yapı Kredi employees draw their own career paths, make them feel valuable and fuel their sense of belonging.

In this framework, recruitment processes of Yapı Kredi were improved, and on-campus and social media communications were enriched in line with the needs of young talents. Surveys are being conducted to understand the expectation of the youth, and social media communication and events targeted at university students are shaped in this direction. According to the result of university surveys conducted, Yapı Kredi rose from the fourth spot to the third among the most preferred banks.

Talent Management and Development

Yapı Kredi designs and implements talent management practices aligned with diverse needs and strategic targets.

In 2020, priority was given to help Yapı Kredi employees draw their own career paths. Career development was run in parallel with the training offered. Numerous training and development programs were shaped according to the needs and development expectations of different target groups. BizTube, the internal video channel enabling learning from one another, was

created to support the development process that takes its starting point as the related individual.

For branch employees, the main categories include technical trainings such as sales, products, risks, service model and loans, and personal development training. For the Head Office employees, technical and personal development training under diverse headings are planned, which vary according the needs of units.

Yapı Kredi Banking Academy has been offering professional and personal development training to all employees, including employees of domestic and foreign subsidiaries, and half-time and full-time employees, since 2008. Backed by leading consultants and academicians in the sector, 300 internal trainers design development programs for employees, university students and customers. Cooperation is established with the prestigious universities of the world, which include Turkey's leading universities, and special opportunities are provided to all employees for pursuing graduate and professional development programs, thus encouraging employee development. During 2020, the Bank offered 21 hours of training per employee on average annually.



In 2020, priority was given to help Yapı Kredi employees draw their own career paths.

PRESENTATION

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EMPLOYEE DEVELOPMENT PROGRAMS	
Yapı Kredi My Leadership Journey	<p>The program, which addresses managers and prospective managers at any level, is designed to create a sustainable leadership line and to have leaders that speak the same language across the Bank.</p> <p>In April 2020, the program was migrated to the virtual classroom environment and continued without any interruptions. My Leadership Journey program keeps training Yapı Kredi’s leaders from within the organization and supports them in their adjustment to the home office format. 282 Yapı Kredi employees participated in the program in 2020.</p>
Hybrid Working Model Development Programs	<p>A series of initiatives were launched in 2020 to help leaders work more productively under the Hybrid Working Model and increase their teams’ ability to adapt to the new order. Yapı Kredi revised the competencies at the Bank according to the new world priorities and the new working model requirements. In this context, contents of leadership development programs were also updated in the light of current competencies.</p> <p>Yapı Kredi offers its leaders development opportunities under a number of different headings related to remote working. Training programs employing interactive and experimental learning methods are organized completely on the virtual environment. In 2020, a total of 456 managers took part in training programs themed Resilience and Flexibility, Digital Storytelling, Efficient Online Meetings, Encouraging Team Spirit from a Distance, Team Building and Empowerment in Hybrid Working, Task Management and Productivity in Remote Working and Remote Teammate under the heading Leadership in Hybrid Working Model. Moreover, cooperations continued with the world’s leading business schools. All these development programs continued to be conducted on virtual platforms.</p> <p>In 2020, video series “We are Sharing Our Remote Working Experiences!” were broadcast with the motto “An experience is best described by the experimenter”. In these videos, Yapı Kredi managers and employees shared their own remote working experiences with all the employees. Broadcast on the Bank’s BizTube channel, the videos reached high viewing numbers.</p> <p>In 2020, the Bank started sending remote working guides for managers, informative announcements, videos and instant reminders containing tips that leaders and employees might find useful while remote working.</p>
Koç Holding Training Programs	<p>The program offers various training programs designed to gain experience in the areas of networking and cooperation between Koç Group employees, personal brand creation, agile leadership, understanding different industrial dynamics, artificial intelligence, innovative perspective and global perception.</p>
Executive Education Abroad Program	<p>Under the Executive Education Abroad educational program developed by Boğaziçi University for senior executives from Turkey, employees attend the training series organized at the McCombs School of Business at The University of Texas. The education is designed to help the participants improve their skills in leading innovation, emergence of new global markets, implementation of strategic change, and finding creative solutions to complex problems.</p>

Overseas Programs	Online programs are targeted at giving leadership skills, negotiation skills, strategic thinking, nurturing innovation and adaptation to the digital world.
Yapı Kredi Trains Its Internal Coaches	Using coaching method, the program is intended to help employees successfully achieve their targets, and establish the work-life balance.
Development Catalogue	The programs are intended to build on the competencies expected of employees at Yapı Kredi.
“ŞubeMe Doğru”, Branch Manager Designation Process	The Program is intended to make sure that candidates undergoing the branch manager evaluation center satisfy the Bank’s required competencies and have the same perspective regarding technical and managerial competencies when serving in the branch manager position.
My Career Journey	Under the program My Career Journey launched in 2019 and addressing branch network employees, employees are able to design their career paths from their first day at the Bank. They are able to prepare themselves for their next position through distant learning and classroom training programs developed for the program. In 2020, 395 employees changed positions, and 485 employees transferred between segments. Under the ŞubeMe Doğru program, 112 Yapı Kredi employees took part in the Evaluation Center Implementation.
Development Programs for Segments	Each segment is intended to be supported with training programs identified according to their needs.
Internal Trainer Development and Trainer Training Program	Trainer Training is offered for candidates wishing to become internal trainers at the Bank. For the development of existing trainers, training under the Internal Trainer Development Program is provided.

PRESENTATION

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YOUNG TALENT PROGRAMS	
Yapı Kredi Young Branch Internship Program	The internship program invests in the development of Turkey’s young talents by offering professional and personal development opportunity to junior and senior year students at universities.
Digital Talent Program	The best talents in Turkey are given a chance to discover themselves and to gain an insight into the business world before venturing into professional life. The program entails training and seminars offered by the most eminent institutions in Turkey and in the world, half-time internship to let young talents to explore the area in which they wish to have a career, and mentorship support from a Yapı Kredi employee.
Digipro Head Office Internship Program	Under the Digipro Head Office Young Internship Programs, students experience business life through contents designed according to the different dynamics of the units at the Head Office and at Yapı Kredi’s subsidiaries.
MT and ST Programs	The Management Trainee (MT) program is a new-graduate recruitment program for specific teams at the Head Office. Under this program, new graduates start their careers with the development program. They have additional possibilities such as pursuing a Master of Business Administration (MBA) with an education grant with varying coverage depending on certain criteria at Koç University. The Sales Trainee (ST) program is the new-graduate hiring program for branch sales teams. In this program, new graduates start their careers with a development program for branch sales teams.
Assistant Inspector and Assistant Auditor Programs	Assistant Inspector program is the new graduate recruitment program for Internal Audit Department. Whereas the Assistant Auditor program is the new graduate recruitment program for the Internal Control Unit. In both programs, new graduates begin their careers with the new graduates development program.



PROGRAMS TO BUILD ON DIGITAL COMPETENCIES

Yapı Kredi carries out a large number of programs for building on digital competencies. In 2020, the programs participated by 9% of the employee body contributed to building on the digital skills of the workforce.

Digital Transformation in Finance Driven by Blockchain, Koç University Data Science Certification-Lab Sessions, Koç University Data Science Certification Program Preparation Training, Digital Transformation and Technology Trends that Transform the Banking Business, Applied Financial Management and Statistics in Excel, Digital Transformation in the Banking Business and Fintech are some of the programs organized to build on employees' digital competencies.



In 2020, the programs participated by 9% of the employee body contributed to building on the digital skills of the workforce.



Performance Management

Yapı Kredi formulates performance processes with a perspective of performance management and improvement, rather than evaluating employee performance. The purpose of the performance management system is to improve individual performance, and in turn, increase corporate performance. There are two separate assessment periods at the Bank, Interim and Year-End Performance Assessment.

Within the scope of the performance management process, assessments are conducted in two departments: Technical and Development. Not just business outputs (what has been done) but also actions (how it is done) are evaluated.

The other important leg of the Performance Management System is the Dialogue process. Development is placed in focus with structured feedback meetings where the employee and his/her manager get together four times a year. In Dialogue meetings, multi-faceted dialogues are constructed covering the past, present and the future, besides an evaluation of the past performance. The performance management process drives the dissemination of feedback culture within the organization. Performance results provide input for all human resources processes such as training, promotions and rotation.

Payments to the Bank's senior management totaled TL 78,335 as at 31 December 2020 [31 December 2019: TL 76,528].

Employee Engagement and Satisfaction

The human capital of Yapı Kredi makes the foundation of the Bank's institutional success. Regular employee engagement and satisfaction surveys measure the needs and expectations of the workforce. Every year, Yapı Kredi takes part in these surveys conducted by Koç Holding. Outcomes of the survey are shared with the senior management; opinions regarding the organization's perception, training, performance management and rewarding are considered for taking action, and added to scorecards. According to the Employee Engagement Survey conducted in 2020, employee engagement score is 76% and employee satisfaction score is 77%.

With the New Recruits survey, newly hired employees share their experiences during orientation. Employees can submit their complaints regarding employee rights, working conditions, mobbing and managers' faulty attitudes to the Ethics Helpline under the Compliance and Internal Control Department.

Employees can also submit questions and requests regarding human resources practices and personnel rights to the relevant career consultant, their managers, HR Helpline (Alo İK) and via Ask HR on the HR IT Self-Service system. In 2020, the HR Helpline responded to 7,180 calls, whereas 32,480 messages were responded to via the Ask HR channel.



According to the Employee Engagement Survey conducted in 2020, employee engagement score is **76%** and employee satisfaction score is **77%**.

Life at Yapı Kredi

Projects were taken on to offer Yapı Kredi employees privileges in their social lives and to support them also in this respect. The closely-knit work-life order required not to balance but to integrate the two. A club named BizClub was set up, which allows all Yapı Kredi employees to participate in social events, concerts, workshops under a single roof and at more favorable terms, taking advantage of the privilege of belonging to Yapı Kredi.

BizClub initiative was introduced in July 2019 to help Yapı Kredi employees to maintain their work and social lives together. Employees joining BizClub take part in various events and activities including sports clubs, workshops and major cultural and artistic events in Turkey, and come together in extracurricular activities. BizClub had 8,342 members at year-end 2020. During the reporting period, 16,500 people participated in a total of 294 events: 10,961 people got together in 199 online events, whereas 5,539 people attended 95 ticketed events.

Yapı Kredi cares about the health and safety of its employees. In order to provide an equitable and safe working environment where no forms of violence are tolerated, the Bank introduced the Business Against Domestic Violence Policy in 2019. In this framework, employees are provided with mechanisms that will furnish consultancy, guidance, training and support services if

needed. Employees can seek support for themselves or learn about how they can help their families, relatives and colleagues in case of domestic violence via the Employee Support Helpline.

Fringe Benefits Offered by Yapı Kredi

Yapı Kredi offers various fringe benefits to its employees, such as health insurance, life insurance, employee support program, contributory private pension, childcare services support, and Koç Ailem (My Family) Card that provides advantages in a variety of services. In addition, under the Yapı Kredi Employee Support Program launched in 2010, a consultancy service is offered for Yapı Kredi employees and families, which they can benefit 24/7 free-of-charge in matters related to health, psychology, finance and legal.

Right to collective bargaining and freedom of association

Yapı Kredi respects its employees' right to collective bargaining and freedom of association. To inform all employees about their union rights, the articles of collective labor agreements are communicated via the Bank's communication channels and within the orientation training.

As at year-end 2020, 56% of the Bank's employees are union members and collective labor agreements are signed biannually with the Banking, Finance and Insurance Workers Union (BASİSEN). The latest agreement signed covers the period between 1 April 2019 through 31 March 2021.



In addition, the Employee Relations Advisory Board (ÇİDAK) established within Yapı Kredi is intended to maintain labor peace between the Bank and union members, resolve any problems swiftly, and thus increase efficiency.

Occupational Health and Safety

Yapı Kredi regards it as one of its foremost responsibilities to provide its employees with a safe working environment and healthy working conditions. The Bank adopts a comprehensive approach to the management of Occupational Health and Safety (OHS) in order to prevent all kinds of accidents, casualties, and occupational diseases that may arise during work.

The standards in the OHS Policy, with which all employees are expected to comply, constitute the fundamental element of this comprehensive approach. Possible accident scenarios are determined and measures are taken before they happen. Informative training programs and events related to OHS are organized, in which workplace physicians and OHS experts take part. In 2020, employees received 7,944 hours of occupational health and safety training.

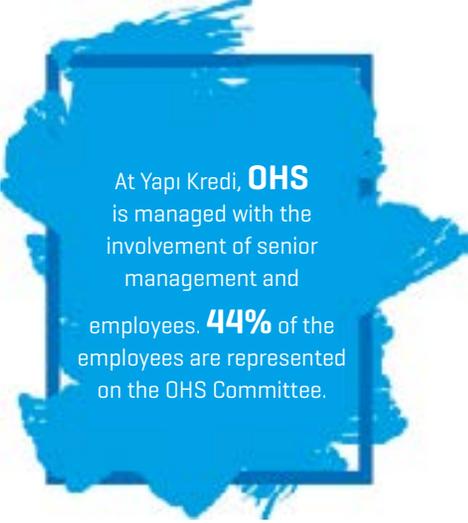
At Yapı Kredi, OHS is managed with the involvement of senior management and employees. 44% of the employees are represented on the OHS Committee. The Human

Resources Operations and Industrial Relations Manager is responsible for occupational health and safety, within only two reporting levels under the CEO. Matters related to OHS and potential risks are regularly reported to the senior management every year.

 Yapı Kredi OHS Policy can be found [here](#).

The OHS targets of the Bank include giving safe driving training to all employees driving service vehicles, increasing security in these vehicles, following up the accident frequency rate and completion of the OHSAS 18001 certification.

In addition, accident frequency rate, accident severity, number of occupational diseases, rate of occupational diseases, vehicle accident rate, sports accidents, total hours of OHS training, physical examinations and health screenings performed within the scope of OHS, near-misses and dangerous situation records are followed up regularly, and OHS priorities are defined in this framework. The Bank sets three- and five-year targets within the scope of developments associated with the indicators monitored. Within the scope of OHS, field visits and controls are carried out, which are attended by occupational safety experts, workplace physicians, managers of related units and employee representatives.



At Yapı Kredi, **OHS** is managed with the involvement of senior management and employees. **44%** of the employees are represented on the OHS Committee.

Diversity and Inclusion

Yapı Kredi believes that it will capture success in a working environment where differences are regarded as richness. The Bank espouses an approach that takes a firm stand against all kinds of discrimination, including but not limited to discrimination on the basis of language, religion, gender, ethnicity, faith, and sexual orientation. No cases of discrimination were ascertained at the Bank during the reporting period.

The Bank has signed the Declaration on Equality at Work, established under the leadership of the Republic of Turkey Ministry of Family and Social Policies in collaboration with the World Economic Forum (WEF) to reduce gender inequality. The Bank is also a signatory of the Women's Empowerment Principles (WEPs) launched through a partnership between UN Women and UN Global Compact, intended to empower women in workplace, marketplace and community. The Bank makes annual reporting in relation to WEPs.

Having undertaken a pioneering role in gender equality and women employment and signed its name under numerous initiatives to date, Yapı Kredi earned the Equal Opportunities Certificate (FEM),

a gender equality certification led by the Women Entrepreneurs Association of Turkey (KAGİDER) and developed under the technical assistance of the World Bank. Within the scope of the certification, the Bank successfully completed an independent assessment covering a number of aspects such as the management's approach to equal opportunities, egalitarian practices in recruitment, performance and promotion processes, training opportunities, feedback and complaint mechanisms, gender-sensitive communication. Yapı Kredi has been the first organization to have been digitally assessed in this sense and to have successfully passed it.

In 2020, female labor force participation rate was 50.4%* in the banking sector, and 62% at Yapı Kredi. Supporting women's participation in economic life in keeping with its responsibility stemming from its role as the flagbearer of gender equality in the sector, the Bank pays attention to gender equality also in recruitment. In 2020, 55% of new hires were women. In the reporting period, return to work rate after maternity leave was 94%, and retention rate after maternity leave was 83%.

At Yapı Kredi, which attaches importance to women's being in decision-maker positions and to playing a part in the training and developing of the future women leaders, the ratio of women in managerial positions was 40.3%**.

Employee Volunteering

Yapı Kredi believes that involvement of its employees in solving social problems is important in terms of employee happiness and social benefit. Hence, the Bank encourages employee volunteering within the organization.

In order to popularize volunteering among employees and to turn it into corporate culture, Yapı Kredi Volunteers digital platform, which was created in 2019, increased its use and access in 2020 through new projects. Through the platform, volunteers become aware of the projects carried out with NGOs, and communicate with one another. The platform also serves as a tool that allows employees to apply for existing projects or create their own volunteering initiatives. During 2020, more than 1,000 Yapı Kredi Volunteers took part in employee volunteering programs.

RATIO OF WOMEN IN MANAGEMENT	2020
Ratio of first-line women managers to total first-line managers	61%
Ratio of women executives within two levels of the CEO to total executives within two levels of the CEO	30%
Ratio of women managers in income-earning departments (other than IT, HR, Corporate Communication, Legal, etc.) to total managers in these departments	41%

*The Banks Association of Turkey, September 2020

**Covers manager and above positions.



<code.yapikredi/> #4 ile Girişimcilik Sohbetleri

HAKIM
SEMRA ÖZGAL
KURUMSAL İKİNCİLİK UZMANI



HAKIM
FERİHSUN ÖZKAN
KURUMSAL İKİNCİLİK UZMANI

#codeyapikredi #4

@YapıKredi

#Evdaki

Mükerrer olarak da, aynı günün akşam saatlerinde yayınlanıyor.



<code.yapikredi/> #6 ile Girişimcilik Sohbetleri

HAKIM
SEMRA ÖZGAL
KURUMSAL İKİNCİLİK UZMANI



HAKIM
YAPRAK GÜNEŞ
KURUMSAL İKİNCİLİK UZMANI

#codeyapikredi #6

@YapıKredi

#Evdeki

Her hafta aynı gün saat, aynı günün akşam saatlerinde yayınlanıyor.



@YapıKredi

BELEĞİN KONUĞU

Podcast Katılımları



KONUK
SEMRA SEYİÇ



HOSKONUK
CÜNEYT TORRES

SÜRDÜRÜLEBİLİRLİK

Her hafta aynı gün saat, aynı günün akşam saatlerinde yayınlanıyor.

YapıKredi 1944 - 2021 SANAL MÜZE



ENTER

WORLD ACOUSTIC 4. KAT

KALBEN



Saturday, February 1st, 10:30
4. Kat

@YapıKredi

BELEĞİN KONUĞU

Podcast Katılımları



KONUK
ŞULA SÖNMEZ ÖZOĞUZ



HOSKONUK
CÜNEYT TORRES

YAPAY ZEKA

Her hafta aynı gün saat, aynı günün akşam saatlerinde yayınlanıyor.

WORLD ACOUSTIC IG LIVE

SABRCE GÖKSEL



Saturday, April 4th, 21:00
Instagram Live

LIFTING THE BORDERS: CULTURE AND ARTS

Believing that culture and arts activities serve as a great unifying and healing power also during the pandemic, we have held various culture and arts events. Quickly responding to circumstances compelling to stay at home, we have carried Yapı Kredi Culture and Arts Exhibitions to the digital medium. We have hosted famous musicians in the Yapı Kredi bomontiada World Unplugged Concerts series. With our Project “World is as Simple as the Earth”, accompanied by guest experts, we have targeted to instigate people to revisit the issue of consumption with a focus on simplification. We sought to instill hope and a sense of unity through such a time with Yapı Kredi Virtual Museum that transferred Yapı Kredi’s archives of 76 years to the digital medium, “Let’s Talk About the Future” podcast channel where we discuss the latest trends in the world in various sectors and fields, new technology and innovation moves, and “Startup Conversations” event series with Code.YapıKredi where we talk about entrepreneurs’ real-life stories.

SUPPORT SERVICES

PRESENTATION

- Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. provides printing services for around 62 million credit cards and customer account statements per year.
- Physical security services were being provided by Ekol Grup Güvenlik Koruma ve Eğitim Hizmetleri Ltd. Şti. [EKOL] with a total of 909 security guards.

FROM THE
MANAGEMENT

- A total of 801 armed security guards are assigned to the branches, while 93 others serve at the Head Office and Regional buildings, and 15 unarmed security personnel serve at Bayramoğlu, Yeniköy Koru and Darıca buildings.
- Monitoring of the Theft Alarm system, control/maintenance services for all technical and electronic security systems including card entry system, CCTV and branch fire alarm system are provided by Tepe Güvenlik A.Ş. Fire detection and extinguishing systems are controlled and maintained by Protek Mühendislik Ltd. Şti. Card entry systems and card monitoring and controlling are provided by Cesa Elektronik Güvenlik Sistemleri San. Tic. Ltd. Şti.

ABOUT
YAPI KREDİ

- Support services for cash transportation, on-site and off-site ATM first-line maintenance services are provided by Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri [Bantaş], Loomis Güvenlik Hizmetleri [Loomis], and Desmer Güvenlik Hizmetleri Ticaret [Desmer].

BUSINESS
MODEL AND
STAKEHOLDERS

These firms provide Yapı Kredi Bank with the following:

- Bantaş - 34 Cash Centers, 1.255 personnel and 339 armored vehicles
- Loomis - 14 Cash Centers, 518 personnel and 160 armored vehicles
- Desmer - 2 Cash Centers, 15 personnel and 5 armored vehicles
- Diebold Nixdorf Teknoloji A.Ş. and NCR Bilişim Sistemleri Ltd. Şti. provide second-line maintenance services for on-site and off-site ATMs.

RESPONSIBLE
GROWTHINNOVATIVE
BANKING

2020 Performance / Developments

- During the pandemic process in 2020; Coordinated business plans have been created with our supplier companies in order to ensure that our customers have uninterrupted access to cash, and these plans have been successfully implemented and our bank has been able to deliver cash-related services without disruption.

HUMAN
FOCUS

2021 Goals / Expectations

- Keeping operational costs and risks arising from Cash Transportation Services at the optimum level
- Keeping Service Level Agreement ratios for cash transportation services at the optimum point

CORPORATE
GOVERNANCE

TRANSACTIONS CARRIED OUT WITH THE RISK GROUP

Transactions with the risk group are carried out at arms-length and under market conditions in compliance with the Banking Law. In 2020, all related party transactions were undertaken within regulatory limits.

FINANCIAL
INFORMATION

Necessary explanations regarding transactions made by Yapı Kredi with related parties can be found in Section 5 Note 7 of the publicly announced Consolidated Financial Report as of 31 December 2020.

ANNEXES

ORDINARY GENERAL MEETING AGENDA

YAPI VE KREDİ BANKASI ANONİM ŞİRKETİ **25 MARCH 2021 ORDINARY GENERAL MEETING AGENDA**

1. Opening and election of the Chairman of the Meeting,
2. Presentation of the Annual Activity Report of the Board of Directors, Financial Statements and Summary of Report of External Auditors related to 2020 and consideration and approval of Annual Activity Report and Financial Statements for 2020,
3. Clearing of members of the Board of Directors of liability related to activities of the Bank during 2020,
4. Approval of transactions regarding liquidation by sale of some Bank receivables that are being followed up on Non-Performing Loan accounts and to clear Board members regarding these transactions,
5. Determining the number and the term of office of Board members, electing members of the Board of Directors and independent member of the Board of Directors,
6. Submitting according to Corporate Governance Principles the Remuneration Policy for the Members of Board of Directors and Senior Managers, and the payments made within the scope of the Policy to the shareholders' knowledge and approval of the same,
7. Determining the gross attendance fees for the Members of the Board of Directors,
8. Approval, approval with amendments or rejection of the proposal of the Board of Directors regarding the profit distribution date and Profit Distribution for 2020 created as per the Bank's dividend distribution policy,
9. Approval of the Independent Audit Institution selected by the Board of Directors with the requirement of the Regulation issued by the Banking Regulation and Supervision Agency and the Turkish Commercial Code,
10. The donations and charities made by the Bank in 2020 with the aim of social relief to the shareholders' knowledge and the approval of the Donation and Sponsorship Policy and determining a ceiling amount for the donations to be made in 2021 in line with the Banking legislation and the regulations of the Capital Markets Board,
11. Granting permission to the shareholders holding the management control, the members of the Board of Directors, the senior managers and their spouses and blood relatives and relatives by virtue of marriage up to second degree in accordance with Articles 395 and 396 of the Turkish Commercial Code and submitting the transactions carried out in this context during 2020 to the shareholders' knowledge in line with the Capital Markets Board Corporate Governance Communique,
12. Wishes and comments.

REPORT OF THE BOARD OF DIRECTORS

Dear Shareholders,

For Yapı Kredi, one of the longest standing and strongest institutions in the banking sector, 2020 was a consistent and successful period despite all the challenges the year presented. Retaining its position as Turkey's third largest private bank by increasing its asset size by 18% to TL 486 billion, Yapı Kredi successfully maintained its customer-centered, pioneering and innovation-oriented banking perspective providing responsible growth in 2020.

Yapı Kredi increased its total revenues by 22% with a strong income generation performance in 2020. The increase in total costs was at 17% due to the negative effects of Covid-19, macroeconomic and legal influences. The Bank's gross operating profit was TL 14.9 billion. Accordingly, the Bank's net profit for 2020 was realized at TL 5,080 million.

Continuing to implement the capital strengthening plan announced in 2018, Yapı Kredi registered a consolidated capital adequacy ratio of 16.7% [excluding the contribution of the regulatory forbearances provided by the Banking Regulation and Supervision Agency this year] and a Tier-1 ratio of 13.6% with the support of its ongoing internal capital generation, in spite of turbulent international markets. These ratios are significantly above the regulatory limits.

Sustaining its strong cooperation with international financial institutions, Yapı Kredi authored successful external borrowings throughout the year in order to diversify the funding base, an area of great importance for the Bank. In January, the Bank issued its green bond in the amount of USD 50 million, compliant with the Green Bond Principles of the International Capital Market Association (ICMA) and market standards.

In May, the Bank raised funds in the amounts of USD 283.5 million and EUR 534.6 million with the participation of 38 banks from 18 countries from the international markets, and a USD 100 million-fund from the European Bank for Reconstruction and Development (EBRD). Yapı Kredi obtained a second syndication loan of USD 334 million and EUR 440.5 million participated by 39 banks from 21 countries in the second half of the year. All in all, the Bank secured total funds of approximately USD 2 billion from international markets, including syndications, during the course of the year.

In addition, the subordinated bond issue of USD 500 million in the first month of 2021 once again confirmed to the confidence held in Turkey and Yapı Kredi in the international arena.

Sustainability remained as an important agenda item for Yapı Kredi also in 2020. On the back of its successful performance in environmental, social and governance areas, the Bank was once again a constituent of the Borsa İstanbul (BIST) Sustainability Index, and FTSE4Good Emerging Index maintained by FTSE Russel, a global index provider affiliated to London Stock Exchange, which measures environmental, social and governance performances of companies. Adhering to UN Principles for Responsible Banking, Yapı Kredi continued to take place among the banks steering the sector in the area of sustainability, and was included in the leadership category of the CDP Water Security program also this year, as it did last year, through its disclosure to Carbon Disclosure Project (CDP), the top environmental reporting organization in the world. The Bank also qualified for FEM [Equal Opportunities Model] certification, developed by the Women Entrepreneurs Association of Turkey (KAGİDER) under the technical assistance of the World Bank. Yapı Kredi has also been one of the five companies from Turkey that qualified to be included in 2021 Bloomberg Gender Equality Index.

Yapı Kredi's corporate governance rating was confirmed at 9.62 in 2020 as it was, 9.62 in 2019 (on a scale of 10) based on the principles set by the Capital Markets Board of Turkey, thanks to the great emphasis placed by the Bank on corporate governance.

Dear Shareholders,

As we submit our 2020 integrated annual report and financial statements for your review and approval, on behalf of the Board of Directors and myself, I would like to thank you, our esteemed shareholders, for your faith in Yapı Kredi.

On Behalf of the Board of Directors,

Chairman

Ali Y. Koç

AUDIT COMMITTEE'S ASSESSMENT ON INTERNAL AUDIT, INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

Internal Audit

The Internal Audit Department is responsible for executing Yapı Kredi's internal audit activities with a team of 149 employees, 137 of whom are assigned to internal auditing of the Bank and 12 to subsidiaries. The Department directly reports to the Board of Directors via the Audit Committee.

Yapı Kredi's approach to internal audit covers regular branch audits, process audits, investigations and follow-up audits. The risks identified during audits are submitted to the Top Management via audit reports. In addition, the effectiveness and adequacy of management procedures and business processes are evaluated from a risk perspective.

In 2020, the Internal Audit Team carried out all audits in line with the annual audit plan.

Process Audits	
Head Office	39
Head Office Management Assertions	4
Head Office Support Services	1
Head Office - unscheduled	1
Central Subsidiaries	6
Central Subsidiaries Management Assertions	3
Total	54

Local subsidiary audits (domestic and international)	
Process	33
Branches	14
Total	47

Branch Audits	
Spot	61
Regular	281 (*)
Total	342

(*) Follow-up audits were also conducted at 20 branches concurrently with regular audits.

Furthermore, two additional analysis reports concerning CGF loans and 1 Scenario Analysis Follow-up report were issued on an unscheduled basis. Additionally, 34 Bank and 7 subsidiary investigations/inquiries were carried out.

During the timeframe when remote working gained prevalence and the Bank's services were adjusted to the circumstances imposed by the pandemic due to the Covid-19 outbreak, Internal Audit Department's activities were organized in line with the principle "**Observe, analyze, identify elevated risks and take audit action**". Accordingly, scheduled audits were carried on on one hand, while thematic scenarios were determined and their data analyses were conducted on the other. 10 thematic analysis reports were issued in April and May. Identified faults/defects were shared with the relevant departments.

At Yapı Kredi, regular branch and process audits are determined based on an Annual Audit Plan and submitted to the Board of Directors and shareholders for approval via the Audit Committee. The Annual Audit Plan is prepared following meetings with Top Management to assess each unit's risk priorities and follow-up corrective actions on previously identified risks. In addition, internal audit findings are submitted to the Board of Directors at least 4 times a year via the Audit Committee.

In 2020, the execution of the Management Assertion study requested by the Banking Regulation and Supervision Agency (BRSA) continued. In this context, the Internal Audit Department audited support services companies within the scope of Management Assertion, in addition to banking processes and general IT controls. The results are presented to the Board of Directors.

In 2020, the Bank carried on with the Audit Certification Program, launched in 2010 in order to build on the professional knowledge of auditors and run in collaboration with Boğaziçi University. In addition, professional and personal development of employees were further backed with digital resources.

2021 Audit Plan prepared by the Internal Audit Department covers 405 audits. Of these, 58 are Yapı Kredi Head Office/ Process audits, 336 are Branch and 11 are Subsidiary audits. Furthermore, 3 thematic analysis studies are planned to be conducted in relation to branch processes. In addition, local subsidiary audit teams will be performing 50 audits according to the said plan.

2021 Audit Plan also covers contingency audit needs and investigations, audit projects, professional training, finding follow-up, reporting, methodology and administrative roles to ensure constant improvement of practices.

Internal Control

At Yapı Kredi, internal control activities are carried out under the governance of the Audit Committee by a team of 102 employees in total, including the subsidiaries. 83 of these employees are employed at the Bank.

Regular control activities are performed at Yapı Kredi branches and at the Head Office in accordance with the BRSA and international control standards and practices, and internal risk assessments. Findings from these activities are reported to related units to ensure that necessary improvements are made and the process is followed until completion.

Periodic reports related to internal control activities and their results are presented to the Audit Committee and senior management.

Comprehensive career training programs and certification programs specifically for Internal Control are undertaken continuously at the Bank in collaboration with Boğaziçi University.

During 2020, physical audits of branches were conducted in a limited fashion or remotely through the system due to the Covid-19 pandemic. During the reporting period, Branches On -Site Internal Control Team conducted regular audits at 300 branches. The follow-up for completion of findings from the activities of the remote internal control teams were periodically revised depending on whether the branches were open for service in view of the Covid-19 pandemic. In 2021, audit activities are planned for 285-300 branches depending on the course of Covid-19. Internal control activities were carried out also at 8 subsidiaries of the Bank in 2020, and internal control activities are planned for 8 subsidiaries also in the coming year.

Digital transformation is underway in the Internal Control process; the number of controls using this method is targeted to be increased in 2021.

Risk Management

Risk management is carried out by 107 employees working under the Audit Committee with the purpose of measuring, monitoring, reporting and keeping under control the potential risks that the Bank may be exposed to on stand-alone and consolidated bases, taking into consideration international regulatory framework and employing methods that are compliant with the national legislation. The highest-ranked manager responsible for risk management is the Assistant General Manager for Compliance, Internal Control and Risk Management. Risk management is carried out in three different areas, namely credit risk, strategic risk control and market risk.

Yapı Kredi provides accurate and healthy strategic risk management via corporate functions and management committees. In this process, the Board of Directors sets up and supervises all necessary control mechanisms and processes to successfully implement targets and strategies.

Credit Risk

Providing the general framework regarding Yapı Kredi's lending activities, Credit Policies are updated annually, and enforced upon being approved by the Board of Directors. The Credit Policies in force are based on improving asset quality, supporting effective risk management and achieving regulatory compliance. They also embody the common standards, limitations and principles applicable across the Bank, which include all implementations in the area of credit management.

The main purpose of credit risk management is to measure and mitigate credit risk with the help of efficient and smooth rating/scoring models, strategies and processes, and reacting and taking the necessary measures accordingly and in a timely manner. To this end, rating/scoring systems continue to be updated/upgraded regularly. Validation activities are carried on in parallel with modelling studies. Allocation and monitoring strategy is also updated and improved on a regular basis.

Operational Risk and Reputational Risk

The main objective of Yapı Kredi in relation to operational risks is to detect, measure and mitigate operational and reputational risks on the basis of the Bank and its subsidiaries. The Bank's policies are reviewed annually, updated as needed, and submitted for the approval of the Board of Directors.

Efforts for achieving compliance with Basel-II advanced measurement approach at Yapı Kredi are carried out under operational and reputational risk. In this regard, the Bank's operational risk losses and key risk indicators are monitored. Furthermore, scenario analyses are performed and risk-based insurance management activities are undertaken to mitigate risk. On a yearly basis, risk assessment of support services and new products is carried out and a risk map of information technologies is prepared. Operational risk, reputational risk and business continuity activities are presented to the Board of Directors on a quarterly basis via the Audit Committee.

The Operational Risk Management Policy covers the Group-wide principles and standards for the responsibilities of operational risk management unit and management structure; the strategy, policies and investments in relation to operational risk and IT risk control and management system practices; and the frequency, content and recipients of operational risk and IT risk reports. Business Continuity Management Policy is intended to minimize the risks that might threaten the continuity of the Bank's operations, and to ensure resumption of critical products and services within acceptable times in case of possible interruptions. The Policy is regularly updated and approved by the Board of Directors.

The policy focuses on reputational risk control system for establishing and maintaining effective reputational risk management; measuring, monitoring and reporting activities involved in defining, preventing reputational risks and restoring the Bank's reputation as well as identifying sensitive sectors/risky areas in conformity with credit policies and international standards.

2020 FINANCIAL REVIEW

PRESENTATION

Based on the consolidated financial results dated 31 December 2020 drawn up according to the Banking Regulation and Supervision Agency (BRSA) regulations, Yapı Kredi recorded a net income of TL 5,080 million and a return on average tangible equity of 12.0% in 2020. During the same period, Bank's total assets increased by 18% annually to TL 486.5 billion, preserving Yapı Kredi's ranking as the third among private banks. Throughout the year, Yapı Kredi continued to increase its contribution to the financing of the Turkish economy. Total cash and non-cash loans increased by 20% to TL 382.7 billion.

FROM THE MANAGEMENT

In 2020, total cash loans increased to TL 281.8 billion, up by 23%. Accordingly, Yapı Kredi's market share in total cash loans among private banks was 16.1%. TL loans expanded by 26% and Yapı Kredi gained 15.4% market share among private banks. In addition, the Bank sustained its historical leadership in credit cards in the reporting period as well.

ABOUT YAPI KREDİ

In 2020, customer deposits increased by 15% and deposit base reached TL 259.3 billion. Accordingly, the Bank's market share in customer deposits among private banks was realized at 14.5%. Continuing to increase TL and FC demand deposits, Yapı Kredi reached approximately 16.4% and 13.6% market share among private banks in these two product segments in 2020, respectively. The share of demand deposits in total deposits rose to 36%.

BUSINESS MODEL AND STAKEHOLDERS

Having kept diversifying its funding sources in international markets in 2020, Yapı Kredi continued to obtain funds worth more than USD 2 billion, including syndications, thanks to strong international relationships and shareholding structure of the Bank. In 2020, the Bank's FC liquidity coverage ratio was 454% and loans to deposits ratio including TL bonds was 105%.

RESPONSIBLE GROWTH

In terms of revenue generation, the Bank's core revenues increased by 17% to TL 21,580 million, thanks to sustainable loan-deposit spread and positive performance in net interest income and fees and commissions, despite the challenging operating environment and regulatory framework. In 2020, cumulative net interest margin improved by 48 basis points to 3.78%, and fee income increased by 4%. On the other hand, costs went up by 17% annually in connection with the Covid-19 pandemic, macroeconomic and regulatory impacts.

INNOVATIVE BANKING

During 2020, the Bank maintained its conservative approach to asset quality, and kept strengthening its provisions. The Bank's total provisioning level increased to 8.1% [2019: 7.29%]. With the added impact of regulatory changes, NPL ratio was down by 85 bps on a comparative basis to 6.8% and Cost of Risk was recorded at 251 bps.

HUMAN FOCUS

In 2020, Yapı Kredi's consolidated capital adequacy ratio remained flat at the year-end 2019 figure of 16.7%, excluding temporary regulatory forbearances, thanks to ongoing strong internal capital generation.

In 2020, the Bank paid TL 158.2 million in total administrative fines enforced on the Bank by regulatory and supervisory authorities.

CORPORATE GOVERNANCE

FINANCIAL INFORMATION

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Note:

Sectoral and private bank market shares are calculated based on BRSA monthly data as of December 2020 and BRSA weekly data as of 31 December 2020. Sectoral data consists of those of deposit and development and investment banks, while private banks data are composed of those of deposit/domestic private and deposit/foreign bank data.

FIVE YEAR SUMMARY FINANCIALS

	2016	2017	2018	2019	2020
Total Assets	271,135	320,066	373,376	411,195	486,490
Cash + Non-Cash Loans	244,940	278,725	306,334	318,938	382,698
Loans	176,486	199,874	220,549	229,373	281,822
Deposits	157,088	173,384	210,291	231,072	264,410
Shareholder's Equity	26,121	30,102	39,007	41,192	47,568
Net Income / [Loss]	2,933	3,614	4,668	3,600	5,080
Capital Adequacy Ratio [Group] ⁽¹⁾	13.2%	13.4%	14.8%	16.7%	17.2%
Capital Adequacy Ratio [Bank] ⁽¹⁾	14.2%	14.5%	16.1%	17.8%	18.2%
Number of Branches [Group]	974	897	885	880	867
Number of Branches [Bank]	936	866	854	846	835
Number of Employees [Group]	19,419	18,839	18,448	17,466	16,938
Number of Employees [Bank]	18,366	17,944	17,577	16,631	16,037

⁽¹⁾ Including the temporary regulatory forbearances provided by the BRSA

CREDIT RATINGS

PRESENTATION

Fitch	Rating	Outlook
Long Term Foreign Currency	B+	Negative
Long Term Local Currency	B+	Stable
Short Term Foreign Currency	B	
Short Term Local Currency	B	
Viability Rating	b+	
Support Rating	5	
National Long Term	A+ [tur]	Stable
Senior Unsecured Debt	B+	

FROM THE
MANAGEMENTABOUT
YAPI KREDİ

Moody's	Not	Outlook
Long Term Foreign Currency Deposit	B2	Negative
Long Term Local Currency Deposit	B2	Negative
Short Term Foreign Currency Deposit	Not Prime	
Short Term Local Currency Deposit	Not Prime	
National Scale Rating	A2.tr	
Senior Unsecured Debt	B2	

BUSINESS
MODEL AND
STAKEHOLDERS

Note: As of March 2, 2021

RESPONSIBLE
GROWTHINNOVATIVE
BANKINGHUMAN
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DECLARATION OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Yapı Kredi strives to comply with the Corporate Governance Principles published by the Capital Markets Board (CMB) and focuses on continuous development in this area while carrying out its operations.

The mandatory principles within the scope of the Communiqué on Corporate Governance numbered II-17.1 which is currently in effect have been fully complied with and the non-mandatory principles have been mostly complied with. Despite full compliance with the non-mandatory Corporate Governance Principles is targeted, such full compliance has not been achieved yet due to reasons such as the practical challenges with some of the principles, the ongoing discussions both in our country and on the international platform in relation to compliance with some of the principles and the fact that some principles do not completely overlap with the existing structure of the market and the Bank. The principles that have not yet been implemented is worked on and it is planned that their practice will start after the completion of the administrative, legal and technical infrastructure work in a way to contribute to the efficient management of the Bank. Below in the relevant chapters are the explanations for Yapı Kredi's extensive efforts conducted within the framework of the Corporate Governance Principles and the principles that have not yet been complied with and the conflicts of interest, if any, arising from these.

Efforts for compliance with the Capital Markets Law which covered the regulations of the CMB on the Corporate Governance Principles and with the communiqués issued on the basis of this law were among the main efforts in the field of Corporate Governance in 2020. The Board of Directors and the Committees of the Board of Directors of the Bank were formed in line with the regulations in the Communiqué on Corporate Governance. The Committees of the Board of Directors that are formed, continue with their activities efficiently. A remuneration policy was set for the Board of Directors and the senior management and employees and was submitted to the information of the shareholders at the Annual Shareholders' Meeting. Annual Shareholders' Meeting Disclosure Document containing the Annual Shareholders' Meeting information such as the shareholding structure, total number of shares and voting rights, the biographies of the candidates standing for membership to the Board of Directors and the Remuneration Policy was submitted to the information of the investors 3 weeks before the Annual Shareholders' Meeting. Furthermore, the Bank's corporate website and annual report were reviewed and the revisions required for full compliance with the principles were made. Work required for compliance with the principles will be carried out in the upcoming period by taking into consideration both the developments in the legislation and practice.

In clause 3 of article 6 of the Communiqué on Corporate Governance in relation to exemptions, it is stated that the number of independent Board members may be determined by the banks themselves on the condition that this number is not less than three and that the Board members who are appointed as an audit committee member within the bank's organization for the Board of Directors shall be considered as independent Board members within the framework of this communiqué. The communiqué also states that the qualifications set forth in the Corporate Governance principle numbered 4.3.6 shall not be sought in audit committee members of banks and that the principles numbered 4.3.7 and 4.3.8 in relation to the election of these members shall not be applied. The same communiqué also provides that the qualifications set forth in the principle numbered 4.3.6 shall be required in any case in respect of the independent board members who will not be appointed in the audit committee, and for only one member in cases where all of the independent members of the board of directors are appointed in the audit committee and that the principles numbered 4.3.7 and 4.3.8 shall apply with regard to the election of this independent member or these independent members. In this framework, in 2020, Virma Sökmen was elected as an independent Board Member by the General Assembly having the qualifications set forth in principles numbered 4.3.7 and 4.3.8. Ahmet Çimenoğlu and Nevin İmamoğlu İpek, members of the Bank's Audit Committee are deemed independent members within the framework of this communiqué. Among the Corporate Governance Principles, following main principles which have not been compiled and not mandatory in accordance to communiqué have been specified below detailed information on this respect is provided in the relevant chapters below. There is no conflict of interest arising from non-compliance with the said principles.

In relation to principle numbered 1.3.10, a separate agenda item was included in the general assembly agenda for donations and the details of the high donations are explained in the general assembly information form. The remaining amount not detailed in the information form consists of various donations to various institutions and organizations, each less than 100 thousand TL, which are not considered important information for investors. Donations below this amount are not followed by our investors, and it is planned to continue making public disclosures with the significance limit to be determined according to the current conditions in the following years.

In relation to principle numbered 1.5.2, minority rights are not vested by the Articles of Association in shareholders holding less than one twentieth of the capital and rights are vested within the framework of the general regulations in the legislation and in line with general practices. No request has been received from the investors and no change is foreseen in the near future.

In relation to principle numbered 4.2.8, although Yapı Kredi Bank has Directors and Officers liability insurance, the amount is below the mentioned rate. Considering the high capital of the bank, the current insurance amount is considered sufficient in terms of foreseeable risks and insurance limits are regularly reviewed. In the following periods, the amount of umbrella insurance may be increased if needed.

In relation to principle numbered 4.4.2, although there is no such definition in this direction, the information and documents related to the topics on the agenda sent to members before a reasonable period of time. Although there is no urgent need to make a definition in this regard, considering the effective work of the Board of Directors, and it is aimed to make an evaluation in the upcoming periods.

In relation to principle numbered 4.4.5, although there have been consistently sustained processes in our Company for many years how the board meetings are held, but there is no written internal regulations regarding the issue. Although there is no urgent need to make a definition in this regard, considering the effective work of the Board of Directors, and it is aimed to make an evaluation in the upcoming periods.

In relation to principle numbered 4.4.7, no limits are introduced for the Members of the Board of Directors preventing them from assuming duties outside the company due to the fact that their sectoral and business experience makes a significant contribution to the Board of Directors. CV of our board members are included in our annual report. Considering the effective work of the Board of Directors, no change is foreseen in the short term and current practice, which is considered not to create any negative situation in terms of corporate governance.

In relation to principle numbered 4.5.5, the appointment of the Members of the Board of Directors in committees is performed by taking into consideration their knowledge and experience and in line with the relevant legislation and some Members of the Board of Directors are appointed to more than one committee. However, those members who assume duties in more than one committee ensure communication and increase cooperation opportunities among committees that work in related matters. Considering the efficient work of the members of the Board of Directors with the knowledge and experience, the existing committees is evaluated effectively, there is no need for changes in the near future is foreseen.

In relation to principle numbered 4.6.5, remunerations made to the Members of the Board of Directors and to the executives with administrative responsibilities are collectively and publicly disclosed in the footnotes of the financial statements in line with the general practice. Market executions are closely monitored on an issue that is considered important for the privacy of personal information, it is foreseen to act in parallel with the common practice.

Yapı Kredi's corporate governance rating in the BIST Corporate Governance Index which the Bank joined back in 2008, started with 8.02 (over 10) was increased to 9.62 through the Corporate Governance Rating Report issued by SAHA Corporate Governance and Credit Rating Services Inc. and publicly disclosed by the Bank on December 28, 2020. The ratings in terms of main sections were set as 9.58 for Shareholders, 9.62 for Public Disclosure and Transparency, 9.93 for Stakeholders and 9.50 for the Board of Directors.

The 2020 Corporate Governance Compliance Report and Corporate Governance Information Form are included in the annex of the annual report [page 187-203] prepared in accordance with CMB's decision dated 10.01.2019 and numbered 2/49 and approved by the Board of Directors of our Bank and the relevant documents can also be accessed from our Bank's corporate management page on the Public Disclosure Platform.

[<https://www.kap.org.tr/tr/cgif/4028e4a240f2ef4c01412ae6d6630538>]

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
1.1. FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS						
1.1.2- Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.	X					
1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION						
1.2.1- Management did not enter into any transaction that would complicate the conduct of special audit.	X					
1.3. GENERAL ASSEMBLY						
1.3.2- The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.	X					
1.3.7- Insiders with privileged information have informed the board of directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Shareholders' Meeting.					X	No notification was made regarding such a transaction.
1.3.8- Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	X					
1.3.10- The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.						A separate agenda item was included in the general assembly agenda for donations and the details of the high donations are explained in the general assembly information form. The remaining amount not detailed in the information form consists of various donations to various institutions and organizations, each less than 100 thousand TL, which are not considered important information for investors. Donations below this amount are not followed by our investors, and it is planned to continue making public disclosures with the significance limit to be determined according to the current conditions in the following years.
			X			

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
1.7. TRANSFER OF SHARES						
1.7.1- There are no restrictions preventing shares from being transferred.	X					
2.1. CORPORATE WEBSITE						
2.1.1- The company website includes all elements listed in Corporate Governance Principle 2.1.1.	X					
2.1.2- The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months.	X					
2.1.4- The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.	X					
2.2. ANNUAL REPORT						
2.2.1- The board of directors ensures that the annual report represents a true and complete view of the company's activities.	X					
2.2.2- The annual report includes all elements listed in Corporate Governance Principle 2.2.2.	X					
3.1. CORPORATION'S POLICY ON STAKEHOLDERS						
3.1.1- The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	X					
3.1.3- Policies or procedures addressing stakeholders' rights are published on the company's website.	X					
3.1.4- A whistleblowing programme is in place for reporting legal and ethical issues.	X					
3.1.5- The company addresses conflicts of interest among stakeholders in a balanced manner.	X					
3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT						
3.2.1- The Articles of Association, or the internal regulations (terms of reference/ manuals), regulate the participation of employees in management.	X					
3.2.2- Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.	X					
3.3. HUMAN RESOURCES POLICY						
3.3.1- The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.	X					

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
PRESENTATION	3.3.2- Recruitment criteria are documented.	X				
	3.3.3- The company has a policy on human resources development, and organises trainings for employees.	X				
FROM THE MANAGEMENT	3.3.4- Meetings have been organised to inform employees on the financial status of the company, remuneration, career planning, education and health.	X				
	3.3.5- Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.	X				
ABOUT YAPI KREDI	3.3.6- Job descriptions and performance criteria have been prepared for all employees, announced to them and taken into account to determine employee remuneration.	X				
BUSINESS MODEL AND STAKEHOLDERS	3.3.7- Measures [procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms] have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.	X				
	3.3.8- The company ensures freedom of association and supports the right for collective bargaining.	X				
RESPONSIBLE GROWTH	3.3.9- A safe working environment for employees is maintained.	X				
INNOVATIVE BANKING	3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS					
	3.4.1- The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	X				
HUMAN FOCUS	3.4.2- Customers are notified of any delays in handling their requests.	X				
	3.4.3- The company complied with the quality standards with respect to its products and services.	X				
CORPORATE GOVERNANCE	3.4.4- The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X				
	3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY					
FINANCIAL INFORMATION	3.5.1- The board of the corporation has adopted a code of ethics, disclosed on the corporate website.	X				
	3.5.2- The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.	X				
ANNEXES						

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
4.1. ROLE OF THE BOARD OF DIRECTORS						
4.1.1- The board of directors has ensured strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place.	X					
4.1.2- The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategy, ensured resources were adequately allocated, and monitored company and management performance.	X					
4.2. ACTIVITIES OF THE BOARD OF DIRECTORS						
4.2.1- The board of directors documented its meetings and reported its activities to the shareholders.	X					
4.2.2- Duties and authorities of the members of the board of directors are disclosed in the annual report.	X					
4.2.3- The board has ensured the company has an internal control framework adequate for its activities, size and complexity.	X					
4.2.4- Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X					
4.2.5- The roles of the Chairman and Chief Executive Officer are separated and defined.	X					
4.2.7- The board of directors ensures that the Investor Relations department and the corporate governance committee work effectively. The board works closely with them when communicating and settling disputes with shareholders.	X					
4.2.8- The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.						Although Yapı Kredi Bank has Directors and Officers liability insurance, the amount is below the mentioned rate. Considering the high capital of the bank, the current insurance amount is considered sufficient in terms of foreseeable risks and insurance limits are regularly reviewed. In the following periods, the amount of umbrella insurance may be increased if needed.
		X				

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
4.3. STRUCTURE OF THE BOARD OF DIRECTORS						
4.3.9- The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy.				X		Yapı Kredi Bank attaches importance to gender equality, inclusion and empowerment of women in business life. Works or studies are continuing to ensure that women take more leadership positions in business life, and maximum attention is paid to increasing the ratio of female employees and managers while aiming for the better. The Diversity Policy approved by the Bank's Board of Directors in 2021 and included on our corporate website, it is aimed to reach at least 30% of female members in the Board of Directors of Yapı Kredi Bank within 5 years
4.3.10- At least one member of the audit committee has 5 years of experience in audit/ accounting and finance.				X		
4.4. BOARD MEETING PROCEDURES						
4.4.1- Each board member attended the majority of the board meetings in person.				X		
4.4.2- The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.					X	Although there is no such definition in this direction, the information and documents related to the topics on the agenda sent to members before a reasonable period of time. Although there is no urgent need to make a definition in this regard, considering the effective work of the Board of Directors, and it is aimed to make an evaluation in the upcoming periods

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	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
4.4.3- The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.					X	Although there is a possibility to present an opinion, there has been no notification made by the board members who could not attend the meeting.
4.4.4- Each member of the board has one vote.	X					
4.4.5- The board has a charter/written internal rules defining the meeting procedures of the board.			X			Although there have been consistently sustained processes in our Company for many years how the board meetings are held, but there is no written internal regulations regarding the issue. Although there is no urgent need to make a definition in this regard, considering the effective work of the Board of Directors, and it is aimed to make an evaluation in the upcoming periods.
4.4.6- Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any.	X					
4.4.7- There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.		X				No limits are introduced for the Members of the Board of Directors preventing them from assuming duties outside the company due to the fact that their sectoral and business experience makes a significant contribution to the Board of Directors. CV of our board members are included in our annual report. Considering the effective work of the Board of Directors, no change is foreseen in the short term and current practice, which is considered not to create any negative situation in terms of corporate governance.

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
4.5. BOARD COMMITTEES						
4.5.5- Board members serve in only one of the Board's committees.			X			The appointment of the Members of the Board of Directors in committees is performed by taking into consideration their knowledge and experience and in line with the relevant legislation and some Members of the Board of Directors are appointed to more than one committee. However, those members who assume duties in more than one committee ensure communication and increase cooperation opportunities among committees that work in related matters. Considering the efficient work of the members of the Board of Directors with the knowledge and experience, the existing committees is evaluated effectively, there is no need for changes in the near future is foreseen
4.5.6- Committees have invited persons to the meetings as deemed necessary to obtain their views.	X					
4.5.7- If external consultancy services are used, the independence of the provider is stated in the annual report.					X	In accordance with the working principles of the committees, the committees may make use of the opinions of the independent experts/professionals, if needed. During the past year, no such request was brought up by the committees.
4.5.8- Minutes of all committee meetings are kept and reported to board members.	X					

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	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
4.6. FINANCIAL RIGHTS						
4.6.1- The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.	X					
4.6.4- The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favour of them.	X					
4.6.5- The individual remuneration of board members and executives is disclosed in the annual report.				X		Remunerations made to the Members of the Board of Directors and to the executives with administrative responsibilities are collectively and publicly disclosed in the footnotes of the financial statements and Ordinary General Assembly in line with the general practice. Market executions are closely monitored on an issue that is considered important for the privacy of personal information, it is foreseen to act in parallel with the common practice

CORPORATE GOVERNANCE INFORMATION FORM

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1. SHAREHOLDERS**1.1. Facilitating the Exercise of Shareholders Rights**

The number of investor meetings (conference, seminar/etc.) organised by the company during the year	Conferences: 15 (attended), Roadshow: 7 (attended), Webcasts: 4 (organized) Analyst Days: 8 (organized), Investor Meetings via teleconferences: around 400
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1.2. Right to Obtain and Examine Information

The number of special audit request[s]	0
The number of special audit requests that were accepted at the General Shareholders' Meeting	-

1.3. General Assembly

Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1. [a-d]	https://www.kap.org.tr/tr/Bildirim/818913
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Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time	It is presented.
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The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9	There is no such transaction.
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The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communiqué on Corporate Governance [II-17.1]	There is no such transaction.
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The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communiqué on Corporate Governance [II-17.1]	There is no such transaction.
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The name of the section on the corporate website that demonstrates the donation policy of the company	The Donation and Sponsorship Policy, accepted by the Board of Directors resolution dated March 2, 2021, is included in the Investor Relations/Corporate Governance/ Code of Ethics and Policies section of our corporate website.
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The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved	The Donation and Sponsorship policy, accepted by the Board of Directors resolution dated March 2, 2021, will be submitted to the approval of the shareholders at the Bank's General Assembly to be held on March 25, 2021 regarding the year 2020. The declaration regarding the General Assembly meeting dated March 13, 2020 where the upper limit for donations and grants to be made by the bank in 2020 is approved: https://www.kap.org.tr/tr/Bildirim/828964
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The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting	Article 16
Identified stakeholder groups that participated in the General Shareholders' Meeting, if any	The General Assembly was held open to the public, including stakeholders and the media without the right to speak. Some bank employees and some university students attended the General Assembly meeting held in 2020.
1.4. Voting Rights	
Whether the shares of the company have differential voting rights	No
In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares.	None
The percentage of ownership of the largest shareholder	40,95%
1.5. Minority Rights	
Whether the scope of minority rights enlarged (in terms of content or the ratio) in the articles of the association	No
If yes, specify the relevant provision of the articles of association	None
1.6. Dividend Right	
The name of the section on the corporate website that describes the dividend distribution policy	Investor Relations / Corporate Governance / Shareholders' Meeting
Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend	Agenda Article 10: According to the Board of Directors attached profit distribution proposal it is resolved with TL 6.818.756.646,21 acceptance votes against 934.001rejection votes that; In accordance with the Banking Law, Capital Markets Law and related regulations, Article 20 of the Bank's Articles of Association and Profit Distribution Policy; considering the Bank's growth target within the sector, it's long term strategy, domestic and international economic developments, that of the net profit for the accounting period TL 180.002.988,58 be reserved as general legal reserve and TL 2.551.492,96 from real estate sales income within the framework of Article 5 clause 1/e of the Corporate Tax Law No:5520, remaining TL 3.417.505.290,05 be set aside as extraordinary reserves.
PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends	https://www.kap.org.tr/tr/Bildirim/828964

General Assembly Meetings									
General Meeting Date	The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting	Shareholder participation rate to the General Shareholders' Meeting	Percentage of shares directly present at the GSM	Percentage of shares represented by proxy	Specify the name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates for each resolution the voting levels for or against	Specify the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them	The number of the relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions	The number of declarations by insiders received by the board of directors	The link to the related PDP general shareholder meeting notification

13.03.2020	1	80,73%	0,01%	80,72%	Investor Relations / Corporate Governance / Shareholders' Meeting	Investor Relations / Corporate Governance / Shareholders' Meeting	None	0	https://www.kap.org.tr/tr/Bildirim/828964
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2. DISCLOSURE AND TRANSPARENCY

2.1. Corporate Website

Specify the name of the sections of the website providing the information requested by the Principle 2.1.1.	Investor Relations, About Yapı Kredi, Corporate Governance, Shareholders' Meeting, We Are Here For You.
If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares.	Shareholding Structure: Investor Relations/ About Yapı Kredi/ Shareholding Structure
List of languages for which the website is available	Turkish and English

2.2. Annual Report

The page numbers and/or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2.	
a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the duties of the members of the board of directors and executives conducted out of the company and declarations on independence of board members	Board of Directors, Senior management, Independence Declarations
b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure	Board of Directors and Committees
c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings	Board of Directors and Committees
ç) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in the legislation which may significantly affect the activities of the corporation	Legal Disclosures
d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof	Legal Disclosures

e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid from these conflicts of interest	Legal Disclosures
f) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%	Legal Disclosures
g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that arises social and environmental results	Talented and committed employees, Social Contribution
3. STAKEHOLDERS	
3.1. Corporation's Policy on Stakeholders	
The name of the section on the corporate website that demonstrates the employee remedy or severance policy	Investor Relations/ Corporate Governance/Code of Ethics and Policies
The number of definitive convictions the company was subject to in relation to breach of employee rights	143
The position of the person responsible for the alert mechanism [i.e. whistleblowing mechanism]	Ethics, Anti-Corruption and Conflict of Interest Manager
The contact detail of the company alert mechanism.	0 212 339 7353 / 0 212 339 7330 / 0 212 339 6039 Etik@yapikredi.com.tr, CikarCatismasi@yapikredi.com.tr, YolsuzluklaMucadele@yapikredi.com.tr
3.2. Supporting the Participation of the Stakeholders in the Corporation's Management	
Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies.	Internal regulations are not publicly available or accessible.
Corporate bodies where employees are actually represented	There is an "Employee Relations Advisory Board" formed of representatives assigned by the Employer and the Union, which work to preserve labor peace and contribute to increasing productivity.
3.3. Human Resources Policy	
The role of the board on developing and ensuring that the company has a succession plan for the key management positions	The backup plan in our Bank is made for all our top management, and appointments of General Manager and Assistant General Manager are carried out with the resolution of the Board of Directors.
The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy.	The Bank's Human Resources and Organization Management carries out its operations in line with the principle of non-discrimination on the basis of race, gender, nationality, age, religion, political affiliation and physical disability and being respectful of privacy and civil rights. Job descriptions, performance and rewarding criteria are announced to all employees. Also, the document regarding the code of conduct applied in the Bank is available on the corporate website.
Whether the company provides an employee stock ownership programme	[There isn't an employee stock ownership programme]

PRESENTATION	The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy.	The Bank's Human Rights Statement on the corporate website guarantees employees in areas such as diversity, freedom of expression. Furthermore, all Bank employees are able to share any discomfort and complaints with regard to these matters, orally or in writing, to the code of conduct within the Compliance, Internal Control, Risk and to the Ethics, Fight Against Corruption and Conflict of Interest section.
	The number of definitive convictions the company is subject to in relation to health and safety measures	0
FROM THE MANAGEMENT	3.5. Ethical Rules and Social Responsibility	
ABOUT YAPI KREDİ	The name of the section on the corporate website that demonstrates the code of ethics	Investor Relations/ Corporate Governance/Code of Ethics and Policies
	The name of the section on the company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide the information about any measures taken on environmental, social and corporate governance issues.	Investor Relations/ Corporate Governance, Sustainability
BUSINESS MODEL AND STAKEHOLDERS	Any measures combating any kind of corruption including embezzlement and bribery	The Bank's "Anti-Bribery and Anti-Corruption Policy" is included in the Investor Relations/Corporate Governance/Code of Ethics and Policies section of our website.
4. BOARD OF DIRECTORS-I		
RESPONSIBLE GROWTH	4.2. Activity of the Board of Directors	
	Date of the last board evaluation conducted	24.02.2021
	Whether the board evaluation was externally facilitated	No
	Whether all board members released from their duties at the GSM	Yes
INNOVATIVE BANKING	Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	Yıldırım Ali Koç /Chairman, Levent Çakıroğlu / Vice Chairman, Gökhan Erün / Executive Director and CEO
	Number of reports presented by internal auditors to the audit committee or any relevant committee to the board	12
	Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	Audit Committee's Assessment on Internal Audit, Internal Control and Risk Management Systems
HUMAN FOCUS	Name of the Chairman	Yıldırım Ali Koç
	Name of the CEO	Gökhan Erün
CORPORATE GOVERNANCE	If the CEO and Chair functions are combined: provide the link to the relevant PDP announcement providing the rationale for such combined roles	-
	Link to the PDP notification stating that any damage that may be caused by the members of the board of directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital	-
FINANCIAL INFORMATION	The name of the section on the corporate website that demonstrates current diversity policy targeting women directors	Investor Relations/ Corporate Governance/Code of Ethics and Policies
	The number and ratio of female directors within the Board of Directors	2 (20%)
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Composition of Board of Directors							
Name, Surname of Board Member	Whether Executive Director Or Not	Whether Independent Director Or Not	The First Election Date To Board	Link To PDP Notification That Includes The Independency Declaration	Whether the Independent Director Considered By The Nomination Committee	Whether She/ He is the Director Who Ceased to Satisfy The Independence or Not	Whether The Director Has At Least 5 Years' Experience On Audit, Accounting And/Or Finance Or Not
YILDIRIM ALİ KOÇ	Non-executive	Not independent director	31.03.2016		Not Applicable	Not Applicable	Yes
LEVENT ÇAKIROĞLU	Non-executive	Not independent director	25.03.2015		Not Applicable	Not Applicable	Yes
GÖKHAN ERÜN	Executive	Not independent director	15.01.2018		Not Applicable	Not Applicable	Yes
NICCOLO' UBERTALLI	Non-executive	Not independent director	16.02.2015		Not Applicable	Not Applicable	Yes
AHMET FADIL ASHABOĞLU	Non-executive	Not independent director	28.09.2005		Not Applicable	Not Applicable	Yes
WOLFGANG MAG.SCHILK	Non-executive	Not independent director	13.10.2016	-	Not Applicable	Not Applicable	Yes
AYKUT ÜMİT TAFTALI	Non-executive	Not independent director	31.03.2016		Not Applicable	Not Applicable	Yes
AHMET ÇİMENOĞLU	Non-executive	Independent director	18.03.2019	Within the frame of article 6[3]a of the CMB's Corporate Governance Communiqué; As a member of the Audit Committee, he is considered an Independent Board Member.	Not Applicable	Not Applicable	Yes
NEVİN İMAMOĞLU İPEK	Non-executive	Independent director	05.02.2020	Within the frame of article 6[3]a of the CMB's Corporate Governance Communiqué; As a member of the Audit Committee, she is considered an Independent Board Member.	Not Applicable	Not Applicable	Yes
VİRMA SÖKMEN	Non-executive	Independent director	18.03.2019	https://www.kap.org.tr/tr/Bildirim/818913	Considered	No	Yes

4. BOARD OF DIRECTORS-II**4.4. Meeting Procedures of the Board of Directors**

Number of physical board meetings in the reporting period [meetings in person]	10
Director average attendance rate at board meetings	91%
Whether the board uses an electronic portal to support its work or not	No
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	In principle, it is presented within 7 days before the board of directors.
The name of the section on the corporate website that demonstrates information about the board charter	Although there have been consistently sustained processes in our Company for many years how the board meetings are held, but there is no written internal regulations regarding the issue.
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	No limits are introduced for the Members of the Board of Directors preventing them from assuming duties outside the company due to the fact that their sectoral and business experience makes a significant contribution to the Board of Directors.

4.5. Board Committees

Page numbers or section names of the annual report where information about the board committees are presented.	Board of Directors and Committees
Link(s) to the PDP announcement(s) with the board committee charters	Information on the working principles of the Board committees is available on the Bank's website.

Composition of Board Committees-I

Names Of The Board Committees	Name of Committees Defined As "Other" in the First Column	Name-Surname of Committee Members	Whether Committee Chair or Not	Whether Board Member or Not
Audit Committee		Ahmet Çimenoglu	Yes	Board member
Audit Committee		Nevin İmamoğlu İpek	No	Board member
Corporate Governance Committee		Virma Sökmen	Yes	Board member
Corporate Governance Committee		Nevin İmamoğlu İpek	No	Board member
Corporate Governance Committee		M. Erkan Özdemir	No	Not board member
Remuneration Committee		Y. Ali Koç	No	Board member
Remuneration Committee		Levent Çakıroğlu	No	Board member
Other	Credit Committee	Gökhan Erün	Yes	Board member
Other	Credit Committee	Ahmet Çimenoglu	No	Board member
Other	Credit Committee	Virma Sökmen	No	Board member
Other	Executive Committee	Gökhan Erün	Yes	Board member
Other	Executive Committee	Nurgün Eyüboğlu	No	Not board member
Other	Executive Committee	Demir Karaaslan	No	Not board member
Other	Executive Committee	M. Erkan Özdemir	No	Not board member
Other	Executive Committee	Erhan Adalı	No	Not board member
Other	Executive Committee	Serkan Ülgen	No	Not board member
Other	Executive Committee	Yakup Doğan	No	Not board member
Other	Executive Committee	Hakan Alp	No	Not board member
Other	Executive Committee	A. Cahit Erdoğan	No	Not board member
Other	Executive Committee	Saruhan Yücel	No	Not board member

4. BOARD OF DIRECTORS-III	
4.5. Board Committees-II	
Specify where the activities of the audit committee are presented in your annual report or website [Page number or section name in the annual report/website]	Board of Directors; Audit Committee
Specify where the activities of the corporate governance committee are presented in your annual report or website [Page number or section name in the annual report/website]	Board of Directors; Corporate Governance Committee
Specify where the activities of the nomination committee are presented in your annual report or website [Page number or section name in the annual report/website]	There is no Nomination Committee. The tasks related to this committee are provided by the Corporate Governance Committee. Annual Report: Board of Directors; Corporate Governance Committee
Specify where the activities of the early detection of risk committee are presented in your annual report or website [Page number or section name in the annual report/website]	The Audit Committee and the Executive Committee also carry out the duties of the early detection of risk committee. Annual Report: Board of Directors; Executive Committee Members
Specify where the activities of the remuneration committee are presented in your annual report or website [Page number or section name in the annual report/website]	Board of Directors; Remuneration Committee
4.6. Financial Rights	
Specify where the operational and financial targets and their achievement are presented in your annual report [Page number or section name in the annual report]	Message from the Chairman, Message from the CEO, Report of the Board of Directors
Specify the section of website where remuneration policy for executive and non-executive directors are presented.	Investor Relations/ Corporate Governance/Code of Ethics and Policies
Specify where the individual remuneration for board members and senior executives are presented in your annual report [Page number or section name in the annual report]	Talented and committed employees

Composition of Board Committees-II					
Names Of The Board Committees	Name of committees defined as "Other" in the first column	The Percentage Of Non-executive Directors	The Percentage Of Independent Directors In The Committee	The Number Of Meetings Held In Person	The Number Of Reports On Its Activities Submitted To The Board
Audit Committee		100%	100%	4	4
Corporate Governance Committee		67%	67%	2	1
Remuneration Committee		100%	0%	2	1
Other	Credit Committee	67%	67%	10	4

STATEMENT OF COMPLIANCE WITH SUSTAINABILITY PRINCIPLES

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Yapı Kredi closely monitors good practices in relation to sustainability, including those specified in the Sustainability Principles Compliance Framework of the Capital Markets Board of Turkey (CMB), and carries out its activities with the target of achieving maximum alignment possible with the generally-accepted best practices in this area. Many of the topics Yapı Kredi tackles within the scope of its sustainability strategy overlap with the principles stated in the “Sustainability Principles Compliance Framework” introduced by the CMB in 2020. In this scope, Yapı Kredi Bankası A.Ş. achieved compliance with the majority of principles covered in the optional “Sustainability Principles Compliance Framework” developed by the CMB with the “comply or explain” approach. Full compliance could not be achieved with some of the principles yet due to various reasons such as the difficulties in practice, uncertainties in overall national and international arena, incompatibility of certain principles with the Bank’s existing structure, and the fact the compliance principles will be determined according to findings from studies that are currently in progress. Following the ongoing activities such as the review of global practices and technical infrastructure, the Bank aims to implement the principles, with which full compliance has yet to be achieved, so as to contribute to the sustainable value creation goal of Yapı Kredi.

Environmental, social and governance (ESG) practices in line with the principles covered in the CMB’s Sustainability Principles Compliance Framework can be found in the CMB Sustainability Principles Compliance Framework table.

Explanations of Yapı Kredi in relation to major principles, with which full compliance could not be achieved yet, are presented below. The Bank monitors the impacts resulting in environmental and social risk management by reason of not having achieved full compliance with the optional principles, and addresses the same within the scope of sustainability activities.

- Yapı Kredi’s sustainability strategy has been put into life by the Sustainability Committee, and ESG policies within this scope have been enforced. Yapı Kredi has set and publicly disclosed short- and long-term targets in specific areas under the ESG policies. Notwithstanding, Yapı Kredi will set and disclose new targets in relation to its current activities, including the impact analysis study within the framework of the United Nations Principles for Responsible Banking. The Bank reports its implementation and action plans within the frame of the already disclosed targets, and will update its implementation and action plans in view of the new targets to be defined.
- Yapı Kredi has been determining ESG key performance indicators for more than 10 years, which are annually reported in comparison to previous years. Reports drawn up for each reporting year cover the change over the last three years. However, there are no local or international sector comparisons, against which the disclosed indicators can be compared and confirmed. In this scope, a standard is not observed, which can be applied to all key performance indicators.
- Since Head Office and branch network operations of Yapı Kredi are not subject to the Regulation on Industrial Air Pollution Control, the Bank is exempted from the environmental liability for monitoring air quality. However, the Bank monitors its air pollution impact resulting from its lending activities through local environmental permissions, tracking of related air measurements and Environmental and Social Action Plans for high-risk projects. Although Yapı Kredi does not publicly disclose its impacts on biodiversity, the Bank monitors its biodiversity impacts resulting from its lending activities through Environmental and Social Action Plans, and through Biodiversity Action plans, when deemed necessary, for high-risk projects. The Environmental and Social Risk Assessment system of Yapı Kredi is being updated according to the Equator Principles [EP4, July 2020]. Accordingly, assessment criteria for air quality and biodiversity will be supplemented to the Bank’s environmental and social risk assessment system, and air quality and biodiversity will also be taken into consideration when determining the environmental and social risk categories of projects and investments.
- Yapı Kredi monitors, calculates and validates the electricity consumed during the reporting period. Yapı Kredi does not consume heat and steam as an input in its operations, and does not generate electricity and renewable energy.
- There is not an internal carbon pricing mechanism, potential regulations on emissions trading system and studies that might form the basis of such regulations are followed up by Yapı Kredi. While there are no carbon credits saved or purchased at the Bank during the reporting period, carbon credit had been purchased in the previous reporting periods. The Bank prioritized renewable electricity procurement and energy efficiency initiatives in the reporting period. Various tools are being assessed for transition to a low-carbon economy; those deemed appropriate will be implemented within the scope of the strategy developed.

SUSTAINABILITY PRINCIPLES COMPLIANCE FRAMEWORK

Description of Principle	Related Section/Page in the Annual Report	Links
A. General Principles		
A1. Strategy, Policy and Targets		
<p>The Board of Directors will determine the ESG priority issues, risks, and opportunities, and establish the relevant ESG policies accordingly. Internal guidelines, work procedures, etc. may also be developed to ensure effective implementation of these policies. The decision regarding these policies are taken and disclosed publicly by the Board of Directors.</p>	<p>Vision, Mission, Strategy, Values, page 18 Material Issues, page 66</p>	<p>You can reach Yapi Kredi’s ESG policies that are approved by the Board of Directors at here.</p>
<p>The Company will set its strategy aligned with the ESG policies, risks and opportunities. It will set and publicly disclose short- and long-term targets conforming to the Company strategy and ESG policies.</p>	<p>Sustainability Management, page 44-45 Environmental Impact, page 84-87 United Nations Principles of Responsible Banking Reporting Index, page 512-521 Statement of Compliance with Sustainability Principles, page 204</p>	
A2. Execution/Monitoring		
<p>The Company will determine and publicly disclose the committees/units in charge of executing the ESG policies. The responsible committee/unit will report the activities carried out as per the policies annually, and in any case, within the deadline set for the public disclosure of annual reports within the Board of Director’s related guidelines.</p>	<p>Sustainability Management, page 44-45</p>	
<p>The Company will create and publicly disclose implementation and action plans in line with the short-and long-term targets set.</p>	<p>Environmental Impact, page 84-87 United Nations Principles of Responsible Banking Reporting Index, page 512-521 Statement of Compliance with Sustainability Principles, page 204</p>	
<p>The Company will define and announce ESG Key Performance Indicators [KPIs] comparatively by years. In the presence of verifiable data, KPIs will be presented together with local and international sectoral comparisons.</p>	<p>Statement of Compliance with Sustainability Principles, page 204</p>	
<p>The Company will disclose the innovation activities for improving the Company’s sustainability performance in relation to business processes or products and services.</p>	<p>Innovative Banking, page 100-147</p>	
A3. Reporting		
<p>The Company will report, and publicly disclose, its sustainability performance, targets and actions at least annually. It will disclose information on its sustainability activities within the annual report.</p>		<p>You can reach Yapi Kredi’s sustainability and ESG reports at here.</p>
<p>Essentially, the Company will use a direct and concise language in conveying material information so that stakeholders can easily understand the Company’s position, performance and development. Detailed information and data can be disclosed separately on its website, and separate reports directly fulfilling the needs of diverse stakeholders can be drawn up.</p>	<p>About the Report, page 1 Reporting Guidance, page 532-541</p>	<p>You can reach Yapi Kredi’s sustainability and ESG reports at here.</p>
<p>The Company will exercise utmost care with respect to transparency and reliability. It will objectively explain all developments related to material issues in disclosures and reportings within the scope of balanced approach.</p>	<p>About the Report, page 1 Reporting Guidance, page 532-541</p>	

	Description of Principle	Related Section/Page in the Annual Report	Links
PRESENTATION	The Company will specify which United Nations (UN) 2020 Sustainable Development Goals its activities are linked to.	Material Issues, page 66	
	The Company will make disclosures regarding the lawsuits filed and/or concluded against the Company for environmental, social and governance matters.	Legal Explanations, page 211	
FROM THE MANAGEMENT	A4. Validation		
	The Company will make public its sustainability performance measurements, if verified by independent third parties (independent sustainability assurance providers), and will endeavor to increase such verifications.	Independent Assurance Statement, page 524-531	
ABOUT YAPI KREDİ	B. Environmental Principles		
	The Company will disclose its policies and implementations, action plans in relation to environmental management, and environmental management systems (known as ISO 14001 standard) and programs.	Environmental Impact, page 84-87	
BUSINESS MODEL AND STAKEHOLDERS	The Company will achieve compliance with laws and other applicable regulations on the environment, and will disclose the same.	Environmental Impact, page 84-87 Independent Assurance Statement, page 524-531	
	The Company will specify the scope of the environmental report, reporting period, date of report, data collection process and restrictions regarding reporting conditions to be covered in the report that will be prepared in accordance with the Sustainability Principles.	About the Report, page 1 Reporting Guidance, page 532-541	
RESPONSIBLE GROWTH	The Company will disclose the highest-ranked individual in charge of environment and climate change at the Company, along with related committees and their respective roles.	Sustainability Management, page 44-45 Environmental Impact, page 84-87	
	The Company will disclose the incentives made available for the management of environmental matters, including achievement of targets.	Environmental Impact, page 84-87 United Nations Principles of Responsible Banking Reporting Index, page 512-521	CDP Climate Change Report 2020 at here . CDP Water Security Report 2020 at here .
HUMAN FOCUS	The Company will explain integration of environmental matters in business targets and strategies.	Trends, Their Implication for the Sector and Yapı Kredi's Response page 48 Sustainability Management, page 44-45 Responsible Finance, page 80-83	
	The Company will disclose sustainability performances associated with work processes or products and services, along with improvement steps therefor.	Responsible Finance, page 80-83 Environmental Impact, page 84-87 Innovative Banking, page 100-147	
FINANCIAL INFORMATION	The Company will explain how environmental issues are managed not just with respect to its direct operations but throughout the Company's value chain, and how it integrates its suppliers and customers in its strategies.	Responsible Finance, page 80-83 Environmental Impact, page 84-87	
	The Company will disclose whether it is involved in policy-making processes in universal issues [sectoral, regional, national and international], environmental associations that it is a member of, its collaborations with related organizations and NGOs, and the tasks it undertakes, if any, and the activities it supports, if any.	Stakeholder Relations, page 68-69	
ANNEXES			

Description of Principle	Related Section/Page in the Annual Report	Links
The Company will periodically report information about its environmental impacts comparatively in the light of environmental indicators (GHG emissions [Scope-1 [Direct], Scope-2 [Indirect from purchased energy], Scope-3 [Other indirect]], air quality, energy management, water and wastewater management, waste management and biodiversity implications).	Performance Tables, page 508-511 Environmental Impact, page 84-87 Statement of Compliance with Sustainability Principles, page 204	
The Company will disclose the standards, protocols, methodology employed for collecting and calculating data, along with the details of the base year.	Reporting Guidance, page 532-541	
The Company will disclose the status of environmental indicators for the reporting year in comparison to previous years (increase or decrease).	Performance Tables, page 508-511	
The Company will set, and disclose, its short- and long-term targets for mitigating its environmental impacts. These targets are recommended to be Science Based as suggested by the UN Climate Change Conference of the Parties. The Company will also provide information about the progress achieved, if applicable, in the reporting period with respect to the targets it has set previously.	Environmental Impact, page 84-87	CDP Climate Change Report 2020 at here . CDP Water Security Report 2020 at here .
The Company will disclose its strategy and actions to combat the climate crisis.	Trends, Their Implication for the Sector and Yapi Kredi's Response, page 48 Responsible Finance, page 80-83 Environmental Impact, page 84-87	
The Company will explain its programs or procedures for preventing or minimizing the potential negative impacts of the products and/or services it offers; it will also explain its actions for driving reduction of GHG emission quantities of third parties.	Responsible Finance, page 80-83 Environmental Impact, page 84-87 Innovative Banking, page 100-147	
The Company will disclose the total number of actions taken, projects carried out and initiatives undertaken to mitigate its environmental impacts, along with the benefits/savings and cost savings derived on the same.	Environmental Impact, page 84-87	CDP Climate Change Report 2020 at here . CDP Water Security Report 2020 at here .
The Company will report its total energy consumption data [excluding raw materials] and discloses its energy consumption in terms of Scope-1 and Scope-2.	Performance Tables, page 508-511	
The Company will provide information about the electricity, heat, steam and cooling generated and consumed during the reporting period.	Environmental Impact, page 84-87 Performance Tables, page 508-511 Statement of Compliance with Sustainability Principles, page 204	
The Company will work towards increasing the use of renewable energy and transition to zero- or low-carbon electricity, and will explain these efforts.	Environmental Impact, page 84-87 Performance Tables, page 508-511	

	Description of Principle	Related Section/Page in the Annual Report	Links
PRESENTATION	The Company will disclose data on its renewable energy generation and consumption.	Environmental Impact, page 84-87 Performance Tables, page 508-511 Statement of Compliance with Sustainability Principles, page 204	
FROM THE MANAGEMENT	The Company will develop energy-efficiency projects, and disclose the quantity reduced in energy consumption and emissions enabled by these efforts.	Environmental Impact, page 84-87	CDP Climate Change Report at here .
ABOUT YAPI KREDİ	The Company will report on the quantity of underground or overground water withdrawn, consumed, recycled and discharged, the resources, and procedures (total water withdrawal on the basis of resources, water resources affected by water withdrawal, and percentage and total volume of recycled and reused water etc.).	Performance Tables, page 508-511	CDP Water Security Report 2020 at here .
BUSINESS MODEL AND STAKEHOLDERS	The Company will disclose whether its operations or activities are included in any carbon pricing system (Emissions Trading System, Cap & Trade or Carbon Tax).	Statement of Compliance with Sustainability Principles, page 204	
	The Company will disclose the carbon credits saved or purchased during the reporting period.	Statement of Compliance with Sustainability Principles, page 204	
	The Company will disclose the details if carbon pricing is applied at the Company.	Statement of Compliance with Sustainability Principles, page 204	
RESPONSIBLE GROWTH	The Company will specify all compulsory and voluntary platforms that it reports its environmental information to.	Environmental Impact, page 84-87	CDP Climate Change Report 2020 at here . CDP Water Security Report 2020 at here .
C. Social Principles			
C1. Human Rights and Workers' Rights			
INNOVATIVE BANKING	The Company will develop a Company Human Rights and Employee Rights Policy, which pledges full compliance with the Universal Declaration of Human Rights, ILO Conventions ratified by Turkey, and regulatory framework and legislation governing human rights and work life in Turkey. It will also make public the said policy, and the roles and responsibilities for its implementation.	Risk Management, page 70-77 Independent Assurance Statement, page 524-531	Yapı Kredi Human Rights Statement at here .
HUMAN FOCUS	The Company will secure equal opportunities in recruitment processes. In its policies, it will incorporate equitable workforce, improving working standards, women's employment and inclusion (not discriminating on the basis of women, men, faith, language, ethnicity, age, disabilities, refugees, etc.), while looking out for the implications for the supply and value chain at the same time.	Talented and Committed Employees, page 162-171	Yapı Kredi Human Rights Statement at here .
CORPORATE GOVERNANCE	The Company will explain the measures taken throughout the value chain for protecting the rights of groups susceptible to certain economic, environmental, social factors (e.g. low-income groups, women, etc.) or for securing minority rights/equal opportunities.	Risk Management, page 70-77	Yapı Kredi Human Rights Statement at here . Yapı Kredi Responsible Procurement Policy at here .
FINANCIAL INFORMATION			
ANNEXES			

Description of Principle	Related Section/Page in the Annual Report	Links
The Company will report on progress in relation to actions for preventing and remedying discrimination, inequalities, human rights violations and forced labor. It will explain the actions to prevent child labor.	Risk Management, page 70-77 Independent Assurance Statement, page 524-531	Yapı Kredi Human Rights Statement at here . Yapı Kredi Responsible Procurement Policy at here .
The Company will disclose its policies regarding investments made in employees (training, development policies), employee compensation, fringe benefits granted, the right to unionize, work-life balance solutions and talent management. It will establish the mechanisms for resolution of employee complaints and labor disputes, and determine conflict resolution processes. The Company will regularly disclose the activities for ensuring employee satisfaction.	Talented and Committed Employees, page 162-171	
The Company will establish and publicly disclose occupational health and safety policies. It will disclose the measures adopted for protection against workplace accidents and for protecting occupational health, along with statistical data on accidents.	Talented and Committed Employees, page 162-171 Performance Tables, page 508-511	Yapı Kredi Occupational Health and Safety Policy at here .
The Company will establish and publicly disclose personal data protection and data security policies.	Protection And Processing Of Personal Data, page 160	Explanatory Information Regarding Processing and Transfer of Personal Data at here . Corporate Policy on Protection And Processing of Personal Data at here .
The Company will establish and publicly disclose a code of ethics (including business, work conduct, compliance processes, advertising and marketing ethics, clear disclosure efforts etc.).	Ethics and Compliance, page 64	Code of Ethics and Working Principles at here .
The Company will disclose its activities and initiatives in relation to community investments, social responsibility, financial inclusion and access to finance.	Contribution to the Society, page 88-97	
The Company will organize information meetings and training programs for employees about ESG policies and implementations.	Sustainability Management, page 44-45 Ethics and Compliance, page 64 Risk Management, page 70-77 Responsible Finance, page 80-83 Environmental Impact, page 84-87 Protection And Processing Of Personal Data, page 160 United Nations Principles of Responsible Banking Reporting Index, page 512-521	
C2. Stakeholders, International Standards and Initiatives		
The Company will carry out its activities in relation to sustainability taking into consideration the needs and priorities of all its stakeholders (employees, customers, suppliers and service providers, public institutions, shareholders, society and NGOs, etc.).	Material Issues, page 66	

	Description of Principle	Related Section/Page in the Annual Report	Links
PRESENTATION	The Company will develop and publicly disclose a customer satisfaction policy regarding customer complaints handling and resolution.	Customer Relations Center, page 156-157	Customer Satisfaction Approach at here .
FROM THE MANAGEMENT	The Company will maintain continuous and transparent communication with stakeholders; it will disclose with which stakeholders it communicates for what purpose, about which topic and how often, as well as the progress achieved in sustainability-related activities.	Stakeholder Relations, page 68-69	Stakeholder Communications at here .
ABOUT YAPI KREDİ	The Company will publicly disclose the international reporting standards it has embraced (Carbon Disclosure Project (CDP), Global Reporting Initiative (GRI), International Integrated Reporting Council (IIRC), Sustainability Accounting Standards Board (SASB), Task Force on Climate-related Financial Disclosures (TCFD) etc.).	About the Report, page 1 Sustainability Management, page 44-45 GRI Reporting Index, page 542-547	
BUSINESS MODEL AND STAKEHOLDERS	The Company will publicly disclose the institutions or principles that it is a member or signatory of (Equator Principles, UN Environment Programme Finance Initiative (UNEP-FI), UN Global Compact (UNGC), UN Principles for Responsible Investment (UNPRI) etc.), and the international principles it embraces (such as International Capital Markets Association (ICMA) Green/Sustainability Bonds Principles).	Sustainability Management, page 44-45 Stakeholder Relations, page 68, Treasury Management, page 128 United Nations Principles of Responsible Banking Reporting Index, page 512-521 UN Global Compact and WEPs Reporting Index, page 522-523	
RESPONSIBLE GROWTH	The Company will spend concrete efforts to qualify for inclusion in Borsa İstanbul Sustainability Index and international sustainability indices (Dow Jones Sustainability Index, FTSE4Good, MSCI ESG Indices etc.).	Sustainability Management, page 44-45	
D. Governance Principles			
INNOVATIVE BANKING	The Company will spend maximum efforts to achieve compliance with all Corporate Governance Principles, in addition to compulsory ones under the Capital Markets Board of Turkey (CMB) Corporate Governance Communiqué No. II-17.1.	Declaration of Compliance with Corporate Governance Principles, page 185-186 Corporate Governance Compliance Report, page 187-195	
HUMAN FOCUS	The Company will take into consideration the sustainability issue, environmental impacts of its operations and associated principles when setting its corporate governance strategy.	Sustainability Management, page 44-45	
CORPORATE GOVERNANCE	The Company will take the necessary actions for achieving compliance with the principles related to stakeholders as stipulated in the Corporate Governance Principles and for strengthening communication with stakeholders. It will seek stakeholders' opinions for determining the sustainability-related measures and strategies.	Corporate Governance Compliance Report, page 187-195 Corporate Governance Information Form, page 196-203,	
	The Company will work on the sustainability issue through social responsibility projects, awareness activities and training, and on heightening awareness of the importance of this issue.	Sustainability Management, page 44-45 Contribution to the Society, page 88-97 United Nations Principles of Responsible Banking Reporting Index, page 512-521	
FINANCIAL INFORMATION	The Company will spend efforts to become a member of sustainability-related international standards and initiatives and to contribute to related studies and efforts.	Stakeholder Relations, page 68-69	
ANNEXES	The Company will disclose its anti-bribery and anti-corruption policy and programs, as well as those on the tax integrity principle.	Risk Management, page 70-77	Anti-Bribery and Anti-Corruption Policy at here .

LEGAL DISCLOSURES

Affiliated Company Report:

According to Article 199 of the Turkish Commercial Code No.6102, which came into effect in July 2012, Yapı Kredi's Board of Directors are liable to prepare a report regarding relations with the controlling company and its affiliated companies and to indicate the conclusion part of mentioned report in its annual report. Necessary explanations regarding transactions made by Yapı Kredi with related parties can be found in Section five Note 7 of the publicly announced Consolidated Financial Report.

In the report prepared by Yapı Kredi's Board of Directors on 2 March 2021, it states; "It is concluded that in all transactions made by Yapı Kredi with the controlling company and the companies affiliated to the controlling company in 2020, according to situations and conditions known to us and prevailing at the time the related transaction was made or related measure were taken or refrained from being taken, an appropriate consideration for each transaction has been provided and there is no measure taken or refrained from being taken, which may cause the company to suffer losses and that in this context, there is no transaction or measure which may require balancing.

The information on amendments in the legislation which may significantly affect the activities of the corporation

The Bank continues its activities within the framework of the Banking Law and the Banking Regulation and Supervision Agency regulations, and there were some changes in these regulations, but there were no legislative changes that significantly affected the activities.

The information on significant lawsuits filed against the corporation and the possible results thereof:

There is no significant lawsuits filed against the Bank.

The information on conflicts of interest with organizations with whom the Company obtains investment consultancy and rating services and measures taken by the Company to prevent such conflicts of interest:

There were no incidents that may cause any conflicts of interest with organizations with whom the Bank obtains investment consultancy and rating services.

Information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5% if any:

There is no cross-ownership.

Information about changes to the articles of association during the reporting period:

The article 6 of the Articles of Association [titled "Capital"] was amended related to increase the Registered Capital Ceiling from TL 10,000,000,000 to TL 15,000,000,000 and to extend the authorization period for the Registered Capital Ceiling of the Bank which will expire at the end of 2020, until the end of 2024 on the Ordinary General Assembly of Yapı Kredi dated 13 March 2020.

Extraordinary General Assembly Meeting held during the year, if any:

An Extraordinary General Assembly meeting was not held during the year.

INDEPENDENCE DECLARATION

I hereby declare that I am candidate to serve as an “independent member” at the Board of Directors of Yapı ve Kredi Bankası A.Ş. [Company] in accordance with the criteria set forth in the legislation, articles of association and Corporate Governance Communiqué of the Capital Markets Board, and in this framework;

- a) There is no employment relationship with respect to any executive position that covers important duties and responsibilities, no more than 5% of the capital or voting rights or preferential shares are held jointly or individually, or no significant commercial relationship has been established in the last five years between the Company, or partnerships over which the Company has management control or exercises substantial influence, or shareholders who hold the management control of, or who exercise significant influence on, the Company and the legal entities which hold the management control of such shareholders, and me, my spouse, my relatives by blood and marriage up to the second degree;
- b) I have not been a shareholder [5% and above], worked in an executive position that included important duties and responsibilities, or served as a member of the board of directors in any company from which the Company has purchased or to which the Company has sold services or products to a significant extent during such periods when such services or products were purchased or sold in the framework of agreements regarding company audit (including tax audit, legal audit, internal audit), rating and consulting, within the last five years;
- c) I have the professional education, knowledge and experience to carry out properly the duties that I shall undertake as an independent member of the board of directors;
- ç) I shall not work on a full-time basis in any public entity and institution except as a lecturer after I am elected a member in accordance with the legislation;
- d) I am considered to be a resident of Turkey in accordance with the Income Tax Code [ITC] dated 31/12/1960 and number 193;
- e) I possess strong ethic standards, professional reputation and experience to make positive contributions to the Company’s activities, to preserve my impartiality in any conflict of interest between the company and its shareholders, and to decide independently taking into account the interests of the beneficiaries;
- f) I can spare time for the Company’s affairs to such extent that I can follow up the operation of the Company activities and meet my obligations properly;
- g) I have not served as a board member at the Company’s board of directors for more than six years in the last ten years;
- ğ) I have not been serving as an independent board member in more than three companies in which the Company or shareholders possessing the management control of the Company have the management control, and in total, in more than five companies that are traded on the stock exchange;
- h) I have not been registered and announced in the name of a legal entity that has been elected as a member of the board of directors.



Virma Sökmen

**STATEMENT OF RESPONSIBILITY SUBMITTED AS PER ARTICLE 9 OF
COMMUNIQUE NO. II-14.1. ON PRINCIPLES REGARDING FINANCIAL REPORTING
IN CAPITAL MARKETS BY CAPITAL MARKETS BOARD**

The Integrated activity report with for 2020 issued by the our Bank in accordance with the Turkish Commercial Code and "Communique No. II-14.1 on Principles regarding Financial Reporting in Capital Markets" of the Capital Markets Board ("Communique") and made subject to the independent audit by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., has been herein attached.

We hereby declare that, as per the CMB regulations, the Integrated activity report including Corporate Governance Compliance Report and Corporate Governance Information Form and explanations within the scope of the Sustainability Principles Compliance Framework of the CMB by our Bank has been:

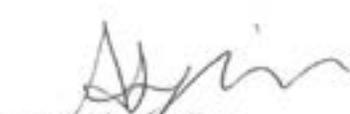
- reviewed by us,
- based on our knowledge within the scope of our duties and responsibilities in the our Bank, does not contain any misleading statements with regards to important matters or does not contain any missing information that would be interpreted as misleading as of the date of statement,
- based on our knowledge within the scope of our duties and responsibilities in the our Bank, it fairly reflects the development and performance of the business and along with those within the scope of consolidation, the financial status as well as the significant risks and uncertainties faced with

and we assume liability for his statement. (March 2, 2021)

Yours sincerely,



Gökhan ERÜN
Executive Director and CEO



Ahmet ÇİMENOĞLU
Chairperson of the Audit Committee



Nevin İPEK
Audit Committee Member



Demet KARASLAN
Assistant General Manager responsible for
Financial Planning and Administration (CFO)

DIVIDEND DISTRIBUTION POLICY

The Dividend Distribution Policy of the Bank has been approved at the Annual Shareholders' Meeting held on 20 March 2018 as follow: "Principles regarding the Bank's dividend distribution are set out in detail in the Bank's Articles of Association. In this respect, shareholders taking into consideration the Bank's growth targets as well as its financing requirements and the opinion of the Banking Regulation and Supervision Agency are authorized to pass resolutions on whether the dividend distribution shall be in cash or in the form of capital increase, whereupon bonus shares will be issued to shareholders or if part of the distribution shall be in cash and part in the form of capital increase. As per the Articles of Association, the General Assembly may decide to transfer a portion or all of the distributable profit to retained earnings or extraordinary reserves. It is expected to distribute dividend within a month following the General Assembly Meeting at the latest, general assembly decides the date of the dividend distribution. Reference to the articles of association of the Bank, the General Assembly may resolve to pay advances on profit share to shareholders as per the regulations of the Banking Regulation and Supervision Agency and the Capital Market Board and related laws and regulations. In case of interest and dividend payments are canceled for the debt securities which included in the calculation of equity issued in accordance with the Banking Regulation and Supervision Agency on the Equity of Banks, dividend payments may not be made to the shareholders in relation to the relevant year. It is envisaged that the Dividend Distribution Policy of the Bank will be set out in a way to ensure the realization of long-term growth plans. This policy is subject to revision by the Board of Directors to be submitted for the approval of General Assembly whenever necessary, taking into consideration the domestic and international economic conditions and the projects and financial condition on the agenda."

NOTE ON 2020 NET PROFIT

In accordance with the Banking Law, Capital Markets Law and related regulations, Article 20 of the Bank's Articles of Association and Profit Distribution Policy; it is resolved that from the net distributable period profit amounting to TL 4.825.541.919,29 remaining after allocating TL 253.975.890,49 general legal reserves from the net profit of the Bank for the period amounting to TL 5,079,517,809.78 in the unconsolidated financial statements prepared in accordance with BRSA regulations; paying a total of cash dividend of TL 500.000.000,00 including the first dividend of 422.352.564,20 TL and the second dividend of TL 77.647.435,80 to our shareholders and regarding the transfer of remaining TL 4.169.439.232,40 to extraordinary reserves considering Yapı Kredi's growth target within the sector, its long term strategy, domestic and international economic developments after the separation of TL 7.764.743,58 general legal reserves and TL 148.337.943,31 funded reserves from the real estate and participation sales income within the framework of Article 5 clause 1/e of Corporate Tax Law No:5520 The 2020 Profit Distribution Table was submitted to the approval of the General Assembly as indicated on the page 215 of the report and the dividend payment date as 1 April 2021.

2020 PROFIT DISTRIBUTION TABLE (TL)

Yapı ve Kredi Bankası A.Ş. 2020 Profit Distribution Table (TL)	
1. Paid-in Capital	8.447.051.284,00
2. Legal Reserves (per Legal Book)	1.282.784.538,92
Information on whether Articles of Association has any privilege regarding profit distribution	None
	Per legal book
3 Gross Profit	6.551.974.408,78
4 Reserve for Taxes (-)	1.472.456.599,00
5 Net Profit (=)	5.079.517.809,78
6 Prior Years' Losses (-)	0
7 Legal Reserves (-)	253.975.890,49
8 NET DISTRIBUTABLE PROFIT (=)	4.825.541.919,29
9 Donations made during the year (+)	
10 Net distributable profit including donations	
1 st dividend to shareholders	422.352.564,20
11 -Cash	422.352.564,20
-Bonus shares	0
-Total	422.352.564,20
12 Dividend to shareholders which possess preferred shares	0
13 Dividend to Members of Board of Directors and employees etc.	0
14 Dividend to shareholders which possess redeemed shares	0
15 2nd dividend to shareholders	77.647.435,80
16 Legal Reserves	7.764.743,58
17 Statutory Reserves	0
18 Special Reserves	148.337.943,31
19 EXTRAORDINARY RESERVES	4.169.439.232,40
20 Other sources which are accepted as distributable	0

DIVIDEND RATIO TABLE

GROUP		TOTAL DIVIDEND AMOUNT		TOTAL DIVIDEND AMOUNT/NET DISTRIBUTABLE PROFIT	DIVIDEND TO 1 TL NOMINAL VALUE SHARE	
		CASH (TL)	BONUS (TL)	RATIO (%)	AMOUNT (TL)	RATIO (%)
GROSS*	-	500.000.000,00	-	10,36	0,0591923	5,91923
NET	-	425.000.000,00	-	8,81	0,0503134	5,03134

* There will be no tax deduction of 15% from cash dividend payments made to full taxpayer institutions and the limited taxpayer institutions which earning revenues through corporate offices or representatives in Turkey.

INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH



CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

To the General Assembly of Yapı ve Kredi Bankası A.Ş.

1. Opinion

We have audited the annual report of Yapı ve Kredi Bankası A.Ş. (the "Bank") and its subsidiaries for the 1 January 2020- 31 December 2020 period.

In our opinion, the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements regarding the Bank's position in the Board of Directors' Annual Report are consistent and presented fairly, in all material respects, with the audited full set consolidated and unconsolidated financial statements and with the information obtained in the course of independent audit.

2. Basis for Opinion

Our independent audit was conducted in accordance with the Independent Standards on Auditing that are part of the Turkish Standards on Auditing (the "TSA") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA") and the scope of "Regulation on Independent Audit" published on the Official Gazette No.29314 dated 2 April 2015. Our responsibilities under those standards are further described in the Auditor's Responsibilities in the Audit of the Board of Directors' Annual Report section of our report. We hereby declare that we are independent of the Bank in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Our Audit Opinion on the Full Set Consolidated and Unconsolidated Financial Statements

We expressed an unqualified opinion in the auditor's report dated 3 February 2021 on the full set consolidated and unconsolidated financial statements for the 1 January 2020- 31 December 2020 period.

