

2021 Integrated Annual Report



**DEDICATION
TO DELIVER
FOR A SUSTAINABLE
FUTURE.**

About the Report

NATURE, PERIOD AND SCOPE OF THE REPORT

The 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 2021 and 31 December 2021, and financial and non-financial data of Yapı ve Kredi Bankası A.Ş. and its affiliated domestic subsidiaries. The report also covers financial and non-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 2022 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, stake-

holder 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, the International <IR> Framework [2013] of the Value Reporting Foundation, and SASB's Commercial Banks Sustainability Accounting FN-CB Standard. Borsa İstanbul Sustainability Index Banking Criteria, United Nations Global Compact, 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 is involved as a founding signatory with the aim of steering the future of sustainable banking.

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 on pages 603-606.

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 229-235 and 399-404 of the Report.

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



Contents

- 1 About the Report

PRESENTATION

- 4 Outlook

FROM THE MANAGEMENT

- 10 Message from the Chairman
12 Message from the CEO

ABOUT YAPI KREDİ

- 16 About Yapı Kredi
18 Vision, Mission, Strategy And Values
19 Shareholding Structure
20 Milestones
22 Service Model
24 Subsidiaries of Yapı Kredi
26 2021 Positioning
27 Summary Financials
28 Board of Directors
32 Management
36 Board of Directors and Committees

BUSINESS MODEL AND STAKEHOLDERS

- 46 Sustainability Management
48 Business Model and Strategy
52 Trends, Their Implication for the Sector and Yapı Kredi's Response
68 Ethics and Compliance
70 Material Issues
72 Stakeholder Relations
74 Risk Management

RESPONSIBLE GROWTH

- 86 Responsible and Sustainable Finance
94 Environmental Impact
100 Contribution to the Society

INNOVATIVE BANKING

- 110 Banking Activities
111 Retail Banking
116 Business Banking
118 Payment Systems
122 Private Banking and Wealth Management
126 Commercial and SME Banking
126 SME Banking
132 Corporate Banking
136 Yapı Kredi Asset Management
137 Yapı Kredi Invest
138 Yapı Kredi Leasing
139 Yapı Kredi Faktoring
140 Yapı Kredi Bank Nederland
141 Yapı Kredi Bank Azerbaijan
142 Treasury Management
146 Limitless Banking
146 Yapı Kredi's Targets in Limitless Banking
153 Technology, Data and Process Management
155 Banking Operations Management
157 Technological Risks and Cyber Security
160 Other Subsidiaries

HUMAN FOCUS

- 162 Customer Experience
- 166 Protection and Processing of Personal Data
- 168 Talented and Committed Employees
- 178 Awards

CORPORATE GOVERNANCE

- 180 Support Services
- 181 Ordinary General Meeting Agenda
- 182 Report of the Board of Directors
- 184 Audit Committee's Assessment on Internal Audit, Internal Control and Risk Management Systems
- 187 2021 Financial Review
- 188 Five-Year Summary Financials
- 189 Credit Ratings
- 190 Declaration of Compliance with Corporate Governance Principles
- 192 Corporate Governance Compliance Report
- 200 Corporate Governance Information Form
- 209 Statement of Compliance with Sustainability Principles
- 211 Sustainability Principles Compliance Framework
- 221 Legal Disclosures
- 222 Independence Declaration
- 223 Statement of Responsibility
- 224 Dividend Distribution Policy
- 224 Note on 2021 Net Profit
- 225 Yapı ve Kredi Bankası A.Ş. 2021 Profit Distribution Table [TL]
- 226 Independent Auditor's Report on the Board of Directors' Annual Report Originally Issued in Turkish

FINANCIAL INFORMATION

- 228 Publicly Announced Unconsolidated Financial Statements and Related Disclosures at December 31, 2021 Together with Auditor's Audit Report
- 406 Publicly Announced Consolidated Financial Statements and Related Disclosures at December 31, 2020 Together with Auditor's Audit Report

ANNEXES

- 572 TABLES
- DIRECTORY
- LEGAL DISCLAIMER

Outlook

In the second year of the Covid-19 pandemic...

Growth in the world economy

2021 has been the second year during which the effects of the Covid-19 pandemic persisted globally. With the loosened measures against the pandemic, accelerated vaccination and contribution of supportive economy policies, the global economy is estimated to have grown annually by 5.9% in 2021.

On another front, supply constraints that resulted from disruptions in supply chains, increased demand resulting from reopening and hiked commodity prices pushed the inflation rates up across the world. In response to the events of the year, central banks of emerging countries resorted to policy rate hikes. Developed countries also started showing a tendency to tighten their monetary policies towards the end of 2021.

ACCELERATED GROWTH OF DEVELOPED COUNTRIES IN 2021 LED FUND FLOWS TO BE DIRECTED PREDOMINANTLY TO THESE COUNTRIES.

Decisiveness of inflation and monetary policies

Inflation and monetary policies will remain as important headings on the world agenda in 2022 as well. The accelerated growth of developed countries in 2021 caused the fund flows to be directed predominantly to developed countries and fund outflows were observed from emerging markets.

In addition to all these, new variants arising in the pandemic despite increased vaccination rates, and aggravating geopolitical risks keep the perils alive for the global economy. The pandemic that continues with new variants and the impacts of climate change upon the financial system take place among the key uncertainties with respect to global financial stability.

Period of strong growth and rising inflation

For Turkey, 2021 has been a year characterized by strong growth backed by increased exports. Despite solid growth, the budget balance and current account balance were kept under control in 2021. The economic activity is anticipated to maintain the same course in the period ahead. The strengthening in economic activity reflected positively also on the labor market, which was also supported by the measures implemented in an effort to minimize the negative effects of Covid-19.

In parallel with global developments, the upturn in commodity prices in particular and depreciated exchange rate produced an uptrend in inflation. Demand-driven developments following reopening have also been a factor in the rise in inflation.

Global pressure experienced in commodity prices fuels the concern that inflation pressure will continue on a global scale in 2022. Furthermore, central banks of developed countries consider that the rise in inflation might last longer than forecasted.

In this context, the pressures upon inflation in Turkey will presumably sustain their impact in the first half of 2022 due to reasons such as exchange rates, energy prices and issues in supply processes. In the second half of 2022, on the other hand, inflation levels are expected to show relative recuperation with the additional support lent by the base effect.

Decreased policy rate

On watch throughout 2021 were the performance of inflation and the CBRT's monetary policy moves. The strong monetary tightening at the onset of the year continued until September, after which the CBRT updated its monetary policy stance and started cutting policy rate. In this period, policy rate was decreased by 500 basis points cumulatively to 14%. In the aftermath of unhealthy price formations in exchange rates in December, macroprudential instruments supporting the monetary policy, financial products such as FX-indexed deposits and some other supportive decisions were introduced. Additionally, the CBRT initiated a comprehensive review of policy framework encouraging permanent "liralization" in all policy instruments for reestablishing

Today is the first day of the rest of your life.
Plant an olive seed somewhere and witness the most wonderful
phases of life.



price stability on a sustainable ground. Developments in this process will be monitored in 2022.

In this timeframe, the Turkish banking sector uninterruptedly carried on with its activities and stood by its customers without interruption. Demand for individual loans exceeds commercial loans throughout the year as deferred demand involved in after full reopening.

Solid asset quality

2021 has been a more positive year than anticipated in terms of asset quality thanks to the support extended to loan risk staging and the strong market liquidity. While the non-performing loan (NPL) ratio improved, cost of risk remained well below prior years. This result was driven by the limited NPLs and relatively bettered collections.

The year ahead will presumably be a year of normalization in this respect and partially continued prudent approaches by banks.

In response to the events of the year, central banks of emerging countries resorted to policy rate hikes. Developed countries also started showing a tendency to tighten their monetary policies towards the end of 2021.

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

Besides the uninterrupted service provided to its customers in 2021, Yapı Kredi kept implementing extraordinary measures for ensuring the health and safety of its employees. From the onset of the pandemic, the Bank took various actions and continued to enhance the total value offered to all its stakeholders.

The crisis management plan launched at Yapı Kredi in the wake of the pandemic was dynamically managed according to the course of events in 2021. While rotating periods of in-office presence with remote working are sustained, social distancing and protective hygiene measures are being carefully applied at every corner of the 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.

Outlook

An approach addressing short, medium and long-terms simultaneously

Taking all these developments into consideration, Yapı Kredi continues to manage the Bank's strategy with short, medium and long-term perspectives. On one hand, the Bank manages the current agenda so as to maximize the benefit to stakeholders by adjusting to instantly changing short-term developments with an agile approach, and increases focus and performance by setting quarterly targets in specific strategic areas. The Bank continues to devise initiatives to transform its investments and the Bank's culture in accordance with the future, on the other.

Changes in the sector

The pandemic significantly influenced and accelerated the changes that started in consumer behaviors and companies' ways of doing business in recent years, as well as in the economy, both in Turkey and in the world. Radical transformation in many industries gained momentum.

Growth of e-commerce picked up both on consumer and B2B supply chain sides. In Turkey, while e-commerce accounted for 9-10% of total trade in 2019, this ratio became 15.7% in 2020 and reached 17% in 2021 [Source: e-ticaret.gov.tr].

Local investors pursuing profitable investment opportunities with the effect of economic volatilities and foreigner influx that increased due to political developments set the construction industry in motion in the last quarter of 2021. While housing sales were 9% lower in the January-November 2021 period, the same increased by 59% in November 2021 as compared to November 2020.

Research results demonstrate that the high-wage employment potential will keep increasing also hereinafter as the need for resource increases in the healthcare sector and STEM (science, technology, engineering and mathematics) fields. Due to the increasing sustainability awareness, sectors and professions serving a green economy will start taking to the fore.

Although lockdowns implemented to take the pandemic under control are reduced in 2021, the remote working model began to establish itself as a permanent format in the working system. Achieving savings with reduced office spaces and costs, and with online meetings that replace face-to-face contacts, companies increase their investments to upgrade their digital infrastructures.

The flexible remote working model also increased the mobility of employees. This will possibly increase the migration from big cities with high population densities to calmer regions in the medium-term.

Dynamic change in consumer behaviors

By early 2021, the news about vaccination triggered a gradual loosening of restrictive measures. The vaccination process that continues with an expanding coverage, combined with increased domestic demand and expenditures, have been the main factors that backed financial recovery.

The pandemic continued to influence consumer behaviors in 2021. Consumers having purchasing power began prioritizing value-added and health-oriented products. Work-life balance has started to be valued more. Activities and products positively affecting mental and physical health act upon purchasing decisions.

With increased faith in individuals' power to contribute to climate change and sustainability, people demand action and transparency in this respect from companies supplying products and services, as they start opting for more sustainable products [Euromonitor 2021].

However, decreased purchasing power due to economic constraints remains as the obstacle preventing these products from gaining expanding ground [EY Future Consumer Index 2021].

The digital world is evolving into three-dimensional realities beyond virtual venues with the metaverse movement. While tech-savvy, young consumers continue to increase their presence in this area, companies must devise their plans to cater to the expectations in this world.

For the middle-aged and older consumers, who perforce got acquainted with e-commerce during the pandemic, online platforms will become permanent fixtures for healthcare services, financial services and their needs in education, as well as shopping and socialization. Hence, user friendly, simple yet functional applications and solutions will gain even higher importance.

Life and future are in the digital

In an effort to adapt to changing circumstances, businesses increased the use of digital tools, automation and artificial intelligence [AI] during the pandemic. To manage the growing e-commerce demand, major retailers started getting help from industrial robots for selecting,

sorting and monitoring the products in their warehouses. The use of AI-based chatbots widened in customer contacts.

With the new normal, consumers attach gradually increasing importance to uninterrupted access. Therefore, consumers keep focusing on services that will let them self-satisfy their all kinds of needs, including financial needs. Organizations are expected to quickly adjust to the changing dynamics, and to offer products and services customized according to transforming spending behaviors.

In view of all these expectations, the finance sector takes the lead among the sectors where digital transformation has been the most intense in recent years. Being strong players in the finance sector, banks keep spearheading digital transformation. They increase their investments in technology and quickly develop their ways of doing business so as to fulfill emerging expectations. As uninterrupted digital services increase, different remote service models continue to appear. As the role and purpose of physical branches differ in the medium-term, banks will increase their presence within various ecosystems to fulfill all customer needs and to make their lives easier in every respect.

On another wing, digital payments also become more widespread with the growing e-commerce and contactless payment needs. The use of innovations such as digital wallets also increased. Not just banks but also fintechs produce fast and practical solutions in these areas, cementing their positions in the sector and enabling partnerships that create even more value.

As a result, innovations in technology entail new opportunities for all sectors including the banking sector. Concepts such as digital channels, automation, artificial intelligence [AI], machine learning, internet of things [IoT], robotic technology, and cloud systems become more and more common. In view of changing customer expectations and needs, adjusting to technological innovations will enhance the customer experience and will also set the stage for the emergence of more productive, more efficient and more profitable business models.

Human-orientation is an unchanging goal

In view of these projections, six priorities are always considered 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 cares about providing human-oriented experiences to its customers and employees, and to this end, it transforms both its business environment and service model to adapt rapidly to the expectations of the

BANKS INCREASE THEIR INVESTMENTS IN TECHNOLOGY AND QUICKLY DEVELOP THEIR WAYS OF DOING BUSINESS SO AS TO FULFILL EMERGING EXPECTATIONS.

new era. The Bank maintains the same level of motivation as it carries on with its investments for agile and innovative systems and solutions. The Bank continues to reform itself with productive processes and working models, and to step up its actions to revise its corporate culture according to the future conditions.

The digital world is evolving into three-dimensional realities beyond virtual venues with the metaverse movement. While tech-savvy, young consumers continue to increase their presence in this area, companies must devise their plans to cater to the expectations in this world.

Outlook

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.

Countries' and business world's priority: climate crisis

In 2021, governments and companies boosted their actions in relation to sustainability. On 21 April 2021, the European Commission adopted a comprehensive sustainable finance package of measures to help improve the flow of money towards sustainable activities across the European Union. By enabling investors to re-orient investments towards more sustainable technologies and businesses, these measures are intended to be instrumental in making Europe climate neutral by 2050. On another front, the EU Taxonomy, which is a classification system establishing a list of environmentally sustainable economic activities, is designed to help the EU grow sustainable investment and facilitate the implementation of the European Green Deal. The European Commission has established the technical criteria for the activities falling under climate change adaptation and mitigation, two of the six objectives defined in the EU Taxonomy. Pursuant

to the Taxonomy Regulation, the Commission will set out the remaining four environmental objectives [water, biodiversity, prevention of pollution, and circular economy] in the first half of 2022.

The regulatory developments are interpreted as an indication that investments will be directed to areas supporting a sustainable and low-carbon economy in the near future. The regulatory framework that is in the making will significantly impact not just the EU countries, but all the countries having trade relations therewith. These regulations will most likely affect numerous especially small and medium-sized companies in our country, which is one of the EU's key partners in trade. In line with these developments, Republic of Turkey, Ministry of Trade published the Green Deal Action Plan intended to facilitate Turkey's adaptation to the recently accelerated policies for combating climate change in international commerce, which will strengthen our country's competitiveness in exports. "Green Finance" heading also takes place under the "Action Plan Targets". In addition, the "Law on the Approval of the Ratification of the Paris Agreement" by the Turkish Parliament entered into force on 7 October 2021, and Turkey has declared its net zero emissions target by 2053. In this context, Yapı Kredi closely monitors current na-

tional and international developments, and takes the necessary actions to achieve full compliance with the new regulatory framework.

The implications of the Carbon Border Adjustment Mechanism introduced by the European Green Deal announced by the European Commission with respect to national regulations and the sectors that will be included in the deal are kept under close watch by the Bank. The draft regulation concerning the Carbon Border Adjustment Mechanism was published on 14 July 2021 and circulated for feedbacks and comments. Being the most comprehensive GHG emissions regulation system, the Carbon Border Adjustment Mechanism targets less emissions per unit output. Direct emissions from simple and complex products are calculated within the scope of the Mechanism. In the transition period between 2023 and 2025, direct and indirect emissions will be reported quarterly. The Mechanism will initially apply to industries such as cement, electricity generation, fertilizer, iron and steel, aluminum and the like. The coverage of the Mechanism is anticipated to widen in terms of the sectors that it applies to. Being one of the key trade partners of the European Union, Turkey will be one of the countries that will be most exposed to the Carbon Border Adjustment Mechanism.

Turkey sources 5% of the aluminum and 35% of the cement imported to the EU market. In this context, Yapı Kredi aims to preclude the potential risks that might stem from the regulation by supporting its customers' transitioning to a low-carbon economy with the financial solutions it offers. Yapı Kredi also launched workshops and information activities for customers, which deal with international environmental and social sustainability criteria, national and international regulations, and sustainability trends.

Within the frame of its strategy to fight climate crisis for defying its devastating effects, 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 this end, Yapı Kredi joined in July 2021 the Business Ambition for 1.5°C platform of the Science Based Targets Initiative and pledged to set the emissions reduction targets for limiting global warming to 1.5°C. Under the project it has launched within the frame of Koç Holding Carbon Transition Program, Yapı Kredi works to calculate the emissions arising from its credit portfolio and to set its reduction target for these emissions. In this framework,

the Bank carries on with its efforts to disclose its emissions reduction targets in the medium- and long-term in alignment with the net zero goal by 2050 across the Koç Group. In keeping with these targets, Yapı Kredi aims to set its strategy for the transformation of its loan portfolio, upon which its lending policies will be revised accordingly. In addition, with its new policies updated in 2021, the Bank declared that it will not finance greenfield projects in coal-fired thermal power plants and new coal mining projects. While signing its name under various pioneering sustainability initiatives, Yapı Kredi keeps supporting the transition to the green economy by extending financial support to green projects and investments.

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 manages 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 the TCFD in 2021 in a restatement of its support to transparency in this field.

According to 2021 results of the Carbon Disclosure Project (CDP), the world's largest environmental reporting platform for disclosure of the governance structure, risk and opportunities, corporate strategy and targets regarding climate change and water security, Yapı Kredi was assigned a score of A- in the CDP Water Security Program and B in the CDP Climate Change Program. With the A- score earned in the CDP Water Security Program, Yapı Kredi has been the only financial institution named as a Water Leader in Turkish finance sector.

In tandem with the pandemic, investments in sustainable finance products got diversified. Social bond issuances, including Covid-19 bonds, increased by more than ten times as compared to the year before, whereas green bond issuances topped USD 1 trillion cumulatively in 2020 (Climate Bonds 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 sustainability-associated collaborations with international financial institutions.

Towards the future with the support of the efficiency-oriented 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, the Bank's 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 or-

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.

ganization, and further improving this structure and carrying it forward.

Along this line, it is targeted to let 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, based on an approach to business emphasizing the most efficient use of the human capital, the remote working model was introduced across the Bank upon the pandemic. A hybrid working model blending in-office presence and teleworking has been introduced which will remain in place also after the pandemic.

Message from the Chairman

Dear Stakeholders,

During 2021, the effects of Covid-19 endured worldwide. As the measures implemented against the pandemic were loosened with the increased rates of vaccination, normalization process gained pace globally. Given the fluctuating case numbers, the new variants emerged and risk remained in place. This led the indirect impacts of the pandemic upon the economy persisted, and the uncertainty continued. Notwithstanding, it is estimated that the annual growth rate of global economy will be registered in the order of 5.9% with the contribution of supportive economy policies.

Increased demand that accompanied by the normalization process and the supply constraints caused by the disruptions in the supply chain during the reporting period exerted pressure on global inflation. The soaring prices, particularly those of commodity, have been influential in the elevated inflation levels across the world and in our country.

The Turkish public authorities and private sector continued to work with all their might to protect the balances of our economy through this challenging period. The solid recovery tendency observed since the third quarter of 2020 continued with increased pace on the back of revived domestic and external demand in 2021. Backed by increased exports in addition to the recovery in the services industry, 2021 has been a growth year for Turkey. In 2021, our country recorded 11% growth outperforming the world average.

In this period, the Turkish banking sector continued providing services without any interruption and stood by the customers. With the support of the Central Bank of the Republic of Türkiye (CBRT), Banking Regulation and Supervision Agency (BRSA), Treasury and other governmental agencies, the banking sector continued to support to the economy in 2021, on top of the strong growth recorded in the previous year. Banking sector's total cash loans increased by 36.5% to TL 4,647 billion, while deposits base surged by a significant 51.5% and reached TL 4,747 billion in the reporting period.

In terms of asset quality, 2021 turned out to be more positive than expected owing to strong liquidity in the market. The NPL ratio improved on the back of regulatory framework and solid liquidity, while cost of risk realized at lower levels as opposed to previous years.

Successfully maintaining high levels in key indicators, particularly in liquidity and capital adequacy ratios, the Turkish banking sector endorsed its resilience once again.

Recognizing the responsibility as one of the well-established financial institutions in Turkey, Yapı Kredi's utmost priority continued to be the health of its employees and the national economy. In 2021, the Bank maintained the extraordinary measures adopted for the health and safety of its employees, along with uninterrupted service provided to its customers. Since the beginning of the pandemic, our Bank took actions in various areas and kept increasing the total value offered to all its stakeholders.

The trust held in us by Koç Holding, which is our country's largest conglomerate, grows in parallel with the

realization of the strategies we devise and their reflection on our Bank's financial performance. As a result, in November 2021, Koç Holding disclosed its decision to purchase the shares held by UniCredit that corresponds to 18% stake in our Bank. Going forward, it is among our top priorities to charge ahead even more vigorously towards our goals with the strength and support we draw from the Koç Group.

Our Bank tackles economic sustainability as a whole with social and environmental sustainability. In its actions, it is guided by the responsibility for passing on a more livable world to the future generations on the back of an advanced sustainability governance model that goes back many years.

In this context, we support the transition to a green economy including the financing channels provided to the business world. Our Bank has secured a financing of EUR 15 million with the Green for Growth Fund (GGF) to be channeled to energy efficiency and renewable energy projects. Moreover, a EUR 25 million-loan was obtained from the European Fund for Southeast Eu-

rope (EFSE) to support farmers and micro and small agricultural enterprises. As such, the Bank provided the green finance needed by the real sector and contributed the pace of transition to sustainable business models.

As a result of our gender equality initiatives, Yapı Kredi qualified to be included in 2021 Bloomberg Gender Equality Index (GEI). In addition, the Bank took yet another step for combating the global climate crisis by joining among the companies supporting the Task Force on Climate-Related Financial Disclosures (TCFD) that has supporters from 77 countries. On another note, Yapı Kredi earned the highest score in the Turkish finance sector by being placed in the A- [leadership] band in the Water Program of the Carbon Disclosure Platform (CDP), the world's largest environmental reporting platform, and was awarded with the "CDP Turkey Water Leader" title.

The digitalization process gained significant momentum in the wake of the pandemic. Accordingly, conventional business models, consumer behaviors and expectations evolved rapidly. Maintaining our human-centric approach,

one of our top priorities continues to be to support our customers in every aspect they need and to eliminate the borders. As Yapı Kredi, we will continue to meet the expectations of our customers in the best way possible by rapidly adopting the current conditions with the digital services we developed. Going forward, with our strong position in the sector and our innovative spirit, we will continue to undertake works that remove borders in every field of banking as such we have introduced countless innovations that set the standards in 77 years.

I would like to take this opportunity to thank all our customers for their devoted 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

Our Bank's actions
guided by the
responsibility
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Message from the CEO

Dear Stakeholders,

2021 has been a year of continued global struggle against the Covid-19 pandemic and persisting social and economic implications. With increased vaccination rates, measures against the pandemic loosened, yet emergence of new variants led to continuation of uncertainty and challenging environment.

On the other hand, supply chain issues led to supply constraints, and particularly commodity prices surged with the increased demand. These developments resulted in increasing inflation around the world and in our country. These factors, which are effective in the short term, are expected to remain in the first half of 2022.

Despite the ongoing challenges, the recovery observed in our country from the third quarter of the previous year continued with an increasing pace in the year. Turkey's economic growth in

2021 outperformed the world average and was registered as 11%, with exports being accountable for a significant portion. Exports increased by 33% annually, ended the year at a record level of USD 225.4 billion. Accordingly, Turkey managed to sustain budget and current account balance under control alongside the strong growth recorded.

In the second year of the pandemic, economic activity gained momentum upon full opening and the loan demand increased. The Turkish banking sector met the increased demand of the customers and sustained its support to the economy as it has done in the previous year.

Yapı Kredi, as the first private bank in our country, utilized its long-established experience and knowledge to create further value for all its stakeholders. Despite the challenging conditions due to pandemic, with the confidence drawn from its solid balance sheet structure, the Bank increased its

contribution to the national economy by 41% to TL 564 billion. Meeting the loan demand of our customers weighing on TL side, Yapı Kredi registered 34% growth in TL cash loans annually, and acquired across the board market share among its private peers. Accordingly, the Bank successfully increased its total assets to TL 780.8 billion, taking the right steps at the right time. The Bank's operating profit and net profit reached TL 17.4 billion and TL 10,490 million respectively and RoTE increased to 19.6%.

While maintaining its support to the economy, Yapı Kredi also successfully managed to sustain its key indicators at strong levels. The Bank's total and FC liquidity coverage ratios were 183% and 671% respectively. Yapı Kredi has always been the leading bank in many developments in the Turkish Banking System. Accordingly, it has been the first Turkish bank to adopt the Internal Ratings-Based (IRB) approach. The

IRB application that has been reported in our financial statements from June onwards contributed to our capital ratios in 2021. Despite the strong growth during the year, the Bank's consolidated capital adequacy ratio realized at 15% and Tier-1 ratio was 12.6% with the support of internal capital generation [excluding the regulatory forbearances]. With respect to asset quality, Yapı Kredi has been one of the banks allocating the highest provision to its loans with its prudent approach. As a result, Yapı Kredi maintained its solid liquidity and capital adequacy levels well above the regulatory limits by the end of 2021 and retained its position among the sector's leading banks.

Customer deposits continued to constitute the majority of the Bank's funding sources. Total deposits increased by 59% reaching TL 420 billion, and the market share among private banks realized at 14.3%. The Bank's customer deposits increased by 59% to TL 413 billion as compared to 2020 year end reaching a market share of 14.3% within private banks. In line with its strategic goals, Yapı Kredi increased its Turkish lira demand deposits market share by 58 bps to 17.2%. The Bank's market share in foreign currency demand deposits increase by 42 bps to 13.9%, and continued to support funding costs.

On external funding front, the Bank secured syndication loans linked to sustainability criteria amounting to USD 962 million and USD 822 million from international markets, in addition to a subordinated debt issuance of USD 500 million. Additionally, the Bank executed a sustainability-linked repo transaction

of USD 250 million in cooperation with Bank of America. In line with our goal to create long-term sustainable value for all our stakeholders, these loans entail sustainability criteria for increasing the supply of electricity from renewable sources and further enhancing our ESG risk management rating. All in all, facilities tied to sustainability criteria made up more than 70% of the external funding secured in 2021 amounted to USD 3.4 billion. The total amount of the Bank's sustainability-linked funding, on the other hand, accounted for 30% of its total external borrowings.

Recognizing that the key to sustainable economic growth is environmental and social sustainability, Yapı Kredi embraces sustainability in all economic, social and environmental areas and embeds the concept in all its business processes. Accordingly, our Bank modified its lending policy and declared that it will no longer finance coal-fired



Yapı Kredi, as the first private bank in our country, utilized its long-established experience and knowledge to create further value for all its stakeholders.

Message from the CEO

thermal power plants and new projects engaging in coal mining. With this step, Yapı Kredi once again demonstrated its commitment to low-carbon transition and to combat the climate crisis.

The Bank's sustainability initiatives are not limited to our country but also endorsed internationally with its new initiatives and pledges. In 2021, Yapı Kredi became one of the companies that support Task Force on Climate-related Financial Disclosures (TCFD). As an institution that has carried out important works on gender equality for many years and pioneered the sector in terms of women employees' ratio, the Bank was entitled to be included in the "Bloomberg Gender Equality Index" (GEI) in 2022 as it was in 2021. The Bank also made an emissions reduction pledge to the Science Based Targets Initiative.

Yapı Kredi carries out works that remove borders in every field of banking. With its pioneering applications, standing by their side also through the pandemic, the Bank provided life-easing solutions to its customers. The Bank switched to Lean Working Model as of March 2020 and saved more than 350 thousand hours spent monthly for commuting. With the transition to remote working, the Bank was able to reduce its carbon footprint by 23 thousand tons in total [decreased by 37%]. 2022 targets include to become carbon neutral on Scope-1 and Scope-2 emissions.

With its pioneering approach in digital banking, Yapı Kredi has digitalized numerous processes covering more than 800 retail and corporate transactions. In 2021, the innovations introduced with the focus on delivering flawless experience, the Bank's active digital

customers increased by more than 1.5 million in net. Additionally, the number of financial transactions through digital channels increased by 41%. With the "digital onboarding" regulation which was introduced in May 2021, new customer acquisition process became end-to-end digital. Accordingly, the number of new customers acquired through Yapı Kredi Mobile was doubled. As the bank pioneering the sector in digital onboarding, we have been offering a great convenience to our customers with the "Video Transaction Assistants", while contributing to a sustainable world by preventing waste of paper. 79% of all contracts and forms executed with customers was with digital approval. With its cutting-edge technology, Yapı Kredi will continue removing borders in the lives of its customers and will stand by their side at any time.

In 2021, in addition to the solid performance of the Bank, there has been significant developments for Yapı Kredi. The continued improvement in the financial performance on the back of implemented strategies, endorsed the confidence that Koç Holding held in us, which is the largest conglomerate in our country. As a result, in November 2021, Koç Holding disclosed its decision to purchase the Bank's shares held by UniCredit corresponding to 18% stake. Remaining 2% stake owned by UniCredit was sold on the market, increasing the Bank's free float ratio to 32%.

While presenting our 2021 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 devoted trust and support, and our employees for their valuable efforts.

Gökhan Erün
CEO

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About Yapı Kredi

Established as Turkey's first retail focused private bank, Yapı Kredi has always played a pioneering role in the banking sector.



Established in 1944 as Turkey's first retail focused private bank, 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 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, productivity increase was persevered.

32.03%

Yapı Kredi has a free-float rate of 32.03% as at year-end 2021

19.6%

Highest RoE among peers

**804
BRANCHES****16,426
EMPLOYEES****4,601
ATMs**

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.

Holding a strict human-focus, Yapı Kredi continued to implement extraordinary measures in 2021 for protecting the health and safety of its employees as it kept offering uninterrupted service to its clients.

In 2020 and 2021, the Bank maintained its concentration on small-ticket transactions in loans and deposits. A solid

increase was attained in the number of transactions based on the approach centered on transaction banking. While all these developments improved the Bank's productivity, they also contributed significantly to increased profitability.

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 16,426 employees and 804 branches covering all regions of Turkey. On a consolidated basis, total cash and non-cash loans of the Bank increased by 47% and reached TL 564 billion in 2021, while its total assets were worth TL 781 billion.

Yapı Kredi delivers its products and services via its 4,601 ATMs, innovative internet banking, leading mobile banking, call center and approximately 967 thousand POS terminals. 97% of the Bank's non-cash transactions carried out through digital channels as at year-end 2021.

Yapı Kredi is active in retail banking [comprising of payment systems, individual banking, business banking, private banking and wealth management], commercial and SME banking, also corporate 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 and Azerbaijan.

TL 564 BILLION
TOTAL ASSET SIZE

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 Yapi 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

While the employment rate for men is 58.9% in our country, it is only 26.3% for women. Sustainability is also about gender equality. It means one is not superior to the other. One is not inferior to the other. This must be apprehended. Only then a sustainable world will be possible.



Yapı Kredi has a robust shareholding structure supporting sustainable and profitable growth. As at year-end 2021, 49.97% of the shares in Yapı Kredi are held by the Koç Group, whereas 18.00% are held by the UniCredit Group, with the remaining 32.03% being in free float. The Bank's publicly-floated shares are traded on Borsa İstanbul.

Its establishment dating back to 1926, the Koç Group is the largest conglomerate in Turkey with its revenues, exports and more than 105 thousand employees. The total revenue of the Koç Group corresponded to nearly 8% of Turkey's national income while its exports accounted for nearly 7% of Turkey's total exports as at year-end 2021.

On 09 November 2021, Koç Holding made an announcement regarding the purchase of shares corresponding to 18% of Yapı Kredi's share capital, which are held by UniCredit S.p.A. As Koç Holding's direct and indirect stake in Yapı Kredi will exceed the 50% threshold defined in the Capital Markets Board's (CMB) Communiqué on Takeover Bids, a mandatory tender offer will be triggered for Koç Holding for the shares of other Yapı Kredi shareholders. Accordingly, Koç Holding applied to the CMB for conducting a mandatory tender offer.

UniCredit S.p.A. has notified our Bank that it has sold its Yapı Kredi shares which corresponds to 2% of the Bank's capital in Borsa İstanbul as of 19 November 2021. As a result of this disposal, the stake of UniCredit S.p.A. in our Bank decreased from 20% to 18%. The stake of "Others", on the other hand, increased from 30.03% to 32.03%.



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	1,520,469,231.00	18.00
Others	2,705,319,067.77	32.03
Total	8,447,051,284.00	100.0

Milestones

Date	Main Topic	Explanation
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
1950s	Strengthened Market Position	
1960s	Children's Banking	With children's accounts, Yapı Kredi expanded the coverage of deposit banking and introduced children to banking services
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
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
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
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
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

1998	Teletel	24/7 telephone banking made available all over Turkey
1990s		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
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
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
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.

2021

Koç Holding's disclosure concerning the purchase of Yapı Kredi shares from UniCredit [9 November 2021]

Koç Holding announced that it would buy 18% of the 20% of Yapı Kredi's shares held by UniCredit

Increased Public Floatation [19 November 2021]

The free float ratio of Yapı Kredi went up to 32.03% after UniCredit sold 2% share to the market

Service Model

	PRODUCTS AND SERVICES	YAPI KREDİ'S AREAS OF DIFFERENTIATION AND STRENGTH
<p>HISTORIC LEADERSHIP IN THE SECTOR</p> <p>YAPI KREDİ IS THE UNCHANGING LEADER OF THE CREDIT CARDS BUSINESS LINE FOR 32 YEARS.</p>	<p>Payment Systems</p> <p>Worldcard, World Gold, World Platinum, Play, Taksitçi, World Eko, Opet Worldcard, KoçAilem Worldcard, Adios, Adios Premium, Crystal, Fenerbahçe Worldcard, 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, Payment from the Account</p>	<ul style="list-style-type: none"> · 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 · 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
<p>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.</p>	<p>Retail and Individual Banking</p> <ul style="list-style-type: none"> · Deposits: Time Deposits, Demand Deposits, Flexible Time Deposits, Fund Deposits, Gold Deposits, 5D Deposits, Employee Term Account, FC-Indexed TL Time Deposit, FC-Conversion FC-Indexed TL Time Deposit · 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), Nature-Friendly Mortgage, Nature-Friendly Auto Loan, Caravan Loan · 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 	<ul style="list-style-type: none"> · More than 2.5 million new customers acquired through all channels in 2021 · Expert and experienced workforce · Products and services tailored according to customers' characteristics and needs within the frame of the service model updated in 2021 · 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 35.1% market share as of year-end 2021 enabled by digital services and conveniences provided · Solid position among private banks with 17.5% market share in individual general purpose loans and 28.8% market share in auto loans · Market leadership by Yapı Kredi Asset Management with assets under management worth TL 45.4 billion

	PRODUCTS AND SERVICES	YAPI KREDİ'S AREAS OF DIFFERENTIATION AND STRENGTH
<p>STRATEGIC BUSINESS PARTNER OF COMPANIES OF ANY SCALE</p> <p>WITH ITS PRODUCTS AND SERVICES, YAPI KREDİ TAKES PLACE WITHIN THE PRODUCTION AND COMMERCIAL CYCLE OF A BROAD ARRAY OF COMPANIES RANGING FROM MAJOR COMPANIES OPERATING IN TURKEY TO THE SMES.</p>	<p>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, M&A Finance, Capital Management Advisory</p>	<ul style="list-style-type: none"> • Solid position among private banks with 14.7% market share in commercial cash loans and 19.4% market share in non-cash loans • Service model configured for high-quality service provision to commercial customers • Service concept prioritizing digitalization in products, services and processes • Focus on companies' cash flow needs through cash management and foreign trade activities • Support the Bank's overall performance through dealer and supply chain and private banking customer acquisition. • 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
<p>DISCIPLINE SHAPED BY COMPETENCE, TRUST AND TECHNOLOGY</p> <p>YAPI KREDİ OFFERS HIGH QUALITY SOLUTIONS FOR THE ASSETS UNDER ITS MANAGEMENT ON THE BACK OF ITS COMPETENCIES AND EXPERIENCE.</p>	<p>Treasury Treasury manages Yapı Kredi's liquidity needs, interest rate risk and foreign currency (FC) position, and controls the Bank's investment portfolio.</p>	<ul style="list-style-type: none"> • Assets and liabilities management quickly adjusting to the interest risk pertaining to the Bank's balance sheet and off-balance sheet liabilities, and to market developments • Robust infrastructure and know-how • New products introduced in line with client needs and market developments while serving with a broad product range • Increase the share of treasury products trading via digital channels

The domestic subsidiaries of Yapı Kredi engaged in asset management, investing, financial leasing and factoring sectors lend support to the Bank's operations.

Subsidiaries of Yapı Kredi

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"> · A leading institution with 18.0% market share. · The sector's first mobile application, first online transactions, and second-hand sales module on mobile · World Lease product allowing leasing using a credit card · Yapı Kredi Leasing School offering training programs ranging from professional expertise to managerial competence
	<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"> · Solidly positioned in the sector with robust shareholding and financial structure coupled with a high market share. · Named "Turkey's Best Factoring Company" in 2021 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"> · The most profitable and the highest return 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
	<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 houses in various IPOs

INTERNATIONAL SUBSIDIARIES	PRODUCTS AND SERVICES	AREAS OF DIFFERENTIATION AND STRENGTH
	<p>Offers a broad range of products, services and solutions in retail, corporate and private banking segments.</p>	<ul style="list-style-type: none"> · Deepseated market knowledge and strong transaction capabilities in foreign trade and structured commodity finance · Service to non-resident Yapı Kredi customers
	<p>Offers a broad range of products and services in retail and corporate banking segments.</p>	<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

YAPI KREDI LEASING:

18.0% market share on the basis of leasing receivables

YAPI KREDI FACTORING:

10.9% market share on the basis of total transaction volume

YAPI KREDI INVEST:

14.1% market share on the basis of market share in equities

2021 Positioning

	MARKET SHARE (SECTOR)	RANKING (SECTOR)
Total Bank	2021	2021
Total Loans (Cash + Non-Cash)	8.8%	5
Deposits	8.1%	7
Net Profit	12.1%	4
Distribution Network		
Personnel ⁽¹⁾	8.3%	6
Branch ⁽¹⁾	8.2%	6
ATM	9.2%	5
Banking Activities		
Credit Card Outstanding	16.7%	1
POS Acquiring Volume (incl. ATMs)	14.2%	3
Number of Credit Cards	15.4%	1
Consumer Loans	9.5%	6
General Purpose Loans	11.9%	5
Leasing Receivables	18.0%	-
Factoring Turnover	10.9%	-
Mutual Funds	16.5%	1
Equity Transaction Volume	14.1%	1

⁽¹⁾ Bank only employee number: 15,452; Bank only branch number: 804

Sectoral market shares are calculated based on BRSA monthly data as of December 2021 and BRSA weekly data as of 31 December 2021. Sectoral data consists of those of deposit and development and investment banks

Summary Financials

Volumes	2020	2021	Change
Assets (billion TL)	486	781	61%
Cash + Non-Cash Loans (billion TL)	383	564	47%
Cash Loans (billion TL)	282	403	43%
TL Cash Loans (billion TL) ⁽¹⁾	167	224	34%
Customer Deposits (billion TL)	259	413	59%
TL Customer Deposits (billion TL)	103	140	35%
Profitability			
Revenues (million TL)	25,912	35,149	36%
Operating Expenses (million TL)	8,926	10,945	23%
Net Income (million TL)	5,080	10,490	107%
Return on Average Tangible Equity	12.0%	19.6%	764 basis points
Return on Assets	1.1%	1.7%	52 basis points
Cost/Income Ratio	33.4%	31.0%	-233 basis points
Capital and Liquidity			
Bank Capital Adequacy Ratio ⁽²⁾	16.7%	15.0%	-164
Bank Tier-1 Ratio ⁽²⁾	13.6%	12.6%	-102
Loans / [Deposits + TL Bills] (Bank Only)	104.9%	94.4%	-1049
Asset Quality			
Non-Performing Loans Ratio	6.2%	4.6%	-163 basis points
Provisions / Gross Loans ⁽³⁾	8.1%	7.2%	-92 basis points
Cost of Risk ⁽⁴⁾	251	87	-164 basis points

Notes:

All data based on consolidated financials unless otherwise stated

⁽¹⁾ Excluding FX-indexed loans

⁽²⁾ Excluding the regulatory forbearances

⁽³⁾ Based on unconsolidated financials

⁽⁴⁾ The ratio of total loan impairment provisions to total gross loans excluding collections; Adjusted for FX hedge on ECL.

Board of Directors

Ali Y. KOÇ

Chairman of the Board of Directors

Ali Y. Koç received his bachelor's degree at Management Faculty of Rice University. He earned an MBA from Harvard Business School. He started his career at American Express Bank as a Management Trainee and continued as an Investment Analyst at Morgan Stanley Investment Bank. Koç joined Koç Holding in 1997 and held senior-level positions until 2010 including new business development and information technologies. He was the President of Corporate Communications and IT Group. He served as a Board Member at Koç Holding for over 8 years. In addition, he was elected as Vice Chairman on February 2016. Currently, Ali Y. Koç is the Chairman of Ark İnşaat, Bilkom, Digital Panorama, Ford Otosan, Koçtaş, Otokar, Otokoç, Setur. In addition to being Chairman and Vice Chairman at Turkey's biggest companies and financial institutions, Koç also contributes to country's social and economic development and currently is the President of Fenerbahçe Sports Club. He is a Board Member at the National Competition Research Association (URAK), Board Member at ECA (European Club Association) and Endeavor Association, a member of the Global Advisory Council of Bank of America, Harvard University and Council on Foreign Relations. He is also a member of Panel of Senior Advisers at Chatham House and recently joined Trade and Investment Council at the Confederation of British Industry. 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)

After graduating from İstanbul High School (İstanbul Erkek Lisesi), Gökhan Erün earned his undergraduate degree from İstanbul Technical University - Department of Electronics and Communications and graduate degree from Yeditepe University - 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, Treasury, Treasury Marketing and Financial Solutions, Derivatives, Cash Management and Transaction Banking, and Financial Institutions. At the same time, he was Board Chairman and Board Member in various local and international subsidiaries of Garanti Bank. 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 and Koç Finansman A.Ş. Also as of April 2021, Erün became the President of Koç Holding's Banking Group.

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 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 was a Member of Koç Holding Executive Committee until April 2021. He currently manages the Koç family's private investment office and is 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.

Dr. Ahmet ÇİMENÖĞLUMember of the Board of Directors [Independent¹]

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.

Board of Directors

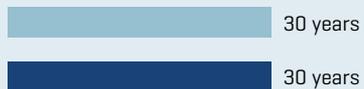
Virma SÖKMEN

Member of the Board of Directors (Independent)

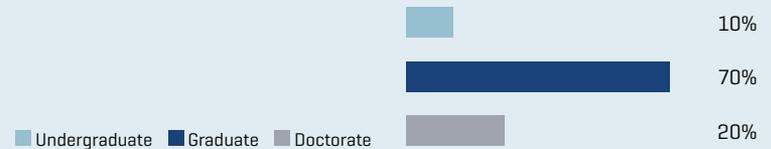
Virma Sökmen has a Bachelor degree in Finance from LaSalle University. She began her professional career at research and investment banking departments of Kôrfezbank and Çarşı Menkul Değerler. Between 1993-2001, Sökmen worked at Midland Bank A.S. as a Credit Analyst. Between 2001-2010, she served as 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 Elektrolit Bakır San. ve Tic. A.Ş. in June 2020.

Nevin İMAMOĞLU İPEKMember of the Board of Directors (Independent¹)

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 1994-1997, 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, Yapı Kredi Yatırım and Koç Financial Services since February 2020.

Business Experience (average)

■ Independent Members ■ Other Members

Term of Office (average)**Education**

Mehmet TIRNAKLIMember of the Board of Directors [Independent¹⁾]

Mehmet Tırnaklı graduated from Boğaziçi University with a Bachelor's Degree in Business Administration and received his MBA degree from Rutgers, New Jersey State University. He began his professional career at Corporate Banking department of Citibank İzmir in 1992. He worked at Citibank Türkiye as the Head of Treasury Marketing Unit between 1997-1999. After serving as the Corporate Branch Manager at Citibank İzmir between 1999 – 2001, he continued his career at Citibank İstanbul as Head of Corporate Bank Marketing Unit between 2001 – 2004. He worked at Citibank Türkiye as Head of Corporate Finance between 2004 – 2008 and the Head of Corporate Bank between 2008 – 2009. Working as a Finance Coordinator at Koç Holding A.Ş. since 2009, Mehmet Tırnaklı has been a Board member of Yapı Kredi since March 2021.

Melih POYRAZ

Member of the Board of Directors

Melih Poyraz graduated from Boğaziçi University with Business degree in 2001. He completed his MBA at Massachusetts Institute of Technology (MIT) and Economic Law Master's degree at Galatasaray University. He then received Juris Doctor Degree from Northwestern Law School in 2014. He was admitted to law practice in Illinois as of 2014. Poyraz began his professional career as a consultant at Ernst Young Istanbul office. In 2004, he was appointed as Auditor at Turkish Ministry of Finance. He joined Arçelik as Risk Director in 2014. In 2015, he started working at Koç Holding as Coordinator at CEO Office, which included responsibilities such as strategical, legal and financial advice to the CEO. Melih Poyraz has been serving as Koç Holding Strategy and Business Development Director at Koç Holding since January 2021. Poyraz has been Board Member of Yapı Kredi and Tofaş since March 2021.

¹⁾ Based on Capital Markets Board's Item 6(3)a of the Communiqué Serial II-17.1 on Corporate Governance, Ahmet Çimenoğlu, Nevin İmamoğlu İpek and Mehmet Tırnaklı, 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. Niccolo Ubertaini and Wolfgang Mag. Schilk, members of Bank's Board of Directors, resigned from their membership as of 28 December 2021. The status of the vacant memberships is being evaluated and the board of directors continues to fulfill the duties with the current structure.

Management



Gökhan ERÜN

Executive Director and Chief Executive Officer (CEO)

After graduating from İstanbul High school (İstanbul Erkek Lisesi), Gökhan Erün earned his undergraduate degree from İstanbul Technical University - Department of Electronics and Communications and graduate degree from Yeditepe University - 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, Treasury, Treasury Marketing and Financial Solutions, Derivatives, Cash Management and Transaction Banking, and Financial Institutions. At the same time, he was Board Chairman and Board Member in various local and international subsidiaries of Garanti Bank. 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 and Koç Finansman A.Ş. Also as of April 2021, Erün became the President of Koç Holding's Banking Group.

Mehmet Erkan AKBULUT

Assistant General Manager – Credits

Mehmet Erkan Akbulut graduated from Business Administration Department of Faculty of Political Science at Ankara University in 1989. He 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 had been expatriated to Yapı Kredi Azerbaijan and worked as Assistant General Manager, Credits between 2009 and 2013. Returning to Yapı Kredi, he worked as Director and then Group Director in Monitoring and Workout in Corporate and Commercial Credits between 2013 and 2018. Between 2018 and 2020 he worked as the Group Director of Corporate and Commercial Credits Underwriting. He worked as a Head of Collection and Workout Management between the dates of 2020 August – 2021 August.

As of August 2021 he has been serving as Assistant General Manager – Credits and Yapı Kredi Bank Executive Committee Member. Akbulut is also a member of the Board of Directors of Yapı Kredi Faktoring, Yapı Kredi Leasing and Turkish Credit Bureau.

Yakup DOĞAN

Assistant General Manager – Limitless Banking

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 [Limitless Banking] at Yapı Kredi since May 2009.

Doğan has also been a Member of the Executive Board since October 2020, and a Member of the Board of Directors at Yapı Kredi Teknoloji A.Ş.

Cahit ERDOĞAN

Assistant General Manager – Commercial and SME Banking Management

Following graduation from İstanbul 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. Between May 2020 and August 2021, he was the Chief Operations Officer (COO), responsible of Information Technologies, Operations and Analytics. As of August 2021, he appointed as Assistant General Manager of Commercial and SME Banking in Yapı Kredi. 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. between May 2015- August 2021, he was the member of the Board in Yapı Kredi Investment & Securities A.Ş. between March 2020- September 2021 and member of the Board in Yapı Kredi Faktoring, Yapı Kredi Leasing, Yapı Kredi Bank Azerbaijan since August 2021.



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. 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.

E. 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 and 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.

Korkut OKAY

Banking Operations, EVP

Korkut Okay earned his undergraduate degree from Middle East Technical University, Department of Management and his MBA degree from Marmara University. He started his career at Yapı Kredi Audit as a Management Trainee in 1994. Between 1999 and 2011, Okay worked in Dışbank and Fortisbank as a Senior Vice President in Operations Groups and Retail Banking Management. He returned to Yapı Kredi and served as the director of Branch Operations between 2011 and 2021. Since August 2021, he has been working as Banking Operations Executive Vice President.

Management

**Özden ÖNALDI**

Assistant General Manager - Human Resources, Organization and Internal Services Management

Özden Önalı began her professional career as a "Project Consultant" at SAP Company in 1999 after graduating from Istanbul Technical University's Department of Management Engineering. Önalı later continued her banking career at Osmanlı Bank, where she worked in the department of "Alternative Distribution Channels." Then, she started working at Garanti Bank, where she oversaw several strategic projects in the areas of CRM & Marketing, Strategic Planning, IT, and Human Resources at various management levels. Özden Önalı, who joined Koç Holding in 2016, recently worked in the Human Resources and Industrial Relations Presidency as the "Learning Development Manager." Önalı is currently attending Koç University Executive MBA Program.

**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 September 2001 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 between October 2013 and October 2020. He has been serving as Assistant General Manager in charge of Compliance, Internal Control and Risk Management since October 2020.

**Gökhan ÖZDİNÇ**

Assistant General Manager - Technology, Data and Process Management

Gökhan Özdiñ earned a Bachelor of Science degree in Computer Engineering (1997), MBA (1999) and Ph.D. (in Management) (2006) degrees from Boğaziçi University. Özdiñ started his career as a software engineer in Finansbank Information Technologies. He managed Card Payment Systems Applications Development, Software Architecture, Business Analysis, Project & Program Management, Digital Channels Applications Development, Data-warehouse & Business Intelligence teams till 2012. He worked as the member of the Management Board responsible from Digital Banking and Data Management teams in Finansbank's Information Technologies company, IBTECH, between 2012 and 2014. Özdiñ was appointed as the COO, responsible from Information Technologies and Banking Operations departments in Aktifbank between 2014 and 2019. At the same time he also assumed the positions of the member of Board in E-kent, NKolay and Çalık Digital, the subsidiaries of Aktifbank.

Özdiñ joined Yapı Kredi in 2020 and worked as the Subsidiaries' Application Development & IT Governance Director and the CIO of Yapı Kredi Invest. As of August 2021, he was appointed as the Assistant General Manager of Yapı Kredi in charge of Technology, Data & Analytics and Process Management, and a member of the Executive Committee. At the same time, Özdiñ has been giving lectures in the Department of Management Information Systems and the Department of Management at Boğaziçi University since 2007.

**Arda ÖZTAŞKIN**

Corporate Communications, VP

Arda Öztaşkin 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. Öztaşkin 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, Öztaşkin is a visiting lecturer in various universities giving classes in consumer behavior, brand management, leadership communication and crisis 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.

Kaan ŞAKUL

Assistant General Manager - Corporate Banking

Kaan Şakul earned his undergraduate degree from Istanbul University, Economics in English Department in 1996 and earned his graduate degree from Bilgi University, Banking and Finance (MA) in 2015. He started his banking career at Yaşarbank in 1996 as Corporate Banking Management Trainee until 2000. After working at Finansbank between 2000 and 2002, he joined Koçbank of Koç Holding. He undertook various positions in branches and Head Office such as Sales Support Manager in Commercial Banking, Commercial and Corporate Branch Manager positions, Corporate and Commercial Credit Underwriting EVP position, Product Groups EVP position including Project Finance, Investment Banking, Cash Management and Trade Finance, Corporate Banking Sales EVP position until 2021 August. He has been assigned by the Board of Directors as Corporate Banking Assistant General Manager and Exco member as of August 2021. He is also member of Sustainability Committee from the beginning.

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 and Yapı Kredi Invest.

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.

Serdar YERLİ

Collection and Workout, EVP

Serdar Yerli has undergraduate degree from Middle East Technical University (METU), Department of Economics. He started his career in HSBC Bank Bursa corporate branch and worked as assistant portfolio manager between 2000-2003 years. In 2004, he joined Koçbank as credit analyst in corporate credit underwriting department. In Yapı Kredi, he worked as manager position in corporate and specialized credits monitoring unit and commercial credit underwriting region office between 2008 and 2013. In 2014, he was appointed as vice president at head office and worked in commercial credit underwriting, corporate, subsidiaries and specialized credits underwriting unit and finally in commercial monitoring and workout unit. In August 2021, he was appointed as Executive Vice President in Collection and Workout Management and he is responsible from restructuring, collection and workout activities of Stage 2 and Stage 3 clients in Yapı Kredi.

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.

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 authorized by the Articles of Association of the Bank, laws and regulations. In 2021, the Board of Directors convened 11 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 2021, the Executive Committee convened 48 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 organizational changes
- Optimizing 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 - Commercial and SME Banking Management
Member	Serkan Ülgen	Assistant General Manager - Retail Banking
Member	Saruhan Yücel	Assistant General Manager - Treasury and Financial Institutions
Member	Demir Karaaslan	Assistant General Manager - Financial Planning and Administration
Member	Yakup Doğan	Assistant General Manager - Limitless Banking
Member	Mehmet Erkan Akbulut	Assistant General Manager - Credits
Member	Gökhan Özdingç	Assistant General Manager - Technology, Data and Process Management
Member	Kaan Şakul	Assistant General Manager - Corporate Banking
Member	Özden Önalı	Assistant General Manager - Human Resources, Organization and Internal Services

Attendees of the Committee without voting rights

Member	Mehmet Erkan Özdemir	Assistant General Manager - Compliance, Internal Control and Risk Management
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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 2021, 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
Member	Mehmet Tırnaklı	Member of the Board of Directors

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. In 2021 the Credit Committee convened 47 times with the required majority and quorum satisfied. The Committee reviews loan applications and restructuring requests within its authorized 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
Member	Virma Sökmen	Member of the Board of Directors
Member	Mehmet Tırnaklı	Member of the Board of Directors

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

Board of Directors and Committees

Risk Committee

The Committee is responsible for determining the risk management strategies and risk appetite of the bank and to prepare the policies, to make the necessary changes in accordance with the economic conjuncture and submit them to the approval of the Board of Directors.

In 2021, the Risk Committee convened 5 times with the required majority and quorum satisfied.

The Committee's responsibilities include:

- To determine the risk strategy, policies and risk appetite of the Bank regarding the risks that may arise and to ensure that these are regularly monitored
- To evaluate the issues raised by the Risk Management and to ensure that necessary measures are taken regarding them,
- To observe the necessary communication between the relevant departments throughout the Bank in order to ensure efficiency in risk management,
- To ensure timely and reliable reporting to the committee regarding significant risks,
- To monitor the compliance of the bank's strategy with the determined risk management strategies and risk appetite, and to make suggestions to remedy in case of a contradiction,
- Determining the limits on the risks that the bank is exposed to/may remain and monitoring the determined limits, taking actions in case of exceeding the limits and making studies to eliminate them and make suggestions the Board of Directors,
- To monitor the accuracy and reliability of risk measurements, methods and results, to evaluate the functionality and adequacy of the bank's risk control systems, to follow that the Bank takes the necessary measures to find the necessary systems, employees and resources for risk management
- Observing the processes of preparing and evaluating the internal capital adequacy and prevention plan measures of the bank and evaluating the results.

- To ensure the establishment and development of risk culture in banks and its subsidiaries,
- To monitor the regulatory requirements regarding risk management, to encourage the development of an advanced risk management model and risk management practices

Risk Committee Members

Member	Levent Çakıroğlu	Vice Chairman of the Board of Directors
Member	Gökhan Erün	Executive Director and Chief Executive Officer (CEO)
Member	Ahmet Çimenoğlu	Member of the Board of Directors
Member	Melih Poyraz	Member of the Board of Directors

Credit Monitoring Committee

Within the scope of the Credit Risk Policy, Credit Monitoring Committee reviews and evaluates the commercial loan portfolio to be determined by the Committee, especially the risk groups/companies under the authority of the Board of Directors and the Credit Committee, and to determine the issues to be taken into account in the following periods regarding the mentioned companies. The meetings of the Committee are held at least one time a year or more often when needed. Documents to be submitted to the Committee are prepared by the Credits Management, when necessary, other relevant managements work on the requested subjects and submit them to the committee. Committee decisions are taken unanimously and in cases where unanimity cannot be reached the topics are escalated to Board.

Credit Monitoring Committee Members

Member	Levent Çakıroğlu	Vice Chairman of the Board of Directors
Member	Ahmet F. Ashaboğlu	Member of the Board of Directors
Member	Ahmet Çimenoğlu	Member of the Board of Directors
Member	Virma Sökmen	Member of the Board of Directors
Member	Mehmet Tırnaklı	Member of the Board of Directors
Member	Melih Poyraz	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 2021, 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 2021, Remuneration Committee convened 2 times with the required majority and quorum satisfied.

Disciplinary Committee Members

Chairman	Özden Önalı	Assistant General Manager - Human Resources, Organization and Internal Services
Member	Cemal Aybars Sanal	Assistant General Manager - Legal Department

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.

The Committee convened 6 times with the required majority and quorum satisfied.

Disciplinary Committee Members

Chairman	Özden Önalı	Assistant General Manager - Human Resources, Organization and Internal Services
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	A represent 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

Board of Directors and Committees

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 un-budgeted and high amount demands defines new cost saving / cost management initiatives.

The Committee convened 10 times with the required majority and quorum satisfied.

Cost Management and Efficiency Committee Members

Chairman	Demir Karaaslan	Assistant General Manager - Financial Planning and Administration
Member	Cahit Erdoğan	Assistant General Manager - Commercial and SME Banking Management
Member	Özden Önalı	Assistant General Manager - Human Resources, Organization and Internal Services

Attendees of the Committee without voting rights

Member	Aytaç Yoloğlu	Purchasing 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.

The Committee convened 10 times with the required majority and quorum satisfied.

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	Mehmet Erkan Akbulut	Assistant General Manager - Credits
Member	Cahit Erdoğan	Assistant General Manager - Commercial and SME Banking Management
Member	Kaan Şakul	Assistant General Manager - Corporate Banking
Member	Serdar Yerli	Collection and Workout Executive Vice President
Member	İrem Can	Credit Risk Strategy, Modelling and Reporting Executive Vice President

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.

The Committee convened 3 times with the required majority and quorum satisfied.

Information Systems Steering Committee Members

Chairman	Gökhan Özdiñç	Assistant General Manager - Technology, Data and Process Management
Member	Demir Karaaslan	Assistant General Manager - Financial Planning and Administration or a manager to appoint
Member	Cengiz Arslan	Yapı Kredi Technology General Manager
Member	Kürşad Keteci	Strategic Planning and Investor Relations Executive Vice President
Member	Elif Küçükaltun	Project and Agile Management Vice President
Member	Gökhan Yalçın	Yapı Kredi Technology Information Systems Security Management Assistant General Manager
Member	Gülter Bedel	Yapı Kredi Technology Assistant General Manager
Member	Özgür Çağlar	Yapı Kredi Technology Assistant General Manager
Member	Taylan Güney	Yapı Kredi Technology Assistant General Manager
Member	Hakkı Erdoğan	Yapı Kredi Technology Assistant General Manager
Member	İrem Özyurt	A representative from Human Resources, Organization & Internal Services Management
Member	Kaan Dinç	A representative from Compliance, Internal Control and Risk Management
Member	Özkan Aygöl	A representative from Compliance, Internal Control and Risk Management
Member	Feyza Torlak	A representative from Legal Department
Member	Other relevant business unit representatives	

Board of Directors and Committees

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.

The Committee convened 2 times with the required majority and quorum satisfied.

Information Security Committee Members

Chairman	Gökhan Erün	CEO
Vice Chairman	Gökhan Özdiñç	Assistant General Manager - Technology, Data and Process Management
Coordinator	Gökhan Yalçın	Yapı Kredi Technology Information Systems Security Management Assistant General Manager
Member	Cahit Erdoğan	Assistant General Manager - Commercial and SME Banking Management
Member	Mehmet Erkan Özdemir	Assistant General Manager - Compliance, Internal Control and Risk Management
Member	Özden Önalđı	Assistant General Manager - Human Resources, Organization & Internal Services
Member	Cemal Aybars Sanal	Assistant General Manager - Legal Department
Member	Hakan Yılmaz	Analytics and Data Management Executive Vice President

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.

The Committee convened 68 times with the required majority and quorum satisfied.

Business Continuity Committee Members

Member	Gökhan Özdiñç	Assistant General Manager - Technology, Data and Process Management
Member	Özden Önalđı	Assistant General Manager - Human Resources, Organization & Internal Services
Member	Yakup Dođan	Assistant General Manager - Limitless Banking
Member	Mehmet Erkan Özdemiř	Assistant General Manager - Compliance Internal Control and Risk Management
Member	Cemal Aybars Sanal	Assistant General Manager - Legal Department
Member	Can Dalođlu	Credit Risk Strategies and Operational Risk Vice President
Member	Yasemin Hatem	Operational, Reputational Risk and BCM Management Manager
Member	Arda Öztařkın	Corporate Communications Vice President
Member	Erkut Balođlu	Process and Program Management Executive Vice President
Member	Hakkı Erdođan	Yapı Kredi Technology Infrastructure, Network and Operations Assistant General Manager
Member	Gökhan Yalçın	Yapı Kredi Technology Information Systems Security Management Assistant General Manager

Board of Directors and Committees

Sustainability Committee

Yapı Kredi Sustainability Committee was established to formulate Yapı Kredi's sustainability strategy and policies in economic, social and environmental areas, integrate this strategy and these policies into company operations, and monitor its sustainability performance. Representing various management units, the Committee also includes a Board Member among its members. The committee is chaired by the Board Member. Meeting quarterly to monitor and guide developments in sustainability, the Sustainability Committee periodically reports to the Executive Committee and to the Board of Directors every year.

A Sustainability Working Group was formed with participation of relevant departments of the Bank in order to implement the strategy determined by the Sustainability Committee and coordinate relevant efforts. The group is divided into a number of sub-groups, each with a distinct function and area of expertise. Operating under Corporate Communications Management, the Corporate Social Responsibility and Sustainability unit is responsible for;

- Coordinating the Sustainability Working Group and its sub-groups,
- Monitoring goal progress and performance of the groups,
- Performing data consolidation,
- Evaluating activities in line with sustainability goals,
- Handling Yapı Kredi's internal and external communications with regards to sustainability issues.

Sustainability Committee Members

Chair	Ahmet Çimenoğlu	Board Member
Member	Cahit Erdoğan	Assistant General Manager - Commercial and SME Banking Management
Member	Demir Karaaslan	Assistant General Manager - Financial Planning and Administration
Member	Kaan Şakul	Assistant General Manager - Corporate Banking
Member	Mehmet Erkan Akbulut	Assistant General Manager - Credits
Member	Mehmet Erkan Özdemir	Assistant General Manager - Compliance Internal Control and Risk Management
Member	Özden Önalı	Assistant General Manager - Human Resources, Organization and Internal Services
Member	Serkan Ülgen	Assistant General Manager - Retail Banking
Member	Korkut Okay	Executive Vice President - Banking Operations
Member	Erkut Baloğlu	Executive Vice President - Process and Program Management
Member	Kürşad Keteci	Executive Vice President - Strategic Planning and Investor Relations
Member	Arda Öztaşkın	Vice President - Corporate Communications

Customer and Service Execution Committee

Customer and Service Execution Committee is responsible for (i) deciding if a new development/improvement should be considered as a "change" or "new product", (ii) guiding Project teams in order to reduce compliance risk about subjects that might cause audit findings or reputational damages; (iii) monitoring and leading of preventive actions about possible defects or malfunctions, about quality assurance and compliance topics, in existing products/services. Committee can also decide if it is necessary to follow up ongoing developments in committee level or circulate updates to executive committee or other related committees.

Customer and Service Execution Committee Members

Member	Gökhan Özding	Assistant General Manager - Technology, Data and Process Management
Member	Mehmet Erkan Özdemir	Assistant General Manager - Compliance, Internal Control and Risk Management
Member	Cemal Aybars Sanal	Assistant General Manager - Legal Department
Member	Yakup Doğan	Assistant General Manager - Limitless Banking
Member	Serkan Ülgen	Assistant General Manager - Retail Banking
Member	Cahit Erdoğan	Assistant General Manager - Commercial and SME Banking Management
Member	Kaan Şakul	Assistant General Manager - Corporate Banking
Member	Demir Karaaslan	Assistant General Manager - Financial Planning and Administration Department
Member	A representative Process and Program Management [attends the meetings as the Committee Secretary and also responsible for coordination of the committee]	
Member	Business unit/channel representative who has requested the development of product/service [to be invited in accordance with the agenda when necessary and not permanent]	
Member	Other relevant business unit representatives who will be possibly affected by the development [to be invited in accordance with the agenda when necessary and not permanent]	

In accordance with the agenda, related senior managers may attend the meeting, in addition to the permanent members listed above.

Analytics Committee

Analytics Committee is responsible for directing analytical works in line with Bank's strategic goals.

In this framework, the Committee [i] evaluates the important changes needed in the analytical project roadmap quarterly and makes the necessary guidance, [ii] evaluates and approves the analytical projects and modeling studies planned to be addressed next year in the last quarter of the year, [iii] within the relevant quarter, it ensures that analytical requests shared with Analytics and Data Management teams are prioritized transparently and in line with market standards.

The Committee convened 4 times with the required majority and quorum satisfied.

Analytics Committee Members

Chairman	Gökhan Özding	Assistant General Manager - Technology, Data and Process Management
Member	Mehmet Erkan Özdemir	Assistant General Manager - Compliance, Internal Control and Risk Management
Member	Serkan Ülgen	Assistant General Manager - Retail Banking
Member	Cahit Erdoğan	Assistant General Manager - Commercial and SME Banking Management
Member	Hakan Yılmaz	Analytics and Data Management Executive Vice President
Coordinator	Emin Rodoslu	Analytics and Business Intelligence Vice President
Coordinator	Sertaç Özdemir	Customer and Service Analytics Vice President
Member	Bora Üzüm	Analytics and Data Governance Vice President
Member	Can Daloğlu	Credit Risk Strategies and Operational Risk Vice President
Member	Mahir Güneş İnce	Credit Risk Planning Modelling and Reporting Vice President
Member	Elif Küçükaltun	Project Office participants
Member	Anıl Güngör Güler	Risk Validation Vice President

Sustainability Management

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 in an integrated fashion, and ESG key performance indicators are followed up annually. Each year, Yapı Kredi transparently discloses its ESG performance in its integrated annual 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 chaired by a Board Member. The

Committee reports its activities to the Executive Committee and the Board of Directors each year. In addition to this structuring, six working groups led 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 Yapı Kredi's sustainability strategy and policies.

The Sustainability 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 sustainabil-

ity occur in line with the Sustainability Management System. During 2021, Bank employees received 453 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

SUSTAINABLE FINANCE

RISK MANAGEMENT AND CORPORATE GOVERNANCE

HUMAN AND SOCIETY

SUSTAINABILITY COMMITTEE

[as of 31 December 2021]

Ahmet ÇİMENÖĞLU**Chair**

Member of the Board of Directors

Cahit ERDOĞAN**Assistant General Manager**

Commercial and SME Banking

Demir KARAASLAN**Assistant General Manager**

Financial Planning and Administration

Kaan ŞAKUL**Assistant General Manager**

Corporate Banking

Mehmet Erkan AKBULUT**Assistant General Manager**

Credits

M. Erkan ÖZDEMİR**Assistant General Manager**

Compliance, Internal Control and Risk Management

Özden ÖNALDI**Assistant General Manager**

Human Resources, Organization and Internal Services

Serkan ÜLGEN**Assistant General Manager**

Retail Banking

Korkut OKAY**Executive Vice President**

Banking Operations

Erkut BALOĞLU**Executive Vice President**

Process and Program Management

E. Kürşad KETECİ**Executive Vice President**

Strategic Planning and Investor Relations

Arda ÖZTAŞKIN**Vice President**

Corporate Communications

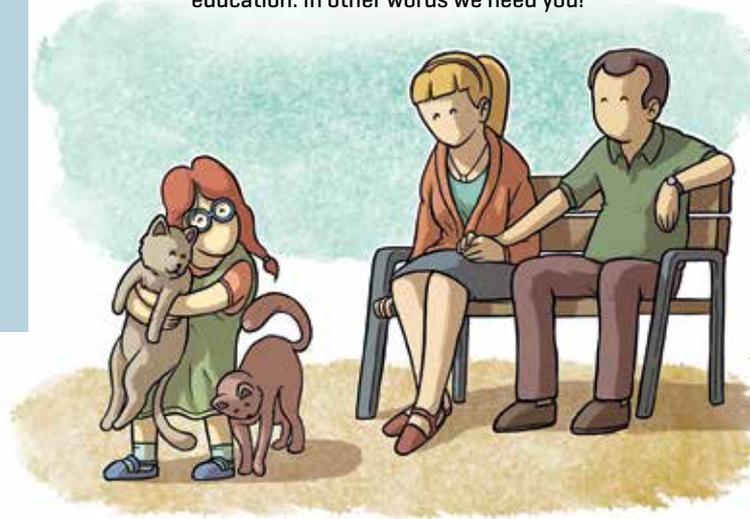
ESG Ratings and Yapı Kredi

Yapı Kredi works towards qualifying for national and international ESG indices , strengthening its position, and constantly improving its performance in terms of ESG ratings.

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,

It's all quite simple really: Show respect, get respect. Love, be loved. We need people who are mindful of social diversity and equal opportunity. We need people who support continuing education. In other words we need you!



- has been a constituent of Borsa İstanbul (BIST) Sustainability Index since its launch in 2014, and BIST Corporate Governance Index since 2008.

- outperformed the global and sectoral averages with its reporting under the Bloomberg Gender Equality Index reporting it has made in 2021, and qualified for 2022 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 2021 for CDP Climate Change Programme and A- (Leadership) in 2021 for CDP Water Security Programme,

- is one of the supporters of the Task Force on Climate-related Financial Disclosures (TCFD).

Business Model and Strategy

TRENDS THAT HAVE IMPLICATIONS FOR THE SECTOR

REGULATORY CHANGES

ECONOMIC DEVELOPMENTS

EVOLVING CONSUMER EXPECTATIONS

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

- 16,115 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 77 years



RELATIONSHIP AND SOCIAL CAPITAL

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



INFRASTRUCTURE

- 804 branches
- Innovative banking network that eliminates limits with Internet branch, mobile app, customer relations center and 4,585 ATMs, 3,520 of which are enabled ATMs.

APPROACH

- **Customer-centric banking concept that creates values for all the stakeholders**
- **Responsible Growth**
- **Customer-Centric and Innovative Banking**
- **Agility and Competitiveness**
- **Efficiency and Target-Oriented**
- **Sustainability**



Read more on the Approach to Business Model here

<https://www.yapikredi.com.tr/en/sustainability/our-sustainability-approach/material-issues>

EVOLVING STAKEHOLDER EXPECTATIONS

DIGITALIZATION AND TECHNOLOGY

SOCIAL CHANGES

CLIMATE CRISIS

OUTPUTS

FINANCIAL CAPITAL

- TL 10.5 billion net profit
- TL 564 billion contributed to the economy
- 19.6% Return on Tangible Equity
- 15% capital adequacy ratio
- Sustainability-linked borrowings
- The first sustainability-linked syndication facility for the amount of USD 962 million
- Sustainability-linked syndication facility for the amount of USD 822 million
- Sustainability-linked repurchase agreement for the amount of EUR 225 million
- Sustainable finance products
 - Yapı Kredi Asset Management Clean Energy Variable Fund
 - Nature-Friendly Mortgage
 - Nature-Friendly Auto Loan

INTELLECTUAL CAPITAL

- Investment advisory and wealth management
- Ratio of digital banking customers: 84%
- 5,539 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
- Ratio of women employees: 62%, ratio of women in managerial levels: 40%
- 709 Yapı Kredi employees that transferred between segments under the My Career Journey program
- Retention rate after maternity leave: 94.52%¹

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 51 million

NATURAL CAPITAL

- USD 1.9 billion financing to renewables projects with a total installed capacity of 6,309 MW
- Transition to the zero waste system at the Head Office buildings
- 39% of the electricity need supplied from renewable sources

VALUE CREATED FOR STAKEHOLDERS

INVESTORS AND SHAREHOLDERS

- Outperforming the competition by 30% in market price/book value ratio since 2019²
- 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
- 70% employee satisfaction
- 68% employee engagement
- Yapı Kredi culture that has been preserved for 77 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
- ~3 million tons of CO₂e³ avoided through renewable energy financing
- Banking notion pursuing the social and environmental needs of future generations
- Support for sustainable development through multifaceted corporate social responsibility projects
- Contribution to culture and arts for 77 years

¹ Number of employees that continued to work for the Bank for at least 12 months after returning to work following maternity leave.

² As of 17 February 2022

³ Based on Yapı Kredi's share in the financing extended to projects. Covers the GHG emissions avoided during 2021.

Business Model and Strategy

APPROACH

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

- Espousing a corporate governance concept erected on transparency, responsibility and accountability in its banking operations, Yapı Kredi increases its contributions in the sector. The Bank carries on with its activities with the vision of responsible growth that creates value for all the segments, while monitoring implications for all stakeholders.
- Yapı Kredi keeps managing its environmental and social impact arising

from its lending and operational activities, and to devise new initiatives within the scope of its sustainability policies. The Bank contributed to the economy by growing solidly through effective risk management.

- Closely monitoring the trends affecting the sector and the developments in the regulatory framework, Yapı Kredi defined six strategic priorities to carry the Bank into the dynamic and fast-evolving world of the future with a sustainable performance. All initiatives of the Bank are formulated in view of these priorities.

Customer-Centric and Innovative Banking

Yapı Kredi formulates its initiatives based on a human-focused approach considering the customers, employees and all stakeholders.

The Bank has embraced a banking concept that places customers in its focus, which is nurtured and further improved by customer feedback. Along this line,

the Bank increases its investments for developing the systems and processes that will serve to collecting more customer feedbacks and to analyze these information for converting them into improvement actions. On another front, the Bank closely monitors the developments in trends and regulatory framework and devises innovative services.

Actions were taken to take place in different ecosystems for fulfilling all the needs of customers and to make their lives easier in every respect. Accordingly, it is targeted to increase the experience delivered through partnerships with third parties. Yapı Kredi took steps to obtain a digital bank license for establishing a separate fintech company with the aim of giving easier access to customers from all segments to financial products and services. The aim is to offer service to groups without access to banking services, to establish longer lasting relationships with a higher number of customers, and to constantly enhance experiences and satisfaction.

Yapı Kredi attaches great importance to the satisfaction and engagement of its employees who represent its most important asset for realizing all its strategic goals. The Bank constantly invests in talent, and moves the Bank forward with the power of its flexible and competent employees and experienced management.

Agility and Competitiveness

Effectively responding to the fast change in market circumstances and strengthening the pioneering position enjoyed in competition come to the forefront as one of the strategic priorities of Yapı Kredi. In this scope, processes and products offered for all customer groups are being digitalized with the desire to optimally respond to evolving customer needs and behaviors. Digital customer acquisition, digitalization actions targeted at corporate customers, and providing more active usage of digital channels by the existing customers make up the Bank's priority areas of focus.

At the same time, the Bank invests heavily in its technical infrastructure and is shifting to a more flexible (cloud-based) structure. With this structure, the Bank aims to shorten product development times and to attain a more productive working environment.

Productivity and Target-Oriented

- The intensifying competitive environment and shrinking profit margins put pressure on banks for increasing their productivity and employing a more efficient work force. To minimize this pressure, Yapı Kredi focused on achieving increased productivity in every area within the Bank. The efforts in this vein are concentrated in three main departments:
- Introducing teleworking models and also allocating the existing resources to tasks with higher added-value on the back of revisions to be made to the sales and service model

- Improving decision-making mechanisms on the back of an organizational structure that is leaner and has higher control
- Taking actions that will increase work output productivity and also collection efficiency.

In order to achieve the high targets set in all the areas it is active in, Yapı Kredi backs all its channels with analytical systems, improves them using mentorship, and follows them up with a simple and lean financial monitoring system.

Sustainability

In line with its vision to contribute value to the society, it is among the strategic priorities of Yapı Kredi remain a bank steering the sector in environmental, social and governance (ESG) areas. To this end, Yapı Kredi Sustainability Committee, which is responsible for integrating sustainability in work processes and for monitoring performance

thereof, and working groups formed under this Committee carry out activities in relation to the following issues:

- Climate Crisis and Environment,
- Risk Management and Corporate Governance,
- Sustainable Finance,
- Human and Community.

Yapı Kredi monitors national and international initiatives and good practices that support its sustainability strategy in line with these four main themes, and aligns itself with them. Within the scope of the Sustainability Management System that it has introduced for regularly tracking and improving its sustainability performance, the Bank tackles all its operations as a whole and follows them up within the frame of related policies and procedures.

Yapı Kredi embraces the Sustainable Development Goals (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 actively takes part in sectoral initiatives and civil society organizations, and attaches importance to multi-stakeholder communication and collaboration. The Bank endeavors to join international standards and initiatives and to contribute to activities.

With the purpose of ensuring organization-wide adoption of responsible and sustainable banking concept, each year, employees are offered training programs that cover all environmental, social and governance (ESG) 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.

Trends, Their Implication for the Sector and Yapı Kredi's Response

TRENDS

ECONOMIC AND POLITICAL DEVELOPMENTS

As was last year, 2021 has been a year during which the global impacts of the Covid-10 pandemic endured. With the loosened measures against the pandemic, accelerated vaccination and contribution of supportive economy policies, global economy is estimated have grown annually by 5.9% in 2021. On another front, supply constraints that resulted from disruptions in supply chains, increased demand resulting from reopening and hiked commodity prices pushed the inflation rates up across the world.

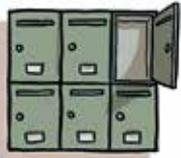
In response to these developments, central banks of emerging countries resorted to policy rate hikes. On the other hand, developed countries started showing a tendency to tighten their monetary policies towards the end of 2021.

The solid recovery tendency displayed by the Turkish economy from the third quarter of 2020 continued and even got stronger owing to revived domestic and external demand in 2021. Backed by increased exports in addition to the recuperation in the services industry, 2021 has been a year in which growth came to the fore for Turkey. As a result, budget balance and current account balance could be kept under control despite solid growth in the reporting period.

In parallel with global developments, the upturn in commodity prices in particular, and depreciated exchange rate produced an uptrend in inflation. The rise in inflation was underpinned by the soaring prices, particularly of food and energy, supply chain issues, and demand-driven developments following reopening. Having been effective upon inflation in the short-term, these factors will likely continue to burden the first half of 2022 as well.

Alongside these, developments in inflation and the monetary policy moves

of the CBRT were kept under watch throughout the year. A strong monetary tightening was carried out in view of the high course of inflation at the onset of the year, which was preserved until August. However, based on analyses for decoupling the impacts created by the demand components that the monetary policy is effective on and by the supply shocks, the CBRT updated its monetary policy stance from September, and decreased the policy rate down to 14% with a reduction of 500 basis points in the aggregate. On the other hand, the CBRT directly intervened the market by selling foreign currencies due to the unhealthy price formations in exchange rates in December. With the effect of certain decisions adopted by the regulatory authorities aimed at strengthening the Turkish currency led by the FX-indexed TL deposit product, the volatility in exchange rates was replaced by a relatively calmer but high course. The CBRT initiated a comprehensive review of policy framework encouraging permanent "liralization" in all policy instruments for reshaping price stability on a sustainable ground. During the reporting period, economy policy was modified, and the Turkish Economy Model erected on growing the country through investment, employment, production, exports and current accounts surplus was introduced.



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In 2021, loan growth was slower than what it was in the year before also due to the monetary policy tightened from the last quarter of 2020. While the deceleration in commercial loans was more evident, individual loans showed a stronger growth performance. The relatively stronger growth in individual loans versus commercial loans was driven also by the deferred demand that kicked in following full reopening. The Turkish lira lending of the sector increased by 21% in the twelve months to year-end 2021, and growth occurred rather through the consumer loan disbursements of private banks. In addition, public and private

banks decoupled in TL loan expansion; while TL lending of public banks was up by 15% year-on-year, this ratio was 27% for private banks. In the reporting period, the contraction in FC loans persisted due to decelerated long-term investments coupled with the attempted rebalancing in the private sector featuring heightened FC position. Foreign currency loans decreased by 7% in USD terms across the overall sector. In the same timeframe, TL deposits base expanded by 20%, whereas FC deposits remained flat. The non-performing loans (NPL) ratio of the sector in this period improved by 91 basis points as compared to end-

2020 and was down to 3.1% thanks to continued strong course of economic activity and solid loan growth. In 2021, the banking sector kept maintaining high liquidity and capital adequacy ratios. The sector's liquidity coverage ratio stood at 146% and capital adequacy ratio at 18.0% as at year-end 2021. The sector's net profit augmented by 58% to TL 86 billion and its RoE was realized at 13.9%. Private and public banks were differentiated also with respect to profitability, and private banks enlarged their profitability by 94%, while net profit of public banks shrank by 22% on an annual basis.

THE SOLID RECOVERY TENDENCY DISPLAYED BY THE TURKISH ECONOMY FROM THE THIRD QUARTER OF 2020 CONTINUED AND EVEN GOT STRONGER OWING TO REVIVED DOMESTIC AND EXTERNAL DEMAND IN 2021.

HOW WE MANAGE

The vaccination campaigns that started by the end of 2020 supported a gradual loosening of restrictive measures implemented against the pandemic in 2021. The commencement of vaccination backed financial recovery. In 2021, Yapı Kredi kept availing all its resources for supporting the national economy and provided funds worth TL 564 billion to the Turkish economy.

The Bank successfully preserved its strong key indicators at the end of 2021 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 temporary regulatory forbearances introduced by the BRSA] well above the legal requirement. Benefiting also from internal capital generation, the Bank's consolidated capital adequacy ratio was 300 bps above the regulatory cap-

ital limit, and was 15.0% as at year end 2021. The Bank's total and FC liquidity coverage ratios were 183% and 671% respectively.

Thanks to its prudent management approach, the Bank continued to take place among the banks allocating the highest amount of provisions to loan. The Bank preserved its robust balance sheet structure on the back of its provisioning in 2021, and total coverage ratio was registered as 7.2%.

Through the measures taken and effective margin management, the Bank was able to retain its cumulative net interest

margin at 3.17% despite the tough operating environment. Its return on average tangible equity (RoATE), on the other hand, reached 19.6%.

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, Their Implication for the Sector and Yapı Kredi's Response

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.

In 2021, important initiatives were carried out particularly in relation to digitalization, open banking and fintechs, and regulatory changes and new regulations were enforced. The developments associated with these topics will presumably continue at an increasing speed as also mentioned in the 2022-2025 strategic plan announced by the Republic of Türkiye Presidential Office.

As known, regulatory authorities took numerous measures seeking to mitigate the economic impacts the Covid-19 pandemic that broke out in 2020 had upon banks and upon real and legal person customers. During 2021, these exceptional rules of a precautionary nature were gradually lifted, and normalization steps were taken.

On the other hand, banks carried on with their initiatives for facilitating repayments through restructuring or deferment of installments on general-purpose loans taken out by real persons who are challenged in their repayment, which they had launched as part of facilitative practices in 2020 for restraining the impacts of the pandemic upon economic activity. Similarly, minimum payment ratios revised in favor of customers, which was initiated in 2020 to make it easier for customers to repay their credit card debts, remained in place during 2021.

In addition, limitations were imposed on the terms of consumer loans and auto loans, and changes were made to the number of credit card installments varying according to products and services, in an effort to ensure price stability and reduce current account deficit.

During 2021, remote authentication rules were enforced, which allows remote customer acquisition without necessitating face-to-face contact with customers, complements and speeds up the steps taken for digitalization of banking services, and can be considered

as groundbreaking steps for delivery of banking services.

Alongside these arrangements that were introduced, the BRSA published the Regulation on Sharing Confidential Data, which is intended to regulate the sharing of data of a confidential nature and to basically protect confidential data in keeping with the growing importance of data in the present times. The Regulation will enter into force on 1 July 2022.

Financial markets joggled in the last quarter of 2021 as volatility increased and gold and FC prices took an upturn. Based on the interpretation that the upturn in gold and FX stemmed from the household demand for gold and FX, the Ministry of Treasury and Finance and the CBRT regulated the FX-indexed deposit products. The FX-conversion and FX-protected TL deposit products started to be offered to customers at year-end 2021.

Again, late in the year, the Regulation on the Operating Principles of Digital Banks and Service Model Banking was enforced, which will break new ground in the banking sector, trigger financial

innovation and serve to increased coverage of banking service. The Regulation has paved the way for the establishment of banks that will render banking service solely through digital channels without having any physical branches. In addition, a quite innovative business model has also been stipulated which will enable delivery of banking services via third-party applications on the basis partnerships established by banks with third-party companies, especially fintechs and marketplace companies, based on service model banking concept. This regulation can be regarded as

the first step of the future banking concept that will lead the development of the open banking ecosystem to be followed by the open finance ecosystem.

The Law allowing delivery of services that make the two building blocks of open banking services, i.e. payment order initiation and consolidation of account information, which is addressed in the European Union's [EU] revised Payment Services Directive [PSD2] via third-party payment institutions providing technology solutions through Application Programming Interfaces

(APIs), entered into force by end-2019. Ancillary legislation complementing the aforementioned was published by end-2021 and clarified the regulatory details in relation to the topic. Work is in progress for clarifying execution and ensuring its uniformity.

THE REGULATION ON THE OPERATING PRINCIPLES OF DIGITAL BANKS AND SERVICE MODEL BANKING WAS ENFORCED, WHICH WILL BREAK NEW GROUND IN THE BANKING SECTOR, TRIGGER FINANCIAL INNOVATION AND SERVE TO INCREASED COVERAGE OF BANKING SERVICE.

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, Their Implication for the Sector and Yapı Kredi’s Response

TRENDS

**BUSINESS SUSTAINABILITY
THROUGH THE PANDEMIC**

Just time for some great news today: The fashion industry—the one they say is responsible for 20% of global water pollution—is replacing poisonous chemicals with... Seaweed! They developed fibers and dyes made from seaweed. That, I say, is the best catwalk show ever!



Global health risks can potentially affect the activities of individuals, businesses, nations and societies through their negative impacts. Such crises unveil the vulnerabilities of globalized economies and healthcare systems and influence commercial operations, supply chain continuity and consumer behaviors.

Referred to as one of the severest risks for the financial systems since the 2008-2009 global financial crisis, the Covid-19 pandemic caused financial and social damage and changes almost across the entire world.

An increasing number of studies demonstrates that the Covid-19 pandemic could trigger a possible stagnation in economies and deepen poverty by leading to issues in numerous macroeconomic indicators including total demand, production, supply, commercial activities, savings, investments, employment and so on.

In its latest World Economic Outlook, the IMF states that the Covid-19 triggered the deepest stagnation since the end of WW2 and it will probably be the lengthiest one with respect to its outcomes.

Along this line, best possible preparedness against the pandemic risk means allocating resources and time for research to be conducted on corporate framework, logistics and healthcare solutions.

Bearing comprehensive impacts upon companies ranging from employee health to business interruption, the pandemic risk increases the likelihood of simultaneous emergence of various other risks such as economic/financial, social and environmental ones. Therefore, companies need to calculate the extent at which this risk might affect their work processes and to determine their rapid response methods by increasing their resilience.

When determining the above-mentioned methods, companies must inevitably take a novel perspective to analyzing their strategic and operational risks including social, health and environmental risk categories, which are classified as medium-level risks by conventional risk management approaches.

Projection models that rely on the analysis of historic data remain inadequate in dealing with the unequalled impacts of the pandemic as global supply chains are disrupted, and cities and businesses were abruptly locked down. The most comprehensive assurances and solutions for the protection of the health of individuals and the economy must be provided by governments and regulatory authorities. Businesses, on the other hand, need to consider their risk exposure in detail based on available information and adopt a methodological approach differing from conventional models in order to determine where and how the measures will be implemented.

THE COVID-19 OUTBREAK IS A 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

BUSINESS SUSTAINABILITY THROUGH THE PANDEMIC

In keeping with its approaches placing the human in their focal points, the priority of Yapı Kredi since the onset of the Covid-19 pandemic has been to protect the health of its employees and customers.

On the axis of employees

Upon the Covid-19 outbreak in the world and before its effects spread to Turkey, Yapı Kredi instantly started its preparations for the working life. Concentrated on managing the change, the Bank not only quickly provided the means for home-based working for all teams, but also introduced a hybrid model blending teleworking and in-office presence that would also remain in place after the pandemic: Lean Working. Yapı Kredi has been the first in the sector to shift its Head Office units to the new working order.

Founded on productivity, Lean Working has provided numerous gains for Yapı Kredi in relation to sustainability and particularly, environmental impact. As more than eight thousand Yapı Kredi

employees worked from their homes without any problems from March 2020, over 350 thousand hours spent monthly for commuting were saved. This reduced the Bank's carbon footprint by 37% equivalent to 23,000 tonnes of CO₂e. Savings were achieved in paper consumption. Digitalization of internal correspondences requiring signatures in work processes brought about 34% saving from paper. Water and electricity consumption also decreased.

On the axis of customer service

Lean Working model allowed branches to concentrate on higher value-added products and services, and shifted product and service delivery mainly to digital channels. Contactless transactions gained importance, and the best customer experience has been delivered uninterruptedly and quickly on the back of the solid technological infrastructure. In line with its vision of building the banking business of the future, Yapı Kredi pioneered "Remote Customer Acquisition via Video Trans-

action Assistants" in Turkey in the last quarter of 2018, thereby registering the Bank's digital vision. The Bank promptly adapted to the new remote customer acquisition communiqué enforced in May 2021, and digitalized onboarding with Yapı Kredi end-to-end. The Bank also offered pension customers the chance to digitally transfer their pensions to Yapı Kredi and maximized customer experience with the Remote Onboarding process specific to salary customers.

As part of the efforts to minimize contact and to add a new dimension to business sustainability, more than 800 individual and corporate transactions can be performed uninterruptedly via Yapı Kredi Mobile, Customer Relations Center and Yapı Kredi Internet Banking.

Yapı Kredi projects that competition will increase on the digital service axis. The Bank will continue to develop innovative products and services that can be offered digitally by taking into consideration customers' expectations of financial services as well.

Trends, Their Implication for the Sector and Yapı Kredi's Response

TRENDS

CLIMATE CRISIS

Ever hear of regenerative agriculture? It improves soil quality and results in the production of more nutritious food. It's a subject worth looking into, don't you think?



The Sixth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) released in 2021 highlighted extreme weather events, hot extremes, water scarcity and ecosystem degradation to be sustained by the planet once global temperature rise exceeds 1.5°C above pre-industrial levels. Scientists specifically pointed at the urgency of the matter and established that average temperature rise might exceed 2°C between 2041 and 2060 based on scenario analyses, and that it might exceed 3°C between 2081 and 2100. In this context, management of near-term, mid-term and long-term physical and transition risks stemming from climate crisis became all the more important, and national and international regulators took certain actions for climate crisis management.

Despite the Covid-19 pandemic process, climate crisis remained as an important item on the global agenda in 2021. Although social isolation of a large segment of the population during

the pandemic bore a positive impact in terms of decreased GHG emissions, 2020 went down in the records as one of the hottest years. According to the European Union's Copernicus Climate Change Service, 2021 has been the fifth warmest year on record. Hot and dry weather conditions of 2021 prolonged the fire season in the Mediterranean. Turkey took the lead among the worst affected regions. In this context, management of physical and transition risks stemming from climate crisis became all the more important, and national and international regulators took certain actions for climate crisis management.

The business world and regulators keep working on the implications of the Carbon Border Adjustment Mechanism introduced by the European Green Deal announced by the European Commission for national regulations and the sectors that will be covered by the Deal. The draft regulation in relation to the Carbon Border Adjustment Mechanism

was released on 14 July 2021 and circulated for comments and feedbacks. The Mechanism initially covers industries such as cement, electricity generation, fertilizers, iron and steel, aluminum and so on. In the future, the coverage of the mechanism is anticipated to be expanded to include additional sectors. Being one of the key trading partners of the European Union, Turkey will likely be one of the countries to be exposed the most to the Carbon Border Adjustment Mechanism. Furthermore, the EU Taxonomy, which is a classification system providing a list of environmentally sustainable economic activities, is intended to shift investments to sustainable areas supporting a low-carbon economy. The regulatory framework that is being developed will significantly affect not only the European Union countries, but all countries that have trade relationships with the EU countries.

The devastating flooding in South Sudan, large parts of the Bahia state submerged in water after two dams broke because of flooding in Brazil, deluges that hit Germany and Belgium in summertime, and megafires in California and Siberia bared the cost of climate risks to states, societies, and the business world led by the insurance industry.

The heavy floods that hit the Bozkurt district in particular, along with Kastamonu, Sinop and Bartın provinces, and the largest forest fires of all times that scorched Antalya and Muğla in Turkey also showed the gradually aggravated impacts of the severity of climate crisis.

The United Kingdom's announcement that it will make TCFD-aligned (Task Force on Climate-related Financial Disclosures) reporting obligatory by 2025 indicates that financial impacts of climate-related risks will be prioritized also by regulators and capital markets.

The fact that the TCFD recommendations, which have been introduced to ensure that investors, creditors and insurers can access healthy data on climate risks in their decisions, have been embedded in various environmental, social and governance (ESG) reporting standards and in turn, a higher degree of harmonization has been reached in reporting hints that companies will systematically define, measure and report climate risks in the period ahead.

RENEWABLE ENERGY FINANCING PROVIDED BY YAPI KREDİ AMOUNTED TO USD 1.9 BILLION AS AT YEAR-END 2021.

Trends, Their Implication for the Sector and Yapı Kredi's Response

HOW WE MANAGE

CLIMATE CRISIS

At Yapı Kredi, all sustainability efforts and initiatives including management of climate-related risks and opportunities are managed under the supervision of the Sustainability Committee headed by a Board of Directors member. The activities undertaken are regularly reported to the Executive Committee and the Board of Directors.

The Bank classifies its climate risks and opportunities in two categories: physical and transitional risks. Accordingly, the Bank defines extreme weather events, hot extremes, climate-change related national and international regulations, stakeholder expectations, market expectations that change with the low-carbon transition, and emerging new technologies as climate-related risks and opportunities. The impacts these risks and opportunities will produce for Yapı Kredi are determined on the basis of joint works of different units within the Bank in view of national and international regulations, initiatives and trends.

Fundamental approaches to climate-related risks are addressed also in the Reputational Risk Policy and

Lending Policies that are approved by the Board of Directors. Risky areas and matters related to sensitive sectors [companies and establishments with a high environmental impact, nuclear energy, mining and thermal power plant industry, water infrastructure and dam industry etc.] are defined by the reputational risk management general principles, and are also assessed within the scope of the Environmental and Social Risk Assessment (ESRA) system.

With the lending policies revised in 2021, the Bank has declared not to finance new greenfield coal-fired thermal power plants and new coal mining projects and added these activities to its Exclusion List appended to its Environmental and Social Policy.

In order for the Bank to be able to sustain its operations, a forward-looking capital planning approach has been adopted in case of losses that might result from contingencies or deteriorations in the markets. The Bank monitors the number of flood occurrences, cost of physical damage resulting from extreme weather events, the ratio of fossil-fueled projects in its energy

portfolio, carbon footprint of its project finance energy portfolio, the Bank's operational GHG emissions, the Bank's GHG emission intensity per employee [Scope 1 and Scope 2], and the Bank's energy consumption within the scope of climate-related risks.

