



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. Halkbank achieved compliance with the regulations stipulated in the Turkish Commercial Code regarding Corporate Governance. 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).

Halkbank has achieved compliance with the compulsory principles of the CMB's "Corporate Governance Principles". Furthermore, the Bank carries out activities to comply with the non-compulsory principles, and significantly practices all policies and measures while progressively continuing its activities in this field.

Since 2011, Halkbank has been provided with rating services on the issue of Compliance with Corporate Governance by SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (SAHA Corporate Governance and Credit Rating Services Inc.) – authorized by the CMB. Concurrently, the Bank has been included in the top ranked stocks of BIST Corporate Governance Index. Halkbank increased its Corporate Governance Rating which was 9.30 over 10 in 2016, to 9.38 in 2017.

PART I – SHAREHOLDERS

2. Shareholder Relations Unit

Some 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 48.93% following the secondary public offering in November 2012.

As announced via Public Disclosure Platform within the scope of the 11th Article of the Corporate Governance Communiqué and as per the provision stipulating that the Director of the Investor Relations Department must have a Level 3 Capital Market Activities License and Corporate Governance Rating License, and must be a full-time working director within the Corporation and must be appointed as a member of the Corporate Governance Committee; 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 Department as a Head Office function. The Investor Relations Unit 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 and issued fixed-income securities. The other unit responsible for conducting relations with shareholders is the Public Disclosure and Shareholders Unit that is organized under the Financial Accounting 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. Mr. Hakan ERYILMAZ is the Deputy General Manager of that controls the Investor Relations Department and Mr. Yusuf Duran OCAK is the Deputy General Manager of that controls the Public Disclosure and Shareholders Department and Osman BEKTAŞ is the Head of the Public Disclosure and Shareholders Department while all are Bank's Corporate Governance Committee Members. Mr. Yusuf Duran OCAK is the Investor Relations Department Director.

As the Investor Relations Unit continued its efficient communication efforts throughout 2017, participation was achieved in 3 international promotional organizations (roadshows) and 11 international one-on-one meeting organizations in and outside the country. Some 859 investors-analysts were contacted – 228 at the international organizations, 104 at the Bank headquarters, 221 via teleconference and 306 by electronic mail or phone – and 5,010 questions were answered. The questions were mainly about the Bank's financial structure, profitability/productivity situation, sectoral position, growth strategies, administrative structure, future expectations and about the country's economic and political structure.

In 2017, approximately 100 information requests – some of which were sent in writing to the Public Disclosure and Shareholders Unit under the structure of the Financial Accounting Department, and some of which were sent via Halkbank Dialog and electronic mail – were answered.

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Financial Accounting Department:

NAME	POSITION	E-MAIL	PHONE
Osman BEKTAŞ	Head of Department	osman.bektas@halkbank.com.tr	+90 216 503 54 50
Zafer ERDEM	Manager	Zafer.Erdem@halkbank.com.tr	+90 216 503 52 10

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,
- Preparing annual and interim reports.

Financial Institutions and Investor Relations Department:

NAME	POSITION	E-MAIL	PHONE
Hakan ERYILMAZ	Deputy General Manager	Hakan.ERYILMAZ@halkbank.com.tr	+90 216 503 55 07
Recep GÜLEÇ	Head of Department (D)	Recep.GULEC@halkbank.com.tr	+90 216 503 57 75
Lena ÇİTELİ	Division Manager	Lena.CITELI@halkbank.com.tr	+90 216 503 59 02
Umut KOVANCI	Specialist	Umut.KOVANCI@halkbank.com.tr	+90 216 503 58 02

Primary Activities of the Department:

- Contributing to the positive evaluations about the Bank by organizing meetings in and outside the country with investors and analysts,
- Instructing the related units to make the necessary updates (in English and Turkish) at the Bank's website on the Investor Relations page, and announcing the developments about the Bank,
- 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,
- Keeping track of the developments regarding the banking industry and performances of the competitor banks, and informing the top management,
- Closely monitoring the stock performance of the Bank, and informing the top management,
- Keeping track of the daily news on the media about the banking sector, global markets, economic developments, competitor banks and Halkbank,
- Answering the questions coming from the investors and analysts, and classifying the correspondence,
- Organizing teleconference or one-on-one meetings with the investors and analysts,
- Participating to nationwide and foreign roadshows,
- Managing the relations with international rating institutions.



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 website 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.

Questions received by phone or e-mail about the General Assembly Meetings, capital increases, dividend payments are answered. Furthermore, written answers are given to the shareholders and other third parties who make information requests such as annual report request and etc. The Investor Relations Unit promptly answers the questions received by phone or e-mail from the existing and/or potential investors, bank analysts and rating companies. Furthermore, the unit answers the questions regarding the Bank's administrative and financial structure by organizing one-on-one and/or group meetings.