4. Board of Director's Responsibility for the Annual Report

The Bank management's responsibilities related to the annual report according to Articles 514 and 516 of Turkish Commercial Code ("TCC") No. 6102, Capital Markets Board's ("CMB") Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" (the "Communiqué") and "Regulation

on Principles and Procedures Regarding Preparation and Promulgation of Annual Reports by Banks" published in Official Gazette No.26333 dated 1 November 2006 are as follows:

- a) to prepare the annual report within the first three months following the balance sheet date and present it to the general assembly;

b) to prepare the annual report to reflect the Bank's operations in that year and the financial position in a true, complete, straightforward, fair and proper manner in all respects. In this report financial position is assessed in accordance with the financial statements. Also in the report, developments and possible risks which the Bank may encounter are clearly indicated. The assessments of the Board of Directors in regards to these matters are also included in the report.

c) to include the matters below in the annual report:

- events of particular importance that occurred in the Bank after the operating year,
- the Bank's research and development activities,
- financial benefits such as salaries, bonuses, premiums and allowances, travel, accommodation and representation expenses, benefits in cash and in kind, insurance and similar guarantees paid to members of the Board of Directors and senior management.

When preparing the annual report, the Board of Directors considers secondary legislation arrangements enacted by the Banking Regulation and Supervision Agency, Ministry of Trade and other relevant institutions.

5. Independent Auditor's Responsibility in the Audit of the Annual Report

Our aim is to express an opinion and issue a report comprising our opinion within the framework of article 397 of the TCC, Communiqué and "Regulation on Independent Audit of Banks" published on the Official Gazette No.29314 dated 2 April 2015 provisions regarding whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated and unconsolidated financial statements of the Bank and with the information we obtained in the course of independent audit.

Our audit was conducted in accordance with the TSA. These standards require that ethical requirements are complied with and that the independent audit is planned and performed in a way to obtain reasonable assurance of whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated and unconsolidated financial statements and with the information obtained in the course of audit.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Halûk Yalçın, SMMM
Partner

Istanbul, 2 March 2021

PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AT DECEMBER 31, 2020 TOGETHER WITH AUDITOR'S AUDIT REPORT

[Convenience translation of publicly announced unconsolidated financial statements and independent auditor's report originally issued in Turkish, See Note 1. of Section three]

PRESENTATION

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MODEL AND
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INFORMATION

ANNEXES

To the General Assembly of Yapı ve Kredi Bankası A.Ş.:

A. Audit of the Unconsolidated Financial Statements

1. Opinion

We have audited the accompanying unconsolidated financial statements of Yapı ve Kredi Bankası A.Ş. (the "Bank"), which comprise the statement of unconsolidated balance sheet as at 31 December 2020, unconsolidated income statement, unconsolidated statement of income and expense items under shareholders' equity, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows for the year then ended and the notes to the unconsolidated financial statements and a summary of significant accounting policies and unconsolidated financial statement notes.

In our opinion, the unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of the Bank as at 31 December 2020, and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and Turkish Financial Reporting Standards ("TFRS") for those matters not regulated by the aforementioned regulations.

2. Basis for Opinion

Our audit was conducted in accordance with the "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements" section of our report. We hereby declare that we are independent of the Bank in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the unconsolidated financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the key audit matter was addressed in the audit
<p>Expected credit losses for loans</p> <p>The Bank has total expected credit losses for loans amounting to TL 23.798.323 thousand in respect to total loans amounting to TL 293.926.845 thousand which represent a significant portion of the Bank's total assets in its unconsolidated financial statements as at 31 December 2020. Explanations and notes related to expected credit losses for loans and receivables are presented in Section Three Part 7.3 and 8, Section Four Part 2, Section Four Part 3.3, Section Five Part 1.7 in the accompanying unconsolidated financial statements as at 31 December 2020.</p> <p>The Bank recognizes provision for impairment in accordance with "TFRS 9 Financial Instruments" ("TFRS 9") requirements and the "Regulation on the Procedures and Principles for Classification of Loans and Provisions to be Provided" as published in the Official Gazette dated 22 June 2016 numbered 29750. The Bank exercises significant decisions using subjective judgement, interpretation and assumptions over when and how much to record as loan impairment. The effects related to COVID-19 pandemic increased the importance of these estimates and assumptions used by the Bank's management in determining the expected credit loss provisions for loans as of 31 December 2020, and the uncertainties caused by these effects were taken into account in the calculation of expected credit loss as presented in the Part 7.3 and 8 of the Third Section, by using expert opinion. The Bank determines stage classification of loans within the framework of applicable regulations by identifying significant increase in credit risk with quantitative and qualitative assessments disclosed in Section Three Part 8 in the accompanying unconsolidated financial statements and default events disclosed in Section Four Part 2 in the accompanying unconsolidated financial statements.</p>	<p>With respect to stage classification of loans and calculation of expected credit losses, we have assessed policy, procedure and management principles of the Bank including COVID-19 effects within the scope of our audit. We tested the design and the operating effectiveness of relevant systems and processes implemented in accordance with these principles.</p> <p>We checked appropriateness of matters considered in methodology applied by the Bank with TFRS 9 for calculation of the provision amount through stage classification of loans. For forward looking assumptions made by the Bank's management in its expected credit losses calculations including the effects of the COVID-19 pandemic, we held discussions with management and evaluated the assumptions using publicly available information. Regarding expected credit losses methodology; we have assessed and tested appropriateness of model segmentation, lifetime probability of default model, exposure at default model, loss given default model, and approaches in relation to projection of macroeconomic expectations with our financial risk experts. We have assessed expert judgment utilized in interpretation of supportable forward looking expectations (including macroeconomic factors). Our procedures also included the following:</p> <ul style="list-style-type: none"> - Together with our financial risk experts, we evaluated and tested reasonableness of the changes in the expected credit loss allowance methodology and the performance of the impairment models used. - We have checked selected models used in determination of provisions for various credit portfolios with our financial risk experts by reperforming on a sample selection basis. - For a sample of exposures, we checked the accuracy of determining Exposure at Default, including the consideration of prepayments and repayments in the cash flows and the resultant arithmetical calculations.

Key Audit Matters	How the key audit matter was addressed in the audit
<p>Expected credit losses for loans (Continued)</p> <p>The Bank uses complex models that requires data to be derived from multiple systems for determining significant increase in credit risk and calculation of TFRS 9 expected credit losses.</p> <p>Our audit was focused on this area due to existence of complex estimates and information used in the impairment assessment such as macro-economic expectations, current conditions, historical loss experiences; the significance of the loan balances; the classification of loans as per their credit risk (staging) and the importance of determination of the associated expected credit loss. Timely and correct identification of default event and significant increase in credit risk and level of judgements and estimations made by the management have significant impacts on the amount of impairment provisions for loans. Therefore, this area is considered as key audit matter.</p>	<ul style="list-style-type: none"> - We checked the calculation of the Loss Given Default [LGD] used by the Bank in the expected credit losses calculations, and tested collaterals, recovery and costs in addition to arithmetical calculations. - For a selected sample, we checked expected credit losses determined based on individual assessment per Bank's policy by means of supporting data, and evaluated appropriateness including areas affected by uncertainties caused by COVID-19 via communications with management. - We checked key data sources for data used in expected credit losses calculations. We tested reliability and completeness of the data used in expected credit losses calculations with our information systems specialists. - We checked accuracy of resultant expected credit losses calculations. - To assess appropriateness of the Bank's determination of staging for credit risk, identification of impairment and timely and appropriate provisioning for impairment we have performed loan review procedures based on a selected sample. - We evaluated the adequacy of the disclosures made in the unconsolidated financial statements regarding the provision for impairment of loans.

Key Audit Matters	How the key audit matter was addressed in the audit
<p>Valuation of Pension Fund obligations</p> <p>The Bank has booked provision amounting to TL 1.461.542 for Pension Fund Liabilities in the accompanying unconsolidated financial statements as at 31 December 2020. Explanations on Valuation of Pension Obligations are presented in the section five part 2.6.3 in the accompanying unconsolidated financial statements.</p> <p>Yapı ve Kredi Bankası Anonim Şirketi Mensupları Yardım ve Emekli Sandığı (Pension Fund) is established in accordance with the Social Security Law numbered 506 article No 20 and is within the scope of Funds to be transferred to the Social Security Institution (SSI). The President is authorized to determine the transfer date. The total obligation of the fund is estimated using separate methods and assumption for benefits to be transferred and for non-transferrable benefits. The valuations of the pension obligations require significant judgement and technical expertise in choosing appropriate assumptions. Evaluation of Pension Fund liabilities include uncertainty of estimates and assumptions such as transferrable social benefits, discount rates, salary increases, economic and demographic assumptions.</p> <p>The Bank's management uses external actuaries for the purpose of valuations of Pension Fund obligations.</p> <p>During our audit, above mentioned fundamental assumption and estimates used in calculations of Pension Fund obligations, uncertainty of the transfer date, technical interest rate determined by the law and significant impact from differentiation of these assumptions were taken into consideration, and this area is considered as key audit matter.</p>	<p>Within our audit we tested on a sample basis the accuracy of the employee data supplied by the Bank management to the external actuary firm for the purpose of evaluation pension obligation. In addition, we verified the existence and values of the Pension Fund assets.</p> <p>We examined whether significant changes in actuarial assumptions used in calculation, employee benefits in the period, plan assets and liabilities, and regulations related to valuations exist, and tested significant changes.</p> <p>Through use of our actuarial specialist, we assessed the reasonableness of assumptions and evaluation made by the external actuaries in the calculation of the liability.</p>

4. Responsibilities of Management and Those Charged with Governance for the Unconsolidated Financial Statements

The Bank management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with the BRSA Accounting and Financial Reporting Legislation, and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

5. Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As part of an independent audit conducted in accordance with "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT

PRESENTATION

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

FROM THE
MANAGEMENT

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

ABOUT
YAPI KREDİ

B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Bank's bookkeeping activities concerning the period from 1 January to 31 December 2020 period are not in compliance with the TCC and provisions of the Bank's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

BUSINESS
MODEL AND
STAKEHOLDERS

Additional Paragraph for Convenience Translation

The effects of differences between accounting principles and standards explained in detail in Section Three and accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

RESPONSIBLE
GROWTH

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

INNOVATIVE
BANKINGHUMAN
FOCUSCORPORATE
GOVERNANCE

Halûk Yalçın, SMMM
Partner
Istanbul, 3 February 2021

FINANCIAL
INFORMATION

ANNEXES

THE UNCONSOLIDATED YEAR END FINANCIAL REPORT OF YAPI VE KREDİ BANKASI A.Ş. AS OF DECEMBER 31, 2020

Convenience translation of publicly announced unconsolidated financial statements and audit report originally issued in Turkish, See Note I. of Section three

Address Yapı Kredi Plaza D-Blok Levent, 34330, İstanbul
Telephone number 0212 339 70 00
Fax number 0212 339 60 00
Web Site www.yapikredi.com.tr
E-Mail: financialreports@yapikredi.com.tr

The unconsolidated financial report for the year end which is prepared in accordance with the “Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements” as regulated by the Banking Regulation and Supervision Agency includes the following sections.

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK
- EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITOR’S REPORT

The accompanying unconsolidated financial statements for the year end and notes to these financial statements which are expressed, in **thousands of Turkish Lira** (unless otherwise stated), have been presented based on the accounting books of the Bank prepared in accordance with the Regulation on the Principles and Procedures Regarding Banks’ Accounting Applications and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and related appendices and interpretations of these, and have been independently audited and are presented enclosed.

Y. Ali KOÇ
Chairman of the
Board of Directors

Gökhan ERÜN
Executive Director and
CEO

Demir KARAASLAN
Chief Financial Officer

B. Seda İKİZLER
Financial Reporting and
Accounting Executive
Vice President

Dr. Ahmet ÇİMENÖĞLU
Chairman of Audit
Committee

Nevin İPEK
Member of Audit
Committee

Contact information of the personnel in charge of the addressing of questions about this financial report:

Name-Surname/Title: Cengiz TİMURÖĞLU/Balance Sheet Management and Financial Analysis Manager
Telephone Number: 0212 339 77 67
Fax Number: 0212 339 61 05

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YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2020

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”)]

[Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, see in note 1. of section three]

Section one - General Information

1. History of the Bank including its incorporation date, initial legal status and amendments to legal status, if any:

Yapı ve Kredi Bankası A.Ş. [“the Bank” or “Yapı Kredi”], was established and started operations on September 9, 1944 with the permission of the Council of Ministers No. 3/6710 as a private capital commercial bank authorised to perform all banking, economic, financial and commercial activities which are allowed by the laws of the Turkish Republic. The statute of the Bank has not changed since its incorporation.

2. Explanations about the Bank’s capital structure, shareholders holding directly or indirectly, collectively or individually, the management and controlling power and changes in current year, if any and explanations on the controlling group of the Bank:

Bank’s publicly traded shares are traded on the Borsa Istanbul [“BIST”] since 1987. As of December 31, 2020, 30,03% of the shares of the Bank are publicly traded [December 31, 2019 - 18,10%]. 40,95% of the shares out of the remaining 69,97% is owned by Koç Finansal Hizmetler A.Ş. [“KFS”] which is owned by Koç Group, 9,02% is owned by Koç Group and 20,00% is owned by UniCredit [“UCG”].

KFS was established on March 16, 2001 to combine Koç Group finance companies under one organisation and it became the main shareholder of Koçbank in 2002. On October 22, 2002, Koç Group established a strategic partnership with UCG over KFS.

In 2005, the Bank’s shares that were owned by Çukurova Group Companies and the Saving Deposits Insurance Fund [“SDIF”] were purchased by Koçbank. In 2006, Koçbank purchased additional shares of the Bank from BIST and an investment fund and, during the same year, all rights, receivables, debts and liabilities of Koçbank were transferred to the Bank pursuant the merger of the two banks. As a result of the merger and the share transfer procedures in 2007 and of a capital increase by TL 920 million in 2008, KFS shares in the Bank increased to 81,80%. KFS shares increased to 81,90% with the capital increase by TL 4,1 billion in 2018.

As of November 30,2019, Koç Group and UCG have reached a deal to exchange their shares in the Bank and KFS.

Accordingly all the shares of KFS, which is currently a joint venture, are transferred to Koç Group. Besides, after the shares are transferred, KFS will hold 40.95%, UCG will hold 31,93% directly and Koç Group will hold a total of 49.99% directly and indirectly of the Bank shares and become controlling shareholder.

In addition, as of February 6, 2020, UniCredit also announced the placement of an 11.93% shares in Bank to institutional investors. The transaction has been completed on February 13, 2020. As a result UCG holds directly 20,00% of the Bank shares.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2020

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL")]

[Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, see in note 1. of section three]

3. Explanations regarding the board of directors, members of the audit committee, Chief Executive Officer and executive vice presidents, and their areas of responsibility and shares if any:

As of December 31, 2020, the Bank's Board of Directors, Members of the Audit Committee, General Manager and Assistant General Managers are as follows.

Board of Directors Members:

Name	Responsibility
Y. Ali KOÇ	Chairman
Levent ÇAKIROĞLU	Vice Chairman
Gökhan ERÜN	Executive Director and CEO
A. Ümit TAFTALI	Member
Ahmet ÇİMENOĞLU	Independent Member
Ahmet Fadıl ASHABOĞLU	Member
Nevin İPEK	Independent Member
Niccolò UBERTALLI	Member
Virma SÖKMEN	Independent Member
Wolfgang SCHILK	Member

Audit Committee Members:

Name	Responsibility
Ahmet ÇİMENOĞLU	Chairman
Nevin İPEK	Member

General Manager:

Name	Responsibility
Gökhan ERÜN	Executive Director and CEO

Assistant General Managers:

Name	Responsibility
Abdullah GEÇER	Internal Audit
Akif Cahit ERDOĞAN	Information Technologies and Operation Management
Cemal Aybars SANAL	Legal Activities Management
Demir KARAASLAN	Financial Planning and Administration Management
Erhan ADALI	Corporate and Commercial Banking Management
Hakan ALP	Human Resources, Organization and Internal Services Management
Mehmet Erkan ÖZDEMİR	Compliance, Internal Control and Risk Management /Consumer Relations Coordination Officer
Nurgün EYÜBOĞLU	Credit Management
Saruhan YÜCEL	Treasury Management
Serkan ÜLGİN	Retail Banking Management
Yakup DOĞAN	Alternative Distribution Channels

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2020

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL")]

[Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, see in note 1. of section three]

4. Information on the individual and corporate shareholders having control shares of the Bank:

Name/Commercial title	Share amounts (nominal)	Share percentage	Paid-in capital (nominal)	Unpaid portion
Koç Finansal Hizmetler A.Ş.	3.459.065.642,23	40,95	3.459.065.642,23	-
Koç Group	762.197.343,00	9,02	762.197.343,00	-
UniCredit	1.689.410.260,00	20,00	1.689.410.260,00	-

Koç Finansal Hizmetler A.Ş. is managed of Koç Group, and Temel Ticaret ve Yatırım A.Ş.

As of December 31,2019, 81,90% shares of the Bank was owned by Koç Finansal Hizmetler A.Ş. which was a joint venture of Koç Group and Temel Ticaret ve Yatırım A.Ş.

5. Summary information on the Bank's activities and service types:

The Bank's activities summarized from the section 3 of the articles of association are as follows.

The Bank's purpose and subject matter, in accordance with the Banking Law, regulations and existing laws, include;

- The execution of all banking activities,
- The execution of all economic and financial activities which are allowed by the regulation,
- The execution of the representation, attorney and agency activities related to the subjects written above,
- The purchase and sale of share certificates, bonds and all the capital market instruments, in accordance with Capital Market Law and regulations.

In case of necessity for performing activities which are useful and required but that are not specified in the articles of association, a Board of Directors' proposal is to be presented to the General Assembly. With the approval of the General Assembly the proposal becomes applicable, subject to the approvals required by law.

As of December 31, 2020, the Bank has 834 branches operating in Turkey and 1 branch in overseas [December 31, 2019 - 845 branches operating in Turkey, 1 branch in overseas].

As of December 31, 2020, the Bank has 16.037 employees [December 31, 2019 - 16.631 employees].

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2020

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL")]

[Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, see in note 1. of section three]

6. Differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards and short explanation about the entities subject to full consolidation or proportional consolidation and entities which are deducted from equity or entities which are not included in these three methods:

According to Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards, Banque de Commerce et de Placements SA, one of the associates of the Bank, and Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı, an entity under common control, are consolidated through "Equity Method" in the consolidated financial statements of the Group. Allianz Yaşam ve Emeklilik A.Ş., on which the Bank has indirect participation, is also consolidated through "Equity Method" in the consolidated financial statements of the Group.

Yapı Kredi Kültür Sanat Yayıncılık Tic. ve San. A.Ş., Yapı Kredi Teknoloji A.Ş. and Enternasyonal Turizm Yatırım A.Ş., which are subsidiaries of the Bank, are not consolidated into the Bank's consolidated financial statements in accordance with Communiqué on Preparation of Consolidated Financial Statements since these entities are not financial institutions.

All other subsidiaries are fully consolidated.

7. The existing or potential, actual or legal obstacles on the immediate transfer of shareholder's equity between the Bank and its subsidiaries or reimbursement of liabilities:

None.

YAPI VE KREDİ BANKASI A.Ş.

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[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL")]

[Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, see in note 1. of section three]

Section two - Unconsolidated financial statements

1. Balance sheet [Statement of Financial Position]

	Note [Section five]	Current Period (31/12/2020)			Prior Period (31/12/2019)		
		TL	FC	Total	TL	FC	Total
I. FINANCIAL ASSETS [Net]		39.466.962	59.696.272	99.163.234	43.032.619	63.444.432	106.477.051
1.1 Cash and Cash Equivalents	1.1	15.450.934	52.235.063	67.685.997	16.458.254	58.011.660	74.469.914
1.1.1 Cash and Balances with Central Bank		10.500.064	44.527.408	55.027.472	2.488.489	38.861.487	41.349.976
1.1.2 Banks	1.4	3.277.545	7.786.582	11.064.127	3.296.463	19.242.802	22.539.265
1.1.3 Money Markets	1.4.3	1.700.842	-	1.700.842	10.703.351	-	10.703.351
1.1.4 Provisions for Expected Losses [-]		27.517	78.927	106.444	30.049	92.629	122.678
1.2 Financial assets where fair value change is reflected to income statement	1.2	334.865	663.685	998.550	224.804	342.600	567.404
1.2.1 Government debt securities		106.399	170.315	276.714	20.754	73.116	93.870
1.2.2 Share certificates		228.446	-	228.446	199.053	-	199.053
1.2.3 Other financial assets		20	493.370	493.390	4.997	269.484	274.481
1.3 Financial assets where fair value change is reflected to other comprehensive income statement	1.5,1.6	19.707.924	5.156.243	24.864.167	22.721.128	3.970.178	26.691.306
1.3.1 Government debt securities		19.689.965	3.203.038	22.893.003	22.710.089	1.923.370	24.633.459
1.3.2 Share certificates		17.959	3.494	21.453	11.039	2.580	13.619
1.3.3 Other financial assets		-	1.949.711	1.949.711	-	2.044.228	2.044.228
1.4 Derivative Financial Assets	1.3	3.973.239	1.641.281	5.614.520	3.628.433	1.119.994	4.748.427
1.4.1 Derivative financial assets where fair value change is reflected to income statement		3.426.581	1.641.281	5.067.862	3.373.746	1.077.555	4.451.301
1.4.2 Derivative financial assets where fair value change is reflected to other comprehensive income statement		546.658	-	546.658	254.687	42.439	297.126
II. FINANCIAL ASSETS MEASURED AT AMORTISED COST [Net]		199.983.805	120.774.513	320.758.318	155.567.644	96.489.507	252.057.151
2.1 Loans	1.7	186.414.212	106.811.212	293.225.424	150.539.562	89.924.281	240.463.843
2.2 Receivables From Leasing Transactions [Net]	1.12	-	-	-	-	-	-
2.3 Factoring Receivables		701.421	-	701.421	647.401	-	647.401
2.4 Financial Assets Measured at Amortised Cost	1.8	30.863.534	19.878.378	50.741.912	17.970.624	10.335.035	28.305.659
2.4.1 Government debt securities		30.532.730	19.878.378	50.411.108	17.639.820	10.335.035	27.974.855
2.4.2 Other financial assets		330.804	-	330.804	330.804	-	330.804
2.5 Provisions for Expected Losses [-]		17.995.362	5.915.077	23.910.439	13.589.943	3.769.809	17.359.752
III. ASSETS HELD FOR RESALE AND RELATED TO DISCONTINUED OPERATIONS [Net]	1.15	709.869	-	709.869	320.059	-	320.059
3.1 Held for Sale Purposes		709.869	-	709.869	320.059	-	320.059
3.2 Related to Discontinued Operations		-	-	-	-	-	-
IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		4.207.346	5.849.369	10.056.715	3.595.273	4.231.653	7.826.926
4.1 Investments in Associates [net]	1.9	11.786	1.203.097	1.214.883	6.101	902.257	908.358
4.1.1 Consolidated based on Equity Method		-	-	-	-	-	-
4.1.2 Unconsolidated		11.786	1.203.097	1.214.883	6.101	902.257	908.358
4.2 Subsidiaries [Net]	1.10	4.172.686	4.646.272	8.818.958	3.566.857	3.329.396	6.896.253
4.2.1 Unconsolidated Financial Subsidiaries		4.165.386	4.646.272	8.811.658	3.559.557	3.329.396	6.888.953
4.2.2 Unconsolidated Non-Financial Subsidiaries		7.300	-	7.300	7.300	-	7.300
4.3 Joint Ventures [Net]	1.11	22.874	-	22.874	22.315	-	22.315
4.3.1 Consolidated based on Equity Method		-	-	-	-	-	-
4.3.2 Unconsolidated		22.874	-	22.874	22.315	-	22.315
V. PROPERTY AND EQUIPMENT [Net]	1.13	4.474.095	-	4.474.095	4.281.326	-	4.281.326
VI. INTANGIBLE ASSETS [Net]	1.14	1.916.463	-	1.916.463	1.845.101	-	1.845.101
6.1 Goodwill		979.493	-	979.493	979.493	-	979.493
6.2 Other		936.970	-	936.970	865.608	-	865.608
VII. INVESTMENT PROPERTY [Net]	1.15	-	-	-	-	-	-
VIII. CURRENT TAX ASSETS		-	-	-	-	-	-
IX. DEFERRED TAX ASSETS	1.16	3.563.486	-	3.563.486	1.980.629	-	1.980.629
X. OTHER ASSETS	1.18	3.908.047	15.143.831	19.051.878	2.723.577	9.984.007	12.707.584
TOTAL ASSETS		258.230.073	201.463.985	459.694.058	213.346.228	174.149.599	387.495.827

The accompanying explanations and notes form an integral part of these financial statements.

YAPI VE KREDİ BANKASI A.Ş.

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[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL")]

[Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, see in note 1. of section three]

1. Balance sheet [Statement of Financial Position]

LIABILITIES	Note [Section five]	Current Period [31/12/2020]			Prior Period [31/12/2019]		
		TL	FC	Total	TL	FC	Total
I. DEPOSITS	2.1	108.322.127	145.958.029	254.280.156	103.168.839	119.621.279	222.790.118
II. BORROWINGS	2.3.1	743.762	37.536.677	38.280.439	475.135	37.635.407	38.110.542
III. MONEY MARKETS		25.128.184	2.577.154	27.705.338	2.936.526	759.218	3.695.744
IV. MARKETABLE SECURITIES ISSUED (Net)	2.3.4	5.234.462	15.282.960	20.517.422	5.912.191	14.791.500	20.703.691
4.1 Bills		3.623.981	-	3.623.981	4.270.096	-	4.270.096
4.2 Asset backed Securities		-	-	-	-	-	-
4.3 Bonds		1.610.481	15.282.960	16.893.441	1.642.095	14.791.500	16.433.595
V. FUNDS		-	-	-	-	-	-
5.1 Borrower Funds		-	-	-	-	-	-
5.2 Other		-	-	-	-	-	-
VI. FINANCIAL LIABILITIES FAIR VALUE THROUGH PROFIT AND LOSS	2.3.3.2	806.619	12.081.212	12.887.831	830.929	12.353.676	13.184.605
VII. DERIVATIVE FINANCIAL LIABILITIES	2.2	7.563.486	3.020.704	10.584.190	5.542.718	1.533.715	7.076.433
7.1 Derivative Liabilities at Fair Value Through Profit and Loss		5.981.998	1.979.264	7.961.262	2.963.527	1.221.739	4.185.266
7.2 Derivative Liabilities at Fair Value Through Other Comprehensive Profit		1.581.488	1.041.440	2.622.928	2.579.191	311.976	2.891.167
VIII. FACTORING PAYABLES		-	-	-	-	-	-
IX. LEASE PAYABLES (Net)	2.5	1.066.532	9.695	1.076.227	890.604	8.501	899.105
X. PROVISIONS	2.6	3.951.179	417.357	4.368.536	3.357.745	262.436	3.620.181
10.1 Provisions for Restructuring		-	-	-	-	-	-
10.2 Provisions for Employee Rights	2.6.1	804.128	-	804.128	753.110	-	753.110
10.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4 Other Provisions	2.6.3	3.147.051	417.357	3.564.408	2.604.635	262.436	2.867.071
XI. CURRENT TAX LIABILITIES	2.7	1.920.873	-	1.920.873	838.765	-	838.765
XII. DEFERRED TAX LIABILITIES		-	-	-	-	-	-
XIII. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	2.8	-	-	-	-	-	-
13.1 Held for Sale		-	-	-	-	-	-
13.2 Related to Discontinued Operations		-	-	-	-	-	-
XIV. SUBORDINATED DEBT	2.9	838.459	21.816.595	22.655.054	821.340	17.758.699	18.580.039
14.1 Loans		-	6.305.871	6.305.871	-	5.102.941	5.102.941
14.2 Other Facilities		838.459	15.510.724	16.349.183	821.340	12.655.758	13.477.098
XV. OTHER LIABILITIES	2.4	16.522.539	1.330.982	17.853.521	15.269.130	1.539.820	16.808.950
XVI. SHAREHOLDERS' EQUITY	2.10	44.042.839	3.521.632	47.564.471	38.553.457	2.634.197	41.187.654
16.1 Paid in Capital		8.447.051	-	8.447.051	8.447.051	-	8.447.051
16.2 Capital Reserves		2.007.489	-	2.007.489	1.998.636	-	1.998.636
16.2.1 Share premium		556.937	-	556.937	556.937	-	556.937
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		1.450.552	-	1.450.552	1.441.699	-	1.441.699
16.3 Other accumulated comprehensive income that will not be reclassified in profit or loss		2.230.784	436.694	2.667.478	2.343.632	436.694	2.780.326
16.4 Other accumulated comprehensive income that will be reclassified in profit or loss		(1.930.320)	3.084.938	1.154.618	(2.472.669)	2.197.503	(275.166)
16.5 Profit Reserves		28.208.317	-	28.208.317	24.636.747	-	24.636.747
16.5.1 Legal Reserves		1.282.785	-	1.282.785	1.102.781	-	1.102.781
16.5.2 Statutory reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		26.925.454	-	26.925.454	23.533.272	-	23.533.272
16.5.4 Other Profit Reserves		78	-	78	694	-	694
16.6 Profit or loss		5.079.518	-	5.079.518	3.600.060	-	3.600.060
16.6.1 Prior years' profits or losses		-	-	-	-	-	-
16.6.2 Current period net profit or loss		5.079.518	-	5.079.518	3.600.060	-	3.600.060
TOTAL LIABILITIES		216.141.061	243.552.997	459.694.058	178.597.379	208.898.448	387.495.827

The accompanying explanations and notes form an integral part of these financial statements.

YAPI VE KREDİ BANKASI A.Ş.

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[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL")]

[Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, see in note 1. of section three]

2. Off-balance sheet commitments

	Note (Section five)	Current Period (31/12/2020)			Prior Period (31/12/2019)		
		TL	FC	Total	TL	FC	Total
Off-balance sheet commitments							
A. Off-balance sheet commitments (I+II+III)		259.441.518	394.890.440	654.331.958	242.425.428	389.469.757	631.895.185
I. Guarantees and warranties	3.1.2.1,2	32.562.747	68.664.534	101.227.281	27.023.766	63.090.951	90.114.717
1.1. Letters of guarantee	3.1.2.2	32.043.714	49.951.728	81.995.442	26.894.174	42.807.332	69.701.506
1.1.1. Guarantees subject to state tender law		545.671	641.351	1.187.022	367.229	604.813	972.042
1.1.2. Guarantees given for foreign trade operations		5.380.758	49.310.377	54.691.135	4.095.773	42.202.519	46.298.292
1.1.3. Other letters of guarantee		26.117.285	-	26.117.285	22.431.172	-	22.431.172
1.2. Bank acceptances		-	238.025	238.025	-	156.431	156.431
1.2.1. Import letter of acceptance		-	238.025	238.025	-	156.431	156.431
1.2.2. Other bank acceptances		-	-	-	-	-	-
1.3. Letters of credit		37.184	8.974.338	9.011.522	77.354	12.266.506	12.343.860
1.3.1. Documentary letters of credit		37.184	8.974.338	9.011.522	77.354	12.266.506	12.343.860
1.3.2. Other letters of credit		-	-	-	-	-	-
1.4. Prefinancing given as guarantee		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2. Other endorsements		-	-	-	-	-	-
1.6. Purchase guarantees for Securities issued		-	-	-	-	-	-
1.7. Factoring guarantees		-	-	-	-	-	-
1.8. Other guarantees		481.849	4.613.529	5.095.378	52.238	3.781.228	3.833.466
1.9. Other warranties		-	4.886.914	4.886.914	-	4.079.454	4.079.454
II. Commitments		81.424.789	32.831.632	114.256.421	70.587.105	24.339.036	94.926.141
2.1. Irrevocable commitments	3.1.1	79.209.005	13.218.499	92.427.504	65.878.662	7.437.359	73.316.021
2.1.1. Asset purchase and sale commitments		2.905.074	11.632.591	14.537.665	1.494.732	6.254.891	7.749.623
2.1.2. Deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3. Share capital commitments to associates and subsidiaries		-	-	-	-	-	-
2.1.4. Loan granting commitments		17.187.740	788.342	17.976.082	12.708.914	960.251	13.669.165
2.1.5. Securities issue brokerage commitments		-	-	-	-	-	-
2.1.6. Commitments for reserve requirements		-	-	-	-	-	-
2.1.7. Commitments for checks payments		3.437.866	-	3.437.866	3.389.714	-	3.389.714
2.1.8. Tax and fund liabilities from export commitments		6.476	-	6.476	4.074	-	4.074
2.1.9. Commitments for credit card expenditure limits		48.016.964	-	48.016.964	41.380.895	-	41.380.895
2.1.10. Commitments for credit cards and banking services promotions		51.868	-	51.868	30.190	-	30.190
2.1.11. Receivables from short sale commitments of marketable securities		-	-	-	-	-	-
2.1.12. Payables for short sale commitments of marketable securities		-	-	-	-	-	-
2.1.13. Other irrevocable commitments		7.603.017	797.566	8.400.583	6.870.143	222.217	7.092.360
2.2. Revocable commitments		2.215.784	19.613.133	21.828.917	4.708.443	16.901.677	21.610.120
2.2.1. Revocable loan granting commitments		2.215.784	19.613.133	21.828.917	4.708.443	16.901.677	21.610.120
2.2.2. Other revocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		145.453.982	293.394.274	438.848.256	144.814.557	302.039.770	446.854.327
3.1. Derivative financial instruments held for hedging		43.572.841	51.075.652	94.648.493	49.887.738	53.105.895	102.993.633
3.1.1. Fair value hedges		270.141	3.071.548	3.341.689	470.141	2.941.839	3.411.980
3.1.2. Cash flow hedges		43.302.700	48.004.104	91.306.804	49.417.597	50.164.056	99.581.653
3.1.3. Hedges for investments made in foreign countries		-	-	-	-	-	-

The accompanying explanations and notes form an integral part of these financial statements.

YAPI VE KREDİ BANKASI A.Ş.

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[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

[Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, see in note 1. of section three]

	Note [Section five]	Current Period [31/12/2020]			Prior Period [31/12/2019]		
		TL	FC	Total	TL	FC	Total
3.2	Trading transactions	101.881.141	242.318.622	344.199.763	94.926.819	248.933.875	343.860.694
3.2.1	Forward foreign currency purchase and sale transactions	6.888.256	9.202.912	16.091.168	8.036.269	17.700.404	25.736.673
3.2.1.1	Forward foreign currency purchase transactions	4.448.705	3.826.597	8.275.302	3.307.157	9.627.478	12.934.635
3.2.1.2	Forward foreign currency sale transactions	2.439.551	5.376.315	7.815.866	4.729.112	8.072.926	12.802.038
3.2.2	Currency and interest rate swaps	87.718.704	186.256.071	273.974.775	81.329.613	196.767.306	278.096.919
3.2.2.1	Currency swap purchase transactions	4.295.544	59.534.640	63.830.184	10.892.454	70.454.795	81.347.249
3.2.2.2	Currency swap sale transactions	46.573.260	20.622.433	67.195.693	38.687.159	42.840.355	81.527.514
3.2.2.3	Interest rate swap purchase transactions	18.424.950	53.049.499	71.474.449	15.875.000	41.736.078	57.611.078
3.2.2.4	Interest rate swap sale transactions	18.424.950	53.049.499	71.474.449	15.875.000	41.736.078	57.611.078
3.2.3	Currency, interest rate and securities options	1.575.674	12.640.133	14.215.807	3.741.319	8.349.687	12.091.006
3.2.3.1	Currency purchase options	531.763	4.198.665	4.730.428	2.043.723	2.136.917	4.180.640
3.2.3.2	Currency sale options	324.741	4.555.975	4.880.716	1.497.596	2.736.368	4.233.964
3.2.3.3	Interest rate purchase options	300.000	3.372.515	3.672.515	100.000	2.584.853	2.684.853
3.2.3.4	Interest rate sale options	419.170	512.978	932.148	100.000	891.549	991.549
3.2.3.5	Securities purchase options	-	-	-	-	-	-
3.2.3.6	Securities sale options	-	-	-	-	-	-
3.2.4	Currency futures	212.403	201.864	414.267	199.618	198.789	398.407
3.2.4.1	Currency purchase futures	-	201.864	201.864	199.618	-	199.618
3.2.4.2	Currency sale futures	212.403	-	212.403	-	198.789	198.789
3.2.5	Interest rate futures	-	-	-	-	-	-
3.2.5.1	Interest rate purchase futures	-	-	-	-	-	-
3.2.5.2	Interest rate sale futures	-	-	-	-	-	-
3.2.6	Other	5.486.104	34.017.642	39.503.746	1.620.000	25.917.689	27.537.689
B.	CUSTODY AND PLEDGED SECURITIES (IV+V+VI)	531.392.413	176.009.181	707.401.594	477.878.718	107.685.079	585.563.797
IV.	ITEMS HELD IN CUSTODY	63.730.107	11.392.380	75.122.487	55.915.064	6.979.408	62.894.472
4.1.	Assets under management	33.024.406	825.231	33.849.637	14.733.918	943.333	15.677.251
4.2.	Securities held in custody	5.832.697	10.057.701	15.890.398	17.188.108	5.369.712	22.557.820
4.3.	Checks received for collection	19.104.894	29.949	19.134.843	17.168.474	59.047	17.227.521
4.4.	Commercial notes received for collection	5.709.966	360.665	6.070.631	6.766.420	518.018	7.284.438
4.5.	Other assets received for collection	-	95.112	95.112	-	71.180	71.180
4.6.	Securities received for public offering	-	-	-	-	-	-
4.7.	Other items under custody	58.144	23.722	81.866	58.144	18.118	76.262
4.8.	Custodians	-	-	-	-	-	-
V.	PLEDGED ITEMS	437.496.682	146.057.568	583.554.250	395.405.815	89.063.878	484.469.693
5.1.	Marketable securities	824.223	814	825.037	831.183	659	831.842
5.2.	Guarantee notes	585.521	365.529	951.050	720.000	278.319	998.319
5.3.	Commodity	6.297	-	6.297	6.946	-	6.946
5.4.	Warrant	-	-	-	-	-	-
5.5.	Immovables	144.638.689	32.338.527	176.977.216	140.794.432	36.287.424	177.081.856
5.6.	Other pledged items	291.441.952	113.339.435	404.781.387	253.053.254	52.486.841	305.540.095
5.7.	Depositories receiving pledged items	-	13.263	13.263	-	10.635	10.635
VI.	ACCEPTED GUARANTEES AND WARRANTS	30.165.624	18.559.233	48.724.857	26.557.839	11.641.793	38.199.632
TOTAL OFF BALANCE SHEET COMMITMENTS]		790.833.931	570.899.621	1.361.733.552	720.304.146	497.154.836	1.217.458.982

The accompanying explanations and notes form an integral part of these financial statements.

YAPI VE KREDİ BANKASI A.Ş.

UNCONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2020 AND 2019

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL")]

[Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, see in note 1. of section three]

3. Statements of Profit or Loss

Income and expense items	Note (Section five)	Current Period (01/01/2020 - 31/12/2020)	Prior Period (01/01/2019 - 31/12/2019)
I. INTEREST INCOME	4.1	33.088.591	35.703.082
1.1 Interest on Loans	4.1.1	25.308.113	28.489.781
1.2 Interest received from reserve deposits		53.947	375.844
1.3 Interest Received from Banks	4.1.2	444.796	900.441
1.4 Interest Received from Money Market Transactions		125.990	515.907
1.5 Interest Received from Marketable Securities Portfolio	4.1.3	7.109.522	5.395.946
1.5.1 Financial Assets at Fair Value Through Profit and Loss		14.246	12.299
1.5.2 Financial Assets at Fair Value Through Other Comprehensive income		2.999.069	3.108.869
1.5.3 Financial assets measured at amortised cost		4.096.207	2.274.778
1.6 Financial Lease Income		-	-
1.7 Other Interest Income		46.223	25.163
II. INTEREST EXPENSE (-)	4.2	16.111.790	20.927.360
2.1 Interest on Deposits	4.2.4	8.804.130	15.382.785
2.2 Interest on Funds Borrowed	4.2.1	2.039.363	2.242.555
2.3 Interest expense on money market transactions		1.297.788	187.992
2.4 Interest on Securities Issued	4.2.3	3.405.629	2.902.669
2.5 Interest on Lease Payables		163.318	162.347
2.6 Other Interest Expense		401.562	49.012
III. NET INTEREST INCOME/EXPENSE (I - II)		16.976.801	14.775.722
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE		5.246.814	5.286.993
4.1 Fees and Commissions Received		6.494.019	7.077.075
4.1.1 Non-cash Loans		1.019.993	1.059.638
4.1.2 Other		5.474.026	6.017.437
4.2 Fees and Commissions Paid		1.247.205	1.790.082
4.2.1 Non-cash Loans		630	340
4.2.2 Other		1.246.575	1.789.742
V. DIVIDEND INCOME	4.3	3.016	9.310
VI. TRADING PROFIT/LOSS (Net)	4.4	256.810	(1.884.879)
6.1 Trading Gains/Losses on Securities		408.588	271.662
6.2 Derivative Financial Transactions Gains/Losses	4.6	1.688.317	(905.387)
6.3 Foreign Exchange Gains/Losses		(1.840.095)	(1.251.154)
VII. OTHER OPERATING INCOME	4.7	1.563.487	1.428.469
VIII. GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII)		24.046.928	19.615.615
IX. PROVISION FOR EXPECTED LOSSES (-)	4.5	9.490.527	8.772.277
X. OTHER PROVISION EXPENSES (-)	4.5	463.611	40.975
XI. PERSONNEL EXPENSES (-)		3.576.234	3.149.323
XII. OTHER OPERATING EXPENSES (-)	4.8	4.848.220	4.095.034
XIII. NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)		5.668.336	3.558.006
XIV. SURPLUS WRITTEN AS GAIN AFTER MERGER		-	-
XV. PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES		883.639	780.930
XVI. NET MONETARY POSITION GAIN/LOSS)		-	-
XVII. PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XIII+XIV+XV+XVI)	4.9	6.551.975	4.338.936
XVIII. PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	4.10	1.472.457	738.876
18.1 Current Tax Provision		3.111.457	1.623.617
18.2 Expense effect of deferred tax (+)		-	-
18.3 Income effect of deferred tax (-)		1.639.000	884.741
XIX. NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVII±XVIII)		5.079.518	3.600.060
XX. INCOME FROM DISCONTINUED OPERATIONS		-	-
20.1 Income from assets held for sale		-	-
20.2 Profit from sale of associates, subsidiaries and joint ventures		-	-
20.3 Other income from discontinued operations		-	-
XXI. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
21.1 Expenses on assets held for sale		-	-
21.2 Losses from sale of associates, subsidiaries and joint ventures		-	-
21.3 Other expenses from discontinued operations		-	-
XXII. PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (XX - XXI)		-	-
XXIII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
23.1 Current tax provision		-	-
23.2 Expense effect of deferred tax (+)		-	-
23.3 Income effect of deferred tax (-)		-	-
XXIV. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)		-	-
XXV. NET PROFIT/LOSS (XIX+XXIV)	4.11	5.079.518	3.600.060
Earnings/(loss) per share (full TL)		0,0060	0,0043

The accompanying explanations and notes form an integral part of these financial statements.

YAPI VE KREDİ BANKASI A.Ş.
UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2020 AND 2019

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL")]

[Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, see in note 1. of section three]

4. Statement of Profit or Loss and Other Comprehensive Income

	Current Period	Prior Period
	(31/12/2020)	(31/12/2019)
I. PROFIT/(LOSS)	5.079.518	3.600.060
II. OTHER COMPREHENSIVE INCOME	1.291.613	(1.418.667)
2.1 Other comprehensive income that will not be reclassified to profit or loss	(112.848)	(24.660)
2.1.1 Gains (losses) on Revaluation of Property, Plant and Equipment	389	14.291
2.1.2 Gains (losses) on revaluation of Intangible Assets	-	-
2.1.3 Gains (losses) on remeasurements of defined benefit plans	(125.833)	(66.003)
2.1.4 Other Components of Other Comprehensive Income That Will Not Be Reclassified to Profit Or Loss	(842)	13.925
2.1.5 Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss	13.438	13.127
2.2 Other Comprehensive Income That Will Be Reclassified to Profit or Loss	1.404.461	(1.394.007)
2.2.1 Exchange Differences on Translation	1.480.998	425.259
2.2.2 Valuation and/or Reclassification Profit or Loss from financial assets at fair value through other comprehensive income	423.422	2.052.651
2.2.3 Income (loss) Related with Cash Flow Hedges	654.339	(4.110.380)
2.2.4 Income (loss) Related with Hedges of Net Investments in Foreign Operations	(1.084.717)	(274.663)
2.2.5 Other Components of Other Comprehensive Income that will be Reclassified to Other Profit or Loss	-	-
2.2.6 Taxes Relating To Components Of Other Comprehensive Income That Will Be Reclassified To Profit Or Loss	(69.581)	513.126
III. TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)	6.371.131	2.181.393

The accompanying explanations and notes form an integral part of these financial statements.

YAPI VE KREDİ BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

AS OF DECEMBER 31, 2019

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL")]

[Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, see in note 1. of section three]

5. Statement of changes in shareholders' equity

Current Period
(31/12/2020)

	Paid-in capital	Share premium	Share certificate cancellation profits	Other capital reserves
CHANGES IN SHAREHOLDER'S EQUITY				
I. Balance at the beginning of the period	8.447.051	556.937	-	1.441.699
II. Adjustment in accordance with TAS 8	-	-	-	-
2.1 Effect of adjustment	-	-	-	-
2.2. Effect of changes in accounting policies	-	-	-	-
III. New balance (I+II)	8.447.051	556.937	-	1.441.699
IV. Total comprehensive income (loss)	-	-	-	-
V. Capital increase in cash	-	-	-	-
VI. Capital increase through internal reserves	-	-	-	-
VII. Issued capital inflation adjustment difference	-	-	-	-
VIII. Convertible bonds	-	-	-	-
IX. Subordinated debt	-	-	-	-
X. Increase (decrease) through other changes, equity	-	-	-	6.302
XI. Profit distribution	-	-	-	2.551
11.1. Dividends distributed	-	-	-	-
11.2. Transfers to legal reserves	-	-	-	2.551
11.3. Other	-	-	-	-
Period end balance (III+IV+.....+X+XI)	8.447.051	556.937	-	1.450.552

1. Tangible assets revaluation reserve,
2. Accumulated gains/losses on remeasurements of defined benefit plans
3. Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will not be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will not be Reclassified to Profit or Loss
4. Exchange differences on translation reserve for associates and joint ventures accounted for using equity method
5. Accumulated gains (losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income
6. Accumulated gains or (losses) on cash flow hedges and net investment hedges.

PRESENTATION

FROM THE
MANAGEMENTABOUT
YAPI KREDİBUSINESS
MODEL AND
STAKEHOLDERSRESPONSIBLE
GROWTHINNOVATIVE
BANKINGHUMAN
FOCUSCORPORATE
GOVERNANCEFINANCIAL
INFORMATION

ANNEXES

Other Accumulated Comprehensive Income			Other Accumulated Comprehensive Income				Profit reserves	Prior period net income/ (loss)	Current period net income/ (loss)	Total shareholders' equity
That Will Not Be Reclassified In Profit and Loss			That Will Be Reclassified In Profit and Loss							
1	2	3	4	5	6					
1.858.419	(269.552)	1.191.459	2.492.776	(146.942)	(2.621.000)	24.636.747	-	3.600.060	41.187.654	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	
1.858.419	(269.552)	1.191.459	2.492.776	(146.942)	(2.621.000)	24.636.747	-	3.600.060	41.187.654	
(4.428)	(107.578)	(842)	1.480.998	334.971	(411.508)	-	-	5.079.518	6.371.131	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	25.323	-	(25.939)	-	-	5.686	
-	-	-	-	-	-	3.597.509	-	(3.600.060)	-	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	3.597.509	-	(3.600.060)	-	
-	-	-	-	-	-	-	-	-	-	
1.853.991	(377.130)	1.190.617	3.973.774	213.352	(3.032.508)	28.208.317	-	5.079.518	47.564.471	

YAPI VE KREDİ BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

AS OF DECEMBER 31, 2020

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL")]

[Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, see in note 1. of section three]

5. Statement of changes in shareholders' equity

Prior Period (31/12/2019)				
CHANGES IN SHAREHOLDER'S EQUITY	Paid-in capital	Share premium	Share certificate cancellation profits	Other capital reserves
I. Balance at the beginning of the period	8.447.051	556.937	-	1.438.556
II. Adjustment in accordance with TAS 8	-	-	-	-
2.1 Effect of adjustment	-	-	-	-
2.2. Effect of changes in accounting policies	-	-	-	-
III. New balance (I+II)	8.447.051	556.937	-	1.438.556
IV. Total comprehensive income (loss)	-	-	-	-
V. Capital increase in cash	-	-	-	-
VI. Capital increase through internal reserves	-	-	-	-
VII. Issued capital inflation adjustment difference	-	-	-	-
VIII. Convertible bonds	-	-	-	-
IX. Subordinated debt	-	-	-	-
X. Increase (decrease) through other changes, equity	-	-	-	3.143
XI. Profit distribution	-	-	-	-
11.1. Dividends distributed	-	-	-	-
11.2. Transfers to legal reserves	-	-	-	-
11.3. Other	-	-	-	-
Period end balance (III+IV+.....+X+XI)	8.447.051	556.937	-	1.441.699

1. Tangible assets revaluation reserve,
2. Accumulated gains/losses on remeasurements of defined benefit plans
3. Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will not be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will not be Reclassified to Profit or Loss
4. Exchange differences on translation reserve for associates and joint ventures accounted for using equity method
5. Accumulated gains (losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income
6. Accumulated gains or (losses) on cash flow hedges and net investment hedges.

Other Accumulated Comprehensive Income			Other Accumulated Comprehensive Income				Profit reserves	Prior period net income/ [loss]	Current period net income/ [loss]	Total shareholders' equity
That Will Not Be Reclassified In Profit and Loss			That Will Be Reclassified In Profit and Loss							
1	2	3	4	5	6					
1.845.522	[218.070]	1.177.534	2.067.517	[1.748.010]	799.334	19.969.702	-	4.667.426	39.003.499	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	
1.845.522	[218.070]	1.177.534	2.067.517	[1.748.010]	799.334	19.969.702	-	4.667.426	39.003.499	
12.897	[51.482]	13.925	425.259	1.601.068	[3.420.334]	-	-	3.600.060	2.181.393	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	[381]	-	2.762	
-	-	-	-	-	-	-	4.667.426	[4.667.426]	-	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	4.667.426	[4.667.426]	-	
-	-	-	-	-	-	-	-	-	-	
1.858.419	[269.552]	1.191.459	2.492.776	[146.942]	[2.621.000]	24.636.747	-	3.600.060	41.187.654	

YAPI VE KREDİ BANKASI A.Ş.

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[Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, see in note 1. of section three]

6. Statement of cash flows

	(Notes section five)	Current Period (31/12/2020)	Prior Period (31/12/2019)
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1	Operating profit before changes in operating assets and liabilities	17.996.655	14.278.156
1.1.1	Interest received	29.858.787	33.704.929
1.1.2	Interest paid	(15.976.525)	(20.658.897)
1.1.3	Dividend received	142.706	192.456
1.1.4	Fees and commissions received	6.494.019	7.077.075
1.1.5	Other income	4.675.520	635.729
1.1.6	Collections from previously written-off loans and other receivables	2.006.062	1.762.544
1.1.7	Cash Payments to personnel and service suppliers	(7.497.766)	(6.502.519)
1.1.8	Taxes paid	(2.252.349)	(2.195.229)
1.1.9	Other	546.201	262.068
	6.3		
1.2	Changes in operating assets and liabilities subject to banking operations	(30.424.791)	4.219.397
1.2.1	Net (increase) decrease in Financial Assets at Fair Value through Profit or Loss	(117.463)	(325.426)
1.2.2	Net (increase) decrease in due from banks	(26.440.539)	(4.153.527)
1.2.3	Net (increase) decrease in loans	(58.450.266)	(22.697.738)
1.2.4	Net (increase) decrease in other assets	(7.821.740)	(4.558.102)
1.2.5	Net increase (decrease) in bank deposits	518.592	(4.544.683)
1.2.6	Net increase (decrease) in other deposits	31.142.721	25.302.527
1.2.7	Net increase (decrease) in financial liabilities at fair value through profit or loss	387.559	5.441.860
1.2.8	Net increase (decrease) in funds borrowed	29.151.525	5.675.742
1.2.9	Net increase (decrease) in matured payables	-	-
1.2.10	Net increase (decrease) in other liabilities	1.204.820	4.078.744
	6.3		
I.	Net cash provided from banking operations	(12.428.136)	18.497.553
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II.	Net cash provided from investing activities	(14.672.520)	(5.858.140)
2.1	Cash paid for the purchase of associates, subsidiaries and joint ventures	-	-
2.2	Cash obtained from the sale of associates, subsidiaries and joint ventures	-	-
2.3	Cash paid for the purchase of tangible and intangible asset	(554.445)	(533.233)
2.4	Cash obtained from the sale of tangible and intangible asset	411.094	192.082
2.5	Cash paid for the purchase of financial assets at fair value through other comprehensive income	(14.427.663)	(13.203.974)
2.6	Cash obtained from the sale of financial assets at fair value through other comprehensive income	17.975.425	12.346.110
2.7	Cash paid for the purchase of financial assets at amortised cost	(20.429.342)	(4.807.224)
2.8	Cash obtained from sale of financial assets at amortised cost	2.352.411	148.099
2.9	Other	-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III.	Net cash flows from financing activities	(6.175.454)	613.493
3.1	Cash obtained from funds borrowed and securities issued	33.347.665	33.210.986
3.2	Cash outflow from funds borrowed and securities issued	(39.105.785)	(32.198.476)
3.3	Equity instruments issued	-	-
3.4	Dividends paid	-	-
3.5	Payments for finance lease liabilities	(417.334)	(399.017)
3.6	Other	-	-
IV.	Effect of change in foreign exchange rate on cash and cash equivalents	6.3	4.200.943
V.	Net increase (decrease) in cash and cash equivalents	(15.085.714)	17.453.849
VI.	Cash and cash equivalents at beginning of the period	6.1	42.821.747
VII.	Cash and cash equivalents at end of the period	6.1	60.275.596
		45.189.882	60.275.596

The accompanying explanations and notes form an integral part of these financial statements.

YAPI VE KREDİ BANKASI A.Ş.

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AS OF DECEMBER 31, 2020 AND 2019

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[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL")]

[Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, see in note 1. of section three]

7. Profit Distribution⁽¹⁾

	Current Period (31/12/2020)	Prior Period (31/12/2019)
I. Distribution of current year income		
1.1 Current year income	6.551.975	4.338.936
1.2 Taxes and duties payable [-]	1.472.457	738.876
1.2.1 Corporate tax (income tax)	3.111.457	1.623.617
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties	(1.639.000)	(884.741)
A. Net income for the year (1.1-1.2)	5.079.518	3.600.060
1.3 Prior year losses [-]	-	-
1.4 First legal reserves [-]	-	180.004
1.5 Other statutory reserves [-]	-	-
B. Net income available for distribution [(a)-(1.3+1.4+1.5)]	5.079.518	3.420.056
1.6 First dividend to shareholders [-]	-	-
1.6.1 To owners of ordinary shares	-	-
1.6.2 To owners of privileged shares	-	-
1.6.3 To owners of preferred shares	-	-
1.6.4 To profit sharing bonds	-	-
1.6.5 To holders of profit and loss sharing certificates	-	-
1.7 Dividends to personnel [-]	-	-
1.8 Dividends to board of directors [-]	-	-
1.9 Second dividend to shareholders [-]	-	-
1.9.1 To owners of ordinary shares	-	-
1.9.2 To owners of privileged shares	-	-
1.9.3 To owners of preferred shares	-	-
1.9.4 To profit sharing bonds	-	-
1.9.5 To holders of profit and loss sharing certificates	-	-
1.10 Second legal reserves [-]	-	-
1.11 Statutory reserves [-]	-	-
1.12 Extraordinary reserves	-	3.417.505
1.13 Other reserves	-	-
1.14 Special funds	-	2.551
II. Distribution of reserves		
2.1 Appropriated reserves	-	-
2.2 Second legal reserves [-]	-	-
2.3 Dividends to shareholders [-]	-	-
2.3.1 To owners of ordinary shares	-	-
2.3.2 To owners of privileged shares	-	-
2.3.3 To owners of preferred shares	-	-
2.3.4 To profit sharing bonds	-	-
2.3.5 To holders of profit and loss sharing certificates	-	-
2.4 Dividends to personnel [-]	-	-
2.5 Dividends to board of directors [-]	-	-
III. Earnings per share	0,0060	0,0043
3.1 To owners of ordinary shares	0,0060	0,0043
3.2 To owners of ordinary shares (%)	-	-
3.3 To owners of privileged shares	-	-
3.4 To owners of privileged shares (%)	-	-
IV. Dividend per share	-	-
4.1 To owners of ordinary shares	-	-
4.2 To owners of ordinary shares (%)	-	-
4.3 To owners of privileged shares	-	-
4.4 To owners of privileged shares (%)	-	-

⁽¹⁾ Regarding profit distribution, the authorized body of the Bank is the General Assembly and the annual general assembly meeting has not been held as of the date of preparation of these financial statements. Since the dividend distribution proposal for 2020 has not yet been prepared by the Board of Directors, only the distributable profit is stated in the profit distribution table. Relevant amount also includes the total amount of TL 148.338, which is calculated in accordance with Article 5/1-e of the Corporate Tax Law No. 5520 as 75% of the sales income over a subsidiary and 50% of the sales income over immovable real estate will not be distributed and kept under a special fund.

The accompanying explanations and notes form an integral part of these financial statements.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2020

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”)]

[Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, see in note 1. of section three]

Section Three

Accounting policies

1. Explanations on basis of presentation:

The Bank keeps its books of accounts in Turkish Lira in accordance with the Banking Act No. 5411 (“Banking Act”), which is effective from November 1, 2005, the Turkish Commercial Code (“TCC”), and Turkish Tax Legislation.

The unconsolidated financial statements are prepared in accordance with the “Regulation on the Principles and Procedures Regarding Banks’ Accounting Applications and Safeguarding of Documents” published in the Official Gazette No. 26333 dated November 1, 2006 by the Banking Regulation and Supervision Agency (“BRSA”) which refers to “Turkish Financial Reporting Standards (“TFRS”) issued by the Public Oversight Accounting and Auditing Standards Authority (“POA”) and other decrees, notes and explanations related to the accounting and financial reporting principles published by the BRSA. The format and the details of the publicly announced financial statements and related disclosures to these statements have been prepared in accordance with the “Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements” and changes and notes to this communiqué published in the Official Gazette No. 28337 dated June 28, 2012.

The accompanying unconsolidated financial statements and notes to these financial statements are expressed in thousands of Turkish Lira (TL), unless otherwise stated.

The accompanying unconsolidated financial statements are prepared in accordance with the historical cost basis [restated for the changes in the general purchasing power of TL until December 31, 2004], except for financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, derivative financial assets/liabilities buildings and art objects and paintings in tangible assets. Besides, the carrying values of assets carried at amortized cost but subject to fair value hedge are adjusted to reflect the fair value changes related to the hedged risks.

The preparation of unconsolidated financial statements in conformity with TFRS requires the use of certain accounting estimates by the Bank management to exercise its judgment on the assets and liabilities on the balance sheet and contingent assets and liabilities as of the balance sheet date. These estimates are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are explained in the related notes and reflected to the income statement.

The accounting policies and valuation principles employed for the preparation the financial statements are in compliance with “Accounting and Reporting Legislation” published in the regulation, communiqué, interpretations and circular of BRSA. If there is no specific regulation of BRSA, it has been determined and applied in the context of TFRS.

The social and economic measures have been taken to reduce negativity of COVID-19 epidemic, which was spread globally in the first half of 2020, in our country as in other countries where the epidemic is effective and measures with partial changes continue to be implemented.

The Bank has reflected the possible effects of the COVID-19 outbreak on the estimates and judgments used in the preparation of the financial statements. The estimates and assumptions used in the calculation of expected credit losses are explained in the explanations on the impairment of financial assets.

Interest rate benchmark reform London Interbank Offered Rate (LIBOR) is the most widely referenced benchmark interest rate across the globe for derivatives, bonds, loans and other floating rate instruments; however, there is a regulator-led push to transition the market from LIBOR and certain other benchmark rates to alternative risk-free, or nearly risk-free, rates that are based on actual overnight transactions at the end of 2021. Derivatives, floating rate notes, loans and other financial contracts whose terms extend beyond the relevant discontinuation date, and that refer to certain benchmark rates (including LIBOR) as the reference rate, will be impacted.

In Turkey, Turkish Lira Overnight Reference Rate (“TLREF”) is created in order to meet the need of Turkish Lira short-term reference rate that can be used as an underlying or a benchmark in financial products, debt instruments and different types of financial contracts.

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International Accounting Standards Board ["IASB"] published the Phase 1, Amendments to TAS 39, TFRS 9 and TFRS 7 in September 2019 and Phase 2, Amendments to IFRS 9, TAS 39, IFRS 7 and IFRS 16 in August 2020. The Phase 1, Amendments and The Phase 2, Amendments provide some specific reliefs on hedge accounting transactions and address issues that arise upon replacing the existing interest rate benchmark with the alternative interest rates and introduces additional disclosure requirements. There is no hedge relation discontinued due to this reform.

Interest rate contracts are used in hedge transactions to manage exposure to interest rate risk of assets and liabilities. The hedging instruments designated to manage these risks reference IBOR in multiple jurisdictions and will be affected by the reform as the markets transition to alternative risk free or nearly risk-free rates by 2021 and beyond.

The Phase 2 Amendments provide two key reliefs

- Modifications made as a direct result of the reform on an economically equivalent basis are reflected prospectively in the effective interest rate rather than as an immediate gain or loss.
- If qualifying criteria are met, hedging relationships that are directly impacted by the reform would be able to continue hedge accounting upon transition to alternative interest rates.

Additional paragraph for convenience translation into English:

The differences between accounting principles, as described in the preceding paragraphs and accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ["IFRS"] have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

2. Explanations on strategy of using financial instruments and foreign currency transactions:

The general strategy of the Bank in using financial instruments is to sustain an optimal balance between the yield of the instruments and their risks. The most important funding source of the Bank is deposits. For non-deposit items, the Bank maintains longer-term funding structure especially through long-term foreign borrowings. Funds from deposits and other funding sources are invested in high quality financial assets in order to keep currency, interest rate and liquidity risks within the limits determined by the asset-liability strategy. The currency, interest and liquidity risks of on-balance sheet and off-balance sheet assets and liabilities are managed in accordance with the risk limits approved in the Bank and the related legal limits. Derivative instruments are mainly utilized for liquidity needs and for mitigating currency and interest rate risks. The position of the Bank as a result of foreign currency activities is being held at minimum levels and the currency risk exposure is monitored within the limits determined by the Board of Directors under the context of Banking Act.

Foreign currency denominated monetary assets and liabilities are translated with the exchange rates prevailing at the balance sheet date. Gains and losses arising from such valuations are recognized in the income statement under the account of "Foreign exchange gains or losses", except for valuation differences arising from foreign currency participations, subsidiaries and foreign currency non-performing loans.

The Bank hedges foreign currency exposure arising from carrying its foreign subsidiaries at equity method, with foreign currency financial liabilities and applies net investment hedge accounting. The effective portions of the change in fair value in financial liabilities in foreign currency are recorded under "Other accumulated comprehensive income that will be reclassified in other profit or loss" in equity.

In order to eliminate the inconsistency in the recognition, the Bank might classify its financial liabilities as financial liabilities at fair value through profit/loss upon the initial recognition.

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3. Explanations on investments in associates, subsidiaries and joint ventures:

Associates, subsidiaries and joint ventures are being carried at equity method as defined in “TAS 28 - Investments in Associates and Joint Ventures” in the unconsolidated financial statements of the Bank started from June 30, 2015. Any valuation differences arising from prior years, before January 1, 2015, are booked as “Other accumulated comprehensive income that will not be reclassified in profit or loss” under equity. In the following periods, any valuation differences arising from the current period income and other comprehensive income are booked in profit and loss statement and “Other accumulated comprehensive income that will not be reclassified in profit or loss” under the equity, respectively. This accounting policy change is performed through an early adaption before the effective date of January 1, 2016 in accordance with the change of “TAS - 27 Turkish Accounting Standards for Individual Financial Statements” numbered 29321 on April 9, 2015 and confirmation by BRSA’s letter numbered 10686 on July 14, 2015.

4. Explanations on forward and option contracts and derivative instruments:

The Bank’s derivative transactions mostly include money and interest rate swaps, forward foreign exchange purchase and sale transactions and options.

Derivative instruments are measured at fair value on initial recognition and subsequently remeasured at their fair values. As a result, the fair value of derivatives is reflected as net liability or net asset on a contract by contract basis. The accounting method applied to the income or loss arising from derivative instruments depends on whether the derivative is being used for hedging purposes or not and depends on the type of item being hedged.

At the transaction date, the Bank documents the relationship between hedging instruments and hedged items, together with the risk management policies and the strategies on hedging transactions. Besides, the Bank regularly documents the effectiveness of the hedging instruments in offsetting the changes in the fair value of the hedged items.

Changes in the fair value of derivative instruments subject to fair value hedges are recognized under profit or loss accounts together with the variation in the fair value of hedged items. The changes of fair value of derivative transactions for fair value hedge are classified in “Derivative Financial Transactions Gains/Losses” account. In the balance sheet, changes in the fair value of hedged assets and liabilities, during the period in which the hedge is effective, are shown with the related assets and liabilities. The ineffective portion of the mentioned hedging transaction is reflected to the income statement. If the underlying hedge does not conform to the hedge accounting requirements, according to the adjustments made to the carrying value [amortized cost] of the hedged item, for which the risk is hedged by a portfolio hedge, are amortized with the straight line method within the time to maturity and recognized under the profit and loss accounts. Fair value adjustments are recognized directly in the income statement in an event of repayment and/or unwinding and/or derecognition of the hedged item.

The Bank hedges its cash flow risk arising from foreign currency and Turkish Lira floating interest rate liabilities by using currency and interest rate swaps. The effective portion of the fair value changes of the hedging instruments are recorded in “Other accumulated comprehensive income that will be reclassified in profit or loss” under shareholders’ equity. These funds are transferred to profit or loss from equity when the cash flows of the hedged items [interest expense] impact the income statement.

In case the cash flow hedge accounting is discontinued due to the expiry, realization for sale of the hedging instrument, or due to the results of the effectiveness test the amounts accounted under shareholders’ equity are transferred to the profit and loss accounts as these cash flows of the hedged item are realized.

Some of the trading purpose derivative transactions, even though they provide effective economic hedges under the Bank’s risk management policy, do not qualify for hedge accounting under the specific rules in “TFRS 9 - Financial Instruments” and are therefore treated as “Derivative financial assets at fair value through profit or loss”.

“Derivative financial assets at fair value through profit or loss” are measured at fair value. If the fair value of derivative financial instruments is positive, it is disclosed under the main account “Derivative financial assets at fair value through profit or loss”; and if the fair value difference is negative, it is disclosed under “Derivative financial liabilities at fair value through profit or loss”. Fair value changes are recorded under “Derivative Financial Transactions Gains/[Losses]” in the income statement.

The fair values of the derivative financial instruments are calculated using quoted market prices or by using discounted cash flow models.

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Parameters used for the valuation of the option portfolio are determined by market risk management and the confirmation of the accuracy of fair value calculations are monitored periodically by market risk management.

Liabilities and receivables arising from the derivative instruments are followed in the off-balance sheet accounts as their contractual values. Embedded derivatives are separated from the host contract and accounted as derivative instruments according to “TFRS - 9 Financial Instruments” in case [i] the related embedded derivative’s economic features and risks are not closely related to the host contract, [ii] another instrument that has the same contract conditions with the embedded derivative satisfies the definition of a derivative instrument and [iii] the hybrid instrument is not carried at fair value through profit or loss.

Credit derivatives are capital market tools designed to transfer credit risk from one party to another.

As of December 31, 2020, the Bank’s credit derivatives portfolio included total return swaps.

Credit linked notes are bonds that have repayments depending on a credit event or the credit risk evaluation of a reference asset or asset pool. Depending on whether the reference assets are included in the balance sheet of the issuer or the owner of the assets, these transactions can be accounted by the party assuming the credit risk as insurance or as an embedded derivative. As per the Bank’s management evaluation, the embedded derivatives included in the credit linked notes are separated from the host contracts in accordance with “TFRS - 9 Financial Instruments” and recorded and evaluated as credit default swaps. The bond itself [host contract] is valued in accordance with the valuation principles of the category it is classified.

Total return swaps are contracts, in which the seller commits to pay the contract value for all cash flows of the reference assets of the seller and the changes of the market values of these reference assets to the buyer during the contract maturity and bear all the decreases in the market value of these reference assets. The Bank uses the total return swaps to generate long term funding.

Market risks of these products are monitored using the Bank’s internal modeling system for the Value-at-Risk and basis points sensitivity analysis; the liquidity risks are monitored using the short term liquidity report on daily and the long term liquidity report on monthly basis.

According to the regulations of BRSA, currency exchange transactions, which are realized at value date in the initial phase of currency swaps, are recorded and followed as irrevocable commitments in off-balance sheet accounts until the value date.

A Credit Valuation Adjustment (CVA) is applied to the Bank’s over-the-counter derivative exposures to take into account the counterparty’s risk of default when measuring the fair value of the derivative. CVA is the mark-to-market cost of protection required to hedge credit risk from counterparties in the Bank’s over-the-counter derivatives portfolio. The Bank calculates CVA based on collective provisioning methodology calculated in accordance with Turkish Financial Reporting Standards, “TFRS - 9 Financial Instruments”, comprising the product of Exposure, Probability of Default (PD) and Loss Given Default (LGD). CVA is calculated based on the exposure of each counterparty.

Within the scope of TFRS 13 Fair Value Measurement standard; [i] if there is a significant decrease in the volume or level of activity for that asset or liability in relation to normal market activity for the asset or liability [or similar assets or liabilities]; [ii] when the transaction or quoted price does not represent fair value; and/or [iii] when a price for a similar asset requires significant adjustment to make it comparable to the asset being measured, or [iv] when the price is stale, the Bank makes an adjustment to the transactions or quoted prices and reflects this adjustment to the fair value measurement. In this context, the Bank determines the point within the range that is most representative of fair value under current market conditions.

5. Explanations on interest income and expense:

Interest income and expenses are recognized in the income statement on an accrual basis by using the effective interest method periodically

Retrospective rediscount calculation and foreign exchange evaluation is performed for non performing loans, and accrued interest and rediscounts as of transfer to non performing loan accounts are accounted under loan accrual/rediscount accounts as per Uniform Chart of Accounts (“UCA”). The Bank ceases accruing interest after non-performing loan classification. In place of that, interest amount representing the time value of future collections is recognized under interest income instead of provision expense.

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6. Explanations on fee and commission income and expenses:

Fees and commissions received as a result of the service agreements or arising from negotiating or participating in the negotiation of a transaction on behalf of a third party are recognized either in the period when the transaction is realized or deferred based on the type of the underlying transaction. Other commission income and fees from various banking services are recorded as income at the time of realization.

Except for fees and commissions that are integral part of the effective interest rates of financial instruments measured at amortized costs, the fees and commissions are accounted for in accordance with TFRS 15.

7. Explanations on financial assets:

As of January 1, 2018, the Bank has applied TFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL)
- Fair value through other comprehensive income (FVOCI)
- Amortised cost

According to TFRS 9, classification of financial assets is based on two criterias; business model under which the financial asset is being managed and contractual cash flows representing solely payments of principal and interest of the financial asset. This evaluation incorporates whether there is any clause that may change timing or amount of contractual cash flows of the financial asset.

Classification of financial assets reflects the business model of how the Bank manages the assets in order to generate cash flows. Bank’s business model may be to collect the contractual cash flows from the assets or to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, then the financial assets are classified as part of ‘other’ business model and measured at FVPL. Factors considered by the Bank in determining the business model for a bank of assets include past experience on how the cash flows for these assets were collected, how the asset’s performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the ‘other’ business model and measured at FVPL.

Assessment of the business model

The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

The business model does not depend on management’s intentions for an individual instrument. Accordingly, this condition is not a single-instrument basis approach for classification and should be determined on a higher level of aggregation.

During the assessment of the business model for management of financial assets, all relevant evidences available at the assessment date have taken into consideration. Such relevant evidence includes below:

- How the performance of the portfolio is evaluated and reported to the Bank’s management;
- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management’s strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank’s stated objective for managing the financial assets is achieved and how cash flows are realised.

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If cash flows are realised in a way that is different from the expectations on the date of the assessment of the business model, that does not give rise to a prior period error in the financial statements nor does it change the classification of the remaining financial assets held in that business model as long as all relevant information that was available at the time of business model assessment were. However, when the business model is assessed for newly originated or newly purchased financial assets, it must be considered information about how cash flows were realised in the past, along with all other relevant information.

The business models are divided into three categories. These categories are defined below:

- Business model whose objective is to hold assets in order to collect contractual cash flows

Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows are managed to realise cash flows by collecting contractual payments over the life of the instrument. That is, the Bank manages the assets held within the portfolio to collect those particular contractual cash flows.

Although the objective of Bank’s business model may be to hold financial assets in order to collect contractual cash flows, the Bank does not need to hold all of those instruments until the maturity. Thus Bank’s business model can be to hold financial assets to collect contractual cash flows even when sales of financial assets occur or are expected to occur in the future.

The business model may be to hold assets to collect contractual cash flows even if the Bank sells financial assets when there is an increase in the assets’ credit risk. The Bank considers reasonable and supportable information, including forward looking information, in order to determine whether there has been an increase in the assets’ credit risk. Regardless of their frequency and value, sales due to an increase in the assets’ credit risk are not inconsistent with a business model whose objective is to hold financial assets to collect contractual cash flows because the credit quality of financial assets is relevant to the Bank’s ability to collect contractual cash flows.

- A business model whose objective is achieved by both collecting contractual cash flows and selling financial assets

The Bank may hold financial assets in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. In this type of business model, the Bank’s management have made a decision on both collecting contractual cash flows and selling financial assets is necessary for achieving the objective of the business model. There are various objectives that may be consistent with this type of business model. For example, the objective of the business model may be to manage liquidity needs on a daily basis, to maintain a particular interest yield profile or to match the duration of the financial assets to the duration of the liabilities funding those assets. To achieve such an objective, the Bank will both collect contractual cash flows and sell financial assets.

Compared to a business model whose objective is to hold financial assets to collect contractual cash flows, this business model will typically involve greater frequency and value of sales. This is because selling financial assets is integral to achieving the business model’s objective instead of being only incidental to it.

- Other business models

Financial assets are measured at fair value through profit or loss if they are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets

A portfolio of financial assets that is managed and whose performance is evaluated on a fair value basis is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. The Bank is primarily focused on fair value information and uses that information to assess the assets’ performance and to make decisions.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs. In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

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When making such assessment, the Bank:

- contingent events that would change the amount and timing of cash flows
- leverage features
- prepayment and extension terms
- conditions restricting the Bank from asking the cash flows of the assets
- features that change the time value of the money

When the contractual conditions are exposed to the risks which are not consistent with the basic lending arrangement or variability of cash flows, the relevant financial asset is measured at fair value through profit or loss.

7.1. Financial assets at fair value through profit or loss

Financial assets, which are classified as “Financial assets at fair value through profit or loss”, are trading financial assets and are either acquired for generating profit from short-term fluctuations in the price or dealer’s margin, or are financial assets included in a portfolio in which a pattern of short-term profit making exists independent from the acquisition purpose.

Trading financial assets are initially recognized at fair value and are subsequently re-measured at their fair value. However, if fair values cannot be obtained from active market transactions, it is assumed that the fair value cannot be observed reliably and fair values are calculated by alternative models. All gains and losses arising from these valuations are recognized in the income statement. Interest earned while holding financial assets is reported as interest income and dividends received are included separately in dividend income.

The principles regarding the accounting of derivative financial instruments are explained in detail in Note 4 of this section.

7.2. Financial assets measured at amortised cost:

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, are measured at amortised cost. These financial assets are initially recognized at total of acquisition and transaction cost. After their initial recognition they are carried at “Amortized cost” using the “Effective interest method”.

7.3. Loans:

Loans are financial assets raised through lending without having the intention to trade in the short term. Loans are non derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted on active market. Loans are recognized initially at cost including transaction costs [which reflect fair values] and subsequently carried at the amortized cost using the “effective interest method”. The expenses incurred for the assets received as collateral are not considered as transaction costs and are recognized in the expense accounts.

Retail, commercial and corporate loans included in cash loans are accounted for with their original maturities in accounts which are mentioned in the UCA. Foreign currency indexed loans are initially measured at local currency accounts with the foreign exchange rate prevailing at date of the initial recognition and re-valued with the relevant foreign currency rates prevailing at the date of the financial statements. Increase or decrease in the value of the principal amount of the loan due to changes in foreign exchange rates is accounted in the related income and expense accounts. Repayment amounts are translated with the foreign exchange rates prevailing at the repayment dates and the valuation differences are accounted for in “foreign exchange gain/loss” accounts.

The Bank provides provision for expected credit losses based on the assessments and estimates of the management, by considering “IFRS 9 - Financial Instruments” and the “Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks’ Loans and Other Receivables and the Provision for These Loans and Other Receivables” [“Provisioning Regulation”] published in the Official Gazette No. 29750 dated June 22, 2016. In this context, the management estimates are determined on the basis of the prudence principle and Bank credit risk policies, considering the general structure of the loan portfolio, the financial conditions of the customers, non-financial information and the economic conjuncture.

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Due to the impact of COVID-19 outbreak, the BRSA took the following decisions that was effective from March 17, 2020:

- The 90-day delay period that was envisaged for the classification of non-performing loans will be applied 180 days until June 30, 2021 for Stage 1 and 2 loans.
- The 30-day delay period that was envisaged for the classification of loans in stage 2 will be applied as 90 days until June 30, 2021 for Stage 1 loans.
- Continuing to allocate provisions according to their own risk models in the calculation of expected credit loss within the scope of IFRS 9 for loans, which are classified as Stage 2 despite a delay of more than 90 days and classified as Stage 1 despite a delay of more than 30 days.

As of December 31, 2020, the Bank has made its classifications in accordance with the changes mentioned above and reflected them in its financial statements. In this context; the Bank has evaluated many reasonable and supportable qualitative and quantitative data by taking into account the impact of COVID-19 in assessing whether there is a significant increase in credit risk in the classification of loans according to stages and determining the moment when the default situation occurs. It has classified the loans according to their stages according to its best judgment under the current conditions.

The Bank has taken into account the possible difficulties in the cash flows or payments of customers due to uncertainties regarding the COVID 19 epidemic process within the scope of IFRS 9 while calculating the expected credit loss for the loans classified according to their stages in the scope above. Based on this, the Bank has been allocating more provision for the loans which are classified as Stage 2 despite a delay of more than 90 days and classified as Stage 1 despite a delay of more than 30 days, in their stages according to credit risk models.

On the other hand, the Bank follow closely the processes related to the epidemic and continues its activities in this period with sensitivity in line with the needs of its individual and commercial customers, by postponing the debts due, restructuring with a grace period and allocating existing/additional limits. In this context the credit risk of customers which requests postponing is reflected to the estimates used in the calculation of expected credit loss by using expert judgement also taking into consideration historical data, current conditions and future expectations.

Provision expenses are deducted from the net income of the year. If there is a subsequent collection from a receivable that was already provisioned in previous years, the recovery amount is classified under “Other operating income”. The write off policy is described in the explanations and notes related to assets, fifth section.

7.4. Financial assets at fair value through other comprehensive income:

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets’ cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income [FVOCI].

Financial assets at fair value through other comprehensive income are subsequently re-measured at fair value. When fair values based on market prices cannot be obtained reliably, the financial assets at fair value through other comprehensive income are carried at fair values determined by using alternative models. Equity instruments which are not quoted on a market and the fair values of which cannot be determined reliably, are carried at cost less any impairment. “Unrealized gains and losses” arising from changes in the fair value of financial assets classified as financial assets at fair value through other comprehensive income are recognized in the shareholders’ equity as “Other accumulated comprehensive income that will be reclassified in profit or loss”, until the related assets are impaired or disposed. When these financial assets are disposed or impaired, the related fair value differences accumulated in the shareholders’ equity are transferred to the income statement. Interest and dividends received from Financial assets at fair value through other comprehensive income are recorded in interest income and dividend income as appropriate.

Interest income on financial assets at fair value through other comprehensive income are calculated by effective interest rate method and are accounted for in interest income account. At the time of sale of a financial assets at fair value through other comprehensive income before the maturity, the difference between the profit, which is the difference between the cost and sales price of the financial assets, and the interest income accrual are accounted under “Profit/losses from capital market transactions”.

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7.5. Equity instruments measured at fair value through other comprehensive income:

At initial recognition, an irrevocable election can be made to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of TFRS 9. Such election is made on an instrument by instrument basis. Fair value differences recognized in other comprehensive income are not transferred to profit or loss in the following periods and transferred to prior years’ profit/loss. The equity instruments measured at fair value through other comprehensive income, are not subject to impairment calculation

8. Explanations on impairment of financial assets:

The Bank assesses the expected credit losses (“ECL”) related with its debt instrument assets carried at amortised cost and at fair value through other comprehensive income, with the exposure arising from loan commitments and financial guarantee contracts on a forward-looking basis. The Bank recognises a loss allowance for such losses at each reporting date. The measurement of expected credit losses reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money;
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The measurement of the expected credit loss allowance:

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and at fair value through other comprehensive income is an area that requires the use of advanced models and significant assumptions about future economic conditions and credit behaviour.

These financial assets will be divided into three categories depending on the gradual increase in credit risk observed since their initial recognition. Impairment shall be recognized on outstanding amounts in each category, as follows:

Stage 1:

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk will be recorded in the amount of 12-month expected credit losses.

Stage 2:

In the event of a significant increase in credit risk since initial recognition, the financial asset will be transferred to this category. Impairment for credit risk will be determined on the basis of the instrument’s lifetime expected credit losses.

Stage 3:

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognized and interest revenue is calculated on the net carrying amount.

Life-time expected credit loss is calculated on an individual or collective basis for the financial assets in stage 2 and stage 3.

General provisions represent ECLs for the first stage and the second stage, specific provisions represent ECLs for the third stage.

The Bank has developed specific models for calculating the expected loss; such models are based on the parameters of PD, LGD and EAD and on the effective interest rate. In particular:

- the PD (Probability of Default), represents the probability of occurrence of an event of default of the credit exposure, in a defined time lag;
- the LGD (Loss Given Default), represents the percentage of the estimated loss, and thus the expected rate of recovery, at the date of occurrence of the default event of the credit exposure;
- the EAD (Exposure at Default), represents the measure of the exposure at the time of the event of default of the credit exposure;
- the Effective interest rate is the discount rate that expresses of the time value of money.

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Such parameters are calculated starting from the corresponding parameters used for IRB preparation purposes, with specific adjustments in order to ensure consistency between accounting and regulatory treatment despite different regulatory requirements.

The main adjustments aimed at:

- removal of prudency principal required for IRB preparation phase;
- introducing "point-in-time" adjustments to replace "through-the-cycle" adjustments required for IRB preparation phase [YKB is at pre-application stage for A-IRB models. TFRS-9 parameters developed over these parameters.];
- with reference to lifetime PD, through-the-cycle PD curves obtained by adjusting observed cumulated default rates were calibrated in order to reflect point-in-time on portfolio default rates.

Recovery rate incorporated into through-the-cycle LGD was adjusted in order to remove prudency principle and to reflect the most updated trend of recovery rates discounted at effective interest rate or at its best approximation.

The lifetime EAD has been obtained by converting the 1 year regulatory or managerial model to life-time, removing margin of prudency and including the expected discounted cash flow.

The Stage Allocation model is a key aspect of the new accounting model required to calculate expected credit losses which is aimed at transferring credit exposures from Stage 1 to Stage 2.

With reference to the quantitative component of the model for stage allocation, the Bank has adopted a statistical approach based on a quantiles regression whose objective is to define a threshold in terms of maximum variation acceptable between the PD at the time of origination and the PD assessed at the reporting date.

The Stage Allocation model was based on a combination of relative and absolute elements. The main elements were:

- comparison, for each transaction, between the PD measured at the time of recognition and PD as at the reporting date, both calculated according to internal models, through thresholds set in a way considering all key variables of each transaction that can affect the Bank's expectation of PD changes over time;
- absolute elements such as the backstops required by law;
- additional internal evidence

Significant increase in credit risk

In the assessment of significant increase in credit risk quantitative and qualitative assessments are made;

Quantitative Assessment:

As a result of quantitative assessment, related financial asset is classified as stage 2 (Significant Increase in Credit Risk) when any of the following criterias are satisfied.

As of reporting date:

- Lifetime expected credit losses shall be recognized on a transaction base, when 30 days past due status is reached. The Bank can abandon this estimation when it has reasonable and supportable information available which demonstrates that even if contractual payments become more than 30 days past due, this does not represent a significant increase in the credit risk of a financial instrument.
- In case a loan has been restructured, it will be followed up under Stage 2 during the follow-up period mentioned in the related regulations. The loan can be transferred back to Stage 1 at end of the follow-up period if there is no significant deterioration.
- Provisions on unindemnified non cash loans are evaluated as significant increase in credit risk.

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Qualitative Assessment

The probability of significant increase in credit risk under qualitative assessment is based on the comparison of probability of default of a loan in the origination and as of reporting date.

The Bank uses distribution regression on segment basis in order to calculate the thresholds used in defining the significant increase in credit risk.

Financial instruments defined as low risk for TFRS 9 are;

- Receivables from Central Bank of the Republic of Turkey;
- Loans with counterparty of Treasury of the Republic of Turkey
- The issued securities or guaranteed marketable securities from central banks of the countries where Bank’s subsidiaries, associates are resident;
- Bank placements;
- Other money market transactions;
- Transactions of Bank’s associates and subsidiaries

Forward Looking Information

Forward-looking macroeconomic information is incorporated into credit risk parameters during assessment of significant increase in credit risk and expected credit loss calculation. For the calculation of expected credit loss, Bank uses macroeconomic estimation method which is developed during creation of various scenarios. Macroeconomic variables prevailing during these estimates are Gross Domestic Product (GDP), Unemployment Rate, Foreign Trade Balance and Housing Price Index.

When expected credit losses are estimated in accordance with the forward looking macroeconomic information, the Bank evaluates 3 scenarios (base, pessimistic and optimistic) with various weights based. Each of these scenarios are in relation with different probability of default risk. Within the scope of the effects of COVID-19 on Expected Credit Loss calculations, the Bank has reviewed the macroeconomic model used in the process as of December 31, 2020, increased 30 basis points the weight of the pessimistic scenario by reducing the weight of the optimistic scenario with the same amount and used the data considered to reflect the current situation in the best way.

On the other hand, researches have been carried out on the sectors affected by COVID-19, the effects that belonged to the period which COVID-19 was the most effective, were segregated on a sectoral basis and analyzed whether in which direction the Borsa Istanbul Index data differed from the cumulative index data and this differentiation is reflected in the probability of default values on a sectoral basis.

The Bank revised its macroeconomic expectations due the effects of the COVID-19 pandemic and reflected the calculations made to its financial statements considering the probability of default values and the possible changes in the exposure at default. In this context, the Bank has measured the effect of the change in macroeconomic data used in the calculation of expected credit loss such as gross domestic product, unemployment rate and foreign trade deficit, on the non performing loans under different scenarios and reflected the coefficient increase, which was considered to be the most accurate, to its provision calculations by projecting it on the loan parameters within the range of NPL ratio obtained throughout the calculations. The Bank reflected the possible effects of the COVID-19 and estimation of cash flows with reasonable and supportable information used in calculating the expected loan loss provision for the loans subject to individual assessment. This preferred approach will be revised in the coming reporting periods considering the impact of the outbreak, the credit portfolio and changes in future expectations.

9. Explanations on offsetting financial assets:

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Bank has a legally enforceable right to offset the recognized amounts and to collect/pay related financial assets and liabilities on a net basis, or to realise the asset and settle the liability simultaneously.

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10. Explanations on sales and repurchase agreements and securities lending transactions:

Securities subject to repurchase agreements ("Repo") are classified as "Financial assets at fair value through profit or loss", "Financial assets at fair value through other comprehensive income" and "Financial assets measured at amortised cost" according to the investment purposes of the Bank and measured according to the portfolio to which they belong. Funds obtained from repurchase agreements are accounted under "Money market funds" in liabilities and the difference between the sale and repurchase price is accrued over the life of the repurchase agreements using the "Effective interest method". Interest expense on repo transactions are recorded under "Interest expense on money market transactions" in the income statement.

Funds given against securities purchased under agreements to resell ("Reverse repo") are accounted under "Receivables from money markets" on the balance sheet. The difference between the purchase and determined resell price is accrued over the life of repurchase agreements using the effective interest method.

The Bank has no securities lending transactions.

11. Information on assets held for resale and related to discontinued operations and explanations on liabilities related with these assets:

According to the "IFRS - 5 Non-current Assets Held for Sale and Discontinued Operations", a tangible asset (or a bank of assets to be disposed) classified as "Asset held for resale" is measured at lower of carrying value and fair value less costs to sell. An asset (or a bank of assets to be disposed) is regarded as "Asset held for resale" only when the sale is highly probable and the asset (or a bank of assets to be disposed) is available for immediate sale in its present condition.

For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset should be actively in the market at a price consistent with its fair value.

A discontinued operation is a part of the Bank's business classified as sold or held for sale. The operating results of the discontinued operations are disclosed separately in the income statement.

12. Explanations on goodwill and other intangible assets:

12.1. Goodwill:

The excess of the cost of an acquisition over the fair value of the Bank's share of the identifiable assets, liabilities or contingent liabilities of the acquired subsidiary at the date of acquisition of the control is recorded as goodwill and represents a payment made by the acquirer in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognized. The acquirer also recognizes assets that are capable of being individually identified and separately recognized, intangible assets (e.g. credit card brand value, deposit base and customer portfolio) and contingent liabilities at fair value, irrespective of whether the asset had been recognized by the acquire before the business combination, if it can be distinguished from the goodwill and if the asset's fair value can be measured reliably.

As explained in Note 2, Section 1, in 2006, all rights, receivables, debts and liabilities of Koçbank were transferred to the Bank pursuant the merger of the two banks. The goodwill resulting from the merger and calculated in line with IFRS 3, was recorded in the unconsolidated financial statements of the Bank.

In line with "IFRS - 3 Business Combinations", the goodwill is not subject to amortization but is tested annually or more frequently for impairment losses, if any, in line with "IAS - 36 Impairment on Assets". For the purposes of impairment testing, goodwill is allocated to each of the Bank's cash-generating units that is expected to benefit from the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment once a year. If there are any indications that the unit is impaired, the impairment test is performed more frequently. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the income statement. An impairment loss recognized for goodwill is not reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

There is no evidence of impairment on the goodwill amount as a result of the impairment test.

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12.2. Other intangible assets:

Other intangible assets are measured at cost on initial recognition and any directly attributable costs of setting the asset to work for its intended use are included in the initial measurement. Subsequently, intangible assets are carried at historical costs after the deduction of accumulated amortization and the provision for impairment.

The Bank evaluates the possibility of existence of impairment of intangible assets at the end of each reporting period. If there is an evidence of impairment, the Bank estimates a recoverable amount in accordance with the “TAS - 36 Impairment of Assets”. The recoverable amount is the higher of net sales price or the value in use. When the book value of another intangible asset exceeds the recoverable amount, the related asset is considered to be impaired. If there is no evidence of impairment, there is no need to estimate the recoverable amount.

Intangibles are amortized over their estimated useful lives using the straight-line method. The useful life of the asset is determined by assessing the expected useful life of the asset, technical, technological and other kinds of obsolescence and all required maintenance expenses necessary to utilize the economic benefit from the asset.

13. Explanations on property and equipment:

Property and equipment is measured at its cost when initially recognized and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement in accordance with “TAS - 16 Property, Plant and Equipment”. Subsequently, properties and equipment, except art objects, paintings and buildings are carried at cost less accumulated depreciation and provision for impairment.

The Bank adopted a fair value accounting method for its buildings as of March 31, 2015 in tangible assets in accordance with “TAS - 16 Property, Plant and Equipment”.

The depreciation rate for buildings is 2-4%, for movables and movables acquired under financial leasing depreciation is calculated over estimated useful life by using the straight-line method.

The depreciation charge for items remaining in property and equipment for less than a full accounting period at the balance sheet date is calculated in proportion to the period the item remained in property and equipment.

In accordance with “TAS - 36 Impairment of Assets”, where the carrying amount of an asset is greater than its estimated “recoverable amount”, it is written down to its “recoverable amount” and the provision for impairment is charged to the income statement.

Gains and losses on the disposal of property and equipment are determined by deducting the net book value of the property and equipment from its sales proceeds.

Expenditures for the repair and maintenance of property and equipment are recognized as expense. The capital expenditures made in order to increase the capacity of the tangible asset or to increase its future benefits are capitalized on the cost of the tangible asset. The capital expenditures include the cost components which are used either to increase the useful life or the capacity of the asset or the quality of the product or to decrease the costs.

14. Explanations on leasing transactions:

The Bank performs leasing transactions in the capacity of the lessee and lessor.

Accounting of leasing operations according to lessee:

The Bank has adopted “IFRS 16: Leases” approach in the accounting of leasing transactions.

In accordance with IFRS 16, the Bank calculates “right-of-use” amount using the present value of the lease payments of fixed asset at the beginning of the leasing period and recognizes under “property and equipment”. Unpaid leasing payments are calculated at their net present value and recognized under “lease payables” in liabilities. Lease payments are discounted using related borrowing rates.

Fixed assets that are subject to leasing is amortised on the basis of leasing period. Interest expense related to lease payables is classified under “interest on lease payables” under “interest expense” and exchange rate changes are classified under “foreign exchange gains/losses”. Leasing payments are deducted from lease payables.

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Accounting of the leasing transactions in terms of the lessor:

The major risks and benefits of the property carried by the lessor are classified as operational leasing. The payments that are received as operational leasing are accounted as income via the linear method throughout the leasing term.

15. Explanations on provisions, contingent liabilities:

Provisions and contingent liabilities, except for the specific and general provisions recognized for loans and other receivables, are accounted in accordance with “TAS - 37 Provisions, Contingent Liabilities and Contingent Assets”.

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions for contingent liabilities arisen from past events are recognized in the period of occurrence in accordance with the “Matching principle”. A provision is recognized when it is probable that the contingent event will occur and a reliable estimate can be made. When a reliable estimate of the amount of obligation cannot be made or it is not probable that an outflow of resources will be required to settle the obligation, it is considered that a “contingent” liability exists and it is disclosed in the related notes to the financial statements.

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. Contingent assets are disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs.

16. Explanations on obligations related to employee rights:

16.1. Employee termination benefits

Obligations related to employee termination and vacation rights are accounted for in accordance with “TAS - 19 Employee Rights” and are classified under “Reserve for employee rights” account in the balance sheet.

Under the Turkish Labour Law, the Bank is required to pay a specific amount to the employees who have retired or whose employment is terminated other than for the reasons specified in the Turkish Labour Law. The reserve for employment termination benefits represents the present value of the estimated total liability for the future probable obligation of the Bank determined by using certain actuarial assumptions. Actuarial gains and losses generated after January 1, 2013, are accounted for under equity in accordance with the revised “TAS - 19 Employee Rights” standard.

16.2. Pension rights

The Bank’s personnel are members of the Yapı ve Kredi Bankası Anonim Şirketi Mensupları Yardım ve Emekli Sandığı Vakfı [“the Fund”] which was established in accordance with the 20th temporary article of the Social Security Law No.506. The technical financial statements of the Fund are audited in accordance with the Article 38 of the Insurance Supervision Law and the “Regulation Regarding the Actuaries” by a registered independent actuary.

Temporary article 23 paragraph 1 of the Banking Act published in the Official Gazette No. 25983 dated November 1, 2005 stated that foundations like the Fund are to be transferred to the Social Security Institution [“SSI”] within three years beginning from the publication date of the article.

The article of the Law related to the transfer was cancelled [pursuant to the application by the President on November 2, 2005] by the decision of Constitutional Court [decision no: E.2005/39, K. 2007/33 dated March 22, 2007] published in the Official Gazette No. 26479 dated March 31, 2007, and the effect of the law article was suspended from the date of the publication of the decision.

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PRESENTATION

FROM THE
MANAGEMENTABOUT
YAPI KREDİBUSINESS
MODEL AND
STAKEHOLDERSRESPONSIBLE
GROWTHINNOVATIVE
BANKINGHUMAN
FOCUSCORPORATE
GOVERNANCEFINANCIAL
INFORMATION

ANNEXES

The reasoning of the Constitutional Court regarding the abrogation of the corresponding article was published in the Official Gazette dated December 15, 2007, No 26731. With the publication of the reasoning of the decision, the Grand National Assembly of Turkey (“GNAT”) started to work on new legal arrangements regarding the transfer of the fund members to SSI and the related articles of the “Law Regarding the Changes in Social Insurance and General Health Insurance Law and Other Related Laws and Regulations” No 5754 (“the New Law”) regulating the transfer of the funds were approved by the GNAT on April 17, 2008. The New Law was published in the Official Gazette No. 26870 dated May 8, 2008. With the new law, the banks’ pension funds will be transferred to SSI within three years from the date of publication of the decree and this period can be extended for a maximum of two years with the decision of the Council of Ministers. The transfer period was extended for another two years with the decision of the Council of Ministers No. 2011/1559 published in the Official Gazette dated April 9, 2011. According to the “Amendment of Social Insurance and General Health Insurance Law No. 6283” published in the Official Gazette dated March 8, 2012, Council of Ministers was authorized to increase the two-year extension period mentioned above to four years. According to the decision of The Council of Ministers dated February 24, 2014, the transfer date is set as May 2015. The Council of Ministers was authorized to determine the transfer date of pension funds in accordance with the last amendment in the first paragraph of the 20th provisional article of Law No.5510 implemented by the Law No. 6645 on Amendment of the Occupational Health and Safety Law and Other Laws and Decree Laws published in the Official Gazette dated April 23, 2015 and numbered 29335. The president was authorized to determine the transfer date of pension funds in accordance with the last amendment by the Law No. 30473 published in the Official Gazette dated July 9, 2018.

A commission [whose members are the representatives of the SSI, the Ministry of Finance, Turkish Treasury, State Planning Organization, BRSA, Saving Deposit Insurance Fund (“SDIF”), one member representing the Fund and one member representing the Fund members] is in charge of the calculation of the value of the payment that would need to be made to SSI to settle the obligation using a technical interest rate of 9,8% by law taking into consideration income and expenses by insurance branches of the funds and the excess of salaries and income paid by the funds over the salaries and income to be paid in accordance with the SSI arrangements which should not be less than SSI arrangements, related to the members of the Fund as of the date of the transfer including the members who have left the scheme.

In accordance with the New Law, after the transfer to SSI, any social rights and payments to Fund members and their beneficiaries which are not provided although they are included in the Fund Title Deed will continue to be provided by the Fund and the employers of the Fund members.

The Bank accounts for a provision for the technical deficit based on the report prepared by a registered actuary in accordance with the rates determined by the New Law.

16.3. Short term benefits of employee:

Within the scope of “TAS - 19 Employee Rights”, the Bank measures the expected costs of accumulated paid leaves as expected payments it will make due to unused leave rights as at the end of the reporting date.

17. Explanations on taxation:

17.1. Current tax:

The corporate tax rate is 20% in accordance with the article number 32 of the New Corporate Tax Law no.5520 which is published in the official Gazette dated June 21, 2006 and numbered 26205. In addition, with the 91st article of The Law numbered 7061 on Amendment of Certain Taxes and Laws and Other Acts which came into effect, being published in the Official Gazette dated December 5, 2017 and numbered 30261, current 20% corporate tax rate, will be applied as 22% for enterprises’ corporate income belonging to the taxation periods of 2018, 2019 and 2020. 22% rate will also be valid for aforementioned years’ in the provisional tax declaration.

Corporate tax rate business income tax in accordance with the laws of the institutions to be added as unacceptable the reduction of costs in the tax laws, exemptions and reductions to the tax base found as a result of the reduction that will be applied. Additional tax is not payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey or to resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as profit distribution and no withholding tax incurs in such a case.

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Corporations are required to pay advance corporate tax quarterly on their corporate income. Advance tax is declared and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations for the current period is credited against the annual corporation tax calculated on the annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

A 75% portion of the capital gains derived from the sale of equity investments and 50% portion of the capital gains derived from immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital or held in a special account under shareholder’s equity for five years.

Under the Turkish Corporate Tax Law, losses can be carried forward to offset against future taxable income for up to five years. Losses cannot be carried back to offset profits from previous periods.

Tax returns are required to be filled and delivered to the related tax office until the last evening of the fourth month following the balance sheet date and the accrued tax is paid same day. Tax returns are open for 5 years from the beginning of the year following the balance sheet date and during this period the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

17.2. Deferred tax:

The Bank calculates and accounts for deferred income taxes for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with “TAS - 12 Income Taxes” and in accordance with BRSA’s explanations and circulars and the tax legislation. The Bank calculates deferred tax on deductible temporary differences, to the extent that future taxable income is estimated to be available. In the deferred tax calculation, the enacted tax rate is used as of the balance sheet date by estimating when the temporary differences will be taxable/deductible in accordance with the current tax legislation.

Deferred tax liabilities are recognized for all resulting temporary differences whereas deferred tax assets resulting from temporary differences are recognized to the extent that future taxable profit will be available against which the deferred tax asset can be utilized.

The calculated deferred tax asset and deferred tax liability are presented as net in these financial statements.

Tax effects of the transactions that are directly accounted under equity are also reflected to equity.

