



Corporate Governance Compliance Rating Report

Şekerbank 

Şekerbank T.A.Ş.

25th January 2017

Validity Period 25.01.2017-25.01.2018

LIMITATIONS

This Corporate Governance Rating Report, issued by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. for Şekerbank T.A.Ş. is compiled;

in accordance with the criteria stated in CMB's Corporate Governance Communiqué, no II-17.1, published in the Official Gazette edition 28871 on 03.01.2014; as well as the CMB's board decision taken at the Board meeting on 01.02.2013, no 4 / 105.

The criteria, established for the companies whose shares are traded at BIST, are organized separately as First Group, Second Group and Third Group companies and investment partnerships, taking into consideration the group distinctions stated by CMB's Corporate Governance Principles in Item 2 - Article 5 of directive no II-17.1.

The Rating Report issued by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. is based on 60 copies of documents, data and files transmitted by the concerned firm electronically, including data open to general public and examinations made by our rating experts on site.

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Although rating is an assessment based on numerous data, it is consequently the institutional opinion of Kobirate International Credit Rating and Corporate Governance Services Inc. formed accordingly to the methodology disclosed.

The rating grade does not constitute a recommendation to purchase, to hold or to dispose any kind of borrowing instrument. KOBIRATE Inc. may not be held liable for any losses incurred or investments made to the company referring to this report.

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ŞEKERBANK T.A.Ş.

CMB CORPORATE GOVERNANCE
PRINCIPLES COMPLIANCE GRADE

BIST SECOND GROUP COMPANY

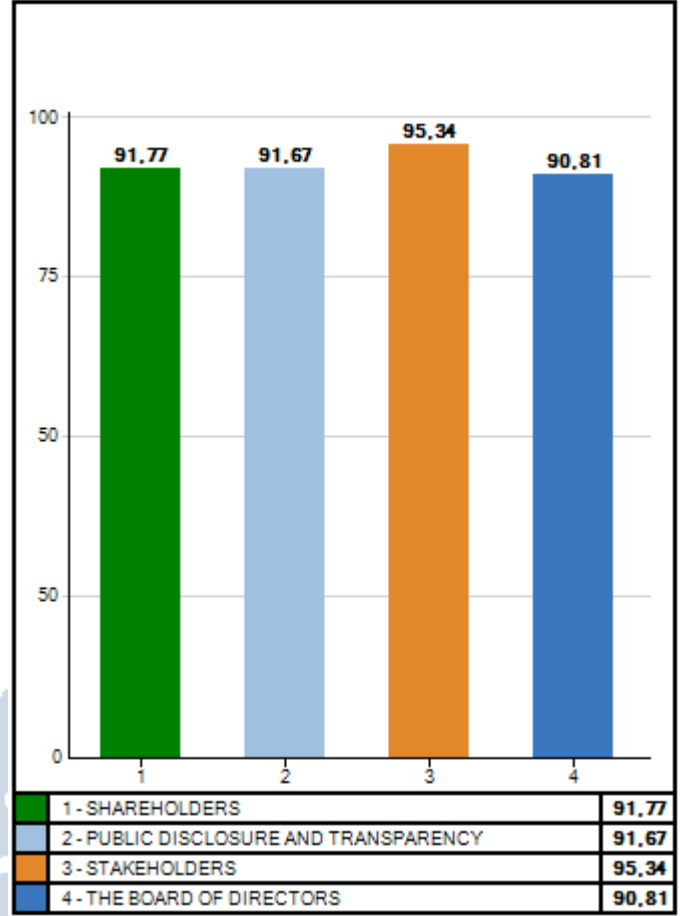
9.19

Kobirate Uluslararası Kredi Derecelendirme
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1. THIRD PERIOD REVISED RATING RESULT

The process of rating of compliance of **Şekerbank T.A.Ş.** with the Corporate Governance Principles has been concluded in accordance with the Corporate Governance Compliance Rating Methodology developed by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş., through examination of documents at bank's headquarters, interviews held with executives and persons involved, information open to public and of other reviews. Methodology and evaluation process has been based on Capital Markets Board's (CMB) Corporate Governance Principles Communiqué no II-17.1 published in the Official Gazette edition 28871 on 03.01.2014.

According to CMB Bulletin dated 06.01.2017 and numbered 1 / 23, Şekerbank T.A.Ş is on BİST 2nd Group Companies list. The Bank has been evaluated by examination of 463 criteria, as described in the methodology of Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. at the end of the examination process under the main headings of Shareholders, Public Disclosure and Transparency, the Stakeholders and the Board of Directors, the Corporate Governance Compliance Rating Grade of Şekerbank T.A.Ş. has been determined as **9,19**.

