

## CORPORATE GOVERNANCE COMPLIANCE REPORT AND INFORMATION FORM

It is decided to submit the Corporate Governance Compliance Report – which has to be prepared as per Resolution of the Capital Markets Board dated 10.01.2019 and numbered 2/49 and as required by Corporate Governance Communiqué II-17.1 – via the Public Disclosure Platform (PDP), by using the templates of the Corporate Governance Compliance Reporting (CRF) and of the Corporate Governance Information Form (CGIF). The said templates as well as the explanations made according to Corporate Governance Management Communiqué II-17.1's Article 8 with the heading "Compliance with the corporate governance principles reports" are presented below. CRF templates are used in order to report the compliance status with the voluntary principles, CGIF templates are used to inform about the corporate governance practices, and the related forms are announced to the public at least three weeks before the General Assembly Meeting on the PDP.

The Corporate Governance Compliance Report was prepared as follows in accordance with the formats determined by the Capital Markets Board's decision.

The fields indicated by (X) represent the Bank's compliance status, and necessary explanations have been made for the applications other than yes.

### Statement of Compliance with Corporate Governance Principles

With the awareness of the importance of corporate governance practices as well as financial performance, PASHA Bank improves its inner workings to establish an effective, adequate and consistent corporate structure with regard to the "Bylaw on the Corporate Governance Principles for Banks" issued by the Banking Regulation and Supervision Agency ("BRSA"). On the other hand, it has been working voluntarily to ensure maximum compliance with the Corporate Governance Principles contained in the attachment to the "Corporate Governance Communiqué" no. II-17.1 that was published by the Capital Markets Board ("CMB"), and continues to strengthen corporate governance mechanisms in this endeavor.

PASHA Bank believes that the existence of independent members in the Board of Directors as part of the Corporate Governance Principles will contribute to the development and strengthening of the Bank's activities, and the establishment of a more professional management approach. Three members at the Board of Directors possess the qualities of independent Board members.

PASHA Bank's determination to implement corporate governance principles, and its willingness to manage this process dynamically and continuously, were confirmed in 2018 by SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş., an independent rating agency; and the rating that had been assigned was revised in June 2018 and disclosed as 9.19 (on a scale of 1-10).

The revised note of the Corporate Governance Rating is posted on the Bank's corporate website at [www.pashabank.com.tr](http://www.pashabank.com.tr). PASHA Bank has continued to expand the contents of its corporate website in order to inform its stakeholders about the Bank's activities.

The differences arising between the CMB's Corporate Governance Principles and the practices by the Bank were included in the report under the relevant subject headings PASHA Bank complied in the 2019 operating period with the "Corporate Governance Principles" published by the CMB with the exception of certain principles provided below that were not required to be implemented. There is no conflict of interest stemming from the matters outlined below that were not implemented.

- With respect to the principle numbered 1.5.2.: Minority rights have not been recognized by the Articles of Association for those who hold less than one-twentieth of the capital.
- With respect to the principle numbered 2.1.2.: information about the real persons who own more than 5% of the issued capital is not published on the corporate website.
- With respect to the principle numbered 4.2.8.: The limit of the directors' and officers' liability insurance does not exceed 25% of the paid-up capital of the Bank, and no explanation has been made in this regard at the PDP.
- With respect to the principle numbered 4.3.9.: There is not yet a target rate and target time determined for the ratio of female members in the Board of Directors. There are three female members at the Board of Directors in 2018.
- With respect to the principle numbered 4.5.3.: The chairs of all the committees established pursuant to corporate governance principles, have not been elected from among the independent board members. However, the chairs of all the committees are composed of our non-executive board members. The reason for not electing chairs of the Risk Management Committee and Human Resources and Remuneration Committee from independent board members is to enhance the synergy for similar processes carried out before the controlling shareholder group.
- With respect to the principle numbered 4.5.5.: Assignment to the Board of Directors' committees is carried out in line with the relevant legislation, taking into consideration the accumulated knowledge and experience of the members of the Board of Directors and some members of the Board of Directors are assigned to more than one committee. However, members assigned to more than one committee ensure communication between committees involved in related issues and increase cooperation opportunities.
- With respect to the principle numbered 4.6.5.: The fees and other benefits provided to the members of the Board of Directors and executive directors are disclosed to the public through the annual report. However, the disclosure made is for the entire top management collectively, not on an individual basis.