17.3. Transfer pricing:

The article no.13 of the Corporate Tax Law No.5520 describes the issue of transfer pricing under the title of “disguised profit distribution” by way of transfer pricing [previously included as “Disguised profit” in the Corporate Tax Law No.5422]. “The General Communiqué on Disguised Profit Distribution by Way of Transfer Pricing” published at November 18, 2007/26704, explains the application related issues on this topic effective from January 1, 2007, also taking into account the regulations in Article 41 of the Income Tax Law.

“Arm’s length principle”, which is the basis for the transfer pricing rule, is the pricing system to be followed for purchase or sale activities between related parties for any product or service transactions as if the transaction is realized with any other third party. According to this communiqué, if the taxpayers conduct transactions like purchase and sale of goods or services with the related parties where the prices are not determined according to the arm’s length principle, then it will be concluded that there is a disguised profit distribution by way of transfer pricing. Such disguised profit distributions will not be deducted from the corporate tax base for tax purposes.

As discussed in the relevant section of this communiqué, the taxpayers are required to fill out the “Transfer Pricing, Controlled Foreign Entities and Thin Capitalization” form for the purchase and sale of goods or services conducted with their related parties in a taxation period, attach these forms to their corporate tax returns and submit to the tax offices.

18. Explanations on borrowings:

The financial liabilities classified at fair value through profit/loss, trading and derivative financial liabilities are valued with their fair values and the other financial liabilities are carried at “amortized cost” including costs of transactions using the “effective interest method”.

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Bank, classified its part of the financial debts as fair value through profit/loss on financial liabilities. Difference between fair value of the debt and amortized cost of the debt together with the interest expense paid on financial instrument is presented as trading gain and losses in the accompanying financial statements.

The Bank utilises various hedging techniques to minimise the currency, interest rate and liquidity risks of its financial liabilities. No convertible bonds have been issued by the Bank.

Also, the Bank obtains funds by issuing bonds and bills.

19. Explanations on issuance of share certificates:

When shares are issued above their nominal value, the excess over the nominal value is accounted under shareholders’ equity as “Share premium”.

20. Explanations on avalized drafts and letter of acceptances:

Avalized drafts and acceptances are included in the “Off-balance sheet commitments”.

21. Explanations on government grants:

In accordance with the related articles of the “Law Regarding the Supporting of Research and Development Activities” numbered 5746, until balance sheet date, the Bank received government grant from TÜBİTAK amounting to TL 78 (December 31, 2019 - TL 694).

22. Profit reserves and profit distribution:

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution, subject to the legal reserve requirement referred to below. Legal reserves consist of first and second reserves as foreseen in the TCC. The TCC specifies that the first legal reserve is appropriated at the rate of 5% until the total reserve is equal to 20% of paid-in capital and that the second legal reserve is appropriated at the rate of 10% of distributions in excess of 5% of paid-in capital; however holding companies are not subject to this application. According to the Turkish Commercial Code, legal reserves can only be used to compensate for accumulated losses and cannot be used for other purposes unless they exceed 50% of paid-in capital.

No dividend payments were announced after the balance sheet date.

23. Earnings per share:

Earnings per share disclosed in the income statement are calculated by dividing net profit/[loss] for the year to the weighted average number of shares outstanding during the period concerned.

	Current Period	Prior Period
Net Income/[loss] to be appropriated to ordinary shareholders	5.079.518	3.600.060
Weighted average number of issued ordinary shares (thousand)	844.705.128	844.705.128
Earnings per share (full TL)	0,0060	0,0043

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares (“bonus shares”) to existing shareholders from retained earnings. These bonus shares are treated as issued shares in earnings per share computations. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year is adjusted in respect of bonus shares issued without a corresponding change in resources by giving them a retroactive effect. In case bonus shares are distributed after the balance sheet date but before the preparation of the financial statements, earnings per share is calculated considering the new number of shares.

No bonus shares were issued during 2020 (2019 - None).

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24. Related parties:

For the purpose of these financial statements, shareholders having control shares of the Bank, key management personnel and board members together with their families and companies controlled by/affiliated with them, associated companies and joint ventures and the Fund providing post employment benefits are considered and referred to as related parties in accordance with "TAS - 24 Related Parties". The transactions with related parties are disclosed in detail in Note 7 of Section Five.

25. Explanations on operating segments:

Information about operating segments which are determined in line with "TFRS - 8 Operating Segments" together with organizational and internal reporting structure of the Bank, are disclosed in Note 12 of Section Four.

26. Explanations on other matters:

None.

Section Four - Information related to financial position of the Bank

1. Explanations on equity:

The calculation of the own funds and the capital adequacy standard ratio are performed in accordance with the communiqués such as "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy Ratio", "Regulation Credit Risk Mitigation Techniques", "Regulation on calculation of Risk-Weighted Amounts of Securitizations" and "Regulation Regarding Banks' Shareholders' Equity". The capital adequacy ratio of the Bank is 18,23% [December 31, 2019 - 17,81%].

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1.1. Information on equity:

	Current Period	Prior Period
COMMON EQUITY TIER 1 CAPITAL		
Paid-up Capital	8.447.051	8.447.051
Share issue premiums	556.937	556.937
Retained earnings	29.633.487	26.058.750
Accumulated other comprehensive income and other disclosed reserves which defined in the Turkish Accounting Standards	7.377.558	5.716.725
Profit	5.079.518	3.600.060
Net profit of the period	5.079.518	3.600.060
Profit of the previous years	-	-
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	25.382	19.696
Common Equity Tier 1 capital before regulatory adjustments	51.119.933	44.399.219
Common Equity Tier 1 capital: regulatory adjustments		
Prudential valuation adjustments	86.115	81.748
The sum of the net loss for the current period and the previous years which could not be absorbed by the retained earnings and losses recognised in equity in accordance with TAS	2.432.808	1.574.703
Improvement costs for operating leasing	108.425	123.898
Goodwill [net of related tax liability]	979.493	979.493
Other intangibles other than mortgage-servicing rights [net of related tax liability]	844.061	792.785
Deferred tax assets that rely on future profitability excluding those arising from temporary differences [net of related tax liability]	-	-
Cash-flow hedge reserve	-	-
Shortfall of provisions to expected losses	-	-
Securitization gain on sale	-	-
Gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Investments in own shares	-	-
Credits extended contrary to the fourth paragraph of Articles 56 of the Banking Law	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital [amount above 10% threshold]	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank owns more than 10% of the issued share capital [amount above 10% threshold]	-	-
Mortgage servicing rights [amount above 10% threshold]	-	-
Deferred tax assets arising from temporary differences [amount above 10% threshold, net of related tax liability]	-	-
Amount exceeding the 15% threshold [-] of the common equity Tier 1 in accordance with the second paragraph of the provisional article 2 in the regulation regarding the Banks' Shareholders' Equity	-	-
The amount above threshold for the investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank owns more than 10% of the issued share capital	-	-
The amount above threshold for mortgage servicing rights	-	-
The amount above threshold for deferred tax assets arising from temporary differences	-	-
National specific regulatory adjustments which shall be determined by the BRSA	-	-
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	-
Total regulatory adjustments to Common equity Tier 1	4.450.902	3.552.627
Common Equity Tier 1 capital (CET1)	46.669.031	40.846.592

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ADDITIONAL TIER 1 CAPITAL	Current Period	Prior Period
Preferred shares that are not included in Common Equity Tier 1 capital and related shares issue premiums	-	-
Eligible capital instruments and relevant share issue premiums that are approved by the BRSA	4.771.325	3.861.130
Eligible capital instruments and relevant share issue premiums that are approved by the BRSA (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	-	-
Additional Tier 1 capital before regulatory adjustments	4.771.325	3.861.130
Additional Tier 1 capital: regulatory adjustments		-
Investments in own Additional Tier 1 instruments	-	-
Reciprocal cross-holdings in Additional Tier 1 instruments	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-
National specific regulatory adjustments which shall be determined by the BRSA	-	-
Regulatory Adjustments which will be deducted from Tier 1 capital during the transition period		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds [-]	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds [-]	-	-
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-
Total regulatory adjustments to Additional Tier 1 capital	-	-
Total Additional Tier 1 capital	4.771.325	3.861.130
Total Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 capital)	51.440.356	44.707.722
TIER 2 CAPITAL		
Eligible capital instruments and relevant share issue premiums that are approved by the Agency	6.980.701	6.817.423
Eligible capital instruments and relevant share issue premiums that are approved by the Agency (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	322.028	492.467
Provisions (Article 8 of the Regulation on the Equity of Banks)	4.034.262	2.723.888
Tier 2 capital before regulatory adjustments	11.336.991	10.033.778
Tier 2 capital: regulatory adjustments		
Direct and indirect investments of the Bank on its own Tier 2 Capital [-]	-	-
Investments of the Bank to banks that invest on the Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8	141.561	112.694
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) [-]	-	-
Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions) [-]	-	-
National specific regulatory adjustments which shall be determined by the BRSA	-	-
Total regulatory adjustments to Tier 2 capital	141.561	112.694
Total Tier 2 capital	11.195.430	9.921.084
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	62.593.587	54.589.297
The Sum of Tier 1 Capital and Tier 2 Capital (Total Capital)		
Credits extended contrary to the provisions of Articles 50 and 51 of the Banking Law	5.591	4.337
Portion of the sum of the banks' real estate net book values, which is in excess of fifty per cent of their own funds and net book values of those of merchandise and real estate which have to be acquired due to their receivables and disposed of pursuant to Article 57 of the Banking Law, which cannot be disposed of despite the lapse of a period of five years since the date of such acquisition ⁽¹⁾	-	-
National specific regulatory adjustments which shall be determined by the BRSA	36.608	35.172

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	Current Period	Prior Period
ADDITIONAL TIER 1 CAPITAL		
Regulatory Adjustments which will be deducted from Total Capital during the transition period		
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds [-]	-	-
Significant investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold) which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds [-]	-	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold), mortgage servicing rights (amount above 10% threshold), deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds [-]	-	-
Total Capital [The sum of Tier 1 capital and Tier 2 capital] ^[2]	62.438.104	54.589.297
Total Risk Weighted Assets ^[3]	342.492.423	306.434.651
CAPITAL ADEQUACY RATIOS		
Common Equity Tier 1 Capital Adequacy Ratio [%]	13,63	13,33
Tier 1 Capital Adequacy Ratio [%]	15,02	14,59
Capital Adequacy Ratio [%]	18,23	17,81
BUFFERS		
Institution specific buffer requirement of the Bank(a+b+c)	2,530	2,530
a) Capital conservation buffer requirement [%]	2,500	2,500
b) Bank's specific countercyclical buffer requirement [%]	0,030	0,030
c) Systemically important Bank buffer [%]	-	-
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets [%]	9,019	8,590
Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financials	-	-
Significant investments in the common stock of financials	1.203.097	902.257
Mortgage servicing rights (net of related tax liability)	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	4.296.299	2.848.751

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ADDITIONAL TIER 1 CAPITAL	Current Period	Prior Period
Applicable caps on the inclusion of provisions in Tier 2 capital		
General provisions for standard based receivables [before ten thousand twenty five limitation]	11.568.720	6.384.341
Up to 1,25% of total risk-weighted amount of general provisions for receivables where the standard approach used	4.034.262	3.492.164
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Capital instruments subject to phase-out arrangements [only applicable between 1 Jan 2018 and 1 Jan 2022]		
Current cap on Additional Tier 1 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks’ Own Funds	-	-
Amount excluded from AT1 due to cap [excess over cap after redemptions and maturities] which subject to Provisional Article 4 of the Regulation on Banks’ Own Funds	-	-
Current cap on Tier 2 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks’ Own Funds	322.028	492.467
Amount excluded from T2 due to cap [excess over cap after redemptions and maturities] which subject to Provisional Article 4 of the Regulation on Banks’ Own Funds	6.326.953	4.993.118

⁽¹⁾ According to the “Regulation Regarding to changes on Regulation on Banks’ Shareholders’ Equity” published in Official Gazette No.30121 on July 11, 2017, related article has been abolished.

⁽²⁾ In the calculation of Capital Adequacy Ratios, the negative valuation differences on securities acquired before March 23, 2020 classified under “securities at fair value through other comprehensive income” are not taken into consideration in the calculation of own funds according to BRSA note no.9312 dated December 8, 2020.

⁽³⁾ Total Risk Weighted Assets are calculated with arithmetic average of the Central Bank of Turkey’s spot purchase exchange rates for 252 working days before calculation date, according to BRSA note no.9312 dated December 8, 2020.

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1.2. Details on Subordinated Liabilities:

	1	2
Lender [1,2], Issuer [3,4,5]	UNICREDIT SPA	UNICREDIT SPA
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	-	-
Governing law(s) of the instrument	BRSA/Austria Law	BRSA/Austria Law
Transitional Basel III rules	No	No
Eligible at stand-alone/consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated
Instrument type (types to be specified by each jurisdiction)	Loan	Loan
Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	1.718	793
Par value of instrument	4.294	1.982
Accounting classification	Liability - Subordinated Loans- amortised cost	Liability - Subordinated Loans- amortised cost
Original date of issuance	January 9, 2013	December 18, 2013
Perpetual or dated	Dated	Dated
Original maturity date	10 years	10 years
Issuer call subject to prior supervisory approval	Yes	Yes
Optional call date, contingent call dates and redemption amount	After 5th year	After 5th year
Subsequent call dates, if applicable	After 5th year	After 5th year
Fixed or floating dividend/coupon	Fixed	Fixed
Coupon rate and any related index	5,7%	First 5 years 6,55%fixed, second 5 years 7,7156% fixed
Existence of a dividend stopper	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount
Fully discretionary, partially discretionary or mandatory	-	-
Existence of step up or other incentive to redeem	-	-
Noncumulative or cumulative	Noncumulative	Noncumulative
If convertible, conversion trigger (s)	-	-
If convertible, fully or partially	-	-
If convertible, conversion rate	-	-
If convertible, mandatory or optional conversion	-	-
If convertible, specify instrument type convertible into	-	-
If convertible, specify issuer of instrument it converts into	-	-
If write-down, write-down trigger(s)	-	-
If write-down, full or partial	-	-
If write-down, permanent or temporary	-	-
If temporary write-down, description of write-up mechanism	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2
In compliance with article number 7 and 8 of “Own fund regulation”	No	No
Details of incompliances with article number 7 and 8 of “Own fund regulation”	-	-

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BRSA/CMB/LONDON STOCK EXCHANGE/English Law	English Law/Turkish Law	English Law/Turkish Law	BRSA/CMB/Turkish Law	BRSA/CMB/Turkish Law
Regulatory treatment				
Yes	No	No	No	No
Stand-alone -Consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated
Bond	Bond	Bond	Bond	Bond
322	3.670	4.771	500	300
6.649	3.670	4.771	500	300
Liability - Subordinated Loans- amortised cost	Liability - Subordinated Loans- amortised cost	Liability - Subordinated Loans- amortised cost	Liability - Subordinated Loans- amortised cost	Liability - Subordinated Loans- amortised cost
December 6, 2012	March 8, 2016	January 15, 2019	July,3 2019	October,3 2019
Dated	Dated	Perpetual	Dated	Dated
10 years	10 years + 1 day	-	10 years	10 years
No	Yes	Yes	Yes	Yes
-	5 years	Every 5 years	After 5th year	After 5th year
-	-	Every 5 years	After 5th year	After 5th year
Coupons/dividends				
Fixed	Fixed	Fixed	Variable Interest	Variable Interest
5,5%	First 5 years 8,625% fixed, second 5 years MidSwap+7,40%	First 5 years 13,875% fixed, after 5 years MidSwap+11,245% fixed	3 monthly TRYLIBOR +1,00%	TLREF index change + 1,30%
-	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount
-	Mandatory	Optional	Mandatory	Mandatory
-	-	-	-	-
Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
Convertible or non-convertible				
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
Write-down feature				
-	In case of default	In case of default/Common Equity Tier 1 capital adequacy ratio of the bank falls below 5.125%	In case there is a possibility that the official authorization of the Bank is cancelled or the Bank shares are transferred to SDIF	In case there is a possibility that the official authorization of the Bank is cancelled or the Bank shares are transferred to SDIF
-	Partial	Partial and complete	Partial and complete	Partial and complete
-	Permanent	Temporary	Permanent	Permanent
-	-	In case of cancellation of default/Common Equity Tier 1 capital adequacy ratio of the bank is higher than 5.125%	-	-
After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, and the TIER 1	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2
Yes	No	No	No	No
8-2-ğ	-	-	-	-

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1.3. There are differences between the figures in the own funds and their corresponding amounts in the balance sheet. Within this context; in the calculation of own funds, the losses and gains that are related to cash flow hedge transactions are not considered in the own funds and the prudential valuation adjustments calculated in accordance with the [j] item of the first paragraph in the ninth article of the “Regulation Regarding Banks’ Shareholders’ Equity” are considered in the own funds. In the calculation of Capital Adequacy Ratios, the negative valuation differences on securities acquired before March 23, 2020 classified under “securities at fair value through other comprehensive income” are not taken into consideration in the calculation of own funds according to BRSA note no.9312 dated December 8, 2020. In addition, the subordinated liabilities are considered after the adjustments made in accordance with the ninth paragraph of the eighth article and in the provisional fourth article of the “Regulation Regarding Banks’ Shareholders’ Equity”.

1.4. Exposures subject to countercyclical capital buffer

The exposures subject to countercyclical capital buffer table prepared in accordance with the communiqué “Regulation on Capital Conservation and Countercyclical Capital buffers of Banks” published in the Official Gazette no. 28812 dated November 5, 2013 is presented below:

Private sector receivables:

Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	271.203.068	-	271.203.068
Malta	1.524.507	-	1.524.507
Netherland	690.510	-	690.510
Republic of Maldives	614.974	-	614.974
Marshall Islands	470.156	-	470.156
Italy	338.552	-	338.552
Kazakhstan	201.187	-	201.187
Germany	160.894	-	160.894
Switzerland	121.052	-	121.052
Azerbaijan	104.805	-	104.805
Other	802.609	-	802.609
Total	276.232.314	-	276.232.314

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2. Explanations on Credit Risk:

2.1. Credit risk is the loss or the risk of the Bank in case counterparty cannot fulfill its obligations stated in agreements where the Bank is at a side. The Bank identifies loan limits for each customer considering statutory regulations, the internal scoring system, financial analysis reports geographical and industry concentration and considering credit policies determined by Board of the Directors each year. The limits defined by the Bank's Board of Directors for each correspondent bank are followed-up daily by Treasury Management for the transactions related with placements with domestic and correspondent banks or treasury operations such as forward buy and sell transactions. Moreover, daily positions and limit controls of each dealer at Treasury department who is authorized for transactions in the market are performed by the system. During the loan granting process, liquid collaterals are preferred to the greatest extent possible. Collaterals and guarantees must be obtained during credit underwriting based on credit worthiness, customers' financial status, and credit type. While granting of long term project finance loans, long term projections of the companies are analyzed both by financial analysis specialists and head office. Also the pricing of these commitments are decided by coordination with Treasury Management.

The Bank also monitors limitations on single borrower and group of borrowers in accordance with the regulations.

Rating system used for Medium Sized Entities (ME), Small and Medium Sized Entities (SME) and Corporate/Commercial customers is also used for defining the authorization level for loan granting. Thus, customers with a low rating are assigned to higher authority levels, whereas customers with a high rating are assigned to lower authority levels. By using this methodology it is aimed to establish risk based optimization in the loan processes.

Probability of default of a customer is calculated through this internally developed rating system. The rating concentration of Corporate, Commercial, ME and SME customers of the Bank is as follows:

	Current Period	Prior Period
Above average	59,2%	47,5%
Average	34,8%	42,8%
Below average	6,0%	9,7%

The Bank takes following criterias into consideration for the identification of default:

- The loan is overdue more than 90 days.
- The borrower is not able to pay at least one of the loans he received from the Bank (cross default)
- Having a negative intelligence and bad-record for the borrower in the market.
- Deterioration of the creditworthiness of the borrower

The Bank sets aside expected credit loss provisions in accordance with the Provisioning Regulation within the scope of "provisions" and "value adjustments".

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Total amount of exposures after offsetting transactions but before applying credit risk mitigations and the average exposure amounts that are classified in different risk groups and types, are disclosed below for the relevant period:

Risk Classifications:	Current Period risk amount ⁽¹⁾	Average risk amount
Conditional and unconditional receivables from central governments or central banks	146.810.857	116.048.656
Conditional and unconditional receivables from regional or local governments	646	730
Conditional and unconditional receivables from administrative units and non-commercial enterprises	91.003	108.768
Conditional and unconditional receivables from multilateral development banks	774.046	231.999
Conditional and unconditional receivables from banks and brokerage houses	39.753.296	37.134.405
Conditional and unconditional receivables from corporates	181.834.992	167.896.143
Conditional and unconditional retail receivables	99.852.721	88.842.371
Conditional and unconditional receivables secured by mortgages	42.896.020	37.077.938
Past due receivables	4.135.561	4.516.785
Receivables defined as high risk category by the Regulator	2.150.458	1.639.648
Investment in equities	20	5.148
Other receivables	9.863.296	8.749.552
Conditional and unconditional receivables from central governments or central banks	16.321.207	15.577.893
Total	544.484.123	477.830.036

⁽¹⁾ Includes credit risk amounts of total exposure before applying credit risk mitigations

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2.2. The Bank has control limits over the positions of forwards, options and similar agreements. These positions are measured and managed by following their market values and by taking potential risk into considerations throughout their maturities, in accordance with Counterparty Credit Risk management. Limits are also calculated and dynamically managed by taking these potential risks into considerations. Daily market value calculations, limit controls, collateral assessments are performed and reported to the relevant departments within the Bank.

The Bank may use its rights, as stated in the derivative agreements based on which the Bank realizes derivative transactions, in order to eliminate the risks that may arise due to being exposed to severe risk levels arising from fluctuations in the market.

2.3..In line with the Provisioning Regulation, if the cash risk of a customer is classified as nonperforming, the non- cash risk is also classified as nonperforming under the same group where the cash risks were already followed and specific provision is reserved.

Restructured loans are also classified and followed up according to the regulation on provisions considering the Bank's credit risk policies. Accordingly, the financial position and commercial operations of related customers are monitored, their principal and interest payments are followed up with the restructured repayment schedule and the necessary precautions are taken.

2.4. Banking activities in foreign countries and credit transactions are subject to periodical follow-up in terms of the economic conditions of the related country and the evaluation of the creditworthiness of the customers and financial institutions. No material credit risk have been observed in scope of these operations.

2.5. Regarding credit risk;

- The proportion of the Bank's top 100 and 200 cash loan balances in total cash loans is 33% and 40% [December 31, 2019 - 36% and 43%].
- The proportion of the Bank's top 100 and 200 non-cash loan balances in total non-cash loans is 45% and 59% [December 31, 2019 - 49% and 62%].
- The proportion of the Bank's cash and non-cash loan balances with the first 100 and 200 customers comprises of 36% and 45% of total cash loans and non-cash loans [December 31, 2019 - 39% and 48%].

2.6. The Bank provided a generic loan loss provision amounting to TL 11.568.720 [December 31, 2019 - TL 6.384.341].

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2.7. Risk profile according to the geographical concentration:

		Risk Classifications ⁽¹⁾⁽²⁾					
		1	2	3	4	5	6
Current Period							
Domestic	146.810.857	646	91.003	-	10.659.309	177.592.498	
EU countries	-	-	-	763.578	18.080.655	2.076.159	
OECD countries ⁽³⁾	-	-	-	-	827.251	706.841	
Off-shore banking regions	-	-	-	-	-	540.107	
USA, Canada	-	-	-	10.468	9.860.909	26.982	
Other countries	-	-	-	-	325.172	892.405	
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	
Undistributed Assets/ Liabilities ⁽⁴⁾	-	-	-	-	-	-	
Total	146.810.857	646	91.003	774.046	39.753.296	181.834.992	
		Risk Classifications ⁽¹⁾⁽²⁾					
		1	2	3	4	5	6
Prior Period							
Domestic	92.150.105	-	103.721	-	19.817.368	162.590.256	
EU countries	-	-	-	2.001	17.882.457	2.490.793	
OECD countries ⁽³⁾	-	-	-	-	2.060.550	1.021.697	
Off-shore banking regions	-	-	-	-	35.926	1.355.650	
USA, Canada	-	-	-	8.914	13.746.036	1.794.590	
Other countries	-	-	-	-	168.930	1.596.217	
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	
Undistributed Assets/ Liabilities ⁽⁴⁾	-	-	-	-	-	-	
Total	92.150.105	-	103.721	10.915	53.711.267	170.849.203	

⁽¹⁾ Risk classifications in the “Regulation on Measurement and Evaluation of Capital Adequacy of Banks” will be used.

⁽²⁾ Includes credit risk amounts of total exposure before applying credit risk mitigations.

⁽³⁾ OECD Countries other than EU countries, USA and Canada.

⁽⁴⁾ Assets and liabilities are not allocated on a consistent basis

- 1-Conditional and unconditional receivables from central governments or central banks
- 2-Conditional and unconditional receivables from regional or local governments
- 3-Conditional and unconditional receivables from administrative units and non-commercial enterprises
- 4-Conditional and unconditional receivables from multilateral development banks
- 5-Conditional and unconditional receivables from banks and brokerage houses
- 6-Conditional and unconditional receivables from corporates
- 7-Conditional and unconditional retail receivables
- 8-Conditional and unconditional receivables secured by mortgages
- 9-Past due receivables
- 10-Receiveables defined as high risk category by the Regulator
- 11-Exposures in the form of collective investment undertaking
- 12-Investment in equities
- 13-Other receivables

Risk Classifications ⁽¹⁾⁽²⁾							
7	8	9	10	11	12	13	Total
99.813.882	42.259.620	4.016.130	1.731.964	20	249.518	16.321.207	499.546.654
15.337	632.497	107.854	8.161	-	-	-	21.684.241
1.862	1.045	-	-	-	-	-	1.536.999
66	-	11.193	-	-	-	-	551.366
3.848	1.013	30	-	-	154.043	-	10.057.293
17.726	1.845	354	410.333	-	-	-	1.647.835
-	-	-	-	-	9.459.735	-	9.459.735
-	-	-	-	-	-	-	-
99.852.721	42.896.020	4.135.561	2.150.458	20	9.863.296	16.321.207	544.484.123
Risk Classifications ⁽¹⁾⁽²⁾							
7	8	9	10	11	12	13	Total
81.626.189	25.361.708	6.760.768	191.963	4.997	212.671	13.753.425	402.573.171
6.477	3.296	101.323	-	-	-	-	20.486.347
902	1.688	2	-	-	-	-	3.084.839
33	-	11.717	-	-	-	-	1.403.326
1.243	934	7	-	-	269.484	-	15.821.208
4.750	1.664	404	3	-	-	-	1.771.968
-	-	-	-	-	7.826.926	-	7.826.926
-	-	-	-	-	-	-	-
81.639.594	25.369.290	6.874.221	191.966	4.997	8.309.081	13.753.425	452.967.785

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2.8. Risk profile according to sectors and counterparties:

	Risk classifications ⁽¹⁾⁽²⁾						
	1	2	3	4	5	6	7
Agricultural	-	-	2.279	-	-	2.943.297	1.728.254
Farming and raising livestock	-	-	2.279	-	-	2.037.749	1.466.329
Forestry	-	-	-	-	-	676.352	230.694
Fishing	-	-	-	-	-	229.196	31.231
Manufacturing	-	-	9.368	-	-	105.195.252	20.553.871
Mining	-	-	-	-	-	1.113.285	206.192
Production	-	-	1.325	-	-	62.500.299	20.002.233
Electric, gas and water	-	-	8.043	-	-	41.581.668	345.446
Construction	-	-	28	-	-	22.259.471	4.685.819
Services	146.810.857	646	79.328	774.046	38.706.449	50.307.361	11.155.488
Wholesale and retail trade	-	-	-	-	-	12.642.171	5.068.077
Hotel, food and beverage services	38	-	-	-	-	4.864.929	1.379.312
Transportation and telecommunication	-	-	-	-	-	10.453.128	1.541.094
Financial institutions	146.760.500	-	5	774.046	38.706.449	8.242.095	397.617
Real estate and renting services	-	-	422	-	-	4.792.458	619.615
Self-employment services	-	-	-	-	-	-	-
Education services	-	-	629	-	-	565.884	171.840
Health and social services	50.319	646	78.272	-	-	8.746.696	1.977.933
Other	-	-	-	-	1.046.847	1.129.611	61.729.289
Total	146.810.857	646	91.003	774.046	39.753.296	181.834.992	99.852.721

⁽¹⁾ Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.

⁽²⁾ Includes credit risk amounts of total exposure before applying credit risk mitigations.

- 1-Conditional and unconditional receivables from central governments or central banks
- 2-Conditional and unconditional receivables from regional or local governments
- 3-Conditional and unconditional receivables from administrative units and non-commercial enterprises
- 4-Conditional and unconditional receivables from multilateral development banks
- 5-Conditional and unconditional receivables from banks and brokerage houses
- 6-Conditional and unconditional receivables from corporates
- 7-Conditional and unconditional retail receivables
- 8-Conditional and unconditional receivables secured by mortgages
- 9-Past due receivables
- 10-Receiveables defined as high risk category by the Regulator
- 11-Exposures in the form of collective investment undertaking
- 12-Investment in equities
- 13-Other receivables

Risk classifications ⁽¹⁾⁽²⁾								
8	9	10	11	12	13	TL	FC	Total
474.272	78.943	91.415	-	-	-	3.420.220	1.898.240	5.318.460
439.593	76.351	37.919	-	-	-	2.815.300	1.244.920	4.060.220
31.796	1.227	29	-	-	-	476.237	463.861	940.098
2.883	1.365	53.467	-	-	-	128.683	189.459	318.142
18.634.217	2.620.371	797.540	-	1.870	-	70.067.921	77.744.568	147.812.489
58.450	8.401	15.738	-	-	-	1.149.241	252.825	1.402.066
16.698.586	1.664.327	601.902	-	1.870	-	58.802.928	42.667.614	101.470.542
1.877.181	947.643	179.900	-	-	-	10.115.752	34.824.129	44.939.881
4.931.327	264.286	574.312	-	22.874	-	13.256.663	19.481.454	32.738.117
11.714.983	838.085	683.336	-	8.255.264	11.152.760	144.066.008	136.412.595	280.478.603
1.458.332	123.163	88.368	-	-	-	10.591.979	8.788.132	19.380.111
3.999.331	104.211	532.907	-	-	-	3.680.024	7.200.704	10.880.728
1.919.565	166.689	8.498	-	233.446	-	4.287.484	10.034.936	14.322.420
603.594	2.926	43	-	8.018.134	11.152.760	114.835.234	99.822.935	214.658.169
1.179.114	409.445	50.736	-	-	-	2.277.611	4.774.179	7.051.790
-	-	-	-	-	-	-	-	-
117.816	4.225	53	-	-	-	805.760	54.687	860.447
2.437.231	27.426	2.731	-	3.684	-	7.587.916	5.737.022	13.324.938
7.141.221	333.876	3.855	20	1.583.288	5.168.447	75.147.285	2.989.169	78.136.454
42.896.020	4.135.561	2.150.458	20	9.863.296	16.321.207	305.958.097	238.526.026	544.484.123

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2.9. Risk profile according to remaining maturities:

Risk classifications ⁽¹⁾	1 month	1-3 months	3-6 months	6-12 months	1 year and over	Total
Conditional and unconditional receivables from central governments or central banks	47.180.434	139.131	1.149.058	1.558.294	93.220.219	143.247.136
Conditional and unconditional receivables from regional or local governments	-	-	-	-	646	646
Conditional and unconditional receivables from administrative units and non-commercial enterprises	10.618	32.746	10.500	8.264	28.800	90.928
Conditional and unconditional receivables from multilateral development banks	761.274	771	11.519	482	-	774.046
Conditional and unconditional receivables from banks and brokerage houses	17.267.175	2.399.395	4.129.598	2.664.269	6.309.801	32.770.238
Conditional and unconditional receivables from corporates	10.515.273	14.130.098	25.421.296	27.975.633	103.739.000	181.781.300
Conditional and unconditional retail receivables	33.696.441	2.873.769	5.730.789	6.833.719	47.677.868	96.812.586
Conditional and unconditional receivables secured by mortgages	593.880	1.401.967	1.715.152	3.772.621	35.366.326	42.849.946
Past due receivables	-	-	-	-	-	-
Receivables defined as high risk category by the Regulator	155	8.321	1.482	10.751	510.115	530.824
Exposures in the form of collective investment undertaking	-	-	20	-	-	20
Investments in equities	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	110.025.250	20.986.198	38.169.414	42.824.033	286.852.775	498.857.670

⁽¹⁾ Includes credit risk amounts of total exposure before applying credit risk mitigations.

2.10. Risk balances according to risk weights:

Total exposure amount before and after applying risk mitigation techniques and total amounts deducted from the capital which are calculated in accordance with the Appendix-1 of the “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks” are presented below:

Risk Weights	0%	2%	4%	20%	35%	50%	75%	100%	150%	250%	Total	Deductions from the shareholders' equity
1 Total exposure before credit risk mitigation	153.943.019	1.747.308	95.220	24.224.009	-	21.815.324	110.898.655	228.921.956	1.752.751	1.085.881	544.484.123	2.115.739
2 Total exposure after credit risk mitigation	139.121.705	50.016	95.220	23.910.735	9.213.124	34.690.027	94.693.947	207.425.909	964.171	1.085.881	511.250.735	2.115.739

2.11. Information according to sectors and counterparties:

For loans which are classified as impaired loans due to delay of collection of principal or interest by 90 days [will temporarily be applied 180 days until June 30, 2021] and above and/or negative risk assessments of creditworthiness of the debtor; “Specific Provision” is set aside in the accompanying financial statements as of 31 December 2020.

For loans which are classified as past due but not impaired loans due to delay of collection of principal or interest up to 90 days [will temporarily be applied 180 days until June 30, 2021]; “General Provision” is set aside in the accompanying financial statements as of 31 December 2020.

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Sectors and Counterparties	Loans		Provisions
	Impaired		Expected Credit Losses
	Significant increase in credit risk [stage 2]	Credit Impaired [stage 3]	
Agricultural	264.615	562.861	423.020
Farming and raising livestock	247.004	459.431	373.121
Forestry	16.596	13.342	14.626
Fishing	1.015	90.088	35.273
Manufacturing	25.865.286	11.104.498	12.487.382
Mining	91.085	108.318	92.811
Production	5.011.301	6.650.122	5.129.643
Electric, gas and water	20.762.900	4.346.058	7.264.928
Construction	7.006.170	2.622.112	2.767.836
Manufacturing	13.441.597	3.320.381	3.794.309
Wholesale and retail trade	541.662	841.422	706.413
Hotel, food and beverage services	1.688.253	562.584	443.168
Transportation and telecommunication	2.987.908	572.497	547.856
Financial institutions	1.253.170	24.664	377.431
Real estate and renting services	4.017.441	1.062.352	1.129.720
Professional Services	-	-	-
Education services	15.643	28.538	26.750
Health and social services	2.937.520	228.324	562.971
Other	4.248.928	2.174.285	2.621.474
Total	50.826.596	19.784.137	22.094.021

2.12. Information about value adjustments and changes in the loan impairment:

	Opening balance	Provision amounts set aside during the period	Reversal of provisions	Other adjustments ⁽¹⁾	Close out balance
1 Specific provisions	12.185.904	4.306.148	(1.854.961)	(868.368)	13.768.723
2 General provisions	6.384.341	5.184.379	-	-	11.568.720

⁽¹⁾ The figure represents write-off's and also includes NPL sales amounts.

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3. Explanations on Risk Management:

3.1. General Information on Risk Management and Risk Weighted Amount

3.1.1. Risk Management Approach of The Bank

Risk management strategy of the Bank ensures using the capital at an optimum level and provide sustainable growth in this framework through measurement of risks in accordance with international standards and local regulations and taking risk-return balance into consideration in the framework of sustainable growth. Risk management approach of the Bank is based on strong risk management techniques of ISEDES [Evaluation Process of Internal Capital Adequacy] and prospective planning and capital evaluation depending upon risk profile.

A prospective capital planning approach is adopted for the Bank to carry out its operations if certain losses are incurred as a result of unexpected events or deteriorations in markets. The best international practices are utilized for the determination, measurement, analysis and control of risks. The process regarding identification of risks and determination of appropriate measurement method has a dynamic structure in which the risk management is improved through inspiring from advanced international practices and analyses updated in line with its business evolution. A risk appetite framework integrated to budget process, has been developed in order to carry out related activities at an optimum level while reaching predefined budget target of the Bank and therefore an appropriated risk positions are ensured to be taken.

Risk appetite, as an integral part of the main pillar and a crucial instrument of the Bank Management, is implemented in order to ensure the execution of Bank’s activities in an ideal manner through taking appropriate risk positions at an acceptable level of risk. Risk appetite, is integrated to management and budget processes of the Bank with performance indicators which are sensitive to risk.

Risk appetite indicators, targets, limits and critical thresholds are determined by the Executive Committee with the joint recommendation of Financial Planning and Financial Affairs Management and Risk Management. Possible changes which may occur in economic conditions are taken into consideration during the determination of aforementioned limits and thresholds.

Determined risk appetite indicators consists of capital adequacy, risk, financing and liquidity ratios of the Bank and senior management ensures the Bank to carry out its activities in the range of such targets and critical thresholds. Senior management should take emergency precautions if the critical thresholds are exceeded. Monitoring and periodical reporting to senior management is performed by the related units in order to implement risk appetite framework.

The Bank implements internal policies and procedures that are audited and approved at least once a year by the Board of Directors in order to manage market risks arising from on-balance sheet and off-balance sheet liabilities. Based on the principles mentioned in Regulatory Authority’s directives and best practice guidelines, internal policies determine responsibilities and practitioners for identification, measurement, monitoring and reporting of the risks in line with the risk appetite and needs of the Bank; lay the groundwork for granting limits in the Bank; and guide the actions to be taken in case of risk appetite is exceeded.

The Credit Policy Directive, which reflects the general framework of Bank’s credit allocation activities, is updated minimum annually and implemented with the approval of the Board of Directors. Credit Policy Directive is based on improving asset quality, supporting effective risk management and compliance with legal practices. In addition, it includes management of lending activities according to the Bank’s common standards, limitations and principles.

The main purpose of the credit risk management is to identify, measure and mitigate credit risk, react in a timely manner and take necessary actions with the help of efficient and well-functioning rating/scoring models, strategies and processes. The main strategies include topics like effective implementation of the Credit Policy Directive to reinforce the sustainability of common risk management approach, steering of the loan portfolio toward less risky sectors, avoidance of excessive concentration in Group exposures while strictly obeying statutory limits, focus on customers with better credit ratings, avoidance of transactions bearing high credit and reputational risk, managing country risk in line with established strategy, policy and rules, timely updates to senior management about all developments in credit risk area to ensure effective credit risk management, performing credit stress tests and participating in credit risk regulatory processes.

Risk Management reports to Board of Directors in organisation structure via Audit Committee. Risk Management organisation is divided into “Market Risk Management”, “Credit Risk Management” and “Strategic Risk Control” and “Risk Validation” units.

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In the process of market risk management, related business and risk units perform their activities within the scope of the principles determined by internal policies such as the Financial Markets Rulebook, Liquidity Policy, Liquidity Risk Limit Management Policy, Liquidity Emergency Policy, Interest Rate Risk Policy, Interest Rate Risk Limit Management Policy, Hedge Policy, Derivatives Policy, Independent Price Verification Policy, Policy due to inclusion on Financial assets where fair value change is reflected to income statement, Market Risk Stres Test Policy.

Value at Risk, Basis Point Value (interest rate sensitivity), and Credit Basis Point Value (credit spread sensitivity) are risk metrics calculated via internal models and used in measurement of market risks. Risk measures are monitored at product, portfolio and account (Financial assets where fair value change is reflected to income statement and Financial assets where fair value change is reflected to other comprehensive income statement) basis. Performance of internal models is measured by backtesting of the model's outputs. In addition, transaction limits are used at specific products.

Liquidity Risk measurement methods; consists of both short term risk metrics such as Liquidity Coverage Ratio, Short Term Liquidity, Intraday Liquidity, and Early Warning Indicators and long-term risk metrics such as the Net Stable Funding Ratio and the funding concentration structure. With various scenario analyzes aimed at stressing the liquidity, it is examined how the possible deterioration scenarios that can be observed in the parameters of the market or institution-specific or both cases affect the liquidity position of the Bank.

Measurements performed via internal models in the context of market risk management are reported to the Bank's Top Management, Treasury, Financial Reporting and Credit Monitoring Units (for the Counterparty Credit Risk process) on a daily basis and to the Board of Directors and Executive Committee on a monthly basis.

Stress tests, provide a prospective point of view during risk management, budget and capital planning processes through reviewing the impact of events or changes in markets, which have a low possibility to occur under normal conditions but may result in losses to Bank in case they occur. The Bank performs stress tests to measure impacts of temporary or continuous deteriorations in market risk factors on income statement and to make capital plans. Scenarios, having basis, medium and high stress levels, aim to measure impacts of adverse conditions across the country on the economic value of the Bank through risk factors. Other important risk elements such as Fixed Assets held by the Bank and financial investment risks faced through its subsidiaries, as well as price movements, are reviewed during stress test processes as well.

Stress test studies are made with the active participation of senior management and impact of the stress test to the general risk profile of the Bank is reported. Senior management participates in establishing of stress test's scenario, analyzing of its results, through determination of the scope and approach of the scenario, guidance of required directions and review of results and recommendation of action plans. Stress scenarios, up-to-date estimations and crisis scenarios are prepared by Macroeconomic Research Department.

The Bank reduces market risk exposure within scope of its commercial activities through derivative instruments and makes an effort to control impacts of the risks on capital through hedge accounting implementation. It holds foreign exchange positions to manage residual positions as a result of banking activities through performing a conservative approach to exchange risk and manages its end of day positions at a minimum level.

For the detection and mitigation of risks, Operational and Reputational Risk Management defines policies and strategies and determines, reports and monitors actions to reduce potential operational and reputational risks via loss data, key risk indicators, scenario analysis and risk assessments. Operational Risk Management Policy and Reputational Risk Policy is updated every year and approved by the Board of Directors.

Business Continuity Management Policy aims at reducing the risks that may endanger the continuity of Banks operations to a minimum level and ensuring critical product and services in case of unexpected events in an acceptable period. Bank's resilience against unexpected events is increased through the Crisis Communication Plan, Emergency Response Plan, Business Recovery Plan and Crisis Communication Plan. Business Continuity Policy and Plans are regularly updated and approved by the Board of Directors.

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3.1.2 Overview of Risk Weighted Assets

	Risk Weighted Assets		Minimum Capital Requirements
	Current Period	Prior Period	Current Period
1 Credit risk (excluding counterparty credit risk) [CCR]	300.975.207	272.047.948	24.078.017
2 Of which standardised approach [SA]	300.975.207	272.047.948	24.078.017
3 Of which internal rating-based [IRB] approach	-	-	-
4 Counterparty credit risk	6.612.419	5.066.958	528.994
5 Of which standardised approach for counterparty credit risk [SA-CCR]	6.612.419	5.066.958	528.994
6 Of which internal model method [IMM]	-	-	-
7 Equity positions in banking book under market-based approach	-	-	-
8 Equity investments in funds - look-through approach	10	2.603	1
9 Equity investments in funds - mandate-based approach	-	-	-
10 Equity investments in funds - fall-back approach	-	-	-
11 Settlement risk	-	-	-
12 Securitisation exposures in banking book	-	-	-
13 Of which IRB ratings-based approach [RBA]	-	-	-
14 Of which IRB Supervisory Formula Approach [SFA]	-	-	-
15 Of which SA/simplified supervisory formula approach [SSFA]	-	-	-
16 Market risk	4.259.080	2.581.955	340.726
17 Of which standardised approach [SA]	4.259.080	2.581.955	340.726
18 Of which internal model approaches [IMM]	-	-	-
19 Operational risk	27.931.004	24.479.544	2.234.480
20 Of which Basic Indicator Approach	27.931.004	24.479.544	2.234.480
21 Of which Standardised Approach	-	-	-
22 Of which Advanced Measurement Approach	-	-	-
23 Amounts below the thresholds for deduction (subject to 250% risk weight)	2.714.703	2.255.643	217.176
24 Floor adjustment	-	-	-
TOTAL [1+4+7+8+9+10+11+12+16+19+23+24]	342.492.423	306.434.651	27.399.394

PRESENTATION

FROM THE
MANAGEMENTABOUT
YAPI KREDİBUSINESS
MODEL AND
STAKEHOLDERSRESPONSIBLE
GROWTHINNOVATIVE
BANKINGHUMAN
FOCUSCORPORATE
GOVERNANCEFINANCIAL
INFORMATION

ANNEXES

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3.2. Linkages between financial statements and risk amounts

3.2.1. Differences and matching between asset and liabilities' carrying values in financial statements and risk amounts in capital adequacy calculation

Current Period	Carrying values in financial statements prepared as per TAS	Carrying values of items in accordance with TAS				
		Subject to credit risk	Subject to counterparty credit risk	Subject to the Securitisation framework	Subject to market risk	Not subject to capital requirements or subject to deduction from capital
Assets						
Financial Assets (Net)	99.163.234	91.536.039	18.261.595	-	4.701.404	141.561
Financial Assets Measured at Amortised Cost (Net)	320.758.318	331.573.051	17.961.018	-	-	42.199
Assets Held For Resale And Related To Discontinued Operations (Net)	709.869	709.869	-	-	-	-
Investment in Subsidiaries, Associates, Joint Ventures	10.056.715	10.056.715	-	-	-	-
Property And Equipment (Net)	4.474.095	4.365.670	-	-	-	108.425
Intangible Assets (Net)	1.916.463	92.909	-	-	-	1.823.554
Tax Asset	3.563.486	3.563.486	-	-	-	-
Other Assets	19.051.878	19.244.795	-	-	-	-
TOTAL ASSETS	459.694.058	461.142.534	36.222.613	-	4.701.404	2.115.739
Liabilities						
Deposits	254.280.156	-	-	-	-	254.280.156
Borrowings	38.280.439	-	-	-	-	38.280.439
Money Markets	27.705.338	-	27.705.338	-	-	-
Marketable Securities Issued (Net)	20.517.422	-	-	-	-	20.517.422
Financial Liabilities Fair Value Through Profit and Loss	12.887.831	-	-	-	-	12.887.831
Derivative Financial Liabilities	10.584.190	-	2.850.144	-	4.119.083	7.734.046
Lease Payables (Net)	1.076.227	-	-	-	-	1.076.227
Provisions	4.368.536	-	-	-	-	4.368.536
Tax Liability	1.920.873	-	-	-	-	1.920.873
Subordinated Debts	22.655.054	-	-	-	-	22.655.054
Other Liabilities	17.853.521	-	-	-	-	17.853.521
Shareholder's Equity	47.564.471	-	-	-	-	47.564.471
TOTAL LIABILITIES	459.694.058	-	30.555.482	-	4.119.083	429.138.576

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	Carrying values in financial statements prepared as per TAS	Carrying values of items in accordance with TAS					Not subject to capital requirements or subject to deduction from capital
		Subject to credit risk	Subject to counterparty credit risk	Subject to the Securitisation framework	Subject to market risk		
Prior Period							
Assets							
Financial Assets (Net)	106.477.051	90.941.386	19.649.161	-	3.301.223	112.694	
Financial Assets Measured at Amortised Cost (Net)	252.057.151	257.983.529	-	-	-	39.509	
Assets Held For Resale And Related To Discontinued Operations (Net)	320.059	320.059	-	-	-	-	
Investment in Subsidiaries, Associates, Joint Ventures	7.826.926	7.826.926	-	-	-	-	
Property And Equipment (Net)	4.281.326	4.157.428	-	-	-	123.898	
Intangible Assets (Net)	1.845.101	72.823	-	-	-	1.772.278	
Tax Asset	1.980.629	1.980.629	-	-	-	-	
Other Assets	12.707.584	12.816.493	-	-	-	-	
TOTAL ASSETS	387.495.827	376.099.273	19.649.161	-	3.301.223	2.048.379	
Liabilities							
Deposits	222.790.118	-	-	-	-	222.790.118	
Borrowings	38.110.542	-	-	-	-	38.110.542	
Money Markets	3.695.744	-	3.695.744	-	-	-	
Marketable Securities Issued (Net)	20.703.691	-	-	-	-	20.703.691	
Financial Liabilities Fair Value Through Profit and Loss	13.184.605	-	-	-	-	13.184.605	
Derivative Financial Liabilities	7.076.433	-	2.679.451	-	2.771.885	4.396.982	
Lease Payables (Net)	899.105	-	-	-	-	899.105	
Provisions	3.620.181	-	-	-	-	3.620.181	
Tax Liability	838.765	-	-	-	-	838.765	
Subordinated Debts	18.580.039	-	-	-	-	18.580.039	
Other Liabilities	16.808.950	-	-	-	-	16.808.950	
Shareholder's Equity	41.187.654	-	-	-	-	41.187.654	
TOTAL LIABILITIES	387.495.827	-	6.375.195	-	2.771.885	381.120.632	

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3.2.2. Main sources of differences between regulatory exposure amounts and carrying values in financial statements

Current Period	Total	Subject To Credit Risk	Subject to the Securitisation	Subject To Counterparty Credit Risk	Subject To Market Risk
1 Asset carrying value amount under scope of regulatory Consolidation (As note 3.2.1 of Section 4)	502.066.551	461.142.534	-	36.222.613	4.701.404
2 Liabilities carrying value amount under regulatory scope of consolidation	34.674.565	-	-	30.555.482	4.119.083
3 Total net amount under regulatory scope of consolidation	467.391.986	461.142.534	-	5.667.131	582.321
4 Off-Balance Sheet Amounts	212.715.655	67.107.642	-	1.477.420	-
5 Differences in valuations		-	-	-	-
6 Differences due to different netting rules, other than those already included in row 2		-	-	-	-
7 Differences due to consideration of provisions		-	-	-	-
8 Differences Resulted from the BRSA's Applications		(18.367.357)	-	(57.298)	3.676.759
9 Differences due to risk reduction		(5.402.476)	-	(316.861)	-
Risk Amounts		504.480.343	-	6.770.392	4.259.080

Prior Period	Total	Subject To Credit Risk	Subject to the Securitisation	Subject To Counterparty Credit Risk	Subject To Market Risk
1 Asset carrying value amount under scope of regulatory Consolidation (As note 3.2.1 of Section 4)	399.049.657	376.099.273	-	19.649.161	3.301.223
2 Liabilities carrying value amount under regulatory scope of consolidation	9.147.080	-	-	6.375.195	2.771.885
3 Total net amount under regulatory scope of consolidation	389.902.577	376.099.273	-	13.273.966	529.338
4 Off-Balance Sheet Amounts	184.268.857	57.961.645	-	1.729.316	-
5 Differences in valuations		-	-	-	-
6 Differences due to different netting rules, other than those already included in row 2		-	-	-	-
7 Differences due to consideration of provisions		-	-	-	-
8 Differences Resulted from the BRSA's Applications		-	-	-	2.052.617
9 Differences due to risk reduction		(4.969.862)	-	(10.094.304)	-
Risk Amounts		429.091.056	-	4.908.978	2.581.955

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3.2.3. Explanations of differences between accounting and regulatory exposure amounts

There is no difference between amounts reported in the financial statements and valued in accordance with TAS and amounts valued in accordance with TAS in scope of legal consolidation.

Bank’s financial instruments subject to fair value measurement are valued using Mark-to-Market or Mark-to- Model approach based on their product types. Implementation of valuation methodologies is carried out in accordance with the “Fair Value Measurement” policies in line with the prudent valuation principles set out in the annex of the Directive on Measurement and Assessment of Banks’ Capital Adequacy. The Bank uses market prices for bonds and futures contracts traded in organized markets, while it often uses platforms generating Mark-to- Model value for derivative transactions traded in OTC markets. Mark-to-Market or Mark-to-Model valuations are made on a daily basis so that changes in the market can be reflected in the Bank’s financials with the same frequency.

The Independent Price Control process [IPV] is designed to draw the errors or deviations that may occur in the valuations to the minimum level, to calculate the correct profit/loss and risk, through verification, comparison and approval of market prices and model inputs regularly with independent and different sources. The purpose of the IPV is to ensure that the data used for bank valuations are generated on a daily basis from a highly representative, adequately liquid and accurate instruments. All these processes have a clear, integrated and complementary approach that is in line with the objectives of the Bank.

Prices quoted in active markets for securities and derivative transactions are used to record the fair value of an instrument, but quoted prices are generally not available in active markets. Appropriate valuation techniques are used for financial instruments that are not traded in the market but the estimated fair value is adjusted through valuation techniques of the market participant’s estimation of similar asset or liability price. Such adjustments are categorized close out cost, market liquidity, model risk and credit valuation adjustments.

Close out Cost adjustment reflects the amount which would be incurred to arrive at an appropriate ask/liquidation price [financial instruments which are assets at valuation date] or bid/unwind price [financial instruments which are liabilities at valuation date] for financial instruments valued at mid-market prices.

Market liquidity adjustment is calculated to reflect the amount which would be incurred to close out the position when liquidity is not sufficient. When there is not any tradeable price on liquid two way market, a liquidity discount is applied for pricing.

Model risk; reflects the risk stemming from deficiencies in model. Complexity of the model, being market standard and capability to incorporate all known risk factors determine the necessity/applicability of model risk adjustments.

Credit Value Adjustment [CVA], is defined as market value of counterparty credit risk [CCR], which arises from the possibility of a counterparty’s default and considered in regulatory capital adequacy calculations for all CCR exposures.

3.3. Explanations on Credit Risk

3.3.1. General information on credit risk

3.3.1.1. General qualitative information on credit risk

Credit Policy is prepared to be well-structured in line with the BRSA loan management guidebook.

Credit policy is revised at least once a year, approved by Board of Directors, announced within the bank and implemented in accordance with the appropriate procedures in banks. During the review of credit policies, economic conjuncture, the bank’s capital adequacy ratio and amendments in related regulation are taken into consideration. Key elements such as target markets, portfolio structure and concentration, large exposures, credit limit applications, approval authorities are determined in the credit policies. In the policies, key messages are provided based on principles of prudence, continuity about the customer’s credit worthiness, specific sectors, segments and products for growth in accordance with the defined credit strategies.

Credit Risk Management Section is established to manage the credit risk of the Bank by determining, measuring, monitoring, evaluating and reporting the risks. In order to improve the asset quality of the Bank, the main roles and responsibilities of the section are composed of performing periodical analyses on credit portfolio trend, calculating credit risk cost based on segments and executing compliance activities between risk management practices with Basel II requirements.

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Credit Risk Management is consisting 2 sub units.

Commercial Credit Risk Management is responsible for taking part in the model development processes of PD, EAD, LGD models which are in the scope of IRB communique [issued by BRSA - using internal rating based approach for credit risk calculations] and giving opinions as the ultimate authority, supervising the rating systems, monitoring the performance, analysing the results regularly, ensuring the proper functioning of the rating systems, leading the studies for the areas that need improvement and the deficiencies identified, informing the BRSA about the changes made in the rating systems and the relevant units within the Bank, evaluating model use test, ensuring dissemination of the models in the bank internal processes within the scope requested by the BRSA, managing IRB transition process, providing the documentation requested in this process and monitoring the projects carried out in the Bank within the scope of Basel II for commercial customers. This business unit is also responsible for taking part in the development processes of operational models used in underwriting, monitoring, collection, etc. processes and monitoring their performance. In addition, the department is responsible for developing underwriting/monitoring strategies for corporate customer segments and putting them into practice through decision support systems.

Retail Credit Risk Management is responsible for taking part in the model development processes of PD, EAD, LGD models which are in the scope of IRB communique [issued by BRSA - using internal rating based approach for credit risk calculations] and giving opinions as the ultimate authority, supervising the rating systems, monitoring the performance, analysing the results regularly, ensuring the proper functioning of the rating systems, leading the studies for the areas that need improvement and the deficiencies identified, informing the BRSA about the changes made in the rating systems and the relevant units within the Bank, evaluating model use test, ensuring dissemination of the models in the bank internal processes within the scope requested by the BRSA, managing IRB transition process, providing the documentation requested in this process and monitoring the projects carried out in the Bank within the scope of Basel II for private individual customers. This business unit is responsible for taking part in the development processes of operational models used in underwriting, monitoring, collection, etc. processes and monitoring their performance. In addition, the department is responsible for developing underwriting/monitoring strategies for individual loan products and putting them into practice through decision support systems.

Risk Validation is an independent unit directly reporting to the Chief Risk Officer and responsible for the validation of every risk-related model and processes. Validation activities consist of statistical analysis, compliance to regulations and compliance to Bank’s internal policies. Risk Validation has two sub-departments: Regulatory Risk Validation and Strategic Risk Validation. In scope of the Regulatory Risk Validation, there are IRB models, IFRS 9 and Credit and Operational Risks under Pillar II. Strategic Risk Validation, on the other hand, focuses on the validation of Strategy, Managerial Models, Market Risk and other risk types under Pillar II.

Strategic Risk Control is responsible for preparation of credit risk budgeting and credit risk reporting activities of the Bank, calculation of loan loss provisions on SBU basis; identification of the Credit Policy according to risk appetite of the Bank, implementation of the policy throughout the Banks and its subsidiaries, support to all units in the Bank for the related topics. The units establishes a common risk culture on group basis and performs process analyses of credit and risk management functions in subsidiaries to ensure standard risk management practices and establishes action plans for the standardization of all gaps within the group. It makes regular tests of anomaly metrics created with the role of data ownership in the field of credit and collateral and ensures that action is taken to correct and improve data quality and tries to increase the awareness of data quality throughout the Bank”. The unit prepares reports for assessment of credit risk and for the preparation of various and comprehensive concentrations and forecasts on asset quality trends for the Bank, performs necessary calculations to measure the risk profile of the bank and ensures that the country risk is identified.

ISEDES report is prepared in accordance with the related guide of BRSA and submitted to the approval of the Board of Directors. The report mainly includes the Bank’s approach for the review of risks and capital in order to preserve capital adequacy of the Bank with respect to its current and future activities and information on management structure and applied approaches.

The unit is also responsible for definition of the operational and reputational risk policies, implementation of measurement, monitoring and reporting systems, identification of the key risk indicators, and performance of scenario analyses. The unit also carries out the activities regarding Basel II compliance, operational risk models setting and development, operational risk weighted asset calculation and risk based insurance activities. It is also responsible for the studies on Information Systems risk inventory, coordination of the Support Services Risk Management Program and setting up the relevant

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monitoring systems and management, as well as development of the Business Continuity Management Policy&Plans and continuous updating of these policy and plans. It also ensures the actions taken under business continuity and the coordination and control of BCM projects and budget.

Regular supervision and controls are performed to ensure that credit process is carried out in compliance with the Bank credit policies and procedures, loans are extended in accordance with principles and procedures determined by the Board of Directors and loans are reported properly with the information of maturity, quantity and qualification to top management.

Activities carried out by units within scope of internal systems are employed as a tool to define weak points regarding the credit risk management process, policy and procedures and to determine the transactions that are not compliant with limits, policy and procedures.

Issues that are observed during the examinations is being regularly reported to top management and Audit Committee considering importance level.

Summary of the activities of units within the scope of internal systems are effectively utilized by the management and actions are taken in order to prevent repetition of weaknesses and conflicts regarding credit management.

3.3.1.2. Credit quality of assets

Current Period	Gross carrying values of as per TAS			Net values
	Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	
1 Loans	18.797.134	275.129.711	23.798.323	270.128.522
2 Debt Securities	-	76.419.135	176.521	76.242.614
3 Off-balance sheet exposures	987.003	192.667.782	1.061.681	192.593.104
Total	19.784.137	544.216.628	25.036.525	538.964.240

Prior Period	Gross carrying values of as per TAS			Net values
	Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	
1 Loans	18.274.502	222.836.742	17.322.615	223.788.629
2 Debt Securities	-	55.134.302	89.226	55.045.076
3 Off-balance sheet exposures	1.175.798	162.254.940	926.819	162.503.919
Total	19.450.300	440.225.984	18.338.660	441.337.624

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3.3.1.3. Changes in stock of defaulted loans and debt securities

	Current Period	Prior Period
1 Defaulted loans and debt securities at the end of the previous reporting period	19.450.300	13.458.985
2 Loans and debt securities that have defaulted since the last reporting period	3.480.304	11.166.004
3 Returned to non-defaulted status	84.217	43.356
4 Amounts written off	951.610	3.412.145
5 Other changes	(2.110.640)	(1.719.188)
Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)	19.784.137	19.450.300

3.3.1.4. Additional disclosure related to the credit quality of assets

According to the BRSA Regulation “Regulation on the procedures and principles for the determination of qualification of loans and other receivables by Banks and provision to be set aside” in the cases:

- For which recovery of principal or interest or both delays for more than ninety days from their terms or due dates [will temporarily be applied 180 days until June 30, 2021] or;
- Which have limited means for total recovery because debtors’ equity or guarantees extended by them are found inadequate to cover payment of debts on respective terms and are likely to lead to losses in case any such problems observed are not solved or;
- For which debtors have suffered deterioration in their creditworthiness and credits have suffered weakness consequently or;
- For which it is believed that recovery by banks of principal or interest or both would delay for more than ninety days from their terms or due dates [will temporarily be applied 180 days until June 30, 2021] due to reasons such as problems encountered by debtors over operating capital financing or additional liquidity creation,

loans and receivables are classified as ‘non performing loans’ and are transferred to non performing loan accounts. Within the scope of the same regulation, these loans are set aside for the expected credit loss according to the internal models developed by the Bank.

In accordance with the regulation; in the event that failure to meet payment obligations towards banks stems from temporary liquidity difficulties related to the loans and other receivables as part of the principles of classification, loans and other receivables including any overdue interest may be restructured or subject to a new redemption plan for the purpose of providing debtors with liquidity capability and ensuring recovery of receivables by bank.

3.3.1.4.1. Exposures provisioned against by major regions⁽¹⁾

	Current Period	Prior Period
Domestic	371.894.197	305.661.700
USA, Canada	113.530	3.628.707
European Union (EU) Countries	5.039.317	4.775.577
OECD Countries	2.173.557	2.257.472
Off-Shore Banking Regions	2.798	130
Other Countries	2.163.561	2.716.471
Total	381.386.960	319.040.057

⁽¹⁾ Breakdown of cash, non-cash and non-performing loans with respect to geographical regions are provided.

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3.3.1.4.2. Exposures provisioned against by major sectors⁽¹⁾

	Current Period	Prior Period
Agricultural	5.996.519	9.034.949
Farming and raising livestock	4.523.704	7.599.560
Forestry	1.084.276	1.114.224
Fishing	388.539	321.165
Manufacturing	160.862.758	134.328.052
Mining and Quarrying	1.447.825	1.374.605
Production	109.991.608	89.028.167
Electricity, Gas, Water	49.423.325	43.925.280
Construction	41.820.840	43.228.417
Services	83.889.046	57.045.861
Wholesale and retail trade	17.834.227	8.918.800
Hotel, food and beverage services	10.928.149	8.182.195
Transportation and telecommunication	16.102.344	11.461.872
Financial institutions	16.007.255	10.109.069
Real estate and leasing services	7.740.076	7.588.280
Self-employment services	-	-
Education services	839.740	588.204
Health and social services	14.437.255	10.197.441
Other	88.817.797	75.402.778
Total	381.386.960	319.040.057

⁽¹⁾ Breakdown of cash loans, non-cash loans and non-performing loans by sectors

3.3.1.4.3. Receivables according to remaining maturities:

Receivables according to remaining maturities are explained Note 7 of Section 4.

3.3.1.4.4. Exposures provisioned against by major sectors:

Information on the amount of receivables and provisions provided for on the sector basis are disclosed in Note 2 of Section 4.

3.3.1.4.5. Exposures provisioned against by major regions:

The distribution of the specific provisions is predominantly domestic and a provision amounting to TL 17.016.891 [December 31, 2019- TL 16.920.001] has been set aside for the risk at an amount of TL 12.838.848 [December 31, 2019- TL 11.246.982]

3.3.1.4.6. Aging analysis for overdue receivables ⁽¹⁾

Overdue days count	Current Period	Prior Period
1-30 days	1.127.571	1.542.697
31-60 days	707.117	1.303.398
61-90 days	501.435	843.169
91-180 days	998.717	-
Total	3.334.840	3.689.264

⁽¹⁾ Overdue receivables under close monitoring represent overdue of cash loans.

Loans under close monitoring amounting to 43.191.600 TL [December 31, 2019 - TL 32.615.788] are not overdue.

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3.3.1.4.7. Breakdown of restructured receivables based on whether or not provisions are allocated:

Provisions are recognized for all non-performing loans in accordance with Provisioning Regulation.

Credit Class	Current Period	Prior Period
Loans restructured from Loans and other receivables under close monitoring	21.091.599	21.176.593
Loans restructured from Loans under legal follow-up	1.744.727	1.350.926
Total	22.836.326	22.527.519

3.3.1.4.8. Informations related to expected credit losses for loans:

Current Period	Stage1	Stage2	Stage3	Total
Beginning of the period	1.067.470	4.841.241	11.413.904	17.322.615
Additions	1.597.407	3.864.469	4.229.042	9.690.918
Disposals	180.107	1.329.176	1.963.110	3.472.393
Sold [-]	-	-	348.548	348.548
Write offs	-	-	519.820	519.820
Transfer to stage 1	48.667	[48.031]	[636]	-
Transfer to stage 2	[54.170]	61.634	[7.464]	-
Transfer to stage 3	[330]	[248.251]	248.581	-
Foreign currency differences	139.063	986.488	-	1.125.551
End of the period	2.618.000	8.128.374	13.051.949	23.798.323

Prior Period	Stage1	Stage2	Stage3	Total
Beginning of the period	1.229.290	3.609.060	8.854.302	13.692.652
Additions	626.189	958.560	7.410.314	8.995.063
Disposals	483.540	215.113	1.702.977	2.401.630
Sold [-]	-	-	2.568.732	2.568.732
Write offs	-	-	843.413	843.413
Transfer to stage 1	15.052	[14.212]	[840]	-
Transfer to stage 2	[353.697]	392.639	[38.942]	-
Transfer to stage 3	[25.831]	[278.361]	304.192	-
Foreign currency differences	60.007	388.668	-	448.675
End of the period	1.067.470	4.841.241	11.413.904	17.322.615

3.3.2. Credit risk mitigation

3.3.2.1. Qualitative disclosure on credit risk mitigation techniques

The Bank employs on-balance sheet netting and/or general netting agreements for specific capital market transactions for credit risk mitigation, with the condition of meeting the requirements of having implemented corresponding system supported methods and processes and clear documentation of the required documents.

The Bank may use assets and liabilities as an on balance sheet netting instrument considering them as cash collateral.

The capital requirements may be determined on the base of net exposure of assets and liabilities, if the following conditions are met:

- The agreement should provide the Bank the authorization to monitor the receivable of the payee over a single value after netting all payables and receivables even though there is no such indicator for the counterparty showing bankruptcy or financial difficulty in accordance with the regulations of governments.
- The Bank is provided the authority of netting and monitoring the risk over a single value even the counterparty is not in bankruptcy case of a bankruptcy of one counterparty, the other counterparty should have the authority to terminate all contracts under the agreement

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- The agreement should provide the facility to monitor the receivable of the payee over a single value after netting all payables and receivables in case of the termination of all contracts
- In the policies and procedures regarding the assessment and management of the collaterals as part of collateralized lending, Credit risk mitigation techniques aims at:
 - Determination of general and specific requirements for the improvement and optimization of collateral systems, processes, strategies and procedures;
 - Valuation of collateral taking into consideration the local regulations and procedures;
 - Provision of the soundness, legal enforceability and maintenance of ratable collateral based on a legal framework;
 - Determination of the level of the collateral haircut taking the local conditions and the process of risk management into consideration;
 - Regular monitoring of the collateral value;
 - Differentiation between counterparty (economic) and country (political) risk aspects,
 - Mitigation of concentration risks, correlation risks and residual risks through recognition of collateral;
 - Improvement in the quality of strategic business and overall Bank management
 - Clear definition of Roles and Responsibilities
 - Determination of acceptable collaterals and collateral related conditions (list of collateral)/(non-parametric condition list)

In the calculations regarding credit risk mitigation, the Bank performs risk mitigation within the regulations set out in the Credit Risk Mitigation Techniques Notification dated September 6, 2014 and numbered 29111 and uses a comprehensive financial guarantee method for its financial collaterals. With the comprehensive financial collateral method, the relevant volatility adjustments specified in the regulation made on the value of the financial collaterals that are used in calculating the capital requirements.

The credit policies establish an operational connection between Bank’s activities and its risk capacity and covers the main business areas in accordance with target portfolio structure, risk targets regarding expected and unexpected loss in line with risk capacity and limits relating to risk concentration. Limits are ensured to be compliant with restrictions determined by related regulation and regulatory authorities. Bank uses an integrated approach in concentration risk management, in which all risk concentrations are identified, monitored and evaluated. Therefore, besides the loans to individuals and companies, also the concentrations of market, sector, country and segment are being taken into consideration. Bank pays utmost attention to any concentration of the credit and market risks on a specific counterparty or risk classification in accordance with policies and internal procedures.

3.3.2.2. Credit risk mitigation techniques - overview

	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
Current Period							
Loans	200.792.016	69.336.505	34.556.134	10.789.657	8.680.038	-	-
Debt securities	76.242.615	-	-	-	-	-	-
Total	277.034.631	69.336.505	34.556.134	10.789.657	8.680.038	-	-
Of which defaulted	2.107.913	3.637.272	932.394	926.661	448.463	-	-
Prior Period							
Loans	154.691.434	69.097.195	36.857.104	11.903.657	9.616.692	-	-
Debt securities	55.045.076	-	-	-	-	-	-
Total	209.736.510	69.097.195	36.857.104	11.903.657	9.616.692	-	-
Of which defaulted	3.415.412	3.445.186	927.053	733.593	371.782	-	-

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3.3.3. Credit risk under standardised approach

3.3.3.1. Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk

An international rating firm, Fitch Ratings' external risk ratings are used to determine the risk weights of the risk categories as per the Article 6 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks". The international risk ratings are used for all the exposures to central governments/central banks, for Financial Institutions, Corporations, Regional Governments, Administrative Bodies and for Multinational Development Banks asset classes of which the counterparty resides in foreign countries.

Exposures to central governments and central banks which are not rated by Fitch Ratings are included in the calculation of capital adequacy as unrated. Receivables from residents in Turkey are classified as unrated.

Fitch Ratings' risk ratings as per the credit quality grades and the risk weights according to exposure categories are presented below:

Claims on banks and intermediary institutions						
Credit Quality Grade	Fitch Ratings	Claims on administrative bodies and other non-commercial undertakings				
		Claims on sovereigns and Central Banks	Contractual maturity of claims under 3 months	Contractual maturity of claims over 3 months	Claims on corporates	
1	AAA					
	AA+					
	AA	0%	20%	20%	20%	20%
	AA-					
2	A+					
	A	20%	50%	20%	50%	50%
	A-					
3	BBB+					
	BBB	50%	100%	20%	50%	100%
	BBB-					
4	BB+					
	BB	100%	100%	50%	100%	100%
	BB-					
5	B+					
	B	100%	100%	50%	100%	150%
	B-					
6	CCC+					
	CCC					
	CCC-					
	CC	150%	150%	150%	150%	150%
	C					
D						

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3.3.3.2. Standardised approach - Credit risk exposure and credit risk mitigation (CRM) effects

Current Period	Exposures before CCF and CRM		Exposures post CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Asset classes						
1 Exposures to central governments or central banks	121.812.789	122	130.941.289	266.707	-	0,00%
2 Exposures to regional governments or local authorities	646	-	646	-	129	19,97%
3 Exposures to public sector entities	50.895	113.066	50.871	39.536	90.407	100,00%
4 Exposures to multilateral development banks	761.192	25.402	761.192	12.853	-	0,00%
5 Exposures to institutions	30.381.045	16.670.071	30.381.045	2.768.071	9.774.859	29,49%
6 Exposures to corporates	128.732.547	110.001.140	121.715.162	48.972.303	167.652.777	98,22%
7 Retail exposures	92.956.695	71.700.146	87.641.622	6.493.665	70.601.465	75,00%
8 Exposures secured by residential property	9.126.349	171.023	9.126.349	86.775	3.224.593	35,00%
9 Exposures secured by commercial real estate	30.536.355	4.023.560	30.342.654	2.869.207	25.801.500	77,69%
10 Past-due loans	4.123.784	29.190	3.938.462	11.440	2.573.567	65,16%
11 Higher-risk categories by the Agency Board	1.619.634	2.358.730	1.351.273	524.698	2.291.085	122,13%
12 Exposures in the form of collective investment undertaking	20	-	20	-	10	50,00%
13 Investments in equities	9.863.296	-	9.863.296	-	11.492.118	116,51%
14 Other receivables	16.321.207	-	16.321.207	-	10.187.410	62,42%
Total	446.286.454	205.092.450	442.435.088	62.045.255	303.689.920	60,20%

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Prior Period	Exposures before CCF and CRM		Exposures post CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1 Exposures to central governments or central banks	91.426.756	1.652	101.350.654	228.778	12.348.268	12,16%
2 Exposures to regional governments or local authorities	-	-	-	-	-	0,00%
3 Exposures to public sector entities	53.722	123.222	53.712	49.678	103.390	100,00%
4 Exposures to multilateral development banks	-	21.529	-	10.915	-	0,00%
5 Exposures to institutions	35.396.204	12.265.124	35.460.779	2.486.616	11.977.104	31,56%
6 Exposures to corporates	121.685.788	105.184.606	117.443.002	44.006.942	159.635.668	98,88%
7 Retail exposures	75.284.542	62.019.916	68.154.449	5.984.507	55.604.218	75,00%
8 Exposures secured by residential property	10.587.317	166.939	10.587.317	99.218	3.740.288	35,00%
9 Exposures secured by commercial real estate	12.736.844	2.386.130	12.736.844	1.686.593	7.211.720	50,00%
10 Past-due loans	6.841.923	52.945	6.465.262	31.762	4.986.574	76,75%
11 Higher-risk categories by the Agency Board	18.674	2.046.794	18.605	167.920	278.557	149,34%
12 Exposures in the form of collective investment undertaking	4.997	-	4.997	-	2.602	52,07%
13 Investments in equities	8.309.081	-	8.309.081	-	9.662.467	116,29%
14 Other receivables	13.753.425	-	13.753.425	-	8.755.338	63,66%
Total	376.099.273	184.268.857	374.338.127	54.752.929	274.306.194	63,93%

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3.3.3.3. Standardised approach - exposures by asset classes and risk weights

Current Period					
Asset classes/Risk weight	0%	10%	20%	35%	
1 Exposures to central governments or central banks	131.207.996	-	-	-	
2 Exposures to regional governments or local authorities	-	-	646	-	
3 Exposures to public sector entities	-	-	-	-	
4 Exposures to multilateral development banks	774.045	-	-	-	
5 Exposures to institutions	-	-	23.019.877	-	
6 Exposures to corporates	330.804	-	461.746	-	
7 Retail exposures	-	-	-	-	
8 Exposures secured by residential property	-	-	-	9.213.124	
9 Exposures secured by commercial real estate	-	-	-	-	
10 Past-due loans	-	-	-	-	
11 Higher-risk categories by the Agency Board	-	-	-	-	
12 Investments made in collective investment companies	3	-	3	-	
13 Investments in equities	-	-	-	-	
14 Other receivables	6.027.309	-	133.109	-	
Total	138.340.157	-	23.615.381	9.213.124	
Prior Period					
Asset classes/Risk weight	0%	10%	20%	35%	
1 Exposures to central governments or central banks	89.231.165	-	-	-	
2 Exposures to regional governments or local authorities	-	-	-	-	
3 Exposures to public sector entities	-	-	-	-	
4 Exposures to multilateral development banks	10.915	-	-	-	
5 Exposures to institutions	-	-	29.418.770	-	
6 Exposures to corporates	330.804	-	714.368	-	
7 Retail exposures	-	-	-	-	
8 Exposures secured by residential property	-	-	-	10.686.535	
9 Exposures secured by commercial real estate	-	-	-	-	
10 Past-due loans	-	-	-	-	
11 Higher-risk categories by the Agency Board	-	-	-	-	
12 Investments made in collective investment companies	178	-	2.343	-	
13 Investments in equities	-	-	-	-	
14 Other receivables	4.914.021	-	105.082	-	
Total	94.487.083	-	30.240.563	10.686.535	

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								Total credit risk exposure amount (after CCF and CRM)
50%	75%	100%	150%	200%	250%	1250%		
-	-	-	-	-	-	-	-	131.207.996
-	-	-	-	-	-	-	-	646
-	-	90.407	-	-	-	-	-	90.407
-	-	-	-	-	-	-	-	774.045
9.916.711	-	212.528	-	-	-	-	-	33.149.116
4.668.974	-	165.225.941	-	-	-	-	-	170.687.465
-	94.135.287	-	-	-	-	-	-	94.135.287
-	-	-	-	-	-	-	-	9.213.124
14.545.688	550.069	18.116.104	-	-	-	-	-	33.211.861
2.752.671	-	1.197.231	-	-	-	-	-	3.949.902
133.944	-	777.856	964.171	-	-	-	-	1.875.971
10	-	4	-	-	-	-	-	20
-	-	8.777.415	-	-	1.085.881	-	-	9.863.296
-	-	10.160.789	-	-	-	-	-	16.321.207
32.017.998	94.685.356	204.558.275	964.171	-	1.085.881	-	-	504.480.343

								Total credit risk exposure amount (after CCF and CRM)
50%	75%	100%	150%	200%	250%	1250%		
-	-	12.348.267	-	-	-	-	-	101.579.432
-	-	-	-	-	-	-	-	-
-	-	103.390	-	-	-	-	-	103.390
-	-	-	-	-	-	-	-	10.915
4.910.718	-	3.577.742	40.165	-	-	-	-	37.947.395
1.823.955	-	158.580.817	-	-	-	-	-	161.449.944
-	74.138.956	-	-	-	-	-	-	74.138.956
-	-	-	-	-	-	-	-	10.686.535
14.423.437	-	-	-	-	-	-	-	14.423.437
3.593.852	-	2.330.218	572.954	-	-	-	-	6.497.024
-	-	2.460	184.065	-	-	-	-	186.525
683	-	1.793	-	-	-	-	-	4.997
-	-	7.406.824	-	-	902.257	-	-	8.309.081
-	-	8.734.322	-	-	-	-	-	13.753.425
24.752.645	74.138.956	193.085.833	797.184	-	902.257	-	-	429.091.056

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3.4. Explanation on Counterparty credit risk

3.4.1. Qualitative evaluation for Counterparty Credit Risk

Counterparty Credit Risk (CCR) is organized under Market Risk Management and is functioning within the scope of “Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks”. These functions include counterparty credit risk calculations within general risk appetite and control process of risk management policies for CCR.

Credit limits under CCR are defined within the scope of internal model method, specified in “Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks. -Appendix 2”, considering various stress scenarios.

General policies for collaterals and provisions under credit risk management are also valid for CCR. Exposure and collateral values are calculated on a daily basis. In order to mitigate the counterparty credit risk, international framework agreements (ISDA, CSA, GMRA, etc.) are being used through collateral and margin call mechanisms.

In case of a downgrade in credit note, the amount of additional collateral the Bank has to provide is calculated periodically under several stress scenarios.

3.4.2. Assessment of Counterparty Credit Risk according to the models of measurement

	Revaluation Cost	Potential credit risk exposure	EEPE ⁽¹⁾	Alpha used for computing regulatory EAD	Exposure after credit risk mitigation	Risk Weighted Amounts
Current Period						
1 Standard Approach-CCR	2.732.040	1.477.420		1,4	4.187.387	3.318.819
2 Internal Model Approach			-	-	-	-
3 Simplified Standardised Approach for Credit Risk Mitigation					-	-
4 Comprehensive Method for Credit Risk Mitigation					2.437.769	950.344
5 Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions					-	-
Total						4.269.163
Prior Period						
1 Standard Approach-CCR	2.166.338	1.729.316		1,4	3.869.598	2.841.880
2 Internal Model Approach			-	-	-	-
3 Simplified Standardised Approach for Credit Risk Mitigation					-	-
4 Comprehensive Method for Credit Risk Mitigation					644.011	316.058
5 Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions					-	-
Total						3.157.938

⁽¹⁾ Effective expected positive exposure

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3.4.3. Credit valuation adjustment (CVA) capital charge

	Current Period		Prior Period	
	Exposure (After credit risk mitigation methods)	Risk Weighted Amounts	Exposure (After credit risk mitigation methods)	Risk Weighted Amounts
Total portfolio value with comprehensive approach CVA capital adequacy	-	-	-	-
1 (i) Value at risk component (including 3*multiplier)	-	-	-	-
2 (ii) Stressed Value at Risk (including 3*multiplier)	-	-	-	-
3 All portfolios subject to Standardised CVA capital obligation	4.187.387	2.338.447	3.869.598	1.899.383
Total amount of CVA capital adequacy	4.187.387	2.338.447	3.869.598	1.899.383

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3.4.4. Standardised approach - CCR exposures by regulatory portfolio and risk weights

Current Period		0%	2%	4%	10%	20%
Risk Weights/Risk Classes						
1	Central governments and central banks receivables	781.548	-	-	-	-
2	Local governments and municipalities receivables	-	-	-	-	-
3	Administrative and non commercial receivables	-	-	-	-	-
4	Multilateral Development Bank receivables	-	-	-	-	-
5	Banks and Intermediary Institutions receivables	-	50.016	95.220	-	295.258
6	Corporate receivables	-	-	-	-	96
7	Retail receivables	-	-	-	-	-
8	Mortgage receivables	-	-	-	-	-
9	Non performing receivables	-	-	-	-	-
10	High risk defined receivables	-	-	-	-	-
11	Equity investments	-	-	-	-	-
12	Other receivables	-	-	-	-	-
Total		781.548	50.016	95.220	-	295.354
Prior Period		0%	2%	4%	10%	20%
Risk Weights/Risk Classes						
1	Central governments and central banks receivables	11.904	-	-	-	-
2	Local governments and municipalities receivables	-	-	-	-	-
3	Administrative and non commercial receivables	-	-	-	-	-
4	Multilateral Development Bank receivables	-	-	-	-	-
5	Banks and Intermediary Institutions receivables	-	308.898	86.471	-	607.980
6	Corporate receivables	-	-	-	-	235
7	Retail receivables	-	-	-	-	-
8	Mortgage receivables	-	-	-	-	-
9	Non performing receivables	-	-	-	-	-
10	High risk defined receivables	-	-	-	-	-
11	Equity investments	-	-	-	-	-
12	Other receivables	-	-	-	-	-
Total		11.904	308.898	86.471	-	608.215

⁽¹⁾ Counterparty credit risk is not included in the table.

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3.4.5. Composition of collateral for CCR exposure

		Collaterals for Derivatives Transactions				Collaterals or Other Transactions	
		Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
		Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
Current Period							
1	Cash-domestic currency	-	3.011	-	-	24.983.551	1.700.842
2	Cash-foreign currency	-	16.519	-	-	2.296.737	-
3	Domestic sovereign debts	-	-	-	-	1.730.242	25.097.712
4	Other sovereign debt	-	2.543	-	-	-	3.637.513
5	Government agency debt	-	-	-	-	-	-
6	Corporate debts	-	-	-	-	-	-
7	Equity securities	-	-	-	-	-	-
8	Other collateral	-	-	-	-	-	-
	Total	-	22.073	-	-	29.010.530	30.436.067
		Collaterals for Derivatives Transactions				Collaterals or Other Transactions	
		Collaterals Taken		Collaterals Given		Current Period	Collaterals Taken
		Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
Prior Period							
1	Cash-domestic currency	-	2.594	-	-	2.936.526	10.703.351
2	Cash-foreign currency	-	17.961	-	-	759.218	-
3	Domestic sovereign debts	-	5.501	-	-	10.709.991	4.197.383
4	Other sovereign debt	-	-	-	-	-	-
5	Government agency debt	-	-	-	-	-	-
6	Corporate debts	-	-	-	-	-	-
7	Equity securities	-	-	-	-	-	-
8	Other collateral	-	-	-	-	-	-
	Total	-	26.056	-	-	14.405.735	14.900.734

3.4.6. Credit derivatives exposures

	Current Period		Prior Period	
	Protection Bought	Protection Sold	Protection Bought	Protection Sold
Nominal				
Single-name credit default swaps	-	-	-	-
Index credit default swaps	-	-	-	-
Total return swaps	-	12.525.055	-	12.732.747
Credit Options	-	-	-	-
Other Credit Derivatives	-	-	-	-
Total Nominal	-	12.525.055	-	12.732.747
Rediscount Amount	-	(361.910)	-	(229.460)
Positive Rediscount Amount	-	42.819	-	274.073
Negative Rediscount Amount	-	(404.729)	-	(503.533)

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3.4.7. Exposures to central counterparties

	Current Period		Prior Period	
	Exposure at default (post-CRM)	RWA	Exposure at default (post-CRM)	RWA
1 Exposure to Qualified Central Counterparties (QCCPs) (total)		4.809		9.637
2 Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which				
3 (i) OTC Derivatives	141.686	4.738	112.336	3.976
4 (ii) Exchange-traded Derivatives	-	-	-	-
5 (iii) Securities financing transactions	3.550	71	283.033	5.661
6 (iv) Netting sets where cross-product netting has been approved	-	-	-	-
7 Segregated initial margin	-	-	-	-
8 Non-segregated initial margin	-	-	-	-
9 Pre-funded default fund contributions	-	-	-	-
10 Unfunded default fund contributions	-	-	-	-
11 Exposures to non-QCCPs (total)		-		-
12 Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which				
13 (i) OTC Derivatives	-	-	-	-
14 (ii) Exchange-traded Derivatives	-	-	-	-
15 (iii) Securities financing transactions	-	-	-	-
16 (iv) Netting sets where cross-product netting has been approved	-	-	-	-
17 Segregated initial margin	-	-	-	-
18 Non-segregated initial margin	-	-	-	-
19 Pre-funded default fund contributions	-	-	-	-
20 Unfunded default fund contributions	-	-	-	-

3.5. Securitisations

None.

3.6. Explanations on Market Risk

3.6.1. Qualitative disclosure on market risk

Market Risk Management department monitors the interest rate, exchange rate, stock, commodity and credit spread risks arising from the main financial activities of the Bank on a daily basis and measures the probability of loss that may arise from the related risks by using internal model. Risks measured are regularly reported to the business units, their compliance with the Bank's risk appetite is monitored and impacts on capital requirement are analyzed. By taking into account the distinction between banking and trading portfolios, analyses and measurements enable Market Risk Management to determine specific limits on sub-portfolio/product levels.

Market risks that the Bank is exposed to are assessed and managed by a triple structure consisting of Treasury, Financial Planning and Market Risk Management Units. The Board of Directors, the Executive Committee and the Audit Committee have primary responsibility for management of such risks. Both Top management and the sub-units are responsible for managing the risks taking into account constraints and targets such as Bank's interest rate sensitivity, liquidity constraints, funding sources, budget targets, medium and long-term capital planning and profitability of the products in operation.

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Models, strategies and processes that are accurate and integrated in accordance with risks the Bank is or may be exposed to have been established. Automated reporting and validation activities are carried out for effective analysis, monitoring and control mechanisms. Risk management infrastructure integrated with day-to-day activities enabling monitor and measurement independently from executive activities; and supports business and decision-making processes has been established. Policies, processes, targets, roles/responsibilities, and regular trainings are the main elements of the Bank’s dissemination of risk culture and awareness. Systems and structures compatible with international best practices and in line with the risk appetite are available for risk management.

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The Bank implements internal policies and procedures that are reviewed and approved at least once a year by the Board of Directors in order to manage market risks arising from on and off-balance sheet liabilities. Based on the principles mentioned in Regulatory Authority’s directives and best practice guidelines, internal policies determine responsibilities and practitioners for identification, measurement, monitoring and reporting of the risks in line with the risk appetite and needs of the Bank; lay the groundwork for granting limits in the Bank; and guide the actions to be taken in case of risk appetite is exceeded.

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Market Risk Management organization consists of 4 sub-units; Market Risk Analysis, Asset-Liability Management and Affiliates Coordination, Counterparty Credit Risk and Risk Methodologies and Market Data Analysis units.

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MODEL AND
STAKEHOLDERS

Market Risk Analysis unit; carry out the activities such as measuring and setting limits for risks arising from Financial assets where fair value change is reflected to income statement and Financial assets where fair value change is reflected to other comprehensive income statement using advanced internal methods (Value at Risk, Base Point Value Sensitivity etc.), complying policies and procedures with new regulations and best practices, product-based risk analysis, developing risk measurement and valuation techniques and applying stress tests.

RESPONSIBLE
GROWTH

Asset Liability Management and Subsidiaries Coordination unit; enables the Bank to measure the liquidity risk, manage the structural interest rate exposure, manage the protection procedures and the protection accounting processes used to reduce the risk of re-pricing. Follows the concentration of the Bank’s funding side. Also paves the way for implementation of Bank-side risk applications and risk culture in the Bank’s subsidiaries, plays an active role in risk appetite determination and coordination processes.

INNOVATIVE
BANKING

Counterparty Credit Risk Management Unit calculates the exposures of over the counter (OTC) derivative transactions via internal model method and manages the inclusion of these exposures into the monitoring and the credit underwriting processes.

HUMAN
FOCUS

The Risk Methodologies and Market Data Analysis unit provides unbiased management of all market data related to treasury products under the risk management framework. The unit is responsible for the verification of fair values, and transfer of related data sources to the banking system.

In the course of market risk management, related business and risk units perform their activities within the scope of the principles determined by internal policies such as the Financial Markets Rulebook, Liquidity Policy, Derivatives Policy, Treasury Credit Line Policy and Fair Value Control Policies.

CORPORATE
GOVERNANCEFINANCIAL
INFORMATION

ANNEXES

YAPI VE KREDİ BANKASI A.Ş.

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3.6.2. Market risk under standardised approach

		Current Period	Prior Period
		Risk Weighted Asset	Risk Weighted Asset
Outright products		4.238.630	2.561.805
1	Interest rate risk (general and specific)	2.377.388	1.624.256
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	1.861.229	937.549
4	Commodity risk	13	-
Options		20.450	20.150
5	Simplified approach	-	-
6	Delta-plus method	20.450	20.150
7	Scenario approach	-	-
8	Securitisation	-	-
9	Total	4.259.080	2.581.955

3.7. Explanations on Operational Risk:

The Bank calculates the amount subject to operational risk based on “Basic Indicator Method” by using 2019, 2018 and 2017 year-end gross income balances of the Bank, in accordance with Section 3 of the “Regulation Regarding Measurement and Evaluation of Banks’ Capital Adequacy Ratio”, published in the Official Gazette No. 29511 dated October 23, 2015, namely “The Calculation of the Amount Subject to Operational Risk”. As of December 31, 2020, the total amount subject to operational risk is TL 27.931.004 (December 31, 2019 - TL 24.479.544) and the amount of the related capital requirement is TL 2.234.480 (December 31, 2019 - TL 1.958.364).

Current Period	2 Prior Period Value	1 Prior Period Value	Current Period value	Total/Total number of years for	Rate [%]	Total
Gross Income	11.623.339	16.919.024	16.147.244	14.896.536	15,00%	2.234.480
Amount subject to operational risk (Total*12,5)						27.931.004
Prior Period	2 Prior Period Value	1 Prior Period Value	Current Period value	Total/Total number of years for	Rate [%]	Total
Gross Income	10.624.908	11.623.339	16.919.024	13.055.757	15,00%	1.958.364
Amount subject to operational risk (Total*12,5)						24.479.544

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3.8. Banking book interest rate risk

Interest rate risk means possible losses on financial structure or equity of the Bank by movements in interest rates. Changes in interest rates affect the Bank’s earnings by changing the level of net interest incomes, other interest sensitive incomes and operating expenses. The change in interest rates also affects the underlying values of the Bank’s assets for active, passive and off-balance sheet items by changing the economic values of future cash flows [and in some cases, the cash flows themselves].

Interest rate risk has three main reasons:

- Repricing Risk: It is caused by the inconsistency in pricing of active and passive items.
- Yield Curve Risk: It results from the variation of the curve and shape of the yield curve.
- Basis Risk: It’s due to the low correlation of the earned and paid interest yields of different financial instruments with peer revaluation structure.

The customer’s prepayment risk [option risk] is indirectly taken into account in managing and following the interest rate risk by following a specific risk protection rate.

Within the scope of the interest rate risk arising from banking accounts, the core deposit analysis for demand deposits is carried out according to the maximum maturity structure of the same regulation. In core deposit analysis, it is possible to distribute demand deposits up to three times using behavioral models updated once a year. In addition, Consumer Price Index bonds model and early payment model in real estate and consumer loans are also considered in the calculation of interest rate risk.

Interest rate risk is monitored weekly through internal reports and reports made to the Executive Board on a monthly basis.

In accordance with the “Regulation on Measurement and Evaluation of the Interest Rate on Banking Accounts by Standard Shock Method”, the economic value differences arising from fluctuations in interest rates are stated in the table below as of December 31, 2020, based on the significant currencies of the Bank.

Currency	Applied shock [+/- x basis points]	Current Period		Prior Period	
		Gains/Losses	Gains/SE- Losses/SE	Gains/Losses	Gains/SE- Losses/SE
TRY	[+]500 bp	[3.795.748]	[6,06]%	[2.779.791]	[5,09]%
TRY	[-]400 bp	3.576.247	5,71%	2.547.494	4,67%
EUR	[+]200 bp	[123.836]	[0,20]%	[88.345]	[0,16]%
EUR	[-]200 bp	158.635	0,25%	107.025	0,20%
USD	[+]200 bp	[1.241.514]	[1,98]%	[126.269]	[0,23]%
USD	[-]200 bp	1.769.009	2,83%	417.118	0,76%
Total (For negative shocks)		5.503.891	8,79%	3.071.637	5,63%
Total (For positive shocks)		[5.161.098]	[8,25]%	[2.994.405]	[5,49]%

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4. Explanations on currency risk

The difference between the Bank’s foreign currency denominated and foreign currency indexed on- and off-balance sheet assets and liabilities is defined as the “Net Foreign Currency Position” and it is the basis of currency risk. Cross currency risk is also taken into consideration for the currency risk calculations and measurements.

The Bank keeps the amount of currency risk exposure within the related legal limits and follows the exchange position on a daily/regular basis. In addition, although the internal exchange position limit is lower when compared to the related legal limit, there has not been any limit exceeding during the period. As an instrument of currency risk management, derivatives such as swap and forwards are used to reduce risk whenever needed. In order to guard against extreme volatility during the year stress tests are applied. Value at risk method is used for the measurement of foreign exchange risk.

The details of hedging of the foreign currency debt instruments and net foreign currency investment risk with derivative instruments are disclosed in section four Note 10.

The Bank’s publicly announced foreign exchange bid rates as of the date of the financial statements and for the last five work days prior to that date are as follows:

(Exchange rates presented as full TL)	USD	EUR
Balance sheet evaluation rate:	7,3405	9,0079
First day current bid rate	7,4063	9,0697
Second day current bid rate	7,4738	9,1370
Third day current bid rate	7,5517	9,2037
Fourth day current bid rate	7,6190	9,2948
Fifth day current bid rate	7,6321	9,3030
Arithmetic average of the last 31 days:	7,7257	9,3956
Balance sheet evaluation rate as of prior period:	5,9402	6,6506

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Information related to financial position of the Bank

	Current Period	EUR	USD	OTHER FC ⁽⁴⁾	Total
Assets					
Cash [cash in vault, effectives, cash in transit, cheques purchased] and balances with the Central Bank of the Republic of Turkey		16.153.259	22.115.341	6.258.808	44.527.408
Banks		631.440	7.066.511	88.631	7.786.582
Financial assets where fair value change is reflected to income statement		17.112	646.573	-	663.685
Money market placements		-	-	-	-
Financial assets where fair value change is reflected to other comprehensive income statement		1.002.982	4.147.660	5.601	5.156.243
Loans ⁽¹⁾		49.398.338	49.902.299	2.031.237	101.331.874
Investments in associates, subsidiaries and joint ventures		4.241.081	405.191	1.203.097	5.849.369
Financial Assets Measured at Amortised Cost		211.712	19.666.666	-	19.878.378
Hedging derivative financial assets		-	-	-	-
Tangible assets		-	-	-	-
Intangible assets		-	-	-	-
Other assets ⁽²⁾		6.642.072	9.176.519	592.027	16.410.618
Total assets		78.297.996	113.126.760	10.179.401	201.604.157
Liabilities					
Bank deposits		879.645	48.892	50.609	979.146
Foreign currency deposits		48.476.971	79.553.266	16.948.646	144.978.883
Funds from money market		2.577.154	-	-	2.577.154
Funds borrowed from other financial institutions		14.712.540	22.823.888	249	37.536.677
Marketable securities issued		90.674	15.192.286	-	15.282.960
Miscellaneous payables		553.153	171.915	9.693	734.761
Hedging derivative financial liabilities		133.875	907.565	-	1.041.440
Other liabilities ⁽³⁾		1.227.868	35.663.272	9.204	36.900.344
Total liabilities		68.651.880	154.361.084	17.018.401	240.031.365
Net on-balance sheet position		9.646.116	(41.234.324)	(6.839.000)	(38.427.208)
Net off-balance sheet position⁽⁵⁾		(9.001.949)	40.541.716	8.019.988	39.559.755
Financial derivative assets		9.497.755	59.030.334	8.888.736	77.416.825
Financial derivative liabilities		18.499.704	18.488.618	868.748	37.857.070
Net Position		644.167	(692.608)	1.180.988	1.132.547
Non-cash loans		36.499.058	27.553.236	4.612.240	68.664.534
Prior Period					
Total assets		67.068.937	102.603.428	5.307.192	174.979.557
Total liabilities		53.558.831	147.025.829	5.679.591	206.264.251
Net on-balance sheet position		13.510.106	(44.422.401)	(372.399)	(31.284.694)
Net off-balance sheet position⁽⁵⁾		(13.461.636)	44.487.861	1.281.130	32.307.355
Financial derivative assets		20.046.124	67.176.852	2.642.792	89.865.768
Financial derivative liabilities		33.507.760	22.688.991	1.361.662	57.558.413
Net Position		48.470	65.460	908.731	1.022.661
Non-cash loans		33.196.485	25.624.976	4.269.490	63.090.951

⁽¹⁾ Includes FX indexed loans amounting to TL 376.236 (December 31, 2019 - TL 1.147.274) which have been disclosed as TL in the financial statements.

⁽²⁾ Does not include foreign currency prepaid expenses amounting to TL 236.064 (December 31, 2019 - TL 317.316).

⁽³⁾ Does not include foreign currency other comprehensive income and expense under equity.

⁽⁴⁾ Other FC column includes also gold balance.

⁽⁵⁾ Forward transactions classified as commitments are also included.

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Currency risk sensitivity analysis:

The table below represents the sensitivity of the Bank to 15% change of currency exchange rates (USD and EUR). 15% change is the assumption of parity change that may be faced according to the Bank's stress test scenarios.

Change in currency exchange rates	Current Period	Prior Period
	Profit/loss effect ⁽¹⁾	Profit/loss effect ⁽¹⁾
[+]15%	[428.798]	[148.104]
[-]15%	580.006	148.104

⁽¹⁾ Including tax effect.

5. Explanations on interest rate risk

The monitoring of interest rate sensitive assets and liabilities, including sensitivity analysis regarding the effect of interest rate fluctuations on the financial statements, is performed by the risk management department for all interest sensitive instruments over carrying values. The results are presented monthly to the Asset and Liability Management function of the Executive Committee. By using sensitivity and scenario analyses, the possible effects by interest rate volatility are analyzed. In these analyses possible losses are calculated for the change in fair value of interest sensitive products by applying shock tests to interest rates.

Sensitivity analyses are also calculated daily within Market Risk reporting on the basis of maturity and foreign exchange types and reported to Senior Management by checking them against the determined limits.

The Bank utilizes TL/foreign currency and TL/TL interest rate and money swap transactions in order to limit the interest and foreign currency risk arising from short-term deposit and long-term consumer loans within the balance sheet.

