

Yapi ve Kredi Bankası A.Ş. Remuneration Policy

1. Purpose

This document is prepared in order to define the principles of the remuneration approach and the remuneration implementations in Yapi Kredi Bank A. Ş. This policy also aims to underline the constraints and the rules which are taken into consideration to structure, to monitor and to control the remuneration implementations in the Bank.

Remuneration Policy determines the pillars of the Bank's remuneration approach not only reflecting the Bank's mission, strategy and values but also underlining the governance principles and the compliance needs for remuneration implementations.

In this regulation, the Bank's both fixed and variable remuneration principles and the intensive systems are explained.

Bank Remuneration Policy is valid for all Bank personnel.

2. Introduction

2.1. Reflecting the Mission, Strategy and the Corporate Values of the Bank

Yapi Kredi Bank's mission expresses;

- to derive a sustainable long term growth,
- to create value for all stakeholders,
- to be the first choice of both employees and customers.

Associated with these commitments, the Bank's strategy is built upon;

- sustainable and steady growth,
- perpetual and transcendent customer satisfaction,
- strong employee engagement,
- sustainable profitability,
- excelling on cost and risk management.

The Bank's Ethical Codes underlying the social relationships and the Bank's Corporate Values (consist of reliability, freedom, fairness, respecting and certainty) set up a part of the Bank's Personnel Policy and Rules which are known by all Yapi Kredi Personnel.

With regards to these standards, Bank Remuneration Policy's two basic principles which are beyond any arguments are;

- only the authorized employees can reach the detailed remuneration information of the personnel and
- the remuneration is assigned regardless of the religion, language, race, age, etc. of personnel.

The standards mentioned above compose the pillars which set the framework for a consistent and coherent design, implementation and monitoring of remuneration practices across the entire organization. Within this common policy framework, guidelines are defined to implement remuneration programs and plans that reinforce sound risk management policies and our long-term strategy.

2.2. The Pillars of the Bank's Remuneration Strategy

The Yapi Kredi remuneration approach is performance-based and aligned with the market dynamics and the business strategy. The pillars of the Bank's remuneration strategy which ensure to derive a competitive, effective, and clear remuneration management are stated below:

- Fair, objective, appreciating high-performance, competitive, rewarding, motivating, open and transparent management,,
- compliance with the laws and the regulatory requirements,
- compliance with the Bank's strategy and long term targets as well as the Bank's risk structure which is to contribute in effective risk management
- continuous monitoring of market trends,

- sustainable remuneration for sustainable performance,
- motivation and retention of personnel with particular focus and talents and mission-critical resources.

3. Governance and Compliance

Yapi Kredi Bank remuneration approach ensures that the decisions are made in an independent, informed and timely manner at appropriate levels and avoids conflict of interest and guarantee appropriate disclosure in full respect of the general principles defined by regulators.

3.1. Board of Directors

Remuneration Policy, which is a written document and which is in conformity with the scope of the Bank's implementations, with the Bank's strategy and long term targets as well as the Bank's risk structure which is to contribute in effective risk management, is approved by the Board of Directors. This policy is reviewed annually by the Board of Directors in order to keep the effectiveness.

The Board of Directors ensures that the payments to be granted to the members of the Board of Directors, Senior Management and other personnel are in compliance with the ethical values, internal fairness and strategic targets of the Bank.

3.2. Remuneration Committee

Remuneration Committee is instituted in order to monitor and to audit the remuneration implementations in the Bank on behalf of the Board of Directors.

Remuneration Committee evaluates the remuneration implementations from the risk point of view, and then submits the evaluation results and proposals related to the remuneration systems to the Board of Directors' approval as a report on annual basis.

3.3. Conformity

Conformity with Financials

CFO is responsible with the evaluation of the financial consequences of the remuneration implementations in the Bank and with generating financial improvement proposal related to the remuneration systems.

Conformity with Union Rules and Implementations

This policy is aligned with the principles, commitments and the rules stated between the Bank and the Union.

3.4. Issuing the Remuneration Criteria and the Remuneration Implementations

Information on the criteria taken into consideration in performance-based payments, the form of payments made and average amounts are presented in the section "Information related to Human Resources Applications" in Yapi Kredi Bank A.Ş: Annual Activity Report prepared with respect to the framework of "Regulation on Procedures and Principles related to Preparation and Publication by Banks of Annual Activity Report".

