



Sustainability Report

2018



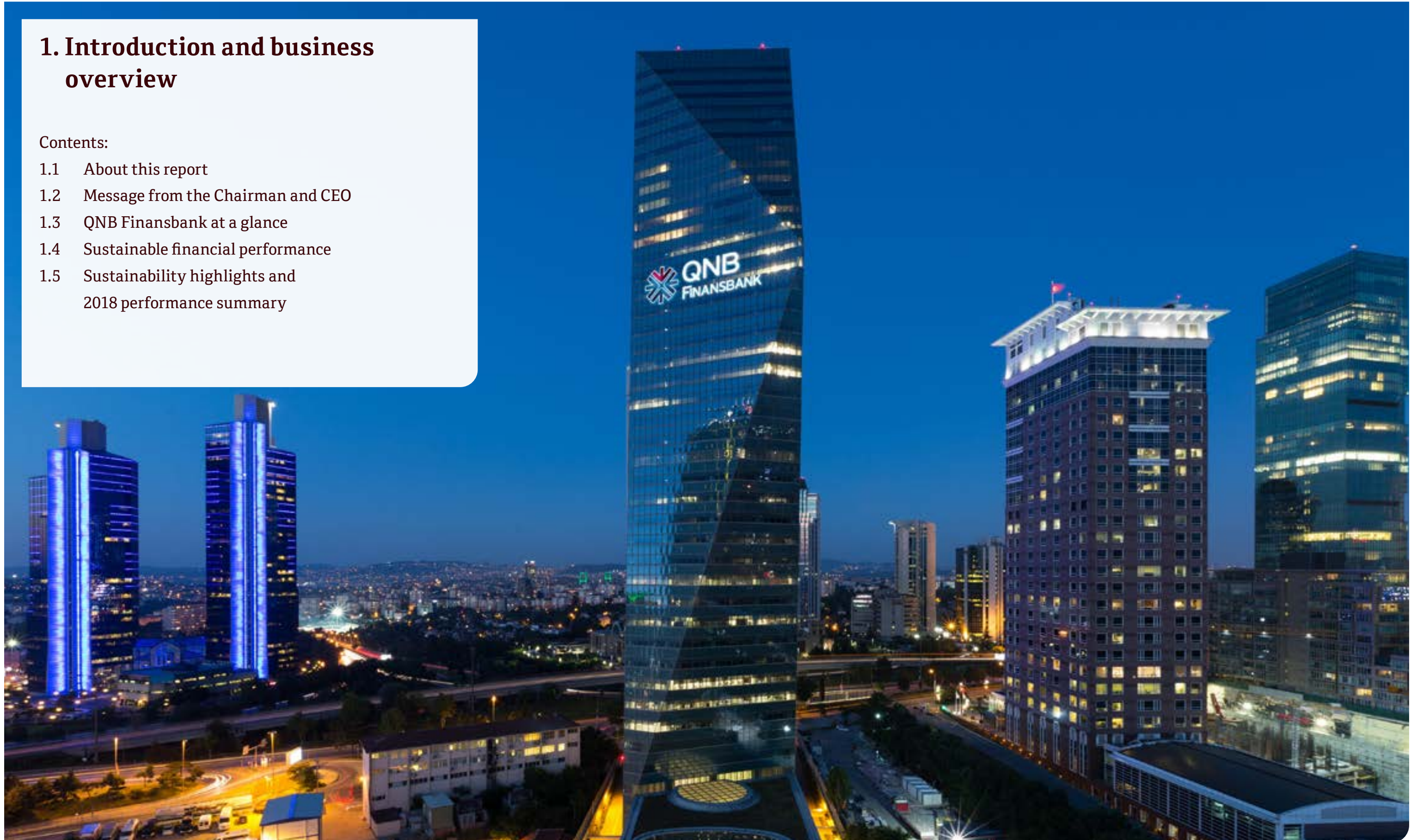
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1. Introduction and business overview

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1.1 About this report

2018 QNB Finansbank Sustainability Report provides a summary of QNB Finansbank A.Ş.'s economic, environmental and social performance in terms of sustainability, for the period of 1 January-31 December 2018, complementing the areas and issues covered in our Annual Report.

Reporting Framework and Guidelines

This report has been prepared in accordance with the GRI Standards: "Core Option", while "Financial Services Sector Supplements" have also been utilized. Additionally, our Bank's contribution to the United Nations Sustainable Development Goals (UN SDG's) is also presented by aligning our sustainability objectives by relevant UN SDG's.

Scope

Unless stated otherwise, figures and

disclosures in this report reflect only QNB Finansbank's domestic operations excluding subsidiaries.

In this Report, the terms "QNB Finansbank A.Ş.," "QNB Finansbank," "Our Bank," "The Bank," "We/Us" are used interchangeably unless stated otherwise.

Feedback

You may contact us at sustainability@qnbfinansbank.com and submit your opinions, suggestions and feedbacks about this report, and other sustainability related issues.

Contact Us

You can also reach our Bank via the following platforms.



The report's electronic version is available at our corporate website www.qnbfinansbank.com



1.2 Message from the Chairman and CEO

Dr. Ömer A. Aras
Chairman

Esteemed stakeholders,

At QNB Finansbank, since our foundation, we sustain our efforts with an acceleration to prepare our country for the future in economic, environmental and social areas, driven by our responsibility as one of Turkey's largest private banks.

With that in mind, we have always closely monitored agricultural, industrial, and technological developments both in our country and around the world. We have achieved many firsts by undertaking a leading role in the digitalization journey of the banking industry. We have reached out to a wide range of people from different segments of the society through our distinguished products and services, and our corporate social responsibility activities.

Rapid economic, environmental and social changes in recent years have delivered an environment where we need to redefine risks and opportunities for the world, our country, and the banking industry. Topics, such as fight against climate change, protection of biodiversity, social justice, and financial inclusion are now on the agenda of financial institutions, too. More importantly, unlike the past, changing expectations of stakeholders inspired financial institutions to consider non-financial indicators as well.

In addition to the pioneering steps we have taken in the banking industry since our foundation, we contribute to sustainable growth and development with projects we finance, our corporate social responsibility activities and innovative products and



services we offer. Last year, we decided to gather all the efforts we undertake to provide value-added services for our country and our industry in environmental, social, and economic areas under a single heading: "Sustainability". Therefore, we hereby share our first "Sustainability Report" with you.

With our annual sustainability reports, we aim to present to the public attention the initiatives that we undertake for a common sustainable future in a manner that meets the expectations of all our internal and external stakeholders.

We would like to thank you in advance for supporting our Bank's sustainability endeavors.

Kind regards,

Temel Güzeloğlu
CEO

Esteemed readers,

As QNB Finansbank, we are extremely delighted to achieve yet another important goal.

With this first "Sustainability Report", we provide you with detailed information about our Bank's sustainability performance in economic, environmental and social areas. In this report, you will be able to find the details of an extensive range of sustainability activities undertaken by QNB Finansbank, from supporting SMEs to digital transformation and innovation, from employee satisfaction to corporate social responsibility (CSR) activities.

As a Bank that develops banking technologies of the future, supports innovative initiatives and helps the social development and progress through its CSR practices, we decided to adopt sustainability as an integral part of our decision-making processes.

To this end, we have launched a comprehensive exercise to build our Bank's sustainability framework. In doing so, we have taken into account many indicators such as expectations of internal and external stakeholders, as well as global risks and opportunities, and we reviewed our processes and policies. We have identified our focus areas and set our sustainability priorities. Following a "Sustainability Workshop" we held among our senior managers, we started to monitor our sustainability priorities with projects and action plans.



As one of the leading banks in Turkey, we act with the awareness that we shape economic and social change through our financing activities. Therefore, we make our financing decisions by considering such decisions' direct and indirect impacts on the environment and society, while striving to achieve the targets specified in our Social and Environmental Policy. We are planning to give wider coverage on details of such efforts in our next reports and further materialize the responsibility we bear towards the community and future generations.

As QNB Finansbank, we will extend our efforts to prepare our world and country for future generations. We will continue to share our value added endeavors through our regular sustainability reports.

Kind regards,

1.3 QNB Finansbank at a glance

Founded on October 26, 1987 under the name Finansbank A.Ş., QNB Finansbank continues to serve the Turkish economy with total equities of 14.6 million TRY, a total asset volume of 157.4 million TRY, deposit portfolio of 83.4 million TRY, and with a workforce of 12,276 people in 542 branches across 71 cities, including 1 branch in Bahrain.

QNB Finansbank reaches some 20 million customers, including around 19 million retail customers, through physical branches and ATM's, call center and mobile banking channels, offering distinguished products and services in the fields of Retail, SME (Small and

medium-sized enterprises), Agricultural, Corporate & Commercial, Private and Investment Banking.

In June 2016, 99.88% share of the Bank was acquired by Qatar National Bank S.A.Q. (QNB Group), and QNB Finansbank is set to take new steps to further bolster the success story that made it the fifth largest private Turkish Bank.

QNB Finansbank distinguishes itself with its experienced and professional staff, innovative and distinctive products and services, efforts towards increasing customer satisfaction, and social responsibility projects embracing every segments of the society.

Our Vision

Being the architect of every individual and commercial financial plan that will catalyze Turkey's success

Our Mission

Forging lifelong partnerships with all stakeholders by understanding their needs, finding right solutions and aiming for maximum customer satisfaction

Our Strategy

Ensuring sustainable profitability and growth by offering fast, creative and easy solutions for the different needs of our customers engaging our financial products and services

Strenghts

- Strong shareholder structure
- Flexible business model
- Sustained and successful execution of growth strategy
- Well-diversified funding structure
- Controlled asset quality with high coverage ratios
- Customer-oriented strategies
- Passionate and vigorous employees who are experts in their fields
- Diverse distribution network
- Structured approach to market and liquidity risk management



Our Values

Respect and Commitment

- > We do our job in the rightest way with dedication and genuine commitment.
- > We make clear promises and we keep them by all means, not omitting to report the results.
- > We constantly develop our colleagues and ourselves.
- > We act with honesty, transparency, and consistency in all our relations, which allows us to build long-term relationships based on trust.



Leadership

- > We embrace change; we realize that everyone including us must do what behooves them in order to make change happen in the fastest and smoothest way.
- > We take initiatives inasmuch as we can learn from our mistakes and do not repeat them; and we encourage taking initiatives.
- > We define performance in terms of objective and measurable criteria and we evaluate it fairly and consistently.
- > We always recognize a job well done; we provide feedback in order to improve each other.
- > We go all the way in rationally defending what we believe is right and we work constructively to bring them to life.



Being “Us”

- > The primary and common objective of all of us is to keep our customers satisfied. We help each other to make this happen and we appreciate the help that is offered us.
- > We uphold and support team performance and corporate performance as much as individual performance.
- > In all of our dialogues, we listen first and try to understand what is needed.
- > We trust each other and respect each other's expertise.
- > We make our decisions in consideration of the whole and of their possible impact overall.
- > As QNB Finansbank and the staff of QNB Finansbank, we watch over and support each other, our society, and the environment.

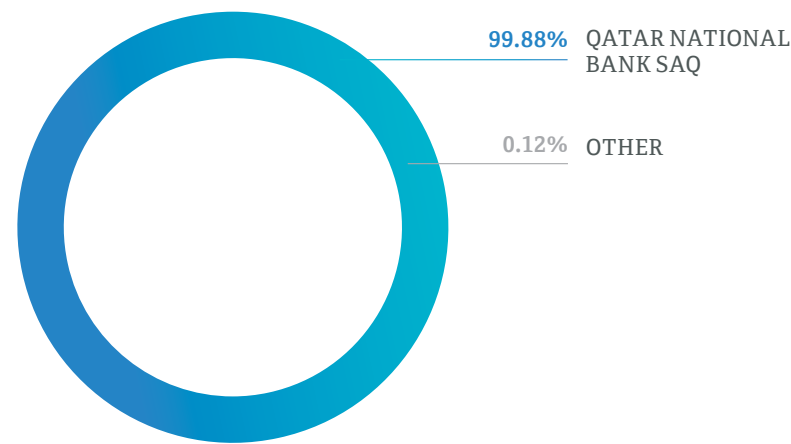


Innovation

- > We do not elaborate on the reasons why something cannot be done; we think about and explain how it can be done with a new approach.
- > When standard solutions fall short of meeting the requirements that differ from the routine, we promptly develop the most appropriate solutions by tapping the resources of our knowledge, experience, connections, and technology.
- > We develop new ideas to make life easier for our customers and ourselves and we act in order to bring these ideas to life.



Shareholder Structure



QNB Group

Founded in Qatar in 1964, the QNB Group is the largest bank of the Middle East and North Africa region with its subsidiaries and affiliates, operating in 30 countries across 3 continents.

Since 2013, QNB has been cited among the “World’s Strongest Banks” by Bloomberg Markets, one of the leading providers of business,

financial and economic news. Global Finance Magazine picked QNB as one of the “World’s Safest 50 Banks” in 2013, while Euromoney Magazine announced QNB as “the Best Bank of the Middle East” in 2014 and 2015.

