
Corporate Governance Principles Compliance Report

SECTION I - 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 2018. The Board of Directors and the Committees of the Board of Directors of the Bank were formed in line with the regulations in the Communiqué on Corporate Governance. The Committees of the Board of Directors that are formed, continue with their activities efficiently. A remuneration policy was set for the Board of Directors and the senior management and employees and was submitted to the information of the shareholders at the Annual Shareholders' Meeting. Annual Shareholders' Meeting Disclosure Document containing the Annual Shareholders' Meeting information such as the shareholding structure, total number of shares and voting rights, the biographies of the candidates standing for membership to the Board of Directors and the Remuneration Policy was submitted to the information of the investors 3 weeks before the Annual Shareholders' Meeting. Furthermore, the Bank's corporate website and annual report were reviewed and the revisions required for full compliance with the principles were made. Work required for compliance with the principles will be carried out in the upcoming period by taking into consideration both the developments in the legislation and practice.

In clause 3 of article 6 of the Communiqué on Corporate Governance in relation to exemptions, it is stated that the number of independent Board members may be determined by the banks themselves on the condition that this number is not less than three and that the Board members who are appointed as an audit committee member within the bank's organization for the Board of Directors shall be considered as independent Board members within the framework of this communiqué. The communiqué also states that the qualifications set forth in the Corporate Governance principle numbered 4.3.6 shall not be sought in audit committee members of banks and that the principles numbered 4.3.7 and 4.3.8 in relation to the election of these members shall not be applied. The same communiqué also provides that the qualifications set forth in the principle numbered 4.3.6 shall be required in any case in respect of the independent board members who will not be appointed in the audit committee, and for only one member in cases where all of the independent members of the board of directors are appointed in the audit committee and that the principles numbered 4.3.7 and 4.3.8 shall apply with regard to the election of this independent member or these independent members. In this framework, all of the Members of the Bank's Audit Committee were independent members in 2018, with Giovanna Villa and Adil Giray Öztoprak having the qualifications set forth in principles numbered 4.3.7 and 4.3.8.

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 1.5.2, 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.
- In relation to principle numbered 4.3.9, no target rate and target time have been determined yet in relation to the rate of female members in the Board of Directors but the rate of female members in the Board of Directors of the Bank was 14% in 2018.
- In relation to principle numbered 4.4.5, although there have been consistently sustained processes in our Company for many years how the board meetings are held, but there is no written internal regulations regarding the issue.
- 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.
- In relation to principle numbered 4.6.1, no specific study has been carried out for performance assesment at the board level.
- 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.

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 9.58 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, 2018. The ratings in terms of main sections were set as 9.58 for Shareholders, 9.52 for Public Disclosure and Transparency, 9.92 for Stakeholders and 9.46 for the Board of Directors.

In accordance with the CMB resolution dated 10.01.2019 and numbered 2/49, the 2018 Corporate Governance Compliance Report and Corporate Governance Information Form which will be prepared in accordance with the new reporting formats of our Bank will be also publicly disclosed to the KAP during the period determined by CMB.

SECTION II - Shareholders

2.1. Investor Relations Unit

The functions at Yapı Kredi in relation to Investor Relations Unit are carried out in the following manner by the Banking and CMB Legislation Unit under Assistant General Manager for Compliance and Internal Control, and the Investor Relations Unit under Assistant General Manager for Financial Planning and Financial Affairs (CFO). During the year, all telephone and e-mail inquiries to both units were answered within the scope of the relevant legislation. Within the scope of relations with the Bank's shareholders, the Investor Relations Unit held around 300 meetings for investors, around 15 meetings for analysts and approximately 100 teleconferences, in addition to attending 13 conferences and 7 roadshows in order to meet existing and potential investors and ensure that shareholders are better updated on recent developments. 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.

The 2018 Report on Investor Relations Activities was reviewed by the Corporate Governance Committee of the Bank on February 22, 2019 and was submitted to the Board of Directors of the Bank on the same date.

Functions of Banking and CMB Legislation Unit are:

- To ensure that the correspondence on shares between the Shareholders and the partners and the information and documents that need to be kept in relation to shares within the scope of legislation are kept in a sound, safe and updated manner,
- To prepare the documents that need to be submitted to the shareholders for information and review in relation to the Annual Shareholders' Meeting and to take measures to ensure that the Annual Shareholders' Meeting is held in compliance with the relevant legislation, the Articles of Association and other regulations within the shareholding structure,
- To oversee and monitor the fulfilment of liabilities arising from the Capital Market legislation including all matters in relation to Corporate Governance and Public Disclosure.

