
SUSTAINABILITY
R E P O R T
2017

CONTENTS

Sustainability Report 2017



▲	ABOUT THE REPORT
▲	CEO MESSAGE
▲	ABOUT YAPI KREDİ
	Vision, Mission, Strategy
	Yapi Kredi in 2017
	Strategic Approach
	Areas of Priority
	Stakeholder Interaction
▲	CORPORATE GOVERNANCE
	Sustainability Management
	Risk Management
	Ethical Banking
▲	OUR FINANCIAL CAPITAL
	Financial Performance
	Responsible Financing
	Sustainable Product Portfolio
▲	OUR INTELLECTUAL CAPITAL
	Digital Banking
	Technological Risks and Cyber Security
	R&D and Areas of Cooperation
▲	OUR HUMAN CAPITAL
	Talent Management
	Employee Satisfaction and Communication
	Inclusion and Diversity
▲	OUR SOCIAL CAPITAL
	Customer Oriented Banking
	Social Investments
▲	OUR NATURAL CAPITAL
	Climate Change
	Waste Management
▲	APPENDIXES
▲	PERFORMANCE TABLES
▲	GRI STANDARD CONTENT INDEX

ABOUT THE REPORT

Sustainability Report 2017

The Yapı Kredi Sustainability Report presents the sustainability performance of Yapı ve Kredi Bankası A.Ş. and its domestic subsidiaries between January 1 and December 31, 2017. The performance of Yapı Kredi's domestic subsidiaries are included in financial and social indicators, while the remaining indicators cover Yapı ve Kredi Bankası A.Ş.'s operations in Turkey.

The Yapı Kredi Sustainability Report has been prepared in accordance with GRI Standards: Core option and GRI Financial Services Sector Disclosures are used as a reference. Borsa Istanbul Sustainability Index's Banking Sector Criteria, as well as the principles of the UN Global Compact, UN Sustainable Development Goals, and UN Women's Empowerment Principles of which Yapı Kredi is a signatory are taken into consideration while preparing the report. The report evaluates the sustainability performance of Yapı Kredi through integrated reporting principles and the value created by the Bank through the utilized capitals is shared with the stakeholders.

Energy, emission, environmental investment, legal compliance, finance, occupational health and safety, employee training, anti-bribery, anti-corruption and human rights indicators provided in this report have undergone a "limited" assurance by the independent audit firm PwC. The list of indicators assured and the scope of the assurance may be found at the Independent Assurance Statement, which is provided as an attachment to this report.

Yapı Kredi Sustainability Report 2017 was printed in limited numbers in order to minimize its environmental impact. A PDF version of the report is available to stakeholders at www.yapikredi.com.tr. Stakeholders may direct their feedback, suggestions, inquiries and criticism to sustainability@yapikredi.com.tr





Esteemed Stakeholders,

In terms of economic growth, 2017 was a more spirited year for Turkey compared to 2016, with growth rate reaching a four-year high. Consequently, the banking sector also experienced a similarly positive year. As for Yapı Kredi, we continued our balanced growth in line with our mid-term strategies, and closed 2017 as Turkey's fourth largest private bank with an asset size of TL 320.1 billion.

Throughout 2017, we continued to create value for all stakeholders by following a business model geared towards providing long-term social and economic benefit as part of our sustainability approach. As the Digital Bank of

Turkey, we took important steps towards digital, which had a positive impact on our sustainability processes as well. One such case is the No Panic button we have added to Yapı Kredi Mobile application, enabling customers to put a temporary block on their misplaced bank cards instead of immediately cancelling them for being lost. This new feature prevented unnecessary cancellation of 190,000 cards, and around 6.65 tonnes of CO₂ emission in 2017. Likewise, we have continued to digitize a large number of traditionally paper-heavy services, reducing our overall paper usage by 12 tonnes and saving hundreds of trees in 2017. Based on projections, we expect to save 32 million pages of paper in the year ahead.

Building on its strong dedication to corporate governance, Yapı Kredi increased its corporate governance rating, which is granted based on the principles set by the Capital Markets Board, from 9.34 in 2016 to 9.43 out of 10 in 2017. In addition, for the fifth consecutive year, Yapı Kredi was named "Turkey's Most Ethical Company" at the ETIKA Turkey Ethics Awards. In 2017, we completed full implementation of the "Sustainability Management System" project, which we had launched in 2015 to ensure operational compliance with sustainability principles, and to form the Bank's management structure around these principles. As part of the project, we have created new sustainability strategy and policies, revised existing ones, and determined the course of management for the Bank's sustainability targets. Thanks to our sustainability management and our high performance in this area in 2017, we were listed the FTSE4Good Emerging Markets Index, one of the leading global sustainability indices of the London Stock Exchange. Meanwhile, we have been listed on the Sustainability Index of Borsa Istanbul since 2014.

For Yapı Kredi, contributing to the United Nations Sustainable Development Goals, which aim to create solutions for global challenges, is part of our responsibilities, as highlighted by the Bank's strategy and priority areas. In 2017, we became a signatory to the UN Global Compact Turkey's Declaration of Sustainable Finance, thereby taking a significant step towards integrating sustainability criteria into our loan allocation policies and raising awareness about responsible financing. Furthermore, we provided financing worth over US\$ 622 million to renewable energy projects in 2017.

Yapı Kredi's priority focus areas include female employment and gender equality. The Turkish banking sector is one of the most advanced in terms of female employment rates with around

50.9 percent, while Yapı Kredi ranks amongst the top in the sector with a female employee ratio of 63 percent. The number of female managers, standing at 43 percent, is also above Turkish average.

Guided by its mission of meeting society's needs, Yapı Kredi continues to develop projects in a variety of areas to support societal development. Increasing financial literacy among the public with a view to making banking accessible for all, supporting education, sponsoring culture and arts are some of the areas in which we undertake initiatives for societal development. In this context, during the reporting period we invested TL 13.7 million in total for societal development programs.

On the occasion of this report, I would like to express my gratitude to all contributors of Yapı Kredi's successful journey of sustainability, particularly our employees, customers, shareholders and stakeholders.

Gökhan Erün
CEO

ABOUT YAPI KREDİ

Sustainability Report 2017



Established in 1944 as Turkey's first private national bank with a focus on retail banking, Yapi Kredi is today the fourth largest private bank in Turkey with a consolidated asset size of TL 320.1 billion. As one of Turkey's 10 most valuable brands thanks to its customer-oriented banking approach and innovative solutions, Yapi Kredi aims to enhance customer satisfaction in line with its principle of sustainable profitability.

Yapi Kredi has a strong shareholding structure ensuring sustainable and profitable growth. 81.8% of the Bank's shares are owned by Koç Financial Services A.Ş. which is a 50%- 50% joint venture between the UniCredit Group and the Koç Group. The remaining 18.2% is publicly traded on Borsa Istanbul and Global Depositary Receipts that represent the Bank's shares are quoted on the London Stock Exchange.

A leading integrated financial services group supported by domestic and international subsidiaries, Yapi Kredi serves its customers through retail banking (comprising individual banking, SME banking and card payment systems), corporate and commercial banking, as well as private banking and wealth management. The Bank's operations are supported by domestic subsidiaries in asset management, factoring, investment and leasing as well as international banking subsidiaries in the Netherlands, Malta, and Azerbaijan.

For detailed information about Yapi Kredi's subsidiaries, visit <https://www.yapikredi.com.tr/en/investor-relations/about-yapi-kredi/shareholding-structure>

866 branches



18,467
employees



4,310 ATM's



13.3 million
active customers



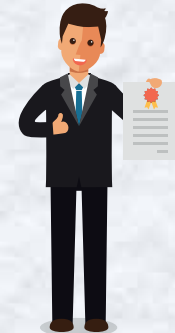
3.7 million
mobile banking
customers



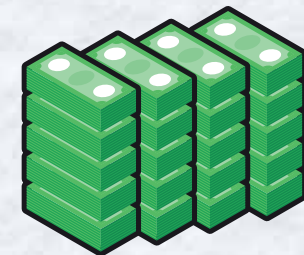
4.4 million
digital banking
customers



320.1 TL
billion
in consolidated assets

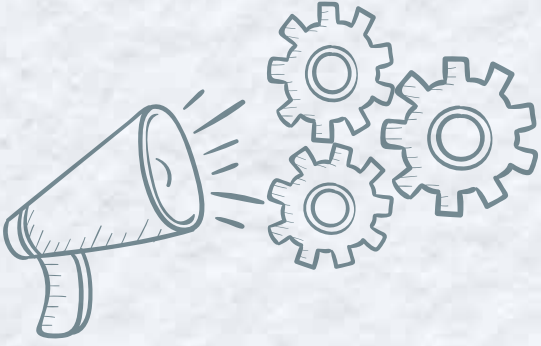


13.8 TL billion
in revenues



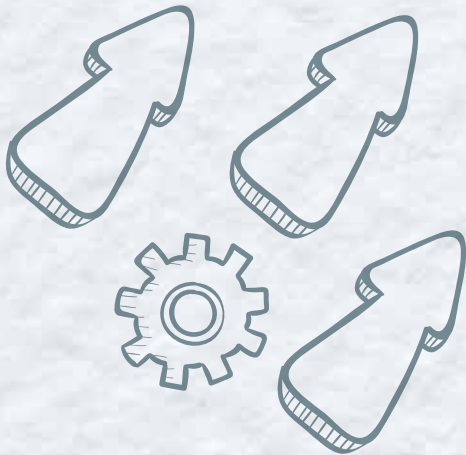
Vision

To be the undisputed leader in the finance sector.



Mission

To ensure long-term sustainable growth and value creation for all stakeholders, and become the first choice of customers and employees.

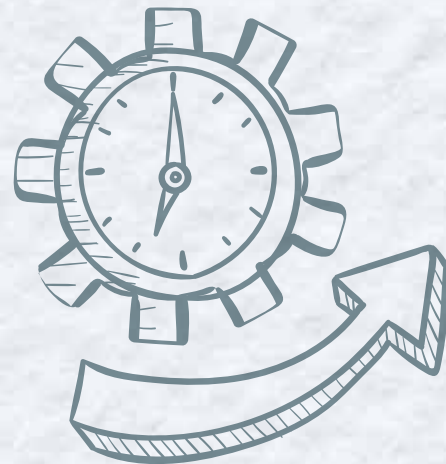


Strategy

Healthy and consistent growth: Focus on core banking activities, growth in value generating segments and products, continuous improvement in commercial effectiveness and funding diversification to sustain long-term performance with a customer-oriented approach

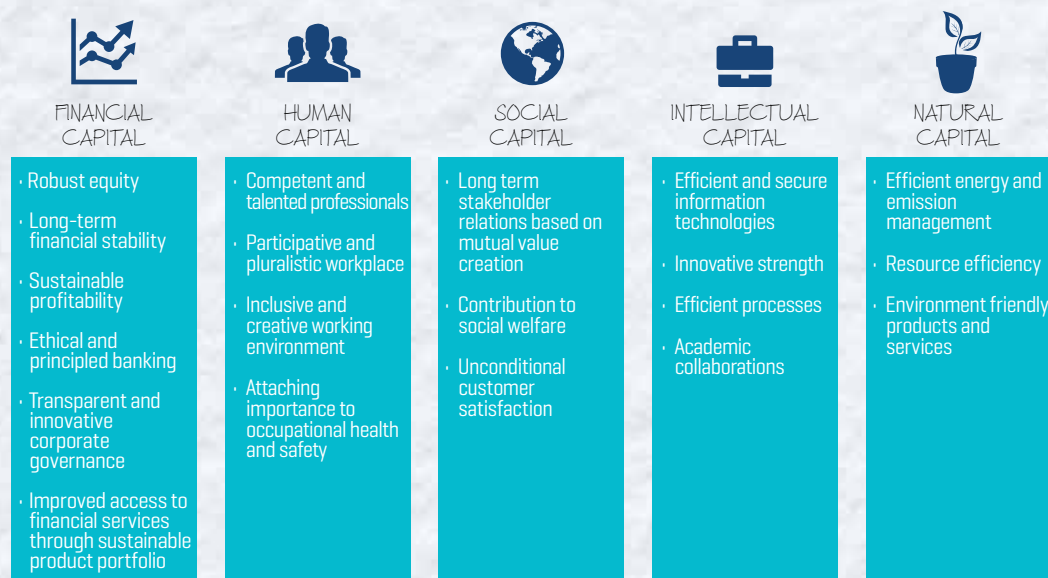
Strong and sustainable profitability: Address specific customer needs via a segment-based service model, optimize cost to serve to improve competitiveness and maintain effective liquidity, risk and capital management

Superior and long-lasting customer satisfaction: Enhance easy to work with approach through continuous investments in technology and delivery channels while maintaining focus on innovation, employee satisfaction and loyalty.



Yapı Kredi in 2017

- Yapı Kredi was listed in FTSE4Good Emerging Markets Index, one of the leading global sustainability indices of the London Stock Exchange. Meanwhile, we have been listed on the Sustainability Index of Borsa Istanbul since 2014.
- We recorded 33% growth in net income and 18% growth in asset size.
- We allocated over US\$ 400 million in loans to 19 projects that we assessed under the Environmental and Social Risk Assessment Model.
- We provided over US\$ 622 million in financing for renewable energy projects.
- Our digital banking active user base grew by 32%, while our mobile app user base grew by 51%.
- The average instant user experience rating of the online branch reached 77%.
- Our efforts in digital banking were recognized with over 30 accolades, 25 of which international, including Global Finance Best Digital Bank Awards "Global Most Innovative Consumer Digital Bank", "Most Innovative Consumer Digital Bank in Europe", and "Best Corporate Digital Bank in Turkey".
- Our corporate governance rating went up from 9.34 to 9.43.
- For the fifth consecutive year, we were named "Turkey's Most Ethical Company" at the ETIKA Turkey Ethics Awards.
- Yapı Kredi Customer Relations Center won five national and international awards, including "Best Development Strategy" at the European Contact Center & Customer Service Awards and "Best Technology and Innovation" and "Best Human Resources" by IMI.
- We invested TL 13.7 million in social programs.
- We implemented 62 employee ideas via the Evreka platform.



Strategic Approach

Yapı Kredi builds its sustainability approach on the mission of creating value for all stakeholders by following a business model geared towards providing long-term social and economic benefit. It consolidates its position in the sector by embracing a customer-oriented, pioneering and innovative banking approach for sustainable profitability.

Yapı Kredi's understanding of creating value is shaped by the capital-based approach of integrated reporting. We assess risks and opportunities presented by our financial, human, intellectual, natural and social capital with respect to our strategy, and their particular impact on our future performance. Furthermore, we monitor the effect of our capitals on our financial capital. In doing so, we are able to reach all our stakeholders through an approach that integrates sustainability into our business model and drives economic growth.

For detailed information on Yapı Kredi Sustainability Principles that shape our business processes, <https://www.yapikredi.com.tr/>

en/sustainability/yapi-kredi-sustainability-principles

Material Issues

In addition to the areas this report focuses on, Yapı Kredi's material issues serve as another pillar of our strategic capital approach. We identify material issues that are both relevant for stakeholders and crucial for our business strategy through regular materiality analysis. This year, we revised Yapı Kredi's material areas through the input provided by an integrated and comprehensive model that utilized a wide-scale stakeholder analysis, external trend analysis and four-stage impact analysis.

To identify the materiality of an issue for stakeholders, we

- Carried out a stakeholder analysis and obtained feedback from prioritized individuals and organizations from each stakeholder group, and
- Included global and sectoral trends and the priorities of international organizations and global sustainability indices through an external trend analysis.

To identify the materiality of an issue for Yapı Kredi, we

- Obtained feedback from senior management,
- Took into account the Bank's overarching strategy and sustainability approach, and
- Assessed risks and opportunities in terms of their financial, legal, innovative and competitive impact through a four-stage impact analysis

While identifying the importance of these areas for Yapı Kredi, we have taken into account the five-capital approach that forms the basis of the Bank's strategy and sustainability approach in addition to consulting the Bank's senior management through online surveys. Through the four-stage impact analysis, we have analyzed each area for their financial impact and risks, legal impact, potential competitive advantages provided, and prospective innovation opportunities. During our assessment of the effects these four areas have on the Bank, we took into account the magnitude of the impact, probability of occurrence, and time frame to identify the issues in a holistic manner

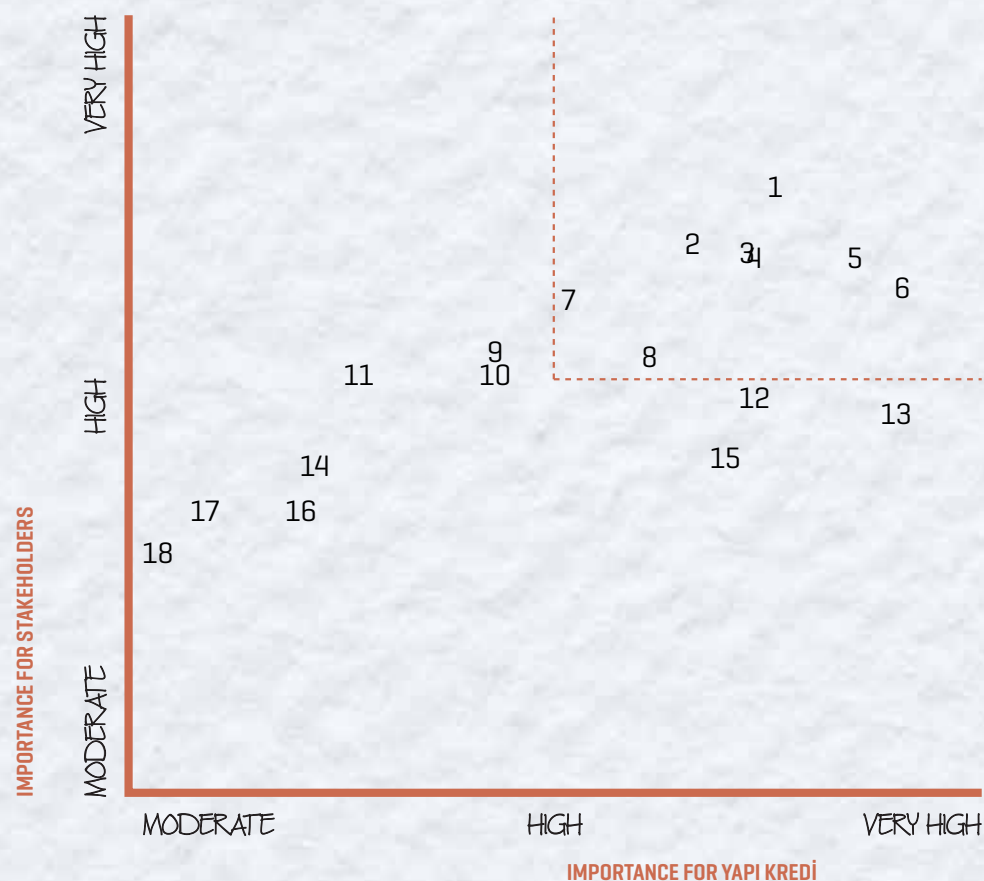
For Yapı Kredi, contributing to the United Nations Sustainable Development Goals, which aim to create solutions for global challenges, is part of our responsibilities, as highlighted by the Bank's strategy and priority areas. Accordingly, as part of the **Sustainable Development Goals Workshop** organized by Koç Holding, one of our main shareholders, we explored what these Global Goals mean for the sector at large, and how Yapı Kredi can contribute to these goals.



