



Corporate Governance Rating Report



YapıKredi

28 December 2020

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Rating and Executive Summary

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: 99.33



Board of Directors: 95.04



0 10 20 30 40 50 60 70 80 90 100

EXECUTIVE SUMMARY

The Corporate Governance Rating of 9.62 that has been assigned to Yapı ve Kredi Bankası A.Ş. (Yapı Kredi) on December 27, 2019 is hereby reconfirmed as **9.62**. Our rating methodology (page 5) is based on the Capital Markets Board's (CMB) "Corporate Governance Principles".

Yapı Kredi's corporate governance rating is revised as above in consideration with the importance given by the Bank to corporate governance principles and its willingness to carry out the compliance process continuously and dynamically.

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 analyzed 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>.

Yapı Kredi is rated with **9.58** under the **Shareholders** heading. Exercise of shareholders' rights complies with the legislation, articles of association and other internal rules and regulations, and measures have been taken to ensure the exercise of these rights. The Bank carries out the shareholder relations obligations through the Investor Relations Department. There are no voting privileges. All procedures prior to the general shareholders' meeting as well as the conduct of the meeting comply with the legislation, rules and regulations. There are no restrictions on transfer of shares. The Bank has a publicly disclosed dividend policy. On the other hand, an area open for improvement is adoption as it is, of the rate of minority rights in the Bank's articles of association as prescribed for public joint stock companies (%5).

Yapı Kredi attained **9.62** under the **Public Disclosure and Transparency** chapter. The Bank has a comprehensive web site. Public announcements are made via all communications channels and are in accordance with CMB and Borsa Istanbul (BIST) rules and regulations. The annual report complies with the legislation, comprehensive and informative. The Corporate Governance Compliance Report (CRF) and the Corporate Governance Information Form (CGIF) have been disclosed to the public through Public Disclosure Platform (PDP) in accordance with the legislation, and included in the Annual Report. The agreement and work conducted with the external auditor also complies with the legislation. Nevertheless, non-disclosure of the benefits provided to board members and senior executives on individual basis is an area in need of further refinement.

On the topic of **Stakeholders**, Yapı Kredi scored **9.93**. In case of violation of stakeholders' rights drawn up in line with the legislation and mutual agreements, Yapı Kredi enables an effective and speedy compensation. A written compensation policy for the employees is established and disclosed to the public on the corporate web site. The Bank has a written and advanced a human resources policy. Code of ethics is publicly available through the Bank's web site. Yapı Kredi complies with environmental laws and Corporate Social Responsibility and Sustainability studies are at satisfactory levels.

From the perspective of the principles regarding the **Board of Directors**, Yapı Kredi's tally is **9.50**. The board of directors fulfills all duties regarding Bank needs. The board consists of 10 members and 3 of them are independent members. Corporate Governance, Audit, and Remuneration Committees are established within the board of directors and their working principles are disclosed to public. There are 2 female members on the board of directors. However, inexistence of a policy or a set timetable to reach the Corporate Governance Principles' advisory target of 25% female board membership rate is another issue in need of improvement.

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" released on January 2014.

The CMB based these principles on the leading work of The World Bank, The Organization of Economic Cooperation and Development (OECD), and the Global Corporate Governance Forum (GCGF) which has been established in cooperation with the representatives of the preceding two organizations and private sector. Experts and representatives from the CMB, Borsa Istanbul and the Turkish Corporate Governance Forum have participated in the committee that was established by the CMB for this purpose. Additionally; many qualified academicians, private sector representatives as well as various professional organizations and NGOs have stated their views and opinions, which were added to the Principles after taking into account country specific issues. Accordingly, these Principles have been established as a product of contributions from all high-level bodies.

Certain applications of the Principles are based on "comply or explain" approach and others are mandatory. 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 Bank's governance practices in future should be mentioned in the annual report and disclosed to public.

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

Based on these Principles, the SAHA Corporate Governance Rating methodology features around 342 sub-criteria. During the rating process, each criterion is evaluated on the basis of information provided by the Bank 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 a rating of 10, a bank should be in full and perfect compliance with the Principles (see Rating Definitions, p.22).

To determine the total rating score for each main section parallel to the CMB's Corporate Governance Principles, SAHA allocates the following weights:

Shareholders: **25%**

Public Disclosure and Transparency: **25%**

Stakeholders: **15%**

Board of Directors: **35%**

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

Company Overview

YAPI VE KREDİ BANKASI A.Ş.	
	Chairman of the Board of Directors Yıldırım Ali Koç
Yapı Kredi Plaza D Blok, 34330, Levent-Istanbul www.yapikredi.com.tr	Banking and CMB Legislation Director Erdoğan Tetik Tel: (0212) 339 64 31 erdinc.tetik@yapikredi.com.tr

Turkey's first privately-owned, retail bank Yapı Kredi is the third largest private bank of Turkey with total consolidated assets of TL 468.6 billion as of Q3 of 2020.

