

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

1. Statement of Compliance with Corporate Governance Principles

Albaraka Türk Katılım Bankası A.Ş. ("Albaraka Türk" or "Bank") is subject to the Corporate Governance Principles attached to Corporate Governance Communiqué ("Communiqué") number II-17.1 published by CMB according to the relevant articles of the Turkish Commercial Code, Banking legislation, Capital Market Board ("CMB") legislation since 2007 the public offering is made until today. Albaraka Türk is also subject to the management structure, process and principle provisions determined by the "Regulation on the Banks' Corporate Governance Principles" published by Banking Regulation and Supervision Agency ("BRSA"). Determining its vision as being the Best Participation Bank of the World, Albaraka Türk has adopted the Corporate Governance Principles as the basic corporate value and demonstrated due diligence to comply with the mandatory principles. Besides, it continues its studies for compliance with the principles which are not mandatory.

Within the framework of Corporate Governance Communiqué regulations number II-17.1, the election for the independent member of the Board of Directors is made at the general assembly meeting in 2012. Moreover, in order to comply with the same communiqué and Turkish Commercial Code number 6102, the Articles of Incorporation, of the Bank were reviewed and submitted to the General Assembly of 2012 where it was approved. Updated information of the Bank is offered to the service of all our stakeholders at Albaraka Türk website and Investor Relations tab in the same site.

Within the scope of studies on compliance with the Corporate Governance Principles, the Bank's Corporate Governance Committee (the "Committee") responsible for following, evaluating and performing improvement operations for compliance with the relevant principles is established in 2007. The Committee has made studies on improvement of the Bank's corporate governance implementations at the meeting held in 2020. Information on the activities of the Committee coordinating the studies of the Investor Relations Unit is given in detail in the section entitled "Bank Committees" of the annual report. The Investor Relations Unit continued its activities as a separate unit.

Albaraka Türk has been subjecting to Corporate Governance Rating since 2010. On June 5, 2020, National Investors Derecelendirme A.Ş. determined the Corporate Governance Rating of Albaraka Türk Participation Bank as 9.09. As the note for compliance with CMB Corporate Governance Principles is over the Threshold Point of 7, Albaraka Türk is included in Borsa İstanbul Corporate Governance Index since 2010. Compliance notes that the Bank has received in four main categories are as follows:

Main Issues	Weight (%)	Note
Shareholders	25	9.17
Public Disclosure and Transparency	25	9.40
Stakeholders	15	9.34
Board of Directors	35	8.71

It has been observed that Albaraka Türk is at the level of global standards in the fields of Effective Investor Relations Department and Public Disclosure and Transparency. Social responsibility and ethical values supported by the nature of Participation Banking, supportive working conditions and increasing digitalization stand out as the strengths of Albaraka Türk. Public Disclosure and Transparency practices of Albaraka Türk are in compliance with CMB regulations and BRSA directives. Financial results, annual report and website disclosures are at the level of global applications. Albaraka Türk displays a strong performance in terms of customer relations through its wide branch network and digital platforms. The Board of Directors of the Bank has the majority of non-executive directors in line with the Corporate Governance principles of the CMB. There has been no conflict of interest between the stakeholders within the period due to the corporate governance principles of which compliance is not provided.

STATEMENT OF INDEPENDENCE

To the Board of Directors of Albaraka Türk Katılım Bankası A.Ş.

As an Independent Member of the Board of Directors, per the Corporate Governance Principles of the Capital Market Board;

As a Member of the Board of Directors of Albaraka Türk Katılım Bankası A.Ş. (Company);

- I have not been in the Membership of the Board of Directors of the Bank for more than six years in the last ten years,
- Among myself, my spouse and blood relatives and relatives by marriage up to second-degree; there is no one having employment relation in executive position to undertake significant tasks and responsibilities in the last five years in the bank, at partnerships who have control or significant influence on the management or control of the bank, entities who own the management control of these partnerships or have more than 5% of the capital or voting rights or privileged shares jointly or severally and have not established any significant commercial relation,
- I have not worked as an officer in management position taking on important duties and responsibilities or a member of the Board of Directors or a partner (5% or over) within the last five years at the companies making audit (tax inspection, legal inspection, internal audit are included), rating or consultancy of the Bank or within the framework of the agreements, at the companies the Bank purchases or sells significant amount of services or products or in periods services or products are sold or purchased,
- I have the occupational education, knowledge and experience to duly fulfill the duties I shall undertake for the independent membership of the Board of DirectorsBoard of Directors,
- I do not work full-time at public institutions and organizations, as of the date I am nominated to the Board of Directors and for the duration of my term in case of my election,
- I am considered a resident in Turkey according to the Income Tax Law,
- I have strong ethical standards, occupational reputation and experience to make positive contributions to the activities of the bank, to protect my objectivity in conflicts of interest between the bank stakeholders, and to decide independently considering the rights of the stakeholders,
- I have the time to allocate for bank works to fulfill the requirements of the duties I undertake and follow the functioning of the bank activities,
- I have not served/will not serve as an independent member of the Board of Directors in more than three of the companies under the management control of the Company or the shareholders who control the management of the Company, and in more than five of the companies listed on the stock exchange,
- I have not been registered and announced on behalf of the legal person elected as the Member of the Board of Directors.

