

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

1. Statement of Compliance with Corporate Governance Principles

Halkbank has implemented, since its initial public offering in May 2007, the principles set out in the “Corporate Governance Principles” published by the Capital Markets Board of Turkey.

The “Corporate Governance Committee Regulation” that was devised within the framework of the “Regulation on Corporate Governance Principles for Banks” published by the Banking Regulation and Supervision Agency of Turkey was brought in compliance with the requirements of the Capital Markets Board following the public offering; it was approved and took effect pursuant to the Bank’s Board of Directors’ Resolution No. 49-07 dated December 12, 2007. The Members and duties of the Corporate Governance Committee were reorganized accordingly. Article 3 of the Regulation regarding the “Composition of the Corporate Governance Committee” was amended pursuant to the Bank’s Board of Directors Resolution No. 33-05 dated October 25, 2011.

The mandatory principles that were implemented and not implemented by Halkbank within the scope of Communiqué Series: IV No: 56 during the activity year ended December 31, 2012 are presented in the related sections.

The amendments to the Articles of Association and the changes in the composition of the Board of Directors that will be made to comply with the Turkish Commercial Law No. 6102 dated January 13, 2011, the Capital Market Law No. 6362 dated December 6, 2012, and the Communiqué Series IV No: 56 published by the Capital Markets Board will be realized at the earliest General Assembly meeting to convene, but no later than June 30, 2013.

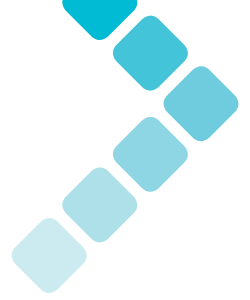
PART I –SHAREHOLDERS

2. Shareholder Relations Unit

24.98% of the Bank’s outstanding shares began to be traded on the Istanbul Stock Exchange as of May 10, 2007. Since that date, the Bank has been carrying out its activities in accordance with the provisions of the Corporate Governance Principles published by the Capital Markets Board. Halkbank’s free-float ratio rose to 48.90% following the secondary public offering in November 2012.

As part of this effort, the shareholder relations function of the Bank is executed by the Financial Institutions and Investor Relations Department and the Financial Accounting and Reporting Department as a Head Office function.

The Financial Institutions and Investor Relations Department is responsible for establishing institutional relations with domestic and foreign investors that invest in equities. The other unit responsible for conducting relations with shareholders is the Shareholders Unit that is organized under the Financial Accounting and Reporting Department. Both departments are represented in the Corporate Governance Committee and report all information regarding their activities to this committee. The Bank conducts shareholder relations with a very active organization.



Financial Accounting and Reporting Department:

Name	Position	E-mail	Telephone
Yusuf Duran OCAK	Head of Department	YusufDuran.OCAK@halkbank.com.tr	+90 312-289-3001
Şebnem ÜLGEN	Division Manager	Sebnem.ULGEN@halkbank.com.tr	+90 312-289-3004
Zafer ERDEM	Specialist	Zafer.ERDEM@halkbank.com.tr	+90 312-289-3021

Primary activities of the Department:

- Facilitating the exercise of shareholder rights and conducting the relationships between the Board of Directors and the shareholders,
- Maintaining and updating shareholder records,
- Responding to written requests from shareholders,
- Carrying out the Bank's capital increase-related tasks,
- Fulfilling the legal and regulatory requirements regarding the General Assembly meetings,
- Publishing the material event disclosures.

Financial Institutions and Investor Relations Department:

Name	Position	E-mail	Phone
Elvan ÖZTABAK	Head of Department	Elvan.OZTABAK@halkbank.com.tr	+90 216-503-5950
Lena ÇİTELİ	Division Manager	Lena.CITELI@halkbank.com.tr	+90 216-503-5902
Aslı SERTTAŞ	Specialist	Asli.SERTTAS@halkbank.com.tr	+90 216-503-5910

Primary activities of the Department:

- Organizing meetings with domestic and overseas investors and analysts and contributing to a positive perception of the Bank,
- Making the necessary updates to the Investor Relations (English and Turkish) section of the Bank's web site after communicating with related units, publishing the announcements regarding the developments about the Bank,
- Releasing information to investors and analysts about the Bank's quarterly financial results, preparing the presentations and documents about the financial results, and having these posted on the web site,
- Tracking the developments in the banking industry and performance of rival banks and reporting them to the senior management,
- Tracking the share performance of the Bank closely and reporting it to the senior management,
- Tracking the news articles on the banking industry, global markets, economic developments, rival banks and Halkbank reported in the press on a daily basis,
- Responding to questions from investor and analyst and classifying the correspondences,
- Organizing teleconferences or in-person meetings with investors and analysts,
- Attending road show events in Turkey and abroad.

3. Exercise of Shareholders' Right to Obtain Information

In order to facilitate the exercise of shareholders' right to obtain information effectively, all changes that may impact the financial and organizational structure of the Bank are announced on the Bank's web site and on the Istanbul Stock Exchange's Public Disclosure Platform. In addition, requests for information communicated to the Bank's units via telephone, mail or e-mail are responded to as soon as possible.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

In 2012, the Shareholders Unit, which is organized under the Financial Accounting and Reporting Department, responded to approximately 110 information requests submitted in writing, through Halkbank Dialog (Call Center) or via e-mail. On average, between four and five calls are received daily from shareholders wishing to obtain information.

In 2012, the Investor Relations Unit organized three international road shows, 15 domestic and international in-person meetings with international participation, 46 broadly-attended teleconferences and 141 in-person meetings. 8,646 questions were responded to as a result of the correspondences made with a total of 1,472 investors and analysts, 144 of which in international road shows, 360 during in-person meetings, 351 at the Bank's Head Office, 284 by means of teleconference calls, and 333 via e-mail and telephone. The questions were predominantly about the Bank's financial structure, profitability/productivity, position in the sector, secondary public offering, block sale status, growth strategies, organizational structure, expectations for the future and the economic and political structure of Turkey.

The Bank's Articles of Associations do not provide for the appointment of special auditors as an individual right; no requests were received to date for the appointment of special auditors.

4. General Assembly Meetings

An Ordinary General Assembly Meeting was held during the fiscal year on April 18, 2012 with a participation rate of 77.02% of the Bank's share capital. The announcements for the meeting were published in the Trade Registry Gazette of Turkey, two national newspapers, Istanbul Stock Exchange's Public Disclosure Platform, the Central Registry Agency (CRA) and the Bank's web site. The meeting announcements were made in accordance with the provisions of the Laws and the Articles of Association. No the stakeholders or the media attended the meeting.

The announcement for the General Assembly Meeting in 2012 was made two weeks prior to the meeting in accordance with the provisions of the old Capital Market Law; the announcement for the General Assembly Meeting that will be held in 2013 will be made three weeks prior to the meeting in accordance with the provisions of Capital Market Law No. 6362.

The Bank's Annual Report is made available to the shareholders prior to the General Assembly for their information and examination. The shareholders exercised their right to ask questions during the General Assembly meetings and these questions were answered by the Bank's management team. The Bank's Articles of Association do not require a resolution of the General Assembly to purchase, sell or lease assets. Pursuant to Article 5/2 of the Articles of Association, such authorization is vested in the Board of Directors.

No information was provided to the General Assembly about the Members of the Board of Directors who were appointed during the General Assembly Meeting held in 2012; pursuant to the Communiqué, information will be provided at the General Assembly Meeting that will be held in 2013.

Article 15/2 of the Articles of Association provides for voting by proxy, which is in compliance with the Capital Markets Board's regulations.

Information regarding the charitable contributions and donations made during the year and their beneficiaries was included as a separate agenda item at the General Assembly meeting and it was presented to the General Assembly.



The minutes of the General Assembly Meetings are made available to the shareholders on the Bank's web site and at the Shareholders Unit. In addition, the minutes of the Ordinary General Assembly Meeting of the Bank, which has been a listed company since May 10, 2007, that was held on April 18, 2012 have been published on the Bank's web site and the Istanbul Stock Exchange-Public Disclosure Platform web site.

