

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 Bank is subject to the provisions of the corporate governance structures, processes and principles set forth in the "Regulation on Corporate Governance Principles for Banks" published by the Banking Regulation and Supervision Agency of Turkey (BRSA).

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 Turkish Commercial Law No. 6102 dated January 13, 2011, the Capital Market Law No. 6362 dated December 6, 2012, and Communiqué Series IV No: 56 published by the Capital Markets Board were completed at the Ordinary General Assembly Meeting that was held on March 29, 2013.

PART I -SHAREHOLDERS

2. Shareholder Relations Unit

24.98% of the Bank's outstanding shares began to be traded on the Borsa Istanbul 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 Investor Relations Units which is formed from 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
	Head of		
Yusuf Duran OCAK	Department	YusufDuran.OCAK@halkbank.com.tr	+90 3122893001
Tuğba ÇETİN ÖZBEN	Director	Tugba.CETINOZBEN@halkbank.com.tr	+90 3122893005
Zafer ERDEM	Senior Specialist	Zafer.ERDEM@halkbank.com.tr	+90 3122893021
Arda EDİRNE	Specialist	Arda.EDIRNE@halkbank.com.tr	+90 3122893041
Sevil Didem GÜVEN	Specialist	SevilDidem.GUVEN@halkbank.com.tr	+90 3122893027

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,

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- 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,
- Preparing annual and interim reports.

Financial Institutions and Investor Relations Department:

Name	Position	E-mail	Phone
Elvan ÖZTABAK	Head of Department	Elvan.OZTABAK@halkbank.com.tr	+90 2165035950
Lena ÇİTELI	Division Manager	Lena.CITELI@halkbank.com.tr	+90 2165035902
Aslı SERTTAŞ	Specialist	Asli.SERTTAS@halkbank.com.tr	+90 2165035910

Primary Activities of the Department:

- Carrying out correspondence with domestic and overseas investors and analysts, participating in investor conferences and international road shows, providing information to investors and analysts,
- Responding to questions from investors and analysts and classifying the correspondence,
- Releasing information to investors and analysts about the Bank's quarterly financial results, preparing presentations and documents about the financial results, and having these posted on the website,
- Making the necessary updates to the Investor Relations section of the Bank's website in accordance with the Corporate Governance Principles.

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 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.

In 2013, the Shareholders Unit, which is organized under the Financial Accounting and Reporting Department, responded to approximately 200 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 2013, the Investor Relations Unit organized four international road shows, 23 domestic and international in-person meetings with international participation, 57 broadly-attended teleconferences and 111 in-person meetings. 9,024 questions were responded to as a result of the correspondences made with a total of 1,795 investors and analysts, 61 of which in international road shows, 618 during in-person meetings, 325 at the Bank's Head Office, 418 by means of teleconference calls, and 373 via e-mail and telephone. The questions were predominantly about the Bank's financial structure, profitability/productivity, position in the sector, 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 March 29, 2013 with a participation rate of 71.98% of the Bank's share capital. The announcements for the meeting were published, three weeks earlier according to Capital Market Law No. 6362, in the Trade Registry Gazette of Turkey, two national newspapers, Public Disclosure Platform, the Central Registry Agency (CRA) EGKS and the Bank's web site. The meeting announcements were made in accordance with the provisions of the Laws and the Articles of Association.

The Bank's annual report and informational documents were made available to the shareholders prior to the General Assembly for their information and review. Background information on the members of the Board of Directors was disclosed via the Bank's website after the meeting. In addition, as per the Corporate Governance Communiqué that recently took effect, information on candidates for seats on the Board of Directors will be made available to the shareholders prior to the General Assembly meeting.

Shareholders exercised their right to ask questions during the General Assembly meetings and the Bank's management team responded to these questions. Other stakeholders or media representatives did not participate in the meeting. Shareholders did not submit a written agenda item proposal.

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 March 29, 2013 have been published on the Bank's web site and the Public Disclosure Platform, the Central Registry Agency (CRA) EGKS and the Bank's web site.

5. Voting Rights and Minority Rights

There are no privileged shares in the shares of the Bank. 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.

6. Dividend Right

The procedures and principles governing the Bank's profit distribution are stipulated in Article 35 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 March 29, 2013. 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 of the Bank's profit.

7. Transfer of Shares

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

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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.

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

Halkbank's Information Disclosure Policy, which sets out and defines four principal methods through which all stakeholders including shareholders, potential investors and the public at large are assured of having timely, accurate and complete information about the Bank, has been posted on the Bank's website.

