



2007

Corporate Governance Principles Compliance Report

Corporate Governance Principles Compliance Report

1. Declaration of Compliance with Corporate Governance Principles

It has been decided to accept in principle the Corporate Governance Principles published by the Capital Markets Board (CMB) during the Board of Directors meeting of Yapı Kredi No. 61/51 dated December 9, 2004. Yapı Kredi has implemented the corporate governance principles detailed below during the period that ended December 31, 2007 in line with the explanations in this report.

2. Investor Relations Division

Founded in 1944 as the first privately-owned, Yapı Kredi carries out its relations with shareholders via two special units. The first unit is the "Shareholder Relations", whose structure and organization are in line with CMB's Corporate Governance Principles. The other is the "Investor Relations", which is in charge of the strategic management of financial communication and relations with local and foreign institutional investors, shareholders, analysts, credit rating agencies and the media. The Investor Relations Unit is responsible for the transparent, on-time, objective, accurate and consistent information flow to the market in order to contribute to the accurate evaluation of the Bank by the financial analysts and to ensure sustainable value creation.

Shareholder Relations

Name Surname	E-mail address	Telephone No
Erdiç TETİK (Head of Subsidiaries and Shareholders)	erdinc.tetik@yapikredi.com.tr	(212) 339 64 31
Canan KARAKAYA	canan.karakaya@yapikredi.com.tr	(212) 339 63 40
Şensin ÖCAL	sensin.ocal@yapikredi.com.tr	(212) 339 63 43
Ercan YILMAZ	ercan.yilmaz@yapikredi.com.tr	(212) 339 73 17

Investor Relations

Name Surname	E-mail address	Telephone No
Hale TUNABOYLU (Head of Investor Relations)	hale.tunaboylu@yapikredi.com.tr	(212) 339 76 47
Gülsevin TUNCAY	gulsevin.tuncay@yapikredi.com.tr	(212) 339 73 23
İlknur ÇAKICI	ilknur.cakici@yapikredi.com.tr	(212) 339 76 40

The key roles and responsibilities of the Shareholder Relations Unit include:

- Acting for 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, secure and up-to-date manner,
- Addressing written information requests from shareholders except for confidential commercial information regarding Yapı Kredi that is not disclosed,
- Executing capital increase transactions,
- Carrying out the exchange of previously issued shares and replacing them with the 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 shall participate in the Annual Shareholders' Meeting,
- Preparing lists of partners and attendees,
- Preparing ballot slips for shareholders who received their entrance cards,
- Preparing, registering and publishing the minutes of the Annual Shareholders' Meeting and sending documents to the authorities concerned,
- Conforming to and following all issues related to informing the public, including the legislation and Yapı Kredi's information policy.

The key roles of the Investor Relations Unit include:

- Establishing and managing relations with the Bank's majority shareholders, existing and potential local and foreign institutional investors/shareholders, financial analysts, credit rating agencies and the financial media
- Ensuring the transfer of objective, informative, accurate and up-to-date information about Yapı Kredi, banking sector and economic highlights to investors and shareholders,
- Informing the investors and analysts regularly through quarterly earnings releases and financial statements on Yapı Kredi, recent developments, tele-conferences, press bulletins, announcements and presentations, as well as through responding to their questions,
- Organizing and participating in local and international investor meetings, roadshows and other informational meetings.

During 2007, Yapı Kredi participated in 16 international investors' conferences under the leadership of Investor Relations unit. In addition, one-to-one and/or group meetings were held with nearly 450 foreign corporate investors, which took place at the Head Office and in foreign countries.

Corporate Governance Principles Compliance Report

3. Exercise of Right to Obtain Information by Shareholders

The Shareholder Relations and the Investor Relations units established within Yapı Kredi inform shareholders regularly through telephone calls, e-mails, the Internet, media announcements and one-to-one and/or group meetings.

Yapı Kredi has two separate investor relations websites, prepared in Turkish and in English that are updated regularly.