Yapı Kredi is a fully integrated financial services group, supported by domestic and international subsidiaries. The Bank has an extensive customer base to which it delivers a comprehensive array of retail, SME, corporate, commercial, and private banking products and services as well as asset management, leasing, private pension, insurance, and brokerage services. The Bank's operations are supported by domestic subsidiaries consisting of portfolio management, investment, leasing and factoring, as well as foreign banking subsidiaries in the Netherlands, Azerbaijan and Malta.

Yapı Kredi's network consists of 845 branches covering all regions of Turkey supported with an employee base of 16,397. Yapı Kredi has advanced alternative delivery channels which handle 96% of total banking transactions. These channels comprise of 4,470 ATMs, internet banking, mobile banking, call centers and 716,000 POS machines.

40.95% of the Bank's shares are owned by Koç Finansal Hizmetler A.Ş. and 9.02% by Koç Holding. The direct and indirect ownership rate of the Koç Group in the Bank is 49.99% and 20.00% of the shares belong to UniCredit S.P.A. The remaining 30.03% shares are publicly traded on Borsa Istanbul.

Public shares of the Bank are traded under "YKBNK" code at BIST Stars Market and Yapı Kredi is a constituent of BIST ALL SHARES (XUTUM), BIST FINANCIALS (XUMAL), BIST CORPORATE GOVERNANCE (XKURY), BIST SUSTAINABILITY (XUSRD), BIST 100 (XU100), BIST BANKS (XBANK), BIST LIQUID BANKS (XLBANK), BIST STARS (XYLDZ), BIST 30 (XU030), and BIST 50 (XU050) indices.

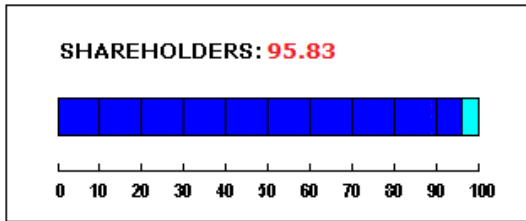
Capital structure of the Bank is as follows:

Yapı ve Kredi Bankası A.Ş. Capital Structure		
Shareholders	Share Value (TL)	Share %
KOÇ FİNANSAL HİZMETLER A.Ş.	3,459,065,642.23	40.95
UNICREDIT S.P.A.	1,689,410,260.00	20.00
KOÇ HOLDING A.Ş.	762,197,343.00	9.02
Other (Free Float)	2,536,378,038.77	30.03
Total	8,447,051,284.00	100.00

The board of directors of the Bank is composed as follows:

Yapı ve Kredi Bankası A.Ş. Board of Directors		
Name	Title	Status
Yıldırım Ali Koç	Chairman of the Board Remuneration Committee Member	Non-executive
Levent Çakıroğlu	Vice-chairman Credit Committee Associate Member Remuneration Committee Member	Non-executive
Gökhan Erün	Executive Director Chief Executive Officer Credit Committee Chairman	Executive
Niccolo Ubertalli	Board Member	Non-executive
Ahmet Fadıl Ashaboğlu	Board Member	Non-executive
Wolfgang Mag.Schilk	Board Member	Non-executive
Aykut Ümit Taftalı	Board Member Credit Committee Associate Member	Non-executive
Ahmet Çimenoğlu	Board Member Audit Committee Chairman Credit Committee Member	Independent
Nevin İpek	Board Member Audit Committee Member Corporate Governance Committee Member	Independent
Virma Sökmen	Board Member Corporate Governance Committee Chairwoman Credit Committee Member	Independent

SECTION 1: SHAREHOLDERS



SYNOPSIS

+	Equal treatment of shareholders.
+	Active investor relations unit.
+	General shareholders' meetings are conducted in compliance with the legislation.
+	Preparation and disclosure prior to general shareholders' meetings are satisfactory.
+	Dividend policy exists and disclosed to the public.
+	No voting privileges.
+	Provision in the articles of association on holding general shareholders' meetings open to public.
=	Minority rights are not recognized for shareholders who possess an amount less than one-twentieth of the share capital.

1.1. Facilitating the Exercise of Shareholders' Statutory Rights:

The relations of the Bank with the shareholders are carried out through the Subsidiaries and Shareholder Relations department under the Assistant General Manager for Compliance, Internal Control and Risk Management and Investor Relations department.

Along with other units of the Bank, the departments in question play an active role in protecting and facilitating shareholders' rights and in particular the right to obtain and review

information, and its duties are as follows;

- To ensure that the records relating to the written correspondence with the investors and other information are kept in a healthy, safe and updated manner.
- To respond to the queries of the shareholders requesting written information on the Bank.
- To ensure the general shareholders' meeting is held in compliance with the applicable legislation, articles of association and other Bank by-laws.
- To prepare the documents that might be used by shareholders in the general shareholders' meeting.
- To supervise the fulfillment of the obligations arising from capital markets legislation including all corporate governance and public disclosure matters.

Information and explanations that may affect use of shareholders' rights are available and up to date on the corporate web site.

