



2008  
Corporate Governance Principles  
Compliance Report

# Corporate Governance Principles Compliance Report

## 1. Declaration of Compliance with Corporate Governance Principles

At meeting No. 61/51 dated December 9, 2004, Yapı Kredi Board of Directors resolved to adopt, in principle, the Corporate Governance Principles as issued by the Capital Markets Board. Yapı Kredi complied with and implemented the Corporate Governance Principles during the operating period ended December 31, 2008, as explained below.

According to the Corporate Governance Rating Report that rated Yapı Kredi's compliance with the Capital Markets Board's Corporate Governance Principles in four main sections, Shareholders, Public Disclosure and Transparency, Stakeholders and Board of Directors, Yapı Kredi obtained an overall Corporate Governance rating of 8,02 out of 10 (80,21%). With this rating, Yapı Kredi is one of the leading companies that form the Istanbul Stock Exchange Corporate Governance Index. The rating was performed by SAHA Corporate Governance and Credit Rating Services, Inc., a corporate governance rating agency licensed by the Capital Markets Board to operate in Turkey. The report is also available on the Bank's website.

The results of the examination, performed within the framework of the Capital Markets Board's Corporate Governance Principles under differently weighted main sections of Shareholders, Public Disclosure and Transparency, Stakeholders and Board of Directors, are presented below:

Main Sections	Rating (%)
Shareholders	82,91
Public Disclosure and Transparency	81,13
Stakeholders	94,98
Board of Directors	67,36
<b>Total</b>	<b>80,21</b>
<b>Bank Rating</b>	<b>8,02</b>

With this rating, Yapı Kredi proved that it complies to a significant degree with Capital Markets Board's Corporate Governance Principles and that it has implemented most required policies and measures. Adherence to these principles is among the Bank's primary goals in corporate governance and the Bank continues its efforts in line with the responsibility to abide by these principles.

## 2. Shareholder Relations

Founded in 1944, as the first privately-owned bank, Yapı Kredi, which was also the first privately-owned bank to open to the public, carries out its relations with shareholders via two special units. The first one is the "Subsidiaries and Shareholders" unit, whose structure and organisation was established in line with Capital Market Board's corporate governance principles. In addition to this unit, Yapı Kredi also has an "Investor Relations" unit, which is in charge of the strategic management of financial communication and relations with institutional investors and shareholders, analysts, credit rating agencies and the media. The Investor Relations unit is responsible for the transparent, timely, objective, accurate and consistent information flow to the market in order to contribute to the accurate evaluation of the Bank by financial experts and to ensure sustainable value creation.

### Subsidiaries and Shareholders

Name, Surname	E-mail address	Phone number
Erdinç TETİK	erdinc.tetik@yapikredi.com.tr	(212) 339 64 31
Hasan SADİ	hasan.sadi@yapikredi.com.tr	(212) 339 73 80
Canan KARAKAYA	canan.karakaya@yapikredi.com.tr	(212) 339 63 40
Ercan YILMAZ	ercan.yilmaz@yapikredi.com.tr	(212) 339 73 17

### Investor Relations

Name, Surname	E-mail address	Phone number
Hale TUNABOYLU	hale.tunaboynu@yapikredi.com.tr	(212) 339 76 47
Gülsevin TUNCAY	gulsevin.tuncay@yapikredi.com.tr	(212) 339 73 23
Pınar CERİTOĞLU	pinar.ceritoglu@yapikredi.com.tr	(212) 339 76 66

Primary duties and responsibilities of the Subsidiaries and Shareholders unit include:

- Acting to facilitate the exercise of shareholders' rights and maintaining communication between the Yapı Kredi Board of Directors and the shareholders,
- Ensuring that the records related to the shareholders are kept in a proper and secure manner and are continuously updated,
- Responding to written information requests from shareholders except for publicly-undisclosed information or the Bank's commercial secrets,
- Carrying out capital increase operations,
- Exchanging previously issued shares and replacing them with new ones,
- Ensuring that the Annual Shareholders' Meeting conforms with the legislation in force and the Articles of Association,
- Issuing entrance cards to shareholders who will participate in the Annual Shareholders' Meeting,
- Preparing the list of attendees for Annual Shareholders' Meeting,
- Preparing voting ballots for shareholders who completed blockage operations,
- Preparing, registering and publishing the minutes of the Annual Shareholders' Meeting and sending the documents to the relevant authorities,
- Conforming to and monitoring all issues related to public disclosure, including legislation and Yapı Kredi's disclosure policy.

Primary duties and responsibilities of the Investor Relations unit include:

- Establishing and managing regular relations with existing and potential foreign institutional investors, shareholders, and the Bank's credit rating agencies,
- Ensuring the transfer of proactive,

objective, accurate, up-to-date, informative and periodic information to foreign institutional investors, shareholders and financial analysts about Yapı Kredi, the banking sector and economic developments,

- Informing investors and analysts about quarterly consolidated and unconsolidated financial statements and significant developments about Yapı Kredi, through conference calls, press bulletins, announcements and presentations, as well as responding to their questions,
- Preparing presentations to promote the Bank, organising and regularly attending local and international investor meetings, road shows and other informational meetings,
- Organising periodic informational meetings and conference calls with financial analysts and foreign institutional investors in groups or one-on-one,
- Preparing the Bank's annual reports in Turkish and in English,
- Administering and regularly updating the Bank's investor relations websites, in both Turkish and English, in order to provide a continuous information flow about the Bank,
- Preparing columns and articles that represent the Bank for domestic and international magazines and similar publications in banking, finance and investment fields.