Functions of the Investor Relations Unit are:

- To manage relations among national/international corporate investors/shareholders, banking analysts of intermediary agencies and partners, to inform them regularly and proactively, to answer their oral and written questions,
- To manage relations with the international credit rating agencies, to answer their oral and written requests for information,
- To manage all printed and web-based processes in relation to the issuance of the Bank's annual and interim reports and to coordinate the compilation of the contents in accordance with the legislation,
- To include the matters set forth in the Corporate Governance Principles in the Investor Relations section on the Bank's website and to keep information updated.

Banking and CMB Legislation Unit

Head of the Unit : Erdiñ Tetik
Title : Banking and CMB Legislation Director
Licences : Capital Market Activities Level 3 License, Corporate Governance Rating License and Derivative Instrument License
Telephone : 0 212 339 64 31
E-mail : erdinc.tetik@yapikredi.com.tr
Employees of the Unit : Hasan Sadi* - Ercan Yılmaz

*Holds Capital Market Activities Level 3 License and Corporate Governance Rating License

Investor Relations Unit

Head of the Unit : Kürşad Keteci
Title : Strategic Planning and Investor Relations, EVP
Telephone : 0 212 339 86 09
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Employees of the Unit : Hilal Varol* - Ece Oktar Gürbüz** - Arya Özçam - Can Aslankan* - Cansu Görçük

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2.2. Exercise of Shareholders Right to Obtain Information

No discrimination is made among shareholders in terms of the use of the right to obtain and review information and all information except for trade secrets are shared with the shareholders. Questions received by the Investor Relations Unit are answered both by telephone and in writing upon establishing contact with the most senior individual related to the matter, except for information that are deemed to be confidential and trade secret. As explained in Chapter 3.1 of this report, all information and explanations that could impact on the use of shareholding rights are included in the corporate website. Yapı Kredi continuously communicates with and informs shareholders through telephone, e-mail, internet, press releases as well as one-on-one and group meetings.

Although the right to request a private auditor is not regulated in the Articles of Association as an individual right, each and every

shareholder can place a request at the Annual Shareholders' Meeting, as per article 438 of the Turkish Commercial Code and even if such request is not included on the agenda, that specific cases are clarified through private audit whenever this is required in order to be able to exercise the shareholding rights and if the right to obtain and review information was exercised beforehand. According to the Banking Law, Yapı Kredi is subject to supervision and audit from Banking Regulation and Supervision Agency (BRSA) as well as CMB regulations and the Bank's activities are periodically audited by the Independent Auditor elected in the Annual Shareholders' Meeting.

2.3. Annual Shareholders' Meetings

The most recent Annual Shareholders' Meeting was held on March 20, 2018 at the conference hall of the Bank's Head Office at Yapı Kredi Plaza D Blok Levent - Istanbul. Shareholders attended this meeting, that was open to the stakeholders and media representatives, with a 92.07% majority. In accordance with the applicable law and the Bank's Articles of Association, meeting invitation was announced via Turkish Trade Registry Gazette, Public Disclosure Platform (KAP), the e-company and Electronic General Meeting System of the Central Securities Depository Institution (MKK).

The Board of Directors and Audit Committee Reports, Financial Statements and Independent Audit Report, Dividend Distribution Proposal for the year 2018, the Annual Report containing the date and the agenda of the Annual Shareholders' Meeting as well as the Corporate Governance Principles Compliance Report attached thereto and the articles of Annual Shareholders' Meeting Agenda, and the detailed annotation containing the Compliance to Capital Markets Board regulations were made available for the examination of shareholders at the Bank's Head Office and branches, on its website www.yapikredi.com.tr as well as at KAP and the Electronic General Meeting System of the MKK within the legal period of 3 weeks prior to the Annual Shareholders' Meeting.

Shareholders were informed of the donations and charities made in the General Assembly in 2017 and a ceiling amount for the donations to be made in 2018 was determined by the General Assembly as 0.1% (one in a thousand) of the Bank's nonconsolidated shareholders equity amount in accordance with the legal limits set by the BRSA. At the Annual Shareholders' Meeting, an opportunity was presented to the shareholders to speak and ask questions regarding all agenda items, one of the shareholders raised a question which was supposed to be answered in written, have been responded and provided reply has been published through Bank's web site.

Minutes of the Annual Shareholders' Meeting can be accessed via the KAP, the Electronic General Meeting System and e-company portal of the MKK and on Yapı Kredi's website.

In 2018, there was not any proposal which was submitted by the shareholders to add an item to the agenda.

