



Corporate Governance and Credit Rating Services, Inc.

Corporate Governance Rating Report



19 November 2021

CONTENTS

Rating and Executive Summary	3
Rating Methodology	5
Bank Overview	6
SECTION 1: SHAREHOLDERS	8
Facilitating the Exercise of Shareholders' Statutory Rights	8
Shareholders' Right to Obtain and Evaluate Information	9
Minority Rights	9
General Shareholders' Meeting	9
Voting Rights	10
Dividend Rights	10
Transfer of Shares	10
SECTION 2: PUBLIC DISCLOSURE AND TRANSPARENCY	11
Corporate Web Site	11
Annual Report.	11
External Audit.	12
SECTION 3: STAKEHOLDERS.	14
Bank Policy Regarding Stakeholders	14
Stakeholders' Participation in the Bank Management	14
Bank Policy on Human Resources	15
Relations with Credit Customers and Creditors	15
Ethical Rules & Social Responsibility	16
Sustainability	16
SECTION 4: BOARD OF DIRECTORS.	17
Functions of the Board of Directors	17
Principles of Activity of the Board of Directors	17
Structure of the Board of Directors	18
Conduct of the Meetings of the Board of Directors	18
Committees Established Within the Board of Directors	18
Remuneration of the Board of Directors and Managers With Administrative Responsibility	20
Rating Definitions	21
Disclaimer	22

Rating and Executive Summary

ALTERNATİFBANK A.Ş.



Corporate Governance Rating:

9.28



MAIN SECTIONS : **Avg. 92.81**

Shareholders : 89.28



Public Disclosure & Transparency : 97.09



Stakeholders : 96.02



Board of Directors : 90.89



0 10 20 30 40 50 60 70 80 90 100

EXECUTIVE SUMMARY

This report on rating of Alternatifbank A.Ş.'s (Alternatif Bank, the Bank) compliance with Corporate Governance Principles is prepared upon conclusions following detailed analysis of the Bank. Our rating methodology (page 5) is based on the Capital Markets Board's (CMB) "Corporate Governance Principles".

Alternatif Bank's corporate governance rating is revised as above in consideration with the importance given by the Bank to corporate governance principles and its willingness to carry out the compliance process continuously and dynamically.

SAHA publishes (annually) the World Corporate Governance Index (WCGI) which ranks countries in terms of their level of compliance with corporate governance principles as well as their germane institutions, rules, codes, and regulations together with international standards and indices which evaluate countries in a vast array of areas such as transparency, corruption, ease of doing business, etc.. Alternatif Bank is analyzed as a Turkish company and Turkey takes place at the top classification of the WCGI which is Group 1. Details of the World Corporate Governance Index (WCGI) published by SAHA on March 10, 2021 can be accessed at <http://www.saharating.com>.

Alternatif Bank is rated with **8.93** under the **Shareholders** heading. Exercise of shareholders' rights complies with the legislation, Articles of Association and other internal rules and regulations, and measures have been taken to ensure the exercise of these rights. All procedures prior to the general shareholders' meeting as well as the conduct of the meeting comply with the legislation, rules and regulations. There are no voting privileges. The Bank's Disclosure and Dividend Distribution policies are drawn up and will be submitted to the first general shareholders' meeting to be held. The ratio stipulated in the laws regarding minority rights (5%) has been adopted as it is. The Bank does not have a policy on Donations and Grants.

Alternatif Bank attained **9.71** under the **Public Disclosure and Transparency** chapter. There is a comprehensive web site that includes all information listed in the CMB's Corporate Governance Principles pertinent to "Public Disclosure", and important events and developments are disclosed to the public in accordance with the legislation. Also, the Annual Report is comprehensive and informative. The agreement and work conducted with the external auditor complies with the legislation.

On the topic of **Stakeholders**, Alternatif Bank scored **9.60**. The Bank guarantees the rights of stakeholders in line with the legislation and mutual agreements, and in case of violation, enables an effective and speedy compensation. A written compensation policy for the employees is established and disclosed to the public on the corporate web site. The Bank has an effective and comprehensive human resources policy. Participation of stakeholders in management is supported. Code of ethics is publicly available through the Bank's web site. Various social responsibility projects have been implemented. There is no lawsuit filed against the Bank due to any damage to the environment.

From the perspective of the principles regarding the **Board of Directors**, Alternatif Bank's tally is **9.09**. The Board of directors fulfills all duties regarding Bank needs. It is assumed that there are 3 independent members (members of the Audit and Compliance Committee) in the 9-member Board of Directors. There is only 1 executive member in the Board of Directors (general manager). Chairman of the Board of Directors and general manager are not the same person. Remuneration and Corporate Governance, Audit and Compliance, Risk, Executive, and Credit Committees are established within the Board of Directors. Committees' working principles are comprehensive. Duty to comply with corporate governance principles is given to the restructured Remuneration and Corporate Governance Committee from the Executive Committee, and its functionality will be monitored. There is 1 female member in the Board of Directors, but there is no policy to increase this number. Losses that may be incurred by the Bank and third parties as a result of not performing the executives' duties duly are insured. Remuneration Policy will be submitted to the general shareholders' meeting.

