

2013

**Corporate Governance Principles
Compliance Report**

Corporate Governance Principles Compliance Report

1. Declaration of Compliance with Corporate Governance Principles

Yapı Kredi strives to comply with the Capital Market Board (CMB) Corporate Governance Principles to a significant degree and focuses on continuous development in this area while carrying out its operations. Yapı Kredi joined the Istanbul Stock Exchange (ISE) Corporate Governance Index in 2008 and has since increased its corporate governance rating from 8.02 to 9.32 (out of 10) in 2013. The Bank's corporate governance ratings, which are determined by SAHA Corporate Governance and Credit Rating Services Inc., are presented in the table below:

Main Sections	Weight	2012	Weight	2013
Shareholders	0.25	8.72	0.25	9.65
Public Disclosure and Transparency	0.35	9.26	0.25	9.12
Stakeholders	0.15	9.54	0.15	9.38
Board of Directors	0.25	7.83	0.35	9.33
Total	1.00	8.81	1.00	9.32

2. Shareholder Relations Units

Yapı Kredi conducts its relations with shareholders through the Koç Financial Services (KFS), Subsidiaries and Shareholder Relations Unit and Investor Relations Unit. During the year, all telephone and e-mail inquiries to both departments were answered within relevant guidelines. In addition, the Investor Relations Unit attended a total of 22 roadshows and conferences domestically and internationally in 2013 and met close to 1,000 existing and potential investors. Quarterly financial results were presented and shared 4 times during the year via quarterly teleconferences and questions by investors and analysts were answered by senior management.

Principal activities and responsibilities of the KFS, Subsidiaries and Shareholders Unit include:

- Assisting in the exercise of shareholders' rights, ensuring that records are updated, maintaining communication between the Board of Directors and shareholders,
- Ensuring that the Annual Shareholders' Meeting conforms with the legislation in force and the Articles of Association,
- Conforming to, carrying out and monitoring all issues related to public disclosure, including legislation and the Bank's Disclosure Policy
- Carrying out capital increase operations,
- Ensuring Corporate Governance Principles are administered within the Bank.

Principal activities and responsibilities of the Investor Relations Unit include:

- Providing equity and fixed income investors, analysts and rating agencies with transparent and consistent financial information in order to support the fair evaluation and long-term increase in the value of Yapı Kredi,
- Interacting with the investment community to achieve an effective two-way flow of information through conferences, roadshows and investor meetings domestically and internationally,
- Contributing to reducing the Bank's cost of funding through improving understanding of Yapı Kredi's risk/return profile by fixed income investors.

KFS, Subsidiaries and Shareholder Relations Unit

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Investor Relations Unit

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3. Exercise of Shareholders' Right to Obtain Information

Yapı Kredi continuously communicates with shareholders through telephone, e-mail, internet, press releases as well as one-on-one and group meetings.

The Bank has regularly updated websites in Turkish (www.yapikredi.com.tr) and English (www.yapikredi.com.tr/en-us).

The appointment of a special auditor has not been stipulated as an individual right in the Bank's Articles of Association. However, shareholders can exercise this right pursuant to the Turkish Commercial Code and the Capital Markets Law. In 2013, no requests were made for the appointment of a special auditor. Yapı Kredi, according to the Banking Law, is subject to supervision and audit from Banking Regulation and Supervision Agency (BRSA) as well as CMB regulations.

4. Information on Annual Shareholders' Meetings

The most recent Annual Shareholders' Meeting was held on 29 March 2013. Shareholders attended this meeting with a 90.61% majority, while no stakeholder or media representative attended. In accordance with the applicable law and the Bank's Articles of Association, meeting invitation was announced via the Turkish Trade Registry Gazette, Public Disclosure Platform and national newspapers.