At the Board of Directors, there were no transactions for which an affirmative vote of the majority of the independent members of the Board of Directors was sought for making a decision and for which the decision was left to the General Assembly due to the fact that the said members cast a negative vote.

There were no cases in which the shareholders possessing management control, members of the board of directors, managers having administrative responsibilities and their spouses and relatives by blood and by marriage up to the second degree carried out a significant transaction that could cause conflict of interest with the company or its affiliates and/or carried out a transaction on behalf of themselves or others a business-like transaction that falls within the field of operations of the company or its affiliates or became an unlimited-liability partner of another company dealing with the same kind of business. At the same time, these individuals are pursuing their roles as Board Members in certain companies under Koç Holding and UCI Group, which may have the same area of activity with the company.

2.4. Voting and Minority Rights

Yapı Kredi has no privileged shares. 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. Minority shares are not represented in management. 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.

2.5. Right to Dividend

As Yapı Kredi has no privileged shares, no privilege exists in dividend distribution. It is resolved at the annual general assembly dated 20.03.2018 that, after necessary legal reserves has been reserved from our bank profit of 2017, the rest of the amount be set aside as extraordinary reserve, dividend distribution has not been made.

The Dividend Distribution Policy of the Bank was approved at the Annual Shareholders' Meeting held on March 20, 2018. The Dividend Distribution Policy of the Bank available on the KAP, the Bank's website and the annual report provides that *"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 authorised 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 cancelled 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 realisation 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.”

2.6. Transfer of Shares

There are no provisions in Yapı Kredi’s Articles of Association that restrict transfer of shares and the provisions of the Banking Law which sets the transfer of shares are reserved.

SECTION III - Public Disclosure and Transparency

3.1. Corporate Website and Its Contents

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

The Investor Relations section in Turkish (www.yapikredi.com.tr/yatirimci-iliskileri) provides information regarding the Bank’s history, vision and values, shareholding structure, share price, periodic financial tables and annual reports, investor relations presentations, credit ratings given by rating agencies, corporate governance reports, the Board of Directors, senior management, Articles of Association, trade registry information, disclosure policy, code of ethics, details on Annual Shareholders’ Meetings, including minutes, agenda, list of attendees and sample power of attorneys, explanations for material events disclosure and the future expectations of the Bank as stated within the scope of article 10 of the Communiqué on Material Events Disclosure 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.

During the year, on the website of the Bank for investor relations in English, information on Yapı Kredi, the progress of shares and bonds, information on the Medium Term Note Program, investor relations calendar, investor relations presentations, investor bulletin and the list of analysts in addition to periodic updates and amendments on all matters were included.

3.2. 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. In addition, the annual report is also including the necessary information in accordance with the “Regulation on Principles and Standards for the Preparation and Publication of Annual Reports by Banks” set forth in the Capital Markets Board (CMB) legislation and the Corporate Governance Principles.

SECTION IV - Stakeholders

4.1. 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 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. Mechanisms were established for stakeholders to submit the transactions of the company that are contrary to the legislation and not ethically appropriate to the Bank’s senior management.

4.2. Participation 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. Furthermore, there are channels available for stakeholders and specifically for the Bank’s employees in order for them to support the management of the Bank without hindering the activities of the Bank. Internal customer satisfaction measurement is also conducted once a year in order to get the views and opinions of the Bank’s employees.

4.3. Human Resources Policy

The Bank’s human resources practices are mainly based on its Employee Guidelines. These guidelines inform employees about HR practices and set employment terms and conditions from an administrative point of view.

The Guidelines are intended to inform and provide consultancy to employees about all matters relevant to employee relations such as employee selection, placement and development in line with employee knowledge, skills and talent, fair and proper compensation, performance enhancing training opportunities, provision of an appropriate work environment to maximize employee efficiency, information on working order, practices and rules, vacations, leave of absence, insurance benefits, administration etc.

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.

Under Law no. 6356 on Trade Unions and Collective Labor Agreements, a Collective Bargaining Agreement is in place between the Bank and the Union of Bank and Insurance Workers. This agreement sets out the rights and duties of the parties regarding the matters related to employment contracts of the Bank’s union-member employees and other matters concerning the relations between union members and the employer. The agreement also indicates solution paths in the event of possible conflicts between the parties.

57% of Yapı Kredi employees are union members and Yapı Kredi and BASİSEN (Banking and Insurance Workers Union) sign a collective bargaining agreement every two years, with the latest agreement covering the period from 1 April 2017 to 31 March 2019.

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.

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 and Internal Control and to the Ethics, Fight Against Corruption and Conflict of Interest section.