**CORPORATE GOVERNANCE COMPLIANCE REPORT**

	Company Compliance Status				Explanation
	Yes	Partial	No	Not Exempted	
<b>1.1. FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS</b>					
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				
<b>1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION</b>					
1.2.1- Management did not enter into any transaction that would complicate the conduct of special audit.				X	The Article 33 of the Articles of Association of the Bank contains the provision "the independent audit of the Bank is performed by independent auditors authorized to perform independent audits in the banks in accordance with the relevant legislation. The independent audit firm to conduct the audit is selected by the General Assembly", and there is no provision in the Articles of Association of the Bank regarding the request for the appointment of a special auditor. There were no requests made during the reporting period as to the appointment of a special auditor for our Bank.
<b>1.3. GENERAL ASSEMBLY</b>					
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 are no privileges contained in the Bank's Articles of Association for the exercise of voting rights.
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				Aids and donations made during the year were presented to the General Assembly for their knowledge and approval.
1.3.11- The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.			X		There is no media participation.
<b>1.4. VOTING RIGHTS</b>					
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	The Bank has no subsidiaries and affiliates.

## CORPORATE GOVERNANCE COMPLIANCE REPORT AND INFORMATION FORM

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
<b>1.5. MINORITY RIGHTS</b>						
1.5.1-The company pays maximum diligence to the exercise of minority rights.			X			
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 have not been determined to be less than one-twentieth of the capital in the Articles of Association of the Bank.
<b>1.6. DIVIDEND RIGHT</b>						
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	Profit is not distributed.
1.6.4-The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	X					
<b>1.7. TRANSFER OF SHARES</b>						
1.7.1-There are no restrictions preventing shares from being transferred.	X					
<b>2.1. CORPORATE WEBSITE</b>						
2.1.1-The company website includes all elements listed in Corporate Governance Principle 2.1.	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			The information on real person shareholders who own more than 5% of the issued capital is not available on the corporate website.
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				Important information is prepared in English. Related information is updated as needed.
<b>2.2. ANNUAL REPORT</b>						
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			The paragraph 2.2.2/e did not contain information on conflicts of interest with the institutions from which it received services such as investment consultancy and rating and on the measures taken to prevent them, and the information on the attendance status of the members of the Board of Directors in the Board meetings during the year was not covered within the scope of the paragraph 2.2.2/e.

	Company Compliance Status				Explanation
	Yes	Partial	No	Not Exempted Applicable	
<b>3.1. CORPORATION'S POLICY ON STAKEHOLDERS</b>					
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				
<b>3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT</b>					
3.2.1- The Articles of Association, 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				
<b>3.3. HUMAN RESOURCES POLICY</b>					
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				
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		The Bank does not have a regulation issued on this matter.
3.3.9- A safe working environment for employees is maintained.	X				

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	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
<b>3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS</b>						
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					
<b>3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY</b>						
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					
<b>4.1. ROLE OF THE BOARD OF DIRECTORS</b>						
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					
<b>4.2. ACTIVITIES OF THE BOARD OF DIRECTORS</b>						
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 the corporate governance committee work effectively. The board works closely with them 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			The directors' and officers' liability insurance does not exceed 25% of the capital of the Bank, and there was not a disclosure made on the PDP on this issue.

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
<b>4.3. STRUCTURE OF THE BOARD OF DIRECTORS</b>						
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				There has been no target rate and target time determined for the female member rate in the Board of Directors. In 2018, the Board of Directors of the Bank consisting of nine members had three female members, and a rate of 33% was attained.
4.3.10- At least one member of the audit committee has 5 years of experience in audit/accounting and finance.		X				
<b>4.4. BOARD MEETING PROCEDURES</b>						
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				

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	Yes	Partial	No	Exempted	Not Applicable	
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				PASHA Holding LLC, the controlling shareholder of the Company, has subsidiaries and, as the Members of the Board of Directors of the Bank taking part in the management of these companies is for the benefit of the Group, they have not been restricted in taking on these duties outside the Bank. On the other hand, independent members have also not been restricted in taking on other duties outside the Bank. The duties of the Members of the Board of Directors outside the Bank are submitted to the information of the shareholders in the General Assembly through the annual report and information document.
<b>4.5. BOARD COMMITTEES</b>						
4.5.5- Board members serve in only one of the Board's committees.		X				Assignment to the Board of Directors' Committees are made in accordance with the relevant legislation, taking into account the knowledge and experience of the Board Members, and some of the Members of the Board of Directors are assigned to more than one committee. However, members who serve in more than one committee provide communication between committees that work on related matters and increase cooperation opportunities.
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			The committees did not receive any significant advisory services other than the independent audit firm and credit rating agency.
4.5.8- Minutes of all committee meetings are kept and reported to board members.	X					
<b>4.6. FINANCIAL RIGHTS</b>						
4.6.1- The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.	X					The Board of Directors' report and the Annual Report contained the relevant performance evaluations.
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			The salaries paid and other benefits provided to the senior management by the Bank are disclosed to the public on a collective basis, rather than on the basis of persons, by taking into account the regulations of the BRSA regarding the qualitative and quantitative disclosures on remuneration policies and the provisions of the Law no. 6698 on the Protection of Personal Data.