Board of Directors and Auditors Committee Reports, Financial Reports, Independent Audit Report, Dividend Distribution Proposal for the year 2012, the Annual Report containing the date and the agenda of the meeting as well as Corporate Governance Principles Compliance Report and articles of Annual Shareholders' Meeting Agenda, detailed annotation containing the Compliance to Capital Markets Board regulations were made available for the examination of shareholders at the Bank's Head Office, on its website www.yapikredi.com.tr as well as Electronic General Meeting System of Central Securities Depository Institution within the legal period of 3 weeks prior to the Annual Shareholders' Meeting.

At the Annual Shareholders' Meeting, regular articles were discussed and approved. Additionally, the Dividend Distribution Policy, Remuneration Policy for 2013 and beyond as well as the Bank's Disclosure Policy were presented to the General Assembly. Shareholders were also informed that possible changes could be made to the Bank's Disclosure Policy by the Board of Directors in order to comply with Capital Market regulations. General Assembly Internal Directive prepared by the Board of Directors has been approved. Transactions regarding liquidation by sale of some Bank receivables that are being followed up on non-performing loan accounts has been approved and the Board members were cleared regarding these transactions. Shareholders were informed of the donations and charities made in 2012 and a ceiling amount for the donations to be made in 2013 was determined by the General Assembly. Additionally, it was decided that the Articles of Association would be amended. At the Annual Shareholders' Meeting, an opportunity was presented to the

shareholders to speak and ask questions regarding all agenda items. No questions were brought forward which required written answer.

Minutes of the Annual Shareholders' Meeting can be accessed via the Public Disclosure Platform, Electronic General Meeting System and e-company portal of the Central Securities Depository Institution and Yapı Kredi's website.

5. Voting and Minority Rights

Yapı Kredi has no privileged shares. Minority shares are not represented in management. There is no cross-shareholding between the Bank and its subsidiaries and thus no such votes were cast at the most recent Annual Shareholders' Meeting. The Bank's Articles of Association does not provide for cumulative voting.

6. Dividend Distribution Policy

Principles regarding Yapı Kredi's Dividend Distribution Policy are set out in the Bank's Articles of Association.

As the Bank has no privileged shares, no privilege exists in dividend distribution. Shareholders are informed of the Bank's Dividend Distribution Policy at the Annual Shareholders' Meeting. The Bank's Dividend Distribution Policy is also available on the Public Disclosure Platform, the Bank's website and annual report. The Dividend Distribution Policy, formed in line with the Bank's long-term growth targets, economic conditions, projects on the agenda and available funds, is reviewed by the Board of Directors and presented at the Annual Shareholders' Meeting.

In 2013, a total gross cash dividend of TL 300,000,000 was distributed from 2012 net income.

7. Transfer of Shares

There are no provisions in Yapı Kredi's Articles of Association that restrict transfer of shares.

8. Company Disclosure Policy

Yapı Kredi's Disclosure Policy, which is available on the Bank's website and presented at the Annual Shareholders' Meeting, is prepared with the objective of pursuing effective communication in accordance with relevant regulations.

Yapı Kredi provides all public disclosure and information to shareholders under the supervision of its Compliance Office. The Compliance Officer and the Head of the KFS, Subsidiaries and Shareholder Relations Unit are identified as authorised signatories and responsible for public disclosures via the authorisation of the Board of Directors. In addition, the Investor Relations Unit is responsible for providing detailed information regarding the Bank and the sector, in a transparent, complete and timely manner.

9. Company Website and Its Contents

In accordance to the Bank's Corporate Governance Principles, the Bank has regularly updated websites in Turkish (www.yapikredi.com.tr) and English (www.yapikredi.com.tr/en-us). Both websites provide detailed information about Yapı Kredi under the Investor Relations section.