The materiality workshop carried out in accordance with Koç Holding Sustainability Guidelines also played a role in the identification of Yapı Kredi's material areas. The Sustainability Guidelines, created for Koç Group companies, calls for integration of sustainability into the companies' business strategies through strategic management of sustainability-related matters and stakeholder cooperation in relevant areas. The workshop discussed trends and priorities on a sectoral basis, contributing to our efforts to identify Yapı Kredi's material areas.

For detailed information on the stakeholder and external trend analyses that were carried out to identify material areas for stakeholders, see the **Stakeholder Engagement** section.





- 1 Digitalization
- 2 Ethical issues and transparency [anti-bribery and corruption, etc.]
- 3 Sustainable product portfolio [renewable energy finance, women entrepreneur loans, etc.]
- 4 Risk management
- 5 Information confidentiality and cyber security
- 6 Customer experience
- 7 Talent management and employee satisfaction [career management, employee rights, work-life balance, OHS]
- 8 Corporate governance [efficient audit and management, board structure and independence, transparency of senior executive compensation]
- 9 Equal opportunity and diversity [gender equality, anti-discrimination, etc.]
- 10 Responsible marketing [easy-to-understand products, ethical sales, etc.]
- 11 Financial inclusion [improved access to financial services, microloans, accessible banking]
- 12 Environmental, ethical and social criteria in finance
- 13 Financial performance
- 14 Environmental footprint [climate change, waste and water management]
- 15 Compliance
- 16 Social investments
- 17 Financial literacy
- 18 Responsible procurement [environmental and social requirements for suppliers]

Capital	Material Issue	Sustainable Development Goal
Financial	Ethical issues and transparency	
	Risk management	
	Sustainable product portfolio	
Intellectual	Digitalization	
	Information confidentiality and cyber security	
Human	Talent management and employee satisfaction	
Social	Customer experience	
Natural		

Stakeholder Engagement

Listening to our stakeholders and using their feedback in our decision-making processes is an essential part of our value creation approach. We endeavor to improve upon stakeholder engagement channels every year to better understand and respond to their needs in a transparent manner. This year, we leveraged the Koç Holding's Sustainability Guidelines designed for all Koç Group companies. We have expanded the scope of stakeholder analysis to reach more stakeholder groups and stakeholders. We have reached stakeholder groups [employees, customers, investors, NGOs, associations, international organizations, business partners, public agencies, suppliers, and universities] through online surveys to receive their opinions and views.

With a strategic approach, we prioritized stakeholder groups based on six criteria: dependence, influence, proximity, responsibility, representation, and policy and strategy impact.

We included stakeholder views in the analysis based on the weight assigned to each stakeholder group.

In addition to stakeholder views, we identified areas of importance for stakeholders by taking into account global and sectoral trends and the priorities of international organizations and global sustainability indices.

In the stakeholder analysis, we asked stakeholders their opinions on material issues of Yapi Kredi, their expectations from the Bank, and trends affecting the finance sector. Based on the results, digital technologies and changes in customer expectations came forward as the key trends influencing the sector, and stakeholders expect Yapi Kredi to sustain its pioneering role in this area. For detailed information on stakeholder communication channels, visit <https://www.yapikredi.com.tr/en/sustainability/stakeholders-and-collaborations/stakeholder-communications>. For a list of memberships and initiatives supported, see appendix 1.

CORPORATE GOVERNANCE

Sustainability Report 2017



Corporate Governance

Establishing effective and transparent management and audit processes are essential goals for Yapı Kredi, which forms its five-capital management method around the principles of transparency, responsibility and accountability.

Yapı Kredi's Board of Directors consists of 14 members, 3 of which independent, and includes 2 female board members. The positions of General Manager and Chairman are held by different individuals in line with the Corporate Governance Principles. The following committees support the Yapı Kredi Board of Directors in carrying out its tasks.

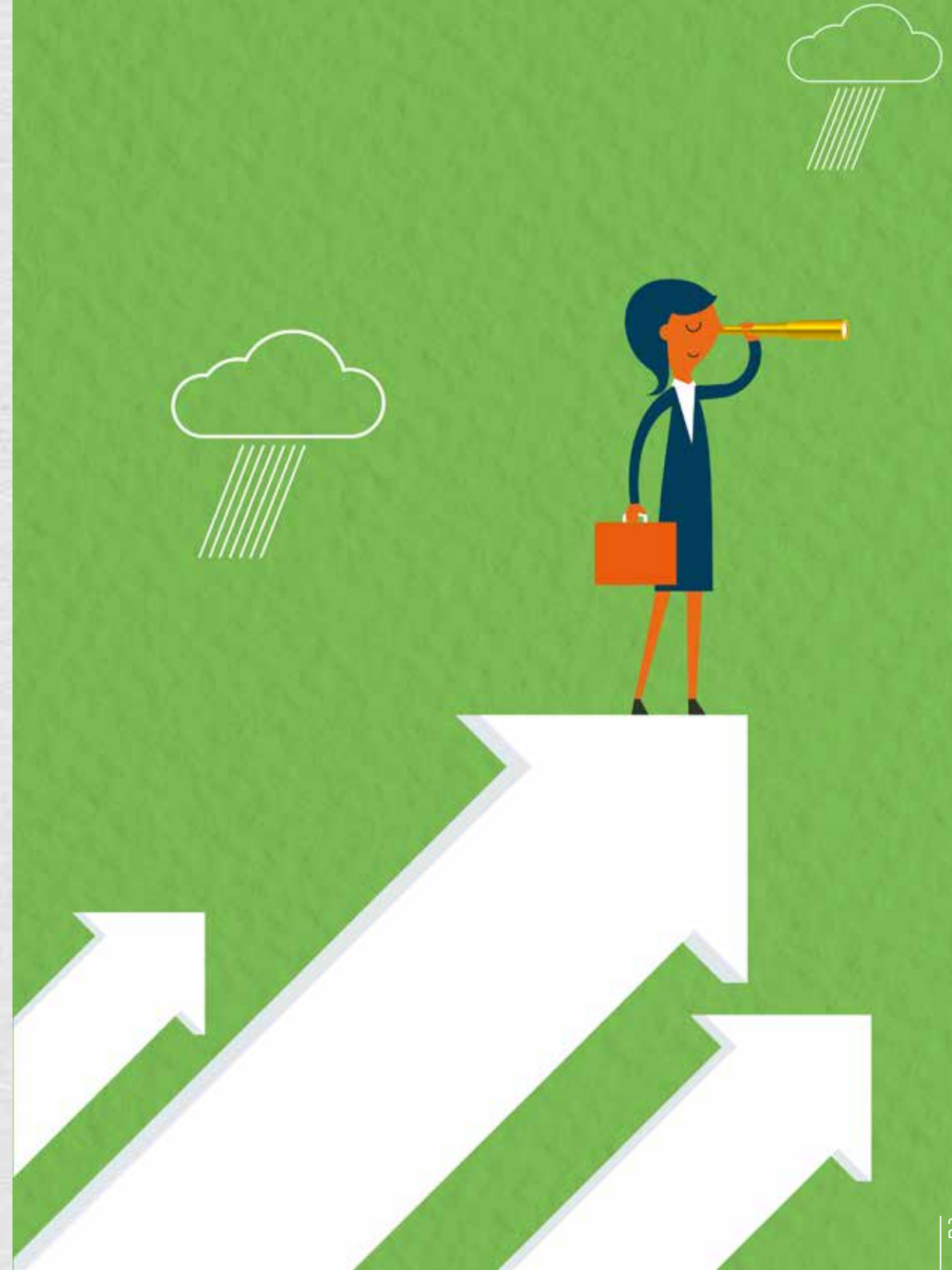
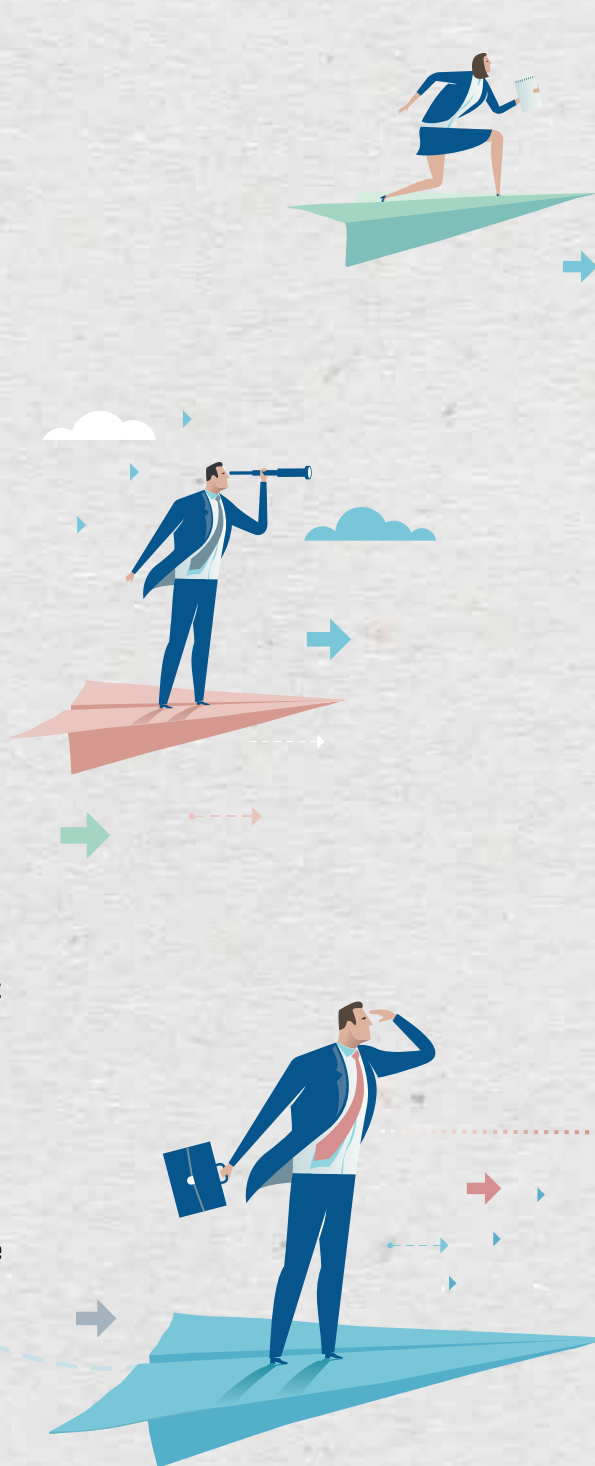
Yapı Kredi's Boards and Committees

Board of Directors
Executive Committee
Audit Committee
Credit Committee
Corporate Governance Committee
Remuneration Committee

For detailed information on the organization, members and responsibilities of Yapı Kredi's Boards and Committees, see **the Annual Report p. 44-52.**

Building on its strong dedication to corporate governance, Yapı Kredi increased its corporate governance rating, which is granted based on the principles set by the Capital Markets Board, from **9.34 in 2016 to 9.43 out of 10 in 2017.** We continue our efforts in this area with the goal of maintaining compliance with the Corporate Governance Principles, and continuing to improve our rating, which has been on the rise since 2008.

For detailed information on the Corporate Governance Principle Compliance Report, see **the Annual Report p.57-67.**



Sustainability Management



Yapı Kredi's sustainability efforts and the integration of sustainability into decision-making processes are managed by the Sustainability Committee, which was formed in 2014. The main responsibilities of the Sustainability Committee are to formulate Yapı Kredi's sustainability strategy and policies in economic, social and environmental areas, to integrate this strategy and policies into the operations of the company, and to monitor the sustainability performance. The Committee is co-chaired by the Board Member and Director- Corporate Communications. Meeting twice a year to monitor and guide developments with regards to sustainability, the Sustainability Committee reports annually to the Executive Committee and to the Board of Directors. In 2017, the Sustainability Committee convened twice.

A Corporate Social Responsibility and Sustainability unit has been formed under Corporate Communication Management. The unit's responsibilities include;

- Coordinating the Sustainability Working Group and subgroups,
- Monitoring the groups' performance and target realization,
- Consolidating data,
- Assessing activities carried out with regard to sustainability goals,
- Handling internal and external sustainability communication of Yapı Kredi.

In 2017, we completed the implementation of the "Sustainability Management System" project, which we had launched in 2015 to ensure operational compliance with sustainability principles, and to form the Bank's management structure around these principles. As part of the project, we have created new sustainability strategy and policies, revised existing ones, and determined the course of management for the Bank's sustainability targets. In addition, we have created the procedures, tools and documents necessary for relevant efforts, and defined the roles and responsibilities involved.

In order to raise awareness of all employees about sustainability and to build capacity in departments which will have responsibilities within the scope of the system, Yapı Kredi prepared in-class and distant training programs. With the completion of training programs, the Sustainability Management System entered into practice fully in 2017.

Thanks to our sustainability management and our high performance in this area in 2017 we were listed the FTSE4Good Emerging Markets Index, one of the leading global sustainability indices of the London Stock Exchange. Meanwhile, we have been listed on the Sustainability Index of Borsa Istanbul since 2014.

SUSTAINABILITY MANAGEMENT SYSTEM (SMS)



*For detailed information on the policies, visit <https://www.yapikredi.com.tr/en/investor-relations/corporate-governance/>



Risk Management

Risk management is an essential building block for the continuation of the banking sector's activities, and a key tool for ensuring compliance with regulatory changes. One of Yapı Kredi's key priorities, risk management of the Bank is handled by a team of 112 working under the Audit Committee, who monitor, report and control risks in accordance with national and international legislation. The risks facing the bank are grouped under the three main categories of credit risk, operational & reputational risk and market risk, followed by environmental, social and ethical risks. Yapı Kredi's risk management processes are regulated by an internal Risk Management Policies

and Credit Policies Regulation. The Bank's risk culture requires all employees to participate in risk management. Risk management policies are evaluated every year and revised when necessary to take effect upon the Board of Directors' approval. All cases of policy violation are reported to the Board of Directors and the Executive Committee. The Credit Policies Regulation, reflecting the Bank's asset quality, efficient risk management and legal compliance strategy, was revised in 2017. Operational and information technology risks are among the important risk groups for Yapı Kredi. The Bank employs a Business Continuity Management Policy to ensure operational continuity and minimize relevant risks. This policy is complemented by Contingency, Crisis Management and Business Recovery plans. For detailed information on the Board of Director's supervision, individual responsibilities of committees and activities of units involved in risk management, **see the Annual Report p. 71-75.**

Corruption Risks

Yapı Kredi goes beyond regulatory compliance in the fight against corruption and bribery, and implements its internal Anti-Corruption Program. Accordingly, we have developed a risk assessment methodology to drive efficient performance of analysis, assessment and decision-making mechanisms in primary corruption risk areas.

As part of the risk assessment methodology, we evaluate operations with the highest risk of bribery and corruption, and carry out a comprehensive risk assessment using periodically revised methodologies. Results from risk assessment activities are reported on a regular basis to the Audit Committee to inform necessary measures.

Human Rights Risks

Yapı Kredi evaluates its human rights performance as part of social risk assessment. We carry out company-wide assessment activities that assess the Bank's exposure to human rights risks such as child labor, a low-risk area with regard to the nature of the Bank's operations, as well as forced labor. We also carry out activities to reduce overtime work. **In 2017, 1,731 employees were given 519 hours of training in total in human rights-related areas.**

All of Yapı Kredi's operations were assessed with regard to human rights and corruption risks.

While human rights, and ethical and corruption risks are assessed as part of the financing exposure assessments, social, ethical and environmental risks are evaluated under the Environmental and Social Risk Assessment

System. For detailed information on the management of environmental and social risk management in lending activities, see the **Financial Performance** section.