In 2008, Yapı Kredi participated in 18 international investor conferences under the coordination of the Investor Relations unit. In addition, one-on-one and/or group meetings were held with nearly 400 foreign institutional investors at the head office and abroad.

### 3. Exercise of Shareholders' Right to Obtain Information

Yapı Kredi informs shareholders regularly through phone calls, e-mails, the internet, press releases as well as with one-on-one and/or group meetings through its Subsidiaries and Shareholders and Investor Relations units.

Yapı Kredi has two separate websites, one prepared in Turkish and one in English in accordance with Corporate Governance Principles, which are updated regularly.

The website in Turkish is accessible through [www.yapikredi.com.tr](http://www.yapikredi.com.tr) and the website in English is accessible via [www.yapikredi.com.tr/en-us](http://www.yapikredi.com.tr/en-us). These websites contain general information about Yapı Kredi as well as detailed information on the banking services provided by the Bank.

Prepared both in Turkish and in English, the websites contain detailed information about Yapı Kredi in the "Investor Relations" section. Accessible through the [www.yapikredi.com.tr/tr-TR/yatirimci\\_iliskileri](http://www.yapikredi.com.tr/tr-TR/yatirimci_iliskileri) address, the investor relations website in Turkish presents the following information to all shareholders and stakeholders: The Bank's history, shareholder structure, trade registry information, Articles of Association, organisational structure, management team, member list of Board of Directors, credit ratings assigned by credit rating agencies to the Bank, information on corporate governance and Shareholders' Meetings, proxy voting form, the Bank's periodic financial statements prepared in accordance with BRSA accounting standards, annual reports, disclosures, Annual Shareholders' Meeting minutes, and press bulletins issued by the Bank.

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Yapı Kredi's investor relations website in English is accessible through [www.yapikredi.com.tr/en-us/investorrelations](http://www.yapikredi.com.tr/en-us/investorrelations). This site contains detailed information about Yapı Kredi's shareholder structure and share performance, information on the Bank's corporate profile, organisational structure, management team, member list of Board of Directors, credit ratings assigned by credit rating agencies to Yapı Kredi, periodic financial statements prepared in accordance with BRSB and international accounting standards, annual reports, periodic presentations for investors, answers to frequently asked questions, announcements to inform investors regarding developments at Yapı Kredi, list of brokerage house analysts who cover Yapı Kredi, calendar of the Bank's activities that may be of interest for investors and information on corporate governance.

The appointment of special auditors has not been stipulated as an individual right in the Articles of Association of the Bank; however, shareholders can exercise this right pursuant to Article 348 of the Turkish Commercial Code and Article 11 of the Capital Markets Law. In 2008, shareholders did not make any requests for the appointment of special auditors.

#### 4. Information on Annual Shareholders' Meetings

The most recent Annual Shareholders' Meeting was held on April 7, 2008. Shareholders attended this meeting with an 84,66% majority, while no stakeholder or media representative attended. In accordance with the applicable law and the Bank's Articles of Association, invitation to the meeting was made by announcements that included the date, time and agenda of the meeting published in the Turkish Trade Registry Gazette dated March 20, 2008 and Milliyet and Referans newspapers dated March 21, 2008.

The Bank's sale of a portfolio of non-performing loans, as well as the wholesale divestiture of part of the Bank's non-banking assets were approved at the Annual Shareholders' Meeting together with the routine meeting agenda articles and the members of the Bank's Board of Directors were cleared from these transactions.

Shareholders were informed about, and approved, the acquisition of shares of Yapı Kredi Yatırım Menkul Değerler A.Ş. (Yapı Kredi Invest) and Yapı Kredi Bank Nederland N.V. by the Bank from Koç Finansal Hizmetler A.Ş. (Koç Financial Services) at the Annual Shareholders' Meeting.

As in previous years, shareholders were informed through the Istanbul Stock Exchange and the media in order to facilitate their participation in the Shareholders' meeting. The annual report containing the date and the agenda of the shareholders' meeting, balance sheet, income statement and auditor reports were made available for the examination of shareholders 15 days prior to the date of the meeting at the Bank's Head office, İzmir Kordon and Ankara Kızılay branches, as well as on the Bank's website at [www.yapikredi.com.tr](http://www.yapikredi.com.tr).

#### 5. Voting Rights and Minority Rights

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

There is no cross-shareholding between the Bank and its subsidiaries and thus no such votes were cast at the most recent Annual Shareholders' Meeting. The Bank's Articles of Association does not provide for cumulative voting.

#### 6. Dividend Policy and Dividend Distribution Date

The right to receive dividends, an inseparable part of shareholding, has always been granted utmost importance at Yapı Kredi since its inception.

Principles with regard to Yapı Kredi's dividend distribution are set out in detail in Article 78 of the Articles of Association of the Bank. In this respect, the Annual Shareholders' Meeting takes into consideration the growth of the Bank towards its targets within the sector as well as its financing requirements, authorised to pass resolutions on whether the dividend distribution shall be in cash or in the form of capital increase whereupon bonus shares will be issued to shareholders or if part of the distribution shall be in cash and part in the form of capital increase and to fix the distribution dates as required by law. The Annual Shareholders' Meeting may make the decision to transfer a portion or all of the distributable profit to retained earnings or extraordinary reserves in accordance with Article 80 of the Articles of Association.