Rating Methodology

SAHA's methodology for rating the degree of compliance with the Principles of Corporate Governance is based upon the CMB's "Corporate Governance Principles" released on January 2014.

The CMB based these principles on the leading work of The World Bank, The Organization of Economic Cooperation and Development (OECD), and the Global Corporate Governance Forum (GCGF) which has been established in cooperation with the representatives of the preceding two organizations and private sector. Experts and representatives from the CMB, Borsa Istanbul and the Turkish Corporate Governance Forum have participated in the committee that was established by the CMB for this purpose. Additionally; many qualified academicians, private sector representatives as well as various professional organizations and NGOs have stated their views and opinions, which were added to the Principles after taking into account country specific issues. Accordingly, these Principles have been established as a product of contributions from all high-level bodies.

Certain applications of the Principles are based on "comply or explain" approach and others are mandatory. However, the explanation concerning the implementation status of the Principles, if not detailed reasoning thereof, conflicts arising from inadequate implementation of these Principles, and explanation on whether there is a plan for change in the Bank's governance practices in future should be mentioned in the annual report and disclosed to public.

The Principles consist of four main sections: shareholders, public disclosure and transparency, stakeholders, and the board of directors.

Based on these Principles, the SAHA Corporate Governance Rating methodology features around 330 sub-criteria. During the rating process, each criterion is evaluated on the basis of information provided by the Bank officials and disclosed publicly. Some of these criteria can be evaluated by a simple YES/NO answer; others require more detailed analysis and examination.

SAHA assigns ratings between 1 (weakest) and 10 (strongest). In order to obtain a rating of 10, a bank should be in full and perfect compliance with the Principles (see Rating Definitions, p.21).

To determine the total rating score for each main section parallel to the CMB's Corporate Governance Principles, SAHA allocates the following weights:

Shareholders: **25%**


Public Disclosure and Transparency: **25%**

Stakeholders: **15%**

Board of Directors: **35%**

To determine the final overall rating, SAHA utilizes its proprietary methodology which consists of sub-section weightings and weightings for the criteria there under. A separate rating is assigned to each one of the main sections as well.

Company Overview

ALTERNATİFBANK A.Ş.	
	Chairman of the Board of Directors Omar Hussain Alfardan
Ayazağa Mah., Azerbaijan Cad., 2D Blok No: 3M/1, 34485 Sarıyer, İstanbul www.alternatifbank.com.tr	Financial Affairs and Planning EVP Hamdi İlkay Girgin Tel: (0212) 315 70 69 Hamdi.Girgin@Alternatifbank.com.tr

Alternatif Bank joined the Turkish banking sector in 1991 and its shares started to trade in I.M.K.B (Borsa İstanbul) in 1995. In 2013, 70.84% of shares were transferred to The Commercial Bank, Qatar's first private bank and one of the region's prominent and prestigious financial institutions. At the end of 2016, The Commercial Bank acquired the remaining shares of Anadolu Group, becoming a 100% shareholder of Alternatif Bank.

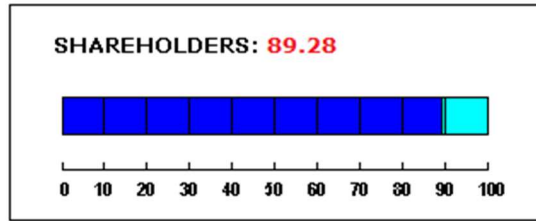
With its Head Office in İstanbul, 44 branches and nearly 900 employees, Alternatif Bank offers services via internet banking, mobile application, customer contact center and the network of contracted ATMs located over 6,500 locations.

Alternatifbank A.Ş. Capital Structure		
Shareholders	Share Value (TL)	Share %
The Commercial Bank (P.S.Q.C.)	2,213,739,996	100
Orient 1 Limited	1	0
CBQ Finance Limited	1	0
Commercial Bank Financial Services (LLC)	1	0
CB Global Limited	1	0
Total	2,213,740,000	100

The Board of Directors of the Bank is composed as follows:

Alternatifbank A.Ş. Board of Directors	
Name	Title
Omar Hussain ALFARDAN	Chairman of the Board of Directors
Joseph ABRAHAM	Vice-Chairman Executive Committee Chairman Remuneration and Corporate Governance Committee Chairman
Mohd Ismail M Mandani AL-EMADI	Board Member Risk Committee Chairman Credit Committee Member
Rajbhushan BUDDHIRAJU	Board Member Risk Committee Member Credit Committee Member
Halil S. ERGÜR	Board Member Executive Committee Member Risk Committee Member Audit and Compliance Committee Member
Paul GOSSIAUX	Board Member Audit and Compliance Committee Member Credit Committee Member Risk Committee Member
Zafer KURTUL	Board Member Executive Committee Member Credit Committee Chairman Remuneration and Corporate Governance Committee Member
Leonie LETHBRIDGE	Board Member Executive Committee Member Remuneration and Corporate Governance Committee Member Audit and Compliance Committee Chairwoman
Kaan GÜR	Board Member General Manager Executive Committee Member Credit Committee Member