Bank's website, set up both in Turkish and English (www.halkbank.com.tr), is updated regularly. The corporate profile, Corporate Governance, financial information and annual reports, media announcements, and information regarding the sustainability, and the products and applications that create value in the economy are given on the website.

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 June 8, 2017 with a participation rate of 79.92% of the Bank's share capital. The announcements for the meeting were published, 3 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) - Electronic General Assembly System (EGAS) and the Bank's website. 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 in Public Disclosure Platform, Bank's website and Bank's Head Office. Background information on the members of the Board of Directors was disclosed via the Bank's website after the meeting.

General Assembly Meeting was organized in a manner that would enable the shareholders to attend the meeting with minimum cost possible, and that would increase attendance. Persons who were entitled to attend the General Assembly Meeting, were given the opportunity to attend and vote via Electronic General Assembly System.

Shareholders exercised their right to ask questions during the General Assembly meetings and the Bank's management team responded to these questions. There is no provision in the Articles of Association stipulating that the General Assembly Meetings should be open to public including the stakeholders and media but without giving them right to speak in order to prevent any delays and to finish the meeting on time. Shareholders didn't 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 website and at the Public Disclosure and Shareholders Unit. In addition, the minutes of the Ordinary General Assembly Meeting of the Bank, that was held on June 8, 2017 have been published on the Bank's website and the Public Disclosure Platform, the Central Registry Agency (CRA) EGAS and the Bank's website.

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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. There is no provision in the Articles of Association stipulating that the shareholders who own a portion less than one twentieth of the capital should be given minority rights. Moreover, attention is paid to enable using minority rights within the scope of the Turkish Code of Commerce and CMB regulations.

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 website and annual report. 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 June 8, 2017. 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.

PART II - PUBLIC DISCLOSURE AND TRANSPARENCY

8. Disclosure Policy

Pursuant to the "Communiqué on the Principles of Material Event Disclosures" 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 legislation provisions. Within this scope, The Bank's Disclosure Policy is carried out by the following units.

NAME	POSITION	UNIT
Osman BEKTAŞ	Head of Department	Department of Financial Accounting
Recep GÜLEÇ	Head of Department	Department of Financial Institutions and Investor Relations (Acting)
Yalçın KAYA	Head of Department	Department of Corporate Communication

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 website. 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. Future assessments are publicly announced in conformity with the provisions of the relevant legislation.



9. The Bank's Internet Site and Its Contents

Bank's web address, www.halkbank.com.tr is structured in conformity with the CMB Corporate Governance Principles' "Public Disclosure and Transparency" Section 2.1. Corporate Website provision. Trade Registry information, shareholders' and management structure, the Articles of Association, disclosure of material matters, Annual and interim reports, financial reports, General Assembly meeting agenda, attendance list and meeting minutes, power of attorney, and the Bank's policies and code of ethics are available on this website. Information given on the website is kept up to date. Furthermore, a webpage is also available in English for 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

Halkbank pays utmost attention to carry out effective, regular, continuous and safe communication with its 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 website. 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 website 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, corporate portal, magazine, website). 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, e-mail and social media channels as well as through the Head Office units and official bodies. Using certain procedures, requests, opinions, suggestions and complaints 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.

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13. Human Resources Policy

Halkbank's Human Rights and Human Resources Policy featured in the Human Rights Directive is the basis for the determination and implementation of the Human Resources Policy.

The Human Rights and Human Resources Policy was published on the corporate web site and thus disclosed to shareholders (https://www.halkbank.com.tr/yatirimci-iliskileri/images/channels/politikalar/hum_rig_hum_res.pdf).

The Bank and the trade union Öz-Finans İş had reached the II. Period Collective Agreement covering the period between January 01, 2017-December 31, 2018 was signed in December 2016. Trade unions have workplace representatives which charged with managing relations with the 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.

Halkbank's "Code of Ethics" is a supplement to the job contract and an integral part of the Human Resources Directive. The Code of Ethics features detailed information on a range of issues-such as the principle of equality, confidentiality of customer information, conflict of interest, non-business activities, responsibilities of managers, and acceptance of gifts and personal benefits. The Code of Ethics is divided into chapters entitled Customer Relations, Competition, Protection and Confidentiality of Information, Employee Responsibilities, Offers and Gifts, Responsibilities to Employees, and Anti-Corruption Policy.

The Code of Ethics was disclosed to the general public via the Bank's web site.