The Bank also keeps under close watch the potential risk indicators that might arise as per possible regulatory framework in the coming period. Believing in the importance of transparency regarding climate risks, the Bank joined among the supporters of the TCFD [Task Force on Climate-related Financial Disclosures] in January 2021.

Yapı Kredi addresses potential risks from extreme weather events in an integrated manner, and necessary infrastructure measures for climate change adaptation 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 from its operations in accordance with the ISO 14064 standard. 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.

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.

The Bank manages the climate risks arising from its lending operations within the scope of the ESRA system that it applies to corporate and commercial loan requests. 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. During 2021, Yapı Kredi made improvements to the system, taking the implementations under the national legislation, International Finance Corporation's Performance Standards [IFC PSs] and the Equator Principles as reference.

In addition to these activities, under the project it has launched within the frame of Koç Holding's Carbon Transition Program, Yapı Kredi works to calculate the emissions arising from its loan portfolio and to set its reduction target for these emissions. In this framework, the Bank carries on with its efforts to reveal its emissions reduction targets in the medium- and long-term in alignment with the net zero goal by 2050 across the Koç Group. In keeping with these targets, the Bank aims to set its strategy for the transformation of its loan portfolio.

Believing in the vitality of standing by its customers in the combat against climate crisis and Turkey's low-carbon transition, Yapı Kredi organizes workshops and informative events for its customers regarding international environmental and social sustainability criteria, national and international regulations and sustainability trends.

Renewable energy financing provided by Yapı Kredi amounted to USD 1.9 billion at year-end 2021 and renewable

energy projects accounted for 42% of the Bank's project finance energy portfolio.

When achieving economic development and growth, Yapı Kredi displays a sensitive attitude towards social and environmental issues, and adopts this approach for creating permanent value for each aspect and stakeholder. In this framework, the Bank keeps supporting the transition to a green economy in every respect, including financing channels made available to the business world. In this context, Yapı Kredi targets to expand its sustainable product portfolio in parallel with the market and customer expectations in the coming period, while continuing to offer financial solutions for sustainable development with its many products and services within the frame of sustainable finance such as renewable energy and energy efficiency loans, Nature-Friendly Mortgage, Nature-Friendly Auto Loans and Clean Energy Variable Fund.

IN 2022, YAPI KREDİ TARGETS TO NEUTRALIZE ITS SCOPE 1 AND SCOPE 2 ABSOLUTE EMISSIONS ARISING FROM ITS OPERATIONS.

Trends, Their Implication for the Sector and Yapı Kredi’s Response

TRENDS

TRANSFORMATION OF HUMAN CAPITAL

In our day, it is critical for numerous national and international businesses to employ, retain and make optimum use of qualified workforce. Therefore, businesses prefer “talents” possessing the qualifications for succeeding not just in one area but across various areas and capable of undertaking leadership role when necessary, and they employ various human resources management practices for this purpose.

However, the Covid-19 pandemic that arrived unexpectedly affected many countries and economies negatively and created different impacts upon business life, operation of businesses, and most of all, the workforce. The uncertainty created by the pandemic led to increased questioning of conventional human resources management practices. Preferred by many businesses, these

conventional practices do not guarantee success under the current circumstances we are experiencing and fail to adequately respond to expectations as they are designed for a relatively more stable business world.

Hence, the business world will have to confront the fact that the coming periods, the new normal as it is called, will be filled with fast-moving, complex and hardly predictable changes and a paradigm shift in human resources management will be inevitable.

The Covid-19 pandemic deeply shocked nearly all the industries that were already burdened with many difficulties including scarce qualified workforce, absence of strong leadership channels, expectations for a fast career development and promotion, technological transformation and the like, and led to new prob-

lems in human resources management as well, as it did in many other areas.

The pandemic that is sustaining its worldwide impact and much greater business challenges it is causing demonstrate the necessity for possessing competent people, acting swiftly, and designing a technology-driven “agile and adaptive model”.

In this context, each human resources process (recruitment, development, retention, etc.) must be replanned to adjust to several different situations because of the new circumstances triggered by the pandemic. In addition, a global human resources management concept must be possessed, and importance must be attached to technology-oriented and data-driven decision-making mechanisms due to increased technology usage and digitalization.

HOW WE MANAGE

Yapı Kredi manages the transformation of the human capital on the basis of its vision defined as recruiting the human capital possessing the qualifications needed by the organization in the shortest time possible. Yapı Kredi Human Resources started introducing new practices in relation to the trans-

formation 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.

Approaches and practices that would attract young talents to Yapı Kredi were developed; priority topics included HR practices that would help Yapı Kredi employees draw their own career paths and let them develop a sense of belonging to the organization and feel valued. Research conducted among

universities revealed that Yapı Kredi rose to second place among the top choice banks.

In 2021, priority was given to let Yapı Kredi employees draw their own career paths. The training programs offered and career development were carried out in parallel. Numerous training and development programs were devised according to the needs and development expectations of diverse target groups.

Besides BizTube, the internal video platform, which was launched to help employees learn from one another to support the development process that starts with the individual and which features rich and current topics, digital library BizRead and podcast platform BizCast were established. All Yapı Kredi employees took part in synchronous and asynchronous training programs specifically designed in parallel with Yapı Kredi's competencies.

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, 400 internal trainers design development programs for employees, university students and customers. During 2021, the Bank offered 45 hours of training per employee on average annually.

Yapı Kredi formulates performance processes from the perspective of performance management and improvement, rather than evaluating employee 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 dimensions: Technical and Development. Not just business outputs (what has been done) but also actions (how it is done) are evaluated.

The other important dimension 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. Performance results provide input for all human resources processes such as training, promotions and rotation.

According to the Employee Engagement Survey administered at Yapı Kredi in 2021, employee engagement ratio was 68% and employee satisfaction ratio was 70%.

Complaints regarding employee rights violations, working conditions, mobbing and managers' faulty attitudes are reported to the Ethics Helpline under the Compliance, Internal Control and Risk Management. Employees can also submit questions and requests regarding human resources practices to the HR Helpline (Alo İK) and via Ask HR on the HR IT Self-Service system. In 2021, the HR Helpline responded to 4,792 calls, whereas 33,062 messages were responded via the Ask HR channel.

A club named BizClub was set up, which allows 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 had 9,501 members at year-end 2021. During the reporting period, 22,457 people participated in a total of 435 events: 19,995 people got together in 402 online events, whereas 2,462 people attended 33 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.

Yapı Kredi offers various fringe benefits to its employees, such as health insurance, life insurance, employee support program, contributory private pension, childcare services support, home-based working allowance 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.



Further information can be found in the section titled Talented and Committed Employees section [on pages 168-177].

Trends, Their Implication for the Sector and Yapı Kredi's Response

TRENDS

DIGITALIZATION AND
CYBER SECURITY

You should have your car's tire pressure checked every once in while. If they're under-inflated by 0.5 bars your fuel consumption is increased by 5%. Don't have a car? Tell this to someone who does. Word of mouth is one way to change the world for the better.



The developments in information technology led to intensive usage of information systems and internet technologies by businesses, management of their operations substantially by these systems, storage of information digitally, and digital transformation of all business operations in general in our globalizing world. In the process, data turned into a critical source at many organizations and hence, effective access to data, data sharing, information extraction from data and making use of information became urgent necessities.

The banking sector comes at the top of the most affected ones by the developments in technology. Technological change diversified distribution channels by shifting banking transactions from branches, which are conventional distribution channels, to automated teller machines (ATM), telephone, internet banking and mobile devices. Digital banking enabled branchless and therefore unmanned delivery of banking ser-

vices and thus created easy access and cost advantage along with increased efficiency.

This change progressed in time and digital concepts gained importance such as cloud-based applications, big data, artificial intelligence and machine learning. In addition, crypto currencies started to be used.

Another novelty brought along by technology was social networks. Interactive communications that were intensified online by certain social networks gave rise to new business models based in social media. Hence, banks created a new service architecture by conducting their marketing and PR activities over social networks for customer retention and new customer acquisition purposes.

Another change enabled by digitalization and technological advancements has been the innovative, flexible and adaptive financial solutions offered by "FinTech" startups that seem likely to

transform banks and banking business. While FinTech startups pose a threat for the sector, the possibility arose for banks to acquire competitive advantage by establishing new business platforms in partnership with FinTechs.

In order to keep pace with this digital conversion, banks have become organizations that rapidly transform their products and services, work processes and organizational structures. Digital conversion replaces the bank-centric perspective by a customer-centric one at a constantly increasing momentum.

However, with the intensive use of information technology and internet by large populations, possible vulnerabilities in applications and malicious applications such as malware expose businesses to major material losses.

Financial and non-financial data, particularly information about companies and suppliers, are increasingly stored on networks and cloud. As data breaches broaden, companies are compelled to invest heavily in cyber security risk

management and reporting, and to possess a secure digital infrastructure for their commercial transactions.

Banking is a sector that sees intense digitalization in terms of the functions it performs and operations it executes. Besides this characteristic, the fact that it is the engine of the financial sector and indirectly affects other sectors puts the banking sector in an even more important position.

As a prerequisite of the business model, laws, standards and regulations, adoption of security measures in relation to information technologies and auditing of these processes is a vital function in the banking sector. Inasmuch as customer assets gain the foreground as the priority assets protected, auditing of information technologies and systems is a key administrative area with complex and indirect effects with respect to the costs borne by the bank and the potential problems it faces. Accordingly, auditing and reporting of related activities are important for the bank and relevant stakeholders.

In the banking sector where confidence is an extremely critical factor, loss of confidence might lead to loss of reputation along with economic consequences. At the same time, seizure of important data and customers' personal data by external malevolent persons also constitutes a crime in legal terms.

Looking at the developments concerned with the security of information systems in the banking sector in Turkey, it is seen that current regulatory arrangements are made, which accommodate the advancements in technology and international standards, and that banks promptly adapt.

Banks implement major training programs to raise increased awareness of cyber security and to involve their employees in the process. Furthermore, for the purpose of managing risks arising from information systems, banks define procedures in their organizational structures and conduct associated preventive and auditing activities.

BANKS IMPLEMENT MAJOR TRAINING PROGRAMS TO RAISE INCREASED AWARENESS OF CYBER SECURITY AND TO INVOLVE THEIR EMPLOYEES IN THE PROCESS.

Trends, Their Implication for the Sector and Yapı Kredi's Response

HOW WE MANAGE**DIGITALIZATION AND
CYBER SECURITY**

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

Throughout the pandemic, Yapı Kredi provided all kinds of contributory process, software and hardware support to its employees to deliver remote, uninterrupted service to its customers on the back of its long-standing investments.

Employees acquired the capabilities to render even complex product sales remotely and in a paperless manner without being in the same location with the customers (including corporate customers represented by a sole authorized person). For 2022, during which pandemic effects might possibly endure, support will continue to be extended to the Bank's employees to be able to work remotely, efficiently and securely when needed.

In an effort to ensure the social distancing inside branches, customers visiting Yapı Kredi branches were offered the means to get a queue num-

ber in a contactless and safe manner using the QR code signs outside the branches.

The new service model launched allowed end-to-end digital completion of the onboarding process via "Video Transaction Assistants" on Yapı Kredi Mobile, eliminating branch visits, paper consumption and messenger service involvement. As a first in the sector, corporate customers represented by a sole authorized person also started to benefit from remote service technologies, like retail customers.

Yapı Kredi introduced solutions enabling customers to manage their journey from a single point, while having the right experience at the right time, with the right technology starting from the moment of becoming a Yapı Kredi customer. The Bank made numerous functions, which were previously unavailable on digital channels, accessible digitally. Yapı Kredi has pioneered the sector not just in terms of experience through end-to-end digital services provided, but also in the use of latest technology. In addition, the Bank

aims to gain a better understanding of customer needs through artificial intelligence and advanced analytics technologies and thus, to deliver proactive solutions to customers.

During 2021, profit-oriented customer acquisition was supported with data-driven effective performance management activities carried out with the right customer at the right time with the right content, and approximately 200 thousand customers were acquired via Yapı Kredi Mobile.

Available on Yapı Kredi Mobile and World Mobile, World PAY combines digital payment solutions such as Payment from Inside the Car, NFC Mobile Payment, Payment with QR Code and E-Commerce Payments under a single roof. Payments made by World PAY digital payment solutions increased by 101% over 2020.

In line with the remote service model, customers were provided with the chance to transact in paperless format by way of digital approval. As at year-end 2021, 85% of the transactions at

the Bank were being performed with digital approval in paperless format. 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.

In 2021, the diversity of existing products and services offered to corporate customers on all corporate digital channels was increased and new capabilities were developed. The Bank introduced end-to-end digital POS Application via corporate digital channels. Reports, which had to be obtained from branches, can now be drawn from the Corporate Internet Branch with e-signature. Under an unprecedented development in Turkey, documentary collection can now be sent via Yapı Kredi Internet Banking easily and quickly without going to the branch.

Yapı Kredi launched the POS Cepte [POS on Mobile] application that allows Android mobile phones to be used as a POS device.

By eliminating the need to carry a POS device with the POS Cepte [POS on Mobile] app, Yapı Kredi offered services such as payment collection via NFC or QR Code, product description, payment collection by entering the amount or selecting the predefined products, sending transaction document, tracking sales transactions and selecting the personnel to be authorized.

Data security is managed within the frame of related policies and processes at Yapı Kredi. 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.

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 reports to the Board of Directors annually on cyber security.

Carrying on with its cyber security investments, Yapı Kredi continues to develop the automation of systems backed by advanced analytical and artificial intelligence capabilities for proactively monitoring and preventing potential fraud and cyber attack attempts.

Yapı Kredi performs surveillance 24/7 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.

At the Bank, regular internal and external audits, application security testing, vulnerability analysis of information assets, and penetration tests are conducted in the light of international standards and local regulatory framework.

Yapı Kredi targets to continually review and improve banking processes, and to enrich digital channels with innovative products and services. Furthermore, it also aims to use artificial intelligence,

advanced analytics and machine learning technologies, which are being used for increasing the agility and scalability of technology infrastructure and upgrading the success and efficiency of fraud and corruption detection systems, on different channels and applications.

A comprehensive information security awareness program addressing all employees is in place at the Bank. The scope of the program covers training modules, tests and bulletins about information security. In addition, phishing tests are carried out during the year to raise increased awareness of phishing attacks among all employees. Several training programs concerned with information security awareness tackle data security and confidentiality, and employee awareness of these topics are raised. Awareness is created through training programs about Personal Data Protection Law given to employees, aside from information security training.

Ethics and Compliance

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 2021, 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 2021, 118 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 addition, studies to establish an Independent Ethics Hotline have been com-

pleted. Koç Group Ethics Line, which is managed by independent service providers, has started to provide services in English and Turkish, 24 hours a day, 7 days a week in 40 countries, including Turkey.

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 ethical 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, incidents that are established to be in violation of the Code of Ethics can be directly escalated to the Disciplinary Committee if the same also violates the provisions of the Disciplinary Regulation and/or recurs within the period of time the contradiction 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 an ethi-

cal reprimand are taken into consideration in the performance management processes 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 9th year in a row in the ETİKA Turkey Ethics Award organized by Center for Ethical Values Association (EDMER).

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 2021, 335 hours of training was given to 1,115 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 the Crime Prevention Unit of Yapı Kredi Bank Financial Group that operates under Compliance, Internal Control and Risk Management that directly reports to the Audit Committee. Established under the parent Koç Holding's leadership as per regulatory framework, Yapı Kredi Bank Financial Group carries out activities in accordance with the Corporate Policies of the Bank and the Financial Group on Prevention of Laundering of Proceeds of Crime and Financing of Terrorism and other policies and procedures in place.

335 HOURS OF TRAINING TO

1,115

EMPLOYEES

ON CODE OF ETHICS AND BUSINESS CONDUCT

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.

Being the Parent Financial Institution, the Bank will carry out the activities for the adoption of necessary measures and coordination of compliance functions by the companies included in the Financial Group in accordance with the Financial Group Compliance Policy.

As part of the orientation program, classroom/virtual classroom training is organized for all new hires joining the Financial Group companies, and annual online training programs are offered for the entire employee body of the Financial Group.

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.



Yapı Kredi Code of Ethics and Business Conduct can be found on the following link:

https://www.yapikrediinvestorrelations.com/en/images/pdf/codeofethicsandpolicies/2021/YKB_Code_of_Ethics_and_Business_Conduct.pdf



Yapı Kredi Whistleblowing Policy can be found on the following link:

https://www.yapikrediinvestorrelations.com/en/images/pdf/codeofethicsandpolicies/2020/yk_whistleblowing_policy.pdf



Yapı Kredi Bank Corporate Policy on Prevention of Laundering Proceeds of Crime and Financing of Terrorism can be found on the following link:

https://www.yapikrediinvestorrelations.com/en/images/pdf/ethical-principles-and-policies/Bank_Corporate_Policy_of_Prevention_of_Laundering_Proceeds_of_Crime_and_Financing_of_Terrorism.pdf

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.

MATERIAL ISSUES FOR STAKEHOLDERS ARE IDENTIFIED BASED ON:

- 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.

MATERIAL ISSUES FOR YAPI KREDİ ARE IDENTIFIED BASED ON:

- 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.

Contribution to Sustainable Development Goals

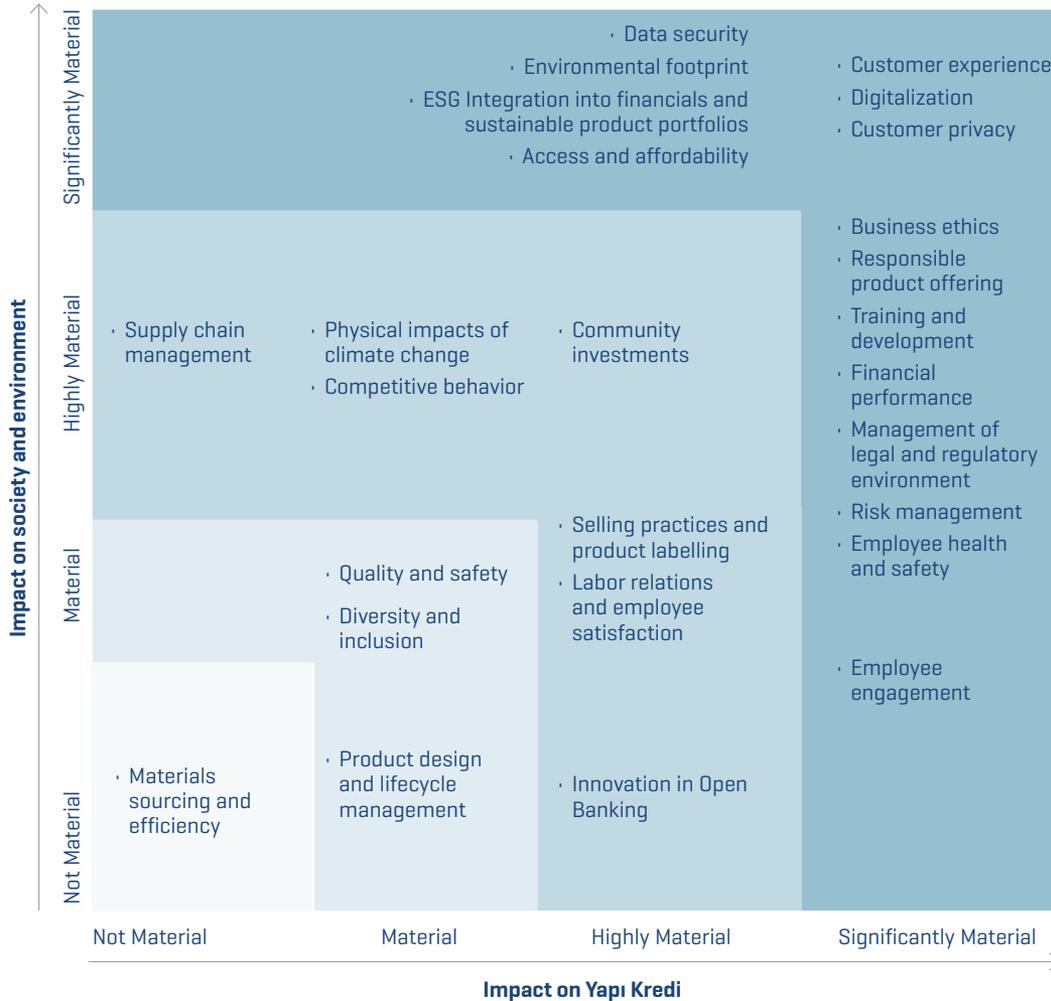
MATERIAL ISSUE	SDG
Financial Capital <ul style="list-style-type: none"> · Business ethics · Financial performance · Management of legal and regulatory environment · Risk management · ESG integration into financials and sustainable product portfolios 	    
Intellectual Capital <ul style="list-style-type: none"> · Digitalization · Data security 	
Human Capital <ul style="list-style-type: none"> · Training and development · Employee health and safety · Employee engagement 	  
Relationship and Social Capital <ul style="list-style-type: none"> · Customer experience · Customer privacy · Responsible product offering 	   
Natural Capital <ul style="list-style-type: none"> · 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. The Bank has adopted the practice of updating its material issues biennially.

Accordingly, the Bank will update its sustainability priorities once again in 2022 based on the latest practices, requirements of international reporting standards, and good practices.

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



Many people think that “sustainability” is only about the environment but it goes way beyond that: there’s also ecological sustainability, social sustainability, and economic sustainability. And right in the middle of it all is you.



Stakeholder Relations

To walk or to ride ... That is the question.
Try either: Reduce emissions and also
improve your physical condition.



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 [on pages 162-165] 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 [on pages 168-177] 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 2021, 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 17 conferences and 6 roadshows, and met with existing and

potential investors, and made sure that shareholders were better informed about current developments.

As 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's Board of Directors. Also being a member of the Role of the Financial Sector in Sustainable Growth Working Group, which is one of the BAT's standing working groups, the Bank actively participates in all group initiatives.

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. In addition to that, in 2021, the Bank joined the UNEP FI's new initiative, Commitment to Financial Health and Inclusion, as a founding signatory. Within the scope of the Commitment, the Bank aims to set targets for increasing financial literacy of disadvantaged segments of the society and increasing their access to financial products, and to transparently report on those targets.



Yapı Kredi United Nations Principles for Responsible Banking Reporting Index can be found on pages 576-587 of the Report.

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, being a signatory of the 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 investor 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.



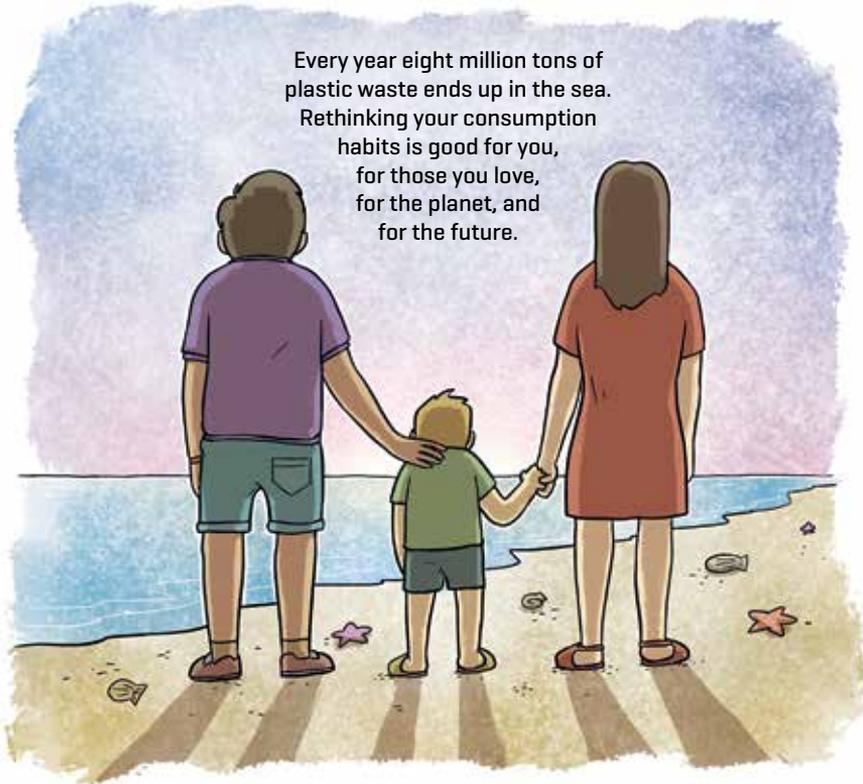
Communication methods with stakeholder groups can be found at <https://www.yapikredi.com.tr/en/sustainability/our-sustainability-approach/stakeholders-and-collaborations>

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 / TURK-TRADE
- 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
- Women's Empowerment Principles / WEPs

Risk Management

Every year eight million tons of plastic waste ends up in the sea. Rethinking your consumption habits is good for you, for those you love, for the planet, and for the future.



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, Yapı Kredi takes steps to establish an effective risk management structure and risk culture.

Risk management is carried out by 96 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 in-

ternational 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 two different areas, namely credit risk and market risk.

Yapı 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.

Emerging Risks

CLIMATE CRISIS

Description

The Sixth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) released in 2021 highlighted extraordinary weather events, hot extremes, water scarcity and ecosystem degradation to be sustained by the planet once global temperature rise exceeds 1.5°C above pre-industrial levels. Scientists pointed at the urgency of the matter and established that average temperature rise might exceed 2°C between 2041 and 2060 based on scenario analyses, and that it might exceed 3°C between 2081 and 2100. In this context, management of near-term, mid-term and long-term physical and transition risks stemming from climate crisis became all the more important, and national and international regulators took certain actions for climate crisis management. These developments display that regulators and capital markets in Turkey define climate crisis as an important issue on the axis of market stability and investors.

Impact of Risk

Business world and the regulators in Turkey, which ships nearly half of its exports to the European Union (EU), initiated work in relation to the potential implications of the European Green Deal announced in 2019 by Ursula von der Leyen, President of the European Commission. The Bank classifies its climate risks and opportunities in two categories: physical and transitional risks. In this context, the Bank defines extreme weather events, hot extremes, climate-change related national and international regulations, stakeholder expectations, market expectations that change with the low-carbon transition, and emerging new technologies as climate-related risks and opportunities. In this framework, impacts of potential risks are determined as follows:

Acute physical risk – Increased severity and frequency of extreme weather events such as cyclones and floods: According to the flood map of the Disaster and Emergency Management Presidency (AFAD – Turkey), Northeastern Anatolia Region is more prone to recurrence of flood events. However, a study of the map, which shows that morbidity rates are scattered across all regions of Turkey, suggests that impacts may be high even in the case of a low-possibility disaster. Yapı Kredi has 804 branches in all regions of Turkey. It is forecasted that the Bank's operational continuity might be affected in case of inundation.

Chronic physical risk – Average temperature rises: Yapı Kredi's lending activities are in Turkey, which is located in the Mediterranean Basin that will be substantially affected by rising average temperatures. Potential capacity outages of hydroelectric power plants financed by Yapı Kredi might increase the credit risks of these projects and affect corporate and commercial banking operations of Yapı Kredi.

Risk Management

Transition risk – Increased Credit Risk: Companies engaged in exports will likely be remarkably affected by the new regulatory frameworks, primarily the European Green Deal. These new regulations will impose additional costs for companies operating in carbon-intensive sectors. These costs might negatively affect the financial performances of companies, which might possibly lead to increased probability of default.

The impacts of physical and transition risks arising from Yapı Kredi's operational activities are measured using Environmental Impact Assessment. The Risk Department monitors certain Key Risk Indicators (KRIs) to manage operational risks, while the Compliance Department follows up all regulatory changes including the Environment Law and other related regulations. As a result of the Environmental Impact Assessment and monitoring efforts, activities likely to give rise to financial, reputational, operational or legal risks are defined as climate change-related activities with financial and strategic implications.

Mitigation Actions

As part of the combat against climate change, Yapı Kredi calculates and obtains verification of its Scope 1 and Scope 2 GHG emissions from its operations in accordance with the ISO 14064 standard. Fundamental approaches to climate-related risks are addressed also in the Reputational Risk Policy and Lending Policies that are approved by the Board of Directors. Risky areas and matters related to sensitive sectors (companies and establishments with a high environmental impact, nuclear energy, mining and thermal power plant industry, water infrastructure and dam industry etc.) are defined by the reputational risk management general principles, and are also assessed within the scope of the Environmental and Social Risk Assessment (ESRA) system. With the lending policies revised in 2021, the Bank declared that it will not finance new greenfield coal-fired thermal power plants and new coal mining projects. As part of the combat against climate change, Yapı Kredi pledged in July 2021 to set emissions reduction targets within the frame of the "Business Ambition for 1.5°C" initiative of the Science Based Targets Initiative (SBTi). Accordingly, Yapı Kredi launched a project under the Koç Holding Carbon Transition Program to calculate its Scope 3 emissions arising from its loan portfolio. The Bank's Scope 3 emissions reduction targets will be set based on this project, and Scope 1 and Scope 2 emissions reduction targets will be revised according to project outputs. The ultimate goal is to achieve net zero in Scope 1, Scope 2 and Scope 3 emissions combined by 2050.

Yapı Kredi analyzed the climate risks that it considers within the scope of physical and transition risks across its entire loan portfolio, and thus carried out its first task in this respect.

Individual loans bear solely physical risks associated with the position of collaterals and retail customers. Because of this reason, individual loans were not subjected to transition risks assessment. Corporate, commercial, SME and project finance loans, on the other hand, bear both physical risk and transition risks. For corporate loans, location of operations and collaterals constitute the physical risks, whereas physical risks for project finance is associated with the project location. The sectors and sub-sectors in which corporate customers operate embody transition risks. Determination of physical risks and transition risks are critical for reducing the carbon intensity of the loan portfolio. When classifying the transition risks of diverse sectors, Yapı Kredi has considered different frameworks including the United Nations Environment Programme – Finance Initiative (UNEP FI) Transition Heatmap and Environmental Risks Heatmap of the Moody's rating agency. Along this line, five different risk rating categories were defined for the diverse sectors that present a credit risk for Yapı Kredi, which are very low, low, medium, high and very high. Yapı Kredi measured the existing climate risks by implementing the methodology it has announced in line with its target to reduce the carbon intensity of its portfolio in order to support the transition to a sustainable economy. In the upcoming period, the Bank aims to render the climate risks measurement and reporting a part of its credit risk assessment processes.

While the Bank uses its Environmental and Social Risk Assessment Model compliant with the current regulations to mitigate the impacts of transition risks, it utilizes shadow carbon pricing and measures the impacts of transition risks using this method, with the aim of achieving alignment with the European Green Deal, Carbon Border Adjustment Mechanism, and other regulatory frameworks that might be enforced in the future for mitigating climate change impact. Furthermore, this pricing system is also employed when assessing the Bank's renewable energy investments and purchasing of renewable energy for its operational activities.

Business Sustainability through the Pandemic

Definition

Having started in March 2020 and declared a pandemic by the World Health Organization (WHO), Covid-19 is an extremely important risk factor for all world countries socially, economically and psychologically, as much as it is for physical health.

Impact of Risk

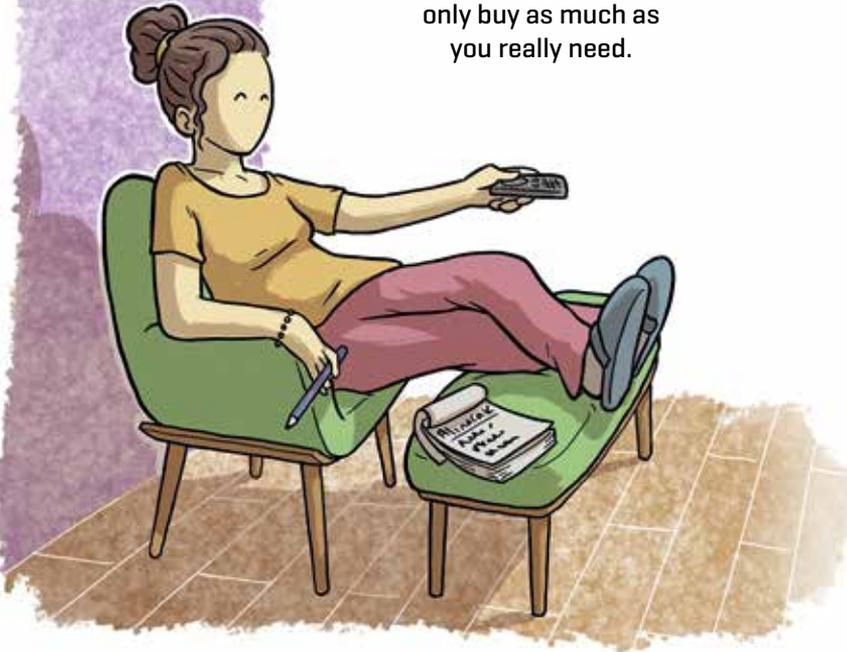
Covid-19 is an extremely important risk factor for all world countries socially, economically and psychologically, as much as it is for physical health. Businesses must prepare as necessary to quickly adjust to the situation and successfully manage the process so as to get through the crisis with minimum damage. This process compels creating new working and business models, developing emergency action plans, re-review employee benefits, re-tackle risk factors and revise operational activities in order to ensure business sustainability.

Mitigation Actions

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, which remained in place throughout the duration of the pandemic. The Bank quickly shifted to the home-based working model and sanitation measures were applied painstakingly. Amid the economic uncertainty and stagnant market environment caused by the Covid-19 pandemic, actions were taken to keep Yapı Kredi's profitability at projected levels and to preserve the Bank's asset quality. 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.

Risk Management

Before you go shopping, stop and think: Do you really need to or not? If “no”, sit back and enjoy yourself. If “yes”, make a list and only buy as much as you really need.



Risk Culture at Yapı 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. In order to establish a common risk culture across its subsidiaries, Yapı Kredi acts with the principle of maximum compliance in relation to

risk management activities. It provides the necessary coordination in keeping with its responsibility for ensuring effective risk management commensurate with the structure, complexity and risks of the Bank and its subsidiaries.

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.

Lending policies, which reflect the Bank's asset quality, effective risk management and regulatory compliance strategy, are reviewed regularly on an annual basis. Lending 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.

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. This ratio, which is approved every year by the Board of Directors, and which is closely monitored as to its conformity to threshold levels, was 147% on average on consolidated basis in the third quarter of 2021.

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. Internal rating models used for measuring credit risks is devised in accordance with the requirements of the "Communiqué on Calculation of the Risk Weighted Exposure Amount for Credit Risk by Internal-Ratings Based Approaches" published by the Banking Regulation and Supervision Agency (BRSA). Yapı Kredi submitted these internal rating models it has developed to the BRSA seeking its opinions within the frame of the Advanced Rating Based (A-IRB) approach. The internal rating models Yapı Kredi developed within the scope of A-IRB approach has been approved by the BRSA, which made Yapı Kredi the first bank in Turkey to have received clearance within the frame of A-IRB

approach. Upon the BRSA approval, the Bank has been calculating its capital adequacy ratios using the A-IRB approach from 30 June 2021.

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

Risk Management

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 and Sustainable Finance (on pages 86-93).

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.

Monthly reports prepared for analysis and monitoring of credit concentrations at the Bank with respect to sectors, currencies, countries, geographical distribution etc. and for taking action as necessary are regularly shared to be used by sales/marketing and credit allocation departments, as well as by compliance, internal control and risk management units. The reporting is intended to analyze the Bank's credit portfolio for avoiding the concentration risk through monitoring

of the performance of the credit portfolio, and to ensure that necessary actions are taken. In addition to that, the Bank has introduced the group-based threshold value methodology, according to which credit concentrations at large groups are monitored and reported to the senior management regularly.

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 2021, 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 systemic, supplier-originated, catastrophe-caused and similar 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.

Operational risks are quantified as per Basel-II's advanced measurement methods. 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. Operational risk limits are determined within the frame of the risk appetite, approved by the Board of Directors, and monitored through-

out the year. Risk assessment of support services, outsourced 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 and business continuity activities are periodically presented to the Audit Committee, Executive Board and the Board of Directors.

Yapı Kredi also considers environmental, social and climate change risks in addition to other risk factors within the scope of operational risk and business continuity management. These risks are intended to be detected, measured, mitigated through action, and reported.

Reputational Risk

The Reputational Risk Management Policy that went into effect in 2013 to define the set of fundamental principles and procedures for controlling, measuring and mitigating reputational risks is updated annually in view of legal and internal standards. The latest

revision took place in 2021. 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 sectoral norms in conformity with lending policies and relevant international standards.

Yapı Kredi also considers environmental, social and climate risks in addition to other risk factors, within the scope of reputational risk management. Reputational risk management general principles entail sectors bearing environmental and social risks, sectoral norms, international standards, best practices, mining, coal mining, coal-fired thermal power plants, nuclear energy industry, hydroelectric power plants, dam industry and water infrastructure, agricultural industry, strategies for reducing carbon footprint and supporting renewable energy, and fundamental approaches to climate risks. Risk exposure in these areas are defined, monitored and reported to senior management using risk/performance indicators.

Market Risk

Market Risk refers to the risk exposure of the Bank resulting from the fluctuations in the market, particularly in interest rates, exchange rates, credit spread, equity and commodity prices due to the positions followed up in the trading portfolio.

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 Policy and its appendices, as well as in the Policy for Inclusion in Trading Accounts. The Financial Markets Policy and its appendices are updated at least annually in line with the new regulatory and internal arrangements, the needs of business units and the annual budget, and provide guidance to market risk measurement, limiting and monitoring functions.

Steering all treasury operations and market risk management functions of Yapı Kredi, the Financial Markets Policy

and its appendices set out the competencies and procedures in the relevant area, and also cover all detailed provisions governing these areas. The Policy is primarily 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 guaranteed that all positions carried by Yapı Kredi conform to the limits set out in the Policy and its appendices.

The limit system regarding Treasury Management and Market Risk activities covers all factors associated with the market risk, and additionally, the organizational structure and the list of approved treasury products and approved intermediary agencies/platforms. 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 policy are taken. Regula-

Risk Management

tory and economic capital requirement is calculated and monitored regularly within the scope of market risk.

Financial Investment Risk

Financial investment risk stems from the subsidiaries that take place in the Bank's or the group's balance sheet or from items arising from equity stocks not included in the trading accounts. Financial investment risk is used to determine the risk specific to stock. Equity investment portfolio basically consists of listed and unlisted stock/subsidiaries, equity-backed derivatives, private equity, investment trusts, 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 is monitored and reported to related units on a quarterly basis so as to incorporate unconsolidated and consolidated results.

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 face suddenly and it 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 informa-

tion 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 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.

The Bank addresses country risk management from two diverse angles. The first one is the risk appetite limits and approval authorization levels involved in risk management assessment, and the second one is the country credit limits allocated to countries with the financial institutions perspective and associated workflows.

Country credit risk appetite refers to the maximum risk the Bank targets to assume, which is determined by the Board of Directors. These risk levels are determined based on the ratio of the total risk computed on the basis of country of customer's residence and risk for countries classified according to their ratios to the Bank's capital. Actualizations of defined risk appetite limits are monitored and reported monthly.

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

Risk Management

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 e-mailed 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 2021, 335 hours of training was provided to 1,115 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-agree-

ment status with the third parties, and related provisions are incorporated in the agreements executed with third parties. In 2021, no anti-bribery and anti-corruption incidents involving third parties occurred; and there are no companies whose contracts were revoked on such grounds.



Yapı Kredi Anti-Bribery and Anti-Corruption Policy can be found on the following link:

https://www.yapikrediinvestorrelations.com/en/images/pdf/codeofethicsandpolicies/2022/Anti-Bribery_and_Corruption_Policy.pdf?v2

Environmental Risks

Recognizing the transformative power of financing on the real sector, Yapı 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.



Detailed information about environmental risks can be found in the Climate Crisis section [on pages 58-61] of the Report and in the Responsible and Sustainable Finance section [on pages 86-93].

Technology Risks and Opportunities

The banking sector, which is one of the sectors that invest the most in technology, is also among the sectors that are exposed to the risks brought by technology and digitalization and seize the 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. Besides its Turkish version, Yapı Kredi Human Rights statement has also been translated into English and local languages of the countries where operations are pursued to ensure access by subsidiaries. Yapı Kredi Human Rights Statement is regularly reviewed, and updated as and when deemed necessary. Furthermore, Yapı Kredi is also a signatory to the 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 2021, 3,342 employees received 1,003 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 on the following link:

https://www.yapikrediinvestorrelations.com/en/images/pdf/ethical-principles-and-policies/yk_human_rights_statement_and_appendices.pdf

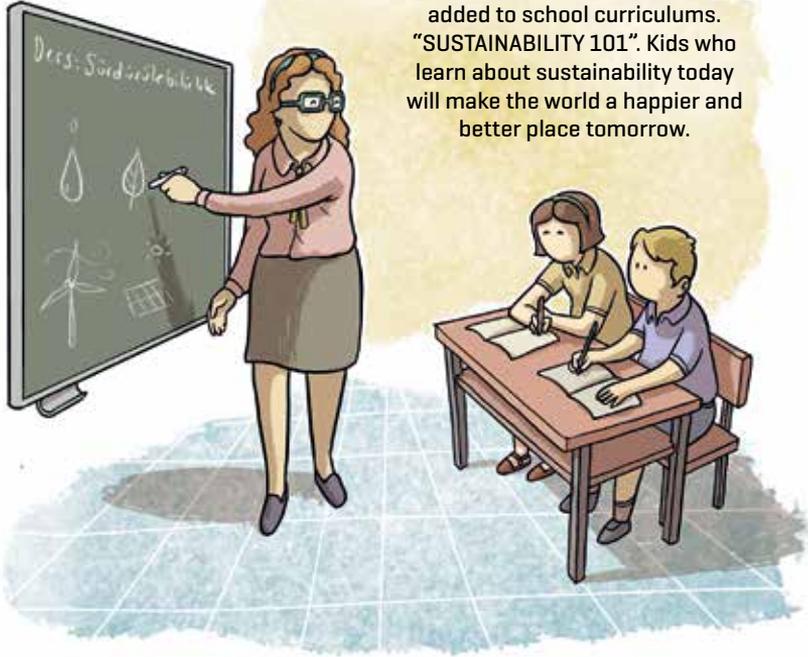


Yapı Kredi Responsible Procurement Policy can be found on the following link:

https://www.yapikrediinvestorrelations.com/en/images/pdf/ethical-principles-and-policies/yk_responsible_procurement_policy.pdf

Responsible and Sustainable Finance

Like the proverb says: “As the twig is bent, so grows the tree.” Equal access to education is the right of every child. There is one critical course that needs to be added to school curriculums. “SUSTAINABILITY 101”. Kids who learn about sustainability today will make the world a happier and better place tomorrow.



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 its stakeholders and create value for all the segments of society. The Bank’s principal approach to sustainability is erected on adopting a sensitive attitude towards social and environmental matters while achieving economic development and growth, and creating permanent value for every aspect and stakeholder. Sustainability lies right at the heart of the Bank’s business culture and philosophy.

Given the huge responsibility that 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 from the projects and investments it finances.

Yapı Kredi is the third largest private bank in Turkey. In its operations, the Bank focuses on achieving growth enabled by solid steps and on contribut-

ing to the economy. The Bank contributed TL 564 billion to the sustainable growth of the Turkish economy through the loans extended in 2021.

Yapı Kredi has espoused the responsible finance approach in order to support the combat against environmental, social and governance (ESG) issues including the climate crisis, and to increase its contribution to Turkey’s sustainable development. The Bank reviews its existing business processes within this context, and reformulates them in parallel with the current ESG trends, changing regulatory framework, its pledges to international sustainability initiatives, and stakeholder expectations. To this end, Yapı Kredi carries out various activities within the scope of risk assessment processes, lending policies, reduction of its environmental footprint arising from its lending, and new financial product development efforts. The Bank transparently discloses these activities to all its stakeholders within the scope of international sustainability initiatives and reporting standards.

In the upcoming period, Yapı Kredi will carry on with its transparent communication and pioneering initiatives in relation to sustainable finance within the frame of its responsible banking notion. Accordingly, the Bank will remain adhered to its roadmap created for the fulfillment of its pledges to international sustainability initiatives it supports. In this respect, the Bank has set it as a key goal to increase the diversity and volume of its sustainable finance products. In addition, actions planned for attaining the carbon emissions reduction targets associated both with its operational activities and lending strategies occupy significant place on the Bank's agenda.

Increasing the diversity and volume of sustainable finance products is among the key factors in the low-carbon transition process. To this end, Yapı Kredi works to increase the number of its sustainable finance products targeted at its customers in the retail and corporate segments. The Bank aims

to set strategic targets for increasing the share of these products in its credit portfolio. In relation to sustainable finance products, the Bank also targets to ensure its customers' capacity-building and thus be instrumental in financing the transformation.

Collaborations with international financial institutions bear great importance for the Bank for channeling funding sources to sustainability-linked areas. With respect to external borrowings, the aim of the Bank is to increase the number and volume of facilities tied to sustainability criteria. As Yapı Kredi augmented its support to green transformation through sustainability-linked

INCREASING THE DIVERSITY AND VOLUME OF SUSTAINABLE FINANCE PRODUCTS IS AMONG THE KEY FACTORS IN THE LOW-CARBON TRANSITION PROCESS.

financing deals secured in the international arena during 2021, the trust held in the Bank was affirmed a number of times. Detailed information about sustainability-linked external borrowings in 2021 can be found in the Financial

Institutions and International Debt and Capital Markets sections of the report on pages 144-145.

In addition to these activities, by way of a transformation project in the making, Yapı Kredi aims to contribute to the internalization of sustainability and to trigger this transformation. In this context, it seeks to create a sustainability ecosystem paralleling the needs of the society and its customers. Hence, as it works towards a sustainable world as an organization, it also targets to transform its stakeholders into active players dealing with this issue. The Bank plans to activate transformation across a broad base by extending sup-

port to individuals and organizations in an effort to enrich the culture of sustainability.

Task Force on Climate-Related Financial Disclosures

As part of the combat against global climate crisis, Yapı Kredi joined among the companies supporting the Task Force on Climate-Related Financial Disclosures (TCFD) in January 2021.

Responsible and Sustainable Finance

According to 2021 results of the Carbon Disclosure Project (CDP), the world's largest environmental reporting platform, Yapı Kredi was obtained a score of A- in the CDP Water Security Program and a score of B score in the CDP Climate Change Program.

Carbon Disclosure Project (CDP)

According to 2021 results of the Carbon Disclosure Project [CDP], the world's largest environmental reporting platform, Yapı Kredi was obtained a score of A- in the CDP Water Security Program and a score of B score in the CDP Climate Change Program. With the a score of A- earned in the CDP Water Program, Yapı Kredi has been the only financial institution to be granted the Water Leader Award in Turkey.

Science-Based Target Setting Pledge

Yapı Kredi joined the Business Ambition for 1.5°C platform of the Science Based Targets Initiative in July 2021 and pledged to set its emissions reduction targets for limiting global warming to 1.5°C.

While the Bank works on reviewing and revising its target to reduce its Scope 1 and Scope 2 absolute carbon emissions by 76% and 100% by 2030 and 2035 respectively as compared to 2019 base year, it also carries on with efforts to calculate the emissions arising from its credit portfolio and to set the reduction target for these emissions under the project it has launched within the framework of Koç Holding's Carbon Transition Program. In this framework, Yapı Kredi intends to determine its medium- and long-term emissions reduction targets in alignment with the net zero target by 2050 across the Koç Group. In keeping with these targets, the Bank aims to set its strategy for the transformation of its loan portfolio, upon which its lending policies will be reformulated accordingly.

Climate Risks Analysis of the Loan Portfolio

Yapı Kredi aims to become carbon neutral by 2050. To this end, the Bank envisages to gradually decrease the lending to customers/projects with high climate risks and to reduce the carbon intensity in its portfolio.

In 2021, Yapı Kredi conducted the first climate risk assessment on its entire loan portfolio. With this analysis, the first steps were taken for analyzing the climate risks existing in the Bank's portfolio with respect to physical and transition risks, and the basis of Yapı Kredi's future strategy and targets were revealed in relation to climate risks management. In the next step Yapı Kredi aims to integrate climate risks into all stages of the credit risk assessment processes and models.

The ESRA System

Yapı Kredi launched the Environmental and Social Risk Assessment (ESRA) System within the scope of the Sustainability Management System it has established in 2017.

The ESRA system continues to be implemented with updates to its content and scope. 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 at the address https://www.yapikrediinvestorrelations.com/en/images/pdf/codeofethicsandpolicies/2020/yk_environmental_and_social_policy.pdf

At Yapı Kredi, the ESRA System is executed by an expert team under the Credits Management Department. A member of the Sustainability Committee, the Assistant General Manager of Credits is responsible for the execution of the system. The effectiveness of the ESRA System is closely monitored through internal audits and regular training given primarily to portfolio managers and to all teams responsible for the implementation of the model. Portfolio managers at all branches and all other related teams receive training about the implementation of the ESRA System. During the reporting period, all related internal employees received a total of 546 hours of training regarding the utilization of the ESRA System.

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.

In order to align the scope of the ESRA System with the Equator Principles, improvements were made in 2021 with reference to the national legislation, the International Finance Corporation's Performance Standards (IFC PSs) and the Equator Principles.

In keeping with its efforts in relation to low-carbon transition and combating climate change that make up its material topics, and with its target to minimize environmental risks, Yapı Kredi has declared not to finance greenfield coal-fired thermal power plants and new projects engaged in coal mining as per its new policies revised in 2021 and included these activities in its Exclusion List covered within its Environmental and Social Policy.

During 2021, investment and project finance loan requests with an investment amount of USD 10 million and

YAPI KREDI LAUNCHED THE ENVIRONMENTAL AND SOCIAL RISK ASSESSMENT (ESRA) SYSTEM WITHIN THE SCOPE OF THE SUSTAINABILITY MANAGEMENT SYSTEM IT HAS ESTABLISHED IN 2017.

Responsible and Sustainable Finance

Criteria for independent consultants' selection and control definitions in relation to the investments are clarified and incorporated in the ESRA System's implementation processes.

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.

Under the ESRA System, investments are examined within the scope of various international standards in a number of respects such as key sensitive areas, cultural heritage, resettlement of affected population, natural resource consumption, stakeholder engagement, environmental and social management systems, community health and safety, media and community objection, as well as national Environment and OHS legislation. Based on the outcome of the assessment performed using sector-specific question sets, the relevant investment's associated risk category is determined, action and monitoring plans corresponding to this classification are created in cooperation with the investor, and oversight of these actions is carried out under the supervision of independent consultants in the event that the investment is found to be a high-risk one. Criteria for independent consultants' selection and control definitions in relation to the investments are clarified and incorpo-

rated in the ESRA System's implementation processes.

The evaluated investments are classified into four categories according to their risk levels: high risk [Category A], medium high [Category B+], medium low [Category B-] and low [Category C]. Risk categories are briefly 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 a high number of adverse environmental or social risks and/or impacts that are generally localized to the project area, largely reversible and already subject to mitigation measures

Category B-

Business activities that have a small number of adverse environmental or social risks and/or impacts that are 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

If environmental and social actions against, and necessary monitoring activities for, the potential risks involved in the projects are deemed necessary to monitor all environmental and social issues associated with investments categorized under Risk Category A or B+/- depending on the classification, independent consultants that are deemed to be adequate in their respective fields by Yapı Kredi are engaged.



Further information about the ESRA System can be found at the address

<https://www.yapikredi.com.tr/en/sustainability/sustainability-activities/environmental-impact/environmental-and-social-risk>

Each year, Yapı Kredi reports the implementation results in connection with the ESRA System and discloses them within one month following the end of the related operating year. The results are presented every year to the Sustainability Committee. 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.

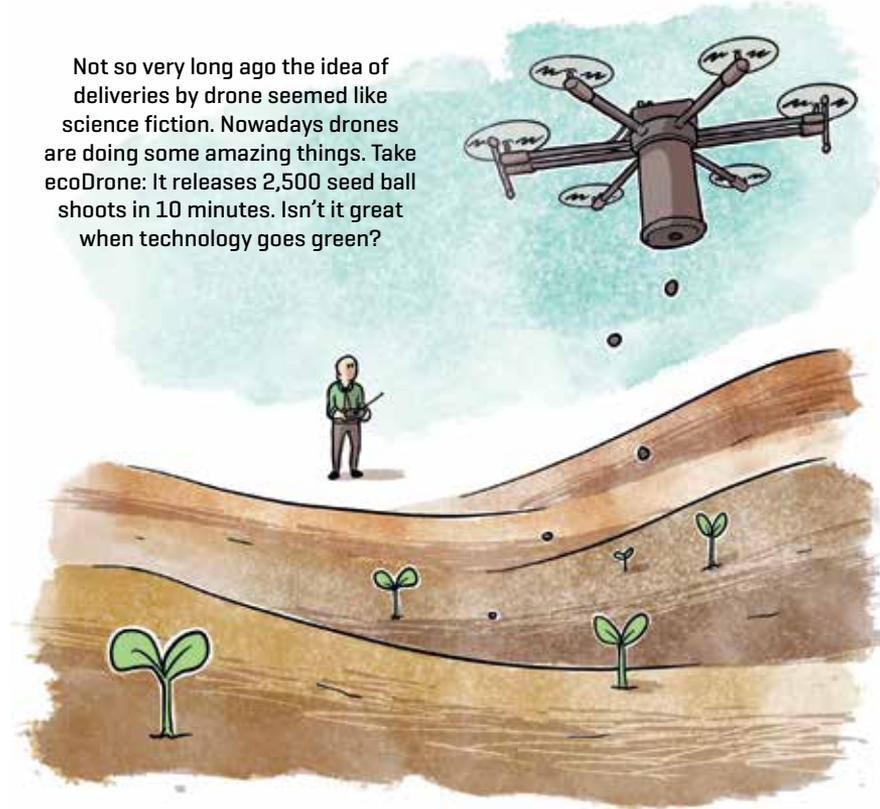
During 2021, 22 investments were assessed within the scope of the ESRA System; these investments were allocated a total credit line of USD 685.3 million as at December 2021.

In 2021, no projects were rejected on account of noncompliance with the Environmental and Social Policy or being included in the Exclusion List.

The distribution of the projects evaluated within the scope of the ESRA System in 2021 by categories is as follows:

Risk Category	Total Investments Assessed
	7
B+	-
B-	4
C	11

Not so very long ago the idea of deliveries by drone seemed like science fiction. Nowadays drones are doing some amazing things. Take ecoDrone: It releases 2,500 seed ball shoots in 10 minutes. Isn't it great when technology goes green?



Responsible and Sustainable Finance

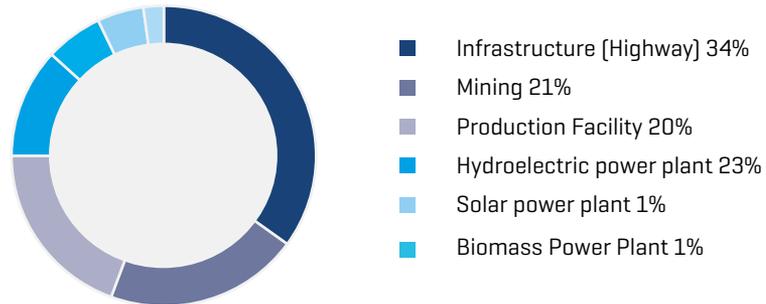
The Bank's targets with respect to Environmental and Social Sustainability for 2022 are outlined below:

- Completion of the project for automation and systemic monitoring of the ESRA System,
- Upon automation of the ESRA System, updating internal ESRA trainings for enhanced corporate awareness,
- Achieving improvement and development of ESRA System reporting.

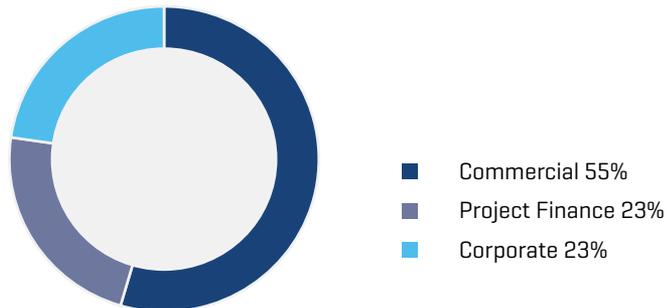
Projects Assessed within the Context of ESRA System in 2021

Sectoral Breakdown		Investment Amount Subject to Assessment (USD million)
Infrastructure		233.8
Mining		141.9
Production		138.3
Renewable Energy	Hydroelectric Power Plant (HEPP)	158.1
	Solar Power Plant (SPP)	4.7
	Biomass Power Plant (BPP)	8.5
TOTAL		685.3

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



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



Sustainable Finance

When considered in connection with the indirect impact generated by the financing made available to the business world, the finance sector operates in an extensive domain. Because of the transformative power it has, the sector also bears critical responsibilities in relation to sustainability. Defining and reporting its impact and targets with this awareness and on the basis of a transparent process, Yapı Kredi prioritizes the financing of the green and sustainable projects needed by the real sector. While assuming responsibility for green and sustainable transformation, the Bank assists its customers with their transitions to sustainable business models.

In this context, Yapı Kredi offers financial solutions to sustainable development issues with its many products and services such as sustainability-linked loans, renewable energy and energy efficiency loans, Nature-Friendly Mortgage and Nature-Friendly Auto Loans.

On the other hand, encouraging its customers to take action for sustainability, Yapı Kredi sets certain targets associated with the customers' sustainability performances independent from the area where the loan will be utilized in sustainability-linked loans extended to corporate and commercial customers. Advantages are offered in loan conditions if these targets are achieved during the loan's term.

Yapı Kredi supports its customers' sustainability transformations with its communication campaigns conducted, as well as the products and services developed to support their sustainability journeys. The Bank contributes to enhancing its customers' awareness, consciousness and knowledge about sustainability through various communication channels that include live streaming, webinars, podcasts, interviews featured in the media, news and publicly disclosed reports.

Yapı Kredi Asset Management Clean Energy Variable Fund

Having launched Yapı Kredi Asset Management Clean Energy Variable Fund, Yapı Kredi resolutely sustains its support to energy efficiency, renewable energy and other low-carbon energy resources with the products and services it has developed. Investing in the capital market instruments issued domestically and abroad by companies operating in the capacity of producer, developer, distributor and founder in sustainable and alternative energy technologies, Yapı Kredi Asset Management Clean Energy Variable Fund targets to generate returns by investing in companies that might contribute to the transformation process in the global energy industry.

Nature Friendly Mortgage

Yapı Kredi introduced Nature Friendly Mortgage product to help raise increased awareness of energy saving. The Nature Friendly Mortgage offers 50% exemption in credit allocation fee specifically to houses holding Class A or B Energy Identification Document.

Nature Friendly Auto Loan

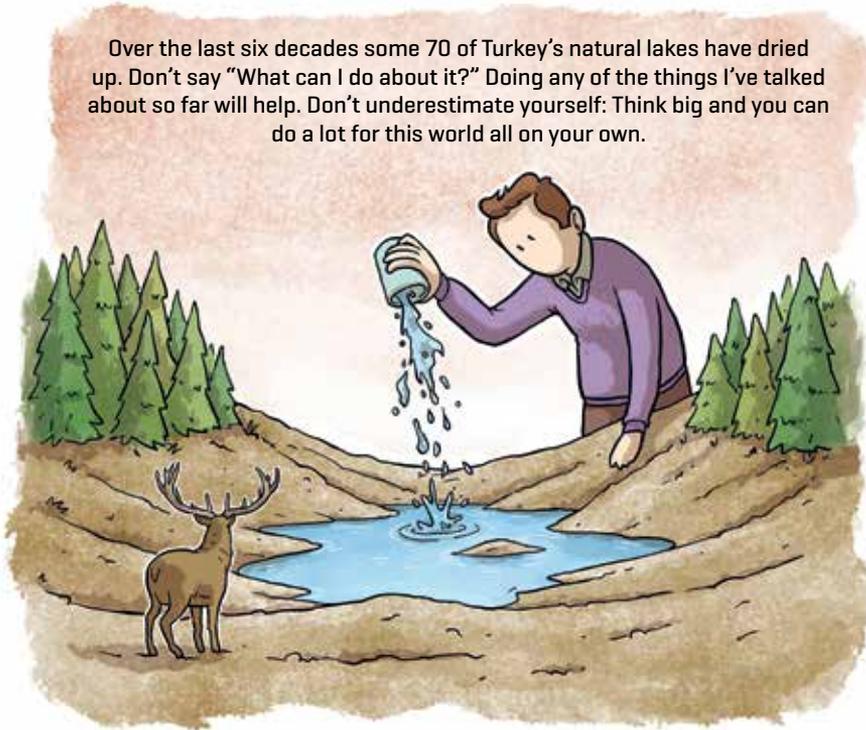
Extending support to its customers' sustainability journeys with the Nature Friendly Auto Loan, Yapı Kredi presents attractive interest rates specifically for electric and hybrid vehicles and grants 50% discount in credit allocation fee.

Rooftop Solar Power Systems Financial Leasing

Under an unprecedented collaboration in the sector with Arçelik Solar Power, Yapı Kredi Leasing offered the consumers the possibility to purchase rooftop solar systems with up to 18 month installments. Under the financing model developed, without having to deal with any formalities, a user chooses the package that best fits him/her out of eight packages created for any kind of structure such as home, summer home, office, business place or gas station, and can access green energy with the set installment options. Under this financing model, anyone wishing to switch to the nature-friendly rooftop solar power systems can have turnkey access to green energy.

Environmental Impact

Over the last six decades some 70 of Turkey's natural lakes have dried up. Don't say "What can I do about it?" Doing any of the things I've talked about so far will help. Don't underestimate yourself: Think big and you can do a lot for this world all on your own.



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 performs environmental reporting annually.

Yapı Kredi Environmental Management System

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 Culture Arts and Publishing [YKKSYS], Yapı Kredi Asset Management and Yapı Kredi Invest. Yapı Kredi buildings home to nearly 32% of the employees of the Bank and the Bank's affiliated domestic subsidiaries, possess ISO 14001 Environmental Management System Certification. 14001 Environmental Management System Certification is planned to be broadened to cover all branches in İstanbul where approximately 15% of the employee body works, so as to increase the total coverage to locations where 47% of all employees operate.

At Yapı Kredi, ESG initiatives are managed by the "Operational Environmental Impact Working Group" that reports to the Sustainability Committee. At senior management level, Process and Program Management Group Director, which directly reports to the Assistant General Manager of Technology Data and Process Management, is responsible for ESG.

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.

Effective management of environmental performance by targets

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

Yapı Kredi applies shadow carbon pricing when evaluating its renewable energy investments and renewable electricity purchase for its operations.

Performance assessments against the set targets are reviewed and evaluated within the frame of the outcomes of internal audits conducted at least once a year and management reviews performed at 6-month intervals. 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 Bank's investments, outlays, and donations associated with the protection of the environment amounted to TL 4.25 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

The climate crisis is a global agenda item that poses a high risk for numerous sectors including the banking sector. The greatest impact the banking sector has on the environment occurs in the projects that are financed by way of lending activities. Yapı Kredi manages its indirect environmental impact resulting from its lending activities 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 2021, the ISO 14064-1 recertification was carried out, which covered 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.

Aiming at carbon neutrality by 2050

Yapı Kredi applies shadow carbon pricing when evaluating its renewable energy investments and renewable electricity purchase for its operations. In line with its target to become carbon neutral by 2050, Yapı Kredi sets

targets for reducing its Scope 1 and Scope 2 absolute carbon emissions. As the first step to achieve this, the Bank aims to offset its Scope 2 emissions by purchasing renewable electricity. Since there is no carbon pricing system in place in Turkey at present, shadow carbon price is regularly monitored and updated to track the costs that will be generated for these purchases. Possible regulatory framework pertaining to emissions trading system and studies that will form the basis therefor are also monitored by Yapı Kredi.

Target to create sustainable value in syndicated loan facilities

Yapı Kredi linked the syndicated loan facilities realized in 2021 to sustainability criteria in keeping with its target of creating permanent sustainable value before all its stakeholders. The sustainability performance targets defined for these loans incorporate goals for increasing the Bank's purchase of electricity sourced from renewables and improvement of its Environmental, Social and Governance [ESG] Risk Management score.

During 2021, as part of the efforts to combat the global climate crisis and as per the syndicated loan targets, Yapı Kredi supplied the portion of 33,668 MWh of its electricity need for all its service locations from renewable resources, which produced a

Environmental Impact

Besides syndications, Yapı Kredi set performance criteria targeting betterment of GHG emissions levels in the sustainability-linked repo transaction carried out with one of the world's leading banks, Bank of America.

CO₂e reduction of around 16 thousand tonnes. In addition to that, transition to energy-efficient lighting systems and energy-efficiency implementations have been instrumental in avoiding 869 tCO₂e. Electricity consumed by the Bank's subsidiaries, namely Yapı Kredi Faktoring, Yapı Kredi Leasing, Yapı Kredi Culture Arts and Publishing [YKKSŞ], Yapı Kredi Asset Management and Yapı Kredi Invest, were supplied from renewable resources in their entirety [1,354 MWh], avoiding 631 tCO₂e. The Bank's and its subsidiaries' energy efficiency and renewable energy procurement projects will be ongoing in the years ahead.

Besides syndications, Yapı Kredi set performance criteria targeting betterment of GHG emissions levels in the sustainability-linked repo transaction carried out with one of the world's leading banks, Bank of America.

CDP Climate Change Program

Since 2016, Yapı Kredi transparently discloses its climate change and water management strategy, performance, and targets to its stakeholders within the scope of the CDP Climate Change Program. Yapı Kredi was assigned a score of B in the Climate Change Program.

Sustainable Branch Initiative

Under a collaboration with Yapı Kredi Leasing and Arçelik, the Bank converted Yapı Kredi Bodrum Branch into a "Sustainable Branch". With solar panels installed on its rooftop, the branch supplies 17% of its electricity consumption from renewable energy. The electric vehicle that will be allocated to the branch will use the electric vehicle charging station that will be powered by the solar panels.

Science Based Targets Initiative

In July 2021, Yapı Kredi joined the Business Ambition for 1.5°C platform of the Science Based Targets Initiative (SBTi) and pledged to set its emissions reduction targets for limiting global warming to 1.5°C.

Accordingly, the Bank started working towards its target to reduce its Scope 1 and Scope 2 absolute carbon emissions by 76% and 100% by 2030 and 2035 respectively as compared with 2019 base year. As per the environmental targets set for 2022, the Bank aims to pave distance towards becoming carbon neutral by reducing its emissions by 100% by shifting to technologies with lower carbon emissions in a bid to reduce its emissions arising from its operations, developing energy efficiency action plans, and buying carbon credits for its unavoidable emissions.

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.

Target to broaden the coverage of the Direct Water Footprint Certification

Within the frame of its environmental goals for 2021, the Bank has renewed its ISO 14046 Direct Water Footprint Certificate. 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. In this frame, the Bank plans to expand the Direct Water Footprint Certificate held by five Head Office and service buildings to all its branches in İstanbul.

The Bank's efforts continued for efficient and effective management of water resources in 2021. Potable water treatment units were put into use 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 Darica Administrative and Archive buildings, well water, rainwater and drainage water from buildings continued to be collected and used for landscape irrigation. Under this initiative, rainwater and well water is used for irrigation instead of mains water. In 2021, a rainwater harvesting project was initiated at the Banking Base facility.

CDP Water Sector Leader

Since 2018, Yapı Kredi has been reporting its water security and management strategy, performance, and targets within the scope of CDP Water Security Program. Having received CDP Turkey 2020 Water Leader award, the Bank was assigned A- [Leadership] score also in the CDP 2021 Water Security 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 Water Security 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.

Zero Waste Project

During 2021, under the Zero Waste Project, wastes were sorted at the head office buildings in accordance with the Zero Waste Regulation. In addition to the Banking Base facility, Plaza Building D also earned the Zero Waste Certificate in 2021. It is planned to extend the coverage of the Zero Waste Certificate held by the two head office buildings to all branches in Istanbul. 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.

Yapı Kredi attaches great importance to ensure that its hazardous waste resulting from its operations is recycled employing the correct methods. In this framework, 242 tons of hazardous and 906 tons of non-hazardous waste have been recovered and recycled for a total of 1,148 tons of waste in 2021.

Paperless transaction and digitalization

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, 113 million sheets of paper was saved annually in 2021, saving 9,605 trees from being cut.

During 2021, more than 829 tonnes of paper and paper packaging, more than 16 tonnes of plastic and plastic packaging, more than 5 tonnes of glass packaging and glass waste, and 46 tonnes of metal packaging and metal waste were collected for recycling across the Bank. The waste collected avoided more than 152 tonnes of

GHG emissions, saved approximately 23,200 cubic meters of water and 14,085 trees.

Supply Chain Environmental Impact Management

Besides managing the environmental impacts of its operational activities, Yapı Kredi monitors the impact its customers and suppliers that make up the value chain have on the environment as part of Sustainability Management System (SMS).

With the Responsible Procurement Policy introduced on 21 December 2016, the Bank prioritizes suppliers that reduce GHG emissions in their purchasing processes, support low-carbon transition, and choose efficient manufacturing methods that reduce natural resource consumption and waste generation. Yapı Kredi also urges all its suppliers to comply with the Bank's environmental, social and human rights criteria.

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

Environmental Impact

Yapı Kredi creates mutual dialogue platforms within the scope of stakeholder engagement implementations underpinning its sustainability concept and receives stakeholder feedback for all its activities.

1,305 hours of environmental training, which also addressed ISO 14001 Environmental Management System, climate change and water stress, to 1,228 Yapı Kredi employees and 304 hours to 152 employees of subcontractors in 2021. 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.

Yapı Kredi creates mutual dialogue platforms within the scope of stakeholder engagement implementations underpinning its sustainability concept and receives stakeholder feedback for all its activities. In 2021, Bank employees' project suggestions and ideas for energy efficiency, water saving, and waste management were collected via the EVREKA platform, and the best five suggestions were rewarded and put into life.

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.

YAPI KREDİ'S ENVIRONMENTAL TARGETS

Annual Environmental Targets - 2021

Completion Status

Ensuring continuity of the certification compliant with ISO 14064-1 GHG Emissions Reporting Standard at the Bank's all locations and domestic subsidiaries	Completed - ISO 14064 Certificate has been renewed across the Bank and at its subsidiaries.
Ensuring continuity of the ISO 14046 Direct Water Footprint Certification at the Head Offices and facility buildings	Completed - ISO 14046 Direct Water Footprint Certification has been renewed.
Transitioning to the Zero Waste System at the Yapı Kredi Plaza Building D	Completed - Plaza Building D facility established the infrastructure compliant with the zero waste regulation and obtained Zero Waste Certificate.
Supplying 45% of total electricity consumption for 2021 from renewables within the scope ¹ set by the Bank	Completed - The Bank supplied 46% of electricity consumption at its in-scope locations from renewables; all in all, 33,868 MWh electricity was supplied from renewable sources.

¹The scope covers only the Bank's locations that supply their electricity from the main electricity distributor institution. The electricity consumed by these locations combined corresponds to approximately 81% of the electricity consumption by all locations of the Bank.

Yapı Kredi's Environmental Targets

Annual Environmental Targets - 2022

Ensuring continuity of the certification compliant with ISO 14064-1 GHG Emissions Reporting Standard at all locations of the Bank

Ensuring continuity of the ISO 14001 Environmental Management System certification held by the head office buildings, and expanding the coverage of the certification to all branches located in Istanbul

Ensuring continuity of ISO 14046 Direct Water Footprint certification at the head office and facility buildings, and expanding the coverage of the certification to branches located in Istanbul

Transitioning to the Zero Waste System at Yapı Kredi Plaza Building D, and expanding the coverage of the certification to branches located in Istanbul

Supplying 100% of the Bank's electricity consumption from renewables

Neutralizing Scope 1 and Scope 2 emissions

Installing an SPP at the Banking Base

Replacing the gas boiler at Plaza Building D

Terminating consumption of single-use plastics

Obtaining ISO 50001 Energy Management System certification for head office buildings

Yapı Kredi's Environmental Targets

Medium and Long-Term Environmental Targets

Ensuring continuity of the certification compliant with ISO 14064-1 GHG Emissions Reporting Standard at all locations of the Bank

Ensuring continuity of the ISO 14001 Environmental Management System certification held by the head office buildings and expand the coverage of the certification across all branches by 2025

Ensuring continuity of the ISO 14046 Direct Water Footprint certification at the head office and facility buildings and expanding the coverage of the certification across all branches by 2025

Ensuring continuity of the Zero Waste System Certification for the head office and facility buildings and expanding the coverage of the Zero Waste Certification across all branches by 2025

Supplying 100% of the Bank's electricity consumption from renewables

Neutralizing Scope 1 and Scope 2 emissions

IN 2021, 33,668 MWH OF THE BANK'S ELECTRICITY CONSUMPTION ARISING FROM ALL LOCATIONS OF THE BANK WAS SUPPLIED FROM RENEWABLE ENERGY SOURCES AS PART OF THE COMBAT AGAINST GLOBAL CLIMATE CRISIS, THEREBY AVOIDING APPROXIMATELY 16 THOUSAND TCO₂E.

Contribution to the Society



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 2021 stemming from the pandemic.

Culture & Arts Initiatives

Endeavoring to contribute to the society in keeping with the value it attaches to culture and arts, Yapı Kredi sustains the support it has been extending to various artistic disciplines to date.

Yapı Kredi pays tribute to Afife Jale, the grand stage actress, with the Yapı Kredi Afife Theater Awards that holds an important place in the Turkish theater world, and continues to support theater workers since 1997.

Yapı Kredi Publications (YKY), on the other hand, is one of the most influential institutions in the Turkish publishing scene. Having published its 5,896th title since its establishment, Yapı Kredi Publications published 1,205 titles in 2021, 184 of them new, for a total of more than 7 million books.

Established under the Yapı Kredi roof in 1984, Yapı Kredi Culture Arts and Publishing [YKKSŞ] kept spicing up the cultural and artistic world also in 2021.

Hosting Yapı Kredi's culture and arts events since 1964, Yapı Kredi Culture and Arts building located in Beyođlu brings exhibitions and events to art lovers. Yapı Kredi Bomontiada, on the other hand, is frequented by art lovers for the talks, concerts, exhibitions, and workshops organized at the venue.

The exhibition "BURASI" co-organized by İstanbul Metropolitan Municipality and YKKSŞ was on display at Yapı Kredi Culture and Arts between 21 September and 27 February 2021.

Yapı Kredi Museum welcomed visitors with its renewed display and "A Selection from Collections" theme during the 18 May 2021 Museums Week. Started to be compiled by early 1950s and enriched over time, Yapı Kredi collections are preserved and displayed in the Yapı Kredi Museum established in 1992.

During 2021, the total number of visitors welcomed by Yapı Kredi Culture

and Arts gallery and museum reached nearly 50 thousand. About 110 online events were held on online channels such as YouTube and Instagram. The events are still available online and continue to reach more people. With Loca reopened for viewers in November, face-to-face events that were suspended in the earlier phase of the pandemic were reinitiated. These events can also be viewed live from YKKSŞ social network platforms.

ESTABLISHED UNDER THE YAPI KREDI ROOF IN 1984, YAPI KREDI CULTURE ARTS AND PUBLISHING [YKKSŞ] KEPT SPICING UP THE CULTURAL AND ARTISTIC WORLD ALSO IN 2021.

Turkey's leading technology company KoçSistem authored a new collaborative initiative with Yapı Kredi Publications under the corporate social responsibility project Family Time in December 2020. Yapı Kredi Publications has been the "Book Partner" of the Family Time corporate social responsibility project launched by KoçSistem, in which the Mother Child Education Foundation [AÇEV] is the "Education Partner". The collaborative initiative of KoçSistem and Yapı Kredi

Publications invited parents to re-instill the habit of reading as a way of spending more quality family time and promote communication among family members against the digital screen usage that increased particularly during the pandemic. Under KoçSistem's partnership with Yapı Kredi Publications, trainings on instilling reading habit and book selection were given to parents in AÇEV Mother and Father Support Programs. Also, parents attending the training received the books "Her Güne

Bir Masal" [A Tale for Every Day of the Year] and "Her Güne bir Oyun" [A Game for Every Day of the Year] published by YKY to support "screen-free" household activities.

In 2021, Yapı Kredi's outlays in cultural and artistic events, sponsorships and corporate social responsibility initiatives amounted to TL 17.2 million. The Bank's charitable donations and aids added up to TL 33.9 million.

Turkey's leading technology company KoçSistem authored a new collaborative initiative with Yapı Kredi Publications under the corporate social responsibility project Family Time in December 2020.

Contribution to the Society

Yapı Kredi offers the users a world where they can carry out all their banking needs digitally from the moment of onboarding.

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. Access to financial services plays a key role for sustainable economic growth. Sustainable financial development will only be possible through making participation in the financial system available to, and accessible by, large populations.

Digital Solutions

Thanks to its longstanding steps towards digitalization and its pioneering implementations in the sector, Yapı Kredi was one of the institutions that had the highest preparedness against the conditions imposed by the pandemic. Many transactions that were performed by going to a branch before the pandemic were moved to the digital environment. In order to minimize contact, customers were steered to Yapı Kredi Mobile, Customer Relations

Accordingly, people wishing to become a customer of Yapı Kredi were able to access the service 24/7 from anywhere in Turkey.

Yapı Kredi offers the users a world where they can carry out all their banking needs digitally from the moment of onboarding. Thanks to the related regulations enforced, users can become Yapı Kredi customers end-to-end digitally with the onboarding via “Video Transaction Assistants” service. A flow was designed to deliver the best experience swiftly and securely within the scope of this service offered to users wishing to become Yapı Kredi customers. In addition, numerous applications were developed for decreasing the amount of paper consumed for banking transactions, and ecological processes were launched which helped reduce environmental impacts.

THANKS TO ITS LONGSTANDING STEPS TOWARDS DIGITALIZATION, YAPI KREDİ WAS ONE OF THE INSTITUTIONS THAT HAD THE HIGHEST PREPAREDNESS AGAINST THE CONDITIONS IMPOSED BY THE PANDEMIC.

The UN SDGs 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.

Center, and Yapı Kredi Internet Banking enabling execution of over 800 retail and corporate transactions.

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.

Enabled Banking

Access to financial services plays a key role for sustainable economic growth. Sustainable financial development will only be possible through making participation in the financial system available to, and accessible by, large populations.

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.

3,333 enabled Yapı Kredi ATMs designed to cater to the needs of physically and visually impaired customers are in service all over Turkey and 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. Hence, individuals with disabilities are supported with respect to inclusion in the financial system.

ENABLED BANKING HIGHLIGHTS

Enabled ATM for the Visually Impaired: Voice-commanded transactions for unsighted and visually-impaired individuals.

Enabled POS Devices for the Visually Impaired: Voice-commanded Enabled POS Devices introduced for the first time in the world by Yapı Kredi provide convenience to visually-impaired individuals in credit card transactions.

Text-to-Speech Technology for the Visually Impaired: This special technology that converts text to speech allows visually-impaired customers to receive spoken information about instant changes in the markets.

Enabled ATM for the Orthopedically Handicapped: The service gives orthopedically-handicapped customers easier and contemporary reach to banking services.

Online Chat for the Hearing Impaired: Using online chat, lost/stolen card notification, card closure, new card request due to magnetic damage, credit card data update and similar transactions can all be performed without being referred to a branch or the call 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 2021 under the project “No Barriers for My Country”.



Yapı Kredi Enabled Banking microsite can be accessed at the following address:
<https://www.engelsizbankacilik.net/default.aspx>

Here’s a surprising bit of news: By 2050, we could get all the energy we need from renewable sources and we’d have an even chance of limiting the global temperature rise to 1.5 °C. But market forces won’t be enough: To help make it happen you need to start making the right economic decisions and choices now.



Contribution to the Society

Yapı Kredi is one of the founding signatories of the Commitment to Financial Health and Inclusion established in 2021 under the United Nations Principles for Responsible Banking (UN PRB).

Financial Literacy

Yapı Kredi is focused on extending support to awareness, training and research activities and contribution to efforts for devising policies in order to drive financial literacy, financial access awareness and means of individuals all over the country.

One of the Bank's goals is to contribute to widespread usage of the banking system and to increasing the rates of saving. Yapı Kredi aims to achieve these goals both through its new product and

Within the scope of the Commitment, the Bank aims to set and disclose to all its stakeholders its targets in relation to Financial Health and Inclusion in the coming period, and to transparently report on its progress on targets to all its stakeholders.

Launched in 2019 and migrated to the online environment in 2020, Yapı Kredi Young Branch Internship Program continued in 2021. Sophomore and junior students at university that applied from various cities of Turkey to be branch interns participated in the program.

and awareness of this topic. Yapı Kredi Young Branch Internship Program that had 910 participants reached 487 active students in 2021. Designed to support university students' development in their personal and business lives, the online Kampüs.exe Young Talents Program launched in 2021 incorporates seminars by expert speakers in their respective fields, enjoyable workshops, and online training programs aligned with the painstakingly selected theme of the month. Training programs on basic financial analysis, general economy and markets, money management, basic financial concepts are intended to build on youngsters' financial literacy and awareness of this topic. Sophomore, junior and senior students at universities who applied from various cities in Turkey attended the program that lasted throughout the academic semester. The Kampüs.exe Young Talents Program that had 610 participants in 2021 was participated actively by 254 students during the year.

YAPI KREDİ IS FOCUSED ON EXTENDING SUPPORT IN ORDER TO DRIVE FINANCIAL LITERACY, FINANCIAL ACCESS AWARENESS AND MEANS OF INDIVIDUALS ALL OVER THE COUNTRY.

service development processes and its partnerships with public institutions and civil society organizations.

Yapı Kredi is one of the founding signatories of the Commitment to Financial Health and Inclusion established in 2021 under the United Nations Principles for Responsible Banking (UN PRB).

Under the program, the students are offered various sectoral and personal development training programs and webinars. The training programs on basic financial analysis, general economy and markets, money management, basic financial concepts are intended to build on youngsters' financial literacy

In 2021, Yapı Kredi Banking Academy developed a financial and digital literacy training program accessible by all customers. Designed to build on the awareness and knowledge of customers about budgetary management, correct use of banking products, new generation technologies and payment methods, the training programs are intended to contribute to the financial health of all segments of the society and support their financial access.

Yapı Kredi is an institutional member of the Financial Literacy and Access Association (FODER). The Bank extends support to individuals receiving financial literacy training to acquaint individuals with household budget and debt management and payment, and making use of various loan and investment products.

Yapı Kredi believes that initiation of financial literacy education at an early age is critical, and hence, prioritizes this matter in its social responsibility initiatives targeted at the youth.

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.

The project is being implemented by more than nine thousand volunteers at TEGV’s activity points around the country. During the period from the beginning of the project to the end of 2021, the number of children reached through face-to-face training exceeded 326 thousand. Educational programs within the scope of the project were moved to the digital platform due to the arising needs triggered by the pandemic that emerged in the first months of 2020, and the digital version of the I Read, I Play program was developed. 3,288 children took part in the online I Read, I Play activities from July 2020 until the end of 2021, and the number of volunteers reached 424.

Colorful Pens

Within the scope of the Colorful Pens events conducted since 2014 as the communication leg of the I Read, I Play project, children’s newspapers were published by students attending the 4th through 8th grades. A total of 474 children and 85 volunteers from 10 TEGV educational parks and 35 learning units took part in the project and the number of local children’s newspapers prepared reached 45.

Face-to-face activities that were suspended due to the pandemic were re-introduced in October 2021. Due to continued pandemic-related restrictions, volunteer education was carried out online. Colorful Pens events continue with seven volunteers and 47 children taking part in the education programs from Adana, Bursa, Hakkâri, İstanbul Beykoz and İzmir Eşrefpaşa learning units.

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.

Contribution 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.

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 was digitalized and went global in 2021, reached 50 thousand teachers and 16 thousand children, and 360 teachers graduated the program.

In the new phase of the project, which took place in two separate phases in the first and second halves of the year with role model teachers all over Turkey, teacher training was carried out at first.

Following the training, the teachers made use of experiments and projects to demonstrate to children how technologies that seem complex are actually understandable. Role model teachers who received training under the program took the science sets to the students at schools where they work. At Science Festivals held throughout the year, the children developed and exhibited projects with the science sets they were given. Throughout the process, Yapı Kredi Volunteers all over the country continued to actively extend support to the project. Role Model Teachers project was awarded in the Social Impact category at the Sustainable Business Awards 2021.

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. Having started to offer education in the 2008-2009 academic year, the high school is located in Çayıröva, Kocaeli. Admitting girl students only, the high school 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 2021, 20 Yapı Kredi Vocational and Technical Anatolian High School students benefited from the educational achievement scholarship initiated in 2012.

For My Country Fund

For My Country Fund (Yapı Kredi Asset Management Third Variable Fund) is a mutual fund Yapı Kredi added to its broad product array in keeping with its commitment to social responsibility. The total management fee the Bank and its subsidiaries derive on the fund re allocated to social responsibility projects at the ratio specified in the fund prospectus. Investors wishing to create value in the area of social responsibility generate revenues on their savings with For My Country Fund, while at the same time contributing to

social responsibility projects without making an additional payment.

In 2021, the Science Heroes Association and Cerebral Palsy Turkey that participated in the BOOST Civil Society Technology Challenge, which was co-organized by Koç Holding, UNDP and Koç University Entrepreneurship Research Center [KWORKS], were extended support within the scope of For My Country Fund.

Through the fund, Cerebral Palsy Turkey Foundation received support for the development of an online education platform designed for children and students with special needs, their families/caregivers, and teachers. Similarly, the Science Heroes Association received contributions for the creation of a digital platform that will enable volunteers to reach underserved children for educating them in STEM [Science, Technology, Engineering and Mathe-matic].

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 2021.

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.

Yapı Kredi Afife Theater Awards Scholarship

Yapı Kredi Afife Theater Awards, which drives the promotion of the Turkish theater with the efforts of the youth, granted scholarships to 10 students who received education in drama studies and wish to pursue their graduate studies in drama through the scholarship fund Yapı Kredi established with the Turkish Educational Foundation [TEV]. The scholarship fund created with the Turkish Educational Foundation is intended for supporting the education of successful youngsters who need financial support.

Yapı Kredi Private Banking Art Scholarship

Yapı Kredi Private Banking Art Scholarship Fund set up with the Turkish Educational Foundation [TEV] is intended for making contributions to the "Superior Achievement Art Scholarship" and "Higher Education Art Scholarship" programs to support the young talents pursuing their studies in arts. Students who successfully pass the assessment that follows the applications of the candidates attending the conservatory and schools of fine arts of universities at the start of each academic year qualify for scholarship. Students attending the piano, harp, guitar, strings, wind and percussion instruments, painting, sculpting, graphics, and calligraphy departments can apply for Yapı Kredi Private Banking Art Scholarship Fund.

Contribution to the Society

Yapı Kredi significantly reduced its carbon footprint due to its transition to the efficiency-based Lean Working Model.

Environment

Support to the Combat against Forest Fires

Yapı Kredi extended support to WWF Türkiye (World Wide Fund for Nature Turkey) for renting fire helicopters to support the firefighting efforts to extinguish the fires that scorched various areas of Turkey in 2021. In addition, the Bank donated five tree saplings for each of its employees to the Banks Association of Turkey (BAT) to support the reforestation efforts after the fires.

der pay parity, inclusive culture, sexual harassment policies and pro-women brand. Companies that are assigned a score above a certain level for their performance and transparency in relation to these five pillars qualify for the index. Yapı Kredi outperformed the global, sectoral and national averages with the score it has been assigned for its initiatives in these areas and became one of the seven Turkish companies that qualified to be included in the Index.

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.

Lean Working Model

Undersigning a first in the sector by putting the Lean Working Model into practice, Yapı Kredi derived many benefits in terms of sustainability with this implementation.

Being part of a major transformation during the pandemic that brought life to a standstill all over the world, Yapı Kredi signed its name under a pioneering decision for all sectors enabled by its robust digital infrastructure and permanently shifted to the Lean Working Model.

Ever since it has planned and launched the efficiency-driven Lean Working model, Yapı Kredi has contributed many benefits to the world also in terms of sustainability. As more than eight thousand Yapı Kredi employees worked from their homes without any problems from March 2020, over 350 thousand

YAPI KREDİ HAS BEEN ONE OF THE SEVEN COMPANIES FROM TURKEY THAT QUALIFIED FOR THE BLOOMBERG GENDER EQUALITY INDEX IN 2022.

Gender Equality

Bloomberg Gender Equality Index

Yapı Kredi has been one of the seven companies from Turkey that qualified for the Bloomberg Gender Equality Index in 2022. Publicly held companies reporting to the Bloomberg Gender Equality Index are evaluated across five pillars, which are female leadership and talent pipeline, equal pay and gen-

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. Yapı Kredi

hours spent monthly for commuting between home and workplace were saved. The Bank succeeded in reducing its carbon footprint by 37% equivalent to 23,000 tCO₂e since the transition to the home-based working format. Furthermore, with the launch of the new order, the Bank's environmental impact decreased significantly due to reduced paper consumption and lessened use of commuter buses. At Yapı Kredi, which achieved 34% saving in paper consumption through digitalization of internal correspondences requiring signatures, water and electricity consumption also decreased significantly during the work-from-home period.

On another hand, Yapı Kredi moved numerous processes embodying over 800 individual and corporate transactions to the digital environment thanks to its pioneering approach to digital banking. Similarly, the "Do Not Panic" button on Yapı Kredi Mobile prevents unnecessary card embossing by temporarily cancelling customer cards in case of possible theft or loss of card. This feature also helped eliminate up to hundreds of thousands of unnecessary card closures, preventing additional carbon emissions.

The Video Transaction Assistants service also precluded wasting of paper, and makes a major contribution for a sustainable world. Yapı Kredi executes 77% of customer contracts with digital approval. Hence, the Bank saved more than 365 million sheets of paper from 2019 that marks the inception of the implementation until year-end 2021. Specifically, the ratio of digital approval in eligible transactions exceeded 92% at branches. While producing important benefits for sustainability on the back of all these services, Yapı Kredi also offers major conveniences to its customers.

Support to employees on all media

With the medium named BizClub, Yapı Kredi lets its employees carry out their business and work lives together, spend enjoyable time with their colleagues also outside of business hours, and access anything they need with a simple click. Yapı Kredi also has various platforms contributing to personal development of employees. Under the "Development Catalogue", which is the training catalogue accessible by all employees of the Bank, virtual classrooms, video training programs

prepared according to the curriculum structure, and resources supporting the training programs are prepared and employees are offered an unbroken learning experience.

With "My Digital Library", Yapı Kredi gives its employees the opportunity to access rich digital contents that will support their development. The online education platform named E-Academy gives employees access to distance education programs they may need for supporting their development in professional and legally mandated topics along with their personal development. Contributing to intellectual development of employees in different aspects, the platform has a format that lets employees register at their own choice and request and earn a certificate upon completion of the training and exams. The format also entails online certification programs. Moreover, BizTube provides the employees with the setting to post videos related to their expertise and interests, whereas BizCast offers them the chance to record podcasts about their areas of interest and share the content with other Yapı Kredi employees.

Yapı Kredi moved numerous processes embodying over 800 individual and corporate transactions to the digital environment thanks to its pioneering approach to digital banking.

Banking Activities

IMPACTFUL PRODUCTS AND SERVICES

Retail Banking

The Retail Banking business line encompasses Payment Systems, Individual Banking, Business and Agricultural Banking, Private Banking and Wealth Management, and Bancassurance Management.

Breakdown by Business Units

Retail Banking business line

LOANS	DEPOSITS
34%	59%

Commercial and SME

LOANS	DEPOSITS
36%	24%

Corporate

LOANS	DEPOSITS
30%	17%

The Bank's segmentation criteria were modified effective 1 January 2022, under which companies with an annual turnover between TL 3-60 million started to be serviced in the SME Banking segment, and companies with an annual turnover between TL 60 million and TL 1 billion started to be serviced in the Commercial Banking segment.

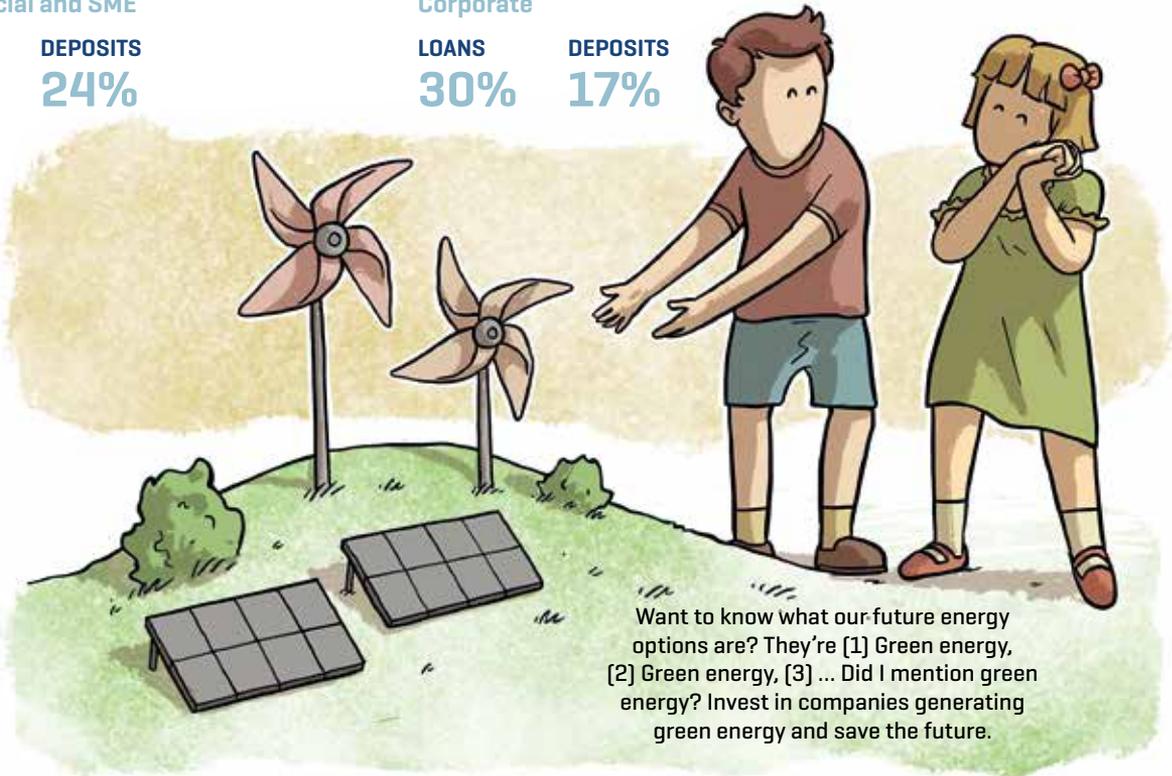
Effective 1 January 2022, companies with an annual turnover above TL 1 billion started to be serviced in the Corporate Banking segment.

Commercial and SME Banking

Commercial Banking serves companies with an annual turnover between TL 25-500 million, whereas SME Banking serves companies with an annual turnover between TL 2 million and TL 25 million.

Corporate Banking

Corporate Banking serves companies with an annual turnover of TL 500 million and higher.



Want to know what our future energy options are? They're [1] Green energy, [2] Green energy, [3] ... Did I mention green energy? Invest in companies generating green energy and save the future.

Retail Banking

Profile

Branches	738
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Positioning

	Market Share [sector]*	Market Share [private banks]*
Consumer Loans	9.5%	16.2%
General Purpose Consumer Loans	11.9%	17.5%
Mortgage Loans	5.1%	15.5%
Auto Loans	21.3%	28.8%

Individual Banking

During 2021, Yapı Kredi registered a mighty growth in terms of revenues and active customer acquisition in Individual Banking.

In the second year dominated by the pandemic...

Yapı Kredi initiated digital transformation in customer channel preferences and processes a long time ago. Thanks to the support lent by the infrastructure investments in this area, the Bank was able to promptly respond to the fast-evolving customer needs during

the pandemic and achieved a customer satisfaction level that exceeded expectations.

In 2021 when the effects of the Covid-19 pandemic persisted, the Bank furnished uninterrupted service to its customers from all its channels led by the branch network.

By digitalizing its products and service processes, Yapı Kredi kept constantly upgrading its customers' service experience. Throughout the year, the Bank systematically carried out both product- and transaction-based customer communications, campaigns and informative actions promoting digital channel usage in order to minimize the branch contacts of non-digital cus-

tomers and to let them instantly fulfill their banking needs through digital channels in line with its digitalization strategy.

In order to minimize customers' contact time inside branches, the Bank introduced a new service enabling getting a queue number outside the branch via QR code and carried on with service developments adapted to Covid-19 pandemic requirements. This development that can be used at all Yapı Kredi branches lets customers to get a queue number by scanning the QR code with their mobile phones before going to the branch. They are ushered into the branch when it is their turn, thus minimizing the risk of contact. As part of the measures in the same vein, branch dependency was eliminated for functions that cannot be performed through non-branch channels such as interim loan repayments, and this function was made available on non-branch channels.