Primary Brands, Products and Services

QNB Finansbank offers numerous products and services in various segments and fields such as SME and Agricultural Banking, Corporate and Commercial Banking, Retail, Affluent and Private Banking, Payment Systems Deposits and Credits.

Through its subsidiaries, our Bank also provides services in factoring, financial leasing, consumer finance, private pension and life insurance, equity trading and portfolio management, and e-transformation products (including e-Invoice, e-Ledger, e-Archive, e-Waybill and Registered Electronic Mail).

Forming a brand-new category in banking, Enpara.com, established in 2012 as the first digital banking application in Turkey, has turned six years old in 2018. Enpara.com is the first 100% digital and branchless banking application in our country. In addition to retail customers, Enpara.com has expanded its customer base and been serving SMEs since October 2016 with the Enpara.com Şirketim brand.

Customer profile	2016	2017	2018
Total Number of Customers	17,978,806	19,115,684	19,974,071
Retail	16,752,699	17,769,067	18,552,359
Micro	1,084,289	1,197,804	1,266,025
SME	99,825	105,003	110,622
Commercial	36,360	37,939	39,039
Corporate	5,633	5,871	6,026

Number of Core-Products by Years (in thousand)	2016	2017	2018
Debit card	5,293	5,734	6,381
Credit card	4,786	4,981	5,431
POS	252	245	243
ATM	2.9	2.8	3.0

Subsidiaries and Affiliates

As detailed below, QNB Finansbank has nine subsidiaries/affiliates, seven of them operating in the finance industry and two of them in non-finance industries. The total number of employees working at said subsidiaries is 1,811 as of December 2018.

Financial Subsidiaries and Affiliates

- > QNB FinansInvest (Finans Yatırım Menkul Değerler A.Ş.)
- > QNB Finansleasing (Finans Finansal Kiralama A.Ş.)
- > QNB Finans Asset Management (Finans Portföy Yönetimi A.Ş.)
- > QNB Finansfactoring (Finans Faktoring A.Ş.)
- > Cigna Finans Pension and Life (Cigna Finans Emeklilik ve Hayat A.Ş.)
- > Bantaş
- > Hemenal Finansman A.Ş.

Non-Financial Subsidiaries and Affiliates

- > IBTech
- > eFinans (eFinans Elektronik Ticaret ve Bilişim Hizmetleri A.Ş.)

1.4 Sustainable financial performance

In line with our mindset and our commitment to delivering value not only for our shareholders but also for society, we believe that a consistent financial performance comes from sustainable business practices. Therefore, we always ensure that all necessary actions are taken to safeguard our financial performance by adopting different strategies and practices.

In order to achieve so, we diversify our funding sources by attracting different investors and investments through our robust financial performance and put these funds into disposal of our stakeholders to support the society and strengthen the economy.

As mentioned, our robust financial backbone and credit ratings enables us to reach a wide network of investors. To mention a few, In 2004, we became the first bank to obtain a first subordinated loan from the international markets and in the following year, we received the honor to obtain the highest amount of uninsured securitization loan



by a Turkish bank. In 2017, QNB Finansbank obtained USD 200 million funding for a term of 3 years based on our portfolio of project finance loans. In May of the same year we issued USD 750 million Eurobond with a tenor of 5 years.

To support all of the above, QNB Finansbank ensures its long-term sustainable growth and continuity of stakeholder trust through its broad client base, robust capital adequacy ratio and consistently growing business volume. Our Bank focuses its efforts on meeting all customer

expectations and possesses a dedicated approach for customer satisfaction and operational excellence initiatives via its physical branches and Alternative Distribution Channels (i.e. internet banking, telephone banking, mobile banking, ATMs).

In 2018, QNB Finansbank continued its contribution and support to the Turkish economy through its sustained growth in corporate, project finance and SME loans in addition to substantial deposit increases on the funding side.

As of December 31, 2018, our Bank's total assets grew by 25 percent, reaching TRY 157 billion 416 million; performing loans grew by 16 percent, reaching TRY 95 billion 295 million; and net customer deposits by 28 percent, reaching TRY 83 billion and 413 million. Our bank's net profit was TRY 2 billion 410 million. Our bank's net interest income increased by 36 percent compared to the previous year, reaching TRY 7 billion 683 million. Net fee and commission income increased by 27 percent and reached TRY 2 billion 140 million. Compared to the year-end 2017, total equity rose by 20 percent and amounted to TRY 14 billion and 572 million. As of December 31, 2018, the capital adequacy ratio was 15.42 percent.

Financial Profile-I (thousands TRY)	2016	2017	2018
Revenues (1)	5,600,251	6,249,616	8,533,771
Operating costs (2)	1,662,366	1,713,865	1,924,379
Employee wages and benefits (3)	1,138,118	1,253,346	1,425,103
Dividends paid to shareholders (4)	0	0	100,000
Interest payments made to providers of loans (5)	342,535	596,917	1,053,658
Payments to government (taxes) (6)	280,411	445,524	648,912
Pre-tax profit	1,483,821	2,048,965	3,058,741
Net loans and advances to customers	62,900,260	82,672,480	94,018,022

Notes

- 1) Revenues in the Bank's income statement is taken into consideration (Net Interest Income/Expense, Net Fees and Commissions Income/Expense, Dividend Income, Net Trading Profit Loss and Other Operating Income)
- 2) Covers all operating costs of the Bank, excluding employee expenses and provision for loans and other receivables losses.
- 3) Covers employee wages, bonuses, and all payments made to the government on behalf of employees.
- 4) Covers all dividends distributed.
- 5) Covers interest paid on funds borrowed.
- 6) Covers current tax provision and deferred tax provision.

Financial Profile-II	2016	2017	2018
Capital Adequacy Ratio	14.53%	14.99%	15.41%
Avg. Return on Equity	12.68%	14.34%	18.06%
Avg. Return On Asset	1.30%	1.40%	1.61%
Total equities	10,126,328	12,155,402	14,572,049
Total asset volume	101,503,054	125,857,170	157,415,735
Total deposit portfolio	53,938,700	67,641,495	87,090,453

For further financial information regarding our financial performance, please refer to the QNB Finansbank Annual Report 2018

1.5 Sustainability highlights and 2018 performance summary

Sustainability Highlights

Year	Highlights
1987	> QNB Finansbank A.S was established as Finansbank A.S
1998	> Received ISO 9001 Quality Certificate
1999	> Launched its telephone banking services > Issued Galaxy Card, the first credit card with installments that combined the features of credit cards and shopping cards.
2000	> Completed the establishment of a significant investment, the Operations Center in Ümraniye, İstanbul
2002	> Completed and activated Core Banking Project which enabled the renewal of all IT systems of the Bank
2004	> Became the fifth largest bank in Turkey in terms of consolidated assets. > Became the first bank to obtain a first subordinated loan from international markets.
2005	> Obtained the highest amount of uninsured securitization loan by a Turkish bank
2008	> Opened Erzurum Operations Center. > Took its place among the three “Most Favorite Firms in Turkey”, a research conducted by the Capital Journal for the eighth time
2009	> Offered clients installments on their purchases with CardFinans Cash (debit card) as a first-time practice worldwide.
2010	> As a first-time facility from European Investment Fund (EIF) SMEs received significant support in overcoming their collateralization problem. > As a first-time practice in the sector, CardFinans Vadekart offered owners of enterprises opportunities, which decreased the use of checks and bills.
2012	> Opened Erzurum Call Center > As a first-time practice in Turkey, features of a debit card and a credit card were combined in Fix Card. > Established Enpara.com, the first digital banking platform in Turkey.
2014	> A syndicated loan with the highest amount in the history of the Bank was obtained from international markets.
2015	> Established a social responsibility platform focusing on children namely Tiny Hands Big Dreams (MEBH).
2017	> As first in the Turkish finance sector, four case studies (in 1994, 2006, 2015 and 2017) were conducted by Harvard Business School on QNB Finansbank's successes. > QNB Finansbank Sustainability Initiative was kicked-off and made public within 2017 Annual Report.
2018	> The Incubation Center and Acceleration Program was launched. > Establishment of Sustainability Governance framework was initiated.

2018 Performance Summary¹

163.5 Million TRY
Assets

542
Branches

5.4 Million
Active
Customers

86.8 Million TRY
Deposits

12,276
Employees

4.3 Million TRY
Social Investment
Expenditure

101.4 Million TRY
Loans*

243 K
POS

214 Million
Digital Channel
Transactions

2,941
ATMs

* Represents performing loans

¹ Consolidated numbers

2. QNB Finansbank's approach to sustainability

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2.1 QNB Finansbank sustainability framework and strategy

At QNB Finansbank, we define Sustainability as the delivery of long-term value in financial, environmental, social and ethical terms, for the benefit of our customers, shareholders, employees and community, in alignment with QNB Group's sustainability strategy.

Our sustainability framework consists of three pillars: sustainable finance, sustainable operations and beyond banking. All three pillars support QNB Finansbank's goal of sustainable financial performance, through reducing risks, opening up new business opportunities and strengthening our brand. Under each pillar we have identified the sustainability topics most material to our business and a series of actions plans to improve our performance.

QNB Finansbank Sustainability Framework

Sustainable financial performance



Sustainable finance



Sustainable Finance, is the integration of ESG criteria into QNB Finansbank's financing activities to deliver value with purpose. Our ambition is to support customers to manage their environmental and social risks, lend to businesses that contribute towards sustainable development, improve access to finance for SMEs and underserved groups, and provide a responsible customer service. Delivering 'sustainable finance' is the most significant way in which QNB Finansbank can support national and global sustainable development initiatives. Moreover, it enables us to reduce reputational risks in our portfolio and maximize business opportunities emerging from the transition to a greener, more inclusive economy.

QNB Finansbank's material topics identified within "Sustainable Finance" are:

- Digital Transformation and Innovation
- Responsible Customer Communication and Marketing
- Sustainable Investment, Lending, Products and Services
- Financial Inclusion
- Supporting Small and Medium Sized Enterprises (SME's) and Entrepreneurship

Sustainable operations



Sustainable Operations, is the integration of ESG criteria into our business operations and across our supply chain to ensure we operate ethically and efficiently. Our ambition is to further strengthen corporate governance and risk management practices, promote equality throughout our workforce and reduce carbon emissions generated by our operations. This approach keeps us compliant with increasing ESG related demands while helping QNB Finansbank to be an 'employer of choice'.

QNB Finansbank's material topics identified within "Sustainable Operations" are:

- Talent Attraction, Development and Retention
- Environmental Impacts of Operations
- Responsible Procurement and Supply Chain

Beyond banking



Beyond Banking refers to QNB Finansbank's Corporate Social Responsibility (CSR) activities in the communities where it operates. Our ambition is to make a positive contribution towards wider society through our CSR activities.

QNB Finansbank's material topic identified within "Beyond Banking" is:

- Social and Community Investment

Within the scope of our sustainability approach, five topics out of fourteen are deemed as “Fundamentals of Sustainability”. These topics cannot be materialized nor prioritized since they are equally important and should be achieved under any circumstances in terms of reaching sustainability goals.

Fundamentals	Our Understanding
Corporate Governance, Compliance and Risk Management	To conduct our activities in accordance with regulations, ethical banking principles, internal policies and procedures, in a transparent and an accountable manner, and to establish a robust corporate governance structure in order to achieve these objectives; to proactively manage financial and macroeconomic risks by an effective risk management policy to achieve a robust capital structure, high liquidity and profitable growth; to ensure that our liabilities are met and our activities continue even under unfavorable market conditions
Sustainable Financial Performance	To diversify our funding sources by attracting different investors and investments through our robust financial performance and to put these funds into disposal of our stakeholders to support the society and strengthen the economy
Customer Experience and Satisfaction	To make customer experience and satisfaction our top priority while offering products and services catered for our customers’ needs
Customer Privacy and Data Security	To employ best measures to mitigate data security risks arising from new technological advancements and to adapt policies and procedures accordingly
Diversity and Inclusion	To promote a culture of respect, equality and mutual trust across our Bank

Other nine topics, categorized under three pillars, are classified as our “Material Topics/ Sustainability Priorities” and are subject to prioritization as shown in our Materiality Matrix

Main Category	Priorities	Objectives
A-SUSTAINABLE FINANCE	Sustainable Investment, Lending, Products and Services	To review our investment and lending processes within the scope of our sustainability goals and priorities
	Supporting SMEs and Entrepreneurship	To continue supporting SMEs and entrepreneurs by offering products, services and credit facilities that are catered for their needs
	Financial Inclusion	To offer products and services to segments of the society who have limited access to financial services
	Responsible Customer Communication and Marketing	To be honest, transparent and fair at all times in our interactions with customers, to maintain transparency in fees and commissions, and to offer most suitable products and services
	Digital Transformation and Innovation	To offer user-friendly, accessible and environmentally friendly products and services to our customers aligned with their expectations and technological trends
B- SUSTAINABLE OPERATIONS	Talent Attraction, Development and Retention	To continue discovering and employing new talents, and to offer new opportunities for improving their potential while giving utmost importance to retention
	Environmental Impacts of Operations	To set our Bank’s Climate Change Strategy and to initiate necessary practices to detect direct and indirect impacts of our operations
	Responsible Procurement and Supply Chain	To review our procurement practices within the scope of our sustainability goals while taking into account environmental and social performance evaluation procedures of the vendors
C-BEYOND BANKING	Social and Community Investment	To continue supporting social responsibility projects

2.2 Sustainability governance

In order to make sustainability one of the most important elements in our decision-making processes, the following governance framework, along with related policies which our Bank is currently working on, will be formally up and running upon receiving necessary approvals in accordance with the corporate governance practices of our Bank. Furthermore, QNB Finansbank's membership to global and local initiatives is also one of the key components of our discussions related to Sustainability.