Candidate searches: Following the determination of needs in human resources, candidate searches are initiated through existing candidate pool checks, recruitment platforms and internal announcements as well as consultancy from head hunters. Following the publication of an internal announcement, a special candidate pool composed of existing employees is also prepared. Applications are assessed on the basis of criteria such as education, foreign language skills, work experience, technical and behavioral competences as indicated in the scope of the position. All applicants with the required characteristics are invited to join the recruitment process.

In addition, Yapı Kredi actively undertakes activities in cooperation with university clubs to introduce the working environment and the business model of the Bank to university students, prepare them for business life and learn about their expectations.

Recruitment process: This process consists of competency-based interviews, assessment and evaluation tools and an employment proposal. Using the selected evaluation tools, the candidates are assessed and evaluated based on the technical and behavioral competencies required by their respective job positions. An English language proficiency test is also required for certain positions. The interview stage is aimed at determining whether candidates possess certain abilities (like establishing communication, teamwork) required by the position to which they will be assigned and at observing them in role-playing throughout the process. These interviews take place with the Recruitment team with the relevant department in attendance. Candidates are also asked competency-based and behavior-focused questions during the interview process to assess whether the qualities required by the job match their expectations.

At the end of the process, the suitable candidate is offered the position and if the offer is accepted, the candidate receives the required document list and an offer letter via e-mail. During the job offer, candidates are informed of employee rights at Yapı Kredi, the articles of the contract they will sign and other relevant subjects. In addition, all of their questions are addressed. Contracts are signed with candidates who accept the job offer and start working at Yapı Kredi. Yapı Kredi continues its human resources activities with an aim to choose suitable candidates compatible with the bank's vision, mission and strategic objectives.

4.4. Code of Ethics and Social Responsibility

Information on the Bank's code of ethics is publicly disclosed on the Bank's website. Furthermore, a policy for fighting against corruption and bribery is formulated and announced on the website.

Yapı Kredi believes in the significance of a sustainable future and strives to integrate its corporate citizenship understanding within all its operations.

While it develops its social responsibility projects in line with the needs and expectations of the society, the Bank encourages active engagement of its stakeholders and provides support to societal activities undertaken by its principal shareholders, Koç Holding and UniCredit.

Since its foundation in 1944, Yapı Kredi has been consolidating the investments made in education, culture & arts, environment and sports through innovative and sustainable social responsibility projects seeking lasting solutions to social problems, and collaborating with public institutions, Non-Governmental Organizations (NGOs) and universities in an effort to expand the benefits of these projects to wider audiences.

Cultural and Arts Projects

Yapı Kredi Culture, Arts, Publishing – An entity catering to a significant need in the cultural and artistic life of Turkey

In 2018, Yapı Kredi Publications published 252 new titles and nearly 1200 reprints. During the year, around 110 school and library events brought together approximately 40 thousand students, teachers and librarians with authors and editors. Having hosted more than 142 thousand art lovers in various events held in its venues, Yapı Kredi Culture and Art Center occupies a significant place in the world of culture and arts in Turkey.

Yapı Kredi Afife Theater Awards – Turkey's most prestigious and longest-lasting arts award

Yapı Kredi Afife Theater Awards has been organized each year since 1997 to commemorate Afife Jale, the first Turkish actress to appear on stage, and to support the Turkish theater. A grand jury of 33 members, doyens of theater and individuals who have dedicated their lives to this art form, transparently vote on plays they watch during the season and grant awards in 15 categories including 11 main and 4 special awards.

Çatalhöyük Excavations – A long-lived archeological sponsorship

The Çatalhöyük Excavations have been one of the most important projects supported by Yapı Kredi for many years in the field of culture and arts. Located 10 kilometers southeast of Çumra district in Konya at an altitude of 21 meters, Çatalhöyük hills house secrets from 9,000 years ago. Support to the excavations in Çatalhöyük, one of the most important and impressive archaeological sites in the world and named a UNESCO World Heritage Site, continued also in 2018.

Projects for Citizens with Disabilities

Enabled Banking – Turkey's first and most comprehensive Enabled Banking Program

Initiated in 2008, the project aims to provide disabled customers with convenient access to banking services. Yapı Kredi also launched the first enabled banking website in Turkey, www.engelsizbankacilik.com.tr, making Turkey's finance sector more accessible for disabled citizens. Additionally, the Bank provides dedicated call center and on-line chat services as well as Enabled ATMs for disabled customers.

