



**2009**  
**CORPORATE GOVERNANCE**  
**PRINCIPLES COMPLIANCE REPORT**

# CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

## 1. Declaration of Compliance with Corporate Governance Principles

Based on the decision of the Board of Directors dated December 9, 2004, it was resolved that the Corporate Governance Principles issued by the Capital Markets Board (CMB) would be adopted in principle.

Yapı Kredi was included among the leading companies that form the Istanbul Stock Exchange Corporate Governance Index in 2008 following the corporate governance rating report by SAHA Corporate Governance and Credit Rating Services Inc., a corporate governance rating agency licensed by the CMB to operate in Turkey. Yapı Kredi's compliance with the CMB's Corporate Governance Principles was rated with this report and the Bank obtained an overall corporate governance rating of 8,02 out of 10. Yapı Kredi's corporate governance rating was upgraded to 8,44 at the end of 2009 as a result of the evaluation process by the same corporate governance rating agency, SAHA.

Yapı Kredi's corporate governance rating was identified under the framework of the CMB's Corporate Governance Principles under differently weighted four main sections of shareholders, public disclosure and transparency, stakeholders and board of directors. Updated ratings in each main section are presented in the table.

Adherence to Corporate Governance Principles is among the Bank's primary goals in corporate governance. With the corporate governance rating obtained in 2008, Yapı Kredi proved that it complies to a significant degree with CMB's Corporate Governance Principles and that it has implemented most required policies and measures. Upgrade of the corporate

Main Sections	Weight	2008 Rating	2009 Rating
Shareholders	0,25	8,29	8,56
Public Disclosure and Transparency	0,35	8,11	8,83
Stakeholders	0,15	9,50	9,50
Board of Directors	0,25	6,74	7,13
<b>Total</b>	<b>1,00</b>	<b>8,02</b>	<b>8,44</b>

governance rating in 2009 is a clear indicator of the Bank's strong commitment in this area. Yapı Kredi continues its efforts in line with the responsibility to abide by these principles.

Corporate governance rating reports prepared by SAHA Corporate Governance and Credit Rating Services Inc. are also available on Yapı Kredi's website.

## 2. Shareholder Relations

Founded in 1944, Yapı Kredi was the first privately-owned bank to open to the public. The Bank carries out its relationship with shareholders via two special units: the Subsidiaries and Shareholders unit, whose structure and organisation was established in line with CMB's Corporate Governance Principles and the Investor Relations and Strategic Planning unit. This unit is in charge of the strategic management of financial communication and relationships with institutional investors and shareholders, analysts, credit rating agencies and the media. The Investor Relations and Strategic Planning unit is responsible for transparent, timely, objective, accurate and consistent information flow to the market contributing to the accurate valuation of the Bank by financial experts and to ensuring sustainable value creation.

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.

### Subsidiaries and Shareholders

Name, Surname	E-mail address	Phone Number
Erdoğan TETİK	erdinc.tetik@yapikredi.com.tr	+90 (212) 339 64 31
Hasan SADİ	hasan.sadi@yapikredi.com.tr	+90 (212) 339 73 80
Canan KARAKAYA	canan.karakaya@yapikredi.com.tr	+90 (212) 339 63 40
Ercan YILMAZ	ercan.yilmaz@yapikredi.com.tr	+90 (212) 339 73 17

### Investor Relations and Strategic Planning

Name, Surname	E-mail address	Phone Number
Hale TUNABOYLU	hale.tunaboylu@yapikredi.com.tr	+90 (212) 339 76 47
Gülsevin TUNCA Y	gulsevin.tuncay@yapikredi.com.tr	+90 (212) 339 73 23
Pınar CERİTOĞLU	pınar.ceritoglu@yapikredi.com.tr	+90 (212) 339 76 66

Primary duties and responsibilities of the Investor Relations and Strategic Planning 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 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.

#### 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 and Strategic Planning units.

In accordance with Corporate Governance Principles, Yapı Kredi has two regularly updated websites, one in Turkish and the other in English.

The Turkish website is accessible via [www.yapikredi.com.tr](http://www.yapikredi.com.tr); the English website 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 banking services provided by the Bank.

