

Corporate Governance Rating

Rating Revision



Yapı Kredi Plaza D Blok, 34330-Levent-İstanbul

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CONTENTS

Rating Revision	3
Rating Methodology	5
Rating Definitions	7
Disclaimer	8

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YAPI VE KREDİ BANKASI A.Ş. (YKBNK)

 SAHA
Corporate Governance Rating:

9.62
BNK



MAIN SECTIONS: **Avg. 96.17**

Shareholders: 95.83



Public Disclosure&Transparency: 96.22



Stakeholders: 99.51



Board of Directors: 94.96



0 10 20 30 40 50 60 70 80 90 100

RATING REVISION

Yapı ve Kredi Bankası A.Ş. (Yapı Kredi) previous Corporate Governance Rating of 9.58 dated December 28, 2018, is hereby revised as **9.62**. SAHA's rating methodology is based on the Capital Markets Board's (CMB) "Corporate Governance Principles" released on January of 2014.

Furthermore, SAHA publishes (annually) the World Corporate Governance Index (WCGI) which ranks countries in terms of their level of compliance with corporate governance principles as well as their germane institutions, rules, codes, and regulations together with international standards and indices which evaluate countries in a vast array of areas such as transparency, corruption, ease of doing business, etc. Yapı Kredi is analysed as a Turkish company and Turkey takes place at the top classification of the WCGI which is Group 1. Details of the World Corporate Governance Index (WCGI) published by SAHA on October 8, 2019 can be accessed at <http://www.saharating.com>.

The factors affecting the current year's rating revision are given below:

- Adopting to the new Corporate Governance Compliance Reporting Process which was effectuated with the Capital Markets Board's decision, dated 10.01.2019 and numbered 2/49,
- The assessment of the current corporate governance practices of Yapı Kredi in accordance with the revised methodology of SAHA (page 5-6),

The sub-section ratings are confirmed as follows:

<i>Sub Sections</i>	<i>Weight</i>	<i>Rating</i>
Shareholders	25%	95.83
Public Disclosure and Transparency	25%	96.22
Stakeholders	15%	99.51
Board of Directors	35%	94.96
Total		96.17

Rating Methodology

SAHA's methodology for rating the degree of compliance with the Principles of Corporate Governance is based upon the CMB's Corporate Governance Principles published on January 2014.

The CMB based these principles on the leading work of the Global Corporate Governance Forum (GCGF), which has been established in cooperation with the World Bank and the Organization of Economic Cooperation and Development (OECD). After having incorporated the views and opinions of experts and representatives from the CMB, the Istanbul Stock Exchange, the Turkish Corporate Governance Forum, academicians, private sector representatives as well as various professional organizations and NGOs, the Principles were adopted to reflect the national characteristics and conditions.

Within the Principles, "comply or explain" approach is valid. Some of these Principles are mere recommendations and their implementation thereof is optional. However, the explanation concerning the implementation status of the Principles, if not detailed reasoning thereof, conflicts arising from inadequate implementation of these Principles, and explanation on whether there is a plan for change in the company's governance practices in the future should all be included in the annual report and disclosed to public.

The Principles consist of four main sections: shareholders, public disclosure and transparency, stakeholders and board of directors.

On the foundation of these Principles, SAHA Corporate Governance Rating

methodology features over 330 code criteria. During the rating process, each criterion is evaluated on the basis of information provided by the company officials and disclosed publicly. Some of these criteria can be evaluated by a simple YES/NO answer; others require more detailed analysis and examination.

SAHA assigns ratings between 1 (weakest) and 10 (strongest). In order to obtain the maximum rating of 10, a company should be in full and perfect compliance with the Principles (see Rating Definitions).

In compliance with the CMB's directive and to reach an overall Corporate Governance Rating, SAHA allocates the following weights to the four main sections of the Principles:

Shareholders: **25%**
Disclosure and Transparency: **25%**
Stakeholders: **15%**
Board of Directors: **35%**

To determine the final overall rating, SAHA utilizes its proprietary methodology which consists of sub-section weightings and weightings for the criteria there under. A separate rating is assigned to each one of the main sections as well.

METHODOLOGY AMENDMENT

Just like any other methodology, the Corporate Governance Rating methodology applied by SAHA bears a dynamic feature that is expected to respond to increasing experience and needs over time. With this understanding, we review our methodology in each rating process and highlight the possibilities for improvement.