SECTION 1: SHAREHOLDERS



SYNOPSIS

+	Responsibilities regarding shareholder and investor relations are fulfilled within the body of the Bank
+	Equal treatment of shareholders
+	General shareholders' meetings are conducted in compliance with the legislation
+	Unrestricted shareholder rights to review and receive information
+	No voting privileges
=	Disclosure Policy exists and included on the web site, will be submitted to the general shareholders' meeting
=	Dividend Policy exists and included in the Articles of Association, will be submitted to the general shareholders' meeting
=	Minority rights are not recognized for shareholders who possess an amount less than one-twentieth of the share capital
-	No Donations and Grants Policy

1.1. Facilitating the Exercise of Shareholders' Statutory Rights:

Responsibilities regarding shareholder and investor relations within the Bank are jointly undertaken by the Finance and Corporate Affairs Office departments. Both departments mainly report their activities in this regard to the Board of Directors through the Annual Report.

The Corporate Affairs Office also reports all its activities directly to the Board of Directors. Bank CFO Hamdi Girgin holds the CMB Advanced Level License. Corporate Affairs Office Manager Mr. Bahadır Çakmak will receive the Chartered Company Secretary and Chartered Governance Professional certification given by The Chartered Governance Institute when he completes his master's degree at the University of Law in England (end-2022).

Along with other units of the Bank the afore-mentioned departments play an active role in protecting and facilitating shareholders' rights and in particular the right to obtain and review information, and its duties are as follows;

- To ensure that the records relating to the written correspondence with the investors and other information are kept in a healthy, safe and updated manner.
- To respond to the queries of the shareholders requesting written information on the Bank.
- To ensure the general shareholders' meeting is held in compliance with the applicable legislation, Articles of Association and other Bank by-laws.

- d. To prepare the documents that might be used by shareholders in the general shareholders' meeting.
- e. To supervise the fulfillment of the obligations arising from capital markets legislation including all corporate governance and public disclosure matters.

1.2. Shareholders' Right to Obtain and Evaluate Information:

There is no evidence of any hindering process or application regarding the appointment of a special auditor at the request of shareholders and no such demand was received within the reporting period.

All kinds of information about the Bank required by the legislation are provided in a complete, timely, honest, and diligent manner and there is no fine/warning received in this regard.

The Bank has established a disclosure policy, announced it to the public on its corporate web site and will submit it to the first general shareholders' meeting to be held.

1.3 Minority Rights:

Maximum care is given to the exercise of minority rights. However, minority rights are not recognized for shareholders who hold an amount less than one-twentieth of the share capital and the Bank has adopted exactly the rate foreseen in the legislation for listed companies.

There is no evidence of any conflict of interest between the majority shareholders and that of the Bank.

1.4. General Shareholders' Meeting:

The invitation to the ordinary general shareholders' meeting held on March

25, 2021 was performed three weeks in advance.

The announcement included information such as the date and time of the meeting; without any ambiguity, the exact location of the meeting; agenda items of the meeting; the body inviting to the general shareholders' meeting; and the location where Annual Report, financial statements and other meeting documents can be examined.

A descriptive disclosure document on agenda items has been prepared. The document included information on the total number of shares reflecting the Bank's shareholding structure as of the date of the disclosure, along with the issues that there has been no change in the management and activities that will significantly affect the Bank's operations, and that there has been no written request from the shareholders to add an item to the agenda.

Agenda items were put under a separate heading and expressed clearly in a manner not to result in any misinterpretations. Expressions like "other" and "various" were not used. Information submitted to the shareholders prior to the conduct of the general shareholders' meeting was related to the agenda items.

Items on the agenda were conveyed in detail and in a clear and understandable way by the chairman of the meeting and shareholders were given equal opportunity to voice their opinions and ask questions.

Along with the representative of the independent auditor, two members of the Board of Directors related with those issues of a special nature on the agenda were present at the general shareholders' meeting. It is essential that the majority of the members attend in order to fully comply with the Corporate Governance Principles.

Although the shareholders were informed, with a separate agenda item, of all donations and grants within the reporting period along with amounts and beneficiaries, the Bank does not have a policy on donations and grants and was therefore not submitted to the general shareholders' meeting.

Since Alternatif Bank is not a publicly traded bank, general shareholders' meetings are not held open to the public, including stakeholders and the media, without the right to vote, and there is no provision in the Articles of Association in this regard.