The investor relations website in Turkish is accessible through <http://www.yapikredi.com.tr>. The site aims at informing the shareholders and publishes the following: the Bank's history, shareholder structure, trade registry information, articles of association, organizational structure, member lists of senior management, Board of Directors, Board of Auditors, as well as introductory information on committees, the Bank's ratings assigned by credit rating agencies, information regarding the corporate governance and Ordinary Shareholders' meetings, voting proxy form, Bank's periodical financial statements and annual reports, special event disclosures, Ordinary Shareholders' Meeting minutes and news and articles about Yapı Kredi published in the press. In addition, announcements made to the public are sent to media institutions in accordance with CMB directive No. VIII/39 via ISE (Istanbul Stock Exchange) and shareholders are appropriately informed.

The investor relations website in English, is accessible through <http://www.yapikredi.com.tr/en-US>. The site includes detailed information about Yapı Kredi's shareholder structure and share performance, newsletter and introductory information, Bank's corporate profile and organizational structure, information about the senior management and the Board of Directors, periodical financial statements, annual reports, presentations for investors, answers to frequently asked questions, announcements regarding the developments within the Bank and the calendar that announces the Bank's activities destined for investors, the list of analysts from investment institutions which regularly monitor the Bank and the financial performance forecasts for the following period and corporate governance principles.

The appointment of special auditors has not been regulated as an individual right in the Articles of Association of the Bank; however, Article 348 of the Turkish Commercial Code and Article 11 of the Capital Markets Law allow shareholders to exercise this right. In 2007, shareholders did not make any requests for the appointment of special auditors.

4. Information on Annual Shareholders' Meetings

The Annual Shareholders' Meeting was held on 29 March 2007. Shareholders attended this meeting with an 81,09% majority, while stakeholders and the media representatives did not attend. In accord with the applicable law and the Bank's Articles of Association, the invitation to the meeting was made by announcements that included the date, time and agenda of the meeting, which were published in the Turkish Trade Registry Gazette dated 13 March 2007, and Hürriyet and Sabah newspapers dated 14 March 2007.

During 2007, two extraordinary Annual Shareholders' Meetings were convened concerning the transfer of the shares with the nominal value of YTL 9.992.000 and representing 59,47% of the capital, owned by Koç Finansal Hizmetler A.Ş. in Yapı Kredi Faktoring A.Ş., the shares with the nominal value of YTL 285.048.428 and representing 73,10% of the capital owned by Koç Finansal Hizmetler A.Ş. in Yapı Kredi Finansal Kiralama A.O. and the shares with the nominal value of AZN 6.336.200 (Azerbaijani Manats) and representing 99,80% of the capital owned by Koç Finansal Hizmetler A.Ş. in Yapı Kredi Bank Azerbaycan Closed Joint Stock Company to Yapı Kredi through share exchange procedure and to increase the capital of Yapı Kredi by allocating share certificate in Yapı Kredi's capital to Finansal Hizmetler A.Ş.

The first of these extraordinary meetings was held on 18 July 2007. While shareholders attended this meeting with an 82,27% majority, stakeholders and media representatives did not attend. In accord with the applicable law and the Bank's Articles of Association, the invitation to the meeting was made by announcements that included the date, time and agenda of the meeting, which were published in the Turkish Trade Registry Gazette, and Sabah and Hürriyet newspapers dated 02 July 2007.

The extraordinary Annual Shareholders' Meeting relating to share exchange was held on 30 September 2007. Shareholders attended this meeting with 80,92% majority, while stakeholders and the media representatives did not attend. In accord with the applicable law and the Bank's Articles of Association, the invitation to the meeting was made by announcements that included the date, time and agenda of the meeting, which were published in the Turkish Trade Registry Gazette, and Dünya and Referans newspapers dated 14 September 2007. Drawn up in accord with the Capital Market Legislation, the announcement on the share exchange was published in the Dünya and Referans newspapers dated 14 September 2007 and communicated to our shareholders. The Share Exchange Agreement, Yapı Kredi and Koç Finansal A.Ş. financial statements for the past three years, current independent audit reports and annual reports, independent audit report for the financial statements that made the basis of share exchange, appraiser report, independent auditor's report, board of directors report describing the legal and economic grounds of share exchange, announcement text, interim financial statements for the last quarter, projected financial statements showing the targets for three years starting from the share exchange, and the projected opening balance sheet following share exchange were made available for 15 days for the information of our shareholders at the Bank's Head Office, as well as Kızılay, Ankara and Kordon, İzmir branches. All this information

Corporate Governance Principles Compliance Report

was also made available on the Yapı Kredi website. In the case of shareholders not registered in the share book, they were invited to apply the Shareholder Relations Unit one week prior to the meeting date to receive their entrance cards. Shareholders have used their rights to ask questions on the agenda items in the Shareholders' Meeting and these questions were answered.