Projects co-developed with the Federation for the Hearing Impaired and GETEM (Assistive Technology and Education Laboratory for Individuals with Visual Disabilities) contribute value to the lives of disabled citizens. Within the scope of the collaboration between GETEM and Yapı Kredi Publications, 413 books were transferred onto the digital media, converted into audio books and made available 24/7 to disabled citizens on the phone as of the end of 2018.

Under the project "Speaking is in our Hands", which was started in cooperation with the Federation of the Hearing Impaired, 300 volunteers from branches were provided with sign language training. Yapı Kredi makes life easier for its orthopedically and visually impaired customers via Enabled ATMs throughout Turkey. One of the projects initiated in 2014 within the scope of Enabled Banking Program allowed disabled citizens to work from home and participate in the labor force. As of 2018, a total of 5 disabled individuals were employed by Yapı Kredi.

No Barriers for My Country – Support to the Project Led by Koç Holding

Yapı Kredi sustained its support to the project 'No Barriers for My Country' led by Koç Holding. As of end-2018, 15,671 Yapı Kredi employees had completed 'No Barriers for My Country' distance learning program.

Sustainability and Yapı Kredi

Sustainability Structure

Yapı Kredi manages its activities coordinated by the Sustainability Committee within the framework of the Sustainability Management System it has established, and works to integrate sustainability principles into all of its fields of activity.

Sustainability Report

Yapı Kredi prepared its 2017 Sustainability report in accordance with the Global Reporting Initiative (GRI) Standards core option and publicly disclosed it in 2018.

BIST Sustainability Index

Yapı Kredi qualified to be one of the 50 companies included in Borsa Istanbul's BIST Sustainability Index. The Bank's inclusion in the list was a result of its successful performance in the areas of environmental, social and corporate governance as evaluated by the London-based Ethical Investment Research Service (EIRIS).

Carbon Disclosure Project

As a symbol of the importance Yapı Kredi places on climate change, the Bank participated in the Carbon Disclosure Project Climate Change Program also in 2018 with an expanded report coverage. In addition, the Bank released its first CDP Water Report in 2018, in which it transparently disclosed its water consumption and its impact on water resources.

Gender Equality for My Country

Yapı Kredi takes part in, and extends support to, the project "I support Gender Equality for My Country" which was initiated in June 2015 under the leadership of Koç Holding. The project aims to raise awareness of the reasons and consequences of gender inequality across all segments of the society. As part of the project, voluntary trainers provide awareness training to employees in Yapı Kredi Head Office and in branches. The number of employees who received the training reached 8,268 people by the end of 2018.

Educational Projects

I Read, I Play

In cooperation with the Educational Volunteers of Turkey Foundation (TEGV), Yapı Kredi conducts the "I Read, I Play" project that was launched in 2006 to give underprivileged elementary school children the chance to benefit from extracurricular educational activities. More than 6,100 volunteers at TEGV's activity points around the country are implementing the project. The project reached more than 255 thousand children by the end of 2018.

Science Migration to Anatolia

In 2018, Yapı Kredi began extending support to the social development project "Science Migration to Anatolia" devised by the Young Guru Academy (YGA) with the aim of popularizing science among children. The project, which also includes Yapı Kredi Volunteers, targets to reach 5 thousand children in 50 provinces within three years.

Environmental Projects

Recycling Project

Yapı Kredi has been running a recycling project since 2008 to support the sustainability of natural resources. In 2018, more than 1 million kilograms of paper, 2 thousand kilograms of plastic, more than 3 thousand kilograms of glass and over 28 thousand kilograms of metal were collected for recycling. Furthermore, Yapı Kredi prevented the release of more than 180,401 tons of carbon dioxide to the atmosphere, saved over 17,049 trees, 28,081 cubic meters of water, 4,291,668 kWh of energy and 13,303 liters of crude oil. With these wastes recycled, 2,643 cubic meters of stowage area in landfills were saved.

ISO 14064

Yapı Kredi carries on with the ISO 14064 Greenhouse Gas Emissions Reporting certification process initiated in 2011 on an annual basis. The certification process for 2017 was completed in 2018.

ISO 14001

In 2018, Yapı Kredi successfully passed the surveillance audit for maintaining the validity of the ISO 14001 Environmental Management System Certification for the Head Office buildings, Yapı Kredi Plaza D-Block and Banking Base. This year, Yapı Kredi Faktoring, Yapı Kredi Leasing, Yapı Kredi-Koray Real Estate Investment Trust, Yapı Kredi Cultural Activities, Arts and Publishing, Yapı Kredi Asset Management

and Yapı Kredi Invest also received the same certification, thereby consolidating the combined strength with respect to environmental norms.