**CORPORATE GOVERNANCE INFORMATION FORM**

**1. SHAREHOLDERS**

**1.1. Facilitating the Exercise of Shareholders Rights**

The number of investor meetings (conference, seminar/etc.) organised by the company during the year	In 2018, the Bank sponsored the following events and held 15 meetings with bond investors. <ul style="list-style-type: none"> <li>• 7<sup>th</sup> Working Dinner with Azerbaijani businessmen operating in Turkey, 20 July 2018</li> <li>• 9<sup>th</sup> Istanbul Finance Summit, September 19-20, 2018</li> </ul>
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**1.2. Right to Obtain and Examine Information**

The number of special audit request(s)	The request for the appointment of a special auditor has not yet been laid out as an individual right in the Bank's Articles of Association. No requests were received for the appointment of a special auditor within the period.
The number of special audit requests that were accepted at the General Shareholders' Meeting	There was no request for a special auditor at the Ordinary General Assembly Meeting and the Extraordinary General Assembly Meeting held in 2018.

**1.3. General Assembly**

Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1. (a-d)	The General Assembly Information Document was posted separately on the corporate website.
Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time	The documents of the General Assembly Meeting are not published in English at the same time.
The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9	There are no non-unanimous transactions within the scope of the Principle 1.3.9.
The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communique on Corporate Governance (II-17.1)	The related-party transactions realized by the Bank in 2018 as part of ordinary operations were presented to the Board of Directors by means of financial reports that were disclosed to the public. In 2018, there were no related-party transactions or significant transactions that must have been submitted to the approval of the General Assembly because of lack of approval by the independent members.
The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communique on Corporate Governance (II-17.1)	There were no widespread and continuous related-party transactions that needed to be decided on by the Board of Directors, other than the transactions carried out by the Bank in 2018 due to its ordinary operations.
The name of the section on the corporate website that demonstrates the donation policy of the company	It is contained in the heading "Donations and Aids Policy" under the "Policies" tab in the "Corporate Governance" section within the "About Us" page on the bank's website located at the address "www.pashabank.com.tr".
The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved	<a href="https://www.kap.org.tr/tr/Bildirim/669118">https://www.kap.org.tr/tr/Bildirim/669118</a>
The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting	22
Identified stakeholder groups that participated in the General Shareholders' Meeting, if any	Bank employees, Members of the Board of Directors, shareholders' representative, independent audit firm's representative, corporate governance rating agency's representative can attend the General Assembly meeting.

**1.4. Voting Rights**

Whether the shares of the company have differential voting rights	None.
In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares.	None.
The percentage of ownership of the largest shareholder	50.96



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### 1.5. Minority Rights

Whether the scope of minority rights enlarged (in terms of content or the ratio) in the articles of the association No

If yes, specify the relevant provision of the articles of association None.

### 1.6. Dividend Right

The name of the section on the corporate website that describes the dividend distribution policy It is included in the heading "Profit Distribution Policy" under the "Policies" tab contained in the "Corporate Governance" section of the "About Us" page on the Bank's corporate website at "www.pashabank.com.tr".

Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend In line with the proposal by the Board of Directors covered by its resolution no. 2018/16 dated February 23, 2018 and the motion put by the representative of the shareholder PASHA Bank OJSC, it was decided unanimously to set aside TL 266,573.71 as the general legal reserve out of the net profit of TL 5,331,474.22 that remained after the deduction of TL 10,176,561.51 in previous years' losses from the Bank's unconsolidated net profit for the period of TL 16,008,035.73 and to keep the remaining TL 5,064,900.51 as the extraordinary reserve.

PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends <https://www.kap.org.tr/tr/Bildirim/669118>

### General Assembly Meetings

**General Meeting Date** 16.03.2018

**The number of additional disclosure requests submitted to the company in relation to the agenda of the General Assembly** 0

**Percentage of Shareholders' attendance to the GSM** 99.92%

**Percentage of shares directly present at the GSM** 99.92%

**Percentage of shares represented by proxy** 0

**Specify the name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates for each resolution the voting levels for or against** It is contained under the "General Assembly Meetings" tab in the "Corporate Governance" section within the "About Us" page on the bank's website located at the address "www.pashabank.com.tr".

**Specify the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them** None.

**The number of the relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions** None.

**The number of declarations by insiders received by the board of directors** 18

**The link to the related PDP general shareholder meeting notification** <https://www.kap.org.tr/tr/Bildirim/662200>

**2. DISCLOSURE AND TRANSPARENCY**

**2.1. Corporate Website**

Specify the name of the sections of the website providing the information requested by the Principle 2.1.1.	It is included in the "Corporate Governance" section of the "About Us" page under the "Investor Relations" page on the Bank's corporate website at the address of <a href="http://www.pashabank.com.tr">www.pashabank.com.tr</a>
If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares.	None.
List of languages for which the website is available	Turkish and English

**2.2. Annual Report**

***The page numbers and/or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2.***

a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the duties of the members of the board of directors and executives conducted out of the company and declarations on independence of board members	It is located in the section of "Information on Management and Corporate Governance Practices" of the annual report.
b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure	It is located in the section of "Information on Management and Corporate Governance Practices" of the annual report.
c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings	It is located in the section of "Information on Management and Corporate Governance Practices" of the annual report.
c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in the legislation which may significantly affect the activities of the corporation	It is located in the section of "Information on Management and Corporate Governance Practices" of the annual report.
d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof	It is located in the section of "Information on Management and Corporate Governance Practices" of the annual report.
e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid from these conflicts of interest	It is located in the section of "Information on Management and Corporate Governance Practices" of the annual report.
f) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%	None.
g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that arises social and environmental results	It is located under the heading "Human Resources Practices" in the section of "Information on Management and Corporate Governance Practices" of the Annual Report.