Ethical Banking

Ethical banking is the foundation of the Yapı Kredi's reputation and confidence of our customers. We shape our values with the mission of open, transparent, accountable and ethical banking, and uphold these values as we strive for strong growth and success. Ethical and transparent banking is a priority area for our stakeholders, and Yapı Kredi's particular attention to ethics has brought a high performance in this area.

Our revised Code of Ethics and Business Conduct Principles provide the outline of how we do business. Yapı Kredi's Anti-Bribery and Corruption Policy complements its Code of Ethics in guiding the Bank's activities. The Bank has whistleblowing channels for reporting violations of these policies.

Yapı Kredi has dedicated and confidential whistleblowing hotlines for reporting Internal Audit, Anti-Bribery and Corruption, Ethics and Sanctions violations. In 2017, The Ethics Hotline received and resolved 65 reports, the majority of which were related to reports concerning general behavior. The Ethics Hotline also serves as a reporting channel for internal complaints on discrimination. The Hotline and the HR Helpline received no reports of discrimination during 2017. No reports on Anti-Bribery and Corruption violations were received and there were no confirmed cases of bribery and corruption within the organization. No personnel faced disciplinary fines or penalties during 2017 for violation of the Anti-Bribery and Corruption Policy. In 2017, no reports on bribery or corruption were received through the communication channels set up for bribery and anti-corruption purposes; likewise, no accusations were made through external channels on bribery or corruption-related issues.

For Yapı Kredi's Whistleblowing Statement, visit https://assets.yapikredi.com.tr/WebSite/_assets/pdf/en/investor-relations/governance/corporate-governance/Statement_on_Whistleblowing.pdf

Yapı Kredi carries out a comprehensive anti-corruption program:

- We provide training to employees, including the employees of domestic and overseas subsidiaries, and strive to raise employee awareness on anti-corruption and code of ethics. In this context, we provided 25,428 hours of ethics and anti-corruption and bribery training to 18,069 employees. This figure also includes 240 senior managers who received the same training.
- During the reporting period, we provided 93.14 hours of ethics and anti-corruption and bribery training to 561 employees of suppliers and contractors.
- We evaluate all operations with regard to corruption risks, and establish anti-corruption control mechanisms across the organization.
- We establish secure and accessible whistleblowing channels for employees and stakeholders.
- We report our anti-corruption program progress to the Audit Committee on a monthly, quarterly and annual basis.
- We evaluate potential suppliers from a corruption-standpoint before signing a contract, and endeavor to expand the scope of anti-corruption training across the entire supply chain. There have been no reported cases of bribery and corruption involving agents, suppliers or contractors in 2017, and no contracts with any firms were terminated for such grounds. We are planning to continue supplier and contractor trainings in the following periods.

For the fifth consecutive year, we were named "Turkey's Most Ethical Company" at the ETIKA Turkey Ethics Awards by the Ethical Values Center Society.

For Yapı Kredi's Code of Ethics and Business Conduct, visit https://assets.yapikredi.com.tr/WebSite/_assets/pdf/en/investor-relations/governance/corporate-governance/Code_of_Ethics_and_Business_Conduct_2018.pdf?v1

Find Yapı Kredi's Anti-Bribery and Corruption Policy at https://assets.yapikredi.com.tr/WebSite/_assets/pdf/en/investor-relations/governance/corporate-governance/Rusvet_ve_Yolsuzlukla_Mucadele_EN.pdf

Responsible Procurement

At Yapı Kredi, we aim to spread our corporate values and sustainability principles to the entire value chain. To this end, with the Responsible Procurement Policy which we published in 2016, we strive for reducing the environmental and social impacts of purchased products and services throughout the life cycle and we encourage all our suppliers to comply with Yapı Kredi's environmental, social and human rights criteria. In our procurement activities, we prioritize local suppliers, who accounted for 94% of our 1,624 suppliers in 2017. 50% of our suppliers in 2017 were either UNGC signatories themselves, or provided a signed statement of compliance with our environmental and social criteria. Suppliers' compliance is assessed through external audits every two years, and we plan to increase the ratio of compliant suppliers in the years ahead.

Find Yapı Kredi's Responsible Procurement Policy at https://assets.yapikredi.com.tr/WebSite/_assets/pdf/en/investor-relations/governance/corporate-governance/Responsible_Procurement_Policy.pdf?v1

CORPORATE GOVERNANCE

OUR FINANCIAL CAPITAL

OUR INTELLECTUAL CAPITAL

OUR HUMAN CAPITAL

OUR SOCIAL CAPITAL

OUR NATURAL CAPITAL

PERFORMANCE TABLES

GRI CONTENT INDEX

OUR FINANCIAL CAPITAL

Sustainability Report 2017



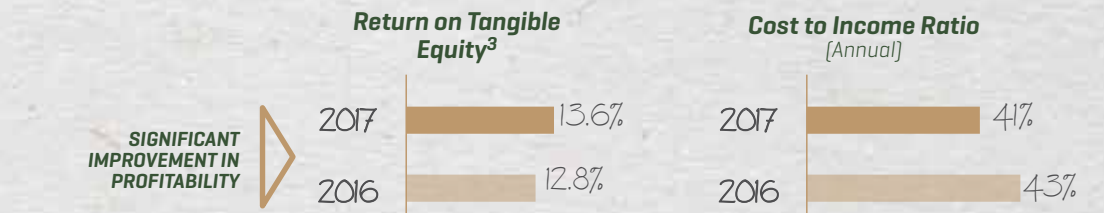
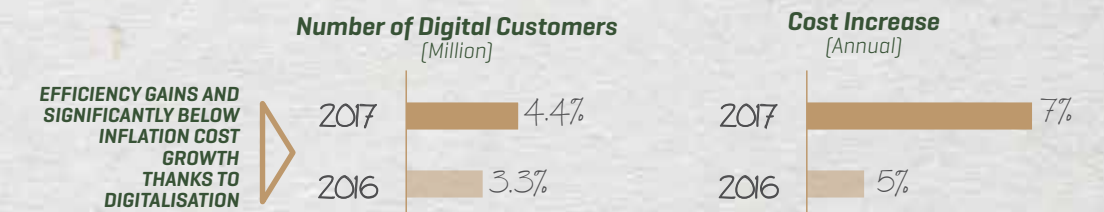
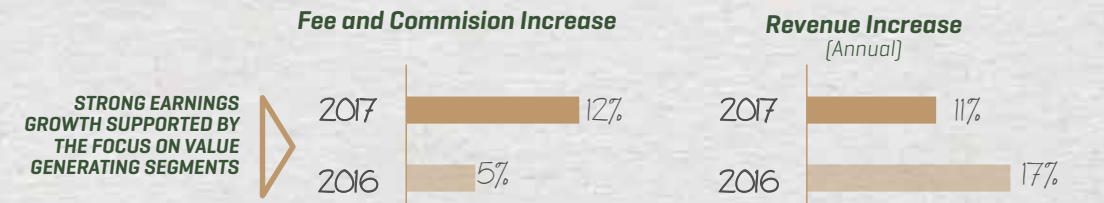
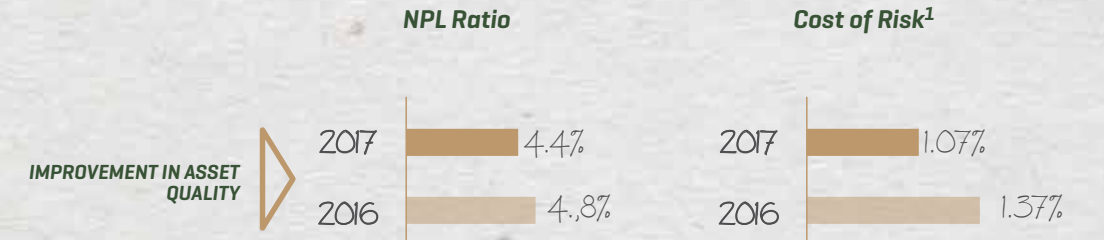
Our Financial Capital

Yapı Kredi strives to contribute to long-term, sustainable economic growth that will create lasting value for all stakeholders. As we work with a focus on productivity and profitability, we also pioneer digital transformation in the sector, and deliver products and services that increase quality of life for our active customer base of 13.3 (out of 23.5 million total customers) while taking into account our environmental and social impact. We continually enhance our competitive edge, financial performance and contribution to the Turkish economy through practices of exemplary nature not only for Turkey, but for other well-established banking systems across the globe.

We recorded 11% growth in total revenue, 33% growth in net income and 18% growth in asset size in the last year.

In line with our goal of driving strong and sustainable growth, we continue to take firm steps towards strengthening our asset quality, capital structure and liquidity, and at the same time, enhance the efficiency of our operations through a prudent cost management approach. In 2017, we continued to support projects of critical importance for the country's economy, increasing our total cash and non-cash loans by 14% to reach TL 278.7 billion in the process.

	2015	2016	2017
Net income (million TL)	1,909	2,933	3,614
Asset size (billion TL)	235.3	271.1	320.1
Cash & Non-Cash Loans (billion TL)	210.1	244.9	278.7
Loans (billion TL)	152.5	176.5	199.9
Deposits (billion TL)	130.0	157.1	173.4
Equity (billion TL)	23.1	26.1	30.1
Cost/Income Ratio	49%	44%	42%
Return on Tangible Equity	9.7%	12.8%	13.6%
NPL Ratio	%3.9	%4.8	%4.4



For detailed information on Yapı Kredi's financial performance, see the 2017 Annual Report, and for Yapı Kredi's rating from international agencies, visit the **Investor Relations** section of the Bank's corporate website.

Responsible Financing

At Yapı Kredi we see responsible financing among the Bank's strongest contributions to the sustainable growth of Turkey. We assess each project we finance for any risks presented to stakeholder groups, particularly local communities, employees, and customers, and effectively manage any risks that may arise.

Environmental and Social Risk Assessment System

This year, we launched the Environmental and Social Risk Assessment (ESRA) System, which serves to ensure compliance with the social and environmental standards set by Yapı Kredi for its lending activities. The system utilizes the "ESRA Model" in assessing risks, which is based on local legislations and the IFC's Environmental and Social Performance Standards

We have provided distant training courses on "ESRA Workflow Form Usage" to 357 employees in relevant units to ensure smooth transition to the ESRA System.

As part of the system, all credit requests are assessed against the "Environmental and Social Policy", and its Exclusion List. Accordingly, under no circumstances will Yapı Kredi grant loans for activities included in the Exclusion List. The list may be found at the **Investor Relations** section of Yapı Kredi's website.

"Assessment of Environmental and Social Risks of Credit Activities" process involves an environmental and social assessment of all Bank investment and project financing loans with an loan amount above US\$ 20 million and a maturity of at least three years with a view to determining project risk categories and informing appropriate action. The Environmental and Social Risk Assessment Model categorizes risks under three groups: high, moderate, and low risk.

Category A: Business activities that have an environmental or social risk and/or impact that is diverse, irreversible or unforeseen, and of significant severity.

Category B: Business activities that have an environmental or social risk and/or impact that is limited, generally localized to the project area, largely reversible and already subject to mitigation measures.

Category C: Business activities that have minimal or no environmental or social risk and/or impact.

The actions to be taken and follow-up activities regarding high- and moderate-risk projects are as follows:

- The investor must complete project documentation as part of the Environmental Impact Assessment (EIA) Regulation (EIA Report, Project Presentation File, opinion letters, rulings, etc.) and must have obtained all temporary environmental and social permits.
- Throughout the investment, the investor is required to ensure successful implementation

of environmental and social measures as defined and approved in the Project Presentation File, and prove consistent implementation of such measures through supporting documents.

- An external Environmental and Social Consultant/Expert will prepare an Environmental and Social Status Assessment / Action Plan and Monitoring Plan that comply with the IFC Performance Standards to ensure that all environmental and social aspects of the investment are monitored and reported regularly.
- The Environmental and Social Consultant/Expert will monitor the investment via field visits to be held at least once a year throughout the investment phase, and once after the investment is completed. The loan contract will include a provision that obligates the investor to comply with the Action and Monitoring plans.

For projects in the low-risk category, the investor's environmental and social permits are checked and temporary permits are followed up. Environmental and social findings (if any) concerning the customer and the facility subject to the loan, are followed up in credit review meetings at least once a year.

Results from implementation of the Environmental and Social Risk Assessment Model are reported on an annual basis. Reporting results are disclosed one month following the end of the relevant year. Implementation results are presented to the Sustainability Committee at the annual Sustainability Management System Evaluation Meeting.

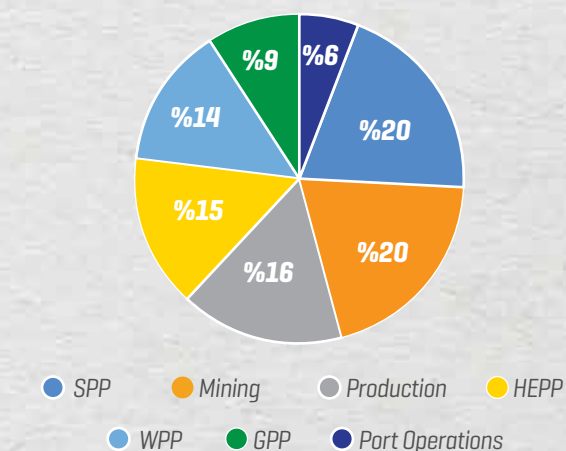
The scope of the annual implementation results report;

- The number of projects that are rejected directly without being put through the Environmental and Social Risk Assessment Model due to noncompliance with the Environmental and Social

Policy or the Exclusion List,

- The number of projects evaluated by the system and the total limit of loans granted, and
- The risk category distribution of the projects evaluated within the scope of the system.

There have been no projects that were rejected directly due to noncompliance with the Environmental and Social Policy or the Exclusion List. During the year, we allocated over US\$ 400 million in loans to 19 projects that we assessed under the ESRA Model.



The breakdown of project areas and credits allocated are as follows:

- US\$ 81.8 million in project finance for solar power plants (SPP),
- US\$ 80 million in corporate finance for mining operations,
- US\$ 63.6 million in commercial finance for chemical and fertilizer production,
- US\$ 62 million in project finance for hydroelectric power plants (HEPP),
- US\$ 56.05 million in project finance for wind power plants (WPP),
- US\$ 37 million in project finance for geothermal power plants (GPP)
- US\$ 23.6 million in commercial finance for port operations.

¹For moderate-risk projects, the Environmental and Social Sustainability Risk Specialist from the Corporate and Commercial Credits Management determines whether the project necessitates an Action and Monitoring Plan. If the services of an external Environmental and Social Consultant/Expert are not required, environmental and social monitoring efforts during the investment and operation stages are carried out by the Environmental and Social Sustainability Risk Specialist. The monitoring process involves field visits, which are held at least once a year throughout the investment phase, and once after the investment is completed.

The risk category breakdown of the projects evaluated within the system is given below.

Category A: 6 projects

Category B: 4 projects

Category C: 9 projects

For detailed information on the ESRA System, see the **Sustainability** section of Yapı Kredi's website

Responsible Lending Statement

Yapı Kredi aims to provide accurate information to customers and enhance their financial literacy while offering financial products and services that will increase their prosperity. To transparently communicate our principles to stakeholders, we have created a "Responsible Lending Statement" that covers all individual and consumer lending activities. For detailed information on our Responsible Lending Statement, see the **Investor Relations** section of our website

In 2017, we became a signatory to the UN Global Compact Turkey's Declaration of Sustainable Finance, thereby taking a significant step towards integrating sustainability criteria into our loan allocation policies and raising awareness about responsible financing.

Sustainable Product Portfolio

Sustainable products are greatly important in terms of generating permanent value for the society, providing healthy and balanced growth in line with the Sustainable Development Goals. In line with our vision of digitalization, we develop customer experience with customized and innovative products while improving the efficiency of our operations. To make sure we meet the needs and expectations of our

customers the best possible way, we continue to expand our product range with socially and environmentally responsible products, while facilitating access of disadvantaged groups to financial services. We evaluate potential risks and opportunities of our financial products on climate change, and build new fields of cooperation in order to offer products that are more effective in the combat against climate change. With products compatible with our responsible banking approach, we contribute to a more inclusive, environmentally conscious and robust economy for everyone including SMEs, farmers, women entrepreneurs and young people.

Climate-Oriented Products

At Yapı Kredi, our principles include acting with an awareness of our responsibility in the process of transition to a low-carbon economy. In line with our Sustainable Development Goals and Sustainability Principles, we are expanding our climate-oriented products that encourage the use of renewable energy resources, which are strategically critical for Turkey, and an efficient use of energy. In order to minimize climate change-related risks on the business world and the banking sector, we focus on opportunities that emerge in the combat against climate change.

Renewable energy is among the areas we concentrate on most for project financing. With the loans we granted, a total installed capacity of 6.598 MW has started operating. Accordingly, we offer diversified sources to investors by obtaining finances from international agencies such as European Investment Bank (EIB), European Bank for Reconstruction and Development (EBRD) and Export Credit Agency (ECA).

In 2017, we granted loans worth more than US\$ 622 million to renewable energy projects..

The projects we carried out under TurSEFF (Turkey Sustainable Energy Financing Facility), an SME program for energy efficiency and renewable energy by EBRD, have brought us the "The Best Bank in Project Development" award. Our customers who benefit from our climate-oriented products also received awards. Saydam Tekstil, a commercial banking customer that we granted loans for TurSEFF, minimized their energy costs and won the "Best Use of Process Automation" award, while Kılıç Holding received the "Best Rural Electrification Project" award.

We contributed as financier to the loan package worth US\$ 720 million, which covers the financing of Kadıncık I-II hydroelectric power plants and the refinancing of the current hydroelectric power plant portfolio of İçtaş Energy. The said loan package was entitled to the "Best Project Finance in Central and Eastern Europe" award by EMEA Finance and "Best Natural Resources Finance Project" award by Bonds&Loans.