Prepared both in Turkish and English, the websites contain detailed information about Yapı Kredi in the investor relations section.

Accessible at [www.yapikredi.com.tr/tr-TR/yatirimci\\_iliskileri](http://www.yapikredi.com.tr/tr-TR/yatirimci_iliskileri), the investor relations website in Turkish presents the following information to all shareholders: The Bank's history, vision and values, shareholder structure, stock information, the Bank's periodic financial statements and annual reports, credit ratings assigned by credit rating agencies to the Bank, reports on corporate governance, member list of Board of Directors and Statutory Auditors, management team, Articles of Association, trade registry information, disclosure policy, code of ethics, credit, information on Annual Shareholders' Meetings, Annual Shareholders' Meetings minutes, Annual Shareholders' Meetings agenda, proxy voting form, press bulletins issued by the Bank and other information related with the Bank.

Yapı Kredi's investor relations website in English is accessible at [www.yapikredi.com.tr/en-us/investorrelations](http://www.yapikredi.com.tr/en-us/investorrelations). This site contains detailed information about Yapı Kredi's corporate profile, shareholder structure, organisational structure, management team, share performance, credit ratings assigned by credit rating agencies to Yapı Kredi, periodic financial statements prepared in accordance with BRSA and international accounting standards, annual reports, periodic presentations for investors, 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, information on Board of Directors, detailed information on corporate governance including disclosure policy and code of ethics and answers to frequently asked questions.

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 2009, shareholders made no requests for the appointment of special auditors.

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

The most recent Annual Shareholders' Meeting was held on April 3, 2009. Shareholders attended this meeting with an 88,02% 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 and agenda of the meeting published in the Turkish Trade Registry Gazette dated March 18, 2009 and Vatan and Referans newspapers dated March 18, 2009.

At the Ordinary Annual Shareholders' Meeting, regular articles were discussed

and approved in addition to the adoption of registered capital system, discussion on the principles of the Central Registry Agency in relation to dematerialisation, the transition process from YTL to TL and approval of related article amendments.

Also, dividend distribution policy for 2009 and beyond and disclosure policy of the Bank as required by Corporate Governance Principles, both set by the Board of Directors, were presented at the Annual Shareholders' Meeting. The General Assembly was also informed about the possible changes to the Bank's Disclosure Policy by the Board of Directors in order to comply with Capital Markets regulations.

Shareholders were informed through the Istanbul Stock Exchange and the media 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 and Ankara Kızılay branches, as well as on the Bank's website.

#### **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**

Since its foundation, the right to receive dividends, an inseparable part of shareholding, has always been granted utmost importance at Yapı Kredi.

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 toward 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 TL 67.738.833,93 should be reserved as the primary reserve from TL 1.354.776.678,61 (the unconsolidated net profit for the accounting period) and the TL 1.268.884.314,32 that remains after the reservation of TL 18.153.530,36 (75% of the profit from the sales of real properties and 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 completion of the Bank's long-term growth plans, giving due consideration to the domestic and international economic conditions and 2009 dividend distribution table on page 182 that 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 the objective of pursuing an effective communications policy and in accordance with Banking Regulation and Supervision Agency, Capital Markets Board and Istanbul Stock Exchange regulations. The Bank's Disclosure Policy, which is posted on the Bank's website, was presented at the 2008 Annual Shareholders' Meeting.

The updated Disclosure Policy which will be presented to shareholders at the 2009 Annual Shareholders' Meeting can be found on the Bank's website.

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 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, 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, Executive Vice President 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 and Strategic Planning unit, directed 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

During the year, 60 official disclosures were made 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 (11 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 "Section 3. Exercise of Shareholders' Right to Obtain Information" of this report.

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

81,8% of Yapı Kredi's total capital of TL 4.347.051.284 is owned by Koç Financial Services, which is an equal share (50%-50%) joint venture between Koç Group and UniCredit Group. With this share, Koç Financial Services is the majority shareholder.

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

Members of Yapı Kredi's management and audit functions and people having regular access to the Bank's insider information directly or indirectly and having responsibility of making managerial decisions effecting Yapı Kredi's future developments and commercial objectives are included in the list of persons with managerial responsibility.

The list of persons with managerial responsibility at Yapı Kredi can be found on the following table.

