

CORPORATE GOVERNANCE RATING REPORT ALBARAKA TÜRK KATILIM BANKASI A.Ş.

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CORE BUSINESS:

PARTICIPATION BANKING

NEW:

UPDATE:

COMPANY PROFILE	
<p>ALBARAKA TÜRK KATILIM BANKASI A.Ş. Saray Mahallesi Dr. Adnan Büyükdeniz Caddesi No:6 34768 Ümraniye/ İSTANBUL Tel: +90 216 666 01 01 www.albaraka.com.tr yatirimciliskileri@albarakaturk.com.tr</p> <p>CHAIRMAN: Houssef BEN HAJ AMOR GENERAL MANAGER: Malek Khodr TEMSAH INVESTOR RELATIONS MANAGER: Seyfullah DEMİRLEK INVESTOR CONTACT #: +90 216 666 03 03</p>	<p>Albaraka Türk Participation Bank (Albaraka Türk or the Bank), was established on November 5, 1984, under the title Albaraka Türk Özel Finans Kurumu A.Ş. in accordance with the Council of Ministers Decree No. 83/7506 dated December 16, 1983, according to the establishment of special financial institutions. The bank was authorized by the Central Bank of the Republic of Turkey letter numbered 10912 on 21 January 1985 to do banking. Albaraka Türk operates in accordance with Banking Law No. 5411, published in the Official Gazette No. 25983 on November 1, 2005. The bank changed its title to "Albaraka Türk Participation Bank Inc." in accordance with the provisions of Banking Law No. 5411 and an Extraordinary General Assembly resolution dated December 21, 2005.</p> <p>With its headquarters in Istanbul, the Bank serves approximately 2.4 million customers through a widespread service network consisting of 223 domestic branches, 2 international branches, 2.695 employees, and alternative distribution channels as of December 31, 2022. As of April 17, 2023, 45.09% of the bank's shares belong to Albaraka Group B.S.C., 8.3% to Dallah Albaraka Holding Co B.S.C., and 6.76% to Cengiz AVCI, while 39.85% is listed on Borsa Istanbul (BIST) and includes publicly traded shares owned by other shareholders.</p> <p>During the monitoring period, the bank increased its paid-in capital from 1,350 million ₺ to 2,500 million ₺ by an additional 1,150 million ₺. As of the end of 2022, the bank's assets increased by 34% to 146 billion ₺ compared to the previous year, disbursed funds increased by 28% to 73 billion ₺, collected funds increased by 24% to 113 billion ₺, and equity increased by 76% to 8.1 billion ₺. The net profit also rose to 1,365 million ₺. The bank's market share in the total assets of participation banks in Turkey was 12.3% in 2022. The Bank, being a pioneer in the participation banking sector in Turkey, had a capital adequacy ratio of 14.9% as of December 31, 2022, which is above the minimum ratio set by the Banking Regulation and Supervision Agency (BDDK). (2021/14.9)</p>

OVERALL RATING	9.25 *	Summary Commentary
	9.14	
SHAREHOLDERS	9.29 9.21	The pre-general assembly disclosures and the conduct of the general assembly comply significantly with the legislation, articles of association, and internal regulations.
PUBLIC DISCLOSURE AND TRANSPARENCY	9.30 9.30	The bank's public disclosure and transparency policy, financial statements, annual reports, and public disclosures are in line with global practices.
STAKEHOLDERS	9.20 9.22	Although there is no labor union representing the employees, the bank's relations with stakeholders managed according to policies set within the framework of corporate governance principles are at the standards of Turkey.
BOARD OF DIRECTORS	9.20 8.95	During the monitoring period, the establishment of new committees under the board of directors and their increased effectiveness are positive developments. However, the fact that performance evaluations of board members have not been conducted during this period indicates an area for improvement.

*Previous ratings are at the right bottom of the cells.



DRC Rating Services Inc. has determined a compliance rating of 9.25 for Albaraka Türk Participation Bank Inc. (referred to as Albaraka Türk or the Bank) in terms of corporate governance principles. Since the previous compliance ratings based on our evaluations during the monitoring period from the date of the previous public announcement of the compliance rating for corporate governance principles on May 17, 2022, according to our assessments, the ratings for the Bank's shareholders and board of directors sections have improved. The organizational and managerial structure developed by the Bank as a result of changes made in both the board of directors and top management during the monitoring period have been factors contributing to the improvement of the ratings.

Shareholders

Albaraka Türk Shareholding Structure (Apr 17, 2023)

	Partnership Share (1,000 ₺)	%
Albaraka Group B.S.C.	1,127,275	45.09
Dallah Al Baraka Holding Co B.S.C.©	207,585	8.30
Cengiz AVCI	169,000	6.76
Other	996,140	39.85
Total	2,500,000	100

- It has been announced that during the Bank's Board of Directors meeting on November 30, 2022, session number 2413, a decision was made to determine the registered capital ceiling of the Bank as 5 billion ₺ for the years 2023-2027 (5 years) and to present it for approval at the Ordinary General Assembly (OGA) meeting. The proposal was accepted during the OGA meeting held on March 27, 2023.

- During the OGA meeting, the meeting chairperson ensured that the agenda items were conveyed in an

unbiased and detailed manner, using a clear and understandable approach. Shareholders were provided with equal conditions to express their opinions and ask questions, as evident from the minutes of the general assembly meeting.

- The management board proposal regarding the non-distribution of the profit generated during the Bank's 2022 fiscal year, along with the profit distribution table, was announced on February 27, 2023, on Public Disclosure Platform (KAP) and subsequently approved during the general assembly meeting.

Public Disclosure and Transparency

- The information available on the Bank's website has been published in English and Arabic, in addition to Turkish, with the same content to facilitate access for international investors.
- In the Public Disclosure Platform (KAP) announcement dated February 17, 2023, PwC Independent Auditing and Certified Public Accountancy Inc., the independent auditing firm, provided a limited positive opinion on the Bank's non-consolidated financial statements for the fiscal period ending on December 31, 2022, along with the independent audit report. The basis for the limited positive opinion is explained in Section V, Part II/5.b of the Non-Consolidated Financial Statements and footnotes, where it is stated that the non-consolidated financial statements prepared as of December 31, 2022, include a total of 100 million ₺ set aside by the bank management outside the requirements of the BRSA Accounting and Financial Reporting regulations for previous periods, and a total of 1,700 million ₺ allocated in the current year, amounting to a total of 1,800 million ₺ in free provisions.

Stakeholders

- The number of employees, which was 2,918 at the end of 2021, decreased to 2,695 at the end of 2022.
- In response to the earthquake disaster that occurred in our country on February 6, the bank mobilized all its resources as part of its social responsibility to heal the wounds. The loan installments of all individual finance customers and other customers affected by the earthquake were postponed. Mobile service vehicles were sent to the region to ensure smooth banking operations in the collapsed and damaged branches.
- Albaraka Türk, the only participation bank whose shares are traded on Borsa Istanbul (BIST), has successfully maintained its presence in the Borsa Istanbul Sustainability Index for four consecutive periods.

Board of Directors

- Temporary appointments were made by the Board of Directors to fill the vacant board positions during the monitoring period, for the remaining terms of their predecessors, the memberships of Bekir PAKDEMİRLİ and Akram YASSIN were approved by the General Assembly on March 27, 2023.
- Housseem BEN HAJ AMOR has been appointed as the Chairman of the Bank's Board of Directors.
- During the General Assembly meeting, it was determined that the number of board members, including the general manager as the natural member of the board was reduced from 13 to 9. The terms of the elected board members were set at 3 years.



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