Supporting SMEs

We contribute to the growth of SMEs, the lifeblood of the economy, with products developed for them. With the increasing number of our SME customers, currently more than 1.1 million, the impact of the support we provide for Turkey's development expands as well. We identify the needs of SMEs operating in various industries and develop areas of cooperation and products accordingly.

· In terms of loans, we cooperate with Credit Guarantee Fund (CGF) and act as an intermediary for CGF programs to support financing for SMEs. Becoming the first company to support SMEs as part of CGF, Yapı Kredi Leasing further strengthened

its leading role.

· Thanks to an agreement signed with KOSGEB [Small and Medium Enterprises Development and Support Administration], SMEs were offered zero-interest credits as part of programs entitled "Zero-Interest Working Capital Credit Support in 2017" and "Immediate Support Credit in 2017."

· In 2017, we contributed to SMEs operating in the manufacturing industry with the "Manufacturing Support Program." Accordingly, we offer a wide range of possibilities for companies operating in the metal products, plastics, furniture and various manufacturing sub-industries. Our basic loan solutions in the program are tailored for the companies that operate in these areas. With the said program, we aim to alleviate the burden of financing costs for R&D activities and the purchase of machinery, production equipment, raw material and intermediate products.

· Based on the demands by SMEs, we add new POS products to the already innovative ones. To serve this end, we added 10 new features to the Commission-Free POS product in 2017.

Please visit **Yapı Kredi SME** to find out more details about our product offer.

In 2017, Yapı Kredi partnered with Turkish Airlines and Universal Air Travel Plan (UATP) to launch Turkish Airlines Corporate Club Card, first of its kind in the world used for travel spending. The card offers SME, commercial and corporate customers a variety of benefits including discounts and installment plans for flight purchases, passenger lounges and extra luggage privileges. With the card, we also aim to reduce the travel costs of these customers and help them develop travel management.

Agricultural Banking

With a motivation to accelerate modernization in agriculture and to contribute to Turkish economy by boosting efficiency, we develop areas of cooperation and products to support agricultural businesses. We provide financing in Turkey as part of our cooperation with the IPARD program developed by the EU to boost sustainable development in agriculture. Additionally, Agri Card holders benefit from advantages such as interest-free payment terms for the purchase of agricultural inputs. Please visit **Agricultural Banking** for detailed information on our industry-specific products including loans, insurance and cards.

We Stand By Female Entrepreneurs

As part of gender equality activities, Yapı Kredi takes steps towards supporting women's participation in economic power. To serve this purpose, we offer Women Entrepreneur Loan in order to cater to floating capital needs of our female customers, providing them with advantageous conditions. Please visit **Yapı Kredi SME** for more information on the Women Entrepreneur Loan.

For My Country Fund

In order to support the "For My Country" project by Koç Holding, we launched the "Fund For My Country." Nearly 70% of the revenues we obtain from the investments in the fund goes to the social responsibility activities of "For My Country" project in the relevant period. In 2017, we supported a project entitled "When Fathers Change, Society Changes" organized by AÇEV [Mother Child Education Foundation]. For more information on the project, please refer to the "Our Social Capital" section.

Supporting the Youth

We develop products that focus on the needs of young people, supporting their education and the improvement of their financial awareness. Please visit **Play Kart** to find out about banking opportunities we provide with Play Card tailored for young people as well as about how to use the credit card and banking services

Enabled Banking

We consider it important to increase disabled people's access to financial services. In line with our "Dedication to Deliver", we design our products and services in a way that enables access by disabled citizens. Accordingly, we develop innovative applications on all digital channels, continuing to lead the industry. Our visually impaired customers use digital channels with the voice command system while hearing-impaired customers use applications such as online chat. All disabled customers who submit their disability information to our Bank benefit from services catering to disabled people [transactions free of charge on ATMs shared with other banks, priority access to customer representative during calls to Customer Relations Center, priority services in tellers of branches etc.] Furthermore, we improve the diversity in voice transactions menu on Enabled ATMs, while sending SMS to visually-impaired customers for transactions with financial results on ATMs. As part of our Enabled Banking Program, we continued to raise the number of Enabled ATMs across Turkey in 2017.

For further information, please visit **Enabled Banking**.



OUR INTELLECTUAL CAPITAL

Sustainability Report 2017



Our Intellectual Capital

With innovation capacity as the building block of intellectual capital, we reap the fruits of digital transformation, create advantage out of it and seize an opportunity to grow. We consider the technological possibilities of digital transformation as opportunities to create value for our Bank and for our stakeholders. Major digital technology trends that affect the banking sector and change the way of doing business in the industry include big data, virtual reality, artificial intelligence, Internet of Things and cloud technologies. In order to respond to changing expectations from stakeholders and to maintain high customer satisfaction, we follow new developments closely to improve processes, extend banking services, ensure easy and enjoyable use of products by customers, protect personal and confidential information and save money. We launch pioneering, innovative projects for the sector and strive to design the processes of the future from now. Integration of digital transformation and new technologies in banking practices offer a better banking experience for our customers while giving us a chance to acquire new customers.

In 2017, we increased investments in digitalization, information security and cyber security which are top priority topics both for our stakeholders and Yapı Kredi. We work on effectively managing these areas, and make use of innovation as a tool to adapt novelties to the Bank and develop them at the same time.

Innovation, creativity and intrapreneurship are the most essential components of the our Bank's culture. We enrich our corporate culture by providing training to our employees on issues such as innovation and intellectual property. We appreciate the opinions of our employees who communicate with our customers through various channels every day, and we design new products and services by taking their opinions into consideration. With practices developed especially

in digital banking, we strive to maintain our position as the leading bank in digital transformation, both in the present and in the future.

EVREKA: Employees enjoy a chance to use the EVREKA Idea Management platform to submit to the Bank creative ideas they have developed based on their own experiences or the feedback they receive from customers. Accessible to all employees, the platform collects ideas on many different areas including development of customer and employee experience, boosting product and service diversity, efficiency, cost optimization; and encourages creative ones to turn into projects that create value. A total of 62 ideas from employees were put into action in 2017. 554 new ideas collected throughout the year fulfilled the EVREKA criteria and accepted ideas were delivered to relevant departments for evaluation.

EVREKA2 (Evreka squared) is an intrapreneurship and innovation competition for the entire Koç Group run in parallel to EVREKA platform, in which employees can join individually or in teams. A total of 12 projects made it to the finals at the competition this year. Efforts are already underway to realize these projects, developed with the mentorship of managers.

Our activities are in line with two of the United Nations Sustainable Development Goals, namely "Decent Work and Economic Growth" and "Industry, Innovation and Infrastructure" which underline the necessity for companies to invest in innovation for a sustainable future.

Digital Banking

Digitalization of banking transactions means faster, more reliable and more enjoyable experience for customers. To us it brings

opportunities such as transferring our banking operations to new platforms, developing new products and services, reaching out to customers via new channels, boosting operational efficiency and saving. In line with our vision as "Digital Bank of Turkey," and in an effort to turn opportunities into advantages for our customers and our Bank, we constantly improve our Yapı Kredi Internet Branch and Yapı Kredi mobile application, while investing in our technological infrastructure.

- Compared to the previous year, duration of high-volume transactions were improved further, with the completion time dropping to 17 minutes at a 24% decrease.
- Technical malfunctions in operational processes were improved by nearly 20% compared to the previous year.

We use the Digital Index across the Bank and follow up monthly in order to measure our digitalization activities. We designed a digital banking experience with the contribution of employees and customers, based on the principle of "Single Password", "Single App" and "Single Experience." We use the same design in all of our digital channels, thereby offering an ease of use to our customers. This year we further advanced Yapı Kredi Mobile, positioned as the Bank's remote control, and other innovative applications, and became a pioneer in digitalization both in Turkey and around the world.

In 2017, the Bank's activities in digital banking received over 30 awards, 25 coming from international institutions, including "Most Innovative Digital Bank in the World", "Most Innovative Digital Bank in Europe" and "Most Digital Bank in Turkey."

Please visit <https://www.yapikredi.com.tr/en/limitless-banking/awards> for a complete list of awards we received in digitalization.

Thanks to our leading innovations on digital platforms:

- **Number of active customers on digital banking channels rose by 32%.**
- **Number of mobile app users rose by 51%.**
- **Average instant customer experience rate of the Internet Branch increased to 77%.**

In order to continue our mission to lead digital banking, we plan to launch many applications based on global and local trends as well as customer expectations. These include development of digital authorization processes in the branches, renewing ATMs and upgrading their performance and improving the Customer Relations Center to provide faster and greater number of services during the first contact.

Following are some innovative instruments we have developed in digital banking:

- New products and functions for Internet Banking and Yapı Kredi Mobile app
- Secure access to Yapı Kredi Mobile with Eye-ID
- Contactless cash withdrawal and deposit in ATMs using QR Code
- Contactless mobile payment on Yapı Kredi Mobile with Near Field Communication Technology
- Money transfer on all messaging apps on Android smart phones and on iMessage with Siri
- Apps for smart watches and televisions
- Integration of Yapı Kredi Mobile on Ford Cards equipped with Sync3 feature
- Digital Authorization for banking transactions in branches
- "No Panic Button" that enables temporary blockage of customers' cards in case of theft or fraud.

We constantly improve our Yapı Kredi Corporate and Individual Internet Branch. We position our Corporate Internet Branch as a business platform. Primary functions of the platform include electronic payment order, FX+ services enabling high volumes

of FX buying and selling and integration with Yapı Kredi Leasing. Meanwhile, we transferred more than 90% of all products for our individual customers on our Internet Branch. These include travel insurance services, opening an investment account without the need to go to the branch, opening a Findex account and topping up on Türk Telekom mobiles. Thanks to these innovations, total number of individual and corporate transactions rose to 300 million in 2017.

Yapı Kredi Mobile: By integrating the mobile world, an indispensable part of human life today, with our banking operations, we make headway in efficiency, saving and customer satisfaction. As the remote control of the Bank, we use mobile applications to control all channels from a single point. We have thereby created a more convenient experience for customers. Additionally, we combined our individual and corporate mobile branch applications, uniting them under Yapı Kredi Mobile.

“No Panic” Button: We took into consideration the potential state of mind of customers in case of a theft or fraud, and created the “No Panic” Button. Added to the homepage of Yapı Kredi Mobile app this year, the button enables customers to lock all of their cards for 24 hours. Depending on the approval by the customer, the cards are reactivated during this temporary period. Following the launch of the “No Panic” Button, 200 thousand cards were temporarily locked, with only 10 thousand of them canceled permanently upon demand by customers. By forestalling the unnecessary cancellation of 190 thousand cards, we prevented nearly 6.65 tonnes of CO2 emissions. Thanks to this new implementation, we achieved major efficiency boost both for the customers and for the Bank.

Digital Authorization: Numerous services that require high amounts of paper use were transferred to digital channels as of the end of 2017. We introduced digital authorization and thereby accelerated processes which until then required a lot of paperwork and customer signatures. This new approach saved time for the customers while also saving 2.4 millions of sheets of paper throughout the year. In total, we saved 12 tonnes of paper, preventing over 200 trees from being cut down. We are planning to increase this amount to 32 million tonnes of paper next year.

Eye-ID: We consider digitalization an opportunity to increase the security of our customers. We introduced retina scanning technology to sign in to mobile apps, first of its kind in Turkey and in Europe, taking a great step forward in security while making sure our customers have a more enjoyable experience with no need to memorize various different passwords. The biometric information used in Eye-ID is encrypted and retained on the system of the Bank and not on a given device, thereby blocking access to information by third parties. Since November 2016, a total of more than 7.6 million customers have used Eye-ID.

QR Code: In November 2016, we introduced cash withdrawal with QR Code, followed with cash deposit with QR Code in December 2017. Thanks to this feature, our customers can safely withdraw or deposit cash to ATMs with no need to touch the machines or use their cards. Furthermore, customers are also able to scan QR codes on the screen and make payment when completing a purchase on certain websites. Our customers use QR Code about 800 thousand times per month.

NFC: We have integrated Yapı Kredi Mobile with mobile phones equipped with NFC - Near Field

Communication scanner, enabling customers to use their phones to make contactless payments.

As part of our innovative efforts in 2017, we offered our customers direct connection to the Customer Relations Center on Yapı Kredi Mobile app, as well as branch queue map display and priority queue number features. We enabled money transfer on all messaging apps on Android smart phones and on Siri and iMessage on iOS smart phones. With applications developed for smart watches and televisions, we enabled several banking transactions with market and investment watch features. We integrated our mobile app features with Ford vehicles equipped with Ford Sync3 technology, offering safe transactions while driving. These include services such as creating routes to the nearest ATM/ Branch with voice commands, receiving info on FX rates and Borsa Istanbul (BIST) and direct connection to Yapı Kredi Customer Relations Center.

We continued practices to digitalize SMEs: While meeting the financing needs of SMEs with our products and services, we work on activities that will better adapt them to the digital world. In order to contribute to the digital transformation of SMEs, we have launched www.yapikredikobi.com.tr On the website we offer numerous solutions to help SMEs transfer their transactions to digital channels. We support SMEs on all dimensions including training videos and solutions tailored for them. The videos we have produced for this purpose were watched by 4.000 people this year. In addition to trainings, members of the website can apply for loans and products online. The website also provides special information and convenience for SMEs that plan on starting e-commerce and grow their business. The calendar shows deadlines for social security, tax and invoice payments as well as dates of fairs, events and other important activities. On the website SMEs also access current affairs,

industry news and developments in the markets. With our robust digital infrastructure, we support the digitalization efforts of our SMEs and seize the opportunity to grow with them. Thanks to our efforts in this area, the number of SME customers making use of our digital banking channels have grown by 28%.

Technological Risks and Cyber Security

Digitalization brings major risks for information confidentiality and security. One of our biggest responsibilities lies in data security and cyber security. Aware of all the risks resulting from digitalization, and moving beyond statutory obligations, we strive to ensure the confidentiality and security of customer information.

As a bank with the most successful integration of digital transformation, we adopted a series of corporate policies that go beyond statutory obligations and legislations. These include regulations such as Rules to Protect Confidentiality of Customer Information, Code of Ethics and Business Conduct, Corporate Policy Regarding Protection and Processing of Personal Data and Information Security Policy. We inform our customers on the corporate policies related to this issue. We constantly inform customers and communicate with them on how to take measures to ensure cyber security.

All Yapı Kredi employees are obliged to comply with corporate policies and rules, and they are regularly notified of amendments to relevant legislation or rules. We carry out annual tests in order to measure the risks and threats our related employees bear in this specific area. Based on the results of the test, we identify the strengths and weaknesses of our employees, organize training courses and awareness-raising activities to help them improve themselves and avert current threats. Only

authorized employees have restricted access to customer information, which is recorded.

We continuously improve and upgrade our technological infrastructure. We hence build up our technological capabilities and take measures against technological risks. With a view to decrease system-related interruptions during transactions in branches, we constantly carry out innovation efforts to ensure continuity. We analyze well the potential risks that technology brings, developing emergency plans in case of potential dangers and update those plans continuously.

“Customer’s Voice,” our customer complaint management system, has a section entitled “Customer Information Privacy” where customers register complaints and we make it our priority to respond and find a solution to such complaints as soon as possible.

R&D and Areas of Cooperation

We involve various ideas and suggestions in our R&D activities, enabling talented people to work with the Bank with the right partnerships and cooperation. We conduct our activities in cooperation with TUSIAD Innovation and Technology Working Group and Koç Holding Technology and Innovation Board. We owe many innovations in 2017 to our dynamic and academy-based R&D structure as well as cooperation initiatives both within our company and our group as well as outside.

Our R&D process starts with the development of a demo that introduces the basic components of the project to relevant business departments. This is followed by budgeting work and the subsequent submission of the project to the management of the Bank. After the finalization

of the project scope, funding applications are made to agencies such as TUBITAK and to the EU. Our R&D spending amounted to TL 10 million in 2017.

We lay great emphasis on cooperation with universities. We continue our activities in ARI Teknokent within Istanbul Technical University (ITU), while supporting undergraduate dissertation projects and giving lectures to undergrad and graduate students of computer engineering. An example is the Undergraduate Dissertation Program at ITU launched in the 2017-2018 Academic Year which is supported with scholarship. Lectures were given on Applied Artificial Intelligence in undergraduate and graduate Computer Engineering degree programs. We also cooperate with Koç University for dissertation projects. We have given lectures on Automatic Software Unit Test Approach at Galatasaray University, as well as a seminar on Artificial Intelligence in Finance at Bahçeşehir University. Additionally, we give a number of lectures under the auspices of Yapı Kredi on Information Technologies in Finance at Bahçeşehir, Ege, Dokuz Eylül and Istanbul universities.

TEYDEB 1501, a program by TUBITAK, awarded grants to three of our projects on systems using natural language processing and machine learning. These projects are namely SAFIR, which is already complete, and IPEC and FOCA, still in progress. They all aim to support financial analysis with machine learning methods. TEYDEB 1505 program provided grants to a project entitled DAKOTA, the application for which was jointly made by Computer Engineering Department of Galatasaray University and Yapı Kredi Technology. As a result of progress made with R&D activities of Yapı Kredi, 6 papers were presented in national and international

conferences. In the upcoming years, we plan to continue our cooperation with the academia at an increasing momentum.