Banking and CMB Legislation Director Mr. Erdiç Tetik and Subsidiaries and Shareholder Relations Manager Mr. Hasan Sadi are both holders of Capital Market Activities Level 3, and Corporate Governance Rating Specialist Licenses as stated in the Corporate Governance Principles Communiqué.

1.2. Shareholders' Right to Obtain and Evaluate Information:

There is no evidence of any hindering process or application regarding the appointment of a special auditor.

All kinds of information about the Bank required by the legislation are

provided in a complete, timely, honest, and diligent manner and there is no fine/warning received in this regard.

The Bank has established a disclosure policy, submitted it to the attention of the shareholders and disclosed to public on the corporate web site.

1.3 Minority Rights:

Maximum care is given to the exercise of minority rights. However, minority rights are not recognized for shareholders who hold an amount less than one-twentieth of the share capital and the Bank has adopted exactly the rate foreseen in the legislation for listed companies.

1.4. General Shareholders' Meeting:

SAHA participated as an observer to the general shareholders' meeting covering the 2019 operating period, and the assessments on the meeting are held on this basis.

In addition to the methods of invitation in the legislation and in order to ensure attendance of maximum number of shareholders, the invitation to the general shareholders' meeting held on March 13, 2020 is performed through all means of communication available to the bank on February 13, 2020 in accordance with the Corporate Governance Principles.

All announcements prior to the general shareholders' meeting included information such as the date and time of the meeting; without any ambiguity, the exact location of the meeting; agenda items of the meeting; the body inviting to the general shareholders' meeting; and the location where annual report, financial statements and other meeting documents can be examined.

Commencing from the date of announcement of invitation for the general shareholders' meeting, following documents are made available to all shareholders for

examination purposes in convenient locations including the headquarters or branches of the Bank, and the electronic media;

- The Annual Report,
- Financial Statements and Reports,
- All Other Related Documents Pertaining to the Agenda Items,
- Dividend Distribution Proposal,
- Corporate Governance Information Form and Compliance Report Form.

Shareholders are informed of the following issues prior to the general shareholders' meeting via the corporate web site;

- a. Total number of shares and voting rights reflecting the Bank's shareholding structure as of the date of disclosure, number of shares and voting rights reflecting the privileged share group within the Bank capital, and the nature of the privileges.
- b. Grounds for dismissal and replacement of board members, candidates' backgrounds and tasks carried out in the last decade, the nature and significance level of their relationship with the Bank and related parties, whether they are independent or not, and information on similar issues.
- c. Previous and recent amended versions of the articles of association.

Agenda items were put under a separate heading and expressed clearly in a manner not to result in any misinterpretations. Expressions like "other" and "various" were not used. Information submitted to the shareholders prior to the conduct of the general shareholders' meeting was related to the agenda items.

We have come to the conclusion that that the chairman of the meeting has made the necessary preparations for the execution of the general shareholders' meeting in line with the Turkish Commercial Code, the Law and legislation.

General shareholders' meetings take place at headquarters of the Bank.

Items on the agenda were conveyed in detail and in a clear and understandable way by the chairman of the meeting and shareholders were given equal opportunity to voice their opinions and ask questions. The chairman made sure that each question was answered directly at the meeting provided that they do not constitute a trade secret.

The members of the board of directors related with those issues of a special nature on the agenda, other related persons, authorized persons who are responsible for preparing the financial statements and auditors were present to give necessary information and to answer questions at the general shareholders' meeting.

In addition, attendance of the absolute majority of the board members to the general shareholders' meeting is deemed positive by us.

A separate agenda item for the general shareholders' included the proposal for permission to be granted pursuant to the articles 395 and 396 of the Turkish Commercial Code, to shareholders who have control of the management, members of the board of directors, top executives, their spouses and up to second degree blood relatives to execute transactions and compete with the Bank or its affiliates. Shareholders were informed that no transaction which caused any conflict of interest was carried out on 2019 in this regard.

Shareholders were informed, with a separate agenda item, of all donations and grants within the reporting period along with amounts and beneficiaries. Also an upper limit was set for the possible donations of 2020.

Principles of donations and grants are regulated in the articles of association of the Bank.

Moreover, in accordance with the Corporate Governance Principles, there is a provision in the articles of association, allowing the attendance of those including stakeholders and media to the general shareholders' meetings with no voting rights.

A disclosure document on agenda items was also prepared.

As stated on the disclosure document, there was not any proposal which was submitted by the shareholders to add an item to the agenda

1.5. Voting Rights:

At Yapı Kredi, all shareholders, including those who reside abroad, are given the opportunity to exercise their voting rights conveniently and appropriately.

There are no voting privileges.

There has been no implementation preventing representation of publicly held shares in management.

1.6. Dividend Rights:

The dividend policy of Yapı Kredi is clearly defined, submitted to the approval of the shareholders at the general shareholders' meeting and disclosed to public on the corporate web site.