Relations with the Academic Community

Anatolian Scholars

With 10 scholars supported in 2018, Yapı Kredi sustained its support to Koç University's Anatolian Scholarship Program, which was founded in 2011.

Yapı Kredi Vocational and Technical Anatolian High School

One of Yapı Kredi's important projects in the area of education is the Yapı Kredi Bank Vocational and Technical Anatolian High School located in Kocaeli – Çayırova that was launched in the 2008-2009 academic year. Its first graduates received diplomas in 2012 and today, more than 500 students study there in the Child Development and Education, Graphics and Photography, Information Technologies, Catering and Office Management divisions. Furthermore, in 2018, 20 students benefited from scholarships that had been instigated in 2012.

In 2018, Yapı Kredi channelled TL 3.7 million towards culture and art events as well as corporate social responsibility activities. In addition, the Banks disbursed TL 14.3 million in aid and donations.

SECTION V - Board of Directors

5.1. Structure and Formation of the Board of Directors

The Bank is governed and represented by the Board of Directors. The number of Board members and the members themselves are determined at the Annual Shareholders' Meeting. The numbers and the qualifications of the independent members are determined in accordance with the BRSA and the CMB regulations. According to the Bank's Articles of Association, the Board of Directors must be composed of a minimum of 8 individuals. Members are elected by the General Assembly for a term of maximum 3 years and serve until the election of their successor.

Information on the Members of the Board of Directors who are elected at the Shareholders' Meeting on March 20, 2018 in order to serve until the Annual Shareholders' Meeting where the 2018 activities will be discussed is available in the following table as of 31.12.2018 and their CVs are provided on the Bank's website and its annual report. At the Bank's Board of Directors, the executive director and the CEO and the members serving as deputy executive directors and deputy CEO function as executive members of the Board of Directors. The other members of the Board of Directors do not have executive functions within the framework of the definition specified in CMB regulations.

Name Surname	Position	The Most Recent Position outside the Corporation	Whether Not Independent Member of Board of Directors	Committee Membership and Positions
Yıldırım Ali Koç	Chairman	Vice Chairman of the Board of Directors at Koç Holding A.Ş., Chairman of the Board of Directors at Koç Finansal Hizmetler A.Ş. and Chairman of the Board of Directors, Vice Chairman and Member Board of Directors at Koç Holding Group Companies	Not Independent	
Carlo Vivaldi	Vice Chairman of The Board of Directors	Head of UniCredit Group Middle East and East Europe, UniCredit Group Executive Committee Member, Member of the Board of Directors at some of the UniCredit Group Companies, Vice Chairman of the Board of Directors at Koç Finansal Hizmetler A.Ş.	Not Independent	Alternate Member of Credit Committee, Member of Remuneration Committee
Gökhan Erün	Executive Director and Chief Executive Officer	Executive Director and Chief Executive Officer at Koç Finansal Hizmetler A.Ş., Chairman and Vice Chairman at Yapı ve Kredi Bankası A.Ş. Financial Affiliates	Not Independent	Chairman of Credit Committee, Chairman of Executive Committee
Niccolo' Ubertaini	Executive Director and Deputy CEO	Executive Director and Deputy CEO at Koç Finansal Hizmetler A.Ş., Vice Chairman and Board Member at Yapı ve Kredi Bankası A.Ş. Financial Affiliates	Not Independent	Vice Chairman of Credit Committee, Vice Chairman of Executive Committee
Levent Çakıroğlu	Member of the Board of Directors	CEO at Koç Holding A.Ş., Member of the Board of Director at Koç Finansal Hizmetler A.Ş. and Member of Board of Directors at Koç Group Companies	Not Independent	Member of Remuneration Committee
Fatma Füsün Akkal Bozok	Member of the Board of Directors	Member of the Board of Directors at Koç Finansal Hizmetler A.Ş., Lecturer at Sabancı University	Not Independent	Member of Credit Committee
Ahmet Fadil Ashaboğlu	Member of the Board of Directors	CFO at Koç Holding A.Ş., Member of Board of Directors at Koç Group Companies, Member of the Board of Directors at Koç Finansal Hizmetler A.Ş., Member of the Board of Directors at Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	Not Independent	
Wolfgang Mag.Schilk ¹	Member of the Board of Directors	Head of Risk Management at UniCredit, Member of Board of Directors at some of the UniCredit Group Companies and Member of the Board of Directors at Koç Finansal Hizmetler A.Ş.	Independent	Chairman of Audit Committee, Member of Credit Committee
Mirko Davide Georg Bianchi	Member of the Board of Directors	CFO at UniCredit Group, Member of Board of Directors at some of the UniCredit Group Companies, Member of the Board of Directors at Koç Finansal Hizmetler A.Ş.	Not Independent	Member of Corporate Governance Committee
Gianfranco Bisagni	Member of the Board of Directors	Co-Chairman of UniCredit Corporate and Investment Banking Member of the Board of Directors at Koç Finansal Hizmetler A.Ş.	Not Independent	
Aykut Ümit Taftalı	Member of the Board of Directors	Member of Steering Committee at Koç Holding A.Ş., Member of the Board of Directors at Koç Finansal Hizmetler A.Ş., Chairman of Board of Directors at Kare Holding, Member of the Board of Directors at Kıracağı Holding	Not Independent	Alternate Member of Credit Committee

