

Yapi Kredi Bank A.Ş. Remuneration Policy

This policy serves as a guideline explaining the remuneration principles, rules, conditions and practices of Yapı ve Kredi Bankası A.Ş. (The Bank) which are in conformity with the scope and structure of the activities of the Bank, its strategies, long-term goals and risk management structure and which prevent excessive risk taking and contribute to efficient risk management.



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1. Purpose

This policy document defines the principles and rules required for the remuneration systems and practices of the Bank and for structuring, monitoring and checking these practices.

Defining the basic principles of the remuneration approach of the Bank, the Remuneration Policy reflects the mission, strategy and values of the Bank that are used for the purposes of this approach and underlines the governance principles and compliance needs in relation to remuneration practices.

Furthermore, this policy supports the monitoring of market practices for the Bank's remuneration strategy and explains all remuneration criteria, fixed and variable remuneration principles and incentives systems.

The Bank's Remuneration Policy applies to all employees.

2. Introduction

2.1. Reflecting Mission, Values and Strategies

The Bank aims at excellence through a mission to achieve long-term sustainable growth, create value for all stakeholders and be the first choice for the customers and the employees.

To this end, the Bank's Strategy is built upon sound and stable growth, superior and permanent customer satisfaction, employee loyalty, strong and sustainable profitability and excellence in cost and risk management.

"The Bank's Ethical Rules" that constitute the basis for individual and social relations in addition to "the Bank's Values" that comprise of the principles of trust, freedom, being fair, respecting and openness constitute a part of the Bank's Employee Policies, Principles and Regulations and these principles and rules are known by all employees of the Bank.

Accordingly, it is an unchanging element of the Bank's remuneration policy and approach to:

- Ensure a remuneration structure that is independent from certain qualities of employees such as religion, language, race, gender, age,
- Ensure that the remuneration information of individuals are only accessed to and seen by the relevant and authorized personnel.

The standards stated above constitute the basis of the Bank's Remuneration Policy for the design, implementation and monitoring of remuneration practices in a consistent and coherent manner within the whole organization.

2.2. Basic Principles of Remuneration Policy

The Bank's remuneration approach is performance-based and is defined in compliance with the market dynamics, the Bank's strategy and the interests of shareholders. Basic principles of the Bank's Remuneration Policy are listed below within the framework of competition rules and in order to ensure an efficient remuneration management, transparency and intra-organization equality:

- Open and transparent management,
- Compliance with laws, other legislation and regulations,
- Complying with the long-term goals and risk management structure of the Bank and contributing to efficient risk management,
- Regular monitoring of market trends and practices,
- Being oriented on sustainable performance,
- Ensuring the motivation and loyalty of all employees by taking into consideration, in line with the role and function, different requirements for skills, know-how and information.

3. Governance and Compliance

The Bank's Remuneration Approach ensures that decisions are made independently, consciously and on time at appropriate authority levels and aims at carrying out remuneration practices and controls in the Bank in general by assuring the prevention of conflicts of interest and the execution of decisions in compliance with the legal regulations.

3.1. Board of Directors

The Remuneration Policy which is established in writing in conformity with the scope and structure of the activities of the Bank, its strategies, long-term goals and risk management structure in order to prevent excessive risk taking and contribute to efficient risk management shall be approved by the Board of Directors and be reviewed at least once a year in order to ensure its efficiency.

The Board of Directors shall ensure that the remunerations to be given to the members of the Board of Directors, the Senior Management and other personnel are in compliance with the ethical rules, internal balances and strategic objectives of the Bank.

3.2. Remuneration Committee

The Remuneration Committee shall monitor and audit the Bank's remuneration practices on behalf of the Bank's Board of Directors.

The Remuneration Committee shall evaluate the remuneration policy and practices every year within the framework of risk management and submit its suggestions to the Bank's Board of Directors in a report.

3.3. Compliance

Compliance with the Financials

Chief Financial Planning and Administration Officer ("CFO") shall be responsible for evaluating the future financial results of the remuneration practices that are established with this policy and bringing suggestions for the compliance of these practices with the financial objectives.

Compliance with Union Practices

This policy is fully compliant with the principles, commitments and rules between the Bank and the Union.