The Bank's dividend distribution policy contains minimum information clear enough for investors to predict any future dividend distribution procedures and principles.

A balanced policy is followed between the interests of the shareholders and those of the Bank.

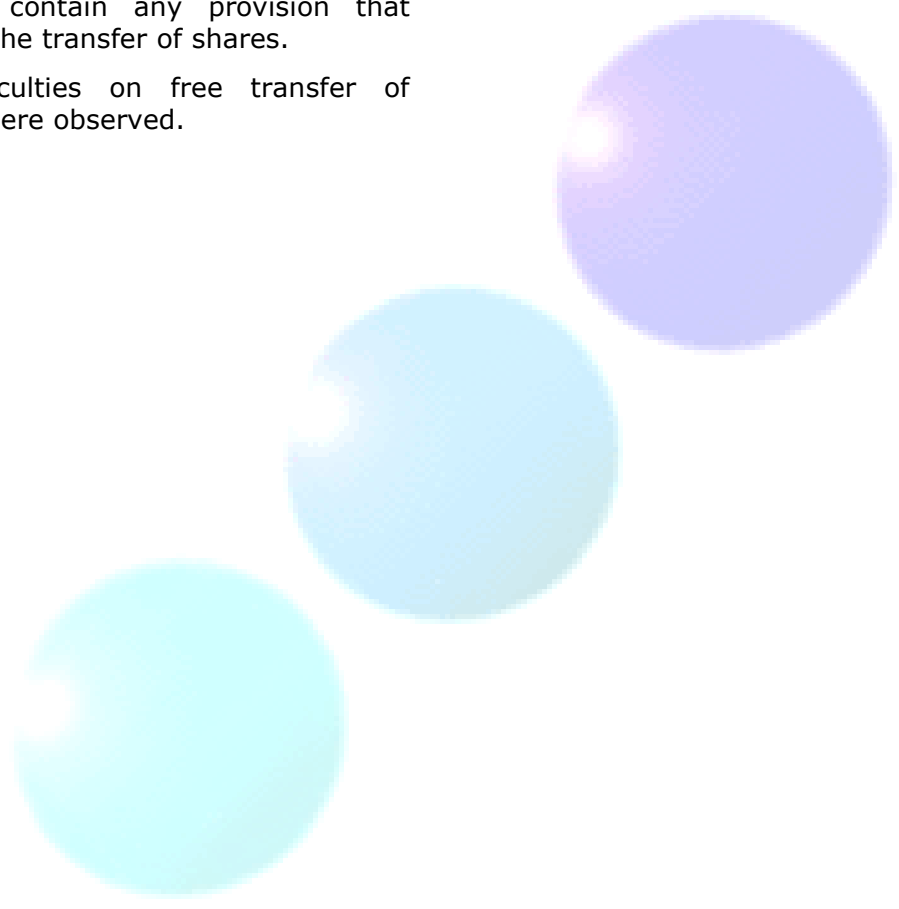
There are no privileges to partake of the profits.

Plus, there is a provision in the articles of association on advance dividend payments.

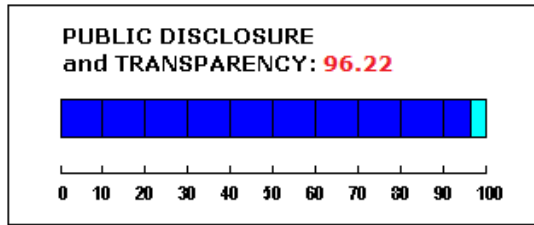
1.7. Transfer of Shares:

The articles of association of the Bank do not contain any provision that impede the transfer of shares.

No difficulties on free transfer of shares were observed.



SECTION 2: PUBLIC DISCLOSURE AND TRANSPARENCY



SYNOPSIS

+	Comprehensive web site, actively used for public disclosure, English version exists.
+	Annual report complies with the legislation, comprehensive and informative.
+	Agreement and studies conducted with external auditors comply with the legislation.
-	Benefits provided to board members and senior executives not listed on individual basis.
-	Names of ultimate controlling individual shareholders are not disclosed.

2.1. Corporate Web Site:

The web site of the Bank (www.yapikredi.com.tr) is actively used for disclosure purposes and the information contained therein is timely updated.

Along with the information required to be disclosed pursuant to the legislation, the Bank's web site includes; trade register information, information about latest shareholder and management structure, the date and the number of the trade registry gazette on which the changes are published along with the final version of the Bank's articles of association, publicly disclosed material information, periodical financial statements, annual reports, agendas of the general shareholders' meetings and list of

participants and minutes of the general shareholders' meeting, form for proxy voting at the general shareholders' meeting, disclosure policy, dividend distribution policy, ethical rules of the Bank, frequently asked questions including requests for information, questions and notices, and responses thereof.

In this context, information on at least the last 5 years can be reached on the web site.

With the exception of material disclosures and footnotes, in accordance with the Capital Markets legislation, the Bank also discloses financial statements on the Public Disclosure Platform (PDP) and simultaneously in English.