Francesco Giordano	Member of the Board of Directors	Co-Chairman of UniCredit Responsible for Operation, Member of Board of Directors at some of the UniCredit Group Companies and Member of Board of Directors at Koç Finansal Hizmetler A.Ş.	Not Independent	
Adil Giray Öztoprak	Member of the Board of Directors	Member of the Board of Directors at Koç Finansal Hizmetler A.Ş.	Independent	Member of Audit Committee, Member of Corporate Governance Committee
Giovanna Villa	Member of the Board of Directors	Member of the Board of Directors at Koç Finansal Hizmetler A.Ş., Member of the Audit Committee at some companies at abroad.	Independent	Member of Audit Committee

(1) Based on Capital Markets Board's Item 6(3)a of the Communiqué numbered II-17.1 on Corporate Governance, Wolfgang Schilk, Chairman of the Audit Committee is deemed as Independent Board Member.

The posts of Chairman of the Board of Directors and the General Manager (CEO) are not occupied by the same individual. It is ensured that the Members of the Board of Directors allocate sufficient time for the work of the Bank and no limits are introduced for the Members of the Board preventing them from assuming a duty or duties outside the Bank.

Giovanna Villa and Adil G. Öztoprak were nominated as candidates for Independent Members to the Board of Directors on 15.01.2018 as a result of the examination of Candidacy Declarations and CVs by the Corporate Governance Committee and they were identified as candidates for Independent Members by the Board of Directors on the same date. It was decided in CMB's meeting held on 01.02.2018 that no negative opinions be submitted for Giovanna and Adil G. Öztoprak and they were elected as Independent Members at the Annual Shareholders' Meeting.

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 same 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 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. Within this framework, end of 2018, the other Independent Members of the Audit Committee was Wolfgang Schilk, with Giovanna Villa and Adil Giray Öztoprak having the qualifications set.

During the 2018 operational period, no case that removed independence arose.

No target rate was determined in relation to the rate of female members in the Board of Directors as a tool for ensuring the representation of different opinions on the Board but the rate of female members in the Board of Directors was 14% in 2018.

5.2. 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 2018, 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. The average attendance rate of the members in the meetings of the Board of Directors in 2018 was 90%.

Meeting invitations are sent to all Members 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. 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.

A 'Management Liability Insurance' is available for Members of the Board of Directors and the senior managers of the Bank.

5.3. 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.

According to the Banking Law, members of committees excluding the Executive Committee must be members of the Board of Directors. The Board of Directors currently consists of 14 members. As a result, there are Members of the Board of Directors who are part of more than 1 committee. Those members who assume duties in more than one committee ensure communication and increase cooperation opportunities among committees that work in related matters.

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 weekly meetings or according to the needs of the bank (at least once a month). All decisions are taken unanimously by the members. In 2018, the Executive Committee convened 42 times with the required majority and quorum satisfied.

The Committee's responsibilities include:

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

Executive Committee Members		
Chairman	Gökhan Erün	Executive Director and Chief Executive Officer (CEO)
Vice Chairman	Niccolò Ubertalli	Executive Director and Deputy CEO
Member	Albert Angersbach ¹	Assistant General Manager - Risk Management (CRO)
Member	Massimo Francese	Assistant General Manager - Financial Planning and Administration (CFO)
Member	Erhan Adalı ²	Assistant General Manager - Corporate and Commercial Banking
Member	Serkan Ülgen ³	Assistant General Manager - Retail Banking
Member	Arif Ö. İsfendiyaroğlu ⁴	Assistant General Manager - Retail Banking Sales
Member	Hakan Alp ⁵	Assistant General Manager - Human Resources and Organization
Member	A. Cahit Erdoğan	Assistant General Manager - Information Technologies and Operations
Member	Saruhan Yücel ⁶	Assistant General Manager - Treasury