This result signifies that the Bank has largely achieved compliance with the CMB's Corporate Governance Principles. Internal control systems have been established and working. Possible risks for the Bank have been determined and being kept under control. Public Disclosure and Transparency activities are at a high level. Rights of shareholders and stakeholders are being treated fairly. The structure and mode of operation of Board of Directors are in compliance with corporate governance principles to a large extent. The result shows that Şekerbank highly deserves to be included in the BIST Corporate Governance Index.

▪ At the section of Shareholders, it is seen that Şekerbank T.A.Ş has achieved a grade of **91.77**.

In this subsection, the Bank continues its activities in a stable fashion and in compliance with corporate governance principles.

Relations with shareholders are being conducted through the Financial Control, Subsidiaries and Shareholders Group and Investor Relations and Structured Finance Department. Investor Relations Department operates under Selim Güray ÇELİK, Executive Vice President for Financial Control, Reporting, Budget and Performance Management. Selim Güray ÇELİK has also been appointed as a member of Corporate Governance Committee and the appointment was disclosed to public with a Material Event Disclosure dated 12.12.2014. Sibel KIRMIZILAR was appointed as the Manager Responsible for Investor Relations Department on 05.08.2015 and the appointment was disclosed with a Material Event Disclosure dated 06.08.2015.

Names of the staff working in these Departments are below:

Financial Control, Subsidiaries and Shareholders Group:

Orhan ULUYOL Group Head

Sibel KIRMIZILAR Manager
Özcan DEMİR Manager

Investor Relations and Structured Finance Department:

Gülfer TUNCAY Group Head
Oya SARI Vice President
Anıl ÇALIM Assistant Specialist

There is no regulation or practice of cancelling or restricting shareholders' right to obtain and examine information imposed by the Articles of Association and/or a decision by the Company. Disclosures for shareholders and public are conducted in accordance with the Company's "Disclosure Policy". The policy can be accessed on the corporate website.

Ordinary General Assembly Meeting for activities of 2015 was held on 30.03.2016. Invitation to the meeting was made properly through Turkish Trade Registry Gazette dated 04.03.2016 and numbered 9025, Public Disclosure Platform on 26.02.2016, and MKK e – general assembly system and Company's corporate website.

Information document about the items of General Assembly's agenda was prepared and published with the invitation. Information about Bank's shareholding structure, financial statements, dividend distribution proposal of the Board of Directors and form of voting by proxy were also prepared alongside the information document.

The Bank earned a profit of TRY 102,648,579.42 through its activities in 2015 according to financial statements. There was no distribution of dividend in accordance with the decision that Board of Directors took at its meeting on 26.02.2016. The earned profit use is explained in our report in the section titled, "*ii. Dividend Distribution*".

▪ The Bank has achieved a grade of **91.67** in the section of Public Disclosure and Transparency.

Responsible persons with the authority to sign disclosure statements are: Financial Control, Subsidiaries and Shareholders Group Head Orhan ULUYOL, Financial Control, Subsidiaries and Shareholders Group Manager Sibel KIRMIZILAR, Financial Control, Subsidiaries and Shareholders Group Manager Özcan DEMİR and Financial Control, Subsidiaries and Shareholders Group Manager Ahu ALÇIÇEK. These officials are assigned with the task of monitoring and watching all developments related to public disclosure.

Public disclosure activities are conducted in accordance with the disclosure policy, which has been approved by the general assembly and disclosed to the public.

Bank's corporate website and annual reports are in compliance with the criteria specified in the Principles and they are being used as effective means for public disclosure.

▪ In the section of Stakeholders Şekerbank has received the grade of **95.34**.

The Bank continues its activities in a stable fashion.

The stakeholders are adequately informed on Bank policies and procedures, which are related to the protection of their rights through use of the corporate website. There is a comprehensive policy stipulating the measures to be taken to avoid the conflicts of interest among stakeholders and its resolving mechanism. "The Conflict of Interest Policy" is disclosed to the public through the Bank's corporate website.

The Bank has a comprehensive and up-to-date Human Resources Regulation. Procedures on work conditions, employee files, disciplinary practices, authorities and responsibilities of employees, remuneration, health and leave rights, promotions, task

alterations and dismissals, death, resignation, retirement and training have been developed. The Bank operates in compliance with these procedures.

The compensation system to employees is based on the set performance and reward criteria, which have been also disclosed to the employees.

Union of Bank and Insurance Workers (BASISEN) is organized in the Bank. Its members are referred to as Covered Personnel and they are represented at least by one member at each office.