The Investor Relations section in Turkish (www.yapikredi.com.tr/tr-TR/yatirimci_iliskileri) provides information regarding the Bank's history, vision and values, shareholding structure, share price, periodic financial

tables, annual reports, credit ratings given by rating agencies, corporate governance reports, board of directors and statutory auditors, senior management, articles of association, trade registry, disclosure policy, code of ethics, Annual Shareholders' Meetings details, including minutes, agenda, list of attendees, disclosures and all other relevant information. The Annual Shareholders' Meeting disclosure document containing discussion topics related to the agenda and relevant documents (annual report, financial statements, dividend distribution table, Dividend Distribution Policy and other documents regarding the agenda) are available on the website and presented at the Annual Shareholders' Meeting.

The Investor Relations section in English (<http://www.yapikredi.com.tr/en/investor-relations>), in addition to containing most of the information on the Turkish website, also has investor presentations, releases, list of analysts, investor conference calendar and other relevant information.

10. Annual Report

The Bank's annual report is prepared according to BRSA Regulations regarding the Principles and Procedures Concerning the Preparation of the Annual Report by Banks. At the same time, maximum compliance is ensured to CMB and Corporate Governance Principles.

11. Informing Stakeholders

Yapı Kredi employees are informed about the Bank's activities via internal communication systems by the CEO and relevant senior management when necessary. In addition, Head Office and branch managers are regularly informed about various developments via management meetings, announcements and other various communication channels.

The Bank's Code of Ethics and compliance to this code are reported to the Corporate Governance Committee on a regular basis.

Outside of Yapı Kredi's employees, stakeholders are notified regarding information pertaining to themselves and when deemed necessary via e-mail, telephone and other communication channels.

12. Attendance of Stakeholders in Management

Yapı Kredi is a joint stock company and is managed by internal executive functions. The decision making responsibilities of these functions are initially evaluated by the relevant management and then submitted for the approval of the related decision making bodies.

13. Human Resources Policy

The Bank's human resources practices are based on its Employee Guidelines. These guidelines inform employees about human resource practices and set conditions pertaining to administrative services. Through the Employee Guidelines, the Bank aims to inform and provide consultancy to employees regarding matters such as (i) employee selection, placement and development based on employee knowledge, skills and talent (ii) fair and proper compensation (iii) performance enhancing training opportunities (iv) provision of an appropriate work environment to maximise employee efficiency (v) information on employment practices, rules, vacations, leave of absence, insurance benefits, administration etc. The Bank's Human Resources and Organisation management carries out its operations without discrimination of race, gender, nationality, age, religion, political view and physical disability and with respect towards privacy and civil rights.

Moreover, all Bank employees are able to share any discomfort and complaints in regards to these matters, verbally or written, in person or to the Code of Conduct e-mail address within the Compliance Office.

Job description as well as performance and bonus guidelines are announced to all employees of the Bank. In addition, the Bank has a human resources portal available to all employees with published detailed policies under main headings of Career, New Career Development, Salary and Benefits as well as Performance.

On the other hand, under the law on Trade Unions and Collective Labour Agreements (Law nr.6356), a Collective Bargaining Agreement is in place between the Bank and Union of Bank and Insurance Workers. The purpose of this agreement is identifying the benefits and responsibilities of the Bank and union members regarding contents and termination of members' labour contracts and other issues, ensuring that these are implemented correctly and demonstrating solutions in the event of possible conflicts. Through this agreement, both parties mutually guarantee to be on good terms, labour peace, wellbeing and labour safety. As a part of the Collective Bargaining Agreement, Workplace Union Representatives are designated by BASISEN on behalf of the members of the union. These representatives are commissioned to listen to members, resolve their complaints, assure cooperation, labour peace and harmony between workers and the employer, monitor the rights and interests of the workers and assist the exercise of the working conditions subject to the labour laws and collective bargaining agreements.

14. Code of Ethics and Social Responsibility

In 2013, Yapı Kredi channelled TL 4,650 thousand towards culture and art events as well as corporate social responsibility activities. In addition, the Banks disbursed TL 4,909 thousand in aid and donations.

