

Corporate Governance Compliance Report

Company Compliance Status

	Yes	Partial	No	Exempted	Not Applicable	Explanation
Corporate Governance Compliance Report						
1.1. FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS						
1.1.2 - Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.	X					
1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION						
1.2.1 - Management did not enter into any transaction that would complicate the conduct of special audit.	X					
1.3. GENERAL ASSEMBLY						
1.3.2 - The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.	X					
1.3.7 - Insiders with privileged information have informed the board of directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Shareholders' Meeting.					X	There is no such transaction.
1.3.8 - Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	X					
1.3.10 - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.	X					
1.3.11 - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.		X				Within the scope of the Internal Directive on Working Principles and Procedures of the General Assembly approved at the General Assembly meeting of our Bank on 28.03.2013, the Bank's employees, guests, audio and video technicians can participate at the General Assembly unless otherwise decided by the Chairpersonship and except for those who are required to attend the meeting in accordance with the legislation
1.4. VOTING RIGHTS						
1.4.1 - There is no restriction preventing shareholders from exercising their shareholder rights.	X					
1.4.2 - The company does not have shares that carry privileged voting rights.	X					
1.4.3 - The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.					X	
1.5. MINORITY RIGHTS						
1.5.1 - The company pays maximum diligence to the exercise of minority rights.	X					Minority rights are not specified as less than one twentieth of the Bank's capital in the Articles of Association of the Bank. However, utmost attention is paid to using minority rights in conformity with the Turkish Commercial Code (TTK) and Capital Markets Board (SPK) regulations.

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1.5.2 - The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of the minority rights.			X			Minority rights are not specified as less than one twentieth of the Bank's capital in the Articles of Association of the Bank. However, utmost attention is paid to using minority rights in conformity with the Turkish Commercial Code (TTK) and Capital Markets Board (SPK) regulations.
1.6. DIVIDEND RIGHT						
1.6.1 - The dividend policy approved by the General Shareholders' Meeting is posted on the company website.	X					
1.6.2 - The dividend distribution policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.	X					
1.6.3 - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.	X					
1.6.4 - The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	X					
1.7. TRANSFER OF SHARES						
1.7.1 - There are no restrictions preventing shares from being transferred.	X					
2.1. CORPORATE WEBSITE						
2.1.1 - The company website includes all elements listed in Corporate Governance Principle 2.1.1.	X					
2.1.2 - The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months.	X					
2.1.4 - The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.	X					
2.2. ANNUAL REPORT						
2.2.1 - The board of directors ensures that the annual report represents a true and complete view of the company's activities.	X					
2.2.2 - The annual report includes all elements listed in Corporate Governance Principle 2.2.2.	X					
3.1. CORPORATION'S POLICY ON STAKEHOLDERS						
3.1.1 - The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	X					
3.1.3 - Policies or procedures addressing stakeholders' rights are published on the company's website.	X					
3.1.4 - A whistleblowing programme is in place for reporting legal and ethical issues.	X					
3.1.5 - The company addresses conflicts of interest among stakeholders in a balanced manner.	X					

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3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT						
3.2.1 - The Articles of Association, or the internal regulations (terms of reference/manuals), regulate the participation of employees in management.			X			A model has not been established for the participation of stakeholders in management. However, there are independent members in the Board of Directors in order to provide assurance that the rights of minority shareholders and other stakeholders are protected equally within the scope of taken decisions. Suggestions for improvement of work and working conditions are evaluated by taking Employee Satisfaction Surveys and employees' expectations about the Bank and Management. The Bank regularly monitors the level of customer satisfaction through periodical researches and social channels and plans the necessary actions meticulously in areas that are open for improvement and quickly put them into practice in accordance with opinions and suggestions of the customers.
3.2.2 - Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.	X					Surveys are conducted to ensure that employees and customers receive opinions and suggestions from stakeholders.
3.3. HUMAN RESOURCES POLICY						
3.3.1 - The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.	X					
3.3.2 - Recruitment criteria are documented.	X					
3.3.3 - The company has a policy on human resources development, and organises trainings for employees.	X					
3.3.4 - Meetings have been organised to inform employees on the financial status of the company, remuneration, career planning, education and health.	X					
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.		X				Decisions that may affect employees are reported to them.
3.3.6 - Job descriptions and performance criteria have been prepared for all employees, announced to them and taken into account to determine employee remuneration.	X					
3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.	X					