With its social responsibility mission and high awareness of duty; Halkbank developed its corporate social responsibility activities within the framework of sustainability, social economic and environmental factors, and continued to add value to social and cultural structure of the country offering its experience in these fields to society's service.

With its 79-year track record of success in the banking industry, Halkbank has established itself as one of the most important supporters of SMEs and the real economy. In line with its mission of supporting entrepreneurs and in keeping with its social responsibility awareness, the Bank offers the necessary financial support to entrepreneurs through the Young, Bold, Master and Inventor Entrepreneur Loans-customized according to criteria such as education, age and business experience. The aim is to boost employment, support entrepreneurs in establishing new businesses, and encourage youth to actively participate in the economy. In addition, the Bank gave support to various social responsibility projects in fields such as education and culture. Additionally, Halkbank continued to provide zero-interest loans and other financing support to entrepreneurs who has been certified as a master as per the Apprenticeship and Vocational Training Act No. 3308 for at least three years as of the date of the loan application, and to young tradesmen and craftsmen entrepreneurs who have completed the KOSGEB Entrepreneurship Support Program and were below the age of 30 on the date of the application. The corporate social responsibility projects the Bank undertook during the year include:



- Main Sponsorship of 28th Ankara International Film Festival (for the eighth time)
- Second World Technology and Innovation Conference Sponsorship,
- Low Carbon Summit Sponsorship,
- Gazi University Africa and Mediterranean Basin Countries Documentary Film Production Sponsorship,
- Atlantic Council Energy and Economy Conference Sponsorship,
- "Safety and Child's Journal" Book Sponsorship,
- 30th Ahi Week Sponsorship,
- "Keşif Çanakkale" Film Sponsorship,
- "Mehmetçik Kut'ül Amare" TV Series Sponsorship,

The Bank sponsored the Tradesmen and Craftsmen of Turkey Meeting organized by the Ministry of Customs and Trade in Istanbul.

Halkbank was a sponsor for the Bonds, Loans & Sukuk Turkey 2017, organized by Global Financial Conferences as Turkey's only international capital markets congress, as well as for the Middle East 2017 and the Middle East Meets Asia 2017 congresses.

Halkbank continued to serve its SME website (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 covering a wide variety of subjects including ones that are most heavily demanded by SMEs such as entrepreneurship, investment advisory, incentives, grants and supports, financial management, tax, labor law, law on obligations, foreign trade, retirement, insurance, and institutionalization. In addition to these services, the Bank sees support for entrepreneurship as a social responsibility project and supports entrepreneurs via credit facilities and training programs. Entrepreneurs can access the e-learning modules on the Halkbank SME Development Platform to solidify their personal and professional development, and to increase the performance and service quality of their businesses in such areas as entrepreneurship, finance, law, quality, efficiency, leadership and international trade. The entire set of training programs is free of charge and available online for SMEs to access them from any location, at any time they choose.

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 125 locations and customers with physical disabilities at 156 service points throughout the country, At 57 locations 340 ATMs in total for both visually or physically impaired customers whether they are Halkbank customers or not.

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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
Recep Süleyman ÖZDİL	Chairman	August 28, 2015		Continuing	
Sadık TILTAK	Vice Chairman Independent Board Member	April 1, 2014	April 1, 2014	Continuing	Audit Committee-Chairman Credit Committee-Member
Osman ARSLAN	Board Member and General Manager	June 8, 2017		Continuing	Credit Committee-Chairman Asset/ Liability Committee-Chairman
Yunus KARAN	Board Member	April 1, 2014		Continuing	Sustainability Committee Vice Chairman, Credit Committee Member
Cenap AŞCI	Board Member	March 31, 2016		Continuing	Corporate Governance Committee- Member
Yahya BAYRAKTAR	Independent Board Member	March 31, 2016	March 31, 2016	Continuing	Sustainability Committee-Chairman Corporate Governance Committee- Member/Audit Committee-Member
Maksut SERİM	Board Member	June 8, 2017		Continuing	Remuneration Committee Member
Meltem TAYLAN AYDIN	Board Member	June 8, 2017		Continuing	Remuneration Committee Member
Mehmet Nihat ÖMEROĞLU	Independent Board Member	June 8, 2017		Continuing	Corporate Governance Committee Member
Faruk ÖZÇELİK	Member of the Supervisory Board	March 29, 2016		Continuing	
Yılmaz ÇOLAK	Audit Committee Member	June 8, 2017		Continuing	

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



The Members of the Board of Directors are elected for three-year terms. 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 website 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.

In 2017, there was no breach of independence of the Independent Members of the Board of Directors.

There are no female members in the Board of Directors. There is no policy specifying a target ratio – that must be no less than twenty five percent – and time for female members to be in the Board of Directors. However, our Bank does not have any regulation that prevents our shareholders from electing a female member to the Board of Directors.