It is envisaged that the dividend policy of the Bank will be set out in a way to ensure the realisation of long-term growth plans. This policy is subject to revision by the Board of Directors whenever necessary, taking into consideration the domestic and international economic conditions and the projects and funds on the agenda.

It is resolved that YTL 52.130.004,05 should be reserved as the primary reserve from YTL 1.042.600.081 (the unconsolidated net profit for the 2008 accounting period) and that YTL 947.014.126,90, which remains after the reservation of YTL 43.455.950,05 (75% of the profit from the sales of Real Estate and subsidiary share stocks on the basis of Clause 5.e of the Corporate Tax Law 5520) should be reserved as extraordinary reserves with a view to assure the accomplishment of the Bank's long-term growth plans, giving due consideration to the domestic and international economic conditions and the 2008 dividend distribution table in page 165 was submitted at the Annual Shareholders' Meeting for approval.

### 7. Transfer of Shares

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

### 8. Company Disclosure Policy

Yapı Kredi's disclosure policy was prepared in 2008 with an objective of pursuing an effective communication policy and in accordance with Banking Regulation and Supervision Agency, Capital Markets Board and Istanbul Stock Exchange regulations. The Bank's disclosure policy is posted on its website and will be presented at the upcoming Annual Shareholders' Meeting.

Yapı Kredi undertakes all actions of public disclosure and provision of information to shareholders under the supervision of its Compliance Office. The Bank's disclosure policy covers all information about banking activities known to the members of the Board of Directors, management team and other employees of Yapı Kredi, as well as all information, documents, electronic records and data of the Bank, that are not "bank secrets" or "trade secrets" and whose disclosure is legal. With its disclosure policy, Yapı Kredi aims to present information

on the Bank's past performance, future plans and expectations, and developments about its strategy, objective and vision to the public, shareholders, investors and stakeholders in an accurate, comprehensible, equitable, transparent and complete manner that assists the decision making process of the beneficiaries of the disclosure.

By the authorisation of the Board of Directors, Assistant General Manager M. Erkan Özdemir and Head of the Subsidiaries and Shareholders unit Erdinç Tetik were identified as authorised signatories and responsible for public information disclosures. These officers were also charged with overseeing and monitoring all issues related to public disclosures. The Investor Relations unit, headed by Hale Tunaboylu, strives to disclose detailed financial analysis of the Bank and the sector, recent development and expectations, as well as information on strategy, competitive environment and market expectations in a clear, equitable, transparent, consistent, complete and timely manner through proactive, periodic and comprehensive meetings with investors and bank analysts as well as presentations and announcements posted on the Bank's website.

### 9. Disclosures

157 official disclosures were made during the year in accordance with Capital Markets Board regulations. No additional disclosures were requested by the Capital Markets Board or the Istanbul Stock Exchange in response to these disclosures.

Important disclosures that have the potential to impact the share price and important developments pertaining to Yapı Kredi were translated into English, posted on the Bank's English investor relations website (18 posts) and e-mailed to foreign institutional investors and bank analysts throughout the year.

### 10. Company Website and Its Contents

Information relevant to this section was presented in Article "3. Exercise of Shareholders' Right to Obtain Information" of this report.

### 11. Disclosure of Real Person Holding Ultimate Controlling Shares

Pursuant to a resolution of the Ordinary Annual Shareholders' Meeting held during the year, Yapı Kredi adopted the registered capital system. On May 15, 2008, the Board of Directors of Yapı Kredi resolved to increase the Bank's issued capital of YTL 3.427.051.284 within the Bank's registered capital of YTL 5.000.000.000 to YTL 4.347.051.284; an increase of YTL 920.000.000 in cash. The capital increase was registered on December 15, 2008, following the completion of the legal process stipulated by legislation. As a result of this transaction, the share of Koç Financial Services in Yapı Kredi's share capital rose from 81,79% to 81,80%.

### 12. Disclosure of Persons with Access to Insider Information

Pursuant to the provisions of the Banking Law, members of the Bank's Board of Directors and its employees cannot disclose the secrets or its customers that they got possession of due to their titles or duties to anybody but the authorities clearly stipulated by the laws. This responsibility continues after they leave the job. In this respect, Bank employees cannot share Bank secrets or trade secrets with third parties or use them, directly or indirectly, for any purpose other than the Bank's business.