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3.3.8 - The company ensures freedom of association and supports the right for collective bargaining.	X					
3.3.9 - A safe working environment for employees is maintained.	X					
3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS						
3.4.1 - The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	X					
3.4.2 - Customers are notified of any delays in handling their requests.	X					
3.4.3 - The company complied with the quality standards with respect to its products and services.	X					
3.4.4 - The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X					
3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY						
3.5.1 - The board of the corporation has adopted a code of ethics, disclosed on the corporate website.	X					
3.5.2 - The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.	X					
4.1. ROLE OF THE BOARD OF DIRECTORS						
4.1.1 - The board of directors has ensured strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place.	X					
4.1.2 - The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategy, ensured resources were adequately allocated, and monitored company and management performance.	X					
4.2. ACTIVITIES OF THE BOARD OF DIRECTORS						
4.2.1 - The board of directors documented its meetings and reported its activities to the shareholders.	X					
4.2.2 - Duties and authorities of the members of the board of directors are disclosed in the annual report.	X					
4.2.3 - The board has ensured the company has an internal control framework adequate for its activities, size and complexity.	X					
4.2.4 - Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X					
4.2.5 - The roles of the Chairperson and Chief Executive Officer are separated and defined.	X					
4.2.7 - The board of directors ensures that the Investor Relations department and the corporate governance committee work effectively. The board works closely with them in cooperation with Investor Relations and Corporate Governance Committee when communicating and settling disputes with shareholders.	X					
4.2.8 - The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.		X				As any damages that may be caused during the duties of the members of the Board of Directors has been insured by professional liability insurance, the coverage is below 25% of the capital.
4.3. STRUCTURE OF THE BOARD OF DIRECTORS						
4.3.9 - The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy.			X			No target ratio has been set for the number of female members in the Board of Directors. There are two female members in the Board.

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4.3.10 - At least one member of the audit committee has 5 years of experience in audit/accounting and finance.	X					
4.4. BOARD MEETING PROCEDURES						
4.4.1 - Each board member attended the majority of the board meetings in person.		X				In order to facilitate the participation of all members to the Board of Directors' meetings, our Bank also offers remote access and participation to meetings electronically by video-conference.
4.4.2 - The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.	X					
4.4.3 - The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.	X					
4.4.4 - Each member of the board has one vote.	X					
4.4.5 - The board has a charter/written internal rules defining the meeting procedures of the board.	X					
4.4.6 - Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any.	X					
4.4.7 - There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.		X				Members of the Board of Directors can take duties outside the Bank under the conditions permitted by the legislation; these duties are included in the Annual Report.
4.5. BOARD COMMITTEES						
4.5.5 - Board members serve in only one of the Board's committees.			X			Board members serve in more than one committee, taking into account the number of Board Members, the number of Board Committees and experiences of the Board members and in accordance with the banking legislation regulations. This situation plays a supportive role in matters that require information exchange and cooperation between the committees.
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.	X					
4.5.7 - If external consultancy services are used, the independence of the provider is stated in the annual report.					X	
4.5.8 - Minutes of all committee meetings are kept and reported to board members.	X					
4.6. FINANCIAL RIGHTS						
4.6.1 - The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.	X					
4.6.4 - The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favour of them.		X				Loans to be extended by the Bank to the Members of the Board of Directors and Managers are restricted by a certain limits in Article 50 of the Banking Law. No loans are granted to the Members of the Board of Directors and Managers outside this limits.
4.6.5 - The individual remuneration of board members and executives is disclosed in the annual report. Although remuneration paid to the Board of Directors and executives is disclosed collectively, the disclosure has not been on an individual basis.		X				Although remuneration paid to the Board of Directors and executives is disclosed collectively, the disclosure has not been on an individual basis.

I - STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

a) As detailed below and throughout the report, QNB Finansbank has complied with the imperative principles of the Corporate Governance Principles numbered 1.3.1- 1.3.5 - 1.3.6 - 1.3.9 - 4.2.6 - 4.3.1 - 4.3.2 - 4.3.3 - 4.3.5 - 4.3.6 - 4.3.7^(*) - 4.3.8^(*) - 4.5.1^(**) - 4.5.2 - 4.5.3 - 4.5.4^(***) - 4.5.10 - 4.5.11^(****) 4.6.2 and 4.6.3 set out in of the Corporate Governance Communiqué No. II - 17.1, published by the Capital Markets Board (CMB), throughout the financial reporting year of 01.01.2020-31.12.2020.

Principles numbered 4.5.9 - 4.5.12 and 4.5.13 is not being applied to banks as per the Principle 4.5.1.

Principle 4.3.4 is an exemption for banks within the scope of Article 6 of the Corporate Governance Communiqué.

b) QNB Finansbank does not implement principles no. 1.5.2 - 2.1.3 - 3.2.1 - 4.3.9 - 4.5.5 which are advisory principles. However, the Bank has set up a Corporate Governance Committee responsible for monitoring whether the Corporate Governance Principles are complied with, describing the problems that may arise due to noncompliance and offering corrective actions to the Board of Directors. The Committee consists of Ramzi T.A. Mari, Sinan Şahinbaş, Ali Teoman Kerman, Osman Reha Yolalan and Burcu Günhar. During meetings held in 2020, work was done for improvement of the corporate governance practices in the Bank. The Corporate Governance Committee shall consider the said principles in its activities in 2021 and work towards the improvement of corporate governance practices. The Committee also coordinates the operations of the Investor Relations Division.

Corporate Governance Compliance Report and Corporate Governance Information Form for 2020 published on the Public Disclosure Platform are approved by the Board of Directors along with the Annual Report.

^(*) Article three of the Principle numbered 4.37 and Article two of the Principle 4.3.8 shall not be implemented by banks, accordingly such Articles are not implemented.

^(**) Article 4.5.1 includes exceptions for banks with regard to committees.

^(***) The general manager should be appointed to the Credit Committee within the scope banking legislation, this Article is implemented with this exception.

^(****) Corporate Governance Committee is responsible for this Article within the scope of organizational structure of the Bank

II - AUDIT COMMITTEE REPORT

The related report of the Audit Committee is included in the Risk Section of the Annual Report.

III - INVESTOR RELATIONS

Investor Relations Division

QNB Finansbank established Investor Relations Division in 2005, for the purposes of overseeing the rights of shareholders and ensuring effective communication between the Board of Directors and shareholders. Activities of Investor Relations Division are carried out in line with the Corporate Governance Communiqué Part 4 Article 11, dated 03.01.2014 and published by the Capital Markets Board. Investor Relations Division is managed by Ms. Burcu Günhar and supervised by the Corporate Governance Committee. Ms. Burcu Günhar holds Capital Markets Activities Level 3 License, Derivatives License and Corporate Governance Rating License and appointed as Corporate Governance Committee Member as disclosed in the Public Disclosure Platform on 14.05.2018.

In 2020, all telephone and e-mail inquiries were answered within the scope of the relevant legislation. During the year representing the Bank, Investor Relations attended 3 investor conferences and participated in meetings with 92 international investors, rating agencies and analysts. Each quarter presentations based on financial results of the bank were prepared and uploaded on the Investor Relations website.

Shareholders' Right to Access Information

Within the scope of the Informational Policy of QNB Finansbank as approved at the General Assembly on March 27, 2014, all information in relation to shareholders' rights, such as capital increases, are sent to Borsa İstanbul (Istanbul Stock Exchange) and published in print and on the Public Disclosure Platform (www.kap.gov.tr) in Material Event Disclosure format. Shareholders are informed through emails, meetings and telephone calls, and through the Bank's website, regarding material financial and/or operational information that may affect the exercise of the rights of shareholders.