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 2.2 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 ethic 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 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 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. (i.e. electronic announcements, magazine, website, and etc.). In addition, meetings are held to assess the Bank's targets and strategies for managers and employees on a periodic 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 to the Bank 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 processed, evaluated and as a result feedback is provided as soon as possible.

Halkbank strives to deliver all banking services effectively and efficiently to continuously create value-added 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,

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- 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.

There are two trade unions in the Bank whose membership consists of employees. However, neither of these unions has reached the necessary number of members within the Bank to qualify for collective bargaining rights. The unions have representatives assigned to carry out relations with personnel.

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.

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 self-respecting, 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.

Ethic principles were publicly announced on the Bank's website.

Halkbank's social responsibility activities are described below:

Being the leading supporters of SMEs' and the real sector throughout its 75-years history, Halkbank continued to provide support to both entrepreneurial and industrial enterprises which will carve out a presence in global markets and contribute to the Turkish economy and employment. In addition to its various activities to generate solutions to meet the financial and non-financial needs of SMEs, with a special focus on women and young entrepreneurs, the Bank also sponsored various social responsibility initiatives in education, culture and other such areas.

The corporate social responsibility projects the Bank undertook during the year include: Sponsorship of the International Women Entrepreneurs Forum that was organized for the first time this year in order to bring together female entrepreneurs from Turkey and abroad.

Main sponsorship, for the third time, of the Istanbul Finance Summit that was held with the participation of major figures from the Turkish and international finance industry.

Sponsorship of the traditional Ahi Week celebrations.

Main sponsorship, for the second time, of the SME and Entrepreneurship Awards where businesses that create value-added for the Turkish economy are recognized out of the belief that awarding success creates motivation and incentive.

Sponsorship of the Atlantic Council Energy & Economic Summit that was held with the participation of political and business leaders who shape global energy and economic policies.

Have been took place among the projects that were viewed as social responsibility as of their impact area which were realized during the year.

Halkbank's new credit card brand Paraf and Soysal Retailing School teamed up to conduct training sessions entitled "Paraf Retail Management Development Workshop" for store managers, the key personnel of the retail industry, in order to increase their knowledge and skills base in modern management methods on September 5, September 19, September 30, November 6 and December 3.

Halkbank initiated the processes to continue in 2014 the Applied Entrepreneurship Training program that was launched last year as part of the agreement signed with KOSGEB (Small and Medium Enterprise Development Organization) in order to popularize entrepreneurial culture and support entrepreneurs.

As part of its activities to promote entrepreneurship, Halkbank sponsored the "From Idea to Action - Business Idea Competition" organized jointly by Halkbank and Gazi University for the first time in 2013. The competition serves to encourage technological innovation and entrepreneurship among faculty members and students, and to solidify the university's commitment to entrepreneurship.

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Halkbank revamped its SME website in 2013 (www.halkbankkobi.com.tr) in order to provide premium service, comprehensive informational resources and other support to SMEs, and bring them together on a single platform. Providing assistance to all SMEs, whether a Bank customer or not, this platform offers complimentary advisory services to small and medium enterprises on a wide variety of subjects, from foreign trade and financial management to tax and legal issues. The training modules designed specifically for SMEs and created to support the personal and professional development of small enterprise owners contribute to the improved performance and service quality of businesses. All applications of the "Halkbank SME Academy," which offers equal opportunity in training to all small and medium enterprises, are provided free of charge.

At the Productive Turkey Meetings organized in the cities where there are lots of SMEs and harsh competition conditions, Bank's products and services for the SMEs are introduced while the participant economists give information on the country's agenda, latest economic indicators, regional and sectoral problems, and advantages/disadvantages for the SMEs in their regions. Within this scope in 2013 a Productive Turkey Meeting was organized in Konya.

Halkbank was the first Turkish bank to cooperate with development agencies in order to assist in regional economic and social development. The Bank carries out the cash transfers to the owners of the projects that were submitted to the SME Financial Support Program and that qualify for financial support under the Bank's agreements with development agencies. The Bank also offers the Development Agency Co-financing Loan to qualifying businesses.

As part of the Renewable Energy and Energy Efficiency Loan Program that was signed with the French Development Agency in 2011, Halkbank continued to provide complimentary training and advisory services to SMEs.