The number of companies offering online shopping loan as a payment option was increased on online platforms for customers avoiding going to the stores in this period. Presence was expanded across almost all major e-commerce sites operating in Turkey.

Big steps and valuable gains in digitalization

In keeping with its digital transformation strategy, Yapı Kredi carried on with its investments with the goals of digitalizing all its individual banking product and service processes and achieving high customer satisfaction.

During 2021, the Bank's active digital customers grew by 20%, active mobile users by 22% over 2020, and 84% of the Bank's active individual banking customers were integrated into digital. Product sales through digital channels accounted for 57% of total sales in 2021. In addition, 56% of financial transactions went through digital channels excluding ATMs.

While the number of transactions available on mobile banking exceeded 600, 86% of cash transactions at Yapı Kredi were performed through the country-wide ATM network without a branch contact.

The revamped Individual Portfolio service model addressing customers with any level of savings in the Individual Banking segment went live in July 2020 and broad-based growth in deposit strategy was backed by a resolute approach.

Banking Activities

Yapı Kredi consistently sustained its expansion in deposits in 2021. Total deposits of Individual Banking customers increased by 59% year-on-year.

Another strategic goal that was supported with the Individual Portfolio service model has been the provision of more-focused service to salary and retiree customers to maximize customer satisfaction, engagement and deepening.

End-to-end digital onboarding convenience with Yapı Kredi Mobile!

Onboarding via Yapı Kredi Mobile, which was launched by end-2018, was further improved and digitalized end-to-end in keeping with the regulatory framework that entered into force on 1 May 2021, which enabled those wishing to become a Yapı Kredi customer during the pandemic to do so via Yapı Kredi Mobile within just minutes without having to go to a branch.

IN 2021, THE NUMBER OF YAPI KREDİ BRANCHES HOSTING GOLD DAYS INCREASED TO 12.

17.2%
TL DEMAND DEPOSITS – PRIVATE BANKS

13.9%
FC DEMAND DEPOSITS – PRIVATE BANKS

Performance in individual deposits

Yapı Kredi consistently sustained its expansion in deposits in 2021. Total deposits of Individual Banking customers grew by 59% year-on-year.

On the demand deposits side, rapid growth in both TL and FC deposits continued for private banks. Positive contributions were made to funding costs by acquiring 17.2% market share in TL demand deposits among private peers, up by 58 basis points, and 13.9% market share in FC demand deposits, again among private peers, up by 42 basis points.

During 2021, the number of Yapı Kredi branches hosting Gold Days went up to 12. At present, Gold Days are held every day at a total of 12 branches, five of which are in İstanbul and seven are outside of İstanbul for collecting scrap gold.

A key highlight of the reporting period has been the launch of the “FX-Indexed TL Time Deposit” and “FX-Conversion to FX-Indexed TL Time Deposit” products. These new products allow customers to protect their Turkish lira savings against changes in exchange rates while investing them at a high return rate.

Recovery was observed in individual general purpose loans in the second half of the year.

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

The measures implemented against the Covid-19 pandemic remained in place also in the first half of 2021, and demand for general purpose loans began to return to normal with the normalization steps that came after June. In 2021, the volume of individual loans was up by 43% year-on-year, and Yapı Kredi’s share among private banks rose to 16.2% as at year-end.

Digital channels remained the preferred choice of individual banking customers also for their instant product needs. The ratio of general purpose

loans disbursed through digital channels increased by 49% over 2020 and reached 73%.

Online shopping loans offered as a payment option on the online platforms of the sectors affected by credit card installment restrictions contributes to customer satisfaction. Online shopping loan product is being actively used in almost all major e-commerce sites operating in Turkey. The number of in-network companies in this segment rose to 20 with the addition of 6 new businesses in 2021.

Yapı Kredi offered postponement and restructuring options to its customers, upon their request, who were affected by the regional disasters including fire, flood and earthquake that took place in our country in 2021, as well as by the overall economic developments that resulted from the pandemic, and thus put its support to customers in a concrete form.

Pandemic-originated postponement options were terminated as of end-September based on related authorities' instructions to that end in the wake of the normalization process.

Developments in mortgages

Yapı Kredi carried on with its successful services offered with tailored products in mortgages via the Call Center, branches and the "loan now" channel also in 2021. The Bank also continues to collaborate with corporate real estate firms and construction companies to offer mortgages for housing projects.

The normalization process and the focus in the second half of the year brought 24% expansion in mortgages in 2021 and Yapı Kredi achieved a market share of 15.5% among private banks.

To increase the number of high energy-efficient houses in Turkey and to enhance environmental awareness, focus was placed on housings holding Class A and B Energy Identification Certificates, and Nature-Friendly Mortgage product was introduced in February 2021. More flexible downpayment terms are applied and loan allocation fee is reduced depending on the energy class of the housing to be purchased. Yapı Kredi aims to concentrate on customer-focused lending processes by offering digital solutions versus conventional lending processes also in the coming period.

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 increased by 38% annually in 2021.

The Bank's collaboration with real estate firms also continued at an increasing rate. The number of real estate agents actively collaborated with went up by 27% over 2020.

Solid performance in auto loans

Yapı Kredi kept performing solidly in auto loans also in 2021. The Bank enhanced the service quality provided to individual and commercial customers at the dealers and at the branches through the extensive and efficient dealer network and campaigns offering attractive payment terms suiting customer needs.

The chip crisis that hit the automotive industry in the second half of the year and contracted raw material supply led to decreased vehicle supply to the market. In the same timeframe, new restrictions regarding auto loans imposed by the consumer loans legislation came into effect. These factors re-

sulted in a stagnation in the auto loans segment.

Having captured a strong growth in the first half of the year, Yapı Kredi achieved a volume growth of 32% for the whole year in 2021. The Bank successfully increased its market share among private banks to 28.8%, up by 405 basis points.

Yapı Kredi believes that the environment must be treated with respect and care; having embraced this as a responsibility, the Bank introduced the Nature-Friendly Auto Loan product that entails attractive terms for electric and hybrid vehicles.

Yapı Kredi has been the first bank to offer the Caravan Loan product with flexible repayment options to respond to the increased financing demand for this type of vehicles during the pandemic.

The Ford Finance program, a partnership between Ford and Yapı Kredi established in 2008, continued in 2021, successfully maintaining its efficiency.

Banking Activities

As at year end 2021, Yapı Kredi attained 15.1% market share in life, non-life and health insurance branches combined.

Installment Payment System for Schools (TEST)

Yapı Kredi is a pioneer in a number of aspects in the school payments segment. Customers can apply for the Installment Payment System for Schools, a loan limit product for facilitating parents' school payments through Yapı Kredi Mobile and Customer Relations Center besides Yapı Kredi branches. The Bank offers TEST as a payment option to parents at 350 schools.

The number of schools covered in the system will continue to be increased by the field team focused on new school acquisition.

43% growth was achieved in the TEST limit assigned in 2021.

Bancassurance

At year-end 2021, Yapı Kredi attained 15.1% 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 35.1%, the Bank commands 17.9% market share in life insurance, 6.6% in non-life insurance, and 17.4% in private pension with the pension company whose sales it intermediates.

In the bancassurance field, products and functions offered through digital channels increased in 2021. 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.

Customer satisfaction is everything.

In a bid to obtain an in-depth measurement of customer satisfaction and to be able to take action on the basis of customer segments, Yapı Kredi started bringing customer satisfaction questionnaires to a higher number of customers and expanded segment-based measurement criteria. With a score of 58 in the Net Promoter Score survey¹ conducted in June-July 2021, the Bank has achieved the highest improvement among its main peers as compared to the previous year. The Bank will keep acting proactively to maximize the positive experience in the coming period.

Product and service function developments and experience improvement on Yapı Kredi Internet Banking and Yapı Kredi Mobile continued throughout the year to respond to all banking needs of customers 24/7.

On another note, Yapı Kredi Invest YouTube channel went live with the aim of acquainting individual customers with the investment world and supporting financial literacy.

⁽¹⁾ Net Promoter Score (NPS) survey results represent the results from the benchmarking study conducted with Bain & Company in 2020 and 2021. The survey is carried out using the face-to-face interview method.

Outlook

2022 goals of Yapı Kredi with respect to Retail Banking are as follows:

- Sustain and further enhance its positive performance in deposits market share and keep implementing its broad-based deposits strategy. In this period when customers' need for financial advisory will further grow, the Bank will improve its product diversity so as to cater to this need, offer solutions through omni-channel integrations, and will continue to be accessible by customers at all times,
- Keep enlarging its customer base, while continuing to work towards increasing these segments' contribution to profitability,
- Increase diversity of products and services offered in line with sustainability principles when fulfilling customers' everyday banking needs,

- Fulfill financial needs of all customer segments through new products and services designed in compliance with the regulatory framework governing open banking in line with its digital transformation strategy and seek to contribute positively to the banking ecosystem. Along this line, the Bank targets to capture an opportunity for diversification in products on the back of open banking that provides a wider space for innovating by presenting smart products and service that will better respond to customer expectations,
- Carry on with its digital channel development investments, and digital and mobile customer expansion will continue at an increasing speed also in 2022.

Did you know they make 3.6 billion plastic toothbrushes a year? And that none of them are recyclable? There's an alternative however: bamboo toothbrushes. They're 100% biodegradable.



Business Banking

Profile

Branches	705
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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.

Amid the challenging operating environment that resulted from the Covid-19 pandemic, Yapı Kredi prioritized the health of its employees and customers and introduced remote service schemes on its digital channels and its service model alike in March. These practices remained in place with further improvements during 2021.

In order to enable remote completion of banking transactions, product sales documents were digitally approved; the introduction of the corporate mobile approval function enabled approval of 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.

Efficient service to Yapı Kredi Mobile business banking customers

Switch structure was expanded, which allows easy transition between individual and corporate customers without requiring password entry to give tradespeople and sole proprietorships access to both individual and commercial products on digital channels.

The digitalization projects introduced served to increase the number of business banking customers using digital channels by 17% and that of those using corporate mobile and Internet banking channels by 39%.

Focus was placed on enabling customers to finalize their transactions using mobile approval on Yapı Kredi Mobile without having to go to a branch. As of year-end 2021, 86% of transactions were performed remotely with mobile approval.

Yapı Kredi support against the impact of the pandemic

As always, Yapı Kredi adhered to its customer-centric approach also through the pandemic and kept standing by its customers.

With the aim of supporting the customers who were impacted by the pandemic, postponement 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 customers grew by 38% year-over-year.

With the aim of supporting our customers who were negatively affected by the pandemic-compelled lockdowns, campaigns specifically designed for tradesmen were introduced. Hence, our tradesmen benefited from advantageous POS pricing and commercial credit card advantages and cash loan opportunities.

Weight was given to processes such as digital/mobile approval, which would increase the digitalization level of customers and decrease contact, and salary payment protocols and the sales process

for commercial installment loan, member merchant and Business Card products with mobile approval were facilitated. On another wing, remote working possibility was made available to branch and Head Office employees alike, which secured a healthy and sustainable business management.

While digitalization processes gained speed, focus was placed on transactions performed with digital and mobile approval; establishments were offered the chance to receive contactless payment with the POS Cepte (POS on Mobile) development.

Yapı Kredi launched a specific campaign package for tradesmen negatively affected by the lockdown and restrictions. With the package that was assigned a lengthy campaign period, the aim was to let the tradesmen customers benefit from these opportunities at the highest extent possible. Similarly, with the goal of supporting women entrepreneurs, the Bank offered the SME Finance Support Program, woman entrepreneur loan, and 50% discount on loan allocation fee for Yapı Kredi's specific lending to women entrepreneurs.

Home-branch positioning of portfolio managers and office-home positioning of Head Office teams were highly affected. Support was extended to employees

for the payment of their internet bills and maintaining VPN service.

With the women entrepreneurs support package it is targeting to introduce in 2022, Yapı Kredi will sustain its efforts to increase women's financial access. The Bank's goal is to reach 23 thousand women entrepreneurs over the course of the next five years.

Strengthened deposit base

In line with the ongoing strategy to strengthen and expand the deposit base, priority was given to increasing deposit products' performance, and 43% growth was achieved in the demand deposit volume of Business Banking customers, which is an indication of the trust its customers hold in Yapı Kredi. Acquiring deposits in the Business Banking segment will remain in focus by way of ensuring customer-centricity and new customer acquisition.

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

During 2021 when the presence of businesses in the digital world became even more important and e-commerce was in the foreground, Yapı Kredi kept offering solutions to establishments that would help them carry their businesses

43%

INCREASE IN DEMAND DEPOSITS VOLUME

to the digital world within the scope of cooperation the Bank has established with companies offering e-commerce, e-document solutions and website creation services.

Agricultural Banking

Agricultural Banking offers products and services aimed at supporting producers' farming activities. Yapı Kredi introduced the Productive Card producers can use for agricultural input purchases, which entails campaigns offering the chance to pay for their purchases from contracted member merchants upon harvest.

With the Agricultural Value chain, under which payments to parent companies and producers are made from the Bank, producers acquired the capability to manage their cash flows on the back of a broad array of product options.

Producers were provided loan finance support through Electronic Produce Certificates taken as collateral, which are created in return for the delivery of agricultural produce to in-network licensed warehouses across Turkey.

Producers were provided credit finance support through Electronic Produce Certificates taken as collateral, which are created in return for the delivery of agricultural produce to in-network licensed warehouses across Turkey.

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
- Efficiently contribute to sustainability policies
- Increase cross-selling rate with core banking products, and be the customers' bank of choice in terms of cash flow and product diversity
- Carry out initiatives that will support the entrepreneurial ecosystem and increasing participation of women in business life

Payment Systems

Profile

Number of Credit Cards – Virtual Cards Included	12.9 million
Number of Debit Cards	14.6 million
Number of Member Merchants	761 thousand

Positioning	Market Share [sector]*	Market Share [private banks]*
Credit Card Outstanding	16.7%	22.4%
Credit Card Issuing	16.1%	20.7%
Commercial Credit Card Outstanding	15.8%	25.7%
POS Acquiring Volume**	14.2%	22.1%
Number of Credit Cards	15.4%	21.4%

*Sectoral and private bank market shares are calculated based on BRSA monthly data as of December 2021 and BRSA weekly data as of 31 December 2021. Sectoral data consists of deposit and development and investment banks data, while private banks data are composed of deposit/domestic private and deposit/foreign bank data.

**Includes ATM transactions

Unbroken leadership since 1991 to date: World

Yapı Kredi has been the market leader in card payment systems in Turkey since 1991 with World, its main credit card brand. The Bank's solid position in this area is underpinned by its innovative initiatives that exceed customer expectations and always lead the card payment systems sector.

In 2021, Yapı Kredi celebrated World's 30th year. Over the course of these three decades, the brand not only acted as the pioneer of the credit card market in Turkey, but also presented novel developments for the world's credit cards sector on the back of innovative applications developed.

As at year-end 2021, Yapı Kredi maintained its pioneering approach in card payment systems and leading position in the sector with over 12.9 million credit cards.

According to the 2021 Nilson Report, Yapı Kredi ranks second in credit card outstanding volume and is the leader among Turkish banks in Continental Europe.

In spite of the intense competition and challenging market conditions, Yapı Kredi retained its undisputed and long standing leadership in total credit card outstanding volume and displayed a strong growth in profitability in the reporting period. In 2021, Yapı Kredi also endorsed its leadership in POS acquiring volume as well.

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

As at year-end 2021, Yapı Kredi was the sector's leader in credit card outstanding volume with TL 50.9 billion and in POS acquiring volume with TL 284 billion according to 2021 results.

Continually offering innovative solutions is the unchanging goal of Yapı Kredi in card payment systems.

In 2021 during which the Covid-19 pandemic persisted, Yapı Kredi carried out numerous innovative and customer focused projects in addition to its existing initiatives to further strengthen its market position and boost customer satisfaction. These projects are summarized below:

New approaches in data analysis continued to be implemented to better understand the card usage habits of cardholders and thereby present tailored and more effective offers for them.

Relaunched as the user friendly new interface of Yapı Kredi Wallet in 2019, World Mobile kept increasing the number of its active users in 2021. 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 or renewed credit/debit card made through any

channel. 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.

During 2021, World Mobile's capabilities were enriched to enable applications for TLcard and digital debit card. The Point Transfer function added to World Mobile allows customers to transfer points between their individual debit and credit cards. Furthermore, they can track and manage the payment instructions issued from their credit cards registered with companies based abroad.

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 a move that increased card diversity, payments with World Pay can now be made using prepaid cards as well as credit and debit cards.

The Bank's customers can now make payments with QR code through their accounts in addition to their cards. With the transition to the TR 2D-Code infrastructure, payments can be performed with the QR code created not only on Yapı Kredi POS devices, but on the POS device of any other bank.

Facilitating and accelerating the customer experience on credit card purchases, 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. Almost all World credit cards and more than half of debit cards have contactless feature. The number of contactless transactions grew by 2.2 folds over 2020, whereas transaction volume almost tripled due also to the increased card limits. The transaction volume was also positively affected by the transaction limit without passcode that was increased to TL 500 in contactless transactions.

Communication activities and campaigns continued in 2021 in relation to the use of contactless cards in transportation. The coverage of transportation systems using contactless cards in Turkey was expanded and put to use in 27 provinces/districts. Yapı Kredi Mobile can still be used to top up İstanbulkart cards and to give an automated top-up instruction therefor.

In 2021, 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.

THE COVERAGE OF TRANSPORTATION SYSTEMS USING CONTACTLESS CARDS IN TURKEY WAS EXPANDED AND PUT TO USE IN 27 PROVINCES/DISTRICTS

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 Banking 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.

In 2021, 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.

Payment Systems

During 2021, Yapı Kredi customers were offered the feature to open accounts and apply for cards by connecting to video transaction assistants via Yapı Kredi Mobile, without having to go to a branch.

Based on a development brought to completion at year-end 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. The joint limit structure helped accelerate commercial card acquisition in 2021.

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 in the reporting period and upon increase of spending limit with contactless cards to TL 500 brought great convenience for Yapı Kredi customers who performed 2 out of every 3 physical purchases using contactless cards in 2021.

Remote access shopping trend kept getting stronger during 2021 that saw the effects of the pandemic endure. Along this line, campaigns offered through World Mobile were formulated according to customer needs and they were formatted so as to be accepted at physical stores and in e-commerce.

Payment with QR Code on POS, Mobile Payment and Payment from Inside the Car solutions offered by World Pay started to be preferred at an increasing extent during the pandemic, and the volume of transactions with World Pay solutions grew by nearly 2.4 times in 2021 as compared to 2020. On another front, e-commerce turnover also displayed an uptrend throughout 2021.

As at year-end 2021, Yapı Kredi's share of e-commerce turnover accounted for 32% of total shopping turnover, sector's average was in the order of 31.7%. The Bank's e-commerce turnover for 2021 enlarged by 55.3% as compared to the previous year.

The capability allowing customers to apply for a credit card through World Mobile, Yapı Kredi Mobile, Internet Banking or Customer Relations Center, execute distant contracts and perform similar transactions by connecting to video transaction assistants through Yapı Kredi Mobile presented the customers with significant advantages during the pandemic.

The broadest member merchant network in Turkey

In 2021, 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. The Bank maintained its approach focused on customer satisfaction through more than 100 campaigns per month offered via 761 thousand member merchants as of December 2021.

In 2021, successful performance in member merchant business was sustained particularly on the back of pioneering digitalization steps, and expansion was achieved across tradesmen's establishments, thus broadening Yapı Kredi Member Merchant network.

Carrying on with its digitalization investments, the Bank opened up new sales channels to accelerate member merchants' digitalization journeys. Thus, sole proprietor member merchants were able to make their member merchant applications end-to-end online without wet signature and without going to a branch.

Contactless POS devices and payment with 2D-code alternatives offered to customers were widely used also in 2021 as a result of pandemic-transformed customer habits.

In 2021, Yapı Kredi POS Cepte (POS on Mobile) application was introduced, which lets member merchants to receive payments without needing a physical device. Android device-owning member merchants started accepting contactless payments from debit and credit cards via their mobile phones without a POS device.

Three out of every four physical POS devices covered in the Yapı Kredi member merchant network have contactless feature. The Bank is the sector's leader also in the number and the volume of credit card contactless transactions.

Tourism has been one of hardest hit sectors by the pandemic; hence, international card transaction volume decreased. 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, and JCB logo are accepted at Yapı Kredi POS devices and ATM network.

THREE OUT OF EVERY FOUR PHYSICAL POS DEVICES COVERED IN THE YAPI KREDİ MEMBER MERCHANT NETWORK HAVE CONTACTLESS FEATURE.

Outlook

2022 goals of Yapı Kredi with respect to card payment systems include the following:

- Increase digital channel usage rate both by card customers and POS customers on the back of enhanced customer experience on digital channels
- Add new options to new generation digital payment solutions provided under World Pay roof, and deliver a faster and easier payment experience to customers
- Make the necessary developments for digital execution of the payment experience also on the end of member merchants,
- Expand 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.
- Add new functions to World Mobile which will render the customers' shopping experience frictionless and introduce new projects that will enhance customer satisfaction
- Monitor global and local developments related to fintechs and spearhead their incorporation in payment systems
- Shift gradually to using recycled materials in card plastics in the period ahead

Private Banking and Wealth Management

Profile

Branches	15
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Private Banking and Wealth Management offers service to high net-worth individual customers.

Yapı Kredi Private Banking also 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.

Sustainable leadership

Yapı Kredi Private Banking manages assets worth TL 120 billion in total via its 15 Private Banking Locations, five of which are outside İstanbul. Presenting the products that are aligned with customers' expectations and risk perceptions within a vast array, Yapı Kredi Private Banking and Wealth Management preserves its leadership in the sector.

Yapı Kredi Private Banking kept performing solidly in 2021 thanks to its approach prioritizing financial expectations and needs of its customers, and strong customer communication. Private Banking deposits grew by 35%, mutual funds by 131%, assets under custody by 84%, stocks by 51%, and pension funds by 65% on an annual basis.

Asset distribution suggestions introduced with the aim of improving Private Banking clients' experience with investment products and helping customers choose the investment products compatible with their investment profiles both at branches and digital channels were updated also in 2021 in line with market conditions.

The priority to keep customers and employees safe from the negative effects of the pandemic

Private Banking considered it a priority to keep its customers and employees safe from the potential negative impacts of the pandemic also in 2021.

Within the Private Banking customer group that presents a relatively higher average age and relatively restricted digitalization, digitalization actions realized by Yapı Kredi triggered a significant rise in digital channel usage among customers. Digitalization of processes executed through the branch channel and mobile approval function gave the Bank customers the possibility to execute all transactions without going to the branch.

During the pandemic, employee and customer health was prioritized and in-branch crowding was avoided with rotating shifts of in-branch presence and remote working of employees at Private Banking locations.

Yapı Kredi moved the customer events suspended in 2020 to decrease physical contact to the digital platforms and

Private Banking customers got together with speakers in online seminars without leaving their homes.

New mutual funds

New mutual funds accommodating the market developments were set up so that customers can diversify their portfolios and their investment needs can be fulfilled.

The Fourth Fund Basket Fund, which has a broad investment universe to cover agriculture, travel, entertainment and infrastructure sectors as well as the sectors that drive new technological developments; Clean Energy Variable Fund that invests in clean, renewable, sustainable and/or alternative energy technologies; Silver Fund Basket Fund aiming to secure a stable return in the medium and long-term by reflecting the price developments in the world silver markets at high rates to its investors; Technology Companies Equity Fund that invests in technology companies listed on the BIST Technology Capped Index, and new hedge funds steering investments across a broad range of assets [Kalamış, Cihangir, Yeniköy Hedge (FC) Fund] were presented to investors during 2021.

Continually enhanced digital customer experience

Transaction menus related to investment products on digital channels were revamped, and new functions were introduced so that customers can easily follow up their investments. TurkDex transactions menu went live, allowing account opening, portfolio monitoring, trading transactions. Various functions such as fund return monitoring, fund conversion were added and arrangements were made that will enhance customers' experience with mutual funds. New capabilities were added that will allow our customers to track their wealth such as Asset Report, Asset Change Report and investment transactions.

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.

35%

PRIVATE BANKING DEPOSITS

131%

MUTUAL FUNDS

84%

ASSETS UNDER CUSTODY

The improvements introduced on the mobile branch increased the number of customers using this channel by 20% during 2021.

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

A development performance centered on qualified products

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 2021, Yapı Kredi Private Banking displayed a development performance with a particular focus on qualified products.

THE PRACTICE OF SECURELY SIGNING TRANSACTION INSTRUCTIONS TO BRANCHES WITH MOBILE APPROVAL THROUGH DIGITAL CHANNELS WAS EXPANDED.

Various functions such as fund return monitoring, fund conversion were added and arrangements were made that will enhance customers' experience with mutual funds.

Private Banking and Wealth Management

UNDER THE ART CONSULTANCY SERVICE PRIVATE BANKING DELIVERS IN COOPERATION WITH YAPI KREDİ CULTURE AND ART, THE BANK OFFERS THE ADVISORY ITS CLIENTS NEED IN ARTS.

Initiatives focused on customer satisfaction

Yapı Kredi continued to focus not only on its clients' financial needs but also on their non-financial expectations and kept producing solutions therefore as part of its holistic approach to wealth management offered to Private Banking clients.

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.

Under the art consultancy service Private Banking delivers in cooperation with Yapı Kredi Culture and Art, the Bank offers the advisory its clients need in arts. In addition, the Bank started extending support to the arts and talented young artists still pursuing their education with the Yapı Kredi Private Banking Art Scholarship Fund launched in 2021 in collaboration with the Turkish Education Foundation (in Turkish: TEV).

In addition, our Vision Talks events that have been received with great interest in previous years from Private Banking clients were held online throughout the year, featuring leading names in their respective fields.

2021 Customer Satisfaction Questionnaire

Yapı Kredi Private Banking administered an overall customer satisfaction questionnaire also in 2021.

According to the results of the questionnaire, Yapı Kredi Private Banking segment clients' overall satisfaction and Net Promotion Score (NPS) that denotes the likelihood of its clients' recommending Yapı Kredi increased as compared with the previous year and the Bank was assigned a score of 52. According to the questionnaire outputs, clients are satisfied with the service they receive and consider Yapı Kredi as their primary bank.

Initiatives crowned with awards

In 2021, Private Banking and Wealth Management garnered a number of prestigious global awards. Among them are the Best Private Bank in Turkey award at the Global Banking & Finance Awards®2021, and the First Prize at the International Finance Magazine 2021 Awards.

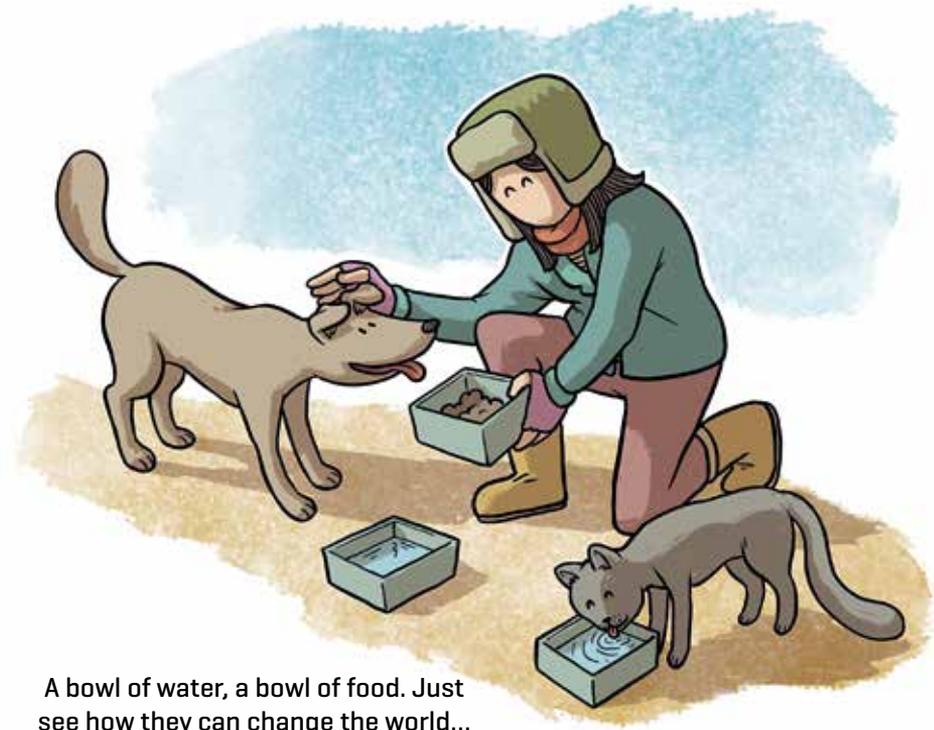
Outlook

Within the frame of its strategy for 2022, Yapı Kredi targets to achieve deepening relationships with existing clients and to reach new customers while maximizing loyalty. To this end, the Bank has defined diverse and privileged experiences to be delivered to customers, sustainability and investment focus as its main areas.

For affluent clients, trust will be more important than ever before amid the volatile and turbulent market conditions. The Bank considers that the need for expert opinion will gain the foreground in wealth management in the period ahead.

In summary, Yapı Kredi has the following targets for 2022 for Private Banking and Wealth Management:

- Expand the customer base and deepen relationships with existing clients by focusing on products and services aligned with the financial expectations and needs of the privileged customer group
- Improve processes and boost efficiency through continued investments in digitalization
- Increase the depth in qualified investment products and maintain portfolio diversity with a long-term perspective; maximize customer satisfaction by enhancing physical branch experience based on a more refined service approach



A bowl of water, a bowl of food. Just see how they can change the world...

Commercial and SME Banking

Extending support to the economy in keeping with its motto of “no limits in service” ever since its foundation, Yapı Kredi unified its Commercial Banking and SME banking operations under a single roof, and kept standing by the side of its customers also in 2021 with its broad product array and banking services.

SME Banking

Profile

Branches	659
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Support to SMEs through an extensive service network

In 2021, SME Banking served companies with an annual turnover between TL 2 million and TL 25 million. At the onset of 2022, SME Banking segmentation criteria were revised, according to which the SME Banking segment started offering service to companies with an annual turnover between TL 3 to 60 million out of 659 branches.

Based on its customer-centric service concept, Yapı Kredi undertook various tasks to offer faster and easier service to its customers. Based on branch optimization efforts, the Bank started furnishing service to customers from branches that are located nearer to them.

Carrying on with its support to the sectors, the Bank expanded the scope, and increased the diversity of, its product and service packages to back its customers engaged in foreign trade and to deliver the service that best suits their needs.

Discounted interest rate in member merchant transactions was added to the advantages offered to customers active in the tourism sector and generating turnover from foreign cards. On the other hand, specific advantages provided to tradesmen included discounted interest rate in member merchant transactions, and card fee exemption in commercial card transactions.

Highlights of the financing support extended to SMEs

The Bank collaborated with the Credit Guarantee Fund [CGF] and the Union of Chambers and Stock Exchanges of Turkey [TOBB] to fulfill the working capital needs of its customers that are members of chambers or stock exchanges affiliated to TOBB, whose year-end 2020 revenues had declined by 25% or more year-on-year and who had revenues up to TL 10 million. Accordingly, financing in the amount of TL 427 million has been provided from the TOBB Breath Credit 2021 program.

In response to a common demand from establishments challenged in raising adequate collateral, loan disbursements amounting to TL 200 million were made under the two different programs of CGF Support Loan collateralized by the CGF's own equity.

Disbursements continued in 2021, under which TL 60 million-financing was extended within the scope of the Tourism Support Package for establishments operating in the pandemic-hit tourism sector and a fund of approximately TL 189 million was allocated within the scope of the COSME pro-

gram conducted in collaboration with the EBRD and KGF.

A program was initiated in November 2021 in collaboration with the KGF to finance the investment expenditures of enterprises holding investment incentive certificates issued within the scope of the Treasury-backed Technology Focused Industry Move Program of the Ministry of Industry and Technology or incentive certificates for manufacturing industry investments satisfying the requirements in the Decree no. 2012/3305 dated 15 June 2012 on State Aids in Investments.

To help women entrepreneurs in the SME segment increase their contribution to the economy and grow their businesses, Yapı Kredi provided financing in the amount of TL 3 billion in 2021. To help ease the losses sustained by customers affected by the disasters that took place in our country in 2021, which included earthquakes, floods and forest fires, interest-free fixed-term loans entailing a 12-month grace period were offered under the KOSGEB [Small and Medium Industry Development Organization] Emergency Support programs.

Loans provided to the SMEs in 2021 accounted for 7.8% of total lending.

Cooperation with international funds

Yapı Kredi also extends thematic funds to its commercial customers under the powerful cooperation with international funding sources. Thematic funds currently in use and are in negotiation phase are briefly described below:

Under a deal with the GGF – Green for Growth Fund, EUR 15 million started to be on-lent to eligible customers in December. Within the scope of the package, funding at advantageous rates will be provided to projects providing 15% energy saving or 15% carbon emissions reduction.

EBRD - TURWIB is a financing program designed to support women entrepreneurs. EBRD will provide a USD 100 million-fund within this framework, which will be on-lent with CGF guarantee. The project also incorporates training programs to be provided to women entrepreneurs along with advisory to be offered by the Bank. With the relevant protocol signed, the fund will start to be allocated by early 2022.

TKYB (Development Investment Bank of Turkey) – World Bank Emergency Firm Support Project is designed to support firms affected by the pandemic and that sustained revenue loss. The Package defines specific criteria for women, small settlement areas and young establishments. Under the cooperation, which is in negotiation phase and is planned to go live by early 2022, USD 60 million is targeted to be raised in funds.

TKYB – Asian Development Bank COVID-19 Project is targeted at firms operating in the infrastructure and other specified sectors affected by the pandemic. The total size of the funding, for which negotiations are ongoing and which is planned to go live by early 2022, is USD 50 million.

Environmental and social rating of commercial loans

Thematic loans require environmental and social risk assessment (ESRA). The objective of the assessment is to promote the financing of environmentally and socially sustainable projects. Yapı Kredi carries out a rating project for further development of ESRA pro-

cesses, which will enable identifying environmental and social risks of customers prior to loan disbursement.

Efficient services for sole proprietorships and companies with a sole authorized person

Introduced for an uninterrupted customer experience for legal entity customers having a sole authorized person in addition to customers in the nature of sole proprietorships, the corporate mobile approval capability allows fulfillment of their needs for basic products such as commercial loans, mem-

EBRD - TURWIB IS A FINANCING PROGRAM DESIGNED TO SUPPORT WOMEN ENTREPRENEURS.

ber merchant, banking products and service packages, World Business card and so on by giving remote approval. As formalities can be completed more quickly with the product approval and documentation enabled to be handled via Yapı Kredi Mobile without going to a branch, customers can also forward their instructions using the e-instruction function on Corporate Internet Banking and Yapı Kredi Mobile.

Yapı Kredi also extends thematic funds to its commercial customers under the powerful cooperation with international funding sources.

Commercial and SME Banking

Customers in the nature of sole proprietorships or legal entity customers having a sole authorized person can choose the member merchant engagement option that suits them and make a member merchant application through Corporate Internet Banking and mobile channels.

Contribution to SMEs in non-financial areas

Undersigning many innovations for its SME customers, Yapı Kredi kept introducing collaborations that will help the SMEs carry their business to the digital world and increase their competitive strength in 2021.

Under the cooperation agreements with Turkey's leading firms offering e-commerce, e-document solutions and website installation and integration services, Yapı Kredi provided its customers with solutions that enable:

- Opening virtual shops free-of-charge in online marketplaces and making advantageous collections,
- e-commerce site installation at special prices,
- Marketplace integration,

- Enjoying discounted prices for Virtual POS, and
- Minimizing e-certificate costs.

Support mechanisms extended to SMEs engaged in e-commerce

In 2021, Yapı Kredi partnered with e-commerce brands and kept building on the value proposition provided to vendors.

In this framework, vendors were offered exemption from EFT/money transfer fees, free-of-charge cheque books, advantageous commission rates on Business cards, and Worldpuan bonus point campaigns, along with salary promotions and low-rate loan packages entailing grace periods for the needs of suppliers.

The Bank collaborated with e-commerce website software companies concurrently with marketplaces, and offered numerous advantages associated with digital sales to the SMEs ranging from e-commerce website installation to marketplace integration, from search engine optimization to courier management. Moreover, advantageous Virtual POS price was offered to first-time member merchant firms.

Under the cooperation with KoçSistem that was sustained throughout 2021, e-document integration service was provided to the Bank's customers free-of-charge up to 100,000 documents for 12 months. Under the agreement made in the last quarter of 2021 with Avis Fleet that takes place within Otokoç organization, discounts up to 10% were made available to the Bank's customers for their long-term car rentals.

Outlook

The targets of Yapı Kredi for 2022 with respect to SME Banking are outlined below:

- Enhance customer satisfaction by supporting its customers in every respect on the back of the services furnished
- Be involved at every point throughout its customers' cash flows on the back of initiatives to be carried out
- Offer service while preserving the "loans to deposit" balance in order to sustain healthy growth
- Expand its sector- and city-specific products and services to optimally respond to customers' diverse demands

Commercial Banking

Profile

Branches	133
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Yapı Kredi has positioned itself among Turkey's leading banks in the Commercial Banking segment with its distinguished products and services. In 2021, Yapı Kredi Commercial Banking segment served companies having an annual turnover between TL 25-500 million. The segmentation criteria were revised at the onset of 2022, according to which service started to be rendered in this segment to companies with an annual turnover of TL 60 million to TL 1 billion.

Commercial Banking services are provided out of 42 Commercial Branches located in 11 Commercial Regions and

also by Commercial Portfolio Managers offering commercial service at 91 branches.

Besides basic banking products, Yapı Kredi delivers services in specialty areas including project finance, cash management, foreign trade finance and investment banking to domestic and foreign companies satisfying the segment criteria.

Amid the tough conditions 2021 presented, Yapı Kredi quickly adjusted to the altered customer needs based on its customer-centric approach to service and kept extending support to Commercial Banking customers.

Giving the foreground to offering fast and high-quality service to its customers in the Commercial Banking segment through a variety of channels on the back of simplified work processes and digital solutions, Yapı Kredi constantly invests in its technology and human resource.

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. These services are backed by expert teams assigned at the Head Office, Corporate Banking Centers and commercial and retail regional offices.

The Bank's countrywide cash management services cover numerous different products and services including collection and payment services, cash transfer services, digital banking and operational services. In addition to cash management services, the Bank also offers data integration and reconciliation solutions for these products.

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 2021, 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 customers manage their supply processes more efficiently and reach alternative financing facilities.

In 2021, Yapı Kredi further strengthened its leading position in e-banking with its high performance in direct debit (DDS) and BANKO bulk payment systems.

Commercial and SME Banking

Yapı Kredi has been the first bank in Turkey to launch the Swift Go service that enables transfer up to USD 10 thousand or EUR 10 thousand to the recipient net and fast at a fixed correspondent fee.

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.

Tailored solutions for international trade customers

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 [CAEP] via Internet banking instead of physical environment. In 2021, Export Price, Export Commitment Tracking and Export Collection Document Sending products were added to digital banking solutions in addition to CAEP issuance. Furthermore, Yapı Kredi has been the first bank in Turkey to launch the Swift Go service that enables transferring up to USD 10 thousand or EUR 10 thousand to the recipient net and fast at a fixed correspondent fee.

On another front, within the scope of a collaboration with KoçSistem the Bank offered advantageous e-document solutions to its customers, mainly SME customers.

In 2022, 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.

Also, Yapı Kredi offers alternative solutions to its customers' foreign trade finance needs through Turk 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.

14.8% share in Turkey's foreign trade volume

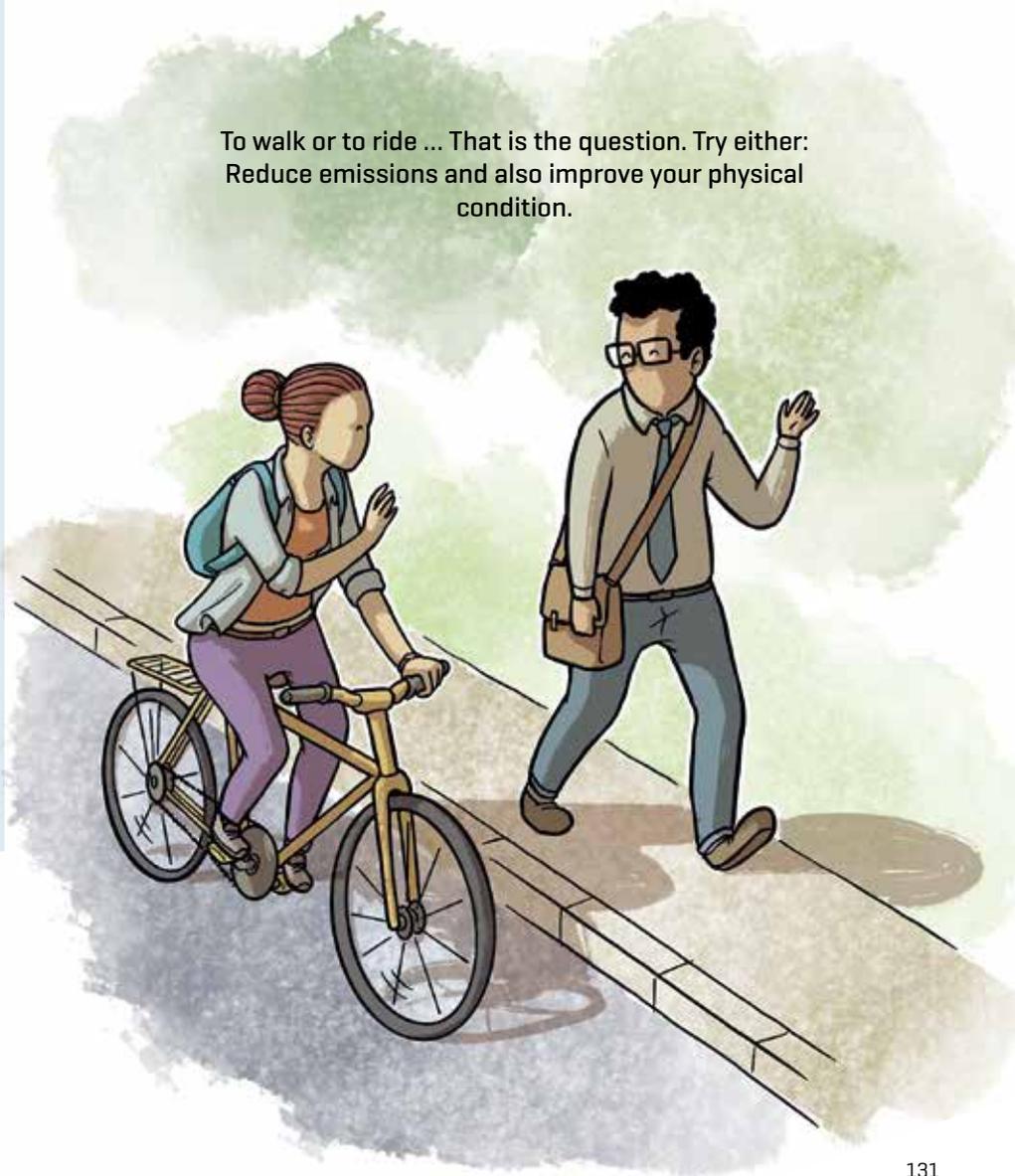
Controlling 12.3% market share in cheque clearing in 2021, Yapı Kredi intermediated the foreign trade transactions of its more than 16 thousand customers. Yapı Kredi's market share of Turkey's foreign trade volume was approximately 14.8%.

Outlook

The targets of Yapı Kredi for 2022 with respect to Commercial Banking are outlined below:

- Consolidate its position before customers as a business partner by offering a wide range of services from basic banking transactions to financial advisory
- Strengthen its customer base by securing cash flow-driven customer acquisition
- Create a value chain by establishing solid relationships with customers' subsidiaries and suppliers
- Deliver customers the speed and quality called for by the age through effective use of digital channels
- Continue to make a difference in customer experience by incorporating smart systems in process design
- Develop new products aimed at supporting customers' transition to a sustainable economy and increase the share of these products in the portfolio
- Continue to take part in major projects that require expertise and create added value for the country

To walk or to ride ... That is the question. Try either:
Reduce emissions and also improve your physical condition.



Corporate Banking

Yapı Kredi is among Turkey's leading banks in the Corporate Banking segment with its distinctive products and services.

Corporate Banking serves large-scale domestic companies and multinationals with custom-designed products and services out of its 4 branches in total, 3 of them in İstanbul and 1 in Ankara. The Bank also offers project and structured finance, and corporate finance advisory, financial advisory, capital management advisory under investment banking, as well as M&A finance services to its customers.

BASED ON RESPONSIBLE FINANCE CONCEPT, YAPI KREDİ FOCUSED ON SUSTAINABLE PRODUCT AND SERVICE DEVELOPMENT PROCESSES.

Yapı Kredi Corporate Banking carries out its activities via its specialized team with the aims of deepening relationships with customers based on long-lived cooperations, swiftly presenting the products and services that optimally cater to customers' evolving needs and circumstances assuming the role of a financial business partner and advisor, and maximizing service quality and customer satisfaction.

During 2021 that saw the effects of the COVID-19 pandemic persist across the world, products and services that are aligned with customer needs and differentiated on the basis of a customer-centric approach continued to be offered.

Cross Border Banking

Acting as the first point of contact for investors from abroad, Yapı Kredi Cross Border Banking delivers advisory regarding Turkey and the banking system.

By taking part in settings linked to consultates and foreign capital investments

(domestic trade shows, attaché-offices, etc.), information is shared about Yapı Kredi and the banking sector; sales and marketing activities are carried out to entice foreign investors to choose Yapı Kredi. Support is extended to account opening processes of companies with foreign shareholders at any branch of Yapı Kredi within Turkey and its over-seas subsidiaries. Contribution is lent to the promotion and increased

use of the Bank's products in coordination with all product groups and various units.

In 2021, foreign account opening was carried out for Turkish firms associated with their overseas investments, and many firms backed by foreign capital that have investments in Turkey were acquired as new customers for the Bank by completing their account opening.

Project and Structured Finance

Yapı Kredi is positioned among the leading banks in long-term project and structured finance.

The Bank provides project finance support to large-scale projects on the back of its robust balance sheet.

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.

2021 has been a year during which the COVID-19 pandemic sustained its impacts and exchange rates fluctuated. This volatile environment led to postponement of new projects for their reconsideration in the future. However, public offerings and bill issuances increased since energy companies possessing an operational renewable energy portfolio turned towards different capital market instruments to access diverse funding sources.

From out of the tenders scheduled to be held in 2021 for achieving increased installed capacity in renewable energy, YEKA (Renewable Energy Zones) Solar Power Plant (SPP) - 3 competition took place, whereas YEKA Wind Power Plant (WPP) - 3 competition was postponed to 2022 due to the macroeconomic environment. On the other hand, electric energy purchasing prices under Renewable Energy Support Scheme (YEKDEM) began to be applied in Turkish lira for renewable power plants becoming operational after 1 July 2021, which boosted the importance of equity contribution.

Support to Renewable Energy Projects

The other area Yapı Kredi focuses on in keeping with responsible finance concept is sustainable products and services.

Effective management of risks arising from climate change and capitalizing on the opportunities emerging in the same vein are critical for the banking sector. Yapı Kredi extends support for increasing the renewable energy capacity to assist Turkey's low-carbon transition.

Besides its solid shareholders' equity, the Bank sources funds from various 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) to contribute to the financing of renewable energy projects.

In this framework, the Bank provided project finance for renewable energy

projects with a total installed capacity of 6,309 MW as at year-end 2021.

The goal of Yapı Kredi Project Finance is to support renewable energy and energy efficiency investments in order to protect the environment and minimize climate impact, contribute to the country's development by establishing long-lasting business partnerships with customers, and rise to leadership position in the sector by achieving increased market share.

Yapı Kredi extends support for increasing the renewable energy capacity to assist Turkey's low-carbon transition.

Renewable Energy Projects Financed as at Year-end 2021

Type of Project/Investment	Installed Capacity ¹ [MW]	Electricity Generation ² [kWh]	Avoided GHG Emissions ³ [tCO ₂ e]
HEPP	4,829	8,230,811,069	1,595,475
WPP	956	2,706,547,150	901,150
GPP	74	373,980,870	174,312
SPP	312	453,402,812	211,331
Biomass	138	686,649,520	182,378
Total	6,309	12,451,391,421	3,064,647

3.1 million [tCO₂e]

**GHG EMISSIONS AVOIDED
VIA RENEWABLE ENERGY PROJECTS
FINANCED**

¹ Installed Capacity: The installed capacity of the renewable energy portfolio as at year-end 2021.

² Electricity Generation: 2021 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 2021 and 31 December 2021,
- 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 SPP projects with a total installed capacity of 31.66 MW, for which the 12-month production figures were unavailable for 2021, calculation has been performed on the basis of 2020 production figures based on prorated estimations for the months for which production figures were unavailable.

³ Avoided GHG Emissions Calculation: Avoided GHG Emissions [tCO₂e] = Annual quantity of power generated from renewable energy power plants (kWh)*IEA Statistics Data Service Emissions Factors [2020 edition] Turkey emissions coefficient *Yapı Kredi's Financing Share Percentage [%]

Corporate Banking

Yapı Kredi offered financial advisory service for the USD 750 million-green bond issue carried out in August 2021 by a pioneering and leading company in the renewable energy industry.

Sustainable Finance

Yapı Kredi continues to work towards providing financing in the area of sustainability and diversifying its portfolio in this respect.

To this end, the Bank has been devising financing structures aligned with its customers' sustainability targets and strategies, and developing sustainability-linked loans, green and social loan products. The Bank raises awareness of its customers to promote usage of sustainable financing instruments in addition to conventional ones, and offers alternatives in this regard.

The Bank offered financial advisory service for the USD 750 million-green bond issue carried out in August 2021 by a pioneering and leading company in the renewable energy industry.

This facility is set apart also as the highest-amount Green Bond issue performed in one go in Turkey.

Outlook

The decelerating effect that stemmed from the pandemic and exchange rate volatilities in the short term in investments are anticipated to continue in project finance transactions in the short term. 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 an important opportunity for reducing external dependency in energy and bolstering supply security.

With the ratification of the Paris Climate Agreement by the Turkish Parliament on 6 October 2021, an important threshold was crossed in our country's transition process to a low-carbon economy and achieving growth in renewable energy.

On another front, with the abatement of the impacts of the pandemic and stabilization of the macroeconomic environment, it is envisaged that investments in energy would resume, as well as government backed infrastructure investments such as transportation and healthcare.

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 various topics including environmental and social impact management, new regulations including the European Green Deal, and occupational health and safety.

Investment Banking

Investment Banking manages corporate finance advisory, financial advisory and capital management advisory services of Yapı Kredi.

Corporate Finance Advisory

The Corporate Finance Advisory team establishes dialogues on a strategic level with Yapı Kredi 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.

Capital Management Advisory

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 optimum 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.

The Koç Group Dealer and Supplier Network Business Development

Koç Holding is the deepest-rooted and largest conglomerate in Turkey.

As it carries on with its activities, investments, and initiatives within the frame of its global growth vision, Koç Holding possesses Turkey's largest and most efficient ecosystem economy with the companies within its organization, its dealers, suppliers, employees and all other stakeholders.

The Koç Group Dealer and Supplier Network Business Development Unit, taking place under Yapı Kredi Corporate Banking Management, was set up in 2021 with the aims of responding to financial needs of the dealers and suppliers within this ecosystem with fast solutions, supporting their development by also offering financial advisory as and when needed, and capturing and sustaining the quality standard in the services rendered.

The dealers and suppliers of Koç Group grow stronger and make major contributions to the economy with Yapı Kredi products and services.

Outlook

The targets of Yapı Kredi for 2022 with regard to Corporate Banking are outlined below:

- Consolidate its position before customers as a business partner by offering a wide array of services ranging from fulfillment of their daily cash flow needs to financial advisory
- Continue to take part in major projects that require expertise and create added value for the country
- Contribute to market share with Cash Management and Foreign Trade Finance products
- Continue to make a difference in customer experience by incorporating smart systems in process design
- Focus on value chain management with the aim of building stronger relations with customers' subsidiaries and suppliers
- Increase the share of sustainable finance in total loans with a focus on sustainability

Yapı Kredi Asset Management

Profile

Employees	54
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Yapı Kredi Asset Management rose to the first place in the sector with a 16.5% market share in mutual funds in 2021. On the private pension funds side, the company climbed one step up in funds under management with 14% market share.

Commanding the sector's leadership, Yapı Kredi Asset Management has consistently maintained its position and sustained its activities since 2002. The company adjusted to the changing market conditions of 2021, developed its investment strategies to optimally capitalize on the high growth of the asset management sector, and further strengthened and broadened its relations with delivery channels. During the reporting period, active distribution agreements for mutual funds were signed with 5 new institutions, as a result of which 13 institutions in total have become active distributors of Yapı Kredi Asset Management's mutual funds. On another hand, the company enlarged its total volume in discretionary funds by 60% with private-placement 5 mutual funds and 10 hedge funds under its management for individual and institutional customers.

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;

- 27 mutual and 19 hedge funds under its management,
- a total of 20 pension mutual funds of 3 different pension companies.

Yapı Kredi Asset Management rose to the first place in the sector with a 16.5% market share in mutual funds in 2021. On the private pension funds side, the company climbed one step up in funds under management with 14% market share. On the other hand, the company is the sector's longstanding leader when money market funds also known as qualified funds are exclud-

ed. Total assets under the company's management amount to approximately TL 81 billion. The company has also been developing sustainable financial products to contribute social benefit and to protect the world, thereby being instrumental in allocation of individual investments to these funds.

Yapı Kredi Asset Management will forge ahead with developing diverse products by working on new strategies in order to respond to the evolving investor demands in the strongly growing asset management sector also in 2022, and will continue to develop new projects with the aim of servicing its investors through new advanced platforms in a bid to preserve its leadership in the sector.

Yapı Kredi Invest

Profile

Employees	241
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Yapı Kredi Invest is among Turkey's leading investment houses with more than 30 years of experience in capital markets. 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 takes one of the top ranks in the sector in terms of business volume. Notwithstanding the challenging conditions stemming from the ongoing pandemic despite the accelerated vaccination campaign in 2021, the company retained its leadership in equity trading and futures and options 22.2% transactions in terms of volume and market share, which was captured in 2018.

Having played an active role in IPOs in 2021, Yapı Kredi Invest intermediated the generation of TL 1.6 billion in IPO income from the two public offerings in which the company acted as the leader. In addition, the company intermediated public offerings worth TL 14.3 billion in 14 IPOs in which it was a consortium member.

In debt instruments, Yapı Kredi Invest intermediated issues worth TL 21.6 billion in a total of 77 transactions, whereby 14 different issuers generated funds from the capital markets. Among these, the company carried out Arçelik's TL 1.2 billion-issue, the biggest-ticket real sector transaction in the TL bonds market. Furthermore, the company consummated a successful transaction by bringing Qua Granite's first bond issue in the amount of TL 75 million to a broad base of investors.

Working to offer service to its clients at all locations, Yapı Kredi Invest has 13 branches in İstanbul and Anatolia, including 5 new branches opened recently, and three sales departments at its Head Office.

In 2022, Yapı Kredi Invest will retain its market leadership and sustain its operations in line with its sustainable growth and development goal. Amid shifting market conditions, Yapı Kredi Invest targets to increase the diversity of its digital services by adding momentum to its client-focused initiatives. The company will also keep quickly responding to evolving customers needs and offering high-quality products at all times.

With 14.1% market share, Yapı Kredi Invest takes one of the top ranks in the sector in terms of business volume.

Yapı Kredi Leasing

Profile

Customers	4.891
Branches	13
Employees	131

Yapı Kredi Leasing intermediates the financing of sustainable products and has a net zero target for its carbon emissions by 2050.

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 18.0% 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 2021, Yapı Kredi Leasing surpassed the targeted numbers and amounts on the back of its new products launched, collaborations developed with its solution partners, and applications developed using technology. Preserving its solid position in the sector, the company provided financing for machinery investments of the real sector, primarily in manufacturing, textile, and construction machinery.

Yapı Kredi Leasing attaches great importance to green energy for a sustainable world; accordingly, the company

intermediates the financing of products such as wind power plants, rooftop solar systems, charging stations for electric vehicles, all of which serve the sustainability objective. The company has set a net zero target for its carbon emissions by 2050.

In 2022, Yapı Kredi Leasing aims to retain its leadership in the sector, maintain its customer network, and further consolidate its position in the market.

Yapı Kredi Faktoring

Profile

Customers	4.853
Branches	9
Employees	124

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 10.9% in total business volume, and 19.5% in international factoring volume. In addition, the company reached a total business volume of TL 21.7 billion, of which 72% is derived on domestic transactions and 28% 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 2021, 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 2021, Yapı Kredi Faktoring was named the Best Factoring Company in Turkey by Global Banking and Finance Review magazine.

Furthermore, Yapı Kredi Faktoring was voted the Most Admired Company of the factoring sector in the "Most Admired Companies 2021" survey organized by the Capital 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. In 2021 rankings, the company took the second spot within 195 members in the correspondent service quality and business volume category.

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 2022, while deepening relationships with existing customers.

Yapı Kredi Faktoring holds a market share of 10.9% in total business volume, and 19.5% in international factoring volume.

Yapı Kredi Bank Nederland

Profile

Asset Size	USD 2.1 billion
Branches	-
Employees	59

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.

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 and its digital channels.

While providing a safe and healthy working environment to its employees throughout the Covid-19 pandemic that maintained its effects in 2021, Yapı Kredi Bank Nederland demonstrated a prudent approach and sustained its favorable performance despite volatile and increasingly regulated market conditions. The bank's goal is to keep its RoE at a high level amid the prevailing circumstances.

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.

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, 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.

In 2022, Yapı Kredi Bank Nederland aims to cater to customer needs with technology and innovation investments that consider risks and are compliant with the legislation, and to achieve product and stable growth, superior and long-lived customer satisfaction, along with solid and sustainable profitability.

Yapı Kredi Bank Azerbaijan

Company Profile

Asset Size	USD 240.4 million
Branches	9
Asset Size	249

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 (card payment systems and individual banking), corporate and commercial banking segments through its 9 branches.

In 2021, with the gradual loosening of the measures against the pandemic and the adequate levels reached in vaccination, economic activity recovered. After contracting by 4.3% in 2020, the Azerbaijani economy grew by 5.6% in 2021. The rising oil prices made a significant contribution to the annual growth achieved by the economy. USD 0.2 billion-current account deficit produced by the current accounts in 2020 was reversed to a USD 3.9 billion-surplus in the third quarter of 2021.

The abated effects of the pandemic and the rise in economic activity backed the revival of the banking sector as well, and loans grew by 18% and deposits by 30% during the reporting period.

Despite the tough conditions stemming from the pandemic that endured throughout 2021, Yapı Kredi Bank Azerbaijan performed solidly and kept supporting its customers. In the reporting period, the company's lending increased by 17% to USD 103 million, and its deposits grew by 17% to reach USD 180 million, while the bank's funding and liquidity levels were further strengthened.

The Azerbaijani economy and market will presumably present much more attractive growth opportunities in the period ahead.

Within the scope of the reconstruction of Nagorno-Karabakh region where Azerbaijan regained control in 2020 ending the Armenian invasion, a big-ticket investment program has been announced. In addition, Azerbaijan offers countrywide investment opportunities in numerous sectors besides oil. On another note, Azerbaijan targets to triple its trade volume with Turkey, which ranks second in the country's export destinations, to USD 15 billion by 2023.

Having placed healthy and sustainable growth goal in the focal point of its strategy, Yapı Kredi Bank Azerbaijan will continue to support the entrepreneurs benefiting from regional cooperation possibilities with banking services and to be the efficient bank backed with Turkish capital in the region.

Yapı Kredi Bank Azerbaijan achieved 2.11% market share in credit card outstanding volume and 2.30% market share in acquiring volume.

Treasury Management

During 2021 that has been the scene to the normalization phase of the pandemic, the Turkish economy displayed a strong recovery.

The news about the vaccination of late 2020 backed a gradual loosening of pandemic-imposed restrictive measures in 2021. In the process, demand increased, and the initiation of the vaccination campaign acted as the main driver of financial recuperation.

As new variants emerged, economy lost momentum even if slightly in the second quarter due to the tightened financial conditions and restrictions in the world. During this period, net exports, alongside domestic demand, contributed to growth. The commodity prices that went up in the international markets in the second quarter and continued pandemic-induced constraints in the supply chain triggered a global inflation wave. While all the world economies were affected by increased prices, the rise particularly in energy costs fueled higher costs worldwide.

Vaccination gained speed in the third quarter and economy revived with normalcy. Hence, higher domestic demand and exports contributed significantly to

growth. The rise in demand in the global services industry helped the economic recovery gain pace.

An approach aimed at effective liquidity management and protecting the diversified funding base

During 2021, 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, and business continuity was ensured diligently.

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 2021, the Bank's market share in the BIST bonds market was 8.30% as of 2021 year-end. Furthermore,

Yapı Kredi also borrowed TL 14.8 billion from the domestic market through 41 issuances in total in 2021.

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 2021 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 FX 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

Mutual Funds and Savings Products Management Unit follows up the markets, applicable legislation and requirements, and is responsible for delivering mutual funds and savings 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 14 new funds in 2021, in addition to the existing 34 mutual funds catering to different strategies. From amongst our recently launched funds, the Silver Fund Basket Fund, Clean Energy Variable Fund, Fourth Fund Basket Fund and Domestic Technology Companies Equity Fund enable sustainable investment, investing in new trends and diverse themes under a unified fund roof, and investing in different investments strategies such as domestic technology companies. Yapı Kredi

customers can reach mutual funds through branches and all Alternative Delivery Channels.

Channeling at least 50% of the returns derived on the Fund to social responsibility projects every year, Koç For My Country Variable Fund supported the digital transformation of civil society organizations under the BOOST Civil Society Technology Challenge with the returns generated in 2021.

Under the Bank's digitalization strategy, Yapı Kredi Mobile Mutual Funds screens were renewed and additional functions were offered to customers. My Fund Portfolio, Buy/Sell/Conversion, Fund Returns and Fund Details screens went live with their new designs and functions to let customers follow up their fund investments in detail, to easily perform their transactions and reach detailed information about mutual funds.

Four new reports introduced in 2021 on Yapı Kredi Mobile and Internet Banking give customers access to asset conversions, periodic investment returns and investment transaction movements for all investment products.

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, bonds, bills, Eurobonds, repurchase agreements and OTC derivatives. The team is also responsible for announcing the IPOs between Yapı Kredi Invest and Yapı Kredi Bank, providing the participation of the Bank's customers in IPOs and managing the products under its responsibility working in coordination with the other teams within Treasury.

Within the scope of the Bank's digitalization strategy, the Product Management Teams put into implementation projects that allow FC order transactions, FC alert, past asset viewing, 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.

Treasury Management

Equity and Order Transmission Product Management Unit

Within the scope of its function for intermediating order transmissions, the Unit is responsible for uninterrupted execution of the intermediation activities at all branches and other sales outlets for equity, public offering, TurkDex and Tradebox products, which fall under the scope of Yapı Kredi Invest's transaction intermediation activities. The Unit also resolves technical issues and client disputes, and fulfills the regulatory responsibility of Yapı Kredi as defined by the CMB for the intermediation function in its entirety.

The Product Management function is responsible for all kinds of operation [other than pricing], efficiency, productivity and revision requirements of the equity, TurkDex and Tradebox products throughout their delivery to the customers in accordance with the Capital Market Law and the Order Execution Policy [transaction and portfolio intermediation], Company Policy on Order Transmission Intermediation, Compatibility Test Company Policy and Customer Classification Policy.

Within the scope of the Bank's digitalization strategy, the Product Management Teams put into implementation projects that digitalized equity service design and TurkDex account opening and trading screens, introduced Akıllı Borsacım [My Smart Stockbroker] bringing the equity recommendations in Yapı Kredi Invest research reports to the transaction screens, and enabled trading via Mobile Banking and Internet Banking. In 2022, Equity Exchange Loan, Equity Collateralized Purchasing Loan, Equity Offering Loan and Tradebox [overseas stock market transactions] account opening, money transfer and transaction screens will be made available to customers on digital channels.

Financial Institutions

Correspondent Banking

Despite the volatility in global and domestic markets, Yapı Kredi made further additions to its set of achievements in correspondent banking activities in 2021.

Throughout the year, the Bank responded to its customers' needs for foreign trade finance with the support of its network of nearly 1,600 interna-

tional banks. Successful correspondent banking activities resulted in the renewal of syndicated loans and maintained the market share in foreign trade finance.

The Bank followed up the global developments in relation to foreign trade finance and cash management and carried out numerous initiatives for the introduction of new technologies. The Bank also worked towards lower-cost and faster service delivery to its customers with payment solutions and within a network of partnerships with foreign trade technology firms, SWIFT, etc.

Syndicated loan facility tied to sustainability criteria

In May 2021, Yapı Kredi successfully completed its first syndicated loan tied to sustainability criteria. The facility with a maturity of 367 days comprised of two tranches in terms of US dollars and euros. The loan in the total amount of USD 351 million and EUR 501 million is intended to fulfill the customers' funding needs for foreign trade financing.

Participated by 42 banks from 20 countries, the facility carried an all-in cost of Libor+2.50% and Euribor+2.25% for a 367-day maturity.

In October, Yapı Kredi successfully rolled over a second syndicated loan comprised of two tranches in terms of US dollars and euros, with a maturity of 367 days, raising USD 360.5 million and EUR 396.5 million in compliance with selected sustainability criteria. The dual currency loan facility, which was secured to finance foreign trade, was participated by 38 banks from 19 countries. The all-in cost of the facility was realized as Libor+2.15% and Euribor+1.75% 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 2021, 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 2.9 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. The issue achieved a book building in excess of USD 3.2 billion.

In May and October 2021, the Bank realized syndicated loan facilities linked to Environmental, Social and Governance (ESG) performance criteria. The total funding under the two facilities amounted approximately to USD 1.7 billion, which will be used for foreign trade finance.

In July, Yapı Kredi signed a loan agreement for EUR 15 million with the Green for Growth Fund (GGF) to be on-lent to energy efficiency and renewable energy projects and another one for EUR 25 million with the European Fund for

Southeast Europe (EFSE) to be allocated to micro and small agricultural establishments located in underdeveloped cities.

In September, the Bank carried out a repurchase agreement for EUR 225 million linked to ESG performance criteria with the Bank of America. In December, the Bank undersigned a total funding of USD 558 million comprised of USD 445 million and EUR 100 million participated by six investor banks within the scope of a Diversified Payment Rights (DPR) program.

Of the DPR deal, the portion of USD 340 million will be allocated to support green, social and sustainable loans within the scope of Yapı Kredi's Sustainable Finance Framework. It has been agreed that the USD 50 million-portion of the DPR facility realized with the EBRD will be on-lent to women-owned or women-led businesses within the scope of the EBRD's Women in Business program.

In December 2021, Yapı Kredi updated its Sustainability Bond Framework under the name Sustainable Finance Framework again in accordance with the ICMA principles.

Outlook

The Bank's targets with respect to Treasury and Financial Institutions groups for 2022 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,
- Preserve its funding diversity,
- Increase the diversity of sustainability-themed funds,
- Continue its cooperation with international financial institutions,
- Maintain its disciplined approach to sustain solid liquidity and funding position.
- The share of sustainable finance is targeted to be further increased in 2022.

The subordinated bond issue of USD 500 million carried out in January 2021 achieved a book building of more than six folds of the targeted amount.

Limitless Banking

Yapı Kredi acts with the vision of delivering a perfect customer experience that will create direct solutions for customer needs with its initiatives aiming to be the bank of choice in physical and Limitless Banking channels.

Profile	
Number of ATMs	4,600
Active Digital Customers	~9 million
Product Sale Penetration Rate Through Digital Channels*	~70%
Customer Relations Center Annual Customer Contacts	132 million

*General Purpose Consumer Loans, Credit Cards, Bill Payments, Flexible Accounts, Time Deposits

Yapı Kredi's Targets in Limitless Banking

- Offer end-to-end digital services and innovative solutions that fully cater to customers' all banking needs
- Improve sales capabilities of digital channels to satisfy customers' need for banking products
- Increase digital onboarding
- Create value both for the Bank and the customers by enhancing customer satisfaction, and
- Develop new business models that will expand the banking ecosystem

Based on its banking concept focused on the digital, Limitless Banking added new ones to its innovations targeting perfect experience in 2021. The aim was to offer more than a bank to its customers, besides facilitating and increasing accessibility of banking transactions.

Yapı Kredi acts with the vision of delivering a perfect customer experience that will create direct solutions for cus-

tomers' needs with its initiatives aiming to be the bank of choice in physical and Limitless Banking channels.

Digital Banking

In line with its digital banking strategy putting customer experience in its focus, Yapı Kredi targets to produce products and services offering tailored solutions for customer needs by closely monitoring innovative technologies.

At the same time, the Bank offers differentiating applications in the fintech universe in a bid to shape the banking world of the future.

The contactless banking ecosystem enabled by the Bank's investments and innovations in digital channels has ensured uninterrupted satisfaction of customer needs particularly during the pandemic and transformed customer behavior permanently into a digital-driven one. Working to make a higher number of banking services available for the customers on digital channels also in 2021, Yapı Kredi kept delivering contactless solutions and perfect customer experience.

In keeping with its vision of delivering a perfect customer experience that will provide the direct solution for customers' needs, Yapı Kredi focused on perfecting customer experience, optimizing customer interaction and delivering standard-setting solutions in the sector also in 2021. Along this line, the Bank offered several new services on digital channels to its customers, while improving the banking ecosystem. The innovative applications offered by the Bank secured increased numbers in

During 2021, the Bank's digital banking active customers grew by 1.6 million and the Bank doubled the number of its newly acquired customers as compared to the previous year.

digital active and mobile active customers, customer acquisition, customer interactions, number of transactions and digital penetration.

During 2021, the Bank's digital banking active customers grew by 1.6 million and the Bank doubled the number of its newly acquired customers as compared to the previous year. The Bank's customer interactions on digital channels reached 2 billion throughout the year.

Onboarding through Yapı Kredi Mobile without a branch visit

Breaking new ground in Turkey, Yapı Kredi designed the onboarding experience by connecting to a Video Transaction Assistant without going to a branch in 2018. The Bank quickly aligned itself with the MASAK [Financial Crimes Investigation Board] and BRSA regulations issued in May 2021. End-to-end revamped onboarding through Yapı Kredi Mobile option allowed the customers to complete the process and start using Yapı Kredi Mobile instantly enjoying the full range of its features. The Bank has pioneered the sector by offering the alternative to complete the process via money transfer, which is conducted completely digitally using the NFC [Near Field Communication] technology.

During 2021, profit-oriented customer acquisition was supported with data-driven, effective performance marketing initiatives carried out with the right content to the right customer at the right time, and approximately 200 thousand new customers were acquired through Yapı Kredi Mobile.

NFC reader and face recognition technology and improvements in video banking processes

In keeping with its vision for employing the latest technology, Yapı Kredi integrated NFC reader and face recognition features in Yapı Kredi Mobile. Under this capability, customers can scan their Turkish chip ID cards via NFC on their own devices and get their Single PIN used for logging into digital channels and with the Customer Relations Center using the face scanning technology, without requiring a video chat infrastructure.

Flows for getting Single PIN were facilitated with the addition of NFC reader and face recognition technologies in cases requiring additional authentication. This also alleviated the call load on the Customer Relations Center. The video banking infrastructure enriched the functions that allow customers to easily update their data via Yapı Kredi Mobile without having to go to a branch.

Concentrating on the current usability trends and innovative technologies, Yapı Kredi increased its transaction diversity also in 2021 and made improvements targeted at customer needs. This helped increase the number of transactions by 30% on the digital, and 38% on mobile-only, whereas 56% annual growth was recorded in the sales of five main products as of December 2021. The penetration of the digital in these products went up by 5 points as compared to the previous year and reached 70%.

Investment products go digital

The investment services experience delivered on Yapı Kredi Mobile was further upgraded, enriched with new functions and accessibility of investment services was increased.

Also in 2021, the Bank introduced life-easing developments targeted at the needs of diverse customer profiles for its customers wishing to invest on digital channels. The developments include new functions such as VIOP [Futures and Options Market] Account Application and Transactions, along with new service design formats that will facilitate transactions for stocks and funds. These arrangements give customers a much easier access to

Limitless Banking

38% GROWTH IN THE NUMBER OF TRANS- ACTIONS ON MOBILE

stock details; in addition, the new Fund Conversion feature allows customers to sell one fund and buy another one in a single step. Furthermore, Asset Change Report, Capital Market Statement, Periodic Investment Returns and Investment Transactions reports that will provide guidance to investors were made accessible. While these developments produced 200% growth in investment transactions performed digitally over the past two years, market share in digital investment transactions went up by more than 2 points.

INVESTMENT TRANSACTIONS PERFORMED DIGITALLY HAVE INCREASED 200% OVER THE PAST 2 YEARS.

Enriched digital insurance products

In 2021, Yapı Kredi, targeting perfect customer experience, kept increasing the insurance processes available on Yapı Kredi Mobile. In this framework, the Bank transported new functions including PPS Contribution Payment [Current and Past] and Additional Contribution Payment as well as products like Automatic Renewal Instruction, Complementary Health Insurance for children to an easily accessible platform for its customers that is Yapı Kredi

Mobile. In October 2021, the Bank introduced the function that allows customers to buy a Complementary Health Insurance policy in the name of their children under 18 without buying a policy for themselves. Since the function was launched in October, almost 20% of Complementary Health Insurance sales were carried out for children.

Innovative solutions for customer expectations

The customer experience in General Purpose Loan, Credit Card and Flexible Account products on digital channels was redesigned end-to-end and new functions were added to existing processes. Hence, customers were given easy access to loan products.

Non-customer users applying for a General Purpose Consumer Loan through non-digital channels were steered to the onboarding via Yapı Kredi Mobile process, thus facilitating their becoming a customer forthwith and taking out a loan instantly. These developments increased the general purpose loan sales volume by 110% year-over-year in 2021 translating into a 60% rise in terms of the number of

loans. Credit card sales quantity grew by approximately 110% as compared to the previous year.

Yapı Kredi launched all necessary functions for prepaid cards such as card application, balance transfer between cards, PIN setting and automatic payment instruction on Yapı Kredi Mobile in 2021.

In addition to products, the Bank resumed its efforts for digitalization of processes carried out from branches. With the Mobile Approval, customers can now complete the processes they initiate at the branch via Yapı Kredi Mobile. The ratio of transactions performed with Mobile Approval exceeded 40% at year-end 2021.

Digital Payments

Available on Yapı Kredi Mobile and World Mobile, World PAY combines digital payment solutions such as Payment from Inside the Car, NFC Mobile Payment, Payment with QR Code and E-Commerce Payments under a single roof. Payments made by World PAY digital payment solutions increased by 101% over 2020.

For enhancing customer experience in e-commerce payments, payment solutions varying according to platforms were developed. Besides payments made on the desktop with QR Code, payments through member merchants' mobile apps or mobile website started to be completed quickly and securely via World PAY.

Payment solutions offered to customers were diversified with the addition of the payment from account method aside from card payments to the World PAY – Payment with QR Code function.

With the TR Karekod (Turkish 2D Code) infrastructure whereby the Central Bank of the Republic of Türkiye (CBRT) set the national QR code standards, Payment with QR Code, Cash Withdrawal/Deposit with QR Code and Money Transfer with QR Code functions were aligned with the Turkish 2D Code standard.

Within this framework:

- Cash Withdrawal/Deposit with QR function enables performing QR transactions on the ATMs of other banks via Yapı Kredi Mobile,
- Money transfer with QR to accounts at other banks started to be executed,
- Payments by the card or from the account started to be made with the “Payment with QR Code” feature on the POS devices of other banks generating QR codes aligned with the Turkish 2D Code standard.

My Car+ brings solutions to all vehicle-related needs to Yapı Kredi Mobile

As Yapı Kredi works to create new income models within the frame of platform banking, it also aims to offer various services to its customers besides banking products. To this end, the Bank launched My Car+ platform within Yapı Kredi Mobile, which will let vehicle owners fulfill all their needs and manage the complete lifecycle of vehicle ownership.

My Car+ targets to make life easier for car/motorcycle owners by giving a one-stop reach to all vehicle-related transactions and to be a one-stop shop for all vehicle transactions. My Car+ functions include MTV (motor vehicle tax) payments and reminders, HGS (Rapid Pass-through Label) applications and transactions, traffic fine payments and proactive notification of fines issued to vehicle plates for vehicle owners, auto loan calculation and tracking, payment from inside the car when buying gas, proactive motor own damage insurance quotations at the end of policy term and motor own damage policy purchase, vehicle inspection appointment, and vehicle buying/selling through secure payment system.

In addition, car rental service is offered from Avis via My Car+ introduced in cooperation with Otokoç. Over 500 thousand vehicles were registered in six months with My Car+ which aims to be instrumental in customers' fulfillment of all their needs associated with vehicles.

Payments made by World PAY digital payment solutions increased by 101% over 2020.

Limitless Banking

The first Turkish bank to launch SWIFT Go service

With the Swift Go product it has introduced, Yapı Kredi provided a fast, fixed-cost, secure and predictable experience to its customers for their overseas money transfers and to com-

OVER 500 THOUSAND VEHICLES WERE REGISTERED IN SIX MONTHS WITH MY CAR+ WHICH AIMS TO BE INSTRUMENTAL IN CUSTOMERS' FULFILLMENT OF ALL THEIR NEEDS ASSOCIATED WITH VEHICLES.

panies for their foreign trade payments. Yapı Kredi has been one of the world's leading banks taking place in the SWIFT Go project carried out with SWIFT.

In 2021, the Bank introduced numerous new life-easing payment features on digital channels, and particularly on Yapı Kredi Mobile. These include new transactions such as money transfer with Western Union, Passport and Transaction Stamp and Municipal Tax Payments, as well as HGS [Rapid Pass-through Label] Instruction Update function.

Innovations for corporate customers

During 2021, the diversity of existing products and services offered on all corporate digital channels for legal entity customers was increased and new capabilities were developed. End-to-end digital POS Application went live on corporate digital channels. Reports, which were previously required to be obtained from branches, were moved to the Corporate Internet Banking with e-signature. Under another groundbreaking development in Turkey, documentary collection sending can now be performed via Yapı Kredi Internet Banking easily and quickly.

Commercial Mobile Approval launched for legal entity customers in 2020 was updated with increased diversity of user and transaction set.

The application converting the mobile phone into a POS device: Yapı Kredi POS Cepte (POS on Mobile)

Yapı Kredi put into use the POS Cepte [Mobile POS] app that enables using an Android mobile phone as a POS device.

By eliminating the necessity to carry a POS device with POS Cepte app, Yapı Kredi offered various services including payment collection with NFC or QR code, product description, payment

collection by entering the amount or selecting the predefined product, sending the transaction document, tracking sales transactions, and selecting the personnel to be authorized.

Besides the payment collection with NFC method, Payment Collection with QR Code compliant with the Turkish 2D Code standard option was added to POS Cepte. Additionally, POS Cepte enabled installment, bonus point and campaign use by scanning contactless card for the first time in Turkey.

Open Banking and Service Banking

The Bank's initiatives in open banking continue in parallel with the current and anticipated regulatory framework. With the service banking business model started to be discussed in the sector, the Bank evaluates the business models that did and will result from open banking and service banking, and devises strategies.

On the back of the collaborations to be established in the coming period, Yapı Kredi targets to further broaden the borders of the services rendered to customers.

In 2021, the new organizational structure that will further leverage Yapı Kredi's presence in the innovation and startup ecosystem was launched and Yapı Kredi 360 degrees Innovation Model was established.

Innovation and Ecosystem Management

In 2021, the new organizational structure that will further leverage Yapı Kredi's presence in the innovation and startup ecosystem was launched and Yapı Kredi 360 degrees Innovation Model was established.

Within the scope of this model, broad-based participation of employees was secured in numerous events, demo days and webinars for developing internal innovation and expanding the innovation culture across the organization. In these events, the contributions of "working partners" with which collaboration is established within and outside of the Koç Group were benefited at a high level in terms of content, participants and knowledge.

As part of the efforts to promote innovative thinking and expanding innovation culture, the "Biweekly Innovation Bulletin" started to be distributed Bank-wide and was received with interest and admiration by the employees.

Within the scope of external collaborations, the Bank worked with various organizations including Startups Watch, Koop/Fintr, EFMA, and Keiretsu for monitoring and evaluating the startups in the

ecosystem and for necessary networking and knowledge building. To convey the benefits offered by these organizations across Yapı Kredi, various events were organized such as webinars, demo days and training programs.

With the purpose of supporting, accelerating and implementing innovative projects within Yapı Kredi, "Experimental Innovation Projects" process and portal were introduced. Experimental Innovation Projects are intended to implement the most innovative projects to be received from all departments of the Bank ahead of the competition, and thus, increase the diversity of products and services offered to customers and enhance the quality of experience. "Experimental Innovation Projects" serve as a valuable tool for capitalizing on suddenly materializing opportunities which require swift action to the benefit of Yapı Kredi.

Close contact was established and joint projects were carried out with the Group's leading companies such as Otokoç and Arçelik in order to tap and put into life in-group collaboration opportunities.

The number of innovative projects and collaborations is targeted to be increased during 2022 on the back of "Experimental Innovation Projects".

On the idea management front, 5,395 employee ideas were collected and evaluated. Work was initiated on the new idea collection tool for enhancing the quality of the ideas conceived and collected within Yapı Kredi and the added value they contribute to the Bank. The tool is slated for introduction in the first quarter of 2022.

Digital

Triggered by the advancing technology, altered customer behaviors and new regulations around the world, fintech companies gain increasing ground rapidly. By offering innovative financial solutions and customer-oriented applications for users, banks create added value and product/service diversity. They accelerate the market's development and digital transformation especially with the new generation banking service models they present via their own digital platforms.

In parallel with these developments, the fintech ecosystem is quickly expanding also in Turkey. It is envisaged that this sector will grow even faster in view of the new regulatory framework. This growing ecosystem provides the setting for capturing the opportunities in global finance and technology in particular, the sustainability of the financial system,

Limitless Banking

5,395
EMPLOYEE IDEAS COLLECTED

and inclusion of individuals who did not previously have access to the financial system.

As it offers better solutions for user needs in its evolving digital ecosystem, Yapı Kredi targets to define solutions based in customer needs to remain competitive and to quickly incorporate these solutions in the system.

Yapı Kredi founded a FinTech company that is capable of offering new generation banking services, creating added value for users and offering broader service.

YAPI KREDİ FOUNDED A FINTECH COMPANY THAT IS CAPABLE OF OFFERING NEW GENERATION BANKING SERVICES.

Nowadays, FinTechs aim to bring the financial products and innovative business models created by using digital technologies to users with added value. By establishing a fintech company, Yapı Kredi basically intends to bring individuals who are not yet included in the financial system or are excluded from the system into the financial ecosystem. Thus, equal opportunity will be created for accessing financial services, and contribution will be lent to producing wider social benefit.

The products to be provided by the Bank will give customers access to several products from a single point, and will let them execute their transactions much more easily and quickly. These services will cover many products and solutions ranging from payment solutions to investment services.

The FinTech company, which will engage in new generation banking by supporting financial innovation with the agile working methodologies of Yapı Kredi, will ensure equal opportunity for all users and will increase access to financial services and inclusion.

Best digital bank in Turkey for the fifth time!

The products and 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 35 awards in 2021, most of which are global ones, Yapı Kredi was named the Best Digital Bank in Turkey for the fifth consecutive year at the Digital Banking Awards of the Global Finance magazine.

Outlook

The targets of Yapı Kredi for 2022 with respect to Digital Banking are outlined 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.

Technology, Data and Process Management

Yapı Kredi Technology, Data and Process Management carried on with its activities at the same pace in 2021 to optimally fulfill the needs shaped by Yapı Kredi's strategy and the pandemic effects. Yapı Kredi persevered with its successful efforts aimed at switching to the digital business model and kept introducing innovative practices to customers.

Many pioneering practices were launched in a bid to offer efficiency, agility, and superior customer experience drawing on the state-of-the-art infrastructure and the banking of the future vision.

Effective and productive teleworking practices pursuing employee and customer health

Activities aimed at protecting employee and customer health were carried on in 2021 as the pandemic effects persisted.

On the back of its investments developed and planned for many years, Yapı Kredi has provided all kinds of process, software and hardware support to its

employees to let them provide uninterrupted remote service to customers. The working order during the pandemic proceeded in a fully compliant fashion with the remote working model.

Also in 2022, the Bank will keep supporting its employees for them to be able to work remotely, productively and securely when needed.

In May 2021, the convenience to become a customer without going to a branch was introduced. The new service model allowed the remote onboarding process to be completed end-to-end digitally, paperless, and messenger-free via "Video Transaction Assistants" through Yapı Kredi Mobile.

Yapı Kredi, regards personal data protection and privacy as fundamental components of customer satisfaction. Identity authentication and authorization system used within the Bank helps establish a strict control over data accesses. Data leak prevention and detection systems run actively against the data being taken out of the Bank through different channels. Relevant

mechanisms have been established and are being proactively monitored to detect situations that might threaten data security.

As a first in the sector, legal entity customers with a sole authorized person started to make use of remote service technologies as do individual customers. Legal entity customers can now easily approve documents related to product and banking transactions using their smart devices by contacting their portfolio manager and without making a trip to the branch.

Steps were taken to diversify digital channel usage of legal entity customers and to enhance customer satisfaction in digital channel logins within the scope of the remote service model.

Member merchant applications can now be received through Yapı Kredi Mobile and Corporate Internet Banking. Mobile approval is available also for World Business Card application documents.

Sole proprietorship customers are now able to switch easily between individual and corporate users on Yapı Kredi Mobile. This feature presented the customers with the capability to easily view and transact with their commercial and individual products on Yapı Kredi Mobile. It also contributed positively to acquire active customers for Yapı Kredi Mobile - Corporate.

We are carrying on with investments for maintaining our systems up to date

Modular software architecture transformation activities enabled more efficient and productive management of technological infrastructure and launching applications much more quickly when necessary.

Technology, Data and Process Management

As of year-end 2021, 85% of the Bank's transactions are performed with digital approval in a paperless manner.

Based on responsible banking approach, system's operation and processes were monitored by the system on a daily basis, and an early warning mechanism was set up to prevent operational risk. Activities for inclusion of all processes and products in this mechanism will continue in 2022.

Analytical modeling aimed at offering the products and services that best suit customer needs were backed by automated machine learning infrastructure and put into use.

Advanced analytical models were employed, which ensured ideal customer segmentation and more effective assignment of branch targets.

Data literacy program was launched; hence, a major training initiative covering the entire employee, body of the Bank was commenced, which will embed data-driven decision-making culture in daily life.

Productivity efforts go on swiftly.

In line with the remote service model, customers were presented with the possibility to transact in a paperless environment using digital approval. As of year-end 2021, 85% of transactions were performed using digital approval at the Bank in a paperless manner. Thus, Yapı Kredi's contribution to the environment also takes the form of paper saving, which also brings about saving in the physical retention and archiving of documents.

In 2021, the number of robots and robotic processes increased to 30 and 137, respectively. Approximately 23 million transactions and controls were performed by robots.

In 2021, AI-based products were introduced on 257 million transactions that took place on 32 different processes and the Bank's employees were supported for decision-making.

Projects and investments are being made to mitigate operational risk.

Use of robots and AI supporting control points in transactions was increased at Yapı Kredi with the goal of mitigating operational risk. For risk prevention purposes, commercial loan agreements and disbursement processes were supported with additional systemic control mechanisms.

Cyber security investments were carried on, and efficiency of cyber security management was increased thanks to continuous testing of the security mechanisms established and constant measurement of risk detection capabilities.

Automation of systems supported with advanced analytics and AI capabilities was further upgraded in order to proactively monitor and prevent potential fraudulent and cyber attack attempts. Investments in cyber security and anti-fraud were increased; investments over the past four years amounted to TL 287 million.

Banking Operations Management

Banking Operations at Yapı Kredi continued to be offered within the frame of quality, effortless and digital banking principles and the “No Limits in Service” motto in line with the target of developing the best customer experience.

Service Quality

Rate of compliance with target service times in operational transactions in 2021 was 96%.

During 2021, delivery of cards sent by messenger service to customers accelerated. The ratio of cards delivered in 2 days went up from 37% to 58% whereas ratio of delivery at first visit increased from 57% to 70%.

During the pandemic, to guarantee operationally uninterrupted service delivery by Yapı Kredi branches, retail branches were extended remote support from Central Branch Operations whereas commercial and corporate branches received remote support from Commercial Customer Support Center teams. In the same period, the Cash Support Operations team continued to offer continuous service in all regions to fulfill customers’ cash needs uninterruptedly.

Productivity

Incoming foreign currency payments were automated, and the STP (straight through processing) rate was improved from 86% to 88% on the back of developments made.

The function allowing receipt of customer demands against export documents through the Internet paved the way for the customers to execute transactions against export documents without physically going to a branch; accordingly, customers can now upload the documents via Internet Banking and deliver the documents to the messenger service company to be sent to the importer’s bank.

Within the scope of Decentralized Cash Management (DCM) Depots for custody and processing of banknotes on behalf of the CBRT, authorization was received for Ankara and İzmir Cash Centers in 2021, in addition to the previously authorized İstanbul European Side and Kozyatağı Cash Centers.

Operational Risk

In order to mitigate and standardize operational risk, transfer of operational approval steps in branch transactions to centralized teams was brought to completion. 70% of branch non-cash transaction approvals started to be handled by centralized teams.

Main Vault Automation Software was purchased to mitigate risks stemming from operations in Cash Centers. The software will be rolled out across Cash Centers during 2022.

Banking Operations Management

With the broadened use of KEP (registered e-mail), approximately 200,000 sheets of paper were saved in 2021.

Environmentally-Sensitive Operations

With the broadened use of KEP (registered e-mail), approximately 200,000 sheets of paper were saved in 2021. The figure is forecasted to increase to nearly 3,000,000 in 2022.

20 thousand letters of credit, 40 thousand mortgage releases and 25 thousand liens established electronically saved 300 thousand sheets of paper.

The integration with GİB (Revenue Administration) enabled electronic notification of export commitment shortfalls and electronic sending of customs declarations with commitment shortfalls to tax offices.

Notification of customers who failed to close their cash export commitments within due time, which were being sent in hard copy to the Ministry of Treasury and Finance, started to be sent via KEP.

Physical file usage was eradicated thanks to developments and integrations made within the scope of the Foreign Trade Paperless Environment Project launched in 2021. Under the project, letters of intermediary banks started to be sent electronically by way of KEP integration. Developments within this scope reduced the monthly average number of printouts of Foreign Trade Operation teams from 37 thousand to 21 thousand.

Outlook

The targets of Yapı Kredi Banking Operations Management for 2022 include the following, among others:

- Take necessary steps to minimize operational risk
- Constantly review operations for further improvement and eliminate unnecessary stations
- Identify next steps with respect to sustainability in branch or centralized operational processes
- Lead the banking sector with innovative approaches and products in operational sense

Technological Risks and Cyber Security

Digital transformation and technological advancements urged the banking sector to develop risk management tools for ensuring the privacy and security of customer information and personal data and for managing 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:

<https://www.yapikrediinvestorrelations.com/en/corporate-governance/detail/Committees/43/232/0>

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.

In 2021, Cyber Security Incident Response team was admitted to membership of the Forum of Incident Response and Security Teams (FIRST). Cyber Security Incident Response team succeeded in being the third team to be admitted from Turkey and the first and only one from the banking sector to this organization that has 604 cyber security teams from 99 countries as its members.

FIRST membership provided an accreditation of the conformity of the processes operated and services rendered by the Cyber Security Incident Response team to global standards, and meant inclusion in a community of

cyber security teams of global leading companies from numerous sectors.

At Yapı Kredi, regular internal and external audits, application security testing of applications, vulnerability analysis of information assets, and penetration tests are conducted in the light of international standards and local regulatory framework.

Yapı Kredi 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

Technological Risks and Cyber Security

Yapı Kredi conducts a comprehensive information security awareness program addressing all employees.

Security Management System. Yapı Kredi is regularly audited annually by the BRSA. In addition, annual audits are carried out within the framework of SWIFT, which refers to foreign currency money transactions to bank accounts in or out of the country.

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.

DURING THE REPORTING PERIOD, 2,020 EMPLOYEES RECEIVED 1,219 HOURS OF INFORMATION SECURITY TRAINING.

Activities regarding supplier security were carried on during 2021. In this context, it is targeted to evaluate and score the security levels of supplier companies, mitigate supplier-originated cyber security risks, and automatize processes in 2022.

A comprehensive information security awareness program addressing all employees is in place at the Bank. The program scope covers information security training, tests and bulletins. A one-month "Information Security Awareness Days" event series was organized in October 2021 within the frame of the information security awareness program. Speakers from the sector and the Bank, including senior executives, shared information about various information security topics in these events.

Furthermore, phishing tests are conducted during the course of the year to raise increased awareness of phishing attacks among all employees. Several programs within the scope of information security awareness training deal

with information security and confidentiality, thus raising awareness of these topics among employees. Besides information security training, awareness is raised through Personal Data Protection Law training provided to employees.

During the reporting period, 2,020 employees received 1,219 hours of information security training.

Security audits

In 2021, a new auditing department was established under the name Information Security Audit, which focuses on technical and process-based information security issues. Units reporting to the Head of Information Systems Security Management take action in relation to measures adopted against information security risks. Yapı Kredi Information Technologies (IT) Audit conducted the audits directly related to security during 2021, which are listed on the next page.

1. IT Processes Associated with Internal Ratings-Based (IRB) Approach
2. Individual Internet Banking
3. Corporate Internet Banking
4. Security Configuration Management
5. Security Vulnerabilities and Patch Management
6. System Development, Deployment, Installation
7. Cyber Incident Response, Penetration Test and Cyber Intelligence Sharing
8. ATM Banking
9. Mobile Banking
10. Telephone Banking
11. Data Privacy
12. Data Sharing
13. Raising Increased Awareness of Information Security
14. Outsourcing Process Management
15. Physical Security Controls

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 2021. 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 technology, new business models, security solutions, cyber security attacks and perils, and security regulations are monitored closely.

Cyber security measures compliant with national and international security norms will continue to be constantly reviewed and upgraded to protect the data its customers entrust to Yapı Kredi.

Yapı Kredi performs surveillance 24/7 in order to detect and prevent cyber attacks.

Initiatives in relation to cyber security awareness with a focus on customers and employees continued and further increased during 2021.

Other Subsidiaries

Banque de Commerce et de Place-ments

Established in 1963 in Switzerland and 31% of its capital held by Yapı Kredi, Banque de Commerce et de Place-ments (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.

In 2021, commodity markets recuperated quickly with the restored market confidence and solid commercial dynamics that resulted from the control

secured over the global Covid-19 crisis enabled by mass vaccination. Significant growth was registered in BCP's commodity finance volume and revenue inflow in line with the increased demand, and results attained surpassed the 2021 budgetary targets. The bank also kept its risk appetite strategically under control and restricted its growth rate to a cautious level.

In the reporting period, BCP registered a cost-to-income ratio of 52% and a Tier-1 ratio of 13%. The bank booked a net profit of CHF 43 million at the end of 2021. International commodity finance volume of BCP was up by 43% year-over-year to CHF 39.5 billion in 2021. The bank's continued service to its deep-rooted and broad customer base in keeping with its consistency in customer-oriented business policy has enabled BCP to further increase its recognition in the commodity finance market.

In 2022, BCP intends to achieve results aligned with its budget by remaining adhered to its controlled growth strategy and prudent risk management.

BCP intends to continue expanding its customer base while maintaining good asset quality backed by effective risk control as its top priority.

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 150 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.

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 Turkey, the umbrella structure that also incorporates Allianz Yaşam ve Emeklilik, was among the leading companies in the insurance sector in 2021, with a premium and contribution production figure of TL 20 billion according to consolidated data. Leading the sector in a number of areas including customer experience, employee engagement, agility, digitalization, sustainability and innovation, Allianz Turkey has become the first to 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 2021 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 Çayirova campus in 2019, R&D-focused innovative projects began to be executed from out of two different locations.

2021 saw continued growth trend of mobile banking channels as was the case in 2020. With the effect of the pandemic, mobile channels became the primary delivery channel of banks. Along this line, Yapı Kredi Technology enriched Yapı Kredi Mobile Banking app with several innovative functions in view of the circumstances imposed by pandemic. The company spearheaded the transformation of digital and card payment systems.