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.

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.

In 2017, 41 Board of Directors Meetings were organized. The percentage of Members attending the Board of Directors Meetings is 98.91%.

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. 34-33 dated August 12, 2014. 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.

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Halkbank practices the 396th Article of the Turkish Code of Commerce that stipulates competition ban as well as the relevant provisions of the Banking Law. In 2017, Members of the Board of Directors did not make any transactions with the Bank, which would be breaching this scope. The Bank has an employers' liability insurance, with an upper limit of EUR 65 million, which covers the Top Management's personal responsibilities and the faults they may make while carrying out their tasks.

17. 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, Compensation Committee and Sustainability 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.

Audit Committee was established within the Board of Directors of the Bank in order to help the Board of Directors carry out audit and monitoring activities. Audit Committee is composed of two non-executive Members of the Board of Directors. The units established within the scope of internal control, internal audit and risk management systems and the independent audit corporations submit regular reports to the Committee about the tasks they perform. In case of having issues that may have negative impacts on continuously and safely carrying out the activities of the Bank, and if there is a breach of legislation and internal regulations, Audit Committee is responsible for informing the Board of Directors about these issues.

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 Committee convened one time in 2017.

The Remuneration Committee is composed of two Members of the Board of Directors. The Committee Chairman is an Independent Member of the Board of Directors while both Members of the Board of Directors are not executive members. Remuneration Committee effectively carries out its activities within the scope of monitoring, auditing and reporting the remuneration practices on behalf of the Board of Directors.

Corporate Governance Committee was established in order to; i) monitor Bank's compliance with the Corporate Governance Principles within the framework of Banking Regulation and Supervision Agency ("BDDK") and CMB's Corporate Governance Principles regulations, ii) make sure improving activities are carried out in this issue, and iii) advise the Board of Directors. Corporate Governance Committee also nominates the Independent Members of the Board of Directors to be elected for the Board of Directors.

Corporate Governance Committee is composed of 3 Members of the Board of Directors, 3 Assistant General Managers and 2 Unit Directors. Corporate Governance Committee Chairman is an Independent Member of the Board of Directors.

The mandatory Article numbered 4.5.1 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 2017. As per Article numbered 4.3.2.3 of the Management Internal Regulations dated August 12, 2014, the Bank delegated the functions of Nomination Committee to the Corporate Governance Committee in compliance with the regulatory provisions of the Capital Markets Board and Banking Regulation and Supervision Agency. Committee convened 4 times in 2017.

Sustainability Committee was established under the Board of Directors in order to coordinate Bank's activities in sustainability.



Sustainability Committee is composed of 1 Independent Member of the Board of Directors, 1 Member of Board of Directors, 4 Assistant General Managers, and 6 Unit Directors. Committee's Chairman is an Independent Member of the Board of Directors and Vice Chairman is a Member of Board of Directors. Committee convened 4 times in 2017.

Meetings of the Committees of the Board of Directors are recorded in writing. Board of Directors provides all means and support necessary for the efficiency of the activities of the Committees.

Committees' members are determined by the Board of Directors. Detailed information about Committees structure, tasks and functioning is available in the Annual Report and on the website.

Considering the number of the Members of the Board of Directors of the Bank, a Member of the Board of Director can assume tasks in more than one 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.29057 dated July 11,204) 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 under Internal Systems Vice Chairman 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. Audit Committee's evaluation report is available in the Annual Report.

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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 website.

The Bank's annual budget and strategic plan are approved by the Board of Directors. Target achievement reports are biweekly tracked by the Board of Directors. Bank top management, periodically organizes performance meetings with branch and region managers in order to evaluate target achievement. Furthermore, in addition to the presentations made to the Board of Directors, financial statements and indicators regarding target achievement are daily available via technological infrastructure system.

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 2017, gross TRY 8.9 million payment was made to the Members of the Board of Directors and to the Senior Executive Managers of the Bank. On the other hand, taking the banking sector practices into account; remuneration and all other benefits granted to the Members of the Board of Directors and to the managers who have administrative responsibilities are not announced on individual basis. The Remuneration Policy was created regarding the wage criteria of the Bank employees and published on the Bank's website after being submitted for the approval of the shareholders in the General Assembly. There is no detailed explanation in the Remuneration Policy about how the wage basis of the Members of the Board of Directors will be calculated. The remunerations of the Members of the Board of Directors are determined by the General Assembly. Within the limits in the Banking Law, it has been provided to use credit for the Board of Directors. Remunerations and all benefits given to the Members of the Board of Directors and Executives are publicly announced in the Annual Report and on the website.