On the other hand, meeting minutes are available on the Bank's web site where all shareholders can easily access.

1.5. Voting Rights:

There are no voting privileges at Alternatif Bank and all shareholders, including those who reside abroad, are given the opportunity to exercise their voting rights conveniently and appropriately.

A certain share group has not been granted the privilege of nominating a candidate for the Board of Directors, and there is no regulation stipulating that the voting right will be exercised after a certain period from the date of acquisition.

1.6. Dividend Rights:

The dividend policy of the Bank is clearly defined. Although this policy is within the knowledge of the shareholders through the Articles of Association, it will be submitted to the attention of the shareholders at the first general shareholders' meeting to be held.

The dividend distribution policy of Alternatif Bank contains minimum

information clear enough for investors to predict any future dividend distribution procedures and principles. A balanced policy is followed between the interests of the shareholders and those of the Bank.

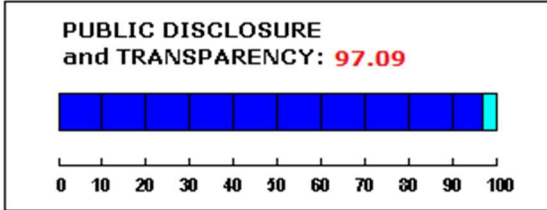
It was decided at the general shareholders' meeting held on March 25, 2021 that the remaining profit after the Legal Reserve Fund has been set aside from the net profit for the fiscal year 2020, in accordance with the provisions of the Bank's Articles of Association and the Turkish Commercial Code, will not be distributed and will be deducted from previous years' losses. This issue is presented very clearly and precisely in the dividend distribution proposal included in the general shareholders' meeting notification document.

There is no provision in the Articles of Association of the Bank on advance dividend payments.

1.7. Transfer of Shares:

Neither the Articles of Association nor any decisions adopted at the general shareholders' meeting contain any provisions that impede the transfer of shares.

SECTION 2: PUBLIC DISCLOSURE AND TRANSPARENCY



SYNOPSIS

+	Comprehensive web site, actively used for public disclosure
+	Annual Report complies with the legislation, comprehensive and informative
+	Comprehensive Disclosure Policy, disclosed to public on the corporate web site

2.1. Corporate Web Site:

The Bank's web site (www.alternatifbank.com.tr) is actively used for disclosure purposes and the information contained therein is timely updated.

Along with the information required to be disclosed pursuant to the legislation, the Bank's web site includes; trade register information, information about latest shareholder and management structure, the date and the number of the trade registry gazette on which the changes are published along with the final version of the Bank's Articles of Association, periodical financial statements, annual reports, dividend distribution policy (within the Articles of Association), agendas of the general shareholders' meetings, general shareholders' meeting information note, list of participants and minutes of the meeting, form for proxy voting, internal directive, disclosure policy,

ethical rules of the Bank, and the Information Center page.

In this context, information on at least the last 3 years can be reached on the web site.

The Bank's shareholding structure; ultimate controlling individual (qualified) shareholders over 5% as identified after being released from indirect or cross shareholding relationships between co-owners is disclosed to the public through the corporate web site.

In accordance with the Capital Markets legislation, the Bank also discloses financial statements on PDP and simultaneously in English.

The information contained on the web site exists also in English for the benefit of international investors.

The Bank's web site also includes; investor presentations, working principles of the Committees, the vision/mission of the Bank established by the Board of Directors, the sustainability report, information on senior management, financial data included within the corporate presentation, web site cookie policy and the protection of personal data, publicly disclosed material information, and the information on human resources strategy.

2.2. Annual Report:

Annual Report is prepared in detail by the Board of Directors to provide shareholder access to complete and accurate information on the Bank and it covers information such as;

- a. Period covered by the report, the title of the Bank, trade register number, contact information.
- b. The names of the members served on the Board and the Committees during the covered period.
- c. The sector in which the Bank operates and information on its position in the sector.
- d. Qualifications of the units within the Bank, general explanations related to their activities and performances, and yearly developments.
- e. Changes on the Articles of Association during the reporting period.
- f. Corporate Governance implementations.
- g. Information on related party transactions.
- h. The dividend distribution policy.
- i. Other issues not included in the financial statements, but are beneficial for users.
- j. The Bank's organization, capital and ownership structure.
- k. Benefits provided to employees and information on number of personnel.
- l. Nature and amount of the capital market instruments issued.
- m. Basic ratios on the financial position, profitability and solvency.
- n. The date of the extraordinary general shareholders' meeting held during the year and the meeting resolutions.
- o. Bank's financing resources and risk management policies.

- p. Bank's financial indicators.
- q. Information on major events occurred between the closing of the accounting period and the date of the general shareholders' meeting where financial statements are evaluated.