The Articles of Association of the Bank does not contain any separate clauses about the major decisions of the Shareholders' Meeting with regard to the sale, purchase or lease of assets of a substantial value; however, this information was communicated to shareholders through annual reports and financial statements.

As in previous years, shareholders were informed through the ISE and the media so as to facilitate their participation in the Shareholders' meeting; and the Annual Report, Balance Sheet, Profit and Loss Statement and Auditors Reports including the date and the agenda of the Shareholders' meeting were made available for the inspection of shareholders at Yapı Kredi branches 15 days prior to the date of the meeting.

5. Voting Rights and Minority Rights

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

According to paragraphs b and c of article 12 of the Banking Law, there is no reciprocal ownership between the Bank and its subsidiaries. Cumulative voting method is not included in the Articles of Association of Yapı Kredi.

6. Dividend Policy and Dividend Distribution Date

The dividend right, as an indispensable part of shareholdership, has always been granted utmost importance at Yapı Kredi.

Principles with regard to the dividend distribution of our Bank are set out in detail in Article 78 of the Articles of Association of the Bank. In this respect, the General Assembly is, taking into consideration the growth of our Bank towards its targets within the sector as well as its financing requirements, authorized 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 General Assembly may take 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 realization of the growth plan initiated in 2007. 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.

7. Transfer of Shares

There are no clauses in Yapı Kredi's Articles of Association that restrict share transfers.

8. Company Disclosure Policy

Information disclosed to the public by Yapı Kredi is presented for public use in a way to assist the decision making processes of persons and establishments to benefit from the disclosure; and the information is submitted on time, fully and accurately, clearly, in a manner that is easy to interpret, low in cost and easily accessible, by maintaining the equality principle.

The Board of Directors has assigned Kemal Semerciler and Group Head Hakan Kurtoğlu to manage the disclosure activity as authorized signatories. Additionally, Hakan Kurtoğlu has been assigned the task of monitoring and following all issues regarding disclosures. Hale Tunaboğlu, Head of Investor Relations, is responsible for informing the existing and potential local and foreign shareholders, investors and financial analysts in a fair, transparent and complete manner about the Bank and the sector through holding regular informational meetings and by publishing the said information in the form of presentations and announcements on the Investor Relations web site. All types of questions and requests of investors and similar parties are responded by these officials by phone and e-mail on a daily basis.

9. Special Event Disclosures

During 2007, 68 special event disclosures were issued in accordance with CMB notifications. For none of the disclosures an additional clarification was requested by CMB and ISE.

10. Company Internet Site and Its Contents

The newly updated Yapı Kredi Internet site is accessible through www.yapikredi.com.tr. The web site contains the information listed in the Corporate Governance Principles section II/1.11.5.

Corporate Governance Principles Compliance Report

11. Disclosure of Real Person(s) Holding Ultimate Controlling Shares

At the extraordinary General Assembly convened on 30 September 2007, approval was given to the independently audited financial statements dated 31 March 2007 which formed the basis of the transfer through exchange of shares owned by Koç Finansal Hizmetler A.Ş. in Yapı Kredi Faktoring A.Ş., Yapı Kredi Finansal Kiralama A.O. and Yapı Kredi Bank Azerbaijan Closed Joint Stock Company to Yapı Kredi, and to the Share Exchange Agreement concluded on 07 September 2007 by and between the parties, which was approved by the Capital Markets Board of Turkey with its letter dated 12 September 2007 and numbered 1522-23222, and by the Banking Regulation and Supervision Agency with its letter dated 10 September 2007 and numbered 12546. Through the transfer of the mentioned shares to Yapı Kredi by way of share exchange under the Share Exchange Agreement and in accord with the provisions of Article 19 of the Banking Law and other applicable legislation, and through allocating share certificate representing the capital of Yapı Kredi to Koç Finansal Hizmetler A.Ş. in exchange, the Bank's capital was raised by YTL 277.601.284,00 and increased from YTL 3.149.450.000,00 to YTL 3.427.051.284,00. The capital increase was registered by the İstanbul Trade Registry Office on 18 October 2007. As a result of this share exchange, Koç Finansal Hizmetler A.Ş. now controls 81,8% stake in Yapı Kredi's capital.