5. Voting Rights and Minority Rights

There are no privileged shares in the shares of Türkiye Halk Bankası. The Bank does not have any cross-shareholding relationship with any company that has voting rights in the General Assembly. Minority shares are not represented in the Bank's management. The Bank's Articles of Association do not provide for cumulative voting.

6. Dividend Right

The procedures and principles governing the Bank's profit distribution are stipulated in Article 27 of the Bank's Articles of Association. The Bank's profit distribution policy is announced to the public on the Bank's web site. In previous years, the portion of the distributable profit remaining after setting aside legal reserves has been paid to the shareholders as dividend. After the profit distribution policy is determined by the Bank's Board of Directors, it is presented to the General Assembly for approval and dividend is distributed to the shareholders within the timelines set out in the regulations. A dividend was paid to the Bank's shareholders pursuant to a resolution passed in the Ordinary General Assembly Meeting held on April 18, 2012. The Bank's profit distribution policy for the period ahead will be determined in light of Halkbank's equity position and the economic developments. There is no privilege in participating in the Bank's profit.

7. Transfer of Shares

The Bank's Articles of Association do not contain any restrictions regarding the transfer of shares.

PART II - PUBLIC DISCLOSURE AND TRANSPARENCY

8. Disclosure Policy:

Pursuant to the "Communiqué on the Principles of Material Event Disclosures" Series: VIII, No: 54 published by the Capital Markets Board of Turkey, the Bank's Disclosure Policy, which was prepared for the purpose of disseminating information to the public within the framework of the Corporate Governance Principles, was drawn up in accordance with the provisions of the Communiqué's Article 23 as well as Article 8 of the Guidelines contained in the appendix of the Communiqué. Within this scope, the Bank's Disclosure Policy is carried out by the following units.

Department:

Name	Position	Unit
Yusuf Duran OCAK	Head of Department	Department of Financial Accounting and Reporting
Elvan ÖZTABAK	Head of Department	Department of Financial Institutions and Investor Relations
Yalçın KAYA	Head of Department	Department of Public Relations

The Disclosure Policy, which sets out and defines four principal methods through which investors are ensured of having adequate information about the Bank, has been posted on the Bank's web site.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Since the disclosure to be made by the Bank has the potential significance to impact the decision-making process of investors, it is essential for Halkbank that such disclosure reflects the latest, transparent, objective and accurate information. As part of this policy, the independently-audited quarterly financial statements and financial results presentations are announced through press releases as well as in the Investor Relations/Financial Information section of the Bank's web site.

Following the earnings announcements, Halkbank holds conference calls to discuss its quarterly financial performance, to provide guidance for its future performance and to inform stakeholders about the realization of the targets and expectations stipulated during the past periods.

9. The Bank's Internet Site and its Contents

The Bank's web site address is www.halkbank.com.tr. It contains information set out in Article 2.21 of Part II of the Capital Markets Board's Corporate Governance Principles including trade registry information, shareholding and organizational structure, Articles of Association, material event disclosures, annual and interim reports, periodic financial statements and reports, prospectus and the public offering circular, the agenda, list of participants and minutes of the general assembly meetings, the proxy voting form and policies. In addition, a web site in English is provided for the benefit of international investors.

10. Annual Report

Halkbank's Annual Report is generated in accordance with the Corporate Governance Principles and disclosed to the public.

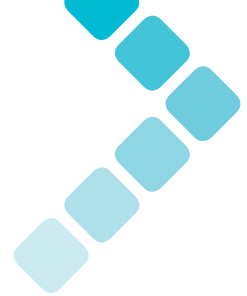
PART III - STAKEHOLDERS

11. Informing the Stakeholders

All information that may have an impact on the Bank's financial and organizational structure is published on the Istanbul Stock Exchange's Public Disclosure Platform and on the Bank's web site. In addition, in response to individual requests, questions about the Bank are answered through face-to-face meetings, road shows, in-person meeting organizations, phone calls, teleconferences and e-mails. All stakeholders can refer to the related sections of the Istanbul Stock Exchange's Public Disclosure Platform or the Bank's web site or other means of communication to reach this information. Employees are informed about the Bank's activities when deemed necessary using intra-company channels of communication. In addition, meetings are organized to provide information to managers and employees on a regular basis. Stakeholders can refer the Bank's activities that are in breach of related laws or regulations or rules of ethics to the Corporate Governance Committee and the Audit Committee through intra-company as well as other channels of communication.