Code.YapıKredi: With a view of growth alongside creating values for the society, we support young and talented entrepreneurs, encourage them to realize their dreams and to join our Bank. To serve these purposes, we created Code.YapıKredi platform in 2016 which continued to operate at a greater speed in 2017. Code.YapıKredi is a program free of charge accessible to anyone that aims to develop and produce software by identifying potential problems in the future. The program is made up of four stages: Training programs on coding, financial consultancy, incubation and investment. In addition to training programs open to everybody outside the Bank, coding training was given to the children of or employees as well.

As part of the API project included in the Code.YapıKredi platform in 2017, we carried on efforts to develop API and to establish fintech collaborations. In addition to Code.YapıKredi, a training platform for coding, Yapı Kredi API Portal was launched. Visitors on Code.YapıKredi website access online coding training programs and activities. Meanwhile 52 method sandbox/ live banking API is available on Yapı Kredi API Portal.

We organized two hackathons in 2017, one that involved our employees and the other students and individuals who are software developers/ entrepreneurs. Code.YapıKredi Hackathon, open to anybody interested in fintech, received more than 1000 applications in 2017.

The general purpose of the project is to develop financial technology and software ecosystem, while establishing cooperation in the area of financial technologies.



OUR HUMAN CAPITAL

Sustainability Report 2017



Our Human Capital

In line with our vision to become a leader in the finance sector by creating long-term value and to be the Bank of choice of our employees, human capital is a priority topic for us. As one of the biggest corporations in the banking sector of Turkey, we have 18,467 employees to whom we offer training and development programs that improve their professional competences while striking a better work-life balance. We devote effort to employee satisfaction, offer equal pay for equal work and ensure a safe workplace based on our inclusiveness and diversity principles. As the digital Bank of Turkey, we act with an awareness of how technology will shape the future, while investing in our human capital with training programs on digitalization.

Talent Management

We believe that proving our company as a brand of employees is a building block for long-term, sustainable growth. Based on corporate requirements and strategies, we discover talented employees with high potential and performance and support their development with training programs.

Training Programs

In order to boost professional skills knowledge of our employees, we founded Yapı Kredi Banking Academy (YKBA) in 2008, our chief investment in talent management. Led by 250 internal trainers, prominent advisors and academics in the sector, YKBA offers development and certificate programs to not only our employees but to their families, our customers and university students. This year, a total of 19,836 employees received 640,809 hours of training.

Each year, we at Yapı Kredi design special development programs based on our strategic

priorities and prepare training courses for all of our employees.

We provide technical training to employees to maximize their effectiveness at work and while also giving personal growth training in areas such as sales skills, communication and stress management to help build their competences. We support employees with a high potential with special development programs. Furthermore, we offer Basic Training Programs for newly hired members of staff, designed with different duration and content based on the requirements of their position. In addition to in-class training for our employees, we support alternative learning technologies in line with our digitalization strategy and use web-based learning portal and mobile applications.

In addition to leadership and talent development programs jointly run by our main partners Koç Holding and UniCredit Group, the Bank continues to support leadership development of employees with educational and development activities in cooperation with leading business schools in the sector as well as with universities. On top of these, we contribute to the personal and leadership development of our managers with mentorship programs.

Yapı Kredi also has partnership agreements with Koç University, Bilgi University, Bilkent University, Kadir Has University, Özyeğin University, İstanbul Ticaret University, Bahçeşehir University and Yeditepe University to provide employees master programs with a special discount. Furthermore in 2017, 41 people graduated from the associate degree program launched in partnership between YKBA and MEF University in 2015. Collaborating with MEF University, YKBA launched the Big Data Analytics master's degree program in 2017 in an effort to help

our employees specialize in big data analytics. In 2017, YKBA also partnered with the Department of Management of Boğaziçi University to offer an elective course entitled "Current Trends in Selected Industries: Banking" in which Yapı Kredi managers were guest speakers. The course gave students a chance to get to know the banking sector better.

Performance Management

In an effort to constantly communicate with our employees and support their career planning, we carry out meetings in person and organize open-door career days. We publish announcements on all vacant positions on our portals so as to help them lead their own careers and enable transfers to different positions in the company. Once a year, we assess the performances of employees in different levels.

Employee Satisfaction and Engagement

Our goals include offering a happy work environment to our employees, our biggest value, and to boost their satisfaction. We are involved in the employee satisfaction surveys conducted by UniCredit and Koc Group annually. The survey collects opinions of employees on their general satisfaction and commitment, perception of the company, training, development, performance management, rewarding and infrastructure opportunities. The survey is confidential, therefore personal information is kept private and the results are shared with relevant management. The results of the survey are evaluated on a holistic level and necessary actions are taken based on them.

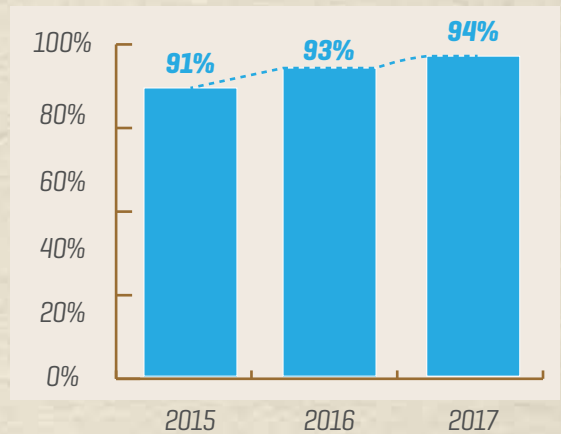
Additionally, we conduct a Beginners Survey to observe and develop the experiences of newly hired staff during the recruitment and adaptation process.

Work-Life Balance

We implement Yapı Kredi Employee Support Program in order to contribute to the professional and private lives of our employees. With experts on the program, employees seek solution to their personal issues. Additionally, with Employee Support Helpline launched in 2010, we provide free consultancy services for Yapı Kredi employees and their families in financial, medical, legal and psychological areas 24/7. With a 19% increase, the number of calls to the Helpline rose to 30 thousand.

We operate a daycare center for the children of employees working on the Anatolian side of Istanbul, and Yapı Kredi Bilfen Preschool for children of employees working at the Banking Base. As a result of these family-friendly practices, female employees' return-to-work rate after maternity leave has been rising for the last three years.

Return-to-work rate after maternity leave



In an effort to make sure our employees are healthy in mind and body, and to keep alive team spirit constantly, Yapı Kredi Sports Club has been offering sports opportunities for nearly a decade. We participate in Koç Group Sports Festival and organize Yapı Kredi Sports Festival. Since 2005, we have been carrying out an "internal sponsorship" project to support sportive achievements of employees and to encourage them.

Feedback Mechanisms

Our employees are able to ask questions and make requests on issues such as HR practices and personal rights to the relevant career consultant, manager, HR Helpline and the “Ask HR” on the HR IT Self-Service system. In 2017, a total of 30,800 calls to the HR Helpline and 29,204 questions on “Ask HR” were responded.

Employees can also refer to the Ethics Helpline under the Compliance and Internal Control department for complaints on employee rights, work conditions, mobbing, attitude of managers and violation of human rights etc. Complaints on the said issues received by the HR through other channels are also forwarded to the ethics management.

Volunteerism

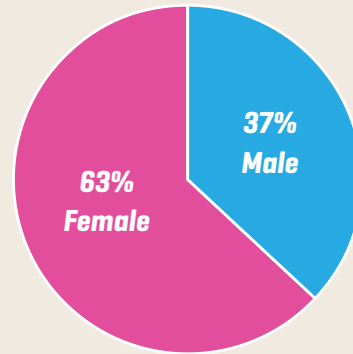
Yapı Kredi encourages employees to volunteer in social projects. To serve that end, voluntary “employee committees” were set up as part of the “MyVoice” project launched by the Banking Operations teams. Based on the feedback by committee members, project activities involving these members were started.

Inclusion and Diversity

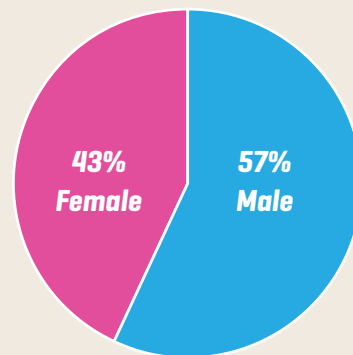
While 49.8% of Turkey’s population are women, their rate of participation in the workforce is 33%. Meanwhile, banking sector is among the sectors with highest level of female employment with a 50.9% rate. Yapı Kredi is among the leaders in the sector with a 63% rate of female employees. The rate of women in management positions is 43% in Yapı Kredi. In order to maintain our leading position in this area, we channel efforts into making sure female employees are represented in a balanced way in

all positions. Among Sustainable Development Goals, we support 5: Gender Equality, 8: Decent Work and Economic Growth and 10: Reduced Inequalities.

Breakdown of Employees by Gender (%)



Breakdown of Senior Management by Gender (%)



As one of the top banks in the sector both in terms of female employment rate and enabling women in management, we are involved in numerous projects that support women in every dimension of life. We take part in the “Declaration on Equality at Work” and “I Support Gender Equality for My Country” launched by Koç Holding. We are also a participant to the “HeForShe” and “16 Days of Activism” campaigns by UN Women that call on men to lead advocacy for gender equality and women’s rights. In partnership AÇEV (Mother Child Education Foundation), we played a major role in realizing

a project entitled “When Fathers Change, Society Changes” which aims to ensure gender equality and promote democracy at home. In an effort to strengthen existing practices and expand their reach, we signed United Nations Women’s Empowerment Principles (UN WEPs) in October 2016.

We observe equality between all of our male and female employees from the moment of recruitment onwards and make headway in our practices both with the support of our staff and our managers. We do not discriminate among our employees based on religion, language, race, gender and age in any area including remuneration, recruitment and promotion.^{2,3}

We respect our employees’ right to collective bargaining and freedom of association. The articles of collective labor agreements are communicated via the Bank’s communication channels and newly recruited employees are provided with information during the orientation training sessions. We aim to deliver solutions for workplace problems in a swift and timely manner, maintain labor peace between the Bank and union members, and increase efficiency through the Employee Relations Advisory Board (ÇİDAK) established within Yapı Kredi. In 2017, the unionization rate of Yapı Kredi employees was 58%.

Occupational Health and Safety

It is our priority to offer a healthy and safe work environment for our employees. We consider all of our efforts in this area as well as the culture of health and occupational safety an important element of our own culture and guide all of our

activities on the basis of our Occupational Health and Safety Policy.⁴

Our Occupational Health and Safety (OHS) activities are divided into two, based on locations with less than 50 employees and those with more than 50 employees. In locations with less than 50 employees, risk assessment, emergency plans, OHS training and medical examination are carried out; while in locations with more than 50 employees we fulfill statutory obligations by receiving services from occupational safety specialists and workplace doctors. In every place we operate, we identify and report dangers, near-miss incidents and situations that pose health hazards. The reports are then effectively analyzed and turned into preemptive actions.

The OHS manager is also the Human Resources and Operations Manager, with only three reporting levels under the CEO.

In partnership with Human Resources Operations and Business Continuity Departments, we devise emergency plans and support our employees and their families in health issues on the Employee Support Helpline. With a view to develop a culture of Health and Safety, we organize training, seminars and events on OHS at Yapı Kredi Banking Academy with the participation of workplace doctors and occupational safety specialists. We support and encourage efforts in this area. In 2017, we gave 32,317 hours of OHS training which makes up 5% of all training time. During the given reporting period, no fatal accidents took place. Compared to 2015, the rate of accidents dropped to 36% with 33% decline.

²Yapı ve Kredi Bankası A.Ş. Remuneration Policy: https://assets.yapikredi.com.tr/WebSite/_assets/pdf/en/investor-relations/governance/corporate-governance/Remuneration_Policy_EN_fin.pdf

³Yapı ve Kredi Bankası A.Ş. Human Rights Statement: https://assets.yapikredi.com.tr/WebSite/_assets/pdf/en/investor-relations/governance/corporate-governance/YapiKredi_Human_Rights_Statement_and_Appendices_new.pdf?v2

⁴Yapı ve Kredi Bankası A.Ş. Occupational Health and Safety Policy: https://assets.yapikredi.com.tr/WebSite/_assets/pdf/en/investor-relations/governance/corporate-governance/occupational-health-and-safety-policy.pdf

CORPORATE GOVERNANCE

OUR FINANCIAL CAPITAL

OUR INTELLECTUAL CAPITAL

OUR HUMAN CAPITAL

OUR SOCIAL CAPITAL

OUR NATURAL CAPITAL

PERFORMANCE TABLES

GRI CONTENT INDEX

OUR SOCIAL CAPITAL

Sustainability Report 2017



Our Social Capital

Companies can only continue to operate and succeed in prosperous societies. If our customers and the society, which make up our social capital, are strong, then our Bank will also be strong. While taking the sector forward with the innovations we have made in the banking sector, we attach great importance to adding value to society, and our customers in particular, by making lives easier and establishing trust-based relationships with our stakeholders. In order to improve our social capital, we give great importance to activities that lead to social development and increase financial accessibility. We support social investments by taking part in various projects in a variety of fields, including culture, art, and education.

Among our sustainability priorities are making investments centered around customer experience, as we believe customer orientation is crucial for our sector, and supporting social investment programs. We are aware that gaining higher customer trust depends on our Bank's offering an enhanced experienced. The core of our business model consists of providing more functional tools and easy-to-understand products, continuously improving our multi-channeled experience infrastructure, and finding effective solutions to customer problems. In this regard, we carry out various activities to improve customer experience and ensure our customers receive satisfactory services.

Customer Oriented Banking

At the core of our business strategy lies customer orientation. Our main priorities include improving customer experience by answering the needs of our customers and establishing regular communication, creating new tools through digitalization, and increasing customer satisfaction. In this respect, we are

making significant investments to enhance the effectiveness and quality of our operations and services in line with our vision of becoming Turkey's digital bank.

Customers by the Numbers

Number of Active Customers	13.3 million
Retail Banking	
Individual and Platinum Banking	12.1 million
Card Payment Systems	6 million
SME Banking	1.1 million
Corporate and Commercial Banking	36 thousand
Private Banking	22 thousand
Mobile Banking	3.7 million
Number of Digital Channel Customers	4.4 million
Number of Credit Cards	11 million

Customer Communications

We regard continuously improving the service quality we provide to our more than 13 million customers as one of our foremost responsibilities. In line with our customer-oriented approach, we are aware that sustainability is only possible with high levels of customer satisfaction and loyalty. We believe that one of the most important factors in providing a good customer experience and customer satisfaction is robust communication. We highly value the quality and effectiveness of our communication channels as we wish to better understand customer needs and expectations and improve our products and services.

Accordingly, to ensure the continuous improvement of systems and processes, we have established a dedicated team to monitor and analyze customer feedback and complaints across the Bank. This team holds the ISO 10002 Quality Certificate that awards meeting high international standards. The Customer Experience Committee, which we formed to further improve our service quality and customer experience via an exclusive approach and to comply with the regulations of the Banking Regulation and Supervision Agency, continues to contribute to customer-oriented improvements

Customer Relations Center

This year, we have renewed our Customer Relations Center and related processes to provide impeccable customer experience and increase efficiency. We have updated the name of the center, which we formed by redesigning and combining 33 different platforms, to "Yapı Kredi Customer Relations Center." Offering more services with a wider scope following its renewal, the center provides 360-degree continuous service with its more than 1,500 employees. Throughout the year, our employees contacted our customers more than 94 million times using various tools (inbound and outbound, chat, e-mail, social media, chatbot, voice response system, etc.). The center, which also serves branch customers, contacted the customers of our 789 branches more than 130,000 times on average per month.

We have achieved a significant increase in efficiency, quality and customer satisfaction through processes we have developed to better understand customer problems and respond more quickly and effectively to their needs.

One of our most effective efforts in digitalization and improving customer experience are the "Single Password" and "Single Application" we launched in line with our vision of creating a "Single Experience," which provides a unified look and experience across

all platforms. We enable our customers to receive services without providing extra information by allowing them to directly access the Customer Relations Center through mobile banking.

The Customer Relations Center became a robust sales channel for our Bank in 2017 and sold 6.6 million products and services, amounting to a 30% increase compared to 2016. In 2017, the product range expanded to 78 products. We carried out 17% of our general purpose loan sales through the Customer Relations Center.

As one of our essential channels in achieving customer loyalty, the Customer Relations Center realized such activities with a success rate of 71%.

Thanks to its activities, the Yapı Kredi Customer Relations Center was awarded the **gold award in the category of "Most Effective Improvement Strategy" at the European Contact Center and Customer Service Awards along with the "Best Technology and Innovation" presented by the IMI.** Moreover, thanks to its efforts to carry out integrated recruitment, increase customer satisfaction, effectively manage human resources, and boost employee motivation, the center has received five national and international awards, including the "Best Human Resources" award.

Customer Satisfaction and Experience

In line with our customer-oriented approach, we are implementing strategic activities using various tools and research to improve customer satisfaction and experience. We monitor customer experience on a daily basis by quickly contacting customers who carry out transactions at branches and the Customer Relations Center. In this regard, we obtained around 570,000 customer reviews regarding services throughout the year. In December 2017, we established the Innovation

and Customer Experience department with the aim of enhancing customer experience through projects focused on improving customer experience, evaluating feedback, reducing complaints through proactive approaches and preventive activities, improving processes, and increasing satisfaction. The Innovation and Customer Experience department implements activities oriented towards adopting proactive approaches and improving customer experience by evaluating customer feedback and views and analyzing current customer experiences. We hold focus groups with customers to achieve progress in the identified improvement areas, and we obtain customer views before implementing certain models. In 2017, 38 improvement areas were identified, 17 improvements were implemented, and 21 improvement projects were planned using such methods. The team's efforts centered on improving customer experience consist of systematic process improvements, such as defining e-statements, creating a new password identification process, and informing our customers about how to unblock blocked 3D secure passwords.