12. Disclosure of People in a Position to Acquire Insider Information

Due to the fact that Yapı Kredi operates through an extensive range of departments organized at the Head Office, it is not possible to identify the people who are in a position to acquire insider information. Detailed information on senior level officials of Yapı Kredi is listed on the Bank's web site.

13. Informing Stakeholders

Yapı Kredi employees are duly informed about the activities of the Bank through the use of internal communication systems within the Bank by the General Manager and Assistant General Managers. In addition, managers at Yapı Kredi Head Office and branches are informed regularly about the relevant developments at meetings.

14. Participation of Stakeholders in Management

Yapı Kredi is a joint stock company and is managed by various executive organs within the Bank. The subjects on which these organs 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

Human resources policy and implementations in Yapı Kredi are communicated fully to the entire staff including the newly recruited employees.

Yapı Kredi acknowledges the fact that human resources is a key aspect in order to perform and improve the activities in the best way possible. Human resources policy and implementations are based on the following principles:

- Selecting and recruiting employees with qualifications suitable for the vacant position,
- Ensuring that all Yapı Kredi employees work in an environment wherein they can utilize and develop 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, improve their success and prepare them for higher positions
- Preparing a foundation for the creation and suggestion of new ideas and to find solutions to problems in an environment of mutual respect, trust, understanding and effective communication,
- Developing and implementing systems encouraging and rewarding success,
- Monitoring the values of the Bank and making sure that these values are embraced by each and every employee; and taking precautions for the improvement of processes,
- Ensuring that equal opportunities are offered at all of the above applications.

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

It is only possible for businesses to advance consistently in the stated way forward if all employees act in line with the same principles and values. In this direction, Yapı Kredi has prepared the "Yapı Kredi Bank Rules of Ethic and Working Principles" and shared it with all its employees.

In addition to the Human Resources Directive, Yapı Kredi employees can always access internal human resources teams by message, telephone or face-to-face meetings in areas of employee personal information, social rights, retirement, appointments, orientation, 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.

Corporate Governance Principles Compliance Report

16. Information on Customer and Supplier Relations

Supported by “no limit to service” discourse since its foundation, Yapı Kredi’s basic service concept is to ensure customer satisfaction. The service quality is constantly improved in line with customer expectations and all Yapı Kredi teams contribute to this target. Customer satisfaction and expectations are measured in comparison with the service provided. Training is organized and performance is constantly monitored so that the mutual support among all teams in the service chain becomes effective and sound and so that customer satisfaction focused concepts turn into work habits. Service provided at Yapı Kredi branches and Call Centers are being audited through mystery shopper surveys. Besides, customer expectations and satisfaction surveys aimed at different customer groups are conducted periodically. General complaints, acknowledgements, suggestions and information requests regarding Yapı Kredi and its branches received from customers are handled by the Quality Group Complaint Management and issues are resolved in a way to maintain positive relations with customers. The necessary precautions are taken to prevent repetition of problems and to eliminate deficiencies in customer services; customer complaints are reported in order to create a database for further improvement.

17. Social Responsibility

Ever since its foundation, 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.

Yapı Kredi has decided to support the “Infinite Blue” project that is carried out in cooperation with the DenizTemiz Association (Clean Sea Association)/TURMEPA and the Ministry of National Education in order to raise the awareness among elementary school students. The project aims at raising awareness about the dangers that seas are facing today and at establishing an early environmental consciousness in young people. Nearly 1.000.000 students have been trained by teachers until the end of the year.