- (1) Based on Board Resolution dated 31 May 2018, Albert Angersbach was appointed as Assistant General Manager responsible for Risk Management (CRO) (replacing Patrick Schmitt who resigned from his position as of 1 August 2018)
- (2) Based on Board Resolution dated 16 February 2018, Erhan Adalı was appointed as Assistant General Manager responsible for Corporate and Commercial Banking (replacing Feza Tan who resigned from her position as of 16 February 2018)
- (3) Zeynep Nazan Somer Özelgin, who served as Assistant General Manager of Retail Banking, resigned as of 1 January, 2018. Serkan Ülgen was appointed as Assistant General Manager in charge of Retail Banking.
- (4) Based on Board Resolution dated 28 November 2018, Arif Ö. İsfendiyaroğlu was appointed as Assistant General Manager responsible for Retail Banking Sales (replacing Mert Yazıcıoğlu who resigned from his position as of 30 November 2018)
- (5) Based on Board Resolution dated 13 August 2018, Hakan Alp was appointed as Assistant General Manager responsible for Human Resources and Organization (replacing Mehmet Gökmen Uçar who resigned from his position as of 30 June 2018)
- (6) Based on Board Resolution dated 31 May 2018, Saruhan Yücel was appointed as Assistant General Manager responsible for Treasury (replacing Mert Öncü who resigned from his position as of 30 March 2018)

Credit Committee

The Credit Committee is an advisory and deliberative body whose purpose is to provide guidelines for the Bank's lending activity in coherence with the credit policy, economic objectives and the Bank's overall risk profile. The Credit Committee normally convenes once a week. In 2018, the Credit Committee convened 48 times with the required majority and quorum satisfied. The Committee reviews loan applications and restructuring requests within its authorised delegated limit or advises the Board of Directors for those that are not. The Credit Committee also outlines parameters for credit scoring, lending and monitoring systems.

Credit Committee Principal Members		
Chairman	Gökhan Erün	Executive Director and Chief Executive Officer (CEO)
Vice Chairman	Niccolò Ubertalli	Executive Director and Deputy
Member	F. Füsün Akkal Bozok	Member of the Board of Directors
Member	Wolfgang Schilk	Member of the Board of Directors
Credit Committee Alternate Members		
Yedek Üye	Carlo Vivaldi	Vice Chairman of the Board of Directors
Yedek Üye	A. Ümit Taftalı	Member of the Board of Directors

Audit Committee

The Audit Committee administers the Bank in terms of compliance with local laws and internal regulations. The Committee convenes quarterly or more, according to the needs of the Bank. In 2018, 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

Denetim Komitesi Üyeler		
Başkan	Wolfgang Schilk	Member of the Board of Directors

Üye	Giovanna Villa	Independent Member of the Board of Directors
Üye	Adil G. Öztoprak	Independent 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 2018, the Corporate Governance Committee convened 2 times with the required majority and quorum satisfied.

Corporate Governance Committee Members		
Member	Mirko D. G. Bianchi	Member of the Board of Directors
Member	Adil G. Öztoprak	Member of the Board of Directors
Member	M. Erkan Özdemir	Assistant General Manager - Compliance and Internal Control
Member	Massimo Francese	Assistant General Manager - Financial Planning and Administration (CFO)

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 2018, Remuneration Committee convened 2 times with the required majority and quorum satisfied.

Remuneration Committee Members		
Member	Carlo Vivaldi	Vice Chairman of the Board of Directors
Member	Levent Çakiroğlu	Member of the Board of Directors

5.4. 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.

5.5. 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.

5.6. Financial Benefits

As defined in our Financial Statements Chapter fifth footnote no:7.2. In 2018, TL 57,091 thousand (Group: TL 66,780 thousand) was paid to the senior management of the Bank. Senior management and other employees receive salaries and performance-based payments according to the principles in 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.

The remuneration policy for the Board of Directors and the senior management and employees was submitted to the review of the shareholders 3 weeks before the Annual Shareholders' Meeting held on March 20, 2018 through the Annual Shareholders' Meeting Disclosure Document and at the Bank's Head Office and branches, on the Bank's website at www.yapikredi.com.tr, at the KAP and the Electronic General Meeting System of the MKK and was approved at the Annual Shareholders' Meeting. The said policy as disclosed publicly through the Bank's website will be taken on the agenda of the Annual Shareholders' Meeting to be held on March 18, 2019 where the 2018 activities will be discussed and thus will be submitted to the opinion of the shareholders. Remunerations made to the Members of the Board of Directors and to senior managers are collectively and publicly disclosed in the footnotes of the financial statements in parallel with the general practice.

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.