The information contained on the web site exists also in English for the benefit of international investors.

The Bank's web site also includes; investor presentations, working principles of the Committees, the vision/mission of the Bank established by the board, information on dividend payments and capital increases, news, general shareholders' meeting internal guidelines, information on corporate social responsibility/sustainability activities, information on senior management, financial data, main ratio analysis, corporate web site privacy policy, and the human resources policy.

The Bank did not receive any warnings/penalties due to deficiencies on its web site.

On the other hand, the Bank's shareholding structure along with the names, amount and rate of the shares held by the Bank's individual shareholders over 5% as identified after being released from indirect or

cross shareholding relationships between co-owners is not disclosed to the public.

2.2. Annual Report:

Annual report is prepared in detail by the board of directors to provide public access to complete and accurate information on the Bank and it covers information such as;

- a. Period covered by the report, the title of the Bank, trade register number, contact information.
- b. The names and surnames of the chairman, members and executive members in the board of directors and in the Committees during the reporting period, their limits of authority, tenure of office (with start and end dates).
- c. The sector in which the Bank operates and information on its position in the sector.
- d. Qualifications of the units within the Bank, general descriptions related to the amount of loans and interest rates.
- e. Progress on investments, the eligibility status on incentives, and to what extent.
- f. Changes and justifications thereof on the articles of association during the reporting period.
- g. Corporate Governance Information Form and Compliance Report Form.
- h. Information on related party transactions.
- i. The dividend distribution policy.
- j. Other issues not included in the financial statements, but are beneficial for users.
- k. Nature and amount of the capital market instruments issued.
- l. The Bank's organization, capital and ownership structure and any changes in the related accounting period.

- m. All benefits provided to staff and workers, information on number of personnel.
- n. Basic ratios on the financial position, profitability and solvency.
- o. Bank's financing resources and risk management policies.
- p. Information on major events occurred between the closing of the accounting period and the date of the general shareholders' meeting where financial statements are evaluated.

In addition to the matters specified in the legislation, following issues also took place in the annual report:

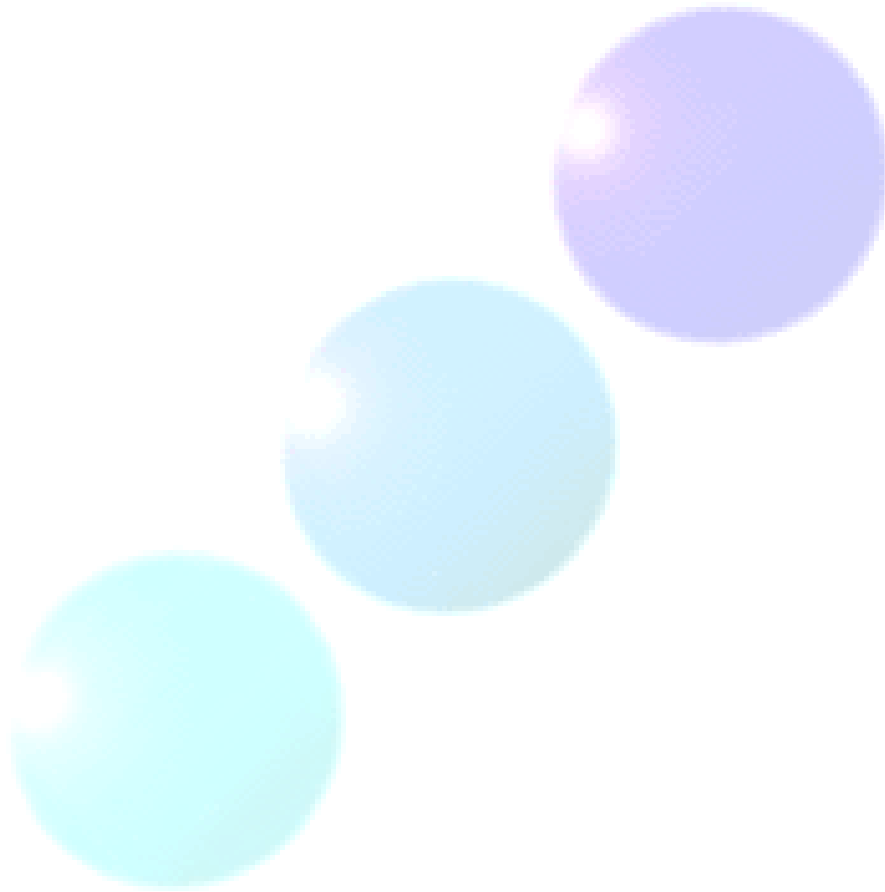
- a. Information on external duties of board members and executives.
- b. Members of the Committees within the board and assessment of their working principles.
- c. Number of board meetings held during the year.
- d. Information on cross shareholding in excess of 5% of the capital.
- e. Benefits and vocational training of employees, and other Bank activities that give rise to social and environmental results.
- f. Declaration of independence of the independent board members.
- g. Rating results.