15. Board of Directors Structure and Formation

The Bank is governed and represented by the Board of Directors. The General Assembly is authorized to determine the number of and elect members of the Board of Directors. The numbers and the qualifications of the independent members are determined according to the regulations of Banking Regulation and Supervision Agency and provisions of the Capital Markets Board. According to the Bank's Articles of Association, the Board of Directors is composed of a minimum of 8 individuals. Members are elected at the Annual Shareholders' Meeting for a term of maximum 3 years and serve until the election of their successor. A member whose term of office has expired may be re-elected.

Presently, H. Faik Açıkalın (Chairman of the Executive Committee and CEO) and Carlo Vivaldi (Vice Chairman of the Executive Committee and Deputy CEO) are executive directors. Benedetta Navarra and Adil G. Öztoprak were nominated and selected as "Independent Members" by the Corporate Governance Committee at the Annual Shareholders' Meeting on 28 February 2013, in accordance with the regulations of Banking Regulation and Supervision Agency and provisions of the Capital Markets Board. Detailed resumes of the Board of Directors and Independent Members are available in Yapı Kredi's Annual Report.

16. Operating Principles of the Board of Directors

The Board of Directors convenes upon the invitation of the Chairman as the operations of the Bank necessitate and at least 10 times a year. In 2013, the Board of Directors convened 11 times. The Board of Directors meeting and decisions are subject quorum of at least one more than

half the total number of members. Members of the Board of Directors are not granted weighted voting rights.

Meeting invitations are sent to all Members and Statutory Auditors on behalf of the Chairman. Matters to be discussed and related documentation are collected and upon the Chairman's approval, the meeting agenda is sent to all Members and Statutory Auditors. During the signing of the minutes by the attendees, Members who vote against an adopted resolution are required to state and undersign the reasons for their opposition thereof. Requests and views expressed at the Board of Directors' meetings are reflected in the minutes.

17. Number, Structure and Independence of Committees Formed by the Board of Directors

The aim of the committees is to provide support during the decision-making process, evaluate proposals to be submitted for approval to the Bank's related functions and make decisions in their own areas of responsibility in accordance with the authorities delegated by the Board of Directors. The committees are responsible for acting in compliance with the Banking Law and related regulations while carrying out their functions within the framework of the Corporate Governance Principles. Detailed information about the committees can be found in the "Board of Directors and Committees" section of the Bank's Annual Report.

According to the Banking Law, members of committees excluding the Executive Committee must be members of the Board of Directors. The Board of Directors consists of 12 members. The Board of Directors and other committee members are allocated in accordance to the Bank's joint venture shareholding structure. As a result, there are Members of the Board of Directors who are part of more than one committee.

18. Risk Management and Internal Control Mechanism

Effective Internal Control Systems were established to monitor and control risks at branches and all related subsidiaries to ensure Bank's compliance to local laws and internal regulations. The Internal Control System, under the Audit Committee organisational structure, consists of Internal Audit, Compliance and Internal Control as well as Risk Management departments. Through the Manager of Internal Systems and Audit Committee, these departments report to the Board of Directors as per the regulations.

19. Strategic Goals of the Company

Strategic objectives of the Bank are annually reviewed by the Board of Directors. The Bank's annual budget is approved by the Board of Directors. At each Board of Directors' meeting during the year, the Bank's overall performance is reviewed and compared with the monthly targets. On a quarterly basis, key performance indicators and growth of the Bank compared to the sector are analysed in detail by the Board of Directors.

20. Financial Benefits

In 2013, TL 36,657 thousand (Group: TL 43,220 thousand) has been paid to senior management. Senior management and other employees receive salaries and performance-based payments according to the Bank's Remuneration Policy. Performance-based payments are subject to achievement of the Bank's quantitative and qualitative targets as declared on the Remuneration Policy. Members of the Board of Directors and senior management are allowed to utilise loans from the Bank within the guidelines specified on Article 50 of the Banking Law.

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