Moreover, the team we have formed is working on improving customer experience as well as preventing complaints. In the reporting period, we reduced the total number of complaints by 10% in the last quarter of the year compared to the first quarter by implementing 19 different preventive activities.

In addition to the instant customer experience we monitor on a daily basis, we also monitor the Customer Experience Index, which the Customer Experience committee comprising of the bank's top management calculates by combining the bank's operational performance indicators and overall customer perception. Calculated

based on 170 indicators regarding operational service and customer perception, the Customer Experience Index consists of a four-dimensional evaluation which includes speed, relation, accuracy, and simplicity. With this method, we are able to holistically assess and enhance customer experience through various activities.

You may access detailed information about our efforts focused on improving customer experience through digitalization and designing processes with smart systems under the heading "Our Intellectual Capital."

Social Investments

We are currently carrying out projects in various fields in order to support social development and respond to social problems and needs. We promote social development by encouraging "banking for everyone" to increase financial literacy, supporting education, and contributing to culture and art-related activities. In 2017, we invested TL 13.7 million in social programs.

Banking for Everyone

Equal access to financial products and services plays an important role in boosting social development and initiating transformation. Our goal is to enhance financial literacy by ensuring the public is informed about financial resources that facilitate economic inclusion and increasing disadvantaged individuals' access to financial products and services.

In this regard, we continue to raise awareness about how to manage and use financial resources by supporting the "I Can Manage My Money" project. Moreover, in line with our responsible approach that advocates banking for everyone, we continued the Enable Banking program which we initiated to

allow our disabled customers to easily access banking services. By launching the first enabled banking website in Turkey, namely www.engelsizbankacilik.com.tr, we aimed to make the finance sector more accessible for Turkey's disabled citizens. We have offered priority and designed various solutions and technological practices, such as enabled ATMs, for customers who have notified our Bank of their disability. You may access further details about our relevant activities in the section titled "Sustainable Product Portfolio."

Education

Through collaborations with various organizations, we take part in various education-oriented projects that focus on different areas, including gender equality and contemporary education. The wide range of aid we offer indirectly contributes to the sixth Sustainable Development Goal focused on promoting quality education.



• I Read, I Play

Since 2006, with the aim of encouraging children without access to contemporary education opportunities to engage in extracurricular educational activities, we have been carrying out the "I Read, I Play" project, developed in cooperation with the Educational Volunteers of Turkey Foundation (TEGV). Through the project, we aspire to encourage primary school children to read, think constructively and creatively, develop their skills to discuss and debate a certain topic while also equipping them with the skills to understand and express what they see, hear, and read both orally and in writing. With over 6,100 volunteers, the

project has reached more than 178,000 children at TEGV's nationwide education parks, learning units, and Firefly activity points.

• Colorful Pens

Launched in 2014 with the support of experienced journalists, the "Colorful Pens" project is expected to carry the goal and mission of the "I Read, I Play" education program a step forward. Under the mentorship of skilled journalists and TEGV instructors, children at TEGV activity points all around Turkey publish their own newspaper as part of the project. From layout to photography and news content to design, children prepare the Colorful Pens Newspaper entirely by themselves and share it in their provinces. Through this project, we also contribute to promoting media literacy.



Taking into consideration primary school children's high usage of the internet and their technological competence, we transferred the Colorful Pens Newspaper to a digital platform by publishing it on www.renklikalempler.org as of 2017. We aim to conduct the Colorful Pens project at all TEGV education points with the mentorship of local journalists in Adana, Bursa, Çorum, Denizli, Erzincan, Giresun, Istanbul, Izmir, Mardin, Nevşehir, Siirt and Van along with prominent figures on internet media.

• For My Country Fund

Within the scope of the "Koç – 'For My Country' Variable Fund" in partnership with the Vehbi Koç Foundation, we started to provide 5 successful university students with scholarships and continued to do so in 2017.

Another project we undertook as part of the For My Country Fund has been "Change Fathers, Change the Society".

• Change Fathers, Change the Society

Together with the Mother Child Education Foundation (AÇEV), we played an important role in launching the "Change Fathers, Change the Society" project, which promotes gender equality and strengthened democracy within the household. Within the scope of the project which advocates gender equality and democracy at home, we aimed to encourage fathers to take responsibility in the care and development of their children and spend more time with them. Moreover, as part of the program which aspires to raise awareness about fathers' roles in their children's lives and within the family, we have initiated training sessions under the Father Support Program in various provinces, including Afyon, Aydın, Balıkesir, Çanakkale, Denizli, Isparta, İzmir, Kütahya and Muğla. 780 fathers in 13 provinces were provided training in support of gender equality in the family.

• Yapı Kredi Vocational and Technical Anatolian High School

One of our most significant education initiatives is Yapı ve Kredi Bankası Vocational and Technical Anatolian High School in Çayırova, Kocaeli opened in the 2008-2009 academic year. A total of 20 students received an academic success scholarship, which was first granted in 2012

• Yapı Kredi Banking and Insurance Academic Program

The Yapı Kredi Banking and Insurance Associate Program we initiated in partnership with MEF University in 2015 with the aim of educating youth to become the bankers and finance experts of the future produced 41 graduates in 2017.

• Anatolian Scholarships

Launched by Koç University, the Anatolian Scholarship Program continued to enjoy the support of Yapı Kredi, which provided scholarships for 8 students in 2017.

Culture-Arts

In order to support cultural and arts activities, we have taken up the role as stakeholders of established organizations and long-term projects.

• Yapı Kredi Cultural Activities, Arts and Publishing

As one of Turkey's most prominent publishing organizations, Yapı Kredi Publications (YKY) continued to contribute significant works to the world of art and culture in 2017. We continued to contribute to the art world by publishing 256 new titles and 1,165 reprints. YKY reached 5,005 published titles since its foundation and it has continued to be a leading actor of the publishing sector. We increased the share of children's books in our publications and brought together students, teachers, librarians, authors and editors by holding nearly 110 school events throughout the year.



The newly opened Yapı Kredi Culture Art building in Beyoğlu organized 130 events and made important contributions in the area of culture and arts by reaching numerous art-goers through its "Sarmal (Helix)" exhibition. Through its mission to support educational, cultural and artistic projects that elevate the welfare level of society, Yapı Kredi Culture Art Publishing also supports the publishing of audio books, which is a recently growing field of activity in Turkey. In collaboration with the Assistive Technology and Education Laboratory for Individuals with Visual Disabilities (GETEM), we enabled visually impaired individuals to access 313 works as of the end of 2017.

• Çatalhöyük Excavations

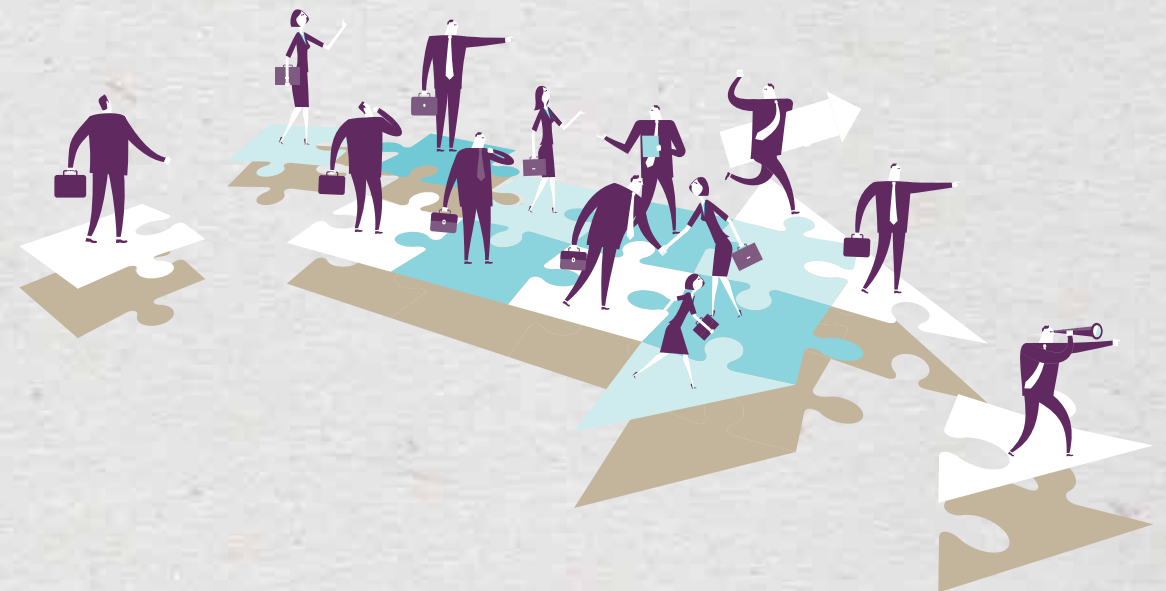
Another culture and arts project supported by Yapı Kredi since 1997 is the Çatalhöyük Excavation project. Çatalhöyük Hill, which has an altitude of 21 meters and is located 10 kilometers southeast of the Çumra district of Konya, is witness to 9,000 years of history. Each year in August and September, a team of approximately 200 people

from all over the world carry out excavations at Çatalhöyük, one of the most prominent and awe-inspiring archeological sites in the world. At Çatalhöyük, which is included in the UNESCO Word Heritage List, 2017 was a time in which new insights were gained and significant findings were uncovered.

• Yapı Kredi Afife Theater Awards

Hailed as the most prestigious and the long-lasting arts awards, the Yapı Kredi Afife Theater Awards have been organized since 1997 to commemorate Afife Jale, the first Turkish stage actress, and to support Turkish Theater. The jury, comprising 33 renowned thespians and doyens of theater, grants awards in 15 categories, including 11 main and 4 special awards.

You may access further information about Yapı Kredi's social investments at <http://yapikredikss.com.tr/>



CORPORATE GOVERNANCE

OUR FINANCIAL CAPITAL

OUR INTELLECTUAL CAPITAL

OUR HUMAN CAPITAL

OUR SOCIAL CAPITAL

OUR NATURAL CAPITAL

PERFORMANCE TABLES

GRI CONTENT INDEX

OUR NATURAL CAPITAL

Sustainability Report 2017



Yapı Kredi has an direct impact on the environment through its operations and a indirect impact through the funding it provides. Our main objectives include monitoring and controlling our impact on the environment with particular emphasis on our impact on climate change, and managing global risks. In line with these goals, we are working towards reducing our carbon emission, energy intensity, water usage, and waste generation. We analyze the risks and global trends associated with global climate change, and we strive to transform risks into opportunities for our Bank and all our stakeholders.

We conduct environmental management in accordance with international standards. In order to effectively monitor our performance, the Yapı Kredi Plaza D Block and Yapı Kredi Banking Base facilities obtained ISO 14001:2015 Environmental Management System (EMS) certification. The Environmental Management System team serves to monitor performance, improve the system, follow-up on procedures, and increase the overall efficiency of the system. Yapı Kredi continues to expand the scope of EMS and to set new targets with a view to taking it to the next level and ensuring effective implementation.

You may access further information about the environmental management system at <https://www.yapikredi.com.tr/en/sustainability/environmental-management/environmental-management-system>

Performance against 2017 targets [in comparison to 2016]:

Head Office Targets:

- Reduce water consumption by 1%: We have exceeded the target by achieving a reduction of %4.
- Reduce electricity and natural gas consumption as well as Scope 2 emissions by 1%: Consumption and emission results have

increased due to above-average temperatures.

- Provide distance environmental training to 20% of employees: We have exceeded the target by providing distance training on environmental issues to 28% of employees.

Bank Targets:

- Reduce A4 paper usage by 1%: We have achieved a reduction of 10%.
- Reduce paper waste by 1%: Paper waste has increased by 11.66% over the previous year. This increase was due to the disposal of the expired documents. On the other hand, in 2017 paper usage across the Bank fell by 18.08% compared to the previous year. This also shows a decrease in paper usage during the year.

2018 targets [in comparison to 2017]:

Head Office Targets:

- Reduce per-employee electricity consumption and Scope 2 emissions by 1%
- Reduce per-employee water consumption by 1%
- Provide distance environmental training to 40% of employees.

Bank Targets:

- Reduce A4 paper usage and paper waste by 1%
- Obtain ISO 14001 Certification for Yapı Kredi's subsidiaries.

As part of our long-term goals, we aim to reduce energy consumption and Scope 2 emissions at our head office buildings by 5% in 2020, compared to 2015 results. Currently, we have already achieved a 3.34% reduction in electricity consumption. Meanwhile, Scope 2 emissions showed 1.37% increase due to the 4.87% increase in the emission factor of Turkish national power grid. The Bank

continues to carry out the preliminary efforts to set its 10-year targets with a view to reducing its environmental impact with respect to climate change. Our long-term goals include reducing the water consumption at head office buildings by 4% in 2020 compared to 2015, and we have achieved a reduction of 2.15%.

WWF Turkey's Soul: The "Turkey's Soul" campaign, which was launched by WFF-Turkey with the aim of raising awareness about biodiversity and creating resources for projects on maintaining nature-related values, promotes the protection of endangered species. The funding collected for the campaign is distributed to local NGOs for the implementation of projects. Within the scope of the "Turkey's Soul" project, which we have been supporting since 2014, several protection efforts have been carried out for the mountain gazelles in the Kırkhan district of Hatay, the natural mushrooms of the Küre Mountains, the mountain orchids in Antalya, Roach's mouse-tailed dormice in Thrace, and fruit bats in the mountains of the Mediterranean.

Responsible Finance

Our most important impact on the environment stems from our financing. For this reason, when designing business models and products, we take into consideration environmental impact. We evaluate all loan requests submitted to our Bank in accordance with our "Assessment of Environmental and Social Risks of Credit Activities" procedure. Projects not included in the Financing Exclusions List are separated into different risk categories and are subject to different credit scoring, monitoring, and performance conditions. You may access further information on this topic in the "Responsible Finance" section under "Our Financial Capital."

Climate Change

In today's world in which the negative impacts of global climate change on ecosystems are more strongly felt, companies have great responsibilities. We manage our impact on climate change through projects we provide financing for and by keeping track of such projects within the scope of our operational activities. In addition, we aspire to play a greater role in this area by increasing our active participation in initiatives regarding climate change in the upcoming period.

We prioritize energy efficiency when designing our operational processes. In order to measure our environmental performance, we set annual targets and regularly monitor our progress throughout the year. We have been transparently reporting our carbon emissions and climate change targets to the Carbon Disclosure Project (CDP) Climate Change Program. Since 2011, we regularly monitor our greenhouse gas emissions. In this context, we measure and certify direct (Scope 1) and indirect (Scope 2) emission values in compliance with ISO 14064 standards at five facilities including head office and service buildings. Furthermore, we calculate and assure the Scope 3 emission values, which includes paper usage at offices, fuel consumption of service vehicles used for employee commuting as well as business travel by air by the support of an external audit firm. We will continue to develop projects to reduce greenhouse gas emissions by monitoring energy consumption in line with our targets for upcoming years.

Our efforts towards energy efficiency have yielded the following improvements in performance:

*We saved 824.58 GJ in energy and TL 86,000 by switching to LED lighting systems gradually at the Banking Base and Plaza D Block and entirely at the Darıca Archive Building.

*We saved energy by reducing consumption through improvements to ventilation and air conditioning at the Data Center of the Banking Base.

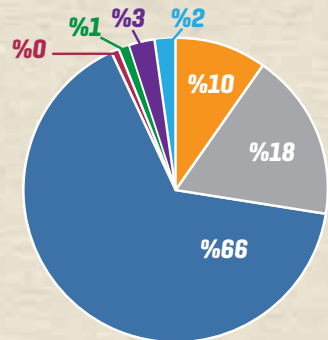
*The cooling systems of the cold storage depots of the Bayramoğlu Training facility's cafeteria were replaced with new cooling equipment, resulting in energy saving and reduced energy consumption.

*As part of our efforts in Green IT, we have shut down physical servers through system virtualization, which provides identical processing power with much less energy consumption. We have renewed hardware older than five years, and utilize integrated systems as possible to further drive down our energy consumption.

* In 2017, we spent a total of TL 528,855 for environmental expenditure and investments.

Each year, we support the "Earth Hour" movement organized by the World Wildlife Fund to raise awareness on climate change.

Distribution of environmental expenditure and investments



- Environmental expenditure and investment costs
- Measurement and analysis
- Waste
- Biological wastewater treatment
- Licensing and permit
- Consultancy and training
- Maintenance and repair

We have reduced the business travel and flights by Head Office personnel by favoring teleconference and telepresence instead. This year, our teleconference sessions increased by 5%. This model enables us to substantially lower CO₂ emissions while reducing expenses and saving time.

Water Management

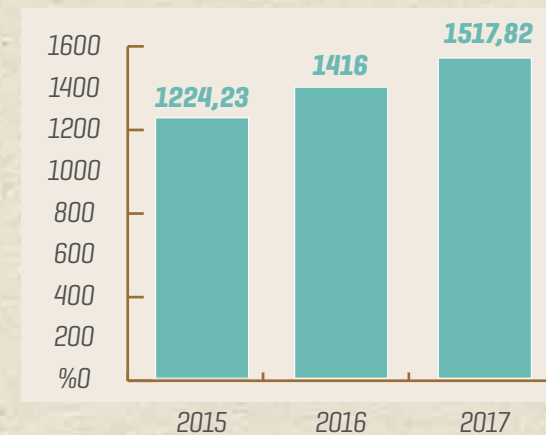
Fully aware that the world's water resources are limited, we approach the issue of water shortage through a holistic approach. This includes monitoring our own water consumption as part of our efforts to ensure efficient use of natural resources. We obtain data from our Head Office buildings, which informs necessary improvements for water savings. In 2017, faucets used in the bathrooms of the Head Office at Plaza D Block were replaced with faucets with photocells. The monitoring of water consumption at the subcontracted working spaces of Plaza D Block and the Banking Base was initiated with the installation of water meters. Thanks to these efforts, we exceeded our target of a 1% decrease in water consumption by achieving an overall decrease of 4% compared to the previous year.