On the other hand, benefits provided to board members/senior executives are mentioned collectively, but best application of Corporate Governance Principles dictate that this information is given on an individual basis.

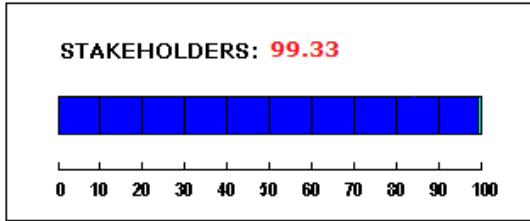
2.3. External Audit:

The external audit of the Bank is conducted by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., a member of PricewaterhouseCoopers (PwC) group with a worldwide experience.

There has not been a situation within the latest reporting period where the external auditor avoided to express its opinion and not signed the audit report, nor has reported a qualified opinion.



SECTION 3: STAKEHOLDERS



SYNOPSIS

+	Efficient Human Resources policy.
+	Quality standards are complied with in the Bank's business and operations.
+	Code of ethics established and disclosed to the public.
+	The Bank is in compliance with environmental laws. Corporate Social Responsibility and Sustainability activities are quite satisfactory.
+	A written employee compensation policy is prepared and disclosed to public via the web site.

3.1. Bank Policy Regarding Stakeholders:

A significant or repetitive situation in which the rights of stakeholders established by law or any other mutual agreement are violated has not been encountered.

The corporate governance implementation of the Bank ensures that its stakeholders, including its employees and representatives, report their concerns regarding any illegal or unethical transactions to the management.

Limits and procedures for granting loans to related personality of the

Bank, other employees, to natural and legal persons within the same group of the Bank are defined. There are instructions and circulars relating to these matters.

A written employee compensation policy is established and disclosed to public on the corporate web site.

Bank officials declared that the procurement of the Bank is realized through tender procedures and there is a regulation in this regard.

3.2. Stakeholders' Participation in the Bank Management:

The Bank has developed incentive models for stakeholders, particularly employees to participate in management without impeding the operations of the Bank.

The Internal Customer Satisfaction survey conducted once a year in this context is a process of receiving employee opinions and suggestions. The Bank monitors in detail every year, both the internal customer satisfaction, in which the quality of business relationship is measured, and the loyalty of employees to Yapı Kredi. In addition, through the Eureka Idea Development platform, employees submit creative ideas based on their own experiences and the feed-back from customers.

3.3. Bank Policy on Human Resources:

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 employee selection, placement and development based on 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 employment practices, rules, vacations, leave of absence, insurance benefits, administration etc.

The Bank's human resources and organization management carries out its operations without any 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 Labor Agreements (Law nr.6356), a Collective Bargaining Agreement is in place between the Bank and Union of Bank and Insurance Workers (Basisen). The purpose of this agreement is identifying the benefits and responsibilities of the Bank and union members regarding contents and termination of members' labor 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, labor peace, well-being, and labor 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, labor 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 labor laws and collective bargaining agreements.

3.4. Relations with Credit Customers and Creditors:

Within the framework of protection of trade secrets, care is taken on the confidentiality of information about customers and suppliers.

We have come to the conclusion that quality standards in banking services are adhered to and attention is paid to the protection of these standards.

3.5. Ethical Rules & Social Responsibility:

The ethical rules of Yapı Kredi is established and publicly disclosed through the corporate web site.

The Bank have also established an "Anti-Corruption Policy" and disclosed it on the corporate web site.

The Bank keeps good relations with non-governmental organizations and public social institutions. In addition, work carried out in accordance with awareness of environmental laws and environmental responsibility in general has been found satisfactory by us.

Within this context, Yapı Kredi pursues the training program called "I Read, I Play" in cooperation with the Educational Volunteers Foundation of Turkey. The project aims to improve reading, writing, research, self-expression skills of children.

Nearly 313,000 children have been reached as of end-2019.

In 2019, Yapı Kredi spent TL 7 million within the scope of cultural and art, and corporate social responsibility activities. In addition donations and grants totaled TL 14.4 million.

Yapı Kredi Publications published approximately 1,100 titles in 2019, 264 of which were first edition. Around 70,000 students, teachers, librarians, writers and editors were brought together with 125 school events organized throughout the year. More than 150,000 art lovers were reached in 2019 with events organized at Yapı Kredi premises.

3.6. Sustainability:

The Bank has a policy, internal regulation, objectives, initiatives and campaigns in the fields of environment, nature, energy saving, recycling and education.

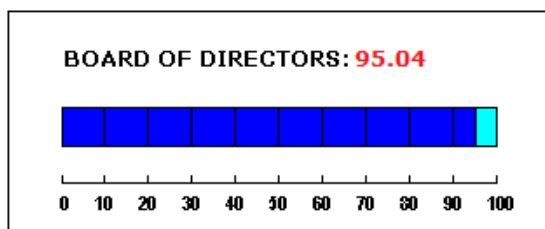
Yapı Kredi publicly discloses its sustainability reports, including sustainability activities, through the corporate web site.