12. Stakeholders' Participation in Management

Stakeholders' rights to participate in the Bank's management are safeguarded within the framework of the related laws, regulations and the Articles of Association. The Bank's operating principles and relationships with customers are carried out in accordance with the defined principles of ethics.



Problems, requests, opinions, suggestions and complaints about products and services delivered to customers are communicated via phone, fax, mail, branch, and e-mail channels as well as through the Head Office units and official bodies. Using certain procedures, demands and requests communicated to the Bank are evaluated and feedback is provided as soon as possible.

Halkbank strives to deliver all banking services effectively and efficiently to continuously create value for its customers, shareholders and employees. As part of this effort, the Bank has developed a Quality Recommendation System for the purpose of improving the business processes and delivering more efficient and higher quality services. Employees are also encouraged to participate in management within the scope of this system. Employees submit their suggestions through this system and the suggestions that conform to the evaluation criteria are implemented.

13. Human Resources Policy

Halkbank's Human Resources Policy is devised and carried out based on the following core principles:

- Carrying out activities to achieve the Bank's objectives with an optimal number of staff,
- Selecting and recruiting staff equipped with the proper competencies for the job,
- Valuing and respecting the personality of the employees, ensuring the safeguarding of their material and non-material rights,
- Providing a safe working environment appropriate for the nature of the work being performed,
- Providing a working environment and opportunities to establish social relations that will increase employee's desire and capacity to work,
- Providing employees with fair and equal work, training and development opportunities commensurate with their talents,
- Establishing a salary and benefits system that will ensure the presence of the number of employees possessing the qualifications required by the service and that encourages the staff to continue working without loss of interest and productivity,
- Providing employees with opportunities to increase their knowledge and experience and rewarding successful employees to the extent possible,
- Informing employees promptly on the issues that are of interest to them and being open to communication in order to allow personnel to convey their opinions and ideas to the management easily,
- Ensuring that employees work with a commitment to the principles of productivity and profitability and in a cost-conscious manner,
- Encouraging employees to think creatively and to produce original ideas that will improve the Bank's services,
- In an effort to maintain and further develop the Bank's corporate culture and identity. Embracing the principle of filling job assignments internally whenever possible, giving priority to assigning employees from within the Bank to vacant positions, and promoting the employees based on their skills, accomplishments, education and tenure,
- Evaluating employees fairly in accordance with objective criteria.

No officer was appointed to carry out relationships with personnel since no trade union represents Halkbank employees.

No complaints were received from personnel regarding discrimination. Job descriptions and work distribution of personnel; as the performance evaluation and merit system are announced to employees and maintained in a portal that is accessible by personnel.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

14. Code of Ethics and Social Responsibility

The code of ethics consists of the principles and the regulations that Türkiye Halk Bankası A.Ş. employees need to follow when performing their duties. These principles aim at preventing any disputes or conflicts of interest that may arise between employees, clients and the Bank. Attitudes and behavior in violation of these rules are evaluated in accordance with the Discipline Regulation. Halkbank expects its employees to use common sense and the rules of goodwill with regard to the issues and circumstances that fall outside the scope of these rules.

In line with the principles of business ethics, Halkbank employees are expected to act as follows:

- Demonstrate a dignified, honorable and honest demeanor in all business relations.
- Avoid all kinds of behavior and attitudes that may damage Halkbank's reputation during the course of performing their duties.
- Thoroughly know and adhere to the laws, regulations, rules and legislation with regard to their duties.
- Under no circumstances disclose insider information to parties other than those who need to have such information.
- Study, adhere to and be well-informed about the instructions, regulations, procedures and rules that may be made with regard to organizing the working order and maintaining professional discipline.
- Inform managers or the Human Resources Department of any known or suspected breach of rules before taking any personal precautions.
- Always avoid expressing political, social or religious views in the workplace.
- Always dress in a plain and stylish manner that fits the work environment and strictly avoid casual clothes and evening dresses that would conflict with a serious corporate environment or any outfit that may have a political or religious meaning or express a social view.
- Avoid acting in such a manner as to violate the rules on the equality of sexes, respect, public morality, and generally accepted ethical behavior.