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5.1. Interest rate sensitivity of assets, liabilities and off-balance sheet items based on repricing dates:

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest bearing	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	28.795.875	-	-	-	-	26.231.597	55.027.472
Banks	3.276.618	435.863	-	-	-	7.351.646	11.064.127
Financial assets where fair value change is reflected to income statement	83	1.135	737	60.955	544.890	390.750	998.550
Receivables from money markets	1.700.842	-	-	-	-	-	1.700.842
Financial assets where fair value change is reflected to other comprehensive income statement	2.780.391	6.355.517	8.542.316	5.157.989	2.006.501	21.453	24.864.167
Loans ⁽¹⁾	36.933.103	38.255.700	97.948.656	86.895.353	15.096.899	[5.001.190]	270.128.521
Financial assets measured at amortised cost	12.339.697	7.807.161	7.957.380	5.217.100	17.420.574	-	50.741.912
Other assets	949.334	1.380.957	1.446.038	1.704.658	133.533	39.553.947	45.168.467
Total assets	86.775.943	54.236.333	115.895.127	99.036.055	35.202.397	68.548.203	459.694.058
Liabilities							
Bank deposits	4.448.966	14.026	-	-	-	1.209.431	5.672.423
Other deposits	119.826.311	33.053.089	6.376.543	19.772	-	89.332.018	248.607.733
Funds from money market	25.127.788	20	1.638.612	938.918	-	-	27.705.338
Miscellaneous payables	-	-	-	-	-	14.515.070	14.515.070
Marketable securities issued	2.770.874	9.747.418	7.996.969	-	2.161	-	20.517.422
Funds borrowed from other financial institutions	2.382.139	27.340.773	7.750.267	583.158	224.102	-	38.280.439
Other liabilities ⁽²⁾	7.557.424	24.650.751	8.651.138	4.312.807	2.031.182	57.192.331	104.395.633
Total liabilities	162.113.502	94.806.077	32.413.529	5.854.655	2.257.445	162.248.850	459.694.058
Balance sheet long position	-	-	83.481.598	93.181.400	32.944.952	-	209.607.950
Balance sheet short position	[75.337.559]	[40.569.744]	-	-	-	[93.700.647]	[209.607.950]
Off-balance sheet long position	16.294.957	34.736.202	-	-	-	-	51.031.159
Off-balance sheet short position	-	-	[8.853.429]	[41.098.309]	[2.881.999]	-	[52.833.737]
Total position	[59.042.602]	[5.833.542]	74.628.169	52.083.091	30.062.953	[93.700.647]	[1.802.578]

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Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest bearing	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	19.154.114	-	-	-	-	22.195.862	41.349.976
Banks	9.576.848	641.829	-	-	-	12.320.588	22.539.265
Financial assets where fair value change is reflected to income statement	-	162	4.536	13.874	75.296	473.536	567.404
Receivables from money markets	10.703.351	-	-	-	-	-	10.703.351
Financial assets where fair value change is reflected to other comprehensive income statement	2.677.987	5.877.816	9.044.577	6.875.211	2.202.096	13.619	26.691.306
Loans ⁽¹⁾	31.787.228	29.853.370	71.526.932	77.677.597	11.991.615	951.887	223.788.629
Financial assets measured at amortised cost	6.053.199	3.806.311	5.017.522	2.642.601	10.786.026	-	28.305.659
Other assets	987.590	1.258.330	1.013.870	1.212.276	276.361	28.801.810	33.550.237
Total assets	80.940.317	41.437.818	86.607.437	88.421.559	25.331.394	64.757.302	387.495.827
Liabilities							
Bank deposits	3.755.966	54.503	2.129	-	-	1.348.857	5.161.455
Other deposits	133.518.058	27.806.700	7.224.633	78.406	611	49.000.255	217.628.663
Funds from money market	2.936.525	2	759.217	-	-	-	3.695.744
Miscellaneous payables	-	-	-	-	-	14.228.037	14.228.037
Marketable securities issued	2.956.966	9.456.142	8.290.583	-	-	-	20.703.691
Funds borrowed from other financial institutions	4.798.052	22.673.504	9.487.488	621.382	530.116	-	38.110.542
Other liabilities ⁽²⁾	4.825.511	13.823.169	851.080	14.682.728	5.557.694	48.227.513	87.967.695
Total liabilities	152.791.078	73.814.020	26.615.130	15.382.516	6.088.421	112.804.662	387.495.827
Balance sheet long position	-	-	59.992.307	73.039.043	19.242.973	-	152.274.323
Balance sheet short position	(71.850.761)	(32.376.202)	-	-	-	(48.047.360)	(152.274.323)
Off-balance sheet long position	14.504.688	36.048.200	-	-	-	-	50.552.888
Off-balance sheet short position	-	-	(5.106.966)	(39.018.130)	(5.444.705)	-	(49.569.801)
Total position	(57.346.073)	3.671.998	54.885.341	34.020.913	13.798.268	(48.047.360)	983.087

⁽¹⁾ Non-performing loans are shown in net Non-Interest Bearing loss column after being offset by expected loss provisions.

⁽²⁾ Shareholders' equity is presented under "Non interest bearing".

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Average interest rates for monetary financial instruments:

The following average interest rates are calculated by weighting the rates with their principal amounts outstanding as of the balance sheet date.

	EUR %	USD %	Yen %	TL %
Current Period				
Assets⁽¹⁾				
Cash [cash in vault, effectives, cash in transit, cheques purchased] and balances with the Central Bank of the Republic of Turkey	-	-	-	12,29
Banks	-	-	-	17,78
Financial assets where fair value change is reflected to income statement	3,54	6,17	-	15,59
Receivables from money markets	-	-	-	15,37
Financial assets where fair value change is reflected to other comprehensive income statement	3,26	5,64	-	15,77
Loans	4,50	6,18	-	14,88
Financial assets measured at amortised cost	4,89	6,47	-	15,93
Liabilities⁽¹⁾				
Bank deposits	0,05	0,20	-	17,74
Other deposits	0,91	1,51	0,01	15,46
Funds from money market	1,49	-	-	14,48
Miscellaneous payables	-	-	-	-
Marketable securities issued	5,00	6,31	-	13,54
Funds borrowed from other financial institutions	1,89	2,47	-	10,68
Prior Period				
Assets⁽¹⁾				
Cash [cash in vault, effectives, cash in transit, cheques purchased] and balances with the Central Bank of the Republic of Turkey	-	-	-	10,00
Banks	0,10	1,72	-	11,29
Financial assets where fair value change is reflected to income statement	3,38	5,96	-	15,71
Receivables from money markets	-	-	-	9,72
Financial assets where fair value change is reflected to other comprehensive income statement	3,34	5,37	-	13,33
Loans	4,79	7,06	5,15	16,83
Financial assets measured at amortised cost	5,25	5,58	-	13,46
Liabilities⁽¹⁾				
Bank deposits	-	1,80	-	11,31
Other deposits	0,57	2,18	0,30	10,96
Funds from money market	1,90	-	-	9,34
Miscellaneous payables	-	-	-	-
Marketable securities issued	5,00	6,01	-	11,74
Funds borrowed from other financial institutions	1,91	3,98	2,64	11,58

⁽¹⁾ Does not include demand/non-interest transactions.

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6. Explanation on share certificates position risk from banking book:

None.

7. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio:

Liquidity risk is defined as risk of unexpected loss to be occurred or bank to have difficulties in raising funds while meeting maturing liabilities. Liquidity management is daily monitored in the Bank under Treasury Management and Risk Management. The liquidity policy of the Bank is approved by the Bank's Board of Directors. Treasury Management is responsible for carrying out transactions which are appropriate to Bank's policy, monitoring of liquidity position and submitting necessary reports to executives. Treasury management contributes to determine strategies and operating actions for the management of the liquidity position in addition to prepare funding plan and contingency funding plan of the Bank. Liquidity risk is evaluated with liquidity gap analysis, liquidity stress tests and supplementary precautions/measurements. Liquidity Gap analysis are performed for two different periods as short-term and long-term. Going concern scenario and structural positions are reported monthly. This reporting constitutes the basis of monitoring and management of liquidity position.

The Bank does not function as a central funding institution in its relations with its subsidiaries. Intra-group liquidity management and funding strategies are limited with related legal boundaries.

The Bank issues an annual funding plan in order to sustain funding in a consistent and balanced way. Funding plan have to be updated at least annually and approved by the Executive Committee since it is complied with budgeting process and risk appetite frameworks. The primary purpose of the funding plan is to provide a reliable balance between assets and liabilities.

Both short-term liquidity and long-term (structural) liquidity measurement and reporting for all types of currencies are periodically made in the Bank and its subsidiaries. There are limits which are predetermined and approved by the Board of Directors on the basis of all currencies for each period.

The Bank mainly uses derivative transactions as managing liquidity risk and monitors cash inflow and outflow periods in the framework of funding plan balancing the distribution among currencies.

The Bank aims to reduce the risks to the lowest level if required via measuring possible risks in liquidity with stress tests. Stress tests make it possible for the Bank to reinterpret analysis of its liquidity position according to scenarios depending on possible cases and tail risks except for crisis situations. Liquidity Stress Test methodology makes a similar approach with LCR template and hence allows the overview of the results in line with Basel approaches. The Bank applies and reports liquidity stress tests consisting of different scenarios and maturity segments both on solo and consolidated level and the results are compared with limit and trigger levels set, with different frequencies [weekly, monthly etc.] according to the scenarios.

"Liquidity Contingency Plan" is applied if the Bank needs more liquidity than its daily liquidity need because of possible financial events in future. Duties and responsibilities are defined in detail in the aforementioned plan. Both the liquidity policy and liquidity contingency policy are in line with BRSA best practice documents on liquidity risk management. The abovementioned policies and the thresholds (limits etc.) covered within liquidity risk management framework are updated and approved at least annually.

Funding sources of the Bank mainly consist of deposits which constitute 55% [December 31, 2019 - 57%] of total liabilities of the Bank and also include repo, secured loans, syndication, securitization, bond/security issuance and other instruments including subordinated debts.

The Bank calculates and reports the Liquidity Coverage Ratio (LCR) in full compliance with the regulations. LCR is a metric measuring the adequacy of unencumbered free liquid assets owned by banks [called high quality liquid assets] to meet expected net cash outflows over the next 30 days. The metric is an important Basel regulation that measures short-term liquidity and is closely monitored in the Bank. In addition to the Bank LCR, the Net Stable Funding Rate (NSFR), which is considered another complementary element and provides another important medium/long-term liquidity risk measurement, has also begun internally. These two metrics are also included within the Risk Appetite Indicators and closely monitored at the Bank.

High quality liquid assets mentioned in LCR calculation consist of cash, effective money, Central Bank of the Republic of Turkey ["CBRT"] accounts and reserves and debt instruments issued by Treasury of the Republic of Turkey treated as high quality liquid assets.

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PRESENTATION

Cash outflows from derivative transactions in liquidity coverage ratio calculation are based on inclusion of net cash flows with maturity of 30 days in the calculation. Additionally, transactions having a margin possibility are included in liquidity coverage ratio calculation by taking the largest outflow amount according to the negative values of net margin flows realized in the last 24 months in respect of 30 days period or for liability into consideration as cash outflow.

FROM THE
MANAGEMENT

Secured funding consists of repo and other secured borrowings. A large part of securities which are subjects of the aforementioned funding transactions consist of Sovereign Bonds issued by Treasury of the Republic of Turkey and transactions are carried out in both CBRT market and interbank market.

The Bank manages all the transactions made before its foreign branches and partnership in the framework of central bank, markets and related legislation of the country in which the institutions are located. Legal lending limits and high limit transactions are closely monitored in this framework.

ABOUT
YAPI KREDİ

All cash inflow and outflow items related to liquidity profile of the Bank are included in liquidity coverage ratio tables below for the last three months.

BUSINESS
MODEL AND
STAKEHOLDERSRESPONSIBLE
GROWTHINNOVATIVE
BANKINGHUMAN
FOCUSCORPORATE
GOVERNANCEFINANCIAL
INFORMATION

ANNEXES

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Average amounts of weekly liquidity coverage ratio calculations related to the last three months of current period are explained in the table below.

Current Period	Unweighted Amounts		Weighted Amounts	
	TL+FC	FC	TL+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			88.977.457	58.308.125
Cash Outflows				
Retail and Small Business Customers Deposits	164.279.244	96.259.285	14.989.601	9.625.857
Stable deposits	28.766.473	1.434	1.438.324	72
Less stable deposits	135.512.771	96.257.851	13.551.277	9.625.785
Unsecured Funding other than Retail and Small Business Customers Deposits	98.358.111	51.490.482	52.796.266	25.316.673
Operational deposits	-	-	-	-
Non-Operational deposits	78.461.113	46.430.598	36.594.936	20.256.789
Other Unsecured funding	19.896.998	5.059.884	16.201.330	5.059.884
Secured funding				
Other Cash Outflows	2.088.551	2.088.551	2.088.551	2.088.551
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	2.088.551	2.088.551	2.088.551	2.088.551
Debts related to the structured financial products	-	-	-	-
Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	116.462.876	83.117.808	5.823.144	4.155.890
Other irrevocable or conditionally revocable commitments	87.089.354	11.561.221	8.708.975	3.237.787
Total Cash Outflows			84.406.537	44.424.758
Cash Inflows				
Secured Lending Transactions	-	-	-	-
Unsecured Lending Transactions	27.201.926	14.340.078	20.530.073	12.423.246
Other contractual cash inflows	655.502	19.644.127	655.502	19.644.127
Total Cash Inflows	27.857.428	33.984.205	21.185.575	32.067.373
			Capped Amounts	
Total High Quality Liquid Assets			88.977.457	58.308.125
Total Net Cash Outflows			63.220.962	12.357.386
Liquidity Coverage Ratio (%)			140,74	471,85

The dates and values of minimum and maximum foreign currency and total liquidity coverage ratios calculated weekly related to the last three months of current period are explained in the table below.

Current Period	Minimum FC (%)	Minimum TL+FC (%)	Maximum FC (%)	Maximum TL+FC (%)
Week	October 30, 2020	October 30, 2020	December 11, 2020	December 11, 2020
Ratio (%)	340,84	129,66	558,15	152,27

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Average amounts of weekly liquidity coverage ratio calculations related to the last three months of prior period are explained in the table below.

Prior Period	Unweighted Amounts		Weighted Amounts	
	TL+FC	FC	TL+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			87.314.792	44.183.227
Cash Outflows				
Retail and Small Business Customers Deposits	131.862.269	65.399.524	11.715.273	6.539.873
Stable deposits	29.419.077	1.580	1.470.954	79
Less stable deposits	102.443.192	65.397.944	10.244.319	6.539.794
Unsecured Funding other than Retail and Small Business Customers Deposits	84.797.664	45.707.458	46.175.698	22.610.669
Operational deposits	-	-	-	-
Non-Operational deposits	65.757.266	40.652.351	30.452.955	17.555.562
Other Unsecured funding	19.040.398	5.055.107	15.722.743	5.055.107
Secured funding			20.009	20.009
Other Cash Outflows	2.157.263	2.440.182	2.157.263	2.440.182
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	2.157.263	2.440.182	2.157.263	2.440.182
Debts related to the structured financial products	-	-	-	-
Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	98.601.248	68.092.124	4.930.062	3.404.606
Other irrevocable or conditionally revocable commitments	78.737.558	15.373.161	7.964.396	3.411.410
Total Cash Outflows			72.962.701	38.426.749
Cash Inflows				
Secured Lending Transactions	-	-	-	-
Unsecured Lending Transactions	31.994.080	17.426.365	25.383.450	16.332.196
Other Contractual Cash Inflows	662.477	28.938.576	662.477	28.938.576
Total Cash Inflows	32.656.557	46.364.941	26.045.927	45.270.772
			Capped Amounts	
Total High Quality Liquid Assets			87.314.792	44.183.227
Total Net Cash Outflows			46.916.774	9.606.688
Liquidity Coverage Ratio (%)			186,11	459,92

The dates and values of minimum and maximum foreign currency and total liquidity coverage ratios calculated weekly related to the last three months of prior period are explained in the table below.

Prior Period	Minimum FC (%)	Minimum TL+FC (%)	Maximum FC (%)	Maximum TL+FC (%)
Week	October 11, 2019	November 1, 2019	November 29, 2019	December 20, 2019
Ratio (%)	385,94	165,84	539,87	212,23

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Breakdown of assets and liabilities according to their remaining maturities:

Current Period	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Unclassified	Total
Assets								
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	31.718.122	23.309.350	-	-	-	-	-	55.027.472
Banks	7.351.646	3.276.618	435.863	-	-	-	-	11.064.127
Financial assets where fair value change is reflected to income statement	22	83	1.135	737	60.955	544.890	390.728	998.550
Receivables from money markets	-	1.700.842	-	-	-	-	-	1.700.842
Financial assets where fair value change is reflected to other comprehensive income statement	-	984.973	223.035	2.543.253	17.389.959	3.701.494	21.453	24.864.167
Loans ⁽¹⁾	-	36.192.339	28.510.532	85.094.688	99.941.058	25.391.094	[5.001.190]	270.128.521
Financial assets measured at amortised cost	-	82.372	191	1.013.116	23.172.551	26.473.682	-	50.741.912
Other assets	5.602.481	408.011	430.473	974.037	2.411.248	1.390.753	33.951.464	45.168.467
Total assets	44.672.271	65.954.588	29.601.229	89.625.831	142.975.771	57.501.913	29.362.455	459.694.058
Liabilities								
Bank deposits	1.209.431	4.448.966	14.026	-	-	-	-	5.672.423
Other deposits	89.332.018	119.814.597	33.059.975	6.381.371	19.772	-	-	248.607.733
Funds borrowed from other financial institutions	-	1.539.001	2.020.809	26.759.405	7.244.704	716.520	-	38.280.439
Funds from money market	-	25.127.788	20	1.638.612	938.918	-	-	27.705.338
Marketable securities issued	-	1.876.967	1.390.864	720.095	16.436.660	92.836	-	20.517.422
Miscellaneous payables	261.142	13.784.161	120.933	-	-	-	348.834	14.515.070
Other liabilities ⁽²⁾	3.338.451	1.624.918	3.575.614	1.459.220	32.263.865	11.867.800	50.265.765	104.395.633
Total liabilities	94.141.042	168.216.398	40.182.241	36.958.703	56.903.919	12.677.156	50.614.599	459.694.058
Net liquidity gap	(49.468.771)	(102.261.810)	(10.581.012)	52.667.128	86.071.852	44.824.757	(21.252.144)	-
Net Off-Balance Sheet Position								
Derivative Financial Assets	-	(1.203.432)	(1.790.386)	1.269.422	(1.339.505)	1.261.323	-	(1.802.578)
Derivative Financial Liabilities	-	41.362.610	32.431.550	36.369.112	71.255.945	37.103.622	-	218.522.839
Derivative Financial Liabilities	-	42.566.042	34.221.936	35.099.690	72.595.450	35.842.299	-	220.325.417
Non-Cash Loans	-	2.769.066	9.121.743	38.620.638	17.644.892	5.513.093	27.557.848	101.227.281
Prior Period								
Total assets	43.276.782	67.785.308	25.103.241	62.384.845	120.325.561	42.273.294	26.346.796	387.495.827
Total liabilities	54.258.674	157.526.756	34.816.675	38.591.233	44.699.841	13.874.110	43.728.538	387.495.827
Liquidity gap	(10.981.892)	(89.741.448)	(9.713.434)	23.793.612	75.625.720	28.399.184	(17.381.742)	-
Net Off-Balance Sheet Position	-	(167.979)	71.764	207.735	23.259	848.308	-	983.087
Derivative Financial Assets	-	45.149.409	38.039.998	31.522.469	69.498.938	39.707.893	-	223.918.707
Derivative Financial Liabilities	-	45.317.388	37.968.234	31.314.734	69.475.679	38.859.585	-	222.935.620
Non-Cash Loans	-	2.407.611	11.890.301	31.273.180	15.494.693	5.010.047	24.038.885	90.114.717

⁽¹⁾ Non-performing loans are presented in the “Unclassified” column after being offset against expected loss provisions.

⁽²⁾ Shareholders’ equity is presented under the “Other liabilities” item in the “Unclassified” column.

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Breakdown of financial liabilities according to their remaining contractual maturities:

The maturity distribution of values at contracted maturity date of non-derivative financial liabilities is presented below. Maturity segments also include the interests of related assets and liabilities.

	Demand and up to 1 month					Above 5 years	Total
	Current Period ⁽¹⁾	1-3 months	3-12 months	1-5 years			
Liabilities							
Deposits	215.633.757	33.434.580	6.539.771	20.418	-	255.628.526	
Borrowings	1.556.018	2.202.173	27.449.549	7.753.903	812.700	39.774.343	
Financial Liabilities Fair Value Through Profit and Loss	-	213.567	853.984	9.173.905	7.813.040	18.054.496	
Funds from money market	25.254.357	9.784	1.647.841	944.206	-	27.856.188	
Subordinated debts	331.011	256.087	1.298.043	23.108.191	5.066.769	30.060.101	
Marketable securities issued (Net)	1.907.435	1.399.810	724.726	17.255.186	93.433	21.380.590	
Total	244.682.578	37.516.001	38.513.914	58.255.809	13.785.942	392.754.244	
	Demand and up to 1 month					Above 5 years	Total
	Prior Period ⁽¹⁾	1-3 months	3-12 months	1-5 years			
Liabilities							
Deposits	187.741.149	28.210.593	8.175.899	97.527	611	224.225.779	
Borrowings	2.248.895	2.638.800	27.294.433	4.997.742	2.759.607	39.939.477	
Financial Liabilities Fair Value Through Profit and Loss	-	341.841	1.483.958	8.482.655	8.393.714	18.702.168	
Funds from money market	2.942.343	3	763.556	-	-	3.705.902	
Subordinated debts	298.587	208.129	997.530	19.510.304	4.647.788	25.662.338	
Marketable securities issued (Net)	2.958.567	2.860.418	1.656.234	14.013.214	378.337	21.866.770	
Total	196.189.541	34.259.784	40.371.610	47.101.442	16.180.057	334.102.434	

⁽¹⁾ Maturities of non-cash loans are described in Note 3 of Section 5.

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8. Explanations on leverage ratio:

The main reason for decrease in leverage ratio for the current period is the increase in total exposures.

	Current Period ⁽¹⁾	Prior Period ⁽¹⁾
On-Balance sheet exposures		
On-Balance sheet assets [Excluding derivative financial instruments and credit derivatives, including collaterals]	468.035.810	377.398.089
[Asset amounts deducted in determining Tier 1 capital]	[4.516.845]	[3.641.674]
Total on-Balance sheet exposures	463.518.965	373.756.415
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	4.156.298	2.000.636
Potential credit risk of derivative financial instruments and credit derivatives	1.821.834	1.786.720
Total derivative financial instruments and credit derivatives exposure	5.978.132	3.787.356
Securities financing transaction exposure		
Total risk of gross securities financing transactions [excluding on-balance sheet exposure]	1.632.755	448.597
Agent transaction exposures	-	-
Total securities financing transaction exposures	1.632.755	448.597
Off-balance sheet items		
Off-balance sheet exposure at gross notional amount	218.199.061	204.603.371
[Adjustments for conversion to credit equivalent amounts]	[19.870.119]	[19.705.782]
Total risk of off-balance sheet items	198.328.942	184.897.589
Capital and total exposure		
Tier 1 capital	51.617.699	44.447.710
Total exposures	669.458.794	562.889.957
Leverage ratio [%]	7,71	7,91

⁽¹⁾ The arithmetic average of the last three months in the related periods.

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9. Explanations on the presentation of financial assets and liabilities at fair values:

The following table summarizes the carrying values and fair values of some financial assets and liabilities of the Bank. The carrying value represents the acquisition costs and accumulated interest accruals of corresponding financial assets or liabilities.

	Book Value		Fair value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	382.297.893	329.350.825	386.987.398	333.968.296
Due from money market	1.700.842	10.703.351	1.700.842	10.703.351
Banks	11.064.127	22.539.265	11.819.096	22.534.263
Financial assets at fair value through other comprehensive income	24.864.167	26.691.306	24.864.167	26.691.306
Financial assets measured at amortised cost	50.741.912	28.305.659	52.282.209	27.672.853
Loans	293.926.845	241.111.244	296.321.084	246.366.523
Financial Liabilities	363.135.972	327.597.032	364.343.746	329.588.486
Bank deposits	5.672.423	5.161.455	5.676.768	5.163.238
Other deposits	248.607.733	217.628.663	248.723.246	217.527.357
Borrowings	38.280.439	38.110.542	38.112.646	37.880.475
Financial liabilities fair value through profit and loss	12.887.831	13.184.605	12.887.831	13.184.605
Subordinated debts	22.655.054	18.580.039	24.273.721	20.399.518
Marketable securities issued	20.517.422	20.703.691	20.154.464	21.205.256
Miscellaneous payables	14.515.070	14.228.037	14.515.070	14.228.037

The fair values of deposits, banks, securities issued and funds borrowed from other financial institutions are determined by calculating the discounted cash flows using the current market interest rates.

The fair value of held-to-maturity assets is determined based on market prices or when this price is not available, based on market prices quoted for other securities subject to the same redemption qualifications in terms of interest, maturity and other similar conditions.

The expected fair value of loans and receivables is determined by calculating the discounted cash flows using the current market interest rates for the loans with fixed interest rates. For the loans with floating interest rates [such as overdrafts and credit card receivables], it is assumed that the carrying value approaches to the fair value.

TFRS 13, “Fair Value Measurement”, requires classification of line items at fair value presented at the financial statements according to the defined levels. These levels depend on the observability of data used for fair value calculations.

Classification for fair value is generated as followed below:

Level 1: Assets or liabilities with prices recorded [unadjusted] in active markets

Level 2: Assets or liabilities that are excluded in the Level 1 of recorded prices directly observable by prices or indirectly observable derived through prices observable from similar assets or liabilities

Level 3: Assets and liabilities where no observable market data can be used for valuation

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According to these classification principles stated, the Bank’s classification of financial assets and liabilities carried at their fair value are as follows:

Current Period	Level 1	Level 2	Level 3	Total
Financial assets where fair value change is reflected to income statement	276.734	493.370	228.446	998.550
Financial assets where fair value change is reflected to other comprehensive income statement	22.893.003	1.949.711	-	24.842.714
Derivative financial assets	-	5.614.520	-	5.614.520
Total assets	23.169.737	8.057.601	228.446	31.455.784
Financial liabilities at fair value through profit or loss	-	12.887.831	-	12.887.831
Derivative financial liabilities	-	10.584.190	-	10.584.190
Total liabilities	-	23.472.021	-	23.472.021
Prior Period	Level 1	Level 2	Level 3	Total
Financial assets where fair value change is reflected to income statement	98.867	269.484	199.053	567.404
Financial assets where fair value change is reflected to other comprehensive income statement	24.633.459	2.044.228	-	26.677.687
Derivative financial assets	-	4.748.427	-	4.748.427
Total assets	24.732.326	7.062.139	199.053	31.993.518
Financial liabilities at fair value through profit or loss	-	13.184.605	-	13.184.605
Derivative financial liabilities	-	7.076.433	-	7.076.433
Total liabilities	-	20.261.038	-	20.261.038

The Bank classify its buildings carried at their fair value within property and equipment under level 3.

10. Explanations on hedge accounting:

The Bank applies the following hedge accounting models: Fair Value Hedge (“FVH”) and Cash Flow Hedge (“CFH”).

If the fair value of the hedging instrument within fair value hedge (“FVH”) is positive it is classified under, “Derivative financial assets at fair value through profit or loss”; if the fair value is negative, it is classified under “Derivative financial liabilities at fair value through profit or loss”.

If the fair value of the hedging instrument under hedge of cash flow hedge (“CFH”) is positive, it is classified under “Derivative financial assets at fair value through other comprehensive income” if the fair value is negative, it is classified under “Derivative financial liabilities at fair value through other comprehensive income”.

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Interest rate swap and cross currency interest rate swap are used as hedging instrument in FVH and interest rate swap, currency swap and cross currency interest rate swap are used as hedging instrument in CFH. Contractual amounts and the fair values as at December 31, 2020 of these hedging instruments are presented in the table below:

Hedging instrument	Current Period			Prior Period		
	Notional ⁽¹⁾	Asset	Liability	Notional ⁽¹⁾	Asset	Liability
Interest rate swap/Currency swap/Cross currency interest rate swap [CFH]	45.922.447	546.658	2.622.928	49.943.888	297.126	2.891.167
Interest rate swap/Cross currency interest rate swap [FVH]	1.970.473	-	620,019	1.853.799	1.690	316.376
Total	47.892.920	546.658	3.242.947	51.797.687	298.816	3.207.543

⁽¹⁾ Only the “sell” legs of the related derivatives are presented with the addition of the “buy” legs of these derivatives amounting to TL 46.755.573 [December 31, 2019 - TL 51.195.946] the total notional of derivative financial assets amounting to TL 94.648.493 [December 31, 2019 - TL 102.993.633] is accounted for in off-balance sheet under “Hedging Derivative Financial Instruments” line item.

The fair valuation methodology of the derivatives presented in the above table is disclosed in the accounting principles section of these financial statements in Section 3, Part 4.

10.1. Fair value hedge accounting:

Starting from March 1, 2009, the Bank has hedged the possible fair value effects of changes in market interest rates on some of its fixed interest loan portfolios and fair value effects of changes in foreign exchange rates on part of its foreign currency funds by using interest rate swap, cross-currency interest rate swap. Starting from July 28, 2015, the Bank has hedged the possible fair value effects of changes in market interest rates and foreign exchange rates on marketable securities by using cross-currency interest rate swaps. The Bank selected to apply macro FVH accounting for such relationship in accordance with “TAS - 39 Financial Instruments: Recognition and Measurement”.

The impact of application of FVH accounting is summarized below:

Current Period						Net gain/[loss] recognised in the income statement [Derivative financial transactions gains/losses] ⁽³⁾
Type of hedging instrument	Hedged item [asset and liability]	Nature of hedged risks	Fair value difference/ adjustment of the hedged item ⁽¹⁾	Net fair value of the hedging instrument ⁽²⁾		
				Asset	Liability	
Interest rate swap/ Cross currency interest rate swaps	Some of fixed interest loan portfolios, foreign currency funds and marketable securities	Fixed interest and changes in foreign exchange rate risk	2.473	-	620,019	[22.056]
Prior Period						Net gain/[loss] recognised in the income statement [Derivative financial transactions gains/losses] ⁽³⁾
Type of hedging instrument	Hedged item [asset and liability]	Nature of hedged risks	Fair value difference/ adjustment of the hedged item ⁽¹⁾	Net fair value of the hedging instrument ⁽²⁾		
				Asset	Liability	
Cross currency interest rate swaps	Some of fixed interest loan portfolios, foreign currency funds and marketable securities	Fixed interest and changes in foreign exchange rate risk	24.529	1.690	316.376	[19.636]

⁽¹⁾ The amount refers to the fair value of the hedged item calculated for Some of fixed interest loan portfolios, foreign currency funds and marketable securities in accordance with hedge accounting effectiveness tests. The foreign exchange rate changes of foreign currency fundings and cross-currency swaps are reflected to the income statement in foreign exchange gains/losses line item.

⁽²⁾ The amounts include the foreign exchange differences and net straight line interest accruals of the related derivatives.

⁽³⁾ The ineffective portion of the mentioned hedging transaction is TL 30.719 loss [December 31, 2019 - TL 5.896 gain].

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At the inception date, the Bank documents the relationship between the hedging instruments and hedged items required by the FVH accounting application in accordance with "TAS 39- Financial Instruments: Recognition and Measurement" and its own risk management policies and principles. Every individual relationship is approved and documented in the same methodology. In accordance with "TAS 39- Financial Instruments: Recognition and Measurement", the effectiveness tests of the relationships are performed in accordance with the Bank's risk management policies. In the effectiveness tests, the fair values of the hedged item are calculated using the same assumptions used in calculation of fair values of the derivatives.

The effectiveness tests are performed prospectively and retrospectively on a monthly basis and the effectiveness of risk relationships are measured. At the inception date the effectiveness tests are performed prospectively. If the underlying hedge does not conform to the FVH accounting requirements (out of the 80% - 125% effectiveness range) or if the management voluntarily decides to discontinue the hedging relation, the adjustments made to the carrying value (amortized cost) of the hedged item are amortized with the straight line method and recognized in the profit and loss accounts within the remaining maturity. In addition if the hedging instrument is sold or closed before its maturity, the amount of the fair value adjustments of the hedged items are amortized to profit and loss accounts with the straight line method within the remaining maturity.

10.2. Cash flow hedge accounting:

The Bank started to apply macro cash flow hedge accounting from January 1, 2010 onwards in order to hedge its cash flow risk from floating interest rate liabilities. The hedging instruments are USD, EUR and TL interest rate swaps with floating receive, fixed pay legs, and the hedged item is the cash outflows due to financing of interests of repricing USD, EUR and TL deposits, borrowings and repos.

The impact of application of CFH accounting is summarized below:

Current Period

Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Net fair value of the hedging instrument		Net gain/(loss) recognized in hedging funds ⁽¹⁾	Net gain/(loss) reclassified to equity ⁽²⁾⁽³⁾
			Asset	Liability		
Interest rate swap/ Currency swap/ Cross currency interest rate swap	Customer deposits, borrowings and repos	Cash flow risk due to the changes in the interest rates	546.658	2.622.928	(976.829)	485.963

Prior Period

Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Net fair value of the hedging instrument		Net gain/(loss) recognized in hedging funds ⁽¹⁾	Net gain/(loss) reclassified to equity ⁽²⁾⁽³⁾
			Asset	Liability		
Interest rate swaps/ Cross currency interest rate swap	Customer deposits, borrowings and repos	Cash flow risk due to the changes in the interest rates	297.126	2.891.167	(1.462.792)	(3.206.096)

⁽¹⁾ Includes deferred tax impact.

⁽²⁾ Includes tax and foreign exchange differences.

⁽³⁾ The ineffective portion of the mentioned hedging transaction is TL 211.163 gain (December 31, 2019 - TL 422.890 gain).

At the inception date, the Bank documents the relationship between the hedging instruments and hedged items required by the CFH accounting application in accordance with "TAS - 39 Financial Instruments: Recognition and Measurement" and its own risk management policies and principles. Every individual relationship is approved and documented in the same way. In accordance with "TAS - 39 Financial Instruments: Recognition and Measurement", the effectiveness tests of the relationships are performed in accordance with the Bank's risk management policies.

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The effectiveness tests are performed on a monthly basis. If the underlying hedge does not conform to the CFH accounting requirements (out of the effectiveness range 80%-125%) or if the management voluntarily decides to discontinue the hedging relation or the hedging instrument is sold or closed before its maturity, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective shall remain separately in equity until the forecast transaction occurs or is no longer expected to occur. When the hedged forecasted transactions are no longer expected to occur, the net cumulative gain or loss is reclassified from other comprehensive income to profit and loss.

10.3. Net Investment Hedge:

The Bank hedges part of the currency translation risk of net investments in foreign operations through foreign currency borrowings. The Bank’s EURO denominated borrowing is designated as a hedge of the net investment in the Bank’s certain EURO denominated subsidiaries. The total amount of the borrowing designated as a hedge of the net investment at December 31, 2020 is EUR 471 million (December 31, 2019 - EUR 452 million).

11. Explanations on the activities carried out on behalf of others and fiduciary transactions:

The Bank carries out trading, custody, management and consulting services on behalf of customers and on their account. The Bank has no fiduciary transactions.

12. Explanations on operating segments:

The Bank carries out its banking operations through two main business units:

- Retail Banking
- Corporate, Commercial and SME Banking

The Bank’s Retail Banking activities include card payment systems, individual, individual portfolio, blue class, private banking. Retail Banking products and services offered to customers include card payment systems, consumer loans (including general purpose loans, auto loans, mortgages), commercial installment loans, time and demand deposits, gold banking, investment accounts, life and non-life insurance products and payroll services. In addition, customers who receive their monthly salary/SSI payments through our bank are offered privileges covering various banking transactions. Card payment systems cover the management of products, services, campaigns for member merchants as well as the sales and activities for a variety of customer types. Crystal, Play, Adios and Taksitçi are the other card brands providing services for the different segments within the World brand, shopping and marketing platform of the Bank. Through its Blue Class and Private Banking activities, the Bank serves high net worth customers and delivers investment products to this customer segment. Among the products and services offered to Private Banking customers are time deposit products, mutual funds, foreign exchange, gold and equity trading. Also, personal art advisory, inheritance advisory, real estate advisory, tax advisory, education and philanthropic advisory are offered within the Private Banking and Wealth Management activities.

Corporate, Commercial and SME Banking segment is organized into three subgroups: Corporate Banking for large-scale, international and multinational companies and Commercial Banking for medium-sized enterprises and SME Banking for SME companies. Corporate and Commercial Banking, has a product range of working capital finance, trade finance, project finance, domestic and international non-cash loans such as letters of credit and letters of guarantee, cash management, internet banking, financial advisory and equity management advisory. SME Banking offer to customers SME loans and SME banking packages products.

The Bank’s widespread branch network and alternative distribution channels including ATMs, telephone banking, internet banking and mobile banking are utilized to serve customers in all segments. Treasury, Asset - Liability Management and other operations, mainly consist of treasury management’s results, operations of supporting business units and other unallocated transactions.

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Major balance sheet and income statement items based on operating segments:

The below table is prepared in accordance with the Management Information System (MIS) data of the Bank.

Current Period	Retail banking	Corporate and commercial banking	Treasury, asset-liability management and other	Total operations of the Bank
Operating revenue	9.201.210	8.249.775	6.592.927	24.043.912
Operating expenses	(8.053.781)	(5.758.254)	(4.566.557)	(18.378.592)
Net operating income/(expense)	1.147.429	2.491.521	2.026.370	5.665.320
Dividend income ⁽¹⁾	-	-	3.016	3.016
Income/(loss) from investments accounted based on equity method ⁽¹⁾	-	-	883.639	883.639
Profit before tax	1.147.429	2.491.521	2.913.025	6.551.975
Tax provision expense ⁽¹⁾	-	-	(1.472.457)	(1.472.457)
Net period income	1.147.429	2.491.521	1.440.568	5.079.518
Net profit	1.147.429	2.491.521	1.440.568	5.079.518
Segment asset	101.544.189	168.319.771	179.773.383	449.637.343
Investments in associates, subsidiaries and joint ventures	-	-	10.056.715	10.056.715
Total assets	101.544.189	168.319.771	189.830.098	459.694.058
Segment liabilities	186.032.270	76.891.537	149.205.780	412.129.587
Shareholders' equity	-	-	47.564.471	47.564.471
Total liabilities	186.032.270	76.891.537	196.770.251	459.694.058

Prior Period	Retail banking	Corporate and commercial banking	Treasury, asset-liability management and other	Total operations of the Bank
Operating revenue	9.655.866	9.891.868	58.571	19.606.305
Operating expenses	(6.669.444)	(5.894.790)	(3.493.375)	(16.057.609)
Net operating income/(expense)	2.986.422	3.997.078	(3.434.804)	3.548.696
Dividend income ⁽¹⁾	-	-	9.310	9.310
Income/(loss) from investments accounted based on equity method ⁽¹⁾	-	-	780.930	780.930
Profit before tax	2.986.422	3.997.078	(2.644.564)	4.338.936
Tax provision expense ⁽¹⁾	-	-	(738.876)	(738.876)
Net period income	2.986.422	3.997.078	(3.383.440)	3.600.060
Net profit	2.986.422	3.997.078	(3.383.440)	3.600.060
Segment asset	82.232.054	130.014.639	167.422.208	379.668.901
Investments in associates, subsidiaries and joint ventures	-	-	7.826.926	7.826.926
Total assets	82.232.054	130.014.639	175.249.134	387.495.827
Segment liabilities	154.441.907	69.577.123	122.289.143	346.308.173
Shareholders' equity	-	-	41.187.654	41.187.654
Total liabilities	154.441.907	69.577.123	163.476.797	387.495.827

⁽¹⁾ Related items have not been distributed based on operating segments and presented under “Treasury, Asset-Liability Management and Other”.

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Section Five - Explanations and notes related to unconsolidated financial statements

1. Explanations and notes related to assets

1.1. Information related to cash and the account of the Central Bank of the Republic of Turkey:

1.1.1. Information on cash and the account of the CBRT:

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash	1.388.892	4.582.299	1.488.887	3.019.487
The CBRT ⁽¹⁾	9.111.172	39.945.078	999.602	35.841.927
Other	-	31	-	73
Total	10.500.064	44.527.408	2.488.489	38.861.487

⁽¹⁾ The balance of gold amounting to TL 5.903.518 is accounted for under the Central Bank foreign currency account (December 31, 2019 - TL 2.092.586).

1.1.2. Information on the account of the CBRT:

	Current Period		Prior Period	
	TL	FC	TL	FC
Demand unrestricted amount ⁽¹⁾	8.360.849	17.386.051	999.602	21.554.089
Time unrestricted amount	750.323	-	-	-
Time restricted amount	-	-	-	-
Reserve requirement ⁽²⁾	-	22.559.027	-	14.287.838
Total	9.111.172	39.945.078	999.602	35.841.927

⁽¹⁾ The TL reserve requirement has been classified in "Central Bank Demand Unrestricted Account" based on the correspondence with BRSA letter as of January 3, 2008.

⁽²⁾ The Bank keeps TL, USD, EUR and Gold reserve deposits for its TL and FX liabilities at Central Bank accounts in accordance with the legislation of the Central Bank numbered 2013/15, "Decree on Reserve Deposits.

1.2. Information on financial assets at fair value through profit and loss:

The Bank does not have financial assets at fair value through profit and loss subject to repo transactions and does not have financial assets at fair value through profit and loss given as collateral/blocked amount (December 31, 2019- None).

1.3. Information on derivative financial assets:

1.3.1. Positive differences related to derivative financial assets held for trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	607.047	990	443.084	-
Swap transactions	2.772.117	1.590.678	2.891.149	1.060.008
Futures transactions	-	-	563	-
Options	47.417	49.613	37.260	17.547
Other	-	-	-	-
Total	3.426.581	1.641.281	3.372.056	1.077.555

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1.3.2. Positive differences related to derivative financial assets held for hedging:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedges ⁽¹⁾	-	-	1.690	-
Cash flow hedges ⁽¹⁾	546.658	-	254.687	42.439
Hedges for investments made in foreign countries	-	-	-	-
Total	546.658	-	256.377	42.439

⁽¹⁾ Explained in Note 10 of section 4.

1.4. Information on banks

1.4.1. Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	3.277.545	5.132	3.296.213	267.549
Foreign	-	7.781.450	250	18.975.253
Head quarters and branches abroad	-	-	-	-
Total	3.277.545	7.786.582	3.296.463	19.242.802

1.4.2. Information on foreign banks account

	Unrestricted amount		Restricted amount	
	Current Period	Prior Period	Current Period	Prior Period
EU countries	563.096	4.976.821	-	-
USA, Canada	6.739.706	12.208.824	435.910	365.275
OECD countries ⁽¹⁾	15.270	1.392.918	-	-
Off-shore banking regions	854	497	-	-
Other	26.614	31.168	-	-
Total	7.345.540	18.610.228	435.910	365.275

⁽¹⁾ OECD countries except EU countries, USA and Canada.

1.4.3. Information on money markets receiveables

As of December 31, 2020 a total of TL 1.700.842 reverse repo transactions with domestic banks are included in the money market receivables [December 31, 2019 - TL 10.703.351].

1.5. Information on financial assets at fair value through other comprehensive income which are subject to repurchase agreements and given as collateral/blocked:

As of December 31, 2020 financial assets at fair value through other comprehensive income given as collateral/blocked amounts to TL 1.327.982 [31 December 2019 - TL 1.540.466], subject to repo transactions amounts to TL 10.946.226 [December 31, 2019 - TL 3.069.033].

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1.6. Information on financial assets at fair value through other comprehensive income:

	Current Period	Prior Period
Debt securities	25.034.403	26.819.853
Quoted on stock exchange	25.034.403	26.522.842
Not quoted	-	297.011
Share certificates	66.771	58.937
Quoted on stock exchange	-	-
Not quoted	66.771	58.937
Impairment provision [-] ⁽¹⁾	237.007	187.484
Total	24.864.167	26.691.306

⁽¹⁾ Includes the negative differences between the acquisition cost and the market price related to the securities portfolio.

1.7. Explanations on loans:

1.7.1. Information on all types of loans or advance balances given to shareholders and employees of the Bank:

	Current Period		Prior Period	
	Cash	Non-cash	Cash	Non-cash
Direct loans granted to shareholders	35.020	-	-	-
Corporate shareholders	35.020	-	-	-
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	136.055	898.824	35.013	1.199.169
Loans granted to employees	240.380	91	218.897	198
Total	411.455	898.915	253.910	1.199.367

1.7.2. Information on the first and second group loans and other receivables and loans and other receivables that have been restructured or rescheduled:

	Standard Loans	Loans under close monitoring		
		Not under the scope of restructuring	Loans under restructuring	
			Modifications on agreement conditions	Refinancing
Cash Loans				
Non-specialized loans	227.901.850	25.434.841	1.816.408	19.275.191
Loans given to enterprises	99.536.756	17.724.524	1.658.007	10.520.835
Export loans	12.791.130	184.776	127.086	6.380.634
Import loans	-	-	-	-
Loans given to financial sector	10.633.388	-	-	-
Consumer loans	47.110.467	2.149.240	-	845.032
Credit cards	31.612.501	1.784.365	-	457.407
Other ⁽¹⁾	26.217.608	3.591.936	31.315	1.071.283
Specialized loans	-	-	-	-
Other receivables	701.421	-	-	-
Total	228.603.271	25.434.841	1.816.408	19.275.191

⁽¹⁾ Fair value differences of the hedged item amounting to TL 9.796 loss are classified in other loans as explained in Note 10, Section 4.

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	Standard loans	Loans under close monitoring
12-month provisions for possible losses	2.618.000	-
Significant increase in credit risk	-	8.128.374
Total	2.618.000	8.128.374

1.7.3. Loans according to their maturity structure:

	Standard loans	Loans under close monitoring	
		Not under the scope of restructuring	Agreement conditions modified
Short-term loans	89.092.954	3.029.602	1.507.641
Medium and long-term loans	139.510.317	22.405.239	19.583.958
Total	228.603.271	25.434.841	21.091.599

1.7.4. Information on loans by types and specific provisions

1.7.4.1. Information on loans by types and specific provisions:

Current Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
Standard loans	149.880.303	47.110.467	31.612.501	228.603.271
Watch list	41.290.396	2.994.272	2.241.772	46.526.440
Loans under legal follow-up	16.142.078	1.503.018	1.152.038	18.797.134
Specific provisions [-]	10.599.982	1.341.170	1.110.797	13.051.949
Total	196.712.795	50.266.587	33.895.514	280.874.896

Prior Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
Standard loans	124.142.253	34.658.164	27.731.273	186.531.690
Watch list	32.656.160	2.251.598	1.397.294	36.305.052
Loans under legal follow-up	15.567.196	1.466.873	1.240.433	18.274.502
Specific provisions [-]	9.253.191	1.108.438	1.052.275	11.413.904
Total	163.112.418	37.268.197	29.316.725	229.697.340

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1.7.4.2. Specific provisions provided against loans:

Current Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
Opening balance	9.253.191	1.108.438	1.052.275	11.413.904
Impairment	2.987.097	812.305	429.640	4.229.042
Collections [-]	1.036.930	428.391	257.308	1.722.629
Write-off [-]	603.376	151.182	113.810	868.368
Total	10.599.982	1.341.170	1.110.797	13.051.949

Prior Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
Opening balance	7.444.315	824.294	585.693	8.854.302
Impairment	5.389.385	1.008.153	1.012.776	7.410.314
Collections [-]	917.146	337.054	184.367	1.438.567
Write-off [-]	2.663.363	386.955	361.827	3.412.145
Total	9.253.191	1.108.438	1.052.275	11.413.904

1.7.4.3. Fair value of collaterals:

Current Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
Watch List	29.072.640	254.832	-	29.327.472
Loans under legal follow-up	5.786.034	56.573	-	5.842.607
Total	34.858.674	311.405	-	35.170.079

Prior Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
Watch List	16.815.858	419.553	-	17.235.411
Loans under legal follow-up	5.475.758	92.439	-	5.568.197
Total	22.291.616	511.992	-	22.803.608

PRESENTATION

FROM THE MANAGEMENT

ABOUT YAPI KREDİ

BUSINESS MODEL AND STAKEHOLDERS

RESPONSIBLE GROWTH

INNOVATIVE BANKING

HUMAN FOCUS

CORPORATE GOVERNANCE

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1.7.5. Information on consumer loans, individual credit cards, personnel loans and personnel credit cards:

	Short-term	Medium and long-term	Total
Consumer loans-TL	909.080	46.834.882	47.743.962
Real estate loans	4.403	11.142.267	11.146.670
Automotive loans	148.664	1.370.366	1.519.030
Consumer loans	756.013	34.322.249	35.078.262
Consumer loans-FC indexed	-	13.863	13.863
Real estate loans	-	13.863	13.863
Automotive loans	-	-	-
Consumer loans	-	-	-
Individual credit cards-TL	23.678.255	405.180	24.083.435
With installments	12.218.657	156.702	12.375.359
Without installments	11.459.598	248.478	11.708.076
Individual credit cards-FC	14.502	-	14.502
With installments	-	-	-
Without installments	14.502	-	14.502
Personnel loans-TL	11.825	92.989	104.814
Real estate loans	-	1.774	1.774
Automotive loans	36	425	461
Consumer loans	11.789	90.790	102.579
Personnel loans-FC indexed	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Personnel credit cards-TL	129.802	788	130.590
With installments	61.517	712	62.229
Without installments	68.285	76	68.361
Personnel credit cards-FC	124	-	124
With installments	-	-	-
Without installments	124	-	124
Credit deposit account-TL (real person)⁽¹⁾	2.242.100	-	2.242.100
Total	26.985.688	47.347.702	74.333.390

⁽¹⁾ TL 4.852 of the credit deposit account belongs to the loans used by personnel.

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1.7.6. Information on commercial installment loans and corporate credit cards:

	Short-term	Medium and long-term	Total
Commercial installments loans-TL	5.660.317	13.966.107	19.626.424
Business loans	2.493	832.603	835.096
Automotive loans	251.041	2.297.184	2.548.225
Consumer loans	5.406.783	10.836.320	16.243.103
Commercial installments loans-FC indexed	-	9.387	9.387
Business loans	-	572	572
Automotive loans	-	4.568	4.568
Consumer loans	-	4.247	4.247
Corporate credit cards-TL	9.502.171	122.884	9.625.055
With installment	6.670.356	112.661	6.783.017
Without installment	2.831.815	10.223	2.842.038
Corporate credit cards-FC	567	-	567
With installment	-	-	-
Without installment	567	-	567
Credit deposit account-TL (legal person)	897.893	-	897.893
Total	16.060.948	14.098.378	30.159.326

1.7.7. Distribution of by users:

	Current Period	Prior Period
Public	4.650.458	2.891.413
Private	270.479.253	219.945.329
Total	275.129.711	222.836.742

1.7.8. Distribution of domestic and foreign loans:

Distribution has been disclosed based on the location where the customers operate:

	Current Period	Prior Period
Domestic loans	271.933.805	220.045.472
Foreign loans	3.195.906	2.791.270
Total	275.129.711	222.836.742

1.7.9. Loans granted to associates and subsidiaries:

	Current Period	Prior Period
Direct loans granted to associates and subsidiaries	1.245.321	288.721
Indirect loans granted to associates and subsidiaries	-	-
Total	1.245.321	288.721

1.7.10. Information on credit-impaired [Stage 3]:

	Current Period	Prior Period
Loans with limited collectability	823.398	1.802.062
Loans with doubtful collectability	478.083	1.987.691
Uncollectable loans	11.750.468	7.624.151
Total	13.051.949	11.413.904

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1.7.11. Information on non-performing loans [net]:

1.7.11.1. Information on restructured loans from non-performing loans:

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Current Period			
Gross amounts before specific reserves	395	171.111	1.573.221
Restructured loans	395	171.111	1.573.221
Prior Period			
Gross amounts before specific reserves	187.399	238.221	925.306
Restructured loans	187.399	238.221	925.306

1.7.11.2. Information on the movement of total non-performing loans:

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Prior Period	3.469.288	3.755.551	11.049.663
Additions (+)	1.995.350	976.934	508.020
Transfers from other categories of non-performing loans (+)	-	3.872.615	7.189.402
Transfer to other categories of non-performing loans (-)	3.872.615	7.189.402	-
Collections (-)	423.111	605.732	977.219
Write-offs (-)	-	-	603.062
Sold (-)	-	-	348.548
Corporate and commercial loans	-	-	348.548
Consumer loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Current Period	1.168.912	809.966	16.818.256
Specific provision (-)	823.398	478.083	11.750.468
Net balance on balance sheet	345.514	331.883	5.067.788

As of December 31, 2020, in accordance with the changes on "Provisioning Regulation" published in the Official Gazette No. 30961 dated November 27, 2019 by BRSA, the Bank has written off SME, credit cards and consumer loans amounting to TL 596.118 that are classified under group five, more than 540 days overdue and after collaterals deducted approximately 100% provisioned hence there is no reasonable expectation of recovery. After the loans had written off within the period in accordance with the changes on Provisioning Regulation, non performing loan ratio decreased from 6,59% to 6,40%.

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1.7.11.3. Information on non-performing loans granted as foreign currency loans:

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Current Period			
Period end balance	390.728	164.643	7.968.927
Specific provision [-]	192.011	52.102	4.671.518
Net balance on-balance sheet	198.717	112.541	3.297.409
Prior Period			
Period end balance	1.957.788	1.877.846	4.060.849
Specific provision [-]	1.029.665	759.643	2.260.353
Net balance on-balance sheet	928.123	1.118.203	1.800.496

1.7.11.4. Information on the gross and net amounts of the non-performing loans according to types of borrowers:

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Current Period (net)	345.514	331.883	5.067.788
Loans granted to real persons and corporate entities (gross)	1.168.912	809.966	16.733.582
Provision amount [-]	823.398	478.083	11.665.794
Loans granted to real persons and corporate entities (net)	345.514	331.883	5.067.788
Banks (gross)	-	-	774
Provision amount [-]	-	-	774
Banks (net)	-	-	-
Other loans (gross)	-	-	83.900
Provision amount [-]	-	-	83.900
Other loans (Net)	-	-	-
Prior Period (net)	1.667.226	1.767.860	3.425.512
Loans granted to real persons and corporate entities (gross)	3.469.288	3.755.551	10.936.580
Specific provision amount [-]	1.802.062	1.987.691	7.511.068
Loans granted to real persons and corporate entities (Net)	1.667.226	1.767.860	3.425.512
Banks (gross)	-	-	29.183
Specific provision amount [-]	-	-	29.183
Banks (net)	-	-	-
Other loans and receivables (gross)	-	-	83.900
Specific provision amount [-]	-	-	83.900
Other loans and receivables (Net)	-	-	-

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1.7.11.5. Information on interest accruals, rediscounts and valuation differences calculated for non-performing loans and their provisions:

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Current Period (net)	3.450	26.342	236.026
Interest accruals and rediscounts and valuation differences	186.847	87.171	1.211.069
Provision amount [-]	183.397	60.829	975.043
Prior Period (net)	77.251	72.178	133.953
Interest accruals and rediscounts and valuation differences	266.994	245.097	689.893
Provision amount [-]	189.743	172.919	555.940

1.7.12. Explanation on liquidation policy for uncollectible loans and receivables:

Uncollectible loans and receivables, which are classified in accordance with the Provisioning Regulation, are collected through legal follow-up, voluntary payments and liquidation of collaterals.

1.7.13. Explanation on write-off policies:

In order to ensure the liquidation of non-performing loans and other receivables related to the liquidation policy, to provide the maximum collection all possible alternatives within the framework of the legislation are applied, and in case of collection, liquidation or receivables with no possibility of restructuring, the legal follow-up and conversion of collaterals into cash method is applied.

The receivables that are determined to be uncollectible in the Legal Follow-up process regarding the write-off policy can be deleted by the resolution of the Board of Directors by fulfilling the requirements in the relevant laws, regulations and internal directives.

Besides, in accordance with the changes on "Provisioning Regulation" published in the Official Gazette No. 30961 dated November 27, 2019 by the BRSA, the Bank, in line with TFRS 9, may write off part of the loans for which the Bank has no reasonable expectation of recovery and that are classified under group five with a life time expected credit loss due the to default of debtor, starting from the following reporting date that the loan is classified in group five. Write off is only an accounting application in accordance with the related change in the regulation and it does not result in waive from the Bank's right to receive.

1.8. Information on financial assets at amortized cost:

1.8.1. Characteristics and carrying values of financial assets measured at amortised cost which are subject to repurchase agreements and given as collateral/blocked:

As of December 31, 2020 financial assets measured at amortised cost given as collateral/blocked amounts to TL 20.070.137 [December 31, 2019 - TL 13.856.497]. Subject to repo transactions amounting to TL 17.961.020 [December 31, 2019 - TL 1.128.350].

1.8.2. Information on public sector debt securities measured at amortized cost:

	Current Period	Prior Period
Government bond	50.411.108	27.974.855
Treasury bill	-	-
Other public sector debt securities	330.804	330.804
Total	50.741.912	28.305.659

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1.8.3. Information on financial assets measured at amortized cost:

	Current Period	Prior Period
Debt securities	52.056.190	29.180.120
Quoted on stock exchange	52.056.190	29.180.120
Not quoted	-	-
Impairment provision [-] ⁽¹⁾	1.314.278	874.461
Total	50.741.912	28.305.659

⁽¹⁾ Includes amortisation of the premiums paid during the purchase of the securities throughout the maturity of the securities

1.8.4. Movement of financial assets measured at amortized cost within the period:

	Current Period	Prior Period
Beginning balance	28.305.659	21.675.166
Foreign currency differences on monetary assets ⁽¹⁾	4.799.139	2.204.788
Purchases during the year	20.429.342	4.807.224
Disposals through sales and redemptions [-]	2.352.411	148.099
Impairment provision [-] ⁽²⁾	439.817	233.420
Period end balance	50.741.912	28.305.659

⁽¹⁾ Also includes the changes in the interest income accruals.

⁽²⁾ Includes amortisation of the premiums paid during the purchase of the securities throughout the maturity of the securities.

1.9. Information on investments in associates [net]:

1.9.1. Information on unconsolidated investments in associates:

No	Description	Address [City/ Country]	Bank's share holding percentage if different voting percentage [%]	Bank's risk group share holding percentage [%]
1.	Banque de Commerce et de Placements S.A.	Geneva/ Switzerland	30,67	30,67
2.	Kredi Kayıt Bürosu ⁽¹⁾	Istanbul/Turkey	18,18	18,18
3.	Bankalararası Kart Merkezi A.Ş. ⁽¹⁾	Istanbul/Turkey	4,89	4,89

⁽¹⁾ Financial statement information disclosed above shows September 30, 2020 results.

1.9.2. Main financial figures of the investments in associates in the order of the above table:

No	No N	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value
1.		28.803.914	4.213.929	26.933	428.848	74.809	42.729	180.015	-
2.		411.660	265.464	249.099	5.882	-	48.549	26.579	-
3.		272.800	217.454	79.381	6.083	-	35.413	28.503	-

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1.9.3. Movement of unconsolidated investments in associates:

	Current Period	Prior Period
Balance at the beginning of the period	908.358	790.241
Movements during the period	306.525	118.117
Purchases	-	-
Free shares obtained profit from current year’s share	5.686	-
Profit from current year’s income	-	19.070
Sales [-]	-	-
Revaluation (decrease)/increase ⁽¹⁾	320.272	114.699
Impairment provision [-] ⁽²⁾	19.433	15.652
Balance at the end of the period	1.214.883	908.358
Capital commitments	-	-
Shareholding percentage at the end of the period [%]	-	-

⁽¹⁾ Includes the differences in the other comprehensive income related with the equity method accounting.

⁽²⁾ Includes dividend income received in the current period.

1.9.4. Information on sectors and the carrying amounts of unconsolidated financial investments in associates:

	Current Period	Prior Period
Banks	1.203.097	902.257
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Finance companies	-	-
Other financial investments	-	-
Total	1.203.097	902.257

1.9.5. Information on investments in associates quoted on a stock exchange:

None [December 31, 2019 - None].

1.10. Information on shareholders’ equity of the significant subsidiaries (net):

There is no deficit of regulatory limits on capital structure of the subsidiaries which are included in the consolidated capital adequacy ratio calculation in accordance with the capital adequacy ratio limits.

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1.10.1. Information on shareholders' equity of the significant subsidiaries:

	Yapı Kredi Yatırım Menkul Değerler A.Ş.	Yapı Kredi Faktoring A.Ş.	Yapı Kredi Finansal Kiralama A.O.	Yapı Kredi Portföy Yönetimi A.Ş.	Yapı Kredi Nederland N.V.
Core capital					
Paid in capital	98.918	60.714	389.928	7.642	112.442
Inflation adjustment to share capital					
Share premium	-	-	-	-	-
Other capital reserves	95.737	-	(217.104)	-	-
Other accumulated comprehensive income that will not be classified in profit or loss	51.977	(2.320)	1.795	(1.225)	-
Other accumulated comprehensive income that will be classified in profit or loss	1.010	-	-	-	2.482.544
Legal reserves	62.493	8.034	79.305	34.308	-
Extraordinary reserves	163.710	248.461	659.399	-	923.789
Other profit Reserves	-	-	-	-	-
Income or Loss	143.788	191.820	1.992.478	103.423	158.402
Current Year Income/Loss	213.734	90.062	354.776	103.423	158.402
Prior Years' Income/Loss	(69.946)	101.758	1.637.702	-	-
Leasehold improvements [-]	180	214	-	227	253
Intangible assets [-]	30.053	4.587	11.830	421	6.251
Total core capital	587.400	501.908	2.893.971	143.500	3.670.673
Supplementary capital	28.565	616	7.593	-	24.535
Capital	615.965	502.524	2.901.564	143.500	3.695.208
Deductions from the capital	-	-	-	-	-
Total shareholders' equity	615.965	502.524	2.901.564	143.500	3.695.208

The above information is based on the consolidated financial statements of the Bank as of December 31, 2020.

Paid-in capital is a capital which have been disclosed as Turkish Lira in the articles of incorporation and registered in trade register.

Inflation adjustment to share capital is the adjustment difference arising from inflation accounting.

Extraordinary Reserves are the reserves which represent the remaining net income of the previous periods after providing the legal reserves in accordance with the General Assembly of the Bank.

Legal reserves are the income reserves that are provided according to the first paragraph and the third subparagraph of the second paragraph of the article no 466 and no 467 of the Turkish Commercial Code No. 6762 allocated as capital reserves separated from annual profit according to the laws of foundation.

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1.10.2. Information on subsidiaries:

No	Description	Address (City/Country)	Bank's share holding percentage if different voting percentage (%)	Bank's risk group share holding percentage (%)
1	Yapı Kredi Holding B.V.	Amsterdam/Holland	100,00	100,00
2	Yapı Kredi Yatırım Menkul Değerler A.Ş.	Istanbul/Turkey	99,98	100,00
3	Yapı Kredi Faktoring A.Ş.	Istanbul/Turkey	99,95	100,00
4	Yapı Kredi Finansal Kiralama A.O.	Istanbul/Turkey	99,99	99,99
5	Yapı Kredi Portföy Yönetimi A.Ş.	Istanbul/Turkey	12,65	99,99
6	Yapı Kredi Nederland N.V.	Amsterdam/Holland	67,24	100,00
7	Yapı Kredi Azerbaycan	Baku/Azerbaijan	99,80	100,00
8	Enternasyonal Turizm Yatırım A.Ş.	Istanbul/Turkey	99,96	99,99
9	Yapı Kredi Kültür Sanat Yayıncılık Tic.ve San.A.Ş.	Istanbul/Turkey	99,99	100,00
10	Yapı Kredi Teknoloji A.Ş.	Istanbul/Turkey	100,00	100,00

1.10.3. Main financial figures of the subsidiaries in order of the above table:

Financial statement information disclosed consolidated financial statements results.

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/ loss	Prior period profit/ loss	Market value	Required equity
1	238.044	237.521	-	-	-	[1.234]	[134]	-	-
2	4.401.805	617.633	61.135	183.764	15.251	213.734	112.745	-	-
3	4.651.404	506.709	8.710	371.690	-	90.062	110.521	-	-
4	12.452.368	2.905.801	15.550	878.416	-	354.776	361.715	-	-
5	169.006	144.148	2.174	11.494	-	103.423	46.972	-	-
6	15.031.915	3.677.178	13.800	469.738	25.228	158.402	133.933	-	-
7	1.575.331	406.003	65.780	75.522	5.660	7.308	19.056	-	-
8	57.301	44.457	4.744	2.682	-	3.513	12.156	-	-
9	57.748	45.170	1.504	417	-	11.808	6.326	-	-
10	21.635	16.997	1.663	1.287	-	4.429	3.796	-	-

1.10.4. Movement schedule of subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	6.888.953	5.971.254
Movements in period	1.922.705	917.699
Purchases	-	-
Free shares obtained profit from current years share	-	335
Dividends from current year income	883.080	760.710
Sales [-]	-	-
Revaluation increase/decrease ⁽¹⁾	1.159.882	324.148
Impairment provision [-] ⁽²⁾	120.257	167.494
Balance at the end of the period	8.811.658	6.888.953
Capital commitments	-	-
Shareholding percentage at the end of the period [%]	-	-

⁽¹⁾ Includes the shares taken from the other comprehensive income according to the equity method.

⁽²⁾ Includes dividend income received in the current period.

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1.10.5. Sectoral information on financial subsidiaries and the related carrying amounts:

Financial subsidiaries	Current Period	Prior Period
Banks	2.877.842	2.058.889
Insurance companies	-	-
Factoring companies	506.468	417.051
Leasing companies	2.905.625	2.551.230
Finance companies	-	-
Other financial subsidiaries	2.521.723	1.861.783
Total	8.811.658	6.888.953

1.10.6. Subsidiaries quoted on stock exchange:

None [December 31, 2020 - None].

1.11. Information on joint ventures [net]:

Joint ventures in unconsolidated financial statements are accounted and monitored at equity method according to “TAS - 27 Individual Financial Statements”.

	Bank's share	Group's share	Total asset	Shareholders' equity	Current assets	Non-current assets	Long term debt	Income	Expense
Yapı Kredi - Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	30,45	30,45	97.752	84.222	36.950	60.802	5.721	58.042	54.879

1.12. Information on lease receivables [net]:

None [December 31, 2019 - None].

1.13. Information on tangible assets:

	Immovable	Leased fixed assets	Vehicles	Right-of-use assets ⁽¹⁾	Other tangible fixed assets	Total
Prior Period						
Cost	3.514.635	205.691	2.639	1.112.265	1.588.440	6.423.670
Accumulated depreciation [-]	916.711	204.104	2.501	213.999	805.029	2.142.344
Net book value	2.597.924	1.587	138	898.266	783.411	4.281.326
Current Period						
Net book value at beginning of the period	2.597.924	1.587	138	898.266	783.411	4.281.326
Additions	4.665	10.749	160	497.321	285.607	798.502
Transfer	3.751	-	-	-	-	3.751
Disposals [-] net	24.637	-	-	73.991	2.361	100.989
Reversal of impairment	-	-	-	-	-	-
Impairment [-]	74	-	-	-	-	74
Depreciation [-]	28.452	844	94	292.698	186.333	508.421
Net book value at end of the period	2.553.177	11.492	204	1.028.898	880.324	4.474.095
Cost at the end of the period	3.478.259	197.749	2.800	1.383.317	1.813.901	6.876.026
Accumulated depreciation at the period end [-]	925.082	186.257	2.596	354.419	933.577	2.401.931
Net book value	2.553.177	11.492	204	1.028.898	880.324	4.474.095

⁽¹⁾ Includes branch and atm leases accounted within the scope of TFRS 16.

As of December 31, 2020, the Bank had total provision for impairment amounting to TL 207.329 [December 31, 2019 - TL 207.255] for the property and equipment.

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1.14. Information on intangible assets:

	Current Period	Prior Period
Balance at the beginning of the period	1.845.101	1.749.439
Additions during the period	253.264	236.330
Unused and disposed items [-]	323	7
Impairment reversal	[3.751]	-
Amortization expenses [-]	177.828	140.661
Balance at the end of the period	1.916.463	1.845.101

1.15. Information on investment property:

None [December 31, 2019 - None].

1.16. Information on deferred tax:

	Current Period		Prior Period	
	Tax base	Deferred tax	Tax base	Deferred tax
Expected credit loss	11.568.720	2.313.744	6.384.341	1.404.555
Derivative financial assets	4.469.772	893.954	1.973.180	434.099
Pension fund provision	1.461.542	292.308	1.178.063	259.174
Temporary differences	804.128	160.825	753.110	165.684
Subsidiaries, investment in associates and share certificates	131.456	26.291	131.456	28.921
Other	2.515.177	503.036	1.927.238	423.994
Total deferred tax asset	20.950.795	4.190.158	12.347.388	2.716.427
Property, equipment and intangibles, net	2.929.813	384.986	2.779.475	363.579
Valuation difference of securities portfolio	91.031	18.206	542.008	119.243
Other	1.117.345	223.480	1.149.885	252.976
Total deferred tax liability	4.138.189	626.672	4.471.368	735.798
Deferred tax asset/(liability) net	16.812.606	3.563.486	7.876.020	1.980.629

In accordance with TAS 12, deferred tax assets and deferred tax liabilities in the financial statements are clarified and deferred tax asset amounting to TL 3.563.486 is presented in the financial statements [December 31, 2019 - TL 1.980.629 deferred tax assets].

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1.17. Movement schedule of assets held for resale and related to discontinued operations:

	Current Period	Prior Period
Net book value at the beginning of the period	320.059	288.349
Additions	772.522	214.920
Disposals [-], net	383.773	184.199
Impairment provision reversal	1.061	989
Depreciation [-]	-	-
Net book value at the end of the period	709.869	320.059
Cost at the end of the period	715.652	326.814
Accumulated depreciation at the end of the period [-]	5.783	6.755
Net book value at the end of the period	709.869	320.059

As of December 31, 2020, the Bank booked impairment provision on assets held for resale with an amount of TL 2.639 [December 31, 2019 - TL 3.700].

1.18. Information on other assets:

As of December 31, 2020, other assets do not exceed 10% of the total assets.

2. Explanations and notes related to liabilities

2.1. Information on deposits:

2.1.1. Information on maturity structure of deposits/collected funds:

Current Period	Demand	Up to 1 month	1-3 Months	3-6 Months	6 Months-1 Year	1 Year and over	Cumulative savings account	Total
Saving deposits	14.232.109	2.592.523	41.599.520	645.511	225.321	217.600	1.080	59.513.664
Foreign currency deposits	49.793.033	12.435.142	56.910.086	5.548.490	3.469.241	2.245.196	-	130.401.188
Residents in Turkey	48.931.106	12.212.775	55.382.710	5.402.452	3.315.058	765.298	-	126.009.399
Residents abroad	861.927	222.367	1.527.376	146.038	154.183	1.479.898	-	4.391.789
Public sector deposits	1.235.151	10.448	10.547	31	535	666	-	1.257.378
Commercial deposits	10.971.604	12.260.881	17.114.626	37.237	13.804	82.642	-	40.480.794
Other institutions deposits	158.217	111.850	1.522.255	2.974	580.958	760	-	2.377.014
Precious metals vault	12.941.904	-	-	252	1.528.913	106.626	-	14.577.695
Bank deposits	1.209.431	3.083.428	886.592	405.881	87.091	-	-	5.672.423
The CBRT	-	-	-	-	-	-	-	-
Domestic banks	7.834	3.068.232	815.619	405.881	87.091	-	-	4.384.657
Foreign banks	921.012	15.196	70.973	-	-	-	-	1.007.181
Participation banks	280.585	-	-	-	-	-	-	280.585
Other	-	-	-	-	-	-	-	-
Total	90.541.449	30.494.272	118.043.626	6.640.376	5.905.863	2.653.490	1.080	254.280.156

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Prior Period	Demand	Up to 1 month	1-3 Months	3-6 Months	6 Months-1 Year	1 Year and over	Cumulative savings account	Total
Saving deposits	10.543.930	18.796.392	31.451.383	1.073.202	808.902	689.985	1.110	63.364.904
Foreign currency deposits	25.958.802	12.031.755	64.746.566	2.958.957	3.227.974	5.479.798	-	114.403.852
Residents in Turkey	25.549.840	11.809.616	63.369.729	2.909.309	1.648.453	848.199	-	106.135.146
Residents abroad	408.962	222.139	1.376.837	49.648	1.579.521	4.631.599	-	8.268.706
Public sector deposits	1.293.752	3.080	8.286	878	98	45	-	1.306.139
Commercial deposits	8.684.777	11.184.504	12.238.066	329.005	584.804	92.787	-	33.113.943
Other institutions deposits	156.583	198.278	651.990	402.394	428.821	49.131	-	1.887.197
Precious metals vault	2.362.411	206.882	571.548	95.928	250.328	65.531	-	3.552.628
Bank deposits	1.348.857	2.614.483	854.082	286.875	57.158	-	-	5.161.455
The CBRT	-	-	-	-	-	-	-	-
Domestic banks	7.262	2.536.377	596.437	286.875	57.158	-	-	3.484.109
Foreign banks	418.089	78.106	257.645	-	-	-	-	753.840
Participation banks	923.506	-	-	-	-	-	-	923.506
Other	-	-	-	-	-	-	-	-
Total	50.349.112	45.035.374	110.521.921	5.147.239	5.358.085	6.377.277	1.110	222.790.118

2.1.2 Information on saving deposits insurance:

2.1.2.1 Information on saving deposits under the guarantee of the saving deposits insurance fund and exceeding the limit of deposit insurance fund:

Saving deposits	Under the guarantee of deposit insurance		Exceeding limit of the deposit insurance	
	Current Period	Prior Period	Current Period	Prior Period
Saving deposits	32.209.587	34.874.683	27.303.539	28.484.119
Foreign currency saving deposits	18.646.132	15.109.791	54.531.674	44.024.178
Other deposits in the form of saving deposits	6.731.306	1.642.752	6.041.089	1.544.417
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-

2.1.2.2. Saving deposits which are not under the guarantee of saving deposit insurance fund of real persons:

	Current Period	Prior Period
Foreign branches' deposits and other accounts	12.611	10.094
Saving deposits and other accounts of controlling shareholders and deposits of their mother, father, spouse, children in care	-	-
Saving deposits and other accounts of president and members of board of directors, CEO and vice presidents and deposits of their mother, father, spouse, children in care	258.641	485.958
Saving deposits and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish criminal law no:5237 dated 26.09.2004	-	-
Saving deposits in deposit bank which is established in Turkey in order to engage in off-shore banking activities solely	-	-

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2.2. Information on trading derivative financial liabilities:

2.2.1. Negative differences table for derivative financial liabilities held for trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	161.115	896	102.780	-
Swap transactions	5.166.378	1.961.908	2.514.699	1.204.516
Futures transactions	3.423	-	-	-
Options	31.063	16.460	29.672	17.223
Other	-	-	-	-
Total	5.361.979	1.979.264	2.647.151	1.221.739

2.2.2. Negative differences table for derivative financial liabilities held for hedging:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedges ⁽¹⁾	620.019	-	316.376	-
Cash flow hedges ⁽¹⁾	1.581.488	1.041.440	2.579.191	311.976
Hedges for investments made in foreign countries	-	-	-	-
Total	2.201.507	1.041.440	2.895.567	311.976

⁽¹⁾ Explained in Note 10 of section 4.

2.3. Information about banks and other financial institutions:

2.3.1. Information on borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
The CBRT borrowings	-	-	-	-
From domestic banks and institutions	631.727	202.486	463.632	284.559
From foreign banks, institutions and funds	112.035	37.334.191	11.503	37.350.848
Total	743.762	37.536.677	475.135	37.635.407

2.3.2. Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	736.277	7.297.496	475.135	7.743.474
Medium and long-term	7.485	30.239.181	-	29.891.933
Total	743.762	37.536.677	475.135	37.635.407

2.3.3. Information on securitization borrowings:

2.3.3.1. The Bank obtains borrowings via its structured entity, Diversified Payment Rights Finance Company, with securitization transactions which is founded on its future money transfers within its funding programme.

	Current Period		Prior Period	
	TL	FC	TL	FC
From foreign banks	-	-	-	-
From foreign institutions	-	15.592.986	-	16.099.987
From foreign funds	-	-	-	-
Total	-	15.592.986	-	16.099.987

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2.3.3.2. Information on financial liabilities at fair value through profit or loss:

The Bank classified some of its financial liabilities as the financial liabilities classified at fair value through profit/loss in order to eliminate the accounting mismatch at the initial recognition in accordance with TFRS 9. As of December 31, 2020, the total amount of financial liabilities classified as fair value through profit/loss is TL 12.887.831 [December 31, 2019 - TL 13.184.605] with an accrued interest income of TL 404.249 [December 31, 2019 - TL 245.152 income] and with a fair value difference of TL 134.032 recognized as an income [December 31, 2019 - TL 146.197 expense]. On the other hand, the nominal amounts of the total return swaps and bond forwards which are closely related with these financial liabilities as of December 31, 2020 are TL 12.925.055 [December 31, 2019 - TL 13.132.747] for buy legs and sell legs with a fair value differences amounting to TL 386.416 liability [December 31, 2019 - TL 236.129 liability]. The mentioned total return swaps have 8 year maturity in average.

2.3.4. Information on marketable securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Bonds	3.623.981	-	4.270.096	-
Bills ⁽¹⁾	1.610.481	15.282.960	1.642.095	14.791.500
Total	5.234.462	15.282.960	5.912.191	14.791.500

⁽¹⁾ Including mortgage backed securities amounting to TL 2.036.940 as of December 31, 2020 [December 31, 2019 - TL 2.023.673].

2.4. Information on other liabilities:

As of December 31, 2020, other liabilities do not exceed 10% of the total balance sheet commitments.

2.5. Information on lease payables:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	351.699	223.815	322.459	192.089
Between 1 - 4 years	767.760	488.598	667.427	397.632
More than 4 years	571.689	363.814	519.361	309.384
Total	1.691.148	1.076.227	1.509.247	899.105

2.6. Information on provisions:

2.6.1. Information on reserve for employee rights:

In accordance with Turkish Labour Law, the reserve for employment termination benefits is calculated as the present value of the probable future obligation in case of the retirement of employees. "TAS - 19 Employee Rights" necessitates actuarial valuation methods to calculate the liabilities of enterprises.

The following actuarial assumptions were used in the calculation of total liabilities:

	Current Period	Prior Period
Discount rate [%]	4,63	4,67
Possibility of being eligible for retirement [%]	95,30	94,85

The principal actuarial assumption is that the maximum liability will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. As the annual ceiling is revised semi-annually, the ceiling of full TL 7.638,96 effective from January 1, 2021 [January 1, 2020 - full TL 6.730,15] has been taken into consideration in calculating the reserve for employment termination benefits.

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Movement of employment termination benefits liability in the balance sheet:

	Current Period	Prior Period
Prior period ending balance	520.383	450.207
Changes during the period	85.654	78.663
Recognized in equity	125.833	66.003
Paid during the period	[96.463]	[74.490]
Balance at the end of the period	635.407	520.383

In addition, the Bank has accounted for unused vacation rights provision amounting to TL 168.721 as of December 31, 2020 [December 31, 2019 - TL 232.727].

2.6.2. Information on provisions related with the foreign currency difference of foreign currency indexed loans:

As of December 31, 2020, there is no provision related to the foreign currency difference of foreign currency indexed loans amounts. [December 31, 2019 - None]. Provisions related to the foreign currency difference of foreign currency indexed loans are netted from the loan amount in the financial statements.

2.6.3. Other provisions:

	Current Period	Prior Period
Pension fund provision	1.461.542	1.178.063
Provisions on unindemnified non cash loans	715.217	772.000
Generic provisions on non cash loans	346.464	154.819
Provision on lawsuits	78.833	84.826
Provisions on credit cards and promotion campaigns related to banking services	64.697	59.768
Other	897.655	617.595
Total	3.564.408	2.867.071

Pension fund provision:

The Bank provided provision amounting to TL 1.461.542 [December 31, 2019 - TL 1.178.063] for the technical deficit based on the report prepared by an independent actuary company in accordance with the technical interest rate of 9,8% determined by the New Law and CSO 1980 mortality table.

	Current Period	Prior Period
Income statement [Other operations charge/benefit]	283.479	256.713

The amounts recognized in the balance sheet are determined as follows:

	Current Period	Prior Period
Present value of funded obligations	4.255.790	3.592.934
- Pension benefits transferable to SSI	4.564.310	3.763.200
- Post employment medical benefits transferable to SSI	[308.520]	[170.266]
Fair value of plan assets	[2.794.248]	[2.414.871]
Provision for the actuarial deficit of the pension fund	1.461.542	1.178.063

The principal actuarial assumptions used were as follows:

	Current Period	Prior Period
Discount rate		
- Pension benefits transferable to SSI	9,80%	9,80%
- Post employment medical benefits transferable to SSI	9,80%	9,80%

Mortality rate: Average life expectation is defined according to CSO 1980 mortality table.

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Plan assets are comprised as follows:

	Current Period		Prior Period	
	Amount	%	Amount	%
Bank placements	1.620.269	58	1.110.210	46
Government bonds and treasury bills	754.788	27	881.688	37
Premises and equipment	290.223	10	300.254	12
Other	128.968	5	122.719	5
Total	2.794.248	100	2.414.871	100

2.7. Information on taxes payable:

2.7.1. Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	1.434.478	273.354
Taxation of Marketable Securities	143.115	189.641
Property Tax	2.060	3.832
Banking Insurance Transaction Tax (“BITT”)	168.561	217.744
Foreign Exchange Transaction Tax	11.005	6.999
Value Added Tax Payable	9.549	15.991
Other	86.211	71.345
Total	1.854.979	778.906

2.7.2. Information on premium payables:

	Current Period	Prior Period
Social security premiums - employee	-	-
Social security premiums - employer	-	-
Bank pension fund premiums - employee	25.358	23.031
Bank pension fund premiums - employer	35.101	31.892
Pension fund deposit and provisions - employee	-	-
Pension fund deposit and provisions - employer	-	-
Unemployment insurance - employee	1.811	1.645
Unemployment insurance - employer	3.624	3.291
Other	-	-
Total	65.894	59.859

2.8. Liabilities for property and equipment held for sale and related to discontinued operations [net]:

None [December 31, 2019 - None].

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2.9. Information on subordinated debt⁽¹⁾:

	Current Period		Prior Period	
	TL	FC	TL	FC
Debt instruments to be included in additional capital calculation	-	5.066.291	-	4.098.336
Subordinated loans	-	-	-	-
Subordinated debt	-	5.066.291	-	4.098.336
Debt instruments to be included in contribution capital calculation	838.459	16.750.304	821.340	13.660.363
Subordinated loans	-	6.305.871	-	5.102.941
Subordinated debt	838.459	10.444.433	821.340	8.557.422
Total	838.459	21.816.595	821.340	17.758.699

⁽¹⁾ Subordinated loans are explained in detail in Note “Details on Subordinated Liabilities” of section four.

2.10. Information on shareholders’ equity:

2.10.1. Presentation of paid-in capital:

	Current Period	Prior Period
Common stock	8.447.051	8.447.051
Preferred stock	-	-

2.10.2. Paid-in capital amount, explanation as to whether the registered share capital system is applied and if so, amount of registered share capital ceiling:

Capital System	Paid-In Capital	Registered Share Capital Ceiling
Registered Capital System	8.447.051	15.000.000

2.10.3. Information on the share capital increases during the period and the sources:

None.(31 December 2019 - None).

2.10.4. Information on transfers from capital reserves to capital during the current period:

None [December 31, 2019 - None].

2.10.5. Information on capital commitments, until the end of the fiscal year and the subsequent interim period:

None [December 31, 2019 - None].

2.10.6. Information on prior period’s indicators on the Bank’s income, profitability and liquidity, and possible effects of these future assumptions on the Bank’s equity due to uncertainties of these indicators:

The interest, liquidity, and foreign exchange risk related to on-balance sheet and off-balance sheet assets and liabilities are managed by the Bank within several risk and legal limits.

2.10.7. Privileges on the corporate stock:

None [December 31, 2019 - None].

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2.10.8. Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TL	FC	TL	FC
From investments in associates, subsidiaries, and joint ventures	753.923	4.410.468	754.765	2.929.470
Revaluation difference ⁽¹⁾	753.923	436.694	754.765	436.694
Foreign currency difference ⁽¹⁾	-	3.973.774	-	2.492.776
Financial assets at fair value through other comprehensive income	91.560	121.792	(119.249)	(27.693)
Revaluation difference ⁽²⁾	91.560	121.792	(119.249)	(27.693)
Foreign currency differences	-	-	-	-
Total	845.483	4.532.260	635.516	2.901.777

⁽¹⁾ Includes differences between historical cost basis and equity method of associates, subsidiaries and joint ventures.

⁽²⁾ Includes tax effect related to foreign currency valuation differences in TL column.

3. Explanations and notes related to off-balance sheet accounts

3.1. Information on off balance sheet commitments:

3.1.1. The amount and type of irrevocable commitments:

	Current Period	Prior Period
Commitments on credit card limits	48.016.964	41.380.895
Asset purchase and sale commitments	14.537.665	7.749.623
Loan granting commitments	17.976.082	13.669.165
Commitments for cheques	3.437.866	3.389.714
Other irrevocable commitments	8.458.927	7.126.624
Total	92.427.504	73.316.021

3.1.2. Type and amount of probable losses and obligations arising from off-balance sheet items:

Obligations arising from off-balance sheet are disclosed in "Off-balance sheet commitments". The Bank set aside general provision for its non-cash loans amounting to TL 346.464 [December 31, 2019 - TL 154.819] and specific provision amounting to TL 987.003 [December 31, 2019 - TL - 1.175.798] for non-cash loans which are not indemnified yet amounting to TL 715.217 [December 31, 2019 - TL 772.000].

3.1.2.1. Non-cash loans including guarantees, bank acceptance loans, collaterals that are accepted as financial guarantees and other letter of credits:

	Current Period	Prior Period
Bank acceptance loans	238.025	156.431
Letter of credits	9.011.522	12.343.860
Other guarantees and collaterals	9.982.292	7.912.920
Total	19.231.839	20.413.211

3.1.2.2. Guarantees, suretyships and other similar transactions:

	Current Period	Prior Period
Temporary letter of guarantees	2.481.798	1.311.813
Definite letter of guarantees	46.120.693	41.605.115
Advance letter of guarantees	12.163.916	10.342.946
Letter of guarantees given to customs	3.478.997	2.945.128
Other letter of guarantees	17.750.038	13.496.504
Total	81.995.442	69.701.506

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3.1.3. Information on non-cash loans:

3.1.3.1. Total amount of non-cash loans:

	Current Period	Prior Period
Non-cash loans given against cash loans	16.929.756	12.890.158
With original maturity of 1 year or less than 1 year	2.208.637	2.883.023
With original maturity of more than 1 year	14.721.119	10.007.135
Other non-cash loans	84.297.525	77.224.559
Total	101.227.281	90.114.717

3.1.3.2. Information on sectoral concentration of non-cash loans:

	Current Period				Prior Period			
	TL	[%]	FC	[%]	TL	[%]	FC	[%]
Agricultural	633.224	1,94	2.573.859	3,75	423.082	1,57	5.607.706	8,90
Farming and raising livestock	446.408	1,37	2.058.711	3,00	280.232	1,04	5.101.009	8,09
Forestry	160.331	0,49	354.425	0,52	109.974	0,41	421.242	0,67
Fishing	26.485	0,08	160.723	0,23	32.876	0,12	85.455	0,14
Manufacturing	16.624.112	51,06	37.410.427	54,48	13.465.937	49,82	31.386.707	49,74
Mining	128.631	0,40	160.296	0,23	73.819	0,27	223.412	0,35
Production	13.176.556	40,47	31.335.726	45,64	10.188.987	37,70	25.817.574	40,92
Electric, gas and water	3.318.925	10,19	5.914.405	8,61	3.203.131	11,85	5.345.721	8,47
Construction	6.741.414	20,70	14.100.118	20,53	5.975.921	22,11	13.671.278	21,67
Services	7.988.869	24,53	14.367.923	20,92	6.948.714	25,71	12.397.618	19,65
Wholesale and retail trade	2.261.631	6,95	1.479.205	2,15	1.839.803	6,81	1.219.058	1,93
Hotel, food and beverage services	355.821	1,09	2.013.795	2,93	440.898	1,63	1.691.972	2,68
Transportation and telecommunication	1.093.527	3,36	3.665.560	5,34	786.159	2,91	3.446.468	5,46
Financial institutions	2.961.302	9,09	2.635.844	3,84	2.403.721	8,89	2.419.989	3,84
Real estate and leasing services	238.678	0,73	784.862	1,14	248.027	0,92	641.535	1,02
Self-employment services	-	-	-	-	-	-	-	-
Education services	53.880	0,17	60.144	0,09	134.826	0,50	50.924	0,08
Health and social services	1.024.030	3,14	3.728.513	5,43	1.095.280	4,05	2.927.672	4,64
Other	575.128	1,77	212.207	0,32	210.112	0,79	27.642	0,04
Total	32.562.747	100,00	68.664.534	100,00	27.023.766	100,00	63.090.951	100,00

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3.1.3.3. Information on sectoral concentration of non-cash loans:

Current Period	Group I		Group II	
	TL	FC	TL	FC
Non-cash loans				
Letters of guarantee	29.549.971	47.737.581	2.188.891	1.558.968
Bank acceptances	-	238.025	-	-
Letters of credit	37.184	8.878.323	-	89.263
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring guarantees	-	-	-	-
Other commitments and contingencies	481.849	9.017.189	-	463.034
Total	30.069.004	65.871.118	2.188.891	2.111.265

Prior Period	Group I		Group II	
	TL	FC	TL	FC
Non-cash loans				
Letters of guarantee	24.245.978	36.310.029	2.299.149	5.687.909
Bank acceptances	-	155.433	-	998
Letters of credit	65.804	11.899.126	11.550	367.380
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring guarantees	-	-	-	-
Other commitments and contingencies	50.630	7.468.742	1.608	374.583
Total	24.362.412	55.833.330	2.312.307	6.430.870

3.1.3.4. Maturity distribution of non cash loans:

Current Period ⁽¹⁾	Indefinite	Up to 1 year	1-5 years	Above 5 years	Total
Letter of credit	-	5.949.376	2.854.544	207.602	9.011.522
Letter of guarantee	26.614.701	14.402.734	32.198.593	8.779.414	81.995.442
Bank acceptances	-	211.013	21.251	5.761	238.025
Other	943.147	1.510.816	1.096.233	6.432.096	9.982.292
Total	27.557.848	22.073.939	36.170.621	15.424.873	101.227.281

Prior Period ⁽¹⁾	Indefinite	Up to 1 year	1-5 years	Above 5 years	Total
Letter of credit	-	9.338.548	2.791.953	213.359	12.343.860
Letter of guarantee	23.312.489	14.514.762	24.261.562	7.612.693	69.701.506
Bank acceptances	-	136.716	15.461	4.254	156.431
Other	726.396	988.338	642.044	5.556.142	7.912.920
Total	24.038.885	24.978.364	27.711.020	13.386.448	90.114.717

⁽¹⁾ The distribution is based on the original maturities.

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3.2. Information on derivative financial instruments:

	Current Period	Prior Period
Types of trading transactions		
Foreign currency related derivative transactions (I)	157.142.456	197.424.447
FC trading forward transactions	16.091.168	25.736.673
Trading swap transactions	131.025.877	162.874.763
Futures transactions	414.267	398.407
Trading option transactions	9.611.144	8.414.604
Interest related derivative transactions (II)	147.553.561	118.898.558
Forward interest rate agreements	-	-
Interest rate swaps	142.948.898	115.222.156
Interest rate options	4.604.663	3.676.402
Interest rate futures	-	-
Other trading derivative transactions (III)	39.503.746	27.537.689
A. Total trading derivative transactions (I+II+III)	344.199.763	343.860.694
Types of hedging derivative transactions		
Transactions for fair value hedge	3.341.689	3.411.980
Cash flow hedges	91.306.804	99.581.653
Transactions for foreign net investment hedge	-	-
B. Total hedging related derivatives	94.648.493	102.993.633
Total derivative transactions (A+B)	438.848.256	446.854.327

3.3. Information on credit derivatives and risk exposures:

The Bank has no credit default swaps in derivative portfolio for the period ended 31 December 2020. Credit default swaps linked to credit link notes are for the purposes protection seller and included in this figure [December 31, 2019 - None].

Derivative portfolio includes total return swaps for TL 25.050.110 [31 December 2019 - TL 25.465.494] for the period ended 31 December 2020.

3.4. Information on contingent liabilities and assets:

The Bank has recorded a provision of TL 78.833 [December 31, 2019 - TL 84.826] for litigation and has accounted for it in the accompanying financial statements under the “Other Provisions” account. Except for the claims where provisions are recorded, management considers as remote the probability of a negative result in ongoing litigations and therefore does not foresee cash outflow for such claims.

3.5. Information on services in the name and account of others:

The Bank’s activities such as intermediation and custody to serve the investment needs of customers are followed up under off balance sheet accounts.

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NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS

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[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL")]

[Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, see in note 1. of section three]

4. Explanations and notes related to income statement:

4.1. Information on interest income:

4.1.1. Information on interest income on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term loans ⁽¹⁾	5.125.867	597.064	8.144.431	376.531
Medium/long-term loans ⁽¹⁾	12.848.354	5.599.183	12.862.885	5.594.255
Interest on loans under follow-up	1.137.645	-	1.511.679	-
Premiums received from resource utilization support fund	-	-	-	-
Total	19.111.866	6.196.247	22.518.995	5.970.786

⁽¹⁾ Includes fees and commissions received for cash loans.

4.1.2. Information on interest income on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
From the CBRT	1.963	-	47.252	-
From domestic banks	217.293	700	443.850	7.940
From foreign banks	75	224.765	1.699	399.700
Headquarters and branches abroad	-	-	-	-
Total	219.331	225.465	492.801	407.640

4.1.3. Information on interest income on marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
From financial assets at fair value through profit or loss	6.626	7.620	7.894	4.405
From financial assets at fair value through other comprehensive income	2.775.325	223.744	2.890.569	218.300
From financial assets measured at amortised cost	3.316.303	779.904	1.834.292	440.486
Total	6.098.254	1.011.268	4.732.755	663.191

4.1.4. Information on interest income received from associates and subsidiaries:

	Current Period	Prior Period
Interest received from associates and subsidiaries	64.750	58.234
Total	64.750	58.234

4.2. Information on interest expense:

4.2.1. Information on interest expense on borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	51.653	1.308.515	50.559	1.446.932
The CBRT	-	-	-	-
Domestic banks	50.109	7.710	46.911	7.572
Foreign banks	1.544	1.300.805	3.648	1.439.360
Headquarters and branches abroad	-	-	-	-
Other institutions	-	679.195	-	745.064
Total ⁽¹⁾	51.653	1.987.710	50.559	2.191.996

⁽¹⁾ Includes fees and commissions related to borrowings.

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4.2.2. Information on interest expense to associates and subsidiaries:

	Current Period	Prior Period
Interest paid to associates and subsidiaries	36.021	60.964
Total	36.021	60.964

4.2.3. Information on interest expense to marketable securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest expense to marketable securities issued	1.073.421	2.332.208	860.609	2.042.060
Total	1.073.421	2.332.208	860.609	2.042.060

4.2.4. Maturity structure of the interest expense on deposits:

Account name	Demand Deposit	Time Deposit						Accumulating deposit	Total	Prior Period
		Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year				
TL										
Bank deposits	1.236	116.261	15.323	-	199	-	-	133.019	184.182	
Saving deposits	-	908.882	3.604.986	69.794	47.546	45.157	114	4.676.479	8.453.882	
Public sector deposits	-	544	929	39	15	46	-	1.573	1.757	
Commercial deposits	-	1.012.068	1.608.635	20.529	46.351	9.786	-	2.697.369	3.596.416	
Other deposits	-	26.610	238.151	21.591	71.347	28.695	-	386.394	865.141	
Deposits with 7 days notification	-	-	-	-	-	-	-	-	-	
Total	1.236	2.064.365	5.468.024	111.953	165.458	83.684	114	7.894.834	13.101.378	
FC										
Foreign currency deposits	177	147.686	618.710	34.661	51.852	16.938	-	870.024	2.251.481	
Bank deposits	7.285	24.614	298	-	-	-	-	32.197	23.641	
Deposits with 7 days notification	-	-	-	-	-	-	-	-	-	
Precious metal vault	-	1.469	1.170	1.086	2.483	867	-	7.075	6.285	
Total	7.462	173.769	620.178	35.747	54.335	17.805	-	909.296	2.281.407	
Grand total	8.698	2.238.134	6.088.202	147.700	219.793	101.489	114	8.804.130	15.382.785	

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[Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”)]

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4.3. Information on dividend income:

	Current Period	Prior Period
Financial assets at fair value through profit or loss	1.786	1.255
Financial assets at fair value through other comprehensive income	724	563
Other	506	7.492
Total	3.016	9.310

4.4. Information on trading gain/loss (net):

	Current Period	Prior Period
Gain	77.262.608	82.648.302
Gain from capital market transactions	487.701	332.295
Derivative financial transaction gains	26.423.294	31.980.907
Foreign exchange gains	50.351.613	50.335.100
Loss [-]	77.005.798	84.533.181
Loss from capital market transactions	79.113	60.633
Derivative financial transaction losses	24.734.977	32.886.294
Foreign exchange loss	52.191.708	51.586.254
Net gain/loss	256.810	[1.884.879]

4.5. Allowance for expected credit losses and other provision expenses:

	Current Period	Prior Period
Allowance for expected credit losses	9.490.527	8.772.277
12-month expected credit losses (Stage 1)	1.788.620	128.072
Significant increase in credit risk (Stage 2)	3.395.759	1.078.379
Credit-Impaired (Stage 3)	4.306.148	7.565.826
Impairment provisions for financial assets	-	-
Financial assets at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	-	-
Impairment provisions related to investments in associates, subsidiaries and jointly controlled partnerships (Joint ventures)	-	-
Investments in associates	-	-
Subsidiaries	-	-
Jointly controlled partnerships (joint ventures)	-	-
Other	463.611	40.975
Total	9.954.138	8.813.252

4.6. Information on derivatives financial transaction gain/loss:

The net gain resulting from the foreign exchange differences related to derivative financial transactions is TL 3.510.718 (December 31, 2019 - TL 2.001.899 gain).

4.7. Information on other operating income:

“Other Operating Income” in the Income Statement mainly includes collections from receivables for which Specific/General provision has been allocated in prior periods.

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NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS

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4.8. Information related to other operating expenses:

	Current Period	Prior Period
Reserve for employee termination benefits	-	4.173
Provision expense for pension fund	283.479	256.713
Impairment expenses of property and equipment	74	-
Depreciation expenses of property and equipment	508.421	456.813
Impairment expenses of intangible assets	-	-
Goodwill impairment expenses	-	-
Amortisation expenses of intangible assets	177.828	140.661
Impairment expenses of equity participations for which equity method applied	-	-
Impairment expenses of assets held for resale	-	-
Depreciation expenses of assets held for resale	-	-
Impairment expenses of fixed assets held for sale and assets related to discontinued operations	-	-
Other operating expenses	2.731.050	2.274.172
IFRS 16 exempt lease expenses	68.891	63.643
Repair and maintenance expenses	136.444	134.906
Advertising expenses	148.402	122.197
Other expense	2.377.313	1.953.426
Loss on sales of assets	11	180
Other	1.147.357	962.322
Total	4.848.220	4.095.034

4.9. Provision for taxes on income from continuing operations and discontinued operations:

The profit before tax includes TL 16.976.801 [December 31, 2019 - TL 14.775.722] of net interest income, TL 5.246.814 [December 31, 2019 - TL 5.286.993] of net fees and commissions expenses, TL 3.576.234 personnel expenses [December 31, 2019 - TL 3.149.323] and other operating expenses amounting to TL 4.848.220 [December 31, 2019 - TL 4.095.034].

As of December 30, 2020, the Bank has no [December 31, 2019 - None] profit before tax from discontinued operations.

4.10. Provision for taxes on income from continuing operations and discontinued operations:

As of December 31, 2020, the Bank has TL 3.111.457 [December 31, 2019 - TL 1.623.617] tax expense from continued operations, from discontinued operations none and deferred tax income from continued operations amounting to TL 1.639.000 [December 31, 2019 - TL 884.741 deferred tax income].

	Current Period	Prior Period
Profit before tax	6.551.975	4.338.936
Tax calculated at rate of 20%	1.441.435	954.566
Nondeductible expenses, discounts and other, net	31.022	[215.690]
Total	1.472.457	738.876

4.11. Information on net income/loss for the period:

4.11.1. The characteristics, dimension and recurrence of income or expense items arising from ordinary banking transactions do not require any additional explanation to understand the Bank's current period performance.

4.11.2. The effect of the change in an estimate of financial statement items to profit/loss is not likely to affect subsequent periods

4.12. Other items in income statement:

“Other fees and commissions received” in income statement mainly includes commissions and fees from credit cards and banking transactions.

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[Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”)]
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5. Explanations and notes related to statement of changes in shareholders’ equity

5.1. Information on dividends:

Authorised body for profit appropriation of the current period is General Assembly. As of the preparation date of these financial statements, annual ordinary meeting of the General Assembly has not been held yet.

5.2. Information on increase/decrease amounts resulting from merger:

None.

5.3. Information on equity share premiums:

The details regarding property and equipment valuation differences are disclosed in section 3 note 19.

5.4. Explanations on property and equipment valuation differences:

The Bank adopted fair value accounting method for its buildings and art objects and paintings in tangible assets in accordance with TAS 16 “ Property, Plant and Equipment”. As of 31 December 2020, revaluation gain under shareholders’ equity is amounting to TL 1.853.991 [December 31, 2019 - TL 1.858.419].

5.5. Explanations related to employee rights liabilities:

Actuarial gains and losses in employee benefits provisions are accounted under equity. As of December 31, 2020 actuarial loss under shareholders’ equity are amounting to TL 377.130 [December 31, 2019 - TL 269.552].

5.6. Explanations on joint ventures accounted for using equity method:

Associates, subsidiaries and joint ventures are being carried at equity method as defined in “ TAS 28 - Investments in Associates and Joint Ventures” in the unconsolidated financial statements of the Bank started from June 30, 2015. Any valuation differences arising from prior years, before January 1, 2015, are booked as “Other accumulated comprehensive income that will not be reclassified in profit or loss” under equity. In the following periods, any valuation differences arising from the current period income and other comprehensive income are booked in profit and loss statement and “Other accumulated comprehensive income that will not be reclassified in profit or loss” under the equity, respectively.

5.7. Explanations on financial assets at fair value through other comprehensive income:

“Unrealized gains and losses” arising from changes in the fair value of financial assets classified as financial assets at fair value through other comprehensive income are recognized in the shareholders’ equity until the related assets are impaired or disposed.