Regarding the content of the methodology; due to changes in the legislation and changes dictated by our rating experience, and in order to eliminate potential ambiguities, periodic revisions and updates in the rating methodology are necessary. These revisions are made by sortation of existing bundled questions and/or addition of new questions. These fortification, correction and additions do not affect the weightings of our methodology's four main sections and their subsections. Only third and later tier subsections are minimally affected.

Pursuant to the Capital Markets Board's (the "CMB") Decision dated January 10, 2019 and numbered 2/49, publicly traded companies are now required to use the templates of the Corporate Governance Compliance Report (CRF) and Corporate Governance Information Form (CGIF) through the Public Disclosure Platform (PDP) to inform the public about their corporate governance practices.

However, in 2019, listed companies have been granted a transition period and are free to prepare compliance reports in accordance with the previous and/or the new format. Only the new format will be used as of next year. This recent application is added to our methodology.

Furthermore, assessment of voting and nomination privileges under the voting rights heading of our methodology without fail and in each case separately as well as the ever-increasing importance of risk management organization and the coordination and supervision of these risks by the early detection of risk committee established within the board of directors have become crucial. In addition, taking into account the principles updated by the OECD in 2015, the issue of 'more clear and functional objectives' adopted by the

Board of Directors have been added to our methodology.

Although our methodologies for public and private companies, public and private banks, public and private non-bank financial institutions have changed accordingly, CRF and CGIF forms are not taken into account for the non-public companies.

Rating Definitions

Rating	Definition
9 - 10	The company performs very good in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified and actively managed all significant corporate governance risks through comprehensive internal controls and management systems. The company's performance is considered to represent best practice, and it had almost no deficiencies in any of the areas rated. Deserved to be included in the BIST Corporate Governance Index on the highest level.
7 - 8	The company performs good in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified all its material corporate governance risks and is actively managing the majority of them through internal controls and management systems. During the rating process, minor deficiencies were found in one or two of the areas rated. Deserved to be included in the BIST Corporate Governance Index.
6	The company performs fair in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified the majority of its material corporate governance risks and is beginning to actively manage them. Management accountability is considered in accordance with national standards but may be lagging behind international best practice. During the ratings process, minor deficiencies were identified in more than two of the areas rated.
4 - 5	The company performs weakly as a result of poor corporate governance policies and practices. The company has, to varying degrees, identified its minimum obligations but does not demonstrate an effective, integrated system of controls for managing related risks. Assurance mechanisms are weak. The rating has identified significant deficiencies in a number (but not the majority) of areas rated.
<4	The company performs very weakly and its corporate governance policies and practices are overall very poor. The company shows limited awareness of corporate governance risks, and internal controls are almost non-existent. Significant deficiencies are apparent in the majority of areas rated and have led to significant material loss and investor concern.

DISCLAIMER

This Corporate Governance Rating Revision has been prepared by Saha Kurumsal Yönetim ve Kredi Derecelendirme A.Ş. (SAHA Corporate Governance and Credit Rating Services, Inc.) based on information made available by Yapı ve Kredi Bankası A.Ş. and according to the Corporate Governance Principles by the Turkish Capital Markets Board as amended on 2014.

This revision, conducted by SAHA A.Ş. analysts and based on their best intentions, knowledge base and experience, is the product of an in-depth study of the available information which is believed to be correct as of this date. It is a final opinion about the degree of sensitivity of a company to its shareholders' and stakeholders' rights, its commitment to public disclosure and transparency, and conduct and credibility of its board of directors.

The contents of this revision and the final corporate governance rating should be interpreted neither as an offer, solicitation or advice to buy, sell or hold securities of any companies referred to in this report nor as a judgment about the suitability of that security to the conditions and preferences of investors. SAHA A.Ş. makes no warranty, regarding the accuracy, completeness, or usefulness of this information and assumes no liability with respect to the consequences of relying on this information for investment or other purposes.

SAHA A.Ş. has embraced and published on its web site (www.saharating.com) the IOSCO (International Organization of Securities Commissions) Code of Conduct for Credit Rating Agencies and operates on the basis of independence, objectivity, transparency, and analytic accuracy.

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