Numerous AI applications digitalizing the transactions in the physical world continued to be developed by Yapı Kredi Technology R&D team. Capable of verifying the presence of signatures on freeform digital document pages, de-

termining their position, and predicting similarity between two signatures, Assos application has been in use by Yapı Kredi since last year. This function guarantees signature controls on all open credits of the branch (before auditors arrive at the branch). In 2021, the accuracy of Assos application was measured as 95% in correctly determining the place of signatures, and 85% in classifying the signatures pertaining to the same person.

Document recognition and relevant data extraction for processing operational instructions went live in previous years. In 2021, AI-based general purpose document process platform called Safir-X was being developed; the platform is sector- and process-independent and uses the information from prior applications for automated execution of operational instructions.

In 2021, Yapı Kredi Technology sat down at the table with various financial institutions and started negotiations for commercialization of existing R&D and Innovation products. In 2022, it is targeted that products developed by R&D teams be started to be used by third party institutions and thus generate benefits.

Yapı Kredi Technology will continue to focus on customer experience enhancing AI, smart solutions, anomaly detection, service time improving applications, support services, and technologies making use of machine learning, natural language processing (NLP), deep learning and robotic methods in 2022.

Yapı Kredi Bank Malta Liquidation Process

On 25 October 2019, the Board of Directors of Yapı Kredi, which holds 100% shares of Yapı Kredi Bank Malta Ltd. through Yapı Kredi Holding B.V., decided to liquidate Yapı Kredi Bank Malta Ltd.

The application for revocation of the banking license of Yapı Kredi Bank Malta Ltd. within the frame of liquidation formalities was approved by the European Central Bank's decision dated 22 November 2021.

Liquidation formalities are in progress for Yapı Kredi Malta Ltd. The liquidation is not anticipated to have a significant impact with respect to the operations and financial statements of Yapı ve Kredi Bankası A.Ş.

Customer Experience

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.

Targeting to deliver the best-fitting products and services for excellent customer experience

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.

Based on a methodology putting the Net Promoter Score [NPS] in its focal point, the Bank aims to strategically monitor customer satisfaction and experience. To this end, experience enhancing projects have been initiated starting from the field and extending to the management level.

Increasing research, increasing customer feedbacks compiled

Through its initiatives allowing daily monitoring of customer experience, Yapı Kredi continued in 2021 to measure its customers' overall satisfaction and NPS, which is a globally recognized metric.

These efforts have been instrumental in compiling approximately one million customer feedbacks, based on which customer experience improvement areas were determined for taking action. Having obtained a score of 58 in

the Net Promoter Score survey¹ carried out in June-July 2021, Yapı Kredi has achieved the highest improvement among its main competition. In the period ahead, the Bank's proactive actions that will maximize the positive experience will be sustained.

All employees in branches and the Customer Relations Center can follow up these customer feedbacks on a daily basis, get back to customers and produce solutions, and provide guidance to their subordinates for this matter. Other channels, on the other hand, follow up NPS in weekly and monthly meetings and via committees, upon which improvement actions are taken.

APPROXIMATELY ONE MILLION CUSTOMER FEEDBACKS, BASED ON WHICH CUSTOMER EXPERIENCE IMPROVEMENT AREAS WERE DETERMINED FOR TAKING ACTION, HAVE BEEN COMPILED.

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. The goal of Yapı Kredi is to make the customers feel the privileges of being a "Yapı Kredi Client" with the permanent and positive customer experience it will deliver, being the bank most recommended by clients.

⁽¹⁾ Net Promoter Score [NPS] survey results represent the results from the benchmarking study conducted with Bain & Company in 2020 and 2021. The survey is carried out using the face-to-face interview method.

In 2021, the Bank once again successfully renewed its ISO 10002 Customer Satisfaction Quality Management Certification based on the recertification audits conducted.

Faster decision-making for actions and improvements enabled by the 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.

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.

The fastest resolution and 94.9% response rate

As stated in the form created in view of the Banking Regulation and Supervision Authority's (BRSA) 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.

OVER THE PAST FOUR YEARS, THE BANK SECURED 34% DECLINE IN THE NUMBER OF TOTAL COMPLAINTS AND 48% IN THE NUMBER OF COMPLAINTS SUBMITTED TO THE BAT.

Over the past four years, the Bank secured 34% decline in the number of total complaints and 48% in the number of complaints submitted to the BAT.

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.

Customer Experience

During 2021, 98.82% 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 complaint resolution time of the Bank is under two days.

94.9% 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.

94.9% OF THE CUSTOMER COMPLAINTS RECEIVED DURING THE REPORTING PERIOD HAVE BEEN RESPONDED TO.

During 2021, 98.82% 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.

Mostly designed by using big data, machine learning and artificial intelligence, these solutions help increase operational efficiency as well as customer satisfaction.

Awards

The following awards were received in 2021:

- "Productive Project" award in the "Best Use of Technology in Customer Experience" category at the 3rd CX Customer Experience Awards for its AI technology employed in complaint handling
- "Artificial Intelligence Use in Complaint Handling" award in the "Best Use of Technology in Customer Service / Sales and Customer Services" category at the Stevie Awards
- "Use of Artificial Intelligence in Complaints Handling" award in the "Best Use of AI and Associated Technologies" category at the European Contact Centre and Customer Service Awards

2022 targets/projections

- Deliver the sector's best customer experience
- Develop projects and organize experience committees to improve customer experience
- Continue to identify the root cause before the complaint comes into being and to generate proactive actions
- Maximize first contact resolution processes
- Become the sector's best-in-class in the number of complaints and resolution time



Customer Satisfaction Policy, which guarantees the good service delivered to customers, can be found here:

<https://www.yapikredi.com.tr/en/we-are-here-for-you/customer-satisfaction-approach>

You know you should prefer a laptop rather than a desktop computer, right? They use 80% less energy.



Protection and Processing of Personal Data

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 Banking Regulation and Supervision Agency (BRSA) in outsourced services.



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 at https://www.yapikrediiinvestorrelations.com/en/images/pdf/ethical-principles-and-policies/Personal_Data_Protection_and_Processing_Policy-Corporate.pdf?v2

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, 7,569 hours of Personal Data Protection Law training was given to 7,565 employees.

Talented and Committed Employees

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 77 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 boasts the highest ratio of women employees in its organization among the countrywide banks in Turkey.

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 to the second spot 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 2021, 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.

Besides BizTube, the internal video platform which was launched to help employees learn from one another to support the development process that starts with the individual and which features rich and current topics, digital library BizRead and podcast platform BizCast were established.

For branch employees, the main personal development training categories include technical programs such as customer-focus, sales, products, risks, service model and credits. For the Head

Office employees, technical and personal development training programs are planned under diverse headings that vary according to the needs of units.

In 2021, all Yapı Kredi employees took part in synchronous and asynchronous training programs newly designed in parallel with Yapı Kredi's competencies.

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, 400 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; employee development is encouraged through specific certification programs designed for Yapı Kredi employees on the basis of academic support. During 2021, the Bank offered 45 hours of training per employee on average annually.

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. 430 Yapı Kredi employees participated in the program in 2021.</p>
Development Coaching	<p>Following the evaluation center practices they participate in, managers at any level and potential manager trainees are included in personalized leadership development programs which focus on strengths and improvement areas and are designed in alignment with Yapı Kredi leadership principles and corporate principles.</p> <p>Within this scope, in 2021, 21 people took part in Manager Coaching program, whereas 312 managers participated in leadership programs conducted in 16 different headings such as Agility in Leadership, Innovating in the New Normal, Storytelling on Digital Environments, Resilience, Coaching and Team Spirit in Hybrid Working, etc. In addition, within the frame of collaborations with international business schools, 67 managers joined online development programs.</p>
Koç Holding Training Programs	<p>The programs include 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> <p>In addition to the above, Koç Dialogues Training Program was introduced in all Group companies in parallel with the new performance system at the Koç Group. The program scope covers the Emeritus online platform, Columbia Business School and Neuro Leadership Institute contents. By the end of the program, all participants acquire skills in learning agility, the manager's coaching role and dialogue building with effective questions, importance of feedback within teams, OKR management, steering career paths and shaping development plans. In this scope, 2,405 employees participated in the program in 2021.</p>
Overseas Programs	<p>Online programs are targeted at giving leadership skills, negotiation skills, strategic thinking, nurturing innovation and adaptation to the digital world.</p>

Talented and Committed Employees

Development Catalogue	The Development Catalogue consists of training programs covering the competencies expected of Yapı Kredi employees and is enriched with new headings each year. In 2021, approximately 6,635 Yapı Kredi employees benefited from the program under 104 different training topics.
ŞubeMe Doğru, Branch Manager Designation Process	Şubeme Doğru (Towards My Branch) Branch Manager Designation 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. The Program supports the technical and personal development and managerial skills of candidates.
My Career Journey	<p>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 2021, 546 employees changed positions, and 709 employees transferred between segments. Under the Şubeme Doğru (Towards My Branch) program, 145 Yapı Kredi employees took part in the Evaluation Center Implementation.</p> <p>My Career Journey program introduced changes to the internal announcement process and promotion criteria for the Head Office employees. With the evaluation center designed for manager designation, participants joined a half-day program, according to the result of which they either qualify as a prospective manager or are included in development programs.</p>
Department-Specific Development Programs	Development and certifications programs are offered, which are specifically designed to support the current development needs of Yapı Kredi employees in various departments and segments. In 2021, the employees were offered development programs in digital transformation, marketing, data literacy, and customer-focus.
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, comprehensive training is provided under the Internal Trainer Development Program. In 2021, development of digital trainer skills was the main area of focus, and development programs in this area were carried out.

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	<p>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.</p> <p>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.</p>
Digipro Head Office Internship Program	Under the Digipro Head Office Internship Program, 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 and find self-development opportunity with the comprehensive development program.
Digipro Development Program	Students who apply for the Digipro Head Office Internship Program, receive positive assessment, but cannot be placed due to quota restrictions are offered the option to join a four-week development program. In the program, students receive training, participate in seminars, conceive ideas in project team works, and find the opportunity to receive mentoring from employees. The students who are placed in top ranks are awarded at the end of the program.
Kampüs.exe Online Talent Program	Students with excellent GPAs from various universities in Turkey might participate in Kampüs.exe following the selection process. Under the Kampüs.exe program, students receive a 5-month training, which is devised on a specific theme each month, and find self-development opportunity through seminars and e-learning programs. Students who are placed in quizzes held within the frame of the program are awarded at the end of the program.

Talented and Committed Employees

Kampus Development Program	The program talks to the students about the future of banking business, career paths in banking business and how they can improve themselves. Students taking part in the strategy development competition in the program prepare a case study on the assigned topic, and finalists are admitted to the Kampus Development Camp.
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.
CT Program	Credits Trainee (CT) program is the new-graduate recruitment program for the Head Office Credits teams. Under the program, new graduates begin their careers with a development program.

PROGRAMS TO BUILD ON DIGITAL COMPETENCIES

Yapı Kredi carries out a large number of programs for building on digital competencies.

In 2021, the programs participated by 36% 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, Data Literacy Certificate Program, 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.

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.

For the Head Office and Subsidiary employees, technical performance started to be monitored using the new generation, agile and flexible OKR (Objectives and Key Results) methodology that can quickly adjust to the changing world. Under the OKR methodology, 'Objectives' that denote the vision, are brief, recallable, inspiring and exciting, and 'Key Results' for achieving these objectives are set. For branch employees, on the other hand, technical performance continues to be followed up based on numeric targets.

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 107,903 as at 31 December 2021 [31 December 2020: TL 78,335].

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 2021, employee engagement score is 68% and employee satisfaction score is 70%.

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, Internal Control and Risk Management 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 2021, the HR Helpline responded to 4,792 calls, whereas 33,062 messages were responded to via the Ask HR channel.

Yapı Kredi formulates performance processes with a perspective of performance management and improvement, rather than evaluating employee performance.

Talented and Committed Employees

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.

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.

DURING 2021, 22,457 PEOPLE PARTICIPATED IN A TOTAL OF 435 EVENTS.

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 extra-curricular activities. BizClub had 9,501 members at year-end 2021. During the reporting period, 22,457 people partic-

ipated in a total of 435 events: 19,995 people got together in 402 online events, whereas 2,462 people attended 33 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, distant working allowance and Koç Ailem (My Family) Card that provides advantag-

es 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 2021, 55% of the Bank's employees are union members and collective labor agreements are signed biannually with the Banking, Finance and Insurance Workers Union (BA-SİSEN). The latest agreement signed covers the period between 1 April 2021 through 31 March 2023.

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 2021, employees received 87,853 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:

https://www.yapikrediinvestorrelations.com/en/images/pdf/codeofethicsandpolicies/2020/yk_occupational_health_and_safety_policy.pdf

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.

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.

Talented and Committed Employees

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.

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. Additionally, Yapı Kredi has been the first organization to have been digitally assessed in this sense and to have successfully passed it.

In 2021, female labor force participation rate was 50.4%¹ 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 2021, 58% of new hires were women. In the reporting period, return to work

rate after maternity leave was 97.7%, and retention rate after maternity leave was 94.5%. 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%².

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 2021 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. Furthermore, 3,254 Yapı Kredi employees extended support to

¹The Banks Association of Turkey, September 2020

²Includes managerial roles above the manager level.

various campaigns as part of social responsibility initiatives carried out under BizClub in 2021.

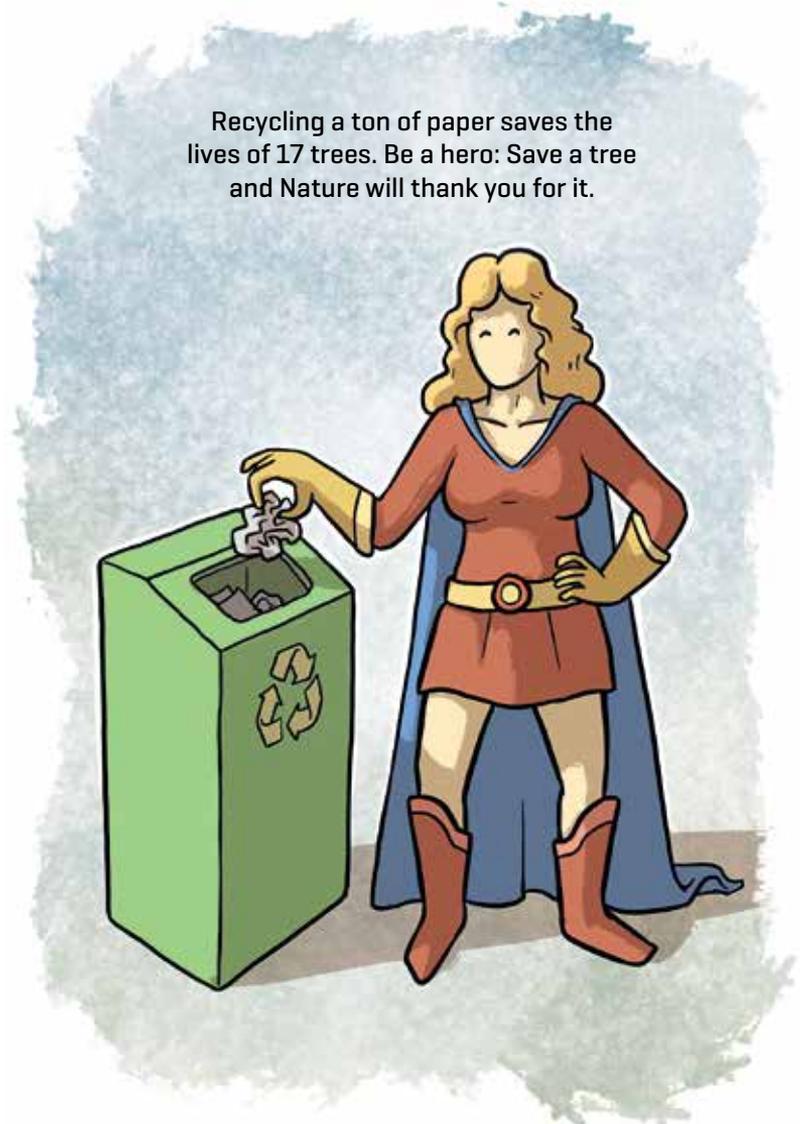
MAKING GENDER EQUALITY A GUIDING PRINCIPLE ALSO IN ITS WORKFORCE, YAPI KREDİ BOASTS THE HIGHEST RATIO OF WOMEN EMPLOYEES IN ITS ORGANIZATION AMONG THE COUNTRYWIDE BANKS IN TURKEY.

STRATEGIC GOALS

- Being Turkey’s leading institution in human resources
- Training the best bankers in turkey’s banking sector
- Organizing training activities and events for the development of current employees in accordance with the bank’s digitalization strategy
- Supporting employees to discover and realize their potential throughout the process of achieving the targets of the Bank

RATIO OF WOMEN IN MANAGEMENT	2021
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	24%
Ratio of women managers in income-earning departments (other than IT, HR, Corporate Communication, Legal, etc.) to total managers in these departments	40%

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Awards

	Category/Ranking	Organization
General Banking		
Yapı Kredi	CDP Turkey Water Leader	CDP Turkey
	Cash Management – Sector Leader	Euromoney
	Best Private Bank – Turkey	Global Banking & Finance Awards
	Best Private Bank	International Finance Awards
	Best Corporate/Institutional Digital Bank for Online Treasury Services in Western Europe	Global Finance World's Best Digital Bank Awards
	Best Bill Payment & Presentment – Europe	
	Best Digital Bank in Turkey	
	Financial Services – Bronze Stevie	
	Financial Services/Banking – Best Financial Services – Bronze Stevie	Stevie International Awards
	"Card Tracking" – Best Consumer Services – Bronze Stevie	
	Best Digital Bank	Pan Finance Awards
	Excellence in Customer Services	Pan Finance Awards
	Science Migration to Anatolia – Social Impact Category	Sustainable Business Awards Turkey
	Limitless Banking	
yapikredi.com.tr	Best User Interface – Silver Stevie	Stevie International Business Awards
	Banking – Silver Stevie	
	Best Home/Welcome Page – Gold Stevie	
	Banking/Bill Paying – Award of Distinction	The Communicator Awards
	Best User Interface – Award of Distinction	
	Best User Experience – Award of Distinction	
Best Mobile Banking Adaptive Site – Europe	Global Finance World's Best Digital Bank Awards	

	Category/Ranking	Organization	
Yapı Kredi Mobile	Most Valuable Product – Silver Stevie	Stevie International Business Awards	
	Best User Experience – Gold Stevie		
	Best User Experience – Bronze Stevie		
	"IBAN Scanner" Experimental & Innovation – Gold Stevie		
	Business/Government – Gold Stevie		
	"Mobile Stories" Experimental & Innovation – Gold Stevie		
	"Mobile Approval"		Best Financial Services – Bronze Stevie
			Integrated Mobile Experience – Silver Stevie
	Experimental & Innovative – Award of Distinction		The Communicator Awards
	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		
	Finance – Award of Distinction		
Best Practices – Award of Distinction			
Integrated Mobile Experience – Award of Distinction			
User Interface	iF Design Awards		
Communication Design			
World Mobile	Marketing – Silver Stevie	Stevie International Business Awards	
Yapı Kredi WhatsApp	Innovation for Mobile – Award of Excellence	The Communicator Awards	
Master Chatbot	Artificial Intelligence/Machine Learning Solutions – Bronze Stevie	Stevie International Business Awards	
	Integrated Mobile Experience – Gold Stevie		
Video Banking	Identity and Access Security Solution – Bronze Stevie		
	Payment Solutions – Gold Stevie		
	Most Effective Digital Customer Experience – Silver Winner	European Contact Centre & Customer Service Awards	

Category/Ranking	Organization
Communication Awards	
Women's Day Film, Afife Jale	Film Category - Corporate Image - Award of Achievement Felis Awards
Yapı Kredi	Film-TV and Cinema - Corporate Image - Crystal Award Crystal Apple
YKY Screen Time	SME Loan - Pizza Restaurant-Radio - Finance - Bronze Prize Crystal Apple
YKY Screen Time	EMEA Use of Mobile Media - Gold MMA/Smarties
	EMEA Marketing Promotion - Gold Turkey Marketing Promotion - Silver
World Mobile	"Use of Yandex Smart Vadaa" EMEA Use of Mobile Media - Bronze MMA/Smarties
	"Use of Yandex Smart Vadaa" Digital Marketing - Best New Digital Idea - Silver Sardis Awards
	"World Mobile Launch" Creative Communication - Best Integrated Campaign - Silver
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 Mixx Awards
	Social Media - Gold
	Special Awards / Game-Changer Project Category - Prida Award Prida Awards
	Strategic Communication / Occasion Communication - Prida Award
Occasion Campaign - Silver Social Media Awards	
YKY Screen Time	Figital Projects- Prida Award Prida Awards
	Data Use - Certificate Award
	Online-Offline Integration - Silver Social Media Awards
Let's Remove the Obstacles Launch	Banks and Financial Institutions - Silver Effie
	Conventional Brand Communication - Gold İstanbul Marketing Awards

Category/Ranking	Organization
Unlimited Thanks Film	Creative Communication - Best Reputation Management - Silver Sardis Awards
	Unlimited Thanks Film - Most Valuable Corporate Response - Bronze Stevie Stevie International Awards
World Mobile	"Use of Yandex Smart Vadaa" Digital - Use of Mobile Media - Silver Crystal Apple
	"Use of Yandex Smart Vadaa" Digital Marketing - Online Advertisement - 2 nd Prize Gold Spider
Today's Retirees are Truly Something Else - Parade Film	Film-TV and Cinema - Banks, Insurance and Financial Services Crystal Apple
	Silver Prize
yapikredi.com.tr	"Do Not Panic Button Radio 01" Radio Episode Felis Awards
Subsidiaries	
Yapı Kredi Faktoring	Best Factoring Company - Turkey Global Banking & Finance Awards
	Best Employer - Turkey Kincentric Best Employers 2020-2021
Yapı Kredi Leasing	Best Employer - Turkey Kincentric Best Employers 2020-2021
Yapı Kredi Asset Management	Best Portfolio Manager - Turkey Global Brands
	Leader in Pension Mutual Fund Returns - 2019 Award Turkish Capital Markets Association, 5 th Capital Markets Awards

Support Services

KoçSistem Bilgi ve İletişim Hizmetleri A.Ş. provides printing services for 62 million credit cards and customer account statement per year.

Physical security services were being provided by Ekol Grup Güvenlik Koruma ve Eğitim Hizmetleri Ltd. Şti. [EKOL] with a total of 872 security guards.

A total of 773 armed security guards are assigned to the branches, while 90 others serve at the Head Office and Regional buildings, and 9 unarmed security personnel serve at Darıca Archive and Yeniköy Koru.

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 Securitas 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.

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].

These firms provide Yapı Kredi Bank with the following:

- Bantaş - 35 Cash Centers, 1,326 Personnel and 352 Armored Vehicles
- Loomis - 14 Cash Centers, 523 Personnel and 166 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.

2021 Performance / Developments

Coordinated business plans have been created with supplier companies in order to ensure that the customers have uninterrupted access to cash, and these plans have been successfully implemented, enabling the Bank has been able to deliver cash-related services without disruption.

2022 Goals / Expectations

The goals of Yapı Kredi for 2022 with respect to support services are outlined below:

- 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

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 2021, all related party transactions were undertaken within regulatory limits.

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 2021.

Ordinary General Meeting Agenda

YAPI VE KREDİ BANKASI ANONİM ŞİRKETİ 23 MARCH 2022 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 2021 and consideration and approval of Annual Activity Report and Financial Statements for 2021,
3. Clearing of members of the Board of Directors of liability related to activities of the Bank during 2021,
4. 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,
5. 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,
6. Determining the gross attendance fees for the Members of the Board of Directors,
7. Approval, approval with amendments or rejection of the proposal of the Board of Directors regarding the profit distribution date and Profit Distribution for 2021 created as per the Bank's dividend distribution policy,
8. 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,
9. The donations and charities made by the Bank in 2021 with the aim of social relief to the shareholders' knowledge and determining a ceiling amount for the donations to be made in 2022 in line with the Banking legislation and the regulations of the Capital Markets Board,
10. 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 2021 to the shareholders' knowledge in line with the Capital Markets Board Corporate Governance Communiqué,
11. 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, 2021 was a consistent and successful period despite the persisting pandemic impact. Retaining its position as Turkey's third largest private bank by increasing its asset size by 61% to TL 781 billion, Yapı Kredi successfully maintained its customer-centered, pioneering and innovation-oriented banking perspective providing responsible growth once again in 2021.

Yapı Kredi increased its total revenues by 36% with a strong revenue generation performance in 2021. The increase in total costs was at 26% due to macroeconomic impact. The Bank's gross operating profit was TL 17.4 billion. Accordingly, the Bank's net profit for 2021 was realized at TL 10,490 million and return on tangible equity rose to 19.6%.

Yapı Kredi successfully maintained its key indicators at a solid level while sustaining its support to the economy. The Bank's total and FC liquidity

coverage ratios were 183% and 671% respectively. Yapı Kredi has always been a pioneer in many developments in the Turkish Banking System. In this respect, it has been the first Turkish bank to implement the Internal Ratings-Based (IRB) approach. The IRB approach we started reporting in our financial statements from June supported our capital ratios in 2021. Yapı Kredi registered a consolidated capital adequacy ratio of 15.0% [excluding the contribution of the regulatory forbearances introduced by the Banking Regulation and Supervision Agency in 2020] and a Tier-1 ratio of 12.6% with the support of the Bank's ongoing internal capital generation, in spite of the strong growth during the reporting period. Both ratios are significantly above the regulatory limits. In terms of asset quality, Yapı Kredi has been one of the banks setting aside the highest amount of provisions for its loans in the sector, owing to its prudent approach. Thus, Yapı Kredi maintained its solid liquidity and capital adequacy well above the regulatory limits and remained as one of the leading banks in the sector.

On the foreign borrowings front, the Bank secured syndicated loans amounting USD 962 million and USD 822 million from international markets based on sustainability performance targets, in addition to a subordinated bond issuance of USD 500 million. Furthermore, the Bank realized a sustainability-linked repo transaction for USD 250 million in cooperation with the Bank of America. These facilities incorporate sustainability performance targets for increasing the procurement of electricity sourced from renewables and increasing the Bank's ESG Risk Management score, which are aligned with the goal of creating long-term sustainable value for all stakeholders of the Bank. Thus, more than 70% of the total USD 3.4 billion funding provided from abroad in 2021 was sustainability-linked. The total amount of the Bank's sustainability-linked funds accounted for 30% of its total foreign borrowings.

In 2021, sustainability continued to be one of the important agenda items of Yapı Kredi. Yapı Kredi continues to grow in a sustainable manner in its

focus areas with its strong capital structure, human-oriented, innovative, limitless service approach and qualified human resources.

On the gender equality initiatives front, Yapı Kredi has been one of the seven companies from Turkey that qualified for the 2021 Bloomberg Gender Equality Index in the first quarter of the year. In the reporting period, Yapı Kredi joined among the companies supporting the Task Force on Climate-Related Financial Disclosures (TCFD), taking yet another step for combating global climate crisis. With its Board of Directors Diversity Policy, Yapı Kredi set its target to increase the ratio of women directors serving on its Board of Directors to 30% by 2026. As it carries on with its efforts for alignment with the UN Principles for Responsible Banking (PRB) and for reporting within the said scope, Yapı Kredi joined the Commitment to Financial Health and Inclusion established in 2021 as a founding signatory. On the other hand, the Bank succeeded in obtaining the highest score in the Turkish finance sector by qualifying for the A- (Leadership) band

in the CDP Water Security Program of the Carbon Disclosure Project, the top environmental reporting organization in the world. With this score, Yapı Kredi was named CDP Turkey Water Leader. Furthermore, the Bank joined the Business Ambition for 1.5°C platform of the Science Based Targets Initiative and pledged to set its emissions reduction targets for limiting global warming to 1.5°C.

Yapı Kredi kept minimizing environmental risks with its initiatives in relation to the low carbon transition and combating climate change. The Bank implements the ISO 14001 Environmental Management System at its head office and domestic subsidiary buildings, and calculates and reports its GHG emissions arising from its operations each year in accordance with the ISO 14064 Standard. On another hand, the Bank significantly reduced its carbon footprint due to its transition to the efficiency-based Lean Working Model and digital banking solutions.

Yapı Kredi disclosed its emissions reduction targets in the medium- and long-term in alignment with the net zero goal by 2050 across the Koç Group with the project initiated within the frame of the Koç Holding Carbon Transition Program. Along this line, the Bank has reformulated its lending policies within the framework of this strategy. Based on its new policies updated in 2021, the Bank declared that it will not finance greenfield coal-fired thermal power plants and new projects engaged in coal mining.

As it continues to offer financial solutions for sustainable development with its many products and services within the frame of sustainable finance such as renewable energy and energy efficiency loans, Nature-Friendly Mortgage, Nature-Friendly Auto Loans and Clean Energy Fund, Yapı Kredi also targets to increase the diversity and volume of its sustainable finance products. In a similar vein, the Bank also targets to increase the number and volume of the sustainability-themed funds secured from international financial institutions.

Yapı Kredi's corporate governance rating improved from 9.62 to 9.69 in 2021 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 2021 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 130 employees, 122 of whom are assigned to internal auditing of the Bank and 8 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.

Furthermore, 2 additional analysis reports concerning CGF loans, 1 Scenario Analysis Follow-up report and 3 Central Audit reports were issued on an unscheduled basis. Additionally, 57 Bank investigations or inquiries were carried out.

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.

Audits conducted by Head Office teams

Head Office Process Audits	48
Head Office Management Assertions	4
Head Office Support Services	1
Central Subsidiaries	6
Central Subsidiaries Management Assertions	1
Central Subsidiaries Investigations	1
Total	61

Subsidiary audits conducted with actual presence of auditors (domestic and international)

Process	28
Branches	7
Investigations	6
Total	41

Branch Audits

Spot	91
Regular	261 ^(*)
Total	352

(*) Follow-up audits were also conducted at 13 branches concurrently with regular audits.

In 2021, 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 2021, 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.

2022 Audit Plan prepared by the Internal Audit Department covers 342 audits. Of these, 76 are planned as process and subsidiary audits to be conducted by Yapı Kredi Head Office teams, and 266 as branch audits. Furthermore, 37 audits are planned to be carried out by audit teams physically present at subsidiaries.

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.

2022 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 98 employees in total, including the subsidiaries. 83 of these employees are employed at the Bank.

Regular control activities are performed at Yapı Kredi's branches, Head Office and financial subsidiaries within the framework of 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 up until completion.

Periodic reports prepared in relation to internal control activities and their results are presented to the Audit Committee and senior management.

Co-developed with Boğaziçi University for professional development of auditors, the "Internal Control Certification Program" is being carried on as planned.

During 2021, 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 audits at 287 branches. In 2022, on-site audits are planned for 250 branches depending on the course of Covid-19. Internal control activities were carried out also at seven subsidiaries of the Bank in 2021, and internal control activities are planned for 6 subsidiaries also in the coming year.

In Internal Control management, processes and regulations are monitored using the risk-based approach methodology, and their effects upon controls are evaluated; digital transformation of internal control practices is underway.

Risk Management

Risk management is carried out by 96 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 two different areas, namely credit risk 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.

Audit Committee's Assessment on Internal Audit, Internal Control and Risk Management Systems

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 and mitigate credit risk and to take necessary actions with the help of efficient and smooth rating/scoring models, strategies and processes.

The credit risk management fundamentally seeks to effectively implement Lending Policies Guidelines to ensure the continuity of the existing common risk management understanding in place across the organization; steer the credit portfolio to less risky sectors; avoid excessive concentration in group risks; strictly comply with existing regulatory restrictions; focus on customers with better ratings; avoid transactions that would lead to high credit risk and reputational risk, and manage country risk in line with the strategies, policies and implementation procedures established.

The Bank assesses investments in terms of their potential environmental and social risks such as environmental, human rights, ethical, corruption, and similar risks in addition to the financial credit risks they entail. New investments and projects that will be financed are addressed within the scope of the Environmental and Social Risk Assessment System.

Operational Risk and Reputational 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 2021, 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.

Operational risks are quantified as per Basel-II's advanced measurement methods. 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. Operational risk limits are determined within the frame of the risk appetite, approved by the Board of Directors, and monitored throughout the year. Risk assessment of support services, outsourced 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 and business continuity activities are periodically presented to the Audit Committee, Executive Board and the Board of Directors.

The Reputational Risk Management Policy that went into effect in 2013 to define the set of fundamental principles and procedures for controlling, measuring and mitigating reputational risks is updated annually in view of legal and internal standards. The latest

revision took place in 2021. 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 as per the lending policies, and sectoral norms and relevant international standards.

Yapı Kredi also considers environmental, social and climate risks in addition to other risk factors within the scope of reputational risk management. Reputational risk management general principles entail sectors bearing environmental and social risks, sectoral norms, international standards, best practices, mining, coal mining, coal-fired thermal power plants, nuclear energy industry, hydroelectric power plants, dam industry and water infrastructure, agricultural industry, strategies for reducing carbon footprint and supporting renewable energy, and fundamental approaches to climate risks. Risk exposure in these areas is defined, monitored and reported to senior management using risk/performance indicators.

2021 Financial Review

Based on the consolidated financial results dated 31 December 2021 drawn up according to the Banking Regulation and Supervision Agency (BRSA) regulations, Yapı Kredi recorded a net income of TL 10,490 million and a return on average tangible equity of 19.6% in 2021. During the same period, the Bank's total assets increased by 61% annually to TL 780.8 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. The Bank increased its total cash and non-cash loans by 47% to TL 564.1 billion.

In 2021, total cash loans increased to TL 403.1 billion, up by 43%. Accordingly, Yapı Kredi's market share in total cash loans among private banks was 16.2%. TL loans expanded by 34% and Yapı Kredi gained 16.2% market share among private banks. In addition, the Bank sustained its historical leadership in credit cards in the reporting period as well.

In 2021, customer deposits expanded by 59% and deposit base reached TL 412.8 billion. Accordingly, the Bank's market share in customer deposits among private banks was realized at 14.3%. Continuing to increase TL and FC demand deposits, Yapı Kredi controlled approximately 17.2% and 13.9% market share among private banks in these two product segments in 2021, respectively. The share of demand deposits in total deposits rose to 43%.

Having continued to obtain funds from overseas markets by diversifying its funding sources in international markets in 2021, Yapı Kredi secured funds worth more than USD 3 billion, including syndications, from overseas markets thanks to strong international relationships and shareholding structure of the Bank. In 2021, the Bank's FC liquidity coverage ratio was 671% and loans to deposits ratio including TL bonds was 94%.

In terms of revenue generation, the Bank's core revenues increased by 18% year-over-year to TL 25,521 million, thanks to solid and small-ticket loan growth, effective margin management, and positive performance in net interest income and fees and commissions, despite the challenging operating environment. In 2021, cumulative net interest margin improved by 59 basis points to 3.17%, and fee income increased by 40%. On the other hand, costs went up by 26% annually in connection with the Covid-19 pandemic, exchange rate depreciation and increased inflation.

During 2021, the Bank maintained its conservative approach to asset quality, and kept strengthening its provisions. The Bank's total provisioning level was 7.3%. With the added impact of regulatory changes, NPL ratio was down by 163 bps on a comparative basis to 4.6% and Cost of Risk adjusted for exchange rate was recorded at 87 bps.

In 2021, Yapı Kredi's consolidated capital adequacy ratio was 15.0%, excluding temporary regulatory forbearances, thanks to ongoing strong internal capital generation.

In 2021, the Bank paid TL 9.99 million in total administrative fines enforced on the Bank by regulatory and supervisory authorities.

Note:

Sectoral and private bank market shares are calculated based on BRSA monthly data as of December 2021 and BRSA weekly data as of 31 December 2021. Sectoral data consist 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

	2017	2018	2019	2020	2021
Total Assets	320,066	373,376	411,195	486,490	780,821
Cash + Non-Cash Loans	278,725	306,334	318,938	382,698	564,066
Loans	199,874	220,549	229,373	281,822	403,149
Deposits	173,384	210,291	231,072	264,410	419,928
Shareholder's Equity	30,102	39,007	41,192	47,568	63,489
Net Income / [Loss]	3,614	4,668	3,600	5,080	10,490
Capital Adequacy Ratio [Group] ^[1]	13.4%	14.8%	16.7%	16.7%	15.0%
Capital Adequacy Ratio [Bank] ^[1]	14.5%	16.1%	17.8%	17.6%	16.0%
Number of Branches [Group]	897	885	880	867	835
Number of Branches [Bank]	866	854	846	835	804
Number of Employees [Group]	18,839	18,448	17,466	16,938	16,426
Number of Employees [Bank]	17,944	17,577	16,631	16,037	15,452

^[1] Including the temporary regulatory forbearances provided by the BRSA

Credit Ratings

Fitch Ratings	Rating	Outlook
Long Term Foreign Currency	B	Negative
Long Term Local Currency	B+	Negative
Short Term Foreign Currency	B	
Short Term Local Currency	B	
Viability Rating	b+	
Government Support	ns	
National Long Term	A+ (tur)	Stable
Senior Unsecured Debt	B	

Moody's	Rating	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	

Note: As of 28 February 2022

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 2021. 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. The Diversity Policy approved by the Bank's Board of Directors in 2021, it is aimed to reach at least 30% of female members in the Board of Directors of Yapı Kredi Bank within 5 years. Also in 2021, the Donation and Sponsorship Policy approved by the Bank's Board of Directors was approved by the General Assembly. 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 2021, 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, Nevin İmamoğlu İpek and Mehmet Tırnaklı 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 200 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 4.4.7, 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. CVs 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 their knowledge and experience, the existing committees is evaluated effectively and there is no need for changes is foreseen in the near future.

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 9.69 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, 2021. The ratings in terms of main sections were set as 9.60 for Shareholders, 9.81 for Public Disclosure and Transparency, 9.95 for Stakeholders and 9.54 for the Board of Directors.

The 2021 Corporate Governance Compliance Report and Corporate Governance Information Form are included in the annex of the annual report [page 192-208] 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>

Corporate Governance Compliance Report

	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.			X			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 200 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.

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
1.3.11 - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.		X				Although general assembly meetings are open to the public under normal conditions, our shareholders were accepted as priority in the meeting room at the general assembly meetings held in 2021, in order to protect public health, considering the current pandemic conditions and the restrictions on group gatherings in the relevant regulations of public authorities.
1.4. VOTING RIGHTS						
1.4.1-There is no restriction preventing shareholders from exercising their shareholder rights.	X					
1.4.2-The company does not have shares that carry privileged voting rights.	X					
1.4.3-The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.					X	There is no cross-ownership that provides a management control.
1.5. MINORITY RIGHTS						
1.5.1- The company pays maximum diligence to the exercise of minority rights.	X					
1.5.2-The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of the minority rights.			X			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
1.6. DIVIDEND RIGHT						
1.6.1 -The dividend policy approved by the General Shareholders' Meeting is posted on the company website.	X					
1.6.2-The dividend distribution policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.	X					

Corporate Governance Compliance Report

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
1.6.3 - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.	X					
1.6.4 - The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	X					
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					

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
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					
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					
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					
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					
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					
3.3.9 - A safe working environment for employees is maintained.	X					
3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS						
3.4.1-The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	X					
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					
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						
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					

Corporate Governance Compliance Report

	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.			X			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.

	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					
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					
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					

Corporate Governance Compliance Report

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
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. CVs 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.
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 their knowledge and experience, the existing committees is evaluated effectively and there is no need for changes is foreseen in the near future.
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.		X				

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
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					
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

YAPI VE KREDİ BANKASI A.Ş. CORPORATE GOVERNANCE INFORMATION FORM 2021 - ANNUAL NOTIFICATION

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: 17 [attended], Roadshow: 6 [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/912367
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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	Investor Relations/Corporate Governance/ Code of Ethics and Policies
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The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved	https://www.kap.org.tr/tr/Bildirim/920592
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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
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Identified stakeholder groups that participated in the General Shareholders' Meeting, if any	Although general assembly meetings are open to the public under normal conditions, our shareholders were accepted as priority in the meeting room at the general assembly meetings held in 2021, in order to protect public health, considering the current pandemic conditions and the restrictions on group gatherings in the relevant regulations of public authorities. Some bank employees attended the General Assembly meeting too.
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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	Dividend has been distributed.
PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends	-

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
25.03.2021	0	78.55%	0.00001%	78.55%	Investor Relations / Corporate Governance / Shareholders' Meeting	Investor Relations / Corporate Governance / Shareholders' Meeting	None	0	https://www.kap.org.tr/tr/Bildirim/920592

Corporate Governance Information Form

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	285
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]
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

Corporate Governance Information Form

3.5. Ethical Rules and Social Responsibility

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
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**4.2. Activity of the Board of Directors**

Date of the last board evaluation conducted	24.02.2022
Whether the board evaluation was externally facilitated	No
Whether all board members released from their duties at the GSM	Yes
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	15
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
Name of the Chairman	Yıldırım Ali Koç
Name of the CEO	Gökhan Erün
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	-
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]

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
AHMET FADIL ASHABOĞLU	Non-executive	Not independent director	28.09.2005		Not Applicable	Not Applicable	Yes
AYKUT ÜMİT TAFTALI	Non-executive	Not independent director	31.03.2016		Not Applicable	Not Applicable	Yes
AHMET ÇİMENÖĞLU	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/912367	Considered	No	Yes
MELİH POYRAZ	Non-executive	Not independent director	25.03.2021		Not Applicable	Not Applicable	Yes
MEHMET TIRNAKLI	Non-executive	Independent director	25.03.2021	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

Corporate Governance Information Form

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)	11
Director average attendance rate at board meetings	97%
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	A week ago.
The name of the section on the corporate website that demonstrates information about the board charter	Although there is an internal regulation on the subject (Yapı Kredi Board of Directors Working Principles), it is not a public document.
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 Çimenoğlu	Yes	Board member
Audit Committee		Nevin İmamoğlu İpek	No	Board member
Audit Committee		Mehmet Tırnaklı	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 Çimenoğlu	No	Board member
Other	Credit Committee	Virma Sökmen	No	Board member
Other	Credit Committee	Mehmet Tırnaklı	No	Board member
Other	Credit Monitoring Committee	Levent Çakıroğlu	No	Board member
Other	Credit Monitoring Committee	Ahmet F. Ashaboğlu	No	Board member
Other	Credit Monitoring Committee	Ahmet Çimenoğlu	No	Board member
Other	Credit Monitoring Committee	Virma Sökmen	No	Board member
Other	Credit Monitoring Committee	Mehmet Tırnaklı	No	Board member
Other	Credit Monitoring Committee	Melih Poyraz	No	Board member
Other	Risk Committee	Levent Çakıroğlu	No	Board member
Other	Risk Committee	Gökhan Erün	No	Board member
Other	Risk Committee	Ahmet Çimenoğlu	No	Board member
Other	Risk Committee	Melih Poyraz	No	Board member
Other	Executive Committee	Gökhan Erün	Yes	Board member
Other	Executive Committee	Demir Karaaslan	No	Not board member
Other	Executive Committee	M. Erkan Özdemir	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	A. Cahit Erdoğan	No	Not board member
Other	Executive Committee	Saruhan Yücel	No	Not board member
Other	Executive Committee	M. Erkan Akbulut	No	Not board member
Other	Executive Committee	Muharrem Kaan Şakul	No	Not board member
Other	Executive Committee	Uğur Gökhan Özdiñç	No	Not board member

* It reflects the situation as of 31 December 2021. Özden Önalı was appointed as the Assistant General Manager responsible for Human Resources, Organization and Internal Services Management as of February 4, 2022, and she is a member of the Executive Board as of the same date.

Corporate Governance Information Form

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]	Board of Directors; Risk 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%	3	1
Remuneration Committee		100%	0%	2	1
Other	Credit Committee	75%	75%	37	4
Other	Credit Monitoring Committee	100%	50%	-	-
Other	Risk Committee	75%	25%	5	-

Statement of Compliance with Sustainability Principles

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 ve 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 prog-

ress. 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 on page 211.

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 practice by the Sustainability Committee, and ESG policies within this scope have been enforced. Yapı Kredi has set and pub-

licly 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; its implementation and action plans will also be updated in view of the new targets to be defined. Furthermore, having joined the Commitment to Financial Health and Inclusion established in 2021 by the United Nations Principles for Responsible Banking (PRB) as a founding signatory, Yapı Kredi pledged to set its financial inclusion and financial access targets within 18 months following its affiliation to the commitment.

The Bank pledged to set its emissions reduction targets within the scope of the Business Ambition for 1.5°C platform of the Science Based Targets Initiative (SBTi) in the low carbon transition process. In keeping with this pledge, the Bank’s efforts are ongoing

for reducing its emissions arising from its own operations and the emissions associated with its lending activities to achieve the net zero target by 2050. In addition to that, the Bank also commenced work for integration of climate risks in its credit risk identification processes. Yapı Kredi performed the first climate change risk assessment of its credit portfolio and evaluated the physical and transition risks of its existing portfolio. Through this analysis, Yapı Kredi financially measured its carbon exposure, and developed the risk/heat map of its portfolio based on the rating levels used as part of the assessment.

- Yapı Kredi has determined the ESG key performance indicators more than 10 years ago. These indicators are annually reported in comparison to previous years. The reports cover the change in all indicators 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.

Statement of Compliance with Sustainability Principles

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. With the Equator Principles integrated in the Environmental and Social Risk Assessment (ESRA) System of Yapı Kredi, assessment criteria

for air quality and biodiversity have been supplemented to the ESRA system. Accordingly, air quality and biodiversity are also taken into consideration when determining the environmental and social risk categories of projects and investments. The scope of Yapı Kredi's Environmental and Social Risk Assessment System was improved in 2021 in order to align this system with the requirements of the local regulation, International Finance Institution's Performance Standards (IFC PSs) and the implementations within the scope of the Equator Principles.

Yapı Kredi monitors, calculates and validates the electricity it 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.

While Yapı Kredi's operational activities are not included in any carbon pricing system (Emissions Trading System, Cap & Trade, or Carbon Tax), the Bank shifted to the shadow carbon pricing practice in 2021, and has been performing its calculations assuming EUR 30 carbon tax per tonne of carbon dioxide in the light of international studies.

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		
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.	Vision, Mission, Strategy, Values, page 18 Sustainability Management, page 46-47 Material Issues, page 70-71	You can reach Yapı Kredi's ESG policies that are approved by the Board of Directors at https://www.yapikrediinvestorrelations.com/en/corporate-governance/detail/Code-of-Ethics-and-Policies/44/1916/0
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.	Sustainability Management, page 46-47 Risk Management, page 74-85 Environmental Impact, page 94-99 United Nations Principles of Responsible Banking Reporting Index, page 576-587 Trends, Their Implication for the Sector and Yapı Kredi's Response, page 52-67, Statement of Compliance with Sustainability Principles, page 204	
A2. Execution/Monitoring		
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.	Sustainability Management, page 46-47	
The Company will create and publicly disclose implementation and action plans in line with the short-and long-term targets set.	Environmental Impact, page 94-99 United Nations Principles of Responsible Banking Reporting Index, page 576-587 Sustainability Management, page 46-47 Trends, Their Implication for the Sector and Yapı Kredi's Response, page 52-67 Statement of Compliance with Sustainability Principles, page 209-210	
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.	Environmental Impact, page 94-99 Performance Tables, page 572-575 Statement of Compliance with Sustainability Principles, page 209-210	
The Company will disclose the innovation activities for improving the Company's sustainability performance in relation to business processes or products and services.	Innovative Banking, page 110-161	

Sustainability Principles Compliance Framework

Description of Principle	Related Section/Page in the Annual Report	Links
A3. Reporting		
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.	About the Report, page 1	You can reach Yapı Kredi's Sustainability reports at: https://www.yapikredi.com.tr/en/sustainability/reports-and-awards/sustainability-reports Integrated annual reports at: https://www.yapikrediiinvestorrelations.com/en/financial-information/financial-information-reports-year-document-list/Annual-Reports/50/0/0
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.	About the Report, page 1 Reporting Guidance, page 590-600	You can reach Yapı Kredi's Sustainability reports at: https://www.yapikredi.com.tr/en/sustainability/reports-and-awards/sustainability-reports CDP reports at: https://www.yapikredi.com.tr/en/sustainability/reports-and-awards/cdp-reports Integrated annual reports at: https://www.yapikrediiinvestorrelations.com/en/financial-information/financial-information-reports-year-document-list/Annual-Reports/50/0/0
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.	About the Report, page 1 Reporting Guidance, page 590-600	
The Company will specify which United Nations (UN) 2030 Sustainable Development Goals its activities are linked to.	Material Issues, page 70-71	
The Company will make disclosures regarding the lawsuits filed and/or concluded against the Company for environmental, social and governance matters.	Legal Explanations, page 221	
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 601-606	

Description of Principle	Related Section/Page in the Annual Report	Links
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 94-99	
The Company will achieve compliance with laws and other applicable regulations on the environment, and will disclose the same.	Environmental Impact, page 94-99 Independent Assurance Statement, page 601-606	
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 590-600	
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 46-47 Environmental Impact, page 94-99	
The Company will disclose the incentives made available for the management of environmental matters, including achievement of targets.	Environmental Impact, page 94-99 United Nations Principles of Responsible Banking Reporting Index, page 576-587	You can reach Yapı Kredi's CDP Climate Change Programme Response 2021 at: https://assets.yapikredi.com.tr/ResponsiveSite/_assets/pdf/en/corporate-social-responsibility/CDP-climate-change-programme-response-2021.pdf CDP Water Security Programme Response 2021 at: https://assets.yapikredi.com.tr/ResponsiveSite/_assets/pdf/en/corporate-social-responsibility/CDP-water-security-programme-response-2021.pdf
The Company will explain integration of environmental matters in business targets and strategies.	Sustainability Management, page 46-47 Responsible and Sustainable Finance, page 86-93 Trends, Their Implication for the Sector and Yapı Kredi's Response, page 52-67	You can reach Yapı Kredi's CDP Climate Change Programme Response 2021 at: https://assets.yapikredi.com.tr/ResponsiveSite/_assets/pdf/en/corporate-social-responsibility/CDP-climate-change-programme-response-2021.pdf CDP Water Security Programme Response 2021 at: https://assets.yapikredi.com.tr/ResponsiveSite/_assets/pdf/en/corporate-social-responsibility/CDP-water-security-programme-response-2021.pdf

Sustainability Principles Compliance Framework

Description of Principle	Related Section/Page in the Annual Report	Links
The Company will disclose sustainability performances associated with work processes or products and services, along with improvement steps therefor.	Responsible and Sustainable Finance, page 86-93 Environmental Impact, page 94-99 Innovative Banking, page 110 -161	
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 and Sustainable Finance, page 86 - 97 Environmental Impact, page 94-99	You can reach Yapı Kredi's Responsible Procurement Policy at: https://www.yapikrediinvestorrelations.com/en/images/pdf/codeofethicsandpolicies/2020/yk_responsible_procurement_policy.pdf
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 72-73	
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 572-575 Environmental Impact, page 94-99 Statement of Compliance with Sustainability Principles, page 209-210	
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 590-600	
The Company will disclose the status of environmental indicators for the reporting year in comparison to previous years (increase or decrease).	Performance Tables, page 572-575	
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.	Responsible and Sustainable Finance, page 86-93 Environmental Impact, page 94-99	You can reach Yapı Kredi's CDP Climate Change Programme Response 2021 at: https://assets.yapikredi.com.tr/ResponsiveSite/_assets/pdf/en/corporate-social-responsibility/CDP-climate-change-programme-response-2021.pdf CDP Water Security Programme Response 2021 at: https://assets.yapikredi.com.tr/ResponsiveSite/_assets/pdf/en/corporate-social-responsibility/CDP-water-security-programme-response-2021.pdf

Description of Principle	Related Section/Page in the Annual Report	Links
The Company will disclose its strategy and actions to combat the climate crisis.	Trends, Their Implication for the Sector and Yapı Kredi's Response - Climate Crisis, page 58-61 Responsible and Sustainable Finance, page 86-93 Environmental Impact, page 94-99	You can reach Yapı Kredi's CDP Climate Change Programme Response 2021 at: https://assets.yapikredi.com.tr/ResponsiveSite/_assets/pdf/en/corporate-social-responsibility/CDP-climate-change-programme-response-2021.pdf
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 and Sustainable Finance, page 86-93 Environmental Impact, page 94-99 Innovative Banking, page 110-161 United Nations Principles of Responsible Banking Reporting Index, page 576-587	
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 94-99	You can reach Yapı Kredi's CDP Climate Change Programme Response 2021 at: https://assets.yapikredi.com.tr/ResponsiveSite/_assets/pdf/en/corporate-social-responsibility/CDP-climate-change-programme-response-2021.pdf CDP Water Security Programme Response 2021 at: https://assets.yapikredi.com.tr/ResponsiveSite/_assets/pdf/en/corporate-social-responsibility/CDP-water-security-programme-response-2021.pdf
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 572-575	
The Company will provide information about the electricity, heat, steam and cooling generated and consumed during the reporting period.	Environmental Impact, page 94-99 Performance Tables, page 572-575 Statement of Compliance with Sustainability Principles, page 209-210	
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 94-99 Performance Tables, page 572-575	
The Company will disclose data on its renewable energy	Environmental Impact, page 94-99 Performance Tables, page 572-575 Statement of Compliance with Sustainability Principles, page 209-210	

Sustainability Principles Compliance Framework

Description of Principle	Related Section/Page in the Annual Report	Links
The Company will develop energy-efficiency projects, and disclose the quantity reduced in energy consumption and emissions enabled by these efforts.	Environmental Impact, page 94-99	You can reach Yapı Kredi's CDP Climate Change Programme Response 2021 at: https://assets.yapikredi.com.tr/ResponsiveSite/_assets/pdf/en/corporate-social-responsibility/CDP-climate-change-programme-response-2021.pdf
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 572-575	You can reach Yapı Kredi's CDP Water Security Programme Response 2021 at: https://assets.yapikredi.com.tr/ResponsiveSite/_assets/pdf/en/corporate-social-responsibility/CDP-water-security-programme-response-2021.pdf
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 209-210	
The Company will disclose the carbon credits saved or purchased during the reporting period.	Statement of Compliance with Sustainability Principles, page 209-210	
The Company will disclose the details if carbon pricing is applied at the Company.	Environmental Impact, page 94-99	You can reach Yapı Kredi's CDP Climate Change Programme Response 2021 at: https://assets.yapikredi.com.tr/ResponsiveSite/_assets/pdf/en/corporate-social-responsibility/CDP-climate-change-programme-response-2021.pdf
The Company will specify all compulsory and voluntary platforms that it reports its environmental information to.	Environmental Impact, page 94-99	You can reach Yapı Kredi's CDP Climate Change Programme Response 2021 at: https://assets.yapikredi.com.tr/ResponsiveSite/_assets/pdf/en/corporate-social-responsibility/CDP-climate-change-programme-response-2021.pdf CDP Water Security Programme Response 2021 at: https://assets.yapikredi.com.tr/ResponsiveSite/_assets/pdf/en/corporate-social-responsibility/CDP-water-security-programme-response-2021.pdf

Description of Principle	Related Section/Page in the Annual Report	Links
C. Social Principles		
C1. Human Rights and Workers' Rights		
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, - Human Rights Risks, page 85 Independent Assurance Statement, page 601-606	You can reach Yapı Kredi's Human Rights Statement at: https://www.yapikrediinvestorrelations.com/en/images/pdf/codeofethicsandpolicies/2020/yk_human_rights_statement_and_appendices.pdf
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 168-177	You can reach Yapı Kredi's Human Rights Statement at: https://www.yapikrediinvestorrelations.com/en/images/pdf/codeofethicsandpolicies/2020/yk_human_rights_statement_and_appendices.pdf
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, - Human Rights Risks, page 85	You can reach Yapı Kredi's Human Rights Statement at: https://www.yapikrediinvestorrelations.com/en/images/pdf/codeofethicsandpolicies/2020/yk_human_rights_statement_and_appendices.pdf Responsible Procurement Policy at: https://www.yapikrediinvestorrelations.com/en/images/pdf/codeofethicsandpolicies/2020/yk_responsible_procurement_policy.pdf
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, - Human Rights Risks, page 85 Independent Assurance Statement, page 601-606	You can reach Yapı Kredi's Human Rights Statement at: https://www.yapikrediinvestorrelations.com/en/images/pdf/codeofethicsandpolicies/2020/yk_human_rights_statement_and_appendices.pdf Responsible Procurement Policy at: https://www.yapikrediinvestorrelations.com/en/images/pdf/codeofethicsandpolicies/2020/yk_responsible_procurement_policy.pdf

Sustainability Principles Compliance Framework

Description of Principle	Related Section/Page in the Annual Report	Links
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 168-177	
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 168-177 Occupational Health and Safety page 175 Performance Tables, page 572 - 575	You can reach Yapı Kredi's Occupational Health and Safety Policy at: https://www.yapikrediinvestorrelations.com/en/images/pdf/codeofethicsandpolicies/2020/yk_occupational_health_and_safety_policy.pdf
The Company will establish and publicly disclose personal data protection and data security policies.	Protection And Processing of Personal Data, page 166-167	You can reach Yapı Kredi's Explanatory Information Regarding Processing and Transfer of Personal Data Corporate Policy on Protection and Processing of Personal Data at: https://www.yapikredi.com.tr/en/limitless-banking/explanatory-information https://www.yapikrediinvestorrelations.com/en/images/pdf/ethical-principles-and-policies/Personal_Data_Protection_and_Processing_Policy-Corporate.pdf?v2
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 68-69	You can reach Yapı Kredi's Code of Ethics and Business Conduct at: https://www.yapikrediinvestorrelations.com/en/images/pdf/codeofethicsandpolicies/2021/YKB_Code_of_Ethics_and_Business_Conduct.pdf
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 100 -109	

Description of Principle	Related Section/Page in the Annual Report	Links
The Company will organize information meetings and training programs for employees about ESG policies and implementations.	Sustainability Management, page 46-47 Ethics and Compliance, page 68-69 Risk Management, page 74-85 Responsible and Sustainable Finance, page 86-97 Environmental Impact, page 94-99 Protection And Processing of Personal Data, page 166-167 United Nations Principles of Responsible Banking Reporting Index, page 576 - 587	
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 70-71	
The Company will develop and publicly disclose a customer satisfaction policy regarding customer complaints handling and resolution	Customer Experience, page 162-165	You can reach Yapı Kredi's Customer Satisfaction Policy at: https://www.yapikredi.com.tr/en/we-are-here-for-you/customer-satisfaction-approach
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 72-73	You can reach Yapı Kredi's Stakeholders and Collaborations Statement at: https://www.yapikredi.com.tr/en/sustainability/our-sustainability-approach/stakeholders-and-collaborations
The Company will publicly disclose the international reporting standards it has embraced (Carbon Disclosure Project (CDP), GRI Sustainability Reporting Standards, 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 46-47 GRI Content Index, page 607-613	

Sustainability Principles Compliance Framework

Description of Principle	Related Section/Page in the Annual Report	Links
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 46-47 Stakeholder Relations, page 72-73 Treasury Management, page 142-145 United Nations Principles of Responsible Banking Reporting Index, page 576-587 UN Global Compact and WEPs Reporting Index, page 588-589	
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 46-47	
D. Governance Principles		
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 190-191 Corporate Governance Compliance Report, page 192-199	
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 46-47	
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 192-199 Corporate Governance Information Form, page 200-208,	
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 46-47 Contribution to the Society, page 100-109	
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 72-73	
The Company will disclose its anti-bribery and anti-corruption policy and programs, as well as those on the tax integrity principle.	Risk Management, - Anti-Bribery and Corruption Risk, page 83-84	You can reach Yapı Kredi's Anti-Bribery and Corruption Policy at: https://www.yapikrediinvestorrelations.com/en/images/pdf/codeofethicsandpolicies/2022/Anti-Bribery_and_Corruption_Policy.pdf?v2

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 28 February 2022, 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 2021, 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 are 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.

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 ethical 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

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

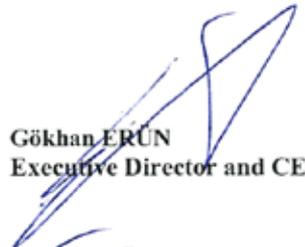
The Integrated activity report with for 2021 issued by the our Bank in accordance with the Turkish Commercial Code and “Communique No. II-14.1 on Principles regarding Financial Reporting in Capital Markets” of the Capital Markets Board [“Communique”] and made subject to the independent audit by PwC Bağımsız 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

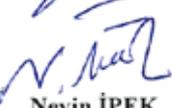
and we assume liability for his statement. [February 28, 2022]

Yours sincerely,


Gökhan ERÜN
Executive Director and CEO


Ahmet ÇİMENÖĞLU
Chairperson of the Audit Committee


Mehmet TIRNAKLI
Audit Committee Member


Nevin İPEK
Audit Committee Member


Demir 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 2021 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 10.344.873.156,18 remaining after allocating TL 144.885.083,81 general legal reserves from the net profit of the Bank for the period amounting to TL 10.489.758.239,99 in the unconsolidated financial statements prepared in accordance with BRSA regulations; paying a total of cash dividend of TL 1.000.000.000,00 including the first dividend of 422.352.564,20 TL and the second dividend of TL 577.647.435,80 to our shareholders and regarding the transfer of remaining TL 9.268.346.019,58 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 57.764.743,58 general legal reserves and TL 18.762.393,02 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 2021 Profit Distribution Table was submitted to the approval of the General Assembly with the dividend payment date to be determined at the General Assembly as indicated on the Page 225 of the report.

Yapı ve Kredi Bankası A.Ş. 2021 Profit Distribution Table [TL]

Yapı ve Kredi Bankası A.Ş. 2021 Profit Distribution Table [TL]

1. Paid-in Capital	8,447,051,284.00
2. Legal Reserves (per Legal Book)	1,544,525,172.99
Information on whether Articles of Association has any privilege regarding profit distribution	None
	Per legal book
3 Gross Profit	13,485,694,164.99
4 Reserve for Taxes [-]	2,995,935,925.00
5 Net Profit [=]	10,489,758,239.99
6 Prior Years' Losses [-]	0
7 Legal Reserves [-]	144,885,083.81
8 NET DISTRIBUTABLE PROFIT [=]	10,344,873,156.18
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 2 nd dividend to shareholders	577,647,435.80
16 Legal Reserves	57,764,743.58
17 Statutory Reserves	0
18 Special Reserves	18,762,393.02
19 EXTRAORDINARY RESERVES	9,268,346,019.58
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*	-	-		0.1183845	11.83845
NET	900,000,000,00	-	8.70	0.1065460	10.65460

*There will be no tax deduction of 10% 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

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 2021- 31 December 2021 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

declare that we are independent of the Bank in accordance with the Ethical Rules for Independent Auditors [including International Independence Standards] [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 2022 on the full set consolidated and unconsolidated financial statements for the 1 January 2021- 31 December 2021 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.

Didem Demer Kaya, SMMM
Partner

Istanbul, 28 February 2022

PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AT DECEMBER 31, 2021 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]

INDEPENDENT AUDITOR'S REPORT

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 2021, 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 2021, 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 (including Independence Standards) (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.

INDEPENDENT AUDITOR'S REPORT

<i>Key Audit Matters</i>	<i>How the key audit matter was addressed in the audit</i>
<p data-bbox="78 435 411 460">Expected credit losses for loans</p> <p data-bbox="78 478 900 679">The Bank has total expected credit losses for loans amounting to TL 29.233.396 thousand in respect to total loans amounting to TL 407.001.488 thousand which represent a significant portion of the Bank's total assets in its unconsolidated financial statements as at 31 December 2021. 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 2021</p> <p data-bbox="78 697 900 1187">The Bank recognizes provision for impairment in accordance with "IFRS 9 Financial Instruments" ("IFRS 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 the estimates and assumptions used by the Bank's management in determining the expected credit loss provisions for loans as of 31 December 2021, 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 data-bbox="915 435 1715 575">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 data-bbox="915 594 1734 913">We checked appropriateness of matters considered in methodology applied by the Bank with IFRS 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 the approaches to reflecting reasonable and supportable forward looking expectations (including macroeconomic factors) with our financial risk experts. Our procedures also included the following:</p> <ul data-bbox="915 925 1734 1281" 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 Bank in the expected credit losses calculations, and tested collaterals, recovery and costs in addition to arithmetical calculations.

<i>Key Audit Matters</i>	<i>How the key audit matter was addressed in the audit</i>
<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"> - 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.

INDEPENDENT AUDITOR'S REPORT

<i>Key Audit Matters</i>	<i>How the key audit matter was addressed in the audit</i>
<p>Valuation of Pension Fund obligations</p> <p>The Bank has booked provision amounting to TL 1.813.098 for Pension Fund Liabilities in the accompanying unconsolidated financial statements as at 31 December 2021. 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 checked whether significant changes in actuarial assumptions used in calculation, employee benefits in the period, plan assets and liabilities, and laws and regulations related to valuations exist.</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> <p>We evaluated the adequacy of the disclosures made in the unconsolidated financial statements of the Bank regarding the Pension Fund.</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

- 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 actions taken to eliminate threats or safeguards applied.

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.

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 2021 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.

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.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Didem Demer Kaya, SMMM
Partner
Istanbul, 3 February 2022

YAPI VE KREDİ BANKASI A.Ş.

THE UNCONSOLIDATED YEAR END FINANCIAL REPORT OF YAPI VE KREDİ BANKASI A.Ş. AS OF DECEMBER 31, 2021

[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 the Audit Committee

Mehmet TIRNAKLI
Member of the Audit Committee

Nevin İPEK
Member of the 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

CONTENTS

	Page
Section one - General information	
1. History of the Bank including its incorporation date, initial legal status and amendments to legal status, if any	238
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	238
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	239
4. Information on the individual and corporate shareholders having control shares of the Bank	240
5. Summary information on the Bank's activities and service types	241
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	241
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	241
Section two - Unconsolidated financial statements	
1. Balance sheet (Statement of Financial Position)	242
2. Off-balance sheet commitments	244
3. Statements of Profit and Loss	246
4. Statement of Profit or Loss and other comprehensive income	247
5. Statement of changes in shareholders' equity	248
6. Statement of cash flows	250
7. Profit distribution	251
Section three - Accounting policies	
1. Explanations on basis of presentation	252
2. Explanations on strategy of using financial instruments and foreign currency transactions	254
3. Explanations on investments in associates, subsidiaries and joint ventures	254
4. Explanations on forward and option contracts and derivative instruments	255
5. Explanations on interest income and expense	256
6. Explanations on fee and commission income and expenses	257
7. Explanations on financial assets	257
8. Explanations on impairment of financial assets	262
9. Explanations on offsetting financial assets	265
10. Explanations on sales and repurchase agreements and securities lending transactions	265
11. Information on assets held for resale and related to discontinued operations and explanations on liabilities related with these assets	265
12. Explanations on goodwill and other intangible assets	266
13. Explanations on property and equipment	267
14. Explanations on leasing transactions	267
15. Explanations on provisions, contingent assets and liabilities	268
16. Explanations on obligations related to employee rights	268
17. Explanations on taxation	269

18. Explanations on borrowings	271
19. Explanations on issuance of share certificates	271
20. Explanations on avalized drafts and letter of acceptances	271
21. Explanations on government grants	271
22. Profit reserves and profit distribution	272
23. Earnings per share	272
24. Related parties	272
25. Explanations on operating segments	272
26. Explanations on other matters	272
Section four - Information related to financial position of the Bank	
1. Explanations on equity	273
2. Explanations on Credit Risk	281
3. Explanations on Risk Management	289
4. Explanations on currency risk	330
5. Explanations on interest rate risk	332
6. Explanation on share certificates position risk from banking book	336
7. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio	336
8. Explanations on leverage ratio	342
9. Explanations on the presentation of financial assets and liabilities at fair values	343
10. Explanations on hedge accounting	345
11. Explanations on the activities carried out on behalf of others and fiduciary transactions	348
12. Explanations on operating segments	348
13. Explanations on fees for services received from independent auditor [1]	350
Section five - Explanations and notes related to unconsolidated financial statements	
1. Explanations and notes related to assets	351
2. Explanations and notes related to liabilities	372
3. Explanations and notes related to off-balance sheet accounts	382
4. Explanations and notes related to income statement	386
5. Explanations and notes related to statement of changes in shareholders' equity	392
6. Explanations and notes related to statement of cash flows	394
7. Explanations and notes related to the Bank's risk group	395
8. Explanations and notes related to the domestic, foreign, off-shore branches or associates and foreign representatives of the Bank	397
9. Explanations and notes related to subsequent events	397
Section six - Other explanations	
1. Other explanations on the Bank's operations	397
Section seven - Independent auditor's report	
1. Explanations on independent auditor's report	397
2. Explanations and notes prepared by independent auditor	397

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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, 2021, 32,03% of the shares of the Bank are publicly traded [December 31, 2020 - 30,03%]. 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 18,00% 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.

In year 2021, UCG completed the sale of 2,00% shares in stock market and for the sale of remaining 18,00% shares UCG came to an agreement with Group as per the Share Sale and Purchase Agreement relating to the sale of the Bank publicly disclosed as of November 30, 2019. Accordingly, it has been announced that Koç Group used its right of first offer for the sale of the Bank shares which are planned to be sold by UCG. As of December 31, 2021 the sale transaction has not been completed.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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, 2021, the Bank's Board of Directors, Members of the Audit Committee, General Manager and Assistant General Managers are as follows.

Board of Directors Members⁽¹⁾:

Name	Responsibility
Y. Ali KOÇ	Chairman
Levent ÇAKIROĞLU	Vice Chairman
Gökhan ERÜN	Executive Director and CEO
A. Ümit TAFTALI	Member
Ahmet ÇİMENÖĞLU	Independent Member
Ahmet Fadıl ASHABOĞLU	Member
Mehmet TIRNAKLI	Independent Member
Melih POYRAZ	Member
Nevin İPEK	Independent Member
Virma SÖKMEN	Independent Member

⁽¹⁾ Niccolò Ubertalli and Wolfgang Schilk, members of Board of Directors of the Bank, have resigned from their positions as of December 28, 2021. The situation of the vacant member positions are being evaluated and Board of Directors continue to do its duty with its current structure.

Audit Committee Members:

Name	Responsibility
Ahmet ÇİMENÖĞLU	Chairman
Mehmet TIRNAKLI	Member
Nevin İPEK	Member

General Manager:

Name	Responsibility
Gökhan ERÜN	Executive Director and CEO

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

Assistant General Managers⁽¹⁾:

Name	Responsibility
Abdullah GEÇER	Internal Audit
Akif Cahit ERDOĞAN	Commercial and SME Banking Management
Cemal Aybars SANAL	Legal Management
Demir KARAASLAN	Financial Planning and Administration
Mehmet Erkan AKBULUT	Credits
Mehmet Erkan ÖZDEMİR	Compliance, Internal Control and Risk Management /Consumer Relations Coordination Officer
Muharrem Kaan ŞAKUL	Corporate Banking
Saruhan YÜCEL	Treasury Management
Serkan ÜLGEN	Retail Banking
Uğur Gökhan ÖZDİNÇ	Technology, Data and Process Management
Yakup DOĞAN	Limitless Banking

⁽¹⁾ Hakan Alp, Assistant General Manager responsible for Human Resources, Organization and Internal Services Management has deceased, and no appointment has been made to the Human Resources, Organization and Internal Services Management Assistant General Manager as of the report date.

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	1.520.469.231,00	18,00	1.520.469.231,00	-

Koç Finansal Hizmetler A.Ş. is managed of Koç Group, and Temel Ticaret ve Yatırım A.Ş.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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, 2021, the Bank has 803 branches operating in Turkey and 1 branch in overseas [December 31, 2020 - 834 branches operating in Turkey, 1 branch in overseas].

As of December 31, 2021, the Bank has 15.452 employees [December 31, 2020 - 16.037 employees].

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 is 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.

UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021 AND 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

Section two - Unconsolidated financial statements**1. Balance sheet (Statement of Financial Position)**

ASSET	Note (Section five)	Current Period (31/12/2021)			Prior Period (31/12/2020)		
		TL	FC	Total	TL	FC	Total
I. FINANCIAL ASSETS (Net)		77.466.406	123.661.044	201.127.450	39.466.962	59.696.272	99.163.234
1.1 Cash and Cash Equivalents	1.1	30.026.320	113.352.410	143.378.730	15.450.934	52.235.063	67.685.997
1.1.1 Cash and Balances with Central Bank		22.667.064	93.521.502	116.188.566	10.500.064	44.527.408	55.027.472
1.1.2 Banks	1.4	5.603.000	20.002.766	25.605.766	3.277.545	7.786.582	11.064.127
1.1.3 Money Markets	1.4.3	1.809.366	-	1.809.366	1.700.842	-	1.700.842
1.1.4 Provisions for Expected Losses [-]		53.110	171.858	224.968	27.517	78.927	106.444
1.2 Financial assets where fair value change is reflected to income statement	1.2	259.959	950.827	1.210.786	334.865	663.685	998.550
1.2.1 Government debt securities		27.044	179.601	206.645	106.399	170.315	276.714
1.2.2 Share certificates		228.446	-	228.446	228.446	-	228.446
1.2.3 Other financial assets		4.469	771.226	775.695	20	493.370	493.390
1.3 Financial assets where fair value change is reflected to other comprehensive income statement	1.5.1.6	27.646.234	6.863.466	34.509.700	19.707.924	5.156.243	24.864.167
1.3.1 Government debt securities		27.628.275	6.022.847	33.651.122	19.689.965	3.203.038	22.893.003
1.3.2 Share certificates		17.959	4.594	22.553	17.959	3.494	21.453
1.3.3 Other financial assets		-	836.025	836.025	-	1.949.711	1.949.711
1.4 Derivative Financial Assets	1.3	19.533.893	2.494.341	22.028.234	3.973.239	1.641.281	5.614.520
1.4.1 Derivative financial assets where fair value change is reflected to income statement		16.047.497	2.448.249	18.495.746	3.426.581	1.641.281	5.067.862
1.4.2 Derivative financial assets where fair value change is reflected to other comprehensive income statement		3.486.396	46.092	3.532.488	546.658	-	546.658
II. FINANCIAL ASSETS MEASURED AT AMORTISED COST (Net)		272.550.525	196.872.787	469.423.312	199.983.805	120.774.513	320.758.318
2.1 Loans	1.7	243.127.261	163.140.206	406.267.467	186.414.212	106.811.212	293.225.424
2.2 Receivables From Leasing Transactions (Net)	1.12	-	-	-	-	-	-
2.3 Factoring Receivables		734.021	-	734.021	701.421	-	701.421
2.4 Financial Assets Measured at Amortised Cost	1.8	48.091.754	43.783.746	91.875.500	30.863.534	19.878.378	50.741.912
2.4.1 Government debt securities		47.760.950	43.783.746	91.544.696	30.532.730	19.878.378	50.411.108
2.4.2 Other financial assets		330.804	-	330.804	330.804	-	330.804
2.5 Provisions for Expected Losses [-]		19.402.511	10.051.165	29.453.676	17.995.362	5.915.077	23.910.439
III. ASSETS HELD FOR RESALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	1.17	1.327.210	-	1.327.210	709.869	-	709.869
3.1 Held for Sale Purposes		1.327.210	-	1.327.210	709.869	-	709.869
3.2 Related to Discontinued Operations		-	-	-	-	-	-
IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		5.199.224	10.007.885	15.207.109	4.207.346	5.849.369	10.056.715
4.1 Investments in Associates (net)	1.9	38.446	2.050.744	2.089.190	11.786	1.203.097	1.214.883
4.1.1 Consolidated based on Equity Method		-	-	-	-	-	-
4.1.2 Unconsolidated		38.446	2.050.744	2.089.190	11.786	1.203.097	1.214.883
4.2 Subsidiaries (Net)	1.10	5.160.778	7.957.141	13.117.919	4.172.686	4.646.272	8.818.958
4.2.1 Unconsolidated Financial Subsidiaries		5.153.478	7.957.141	13.110.619	4.165.386	4.646.272	8.811.658
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
4.3.1 Consolidated based on Equity Method		-	-	-	-	-	-
4.3.2 Unconsolidated		-	-	-	22.874	-	22.874
V. PROPERTY AND EQUIPMENT (Net)	1.13	4.851.380	-	4.851.380	4.474.095	-	4.474.095
VI. INTANGIBLE ASSETS (Net)	1.14	2.001.661	-	2.001.661	1.916.463	-	1.916.463
6.1 Goodwill		979.493	-	979.493	979.493	-	979.493
6.2 Other		1.022.168	-	1.022.168	936.970	-	936.970
VII. INVESTMENT PROPERTY (Net)	1.15	-	-	-	-	-	-
VIII. CURRENT TAX ASSETS		-	-	-	-	-	-
IX. DEFERRED TAX ASSETS	1.16	3.484.572	-	3.484.572	3.563.486	-	3.563.486
X. OTHER ASSETS	1.18	8.877.906	30.469.166	39.347.072	3.908.047	15.143.831	19.051.878
TOTAL ASSETS		375.758.884	361.010.882	736.769.766	258.230.073	201.463.985	459.694.058

YAPI VE KREDİ BANKASI A.Ş.

UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021 AND 2020

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

1. Balance sheet [Statement of Financial Position]

LIABILITIES	Note [Section five]	Current Period [31/12/2021]			Prior Period [31/12/2020]		
		TL	FC	Total	TL	FC	Total
I. DEPOSITS	2.1	146.176.720	254.918.696	401.095.416	108.322.127	145.958.029	254.280.156
II. BORROWINGS	2.3.1	1.545.406	59.578.762	61.124.168	743.762	37.536.677	38.280.439
III. MONEY MARKETS		48.560.354	4.347.923	52.908.277	25.128.184	2.577.154	27.705.338
IV. MARKETABLE SECURITIES ISSUED (Net)	2.3.4	7.240.548	27.013.194	34.253.742	5.234.462	15.282.960	20.517.422
4.1 Bills		5.828.651	-	5.828.651	3.623.981	-	3.623.981
4.2 Asset backed Securities		-	-	-	-	-	-
4.3 Bonds		1.411.897	27.013.194	28.425.091	1.610.481	15.282.960	16.893.441
V. FUNDS		-	-	-	-	-	-
5.1 Borrower Funds		-	-	-	-	-	-
5.2 Other		-	-	-	-	-	-
VI. FINANCIAL LIABILITIES FAIR VALUE THROUGH PROFIT AND LOSS	2.3.3.2	658.578	25.135.654	25.794.232	806.619	12.081.212	12.887.831
VII. DERIVATIVE FINANCIAL LIABILITIES	2.2	13.711.094	4.320.954	18.032.048	7.563.486	3.020.704	10.584.190
7.1 Derivative Liabilities at Fair Value Through Profit and Loss		13.711.094	3.637.761	17.348.855	5.981.998	1.979.264	7.961.262
7.2 Derivative Liabilities at Fair Value Through Other Comprehensive Profit		-	683.193	683.193	1.581.488	1.041.440	2.622.928
VIII. FACTORING PAYABLES		-	-	-	-	-	-
IX. LEASE PAYABLES (Net)	2.5	1.294.315	11.902	1.306.217	1.066.532	9.695	1.076.227
X. PROVISIONS	2.6	4.899.201	927.298	5.826.499	3.951.179	417.357	4.368.536
10.1 Provisions for Restructuring		-	-	-	-	-	-
10.2 Provisions for Employee Rights	2.6.1	1.078.134	-	1.078.134	804.128	-	804.128
10.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4 Other Provisions	2.6.3	3.821.067	927.298	4.748.365	3.147.051	417.357	3.564.408
XI. CURRENT TAX LIABILITIES	2.7	2.877.865	-	2.877.865	1.920.873	-	1.920.873
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	808.921	38.633.078	39.441.999	838.459	21.816.595	22.655.054
14.1 Loans		-	11.144.441	11.144.441	-	6.305.871	6.305.871
14.2 Other Facilities		808.921	27.488.637	28.297.558	838.459	15.510.724	16.349.183
XV. OTHER LIABILITIES	2.4	24.859.536	5.765.589	30.625.125	16.522.539	1.330.982	17.853.521
XVI. SHAREHOLDERS' EQUITY	2.10	56.044.605	7.439.573	63.484.178	44.042.839	3.521.632	47.564.471
16.1 Paid in Capital		8.447.051	-	8.447.051	8.447.051	-	8.447.051
16.2 Capital Reserves		2.155.905	-	2.155.905	2.007.489	-	2.007.489
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		1.598.968	-	1.598.968	1.450.552	-	1.450.552
16.3 Other accumulated comprehensive income that will not be reclassified in profit or loss		1.759.966	438.066	2.198.032	2.230.784	436.694	2.667.478
16.4 Other accumulated comprehensive income that will be reclassified in profit or loss		552.506	7.001.507	7.554.013	(1.930.320)	3.084.938	1.154.618
16.5 Profit Reserves		32.639.419	-	32.639.419	28.208.317	-	28.208.317
16.5.1 Legal Reserves		1.544.526	-	1.544.526	1.282.785	-	1.282.785
16.5.2 Statutory reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		31.094.893	-	31.094.893	26.925.454	-	26.925.454
16.5.4 Other Profit Reserves		-	-	-	78	-	78
16.6 Profit or loss		10.489.758	-	10.489.758	5.079.518	-	5.079.518
16.6.1 Prior years' profits or losses		-	-	-	-	-	-
16.6.2 Current period net profit or loss		10.489.758	-	10.489.758	5.079.518	-	5.079.518
TOTAL LIABILITIES		308.677.143	428.092.623	736.769.766	216.141.061	243.552.997	459.694.058

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, 2021 AND 2020

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

2. Off-balance sheet commitments

Off-balance sheet commitments	Note (Section five)	Current Period [31/12/2021]			Prior Period [31/12/2020]			
		TL	FC	Total	TL	FC	Total	
A.	Off-balance sheet commitments (I+II+III)	366.437.642	600.991.236	967.428.878	259.441.518	394.890.440	654.331.958	
I.	Guarantees and warranties	3.1.2.1.2	41.096.267	119.523.472	160.619.739	32.562.747	68.664.534	101.227.281
1.1.	Letters of guarantee	3.1.2.2	40.320.795	79.173.580	119.494.375	32.043.714	49.951.728	81.995.442
1.1.1.	Guarantees subject to state tender law		772.497	986.476	1.758.973	545.671	641.351	1.187.022
1.1.2.	Guarantees given for foreign trade operations		7.443.890	78.187.104	85.630.994	5.380.758	49.310.377	54.691.135
1.1.3.	Other letters of guarantee		32.104.408	-	32.104.408	26.117.285	-	26.117.285
1.2.	Bank acceptances		-	545.822	545.822	-	238.025	238.025
1.2.1.	Import letter of acceptance		-	545.822	545.822	-	238.025	238.025
1.2.2.	Other bank acceptances		-	-	-	-	-	-
1.3.	Letters of credit		71.417	25.436.069	25.507.486	37.184	8.974.338	9.011.522
1.3.1.	Documentary letters of credit		71.417	25.436.069	25.507.486	37.184	8.974.338	9.011.522
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		704.055	7.649.943	8.353.998	481.849	4.613.529	5.095.378
1.9.	Other warranties		-	6.718.058	6.718.058	-	4.886.914	4.886.914
II.	Commitments		111.608.609	38.572.768	150.181.377	81.424.789	32.831.632	114.256.421
2.1.	Irrevocable commitments	3.1.1	108.431.948	14.208.872	122.640.820	79.209.005	13.218.499	92.427.504
2.1.1.	Asset purchase and sale commitments		6.450.608	13.345.662	19.796.270	2.905.074	11.632.591	14.537.665
2.1.2.	Deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3.	Share capital commitments to associates and subsidiaries		-	-	-	-	-	-
2.1.4.	Loan granting commitments		26.475.410	352.100	26.827.510	17.187.740	788.342	17.976.082
2.1.5.	Securities issue brokerage commitments		-	-	-	-	-	-
2.1.6.	Commitments for reserve requirements		-	-	-	-	-	-
2.1.7.	Commitments for checks payments		4.306.427	-	4.306.427	3.437.866	-	3.437.866
2.1.8.	Tax and fund liabilities from export commitments		595	-	595	6.476	-	6.476
2.1.9.	Commitments for credit card expenditure limits		58.777.036	-	58.777.036	48.016.964	-	48.016.964
2.1.10.	Commitments for credit cards and banking services promotions		46.457	-	46.457	51.868	-	51.868
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		12.375.415	511.110	12.886.525	7.603.017	797.566	8.400.583
2.2.	Revocable commitments		3.176.661	24.363.896	27.540.557	2.215.784	19.613.133	21.828.917
2.2.1.	Revocable loan granting commitments		3.176.661	24.363.896	27.540.557	2.215.784	19.613.133	21.828.917
2.2.2.	Other revocable commitments		-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS		213.732.766	442.894.996	656.627.762	145.453.982	293.394.274	438.848.256
3.1.	Derivative financial instruments held for hedging		38.510.141	73.941.143	112.451.284	43.572.841	51.075.652	94.648.493
3.1.1.	Fair value hedges		270.141	1.225.972	1.496.113	270.141	3.071.548	3.341.689
3.1.2.	Cash flow hedges		38.240.000	72.715.171	110.955.171	43.302.700	48.004.104	91.306.804
3.1.3.	Hedges for investments made in foreign countries		-	-	-	-	-	-

YAPI VE KREDİ BANKASI A.Ş.

UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021 AND 2020

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

2. Off-balance sheet commitments

	Note (Section five)	Current Period (31/12/2021)			Prior Period (31/12/2020)		
		TL	FC	Total	TL	FC	Total
Off-balance sheet commitments							
3.2	Trading transactions	175.222.625	368.953.853	544.176.478	101.881.141	242.318.622	344.199.763
3.2.1	Forward foreign currency purchase and sale transactions	10.602.638	15.678.489	26.281.127	6.888.256	9.202.912	16.091.168
3.2.1.1	Forward foreign currency purchase transactions	7.840.303	5.169.741	13.010.044	4.448.705	3.826.597	8.275.302
3.2.1.2	Forward foreign currency sale transactions	2.762.335	10.508.748	13.271.083	2.439.551	5.376.315	7.815.866
3.2.2	Currency and interest rate swaps	151.448.310	264.814.946	416.263.256	87.718.704	186.256.071	273.974.775
3.2.2.1	Currency swap purchase transactions	2.859.608	90.035.422	92.895.030	4.295.544	59.534.640	63.830.184
3.2.2.2	Currency swap sale transactions	62.212.802	29.611.504	91.824.306	46.573.260	20.622.433	67.195.693
3.2.2.3	Interest rate swap purchase transactions	43.187.950	72.584.010	115.771.960	18.424.950	53.049.499	71.474.449
3.2.2.4	Interest rate swap sale transactions	43.187.950	72.584.010	115.771.960	18.424.950	53.049.499	71.474.449
3.2.3	Currency, interest rate and securities options	500.032	13.094.173	13.594.205	1.575.674	12.640.133	14.215.807
3.2.3.1	Currency purchase options	339.490	4.102.550	4.442.040	531.763	4.198.665	4.730.428
3.2.3.2	Currency sale options	160.542	4.450.370	4.610.912	324.741	4.555.975	4.880.716
3.2.3.3	Interest rate purchase options	-	3.395.525	3.395.525	300.000	3.372.515	3.672.515
3.2.3.4	Interest rate sale options	-	1.145.728	1.145.728	419.170	512.978	932.148
3.2.3.5	Securities purchase options	-	-	-	-	-	-
3.2.3.6	Securities sale options	-	-	-	-	-	-
3.2.4	Currency futures	600.295	534.725	1.135.020	212.403	201.864	414.267
3.2.4.1	Currency purchase futures	568.563	40.879	609.442	-	201.864	201.864
3.2.4.2	Currency sale futures	31.732	493.846	525.578	212.403	-	212.403
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	12.071.350	74.831.520	86.902.870	5.486.104	34.017.642	39.503.746
B.	CUSTODY AND PLEDGED SECURITIES (IV+V+VI)	671.943.354	330.735.897	1.002.679.251	531.392.413	176.009.181	707.401.594
IV.	ITEMS HELD IN CUSTODY	114.426.970	30.459.685	144.886.655	63.730.107	11.392.380	75.122.487
4.1.	Assets under management	66.693.304	9.000.959	75.694.263	33.024.406	825.231	33.849.637
4.2.	Securities held in custody	6.176.884	20.351.678	26.528.562	5.832.697	10.057.701	15.890.398
4.3.	Checks received for collection	32.974.820	70.173	33.044.993	19.104.894	29.949	19.134.843
4.4.	Commercial notes received for collection	8.523.818	840.142	9.363.960	5.709.966	360.665	6.070.631
4.5.	Other assets received for collection	-	156.893	156.893	-	95.112	95.112
4.6.	Securities received for public offering	-	-	-	-	-	-
4.7.	Other items under custody	58.144	39.840	97.984	58.144	23.722	81.866
4.8.	Custodians	-	-	-	-	-	-
V.	PLEDGED ITEMS	531.413.045	272.362.495	803.775.540	437.496.682	146.057.568	583.554.250
5.1.	Marketable securities	863.295	1.439	864.734	824.223	814	825.037
5.2.	Guarantee notes	569.678	673.773	1.243.451	585.521	365.529	951.050
5.3.	Commodity	5.912	-	5.912	6.297	-	6.297
5.4.	Warrant	-	-	-	-	-	-
5.5.	Immovables	187.413.174	41.576.497	228.989.671	144.638.689	32.338.527	176.977.216
5.6.	Other pledged items	342.560.986	230.087.529	572.648.515	291.441.952	113.339.435	404.781.387
5.7.	Depositories receiving pledged items	-	23.257	23.257	-	13.263	13.263
VI.	ACCEPTED GUARANTEES AND WARRANTS	26.103.339	27.913.717	54.017.056	30.165.624	18.559.233	48.724.857
TOTAL OFF BALANCE SHEET COMMITMENTS]		1.038.380.996	931.727.133	1.970.108.129	790.833.931	570.899.621	1.361.733.552

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, 2021 AND 2020

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

3. Statements of Profit or Loss

Income and expense items	Note (Section five)	Current Period [01/01/2021 - 31/12/2021]	Prior Period [01/01/2020 - 31/12/2020]
I. INTEREST INCOME	4.1	51,629,057	33,088,591
1.1 Interest on Loans	4.1.1	37,145,133	25,308,113
1.2 Interest received from reserve deposits		815,720	53,947
1.3 Interest Received from Banks	4.1.2	399,053	444,796
1.4 Interest Received from Money Market Transactions		36,693	125,990
1.5 Interest Received from Marketable Securities Portfolio	4.1.3	13,150,995	7,109,522
1.5.1 Financial Assets at Fair Value Through Profit and Loss		25,616	14,246
1.5.2 Financial Assets at Fair Value Through Other Comprehensive income		4,379,946	2,999,069
1.5.3 Financial assets measured at amortised cost		8,745,433	4,096,207
1.6 Financial Lease Income		-	-
1.7 Other Interest Income		81,463	46,223
II. INTEREST EXPENSE (-)	4.2	28,931,575	16,111,790
2.1 Interest on Deposits	4.2.5	15,431,223	8,804,130
2.2 Interest on Funds Borrowed	4.2.1	2,283,978	2,039,363
2.3 Interest expense on money market transactions	4.2.4	6,204,086	1,297,788
2.4 Interest on Securities Issued	4.2.3	4,814,454	3,405,629
2.5 Interest on Lease Payables		150,586	163,318
2.6 Other Interest Expense		47,248	401,562
III. NET INTEREST INCOME/EXPENSE (I - II)		22,697,482	16,976,801
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE		7,314,676	5,246,814
4.1 Fees and Commissions Received		9,983,197	6,494,019
4.1.1 Non-cash Loans		1,186,417	1,019,993
4.1.2 Other		8,796,780	5,474,026
4.2 Fees and Commissions Paid		2,668,521	1,247,205
4.2.1 Non-cash Loans		616	630
4.2.2 Other		2,667,905	1,246,575
V. DIVIDEND INCOME	4.3	3,281	3,016
VI. TRADING PROFIT/LOSS (Net)	4.4	175,078	256,810
6.1 Trading Gains/Losses on Securities		158,572	408,588
6.2 Derivative Financial Transactions Gains/Losses	4.6	21,647,083	1,688,317
6.3 Foreign Exchange Gains/Losses		(21,630,577)	(1,840,095)
VII. OTHER OPERATING INCOME	4.7	2,059,972	1,563,487
VIII. GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII)		32,250,489	24,046,928
IX. PROVISION FOR EXPECTED LOSSES (-)	4.5	9,693,034	9,490,527
X. OTHER PROVISION EXPENSES (-)	4.5	77,989	463,611
XI. PERSONNEL EXPENSES (-)		4,433,204	3,576,234
XII. OTHER OPERATING EXPENSES (-)	4.8	5,853,634	4,848,220
XIII. NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)		12,192,628	5,668,336
XIV. SURPLUS WRITTEN AS GAIN AFTER MERGER		-	-
XV. PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES		1,293,066	883,639
XVI. NET MONETARY POSITION GAIN/LOSS		-	-
XVII. PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XIII+XIV+XV+XVI)	4.9	13,485,694	6,551,975
XVIII. PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (-)	4.10	2,995,936	1,472,457
18.1 Current Tax Provision		3,257,106	3,111,457
18.2 Expense effect of deferred tax (+)		-	-
18.3 Income effect of deferred tax (-)		261,170	1,639,000
XIX. NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVII+XVIII)		10,489,758	5,079,518
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	10,489,758	5,079,518
Earnings/(loss) per share (full TL)		0,0124	0,0060

YAPI VE KREDİ BANKASI A.Ş.

UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021 AND 2020

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

4. Statement of Profit or Loss and Other Comprehensive Income

	Current Period [31/12/2021]	Prior Period [31/12/2020]
I. PROFIT/[LOSS]	10.489.758	5.079.518
II. OTHER COMPREHENSIVE INCOME	5.929.949	1.291.613
2.1 Other comprehensive income that will not be reclassified to profit or loss	[469.446]	[112.848]
2.1.1 Gains (losses) on Revaluation of Property, Plant and Equipment	-	389
2.1.2 Gains (losses) on revaluation of Intangible Assets	-	-
2.1.3 Gains (losses) on remeasurements of defined benefit plans	[555.531]	[125.833]
2.1.4 Other Components of Other Comprehensive Income That Will Not Be Reclassified to Profit Or Loss	[27.209]	[842]
2.1.5 Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss	113.294	13.438
2.2 Other Comprehensive Income That Will Be Reclassified to Profit or Loss	6.399.395	1.404.461
2.2.1 Exchange Differences on Translation	3.923.750	1.480.998
2.2.2 Valuation and/or Reclassification Profit or Loss from financial assets at fair value through other comprehensive income	1.556.693	423.422
2.2.3 Income (loss) Related with Cash Flow Hedges	4.144.880	654.339
2.2.4 Income (loss) Related with Hedges of Net Investments in Foreign Operations	[2.772.550]	[1.084.717]
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	[453.378]	[69.581]
III. TOTAL COMPREHENSIVE INCOME [LOSS] [I+II]	16.419.707	6.371.131

YAPI VE KREDİ BANKASI A.Ş.

UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021 AND 2020

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

5. Statement of changes in shareholders' equity

Current Period (31/12/2021)					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/ net income/ [loss]	Current period net income/ net income/ [loss]	Total shareholders' equity
	Paid-in capital	Share premium	Share certificate cancellation profits	Other capital reserves	1	2	3	4	5	6				
CHANGES IN SHAREHOLDER'S EQUITY														
I. Balance at the beginning of the period	8,447.051	556.937	-	1.450.552	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
II. Adjustment in accordance with TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. New balance [(+I)]	8,447.051	556.937	-	1.450.552	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
IV. Total comprehensive income [loss]	-	-	-	-	2.188	[444.425]	[27.209]	3.923.750	1.245.354	1.230.291	-	-	10.489.758	16.419.707
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	-	-	-	78	-	-	-	-	-	-	[78]	-	-	-
XI. Profit distribution	-	-	-	148.338	-	-	-	-	-	-	4.431.180	-	(5.079.518)	(500.000)
11.1. Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	(500.000)	(500.000)
11.2. Transfers to legal reserves	-	-	-	148.338	-	-	-	-	-	-	4.431.180	-	(4.579.518)	-
11.3. Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period end balance [(III+IV+.....+X+XI)]	8,447.051	556.937	-	1.598.968	1.856.179	[821.555]	1.163.408	7.897.524	1.458.706	[1.802.217]	32.639.419	-	10.489.758	63.484.178

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.

YAPI VE KREDİ BANKASI A.Ş.

UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021 AND 2020

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

5. Statement of changes in shareholders' equity

Prior Period (31/12/2020)						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/ net income/ (loss)	Current period net income/ net income/ (loss)	Total shareholders' equity	
	Paid-in capital	Share premium	Share certificate cancellation profits	Other capital reserves		1	2	3	4	5	6					
CHANGES IN SHAREHOLDER'S EQUITY																
I. Balance at the beginning of the period	8.447.051	556.937	-	1.441.699	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		
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	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		
IV. Total comprehensive income [loss]	-	-	-	-	(4.428)	(107.578)	(842)	1.480.998	334.971	(411.508)	-	-	5.079.518	6.371.131		
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	-	-	-	-	25.323	-	(25.939)	-	-	5.686		
XI. Profit distribution	-	-	-	2.551	-	-	-	-	-	-	3.597.509	-	(3.600.060)	-		
11.1. Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
11.2. Transfers to legal reserves	-	-	-	2.551	-	-	-	-	-	-	3.597.509	-	(3.600.060)	-		
11.3. Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Period end balance (III+IV+.....+X+XI)	8.447.051	556.937	-	1.450.552	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		

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.

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, 2021 AND 2020

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

6. Statement of cash flows

	(Notes section five)	Current Period (31/12/2021)	Prior Period (31/12/2020)
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities		9.484.169	17.996.655
1.1.1 Interest received		39.445.619	29.858.787
1.1.2 Interest paid		(27.904.622)	(15.976.525)
1.1.3 Dividend received		46.229	142.706
1.1.4 Fees and commissions received		9.983.197	6.484.019
1.1.5 Other income		(3.833.294)	4.675.520
1.1.6 Collections from previously written-off loans and other receivables		2.542.927	2.006.062
1.1.7 Cash Payments to personnel and service suppliers		(8.935.697)	(7.497.766)
1.1.8 Taxes paid		(2.885.706)	(2.252.349)
1.1.9 Other	6.3	1.025.716	546.201
1.2 Changes in operating assets and liabilities subject to banking operations		25.195.487	(30.424.791)
1.2.1 Net (increase) decrease in Financial Assets at Fair Value through Profit or Loss		(257.831)	(117.463)
1.2.2 Net (increase) decrease in due from banks		(52.796.052)	(26.440.539)
1.2.3 Net (increase) decrease in loans		(117.615.384)	(58.450.266)
1.2.4 Net (increase) decrease in other assets		(19.594.214)	(7.821.740)
1.2.5 Net increase (decrease) in bank deposits		2.444.291	518.592
1.2.6 Net increase (decrease) in other deposits		144.145.240	31.142.721
1.2.7 Net increase (decrease) in financial liabilities at fair value through profit or loss		13.520.935	387.559
1.2.8 Net increase (decrease) in funds borrowed		49.593.937	29.151.525
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities	6.3	5.954.565	1.204.820
I. Net cash provided from banking operations		34.679.656	(12.428.136)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash provided from investing activities		(22.372.185)	(14.672.520)
2.1 Cash paid for the purchase of associates, subsidiaries and joint ventures		(26.660)	-
2.2 Cash obtained from the sale of associates, subsidiaries and joint ventures		18.270	-
2.3 Cash paid for the purchase of tangible and intangible asset		(733.757)	(554.445)
2.4 Cash obtained from the sale of tangible and intangible asset		466.850	411.094
2.5 Cash paid for the purchase of financial assets at fair value through other comprehensive income		(7.057.477)	(14.427.663)
2.6 Cash obtained from the sale of financial assets at fair value through other comprehensive income		6.105.356	17.975.425
2.7 Cash paid for the purchase of financial assets at amortised cost		(22.521.429)	(20.429.342)
2.8 Cash obtained from sale of financial assets at amortised cost		1.376.662	2.352.411
2.9 Other		-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash flows from financing activities		10.491.915	(6.175.454)
3.1 Cash obtained from funds borrowed and securities issued		30.715.342	33.347.665
3.2 Cash outflow from funds borrowed and securities issued		(19.289.183)	(39.105.785)
3.3 Equity instruments issued		-	-
3.4 Dividends paid		(500.000)	-
3.5 Payments for finance lease liabilities		(434.244)	(417.334)
3.6 Other		-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents	6.3	27.218.430	18.190.396
V. Net increase (decrease) in cash and cash equivalents		50.017.816	(15.085.714)
VI. Cash and cash equivalents at beginning of the period	6.1	45.189.882	60.275.596
VII. Cash and cash equivalents at end of the period	6.1	95.207.698	45.189.882

YAPI VE KREDİ BANKASI A.Ş.

UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021 AND 2020

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

7. Profit Distribution⁽¹⁾

	Current Period (31/12/2021)	Prior Period (31/12/2020)
I. Distribution of current year income		
1.1 Current year income	13.485.694	6.551.975
1.2 Taxes and duties payable [-]	2.995.936	1.472.457
1.2.1 Corporate tax (income tax)	3.257.106	3.111.457
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties	(261.170)	(1.639.000)
A. Net income for the year [1.1-1.2]	10.489.758	5.079.518
1.3 Prior year losses [-]	-	-
1.4 First legal reserves [-]	-	253.976
1.5 Other statutory reserves [-]	-	-
B. Net income available for distribution [(a-[1.3+1.4+1.5])]	10.489.758	4.825.542
1.6 First dividend to shareholders [-]	-	422.353
1.6.1 To owners of ordinary shares	-	422.353
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 [-]	-	77.647
1.9.1 To owners of ordinary shares	-	77.647
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 [-]	-	7.765
1.11 Statutory reserves [-]	-	-
1.12 Extraordinary reserves	-	4.169.439
1.13 Other reserves	-	-
1.14 Special funds	-	148.398
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		
3.1 To owners of ordinary shares (full TL)	0,0124	0,0060
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 (full TL)	-	0,0006
4.2 To owners of ordinary shares (%)	-	5,9192
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 2021 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 18.719, 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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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, for the USD indexed products, the regulator's transition process of 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 still continues. 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. The Bank completed the necessary infrastructure development and started to trade TLREF indexed products in 2021.

As of December 31, 2021, the Bank largely completed the necessary infrastructure development for USD Libor indexed derivatives and money market transactions in order to take the transition to alternative benchmark interest rates that are based on actual overnight transactions. It is planned to complete the system development for bonds and loans within year 2022. Following the system developments, it is anticipated that for the new traded floating rate instruments alternative benchmark interest rates are going to be used. For the existing transactions, it is planned to take transition to alternative benchmark interest rates in case there is a request from counter banks or customers. In the light of analysis, related transition will have no material impact on financial statements.

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.

On January 20, 2022, POA made a statement on the Implementation of Financial Reporting in High Inflation Economies within the Scope of TFRS, Financial Reporting Standard for Large and Medium Sized Enterprises. Accordingly, it has been stated that businesses applying TFRS do not need to make any adjustments in their financial statements for 2021 within the scope of TAS 29 Financial Reporting in High Inflation Economies.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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.

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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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.

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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

Credit derivatives are capital market tools designed to transfer credit risk from one party to another.

As of December 31, 2021, 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 "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 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, "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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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.

The Bank owns Consumer Price Indexed (CPI) Government Bonds which are classified under "Fair value through other comprehensive income" and "measured at amortised cost" securities portfolio. Related securities and reference indices used in calculating the actual coupon payment amounts of these assets are based on the Consumer Price Index (CPI) of prior two months.

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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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.

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

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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.

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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

As of December 31, 2021, 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.

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. "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".

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

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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.

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 customer's probability of 90 days or more delay, within 12-months;
- 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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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 used for IRB phase;
- introducing "point-in-time" adjustments to replace "through-the-cycle" adjustments required for IRB phase [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 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 passed. The Bank can abandon this estimation when it has reasonable and supportable information about customers contractual repayments.
- 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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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 three 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 and increased 30 basis points the weight of the pessimistic scenario by reducing the weight of the basis 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 made no change in its current approach in current period.

In the light of macroeconomic expectations, the Bank 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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira [“TL”]]

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.

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 “ TFRS - 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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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 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 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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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 "TFRS 16: Leases" approach in the accounting of leasing transactions.

In accordance with TFRS 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.

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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

15. Explanations on provisions, contingent assets and 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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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 and in accordance with TAS 19.

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 accordance with the 11 and 14th articles of the Law numbered 7316 on "Amendment of Law on Collection Procedure of Public Receivables and Certain Laws" published in the Official Gazette dated April 22, 2021 and numbered 31462, starting from the declarations that must be submitted starting from July 1, 2021 and to be valid for the taxation period starting from January 1, 2021, corporate tax rate will be applied as 25% for enterprises' corporate income belonging to the taxation periods of 2021 and 23% for enterprises' corporate income belonging to the taxation periods of 2022. The corporate tax rate is still applied as 20% in the first provisional tax declaration for the corporate income belonging to the taxation periods of 2021 but as of second provisional tax declaration the rate of 25% will be applied.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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.

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.

Non-monetary items on the financial statements must have been restated for inflation according to the repeated article 298/A of Tax Procedure Law. In law numbered 7352 published on 29 January 2022 in the Official Gazette numbered 31734, 2021 and 2022 accounting periods including advance tax periods are deemed as the periods in which the requirements for inflation adjustment are not met.

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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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".

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:

None [December 31, 2020 - TL 78].

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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	10.489.758	5.079.518
Weighted average number of issued ordinary shares(thousand)	844.705.128	844.705.128
Earnings per share (full TL)	0,0124	0,0060

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 2021 [2020 - None].

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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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 18,67% [December 31, 2020 - 18,23%].

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	34.213.005	29.633.487
Accumulated other comprehensive income and other disclosed reserves which defined in the Turkish Accounting Standards	14.708.689	7.377.558
Profit	10.489.758	5.079.518
Net profit of the period	10.489.758	5.079.518
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	25.382
Common Equity Tier 1 capital before regulatory adjustments	68.440.822	51.119.933
Common Equity Tier 1 capital: regulatory adjustments		
Prudential valuation adjustments	89.872	86.115
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	4.956.644	2.432.808
Improvement costs for operating leasing	131.078	108.425
Goodwill [net of related tax liability]	979.493	979.493
Other intangibles other than mortgage-servicing rights [net of related tax liability]	910.108	844.061
Deferred tax assets that rely on future profitability excluding those arising from temporary differences [net of related tax liability]	-	-
Cash-flow hedge reserve	2.328.663	-

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

	Current Period	Prior Period
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	9.395.858	4.450.902
Common Equity Tier 1 capital (CET1)	59.044.964	46.669.031

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

	Current Period	Prior Period
ADDITIONAL TIER 1 CAPITAL		
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	8.435.375	4.771.325
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	8.435.375	4.771.325
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	8.435.375	4.771.325
Total Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 capital)	67.480.339	51.440.356
TIER 2 CAPITAL		
Eligible capital instruments and relevant share issue premiums that are approved by the Agency	9.507.903	6.980.701
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
Provisions [Article 8 of the Regulation on the Equity of Banks]	3.000.710	4.034.262
Tier 2 capital before regulatory adjustments	12.508.613	11.336.991
Tier 2 capital: regulatory adjustments		

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

	Current Period	Prior Period
ADDITIONAL TIER 1 CAPITAL		
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
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
Total Tier 2 capital	12.508.613	11.195.430
Total Capital [The sum of Tier 1 capital and Tier 2 capital]	79.912.127	62.593.587
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	41.724	5.591
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	35.101	36.608
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 [-]	-	-

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

OWN FUNDS	Current Period	Prior Period
Total Capital [The sum of Tier 1 capital and Tier 2 capital]	79.407.743	62.438.104
Total Risk Weighted Assets ⁽²⁾	425.334.230	342.492.423
CAPITAL ADEQUACY RATIOS		
Common Equity Tier 1 Capital Adequacy Ratio [%]	13,88	13,63
Tier 1 Capital Adequacy Ratio [%]	15,87	15,02
Capital Adequacy Ratio [%]	18,67	18,23
BUFFERS		
Institution specific buffer requirement of the Bank(a+b+c)	2,523	2,530
a) Capital conservation buffer requirement [%]	2,500	2,500
b) Bank's specific countercyclical buffer requirement [%]	0,023	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 [%]	9,382	9,019
Amounts below the thresholds for deduction [before risk weighting]		
Non-significant investments in the capital of other financials	317.593	192.605
Significant investments in the common stock of financials	2.050.744	1.203.097
Mortgage servicing rights [net of related tax liability]	-	-
Deferred tax assets arising from temporary differences [net of related tax liability]	5.514.747	4.296.299
Applicable caps on the inclusion of provisions in Tier 2 capital		
General provisions for standard based receivables [before ten thousand twenty five limitation]	1.946.844	11.568.720
Up to 1,25% of total risk-weighted amount of general provisions for receivables where the standard approach used	789.760	4.034.262
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	11.706.259	-
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	2.210.950	-
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
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	11.754.942	6.326.953

⁽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⁾ 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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

1.2. Details on Subordinated Liabilities:

	1	2	3	4	5	6	7
Lender [1,2], Issuer [3,4,5]	UNICREDIT SPA	UNICREDIT SPA	Yapı ve Kredi Bankası A.Ş.	Yapı ve Kredi Bankası A.Ş.	Yapı ve Kredi Bankası A.Ş.	Yapı ve Kredi Bankası A.Ş.	Yapı ve Kredi Bankası A.Ş.
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	-	-	XS0861979440/ US984848AB73	XS2286436451/ US984848AN12	XS1867595750/ US984848AL55	TRSYKBK62914	TRSYKBK92911
Governing law(s) of the instrument	BRSA/Austria Law	BRSA/Austria Law	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							
Transitional Basel III rules	No	No	Yes	No	No	No	No
Eligible at stand-alone/consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated
Instrument type (types to be specified by each jurisdiction)	Loan	Loan	Bond	Bond	Bond	Bond	Bond
Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	1.518	701	-	6.489	8.435	500	300
Par value of instrument	7.592	3.504	11.755	6.489	8.435	500	300
Accounting classification	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	Liability - Subordinated Loans- amortised cost	Liability - Subordinated Loans- amortised cost
Original date of issuance	January 9, 2013	December 18, 2013	December 6, 2012	January 22, 2021	January 15, 2019	July 3, 2019	October 3, 2019
Perpetual or dated	Dated	Dated	Dated	Dated	Perpetual	Dated	Dated
Original maturity date	10 years	10 years	10 years	10 years	-	10 years	10 years
Issuer call subject to prior supervisory approval	Yes	Yes	No	Yes	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	After 5th year	After 5th year	-	5 years	Every 5 years	After 5th year	After 5th year
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	Fixed	Fixed	Fixed	Variable	Variable

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

	1	2	3	4	5	6	7
Coupon rate and any related index	5,7%	First 5 years 6,55%fixed, second 5 years 7,7156% fixed	5,5%	First 5 years 7,875% fixed, second 5 years U.S. five year treasury bond rate +741.50 basis points	First 5 years 13,875% fixed, second 5 years MidSwap+11,245% fixed	3 monthly TRYLIBOR +1,00%	TLREF index change + 1,30%
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	-	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
Fully discretionary, partially discretionary or mandatory	-	-	-	Mandatory	Optional	Mandatory	Mandatory
Existence of step up or other incentive to redeem	-	-	-	-	-	-	-
Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	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]	-	-	-	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

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

	1	2	3	4	5	6	7
If write-down, full or partial	-	-	-	Partial and complete	Partial and complete	Partial and complete	Partial and complete
If write-down, permanent or temporary	-	-	-	Permanent	Temporary	Permanent	Permanent
If temporary write-down, description of write-up mechanism	-	-	-	-	In case of cancellation of default/Common Equity Tier 1 capital adequacy ratio of the bank is higher than 5.125%	-	-
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	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
In compliance with article number 7 and 8 of "Own fund regulation"	No	No	Yes	No	No	No	No
Details of incompliances with article number 7 and 8 of "Own fund regulation"	-	-	8-2-ğ	-	-	-	-

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 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".

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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	308.061.028	-	308.061.028
Malta	1.367.535	-	1.367.535
Netherland	917.283	-	917.283
England	806.182	-	806.182
Marshall Islands	568.992	-	568.992
Republic of Maldives	314.137	-	314.137
Germany	307.783	-	307.783
Italy	271.047	-	271.047
Spain	125.683	-	125.683
Panama	125.332	-	125.332
Other	858.918	-	858.918
Total	313.723.920	-	313.723.920

2. Explanations on Credit Risk:

As of June 30, 2021, the Bank has started to calculate its credit risk, which is subject to the regulatory capital adequacy ratio reporting, with the Internal Rating-Based (IRB) approach. Foundation IRB approach is used for the corporate exposure class and advanced IRB approach is used for the retail exposure class as determined by "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks".

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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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	36,6%	59,2%
Average	45,9%	34,8%
Below average	17,5%	6,0%

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".

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⁾
Exposures to central governments or central banks	243.440.743	188.608.664
Exposures to banks and financial institutions	69.153.029	46.590.159
Corporate exposures - Other	136.684.056	139.637.454
Specialised Lending	62.476.206	56.500.475
Corporate exposures - SME	60.594.834	44.928.848
Retail Exposures - Other	68.379.360	58.183.050
Retail exposures - Qualifying revolving	45.133.348	32.866.291
Retail exposures - SME	72.104.402	55.918.104
Investments in equities	12.692.823	11.252.527
Other Items	22.091.850	18.424.705
Total	792.750.651	652.910.277

⁽¹⁾ Includes credit risk amounts of total exposure before applying credit risk mitigations

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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 32% and 38% [December 31, 2020 - 33% and 40%].
- The proportion of the Bank's top 100 and 200 non-cash loan balances in total non-cash loans is 45% and 57% [December 31, 2020 - 45% and 59%].
- The proportion of the Bank's cash and non-cash loan balances with the first 100 and 200 customers comprises of 36% and 44% of total cash loans and non-cash loans [December 31, 2020 - 36% and 45%].

2.6. The Bank provided a generic loan loss provision amounting to TL 17.222.220 [December 31, 2020 - TL 11.568.720].

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

2.7. Risk profile according to the geographical concentration:

	Risk Classifications ^{[1][2]}										Total
	1	2	3	4	5	6	7	8	9	10	
Current Period											
Domestic	242.757.185	17.806.415	133.018.900	61.115.813	59.603.654	68.276.751	45.038.626	72.097.492	249.507	22.091.850	722.056.193
EU countries	666.709	32.587.844	2.786.588	828.579	521.729	44.126	44.629	5.708	-	-	37.485.912
OECD countries ^[3]	-	1.749.082	82.136	-	672	4.524	4.895	13	-	-	1.841.322
Off-shore banking regions	-	-	553.794	50.124	29.652	322	298	-	-	-	634.190
USA, Canada	16.849	16.730.978	1.571	-	-	11.303	10.814	238	183.367	-	16.955.120
Other countries	-	278.710	241.067	481.690	439.127	42.334	34.086	951	-	-	1.517.965
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	12.259.949	-	12.259.949
Undistributed Assets/ Liabilities ^[4]	-	-	-	-	-	-	-	-	-	-	-
Total	243.440.743	69.153.029	136.684.056	62.476.206	60.594.834	68.379.360	45.133.348	72.104.402	12.692.823	22.091.850	792.750.651

^[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- Exposures to central governments or central banks

2- Exposures to banks and financial institutions

3- Corporate exposures - Other

4- Specialised Lending

5- Corporate exposures - SME

6- Retail Exposures - Other

7- Retail exposures - Qualifying revolving

8- Retail exposures - SME

9- Investments in equities

10- Other Items

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

	Risk Classifications ⁽¹⁾⁽²⁾													Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	
Prior Period														
Domestic	146.810.857	646	91.003	-	10.659.309	177.592.498	99.813.882	42.259.620	4.016.130	1.731.964	20	249.518	16.321.207	499.546.654
EU countries	-	-	-	763.578	18.080.655	2.076.159	15.337	632.497	107.854	8.161	-	-	-	21.684.241
OECD countries ⁽³⁾	-	-	-	-	827.251	706.841	1.862	1.045	-	-	-	-	-	1.536.999
Off-shore banking regions	-	-	-	-	-	540.107	66	-	11.193	-	-	-	-	551.366
USA, Canada	-	-	-	10.468	9.860.909	26.982	3.848	1.013	30	-	-	154.043	-	10.057.293
Other countries	-	-	-	-	325.172	892.405	17.726	1.845	354	410.333	-	-	-	1.647.835
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	9.459.735	-	9.459.735
Undistributed Assets/Liabilities ⁽⁴⁾	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	146.810.857	646	91.003	774.046	39.753.296	181.834.992	99.852.721	42.896.020	4.135.561	2.150.458	20	9.863.296	16.321.207	544.484.123

⁽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-Receivables defined as high risk category by the Regulator

11-Exposures in the form of collective investment undertaking

12-Investment in equities

13-Other receivables

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

2.8. Risk profile according to sectors and counterparties:

	1	2	3	4	5	6	7	8	9	10	TL	FC	Total
	Risk classifications ⁽¹⁾⁽²⁾												
Agricultural	938	-	2.681.921	-	900.780	-	-	3.335.429	-	-	5.575.853	1.343.215	6.919.068
Farming and raising													
livestock	938	-	2.102.161	-	790.744	-	-	2.925.746	-	-	4.971.466	848.123	5.819.589
Forestry	-	-	299.533	-	109.741	-	-	367.661	-	-	486.168	290.767	776.935
Fishing	-	-	280.227	-	295	-	-	42.022	-	-	118.219	204.325	322.544
Manufacturing	11.087	-	80.885.424	39.585.900	25.350.452	-	-	38.076.814	1.870	-	97.952.477	85.959.070	183.911.547
Mining	-	-	170.967	-	645.412	-	-	276.661	-	-	763.176	329.864	1.093.040
Production	296	-	74.552.480	826.356	21.685.099	-	-	37.227.776	1.870	-	85.121.873	49.172.004	134.293.877
Electric, gas and water	10.791	-	6.161.977	38.759.544	3.019.941	-	-	572.377	-	-	12.067.428	36.457.202	48.524.630
Construction	28	-	9.509.481	7.522.422	9.129.636	-	-	8.715.366	-	-	16.705.131	18.171.802	34.876.933
Services	243.428.690	67.954.890	31.704.147	15.367.884	25.162.041	-	-	21.721.829	10.551.124	15.932.279	228.625.668	203.197.216	431.822.884
Wholesale and retail													
trade	2	-	6.480.106	6.403.785	3.406.740	-	-	9.687.343	-	-	15.681.887	10.296.089	25.977.976
Hotel, food and beverage													
services	-	-	2.121.331	128.481	8.547.469	-	-	2.708.627	-	-	5.323.721	8.182.187	13.505.908
Transportation and													
telecommunication	-	-	5.308.788	5.067.077	2.462.017	-	-	2.927.284	233.446	-	5.363.149	10.635.463	15.998.612
Financial institutions	243.327.762	67.954.890	9.749.036	1.383.948	381.373	-	-	686.856	10.287.334	15.932.279	187.356.350	162.347.128	349.703.478
Real estate and renting													
services	-	-	1.116.730	1.562.831	5.920.672	-	-	1.094.299	26.660	-	4.266.451	5.454.741	9.721.192
Self-employment													
services	-	-	-	-	-	-	-	-	-	-	-	-	-
Education services	838	-	305.604	-	292.782	-	-	257.481	-	-	812.174	44.531	856.705
Health and social													
services	100.088	-	6.622.552	821.762	4.150.988	-	-	4.359.939	3.684	-	9.821.936	6.237.077	16.059.013
Other	-	1.198.139	11.903.083	-	51.925	68.379.360	45.133.348	254.964	2.139.829	6.159.571	131.518.294	3.701.925	135.220.219
Total	243.440.743	69.153.029	136.684.056	62.476.206	60.594.834	68.379.360	45.133.348	72.104.402	12.692.823	22.091.850	480.377.423	312.373.228	792.750.651

⁽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- Exposures to central governments or central banks
- 2- Exposures to banks and financial institutions
- 3- Corporate exposures - Other
- 4- Specialised Lending
- 5- Corporate exposures - SME
- 6- Retail Exposures - Other
- 7- Retail exposures - Qualifying revolving
- 8- Retail exposures - SME
- 9- Investments in equities
- 10- Other Items

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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
Exposures to central governments or central banks	82.423.937	12.917.550	1.213.257	6.707.752	136.691.770	239.954.266
Exposures to banks and financial institutions	31.228.258	5.620.467	6.002.765	3.846.961	9.257.445	55.955.896
Corporate exposures - Other	14.422.981	13.799.204	16.962.658	28.328.925	63.076.564	136.590.332
Specialised Lending	100.931	1.075.065	491.917	4.842.507	55.965.786	62.476.206
Corporate exposures - SME	4.891.434	5.074.725	4.944.763	10.558.706	35.111.175	60.580.803
Retail Exposures - Other	260.135	1.085.214	727.868	2.513.319	59.489.681	64.076.217
Retail exposures - Qualifying revolving	-	45.133.348	-	-	-	45.133.348
Retail exposures - SME	8.311.562	23.406.947	5.796.678	8.955.008	24.488.222	70.958.417
Investments in equities	-	-	-	-	-	-
Other Items	112.061	-	-	-	-	112.061
Total	141.751.299	108.112.520	36.139.906	65.753.178	384.080.643	735.837.546

⁽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%-20%	20%-35%	35%-50%	50%-75%	75%-100%	100%-250%	250%	1250%	Total	Deductions from the shareholders' equity
1 Total exposure before credit risk mitigation	323.713.870	80.525.534	38.548.696	134.552.273	87.785.980	120.426.468	7.197.824	6	792.750.651	2.097.504
2 Total exposure after credit risk mitigation	282.811.195	78.205.298	38.561.187	133.777.110	86.320.328	117.066.812	7.197.824	6	743.939.760	2.097.504

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

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 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 2021.

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; "General Provision" is set aside in the accompanying financial statements as of 31 December 2021.

Sectors and Counterparties	Loans		Provisions
	Impaired		Expected Credit Losses
	Significant increase in credit risk [stage 2]	Credit Impaired [stage 3]	
Agricultural	187.595	508.182	385.991
Farming and raising livestock	177.291	422.814	344.235
Forestry	9.207	11.493	11.289
Fishing	1.097	73.875	30.467
Manufacturing	36.341.029	8.569.655	13.411.758
Mining	159.868	39.955	52.357
Production	5.980.062	5.445.733	4.728.476
Electric, gas and water	30.201.099	3.083.967	8.630.925
Construction	4.821.077	2.657.643	3.090.489
Manufacturing	22.227.759	4.391.935	6.631.429
Wholesale and retail trade	845.810	871.070	736.004
Hotel, food and beverage services	2.572.599	1.029.049	968.341
Transportation and telecommunication	4.526.974	644.584	1.237.828
Financial institutions	2.271.851	21.643	666.737
Real estate and renting services	5.910.268	1.560.279	2.012.396
Professional Services	-	-	-
Education services	19.185	26.176	25.853
Health and social services	6.081.072	239.134	984.270
Other	4.254.911	3.896.557	4.049.969
Total	67.832.371	20.023.972	27.569.636

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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	13.768.723	4.039.534	(2.205.531)	(1.035.078)	14.567.648
2 General provisions	11.568.720	5.653.500	-	-	17.222.220

⁽¹⁾ The figure represents write-off's and also includes NPL sales amounts.**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 Compliance, Internal Control and Risk Management and Financial Planning and Administration 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, liquidity, assets quality, financial risk and operational risk 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 be informed to 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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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 Strategy, Modelling and Reporting Management" 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 Policy, Liquidity Policy, Liquidity Risk Limit Management Policy, Liquidity Emergency Policy, Interest Rate Risk Policy, Interest Rate Risk Limit Management Policy, Hedge Policy, Financial Investment Risk Policy, Immovables Risk 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 Stress 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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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.

Risk validation management carries out its activities within the scope of the principles it has determined with the guidelines such as Validation Guide, Validation Guideline for PD Models with High Default Portfolios, Guideline for Strategy Validation, Validation Guideline for Managerial Models, Data Validation Guideline, IFRS 9 Validation Guideline, Specialized Lending Credits (Slotting Criteria) Validation Guideline, Guideline for ICAAP Process Validation, Validation Guideline of the Behavioral Model for Prepayment on Mortgages. The tests and controls applied within the scope of validation, and the threshold values followed within the scope of the related controls are evaluated within the scope of the Threshold Values Guideline for Quantitative validation tests.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

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] ⁽¹⁾	369.831.219	300.975.207	29.586.498
2 Of which standardised approach [SA]	38.983.014	300.975.207	3.118.641
3 Of which internal rating-based [IRB] approach	307.443.458	-	24.595.477
4 Counterparty credit risk	11.310.348	6.612.419	904.828
5 Of which standardised approach for counterparty credit risk [SA-CCR]	11.310.348	6.612.419	904.828
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	3.117	10	249
9 Equity investments in funds - mandate-based approach	-	-	-
10 Equity investments in funds - fall-back approach	-	-	-
11 Settlement risk	8	-	1
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	6.080.358	4.259.080	486.429
17 Of which standardised approach [SA]	6.080.358	4.259.080	486.429
18 Of which internal model approaches [IMM]	-	-	-
19 Operational risk	34.598.266	27.931.004	2.767.861
20 Of which Basic Indicator Approach	34.598.266	27.931.004	2.767.861
21 Of which Standardised Approach	-	-	-
22 Of which Advanced Measurement Approach	-	-	-
23 Amounts below the thresholds for deduction [subject to 250% risk weight]	3.510.914	2.714.703	280.873
24 Floor adjustment	-	-	-
TOTAL [1+4+7+8+9+10+11+12+16+19+23+24]	425.334.230	342.492.423	34.026.739

⁽¹⁾ In the context of transition to IRB regulation, there is a value adjustment amounting to TL 23.404.747.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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 of items in accordance with TAS					Not subject to capital requirements or subject to deduction from capital
	Carrying values in financial statements prepared as per TAS	Subject to credit risk	Subject to counterparty credit risk	Subject to the Securitisation framework	Subject to market risk	
Assets						
Financial Assets (Net)	201.127.450	177.366.849	35.988.280	-	8.501.785	-
Financial Assets Measured at Amortised Cost (Net)	469.423.312	498.303.322	38.973.799	-	-	76.825
Assets Held For Resale And Related To Discontinued Operations (Net)	1.327.210	1.327.210	-	-	-	-
Investment in Subsidiaries, Associates, Joint Ventures	15.207.109	15.207.109	-	-	-	-
Property And Equipment (Net)	4.851.380	4.720.302	-	-	-	131.078
Intangible Assets (Net)	2.001.661	112.060	-	-	-	1.889.601
Tax Asset	3.484.572	3.484.572	-	-	-	-
Other Assets	39.347.072	39.671.914	-	-	-	-
TOTAL ASSETS	736.769.766	740.193.338	74.962.079	-	8.501.785	2.097.504
Liabilities						
Deposits	401.095.416	-	-	-	-	401.095.416
Borrowings	61.124.168	-	-	-	-	61.124.168
Money Markets	52.908.277	-	47.919.291	-	-	4.988.986
Marketable Securities Issued (Net)	34.253.742	-	-	-	-	34.253.742
Financial Liabilities Fair Value Through Profit and Loss	25.794.232	-	-	-	-	25.794.232
Derivative Financial Liabilities	18.032.048	-	6.058.125	-	7.294.512	11.973.923
Lease Payables (Net)	1.306.217	-	-	-	-	1.306.217
Provisions	5.826.499	-	-	-	-	5.826.499
Tax Liability	2.877.865	-	-	-	-	2.877.865
Subordinated Debts	39.441.999	-	-	-	-	39.441.999
Other Liabilities	30.625.125	-	-	-	-	30.625.125
Shareholder's Equity	63.484.178	-	-	-	-	63.484.178
TOTAL LIABILITIES	736.769.766	-	53.977.416	-	7.294.512	682.792.350

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

Prior Period	Carrying values of items in accordance with TAS					
	Carrying values in financial statements prepared as per 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

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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]	823.657.202	740.193.338	-	74.962.079	8.501.785
2 Liabilities carrying value amount under regulatory scope of consolidation	61.271.928	-	-	53.977.416	7.294.512
3 Total net amount under regulatory scope of consolidation	762.385.274	740.193.338	-	20.984.663	1.207.273
4 Off-Balance Sheet Amounts	306.995.814	113.316.827	-	2.818.314	-
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		[129.759.336]	-	[1.765.701]	4.873.085
9 Differences due to risk reduction		[78.023]	-	[1.770.322]	-
Risk Amounts		723.672.806	-	20.266.954	6.080.358

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]	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

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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 consists of two sub-units: credit risk strategies and operational risk management and credit risk planning, modeling and reporting management.

Credit risk strategies and operational risk management is responsible for developing underwriting, monitoring, collection and workout strategies and following the actions taken in accordance with the Bank's risk appetite in terms of credit risk. The unit takes an active role in the development of these strategies by conducting risk analysis, determining the rules to be used in decision trees, putting them into practice through decision support systems, and running the flow smoothly. 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 carries out the activities regarding Basel II compliance, operational risk models setting and development, operational risk weighted asset calculation and risk based insurance activities. The unit is 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 and Plans and continuous updating of these policy and plans. The unit also ensures the actions taken under business continuity and the coordination and control of BCM projects and budget.

Credit Risk Planning, Modeling and Reporting Management is responsible for preparation of credit risk budgeting and credit risk reporting activities of the Bank, calculation of loan loss provisions; 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. 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. The unit is also 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 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.

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.

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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

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.

Risk validation management is an independent team that reports directly to the Assistant General Manager of Compliance, Internal Control and Risk Management, and is responsible for the 2nd level controls of all measurement methods and processes carried out within the framework of risk management. The risk validation team consists of three units. These units are regulatory risk validation, strategic risk validation and rating models validation teams. The risk validation unit controls the compliance of all data, models and processes related to the IRB models and IFRS 9 process followed by the credit risk management at the Bank, with the legal regulations, statistical practices and in-bank policies and practices. In addition, it carries out the validation of the internal transfer pricing calculated by the treasury, carrying out the validation activities of all data, models, processes and strategies that are subject to credit risk and market risk, which are used under risk management and whose scope is not clearly determined by national standards and legislation. In addition, it carries out the validation studies for ICAAP, the scope of which has been determined by both national and international standards and legislation, and in addition, the validation studies of other rating models whose scope has not been clarified with guidelines.

3.3.1.2. Credit quality of assets

Gross carrying values of as per TAS				
Current Period	Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	Net values
1 Loans	18.885.802	388.115.686	29.233.396	377.768.092
2 Debt Securities	-	127.418.012	293.305	127.124.707
3 Off-balance sheet exposures	1.138.170	282.122.389	1.717.775	281.542.784
Total	20.023.972	797.656.087	31.244.476	786.435.583
Gross carrying values of as per TAS				
Prior Period	Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	Net values
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

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

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	19.784.137	19.450.300
2 Loans and debt securities that have defaulted since the last reporting period	4.718.667	3.480.304
3 Returned to non-defaulted status	95.924	84.217
4 Amounts written off	1.035.078	951.610
5 Other changes	(3.347.830)	(2.110.640)
Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)	20.023.972	19.784.137

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 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 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	538.193.051	371.894.197
USA, Canada	145.214	113.530
European Union (EU) Countries	10.111.379	5.039.317
OECD Countries	1.552.753	2.173.557
Off-Shore Banking Regions	294	2.798
Other Countries	3.057.582	2.163.561
Total	553.060.273	381.386.960

⁽¹⁾ Breakdown of cash, non-cash and non-performing loans with respect to geographical regions are provided.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

3.3.1.4.2. Exposures provisioned against by major sectors⁽¹⁾

	Current Period	Prior Period
Agricultural	7.109.491	5.996.519
Farming and raising livestock	5.604.063	4.523.704
Forestry	1.011.842	1.084.276
Fishing	493.586	388.539
Manufacturing	237.069.140	160.862.758
Mining and Quarrying	1.519.479	1.447.825
Production	168.442.598	109.991.608
Electricity, Gas, Water	67.107.063	49.423.325
Construction	57.441.909	41.820.840
Services	121.915.214	83.889.046
Wholesale and retail trade	26.328.449	17.834.227
Hotel, food and beverage services	14.001.903	10.928.149
Transportation and telecommunication	23.119.568	16.102.344
Financial institutions	25.186.008	16.007.255
Real estate and leasing services	11.508.305	7.740.076
Self-employment services	-	-
Education services	813.548	839.740
Health and social services	20.957.433	14.437.255
Other	129.524.519	88.817.797
Total	553.060.273	381.386.960

⁽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 16.929.727 [December 31, 2020- TL 17.016.891] has been set aside for the risk at an amount of TL 13.554.453 [December 31, 2020- TL 12.838.848]

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

3.3.1.4.6. Aging analysis for overdue receivables ⁽¹⁾

Overdue days count	Current Period	Prior Period
1-30 days	2.132.810	1.127.571
31-60 days	2.024.367	707.117
61-90 days	698.168	501.435
91-180 days ⁽²⁾	138.443	998.717
Total	4.993.788	3.334.840

⁽¹⁾ Overdue receivables under close monitoring represent overdue of cash loans.⁽²⁾ The Bank did not classify the loans with 91-180 day delay period as non performing loans in line with BRSA decision that was effective from March 17, 2020 until September 30, 2021.

Loans under close monitoring amounting to TL 61.152.843 [December 31, 2020 - TL 43.191.600] 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	37.973.369	21.091.599
Loans restructured from Loans under legal follow-up	3.082.113	1.744.727
Total	41.055.482	22.836.326

3.3.1.4.8. Informations related to expected credit losses for loans:

Current Period	Stage1	Stage2	Stage3	Total
Beginning of the period	2.618.000	8.128.374	13.051.949	23.798.323
Additions	1.294.785	1.868.734	3.885.173	7.048.692
Disposals	1.221.284	1.848.988	2.391.956	5.462.228
Sold [-]	-	-	-	-
Write offs	-	-	1.035.078	1.035.078
Transfer to stage 1	604.487	(568.581)	(35.906)	-
Transfer to stage 2	(723.439)	911.611	(188.172)	-
Transfer to stage 3	(68.745)	(363.091)	431.836	-
Foreign currency differences	578.638	4.305.049	-	4.883.687
End of the period	3.082.442	12.433.108	13.717.846	29.233.396

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

Prior 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

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
- 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

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

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	324.780.725	52.987.367	35.086.690	2.895.274	2.348.548	-	-
Debt securities	127.124.707	-	-	-	-	-	-
Total	451.905.432	52.987.367	35.086.690	2.895.274	2.348.548	-	-
Of which defaulted	4.058.968	1.108.988	435.279	913.700	422.671	-	-
	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
Prior 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	-	-

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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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 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					
	AA+	0%	20%	20%	20%	20%
	AA					
	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-	150%	150%	150%	150%	150%
	CC					
	C					
D						

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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
1 Exposures to central governments or central banks	191.098.697	143	193.869.916	206.983	-	-
2 Exposures to regional governments or local authorities	466	-	466	-	93	19,96%
3 Exposures to public sector entities	20.625	126.271	20.111	53.965	74.076	100,00%
4 Exposures to multilateral development banks	655.854	53.225	655.854	27.704	-	-
5 Exposures to institutions	51.914.386	20.247.056	51.894.386	4.281.615	15.316.147	27,26%
6 Exposures to corporates	8.510.578	20.145.956	7.468.011	3.999.108	7.683.174	67,00%
7 Retail exposures	2.188.225	2.182.757	899.218	55.244	771.511	80,83%
8 Exposures secured by residential property	12.175	664	12.175	316	4.372	35,00%
9 Exposures secured by commercial real estate	4.199.024	336.667	4.179.730	168.328	3.478.505	80,00%
10 Past-due loans	148.631	1	1.036	-	667	64,38%
11 Higher-risk categories by the Agency Board	502.949	3.000.607	227.116	21.844	366.012	147,02%
12 Exposures in the form of collective investment undertaking	4.469	-	4.469	-	3.117	69,75%
13 Investments in equities	12.692.823	-	12.692.823	-	14.799.371	116,60%
14 Other receivables	-	-	-	-	-	-
Total	271.948.902	46.093.347	271.925.311	8.815.107	42.497.045	15,14%

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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	121.812.789	122	130.941.289	266.707	-	-
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	-	-
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%

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

3.3.3.3. Standardised approach - exposures by asset classes and risk weights

Current Period												
Asset classes/Risk weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Total credit risk exposure amount [after CCF and CRM]
1 Exposures to central governments or central banks	194.076.899	-	-	-	-	-	-	-	-	-	-	194.076.899
2 Exposures to regional governments or local authorities	-	-	466	-	-	-	-	-	-	-	-	466
3 Exposures to public sector entities	-	-	-	-	-	-	74.076	-	-	-	-	74.076
4 Exposures to multilateral development banks	683.558	-	-	-	-	-	-	-	-	-	-	683.558
5 Exposures to institutions	-	-	42.846.150	-	13.165.867	-	163.984	-	-	-	-	56.176.001
6 Exposures to corporates	330.804	-	654.445	-	5.859.169	-	4.622.701	-	-	-	-	11.467.119
7 Retail exposures	-	-	-	-	-	731.806	222.656	-	-	-	-	954.462
8 Exposures secured by residential property	-	-	-	12.491	-	-	-	-	-	-	-	12.491
9 Exposures secured by commercial real estate	-	-	-	-	1.735.003	8.207	2.604.848	-	-	-	-	4.348.058
10 Past-due loans	-	-	-	-	738	-	298	-	-	-	-	1.036
11 Higher-risk categories by the Agency Board	-	-	-	-	1.503	-	11.851	235.606	-	-	-	248.960
12 Investments made in collective investment companies	327	-	664	-	990	-	2.488	-	-	-	-	4.469
13 Investments in equities	-	-	-	-	-	-	11.288.457	-	-	1.404.366	-	12.692.823
14 Other receivables	-	-	-	-	-	-	-	-	-	-	-	-
Total	195.091.588	-	43.501.725	12.491	20.763.270	740.013	18.991.359	235.606	-	1.404.366	-	280.740.418

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

Prior Period												
Asset classes/Risk weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Total credit risk exposure amount [after CCF and CRM]
1 Exposures to central governments or central banks	131.207.996	-	-	-	-	-	-	-	-	-	-	131.207.996
2 Exposures to regional governments or local authorities	-	-	646	-	-	-	-	-	-	-	-	646
3 Exposures to public sector entities	-	-	-	-	-	-	90.407	-	-	-	-	90.407
4 Exposures to multilateral development banks	774.045	-	-	-	-	-	-	-	-	-	-	774.045
5 Exposures to institutions	-	-	23.019.877	-	9.916.711	-	212.528	-	-	-	-	33.149.116
6 Exposures to corporates	330.804	-	461.746	-	4.668.974	-	165.225.941	-	-	-	-	170.687.465
7 Retail exposures	-	-	-	-	-	94.135.287	-	-	-	-	-	94.135.287
8 Exposures secured by residential property	-	-	-	9.213.124	-	-	-	-	-	-	-	9.213.124
9 Exposures secured by commercial real estate	-	-	-	-	14.545.688	550.069	18.116.104	-	-	-	-	33.211.861
10 Past-due loans	-	-	-	-	2.752.671	-	1.197.231	-	-	-	-	3.949.902
11 Higher-risk categories by the Agency Board	-	-	-	-	133.944	-	777.856	964.171	-	-	-	1.875.971
12 Investments made in collective investment companies	3	-	3	-	10	-	4	-	-	-	-	20
13 Investments in equities	-	-	-	-	-	-	8.777.415	-	-	1.085.881	-	9.863.296
14 Other receivables	6.027.309	-	133.109	-	-	-	10.160.789	-	-	-	-	16.321.207
Total	138.340.157	-	23.615.381	9.213.124	32.017.998	94.685.356	204.558.275	964.171	-	1.085.881	-	504.480.343

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

3.3.3.4. Explanations on the use of IRB Models

In the development of internal models;

- As the owners of the probability of default [PD], loss given default [LGD] and exposure at default [EAD] models used in capital adequacy calculations, credit risk control and modeling units (individual and commercial) are responsible for the development and implementation processes of the models, also the regular monitoring and updating of the models.
- In case of need, advanced analytics unit is responsible for the development of the PD, LGD, EAD models,
- Validation unit is responsible for performing the initial and periodic validation of the models and providing the regular validation report.

When the development of the models is completed and following the approval of the validation unit, they are submitted to the approval of the credit committee and the Board of Directors. The models can be got into use after the necessary approvals are obtained from the relevant committees.

Performance monitoring of the model, which has been developed and put into use, is carried out by the credit risk control and modeling units and the validation unit. Performance monitoring of the models is carried out through the credit risk control unit report prepared quarterly by the credit risk control and coordination teams and annual periodic validation studies. In addition, every month before the models are run, certification checks are carried out and the accuracy of the data used in the model is confirmed.

Re-development, re-train or re-calibration of the models can be done according to the performance monitoring results of the models in use.

In accordance with the IRB communiqué (issued by BRSA - using internal rating based approach for credit risk calculations) as published in the Official Gazette dated 22 October 2015 numbered 29511, all IRB models and validation processes are audited annually by the Internal Audit Department. The scope of audits consists of three main areas: governance and validation, rating systems and quantification of risks and usage testing. Audit processes include reviewing IRB models for compliance with all minimum requirements, as well as validation of models. In this framework, initial, periodic, data and process validation activities are examined and validation findings are also taken into account within the scope of relevant model audits.

Reports on credit risk models are prepared in order to explain the structure, process and performance of the rating system, the areas that need improvement, the activities to complete the identified deficiencies, and to monitor the credit risk. Commercial credit risk control and modeling and retail credit risk control and modeling units are responsible for reporting. The related report includes the risk profile according to grades, migrations between grades, comparison of the estimations of risk parameters and observed values, and analysis of the effectiveness of the override process. If there is a rating override for project finance loans in the relevant reporting period, the reasons for the change are also included.

For the capital calculation, BRSA allowed the use of PD and EAD models in the corporate receivables class, the PD, LGD and EAD models in the retail receivables class, and the use of the slotting method in project finance loans.

87% of the bank's total risk weighted assets amount is calculated with the IRB approach. 9% of the total risk weighted assets amount is in portfolios such as receivables from central governments or financial institutions that do not have an IRB approach permit. The corporate and commercial portfolio is under the Foundation IRB approach, 92% of which is calculated with the IRB approach. The retail portfolio is under the Advanced IRB approach and 99% of it is calculated with the IRB approach. The slotting approach is used for all project finance risks.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

There are application and behavior PD Models for both corporate and retail receivables classes. Application models are the models that work at the moment when a customer applies for a loan to the Bank. Behavioral models are run at the end of each month for customers with limits or risks in the bank [for the behavior insert, it is required to be older than six months in the individual portfolio and older than four months in the SME portfolio].

- Individual portfolio PD application models consist of five models that work separately for each product in case the customer makes their own application, and a model used for the bank proactive channel. Behavior PD model is a model that consists of nine different segments.
- Individual portfolio EAD models are two models consisting of eight different segments that vary according to the limit usage rate and risk amount for the customer's credit card and overdraft products. LGD models are five models consisting of eleven different segments in terms of risk amount breakdown by product.
- SME portfolio PD application model consists of six different segments, which vary according to the customer's information such as turnover, memzuç and Credit Bureau [KKB] information, bank limit, and customer type. A customer can be rated through only one of the six segments. The SME behavior model consists of two different segments according to the customer's total bank limit amount [the customer can be rated through only one of the two segments].
- The same model is used for application and behavior in the corporate/commercial portfolio PD calculation. The model consists of four different segments that vary according to the customer's balance sheet type, bank portfolio assignment and bank total limit. The customer can be rated through only one of these segments.
- Corporate/commercial/SME portfolio EAD model consists of forty-seven different segments that vary according to the portfolio, limit, risk, limit usage rate and limit gap information for the customer's commercial overdraft, commercial credit card, non-cash [check, letter of guarantee, letter of credit] products. Fifteen of the forty-seven segments are for the corporate/commercial portfolio and thirty-two are for the SME portfolio.

Bank's PD models are developed using logistic regression. At least five years of data are used while developing the model in accordance with the articles specified in the communique. For the initial validation activities, out-of-sample [OOS] and out-of-time [OOT] data is separated. As stated in the Communique, the PD of the best grade can be at least 0.03%.

Due to the use of minimum five-year data during model development and the higher default rates during the model development period compared to the current period, the calculated PD value especially for the individual portfolio differs relatively from the observed DR.

The PD model is used in underwriting strategies, provision calculations and economic capital calculations as well as capital calculations.

Specialized loans can be defined as portfolios with low default rates. PD calculation is not made for specialized loans, the classification method is used.

While developing the LGD model, the gross LGD approach was used. At least 5-7 years of data are used while developing the model in accordance with the articles specified in the communique. For the initial validation activities, out-of-sample [OOS] and out-of-time [OOT] data is separated. As stated in the communique, it has been ensured that the LGD value of mortgage loans is at least 10%. The downturn period effect for the individual portfolio is added as a conservatism margin:

- A random sample is selected one thousand times, with the LGD values calculated for the performing and default groups equal to the number of observations for each product.
- In each sample, the average of LGD values for the performing and default groups is calculated.
- LGD averages calculated in the previous step were ordered for all segments and groups, and the 75th percentile was determined as LGD with a conservatism margin added.
- In order to reflect the effect of the downturn period, the 90th percentile was chosen after the LGD averages were ranked for all segments and groups.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

For Commercial LGD model, the total collection amount in the first year when the customers entered the liquidation process was calculated and this amount was deducted from the default amount of the following year. Thus, the default amounts remaining in the following years spent by the customer in the liquidation process are reflected. The annual collection has been made taking into account these default amounts. Thus, the year in which the collection rate was bad in the economic cycle was taken into account. The through-the-cycle [TtC] LGD of the annual calculated LGD values was found. The year with the largest percentage difference of the annual LGD values from the calculated TtC LGD was determined as the downturn year, and the related percentage difference was determined as the downturn period coefficient.

The saturation point values used for the time between the default event and the closing of the receivable are as follows.

Product/Portfolio	Saturation Point
Consumer loan	74
Auto loan	30
Overdraft	42
Mortgage	33
Credit card	50
Commercial portfolio	73
SME portfolio	68
Corporate portfolio	50

EAD model begins by associating defaulted loans with the 12-month risk and limit information before the default date. A random observation month is selected from the 12-month period from the date of default by the customer, and the EAD parameters are calculated accordingly. In product segmentation, arithmetic mean EAD ratios were calculated by considering business requirements and statistical significance. The last step is to add a conservatism margin as required in the Basel and IDD communiqué to create the final model.

As a result of the analysis made for individual loans, it was decided to use the 60th and 70th percentiles for the conservatism margin and downturn period effect ratios, respectively, in credit card products in risk conversion factor [RCF], limit conversion factor [LCF] and Non-limit conversion factor [NLCF]. For individual overdraft products, it has been decided to use the 60th and 70th percentiles for the conservatism margin and downturn effect ratios, respectively, in RCF and LCF, and the 70th and 80th percentiles, respectively, for conservatism margin and downturn effect ratios in NLCF.

For Commercial loans, five quantile is added over the model output for the conservatism margin, and five quantile is added over the model output for the downturn period effect.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

3.3.3.5. IRB Approach: Credit Risk Amounts by Portfolio and PD Ranges

Foundation IRB	PD Range	On-balance sheet amount	Off-balance sheet amount	Average CCF	Exposures post-CCF and CRM	Average PD	Number of Customers	Average LGD	Average Maturity	Risk Weighted Assets	RWA Density	Expected Loss	Provisions
	0-0,15	5.106.269	10.136.539	44,50%	9.616.677	0,10%	29.394	42,50%	1,82	2.283.174	23,74%	4.032	9.424
	0,15-0,25	3.825.165	1.471.457	51,85%	4.588.187	0,19%	65.111	38,34%	2,49	1.725.974	37,62%	3.292	4.852
	0,25-0,5	16.300.123	16.832.930	47,07%	24.223.775	0,33%	22.109	43,46%	1,85	12.453.675	51,41%	34.660	476.527
	0,5-0,75	39.254.397	32.691.451	43,99%	53.633.941	0,61%	39.404	42,82%	1,53	34.387.897	64,12%	140.682	437.120
Exposures to corporates	0,75-2,5	39.963.119	30.524.736	38,07%	51.584.853	1,45%	41.428	42,60%	1,90	49.163.046	95,31%	318.865	1.250.175
	2,5-10	15.959.873	15.739.642	36,09%	21.641.096	5,52%	25.907	41,73%	1,55	29.356.910	135,65%	496.872	998.151
	10-100 100 (default)	787.645 9.918.477	802.302 376.217	20,84% 21,62%	954.845 9.999.819	25,56% 100,00%	5.569 13.867	40,76% 45,00%	1,77 2,50	2.059.318 -	215,67% -	98.660 4.499.918	70.300 6.739.322
	Sub Total	131.115.068	108.575.274	41,56%	176.243.193	7,16%	234.027	42,69%	1,78	131.429.994	74,57%	5.596.981	9.985.871

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

		On-balance sheet amount	Off-balance sheet amount	Average CCF	Exposures post-CCF and CRM	Average PD	Number of Customers	Average LGD	Average Maturity	Risk Weighted Assets	RWA Density	Expected Loss	Provisions
Advanced IRB	PD Range												
	0-0,15	5.375.727	13.290.210	26,79%	8.935.980	0,10%	872.966	39,65%	-	219.263	2,45%	3.416	4.733
	0,15-0,25	6.031.116	13.577.991	27,17%	9.719.610	0,19%	1.248.224	38,42%	-	409.485	4,21%	7.192	11.130
	0,25-0,5	1.723.417	2.665.726	28,30%	2.477.714	0,33%	299.760	39,14%	-	164.271	6,63%	3.191	5.279
Qualifying Revolving Retail Exposures	0,5-0,75	4.703.256	6.763.265	28,20%	6.610.245	0,64%	842.923	38,68%	-	732.449	11,08%	16.323	19.605
	0,75-2,5	6.379.855	7.597.886	28,38%	8.535.837	1,50%	1.202.146	38,08%	-	1.768.237	20,72%	48.771	58.088
	2,5-10	6.310.169	3.624.753	30,46%	7.414.268	5,33%	1.241.491	36,36%	-	3.454.643	46,59%	141.545	165.017
	10-100 100 [default]	1.305.949 43.062	271.781 24	33,36% 33,33%	1.396.624 43.070	27,67% 100,00%	311.478 9.353	32,32% 39,58%	-	1.368.372 151.444	97,98% 351,62%	126.168 5.618	125.345 11.237
	Sub Total	31.872.551	47.791.636	27,75%	45.133.348	2,28%	6.028.341	38,15%	-	8.268.164	18,32%	352.224	400.434
Retail SME Exposures	0-0,15	796.415	2.349.391	38,91%	1.710.560	0,11%	51.674	46,56%	-	221.542	12,95%	865	3.824
	0,15-0,25	4.718.843	6.788.985	54,26%	8.402.336	0,17%	120.835	46,97%	-	1.532.987	18,24%	6.823	25.433
	0,25-0,5	8.504.653	10.368.987	46,05%	13.279.805	0,36%	106.606	48,32%	-	3.995.922	30,09%	23.296	54.745
	0,5-0,75	7.067.315	6.422.647	40,26%	9.653.143	0,61%	104.254	46,51%	-	3.800.792	39,37%	27.245	55.457
	0,75-2,5	15.579.067	8.837.005	41,00%	19.202.032	1,48%	208.726	46,89%	-	10.988.225	57,22%	133.279	192.386
	2,5-10	9.979.544	3.648.915	36,94%	11.327.271	5,04%	160.381	46,82%	-	8.290.445	73,19%	266.711	258.960
	10-100 100 [default]	1.915.829 4.234.372	479.317 549.959	29,95% 21,19%	2.059.392 4.350.896	21,42% 100,00%	33.109 72.159	45,69% 80,84%	-	2.114.894 612.696	102,70% 14,08%	200.128 3.470.823	129.306 4.200.964
	Sub Total	52.796.038	39.445.206	43,58%	69.985.435	8,24%	716.108	49,17%	-	31.557.503	45,09%	4.129.170	4.921.075
Other Retail Exposures	0-0,15	771.434	1.998.625	81,07%	2.391.670	0,10%	966.641	50,81%	-	311.162	13,01%	1.172	1.921
	0,15-0,25	3.536.409	2.376.311	81,59%	5.475.178	0,19%	1.184.040	53,72%	-	1.230.764	22,48%	5.665	8.009
	0,25-0,5	1.232.351	591.532	82,26%	1.718.966	0,33%	331.005	54,19%	-	555.784	32,33%	3.087	3.498
	0,5-0,75	7.333.011	1.826.481	82,67%	8.842.925	0,64%	865.137	58,39%	-	4.513.379	51,04%	33.312	29.170
	0,75-2,5	14.603.008	1.864.790	84,49%	16.178.549	1,54%	1.113.981	60,02%	-	12.027.772	74,34%	150.645	111.333
	2,5-10	20.986.455	1.157.489	91,22%	22.042.351	5,62%	1.288.546	60,64%	-	21.247.667	96,39%	751.690	573.227
	10-100 100 [default]	6.965.048 3.987.378	89.382 339	123,84% 85,08%	7.075.741 3.987.666	29,00% 100,00%	339.008 212.406	60,82% 77,54%	-	11.364.776 1.791.426	160,62% 44,92%	1.246.786 2.956.847	867.980 3.033.606
	Sub Total	59.415.094	9.904.949	83,78%	67.713.046	11,23%	6.286.672	60,14%	-	53.042.730	78,33%	5.149.204	4.628.744
	Retail Total	144.083.683	97.141.791	39,89%	182.831.829	7,88%	9.177.035	50,51%	-	92.868.397	50,79%	9.630.598	9.950.253
Other Items	Sub Total	22.091.850	-	-	22.091.850	-	-	-	-	11.947.579	57,08%	-	-

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

3.3.3.6. IRB: The effect of credit derivatives used as CRM technique on RWA

	RWA - PRE Credit Derivatives	Actual RWA
1 Exposures to central governments or central banks -Foundation IRB	-	-
2 Exposures to central governments or central banks -Advanced IRB	-	-
3 Exposures to banks and financial institutions - Foundation IRB	-	-
4 Exposures to banks and financial institutions - Advanced IRB	-	-
5 Exposures to corporates -Foundation IRB	134.096.153	134.096.153
6 Exposures to corporates - Advanced IRB	-	-
7 Specialised Lending - Foundation IRB	-	-
8 Specialised Lending - Advanced IRB	71.736.276	71.736.276
9 Retail exposures - Qualifying revolving	8.268.164	8.268.164
10 Retail exposures - secured by real estate	-	-
11 Retail exposures - SME	31.572.185	31.572.185
12 Retail Exposures - Other	53.042.730	53.042.730
13 Investments in equities - Foundation IRB	-	-
14 Investments in equities - Advanced IRB	-	-
15 Purchased Receivables - Foundation IRB	-	-
16 Purchased Receivables - Advanced IRB	-	-
17 Other Items - Advanced IRB	11.947.579	11.947.579
Total	310.663.087	310.663.087

3.3.3.7. RWA Movement Table Under IRB Approach

	RWA Amount
1 Previous Period Closing Amount	-
2 Changes in Volume	-
3 Changes in Asset Quality	-
4 Model Updates	-
5 Policy and Regulatory Changes	-
6 Purchasing and Selling	-
7 FX Difference	-
8 Other ⁽¹⁾	310.663.087
9 Current Period Closing Amount	310.663.087

⁽¹⁾ The Bank has started to use IRB approach as of June 30, 2021.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

3.3.3.8. IRB: Back-testing of probability of default in each asset class

Asset classes	PD Range	Equivalent External Rating	Weighted Average PD	Mean PD By Borrower	Number of Borrowes		Borrowers in default within the year	Borrowers in default for the first time within the year	Average historical annual default rate
					Prior Period	Current Period			
Corporate exposures - 1	0 - 0,14%	AAA to A+	0,10%	0,10%	42.418	29.394	7	-	0,03%
Corporate exposures - 2	0,14 - 0,41%	A to A-	0,30%	0,23%	91.890	83.896	56	2	0,07%
Corporate exposures - 3	0,41 - 1,17%	BBB+ to BBB-	0,75%	0,76%	63.919	60.912	110	17	0,20%
Corporate exposures - 4	1,17 - 3,22%	BB+ to BB-	1,88%	2,11%	39.373	32.308	222	22	0,54%
Corporate exposures - 5	3,22 - 15,08%	B+ to B-	6,35%	6,89%	21.768	16.570	433	44	1,80%
Corporate exposures - 6	15,08 - 33,77%	CCC+ to CCC-	26,92%	30,08%	6.413	4.755	727	35	9,60%
Corporate exposures - 7	33,77 - 99,999%	CC	41,09%	42,40%	93	47	7	1	21,50%
Corporate exposures - 8	100%	D	100,00%	100,00%	18.855	13.867	-	-	-
	Sub Total	Sub Total	0,07%	0,09%	284.729	241.749	1.562	121	0,85%

Asset classes	PD Range	Equivalent External Rating	Weighted Average PD	Mean PD By Borrower	Number of Borrowes		Borrowers in default within the year	Borrowers in default for the first time within the year	Average historical annual default rate
					Prior Period	Current Period			
Retail exposures - Qualifying revolving - 1	0 - 0.14%	AAA to A+	0,10%	0,10%	888.589	872.966	250	3	0,02%
Retail exposures - Qualifying revolving - 2	0.14% - 0.41%	A to A-	0,22%	0,22%	1.357.890	1.547.984	705	12	0,05%
Retail exposures - Qualifying revolving - 3	0.41% - 1.17%	BBB+ to BBB-	0,77%	0,77%	1.162.332	1.311.002	1.991	189	0,15%
Retail exposures - Qualifying revolving - 4	1.17% - 3.22%	BB+ to BB-	2,31%	2,31%	1.063.174	1.220.159	5.912	1.108	0,38%
Retail exposures - Qualifying revolving - 5	3.22% - 15.08%	B+ to B-	7,18%	7,35%	667.913	790.203	14.905	4.254	1,69%
Retail exposures - Qualifying revolving - 6	15.08% - 33.77%	CCC+ to CCC-	29,26%	28,58%	210.825	276.674	28.396	2.575	8,34%
Retail exposures - Qualifying revolving - 7	33.77% - 99.999%	CC	-	-	-	-	-	-	20,82%
Retail exposures - Qualifying revolving - 8	100%	D	100,00%	100,00%	2.605	9.353	-	-	-
	Sub Total	Sub Total	0,02%	0,03%	5.353.328	6.028.341	52.159	8.141	1,59%

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

Asset classes	PD Range	Equivalent External Rating	Weighted Average PD	Mean PD By Borrower	Number of Borrowes		Borrowers in default within the year	Borrowers in default for the first time within the year	Average historical annual default rate
					Prior Period	Current Period			
Retail exposures - SME - 1	0 - 0.14%	AAA to A+	0,11%	0,10%	51.137	51.674	22	-	0,06%
Retail exposures - SME - 2	0.14% - 0.41%	A to A-	0,23%	0,22%	150.974	181.813	158	26	0,19%
Retail exposures - SME - 3	0.41% - 1.17%	BBB+ to BBB-	0,72%	0,73%	176.672	213.267	661	146	0,58%
Retail exposures - SME - 4	1.17% - 3.22%	BB+ to BB-	2,00%	2,08%	156.824	182.474	1.621	353	1,46%
Retail exposures - SME - 5	3.22% - 15.08%	B+ to B-	6,48%	6,55%	108.258	129.561	3.432	769	4,29%
Retail exposures - SME - 6	15.08% - 33.77%	CCC+ to CCC-	23,82%	25,15%	17.947	19.192	2.662	328	13,49%
Retail exposures - SME - 7	33.77% - 99.999%	CC	45,69%	47,07%	1.451	1.083	217	41	23,38%
Retail exposures - SME - 8	100%	D	100,00%	100,00%	74.943	72.159	-	-	-
	Sub Total	Sub Total	0,08%	0,20%	738.206	851.223	8.773	1.663	1,50%
Asset classes	PD Range	Equivalent External Rating	Weighted Average PD	Mean PD By Borrower	Number of Borrowes		Borrowers in default within the year	Borrowers in default for the first time within the year	Average historical annual default rate
					Prior Period	Current Period			
Retail Exposures - Other- 1	0 - 0.14%	AAA to A+	0,10%	0,10%	1.140.627	966.641	222	29	0,01%
Retail Exposures - Other- 2	0.14% - 0.41%	A to A-	0,22%	0,22%	1.236.175	1.514.953	793	162	0,04%
Retail Exposures - Other- 3	0.41% - 1.17%	BBB+ to BBB-	0,80%	0,78%	1.082.425	1.330.222	2.437	1.129	0,15%
Retail Exposures - Other- 4	1.17% - 3.22%	BB+ to BB-	2,38%	2,37%	964.518	1.160.407	6.498	3.324	0,41%
Retail Exposures - Other- 5	3.22% - 15.08%	B+ to B-	7,28%	7,33%	726.793	811.750	16.359	7.158	1,50%
Retail Exposures - Other- 6	15.08% - 33.77%	CCC+ to CCC-	30,38%	30,14%	308.167	304.738	41.848	5.383	7,95%
Retail Exposures - Other- 7	33.77% - 99.999%	CC	-	-	-	-	-	-	18,78%
Retail Exposures - Other- 8	100%	D	100,00%	100,00%	160.770	212.406	-	-	-
	Sub Total	Sub Total	0,11%	0,08%	5.619.475	6.301.117	68.157	17.185	1,78%
Asset classes	PD Range	Equivalent External Rating	Weighted Average PD	Mean PD By Borrower	Number of Borrowes		Borrowers in default within the year	Borrowers in default for the first time within the year	Average historical annual default rate
					Prior Period	Current Period			
Other Items - 1	-	-	-	-	2	2	-	-	-

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

3.3.3.9. IRB: Specialized lending and equity investments subject to the simple risk weight approach

Specialised Lendings
Besides High-volatility Commercial Real Estates

Category	Remaining Maturity	On-balance sheet amount	Off-balance sheet amount	Counter-party credit risk	Risk Weight	Risk Amount				RWA Amount			
						Project Finance	Object Finance	Commodities Finance	Income Producing Real Estate	Total	Credit Risk	Counter Party Credit Risk	Expected Losses
Strong	<2.5 years	-	-	67.332	50%	57.505	-	-	9.828	67.333	-	33.666	-
	≥2.5 years	5.856.274	1.201.537	292.873	70%	6.171.959	-	-	219.613	6.391.572	4.269.089	205.011	25.586
Good	<2.5 years	1.999.003	6.588	78.462	70%	1.545.182	-	-	533.613	2.078.795	1.400.233	54.923	8.315
	≥2.5 years	10.922.217	3.568.399	270.561	90%	14.108.109	94.909	-	-	14.203.018	12.539.212	243.506	114.649
Satisfactory		33.568.478	2.907.599	1.463	115%	32.926.008	448.825	-	955.497	34.330.330	39.478.197	1.682	961.249
Weak		5.380.841	116.282	-	250%	5.354.179	50.124	-	-	5.404.303	13.510.757	-	432.344
Default		-	4.243	-	-	856	-	-	-	856	-	-	428
Total		57.726.813	7.804.648	710.691		60.163.798	593.858	-	1.718.551	62.476.207	71.197.488	538.788	1.542.571

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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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	16.242.431	2.003.381		1,4	17.738.479	5.825.602
2 Internal Model Approach			-	-	-	-
3 Simplified Standardised Approach for Credit Risk Mitigation					-	-
4 Comprehensive Method for Credit Risk Mitigation					2.058.542	889.618
5 Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions					-	-
Total						6.715.220
Prior 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

⁽¹⁾ Effective expected positive exposure

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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	17.738.479	4.583.228	4.187.387	2.338.447
Total amount of CVA capital adequacy	17.738.479	4.583.228	4.187.387	2.338.447

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

3.4.4 Standardised approach - CCR exposures by regulatory portfolio and risk weights

Current Period												Total credit
Risk Weights/Risk Classes		0%	2%	4%	10%	20%	35%	50%	75%	100%	150%	risk ⁽¹⁾
1	Central governments and central banks receivables	7.701.691	-	-	-	-	-	-	-	-	-	7.701.691
2	Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-	-	-
3	Administrative and non commercial receivables	-	-	-	-	-	-	-	-	-	-	-
4	Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-	-	-
5	Banks and Intermediary Institutions receivables	-	344.884	125.049	-	2.294.065	-	5.430.812	-	-	-	8.194.810
6	Corporate receivables	-	-	-	-	25.336	-	-	-	308.020	-	333.356
7	Retail receivables	-	-	-	-	-	-	-	11.047	-	-	11.047
8	Mortgage receivables	-	-	-	-	-	-	-	-	-	-	-
9	Non performing receivables	-	-	-	-	-	-	-	-	-	-	-
10	High risk defined receivables	-	-	-	-	-	-	-	-	-	-	-
11	Equity investments	-	-	-	-	-	-	-	-	-	-	-
12	Other receivables	-	-	-	-	-	-	-	-	-	-	-
Total		7.701.691	344.884	125.049	-	2.319.401	-	5.430.812	11.047	308.020	-	16.240.904

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

Prior Period											Total credit
Risk Weights/Risk Classes	0%	2%	4%	10%	20%	35%	50%	75%	100%	150%	risk ⁽¹⁾
1 Central governments and central banks receivables	781.548	-	-	-	-	-	-	-	-	-	781.548
2 Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-	-	-
3 Administrative and non commercial receivables	-	-	-	-	-	-	-	-	1	-	1
4 Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-	-	-
5 Banks and Intermediary Institutions receivables	-	50.016	95.220	-	295.258	-	2.412.116	-	-	-	2.852.610
6 Corporate receivables	-	-	-	-	96	-	51.288	-	2.826.358	-	2.877.742
7 Retail receivables	-	-	-	-	-	-	-	8.591	-	-	8.591
8 Mortgage receivables	-	-	-	-	-	-	208.625	-	41.275	-	249.900
9 Non performing receivables	-	-	-	-	-	-	-	-	-	-	-
10 High risk defined receivables	-	-	-	-	-	-	-	-	-	-	-
11 Equity investments	-	-	-	-	-	-	-	-	-	-	-
12 Other receivables	-	-	-	-	-	-	-	-	-	-	-
Total	781.548	50.016	95.220	-	295.354	-	2.672.029	8.591	2.867.634	-	6.770.392

⁽¹⁾ Counterparty credit risk is not included in the table.**3.4.5. Counterparty Credit Risk Amounts by Portfolio and PD Ranges**

Foundation IRB	PD Range	Exposures post CRM	Average PD	Number of Customers	Average LGD	Average Maturity	Risk Weighted Assets	RWA Density
Exposures to corporates	0-0,15	265.369	0,12%	26	44,00%	2,91	97.171	36,62%
	0,15-0,25	9	0,17%	1	45,00%	1,00	3	28,59%
	0,25-0,5	488.827	0,33%	49	44,47%	1,50	235.543	48,19%
	0,5-0,75	1.200.613	0,62%	57	43,32%	2,58	937.565	76,05%
	0,75-2,5	962.230	1,24%	42	43,85%	1,95	908.856	94,45%
	2,5-10	366.124	4,28%	13	42,80%	1,70	487.021	133,02%
	10-100	-	-	-	-	-	-	-
100 [default]	-	-	-	-	-	-	-	
Sub Total		3.283.172	1,09%	188	43,62%	2,20	2.666.159	80,10%

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

	PD Range	Exposures post CRM	Average PD	Number of Customers	Average LGD	Average Maturity	Risk Weighted Assets	RWA Density
Advanced IRB	0-0,15	-	-	-	-	-	-	-
	0,15-0,25	-	-	-	-	-	-	-
	0,25-0,5	-	-	-	-	-	-	-
Qualifying Revolving Retail Exposures	0,5-0,75	-	-	-	-	-	-	-
	0,75-2,5	-	-	-	-	-	-	-
	2,5-10	-	-	-	-	-	-	-
	10-100	-	-	-	-	-	-	-
	100 (default)	-	-	-	-	-	-	-
	Sub Total	-	-	-	-	-	-	-
	0-0,15	2.220	0,12%	8	50,54%	-	336	15,15%
	0,15-0,25	2.134	0,17%	13	47,67%	-	391	18,31%
	0,25-0,5	8.155	0,33%	21	47,37%	-	2.294	28,13%
Retail SME Exposures	0,5-0,75	3.801	0,58%	11	43,66%	-	1.367	35,96%
	0,75-2,5	12.047	1,23%	24	48,09%	-	7.220	56,04%
	2,5-10	3.830	7,70%	4	48,16%	-	3.074	80,28%
	10-100	-	-	-	-	-	-	-
	100 (default)	-	-	-	-	-	-	-
	Sub Total	32.187	1,52%	81	47,59%	-	14.682	45,34%
	0-0,15	-	-	-	-	-	-	-
	0,15-0,25	-	-	-	-	-	-	-
	0,25-0,5	-	-	-	-	-	-	-
Other Retail Exposures	0,5-0,75	-	-	-	-	-	-	-
	0,75-2,5	-	-	-	-	-	-	-
	2,5-10	-	-	-	-	-	-	-
	10-100	-	-	-	-	-	-	-
	100 (default)	-	-	-	-	-	-	-
	Sub Total	-	-	-	-	-	-	-
	Total [All portfolios]	32.187	1,52%	81	47,59%	-	14.682	45,34%

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

3.4.6. Composition of collateral for CCR exposure

Current Period	Collaterals for Derivatives Transactions				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
	Segregated	Unsegregated	Segregated	Unsegregated		
1 Cash-domestic currency	-	9.912	-	-	45.359.285	1.750.689
2 Cash-foreign currency	-	19.884	-	-	3.095.195	-
3 Domestic sovereign debts	-	-	-	-	1.782.917	44.822.415
4 Other sovereign debt	-	-	-	-	-	4.198.676
5 Government agency debt	-	-	-	-	-	-
6 Corporate debts	-	-	-	-	-	-
7 Equity securities	-	-	-	-	-	-
8 Other collateral	-	477.537	-	-	-	-
Total	-	507.333	-	-	50.237.397	50.771.780

Prior Period	Collaterals for Derivatives Transactions				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
	Segregated	Unsegregated	Segregated	Unsegregated		
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

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

3.4.7. 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	-	26.257.676	-	12.525.055
Credit Options	-	-	-	-
Other Credit Derivatives	-	-	-	-
Total Nominal	-	26.257.676	-	12.525.055
Rediscount Amount	-	[1.264.379]	-	[361.910]
Positive Rediscount Amount	-	844.603	-	42.819
Negative Rediscount Amount	-	[2.108.982]	-	[404.729]

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

3.4.8. 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)		11.900		4.809
2 Exposures for trades at QCCPs [excluding initial margin and default fund contributions]; of which	-	-	-	-
3 (i) OTC Derivatives	469.904	11.899	141.686	4.738
4 (ii) Exchange-traded Derivatives	-	-	-	-
5 (iii) Securities financing transactions	29	1	3.550	71
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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira [“TL”]]

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.

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.

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.

Market Risk Management organization consists of 4 sub-units; Market Risk Analysis, Asset-Liability Management and Affiliates Coordination, Counterparty Risk and Collateral Management 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 Risk and Collateral 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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

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.

3.6.2. Market risk under standardised approach

	Current Period Risk Weighted Asset	Prior Period Risk Weighted Asset
Outright products	5.299.883	4.238.630
1 Interest rate risk (general and specific)	1.636.497	2.377.388
2 Equity risk (general and specific)	-	-
3 Foreign exchange risk	3.576.136	1.861.229
4 Commodity risk	87.250	13
Options	780.475	20.450
5 Simplified approach	-	-
6 Delta-plus method	780.475	20.450
7 Scenario approach	-	-
8 Securitisation	-	-
9 Total	6.080.358	4.259.080

3.7. Explanations on Operational Risk:

The Bank calculates the amount subject to operational risk based on "Basic Indicator Method" by using 2020, 2019 and 2018 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, 2021, the total amount subject to operational risk is TL 34.598.266 [December 31, 2020 - TL 27.931.004] and the amount of the related capital requirement is TL 2.767.861 [December 31, 2020 - TL 2.234.480].

Current Period	2 Prior Period Value	1 Prior Period Value	Current Period value	Total/Total number of years for	Rate [%]	Total
Gross Income	16.919.024	16.147.244	22.290.957	18.452.408	15,00%	2.767.861
Amount subject to operational risk [Total*12,5]						34.598.266
Prior 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

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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 reviewed 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, 2021, 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	[3.565.705]	[4,46]%	[3.795.748]	[6,06]%
TRY	[-]400 bp	3.206.811	4,01%	3.576.247	5,71%
EUR	[+]200 bp	[310.186]	[0,39]%	[123.836]	[0,20]%
EUR	[-]200 bp	358.834	0,45%	158.635	0,25%
USD	[+]200 bp	[1.871.143]	[2,34]%	[1.241.514]	[1,98]%
USD	[-]200 bp	2.633.830	3,30%	1.769.009	2,83%
Total [For negative shocks]		6.199.475	7,76%	5.503.891	8,79%
Total [For positive shocks]		[5.747.034]	[7,19]%	[5.161.098]	[8,25]%

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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:	12,9775	14,6823
First day current bid rate	12,2219	13,8011
Second day current bid rate	11,8302	13,4000
Third day current bid rate	11,3900	12,8903
Fourth day current bid rate	11,7278	13,2926
Fifth day current bid rate	11,4508	12,9683
Arithmetic average of the last 31 days:	13,6230	15,3994
Balance sheet evaluation rate as of prior period:	7,3405	9,0079

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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	32.319.856	51.957.610	9.244.036	93.521.502
Banks	1.082.237	18.759.708	160.821	20.002.766
Financial assets where fair value change is reflected to income statement	31.478	919.349	-	950.827
Money market placements	-	-	-	-
Financial assets where fair value change is reflected to other comprehensive income statement	1.382.107	5.481.359	-	6.863.466
Loans ⁽¹⁾	73.425.813	76.305.049	3.813.849	153.544.711
Investments in associates, subsidiaries and joint ventures	7.261.955	695.186	2.050.744	10.007.885
Financial Assets Measured at Amortised Cost	3.680.060	40.103.686	-	43.783.746
Hedging derivative financial assets	1.917	44.175	-	46.092
Tangible assets	-	-	-	-
Intangible assets	-	-	-	-
Other assets ⁽²⁾	7.921.808	22.837.196	1.406.688	32.165.692
Total assets	127.107.231	217.103.318	16.676.138	360.886.687
Liabilities				
Bank deposits	2.260.191	278.331	6.723	2.545.245
Foreign currency deposits	80.274.598	145.516.690	26.582.163	252.373.451
Funds from money market	4.347.923	-	-	4.347.923
Funds borrowed from other financial institutions	21.999.696	37.578.181	885	59.578.762
Marketable securities issued	147.793	26.865.401	-	27.013.194
Miscellaneous payables	4.360.930	480.746	8.142	4.849.818
Hedging derivative financial liabilities	107.016	576.177	-	683.193
Other liabilities ⁽³⁾	1.385.729	67.856.187	19.548	69.261.464
Total liabilities	114.883.876	279.151.713	26.617.461	420.653.050
Net on-balance sheet position	12.223.355	[62.048.395]	[9.941.323]	[59.766.363]
Net off-balance sheet position⁽⁵⁾	[10.660.274]	61.558.734	11.969.789	62.868.249
Financial derivative assets	14.368.163	86.627.947	17.176.405	118.172.515
Financial derivative liabilities	25.028.437	25.069.213	5.206.616	55.304.266
Net Position	1.563.081	[489.661]	2.028.466	3.101.886
Non-cash loans	55.144.392	57.797.998	6.581.082	119.523.472
Prior Period				
Total assets	78.297.996	113.126.760	10.179.401	201.604.157
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

⁽¹⁾ Includes FX indexed loans amounting to TL 320.109 [December 31, 2020 - TL 376.236] which have been disclosed as TL in the financial statements.

⁽²⁾ Does not include foreign currency prepaid expenses amounting to TL 444.304 [December 31, 2020 - TL 236.064].

⁽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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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.

	Current Period	Prior Period
	Equity and Profit/loss effect ⁽¹⁾	Equity and Profit/loss effect ⁽¹⁾
Change in currency exchange rates		
[+]15%	436.669	211.772
[-]15%	[200.224]	[60.564]

⁽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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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	68.178.110	-	-	-	-	48.010.456	116.188.566
Banks	5.602.134	732.023	-	-	-	19.271.609	25.605.766
Financial assets where fair value change is reflected to income statement	-	489.206	5.683	58.396	139.374	518.127	1.210.786
Receivables from money markets	1.809.366	-	-	-	-	-	1.809.366
Financial assets where fair value change is reflected to other comprehensive income statement	4.910.379	8.509.892	13.328.397	3.636.480	4.101.999	22.553	34.509.700
Loans ⁽¹⁾	58.261.264	52.653.416	150.581.894	106.139.104	20.480.008	[10.347.595]	377.768.091
Financial assets measured at amortised cost	20.256.530	10.834.713	12.873.962	8.883.497	39.026.798	-	91.875.500
Other assets	5.369.048	7.907.524	2.714.168	5.708.196	329.298	65.773.757	87.801.991
Total assets	164.386.831	81.126.774	179.504.104	124.425.673	64.077.477	123.248.907	736.769.766
Liabilities							
Bank deposits	2.782.718	823.611	1.736.802	11.573	-	2.764.181	8.118.885
Other deposits	187.039.765	32.753.294	4.662.820	54.620	-	168.466.032	392.976.531
Funds from money market	48.560.168	3.315.191	1.032.918	-	-	-	52.908.277
Miscellaneous payables	-	-	-	-	-	25.172.406	25.172.406
Marketable securities issued	2.832.011	16.258.438	15.163.293	-	-	-	34.253.742
Funds borrowed from other financial institutions	3.977.880	41.982.748	11.617.423	2.585.498	960.619	-	61.124.168
Other liabilities ⁽²⁾	4.883.941	30.506.219	13.935.249	31.847.398	3.401.689	77.641.261	162.215.757
Total liabilities	250.076.483	125.639.501	48.148.505	34.499.089	4.362.308	274.043.880	736.769.766
Balance sheet long position	-	-	131.355.599	89.926.584	59.715.169	-	280.997.352
Balance sheet short position	[85.689.652]	[44.512.727]	-	-	-	[150.794.973]	[280.997.352]
Off-balance sheet long position	18.785.986	43.077.879	-	-	-	-	61.863.865
Off-balance sheet short position	-	-	[6.512.770]	[44.264.388]	[8.012.207]	-	[58.789.365]
Total position	[66.903.666]	[1.434.848]	124.842.829	45.662.196	51.702.962	[150.794.973]	3.074.500

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

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	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⁾	2.785.990	18.387.133	1.562.366	22.436.631	2.031.182	57.192.331	104.395.633
Total liabilities	157.342.068	88.542.459	25.324.757	23.978.479	2.257.445	162.248.850	459.694.058
Balance sheet long position	-	-	90.570.370	75.057.576	32.944.952	-	198.572.898
Balance sheet short position	(70.566.125)	(34.306.126)	-	-	-	(93.700.647)	(198.572.898)
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	(54.271.168)	430.076	81.716.941	33.959.267	30.062.953	(93.700.647)	(1.802.578)

⁽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".

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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.

Current Period	EUR	USD	Yen	TL
	%	%	%	%
Assets				
Cash [cash in vault, effectives, cash in transit, cheques purchased] and balances with the Central Bank of the Republic of Turkey	-	-	-	8,89
Banks	-	-	-	13,72
Financial assets at fair value through profit or loss	3,87	3,43	-	15,57
Receivables from money markets	-	-	-	12,31
Financial assets at fair value through other comprehensive income	3,32	6,31	-	28,85
Loans	4,63	5,76	-	19,26
Financial assets measured at amortised cost	4,33	6,28	-	30,36
Liabilities				
Bank deposits ^[1]	-	-	-	16,08
Other deposits ^[1]	0,08	0,34	-	10,30
Funds from money market	1,01	-	-	11,92
Miscellaneous payables	-	-	-	-
Marketable securities issued	5,00	6,46	-	17,39
Funds borrowed from other financial institutions	1,84	2,47	-	15,52

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

Prior Period	EUR	USD	Yen	TL
	%	%	%	%
Assets				
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 at fair value through profit or 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	-	15,77
Loans	4,50	6,18	-	14,88
Financial assets measured at amortised cost	4,89	6,47	-	15,93
Liabilities				
Bank deposits ⁽¹⁾	-	0,02	-	15,90
Other deposits ⁽¹⁾	0,50	1,01	0,01	7,53
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

⁽¹⁾ Demand deposit balances are included in average interest rate calculation.**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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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 54% [December 31, 2020 - 55%] 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 government bonds issued by Treasury of the Republic of Turkey 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 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.

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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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.

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			136.485.080	99.885.177
Cash Outflows				
Retail and Small Business Customers Deposits	220.705.866	133.656.287	20.365.454	13.365.440
Stable deposits	34.102.642	3.765	1.705.132	188
Less stable deposits	186.603.224	133.652.522	18.660.322	13.365.252
Unsecured Funding other than Retail and Small Business Customers Deposits	153.105.835	88.096.833	79.489.818	41.963.108
Operational deposits	-	-	-	-
Non-Operational deposits	126.082.010	80.972.601	57.494.820	34.838.876
Other Unsecured funding	27.023.825	7.124.232	21.994.998	7.124.232
Secured funding	-	-	-	-
Other Cash Outflows	2.325.090	2.325.090	2.325.090	2.325.090
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	2.325.090	2.325.090	2.325.090	2.325.090
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	145.973.206	105.434.274	7.298.660	5.271.714
Other irrevocable or conditionally revocable commitments	124.959.351	25.778.514	10.966.152	3.779.047
Total Cash Outflows			120.445.174	66.704.399
Cash Inflows				
Secured Lending Transactions	-	-	-	-
Unsecured Lending Transactions	44.041.465	26.253.757	34.926.930	23.707.262
Other contractual cash inflows	1.531.161	30.960.674	1.531.161	30.960.674
Total Cash Inflows	45.572.626	57.214.431	36.458.091	54.667.936
			Capped Amounts	
Total High Quality Liquid Assets			136.485.080	99.885.177
Total Net Cash Outflows			83.987.084	16.676.100
Liquidity Coverage Ratio (%)			162,51	598,97

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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	November 5, 2021	October, 29 2021	November, 12 2021	December 17, 2021
Ratio[%]	446,46	137,62	662,13	189,47

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			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

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

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 30, 2020	October 30, 2020	December 11, 2020	December 11, 2020
Ratio[%]	340,84	129,66	558,15	152,27

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	63.115.541	53.073.025	-	-	-	-	-	116.188.566
Banks	19.271.609	5.602.134	732.023	-	-	-	-	25.605.766
Financial assets where fair value change is reflected to income statement	4.471	-	3.196	5.683	58.396	625.384	513.656	1.210.786
Receivables from money markets	-	1.809.366	-	-	-	-	-	1.809.366
Financial assets where fair value change is reflected to other comprehensive income statement	-	192.949	4.435.272	5.413.097	16.250.815	8.195.014	22.553	34.509.700
Loans ⁽¹⁾	-	56.186.522	39.112.240	127.293.636	130.971.208	34.552.080	[10.347.595]	377.768.091
Financial assets measured at amortised cost	-	82.835	993.324	1.340.411	31.766.205	57.692.725	-	91.875.500
Other assets	9.852.107	4.630.074	6.217.407	2.434.616	7.121.363	1.624.774	55.921.650	87.801.991
Total assets	92.243.728	121.576.905	51.493.462	136.487.443	186.167.987	102.689.977	46.110.264	736.769.766
Liabilities								
Bank deposits	2.764.181	2.782.718	823.611	1.736.802	11.573	-	-	8.118.885
Other deposits	168.466.032	187.034.708	32.756.836	4.664.335	54.620	-	-	392.976.531
Funds borrowed from other financial institutions	-	3.979.243	3.279.595	41.292.440	11.883.379	689.511	-	61.124.168
Funds from money market	-	48.560.168	186	1.677.169	2.670.754	-	-	52.908.277
Marketable securities issued	-	1.170.664	9.166.839	4.016.623	19.751.823	147.793	-	34.253.742
Miscellaneous payables	163.185	24.290.315	155.093	-	-	-	563.813	25.172.406
Other liabilities ⁽²⁾	5.452.722	3.622.265	6.794.782	16.458.400	41.517.855	21.265.621	67.104.112	162.215.757
Total liabilities	176.846.120	271.440.081	52.976.942	69.845.769	75.890.004	22.102.925	67.667.925	736.769.766
Net liquidity gap	[84.602.392]	[149.863.176]	[1.483.480]	66.641.674	110.277.983	80.587.052	[21.557.661]	-
Net Off-Balance Sheet Position	-	817.417	1.622.181	215.922	[1.779.131]	2.198.111	-	3.074.500
Derivative Financial Assets	-	71.498.710	76.638.255	33.775.655	86.096.221	61.842.290	-	329.851.131
Derivative Financial Liabilities	-	70.681.293	75.016.074	33.559.733	87.875.352	59.644.179	-	326.776.631
Non-Cash Loans	-	6.575.353	20.152.112	65.509.217	22.666.058	9.226.391	36.490.608	160.619.739
Prior Period								
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
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
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	-	[1.203.432]	[1.790.386]	1.269.422	[1.339.505]	1.261.323	-	[1.802.578]
Derivative Financial Assets	-	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	17.644.893	5.513.093	27.557.848	101.227.281

⁽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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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	362.137.154	34.160.461	6.575.666	68.335	-	402.941.616
Borrowings	4.023.221	3.569.472	42.444.460	13.004.330	732.655	63.774.138
Financial Liabilities Fair Value Through Profit and Loss	-	388.705	2.467.767	21.511.330	15.299.094	39.666.896
Funds from money market	48.689.495	17.964	1.682.050	2.670.754	-	53.060.263
Subordinated debts	840.699	175.471	13.925.427	24.296.937	9.946.031	49.184.565
Marketable securities issued (Net)	1.337.350	9.185.836	4.087.491	20.410.401	147.793	35.168.871
Total	417.027.919	47.497.909	71.182.861	81.962.087	26.125.573	643.796.349
Prior Period ⁽¹⁾	Demand and up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
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

⁽¹⁾ Maturities of non-cash loans are described in Note 3 of Section 5.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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]	671.365.097	468.035.810
[Asset amounts deducted in determining Tier 1 capital]	[6.219.615]	[4.516.845]
Total on-Balance sheet exposures	665.145.482	463.518.965
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	14.111.211	4.156.298
Potential credit risk of derivative financial instruments and credit derivatives	2.628.177	1.821.834
Total derivative financial instruments and credit derivatives exposure	16.739.388	5.978.132
Securities financing transaction exposure		
Total risk of gross securities financing transactions [excluding on-balance sheet exposure]	681.361	1.632.755
Agent transaction exposures	-	-
Total securities financing transaction exposures	681.361	1.632.755
Off-balance sheet items		
Off-balance sheet exposure at gross notional amount	296.934.657	218.199.061
[Adjustments for conversion to credit equivalent amounts]	[21.077.112]	[19.870.119]
Total risk of off-balance sheet items	275.857.545	198.328.942
Capital and total exposure		
Tier 1 capital	64.427.583	51.617.699
Total exposures	958.423.776	669.458.794
Leverage ratio [%]	6,76	7,71

⁽¹⁾ The arithmetic average of the last three months in the related periods.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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	560.801.820	382.297.893	554.840.752	386.987.398
Due from money market	1.809.366	1.700.842	1.809.366	1.700.842
Banks	25.605.766	11.064.127	25.603.336	11.819.096
Financial assets at fair value through other comprehensive income	34.509.700	24.864.167	34.509.700	24.864.167
Financial assets measured at amortised cost	91.875.500	50.741.912	93.993.601	52.282.209
Loans	407.001.488	293.926.845	398.924.749	296.321.084
Financial Liabilities	586.881.963	363.135.972	586.414.838	364.343.746
Bank deposits	8.118.885	5.672.423	8.009.413	5.676.768
Other deposits	392.976.531	248.607.733	393.012.158	248.723.246
Borrowings	61.124.168	38.280.439	60.326.164	38.112.646
Financial liabilities fair value through profit and loss	25.794.232	12.887.831	25.794.232	12.887.831
Subordinated debts	39.441.999	22.655.054	42.248.368	24.273.721
Marketable securities issued	34.253.742	20.517.422	31.852.097	20.154.464
Miscellaneous payables	25.172.406	14.515.070	25.172.406	14.515.070

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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

IFRS 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

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	211.114	771.226	228.446	1.210.786
Financial assets where fair value change is reflected to other comprehensive income statement	33.651.122	836.025	-	34.487.147
Derivative financial assets	-	22.028.234	-	22.028.234
Total assets	33.862.236	23.635.485	228.446	57.726.167
Financial liabilities at fair value through profit or loss	-	25.794.232	-	25.794.232
Derivative financial liabilities	-	18.032.048	-	18.032.048
Total liabilities	-	43.826.280	-	43.826.280
Prior 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

The Bank classify its buildings carried at their fair value within property and equipment under level 3.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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".

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, 2021 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)	55.477.585	3.532.488	683.193	45.922.447	546.658	2.622.928
Interest rate swap/Cross currency interest rate swap (FVH)	1.225.972	-	988.874	1.970.473	-	620.019
Total	56.703.557	3.532.488	1.672.067	47.892.920	546.658	3.242.947

⁽¹⁾ Only the "sell" legs of the related derivatives are presented with the addition of the "buy" legs of these derivatives amounting to TL 55.747.727 [December 31, 2020 - TL 46.755.573] the total notional of derivative financial assets amounting to TL 112.451.284 [December 31, 2020 - TL 94.648.493] 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".

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

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 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	12.554	-	988.874	10.081

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	2.473	-	620.019	[22.056]

⁽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 35.632 loss [December 31, 2020 - TL 30.719 loss].

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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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	3.532.488	683.193	2.332.875	3.309.704
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	546.658	2.622.928	[976.829]	485.963

⁽¹⁾ Includes deferred tax impact.

⁽²⁾ Includes tax and foreign exchange differences.

⁽³⁾ The ineffective portion of the mentioned hedging transaction is TL 228.112 gain (December 31, 2020 - TL 211.163 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.

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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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, 2021 is EUR 495 million [December 31, 2020 - EUR 471 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 three main business units:

- Retail Banking
- Corporate Banking
- 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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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, banking	Commercial and SME banking	Treasury, asset-liability management and other	Total operations of the Bank
Operating revenue	9.800.572	2.987.865	7.186.192	12.272.579	32.247.208
Operating expenses	(7.353.332)	(3.219.209)	(4.673.253)	(4.812.067)	(20.057.861)
Net operating income/[expense]	2.447.240	(231.344)	2.512.939	7.460.512	12.189.347
Dividend income ⁽¹⁾	-	-	-	3.281	3.281
Income/[loss] from investments accounted based on equity method ⁽¹⁾	-	-	-	1.293.066	1.293.066
Profit before tax	2.447.240	(231.344)	2.512.939	8.756.859	13.485.694
Tax provision expense ⁽¹⁾	-	-	-	(2.995.936)	(2.995.936)
Net period income	2.447.240	(231.344)	2.512.939	5.760.923	10.489.758
Net profit	2.447.240	(231.344)	2.512.939	5.760.923	10.489.758
Segment asset	124.175.913	117.006.139	141.408.200	338.972.405	721.562.657
Investments in associates, subsidiaries and joint ventures	-	-	-	15.207.109	15.207.109
Total assets	124.175.913	117.006.139	141.408.200	354.179.514	736.769.766
Segment liabilities	254.056.183	67.134.745	97.106.314	254.988.346	673.285.588
Shareholders' equity	-	-	-	63.484.178	63.484.178
Total liabilities	254.056.183	67.134.745	97.106.314	318.472.524	736.769.766

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

	Retail banking	Corporate, banking	Commercial and SME banking	Treasury, asset-liability management and other	Total operations of the Bank
Prior Period ⁽²⁾					
Operating revenue	9.201.210	3.516.382	4.733.393	6.592.927	24.043.912
Operating expenses	(8.053.781)	(2.830.475)	(2.927.779)	(4.566.557)	(18.378.592)
Net operating income/(expense)	1.147.429	685.907	1.805.614	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	685.907	1.805.614	2.913.025	6.551.975
Tax provision expense ⁽¹⁾	-	-	-	(1.472.457)	(1.472.457)
Net period income	1.147.429	685.907	1.805.614	1.440.568	5.079.518
Net profit	1.147.429	685.907	1.805.614	1.440.568	5.079.518
Segment asset	101.544.189	82.899.060	85.420.711	179.773.383	449.637.343
Investments in associates, subsidiaries and joint ventures	-	-	-	10.056.715	10.056.715
Total assets	101.544.189	82.899.060	85.420.711	189.830.098	459.694.058
Segment liabilities	186.032.270	40.060.397	36.831.140	149.205.780	412.129.587
Shareholders' equity	-	-	-	47.564.471	47.564.471
Total liabilities	186.032.270	40.060.397	36.831.140	196.770.251	459.694.058

⁽¹⁾ Related items have not been distributed based on operating segments and presented under "Treasury, Asset-Liability Management and Other".**13. Explanations on fees for services received from independent auditor ⁽¹⁾:**

Persuant to decision of POA dated March 26, 2021 and numbered 660, fees for services received from independent auditor are presented below:

	Current Period	Prior Period
Independent audit fee	7.350	7.626
Other assurance services fee	884	577
Total ⁽²⁾	8.234	8.203

⁽¹⁾ Value added tax (VAT) excluded amounts are presented.⁽²⁾ Relevant amounts are presented on a consolidated basis, including domestic and foreign subsidiaries of the Bank.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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	1.906.025	10.851.295	1.388.892	4.582.299
The CBRT ⁽¹⁾	20.761.039	82.670.116	9.111.172	39.945.078
Other	-	91	-	31
Total	22.667.064	93.521.502	10.500.064	44.527.408

⁽¹⁾ The balance of gold amounting to TL 8.606.660 is accounted for under the Central Bank foreign currency account (December 31, 2020 - TL 5.903.518).