5.8. Hedging transactions:

The Bank has begun to apply cash flow hedge accounting in order to hedge the risk of cash flow of its liabilities from January 1, 2010. In the scope of this application, the derivative financial instruments are specified as floating rate and fixed rate interest payment USD, EUR and TL interest rate swaps, hedging liabilities as the USD, EUR and TL customer deposits, repos, cash outflows due to re-pricing of loans because of the expected interest rate financing. In this context, fair value change of the effective portion of derivative financial instruments accounted in equity hedge funds, taking into account tax effects. Such amount as of December 31, 2020 is TL 976.829 loss [December 31, 2019 - 1.462.792 loss].

The Bank’s Euro denominated borrowing is designated as a hedge of the net investment in the Bank’s certain EUR denominated subsidiaries. The total amount of the borrowing designated as a hedge of the net investment at December 31, 20120 is EUR 471 million [31 December 2019 is EUR 452 million]. The foreign exchange loss of TL 2.055.679 net of tax, on translation of the borrowing to Turkish Lira at the statement of financial position date is recognized in “hedging reserves” in equity [31 December 2019- TL 1.158.208 loss].

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[Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, see in note 1. of section three]

5.9. Information on share issue premium:

Other capital and profit reserves, in general, consist of legal reserves and extraordinary reserves.

6. Explanations and notes related to statement of cash flows:

6.1. Information on cash and cash equivalents:

6.1.1. Components of cash and cash equivalents and the accounting policy applied in their determination:

Cash and foreign currency balances together with demand deposits at banks including the unrestricted amounts of CBRT are defined as “Cash”; money market placements and time deposits in banks with original maturities of less than three months are defined as “Cash Equivalents”.

6.1.2. Effect of a change in the accounting policies:

None.

6.1.3. Reconciliation of cash and cash equivalent items with balance sheet and cash flow statements:

6.1.3.1. Cash and cash equivalents at the beginning of period:

	Current Period	Prior Period
Cash	39.376.992	35.514.148
Cash and effectives	4.508.447	4.784.014
Demand deposits in banks	34.868.545	30.730.134
Cash equivalents	20.898.604	7.307.599
Interbank money market	10.700.000	112.773
Time deposits in banks	10.198.604	7.194.826
Total cash and cash equivalents	60.275.596	42.821.747

6.1.3.2. Cash and cash equivalents at the end of the period:

	Current Period	Prior Period
Cash	39.029.018	39.376.992
Cash and effectives	5.971.222	4.508.447
Demand deposits in banks	33.057.796	34.868.545
Cash equivalents	6.160.864	20.898.604
Interbank money market	1.700.000	10.700.000
Time deposits in banks	4.460.864	10.198.604
Total cash and cash equivalents	45.189.882	60.275.596

6.2. Information on cash and cash equivalents those are not available for use due to legal limitations and other reasons:

As of 31 December 2020 the cash and cash equivalents those are not available for use due to legal limitations and other reasons including reserve requirements is amounting to TL 48.740.955 (December 31, 2019 - TL 37.202.727).

YAPI VE KREDİ BANKASI A.Ş.

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[Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, see in note 1. of section three]

6.3. Explanations on other items in the statement of cash flows and the effects of the change in foreign exchange rates on cash and cash equivalents:

Increase in "Other Account" amounting to TL 546.201 as of December 31, 2020 (December 31, 2019 - TL 262.068 increase), which is classified under "Operating profit before changes in operating assets and liabilities", includes mainly fee and commissions given, other operating expenses excluding personnel expenses, and foreign exchange gains/losses.

Increase in "Net increase/decrease in other liabilities" amounting to TL 1.204.820 as of December 31, 2020 (December 31, 2019 - TL 4.078.744 increase), mainly consist of changes in other debts and other liabilities.

The effects of the change in foreign exchange rates on cash and cash equivalents are calculated as an increase approximately of TL 18.190.396 as of December 31, 2020 (December 31, 2019 - TL 4.200.943 increase).

7. Explanations and notes related to the Bank's risk group

7.1. The volume of transactions relating to the Bank's risk group, outstanding loan and deposit transactions and profit and loss of the period:

7.1.1. Information on loans of the Bank's risk group:

Current Period	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Bank's risk group⁽¹⁾⁽²⁾						
Loans and other receivables						
Balance at the beginning of the period	288.721	94.447	801.666	1.199.169	2.559.620	3.147.488
Balance at the end of the period	1.245.321	301.506	883.127	898.824	5.231.297	2.078.697
Interest and commission income received	64.750	1.421	20.481	9.377	443.292	13.859

Prior Period	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Bank's risk group⁽¹⁾⁽²⁾						
Loans and other receivables						
Balance at the beginning of the period	501.490	386.993	555.560	1.351.956	3.764.564	4.092.153
Balance at the end of the period	288.721	94.447	801.666	1.199.169	2.559.620	3.147.488
Interest and commission income received	58.234	2.976	29.577	8.267	447.520	23.895

⁽¹⁾ Defined in subsection 2 of the 49th article of the Banking Act No.5411.

⁽²⁾ The information in table above includes marketable securities and due from banks as well as loans.

7.1.2. Information on deposits of the Bank's risk group:

Bank's risk group ⁽¹⁾⁽²⁾	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposit						
Beginning of the period	756.246	2.798.132	29.776.134	32.464.212	22.505.574	21.548.350
End of the period	1.949.302	756.246	24.402.131	29.776.134	30.828.068	22.505.574
Interest expense on deposits	36.021	60.964	1.060.342	2.379.592	976.413	1.357.147

⁽¹⁾ Defined in subsection 2 of the 49th article of the Banking Act No. 5411.

⁽²⁾ The information in table above includes borrowings and repo transactions as well as deposits.

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[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL")]

[Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, see in note 1. of section three]

7.1.3. Information on forward and option agreements and other derivative instruments with the Bank's risk group:

Bank's risk group ⁽¹⁾	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions at fair value through profit or loss						
Beginning of the period ⁽²⁾	7.110.079	4.977.495	563.016	3.330.535	10.730.513	983.564
End of the period ⁽²⁾	1.181.891	7.110.079	1.573.859	563.016	1.585.212	10.730.513
Total profit/(loss)⁽³⁾	193.598	669.963	(19.372)	(14.966)	(170.836)	58.698
Transactions for hedging purposes						
Beginning of the period ⁽²⁾	-	-	1.059.016	1.456.586	-	-
End of the period ⁽²⁾	-	-	516.747	1.059.016	-	-
Total profit/(loss)	-	-	16.747	9.016	-	-

⁽¹⁾ Defined in subsection 2 of the 49th article of the Banking Act No. 5411.

⁽²⁾ The balances at the beginning and end of the periods are disclosed as the total of buy and sell amounts of derivative financial instruments.

7.1.4. Information regarding benefits provided to the Bank's top management [7.2 olmalı]

Salaries and benefits paid to the Bank's top management amount to TL 78.335 as of December 31, 2020 (December 31, 2019 - TL 76.528).

8. Explanations and notes related to the domestic, foreign, off-shore branches or associates and foreign representatives of the Bank:

	Number	Number of Employees		Country of incorporation	Total asset	Statutory share capital
Domestic Branch	834	16.034				
Foreign Rep. Office	-	-				
Foreign Branch	1	3	Bahrain		12.092.652	-
Off-Shore Banking Region Branch	-	-				-

9. Explanations and notes related to subsequent events:

On January 22, 2021, the Bank issued fixed rate subordinated bonds (Tier 2) abroad with a 7.875% coupon rate and paying interest semi-annually, with a notional amount of USD 500 million, a maturity of January 22, 2031 and having an early redemption call option on January 22, 2026. In addition, it was resolved by the Bank's Board of Directors to redeem the subordinated bond on March 9, 2021 [Issuer Call Date], which was issued abroad on March 8, 2016, with a notional amount of USD 500 million, a maturity of March 9, 2026 and can be repaid in the fifth year.

YAPI VE KREDİ BANKASI A.Ş.

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[Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”)]

[Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, see in note 1. of section three]

Section six - Other explanations

1. Other explanations on the Bank’s operations

None

Section Seven - Independent auditor’s report

1. Explanations on independent auditor’s report

The unconsolidated financial statements for the period ended December 31, 2020 have been audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. The independent auditor’s report dated, February 3, 2021 is presented preceding the unconsolidated financial statements.

2. Explanations and notes prepared by independent auditor

None.

PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AT DECEMBER 31, 2020 TOGETHER WITH AUDITOR'S AUDIT REPORT

[Convenience translation of publicly announced consolidated financial statements and independent auditor's report originally issued in Turkish, See Note 1. of Section three]

PRESENTATION

FROM THE
MANAGEMENTABOUT
YAPI KREDİBUSINESS
MODEL AND
STAKEHOLDERSRESPONSIBLE
GROWTHINNOVATIVE
BANKINGHUMAN
FOCUSCORPORATE
GOVERNANCEFINANCIAL
INFORMATION

ANNEXES

To the General Assembly of Yapı ve Kredi Bankası A.Ş.:

A. Audit of the Consolidated Financial Statements

1. Opinion

We have audited the accompanying consolidated financial statements of Yapı ve Kredi Bankası A.Ş. (the "Bank"), and its subsidiaries (collectively referred to as the "Group") which comprise the statement of consolidated balance sheet as at 31 December 2020, consolidated income statement, consolidated statement of income and expense items under shareholders' equity, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and Turkish Financial Reporting Standards ("TFRS") for those matters not regulated by the aforementioned regulations.

2. Basis for Opinion

Our audit was conducted in accordance with the "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the consolidated financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the key audit matter was addressed in the audit
<p>Expected credit losses for loans and receivables</p> <p>The Group has total expected credit losses for loans and receivables amounting to TL 24,740.768 thousand in respect to total loans and receivables amounting to TL 317,211.755 thousand which represent a significant portion of the Group's total assets in its consolidated financial statements as at 31 December 2020. Explanations and notes related to expected credit losses for loans and receivables are presented in Section Three Part 7.3 and 8, Section Four Part 2, Section Four Part 3.3, Section Five Part 1.7 in the accompanying consolidated financial statements as at 31 December 2020.</p> <p>The Group recognizes provision for impairment in accordance with "TFRS 9 Financial Instruments" ("TFRS 9") requirements and the "Regulation on the Procedures and Principles for Classification of Loans and Provisions to be Provided" as published in the Official Gazette dated 22 June 2016 numbered 29750. The Group exercises significant decisions using subjective judgement, interpretation and assumptions over when and how much to record as loan impairment. The effects related to COVID-19 pandemic increased the importance of these estimates and assumptions used by the Bank's management in determining the expected credit loss provisions for loans and receivables as of 31 December 2020, and the uncertainties caused by these effects were taken into account in the calculation of expected credit loss as presented in the Part 7.3 and 8 of the Third Section, by using expert opinion. The Group determines stage classification of loans and receivables within the framework of applicable regulations by identifying significant increase in credit risk with quantitative and qualitative assessments disclosed in Section Three Part 8 in the accompanying consolidated financial statements and default events disclosed in Section Four Part 2 in the accompanying consolidated financial statements.</p>	<p>With respect to stage classification of loans and receivables and calculation of expected credit losses, we have assessed policy, procedure and management principles of the Group including COVID-19 effects within the scope of our audit. We tested the design and the operating effectiveness of relevant systems and processes implemented in accordance with these principles.</p> <p>We checked appropriateness of matters considered in methodology applied by the Group with TFRS 9 for calculation of the provision amount through stage classification of loans and receivables. For forward looking assumptions made by the Group's management in its expected credit losses calculations including the effects of the COVID-19 pandemic, we held discussions with management, evaluated the assumptions using publicly available information. Regarding expected credit losses methodology; we have assessed and tested appropriateness of model segmentation, lifetime probability of default model, exposure at default model, loss given default model and approaches in relation to projection of macroeconomic expectations with our financial risk experts. We have assessed expert judgment utilized in interpretation of supportable forward looking expectations [including macroeconomic factors]. Our procedures also included the following:</p> <ul style="list-style-type: none"> - Together with our financial risk experts, we evaluated and tested reasonableness of the changes in the expected credit loss allowance methodology and the performance of the impairment models used. - We have checked selected models used in determination of provisions for various credit portfolios with our financial risk experts by reperforming on a sample selection basis - For a sample of exposures, we checked the accuracy of determining Exposure at Default, including the consideration of prepayments and repayments in the cash flows and the resultant arithmetical calculations. - We checked the calculation of the Loss Given Default (LGD) used by the Group in the expected credit losses calculations, and tested collaterals, recovery and costs in addition to arithmetical calculations. - For a selected sample, we checked expected credit losses determined based on individual assessment per Group's policy by means of supporting data, and evaluated appropriateness including areas affected by uncertainties caused by COVID-19 via communications with management.

Key Audit Matters	How the key audit matter was addressed in the audit
<p>Expected credit losses for loans and receivables (Continued)</p> <p>The Group uses complex models that requires data to be derived from multiple systems for determining significant increase in credit risk and calculation of TFRS 9 expected credit losses.</p> <p>Our audit was focused on this area due to existence of complex estimates and information used in the impairment assessment such as macro-economic expectations, current conditions, historical loss experiences; the significance of the loans and receivables balances; the classification of loans and receivables as per their credit risk (staging) and the importance of determination of the associated expected credit loss. Timely and correct identification of default event and significant increase in credit risk and level of judgements and estimations made by the management have significant impacts on the amount of impairment provisions for loans and receivables. Therefore, this area is considered as key audit matter.</p>	<ul style="list-style-type: none"> - We checked the calculation of the Loss Given Default (LGD) used by the Group in the expected credit losses calculations, and tested collaterals, recovery and costs in addition to arithmetical calculations. - For a selected sample, we checked expected credit losses determined based on individual assessment per Group's policy by means of supporting data, and evaluated appropriateness including areas affected by uncertainties caused by COVID-19 via communications with management. - We checked key data sources for data used in expected credit losses calculations. We tested reliability and completeness of the data used in expected credit losses calculations with our information systems specialists. - We checked accuracy of resultant expected credit losses calculations. - To assess appropriateness of the Group's determination of staging for credit risk, identification of impairment and timely and appropriate provisioning for impairment we have performed loan review procedures based on a selected sample. - We evaluated the adequacy of the disclosures made in the consolidated financial statements regarding the provision for impairment of loans and receivables.

INDEPENDENT AUDITOR'S REPORT

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CORPORATE
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HUMAN
FOCUS

INNOVATIVE
BANKING

RESPONSIBLE
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MODEL AND
STAKEHOLDERS

ABOUT
YAPI KREDİ

FROM THE
MANAGEMENT

PRESENTATION

4. Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The Group management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the BRSA Accounting and Financial Reporting Legislation, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

5. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an independent audit conducted in accordance with "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

PRESENTATION

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

FROM THE
MANAGEMENT

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

ABOUT
YAPI KREDİ

B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Bank's bookkeeping activities concerning the period from 1 January to 31 December 2020 period are not in compliance with the TCC and provisions of the Bank's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

BUSINESS
MODEL AND
STAKEHOLDERS

Additional Paragraph for Convenience Translation

The effects of differences between accounting principles and standards explained in detail in Section Three and accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

RESPONSIBLE
GROWTHINNOVATIVE
BANKING

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

HUMAN
FOCUSCORPORATE
GOVERNANCE

Halûk Yalçın, SMMM
Partner
Istanbul, 3 February 2021

FINANCIAL
INFORMATION

ANNEXES

THE CONSOLIDATED YEAR END FINANCIAL REPORT OF YAPI VE KREDİ BANKASI A.Ş. AS OF DECEMBER 31, 2020

Convenience translation of publicly announced consolidated financial statements and audit report originally issued in Turkish,
See Note I. of Section three

Address Yapı Kredi Plaza D-Blok Levent, 34330, İstanbul
Telephone number 0212 339 70 00
Fax number 0212 339 60 00
Web Site www.yapikredi.com.tr
E-Mail: financialreports@yapikredi.com.tr

The consolidated financial report for the year end which is prepared in accordance with the “Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements” as regulated by the Banking Regulation and Supervision Agency includes the following sections.

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
- EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITOR’S REPORT

Investments in subsidiaries, associates and joint ventures, whose financial statements have been consolidated in these consolidated financial statements are as follows.

Subsidiaries	Associates	Joint Ventures
1. Yapı Kredi Finansal Kiralama A.O.	1. Banque de Commerce et de Placements S.A.	1. Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş.
2. Yapı Kredi Faktoring A.Ş.	2. Allianz Yaşam ve Emeklilik A.Ş.	
3. Yapı Kredi Yatırım Menkul Değerler A.Ş.		
4. Yapı Kredi Portföy Yönetimi A.Ş.		
5. Yapı Kredi Holding B.V.		
6. Yapı Kredi Bank Nederland N.V.		
7. Stichting Custody Services YKB		
8. Yapı Kredi Bank Azerbaijan CJSC		
9. Yapı Kredi Bank Malta Ltd.		

Although Yapı Kredi Diversified Payment Rights Finance Company [the Structured Entity] is not a subsidiary of the Bank, it has been included in the consolidation since the Bank has 100% control.

The accompanying consolidated financial statements, related disclosures and footnotes which have been independently audited and presented in this report are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, the related statements and guidances, and in compliance with the financial records of the Bank, and unless stated otherwise, presented in **thousands of Turkish Lira** [TL].

Y. Ali KOÇ
Chairman of the
Board of Directors

Gökhan ERÜN
Executive Director and
CEO

Demir KARAASLAN
Chief Financial Officer

B. Seda İKİZLER
Financial Reporting and
Accounting Executive Vice President

Dr. Ahmet ÇİMENÖĞLU
Chairman of Audit
Committee

Nevin İPEK
Member of Audit
Committee

Contact information of the personnel in charge of the addressing of questions about this financial report:

Name-Surname/Title: Umut HALLAÇ/International Reporting & Consolidation Manager
Telephone Number: 0212 339 98 87
Fax Number: 0212 339 61 05

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YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2020

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”)]

[Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three]

Section One

General Information

1. History of the Parent Bank including its incorporation date, initial legal status and amendments to legal status:

Yapı ve Kredi Bankası A.Ş. [“the Bank”, “Yapı Kredi” or “the Parent Bank”], was established and started operations on September 9, 1944 with the permission of the Council of Ministers No. 3/6710 as a private capital commercial bank authorised to perform all banking, economic, financial and commercial activities which are allowed by the laws of the Turkish Republic. The statute of the Bank has not changed since its incorporation.

2. Explanation about the Parent Bank’s capital structure, shareholders holding directly or indirectly, collectively or individually, the management and controlling power and changes in current year, if any and explanations on the controlling Group of the Bank:

The Parent Bank’s publicly traded shares are traded on the Borsa Istanbul [“BIST”] since 1987. As of December 31, 2020, 30,03% of the shares of the Bank are publicly traded [December 31, 2019 - 18,10%]. 40,95% of the shares out of the remaining 69,97% is owned by Koç Finansal Hizmetler A.Ş. [“KFS”] which is owned by Koç Group, 9,02% is owned by Koç Group and 20,00% is owned by UniCredit [“UCG”].

KFS was established on March 16, 2001 to combine Koç Group finance companies under one organisation and it became the main shareholder of Koçbank in 2002. On October 22, 2002, Koç Group established a strategic partnership with UCG over KFS.

In 2005, the Bank’s shares that were owned by Çukurova Group Companies and the Saving Deposits Insurance Fund [“SDIF”] were purchased by Koçbank. In 2006, Koçbank purchased additional shares of the Bank from BIST and an investment fund and, during the same year, all rights, receivables, debts and liabilities of Koçbank were transferred to the Bank pursuant the merger of the two banks. As a result of the merger and the share transfer procedures in 2007 and of a capital increase by TL 920 million in 2008, KFS shares in the Parent Bank increased to 81,80%. KFS shares increased to 81,90% with the capital increase by TL 4,1 billion in 2018.

As of November 30, 2019, Koç Group and UCG have reached a deal to exchange their shares in the Parent Bank and KFS.

Accordingly, all the shares of KFS, which is currently a joint venture, are transferred to Koç Group. Besides, after the shares are transferred, KFS holds 40,95%, UCG holds 31,93% directly and Koç Group holds a total of 49,99% directly and indirectly of the Parent Bank shares and became controlling shareholder.

In addition, as of February 6, 2020, UniCredit also announced the placement of an 11,93% shares in Parent Bank to institutional investors. The transaction has been completed on February 13, 2020. As a result UCG holds directly 20,00% of the Parent Bank shares.

In 2006 and 2007, with the acquisition of Yapı Kredi and its subsidiaries, KFS Group launched structural reorganisation and the following subsidiaries is still under the control of group were legally merged:

Merging entities		Merger date	Merged entity
Yapı Kredi	Koçbank	October 2, 2006	Yapı Kredi
Yapı Kredi Finansal Kiralama A.D. [“Yapı Kredi Leasing”]	Koç Leasing	December 25, 2006	Yapı Kredi Leasing
Yapı Kredi Faktoring A.Ş. [“Yapı Kredi Faktoring”]	Koç Faktoring	December 29, 2006	Yapı Kredi Faktoring
Yapı Kredi Portföy Yönetimi A.Ş. [“Yapı Kredi Portföy”]	Koç Portföy	December 29, 2006	Yapı Kredi Portföy
Yapı Kredi Yatırım Menkul Değerler A.Ş. [“Yapı Kredi Menkul”]	Koç Yatırım	January 12, 2007	Yapı Kredi Menkul
Yapı Kredi Bank Nederland N.V. [“Yapı Kredi NV”]	Koçbank Nederland N.V.	July 2, 2007	Yapı Kredi NV

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2020

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL")]

[Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three]

3. Explanations regarding the board of directors, members of the audit committee, Chief Executive Officer and executive vice presidents, and their areas of responsibility and shares if any:

As of December 31, 2020 the Parent Bank's Board of Directors, Members of the Audit Committee, General Manager and Assistant General Managers are as follows:

Board of Directors Members:

Name	Responsibility
Y. Ali KOÇ	Chairman
Levent ÇAKIROĞLU	Vice Chairman
Gökhan ERÜN	Executive Director and CEO
A. Ümit TAFTALI	Member
Ahmet ÇİMENOĞLU	Independent Member
Ahmet Fadıl ASHABOĞLU	Member
Nevin İPEK	Independent Member
Niccolò UBERTALLI	Member
Virma SÖKMEN	Independent Member
Wolfgang SCHILK	Member

Audit Committee Members:

Name	Responsibility
Ahmet ÇİMENOĞLU	Chairman
Nevin İPEK	Member

General Manager:

Name	Responsibility
Gökhan ERÜN	Executive Director and CEO

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2020

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”)]

[Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three]

Assistant General Managers:

Name	Responsibility
Abdullah GEÇER	Internal Audit
Akif Cahit ERDOĞAN	Information Technologies and Operation Management
Cemal Aybars SANAL	Legal Activities Management
Demir KARAASLAN	Financial Planning and Administration Management
Erhan ADALI	Corporate and Commercial Banking Management
Hakan ALP	Human Resources and Organization Management
Mehmet Erkan ÖZDEMİR	Compliance, Internal Control and Risk Management/ Consumer Relations Coordination Officer
Nurgün EYÜBOĞLU	Credit Management
Saruhan YÜCEL	Treasury Management
Serkan ÜLGEN	Retail Banking Management
Yakup DOĞAN	Alternative Distribution Channels

4. Information on the individual and corporate shareholders having control shares of the Parent Bank:

Name/Commercial title	Share amounts (nominal)	Share Percentage (%)	Paid-in capital (nominal)	Unpaid portion
Koç Finansal Hizmetler A.Ş.	3.459.065.642,23	40,95	3.459.065.642,23	-
Koç Group	762.197.343,00	9,02	762.197.343,00	-
UniCredit	1.689.410.260,00	20,00	1.689.410.260,00	-

Koç Finansal Hizmetler A.Ş. is owned by Koç Group and Temel Ticaret ve Yatırım A.Ş..

As of December 31,2019, 81,90% shares of the Parent Bank was owned by Koç Finansal Hizmetler A.Ş. which was a joint venture of Koç Group, UniCredit Group and Temel Ticaret ve Yatırım A.Ş..

5. Summary information on the Parent Bank's activities and service types:

The Parent Bank's activities summarized in the section 3 of the articles of association are as follows:

The Parent Bank's purpose and subject matter in accordance with the Banking Law, regulations and existing laws include:

- The execution of all banking activities,
- The execution of all economic and financial activities which are allowed by the regulation,
- The execution of the representation, attorney and agency activities related to the subjects written above,
- The purchase and sale of share certificates, bonds and all the capital market instruments, in accordance with Capital Market Law and regulations.

In case of necessity for performing activities which are useful and required but that are not specified in the articles of association, a Board of Directors' proposal is to be presented to the General Assembly. With the approval of the General Assembly the proposal becomes applicable, subject to the approvals required by law.

As of December 31, 2020, the Parent Bank has 834 branches operating in Turkey and 1 branch in overseas [December 31, 2019 - 845 branches operating in Turkey, 1 branch in overseas].

As of December 31, 2020, the Parent Bank has 16.037 employees [December 31, 2019 - 16.631 employees]. The Parent Bank together with its consolidated subsidiaries is referred to as the "Group" in these consolidated financial statements. As of December 31, 2020 the Group has 16.871 employees [December 31, 2019 - 17.466 employees].

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2020

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”)]

[Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three]

6. Differences between the communiqué on preparation of consolidated financial statements of Banks and Turkish Accounting Standards and short explanation about the entities subject to full consolidation or proportional consolidation and entities which are deducted from equity or entities which are not included in these three methods:

According to Communiqué of the Preparation Consolidated Financial Statements and Turkish Accounting Standards, Banque de Commerce et de Placements SA, one of the associates of the Bank, and Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı, an entity under common control, are consolidated through “Equity Method” in the accompanying consolidated financial statements of the Group. Allianz Yaşam ve Emeklilik A.Ş., on which the Bank has indirect participation, is also consolidated through “Equity Method” in the consolidated financial statements of the Group.

Yapı Kredi Kültür Sanat Yayıncılık Tic. ve San. A.Ş., Yapı Kredi Teknoloji A.Ş. and Enternasyonal Turizm Yatırım A.Ş., which are subsidiaries of the Bank, are not consolidated into the Bank’s consolidated financial statements in accordance with Communiqué on Preparation of Consolidated Financial Statements since these entities are not financial institutions.

All other subsidiaries are fully consolidated.

7. The existing or potential, actual or legal obstacles on the immediate transfer of shareholder’s equity between the Bank and its subsidiaries or reimbursement of liabilities:

None.

YAPI VE KREDİ BANKASI A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2020 AND 2019

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL")]

[Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three]

Section two - Consolidated financial statements

1. Consolidated balance sheet [Statement of Financial Position]

	Note (Section Five)	Current Period (31.12.2020)			Prior Period (31.12.2019)		
		TL	FC	Total	TL	FC	Total
ASSETS							
I. FINANCIAL ASSETS (Net)		40.188.276	67.055.054	107.243.330	43.735.439	69.827.929	113.563.368
1.1 Cash and Cash Equivalents	1.1	15.922.081	59.773.824	75.695.905	17.120.068	64.219.910	81.339.978
1.1.1 Cash and Balances with Central Bank		10.500.301	47.182.253	57.682.554	2.488.632	40.997.298	43.485.930
1.1.2 Banks	1.4	3.753.221	12.732.753	16.485.974	3.862.439	23.349.349	27.211.788
1.1.3 Money Markets	1.4.3	1.700.842	-	1.700.842	10.803.630	-	10.803.630
1.1.4 Provisions for Expected Losses [-]		32.283	141.182	173.465	34.633	126.737	161.370
1.2 Financial assets where fair value change is reflected to income statement	1.2	345.122	331.643	676.765	230.597	342.600	573.197
1.2.1 Government debt securities		106.399	170.315	276.714	20.754	73.116	93.870
1.2.2 Share certificates		238.703	-	238.703	204.846	-	204.846
1.2.3 Other financial assets		20	161.328	161.348	4.997	269.484	274.481
1.3 Financial assets where fair value change is reflected to other comprehensive income statement	1.5,1.6	19.844.401	5.256.159	25.100.560	22.802.626	4.097.986	26.900.612
1.3.1 Government debt securities		19.689.965	3.302.506	22.992.471	22.710.089	2.050.829	24.760.918
1.3.2 Share certificates		84.336	3.942	88.278	77.416	2.929	80.345
1.3.3 Other financial assets		70.100	1.949.711	2.019.811	15.121	2.044.228	2.059.349
1.4 Derivative Financial Assets	1.3	4.076.672	1.693.428	5.770.100	3.582.148	1.167.433	4.749.581
1.4.1 Derivative financial assets where fair value change is reflected to income statement		3.530.014	1.693.428	5.223.442	3.327.461	1.124.994	4.452.455
1.4.2 Derivative financial assets where fair value change is reflected to other comprehensive income statement		546.658	-	546.658	254.687	42.439	297.126
II. FINANCIAL ASSETS MEASURED AT AMORTISED COST (Net)		206.258.377	139.122.693	345.381.070	161.098.247	112.948.931	274.047.178
2.1 Loans	1.7	186.069.018	114.800.880	300.869.898	152.024.450	96.025.148	248.049.598
2.2 Receivables From Leasing Transactions (Net)	1.12	3.597.171	7.374.687	10.971.858	2.487.469	8.008.303	10.495.772
2.3 Factoring Receivables		4.288.548	1.081.451	5.369.999	2.713.491	1.394.366	4.107.857
2.4 Financial Assets Measured at Amortised Cost	1.8	30.901.217	22.127.007	53.028.224	18.017.793	11.590.344	29.608.137
2.4.1 Government debt securities		30.570.413	20.390.612	50.961.025	17.686.989	10.704.522	28.391.511
2.4.2 Other financial assets		330.804	1.736.395	2.067.199	330.804	885.822	1.216.626
2.5 Provisions for Expected Losses [-]		18.597.577	6.261.332	24.858.909	14.144.956	4.069.230	18.214.186
III. ASSETS HELD FOR RESALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	1.17	711.573	12.634	724.207	321.890	9.445	331.335
3.1 Held for Sale Purposes		711.573	12.634	724.207	321.890	9.445	331.335
3.2 Related to Discontinued Operations		-	-	-	-	-	-
IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		401.504	1.203.097	1.604.601	347.068	902.257	1.249.325
4.1 Investments in Associates (net)	1.9	371.330	1.203.097	1.574.427	317.453	902.257	1.219.710
4.1.1 Consolidated based on Equity Method		359.544	1.203.097	1.562.641	311.352	902.257	1.213.609
4.1.2 Unconsolidated		11.786	-	11.786	6.101	-	6.101
4.2 Subsidiaries (Net)	1.10	7.300	-	7.300	7.300	-	7.300
4.2.1 Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
4.2.2 Unconsolidated Non-Financial Subsidiaries		7.300	-	7.300	7.300	-	7.300
4.3 Joint Ventures (Net)	1.11	22.874	-	22.874	22.315	-	22.315
4.3.1 Consolidated based on Equity Method		22.874	-	22.874	22.315	-	22.315
4.3.2 Unconsolidated		-	-	-	-	-	-
V. PROPERTY AND EQUIPMENT (Net)	1.13	4.514.773	39.606	4.554.379	4.313.414	45.485	4.358.899
VI. INTANGIBLE ASSETS (Net)	1.14	1.963.354	40.172	2.003.526	1.889.731	31.093	1.920.824
6.1 Goodwill		979.493	-	979.493	979.493	-	979.493
6.2 Other		983.861	40.172	1.024.033	910.238	31.093	941.331
VII. INVESTMENT PROPERTY (Net)	1.15	-	-	-	-	-	-
VIII. CURRENT TAX ASSETS		3.212	1.649	4.861	-	3.090	3.090
IX. DEFERRED TAX ASSETS	1.16	3.702.058	-	3.702.058	2.129.358	-	2.129.358
X. OTHER ASSETS	1.18	5.701.379	15.570.268	21.271.647	3.387.621	10.204.022	13.591.643
TOTAL ASSETS		263.444.506	223.045.173	486.489.679	217.222.768	193.972.252	411.195.020

The accompanying explanations and notes form an integral part of these financial statements.

YAPI VE KREDİ BANKASI A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2020 AND 2019

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Yapi Kredi 2020 Integrated Annual Report

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL")]

[Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three]

1. Consolidated balance sheet (Statement of Financial Position)

LIABILITIES	Note (Section Five)	Current Period (31/12/2020)			Prior Period (31/12/2019)		
		TL	FC	Total	TL	FC	Total
I. DEPOSITS	2.1	108.173.940	156.236.328	264.410.268	102.994.590	128.077.107	231.071.697
II. BORROWINGS	2.3.1	4.078.528	42.346.165	46.424.693	2.452.375	42.921.120	45.373.495
III. MONEY MARKETS		27.546.206	2.814.458	30.360.664	5.519.024	789.864	6.308.888
IV. MARKETABLE SECURITIES ISSUED (Net)	2.3.3	5.906.063	18.722.298	24.628.361	6.740.946	18.480.245	25.221.191
4.1 Bills		4.295.582	-	4.295.582	5.098.851	-	5.098.851
4.2 Asset backed Securities		-	3.511.774	3.511.774	-	3.746.311	3.746.311
4.3 Bonds		1.610.481	15.210.524	16.821.005	1.642.095	14.733.934	16.376.029
V. FUNDS		-	-	-	-	-	-
5.1 Borrower Funds		-	-	-	-	-	-
5.2 Other		-	-	-	-	-	-
VI. FINANCIAL LIABILITIES FAIR VALUE THROUGH PROFIT AND LOSS	2.3.4	806.619	11.749.170	12.555.789	830.929	12.353.676	13.184.605
VII. DERIVATIVE FINANCIAL LIABILITIES	2.2	7.551.423	3.041.756	10.593.179	5.568.959	1.536.323	7.105.282
7.1 Derivative Liabilities at Fair Value Through Profit and Loss		5.969.935	2.000.316	7.970.251	2.989.768	1.224.347	4.214.115
7.2 Derivative Liabilities at Fair Value Through Other Comprehensive Profit		1.581.488	1.041.440	2.622.928	2.579.191	311.976	2.891.167
VIII. FACTORING PAYABLES		-	-	-	-	-	-
IX. LEASE PAYABLES (Net)	2.5	1.073.794	16.626	1.090.420	897.433	29.790	927.223
X. PROVISIONS	2.6	4.078.213	464.314	4.542.527	3.441.735	300.496	3.742.231
10.1 Provisions for Restructuring		-	-	-	-	-	-
10.2 Provisions for Employee Rights	2.6.1	830.720	2.915	833.635	778.583	2.509	781.092
10.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4 Other Provisions	2.6.3	3.247.493	461.399	3.708.892	2.663.152	297.987	2.961.139
XI. CURRENT TAX LIABILITIES	2.7	1.951.276	5.006	1.956.282	932.503	1.336	933.839
XII. DEFERRED TAX LIABILITIES		18.480	11.472	29.952	-	8.359	8.359
XIII. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)		-	-	-	-	-	-
13.1 Held for Sale		-	-	-	-	-	-
13.2 Related to Discontinued Operations		-	-	-	-	-	-
XIV. SUBORDINATED DEBT	2.9	838.459	21.816.595	22.655.054	821.340	17.758.699	18.580.039
14.1 Loans		-	6.305.871	6.305.871	-	5.102.941	5.102.941
14.2 Other Facilities		838.459	15.510.724	16.349.183	821.340	12.655.758	13.477.098
XV. OTHER LIABILITIES	2.4	17.465.562	2.208.562	19.674.124	15.471.432	2.075.159	17.546.591
XVI. SHAREHOLDERS' EQUITY	2.10	48.519.246	(950.880)	47.568.366	41.548.897	(357.317)	41.191.580
16.1 Paid in Capital		8.447.051	-	8.447.051	8.447.051	-	8.447.051
16.2 Capital Reserves		1.997.149	-	1.997.149	1.988.296	-	1.988.296
16.2.1 Share premium		556.937	-	556.937	556.937	-	556.937
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		1.440.212	-	1.440.212	1.431.359	-	1.431.359
16.3 Other accumulated comprehensive income that will not be reclassified in profit or loss		1.521.513	7.315	1.528.828	1.635.497	7.315	1.642.812
16.4 Other accumulated comprehensive income that will be reclassified in profit or loss		1.758.141	(916.788)	841.353	(266.191)	(323.225)	(589.416)
16.5 Profit Reserves		28.075.113	(41.407)	28.033.706	24.503.543	(41.407)	24.462.136
16.5.1 Legal Reserves		1.282.785	-	1.282.785	1.102.781	-	1.102.781
16.5.2 Statutory reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		26.785.511	(41.407)	26.744.104	23.393.329	(41.407)	23.351.922
16.5.4 Other Profit Reserves		6.817	-	6.817	7.433	-	7.433
16.6 Profit or loss		6.719.472	-	6.719.472	5.240.014	-	5.240.014
16.6.1 Prior years' profits or losses		1.639.954	-	1.639.954	1.639.954	-	1.639.954
16.6.2 Current period net profit or loss		5.079.518	-	5.079.518	3.600.060	-	3.600.060
16.7 Minority interest		807	-	807	687	-	687
TOTAL LIABILITIES		228.007.809	258.481.870	486.489.679	187.220.163	223.974.857	411.195.020

The accompanying explanations and notes form an integral part of these financial statements.

YAPI VE KREDİ BANKASI A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2020 AND 2019

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL")]

[Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three]

2. Consolidated off-balance sheet commitments

	Note (Section Five)	Current Period (31/12/2020)			Prior Period (31/12/2019)		
		TL	FC	Total	TL	FC	Total
A. Off-balance sheet commitments (I+II+III)		261.534.384	401.606.068	663.140.452	241.782.716	388.539.643	630.322.359
I. Guarantees and warranties	3.1.2.1	32.512.146	68.363.259	100.875.405	26.946.770	62.617.711	89.564.481
1.1. Letters of guarantee	3.1.2.2	31.993.113	49.321.654	81.314.767	26.817.178	42.085.180	68.902.358
1.1.1. Guarantees subject to state tender law		545.671	641.351	1.187.022	367.229	604.813	972.042
1.1.2. Guarantees given for foreign trade operations		5.328.968	48.420.099	53.749.067	4.017.924	41.279.296	45.297.220
1.1.3. Other letters of guarantee		26.118.474	260.204	26.378.678	22.432.025	201.071	22.633.096
1.2. Bank acceptances		-	238.025	238.025	-	156.431	156.431
1.2.1. Import letter of acceptance		-	238.025	238.025	-	156.431	156.431
1.2.2. Other bank acceptances		-	-	-	-	-	-
1.3. Letters of credit		37.184	9.303.137	9.340.321	77.354	12.409.018	12.486.372
1.3.1. Documentary letters of credit		37.184	9.302.688	9.339.872	77.354	12.408.686	12.486.040
1.3.2. Other letters of credit		-	449	449	-	332	332
1.4. Prefinancing given as guarantee		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2. Other endorsements		-	-	-	-	-	-
1.6. Securities issue purchase guarantees		-	-	-	-	-	-
1.7. Factoring guarantees		-	-	-	-	106.400	106.400
1.8. Other guarantees		481.849	4.613.529	5.095.378	52.238	3.781.228	3.833.466
1.9. Other warranties		-	4.886.914	4.886.914	-	4.079.454	4.079.454
II. Commitments	3.1.1	81.424.789	33.279.511	114.704.300	70.587.105	24.614.354	95.201.459
2.1. Irrevocable commitments		79.209.005	13.218.499	92.427.504	65.878.662	7.437.359	73.316.021
2.1.1. Asset purchase and sale commitments		2.905.074	11.632.591	14.537.665	1.494.732	6.254.891	7.749.623
2.1.2. Deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3. Share capital commitments to associates and subsidiaries		-	-	-	-	-	-
2.1.4. Loan granting commitments		17.187.740	788.342	17.976.082	12.708.914	960.251	13.669.165
2.1.5. Securities issue brokerage commitments		-	-	-	-	-	-
2.1.6. Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7. Commitments for cheques		3.437.866	-	3.437.866	3.389.714	-	3.389.714
2.1.8. Tax and fund liabilities from export commitments		6.476	-	6.476	4.074	-	4.074
2.1.9. Commitments for credit card limits		48.016.964	-	48.016.964	41.380.895	-	41.380.895
2.1.10. Commitments for credit cards and banking services promotions		51.868	-	51.868	30.190	-	30.190
2.1.11. Receivables from short sale commitments of marketable securities		-	-	-	-	-	-
2.1.12. Payables for short sale commitments of marketable securities		-	-	-	-	-	-
2.1.13. Other irrevocable commitments		7.603.017	797.566	8.400.583	6.870.143	222.217	7.092.360
2.2. Revocable commitments		2.215.784	20.061.012	22.276.796	4.708.443	17.176.995	21.885.438
2.2.1. Revocable loan granting commitments		2.215.784	19.944.462	22.160.246	4.708.443	17.069.512	21.777.955
2.2.2. Other revocable commitments		-	116.550	116.550	-	107.483	107.483
III. Derivative financial instruments		147.597.449	299.963.298	447.560.747	144.248.841	301.307.578	445.556.419
3.1. Derivative financial instruments for hedging purposes		43.621.565	52.431.773	96.053.338	50.023.902	53.444.098	103.468.000
3.1.1. Transactions for fair value hedge		318.865	4.427.669	4.746.534	606.305	3.280.042	3.886.347
3.1.2. Transactions for cash flow hedge		43.302.700	48.004.104	91.306.804	49.417.597	50.164.056	99.581.653
3.1.3. Transactions for foreign net investment hedge		-	-	-	-	-	-
3.2. Trading transactions		103.975.884	247.531.525	351.507.409	94.224.939	247.863.480	342.088.419

The accompanying explanations and notes form an integral part of these financial statements.

YAPI VE KREDİ BANKASI A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS

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Yapı Kredi 2020 Integrated Annual Report

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL")]

[Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three]

	Note (Section Five)	Current Period (31/12/2020)			Prior Period (31/12/2019)		
		TL	FC	Total	TL	FC	Total
3.2.1	Forward foreign currency buy/sell transactions	6.892.761	9.227.149	16.119.910	8.093.113	17.786.742	25.879.855
3.2.1.1	Forward foreign currency transactions-buy	4.454.063	3.835.866	8.289.929	3.364.739	9.641.611	13.006.350
3.2.1.2	Forward foreign currency transactions-sell	2.438.698	5.391.283	7.829.981	4.728.374	8.145.131	12.873.505
3.2.2	Swap transactions related to foreign currency and interest rates	89.808.942	191.444.737	281.253.679	80.570.889	195.610.573	276.181.462
3.2.2.1	Foreign currency swap-buy	6.493.097	61.048.315	67.541.412	11.352.683	69.003.550	80.356.233
3.2.2.2	Foreign currency swap-sell	46.465.945	24.297.424	70.763.369	37.468.206	43.134.867	80.603.073
3.2.2.3	Interest rate swap-buy	18.424.950	53.049.499	71.474.449	15.875.000	41.736.078	57.611.078
3.2.2.4	Interest rate swap-sell	18.424.950	53.049.499	71.474.449	15.875.000	41.736.078	57.611.078
3.2.3	Foreign currency, interest rate and securities options	1.575.674	12.640.133	14.215.807	3.741.319	8.349.687	12.091.006
3.2.3.1	Foreign currency options-buy	531.763	4.198.665	4.730.428	2.043.723	2.136.917	4.180.640
3.2.3.2	Foreign currency options-sell	324.741	4.555.975	4.880.716	1.497.596	2.736.368	4.233.964
3.2.3.3	Interest rate options-buy	300.000	3.372.515	3.672.515	100.000	2.584.853	2.684.853
3.2.3.4	Interest rate options-sell	419.170	512.978	932.148	100.000	891.549	991.549
3.2.3.5	Securities options-buy	-	-	-	-	-	-
3.2.3.6	Securities options-sell	-	-	-	-	-	-
3.2.4	Foreign currency futures	212.403	201.864	414.267	199.618	198.789	398.407
3.2.4.1	Foreign currency futures-buy	-	201.864	201.864	199.618	-	199.618
3.2.4.2	Foreign currency futures-sell	212.403	-	212.403	-	198.789	198.789
3.2.5	Interest rate futures	-	-	-	-	-	-
3.2.5.1	Interest rate futures-buy	-	-	-	-	-	-
3.2.5.2	Interest rate futures-sell	-	-	-	-	-	-
3.2.6	Other	5.486.104	34.017.642	39.503.746	1.620.000	25.917.689	27.537.689
B.	Custody and pledges received (IV+V+VI)	541.247.833	179.885.824	721.133.657	486.715.120	110.247.592	596.962.712
IV.	Items held in custody	73.585.527	14.137.671	87.723.198	64.751.466	8.608.157	73.359.623
4.1.	Customer fund and portfolio balances	33.024.406	825.231	33.849.637	14.733.918	943.333	15.677.251
4.2.	Investment securities held in custody	15.649.302	12.802.992	28.452.294	26.007.152	6.938.511	32.945.663
4.3.	Checks received for collection	19.137.763	29.949	19.167.712	17.179.886	68.572	17.248.458
4.4.	Commercial notes received for collection	5.715.912	360.665	6.076.577	6.772.366	568.443	7.340.809
4.5.	Other assets received for collection	-	95.112	95.112	-	71.180	71.180
4.6.	Assets received for public offering	-	-	-	-	-	-
4.7.	Other items under custody	58.144	23.722	81.866	58.144	18.118	76.262
4.8.	Custodians	-	-	-	-	-	-
V.	Pledges received	437.496.682	147.188.920	584.685.602	395.405.815	89.997.642	485.403.457
5.1.	Marketable securities	824.223	814	825.037	831.183	659	831.842
5.2.	Guarantee notes	585.521	365.529	951.050	720.000	278.319	998.319
5.3.	Commodity	6.297	-	6.297	6.946	-	6.946
5.4.	Warrants	-	-	-	-	-	-
5.5.	Properties	144.638.689	33.225.285	177.863.974	140.794.432	37.026.755	177.821.187
5.6.	Other pledged items	291.441.952	113.584.029	405.025.981	253.053.254	52.681.274	305.734.528
5.7.	Pledged items-depository	-	13.263	13.263	-	10.635	10.635
VI.	Accepted independent guarantees and warranties	30.165.624	18.559.233	48.724.857	26.557.839	11.641.793	38.199.632
Total off-balance sheet commitments (A+B)		802.782.217	581.491.892	1.384.274.109	728.497.836	498.787.235	1.227.285.071

The accompanying explanations and notes form an integral part of these financial statements.

YAPI VE KREDİ BANKASI A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2020 AND 2019

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL")]

[Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three]

3. Consolidated income statement

Income and expense items		Note (Section Five)	Current Period (01/01/2020 - 31/12/2020)	Prior Period (01/01/2019 - 31/12/2019)
I.	INTEREST INCOME	4.1	35.000.149	37.851.770
1.1	Interest on Loans	4.1.1	25.718.793	29.046.377
1.2	Interest received from reserve deposits		53.947	375.844
1.3	Interest Received from Banks	4.1.2	632.948	1.059.517
1.4	Interest Received from Money Market Transactions		126.058	516.515
1.5	Interest Received from Marketable Securities Portfolio	4.1.3	7.150.575	5.447.042
1.5.1	Financial Assets at Fair Value Through Profit and Loss		14.246	12.299
1.5.2	Financial Assets at Fair Value Through Other Comprehensive income		3.010.674	3.134.692
1.5.3	Financial assets measured at amortised cost		4.125.655	2.300.051
1.6	Financial Lease Income		871.822	929.016
1.7	Other Interest Income		446.006	477.459
II.	INTEREST EXPENSE (-)	4.2	16.969.223	22.320.754
2.1	Interest on Deposits	4.2.4	8.900.429	15.484.106
2.2	Interest on Funds Borrowed	4.2.1	1.885.347	2.074.192
2.3	Interest expense on money market transactions		1.472.260	664.161
2.4	Interest on Securities Issued	4.2.3	4.124.558	3.851.264
2.5	Interest on Lease Payables		166.339	164.792
2.6	Other Interest Expense		420.290	82.239
III.	NET INTEREST INCOME/EXPENSE (I - II)		18.030.926	15.531.016
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		5.754.236	5.528.746
4.1	Fees and Commissions Received		7.173.819	7.367.158
4.1.1	Non-cash Loans		1.028.874	1.070.187
4.1.2	Other		6.144.945	6.296.971
4.2	Fees and Commissions Paid		1.419.583	1.838.412
4.2.1	Non-cash Loans		18.181	30.063
4.2.2	Other		1.401.402	1.808.349
V.	DIVIDEND INCOME	4.3	17.158	16.972
VI.	TRADING PROFIT/LOSS (Net)	4.4	419.706	[1.434.837]
6.1	Trading Gains/Losses on Securities		423.193	279.666
6.2	Derivative Financial Transactions Gains/Losses	4.5	1.881.925	[407.971]
6.3	Foreign Exchange Gains/Losses		[1.885.412]	[1.306.532]
VII.	OTHER OPERATING INCOME	4.7	1.601.279	1.493.314
VIII.	GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII)		25.823.305	21.135.211
IX.	PROVISION FOR EXPECTED LOSSES (-)	4.6	9.714.586	8.983.811
X.	OTHER PROVISION EXPENSES (-)	4.6	475.061	47.914
XI.	PERSONNEL EXPENSES (-)		3.856.797	3.394.078
XII.	OTHER OPERATING EXPENSES (-)	4.8	5.068.886	4.269.580
XIII.	NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)		6.707.975	4.439.828
XIV.	SURPLUS WRITTEN AS GAIN AFTER MERGER		-	-
XV.	PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES		89.133	93.952
XVI.	NET MONETARY POSITION GAIN/LOSS		-	-
XVII.	PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XIII+XIV+XV+XVI)	4.9	6.797.108	4.533.780
XVIII.	PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	4.10	1.717.425	933.594
18.1	Current Tax Provision		3.326.248	1.829.227
18.2	Expense effect of deferred tax (+)		-	-
18.3	Income effect of deferred tax (-)		1.608.823	895.633
XIX.	NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVII±XVIII)		5.079.683	3.600.186
XX.	INCOME FROM DISCONTINUED OPERATIONS		-	-
20.1	Income from assets held for sale		-	-
20.2	Profit from sale of associates, subsidiaries and joint ventures		-	-
20.3	Other income from discontinued operations		-	-
XXI.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
21.1	Expenses on assets held for sale		-	-
21.2	Losses from sale of associates, subsidiaries and joint ventures		-	-
21.3	Other expenses from discontinued operations		-	-
XXII.	PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (XX - XXI)		-	-
XXIII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
23.1	Current tax provision		-	-
23.2	Expense effect of deferred tax (+)		-	-
23.3	Income effect of deferred tax (-)		-	-
XXIV.	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)		-	-
XXV.	NET PROFIT/LOSS (XIX+XXIV)	4.11	5.079.683	3.600.186
25.1	Group's profit/loss		5.079.518	3.600.060
25.2	Minority shares	4.12	165	126
	Earnings/(loss) per share (full TL)		0,0060	0,0043

The accompanying explanations and notes form an integral part of these financial statements.

YAPI VE KREDİ BANKASI A.Ş.
CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2020 AND 2019

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL")]

[Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three]

4. Consolidated statement of income and expense items accounted under shareholders' equity

	Current Period	Prior Period
	(31/12/2020)	(31/12/2019)
I. PROFIT (LOSS)	5.079.683	3.600.186
II. OTHER COMPREHENSIVE INCOME	1.291.462	(1.418.596)
2.1 Other comprehensive income that will not be reclassified to profit or loss	(113.984)	(26.215)
2.1.1. Gains (losses) on Revaluation of Property, Plant and Equipment	389	14.291
2.1.2. Gains (losses) on revaluation of Intangible Assets	-	-
2.1.3. Gains (losses) on remeasurements of defined benefit plans	(128.679)	(66.783)
2.1.4. Other Components of Other Comprehensive Income That Will Not Be Reclassified to Profit Or Loss	468	15.715
2.1.5. Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss	13.838	10.562
2.2. Other Comprehensive Income That Will Be Reclassified to Profit or Loss	1.405.446	(1.392.381)
2.2.1. Exchange Differences on Translation	1.480.998	425.259
2.2.2. Valuation and/or Reclassification Profit or Loss from financial assets at fair value through other comprehensive income	424.654	2.054.824
2.2.3. Income (loss) Related with Cash Flow Hedges	654.339	(4.110.380)
2.2.4. Income (loss) Related with Hedges of Net Investments in Foreign Operations	(1.084.717)	(274.663)
2.2.5. Other Components of Other Comprehensive Income that will be Reclassified to Other Profit or Loss	-	-
2.2.6. Taxes Relating To Components Of Other Comprehensive Income That Will Be Reclassified To Profit Or Loss	(69.828)	512.579
III. TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)	6.371.145	2.181.590

The accompanying explanations and notes form an integral part of these financial statements.

YAPI VE KREDİ BANKASI A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

AS OF DECEMBER 31, 2020

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

[Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three]

5. Consolidated statement of changes in shareholders' equity

Current Period [31/12/2020]				
	Paid in capital	Share premium	Share certificate cancellation profits	Other capital reserves
Changes in shareholder's equity				
I. Balance at the beginning of the period	8.447.051	556.937	-	1.431.359
II. Adjustment in accordance with TAS 8	-	-	-	-
2.1 Effect of adjustment	-	-	-	-
2.2. Effect of changes in accounting policies	-	-	-	-
III. New balance (I+II)	8.447.051	556.937	-	1.431.359
IV. Total comprehensive income [loss]	-	-	-	-
V. Capital increase in cash	-	-	-	-
VI. Capital increase through internal reserves	-	-	-	-
VII. Issued capital inflation adjustment difference	-	-	-	-
VIII. Convertible bonds	-	-	-	-
IX. Subordinated debt	-	-	-	-
X. Increase [decrease] through other changes, equity	-	-	-	6.302
XI. Profit distribution	-	-	-	2.551
11.1. Dividends distributed	-	-	-	-
11.2. Transfers to legal reserves	-	-	-	2.551
11.3. Other	-	-	-	-
Period end balance (III+IV+.....+X+XI)	8.447.051	556.937	-	1.440.212

1. Tangible assets revaluation reserve,
2. Accumulated gains/losses on remeasurements of defined benefit plans,
3. Other accumulated amounts of other comprehensive income that will not be reclassified to profit or loss,
4. Exchange differences on translation reserve,
5. Accumulated gains (losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income,
6. Accumulated gains or losses on cash flow hedges and net investment hedges.

Other Accumulated Comprehensive Income That Will Not Be Reclassified In Profit and Loss			Other Accumulated Comprehensive Income That Will Be Reclassified In Profit and Loss			Profit reserves	Prior period net income/ (loss)	Current period net income/ (loss)	Total equity except minority interest	Minority Interest	Total shareholders' equity
1	2	3	4	5	6						
1.879.428	(277.219)	40.603	2.462.495	(173.611)	(2.878.300)	24.462.136	1.639.954	3.600.060	41.190.893	687	41.191.580
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
1.879.428	(277.219)	40.603	2.462.495	(173.611)	(2.878.300)	24.462.136	1.639.954	3.600.060	41.190.893	687	41.191.580
(4.428)	(110.024)	468	1.480.998	335.956	(411.508)	-	-	5.079.518	6.370.980	165	6.371.145
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	25.323	-	[25.939]	-	-	5.686	-	5.686
-	-	-	-	-	-	3.597.509	-	(3.600.060)	-	(45)	(45)
-	-	-	-	-	-	-	-	-	-	(45)	(45)
-	-	-	-	-	-	3.597.509	-	(3.600.060)	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
1.875.000	(387.243)	41.071	3.943.493	187.668	(3.289.808)	28.033.706	1.639.954	5.079.518	47.567.559	807	47.568.366

YAPI VE KREDİ BANKASI A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

AS OF DECEMBER 31, 2019

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL")]

[Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three]

5. Consolidated statement of changes in shareholders' equity

Prior Period [31/12/2019]				
	Paid in capital	Share premium	Share certificate cancellation profits	Other capital reserves
Changes in shareholder's equity				
I. Balance at the beginning of the period	8.447.051	556.937	-	1.428.216
II. Adjustment in accordance with TAS 8	-	-	-	-
2.1 Effect of adjustment	-	-	-	-
2.2. Effect of changes in accounting policies	-	-	-	-
III. New balance (I+II)	8.447.051	556.937	-	1.428.216
IV. Total comprehensive income (loss)	-	-	-	-
V. Capital increase in cash	-	-	-	-
VI. Capital increase through internal reserves	-	-	-	-
VII. Issued capital inflation adjustment difference	-	-	-	-
VIII. Convertible bonds	-	-	-	-
IX. Subordinated debt	-	-	-	-
X. Increase (decrease) through other changes, equity	-	-	-	3.143
XI. Profit distribution	-	-	-	-
11.1. Dividends distributed	-	-	-	-
11.2. Transfers to legal reserves	-	-	-	-
11.3. Other	-	-	-	-
Period end balance (III+IV+.....+X+XI)	8.447.051	556.937	-	1.431.359

1. Tangible assets revaluation reserve,
2. Accumulated gains/losses on remeasurements of defined benefit plans,
3. Other accumulated amounts of other comprehensive income that will not be reclassified to profit or loss,
4. Exchange differences on translation reserve,
5. Accumulated gains (losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income,
6. Accumulated gains or losses on cash flow hedges and net investment hedges.

Other Accumulated Comprehensive Income That Will Not Be Reclassified In Profit and Loss			Other Accumulated Comprehensive Income That Will Be Reclassified In Profit and Loss			Profit reserves	Prior period net income/ (loss)	Current period net income/ (loss)	Total equity except minority interest	Minority Interest	Total shareholders' equity
1	2	3	4	5	6						
1.866.531	(225.129)	27.625	2.037.236	(1.776.305)	542.034	19.795.091	1.639.954	4.667.426	39.006.667	611	39.007.278
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
1.866.531	(225.129)	27.625	2.037.236	(1.776.305)	542.034	19.795.091	1.639.954	4.667.426	39.006.667	611	39.007.278
12.897	(52.090)	12.978	425.259	1.602.694	(3.420.334)	-	-	3.600.060	2.181.464	126	2.181.590
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	[381]	-	2.762	-	2.762
-	-	-	-	-	-	-	4.667.426	(4.667.426)	-	(50)	(50)
-	-	-	-	-	-	-	-	-	-	(50)	(50)
-	-	-	-	-	-	-	4.667.426	(4.667.426)	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
1.879.428	(277.219)	40.603	2.462.495	(173.611)	(2.878.300)	24.462.136	1.639.954	3.600.060	41.190.893	687	41.191.580

YAPI VE KREDİ BANKASI A.Ş.

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[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL")]

[Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three]

6. Consolidated statement of cash flows

	Notes (Section Five)	Current Period (31/12/2020)	Prior Period (31/12/2019)
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1	Operating profit before changes in operating assets and liabilities	20.141.909	15.242.759
1.1.1	Interest received	31.776.569	35.898.867
1.1.2	Interest paid	(16.793.893)	(22.054.837)
1.1.3	Dividend received	17.158	16.972
1.1.4	Fees and commissions received	7.173.819	7.367.158
1.1.5	Other income	5.007.235	1.113.365
1.1.6	Collections from previously written-off loans and other receivables	2.403.408	1.971.303
1.1.7	Cash Payments to personnel and service suppliers	(8.720.228)	(7.462.604)
1.1.8	Taxes paid	(2.430.355)	(2.458.913)
1.1.9	Other	6.3	851.448
1.2	Changes in operating assets and liabilities subject to banking operations	(33.927.080)	7.804.419
1.2.1	Net (increase) decrease in Financial Assets at Fair Value through Profit or Loss	(126.454)	(157.170)
1.2.2	Net (increase) decrease in due from banks	(28.657.914)	(4.303.416)
1.2.3	Net (increase) decrease in loans	(61.392.272)	(20.140.448)
1.2.4	Net (increase) decrease in other assets	(8.762.564)	(3.630.547)
1.2.5	Net increase (decrease) in bank deposits	30.219	(5.321.815)
1.2.6	Net increase (decrease) in other deposits	33.484.795	26.610.741
1.2.7	Net increase (decrease) in financial liabilities at fair value through profit or loss	55.517	5.198.149
1.2.8	Net increase (decrease) in funds borrowed	30.301.013	6.080.578
1.2.9	Net increase (decrease) in matured payables	-	-
1.2.10	Net increase (decrease) in other liabilities	6.3	3.468.347
I.	Net cash provided from banking operations	(13.785.171)	23.047.178
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II.	Net cash provided from investing activities	(14.983.286)	(6.044.435)
2.1	Cash paid for the purchase of associates, subsidiaries and joint ventures	-	-
2.2	Cash obtained from the sale of associates, subsidiaries and joint ventures	-	-
2.3	Cash paid for the purchase of tangible and intangible asset	(605.961)	(571.614)
2.4	Cash obtained from the sale of tangible and intangible asset	411.918	194.769
2.5	Cash paid for the purchase of financial assets at fair value through other comprehensive income	(15.574.286)	(14.834.071)
2.6	Cash obtained from the sale of financial assets at fair value through other comprehensive income	19.076.358	14.017.695
2.7	Cash paid for the purchase of financial assets at amortised cost	(21.046.207)	(5.269.230)
2.8	Cash obtained from sale of financial assets at amortised cost	2.754.892	418.016
2.9	Other	-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III.	Net cash flows from financing activities	(5.556.855)	(1.898.927)
3.1	Cash obtained from funds borrowed and securities issued	35.158.861	33.466.345
3.2	Cash outflow from funds borrowed and securities issued	(40.275.640)	(34.965.104)
3.3	Equity instruments issued	-	-
3.4	Dividends paid	(45)	(50)
3.5	Payments for lease liabilities	(440.031)	(400.118)
3.6	Other	-	-
IV.	Effect of change in foreign exchange rate on cash and cash equivalents	6.3	4.621.998
V.	Net increase/decrease in cash and cash equivalents	(14.635.077)	19.725.814
VI.	Cash and cash equivalents at beginning of the period	6.1	46.492.483
VII.	Cash and cash equivalents at end of the period	6.1	66.218.297

The accompanying explanations and notes form an integral part of these financial statements.

YAPI VE KREDİ BANKASI A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS

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[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL")]

[Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three]

7. Profit distribution statement^{(1),(2)}

	Current Period (31/12/2020)	Prior Period (31/12/2019)
I. Distribution of current year income		
1.1 Current year income	6.551.975	4.338.936
1.2 Taxes and duties payable [-]	1.472.457	738.876
1.2.1 Corporate tax (income tax)	3.111.457	1.623.617
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties	(1.639.000)	(884.741)
A. Net income for the year (1.1-1.2)	5.079.518	3.600.060
1.3 Prior year losses [-]	-	-
1.4 First legal reserves [-]	-	180.004
1.5 Other statutory reserves [-]	-	-
B. Net income available for distribution [(A)+(1.3+1.4+1.5)]	5.079.518	3.420.056
1.6 First dividend to shareholders [-]	-	-
1.6.1 To owners of ordinary shares	-	-
1.6.2 To owners of privileged shares	-	-
1.6.3 To owners of preferred shares	-	-
1.6.4 To profit sharing bonds	-	-
1.6.5 To holders of profit and loss sharing certificates	-	-
1.7 Dividends to personnel [-]	-	-
1.8 Dividends to board of directors [-]	-	-
1.9 Second dividend to shareholders [-]	-	-
1.9.1 To owners of ordinary shares	-	-
1.9.2 To owners of privileged shares	-	-
1.9.3 To owners of preferred shares	-	-
1.9.4 To profit sharing bonds	-	-
1.9.5 To holders of profit and loss sharing certificates	-	-
1.1 Second legal reserves [-]	-	-
1.1.1 Statutory reserves [-]	-	-
1.1.2 Extraordinary reserves	-	3.417.505
1.1.3 Other reserves	-	-
1.1.4 Special funds	-	2.551
II. Distribution of reserves	-	-
2.1 Appropriated reserves	-	-
2.2 Second legal reserves [-]	-	-
2.3 Dividends to shareholders [-]	-	-
2.3.1 To owners of ordinary shares	-	-
2.3.2 To owners of privileged shares	-	-
2.3.3 To owners of preferred shares	-	-
2.3.4 To profit sharing bonds	-	-
2.3.5 To holders of profit and loss sharing certificates	-	-
2.4 Dividends to personnel [-]	-	-
2.5 Dividends to board of directors [-]	-	-
III. Earnings per share	0,0060	0,0043
3.1 To owners of ordinary shares	0,0060	0,0043
3.2 To owners of ordinary shares (%)	-	-
3.3 To owners of privileged shares	-	-
3.4 To owners of privileged shares (%)	-	-
IV. Dividend per share	-	-
4.1 To owners of ordinary shares	-	-
4.2 To owners of ordinary shares (%)	-	-
4.3 To owners of privileged shares	-	-
4.4 To owners of privileged shares (%)	-	-

⁽¹⁾ Profit Distribution Statement has been prepared according to unconsolidated financial statements of the Parent Bank.

⁽²⁾ Regarding profit distribution, the authorized body of the Bank is the General Assembly and the annual general assembly meeting has not been held as of the date of preparation of these financial statements. Since the dividend distribution proposal for 2020 has not yet been prepared by the Board of Directors, only the distributable profit is stated in the profit distribution table. Relevant amount also includes the total amount of TL 148.338, which is calculated in accordance with Article 5/1-e of the Corporate Tax Law No. 5520 as 75% of the sales income over a subsidiary and 50% of the sales income over immovable real estate will not be distributed and kept under a special fund.

The accompanying explanations and notes form an integral part of these financial statements.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2020

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”)]

[Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three]

Section Three - Accounting policies

1. Explanations on basis of presentation:

The Parent Bank maintains its books of accounts in Turkish Lira in accordance with the Banking Act No. 5411 [“Banking Act”], which is effective from November 1, 2005, the Turkish Commercial Code [“TCC”] and Turkish Tax Legislation.

The consolidated financial statements are prepared in accordance with the “Regulation on the Principles and Procedures Regarding Banks’ Accounting Applications and Safeguarding of Documents” published in the Official Gazette No. 26333 dated November 1, 2006 by the Banking Regulation and Supervision Agency [“BRSA”] which refers to “Turkish Financial Reporting Standards [“TFRS”] issued by the Public Oversight Accounting and Auditing Standards Authority [“POA”] and other decrees, notes and explanations related to the accounting and financial reporting principles published by the BRSA. The format and the details of the publicly announced financial statements and related disclosures to these statements have been prepared in accordance with the “Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements” and changes and notes to this communiqué published in the Official Gazette No. 28337 dated June 28, 2012.

The accompanying consolidated financial statements and notes to these financial statements are expressed in thousands of Turkish Lira [TL], unless otherwise stated.

The financial statements of subsidiaries operating abroad have been prepared in accordance with legislations and regulations of the country in which they are operating, however in order to provide fair presentation according to TAS, necessary adjustments and reclassifications are reflected to those financial statements.

The accompanying consolidated financial statements are prepared in accordance with the historical cost basis [restated for the changes in the general purchasing power of TL until December 31, 2004], except for financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, derivative financial assets/liabilities, buildings and art objects and paintings in tangible assets. Besides, the carrying values of assets carried at amortized cost but subject to fair value hedge are adjusted to reflect the fair value changes related to the hedged risks.

The accounting policies and valuation principles employed for the preparation of consolidated financial statements are in compliance with TFRS requires the use of certain accounting estimates by the Group management to exercise its judgment on the assets and liabilities on the balance sheet and contingent assets and liabilities as of the balance sheet date. These estimates are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are explained in the related notes and reflected to the income statement.

The preparation and fair presentation of the financial statement and used principles of valuation in accordance with “Accounting and Reporting Legislation” published in the regulation, communiqué, interpretations and circular published by BRSA and If no specific regulation has been made by BRSA, it has been determined and applied according to the principles of TFRS.

The social and economic measures have been taken to reduce the negativity of COVID -19 epidemic, which was spread globally in the first half of 2020, in our country as in other countries where the epidemic is effective and measures with partial changes continue to be implemented.

The Group has reflected the possible effects of the COVID-19 outbreak on the estimates and judgments used in the preparation of the financial statements. The estimates and assumptions used in the calculation of expected credit losses are explained in the explanations on the impairment of financial assets.

Interest rate benchmark reform London Interbank Offered Rate [LIBOR] is the most widely referenced benchmark interest rate across the globe for derivatives, bonds, loans and other floating rate instruments; however, there is a regulator-led push to transition the market from LIBOR and certain other benchmark rates to alternative risk-free, or nearly risk-free, rates that are based on actual overnight transactions at the end of 2021. Derivatives, floating rate notes, loans and other financial contracts whose terms extend beyond the relevant discontinuation date, and that refer to certain benchmark rates [including LIBOR] as the reference rate, will be impacted.

In Turkey, Turkish Lira Overnight Reference Rate [“TLREF”] is created in order to meet the need of Turkish Lira short-term reference rate that can be used as an underlying or a benchmark in financial products, debt instruments and different types of financial contracts.

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International Accounting Standards Board (“IASB”) published the Phase 1, Amendments to TAS 39, TFRS 9 and TFRS 7 in September 2019 and Phase 2, Amendments to IFRS 9, TAS 39, IFRS 7 and IFRS 16 in August 2020. The Phase 1, Amendments and The Phase 2, Amendments provide some specific reliefs on hedge accounting transactions and address issues that arise upon replacing the existing interest rate benchmark with the alternative interest rates and introduces additional disclosure requirements. There is no hedge relation discontinued due to this reform.

Interest rate contracts are used in hedge transactions to manage exposure to interest rate risk of assets and liabilities. The hedging instruments designated to manage these risks reference IBOR in multiple jurisdictions and will be affected by the reform as the markets transition to alternative risk free or nearly risk-free rates by 2021 and beyond.

The Phase 2 Amendments provide two key reliefs

- Modifications made as a direct result of the reform on an economically equivalent basis are reflected prospectively in the effective interest rate rather than as an immediate gain or loss.
- If qualifying criteria are met, hedging relationships that are directly impacted by the reform would be able to continue hedge accounting upon transition to alternative interest rates.

Additional paragraph for convenience translation into English:

The differences between accounting principles, as described in the preceding paragraphs and accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

2. Explanations on strategy of using financial instruments and foreign currency transactions:

The general strategy of the Group in using financial instruments is to sustain an optimal balance between the yield of the instruments and their risks. The most important funding source of the Group is deposits. The Group can also sustain a lengthened liability structure by using long-term foreign currency borrowings from foreign financial institutions. Funds obtained from deposits and other sources are invested in quality financial assets in order to keep currency, interest rate and liquidity risks within the limits determined by the asset-liability strategy. The currency, interest and liquidity risks of on-balance sheet and off-balance sheet assets and liabilities are managed in accordance with the risk limits accepted by the Group and the related legal limits. Derivative instruments are mainly utilised for liquidity needs and for mitigating currency and interest rate risks. The position of the Group as a result of foreign currency activities is being held at minimum levels and the currency risk exposure is monitored within limits determined levels by the Board of Directors under the context of Banking Act.

Foreign currency denominated monetary assets and liabilities are translated with the Parent Bank exchange rates prevailing at the balance sheet date. Gains and losses arising from such valuations are recognised in the income statement under the account of “Foreign exchange gains or losses”, except for valuation differences arising from foreign currency participations, subsidiaries and foreign currency non-performing loans.

The Group hedges part of the currency translation risk of net investments in foreign operations through currency borrowings. The effective portion of the foreign exchange difference of these financial liabilities is recognised in “Other accumulated comprehensive income that will be reclassified in profit or loss ” in equity.

In order to eliminate the inconsistency in the recognition, the Group, might classify its financial liabilities as the financial liabilities classified at fair value through profit/loss upon the initial recognition.

3. Information on consolidation principles:

3.1. Consolidation principles applied:

The consolidated financial statements have been prepared in accordance with the procedures listed in the “Communiqué related to the Regulation on the Preparation of the Consolidated Financial Statements of Banks” published in the Official Gazette No. 26340 dated November 8, 2006 and “TFRS 10-Consolidated Financial Statements”

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3.1.1 Consolidation principles of subsidiaries:

Subsidiaries are the entities controlled directly or indirectly by the Parent Bank.

Control is defined as the power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Parent Bank’s returns.

Subsidiaries are consolidated with full consolidation method by considering the results of their activities and the size of their assets and shareholders’ equity. Financial statements of the related subsidiaries are included in the consolidated financial statements from the date control is transferred to the Group and they are taken out of consolidation scope when control no longer exists. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

In accordance with the full consolidation method, balance sheet, income statement and off balance sheet items of the subsidiaries have been consolidated line by line with the balance sheet, income statement and off balance sheet of the Parent Bank. The book value of the investments of the Group in each subsidiary has been netted off with the portion of each subsidiary’s capital that belongs to the Group. Unrealized gains and losses and balances resulting from the transactions among the entities included in consolidation have been eliminated. In the consolidated balance sheet and income statement, minority interest has been presented separately from the shares of the Group shareholders.

The subsidiaries included in consolidation, their title, their place of incorporation, their main activities and their effective shareholding rates are as follows:

Title	Incorporation (City/Country)	Main activities	Effective rates [%]	Direct and indirect rates [%]
			December 31, 2020	December 31, 2020
Yapı Kredi Leasing	Istanbul/Turkey	Leasing	99,99	99,99
Yapı Kredi Faktoring	Istanbul/Turkey	Factoring	99,96	99,96
Yapı Kredi Menkul	Istanbul/Turkey	Investment Management	99,98	99,98
Yapı Kredi Portföy	Istanbul/Turkey	Portfolio Management	99,95	99,97
Yapı Kredi Holding B.V.	Amsterdam/ Netherlands	Financial Holding	100,00	100,00
Yapı Kredi Bank N.V.	Amsterdam/ Netherlands	Banking	100,00	100,00
Yapı Kredi Azerbaijan	Baku/Azerbaijan	Banking	100,00	100,00
Stiching Custody Services YKB	Amsterdam/ Netherlands	Custody services	100,00	100,00
Yapı Kredi Malta ^[1]	St.Julian’s/Malta	Banking	100,00	100,00
Yapı Kredi Diversified Payment Rights Finance Company ^[2]	George Town/ Cayman Islands	Special Purpose Company	-	-

^[1] As of October 25, 2019, it has been decided by the Bank’s Board of Directors to liquidate Bank’s indirect subsidiary Yapı Kredi Bank Malta Ltd, of which 100% of its shares owned through Yapı Kredi Holding B.V. The liquidation process is expected to be completed within 18 months following the approval of legal authorities in Malta. The liquidation of Yapı Kredi Bank Malta is not expected to make a significant impact on Bank’s activities and financial statements.

^[2] It is a special purpose entity established for securitization transactions and is included in the consolidation although it is not a subsidiary of the Parent

3.1.2. Consolidation principles of associates:

The associates are entities in which the Parent Bank participates in their capital and has significant influence on them, although the Parent Bank has no capital or management control, is established in domestic and abroad. The related associates are consolidated with equity method.

Significant influence refers to the participation power on the constitution of the financial and management policies of the participated associate.

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Equity method is an accounting method which foresees the increase or decrease of the book value of capital share in an associate from the changes in the participated associate’s shareholders’ equity during the period attributable to the portion of the investor and the deduction of the dividend received from the associate from the revised value of the associate amount.

The associates included in consolidation, their title, their place of incorporation, their main activities and their effective shareholding rates are as follows:

Title	[City/ Country]	Main activities	Effective rates %	Direct and indirect rates %
			December 31, 2020	December 31, 2020
Banque de Commerce et de Placements S.A.	Geneva/ Switzerland	Banking	30,67	30,67
Allianz Yaşam ve Emeklilik A.Ş.	Istanbul/Turkey	Insurance	20,00	20,00

3.1.3. Consolidation principles of joint ventures:

The joint venture is an entity in which the Parent Bank participates in its capital and has joint control and whose main operation is real estate investment trust (“REIT”) and operates according to special legislation with permission and license and is established in Turkey. The related joint venture is consolidated with equity method in accordance with materiality principle.

Equity method is an accounting method which foresees the increase or decrease of the book value of capital share in a joint venture from the changes in the participated joint venture’s shareholders’ equity during the period attributable to the portion of the investor and the deduction of the dividend received from the associate from the revised value of the associate amount.

The joint venture included in consolidation, its title, its place of incorporation, main activities and effective shareholding rates are as follows:

Title	[City/ Country]	Main activities	Effective rates %	Direct and indirect rates %
			December 31, 2020	December 31, 2020
Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	Istanbul/Turkey	REIT	30,45	30,45

3.1.4. Transactions with minority shareholders:

The Group applies a policy of treating transactions with minority interests as transactions within the Group. The difference between the acquisition cost and net asset acquired is recognised under equity. Disposals from minority interests are also considered as equity transactions and result in changes in the equity of the Group.

3.1.5. Presentation of unconsolidated subsidiaries, associates and joint ventures in consolidated financial statements:

Turkish Lira denominated investments in unconsolidated associates, subsidiaries and joint ventures are accounted at cost value, less any impairment, in accordance with “TAS 27 - Individual Financial Statements” in the consolidated financial statements.

Foreign currency denominated investments in unconsolidated associates, subsidiaries and joint ventures are accounted at their original foreign currency costs translated into Turkish Lira using the exchange rates prevailing at the transaction date less impairment, if any.

When the cost of associates, subsidiaries and joint ventures is higher than the net realizable value, the carrying amount is reduced to the net realizable or fair value considering whether the value decrease is temporary or permanent and the ratio of the value decrease.

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4. Explanations on forward and options contracts and derivative instruments:

The Group’s derivative transactions mostly include foreign currency money and interest rate swaps, forward foreign exchange purchase and sale transactions and options.

Derivative instruments are measured at fair value on initial recognition and subsequently re-measured at their fair values. As a result, the fair value of derivatives is reflected as net liability or net asset on a contract by contract basis. The accounting method of the income or loss arising from derivative instruments depends on whether the derivative is being used for hedging purposes or not and depends on the type of item being hedged.

At the transaction date, the Group documents the relationship between hedging instruments and hedged items, together with the risk management policies and the strategies on hedging transactions. Besides, the Group regularly documents the effectiveness of the hedging instruments in offsetting the changes in the fair value of the hedged items.

Changes in the fair value of derivative instruments subject to fair value hedges are recognized under profit or loss accounts together with the variation in the fair value of hedged items. The changes of fair value of derivative transactions for fair value hedge are classified in “Derivative Financial Transactions Gains/Losses” account. In the balance sheet, changes in the fair value of hedged assets and liabilities, during the period in which the hedge is effective, are shown with the related assets and liabilities. The ineffective portion of the mentioned hedging transactions is reflected to the income statement. If the underlying hedge does not conform to the hedge accounting requirements, according to the adjustments made to the carrying value [amortized cost] of the hedged item, for which the risk is hedged by a portfolio hedge, are amortized with the straight line method within the time to maturity and recognized under the profit and loss accounts. Fair value adjustments are recognized directly in the income statement in an event of repayment and/or unwinding and/or the recognition of the hedged item.

The Parent Bank hedges its cash flow risk arising from foreign currency and Turkish Lira floating interest rate liabilities by using interest rate and currency swaps. The effective portion of the fair value changes of the hedging instruments are recorded in in “Other accumulated comprehensive income that will be reclassified in profit or loss” under shareholders’ equity. These funds are transferred to profit or loss from equity when the cash flows of the hedged items (interest expense) impact the income statement.

In case the cash flow hedge accounting is discontinued due to the expiry, realization for sale of the hedging instrument, or due to the results of the effectiveness test the amounts accounted under shareholders’ equity are transferred to the profit and loss accounts as these cash flows of the hedged item are realized [considering the original maturity of the hedging instrument].

Some of the trading purpose derivative transactions, even though they provide effective economic hedges under the Group’s risk management policy, do not qualify for hedge accounting under the specific rules in “TFRS 9- Financial Instruments” and are therefore treated as “Derivative financial assets at fair value through profit or loss”.

“Derivative financial assets at fair value through profit or loss” are measured at fair value. If the fair value of derivative financial instruments is positive, it is disclosed under the main account “Derivative financial assets at fair value through profit or loss” and if the fair value difference is negative, it is disclosed under “Derivative financial liabilities at fair value through profit or loss”. Fair value changes are recorded under “Derivative Financial Transactions Gains/(Losses)” in the income statement.

The fair values of the derivative financial instruments are calculated using quoted market prices or by using discounted cash flow models.

Parameters used for the valuation of the option portfolio of the Parent Bank are determined by market risk management and the confirmation of the accuracy of fair value calculations are monitored periodically by market risk management.

Liabilities and receivables arising from the derivative instruments are followed in the off-balance sheet accounts as their contractual values. Embedded derivatives are separated from the host contract and accounted as derivative instruments according to “TFRS - 9 Financial Instruments”; in case, [i] the related embedded derivative’s economic features and risks are not closely related to the host contract, [ii] another instrument that has the same contract conditions with the embedded derivative satisfies the definition of a derivative instrument and [iii] the hybrid instrument is not carried at fair value through profit or loss.

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Credit derivatives are capital market tools designed to transfer credit risk from one party to another.

As of December 31, 2020, the Parent Bank's credit derivatives portfolio included total return swaps.

Credit linked notes are bonds that have repayments depending on a credit event or the credit risk evaluation of a reference asset or asset pool. Depending on whether the reference assets are included in the balance sheet of the issuer or the owner of the assets, these transactions can be accounted by the party assuming the credit risk as insurance or as an embedded derivative. As per the Bank's management evaluation, the embedded derivatives included in the credit linked notes are separated from the host contracts in accordance with "IFRS 9 - Financial Instruments" and recorded and evaluated as credit default swaps. The bond itself [host contract] is valued in accordance with the valuation principles of the category it is classified.

Total return swaps are contracts, in which the seller commits to pay the contract value for all cash flows of the reference assets of the seller and the changes of the market values of these reference assets to the buyer during the contract maturity and bear all the decreases in the market value of the these reference assets. The Bank uses the total return swaps to generate long term funding.

Market risks of these products are monitored using the Parent Bank's internal modeling system for the Value-at-Risk and basis points sensitivity analysis; the liquidity risks are monitored using the short term liquidity report on daily and the long term liquidity report on monthly basis.

According to the regulations of BRSA, those currency exchange transactions realized at value date in the initial phase of currency swaps are recorded and followed as irrevocable commitments in off-balance sheet accounts until the value date.

A Credit Valuation Adjustment (CVA) is applied to the Bank's over-the-counter derivative exposures to take into account the counterparty's risk of default when measuring the fair value of the derivative. CVA is the mark-to-market cost of protection required to hedge credit risk from counterparties in the Bank's over-the-counter derivatives portfolio. The Bank calculates CVA based on collective provisioning methodology calculated in accordance with Turkish Financial Reporting Standards, "IFRS - 9 Financial Instruments", comprising the product of Exposure, Probability of Default (PD) and Loss Given Default (LGD). CVA is calculated based on the exposure of each counterparty.

Within the scope of IFRS 13 Fair Value Measurement standard; (i) if there is a significant decrease in the volume or level of activity for that asset or liability in relation to normal market activity for the asset or liability [or similar assets or liabilities]; (ii) when the transaction or quoted price does not represent fair value; and/or (iii) when a price for a similar asset requires significant adjustment to make it comparable to the asset being measured, or (iv) when the price is stale, the Bank makes an adjustment to the transactions or quoted prices and reflects this adjustment to the fair value measurement. In this context, the Bank determines the point within the range that is most representative of fair value under current market conditions.

5. Explanations on interest income and expense:

Interest income and expenses are recognized in the income statement on an accrual basis by using the effective interest method periodically.

Retrospective rediscount calculation and foreign exchange evaluation is performed for non performing loans, and accrued interest and rediscounts as of transfer to non performing loan accounts are accounted under loan accrual/rediscount accounts as per Uniform Chart of Accounts ("UCA"). The Bank ceases accruing interest after non-performing loan classification. In place of that, interest amount representing the time value of future collections is recognized under interest income instead of provision expense.

6. Explanations on fee and commission income and expenses:

Fees and commissions received as a result of the service agreements or arising from negotiating or participating in the negotiation of a transaction on behalf of a third party are recognized either in the period when the transaction is realized or deferred based on the type of the underlying transaction. Other commission income and fees from various banking services are recorded as income at the time of realization.

Except for fees and commissions that are integral part of the effective interest rates of financial instruments measured at amortized costs, the fees and commissions are accounted for in accordance with IFRS 15.

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7. Explanations on financial assets:

As of January 1, 2018, the Group has applied TFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL)
- Fair value through other comprehensive income (FVOCI)
- Amortised cost.

According to TFRS 9 classification of financial assets is based on two criterias; business model under which the financial asset is being managed and contractual cash flows representing solely payments of principal and interest of the financial asset. This evaluation incorporates whether there is any clause that may change timing or amount of contractual cash flows of the financial asset.

Classification of financial assets reflects the business model of how the Group manages the assets in order to generate cash flows. Bank’s business model may be to collect solely the contractual cash flows from the assets or to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, then the financial assets are classified as part of ‘other’ business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset’s performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the ‘other’ business model and measured at FVPL.

Assessment of the business model

The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

The business model does not depend on management’s intentions for an individual instrument. Accordingly, this condition is not a single instrument basis approach for classification and should be determined on a higher level of aggregation.

During the assessment of the business model for management of financial assets, all relevant evidences at the assessment date have been taken into consideration. Such relevant evidence includes below:

- How the performance of the portfolio is evaluated and reported to the Group’s management;
- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management’s strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets with duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- How managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- The risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group’s stated objective for managing the financial assets is achieved and how cash flows are realised.

If cash flows are realised in a way that is different from the expectations on the date of the assessment of the

business model, that does not give rise to a prior period error in the financial statements nor does it change the classification of the remaining financial assets held in that business model as long as all relevant information that was available at the time of business model assessment were. However, when the business model is assessed for newly originated or newly purchased financial assets, it must be considered information about how cash flows were realised in the past, along with all other relevant information.

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The business models are divided into three categories. These categories are defined below:

- Business model whose objective is to hold assets in order to collect contractual cash flows

Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows are managed to realise cash flows by collecting contractual payments over the life of the instrument. That is, the Group manages the assets held within the portfolio to collect those particular contractual cash flows.

Although the objective of Group's business model may be to hold financial assets in order to collect contractual cash flows, the Group does not need to hold all of those instruments until the maturity. Thus Group's business model can be to hold financial assets to collect contractual cash flows even when sales of financial assets occur or are expected to occur in the future.

The business model may be to hold assets to collect contractual cash flows even if the Group sells financial assets when there is an increase in the assets' credit risk. The Group considers reasonable and supportable information, including forward looking information in order to determine whether there has been an increase in the assets' credit risk. Regardless of their frequency and value, sales due to an increase in the assets' credit risk are not inconsistent with a business model whose objective is to hold financial assets to collect contractual cash flows because the credit quality of financial assets is relevant to the Group's ability to collect contractual cash flows

- A business model whose objective is achieved by both collecting contractual cash flows and selling financial assets

The Group may hold financial assets in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. In this type of business model, the Group's management has made a decision on both collecting contractual cash flows and selling financial assets are necessary for achieving the objective of the business model. There are various objectives that may be consistent with this type of business model. For example, the objective of the business model may be to manage liquidity needs on daily basis, to maintain a particular interest yield profile or to match the duration of the financial assets to the duration of the liabilities funding those assets. To achieve such an objective, the Group will both collect contractual cash flows and sell financial assets.

Compared to a business model whose objective is to hold financial assets to collect contractual cash flows, this business model will typically involve greater frequency and value of sales. This is because selling financial assets is integral to achieving the business model's objective instead of being only incidental to it.

- Other business models

Financial assets are measured at fair value through profit or loss if they are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets

A portfolio of financial assets that is managed and whose performance is evaluated on a fair value basis is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. The Group is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Group considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse loans); and

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- Features that modify consideration of the time value of money [e.g. periodical reset of interest rates].

When the contractual conditions are exposed to the risks which are not consistent with the basic lending arrangement or variability of cash flows, the relevant financial asset is measured at fair value through profit or loss.

7.1. Financial assets at fair value through profit or loss:

Financial assets, which are classified as “Financial assets at fair value through profit or loss”, are trading financial assets and are either acquired for generating profit from short-term fluctuations in the price or dealer’s margin, or are the financial assets included in a portfolio in which a pattern of short-term profit making exists independent from the acquisition purpose.

Trading financial assets are initially recognized at fair value and are subsequently re-measured at their fair value. However, if fair values cannot be obtained from active market transactions, it is assumed that the fair value cannot be measured reliably and fair values are calculated by alternative models. All gains and losses arising from these valuations are recognized in the income statement. Interest earned while holding financial assets is reported as interest income and dividends received are included separately in dividend income.

The principles regarding the accounting of derivative financial instruments are explained in detail in Note 4 of this section.

7.2. Financial assets measured at amortised cost:

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, are measured at amortised cost. These financial assets are initially recognized at total of acquisition and transaction cost. After their initial recognition they are carried at “Amortized cost” using the “Effective interest method”.

7.3. Loans:

Loans are financial assets raised through lending without having the intention to trade in the short term. Loans are non derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted on active market. Loans are recognized initially at cost including transaction costs [which reflect fair values] and subsequently carried at the amortized cost using the “effective interest method”. The expenses incurred for the assets received as collateral are not considered as transaction costs and are recognized in the expense accounts.

Retail, commercial and corporate loans included in cash loans are accounted for with their original maturities in accounts which are mentioned in the Uniform Chart of Accounts (“UCA”). Foreign currency indexed loans are initially measured at local currency accounts with the foreign exchange rate prevailing at date of the initial recognition and re-valued with the relevant foreign currency rates prevailing at the date of the financial statements. Increase or decrease in the value of the principal amount of the loan due to changes in foreign exchange rates is accounted in the related income and expense accounts. Repayment amounts are translated with the foreign exchange rates prevailing at the repayment dates and the valuation differences are accounted for in foreign exchange gain/loss accounts.

The Parent Bank provides provision for expected credit losses based on the assessments and estimates of the management, by considering the “Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks’ Loans and Other Receivables and the Provision for These Loans and Other Receivables” (“Provisioning Regulation”) published in the Official Gazette No. 29750 dated June 22, 2016 and in line with “TFRS 9 - Financial Instruments”. In this context, the management estimates are determined, on the basis of the prudence principle and Bank credit risk policies, considering the general structure of the loan portfolio, the financial conditions of the customers, non-financial information and the economic conjuncture.

Due to the impact of COVID-19 outbreak, the BRSA took the following decisions that was effective from March 17, 2020:

- The 90-day delay period that was envisaged for the classification of non-performing loans will be applied 180 days until June 30, 2021 for Stage 1 and 2 loans.
- The 30-day delay period that was envisaged for the classification of loans in stage 2 will be applied as 90 days until June 30, 2021 for Stage 1 loans.
- Continuing to allocate provisions according to their own risk models in the calculation of expected credit loss within the scope of IFRS 9 for loans, which are classified as Stage 2 despite a delay of more than 90 days and classified as Stage 1 despite a delay of more than 30 days.

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As of December 31, 2020, the Group has classified loans in accordance with the changes mentioned above and reflected them in its financial statements. In this context; the Group has evaluated many reasonable and supportable qualitative and quantitative data by taking into account the negative impact of COVID-19 in assessing whether there is a significant increase in credit risk in the classification of loans according to stages and determining the moment when the default situation occurs. It has classified the loans according to their stages according to its best judgment under the current conditions.

The Group has taken into account the possible difficulties in the cash flows or payments of customers due to uncertainties regarding the COVID 19 epidemic process within the scope of IFRS 9 while calculating the expected credit loss for the loans classified according to their stages in the scope above. Based on this, the Group has been allocating more provision for the loans which are classified as Stage 2 despite a delay of more than 90 days and classified as Stage 1 despite a delay of more than 30 days, in their stages according to credit risk models.

On the other hand, the Group follow closely the processes related to the epidemic and continues its activities in this period with sensitivity in line with the needs of its individual and commercial customers, by postponing the debts due, restructuring with a grace period and allocating existing/additional limits. In this context the credit risk of customers which requests postponing is reflected to the estimates used in the calculation of expected credit loss by using expert judgement also taking into consideration historical data, current conditions and future expectations.

Provision expenses are deducted from the net income of the year. If there is a subsequent collection from a receivable that was already provisioned in previous years, the recovery amount is classified under “other operating income”. Policy about write-off is disclosed in detail in explanations and notes related to consolidated assets of Section Five.

7.4. Financial assets at fair value through other comprehensive income:

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets’ cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI).

Financial assets at fair value through other comprehensive income are subsequently re-measured at fair value. When fair values based on market prices cannot be observed reliably, the financial assets at fair value through other comprehensive income are carried at fair values determined by using alternative models. “Unrealized gains and losses” arising from changes in the fair value of financial assets classified as financial assets at fair value through other comprehensive income are recognized in the shareholders’ equity as “Other accumulated comprehensive income that will be reclassified in profit or loss”, until the related assets are impaired or disposed. When these financial assets are disposed or impaired, the related fair value differences accumulated in the shareholders’ equity are transferred to the income statement. Interest and dividends received from financial assets at fair value through other comprehensive income are recorded in interest income and dividend income as appropriate.

Interest income on financial assets at fair value through other comprehensive income are calculated by effective interest rate method and are accounted for in interest income account. At the time of sale of an financial assets at fair value through other comprehensive income before the maturity, the difference between the profit, which is the difference between the cost and sales price of the financial assets, and the interest income accrual are accounted under “Profit/losses from capital market transactions”.

7.5. Equity instruments of fair value through other comprehensive income:

At initial recognition, Group can make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an equity instrument within the scope of TFRS 9. Such election is made on an instrument basis.

Fair value differences recognized in other comprehensive income are not transferred to profit or loss in the following periods and transferred to prior years’ profit/loss. The equity instruments measured at fair value through other comprehensive income, are not subject to impairment calculation.

8. Explanations on impairment of financial assets:

The Parent Bank assesses the expected credit losses (“ECL”) related with its debt instrument assets carried at amortised cost and at fair value through other comprehensive income, with the exposure arising from loan commitments and financial guarantee contracts on a forward-looking basis. The Parent Bank recognises a loss allowance for such losses at each reporting date. The measurement of expected credit losses reflects:

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- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money;
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The measurement of the expected credit loss allowance:

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and at fair value through other comprehensive income is an area that requires the use of advanced models and significant assumptions about future economic conditions and credit behaviour.

These financial assets will be divided into three categories depending on the gradual increase in credit risk observed since their initial recognition. Impairment shall be recognized on outstanding amounts in each category, as follows:

Stage 1:

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk will be recorded in the amount of 12-month expected credit losses.

Stage 2:

In the event of a significant increase in credit risk since initial recognition, the financial asset will be transferred to this stage. Impairment for credit risk will be determined on the basis of the instrument's lifetime expected credit losses.

Stage 3:

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognized and interest revenue is calculated on the net carrying amount.

Life-time expected credit loss is calculated on an individual or collective basis for the financial assets in stage 2 and stage 3.

General provisions represent ECLs for the first stage and the second stage, specific provisions represent ECLs for the third stage.

The Parent Bank has developed specific models for calculating the expected loss; such models are based on the parameters of PD, LGD and EAD and on the effective interest rate. In particular:

- The PD (Probability of Default), represents the probability of occurrence of an event of default of the credit exposure, in a defined time lag;
- The LGD (Loss Given Default), represents the percentage of the estimated loss, and thus the expected rate of recovery, at the date of occurrence of the default event of the credit exposure;
- The EAD (Exposure at Default), represents the measure of the exposure at the time of the event of default of the credit exposure;
- The Effective interest rate is the discount rate that expresses of the time value of money.

Such parameters are calculated starting from the corresponding parameters used for IRB preparation purposes, with specific adjustments in order to ensure consistency between accounting and regulatory treatment despite different regulatory requirements.

The main adjustments aimed at:

- Removal of prudence principal required for IRB preparation phase;
- Introducing "point-in-time" adjustments to replace "through-the-cycle" adjustments required for IRB preparation phase [YKB is at pre-application stage for A-IRB models. TFRS-9 parameters developed over these parameters.];
- With reference to lifetime PD, through-the-cycle PD curves obtained by adjusting observed cumulated default rates were calibrated in order to reflect point-in-time on portfolio default rates.

Recovery rate incorporated into through-the-cycle LGD was adjusted in order to remove prudence principle and to reflect the most updated trend of recovery rates discounted at effective interest rate or at its best approximation.

The lifetime EAD has been obtained by converting the 1 year regulatory or managerial model to life-time, removing margin of prudence and including the expected discounted cash flow.

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The Stage Allocation model is a key aspect of the new accounting model required to calculate expected credit losses which is aimed at transferring credit exposures from Stage 1 to Stage 2.

With reference to the quantitative component of the model for stage allocation, the Parent Bank has adopted a statistical approach based on a quantiles regression whose objective is to define a threshold in terms of maximum variation acceptable between the PD at the time of origination and the PD assessed at the reporting date.

The Stage Allocation model was based on a combination of relative and absolute elements. The main elements were:

- Comparison, for each transaction, between the PD measured at the time of recognition and PD as at the reporting date, both calculated according to internal models, through thresholds set in a way considering all key variables of each transaction that can affect the Bank's expectation of PD changes over time;
- Absolute elements such as the backstops required by law;
- Additional internal evidence

Significant increase in credit risk

In the assessment of significant increase in credit risk quantitative and qualitative assessments are made;

Quantitative Assessment:

As a result of quantitative assessment, related financial asset is classified as stage 2 (Significant Increase in Credit Risk) when any of the following criterias are satisfied.

As of reporting date:

- Lifetime expected credit losses shall be recognized on a transaction base, when 30 days past due status is reached. The Group can abandon this estimation when it has reasonable and supportable information available which demonstrates that even if contractual payments become more than 30 days past due, this does not represent a significant increase in the credit risk of a financial instrument.
- In case a loan has been restructured, it will be followed up under Stage 2 during the follow-up period mentioned in the related regulations. The loan can be transferred back to Stage 1 at end of the follow-up period if there is no significant deterioration.
- Provisions on unindemnified non cash loans are evaluated as significant increase in credit risk.

Qualitative Assessment:

The probability of significant increase in credit risk under qualitative assessment is based on the comparison of probability of default of a loan in the origination and as of reporting date.

The Group uses distribution regression on segment basis in order to calculate the thresholds used in defining the significant increase in credit risk.

Financial instruments defined as low risk for TFRS 9 are;

- Receivables from Central Bank of the Republic of Turkey;
- Loans with counterparty of Treasury of the Republic of Turkey
- The issued securities or guaranteed marketable securities from central banks of the countries where Group's subsidiaries, associates are resident;
- Bank placements;
- Other money market transactions;
- Transactions of Group's associates and subsidiaries
- Forward Looking Information:

Forward-looking macroeconomic information is incorporated into credit risk parameters during assessment of significant increase in credit risk and expected credit loss calculation.

For the calculation of expected credit loss, Bank uses macroeconomic estimation method which is developed during creation of various scenarios. Macroeconomic variables prevailing during these estimates are Gross Domestic Product (GDP), Unemployment Rate, Foreign Trade Balance and Housing Price Index.

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When expected credit losses are estimated in accordance with the forward looking macroeconomic information, the Bank evaluates 3 scenarios (base, pessimistic and optimistic) with various weights based. Each of these scenarios are in relation with different probability of default risk. Within the scope of the effects of COVID-19 on Expected Credit Loss calculations, the Bank has reviewed the macroeconomic model used in the process as of December 31, 2020, increased 30 basis points the weight of the pessimistic scenario by reducing the weight of the optimistic scenario with the same amount and used the data considered to reflect the current situation in the best way.

On the other hand, researches have been carried out on the sectors affected by COVID-19, the effects that belonged to the period which COVID-19 was the most effective, were segregated on a sectoral basis and analyzed whether in which direction the Borsa Istanbul Index data differed from the cumulative index data and this differentiation is reflected in the probability of default values on a sectoral basis.

The Parent Bank revised its macroeconomic expectations due the effects of the COVID-19 pandemic and reflected the calculations made to its financial statements considering the probability of default values and the possible changes in the exposure at default. In this context, the Bank has measured the effect of the change in macroeconomic data used in the calculation of expected credit loss such as gross domestic product, unemployment rate and foreign trade deficit, on the non performing loans under different scenarios and reflected the increase coefficient, which was considered to be the most accurate, to its provision calculations by projecting it on the loan parameters within the range of NPL ratio obtained throughout the calculations. The Parent Bank reflected the possible effects of the COVID-19 and estimation of cash flows with reasonable and supportable information used in calculating the expected loan loss provision for the loans subject to individual assessment. This preferred approach will be revised in the coming reporting periods, considering the impact of the outbreak, the credit portfolio and changes in future expectations.

9. Explanations on offsetting financial assets:

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Group has a legally enforceable right to offset the recognised amounts and there is an intention to collect/pay related financial assets and liabilities on a net basis, or to realise the asset and settle the liability simultaneously.

10. Explanations on sales and repurchase agreements and securities lending transactions:

Securities subject to repurchase agreements (“Repo”) are classified as “Financial assets at fair value through profit or loss”, “Financial assets at fair value through other comprehensive income” and “Financial assets measured at amortised cost” according to the investment purposes of the Group and measured according to the portfolio to which they belong. Funds obtained from repurchase agreements are accounted under “Money market funds” in liabilities and the difference between the sale and repurchase price is accrued over the life of the repurchase agreements using the “Effective interest method”. Interest expense on repo transactions are recorded under “Interest expense on money market transactions” in the income statement.

Funds given against securities purchased under agreements to resell (“reverse repo”) are accounted under “Receivables from money markets” on the balance sheet. The difference between the purchase and determined resell price is accrued over the life of repurchase agreements using the effective interest method.

The Group has no securities lending transactions.