The Bank has a "Code of Ethics" attached to the Human Resources Regulation. This code lays out the main principles that cover the issues of conflict of interest, rules about the flow of information, relations with clients and human resources. More detailed explanations are given under each main principle heading.

Halkbank's social responsibility activities are described below:

Setting out as the bank of SMEs, Halkbank for 74 years has uninterruptedly continued its mission of providing financial support to all kinds of entrepreneurs and business owners whose production decreases Turkey's import dependency, contributes to economic development and increases national employment opportunities. In this regard, in addition to generating solutions for the financial needs of SMEs, which are among the Bank's most important business partners, Halkbank also undertakes corporate social responsibility projects to contribute to SMEs' business processes, upgrade their production facilities to comply with international standards, and expand their visions.



In addition to providing financial resources to SMEs, Halkbank also embraces the mission of supporting new businesses that will create value for the Turkish economy. As part of this effort, the Bank assumed the lead sponsorship of the SME and Entrepreneurship Awards that was organized by KOSGEB for the first time in 2012.

Halkbank is continuing its partnership with KOSGEB via the Applied Entrepreneurship Training program that will reach 1,000 young entrepreneurs and that will be carried out at 20 universities in 20 provinces over a period of three years. As part of the project, participants who successfully complete the 70-hour training program earn the right to apply for KOSGEB's "new entrepreneur support" program.

In addition to its social responsibility projects, Halkbank, the Bank of Productive Turkey, also carries out sponsorship activities in education, culture, arts and sports.

As part of the renewable energy and energy efficiency loan program that was signed with the French Development Agency in 2011, Halkbank will continue to provide complimentary training and advisory services to SMEs. This program is expected to continue for two years.

In 2012, energy studies were performed for the Bank's Head Office building in Ankara, four regional coordinator's offices and seven branches. Energy efficiency loans were extended to 41 companies.

As part of the energy efficiency initiatives unveiled by the Bank, in 2013 Halkbank also plans to join the International Carbon Disclosure Project (CDP) that was launched to gather and share information that will help corporations, investors and governments in taking measures to mitigate the threat of climate change.

Halkbank undertook the Accessible Bank24 project to allow customers with disabilities to carry out their banking transactions conveniently on their own. People with physical disabilities can conduct all ATM transactions using Bank24s. Visually-impaired individuals can perform cash withdrawal or balance inquiry transactions via headphones utilizing the text-to-speech technology. Optionally, the customer may select to mask the account information on the ATM screen.

In order to provide the proper and goal-oriented service, the Bank enlisted the support of the Istanbul Metropolitan Municipality's Department of Disability Services (İSÖM) as well as a working group comprised of individuals with disabilities to identify their functional needs while implementing the Accessible Bank24 project.

Our Accessible Bank24 ATMs serve visually-impaired customers at 145 locations and customers with physical disabilities at 50 service points throughout the country, whether they are Halkbank customers or not, as long as they own a debit card.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

PART IV - BOARD OF DIRECTORS

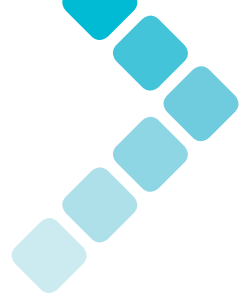
15. Structure and Composition of the Board of Directors