Within this context, in broad terms:

Sustainability Committee (SC) is responsible for the general oversight of sustainability strategy and performance, including informing and updating the BoD on overall sustainability strategy and performance

Strategy Office, along with a designated sustainability team manages overall sustainability exercises of our Bank.

Sustainability Working Group is the team proposing and executing projects and action plans,

In addition, in May 2018, a sustainability workshop was organized with the Bank's Senior Management and Executive Vice-Presidents with the following objectives:

- Increasing awareness on "sustainability" throughout the Bank,
- Promoting the Bank's sustainability initiative to engage internal stakeholders in decision making processes,
- Identifying projects and action plans to be implemented related with the sustainability priorities.



2.3 Stakeholder engagement and communication

In QNB Finansbank, any person or organization that has an influence on our operations, affected by our operations and has expectations from our Bank is deemed as a stakeholder. Currently, as QNB Finansbank, we employ multiple methods and communication channels to maintain an open, honest and transparent engagement with all our stakeholders, enabling us to evaluate opinions and feedbacks to determine what

we can do better. Various communication channels exist, through which all our stakeholders may communicate their expectations from our Bank as well as share their opinions. In the following terms, we aim to use those channels more effectively in order to increase stakeholder engagement to receive feedback and gain valuable insight regarding our sustainability initiative.

Key Stakeholder Groups



Key Stakeholder Groups and Communication Channels

Stakeholder Group	Main Needs and Expectations	Frequency of Communication	Channels of Communication
Customers	Customer service and satisfaction Easy-to-use products and services Transparency and accountability	Continuous	Customer satisfaction survey, "Sizi Dinliyoruz (We Listen to You)" line, corporate website, dedicated corporate websites for specific products and services, campaigns, call center, corporate social media accounts, branches, Customer Experience Office activities.
Employees	Professional development Fairness and equal opportunity Work-Life Balance	Continuous	Employee Satisfaction Survey, Art1 Appreciation and Recognition System, Suggestion System, LEAP Employee Assistance Program, Employee Feedback Platform, Ombudsman, Reporting Line, Suspicious Transaction Reporting Line, "Finansçı (Financier)" Internal Communication Platform, Finarmoni Training Portal, announcements, trainings, seminars, conferences, annual meetings, FinClub Life Workshop events, Internal Customer Satisfaction Survey, Branch visits, senior management's informative e-mails.
Shareholders and Investors	Increasing share price and dividends Strong corporate governance, risk management and ratings Transparency and disclosure	Annually and Quarterly, as needed	Investor Relations Unit's activities, annual reports, investor presentations, investor meetings, Public Disclosure Platform (KAP) notifications.
Public Institutions	Compliance with all legal and regulatory requirements Robust anti-corruption and bribery measures Strong risk management practices and governance structure	As needed	Audits, reports, official correspondence, meetings, conferences.
Non-Governmental Organizations	Making positive contribution to the challenges facing society	As needed	Social responsibility projects, sponsorships, "Volunteer Financiers" program.
International Financial Institutions	Transparency and disclosure Strong financial and governance structure	Continuous	Meetings, presentations, conferences.
Media	Transparency, accountability and disclosure Addressing financial, environmental and social risks and opportunities Making positive contribution to the society	As needed	Corporate website, press bulletins, announcements, advertisements, corporate social media accounts, interviews.
Suppliers	Fair and transparent tender process New business opportunities	As needed	Meetings, audits, interviews, purchasing processes (tenders etc.), corporate website.

2.4 Materiality assessment

Our Bank's Sustainability Initiative launched in 2017 and a materiality analysis was conducted, in order to define material topics and sustainability priorities of our Bank. We conducted this analysis mainly taking into consideration priorities based on Global Reporting Initiative (GRI) Sustainability Reporting Guidelines and Sector Supplements (f.k.a Sector Disclosures),

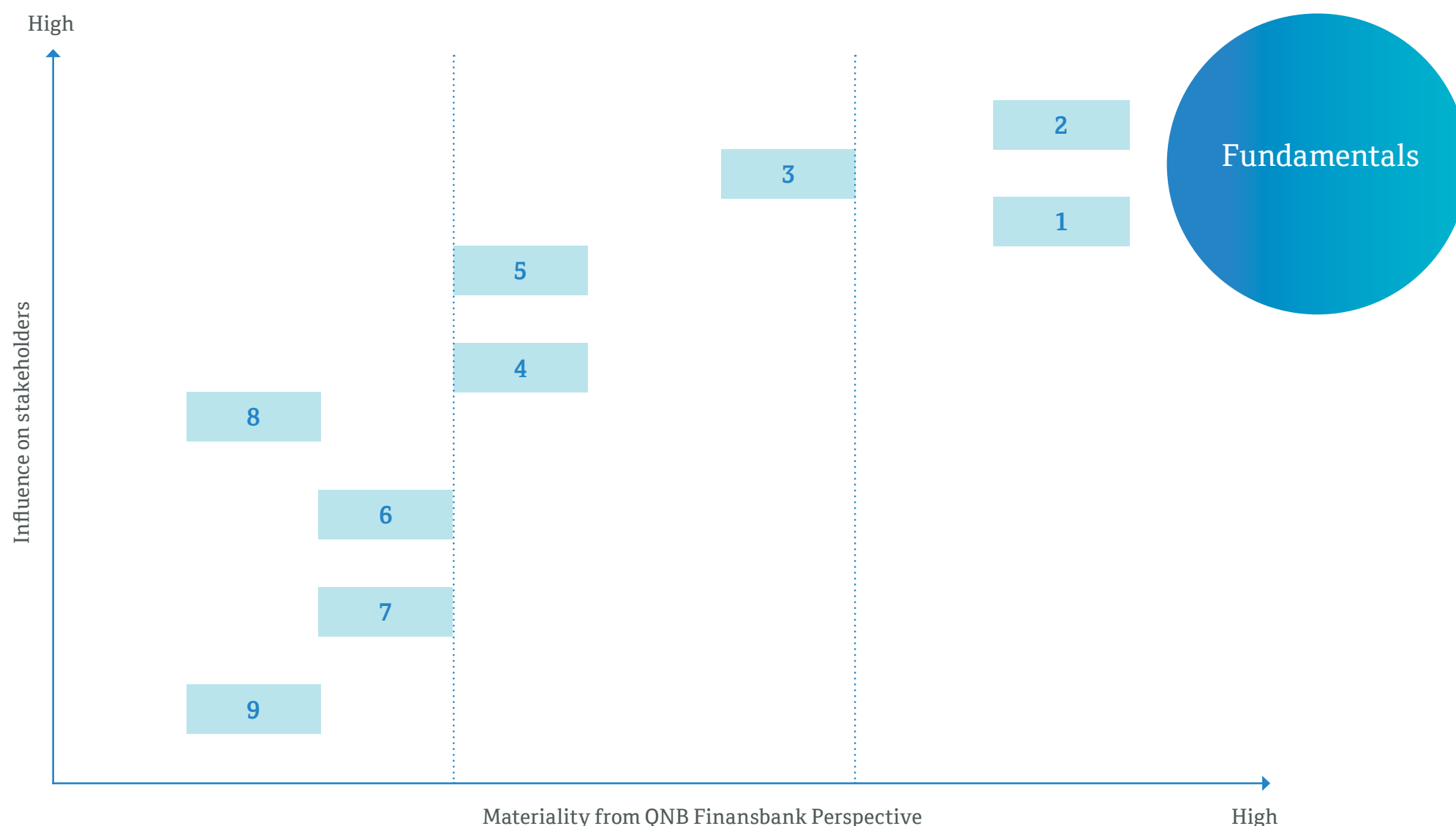
QNB Group values, our Bank's corporate strategy, stakeholder expectations, feedbacks, and best practice examples.

The outcomes of such assessment, Material Topics, are stated below along with our Materiality Matrix:

Fundamentals (no particular order)

- Corporate Governance, Compliance and Risk Management
- Sustainable Financial Performance
- Customer Experience and Satisfaction
- Customer Privacy and Data Security
- Diversity and Inclusion

Materiality matrix



Sustainability Priorities/Material Topics (2017-2018)

1. Talent Attraction, Development and Retention
2. Responsible Customer Communication and Marketing
3. Supporting SMEs and Entrepreneurship
4. Sustainable Investment, Lending, Products and Services
5. Digital Transformation and Innovation
6. Social and Community Investment
7. Financial Inclusion
8. Environmental Impacts of Operations
9. Responsible Procurement and Supply Chain

2.5 Alignment with international framework

In order to show our Bank's commitment on sustainability and address the issues pointed out in **UN's 2030 Agenda for Sustainable Development**; all of our Sustainability Priorities are aligned with the relevant **United Nations Sustainable Development Goals (UN SDGs)** which are seventeen global goals set forth by The United Nations across which society needs to mobilize efforts to end all forms of poverty, fight inequalities and tackle climate change, ensuring that no one is left behind.

United Nations Sustainable Development Goals

Detailed information on UN SDGs can be reached through respective official page: <https://sustainabledevelopment.un.org/>



UNSDG	Objective	QNB Finansbank's Material Topics
4 QUALITY EDUCATION	Ensure inclusive and quality education for all and promote lifelong learning	Talent attraction, development and retention Social and community investment
5 GENDER EQUALITY	Achieve gender equality and empower all women and girls	Diversity and inclusion
8 DECENT WORK AND ECONOMIC GROWTH	Promote inclusive and sustainable economic growth, employment and decent work for all	Sustainable financial performance Supporting SMEs and entrepreneurship Financial inclusion
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Build resilient infrastructure, promote sustainable industrialization and foster innovation	Customer privacy and data security Digital transformation and Innovation
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Ensuring sustainable consumption and production by promoting resource efficiency and non-hazardous materials	Responsible procurement and supply chain
13 CLIMATE ACTION	Take urgent action to combat climate change and its impacts	Sustainable investment, lending, products and services Environmental impact of operations
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Promote just, peaceful, inclusive societies and institutions	Corporate governance, compliance and risk management Customer experience and satisfaction Responsible customer communication and marketing

2.6 QNB Finansbank ESG performance data

Please refer to **ESG data and further information: 6.1 Other sustainability performance indicators** for an overview of QNB Finansbank sustainability performance in selected KPIs.

3. Sustainable finance

Contents:

- 3.1 Sustainable investments, lending, products and services
- 3.2 Supporting SMEs and entrepreneurship
- 3.3 Financial inclusion
- 3.4 Customer experience and satisfaction
- 3.5 Responsible customer communication and marketing
- 3.6 Customer privacy and data security
- 3.7 Digital transformation and innovation



3.1 Sustainable investments, lending, products and services

Sustainable Investment and Lending has become one of the hot topics for both financial institutions and stakeholders.

Rising concerns about social and environmental matters such as greenhouse emissions, water use, hazardous waste, public health and safety have changed the way in which the Banks deal with investment and lending decisions. Hence, lending and investment

portfolios are under scrutiny due to the increase in such risks arising from those concerns.

As QNB Finansbank, we believe that, finance sector, especially Banks, can help reduce social and environmental risks by adopting and promoting responsible practices in investment lending processes. Such practices can encourage more companies into the transition to low carbon economy and focus on renewable energy, reducing the use of natural

resources, and manage their environmental and social risks.

To this end, we aim to support renewable energy investments to show our commitment to Turkey's sustainable economic growth and development in addition to our aspiration to endorse sustainable development goals. Within this scope, a project has been kicked-off in our Bank to address properly environmental and social risks arising from investment and lending processes.

Renewable Energy Portfolio (TRY) (as defined by ICMA Green Bond principles and GRI-G4-FS8) ²	2016	2017	2018
Total renewable/sustainable energy loans ³	1,185,045,531	1,572,863,805	2,282,480,189
Hydroelectric	1,167,670,488	1,302,948,237	1,868,003,300
Solar	-	81,978,431	181,516,456
Wind	17,375,043	187,937,137	232,960,433
Green buildings ⁴	1,241,953,844	2,111,018,928	4,081,638,002

In addition to our current practices, we aim to increase the integration of ESG risk assessment and analysis into our lending and investment decision-making processes so that our actions do not contradict with our commitments and sustainability ambitions.