Yapı Kredi, being among the donors of the Educational Volunteers Foundation of Turkey (TEGV) for long years, continued to support the Foundation’s activities in 2007 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 should be enhanced under the name “Creative Reading” and supported through additional activities. During 2007, a total of 16.804 students participated in the activities across the nation.

With a view to putting into life Yapı Kredi’s social responsibility awareness on a shared platform with its customers, “Share Program” was launched in the last quarter of 2007 within the scope of World’s new club and programs system. Through this program, World aims to offer solutions for different issues faced in education, youth, arts/science, healthcare and environment, which calls for the support of the society, with the contributions of cardholders. Every donation made by World Share Program members will be matched by World and channeled to projects that will be conducted in cooperation with non-governmental organizations. Worldcard holders will be able to join any one or several projects and extend contributions using their Worldpoints. The projects in this scope are “More Schools!” by Unicef, “Drama Workshop” by TEGV, “A Youth Story” by UNFPA, “Intervene” by TEMA (The Turkish Foundation for Combating Soil Erosion, For Reforestation and the Protection of Natural Habitats), “Let’s Keep our Children with Cancer Alive” by LÖSEV (Foundation for Children With Leukemia), “7 Youngsters from 7 Regions” by AFS, “Let’s Be Scientists” by TBMV (Turkish Foundation of Science Centers), “Supported Business Place Project for Handicapped Individuals” by İZEV (İstanbul Foundation for Mentally Challenged), and “Infinite Blue” by TURMEPA.

Yapı Kredi Cultural Activities, Arts, and Publishing (Yapı Kredi Kültür Sanat-YKKSŞ) was once again the distinguished name in its arena with the exhibitions held, books published and cultural and artistic events organized in 2007. Controlling the largest market share in the publication sector since its foundation, YKKSŞ sustained its conventional leadership in book sales also during the reporting period. During 2007, YKKSŞ published 186 first editions and 335 reprints, a total of 521 books, bringing the total number of book titles published since the company’s foundation to 2.600.

YKKSŞ organized 18 exhibitions, all of which attracted great interest and attention. “Yurdaer Altıntaş Graphics Exhibition” by the famous graphic artist Yurdaer Altıntaş in January was followed by the “Amadeo Preziosi” exhibition held at Kâzım Taşkent Art Gallery. Amadeo Preziosi is the only representative of the Turkish art of painting in Europe. After the monthly Freud sessions organized by Yapı Kredi Cultural Center, Sigmund Freud was brought together with art lovers in the exhibition “Freud and Contemporary Art” that covered 13 artworks. This event was on the occasion of the 150th anniversary of Freud’s birth in January who was commemorated particularly in Austria and across the whole world.

An exhibition titled “For Doğan Kardeş: Book Covers by Yalçın Emiroğlu” was held, which displayed the book covers designed for Doğan Kardeş publications by Yalçın Emiroğlu, who is renowned as an architect, as well as for his stage decorations and poster designs made for various theaters. Opened in 2005 at the New York Rivington Arms Gallery by Pınar Yolaçan, the entirety of the “Perishables” exhibition was on display for the first time in Turkey at Kâzım Taşkent Art Gallery. This was followed by “İhap Hulusi Style”, an exhibition by İhap Hulusi, one of the pioneers of the Turkish poster art.

Corporate Governance Principles Compliance Report

Kâzım Taşkent Art Gallery started hosting contemporary art exhibitions curated by René Block. The first of the series titled "Contemporary Art Exhibition Series / 1" was "Lâhavle" by Hale Tenger. This was followed by "Paris Photos: 1958-1961" by Güneş Karabuda, one of the leading Turkish photographers and documentary filmmakers. Another exhibition opened at Kâzım Taşkent Art Gallery was "Happy/Unhappy" that displayed the late artworks of Peter Hristoff, a painter who lives in the USA. Comprising texts by Yaşar Kemal and photos by Lütfi Günaydın, "Çukurova Puts on her Best Clothes" was exhibited with Sadık Karamustafa's designs, bringing us a taste of Çukurova region's nature. "Contemporary Art in Turkey" and "Adventure İstiklal" exhibition series was carried on with Füsün Onur's "Erratum Musicale" exhibition. One exhibition to draw the highest level of attention was "The Start of the Civilization's Journey from Anatolia to Europe 12.000 Years Ago, The Neolithic Era", an exhibition that was opened at Vedat Nedim Tör Museum and focused on life in Anatolia 12 thousand years earlier.