The Bank is the holder of national/international ISO 14064 Greenhouse Gas Accounting and Verification Certificate in this context, and is a member of domestic organizations operating on the field of environmental protection.

In addition, Yapı Kredi measures the carbon emissions, discloses findings to the public and takes action to reduce carbon emissions.

The Bank is included in the Sustainability Index of Borsa Istanbul.

SECTION 4: BOARD OF DIRECTORS



SYNOPSIS

+	The board works efficiently and staffed with qualified members.
+	Board of directors meeting and decision quorum is defined in the articles of association.
+	Each member has a right to a single vote.
+	3 independent members on the board of directors.
+	Audit, Corporate Governance and Remuneration Committees established.
=	Defects and damages caused by board members during the execution of their duties are insured, but not with an amount exceeding 25% of the Bank's capital.
=	2 female members on the board of directors.
-	No policy nor a set timetable to reach the Corporate Governance Principles' advisory target of minimum 25% female board membership rate.

4.1. Functions of the Board of Directors:

Strategic decisions of the board of directors aim to manage the Bank's risk, growth, and return balance at an appropriate level and conduct a rational and cautious risk management approach with a view to the long-term interests of the Bank. The board

administers and represents the Bank within these parameters.

The board of directors has defined the Bank's strategic goals and identified the needs in human and financial resources, and controls management's performance.

4.2. Principles of Activity of the Board of Directors:

The division of tasks among the members of the board of directors is explained in the annual report.

The board of directors established internal control systems which are inclusive of risk management, information systems, and processes by also taking into consideration the views of the Committees.

The presence, functioning, and effectiveness of internal controls and internal audit are explained in the annual report.

Chairman of the board and CEO/general manager's executive powers are clearly separated.

The board of directors plays a leading role in maintaining effective communication between the Bank and the shareholders and settling any disputes which may arise.

Defects and damages that may be caused by the board members during the execution of their duties have been insured, but not with an amount exceeding 25% of the capital of the Bank as stipulated in the Corporate Governance Principles Communiqué.

There is no individual in the Bank who has unlimited authority to take decisions on his/her own, which we consider as a positive aspect.

4.3. Structure of the Board of Directors:

The Bank's board of directors is composed of 10 members of whom 9 are non-executive. In line with the related Communiqué, among the non-executive members there are 3 independent members who have the ability to execute their duties without being influenced under any circumstances.

The Corporate Governance Committee has prepared a report on the candidates for independent board membership by taking into consideration whether or not the candidate meets the independency criteria and submitted this assessment as a report to the board for its approval. CMB criteria are complied with in determining independent candidates. Independent candidates for the board of directors have each signed a declaration of independence within the framework of the legislation, articles of association, and the CMB criteria.

The Bank has not yet prepared a policy nor set a timetable to reach to a target of female board membership rate. The current rate of female members in the board of directors is 20%.

4.4. Conduct of the Meetings of the Board of Directors:

Board of directors convened 10 times since the date of our last report (December 27, 2019). Bank officials declared that the participation rate to these meetings was 92.14%, which we regard as sufficient.

Chairman of the board of directors sets the agenda for board meetings in consultation with other members and chief executive officer/general manager.

Information on the agenda items of the board of directors is made available to the members in sufficient time prior to the meeting date by a

coordinated flow of information. Each member is entitled to a single vote.

The meeting and decision quorums have been included in the articles of association of the Bank. In addition, board meetings can also be held in a remote access system.

The conduct of the board of directors meetings is partly documented in the articles of association of the Bank.

There are no certain rules or limitations for board members taking on additional duties as executives and/or board members outside the Bank. However, actually no member has any duties other than the ones naturally incumbent upon them in the Koç Group.

Intra-group duties and justifications for the members of the board of directors outside the Bank are informed to the shareholders at the general shareholders' meeting where their nomination is discussed.

4.5. Committees Established Within the Board of Directors:

Corporate Governance, Audit, and Remuneration Committees are established from within the board of directors in order to fulfill its duties and responsibilities.

Functions of the Committees, their working principles, and members are designated by the board of directors and disclosed to the public on the corporate web site.

Chairmen of the Committees are elected among the independent board members. The chief executive officer/general manager and the chairman of the board of directors are not on the Committees. With the exception of independent members, care is taken to avoid appointment of a board member on multiple Committees.

Since the functions of the Investor Relations Department are carried out

by the Strategic Planning and Investor Relations Group/Investor Relations and Strategic Analysis Department, and the Compliance, Internal Control and Risk Management/Banking and CMB Legislation/Subsidiaries and Shareholder Relations Department, responsible for Compliance, Internal Control and Risk Management Deputy General Manager, Mr. Mehmet Erkan Özdemir was appointed as a member of the Corporate Governance Committee.

All necessary resources and support needed to fulfill the tasks of the Committees are provided by the board of directors.