In addition to the matters specified in the legislation, following issues also took place in the Annual Report:

- a. Information on external duties of Board members and executives.
- b. Members of the Committees within the Board, meeting frequency and working principles of the Committees.
- c. The number of Board meetings held during the year and participation status of the members.
- d. Statement that there are no administrative or judicial sanctions imposed on the Bank and the members of the Board of Directors due to practices contrary to the provisions of the legislation.
- e. Major lawsuits filed against the Bank and possible consequences.
- f. Information on cross shareholding in excess of 5% of the capital.
- g. Benefits and vocational training of employees, and other Bank activities that give rise to social and environmental results.
- h. Rating results.

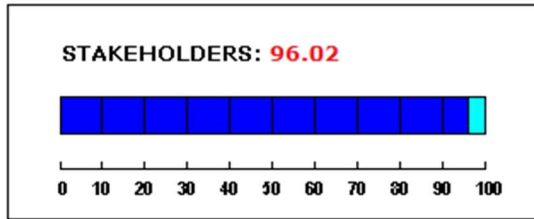
2.3. External Audit:

The external audit of the Bank is conducted by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

There has not been a situation during the reporting period where the external auditor avoided to express its opinion and not signed the audit report, nor has reported a qualified opinion. It has been declared that there has been no legal conflict between the Bank and the external audit firm.

Independent audit firm and their audit staff did not provide consulting services for a price or free of charge during the audit period. No consulting company in which the external audit firm is in a dominant position either directly or indirectly in management or capital provided any consulting services during the same period.

SECTION 3: STAKEHOLDERS



SYNOPSIS

+	Measures to safeguard stakeholders' rights are facilitated
+	Quality standards are complied with in the Bank's business and operations
+	Code of ethics established and disclosed to the public
+	Bank is in compliance with environmental laws. Corporate Social Responsibility projects are carried out and a Sustainability Committee has been established
+	Efficient human resources policy
+	There are regulations regarding the participation of stakeholders in management

3.1. Bank Policy Regarding Stakeholders:

Alternatif Bank recognizes the rights of stakeholders established by law or through any other mutual agreement. In case the rights of the stakeholders are not regulated by the relevant legislation and protected by contracts, the Bank protects the interest of stakeholders under good faith principles and within the capabilities of the Bank. Effective and expeditious compensation is provided in case of violation of the rights.

The corporate web site of the Bank is also actively used to provide adequate information on policies and procedures towards the protection of stakeholders' rights. The corporate governance implementation of the Bank ensures that its stakeholders, including its employees and representatives, report their concerns regarding any illegal or unethical transactions to the management.

Employees can convey any transaction that contradicts with the legislation and is ethically inappropriate to the Audit and Compliance Committee and to the Audit Unit.

Limits and procedures for granting loans to related personality of the Bank, other employees, to natural and legal persons within the same group of the Bank are defined.

A written employee compensation policy is established and disclosed to public on the corporate web site.

Bank officials declared that the procurement process is realized through tender procedures.

3.2. Stakeholders' Participation in the Bank Management:

The Bank has developed models for stakeholders, particularly employees to participate in management without impeding the operations of the Bank. In this context, the Suggestion System is framed by the relevant instructions. The participation of the employees in management is encouraged through this Suggestion System.

Opinions of stakeholders are taken through employee and customer

surveys in important decisions that have consequences for them.

3.3. Bank Policy on Human Resources:

The Bank has a written human resources policy.

Recruitment and career planning are conducted on the basis of providing equal opportunities to people under equal conditions. The criteria for hiring employees are documented in writing and the Bank complies with these criteria. All employees are treated with fairness and equality in terms of the benefits provided to them, training programs are provided to enhance employee knowledge, skills and conduct, and training policies are formulated.

Informative meetings are organized for employees about the Bank's financial position as well as compensation, career, training and health related issues where opinions are exchanged.

Job descriptions and distribution of tasks as well as performance and rewarding criteria are announced to the employees. Productivity is a major criterion in determining the salary and other benefits provided.

The Bank's human resources policy is based on occupational safety, comprehensive opportunities for professional and self-improvement of employees and equal opportunities. Measures are adopted to prevent discrimination on the basis of race, religion, language and sex among the employees, to ensure human rights are respected and to protect the employees against internal physical, mental and emotional abuse.

The Bank supports the right to form association and the recognition of the right to collective bargaining through its Human Resources Policy. A safe

working environment and conditions are also provided for the employees.

3.4. Relations with Credit Customers and Creditors:

The Bank has taken measures to ensure customer satisfaction in market and sales of banking services.

Requests for banking products and services are rapidly met and customers are informed on delays before the deadline.

Quality standards in banking services are adhered to and attention is paid to the protection of these standards.

Within the scope of trade secrets, the confidentiality of information related to depositors and credit customers is taken into consideration.

Alternatif Bank provides call center services to its customers.