4. Performance and Remuneration

4.1. Fixed Remuneration and Base Salary

The fixed component of remuneration remunerates the role covered and the scope of responsibilities, reflecting the experience and skills required for each position, as well as the level of excellence demonstrated and the overall quality of the contribution to business results. The relevance of fixed remuneration weight within the overall package is such as to reduce the risk of excessively risk-oriented behaviors, to discourage initiatives focused on short-term results which might jeopardize mid and long term business sustainability and value creation.

4.2. Performance-Based Payments (Variable Remuneration)

Incentives remunerate the achievement of performance objectives, both quantitative and qualitative, by providing for a variable bonus payment. The design features, including performance measures and pay mechanisms, avoids an excessive short-term focus by reflecting the principles of this policy, focusing on parameters linked to profitability and sound risk management, in order to guarantee sustainable performance in the medium and long term.

In order to support the design of employee remuneration and incentive systems, the following "compliance drivers" have been defined:

- Maintenance of an adequate ratio between the quantitative and the qualitative targets,
- Encouragement of customer-centered approach in target settings,
- Avoidance of incentives on a single product / financial instrument
- Avoidance of performance-based payments with excessively short time periods (timeframes less than once in three months are not suggested),
- Transparency in all rewarding system communications and the reporting phases that the final evaluation of the employee's achievements will also be based on their compliance behavior considering internal and external rules and regulations.

4.3. Performance Payment Criteria

- The payments to be granted to the members of the Board of Directors, Senior Management and all other personnel are not associated only with short term performance of the Bank such as profit or revenue. Payments of members of committees consisting of members of the Board of Directors are set taking into consideration the responsibilities assumed by them. Such payments are in compliance with the ethical values, internal fairness and strategic targets of the Bank.
- Payments related to Bank's performance is done to the members of Board of Directors and to Senior Management which have executive responsibilities considering that these incentive payments are regulated with respect to the objective criteria and these payments have positive effect on the corporate ethic codes of the Bank.
- The criteria related to job descriptions and the employee distribution and the performance-based incentive payments are determined and announced by the Senior Management to employees. Such criteria are reviewed on regular basis according to determined standards and specific job responsibilities.
- Performance-based payments are not guaranteed beforehand. Performance-based payments are made taking into consideration the maturity of risks taken and in installments.
- The incentive systems were designed in such a manner that sets minimum performance thresholds below which zero bonuses are paid. New contracts and agreements are prepared in line with this perspective.
- In performance-based payments, the personnel's preceding performance is considered.
- Indemnity payments made to personnel quitting the Bank are determined by also taking into consideration the past performance of the relevant personnel and the relevant personnel's contribution in the long term performance of the Bank.
- Regarding those who have been determined by the Board of Directors to have jeopardized the Bank in terms of its operation in a safe way or to be responsible for deterioration of financial structure of the Bank as a result of their activities, the necessary actions regarding their payments including annulment of their performance-based payments are established.
- Arrangements related to performance-based payment include zero bonuses in circumstances of non-compliant behavior or qualified disciplinary action.
- Incentive system also ensures the independence and autonomy of Audit, Control, Compliance and Risk Management in undertaking their control duties.
- Payments to be made to directors and personnel of Internal Control, Internal Audit, Compliance and Risk Management are determined so that the same will be independent from the performance of the organizational unit in which they conduct auditing or monitoring or which they control taking into consideration the performance of relevant personnel relating to their own function.
- All incentive systems and plans are evaluated in terms of their additional role on improving the Bank's value and reputation.
- Customer is considered as the central focus of the Bank's Mission such that customer satisfaction is placed in the forefront of all intensive systems, at all levels, both internally and externally.
- Incentive systems are not in a way that induces risk taking behaviors in excess of the Bank's risk appetite.
- Except financial areas, the Long-term sustainable improvement and principles of compliance with Environment, Society and Corporate Governance (ESG) policies are also observed while measuring performance.
- An adequate mix of financial quantitative goals with non-financial quantitative and qualitative performance objectives is maintained.