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### 3. STAKEHOLDERS

#### 3.1. Corporation's Policy on Stakeholders

The name of the section on the corporate website that demonstrates the employee remedy or severance policy	It is located in the heading "Compensation Policy" under the "Policies" tab in the "Corporate Governance" section within the "About Us" page on the bank's website at the address of "www.pashabank.com.tr".
The number of definitive convictions the company was subject to in relation to breach of employee rights	None.
The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	Employees can communicate their concerns about any illegal or unethical practices made in the Bank, all issues related to the violation of ethical principles, and their findings on the following issues to the Compliance Officer via e-mail address "EtikHatGroup@pashabank.com.tr" of the Ethics Line communication channel specified within the Bank's structure. <ul style="list-style-type: none"> <li>• Fraud,</li> <li>• Corruption,</li> <li>• Forgery,</li> <li>• Unethical behavior,</li> <li>• Cases creating conflict of interest</li> <li>• Non-compliance with legal regulations</li> </ul>
The contact detail of the company alert mechanism.	Those concerned can be reached via the e-mail address of "EtikHatGroup@pashabank.com.tr".

#### 3.2. Supporting the Participation of the Stakeholders in the Corporation's Management

Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies.	Employee participation in decision-making processes is ensured by the "Employee Satisfaction Survey" system.
Corporate bodies where employees are actually represented	Employees of the Bank can use any communication channel to participate in management.

#### 3.3. Human Resources Policy

The role of the board on developing and ensuring that the company has a succession plan for the key management positions	The Board of Directors puts into place the necessary succession plans.
The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy.	It is located in the heading "Human Resources Policy" under the "Policies" tab contained in the "Corporate Governance" section of the "About Us" page on the Bank's corporate web site at the address of www.pashabank.com.tr.
Whether the company provides an employee stock ownership programme	There is no share purchase plan.
The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy.	It is located in the heading "Code of Conduct" under the "Policies" tab in the "Corporate Governance" section of the "About Us" page on the Bank's corporate website at the address of www.pashabank.com.tr.
The number of definitive convictions the company is subject to in relation to health and safety measures	None.

**3.5. Ethical Rules and Social Responsibility**

The name of the section on the corporate website that demonstrates the code of ethics	It is located in the heading "Code of Conduct" under the "Policies" tab in the "Corporate Governance" section of the "About Us" page on the Bank's corporate website at the address of <a href="http://www.pashabank.com.tr">www.pashabank.com.tr</a> .
The name of the section on the company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide the information about any measures taken on environmental, social and corporate governance issues.	None.
Any measures combating any kind of corruption including embezzlement and bribery	<p>The following methods are used pursuant to the Misconduct Prevention Policy to prevent abuses before they occur and to reveal them after they occur.</p> <ul style="list-style-type: none"> <li>• External Audit of Financial Statements and Financial Reporting                             <ul style="list-style-type: none"> <li>• Financial Reporting Approved by Senior Management                                     <ul style="list-style-type: none"> <li>• Authority Limits</li> <li>• Segregation of Duties</li> <li>• Ethical Principles Policy</li> </ul> </li> <li>• Corporate Governance</li> </ul> </li> <li>• Independent Audit Committee                             <ul style="list-style-type: none"> <li>• Notifications Line</li> </ul> </li> <li>• Misconduct Training for Staff and Managers                             <ul style="list-style-type: none"> <li>• Misconduct Prevention Policy</li> <li>• Official Misconduct Risk Assessments</li> </ul> </li> <li>• Internal Audit and Internal Control Practices                             <ul style="list-style-type: none"> <li>• Unexpected Inspections</li> <li>• Supervision</li> </ul> </li> <li>• Physical Inspections and Reconciliations                             <ul style="list-style-type: none"> <li>• Information Security Policies</li> <li>• Personnel Policies</li> <li>• CV Reference Checks</li> <li>• Rotation / Mandatory Leave</li> </ul> </li> </ul>