Integration of Environmental and Social Factors in Lending	2016	2017	2018
Total number of project finance deals	52	76	85
Amount of lending and project finance that employs integration of Environmental and Social factors (TRY)	3,268,142,300	5,439,655,956	10,013,552,535
Percentage of lending and project finance that employs integration of Environmental and Social factors	35.4%	37.6%	44.1%

Our Social and Environmental Policy can be reached through <https://www.qnbfinansbank.com/en/about-qnb-finansbank/policies>

² Please refer to <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/> for detailed explanation.

³ As of 2018 year end outstanding risk amount of the deals.

⁴ Financing the contractor, or developer of a certified building e.g. LEED, GSAS, BREEAM, WELL etc. In this case LEED, BREEAM and The Certificate of Environmentally Friendly Accommodation Establishment by the Turkish Ministry of Culture and Tourism have been taken into consideration.

⁵ As per the qualifying criteria of the Equator Principles, all projects over the value of USD\$10million have been taken into consideration.

⁶ Amount/Number of lending to projects that have independent environmental advisors/consultants for lender(s)



3.2 Supporting small and medium sized enterprises (SME's) and entrepreneurship

To continue supporting SMEs and entrepreneurs by offering products, services and credit facilities that are catered for their needs is one of our sustainability priorities. Within this scope, in Our Bank, SME and Agricultural Banking are managed under three different business lines: Medium Size Enterprises, Small Size Enterprises (Micro) and Agricultural Banking. According to our segment definitions, companies with annual revenues up to TRY 4 million are managed under Small Size Enterprises Unit, while those between TRY 4 to

40 million are under Medium Size Enterprises portfolio. Agricultural banking unit serves as a specific business area.

Since SME banking continues to be a core business segment, as 99% of businesses in Turkey are SMEs, we have specialized portfolio managers in our Branches for handling all needs of our SME customers by offering them various products and services catered for their needs.

Within this scope, we also provide our SME customers with quick access to our

services as we continue to expand our capabilities and launch innovative products. We provide a wide range of online and mobile applications dedicated to SMEs, such as the 'SME Cloud', 'SME Internet Banking' and our 'SME Comfort Line' that allows banking transactions via phone. SME customers are also catered with many advantages in a number of areas through our "SME Lodge" loyalty program, launched in 2015.

KOBİ Bulut (SME Cloud)	2016	2017	2018
Number of Customers	431,771	507,981	477,913
Number of Customer Advisors	103	104	85
Number of Calls (Outbound)	534,997	909,292	839,111
Number of Calls (Inbound)	1,159,386	992,268	848,438
Call Response Rate (%)	94	95	96
Customer Satisfaction Survey Score (out of 5)	4.89	4.84	4.46
Total Number of Transactions	6,636,277	7,972,648	7,647,031



Having completed its organizational establishment in 2013, QNB Finansbank Agriculture Banking is serving the sector in 139 branches by approximately 203 expert employees. By doing so, our Bank caters to the needs and expectations of the agricultural sector with its agricultural banking services by providing the

sector with various products, services, and different enterprise and investment loans such as Organic Farming Loan, Beekeeping Loan, Livestock Loan and Agricultural Project Loan. Through our new product, QNB Finansbank Agriculture Card, introduced in the last quarter of 2018, we offer our

customers with a payment tool that helps them fund their agricultural business needs interest-free for up to six months while securing the receivables of the firms that supply raw materials such as fuel, fertilizers and seed and avoiding invoice problems.

We believe that, supporting SMEs and entrepreneurs is an important tool for value creation and drive economic growth. However, due to the limited access to funds and not able to find products and services that meet their specific needs can hinder the growth of SMEs and entrepreneurs.

QNB Finansbank has been supporting SMEs, entrepreneurs and new businesses by providing them with loans through different programs and agencies such as COSME, Credit Guarantee Fund and Proparco. Descriptions of these programs are listed in the following table:



Fund and Program Name	Description
European Investment Fund COSME	COSME is a program that is mediated by European Investment Fund and backed by the European Commission. The main aim of the program is to support the competitiveness and sustainability of small and medium sized enterprises, promote the culture of entrepreneurship and assist the growth of SMEs. The program was first introduced to QNB Finansbank in Q4 of 2016. The focus of the program is to enable the SMEs access to finance helping them out on their collateral restrictions.
Credit Guarantee Fund - Agriculture Loans Program	This program aims to finance agricultural firms to continue the productivity of agriculture in Turkey.
Proparco-Agriculture	Proparco is the subsidiary of the Agence Française de Développement (AFD) (French Development Agency) which promotes sustainable economic, social and environmental development practices by supporting both businesses and financial institutions. The agreement between Proparco and QNB Finansbank aims to finance companies that are in agriculture or agribusiness by providing cost advantageous credit facilities that are in compliance with Proparco's Environmental and Social Requirements

SME Finance ⁷	2016	2017	2018
Number of Micro Customers *	230,510	228,804	166,572
Number of SME Customers *	34,812	33,509	24,575
Credit facilities extended to micro customers (thousands TRY) **	8,685	11,754	7,614
Credit facilities extended to SMEs (thousands TRY) **	19,032	21,465	16,479
% of lending portfolio extended to micro customers ***	16%	15%	10%
% of lending portfolio extended to SMEs ***	25%	23%	16%

* Non-performing customers are excluded.

**Cash, non-cash, trade-finance loans, overdraft accounts.

***Excluding non-performing loans

⁷ In Our Bank, SME and Agricultural Banking are managed under three different business lines: Small Size Enterprises (Micro), Medium Size Enterprises, and Agricultural Banking. According to our segment definitions, companies with annual revenues up to TRY 4 million are managed under Small Size Enterprises, while those between TRY 4 to 40 million are under Medium Size Enterprises portfolio.

3.3 Financial inclusion

We believe that, extending our resources and services to individuals and businesses that have difficulty to access banking services in a more affordable and practical manner is one of the tools that we can contribute to socio-economic development. Such contribution also enables us to cater for the needs of underbanked, disadvantaged or differently abled members

of our society. To this end, we serve our society and customers from different segments in 542 branches across 71 cities, and meet their needs by providing them various products and services. In QNB Finansbank, we aim to reach such customers through our products, services and campaigns such as gold collection days, cardless transactions, loans targeting

special segments (women entrepreneurs, farmers, students, etc), and training activities. We also provide our physically disabled (i.e. visually or orthopedically impaired) or elderly customers with different solutions and services to increase their access to financial services.

Access Points	2016	2017	2018
Number of Branches-Domestic	629	579	541
Number of Branches -Abroad	1	1	1
ATMs	2,874	2,817	2,941
Total number of geographic locations where Branches and ATMs are located			
Cities	74	73	73
Provinces	7	7	7



3.3.1 Support for differently abled groups of society

The aim of this program is to improve the accessibility of banking services by the elderly (over 70 years of age) and the differently abled customers.

Some of the actions taken within the scope of this program is as follows:

- Providing our employees, who are in direct contact with our customers, with sign-language trainings,
- Building accessibility features in our Branches such as sensible surfaces, portable ramps, informative signs with Braille alphabet, counters with a portable hearing induction loop and providing sign language translation support via smart tablets,
- WebChat Support through our corporate web-site for our customers with hearing disabilities,
- Providing our customers with accessibility support for Mobile Banking, Internet Banking and our corporate web-site
- Renovating our ATMs to provide easy access

and use for wheelchair users, and visually impaired customers.

Further information about this program can be reached through

<https://www.qnbfinansbank.com/yasal/engelsiz-bankacilik>



3.4 Customer experience and satisfaction

In QNB Finansbank we believe that customer satisfaction is one of the most important factors contributing to the success of an organization.

As a Bank, adopting the mission of, “Forging lifelong partnerships with all stakeholders by understanding their needs, finding right solutions and aiming for maximum customer satisfaction” we always ensure that our customers are offered high-quality services and products not only satisfy their needs but also surpass their expectations.

To this end, we make sure that adequate, effective and agile processes and procedures, supported by robust governance structure and customer-oriented corporate culture is established and maintained in our Bank and throughout our operations.

Within this scope, in QNB Finansbank, Customer Solution Center (CSC) is primarily responsible for

analyzing customer complaints, and most importantly determining the root causes of the issues causing such complaints. CSC also determines and proactively follows up action plans to reduce the number of complaints by analyzing each demand, complaint and feedback that we receive through various communication channels. As a main principle, CSC always aims that all requests, especially complaints are handled and customers are provided with satisfactory solutions at the first contact.

In this context, we also have a designated crew, namely Central Quality Control team, which has been established with the main target of increasing customer satisfaction and service quality. This team also takes part in process adjustment and/or development projects, and promotes quality awareness within the business units.

In 2015, in order to systematize such efforts and carry customer experience above industry standards, “Customer Experience Office” was founded, with the main responsibility to improve customer experience. This Office assists all business units in setting their basic principles of doing business, measures customer satisfaction and identifies areas of improvement.

Net Promoter Score (NPS)

In terms of measuring and maximizing customer satisfaction, our Bank applies a number of different methods including Net Promoter Score (NPS). By this method, customers receiving service from the Bank through various channels are asked

whether they would recommend our Bank to their acquaintances as “the Bank to work with” or not. Through a calculation over the results, the Net Promoter Score indicating the ratio of customers recommending our Bank (Promoters) to those

who do not (Detractors) is monitored. Thus, the results helps us monitor the efficiency and effectiveness of our products, services and organization, and help us to take necessary remedial and/or corrective actions.

Customer Satisfaction	2016	2017	2018
Number of Complaints and Objections by Year	376,585	283,619	197,869

Communication Channels

All customers can relay their suggestions, complaints and notifications to our Bank through the following channels:

- > “Financier Listens to You” line: 0850 222 2 900,
- > Call Centers: 0850 222 0 900, and 0850 222 1 900 (for SMEs),
- > “Write to Us” form, available at our corporate website, www.qnbfinansbank.com,
- > Facsimile number: 0216 524 0 444
- > Branches: through our Customer Representatives or “We Listen to You” Forms
- > Corporate social media accounts.
- > Mobile Banking Channel
- > Customer Solution Center address: “Saray Mah. Ahmet Tevfik İleri Caddesi No:11 A-B Blok Ümraniye - İstanbul

3.5 Responsible customer communication and marketing

In QNB Finansbank we believe that, trust and fairness should always be put first in order to build life-long relationships with our customers. We attach great importance to providing customers with clear, transparent and adequate information and advice that would affect their decisions at the forefront, as consumers regard these as important factors that will lead them to either make or break the relationship from the very start.

To this end, we always ensure that we conduct our marketing and communication activities in line with related regulations, our Bank's policies and procedures.

Within this scope, in addition to the applicable regulatory

requirements, all new products and services, as well as any changes to existing ones, are subject to approval of concerned parties including the prior approval of Compliance and Legal Departments.

We believe that every feedback that we receive from our customers is a unique learning opportunity. As a result, we have introduced new additions into our product and service development process, to identify and address problems customers could potentially face before products and services are formally launched and promoted. By doing so, we aim to solve potential problems and issues before they are encountered by our customers.



3.6 Customer privacy and data security

In broad terms, Information and data security is the process by which an organization protects and secures its systems, premises, and most importantly sensitive data and information that is vital to its operations.

With that in mind, we ensure that effective and efficient security measures are taken in accordance with the regulatory requirements, local and international best practice examples taking into consideration complexity and size of our operations.

Ensuring confidentiality of customer information and data security is one of our priorities, in relation with our ethical banking philosophy, sustainability strategy and customer-oriented mindset. Failing to safeguard sensitive information will not only result in fines, but also negatively affect our Bank's reputation, image and credibility before our customers and regulatory bodies.

We believe that, our Bank can ensure and maintain a high-

level of security by not only updating its systems and processes but also raising awareness of its employees. To this end, in addition to our liabilities arising from applicable laws and regulations relating to the protection of personal data and confidentiality of customer information, we also provide our customers and employees with trainings, security bulletins and alerts, so that they could be vigilant to the cyber threats, fraudster activities, and other data security risks.

Since security is an ongoing process, in order to avoid and mitigate such risks, we continuously adapt our Bank's security policies, practices and systems with the highest industry standards, and ensure that our Bank and customers are protected against newly arising risks and security threats by making necessary developments in our systems.

3.7 Digital transformation and innovation

As a part of our sustainability approach and business strategy, we are eager to catch up with new technological trends to improve our products, services and processes by an innovative and customer-oriented point of view. In this way, we rest assured to offer our customers more user-friendly products and high-quality services catered for their needs.

This approach also results in making our services and products accessible 24/7 and engaging with our customers through new channels and platforms.

As a Bank, putting “innovation” among its core values, we believe that innovative and creative thinking will be one of the key factors contributing to resource efficient processes, in other words, launch of more environmental-

conscious products and services. In addition, in terms of customer experience, offering innovative products and services and exploring new digital solutions to satisfy the needs of our customers, further strengthen the bonds between our customers and our bank, and eventually increase customer satisfaction.