11. Information on assets held for resale and related to discontinued operations and explanations on liabilities related with these assets:

According to the “IFRS-5 Non-current Assets Held for Sale and Discontinued Operations” a tangible asset (or a group of assets to be disposed) classified as “Asset held for resale” is measured at lower of carrying value and fair

value less costs to sell. An asset (or a group of assets to be disposed) is regarded as “Asset held for resale” only when the sale is highly probable and the asset (or a group of assets to be disposed) is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset should be actively in the market at a price consistent with its fair value.

A discontinued operation is a part of the Group’s business classified as sold or held for sale. The operating results of the discontinued operations are disclosed separately in the income statement.

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12. Explanations on goodwill and other intangible assets:

12.1. Goodwill:

The excess of the cost of an acquisition over the fair value of the Group's share of the identifiable assets, liabilities or contingent liabilities of the acquired subsidiary at the date of acquisition of the control is recorded as goodwill and represents a payment made by the acquirer in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognised. The acquirer also recognises assets that are capable of being individually identified and separately recognised, intangible assets [e.g. credit card brand value, deposit base and customer portfolio] and contingent liabilities at fair value, irrespective of whether the asset had been recognised by the acquiree before the business combination, if it can be distinguished from the goodwill and if the asset's fair value can be measured reliably.

As explained in Note 2, Section 1, in 2006, all rights, receivables, debts and liabilities of Koçbank were transferred to the Bank pursuant the merger of the two banks. The goodwill resulting from the merger and calculated in line with TFRS 3, was recorded in the unconsolidated financial statements of the Bank.

In line with "TFRS - 3 Business Combinations", the goodwill is not subject to amortization but is tested annually or more frequently for impairment losses, if any, in line with "TAS - 36 Impairment on Assets". For the purposes of impairment testing, goodwill is allocated to each of the Bank's cash-generating units that is expected to benefit from the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment once a year. If there are any indications that the unit is impaired, the impairment test is performed more frequently. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the income statement. An impairment loss recognized for goodwill is not reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

There is no evidence of impairment on the goodwill amount as a result of the impairment test.

12.2. Other intangible assets:

Other intangible assets are measured at cost on initial recognition and any directly attributable costs of setting the asset to work for its intended use are included in the initial measurement. Subsequently, intangible assets are carried at historical costs after the deduction of accumulated amortization and the provision for impairment.

The Group evaluates the possibility of existence of impairment of intangible assets at the end of each reporting period. If there is an evidence of impairment, the Group estimates a recoverable amount in accordance with the "TAS 36-Impairment of Assets". The recoverable amount is the higher of net sales price or the value in use. When the book value of another intangible asset exceeds the recoverable amount, the related asset is considered to be impaired. If there is no evidence of impairment, there is no need to estimate the recoverable amount.

Intangibles are amortized over their estimated useful lives using the straight-line method. The useful life of the asset is determined by assessing the expected useful life of the asset, technical, technological and other kinds of obsolescence and all required maintenance expenses necessary to utilise the economic benefit from the asset.

13. Explanations on property and equipment:

Property and equipment is measured at its cost when initially recognized and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement in accordance with "TAS 16- Property, Plant and Equipment". Subsequently, properties and equipments, except art objects, paintings and buildings, are carried at cost less accumulated depreciation and provision for impairment.

The Group adopted fair value accounting method for its buildings since March 31, 2015 in tangible assets in accordance with "TAS 16- Property, Plant and Equipment".

The depreciation rate for buildings is 2-4%; for movables and movables acquired under financial leasing depreciation is calculated over estimated useful life by using the straight-line method.

The depreciation charge for items remaining in property and equipment for less than a full accounting period at the balance sheet date is calculated in proportion to the period the item remained in property and equipment.

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In accordance with “TAS 36-Impairment of Assets”, where the carrying amount of an asset is greater than its estimated “recoverable amount”, it is written down to its “recoverable amount” and the provision for impairment is charged to the income statement.

Gains and losses on the disposal of property and equipment are determined by deducting the net book value of the property and equipment from its sales proceeds.

Expenditures for the repair and maintenance of property and equipment are recognised as expense. The capital expenditures made in order to increase the capacity of the tangible asset or to increase its future benefits are capitalised on the cost of the tangible asset. The capital expenditures include the cost components which are used either to increase the useful life or the capacity of the asset or the quality of the product or to decrease the costs.

14. Explanations on leasing transactions:

The Group performs leasing transactions in the capacity of the lessee and lessor.

14.1. Accounting of leasing operations according to lessor:

The Group has adopted “IFRS 16 - Leases” as of January 1, 2019. The Group has applied the simplified transition approach and elected not to restate comparative figures.

In accordance with “IFRS 16 - Leases”, the Group calculates “right-of-use” amount using the present value of the lease payments of fixed asset at the beginning of the leasing period and recognizes under “property and equipment”. Unpaid leasing payments are calculated at their net present value and recognized under “lease payables” in liabilities. Lease payments are discounted using related borrowing rates.

Fixed assets that are subject to leasing is amortised on the basis of leasing period. Interest expense related to lease payables is classified under “interest on lease payables” under “interest expense” and exchange rate changes are classified under “foreign exchange gains/losses”. Leasing payments are deducted from lease payables..

14.2. Accounting of leasing operations according to lessor:

Assets that are subject to financial leasing are reflected as a receivable equal to the net leasing amount in the consolidated financial statements. Interest income is earned to form a fixed periodical interest rate on net investment amount of the related leased asset by the lessor and the portion relating to subsequent periods is followed in the unearned interest income account.

14.2.1. Provision for doubtful lease receivables

The lease receivables provision for the impairment of investments in direct finance leases is established based on a credit review of the receivables portfolio. The Group has set this provision in accordance with the IFRS 9 rules.

Finance lease receivables and accounts receivables that cannot be recovered are written off and charged against the allowance for the impairment of lease and accounts receivables. Such receivables are written off after all the necessary legal proceedings have been completed and the amount of loss is finally determined. Recoveries of

amounts previously provided for are treated as a reduction from the provision for the impairment of the lease receivable and are recognized as income.

15. Explanations on provisions, contingent assets and liabilities:

Provisions and contingent liabilities, except for the specific and general provisions recognised for loans and other receivables, are accounted in accordance with “TAS 37- Provisions, Contingent Liabilities and Contingent Assets”.

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions for contingent liabilities arisen from past events are recognised in the period of occurrence in accordance with the “Matching principle”. A provision is recognised when it is probable that the contingent event will occur and a reliable estimate can be made. When a reliable estimate of the amount of obligation cannot be made, or it is not probable that an outflow of resources will be required to settle the obligation, it is considered that a “contingent” liability exists and it is disclosed in the related notes to the financial statements.

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Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. Contingent assets are disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs.

16. Explanations on obligations related to employee rights:

16.1. Employee termination benefits

Obligations related to severance pay and vacation rights are accounted for in accordance with “TAS 19- Employee Rights” and are classified under “Reserve for employee rights” account in the balance sheet. Under the Turkish Labour Law, the Group is required to pay a specific amount to the employees who have retired or whose employment is terminated other than for the reasons specified in the Turkish Labour Law. The reserve for severance pay represents the present value of the estimated total liability for the future probable obligation of the Group determined by using certain actuarial assumptions. Actuarial gains and losses generated after January 1, 2013, are accounted for under equity in accordance with the revised “TAS 19- Employee Rights” standard.

16.2. Pension rights

The Parent Bank’s personnel are members of the Yapı ve Kredi Bankası Anonim Şirketi Mensupları Yardım ve Emekli Sandığı Vakfı (“the Fund”) which was established in accordance with the 20th temporary article of the Social Security Law No. 506. The technical financial statements of the Fund are audited in accordance with the

Article 38 of the Insurance Supervision Law and the “Regulation Regarding the Actuaries” by a registered independent actuary.

Temporary article 23th paragraph 1 of the Banking Act published in the Official Gazette No 25983 dated November 1, 2005 stated that foundations like the Fund are to be transferred to the Social Security Institution (“SSI”) within three years beginning from the publication date of the article.

The article of the Law related to the transfer was cancelled [pursuant to the application by the President on November 2, 2005] by the decision of Constitutional Court [decision no: E.2005/39, K. 2007/33 dated March 22, 2007] published in the Official Gazette No. 26479 dated March 31, 2007, and the effect of the law article was suspended from the date of the publication of the decision.

The reasoning of the Constitutional Court regarding the abrogation of the corresponding article was published in the Official Gazette dated December 15, 2007, No 26731. With the publication of the reasoning of the decision, the Grand National Assembly of Turkey (“GNAT”) started to work on new legal arrangements regarding the transfer of the fund members to SSI and the related articles of the “Law Regarding the Changes in Social Insurance and General Health Insurance Law and Other Related Laws and Regulations” No 5754 (“the New Law”) regulating the transfer of the funds were approved by the GNAT on April 17, 2008. The New Law was published in the Official Gazette No. 26870 dated May 8, 2008. With the new law, the banks’ pension funds will be transferred to SSI within three years from the date of publication of the decree and this period can be extended for a maximum of two years with the decision of the Council of Ministers. The transfer period was extended for another two years with the decision of the Council of Ministers No. 2011/1559 published in the Official Gazette dated April 9, 2011. According to the “Amendment of Social Insurance and General Health Insurance Law No. 6283” published in the Official Gazette dated March 8, 2012, Council of Ministers was authorized to increase the two-year extension period mentioned above to four years. According to the decision of The Council of Ministers dated February 24, 2014, the transfer date is set as May 2015. The Council of Ministers was authorized to determine the transfer date of pension funds in accordance with the last amendment in the first paragraph of the 20th provisional article of Law No.5510 implemented by the Law No. 6645 on Amendment of the Occupational Health and Safety Law and Other Laws and Decree Laws published in the Official Gazette dated April 23, 2015 and numbered 29335. The president was authorized to determine the transfer date of pension funds in accordance with the last amendment by the Law No. 30473 published in the Official Gazette dated July 9, 2018.

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A commission [whose members are the representatives of the SSI, the Ministry of Finance, Turkish Treasury, State Planning Organization, BRSA, Saving Deposit Insurance Fund (“SDIF”), one member representing the Fund and one member representing the Fund members] is in charge of the calculation of the value of the payment that would need to be made to SSI to settle the obligation using a technical interest rate of 9,8% by law taking into consideration income and expenses by insurance branches of the funds and the excess of salaries and income paid by the funds over the salaries and income to be paid in accordance with the SSI arrangements which should not be less than SSI arrangements, related to the members of the Fund as of the date of the transfer including the members who have left the scheme.

In accordance with the New Law, after the transfer to SSI, any social rights and payments to Fund members and their beneficiaries which are not provided although they are included in the Fund Title Deed will continue to be provided by the Fund and the employers of the Fund members.

The Parent Bank accounts for a provision for the technical deficit based on the report prepared by a registered actuary in accordance with the rates determined by the New Law.

Short term benefits of employee:

Within the scope of “TAS 19- Employee Rights”, the Group measures the expected costs of accumulated paid leaves as expected payments it will make due to unused leave rights as at the end of the reporting date.

17. Explanations on taxation:

17.1. Current tax:

The corporate tax rate is 20% in accordance with the article number 32 of the New Corporate Tax Law no.5520 which is published in the official Gazette dated June 21, 2006 and numbered 26205. In addition, with the 91st article of The Law numbered 7061 on Amendment of Certain Taxes and Laws and Other Acts which came into effect, being published in the Official Gazette dated December 5, 2017 and numbered 30261, current 20% corporate tax rate, will be applied as 22% for enterprises’ corporate income belonging to the taxation periods of 2018, 2019 and 2020.

Corporate tax rate business income tax in accordance with the laws of the institutions to be added as unacceptable the reduction of costs in the tax laws, exemptions and reductions to the tax base found as a result of the reduction that will be applied. Additional tax is not payable unless the profit is distributed.

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provisions for taxes, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis.

Dividends paid to non-resident corporations, which have a place of business in Turkey or to resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as profit distribution and no withholding tax incurs in such a case.

Corporations are required to pay advance corporate tax quarterly on their corporate income. Advance tax is paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations for the current period is credited against the annual corporation tax calculated on the annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

A 75% portion of the capital gains derived from the sale of equity investments and 50% portion of the capital gains derived from the sale of immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital or held in a special account under shareholder’s equity for five years.

Under the Turkish Corporate Tax Law, losses can be carried forward to offset against future taxable income for up to five years. Losses cannot be carried back to offset profits from previous periods.

Tax returns are required to be filled and delivered to the related tax office until the evening of last day of the fourth month following the balance sheet date and the accrued tax is paid until the end of the same month. Tax returns are open for 5 years from the beginning of the year following the balance sheet date and during this period the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

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Tax rates that are used in tax calculations before the exemptions by foreign subsidiaries by taking current tax regulations in their countries into consideration as of December 31, 2020 are as follows:

Netherlands	25,00%
Azerbaijan	20,00%
Malta	35,00%

17.2. Deferred tax:

The Group calculates and accounts for deferred income taxes for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with “TAS 12-Income Taxes” and in accordance with BRSA’s explanations and circulars and the tax legislation. The Group calculates deferred tax on deductible temporary differences, to the extent that future taxable income is estimated to be available. In the deferred tax calculation, the enacted tax rate is used as of the balance sheet date by estimating when the temporary differences will be taxable/deductible in accordance with the current tax legislation.

Deferred tax liabilities are recognized for all resulting temporary differences whereas deferred tax assets resulting from temporary differences are recognized to the extent that future taxable profit will be available against which the deferred tax asset can be utilised.

Deferred tax assets and liabilities of subsidiaries subject to consolidation have been netted of in their standalone financial statements in accordance with “TAS 12-Income Taxes”. The calculated deferred tax asset and deferred tax liability are presented as net in these financial statements.

Tax effects of the transactions that are directly accounted under equity are also reflected to equity.

17.3. Transfer pricing:

The article no.13 of the Corporate Tax Law No.5520 describes the issue of transfer pricing under the title of “Disguised profit distribution” by way of transfer pricing [previously included as “Disguised profit” in the Corporate Tax Law No.5422]. “The General Communiqué on Disguised Profit Distribution by Way of Transfer Pricing” published at November 18, 2007/26704, explains the application related issues on this topic effective from January 1, 2007, also taking into account the regulations in Article 41 of the Income Tax Law.

“Arm’s length principle”, which is the basis for the transfer pricing rule, is the pricing system to be followed for purchase or sale activities between related parties for any product or service transactions as if the transaction is realized with any other third party. According to this communiqué, if the taxpayers conduct transactions like purchase and sale of goods or services with the related parties where the prices are not determined according to the arm’s length principle, then it will be concluded that there is a disguised profit distribution by way of transfer pricing. Such disguised profit distributions will not be deducted from the corporate tax base for tax purposes.

As discussed in the relevant section of this communiqué, the taxpayers are required to fill out the “Transfer Pricing, Controlled Foreign Entities and Thin Capitalization” form for the purchase and sale of goods or services conducted with their related parties in a taxation period, attach these forms to their corporate tax returns and submit to the tax offices.

18. Additional explanations on borrowings:

The financial liabilities classified at fair value through profit/loss, trading and derivative financial liabilities are valued with their fair values and the other financial liabilities are carried at “amortized cost” including costs of transactions using the “effective interest method”.

The Group classifies some of its financial liabilities as the financial liabilities classified at fair value through profit/loss in order to eliminate the accounting mismatch at the initial recognition. For the related liabilities until the maturity, the Bank presents interest expenses paid and the difference between amortized cost and acquisition cost in the interest expense, the difference between the fair value of the financial liabilities and amortized cost presents under the trading gain/[loss] in the income statement.

The Group utilises various hedging techniques to minimise the currency, interest rate and liquidity risks of its financial liabilities. No convertible bonds have been issued.

YAPI VE KREDİ BANKASI A.Ş. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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Also, Group obtains funds by issuing bonds and bills.

19. Explanations on issuance of share certificates:

When shares are issued above their nominal value, the excess over the nominal value is accounted under shareholders’ equity as “Share premium”.

20. Explanations on avalized drafts and letter of acceptances:

Avalized drafts and acceptances are included in the “off-balance sheet commitments”.

21. Explanations on government grants:

In accordance with the related articles of the “Law Regarding the Supporting of Research and Development Activities” numbered 5746, until balance sheet date, the Group received government grant from TÜBİTAK amounting to TL 78 [December 31, 2019 - TL 694].

22. Profit reserves and profit distribution:

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution, subject to the legal reserve requirement referred to below. Legal reserves consist of first and second reserves as foreseen in the TCC. The TCC specifies that the first legal reserve is appropriated at the rate of 5% until the total reserve is equal to 20% of paid-in capital and that the second legal reserve is appropriated at the rate of 10% of distributions in excess of 5% of paid-in capital; however holding companies are not subject to this application. According to the Turkish Commercial Code, legal reserves can only be used to compensate for accumulated losses and cannot be used for other purposes unless they exceed 50% of paid-in capital.

No dividend payments of the Parent Bank were announced after the balance sheet date.

23. Earnings per share:

Earnings per share disclosed in the income statement are calculated by dividing net profit/loss for the year to the weighted average number of shares outstanding during the period concerned.

	Current Period	Prior Period
Net Income/[loss] to be appropriated to ordinary shareholders	5.079.518	3.600.060
Weighted average number of issued ordinary shares (thousand)	844.705.128	844.705.128
Earnings per share (full TL)	0,0060	0,0043

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares (“bonus shares”) to existing shareholders from retained earnings. These bonus shares are treated as issued shares in earnings per share computations. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year is adjusted in respect of bonus shares issued without a corresponding change in resources by giving them a retroactive effect. In case bonus shares are distributed after the balance sheet date but before the preparation of the financial statements, earnings per share is calculated considering the new number of shares.

No bonus shares were issued during 2020 (2019 - no bonus shares were issued).

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24. Related parties:

For the purpose of these financial statements, shareholders having control shares of the Bank, key management personnel and board members together with their families and companies controlled by/affiliated with them, associated companies and joint ventures and the Fund providing post employment benefits are considered and referred to as related parties in accordance with “TAS 24-Related Parties”. The transactions with related parties are disclosed in detail in Note 7. of Section Five.

25. Explanations on operating segments:

Information about operating segments which are determined in line with “IFRS 8- Operating Segments” together with organizational and internal reporting structure of the Bank, are disclosed in Note 12 of Section Four.

26. Explanations on other matters:

None.

Section four - Information related to financial position of the Group

1. Explanations on consolidated own funds:

The calculation of the own funds and the capital adequacy standard ratio are performed in accordance with the communiqués such as “Regulation Regarding the Measurement and Evaluation of Banks’ Capital Adequacy Ratio”, “Regulation Credit Risk Mitigation Techniques”, “Regulation on calculation of Risk-Weighted Amounts of Securitizations” and “Regulation Regarding Banks’ Shareholders’ Equity”.

The consolidated capital adequacy ratio of the Group is 17,25% [December 31, 2019 - 16,74%] and the Parent Bank is 18,23% [December 31, 2019 - 17,81%]

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1.1. Information related to capital adequacy ratio:

	Current Period	Prior Period
COMMON EQUITY TIER 1 CAPITAL		
Paid-up Capital	8.447.051	8.447.051
Share issue premiums	556.937	556.937
Retained earnings	29.459.139	25.884.402
Accumulated other comprehensive income and other disclosed reserves which defined in the Turkish Accounting Standards	6.193.055	4.515.991
Profit	6.719.472	5.240.014
Net profit of the period	5.079.518	3.600.060
Profit of the previous years	1.639.954	1.639.954
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	14.779	9.093
Minority interest	807	687
Common Equity Tier 1 capital before regulatory adjustments	51.391.240	44.654.175
Common Equity Tier 1 capital: regulatory adjustments		
Prudential valuation adjustments	86.371	82.259
The sum of the net loss for the current period and the previous years which could not be absorbed by the retained earnings and losses recognised in equity in accordance with TAS	2.700.221	1.825.733
Improvement costs for operating leasing	113.341	130.170
Goodwill [net of related tax liability]	979.493	979.493
Other intangibles other than mortgage-servicing rights [net of related tax liability]	931.053	868.508
Deferred tax assets that rely on future profitability excluding those arising from temporary differences [net of related tax liability]	-	-
Cash-flow hedge reserve	-	-
Shortfall of provisions to expected losses	-	-
Securitisation gain on sale	-	-
Gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Investments in own shares	-	-
Credits extended contrary to the fourth paragraph of Articles 56 of the Banking Law	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital [amount above 10% threshold]	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank owns more than 10% of the issued share capital [amount above 10% threshold]	-	-
Mortgage servicing rights [amount above 10% threshold]	-	-
Deferred tax assets arising from temporary differences [amount above 10% threshold, net of related tax liability]	-	-
Amount exceeding the 15% threshold [-] of the common equity Tier 1 in accordance with the second paragraph of the provisional article 2 in the regulation regarding the Banks' Shareholders' Equity	-	-
The amount above threshold for the investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank owns more than 10% of the issued share capital	-	-
The amount above threshold for mortgage servicing rights	-	-
The amount above threshold for deferred tax assets arising from temporary differences	-	-
National specific regulatory adjustments which shall be determined by the BRSA	-	-
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	-
Total regulatory adjustments to Common equity Tier 1	4.810.479	3.886.163
Common Equity Tier 1 capital (CET1)	46.580.761	40.768.012

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ADDITIONAL TIER 1 CAPITAL	Current Period	Prior Period
Preferred shares that are not included in Common Equity Tier 1 capital and related shares issue premiums	-	-
Eligible capital instruments and relevant share issue premiums that are approved by the BRSA	4.771.325	3.861.130
Eligible capital instruments and relevant share issue premiums that are approved by the BRSA (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	-	-
Third parties' share in the Additional Tier I capital	-	-
Third parties' share in the Additional Tier I capital (Temporary Article 3)	-	-
Additional Tier 1 capital before regulatory adjustments	4.771.325	3.861.130
Additional Tier 1 capital: regulatory adjustments		
Investments in own Additional Tier 1 instruments	-	-
Reciprocal cross-holdings in Additional Tier 1 instruments	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-
National specific regulatory adjustments which shall be determined by the BRSA	-	-
Regulatory Adjustments which will be deducted from Tier 1 capital during the transition period		
Goodwill and other intangible assets and related deferred tax liabilities which will not be deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds [-]	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds [-]	-	-
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-
Total regulatory adjustments to Additional Tier 1 capital	-	-
Total Additional Tier 1 capital	4.771.325	3.861.130
Total Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 capital)	51.352.086	44.629.142
TIER 2 CAPITAL		
Eligible capital instruments and relevant share issue premiums that are approved by the Agency	6.980.701	6.817.423
Eligible capital instruments and relevant share issue premiums that are approved by the Agency (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	322.028	492.467
Shares of Third Parties in Additional Tier I Capital	-	-
Shares of Third Parties in Additional Tier I Capital (Covered by Temporary Article 3)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks) ⁽³⁾ [-]	4.269.686	2.896.894
Tier 2 capital before regulatory adjustments	11.572.415	10.206.784
Tier 2 capital: regulatory adjustments		
Direct and indirect investments of the Bank on its own Tier 2 Capital [-]	-	-
Investments of the Bank to banks that invest on the Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8	141.561	112.694
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) [-]	-	-
Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions) [-]	-	-
National specific regulatory adjustments which shall be determined by the BRSA	-	-
Total regulatory adjustments to Tier 2 capital	141.561	112.694
Total Tier 2 capital	11.430.854	10.094.090

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[Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three]

	Current Period	Prior Period
OWN FUNDS		
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	62.740.741	54.683.723
The Sum of Tier 1 Capital and Tier 2 Capital (Total Capital)		
Credits extended contrary to the provisions of Articles 50 and 51 of the Banking Law	5.591	4.337
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years ⁽²⁾	-	-
National specific regulatory adjustments which shall be determined by the BRSA	36.608	35.172
Regulatory Adjustments which will be deducted from Total Capital during the transition period		
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds [-]	-	-
Significant investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold) which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds [-]	-	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold), mortgage servicing rights (amount above 10% threshold), deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds [-]	-	-
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	62.571.136	54.683.723
Total Risk Weighted Assets⁽³⁾	362.826.562	326.754.145
CAPITAL ADEQUACY RATIOS		
Common Equity Tier 1 Capital Adequacy Ratio [%]	12,84	12,48
Tier 1 Capital Adequacy Ratio [%]	14,15	13,66
Capital Adequacy Ratio [%]	17,25	16,74
BUFFERS		
Institution specific buffer requirement of the Bank (a+b+c)	3,551	4,049
a) Capital conservation buffer requirement [%]	2,500	2,500
b) Bank's specific countercyclical buffer requirement [%]	0,051	0,049
c) Systemically important Bank buffer	1,000	1,500
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets [%]	8,153	7,658
Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financials	-	-
Significant investments in the common stock of financials	1.562.641	1.213.663
Mortgage servicing rights (net of related tax liability)	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	4.482.337	3.025.366

PRESENTATION

FROM THE
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YAPI KREDİBUSINESS
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YAPI VE KREDİ BANKASI A.Ş.

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OWN FUNDS	Current Period	Prior Period
Applicable caps on the inclusion of provisions in Tier 2 capital		
General provisions for standard based receivables [before tenthousandtwentyfive limitation]	11.990.560	6.595.432
Up to 1,25% of total risk-weighted amount of general provisions for receivables where the standard approach used	4.269.686	3.713.967
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Capital instruments subject to phase-out arrangements [only applicable between 1 Jan 2018 and 1 Jan 2022]		
Current cap on Additional Tier 1 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks’ Own Funds	-	-
Amount excluded from AT1 due to cap [excess over cap after redemptions and maturities] which subject to Provisional Article 4 of the Regulation on Banks’ Own Funds	-	-
Current cap on Tier 2 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks’ Own Funds	322.028	492.467
Amount excluded from T2 due to cap [excess over cap after redemptions and maturities] which subject to Provisional Article 4 of the Regulation on Banks’ Own Funds	6.326.953	4.993.118

⁽¹⁾ According to the “Regulation Regarding to changes on Regulation on Banks’ Shareholders’ Equity” published in Official Gazette No.30121 on July 11, 2017, related article has been abolished.

⁽²⁾ In the calculation of Capital Adequacy Ratios, the negative valuation differences on securities acquired before March 23, 2020 classified under “securities at fair value through other comprehensive income” are not taken into consideration in the calculation of own funds according to BRSA note no.9312 dated December 8, 2020.

⁽³⁾ Total Risk Weighted Assets are calculated with arithmetic average of the Central Bank of Turkey’s spot purchase exchange rates for 252 working days before calculation date, according to BRSA note no.9312 dated December 8, 2020.

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1.2. Information on debt instruments included in the calculation of equity:

	1	2
Lender [1,2]; Issuer [3,4,5,6,7]	UNICREDIT SPA	UNICREDIT SPA
Unique identifier [eg CUSIP, ISIN or Bloomberg identifier for private placement]	-	-
Governing law(s) of the instrument	BRSA/Austria Law	BRSA/Austria Law
	Regulatory treatment	
Transitional Basel III rules	No	No
Eligible at stand-alone/consolidated	Stand-alone	Stand-alone
Instrument type [types to be specified by each jurisdiction]	-Consolidated	-Consolidated
Amount recognised in regulatory capital [Currency in mil, as of most recent reporting date]	Loan	Loan
Par value of instrument	1.718	793
	4.294	1.982
Accounting classification	Liability -	Liability -
Original date of issuance	Subordinated Debt-amortized cost	Subordinated Debt-amortized cost
Perpetual or dated	January 9, 2013	December 18, 2013
Original maturity date	Dated	Dated
Issuer call subject to prior supervisory approval	10 years	10 years
Optional call date, contingent call dates and redemption amount	Yes	Yes
Subsequent call dates, if applicable	After 5th year	After 5th year
	After 5th year	After 5th year
	Coupons/dividends	
Fixed or floating dividend/coupon	Fixed	Fixed
Coupon rate and any related index	5,7%	First 5 years 6,55%fixed, second 5 years 7,7156 fixed
Existence of a dividend stopper	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount
Fully discretionary, partially discretionary or mandatory	-	-
Existence of step up or other incentive to redeem	-	-
Noncumulative or cumulative	Noncumulative	Noncumulative
	Convertible or non-convertible	
If convertible, conversion trigger (s)	-	-
If convertible, fully or partially	-	-
If convertible, conversion rate	-	-
If convertible, mandatory or optional conversion	-	-
If convertible, specify instrument type convertible into	-	-
If convertible, specify issuer of instrument it converts into	-	-
	Write-down feature	
If write-down, write-down trigger(s)	-	-
If write-down, full or partial	-	-
If write-down, permanent or temporary	-	-
If temporary write-down, description of write-up mechanism	-	-
Position in subordination hierarchy in liquidation [specify instrument type immediately senior to instrument]	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2
In compliance with article number 7 and 8 of “Own fund regulation”	No	No
Details of incompliances with article number 7 and 8 of “Own fund regulation”	-	-

PRESENTATION

FROM THE MANAGEMENT

ABOUT YAPI KREDİ

BUSINESS MODEL AND STAKEHOLDERS

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INNOVATIVE BANKING

HUMAN FOCUS

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FINANCIAL INFORMATION

ANNEXES

3	4	5	6	7
Yapı ve Kredi Bankası A.Ş. XS0861979440/ US984848AB73 BRSA/CMB/LONDON STOCK EXCHANGE/English Law	Yapı ve Kredi Bankası A.Ş. XS1376681067/ US984848AF87 English Law/Turkish Law	Yapı ve Kredi Bankası A.Ş. XS1867595750/ US984848AL55 English Law/Turkish Law	Yapı ve Kredi Bankası A.Ş. TRSYK BK62914 BRSA/CMB//Turkish Law	Yapı ve Kredi Bankası A.Ş. TRSYK BK92911 BRSA/CMB/Turkish Law
Yes	No	No	No	No
Stand-alone -Consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated
Bond	Bond	Bond	Bond	Bond
322	3.670	4.771	500	300
6.649	3.670	4.771	500	300
Liability - Subordinated Debt- amortized cost December 6, 2012	Liability - Subordinated Debt- amortized cost March 8, 2016	Liability - Subordinated Debt- amortized cost January 15, 2019	Liability - Subordinated Debt- amortized cost July 3, 2019	Liability - Subordinated Debt- amortised cost October,3 2019
Dated 10 years	Dated 10 years 1 day	Demand	Dated 10 years	Dated 10 years
No	Yes	Yes	Yes	Yes
-	5th year	Every 5 year	After 5th year	After 5th year
-	-	Every 5 year	After 5th year	After 5th year
Fixed	Fixed	Fixed	Variable Interest	Variable Interest
5,5%	8,625% [5 Year MidSwap+ 7,40% coupon]	13,875% [5 Year MidSwap+ 11,245% coupon]	3 months TRLIBOR + 1,00%	TLREF Index change + 1,30%
-	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount
-	Mandatory	On demand	Mandatory	Mandatory
-	-	-	-	-
Noncumulative	Cumulative	Noncumulative	Noncumulative	Noncumulative
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	In case of default	In case of default and in case Common Equity Tier 1 lower than 5,125%	In case there is a possibility that the official authorization of the Bank is cancelled or the Bank shares are transferred to SDIF.	In case there is a possibility that the official authorization of the Bank is cancelled or the Bank shares are transferred to SDIF
-	Partial	Partial and completely	Partial and completely	Partial and complete
-	Permanent	Temporary	Permanent	Permanent
-	-	In case of default and in case Common Equity Tier 1 higher than 5,125%	-	-
After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors and TIER 1	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2
Yes	No	No	No	No
8-2-ğ	-	-	-	-

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1.3. There are differences between the figures in the own funds and their corresponding amounts in the balance sheet. Within this context; in the calculation of own funds, the losses and gains that are related to cash flow hedge transactions are not considered in the own funds and the prudential valuation adjustments calculated in accordance with the [i] item of the first paragraph in the ninth article of the “Regulation Regarding Banks’ Shareholders’ Equity” are considered in the own funds. In the calculation of Capital Adequacy Ratios, the negative valuation differences on securities acquired before March 23, 2020 classified under “securities at fair value through other comprehensive income” are not taken into consideration in the calculation of own funds according to BRSA note no.9312 dated December 8, 2020. In addition, the subordinated liabilities are considered after the adjustments made in accordance with the ninth paragraph of the eighth article and in the provisional fourth article of the “Regulation Regarding Banks’ Shareholders’ Equity”.

1.4. Exposures subject to countercyclical capital buffer:

The exposures subject to countercyclical capital buffer table prepared in accordance with the communiqué “Regulation on Capital Conservation and Countercyclical Capital buffers of Banks” published in the Official Gazette no. 28812 dated November 5, 2013 is presented below:

Exposures subject to countercyclical capital buffer:

Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	286.005.314	-	286.005.314
Malta	1.795.355	-	1.795.355
Italy	1.277.968	-	1.277.968
Netherland	794.829	-	794.829
Switzerland	786.863	-	786.863
Azerbaijan	621.881	-	621.881
Republic of Maldives	619.212	-	619.212
Marshall Islands	470.156	-	470.156
Egypt	387.057	-	387.057
Man Island	332.767	-	332.767
Luxembourg	321.543	-	321.543
Bulgaria	312.076	-	312.076
USA	258.507	-	258.507
Macedonia	242.686	-	242.686
Germany	209.123	-	209.123
Kazakhstan	201.194	-	201.194
England	191.605	-	191.605
Slovenia	175.303	-	175.303
United Arab Emirates	160.975	-	160.975
Austria	156.105	-	156.105
Malesia	149.813	-	149.813
Other	683.662	-	683.662
Total	296.153.994		296.153.994

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2. Explanations on Consolidation Based Risk Management:

2.1. Credit risk is the loss or the risk of the Parent Bank in case a counterparty can not fulfill its obligations stated in agreements where the Parent Bank is at a side. The Parent Bank identifies loan limits for each customer considering statutory regulations, the internal scoring system, financial analysis reports and geographical and industry concentration and considering credit policies determined by Board of the Directors each year. The limits defined by the Board of Directors for each correspondent bank are followed-up daily by Treasury Management for the transactions related with placements with domestic and correspondent banks or treasury operations such as forward buy and sell transactions. Moreover, daily positions and limit controls of each Treasury Management employee who is authorised for transactions in the market are controlled by the system. During the loan granting process, liquid collaterals are preferred to the greatest extent possible. While granting of long term project finance loans, long term projections of the companies are analyzed both by financial analysis specialists and head office. Also the pricing of these commitments are decided by coordination with Treasury Management.

The Parent Bank also monitors limitations on single borrower and group of borrowers in accordance with the regulations.

Rating system used for Medium Sized Entities (ME), Small and Medium Sized Entities (SME) and Corporate/Commercial customers is also used for defining the authorization level for loan granting. Thus, customers with a low rating are assigned to higher authority levels, whereas customers with a high rating are assigned to lower authority levels. By using this methodology it is aimed to establish risk based optimization in the loan processes.

Probability of default of a customer is calculated through this internally developed rating system. The rating concentration of Corporate/Commercial, ME and SME customers according to Parent Bank’s rating system is as follows:

	Current Period	Prior Period
Above average	59,2%	47,5%
Average	34,8%	42,8%
Below average	6,0%	9,7%

The Parent Bank takes following criterias into consideration for the identification of default:

- The loan is overdue more than 90 days.
- The borrower is not able to pay at least one of the loans he received from the Bank [cross default]
- Having a negative intelligence and bad-record for the borrower in the market.
- Deterioration of the creditworthiness of the borrower.

The Group sets aside expected credit loss in accordance with the Provisioning Regulation within the scope of “provisions” and “value adjustments”.

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Total amount of exposures after offsetting transactions but before applying credit risk mitigations and the average exposure amounts that are classified in different risk groups and types, are disclosed below for the relevant period:

Risk classifications:	Current Period Risk Amount ⁽¹⁾	Average Risk Amount ⁽¹⁾
Conditional and unconditional receivables from central governments or central banks	149.409.580	118.077.961
Conditional and unconditional receivables from regional or local governments	646	730
Conditional and unconditional receivables from administrative units and non-commercial enterprises	91.462	108.848
Conditional and unconditional receivables from multilateral development banks	864.361	308.518
Conditional and unconditional receivables from banks and brokerage houses	46.576.883	42.583.828
Conditional and unconditional receivables from corporates	200.484.952	183.902.687
Conditional and unconditional retail receivables	101.421.547	90.220.983
Conditional and unconditional receivables secured by mortgages	42.880.003	37.051.538
Past due receivables	4.264.253	4.663.931
Receivables defined as high risk category by the Regulator	2.214.053	1.843.827
Investments similar to collective investment funds	20	5.148
Share certificate investment	1.957.753	1.816.653
Other receivables	19.251.658	17.837.062
Total	569.417.171	498.421.714

⁽¹⁾ Includes credit risk amounts of total exposure before applying credit risk mitigations.

2.2. The Parent Bank has control limits over the positions of forwards, options and similar agreements. These positions are measured and managed by following their market values and by taking potential risk into considerations throughout their maturities, in accordance with Counterparty Credit Risk management. Limits are also calculated and dynamically managed by taking these potential risks into considerations. Daily market value calculations, limit controls, collateral assessments are performed and reported to the relevant departments within the Bank.

The Group may use its rights, as stated in the derivative agreements based on which the Group realizes derivative transactions, in order to eliminate the risks that may arise due to being exposed to severe risk levels arising from fluctuations in the market.

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2.3. In line with the Provisioning Regulation, if the cash risk of a customer is classified as nonperforming, the non- cash risk is also classified as nonperforming under the same group where the cash risks were already followed and specific provision is reserved.

Restructured loans are also classified and followed up according to the regulation on provisions considering the Bank's credit risk policies. Accordingly, the financial position and commercial operations of related customers are monitored, their principal and interest payments are followed up with the restructured repayment schedule and the necessary precautions are taken.

2.4. The Group's banking activities in foreign countries and credit transactions are subject to periodical follow-up in terms of the economic conditions of the related country and the evaluation of the creditworthiness of the customers and financial institutions. No material credit risk have been observed in scope of these operations.

2.5. In terms of credit risk;

- The proportion of the Parent Bank's top 100 and 200 cash loan balances in total cash loans is 33% and 40%. [December 31, 2019- 36% and 43%].
- The proportion of the Parent Bank's top 100 and 200 non-cash loan balances in total non-cash loans is 45% and 59%. [December 31, 2019- 49% and 62%].
- The proportion of the Parent Bank's cash and non-cash loan balances with the first 100 and 200 customers comprises of 36% and 45% of total cash loans and non-cash loans. [December 31, 2019- 39% and 48%].

2.6. The Group provided a general loan loss provision amounting to TL 11.990.560 [December 31, 2019 - TL 6.595.432].

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2.7. Risk profile according to the geographical concentration:

	Risk Classifications ^{(1),(2)}					
	1	2	3	4	5	6
Current Period						
Domestic	146.987.118	646	91.462	-	14.436.165	191.237.625
EU countries	2.171.406	-	-	853.893	20.407.913	4.443.222
OECD countries ⁽³⁾	-	-	-	-	840.832	1.372.652
Off-shore banking regions	-	-	-	-	-	555.825
USA, Canada	-	-	-	10.468	10.439.998	645.033
Other countries	251.056	-	-	-	451.975	2.230.595
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-
Undistributed Assets/Liabilities ⁽⁴⁾	-	-	-	-	-	-
Total	149.409.580	646	91.462	864.361	46.576.883	200.484.952
	Risk Classifications ^{(1),(2)}					
	1	2	3	4	5	6
Prior Period						
Domestic	92.345.409	-	103.721	-	23.962.311	177.137.414
EU countries	1.810.346	-	-	77.244	19.262.627	3.871.623
OECD countries ⁽³⁾	-	-	-	-	2.070.193	1.438.374
Off-shore banking regions	-	-	-	-	35.926	1.082.846
USA, Canada	-	-	-	8.914	14.084.889	2.200.226
Other countries	307.354	-	-	-	418.382	2.887.307
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-
Undistributed Assets/Liabilities ⁽⁴⁾	-	-	-	-	-	-
Total	94.463.109	-	103.721	86.158	59.834.328	188.617.790

⁽¹⁾ Risk classifications in the “Regulation on Measurement and Evaluation of Capital Adequacy of Banks” will be used.

⁽²⁾ Includes credit risk amounts of total exposure before credit risk mitigation.

⁽³⁾ OECD Countries other than EU countries, USA and Canada.

⁽⁴⁾ Assets and liabilities are not allocated on a consistent basis.

- 1-Conditional and unconditional receivables from central governments or central banks
- 2-Conditional and unconditional receivables from regional or local governments
- 3-Conditional and unconditional receivables from administrative units and non-commercial enterprises
- 4-Conditional and unconditional receivables from multilateral development banks
- 5- Conditional and unconditional receivables from banks and brokerage houses
- 7-Conditional and unconditional receivables from corporates
- 8-Conditional and unconditional retail receivables
- 9-Conditional and unconditional receivables secured by mortgages
- 9- Past due receivables
- 10- Receivables defined as high risk category by the Regulator
- 11- Investments similar to collective investment funds
- 12-Share certificate investment
- 13-Other receivables

Risk Classifications ^{(1),(2)}							
7	8	9	10	11	12	13	Total
101.196.635	42.243.603	4.084.448	1.776.620	20	315.873	19.095.730	521.465.945
15.341	632.497	109.800	15.283	-	165	11.495	28.661.015
1.862	1.045	-	-	-	-	-	2.216.391
66	-	11.153	-	-	-	-	567.044
3.943	1.013	-	-	-	154.043	-	11.254.498
203.700	1.845	58.852	422.150	-	248	144.433	3.764.854
-	-	-	-	-	1.487.424	-	1.487.424
-	-	-	-	-	-	-	-
101.421.547	42.880.003	4.264.253	2.214.053	20	1.957.753	19.251.658	569.417.171
Risk Classifications ^{(1),(2)}							
7	8	9	10	11	12	13	Total
82.913.622	25.302.205	6.918.701	191.963	4.997	279.039	15.194.016	424.353.398
6.512	3.296	276.800	-	-	137	13.362	25.321.947
902	1.688	2	-	-	-	-	3.511.159
33	-	11.717	-	-	-	-	1.130.522
1.707	934	3.060	-	-	269.484	-	16.569.214
180.733	1.664	66.373	3	-	210	153.942	4.015.968
-	-	-	-	-	1.249.351	-	1.249.351
-	-	-	-	-	-	-	-
83.103.509	25.309.787	7.276.653	191.966	4.997	1.798.221	15.361.320	476.151.559

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2.8. Risk profile according to sectors and counterparties:

	Risk Classifications ^{(1),(2)}						
	1	2	3	4	5	6	7
Agricultural	-	-	2.279	-	-	3.034.964	1.754.048
Farming and raising livestock	-	-	2.279	-	-	2.099.678	1.486.007
Forestry	-	-	-	-	-	691.516	236.757
Fishing	-	-	-	-	-	243.770	31.284
Manufacturing	-	-	9.368	-	661.964	117.668.110	21.362.047
Mining	-	-	-	-	-	1.244.148	221.925
Production	-	-	1.325	-	661.964	73.046.263	20.762.844
Electric, gas and water	-	-	8.043	-	-	43.377.699	377.278
Construction	-	-	28	-	67.831	25.256.674	4.949.231
Services	148.914.794	646	79.787	864.361	43.852.779	53.079.995	11.387.917
Wholesale and retail trade	-	-	-	-	-	13.300.897	5.151.357
Hotel, food and beverage services	38	-	-	-	-	5.129.619	1.393.955
Transportation and telecommunication	-	-	-	-	-	11.282.104	1.613.493
Financial institutions	148.864.437	-	5	864.361	43.852.779	7.970.114	398.168
Real estate and renting services	-	-	422	-	-	5.082.724	645.310
Employment	-	-	-	-	-	-	-
Education services	-	-	629	-	-	624.449	172.424
Health and social services	50.319	646	78.731	-	-	9.690.088	2.013.210
Other	494.786	-	-	-	1.994.309	1.445.209	61.968.304
Total	149.409.580	646	91.462	864.361	46.576.883	200.484.952	101.421.547

⁽¹⁾ Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.

⁽²⁾ Includes credit risk amounts of total exposure before credit risk mitigation.

- 1-Conditional and unconditional receivables from central governments or central banks
- 2-Conditional and unconditional receivables from regional or local governments
- 3-Conditional and unconditional receivables from administrative units and non-commercial enterprises
- 4-Conditional and unconditional receivables from multilateral development banks
- 5- Conditional and unconditional receivables from banks and brokerage houses
- 6-Conditional and unconditional receivables from corporates
- 7-Conditional and unconditional retail receivables
- 8-Conditional and unconditional receivables secured by mortgages
- 9- Past due receivables
- 10- Receivables defined as high risk category by the Regulator
- 11- Investments similar to collective investment funds
- 12-Share certificate investment
- 13-Other receivables

Risk Classifications ^{(1),(2)}								
8	9	10	11	12	13	TL	FC	Total
474.272	78.959	91.415	-	-	-	3.506.870	1.929.067	5.435.937
439.593	76.300	37.919	-	-	-	2.880.250	1.261.526	4.141.776
31.796	1.245	29	-	-	-	483.315	478.028	961.343
2.883	1.414	53.467	-	-	-	143.305	189.513	332.818
18.634.217	2.678.776	1.249.809	-	1.870	-	74.336.094	87.930.067	162.266.161
58.450	11.050	15.738	-	-	-	1.206.145	345.166	1.551.311
16.698.586	1.720.019	1.054.171	-	1.870	-	62.918.552	51.028.490	113.947.042
1.877.181	947.707	179.900	-	-	-	10.211.397	36.556.411	46.767.808
4.915.310	270.713	574.417	-	22.874	-	14.231.784	21.825.294	36.057.078
11.714.983	842.658	285.566	-	1.925.483	12.419.501	143.167.233	142.201.237	285.368.470
1.458.332	123.585	88.827	-	-	-	10.865.570	9.257.428	20.122.998
3.999.331	106.653	127.060	-	-	-	3.793.245	6.963.411	10.756.656
1.919.565	166.671	15.620	-	233.446	-	4.765.741	10.465.158	15.230.899
603.594	2.805	43	-	1.685.659	12.419.501	112.485.820	104.175.646	216.661.466
1.179.114	409.877	50.736	-	-	-	2.434.549	4.933.634	7.368.183
-	-	-	-	-	-	-	-	-
117.816	4.225	53	-	-	-	862.438	57.158	919.596
2.437.231	28.842	3.227	-	6.378	-	7.959.870	6.348.802	14.308.672
7.141.221	393.147	12.846	20	7.526	6.832.157	76.379.833	3.909.692	80.289.525
42.880.003	4.264.253	2.214.053	20	1.957.753	19.251.658	311.621.814	257.795.357	569.417.171

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2.9. Risk profile according to remaining maturities:

Risk classifications ⁽¹⁾	1 month	1-3 months	3-6 months	6-12 months	1 year and over	Total
Conditional and unconditional receivables from central governments or central banks	49.498.131	266.890	1.164.021	1.582.963	93.333.854	145.845.859
Conditional and unconditional receivables from regional or local governments	-	-	-	-	646	646
Conditional and unconditional receivables from administrative units and non-commercial enterprises	10.618	32.746	10.500	8.723	28.800	91.387
Conditional and unconditional receivables from multilateral development banks	761.274	771	11.519	482	90.315	864.361
Conditional and unconditional receivables from banks and brokerage houses	20.218.168	2.947.705	5.126.511	3.072.143	8.233.922	39.598.449
Conditional and unconditional receivables from corporates	13.193.504	15.710.697	26.349.849	28.669.036	116.508.173	200.431.259
Conditional and unconditional retail receivables	33.868.186	3.048.809	5.858.894	7.012.457	48.593.067	98.381.413
Conditional and unconditional receivables secured by mortgages	593.880	1.401.967	1.715.152	3.756.604	35.366.326	42.833.929
Past due receivables	-	-	-	-	-	-
Receivables defined as high risk category by the Regulator	46.864	8.321	4.007	18.228	516.999	594.419
Investments similar to collective investment funds	-	-	20	-	-	20
Share certificate investment	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
General Total	118.190.625	23.417.906	40.240.473	44.120.636	302.672.102	528.641.742

⁽¹⁾ Includes credit risk amounts of total exposure before applying credit risk mitigations.

2.10. Risk balances according to risk weights:

Total exposure amount before and after applying risk mitigation techniques and total amounts deducted from the capital which are calculated in accordance with the Appendix-1 of the “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks” are presented below.

Risk Weights	0%	2%	4%	20%	35%	50%	75%	100%	150%	250%	Total	Deductions from the shareholders' equity
1 Total exposure before credit risk mitigation	156.923.296	1.747.308	126.545	26.594.873	-	25.100.930	112.467.481	243.194.914	1.816.346	1.445.478	569.417.171	2.207.647
2 Total exposure after credit risk mitigation	142.101.982	50.016	126.545	26.281.600	9.197.107	37.811.961	96.260.829	220.913.075	1.020.756	1.445.478	535.209.349	2.207.647

2.11. Information according to sectors and counterparties:

For loans which are classified as impaired loans due to delay of collection of principal or interest by 90 days [will temporarily be applied 180 days until June 30, 2021] and above and/or negative risk assessments of creditworthiness of the debtor; “Specific Provision” is set aside in the accompanying financial statements as of 31 December 2020.

For loans which are classified as past due but not impaired loans due to delay of collection of principal or interest up to 90 days [will temporarily be applied 180 days until June 30, 2021]; “General Provision” is set aside in the accompanying financial statements as of 31 December 2020.

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Sectors/Counterparties	Loans		Provisions
	Impaired Loans (TFRS9)		Expected Credit Losses
	Significant increase in credit risk	Credit - Impaired (Stage 3)	
Agricultural	473.937	681.184	540.527
Farming and raising livestock	248.026	535.427	441.093
Forestry	128.305	30.657	33.743
Fishing	97.606	115.100	65.691
Manufacturing	26.703.872	11.317.469	12.688.381
Mining	102.878	134.011	113.076
Production	5.501.915	6.784.493	5.259.123
Electric, gas and water	21.099.079	4.398.965	7.316.182
Construction	7.253.681	2.698.057	2.918.625
Services	13.703.132	3.620.941	4.068.634
Wholesale and retail trade	583.019	987.749	815.309
Hotel, food and beverage services	1.758.667	654.978	516.148
Transportation and telecommunication	2.993.234	621.862	587.144
Financial institutions	1.253.170	24.664	377.431
Real estate and renting services	4.161.695	1.066.534	1.177.225
Education services	15.643	28.538	26.750
Health and social services	2.937.704	236.616	568.627
Other	4.286.076	2.272.611	2.706.510
Total	52.420.698	20.590.262	22.922.677

2.12. Information about value adjustments and changes in the loan impairment:

	Opening balance	Provision amounts set aside during the period	Reversal of provisions	Other adjustments ⁽¹⁾	Close out balance
1 Specific provisions	12.871.501	4.338.290	(1.870.591)	(965.284)	14.373.916
2 General provisions	6.595.432	5.376.296	(9.176)	28.088	11.990.560

⁽¹⁾ The figure represents the written off loans, foreign exchange differences and also includes non performing loan sales.

3. Explanations on Consolidation Based Risk Management:

3.1. General Information on Risk Management and Risk Weighted Amount

3.1.1. Risk management approach of the Bank

Risk management strategy of the Group ensures using the capital at an optimum level and provide sustainable growth in this framework through measurement of risks in accordance with international standards and local regulations and taking risk-return balance into consideration in the framework of sustainable growth. Risk management approach of the Group is based on strong risk management techniques of İSEDES (Evaluation Process of Internal Capital Adequacy) and prospective planning and capital evaluation depending upon risk profile.

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A prospective capital planning approach is adopted for the Bank to carry out its operations if certain losses are incurred as a result of unexpected events or deteriorations in markets. The best international practices are utilized for the determination, measurement, analysis and control of risks. The process regarding identification of risks and determination of appropriate measurement method has a dynamic structure in which the risk management is improved through inspiring from advanced international practices and analyses updated in line with its business evolution. A risk appetite framework integrated to budget process, has been developed in order to carry out related activities at an optimum level while reaching predefined budget target of the Bank and therefore an appropriated risk positions are ensured to be taken.

Risk appetite, as an integral part of the main pillar and a crucial instrument of the Bank Management, is implemented in order to ensure the execution of Bank’s activities in an ideal manner through taking appropriate risk positions at an acceptable level of risk. Risk appetite, is integrated to management and budget processes of the Bank with performance indicators which are sensitive to risk.

Risk appetite indicators, targets, limits and critical thresholds are determined by the Executive Committee with the joint recommendation of Financial Planning and Financial Affairs Management and Risk Management. Possible changes which may occur in economic conditions are taken into consideration during the determination of aforementioned limits and thresholds.

Determined risk appetite indicators consists of capital adequacy, risk, financing and liquidity ratios of the Bank and senior management ensures the Bank to carry out its activities in the range of such targets and critical thresholds. Senior management should take emergency precautions if the critical thresholds are exceeded. Monitoring and periodical reporting to senior management is performed by the related units in order to implement risk appetite framework.

The Group implements internal policies and procedures that are audited and approved at least once a year by the Board of Directors in order to manage market risks arising from on-balance sheet and off-balance sheet liabilities. Based on the principles mentioned in Regulatory Authority’s directives and best practice guidelines, internal policies determine responsibilities and practitioners for identification, measurement, monitoring and reporting of the risks in line with the risk appetite and needs of the Bank; lay the groundwork for granting limits in the Bank; and guide the actions to be taken in case of risk appetite is exceeded.

The Credit Policy Directive, which reflects the general framework of the Parent Bank’s credit allocation activities, is updated at least annually and implemented with the approval of the Board of Directors. Credit Policy Directive is based on improving asset quality, supporting effective risk management and compliance with legal practices. In addition, it includes management of lending activities according to the Bank’s common standards, limitations and principles.

The main purpose of the credit risk management is to identify, measure and mitigate credit risk, react in a timely manner and take necessary actions with the help of efficient and well-functioning rating/scoring models, strategies and processes. The main strategies include topics like effective implementation of the Credit Policy Directive to reinforce the sustainability of common risk management approach, steering of the loan portfolio toward less risky sectors, avoidance of excessive concentration in Group exposures while strictly obeying statutory limits, focus on customers with better credit ratings, avoidance of transactions bearing high credit and reputational risk, managing country risk in line with established strategy, policy and rules, timely updates to senior management about all developments in credit risk area to ensure effective credit risk management, performing credit stress tests and participating in credit risk regulatory processes.

Risk Management reports to Board of Directors in organisation structure via Audit Committee. Risk Management organisation is divided into “Market Risk Management”, “Credit Risk Management” and “Strategic Risk Control” and “Risk Validation” units.

In the process of market risk management, related business and risk units perform their activities within the scope of the principles determined by internal policies such as the Financial Markets Rulebook, Liquidity Policy, Liquidity Risk Limit Management Policy, Liquidity Emergency Policy, Interest Rate Risk Policy, Interest Rate Risk Limit Management Policy, Hedge Policy, Derivatives Policy, Independent Price Verification Policy, Policy due to inclusion on Financial assets where fair value change is reflected to income statement, Market Risk Stres Test Policy.

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Value at Risk, Basis Point Value (interest rate sensitivity), and Credit Basis Point Value (credit spread sensitivity) are risk metrics calculated via internal models and used in measurement of market risks. Risk measures are monitored at product, portfolio and account (Financial assets where fair value change is reflected to income statement and Financial assets where fair value change is reflected to other comprehensive income statement) basis. Performance of internal models is measured by backtesting of the model's outputs. In addition, transaction limits are used at specific products.

Liquidity Risk measurement methods; consists of both short term risk metrics such as Liquidity Coverage Ratio, Short Term Liquidity, Intraday Liquidity, and Early Warning Indicators and long-term risk metrics such as the Net Stable Funding Ratio and the funding concentration structure. With various scenario analyzes aimed at stressing the liquidity, it is examined how the possible deterioration scenarios that can be observed in the parameters of the market or institution-specific or both cases affect the liquidity position of the Bank.

Measurements performed via internal models in the context of market risk management are reported to the Bank's Top Management, Treasury, Financial Reporting and Credit Monitoring Units (for the Counterparty Credit Risk process) on a daily basis and to the Board of Directors and Executive Committee on a monthly basis.

Stress tests, provide a prospective point of view during risk management, budget and capital planning processes through reviewing the impact of events or changes in markets, which have a low possibility to occur under normal conditions but may result in losses to Bank in case they occur. The Bank performs stress tests to measure impacts of temporary or continuous deteriorations in market risk factors on income statement and to make capital plans. Scenarios, having basis, medium and high stress levels, aim to measure impacts of adverse conditions across the country on the economic value of the Bank through risk factors. Other important risk elements such as Fixed Assets held by the Bank and financial investment risks faced through its subsidiaries, as well as price movements, are reviewed during stress test processes as well.

Stress test studies are made with the active participation of senior management and impact of the stress test to the general risk profile of the Bank is reported. Senior management participates in establishing of stress test's scenario, analyzing of its results, through determination of the scope and approach of the scenario, guidance of required directions and review of results and recommendation of action plans. Stress scenarios, up-to-date estimations and crisis scenarios are prepared by Macroeconomic Research Department.

The Parent Bank reduces market risk exposure within scope of its commercial activities through derivative instruments and makes an effort to control impacts of the risks on capital through hedge accounting implementation. It holds foreign exchange positions to manage residual positions as a result of banking activities through performing a conservative approach to exchange risk and manages its end of day positions at a minimum level.

For the detection and mitigation of risks, Operational and Reputational Risk Management defines policies and strategies and determines, reports and monitors actions to reduce potential operational and reputational risks via loss data, key risk indicators, scenario analysis and risk assessments. Operational Risk Management Policy and Reputational Risk Policy is updated every year and approved by the Board of Directors.

Business Continuity Management Policy aims at reducing the risks that may endanger the continuity of Banks operations to a minimum level and ensuring critical product and services in case of unexpected events in an acceptable period. Bank's resilience against unexpected events is increased through the Crisis Communication Plan, Emergency Response Plan, Business Recovery Plan and Crisis Communication Plan. Business Continuity Policy and Plans are regularly updated and approved by the Board of Directors.

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3.1.2. Overview of Risk Weighted Assets

	Risk Weighted Assets		Minimum Capital Requirements
	Current Period	Prior Period	Current Period
1 Credit risk (excluding counterparty credit risk) [CCR]	317.655.574	289.482.466	25.412.446
2 Of which standardised approach [SA]	317.655.574	289.482.466	25.412.446
3 Of which internal rating-based [IRB] approach	-	-	-
4 Counterparty credit risk	6.737.161	5.037.926	538.973
5 Of which standardised approach for counterparty credit risk [SA-CCR]	6.737.161	5.037.926	538.973
6 Of which internal model method [IMM]	-	-	-
7 Equity positions in banking book under market-based approach	-	-	-
8 Equity investments in funds - look-through approach	10	2.603	1
9 Equity investments in funds - mandate-based approach	-	-	-
10 Equity investments in funds - fall-back approach	-	-	-
11 Settlement risk	-	-	-
12 Securitisation exposures in banking book	-	-	-
13 Of which IRB ratings-based approach [RBA]	-	-	-
14 Of which IRB Supervisory Formula Approach [SFA]	-	-	-
15 Of which SA/simplified supervisory formula approach [SSFA]	-	-	-
16 Market risk	4.439.332	2.689.968	355.147
17 Of which standardised approach [SA]	4.439.332	2.689.968	355.147
18 Of which internal model approaches [IMM]	-	-	-
19 Operational risk	30.380.790	26.507.024	2.430.463
20 Of which Basic Indicator Approach	30.380.790	26.507.024	2.430.463
21 Of which Standardised Approach	-	-	-
22 Of which Advanced Measurement Approach	-	-	-
23 Amounts below the thresholds for deduction [subject to 250% risk weight]	3.613.695	3.034.158	289.096
24 Floor adjustment	-	-	-
25 TOTAL (1+4+7+8+9+10+11+12+16+19+23+24)	362.826.562	326.754.145	29.026.126

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3.2. Linkages between financial statements and risk amounts:

3.2.1 Differences and matching between asset and liabilities' carrying values in financial statements and risk amounts in capital adequacy calculation:

Current Period	Carrying values in financial statements prepared as per TAS	Carrying values in consolidated Financial statements prepared as per TAS but in compliance with the communiqué "Preparation of Consolidated Financial	Carrying values of items in accordance with TAS				
			Subject to credit risk	Subject to counterparty credit risk	Subject to the Securitisation framework	Subject to market risk	Not subject to capital requirements or subject to deduction from capital
Assets							
Financial Assets (Net)	107.193.262	107.243.330	99.527.578	18.678.748	-	4.856.983	141.561
Loans (Net)	345.361.677	345.381.070	356.538.840	17.961.018	-	-	42.199
Assets Held For Resale And Related To Discontinued Operations (Net)	724.207	724.207	724.207	-	-	-	-
Investment in Subsidiaries, Associates, Joint ventures (net)	1.585.926	1.604.601	1.604.601	-	-	-	-
Property And Equipment (Net)	2.633.134	4.554.379	4.441.038	-	-	-	113.341
Intangible Assets (Net)	2.047.883	2.003.526	92.980	-	-	-	1.910.546
Tax Asset	3.895.323	3.706.919	3.706.919	-	-	-	-
Other Assets	21.012.999	21.271.647	21.464.564	-	-	-	-
TOTAL ASSETS	484.454.411	486.489.679	488.100.727	36.639.766	-	4.856.983	2.207.647
Liabilities							
Deposits	292.440.543	264.410.268	-	-	-	-	264.410.268
Borrowings	45.334.270	46.424.693	-	-	-	-	46.424.693
Money Markets	2.330.397	30.360.664	-	27.705.338	-	-	2.655.326
Marketable Securities Issued	24.628.361	24.628.361	-	-	-	-	24.628.361
Financial liabilities fair value through profit and loss	12.555.789	12.555.789	-	-	-	-	12.555.789
Derivative Financial Liabilities	10.593.177	10.593.179	-	2.852.871	-	4.128.072	7.740.308
Lease Payables	1.090.420	1.090.420	-	-	-	-	1.090.420
Provisions	4.097.401	4.542.527	-	-	-	-	4.542.527
Tax Liability	1.475.942	1.986.234	-	-	-	-	1.986.234
Subordinated Loans	22.655.054	22.655.054	-	-	-	-	22.655.054
Other Liabilities	21.443.789	19.674.124	-	-	-	-	19.674.124
Shareholder's Equity	45.809.268	47.568.366	-	-	-	-	47.568.366
TOTAL LIABILITIES	484.454.411	486.489.679	-	30.558.209	-	4.128.072	455.931.470

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	Carrying values in financial statements prepared as per TAS	Carrying values in consolidated financial statements prepared as per TAS	Carrying values of items in accordance with TAS					
			Subject to credit risk	Subject to counterparty credit risk	Subject to the Securitisation framework	Subject to market risk	Not subject to capital requirements or subject to deduction from capital	
Prior Period								
Assets								
Financial Assets (Net)	113.280.776	113.563.368	97.964.963	19.685.955	-	3.302.377	112.694	
Loans (Net)	274.101.624	274.047.178	280.289.333	-	-	-	39.509	
Assets Held For Resale And Related To Discontinued Operations (Net)	331.335	331.335	331.335	-	-	-	-	
Investment in Subsidiaries, Associates, Joint ventures (net)	1.236.241	1.249.325	1.249.325	-	-	-	-	
Property And Equipment (Net)	2.415.275	4.358.899	4.228.729	-	-	-	130.170	
Intangible Assets (Net)	1.965.121	1.920.824	72.823	-	-	-	1.848.001	
Tax Asset	2.330.060	2.132.448	2.132.448	-	-	-	-	
Other Assets	13.326.249	13.591.643	13.702.645	-	-	-	-	
TOTAL ASSETS	408.986.681	411.195.020	399.971.601	19.685.955	-	3.302.377	2.130.374	
Liabilities								
Deposits	234.805.573	231.071.697	-	-	-	-	231.071.697	
Borrowings	44.446.270	45.373.495	-	-	-	-	45.373.495	
Money Markets	2.575.025	6.308.888	-	3.695.745	-	-	2.613.143	
Marketable Securities Issued	24.956.076	25.221.191	-	-	-	-	25.221.191	
Financial liabilities fair value through profit and loss	13.184.605	13.184.605	-	-	-	-	13.184.605	
Derivative Financial Liabilities	7.105.282	7.105.282	-	2.683.935	-	2.800.734	4.421.347	
Lease Payables	927.223	927.223	-	-	-	-	927.223	
Provisions	3.355.268	3.742.231	-	-	-	-	3.742.231	
Tax Liability	320.496	942.198	-	-	-	-	942.198	
Subordinated Loans	18.580.039	18.580.039	-	-	-	-	18.580.039	
Other Liabilities	19.374.925	17.546.591	-	-	-	-	17.546.591	
Shareholder's Equity	39.355.899	41.191.580	-	-	-	-	41.191.580	
TOTAL LIABILITIES	408.986.681	411.195.020	-	6.379.680	-	2.800.734	404.815.340	

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3.2.2. Main sources of differences between regulatory exposure amounts and carrying values in financial statements:

Current Period	Total	Subject To Credit Risk	Subject to the Securitisation	Subject To Counterparty Credit Risk	Subject To Market Risk
1 Asset carrying value amount under scope of regulatory Consolidation [As note 3.2.1 of Section 4]	529.597.476	488.100.727	-	36.639.766	4.856.983
2 Liabilities carrying value amount under regulatory scope of consolidation [As note 3.2.1 of Section 4]	34.686.281	-	-	30.558.209	4.128.072
3 Total net amount under regulatory scope of consolidation	494.911.195	488.100.727	-	6.081.557	728.911
4 Off-Balance Sheet Amounts	212.811.656	66.438.271	-	1.521.793	-
5 Differences in valuations		-	-	-	-
6 Differences due to different netting rules, other than those already included in row 2		-	-	-	-
7 Differences due to consideration of provisions		-	-	-	-
8 Differences resulted from the BRSA'a applications		[20.124.267]	-	[62.071]	3.710.421
9 Differences due to risk reduction		[6.280.049]	-	[466.612]	-
Risk Amounts		528.134.682	-	7.074.667	4.439.332

Prior Period	Total	Subject To Credit Risk	Subject to the Securitisation	Subject To Counterparty Credit Risk	Subject To Market Risk
1 Asset carrying value amount under scope of regulatory Consolidation [As note 3.2.1 of Section 4]	422.959.933	399.971.601	-	19.685.955	3.302.377
2 Liabilities carrying value amount under regulatory scope of consolidation [As note 3.2.1 of Section 4]	9.180.414	-	-	6.379.680	2.800.734
3 Total net amount under regulatory scope of consolidation	413.779.519	399.971.601	-	13.306.275	501.643
4 Off-Balance Sheet Amounts	183.924.359	57.229.378	-	1.733.413	-
5 Differences in valuations		-	-	-	-
6 Differences due to different netting rules, other than those already included in row 2		-	-	-	-
7 Differences due to consideration of provisions		-	-	-	-
8 Differences resulted from the BRSA'a applications		-	-	-	2.188.325
9 Differences due to risk reduction		[5.814.119]	-	[10.111.189]	-
Risk Amounts		451.386.860	-	4.928.499	2.689.968

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3.2.3. Disclosures regarding differences between exposures valued in accordance with TAS and risk exposures:

Main difference between amounts reported in financial statements and valued in accordance with TAS and amounts valued in accordance with TAS in scope of TAS in the framework of legal consolidation is that non-financial subsidiaries are not included in consolidation in scope of legal consolidation.

Group’s financial instruments subject to fair value measurement are valued using Mark-to-Market or Mark-to-Model approach based on their product types. Implementation of valuation methodologies is carried out in accordance with the “Fair Value Measurement” policies in line with the prudent valuation principles set out in the annex of the Directive on Measurement and Assessment of Banks’ Capital Adequacy. The Group uses market prices for bonds and futures contracts traded in organized markets, while it often uses platforms generating Mark-to-Model value for derivative transactions traded in OTC markets. Mark-to-Market or Mark-to-Model valuations are made on a daily basis so that changes in the market can be reflected in the Group’s financials with the same frequency.

The Independent Price Control process [IPV] is designed to draw the errors or deviations that may occur in the valuations to the minimum level, to calculate the correct profit/loss and risk, through verification, comparison and approval of market prices and model inputs regularly with independent and different sources. The purpose of the IPV is to ensure that the data used for bank valuations are generated on a daily basis from a highly representative, adequately liquid and accurate instruments. All these processes have a clear, integrated and complementary approach that is in line with the objectives of the Bank.

Prices quoted in active markets for securities and derivative transactions are used to record the fair value of an instrument, but quoted prices are generally not available in active markets. Appropriate valuation techniques are used for financial instruments that are not traded in the market but the estimated fair value is adjusted through valuation techniques of the market participant’s estimation of similar asset or liability price. Such adjustments are categorized close out cost, market liquidity, model risk and credit valuation adjustments.

Close out Cost adjustment reflects the amount which would be incurred to arrive at an appropriate ask/liquidation price [financial instruments which are assets at valuation date] or bid/unwind price [financial instruments which are liabilities at valuation date] for financial instruments valued at mid-market prices.

Market liquidity adjustment is calculated to reflect the amount which would be incurred to close out the position when liquidity is not sufficient. When there is not any tradeable price on liquid two way market, a liquidity discount is applied for pricing.

Model risk; reflects the risk stemming from deficiencies in model. Complexity of the model, being market standard and capability to incorporate all known risk factors determine the necessity/applicability of model risk adjustments.

Credit Value Adjustment [CVA], is defined as market value of counterparty credit risk [CCR], which arises from the possibility of a counterparty’s default and considered in regulatory capital adequacy calculations for all CCR exposures.

3.3. Explanations on credit risk

3.3.1. General information regarding credit risk

3.3.1.1. General qualitative information regarding credit risk

Credit Policy is prepared to be well-structured in line with the BRSA loan management guidebook.

Credit Policy is revised at least once a year, approved by Board of Directors, announced within the bank and implemented in accordance with the appropriate procedures in banks. During the review of credit policies, economic conjuncture, the bank’s capital adequacy ratio and amendments in related regulation are taken into consideration. Key elements such as target markets, portfolio structure and concentration, large exposures, credit limit applications, approval authorities are determined in the credit policies. In the policies, key messages are provided based on principles of prudence, continuity about the customers’s worthiness, specific sectors, segments and products for growth in accordance with the defined credit strategies.

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Credit Risk Management Section is established to manage the credit risk of the Bank by determining, measuring, monitoring, evaluating and reporting the risks. In order to improve the asset quality of the Bank, the main roles and responsibilities of the section are composed of performing periodical analyses on credit portfolio trend, calculating credit risk cost based on segments and executing compliance activities between risk management practices with Basel II requirements.

Credit Risk Management is consisting 2 sub units.

Commercial Credit Risk Management is responsible for taking part in the model development processes of PD, EAD, LGD models which are in the scope of IRB communique [issued by BRSA - using internal rating based approach for credit risk calculations] and giving opinions as the ultimate authority, supervising the rating systems, monitoring the performance, analysing the results regularly, ensuring the proper functioning of the rating systems, leading the studies for the areas that need improvement and the deficiencies identified, informing the BRSA about the changes made in the rating systems and the relevant units within the Bank, evaluating model use test, ensuring dissemination of the models in the bank internal processes within the scope requested by the BRSA, managing IRB transition process, providing the documentation requested in this process and monitoring the projects carried out in the Bank within the scope of Basel II for commercial customers. This business unit is also responsible for taking part in the development processes of operational models used in underwriting, monitoring, collection, etc. processes and monitoring their performance. In addition, the department is responsible for developing underwriting/monitoring strategies for corporate customer segments and putting them into practice through decision support systems.

Retail Credit Risk Management is responsible for taking part in the model development processes of PD, EAD, LGD models which are in the scope of IRB communique [issued by BRSA - using internal rating based approach for credit risk calculations] and giving opinions as the ultimate authority, supervising the rating systems, monitoring the performance, analysing the results regularly, ensuring the proper functioning of the rating systems, leading the studies for the areas that need improvement and the deficiencies identified, informing the BRSA about the changes made in the rating systems and the relevant units within the Bank, evaluating model use test, ensuring dissemination of the models in the bank internal processes within the scope requested by the BRSA, managing IRB transition process, providing the documentation requested in this process and monitoring the projects carried out in the Bank within the scope of Basel II for private individual customers. This business unit is responsible for taking part in the development processes of operational models used in underwriting, monitoring, collection, etc. processes and monitoring their performance. In addition, the department is responsible for developing underwriting/monitoring strategies for individual loan products and putting them into practice through decision support systems.

Risk Validation is an independent unit directly reporting to the Chief Risk Officer and responsible for the validation of every risk-related model and processes. Validation activities consist of statistical analysis, compliance to regulations and compliance to Bank's internal policies. Risk Validation has two sub-departments: Regulatory Risk Validation and Strategic Risk Validation. In scope of the Regulatory Risk Validation, there are IRB models, IFRS 9 and Credit and Operational Risks under Pillar II. Strategic Risk Validation, on the other hand, focuses on the validation of Strategy, Managerial Models, Market Risk and other risk types under Pillar II.

Strategic Risk Control is responsible for preparation of credit risk budgeting and credit risk reporting activities of the Parent Bank, calculation of loan loss provisions on SBU basis; identification of the Credit Policy according to risk appetite of the Bank, implementation of the policy throughout the Banks and its subsidiaries, support to all units in the Parent Bank for the related topics. The units establishes a common risk culture on group basis and performs process analyses of credit and risk management functions in subsidiaries to ensure standard risk management practices and establishes action plans for the standardization of all gaps within the group. It ensures makes regular tests of anomaly metrics created with the role of data ownership in the field of credit and collateral and ensures that action is taken to correct and improve data quality and tries to increase the awareness of data quality throughout the Bank". The unit prepares reports for assessment of credit risk and for the preparation of various and comprehensive concentrations and forecasts on asset quality trends for the Bank, performs necessary calculations to measure the risk profile of the bank and ensures that the country risk is identified.

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İSEDES report is prepared by Credit Risk Management in accordance with the related guide of BRSA and submitted to the approval of Board of Directors. The report mainly includes Bank’s approach for the review of risks and capital in order to preserve capital adequacy of the Bank with respect to its current and future activities and information on management structure and applied approaches.

The unit is also responsible for definition of the operational and reputational risk policies, implementation of measurement, monitoring and reporting systems, identification of the key risk indicators, and performance of scenario analyses. The unit also carries out the activities regarding Basel II compliance, operational risk models setting and development, operational risk weighted asset calculation and risk based insurance activities. It is also responsible for the studies on Information Systems risk inventory, coordination of the Support Services Risk Management Program and setting up the relevant monitoring systems and management, as well as development of the Business Continuity Management Policy&Plans and continuous updating of these policy and plans. It also ensures the actions taken under business continuity and the coordination and control of BCM projects and budget.

Regular supervision and controls are performed to ensure that credit process is carried out in compliance with bank credit policies and procedures, loans are extended in accordance with principles and procedures determined by Board of Directors and loans are reported properly with the information of maturity, quantity and qualification to top management.

Activities carried out by units within scope of internal systems are employed as a tool to define weak points regarding the credit risk management process, policy and procedures and to determine the transactions that are not compliant with limits, policy and procedures.

Issues that are observed during the examinations is being regularly reported to top management and Audit committee considering importance level.

Summary of the activities of units within the scope of internal systems are effectively utilized by the management and actions are taken in order to prevent repetition of weaknesses and conflicts regarding credit management.

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3.3.1.2. Credit quality of assets

Current Period	Gross carrying values of as per TAS			Net values
	Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	
1 Loans	19.603.259	297.608.496	24.740.768	292.470.987
2 Debt Securities	-	78.544.605	184.178	78.360.427
3 Off-balance sheet exposures	987.003	192.315.906	1.062.888	192.240.021
4 Total	20.590.262	568.469.007	25.987.834	563.071.435

Prior Period	Gross carrying values of as per TAS			Net values
	Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	
1 Loans	19.362.337	243.290.890	18.172.617	244.480.610
2 Debt Securities	-	56.580.044	94.342	56.485.702
3 Off-balance sheet exposures	1.175.798	161.704.704	927.439	161.953.063
4 Total	20.538.135	461.575.638	19.194.398	462.919.375

3.3.1.3 Changes in stock of defaulted loans and debt securities

	Current Period	Prior Period
1 Defaulted loans and debt securities at end of the previous reporting period	20.538.135	14.379.490
2 Loans and debt securities that have defaulted since the last reporting period	3.656.806	11.660.481
3 Returned to non-defaulted status	84.217	43.356
4 Amounts written off	1.066.358	3.575.298
5 Other changes	(2.454.104)	(1.883.182)
6 Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	20.590.262	20.538.135

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3.3.1.4 Additional disclosure related to the credit quality of assets

According to the BRSA Regulation “Regulation on the procedures and principles for the determination of qualification of loans and other receivables by Banks and provision to be set aside” in the cases:

- For which recovery of principal or interest or both delays for more than ninety days from their terms or due dates [will temporarily be applied 180 days until June 30, 2021] or;
- Which have limited means for total recovery because debtors’ equity or guarantees extended by them are found inadequate to cover payment of debts on respective terms and are likely to lead to losses in case any such problems observed are not solved or;
- For which debtors have suffered deterioration in their creditworthiness and credits have suffered weakness consequently or;
- For which it is believed that recovery by banks of principal or interest or both would delay for more than ninety days from their terms or due dates [will temporarily be applied 180 days until June 30, 2021] due to reasons such as problems encountered by debtors over operating capital financing or additional liquidity creation,

Loans and receivables are classified as non performing loans and are transferred to non performing loan accounts. Within the scope of the same regulation, these loans are set aside for the expected credit loss according to the internal models developed by the Bank.

In accordance with the regulation; in the event that failure to meet payment obligations towards banks stems from temporary liquidity difficulties related to the loans and other receivables as part of the principles of classification, loans and other receivables including any overdue interest may be restructured or subject to a new redemption plan for the purpose of providing debtors with liquidity capability and ensuring recovery of receivables by Bank.

3.3.1.4.1. Exposures provisioned against by major regions⁽¹⁾:

	Current Period	Prior Period
Domestic	386.948.188	321.073.185
USA, Canada	631.259	4.009.514
European Union (EU) Countries	7.962.372	6.383.485
OECD Countries	2.825.540	2.661.237
Off-Shore Banking Regions	2.798	130
Other Countries	5.344.709	5.218.684
Total	403.714.866	339.346.235

⁽¹⁾ Breakdown of cash, non-cash and non-performing loans with respect to geographical regions are provided.

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3.3.1.4.2. Exposures provisioned against by major sectors ⁽¹⁾:

	Current Period	Prior Period
Agricultural	6.614.522	9.663.508
Farming and raising livestock	4.615.508	7.654.143
Forestry	1.351.836	1.457.615
Fishing	647.178	551.750
Manufacturing	172.222.052	143.193.155
Mining and Quarrying	2.346.124	2.162.692
Production	118.053.407	94.750.349
Electricity, Gas, Water	51.822.521	46.280.114
Construction	44.750.283	45.675.600
Services	88.891.950	62.594.231
Wholesale and retail trade	19.740.942	11.018.992
Hotel, food and beverage services	11.020.579	8.318.445
Transportation and telecommunication	16.517.028	11.873.621
Financial institutions	17.185.727	11.422.115
Real estate and leasing services	8.669.452	8.814.540
Education services	846.740	649.247
Health and social services	14.911.482	10.497.271
Other	91.236.059	78.219.741
Total	403.714.866	339.346.235

⁽¹⁾ Breakdown of cash loans, non cash loans and non performing loans by sector is as in the above table.

3.3.1.4.3. Receivables according to remaining maturities:

Receivables according to remaining maturities are explained Note VII of Section 4.

3.3.1.4.4. Exposures provisioned against by major sectors:

Information on the amount of receivables and provisions provided for on the sector basis are disclosed in Note 2 of Section 4.

3.3.1.4.5. Exposures provisioned against by major regions:

The distribution of the specific provisions is predominantly domestic and a provision amounting to TL 17.564.595 (December 31, 2019- TL 17.603.089) has been set aside for the risk at an amount of TL 13.265.818 (December 31, 2019- TL 11.771.616).

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3.3.1.4.6. Aging analysis for overdue receivables⁽¹⁾:

	Current Period	Prior Period
1-30 days overdue	1.551.943	1.984.492
31-60 days overdue	763.971	1.433.652
61-90 days overdue	550.864	973.003
91-80 days overdue	1.010.402	-
Total	3.877.180	4.391.147

⁽¹⁾ Overdue receivables under close monitoring represent over due of cash loans.

Loans under close monitoring amounting to 44.243.362 TL [December 31, 2019- 33.396.766] are not overdue.

3.3.1.4.7. Breakdown of restructured receivables based on whether or not provisions are allocated:

Provisions are recognized for all Non-performing loans in accordance with Provisioning Regulation.

Credit Class	Current Period	Prior Period
Loans restructured from Loans and other receivables under close monitoring	21.261.243	21.562.029
Loans restructured from Loans under legal follow-up	1.929.764	1.356.496
Total	23.191.007	22.918.525

3.3.1.4.8. Informations related to expected credit losses for loans:

	Stage 1	Stage 2	Stage 3	Total
Beginning of the period (1 January 2020)	1.153.565	4.919.579	12.099.473	18.172.617
Additions	1.662.929	4.026.604	4.299.627	9.989.160
Disposals	(258.920)	(1.344.293)	(2.029.031)	(3.632.244)
NPL sales	-	-	(453.794)	(453.794)
Write offs	-	-	(529.322)	(529.322)
Transfer to stage 1	51.865	(51.229)	(636)	-
Transfer to stage 2	(55.391)	62.855	(7.464)	-
Transfer to stage 3	(368)	(260.024)	260.392	-
Exchange differences	178.109	998.410	17.832	1.194.351
End of the period	2.731.789	8.351.902	13.657.077	24.740.768

	Stage 1	Stage 2	Stage 3	Total
Beginning of the period (1 January 2019)	1.317.374	3.642.041	9.572.153	14.531.568
Additions	649.148	1.015.132	7.538.235	9.202.515
Disposals	(508.820)	(231.499)	(1.734.198)	(2.474.517)
NPL sales	-	-	(2.721.412)	(2.721.412)
Write offs	-	-	(853.886)	(853.886)
Transfer to stage 1	15.262	(14.422)	(840)	-
Transfer to stage 2	(361.187)	400.129	(38.942)	-
Transfer to stage 3	(25.845)	(282.850)	308.695	-
Exchange differences	67.633	391.048	29.668	488.349
End of the period	1.153.565	4.919.579	12.099.473	18.172.617

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3.3.2. Credit risk mitigation

3.3.2.1. Qualitative disclosure on credit risk mitigation techniques

The Parent Bank employs on-balance sheet netting and/or general netting agreements for specific capital market transactions for credit risk mitigation, with the condition of meeting the requirements of having implemented corresponding system supported methods and processes and clear documentation of the required documents.

The Parent Bank may use assets and liabilities as an on balance sheet netting instrument considering them as cash collateral.

The capital requirements may be determined on the base of net exposure of assets and liabilities, if the following conditions are met:

- The agreement should provide the Bank the authorization to monitor the receivable of the payee over a single value after netting all payables and receivables even though there is no such indicator for the counterparty showing bankruptcy or financial difficulty in accordance with the regulations of governments.
- The Bank is provided the authority of netting and monitoring the risk over a single value even the counterparty is not in bankruptcy case of a bankruptcy of one counterparty, the other counterparty should have the authority to terminate all contracts under the agreement
- The agreement should provide the facility to monitor the receivable of the payee over a single value after netting all payables and receivables in case of the termination of all contracts

In the policies and procedures regarding the assessment and management of the collaterals as part of collateralized lending, credit risk mitigation techniques aims at:

- Determination of general and specific requirements for the improvement and optimization of collateral systems, processes, strategies and procedures;
- Valuation of collateral taking into consideration the local regulations and procedures;
- Provision of the soundness, legal enforceability and maintainence of ratable collateral based on a legal framework;
- Determination of the level of the collateral haircut taking the local conditions and the process of risk management into consideration;
- Regular monitoring of the collateral value;
- Differentiation between counterparty [economic] and country [political] risk aspects,
- Mitigation of concentration risks, correlation risks and residual risks through recognition of collateral;
- Improvement in the quality of strategic business and overall Bank management
- Clear definition of Roles and Responsibilities
- Determination of acceptable collaterals and collateral related conditions (list of collateral)/(non-parametric condition list)

In the calculations regarding credit risk mitigation, the Bank performs risk mitigation within the regulations set out in the Credit Risk Mitigation Techniques Notification dated September 6, 2014 and numbered 29111 and uses a comprehensive financial guarantee method for its financial collaterals. With the comprehensive financial collateral method, the relevant volatility adjustments specified in the regulation made on the value of the financial collaterals that are used in calculating the capital requirements.

The credit policies establish an operational connection between Bank's activities and its risk capacity and covers the main business areas in accordance with target portfolio structure, risk targets regarding expected and unexpected loss in line with risk capacity and limits relating to risk concentration. Limits are ensured to be compliant with restrictions determined by related regulation and regulatory authorities. Bank uses an integrated approach in concentration risk management, in which all risk concentrations are identified, monitored and evaluated. Therefore, besides the loans to individuals and companies, also the concentrations of market, sector, country and segment are being taken into consideration. Bank pays utmost attention to any concentration of the credit and market risks on a specific counterparty or risk classification in accordance with policies and internal procedures.

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3.3.2.2. Credit risk mitigation techniques - overview

	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
Current Period							
Loans	222.278.686	70.192.301	35.369.564	10.789.657	8.680.038	-	-
Debt securities	78.360.427	-	-	-	-	-	-
TOTAL	300.639.113	70.192.301	35.369.564	10.789.657	8.680.038	-	-
Of which defaulted	2.301.778	3.644.404	939.403	926.661	448.463	-	-
Prior Period							
Loans	174.388.950	70.091.660	37.707.385	11.903.657	9.616.692	-	-
Debt securities	56.485.702	-	-	-	-	-	-
TOTAL	230.874.652	70.091.660	37.707.385	11.903.657	9.616.692	-	-
Of which defaulted	3.811.620	3.451.244	932.993	733.593	371.782	-	-

3.3.3. Credit risk under standardised approach

3.3.3.1. Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk

An international rating firm, Fitch Ratings' external risk ratings are used to determine the risk weights of the risk categories as per the Article 6 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks". The international risk ratings are used for all the exposures to central governments/central banks, for Financial Institutions, Corporations, Regional Governments, Administrative Bodies and for Multinational Development Banks asset classes of which the counterparty resides in foreign countries.

Exposures to central governments and central banks which are not rated by Fitch Ratings are included in the calculation of capital adequacy as unrated. Receivables from residents in Turkey are classified as unrated.

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Fitch Ratings' risk ratings as per the credit quality grades and the risk weights according to exposure categories are presented below:

Credit Quality Grade	Fitch Ratings	Claims on banks and intermediary institutions				
		Claims on sovereigns and Central Banks	Claims on administrative bodies and other non-commercial undertakings	Contractual maturity of claims under 3 months	Contractual maturity of claims over 3 months	Claims on corporates
1	AAA	0%	20%	20%	20%	20%
	AA+					
	AA					
	AA-					
2	A+	20%	50%	20%	50%	50%
	A					
	A-					
3	BBB+	50%	100%	20%	50%	100%
	BBB					
	BBB-					
4	BB+	100%	100%	50%	100%	100%
	BB					
	BB-					
5	B+	100%	100%	50%	100%	150%
	B					
	B-					
6	CCC+	150%	150%	150%	150%	150%
	CCC					
	CCC-					
	CC					
	C					
D						

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3.3.3.2. Standardised approach - Credit risk exposure and credit risk mitigation (CRM) effects

Current Period	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Asset classes						
1 Exposures to central governments or central banks	124.411.512	122	133.540.012	266.707	310.888	0,23%
2 Exposures to regional governments or local authorities	646	-	646	-	129	19,97%
3 Exposures to public sector entities	51.354	113.066	51.330	39.536	90.866	100,00%
4 Exposures to multilateral development banks	851.507	25.402	851.507	12.853	-	0,00%
5 Conditional and unconditional receivables from banks and brokerage houses	36.690.291	16.749.612	36.690.292	2.807.362	12.277.426	31,08%
6 Exposures to institutions	147.638.064	110.162.832	139.809.192	48.737.203	186.135.162	98,72%
7 Exposures to corporates	94.500.245	71.808.140	89.183.228	6.515.263	71.773.869	75,00%
8 Retail exposures	9.126.349	155.006	9.126.349	70.758	3.218.987	35,00%
9 Exposures secured by residential property	30.536.355	4.023.560	30.342.654	2.869.207	25.801.500	77,69%
10 Exposures secured by commercial real estate	4.252.476	29.190	4.067.154	11.440	2.642.772	64,80%
11 Past-due loans	2.089.076	1.952.883	1.813.707	118.850	2.375.964	122,94%
12 Higher-risk categories by the Agency Board	20	-	20	-	10	50,00%
13 Investments in equities	1.957.754	-	1.957.754	-	4.125.971	210,75%
14 Other assets	19.251.658	-	19.251.658	-	12.515.735	65,01%
TOTAL	471.357.307	205.019.813	466.685.503	61.449.179	321.269.279	60,83%

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Prior Period	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1 Exposures to central governments or central banks	93.739.760	1.652	103.663.658	228.778	12.694.935	12,22%
2 Exposures to regional governments or local authorities	-	-	-	-	-	0,00%
3 Exposures to public sector entities	53.722	123.222	53.712	49.678	103.390	100,00%
4 Exposures to multilateral development banks	75.243	21.529	75.243	10.915	-	0,00%
5 Conditional and unconditional receivables from banks and brokerage houses	41.450.308	12.306.819	41.514.884	2.507.194	16.454.249	37,38%
6 Exposures to institutions	140.169.354	104.756.514	135.085.647	43.302.762	176.575.685	98,98%
7 Exposures to corporates	76.725.641	62.127.161	69.592.033	6.007.307	56.699.505	75,00%
8 Retail exposures	10.587.317	130.104	10.587.317	62.383	3.727.395	35,00%
9 Exposures secured by residential property	12.742.688	2.357.619	12.742.688	1.658.082	7.200.385	50,00%
10 Exposures secured by commercial real estate	7.244.356	52.945	6.861.754	31.762	5.426.929	78,73%
11 Past-due loans	18.674	2.046.794	18.605	167.920	278.557	149,34%
12 Higher-risk categories by the Agency Board	4.997	-	4.997	-	2.602	52,07%
13 Investments in equities	1.798.221	-	1.798.221	-	3.618.715	201,24%
14 Other assets	15.361.320	-	15.361.320	-	9.736.880	63,39%
TOTAL	399.971.601	183.924.359	397.360.079	54.026.781	292.519.227	64,80%

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3.3.3.3. Standard Approach: Receivables by risk classes and risk weights

Current Period				
Asset classes/Risk weight	0%	10%	20%	35%
1 Exposures to central governments or central banks	133.495.831	-	-	-
2 Exposures to regional governments or local authorities	-	-	646	-
3 Exposures to public sector entities	-	-	-	-
4 Exposures to multilateral development banks	864.360	-	-	-
5 Conditional and unconditional receivables from banks and brokerage houses	-	-	25.469.160	-
6 Exposures to institutions	330.804	-	246.143	-
7 Exposures to corporates	-	-	-	-
8 Retail exposures	-	-	-	9.197.107
9 Exposures secured by residential property	-	-	-	-
10 Exposures secured by commercial real estate	-	-	-	-
11 Past-due loans	-	-	-	-
12 Higher-risk categories by the Agency Board	3	-	3	-
13 Investments in equities	-	-	-	-
14 Other assets	6.629.436	-	133.109	-
Total	141.320.434	-	25.849.061	9.197.107
Prior Period				
Asset classes/Risk weight	0%	10%	20%	35%
1 Exposures to central governments or central banks	91.183.994	-	16.883	-
2 Exposures to regional governments or local authorities	-	-	-	-
3 Exposures to public sector entities	-	-	-	-
4 Exposures to multilateral development banks	86.158	-	-	-
5 Conditional and unconditional receivables from banks and brokerage houses	-	-	30.545.548	-
6 Exposures to institutions	330.804	-	701.714	-
7 Exposures to corporates	-	-	-	-
8 Retail exposures	-	-	-	10.649.700
9 Exposures secured by residential property	-	-	-	-
10 Exposures secured by commercial real estate	-	-	-	-
11 Past-due loans	-	-	-	-
12 Higher-risk categories by the Agency Board	178	-	2.343	-
13 Investments in equities	-	-	-	-
14 Other assets	5.540.375	-	105.082	-
Total	97.141.509	-	31.371.570	10.649.700

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								Total credit risk exposure amount (after CCF and CRM)
50%	75%	100%	150%	200%	250%	1250%		
-	-	310.888	-	-	-	-	-	133.806.719
-	-	-	-	-	-	-	-	646
-	-	90.866	-	-	-	-	-	90.866
-	-	-	-	-	-	-	-	864.360
13.689.799	-	338.695	-	-	-	-	-	39.497.654
3.767.024	-	184.202.424	-	-	-	-	-	188.546.395
-	95.698.491	-	-	-	-	-	-	95.698.491
-	-	-	-	-	-	-	-	9.197.107
14.545.688	550.069	18.116.104	-	-	-	-	-	33.211.861
2.871.645	-	1.206.949	-	-	-	-	-	4.078.594
133.945	-	777.856	1.020.756	-	-	-	-	1.932.557
10	-	4	-	-	-	-	-	20
-	-	512.276	-	-	1.445.478	-	-	1.957.754
-	-	12.489.113	-	-	-	-	-	19.251.658
35.008.111	96.248.560	218.045.175	1.020.756	-	1.445.478	-	-	528.134.682

								Total credit risk exposure amount (after CCF and CRM)
50%	75%	100%	150%	200%	250%	1250%		
-	-	12.691.559	-	-	-	-	-	103.892.436
-	-	-	-	-	-	-	-	-
-	-	103.390	-	-	-	-	-	103.390
-	-	-	-	-	-	-	-	86.158
6.302.947	-	7.133.418	40.165	-	-	-	-	44.022.078
1.841.102	-	175.514.789	-	-	-	-	-	178.388.409
-	75.599.340	-	-	-	-	-	-	75.599.340
-	-	-	-	-	-	-	-	10.649.700
14.400.770	-	-	-	-	-	-	-	14.400.770
3.731.962	-	2.362.765	798.789	-	-	-	-	6.893.516
-	-	2.460	184.065	-	-	-	-	186.525
683	-	1.793	-	-	-	-	-	4.997
-	-	584.558	-	-	1.213.663	-	-	1.798.221
-	-	9.715.863	-	-	-	-	-	15.361.320
26.277.464	75.599.340	208.110.595	1.023.019	-	1.213.663	-	-	451.386.860

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3.4. Explanation on counterparty credit risk

3.4.1. Qualitative evaluation for Counterparty Credit Risk

Counterparty Credit Risk (CCR) is organized under Market Risk Management and is functioning within the scope of “Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks”. These functions include counterparty credit risk calculations within general risk appetite and control process of risk management policies for CCR.

Credit limits under CCR are defined within the scope of internal model method, specified in “Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks. -Appendix 2”, considering various stress scenarios.

General policies for collaterals and provisions under credit risk management are also valid for CCR. Exposure and collateral values are calculated on a daily basis. In order to mitigate the counterparty credit risk, international framework agreements (ISDA, CSA, GMRA, etc.) are being used through collateral and margin call mechanisms.

In case of a downgrade in credit note, the amount of additional collateral the Bank has to provide is calculated periodically under several stress scenarios.

3.4.2. Assessment of Counterparty Credit Risk according to the models of measurement

	Revaluation Cost	Potential credit risk exposure	EEPE ⁽¹⁾	Alpha used for computing regulatory EAD	Exposure after credit risk mitigation	Risk Weighted Amounts
Current Period						
1 Standart Approach-CCR	2.883.703	1.521.793	-	1,40	4.383.423	3.376.734
2 Internal Model Approach			-	-	-	-
3 Simplified Standardised Approach for Credit Risk Mitigation					-	-
4 Comprehensive Method for Credit Risk Mitigation					2.514.683	988.801
5 Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions					-	-
Total						4.365.535
Prior Period						
1 Standart Approach-CCR	2.168.211	1.733.413	-	1,40	3.875.568	2.806.284
2 Internal Model Approach			-	-	-	-
3 Simplified Standardised Approach for Credit Risk Mitigation					-	-
4 Comprehensive Method for Credit Risk Mitigation					655.460	321.783
5 Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions					-	-
Total						3.128.067

⁽¹⁾ Effective expected positive exposure

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3.4.3. Credit valuation adjustment (CVA) capital charge

	Current Period		Prior period	
	Exposure (After credit risk mitigation methods)	Risk Weighted Amounts	Exposure (After credit risk mitigation methods)	Risk Weighted Amounts
Total portfolio value with comprehensive approach CVA capital adequacy	-	-	-	-
1 (i) Value at risk component [3*multiplier included]	-	-	-	-
2 (ii) Stressed Value at Risk [3*multiplier included]	-	-	-	-
3 Total portfolio value with simplified approach CVA capital adequacy	4.383.423	2.365.564	3.875.568	1.900.138
Total amount of CVA capital adequacy	4.383.423	2.365.564	3.875.568	1.900.138

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3.4.4. Standardised approach - CCR exposures by regulatory portfolio and risk weights

Current Period					
Risk Weights/Risk Classes		0%	2%	4%	10%
1	Central governments and central banks receivables	781.548	-	-	-
2	Local governments and municipalities receivables	-	-	-	-
3	Administrative and non commercial receivables	-	-	-	-
4	Multilateral Development Bank receivables	-	-	-	-
5	Banks and Intermediary Institutions receivables	-	50.016	126.545	-
6	Corporate receivables	-	-	-	-
7	Retail receivables	-	-	-	-
8	Mortgage receivables	-	-	-	-
9	Non performing receivables	-	-	-	-
10	High risk defined receivables	-	-	-	-
11	Investments in equities	-	-	-	-
12	Other receivables	-	-	-	-
Total		781.548	50.016	126.545	-
Prior Period					
Risk Weights/Risk Classes		0%	2%	4%	10%
1	Central governments and central banks receivables	11.904	-	-	-
2	Local governments and municipalities receivables	-	-	-	-
3	Administrative and non commercial receivables	-	-	-	-
4	Multilateral Development Bank receivables	-	-	-	-
5	Banks and Intermediary Institutions receivables	-	308.898	88.571	-
6	Corporate receivables	-	-	-	-
7	Retail receivables	-	-	-	-
8	Mortgage receivables	-	-	-	-
9	Non performing receivables	-	-	-	-
10	High risk defined receivables	-	-	-	-
11	Investments in equities	-	-	-	-
12	Other receivables	-	-	-	-
Total		11.904	308.898	88.571	-

⁽¹⁾ Total credit risk: Value of Capital Adequacy Calculations after Counterparty Credit Risk methods are applied.

PRESENTATION

FROM THE
MANAGEMENTABOUT
YAPI KREDİBUSINESS
MODEL AND
STAKEHOLDERSRESPONSIBLE
GROWTHINNOVATIVE
BANKINGHUMAN
FOCUSCORPORATE
GOVERNANCEFINANCIAL
INFORMATION

ANNEXES

							Total credit risk⁽¹⁾
	20%	35%	50%	75%	100%	150%	
	-	-	-	-	-	-	781.548
	-	-	-	-	-	-	-
	-	-	-	-	1	-	1
	-	-	-	-	-	-	-
	432.539	-	2.554.884	-	-	-	3.163.984
	-	-	40.341	-	2.826.624	-	2.866.965
	-	-	-	12.269	-	-	12.269
	-	-	208.625	-	41.275	-	249.900
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	432.539	-	2.803.850	12.269	2.867.900	-	7.074.667

							Total credit risk⁽¹⁾
	20%	35%	50%	75%	100%	150%	
	-	-	-	-	21.050	-	32.954
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	627.672	-	1.510.381	-	120.115	-	2.655.637
	-	-	5.566	-	1.969.870	-	1.975.436
	-	-	-	5.154	-	-	5.154
	-	-	259.318	-	-	-	259.318
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	627.672	-	1.775.265	5.154	2.111.035	-	4.928.499

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3.4.5. Composition of collateral for CCR exposure

	Collaterals for Derivatives				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
Current Period						
1 Cash-Local Currency	-	3.011	-	-	24.983.551	1.700.842
2 Cash - Foreign Currency	-	16.519	-	-	2.508.220	-
3 Domestic sovereign debts	-	-	-	-	1.730.242	25.097.712
4 Other sovereign debts	-	2.543	-	-	-	3.878.102
4 Other collateral	-	-	-	-	-	-
Total	-	22.073	-	-	29.222.013	30.676.656
	Collaterals for Derivatives				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
Prior Period						
1 Cash-Local Currency	-	2.594	-	-	2.936.526	10.703.351
2 Cash - Foreign Currency	-	17.961	-	-	789.711	-
3 Domestic sovereign debts	-	5.501	-	-	10.709.991	4.233.025
4 Other collateral	-	-	-	-	-	-
Total	-	26.056	-	-	14.436.228	14.936.376

3.4.6. Credit derivatives exposures

	Current Period		Prior Period	
	Protection Bought	Protection Sold	Protection Bought	Protection Sold
Nominal				
Single-name credit default swaps	-	-	-	-
Index credit default swaps	-	-	-	-
Total return swaps	-	12.525.055	-	12.732.747
Credit Options	-	-	-	-
Other Credit Derivatives	-	-	-	-
Total Nominal	-	12.525.055	-	12.732.747
Rediscount Amount	-	(361.910)	-	(229.460)
Positive Rediscount Amount		42.819		274.073
Negative Rediscount Amount		(404.729)		(503.533)

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3.4.7. Exposures to central counterparties

	Current Period		Prior Period	
	Exposure at default (post-CRM)	RWA	Exposure at default (post-CRM)	RWA
1 Exposure to Qualified Central Counterparties (QCCPs) (total)		6.062		9.721
2 Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which				
3 (i) OTC Derivatives	173.011	5.991	114.438	4.060
4 (ii) Exchange-traded Derivatives	-	-	-	-
5 (iii) Securities financing transactions	3.550	71	283.033	5.661
6 (iv) Netting sets where cross-product netting has been approved	-	-	-	-
7 Segregated initial margin	-	-	-	-
8 Non-segregated initial margin	-	-	-	-
9 Pre-funded default fund contributions	-	-	-	-
10 Unfunded default fund contributions	-	-	-	-
11 Exposures to non-QCCPs (total)		-		-
12 Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which				
13 (i) OTC Derivatives	-	-	-	-
14 (ii) Exchange-traded Derivatives	-	-	-	-
15 (iii) Securities financing transactions	-	-	-	-
16 (iv) Netting sets where cross-product netting has been approved	-	-	-	-
17 Segregated initial margin	-	-	-	-
18 Non-segregated initial margin	-	-	-	-
19 Pre-funded default fund contributions	-	-	-	-
20 Unfunded default fund contributions	-	-	-	-

3.5. Securitisations

None.