**4. BOARD OF DIRECTORS-I**

**4.2. Activity of the Board of Directors**

Date of the last board evaluation conducted	15.10.2018
Whether the board evaluation was externally facilitated	No
Whether all board members released from their duties at the GSM	Yes
Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	There has been no delegation of authority.
Number of reports presented by internal auditors to the audit committee or any relevant committee to the board	12
Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	It is included under the heading "Audit Committee's Assessment of the Functioning of Internal Systems" in the section of the annual report titled "Assessments on Financial Information and Risk Management".
Name of the Chairman	Jalal Gasimov
Name of the CEO	Hikmet Cenk Eynehan
If the CEO and Chair functions are combined: provide the link to the relevant PDP announcement providing the rationale for such combined roles	They are different persons.
Link to the PDP notification stating that any damage that may be caused by the members of the board of directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital	The cost of directors & officers liability insurance does not exceed 25% of the capital of the Bank and no separate disclosure was made in the PDP on this matter.
The name of the section on the corporate website that demonstrates current diversity policy targeting women directors	None.
The number and ratio of female directors within the Board of Directors	3 people, with a rate of 33%.

## CORPORATE GOVERNANCE COMPLIANCE REPORT AND INFORMATION FORM

Name, Surname of the Board Member	"Real Person Acting on Behalf of Legal Person Member"	Gender	Title	Profession	The First Election Date to the Board	Whether Executive Director or Not	Positions Held in the Company in the Last 5 Years
Jalal Gasimov	-	Male	Chairman	Banker	17.08.2015	Non-Executive	Chairman of the Board of Directors Chairman of Strategy and Budget Committee Chairman of HR and Remuneration Committee Member of Corporate Governance Committee
Farid Mammadov	-	Male	Deputy Chairman	Banker	31.03.2017	Non-Executive	Deputy Chairman of the Board of Directors Member of the Strategy and Budget Committee Member of the HR and Remuneration Committee Member of the Risk Management Committee Substitute Member of the Credit Committee
Taleh Kazimov	-	Male	Board Member	Banker	31.03.2015	Non-Executive	Member of the Board of Directors Member of the Credit Committee
Shahin Mammadov	-	Male	Board Member	Banker	31.03.2015	Non-Executive	Member of the Board of Directors Substitute Member of the Credit Committee
Kamala Nuriyeva	-	Female	Board Member	Banker	25.11.2016	Non-Executive	Member of the Board of Directors Chairperson of the Risk Management Committee Member of the Audit Committee
Meriç Uluşahin	-	Female	Board Member	Banker	31.03.2017	Non-Executive	Independent Member of the Board of Directors Member of the Strategy and Budget Committee Chairperson of the Corporate Governance Committee
Ebru Oğan Knottnerus	-	Female	Board Member	Banker	02.07.2018	Non-Executive	Independent Member of the Board of Directors Chairperson of the Audit Committee Member of the Risk Management Committee
Adnan Aykol	-	Male	Board Member	Banker	20.08.2013	Non-Executive	Independent Member of the Board of Directors Member of the Credit Committee
H. Cenk Eynehan	-	Male	General Manager and Board Member	Banker	02.08.2013	Executive	General Manager and Board Member Member of the Strategy and Budget Committee Chairperson of the Credit Committee

**INFORMATION ON MANAGEMENT AND CORPORATE GOVERNANCE PRACTICES**

<b>Current Positions Held Outside the Company</b>	<b>Whether The Director Has at Least 5 Years' Experience on Audit, Accounting and/ or Finance or Not</b>	<b>Independent Board Member or Not</b>	<b>Whether the Independent Director Considered by the Nomination Committee</b>	<b>Whether She/He is the Director Who Ceased to Satisfy the Independence or Not</b>	<b>Committees Charged and Task</b>
PASHA Holding LLC, First Deputy CEO Kapital Bank OJSC, Azerbaijan, Chairman of the Supervisory Board JSC PASHA Bank, Georgia, Member of the Supervisory Board PASHA Insurance, Azerbaijan, Member of the Supervisory Board PASHA Life, Azerbaijan, Member of the Supervisory Board	Yes	Independent	Not		Strategy and Budget Committee Chairperson HR and Remuneration Committee Member Corporate Governance Committee Member
PASHA Holding LLC, Deputy CEO, Business Group Director Kapital Bank OJSC, Azerbaijan, Member of the Supervisory Board JSC PASHA Bank, Georgia, Chairman of the Supervisory Board PASHA Insurance, Azerbaijan, Chairman of the Supervisory Board PASHA Life, Azerbaijan, Chairman of the Supervisory Board	Yes	Independent	Not		Strategy and Budget Committee Member HR and Remuneration Committee Member Risk Management Committee Member Credit Committee Substitute Member
PASHA Bank OJSC, CEO, Chairman of the Executive Board	Yes	Independent	Not		Credit Committee Member
PASHA Holding LLC, Deputy CEO, Business Support Director PASHA Bank OJSC, Azerbaijan, Member of the Supervisory Board JSC PASHA Bank, Georgia, Member of the Supervisory Board PASHA Insurance, Azerbaijan, Member of the Supervisory Board PASHA Life, Azerbaijan, Member of the Supervisory Board	Yes	Independent	Not		Credit Committee Substitute Member
PASHA Holding LLC, Director, Group Risk Kapital Bank OJSC, Azerbaijan, Member of the Supervisory Board Chairman of Risk Management Committee JSC PASHA Bank, Georgia, Member of Risk Management Committee	Yes	Independent	Not		Risk Management Committee Chairperson Audit Committee Member
KentBank d.d., Croatia, Chairperson of the Supervisory Board Türkiye Finans Katılım Bankası, Member of the Supervisory Board	Yes	Independent	Not Considered		Strategy and Budget Committee Member No Corporate Governance Committee Chairperson
JSC PASHA Bank, Georgia, Member of the Supervisory Board	Yes	Independent	Not Considered	No	Risk Management Committee Member Audit Committee Chairperson
-	Yes	Independent	Not Considered	No	Credit Committee Member
-	Yes	Independent	Not		Strategy and Budget Committee Member Credit Committee Chairperson