Adapting to developing technologies and changing customer expectations, our Bank aims to increase the number of products and services offered through digital channels, i.e. Internet banking, mobile banking, call center and ATMs, thus gaining new customers, retaining existing customers, and improving customer satisfaction and operational efficiency by shorter transaction times.

Enpara.com

One of our most important digital transformation projects is establishment of Enpara.com in October 2012. Enpara.com, as the first digital banking application in Turkey, offers all of its services exclusively through digital channels.

Enpara.com served (around) 885K customers in 2017 and 1.2 Million customers in 2018. In 2016, “Enpara.com Şirketim (Merchant)” was introduced to respond to SME needs through digital channels. Enpara.com Şirketim reached around 10K customers at the end of 2017, and 19K respectively by the end of 2018.

Incubation Center and Acceleration Program

Incubation Center and Acceleration Program was launched in 2018, with the aim to develop future banking technologies and support innovative initiatives at QNB Finansbank. By doing so, we offer a platform where young enterprises undertake digital and technology efforts in the field of finance, and specialists in our Bank can work at liberty.

Digital Approval

Digital Approval Platform is established to increase the product range and services of digital approval. This platform is an important milestone in our path to “Paperless Banking”. This structure enables the offering and approval of various products through digital channels.

Digital Approval Platform:

- > enhanced customer experience
- > increased sales efficiency
- > improved control effectiveness
- > became an important contribution to the environment and economy through paper saving.

Active Customers by Channel	2016	2017	2018
Online Banking Customers	1,652,160	1,276,820	1,061,422
Mobile Banking Customers	1,815,942	2,351,932	2,957,512

Transaction by channel	2016	2017	2018
Number of online transactions	111,210,759	135,053,615	112,641,609
Number of mobile transactions	111,790,616	188,739,324	241,522,617
Number of telephone transactions	118,486,974	123,922,534	127,867,027
Number of ATM transactions	144,918,881	141,641,101	153,720,377
Number of branch transactions	181,430,808	154,860,846	146,170,736
Total number of transactions	667,838,038	744,217,420	781,922,366
Online transactions (%)	16.65%	18.15%	14.41%
Mobile transactions (%)	16.74%	25.36%	30.89%
Telephone transactions (%)	17.74%	16.65%	16.35%
ATM transactions (%)	21.70%	19.03%	19.66%
Branch transactions (%)	27.17%	20.81%	18.69%
Digital transactions (online and mobile) (%)	33.39%	43.51%	45.29%

4. Sustainable operations

Contents:

- 4.1 Corporate governance, compliance and risk management
- 4.2 Talent attraction, development and retention
- 4.3 Diversity and inclusion
- 4.4 Environmental impact of operations
- 4.5 Responsible procurement and supply chain



4.1 Corporate governance, compliance and risk management

Corporate Governance

In QNB Finansbank, we believe that, a strong corporate governance culture promotes establishment of environment of trust, transparency and accountability necessary to improve long-term investments, financial stability and corporate integrity, and thus to support stronger growth and more inclusive societies.

To this end, pursuant to the relevant regulations in effect;

Board of Directors (The Board), as QNB Finansbank's highest governing body, takes strategic decisions to keep the optimum balance between the Bank's risks, growth and revenues, while observing the Bank's long-term interests to increase its value,

Corporate Governance Committee, monitors the Bank's compliance with corporate governance principles, provides The Board with advice in order to enhance the corporate governance framework, and ensures that the Board's composition, structure, working principles and procedures meet all relevant and regulatory requirements,

Audit Committee, on behalf of the Board, is responsible for monitoring the effectiveness, efficiency and adequacy of the internal systems of the Bank.

Risk Committee is responsible for defining the Bank's risk management policies and strategies, reviewing all types of risks that the Bank is exposed to, monitoring the implementation of risk management strategies and bringing important risk related issues to the attention of the Board.

Credit Committee, within the scope of authorization granted by the Board of Directors as per the Banking Law, is responsible for reviewing, evaluating and approving the credit limits under the limits of Board of Directors and the Credit Committee in accordance with the strategies of the Bank and related legislation. The Committee also monitors the quality of the Bank's credit portfolio and takes part in, and manages the allocation process of the credits within the scope risk-return relationship

Remuneration Committee has been established in order to define remuneration and incentive policies of all employees including Board members and senior management and to advise the Board of Directors on such matters in order to comply with the Bank's ethical values, implementations and targets.



Compliance

Our Bank's Risk Management and Internal Control System operates in accordance with the principles set under the Banking Law No. 5411 and "Regulation on Banks' Internal Systems and Internal Capital Adequacy Assessment Process". Within this context, Internal Audit, Risk Management, Internal Control and Compliance divisions are the internal and independent functions reporting to the Audit Committee.

Internal Audit, acts as an independent and objective assurance and consulting activity function designed to evaluate compliance with the policies and procedures to add value and improve the Bank's operational effectiveness.

Risk Management, organized under four groups (market risk, credit risk, operational risk and model validation); is responsible for identifying, measuring, monitoring, controlling and managing the relevant risks.

Internal Control ensures that the assets of the Bank are safeguarded, the activities of the Bank are conducted efficiently, effectively and in accordance with the laws, other applicable regulations, and the internal policies and procedures of the Bank.

Compliance, is responsible for detecting, evaluating, providing advice, monitoring and reporting on risks of non-compliance with the applicable laws and regulations and standards. Compliance also assists the Corporate Governance Committee in

monitoring the adequacy and assessment of the corporate governance practices and framework within the Bank. A designated unit (AML Unit) operating under this function conducts AML/CFT and Sanctions monitoring activities.

Ethical Banking

Our Bank adopts and recognizes national and international ethical banking principles and best practice examples, and expects its employees to act in compliance with those requirements.

This approach includes our practices related to AML/CFT and KYC, Sanctions Prevention and Monitoring, Anti-Bribery and Corruption, Code of Conduct, Fraud Prevention and Managing of HR risks.

The Board approved Employee Code of Conduct, Code of Ethics for Financial Professionals, Corporate Governance Policy Guideline, Anti-Bribery and Corruption Policy, AML/CFT Policy, along with other procedures (e.g. Sanctions Procedure) are communicated to our employees as a part of our Bank's induction program in addition to the regular refresher trainings or announcements provided on such topics.

A sample of our policies can be reached through <https://www.qnbfinansbank.com/en/about-qnb-finansbank/policies>

Risk Management

Financial sector stability is crucial to maintain a robust economy and a resilient financial system especially in times of financial crisis. Therefore, in QNB Finansbank, we consider effective risk management as a vital and essential part of our strategy and business longevity. With this in mind, we allocate substantial resources to upgrading our policies, methods and infrastructure to ensure compliance with regulatory requirements, best international practices and the guidelines of the Basel Committee on Banking Supervision (the “Basel Committee”).

Our Risk Strategy document defines QNB Finansbank's Risk Management mission as “to create value for shareholders by optimizing the risk-reward trade off, taking into account the interests of stakeholders in a way consistent and in line with best practices, our risk strategy, regulatory requirements and our Bank's business strategy. Within this scope, risk management governance in our Bank starts with the Board, which determines the general risk policy and the risk appetite. Furthermore, The Board Risk Committee, Audit Committee, Assets and Liabilities Committee, Corporate and Retail Credit Policy Committee, Operational Risk Committee and Risk Management Department constitute the main risk management structure of QNB Finansbank.



Reputation Risk

QNB Finansbank recognizes the importance of active management of reputational risk. In order to achieve so, our Bank ensures the establishment and continuity of an effective reputational risk management framework. Accordingly, “The Reputational Risk Management Policy” was prepared as the high-level document of the Bank and approved by the Board of Directors in 2017. In order to comply with regulation and “best practice guideline” published by the BRSA, The Reputational Risk Management Committee, (reporting to the Risk Committee), was established as well.

Human Resources Risks

As for Human Resources risks, in addition to various monitoring and risk mitigating activities conducted by Internal Systems, an “Ombudsman” role was established under our Human Resources Organization to provide fast, effective and fair resolutions for any organization-employee, manager-employee or inter-employee disputes. To this end, any employee may report discriminations, mobbing, harassment, and practices against the corporate policies or other unresolved issues to the Ombudsman.

Additionally, our employees can report any transaction or action that violates applicable

laws and regulations or contradicts with the principles set out in our Bank's policies and procedures directly to the responsible body in our organization (Internal Audit, Compliance Officer, Customer Experience Office respectively) through different lines namely “Reporting Line”, Suspicious Transaction Reporting Line” and “Employee Feedback Platform”.

Lastly, we always ensure that our training programs, whether induction or refresher, have adequate and up-to-date information on above-mentioned matters.

4.2 Talent attraction, development and retention

In QNB Finansbank, we believe that, establishing a work environment based on mutual respect, equality and diversity will provide the basis for building strong and long-term relationships with our employees. Within this context, our Human Resources practices are focused on the following four pillars:

- > Human Resources Planning and Recruitment
- > Performance Management
- > Training and Development Management
- > Commitment and Recognition

Since we are keen on attracting and recruiting highly qualified candidates as well as focusing on retention by improving our employees' knowledge and skills, all pillars are taken into consideration in our Talent Management process as a whole.

Human Resources Planning and Recruitment is the pillar under which our Bank carries out its employer brand management activities, recruitment processes and work-force related management practices by taking into consideration our ambition to be an employer of choice, and attracting qualified candidates.

Number of employees	2016	2017	2018
Total number of employees	12,451	12,007	12,276
Female employees	6,847	6,627	6,847
Male employees	5,604	5,380	5,429



As a Bank recruiting more than 80 % of its employees among new graduates, we attach great importance to understanding new generation. Hence, we analyze the results of career-surveys conducted among young population every year in addition to conducting our own surveys in audience universities every two-years. According to the results, we decide whether to revise our programs or launch new ones.

Within this context, **Finans Up**, our prestigious, award winning⁸ and leader career/talent attraction program has been designed as an alumni club for students aspiring to be the best. Since 2010, this program offers the candidates with various advantages along

with career development opportunities such as professional and personal development training and activities.

Every year, the program reaches out to 30 or 35 students from various majors and provide them with professional trainings focusing on introduction to banking sector, project management, problem solving, decision-making and so forth. In addition to those professional trainings, the students also take part in activities aiming to develop skills like teamwork and creativity. By completing a project successfully, the students get a chance to work for QNB Finansbank as a full-time employee. So far, our Bank has recruited 26 successful Finans Up members as an employee.

New hires	2016	2017	2018
Age 18-30	1,671	2,339	3,042
Age 31-50	234	219	285
Age 51+	8	9	1
Youth new hires (% - under 30)	87%	91%	91%
Male new hires	611	1,147	1,530
Female new hires	1,302	1,420	1,798
Female new hires (%)	68%	55%	54%

Career Architecture is another award-winning program⁹ offering new career paths for our employees who are interested in a career in Branches. Within the scope of this program, our employees can apply for vacancies announced in relevant internal job postings upon completing topic-specific trainings and evaluation tests.

Breakdown of employees by service location	2016	2017	2018
Head Office	4,936	5,098	5,420
Branches	6,066	5,614	5,902
Operations Center (EROMER and FOMER)	665	563	461
OSDEM (Operation Field Support Centers)	784	732	493

⁸ Business Excellence Awards from Turkey in 2013, first finalist at CIPD Recruitment Marketing Awards from Turkey in 2013, selected as the "Most Known Career Activity" among university students in 2014 and 2015 in Turkey.

⁹ ATD Excellence in Practice Award in 2014.

Development Architecture is a specific program focusing on assessments and appointments of branch managers. This program also supports the candidates by providing them with exclusive training and development programs designed according to the results obtained from the assessment process namely “Assessment Center”.

Apart from these programs, our Bank has a **Career Consultancy** program in place for all employees. The goal of this program is to support high-performing and high-potential employees. Within the scope of Career

consultancy, our trained career consultants conduct interviews with the concerned employees and career consultant and employee decide on action plans regarding career objective of the employee.

Lastly, various development tools such as training, coaching, mentorship and MBA programs, and domestic/international conferences are also provided within scope of “**Finans Master**”, in order to bolster leadership skills and administrative capabilities of current leaders and employees with potential for leader roles in the future.

Period of Employment	2016	2017	2018
Employees with 0-5 years of continuous service	6,647	5,853	5,366
Employees 5-10 years of continuous service	2,965	2,959	3,419
Employees with 10+ years of continuous service	2,839	3,195	3,491

Performance Management is the process where our Bank focuses on increasing Bank's performance along with our employees' performance. Since Bank's performance is in line with individual employee performances and vice-versa, it is crucial for us to create and promote a work environment with a fair and transparent system for assessment is in place.

Within this scope, a performance model is established to ensure that the performance is measured through solid data and measurable criteria. In other words, individual performance is evaluated with concrete and measurable criteria in order to increase

employee engagement through a fair and transparent system.

With the semiannual performance measurement, in broad terms, the employees with potential are determined, strengths and areas of development are assessed on individual basis specific to each employee with customized performance model applied for all financiers thus individual development needs concerning these areas are determined. Lastly, a road map is created with the purpose of determining and following up the actions pertaining to development points and results are shared with the Financiers.