Waste Management

As part of our ongoing efforts to improve our environmental performance, we are developing projects to generate less waste and increase the percentage of waste that is recycled. Within the scope of our "Paperless Office" project, we are conducting various activities to promote the use of mobile programs and minimize the amount of paper consumption in the office. We collected 1,105 tonnes of paper waste, 49.13 tonnes of paper packaging, 7 tonnes of plastic packaging/waste, 9.69 tonnes of glass packaging/waste, and 32.05 tonnes of metal packaging/waste by

using the waste separation bins in the office, and sent our collected waste to licensed waste sorting, recycling and disposal facilities. As a result of trainings and awareness campaigns held within the Bank, we recorded a 7% increase in our recycling performance TL 691,000 in financial savings.

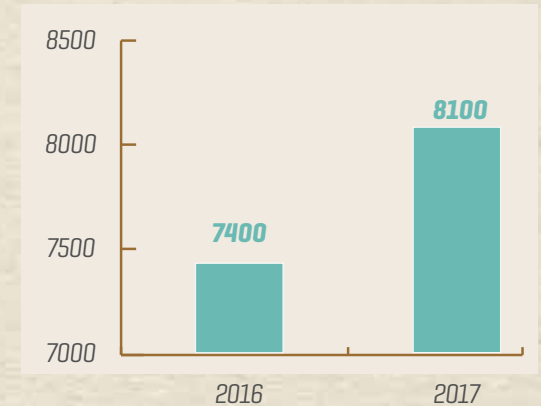
Recycled Waste (tons / year)



Thanks to our paperless confirmation service at our branches, our Bank, which is the leader of digital banking both in Turkey and the world, has made it possible to manage several paper-consuming processes with a digital confirmation using simple methods. By doing so, we have been able to save paper and energy. You may find detailed information regarding the topic in the section titled "Our Intellectual Capital."

We employ physical separation of waste oil in cafeteria using oil retaining materials. With a new bacteria-based method we implemented this year, the oil is dissolved by bacteria, reducing the amount of waste oil generated. In addition, we collect discarded food in cafeterias to be sent to animal shelters.

Amount of food waste sent to animal shelters (kg)



Employee Engagement

We value the contributions of and invest in our employees to improve our environmental performance. In this regard, 2,390 Yapı Kredi employees were provided 480 hours of training on "Yapı Kredi's Environmental Policy, Waste Management, Environmental Pollution, Environmental and Social Risks in the Finance Sector, and Environmental Accidents and Emergencies." In addition, a total of 280 hours of environmental training was provided to 141 contractor employees.

In 2017, we organized an event to celebrate World Environment Day at the Yapı Kredi Banking Base facility for the first time. Following the seminar organized as part of the event, our employees planted saplings in the green area of the Banking Base. The seminar was uploaded to our internal video portal Yapı Kredi Biz TV to provide access to all employees.

Appendix 1-Corporate Memberships & Initiatives

- Advertisers' Association
- Banks Association of Turkey / TBB
- Corporate Communication Professionals Association / KID
- Corporate Governance Association of Turkey / TKYD
- Corporate Volunteers Association / OSGD
- Credit Reference Agency / KKB
- Equality at Work Platform and Declaration
- Ethics and Reputation Society / TEID
- Family Health and Planning Foundation of Turkey / TAPV
- Financial Literacy and Access Association / FODER
- For My Country
- Foreign Economic Relations Board / DEİK
- Foundation for Economic Research / IAV
- High-Impact Entrepreneurship Support Association / Endeavor
- Institute of International Finance / IIF
- Interbank Card Center / BKM
- International Chamber of Commerce - Turkey / ICC
- International Finance Corporation (IFC) Social and Environmental Performance Standards
- Istanbul Foundation for Culture & Arts / IKSİV
- Izmir Foundation for Culture & Arts / İKSEV
- Learning and Development Association of Turkey / TEĞEP
- Turkish Industry and Business Association / TUSİAD
- Turkish Marine Environment Protection Association / TURMEPA
- Turkish Sustainable Energy Financing Facility / TURSEFF
- TURKTRADE
- United Nations Environment Programme Finance Initiative / UNEP FI
- United Nations Global Compact / UNGC
- Turkish Association for Quality / KALDER
- Visa Colorful Horizons / I Can Manage My Money
- Women's Empowerment Principles / UN WEPs

Appendix 2- 2017 Awards

Banking	
Corporate Awareness Award	TİDE
Most Ethical Companies in Turkey	ETİKA
Turkey's Best Private Banking	Global Finance Magazine
Best "Asset Management" offered in Turkey	Euromoney
Best "Philanthropy Advisory" offered in Turkey	Euromoney
Banking Product	
Leading Bank in Visa Credit Cards Purchase Volume	Vizyonist 2017
Visa Mobile Payments Success Award: Highest Number of Mobile Payment Transaction	Vizyonist 2017
Best Cash Management Bank for Non-Financial Institutions in Turkey	Euromoney
Best Trade Finance Provider in Turkey	Euromoney
The Best Bank in Project Development	EBRD
Infrastructure Finance Deal of the Year, First Place Prize	Bonds&Loans

Banking Product	
Transport Finance Deal of the Year, Second Place Prize	Bonds&Loans
Natural Resources Finance Deal of the Year, First Place Prize	Bonds&Loans
Structured Finance Deal of the Year, Third Place Prize	Bonds&Loans
Best Trade Finance Bank in Turkey	BneIntellinews
Project and Project Management (PPM), Shining Star Award	Hewlett Packard Enterprise
GPL 1-to-1 Pricing Project, Big Data and Analytics, 1st Place Prize	IDC Turkey
Self Service World, Innovation of the Year	Master Card
Best Infrastructure Deal in EMEA, North Marmara Highway including third bridge	EMEA Finance
Best Project Finance Deal in CEE	EMEA Finance
Best Infrastructure Deal in CEE&Best Privatisation in EMEA	EMEA Finance
PPP Deal of the Year, İzmir & Kocaeli PPP	EMEA Finance
Alternative Delivery Channels	
Bronz Award, Best Customer Data Analytics Category	ECCCSA
Winner, Most Effective Improvement Strategy Category	ECCCSA
Winner, Best Business Analysis Application Category	Nice Systems
Winner, Best Technology and Innovation Category	IMI Türkiye Call Center Awards
Winner, Best Human Resources Category	IMI Türkiye Call Center Awards
Global Most Innovative Consumer Digital Bank	Global Finance Awards
Yapikredi.com.tr, Global Best Corporate/Institutional Digital Bank Website Design	Global Finance Awards
Most Innovative Consumer Digital Bank in Europe	Global Finance Awards
Yapikredi.com.tr, Best Web Site Design in Europe	Global Finance Awards
Yapikredi.com.tr, Best Integrated Corporate Bank Site in Europe	Global Finance Awards
Best Corporate Digital Bank in Turkey	Global Finance Awards
Best Consumer Digital Bank in Turkey	Global Finance Awards
Yapı Kredi Mobile, Winner, Best in User Experience	BAI Global Innovation Awards
Self Service World, Winner, Best Innovation in Marketing	BAI Global Innovation Awards
Yapı Kredi Mobile, Winner, Mobile Apps Category in Europe	MMA Smarties Awards
Yapı Kredi Mobile, Winner, Mobile Apps Category in Turkey	MMA Smarties Awards
Yapı Kredi Mobile, Winner, Innovation Category in Turkey	MMA Smarties Awards
Yapı Kredi Mobile, 2nd Place Prize, Banking and Finance Category	Altın Örümcek Ödülleri
Yapı Kredi Mobile, 2nd Place Prize, Mobile Web Site Category	Altın Örümcek Ödülleri
Yapı Kredi Mobile, Gold Stevie Winner, Apps - Financial Services/ Banking Category	Stevie International Business Awards
Yapı Kredi Mobile, Gold Stevie Winner, Apps - Experimental&Innovation Category	Stevie International Business Awards

Appendix 2- 2017 Awards

Alternative Delivery Channels	
Yapı Kredi Mobile, Gold Stevie Winner, Apps - Business/ Government Category	Stevie International Business Awards
Yapı Kredi Mobile, Silver Stevie Winner, Apps - Integrated Mobile Experience Category	Stevie International Business Awards
Yapikredi.com.tr, Gold Stevie Winner, Websites - Banking Category	Stevie International Business Awards
Yapikredi.com.tr, Gold Stevie Winner, Websites - Financial Services Category	Stevie International Business Awards
Code.Yapikredi, Bronz Award, New Business Ecosystem Category	EFMA Distribution Marketing Awards
Yapı Kredi Mobile, Winner, Turkey's Best Innovation Project Category	International Data Cooperation (IDC)
Paperless GPL Utilization Branches - Winner, Turkey's Best IT Cost Efficiency Project Category	International Data Cooperation (IDC)
Best Practice, Eyeprint-ID Technology for Login to Yapı Kredi Mobile	Finovate Europe
Yapikredi.com.tr, Best in Class, Website/Banking Category	Interactive Media Awards
Yapikredi.com.tr, Award of Excellence, Websites: General-Banking /Bill Paying Category	Communicator Awards
Yapikredi.com.tr, Award of Distinction, Features - Best Practices Category	Communicator Awards
Yapı Kredi Mobile Site, Award of Distinction, Mobile: General - Finance Category	Communicator Awards
Yapı Kredi Mobile Site, Award of Distinction, Features - Best User Experience Category	Communicator Awards
Yapı Kredi Mobile, Award of Distinction, Mobile: General - Finance Category	Communicator Awards
Yapı Kredi Mobile, Most Effective Mobile Service	Effective Mobile Marketing Awards
Human Resources and Yapı Kredi Banking Academy	
Yapı Kredi Banking Academy, Best Corporate University, Holistic Human and Digital Approach Bronze Award	Global CCU
Subsidiaries	
Yapı Kredi Faktoring, Best Factoring Company of Turkey	Global Banking and Finance Review
Yapı Kredi Faktoring, Second Best Export Factoring Company in the World	FCI
Yapı Kredi Leasing, Best Energy Savings Finance in Turkey	Cfi.co
Yapı Kredi Leasing, Turkey's Most Popular Companies, Leasing Category	Capital Magazine
Yapı Kredi Asset Management, Pension Funds Management-Highest Return	Turkish Capital Markets Association
Yapı Kredi Asset Management, The Best Social Responsibility Project	Turkish Capital Markets Association
Yapı Kredi Asset Management, Best Asset Management Company Turkey	Global Banking and Finance Review
Yapı Kredi Asset Management, Best Pension Funds Management Company of Turkey	Global Banking and Finance Review
Yapı Kredi Asset Management, Brand Excellence in Asset Management, Turkey	Finance Digest

Subsidiaries	
Yapı Kredi Asset Management, Brand Excellence in Pension Funds, Turkey	Finance Digest
Corporate Communications	
Yapı Kredi Young Talent Program - Porsukluspor, Digital Category, The Best Online Commercial	14th Red Awards
Farewell Letter from Yapı Kredi ATMs, Direct Marketing/Ambient Media/Small Scale Category, Success Award	Felis
Gary&Metin, Excellence in Production/Creative Celebrity Usage Category, Success Award	Felis
Gary&Metin, Excellence in Production/Digital Video-Animated Gif Category, Felis Award	Felis
Gary&Metin, Media/The Best Multiple Channel Usage Category, Success Award	Felis
Yapı Kredi Young Talent Program-Porsukluspor, Film/TV Cinema - Financial Services Category, Success Award	Felis
Yapı Kredi Young Talent Program-Porsukluspor, Film/Online Films-Viral Films Category, Success Award	Felis
Yapı Kredi Young Talent Program-Porsukluspor, Excellence in Production/The Best Actor Category, Felis Award	Felis
Yapı Kredi Young Talent Program-Porsukluspor, Film/Online Films-Financial Services Category, Felis Award	Felis
Yapı Kredi Young Talent Program-Porsukluspor, Digital/ Commercial/Financial Services Category, Felis Award	Felis
Gary&Metin, Advertiser-The Most Strategic Execution Category, Success Award	Felis
Gary&Metin, The Most Effective Launch Campaign Award	Effective Mobile Marketing Awards
Hidden Vadaa, The Most Effective Rich Media Campaign	Effective Mobile Marketing Awards
Gary&Metin, Excellence in Execution Category, The Best Animation Award	Crystal Apple
Adios-Spend&Fly, Press/Bank, Insurance and Financial Services Category, Bronze Apple	Crystal Apple
Farewell Letter from Yapı Kredi ATMs, Ambient Channel Usage Category, Bronze Apple	Crystal Apple
Farewell Letter from Yapı Kredi ATMs, Channel Usage at Sales Points Category, Bronze Apple	Crystal Apple
Gary&Metin, Film - TV and Cinema/Bank and Insurance Services Category, Bronze Apple	Crystal Apple
Yapı Kredi Young Talent Program-Porsukluspor, Online Film/Bank, Insurance and Financial Services Category, Crystal Apple	Crystal Apple
Yapı Kredi Young Talent Program-Porsukluspor, Online Film/ Corporate Image Category, Silver Apple	Crystal Apple
Gary&Metin, Integrated Campaign and Services Category, Bronze Apple	Crystal Apple
Hidden Vadaa, Turkey: 360 Video Category, Silver Awards	MMA Smarties
Gary&Metin, "Online/Offline Integration" Category, Bronze Award	Social Media Awards
Superbrands of Turkey	Superbrands
Donation Program	UniCredit Foundation

CORPORATE GOVERNANCE

OUR FINANCIAL CAPITAL

OUR INTELLECTUAL CAPITAL

OUR HUMAN CAPITAL

OUR SOCIAL CAPITAL

OUR NATURAL CAPITAL

PERFORMANCE TABLES

GRI CONTENT INDEX

PERFORMANCE TABLES

Sustainability Report 2017



Social Performance Tables

Number of Employees

2015		2016		2017	
Female	Male	Female	Male	Female	Male
11,761	7,041	11,851	7,050	11,569	6,898

2015		2016		2017	
Full Time	Part Time	Full Time	Part Time	Full Time	Part Time
18,470	332	18,716	185	18,196	271

Number of Subcontracted Employees

2015		2016		2017	
Full Time	Part Time	Full Time	Part Time	Full Time	Part Time
3,127	205	2,963	166	2,744	154

Number of Employees by Gender and Age

	2015		2016		2017	
	Female	Male	Female	Male	Female	Male
50 and above	74	229	81	249	80	250
30-50	7,154	4,921	7,261	5,034	7,364	5,133
30 and below	4,533	1,891	4,509	1,767	4,125	1,515

Employee Turnover Rate

	2015		2016		2017	
	Female	Male	Female	Male	Female	Male
Number of leaving employees within the year (personnel turnover)	1,256	780	1,360	888	1,328	814
50 and above	18	60	27	55	36	74
30-50	421	287	481	340	508	323
30 and below	817	433	852	493	784	417

Number of Employees Taking Maternity Leave

	2015	2016	2017
Number of employees taking maternity leave	700	716	778
Return-to-work rate after maternity leave	642	672	732

Man-hours of Training

	2015	2016	2017
Annual average of man-hours of training (total hours of training/number of employees)	48	37	35
Annual average of training hours per female employee	50	38	36
Annual average of training hours per male employee	44	35	32

Number of Employees Subject to Regular Performance and Career Development Assessments

2015		2016		2017	
Female	Male	Female	Male	Female	Male
11,761	7,041	11,156	6,800	11,242	6,882

Equal Opportunity and Diversity (Number of managers and top level employees)

	2015		2016		2017	
	Female	Male	Female	Male	Female	Male
30 and below	1	0	0	1	1	0
30-50	838	989	812	991	775	976
50 and above	39	127	40	130	43	112

Number of Employees by Term of Employment

	2015	2016	2017
0-5 years	8,940	8,789	8,334
5-10 years	3,505	3,636	2,910
10 years and above	6,357	6,476	7,223

Number of Disabled Employees by Gender and Year

2015		2016		2017	
Female	Male	Female	Male	Female	Male
75	349	83	390	98	428

Number of Employees Covered by Collective Bargaining Agreements

	2015	2016	2017
Number of employees covered by collective bargaining agreements	11.430	10.946	10.394

Occupational Health and Safety

	2015		2016		2017	
	Female	Male	Female	Male	Female	Male
Number of Accidents	43	11	20	6	28	9
Number of Fatal Accidents	0	0	0	0	0	0
Number of Occupational Diseases	0	0	0	0	0	0
Absences from Work	344,713	125,029	375,807	139,342	410,208	149,033
Total Injury Rate [IR]	0.41	0.17	0.19	0.09	0.28	0.14
Occupational Disease Rate [ODR]	0	0	0	0	0	0
Lost Day Rate [LDR]	3.16	2.08	0.54	1.02	0.53	1.09
Absence Rate [AR]	440.3	218.1	525.7	275.7	603.1	286.2

OHS Trainings

	2015	2016	2017
Percentage of hours allocated to occupational health and safety trainings (%)	7%	6%	5%

Environmental Performance Tables

Energy Consumption by Fuel Type [GJ]

Fuel type	2015	2016	2017
Natural Gas	122,374	118,347	189,742
Electricity	399,521	393,419	394,055
Diesel	2,843	2,502	1,587
Total	524,738	514,268	585,384
Energy intensity [GJ/number of employees]	27.91	27.21	31.70

Greenhouse Gas Emissions*

	2015	2016	2017
Total Scope 1 emissions (ton CO2e)	18,033	20,417	15,975
Total Scope 2 emissions (ton CO2e)	52,335	54,095	54,183
Total Scope 3 emissions (ton CO2e)**	15,089	13,138	15,644
Total Scope 1 + 2 emissions (ton CO2e)	70,368	74,512	70,158
Emission intensity [Scope 1&2/number of employees]	3.74	3.94	3.80

*Greenhouse gas emissions are calculated using the GHG Protocol. In 2017, greenhouse gas emissions decreased due to a substantial reduction in gas leakages and diesel usage.