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3.6. Explanations on consolidated market risk

3.6.1. Qualitative disclosure on market risk

Market Risk Management department monitors the interest rate, exchange rate, stock, commodity and credit spread risks arising from the main financial activities of the Group on a daily basis and measures the probability of loss that may arise from the related risks by using internal model. Risks measured are regularly reported to the business units, their compliance with Bank’s risk appetite is monitored and impacts on capital requirement are analyzed. By taking into account the distinction between banking and trading portfolios, analyses and measurements enable Market Risk Management to determine specific limits on sub-portfolio/product levels.

Market risks that the Group is exposed to are assessed and managed by a triple structure consisting of Treasury, Financial Planning and Market Risk Management Units. The Board of Directors, the Executive Committee and the Audit Committee have primary responsibility for management of such risks. Both Top management and the sub-units are responsible for managing the risks taking into account constraints and targets such as Bank’s interest rate sensitivity, liquidity constraints, funding sources, budget targets, medium and long-term capital planning and profitability of the products in operation.

Models, strategies and processes that are accurate and integrated in accordance with risks the Group is or may be exposed to have been established. Automated reporting and validation activities are carried out for effective analysis, monitoring and control mechanisms. Risk management infrastructure integrated with day-to-day activities enabling monitor and measurement independently from executive activities; and supports business and decision-making processes has been established. Policies, processes, targets, roles/responsibilities, and regular trainings are the main elements of the Bank’s dissemination of risk culture and awareness. Systems and structures compatible with international best practices and in line with the risk appetite are available for risk management.

The Group implements internal policies and procedures that are reviewed and approved at least once a year by the Board of Directors in order to manage market risks arising from on and off-balance sheet liabilities. Based on the principles mentioned in Regulatory Authority’s directives and best practice guidelines, internal policies determine responsibilities and practitioners for identification, measurement, monitoring and reporting of the risks in line with the risk appetite and needs of the Group; lay the groundwork for granting limits in the Bank; and guide the actions to be taken in case of risk appetite is exceeded.

Market Risk Management organization consists of 4 sub-units; Market Risk Analysis, Asset-Liability Management and Affiliates Coordination, Counterparty Credit Risk and Risk Methodologies and Market Data Analysis units.

Market Risk Analysis unit; carry out the activities such as measuring and setting limits for risks arising from Financial assets where fair value change is reflected to income statement and Financial assets where fair value change is reflected to other comprehensive income statement using advanced internal methods (Value at Risk, Base Point Value Sensitivity etc.), complying policies and procedures with new regulations and best practices, product-based risk analysis, developing risk measurement and valuation techniques and applying stress tests.

Asset Liability Management and Subsidiaries Coordination unit; enables the Bank to measure the liquidity risk, manage the structural interest rate exposure, manage the protection procedures and the protection accounting processes used to reduce the risk of re-pricing. Follows the concentration of the bank’s funding side. Also paves the way for implementation of Bank-side risk applications and risk culture in the Bank’s subsidiaries, plays an active role in risk appetite determination and coordination processes.

Counterparty Credit Risk Management Unit calculates the exposures of over the counter (OTC) derivative transactions via internal model method and manages the inclusion of these exposures into the monitoring and the credit underwriting processes.

The Risk Methodologies and Market Data Analysis unit provides unbiased management of all market data related to treasury products under the risk management framework. The unit is responsible for the verification of fair values, and transfer of related data sources to the banking system.

In the course of market risk management, related business and risk units perform their activities within the scope of the principles determined by internal policies such as the Financial Markets Rulebook, Liquidity Policy, Derivatives Policy, Treasury Credit Line Policy and Fair Value Control Policies.

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3.6.2. Market risk under standardised approach

	Current Period	Prior Period
	Risk Weighted Asset	Risk Weighted Asset
Outright products	4.418.882	2.669.818
1 Interest rate risk (general and specific)	2.371.373	1.563.732
2 Equity risk (general and specific)	5.175	11.213
3 Foreign exchange risk	2.042.321	1.094.873
4 Commodity risk	13	-
Options	20.450	20.150
5 Simplified approach	-	-
6 Delta-plus method	20.450	20.150
7 Scenario approach	-	-
8 Securitisation	-	-
Total	4.439.332	2.689.968

3.7. Explanations on Operational Risk

The Bank calculates the amount subject to operational risk based on "Basic Indicator Method" by using 2018, 2017 and 2016 year-end gross income balances of the Bank, in accordance with Section 3 of the "Regulation Regarding Measurement and Evaluation of Banks' Capital Adequacy Ratio", published in the Official Gazette No. 29511 dated October 23, 2015, namely "The Calculation of the Amount Subject to Operational Risk". As of December 31, 2020, the total amount subject to operational risk is TL 30.380.790 [December 31, 2019 - TL 26.507.024] and the amount of the related capital requirement is TL 2.430.463 [December 31, 2019 - TL 2.120.562].

Current Period	2 Prior Period Value	1 Prior Period Value	Current Period value	Total/Total number of years for which gross income is positive	Rate [%]	Total
Gross Income	12.636.566	18.308.797	17.663.901	16.203.086	15,00%	2.430.463
Amount subject to operational risk (Total*12,5)						30.380.790

Prior Period	2 Prior Period Value	1 Prior Period Value	Current Period value	Total/Total number of years for which gross income is positive	Rate [%]	Total
Gross Income	11.465.876	12.636.566	18.308.797	14.137.079	15,00%	2.120.562
Amount subject to operational risk (Total*12,5)						26.507.024

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3.8. Interest rate risk arising from banking accounts:

Interest rate risk means possible losses on financial structure or equity of the Bank by movements in interest rates. Changes in interest rates affect the Bank’s earnings by changing the level of net interest incomes, other interest sensitive incomes and operating expenses. The change in interest rates also affects the underlying values of the Bank’s assets for active, passive and off-balance sheet items by changing the economic values of future cash flows [and in some cases, the cash flows themselves].

Interest rate risk has three main reasons:

- Repricing Risk: It is caused by the inconsistency in pricing of active and passive items.
- Yield Curve Risk: It results from the variation of the curve and shape of the yield curve.
- Basis Risk: It’s due to the low correlation of the earned and paid interest yields of different financial instruments with peer revaluation structure.

The customer’s prepayment risk [option risk] is indirectly taken into account in managing and following the interest rate risk by following a specific risk protection rate.

Within the scope of the interest rate risk arising from banking accounts, the core deposit analysis for demand deposits is carried out according to the maximum maturity structure of the same regulation. In core deposit analysis, it is possible to distribute demand deposits up to 3 times using behavioral models updated once a year. In addition, Consumer Price Index bonds model and early payment model in real estate and consumer loans are also considered in the calculation of interest rate risk.

Interest rate risk is monitored weekly through internal reports and reports made to the Executive Board on a monthly basis.

In accordance with the “Regulation on Measurement and Evaluation of the Interest Rate on Banking Accounts by Standard Shock Method”, the economic value differences arising from fluctuations in interest rates are stated in the table below as of December 31, 2020, based on the significant currencies of the Bank.

Currency	Applied shock [+/- x basis points]	Current Period		Prior Period	
		Gains/Losses	Gains/SE- Losses/SE	Gains/Losses	Gains/SE- Losses/SE
TRY	(+)500 bp	(3.795.748)	(6,06)%	(2.779.791)	(5,09)%
TRY	(-)400 bp	3.576.247	5,71%	2.547.494	4,67%
EUR	(+)200 bp	(123.836)	(0,20)%	(88.345)	(0,16)%
EUR	(-)200 bp	158.635	0,25%	107.025	0,20%
USD	(+)200 bp	(1.241.514)	(1,98)%	(126.269)	(0,23)%
USD	(-)200 bp	1.769.009	2,83%	417.118	0,76%
Total (For negative shocks)		5.503.891	8,79%	3.071.637	5,63%
Total (For positive shocks)		(5.161.098)	(8,25)%	(2.994.405)	(5,49)%

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4. Explanations on consolidated currency risk:

The difference between the Group’s foreign currency denominated and foreign currency indexed on- and off-balance sheet assets and liabilities is defined as the “Net Foreign Currency Position” and it is the basis of currency risk. Cross currency risk is also taken into consideration for the currency risk calculations and measurements.

The Group keeps the amount of currency risk exposure within the related legal limits and follows the exchange position on a daily/regular basis. In addition, although the internal exchange position limit is lower when compared to the related legal limit, there has not been any limit exceeding during the period. As an instrument of currency risk management, derivatives such as swap and forwards are used to reduce risk whenever needed. In order to guard against extreme volatility during the year stress tests are applied. Value at risk method is used for the measurement of foreign exchange risk.

The details of hedging of the foreign currency debt instruments and net foreign currency investment risk with derivative instruments are disclosed in section four Note 10.

The Parent Bank’s publicly announced foreign exchange bid rates as of the date of the financial statements and for the last five working days prior to that date are as follows:

(Exchange rates presented as full TL)	USD	EUR
Balance sheet evaluation rate	7,3405	9,0079
First day current bid rate	7,4063	9,0697
Second day current bid rate	7,4738	9,1370
Third day current bid rate	7,5517	9,2037
Fourth day current bid rate	7,6190	9,2948
Fifth day current bid rate	7,6321	9,3030
Arithmetic average of the last 31 days:	7,7257	9,3956
Evaluation rate as of prior period:	5,9402	6,6506

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Information on currency risk of the Group:

Current Period	EUR	USD	Other FC ⁽⁴⁾	Total
Assets				
Cash [cash in vault, effectives, cash in transit, cheques purchased]				
and balances with the Central Bank of the Republic of Turkey	18.481.776	22.156.901	6.543.576	47.182.253
Banks	3.272.135	9.298.278	162.340	12.732.753
Financial assets at fair value through profit or loss	17.112	314.531	-	331.643
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	1.003.171	4.147.660	105.328	5.256.159
Loans ⁽¹⁾	60.830.568	53.979.353	2.627.477	117.437.398
Investments in associates, subsidiaries and joint ventures	-	-	1.203.097	1.203.097
Financial assets measured at amortised cost	2.004.356	20.122.651	-	22.127.007
Hedging derivative financial assets	39.103	-	-	39.103
Tangible assets	7.675	-	31.931	39.606
Other assets ⁽²⁾	6.962.193	9.198.350	624.442	16.784.985
Total assets	92.618.089	119.217.724	11.298.191	223.134.004
Liabilities				
Bank deposits	295.166	53.118	41.890	390.174
Foreign currency deposits	52.936.313	85.375.110	17.534.731	155.846.154
Funds from money market	2.814.458	-	-	2.814.458
Funds borrowed from other financial institutions	19.872.521	22.326.480	147.164	42.346.165
Marketable securities issued	1.369.643	17.352.655	-	18.722.298
Miscellaneous payables	554.792	171.915	9.693	736.400
Hedging derivative financial liabilities	133.875	907.565	-	1.041.440
Other liabilities ⁽³⁾	1.793.118	35.690.454	49.174	37.532.746
Total liabilities	79.769.886	161.877.297	17.782.652	259.429.835
Net on balance sheet position	12.848.203	(42.659.573)	(6.484.461)	(36.295.831)
Net off balance sheet position⁽⁵⁾	(12.139.828)	41.606.956	8.014.502	37.481.630
Financial derivative assets	9.682.932	60.940.708	9.038.636	79.662.276
Financial derivative liabilities	21.822.760	19.333.752	1.024.134	42.180.646
Net position	708.375	(1.052.617)	1.530.041	1.185.799
Non-cash loans	36.026.262	27.712.136	4.624.861	68.363.259
Prior Period				
Total assets	81.011.127	107.440.072	6.306.924	194.758.123
Total liabilities	66.205.139	151.662.406	6.462.120	224.329.665
Net on balance sheet position	14.805.988	(44.222.334)	(155.196)	(29.571.542)
Net off balance sheet position⁽⁵⁾	(14.622.916)	44.032.728	1.313.524	30.723.336
Financial derivative assets	18.761.225	67.285.838	2.660.600	88.707.663
Financial derivative liabilities	33.384.141	23.253.110	1.347.076	57.984.327
Net position	183.072	(189.606)	1.158.328	1.151.794
Non-cash loans	32.650.835	25.685.167	4.281.709	62.617.711

⁽¹⁾ Includes FX indexed loans amounting to TL 376.236 (December 31, 2019 - TL 1.147.274) which have been disclosed as TL in the financial statements.

⁽²⁾ Does not include foreign currency prepaid expenses amounting to TL 247.233 (December 31, 2019 - TL 330.310).

⁽³⁾ Does not include foreign currency other comprehensive income and expense under equity.

⁽⁴⁾ Other FC column also includes gold balance.

⁽⁵⁾ Forward transactions classified as commitments are also included.

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Currency risk sensitivity analysis:

The table below represents the sensitivity of the Parent Bank to 15% change of currency exchange rates [USD and EUR].

15% change is the assumption of parity change that may be faced in a possible fluctuation used in the Bank's stress test scenarios.

Change in currency exchange rates ⁽¹⁾	Current Period	Prior Period
	Profit/loss effect ⁽²⁾	Profit/loss effect ⁽¹⁾
[+] 15%	[428.798]	[148.104]
[-] 15%	580.006	148.104

⁽¹⁾ Represents the balances of the Parent Bank.

⁽²⁾ Excluding tax effect.

5. Explanations on consolidated interest rate risk:

The monitoring of interest rate sensitive assets and liabilities of the Parent Bank, including sensitivity analysis regarding the effect of interest rate fluctuations on the financial statements, is performed by the risk management department for all interest sensitive instruments over carrying values. The results are presented monthly to the Asset and Liability Management function of the Executive Committee. By using sensitivity and scenario analyses, the possible effects by interest rate volatility are analyzed. In these analyses possible losses are calculated for the change in fair value of interest sensitive products by applying shock tests to interest rates.

Sensitivity analyses are also calculated daily within Market Risk reporting on the basis of maturity and foreign exchange types and reported to Senior Management by checking them against the determined limits.

The Parent Bank utilizes TL/FC and TL/TL interest rate and money swap transactions in order to limit the interest and foreign currency risk arising from short-term deposit and long-term consumer loans within the balance sheet.

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5.1. Interest rate sensitivity of assets, liabilities and off-balance sheet items based on repricing dates:

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest bearing	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	28.859.366	-	-	-	-	28.823.188	57.682.554
Banks	5.638.767	841.463	1.657.732	-	-	8.348.012	16.485.974
Financial assets at fair value through profit/loss	83	1.135	737	60.955	212.848	401.007	676.765
Receivables from money markets	1.700.842	-	-	-	-	-	1.700.842
Financial assets at fair value through other comprehensive income	2.867.745	6.367.625	8.600.443	5.169.968	2.006.501	88.278	25.100.560
Loans ⁽¹⁾	39.183.591	41.780.555	102.384.745	97.513.234	16.746.371	[5.137.509]	292.470.987
Financial assets measured at amortised cost	12.386.591	7.883.755	8.203.299	6.837.645	17.716.934	-	53.028.224
Other assets	1.052.295	1.892.402	1.959.220	1.747.138	148.102	32.544.616	39.343.773
Total assets	91.689.280	58.766.935	122.806.176	111.328.940	36.830.756	65.067.592	486.489.679
Liabilities							
Bank deposits	4.448.885	14.026	-	-	-	620.351	5.083.262
Other deposits	120.100.580	34.156.234	8.528.293	1.900.154	230.816	94.410.929	259.327.006
Funds from money market	27.356.303	426.831	1.638.612	938.918	-	-	30.360.664
Miscellaneous payables	-	-	-	-	-	15.463.400	15.463.400
Marketable securities issued	2.862.929	13.734.309	7.947.221	81.741	2.161	-	24.628.361
Funds borrowed from other financial institutions	5.216.629	25.916.665	9.851.274	4.003.829	1.436.296	-	46.424.693
Other liabilities ⁽²⁾	7.557.424	24.657.530	8.654.059	4.313.922	1.701.221	58.318.137	105.202.293
Total liabilities	167.542.750	98.905.595	36.619.459	11.238.564	3.370.494	168.812.817	486.489.679
Balance sheet long position	-	-	86.186.717	100.090.376	33.460.262	-	219.737.355
Balance sheet short position	[75.853.470]	[40.138.660]	-	-	-	[103.745.225]	[219.737.355]
Off-balance sheet long position	16.497.448	34.677.772	-	-	-	-	51.175.220
Off-balance sheet short position	-	-	[8.822.361]	[41.092.523]	[2.881.999]	-	[52.796.883]
Total position	[59.356.022]	[5.460.888]	77.364.356	58.997.853	30.578.263	[103.745.225]	[1.621.663]

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Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest bearing	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	19.217.128	-	-	-	-	24.268.802	43.485.930
Banks	11.976.949	1.489.545	801.074	64.231	-	12.879.989	27.211.788
Financial assets at fair value through profit/loss	-	162	4.536	13.874	75.296	479.329	573.197
Receivables from money markets	10.803.630	-	-	-	-	-	10.803.630
Financial assets at fair value through other comprehensive income	2.795.718	5.877.816	9.044.577	6.900.060	2.202.096	80.345	26.900.612
Loans ⁽¹⁾	34.443.764	32.068.141	76.404.792	86.334.621	14.039.572	1.189.720	244.480.610
Financial assets measured at amortised cost	6.066.570	3.938.811	5.053.572	3.709.314	10.839.870	-	29.608.137
Other assets	953.026	1.413.564	1.165.593	1.238.766	308.582	23.051.585	28.131.116
Total assets	86.256.785	44.788.039	92.474.144	98.260.866	27.465.416	61.949.770	411.195.020
Liabilities							
Bank deposits	3.857.173	49.427	12.299	-	-	1.138.876	5.057.775
Other deposits	134.497.570	28.344.401	8.846.851	2.285.622	272.471	51.767.007	226.013.922
Funds from money market	5.201.232	317.793	789.863	-	-	-	6.308.888
Miscellaneous payables	-	-	-	-	-	14.697.241	14.697.241
Marketable securities issued	3.123.877	13.806.731	8.290.583	-	-	-	25.221.191
Funds borrowed from other financial institutions	6.624.057	19.373.853	14.005.520	3.711.567	1.658.498	-	45.373.495
Other liabilities ⁽²⁾	4.826.893	13.827.593	863.319	14.687.916	5.557.515	48.759.272	88.522.508
Total liabilities	158.130.802	75.719.798	32.808.435	20.685.105	7.488.484	116.362.396	411.195.020
Balance sheet long position	-	-	59.665.709	77.575.761	19.976.932	-	157.218.402
Balance sheet short position	(71.874.017)	(30.931.759)	-	-	-	(54.412.626)	(157.218.402)
Off-balance sheet long position	14.532.346	35.990.412	-	-	-	-	50.522.758
Off-balance sheet short position	-	-	(5.150.258)	(38.927.418)	(5.444.707)	-	(49.522.383)
Total position	(57.341.671)	5.058.653	54.515.451	38.648.343	14.532.225	(54.412.626)	1.000.375

⁽¹⁾ Non-performing loans are presented in the “Non-Interest Bearing” column after being offset against expected loss provisions.

⁽²⁾ Shareholders’ equity is presented under “Non interest bearing”

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5.2. Average interest rates for monetary financial instruments:

The following average interest rates of the Group are calculated by weighting the rates with their principal amounts outstanding as of the balance sheet date.

	EUR %	USD %	Yen %	TL %
Current Period				
Assets⁽¹⁾				
Cash [cash in vault, effectives, cash in transit, cheques purchased] and balances with the Central Bank of the Republic of Turkey	-	-	-	12,29
Banks	0,91	0,55	-	17,15
Financial assets at fair value through profit/loss	3,54	6,17	-	15,59
Receivables from money markets	-	-	-	15,37
Financial assets at fair value through other comprehensive income	3,26	5,64	-	15,72
Loans	4,45	6,09	-	14,89
Financial assets measured at amortised cost	1,74	6,42	-	15,92
Liabilities⁽¹⁾				
Bank deposits	0,05	0,17	-	17,74
Other deposits	0,91	1,50	0,01	15,46
Funds from money market	1,36	-	-	14,69
Miscellaneous payables	-	-	-	-
Marketable securities issued	2,68	4,34	-	13,82
Funds borrowed from other financial institutions	2,32	2,77	-	10,91
Prior Period				
Assets⁽¹⁾				
Cash [cash in vault, effectives, cash in transit, cheques purchased] and balances with the Central Bank of the Republic of Turkey	-	-	-	10,00
Banks	1,11	1,74	-	11,08
Financial assets at fair value through profit/loss	3,38	5,96	-	15,71
Receivables from money markets	-	-	-	9,63
Financial assets at fair value through other comprehensive income	3,34	5,37	-	13,32
Loans	4,73	6,94	5,15	16,81
Financial assets measured at amortised cost	2,64	5,55	-	13,46
Liabilities⁽¹⁾				
Bank deposits	0,14	2,01	-	11,31
Other deposits	0,66	2,18	0,30	10,96
Funds from money market	1,90	2,50	-	10,11
Miscellaneous payables	-	-	-	-
Marketable securities issued	2,68	5,10	-	11,87
Funds borrowed from other financial institutions	2,19	4,07	2,64	13,08

⁽¹⁾ Does not include demand/non-interest transactions.

6. Explanation on share certificates position risk from banking book:

None.

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7. Explanations on consolidated liquidity risk management and liquidity coverage ratio:

Liquidity risk is defined as risk of unexpected loss to be occurred or bank to have difficulties in raising funds while meeting maturing liabilities. Liquidity management is daily monitored before the Bank under Treasury Management and Risk Management. The liquidity policy of the Bank is approved by the Bank’s Board of Directors. Treasury Management is responsible for carrying out transactions which are appropriate to Bank’s policy, monitoring of liquidity position and submitting necessary reports to executives. Treasury Management contributes to determine strategies and operating actions for the management of the liquidity position in addition to prepare funding plan and contingency plan of the Bank. Liquidity risk is evaluated with liquidity gap analysis, liquidity stress tests and supplementary precautions/measurements. Liquidity Gap analysis are performed for two different periods as short-term and long-term. Going concern scenario and structural positions are reported monthly. This reporting constitutes the basis of monitoring and management of liquidity position.

The Parent Bank doesn’t function as a central funding institution in its relations with its subsidiaries. Intra-group liquidity management and funding strategies are limited with related legal boundaries.

The Parent Bank issues an annual funding plan in order to sustain funding in a consistent and balanced way. Funding plan have to be updated at least annually and approved by the Executive Committee since it is complied with budgeting process and risk appetite frameworks. The primary purpose of the funding plan is to provide a reliable balance between assets and liabilities.

Both short-term liquidity and long-term (structural) liquidity measurement and reporting for all types of currencies are periodically made in the Bank and its subsidiaries. There are limits which are predetermined and approved by the Board of Directors on the basis of all currencies for each period.

The Parent Bank mainly uses derivative transactions as managing liquidity risk and monitors cash inflow and outflow periods in the framework of funding plan balancing the distribution among currencies.

The Parent Bank aims to reduce the risks to the lowest level if required via measuring possible risks in liquidity with stress tests. Stress tests make it possible for the Bank to reinterpret analysis of its liquidity position according to scenarios depending on possible cases and tail risks except for crisis situations. Liquidity Stress Test methodology makes a similar approach with LCR template and hence allows the overview of the results in line with Basel approaches. The Bank applies and reports liquidity stress tests consisting of different scenarios and maturity segments both on solo and consolidated level and the results are compared with limit and trigger levels set, with different frequencies (weekly, monthly etc.) according to the scenarios.

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“Liquidity Contingency Plan” is applied if the Bank needs more liquidity than its daily liquidity need because of possible financial events in future. Duties and responsibilities are defined in detail in the aforementioned plan. Both the liquidity policy and liquidity contingency policy are in line with BRSA best practice documents on liquidity risk management. The abovementioned policies and the thresholds (limits etc.) covered within liquidity risk management framework are updated and approved at least annually.

Funding sources of the Group mainly consist of deposits which constitute 54% of total liabilities of the Bank (December 31, 2019 - 56%) and also include repo, secured loans, syndication, securitization, bond/security issuance and other instruments including subordinated debts.

The Parent Bank calculates and reports the Liquidity Coverage Ratio (LCR) in full compliance with the regulations. LCR is a metric measuring the adequacy of unencumbered free liquid assets owned by banks (called high quality liquid assets) to meet expected net cash outflows over the next 30 days. The metric is an important Basel regulation that measures short-term liquidity and is closely monitored in the Parent Bank. In addition to the Bank LCR, the Net Stable Funding Rate (NSFR), which is considered another complementary element and provides another important medium/long-term liquidity risk measurement, has also begun internally. These two metrics are also included within the Risk Appetite Indicators and closely monitored at the Bank.

High quality liquid assets mentioned in LCR calculation consist of cash, effective money, Central Bank of the Republic of Turkey (“CBRT”) accounts and reserves and debt instruments issued by Treasury of the Republic of Turkey. are treated as high quality liquid assets.

Cash outflows from derivative transactions in liquidity coverage ratio calculation are based on inclusion of net cash flows with maturity of 30 days in the calculation. Additionally, transactions having a margin possibility are included in liquidity coverage ratio calculation by taking the largest amount according to absolute value of net margin flows realized in the last 24 months in respect of 30 days period or for liability into consideration as cash outflow.

Secured funding consists of repo and secured borrowing transactions. A large part of securities which are subjects of aforementioned guaranteed funding transactions consist of Sovereign Bonds issued by Treasury of the Republic of Turkey and transactions are carried out both in CBRT market and interbank market.

The Parent Bank manages all the transactions made before its foreign branches and partnership in the framework of central bank, markets and related legislation of the country in which the institutions are located. Legal lending limits and high limit transactions are closely monitored in this framework.

All cash inflow and outflow items related to liquidity profile of the Bank are included in liquidity coverage ratio tables below.

PRESENTATION

FROM THE
MANAGEMENTABOUT
YAPI KREDİBUSINESS
MODEL AND
STAKEHOLDERSRESPONSIBLE
GROWTHINNOVATIVE
BANKINGHUMAN
FOCUSCORPORATE
GOVERNANCEFINANCIAL
INFORMATION

ANNEXES

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Average amounts of weekly liquidity coverage ratio calculations related to the last three months of current period are explained in the table below.

Current Period	Unweighted Amounts		Weighted Amounts	
	TL+FC	FC	TL+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			91.546.171	52.070.455
Cash Outflows				
Retail and Small Business Customers Deposits	166.458.400	98.586.950	15.210.839	9.858.623
Stable deposits	28.700.026	1.435	1.435.001	72
Less stable deposits	137.758.374	98.585.515	13.775.838	9.858.551
Unsecured Funding other than Retail and Small Business Customers Deposits	103.228.736	54.093.932	56.381.736	26.300.571
Operational deposits	-	-	-	-
Non-Operational deposits	79.624.878	48.264.608	36.403.137	20.471.247
Other Unsecured funding	23.603.858	5.829.324	19.978.599	5.829.324
Secured funding			63.786	955
Other Cash Outflows	2.084.207	2.084.207	2.084.207	2.084.207
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	2.084.207	2.084.207	2.084.207	2.084.207
Debts related to the structured financial products	-	-	-	-
Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	115.662.700	82.225.833	5.783.135	4.111.292
Other irrevocable or conditionally revocable commitments	92.983.698	13.682.628	9.355.167	3.515.915
Total Cash Outflows			88.878.870	45.871.563
Cash Inflows				
Secured Lending Transactions	-	-	14.186	-
Unsecured Lending Transactions	34.035.200	19.460.561	26.426.016	16.963.229
Other contractual cash inflows	654.972	19.173.295	654.971	19.173.295
Total Cash Inflows	34.690.172	38.633.856	27.095.173	36.136.524
			Capped Amounts	
Total High Quality Liquid Assets	-	-	91.546.171	52.070.455
Total Net Cash Outflows	-	-	61.783.696	11.467.891
Liquidity Coverage Ratio (%)	-	-	148,17	454,05

The dates and values of minimum and maximum foreign currency and total liquidity coverage ratios calculated weekly related to the last three months of current period are explained in the table below.

Current Period	Minimum FC (%)	Minimum TL+FC (%)	Maximum FC (%)	Maximum TL+FC (%)
Week	October 30, 2020	October 30, 2020	December 11, 2020	December 11, 2020
Ratio (%)	340,84	129,66	558,15	152,27

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Simple arithmetic average calculated for the last three months of previous period liquidity coverage ratio by using the amounts calculated based on simple arithmetic averages

Prior Period	Unweighted Amounts		Weighted Amounts	
	TL+FC	FC	TL+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			87.661.333	44.566.242
Cash Outflows				
Retail and Small Business Customers Deposits	138.109.713	71.559.646	12.280.972	7.155.880
Stable deposits	30.599.984	1.683	1.529.999	84
Less stable deposits	107.509.729	71.557.963	10.750.973	7.155.796
Unsecured Funding other than Retail and Small Business Customers Deposits	90.172.839	48.305.280	50.585.312	24.298.061
Operational deposits	-	-	-	-
Non-Operational deposits	67.057.937	41.881.649	30.795.420	17.874.430
Other Unsecured funding	23.114.902	6.423.631	19.789.893	6.423.631
Secured funding			40.724	20.838
Other Cash Outflows	2.163.856	2.442.546	2.163.856	2.442.546
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	2.163.856	2.442.546	2.163.856	2.442.546
Debts related to the structured financial products	-	-	-	-
Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	98.352.547	67.979.626	4.917.627	3.398.981
Other irrevocable or conditionally revocable commitments	82.967.517	16.614.348	8.403.838	4.111.332
Total Cash Outflows			78.392.329	41.427.638
Cash Inflows				
Secured Lending Transactions	-	-	51.966	-
Unsecured Lending Transactions	38.959.285	24.828.509	31.505.959	22.337.694
Other Contractual Cash Inflows	677.894	25.548.194	677.894	25.548.194
Total Cash Inflows	39.637.179	50.376.703	32.235.819	47.885.888
			Capped Amounts	
Total High Quality Liquid Assets			87.661.333	44.566.242
Total Net Cash Outflows			46.156.510	10.356.909
Liquidity Coverage Ratio [%]			189,92	430,30

The dates and values of minimum and maximum foreign currency and total liquidity coverage ratios calculated weekly related to the last three months of 2019 for the Parent Bank are explained in the table below.

	Minimum FC [%]	Minimum TL+FC [%]	Maximum FC [%]	Maximum TL+FC [%]
Week	October 11, 2019	November 1, 2019	November 29, 2019	December 20, 2019
Ratio [%]	385,94	165,84	539,87	212,23

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Breakdown of assets and liabilities according to their remaining maturities:

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Unclassified ⁽¹⁾⁽²⁾	Total
Assets								
Cash [cash in vault, effectives, cash in transit, cheques purchased] and Balances with the Central Bank of the Republic of Turkey	34.309.713	23.372.841	-	-	-	-	-	57.682.554
Banks	8.348.012	5.638.767	841.463	1.657.732	-	-	-	16.485.974
Financial assets at fair value through profit or loss	22	83	1.135	737	60.955	212.848	400.985	676.765
Receivables from money markets	-	1.700.842	-	-	-	-	-	1.700.842
Financial assets at fair value through other comprehensive income	-	1.072.327	235.143	2.601.380	17.401.938	3.701.494	88.278	25.100.560
Loans ⁽¹⁾	-	38.442.826	32.035.387	89.629.671	110.460.045	27.040.567	(5.137.509)	292.470.987
Financial assets measured at amortised cost	-	129.267	76.785	1.259.035	24.793.095	26.770.042	-	53.028.224
Other assets	6.816.821	549.529	945.964	1.490.745	2.453.918	1.416.654	25.670.142	39.343.773
Total assets	49.474.568	70.906.482	34.135.877	96.639.300	155.169.951	59.141.605	21.021.896	486.489.679
Liabilities								
Bank deposits	620.351	4.448.885	14.026	-	-	-	-	5.083.262
Other deposits	94.410.929	120.088.866	34.163.120	8.533.121	1.900.154	230.816	-	259.327.006
Funds borrowed from other financial institutions	-	4.373.491	3.782.161	27.910.451	8.577.850	1.780.740	-	46.424.693
Funds from money market	-	27.356.303	426.831	1.638.612	938.918	-	-	30.360.664
Marketable securities issued	-	2.041.458	2.192.294	1.620.308	18.533.491	240.810	-	24.628.361
Miscellaneous payables	261.142	13.785.278	594.540	473.606	-	-	348.834	15.463.400
Other liabilities ⁽²⁾	3.361.711	1.659.384	3.587.605	1.468.336	32.267.579	11.541.613	51.316.065	105.202.293
Total liabilities	98.654.133	173.753.665	44.760.577	41.644.434	62.217.992	13.793.979	51.664.899	486.489.679
Net liquidity gap	(49.179.565)	(102.847.183)	(10.624.700)	54.994.866	92.951.959	45.347.626	(30.643.003)	-
Net Off-Balance Sheet								
Position	-	(1.076.600)	(1.773.154)	1.300.490	(1.333.722)	1.261.323	-	(1.621.663)
Derivative Financial Assets	-	44.581.579	32.938.436	36.440.941	71.459.073	37.549.513	-	222.969.542
Derivative Financial Liabilities	-	45.658.179	34.711.590	35.140.451	72.792.795	36.288.190	-	224.591.205
Non-Cash Loans	-	2.827.897	9.229.024	38.718.119	16.866.223	5.676.294	27.557.848	100.875.405
Prior Period								
Total assets	46.494.214	73.055.550	28.370.838	68.237.214	130.270.396	44.472.954	20.293.854	411.195.020
Total liabilities	56.845.460	162.959.959	36.977.117	45.048.597	49.960.949	15.280.121	44.122.817	411.195.020
Net liquidity gap	(10.351.246)	(89.904.409)	(8.606.279)	23.188.617	80.309.447	29.192.833	(23.828.963)	-
Net Off-Balance Sheet								
Position	-	(206.595)	78.957	165.459	114.246	848.308	-	1.000.375
Derivative Financial Assets	-	43.907.013	37.444.102	32.460.190	69.759.199	39.707.893	-	223.278.397
Derivative Financial Liabilities	-	44.113.608	37.365.145	32.294.731	69.644.953	38.859.585	-	222.278.022
Non-Cash Loans	-	2.432.558	11.994.741	31.384.826	14.781.144	4.932.327	24.038.885	89.564.481

⁽¹⁾ Non-performing loans are presented in the "Unclassified" column after being offset against expected loss provisions.

⁽²⁾ Shareholders' equity is presented in the "Unclassified" column.

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Breakdown of financial liabilities according to their remaining contractual maturities:

The maturity distribution of values at contracted maturity date of non-derivative financial liabilities is presented below. Maturity segments also include the interests of related assets and liabilities.

Current Period ⁽¹⁾	Demand and up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Liabilities						
Deposits	219.763.891	34.537.750	8.692.009	1.906.910	230.820	265.131.380
Borrowings	4.459.153	3.991.324	28.601.432	9.087.537	1.899.123	48.038.569
Financial liabilities fair value						
through profit and loss	-	213.567	853.984	9.173.905	7.480.998	17.722.454
Funds from money market	27.491.897	440.197	1.647.841	944.206	-	30.524.141
Subordinated loans	331.011	256.087	1.298.043	23.108.191	5.066.769	30.060.101
Marketable securities issued	2.071.926	2.204.731	1.624.939	19.352.017	241.407	25.495.020
Total	254.117.878	41.643.656	42.718.248	63.572.766	14.919.117	416.971.665
Prior Period ⁽¹⁾	Demand and up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Liabilities						
Deposits	191.729.202	28.743.361	9.809.052	2.306.455	277.572	232.865.642
Borrowings	4.075.472	2.898.630	31.116.997	5.472.176	3.652.534	47.215.809
Financial liabilities fair value						
through profit and loss	-	341.841	1.483.958	8.482.655	8.393.714	18.702.168
Funds from money market	5.209.797	321.037	794.202	-	-	6.325.036
Subordinated loans	298.587	208.129	997.530	19.510.304	4.647.788	25.662.338
Marketable securities issued	3.317.098	3.657.316	2.469.354	16.470.672	621.668	26.536.108
Total	204.630.156	36.170.314	46.671.093	52.242.262	17.593.276	357.307.101

⁽¹⁾ Maturities of non-cash loans are described in Note 3 of Section V.

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8. Explanations on consolidated leverage ratio:

The main reason for decrease in leverage ratio for the current period is the increase in total exposures.

The summary information for the comparison of total assets in consolidated financials prepared in accordance with TAS and total exposures:

	Current Period ^[2]	Prior Period ^[2]
1 Total assets in the consolidated financial statements prepared in accordance with TAS ^[1]	487.239.344	395.781.598
2 Differences between the total assets in the consolidated financial statements prepared in accordance with TAS and the total assets in the consolidated financial statements prepared in accordance with Communiqué on Preparation of Consolidated Financial Statements of the Banks	2.247.432	1.994.413
3 Differences between the balances of derivative financial instruments and the credit derivatives in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	3.413.030	1.160.136
4 Differences between the balances of securities financing transactions in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(21.024.413)	(2.342.551)
5 Differences between off- balance sheet items in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(20.309.811)	(19.949.270)
6 Other differences in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	23.831.066	2.242.640
7 Total Risks	694.448.499	584.950.872

^[1] The consolidated financial statements prepared in accordance with the sixth paragraph of the Article 5 in the Communiqué on Preparation of Consolidated Financial Statements of the Banks.

^[2] The arithmetic average of the last 3 months in the related periods.

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	Current Period ⁽¹⁾	Prior Period ⁽¹⁾
On-Balance sheet exposures		
1 On-Balance sheet assets [Excluding derivative financial instruments and credit derivatives, including collaterals]	493.536.743	399.276.954
2 [Asset amounts deducted in determining Tier 1 capital]	[4.883.604]	[3.974.767]
3 Total on-Balance sheet exposures	488.653.139	395.302.187
Derivative financial instruments and credit derivatives		
4 Replacement cost of derivative financial instruments and credit derivatives	2.732.015	2.668.361
5 Potential credit risk of derivative financial instruments and credit derivatives	3.413.030	1.160.136
6 Total derivative financial instruments and credit derivatives exposure	6.145.045	3.828.497
Securities financing transaction exposure		
7 Total risk of gross securities financing transactions [excluding on-balance sheet exposure]	1.632.755	448.597
8 Agent transaction exposures	-	-
9 Total securities financing transaction exposures	1.632.755	448.597
Off-balance sheet items		
10 Off-balance sheet exposure at gross notional amount	218.327.371	205.320.860
11 [Adjustments for conversion to credit equivalent amounts]	[20.309.811]	[19.949.270]
12 Total risk of off-balance sheet items	198.017.560	185.371.590
Capital and total exposure		
13 Tier 1 capital	51.520.610	44.368.728
14 Total exposures	694.448.499	584.950.872
15 Leverage ratio [%]	7,42	7,60

⁽¹⁾ The arithmetic average of the last 3 months in the related periods.

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9. Explanations on the presentation of financial assets and liabilities at fair values:

The following table summarises the carrying values and fair values of some financial assets and liabilities of the Group. The carrying value represents the acquisition costs and accumulated interest accruals of corresponding financial assets or liabilities.

	Book value		Fair value	
	Current period	Prior period	Current period	Prior period
Financial assets	413.527.355	357.177.394	418.802.073	363.622.970
Due from money market	1.700.842	10.803.630	1.700.842	10.803.630
Banks	16.485.974	27.211.788	17.242.338	28.003.202
Financial assets at fair value through other comprehensive income	25.100.560	26.900.612	25.100.560	26.900.612
Financial assets measured at amortised cost	53.028.224	29.608.137	54.582.472	28.863.097
Loans	317.211.755	262.653.227	320.175.861	269.052.429
Financial liabilities	386.137.565	348.128.268	387.351.606	350.121.059
Bank deposits	5.083.262	5.057.775	5.087.607	5.059.558
Other deposits	259.327.006	226.013.922	259.442.519	225.912.616
Funds borrowed from other financial institutions	46.424.693	45.373.495	46.263.167	45.144.765
Financial liabilities fair value through profit and loss	12.555.789	13.184.605	12.555.789	13.184.605
Subordinated loans	22.655.054	18.580.039	24.273.721	20.399.518
Marketable securities issued	24.628.361	25.221.191	24.265.403	25.722.756
Miscellaneous payables	15.463.400	14.697.241	15.463.400	14.697.241

The fair values of deposits, banks, securities issued and funds borrowed from other financial institutions are determined by calculating the discounted cash flows using the current market interest rates.

The fair value of held-to-maturity assets is determined based on market prices or when this price is not available, based on market prices quoted for other securities subject to the same redemption qualifications in terms of interest, maturity and other similar conditions.

The expected fair value of loans and receivables is determined by calculating the discounted cash flows using the current market interest rates for the loans with fixed interest rates. For the loans with floating interest rates (such as overdrafts and credit card receivables), it is assumed that the carrying value approaches to the fair value.

TFRS 13, "Fair Value Measurement", requires classification of line items at fair value presented at the financial statements according to the defined levels. These levels depend on the observability of data used for fair value calculations.

Classification for fair value is generated as followed below:

Level 1: Assets or liabilities with prices recorded (unadjusted) in active markets

Level 2: Assets or liabilities that are excluded in the Level 1 of recorded prices directly observable by prices or indirectly observable derived through prices observable from similar assets or liabilities

Level 3: Assets and liabilities where no observable market data can be used for valuation

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According to these classification principles stated, the Group’s classification of financial assets and liabilities carried at their fair value are as follows:

Current Period	Level 1	Level 2	Level 3	Total
Financial assets where fair value change is reflected to income statement	286.991	161.328	228.446	676.765
Financial assets where fair value change is reflected to other comprehensive income statement	22.992.471	2.086.636	-	25.079.107
Derivative financial assets	-	5.770.100	-	5.770.100
Total assets	23.279.462	8.018.064	228.446	31.525.972
Derivative financial liabilities	-	10.593.179	-	10.593.179
Financial liabilities at fair value through profit or loss	-	12.555.789	-	12.555.789
Total liabilities	-	23.148.968	-	23.148.968
Prior Period	Level 1	Level 2	Level 3	Total
Financial assets where fair value change is reflected to income statement	104.660	269.484	199.053	573.197
Financial assets where fair value change is reflected to other comprehensive income statement	24.760.918	2.126.075	-	26.886.993
Derivative financial assets	-	4.749.581	-	4.749.581
Total assets	24.865.578	7.145.140	199.053	32.209.771
Derivative financial liabilities	-	7.105.282	-	7.105.282
Financial liabilities at fair value through profit or loss	-	13.184.605	-	13.184.605
Total liabilities	-	20.289.887	-	20.289.887

The Group classify its buildings carried at their fair value within property and equipment under level 3.

10. Explanations on hedge accounting:

The Group applies the following hedge accounting models as of December 31, 2020:

- Fair value Hedge (“FVH”)
- Cash Flow Hedge (“CFH”)

If the fair value of the hedging instrument within fair value hedge (“FVH”) is positive it is classified under, “Derivative financial assets at fair value through profit or loss”; if the fair value is negative, it is classified under “Derivative financial liabilities at fair value through profit or loss”.

If the fair value of the hedging instrument under hedge of cash flow hedge (“CFH”) is positive, it is classified under “Derivative financial assets at fair value through other comprehensive income” if the fair value is negative, it is classified under “Derivative financial liabilities at fair value through other comprehensive income”.

Cross currency interest rate swaps and interest rate swaps are used as hedging instrument in FVH. Interest rate swaps, currency swaps and cross currency swaps are used as hedging instrument in CFH.

International Accounting Standards Board (“IASB”) published in September 2019 the regulation titled “Changes in TAS 39, TFRS 9 and TFRS 7 Benchmark Interest Rate Reform” which is effective for annual periods beginning after January 1, 2020. Specific exceptions are made for the hedge accounting transactions with the related changes. As a result of evaluations made, by taking the reliefs provided by the amendments into the consideration, no major impact is expected on Financial statements due to related change and there is no hedge relation discontinued due to this reform.

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Contractual amounts and the fair values as at December 31, 2020 of these hedging instruments are presented in the table below:

Hedging instrument	Current Period			Prior Period		
	Notional ⁽¹⁾	Asset	Liability	Notional ⁽¹⁾	Asset	Liability
Interest rate swaps/currency swaps/cross currency swaps (CFH)	45.922.447	546.658	2.622.928	49.943.888	297.126	2.891.167
Interest rate swaps/Cross currency interest rate swaps (FVH)	2.652.821	39.103	620.019	2.049.160	36.266	316.376
Total	48.575.268	585.761	3.242.947	51.993.048	333.392	3.207.543

⁽¹⁾ Only the “sell” legs of the related derivatives are presented with the addition of the “buy” legs of these derivatives amounting to TL 47.478.070 [December 31, 2019 - TL 51.474.952] the total notional of derivative financial assets amounting to TL 96.053.338 [December 31, 2019 - TL 103.468.000] is accounted for in off-balance sheet under “Hedging Derivative Financial Instruments” line item.

The fair valuation methodology of the derivatives presented in the above table is disclosed in detail in the accounting principles section of these financial statements in Section 3. Part 4.

10.1. Fair value hedge accounting:

Starting from March 1, 2009, the Parent Bank has hedged the possible fair value effects of changes in market interest rates on some of its fixed interest loan portfolios and fair value effects of changes in foreign exchange rates on part of its foreign currency funds by using cross-currency interest rate swaps.

Starting from July 28, 2015, the Parent Bank has hedged the possible fair value effects of changes in market interest rates and foreign exchange rates on marketable securities by using interest rates swaps and cross-currency interest rate swaps.

The Bank selected to apply macro FVH accounting for such relationship in accordance with “TAS 39- Financial Instruments: Recognition and Measurement”.

The impact of application of FVH accounting is summarized below;

Current Period						
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Fair value difference/ adjustment of the hedged item ⁽¹⁾	Net fair value of the hedging instrument ⁽²⁾		Net gain/(loss) recognised in the income statement [Derivative financial transactions gains/losses] ⁽³⁾
				Asset	Liability	
Interest rate swaps/Cross currency interest rate swaps	Some of fixed interest loan portfolios, foreign currency funds and marketable securities	Fixed interest and changes in foreign exchange rate risk	2.473	-	620.019	[22.056]
Prior Period						
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Fair value difference/ adjustment of the hedged item ⁽¹⁾	Net fair value of the hedging instrument ⁽²⁾		Net gain/(loss) recognised in the income statement [Derivative financial transactions gains/losses] ⁽³⁾
				Asset	Liability	
Cross currency interest rate swaps	Some of fixed interest loan portfolios, foreign currency funds and marketable securities	Fixed interest and changes in foreign exchange rate risk	24.529	1.690	316.376	[19.636]

⁽¹⁾ The amount refers to the fair value of the hedged item calculated for some of fixed interest loan portfolios in accordance with hedge accounting effectiveness tests. The foreign exchange rate changes of foreign currency fundings and cross-currency swaps are reflected to the income statement in foreign exchange gains/losses line item.

⁽²⁾ The amounts include the foreign exchange differences and net straight line interest accruals of the related derivatives.

⁽³⁾ The ineffective portion of the mentioned hedging transaction is TL 30.719 loss [December 31 2019- TL 5.896 income].

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At the inception date, the Parent Bank documents the relationship between the hedging instruments and hedged items required by the FVH accounting application in accordance with "TAS 39- Financial Instruments: Recognition and Measurement" and its own risk management policies and principles. Every individual relationship is approved and documented in the same methodology. In accordance with "TAS 39- Financial Instruments: Recognition and Measurement", the effectiveness tests of the relationships are performed in accordance with the Bank's risk management policies. In the effectiveness tests, the fair values of the hedged item are calculated using the same assumptions used in calculation of fair values of the derivatives.

The effectiveness tests are performed prospectively and retrospectively on a monthly basis and the effectiveness of risk relationships are measured. At the inception date the effectiveness tests are performed prospectively. If the underlying hedge does not conform to the FVH accounting requirements [out of the 80% - 125% effectiveness range] or if the management voluntarily decides to discontinue the hedging relation, the adjustments made to the carrying value [amortized cost] of the hedged item are amortized with the straight line method and recognized in the profit and loss accounts within the remaining maturity. In addition if the hedging instrument is sold or closed before its maturity, the amount of the fair value adjustments of the hedged items are amortized to profit and loss accounts with the straight line method within the remaining maturity.

10.2. Cash flow hedge accounting:

The Parent Bank started to apply macro cash flow hedge accounting from January 1, 2010 onwards in order to hedge its cash flow risk from floating interest rate liabilities. The hedging instruments are USD, EUR and TL interest rate swaps, currency swaps and cross currency swaps with floating receive, fixed pay legs, and the hedged item is the cash outflows due to financing of interests of repricing USD, EUR and TL deposits, borrowings and repos.

The impact of application of CFH accounting is summarized below:

Current Period						
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Net fair value of the hedging instrument		Net gain/ (loss) recognized in hedging funds ⁽¹⁾	Net gain/ (loss) reclassified to equity ⁽²⁾⁽³⁾
			Asset	Liability		
Interest rate swaps/currency swaps/Cross currency interest rate swaps	Customer deposits, repos and borrowings	Cash flow risk due to the changes in the interest rates	546.658	2.622.928	[976.829]	485.963
Prior Period						
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Net fair value of the hedging instrument		Net gain/ (loss) recognized in hedging funds ⁽¹⁾	Net gain/ (loss) reclassified to equity ⁽²⁾⁽³⁾
			Asset	Liability		
Interest rate swaps/Cross currency interest rate swap	Customer deposits, repos and borrowings	Cash flow risk due to the changes in the interest rates	297.126	2.891.167	[1.462.792]	[3.206.096]

⁽¹⁾ Includes deferred tax impact.

⁽²⁾ Includes tax and foreign exchange differences.

⁽³⁾ The ineffective portion of the mentioned hedging transaction is TL 211.163 income [December 31, 2019 - TL 422.890 income].

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At the inception date, the Parent Bank documents the relationship between the hedging instruments and hedged items required by the CFH accounting application in accordance with "TAS 39- Financial Instruments: Recognition and Measurement" and its own risk management policies and principles. Every individual relationship is approved and documented in the same way. In accordance with "TAS 39- Financial Instruments: Recognition and Measurement", the effectiveness tests of the relationships are performed in accordance with the Bank's risk management policies.

The effectiveness tests are performed on a monthly basis and the effectiveness of risk relationships are measured. If the underlying hedge does not conform to the CFH accounting requirements (out of the 80%-125% effectiveness range) or if the management voluntarily decides to discontinue the hedging relation or the hedging instrument is sold or closed before its maturity, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective shall remain separately in equity until the forecast transaction occurs or is no longer expected to occur. When the hedged forecasted transactions are no longer expected to occur, the net cumulative gain or loss is reclassified from other comprehensive income to profit and loss.

10.3. Hedge From Foreign Net Investment Risk:

The Group hedges part of the currency translation risk of net investments in foreign operations through foreign currency borrowings. The Group's Euro denominated borrowing is designated as a hedge of the net investment in the Group's certain EUR denominated subsidiaries. The total amount of the borrowing designated as a hedge of the net investment at December 31, 2020 is EUR 471 milyon (December 31, 2019 - EUR 452 milyon).

11. Explanations on the activities carried out on behalf of others and fiduciary transactions:

The Group carries out trading, custody, management and consulting services on behalf of customers and on their account. The Group has no fiduciary transactions.

12. Explanations on consolidated operating segments:

The Group carries out its banking operations through two main business units:

- Retail Banking
- Corporate, Commercial and SME Banking.

The Parent Bank's Retail Banking activities include card payment systems, individual, individual portfolio, blue class, private banking. Retail Banking products and services offered to customers include card payment systems, consumer loans (including general purpose loans, auto loans, mortgages), commercial installment loans, time and demand deposits, gold banking, investment accounts, life and non-life insurance products and payroll services. In addition, customers who receive their monthly salary/SSI payments through our bank are offered privileges covering various banking transactions. Card payment systems cover the management of products, services, campaigns for member merchants as well as the sales and activities for a variety of customer types. Crystal, Play, Adios and Taksitçi are the other card brands providing services for the different segments within the World brand, shopping and marketing platform of the Parent Bank. Through its Blue Class and Private Banking activities, the Bank serves high net worth customers and delivers investment products to this customer segment. Among the products and services offered to Private Banking customers are time deposit products, mutual funds, foreign exchange, gold and equity trading. Also, personal art advisory, inheritance advisory, real estate advisory, tax advisory, education and philanthropic advisory are offered within the Private Banking and Wealth Management activities.

Corporate, Commercial and SME Banking segment is organized into three subgroups: Corporate Banking for large-scale, international and multinational companies and Commercial Banking for medium-sized enterprises and SME Banking for SME companies. Corporate and Commercial Banking, has a product range of working capital finance, trade finance, project finance, domestic and international non-cash loans such as letters of credit and letters of guarantee, cash management, internet banking, financial advisory and equity management advisory. SME Banking offer to customers SME loans and SME banking packages products.

The Group's widespread branch network and alternative distribution channels including ATMs, telephone banking, internet banking and mobile banking are utilized to serve customers in all segments. Treasury, Asset - Liability Management and other operations, mainly consist of treasury management's results, operations of supporting business units and other unallocated transactions.

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Major balance sheet and income statement items based on operating segments:

The below table is prepared in accordance with the Management Information System (MIS) data of the Bank.

		Corporate and commercial banking	Other foreign operations	Other domestic operations	Treasury, Asset-Liability Management and Other	Consolidation adjustments ⁽¹⁾	Total operations of the Group
Current Period	Retail banking						
Operating revenue continuing	9.201.210	8.249.775	436.538	1.334.015	6.592.927	(8.318)	25.806.147
Operating expenses continuing	(8.053.781)	(5.758.254)	(225.746)	(519.310)	(4.566.557)	8.318	(19.115.330)
Net operating income continuing	1.147.429	2.491.521	210.792	814.705	2.026.370	-	6.690.817
Dividend income ⁽²⁾	-	-	-	-	17.158	-	17.158
Income/Loss from Investments accounted based on equity method ⁽²⁾	-	-	-	-	89.133	-	89.133
Profit before tax	1.147.429	2.491.521	210.792	814.705	2.132.661	-	6.797.108
Tax expense ⁽²⁾	-	-	-	-	(1.717.425)	-	(1.717.425)
Net period income from continuing operations	1.147.429	2.491.521	210.792	814.705	415.236	-	5.079.683
Minority interest [-]	-	-	-	-	(165)	-	(165)
Group income/loss	1.147.429	2.491.521	210.792	814.705	415.071	-	5.079.518
Segment assets	101.544.189	168.319.771	17.311.763	21.309.126	179.773.383	(3.373.154)	484.885.078
Investments in associates, subsidiaries and joint ventures	-	-	-	-	1.604.601	-	1.604.601
Total assets	101.544.189	168.319.771	17.311.763	21.309.126	181.377.984	(3.373.154)	486.489.679
Segment liabilities	186.032.270	76.891.537	12.664.679	17.500.201	149.205.780	(3.373.154)	438.921.313
Shareholders' equity	-	-	-	-	47.568.366	-	47.568.366
Total liabilities	186.032.270	76.891.537	12.664.679	17.500.201	196.774.146	(3.373.154)	486.489.679
		Corporate and commercial banking	Other foreign operations	Other domestic operations	Treasury, Asset-Liability Management and Other	Consolidation adjustments ⁽¹⁾	Total operations of the Group
Prior Period	Retail banking						
Operating revenue continuing	9.655.866	9.891.868	396.300	1.129.444	58.571	(13.810)	21.118.239
Operating expenses continuing	(6.669.444)	(5.894.790)	(190.710)	(460.874)	(3.493.375)	13.810	(16.695.383)
Net operating income continuing	2.986.422	3.997.078	205.590	668.570	(3.434.804)	-	4.422.856
Dividend income ⁽²⁾	-	-	-	-	16.972	-	16.972
Income/Loss from Investments accounted based on equity method ⁽²⁾	-	-	-	-	93.952	-	93.952
Profit before tax	2.986.422	3.997.078	205.590	668.570	(3.323.880)	-	4.533.780
Tax expense ⁽²⁾	-	-	-	-	(933.594)	-	(933.594)
Net period income from continuing operations	2.986.422	3.997.078	205.590	668.570	(4.257.474)	-	3.600.186
Minority interest [-]	-	-	-	-	(126)	-	(126)
Group income/loss	2.986.422	3.997.078	205.590	668.570	(4.257.600)	-	3.600.060
Segment assets	82.232.054	130.014.639	13.018.351	18.215.607	167.422.208	(957.164)	409.945.695
Investments in associates, subsidiaries and joint ventures	-	-	-	-	1.249.325	-	1.249.325
Total assets	82.232.054	130.014.639	13.018.351	18.215.607	168.671.533	(957.164)	411.195.020
Segment liabilities	154.441.907	69.577.123	9.688.309	14.964.122	122.289.143	(957.164)	370.003.440
Shareholders' equity	-	-	-	-	41.191.580	-	41.191.580
Total liabilities	154.441.907	69.577.123	9.688.309	14.964.122	163.480.723	(957.164)	411.195.020

⁽¹⁾ Consolidation adjustments include transactions with subsidiaries and investments consolidated in these financial statements.

⁽²⁾ Related items expenses have not been distributed based on operating segments and have been presented under "Treasury, Asset-Liability Management and Other".

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Section five - Explanations and notes related to consolidated financial statements

1. Explanations and notes related to consolidated assets:

1.1. Information related to cash and the account of the Central Bank:

1.1.1. Information on cash and the account of the Central Bank of the Republic of Turkey (“the CBRT”):

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash	1.389.129	4.667.837	1.489.030	3.103.669
The CBRT ⁽¹⁾	9.111.172	39.945.078	999.602	35.841.927
Other	-	2.569.338	-	2.051.702
Total	10.500.301	47.182.253	2.488.632	40.997.298

⁽¹⁾ The balance of gold amounting to TL 5.903.518 is accounted for under the Central Bank foreign currency account (December 31, 2019 - TL 2.092.586).

1.1.2. Information on the account of the CBRT:

	Current Period		Prior Period	
	TL	FC	TL	FC
Demand unrestricted amount ⁽¹⁾	8.360.849	17.386.051	999.602	21.554.089
Time unrestricted amount	750.323	-	-	-
Time restricted amount	-	-	-	-
Reserve requirement ⁽²⁾	-	22.559.027	-	14.287.838
Total	9.111.172	39.945.078	999.602	35.841.927

⁽¹⁾ The TL reserve requirement has been classified in “Central Bank Demand Unrestricted Account” based on the correspondence with BRSA letter as of January 3, 2008.

⁽²⁾ The Group keeps TL, USD, EUR and Gold reserve deposits for its TL and FX liabilities at Central Bank accounts in accordance with the legislation of the Central Bank numbered 2005/1, “Decree on Reserve Deposits”.

1.2. Information on financial assets at fair value through profit and loss:

The Group does not have financial assets at fair value through profit and loss subject to repo transactions and there is no financial assets at fair value through profit and loss given as collateral/blocked (December 31, 2019 - None).

1.3. Information on derivative financial assets:

1.3.1. Positive differences related to derivative financial assets held for trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	607.361	1.143	443.084	80
Swap transactions	2.875.236	1.603.569	2.844.864	1.072.784
Futures transactions	-	-	563	-
Options	47.417	49.613	37.260	17.547
Other	-	-	-	7
Total	3.530.014	1.654.325	3.325.771	1.090.418

1.3.2. Positive differences related to derivative financial assets held for hedging:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedges ⁽¹⁾	-	39.103	1.690	34.576
Cash flow hedges ⁽¹⁾	546.658	-	254.687	42.439
Hedges for investments made in foreign countries	-	-	-	-
Total	546.658	39.103	256.377	77.015

⁽¹⁾ Explained in Note 10 of section 4.

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1.4. Information on banks:

1.4.1. Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	3.753.211	3.837.590	3.862.175	3.390.558
Foreign ⁽¹⁾	10	8.895.163	264	19.958.791
Head quarters and branches abroad	-	-	-	-
Total	3.753.221	12.732.753	3.862.439	23.349.349

⁽¹⁾ The balance of foreign currency account in foreign banks includes the balance of gold amounting to TL 558 (December 31, 2019 - TL 12.157).

1.4.2. Information on foreign banks account:

	Unrestricted amount		Restricted amount	
	Current Period	Prior Period	Current Period	Prior Period
EU countries	976.643	5.439.439	26.478	51.215
USA, Canada	7.345.748	12.547.270	435.910	365.275
OECD countries ⁽¹⁾	18.711	1.395.498	-	-
Off-shore banking regions	854	497	-	-
Other	27.468	98.415	63.361	61.446
Total	8.369.424	19.481.119	525.749	477.936

⁽¹⁾ OECD countries except EU countries, USA and Canada.

1.4.3. Information on money markets receivables:

As of December 31, 2020 a total of TL 1.700.842 reverse repo transactions with domestic banks are included in the money market receivables [December 31, 2019 - TL 10.803.630].

1.5. Information on financial assets at fair value through other comprehensive income which are subject to repurchase agreements and given as collateral/blocked:

As of December 31, 2020 financial assets at fair value through other comprehensive income given as collateral/blocked amount to TL 1.327.982 [December 31, 2019 - TL 1.540.466] and subject to repo transactions amounts to TL 10.946.226 [December 31, 2019 - TL 3.069.033].

1.6. Information on financial assets at fair value through other comprehensive income:

	Current Period	Prior Period
Debt securities	25.203.852	26.962.313
Quoted on stock exchange ⁽¹⁾	25.203.852	26.665.302
Not quoted	-	297.011
Share certificates	133.715	125.783
Quoted on stock exchange	286	237
Not quoted	133.429	125.546
Impairment provision [-]	237.007	187.484
Total	25.100.560	26.900.612

⁽¹⁾ Includes the negative differences between the acquisition cost and the market price, related to the securities portfolio.

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1.7. Explanations on loans:

1.7.1. Information on all types of loans or advance balances given to shareholders and employees of the Group:

	Current Period		Prior Period	
	Cash	Non-cash	Cash	Non-cash
Direct loans granted to shareholders	35.020	-	-	-
Corporate shareholders	35.020	-	-	-
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	136.055	898.824	35.013	1.199.169
Loans granted to employees	242.829	488	220.797	561
Total	413.904	899.312	255.810	1.199.730

1.7.2. Information on the first and second group loans and other receivables and loans and other receivables that have been restructured or rescheduled:

	Standard Loans	Loans under close monitoring		
		Not under the scope of restructuring	Loans under restructuring	
			Modifications on agreement conditions	Refinancing
Cash Loans				
Non-specialized loans	235.120.053	25.441.465	1.857.519	19.403.436
Loans given to enterprises	99.536.756	17.724.524	1.658.007	10.520.835
Export loans	20.832.545	184.776	127.086	6.508.879
Import loans	-	-	-	-
Loans given to financial sector	9.392.233	-	-	-
Consumer loans	47.227.668	2.153.610	1.723	845.032
Credit cards	31.673.592	1.785.863	-	457.407
Other ⁽¹⁾	26.457.259	3.592.692	70.703	1.071.283
Specialized loans	-	-	-	-
Other receivables	14.367.901	1.417.834	288	-
Total	249.487.954	26.859.299	1.857.807	19.403.436

⁽¹⁾ Fair value differences of the hedged items amounting to TL 9.796 are classified in other loans as explained in Note 10, Section 4.

	Standard loans	Loans under close monitoring
12-month provisions for possible losses	2.731.789	-
Significant increase in credit risk	-	8.351.902
Total	2.731.789	8.351.902

1.7.3. Loans according to their maturity structure:

	Standard loans	Loans under close monitoring	
		Not under the scope of restructuring	Agreement conditions modified
Short-term loans	99.197.098	3.548.187	1.571.422
Medium and long-term loans	150.290.856	23.311.112	19.689.821
Total	249.487.954	26.859.299	21.261.243

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1.7.4. Information on loans by types and specific provisions

1.7.4.1. Information on loans by types and specific provisions:

Current Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Financial Leasing	Factoring	Total
Standard loans	156.218.793	47.227.668	31.673.592	9.641.699	4.726.202	249.487.954
Watch list	41.458.785	3.000.365	2.243.270	900.722	517.400	48.120.542
Loans under legal follow-up	16.278.186	1.602.002	1.167.237	429.437	126.397	19.603.259
Specific provisions [-]	10.683.360	1.413.621	1.124.999	330.542	104.555	13.657.077
Total	203.272.404	50.416.414	33.959.100	10.641.316	5.265.444	303.554.678

Prior Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Financial Leasing	Factoring	Total
Standard loans	130.110.021	34.753.239	27.797.548	9.113.207	3.728.962	205.502.977
Watch list	33.059.190	2.254.194	1.398.856	799.235	276.438	37.787.913
Loans under legal follow-up	15.876.347	1.548.208	1.251.995	583.330	102.457	19.362.337
Specific provisions [-]	9.342.081	1.167.057	1.063.002	446.891	80.442	12.099.473
Total	169.703.477	37.388.584	29.385.397	10.048.881	4.027.415	250.553.754

1.7.4.2 Specific provisions on loans:

Current Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Financial leasing receivables	Factoring receivables	Total
Opening balance	9.335.467	1.173.465	1.063.208	446.891	80.442	12.099.473
Allowance for impairment	3.004.946	819.823	432.024	7.000	35.834	4.299.627
Amount recovered during the period [-]	1.054.025	434.440	258.474	18.103	11.697	1.776.739
Loans written off during the period as uncollectible [-]	611.127	152.637	114.082	105.246	24	983.116
Exchange difference	8.098	7.411	2.323	-	-	17.832
December 31	10.683.359	1.413.622	1.124.999	330.542	104.555	13.657.077

Prior Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Financial leasing receivables	Factoring receivables	Total
Opening balance	7.512.095	884.225	598.582	433.729	143.522	9.572.153
Allowance for impairment	5.397.419	1.014.561	1.012.982	102.370	10.903	7.538.235
Amount recovered during the period [-]	923.136	343.990	187.648	10.407	104	1.465.285
Loans written off during the period as uncollectible [-]	2.664.563	395.477	362.578	78.801	73.879	3.575.298
Exchange difference	13.652	14.146	1.870	-	-	29.668
December 31	9.335.467	1.173.465	1.063.208	446.891	80.442	12.099.473

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1.7.4.3. Fair value of collaterals:

Current Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Financial Leasing	Factoring	Total
Watch List	29.080.101	322.291	-	900.722	-	30.303.114
Loans under legal follow-up	5.864.474	212.377	-	429.437	-	6.506.288
Total	34.944.575	534.668	-	1.330.159	-	36.809.402

Prior Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Financial Leasing	Factoring	Total
Watch List	16.868.020	423.481	-	799.235	-	18.090.736
Loans under legal follow-up	5.622.970	166.405	-	583.330	-	6.372.705
Total	22.490.990	589.886	-	1.382.565	-	24.463.441

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1.7.5. Information on consumer loans, individual credit cards, personnel loans and personnel credit cards:

	Short-term	Medium and long-term	Total
Consumer loans-TL	909.080	46.834.882	47.743.962
Real estate loans	4.403	11.142.267	11.146.670
Automotive loans	148.664	1.370.366	1.519.030
Consumer loans	756.013	34.322.249	35.078.262
Other	-	-	-
Consumer loans-FC indexed	-	13.863	13.863
Real estate loans	-	13.863	13.863
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer loans-FC	12.461	108.856	121.317
Real estate loans	518	50.179	50.697
Automotive loans	164	-	164
Consumer loans	10.678	49.311	59.989
Other	1.101	9.366	10.467
Individual credit cards-TL	23.678.255	405.180	24.083.435
With installments	12.218.657	156.702	12.375.359
Without installments	11.459.598	248.478	11.708.076
Individual credit cards-FC	22.464	54.143	76.607
With installments	7.962	54.143	62.105
Without installments	14.502	-	14.502
Personnel loans-TL	11.825	92.989	104.814
Real estate loans	-	1.774	1.774
Automotive loans	36	425	461
Consumer loans	11.789	90.790	102.579
Other	-	-	-
Personnel loans-FC indexed	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel loans-FC	108	1.857	1.965
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	108	1.857	1.965
Other	-	-	-
Personnel credit cards-TL	129.802	788	130.590
With installments	61.517	712	62.229
Without installments	68.285	76	68.361
Personnel credit cards-FC	150	458	608
With installments	26	458	484
Without installments	124	-	124
Credit deposit account-TL (Real Person)⁽¹⁾	2.242.100	-	2.242.100
Credit deposit account-FC (Real Person)	12	-	12
Total	27.006.257	47.513.016	74.519.273

⁽¹⁾ TL 4.852 of the credit deposit account belongs to the loans used by personnel.

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1.7.6. Information on commercial installment loans and corporate credit cards:

	Current Period		Total
	Short-term	Medium and long-term	
Commercial installments loans-TL	5.660.317	13.966.107	19.626.424
Business loans	2.493	832.603	835.096
Automotive loans	251.041	2.297.184	2.548.225
Consumer loans	5.406.783	10.836.320	16.243.103
Commercial installments loans-FC indexed	-	9.387	9.387
Business loans	-	572	572
Automotive loans	-	4.568	4.568
Consumer loans	-	4.247	4.247
Corporate credit cards-TL	9.502.171	122.884	9.625.055
With installment	6.670.356	112.661	6.783.017
Without installment	2.831.815	10.223	2.842.038
Corporate credit cards-FC	567	-	567
With installment	-	-	-
Without installment	567	-	567
Credit deposit account-TL (legal person)	897.893	-	897.893
Total	16.060.948	14.098.378	30.159.326

1.7.7. Distribution of domestic and foreign loans:

Distribution has been disclosed based on the location where the customers operate:

	Current Period	Prior Period
Public	4.650.458	2.891.413
Private	292.958.038	240.399.477
Total	297.608.496	243.290.890

1.7.8. Distribution of domestic and foreign loans:

Distribution has been disclosed based on the location where the customers operate:

	Current Period	Prior Period
Domestic loans	288.827.661	236.169.712
Foreign loans	8.780.835	7.121.178
Total	297.608.496	243.290.890

1.7.9. Loans granted to associates and subsidiaries:

	Current Period	Prior Period
Direct loans granted to associates and subsidiaries	40.512	4.654
Indirect loans granted to associates and subsidiaries	-	-
Total	40.512	4.654

1.7.10. Information on credit-impaired [Stage 3]:

	Current Period	Prior Period
Loans and other receivables with limited collectability	833.182	1.896.265
Loans and other receivables with doubtful collectability	482.044	1.999.521
Uncollectible loans and other receivables	12.341.851	8.203.687
Total	13.657.077	12.099.473

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1.7.11. Information on non-performing loans [net]:

1.7.11.1. Information on non-performing loans restructured or rescheduled, and other receivables:

	III. Group	IV. Group	V. Group
	Loans with limited collectibility	Loans with doubtful collectibility	Uncollectible loans
Current Period			
(Gross amounts before specific reserves)	395	171.111	1.573.221
Restructured loans	395	171.111	1.573.221
Prior Period			
(Gross amounts before specific reserves)	187.399	238.221	925.306
Restructured loans	187.399	238.221	925.306

1.7.11.2. Information on the movement of total non-performing loans:

	III. Group	IV. Group	V. Group
	Loans with limited collectibility	Loans with doubtful collectibility	Uncollectible loans
Prior Period	3.633.128	3.772.031	11.957.178
Additions (+)	2.053.699	994.495	608.612
Transfers from other categories of non-performing loans (+)	-	4.077.511	7.417.813
Transfer to other categories of non-performing loans (-)	4.077.511	7.417.813	-
Collections (-)	424.647	608.417	1.370.344
FX valuation differences	22	91	53.769
Write-offs (-)	-	-	612.564
Sold (-)	-	-	453.794
Corporate and commercial loans	-	-	348.548
Consumer loans	-	-	-
Credit cards	-	-	-
Other	-	-	105.246
Current Period	1.184.691	817.898	17.600.670
Provision (-)	833.182	482.044	12.341.851
Net balance on balance sheet	351.509	335.854	5.258.819

As of December 30, 2020, in accordance with the changes on "Provisioning Regulation" published in the Official Gazette No. 30961 dated November 27, 2019 by BRSA, the Group has written off SME, credit cards and consumer loans amounting to TL 596.118 that are classified under Group 5, more than 540 days overdue and after collaterals deducted approximately 100% provisioned hence there is no reasonable expectation of recovery. After the loans had written off within the period in accordance with the changes on Provisioning Regulation, non performing loan ratio decreased from 6,36% to 6,18%.

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1.7.11.3. Information on non-performing loans granted as foreign currency loans:

	III. Group	IV. Group	V. Group
	Loans with limited collectibility	Loans with doubtful collectibility	Uncollectible loans
Current Period			
Period end balance	390.758	165.209	8.218.623
Provision amount [-]	192.024	52.447	4.841.190
Net balance on-balance sheet	198.734	112.762	3.377.433
Prior Period			
Period end balance	2.052.238	1.878.526	4.470.186
Provision amount [-]	1.061.495	760.092	2.425.448
Net balance on-balance sheet	990.743	1.118.434	2.044.738

1.7.11.4. Information on the gross and net amounts of the non-performing loans according to types of borrowers:

	III. Group	IV. Group	V. Group
	Loans with limited collectibility	Loans with doubtful collectibility	Uncollectible loans
Current Period (net)	351.509	335.854	5.258.819
Loans granted to real persons and corporate entities (gross)	1.184.691	817.898	17.515.996
Provision amount [-]	833.182	482.044	12.257.177
Loans granted to real persons and corporate entities (net)	351.509	335.854	5.258.819
Banks (gross)	-	-	774
Provision amount [-]	-	-	774
Banks (net)	-	-	-
Other loans (gross)	-	-	83.900
Provision amount [-]	-	-	83.900
Other loans (Net)	-	-	-
Prior Period (net)	1.736.863	1.772.510	3.753.491
Loans granted to real persons and corporate entities (gross)	3.633.128	3.772.031	11.844.095
Provision amount [-]	1.896.265	1.999.521	8.090.604
Loans granted to real persons and corporate entities (Net)	1.736.863	1.772.510	3.753.491
Banks (gross)	-	-	29.183
Provision amount [-]	-	-	29.183
Banks (net)	-	-	-
Other loans and receivables (gross)	-	-	83.900
Provision amount [-]	-	-	83.900
Other loans and receivables (Net)	-	-	-

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1.7.11.5. Information on interest accruals, rediscounts and valuation differences calculated for non-performing loans and their provisions:

	III. Group	IV. Group	V. Group
	Loans with limited collectibility	Loans with doubtful collectibility	Uncollectible loans
Current Period (net)	3.450	26.342	236.026
Interest accruals and rediscounts and valuation differences	186.847	87.171	1.211.069
Provision amount [-]	183.397	60.829	975.043
Prior Period (net)	77.251	72.178	133.953
Interest accruals and rediscounts and valuation differences	266.994	245.097	689.893
Provision amount [-]	189.743	172.919	555.940

1.7.12. Explanation on liquidation policy for uncollectible loans and receivables:

Uncollectible loans and receivables, which are classified in accordance with the Provisioning Regulation, are collected through legal follow-up, voluntary payments and liquidation of collaterals.

1.7.13. Explanation on "Write-off" policies:

In order to ensure the liquidation of non-performing loans and other receivables related to the liquidation policy, to provide the maximum collection all possible alternatives within the framework of the legislation are applied, and in case of collection, liquidation or receivables with no possibility of restructuring, the legal follow-up and conversion of collaterals into cash method is applied.

The receivables that are determined to be uncollectible in the Legal Follow-up process regarding the write-off policy can be deleted by the resolution of the Board of Directors by fulfilling the requirements in the relevant laws, regulations and internal directives.

Besides, in accordance with the changes on "Provisioning Regulation" published in the Official Gazette No. 30961 dated November 27, 2019 by BRSA, the Parent Bank, in line with TFRS 9, may write off part of the loans for which the Parent Bank has no reasonable expectation of recovery and that are classified under group 5 with a life time expected credit loss due to the default of debtor, starting from the following reporting date that the loan is classified in group 5. Write off is only an accounting application in accordance with the related change in the regulation and it does not result in waive from the Parent Bank's right to receive.

1.8. Information on financial assets at amortized cost:

1.8.1. Information on financial assets measured at amortised cost which are subject to repurchase agreements and given as collateral/blocked:

As of December 31, 2020 financial assets measured at amortised cost given as collateral/blocked amounts to TL 20.107.820 [December 31, 2019: TL 14.201.277] and subject to repo transactions amounts to TL 18.221.646 [December 31, 2019: TL 1.163.698].

1.8.2. Information on public sector debt securities measured at amortized cost:

	Current Period	Prior Period
Government bond	50.961.025	28.391.511
Treasury bill	-	-
Other debt securities	2.067.199	1.216.626
Total	53.028.224	29.608.137

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1.8.3. Information on financial assets measured at amortized cost:

	Current Period	Prior Period
Debt securities	54.342.502	30.482.598
Quoted on stock exchange	54.342.502	30.482.598
Not quoted	-	-
Impairment provision [-] ⁽¹⁾	1.314.278	874.461
Total	53.028.224	29.608.137

⁽¹⁾ Includes amortization of the premiums paid during the purchase of the securities throughout the maturity of the securities.

1.8.4. Movement of financial assets measured at amortized cost within the period:

	Current Period	Prior Period
Beginning balance	29.608.137	22.805.679
Foreign currency differences on monetary assets ⁽¹⁾	5.568.589	2.184.664
Purchases during year	21.046.207	5.269.230
Disposals through sales and redemptions	2.754.892	418.016
Impairment provision [-] ⁽²⁾	439.817	233.420
Period end balance	53.028.224	29.608.137

⁽¹⁾ Also includes the changes in the interest income accruals.

⁽²⁾ Includes amortization of the premiums paid during the purchase of the securities throughout the maturity of the securities.

1.9. Information on investments in associates [net]:

1.9.1. Information on unconsolidated investments in associates:

No	Description	Address (City/Country)	The Parent Bank's shareholding percentage - if different voting percentage (%)	Bank's risk group shareholding percentage (%)
1	Kredi Kayıt Bürosu ⁽¹⁾	Istanbul/Turkey	18,18	18,18
2	Bankalararası Kart Merkezi A.Ş. ⁽¹⁾	Istanbul/Turkey	9,98	9,98

⁽¹⁾ Financial statement information shows September 30, 2020 results.

1.9.2. Main financial figures of the investments in associates in the order of the above table:

No	Total assets	Shareholders' equity	Total fixed assets	Interest Income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Market Value
1	411.660	265.464	249.099	5.882	-	48.549	26.579	-
2	272.800	217.454	79.381	6.083	-	35.413	28.503	-

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1.9.3. Consolidated investments in associates:

1.9.4. Information on consolidated investments in associates:

No	Description	Address (City/Country)	The Parent Bank’s shareholding percentage - if different voting percentage (%)	Other Shareholders’ shareholding percentage (%) ⁽¹⁾
1	Banque de Commerce et de Placements S.A.	Geneva/Switzerland	30,67	-
2	Allianz Yaşam ve Emeklilik A.Ş.	Istanbul/Turkey	-	20,00

⁽¹⁾ The other shareholders represent the consolidated Group companies.

1.9.5. Main financial figures of the consolidated investments in associates in order of the above table:

No	Total assets	Shareholders’ equity	Total fixed assets	Interest Income	Income from marketable securities portfolio	Current period profit/ loss	Prior period profit/loss	Market Value
1	28.803.914	4.213.929	26.933	428.848	74.809	42.729	180.015	-
2	2.957.217	1.091.136	106.673	274.698	-	453.075	354.675	-

1.9.6. Movement of consolidated investments in associates:

	Current Period	Prior Period
Balance at the beginning of the period	1.213.609	1.046.867
Movements during the period	349.032	166.742
Purchases	-	-
Bonus shares obtained	-	-
Share of current year income	88.574	92.802
Sales	-	-
Foreign exchange gain/[loss] stems from the foreign subsidiaries ⁽¹⁾	320.741	119.481
Impairment provision [-] ⁽²⁾	60.283	45.541
Balance at the end of the period	1.562.641	1.213.609
Capital commitments	-	-
Shareholding percentage at the end of the period (%)	-	-

⁽¹⁾ Includes dividend income received in the current period.

⁽²⁾ Includes the differences in the other comprehensive income related with the equity method accounting.

1.9.7. Information on sectors and the carrying amounts of consolidated investments in associates:

	Current Period	Prior Period
Banks	1.203.097	902.257
Insurance companies	359.544	311.352
Total financial investments	1.562.641	1.213.609

1.9.8. Investments in associates quoted on stock exchange:

None (December 31, 2019-None).

1.10. Information on subsidiaries [net]:

There is no deficit of regulatory limits on capital structure of the subsidiaries which are included in the consolidated capital adequacy ratio calculation in accordance with the capital adequacy ratio limits.

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1.10.1. Information on shareholders' equity of the significant subsidiaries:

	Yapı Kredi Yatırım Menkul Değerler A.Ş.	Yapı Kredi Faktoring A.Ş.	Yapı Kredi Finansal Kiralama A.O.	Yapı Kredi Portföy Yönetimi A.Ş.	Yapı Kredi Nederland N.V.
Core capital					
Paid in Capital	98.918	60.714	389.928	7.642	112.442
Inflation adjustment to share capital	-	-	-	-	-
Share premium	-	-	-	-	-
Other Capital Reserves	95.737	-	(217.104)	-	-
Other comprehensive income that will not be classified under profit or loss	51.977	(2.320)	1.795	(1.229)	-
Other comprehensive income that will be classified under profit or loss	1.010	-	-	-	2.482.544
Legal Reserves	62.493	8.034	79.305	34.441	-
Extraordinary Reserves	163.710	248.461	659.399	-	923.789
Other Profit Reserves	-	-	-	-	-
Income or Loss	143.788	191.820	1.992.478	103.391	158.402
Current Year Income/Loss	213.734	90.062	354.776	103.391	158.402
Prior Years' Income/Loss	(69.946)	101.758	1.637.702	-	-
Leasehold improvements [-]	180	214	-	227	253
Intangible assets [-]	30.053	4.587	11.830	421	6.251
Total core capital	587.400	501.908	2.893.971	143.597	3.670.673
Supplementary capital	28.565	616	7.593	-	24.535
Capital	615.965	502.524	2.901.564	143.597	3.695.208
Deductions from the capital	-	-	-	-	-
Total shareholders' equity	615.965	502.524	2.901.564	143.597	3.695.208

The above information is based on the information extracted from the individual financial statements of subsidiaries, used for consolidated financial statements of the Bank as of December 31, 2020.

The internal capital adequacy for the subsidiaries is calculated with the model and approaches used in the Parent Bank within the scope of the consolidated ICAAP report.

Paid-in capital is a capital which have been disclosed as Turkish Lira in the articles of incorporation and registered in trade register.

Inflation adjustment to share capital is the adjustment difference arising from inflation accounting.

Extraordinary Reserves are the reserves which represent the remaining net income of the previous periods after providing the legal reserves in accordance with the General Assembly of the Bank.

Legal reserves are the income reserves that are provided according to the first paragraph and the third subparagraph of the second paragraph of the article no 466 and no 467 of the Turkish Commercial Code No. 6762 allocated as capital reserves separated from annual profit according to the laws of foundation.

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1.10.2. Unconsolidated subsidiaries:

1.10.2.1. Information on unconsolidated subsidiaries

Since the subsidiaries below are not financial subsidiaries, the related subsidiaries are unconsolidated and are carried at restated cost.

Description	Address [City/Country]	The Parent Bank's shareholding percentage - if different voting percentage (%)	Bank's risk group shareholding percentage (%)
1 Yapı Kredi-Kültür Sanat Yayıncılık Tic. ve San. A.Ş.	Istanbul/Turkey	99,99	100,00
2 Enternasyonal Turizm Yatırım A.Ş.	Istanbul/Turkey	99,96	99,99
3 Yapı Kredi Teknoloji A.Ş.	Istanbul/Turkey	100,00	100,00

1.10.2.2. Main financial figures of the subsidiaries in order of the above table:

	Total assets	Shareholders' equity	Total fixed assets	Interest Income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Market Value
1	57.748	45.170	1.504	417	-	11.808	6.326	-
2	57.301	44.457	4.744	2.682	-	3.513	12.156	-
3	21.635	16.997	1.663	1.287	-	4.429	3.796	-

1.10.3. Consolidated subsidiaries:

1.10.3.1. Information on consolidated subsidiaries:

Description	Address (City/Country)	The Parent Bank's shareholding percentage - if different voting percentage (%)	Bank's risk group shareholding percentage (%)
1 Yapı Kredi Holding B.V.	Amsterdam/Nederlands	100,00	100,00
2 Yapı Kredi Menkul	Istanbul/Turkey	99,98	100,00
3 Yapı Kredi Faktoring	Istanbul/Turkey	99,95	100,00
4 Yapı Kredi Leasing	Istanbul/Turkey	99,99	99,99
5 Yapı Kredi Portföy	Istanbul/Turkey	12,65	99,99
6 Yapı Kredi NV ⁽¹⁾	Amsterdam/Nederlands	67,24	100,00
7 Yapı Kredi Azerbaycan	Bakü/Azerbaijan	99,80	100,00
8 Yapı Kredi Malta	St.Julian/Malta	-	100,00

⁽¹⁾ Includes the balances for Sticing Custody Services YKB.

Although Yapı Kredi Diversified Payment Rights Finance Company (“Special Purpose Entity”) which is established for securitisation transactions of Yapı Kredi is not a subsidiary, it is included in the consolidation.

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1.10.3.2. Main financial figures of the consolidated subsidiaries in the order of the below table:

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Market value	Required equity
1	238.044	237.521	-	-	-	(1.234)	(134)	-	-
2	4.401.805	617.633	61.135	183.764	15.251	213.734	112.745	-	-
3	4.651.404	506.709	8.710	371.690	-	90.062	110.521	-	-
4	12.452.368	2.905.801	15.550	878.416	-	354.776	361.715	-	-
5	168.967	144.245	2.174	11.494	-	103.391	46.972	-	-
6	15.031.915	3.677.178	13.800	469.738	25.228	158.402	133.933	-	-
7	1.575.331	406.003	65.780	75.522	5.660	7.308	19.056	-	-
8	686.925	546.833	198	4.744	1.042	(8.311)	3.995	-	-

1.10.4. Movement schedule of consolidated subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	6.888.953	5.971.254
Movements during the period	1.922.705	917.699
Purchases	-	-
Free shares obtained profit from current years share		335
Share of current year income	883.080	760.710
Sales [-]	-	-
Revaluation (decrease)/increase ⁽¹⁾	1.159.882	324.148
Impairment provision [-] ⁽²⁾	120.257	167.494
Balance at the end of the period	8.811.658	6.888.953
Capital commitments	-	-
Shareholding percentage at the end of the period [%]	-	-

⁽¹⁾ Includes the differences in the other comprehensive income related with the equity method accounting.

⁽²⁾ Includes dividend income received in the current period.

1.10.5. Sectoral information on financial subsidiaries and the related carrying amounts:

Financial Subsidiaries	Current Period	Prior Period
Banks	2.877.842	2.058.889
Insurance companies	-	-
Factoring companies	506.468	417.051
Leasing companies	2.905.625	2.551.230
Finance companies	-	-
Other financial subsidiaries	2.521.723	1.861.783
Total financial subsidiaries	8.811.658	6.888.953

1.10.6. Subsidiaries quoted on stock exchange:

None. [December 31, 2019-None]

1.11. Information on joint ventures [net]:

1.11.1. Unconsolidated joint ventures:

None.

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1.11.2. Consolidated joint ventures:

1.11.2.1. Information on consolidated Joint Ventures:

Joint ventures	Bank's share	Group's share	Total asset	Shareholders' equity	Current assets	Non-current assets	Long term debt	Income	Expense
Yapı Kredi - Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	30,45	30,45	97.752	84.222	36.950	60.802	5.721	58.042	54.879
Total			97.752	84.222	36.950	60.802	5.721	58.042	54.879

1.12. Information on lease receivables (net):

1.12.1. Breakdown according to maturities:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	4.976.349	4.159.605	4.446.913	3.762.575
Between 1- 4 years	6.405.109	5.488.650	5.899.442	4.950.006
More than 4 years	1.442.750	1.323.603	1.950.347	1.783.191
Total	12.824.208	10.971.858	12.296.702	10.495.772

1.12.2. Information for net investments in finance leases:

	Current Period		Prior Period	
	TL	FC	TL	FC
Gross lease receivables	4.479.407	8.344.801	3.117.745	9.178.957
Unearned financial income from leases [-]	882.236	970.114	630.276	1.170.654
Amount of cancelled leases [-]	-	-	-	-
Total	3.597.171	7.374.687	2.487.469	8.008.303

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1.13. Information on tangible assets:

	Immovable	Leased fixed assets	Vehicles	Right-of-use assets ⁽¹⁾	Other tangible fixed assets	Total
Prior Period						
Cost	3.535.914	239.385	3.024	1.158.073	1.686.364	6.622.760
Accumulated depreciation [-]	920.568	232.426	2.875	231.721	876.271	2.263.861
Net book value	2.615.346	6.959	149	926.352	810.093	4.358.899
Current Period						
Net book value at beginning of the period	2.615.346	6.959	149	926.352	810.093	4.358.899
Additions	4.665	10.887	173	523.805	308.244	847.774
Transfer	3.751	-	-	-	-	3.751
Disposals [-], net	24.637	-	-	98.245	2.579	125.461
Reversal of impairment, net	-	-	-	-	-	-
Impairment [-]	74	-	-	-	-	74
Depreciation [-]	29.171	3.628	107	311.697	197.727	542.330
Foreign exchange differences, net	-	1.570	6	4.652	5.592	11.820
Net book value at end of the period	2.569.880	15.788	221	1.044.867	923.623	4.554.379
Cost at the end of the period	3.499.538	239.184	3.292	1.437.155	1.950.242	7.129.411
Accumulated depreciation at the period end [-]	929.658	223.396	3.071	392.288	1.026.619	2.575.032
Net book value	2.569.880	15.788	221	1.044.867	923.623	4.554.379

⁽¹⁾ Includes branch and atm leases accounted within the scope of TFRS 16.

As of December 31, 2020, the Parent Bank had total provision for impairment amounting to TL 207.329 [December 31, 2019 - TL 207.255] for the property and equipment.

1.14. Information on intangible assets:

	Current Period	Previous Period
Net book value at the beginning of the period	1.920.824	1.817.112
Additions	281.992	258.471
Disposals [-], net	323	7
Transfer to tangible assets	(3.751)	38
Impairment provision reversal	-	-
Depreciation [-]	202.907	157.994
Translation differences	7.691	3.204
Net book value at the end of the period	2.003.526	1.920.824

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1.15. Information on investment property:

None [December 31, 2019 - None].

1.16. Information on deferred tax asset

	Current Period		Prior Period	
	Tax base	Deferred tax	Tax base	Deferred tax
Expected Credit Losses	11.850.638	2.377.957	6.668.891	1.469.385
Derivative financial liabilities	4.323.179	868.897	2.053.919	445.784
Pension fund provision	1.461.542	292.308	1.178.063	259.174
Temporary differences	833.635	166.870	781.092	171.792
Valuation difference of securities portfolio	4.437	886	-	-
Subsidiaries, investment in associates and share certificates	131.541	26.308	132.758	29.207
Other	2.752.147	553.655	2.249.793	493.107
Total deferred tax asset	21.357.119	4.286.881	13.064.516	2.868.449
Property, equipment and intangibles, net	[2.944.600]	[387.943]	[2.788.950]	[365.447]
Valuation difference of securities portfolio	-	-	[570.538]	[125.520]
Other	[1.150.098]	[226.832]	[1.181.203]	[256.483]
Total deferred tax liability	[4.094.698]	[614.775]	[4.540.691]	[747.450]
Deferred tax asset/(liability), net	17.262.421	3.672.106	8.523.825	2.120.999

There is a deferred tax asset amounting to TL 3.702.058 and deferred tax liability amounting to TL 29.952 as of December 31, 2020 reflected in the consolidated financial statements after the deferred tax assets and liabilities of each entity in consolidation has been netted off in their standalone financial statements as per TAS 12 [December 31, 2019 - TL 2.129.358 deferred tax asset and TL 8.359 deferred tax liability].

1.17. Movement schedule of assets held for resale and related to discontinued operations:

	Current Period	Prior Period
Net book value at the beginning of the period	331.335	298.470
Additions	773.964	216.814
Disposals (-), net	384.379	186.156
Impairment provision reversal	1.061	1.087
Impairment provision [-]	-	-
Translation differences	2.226	3.204
Net book value at the end of the period	724.207	333.419
Cost at the end of the period	730.120	338.195
Accumulated depreciation at the end of the period [-]	5.913	6.860
Net book value at the end of the period	724.207	331.335

⁽¹⁾ As of December 31, 2020, the carrying value of asset held for resale with a right of repurchase is TL 493.843 [December 31, 2019 - None].

As of December 31, 2020, the Group booked impairment provision on assets held for resale with an amount of TL 2.541 [December 31, 2019 - TL 3.602]

1.18. Information on other assets:

As of December 31, 2020, other assets do not exceed 10% of the total assets.

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2. Explanations and notes related to consolidated liabilities:

2.1. Information on deposits:

2.1.1. Information on maturity structure of deposits/collected funds:

Current Period	Demand	Up to 1 month	1-3 Month	3-6 Month	6 Month-1 Year	1 Year and over	Cumulative savings account	Total
Saving deposits	14.237.372	2.605.660	41.602.168	647.673	225.879	218.330	1.080	59.538.162
Foreign currency deposits	54.875.571	12.727.199	58.143.255	6.454.711	4.712.059	4.355.664	-	141.268.459
Residents in Turkey	49.397.161	12.044.422	55.651.121	5.933.125	3.620.984	1.105.535	-	127.752.348
Residents abroad	5.478.410	682.777	2.492.134	521.586	1.091.075	3.250.129	-	13.516.111
Public sector deposits	1.235.151	10.448	10.547	31	535	666	-	1.257.378
Commercial deposits	10.962.714	12.167.413	17.044.488	37.237	13.804	82.642	-	40.308.298
Other institutions deposits	158.217	111.850	1.522.255	2.974	580.958	760	-	2.377.014
Precious metals vault	12.941.904	-	-	252	1.528.913	106.626	-	14.577.695
Bank deposits	620.351	3.083.347	886.592	405.881	87.091	-	-	5.083.262
The CBRT	-	-	-	-	-	-	-	-
Domestic banks	7.822	3.068.232	815.619	405.881	87.091	-	-	4.384.645
Foreign banks	331.944	15.115	70.973	-	-	-	-	418.032
Participation banks	280.585	-	-	-	-	-	-	280.585
Other	-	-	-	-	-	-	-	-
Total	95.031.280	30.705.917	119.209.305	7.548.759	7.149.239	4.764.688	1.080	264.410.268

Prior Period	Demand	Up to 1 month	1-3 Month	3-6 Month	6 Month-1 Year	1 Year and over	Cumulative savings account	Total
Saving deposits	10.548.305	18.808.962	31.453.611	1.075.550	812.427	690.717	1.110	63.390.682
Foreign currency deposits	28.723.896	13.162.882	65.273.909	3.363.494	4.405.123	8.033.848	-	122.963.152
Residents in Turkey	25.828.742	12.451.792	63.502.841	3.032.618	2.310.420	1.447.231	-	108.573.644
Residents abroad	2.895.154	711.090	1.771.068	330.876	2.094.703	6.586.617	-	14.389.508
Public sector deposits	1.293.752	3.080	8.286	878	98	45	-	1.306.139
Commercial deposits	8.682.060	10.987.400	12.238.066	329.005	584.804	92.787	-	32.914.122
Other institutions deposits	156.583	198.278	651.990	402.394	428.821	49.131	-	1.887.197
Precious metals vault	2.362.411	206.884	571.548	95.928	250.328	65.531	-	3.552.630
Bank deposits	1.138.876	2.715.690	847.185	286.875	69.149	-	-	5.057.775
The CBRT	-	-	-	-	-	-	-	-
Domestic banks	7.256	2.536.174	596.437	286.875	57.158	-	-	3.483.900
Foreign banks	208.114	179.516	250.748	-	11.991	-	-	650.369
Participation banks	923.506	-	-	-	-	-	-	923.506
Other	-	-	-	-	-	-	-	-
Total	52.905.883	46.083.176	111.044.595	5.554.124	6.550.750	8.932.059	1.110	231.071.697

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2.1.2. Information on saving deposits insurance:

2.1.2.1. Information on saving deposits under the guarantee of the saving deposits insurance fund and exceeding the limit of deposit insurance fund:

	Under the guarantee of deposit insurance		Exceeding the limit of the insurance deposit	
	Current Period	Prior Period	Current Period	Prior Period
Saving deposits⁽¹⁾				
Saving deposits	32.232.122	34.895.590	27.305.502	28.488.975
Foreign currency saving deposits	23.497.993	19.119.479	60.525.323	47.850.939
Other deposits in the form of saving deposits	6.731.306	1.642.752	6.041.089	1.544.417
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-

⁽¹⁾ The balances from foreign subsidiaries, calculated in accordance with their own regulation, are included.

2.1.2.2. Saving deposits which are not under the guarantee of saving deposit insurance fund of real persons:

	Current Period	Prior Period
Foreign branches' deposits and other accounts	12.611	10.094
Saving deposits and other accounts of controlling shareholders and deposits of their mother, father, spouse, children in care	-	-
Saving deposits and other accounts of president and members of board of directors, CEO and vice presidents and deposits of their mother, father, spouse, children in care	263.032	489.526
Saving deposits and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish criminal law no:5237 dated 26.09.2004	-	-
Saving deposits in deposit bank which is established in Turkey in order to engage in off-shore banking activities solely	-	-

2.2. Information on trading derivative financial liabilities:

2.2.1. Negative differences table for derivative financial liabilities held for trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	161.115	968	98.515	53
Swap transactions	5.154.315	1.980.420	2.542.199	1.206.146
Futures transactions	3.423	-	-	-
Options	31.063	16.460	29.672	17.223
Other	-	2.468	3.006	925
Total	5.349.916	2.000.316	2.673.392	1.224.347

2.2.2. Negative differences table for derivative financial liabilities held for hedging:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedges ⁽¹⁾	620.019	-	316.376	-
Cash flow hedges ⁽¹⁾	1.581.488	1.041.440	2.579.191	311.976
Hedges for investments made in foreign countries	-	-	-	-
Total	2.201.507	1.041.440	2.895.567	311.976

⁽¹⁾ Explained in Note 8 of section 4.

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2.3. Information on banks and other financial institutions:

2.3.1. Information on borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of the Republic of Turkey borrowings	-	-	-	-
From domestic banks and institutions	3.966.493	3.727.598	2.440.872	2.309.071
From foreign banks, institutions and funds	112.035	38.618.567	11.503	40.612.049
Total	4.078.528	42.346.165	2.452.375	42.921.120

2.3.2. Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	4.071.043	10.847.747	2.394.340	12.620.395
Medium and long-term	7.485	31.498.418	58.035	30.300.725
Total	4.078.528	42.346.165	2.452.375	42.921.120

2.3.3. Information on marketable securities issued

	Current Period		Prior Period	
	TL	FC	TL	FC
Bills	4.295.582	-	5.098.851	-
Asset backed securities ⁽¹⁾	-	3.511.774	-	3.746.311
Bonds ⁽²⁾	1.610.481	15.210.524	1.642.095	14.733.934
Total	5.906.063	18.722.298	6.740.946	18.480.245

⁽¹⁾ The Group obtains borrowings via its structured entity, Diversified Payment Rights Finance Company, with securitization transactions which is founded on its future money transfers within its funding program.

⁽²⁾ Including mortgage backed securities amounting to TL 2.036.940 as of December 31, 2020 [December 31, 2019 - TL 2.023.673].

2.3.4. Information on financial liabilities fair value through profit and loss:

The Group classified some of its financial liabilities as the financial liabilities classified at fair value through profit/loss in order to eliminate the accounting mismatch at the initial recognition in accordance with TFRS 9. As of December 31, 2020, the total amount of financial liabilities classified as fair value through profit/loss is TL 12.555.789 [December 31, 2019 -TL 13.184.605] with an accrued interest income of TL 369.266 [December 31, 2019 - TL 245.152 income] and with a fair value difference of TL 130.944 recognized in the income statement as an income [December 31, 2019 - TL 146.197 loss]. On the other hand, the buy and sell nominal amounts of the total return swaps and bond forwards which are closely related with these financial liabilities as of December 31, 2020 are TL 12.925.055 [December 31, 2019: TL 13.132.747] with a fair value differences amounting to TL 386.416 liability [December 31, 2019 -TL 236.129 liability]. The mentioned total return swaps have 8 year maturity in average.