It has been declared that, as of the date of our last report, the number of resolutions reached is 4 for the Corporate Governance Committee and 10 for the Audit Committee.

The Corporate Governance Committee is established in order to determine whether or not the corporate governance principles are being fully implemented by the Bank, if implementation of some of the principles are not possible, the reason thereof, and assess any conflict of interests arising as a result of lack of implementation of these principles, and present remedial advices to the board of directors. In addition, it oversees the work of the shareholder relations unit.

Both members of the Audit Committee possess the qualifications listed in the Corporate Governance Principles Communiqué.

The annual report contains information on working principles of the Audit Committee and number of written notices given to the board of directors in the reporting period. However, the meeting results are excluded.

The external audit of the Bank is conducted by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., a member of

PricewaterhouseCoopers group with a worldwide experience. The nomination and election process of the external audit firm, taking into account its competence and independence, starts with a proposal from the Audit Committee to the board and ends with the board's choice being presented and approved at the general shareholders' meeting.

In addition to least number of Committees, the Sustainability Committee has been established.

Nomination Committee duties are included in the working principles of the Corporate Governance Committee.

4.6. Remuneration of the Board of Directors and Managers with Administrative Responsibility:

The principles of remuneration of board members and senior executives have been documented in writing and submitted to the shareholders' attention as a separate item at the general shareholders' meeting.

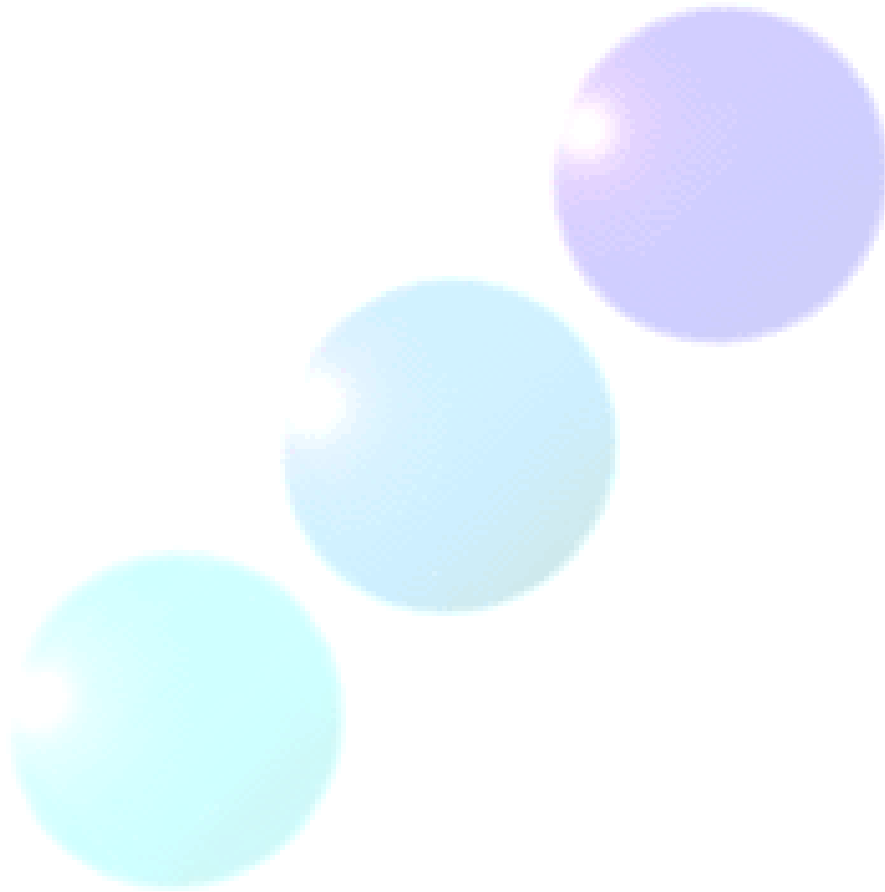
A remuneration policy prepared for this purpose can be found on the corporate web site. Stock options or performance based payments are not included in the remuneration package of the independent board members.

We have come to a conclusion that the executives have the required professional qualifications in order to perform the assigned duties. The executives comply with the legislation, articles of association, and in-house regulations and policies in fulfilling their duties.

There have been no cases where the executives used confidential and non-public Bank information in favor of themselves or others. There are no executives who accepted a gift or favor directly or indirectly related to the Bank's affairs, and provided unfair advantage.

Bank officials declared that there is an insurance policy for losses incurred by the Bank, and third parties, as a result of not performing the executives' duties duly.

In addition, the orientation process for newly appointed managers is documented in internal guidelines of the Bank.



Rating Definitions

Rating	Definition
9 - 10	The bank 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 bank'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 bank 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 bank 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. Deserved to be included in the BIST Corporate Governance Index and 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 bank performs weakly as a result of poor corporate governance policies and practices. The bank 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 bank performs very weakly and its corporate governance policies and practices are overall very poor. The bank 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.

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