** Scope 3 emissions include employee commuting, business travels, and paper consumption.

Water consumption by source [m³]

	2015	2016	2017
Municipal Water	398,800	262,568	307,049
Underground Water	9,794	8,375	5,553
Total water consumption	408,235	270,943	313,889
Water intensity [m³/number of employees]	21.71	14.33	17
Waste water [m³]	266,144	270,943	313,889

Hazardous waste [tonnes]	2015	2016	2017
Recycled	59.81	42.73	27.21
Recovered for energy	14.13	0	0
Waste disposed of (using D-Code methods)	0.53	0.84	0.66

Non-hazardous waste [tonnes]	2015	2016	2017
Recycled	1,412	1,373	1,491

CORPORATE GOVERNANCE

OUR FINANCIAL CAPITAL

OUR INTELLECTUAL CAPITAL

OUR HUMAN CAPITAL

OUR SOCIAL CAPITAL

OUR NATURAL CAPITAL

PERFORMANCE TABLES

GRI STANDARD
CONTENT INDEX

GRI STANDARD CONTENT INDEX

Sustainability Report 2017





Limited Assurance Report to the Board of Directors of Yapı ve Kredi Bankası A.Ş.

We have been engaged by the Board of Directors of Yapı ve Kredi Bankası A.Ş. (the "Bank") to perform an independent assurance engagement in respect of the selected information (the "Selected Information") contained in the Bank's sustainability report for the year ended 31 December 2017 (the "Sustainability Report").

The Selected Information subject to limited assurance consist of the following data for the year ended 31 December 2017:

- Confirmed incidents of corruption and actions taken, operations at significant human rights risk for incidents of child labor, operations at significant human rights risk for incidents of forced or compulsory labor, total number of employees trained in human rights and the total number of hours of human rights training, notices on the ethics notification line, total number of incidents of discrimination (page 24),
- Operations assessed for risks related to corruption, communication about anti-corruption program, total number of employees trained in anti-corruption and bribery and the total number of hours of anti-corruption and bribery training (page 25),
- Union and collective bargaining rights and unionization rate of employees set out in page 49,
- Energy efficiency activities (page 61 and 62),
- Total resource allocated to environmental investments (page 62),
- Total number of employees, total number of female employees, total number of male employees (page 70),
- Average annual training hours per employee on the basis of male and female workers (page 71),
- Occupational health and safety information on the basis of male and female workers (page 72),
- Energy consumption by fuel type, Greenhouse Gas (GHG) emissions, Water consumption by source, Hazardous and non-hazardous waste data (page 73),
- The number of proceedings regarding anti-competitive behavior, trust and monopoly (page 83),
- Significant fines and non-monetary sanctions for non-compliance with environmental laws and/or regulations (page 84).

Respective Responsibilities

The Board of Directors of the Bank are responsible for the content of the Sustainability Report and the preparation of the Selected Information in accordance with the criteria set out in the Bank's reporting guidance (hereafter "Reporting Guidance", see pages 79 and 81 of the Sustainability Report). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of Selected Information that is free from material misstatement, whether due to fraud or error.

PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
BJK Plaza, Süleyman Seba Caddesi No:48 B Blok Kat:9 Akaretler Beşiktaş 34357 İstanbul - Turkey
T: +90 212 326 6060, F: +90 212 326 6050, www.pwc.com.tr Mersis Numarası: 0140002240000015



Our responsibility is to form a conclusion, based on limited assurance procedures, on whether anything has come to our attention that causes us to believe that the Selected Information has not been properly prepared, in all material respects, in accordance with the Reporting Guidance.

This report, including the conclusion, has been prepared for the Board of Directors of the Bank as a body, to assist the Board of Directors in reporting the Bank's performance and activities related to the Selected Information. We permit the disclosure of this report within the Sustainability Report to enable the Board of Directors to demonstrate they have discharged their governance responsibilities by commissioning an independent assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors as a body and the Bank for our work or this report save where terms are expressly agreed and with our prior consent in writing.

Assurance Work Performed

We conducted this limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) - 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' ("ISAE 3000") and, in respect of greenhouse gas emissions, International Standard on Assurance Engagements 3410 - 'Assurance Engagements on Greenhouse Gas Statements' ("ISAE 3410") issued by the International Auditing and Assurance Standards Board.

A limited assurance engagement is less in scope than a reasonable assurance engagement under ISAE 3000 and ISAE 3410. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement.

Our limited assurance procedures included:

- Making enquiries of relevant management of the Bank and reviewing a sample of relevant management information.
- Evaluating the design and implementation of the key processes and controls for managing and reporting the Selected Information.
- Limited testing, on a selective basis, of the preparation and collation of the Selected Information prepared by the Bank.
- Undertaking analytical procedures over the reported data.

Inherent Limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining such information. The absence of a significant body of established practice on which to draw allows for the selection of different but acceptable measurement techniques which can result in materially different measurements and can impact comparability. The precision of different measurement techniques may also vary.

Reporting Guidance for Selected Information

Limited Assurance Report to the Directors of Yapı ve Kredi Bankası A.Ş.

We have been engaged by the Directors of Yapı ve Kredi Bankası A.Ş. [the “Bank”] to perform an independent assurance engagement in respect of the Selected Information [hereinafter the “Selected Information”] contained in the Yapı ve Kredi Bankası A.Ş. Sustainability Report for the year ended 31 December 2017.

The Selected Information subject to limited assurance consist of the following data for the year ended 31 December 2017;

- Direct value generated and distributed GRI 201-1
- Defined benefit plan obligations and other retirement plans GRI 201-3
- Financial assistance received from government GRI 201-4
- Operations assessed for risks related to corruption GRI 205-1
- Communication and training about anti-corruption policies and procedures GRI 205-2
- Confirmed incidents of corruption and actions taken GRI 205-3
- Legal actions for anti-competitive behavior, anti-trust, and monopoly practices GRI 206-1
- Energy consumption within the organization [GJ] GRI 302-1
- Energy intensity [GJ/number of employee] GRI 302-3
- Total resource allocated to environmental protection investments and expenditures GRI 302-4
- Water withdrawal by source GRI 303-1
- Direct [Scope 1] GHG emissions [CO₂ e] GRI 305-1
- Energy indirect [Scope 2] GHG emissions [CO₂ e] GRI 305-2
- Other indirect [Scope 3] GHG emissions [CO₂ e] GRI 305-3
- GHG emissions intensity [CO₂ e/number of employee] GRI 305-4
- Total weight of waste by type and disposal method [tonne] GRI 306-2
- Significant fines and non-monetary sanctions for non-compliance with environmental laws and/or regulations GRI 307-1
- Types of injury and rates of injury, occupational diseases, lost days and absenteeism GRI 403-2
- Average hours of training per year per employee GRI 404-1
- Total number of incidents of discrimination and corrective actions taken GRI 406-1
- Operations in which the right to freedom of association and collective bargaining may be at risk GRI 407-1
- Operations at significant risk for incidents of child labor GRI 408-1
- Operations and suppliers at significant risk for incidents of forced or compulsory labor GRI 409-1
- Employee training on human rights policies or procedures GRI 412-2

Respective Responsibilities

The Directors of the Bank are responsible for the content of the Sustainability Report and the preparation of the Selected Information. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of Selected Information that is free from material misstatement, whether due to fraud or error.



Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time. Therefore, it is important to read the Selected Information in the context of the Reporting Guidance.

In particular, the conversion of different energy measures to energy used to carbon emissions is based upon, inter alia, information and factors generated internally and/or derived by independent third parties as explained in the Reporting Guidance. Our assurance work has not included examination of the derivation of those factors and other third party information.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Limited Assurance Conclusion

Based on the results of our procedures, nothing has come to our attention that causes us to believe that, the Selected Information for the year ended 31 December 2017 in the Sustainability Report has not been properly prepared, in all material respects, in accordance with the Reporting Guidance.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.


Ediz Günsel, SMMM
Partner

Istanbul, 27 June 2018

Our responsibility is to form a conclusion, based on limited assurance procedures, on whether anything has come to our attention that causes us to believe that the Selected Information has not been properly prepared in all material respects.

We are in compliance with the applicable independence and competency requirements as articulated by the International Federation of Accountants (IFAC) Code of Ethics for Professional Accountants. Our team comprised assurance practitioners and relevant subject matter experts.

This report, including the conclusion, has been prepared for the Directors of the Bank as a body, to assist the Directors in reporting the Bank's performance and activities related to the Selected Information. We permit the disclosure of this report within the Bank Sustainability Report for the year ended 31 December 2017, to enable the Directors to demonstrate they have discharged their governance responsibilities by commissioning an independent assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors as a body and the Bank for our work or this report save where terms are expressly agreed and with our prior consent in writing.

Assurance Work Performed

We conducted this limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) - 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' ("ISAE 3000") and, in respect of greenhouse gas emissions, International Standard on Assurance Engagements 3410 - 'Assurance Engagements on Greenhouse Gas Statements' ("ISAE 3410") issued by the International Auditing and Assurance Standards Board.

A limited assurance engagement is less in scope than a reasonable assurance engagement under ISAE 3000 and ISAE 3410. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement.

Our limited assurance procedures included:

- Making enquiries of relevant management of the Bank and reviewing a sample of relevant management information.
- Evaluating the design and implementation of the key processes and controls for managing and reporting the Selected Information.
- Limited testing, on a selective basis, of the preparation and collation of the Selected Information prepared by the Bank.
- Undertaking analytical procedures over the reported data.

Inherent Limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining such information. The absence of a significant body of established practice on which to draw allows for the selection of different but acceptable measurement techniques which can result in materially different measurements and can impact comparability. The precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time. It is important to read the Selected Information.

In particular, the conversion of different energy measures to energy used to carbon emissions is based upon, inter alia, information and factors generated internally and/or derived by independent third parties. Our assurance work has not included examination of the derivation of those factors and other third party information.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Limited Assurance Conclusion

Based on the results of our procedures, nothing has come to our attention that causes us to believe that, for the year ended 31 December 2017, the Selected Information has not been properly prepared, in all material respects.

GRI Standard	Disclosure	Page Number/Link	Omission Reason
GRI 101: Foundation 2016			
General Disclosures			
Organizational Profile			
GRI 102: General Disclosures 2016	102-1	1	
	102-2	9	
	102-3	https://www.yapikredi.com.tr/en/	
	102-4	9	
	102-5	9	
	102-6	9	
	102-7	9	
	102-8	10	
	102-9	25	
	102-10	There are no significant changes.	
	102-11	23-24	
	102-12	64	
	102-13	64	
	Strategy		
	102-14	6-7	
	Ethics and Integrity		
	102-16	12,24-25	
	102-17	24-25	
	Governance		
	102-18	20-25	
	Stakeholder Engagement		
	102-40	17	
	102-41	58% of employees are covered by collective labor agreements.	
	102-42	17	
	102-43	17	
	102-44	16-17	
	Reporting Practices		
	102-45	9	
	102-46	16-17	
	102-47	16	
	102-48	There is no change compared to the previous reporting period.	
	102-49	There is no change compared to the previous reporting period.	
	102-50	5	
	102-51	5	
	102-52	5	
	102-53	5	
	102-54	5	
	102-55	78-81	
	102-56	76-77	

GRI Standard	Disclosure	Page Number/Link	Omission Reason
GRI 200: Economic Standard Series			
Economic Performance			
GRI 103:	103-1	28	
Management	103-2	28	
Approach 2016	103-3	28	
GRI 201: Economic Performance 2016	201-1	28	8, 10, 12
	201-3	Yapı Kredi 2017 Annual Report	
	201-4	Yapı Kredi 2017 Annual Report	
Anti-Corruption			
GRI 103:	103-1	24-25	
Management	103-2	24-25	
Approach 2016	103-3	24-25	
GRI 205: Anti-Corruption 2016	205-1	24-25	
	205-2	24-25	
	205-3	24-25	
Anti-Competitive Behavior			
GRI 103:	103-1	24-25	
Management	103-2	24-25	
Approach 2016	103-3	24-25	
GRI 206: Rekabete Aykırı Davranış 2016	206-1	The number of proceedings regarding anti-competitive behavior, trust and monopoly is 2, and these cases are still continues at the Council of State.	
GRI 300: Environmental Standard Series			
Energy			
GRI 103:	103-1	60-61	
Management	103-2	60-61	
Approach 2016	103-3	60-61	
GRI 302: Energy 2016	302-1	73	12, 13
	302-3	73	12, 13
	302-4	61	
Water			
GRI 103:	103-1	62	
Management	103-2	62	
Approach 2016	103-3	62	
GRI 303: Water 2016	303-1	73	12
Emissions			
GRI 103:	103-1	60-62	
Management	103-2	60-62	
Approach 2016	103-3	60-62	
GRI 305: Emissions 2016	305-1	73	12, 13
	305-2	73	12, 13
	305-3	73	12, 13
	305-4	73	12, 13
	305-5	60-62	

GRI Standard	Disclosure	Page Number/Link	Omission Reason
Effluents and Waste			
GRI 103:	103-1	62-63	
Management	103-2	62-63	
Approach 2016	103-3	62-63	
GRI 306: Effluents and Waste 2016	306-2	63, 73	12
Environmental Compliance			
GRI 103:	103-1	60	
Management	103-2	60	
Approach 2016	103-3	60	
GRI 307: Uyum 2016	307-1	No environmental fines were recieved.	
GRI 400: Social Standard Series			
Employement			
GRI 103:	103-1	46-47	
Management	103-2	46-47	
Approach 2016	103-3	46-47	
GRI 401:	401-1	70-71	8
Employement	401-2	46-49	8
2016	401-3	70-71	8
Occupational Health and Safety			
GRI 103:	103-1	49	
Management	103-2	49	
Approach 2016	103-3	49	
GRI 403:	403-1	49	8
Occupational Health and Safety	403-2	72	8
2016			
Training and Education			
GRI 103:	103-1	46-47	
Management	103-2	46-47	
Approach 2016	103-3	46-47	
GRI 404: Training and Education	404-1	71	5, 8
2016	404-2	46-47	8
	404-3	71	5, 8
Diversity and Equal Opportunity			
GRI 103:	103-1	48-49	
Management	103-2	48-49	
Approach 2016	103-3	48-49	
GRI 405: Diversity and Equal Opportunity 2016	405-1	48-49	8

GRI Standard	Disclosure	Page Number/Link	Omission Reason
Non-discrimination			
GRI 103:	103-1	48-49	
Management	103-2	48-49	
Approach 2016	103-3	48-49	
GRI 406: Non-discrimination 2016	406-1	24-25	
Freedom of Association and Collective Bargaining			
GRI 103:	103-1	24	
Management	103-2	24	
Approach 2016	103-3	24	
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1	There was no case where the risk of freedom of association and collective bargaining was at risk.	
Child Labor			
GRI 103:	103-1	24	
Management	103-2	24	
Approach 2016	103-3	24	
GRI 408: Child Labor 2016	408-1	24	
Forced or Compulsory Labor			
GRI 103:	103-1	24	
Management	103-2	24	
Approach 2016	103-3	24	
GRI 409: Forced or Compulsory Labor 2016	409-1	24	
Human Rights Assessment			
GRI 103:	103-1	24	
Management	103-2	24	
Approach 2016	103-3	24	
GRI 412: Human Rights Assessment 2016	412-2	24	

DISCLAIMER

This Sustainability Report has been prepared by Yapı ve Kredi Bankası A.Ş. in the context of United Nations Global Compact Initiative.

This Report is prepared for information purposes only and it is not intended to form the basis of any investment decision. It does not constitute or form part of an offer to sell or issue, or a solicitation of an offer to purchase or subscribe for, any securities or other interests in Yapı ve Kredi Bankası A.Ş. up and no legal relations shall be created by its issue.

All information contained in this Report and associated documents were believed to be accurate for the time period it covers, expressed in good faith and based on sources believed to be reliable. However, this does not constitute a representation, guarantee, warranty or undertaking of any nature on Yapı ve Kredi Bankası A.Ş. Accordingly, Yapı ve Kredi Bankası A.Ş., or their affiliate companies, board members, consultants or employees shall not be liable for any direct, indirect or consequential loss or damage suffered by any person as a results of relying on any statement in or omission from this Report or in any other information or communications in connection with the Report.

For further information about the Sustainability Report:

sustainability@yapikredi.com.tr

Yapı Kredi Sustainability Report can be downloaded from
<https://www.yapikredi.com.tr/en/sustainability/reports>

Yapı ve Kredi Bankası A.Ş.

Head Office

Yapı Kredi Plaza D Blok

Levent 34330 İstanbul, Turkey

Phone: +90 212 339 70 00

Fax: +90 212 339 61 35

yapikredi.com.tr



This report has been printed using 100% recycled paper.