## Corporate Governance Principles Compliance Report

Name and Surname	Title
Dr.Bülent Bulgurlu	Chairman of the Board of Directors
Federico Ghizzoni	Vice Chairman of the Board of Directors
Tayfun Bayazıt	Chief Executive Officer
Alessandro M. Decio <sup>1</sup>	Executive Director and COO
F. Fusun Akkal Bozok	Member of the Board of Directors
Ranieri de Marchis	Member of the Board of Directors
Ahmet F. Ashabođlu	Member of the Board of Directors
Herbert Hangel	Member of the Board of Directors
A. Ümit Taftalı	Member of the Board of Directors
Stephan Winkelmeier	Member of the Board of Directors
Stefano Perazzini	Assistant General Manager
Mehmet Güray Alpkaya <sup>2</sup>	Assistant General Manager
Zeynep Nazan Somer <sup>3</sup>	Assistant General Manager
Mert Yaziciođlu	Assistant General Manager
Mehmet Murat Ermert	Assistant General Manager
Süleyman Cihangir Kavuncu	Assistant General Manager
Cemal Aybars Sanal	Assistant General Manager
Marco Cravario	Assistant General Manager
Luca Rubaga	Assistant General Manager
Hamit Aydođan <sup>4</sup>	Assistant General Manager
Erhan Özçelik <sup>5</sup>	Assistant General Manager
Mert Güvenen <sup>6</sup>	Assistant General Manager
Fahri Öbek	Assistant General Manager
Muzaffer Öztürk <sup>3</sup>	Assistant General Manager
Mehmet Erkan Özdemir	Assistant General Manager
Massimiliano Fossati <sup>2</sup>	Assistant General Manager
Selim Hakkı Tezel <sup>2</sup>	Assistant General Manager
Mehmet Gökmen Uçar	Head of Financial Affairs and Reporting
Erdiñ Tetik	Head of Subsidiaries and Shareholders
Hasan Sadi	Subsidiaries and Shareholders
Hale Tunaboylu	Head of Investor Relations
Adil Giray Öztoprak	Statutory Auditor
Abdullah Geçer	Statutory Auditor

As of December 31, 2008, the list of people who have access to insider information consisting of members of the Board of Directors, senior executives and other employees who have a role in sharing of such information is presented on the left.

- (1) Appointed as Deputy Chief Executive Officer (Deputy CEO) as of January 30, 2009.
- (2) Mehmet Güray Alpkaya was appointed Assistant General Manager responsible for Risk Management to replace Marco Arnaboldi, who resigned from the Bank as of August 1, 2008; Massimiliano Fossati was appointed Assistant General Manager responsible for Credit Management as of October 22, 2008, to replace Mehmet Güray Alpkaya who was in charge of Credit Management. Pursuant to the changes made by the Board of Directors to the Bank's organisational structure, Massimiliano Fossati was appointed Assistant General Manager responsible for Corporate and Commercial Credit Management as of November 20, 2008 and Selim Hakkı Tezel was appointed Assistant General Manager responsible for Retail Personal and SME Credit Management as of December 3, 2008. As of January 30, 2009, Güray Alpkaya who holds the position of Assistant General Manager responsible for Risk Management (CRO) is appointed as Assistant General Manager responsible for Corporate and Commercial Sales and Massimiliano Fossati who holds the position of Assistant General Manager responsible for Corporate and Commercial Credits was appointed as Assistant General Manager responsible for Risk Management (CRO).
- (3) Pursuant to the resignation of Assistant General Manager responsible for Retail Banking Management Mehmet Gani Sönmez as of June 25, 2008, until a permanent Assistant General Manager responsible for Retail Banking Management is appointed, Muzaffer Öztürk, who is the Assistant General Manager responsible for Retail Sales Group Management, temporarily assumed the duties that were previously being carried out by Mehmet Gani Sönmez. Nazan Somer who holds the position of Assistant General Manager responsible for Credit Cards and Consumer Lending is appointed as Assistant General Manager responsible for Retail Banking, Credit Cards and Consumer Lending as of January 30, 2009.
- (4) Hamit Aydođan resigned from the position of Assistant General Manager responsible for Corporate Banking as of January 30, 2009.
- (5) Erhan Özçelik who is Assistant General Manager responsible for Private Banking and International Operations is appointed as Assistant General Manager responsible for Private Banking and functions related to subsidiaries, Yapı Kredi Asset Management and Yapı Kredi Invest as of January 30, 2009.
- (6) Mert Güvenen who holds the position of Assistant General Manager of Commercial Banking is appointed as Assistant General Manager responsible for Corporate and Commercial Banking and commercial coordination of foreign subsidiaries as of January 30, 2009.

### 13. Informing Stakeholders

Yapı Kredi employees are duly informed about the activities of the Bank through the use of intra-Bank communication systems by the CEO and assistant general managers. In addition, head office and branch managers are informed regularly about various developments at meetings.

### 14. Participation of Stakeholders in Management

Yapı Kredi is a joint stock company and is managed by various executive functions within the Bank. The subjects on which these functions need to make decisions are initially evaluated by the relevant management and then submitted for the approval of the related decision-making body.

### 15. Human Resources Policy

All human resources policies and practices of Yapı Kredi are shared with all employees.

Aware of the fact that human resources are the most important element for Yapı Kredi to perform and improve its activities in the best possible way, the Bank's human resources policies and practices are based on the following principles:

- Recruiting and appointing employees with qualifications suitable for the job,
- Creating a work environment where all Yapı Kredi employees can utilise and improve their skills and capabilities,
- Creating and providing in-house and external training opportunities for Yapı Kredi employees within the framework of career management in order to develop them professionally, increase their accomplishments and prepare them for higher positions,

- Laying the foundation for the creation and expression of new ideas and to find solutions to problems in an environment of mutual respect, trust, understanding and effective communication,
- Developing and implementing systems that encourage and reward success,
- Monitoring the values of the Bank, ensuring that these values are embraced by all employees, and taking necessary measures to improve processes,
- Ensuring that equal opportunities are offered without any exceptions in all of the above practices.

Performance, motivation and determination are the basic requirements for promotion at Yapı Kredi. The Bank implements an open, objective and participatory performance evaluation system coupled with a training system which considers training not as a cost but as an investment.

It is only possible for businesses to advance consistently in a stated way if all employees act in line with the same principles and values. Yapı Kredi created the Code of Ethics and Working Principles to direct its employees in the right direction.