The list of people with access to insider information at Yapı Kredi is created and kept in accordance with the regulation.

## 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 Executive Vice Presidents. 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.

**List of Persons with Managerial Responsibility at Yapı Kredi**

<b>Name and Surname</b>	<b>Title</b>
Tayfun Bayazıt	Chairman of the Board of Directors
Federico Ghizzoni	Vice-Chairman of the Board of Directors
Faik Açıkalin	Chief Executive Officer (CEO)
Alessandro Maria Decio	Executive Director and Deputy CEO
Fatma Füsün Akkal Bozok	Member of the Board of Directors
Ahmet Fadıl Ashabođlu	Member of the Board of Directors
Stephan Winkelmeier	Member of the Board of Directors
Osman Turgay Durak	Member of the Board of Directors
Vittorio G. M. Ogliengo	Member of the Board of Directors
Carlo Vivaldi	Member of the Board of Directors
Mehmet Güray Alpkaya	Executive Vice President (Corporate and Commercial Sales Management)
Marco Cravario	Executive Vice President (CFO-Financial Planning and Administration Management)
Yakup Dođan	Executive Vice President (Alternative Delivery Channels Management)
Mehmet Murat Ermert	Executive Vice President (Corporate Communications Management)
Massimiliano Fossati	Executive Vice President (Risk Management)
Mert Güvenen	Executive Vice President (Corporate and Commercial Banking Management)
Süleyman Cihangir Kavuncu	Executive Vice President (Human Resources Management)
Erhan Özçelik	Executive Vice President (Private Banking and Wealth Management)
Mehmet Erkan Özdemir	Executive Vice President (Compliance Officer)
Muzaffer Öztürk	Executive Vice President (Retail Banking Sales Management)
Stefano Perazzini	Executive Vice President (Internal Audit)
Yüksel Rizeli	Executive Vice President (Information Technologies and Operations Management)
Luca Rubaga	Executive Vice President (Organisation and Logistics Management)
Cemal Aybars Sanal	Executive Vice President (Legal Affairs Management)
Zeynep Nazan Somer	Executive Vice President (Retail Banking Management)
Feza Tan	Executive Vice President (Corporate and Commercial Credits Management)
Selim Hakkı Tezel	Executive Vice President (Retail Credits Management)
Mert Yazıcıođlu	Executive Vice President (Treasury Management)
Cahit Erdođan	Head of Information Technologies (CIO)
Adil G. Öztoprak	Statutory Auditor
Abdullah Geçer	Statutory Auditor

### 15. Human Resources Policy

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

Aware 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 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 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. Customer and Supplier Relations

For Yapı Kredi, customer satisfaction is an indispensable part of sustainable growth and profitability and the Bank continuously strives to improve this ideal. Customer satisfaction, expectations and service quality are measured in great detail at the Bank, customer segments, branch levels and results are analysed and necessary improvements are made to increase service quality and customer satisfaction at Bank and branch level. In addition, to ensure that service and basic customer relationships provided at all Yapı Kredi branches and via the call center meet a certain standard, training programmes are implemented and performance is monitored via mystery customer surveys throughout the year. Customer complaints are perceived by Yapı Kredi management as an opportunity provided by the customers for 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.

### 17. Social Responsibility

Fostering the corporate citizenship concept, Yapı Kredi continues to make investments in social responsibility projects that add value to the Bank's clients and to contribute toward social development.

The "Infinite Blue" project launched collectively with the Turkish Marine Environment Protection Association (TURMEPA) in 2006 under the sponsorship of the Ministry of National Education is continuing successfully. In 2009, "Infinite Blue" awareness building training was delivered to 3.670.000 school children at 7.358 schools nationwide Turkey. The project will be ongoing until April 2011.

The initial three year term planned for the I Read I Play project, another programme launched in 2006 jointly with Educational Volunteers Foundation of Turkey (TEGV), ended as of the end of 2009. I Read I Play is a programme prepared for children in the seven to eleven age group consisting of 8 different stories in various difficulty levels and workshops aimed at understanding stories, to enhance reading skills through comprehension exercises carried out in specially designed reading rooms. This programme was prepared considering creative reading techniques as well as general and specific objectives of Ministry of Education's (MEB) Turkish teaching package. At the beginning of the project, the objective was to reach 49.504 children/events until 2010 at 11 Education Parks and 55 Learning Units of TEGV around Turkey. As of November 2009, the initial target set was surpassed and the actual figures hit 58.277 children/events. Considering the successful results obtained and the interest of the recipients, the project was extended for three more years until 2012.