Name	Position	Commencement Date of Term*	Ending Date	Committee Assignment
Hasan CEBECİ	Chairman of the Board of Directors	March 28, 2003	Continuing	Compensation Committee, Corporate Governance Committee
Mehmet Emin ÖZCAN	Vice Chairman of the Board of Directors	May 24, 2010	Continuing	Credit Committee
Süleyman ASLAN	Member of the Board of Directors and General Manager	July 15, 2011	Continuing	Credit Committee, Assets and Liabilities Committee
Emin Süha ÇAYKÖYLÜ	Member of the Board of Directors	March 28, 2003	Continuing	
Dr. Nurzahit KESKİN	Member of the Board of Directors	April 13, 2005	Continuing	Compensation Committee, Corporate Governance Committee
Ahmet KARAMAN	Member of the Board of Directors	April 18, 2012	Continuing	Corporate Governance Committee
Dr. Ahmet YARIZ	Member of the Board of Directors	April 9, 2008	Continuing	Credit Committee
Hikmet Aydın SİMİT	Member of the Board of Directors	April 18, 2012	Continuing	Audit Committee
Sabahattin BİRDAL	Member of the Board of Directors	October 27, 2010	Continuing	Audit Committee, Corporate Governance Committee, Credit Committee
Ali ARSLAN	Member of the Audit Board	April 18, 2012	Continuing	
Faruk ÖZÇELİK	Member of the Audit Board	May 24, 2010	Continuing	

* The commencement date is the date on which the Members were first elected.

No Independent Members were elected to the Board of Directors at the Ordinary General Assembly Meeting held on April 18, 2012.

The Members of the Board of Directors are elected for three-year terms and their terms of office have not yet expired. The Members of the Board of Directors are authorized to enter into transactions in accordance with the provisions of the related articles of the Turkish Commercial Code. The backgrounds of the Members of the Board of Directors are presented in the “Board of Directors and Audit Board” section of the Bank’s annual report as well as on the Bank’s web site and announced to the public.



All Members of the Bank's Board of Directors possess the minimum qualifications required for Members of the Board of Directors as stipulated in the Capital Markets Board's Corporate Governance Principles.

The amendments to the Articles of Association and the changes in the composition of the Board of Directors that will be made to comply with the Turkish Commercial Law No. 6102 dated January 13, 2011, the Capital Market Law No. 6362 dated December 6, 2012, and the Communiqué Series IV No: 56 published by the Capital Markets Board will be realized at the earliest General Assembly meeting to convene, but no later than June 30, 2013.

Whether the Members of the Board of Directors are permitted to hold positions outside of the Bank are determined in accordance with the Banking Law as well as the Regulations and Board Resolutions of the Banking Regulation and Supervision Agency of Turkey.

The Members of the Board of Directors can hold positions in representation of the Bank at the subsidiaries that the Bank has the right to be represented.

16. Operating Principles of the Board of Directors

The Board of Directors convenes at the request of the Chairman of the Board of Directors or the Vice Chairman or a Board member. The Board is obligated to convene at least once a month. The agenda of the Board of Directors is set by the Chairman or Vice Chairman calling the meeting and it is delivered to the Members along with the meeting invitation by the Board of Directors Secretariat Services Department. Since the Bank's Head Office has locations in both Ankara and Istanbul, the Bank has the technology infrastructure that allows members to attend the Board of Directors meetings remotely.

The Board of Directors Secretariat Services Department enters the Board Decisions into the decision book. All discussions and briefings that take place during the meetings are recorded and kept by the Board of Directors Secretariat Services Department.

Neither the Articles of Association of the Bank nor the Regulation on Management Bodies gives any majority voting rights nor affirmative/negative veto rights to any Member of the Board of Directors.

During 2012, 39 Board of Directors meetings were held.

The authorities and the responsibilities of the members of the Board of Directors are primarily set out in the Bank's Articles of Association and also in the "Regulation on Management Bodies" adopted pursuant to Board of Directors Resolution No. 17-32 dated June 9, 2005. This Regulation sets out in detail the Bank's operating principles and the duties and authorities of the Board of Directors, the Credit Committee and the General Manager of the Bank. While the Regulation on Management Bodies includes provisions on the Audit Committee, detailed regulations are stipulated in the Regulation on the Duties, Powers, Operating Principles and Procedures of the Audit Committee adopted pursuant to Board of Directors Resolution No. 34-01 dated October 31, 2006.