In addition to the Human Resources Personnel Directive, Yapı Kredi employees can always reach the internal human resources teams via e-mail, phone or face-to-face meetings in areas of recruitment, personal rights, social rights, retirement, promotions, training, orientation, performance evaluation, health, vacation, career planning and private issues. Yapı Kredi employees that are members of trade unions have the right to elect representatives at their branches or departments.

### 16. Information on Customer and Supplier Relations

For Yapı Kredi, customer satisfaction is an indispensable principle for sustainable growth and profitability that the Bank continuously strives to improve. Customer satisfaction, expectations and service quality are measured in great detail at the Bank, customer segment and branch level and results are analysed. Based on these results and analyses, necessary improvements and efforts are made in order to increase service quality and customer satisfaction at the Bank and branch level and developments are monitored closely. In addition, in order to ensure that the service and basic customer relations provided at all Yapı Kredi branches and the call center meet a certain standard, training programs are implemented and performance is monitored via covert customer surveys throughout the year. Customer complaints are perceived by the Yapı Kredi management as an opportunity provided by the customers to the Bank to improve itself. Complaints received are registered in the system, examined carefully and resolved; the customer is contacted with the resolution and the Bank takes the necessary measures to prevent a repetition of this complaint. Number and subjects of the complaints are monitored closely and they are used as inputs in improving the Bank's processes, products and systems. Furthermore, with the periodically conducted reputation survey, the Bank's reputation among various institutions as well as Yapı Kredi customers and suppliers is monitored.

## Corporate Governance Principles Compliance Report

### 17. Social Responsibility

Ever since its inception, apart from its core activity of banking, Yapı Kredi has always been conscious of its social responsibility and has set itself the task of contributing and adding value to society through culture, art, environment and education related activities.

In order to create awareness among elementary school students, Yapı Kredi supports the Infinite Blue Project it has been undertaking since 2006 jointly with TURMEPA (Turkish Marine Environment Protection Association) and the Ministry of Education. In line with the project's objectives, awareness among elementary school students about the dangers seas are facing was supported, helping to create environmental awareness among the youth at very early ages. As of year-end, the project reached more than two million students through the teachers identified at each school.

Yapı Kredi continued to support the activities of the Educational Volunteers Foundation of Turkey (TEGV) in 2008 as well. In this scope, the "Reading Hour", implemented in all education parks and learning centers of TEGV, was adopted for a period of five years. It was decided that the content of the activity be enhanced under the name "Creative Reading", supported through additional activities and the activity locations be reorganised. To date, a total of 38.000 students participated in the activities across the nation.

Yapı Kredi has been coaching 1.098 students with 64 employees for "Vocational Education: A Crucial Matter for the Nation" project which was launched under the leadership of Koç Holding.

Another social responsibility project launched by Yapı Kredi in the education

area is the support provided for the restoration of the historical Hamlin Hall Student Housing located on the Boğaziçi University campus.

Showing its sensitivity in 2008 to forest fires and the destruction of green areas as a result of intense drought, within the scope of the "For My Country Forests" project launched under the leadership of Koç Holding, Yapı Kredi adopted the Mersin Gülnar Forest and took the first step towards creating 100.000-tree forest in this town and formed the "Yapı Kredi Mersin Gülnar Forest". Aware that the great losses created by forest fires cannot be mitigated by forestation efforts alone, Yapı Kredi launched a Paper Conservation project and as part of this effort, decided not to produce promotional materials such as calendars and agendas in 2009. Saving nearly 55.000 trees with this initiative alone, Yapı Kredi has also been sending its holiday and new year's cards electronically since 2007.

The Share Program launched at the end of 2007 is a social responsibility platform of World, which allows cardholders to support social responsibility projects they care about with cash from their credit cards or using their Worldpoints. The areas supported by the Share Program were determined according to the objectives outlined in the UN Global Compact's United Nations Millennium Manifesto. Under the Share Program, cardholders will be able to donate to projects run by Turkey's leading non-governmental organisations including UNICEF, TEGV, TBMV, TEMA, TURMEPA, LÖSEV and İZEV. World makes an extra contribution in the amount donated by cardholders in Worldpoints.

Providing support for years to the excavations in Aphrodisias, the city of Goddess Aphrodite, Yapı Kredi Private Banking has been supporting the efforts of

the Geyre Foundation to place this ancient city, famous for its statues, on the culture and art agenda that it deserves and make it available for the future generations. Yapı Kredi's support for the ancient city of Aphrodisias and its exhibition to the public intensified in the fourth quarter of 2007. For the benefit of the New Sebasteion Hall where 80 unique reliefs excavated in the ancient city of Aphrodisias will be exhibited, a special auction was conducted on January 17, 2008 at the Rahmi Koç Museum as part of the "Eternalise Your Name with a Historical Marble Relief" project. Organized with the support of Yapı Kredi Private Banking, 11 reliefs sold at the auction were eternalised along with the names of the buyers. The proceeds from this event were used to support the completion of the New Sebasteion Hall that opened in May. Produced by the most prestigious sculptors of their period, these unprecedented pieces were assembled together in a comprehensive exhibit held by Yapı Kredi Cultural Activities, Arts and Publishing in Istanbul in 2008.

Another archeological social responsibility project of Yapı Kredi is the Çatalhöyük excavations. The Bank continued to support the excavations at Çatalhöyük, one of the world's oldest settlements, this year as well.