**Board of Directors<sup>(1)</sup>**

Tayfun Bayazit	Chairman of the Board of Directors
Federico Ghizzoni	Vice Chairman of the Board of Directors
Faik Açıklalın	Chief Executive Officer
Alessandro M. Decio	Executive Director and Deputy CEO
Fatma Füsün Akkal Bozok	Member of the Board of Directors
Ahmet F. Ashaboğlu	Member of the Board of Directors
Stephan Winkelmeier	Member of the Board of Directors
O. Turgay Durak	Member of the Board of Directors
Vittorio G. M. Ogliengo	Member of the Board of Directors
Carlo Vivaldi	Member of the Board of Directors

(1) At the Ordinary Shareholders Meeting of the Bank held on April 3, 2009, a new Board of Directors was elected and Ali Tarık Uzun and O. Turgay Durak assumed the Director role newly in the Board. Based on the decision of the Board of Directors dated April 6, 2009, Tayfun Bayazit, who resigned his position as General Manager as of 06.04.2009, was elected as Chairman. Based on the decision of the Board of Directors dated April 27, 2009, Faik Açıklalın was appointed as Executive Director to replace Ali Tarık Uzun whose Board membership has ended. Faik Açıklalın was also appointed as the General Manager of Yapı ve Kredi Bankası A.Ş. as of 11 May 2009. Based on the decision of the Board of Directors dated May 15, 2009, Vittorio G. M. Ogliengo and Carlo Vivaldi were appointed as Director to replace Ranieri de Marchis and Herbert Hangel whose Board memberships have ended.

Within the Vocational High Schools: the Crucial Matter for the Nation Project pioneered by Koç Holding to promote vocational education, the number of Yapı Kredi employees assuming a coaching role for Vocational High Schools reached 78 in the 2009-2010 season.

In 2009, Yapı Kredi continued to sponsor the Çatalhöyük Excavation as a part of its commitment to support Art and Culture projects.

In 2009, Yapı Kredi established Yapı Kredi Volunteers Platform with the motto A Social Responsibility Project for Each Management Unit.

**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 fulfil the educational requirements stipulated in the legislation and legal arrangements in force. The appointed Board members are expected to possess the qualifications stipulated in the Banking Law. The official documentation proving these qualifications are presented to the Banking Regulation and Supervision Agency (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

Yapı Kredi's mission: As a fully integrated banking and financial services group, Yapı Kredi aims to ensure long-term sustainable growth and value creation for all stakeholders, and to become the first choice of customers and employees.

Yapı Kredi's strategy is focused on: Superior and long-lasting customer satisfaction through:

- innovative services and products to address changing customer needs, also leveraging on a segment-based business model
- continuous investments in technology and delivery channels
- employee engagement and satisfaction

Healthy and consistent growth based on:

- outstanding performance of core banking activities driven by leadership in the higher return on capital and growth segments
- continuous focus on expanding market presence through network development and investment for growth, aimed at sustaining long-term performance

Strong and sustainable profitability driven by:

- continuous enhancement of productivity and commercial effectiveness
- strong emphasis on efficiency and cost management
- outstanding risk management

Yapı Kredi aims to achieve the above mentioned strategic objectives through the implementation of the segment specific guidelines listed below:

Strong focus on retail banking through:

- reinforced leadership in credit cards with strong focus on business performance and credit risk management, coupled with enhancement of synergies via better integration of credit cards with other retail segments

- growth in SME banking on the back of underpenetrated SME market and via deepening customer relationships through diverse bundled products and an integrated relationship management approach
- strengthened presence in individual banking via significantly deepening customer relationships and increasing product usage

Selective growth in corporate and commercial banking through:

- sustainable business performance on the back of increased share of business from the existing customer base while taking into account return on capital

Continued leadership in private banking via:

- further growth of market presence, leveraging on brand recognition and better synergies with the product factories, via reinforced focus on new customer acquisition and further development of the existing customer base

## 21. Risk Management Mechanism

The 2009 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 2010 in the credit risk management area will continue to focus on properly assessing potential risk and calculating the cost of risk for each customer segment in compliance with Basel II principles.