Performance Management	2016	2017	2018
Total number of employees receiving regular performance and career development reviews	10,781	10,329	10,960
Female Employees receiving regular performance and career development reviews	5,838	5,598	6,029
Male Employees receiving regular performance and career development reviews	4,963	4,731	4,931
Percentage of employees receiving regular performance and career development reviews (%)	73%	78%	89%

Training and Development Management is putting the idea and aspiration of improving our employee's knowledge and skills at the very heart of our Bank's training and development practices in addition to paying attention to retaining employees with high performance and potential. To this end, we aim to put into practice training activities, which will ensure increase in accretion value and development of human resource through

“Performance Consultancy” concept.

Development Catalog, integrated with the Performance System, enables our employees to choose and benefit from various trainings designed for their needs. Our training portal, Finarmoni, is accessible 24/7 and provides our employees with development tools such as e-training, articles, videos, book summaries, etc.

Training	2016	2017	2018
Total number of training hours	641,787	654,231	834,793
Average number of training hours provided per employee	52	53	69
Total number of e-learning hours provided	63,579	47,762	46,385
Total value invested in employee learning and development (TRY)	14,574,726	17,210,093	22,640,220

Commitment and Recognition is an important and effective tool for increasing employee engagement by developing practices to strengthen the bond between our employees and our Bank. With this in mind, we conduct special programs in addition to our internal communication activities. Seniority Awards

and Suggestion Awards are our major recognition programs that help employee engagement and value creation. Furthermore, “+1” appreciation and recognition program is established to appreciate employees who display outstanding behavior in compliance with the values of the Bank.

4.2.1 Employee satisfaction

In QNB Finansbank, we operate with the awareness that our most important asset is our employees. Thus, we always try to do our best to improve the potentials of our employees continuously and most importantly, we aim to establish a long-term relationship with them.

We consider employee satisfaction and engagement as the crucial factors affecting teamwork, job performance, communication between employees and senior management and overall corporate culture. In order to ensure that our employees are content, motivated and satisfied with their professional environment, (such factors also affect their personal lives) we implement various programs and practices to foster employee

satisfaction and engagement, and help them to achieve work-life balance.

To this end, The Employee Engagement Survey has been in place since 2007 in order to make a clear analysis and evaluate the effects of the satisfaction factors shaping employee engagement. The results are assessed to identify areas of improvement and to develop action plans accordingly. Since employee engagement and satisfaction go hand-in-hand, the action plans are taken to strengthen both areas. Within this scope, Internal communications department also organize different activities, focusing on contributing to both employee engagement and satisfaction.

Engagement and Satisfaction	2016	2017	2018
Employee engagement score (%)	52%	53%	62%

The Internal Customer Satisfaction Survey is conducted in order to determine whether our employees, as internal customers, are satisfied with the service that they receive from various departments of the Bank. This survey is also a good opportunity for our employees to give feedback and offer their suggestions on various topics such as communication, teamwork and corporate values.

360 Degrees Feedback and Development Inventory is applied with the purpose of increasing personal awareness of employees and determining relevant development needs by focusing on their strengths and development opportunities.

Furthermore, in our Bank, numerous events are organized to help employees to continue their work and private lives simultaneously, and contribute to employee commitment and satisfaction. FinClub is a platform under which various social, cultural and entertainment events are conducted, and employee-managed clubs (e.g book club, musical club, well-being club) are operated. In addition, our Bank has many clubs with themes such as Health and Life Style, Photography, Social Events, Art and Hobby, Travel, Musical and Dance, Chess and Social Responsibility; and these clubs organize a number of events, which are open to all employees. In 2017, a library opened in our Crystal Tower Head Office building with

donations from our employees, enabling all our employees to borrow books whether they are in Istanbul or not and spend their free time reading books at the reading section.

In 2018, 402 activities were arranged in

various fields such as social responsibility, health and life style, hobbies. Breakdown of the activities arranged or facilitated by corporate communications are shown in the table down-below:

Name	Number of Activities
Photography Club	11
Travel Club	6
Art and Hobby Club	7
Health and Life Style Club	3
Musical (performed by QNB Finansbank employees)	1
Social Activity Club (concerts, plays, etc.)	308
Social Responsibility Activities	21
Sports Organizations (tournaments, etc.)	42
Conferences (QNB Finansbank get-togethers)	5
Seniority Awards	1

Launched in 2017, Employee Feedback Platform aims for our employees to share with the Customer Experience Office their observations and suggestions as to customer and employee experiences, so that necessary action may be taken. Said platform is accessible at <https://deneyim.qnbfinansbank.com/> or through our internal communication platform, “Financier”.

LEAP is an employee support program focusing on the issues affecting the work-life balance and life quality of the employees. Services, such as stress management, financial and legal counseling, nutrition and dietary counseling and medical counseling are provided to both our employees and their families through a designated phone line.

Our “Financiers” take active part in volunteering projects not only by participating as volunteers but also by creating new ideas and projects within the scope of our

“Volunteer Financiers” program. Each year, within this program, three new Corporate Social Responsibility (CSR) projects, proposed by our employees are put into practice upon decision of the Corporate Social Responsibility Committee. Some of the projects supported in 2018 are as follows:

- > A Breathing Space
- > Small Hands Big Dreams Libraries
- > Finansçı's Old Mobilephone Turns Into A Wish
- > Beat Autism by Sports
- > Small Hands Big Dreams Art Workshop
- > Game is My Medicine
- > Small Robotic Hands Holding on to Big Dreams
- > Pedalling for life

4.2.2 Occupational health and safety

One of Our Bank's top-priority is to provide our employees with a healthy and safe working environment. To this end, we conduct our occupational health and safety practices in accordance with the related regulations in effect and best practice examples. Within this context, an occupational health expert is employed at our premises with 50 or more employees¹⁰. We also provide an occupational health and safety training for all employees, conduct a risk assessment in all our premises, prepare emergency plans, assign an employee representative for each premise, and regularly organize Occupational Health and Safety

committee meetings. The committee meets quarterly to review activities relating to occupational health and safety. In addition to all these efforts, topic-specific seminars and conferences are held to inform about an active and healthy lifestyle, and awareness is created through sports events participated by our employees. Our Bank also organize seasonal flu vaccinations and routine ocular health examinations, and offer a life and health insurance for all our employees; and a health office serves our employees in all our head office locations.

Occupational Health and safety	2016	2017	2018
Number of occupational accidents	38	40	50
Employee fatalities	1	-	-
Employee injury rate	-	-	-
Employee occupational disease rate	0.31%	0.34%	0.41%
Employee lost-time injuries	-	-	-
Employee total recordable injuries	-	-	-
Employee lost-day rate	470	232	135
Absentee rate (%)	0.04%	0.03%	0.01%
Occupational Health and Safety Trainings (total hours)	713	336	N/A
Total employee man-hours	2,008	2,024	N/A
Employee absenteeism rate	3.17%	3.45%	2.89%

¹⁰ Head Office (Kristal Kule Building), Erzurum and Istanbul Operations Centers (EROMER and FOMER)



4.3. Diversity and inclusion

As a Bank having 12,276 employees we attach great importance to equal opportunity and diversity. We conduct our activities in line with the ethical banking principles and in-house procedures taking into consideration universally accepted human rights framework.

We believe that, having 6,847 female employees, which corresponds to 56% of our

work force, is one of the most valuable indicators in terms of showing our commitment to create workplace diversity. In the following terms, we will continue our efforts to promote diversity in the workplace to show our commitment to ethical banking and sustainable development goals.

Diversity and Equal Opportunity	2016	2017	2018
Female employment rate (%)	55%	55%	56%
Percentage of employees with disabilities (%)	3%	3%	3%

Women in management	2016	2017	2018
Senior management employees	5	4	2
Middle management employees	455	434	441
Non-management employees	6,387	6,189	6,404
Women in senior management (%)	19%	17%	9%
Women in middle management (%)	45%	44%	45%



4.4 Environmental impact of operations

We believe that, direct and indirect impacts of our operations should not be overlooked, meaning that, such impacts should be measured and monitored accordingly.

Through the consumption of resources like water, electricity, fossil fuels (fuel oil, natural gas, etc.) for our products and services (either directly or indirectly); carbon emissions resulting from the various operations of our data centers, branches and office buildings as well as business travels of our employees are some of the sources contributing to greenhouse gas emissions and increasing our Bank's carbon footprint.

By using and developing new technologies, and conduct environmental-conscious practices we seek to increase operational efficiency and reduce environmental impacts of our operations.

To select environmentally friendly devices for electrical and mechanical projects, to control our premises through automation systems, to deliver electronic wastes to authorized

recycling companies, to take specific actions in order to increase energy savings (e.g. to shut-down all PC's automatically outside the working hours, to replace cooling groups and air handling units with more energy efficient models, etc.), to adjust our printers' default printing settings to "print on both sides" are among our efforts focusing on reducing environmental impacts of our operations.

In addition, our Bank participates in Earth Hour movement at the end of March, organized by the World Wildlife Fund to raise awareness for climate change, for such, all lights in our head office and branches are turned off for one hour to support the cause.

Lastly, in order to measure and track our Bank's carbon footprint, a new software was implemented in December 2018. The system is expected to be fully up and running by the end of 2019.

Energy and Water Consumption	2016	2017	2018
Energy			
Total energy consumption (GJ)	236,340	240,993	231,772
Energy intensity (GJ / employee)	19.56	20.07	18.88
Other Consumptions			
Total petrol consumption (liters) ¹¹	161,696	198,705	266,856
Total diesel consumption (liters) ¹²	2,499,923	2,330,852	2,453,553
Natural gas consumption (m ³)	2,063,407	2,082,057	1,708,776
Total electricity consumption (kWh)	67,649,964	66,940,698	64,379,177
Total Water consumption (m3)	199,001	191,838	170,756



**Our Head Office Building
Crystal Tower received
LEED Silver Certificate**

Materials and Waste Management	2016	2017	2018
Total paper consumption (kg)	1,056,895	839,000	749,000
Total paper consumption intensity (kg/employee)	87	69	72
Total paper recycled (kg)	N/A	231	953

¹¹ Total petrol consumption is calculated for the vehicles rented and for the vehicles of certain grades which can obtain petrol according to Personnel Fringe Benefits procedure.

¹² Total diesel consumption is calculated for the vehicles rented, for the vehicles of certain grades which can obtain diesel according to Personnel Fringe Benefits procedure, and the consumption in generators.

4.5 Responsible procurement and supply chain

We accept the fact that risks associated with supply chain should be managed effectively and efficiently so that our Bank does not encounter any administrative or legal sanctions, and most importantly, such risks do not pose a threat on our Bank's reputation and society's wellbeing.

Our Bank maintains a relationship with our internal customers and suppliers that is based on understanding their needs accurately, thus finding the right solutions and establishing satisfaction, and manages a procurement

policy for purchasing required materials and services.

For us, in broad terms, responsible procurement means, taking into consideration environmental, social, ethical and reputational matters when making a purchasing decision, thus, mitigating risks associated with our supply chain, being vigilant and mindful in our relations with suppliers, and ensure that our procurement practices do not have adverse effects on society, environment and our Bank's reputation.

Procurement	2016	2017	2018
Total number of suppliers engaged	1,155	1,273	1,340
Number of suppliers audited ¹³	4	5	6
Number of suppliers identified as having significant actual and potential negative impacts	-	-	-
Suppliers with which improvements were agreed upon as a result of audit	4	5	-
Suppliers with which relationships were terminated as a result of audit	-	-	-

In the following terms, our focus will be to review our procurement practices within the scope of our sustainability goals while taking

into consideration environmental and social performance of the vendors.