Yapı Kredi sponsored the Vienna Philharmonic Chamber Orchestra and Razumovsky Ensemble concerts, held on June 7 and June 13, 2008, respectively, at the 36th International Istanbul Music Festival as part of its long-term cooperation with the Istanbul Foundation for Culture and Arts (İKSVA). At the 22nd International İzmir Festival, the Vienna Chamber Philharmonic Orchestra gave a memorable concert with pianist Mihaela Ursula at the İzmir Bergama Asklepion Theatre on June 9, 2008.

Yapı Kredi's social responsibility in the culture and arts area is carried out by Yapı Kredi Cultural Activities, Arts and Publishing (Yapı Kredi Kültür Sanat Yayıncılık), which undertakes these activities on behalf of Yapı Kredi. Yapı Kredi Cultural Activities, Arts and Publishing continued to be much talked about in 2008 thanks to the books it published and exhibitions it opened as well as many other cultural and arts events.

During 2008, 17 exhibitions were held at Yapı Kredi Cultural Center, each of which drew heavy interest. The contemporary art series at the Kazım Taşkent Art Gallery continued during the year. The exhibits hosted at the gallery include Cengiz Çekil's "What Time Is It" exhibit, which makes one think about time; the photograph exhibit of Elina Brotherus, a famous Finnish photographer; Halil Altındere's "I Am Not Sure This Is an Exhibit" exhibit, which was highly touted; "A Life Dedicated to Track & Field: Cüneyt E. Koryürek, Turkey's Olympic Adventure" exhibit, an exhibition about Cüneyt Koryürek who had dedicated his life to athletic activities; "Ups and Downs" exhibit of Ayşe Erkmen, an international name in contemporary art; Pınar Yolaçan's "Maria" photograph exhibit; and Özer Kabaş's Retrospective exhibit.

Sermet Çifter Hall hosted the "An Architect from the Ottomans to the Republic, from the National to the Modern: Arif Hikmet Koyunoğlu" exhibit, which is an exhibition about Arif Hikmet Koyunoğlu, an architect-photographer who left his mark on Turkish architecture; "A Ship Silent for 50 Years, Yahya Kemal on the 50th Anniversary of His Death with his Private Letters and Correspondences" exhibit, an exhibition for the great author on his death's 50th anniversary; the "Painter of Life and Light: Fausto Zonaro, An Ottoman Palace Painter's Life and Works in Istanbul" exhibit, which displayed the life of the famous orientalist painter; the "A Pioneer Thinker: Mazhar Şevket İpşiroğlu" exhibit, in celebration of

### Board of Directors and its Structure

Dr. Bülent Bulgurlu	Chairman of the Board of Directors
Federico Ghizzoni	Vice Chairman of the Board of Directors
Tayfun Bayazıt	Chief Executive Officer
Alessandro M. Decio <sup>1</sup>	Executive Director and COO
Fatma Fusun Akkal Bozok	Member of the Board of Directors
Ranieri de Marchis	Member of the Board of Directors
Ahmet F. Ashaboğlu	Member of the Board of Directors
Herbert Hangel	Member of the Board of Directors
A. Ümit Taftalı	Member of the Board of Directors
Stephan Winkelmeier	Member of the Board of Directors

<sup>1</sup>Appointed as Deputy Chief Executive Officer (Deputy CEO) as of January 30, 2009.

Mazhar Şevket İpşiroğlu's 100th birthday; the "As I conclude my journey before I reach my city..." / Nâzım and Vera, from Moscow to Istanbul" exhibit, which brought Nâzım Hikmet's personal belongings to Turkey for the first time; Güneş Karabuda's "The Language of Walls" Paris in its 40th Year-May 68" exhibit on the 40th anniversary of the turmoil in 1968; the "A Person and A Soldier: Kâzım Karabekir" exhibit, an exhibition about Kâzım Karabekir, the eastern front war hero; and finally the "A Photographic Plate: Sabahattin Ali in Photographs He Took and Couldn't Take" exhibit, taking a look at Sabahattin Ali, one of the most important authors of Turkish literature, from a different perspective.

The Vedat Nedim Tör Museum hosted two significant exhibits. Bringing into light the art of marble sculpting in Aphrodisias, a leading sculpting center of its period, "The Roman Portraits from Aphrodisias" exhibit featured 52 extraordinary statues. "The Story of Paper Money from the Empire to the Republic" exhibit told the history of paper money with many interesting samples.

### 18. Board of Directors and its Structure

The Bank is governed and represented by the Board of Directors.

Pursuant to the Bank's Articles of Association, the Board of Directors of the Bank is composed of a minimum of seven and a maximum of ten individuals. The members are elected by the General Assembly for a term of office of maximum three years and to serve until the election of their successors. A member whose term of office has expired may be re-elected. Members of the Board of Directors are elected from amongst shareholders. However, if non-shareholders are elected as members, such individuals can start serving in their posts upon becoming a shareholder. A legal entity shareholder may not be a member of the Board of Directors. However, real persons who are representatives of a shareholding legal entity may be elected to serve on the Board of Directors. Members of the Board of Directors are the Bank's authorised signatories in the first degree.