1.1.2. Information on the account of the CBRT:

	Current Period		Prior Period	
	TL	FC	TL	FC
Demand unrestricted amount ⁽¹⁾	18.760.345	31.597.785	8.360.849	17.386.051
Time unrestricted amount	2.000.694	-	750.323	-
Time restricted amount	-	2.936.460	-	-
Reserve requirement ⁽²⁾	-	48.135.871	-	22.559.027
Total	20.761.039	82.670.116	9.111.172	39.945.078

⁽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 has financial assets at fair value through profit and loss subject to repo transactions and given as collateral/blocked amounts to TL 486.010 (December 31, 2020 - TL 332.041).

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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	1.233.837	4.633	607.047	990
Swap transactions	14.696.950	2.374.437	2.772.117	1.590.678
Futures transactions	22.123	-	-	-
Options	94.587	69.179	47.417	49.613
Other	-	-	-	-
Total	16.047.497	2.448.249	3.426.581	1.641.281

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⁾	-	-	-	-
Cash flow hedges ⁽¹⁾	3.486.396	46.092	546.658	-
Hedges for investments made in foreign countries	-	-	-	-
Total	3.486.396	46.092	546.658	-

⁽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	5.603.000	6.590	3.277.545	5.132
Foreign	-	19.996.176	-	7.781.450
Head quarters and branches abroad	-	-	-	-
Total	5.603.000	20.002.766	3.277.545	7.786.582

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

1.4.2. Information on foreign banks account

	Unrestricted amount		Restricted amount	
	Current Period	Prior Period	Current Period	Prior Period
EU countries	981.527	563.096	-	-
USA, Canada	18.197.385	6.739.706	732.093	435.910
OECD countries ⁽¹⁾	29.518	15.270	-	-
Off-shore banking regions	543	854	-	-
Other	55.110	26.614	-	-
Total	19.264.083	7.345.540	732.093	435.910

⁽¹⁾ OECD countries except EU countries, USA and Canada.

1.4.3. Information on money markets receiveables

As of December 31, 2021 a total of TL 1.809.366 reverse repo transactions with domestic banks are included in the money market receivables [December 31, 2020 - TL 1.700.842].

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, 2021 financial assets at fair value through other comprehensive income given as collateral/blocked amounts to TL 3.864.510 [31 December 2020 - TL 1.327.982], subject to repo transactions amounts to TL 11.993.150 [December 31, 2020 - TL 10.946.226].

1.6. Information on financial assets at fair value through other comprehensive income:

	Current Period	Prior Period
Debt securities	35.238.392	25.034.403
Quoted on stock exchange	35.238.392	25.034.403
Not quoted	-	-
Share certificates	67.871	66.771
Quoted on stock exchange	-	-
Not quoted	67.871	66.771
Impairment provision [-] ⁽¹⁾	796.563	237.007
Other	-	-
Total	34.509.700	24.864.167

⁽¹⁾ Includes the negative differences between the acquisition cost and the market price related to the securities portfolio.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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	296.623	1.070.846	136.055	898.824
Loans granted to employees	313.942	73	240.380	91
Total	610.565	1.070.919	411.455	898.915

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:

	Loans under close monitoring				
	Standard Loans	Not under the scope of restructuring	Loans under restructuring		
			Modifications on agreement conditions	Refinancing	
Cash Loans					
Non-specialized loans	321.235.034	28.173.262	7.677.179		30.296.190
Loans given to enterprises	137.968.682	15.459.298	7.449.299		14.809.796
Export loans	23.349.622	303.032	180.091		10.965.070
Import loans	-	-	-		-
Loans given to financial sector	14.614.098	-	-		-
Consumer loans	64.999.145	4.638.474	-		1.184.182
Credit cards	47.449.068	2.932.624	-		518.853
Other	32.854.419	4.839.834	47.789		2.818.289
Specialized loans	-	-	-		-
Other receivables	734.021	-	-		-
Total	321.969.055	28.173.262	7.677.179		30.296.190
			Standard loans	Loans under close monitoring	
12-month provisions for possible losses			3.082.442		-
Significant increase in credit risk			-		12.433.108
Total			3.082.442		12.433.108

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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	130.953.662	4.787.045	2.711.968
Medium and long-term loans	191.015.393	23.386.217	35.261.401
Total	321.969.055	28.173.262	37.973.369

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	209.520.842	64.999.145	47.449.068	321.969.055
Watch list	56.872.498	5.822.656	3.451.477	66.146.631
Loans under legal follow-up	14.604.181	2.862.975	1.418.646	18.885.802
Specific provisions [-]	9.963.054	2.505.366	1.249.426	13.717.846
Total	271.034.467	71.179.410	51.069.765	393.283.642
Prior 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

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

1.7.4.2. Specific provisions provided against loans:

	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
Current Period				
Opening balance	10.599.982	1.341.170	1.110.797	13.051.949
Impairment	2.010.925	1.487.193	387.055	3.885.173
Collections [-]	1.620.134	317.139	246.925	2.184.198
Write-off [-]	1.027.719	5.858	1.501	1.035.078
Total	9.963.054	2.505.366	1.249.426	13.717.846
Prior Period				
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

1.7.4.3. Fair value of collaterals:

	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
Current Period				
Watch List	34.589.805	308.416	-	34.898.221
Loans under legal follow-up	5.340.466	56.318	-	5.396.784
Total	39.930.271	364.734	-	40.295.005
Prior Period				
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

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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	1.654.017	64.555.241	66.209.258
Real estate loans	9.251	13.838.826	13.848.077
Automotive loans	107.023	1.896.620	2.003.643
Consumer loans	1.537.743	48.819.795	50.357.538
Consumer loans-FC indexed	-	19.382	19.382
Real estate loans	-	19.382	19.382
Automotive loans	-	-	-
Consumer loans	-	-	-
Individual credit cards-TL	35.116.786	273.394	35.390.180
With installments	17.395.946	33.539	17.429.485
Without installments	17.720.840	239.855	17.960.695
Individual credit cards-FC	38.984	-	38.984
With installments	-	-	-
Without installments	38.984	-	38.984
Personnel loans-TL	14.872	101.535	116.407
Real estate loans	-	2.130	2.130
Automotive loans	83	917	1.000
Consumer loans	14.789	98.488	113.277
Personnel loans-FC indexed	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Personnel credit cards-TL	186.786	352	187.138
With installments	88.192	237	88.429
Without installments	98.594	115	98.709
Personnel credit cards-FC	381	-	381
With installments	-	-	-
Without installments	381	-	381
Credit deposit account-TL [real person]⁽¹⁾	4.476.754	-	4.476.754
Total	41.488.580	64.949.904	106.438.484

⁽¹⁾ TL 10.016 of the credit deposit account belongs to the loans used by personnel.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

1.7.6. Information on commercial installment loans and corporate credit cards:

	Short-term	Medium and long-term	Total
Commercial installments loans-TL	1.551.059	18.734.710	20.285.769
Business loans	12.163	1.635.690	1.647.853
Automotive loans	365.343	5.393.914	5.759.257
Consumer loans	1.173.553	11.705.106	12.878.659
Commercial installments loans-FC indexed	-	2.260	2.260
Business loans	-	-	-
Automotive loans	-	414	414
Consumer loans	-	1.846	1.846
Corporate credit cards-TL	15.134.534	147.151	15.281.685
With installment	10.754.946	138.373	10.893.319
Without installment	4.379.588	8.778	4.388.366
Corporate credit cards-FC	2.177	-	2.177
With installment	-	-	-
Without installment	2.177	-	2.177
Credit deposit account-TL (legal person)	1.080.145	-	1.080.145
Total	17.767.915	18.884.121	36.652.036
		Current Period	Prior Period
Public		7.734.359	4.650.458
Private		380.381.327	270.479.253
Total		388.115.686	275.129.711

1.7.7. Distribution of by users⁽¹⁾:⁽¹⁾ Non-performing loans are not included.**1.7.8. Distribution of domestic and foreign loans⁽¹⁾:**

Distribution has been disclosed based on the location where the customers operate:

	Current Period	Prior Period
Domestic loans	381.609.663	271.933.805
Foreign loans	6.506.023	3.195.906
Total	388.115.686	275.129.711

⁽¹⁾ Non-performing loans are not included.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

1.7.9. Loans granted to associates and subsidiaries:

	Current Period	Prior Period
Direct loans granted to associates and subsidiaries	655.614	1.245.321
Indirect loans granted to associates and subsidiaries	-	-
Total	655.614	1.245.321

1.7.10. Information on credit-impaired [Stage 3]:

	Current Period	Prior Period
Loans with limited collectability	1.182.854	823.398
Loans with doubtful collectability	919.102	478.083
Uncollectable loans	11.615.890	11.750.468
Total	13.717.846	13.051.949

1.7.11. Information on non-performing loans (net):**1.7.11.1. Information on restructured loans from non-performing loans:**

	III. Group Loans with limited collectability	IV. Group Loans with doubtful collectability	V. Group Uncollectable loans
Current Period			
Gross amounts before specific reserves	224.398	264.332	2.593.383
Restructured loans	224.398	264.332	2.593.383
Prior Period			
Gross amounts before specific reserves	395	171.111	1.573.221
Restructured loans	395	171.111	1.573.221

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

1.7.11.2. Information on the movement of total non-performing loans:

	III. Group Loans with limited collectability	IV. Group Loans with doubtful collectability	V. Group Uncollectible loans
Prior Period	1.168.912	809.966	16.818.256
Additions (+)	2.024.895	1.748.783	793.822
Transfers from other categories of non- performing loans (+)	-	1.384.191	2.201.914
Transfer to other categories of non- performing loans (-)	1.384.191	2.201.914	-
Collections (-)	79.483	373.239	2.991.032
Write-offs (-)	-	-	1.035.078
Sold (-)	-	-	-
Corporate and commercial loans	-	-	-
Consumer loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Current Period	1.730.133	1.367.787	15.787.882
Specific provision (-)	1.182.854	919.102	11.615.890
Net balance on balance sheet	547.279	448.685	4.171.992

As of December 31, 2021, 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 corporate loans amounting to TL 975.062 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 4,87% to 4,64%.

1.7.11.3. Information on non-performing loans granted as foreign currency loans:

	III. Group Loans with limited collectability	IV. Group Loans with doubtful collectability	V. Group Uncollectible loans
Current Period			
Period end balance	110.805	138.311	4.346.103
Specific provision (-)	-	103.985	2.476.973
Net balance on-balance sheet	110.805	34.326	1.869.130
Prior 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

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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]	547.279	448.685	4.171.992
Loans granted to real persons and corporate entities [gross]	1.730.133	1.367.787	15.703.208
Provision amount [-]	1.182.854	919.102	11.531.216
Loans granted to real persons and corporate entities [net]	547.279	448.685	4.171.992
Banks [gross]	-	-	774
Provision amount [-]	-	-	774
Banks [net]	-	-	-
Other loans [gross]	-	-	83.900
Provision amount [-]	-	-	83.900
Other loans [Net]	-	-	-
Prior 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
Specific 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
Specific provision amount [-]	-	-	774
Banks [net]	-	-	-
Other loans and receivables [gross]	-	-	83.900
Specific provision amount [-]	-	-	83.900
Other loans and receivables [Net]	-	-	-

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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]			
Interest accruals and rediscounts and valuation differences	44.797	48.357	473.687
Provision amount [-]	141.651	159.451	1.384.551
Prior Period [net]	96.854	111.094	910.864
Interest accruals and rediscounts and valuation differences	3.450	26.342	236.026
Provision amount [-]	186.847	87.171	1.211.069
	183.397	60.829	975.043

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, during the period deemed appropriate under 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 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, 2021 financial assets measured at amortised cost given as collateral/blocked amounts to TL 37.175.723 [December 31, 2020 - TL 20.070.137]. Subject to repo transactions amounting to TL 38.973.794 [December 31, 2020 - TL 17.961.020].

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

1.8.2. Information on public sector debt securities measured at amortized cost:

	Current Period	Prior Period
Government bond	91.544.696	50.411.108
Treasury bill	-	-
Other public sector debt securities	330.804	330.804
Total	91.875.500	50.741.912

1.8.3. Information on financial assets measured at amortized cost:

	Current Period	Prior Period
Debt securities	94.485.705	52.056.190
Quoted on stock exchange	94.485.705	52.056.190
Not quoted	-	-
Impairment provision [-] ⁽¹⁾	2.610.205	1.314.278
Total	91.875.500	50.741.912

⁽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	50.741.912	28.305.659
Foreign currency differences on monetary assets ⁽¹⁾	21.284.748	4.799.139
Purchases during the year	22.521.429	20.429.342
Disposals through sales and redemptions[-]	1.376.662	2.352.411
Impairment provision [-] ⁽²⁾	1.295.927	439.817
Period end balance	91.875.500	50.741.912

⁽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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

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.	Tanı Pazarlama ve İletişim Hizmetleri A.Ş. ^[1]	Istanbul/Turkey	38,05	38,05
2.	Banque de Commerce et de Placements S.A.	Geneva/Switzerland	30,67	30,67
3.	Kredi Kayıt Bürosu ^[2]	Istanbul/Turkey	18,18	18,18
4.	Bankalararası Kart Merkezi A.Ş. ^[2]	Istanbul/Turkey	4,89	4,89

^[1] On November 30, 2021, the Bank acquired the shares of Tanı Pazarlama ve İletişim Hizmetleri A.Ş. for a price of TL 3.710, and on December 15, 2021, a cash capital increase of TL 22.950 was completed. As a result, as of 31 December 2021, the Bank owns 38,05% of the shares with a cost of TL 26.660.

^[2] Financial statement information disclosed above shows September 30, 2021 results.

1.9.2. Main financial figures of the investments in associates in the order of the above table:

NoN 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.	78.551	60.828	11.148	540	-	[4.539]	[1.012]	-
2.	53.369.271	7.826.506	38.018	589.227	97.347	220.850	42.729	-
3.	544.660	339.776	292.129	13.036	-	47.719	48.549	-
4.	397.536	328.592	88.442	27.498	-	93.651	35.413	-

1.9.3. Movement of unconsolidated investments in associates:

	Current Period	Prior Period
Balance at the beginning of the period	1.214.883	908.358
Movements during the period	874.307	306.525
Purchases	26.660	-
Free shares obtained profit from current year's share	-	5.686
Profit from current year's income	-	-
Sales[-]	-	-
Revaluation (decrease)/increase ^[1]	847.647	320.272
Impairment provision [-] ^[2]	-	19.433
Balance at the end of the period	2.089.190	1.214.883
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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

1.9.4. Information on sectors and the carrying amounts of unconsolidated financial investments in associates:

	Current Period	Prior Period
Banks	2.050.744	1.203.097
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Finance companies	-	-
Other financial investments	-	-
Total	2.050.744	1.203.097

1.9.5. Information on investments in associates quoted on a stock exchange:

None [December 31, 2020 - 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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

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	130.000	389.928	17.642	112.442
Inflation adjustment to share capital	-	-	-	-	-
Share premium	-	-	-	-	-
Other capital reserves	104.470	-	(217.104)	-	-
Other accumulated comprehensive income that will not be classified in profit or loss	49.294	(3.778)	(21.791)	(1.478)	-
Other accumulated comprehensive income that will be classified in profit or loss	1.569	-	-	-	4.900.026
Legal reserves	65.219	20.914	79.305	42.837	-
Extraordinary reserves	342.515	358.115	659.399	-	1.082.191
Other profit Reserves	-	-	-	-	-
Income or Loss	312.718	130.809	2.450.949	162.118	250.238
Current Year Income/Loss	382.664	130.809	458.471	162.118	250.238
Prior Years' Income/Loss	(69.946)	-	1.992.478	-	-
Leasehold improvements [-]	180	214	-	227	253
Intangible assets [-]	34.721	5.297	13.576	1.468	8.560
Total core capital	939.802	630.549	3.327.110	219.424	6.336.084
Supplementary capital	38.995	823	3.118	-	61.381
Capital	978.797	631.372	3.330.228	219.424	6.397.465
Deductions from the capital	-	-	-	-	-
Total shareholders' equity	978.797	631.372	3.330.228	219.424	6.397.465

The above information is based on the consolidated financial statements of the Bank as of December 31, 2021.

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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

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	250.066	249.068	-	-	-	574	[1.234]	-	-
2	5.561.949	974.703	72.499	205.489	18.258	382.664	213.734	-	-
3	5.458.932	636.060	11.025	597.489	-	130.809	90.062	-	-
4	17.876.560	3.340.686	18.255	1.126.663	-	458.471	354.776	-	-
5	268.157	221.119	3.478	27.140	-	162.118	103.391	-	-
6	27.398.376	6.344.898	14.917	538.067	39.404	250.238	158.402	-	-
7	3.119.776	696.579	121.973	80.764	5.881	[15.409]	7.308	-	-
8	62.504	49.557	4.669	4.398	-	5.613	3.513	-	-
9	77.765	58.186	2.045	264	-	12.688	11.808	-	-
10	34.832	23.260	2.775	2.520	-	6.317	4.429	-	-

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

1.10.4. Movement schedule of subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	8.811.658	6.888.953
Movements in period	4.298.961	1.922.705
Purchases	-	-
Free shares obtained profit from current years share	-	-
Dividends from current year income	1.293.019	883.080
Sales[-]	-	-
Revaluation increase/decrease ⁽¹⁾	3.048.890	1.159.882
Impairment provision [-] ⁽²⁾	42.948	120.257
Balance at the end of the period	13.110.619	8.811.658
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.**1.10.5. Sectoral information on financial subsidiaries and the related carrying amounts:**

Financial subsidiaries	Current Period	Prior Period
Banks	4.961.699	2.877.842
Insurance companies	-	-
Factoring companies	635.757	506.468
Leasing companies	3.340.483	2.905.625
Finance companies	-	-
Other financial subsidiaries	4.172.680	2.521.723
Total	13.110.619	8.811.658

1.10.6. Subsidiaries quoted on stock exchange:

None [December 31, 2020 - None].

1.11. Information on joint ventures [net]:

As of December 31, 2020, Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş. was consolidated through "Equity Method" in the accompanying unconsolidated financial statements of the Bank. With the Bank's Board of Directors resolution dated February 24, 2021, the Bank signed a share transfer agreement with Koray Gayrimenkul ve Yatırım A.Ş. for the shares of Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş. and sale transaction is completed on May 17, 2021 [December 31, 2020 - TL 22.874].

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

1.12. Information on lease receivables [net]:

None [December 31, 2020 - 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	3.478.259	197.749	2.800	1.383.317	1.813.901	6.876.026
Accumulated depreciation [-]	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
Current Period						
Net book value at beginning of the period	2.553.177	11.492	204	1.028.898	880.324	4.474.095
Additions	2.826	-	170	836.110	439.410	1.278.516
Disposals [-] net	29.750	3	4	321.747	5.140	356.644
Reversal of impairment	-	-	-	-	-	-
Impairment [-]	-	-	-	-	-	-
Depreciation [-]	18.915	1.638	105	304.007	219.922	544.587
Net book value at end of the period	2.507.338	9.851	265	1.239.254	1.094.672	4.851.380
Cost at the end of the period	3.434.880	164.152	2.964	1.663.687	2.185.450	7.451.133
Accumulated depreciation at the period end [-]	927.542	154.301	2.699	424.433	1.090.778	2.599.753
Net book value	2.507.338	9.851	265	1.239.254	1.094.672	4.851.380

⁽¹⁾ Includes branch and atm leases accounted within the scope of TFRS 16.

As of December 31, 2021, the Bank had total provision for impairment amounting to TL 207.329 [December 31, 2020 - TL 207.329] for the property and equipment.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

1.14. Information on intangible assets:

	Current Period	Prior Period
Balance at the beginning of the period	1.916.463	1.845.101
Additions during the period	291.351	253.264
Unused and disposed items [-]	2.629	323
Transfers to tangible assets	-	[3.751]
Impairment reversal	-	-
Amortization expenses [-]	203.524	177.828
Balance at the end of the period	2.001.661	1.916.463

1.15. Information on investment property:

None (December 31, 2020 - None).

1.16. Information on deferred tax:

	Current Period		Prior Period	
	Tax base	Deferred tax	Tax base	Deferred tax
Expected credit loss	17.222.220	3.614.426	11.568.720	2.313.744
Valuation difference of securities portfolio	2.873.192	795.327	-	-
Pension fund provision	1.813.098	362.620	1.461.542	292.308
Temporary differences	1.078.134	215.627	804.128	160.825
Subsidiaries, investment in associates and share certificates	131.456	26.291	131.456	26.291
Derivative financial assets	-	-	4.469.772	893.954
Other	2.541.998	509.537	2.515.177	503.036
Total deferred tax asset	25.660.098	5.523.828	20.950.795	4.190.158
Derivative financial assets	5.535.212	1.234.406	-	-
Property, equipment and intangibles, net	3.698.735	540.216	2.929.813	384.986
Valuation difference of securities portfolio	-	-	91.031	18.206
Other	1.151.302	264.634	1.117.345	223.480
Total deferred tax liability	10.385.249	2.039.256	4.138.189	626.672
Deferred tax asset/(liability) net	15.274.849	3.484.572	16.812.606	3.563.486

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 3.484.572 is presented in the financial statements (December 31, 2020 - TL 3.563.486 deferred tax assets).

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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	709.869	320.059
Additions ⁽¹⁾	1.045.265	772.522
Disposals [-], net	429.324	383.773
Impairment provision reversal	1.400	1.061
Impairment [-]	-	-
Depreciation [-]	-	-
Net book value at the end of the period	1.327.210	709.869
Cost at the end of the period	1.328.824	715.652
Accumulated depreciation at the end of the period [-]	1.614	5.783
Net book value at the end of the period	1.327.210	709.869

⁽¹⁾ In current period, the carrying value of asset held for resale with a right of repurchase is TL 900.827 (December 31, 2020 - TL 493.843). The total net carrying value of asset held for resale with a right of repurchase is TL 1.196.027 (December 31, 2020 - TL 493.843).

As of December 31, 2021, the Bank booked impairment provision on assets held for resale with an amount of TL 1.239 (December 31, 2020 - TL 2.639).

1.18. Information on other assets:

As of December 31, 2021, other assets do not exceed 10% of the total assets.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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 ⁽¹⁾	22.111.618	4.191.239	47.945.594	909.775	216.979	480.874	688	75.856.767
Foreign currency deposits	110.100.707	28.233.704	80.040.324	8.818.938	1.744.737	1.436.993	-	230.375.403
Residents in Turkey	108.499.354	27.828.517	77.421.578	8.685.909	1.602.143	912.347	-	224.949.848
Residents abroad	1.601.353	405.187	2.618.746	133.029	142.594	524.646	-	5.425.555
Public sector deposits	1.832.847	9.106	38.455	21.947	131	41	-	1.902.527
Commercial deposits	14.039.210	20.250.529	25.198.224	117.320	696.524	27.873	-	60.329.680
Other institutions deposits	201.166	237.363	1.728.377	24.270	67.643	255.287	-	2.514.106
Precious metals vault	20.180.484	-	416.447	-	1.332.472	68.645	-	21.998.048
Bank deposits	2.764.181	2.626.562	488.047	1.228.300	924.793	87.002	-	8.118.885
The CBRT	-	-	-	-	-	-	-	-
Domestic banks	7.048	2.579.646	472.761	1.228.300	924.793	87.002	-	5.299.550
Foreign banks	1.765.738	46.916	15.286	-	-	-	-	1.827.940
Participation banks	991.395	-	-	-	-	-	-	991.395
Other	-	-	-	-	-	-	-	-
Total	171.230.213	55.548.503	155.855.468	11.120.550	4.983.279	2.356.715	688	401.095.416

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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	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

⁽³⁾ With the press release of the Republic of Turkey Ministry of Treasury and Finance dated December 21, 2021 and the CBRT's No. 2021/14 Communiqué on Supporting the Conversion of Turkish Lira Deposit and Participation Accounts, the "Currency protected TL deposit" product which provide protection against foreign currency exchange rate changes for TL deposits was launched for residents in Turkey. In this context, as of 31 December 2021, the total deposits opened with the maturities of 3 months, 6 months, 9 months and 1 year are TL 3,193,103.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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 limit of the deposit insurance	
	Current Period	Prior Period	Current Period	Prior Period
Saving deposits				
Saving deposits	38.474.256	32.209.587	37.382.499	27.303.539
Foreign currency saving deposits	26.996.762	18.646.132	99.859.979	54.531.674
Other deposits in the form of saving deposits	8.382.987	6.731.306	11.481.306	6.041.089
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	22.114	12.611
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	353.230	258.641
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	-	-

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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	1.609.823	3.431	161.115	896
Swap transactions	11.099.391	3.583.345	5.166.378	1.961.908
Futures transactions	3.346	-	3.423	-
Options	9.660	50.985	31.063	16.460
Other	-	-	-	-
Total	12.722.220	3.637.761	5.361.979	1.979.264

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⁾	988.874	-	620.019	-
Cash flow hedges ⁽¹⁾	-	683.193	1.581.488	1.041.440
Hedges for investments made in foreign countries	-	-	-	-
Total	988.874	683.193	2.201.507	1.041.440

⁽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	797.351	780.731	631.727	202.486
From foreign banks, institutions and funds	748.055	58.798.031	112.035	37.334.191
Total	1.545.406	59.578.762	743.762	37.536.677

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

2.3.2. Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	623.569	7.394.532	736.277	7.297.496
Medium and long-term	921.837	52.184.230	7.485	30.239.181
Total	1.545.406	59.578.762	743.762	37.536.677

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	-	31.133.988	-	15.592.986
From foreign funds	-	-	-	-
Total	-	31.133.988	-	15.592.986

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, 2021, the total amount of financial liabilities classified as fair value through profit/loss is TL 25.794.232 [December 31, 2020 -TL 12.887.831] with an accrued interest income of TL 1.512.319 [December 31, 2020 - TL 404.249 income] and with a fair value difference of TL 1.145.200 recognized as an income [December 31, 2020 - TL 134.032 income]. 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, 2021 are TL 26.657.676 [December 31, 2020 - TL 12.925.055] for buy legs and sell legs with a fair value differences amounting to TL 1.377.439 liability [December 31, 2020 - TL 386.416 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	5.828.651	-	3.623.981	-
Bills ⁽¹⁾	1.411.897	27.013.194	1.610.481	15.282.960
Total	7.240.548	27.013.194	5.234.462	15.282.960

⁽¹⁾ Including mortgage backed securities amounting to TL 2.037.105 as of December 31, 2021 [December 31, 2020 - TL 2.036.940].

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

2.4. Information on other liabilities:

As of December 31, 2021, 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	435.020	291.639	351.699	223.815
Between 1 - 4 years	879.335	589.544	767.760	488.598
More than 4 years	633.999	425.034	571.689	363.814
Total	1.948.354	1.306.217	1.691.148	1.076.227

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 [%]	4,45	4,63
Possibility of being eligible for retirement [%]	95,39	95,30

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 10.848,59 effective from January 1, 2021 [January 1, 2021 - full TL 7.638,96] 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	635.407	520.383
Changes during the period	90.323	85.654
Recognized in equity	244.984	125.833
Paid during the period	[73.301]	[96.463]
Balance at the end of the period	897.413	635.407

In addition, the Bank has accounted for unused vacation rights provision amounting to TL 180.721 as of December 31, 2021 [December 31, 2020 - TL 168.721].

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

2.6.2. Information on provisions related with the foreign currency difference of foreign currency indexed loans:

None. [December 31, 2020 - None].

2.6.3. Other provisions:

	Current Period	Prior Period
Pension fund provision	1.813.098	1.461.542
Provisions on unindemnified non cash loans	843.108	715.217
Generic provisions on non cash loans	874.667	346.464
Provision on lawsuits	112.488	78.833
Provisions on credit cards and promotion campaigns related to banking services	65.061	64.697
Other	1.039.943	897.655
Total	4.748.365	3.564.408

Pension fund provision:

The Bank provided provision amounting to TL 1.813.098 [December 31, 2020 - TL 1.461.542] 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. As of 31 December 2021, the Bank accounted pension fund provision in accordance with the "TAS 19 - Employee Benefits" standard. Accordingly, as of December 31, 2021, in the calculation of pension fund provision the change arises,

- As a result of service cost and interest is accounted under income statement,
- As a result of change in actuarial valuations are accounted under shareholders' equity.

	Current Period	Prior Period
Amount recorded under equity	310.547	-
Income statement [Other operations charge/benefit]	41.009	283.479

The amounts recognized in the balance sheet are determined as follows:

	Current Period	Prior Period
Present value of funded obligations	5.227.518	4.255.790
- Pension benefits transferable to SSI	5.554.489	4.564.310
- Post employment medical benefits transferable to SSI	[326.971]	[308.520]
Fair value of plan assets	[3.414.420]	[2.794.248]
Provision for the actuarial deficit of the pension fund	1.813.098	1.461.542

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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	1.721.091	51	1.620.269	58
Government bonds and treasury bills	1.177.492	34	754.788	27
Premises and equipment	385.718	11	290.223	10
Other	130.119	4	128.968	5
Total	3.414.420	100	2.794.248	100

2.7. Information on taxes payable:

2.7.1. Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	2.006.608	1.434.478
Banking Insurance Transaction Tax ["BITT"]	266.769	168.561
Taxation of Marketable Securities	221.126	143.115
Value Added Tax Payable	75.843	11.005
Foreign Exchange Transaction Tax	26.780	9.549
Property Tax	4.593	2.060
Other	160.196	86.211
Total	2.761.915	1.854.979

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

2.7.2. Information on premium payables:

	Current Period	Prior Period
Social security premiums - employee	-	-
Social security premiums - employer	-	-
Bank pension fund premiums - employee	44.576	25.358
Bank pension fund premiums - employer	61.826	35.101
Pension fund deposit and provisions - employee	-	-
Pension fund deposit and provisions - employer	-	-
Unemployment insurance - employee	3.182	1.811
Unemployment insurance - employer	6.366	3.624
Other	-	-
Total	115.950	65.894

2.8. Liabilities for property and equipment held for sale and related to discontinued operations [net]:

None (December 31, 2020 - 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	-	8.973.642	-	5.066.291
Subordinated loans	-	-	-	-
Subordinated debt	-	8.973.642	-	5.066.291
Debt instruments to be included in contribution capital calculation	808.921	29.659.436	838.459	16.750.304
Subordinated loans	-	11.144.441	-	6.305.871
Subordinated debt	808.921	18.514.995	838.459	10.444.433
Total	808.921	38.633.078	838.459	21.816.595

⁽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	-	-

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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 2020 - None].

2.10.4. Information on transfers from capital reserves to capital during the current period:

None [December 31, 2020 - None].

2.10.5. Information on capital commitments, until the end of the fiscal year and the subsequent interim period:

None [December 31, 2020 - 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, 2020 - None].

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	725.343	8.335.589	753.923	4.410.468
Revaluation difference ⁽¹⁾	725.343	438.065	753.923	436.694
Foreign currency difference ⁽¹⁾	-	7.897.524	-	3.973.774
Financial assets at fair value through other comprehensive income	1.716.630	[257.924]	91.560	121.792
Revaluation difference ⁽²⁾	1.716.630	[257.924]	91.560	121.792
Foreign currency differences	-	-	-	-
Total	2.441.973	8.077.665	845.483	4.532.260

⁽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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

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	58.777.036	48.016.964
Asset purchase and sale commitments	19.796.270	14.537.665
Loan granting commitments	26.827.510	17.976.082
Commitments for cheques	4.306.427	3.437.866
Other irrevocable commitments	12.933.577	8.458.927
Total	122.640.820	92.427.504

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 874.667 (December 31, 2020 - TL 346.464) and specific provision amounting to TL 1.138.170 (December 31, 2020 - TL - 987.003) for non-cash loans which are not indemnified yet amounting to TL 843.108 (December 31, 2020 - TL 715.217).

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	545.822	238.025
Letter of credits	25.507.486	9.011.522
Other guarantees and collaterals	15.072.056	9.982.292
Total	41.125.364	19.231.839

3.1.2.2. Guarantees, suretyships and other similar transactions:

	Current Period	Prior Period
Temporary letter of guarantees	2.091.040	2.481.798
Definite letter of guarantees	62.846.729	46.120.693
Advance letter of guarantees	19.182.209	12.163.916
Letter of guarantees given to customs	3.690.473	3.478.997
Other letter of guarantees	31.683.924	17.750.038
Total	119.494.375	81.995.442

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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	30.422.800	16.929.756
With original maturity of 1 year or less than 1 year	8.963.485	2.208.637
With original maturity of more than 1 year	21.459.315	14.721.119
Other non-cash loans	130.196.939	84.297.525
Total	160.619.739	101.227.281

3.1.3.2. Information on sectoral concentration of non-cash loans:

	Current Period				Prior Period			
	TL	[%]	FC	[%]	TL	[%]	FC	[%]
Agricultural	823.851	2,00	2.012.996	1,69	633.224	1,94	2.573.859	3,75
Farming and raising livestock	617.580	1,50	1.301.752	1,09	446.408	1,37	2.058.711	3,00
Forestry	181.186	0,44	402.283	0,34	160.331	0,49	354.425	0,52
Fishing	25.085	0,06	308.961	0,26	26.485	0,08	160.723	0,23
Manufacturing	20.340.199	49,49	72.425.805	60,60	16.624.112	51,06	37.410.427	54,48
Mining	249.931	0,61	368.940	0,31	128.631	0,40	160.296	0,23
Production	16.517.087	40,19	63.194.132	52,87	13.176.556	40,47	31.335.726	45,64
Electric, gas and water	3.573.181	8,69	8.862.733	7,42	3.318.925	10,19	5.914.405	8,61
Construction	8.089.096	19,68	20.451.957	17,11	6.741.414	20,70	14.100.118	20,53
Services	11.565.437	28,14	24.529.798	20,51	7.988.869	24,53	14.367.923	20,92
Wholesale and retail trade	3.008.613	7,32	2.730.677	2,28	2.261.631	6,95	1.479.205	2,15
Hotel, food and beverage services	462.912	1,13	2.295.933	1,92	355.821	1,09	2.013.795	2,93
Transportation and telecommunication	1.430.803	3,48	5.909.237	4,94	1.093.527	3,36	3.665.560	5,34
Financial institutions	5.035.621	12,25	5.395.314	4,51	2.961.302	9,09	2.635.844	3,84
Real estate and leasing services	362.450	0,88	1.406.152	1,18	238.678	0,73	784.862	1,14
Self-employment services	-	-	-	-	-	-	-	-
Education services	88.718	0,22	84.781	0,07	53.880	0,17	60.144	0,09
Health and social services	1.176.320	2,86	6.707.704	5,61	1.024.030	3,14	3.728.513	5,43
Other	277.684	0,69	102.916	0,09	575.128	1,77	212.207	0,32
Total	41.096.267	100,00	119.523.472	100,00	32.562.747	100,00	68.664.534	100,00

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

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	39.091.861	77.967.594	984.667	527.227
Bank acceptances	-	545.822	-	-
Letters of credit	71.417	25.262.223	-	173.846
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring guarantees	-	-	-	-
Other commitments and contingencies	704.055	14.356.161	-	-
Total	39.867.333	118.131.800	984.667	701.073

Prior 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

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	-	18.093.200	7.188.572	225.714	25.507.486
Letter of guarantee	34.626.114	27.635.813	44.780.613	12.451.835	119.494.375
Bank acceptances	-	515.441	30.381	-	545.822
Other	1.864.494	1.878.281	1.443.730	9.885.551	15.072.056
Total	36.490.608	48.122.735	53.443.296	22.563.100	160.619.739

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

Prior 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

⁽¹⁾ The distribution is based on the original maturities.**3.2. Information on derivative financial instruments:**

	Current Period	Prior Period
Types of trading transactions		
Foreign currency related derivative transactions (I)	221.188.435	157.142.456
FC trading forward transactions	26.281.127	16.091.168
Trading swap transactions	184.719.336	131.025.877
Futures transactions	1.135.020	414.267
Trading option transactions	9.052.952	9.611.144
Interest related derivative transactions (II)	236.085.173	147.553.561
Forward interest rate agreements	-	-
Interest rate swaps	231.543.920	142.948.898
Interest rate options	4.541.253	4.604.663
Interest rate futures	-	-
Other trading derivative transactions (III)	86.902.870	39.503.746
A. Total trading derivative transactions (I+II+III)	544.176.478	344.199.763
Types of hedging derivative transactions		
Transactions for fair value hedge	1.496.113	3.341.689
Cash flow hedges	110.955.171	91.306.804
Transactions for foreign net investment hedge	-	-
B. Total hedging related derivatives	112.451.284	94.648.493
Total derivative transactions (A+B)	656.627.762	438.848.256

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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 2021. Credit default swaps linked to credit link notes are for the purposes protection seller and included in this figure [December 31, 2020 - None].

Derivative portfolio includes total return swaps for TL 52.515.352 [31 December 2020 - TL 25.050.110] for the period ended 31 December 2021.

3.4. Information on contingent liabilities and assets:

The Bank has recorded a provision of TL 112.488 [December 31, 2020 - TL 78.833] 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.

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⁾	9.683.937	1.026.253	5.125.867	597.064
Medium/long-term loans ⁽¹⁾	18.474.312	6.803.924	12.848.354	5.599.183
Interest on loans under follow-up	1.156.707	-	1.137.645	-
Premiums received from resource utilization support fund	-	-	-	-
Total	29.314.956	7.830.177	19.111.866	6.196.247

⁽¹⁾ Includes fees and commissions received for cash loans.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

4.1.2. Information on interest income on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
From the CBRT	1.663	-	1.963	-
From domestic banks	260.361	70	217.293	700
From foreign banks	1.367	135.592	75	224.765
Headquarters and branches abroad	-	-	-	-
Total	263.391	135.662	219.331	225.465

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	8.954	16.662	6.626	7.620
From financial assets at fair value through other comprehensive income	4.208.583	171.363	2.775.325	223.744
From financial assets measured at amortised cost	7.838.925	906.508	3.316.303	779.904
Total	12.056.462	1.094.533	6.098.254	1.011.268

4.1.4. Information on interest income received from associates and subsidiaries:

	Current Period	Prior Period
Interest received from associates and subsidiaries	93.997	64.750
Total	93.997	64.750

4.2. Information on interest expense:**4.2.1. Information on interest expense on borrowings:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	182.424	1.519.026	51.653	1.308.515
The CBRT	-	-	-	-
Domestic banks	96.184	15.529	50.109	7.710
Foreign banks	86.240	1.503.497	1.544	1.300.805
Headquarters and branches abroad	-	-	-	-
Other institutions	-	582.528	-	679.195
Total ⁽¹⁾	182.424	2.101.554	51.653	1.987.710

⁽¹⁾ Includes fees and commissions related to borrowings.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

4.2.2. Information on interest expense to associates and subsidiaries:

	Current Period	Prior Period
Interest paid to associates and subsidiaries	73.101	36.021
Total	73.101	36.021

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	1.389.174	3.425.280	1.073.421	2.332.208
Total	1.389.174	3.425.280	1.073.421	2.332.208

4.2.4. Information on interest expense on money market transactions

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest expense on money market transactions	6.155.265	48.821	1.261.988	35.800
Total	6.155.265	48.821	1.261.988	35.800

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

4.2.5. 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	18.777	196.869	36.832	-	-	-	-	252.478	133.019
Saving deposits	-	470.862	7.749.984	155.668	33.720	46.299	265	8.456.798	4.676.479
Public sector deposits	-	3.381	4.288	1.176	22	19	-	8.886	1.573
Commercial deposits	27	1.747.308	3.671.345	23.644	43.835	5.711	-	5.491.870	2.697.369
Other deposits	-	43.181	315.527	6.575	55.967	31.755	-	453.005	386.394
Deposits with 7 days notification	-	-	-	-	-	-	-	-	-
Total	18.804	2.461.601	11.777.976	187.063	133.544	83.784	265	14.663.037	7.894.834
FC									
Foreign currency deposits	580	122.787	534.826	42.328	28.023	6.909	-	735.453	870.024
Bank deposits	7.873	20.838	21	-	-	-	-	28.732	32.197
Deposits with 7 days notification	-	-	-	-	-	-	-	-	-
Precious metal vault	-	261	1.666	-	1.850	224	-	4.001	7.075
Total	8.453	143.886	536.513	42.328	29.873	7.133	-	768.186	909.296
Grand total	27.257	2.605.487	12.314.489	229.391	163.417	90.917	265	15.431.223	8.804.130

4.3. Information on dividend income:

	Current Period	Prior Period
Financial assets at fair value through profit or loss	1.666	1.786
Financial assets at fair value through other comprehensive income	1.615	724
Other	-	506
Total	3.281	3.016

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

4.4. Information on trading gain/loss (net):

	Current Period	Prior Period
Gain	181.635.277	77.262.608
Gain from capital market transactions	259.360	487.701
Derivative financial transaction gains	65.757.857	26.423.294
Foreign exchange gains	115.618.060	50.351.613
Loss [-]	181.460.199	77.005.798
Loss from capital market transactions	100.788	79.113
Derivative financial transaction losses	44.110.774	24.734.977
Foreign exchange loss	137.248.637	52.191.708
Net gain/loss	175.078	256.810

4.5. Allowance for expected credit losses and other provision expenses:

	Current Period	Prior Period
Allowance for expected credit losses	9.693.034	9.490.527
12-month expected credit losses (Stage 1)	1.229.452	1.788.620
Significant increase in credit risk (Stage 2)	4.424.048	3.395.759
Credit-Impaired (Stage 3)	4.039.534	4.306.148
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	77.989	463.611
Total	9.771.023	9.954.138

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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 28.235.231 [December 31, 2020 - TL 3.510.718 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.

4.8. Information related to other operating expenses:

	Current Period	Prior Period
Reserve for employee termination benefits	17.022	-
Provision expense for pension fund	41.009	283.479
Impairment expenses of property and equipment	-	74
Depreciation expenses of property and equipment	544.587	508.421
Impairment expenses of intangible assets	-	-
Goodwill impairment expenses	-	-
Amortisation expenses of intangible assets	203.524	177.828
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	3.710.161	2.731.050
IFRS 16 exempt lease expenses	85.934	68.891
Repair and maintenance expenses	192.130	136.444
Advertising expenses	179.807	148.402
Other expense	3.252.290	2.377.313
Loss on sales of assets	1.479	11
Other	1.335.852	1.147.357
Total	5.853.634	4.848.220

4.9. Provision for taxes on income from continuing operations and discontinued operations:

The profit before tax includes TL 22.697.482 [December 31, 2020 - TL 16.976.801] of net interest income, TL 7.314.676 [December 31, 2020 - TL 5.246.814] of net fees and commissions expenses, TL 4.433.204 personnel expenses [December 31, 2020 - TL 3.576.234] and other operating expenses amounting to TL 5.853.634 [December 31, 2020 - TL 4.848.220].

As of December 30, 2020, the Bank has no [December 31, 2020 - None] profit before tax from discontinued operations.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

4.10. Provision for taxes on income from continuing operations and discontinued operations:

As of December 31, 2021, the Bank has TL 3.257.106 [December 31, 2020 - TL 3.111.457] tax expense from continued operations, from discontinued operations none and deferred tax income from continued operations amounting to TL 261.170 [December 31, 2020 - TL 1.639.000 deferred tax income].

	Current Period	Prior Period
Profit before tax	13.485.694	6.551.975
Tax calculated at statutory rate	3.371.424	1.441.435
Nondeductible expenses, discounts and other, net	[375.488]	31.022
Total	2.995.936	1.472.457

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.

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 2021, revaluation gain under shareholders' equity is amounting to TL 1.856.179 [December 31, 2020 - TL 1.853.991].

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

5.5. Explanations related to accumulated remeasurement gains/losses of defined benefit plans:

Accumulated remeasurement gains/losses of defined benefit plans are accounted under equity. As of December 31, 2021 actuarial loss related to employee rights provision accounted under equity is amounting to TL 573.117 [December 31, 2020 - TL 377.130], actuarial loss related to pension fund provision is amounting to TL 248.438 [December 31, 2020 - None].

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, 2021 is TL 2.332.875 gain [December 31, 2020 - 976.829 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, 2021 is EUR 495 million [31 December 2020 is EUR 471 million]. The foreign exchange loss of TL 4.135.092 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 2020- TL 2.055.679 loss].

5.9. Information on share issue premium:

Other capital and profit reserves, in general, consist of legal reserves and extraordinary reserves.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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	39.029.018	39.376.992
Cash and effectives	5.971.223	4.508.447
Demand deposits in banks	33.057.795	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

6.1.3.2 Cash and cash equivalents at the end of the period:

	Current Period	Prior Period
Cash	82.130.561	39.029.018
Cash and effectives	12.757.411	5.971.222
Demand deposits in banks	69.373.150	33.057.796
Cash equivalents	13.077.137	6.160.864
Interbank money market	1.808.653	1.700.000
Time deposits in banks	11.268.484	4.460.864
Total cash and cash equivalents	95.207.698	45.189.882

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 2021 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 99.216.587 [December 31, 2020 - TL 48.740.955].

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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 1.025.716 as of December 31, 2021 [December 31, 2020 - TL 546.201 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 5.954.565 as of December 31, 2021 [December 31, 2020 - TL 1.204.820 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 27.218.430 as of December 31, 2021 [December 31, 2020 - TL 18.190.396 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	1.245.321	301.506	883.127	898.824	5.231.297	2.078.697
Balance at the end of the period	655.614	892.378	3.012.999	1.070.846	7.098.747	3.310.640
Interest and commission income received	93.997	2.863	39.171	8.799	762.204	14.229
Prior Period						
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

⁽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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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	1.949.302	756.246	24.402.131	29.776.134	30.828.068	22.505.574
End of the period	2.837.798	1.949.302	38.192.490	24.402.131	50.910.186	30.828.068
Interest expense on deposits	73.101	36.021	1.638.677	1.060.342	1.781.238	976.413

^[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.**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]	1.181.891	7.110.079	1.573.859	563.016	1.585.212	10.730.513
End of the period ^[2]	4.298.899	1.181.891	2.828.070	1.573.859	379.300	1.585.212
Total profit/[loss] ^[3]	906.161	193.598	53.810	[19.372]	[568.127]	[170.836]
Transactions for hedging purposes						
Beginning of the period ^[2]	-	-	516.747	1.059.016	-	-
End of the period ^[2]	-	-	525.855	516.747	-	-
Total profit/[loss]	-	-	25.855	16.747	-	-

^[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 Bank's top management**

Salaries and benefits paid to the Bank's top management amount to TL 107.903 as of December 31, 2021 [December 31, 2020 - TL 78.335].

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

8. Explanations and notes related to the domestic, foreign, off-shore branches or associates and foreign representatives of the Bank:

	Number	Number of Employees			
Domestic Branch	803	15.449			
			<u>Country of incorporation</u>		
Foreign Rep. Office	-	-	-		
				<u>Total asset</u>	<u>Statutory share capital</u>
Foreign Branch	1	3	Bahrain	18.504.370	-
Off-Shore Banking Region Branch			-	-	-

9. Explanations and notes related to subsequent events:

None.

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, 2021 have been audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. The independent auditor's report dated, February 3, 2022 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, 2021 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]

INDEPENDENT AUDITOR'S REPORT

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 2021, 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 2021, 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 (including Independence Standards) (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.

INDEPENDENT AUDITOR'S REPORT

<i>Key Audit Matters</i>	<i>How the key audit matter was addressed in the audit</i>
<p data-bbox="78 435 573 460">Expected credit losses for loans and receivables</p> <p data-bbox="78 478 891 736">The Group has total expected credit losses for loans and receivables amounting to TL 30.476.354 thousand in respect to total loans and receivables amounting to TL 444.362.519 thousand which represent a significant portion of the Group's total assets in its consolidated financial statements as at 31 December 2021. 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 2021.</p> <p data-bbox="78 756 891 1248">The Group recognizes provision for impairment in accordance with "IFRS 9 Financial Instruments" ("IFRS 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 the estimates and assumptions used by the Bank's management in determining the expected credit loss provisions for loans and receivables as of 31 December 2021, 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 data-bbox="915 435 1728 575">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 data-bbox="915 595 1728 940">We checked appropriateness of matters considered in methodology applied by the Group with IFRS 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 the approaches to reflecting reasonable and supportable forward looking expectations (including macroeconomic factors) with our financial risk experts. Our procedures also included the following:</p> <ul data-bbox="915 956 1728 1309" 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.

<i>Key Audit Matters</i>	<i>How the key audit matter was addressed in the audit</i>
<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"> - 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

<i>Key Audit Matters</i>	<i>How the key audit matter was addressed in the audit</i>
<p>Valuation of Pension Fund obligations</p> <p>The Group has booked provision amounting to TL 1.813.098 for Pension Fund Liabilities in the accompanying consolidated financial statements as at 31 December 2021. Explanations on Valuation of Pension Obligations are presented in the section five part 2.6.3 in the accompanying consolidated 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 Group'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 Group 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 checked whether significant changes in actuarial assumptions used in calculation, employee benefits in the period, plan assets and liabilities, and laws 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> <p>We evaluated the adequacy of the disclosures made in the consolidated financial statements of the Bank regarding the Pension Fund.</p>

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.

INDEPENDENT AUDITOR'S REPORT

- 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.

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 actions taken to eliminate threats or safeguards applied.

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.

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 2021 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.

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.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Didem Demer Kaya, SMMM
Partner
Istanbul, 3 February 2022

YAPI VE KREDİ BANKASI A.Ş.

THE CONSOLIDATED YEAR END FINANCIAL REPORT OF YAPI VE KREDİ BANKASI A.Ş. AS OF DECEMBER 31, 2021

[Convenience translation of publicly announced consolidated year end 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 and associates, whose financial statements have been consolidated in these consolidated financial statements are as follows.

Subsidiaries	Associates
1. Yapı Kredi Finansal Kiralama A.O.	1. Banque de Commerce et de Placements S.A.
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 the Audit Committee

Mehmet TIRNAKLI
Member of the Audit Committee

Nevin İPEK
Member of the 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

CONTENTS

	Page
Section one - General information	
1. History of the Parent Bank including its incorporation date, initial legal status and amendments to legal status	408
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	408
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	409
4. Information on the individual and corporate shareholders having control shares of the Parent Bank	410
5. Summary information on the Parent Bank's activities and service types	411
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	411
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	411
Section two - Consolidated financial statements	
1. Consolidated balance sheet (Statement of Financial Position)	412
2. Consolidated off-balance sheet commitments	414
3. Consolidated income statements	416
4. Consolidated statement of income and expense items accounted under shareholders' equity	417
5. Consolidated statement of changes in shareholders' equity	418
6. Consolidated statement of cash flows	420
7. Profit distribution statement	421
Section three - Accounting policies	
1. Explanations on basis of presentation	422
2. Explanations on strategy of using financial instruments and foreign currency transactions	424
3. Information on consolidation principles	424
4. Explanations on forward and options contracts and derivative instruments	426
5. Explanations on interest income and expense	428
6. Explanations on fee and commission income and expenses	429
7. Explanations on financial assets	429
8. Explanations on impairment of financial assets	433
9. Explanations on offsetting financial assets	436
10. Explanations on sales and repurchase agreements and securities lending transactions	437
11. Information on assets held for resale and related to discontinued operations and explanations on liabilities related with these assets	437
12. Explanations on goodwill and other intangible assets	437
13. Explanations on property and equipment	438
14. Explanations on leasing transactions	439
15. Explanations on provisions, contingent assets and liabilities	439
16. Explanations on obligations related to employee rights	440
17. Explanations on taxation	441

18. Additional explanations on borrowings	443
19. Explanations on issuance of share certificates	443
20. Explanations on avalized drafts and letter of acceptances	443
21. Explanations on government grants	444
22. Profit reserves and profit distribution	444
23. Earnings per share	444
24. Related parties	444
25. Explanations on operating segments	444
26. Explanations on other matters	445
Section four- Financial Position and Risk Management	
1. Explanations on consolidated own funds	445
2. Explanations on Consolidation Based Risk Management	453
3. Explanations on Consolidation Based Risk Management	461
4. Explanations on consolidated currency risk	502
5. Explanations on consolidated interest rate risk	504
6. Explanation on share certificates position risk from banking book	508
7. Explanations on consolidated liquidity risk management and liquidity coverage ratio	508
8. Explanations on consolidated leverage ratio	514
9. Explanations on the presentation of financial assets and liabilities at fair values	516
10. Explanations on hedge accounting	518
11. Explanations on the activities carried out on behalf of others and fiduciary transactions	521
12. Explanations on consolidated operating segments	521
13. Explanations on fees for services received from independent auditor [1]	524
Section five - Explanations and notes related to consolidated financial statements	
1. Explanations and notes related to consolidated assets	524
2. Explanations and notes related to consolidated liabilities	546
3. Explanations and notes related to consolidated off-balance sheet accounts	555
4. Explanations and notes related to consolidated income statement	560
5. Explanations and notes related to consolidated statement of changes in shareholders' equity	566
6. Explanations and notes related to consolidated statement of cash flows	568
7. Explanations and notes related to Group's risk group	569
8. Explanations and notes related to the domestic, foreign, off-shore branches or associates and foreign representatives of the Bank[1]	571
9. Explanations and notes related to subsequent events	571
Section six - Other explanations and notes	
1. Other explanations on the Parent Bank's operations	571
Section seven - Explanations on independent report	
1. Explanations on independent auditor's audit review report	571
2. Explanations and notes prepared by the independent auditor	571

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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, 2021, 32,03% of the shares of the Bank are publicly traded [December 31, 2020 - 30,03%]. 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 18,00% 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 year 2021, UCG completed the sale of of 2,00% shares in stock market and for the sale of remaining 18,00% shares UCG came to an agreement with Koç Group as per the Share Sale and Purchase Agreement relating to the sale of the Parent Bank publicly disclosed on 30.11.2019. Accordingly, it has been announced that Koç Group used its right of first offer for the sale of the Parent Bank shares which are planned to be sold by UCG. As of December 31, 2021 the sale transaction has not been completed.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira [“TL”]]

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.O. [“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

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, 2021 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⁽¹⁾:

Name	Responsibility
Y. Ali KOÇ	Chairman
Levent ÇAKIROĞLU	Vice Chairman
Gökhan ERÜN	Executive Director and CEO
A. Ümit TAFTALI	Member
Ahmet ÇİMENÖĞLU	Independent Member
Ahmet Fadıl ASHABOĞLU	Member
Mehmet TIRNAKLI	Independent Member
Melih POYRAZ	Member
Nevin İPEK	Independent Member
Virma SÖKMEN	Independent Member

⁽¹⁾ Niccolò Ubertaini and Wolfgang Schilk, members of Board of Directors of the Parent Bank, have resigned from their positions as of December 28, 2021. The situation of the vacant member positions are being evaluated and Board of Directors continue to do its duty with its current structure.

Audit Committee Members:

Name	Responsibility
Ahmet ÇİMENÖĞLU	Chairman
Mehmet TIRNAKLI	Member
Nevin İPEK	Member

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

General Manager:

Name	Responsibility
Gökhan ERÜN	Executive Director and CEO

Assistant General Managers⁽¹⁾:

Name	Responsibility
Abdullah GEÇER	Internal Audit
Akif Cahit ERDOĞAN	Commercial and SME Banking Management
Cemal Aybars SANAL	Legal Management
Demir KARAASLAN	Financial Planning and Administration
Mehmet Erkan AKBULUT	Credits
Mehmet Erkan ÖZDEMİR	Compliance, Internal Control and Risk Management/Consumer Relations Coordination Officer
Muharrem Kaan ŞAKUL	Corporate Banking
Saruhan YÜCEL	Treasury Management
Serkan ÜLGEN	Retail Banking
Uğur Gökhan ÖZDİNÇ	Technology, Data and Process Management
Yakup DOĞAN	Limitless Banking

⁽¹⁾ Hakan Alp, Assistant General Manager responsible for Human Resources, Organization and Internal Services Management has deceased, and no appointment has been made to the Human Resources, Organization and Internal Services Management Assistant General Manager as of the report date.

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	1.520.469.231,00	18,00	1.520.469.231,00	-

Koç Finansal Hizmetler A.Ş. is owned by Koç Group and Temel Ticaret ve Yatırım A.Ş..

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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, 2021, the Parent Bank has 803 branches operating in Turkey and 1 branch in overseas [December 31, 2020 - 834 branches operating in Turkey, 1 branch in overseas].

As of December 31, 2021, the Parent Bank has 15.452 employees [December 31, 2020 - 16.037 employees]. The Parent Bank together with its consolidated subsidiaries is referred to as the "Group" in these consolidated financial statements. As of December 31, 2021 the Group has 16.313 employees [December 31, 2020 - 16.871 employees].

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, the associate of the Bank is 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, 2021 AND DECEMBER 31, 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

Section two - Consolidated financial statements**1. Consolidated balance sheet (Statement of Financial Position)**

	Note (Section Five)	Current Period (31.12.2021)			Prior Period (31.12.2020)		
		TL	FC	Total	TL	FC	Total
ASSETS							
I. FINANCIAL ASSETS (Net)		78.322.335	134.733.909	213.056.244	40.188.276	67.055.054	107.243.330
1.1 Cash and Cash Equivalents	1.1	30.957.326	124.664.036	155.621.362	15.922.081	59.773.824	75.695.905
1.1.1 Cash and Balances with Central Bank		22.667.186	97.081.055	119.748.241	10.500.301	47.182.253	57.682.554
1.1.2 Banks	1.4	6.546.138	27.858.220	34.404.358	3.753.221	12.732.753	16.485.974
1.1.3 Money Markets	1.4.3	1.809.366	-	1.809.366	1.700.842	-	1.700.842
1.1.4 Provisions for Expected Losses [-]		65.364	275.239	340.603	32.283	141.182	173.465
1.2 Financial assets where fair value change is reflected to income statement	1.2	336.837	464.817	801.654	345.122	331.643	676.765
1.2.1 Government debt securities		27.044	179.601	206.645	106.399	170.315	276.714
1.2.2 Share certificates		305.324	-	305.324	238.703	-	238.703
1.2.3 Other financial assets		4.469	285.216	289.685	20	161.328	161.348
1.3 Financial assets where fair value change is reflected to other comprehensive income statement	1.5.1.6	27.776.504	7.021.006	34.797.510	19.844.401	5.256.159	25.100.560
1.3.1 Government debt securities		27.628.275	6.124.117	33.752.392	19.689.965	3.302.506	22.992.471
1.3.2 Share certificates		84.348	6.727	91.075	84.336	3.942	88.278
1.3.3 Other financial assets		63.881	890.162	954.043	70.100	1.949.711	2.019.811
1.4 Derivative Financial Assets	1.3	19.251.668	2.584.050	21.835.718	4.076.672	1.693.428	5.770.100
1.4.1 Derivative financial assets where fair value change is reflected to income statement		15.765.272	2.537.958	18.303.230	3.530.014	1.693.428	5.223.442
1.4.2 Derivative financial assets where fair value change is reflected to other comprehensive income statement		3.486.396	46.092	3.532.488	546.658	-	546.658
II. FINANCIAL ASSETS MEASURED AT AMORTISED COST (Net)		279.337.496	230.607.609	509.945.105	206.258.377	139.122.693	345.381.070
2.1 Loans	1.7	243.014.131	179.791.830	422.805.961	186.069.018	114.800.880	300.869.898
2.2 Receivables From Leasing Transactions (Net)	1.12	4.625.250	10.813.078	15.438.328	3.597.171	7.374.687	10.971.858
2.3 Factoring Receivables		3.601.971	2.516.259	6.118.230	4.288.548	1.081.451	5.369.999
2.4 Financial Assets Measured at Amortised Cost	1.8	48.102.592	48.184.220	96.286.812	30.901.217	22.127.007	53.028.224
2.4.1 Government debt securities		47.771.788	44.145.002	91.916.790	30.570.413	20.390.612	50.961.025
2.4.2 Other financial assets		330.804	4.039.218	4.370.022	330.804	1.736.395	2.067.199
2.5 Provisions for Expected Losses [-]		20.006.448	10.697.778	30.704.226	18.597.577	6.261.332	24.858.909
III. ASSETS HELD FOR RESALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	1.17	1.330.318	24.619	1.354.937	711.573	12.634	724.207
3.1 Held for Sale Purposes		1.330.318	24.619	1.354.937	711.573	12.634	724.207
3.2 Related to Discontinued Operations		-	-	-	-	-	-
IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		471.403	2.050.744	2.522.147	401.504	1.203.097	1.604.601
4.1 Investments in Associates (net)	1.9	464.103	2.050.744	2.514.847	371.330	1.203.097	1.574.427
4.1.1 Consolidated based on Equity Method		425.657	2.050.744	2.476.401	359.544	1.203.097	1.562.641
4.1.2 Unconsolidated		38.446	-	38.446	11.786	-	11.786
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
4.3.1 Consolidated based on Equity Method		-	-	-	22.874	-	22.874
4.3.2 Unconsolidated		-	-	-	-	-	-
V. PROPERTY AND EQUIPMENT (Net)	1.13	4.901.575	72.581	4.974.156	4.514.773	39.606	4.554.379
VI. INTANGIBLE ASSETS (Net)	1.14	2.056.723	64.485	2.121.208	1.963.354	40.172	2.003.526
6.1 Goodwill		979.493	-	979.493	979.493	-	979.493
6.2 Other		1.077.230	64.485	1.141.715	983.861	40.172	1.024.033
VII. INVESTMENT PROPERTY (Net)	1.15	-	-	-	-	-	-
VIII. CURRENT TAX ASSETS		-	1.580	1.580	3.212	1.649	4.861
IX. DEFERRED TAX ASSETS	1.16	3.820.176	-	3.820.176	3.702.058	-	3.702.058
X. OTHER ASSETS	1.18	11.109.977	31.915.376	43.025.353	5.701.379	15.570.268	21.271.647
TOTAL ASSETS		381.350.003	399.470.903	780.820.906	263.444.506	223.045.173	486.489.679

YAPI VE KREDİ BANKASI A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021 AND DECEMBER 31, 2020

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

1. Consolidated balance sheet [Statement of Financial Position]

LIABILITIES	Note [Section Five]	Current Period [31/12/2021]			Prior Period [31/12/2020]		
		TL	FC	Total	TL	FC	Total
I. DEPOSITS	2.1	145.690.033	274.238.025	419.928.058	108.173.940	156.236.328	264.410.268
II. BORROWINGS	2.3.1	5.608.235	67.313.729	72.921.964	4.078.528	42.346.165	46.424.693
III. MONEY MARKETS		51.101.208	4.785.265	55.886.473	27.546.206	2.814.458	30.360.664
IV. MARKETABLE SECURITIES ISSUED [Net]	2.3.3	8.565.483	33.011.528	41.577.011	5.906.063	18.722.298	24.628.361
4.1 Bills		7.168.860	-	7.168.860	4.295.582	-	4.295.582
4.2 Asset backed Securities		-	5.998.334	5.998.334	-	3.511.774	3.511.774
4.3 Bonds		1.396.623	27.013.194	28.409.817	1.610.481	15.210.524	16.821.005
V. FUNDS		-	-	-	-	-	-
5.1 Borrower Funds		-	-	-	-	-	-
5.2 Other		-	-	-	-	-	-
VI. FINANCIAL LIABILITIES FAIR VALUE THROUGH PROFIT AND LOSS	2.3.4	658.578	24.649.644	25.308.222	806.619	11.749.170	12.555.789
VII. DERIVATIVE FINANCIAL LIABILITIES	2.2	13.963.588	4.372.195	18.335.783	7.551.423	3.041.756	10.593.179
7.1 Derivative Liabilities at Fair Value Through Profit and Loss		13.963.588	3.689.002	17.652.590	5.969.935	2.000.316	7.970.251
7.2 Derivative Liabilities at Fair Value Through Other Comprehensive Profit		-	683.193	683.193	1.581.488	1.041.440	2.622.928
VIII. FACTORING PAYABLES		-	-	-	-	-	-
IX. LEASE PAYABLES [Net]	2.5	1.305.221	41.909	1.347.130	1.073.794	16.626	1.090.420
X. PROVISIONS	2.6	5.066.350	1.006.893	6.073.243	4.078.213	464.314	4.542.527
10.1 Provisions for Restructuring		-	-	-	-	-	-
10.2 Provisions for Employee Rights	2.6.1	1.115.950	4.733	1.120.683	830.720	2.915	833.635
10.3 Insurance Technical Provisions [Net]		-	-	-	-	-	-
10.4 Other Provisions	2.6.3	3.950.400	1.002.160	4.952.560	3.247.493	461.399	3.708.892
XI. CURRENT TAX LIABILITIES	2.7	3.185.236	22.937	3.208.173	1.951.276	5.006	1.956.282
XII. DEFERRED TAX LIABILITIES		-	14.818	14.818	18.480	11.472	29.952
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	808.921	38.633.078	39.441.999	838.459	21.816.595	22.655.054
14.1 Loans		-	11.144.441	11.144.441	-	6.305.871	6.305.871
14.2 Other Facilities		808.921	27.488.637	28.297.558	838.459	15.510.724	16.349.183
XV. OTHER LIABILITIES	2.4	25.876.639	7.412.187	33.288.826	17.465.562	2.208.562	19.674.124
XVI. SHAREHOLDERS' EQUITY	2.10	64.445.892	[956.686]	63.489.206	48.519.246	[950.880]	47.568.366
16.1 Paid in Capital		8.447.051	-	8.447.051	8.447.051	-	8.447.051
16.2 Capital Reserves		2.145.565	-	2.145.565	1.997.149	-	1.997.149
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		1.588.628	-	1.588.628	1.440.212	-	1.440.212
16.3 Other accumulated comprehensive income that will not be reclassified in profit or loss		1.051.056	8.689	1.059.745	1.521.513	7.315	1.528.828
16.4 Other accumulated comprehensive income that will be reclassified in profit or loss		8.165.275	[923.968]	7.241.307	1.758.141	[916.788]	841.353
16.5 Profit Reserves		32.506.215	[41.407]	32.464.808	28.075.113	[41.407]	28.033.706
16.5.1 Legal Reserves		1.544.526	-	1.544.526	1.282.785	-	1.282.785
16.5.2 Statutory reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		30.954.950	[41.407]	30.913.543	26.785.511	[41.407]	26.744.104
16.5.4 Other Profit Reserves		6.739	-	6.739	6.817	-	6.817
16.6 Profit or loss		12.129.712	-	12.129.712	6.719.472	-	6.719.472
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		10.489.758	-	10.489.758	5.079.518	-	5.079.518
16.7 Minority interest		1.018	-	1.018	807	-	807
TOTAL LIABILITIES		326.275.384	454.545.522	780.820.906	228.007.809	258.481.870	486.489.679

The accompanying explanations and notes form an integral part of these consolidated financial statements.

YAPI VE KREDİ BANKASI A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021 AND DECEMBER 31, 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

2.Consolidated off-balance sheet commitments

	Note [Section Five]	Current Period (31/12/2021)			Prior Period (31/12/2020)		
		TL	FC	Total	TL	FC	Total
A. Off-balance sheet commitments (I+II+III)		365.764.287	616.870.947	982.635.234	261.534.384	401.606.068	663.140.452
I. Guarantees and warranties	3.1.2.1	41.095.605	119.821.502	160.917.107	32.512.146	68.363.259	100.875.405
1.1. Letters of guarantee	3.1.2.2	40.320.133	78.649.489	118.969.622	31.993.113	49.321.654	81.314.767
1.1.1. Guarantees subject to state tender law		772.497	986.476	1.758.973	545.671	641.351	1.187.022
1.1.2. Guarantees given for foreign trade operations		7.443.228	77.362.485	84.805.713	5.328.968	48.420.099	53.749.067
1.1.3. Other letters of guarantee		32.104.408	300.528	32.404.936	26.118.474	260.204	26.378.678
1.2. Bank acceptances		-	545.822	545.822	-	238.025	238.025
1.2.1. Import letter of acceptance		-	545.822	545.822	-	238.025	238.025
1.2.2. Other bank acceptances		-	-	-	-	-	-
1.3. Letters of credit		71.417	26.248.539	26.319.956	37.184	9.303.137	9.340.321
1.3.1. Documentary letters of credit		71.417	26.247.806	26.319.223	37.184	9.302.688	9.339.872
1.3.2. Other letters of credit		-	733	733	-	449	449
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		-	9.651	9.651	-	-	-
1.8. Other guarantees		704.055	7.649.943	8.353.998	481.849	4.613.529	5.095.378
1.9. Other warranties		-	6.718.058	6.718.058	-	4.886.914	4.886.914
II. Commitments		111.608.609	39.202.642	150.811.251	81.424.789	33.279.511	114.704.300
2.1. Irrevocable commitments	3.1.1	108.431.948	14.208.872	122.640.820	79.209.005	13.218.499	92.427.504
2.1.1. Asset purchase and sale commitments		6.450.608	13.345.662	19.796.270	2.905.074	11.632.591	14.537.665
2.1.2. Deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3. Share capital commitments to associates and subsidiaries		-	-	-	-	-	-
2.1.4. Loan granting commitments		26.475.410	352.100	26.827.510	17.187.740	788.342	17.976.082
2.1.5. Securities issue brokerage commitments		-	-	-	-	-	-
2.1.6. Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7. Commitments for cheques		4.306.427	-	4.306.427	3.437.866	-	3.437.866
2.1.8. Tax and fund liabilities from export commitments		595	-	595	6.476	-	6.476
2.1.9. Commitments for credit card limits		58.777.036	-	58.777.036	48.016.964	-	48.016.964
2.1.10. Commitments for credit cards and banking services promotions		46.457	-	46.457	51.868	-	51.868
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		12.375.415	511.110	12.886.525	7.603.017	797.566	8.400.583
2.2. Revocable commitments		3.176.661	24.993.770	28.170.431	2.215.784	20.061.012	22.276.796
2.2.1. Revocable loan granting commitments		3.176.661	24.818.505	27.995.166	2.215.784	19.944.462	22.160.246
2.2.2. Other revocable commitments		-	175.265	175.265	-	116.550	116.550
III. Derivative financial instruments		213.060.073	457.846.803	670.906.876	147.597.449	299.963.298	447.560.747
3.1. Derivative financial instruments for hedging purposes		38.510.802	75.948.169	114.458.971	43.621.565	52.431.773	96.053.338
3.1.1. Transactions for fair value hedge		270.802	3.232.998	3.503.800	318.865	4.427.669	4.746.534
3.1.2. Transactions for cash flow hedge		38.240.000	72.715.171	110.955.171	43.302.700	48.004.104	91.306.804
3.1.3. Transactions for foreign net investment hedge		-	-	-	-	-	-

YAPI VE KREDİ BANKASI A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021 AND DECEMBER 31, 2020

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

2.Consolidated off-balance sheet commitments

	Note (Section Five)	Current Period (31/12/2021)			Prior Period (31/12/2020)		
		TL	FC	Total	TL	FC	Total
3.2	Trading transactions	174.549.271	381.898.634	556.447.905	103.975.884	247.531.525	351.507.409
3.2.1	Forward foreign currency buy/sell transactions	10.600.793	15.792.434	26.393.227	6.892.761	9.227.149	16.119.910
3.2.1.1	Forward foreign currency transactions-buy	7.840.899	5.224.872	13.065.771	4.454.063	3.835.866	8.289.929
3.2.1.2	Forward foreign currency transactions-sell	2.759.894	10.567.562	13.327.456	2.438.698	5.391.283	7.829.981
3.2.2	Swap transactions related to foreign currency and interest rates	150.776.801	277.645.782	428.422.583	89.808.942	191.444.737	281.253.679
3.2.2.1	Foreign currency swap-buy	4.091.265	94.725.056	98.816.321	6.493.097	61.048.315	67.541.412
3.2.2.2	Foreign currency swap-sell	60.309.636	37.752.706	98.062.342	46.465.945	24.297.424	70.763.369
3.2.2.3	Interest rate swap-buy	43.187.950	72.584.010	115.771.960	18.424.950	53.049.499	71.474.449
3.2.2.4	Interest rate swap-sell	43.187.950	72.584.010	115.771.960	18.424.950	53.049.499	71.474.449
3.2.3	Foreign currency, interest rate and securities options	500.032	13.094.173	13.594.205	1.575.674	12.640.133	14.215.807
3.2.3.1	Foreign currency options-buy	339.490	4.102.550	4.442.040	531.763	4.198.665	4.730.428
3.2.3.2	Foreign currency options-sell	160.542	4.450.370	4.610.912	324.741	4.555.975	4.880.716
3.2.3.3	Interest rate options-buy	-	3.395.525	3.395.525	300.000	3.372.515	3.672.515
3.2.3.4	Interest rate options-sell	-	1.145.728	1.145.728	419.170	512.978	932.148
3.2.3.5	Securities options-buy	-	-	-	-	-	-
3.2.3.6	Securities options-sell	-	-	-	-	-	-
3.2.4	Foreign currency futures	600.295	534.725	1.135.020	212.403	201.864	414.267
3.2.4.1	Foreign currency futures-buy	568.563	40.879	609.442	-	201.864	201.864
3.2.4.2	Foreign currency futures-sell	31.732	493.846	525.578	212.403	-	212.403
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	12.071.350	74.831.520	86.902.870	5.486.104	34.017.642	39.503.746
B.	Custody and pledges received (IV+V+VI)	684.370.062	337.233.352	1.021.603.414	541.247.833	179.885.824	721.133.657
IV.	Items held in custody	126.853.678	34.983.507	161.837.185	73.585.527	14.137.671	87.723.198
4.1.	Customer fund and portfolio balances	66.693.304	9.000.959	75.694.263	33.024.406	825.231	33.849.637
4.2.	Investment securities held in custody	18.583.316	24.875.500	43.458.816	15.649.302	12.802.992	28.452.294
4.3.	Checks received for collection	32.989.150	70.173	33.059.323	19.137.763	29.949	19.167.712
4.4.	Commercial notes received for collection	8.529.764	840.142	9.369.906	5.715.912	360.665	6.076.577
4.5.	Other assets received for collection	-	156.893	156.893	-	95.112	95.112
4.6.	Assets received for public offering	-	-	-	-	-	-
4.7.	Other items under custody	58.144	39.840	97.984	58.144	23.722	81.866
4.8.	Custodians	-	-	-	-	-	-
V.	Pledges received	531.413.045	274.336.128	805.749.173	437.496.682	147.188.920	584.685.602
5.1.	Marketable securities	863.295	1.439	864.734	824.223	814	825.037
5.2.	Guarantee notes	569.678	706.217	1.275.895	585.521	365.529	951.050
5.3.	Commodity	5.912	-	5.912	6.297	-	6.297
5.4.	Warrants	-	-	-	-	-	-
5.5.	Properties	187.413.174	43.010.602	230.423.776	144.638.689	33.225.285	177.863.974
5.6.	Other pledged items	342.560.986	230.594.613	573.155.599	291.441.952	113.584.029	405.025.981
5.7.	Pledged items-depository	-	23.257	23.257	-	-	13.263
VI.	Accepted independent guarantees and warranties	26.103.339	27.913.717	54.017.056	30.165.624	18.559.233	48.724.857
Total off-balance sheet commitments (A+B)		1.050.134.349	954.104.299	2.004.238.648	802.782.217	581.491.892	1.384.274.109

The accompanying explanations and notes form an integral part of these consolidated financial statements.

YAPI VE KREDİ BANKASI A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021 AND DECEMBER 31, 2020

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

3. Consolidated income statement

Income and expense items		Note (Section Five)	Current Period (01/01/2021 - 31/12/2021)	Prior Period (01/01/2020 - 31/12/2020)
I.	INTEREST INCOME	4.1	54,084,352	35,000,149
1.1	Interest on Loans	4.1.1	37,589,124	25,718,793
1.2	Interest received from reserve deposits		815,720	53,947
1.3	Interest Received from Banks	4.1.2	560,608	632,948
1.4	Interest Received from Money Market Transactions		38,147	126,058
1.5	Interest Received from Marketable Securities Portfolio	4.1.3	13,207,832	7,150,575
1.5.1	Financial Assets at Fair Value Through Profit and Loss		25,616	14,246
1.5.2	Financial Assets at Fair Value Through Other Comprehensive income		4,395,485	3,010,674
1.5.3	Financial assets measured at amortised cost		8,786,731	4,125,655
1.6	Financial Lease Income		1,122,644	871,822
1.7	Other Interest Income		750,277	446,006
II.	INTEREST EXPENSE (-)	4.2	30,348,799	16,969,223
2.1	Interest on Deposits	4.2.5	15,475,065	8,900,429
2.2	Interest on Funds Borrowed	4.2.1	2,467,356	1,885,347
2.3	Interest expense on money market transactions	4.2.4	6,608,620	1,472,260
2.4	Interest on Securities Issued	4.2.3	5,587,578	4,124,558
2.5	Interest on Lease Payables		154,058	166,339
2.6	Other Interest Expense		56,122	420,290
III.	NET INTEREST INCOME/EXPENSE (I - II)		23,735,553	18,030,926
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		8,045,770	5,754,236
4.1	Fees and Commissions Received		10,957,088	7,173,819
4.1.1	Non-cash Loans		1,200,675	1,028,874
4.1.2	Other		9,756,413	6,144,945
4.2	Fees and Commissions Paid		2,911,318	1,419,583
4.2.1	Non-cash Loans		18,993	18,181
4.2.2	Other		2,892,325	1,401,402
V.	DIVIDEND INCOME	4.3	17,251	17,158
VI.	TRADING PROFIT/LOSS (Net)	4.4	895,375	419,706
6.1	Trading Gains/Losses on Securities		194,515	423,193
6.2	Derivative Financial Transactions Gains/Losses	4.5	21,354,800	1,881,925
6.3	Foreign Exchange Gains/Losses		(20,653,940)	(1,885,412)
VII.	OTHER OPERATING INCOME	4.7	2,316,538	1,601,279
VIII.	GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII)		35,010,487	25,823,305
IX.	PROVISION FOR EXPECTED LOSSES (-)	4.6	10,198,148	9,714,586
X.	OTHER PROVISION EXPENSES (-)	4.6	112,179	475,061
XI.	PERSONNEL EXPENSES (-)		4,804,319	3,856,797
XII.	OTHER OPERATING EXPENSES (-)	4.8	6,140,696	5,068,886
XIII.	NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)		13,755,145	6,707,975
XIV.	SURPLUS WRITTEN AS GAIN AFTER MERGER		-	-
XV.	PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES		138,629	89,133
XVI.	NET MONETARY POSITION GAIN/LOSS		-	-
XVII.	PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XIII+...+XVI)	4.9	13,893,774	6,797,108
XVIII.	PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (+)	4.10	3,403,758	1,717,425
18.1	Current Tax Provision		3,882,761	3,326,248
18.2	Expense effect of deferred tax (+)		-	-
18.3	Income effect of deferred tax (-)		479,003	1,608,823
XIX.	NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVII+XVIII)		10,490,016	5,079,683
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	10,490,016	5,079,683
25.1	Group's profit/loss		10,489,758	5,079,518
25.2	Minority shares	4.12	258	165
	Earnings/(loss) per share (full TL)		0,0124	0,0060

YAPI VE KREDİ BANKASI A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021 AND DECEMBER 31, 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

4. Consolidated statement of income and expense items accounted under shareholders' equity

	Current Period [31/12/2021]	Prior Period [31/12/2020]
I. PROFIT [LOSS]	10.490.016	5.079.683
II. OTHER COMPREHENSIVE INCOME	5.930.871	1.291.462
2.1 Other comprehensive income that will not be reclassified to profit or loss	[469.083]	[113.984]
2.1.1. Gains [losses] on Revaluation of Property, Plant and Equipment	-	389
2.1.2. Gains [losses] on revaluation of Intangible Assets	-	-
2.1.3. Gains [losses] on remeasurements of defined benefit plans	[563.432]	[128.679]
2.1.4. Other Components of Other Comprehensive Income That Will Not Be Reclassified to Profit Or Loss	[20.525]	468
2.1.5. Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss	114.874	13.838
2.2. Other Comprehensive Income That Will Be Reclassified to Profit or Loss	6.399.954	1.405.446
2.2.1. Exchange Differences on Translation	3.923.750	1.480.998
2.2.2. Valuation and/or Reclassification Profit or Loss from financial assets at fair value through other comprehensive income	1.557.520	424.654
2.2.3. Income [loss] Related with Cash Flow Hedges	4.144.880	654.339
2.2.4. Income [loss] Related with Hedges of Net Investments in Foreign Operations	[2.772.550]	[1.084.717]
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	[453.646]	[69.828]
III. TOTAL COMPREHENSIVE INCOME [LOSS] (I+II)	16.420.887	6.371.145

YAPI VE KREDİ BANKASI A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021 AND DECEMBER 31, 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

5. Consolidated statement of changes in shareholders' equity

Current Period (31/12/2021)				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	
	Paid in capital	Share premium	Share certificate cancellation profits	Other capital reserves	1	2	3	4	5							6
Changes in shareholder's equity																
I. Balance at the beginning of the period	8.447.051	556.937	-	1.440.212	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
II. Adjustment in accordance with TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. New balance [(+II)]	8.447.051	556.937	-	1.440.212	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
IV. Total comprehensive income (loss)	-	-	-	-	2.188	(450.746)	(20.525)	3.923.750	1.245.913	1.230.291	-	-	10.489.758	16.420.629	258	16.420.887
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	-	-	-	78	-	-	-	-	-	-	(78)	-	-	-	-	-
XI. Profit distribution	-	-	-	148.338	-	-	-	-	-	-	4.431.180	-	(5.079.518)	(500.000)	(47)	(500.047)
11.1. Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	(500.000)	(500.000)	(47)	(500.047)
11.2. Transfers to legal reserves	-	-	-	148.338	-	-	-	-	-	-	4.431.180	-	(4.579.518)	-	-	-
11.3. Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period end balance (III+IV+.....+X+XI)	8.447.051	556.937	-	1.588.628	1.877.188	(837.989)	20.546	7.867.243	1.433.581	(2.059.517)	32.464.808	1.639.954	10.489.758	63.488.188	1.018	63.489.206

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.

YAPI VE KREDİ BANKASI A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021 AND DECEMBER 31, 2020

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

6. Consolidated statement of changes in shareholders' equity

Prior Period (31/12/2020)				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	
	Paid in capital	Share premium	Share certificate cancellation profits	Other capital reserves	1	2	3	4	5							6
Changes in shareholder's equity																
I. Balance at the beginning of the period	8.447.051	556.937	-	1.431.359	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
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	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
IV. Total comprehensive income (loss)	-	-	-	-	(4.428)	(110.024)	468	1.480.998	335.956	(411.508)	-	-	5.079.518	6.370.980	165	6.371.145
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	-	-	-	-	25.323	-	(25.939)	-	-	5.686	-	5.686
XI. Profit distribution	-	-	-	2.551	-	-	-	-	-	-	3.597.509	-	(3.600.060)	-	(45)	(45)
11.1. Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(45)	(45)
11.2. Transfers to legal reserves	-	-	-	2.551	-	-	-	-	-	-	3.597.509	-	(3.600.060)	-	-	-
11.3. Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period end balance [III+IV+.....+X+XI]	8.447.051	556.937	-	1.440.212	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

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.

YAPI VE KREDİ BANKASI A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021 AND DECEMBER 31, 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

6. Consolidated statement of cash flows

	Notes (Section Five)	Current Period (31/12/2021)	Prior Period (31/12/2020)
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1	Operating profit before changes in operating assets and liabilities	13.228.725	20.141.909
1.1.1	Interest received	41.835.252	31.776.569
1.1.2	Interest paid	(29.294.713)	(16.793.893)
1.1.3	Dividend received	17.251	17.158
1.1.4	Fees and commissions received	10.957.088	7.173.819
1.1.5	Other income	(2.888.847)	5.007.235
1.1.6	Collections from previously written-off loans and other receivables	2.768.290	2.403.408
1.1.7	Cash Payments to personnel and service suppliers	(10.522.722)	(8.720.228)
1.1.8	Taxes paid	(3.192.554)	(2.430.355)
1.1.9	Other	3.549.680	1.708.196
	6.3		
1.2	Changes in operating assets and liabilities subject to banking operations	14.573.295	(33.927.080)
1.2.1	Net (increase) decrease in Financial Assets at Fair Value through Profit or Loss	(150.952)	(126.454)
1.2.2	Net (increase) decrease in due from banks	(59.469.735)	(28.657.914)
1.2.3	Net (increase) decrease in loans	(133.371.573)	(61.392.272)
1.2.4	Net (increase) decrease in other assets	(21.438.919)	(8.762.564)
1.2.5	Net increase (decrease) in bank deposits	2.053.622	30.219
1.2.6	Net increase (decrease) in other deposits	153.253.469	33.484.795
1.2.7	Net increase (decrease) in financial liabilities at fair value through profit or loss	13.366.967	55.517
1.2.8	Net increase (decrease) in funds borrowed	53.148.804	30.301.013
1.2.9	Net increase (decrease) in matured payables	-	-
1.2.10	Net increase (decrease) in other liabilities	7.181.612	1.140.580
	6.3		
I.	Net cash provided from banking operations	27.802.020	(13.785.171)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash provided from investing activities			
2.1	Cash paid for the purchase of associates, subsidiaries and joint ventures	(26.660)	-
2.2	Cash obtained from the sale of associates, subsidiaries and joint ventures	18.270	-
2.3	Cash paid for the purchase of tangible and intangible asset	(792.206)	(605.961)
2.4	Cash obtained from the sale of tangible and intangible asset	471.232	411.918
2.5	Cash paid for the purchase of financial assets at fair value through other comprehensive income	(8.737.759)	(15.574.286)
2.6	Cash obtained from the sale of financial assets at fair value through other comprehensive income	7.845.958	19.076.358
2.7	Cash paid for the purchase of financial assets at amortised cost	(23.581.751)	(21.046.207)
2.8	Cash obtained from sale of financial assets at amortised cost	2.025.213	2.754.892
2.9	Other	-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash flows from financing activities			
3.1	Cash obtained from funds borrowed and securities issued	35.947.885	35.158.861
3.2	Cash outflow from funds borrowed and securities issued	(19.628.371)	(40.275.640)
3.3	Equity instruments issued	-	-
3.4	Dividends paid	(500.047)	(45)
3.5	Payments for lease liabilities	(436.743)	(440.031)
3.6	Other	-	-
IV.	Effect of change in foreign exchange rate on cash and cash equivalents	31.328.014	19.690.235
V.	Net increase/decrease in cash and cash equivalents	51.735.055	(14.635.077)
VI.	Cash and cash equivalents at beginning of the period	51.583.220	66.218.297
VII.	Cash and cash equivalents at end of the period	103.318.275	51.583.220

YAPI VE KREDİ BANKASI A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021 AND DECEMBER 31, 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

7. Profit distribution statement^{(1),(2)}

	Current Period (31/12/2021)	Prior Period (31/12/2020)
I. Distribution of current year income		
1.1 Current year income	13.485.694	6.551.975
1.2 Taxes and duties payable (-)	2.995.936	1.472.457
1.2.1 Corporate tax (income tax)	3.257.106	3.111.457
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties	(261.170)	(1.639.000)
A. Net income for the year [1.1-1.2]	10.489.758	5.079.518
1.3 Prior year losses (-)	-	-
1.4 First legal reserves (-)	-	253.976
1.5 Other statutory reserves (-)	-	-
B. Net income available for distribution [(A)+(1.3+1.4+1.5)]	10.489.758	4.825.542
1.6 First dividend to shareholders (-)	-	422.353
1.6.1 To owners of ordinary shares	-	422.353
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 (-)	-	77.647
1.9.1 To owners of ordinary shares	-	77.647
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 (-)	-	7.765
1.1.1 Statutory reserves (-)	-	-
1.1.2 Extraordinary reserves	-	4.169.439
1.1.3 Other reserves	-	-
1.1.4 Special funds	-	148.338
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		
3.1 To owners of ordinary shares (Full TL)	0,0124	0,0060
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 (Full TL)	-	0,0006
4.2 To owners of ordinary shares (%)	-	5,9192
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 18.719, 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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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 TFRS, 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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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, for the USD indexed products, the regulator's transition process of 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 still continues. 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. The Group completed the necessary infrastructure development and started to trade TLREF indexed products in 2021.

As of December 31, 2021, the Group largely completed the necessary infrastructure development for USD Libor indexed derivatives and money market transactions in order to take the transition to alternative benchmark interest rates that are based on actual overnight transactions. It is planned to complete the system development for bonds and loans within year 2022. Following the system developments, it is anticipated that for the new traded floating rate instruments alternative benchmark interest rates are going to be used. For the existing transactions, it is planned to take transition to alternative benchmark interest rates in case there is a request from counter banks or customers. In the light of analysis, related transition will have no material impact on financial statements.

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.

On January 20, 2022, POA made a statement on the Implementation of Financial Reporting in High Inflation Economies within the scope of TFRS, Financial Reporting Standard for Large and Medium Sized Enterprises. Accordingly, it has been stated that businesses applying TFRS do not need to make any adjustments in their financial statements for 2021 within the scope of TAS 29 Financial Reporting in High Inflation Economies.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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"

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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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 [%] December 31, 2021	Direct and indirect rates [%] December 31, 2021
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 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.

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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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 % September 30, 2021	Direct and indirect rates % September 30, 2021
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 as of December 31, 2020.

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.

With the Parent Bank's Board of Directors resolution dated February 24, 2021, the Parent Bank signed a share transfer agreement with Koray Gayrimenkul ve Yatırım A.Ş. for the shares of Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş. and the sale transaction was completed on May 17, 2021.

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.

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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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 "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 "IFRS 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 "IFRS - 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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

Credit derivatives are capital market tools designed to transfer credit risk from one party to another.

As of December 31, 2021, 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 "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 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, "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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira [“TL”]]

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 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.

The Parent Bank owns Consumer Price Indexed [CPI] Government Bonds which are classified under “Fair value through other comprehensive income” and “measured at amortised cost” securities portfolio. Related securities and reference indices used in calculating the actual coupon payment amounts of these assets are based on the Consumer Price Index [CPI] of prior two months.

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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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.

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

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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
 - 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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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 “IFRS 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.

As of December 31, 2021, the Bank 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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

The Parent 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.

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 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 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:

- 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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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.

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 customer's probability of 90 days or more delay, within 12-months;
- 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 prudency principal used for IRB preparation phase;
- Introducing "point-in-time" adjustments to replace "through-the-cycle" adjustments required for IRB preparation phase (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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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.

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 more than 30 days past due status is passed. The Parent Bank can abandon this estimation when it has reasonable and supportable information about customers contractual repayments.
- 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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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.

When expected credit losses are estimated in accordance with the forward looking macroeconomic information, the Bank evaluates three 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, increased 30 basis points the weight of the pessimistic scenario by reducing the weight of the basis 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 made no change in its current approach in current period.

In the light of macroeconomic expectations, the Parent Bank 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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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.

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 IFRS 3, was recorded in the unconsolidated financial statements of the Bank.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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.

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 "IAS 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 "IAS 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 "IAS 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 "IAS 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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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" in the accounting of leasing transactions.

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 "IAS 37- Provisions, Contingent Liabilities and Contingent Assets".

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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.

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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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 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 and in accordance with the "TAS 19- Employee Rights" standard.

16.3. 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 accordance with the 11 and 14th articles of the Law numbered 7316 on "Amendment of Law on Collection Procedure of Public Receivables and Certain Laws" published in the Official Gazette dated April 22, 2021 and numbered 31462, starting from the declarations that must be submitted starting from July 1, 2021 and to be valid for the taxation period starting from January 1, 2021, corporate tax rate will be applied as 25% for enterprises' corporate income belonging to the taxation periods of 2021 and 23% for enterprises' corporate income belonging to the taxation periods of 2022. The corporate tax rate is still applied as 20% in the first provisional tax declaration for the corporate income belonging to the taxation periods of 2021 but as of second provisional tax declaration the rate of 25% will be applied.

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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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 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.

Non-monetary items on the financial statements must have been restated for inflation according to the repeated article 298/A of Tax Procedure Law. In law numbered 7352 published on 29 January 2022 in the Official Gazette numbered 31734, 2021 and 2022 accounting periods including advance tax periods are deemed as the periods in which the requirements for inflation adjustment are not met.

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, 2021 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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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.

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".

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

21. Explanations on government grants:

None [December 31, 2020 - TL 78].

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	10.489.758	5.079.518
Weighted average number of issued ordinary shares(thousand)	844.705.128	844.705.128
Earnings per share (full TL)	0,0124	0,0060

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 2021 [2020 - None].