## CORPORATE GOVERNANCE COMPLIANCE REPORT AND INFORMATION FORM

### 4. BOARD OF DIRECTORS-II

#### 4.4. Meeting Procedures of the Board of Directors

Number of physical board meetings in the reporting period (meetings in person)	In 2018, 8 meetings were held by meeting physically.
Director average attendance rate at board meetings	88%
Whether the board uses an electronic portal to support its work or not	Not used.
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	Each meeting notification confirming the date, time, place and agenda is made by the Board Secretariat to all Members of the Board of Directors at least four (4) business days prior to the meeting date, and the relevant supporting documents for the agenda items to be addressed are submitted to the members of the Board of Directors at least three (3) business days prior to the date of the meeting.
The name of the section on the corporate website that demonstrates information about the board charter	It was described in the article 14 of the "Articles of Association" located in the "Corporate Governance" section within the "About Us" page on the Bank's corporate website at the address of "www.pashabank.com.tr".
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	None.

#### 4.5. Board Committees

Page numbers or section names of the annual report where information about the board committees are presented.	It is contained in the "Information on Management and Corporate Governance Practices" section of the annual report.
Link(s) to the PDP announcement(s) with the board committee charters	None.

**Composition of Board Committees-I**

<b>Names of the Board Committees</b>	<b>Name of Committees Defined as "Other" in the First Column</b>
Audit Committee	-
Corporate Governance Committee	-
Risk Management Committee	-
HR and Remuneration Committee	-
Strategy and Budget Committee	-
Credit Committee	-

<b>Names of the Board Committees</b>	<b>Name-Surname of Committee Members</b>
Audit Committee	Ebru Oğan Knottnerus
Audit Committee	Kamala Nuriyeva
Corporate Governance Committee	Meriç Uluşahin
Corporate Governance Committee	Jalal Gasimov
Risk Management Committee	Kamala Nuriyeva
Risk Management Committee	Farid Mammadov
Risk Management Committee	Ebru Oğan Knottnerus
HR and Remuneration Committee	Jalal Gasimov
HR and Remuneration Committee	Farid Mammadov
Strategy and Budget Committee	Jalal Gasimov
Strategy and Budget Committee	Farid Mammadov
Strategy and Budget Committee	Meriç Uluşahin
Strategy and Budget Committee	H. Cenk Eynehan
Credit Committee	H. Cenk Eynehan
Credit Committee	Adnan Aykol
Credit Committee	Taleh Kazimov
Credit Committee	Farid Mammadov
Credit Committee	Shahin Mammadov



## CORPORATE GOVERNANCE COMPLIANCE REPORT AND INFORMATION FORM

<b>Names of the Board Committees</b>	<b>Name-Surname of Committee Members</b>	<b>Whether Committee Chair or Not</b>	<b>Whether Board of Member or Not</b>
Audit Committee	Ebru Oğjan Knottnerus	Yes	Board Member
Audit Committee	Kamala Nuriyeva	No	Board Member
Corporate Governance Committee	Meriç Uluşahin	Yes	Board Member
Corporate Governance Committee	Jalal Gasimov	No	Board Member
Risk Management Committee	Kamala Nuriyeva	Yes	Board Member
Risk Management Committee	Farid Mammadov	No	Board Member
Risk Management Committee	Ebru Oğjan Knottnerus	No	Board Member
HR and Remuneration Committee	Jalal Gasimov	Yes	Board Member
HR and Remuneration Committee	Farid Mammadov	No	Board Member
Strategy and Budget Committee	Jalal Gasimov	Yes	Board Member
Strategy and Budget Committee	Farid Mammadov	No	Board Member
Strategy and Budget Committee	Meriç Uluşahin	No	Board Member
Strategy and Budget Committee	H. Cenk Eynehan	No	Board Member
Credit Committee	H. Cenk Eynehan	Yes	Board Member
Credit Committee	Adnan Aykol	No	Board Member
Credit Committee	Taleh Kazimov	No	Board Member
Credit Committee	Farid Mammadov	No	Board Member
Credit Committee	Shahin Mammadov	No	Board Member