The main strategies to be followed throughout 2010 are:

- Effective implementation of the credit policy directive to reinforce common risk management approach throughout the Bank
- Diversification of loan portfolio toward less risky sectors
- Avoidance of excessive concentration in Group exposures while strictly obeying statutory limits
- Focus on maintaining customers with good credit ratings
- Avoidance of transactions bearing high credit risk and reputational risk
- Measurement of cost of risk by business segments while applying generic provisioning in line with cost of risk
- Preventive actions against new defaults in individual and SME loans
- Re-design of underwriting and monitoring processes
- Focus on collection of non-performing loans
- Revision and redevelopment of scoring models in commercial and individual segments

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 limits are set in terms of compliance with risk limits based on interest rate sensitivity, securities sub portfolio and foreign exchange position. The risk limit compliance is performed 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, risk to which the Bank is exposed is defined in detail and risk limits are specified. Risk limits are defined as maximum position, stop loss, value at risk and liquidity risk limits.

The Bank is keeping security trading activities at a minimum to reduce fluctuations in revenue. For this purpose, 82% of the securities portfolio of the consolidated balance sheet is composed of held-to-maturity securities (this ratio is 85% at bank level), foreign exchange position is kept at a minimum level and derivative instruments are utilised for hedging purposes for the most part. In 2009, the average daily value at risk for the trading portfolio was 1,04 million Euro with a maximum and minimum usage of 102% and 4,5% respectively and carried an average nominal position of approximately 136,5 million Euro. Average risk appetite for the held-to-maturity portfolio was 1,2%.

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 risk and conditions. Risk management policy breaches, changes in risk and limit breaches in operational risk are reported to the Bank management and Executive 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 has absolute authority with regards to the affairs and the management of all property assets of the Bank as well as the execution and the enforcement of any agreements and transactions for incorporation purposes. The Board of Directors convenes upon the invitation of the Chairman within the frequencies as the operations of the Bank necessitate. The Board of Directors of Yapı ve Kredi Bankası A.Ş., which holds more than 10 (ten) meetings ever year, convenes at the Bank's Head Office subject to the meeting quorum of at least one more than half of the total number of members. The preparatory process (convocation formalities, procurement of documents, submission of resolutions to the members for signing, collection of signatures, keeping the minute book and etc.) of the meetings of the Board of Directors of Yapı ve Kredi Bankası A.Ş., which are effectively

held throughout each year by the actual attendance and active participation of the members, the agenda of the meetings and the matters to be discussed and the actions to be taken subsequently are carried out and taken by the Board's secretary and the secretariat department of the Board on behalf of the Chairman of the Board. In that regard, the convocations are communicated to all members and legal auditors on behalf of the Chairman of the Board at least ten days before the scheduled date of the meeting, following which the matters to be discussed by the Board of Directors at the meeting as well as the matters requested by the members and/or the Bank's Management to be submitted to the consideration of the Board are collected with the supportive documentary related thereto in coordination with all concerned units of the Bank, are then reviewed in accordance with the Articles of Association of the Bank as well as the currently applicable laws and regulations jointly with the Board's secretary, who is elected from outside pursuant to the provisions of paragraph 2 of Article 34 of the Articles of Association of the Bank, are submitted to the Bank's relevant departments for their consideration where necessary whereupon the meeting agenda is drawn up and submitted on behalf of the Bank's Management to the Chairman, and are sent to all members and legal auditors in advance of the meeting upon the Chairman's approval. The members of the Board, who are furnished with the items of the agenda and supportive documents related thereto beforehand, actively participate to the discussions held during the meetings and hence, each matter in the agenda is thoroughly discussed and resolved accordingly. The draft resolutions prepared with respect to the agenda items are finalised according to the discussions

of the Board and submitted by the Board's secretary for signing. The Board's secretary also enters the discussions into the general minutes of the meeting and submits such minutes to the members for signing. The adoption of resolutions requires the votes in favor of the absolute majority of the members of the Board. During the signing of the minutes by the attendees, the members who vote against an adopted resolution, should state and undersign the reasons for opposition thereof.