The Bank continues its activities with a prudent and advisory banking philosophy within the framework of both the Corporate Governance Principles referred to in Article 22 of the Banking Law No. 5411, and the Ethical Principles and Customer Rights contained in Articles 75 and 76. In this framework, corporate governance and corporateness issues are referred to in both the Corporate Credit Policy and the Personal Credit Policy, and customer processes are managed within the limits drawn by legislation and regulations within the culture of mutual open and transparent communication in customer relations.

In addition, the Bank has policies to prevent money laundering.

3.5. Ethical Rules & Social Responsibility:

The ethical rules of Alternatif Bank are publicly disclosed through the corporate web site.

The Bank expends maximum effort to be sensitive to its social responsibilities in its operations. It complies with all regulations regarding the environment, consumers and public health, as well as ethical rules, and directs and supports its affiliates to behave in the same manner.

Alternatif Bank's corporate social responsibility approach came to life with many different projects in 2020, where details are included in the Annual Report.

The Bank supports and respects internationally recognized human rights. In this regard, activities are carried out in accordance with the Labor Law and Ethical Principles policy, and the employee-employer relationship is outlined. There is no lawsuit brought against the Bank for violation of human rights.

Provisions regarding mobbing and sexual harassment are included in the Bank's Ethical Principles and Working Rules. Employees undertake to comply with these rules by signing a declaration of acceptance during the recruitment process.

3.6. Sustainability:

Alternatif Bank attaches importance to developing sustainable approaches and strategies in environmental, social and managerial fields. The following priority areas and sub-working groups have been defined by the Sustainability Committee, which was established at the end of 2019 under the chairmanship of General Manager, Mr. Kaan Gür:

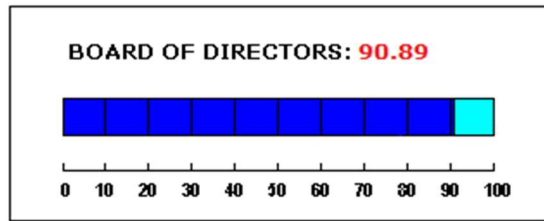
- Environmental and Social Management
- Qualified Education
- Diversity and Inclusion
- Ethical Banking
- Sustainable Products and Services

The activities of these sub-working groups are listed on the corporate web site.

Branches were renewed with the new concept to be more environment friendly. The Bank's Headquarters at Vadistanbul, where Alternatif Bank moved in 2018, received the LEED Gold Certificate given by U.S. Green Building Council, and certified as a sustainable green building.

In addition to the amount of waste donated to TEMA Foundation, information on recycling rate, energy saving, water saving, carbon emission is also available on the web site.

SECTION 4: BOARD OF DIRECTORS



SYNOPSIS

+	Vision, mission and strategic goals are defined
+	The Board works efficiently and staffed with qualified members
+	Conduct of the Board of Directors meetings is defined in internal regulations and meeting and decision quorums are included in the Articles of Association
+	Only 1 executive Board member
+	Chairman of the Board and the general manager are not the same person
+	Audit and Compliance, Remuneration and Corporate Governance, and Risk Committees established
+	The structures, meeting frequencies and rules of procedures of the Committees are in line with the Principles
+	Any potential losses incurred by the Bank and third parties as a result of misconduct by executives are insured
=	3 members of the Audit and Compliance Committee are serving as independent members on the Board of Directors, but without any declaration of independence

=	The restructured Remuneration and Corporate Governance Committee has taken the responsibility for compliance with the Corporate Governance Principles from the Executive Committee. Its working principles are comprehensive, functionality will be monitored
=	There is a Remuneration Policy, will be submitted to the general shareholders' meeting
=	1 female member on the Board of Directors
-	No policy to increase the rate of female members on the Board

4.1. Functions of the Board of Directors:

Strategic decisions of the Board of Directors aim to manage the Bank's risk, growth, and return balance at an appropriate level and conduct a rational and cautious risk management approach with a view to the long-term interests of the Bank. The Board administers and represents the Bank within these parameters.

The Board of Directors has defined the Bank's strategic goals and identified the needs in human and financial resources, and controls management's performance. The Board also oversees that Bank activities are managed in compliance with the legislation, Articles of Association, internal procedures and established policies.

4.2. Principles of Activity of the Board of Directors:

Board of Directors performs its activities in a transparent, accountable, fair and responsible manner.

The division of tasks among the members of the Board of Directors is explained in the Annual Report. The Board of Directors established internal control systems which are inclusive of risk management, information systems, and processes by also taking into consideration the views of the Committees. In this context, the Board reviews the effectiveness of risk management and internal control systems at least once a year.

The presence, functioning, and effectiveness of internal controls and internal audit are explained in the Annual Report. Chairman of the Board and general manager's executive powers are clearly separated and this separation is documented in the Articles of Association. There is no individual in the Bank who has unlimited authority to take decisions on his/her own.