Contemporary Art in Turkey series was added another chain with Gülsün Karamustafa's exhibition entitled "Cineması". One of Turkey's most significant painters and sculptors, Mehmet Gülerüz's sculpture exhibition "From Somewhere to Somewhere Else" was opened at Kâzım Taşkent Art Gallery. A master acclaimed in Turkey and abroad with his sculptures, as well as for his paintings and drawings, Mehmet Gülerüz was applauded for his new artworks that included "The Red Car". An outstanding name of the Turkish literature, Sabahattin Ali was an honorable guest at Sermet Çifter Hall. Entitled "A Photographic Plate / Sabahattin Ali in Photographs He Took and Couldn't Take", the exhibition consisted of "artistic" photographs taken by the author himself, as well as photographs of him taken by his friends.

The last exhibition of 2007 took place at Vedat Nedim Tör Museum. Titled "The Mysterious Civilization of the Phrygians" stands out as the first-ever exhibition on Phrygia in the world.

18. The Structure and Formation of the Board of Directors and Independent Members

Dr. Rüşdü Saraçoğlu	Chairman of the Board of Directors
Federico Ghizzoni	Vice Chairman of the Board of Directors
Tayfun Bayazit	Chief Executive Officer
Alessandro M. Decio	Executive Member of the Board of Directors and COO
Seyit Kemal Kaya	Member of the Board of Directors
Fatma Füsün 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
Thomas Gross	Member of the Board of Directors
Robert Zadrazil *	Member of the Board of Directors

* Left his seat as a member on the Board of Directors and on the Audit Committee on 25 January 2008 and was replaced with Herbert Hangel.

The Board of Directors of the Bank is composed of minimum seven and maximum ten individuals. The members are appointed by the General Assembly for a term of office of maximum three years and serve until the appointment of their successors. A member whose term of office has ended 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 earning the shareholder title. A legal entity shareholder may not be a member on the Board of Directors. However, real persons who are representatives of such a legal entity may be elected to seats on the Board of Directors. The Bank is governed and represented by the Board of Directors. Members of the Board of Directors are elected to serve for a term of office of three years maximum. Any member, whose term of office expires, may be re-elected. Members of the Board of Directors are authorized 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 stated in the legislation and legal arrangements in force. The appointed board members are expected to possess the qualifications indicated in the Banking Law. The official documentation stipulating the presence of the required qualifications stated in article of the Banking Law are presented to BRSA within seven work days following the appointment. Each Board member is obliged to take an oath of duty and submit a statement of assets.

20. Mission and Strategic Objectives of the Company

Yapı Kredi's vision is to become the undisputed leader of the finance sector through sustainable growth and value creation and be the first choice of customers and employees.

Yapı Kredi's strategy is based on sustainable growth and profitability, value creation and operational efficiency. The Bank's objective is to achieve the following strategic targets under five main areas;

- Expand branch network significantly
- Reinforce leadership in credit cards

Corporate Governance Principles Compliance Report

- Grow in SME banking
- Bring individuals segment towards higher profitability
- Strong focus on cost and efficiency

21. Corporate Governance, Information About Risk Management Policies According to Risk Types

The credit policy guideline reflecting the Bank's risk appetite in the context of corporate governance has been updated and approved by the Board of Directors in 2007. The guideline includes organization-wide common standards, limitations and principles to be followed throughout the lending activities to improve the asset quality and ensure effective risk management in credits.