and I can fully satisfy the requirements of the duties I assume; and that therefore, I shall fulfil my membership to the Board of Directors, as an Independent Member of the Board of Directors.

Respectfully yours,

Süleyman Kalkan

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Respectfully yours,

Mehmet Ali Gökce

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Respectfully yours,

Ghassan Amodi

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Respectfully yours,

Mohamed Ali Chatti

CRF Corporate Governance Compliance Report

Corporate Governance Compliance Report	Company Compliance Status					Description
	Yes	Partial	No	Exempt	Not applicable	
1.1. FACILITATION OF EXERCISING 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 EXAMINE 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	
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	In 2020, no request for attendance at the general assembly was received from the stakeholders and media.
1.4. VOTING RIGHT						
1.4.1 - There is no restriction preventing shareholders from exercising their shareholder rights.	X					

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	Yes	Partial	No	Exempt	Not applicable	
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	In the Bank's capital, there is no mutual participation relationship.
1.5. MINORITY RIGHTS						
1.5.1 - The company pays maximum diligence to the exercise of minority rights.	X					
1.5.2 - The Articles of Incorporation 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					
1.6. DIVIDEND RIGHTS						
1.6.1 - The Dividend Distribution 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					

Corporate Governance Compliance Report	Company Compliance Status					Description
	Yes	Partial	No	Exempt	Not applicable	
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. COMPANY POLICY REGARDING 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					
3.2. ENCOURAGING STAKEHOLDERS TO TAKE PART IN THE MANAGEMENT OF THE COMPANY						
3.2.1 - The Articles of Incorporation, or the internal regulations (terms of reference/ manuals), regulate the participation of employees in management.	X					
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					
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 organizes 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					

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	Yes	Partial	No	Exempt	Not applicable	
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.	X					
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					
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. CODE OF CONDUCT AND SOCIAL RESPONSIBILITY						
3.5.1 - The Board of the corporation has adopted a code of ethics and disclosed on the corporate website.	X					
3.5.2 - The Company is considerate of its social responsibilities. Measures have been taken to prevent corruption and bribery.	X					

Corporate Governance Compliance Report	Company Compliance Status					Description
	Yes	Partial	No	Exempt	Not applicable	
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. BOARD OF DIRECTORS' PRINCIPLES OF ACTIVITY						
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 Chairman and Chief Executive Officer are separated and defined.	X					
4.2.7 - The Board of Directors ensures that the investor relations department and corporate governance committee function effectively, while working in close cooperation with the investor relations department and corporate governance committee in resolving the disputes among shareholders and communicating 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				A Directors' liability insurance is in place for the damage the company may face due to their faults in performing their duties, and it does not exceed 25% of the capital.

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	Yes	Partial	No	Exempt	Not applicable	
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			The Bank does not have a policy in place for the minimal target of 25% for female directors on the Board.
4.3.10 - At least one member of the audit committee has 5 years of experience in audit/ accounting and finance.	X					
4.4. THE FORMAT OF BOARD OF DIRECTORS' MEETINGS						
4.4.1 - Each board member attended the majority of the board meetings in person.	X					
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				There is no restriction preventing the board members from assuming external duties. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.

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	Yes	Partial	No	Exempt	Not applicable	
4.5. COMMITTEES ESTABLISHED UNDER THE BOARD OF DIRECTORS						
4.5.5 - Board members serve in only one of the Board's committees.			X			Board members serve in more than one committee.
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	No committee received consultancy services in 2020.
4.5.8 - Minutes of all committee meetings are kept and reported to board members.	X					
4.6. FINANCIAL RIGHTS OF THE BOARD MEMBERS AND EXECUTIVE DIRECTORS						
4.6.1 - The Board of Directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.			X			A board performance evaluation has not been carried out.
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					
4.6.5 - The individual remuneration of board members and executives is disclosed in the annual report.			X			Information on the remuneration and compensation provided to Board members and senior management staff is made available in the annual report.