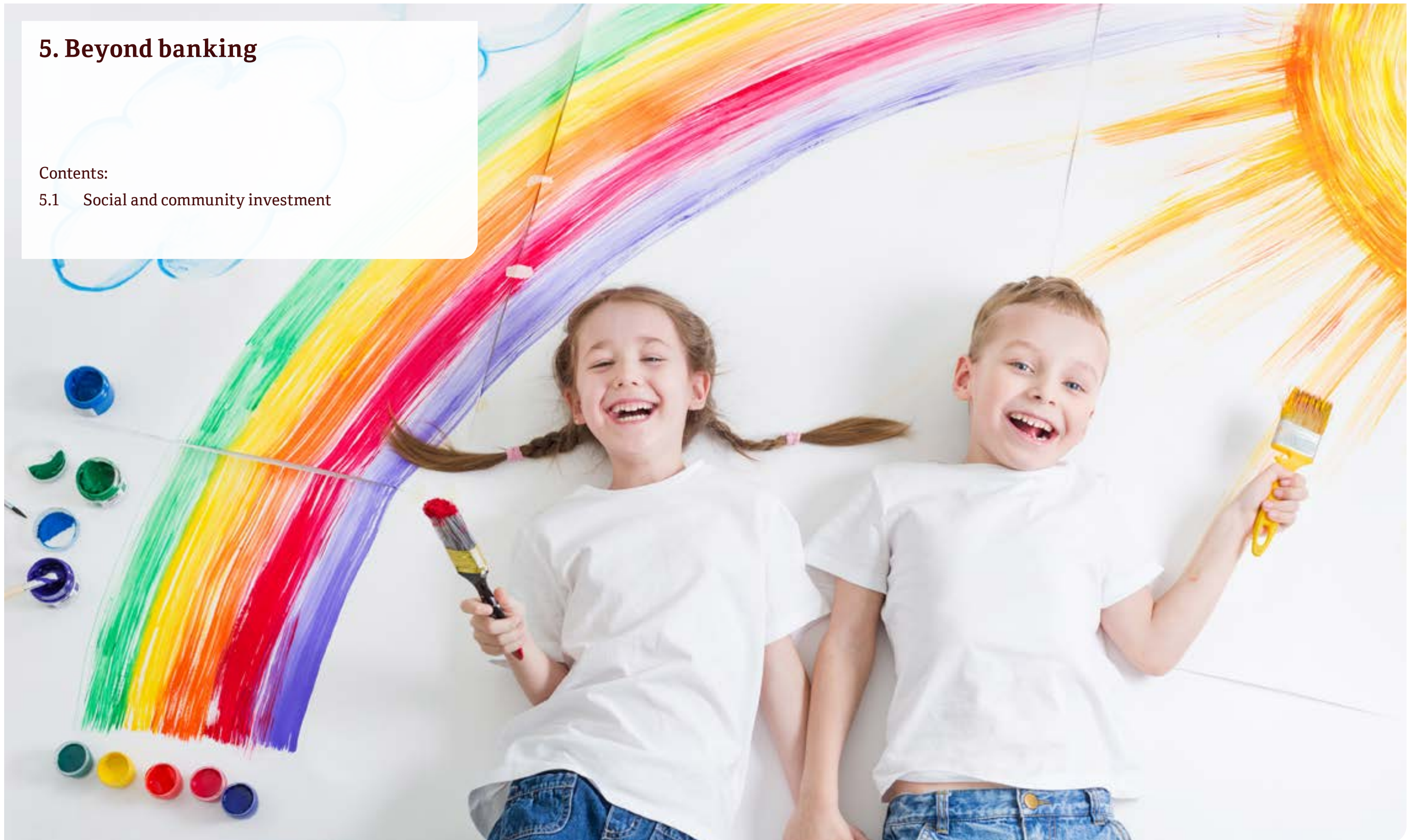
¹³ In case of a service procurement (support service) falling under the scope of "Regulation on Banks' Procurement of Support Services", our Support Service Procurement Process is conducted and ultimately the service subject to procurement is submitted to the opinion and approval of the Audit Committee. Detailed information is available in our Annual Report.



5. Beyond banking

Contents:

5.1 Social and community investment



5.1 Social and community investment

In QNB Finansbank, as a reflection of our banking approach, we always put people at the heart of every decision that we make.

As QNB Finansbank, we see social and community investment as a very effective tool for value creation. By developing new projects and get in touch with the community that we serve, we gain a deeper understanding and insight about the needs and aspirations of the society and our customers. Therefore, we thrive on reflecting our core strengths and unique values in every single project that we develop and offer to the use of community.

Our Bank's business strategy and decision-making mechanism supports our goal to leave a

livable world for future generations. We also encourage our employees, "Financiers", to take part in corporate social responsibility efforts through either creating a new project or participating in ongoing ones.

To this end, we have established a Social Responsibility Committee and back in 2015, we created the "Small Hands, Big Dreams" development platform, targeting children in order to bring up creative leaders of tomorrow. With the support of our "Financiers", our social responsibility platform is growing to cover new projects.



5.1.1 Corporate social responsibility and sponsorships

As part of our Bank's strategy and commitment to its sustainability goals, in every transaction and funding decision, we strive to promote a sustainable development mindset to leave a livable world for future generations.

To this end, we established a social responsibility platform, putting children at the heart, namely Small Hands Big Dreams (Minik Eller, Büyük Hayaller). The projects that we foster under the roof of this platform are:

- > Tiny Fingers Coding Future
- > By the Power of Imagination
- > QNB Finansbank Thales Math Museum & Mobile Exhibition Truck
- > Success is Everywhere
- > Anatolian Orff Musical Education

Tiny Fingers Coding the Future

Within the scope of our "Tiny Fingers Coding the Future" project, which we have launched in association with Microsoft Turkey and Habitat Foundation, we have ensured that the technology-driven creativity and coding skills of the children are developed in a fun environment. From 2015 to today, we have reached 32 different provinces, offering an 8-hour training session for "KODU Programming Language" to our children of 8-14 ages in a classroom environment.

Tapping into our project that hosted over 200 Volunteer Financiers participants in three years, we have reached 20,000 children who can be the innovation leaders of the future and who completed the KODU Game Lab training.

Since 2015, we have reached out to 386,361 children in 49 cities.



Our children between the ages of 8-11 and 12-14 present their games created with a different theme each year with the KODU Cup Competition, at the end of each year. A jury team consisting of experts in their respective fields evaluates games according to the requirements of the coding world.

By the Power of Imagination

In the context of our project “By the Power of Imagination”, implemented in cooperation with the Community Volunteers Foundation, we aim to develop confidence among elementary school children aged between 6-10, strengthen their communication skills, equip them with self-expression ability, as well as competence in written expression, imagination, reading and creativity.

So far, we have trained 120 children in five provinces during summer school and pilot phase. During main training period, we offer storytelling training to children in five cities for 18 hours within 6 weeks. We will organize fairy-tale festivals whereby we can observe the development of our children within the scope of this project, after the trainings are completed. We aim to reach 1,000 children at the end of the project.



QNB Finansbank Thales Math Museum and Mobile Exhibition Truck

Thanks to our QNB Finansbank Tales Math Museum Mobile Truck and “Tales Math Museum” sponsorship, our children rediscover mathematics both through games and interesting questions and have the opportunity to observe the effects of mathematics on our lives by attending workshops. While transforming math into concrete concepts from abstract, with training modules and workshops, we create opportunities for children to learn mathematics by trial and discovery.

Utilizing 34 modules and 5 workshops in our mobile truck and 85 different modules in our museum, we aim to teach our children that mathematics is not just numbers but is included in every area of life such as art, architecture and nature, providing fun for them. We have reached more than 40,000 children in 16 cities with the participation of more than 120 volunteer financiers in the first term.

Success is everywhere

We aim to create equal opportunity in education and increase the success of our children in academic, social, cultural and sports areas with our “Success is Everywhere” project, in association with the Turkish Education Association (TED) and National Education Directories. This project has been launched in eight state schools located in Ankara and Adana, whose academic success results are lower than country average.

Anatolian Orff Musical Education

We help our children experience music, speech and dancing, as well as the feeling of rhythm arising from combination of these, as part of the “Anatolian Orff Musical Education” under the leadership of Güher and Süher Pekinel, in association with Turkey Orff Music Center.

In the academic year of 2016 - 2017, three young music teachers selected by Orff Center in Turkey completed their education in Salzburg Mozarteum University Carl Orff Institute with the support of our Bank. These three teachers, who received 9 months of education, conveyed the Orff training to 180 music teachers in 6 cities in 2017-2018 academic year, enabling us to teach this technique to 27,000 children as of 2018.

Sponsorships

In addition to our CSR projects, as QNB Finansbank, we also support social and economic development through various sponsorship activities. A detailed list is provided below:

Sport and Art Sponsorships	Start Date
Fenerbahçe Basketball Team Sponsorship	October 2016
Trabzonspor Football Team Sponsorship	July 2016
TED Tennis Tournament – Seniors Cup (Private Banking)	May 2009
TED Tennis Tournament – Doctors (Sectorial Banking)	May 2012
İstanbul Champions Cup (ICC)	May 2012
CFO Summit	May 2017
Turkish Internal Auditing Association Congress	September 2017
Business People of The Year	November 2017
Management Centre Turkey HR Summit	February 2010
Student Clubs of University sponsorships by Human Resources	September 2009
QNB Finansbank Art Books	December 2012

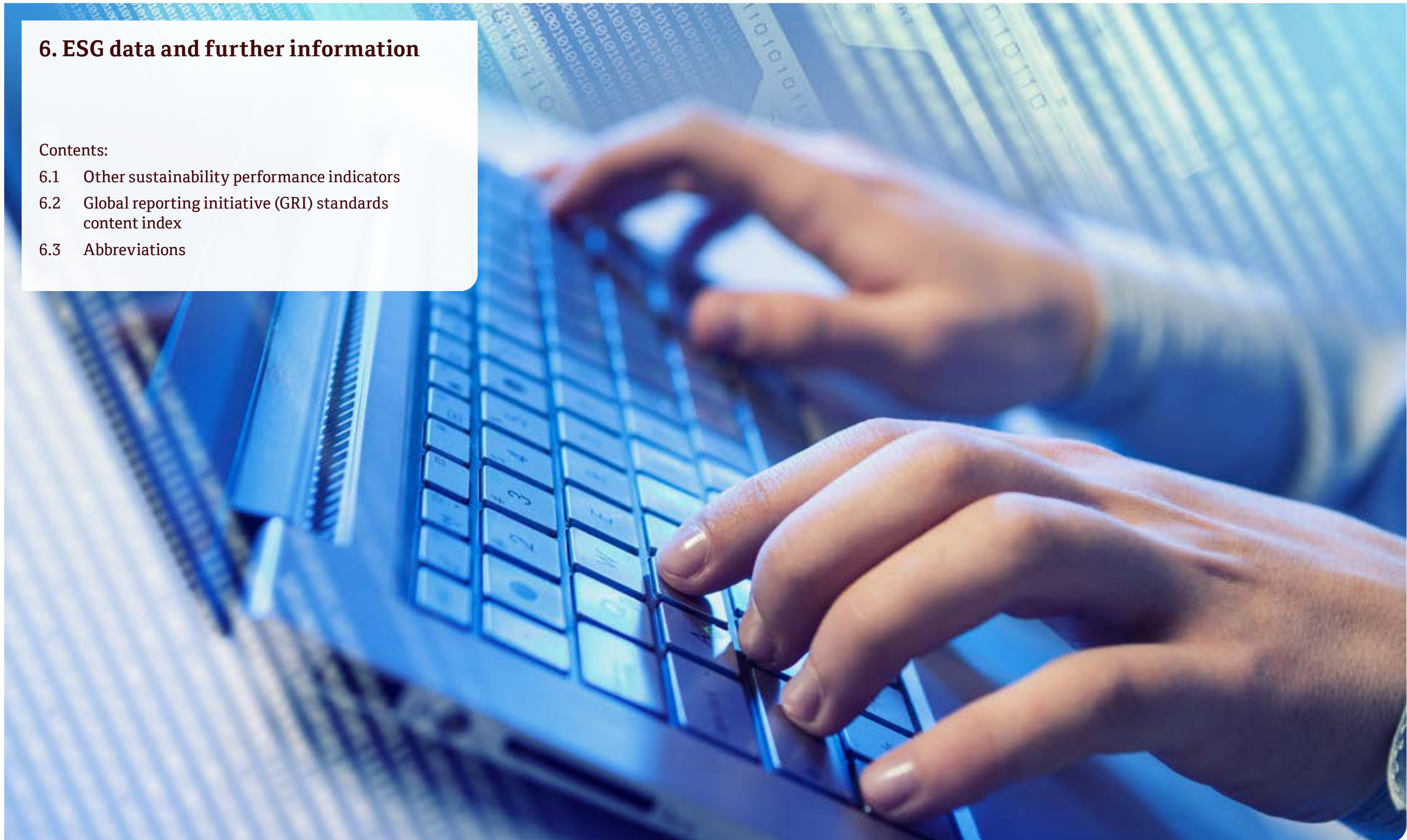
Membership to Foundations and Associations

- > Banks' Association of Turkey (TBB)
- > Turkish Capital Markets Association (TSPB)
- > Credit Registration Bureau (KKB)
- > Interbank Card Center (BKM)
- > Call Centers Association (ÇMD)
- > International Chamber of Commerce Turkey
- > Community Volunteers Association
- > Microsoft Turkey & Habitat Association
- > Turkish Education Association
- > Contemporary Education Association
- > Orff-Schulwerk Education & Consultancy Music Center Turkey

6. ESG data and further information

Contents:

- 6.1 Other sustainability performance indicators
- 6.2 Global reporting initiative (GRI) standards content index
- 6.3 Abbreviations