The main policies to be implemented throughout 2008 in the credit risk management area will continue to be focused on properly assessing potential risks, calculating the cost of credit risk for each customer segments, in compliance with Basel II implementations. The main strategies to be followed throughout 2008 will be:

- Effective implementation of the credit policy guidelines to strengthen the common risk management approach in the organization
- Improvement of credit risk models in compliance with the IRB approach of Basel II
- Better diversification of portfolio towards less risky sectors
- Focus on low/average risk profile companies
- Avoid excessive concentration in Group exposures, while strictly obeying statutory limits
- Minimize transactions bearing high and/or reputation risk
- Measurement of cost of risk by business segments, while applying generic provisioning in line with cost of risk

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 measured with Value at Risk method using 99% confidence interval and Historical Simulation covering 500 days historical data. In the Market Risk Policy, all risks under the caption of "market risk" are clearly defined, and risk limits are determined. Risk limits are set in terms of maximum position, stop-loss, and Value at Risk. Risk limit compliance is monitored on a daily basis and reported by Risk Management. ALCO is highly involved in risk management process. The Bank is keeping trading activities at a minimum level, thereby trying to reduce the volatility in the revenues. Therefore, 97% of the Securities Portfolio is composed of Held to Maturity securities, FX position is at minimum level, and derivative instruments are highly utilized for hedging purposes. In 2007, the average daily VaR for trading securities was USD 1,8 million with a maximum usage of and a minimum usage of 62% and 9% and carried an average nominal position of approximately USD 285 million. Average risk appetite for held to maturity portfolio was 1% in 2007.

Regarding compliance to Corporate Governance Principles, General Operational Risk Limits are defined in Operational Risk Regulation, Operational Risk Regulation is reviewed in the light of changing risks and conditions every year. Operational Risk limits which were defined according to intra-corporation hierarchical titles were updated in 2007. Monitoring Compliance to Corporate Governance Principle is ensured by informing Bank Management and Asset and Liability Committee periodically about risk management policy breaches, risk changes and limit breaches in operational risk.

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 indicated in the relative articles of the Articles of Association of Yapı Kredi. The said 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 liable for the implementation 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. Principles of Activity 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 all 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 (concurring) votes of at least one more than half of the total number of members. The minutes of the meeting and decisions 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

During the Extraordinary Shareholders' Meeting held on September 28, 2005, 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.

Corporate Governance Principles Compliance Report

25. Rules of Ethic

The rules of ethic by which Yapı Kredi employees should abide are grouped under four headings:

I. General Principles

Yapı Kredi employees;

- While performing their jobs, act along basic moral and human values and in line with Yapı Kredi's strategies.
- While performing their jobs, seek the profitability of the Bank in all their actions, while at the same time protecting the interests of the society and respecting the environment.
- Act with integrity and reliability; establish and maintain relations without discrimination; cooperate with other colleagues to progress towards common goals and utilize the assets and resources of the Bank respectfully.
- Display behaviors and business ethic that conform to the "Rules of Ethic and Working Principles" announced across Yapı Kredi; read, understand and comply with all of the principles of Yapı Kredi Bank.
- While performing their duties, respect each and every law, principle, by-law and regulation stated in the Banking Law and issued by Capital Markets Board and all other official institutions and organizations of which Yapı Kredi is a member.
- Keep in mind that it is a part of our identity to be open, complete and accurate in our communications with all of our stakeholders, and act so as to further Yapı Kredi's respectability.
- Respect transparency principle for publicly disclosed information; pay attention to submit the requested information, documents and records for auditing purposes accurately, fully and on time.
- Cooperate with official authorities in the fight against money laundering, corruption and similar crimes in the framework of international norms and national legislation; act in compliance with MASAK regulations, and Know Your Customer and Customer Acceptance Policies.

II. Customer Relations

Yapı Kredi employees;

- Adhere to the principle of integrity in their relations with customers, shareholders, subsidiaries and other companies.
- Act in line with professionalism, courtesy, solemnity and reliability principles in their relations with customers.
- Inform customers explicitly and clearly about their rights and obligations in the transactions they perform with Yapı Kredi, and the benefits and risks of the products and services offered
- Protect the privacy of personal and financial information of customers, suppliers and employees except for those situations where this information is requested by the authorized persons and institutions stipulated in law and other legal arrangements.
- Carefully examine customer complaints within a reasonable time, finalize them and take necessary precautions to prevent recurrence.
- Refrain from actions constituting unfair competition, remaining loyal to the principles of observing the corporate interests in the activities carried out within the scope of free market economy, while working towards ensuring continued trust in the financial services sector and development of the industry, being mindful of shared interests; do not voice opinions, make comments, either negative or positive, on competitive establishments and their products and services.
- May not make actual or implied commitments, either officially or unofficially, on behalf of Yapı Kredi, without proper authorization on the basis of approved procedures.