Appointment of a special auditor is not regulated by the Articles of Association of the Bank. The Bank is audited both by the auditors appointed by the Bank's General Assembly and by the Banking Regulation and Supervision Agency ("BRSA") in accordance with the Banking Law.

General Assembly

The Annual General Assembly was held on March, 26 2020 at the Head Office located at Esentepe Mahallesi, Büyükdere Caddesi Kristal Kule Binası No: 215 Şişli/ İstanbul with a meeting quorum of 99.8%. The Board of Directors invitation for the Assembly was published in the Turkish Trade Registry Gazette and two daily newspapers, namely, Akşam and Takvim. Shareholders were duly provided with the date, agenda and information form regarding the agenda of the Meeting through the website of the Bank, the Public Disclosure Platform as well as the electronic General Assembly System. At the Annual General Assembly held in 2020, none of the shareholders has been proposed any items to be included to the agenda. One of the shareholders, Mr. Gürsoy Hafizoğlu has been requested information on branch and employee numbers, non - performing loans and the agreement signed with the independent auditor and such questions have been replied by our Investor Relations Division in due course of time within the scope of related legislation. Besides, the question of Mr. Gürsoy Hafizoğlu whether our bank will come out of the stock

market level or whether a secondary IPO is being considered, was answered by the Chairman of the meeting. Dissenting opinions given during the meeting have been attached to the meeting minutes and such minutes of the Annual General Assembly is presented to our shareholders' review in our website and Public Disclosure Platform. In the General Assembly, within the scope of item 11 shareholders were provided information regarding the total amount of donations made in 2020.

In addition, pursuant to Art. 1.3.6 of the Corporate Governance Communiqué No. II - 17.1, information was provided regarding transactions conducted in 2020. The General Assembly was informed that other than transactions conducted in 2020 within the limits allowed by the Banking Law and relevant legislation, no significant transactions of the nature to cause a conflict of interest with the Bank or its affiliated companies were carried out by shareholders in charge of management, members of the Board, members of upper management, and their spouses and kind of second degree by blood and marriage; that they did not conduct, in their own account or on behalf of third parties, any transactions of the type falling under the field of operation of the Bank or its affiliated companies; and that they did not join as a partner with unlimited liability another company carrying out similar commercial transactions.

Voting Rights and Minority Rights

No voting privilege is granted and no cumulative voting procedure is adopted by the Bank's Articles of Association. Minority rights is not determined as less than %5 (1/20) of the share capital by the Articles of Association.

Dividend Distribution Policy

Dividend distribution policy of the Bank is approved in the General Assembly dated 27.03.2014. The dividend is calculated under the provisions of the applicable regulations and provisions of the Bank's Articles of Association and determination and distribution of the annual profit are regulated by Article 25 and 26 of the Articles of Association of the Bank; there is no restriction on participation to the annual profit. Besides, distribution of the profit is included to the agenda.

Transfer of Shares

QNB Finansbank's Articles of Association do not restrict shareholders from transferring their shares. However, share transfer is subject to the BRSA approval pursuant to the relevant provisions of the Banking Law.

IV. STAKEHOLDERS

Informing Stakeholders

Bank employees are informed about the Bank's operations when deemed necessary via internal communications tools. In addition, managers at the Headquarters and branches are informed about developments via regularly held meetings. The tip-off hotline, set up for informing regarding transactions contrary to the Bank's procedures and instructions, and that are against legislation and improper ethically, is open to access by stakeholders through a number of channels.

Participation of Stakeholders in Management

The Bank does not have a model to ensure stakeholders' involvement in management.

V - BOARD OF DIRECTORS

Detailed information is disclosed in Board of Directors and Corporate Governance Information Form Sections of the Annual Report.