**4. BOARD OF DIRECTORS-III**

**4.5. Board Committees-II**

Specify where the activities of the audit committee are presented in your annual report or website (Page number or section name in the annual report/website)	It is contained in the "Information on Management and Corporate Governance Practices" of the annual report.
Specify where the activities of the corporate governance committee are presented in your annual report or website (Page number or section name in the annual report/website)	It is contained in the "Information on Management and Corporate Governance Practices" of the annual report.
Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name in the annual report/website)	It is contained in the "Information on Management and Corporate Governance Practices" of the annual report.
Specify where the activities of the early detection of risk committee are presented in your annual report or website (Page number or section name in the annual report/website)	It is contained in the "Information on Management and Corporate Governance Practices" of the annual report.
Specify where the activities of the remuneration committee are presented in your annual report or website (Page number or section name in the annual report/website)	It is contained in the "Information on Management and Corporate Governance Practices" of the annual report.

**4.6. Financial Rights**

Specify where the operational and financial targets and their achievement are presented in your annual report (Page number or section name in the annual report)	It is contained in the General Manager's Message in the Annual Report, the Summary Report by the Board of Directors submitted to the General Assembly, and under the "Assessments on the Financial Condition, Profitability and Debt Servicing Ability" in the "Financial Information and Assessments on Risk Management".
Specify the section of website where remuneration policy for executive and non-executive directors are presented.	It is located in the heading "Remuneration Policy" under the "Policies" tab in the "Corporate Governance" section within the "About Us" page on the Bank's corporate website at the address of "www.pashabank.com.tr".
Specify where the individual remuneration for board members and senior executives are presented in your annual report (Page number or section name in the annual report)	It was mentioned in the Footnote titled Disclosures on the Risk Group that the Bank was Involved contained on page 108 of the Seventh Section of the Independent Auditor's Report, which was included in the Annual Report.

## CORPORATE GOVERNANCE COMPLIANCE REPORT AND INFORMATION FORM

<b>Composition of Board Committees-II</b>	<b>Name of Committees Defined as "Other" in the First Column</b>
<b>Names of the Board Committees</b>	
Audit Committee	-
Corporate Governance Committee	-
Risk Management Committee	-
HR and Remuneration Committee	-
Strategy and Budget Committee	-
Credit Committee	-
<b>Names of the Board Committees</b>	<b>The Percentage of Non-Executive Directors in the Committee</b>
Audit Committee	100%
Corporate Governance Committee	100%
Risk Management Committee	100%
HR and Remuneration Committee	100%
Strategy and Budget Committee	75%
Credit Committee	66%
<b>Names of the Board Committees</b>	<b>The Percentage of Independent Directors in the Committee</b>
Audit Committee	50%
Corporate Governance Committee	50%
Risk Management Committee	33%
HR and Remuneration Committee	0%
Strategy and Budget Committee	25%
Credit Committee	33%
<b>Names of the Board Committees</b>	<b>The Number of Meetings Held in Person</b>
Audit Committee	1
Corporate Governance Committee	1
Risk Management Committee	1
HR and Remuneration Committee	3
Strategy and Budget Committee	4
Credit Committee	18
<b>Names of the Board Committees</b>	<b>The Number of Reports on its Activities Submitted to the Board</b>
Audit Committee	4
Corporate Governance Committee	1
Risk Management Committee	4
HR and Remuneration Committee	1
Strategy and Budget Committee	4
Credit Committee	0

## STATEMENT OF INDEPENDENCE

I hereby declare that I currently serve as an "independent member" on the Board of Directors of PASHA Yatırım Bankası A.Ş. pursuant to the provisions of the Communiqué Serial: II-17.1 on Corporate Governance Principles issued by the Capital Markets Board and in this context, I hereby declare the following:

1. Neither I, nor my spouse, nor any relative of mine whether by blood or by marriage unto the second degree, have, within the most recent five years, entered into any employment relationship in an executive capacity involving major duties and responsibilities, or individually or jointly held more than 5% of the capital or voting rights or privileged shares, or established any commercial interest of a significant nature, with any corporate entity with which the Bank, any company in which the Bank has management control or significant influence, or any shareholder having management control or significant influence over the Bank or any corporate entity;
2. I was neither a shareholder (5% and higher), nor have I worked in an executive capacity involving major duties and responsibilities for or served as a member on the boards of directors of any company from/to which, under a contract, the Bank purchased/sold services or products of material quantity during the period of time such services or products were being purchased or sold, and particularly of the firms performing the audit (including tax audit, legal audit and internal audit), rating and consultancy of the Bank, in the past five years;
3. I possess the professional education, knowledge and experience for due performance of the duties I will assume in connection with being an independent board member;
4. After having been elected as a member I am not a full-time employee of public institutions and organizations, except as a member of academia should applicable legislation permit;
5. I am considered to be a resident of Turkey as for the purposes of the Income Tax Law no. 193, dated December 31, 1960;
6. I possess strong ethical standards, professional credibility and experience that are necessary for making positive contributions to the Bank's operations, maintaining my independence in possible conflicts of interest between the Bank and its shareholders, and making decisions freely taking into consideration the rights of stakeholders;
7. I am capable of dedicating sufficient amount of time to be able to follow up the execution of the Bank's affairs and to fully meet the requirements of the duties I undertake;
8. I have not held the position of member of the Board of Directors of the Company for more than six years in the past ten years;
9. I am not serving as an independent board member in any company which is controlled by the Bank or by shareholders having management control over the Bank;
10. I will be serving on the Bank's Board of Directors as a real person and in this context; I have not been registered and promulgated in the name of any corporate entity elected as a board member