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

At the Annual Shareholders' Meeting held on April 3, 2009, 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 behaviour, 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. Information on Committees can be found on the tables below.

#### **27. Remuneration of the Board of Directors**

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

#### **Members of the Audit Committee:**

##### **Chairman:**

Federico Ghizzoni <sup>(1)</sup>	Vice Chairman of the Board of Directors
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##### **Members:**

Vittorio G. M. Ogliengo <sup>(1)</sup>	Member of the Board of Directors
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F. Füsün Akkal Bozok <sup>(2)</sup>	Member of the Board of Directors
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(1) Based on the decision of the Board of Directors dated May 15, 2009, Vittorio G. M. Ogliengo was elected as Chairman of the Audit Committee to replace Ranieri de Marchis whose Board membership has ended and Stephan Winkelmeier was elected as Member of the Audit Committee to replace Herbert Hangel whose Board membership has ended. At the Board of Directors meeting dated July 1, 2009, it was resolved that Vittorio G. M. Ogliengo, Chairman of the Audit Committee, was to continue to serve in the Committee as Member and Stephan Winkelmeier, Member of the Audit Committee, was replaced by Federico Ghizzoni and Federico Ghizzoni was elected as Chairman of the Audit Committee.

(2) At the Board of Directors meeting dated January 28, 2009, Fatma Füsün Akkal Bozok was appointed as Member of the Audit Committee member to replace Ahmet Ashaboğlu.

**Members of the Executive Committee:****Chairman:**

Faik Açıklalın <sup>(1)</sup>	Chief Executive Officer
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**Vice Chairman:**

Alessandro M. Decio	Executive Director and Deputy CEO
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**Members:**

Massimiliano Fossati	Executive Vice President - Risk Management
Marco Cravario	Executive Vice President - CFO - Financial Planning and Administration Management
Mert Güvenen	Executive Vice President - Corporate and Commercial Banking Management
Nazan Somer	Executive Vice President - Retail Banking Management
Erhan Özçelik	Executive Vice President - Retail Banking Management
Cihangir Kavuncu	Executive Vice President - Human Resources Management
Yüksel Rizeli <sup>(2)</sup>	Executive Vice President - Information Technologies and Operation Management

(1) Based on the decision of the Board of Directors dated April 27, 2009, Faik Açıklalın was appointed as Chairman of the Executive Committee

(2) Based on the decision of the Board of Directors dated November 3, 2009, Yüksel Rizeli was appointed as Member of the Executive Committee

**Members of the Credit Committee:****Chairman:**

Faik Açıklalın <sup>(1)</sup>	Chief Executive Officer
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**Principal Members:**

Alessandro M. Decio <sup>(1)</sup>	Executive Director and Deputy CEO
Federico Ghizzoni	Vice Chairman of the Board of Directors
F. Füsün Akkal Bozok	Member of the Board of Directors
Stephan Winkelmeier	Member of the Board of Directors

**Alternate Members:**

Vittorio G. M. Ogliengo <sup>(2)</sup>	Member of the Board of Directors
Carlo Vivaldi <sup>(2)</sup>	Member of the Board of Directors

(1) Based on the decision of the Board of Directors dated March 6, 2009, as a reflection of the organisational changes that took place on January 30, 2009 and the new responsibilities assigned to the CEO and Deputy CEO, the CEO of the Bank was appointed as Chairman of the Credit Committee and Deputy CEO was appointed as a Member of the Credit Committee. Based on the decision of the Board of Directors dated April 27, 2009, Faik Açıklalın was appointed as Chairman of the Credit Committee.

(2) Based on the decision of the Board of Directors dated April 6, 2009, Ali Tarık Uzun was elected as Alternate Member of the Credit Committee to replace Aykut Ümit Taftalı whose Board membership has ended. Based on the decision of the Board of Directors dated May 15, 2009, Vittorio G. M. Ogliengo and Carlo Vivaldi were appointed as Alternate Members of the Credit Committee to replace Ali Tarık Uzun and Ranieri de Marchis whose Board memberships have ended.