The authorities and responsibilities of the Bank's Managers are stipulated in the existing regulations and also determined by the authorities delegated by the Board of Directors particularly in financial matters as well as the authorities delegated to the lower ranks by the General Manager, to whom these authorities were delegated in the first place.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

17. The Number, Structure and Independence of the Committees Formed by the Board of Directors

The Bank has established committees comprised of the members of the Board of Directors: Credit Committee, Audit Committee, Corporate Governance Committee, and Compensation Committee. In addition to these committees, there are a number of other executive and/or directing boards, committees and commissions in which the Board of Directors members do not take part.

In accordance with the Regulation on Lending Transactions of Banks published by the Banking Regulation and Supervision Agency, the Credit Committee of Halkbank consists of three members of the Board of Directors and the General Manager. The General Manager acts as the Chairman of the Credit Committee. In the absence of the General Manager, the Credit Committee is presided over by a primary member of the Credit Committee. The Chairman of the Credit Committee is responsible for the coordination of the Committee's activities to ensure that they are run in an effective and smooth manner.

The Board of Directors Secretariat Services Department acts as a Reporter at Credit Committee meetings.

The Audit Committee of the Bank consists of two Members of the Board of Directors. These two Board members do not have any executive function.

The Bank's Compensation Committee consists of two non-executive Members of the Board of Directors.

The Corporate Governance Committee of the Bank consists of four members of the Board of Directors, the Deputy General Manager of Human Resources and Organization, the Deputy General Manager of Financial Management and Planning, the Deputy General Manager of International Banking and the Head of the Human Resources Department. The Chairman of the Board of Directors acts as the Chairman of Corporate Governance Committee. The four Members of the Board of Directors who are also Corporate Governance Committee members have no executive function.

The formation of a Nominating Committee and Early Risk Detection Committee are governed by Article 4.5.1 of the Communiqué on Implementation of Corporate Governance Principles; the Bank did not form a Nominating Committee in 2012. Article 4.5.1 of the Corporate Governance Principles was amended by Article 6 of the Communiqué Series: IV No: 63 that was published by the Capital Markets Board of Turkey on February 22, 2013. This amendment exempts banks from the obligation of forming an Early Risk Detection Committee.

18. Risk Management and Internal Control Mechanism

Pursuant to Articles 23, 24, 29, 30, 31 and 32 of Banking Law No. 5411, banks are responsible for establishing and operating adequate and effective internal control, risk management and internal audit systems that cover all branches and all subsidiaries and affiliates subject to consolidation and that are compatible with the scope and structure of their activities and compliant with changing conditions in order to monitor and control their risks exposure.



In accordance with this, the Bank's Risk Management, Internal Control and Internal Auditing units carry out their activities in compliance with the above-mentioned articles and the Regulation on Internal Systems of Banks published in Official Gazette No. 28337 dated June 28, 2012 by the Banking Regulation and Supervision Agency of Turkey.

The internal systems units carry out their activities under the Audit Committee, which consists of Board of Directors members with no executive functions. These activities intend to measure and eliminate potential risks.

Of Internal Systems units, the Departments of Internal Control and Risk Management operate under the supervision of the Deputy General Manager responsible for Internal Control and Risk Management while the Board of Inspectors operates under the supervision of the Audit Committee, which is formed to provide support in carrying out the control and supervision on behalf of the Board of Directors.

The Board of Inspectors oversees that the Bank carries out its activities in accordance with the Law and other related regulations as well as internal strategies, policies, principles and objectives; the smooth, adequate and effective functioning of the risk management and internal control systems.

The operations of the internal systems units for the measurement and elimination of risk and their findings regarding the safe operation of the Bank are evaluated by the Audit Committee every six months and are reported to the senior management of the Bank. In addition, the Audit Committee has regular meetings with the internal systems units throughout the year to analyze and evaluate the Bank's risks.

19. Strategic Goals of the Company

The Mission, Vision, Main Goals and Core Strategies of the Bank were adopted pursuant to Board of Directors Resolution No. 41-04 dated December 27, 2006 and disclosed to public on the Bank's web site.

20. Remuneration of the Board of Directors

In accordance with Article 21 of the Bank's Articles of Association, the Bank pays a monthly salary to the Members of the Board of Directors. The amount of such monthly salary is determined by the General Assembly.