### 19. Qualifications of the Members of the Board of Directors

Members of the Board of Directors should fulfill the educational requirements stipulated in the legislation and legal arrangements in force. The appointed Board members are expected to possess

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the qualifications stipulated in the Banking Law. The official documentation proving these qualifications are presented to BRSA within seven business days following the appointment. Pursuant to legislation, each Board member is obliged to take an oath of duty after being appointed or elected to the post. In addition, they are also subject to the provisions of the Law No 3628 on Declaration of Assets and Fight Against Corruption.

### 20. Mission and Strategic Objectives of the Company

With an objective to achieve sustainable value generation, Yapi Kredi's strategy is focused on:

- Healthy and steady growth based on outstanding performance of core commercial banking activities
- Sustainable profitability driven by:
  - Clear focus on customer satisfaction
  - Sound banking approach with strong emphasis on liquidity and return on capital, and
  - Strong focus on employee satisfaction
- Continuous search for efficiency enhancements and strong focus on asset quality and risk management

### 21. Risk Management and Internal Control Mechanism

The 2008 credit policy directive reflecting the Bank's approach to risk taking has been updated, approved by the Board of Directors and became operational. The credit policy directive currently in effect includes organisation-wide common standards, limitations and principles to be followed throughout the lending activities to improve the asset quality, as well as supporting effective risk management and complying with legal practices.

The main policies to be pursued throughout 2009 in the credit risk management area will continue to be focused on properly assessing potential risks, calculating the cost of risk for each customer segment, in compliance with Basel II principles.

The main strategies to be followed throughout 2009 are:

- Effective implementation of the credit policy directive to reinforce a common risk management approach throughout the Bank
- Better diversification of its loan portfolio towards less risky sectors
- Avoid excessive concentration in Group exposures while strictly obeying statutory limits
- Focus on customers with better credit rating classes
- Avoid transactions bearing high credit risk and reputation risk
- Measurement of cost of risk by business segments while applying generic provisioning in line with cost of risk
- Employment of more selective approaches in lending practices while focus on collection of non-performing loans
- Improvement of credit risk models in compliance with the advanced methods of Basel II

The Bank is exposed to market risk as a result of the volatility of interest rates, foreign exchange rates and equity prices. Market risk is defined as the impact of fluctuations in market prices on the Bank's income and/or assets. Market risk is measured with an in-house value at risk model using a 99% confidence interval and historical simulation covering 500 days historical data. Market risk is managed by monitoring compliance with risk limits on the basis of interest rate sensitivity, securities sub-portfolios and foreign exchange position on a daily basis using internal models. In addition, basis point sensitivity analysis is performed on

the overall bank balance sheet for each currency using the market risk internal model and results are reported daily to the senior management and related units. In the market risk policies, which are revised every year in light of the budget and expectations, the risks the Bank is exposed to are defined in detail and risk limits are specified. Risk limits are set in terms of maximum position size, stop loss, value at risk and liquidity risk limit.

The Bank is keeping security trading activities at a minimum in order to reduce fluctuations in revenues. For this purpose, 85% of the securities portfolio of the consolidated balance sheet is composed of held-to-maturity securities (this ratio is 90% for the unconsolidated balance sheet), foreign exchange position is kept at a minimum level and derivative instruments are utilised for hedging purposes for the most part. In 2008, the average daily value at risk for the trading portfolio was € 0,92 million with a maximum and minimum usage of 125% (this breach of limit was due to extreme fluctuation in the market, which in turn was a result of the October 2008 crisis) and 5%, and carried an average nominal position of approximately € 97 million. Average risk appetite for the held-to-maturity portfolio was 1%.

General operational risk limits are defined in Operational Risk Directive, whereas main principles are stipulated in the operational risk framework document. Operational risk directive and the framework document are reviewed every year in light of changing risks and conditions. Risk management policy breaches, changes in risk and limit breaches in operational risk are reported to the Bank management and Asset and Liability Committee periodically.

Periodic reporting of risk management and internal control activities is made to the Audit Committee.

## **22. Authorities and Responsibilities of Members of the Board of Directors and Executives**

The authorities and responsibilities of the members of the Board of Directors and executives are stipulated in the relevant articles of the Articles of Association of Yapı Kredi. These authorities and responsibilities are determined in line with the laws and regulations concerned. Members of the Board of Directors and executives of the Bank are responsible for the discharge of the duties allocated to them by these laws and regulations within the scope of their authority. They are all held liable under the laws, regulations and provisions of the Articles of Association for the attention and prudence they exhibit during the execution of bank affairs.

## **23. Operating Principles of the Board of Directors**

The Board of Directors holds absolute authority on the execution of any and all agreements and transactions for the management and establishment of the Bank's business and properties. The attendance of at least one more than half of the total number of members is required for Board meetings. Decisions are taken by the affirmative votes of at least one more than half of the total number of members. The minutes of the meeting and resolutions are recorded in Turkish in accordance with the laws and regulations concerned and the Articles of Association of the Bank.

## **24. Non-compete and Non-transaction Rules**

At the Annual Shareholders' Meeting held on April 7, 2008, the right to conduct transactions was granted to the members of the Board of Directors according to articles 334 and 335 of the Turkish Commercial Code.

## **25. Code of Ethics**

Ethics are moral principles governing behavior, in which values, norms and rules constitute the basis for individual and social relationships. Professional ethics regulate the relations between individuals within a professional group and the community, whereas organisational ethics define the code of conduct in an organisation. In this context, the Bank's code of ethics is part of Yapı Kredi's "Personnel Policies, Principles and Regulations".