6.1 Other sustainability performance indicators

Sustainable Finance

Customer Privacy and Data Security	2016	2017	2018
Number of Data Security Breaches	0	0	0
Customer Experience and Satisfaction	2016	2017	2018
Net Promoter Score	53.00%	55.50%	59.75%
Sustainable Investments, Lending, Products and Services	2016	2017	2018
Value of loan portfolio to sectors with social benefit (thousands TRY) (*i.e. Healthcare/Hospitals and Housing, as defined by ICMA Social Bond principles)	599,411,574	1,073,730,564	2,054,026,845
Number of non-compliance with local environmental legislation and regulations	0	0	0
Supporting SMEs and Entrepreneurship	2016	2017	2018
Women Entrepreneur Loans – EBRD (Millions)	€ 50	\$ 98	\$ 80
Financial Inclusion	2016	2017	2018
Loan-to-deposit ratio for SMEs	340%	342%	292%
Digital Transformation and Innovation	2016	2017	2018
Digital transactions (online and mobile) (%)	33.39%	43.51%	45.29%
Responsible Customer Communication and Marketing	2016	2017	2018
Incidents of non-compliance concerning marketing communications	0	0	0

Sustainable Operations

Corporate Governance, Compliance and Risk Management	2016	2017	2018
Confirmed incidents of bribery or corruption	0	0	0
Occupational Health and Safety	2016	2017	2018
Employee occupational disease rate	0.31%	0.34%	0.41%
Sustainable Financial Performance	2016	2017	2018
Loan-to-deposit ratio	115%	118%	106%
Basel III Liquidity Coverage Ratio (LCR)	86%	103%	117%
Cost-to-income ratio (%)	50.01%	47.48%	39.25%
Diversity and Inclusion	2016	2017	2018
Voluntary employee turnover rate (%)	10.0%	12.3%	15.2%
Women in senior management (%)	19%	17%	9%
Number of female employees that took parental leave	495	474	555
Number of male employees that took parental leave	364	325	319
Number of female employees who returned to work after their parental leave ended	492	472	545
Environmental Impact of Operations	2016	2017	2018
Energy intensity (GJ / employee)	19.56	20.07	19.00
Water intensity (m ³ / employee)	15.98	15.98	13.91
Total paper consumption intensity (kg/employee)	87	69	72
Responsible Procurement and Supply Chain	2016	2017	2018
Total procurement expenditures (million TRY)	698	807	940
Total number of suppliers engaged	1,155	1,273	1,340

Beyond Banking

Community Investment	2016	2017	2018
Total value of community investments (TRY)	2,764,789	3,314,565	4,314,295

6.2 Global reporting initiative (GRI) standards content index

GRI Standard	GRI Standard Number	Disclosure Number and Title	Related Title/Explanation
General Disclosures	GRI 102	102-1 Name of the organization	QNB Finansbank A.Ş.
	GRI 102	102-2 Activities, brands, products, and services	About QNB Finansbank Primary Brands, Products and Services
	GRI 102	102-3 Location of headquarters	Esentepe Mahallesi Büyükdere Caddesi Kristal Kule Binası No:215 Şişli - Istanbul
	GRI 102	102-4 Location of operations	About QNB Finansbank
	GRI 102	102-5 Ownership and legal form	About QNB Finansbank Shareholder Structure
	GRI 102	102-6 Markets served	About QNB Finansbank Primary Brands, Products and Services
	GRI 102	102-7 Scale of the organization	About QNB Finansbank Primary Brands, Products and Services Sustainability Highlights and 2018 Performance Summary Other Sustainability Performance Indicators
	GRI 102	102-8 Information on employees and other workers	Talent Attraction, Development and Retention Other Sustainability Performance Indicators
	GRI 102	102-9 Supply chain	About QNB Finansbank Primary Brands, Products and Services Responsible Procurement and Supply Chain
	GRI 102	102-10 Significant changes to the organization and its supply chain	No Material change occurred relating to ownership or supply chain during the reporting period
	GRI 102	102-11 Precautionary Principle or approach	QNB Finansbank Social and Environmental Policy https://www.qnbfinansbank.com/medium/document-file-1781.vsf
	GRI 102	102-12 External initiatives	Membership to Foundations and Associations
	GRI 102	102-13 Membership of associations	Membership to Foundations and Associations
	GRI 102	102-14 Statement from senior decision-maker	Message From The Chairman Message From The CEO
	GRI 102	102-15 Key impacts, risks, and opportunities	Message From The CEO

GRI Standard	GRI Standard Number	Disclosure Number and Title	Related Title/Explanation
	GRI 102	102-16 Values, principles, standards, and norms of behavior	Our Vision, Our Mission, Our Strategy, Our Strengths, Our Values
	GRI 102	102-17 Mechanisms for advice and concerns about ethics	Stakeholder Engagement and Communication Corporate Governance, Compliance and Risk Management
	GRI 102	102-18 Governance structure	Corporate Governance, Compliance and Risk Management Annual Report 2018
	GRI 102	102-19 Delegating authority	Corporate Governance, Compliance and Risk Management Annual Report 2018
	GRI 102	102-20 Executive-level responsibility for economic, environmental, and social topics	Sustainability Governance Corporate Governance, Compliance and Risk Management
	GRI 102	102-21 Consulting stakeholders on economic, environmental, and social topics	Stakeholder Engagement and Communication
	GRI 102	102-22 Composition of the highest governance body and its committees	Corporate Governance, Compliance and Risk Management Annual Report 2018
	GRI 102	102-23 Chair of the highest governance body	Annual Report 2018
	GRI 102	102-24 Nominating and selecting the highest governance body	Annual Report 2018
	GRI 102	102-25 Conflicts of interest	Annual Report 2018 QNB Finansbank Conflicts of Interest Policy: https://www.qnbfinansbank.com/medium/document-file-2370.vsf
	GRI 102	102-26 Role of highest governance body in setting purpose, values, and strategy	Corporate Governance, Compliance and Risk Management Annual Report 2018
	GRI 102	102-27 Collective knowledge of highest governance body	Corporate Governance, Compliance and Risk Management Annual Report 2018
	GRI 102	102-28 Evaluating the highest governance body's performance	Corporate Governance, Compliance and Risk Management Annual Report 2018

GRI Standard	GRI Standard Number	Disclosure Number and Title	Related Title/Explanation
	GRI 102	102-29 Identifying and managing economic, environmental, and social impacts	Stakeholder Engagement and Communication Corporate Governance, Compliance and Risk Management Annual Report 2018
	GRI 102	102-30 Effectiveness of risk management processes	Corporate Governance, Compliance and Risk Management Annual Report 2018
	GRI 102	102-31 Review of economic, environmental, and social topics	Stakeholder Engagement and Communication Corporate Governance, Compliance and Risk Management Annual Report 2018
	GRI 102	102-32 Highest governance body's role in sustainability reporting	Sustainability Governance
	GRI 102	102-33 Communicating critical concerns	Stakeholder Engagement and Communication
	GRI 102	102-34 Nature and total number of critical concerns	Annual report 2018
	GRI 102	102-35 Remuneration policies	Annual report 2018
	GRI 102	102-36 Process for determining remuneration	Annual report 2018
	GRI 102	102-37 Stakeholders' involvement in remuneration	Annual report 2018
	GRI 102	102-38 Annual total compensation ratio	Annual report 2018
	GRI 102	102-39 Percentage increase in annual total compensation ratio	Annual report 2018
	GRI 102	102-40 List of stakeholder groups	Stakeholder Engagement and Communication
	GRI 102	102-41 Collective bargaining agreements	QNB Finansbank A.Ş. respects the right to unionize. Currently, there is no employee covered by a collective bargaining agreement
	GRI 102	102-42 Identifying and selecting stakeholders	Stakeholder Engagement and Communication
	GRI 102	102-43 Approach to stakeholder engagement	Stakeholder Engagement and Communication
	GRI 102	102-44 Key topics and concerns raised	Annual Report 2018 General Assembly

GRI Standard	GRI Standard Number	Disclosure Number and Title	Related Title/Explanation
	GRI 102	102-45 Entities included in the consolidated financial statements	About this Report Subsidiaries and Affiliates Annual Report 2018
	GRI 102	102-46 Defining report content and topic Boundaries	About this Report
	GRI 102	102-47 List of material topics	QNB Finansbank Sustainability Framework and Strategy Materiality Analysis
	GRI 102	102-48 Restatements of information	This is the first Sustainability Report of our Bank
	GRI 102	102-49 Changes in reporting	This is the first Sustainability Report of our Bank
	GRI 102	102-50 Reporting period	About this Report
	GRI 102	102-51 Date of most recent report	This is the first Sustainability Report of our Bank
	GRI 102	102-52 Reporting cycle	Annually
	GRI 102	102-53 Contact point for questions regarding the report	sustainability@qnbfinansbank.com
	GRI 102	102-54 Claims of reporting in accordance with the GRI Standards	About this Report
	GRI 102	102-55 GRI content index	Global Reporting Initiative (GRI) Standards Content Index
	GRI 102	102-56 External assurance	No external assurance was received
Management Approach	GRI 103	103-1 Explanation of the material topic and its Boundary	QNB Finansbank Sustainability Framework and Strategy Materiality Analysis
	GRI 103	103-2 The management approach and its components	QNB Finansbank Sustainability Framework and Strategy Materiality Analysis
	GRI 103	103-3 Evaluation of the management approach	QNB Finansbank Sustainability Framework and Strategy
Economic Performance	GRI 201	201-1 Direct economic value generated and distributed	Sustainable Financial Performance Annual Report 2018
	GRI 201	201-3 Defined benefit plan obligations and other retirement plans	Annual Report 2018

GRI Standard	GRI Standard Number	Disclosure Number and Title	Related Title/Explanation
	GRI 201	201-4 Financial assistance received from government	No financial assistance was received from government in the reporting period.
Market Presence	GRI 202	202-2 Proportion of senior management hired from the local community	All members of senior management are Turkish citizens
Indirect Economic Impacts	GRI 203	203-1 Infrastructure investments and services supported	Annual Report 2018
	GRI 203	203-2 Significant indirect economic impacts	Sustainable Financial Performance Annual Report 2018
Anti-corruption	GRI 205	205-2 Communication and training about anti-corruption policies and procedures	All policies and procedures are communicated to our employees as “reading tasks” via e-mail, and such documents are accessible 24/7 through our intranet “Finansçı”
	GRI 205	205-3 Confirmed incidents of corruption and actions taken	No such incidents in reporting period
Anti-competitive Behavior	GRI 206	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	No such incidents in reporting period
Energy	GRI 302	302-1 Energy consumption within the organization	Environmental Impact of Operations Other Sustainability Performance Indicators
	GRI 302	302-3 Energy intensity	Environmental Impact of Operations Other Sustainability Performance Indicators
	GRI 302	302-4 Reduction of energy consumption	Environmental Impact of Operations Other Sustainability Performance Indicators
Environmental Compliance	GRI 307	307-1 Non-compliance with environmental laws and regulations	No such case in the reporting period
Employment	GRI 401	401-1 New employee hires and employee turnover	Talent Attraction, Development and Retention Other Sustainability Performance Indicators
	GRI 401	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Part-time employees are provided with the same benefits as full-time employees

GRI Standard	GRI Standard Number	Disclosure Number and Title	Related Title/Explanation
	GRI 401	401-3 Parental leave	Other Sustainability Performance Indicators
Occupational Health and Safety	GRI 403	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Talent Attraction, Development and Retention Other Sustainability Performance Indicators
Training and Education	GRI 404	404-1 Average hours of training per year per employee	Other Sustainability Performance Indicators
	GRI 404	404-2 Programs for upgrading employee skills and transition assistance programs	Talent Attraction, Development and Retention Stakeholder Engagement and Communication
	GRI 404	404-3 Percentage of employees receiving regular performance and career development reviews	Talent Attraction, Development and Retention
Diversity and Equal Opportunity	GRI 405	405-1 Diversity of governance bodies and employees	Diversity and Inclusion
	GRI 405	405-2 Ratio of basic salary and remuneration of women to men	There is no gender based wage discrimination in our Bank
Non-discrimination	GRI 406	406-1 Incidents of discrimination and corrective actions taken	No such case in the reporting period
Public Policy	GRI 415	415-1 Political contributions	QNB Finansbank does not provide political contributions
Marketing and Labeling	GRI 417	417-2 Incidents of non-compliance concerning product and service information and labeling	No such case in the reporting period
	GRI 417	417-3 Incidents of non-compliance concerning marketing communications	No such case in the reporting period
Customer Privacy	GRI 418	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	No such case in the reporting period
Socioeconomic Compliance	GRI 419	419-1 Non-compliance with laws and regulations in the social and economic area	No such case in the reporting period

6.3 Abbreviations

AML/CFT: Anti-Money Laundering and combating the financing of terrorism

BoD: Board of Directors

BRSA:Banking Regulation and Supervision Agency

CGC: Corporate Governance Committee

CSC: Customer Solution Center

CSR: Corporate Social Responsibility

ESG: Environmental, Social, Governance

GRI: Global Reporting Initiative

ICMA: International Capital Market Association

KPI: Key Performance Indicator

KYC: Know-your customer

LEED: Leadership in Energy and Environmental Design

NGO: Non-governmental Organization

NPL: Non-performing loan

NPS: Net Promoter Score

SC: Sustainability Committee

SME: Small and Medium-Sized Enterprise

TRY: Turkish Lira

UNSDGs: United Nations Sustainable Development Goals