**Meriç ULUŞAHİN**

## STATEMENT OF INDEPENDENCE

I hereby declare that I currently serve as an "independent member" on the Board of Directors of PASHA Yatırım Bankası A.Ş. pursuant to the provisions of the Communiqué Serial: II-17.1 on Corporate Governance Principles issued by the Capital Markets Board and in this context, I hereby declare the following:

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2. I was neither a shareholder (5% and higher), nor have I worked in an executive capacity involving major duties and responsibilities for or served as a member on the boards of directors of any company from/to which, under a contract, the Bank purchased/sold services or products of material quantity during the period of time such services or products were being purchased or sold, and particularly of the firms performing the audit (including tax audit, legal audit and internal audit), rating and consultancy of the Bank, in the past five years;
3. I possess the professional education, knowledge and experience for due performance of the duties I will assume in connection with being an independent board member;
4. After having been elected as a member I am not a full-time employee of public institutions and organizations, except as a member of academia should applicable legislation permit;
5. I am considered to be a resident of Turkey as for the purposes of the Income Tax Law no. 193, dated December 31, 1960;
6. I possess strong ethical standards, professional credibility and experience that are necessary for making positive contributions to the Bank's operations, maintaining my independence in possible conflicts of interest between the Bank and its shareholders, and making decisions freely taking into consideration the rights of stakeholders;
7. I am capable of dedicating sufficient amount of time to be able to follow up the execution of the Bank's affairs and to fully meet the requirements of the duties I undertake;
8. I have not held the position of member of the Board of Directors of the Company for more than six years in the past ten years;
9. I am not serving as an independent board member in any company which is controlled by the Bank or by shareholders having management control over the Bank;
10. I will be serving on the Bank's Board of Directors as a real person and in this context; I have not been registered and promulgated in the name of any corporate entity elected as a board member



**Ebru Oğan KNOTTNERUS**

I hereby declare that I currently serve as an "independent member" on the Board of Directors of PASHA Yatırım Bankası A.Ş. pursuant to the provisions of the Communiqué Serial: II-17.1 on Corporate Governance Principles issued by the Capital Markets Board and in this context, I hereby declare the following:

1. Neither I, nor my spouse, nor any relative of mine whether by blood or by marriage unto the second degree, have, within the most recent five years, entered into any employment relationship in an executive capacity involving major duties and responsibilities, or individually or jointly held more than 5% of the capital or voting rights or privileged shares, or established any commercial interest of a significant nature, with any corporate entity with which the Bank, any company in which the Bank has management control or significant influence, or any shareholder having management control or significant influence over the Bank or any corporate entity;
2. I was neither a shareholder (5% and higher), nor have I worked in an executive capacity involving major duties and responsibilities for or served as a member on the boards of directors of any company from/to which, under a contract, the Bank purchased/sold services or products of material quantity during the period of time such services or products were being purchased or sold, and particularly of the firms performing the audit (including tax audit, legal audit and internal audit), rating and consultancy of the Bank, in the past five years;
3. I possess the professional education, knowledge and experience for due performance of the duties I will assume in connection with being an independent board member;
4. After having been elected as a member I am not a full-time employee of public institutions and organizations, except as a member of academia should applicable legislation permit;
5. I am considered to be a resident of Turkey as for the purposes of the Income Tax Law no. 193, dated December 31, 1960;
6. I possess strong ethical standards, professional credibility and experience that are necessary for making positive contributions to the Bank's operations, maintaining my independence in possible conflicts of interest between the Bank and its shareholders, and making decisions freely taking into consideration the rights of stakeholders;
7. I am capable of dedicating sufficient amount of time to be able to follow up the execution of the Bank's affairs and to fully meet the requirements of the duties I undertake;
8. I have not held the position of member of the Board of Directors of the Company for more than six years in the past ten years;
9. I am not serving as an independent board member in any company which is controlled by the Bank or by shareholders having management control over the Bank;
10. I will be serving on the Bank's Board of Directors as a real person and in this context; I have not been registered and promulgated in the name of any corporate entity elected as a board member



**Adnan AYKOL**