Information on the Bank's Code of Ethics is available on the Bank's website. An inseparable part of the Bank's personnel policies, principles and regulations, these rules are accepted by the Bank's employees with all their details.

## **26. Number, Structure and Independence of Committees Formed by the Board of Directors**

The aim of the committees established by the Board of Directors is to provide support during the decision-making process and/or the evaluation of proposals to be submitted for the approval of Bank's related functions as well as making decisions in their own areas of responsibility in accordance with the authorities delegated to them by the Board of Directors. Committees convene as required by the Bank's business and transactions and within the framework of provisions of Law, the Articles of Association and the relevant resolutions of the Board of Directors. The committees are responsible for acting in compliance with the principles and methods determined by the Banking Law, related regulations and the Board of Directors, and carry out their functions in accordance with the framework of corporate governance principles.

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### Audit Committee:

Ranieri de Marchis - Chairman  
Ahmet F. Ashaboğlu<sup>1</sup>- Member  
Herbert Hangel - Member

### Credit Committee:

Principal Members:  
Alessandro M. Decio<sup>2</sup>-Chairman  
Tayfun Bayazit-Member and CEO  
Federico Ghizzoni-Member  
F. Füsün Akkal Bozok-Member  
Stephan Winkelmeier<sup>3</sup>-Member  
Alternate Members:  
Dr. Bülent Bulgurlu<sup>4</sup>  
A. Ümit Taftalı

### Asset and Liability Committee:

Alessandro M. Decio<sup>2</sup>-Chairman  
Tayfun Bayazit- Member and CEO  
M. Güray Alpkaya<sup>5</sup>-Member  
Marco Cravario- Member  
Massimiliano Fossati<sup>5</sup>-Member  
Selim Hakkı Tezel<sup>5</sup>-Member  
Mert Yazıcıoğlu- Member  
Hamit Aydoğan<sup>6</sup>-Member  
Mert Güvenen<sup>7</sup>- Member  
Muzaffer Öztürk<sup>8</sup>-Member  
Nazan Somer<sup>8</sup>- Member  
Erhan Özçelik<sup>9</sup>-Member

- (1) At the Board of Directors dated 28 January 2009, Fatma Füsün Akkal Bozok was appointed as Audit Committee member to replace Ahmet Ashaboğlu's position as Audit Committee member.
- (2) Appointed as Deputy Chief Executive Officer (Deputy CEO) as of January 30,2009.
- (3) Stephan Winkelmeier was appointed member of the Bank's Board of Directors on December 2, 2008 to replace Thomas Gross who resigned his post as a member of the Board of Directors of the Bank as of October 31, 2008. Similarly, Stephan Winkelmeier was also appointed to the Credit Committee to replace Thomas Gross.
- (4) At the Board of Directors dated 28 January 2009, Ranieri de Marchis was appointed as alternate member to replace Dr. Bülent Bulgurlu's position as alternate Credit Committee member.
- (5) Mehmet Güray Alpkaya was appointed Assistant General Manager responsible for Risk Management to replace Marco Arnaboldi, who resigned from the Bank as of August 1, 2008; Massimiliano Fossati was appointed Assistant General Manager responsible for Credit Management as of October 22, 2008, to replace Mehmet Güray Alpkaya who was in charge of Credit Management. Pursuant to the changes made by the Board of Directors to the Bank's organisational structure, Massimiliano Fossati was appointed Assistant General Manager responsible for Corporate and Commercial Credit Management as of November 20, 2008 and Selim Hakkı Tezel was appointed Assistant General Manager responsible for Retail and SME Credit Management as of December 3, 2008. As of January 30,2009, Güray Alpkaya who holds the position of Assistant General Manager responsible for Risk Management (CRO) is appointed as Assistant General Manager responsible for Corporate and Commercial Sales and Massimiliano Fossati who holds the position of Assistant General Manager responsible for Corporate and Commercial Credits was appointed as Assistant General Manager responsible for Risk Management (CRO).
- (6) Hamit Aydoğan resigned from the position of Assistant General Manager responsible for Corporate Banking as of January 30,2009.
- (7) Mert Güvenen who holds the position of Assistant General Manager of Commercial Banking is appointed as Assistant General Manager responsible for Corporate and Commercial Banking and commercial coordination of foreign subsidiaries as of January 30,2009.
- (8) Pursuant to the resignation of Assistant General Manager responsible for Retail Banking Management Mehmet Gani Sönmez as of June 25, 2008, until a permanent Assistant General Manager responsible for Retail Banking Management is appointed, Muzaffer Öztürk, who is the Assistant General Manager responsible for Retail Sales Group Management, temporarily assumed the duties that were previously being carried out by Mehmet Gani Sönmez. Nazan Somer who holds the position of Assistant General Manager responsible for Credit Cards and Consumer Lending is appointed as Assistant General Manager responsible for Retail Banking, Credit Cards and Consumer Lending as of January 30,2009.
- (9) Erhan Özçelik who is Assistant General Manager responsible for Private Banking and International Operations is appointed as Assistant General Manager responsible for Private Banking and functions related to subsidiaries, Yapı Kredi Asset Management and Yapı Kredi Invest as of January 30,2009.

### 27. Remuneration of the Board of Directors

Members of the Board of Directors receive dividend reserved in accordance with Article 78 of the Bank's Articles of Association. In addition, they receive attendance fees determined at the Annual Shareholders' Meeting.