3.4. Publishing Remuneration Criteria and Practices

Information on the criteria that are taken into consideration regarding the payments made to the employees, the form and average amounts of the payments made shall be made available in the section titled "Information on Human Resources Practices" of the "Bank's Annual Report" that is prepared within the framework of the "Regulation on Principles and Procedures in Relation to the Preparation and Publication of Annual Report by Banks".

4. Performance and Remuneration

4.1. Fixed Salary Payments

Fixed remunerations shall be determined in accordance with the scope of roles and responsibilities; these remunerations shall be calculated by taking into consideration the qualities and experience required for each position. The weight of fixed remuneration in the total shall be determined in a way to support business sustainability and value creation on the medium- and long-term in compliance with the risk structure of the Bank.

4.2. Performance Payments (Variable Payments)

Performance payments ensure that the employees are paid remuneration if the performance targets are met both in quality and quantity. Performance measurements and payment systems avoid focusing on the short-term excessively; instead, they focus on parameters relevant to profitability and sound risk management in order to ensure stable performance on the medium- and long-run.

The following principles are defined to support the design of employee remuneration and incentive systems:

- Maintaining an appropriate ratio between the quantitative and qualitative targets,
- Supporting a customer-oriented approach,
- Avoiding incentives for a single product / financial tool and single banking product,
- Avoiding performance payment sooner than 3 months.
- Ensuring transparency during communication and reporting stages of performance payments; thus making sure that the final evaluation of employee achievements are in compliance with the external and internal rules and regulations.

4.3. Performance Criteria

- Remunerations to the members of the Board of Directors, the Senior Management and other personnel cannot be related to only the short-term performance of the Bank such as profits or revenues. Members of the committees comprising of the members of the Board of Directors can be provided with remuneration by taking into account the responsibilities they assume. Utmost attention shall be paid to the fact that the said remunerations are in compliance with the ethical values, internal balances and strategic objectives of the Bank.
- Although it is possible to make payments to those members of the Board having executive duties and to the Senior Management in line with the performance of the Bank, these incentive payments shall be dependent on objective conditions in a way to influence the corporate values of the Bank positively.
- The criteria in relation to job descriptions, job distribution and performance-based incentive payments of employees shall be set by the Bank's Senior Management and announced to the employees. The said criteria shall be regularly reviewed according to established standards and special job responsibilities.
- Performance payment amounts shall not be guaranteed in advance. Performance payments can be made in installments and by taking into consideration the term of the risks taken.
- Incentive systems shall be designed by identifying minimum performance thresholds that allow zero bonus payment. New contracts and agreements shall be issued in compliance with this system.
- In performance payments, the performance of employees in the previous term shall be evaluated.
- Compensation payments to be made to the personnel who will leave the Bank shall be determined by taking into consideration the past performance of the relevant personnel and their contribution to the Bank's long-term performance.
- In relation to those who are found out to jeopardize the safe and secure operations of the Bank with their acts or to be responsible for the disruption of the Bank's financial structure, the Board of Directors shall take required action regarding payments, including but not limited to the cancellation of performance payments.
- Regulations on not making performance payments as a result of non-compliant behavior or a behavior requiring disciplinary action shall be included.

- The independence of Audit, Control, Compliance and Risk personnel shall be ensured as they perform their duties.
- Payments to be made to the directors and personnel of Internal Audit, Risk Management and Compliance and Internal Control units shall be determined irrespective of the performance of the operational unit they audit or supervise or control and by taking into consideration their own performance in relation to their functions and to this end, it shall be ensured that financial targets are avoided / targets are limited.
- All remuneration systems and plans shall be evaluated in terms of the impact they make on general company reputation. The customer shall be considered as the focal point of the mission and internal and external customer satisfaction shall be placed at the forefront in all remuneration systems.
- Remuneration systems shall not cause any risk-taking behavior that exceeds the Bank's strategic risk appetite in any way.
- In performance calculation, an appropriate mixture of financial objectives with non-financial performance objectives shall be ensured.

Prepared by Yapı ve Kredi Bankası A.Ş. Remuneration Policy, Compliance and Internal Control Management Teams of Human Resources and Organization, Legal, Financial Planning and Administration and approved by the Board of Directors of Yapı ve Kredi Bankası A.Ş.