Schneider Electric, the consulting firm that provided advice and input during the development of Halkbank's Energy Policy, conducted energy audits in 17 branch, four regional coordinator's office and two head office buildings of the Bank. The report drafted after these audits was submitted to the Bank's Corporate Governance Committee on June 13, 2013. Halkbank extended energy efficiency loans to 21 firms in 2013.

As part of its energy efficiency initiatives in 2013, Halkbank submitted a report for the International Carbon Disclosure Project (CDP), which was launched to collect the information that will help companies, investors and governments implement measures to combat the threat of climate change.

In addition to its financial services related initiatives, the Bank also pursued internationally recognized projects. As part of this effort, Halkbank acted as the local sponsor for the "FIFA U-20 World Cup." Organized by FIFA (International Federation of Association Football) every other year since 1997 for players under the age of 20, the second largest FIFA event after the World Cup, the "FIFA U-20 World Cup" was hosted by Turkey this year.

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.

Our Accessible Bank24 ATMs serve visually-impaired customers at 185 locations and customers with physical disabilities at 46 service points throughout the country, whether they are Halkbank customers or not, as long as they own a debit card.

PART IV - BOARD OF DIRECTORS

15. Structure and Composition of the Board of Directors

Name	Position	Commencement Date of Term*	Date of Becoming Independent Member	Ending Date	Committee Assignment
Hasan CEBECİ	Chairman of the Board of Directors	March 28, 2003		Continuing	Compensation Committee
Süleyman KALKAN	Vice Chairman of the Board of Directors	April 1, 2013		Continuing	
Ali Fuat TAŞKESENLIOĞLU	Member of the Board of Directors and General Manager	February 7, 2014		Continuing	Credit Committee Asset/Liability Committee
Süleyman ASLAN***	Member of the Board of Directors	July 15, 2011		Continuing	
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	Credit Committee, Compensation Committee, Corporate Governance Committee
Ahmet KAHRAMAN**	Member of the Board of Directors	April 18, 2012		December 29, 2013	Corporate Governance Committee
Dr. Ahmet YARIZ	Independent Member of the Board of Directors	April 9, 2008	March 29, 2013	Continuing	Credit Committee, Audit Committee
Sabahattin BIRDAL	Independent Member of the Board of Directors	October 27, 2010	March 29, 2013	Continuing	Audit Committee, Corporate Governance Committee, Credit Committee
İsmail Erol İŞBİLEN	Independent Member of the Board of Directors	April 1, 2013	April 18, 2013	Continuing	Corporate Governance 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.

** Member of the Board of Directors Ahmet Kahraman passed away on December 29, 2013.

*** Mr. Süleyman ASLAN has served as a member of the Board of Directors and as the General Manager until February 07, 2014. Members of the Board of Directors Mehmet Emin ÖZCAN and Hikmet Aydın SİMİT resigned from the Bank on March 29, 2013.

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 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.

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The Corporate Governance Committee nominated three candidates to serve as independent Board members; the Committee's report on whether these candidates possess the qualifications to be an independent Board member dated February 27, 2013 was submitted to the Board of Directors on the same date. The Board of Directors submitted a list of candidates to the Capital Markets Board in an official letter dated March 1, 2013. In its official response dated March 21, 2013, the Capital Markets Board did not communicate a qualified opinion. Due to the resignation of one of the candidates from the Bank, the Committee nominated one independent Board member candidate and its report dated March 29, 2013 was submitted to the Board of Directors on the same date. The Board of Directors submitted the candidate to the Capital Markets Board in an official correspondence dated April 3, 2013 and did not receive a qualified opinion in the reply correspondence received on April 17, 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 obliged 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 at least 24 hours before the meeting and it is delivered to the Members along with the meeting invitation by hand or 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 2013, 43 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. 22-42 dated May 27, 2013. 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 Internal Regulation on Management Bodies includes provisions on the Audit Committee, detailed regulations are stipulated in the Internal 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.

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 consists of two 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 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 Independent Member 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 mandatory Article numbered 4.51 of the Corporate Governance Principles exempts banks from the obligation of creating a Risk Assessment Committee. The Bank did not set up a separate Nominating Committee in 2013. As per Article numbered 4.3.2.3 of the Management Internal Regulations dated May 27, 2013, the Bank delegated the functions of this committee to the Corporate Governance Committee in compliance with the regulatory provisions of the Capital Markets Board and Banking Regulation and Supervision Agency.

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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 23 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. In this context, the Bank has paid to the Senior Management TRY 6.9 million gross in 2013. Within the limits in the Banking Law, it has been provided to use credit for the Board of Directors.