III. Public Relations

Yapı Kredi employees;

- In their relations with the press, avoid those situations that may lead to any kinds of speculation and negative assessments as well as actions or behaviors that may damage the reliability, reputation and stability of Yapı Kredi or the sector or those implementation or actions that may result in unfair competition.
- Carry out all their external relations in compliance with the procedures established by Yapı Kredi.
- Act honestly and realistically in line with fair competition rules concerning the promotion and marketing of the bank's product and services.

IV. Conflicts of Interest

Yapı Kredi employees;

- Avoid causing situations that may create an impression of a conflict of interest in their own benefit or that of their kin, they do not take part in the decision-making process in subjects related to their own or their kin's interests.
- Do not engage in any personal financial relationship with customers or suppliers and they do not gain any personal benefits by using their business relations.
- Do not allow proposals of gifts or benefits that may affect their own decisions or will or that may create conflicts of interest.
- Utilize Yapı Kredi's assets and resources in a productive manner only for the benefit and interest of the institution.
- Use their time and labor for the institution, they do not take on any other responsibilities that could create a conflict of interest, do not participate in profit-making activities and do not work for any other real or legal persons other than Yapı Kredi.

Corporate Governance Principles Compliance Report

- Act in line with integrity and transparency principles in their relations with public institutions and establishments; they maintain a distant and unbiased relationship.
- Keep banking secrets; they do not disclose information that provides competitive advantage for the Bank and confidential data on the Bank outside the institution.
- Do not utilize the information received as a result of their job to receive unfair gains and act in accordance with the legislation and regulations of public authorities in the trading securities of Yapı Kredi and other establishments.

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 corporate structures; as well as making decisions in their own areas of responsibility in accordance with the authorities appointed to them by the Board of Directors. These committees convene at times when business and transactions require so, within the framework of provisions of Law, the Articles of Association and the related resolutions of the Board of Directors. The committees are liable for acting in compliance with the principles and methods determined by the Banking Law, the related regulations and the Board of Directors and carry out their functions in accordance with the framework of corporate governance principles.

Audit Committee:

Ranieri de Marchis	- Chairman
Ahmet F. Ashaboğlu	- Member
Robert Zadrzil*	- Member

Credit Committee:

Principal Members:

Alessandro M. Decio	- Chairman
Tayfun Bayazit	- Member and Chief Executive Officer
Federico Ghizzoni	- Member
Thomas Gross	- Member
F. Füsün Akkal Bozok	- Member

Alternate Members:

Dr. Rüşdü Saraçoğlu
S. Kemal Kaya

Asset and Liability Committee:

Alessandro M. Decio	- Chairman
Tayfun Bayazit	- Member and Chief Executive Officer
Marco Arnaboldi	- Member
Marco Cravario**	- Member
Güray Alpkaya	- Member
Mert Yazıcıoğlu	- Member
Hamit Aydoğan	- Member
Mert Güvenen	- Member
Mehmet Sönmez	- Member
Nazan Somer	- Member
Erhan Özçelik	- Member

* Left his seat as a member on the Board of Directors and on the Audit Committee on 25 January 2008 and was replaced with Herbert Hangel.

** Carlo Vivaldi, who has left his post with the Bank as of 1 October 2007 was replaced with by Marco Cravario, who has been appointed as Assistant General Manager/CFO at Yapı ve Kredi Bankası A.Ş. on 7 January 2008. Until the aforementioned official date of appointment, Alessandro M. Decio served in proxy in this position.

27. Financial Rights Pertaining to Members of the Board of Directors

Members of the Board of Directors of Yapı Kredi receive a profit share reserved in accordance with article 78 of the Articles of Association. In addition, they receive attendance fee fixed by the General Assembly for each meeting they attend.