4.3. Structure of the Board of Directors:

The Bank's board of directors is composed of 9 members of which only 1 holds executive duties (CEO).

In the Capital Markets Board's Communiqué Serial: IV No: 63 on the Determination and Implementation of Corporate Governance Principles, pursuant to the amendment published in the Official Gazette dated February 22, 2013 and numbered 28567, the number of independent Board members for publicly held banks has been determined as three. The provision that the members of the Board of Directors appointed as members of the audit committee will be accepted as independent members of the Board of Directors within the framework of the Communiqué has entered into force.

Although this amendment does not cover non-public banks, 3 members of the Audit and Compliance Committee, which was established within the

Alternatif Bank Board of Directors, are independent, due to the absence of a separate provision for non-public banks and the provision of a standard for rating the compliance of banks with corporate governance principles, regardless of being publicly traded. However, the said independent members do not have a written statement that they meet the independence criteria.

There is 1 female member on the Board of Directors, however the Bank has not prepared a policy nor set a timetable to reach the target of minimum 25% female Board membership rate.

4.4. Conduct of the Meetings of the Board of Directors:

Board meetings take place with sufficient frequency. All members allocate sufficient time for all of the Bank's business and show care to participate in each meeting.

Chairman of the Board of Directors sets the agenda for Board meetings in consultation with other members and the general manager. Information on the agenda items is made available to the members in sufficient time prior to the meeting date.

Each member is entitled to a single vote. The conduct of the Board meetings is documented in internal regulations and meeting and decision quorums have been included in the Articles of Association of the Bank.

Shareholders are informed of external duties of the Board members through the Annual Report and at the general shareholders' meeting.

4.5. Committees Established Within the Board of Directors:

Executive, Remuneration and Corporate Governance, Audit and Compliance, Risk, and Credit

Committees are established from within the Board of Directors in order to fulfill its duties and responsibilities.

Functions of the Committees, their working principles, and members are designated by the Board of Directors and disclosed to the public on the corporate web site.

Members of the Audit and Compliance Committee were deemed independent, but the chairmen of the Remuneration and Corporate Governance and Risk Committees were not selected from among these members.

The Remuneration and Corporate Governance Committee consists of three members, the Audit and Compliance Committee has three members, and the Risk Committee houses four members.

The majority of the Committee members are non-executive. The Chairman of the Board of Directors does not take part in any Committee. General Manager, who is a member of the Board of Directors, is not included in the Remuneration and Corporate Governance, Audit and Compliance and Risk Committees.

All necessary resources and support needed to fulfill the tasks of the Committees are provided by the Board. Committees can invite any manager as they deem necessary to their meetings and obtain their views.

In the event that the Committees benefit from the opinions of independent experts regarding their activities, the cost of the consultancy services is covered by the Bank.

The frequency of Committees' meetings is sufficient, all activities are documented and records are kept. Reports covering the activities and the resolutions of the meetings are submitted to the Board of Directors.

Audit and Compliance Committee supervises the operation and efficiency of the Bank's accounting system, public disclosure, external audit and internal audit systems, reviews complaints that are received by the Bank regarding Bank accounting, internal and external independent audit systems and finalizes them.

The Committee also determines the methods and criteria to be applied for the evaluation of the Bank's employees' notifications on accounting and independent auditing in the framework of confidentiality principle. In addition, notifies the Board of Directors in writing about their findings, assessments and recommendations related to their area of responsibility.

Following taking the opinion of responsible managers of the Bank and the external auditor, the Audit and Compliance Committee notifies the Board in writing on whether the annual and interim statements disclosed to the public is in accordance with the Bank's accounting principles, true and accurate.

The Annual Report contains information on activities and meeting resolutions of the Audit and Compliance Committee.

The nomination and election process of the external audit firm, taking into account its competence and independence, starts with a proposal from the Audit and Compliance Committee to the Board and ends with the Board's choice being presented and approved at the general shareholders' meeting.

The Executive Committee was previously responsible for the Bank's compliance with corporate governance principles. These responsibilities are transferred to the existing Remuneration Committee within this rating period, and the name of the committee was changed as

Remuneration and Corporate Governance Committee.

The Remuneration and Corporate Governance Committee is established in order to determine whether or not the corporate governance principles are being fully implemented by the Bank, if implementation of some of the principles are not possible, the reason thereof, and assess any conflict of interests arising as a result of lack of implementation of these principles, and present remedial advices to the Board of Directors. In addition, it oversees the work of the shareholder relations unit and these duties are included in its working principles. The functionality and efficiency performance of the Committee in the context of corporate governance principles will be monitored with the new term meetings.

The Remuneration and Corporate Governance Committee determines and monitors the principles, criteria and practices to be used on remuneration of the independent Board members and managers with administrative responsibilities, taking into account the long-term goals of Alternatif Bank. By taking into account the degree of achievement of the criteria on remuneration, submits its proposals to the Board of Directors.