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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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 17,59% [December 31, 2020 - 17,25%] and the Parent Bank is 18,67% [December 31, 2020- 18,23%]

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	34.038.657	29.459.139
Accumulated other comprehensive income and other disclosed reserves which defined in the Turkish Accounting Standards	13.531.428	6.193.055
Profit	12.129.712	6.719.472
Net profit of the period	10.489.758	5.079.518
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	14.779
Minority interest	1.018	807
Common Equity Tier 1 capital before regulatory adjustments	68.719.582	51.391.240
Common Equity Tier 1 capital: regulatory adjustments		
Prudential valuation adjustments	90.038	86.371
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	5.230.376	2.700.221
Improvement costs for operating leasing	133.380	113.341
Goodwill [net of related tax liability]	979.493	979.493
Other intangibles other than mortgage-servicing rights [net of related tax liability]	1.029.561	931.053

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

	Current Period	Prior Period
Deferred tax assets that rely on future profitability excluding those arising from temporary differences [net of related tax liability]	-	-
Cash-flow hedge reserve	2.328.663	-
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]	34.725	-
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	9.826.236	4.810.479
Common Equity Tier 1 capital [CET1]	58.893.346	46.580.761

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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	8.435.375	4.771.325
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	8.435.375	4.771.325
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	8.435.375	4.771.325
Total Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 capital)	67.328.721	51.352.086
TIER 2 CAPITAL		
Eligible capital instruments and relevant share issue premiums that are approved by the Agency	9.507.903	6.980.701
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
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)	3.415.303	4.269.686
Tier 2 capital before regulatory adjustments	12.923.206	11.572.415
Tier 2 capital: regulatory adjustments		

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

	Current Period	Prior Period
ADDITIONAL TIER 1 CAPITAL		
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
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
Total Tier 2 capital	12.923.206	11.430.854
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	80.175.102	62.740.741
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	41.724	5.591
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 ⁽¹⁾	-	-
National specific regulatory adjustments which shall be determined by the BRSA	35.101	36.608
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 [-]	-	-

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

OWN FUNDS	Current Period	Prior Period
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	79.566.364	62.571.136
Total Risk Weighted Assets ⁽²⁾	452.409.578	362.826.562
CAPITAL ADEQUACY RATIOS		
Common Equity Tier 1 Capital Adequacy Ratio [%]	13,02	12,84
Tier 1 Capital Adequacy Ratio [%]	14,88	14,15
Capital Adequacy Ratio [%]	17,59	17,25
BUFFERS		
Institution specific buffer requirement of the Bank (a+b+c)	3,548	3,551
a) Capital conservation buffer requirement [%]	2,500	2,500
b) Bank's specific countercyclical buffer requirement [%]	0,048	0,051
c) Systemically important Bank buffer	1,000	1,000
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 [%]	8,518	8,153
Amounts below the thresholds for deduction [before risk weighting]		
Non-significant investments in the capital of other financials	317.593	192.605
Significant investments in the common stock of financials	2.476.401	1.562.641
Mortgage servicing rights (net of related tax liability)	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	5.927.430	4.482.337
Applicable caps on the inclusion of provisions in Tier 2 capital		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	2.579.796	11.990.560
Up to 1,25% of total risk-weighted amount of general provisions for receivables where the standard approach used	1.211.815	4.269.686
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	11.718.943	-
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	2.203.488	-
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
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	11.754.942	6.326.953

⁽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⁾ 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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

1.2. Information on debt instruments included in the calculation of equity:

	1	2	3	4	5	6	7
Lender [1,2], Issuer [3,4,5]	UNICREDIT SPA	UNICREDIT SPA	Yapı ve Kredi Bankası A.Ş.	Yapı ve Kredi Bankası A.Ş.	Yapı ve Kredi Bankası A.Ş.	Yapı ve Kredi Bankası A.Ş.	Yapı ve Kredi Bankası A.Ş.
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	-	-	XS0861979440/ US984848AB73	XS2286436451/ US984848AN12	XS1867595750/ US984848AL55	TRSYKBK62914	TRSYKBK92911
Governing law(s) of the instrument	BRSA/Austria Law	BRSA/Austria Law	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							
Transitional Basel III rules	No	No	Yes	No	No	No	No
Eligible at stand-alone/consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated
Instrument type (types to be specified by each jurisdiction)	Loan	Loan	Bond	Bond	Bond	Bond	Bond
Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	1.518	701	-	6.489	8.435	500	300
Par value of instrument	7.592	3.504	11.755	6.489	8.435	500	300
Accounting classification	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	Liability - Subordinated Loans- amortised cost	Liability - Subordinated Loans- amortised cost
Original date of issuance	January 9, 2013	December 18, 2013	December 6, 2012	January 22, 2021	January 15, 2019	July 3, 2019	October 3, 2019
Perpetual or dated	Dated	Dated	Dated	Dated	Perpetual	Dated	Dated
Original maturity date	10 years	10 years	10 years	10 years	-	10 years	10 years
Issuer call subject to prior supervisory approval	Yes	Yes	No	Yes	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	After 5th year	After 5th year	-	5 years	Every 5 years	After 5th year	After 5th year
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	Fixed	Fixed	Fixed	Variable interest	Variable interest

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

	1	2	3	4	5	6	7
Coupon rate and any related index	5,7%	First 5 years 6,55%fixed, second 5 years 7,7156% fixed	5,5%	First 5 years 7,875% fixed, second 5 years U.S. five year treasury bond rate +741.50 basis points	First 5 years 13,875% fixed, second 5 years MS+11,245% fixed	3 month TRYLIBOR +1,00%	TLREF index change + 1,30%
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	-	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
Fully discretionary, partially discretionary or mandatory	-	-	-	Mandatory	Optional	Mandatory	Mandatory
Existence of step up or other incentive to redeem	-	-	-	-	-	-	-
Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	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]	-	-	-	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

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

	1	2	3	4	5	6	7
If write-down, full or partial	-	-	-	Partial and complete	Partial and complete	Partial and complete	Partial and complete
If write-down, permanent or temporary	-	-	-	Permanent	Temporary	Permanent	Permanent
If temporary write-down, description of write-up mechanism	-	-	-	-	In case of cancellation of default/Common Equity Tier 1 capital adequacy ratio of the bank is higher than 5.125%	-	-
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	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, before the TIER 1 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
In compliance with article number 7 and 8 of "Own fund regulation"	No	No	Yes	No	No	No	No
Details of incompliances with article number 7 and 8 of "Own fund regulation"	-	-	8-2-ğ	-	-	-	-

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 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:

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

Consolidated private sector receivables/defer:

Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	325.114.642	-	325.114.642
Netherland	2.936.374	-	2.936.374
Malta	1.652.987	-	1.652.987
Italy	1.529.848	-	1.529.848
Switzerland	1.023.213	-	1.023.213
England	918.499	-	918.499
Azerbaijan	811.540	-	811.540
Luxembourg	680.273	-	680.273
Spain	577.612	-	577.612
Marshall Islands	568.992	-	568.992
Man Island	514.736	-	514.736
Bulgaria	479.298	-	479.298
Republic of Maldives	380.053	-	380.053
Egypt	354.129	-	354.129
Germany	342.800	-	342.800
USA	321.261	-	321.261
Macedonia	319.755	-	319.755
United Arab Emirates	282.726	-	282.726
Austria	218.405	-	218.405
France	172.702	-	172.702
Slovenia	146.210	-	146.210
Panama	125.331	-	125.331
Other	674.348	-	674.348
Total	340.145.734	-	340.145.734

2. Explanations on Consolidation Based Risk Management:

As of June 30, 2021, the Bank has started to calculate its credit risk, which is subject to the regulatory capital adequacy ratio reporting, with the Internal Rating-Based (IRB) approach. Foundation IRB approach is used for the corporate exposure class and advanced IRB approach is used for the retail exposure class as determined by "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks".

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. 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 Parent Bank also monitors limitations on single borrower and group of borrowers in accordance with the regulations.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

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	36,6%	59,2%
Average	45,9%	34,8%
Below average	17,5%	6,0%

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".

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⁾
Exposures to central governments or central banks	246.371.032	191.695.807
Exposures to banks and financial institutions	79.588.685	55.876.152
Corporate exposures - Other	158.563.914	156.966.255
Specialised Lending	62.286.372	56.332.319
Corporate exposures - SME	65.462.427	49.497.198
Retail Exposures - Other	68.791.835	58.489.592
Retail exposures - Qualifying revolving	45.133.348	32.866.291
Retail exposures - SME	74.963.876	57.833.176
Investments in equities	2.388.193	2.121.660
Other Items	22.089.642	19.274.493
Total	825.639.324	680.952.943

⁽¹⁾ Includes credit risk amounts of total exposure before applying credit risk mitigations.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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.

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 32% and 38%. [December 31, 2020- 33% and 40%].
- The proportion of the Parent Bank's top 100 and 200 non-cash loan balances in total non-cash loans is 45% and 57%. [December 31, 2020- 45% and 59%].
- The proportion of the Parent Bank's cash and non-cash loan balances with the first 100 and 200 customers comprises of 36% and 44% of total cash loans and non-cash loans. [December 31, 2020- 36% and 45%].

2.6. The Group provided a general loan loss provision amounting to TL 17.852.926 [December 31, 2020 - TL 11.990.560].

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

2.7. Risk profile according to the geographical concentration:

	Risk Classifications ^{(1),(2)}										Toplam
	1	2	3	4	5	6	7	8	9	10	
Current Period											
Domestic	243.083.050	24.109.624	145.622.472	60.925.979	64.829.116	68.403.264	45.038.626	74.956.966	313.277	22.089.642	749.372.016
EU countries	2.509.500	35.870.783	8.214.975	828.579	521.729	44.128	44.629	5.708	215	-	48.040.246
OECD countries ⁽³⁾	-	1.760.013	1.023.899	-	672	4.524	4.895	13	-	-	2.794.016
Off-shore banking regions	-	-	736.431	50.124	29.652	322	298	-	-	-	816.827
USA, Canada	16.849	17.171.180	739.392	-	-	11.411	10.814	238	194.893	-	18.144.777
Other countries	761.633	677.085	2.226.745	481.690	81.258	328.186	34.086	951	1.248	-	4.592.882
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	1.878.560	-	1.878.560
Undistributed Assets/ Liabilities ⁽⁴⁾	-	-	-	-	-	-	-	-	-	-	-
Total	246.371.032	79.588.685	158.563.914	62.286.372	65.462.427	68.791.835	45.133.348	74.963.876	2.388.193	22.089.642	825.639.324

⁽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- Exposures to central governments or central banks

2- Exposures to banks and financial institutions

3- Corporate exposures - Other

4- Specialised Lending

5- Corporate exposures - SME

6- Retail Exposures - Other

7- Retail exposures - Qualifying revolving

8- Retail exposures - SME

9- Investments in equities

10- Other Items

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

	Risk Classifications ⁽¹⁾⁽²⁾													Toplam
	1	2	3	4	5	6	7	8	9	10	11	12	13	
Prior Period														
Domestic	146.987.118	646	91.462	-	14.436.165	191.237.625	101.196.635	42.243.603	4.084.448	1.776.620	20	315.873	19.095.730	521.465.945
EU countries	2.171.406	-	-	853.893	20.407.913	4.443.222	15.341	632.497	109.800	15.283	-	165	11.495	28.661.015
OECD countries ⁽³⁾	-	-	-	-	840.832	1.372.652	1.862	1.045	-	-	-	-	-	2.216.391
Off-shore banking regions	-	-	-	-	-	555.825	66	-	11.153	-	-	-	-	567.044
USA, Canada	-	-	-	10.468	10.439.998	645.033	3.943	1.013	-	-	-	154.043	-	11.254.498
Other countries	251.056	-	-	-	451.975	2.230.595	203.700	1.845	58.852	422.150	-	248	144.433	3.764.854
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	1.487.424	-	1.487.424
Undistributed Assets/ Liabilities ⁽⁴⁾	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Toplam	149.409.580	646	91.462	864.361	46.576.883	200.484.952	101.421.547	42.880.003	4.264.253	2.214.053	20	1.957.753	19.251.658	569.417.171

⁽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

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

2.8. Risk profile according to sectors and counterparties:

	1	2	3	4	5	6	7	8	9	10	TL	FC	Total
	Risk Classifications ⁽¹⁾⁽²⁾												
Agricultural	938	-	2.705.542	-	951.081	-	-	3.397.275	-	-	5.678.893	1.375.943	7.054.836
Farming and raising livestock	938	-	2.117.018	-	841.045	-	-	2.968.504	-	-	5.053.648	873.857	5.927.505
Forestry	-	-	306.391	-	109.741	-	-	375.717	-	-	494.088	297.761	791.849
Fishing	-	-	282.133	-	295	-	-	53.054	-	-	131.157	204.325	335.482
Manufacturing	11.087	-	84.908.725	39.396.065	28.590.700	-	-	39.760.278	1.870	-	101.315.193	91.353.532	192.668.725
Mining	-	-	176.012	-	736.431	-	-	343.139	-	-	832.588	422.994	1.255.582
Production	296	-	78.104.843	826.356	23.029.323	-	-	38.803.273	1.870	-	88.323.237	52.442.724	140.765.961
Electric, gas and water	10.791	-	6.627.870	38.569.709	4.824.946	-	-	613.866	-	-	12.159.368	38.487.814	50.647.182
Construction	28	3	10.237.841	7.522.422	9.764.574	-	-	9.304.537	-	-	18.207.029	18.622.376	36.829.405
Services	243.507.231	67.556.582	33.100.594	15.367.885	26.020.655	-	-	22.225.691	2.313.777	15.929.978	225.286.154	200.736.239	426.022.393
Wholesale and retail trade	2	-	6.625.458	6.403.785	3.465.631	-	-	9.883.580	-	-	15.965.011	10.413.445	26.378.456
Hotel, food and beverage services	-	-	2.133.803	128.481	8.445.236	-	-	2.729.986	-	-	5.455.224	7.982.282	13.437.506
Transportation and telecommunication	-	-	6.319.827	5.067.077	2.581.154	-	-	3.061.141	233.446	-	5.659.420	11.603.225	17.262.645
Financial institutions	243.406.303	67.556.582	9.293.924	1.383.949	412.153	-	-	691.553	2.047.293	15.929.978	182.469.499	158.252.236	340.721.735
Real estate and renting services	-	-	1.350.266	1.562.831	5.967.527	-	-	1.136.736	26.660	-	4.518.838	5.525.182	10.044.020
Employment	-	-	-	-	-	-	-	-	-	-	-	-	-
Education services	838	-	376.997	-	292.782	-	-	266.370	-	-	889.897	47.090	936.987
Health and social services	100.088	-	7.000.319	821.762	4.856.172	-	-	4.456.325	6.378	-	10.328.265	6.912.779	17.241.044
Other	2.851.748	12.032.100	27.611.212	-	135.417	68.791.835	45.133.348	276.095	72.546	6.159.664	137.064.642	25.999.323	163.063.965
Total	246.371.032	79.588.685	158.563.914	62.286.372	65.462.427	68.791.835	45.133.348	74.963.876	2.388.193	22.089.642	487.551.911	338.087.413	825.639.324

⁽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- Exposures to central governments or central banks

2- Exposures to banks and financial institutions

3- Corporate exposures - Other

4- Specialised Lending

5- Corporate exposures - SME

6- Retail Exposures - Other

7- Retail exposures - Qualifying revolving

8- Retail exposures - SME

9- Investments in equities

10- Other Items

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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
Exposures to central governments or central banks	84.873.778	13.138.615	1.213.257	6.721.303	136.937.600	242.884.553
Exposures to banks and financial institutions	35.755.636	5.831.052	8.113.880	4.831.589	11.861.209	66.393.366
Corporate exposures - Other	17.182.238	17.887.160	18.515.569	29.632.302	75.252.922	158.470.191
Specialised Lending	100.931	1.075.065	491.917	4.842.507	55.775.951	62.286.371
Corporate exposures - SME	5.382.622	5.168.939	5.029.576	10.765.202	39.102.057	65.448.396
Retail Exposures - Other	277.287	1.096.462	738.962	2.555.441	59.820.540	64.488.692
Retail exposures - Qualifying revolving	-	45.133.348	-	-	-	45.133.348
Retail exposures - SME	8.569.482	23.774.557	6.057.972	9.208.716	26.207.165	73.817.892
Investments in equities	-	-	-	-	-	-
Other Items	109.853	-	-	-	-	109.853
Total	152.251.827	113.105.198	40.161.133	68.557.060	404.957.444	779.032.662

⁽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%-20%	20%-35%	35%-50%	50%-75%	75%-100%	100%-250%	250%	1250%	Total	Deductions from the shareholders' equity
1 Total exposure before credit risk mitigation	326.606.080	84.509.497	38.548.034	138.970.069	90.615.410	138.766.694	7.623.534	6	825.639.324	2.253.984
2 Total exposure after credit risk mitigation	285.703.408	82.189.261	38.560.525	138.194.907	89.146.431	135.084.329	7.623.534	6	776.502.401	2.253.984

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 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 2021.

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; "General Provision" is set aside in the accompanying financial statements as of 31 December 2021.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

Sectors/Counterparties	Loans		Provisions
	Impaired Loans [IFRS9]		Expected Credit Losses
	Significant increase in credit risk	Credit - Impaired [Stage 3]	
Agricultural	372.301	618.889	488.817
Farming and raising livestock	180.264	500.571	412.762
Forestry	144.940	24.446	23.834
Fishing	47.097	93.872	52.221
Manufacturing	37.144.595	9.111.090	13.650.740
Mining	168.235	61.577	71.623
Production	6.445.240	5.593.086	4.879.289
Electric, gas and water	30.531.120	3.456.427	8.699.828
Construction	4.902.699	2.886.042	3.380.407
Services	22.507.723	4.697.816	6.905.072
Wholesale and retail trade	933.793	1.074.750	882.580
Hotel, food and beverage services	2.640.807	1.078.258	1.016.389
Transportation and telecommunication	4.533.641	664.362	1.252.406
Financial institutions	2.271.851	21.643	666.737
Real estate and renting services	6.027.213	1.588.740	2.074.210
Education services	19.185	26.176	25.853
Health and social services	6.081.233	243.887	986.897
Other	4.645.814	4.056.681	4.209.065
Total	69.573.132	21.370.518	28.634.101

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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	14.373.916	4.235.702	(2.152.648)	(1.127.912)	15.329.058
2 General provisions	11.990.560	5.962.446	(8.398)	(91.682)	17.852.926

⁽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.

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 Compliance, Internal Control and Risk Management, Financial Planning and Financial Affairs 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, liquidity, assets quality, financial risk and operational risk 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 be informed to 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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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 Strategy, Modelling and Reporting Management" 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 Policy, Liquidity Policy, Liquidity Risk Limit Management Policy, Liquidity Emergency Policy, Interest Rate Risk Policy, Interest Rate Risk Limit Management Policy, Hedge Policy, Financial Investment Risk Policy, Immovables Risk 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 Stress 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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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.

Risk validation management carries out its activities within the scope of the principles it has determined with the guidelines such as Validation Guide, Validation Guideline for PD Models with High Default Portfolios, Guideline for Strategy Validation, Validation Guideline for Managerial Models, Data Validation Guideline, IFRS 9 Validation Guideline, Specialized Lending Credits (Slotting Criteria) Validation Guideline, Guideline for ICAAP Process Validation, Validation Guideline of the Behavioral Model for Prepayment on Mortgages. The tests and controls applied within the scope of validation, and the threshold values followed within the scope of the related controls are evaluated within the scope of the Threshold Values Guideline for Quantitative validation tests.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

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]	393.404.199	317.655.574	31.472.336
2 Of which standardised approach [SA]	63.201.884	317.655.574	5.056.151
3 Of which internal rating-based [IRB] approach	306.567.715	-	24.525.417
4 Counterparty credit risk	11.266.874	6.737.161	901.350
5 Of which standardised approach for counterparty credit risk [SA-CCR]	11.266.874	6.737.161	901.350
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	3.117	10	249
9 Equity investments in funds - mandate-based approach	-	-	-
10 Equity investments in funds - fall-back approach	-	-	-
11 Settlement risk	8	-	1
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	5.642.006	4.439.332	451.360
17 Of which standardised approach [SA]	5.642.006	4.439.332	451.360
18 Of which internal model approaches [IMM]	-	-	-
19 Operational risk	37.518.185	30.380.790	3.001.455
20 Of which Basic Indicator Approach	37.518.185	30.380.790	3.001.455
21 Of which Standardised Approach	-	-	-
22 Of which Advanced Measurement Approach	-	-	-
23 Amounts below the thresholds for deduction [subject to 250% risk weight]	4.575.189	3.613.695	366.015
24 Floor adjustment	-	-	-
25 TOTAL [1+4+7+8+9+10+11+12+16+19+23+24]	452.409.578	362.826.562	36.192.766

⁽¹⁾ In the context of transition to IRB regulation, there is a value adjustment amounting to TL 23.634.600.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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)	213.017.574	213.056.244	189.603.795	35.899.951	-	8.309.269	-
Loans(Net)	510.234.667	509.945.105	539.315.736	38.973.799	-	-	76.825
Assets Held For Resale And Related To Discontinued Operations (Net)	1.354.937	1.354.937	1.354.937	-	-	-	-
Investment in Subsidiaries, Associates, Joint ventures (net)	2.476.549	2.522.147	2.522.147	-	-	-	-
Property And Equipment (Net)	3.087.366	4.974.156	4.840.776	-	-	-	133.380
Intangible Assets (Net)	2.165.645	2.121.208	112.154	-	-	-	2.009.054
Tax Asset	4.010.702	3.821.756	3.787.031	-	-	-	34.725
Other Assets	42.463.616	43.025.353	43.485.053	-	-	-	-
TOTAL ASSETS	778.811.056	780.820.906	785.021.629	74.873.750	-	8.309.269	2.253.984
Liabilities							
Deposits	473.291.063	419.928.058	-	-	-	-	419.928.058
Borrowings	71.574.832	72.921.964	-	-	-	-	72.921.964
Money Markets	2.523.478	55.886.473	-	47.919.292	-	-	7.967.181
Marketable Securities Issued	41.577.011	41.577.011	-	-	-	-	41.577.011
Financial liabilities fair value through profit and loss	25.308.222	25.308.222	-	-	-	-	25.308.222
Derivative Financial Liabilities	18.335.783	18.335.783	-	6.059.200	-	7.598.247	12.276.583
Lease Payables	1.347.130	1.347.130	-	-	-	-	1.347.130
Provisions	5.385.782	6.073.243	-	-	-	-	6.073.243
Tax Liability	2.294.761	3.222.991	-	-	-	-	3.222.991
Subordinated Loans	39.441.999	39.441.999	-	-	-	-	39.441.999
Other Liabilities	35.972.843	33.288.826	-	-	-	-	33.288.826
Shareholder's Equity	61.758.152	63.489.206	-	-	-	-	63.489.206
TOTAL LIABILITIES	778.811.056	780.820.906	-	53.978.492	-	7.598.247	726.842.414

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

Prior 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	

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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]	868.204.648	785.021.629	-	74.873.750	8.309.269
2 Liabilities carrying value amount under regulatory scope of consolidation [As note 3.2.1 of Section 4]	61.576.739	-	-	53.978.492	7.598.247
3 Total net amount under regulatory scope of consolidation	806.627.909	785.021.629	-	20.895.258	711.022
4 Off-Balance Sheet Amounts	307.923.056	112.357.214	-	2.888.546	-
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		[140.686.798]	-	[1.799.075]	4.930.984
9 Differences due to risk reduction		[404.054]	-	[1.770.319]	-
Risk Amounts		756.287.991	-	20.214.410	5.642.006
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]	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

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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.

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 consists of two sub-units: Credit Risk Strategies & Operational Risk Management and Credit Risk Planning, Modeling and Reporting Management.

Credit Risk Strategies and Operational Risk Management is responsible for developing underwriting, monitoring, collection and workout strategies and following the actions taken in accordance with the Bank's risk appetite in terms of credit risk. The unit takes an active role in the development of these strategies by conducting risk analysis, determining the rules to be used in decision trees, putting them into practice through decision support systems, and running the flow smoothly. 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 carries out the activities regarding Basel II compliance, operational risk models setting and development, operational risk weighted asset calculation and risk based insurance activities. The unit is 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. The unit also ensures the actions taken under business continuity and the coordination and control of BCM projects and budget.

Credit Risk Planning, Modeling and Reporting Management is responsible for preparation of credit risk budgeting and credit risk reporting activities of the Bank, calculation of loan loss provisions; 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. 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. The unit is also responsible for taking part in the model development processes of PD, EAD, LGD models which are in the scope of IRB communique [issued by BRSB - 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 BRSB 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 BRSB 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.

ISEDES report is prepared in accordance with the related guide of BRSB 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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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.

Risk validation management is an independent team that reports directly to the Assistant General Manager of Compliance, Internal Control and Risk Management, and is responsible for the 2nd level controls of all measurement methods and processes carried out within the framework of risk management. The risk validation team consists of three units. These units are regulatory risk validation, strategic risk validation and rating models validation teams. The risk validation unit controls the compliance of all data, models and processes related to the IRB models and IFRS 9 process followed by the credit risk management at the Bank, with the legal regulations, statistical practices and in-bank policies and practices. In addition, it carries out the validation of the internal transfer pricing calculated by the treasury, carrying out the validation activities of all data, models, processes and strategies that are subject to credit risk and market risk, which are used under risk management and whose scope is not clearly determined by national standards and legislation. In addition, it carries out the validation studies for ICAAP, the scope of which has been determined by both national and international standards and legislation, and in addition, the validation studies of other rating models whose scope has not been clarified with guidelines.

3.3.1.2. Credit quality of assets

Current Period	Gross carrying values of as per TAS		Allowances/impairments	Net values
	Defaulted exposures	Non-defaulted exposures		
1 Loans	20.232.348	424.130.171	30.476.354	413.886.165
2 Debt Securities	-	131.564.170	302.465	131.261.705
3 Off-balance sheet exposures	1.138.170	282.419.757	1.720.325	281.837.602
4 Total	21.370.518	838.114.098	32.499.144	826.985.472

Prior Period	Gross carrying values of as per TAS		Allowances/impairments	Net values
	Defaulted exposures	Non-defaulted exposures		
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

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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	20.590.262	20.538.135
2 Loans and debt securities that have defaulted since the last reporting period	5.374.670	3.656.806
3 Returned to non-defaulted status	95.924	84.217
4 Amounts written off	1.127.912	1.066.358
5 Other changes	(3.370.578)	(2.454.104)
6 Defaulted loans and debt securities at end of the reporting period (1+2-3-4+5)	21.370.518	20.590.262

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 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 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	559.149.812	386.948.188
USA, Canada	1.082.027	631.259
European Union (EU) Countries	17.893.807	7.962.372
OECD Countries	2.904.244	2.825.540
Off-Shore Banking Regions	294	2.798
Other Countries	8.927.193	5.344.709
Total	589.957.377	403.714.866

⁽¹⁾ Breakdown of cash, non-cash and non-performing loans with respect to geographical regions are provided.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

3.3.1.4.2. Exposures provisioned against by major sectors ⁽¹⁾:

	Current Period	Prior Period
Agricultural	7.896.580	6.614.522
Farming and raising livestock	5.710.195	4.615.508
Forestry	1.406.985	1.351.836
Fishing	779.400	647.178
Manufacturing	255.096.776	172.222.052
Mining and Quarrying	3.091.777	2.346.124
Production	181.042.955	118.053.407
Electricity, Gas, Water	70.962.044	51.822.521
Construction	61.245.101	44.750.283
Services	131.606.872	88.891.950
Wholesale and retail trade	30.416.632	19.740.942
Hotel, food and beverage services	14.093.916	11.020.579
Transportation and telecommunication	24.409.627	16.517.028
Financial institutions	27.443.732	17.185.727
Real estate and leasing services	12.929.793	8.669.452
Education services	816.957	846.740
Health and social services	21.496.215	14.911.482
Other	134.112.048	91.236.059
Total	589.957.377	403.714.866

⁽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 17.505.467 (December 31, 2020- TL 17.564.595) has been set aside for the risk at an amount of TL 14.011.253 (December 31, 2020- TL 13.265.818).

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

3.3.1.4.6. Aging analysis for overdue receivables ⁽¹⁾:

	Current Period	Prior Period
1-30 days overdue	2.158.685	1.551.943
31-60 days overdue	2.184.789	763.971
61-90 days overdue	786.720	550.864
91-80 days overdue ⁽²⁾	138.443	1.010.402
Total	5.268.637	3.877.180

⁽¹⁾ Overdue receivables under close monitoring represent over due of cash loans.⁽²⁾ The Parent Bank didn't classify the loans with 91-180 day delay period as non performing loans in line with BRSA decision that was effective from March 17, 2020 until September 30, 2021.

Loans under close monitoring amounting to TL 62.618.755 [December 31, 2020- 44.243.362] 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	38.019.818	21.261.243
Loans restructured from Loans under legal follow-up	3.082.113	1.929.764
Total	41.101.931	23.191.007

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]	2.731.789	8.351.902	13.657.077	24.740.768
Additions	1.383.388	2.019.020	4.159.834	7.562.242
Disposals	[1.308.547]	[1.913.668]	[2.620.517]	[5.842.732]
NPL sales	-	-	-	-
Write offs	-	-	[1.127.912]	[1.127.912]
Transfer to stage 1	604.668	[568.762]	[35.906]	-
Transfer to stage 2	[739.074]	927.246	[188.172]	-
Transfer to stage 3	[68.894]	[450.925]	519.819	-
Exchange differences	657.606	4.371.464	114.918	5.143.988
End of the period	3.260.936	12.736.277	14.479.141	30.476.354

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

	Stage 1	Stage 2	Stage 3	Total
Beginning of the period [1 January 2019]	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

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

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

3.3.2.2. Credit risk mitigation techniques - overview

	Exposures unsecured: carrying amount	Exposures secured by collateral	Colleteralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Colleteralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Colleteralized amount of exposures secured by credit derivatives
Current Period							
Loans	360.570.214	53.315.951	35.410.912	2.895.274	2.348.548	-	-
Debt securities	131.261.705	-	-	-	-	-	-
TOTAL	491.831.919	53.315.951	35.410.912	2.895.274	2.348.548	-	-
Of which defaulted	4.644.219	1.108.988	435.279	913.700	422.671	-	-
Prior 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	-	-

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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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 corporates
		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	
1	AAA					
	AA+	0%	20%	20%	20%	20%
	AA					
	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-	150%	150%	150%	150%	150%
	CC					
	C					
D						

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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	193.911.863	143	196.683.082	206.983	836.193	0,42%
2 Exposures to regional governments or local authorities	466	-	466	-	93	19,96%
3 Exposures to public sector entities	20.625	126.271	20.111	53.965	74.076	100,00%
4 Exposures to multilateral development banks	772.975	53.225	772.975	27.704	-	0,00%
5 Conditional and unconditional receivables from banks and brokerage houses	62.235.512	20.218.786	62.215.512	4.197.331	19.869.626	29,92%
6 Exposures to institutions	32.057.291	20.826.349	30.693.830	4.169.887	31.345.224	89,91%
7 Exposures to corporates	5.378.253	2.297.287	4.085.919	78.150	3.178.716	76,34%
8 Retail exposures	12.175	664	12.175	316	4.372	35,00%
9 Exposures secured by residential property	4.199.024	336.667	4.179.730	168.328	3.478.505	80,00%
10 Exposures secured by commercial real estate	352.118	1	204.523	-	144.720	70,76%
11 Past-due loans	1.124.497	3.000.607	848.664	21.844	1.298.333	149,15%
12 Higher-risk categories by the Agency Board	4.469	-	4.469	-	3.117	69,75%
13 Investments in equities	2.388.193	-	2.388.193	-	5.133.306	214,95%
14 Other assets	3.155.476	-	3.155.476	-	2.413.909	76,50%
TOTAL	305.612.937	46.860.000	305.265.125	8.924.508	67.780.190	21,57%

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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	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%

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

3.3.3.3. Standard Approach: Receivables by risk classes and risk weights

Current Period												
Asset classes/Risk weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Total credit risk exposure amount (after CCF and CRM)
1 Exposures to central governments or central banks	196.053.872	-	-	-	-	-	836.193	-	-	-	-	196.890.065
2 Exposures to regional governments or local authorities	-	-	466	-	-	-	-	-	-	-	-	466
3 Exposures to public sector entities	-	-	-	-	-	-	74.076	-	-	-	-	74.076
4 Exposures to multilateral development banks	800.679	-	-	-	-	-	-	-	-	-	-	800.679
5 Conditional and unconditional receivables from banks and brokerage houses	-	-	46.990.226	-	17.902.073	-	1.520.544	-	-	-	-	66.412.843
6 Exposures to institutions	330.807	-	571.567	-	5.460.870	-	28.500.473	-	-	-	-	34.863.717
7 Exposures to corporates	-	-	-	-	-	3.941.412	222.657	-	-	-	-	4.164.069
8 Retail exposures	-	-	-	12.491	-	-	-	-	-	-	-	12.491
9 Exposures secured by residential property	-	-	-	-	1.735.003	8.207	2.604.848	-	-	-	-	4.348.058
10 Exposures secured by commercial real estate	-	-	-	-	119.607	-	84.916	-	-	-	-	204.523
11 Past-due loans	-	-	-	-	1.503	-	11.851	857.154	-	-	-	870.508
12 Higher-risk categories by the Agency Board	325	-	664	-	990	-	2.490	-	-	-	-	4.469
13 Investments in equities	-	-	-	-	-	-	558.117	-	-	1.830.076	-	2.388.193
14 Other assets	741.566	-	-	-	-	-	2.413.910	-	-	-	-	3.155.476
Total	197.927.249	-	47.562.923	12.491	25.220.046	3.949.619	36.830.075	857.154	-	1.830.076	-	314.189.633

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

Prior Period													Total credit risk exposure amount [after CCF and CRM]
Asset classes/Risk weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%		
1 Exposures to central governments or central banks	133.495.831	-	-	-	-	-	310.888	-	-	-	-	133.806.719	
2 Exposures to regional governments or local authorities	-	-	646	-	-	-	-	-	-	-	-	646	
3 Exposures to public sector entities	-	-	-	-	-	-	90.866	-	-	-	-	90.866	
4 Exposures to multilateral development banks	864.360	-	-	-	-	-	-	-	-	-	-	864.360	
5 Conditional and unconditional receivables from banks and brokerage houses	-	-	25.469.160	-	13.689.799	-	338.695	-	-	-	-	39.497.654	
6 Exposures to institutions	330.804	-	246.143	-	3.767.024	-	184.202.424	-	-	-	-	188.546.395	
7 Exposures to corporates	-	-	-	-	-	95.698.491	-	-	-	-	-	95.698.491	
8 Retail exposures	-	-	-	9.197.107	-	-	-	-	-	-	-	9.197.107	
9 Exposures secured by residential property	-	-	-	-	14.545.688	550.069	18.116.104	-	-	-	-	33.211.861	
10 Exposures secured by commercial real estate	-	-	-	-	2.871.645	-	1.206.949	-	-	-	-	4.078.594	
11 Past-due loans	-	-	-	-	133.945	-	777.856	1.020.756	-	-	-	1.932.557	
12 Higher-risk categories by the Agency Board	3	-	3	-	10	-	4	-	-	-	-	20	
13 Investments in equities	-	-	-	-	-	-	512.276	-	-	1.445.478	-	1.957.754	
14 Other assets	6.629.436	-	133.109	-	-	-	12.489.113	-	-	-	-	19.251.658	
Total	141.320.434	-	25.849.061	9.197.107	35.008.111	96.248.560	218.045.175	1.020.756	-	1.445.478	-	528.134.682	

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

3.3.3.4. Explanations on the use of IRB Models

In the development of internal models;

- As the owners of the probability of default [PD], loss given default [LGD] and exposure at default [EAD] models used in capital adequacy calculations, credit risk control and modeling units [individual & commercial] are responsible for the development and implementation processes of the models, also the regular monitoring and updating of the models.
- In case of need, advanced analytics unit is responsible for the development of the PD, LGD, EAD models,
- Validation unit is responsible for performing the initial and periodic validation of the models and providing the regular validation report.

When the development of the models is completed and following the approval of the validation unit, they are submitted to the approval of the credit committee and the Board of Directors. The models can be got into use after the necessary approvals are obtained from the relevant committees.

Performance monitoring of the model, which has been developed and put into use, is carried out by the credit risk control and modeling units and the validation unit. Performance monitoring of the models is carried out through the credit risk control unit report prepared quarterly by the credit risk control and coordination teams and annual periodic validation studies. In addition, every month before the models are run, certification checks are carried out and the accuracy of the data used in the model is confirmed.

Re-development, re-train or re-calibration of the models can be done according to the performance monitoring results of the models in use.

In accordance with the IRB communiqué [issued by BRSA - using internal rating based approach for credit risk calculations] as published in the Official Gazette dated October 22, 2015 numbered 29511, all IRB models and validation processes are audited annually by the Internal Audit Department. The scope of audits consists of three main areas: governance and validation, rating systems and quantification of risks and usage testing. Audit processes include reviewing IRB models for compliance with all minimum requirements, as well as validation of models. In this framework, initial, periodic, data and process validation activities are examined and validation findings are also taken into account within the scope of relevant model audits.

Reports on credit risk models are prepared in order to explain the structure, process and performance of the rating system, the areas that need improvement, the activities to complete the identified deficiencies, and to monitor the credit risk. Commercial credit risk control and modeling & retail credit risk control and modeling units are responsible for reporting. The related report includes the risk profile according to grades, migrations between grades, comparison of the estimations of risk parameters and observed values, and analysis of the effectiveness of the override process. If there is a rating override for project finance loans in the relevant reporting period, the reasons for the change are also included.

For the capital calculation, BRSA allowed the use of PD and EAD models in the corporate receivables class, the PD, LGD and EAD models in the retail receivables class, and the use of the slotting method in project finance loans.

87% of the bank's total risk weighted assets amount is calculated with the IRB approach. 9% of the total risk weighted assets amount is in portfolios such as receivables from central governments or financial institutions that do not have an IRB approach permit. The corporate and commercial portfolio is under the Foundation IRB approach, 92% of which is calculated with the IRB approach. The retail portfolio is under the Advanced IRB approach and 99% of it is calculated with the IRB approach. The slotting approach is used for all project finance risks.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

There are application and behavior PD Models for both corporate and retail receivables classes. Application models are the models that work at the moment when a customer applies for a loan to the Bank. Behavioral models are run at the end of each month for customers with limits or risks in the bank [for the behavior insert, it is required to be older than six months in the individual portfolio and older than four months in the SME portfolio].

- Individual portfolio PD application models consist of five models that work separately for each product in case the customer makes their own application, and a model used for the bank proactive channel. Behavior PD model is a model that consists of nine different segments.
- Individual portfolio EAD models are two models consisting of eight different segments that vary according to the limit usage rate and risk amount for the customer's credit card and overdraft products. LGD models are five models consisting of eleven different segments in terms of risk amount breakdown by product.
- SME portfolio PD application model consists of six different segments, which vary according to the customer's information such as turnover, memzuç and Credit Bureau [KKB] information, bank limit, and customer type. A customer can be rated through only one of the six segments. The SME behavior model consists of two different segments according to the customer's total bank limit amount [the customer can be rated through only one of the two segments].
- The same model is used for application and behavior in the corporate/commercial portfolio PD calculation. The model consists of four different segments that vary according to the customer's balance sheet type, bank portfolio assignment and bank total limit. The customer can be rated through only one of these segments.
- Corporate/commercial/SME portfolio EAD model consists of forty-seven different segments that vary according to the portfolio, limit, risk, limit usage rate and limit gap information for the customer's commercial overdraft, commercial credit card, non-cash [check, letter of guarantee, letter of credit] products. Fifteen of the forty-seven segments are for the corporate/commercial portfolio and thirty-two are for the SME portfolio.

Bank's PD models are developed using logistic regression. At least five years of data are used while developing the model in accordance with the articles specified in the communique. For the initial validation activities, out-of-sample [OOS] and out-of-time [OOT] data is separated. As stated in the Communique, the PD of the best grade can be at least 0.03%.

Due to the use of minimum five-year data during model development and the higher default rates during the model development period compared to the current period, the calculated PD value especially for the individual portfolio differs relatively from the observed DR.

The PD model is used in underwriting strategies, provision calculations and economic capital calculations as well as capital calculations.

Specialized loans can be defined as portfolios with low default rates. PD calculation is not made for specialized loans, the classification method is used.

While developing the LGD model, the gross LGD approach was used. At least 5-7 years of data are used while developing the model in accordance with the articles specified in the communique. For the initial validation activities, out-of-sample [OOS] and out-of-time [OOT] data is separated. As stated in the communique, it has been ensured that the LGD value of mortgage loans is at least 10%. The downturn period effect for the individual portfolio is added as a conservatism margin:

- A random sample is selected one thousand times, with the LGD values calculated for the performing and default groups equal to the number of observations for each product.
- In each sample, the average of LGD values for the performing and default groups is calculated.
- LGD averages calculated in the previous step were ordered for all segments and groups, and the 75th percentile was determined as LGD with a conservatism margin added.
- In order to reflect the effect of the downturn period, the 90th percentile was chosen after the LGD averages were ranked for all segments and groups.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

For Commercial LGD model, the total collection amount in the first year when the customers entered the liquidation process was calculated and this amount was deducted from the default amount of the following year. Thus, the default amounts remaining in the following years spent by the customer in the liquidation process are reflected. The annual collection has been made taking into account these default amounts. Thus, the year in which the collection rate was bad in the economic cycle was taken into account. The through-the-cycle [TtC] LGD of the annual calculated LGD values was found. The year with the largest percentage difference of the annual LGD values from the calculated TtC LGD was determined as the downturn year, and the related percentage difference was determined as the downturn period coefficient.

The saturation point values used for the time between the default event and the closing of the receivable are as follows.

Product/Portfolio	Saturation Point
Consumer loan	74
Auto loan	30
Overdraft	42
Mortgage	33
Credit card	50
Commercial portfolio	73
SME portfolio	68
Corporate portfolio	50

EAD model begins by associating defaulted loans with the 12-month risk and limit information before the default date. A random observation month is selected from the 12-month period from the date of default by the customer, and the EAD parameters are calculated accordingly. In product segmentation, arithmetic mean EAD ratios were calculated by considering business requirements and statistical significance. The last step is to add a conservatism margin as required in the Basel and IDD communiqué to create the final model.

As a result of the analysis made for individual loans, it was decided to use the 60th and 70th percentiles for the conservatism margin and downturn period effect ratios, respectively, in credit card products in risk conversion factor [RCF], limit conversion factor [LCF] and Non-limit conversion factor [NLCF]. For individual overdraft products, it has been decided to use the 60th and 70th percentiles for the conservatism margin and downturn effect ratios, respectively, in RCF and LCF, and the 70th and 80th percentiles, respectively, for conservatism margin and downturn effect ratios in NLCF.

For Commercial loans, five quantile is added over the model output for the conservatism margin, and five quantile is added over the model output for the downturn period effect.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

3.3.3.5. Counterparty Credit Risk Amounts by Portfolio and PD Ranges

Foundation IRB	PD Range	Exposures											Expected Loss	Provisions
		On-balance sheet amount	Off-balance sheet amount	Average CCF	post-CCF and CRM	Average PD	Number of Customers	Average LGD	Average Maturity	Risk Weighted Assets	RWA Density			
	0-0,15	5.106.269	10.136.539	44,50%	9.616.677	0,10%	29.394	42,50%	1,82	2.283.174	23,74%	4.032	9.424	
	0,15-0,25	3.825.165	1.471.457	51,85%	4.588.187	0,19%	65.111	38,34%	2,49	1.725.974	37,62%	3.292	4.852	
	0,25-0,5	16.300.123	16.832.268	47,07%	24.223.112	0,33%	22.109	43,46%	1,85	12.453.675	51,41%	34.660	476.527	
	0,5-0,75	39.254.397	32.306.895	43,32%	53.249.762	0,61%	39.404	42,80%	1,53	34.069.325	63,98%	139.436	436.910	
Exposures to corporates	0,75-2,5	39.963.119	30.433.333	37,89%	51.493.450	1,45%	41.427	42,60%	1,90	49.049.054	95,25%	318.290	1.250.073	
	2,5-10	15.959.873	15.571.597	35,41%	21.473.052	5,53%	25.907	41,70%	1,56	29.131.947	135,67%	493.520	997.692	
	10-100 100 [default]	787.645	802.302	20,84%	954.845	25,56%	5.569	40,76%	1,77	2.059.318	215,67%	98.660	70.300	
		9.918.477	376.217	21,62%	9.999.819	100,00%	13.867	45,00%	2,50	-	0,00%	4.499.918	6.739.322	
	Sub Total	131.115.068	107.930.608	41,22%	175.598.904	7,18%	234.026	42,68%	1,78	130.772.467	74,47%	5.591.808	9.985.100	

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

Advanced IRB	PD Range	On-balance sheet amount	Off-balance sheet amount	Average CCF	Exposures post-CCF and CRM	Average PD	Number of Customers	Average LGD	Average Maturity	Risk Weighted Assets	RWA Density	Expected Loss	Provisions
	0-0,15	5.375.727	13.290.210	26,79%	8.935.980	0,10%	872.966	39,65%	-	219.263	2,45%	3.416	4.733
	0,15-0,25	6.031.116	13.577.991	27,17%	9.719.610	0,19%	1.248.224	38,42%	-	409.485	4,21%	7.192	11.130
	0,25-0,5	1.723.417	2.665.726	28,30%	2.477.714	0,33%	299.760	39,14%	-	164.271	6,63%	3.191	5.279
	0,5-0,75	4.703.256	6.763.265	28,20%	6.610.245	0,64%	842.923	38,68%	-	732.449	11,08%	16.323	19.605
Qualifying Revolving Retail Exposures	0,75-2,5	6.379.855	7.597.886	28,38%	8.535.837	1,50%	1.202.146	38,08%	-	1.768.237	20,72%	48.771	58.088
	2,5-10	6.310.169	3.624.753	30,46%	7.414.268	5,33%	1.241.491	36,36%	-	3.454.643	46,59%	141.545	165.017
	10-100	1.305.949	271.781	33,36%	1.396.624	27,67%	311.478	32,32%	-	1.368.372	97,98%	126.168	125.345
	100 (default)	43.062	24	33,33%	43.070	100,00%	9.353	39,58%	-	151.444	351,62%	5.618	11.237
	Sub Total	31.872.551	47.791.636	27,75%	45.133.348	2,28%	6.028.341	38,15%	-	8.268.164	18,32%	352.224	400.434
	0-0,15	796.415	2.349.391	38,91%	1.710.560	0,11%	51.674	46,56%	-	221.542	12,95%	865	3.824
	0,15-0,25	4.718.843	6.788.985	54,26%	8.402.336	0,17%	120.835	46,97%	-	1.532.987	18,24%	6.823	25.433
	0,25-0,5	8.504.653	10.368.987	46,05%	13.279.805	0,36%	106.606	48,32%	-	3.995.922	30,09%	23.296	54.745
	0,5-0,75	7.067.315	6.422.647	40,26%	9.653.143	0,61%	104.254	46,51%	-	3.800.792	39,37%	27.245	55.457
Retail SME Exposures	0,75-2,5	15.579.067	8.837.005	41,00%	19.202.032	1,48%	208.726	46,89%	-	10.988.224	57,22%	133.279	192.386
	2,5-10	9.979.544	3.648.915	36,94%	11.327.271	5,04%	160.381	46,82%	-	8.290.446	73,19%	266.711	258.960
	10-100	1.915.829	479.317	29,95%	2.059.392	21,42%	33.109	45,69%	-	2.114.894	102,70%	200.128	129.306
	100 (default)	4.234.372	549.959	21,19%	4.350.896	100,00%	72.159	80,84%	-	612.696	14,08%	3.470.823	4.200.964
	Sub Total	52.796.038	39.445.206	43,58%	69.985.435	8,24%	857.744	49,17%	-	31.557.503	45,09%	4.129.170	4.921.075
	0-0,15	771.434	1.998.625	81,07%	2.391.670	0,10%	966.641	50,81%	-	311.162	13,01%	1.172	1.921
	0,15-0,25	3.536.409	2.376.311	81,59%	5.475.178	0,19%	1.184.040	53,72%	-	1.230.764	22,48%	5.665	8.009
	0,25-0,5	1.232.351	591.532	82,26%	1.718.966	0,33%	331.005	54,19%	-	555.784	32,33%	3.087	3.498
	0,5-0,75	7.333.011	1.826.481	82,67%	8.842.925	0,64%	865.137	58,39%	-	4.513.379	51,04%	33.312	29.170
Other Retail Exposures	0,75-2,5	14.603.008	1.864.790	84,49%	16.178.549	1,54%	1.113.981	60,02%	-	12.027.772	74,34%	150.645	111.333
	2,5-10	20.986.455	1.157.489	91,22%	22.042.351	5,62%	1.288.546	60,64%	-	21.247.667	96,39%	751.690	573.227
	10-100	6.965.048	89.382	123,84%	7.075.741	29,00%	339.008	60,82%	-	11.364.776	160,62%	1.246.786	867.980
	100 (default)	3.987.378	339	85,08%	3.987.666	100,00%	212.406	77,54%	-	1.791.426	44,92%	2.956.847	3.033.606
	Sub Total	59.415.094	9.904.949	83,78%	67.713.046	11,23%	6.300.764	60,14%	-	53.042.730	78,33%	5.149.204	4.628.744
	Total [All portfolios]	144.083.683	97.141.791	39,89%	182.831.829	7,88%	9.177.035	50,51%	-	92.868.397	50,79%	9.630.598	9.950.253
Other Items	Sub total	22.091.943	-	-	22.091.943	-	-	-	-	11.947.672	57,08%	-	-

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

3.3.3.6. IRB: The effect of credit derivatives used as CRM technique on RWA

	RWA - PRE Credit	Actual RWA
1 Exposures to central governments or central banks -Foundation IRB	-	-
2 Exposures to central governments or central banks -Advanced IRB	-	-
3 Exposures to banks and financial institutions - Foundation IRB	-	-
4 Exposures to banks and financial institutions - Advanced IRB	-	-
5 Exposures to corporates -Foundation IRB	133.438.626	133.438.626
6 Exposures to corporates - Advanced IRB	-	-
7 Specialised Lending - Foundation IRB	-	-
8 Specialised Lending - Advanced IRB	71.517.966	71.517.966
9 Retail exposures - Qualifying revolving	8.268.164	8.268.164
10 Retail exposures - secured by real estate	-	-
11 Retail exposures - SME	31.572.185	31.572.185
12 Retail Exposures - Other	53.042.730	53.042.730
13 Investments in equities - Foundation IRB	-	-
14 Investments in equities - Advanced IRB	-	-
15 Purchased Receivables - Foundation IRB	-	-
16 Purchased Receivables - Advanced IRB	-	-
17 Other Items - Advanced IRB	11.947.672	11.947.672
Total	309.787.343	309.787.343

3.3.3.7. RWA Movement Table Under IRB Approach

	RWA amounts
1 Previous Period Closing Amount	-
2 Changes in Volume	-
3 Changes in Asset Quality	-
4 Model Updates	-
5 Policy and Regulatory Changes	-
6 Purchasing and Selling	-
7 FX Difference	-
8 Other ⁽¹⁾	309.787.343
9 Current Period Closing Amount	309.787.343

⁽¹⁾ The Parent Bank has started to use IRB approach as of June 30, 2021.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

3.3.3.8. IRB: Back-testing of probability of default in each asset class

Asset classes	PD Range	Equivalent External Rating	Weighted Average PD	Mean PD By Borrower	Number of Borrowes		Borrowers in default within the year	Borrowers in default for the first time within the year	Average historical annual default rate
					Prior Period	Current Period			
Corporate exposures - 1	0% - 0,14%	AAA to A+	0,10%	0,10%	42.418	29.394	7	-	0,03%
Corporate exposures - 2	0,14% - 0,41%	A to A-	0,30%	0,23%	91.889	83.895	56	2	0,07%
Corporate exposures - 3	0,41% - 1,17%	BBB+ to BBB-	0,75%	0,76%	63.915	60.908	110	17	0,20%
Corporate exposures - 4	1,17%- 3,22%	BB+ to BB-	1,88%	2,11%	39.372	32.307	222	22	0,54%
Corporate exposures - 5	3,22% - 15,08%	B+ to B-	6,35%	6,89%	21.766	16.568	433	44	1,80%
Corporate exposures - 6	15,08% - 33,77%	CCC+ to CCC-	26,92%	30,08%	6.413	4.755	727	35	9,60%
Corporate exposures - 7	33,77% - 99,999%	CC	41,09%	42,40%	93	47	7	1	21,50%
Corporate exposures - 8	100%	D	100,00%	100,00%	18.855	13.867	-	-	-
	Sub Total	Sub Total	7,15%	9,16%	284.721	241.741	1.562	121	0,85%

Asset classes	PD Range	Equivalent External Rating	Weighted Average PD	Mean PD By Borrower	Number of Borrowes		Borrowers in default within the year	Borrowers in default for the first time within the year	Average historical annual default rate
					Prior Period	Current Period			
Retail exposures - Qualifying revolving - 1	0% - 0,14%	AAA to A+	0,10%	0,10%	888.589	872.966	250	3	0,02%
Retail exposures - Qualifying revolving - 2	0,14% - 0,41%	A to A-	0,22%	0,22%	1.357.890	1.547.984	705	12	0,05%
Retail exposures - Qualifying revolving - 3	0,41% - 1,17%	BBB+ to BBB-	0,77%	0,77%	1.162.332	1.311.002	1.991	189	0,15%
Retail exposures - Qualifying revolving - 4	1,17%- 3,22%	BB+ to BB-	2,31%	2,31%	1.063.174	1.220.159	5.912	1.108	0,38%
Retail exposures - Qualifying revolving - 5	3,22% - 15,08%	B+ to B-	7,18%	7,35%	667.913	790.203	14.905	4.254	1,69%
Retail exposures - Qualifying revolving - 6	15,08% - 33,77%	CCC+ to CCC-	29,26%	28,58%	210.825	276.674	28.396	2.575	8,34%
Retail exposures - Qualifying revolving - 7	33,77% - 99,999%	CC	-	-	-	-	-	-	20,82%
Retail exposures - Qualifying revolving - 8	100%	D	100,00%	100,00%	2.605	9.353	-	-	-
	Sub Total	Sub Total	2,33%	2,99%	5.353.328	6.028.341	52.159	8.141	1,59%

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

Asset classes	PD Range	Equivalent External Rating	Weighted Average PD	Mean PD By Borrower	Number of Borrowes		Borrowers in default within the year	Borrowers in default for the first time within the year	Average historical annual default rate
					Prior Period	Current Period			
Retail exposures - SME - 1	0% - 0,14%	AAA to A+	0,11%	0,10%	51.137	51.674	22	-	0,06%
Retail exposures - SME - 2	0,14% - 0,41%	A to A-	0,23%	0,22%	150.974	181.813	158	26	0,19%
Retail exposures - SME - 3	0,41% - 1,17%	BBB+ to BBB-	0,72%	0,73%	176.672	213.267	661	146	0,58%
Retail exposures - SME - 4	1,17% - 3,22%	BB+ to BB-	2,00%	2,08%	156.824	182.474	1.621	353	1,46%
Retail exposures - SME - 5	3,22% - 15,08%	B+ to B-	6,48%	6,55%	108.258	129.561	3.432	769	4,29%
Retail exposures - SME - 6	15,08% - 33,77%	CCC+ to CCC-	23,82%	25,15%	17.947	19.192	2.662	328	13,49%
Retail exposures - SME - 7	33,77% - 99,999%	CC	45,69%	47,07%	1.451	1.083	217	41	23,38%
Retail exposures - SME - 8	100%	D	100,00%	100,00%	74.943	72.159	-	-	-
Sub Total		Sub Total	8,34%	19,69%	738.206	851.223	8.773	1.663	1,50%
Asset classes	PD Range	Equivalent External Rating	Weighted Average PD	Mean PD By Borrower	Number of Borrowes		Borrowers in default within the year	Borrowers in default for the first time within the year	Average historical annual default rate
					Prior Period	Current Period			
Retail Exposures - Other - 1	0% - 0,14%	AAA to A+	0,10%	0,10%	1.140.627	966.641	222	29	0,01%
Retail Exposures - Other- 2	0,14% - 0,41%	A to A-	0,22%	0,22%	1.236.175	1.514.953	793	162	0,04%
Retail Exposures - Other- 3	0,41% - 1,17%	BBB+ to BBB-	0,80%	0,78%	1.082.425	1.330.222	2.437	1.129	0,15%
Retail Exposures - Other- 4	1,17% - 3,22%	BB+ to BB-	2,38%	2,37%	964.518	1.160.407	6.498	3.324	0,41%
Retail Exposures - Other- 5	3,22% - 15,08%	B+ to B-	7,28%	7,33%	726.793	811.750	16.359	7.158	1,50%
Retail Exposures - Other- 6	15,08% - 33,77%	CCC+ to CCC-	30,38%	30,14%	308.167	304.738	41.848	5.383	7,95%
Retail Exposures - Other- 7	33,77% - 99,999%	CC	-	-	-	-	-	-	18,78%
Retail Exposures - Other- 8	100%	D	100,00%	100,00%	160.770	212.406	-	-	-
Sub Total		Sub Total	10,84%	7,63%	5.619.475	6.301.117	68.157	17.185	1,78%
Asset classes	PD Range	Equivalent External Rating	Weighted Average PD	Mean PD By Borrower	Number of Borrowes		Borrowers in default within the year	Borrowers in default for the first time within the year	Average historical annual default rate
					Prior Period	Current Period			
Other Items - 1	-	-	-	-	2	2	-	-	-

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

3.3.3.9. IRB - Specialized lending and equity investments subject to the simple risk weight approach

Category	Remaining Maturity	Specialised Lendings Besides High-volatility Commercial Real Estates										Expected Losses	
		On-balance sheet amount	Off-balance sheet amount	Counter-party credit risk	Risk Weight	Project Finance	Object Finance	Risk Amount		RWA Amount			
								Commodities Finance	Income Producing Real Estate	Total	Credit Risk		Counter Party Credit Risk
Strong	<2,5 year	-	-	67.332	50%	57.505	-	-	9.828	67.333	-	33.666	-
	≥2,5 year	5.856.274	1.201.537	292.873	70%	6.171.959	-	-	219.613	6.391.572	4.269.089	205.011	25.586
Good	<2,5 year	1.999.003	6.588	78.462	70%	1.545.182	-	-	533.613	2.078.795	1.400.233	54.923	8.315
	≥2,5 year	10.922.217	3.568.399	270.561	90%	14.108.109	94.909	-	-	14.203.018	12.539.212	243.505	114.649
Satisfactory		33.568.478	2.717.765	1.463	115%	32.736.174	448.825	-	955.497	34.140.496	39.259.888	1.682	955.934
Weak		5.380.841	116.282	-	250%	5.354.179	50.124	-	-	5.404.303	13.510.757	-	432.344
Default		-	4.243	-	-	856	-	-	-	856	-	-	428
Total		57.726.813	7.614.814	710.691	-	59.973.964	593.858	-	1.718.551	62.286.373	70.979.179	538.787	1.537.256

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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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	16.080.884	2.055.840	-	1,40	17.629.390	5.794.413
2 Internal Model Approach			-	-	-	-
3 Simplified Standardised Approach for Credit Risk Mitigation					-	-
4 Comprehensive Method for Credit Risk Mitigation					2.058.542	889.618
5 Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions					-	-
Total						6.684.031
Prior 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

⁽¹⁾ Effective expected positive exposure

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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	17,629.390	4,568.681	4,383.423	2,365.564
Total amount of CVA capital adequacy	17,629.390	4,568.681	4,383.423	2,365.564

3.4.4. Standardised approach - CCR exposures by regulatory portfolio and risk weights

Current Period												
Risk Weights/Risk Classes	0%	2%	4%	10%	20%	35%	50%	75%	100%	150%	Total credit risk ⁽¹⁾	
1 Central governments and central banks receivables	7.701.693	-	-	-	-	-	-	-	-	-	7.701.693	
2 Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-	-	-	
3 Administrative and non commercial receivables	-	-	-	-	-	-	-	-	-	-	-	
4 Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-	-	-	
5 Banks and Intermediary Institutions receivables	-	344.884	181.594	-	2.242.168	-	5.398.580	-	-	-	8.167.226	
6 Corporate receivables	-	-	-	-	-	-	-	-	308.394	-	308.394	
7 Retail receivables	-	-	-	-	-	-	-	11.047	-	-	11.047	
8 Mortgage receivables	-	-	-	-	-	-	-	-	-	-	-	
9 Non performing receivables	-	-	-	-	-	-	-	-	-	-	-	
10 High risk defined receivables	-	-	-	-	-	-	-	-	-	-	-	
11 Investments in equities	-	-	-	-	-	-	-	-	-	-	-	
12 Other receivables	-	-	-	-	-	-	-	-	-	-	-	
Total	7.701.693	344.884	181.594	-	2.242.168	-	5.398.580	11.047	308.394	-	16.188.360	

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

Prior Period												
Risk Weights/Risk Classes	0%	2%	4%	10%	20%	35%	50%	75%	100%	150%	Total credit risk ⁽¹⁾	
1 Central governments and central banks receivables	781.548	-	-	-	-	-	-	-	-	-	781.548	
2 Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-	-	-	
3 Administrative and non commercial receivables	-	-	-	-	-	-	-	-	1	-	1	
4 Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-	-	-	
5 Banks and Intermediary Institutions receivables	-	50.016	126.545	-	432.539	-	2.554.884	-	-	-	3.163.984	
6 Corporate receivables	-	-	-	-	-	-	40.341	-	2.826.624	-	2.866.965	
7 Retail receivables	-	-	-	-	-	-	-	12.269	-	-	12.269	
8 Mortgage receivables	-	-	-	-	-	-	208.625	-	41.275	-	249.900	
9 Non performing receivables	-	-	-	-	-	-	-	-	-	-	-	
10 High risk defined receivables	-	-	-	-	-	-	-	-	-	-	-	
11 Investments in equities	-	-	-	-	-	-	-	-	-	-	-	
12 Other receivables	-	-	-	-	-	-	-	-	-	-	-	
Total	781.548	50.016	126.545	-	432.539	-	2.803.850	12.269	2.867.900	-	7.074.667	

⁽¹⁾ Total credit risk: Value of Capital Adequacy Calculations after Counterparty Credit Risk methods are applied.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

3.4.5. Counterparty Credit Risk Amounts by Portfolio and PD Ranges]

Foundation IRB	PD Range	Exposures post CRM	Average PD	Number of Customers	Average LGD	Average Maturity	Risk	
							Weighted Assets	RWA Density
	0-0,15	265.369	0,12%	26	44,00%	2,91	97.171	36,62%
	0,15-0,25	9	0,17%	1	45,00%	1,00	3	28,59%
	0,25-0,5	488.827	0,33%	49	44,47%	1,50	235.543	48,19%
	0,5-0,75	1.200.613	0,64%	57	43,32%	2,58	937.565	76,05%
Exposures to corporates	0,75-2,5	962.230	1,40%	42	43,85%	1,95	908.856	94,45%
	2,5-10	366.124	4,30%	13	42,80%	1,70	487.021	133,02%
	10-100	-	-	-	-	-	-	-
	100 (default)	-	-	-	-	-	-	-
	Sub total	3.283.172	1,20%	188	43,62%	2,20	2.666.159	80,10%

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

Advanced IRB	PD Range	Exposures post CRM	Average PD	Number of Customers	Average LGD	Average Maturity	Risk Weighted Assets	RWA Density
	0-0,15	-	-	-	-	-	-	-
	0,15-0,25	-	-	-	-	-	-	-
	0,25-0,5	-	-	-	-	-	-	-
	0,5-0,75	-	-	-	-	-	-	-
Qualifying Revolving Retail Exposures	0,75-2,5	-	-	-	-	-	-	-
	2,5-10	-	-	-	-	-	-	-
	10-100	-	-	-	-	-	-	-
	100 (default)	-	-	-	-	-	-	-
	Sub total	-	-	-	-	-	-	-
	0-0,15	2.220	0,12%	8	50,54%	0,00	336	15,15%
	0,15-0,25	2.134	0,17%	13	47,67%	0,00	391	18,31%
	0,25-0,5	8.155	0,33%	21	47,37%	0,00	2.294	28,13%
	0,5-0,75	3.801	0,58%	11	43,66%	0,00	1.367	35,96%
Retail-SME Exposures	0,75-2,5	12.047	1,23%	24	48,09%	0,00	7.220	56,04%
	2,5-10	3.830	7,70%	4	48,16%	0,00	3.074	80,28%
	10-100	-	-	-	-	0,00	-	-
	100 (default)	-	-	-	-	-	-	-
	Sub total	32.187	1,52%	81	47,59%	0,00	14.682	45,34%
	0-0,15	-	-	-	-	-	-	-
	0,15-0,25	-	-	-	-	-	-	-
	0,25-0,5	-	-	-	-	-	-	-
	0,5-0,75	-	-	-	-	-	-	-
Other Retail Exposures	0,75-2,5	-	-	-	-	-	-	-
	2,5-10	-	-	-	-	-	-	-
	10-100	-	-	-	-	-	-	-
	100 (default)	-	-	-	-	-	-	-
	Sub Total	-	-	-	-	-	-	-
	Total [All portfolios]	32.187	1,52%	81	47,59%	-	14.682	45,34%

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

3.4.6. Composition of collateral for CCR exposure

Current Period	Collaterals for Derivatives				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
	Segregated	Unsegregated	Segregated	Unsegregated		
1 Cash-Local Currency	-	9.912	-	-	45.359.285	1.750.689
2 Cash - Foreign Currency	-	19.884	-	-	3.095.195	-
3 Domestic sovereign debts	-	-	-	-	1.782.917	44.822.415
4 Other sovereign debts	-	-	-	-	-	4.198.676
5 Other collateral	-	477.537	-	-	-	-
Total	-	507.333	-	-	50.237.397	50.771.780

Prior Period	Collaterals for Derivatives				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
	Segregated	Unsegregated	Segregated	Unsegregated		
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
5 Other collateral	-	-	-	-	-	-
Total	-	22.073	-	-	29.222.013	30.676.656

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

3.4.7. 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	-	26.257.676	-	12.525.055
Credit Options	-	-	-	-
Other Credit Derivatives	-	-	-	-
Total Nominal	-	26.257.676	-	12.525.055
Rediscount Amount				
Positive Rediscount Amount		844.603		42.819
Negative Rediscount Amount		(2.108.982)		(404.729)

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

3.4.8. 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]		14.162		6.062
2 Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	-	-	-	-
3 (i) OTC Derivatives	526.449	14.161	173.011	5.991
4 (ii) Exchange-traded Derivatives	-	-	-	-
5 (iii) Securities financing transactions	29	1	3.550	71
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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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 Risk and Collateral Management 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 Risk and Collateral 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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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.

3.6.2. Market risk under standardised approach

	Current Period Risk Weighted Asset	Prior Period Risk Weighted Asset
Outright products	4.861.529	4.418.882
1 Interest rate risk (general and specific)	1.636.586	2.371.373
2 Equity risk (general and specific)	153.550	5.175
3 Foreign exchange risk	2.984.145	2.042.321
4 Commodity risk	87.250	13
Options	780.475	20.450
5 Simplified approach	-	-
6 Delta-plus method	780.475	20.450
7 Scenario approach	-	-
8 Securitisation	-	-
Total	5.642.006	4.439.332

3.7. Explanations on Operational Risk

The Bank calculates the amount subject to operational risk based on "Basic Indicator Method" by using 2020, 2019 and 2018 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, 2021, the total amount subject to operational risk is TL 37.518.185 [December 31, 2020 - TL 30.380.790] and the amount of the related capital requirement is TL 3.001.455 [December 31, 2020 - TL 2.430.463].

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	18.308.797	17.663.901	24.056.398	20.009.699	15,00%	3.001.455
Amount subject to operational risk [Total*12,5]						37.518.185
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	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

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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 reviewed 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, 2021, based on the significant currencies of the Parent 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	[3.565.705]	[4,46]%	[3.795.748]	[6,06]%
TRY	[-]400 bp	3.206.811	4,01%	3.576.247	5,71%
EUR	[+]200 bp	[310.186]	[0,39]%	[123.836]	[0,20]%
EUR	[-]200 bp	358.834	0,45%	158.635	0,25%
USD	[+]200 bp	[1.871.143]	[2,34]%	[1.241.514]	[1,98]%
USD	[-]200 bp	2.633.830	3,30%	1.769.009	2,83%
Total [For negative shocks]		6.199.475	7,76%	5.503.891	8,79%
Total [For positive shocks]		[5.747.034]	[7,19]%	[5.161.098]	[8,25]%

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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	12,9775	14,6823
First day current bid rate	12,2219	13,8011
Second day current bid rate	11,8302	13,4000
Third day current bid rate	11,3900	12,8903
Fourth day current bid rate	11,7278	13,2926
Fifth day current bid rate	11,4508	12,9683
Arithmetic average of the last 30 days:	13,6230	15,3994
Evaluation rate as of prior period:	7,3405	9,0079

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

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	34.652.104	52.003.703	10.425.248	97.081.055
Banks	4.992.590	22.620.333	245.297	27.858.220
Financial assets at fair value through profit or loss	31.478	433.339	-	464.817
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	1.382.415	5.535.496	103.095	7.021.006
Loans ⁽¹⁾	93.347.684	84.751.387	4.787.535	182.886.606
Investments in associates, subsidiaries and joint ventures	-	-	2.050.744	2.050.744
Financial assets measured at amortised cost	7.340.637	40.843.583	-	48.184.220
Hedging derivative financial assets	21.489	44.175	-	65.664
Tangible assets	6.533	-	66.048	72.581
Other assets ⁽²⁾	8.702.905	23.423.169	1.453.877	33.579.951
Total assets	150.477.835	229.655.185	19.131.844	399.264.864
Liabilities				
Bank deposits	1.242.211	321.875	658	1.564.744
Foreign currency deposits	89.401.894	155.355.183	27.916.204	272.673.281
Funds from money market	4.785.265	-	-	4.785.265
Funds borrowed from other financial institutions	29.252.317	37.806.383	255.029	67.313.729
Marketable securities issued	2.611.087	30.400.441	-	33.011.528
Miscellaneous payables	4.360.930	480.746	8.142	4.849.818
Hedging derivative financial liabilities	107.016	576.177	-	683.193
Other liabilities ⁽³⁾	2.576.430	67.922.597	116.890	70.615.917
Total liabilities	134.337.150	292.863.402	28.296.923	455.497.475
Net on balance sheet position	16.140.685	(63.208.217)	(9.165.079)	(56.232.611)
Net off balance sheet position⁽⁵⁾	(14.512.454)	62.087.451	11.830.058	59.405.055
Financial derivative assets	16.417.457	90.301.009	17.198.355	123.916.821
Financial derivative liabilities	30.929.911	28.213.558	5.368.297	64.511.766
Net position	1.628.231	(1.120.766)	2.664.979	3.172.444
Non-cash loans	54.741.701	58.461.909	6.617.892	119.821.502
Prior Period				
Total assets	92.618.089	119.217.724	11.298.191	223.134.004
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

⁽¹⁾ Includes FX indexed loans amounting to TL 320.109 [December 31, 2020 - TL 376.236] which have been disclosed as TL in the financial statements.⁽²⁾ Does not include foreign currency prepaid expenses amounting to TL 461.663 [December 31, 2020 - TL 247.233].⁽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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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 ⁽²⁾
[+] 15%	436.669	211.772
[-] 15%	[200.224]	[60.564]

⁽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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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	68.178.110	-	-	-	-	51.570.131	119.748.241
Banks	8.309.675	1.226.728	4.062.073	-	-	20.805.882	34.404.358
Financial assets at fair value through profit/loss	-	3.196	5.683	58.396	139.374	595.005	801.654
Receivables from money markets	1.809.366	-	-	-	-	-	1.809.366
Financial assets at fair value through other comprehensive income	5.011.649	8.514.144	13.360.359	3.718.284	4.101.999	91.075	34.797.510
Loans ⁽¹⁾	61.116.734	57.767.824	158.844.116	120.411.758	25.989.739	[10.244.006]	413.886.165
Financial assets measured at amortised cost	20.420.050	11.074.959	13.410.483	11.672.177	39.709.143	-	96.286.812
Other assets	5.266.352	9.049.186	3.703.985	5.739.253	353.077	54.974.947	79.086.800
Total assets	170.111.936	87.636.037	193.386.699	141.599.868	70.293.332	117.793.034	780.820.906
Liabilities							
Bank deposits	2.782.299	823.611	1.736.802	11.573	-	1.783.052	7.137.337
Other deposits	189.198.407	34.961.966	8.447.559	2.886.264	276.996	177.019.529	412.790.721
Funds from money market	51.087.194	3.766.361	1.032.918	-	-	-	55.886.473
Miscellaneous payables	-	-	-	-	-	26.732.718	26.732.718
Marketable securities issued	3.359.088	22.492.961	15.724.962	-	-	-	41.577.011
Funds borrowed from other financial institutions	8.000.905	38.075.477	14.220.629	10.249.753	2.375.200	-	72.921.964
Other liabilities ⁽²⁾	5.132.873	30.050.685	13.956.009	31.854.517	3.401.689	79.378.909	163.774.682
Total liabilities	259.560.766	130.171.061	55.118.879	45.002.107	6.053.885	284.914.208	780.820.906
Balance sheet long position	-	-	138.267.820	96.597.761	64.239.447	-	299.105.028
Balance sheet short position	[89.448.830]	[42.535.024]	-	-	-	[167.121.174]	[299.105.028]
Off-balance sheet long position	18.455.630	43.104.916	-	-	-	-	61.560.546
Off-balance sheet short position	-	-	[6.524.939]	[44.274.928]	[8.012.207]	-	[58.812.074]
Total position	[70.993.200]	569.892	131.742.881	52.322.833	56.227.240	[167.121.174]	2.748.472

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

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	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⁾	2.785.990	18.393.912	1.565.287	22.437.746	1.701.221	58.318.137	105.202.293
Total liabilities	162.771.316	92.641.977	29.530.687	29.362.388	3.370.494	168.812.817	486.489.679
Balance sheet long position	-	-	93.275.489	81.966.552	33.460.262	-	208.702.303
Balance sheet short position	[71.082.036]	[33.875.042]	-	-	-	[103.745.225]	[208.702.303]
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	[54.584.588]	802.730	84.453.128	40.874.029	30.578.263	[103.745.225]	[1.621.663]

⁽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"

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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.

Current Period	EUR	USD	Yen	TL
	%	%	%	%
Assets⁽¹⁾				
Cash [cash in vault, effectives, cash in transit, cheques purchased] and balances with the Central Bank of the Republic of Turkey	-	-	-	8,89
Banks	0,78	0,45	-	14,07
Financial assets at fair value through profit/loss	3,87	3,43	-	15,57
Receivables from money markets	-	-	-	12,31
Financial assets at fair value through other comprehensive income	3,32	6,27	-	28,75
Loans	4,48	5,64	-	19,26
Financial assets measured at amortised cost	2,71	6,25	-	30,36
Liabilities				
Bank deposits ⁽¹⁾	-	-	-	16,08
Other deposits ⁽¹⁾	0,17	0,38	-	10,30
Funds from money market	0,92	-	-	12,16
Miscellaneous payables	-	-	-	-
Marketable securities issued	3,78	4,87	-	17,55
Funds borrowed from other financial institutions	2,06	2,64	-	17,24

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

Prior Period	EUR	USD	Yen	TL
	%	%	%	%
Assets				
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				
Bank deposits ⁽¹⁾	-	0,02	-	15,90
Other deposits ⁽¹⁾	0,54	1,03	0,01	7,53
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

⁽¹⁾ Demand deposit balances are included in average interest rate calculation.**6. Explanation on share certificates position risk from banking book:**

None.

7. Explanations on consolidated liquidity risk management and liquidity coverage ratio:

Liquidity risk is defined as risk of unexpected loss to be occurred or Group 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 Group 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 in cooperation with Treasury Management. 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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira [“TL”]]

The Parent 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 and monitored regularly via various reports. Intraday liquidity is also monitored closely by the bank in its best effort.

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 major types of currencies are periodically made in Bank and its subsidiaries. There are limits which are predetermined and approved by the Board of Directors on the basis of all major 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 Parent 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 Parent 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, 2020 - 54%] 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] on a both solo and consolidated level 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 Parent 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.

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.

Secured funding consists of repo and other secured borrowings. A large part of securities which are subject to 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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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 for the last three months.

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			135.289.945	99.238.215
Cash Outflows				
Retail and Small Business Customers Deposits	222.091.449	135.072.946	20.502.830	13.507.117
Stable deposits	34.126.292	3.543	1.706.314	177
Less stable deposits	187.965.157	135.069.403	18.796.516	13.506.940
Unsecured Funding other than Retail and Small Business Customers Deposits	160.275.133	91.509.499	85.004.807	43.732.987
Operational deposits	-	-	-	-
Non-Operational deposits	127.816.630	82.744.975	57.566.721	34.968.463
Other Unsecured funding	32.458.503	8.764.524	27.438.086	8.764.524
Secured funding			37.287	-
Other Cash Outflows	2.272.511	2.272.511	2.272.511	2.272.511
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	2.272.511	2.272.511	2.272.511	2.272.511
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	144.854.244	104.453.220	7.242.712	5.222.661
Other irrevocable or conditionally revocable commitments	130.053.964	27.211.271	11.552.724	4.003.631
Total Cash Outflows			126.612.871	68.738.907
Cash Inflows				
Secured Lending Transactions	-	-	-	-
Unsecured Lending Transactions	53.820.044	33.788.164	43.575.725	30.494.403
Other contractual cash inflows	1.489.259	29.970.732	1.489.259	29.970.732
Total Cash Inflows	55.309.303	63.758.896	45.064.984	60.465.135
			Capped Amounts	
Total High Quality Liquid Assets			135.289.945	99.238.215
Total Net Cash Outflows			81.547.887	17.184.727
Liquidity Coverage Ratio (%)			165,90	577,48

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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	November 5, 2021	October 29, 2021	November 12, 2021	December 17, 2021
Ratio[%]	446,46	137,62	662,13	189,47

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 are explained in the table below.

Prior Period	Unweighted Amounts		Weighted Amounts	
	TL+FC	FC	TL+FC	FC
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

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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	370.725.229	36.369.142	10.361.932	2.935.781	393.885	420.785.969
Borrowings	8.046.249	5.106.058	42.704.256	17.814.946	1.979.667	75.651.176
Financial liabilities fair value through profit and loss	-	388.705	2.467.767	21.511.330	14.813.084	39.180.886
Funds from money market	51.234.055	469.646	1.682.050	2.670.754	-	56.056.505
Subordinated loans	840.699	175.471	13.925.427	24.296.937	9.946.031	49.184.565
Marketable securities issued	1.874.373	9.981.830	6.639.390	24.257.024	393.128	43.145.745
Total	432.720.605	52.490.852	77.780.822	93.486.772	27.525.795	684.004.846
Prior 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

⁽¹⁾ Maturities of non-cash loans are described in Note 3 of Section V.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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⁾	714.154.420	487.239.344
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	1.973.316	2.247.432
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	14.021.321	3.413.030
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	[48.041.718]	[21.024.413]
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	[21.579.970]	[20.309.811]
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	41.496.274	23.831.066
7 Total Risks	1.000.514.763	694.448.499

⁽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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

	Current Period ⁽¹⁾	Prior Period ⁽¹⁾
On-Balance sheet exposures		
1 On-Balance sheet assets [Excluding derivative financial instruments and credit derivatives, including collaterals]	713.710.807	493.536.743
2 [Asset amounts deducted in determining Tier 1 capital]	[6.704.089]	[4.883.604]
3 Total on-Balance sheet exposures	707.006.718	488.653.139
Derivative financial instruments and credit derivatives		
4 Replacement cost of derivative financial instruments and credit derivatives	2.686.719	2.732.015
5 Potential credit risk of derivative financial instruments and credit derivatives	14.021.321	3.413.030
6 Total derivative financial instruments and credit derivatives exposure	16.708.040	6.145.045
Securities financing transaction exposure		
7 Total risk of gross securities financing transactions [excluding on-balance sheet exposure]	681.361	1.632.755
8 Agent transaction exposures	-	-
9 Total securities financing transaction exposures	681.361	1.632.755
Off-balance sheet items		
10 Off-balance sheet exposure at gross notional amount	297.698.614	218.327.371
11 [Adjustments for conversion to credit equivalent amounts]	[21.579.970]	[20.309.811]
12 Total risk of off-balance sheet items	276.118.644	198.017.560
Capital and total exposure		
13 Tier 1 capital	64.211.039	51.520.610
14 Total exposures	1.000.514.763	694.448.499
15 Leverage ratio [%]	6,45	7,42

⁽¹⁾ The arithmetic average of the last 3 months in the related periods.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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	611.660.565	413.527.355	605.876.551	418.802.073
Due from money market	1.809.366	1.700.842	1.809.366	1.700.842
Banks	34.404.358	16.485.974	34.429.736	17.242.338
Financial assets at fair value through other comprehensive income	34.797.510	25.100.560	34.797.510	25.100.560
Financial assets measured at amortised cost	96.286.812	53.028.224	98.392.565	54.582.472
Loans	444.362.519	317.211.755	436.447.374	320.175.861
Financial liabilities	625.909.972	386.137.565	625.442.847	387.351.606
Bank deposits	7.137.337	5.083.262	7.027.865	5.087.607
Other deposits	412.790.721	259.327.006	412.826.348	259.442.519
Funds borrowed from other financial institutions	72.921.964	46.424.693	72.123.960	46.263.167
Financial liabilities fair value through profit and loss	25.308.222	12.555.789	25.308.222	12.555.789
Subordinated loans	39.441.999	22.655.054	42.248.368	24.273.721
Marketable securities issued	41.577.011	24.628.361	39.175.366	24.265.403
Miscellaneous payables	26.732.718	15.463.400	26.732.718	15.463.400

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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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

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	287.992	285.216	228.446	801.654
Financial assets where fair value change is reflected to other comprehensive income statement	33.752.392	1.022.565	-	34.774.957
Derivative financial assets	-	21.835.718	-	21.835.718
Total assets	34.040.384	23.143.499	228.446	57.412.329
Derivative financial liabilities	-	18.335.783	-	18.335.783
Financial liabilities at fair value through profit or loss	-	25.308.222	-	25.308.222
Total liabilities	-	43.644.005	-	43.644.005
Prior 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

The Group classify its buildings carried at their fair value within property and equipment under level 3.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

10. Explanations on hedge accounting:

The Group applies the following hedge accounting models as of December 31, 2021:

- 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.

Contractual amounts and the fair values as at December 31, 2021 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)	55.477.585	3.532.488	683.193	45.922.447	546.658	2.622.928
Interest rate swap/Cross currency interest rate swap (FVH)	2.234.117	19.572	988.874	2.652.821	39.103	620.019
Total	57.711.702	3.552.060	1.672.067	48.575.268	585.761	3.242.947

⁽¹⁾ Only the "sell" legs of the related derivatives are presented with the addition of the "buy" legs of these derivatives amounting to TL 56.747.269 (December 31, 2020 - TL 47.478.070) the total notional of derivative financial assets amounting to TL 114.458.971 (December 31, 2020 - TL 96.053.338) 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".

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

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	12.554	-	988.874	10.081

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	2.473	-	620.019	(22.056)

⁽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 35.632 loss [December 31 2020- TL 30.719 loss].

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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

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	3.532.488	683.193	2.332.875	3.309.704
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	546.658	2.622.928	[976.829]	485.963

⁽¹⁾ Includes deferred tax impact.

⁽²⁾ Includes tax and foreign exchange differences.

⁽³⁾ The ineffective portion of the mentioned hedging transaction is TL 228.112 income (December 31, 2020 - TL 211.163 income).

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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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, 2021 is EUR 495 million [December 31, 2020 - EUR 471 million].

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 Banking
- 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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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 banking	Commercial and SME banking	Other foreign operations	Other domestic operations	Treasury, Asset-Liability Management and Other	Consolidation adjustments ⁽¹⁾	Total operations of the Group
Operating revenue continuing	9.800.572	2.987.865	7.186.192	623.469	2.131.275	12.272.579	(8.716)	34.993.236
Operating expenses continuing	(7.353.332)	(3.219.209)	(4.673.253)	(308.045)	(898.152)	(4.812.067)	8.716	(21.255.342)
Net operating income continuing	2.447.240	(231.344)	2.512.939	315.424	1.233.123	7.460.512	-	13.737.894
Dividend income ⁽²⁾	-	-	-	-	-	17.251	-	17.251
Income/Loss from Investments accounted based on equity method ⁽²⁾	-	-	-	-	-	138.629	-	138.629
Profit before tax	2.447.240	(231.344)	2.512.939	315.424	1.233.123	7.616.392	-	13.893.774
Tax expense ⁽²⁾	-	-	-	-	-	(3.403.758)	-	(3.403.758)
Net period income from continuing operations	2.447.240	(231.344)	2.512.939	315.424	1.233.123	4.212.634	-	10.490.016
Minority interest [-]	-	-	-	-	-	(258)	-	(258)
Group income/loss	2.447.240	(231.344)	2.512.939	315.424	1.233.123	4.212.376	-	10.489.758
Segment assets	124.175.913	117.006.139	141.408.200	31.438.291	28.725.334	338.972.405	(3.427.523)	778.298.759
Investments in associates, subsidiaries and joint ventures	-	-	-	-	-	2.522.147	-	2.522.147
Total assets	124.175.913	117.006.139	141.408.200	31.438.291	28.725.334	341.494.552	(3.427.523)	780.820.906
Segment liabilities	254.056.183	67.134.745	97.106.314	23.479.759	23.993.876	254.988.346	(3.427.523)	717.331.700
Shareholders' equity	-	-	-	-	-	63.489.206	-	63.489.206
Total liabilities	254.056.183	67.134.745	97.106.314	23.479.759	23.993.876	318.477.552	(3.427.523)	780.820.906

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

Prior Period	Retail banking	Corporate banking	Commercial and SME banking	Other foreign operations	Other domestic operations	Treasury, Asset-Liability Management and Other	Consolidation adjustments ⁽¹⁾	Total operations of the Group
Operating revenue continuing	9.201.210	3.516.382	4.733.393	436.538	1.334.015	6.592.927	[8.318]	25.806.147
Operating expenses continuing	[8.053.781]	[2.830.475]	[2.927.779]	[225.746]	[519.310]	[4.566.557]	8.318	[19.115.330]
Net operating income continuing	1.147.429	685.907	1.805.614	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	685.907	1.805.614	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	685.907	1.805.614	210.792	814.705	415.236	-	5.079.683
Minority interest [-]	-	-	-	-	-	[165]	-	[165]
Group income/loss	1.147.429	685.907	1.805.614	210.792	814.705	415.071	-	5.079.518
Segment assets	101.544.189	82.899.060	85.420.711	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	82.899.060	85.420.711	17.311.763	21.309.126	181.377.984	[3.373.154]	486.489.679
Segment liabilities	186.032.270	40.060.397	36.831.140	12.664.679	17.500.202	149.205.780	[3.373.154]	438.921.314
Shareholders' equity	-	-	-	-	-	47.568.365	-	47.568.365
Total liabilities	186.032.270	40.060.397	36.831.140	12.664.679	17.500.202	196.774.145	[3.373.154]	486.489.679

⁽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".

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

13. Explanations on fees for services received from independent auditor ⁽¹⁾:

Persuant to decision of POA dated March 26, 2021 and numbered 660, fees for services received from independent auditor are presented below:

	Current Period	Prior Period
Independent audit fee	7.350	7.626
Other assurance services fee	884	577
Total	8.234	8.203

⁽¹⁾ Value added tax excluded amounts are presented.**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	1.906.147	10.978.077	1.389.129	4.667.837
The CBRT ⁽¹⁾	20.761.039	82.670.116	9.111.172	39.945.078
Other	-	3.432.862	-	2.569.338
Total	22.667.186	97.081.055	10.500.301	47.182.253

⁽¹⁾ The balance of gold amounting to TL 8.606.660 is accounted for under the Central Bank foreign currency account (December 31, 2020 - TL 5.903.518).**1.1.2. Information on the account of the CBRT:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Demand unrestricted amount ⁽¹⁾	18.760.345	31.597.785	8.360.849	17.386.051
Time unrestricted amount	2.000.694	-	750.323	-
Time restricted amount	-	2.936.460	-	-
Reserve requirement ⁽²⁾	-	48.135.871	-	22.559.027
Total	20.761.039	82.670.116	9.111.172	39.945.078

⁽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".

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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, 2020 - 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	1.233.040	4.883	607.361	1.143
Swap transactions	14.415.522	2.444.324	2.875.236	1.603.569
Futures transactions	22.123	-	-	-
Options	94.587	69.179	47.417	49.613
Other	-	-	-	-
Total	15.765.272	2.518.386	3.530.014	1.654.325

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⁾	-	19.572	-	39.103
Cash flow hedges ⁽¹⁾	3.486.396	46.092	546.658	-
Hedges for investments made in foreign countries	-	-	-	-
Total	3.486.396	65.664	546.658	39.103

⁽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	6.546.138	6.514.182	3.753.211	3.837.590
Foreign ⁽¹⁾	-	21.344.038	10	8.895.163
Head quarters and branches abroad	-	-	-	-
Total	6.546.138	27.858.220	3.753.221	12.732.753

⁽¹⁾ The balance of foreign currency account in foreign banks does not include the balance of gold [December 31, 2020 - TL 558].

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

1.4.2. Information on foreign banks account:

	Unrestricted amount		Restricted amount	
	Current Period	Prior Period	Current Period	Prior Period
EU countries	1.329.360	976.643	46.910	26.478
USA, Canada	18.840.694	7.345.748	732.093	435.910
OECD countries ⁽¹⁾	45.536	18.711	-	-
Off-shore banking regions	543	854	-	-
Other	237.013	27.468	111.889	63.361
Total	20.453.146	8.369.424	890.892	525.749

⁽¹⁾ OECD countries except EU countries, USA and Canada.**1.4.3. Information on money markets receiveables:**

As of December 31, 2021 a total of TL 1.809.366 reverse repo transactions with domestic banks are included in the money market receivables (December 31, 2020 - TL 1.700.842).

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, 2021 financial assets at fair value through other comprehensive income given as collateral/blocked amount to TL 3.864.510 (December 31, 2020 - TL 1.327.982) and subject to repo transactions amounts to TL 12.013.765 (December 31, 2020 - TL 10.946.226).

1.6. Information on financial assets at fair value through other comprehensive income:

	Current Period	Prior Period
Debt securities	35.457.562	25.203.852
Quoted on stock exchange	35.457.562	25.203.852
Not quoted	-	-
Share certificates	136.511	133.715
Quoted on stock exchange	1.851	286
Not quoted	134.660	133.429
Impairment provision [-] ⁽¹⁾	796.563	237.007
Total	34.797.510	25.100.560

⁽¹⁾ Includes the negative differences between the acquisition cost and the market price, related to the securities portfolio.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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	296.623	1.070.846	136.055	898.824
Loans granted to employees	317.270	844	242.829	488
Total	613.893	1.071.690	413.904	899.312

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:

	Loans under close monitoring			
	Standard Loans	Not under the scope of restructuring	Loans under restructuring	
			Modifications on agreement conditions	Refinancing
Cash Loans				
Non-specialized loans	336.935.005	28.194.530	7.716.287	30.303.531
Loans given to enterprises	137.968.682	15.459.298	7.449.299	14.809.796
Export loans	38.784.786	303.032	180.091	10.972.411
Import loans	-	-	-	-
Loans given to financial sector	13.963.831	-	-	-
Consumer loans	65.257.787	4.645.917	1.183	1.184.182
Credit cards	47.538.407	2.941.151	-	518.853
Other ⁽¹⁾	33.421.512	4.845.132	85.714	2.818.289
Specialized loans	-	-	-	-
Other receivables	19.307.774	1.673.044	-	-
Total	356.242.779	29.867.574	7.716.287	30.303.531
			Standard loans	Loans under close monitoring
12-month provisions for possible losses			3.260.936	-
Significant increase in credit risk			-	12.736.277
Total			3.260.936	12.736.277

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

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	146.688.762	5.579.552	2.719.843
Medium and long-term loans	209.554.017	24.288.022	35.299.975
Total	356.242.779	29.867.574	38.019.818

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	224.138.811	65.257.787	47.538.407	14.112.911	5.194.863	356.242.779
Watch list	56.923.062	5.831.282	3.460.004	887.476	785.568	67.887.392
Loans under legal follow-up	15.187.325	3.025.919	1.443.364	437.941	137.799	20.232.348
Specific provisions [-]	10.127.194	2.622.507	1.272.640	343.226	113.574	14.479.141
Total	286.122.004	71.492.481	51.169.135	15.095.102	6.004.656	429.883.378

Prior 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

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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	10.683.359	1.413.622	1.124.999	330.542	104.555	13.657.077
Allowance for impairment	2.078.237	1.520.499	387.276	152.221	21.601	4.159.834
Amount recovered during the period[-]	1.655.059	337.330	249.024	70.910	12.453	2.324.776
Loans written off during the period as uncollectible [-]	1.027.720	29.920	1.516	68.627	129	1.127.912
Exchange difference	48.377	55.636	10.905	-	-	114.918
December 31	10.127.194	2.622.507	1.272.640	343.226	113.574	14.479.141
Prior 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

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	34.645.654	313.989	-	887.476	-	35.847.119
Loans under legal follow-up	5.717.111	197.269	23	437.941	-	6.352.344
Total	40.362.765	511.258	23	1.325.417	-	42.199.463
Prior 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

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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	1.654.017	64.555.241	66.209.258
Real estate loans	9.251	13.838.826	13.848.077
Automotive loans	107.023	1.896.620	2.003.643
Consumer loans	1.537.743	48.819.795	50.357.538
Other	-	-	-
Consumer loans-FC indexed	-	19.382	19.382
Real estate loans	-	19.382	19.382
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer loans-FC	23.581	241.236	264.817
Real estate loans	748	121.469	122.217
Automotive loans	-	-	-
Consumer loans	16.352	114.049	130.401
Other	6.481	5.718	12.199
Individual credit cards-TL	35.116.786	273.394	35.390.180
With installments	17.395.946	33.539	17.429.485
Without installments	17.720.840	239.855	17.960.695
Individual credit cards-FC	63.809	72.140	135.949
With installments	24.825	72.140	96.965
Without installments	38.984	-	38.984
Personnel loans-TL	14.872	101.535	116.407
Real estate loans	-	2.130	2.130
Automotive loans	83	917	1.000
Consumer loans	14.789	98.488	113.277
Other	-	-	-
Personnel loans-FC indexed	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel loans-FC	351	2.076	2.427
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	351	2.076	2.427
Other	-	-	-
Personnel credit cards-TL	186.786	352	187.138
With installments	88.192	237	88.429
Without installments	98.594	115	98.709
Personnel credit cards-FC	610	672	1.282
With installments	229	672	901
Without installments	381	-	381
Credit deposit account-TL (Real Person)⁽¹⁾	4.476.754	-	4.476.754
Credit deposit account-FC (Real Person)	24	-	24
Total	41.537.590	65.266.028	106.803.618

⁽¹⁾ TL 10.016 of the credit deposit account belongs to the loans used by personnel.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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	1.551.059	18.734.710	20.285.769
Business loans	12.163	1.635.690	1.647.853
Automotive loans	365.343	5.393.914	5.759.257
Consumer loans	1.173.553	11.705.106	12.878.659
Commercial installments loans-FC indexed	-	2.260	2.260
Business loans	-	-	-
Automotive loans	-	414	414
Consumer loans	-	1.846	1.846
Corporate credit cards-TL	15.134.534	147.151	15.281.685
With installment	10.754.946	138.373	10.893.319
Without installment	4.379.588	8.778	4.388.366
Corporate credit cards-FC	2.177	-	2.177
With installment	-	-	-
Without installment	2.177	-	2.177
Credit deposit account-TL (legal person)	1.080.145	-	1.080.145
Total	17.767.915	18.884.121	36.652.036

1.7.7. Distribution of domestic and foreign loans⁽¹⁾:

	Current Period	Prior Period
Public	7.734.359	4.650.458
Private	416.395.812	292.958.038
Total	424.130.171	297.608.496

⁽¹⁾ Non-performing loans are not included.**1.7.8. Distribution of domestic and foreign loans⁽¹⁾:**

Distribution has been disclosed based on the location where the customers operate:

	Current Period	Prior Period
Domestic loans	403.339.415	288.827.661
Foreign loans	20.790.756	8.780.835
Total	424.130.171	297.608.496

⁽¹⁾ Non-performing loans are not included.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

1.7.9. Loans granted to associates and subsidiaries:

	Current Period	Prior Period
Direct loans granted to associates and subsidiaries	18.011	40.512
Indirect loans granted to associates and subsidiaries	-	-
Total	18.011	40.512

1.7.10. Information on credit-impaired [Stage 3]:

	Current Period	Prior Period
Loans and other receivables with limited collectability	1.237.594	833.182
Loans and other receivables with doubtful collectability	1.048.700	482.044
Uncollectible loans and other receivables	12.192.847	12.341.851
Total	14.479.141	13.657.077

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 Loans with limited collectibility	IV. Group Loans with doubtful collectibility	V. Group Uncollectible loans
Current Period			
[Gross amounts before specific reserves]	224.398	264.332	2.593.383
Restructured loans	224.398	264.332	2.593.383
Prior Period			
[Gross amounts before specific reserves]	395	171.111	1.573.221
Restructured loans	395	171.111	1.573.221

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

1.7.11.2. Information on the movement of total non-performing loans:

	III. Group Loans with limited collectibility	IV. Group Loans with doubtful colectibility	V. Group Uncollectible loans
Prior Period	1.184.691	817.898	17.600.670
Additions [+]	2.281.703	1.812.322	1.129.478
Transfers from other categories of non-performing loans [+]	-	1.529.224	2.264.797
Transfer to other categories of non-performing loans [-]	1.529.224	2.264.797	-
Collections [-]	100.692	373.865	3.194.560
FX valuation differences	23	434	202.158
Write-offs [-]	-	-	1.127.912
Sold [-]	-	-	-
Corporate and commercial loans	-	-	-
Consumer loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Current Period	1.836.501	1.521.216	16.874.631
Provision [-]	1.237.594	1.048.700	12.192.847
Net balance on balance sheet	598.907	472.516	4.681.784

As of December 31, 2021, 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 corporate loans amounting to TL 1.043.689 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 4,78 to 4,55%.

1.7.11.3. Information on non-performing loans granted as foreign currency loans:

	III. Group Loans with limited collectibility	IV. Group Loans with doubtful colectibility	V. Group Uncollectible loans
Current Period			
Period end balance	155.677	181.274	5.029.074
Provision amount[-]	16.313	141.757	2.727.382
Net balance on-balance sheet	139.364	39.517	2.301.692
Prior 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

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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]	598.907	472.516	4.681.784
Loans granted to real persons and corporate entities [gross]	1.836.501	1.521.216	16.789.957
Provision amount [-]	1.237.594	1.048.700	12.108.173
Loans granted to real persons and corporate entities [net]	598.907	472.516	4.681.784
Banks [gross]	-	-	774
Provision amount [-]	-	-	774
Banks [net]	-	-	-
Other loans [gross]	-	-	83.900
Provision amount [-]	-	-	83.900
Other loans [Net]	-	-	-
Prior 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 and receivables [gross]	-	-	83.900
Provision amount [-]	-	-	83.900
Other loans and receivables [Net]	-	-	-

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

1.7.11. 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]	44.797	48.357	473.687
Interest accruals and rediscounts and valuation differences	141.651	159.451	1.384.551
Provision amount [-]	96.854	111.094	910.864
Prior 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

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, during the period deemed appropriate under TFRS 9, may writes off part of the loans in appropriate meantime 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, in an appropriate timeline 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, 2021 financial assets measured at amortised cost given as collateral/blocked amounts to TL 37.200.125 [December 31, 2020: TL 20.107.820] and subject to repo transactions amounts to TL 39.455.696 [December 31, 2020: TL 18.221.646].