2.4. Information on other liabilities:

As of December 31, 2020, other liabilities do not exceed 10% of the total balance sheet commitments.

2.5. Information on lease payables:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	360.571	232.307	334.032	203.266
Between 1-4 Years	771.698	492.464	679.738	409.720
More than 4 Years	573.524	365.649	524.214	314.237
Total	1.705.793	1.090.420	1.537.984	927.223

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2.6. Information on provisions:

2.6.1. Information on reserve for employee rights:

In accordance with Turkish Labour Law, the reserve for employment termination benefits is calculated as the present value of the probable future obligation in case of the retirement of employees. "TAS 19- Employee Rights", necessitates actuarial valuation methods to calculate the liabilities of enterprises.

The following actuarial assumptions were used in the calculation of total liabilities:

	Current Period	Prior Period
Discount rate [%]	4,63	4,67
Possibility of being eligible for retirement [%]	95,30	94,85

The principal actuarial assumption is that the maximum liability will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. As the annual ceiling is revised semi-annually, the ceiling of full TL 7.638,96 effective from January 1, 2021 (January 1, 2020 - full TL 6.730,15) has been taken into consideration in calculating the reserve for employment termination benefits.

Movement of employment termination benefits liability in the balance sheet:

	Current Period	Prior Period
Prior period ending balance	537.468	463.258
Changes during the period	88.051	82.369
Recognized in equity	128.679	66.783
Paid during the period	[97.093]	[74.942]
Balance at the end of the period	657.105	537.468

In addition, the Group has accounted for unused vacation rights provision amounting to TL 176.530 as of December 31, 2020 [December 31, 2019 - TL 243.624].

2.6.2. Information on provisions related with the foreign currency difference of foreign currency indexed loans:

As of December 31, 2020, there is no provision amounting in TL related to the foreign currency difference of foreign currency indexed loans amounts [December 31, 2019 - None]. Provisions related to the foreign currency difference of foreign currency indexed loans are netted from the loan amount in the financial statements.

2.6.3. Information on other provisions:

	Current Period	Prior Period
Pension fund provision	1.461.542	1.178.063
Provisions on unindemnified non cash loans	715.217	772.000
Generic provisions on non cash loans	347.671	155.439
Provision on lawsuits	134.635	130.271
Provisions on credit cards and promotion campaigns related to banking services	65.155	60.428
Other	984.672	664.938
Total	3.708.892	2.961.139

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Pension fund provision:

The Parent Bank provided provision amounting to TL 1.461.542 [December 31, 2019 - TL 1.178.063] for the technical deficit based on the report prepared by a registered actuary in accordance with the technical interest rate of 9,8% determined by the New Law and CSO 1980 mortality table.

	Current Period	Prior Period
Income statement [charge]/benefit	283.479	256.713

The amounts recognized in the balance sheet are determined as follows:

	Current Period	Prior Period
Present value of funded obligations	4.255.790	3.592.934
- Pension benefits transferable to SSI	4.564.310	3.763.200
- Post employment medical benefits transferable to SSI	[308.520]	[170.266]
Fair value of plan assets	[2.794.248]	[2.414.871]
Provision for the actuarial deficit of the pension fund	1.461.542	1.178.063

The principal actuarial assumptions used were as follows:

	Current Period	Prior Period
Discount rate		
- Pension benefits transferable to SSI	9,80%	9,80%
- Post employment medical benefits transferable to SSI	9,80%	9,80%

Mortality rate: Average life expectation is defined according to CSO 1980 mortality table.

Plan assets are comprised as follows:

	Current Period		Prior Period	
	Amount	%	Amount	%
Bank placements	1.620.269	58	1.110.210	46
Government bonds and treasury bills	754.788	27	881.688	37
Premises and equipment	290.223	10	300.254	12
Other	128.968	5	122.719	5
Total	2.794.248	100	2.414.871	100

2.7. Explanations on tax liability:

2.7.1. Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	1.447.099	316.861
Taxation of Marketable Securities	143.115	189.641
Property Tax	2.060	3.832
Banking Insurance Transaction Tax ["BITT"]	177.339	220.637
Foreign Exchange Transaction Tax	11.005	6.999
Value Added Tax Payable	17.328	59.715
Other	91.090	75.095
Total	1.889.036	872.780

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2.7.2. Information on premium payables:

	Current Period	Prior Period
Social security premiums - employee	638	566
Social security premiums - employer	714	634
Bank pension fund premiums - employee	25.358	23.031
Bank pension fund premiums - employer	35.101	31.892
Pension fund deposit and provisions - employee	-	-
Pension fund deposit and provisions - employer	-	-
Unemployment insurance - employee	1.811	1.645
Unemployment insurance - employer	3.624	3.291
Other	-	-
Total	67.246	61.059

2.8. Liabilities for property and equipment held for sale and related to discontinued operations [net]:

None [December 31, 2019 - None].

2.9. Information on subordinated debt⁽¹⁾:

	Current Period		Prior Period	
	TL	FC	TL	FC
Debt instruments to be included in additional capital calculation	-	5.066.291	-	4.098.336
Subordinated loans	-	-	-	-
Subordinated debt	-	5.066.291	-	4.098.336
Debt instruments to be included in contribution capital calculation	838.459	16.750.304	821.340	13.660.363
Subordinated loans	-	6.305.871	-	5.102.941
Subordinated debt	838.459	10.444.433	821.340	8.557.422
Total	838.459	21.816.595	821.340	17.758.699

⁽¹⁾ Subordinated loans are explained in detail in the Note “Information on debt instruments included in the calculation of equity” in section four.

2.10. Information on shareholders’ equity:

2.10.1. Presentation of paid-in capital:

	Current Period	Prior Period
Common stock	8.447.051	8.447.051
Preferred stock	-	-

2.10.2. Amount of paid-in capital, disclosure of whether the Bank’s registered capital system is applied and if applied registered capital ceiling:

Capital System	Paid-In Capital	Registered Share Capital Ceiling
Registered Capital System	8.447.051	15.000.000

2.10.3. Information on the share capital increases during the period and the sources:

None [December 31, 2019 - None].

2.10.4. Information on transfers from capital reserves to capital during the current period:

None [December 31, 2019 - None].

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2.10.5. Information on capital commitments, until the end of the fiscal year and the subsequent interim period:

None [December 31, 2019 - None].

2.10.6. Information on prior period's indicators on the Group's income, profitability and liquidity, and possible effects of these future assumptions on the Bank's equity due to uncertainties of these indicators:

The interest, liquidity, and foreign exchange risk related to on-balance sheet and off-balance sheet assets and liabilities are managed by the Parent Bank within several risk and legal limits.

2.10.7. Privileges on the corporate stock tors:

None [December 31, 2019 - None].

2.10.8. Information on value increase fund of marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
From investments in associates, subsidiaries, and joint ventures	-	-	-	-
Revaluation difference	-	-	-	-
Foreign currency difference	-	-	-	-
Financial assets at fair value through other comprehensive income⁽¹⁾	134.305	94.434	(118.560)	(55.051)
Revaluation difference	134.305	94.434	(118.560)	(55.051)
Foreign currency differences	-	-	-	-
Total	134.305	94.434	(118.560)	(55.051)

⁽¹⁾ Includes tax effect related to foreign currency valuation differences in TL column.

2.10.9 Information on minority interest:

	Current Period	Prior Period
Period opening balance	687	611
Current period income/(loss)	165	126
Dividends paid	(45)	(50)
Period ending balance	807	687

3. Explanations and notes related to consolidated off-balance sheet accounts

3.1. Information on off balance sheet commitments:

3.1.1. The amount and type of irrevocable commitments:

	Current Period	Prior Period
Commitments on credit card limits	48.016.964	41.380.895
Loan granting commitments	17.976.082	13.669.165
Asset purchase and sale commitments	14.537.665	7.749.623
Commitments for cheques	3.437.866	3.389.714
Other irrevocable commitments	8.458.927	7.126.624
Total	92.427.504	73.316.021

3.1.2. Type and amount of probable losses and obligations arising from off-balance sheet items:

Obligations arising from off-balance sheet are disclosed in "Off-balance sheet commitments". The Group set aside general provision for its non-cash loans amounting to TL 347.671 [December 31, 2019 - TL 155.439] and provision amounting to TL 987.003 [December 31, 2019 - TL 1.175.798] for non-cash loans which are not indemnified yet amounting to TL 715.217 [December 31, 2019 - TL 772.000].

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3.1.2.1. Non-cash loans including guarantees, bank acceptance loans, collaterals that are accepted as financial guarantees and other letter of credits:

	Current Period	Prior Period
Bank acceptance loans	238.025	156.431
Letter of credits	9.340.321	12.486.372
Other guarantees and collaterals	9.982.292	8.019.320
Total	19.560.638	20.662.123

3.1.2.2. Guarantees, suretyships and other similar transactions:

	Current Period	Prior Period
Temporary letter of guarantees	2.481.798	1.311.813
Definite letter of guarantees	46.165.057	41.657.055
Advance letter of guarantees	12.163.916	10.370.952
Letter of guarantees given to customs	3.478.997	2.945.128
Other letter of guarantees	17.024.999	12.617.410
Total	81.314.767	68.902.358

3.1.3. Information on non-cash loans:

3.1.3.1. Total amount of non-cash loans:

	Current Period	Prior Period
Non-cash loans given against cash loans	16.929.756	12.890.158
With original maturity of 1 year or less than 1 year	2.208.637	2.883.023
With original maturity of more than 1 year	14.721.119	10.007.135
Other non-cash loans	83.945.649	76.674.323
Total	100.875.405	89.564.481

3.1.3.2. Information on sectoral concentration of non-cash loans:

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	633.224	1,95	2.573.859	3,76	423.082	1,57	5.607.706	8,96
Farming and raising livestock	446.408	1,37	2.058.711	3,01	280.232	1,04	5.101.009	8,15
Forestry	160.331	0,49	354.425	0,52	109.974	0,41	421.242	0,67
Fishing	26.485	0,08	160.723	0,24	32.876	0,12	85.455	0,14
Manufacturing	16.624.112	51,13	37.604.886	55,01	13.465.937	49,97	31.546.807	50,38
Mining	128.631	0,40	162.567	0,24	73.819	0,27	223.412	0,36
Production	13.176.556	40,53	31.527.914	46,12	10.188.987	37,81	25.885.995	41,34
Electric, gas and water	3.318.925	10,21	5.914.405	8,65	3.203.131	11,89	5.437.400	8,68
Construction	6.741.414	20,74	14.100.118	20,63	5.975.921	22,18	13.681.566	21,85
Services	7.938.268	24,42	13.866.358	20,28	6.871.718	25,50	11.644.678	18,60
Wholesale and retail trade	2.262.820	6,96	1.653.557	2,42	1.839.803	6,83	1.311.170	2,09
Hotel, food and beverage services	355.821	1,09	2.013.795	2,95	440.898	1,64	1.691.972	2,70
Transportation and telecommunication	1.093.527	3,36	3.665.560	5,36	786.159	2,92	3.446.468	5,50
Financial institutions	2.909.512	8,95	1.959.927	2,87	2.326.725	8,63	1.574.937	2,52
Real estate and renting services	238.678	0,73	784.862	1,15	248.027	0,92	641.535	1,02
Employment	-	-	-	-	-	-	-	-
Education services	53.880	0,17	60.144	0,09	134.826	0,50	50.924	0,08
Health and social services	1.024.030	3,15	3.728.513	5,45	1.095.280	4,06	2.927.672	4,68
Other	575.128	1,77	218.038	0,32	210.112	0,78	136.954	0,22
Total	32.512.146	100,00	68.363.259	100,00	26.946.770	100,00	62.617.711	100,00

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3.1.3.3. Information non-cash loans classified in Group I and Group II:

Current Period	Group I		Group II	
	TL	FC	TL	FC
Non-cash loans				
Letters of guarantee	29.499.371	47.107.507	2.188.891	1.558.968
Bank acceptances	-	238.025	-	-
Letters of credit	37.184	9.207.121	-	89.263
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring guarantees	-	-	-	-
Other commitments and contingencies	481.849	9.017.189	-	463.034
Total	30.018.404	65.569.842	2.188.891	2.111.265

Prior Period	Group I		Group II	
	TL	FC	TL	FC
Non-cash loans				
Letters of guarantee	24.168.982	35.587.877	2.299.149	5.687.909
Bank acceptances	-	155.433	-	998
Letters of credit	65.804	12.041.638	11.550	367.380
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring guarantees	-	106.400	-	-
Other commitments and contingencies	50.630	7.468.742	1.608	374.583
Total	24.285.416	55.360.090	2.312.307	6.430.870

3.1.3.4. Maturity distribution of non cash loans:

Current Period ⁽¹⁾	Indefinite	Up to 1 year	1-5 years	Above 5 years	Total
Letter of credit	-	6.278.175	2.854.544	207.602	9.340.321
Letter of guarantee	26.614.701	14.479.227	31.990.476	8.230.363	81.314.767
Bank acceptances	-	211.013	21.251	5.761	238.025
Other	943.147	1.510.816	1.096.233	6.432.096	9.982.292
Total	27.557.848	22.479.231	35.962.504	14.875.822	100.875.405

Prior Period ⁽¹⁾	Indefinite	Up to 1 year	1-5 years	Above 5 years	Total
Letter of credit	-	9.481.060	2.791.953	213.359	12.486.372
Letter of guarantee	23.312.489	14.637.102	24.032.696	6.920.071	68.902.358
Bank acceptances	-	136.716	15.461	4.254	156.431
Other	726.396	1.094.738	642.044	5.556.142	8.019.320
Total	24.038.885	25.349.616	27.482.154	12.693.826	89.564.481

⁽¹⁾ The distribution is based on the original maturities

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3.2. Information on contingent liabilities and assets:

	Current Period	Prior Period
Types of trading transactions		
Foreign currency related derivative transactions [I]	164.450.102	195.652.172
FC trading forward transactions	16.119.910	25.879.855
Trading swap transactions	138.304.781	160.959.306
Futures transactions	414.267	398.407
Trading option transactions	9.611.144	8.414.604
Interest related derivative transactions [II]	147.553.561	118.898.558
Forward interest rate agreements	-	-
Interest rate swaps	142.948.898	115.222.156
Interest rate options	4.604.663	3.676.402
Interest rate futures	-	-
Other trading derivative transactions [III]	39.503.746	27.537.689
A. Total trading derivative transactions (I+II+III)	351.507.409	342.088.419
Types of hedging derivative transactions		
Transactions for fair value hedge	4.746.534	3.886.347
Cash flow hedges	91.306.804	99.581.653
Transactions for foreign net investment hedge	-	-
B. Total hedging related derivatives	96.053.338	103.468.000
Total derivative transactions (A+B)	447.560.747	445.556.419

3.3. Information on credit derivatives and risk exposures:

The Group has no credit default swaps in derivative portfolio for the period ended 31 December 2020. Credit default swaps linked to credit link notes are for the purposes protection seller and included in this figure [December 31, 2019 - None].

Derivative portfolio includes total return swap that has a nominal amount of TL 25.050.110 (total of buy and sell leg) as of 31 December 2020 [December 31, 2019 - TL 25.465.494].

3.4. Information on contingent liabilities and assets:

The Group has recorded a provision of TL 134.635 [December 31, 2018 - TL 130.271] for litigations against the Group and has accounted for it in accompanying consolidated the financial statements under the “Other provisions” account. Except for the claims where provisions are recorded, management considers as remote the probability of a negative result in ongoing litigations and therefore does not foresee any cash outflows for such claim.

3.5. Information on services on behalf of others:

The Bank’s activities such as intermediation and custody to serve the investment needs of customers are followed up under off balance sheet accounts.

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4. Explanations and notes related to consolidated income statement:

4.1. Information on interest income:

4.1.1. Information on interest income on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term loans ⁽¹⁾	5.080.877	798.406	8.125.146	697.510
Medium/long-term loans ⁽¹⁾	12.852.201	5.849.664	12.865.405	5.846.637
Interest on loans under follow-up	1.137.645	-	1.511.679	-
Premiums received from resource utilisation support fund	-	-	-	-
Total	19.070.723	6.648.070	22.502.230	6.544.147

⁽¹⁾ Includes fees and commissions received for cash loans.

4.1.2. Information on interest income on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
From the CBRT	1.963	-	47.252	-
From domestic banks	352.339	30.127	552.688	22.866
From foreign banks	75	248.444	1.699	435.012
Headquarters and branches abroad	-	-	-	-
Total	354.377	278.571	601.639	457.878

4.1.3. Information on interest income on marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
From financial assets where fair value change is reflected to income statement	6.626	7.620	7.894	4.405
From financial assets where fair value change is reflected to other comprehensive income statement	2.781.270	229.404	2.907.608	227.084
From financial Assets Measured at Amortised Cost	3.323.296	802.359	1.841.390	458.661
Total	6.111.192	1.039.383	4.756.892	690.150

4.1.4. Information on interest income received from associates and subsidiaries:

	Current Period	Prior Period
Interests received from associates and subsidiaries	284	843
Total	284	843

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4.2. Information on interest expense:

4.2.1. Information on interest expense on borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	261.745	943.509	262.256	1.061.198
The CBRT	-	-	-	5.129
Domestic banks	256.464	133.509	253.733	117.799
Foreign banks	5.281	810.000	8.523	938.270
Headquarters and branches abroad	-	-	-	-
Other institutions	-	680.093	-	750.738
Total⁽¹⁾	261.745	1.623.602	262.256	1.811.936

⁽¹⁾ Includes fees and commissions related to borrowings.

4.2.2. Information on interest expense to associates and subsidiaries:

	Current Period	Prior Period
Interests paid to associates and subsidiaries	4.871	7.233
Total	4.871	7.233

4.2.3. Information on interest expense to marketable securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest expense to marketable securities issued	1.131.219	2.993.339	1.071.300	2.779.964
Total	1.131.219	2.993.339	1.071.300	2.779.964

4.2.4. Maturity structure of the interest expense on deposits:

Account name	Time Deposit							Total	Prior Period
	Demand deposit	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year	Cumulative deposit		
TL									
Bank deposit	1.236	116.261	15.323	-	199	-	-	133.019	184.093
Saving deposit	-	909.114	3.605.034	69.834	47.554	45.173	114	4.676.823	8.454.372
Public sector deposit	-	544	929	39	15	46	-	1.573	1.757
Commercial deposit	-	989.178	1.608.635	20.529	46.351	9.786	-	2.674.479	3.556.169
Other deposit	-	26.610	238.151	21.591	71.347	28.695	-	386.394	865.141
Deposit with 7 days notification	-	-	-	-	-	-	-	-	-
Total	1.236	2.041.707	5.468.072	111.993	165.466	83.700	114	7.872.288	13.061.532
FC									
Foreign currency deposit	2.702	163.704	642.520	50.842	74.073	55.028	-	988.869	2.390.236
Bank deposit	7.285	24.614	298	-	-	-	-	32.197	26.053
Deposit with 7 days notification	-	-	-	-	-	-	-	-	-
Precious metal vault	-	1.469	1.170	1.086	2.483	867	-	7.075	6.285
Total	9.987	189.787	643.988	51.928	76.556	55.895	-	1.028.141	2.422.574
Grand total	11.223	2.231.494	6.112.060	163.921	242.022	139.595	114	8.900.429	15.484.106

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4.3. Information on dividend income:

	Current Period	Prior Period
Financial assets at fair value through profit or loss	3.115	5.381
Financial assets at fair value through other comprehensive income	13.535	4.096
Other	508	7.495
Total	17.158	16.972

4.4. Information on trading gain/loss (net):

	Current Period	Prior Period
Gain	78.773.899	83.852.144
Gain from capital market transactions	502.306	340.299
Derivative financial transaction gains	26.792.202	32.538.987
Foreign exchange gains	51.479.391	50.972.858
Loss [-]	78.354.193	85.286.981
Loss from capital market transactions	79.113	60.633
Derivative financial transaction losses	24.910.277	32.946.958
Foreign exchange loss	53.364.803	52.279.390
Net gain/loss	419.706	[1.434.837]

4.5. Information on gain/loss from derivative financial transactions:

The net gain resulting from the foreign exchange differences related to derivative financial transactions is TL 4.019.342 [December 31, 2019 - TL 2.113.039 gain].

4.6. Allowance for expected credit losses and other provisions:

	Current Period	Prior Period
Allowance for expected credit losses	9.714.586	8.983.811
12-month expected credit losses [Stage 1]	1.837.692	154.888
Significant increase in credit risk [Stage 2]	3.538.604	1.134.786
Credit-Impaired [Stage 3]	4.338.290	7.694.137
Impairment provisions for financial assets	-	-
Financial assets at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	-	-
Impairment provisions related to investments in associates, subsidiaries and jointly controlled partnerships (Joint ventures)	-	-
Investments in associates	-	-
Subsidiaries	-	-
Jointly controlled partnerships (joint ventures)	-	-
Other	475.061	47.914
Total	10.189.647	9.031.725

4.7. Information on other operating income:

"Other Operating Income" in the Income Statement mainly includes collections from receivables for which Specific/General provision has been allocated in prior periods.

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[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL")]

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4.8. Information related to other operating expenses:

	Current Period	Prior Period
Reserve for employee termination benefits	950	4.221
Provision expense for pension fund	283.479	256.713
Impairment expenses of property and equipment	74	-
Depreciation expenses of property and equipment	542.330	484.447
Impairment expenses of intangible assets	-	-
Goodwill impairment expenses	-	-
Amortization expenses of intangible assets	202.907	157.994
Impairment expenses of equity participations for which equity method is applied	-	-
Impairment expenses of assets held for resale	-	-
Depreciation expenses of assets held for resale	-	-
Impairment expenses of fixed assets held for sale and assets related to discontinued operations	-	-
Other operating expenses	2.855.025	2.360.847
lease expenses in the context of TFRS 16 exception	69.580	63.791
Repair and maintenance expenses	150.483	145.463
Advertising expenses	151.646	125.234
Other expense	2.483.316	2.026.359
Loss on sales of assets	48	187
Other	1.184.073	1.005.171
Total	5.068.886	4.269.580

4.9. Provision for taxes on income from continuing operations and discontinued operations:

Income before tax includes net interest income amounting to TL 18.030.926 (December 31, 2019 - TL 15.531.016) net fee and commission income amounting to TL 5.754.236 (December 31, 2019 - TL 5.528.746), personnel expenses amounting to TL 3.856.797 (December 31, 2019 - TL 3.394.078) and total other operating expense amounting to TL 5.068.886 (December 31, 2019 - TL 4.269.580).

As of December 31, 2020, the Group has no profit before taxes from discontinued operations (December 31, 2019 - None).

4.10. Provision for taxes on income from continuing operations and discontinued operations:

As of December 31, 2020, the Group has current tax expense amounting to TL 3.326.248 (December 31, 2019 - TL 1.829.227 loss) and deferred tax income amounting to TL 1.608.823 (December 31, 2019 - TL 895.633 income).

	Current Period	Prior Period
Profit before tax	6.797.108	4.533.780
Tax calculated at legal tax rate	1.495.364	997.432
Nondeductible expenses discounts and other, net	222.061	(63.838)
Total	1.717.425	933.594

4.11. Information on net income/loss for the period:

4.11.1. The characteristics, dimension and recurrence of income or expense items arising from ordinary banking transactions do not require any additional explanation to understand the Group's current period performance.

4.11.2. Information on any change in the accounting estimates concerning the current period or future periods: None

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4.12. Income/loss of minority interest:

	Current Period	Prior Period
Income/[loss] of minority interest	165	126

4.13. Other items in income statement:

"Other fees and commissions received" in income statement mainly includes commissions and fees from credit cards and banking transactions.

5. Explanations and notes related to consolidated statement of changes in shareholders' equity

5.1. Information on dividends:

Authorised body for profit distribution of the current period is General Assembly. As of the preparation date of these financial statements, annual ordinary meeting of the General Assembly has not been held yet.

5.2. Information on increase/decrease amounts resulting from merger:

None.

5.3. Information on equity share premiums:

The details regarding property and equipment valuation differences are disclosed in section 3 note 19.

5.4. Explanations on property and equipment valuation differences:

Grup, adopted fair value accounting method for its buildings and art objects and paintings in tangible assets in accordance with TAS 16 "Property, Plant and Equipment". As of 31 December 2020, revaluation gain under shareholders' equity is amounting to TL 1.875.000 [December 31, 2019 - TL 1.879.428].

5.5. Explanations related to employee rights liabilities:

Actuarial gains and losses in employee benefits provisions are accounted under equity. As of December 31, 2020 actuarial loss under shareholders' equity are amounting to TL 387.243 [December 31, 2019 - TL 277.219].

5.6. Explanations on financial assets at fair value through other comprehensive income:

"Unrealized gains and losses" arising from changes in the fair value of financial assets classified as financial assets at fair value through other comprehensive income are recognized in the shareholders' equity until the related assets are impaired or disposed.

5.7. Hedging transactions:

The Parent Bank has begun to apply cash flow hedge accounting in order to hedge the risk of cash flow of its liabilities from January 1, 2010. In the scope of this application, the derivative financial instruments are specified as floating rate and fixed rate interest payment USD, EUR and TL interest rate swaps, hedging liabilities as the USD, EUR and TL customer deposits, repos, cash outflows due to re-pricing of loans because of the expected interest rate financing. In this context, fair value change of the effective portion of derivative financial instruments accounted under "Other accumulated comprehensive income that will be reclassified in profit or loss", taking into account tax effects. Such amount as of December 31, 2020 is TL 976.829 loss [December 31, 2019 - 1.462.792 loss].

The Group's Euro denominated borrowing is designated as a hedge of the net investment in the Group's certain EUR denominated subsidiaries. The total amount of the borrowing designated as a hedge of the net investment at December 31, 2020 is EUR 471 million [December 31, 2019 - EUR 452 million]. The foreign exchange loss of TL 2.312.979 [December 31, 2019 - TL 1.415.508 loss], net of tax, on translation of the borrowing to Turkish Lira at the statement of financial position date is recognized in "hedging reserves" in equity.

5.8. Information on other capital and profit reserves:

Other capital and profit reserves in general comprise of legal reserves and extraordinary reserves.

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6. Explanations and notes related to consolidated statement of cash flows:

6.1. Information on cash and cash equivalent:

6.1.1. Components of cash and cash equivalents and the accounting policy applied in their determination:

Cash and foreign currency balances together with demand deposits at banks including the unrestricted amounts of CBRT are defined as “Cash”; money market placements and time deposits in banks with original maturities of less than three months are defined as “Cash Equivalents”.

6.1.2. Effect of a change in the accounting policies:

None.

6.1.3. Reconciliation of cash and cash equivalent items with balance sheet and cash flow statements:

6.1.3.1. Cash and cash equivalents at the beginning of period:

	Current Period	Prior Period
Cash	41.978.729	37.724.999
Cash and effectives	4.592.699	4.886.490
Demand deposits in banks	37.386.030	32.838.509
Cash equivalents	24.239.568	8.767.484
Interbank money market	10.803.630	117.231
Deposits in bank	13.435.938	8.650.253
Total cash and cash equivalents	66.218.297	46.492.483

6.1.2.1. Cash and cash equivalents at the end of the period:

	Current Period	Prior Period
Cash	42.713.660	41.978.729
Cash and effectives	6.056.966	4.592.699
Demand deposits in banks	36.656.694	37.386.030
Cash equivalents	8.869.560	24.239.568
Interbank money market	1.700.000	10.803.630
Deposits in bank	7.169.560	13.435.938
Total cash and cash equivalents	51.583.220	66.218.297

6.2. Information on cash and cash equivalents those are not in use due to legal limitations and other reasons:

As of December 31, 2020, the Group’s cash and cash equivalents those are not in use due to legal limitations and other reasons, including those at foreign banks and the TL reserve requirements, amount to TL 48.838.350 (December 31, 2019 - TL 37.414.740).

6.3. Explanations on other items in the statement of cash flows and the effects of the change in foreign exchange rates on cash and cash equivalents:

Decrease in “Other account” amounting to TL 1.708.196 increase (December 31, 2019 - TL 851.448 decrease) which is classified under “Operating profit before changes in operating assets and liabilities” includes fee and commissions given, other operating expenses excluding personnel expenses and foreign exchange gains/losses.

Increase in “Net increase/decrease in other liabilities” amounting to TL 1.140.580 increase (December 31, 2019 - TL 3.468.347 decrease) which is classified under “Changes in operating assets and liabilities” mainly arises from changes in miscellaneous payables, subordinated loans and other liabilities.

The effects of the change in foreign exchange rates on cash and cash equivalents are calculated as an increase approximately of TL 19.690.235 as of December 31, 2020 (December 31, 2019 - TL 4.621.998 increase).

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7. Explanations and notes related to Group's risk group:

7.1. The volume of transactions relating to the Group's risk group, outstanding loan and deposit transactions and profit and loss of the period:

7.1.1. Information on loans of the Group's risk group:

Current Period	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Group's risk group ⁽¹⁾⁽²⁾						
Loans						
Balance at the beginning of the period	4.654	3.351	815.658	1.199.169	2.568.348	3.147.488
Balance at the end of the period	40.512	3.498	969.369	898.824	5.231.297	2.078.697
Interest and commission income received	284	54	22.801	9.377	446.716	13.859
Prior Period	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Group's risk group ⁽¹⁾⁽²⁾						
Loans						
Balance at the beginning of the period	8.537	73.717	585.510	1.351.956	3.823.152	4.218.277
Balance at the end of the period	4.654	3.351	815.658	1.199.169	2.568.348	3.147.488
Interest and commission income received	843	51	31.050	8.267	447.939	23.895

⁽¹⁾ Defined in subsection 2 of the 49th article of Banking Act No. 5411.

⁽²⁾ The balances at the beginning and end of the periods are disclosed as the total of buy and sell amounts of derivative financial instruments.

7.1.2. Information on deposits of the Group's risk group:

Group's risk group	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposit						
Beginning of the period	96.427	32.007	34.185.545	39.787.874	22.510.602	22.326.048
End of the period	228.452	96.427	24.513.619	34.185.545	30.833.207	22.510.602
Interest expense on deposits	4.871	7.233	1.075.677	2.503.473	976.433	1.357.180

⁽¹⁾ Defined in subsection 2 of the 49th article of the Banking Act No. 5411.

⁽²⁾ The information in table above includes borrowings, marketable securities issued and repo transactions as well as deposits.

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7.1.3. Information on forward and option agreements and other derivative instruments with the Group's risk group:

	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Group's risk group⁽¹⁾						
Transactions at fair value through profit or loss						
Beginning of the period ⁽²⁾	-	-	563.016	3.330.535	10.730.513	983.564
End of the period ⁽²⁾	-	-	1.573.859	563.016	1.585.212	10.730.513
Total profit/loss	-	-	(17.596)	(14.966)	(170.836)	58.698
Transactions for hedging purposes						
Beginning of the period ⁽²⁾	-	-	1.059.016	1.456.586	-	-
End of the period ⁽²⁾	-	-	516.747	1.059.016	-	-
Total profit/loss	-	-	16.747	9.016	-	-

⁽¹⁾ Defined in subsection 2 of the 49th article of the Banking Act No. 5411.

⁽²⁾ The balances at the beginning and end of the periods are disclosed as the total of buy and sell amounts of derivative financial instruments.

7.2. Information regarding benefits provided to the Group's top management:

Salaries and benefits paid to the Group's top management amount to TL 92.276 as of December 31, 2020 [December 31, 2019 - TL 88.601].

8. Explanations and notes related to the domestic, foreign, off-shore branches or associates and foreign representatives of the Bank⁽¹⁾:

	Number	Number of Employees		Total assets	Statutory share capital
Domestic Branch	834	16.034			
			Country of incorporation		
Foreign Rep. Office	-	-	-		
Foreign Branch	1	3	Bahrain	12.092.652	-
Off-Shore Banking Region Branch	-	-		-	-

⁽¹⁾ Represent the Parent Banks' amounts.

9. Explanations and notes related to subsequent events:

On January 22, 2021, the Bank issued fixed rate subordinated bonds (Tier 2) abroad with a 7.875% coupon rate and paying interest semi-annually, with a notional amount of USD 500 million, a maturity of January 22, 2031 and having an early redemption call option on January 22, 2026. In addition, it was resolved by the Bank's Board of Directors to redeem the subordinated bond on March 9, 2021 [Issuer Call Date], which was issued abroad on March 8, 2016, with a notional amount of USD 500 million, a maturity of March 9, 2026 and can be repaid in the fifth year.

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Section six - Other Explanations and Notes

1. Other explanations on the Parent Bank’s operations

None.

Section seven - Explanations on independent audit report

1. Explanations on independent auditor’s audit report

The consolidated financial statements for the period ended December 31, 2020 have been reviewed by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. The independent auditor’s audit report dated February 3, 2021 is presented preceding the consolidated financial statements.

2. Explanations and notes prepared by the independent auditor

None.

PERFORMANCE TABLES

SOCIAL PERFORMANCE TABLES

Number of Employees						
2018		2019		2020		
Female	Male	Female	Male	Female	Male	
11,390	6,711	10,655	6,463	10,243	6,320	
2018		2019		2020		
Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	
17,976	125	16,963	155	16,410	153	

Number of Subcontracted Employees						
2018		2019		2020		
Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	
2,606	160	2,559	148	2,508	14	

Number of Employees by Gender and Age						
2018		2019		2020		
	Female	Male	Female	Male	Female	Male
50 and above	90	256	105	311	125	335
30-50	7,622	5,199	7,705	5,118	7,818	5,047
30 and below	3,678	1,256	2,845	1,034	2,300	938

Employee Turnover Rate						
2018		2019		2020		
	Female	Male	Female	Male	Female	Male
Number of employees leaving within the year (personnel turnover)	1,456	778	1,388	723	934	587
50 and above	40	89	27	70	65	129
30-50	523	336	655	371	491	262
30 and below	893	353	706	282	378	196
Voluntary employee turnover rate (%)	4.80		4.20		3.41	

Number of Employees Taking Maternity Leave			
	2018	2019	2020
Number of employees taking maternity leave	749	692	563
Number of employees returning to work after maternity leave	718	753	692
Number of employees that returned to work after maternity leave and worked at least 12 more months afterwards	-	750	623
Return-to-work rate after maternity leave %	96	96	94
Retention rate after maternity leave %	-	97	83

Number of Employees Entitled to Parental Leave					
2018		2019		2020	
Female	Male	Female	Male	Female	Male
11,390	6,711	10,655	6,463	10,243	6,320

Average Hours of Training Per Employee			
	2018	2019	2020
Annual average hours of training per employee (total hours of training/number of employees)	44	34	21
Annual average hours of training per female employee	46	35	19
Annual average hours of training per male employee	41	32	22

Number of Employees Subjected to Regular Performance and Career Development Evaluation					
2018		2019		2020	
Female	Male	Female	Male	Female	Male
11,172	6,588	10,775	6,691	9,579	6,189

Equal Opportunity and Diversity (Number of managers and top level employees)						
	2018		2019		2020	
	Female	Male	Female	Male	Female	Male
50 and above	58	125	59	149	66	145
30-50	753	961	744	936	579	810
30 and below	2	0	1	0	1	0

Number of Employees by Term of Employment			
	2018	2019	2020
0-5 years	7,263	5,169	4,052
5-10 years	3,404	4,872	5,514
10 years and above	7,434	7,077	6,997

Number of Employees with Disabilities by Gender						
	2018		2019		2020	
	Female	Male	Female	Male	Female	Male
	97	424	114	418	115	407

Number of Employees Covered by Collective Bargaining Agreements			
	2018	2019	2020
Number of employees covered by collective bargaining agreements	9,974	9,350	8,904

Occupational Health and Safety						
	2018		2019		2020	
	Female	Male	Female	Male	Female	Male
Number of fatal accidents	0	0	0	0	1	0
Total Injury Rate (IR)	0.43	0.26	0.48	0.18	0.17	0.11
Occupational Disease Rate (ODR)	0.03	0.03	0.17	0.08	0	0
Lost Day Rate (LDR)	0.95	2.94	3.36	2.59	1.2	1.2
Absence Rate (AR)	581	309	730	347	520	273

OHS Trainings			
	2018	2019	2020
Percentage of hours allocated to occupational health and safety trainings [%]	7	2	2

ENVIRONMENTAL PERFORMANCE TABLES

Energy Consumption [GJ]	2018	2019	Trend Analysis	2020
Natural gas	123,680	122,871	↓	116,384
Renewable + Grid Electricity	336,160	356,890	↓	325,455
Renewable Electricity ¹	0	36,511	↑	54,000
Diesel	1,903	12,094	↑	12,916
Total	461,743	491,855	↓	454,755
Energy intensity [GJ/number of employees]	25.39	28.45	↓	27.46

Greenhouse Gas Emissions [ton CO ₂ e]	2018	2019	Trend Analysis	2020
Scope 1	14,665	17,249	↓	13,731
Scope 2	46,218	41,338	↓	35,146
Total [Scope 1 and 2]	60,883	58,587	↓	48,877
Scope ²	13,666	13,562	↓	6,512
Total [Scope 1, 2 and 3]	74,549	72,149	↓	55,389
Emissions intensity [Scope 1 and 2/ number of employees]	3.34	3.39	↓	2.95

Water Consumption [m ³]	2018	2019	Trend Analysis	2020
Municipal water	332,895	273,569	↓	208,558
Underground water	5,338	6,220	↑	8,240
Rain water	0	133	↓	0
Other ³	622	702	↓	177
Amount of waste water [m ³]	338,855	280,624	↓	216,975
Water Intensity [m ³ / number of employees]	18.68	16.23	↓	13.10

Waste [ton]	2018	2019	Trend Analysis	2020
Hazardous wastes				
Recycled	85.88	390.23	↓	291.53
Disposed of using D-code methods	0.73	0.27	↓	0.11
Recycled for energy generation	0	3.24	↓	0
Non-hazardous wastes				
Recycled	1,351	1,435.79	↓	939.08
Recycled for energy generation	0	10.94	↓	2.25
Municipal waste	-	-		396

¹Purchased renewable electricity is included in the sum of Renewable + Grid Electricity

²2020 Scope-3 GHG emissions include hazardous, non-hazardous, medical and household waste from the Banking Base, Plaza Building D and Danca Archive facilities.

³The quantity of drinking water purchased by truckloads.

Principle 1: Alignment

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

Reporting and Self-Assessment Requirements**High-level summary of bank's response****Reference(s)/ Link(s) to bank's full response/ relevant information****1.1.**

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities, and where relevant the technologies financed across the main geographies in which your bank has operations or provides products and services.

Yapı Kredi pursues operations in Turkey as the third largest private bank in the country.

Yapı Kredi is active in retail banking (comprising of card payment systems, individual banking, business banking, private banking and wealth management) as well as corporate, commercial and SME banking.

Prioritizing digitalization since 2015, the Bank targeted reducing concentration in loans and deposits and achieving fragmented and broad-based growth, and focused on transaction banking for fee generation.

Read more in the [About Yapı Kredi](#) section of the Report.

1.2.

Describe how your bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

Yapı Kredi embraces the SDGs and the Paris Climate Agreement as its guides in relation to its sustainability strategy.

Turkey's development plans and Turkey's Intended Nationally Determined Contribution Statement within the scope of Turkey's sustainability priorities also provide guidance for Yapı Kredi's sustainability strategy.

Yapı Kredi addresses its sustainability strategy under the following four main headings in view of national and international sustainability trends, as well as internal and external stakeholder expectations.

Areas of Focus in Yapı Kredi's Sustainability Strategy

- Climate Crisis and Environmental Management
- Risk Management and Corporate Governance
- Sustainable Finance
- Human and Community

*The italicized information in the UN Principles for Responsible Banking Reporting Index are within the scope of the limited assurance statement given by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. For further details, please refer to the [UN Principles for Responsible Banking Reporting Index – Reporting Guidance](#) of this Report.

Principle 2: Impact and Target Setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/ Link(s) to bank's full response/ relevant information
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2.1. Impact Analysis:

Show that your bank has identified the areas in which it has its most significant [potential] positive and negative impact through an impact analysis that fulfills the following elements:

a) Scope: The bank's core business areas, products/services across the main geographies that the bank operates in have been as described under 1.1. have been considered in the scope of the analysis.

b) Scale of Exposure: In identifying its areas of most significant impact the bank has considered where its core business/its major activities lie in terms of industries, technologies and geographies.

c) Context and Relevance: Your bank has taken into account the most relevant challenges and priorities related to sustainable development in the countries/regions in which it operates.

d) Scale and Intensity/Salience of Impact: In identifying its areas of most significant impact, the bank has considered the scale and intensity/ salience of the [potential] social, economic and environmental impacts resulting from the bank's activities and provision of products and services.

[your bank should have engaged with relevant stakeholders to help inform your analysis under elements c) and d]

Show that building on this analysis, the bank has

- Identified and disclosed its areas of most significant [potential] positive and negative impact
- Identified strategic business opportunities in relation to the increase of positive impacts / reduction of negative impacts

In its impact analysis, Yapı Kredi used the Portfolio Impact Analysis Tool [Impact Analysis Tool] co-developed by the Positive Impact Initiative, Principles for Responsible Banking signatories and United Nations Environment Programme Finance Initiative [UNEP FI]. The Portfolio Impact Analysis Tool will help banks analyze the environmental and social impacts associated with their retail, business, corporate and investment banking portfolios.

Active in retail [card payment systems, individual banking, business banking, private banking and wealth management], corporate, commercial and SME banking segments, Yapı Kredi assessed the potential impacts of its retail, corporate, commercial and SME banking activities. The segmentation employed by Yapı Kredi is not identical to the segmentation used in the Impact Analysis Tool; segment names used in the UN Principles for Responsible Banking reporting are based on the segments of the Impact Analysis Tool. These segments correspond to the following at Yapı Kredi:

Consumer Banking in the Impact Analysis Tool: Yapı Kredi's individual banking, private banking and card payment systems

Business Banking in the Impact Analysis Tool: Yapı Kredi's business and SME/ME banking

Corporate Banking in the Impact Analysis Tool: Yapı Kredi's corporate and commercial banking

Within this context, Yapı Kredi analyzed the environmental and social impact created by all of its business lines employing the Impact Analysis Tool.

When using the Impact Analysis Tool, Yapı Kredi used the areas its financial services to retail customers are concentrated in under Retail Banking by taking into consideration the number of active customers. Customers' income distribution [low, middle, and high] was included as a percentage in the analysis for each financial service rendered. The impact of the services furnished in this framework upon the entire society was addressed in an integrated fashion.

Under Business Banking and Corporate Banking, the Bank took the sectoral breakdown of its lending volumes as the basis. Accordingly, top 10 sectors the Bank finances in each of the two segments were included in the analysis. Energy, construction, retail trade, food and beverages sectors are the key sectors in the Bank's portfolio.

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/Link(s) to bank's full response/relevant information
<p>2.1. Impact Analysis (continued):</p>	<p>When defining its priority environmental and social impacts, Yapı Kredi, whose operations are in Turkey almost in their entirety, <i>took into consideration Turkey's needs regarding sustainable development with the Impact Analysis Tool. The Bank takes place in the Impact Analysis Working Group of the United Nations Principles for Responsible Banking.</i> As part of the Working Group's activities, Yapı Kredi contributed to the development of Turkey's sustainable development needs map based on existing and current data, for their integration in the Impact Analysis Tool. In this context, the Bank took the data sets of UN agencies, Turkish Statistical Institute (TurkStat) Sustainable Development Indicators and related ministries as the basis. In the process, Yapı Kredi also communicated with the United Nations Development Programme (UNDP).</p> <p>The Bank's areas of potential impact were defined in the Impact Analysis Tool in line with the data entered within the scope of Consumer, Business and Corporate Banking and Turkey's sustainable development needs.</p> <p>For Consumer Banking Bank's potential impact areas are <i>employment, inclusive and healthy economy and resources security/efficiency.</i></p> <p>For Business Banking Bank's potential impact areas are <i>mobility, inclusive and healthy economy, waste, water availability, employment and resources security/efficiency.</i></p> <p>For Corporate Banking Bank's potential impact areas are <i>water availability, mobility, resources security/efficiency and soil.</i></p> <p>According to the results of the Impact Analysis Tool, Yapı Kredi identified inclusive and healthy economy and resources security/efficiency as its areas of impact envisaged to set targets for, taking into consideration the intersection of the areas of impact with business units and the Bank's sustainability priorities, in view of the portfolio and country concentration, and the ranking of the country's needs.</p> <p>Financial inclusion and R&D Investments, which are addressed under inclusive and healthy economy under the breakdowns of related areas of impact in the Impact Analysis Tool, are among the Bank's priorities and the main areas of impact of the sector. With the inclusive and healthy national economy area of impact, the Bank aims to support Turkey's social development. When the breakdown of the resources security/efficiency area is studied; energy consumption, water consumption and waste consumption indicators make up an area intersecting with several topics and they also overlap with the Bank's environmental sustainability goals.</p> <p>Within the scope of these two areas of impact defined, the Bank aims to increase the positive impact while decreasing the negative impact it will create both operationally and also in terms of its relations with customers.</p>	
<p><i>In alignment with the United Nations Principles for Responsible Banking requirements, Yapı Kredi performed the impact analysis covering Consumer, Business and Corporate Banking.</i></p>		

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/Link(s) to bank's full response/relevant information
<p>2.2. Target Setting:</p> <p>Show that the bank has set and published a minimum of two Specific, Measurable (can be qualitative or quantitative), Achievable, Relevant and Time-bound (SMART) targets, which address at least two of the identified "areas of most significant impact", resulting from the bank's activities and provision of products and services.</p> <p>Show that these targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline.</p> <p>Show that the bank has analysed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the SDG/climate change/society's goals and that it has set out relevant actions to mitigate those as far as feasible to maximize the net positive impact of the set targets.</p>	<p>Yapı Kredi will define at least two SMART targets in relation to inclusive and healthy economy and resources security/efficiency.</p>	
<p>2020 reporting period is the first United Nations Principles for Responsible Banking reporting period for Yapı Kredi. Accordingly, Yapı Kredi has not initiated target-setting as yet within the scope of the United Nations Principles for Responsible Banking.</p>		

PRESENTATION	Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/Link(s) to bank's full response/ relevant information
FROM THE MANAGEMENT	<p>2.3 Plans for Target Implementation and Monitoring:</p> <p>Show that your bank has defined actions and milestones to meet the set targets.</p>	<p>Yapı Kredi will define at least two SMART targets in relation to inclusive and healthy economy and resources security/ efficiency.</p>	
ABOUT YAPI KREDİ	<p>Show that your bank has put in place the means to measure and monitor progress against the set targets. Definitions of key performance indicators, any changes in these definitions, and any rebasing of baselines should be transparent.</p>		
BUSINESS MODEL AND STAKEHOLDERS	<p>2020 reporting period is the first United Nations Principles for Responsible Banking reporting period for Yapı Kredi.</p> <p>Since Yapı Kredi has not initiated target-setting as yet within the scope of the United Nations Principles for Responsible Banking, the Bank did not move on to planning for target implementation.</p>		
RESPONSIBLE GROWTH	<p>2.4 Progress on Implementing Targets:</p> <p>For each target separately:</p> <p>Show that your bank has implemented the actions it had previously defined to meet the set target.</p>	<p>Yapı Kredi will define at least two SMART targets in relation to inclusive and healthy economy and resources security/ efficiency.</p>	
INNOVATIVE BANKING	<p>Or explain why actions could not be implemented / needed to be changed and how your bank is adapting its plan to meet its set target.</p>		
HUMAN FOCUS	<p>Report on your bank's progress over the last 12 months (up to 18 months in your first reporting after becoming a signatory) towards achieving each of the set targets and the impact your progress resulted in. (where feasible and appropriate, banks should include quantitative disclosures)</p>		
CORPORATE GOVERNANCE	<p>2020 reporting period is the first United Nations Principles for Responsible Banking reporting period for Yapı Kredi.</p> <p>Since Yapı Kredi has not initiated target-setting as yet within the scope of the United Nations Principles for Responsible Banking, the Bank did not move on to the phase of reporting progress towards achieving targets.</p>		

Principle 3: Clients and Customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/Link(s) to bank's full response/relevant information
<p>3.1</p> <p>Provide an overview of the policies and practices your bank has in place and/or is planning to put in place to promote responsible relationships with its customers. This should include high-level information on any programmes and actions implemented (and/or planned), their scale and, where possible, the results thereof.</p>	<p>Yapı Kredi centers its activities on its customers. When offering its customers financial products and services that will respond to their needs and enhance their welfare, the Bank acts with the principle of providing them with accurate information, embracing a transparent and fair service understanding, and furthering their financial literacy. Responsible Lending Statement, which forms the basis of the Bank's responsible dealings with its customers, serves as a guide for the Bank's employees.</p> <p>Yapı Kredi also aims to expand responsible and sustainable business practices across the entire value chain, and adopts responsible finance notion. Within the scope of corporate and commercial banking, the Bank assesses all new investment, project finance and financial advisory projects with an investment amount of USD 10 million and above financed and served in corporate and commercial business lines within the scope of the Environmental and Social Risk Assessment [ESRA] system.</p>	<p>Yapı Kredi Responsible Lending Statement can be reached at here.</p> <p>Read more in the Human Focus and the Responsible Finance sections of the Report..</p>
<p>3.2</p> <p>Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. This should include information on actions planned/implemented, products and services developed, and, where possible, the impacts achieved.</p>	<p>Yapı Kredi initiated financial literacy initiatives to help its customers make informed financial choices. Accordingly, the Bank considers collaborations with non-governmental organizations [NGO] and the academy.</p> <p>Under corporate and commercial banking, Yapı Kredi encourages its customers to introduce sustainable business practices in terms of environmental and social impact management according to ESRA results, and monitors high and medium-risk projects and investments by making on-site visits. The Bank initiated work to align its existing ESRA system with the Equator Principles [EP4, 2020]. In addition to that, Yapı Kredi sent out a questionnaire to understand its corporate and commercial customers' areas of focus in relation to sustainability and to support them in their sustainability journeys. Based on the results of the questionnaire, the Bank is planning to launch awareness initiatives in relation to sustainability for its customers.</p>	

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/Link(s) to bank's full response/relevant information
3.2 continued	<p>Moreover, Yapı Kredi adopts an approach that embeds sustainability in all work processes and capitalizes on sustainability opportunities. Within the scope of sustainable finance activities constituting a component of its sustainability strategy, the Bank offers sustainable products and services to its customers so that they can make a transition to low-carbon economy and adopt a sustainable business approach. Accordingly, the Bank carried out its first green bond issuance and launched the Nature-Friendly Mortgage product in 2020. In the period ahead, the Bank is targeting to expand and diversify its sustainable products portfolio.</p>	
Principle 4: Stakeholders		
We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.		
<p>4.1 Describe which stakeholders (or groups/types of stakeholders) your bank has consulted, engaged, collaborated or partnered with for the purpose of implementing these Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders and what issues were addressed/results achieved.</p>	<p>SDGs is an agenda that can be achieved only through multi-stakeholder collaborations including governments, business, civil society and the academy. Aware of this fact, Yapı Kredi regularly conducts stakeholder analyses to understand the expectations of its internal and external stakeholders, and reflects the outcomes from these studies in its materiality analysis when setting its strategic priorities.</p> <p>The Bank works, carries out projects and collaborates with numerous organizations and initiatives, including the UNEP FI, United Nations Principles for Responsible Banking, Turkish Industry and Business Association (TÜSİAD), Global Compact Network Turkey, Women's Empowerment Principles (WEPs), Women Entrepreneurs Association of Turkey (KAGİDER) and Natural Life Protection Foundation (WWF-Türkiye).</p>	<p>Read more in the Material Issues and the Stakeholder Relations sections of the Report.</p>

Principle 5: Governance & Culture		
We will implement our commitment to these Principles through effective governance and a culture of responsible banking		
Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/Link(s) to bank's full response/relevant information
<p>5.1</p> <p>Describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support effective implementation of the Principles.</p>	<p>Yapı Kredi conducts its sustainability activities within the scope of the Sustainability Management System (SMS) it has set up. Sustainability Committee is the the highest authority within the SMS structure and is responsible for embedding sustainability in work processes and for overseeing sustainability performance. The Committee regularly reports on its activities to the Executive Committee and the Board of Directors every year.</p> <p>Reporting to the Corporate Communication Department, the Sustainability Unit monitors the Bank's sustainability goals and performance, coordinates the working groups reporting to the Sustainability Committee, brings proposals to the Committee and working groups in relation to sustainability trends and agenda, ensures data consolidation in the field of sustainability at the Bank, and handles sustainability communication.</p> <p>Sponsored by the members of the Sustainability Committee, six working groups at the Bank work for the implementation of the decisions made by the Committee.</p>	<p>Read more in the Sustainability Management section the report..</p> <p>Corporate policies can be reached at here.</p>
<p>5.2</p> <p>Describe the initiatives and measures your bank has implemented or is planning to implement to foster a culture of responsible banking among its employees. This should include a high-level overview of capacity building, inclusion in remuneration structures and performance management and leadership communication, amongst others.</p>	<p>In order to disseminate a responsible and sustainable banking concept across the organization, every year, Yapı Kredi provides a training program covering all environmental, social and governance factors, including sustainability, environmental management system, environmental and social risk assessment, code of ethics and business conduct, anti-bribery and anti-corruption, and protection of personal data. Yapı Kredi backs its training activities with interactive workshops and initiatives. The Bank initiated a project to update the sustainability training that will be assigned to all employees in the period ahead.</p> <p>Furthermore, the Bank developed an internal communication plan on sustainability so that sustainability is embraced and understood by the employees. The communication media to be used for this initiative include internal mailing, internal Bizler+ platform and KoçHub, the in-Group platform of the Koç Group companies.</p>	

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/Link(s) to bank's full response/relevant information
5.2 (continued)	Additionally, six working groups sponsored by the committee members were set up under the Sustainability Committee, which represent all environmental, social and governance factors. Bringing different units of the Bank together, these working groups began developing projects in sustainable banking operations. While sustainability criteria are included in the performance assessments of some of the related business units, the senior management also incorporated sustainability issues within their goals.	
5.3 Governance Structure for Implementation of the Principles:	<i>Yapı Kredi reports all of its sustainability activities, including alignment with the United Nations Principles for Responsible Banking, to the Sustainability Committee co-headed by the related Board member and the Assistant General Manager of Credits. The results of the impact analysis study conducted within the frame of the United Nations Principles for Responsible Banking and two areas of impact that were selected have been presented for the opinion of the Sustainability Committee, and they were launched with the approval of the Committee.</i>	Read more in the Sustainability Management section the report.
Show that your bank has a governance structure in place for the implementation of the PRB, including:	The Sustainability Unit will report regularly to the Sustainability Committee during the setting and implementation of the targets directed at the selected areas of impact.	
a) Target-setting and actions to achieve targets set		
b) Remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected.		
There is solid corporate governance in place at Yapı Kredi in terms of sustainability. The Bank possesses the necessary internal mechanisms necessary for the fulfillment of all sustainability commitments, including the United Nations Principles for Responsible Banking. Sustainability management at the Bank is supervised by the Sustainability Committee, which reports regularly to the Executive Committee and the Board of Directors every year.		
Principle 6: Transparency & Accountability		
We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.		
6.1 Progress on Implementing the Principles for Responsible Banking:	In this first report prepared in line with the United Nations Principles for Responsible Banking, of which it has become a signatory in 2019, Yapı Kredi used the Portfolio Impact Analysis Tool developed in cooperation with UNEP FI, and defined inclusive and healthy economy and resources security/efficiency areas as its priorities. The associated areas of impact are compatible with the Bank's four-pillar [combat against climate crisis and environment, risk management and corporate governance, sustainable finance, and human and community] sustainability strategy as well.	
Show that your bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in minimum two areas [see 2.1-2.4].		

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/Link(s) to bank's full response/relevant information
<p>6.1 Progress on Implementing the Principles for Responsible Banking (continued):</p> <p>Show that your bank has considered existing and emerging international/regional good practices relevant for the implementation of the six Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align with good practice.</p> <p>Show that your bank has implemented/is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on its implementation of these Principles.</p>	<p>The Bank follows up national and international initiatives and best practices supporting its sustainability strategy that comprises four main components, and achieves alignment therewith.</p> <p><i>The Bank reported to the Bloomberg Gender Equality Index in 2020, and qualified to be included in the index after being measured across five pillars, which are female leadership and talent pipeline, equal pay and gender pay parity, inclusive culture, sexual harassment policies and pro-women brand. The Bank outperformed the global and sectoral averages with the score it has been assigned within the scope of the assessment by the Index.</i></p> <p><i>In January 2021, the Bank joined among the supporters of the Task Force on Climate-related Financial Disclosures (TCFD) in a reiteration of its commitment to the combat against global climate crisis and effective management/disclosure of climate-related risks and opportunities. In the period coming, the Bank also takes into account climate scenarios and evaluates other initiatives and projects for combating climate crisis.</i></p> <p><i>The Bank successfully passed an independent assessment process for Equal Opportunities Model (FEM) certification, an initiative led by the Women Entrepreneurs Association of Turkey (KAGİDER) under the technical assistance of the World Bank, and earned the FEM gender equality certification.</i></p> <p><i>On another note, the Bank initiated a study for alignment with the Equator Principles (EP4) providing a voluntary credit risk management framework and guidelines for environmental and social risk assessment. Furthermore, Yapı Kredi started a sectoral norm study targeting the coal industry in order to support Turkey's transition to a low-carbon economy.</i></p>	
<p>Yapı Kredi carried out significant activities to implement the Principles in the 18 months after the Bank became a signatory of the United Nations Principles for Responsible Banking. Having successfully completed its materiality analysis, the Bank conducted studies in the areas of risk management, diversity and inclusion, and product development. While taking care to achieve full compliance with the Equator Principles (EP4) in its lending processes, it also aims to reduce the carbon footprint of its portfolio.</p>		

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Limited Assurance Report to the Board of Directors of Yapı ve Kredi Bankası A.Ş.

We have been engaged by the Board of Directors of Yapı ve Kredi Bankası A.Ş. (“YKB” or the “Bank”) to perform an independent limited assurance engagement in respect of the Selected Sustainability Information (“Selected Information”) stated in the Yapı ve Kredi Bankası A.Ş. Integrated Annual Report (“the 2020 Integrated Annual Report”) for the year ended 31 December 2020 and listed below.

Selected Information

The scope of the Selected Information for the year ended 31 December 2020, which is subject to our independent limited assurance work, set out in the “Reporting Guidance” on pages 532 to 541 of the 2020 Integrated Annual Report is summarized below:

Key Indicators

- Structure of Sustainability Management
- Total credit volume of renewable energy projects in the reporting period
- Installed capacities of renewable energy projects by type financed in the reporting period
- Quantity of GHG emissions (tCO₂e) avoided in the reporting period by renewable energy projects financed in the reporting period
- Total environmental protection investments and outlays

Economic Indicators

- Corruption and bribery risk assessment of operations
- Communication channels related to the anti-bribery and anti-corruption program; and the number of employees given anti-bribery and anti-corruption training and total hours of training
- Legal action for anti-competitive behavior, anti-trust and monopoly practices
- Direct economic value generated and distributed
- Defined benefit plan obligations
- Financial assistance received from government

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Environmental Indicators

- Energy consumption within the organization (GJ)
- Energy intensity (GJ/number of employees)
- Water consumption by source (m³)
- Scope 1 GHG Emissions (tCO₂e)
- Scope 2 GHG Emissions (tCO₂e)
- Scope 3 GHG Emissions (tCO₂e)
- GHG emissions intensity within the organization (tCO₂e/number of employees)
- Quantity of waste collected, recycled and disposed of
- Monetary value of fines received on account of noncompliance with the Environmental Law and regulations

Social Indicators

- Accidents and accident rates by type; occupational diseases, lost days, and absenteeism and number of work-related casualties
- Average hours of training per employee
- Incidents of discrimination and corrective actions taken
- Operations in which the right to freedom of association and collective bargaining are hindered or may be at risk
- Operations and suppliers at significant human rights risk for incidents of child labor
- Operations and suppliers at significant human rights risk for incidents of forced and compulsory labor
- Total hours of training on human rights policies and practices
- Number of employees entitled to parental leave
- Number of employees that took maternity leave
- Number of employees that returned to work after maternity leave
- Number of employees that continued to work for the Bank for at least 12 months after returning to work following maternity leave

Our assurance was with respect to the year ended 31 December 2020 information only and we have not performed any procedures with respect to earlier periods or any other elements included in the 2020 Integrated Annual Report and, therefore, do not express any conclusion thereon.



Criteria

The criteria used by the Bank to prepare the Selected Information is set out in Reporting Guidance' (the 'Reporting Guidance') on page 532 to 541 of the 2020 Integrated Annual Report.

The Bank's Responsibility

The Bank is responsible for the content of the 2020 Integrated Annual Report and the preparation of the Selected Information in accordance with the Reporting Guidance. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of Selected Information that is free from material misstatement, whether due to fraud or error.

Inherent Limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining such information. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measures and measurement techniques and can affect comparability between entities. The precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time. It is important to read the Selected Information in the context of the Reporting Guidance.

In particular, the calculations related to carbon emissions is based upon, inter alia, information and factors generated internally and/or derived by independent third parties as explained in the Reporting Guidance. Our assurance work has not included examination of the derivation of those factors and other third party information.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to form a conclusion, based on limited assurance procedures, on whether anything has come to our attention that causes us to believe that the Selected Information has not been properly prepared in all material respects in accordance with the Reporting Guidance. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements other than Audits or Reviews of Historical Financial Information*¹, and, in respect of greenhouse gas emissions, International Standard on Assurance Engagements 3410, *Assurance Engagements on Greenhouse Gas Statements*, issued by the International Auditing and Assurance Standards Board.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement under ISAE 3000 and ISAE 3410. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we:

- Made inquiries with the persons responsible and the Bank's management for the Selected Information;
- Understood the process for collecting and reporting the Selected Information. This included analysing the key processes and controls for managing and reporting the Selected Information;
- Evaluated the source data used to prepare the Selected Information and re-performing selected examples of calculation;
- Performed limited substantive testing on a selective basis of the preparation and collation of the Selected Information prepared by the Bank; and
- Undertook analytical procedures over the reported data.



Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Bank's Selected Information for the year ended 31 December 2020, is not properly prepared, in all material respects, in accordance with the Reporting Guidance.

This report, including the conclusion, has been prepared for the Board of Directors of the Bank as a body, to assist the Board of Directors in reporting Yapı ve Kredi Bankası A.Ş.'s performance and activities related to the Selected Information. We permit the disclosure of this report within the 2020 Integrated Annual Report for the year ended 31 December 2020, to enable the Board of Directors to demonstrate they have discharged their governance responsibilities by commissioning an independent assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors of Yapı ve Kredi Bankası A.Ş. as a body and the Yapı ve Kredi Bankası A.Ş. for our work or this report save where terms are expressly agreed and with our prior consent in writing.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Mehmet Cenk Uslu, SMMM
Partner

Istanbul, 2 March 2021

Limited Assurance Report to the Board of Directors of Yapı ve Kredi Bankası A.Ş.,

We have been engaged by the Board of Directors of Yapı ve Kredi Bankası A.Ş. (the “Bank”) to perform an independent limited assurance engagement in respect of the Selected Sustainability Information (“Selected Information”) stated in the United Nations Principles for Responsible Banking Reporting Index – Preparation Principles which is set out in the Reporting Guidance on pages 532 to 541 of the Bank’s 2020 Integrated Annual Report (“the 2020 Integrated Annual Report”).

Selected Information in the scope of United Nations Principles for Responsible Banking Reporting Index - High-level summary of bank’s response

The scope of the Selected Information, which is subject to our independent limited assurance work, is reported in the United Nations Principles for Responsible Banking Reporting Index – Preparation Principles which is set out in the Reporting Guidance on pages 532 to 541 of the 2020 Integrated Annual Report.

Our independent limited assurance work was only with respect to the selected information for the year ended 31 December 2020 and we have not performed any procedures with respect to earlier periods.

Criteria

The criteria used by the Bank to prepare the Selected Information is indicated in the United Nations Principles for Responsible Banking Reporting Index – Preparation Principles which is set out in the Reporting Guidance on pages 532 to 541 of the 2020 Integrated Annual Report.

The Bank’s Responsibility

The Bank is responsible for the content of the United Nations Principles for Responsible Banking Reporting Index - High-level summary of bank’s response section and the preparation of the Selected Information in accordance with the United Nations Principles for Responsible Banking Reporting Index – Preparation Principles. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of Selected Information that is free from material misstatement, whether due to fraud or error.

Inherent Limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining such information. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measures and measurement techniques and can affect comparability between entities. The precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time. It is important to read the Selected Information in the context of the United Nations Principles for Responsible Banking Reporting Index – Preparation Principles.

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In particular, the calculations related to carbon emissions is based upon, inter alia, information and factors generated internally and/or derived by independent third parties as explained in the United Nations Principles for Responsible Banking Reporting Index – Preparation Principles. Our assurance work has not included examination of the derivation of those factors and other third party information.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to form a conclusion, based on limited assurance procedures, on whether anything has come to our attention that causes us to believe that the Selected Information has not been properly prepared in all material respects in accordance with the United Nations Principles for Responsible Banking Reporting Index – Preparation Principles. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information (“ISAE 3000” Revised), issued by the International Auditing and Assurance Standards Board.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement under ISAE 3000. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we:

- Made inquiries with the persons responsible and the Bank's management for the Selected Information;
- Understood the process for collecting and reporting the Selected Information. This included analysing the key processes and controls for managing and reporting the Selected Information.
- Evaluated the source data used to prepare the Selected Information and re-performing selected examples of calculation.
- Performed limited substantive testing on a selective basis of the preparation and collation of the Selected Information prepared by the Bank.

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Bank's Selected Information which is reported in the United Nations Principles for Responsible Banking Reporting Index - High-level summary of bank's response section for the year ended 31 December 2020, is not properly prepared, in all material respects, in accordance with the United Nations Principles for Responsible Banking Reporting Index – Preparation Principles.

This report, including the conclusion, has been prepared for the Board of Directors of the Bank as a body, to assist the Board of Directors in reporting Bank's performance and activities related to the Selected Information. We permit the disclosure of this report within the 2020 Integrated Annual Report for the year ended 31 December 2020, to enable the Board of Directors to demonstrate they have discharged their governance responsibilities by commissioning an independent assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors of Yapı ve Kredi Bankası A.Ş. as a body and the Yapı ve Kredi Bankası A.Ş. for our work or this report save where terms are expressly agreed and with our prior consent in writing.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Mehmet Cenk Uslu, SMMM
Partner

Istanbul, 2 March 2021

1. General Principles and Scope

The reporting guidance provides information about the data, methodology and definitions with regard to independent limited assurance indicators contained in the 2020 Integrated Annual Report of Yapı ve Kredi Bankası A.Ş. and its affiliated domestic subsidiaries (Yapı Kredi Factoring, Yapı Kredi Leasing, Yapı Kredi Asset Management and Yapı Kredi Invest) ["Yapı Kredi" or "the Bank"]. The data herein are prepared in accordance with the principles of consistency and reliability. The data reporting process is based on understandability, comparability year-over-year and transparency. Unless otherwise stated, the data in the reporting guidance cover the data for Yapı ve Kredi Bankası A.Ş. and Yapı Kredi's affiliated domestic subsidiaries for the period from 1 January 2020 through 31 December 2020.

2. Scope of Limited Assurance Statement

Limited assurance has been obtained from PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., an independent audit company, for the below mentioned data for the period from 1 January 2019 through 31 December 2020.

Key Indicators

- Structure of Sustainability Management
- Total credit volume of renewable energy projects as of the reporting period
- Installed capacities of renewable energy projects by type financed as of the reporting period
- Quantity of GHG emissions avoided in the reporting period by renewable energy projects financed as of the reporting period [tCO₂e]
- Total environmental protection investments and outlays

Economic Indicators

- Corruption and bribery risk assessment of operations
- Communication channels related to the anti-bribery and anti-corruption program; and the number of employees given anti-bribery and anti-corruption training and total hours of training
- Legal action for anti-competitive behavior, anti-trust and monopoly practices
- Direct economic value generated and distributed
- Defined benefit plan obligations
- Financial assistance received from government

Environmental Indicators

- Energy consumption within the organization [GJ]
- Energy intensity [GJ/number of employees]
- Water consumption by source [m³]
- Scope 1 GHG Emissions [tCO₂e]
- Scope 2 GHG Emissions [tCO₂e]
- Scope 3 GHG Emissions [tCO₂e]
- GHG emissions intensity within the organization [tCO₂e/number of employees]
- Quantity of waste collected, recycled and disposed of
- Monetary value of fines received on account of noncompliance with the Environmental Law and regulations

Social Indicators

- Accidents and accident rates by type; occupational diseases, lost days, and absenteeism and number of work-related casualties
- Average hours of training per employee
- Incidents of discrimination and corrective actions taken
- Operations in which the right to freedom of association and collective bargaining are hindered or may be at risk
- Operations and suppliers at significant human rights risk for incidents of child labor
- Operations and suppliers at significant human rights risk for incidents of forced and compulsory labor
- Total hours of training on human rights policies and practices
- Number of employees entitled to parental leave
- Number of employees that took maternity leave
- Number of employees that returned to work after maternity leave
- Number of employees that continued to work for the Bank for at least 12 months after returning to work following maternity leave
- Return-to-work rate after maternity leave
- Retention rate after maternity leave

3. Definitions of Indicators and Data

Key Indicators

- **Structure of sustainability management:** The organization, members and meetings of the Sustainability Committee, which is the highest body within the Sustainability Management System of Yapı Kredi.
- **Total lending to renewable energy projects as of the reporting period:** Total volume of lending to renewable energy projects financed by Yapı Kredi as at year-end 2020.
- **Installed capacities of energy projects by type financed as of the reporting period (MW):** Capacities of renewable energy projects financed by Yapı Kredi as at year-end 2020.
- **Quantity of GHG emissions avoided in the reporting period by renewable energy projects financed as of the reporting period (tCO₂e):** Quantity of GHG emissions avoided during the reporting period through the electricity generated during the reporting period by renewable energy projects financed by Yapı Kredi as at year-end 2020. Quantity of GHG emissions avoided is calculated based on the quantity of GHG emissions that would have resulted had the electricity generated by financed renewable energy projects been supplied from Turkey's electricity grid.
- **Total environmental protection investments and outlays:** The cost of investments to the Bank during the reporting period for energy/water/resource efficiency efforts on project basis at the Bank's premises, which are aimed at mitigating and keeping under control internal environmental impact, regulatory compliance requirements, emission reduction, waste management, environmental protection efforts, environmental reporting, awareness initiatives, NGO sponsorships and sustainability/environmental certification efforts as part of the environmental management system activities.

Economic Indicators

- **Corruption and bribery risk assessment of operations:** Actions taken and policies implemented during the reporting period by the Bank for combating bribery and corruption, along with the assessment process of risks emerging in this respect.

- **Communications concerned with anti-bribery and anti-corruption program:** The Bank's communications in relation to Anti-Bribery and Anti-Corruption Program and procedures on in-house platforms and as part of internal communications during the reporting period.
- **The number of employees given anti-bribery and anti-corruption training and total hours of training:** Number of employees' singular participation in training programs provided by the Bank in relation to combating bribery and corruption, and the total duration of these trainings during the reporting period.
- **Legal action for anti-competitive behavior, anti-trust and monopoly practices:** Number of legal actions in progress against the decisions of the Competition Board in relation to anti-competitive behavior, anti-trust and monopoly practices.

Environmental Indicators

- **Energy consumption within the organization [GJ]:** Total energy purchased by the Bank during the reporting period. Energy consumption data include the electricity, natural gas and fuel oil consumptions for the Bank's electrical installations, heating, lighting, ventilation, generator etc.
- **Energy intensity [GJ/ number of employees]:** The intensity calculated by dividing total energy consumption by the number of the Bank's employees as of year-end.
- **Water consumption by source [m³]:** Water consumption indicates the Bank's consumption including mains water, underground water, drinking and tap water purchased by truckloads, and rainwater. Mains water covers water purchased from third party providers; underground water covers the water drawn from the wells in Yapı Kredi Banking Base and Darıca Administrative and Archive Building; rainwater covers the rainwater collected by the Darıca Administrative and Archive Building. Drinking water purchased by truckloads is used as drinking water in the cafeterias and cafés located in Yapı Kredi Plaza D Block, Yapı Kredi Banking Base and Bayramoğlu Training facilities. Tap water purchased by truckloads, on the other hand, is used in lavatories, cafeteria washing areas across the facility in case of mains water outages or for garden irrigation purposes when well water is insufficient.
- **Scope 1 GHG Emissions [tCO₂e]:** Scope 1 GHG emission data covers the Bank's natural gas and fuel oil consumption [GHG emission associated with stationary combustion], fuel [fuel oil and gas] consumption of vehicles owned by the Bank [GHG emission associated with mobile combustion] and refrigerant gases [HCF-134a, HCF-407c, HCF-410a, HCF-404a, HCF-227ea, Aerosol [Butane-Propane Blend] and CO₂] [fugitive emissions].
- **Scope 2 GHG Emissions [tCO₂e]:** Scope 2 emission data covers consumption of purchased electricity [indirect emissions from energy].
- **Scope 3 GHG Emissions [tCO₂e]:** Scope 3 emission data covers domestic and international air travel across the Bank, Bank-wide paper consumption and fuel consumption for employee commuting at the Bank's selected locations [Head Office and service buildings, regional offices and branch buildings]. Hazardous waste, non-hazardous waste, medical waste and household waste generated by Banking Base, Plaza Building D and Darıca Archives facilities in 2020 reporting period are included in Scope 3 GHG emissions.
- **GHG emission intensity within the organization [Scope 1 and Scope 2/number of employees]:** Intensity is calculated by dividing Scope 1 and Scope 2 emissions by the number of the Bank's employees as of year-end. Since Scope 3 emission, by definition, refers to greenhouse gas emissions resulting from energy resources owned or controlled by other organizations as a result of the Bank's operations, it was not included in the Bank's emission intensity calculation.
- **Quantity of waste collected, recycled and disposed of:** The quantity of waste collected, included in recovery/recycling and disposal processes during the reporting period. Waste collected, included in recovery/recycling processes in the reporting period means the quantity of hazardous, non-hazardous, other waste and household waste generated during the operations of the Bank's Yapı Kredi Plaza Building D, Yapı Kredi Banking Base, Darıca Administrative and Archive facilities, and the quantity of medical waste produced at Yapı Kredi Plaza Building D, Yapı Kredi Banking Base Healthcare Units. Medical waste is disposed of by methods requiring specific engineering such as landfill, physical/chemical

treatment, and off-site incineration. Quantity of waste includes paper waste generated at all locations of the Bank and those collected at the Bank's archive. The quantity of waste paper was calculated based on the quantities received from the Bank's contracted recycling company licensed by the Provincial Directorate of Environment and Urbanization.

- The following formula has been used in calculating the quantity of household waste.
- Quantity of household waste [tons/year] = Number of household waste containers in the facilities x container volume [m³] x fullness level of container [%] x household waste density [tons/m³] x annual number of days [number of days has been calculated after finding out how many days a week household waste is collected from the relevant municipalities]
- **Monetary value of fines received on account of noncompliance with Environmental Law and regulations:** Amount of administrative fine imposed by the Republic of Turkey Ministry of Environment and Urbanization on account of failure to achieve compliance in the Bank's operations with the Environmental Law no. 2872 and ancillary regulations.

Social Indicators

- **Total number of employees:** Number of the employees of Yapı Kredi [full-time and part-time] excluding contractors as at 31 December 2020.
- **Accidents and accident rates by type, occupational diseases, lost days and absenteeism and number of work-related casualties:**
- **Injury Rate (IR):** Calculated based on work-related injuries and total time worked during the year and using the formula "Total Injuries/(Total Hours Worked - Hours Lost) * 200,000".
- **Occupational Disease Rate (ODR):** Calculated based on temporary or permanent diseases sustained due to a recurrent cause arising from the nature of the work or job or due to conditions of work and total hours worked, and using the formula "[Total Incidents of Occupational Diseases * 200,000]/Total Hours Worked".
- **Total Lost Days Rate (LDR):** Calculated based on the number of lost days because of workplace accidents and total time worked, and using the formula "[Total Number of Lost Days * 200,000]/Total Hours Worked".
- **Absentee Rate (AR):** Calculated based on absentee days lost and total hours worked, and using the formula "[Actual Absentee Days Lost * 200,000]/Total Hours Worked".
- **Average hours of training per employee:** Calculated based on the total training hours provided by the Bank to employees during the reporting period. Calculations are made by dividing total hours of training provided to employees during the year by total number of employees. Number of employees who received training is based on singular participation figures.
- **Number of singular participation in training programs:** Each employee who received one or more training programs in a given topic during the reporting period is calculated as a single incident of participation.
- **Incidents of discrimination and corrective actions taken:** Confirmed incidents of discrimination during the reporting period, and the policy established and actions taken by the Bank against discrimination.
- **Operations in which the right to freedom of association and collective bargaining are hindered or may be at risk:** Policies established and actions taken to prevent the risk of hindrance of the freedom of association and collective bargaining in the Bank's operations and suppliers during the reporting period.
- **Operations and suppliers at significant human rights risk for incidents of child labor:** Policies established and actions taken to prevent the risk of child labor or juvenile labor in the Bank's operations and suppliers during the reporting period.
- **Operations and suppliers at significant human rights risk for incidents of forced or compulsory labor:** Policies established and actions taken to prevent the risk of forced and compulsory labor in the Bank's operations or suppliers during the reporting period.
- **Employee training on human rights policies or procedures:** Singular number of participation in human rights trainings provided by the Bank during the reporting period and the total hours of such trainings.

- **Parental/Maternity Leaves**

Number of employees entitled to parental leave: Number of employees entitled to parental leave under their employment contract, should they request to do so.

Number of employees that took maternity leave: Number of employees that took maternity leave during the reporting period.

Number of employees that returned to work after maternity leave: Number of employees that returned to work following maternity leave during the reporting period.

Number of employees that continued to work for the Bank for at least 12 months after returning to work following maternity leave: Number of employees that returned to work one year prior to the reporting year and still worked for the Bank in 2020.

Return-to-work rate after maternity leave: Number of employees that returned to work during the reporting period and that remained with the Bank during the reporting period/number of employees that returned to work during the reporting period.

Retention rate following maternity leave: Number of employees that returned to work after maternity leave and remained with the Bank for at least 12 months thereafter/number of employees that returned to work in the year immediately preceding the reporting period.

4. Preparation of Data

Energy Consumption

Energy consumption data cover consumptions of electricity, natural gas, and diesel oil. The electricity amount was derived from the bills for selected head office buildings (Yapı Kredi Plaza-A/C/D Blocks, Yapı Kredi Banking Base, Darıca Administrative and Archive Building, Bayramoğlu Building and Yeniköy Kuru Building), and from the consumption amounts received from third-party providers for locations whose bills were not received. The consumption data that could not be supplied from third-party providers were calculated by dividing the annual electricity payment for a given location based on the Bank's SAP System by the average unit price for locations with available electricity data and cost.

Amount of natural gas consumption was derived from the bills for selected head office buildings (Yapı Kredi Plaza-A/C/D Blocks, Yapı Kredi Banking Base, Darıca Administrative and Archive Building, Bayramoğlu Building and Yeniköy Kuru Building), and from the consumption amounts received from third-party providers for locations whose bills were not received. The consumption data that could not be supplied from third-party providers were calculated by dividing the annual natural gas payment for a given location based on the Bank's SAP System by the average unit price for locations with available natural gas data and cost.

Consumptions for the months for which consumption data could not be obtained from the institutions due to the reporting deadline's having been moved forward, and electricity and natural gas payments not reflected in the SAP system have been calculated by calculating the average of the data for the periods preceding and following the month for which data is unavailable.

Amount of fuel oil consumption was calculated based on the bills of service providers. At locations whose bills are unavailable, it was calculated by dividing the annual amount paid for generator fuel on the basis of locations based on the Bank's SAP system by the average unit price for locations with available fuel oil data and cost.

The Bank used the following conversion factors for calculating its energy consumptions:

- Energy conversion is not necessary as electricity supply unit is billed in kWh [kilowatt-hour].
- Since natural gas supply unit is billed in Sm³ [standard cubic meter], kWh energy conversion was calculated using the Sm³ natural gas=10.64 kWh conversion.

- Density and conversion coefficient values for gasoline and diesel oil were derived from the “Regulation on Improving Efficiency in Energy Resources and Energy Use” (Official Gazette: 27 October 2011/28097, Amended 14 March 2020-31068), App. 2 Table – Lower Heating Value and Oil Equivalent Conversion Factors for Energy Resources
- Global Warming Potential Values are based on “IPCC Fifth Assessment Report, 2014 (AR5)”. (IPCC, 2014: Climate Change 2014: Synthesis Report. Contribution of Working Groups I, II and III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change)
- 1 kWh=0.0036 GJ conversion factor is used for converting all kWh values into GJ.
- Amount of natural gas consumption is demanded to be provided in Sm³ from third-party providers. Therefore, when converting Sm³ into kWh, m³ to kWh conversion factor varies depending on three factors under the natural gas billing communiqué published by the Energy Market Regulatory Authority (EMRA). These factors are altitude (atmospheric pressure), type of natural gas and the characteristics of the gas blend. According to the values specified by the EMRA in the communiqué, the amount of energy from the consumption of 1 m³ natural gas, which is 10.64 kWh, is regarded as the standard value. To calculate the energy consumption that will form the basis of the bill in terms of kWh, 1 Sm³ natural gas equals 10.64 kWh conversion was used.

Greenhouse Gas Emissions

Greenhouse gas (GHG) emissions are calculated by the Bank using published conversion factors. Conversion factors help determine the amount of GHG emissions released into the atmosphere per unit of energy consumption. Different types of energy resources have different conversion factors representing carbon density. In time, conversion factors may be updated to reflect the changes/improvements in the factors published.

The Bank used the following conversion factors for calculating its GHG emissions:

- GHG emissions avoided through renewable energy projects financed (tCO₂e) = Annual energy generation quantity of the renewable energy plant (MWh)x International Energy Agency (IEA) 2020 Report grid emission factor for Turkey x Yapı Kredi’s financing share percentage (Pro rata Share) [%]
- Conversion factors for fuels (natural gas, diesel oil, gasoline, etc.) were derived from the data provided by the Intergovernmental Panel on Climate Change (IPCC). The references used were IPCC Guidelines for National Greenhouse Gas Inventories Chapter 2: Stationary Combustion- Volume 2: Energy, Intergovernmental Panel on Climate Change 2006 Table 2.2. Default Emission Factors for Stationary Combustion in the Energy Industries Table 2.3. Default Emission Factors for Stationary Combustion in Manufacturing Industries and Construction.
- Conversion factors for vehicle emission factors (gas, fuel oil, LPG) are derived from the data released by the Intergovernmental Panel on Climate Change (IPCC). The following resources have been used: IPCC Guidelines For National Greenhouse Gas Inventories Chapter 3: Mobile Combustion - Volume 2: Energy Intergovernmental Panel On Climate Change 2006
 - Equation 3.2.1. CO₂ from Road Transport
 - Table 3.2.1. Road Transport Default CO₂ Emissions Factors and Uncertainty Ranges
 - Equation 3.2.3 Emissions of CH₄ and N₂O
 - Table 3.2.2 Road Transport N₂O and CH₄ Default Emissions Factors and Uncertainty Ranges
 - Table 3.3.1 Default Emission Factors For Off-Road Mobile Sources And Machinery (Diesel and 4-stroke diesel) (for lawn mower and Bobcat)
- Grid emission factor for Turkey has been calculated according to the IEA 2020 report. A confirmation letter was obtained from the supplier company in relation to the use of renewable energy, and GHG emission factor for electricity was taken as “0” (zero).

- Conversion factors for refrigerants and aerosol was based on the IPCC Fifth Assessment Report, the section titled Global Warming Potentials - [Table] Direct [Except For CH₄] Global Warming Potentials (GWP) Relative to CO₂ IPCC Fifth Assessment Report, 2014 (AR5)-Chapter (8 and 2), and for refrigerant blends, they were based on the refrigerant blends rates specified at the address "<https://www.ashrae.org/technical-resources/standards-and-guidelines/ashrae-refrigerant-designations>". R12 and R22 refrigerants are not designated as refrigerants creating GHG impact by the IPCC; hence, they were not calculated for purposes of conformity to the methodology.

- Conversion factors for paper consumption in Scope 3 GHG emissions calculations were based on the emission factors in the "DEFRA (Department for Environment, Food and Rural Affairs) 2020 Emission Factors. Emission factors in Scope 3 - Material Use" study (<https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2020>) were used.

- Air travel distances in Scope 3 GHG emissions calculations were based on International Civil Aviation Organization (ICAO) Carbon Emissions Calculator (<https://applications.icao.int/icec>) of ICAO. Conversion factors for business flights in Scope 3 GHG emissions calculations were based on "DEFRA 2020 Emission Factors. Scope 3 Business Travel-Air" (<https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2020>) published by the UK government. In air travel, short-haul is defined as [\geq 150km and <500 km], medium-haul as [\geq 500 km and <1,600 km] and long-haul as [$>$ 1,600 km]. RF (radiative forcing) is included in calculations, and GHG emission factor caused by an average passenger was taken as the basis.

- Conversion factor for employee commuting vehicles in Scope 3 GHG emissions was based on the IPCC data.

- Conversion factors for waste in Scope 3 GHG emission calculations were based on "DEFRA 2020 Emission Factors. Scope 3 - Waste Disposal" (<https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2020>) published by the UK government.

- Conversion coefficient for natural gas, electricity, gasoline and diesel fuel (kg/lt) was derived from the "Regulation on Improving Efficiency in Energy Resources and Energy Use [Official Gazette: 27 October 2011/28097, Amended 14 March 2020-31068], App. 2 Table - Lower Heating Value and Oil Equivalent Conversion Factors for Energy Resources".

Water Consumption

Amount of mains water consumption is derived from the bills for selected head office buildings (Yapı Kredi Plaza-A/C/D Blocks, Yapı Kredi Banking Base, Darıca Administrative and Archive Building, Bayramoğlu Building and Yeniköy Koru Building), and from the consumption amounts received from third-party providers for locations whose bills were not received. The consumption data that could not be supplied from third-party providers were calculated by dividing the annual water payment for a given location based on the Bank's SAP System by the average unit price for locations with available water data and cost. Consumptions for the months for which consumption data could not be obtained from the institutions due to the reporting deadline's having been moved forward, and water payments not reflected in the SAP system have been calculated by calculating the average of the data for the periods preceding and following the month for which data is unavailable.

Amount of well water is calculated based on the bill issued to Yapı Kredi Banking Base, Darıca Administrative and Archive Building.

Amount of rainwater is calculated as the difference between well water meter installed by the İzmit Water and Sewerage Administration (İSU) at Darıca Administrative and Archive Building and the in-house tracking meter of the facility.

United Nations Principles for Responsible Banking Reporting Template – Preparation Principles

<p>2.1 Impact Analysis:</p> <p>Show that the Bank has identified the areas in which it has its most significant positive and negative impact through an impact analysis that fulfills the following elements:</p> <p>a) Scope: The Bank's core business areas, products/services across the main geographies that the Bank operates in have been considered in the scope of the analysis as described under 1.1.</p> <p>b) Scale of Exposure: In identifying its areas of most significant impact, the Bank has considered where its core business/its major activities lie in terms of industries, technologies and geographies</p> <p>c) Context and Relevance: The Bank has taken into account the most relevant challenges and priorities related to sustainable development in the countries/regions in which it operates.</p> <p>d) Scale and Intensity/Salience of Impact: In identifying its areas of most significant impact, the Bank has considered the scale and intensity/salience of the [potential] social, economic and environmental impacts resulting from the Bank's activities and provision of products and services. [The Bank should have engaged with relevant stakeholders to help inform the analysis under elements c) and d)]</p> <p>Show that building on this analysis, the Bank has:</p> <ul style="list-style-type: none"> · Identified and disclosed its areas of most significant [potential] positive and negative impact · Identified strategic business opportunities in relation to the increase of positive impacts / reduction of negative impacts 	<p>For its impact analysis, the Bank used the Portfolio Impact Analysis Tool [Impact Analysis Tool] developed jointly by the Positive Impact Initiative, signatories of the Principles for Responsible Banking and the United Nations Environment Programme Finance Initiative [UNEP FI].</p> <p>The segment breakdowns of Yapı Kredi and those of the Impact Analysis Tool are not identical; segment titles used in the UN Principles for Responsible Banking reporting are based on the segments of the Impact Analysis Tool. These segments correspond to the following segments at Yapı Kredi:</p> <p>Impact Analysis Tool Consumer Banking Segment: Yapı Kredi individual banking, private banking and credit cards operations</p> <p>Impact Analysis Tool Business Banking Segment: Yapı Kredi business and SME/ME banking</p> <p>Impact Analysis Tool Corporate Banking Segment: Yapı Kredi corporate and commercial banking</p> <p>The Bank's operations under three categories in Turkey, namely Consumer [Yapı Kredi individual banking, private banking and credit cards], Business [Yapı Kredi business and SME/ME banking segments] and Corporate [Yapı Kredi corporate and commercial banking segments], as at 31 August 2020 have been included in the Impact Analysis Tool assessment.</p>
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PRESENTATION
FROM THE MANAGEMENT
ABOUT YAPI KREDİ
BUSINESS MODEL AND STAKEHOLDERS
RESPONSIBLE GROWTH
INNOVATIVE BANKING
HUMAN FOCUS
CORPORATE GOVERNANCE
FINANCIAL INFORMATION

<p>2.1 Impact Analysis continued:</p>	<p>When using the Impact Analysis Tool, the areas in which financial services within the scope of Consumer Banking provided to individual customers are concentrated (Vehicle Loans, Mortgage Loans, Education Loans, Other Consumer Loans, Demand/Time Deposit Accounts, Savings Accounts, Credit Cards and Cheques) are included. For these areas, the number of the Bank’s active customers in related categories are taken into consideration according to the definitions for Consumer Banking stated in the list of industry classifications of the UN International Standard Industrial Classification of All Economic Activities (ISIC). The number of active customers has been determined as at 31 August 2020 through the SQL system. For each financial service offered, the ratios of financial service provided on the basis of customer segments are specified, which are calculated also as a percentage according to customer income distribution [low, medium and high].</p> <p>Business Banking and Corporate Banking, on the other hand, take sectoral breakdowns of lending volumes as the basis. Business Banking incorporates business and SME/ME loans, whereas Corporate Banking incorporates corporate and commercial loans. These loan amounts have been determined through the SQL system according to cash loans and associated risks as at 31 August 2020. Sectoral breakdowns were determined according to the ISIC list of industry classifications.</p> <p>In this context, the top ten sectors the Bank finances under Business Banking and Corporate Banking have been included in the analysis.</p> <p>Since the sectoral breakdowns in the ISIC list are not identical to those of the Bank, the Bank has proceeded with the assumption that the food and beverages sector breaks down equally when using the Impact Analysis Tool.</p> <p>The Impact Analysis Tool incorporates the “Country Need Scores” released by UNEP-FI. Through these scores, UNEP FI has measured Turkey’s need in specific impact areas in environmental, social and economic terms (<i>Accessibility and quality of Water, Food, Housing, Health and Sanitation, Education, Employment, Energy, Mobility, Communication [Information], Culture and Heritage, Integrity & Security of Person, Justice, Strong Institutions, Peace and Stability; quality [physical and chemical properties] and efficient use of Water, Air, Soil, Biodiversity and Ecosystems, Resources Efficiency/Security, Climate, Waste; economic value creation for the society through Inclusive and Healthy Economy and Economic Convergence</i>). The Bank has directly used this analysis when taking into account sustainable development needs of Turkey.</p> <p>Two potential impact areas of the Bank have been defined using the Impact Analysis Tool in line with the data entered within the scope of Consumer, Business and Corporate Banking, and sustainable development needs of Turkey.</p>
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<p>5.3 Governance Structure for Implementation of the Principles</p> <p>Show that the Bank has a governance structure in place for the implementation of the PRB, including:</p> <p>a) Target-setting and actions to achieve targets set</p> <p>b) Remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected</p>	<p>Within the scope of compliance with the Principles for Responsible Banking, the Bank reports to the Sustainability Committee co-headed by the related Board member and the Assistant General Manager of Credits. The outcomes of the impact analysis study conducted within the frame of Principles for Responsible Banking and the two impact areas selected have been presented for the opinion of the Sustainability Committee, and the Committee's approval has been obtained.</p>
<p>6.1 Progress on Implementing the Principles for Responsible Banking</p> <p>Show that the Bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in minimum two areas (see 2.1-2.4).</p> <p>Show that the Bank has considered existing and emerging international/regional good practices relevant for the implementation of the six Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align with good practice.</p> <p>Show that the Bank has implemented/is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on its implementation of these Principles.</p>	<p>The Impact Analysis Tool jointly developed by the Positive Impact Initiative, signatories of the Principles for Responsible Banking and UNEP FI have been used in the first index prepared under the Principles for Responsible Banking, and priority areas have been identified accordingly. The Bank's activities in relation to national and international initiatives and good practices associated with sustainability are as follows:</p> <ul style="list-style-type: none"> · Qualified for Bloomberg Gender Equality Index. Bloomberg Gender Equality Index requirements and qualified organizations can be found at https://www.bloomberg.com/gei/about/. · Took place among the supporters of the Task Force on Climate-related Financial Disclosures (TCFD). The list of supporters of TCFD can be found at https://www.fsb-tcf.org/supporters/. · Earned the Equal Opportunities Model (FEM) certification, a gender equality certification led by the Women Entrepreneurs Association of Turkey (KAGİDER) and developed under the technical assistance of the World Bank. · Initiated a study for alignment with the Equator Principles (EP4) providing a credit risk management framework for environmental and social risk assessment.

5. Restatement

Measuring and reporting energy consumption and GHG emission data inevitably incorporate projections to some degree. Restatement can be considered in case of a change in data in excess of 5% at the Bank level.



"For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report." This service was provided for the Turkish version of the report.

YKB (YAPI KREDİ BANKASI A.Ş.) GRI STANDARDS INDEX - CORE

GRI Standard Number	Disclosures	Page Number/Direct Reference	Omissions
GRI 101: Foundation 2016			
GRI 102: General Disclosures 2016			
GRI 102: General Disclosures 2016	Organizational Profile		
	102-1	Yapı ve Kredi Bankası A.Ş.	
	102-2	16-17, 22-26	
	102-3	Head Office Yapı Kredi Plaza D Blok Levent - Beşiktaş 34330 İstanbul/ Turkey	
	102-4	Turkey	
	102-5	16-17, 19 https://www.yapikrediinvestorrelations.com/en/corporate-governance/detail/Articles-of-Association/46/207/0	
	102-6	16-17, 22-25	
	102-7	16-17, 22-26	
	102-8	508-510	
	102-9	64 https://www.yapikrediinvestorrelations.com/en/images/pdf/codeofethicsandpolicies/2020/yk_responsible_procurement_policy.pdf	
	102-10	19	
	102-11	70-77	
	102-12	69	
	102-13	69	
	Strategy		
	102-14	10-11	
	102-15	48-63	
	Ethics and Integrity		
	102-16	18, 64-65	
	102-17	64-65	
	Governance		
	102-18	36-41	
	102-20	44-45	
	Stakeholder Engagement		
102-40	68-69		
102-41	510		
102-42	66		
102-43	68-69		
102-44	66-67		

GRI Standard Number	Disclosures	Page Number/Direct Reference	Omissions
GRI 102: General Disclosures 2016	Reporting Practice		
	102-45	1	
	102-46	66-67	
	102-47	66-67	
	102-48	There are no significant changes from previous reporting periods in the list of material topics and topic Boundaries.	
	102-49	1	
	102-50	1 January 2020-31 December 2020	
	102-51	1	
	102-52	Annually	
	102-53	1	
	102-54	This report has been prepared in accordance with the GRI Standards: Core option	
	102-55	542-547	
	102-56	524-525	
GRI 200: Economic Standard Series			
	Economic Performance		
GRI 103: Management Approach 2016	103-1	66-67	
	103-2	10-11 12-13	
	103-3	10-11 12-13	
GRI 201: Economic Performance 2016	201-1	26-27 182-183	
	201-3	257-258, 343-344, 401-402, 492-493	
		260, 404	
	Anti-Corruption		
GRI 103: Management Approach 2016	103-1	66-67	
	103-2	10-11 12-13	
	103-3	10-11 12-13	
GRI 205: Anti-Corruption 2016	205-1	75-76	
	205-2	75-76	
		75-76	
	Anti-Competitive Behavior		
GRI 103: Management Approach 2016	103-1	66-67	
	103-2	10-11 12-13	
	103-3	10-11 12-13	

GRI STANDARDS INDEX

GRI Standard Number	Disclosures	Page Number/Direct Reference	Omissions
GRI 206: Anti-Competitive Behavior 2016	206-1	There are two legal actions in progress against the Competition Board decisions regarding anti-competitive behavior, anti-trust and monopoly practices. One of these actions came to a conclusion in January 2020, whereas the process for the second one is going on at the Council of State.	
GRI 300: Environmental Standard Series			
	Energy		
GRI 103: Management Approach 2016	103-1	66-67	
	103-2	10-11 12-13 84-87	
	103-3	10-11 12-13 84-87	
GRI 302: Energy 2016	302-1	511 511	
	Water and Effluents		
GRI 103: Management Approach 2018	103-1	66-67	
	103-2	10-11 12-13 84-87	
	103-3	10-11 12-13 84-87	
GRI 303: Water and Effluents 2018	303-3	511	
	Emissions		
GRI 103: Management Approach 2016	103-1	66-67	
	103-2	10-11 12-13 84-87	
	103-3	10-11 12-13 84-87	
GRI 305: Emissions 2016	305-1	511	
	305-2	511	
	305-3	511	
	305-4	511 85, 511	

GRI Standard Number	Disclosures	Page Number/Direct Reference	Omissions
	Effluents and Waste		
GRI 103: Management Approach 2016	103-1	66-67	
	103-2	10-11 12-13 84-87	
	103-3	10-11 12-13 84-87	
GRI 306: Effluents and Waste 2016	306-2	511	
	Environmental Compliance		
GRI 103: Management Approach 2016	103-1	66-67	
	103-2	10-11 12-13 84-87	
	103-3	10-11 12-13 84-87	
GRI 307: Environmental Compliance 2016	307-1	No administrative fines were received on account of non-compliance with the Environmental Law and ancillary regulations in 2020.	
GRI 400: Social Standard Series			
	Employment		
GRI 103: Management Approach 2016	103-1	66-67	
	103-2	10-11 12-13 162-171	
	103-3	10-11 12-13 162-171	
GRI 401: Employment 2016	401-1	508-510	
		508-510	
	Occupational Health and Safety		
GRI 103: Management Approach 2018	103-1	66-67	
	103-2	10-11 12-13 162-171	
	103-3	10-11 12-13 162-171	
GRI 403: Occupational Health and Safety 2018	403-1	170, 510	
		170, 510	

GRI STANDARDS INDEX

GRI Standard Number	Disclosures	Page Number/Direct Reference	Omissions
	Training and Education		
GRI 103: Management Approach 2016	103-1	66-67	
	103-2	10-11 12-13 162-171	
	103-3	10-11 12-13 162-171	
GRI 404: Training and Education 2016	404-1	163-167	
	404-2	163-167	
		509-510	
	Diversity and Equal Opportunity		
GRI 103: Management Approach 2016	103-1	66-67	
	103-2	10-11 12-13 162-171	
	103-3	10-11 12-13 162-171	
GRI 405: Diversity and Equal Opportunity 2016	405-1	510	
	Non-Discrimination		
GRI 103: Yönetim Yaklaşımı 2016	103-1	66-67	
	103-2	10-11 12-13 162-171	
	103-3	10-11 12-13 162-171	
GRI 406: Ayrımcılığın Önlenmesi 2016	406-1	171	
	Freedom of Association and Collective Bargaining		
GRI 103: Management Approach 2016	103-1	66-67	
	103-2	10-11 12-13 162-171	
	103-3	10-11 12-13 162-171	
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1	No incidents putting freedom of association and the right to collective bargaining at risk were observed.	

GRI Standard Number	Disclosures	Page Number/Direct Reference	Omissions
	Child Labor		
GRI 103: Management Approach 2016	103-1	66-67	
	103-2	10-11 12-13 162-171	
	103-3	10-11 12-13 162-171	
GRI 408: Child Labor 2016	408-1	YKB does not employ child labor in any way.	
	Forced or Compulsory Labor		
GRI 103: Management Approach 2016	103-1	66-67	
	103-2	10-11 12-13 162-171	
	103-3	10-11 12-13 162-171	
GRI 409: Forced or Compulsory Labor 2016	409-1	No incidents of forced or compulsory labor were encountered in 2020.	
	Human Rights Assessment		
GRI 103: Management Approach 2016	103-1	66-67	
	103-2	10-11 12-13 162-171	
	103-3	10-11 12-13 162-171	
GRI 412: Human Rights Assessment 2016	412-2	77 https://www.yapikrediinvestorrelations.com/en/images/pdf/codeofethicsandpolicies/2020/yk_human_rights_statement_and_appendices.pdf	
	Customer Privacy		
GRI 103: Management Approach 2016	103-1	66-67	
	103-2	10-11 12-13 160-161	
	103-3	10-11 12-13 160-161	
GRI 418: Customer Privacy 2016	418-1	160-161	

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Website:	http://www.yapikredi.com.tr
Branch Information:	All information can accessed via Yapı Kredi website
Social Media Information:	Yapı Kredi has an active presence in Facebook, Twitter, Instagram, LinkedIn, Google+ and Youtube, In all channels the bank is under the name Yapı Kredi

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