This Committee carries out studies on the establishment of a transparent system in terms of identifying, evaluating and training qualified candidates for the Board of Directors and executive management positions and to formulate policies and strategies in this regard. The Committee also shoulders duties of conducting regular assessments on the structure and efficiency of the Board of Directors and reporting its recommendations on the changes that can be made in these areas.

Risk Management and Internal Control Mechanism carries out its tasks towards early detection of risks which may jeopardize the Bank's assets, its development and progression, and measures taken to mitigate and manage those risks. It reviews risk management systems at least once a year.

4.6. Remuneration of the Board of Directors and Managers with Administrative Responsibility:

The Board of Directors has disclosed the Bank's publicly announced operational and financial performance evaluation in the Annual Report.

The principles of remuneration of Board members and senior executives have been documented in writing and included on the corporate web site. However, it is not yet submitted to the shareholders' attention as a separate item at the general shareholders' meeting.

The Bank does not lend any funds or extend any credits to a member of the Board or to senior executives, or grant any personal loans through a third party, or extend any guarantees.

There is an insurance policy for losses incurred by the Bank, and third parties, as a result of not performing the members of the Board of Directors and executives' duties duly.

There have been no cases where the executives used confidential and non-public Bank information in favor of themselves or others. There are no executives who accepted a gift or favor directly or indirectly related to the Bank's affairs, and provided unfair advantage.

Rating Definitions

Rating	Definition
9 - 10	The bank performs very good in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified and actively managed all significant corporate governance risks through comprehensive internal controls and management systems. The bank's performance is considered to represent best practice, and it had almost no deficiencies in any of the areas rated. Deserved to be included in the BIST Corporate Governance Index on the highest level.
7 - 8	The bank performs good in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified all its material corporate governance risks and is actively managing the majority of them through internal controls and management systems. During the rating process, minor deficiencies were found in one or two of the areas rated. Deserved to be included in the BIST Corporate Governance Index.
6	The bank performs fair in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified the majority of its material corporate governance risks and is beginning to actively manage them. Deserved to be included in the BIST Corporate Governance Index and management accountability is considered in accordance with national standards but may be lagging behind international best practice. During the ratings process, minor deficiencies were identified in more than two of the areas rated.
4 - 5	The bank performs weakly as a result of poor corporate governance policies and practices. The bank has, to varying degrees, identified its minimum obligations but does not demonstrate an effective, integrated system of controls for managing related risks. Assurance mechanisms are weak. The rating has identified significant deficiencies in a number (but not the majority) of areas rated.
<4	The bank performs very weakly and its corporate governance policies and practices are overall very poor. The bank shows limited awareness of corporate governance risks, and internal controls are almost non-existent. Significant deficiencies are apparent in the majority of areas rated and have led to significant material loss and investor concern.

DISCLAIMER

This Corporate Governance Rating Report has been prepared by Saha Kurumsal Yönetim ve Kredi Derecelendirme A.Ş. (SAHA Corporate Governance and Credit Rating Services, Inc.) based on information made available by Alternatifbank A.Ş. and according to the Corporate Governance Principles by the Turkish Capital Markets Board as amended on 2014.

This report, conducted by SAHA A.Ş. analysts and based on their best intentions, knowledge base and experience, is the product of an in depth study of the available information which is believed to be correct as of this date. It is a final opinion about the degree of sensitivity of a company to its shareholders' and stakeholders' rights, its commitment to public disclosure and transparency, and conduct and credibility of its board of directors.

The contents of this report and the final corporate governance rating should be interpreted neither as an offer, solicitation or advice to buy, sell or hold securities of any companies referred to in this report nor as a judgment about the suitability of that security to the conditions and preferences of investors. SAHA A.Ş. makes no warranty, regarding the accuracy, completeness, or usefulness of this information and assumes no liability with respect to the consequences of relying on this information for investment or other purposes.

SAHA A.Ş. has embraced and published on its web site (www.saharating.com) the IOSCO (International Organization of Securities Commissions) Code of Conduct for Credit Rating Agencies and operates on the basis of independence, objectivity, transparency, and analytic accuracy.

© 2021, Saha Kurumsal Yönetim ve Kredi Derecelendirme A.Ş. All rights reserved. This publication or parts thereof may not be republished, broadcast, or redistributed without the prior written consent of Saha Kurumsal Yönetim ve Kredi Derecelendirme A.Ş. and Alternatifbank A.Ş.

Contacts:

S. Suhan Seçkin

suhan@saharating.com

Ali Perşembe

apersembe@saharating.com

Nareg Toros

ntoros@saharating.com

Saha Corporate Governance and Credit Rating Services, Inc.

Valikonağı Cad., Hacı Mansur Sok., Konak Apt. 3/1, Nişantaşı, İstanbul

Tel: (0212) 291 97 91, Fax: (0212) 291 97 92 • info@saharating.com •

www.saharating.com