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

1.8.2. Information on public sector debt securities measured at amortized cost:

	Current Period	Prior Period
Government bond	91.916.790	50.961.025
Treasury bill	-	-
Other debt securities	4.370.022	2.067.199
Total	96.286.812	53.028.224

1.8.3. Information on financial assets measured at amortized cost:

	Current Period	Prior Period
Debt securities	98.897.017	54.342.502
Quoted on stock exchange	98.897.017	54.342.502
Not quoted	-	-
Impairment provision [-] ⁽¹⁾	2.610.205	1.314.278
Total	96.286.812	53.028.224

⁽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	53.028.224	29.608.137
Foreign currency differences on monetary assets ⁽¹⁾	22.997.977	5.568.589
Purchases during year	23.581.751	21.046.207
Disposals through sales and redemptions	2.025.213	2.754.892
Impairment provision [-] ⁽²⁾	1.295.927	439.817
Period end balance	96.286.812	53.028.224

⁽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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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	Tanı Pazarlama ve İletişim Hizmetleri A.Ş. ⁽¹⁾	Istanbul/Turkey	38,05	38,05
2	Kredi Kayıt Bürosu ⁽²⁾	Istanbul/Turkey	18,18	18,18
3	Bankalararası Kart Merkezi A.Ş. ⁽²⁾	Istanbul/Turkey	9,98	9,98

⁽¹⁾ On November 30, 2021, the Parent Bank acquired the shares of Tanı Pazarlama ve İletişim Hizmetleri A.Ş. for a price of TL 3.710, and on December 15, 2021, a cash capital increase of TL 22.950 was completed. As a result, as of 31 December 2021, the Bank owns 38,05% of the shares with a cost of TL 26.660.

⁽²⁾ Financial statement information shows September 31, 2021 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	78.551	60.828	11.148	540	-	[4.539]	[1.012]	-
2	544.660	339.776	292.129	13.036	-	47.719	48.549	-
3	397.536	328.592	88.442	27.498	-	93.651	35.413	-

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	53.369.271	7.826.506	38.018	589.227	97.347	220.850	42.729	-
2	4.368.580	1.407.410	92.875	479.546	-	681.472	453.075	-

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

1.9.6. Movement of consolidated investments in associates:

	Current Period	Prior Period
Balance at the beginning of the period	1.562.641	1.213.609
Movements during the period	913.760	349.032
Purchases	-	-
Bonus shares obtained	-	-
Share of current year income	138.582	88.574
Sales	-	-
Foreign exchange gain/[loss] stems from the foreign subsidiaries ⁽¹⁾	825.992	320.741
Impairment provision [-] ⁽²⁾	50.814	60.283
Balance at the end of the period	2.476.401	1.562.641
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**1.9.7. Information on sectors and the carrying amounts of consolidated investments in associates:**

	Current Period	Prior Period
Banks	2.050.744	1.203.097
Insurance companies	425.657	359.544
Total financial investments	2.476.401	1.562.641

1.9.8. Investments in associates quoted on stock exchange:

None [December 31, 2020-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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

1.10.1. Information on shareholders' equity of the significant subsidiaries:

	Yapı Kredi Yatırım Menkul Değerler A.Ş.	Yapı Kredi Factoring 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	130.000	389.928	17.642	112.442
Inflation adjustment to share capital	-	-	-	-	-
Share premium	-	-	-	-	-
Other Capital Reserves	104.470	-	[217.104]	-	-
Other comprehensive income that will not be classified under profit or loss	49.294	[3.778]	[21.791]	[1.478]	-
Other comprehensive income that will be classified under profit or loss	1.569	-	-	-	4.900.026
Legal Reserves	65.219	20.914	79.305	42.837	-
Extraordinary Reserves	342.515	358.115	659.399	-	1.082.191
Other Profit Reserves	-	-	-	-	-
Income or Loss	312.718	130.809	2.450.949	162.118	250.238
Current Year Income/Loss	382.664	130.809	458.471	162.118	250.238
Prior Years' Income/Loss	[69.946]	-	1.992.478	-	-
Leasehold improvements [-]	180	214	-	227	253
Intangible assets [-]	34.721	5.297	13.576	1.468	8.560
Total core capital	939.802	630.549	3.327.110	219.424	6.336.084
Supplementary capital	38.995	823	3.118	-	61.381
Capital	978.797	631.372	3.330.228	219.424	6.397.465
Deductions from the capital	-	-	-	-	-
Total shareholders' equity	978.797	631.372	3.330.228	219.424	6.397.465

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 September 30, 2021.

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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

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 77.765	58.186	2.045	264	-	12.688	11.808	-
2 62.504	49.557	4.669	4.398	-	5.613	3.513	-
3 34.832	23.260	2.775	2.520	-	6.317	4.429	-

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/Azerbajjan	99,80	100,00
8 Yapı Kredi Malta	St.Julian/Malta	-	100,00

⁽¹⁾ Includes the balances for Sticking 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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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	250.066	249.068	-	-	-	574	[1.234]	-	-
2	5.561.949	974.703	72.499	205.489	18.258	382.664	213.734	-	-
3	5.458.932	636.060	11.025	597.489	-	130.809	90.062	-	-
4	17.876.560	3.340.686	18.255	1.126.663	-	458.471	354.776	-	-
5	268.157	221.119	3.478	27.140	-	162.118	103.391	-	-
6	27.398.376	6.344.898	14.917	538.067	39.404	250.238	158.402	-	-
7	3.119.776	696.579	121.973	80.764	5.881	[15.409]	7.308	-	-
8	890.526	888.441	176	1.316	1.316	[2.036]	[8.311]	-	-

1.10.4. Movement schedule of consolidated subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	8.811.658	6.888.953
Movements during the period	4.298.961	1.922.705
Purchases	-	-
Free shares obtained profit from current years share	-	-
Share of current year income	1.293.019	883.080
Sales[-]	-	-
Revaluation (decrease)/increase ⁽¹⁾	3.048.890	1.159.882
Impairment provision [-] ⁽²⁾	42.948	120.257
Balance at the end of the period	13.110.619	8.811.658
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 corresponded period.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

1.10.5. Sectoral information on financial subsidiaries and the related carrying amounts:

Financial Subsidiaries	Current Period	Prior Period
Banks	4.961.699	2.877.842
Insurance companies	-	-
Factoring companies	635.757	506.468
Leasing companies	3.340.483	2.905.625
Finance companies	-	-
Other financial subsidiaries	4.172.680	2.521.723
Total financial subsidiaries	13.110.619	8.811.658

1.10.6. Subsidiaries quoted on stock exchange:

None. [December 31, 2020-None]

1.11. Information on joint ventures [net]:**1.11.1. Unconsolidated joint ventures:**

None.

1.11.2. Consolidated joint ventures:**1.11.2.1. Information on consolidated Joint Ventures:**

As of December 31, 2020, Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş. was consolidated through "Equity Method" in the accompanying consolidated financial statements of the Parent Bank. With the Parent Bank's Board of Directors resolution dated February 24, 2021, the Parent Bank signed a share transfer agreement with Koray Gayrimenkul ve Yatırım A.Ş. for the shares of Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş. and sale transaction is completed on May 17, 2021. [December 31, 2020 - TL 22.874]

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	7.125.214	5.905.064	4.976.349	4.159.605
Between 1- 4 years	9.117.589	7.890.775	6.405.109	5.488.650
More than 4 years	1.775.435	1.642.489	1.442.750	1.323.603
Total	18.018.238	15.438.328	12.824.208	10.971.858

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

1.12.2. Information for net investments in finance leases:

	Current Period		Prior Period	
	TL	FC	TL	FC
Gross lease receivables	5.832.473	12.185.765	4.479.407	8.344.801
Unearned financial income from leases [-]	1.207.223	1.372.687	882.236	970.114
Amount of cancelled leases [-]	-	-	-	-
Total	4.625.250	10.813.078	3.597.171	7.374.687

1.13. Information on tangible assets:

	Immovable	Leased fixed assets	Vehicles	Right-of-use assets ⁽¹⁾	Other tangible fixed assets	Total
Prior Period						
Cost	3.499.538	239.184	3.292	1.437.155	1.950.242	7.129.411
Accumulated depreciation [-]	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
Current Period						
Net book value at beginning of the period	2.569.880	15.788	221	1.044.867	923.623	4.554.379
Additions	2.826	168	1.307	903.980	455.639	1.363.920
Disposals [-], net	29.750	3	729	372.384	6.209	409.075
Reversal of impairment, net	-	-	695	-	122	817
Impairment [-]	-	-	-	-	-	-
Depreciation [-]	19.574	6.492	265	329.873	239.531	595.735
Foreign exchange differences, net	-	3.128	13	36.879	19.830	59.850
Net book value at end of the period	2.523.382	12.589	1.242	1.283.469	1.153.474	4.974.156
Cost at the end of the period	3.456.159	235.234	4.246	1.755.375	2.401.480	7.852.494
Accumulated depreciation at the period end [-]	932.777	222.645	3.004	471.906	1.248.006	2.878.338
Net book value	2.523.382	12.589	1.242	1.283.469	1.153.474	4.974.156

⁽¹⁾ Includes branch and atm leases accounted within the scope of TFRS 16.

As of December 31, 2021, the Parent Bank had total provision for impairment amounting to TL 207.329 [December 31, 2020 - TL 207.255] for the property and equipment.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

1.14. Information on intangible assets:

	Current Period	Previous Period
Net book value at the beginning of the period	2.003.526	1.920.824
Additions	332.266	281.992
Disposals [-], net	2.629	323
Transfer to tangible assets	-	(3.751)
Impairment provision reversal	-	-
Depreciation [-]	241.931	202.907
Translation differences	29.976	7.691
Net book value at the end of the period	2.121.208	2.003.526

1.15. Information on investment property:

None. [December 31, 2020 - None].

1.16. Information on deferred tax:

	Current Period		Prior Period	
	Tax base	Deferred tax	Tax base	Deferred tax
Expected Credit Losses	17.852.926	3.756.236	11.850.638	2.377.957
Derivative financial liabilities	3.086.132	837.913	4.437	886
Pension fund provision	1.813.098	362.620	1.461.542	292.308
Temporary differences	1.120.683	224.497	833.635	166.870
Valuation difference of securities portfolio	137.184	27.723	131.541	26.308
Subsidiaries, investment in associates and share certificates	-	-	4.323.179	868.897
Other	2.672.054	526.238	2.752.147	553.655
Total deferred tax asset	26.682.077	5.735.227	21.357.119	4.286.881
Property, equipment and intangibles, net	(5.038.961)	(1.111.844)	-	-
Valuation difference of securities portfolio	(3.717.614)	(544.206)	(2.944.600)	(387.943)
Other	(1.214.376)	(273.819)	(1.150.098)	(226.832)
Total deferred tax liability	(9.970.951)	(1.929.869)	(4.094.698)	(614.775)
Deferred tax asset/(liability), net	16.711.126	3.805.358	17.262.421	3.672.106

There is a deferred tax asset amounting to TL 3.820.176 and deferred tax liability amounting to TL 14.818 as of December 31, 2021 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, 2020 - TL 3.702.058 deferred tax asset and TL 29.952 deferred tax liability].

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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	724.207	331.335
Additions ⁽¹⁾	1.052.570	773.964
Disposals [-], net	431.912	384.379
Impairment provision reversal	1.400	1.061
Impairment provision [-]	703	-
Translation differences	9.375	2.226
Net book value at the end of the period	1.354.937	724.207
Cost at the end of the period	1.357.811	730.120
Accumulated depreciation at the end of the period [-]	2.874	5.913
Net book value at the end of the period	1.354.937	724.207

⁽¹⁾In current period, the carrying value of asset held for resale with a right of repurchase is TL 900.827 (December 31, 2020 - TL 493.843). The total net carrying value of asset held for resale with a right of repurchase is TL 1.196.027 (December 31, 2020 - TL 493.843).

As of December 31, 2021, the Group booked impairment provision on assets held for resale with an amount of TL 1.844 (December 31, 2020 - TL 2.541).

1.18. Information on other assets:

As of December 31, 2021, other assets do not exceed 10% of the total assets.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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 ⁽¹⁾	22.116.407	4.200.415	47.951.379	912.374	217.581	481.799	688	75.880.643
Foreign currency deposits	118.653.305	30.876.917	82.217.111	9.630.737	4.662.277	4.634.886	-	250.675.233
Residents in Turkey	108.343.972	28.245.189	77.745.954	8.826.800	1.853.900	1.097.109	-	226.112.924
Residents abroad	10.309.333	2.631.728	4.471.157	803.937	2.808.377	3.537.777	-	24.562.309
Public sector deposits	1.832.847	9.106	38.455	21.947	131	41	-	1.902.527
Commercial deposits	14.035.320	19.744.903	25.198.224	117.320	696.524	27.873	-	59.820.164
Other institutions deposits	201.166	237.363	1.728.377	24.270	67.643	255.287	-	2.514.106
Precious metals vault	20.180.484	-	416.447	-	1.332.472	68.645	-	21.998.048
Bank deposits	1.783.052	2.626.143	488.047	1.228.300	924.793	87.002	-	7.137.337
The CBRT	-	-	-	-	-	-	-	-
Domestic banks	7.055	2.579.646	472.761	1.228.300	924.793	87.002	-	5.299.557
Foreign banks	784.602	46.497	15.286	-	-	-	-	846.385
Participation banks	991.395	-	-	-	-	-	-	991.395
Other	-	-	-	-	-	-	-	-
Total	178.802.581	57.694.847	158.038.040	11.934.948	7.901.421	5.555.533	688	419.928.058

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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	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

⁽¹⁾ With the press release of the Republic of Turkey Ministry of Treasury and Finance dated December 21, 2021 and the CBRT's No. 2021/14 Communiqué on Supporting the Conversion of Turkish Lira Deposit and Participation Accounts, the "Currency protected TL deposit" product which provide protection against foreign currency exchange rate changes for TL deposits was launched for residents in Turkey. In this context, as of 31 December 2021, the total deposits opened with the maturities of 3 months, 6 months, 9 months and 1 year are TL 3,193,103.

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 ⁽¹⁾	Under the guarantee of deposit insurance		Exceeding the limit of the insurance deposit	
	Current Period	Prior Period	Current Period	Prior Period
Saving deposits	38.494.969	32.232.122	37.385.662	27.305.502
Foreign currency saving deposits	34.456.509	23.497.993	111.402.352	60.525.323
Other deposits in the form of saving deposits	8.382.987	6.731.306	11.481.306	6.041.089
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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

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	22.114	12.611
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	363.589	263.032
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	1.609.956	3.578	161.115	968
Swap transactions	11.351.752	3.629.066	5.154.315	1.980.420
Futures transactions	3.346	-	3.423	-
Options	9.660	50.985	31.063	16.460
Other	-	5.373	-	2.468
Total	12.974.714	3.689.002	5.349.916	2.000.316

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⁾	988.874	-	620.019	-
Cash flow hedges ⁽¹⁾	-	683.193	1.581.488	1.041.440
Hedges for investments made in foreign countries	-	-	-	-
Total	988.874	683.193	2.201.507	1.041.440

⁽¹⁾ Explained in Note 8 of section 4.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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	4.860.180	6.250.190	3.966.493	3.727.598
From foreign banks, institutions and funds	748.055	61.063.539	112.035	38.618.567
Total	5.608.235	67.313.729	4.078.528	42.346.165

2.3.2. Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	4.037.994	12.305.909	4.071.043	10.847.747
Medium and long-term	1.570.241	55.007.820	7.485	31.498.418
Total	5.608.235	67.313.729	4.078.528	42.346.165

2.3.3. Information on marketable securities issued

	Current Period		Prior Period	
	TL	FC	TL	FC
Bills	7.168.860	-	4.295.582	-
Asset backed securities ⁽¹⁾	-	5.998.334	-	3.511.774
Bonds ⁽²⁾	1.396.623	27.013.194	1.610.481	15.210.524
Total	8.565.483	33.011.528	5.906.063	18.722.298

⁽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 2.037.105 as of December 31, 2021 [December 31, 2020 - TL 2.036.940].

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, 2021, the total amount of financial liabilities classified as fair value through profit/loss is TL 25.308.222 [December 31, 2020 -TL 12.555.789] with an accrued interest income of TL 1.349.454 [December 31, 2020- TL 369.266 income] and with a fair value difference of TL 1.017.318 recognized in the income statement as an income [December 31, 2020 - TL 130.944 income]. 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, 2021 are TL 26.657.676 [December 31, 2020: TL 12.925.055] with a fair value differences amounting to TL 1.377.439 liability [December 31, 2020 -TL 386.416 liability]. The mentioned total return swaps have 8 year maturity in average.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

2.4. Information on other liabilities:

As of December 31, 2021, 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	451.979	307.281	360.571	232.307
Between 1-4 Years	894.534	604.502	771.698	492.464
More than 4 Years	644.312	435.347	573.524	365.649
Total	1.990.825	1.347.130	1.705.793	1.090.420

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 [%]	4,45	4,63
Possibility of being eligible for retirement [%]	95,39	95,30

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 10.848,59 effective from July 1, 2022 (January 1, 2021 - full TL 7.638,96) 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	657.105	537.468
Changes during the period	93.294	88.051
Recognized in equity	252.885	128.679
Paid during the period	[74.427]	[97.093]
Balance at the end of the period	928.857	657.105

In addition, the Group has accounted for unused vacation rights provision amounting to TL 191.826 as of December 31, 2021 (December 31, 2020- TL 176.530).

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

2.6.2. Information on provisions related with the foreign currency difference of foreign currency indexed loans:

None [December 31, 2020 - None].

2.6.3. Information on other provisions:

	Current Period	Prior Period
Pension fund provision	1.813.098	1.461.542
Provisions on unindemnified non cash loans	843.108	715.217
Generic provisions on non cash loans	877.217	347.671
Provision on lawsuits	198.119	134.635
Provisions on credit cards and promotion campaigns related to banking services	65.863	65.155
Other	1.155.155	984.672
Total	4.952.560	3.708.892

Pension fund provision:

The Parent Bank provided provision amounting to TL 1.813.098 [December 31, 2020 - TL 1.461.542] 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. As of December 31, 2021, the Group accounted pension fund provision in accordance with "TAS 19- Employee Rights". Accordingly, as of December 31, 2021, in the calculation of pension fund provision the change arises,

- As a result of service cost and interest is accounted under income statement,
- As a result of change in actuarial valuations are accounted under shareholders' equity.

	Current Period	Prior Period
Amount recorded under equity	310.547	-
Income statement [charge]/benefit	41.009	283.479

The amounts recognized in the balance sheet are determined as follows:

	Current Period	Prior Period
Present value of funded obligations	5.227.518	4.255.790
- Pension benefits transferable to SSI	5.554.489	4.564.310
- Post employment medical benefits transferable to SSI	[326.971]	[308.520]
Fair value of plan assets	[3.414.420]	[2.794.248]
Provision for the actuarial deficit of the pension fund	1.813.098	1.461.542

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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	1.721.091	51	1.620.269	58
Government bonds and treasury bills	1.177.492	34	754.788	27
Premises and equipment	385.718	11	290.223	10
Other	130.119	4	128.968	5
Total	3.414.420	100	2.794.248	100

2.7. Explanations on tax liability:**2.7.1. Information on taxes payable:**

	Current Period	Prior Period
Corporate Tax Payable	2.280.501	1.447.099
Banking Insurance Transaction Tax ["BITT"]	298.564	177.339
Taxation of Marketable Securities	221.126	143.115
Foreign Exchange Transaction Tax	75.843	11.005
Value Added Tax Payable	40.908	17.328
Property Tax	4.593	2.060
Other	168.836	91.090
Total	3.090.371	1.889.036

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

2.7.2. Information on premium payables:

	Current Period	Prior Period
Social security premiums - employee	875	638
Social security premiums - employer	977	714
Bank pension fund premiums - employee	44.576	25.358
Bank pension fund premiums - employer	61.826	35.101
Pension fund deposit and provisions - employee	-	-
Pension fund deposit and provisions - employer	-	-
Unemployment insurance - employee	3.182	1.811
Unemployment insurance - employer	6.366	3.624
Other	-	-
Total	117.802	67.246

2.8. Liabilities for property and equipment held for sale and related to discontinued operations (net):

None [December 31, 2020 - 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	-	8.973.642	-	5.066.291
Subordinated loans	-	-	-	-
Subordinated debt	-	8.973.642	-	5.066.291
Debt instruments to be included in contribution capital calculation	808.921	29.659.436	838.459	16.750.304
Subordinated loans	-	11.144.441	-	6.305.871
Subordinated debt	808.921	18.514.995	838.459	10.444.433
Total	808.921	38.633.078	838.459	21.816.595

⁽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	-	-

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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, 2020- None].

2.10.4. Information on transfers from capital reserves to capital during the current period:

None [December 31, 2020 - None].

2.10.5. Information on capital commitments, until the end of the fiscal year and the subsequent interim period:

None [December 31, 2020 - 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, 2020 - 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⁾	1.739.409	[285.282]	134.305	94.434
Revaluation difference	1.739.409	[285.282]	134.305	94.434
Foreign currency differences	-	-	-	-
Total	1.739.409	[285.282]	134.305	94.434

⁽¹⁾ Includes tax effect related to foreign currency valuation differences in TL column.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

2.10.9. Information on minority interest:

	Current Period	Prior Period
Period opening balance	807	687
Current period income/[loss]	258	165
Dividends paid	[47]	[45]
Period ending balance	1.018	807

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	58.777.036	48.016.964
Asset purchase and sale commitments	19.796.270	14.537.665
Loan granting commitments	26.827.510	17.976.082
Commitments for cheques	4.306.427	3.437.866
Other irrevocable commitments	12.933.577	8.458.927
Total	122.640.820	92.427.504

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 877.217 (December 31, 2020 - TL 347.671) and provision amounting to TL 1.138.170 (December 31, 2020 - TL 987.003) for non-cash loans which are not indemnified yet amounting to TL 843.108 (December 31, 2020 - TL 715.217).

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	545.822	238.025
Letter of credits	26.319.956	9.340.321
Other guarantees and collaterals	15.081.707	9.982.292
Total	41.947.485	19.560.638

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

3.1.2.2 Guarantees, suretyships and other similar transactions:

	Current Period	Prior Period
Temporary letter of guarantees	2.091.040	2.481.798
Definite letter of guarantees	62.919.039	46.165.057
Advance letter of guarantees	19.182.209	12.163.916
Letter of guarantees given to customs	3.690.473	3.478.997
Other letter of guarantees	31.086.861	17.024.999
Total	118.969.622	81.314.767

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	30.422.800	16.929.756
With original maturity of 1 year or less than 1 year	8.963.485	2.208.637
With original maturity of more than 1 year	21.459.315	14.721.119
Other non-cash loans	130.494.307	83.945.649
Total	160.917.107	100.875.405

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

3.1.3.2 Information on sectoral concentration of non-cash loans:

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	823.851	2,00	2.012.996	1,68	633.224	1,95	2.573.859	3,76
Farming and raising livestock	617.580	1,50	1.301.752	1,09	446.408	1,37	2.058.711	3,01
Forestry	181.186	0,44	402.283	0,34	160.331	0,49	354.425	0,52
Fishing	25.085	0,06	308.961	0,26	26.485	0,08	160.723	0,24
Manufacturing	20.340.199	49,49	72.847.258	60,80	16.624.112	51,13	37.604.886	55,01
Mining	249.931	0,61	368.940	0,31	128.631	0,40	162.567	0,24
Production	16.517.087	40,19	63.615.585	53,09	13.176.556	40,53	31.527.914	46,12
Electric, gas and water	3.573.181	8,69	8.862.733	7,40	3.318.925	10,21	5.914.405	8,65
Construction	8.089.096	19,68	20.463.667	17,08	6.741.414	20,74	14.100.118	20,63
Services	11.564.775	28,14	24.375.711	20,34	7.938.268	24,42	13.866.358	20,28
Wholesale and retail trade	3.008.613	7,32	3.144.804	2,62	2.262.820	6,96	1.653.557	2,42
Hotel, food and beverage services	462.912	1,13	2.295.933	1,92	355.821	1,09	2.013.795	2,95
Transportation and telecommunication	1.430.803	3,48	5.909.237	4,93	1.093.527	3,36	3.665.560	5,36
Financial institutions	5.034.959	12,25	4.827.077	4,03	2.909.512	8,95	1.959.927	2,87
Real estate and renting services	362.450	0,88	1.406.175	1,17	238.678	0,73	784.862	1,15
Employment	-	-	-	-	-	-	-	-
Education services	88.718	0,22	84.781	0,07	53.880	0,17	60.144	0,09
Health and social services	1.176.320	2,86	6.707.704	5,60	1.024.030	3,15	3.728.513	5,45
Other	277.684	0,68	121.870	0,10	575.128	1,77	218.038	0,32
Total	41.095.605	100,00	119.821.502	100,00	32.512.146	100,00	68.363.259	100,00

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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	39.091.199	77.443.503	984.667	527.227
Bank acceptances	-	545.822	-	-
Letters of credit	71.417	26.074.693	-	173.846
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring guarantees	-	9.651	-	-
Other commitments and contingencies	704.055	14.356.161	-	-
Total	39.866.671	118.429.830	984.667	701.073

Prior 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

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	-	18.839.646	7.254.596	225.714	26.319.956
Letter of guarantee	34.626.114	27.932.165	44.237.482	12.173.861	118.969.622
Bank acceptances	-	515.441	30.381	-	545.822
Other	1.864.494	1.887.932	1.443.730	9.885.551	15.081.707
Total	36.490.608	49.175.184	52.966.189	22.285.126	160.917.107

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

Prior Period ⁽²⁾	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

⁽²⁾ The distribution is based on the original maturities**3.2. Information on derivative financial instruments:**

	Current Period	Prior Period
Types of trading transactions		
Foreign currency related derivative transactions (I)	233.459.862	164.450.102
FC trading forward transactions	26.393.227	16.119.910
Trading swap transactions	196.878.663	138.304.781
Futures transactions	1.135.020	414.267
Trading option transactions	9.052.952	9.611.144
Interest related derivative transactions (II)	236.085.173	147.553.561
Forward interest rate agreements	-	-
Interest rate swaps	231.543.920	142.948.898
Interest rate options	4.541.253	4.604.663
Interest rate futures	-	-
Other trading derivative transactions (III)	86.902.870	39.503.746
A. Total trading derivative transactions (I+II+III)	556.447.905	351.507.409
Types of hedging derivative transactions		
Transactions for fair value hedge	3.503.800	4.746.534
Cash flow hedges	110.955.171	91.306.804
Transactions for foreign net investment hedge	-	-
B. Total hedging related derivatives	114.458.971	96.053.338
Total derivative transactions (A+B)	670.906.876	447.560.747

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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 2021. Credit default swaps linked to credit link notes are for the purposes protection seller and included in this figure [December 31, 2020 - None].

Derivative portfolio includes total return swap that has a nominal amount of TL 52.515.352 [total of buy and sell leg] as of 31 December 2021 [December 31, 2020 - TL 25.050.110].

3.4. Information on contingent liabilities and assets:

The Group has recorded a provision of TL 198.119 [December 31, 2020 - TL 134.635] 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.

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⁾	9.618.598	1.172.232	5.080.877	798.406
Medium/long-term loans ⁽¹⁾	18.477.517	7.164.070	12.852.201	5.849.664
Interest on loans under follow-up	1.156.707	-	1.137.645	-
Premiums received from resource utilisation support fund	-	-	-	-
Total	29.252.822	8.336.302	19.070.723	6.648.070

⁽¹⁾ Includes fees and commissions received for cash loans.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

4.1.2. Information on interest income on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
From the CBRT	1.663	-	1.963	-
From domestic banks	370.096	38.938	352.339	30.127
From foreign banks	1.367	148.544	75	248.444
Headquarters and branches abroad	-	-	-	-
Total	373.126	187.482	354.377	278.571

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	8.954	16.662	6.626	7.620
From financial assets where fair value change is reflected to other comprehensive income statement	4.218.241	177.244	2.781.270	229.404
From financial Assets Measured at Amortised Cost	7.844.943	941.788	3.323.296	802.359
Total	12.072.138	1.135.694	6.111.192	1.039.383

4.1.4. Information on interest income received from associates and subsidiaries:

	Current Period	Prior Period
Interests received from associates and subsidiaries	741	284
Total	741	284

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

4.2. Information on interest expense:**4.2.1. Information on interest expense on borrowings:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	626.181	1.256.667	261.745	943.509
The CBRT	-	-	-	-
Domestic banks	539.741	174.449	256.464	133.509
Foreign banks	86.440	1.082.218	5.281	810.000
Headquarters and branches abroad	-	-	-	-
Other institutions	-	584.508	-	680.093
Total⁽¹⁾	626.181	1.841.175	261.745	1.623.602

⁽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	7.445	4.871
Total	7.445	4.871

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	1.596.164	3.991.414	1.131.219	2.993.339
Total	1.596.164	3.991.414	1.131.219	2.993.339

4.2.4. Information on interest expense on money market transactions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest expense on money market transactions	6.559.799	48.821	733.468	24.973
Total	6.559.799	48.821	733.468	24.973

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

4.2.5. Maturity structure of the interest expense on deposits:

Account name	Demand deposit	Time Deposit					Cumulative 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 deposit	18.777	196.869	36.832	-	-	-	-	252.478	133.019
Saving deposit	-	470.925	7.750.026	155.689	33.720	46.309	265	8.456.934	4.676.823
Public sector deposit	-	3.381	4.288	1.176	22	19	-	8.886	1.573
Commercial deposit	27	1.701.720	3.671.345	23.644	43.835	5.711	-	5.446.282	2.674.479
Other deposit	-	43.181	315.527	6.575	55.967	31.755	-	453.005	386.394
Deposit with 7 days notification	-	-	-	-	-	-	-	-	-
Total	18.804	2.416.076	11.778.018	187.084	133.544	83.794	265	14.617.585	7.872.288
FC									
Foreign currency deposit	2.799	143.292	550.466	48.138	48.895	31.157	-	824.747	988.869
Bank deposit	7.873	20.838	21	-	-	-	-	28.732	32.197
Deposit with 7 days notification	-	-	-	-	-	-	-	-	-
Precious metal vault	-	261	1.666	-	1.850	224	-	4.001	7.075
Total	10.672	164.391	552.153	48.138	50.745	31.381	-	857.480	1.028.141
Grand total	29.476	2.580.467	12.330.171	235.222	184.289	115.175	265	15.475.065	8.900.429

4.3. Information on dividend income:

	Current Period	Prior Period
Financial assets at fair value through profit or loss	5.513	3.115
Financial assets at fair value through other comprehensive income	11.737	13.535
Other	1	508
Total	17.251	17.158

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

4.4. Information on trading gain/loss (net):

	Current Period	Prior Period
Gain	184.119.901	78.773.899
Gain from capital market transactions	295.303	502.306
Derivative financial transaction gains	65.879.237	26.792.202
Foreign exchange gains	117.945.361	51.479.391
Loss[-]	183.224.526	78.354.193
Loss from capital market transactions	100.788	79.113
Derivative financial transaction losses	44.524.437	24.910.277
Foreign exchange loss	138.599.301	53.364.803
Net gain/loss	895.375	419.706

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 27.604.217 [December 31, 2020 - TL 4.019.342 gain].

4.6. Allowance for expected credit losses and other provisions:

	Current Period	Prior Period
Allowance for expected credit losses	10.198.148	9.714.586
12-month expected credit losses (Stage 1)	1.334.240	1.837.692
Significant increase in credit risk (Stage 2)	4.628.206	3.538.604
Credit-Impaired (Stage 3)	4.235.702	4.338.290
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	112.179	475.061
Total	10.310.327	10.189.647

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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.

4.8. Information related to other operating expenses:

	Current Period	Prior Period
Reserve for employee termination benefits	23.291	950
Provision expense for pension fund	41.009	283.479
Impairment expenses of property and equipment	-	74
Depreciation expenses of property and equipment	595.735	542.330
Impairment expenses of intangible assets	-	-
Goodwill impairment expenses	-	-
Amortization expenses of intangible assets	241.931	202.907
Impairment expenses of equity participations for which equity method is applied	-	-
Impairment expenses of assets held for resale	703	-
Depreciation expenses of assets held for resale	-	-
Impairment expenses of fixed assets held for sale and assets related to discontinued operations	-	-
Other operating expenses	3.872.996	2.855.025
lease expenses in the context of TFRS 16 exception	86.905	69.580
Repair and maintenance expenses	212.435	150.483
Advertising expenses	183.911	151.646
Other expense	3.389.745	2.483.316
Loss on sales of assets	1.479	48
Other	1.363.552	1.184.073
Total	6.140.696	5.068.886

4.9. Information on income/loss before taxes from continuing operations and discontinued operations:

Income before tax includes net interest income amounting to TL 23.735.553 [December 31, 2020 - TL 18.030.926] net fee and commission income amounting to TL 8.045.770 [December 31, 2020 - TL 5.754.236], personnel expenses amounting to TL 4.804.319 [December 31, 2020 - TL 3.856.797] and total other operating expense amounting to TL 6.140.696 [December 31, 2020 - TL 5.068.886].

As of December 31, 2021, the Group has no profit before taxes from discontinued operations [December 31, 2020 - None].

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

4.10. Provision for taxes on income from continuing operations and discontinued operations:

As of December 31, 2021, the Group has current tax expense amounting to TL 3.882.761 [December 31, 2020 - TL 3.326.248 loss] and deferred tax expense amounting to TL 479.003 [December 31, 2020 - TL 1.608.823 income].

	Current Period	Prior Period
Profit before tax	13.893.774	6.797.108
Tax calculated at legal tax rate	3.473.444	1.495.364
Nondeductible expenses discounts and other, net	[69.686]	222.061
Total	3.403.758	1.717.425

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.

4.1.2. Information on any change in the accounting estimates concerning the current period or future periods: None

4.12. Income/loss of minority interest:

	Current Period	Prior Period
Income/[loss] of minority interest	258	165

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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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 1.877.188 [December 31, 2020 - TL 1.875.000].

5.5. Explanations related to accumulated remeasurement gains/losses of defined benefit plans:

Accumulated remeasurement gains/losses of defined benefit plans are accounted under equity. As of December 31, 2021 actuarial loss under shareholders' equity regarding to employee benefits are amounting to TL 589.551 [December 31, 2020- TL 387.243], actuarial loss related to pension fund provision is amounting to TL 248.438 TL'dir [December 31, 2020 - None].

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, 2021 is TL 2.332.875 loss [December 31, 2020 - 976.829 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, 2021 is EUR 495 million [December 31, 2020 - EUR 471 million]. The foreign exchange loss of TL 4.392.392 [December 31, 2020 - TL 2.312.979 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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"])

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	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

6.1.3.2. Cash and cash equivalents at the end of the period:

	Current Period	Prior Period
Cash	87.319.462	42.713.660
Cash and effectives	12.884.224	6.056.966
Demand deposits in banks	74.435.238	36.656.694
Cash equivalents	15.998.813	8.869.560
Interbank money market	1.808.653	1.700.000
Deposits in bank	14.190.160	7.169.560
Total cash and cash equivalents	103.318.275	51.583.220

6.2. Information on cash and cash equivalents those are not in use due to legal limitations and other reasons:

As of December 31, 2021, 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 99.537.022 [December 31, 2020- TL 48.838.350].

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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 3.549.680 increase [December 31, 2020 - TL 1.708.196 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 7.181.612 increase [December 31, 2020 - TL 1.140.580 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 31.328.014 as of December 31, 2021 [December 31, 2020 - TL 19.690.235 increase].

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	40.512	3.498	969.369	898.824	5.231.297	2.078.697
Balance at the end of the period	18.011	2.838	3.012.999	1.070.846	7.118.175	3.310.640
Interest and commission income received	741	41	42.269	8.799	769.085	14.229
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	
Group's risk group ⁽¹⁾⁽²⁾	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
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

⁽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.

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

7.1.2. Information on deposits of the Group's risk group:

Group'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	228.452	96.427	24.513.619	34.185.545	30.833.207	22.510.602
End of the period	406.888	228.452	38.214.095	24.513.619	50.919.449	30.833.207
Interest expense on deposits	7.445	4.871	1.642.023	1.075.677	1.781.259	976.433

⁽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.**7.1.3. Information on forward and option agreements and other derivative instruments with the Group's risk group:**

Group'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⁾	-	-	1.573.859	563.016	1.585.212	10.730.513
End of the period ⁽²⁾	-	-	2.828.070	1.573.859	379.300	1.585.212
Total profit/loss	-	-	53.810	[17.596]	[568.127]	[170.836]
Transactions for hedging purposes						
Beginning of the period ⁽²⁾	-	-	516.747	1.059.016	-	-
End of the period ⁽²⁾	-	-	525.855	516.747	-	-
Total profit/loss	-	-	25.855	16.747	-	-

⁽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 131.849 as of December 31, 2021 [December 31, 2020 - TL 92.276].

YAPI VE KREDİ BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

[Unless otherwise stated amounts are expressed in thousands of Turkish Lira ["TL"]]

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			
Domestic Branch	803	15.449			
			<u>Country of incorporation</u>		
Foreign Rep. Office	-	-			
				<u>Total assets</u>	<u>Statutory share capital</u>
Foreign Branch	1	3	Bahrain	18.504.370	-
Off-Shore Banking Region Branch	-	-		-	-

Represent the Parent Banks' amounts.

9. Explanations and notes related to subsequent events:

None.

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 review report

The consolidated financial statements for the period ended December 31, 2021 have been reviewed by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. The independent auditor's audit report dated February 3, 2022 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						
2019		2020		2021		
Female	Male	Female	Male	Female	Male	
10,655	6,463	10,243	6,320	9,950	6,165	

Number of Subcontracted Employees					
2019		2020		2021	
Full Time	Part Time	Full Time	Part Time	Full Time	Part Time
2,559	148	2,508	147	2,348	101

Number of Employees by Gender and Age						
	2019		2020		2021	
	Female	Male	Female	Male	Female	Male
50 and above	105	311	125	335	165	415
30-50	7,705	5,118	7,818	5,047	7,783	4,816
30 and below	2,845	1,034	2,300	938	2,002	934

Employee Turnover Rate						
	2019		2020		2021	
	Female	Male	Female	Male	Female	Male
Number of employees leaving within the year (personnel turnover)	1,388	723	934	587	1,143	814
50 and above	27	70	65	129	63	114
30-50	655	371	491	262	576	385
30 and below	706	282	378	196	504	315
Voluntary employee turnover rate [%]	4.20		3.41		5.91	

Number of Employees Taking Maternity Leave			
	2019	2020	2021
Number of employees taking maternity leave	692	563	561
Number of employees returning to work after maternity leave	753	692	548
Number of employees that returned to work after maternity leave and worked at least 12 more months afterwards	750	623	530
Return-to-work rate after maternity leave %	96	94	97.7
Retention rate after maternity leave %	97	83	94.5

Number of Employees Entitled to Parental Leave

2019		2020		2021	
Female	Male	Female	Male	Female	Male
10,655	6,463	10,243	6,320	9,950	6,162

Average Hours of Training Per Employee

	2019	2020	2021
Annual average hours of training per employee [total hours of training/number of employees]	34	21	45
Annual average hours of training per female employee	35	19	43
Annual average hours of training per male employee	32	22	47

Equal Opportunity and Diversity (Number of managers and top level employees)

2019		2020		2021	
Female	Male	Female	Male	Female	Male
10,775	6,691	9,579	6,189	9,777	6,157

Equal Opportunity and Diversity (Number of managers and top level employees)

	2019		2020		2021	
	Female	Male	Female	Male	Female	Male
50 and above	59	149	66	145	77	185
30-50	744	936	579	810	573	788
30 and below	1	0	1	0	0	0

Number of Employees by Term of Employment

	2019	2020	2021
0-5 years	5,169	4,052	3,644
5-10 years	4,872	5,514	5,361
10 years and above	7,077	6,997	7,110

Number of Employees with Disabilities by Gender

2019		2020		2021	
Female	Male	Female	Male	Female	Male
114	418	115	407	131	398

PERFORMANCE TABLES

Number of Employees Covered by Collective Bargaining Agreements						
	2019		2020		2021	
Number of employees covered by collective bargaining agreements	9,350		8,904		8,535	

Occupational Health and Safety						
	2019		2020		2021	
	Female	Male	Female	Male	Female	Male
Number of fatal accidents	0	0	1	0	0	0
Total Injury Rate (IR)	0.48	0.18	0.17	0.11	0.13	0.12
Occupational Disease Rate (ODR)	0.17	0.08	0	0	0.06	0
Lost Day Rate (LDR)	3.36	2.59	1.2	1.2	0.31	1.6
Absence Rate (AR)	730	347	520	273	495	233

OHS Trainings						
	2019		2020		2021	
Percentage of hours allocated to occupational health and safety trainings (%)	2		2		12	

Average Female Salary / Average Male Salary [%]						
	2019		2020		2021	
Management Level (Base pay only)	82		76		73	
Management Level (Base pay and cash incentives only)	77		90		65	
Executive Level (Base pay only)	94		92		93	
Executive Level (Base pay and cash incentives only)	93		92		92	
Except Executive Level	85		84		84	

Average Female Salary / Average Male Salary [%]						
	2019		2020		2021	
Gender pay gap (median)	23		23		23	
Gender pay gap (average)	25		27		27	

ENVIRONMENTAL PERFORMANCE TABLES

Energy Consumption [GJ]	2018	2019	2020	Trend Analysis	2021 ¹
Natural gas	123,680	122,871	116,384	▲	129,297
Renewable + Grid Electricity ²	336,160	356,890	325,455	▼	323,132
Renewable Electricity	0	36,511	54,000	▲	126,079
Diesel	1,903	12,094	12,916	▼	10,239
Total	461,743	491,855	454,755	▲	462,668
Energy intensity [GJ/number of employees]	25.39	28.45	27.46	▲	27.99

Greenhouse Gas Emissions (ton CO ₂ e)	2018	2019	2020	Trend Analysis	2021 ¹
Scope 1	14,665	17,249	13,731	▲	15,717
Scope 2	46,218	41,338	35,146	▼	25,450
Total [Scope 1 and 2]	60,883	58,587	48,877	▼	41,166
Scope ³	13,666	13,562	6,512	▼	3,855
Total [Scope 1, 2 and 3]	74,549	72,149	55,389	▼	45,021
Emissions intensity [Scope 1 and 2/ number of employees]	3.34	3.39	2.95	▼	2.49

¹ In 2021 environmental performances, the coverage has been expanded with the inclusion of other subsidiaries, namely Yapı Kredi Culture Arts and Publishing [YKKSYS], Yapı Kredi Technology, Yapı Kredi Bank Netherland N.V. and Yapı Kredi Bank Azerbaijan, in addition to the Bank's Head Office and facility buildings, branches, and subsidiaries [Yapı Kredi Faktoring, Yapı Kredi Leasing, Yapı Kredi Asset Management, Yapı Kredi Invest].

² Purchased renewable electricity is included in the sum of Renewable + Grid Electricity. Renewable electricity includes the renewable energy generated by the solar panels at Bodrum Branch.

³ Scope 3 emission data for 2021 covers paper consumed across the Bank and its subsidiaries [Yapı Kredi Faktoring, Yapı Kredi Leasing, Yapı Kredi Asset Management, Yapı Kredi Invest], fuel consumption for employee commuting at selected locations [Head Office and facility buildings, regional offices and branch buildings] of the Bank and its subsidiaries [Yapı Kredi Faktoring, Yapı Kredi Leasing, Yapı Kredi Asset Management, Yapı Kredi Invest], and air travel across the Bank. Hazardous waste, non-hazardous waste, medical waste and household waste generated by Banking Base, Plaza Building D/A, Black Sea Commercial Regional Office Building, Ankara Regional Office Building, Kadıköy Branch Building, YKKSYS Building and Darica Archives facilities are included in Scope 3 GHG emissions.

Water Consumption [m ³]	2018	2019	2020	Trend Analysis	2021 ¹
Municipal water	332,895	273,569	208,558	▲	226,685
Underground water	5,338	6,220	8,240	▼	5,454
Rain water	0	133	0	▲	683
Other ⁴	622	702	177	▼	0
Amount of waste water [m ³]	338,855	280,624	216,975	▲	232,822
Water Intensity [m ³ / number of employees]	18.68	16.23	13.10	▲	14.1

⁴ Refers to the quantity of drinking and tap water purchased by truckloads. Since drinking water was produced by the central water treatment units at the Bank's facilities, drinking water by truckloads was not purchased in 2021. Since there were no mains water outages during the reporting period, tap water by truckloads was not purchased.

Waste [ton]	2018	2019	2020	Trend Analysis	2021 ⁵
Hazardous wastes					
Recycled	85.88	390.23	291.53	▼	242.19
Disposed of using D-code methods	0.73	0.27	0.11	▲	0.12
Recycled for energy generation	0	3.24	0		0
Non-hazardous wastes					
Recycled	1,351	1,435.79	939.08	▼	905.5
Recycled for energy generation	0	10.94	2.25		0
Municipal waste ⁶	-	-	396	▼	45.96

⁵ In 2021 reporting period, hazardous waste, non-hazardous waste, medical waste generated by Banking Base, Plaza Building D/A, Black Sea Commercial Regional Office Building, Ankara Regional Office Building, Kadıköy Branch Building, YKKSYS Building and Darica Archives facilities and household waste (including municipal waste) generated by Banking Base, Plaza Building D and Darica Archives are included in recovery/recycling and disposal processes.

⁶ Municipal waste started to be calculated from 2020.

UNITED NATIONS PRINCIPLES FOR RESPONSIBLE BANKING REPORTING INDEX

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
<p>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.</p>	<p>Yapı Kredi pursues operations in Turkey as the third largest private bank in the country.</p> <p>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.</p> <p>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.</p>	<p>Read more in the "About Yapı Kredi" section on page 16-45 of the Report.</p>
<p>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.</p>	<p>Yapı Kredi embraces the Sustainability Development Goals (SDGs) and the Paris Climate Agreement as its guides in relation to its sustainability strategy.</p> <p>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.</p> <p>Yapı Kredi addresses its sustainability strategy under the following four main pillars in view of national and international sustainability trends, as well as internal and external stakeholder expectations.</p> <p>Focus areas of Yapı Kredi's Sustainability Strategy:</p> <ul style="list-style-type: none"> • Climate Crisis and Environmental Management • Risk Management and Corporate Governance • Sustainable Finance • Human and Society 	

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 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](#)

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 second version of 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 supports banks to analyze the environmental and social impacts associated with their retail, business, corporate and investment banking portfolios.

Being 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 and the segmentation used in the Impact Analysis Tool are different. The UN Principles for Responsible Banking reporting adopted the segment definitions 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

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 segments employing the Impact Analysis Tool.

While using the Impact Analysis Tool, Yapı Kredi took into account the focus areas of financial services it offers to its individual customers and the number of active customers within the scope of its retail banking segment. In this context, the impact of the services offered on all segments of the society is approached in an integrated manner. Within the scope of business banking and corporate banking, the Bank has used the sectoral breakdown of loan volumes as a basis. In this context, the top ten sectors to which the Bank provides loans in both segments are included in the analysis. Energy, construction, retail trade, food and beverage industries represent the main sectors in the Bank’s portfolio.

With almost all of its operations in Turkey, Yapı Kredi has taken into account the needs of Turkey in the field of sustainable development, with the Impact Analysis Tool, while defining its material environmental and social impacts. The Bank is a member of the Impact Analysis Working Group of the United Nations Principles of Responsible Banking. The Bank’s potential areas of influence have been defined in line with the data utilized in the Impact Analysis Tool within the scope of retail, business and corporate Banking and Turkey’s sustainable development needs.

UNITED NATIONS PRINCIPLES FOR RESPONSIBLE BANKING REPORTING INDEX

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference[s]/ Link[s] to bank's full response/ relevant information
	<p>In terms of consumer banking the Bank's potential impact areas are determined as employment and inclusive, healthy economies.</p> <p>In terms of business banking the Bank's potential impact areas are determined as economic convergence and climate.</p> <p>In terms of corporate banking the Bank's potential impact areas are determined as economic convergence and climate.</p> <p>According to the results of the Impact Analysis Tool, Yapı Kredi identified the areas of impact where it envisages to set targets as follows, taking into consideration the portfolio, product density and the ranking of the country's needs within the scope of the joint areas of impact of business units and the Bank's material issues in terms of sustainability:</p> <ul style="list-style-type: none"> • Inclusive, Healthy Economies: Financial Health and Inclusion  • Climate: Climate Change  • Economic Convergence: Gender Equality  <p>Considering the breakdown of the relevant impact areas in the Impact Analysis Tool, financial inclusion and R&D investments, which are positioned under the inclusive, healthy economies area, are among the priorities of the Bank and the main areas of influence of the sector. Within the scope of inclusive, healthy economies impact area, the Bank aims to support Turkey's social development. In this context, Yapı Kredi has also become one of the founding signatories of the Financial Health and Inclusion Initiative, which was established in 2021 by the United Nations Responsible Banking Principles.</p> <p>Climate risks and greenhouse gas emissions, which are handled within the scope of climate change impact area, are also among the priorities of the Bank. During the transition to a low-carbon economy, the Bank has committed to set emission reduction targets within the scope of the Science Based Targets Initiative's platform on Business Ambition for 1.5°C.  In keeping with this pledge, the Bank's efforts are in progress for reducing its emissions arising from its own operations and the emissions associated with its lending activities to achieve its net zero target by 2050. In addition to this, the Bank has also initiated efforts to integrate climate risks into credit risk assessment processes. The issue of gender equality, which is handled within the scope of economic convergence, is also among the priorities of the Bank. Within the framework of this priority, the Bank works on projects to support and develop gender equality within the scope of human resources processes, products and services and social responsibility projects. The Bank aims to share the targets it will set in this area with the public in the first quarter of 2022.</p>	

Yapı Kredi repeated the impact analysis study, which was carried out for the first time in 2020 within the scope of Retail, Business and Corporate Banking segments, in line with the requirements of the United Nations Responsible Banking Principles, with the second version of the Portfolio Impact Analysis Tool, which was updated in 2021. As a result of the repeated analysis, the Bank determined the areas to focus in terms of target setting as Inclusive, Healthy Economies [Financial Health and Inclusion], Climate [Climate Change] and Economic Convergence [Gender Equality].

Reporting and Self-Assessment Requirements

High-level summary of bank's response

Reference(s)/ Link(s) to bank's full response/ relevant information

2.2. Target Setting:

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.

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.

Show that the bank has analyzed 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.

Yapı Kredi determined its potential areas of impact for the first time in 2020 using the Portfolio Impact Analysis Tool developed by the UN Environment Programme Finance Initiative (UNEP FI). After the Portfolio Impact Analysis Tool was updated and its second version was released, Yapı Kredi repeated its impact analysis in 2021. 🔄 Yapı Kredi works towards setting short-, medium- and long-term targets that will minimize its potential negative impacts while increasing its positive impacts on the areas of impact it has identified on the basis of the updated analysis. The existing activities and targets of Yapı Kredi within the frame of the areas of impact it has prioritized are as follows:

Climate Change:

Yapı Kredi believes in the importance of standing by its customers in the combat against the climate crisis and Turkey's low carbon transition, and organizes capacity building activities for its customers within the framework of national and international regulations and trends. The Bank has been transparently reporting its governance structure, risks and opportunities, corporate strategies and targets regarding climate change, within the scope of the CDP Climate Change Program, with a total of 6 reports published since 2016. 🔄 Additionally, the Bank also proactively evaluates climate-related opportunities that arise within the scope of market, legal regulations and stakeholder expectations. The Bank aims to reduce its Scope 1 and Scope 2 absolute emissions arising from its operational activities by 76% by 2030 and by 100% by 2035 compared to the base year 2019. Furthermore, Yapı Kredi applies shadow carbon pricing when evaluating renewable energy investments and electricity purchase. The Bank joined the Business Ambition for 1.5°C platform of the Science Based Targets Initiative and pledged to set emissions reduction targets that will limit global warming to 1.5°C. 🔄 The Bank works to calculate the emissions arising from its own portfolio and to set a reduction target for these emissions under the project commenced within the framework of the Carbon Transition Program of its principal shareholder, Koç Holding. Accordingly, the Bank keeps working to disclose its medium- and long-term emissions reduction targets in alignment with its carbon neutrality target by 2050 commonly espoused across the Koç Group. The Bank targets to expose its strategy for transforming its loan portfolio in line with these targets. The Bank will also revise its lending policies within the frame of this strategy.

Yapı Kredi corporate website, Combating Climate Crisis

<https://www.yapikredi.com.tr/en/sustainability/sustainability-activities/environmental-impact/tackling-the-climate-crisis>

CDP Climate Change Report 2021 - C3.1b

https://assets.yapikredi.com.tr/ResponsiveSite/_assets/pdf/en/corporate-social-responsibility/CDP-climate-change-programme-response-2021.pdf

Yapı Kredi corporate website, Gender Equality

<https://www.yapikredi.com.tr/en/sustainability/sustainability-activities/social-impact/gender-equality>

Yapı Kredi corporate website, Responsible Consumption

<https://www.yapikredi.com.tr/en/sustainability/sustainability-activities/environmental-impact/responsible-consumption>

UNITED NATIONS PRINCIPLES FOR RESPONSIBLE BANKING REPORTING INDEX

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference[s]/ Link[s] to bank's full response/ relevant information
	<p><u>Inclusive, Healthy Economies</u></p> <p>An advanced financial system and widespread availability of financial services are important factors for social welfare and reduced inequalities. The UN Sustainable Development Goals (SDGs) 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. Yapı Kredi joined the Commitment to Financial Health and Inclusion established in 2021 by the United Nations Principles for Responsible Banking (PRB) as a founding signatory and pledged to set its targets in this field within 18 months following its affiliation to the commitment. </p> <p><u>Gender Equality</u></p> <p>To achieve long-term sustainable growth, it is among the primary goals of Yapı Kredi to establish, encourage and maintain a shared corporate culture embodying diversity and inclusion criteria. Ensuring gender equality, combating the prejudices caused by the sexism concept and empowering women in business life come into prominence within the Bank's focus areas. The Bank works on projects for supporting and improving gender equality within the scope of human resources processes, products and services, and social responsibility initiatives. The Bank aims to disclose its targets in this area in the first quarter of 2022 to all its stakeholders.</p>	

2021 reporting period is the second United Nations Principles for Responsible Banking reporting period for Yapı Kredi.

Yapı Kredi repeated its impact analysis study using the second version of the Portfolio Impact Analysis Tool updated in 2021. According to the results of the updated impact analysis, the Bank revised the impact areas for which it will set its targets in line with the United Nations Responsible Banking Principles. Therefore, target setting processes have not been finalized yet. Inclusive, healthy economies, climate and economic convergence areas, which stand out within the framework of Yapı Kredi's impact analysis results, were the focus areas selected to set targets.

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/ Link(s) to bank's full response/ relevant information
<p>2.3 Plans for Target Implementation and Monitoring: Show that your bank has defined actions and milestones to meet the set targets. 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>	<p>Yapı Kredi repeated its impact analysis study using the second version of the Portfolio Impact Analysis Tool updated in 2021. According to the results of the updated impact analysis, the Bank revised the impact areas for which it will set its targets in line with the United Nations Responsible Banking Principles. Due to the revision made on the areas of impact of the Bank, target setting process has not been finalized yet. The target setting process is intended to be completed before the next reporting period. The methods to be employed for target setting, measuring and monitoring in all selected areas have been determined as follows:</p> <ul style="list-style-type: none"> • The Sustainability unit, which coordinates all sustainability efforts within the organization, will get together with the related business units in selected areas of impact and develop draft targets. • Key performance indicators for the draft targets developed and reporting periods for these indicators [quarterly, semi-annually, annual, etc.] will be determined. • Draft targets will be presented to the approval of Yapı Kredi Sustainability Committee, which is headed by a member of the Board of Directors. Progress on approved targets will be presented to the Sustainability Committee at the determined periods and will be transparently disclosed to all stakeholders within the scope of the annual UN PRB Report. 	
<p>2021 reporting period is the second United Nations Principles for Responsible Banking reporting period for Yapı Kredi. Yapı Kredi repeated its impact analysis study using the second version of the Portfolio Impact Analysis Tool updated in 2021. According to the results of the updated impact analysis, the Bank revised the impact areas for which it will set its targets in line with the United Nations Responsible Banking Principles. Therefore, target setting processes have not been finalized yet. The target setting process is intended to be completed until the next reporting period. The methods to be employed for measuring and monitoring the targets to be defined within this framework have been identified, whereas key performance indicators that will be measured and monitored for each target will be shaped after the targets have been set.</p>		
<p>2.4 Progress on Implementing Targets: For each target separately: Show that your bank has implemented the actions it had previously defined to meet the set target. 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. 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>	<p>2021 reporting period is the second United Nations Principles for Responsible Banking reporting period for Yapı Kredi. Yapı Kredi repeated its impact analysis study using the second version of the Portfolio Impact Analysis Tool updated in 2021. According to the results of the updated impact analysis, the Bank revised the impact areas for which it will set its targets in line with the United Nations Responsible Banking Principles. Therefore, target setting processes have not been finalized yet. The target setting process is intended to be completed until the next reporting period. The Bank aims to report its progress with respect to the targets set in selected areas as defined under 2.3 Plans for Target Implementation and Monitoring in the next reporting period.</p>	

UNITED NATIONS PRINCIPLES FOR RESPONSIBLE BANKING REPORTING INDEX

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/ Link(s) to bank's full response/ relevant information
<p>2021 reporting period is the second United Nations Principles for Responsible Banking reporting period for Yapı Kredi. Yapı Kredi repeated its impact analysis study using the second version of the Portfolio Impact Analysis Tool updated in 2021. According to the results of the updated impact analysis, the Bank revised the impact areas for which it will set its targets in line with the United Nations Responsible Banking Principles. Therefore, target setting processes have not been finalized yet. The target setting process is intended to be completed until the next reporting period. The methods to be employed for measuring and monitoring the targets to be defined within this framework have been identified, and key performance indicators that will be measured and monitored for each target will be determined. Based on the key performance indicators determined, the progress with respect to each target will be transparently disclosed to all stakeholders of the Bank within the scope of the annual UN PRB Report.</p>		
<p>Principle 3: Clients and Customers</p>	<p>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.</p>	
<p>3.1 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 puts its customers at the center of its activities. 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 improving their financial literacy. Responsible Lending Statement, which forms the basis of the Bank's responsible relationship 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 https://www.yapikrediinvestorrelations.com/en/images/pdf/codeofethicsandpolicies/2020/yk_responsible_lending_statement.pdf</p> <p>Read more in the Human Focus section on pages 162-179 and Responsible and Sustainable Finance section on pages 86-97 of the Report.</p>
<p>3.2 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 collaborates with non-governmental organizations (NGO) and the academy. Yapı Kredi Banking Academy developed a financial and digital literacy training for its customers and made it accessible to all its customers.</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. In 2020, the Bank initiated work to align its existing ESRA system with the Equator Principles (EP4, 2020). Accordingly, system improvements were carried out in 2021 to align the ESRA System with the Equator Principles based on the scope of the ESRA System, national legislation and International Finance Corporation's Performance Standards (IFC PSs) and the Equator Principles practices.</p>	<p>Yapı Kredi corporate website, Environmental and Social Risk Management in Lending Activities can be found here https://www.yapikredi.com.tr/en/sustainability/sustainability-activities/environmental-impact/environmental-and-social-risk</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>In addition to that, Yapı Kredi interacts with its customers through various communication channels that include webinars, podcast series, interviews featured in the media, news articles and reports published in the public domain in order to enhance awareness and consciousness of its customers in relation to sustainability, to inform its customers about the emerging national and international regulatory framework in this field, and to support its customers in their sustainability journeys. Through the said communication channels, Yapı Kredi so far reached over 6 million customers and informed them about sustainability topics.</p> <p>Yapı Kredi espouses an approach that integrates sustainability in all its work processes and that capitalizes on sustainability opportunities. Within the scope of its sustainable finance activities that make up a pillar of its sustainability strategy, Yapı Kredi offers financial solutions to sustainable development issues through numerous products and services such as sustainability-linked loans, renewable energy and energy efficiency loans, Nature-Friendly Mortgage and Nature-Friendly Auto Loans. Having realized its first green bond issuance within this framework in 2020, the Bank continued to service its customers in 2021 with its Nature-Friendly Mortgage and Nature-Friendly Auto Loan products. On the other hand, encouraging its customers to take action for sustainability, Yapı Kredi sets certain targets associated with the customers' sustainability performances independent from the area where the loan will be utilized in sustainability-linked loans extended to corporate and commercial customers. Advantages are offered in loan conditions if these targets are achieved during the loan's term.</p> <p>Yapı Kredi Asset Management Clean Energy Variable Fund</p> <p>Having launched Yapı Kredi Asset Management Clean Energy Variable Fund, Yapı Kredi resolutely sustains its support to energy efficiency, renewable energy and other low-carbon energy resources through the products and services it develops. Investing in the capital market instruments of companies engaged in sustainable and alternative energy technologies in the capacity of a manufacturer, developer, distributor and founder, which are issued domestically or abroad, Yapı Kredi Asset Management Clean Energy Variable Fund intends to derive returns by investing in companies with the potential to contribute to the transition process in the global energy industry.</p> <p>In the upcoming period, the Bank aims to increase the volume and the diversity of its sustainable products portfolio.</p>	

UNITED NATIONS PRINCIPLES FOR RESPONSIBLE BANKING REPORTING INDEX

Principle 4: Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

Reporting and Self-Assessment Requirements

High-level summary of bank's response

Reference[s]/ Link[s] to bank's full response/ relevant information

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.

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.

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 (WEPIs), Women Entrepreneurs Association of Turkey (KAGİDER) and Natural Life Protection Foundation (WWF-Türkiye).

Read more in Material Issues, Stakeholder Relations sections on pages 70-73 of the Report.

Principle 5: Governance & Culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking

5.1

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

Yapı Kredi conducts its sustainability activities within the scope of the Sustainability Management System (SMS) it has set up. Sustainability Committee is the highest authority within the SMS structure and is responsible for embedding sustainability in business processes and for overseeing sustainability performance. The Committee regularly reports on its activities to the Executive Committee and the Board of Directors every year.

Reporting to the Corporate Communications 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.

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.

Yapı Kredi aims to determine the targets related to the areas of impact it designated within the framework of UN PRB with the contribution of related teams under the leadership and coordination of the Sustainability Unit within the scope of the activities conducted in the working groups. Targets that will be set by the working groups will be presented to the Sustainability Committee and approval processes will thus be completed. Following the completion of approval processes, the targets will be monitored and reported at determined periods. New policies and procedures in connection with the targets may be developed as and when deemed necessary.

Read more in the Sustainability Management section on pages 46-47 of the report.

Corporate policies can be found here: <https://www.yapikrediinvestorrelations.com/en/corporate-governance/detail/Code-of-Ethics-and-Policies/44/1916/0>

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/ Link(s) to bank's full response/ relevant information
<p>5.2</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.</p> <p>Furthermore, the Bank implements its comprehensive internal communication activities on sustainability topics so that sustainability is embraced and understood by the employees. The communication media used for this initiative include internal electronic mailing, internal Bizler+ platform [Intranet] and KoçHub, the in-Group platform of the Koç Group companies.</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>	<p>CDP Climate Change Report 2021 - C1.3</p> <p>https://assets.yapikredi.com.tr/ResponsiveSite/_assets/pdf/en/corporate-social-responsibility/CDP-climate-change-programme-response-2021.pdf</p>
<p>5.3 Governance Structure for Implementation of the Principles:</p> <p>Show that your 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>Yapı Kredi reports all its sustainability activities, including alignment with the United Nations Principles for Responsible Banking, to the Sustainability Committee chaired by a Board member. ☑</p> <p>During 2021, the Sustainability Committee convened 4 times. The outcomes of the impact analysis study conducted within the framework of the UN PRB were presented at the Sustainability Committee meeting held in January 2022. Three impact areas selected according to analysis outcomes were presented for the opinion of the Sustainability Committee, and put into implementation with the Committee's approval. ☑</p> <p>During the determination and implementation of the targets for the selected areas of impact, the Sustainability Unit will regularly report to the Sustainability Committee. The methods and processes to be employed for target setting and the activities to be carried out for achieving the targets are detailed under 2.3 Plans for Target Implementation and Monitoring.</p>	<p>Read more in the Sustainability Management section on pages 46-47 of the Report.</p>
<p>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.</p>		

UNITED NATIONS PRINCIPLES FOR RESPONSIBLE BANKING REPORTING INDEX

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.

Reporting and Self-Assessment Requirements

High-level summary of bank's response

Reference[s]/ Link[s] to bank's full response/ relevant information

6.1 Progress on Implementing the Principles for Responsible Banking:

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].

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.

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.

Yapı Kredi prepared its second report within the scope of the United Nations Responsible Banking Principles signed in 2019. The Bank performed its first impact analysis in 2020 using the Portfolio Impact Analysis tool developed collaboratively by UNEP FI members. The Portfolio Impact Analysis Tool was updated, and its second version was released in 2021. In order to accurately select its impact areas on which it will set its targets, Yapı Kredi related its impact analysis with the current Portfolio Impact Analysis Tool.  According to the results of the updated impact analysis, the Bank revised the impact areas for which it will set its targets in line with the United Nations Responsible Banking Principles. Therefore, target setting processes have not been finalized yet. The target setting process is intended to be completed until the next reporting period. The methods to be employed for measuring and monitoring the targets to be defined within this framework have been identified, and key performance indicators that will be measured and monitored for each target will be determined. Based on the key performance indicators defined, progress with respect to each target will be transparently disclosed to all stakeholders of the Bank through the annual UN PRB Report.

The Bank follows up national and international initiatives and best practices supporting its sustainability strategy that comprises four main components and achieves alignment therewith.

The Bank reported to the Bloomberg Gender Equality Index in 2021 as it did in 2020 and qualified to be included in the index as a result of the evaluation made 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, sectoral and national averages with the score it has been assigned in the evaluation performed for the index.

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. 

Yapı Kredi finalized the study it has initiated for alignment with the Equator Principles [EP4] providing a voluntary credit risk management framework and guidelines for environmental and social risk assessment. 

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/ Link(s) to bank's full response/ relevant information
	<p>Yapı Kredi performed the first climate change risk assessment of its credit portfolio and evaluated the physical and transition risks of its portfolio. Through this analysis, Yapı Kredi financially measured its carbon exposure, and developed the heat map of its portfolio using the five different risk categories determined as a result of the assessment. Furthermore, the Bank joined the Business Ambition for 1.5°C platform of the Science Based Targets Initiative (SBTi) and pledged to set its emissions reduction targets for limiting global warming to 1.5°C. ✓</p> <p>Yapı Kredi is working on calculating the emissions arising from its credit portfolio and to set reduction targets for these emissions under the project it has launched within the frame of the Carbon Transition Program of its principal shareholder, Koç Holding. Along this line, the Bank continues to work for disclosing its emissions reduction targets in the medium- and long-term in alignment with the net zero goal by 2050 across the Koç Group. It intends to develop its strategy for transforming its credit portfolio in line with these targets. The Bank will also revise its lending policies within the framework of this strategy.</p> <p>Based on its new policies updated in 2021, the Bank declared that it will not finance greenfield coal-fired thermal power plants and new projects engaged in coal mining. ✓ While authoring numerous pioneering initiatives within the framework of sustainability, Yapı Kredi keeps supporting the green transition by offering financial support to green projects and investments.</p> <p>From the date it has signed the United Nations Principles for Responsible Banking (UN PRB), Yapı Kredi carried out major initiatives to implement the principles. Having successfully completed its portfolio impact analysis, the Bank has been working in the areas of climate change, risk management, diversity and inclusion, and product development. The Bank targets to achieve net zero in its carbon footprint by 2050. Accordingly, the Bank keeps working on the calculation of emissions arising from its loan portfolio. The Bank aims to reveal the carbon intensity of its loan portfolio by sectors and by segments upon completion of these efforts, and to determine its transition strategy for its credit portfolio. In addition to that, Yapı Kredi started work for integrating climate risks in its existing credit risk assessment processes.</p>	

UN GLOBAL COMPACT AND WEPs REPORTING INDEX

UN Global Compact Progress Index

Principles	Page Number
Human Rights	
Principle 1	85
Principle 2	85
Labour	
Principle 3	166-177
Principle 4	85
Principle 5	85
Principle 6	176-177
Environment	
Principle 7	86-99
Principle 8	86-99
Principle 9	86-99
Anti-Corruption	
Principle 10	68-69, 83-84

WEPs Progress Index

Principles	Page Number
Principle 1	46-47, 176-177
Principle 2	176-177
Principle 3	85, 174-175
Principle 4	168-172
Principle 5	85
Principle 6	47, 108, 176-177
Principle 7	572-574

REPORTING GUIDANCE

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 2021 Integrated Annual Report of Yapı ve Kredi Bankası A.Ş. and its subsidiaries (Yapı Kredi Factoring, Yapı Kredi Leasing, Yapı Kredi Asset Management, Yapı Kredi Invest, Yapı Kredi Culture Arts and Publishing [YKKSŞ], Yapı Kredi Technology, Yapı Kredi Bank Nederland N.V. and Yapı Kredi Bank Azerbaijan) ["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. The data in the reporting guidance are classified in key, economic, environmental and social indicators categories, and the legal entity on which each indicator category is reported is presented in the footnotes pertaining to related categories. Data for all indicator categories cover the data for the related legal entities for the period from 1 January 2021 through 31 December 2021.

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 2021 through 31 December 2021.

Key Indicators¹

- Structure of Sustainability Management
- Total loan 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 Indicators²

- 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

¹Yapı ve Kredi Bankası A.Ş.

²Yapı ve Kredi Bankası A.Ş., Yapı Kredi Faktoring, Yapı Kredi Leasing, Yapı Kredi Asset Management, Yapı Kredi Invest, Yapı Kredi Culture Arts and Publishing [YKKSŞ], Yapı Kredi Technology

Environmental Indicators³

- 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]
- Water intensity [m3/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 Indicators⁴

- 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

³Yapı ve Kredi Bankası A.Ş., Yapı Kredi Faktoring, Yapı Kredi Leasing, Yapı Kredi Asset Management, Yapı Kredi Invest, Yapı Kredi Culture Arts and Publishing [YKKSŞY], Yapı Kredi Technology, Yapı Kredi Bank Nederland N.V. and Yapı Kredi Bank Azerbaijan

⁴Yapı ve Kredi Bankası A.Ş., Yapı Kredi Faktoring, Yapı Kredi Leasing, Yapı Kredi Asset Management, Yapı Kredi Invest, Yapı Kredi Culture Arts and Publishing [YKKSŞY], Yapı Kredi Technology

REPORTING GUIDANCE

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 2021.
- **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 2021.
- **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 2021. 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.

Environmental Indicators

- **Energy consumption within the organization (GJ):** Total energy purchased by the Bank and by its subsidiaries whose data are reported under environmental indicators 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 employees of the Bank and of its subsidiaries whose data are reported under environmental indicators as of year-end.
- **Water consumption by source (m³):** Water consumption by the Bank and by its subsidiaries whose data are reported under environmental indicators; 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 harvested by the Darıca Administrative and Archive Building. 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 paper consumption across the Bank and its subsidiaries (Yapı Kredi Faktoring, Yapı Kredi Leasing, Yapı Kredi Asset Management, Yapı Kredi Invest), fuel consumption for employee commuting at the selected locations (Head Office and service buildings, regional offices and branch buildings) of the Bank and its subsidiaries whose data are reported under environmental indicators (Yapı Kredi Faktoring, Yapı Kredi Leasing, Yapı Kredi Asset Management, Yapı Kredi Invest) and air travel across the Bank. Hazardous waste, non-hazardous waste, medical waste and household waste generated by Banking Base, Plaza Building D/A, Black Sea Commercial Regional Office Building, Ankara Regional Office building, Kadıköy Branch Building, Yapı Kredi Culture Arts and Publishing [YKKSŞY] Building and Darıca Archives facilities 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 operations of the Bank or of its subsidiaries whose data are reported under environmental indicators, it was not included in the Bank's emission intensity calculation.
- **Water intensity (m³/number of employees):** The intensity calculated by dividing the total waste water quantity of the Bank and of its subsidiaries whose data are reported under environmental indicators by the number of employees as of year-end.
- **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, Urbanization and Climate Change.

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, Urbanization and Climate Change on account of failure to achieve compliance in the Bank's operations with the Environmental Law no. 2872 and ancillary regulations.

REPORTING GUIDANCE

Social Indicators

- **Total number of employees:** Number of the employees of Yapı Kredi and its domestic subsidiaries (full-time and part-time) excluding contractors as at 31 December 2021.
- **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 2021.
- **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 - Buildings A/C/D, Yapı Kredi Banking Base, Darıca Administrative and Archive Building, Bayramoğlu Building and Yeniköy Koru Building, Yapı Kredi Faktoring, Yapı Kredi Leasing, Yapı Kredi Asset Management, Yapı Kredi Invest, Yapı Kredi Culture Arts and Publishing [YKKSŞY], Yapı Kredi Technology, Yapı Kredi Bank Nederland N.V. and Yapı Kredi Bank Azerbaijan], 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. Consumption data for Yapı Kredi Bank Nederland N.V. was calculated by dividing the amount paid for the invoice received by the unit price.

Amount of natural gas consumption was derived from the bills for selected head office buildings [Yapı Kredi Plaza - Buildings A/C/D, Yapı Kredi Banking Base, Darıca Administrative and Archive Building, Bayramoğlu Building and Yeniköy Koru Building, Yapı Kredi Faktoring, Yapı Kredi Leasing, Yapı Kredi Asset Management, Yapı Kredi Invest, Yapı Kredi Culture Arts and Publishing [YKKSŞY], Yapı Kredi Technology, Yapı Kredi Bank Nederland N.V. and Yapı Kredi Bank Azerbaijan], 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. Consumption data for Yapı Kredi Bank Nederland N.V. was calculated by dividing the amount paid for the invoice received by the unit price.

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.

REPORTING GUIDANCE

- 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] IEA Statistics Data Service Emissions Factors [2020 edition]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, the Netherlands and Azerbaijan 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] 2021 Emission Factors. Emission factors in Scope 3 - Material Use” study (<https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-20210>) 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 2021 Emission Factors. Scope 3 Business Travel-Air” (<https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2021>) published by the UK government. In air travel, short-haul is defined as [≥ 150 km and < 500 km], medium-haul as [≥ 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 2021 Emission Factors. Scope 3 - Waste Disposal” (<https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2021>) 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 25 December 2021-317008], 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 – Buildings A/C/D, Yapı Kredi Banking Base, Darıca Administrative and Archive Building, Bayramoğlu Building and Yeniköy Koru Building, Yapı Kredi Faktoring, Yapı Kredi Leasing, Yapı Kredi Asset Management, Yapı Kredi Invest, Yapı Kredi Culture Arts and Publishing [YKKSŞY], Yapı Kredi Technology, and Yapı Kredi Bank Azerbaijan] 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. Water consumption for 5% of the Bank’s branches were calculated based on the annual average of branch water consumption amounts obtained from third-party providers. Consumption data for Yapı Kredi Bank Nederland N.V. was calculated by dividing the amount paid for the invoice received by the unit price.

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.

REPORTING GUIDANCE

United Nations Principles for Responsible Banking Reporting Template – Preparation Principles

2.1 Impact Analysis:

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:

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.

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: The 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.

[The Bank should have engaged with relevant stakeholders to help inform the 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

For its impact analysis, the Bank used the 2nd version of 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).

The segmentation of Yapı Kredi and the segmentation of the Impact Analysis Tool are different. The UN Principles for Responsible Banking reporting adopted the segment definitions of the Impact Analysis Tool. These segments correspond to the following segments at Yapı Kredi:

Impact Analysis Tool Consumer Banking Segment: Yapı Kredi

individual banking operations

Impact Analysis Tool Business Banking Segment: Yapı Kredi

business and SME/ME banking

Impact Analysis Tool Corporate Banking Segment: Yapı Kredi

corporate and commercial banking

The Bank's operations under three categories in Turkey, namely Consumer (Yapı Kredi individual banking), Business (Yapı Kredi business and SME/ME banking segments) and Corporate (Yapı Kredi corporate and commercial banking segments), have been included in the Impact Analysis Tool assessment.

2.1 Impact Analysis continued:

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 is 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 individual banking customers and the number of customers who have used individual banking products have been determined through the IT infrastructure.

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 IT infrastructure according to cash loans and associated risks. Sectoral breakdowns were determined according to the ISIC list of industry classifications.

In this context, the top ten sectors the Bank finances under Business Banking and Corporate Banking have been included in the analysis.

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 [*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, Healthy Economies and Economic Convergence*]. The Bank has directly used this analysis when taking into account sustainable development needs of Turkey.

Three 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.

5.3 Governance Structure for Implementation of the Principles

Show that the Bank has a governance structure in place for the implementation of the PRB, including:

- 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

Within the scope of compliance with the Principles for Responsible Banking (PRB), the Bank reports to the Sustainability Committee chaired by a Board member. During 2021, the Sustainability Committee convened 4 times. The outcomes of the impact analysis study conducted within the frame of the UN PRB have been presented at the Sustainability Committee meeting held in January 2022. Three impact areas selected according to analysis outcomes have been presented for the opinion of the Sustainability Committee, and put into implementation with the Committee's approval.

REPORTING GUIDANCE

6.1 Progress on Implementing the Principles for Responsible Banking

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).

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.

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.

Yapı Kredi prepared its second report within the scope of the UN PRB that it has signed in 2019. The Bank performed its first impact analysis in 2020 using the Portfolio Impact Analysis tool co-developed by UNEP FI. The Portfolio Impact Analysis Tool was updated and its 2nd version was released in 2021. In order to accurately select its impact areas where it will set its targets, Yapı Kredi re-performed its impact analysis with the current Portfolio Impact Analysis Tool. The Bank revised its impact areas where it will set its targets aligned with UN PRB according to the outcomes of the second impact analysis it has carried out. Hence, target setting processes have not been finalized yet. The target setting process is intended to be completed until the next reporting period. The methods to be employed for measuring and monitoring the targets to be defined within this framework have been identified, and key performance indicators that will be measured and monitored for each target will be determined. Based on the key performance indicators defined, progress with respect to each target will be transparently disclosed to all stakeholders of the Bank through the UN PRB Report.

The Bank follows up national and international initiatives and good practices supporting its sustainability strategy that comprises four main components, and achieves alignment therewith.

The Bank's activities during the reporting period in relation to national and international initiatives and good practices associated with sustainability are as follows:

- Yapı Kredi qualified to be included in the Bloomberg Gender Equality Index. The requirements for inclusion in the Bloomberg Gender Equality Index and listed organizations can be accessed at <https://www.bloomberg.com/gei/about/>.
- The Bank joined among the supporters of the Task Force on Climate-related Financial Disclosures (TCFD). The list of TCFD supporters can be accessed at <https://www.fsb-tcfd.org/supporters/>.
- Yapı Kredi finalized the study it has initiated for alignment with the Equator Principles (EP4) providing a voluntary credit risk management framework and guidelines for environmental and social risk assessment.
- The Bank joined the Business Ambition for 1.5°C platform of the Science Based Targets Initiative (SBTi) and pledged to set its emissions reduction targets for limiting global warming to 1.5°C.
- With its lending policies updated in 2021, Yapı Kredi declared that it will not finance greenfield coal-fired thermal power plants and new projects engaged in coal mining.

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.

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. [“Yapı Kredi” or the “Bank”] to perform an independent limited assurance engagement in respect of the Selected Sustainability Information [“Selected Information”] stated in Yapı ve Kredi Bankası A.Ş. 2021 Integrated Annual Report [“2021 Integrated Annual Report”] for the year ended 31 December 2021 and listed below.

UNEP-FI Responsible Banking Principles Reporting Index – Selected Information

The scope of the Selected Information for the year ended 31 December 2021, which is subject to our independent limited assurance work, set out in the 577, 578, 579, 580, 581, 585, 586 and 587 pages of the 2021 Integrated Annual Report with the sign  is summarised below:

- 2.1 Impact Analysis
- 2.2 Target Setting
- 2.3 Plans for Target Implementation and Monitoring
- 2.4 Progress on Implementing Targets
- 5.3 Governance Structure for Implementation of the Principles
- 6.1 Progress on Implementing the Principles for Responsible Banking

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, any information other elements in the 2021 Integrated Annual Report, any other elements included in the 2021 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 section “Reporting Guidance” on pages 590 to 600 of 2021 Integrated Annual Report.

The Bank’s Responsibility

The Bank is responsible for the content of 2021 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, for carbon emissions from energy used 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.

LIMITED ASSURANCE REPORT



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, 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 of the persons responsible 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-performed 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 the 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 Directors of the Bank as a body, to assist the 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 2021 Integrated Annual Report for the year ended 31 December 2020, to enable the Directors to demonstrate they have discharged their governance responsibilities by commissioning a limited 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 Directors of Yapı ve Kredi Bankası A.Ş. as a body and 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.

Didem Demer Kaya, SMMM
Partner

Istanbul, 28 February 2022



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. [“Yapı Kredi” or the “Bank”] to perform an independent limited assurance engagement in respect of the Selected Sustainability Information [“Selected Information”] stated in Yapı ve Kredi Bankası A.Ş. 2021 Integrated Annual Report [“2021 Integrated Annual Report”] for the year ended 31 December 2021 and listed below.

Selected Information

The scope of the Selected Information for the year ended 31 December 2021, which is subject to our independent limited assurance work, set out in the “Reporting Guidance” on pages 590 to 600 of the 2021 Integrated Annual Report is summarised below:

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]

LIMITED ASSURANCE REPORT



- 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

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, any information other elements in the 2021 Integrated Annual Report, any other elements included in the 2021 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 section “Reporting Guidance” on pages 590 to 600 of 2021 Integrated Annual Report.

The Bank’s Responsibility

The Bank is responsible for the content of 2021 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, for carbon emissions from energy used 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; 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.

LIMITED ASSURANCE REPORT



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 of the persons responsible 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-performed 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 the 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 Directors of the Bank as a body, to assist the 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 2021 Integrated Annual Report for the year ended 31 December 2020, to enable the Directors to demonstrate they have discharged their governance responsibilities by commissioning a limited 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 Directors of Yapı ve Kredi Bankası A.Ş. as a body and 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.

Didem Demer Kaya, SMMM
Partner

Istanbul, 28 February 2022

GRI CONTENT INDEX - CORE

"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."



GRI Standard Number	Disclosures	Page Number/Direct Reference	Omissions
GRI 101: Foundation 2016			
GRI 102: General Disclosures 2016			
	Organizational Profile		
	102-1	Yapı ve Kredi Bankası A.Ş.	
	102-2	16-17, 22-23	
	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	572-575	
	102-9	68-69 https://www.yapikrediinvestorrelations.com/en/images/pdf/codeofethicsandpolicies/2020/yk_responsible_procurement_policy.pdf	
GRI 102: General Disclosures 2016	102-10	19	
	102-11	74-85	
	102-12	73	
	102-13	73	
	Strategy		
	102-14	10-11, 12-15	
	102-15	52-67	
	Ethics and Integrity		
	102-16	18, 68-69	
	102-17	68-69	
	Governance		
	102-18	36-45	
	102-20	46-47	
	Stakeholder Engagement		
	102-40	72-73	
	102-41	573-574	
	102-42	70-71	
	102-43	72-73	
	102-44	70-71	

GRI STANDARDS INDEX - CORE

GRI Standard Number	Disclosures	Page Number/Direct Reference	Omissions
	Reporting Practice		
	102-45	1	
	102-46	70-71	
	102-47	70-71	
	102-48	There are no significant changes from previous reporting periods in the list of material topics and topic Boundaries.	
	102-49	1	
GRI 102: General Disclosures 2016	102-50	1 January 2021-31 December 2021	
	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	607-613	
	102-56	601-606	
	GRI 200: Economic Standard Series		
	Economic Performance		
	103-1	70-71	
GRI 103: Management Approach 2016	103-2	10-11, 12-15	
	103-3	10-11, 12-15	
	201-1	26-27, 187-188	
GRI 201: Economic Performance 2016	201-3	268, 377-378	
	201-4	260, 404	
	Anti-Corruption		
	103-1	70-71	
GRI 103: Management Approach 2016	103-2	10-11, 12-15	
	103-3	10-11, 12-15	
	205-1	83-84	
GRI 205: Anti-Corruption 2016	205-2	83-84	
		83-84	

GRI Standard Number	Disclosures	Page Number/Direct Reference	Omissions
	Anti-Competitive Behavior		
GRI 103: Management Approach 2016	103-1	70-71	
	103-2	10-11 12-15	
	103-3	10-11 12-15	
GRI 206: Anti-Competitive Behavior 2016	206-1	In 2021, there were no lawsuits filed regarding anti-competitive behavior, antitrust and monopoly practices.	
	GRI 300: Environmental Standard Series		
	Energy		
GRI 103: Management Approach 2016	103-1	70-71	
	103-2	10-11 12-15 94-99	
	103-3	10-11 12-15 94-99	
GRI 302: Energy 2016	302-1	575	
	302-3	575	
	Water and Effluents		
GRI 103: Management Approach 2016	103-1	70-71	
	103-2	10-11 12-15 94-99	
	103-3	10-11 12-15 94-99	
GRI 303: Water and Effluents 2018	303-3	575	

GRI STANDARDS INDEX - CORE

GRI Standard Number	Disclosures	Page Number/Direct Reference	Omissions
	Emissions		
GRI 103: Management Approach 2016	103-1	70-71	
	103-2	10-11 12-13 94-99	
	103-3	10-11 12-13 94-99	
GRI 305: Emissions 2016	305-1	575	
	305-2	575	
	305-3	575	
	305-4	575	
	305-5	95, 575	
	Effluents and Waste		
GRI 103: Management Approach 2016	103-1	70-71	
	103-2	10-11 12-13 94-99	
	103-3	10-11 12-13 94-99	
GRI 306: Waste 2020	306-2	575	
	Environmental Compliance		
GRI 103: Management Approach 2016	103-1	70-71	
	103-2	10-11 12-13 94-99	
	103-3	10-11 12-13 94-99	
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 2021.	

GRI Standard Number	Disclosures	Page Number/Direct Reference	Omissions
GRI 400: Social Standard Series			
	Employment		
GRI 103: Management Approach 2016	103-1	70-71	
	103-2	10-11 12-13 168-177	
	103-3	10-11 12-13 168-177	
GRI 401: Employment 2016	401-1	572-574	
	401-3	572-574	
Occupational Health and Safety			
GRI 103: Management Approach 2016	103-1	70-71	
	103-2	10-11 12-13 168-177	
	103-3	10-11 12-13 168-177	
GRI 403: Occupational Health and Safety 2018	403-1	175, 574	
	403-2	175, 574	
Training and Education			
GRI 103: Management Approach 2016	103-1	70-71	
	103-2	10-11 12-13 168-177	
	103-3	10-11 12-13 168-177	
GRI 404: Training and Education 2016	404-1	168-172	
	404-2	168-172	
	404-3	572-574	

GRI STANDARDS INDEX - CORE

GRI Standard Number	Disclosures	Page Number/Direct Reference	Omissions
	Diversity and Equal Opportunity		
GRI 103: Management Approach 2016	103-1	70-71	
	103-2	10-11 12-13 168-177	
	103-3	10-11 12-13 168-177	
GRI 405: Diversity and Equal Opportunity 2016	405-1	573-574	
	Non-Discrimination		
GRI 103: Management Approach 2016	103-1	70-71	
	103-2	10-11 12-13 168-177	
	103-3	10-11 12-13 168-177	
GRI 406: Non-Discrimination 2016	406-1	176	
	Freedom of Association and Collective Bargaining		
GRI 103: Management Approach 2016	103-1	70-71	
	103-2	10-11 12-13 168-177	
	103-3	10-11 12-13 168-177	
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.	
	Child Labor		
GRI 103: Management Approach 2016	103-1	70-71	
	103-2	10-11 12-13 168-177	
	103-3	10-11 12-13 168-177	

GRI Standard Number	Disclosures	Page Number/Direct Reference	Omissions
GRI 408: Child Labor 2016	408-1	Yapı Kredi does not employ child labor in any way.	
	Forced or Compulsory Labor		
GRI 103: Management Approach 2016	103-1	70-71	
	103-2	10-11 12-13 168-177	
	103-3	10-11 12-13 168-177	
GRI 409: Forced or Compulsory Labor 2016	409-1	No incidents of forced or compulsory labor were encountered in 2021.	
	Human Rights Assessment		
GRI 103: Management Approach 2016	103-1	70-71	
	103-2	10-11 12-13 168-177	
	103-3	10-11 12-13 168-177	
GRI 412: Human Rights Assessment 2016	412-2	85 https://assets.yapikredi.com.tr/WebSite/_assets/pdf/en/investor-relations/governance/corporate-governance/Yapikredi_Human_Rights_Statement_and_Appendices.pdf?v1	
	Customer Privacy		
GRI 103: Management Approach 2016	103-1	70-71	
	103-2	10-11 12-13 166-167	
	103-3	10-11 12-13 166-167	
GRI 418: Customer Privacy 2016	418-1	166-167	

TCFD DISCLOSURE TABLE

Governance	Describe the board's oversight of climate-related risks and opportunities	Sustainability Management, page 46-47 Business Model and Strategy/Approach/Sustainability page 51 https://assets.yapikredi.com.tr/ResponsiveSite/assets/pdf/en/corporate-social-responsibility/CDP-climate-change-programme-response-2021.pdf?v2
	Describe management's role assessing and managing climate-related risks and opportunities	CDP Climate Change Questionnaire 2021 - page 3-5 Sustainability Management, page 46-47 Business Model and Strategy/Approach/Sustainability page 51 https://assets.yapikredi.com.tr/ResponsiveSite/assets/pdf/en/corporate-social-responsibility/CDP-climate-change-programme-response-2021.pdf?v2
Strategy	Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	CDP Climate Change Questionnaire 2021 - page 5-7 Trends, Their Implication for the Sector and Yapı Kredi's Response, page 58-61 Yapı Kredi Environmental And Social Policy https://www.yapikrediinvestorrelations.com/en/images/pdf/codeofethicsandpolicies/2020/yk_environmental_and_social_policy.pdf https://assets.yapikredi.com.tr/ResponsiveSite/assets/pdf/en/corporate-social-responsibility/CDP-climate-change-programme-response-2021.pdf?v2 CDP Climate Change Questionnaire 2021 - page 11-16, 27-40 https://assets.yapikredi.com.tr/ResponsiveSite/assets/pdf/en/corporate-social-responsibility/CDP-water-security-programme-response-2021.pdf?v2 CDP Water Security Questionnaire 2021- page 20-24
	Describe the impact of climate related risks and opportunities on the organization's business, strategy and financial planning	Yapı Kredi Environmental And Social Policy https://www.yapikrediinvestorrelations.com/en/images/pdf/codeofethicsandpolicies/2020/yk_environmental_and_social_policy.pdf https://assets.yapikredi.com.tr/ResponsiveSite/assets/pdf/en/corporate-social-responsibility/CDP-climate-change-programme-response-2021.pdf?v2 CDP Climate Change Questionnaire 2021 - page 16-21, 27-40 https://assets.yapikredi.com.tr/ResponsiveSite/assets/pdf/en/corporate-social-responsibility/CDP-water-security-programme-response-2021.pdf?v2 CDP Water Security Questionnaire 2021- page 22-24
	Describe the resilience of the organization's strategy, taking into consideration different scenarios, including a 2°C or lower scenario	https://assets.yapikredi.com.tr/ResponsiveSite/assets/pdf/en/corporate-social-responsibility/CDP-climate-change-programme-response-2021.pdf?v2 CDP Climate Change Questionnaire 2021 - page 21-26, 42-44 https://assets.yapikredi.com.tr/ResponsiveSite/assets/pdf/en/corporate-social-responsibility/CDP-water-security-programme-response-2021.pdf?v2 CDP Water Security Questionnaire 2021- page 37
Risk Management	Describe the organization's processes for identifying and assessing climate-related risks	https://assets.yapikredi.com.tr/ResponsiveSite/assets/pdf/en/corporate-social-responsibility/CDP-climate-change-programme-response-2021.pdf?v2 CDP Climate Change Questionnaire 2021 - page 11-24 https://assets.yapikredi.com.tr/ResponsiveSite/assets/pdf/en/corporate-social-responsibility/CDP-water-security-programme-response-2021.pdf?v2 CDP Water Security Questionnaire 2021- page 33-48
	Describe the organization's processes for managing climate-related risks	https://assets.yapikredi.com.tr/ResponsiveSite/assets/pdf/en/corporate-social-responsibility/CDP-climate-change-programme-response-2021.pdf?v2 CDP Climate Change Questionnaire 2021 - page 11-16, 26-27 https://assets.yapikredi.com.tr/ResponsiveSite/assets/pdf/en/corporate-social-responsibility/CDP-water-security-programme-response-2021.pdf?v2 CDP Water Security Questionnaire 2021- page 33-48
	Describe how processes for identifying, assessing, and managing these risks are integrated into the organization's overall risk management	https://assets.yapikredi.com.tr/ResponsiveSite/assets/pdf/en/corporate-social-responsibility/CDP-climate-change-programme-response-2021.pdf?v2 CDP Climate Change Questionnaire 2021 - page 11-16 https://assets.yapikredi.com.tr/ResponsiveSite/assets/pdf/en/corporate-social-responsibility/CDP-water-security-programme-response-2021.pdf?v2 CDP Water Security Questionnaire 2021- page 33-48
Metrics And Targets	Disclose the metrics used to assess climate-related risks and opportunities in line with its strategy and risk management process	Environmental Performance Tables page 575 https://assets.yapikredi.com.tr/ResponsiveSite/assets/pdf/en/corporate-social-responsibility/CDP-climate-change-programme-response-2021.pdf?v2 CDP Climate Change Questionnaire 2021 - page 16-21, 56-59, 84-86 https://assets.yapikredi.com.tr/ResponsiveSite/assets/pdf/en/corporate-social-responsibility/CDP-water-security-programme-response-2021.pdf?v2 CDP Water Security Questionnaire 2021- page 33-48
	Disclose Scope 1, Scope 2, and if appropriate Scope 3 greenhouse gas (GHG) emissions	Environmental Performance Tables page 575 https://assets.yapikredi.com.tr/ResponsiveSite/assets/pdf/en/corporate-social-responsibility/CDP-climate-change-programme-response-2021.pdf?v2 CDP Climate Change Questionnaire 2021 - page 70-78, 110-114
	Describe the targets used by the organization to manage climate-related risks and opportunities and performance	Trends, Their Implication for the Sector and Yapı Kredi's Response - Climate Crisis, page 58-61 https://assets.yapikredi.com.tr/ResponsiveSite/assets/pdf/en/corporate-social-responsibility/CDP-climate-change-programme-response-2021.pdf?v2 CDP Climate Change Questionnaire 2021 - page 16-21, 51-59 https://assets.yapikredi.com.tr/ResponsiveSite/assets/pdf/en/corporate-social-responsibility/CDP-water-security-programme-response-2021.pdf?v2 CDP Water Security Questionnaire 2021- page 33-48

DIRECTORY

YAPI VE KREDİ BANKASI A.Ş.

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Mersis Number:	0937002089200741
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SWIFT Code:	YAPITRIS
Website:	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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LEGAL DISCLAIMER

This Integrated Annual Report (the Report), has been prepared by Yapı ve Kredi Bankası A.Ş. (Yapı Kredi) in accordance with the Integrated Reporting Framework of the IIRC.

This Report is prepared for information purposes only and it is not intended to form the basis of any investment decision.

The information contained herein does not constitute or form part of an offer to sell or issue, or a solicitation of an offer to purchase or subscribe for, any securities or other interests in Yapı ve Kredi Bankası A.Ş. or its subsidiaries, and no legal relations shall be created by its issue.

The information contained herein and associated documents were believed to be accurate for the time period it covers, expressed in good faith and based on sources believed to be reliable. However, this does not constitute a representation, guarantee, warranty or undertaking of any nature by Yapı ve Kredi Bankası A.Ş. Accordingly, neither Yapı ve Kredi Bankası A.Ş., nor its subsidiary companies, or their board members, consultants or employees shall be liable for any direct, indirect or consequential loss or damage suffered by any person as a result of relying on any statement in, or omission from, this Report or in any other information or communications in connection with the Report.

Integrated reporting consultancy, content development, Turkish and English copywriting and editing, design development and typesetting

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