Şekerbank has determined its strategy for sustainable development. Its annual Sustainability Report and Corporate Social Responsibility projects are disclosed in the corporate website and annual reports.

▪ In the section of Board of Directors, Şekerbank has achieved the grade of **90.81**.

The Board of Directors continues its activities in the field of corporate governance. During the monitoring period it has been observed that the Board of Directors cooperated with the management in the process of strengthening the corporate governance principles of the Bank and there is an effective co-operation.

Through face-to-face meetings with managers from different departments and examination of the Board of Directors and the Committees meeting minutes, it has been noticed that the Board of Directors and Committees continue their activities regularly.

The Bank's Board of Directors has set Bank's vision and mission and disclosed them to the public. The Board of Directors has also set principal strategies for Bank's continuing operations. It is our opinion that the Board of Directors has been leading the Company in setting the corporate values and ethical rules on behalf of the top management and other employees.

The Chairman of the Board of Directors and the General Manager positions are held by different individuals in compliance with the Article 23 of the Banking Law, no 5411.

The Board of Directors comprises of 12 (twelve) members. 5 (five) of them are executive and 7 (seven) are non – executive. 3 (three) of non – executive members are independent, meeting the independence criteria set by the Corporate Governance Principles.

Audit, Corporate Governance and Remuneration Committees, which are referred by the Principles, have been formed. A Separate Nomination Committee hasn't been established due to the structure of the Board of Directors. Duties of this committee are carried out by the Corporate Governance Committee. On the other hand, in line with the requirements of the banking sector, the Credit Committee has been established.

The "Early Detection and Management of Risk Committee", which comprised of the Bank's top management and chaired by the Board Member, responsible for the Internal Systems, has been functioning in the previous years. However, it has been abolished based on the Board of Directors decision No 142 dated 18.05.2016. Activities of that committee are carried out by the Audit Committee.

Responsibility areas, working principles and membership structures for committees have been stated in the written documents and approved by the Board of Directors the documents are disclosed to public and published in the Company's corporate website. In compliance with Article 24 of the Banking Law No 5411, the Audit Committee comprises 2 (two) non – executive Board Members.

The Chairman of the Corporate Governance Committee is not an Independent Board Member and he has no executive duties. CEO / General Manager has not been assigned any tasks at the committees.

The Board of Directors held 28 (twentyeight) meetings in 2016.

The Audit Committee held 3 (three) meetings in 2016 and reported to the Board of Directors 8 (eight) times.

The Corporate Governance Committee held 4 (four) meetings in 2016 and reported to the Board of Directors once a year. The Committee also prepared a detailed report on its own and Investor Relations Department's activities and presented it to the Board of Directors.

In the same period, the Remuneration Committee held 2 (two) meetings and twice reported its proposals to the Board of Directors.

Guidelines on compensation of the Board of Directors and top executives have been determined and disclosed to public through corporate website.

In accordance with Article 4.2.8 of CMB Corporate Governance Communiqué, dated 01.03.2014, No II-17-1, in line with the "Director Liability Insurance Policy" the Board Members and Top Executives are insured for USD 25 million annual cover, in case the company incur losses due to the their fault while performing their duties and the amount of such loss exceeds two times the paid-in-capital. Material Event Disclosure has not been made on this subject.

There are no women Members in the Board of Directors. However, there is the statement of the Board of Directors, which states: "Bank's Board of Directors presented its opinion to main shareholders that taking that shortness into consideration the Bank should to set a target of appointing one female director to the Board of Directors till 2019 year with the principle intention of increasing the number of female directors in the following years." Taking the issues of diversity and gender into consideration, on 27.11.2014 the Board of Directors approved amendments to the Corporate Governance Committee Regulation, according to which

Committee's nomination processes has been reviewed. The Corporate Governance Regulation provides that every three year the Board sets measurable objectives with a view to progressing towards a balanced representation of women at the Board and performance against these objectives is reviewed every three year by the Corporate Governance Committee.

The Board of Directors regularly conducts self assessments of its performance. The self assessment for 2015 was finalized on 29.03.2016.



2. BANK'S PROFILE AND CHANGES WITHIN LAST YEAR

A. Bank's Profile:



Company Name	: Şekerbank Türk Anonim Şirketi
Company Address	: Emniyet Evleri Mah. Eski Büyükdere Cad. No: 1/1A 34415 Kağıthane - İstanbul
Company Phone	: (0212) 3197000
Company Facsimile	: (0212) 3197429
Company's Web Address	: www.sekerbank.com.tr
Date of Incorporation	: 06/10/1953
Registered Number	: 563973
Paid in Capital	: TRY 1.158.000.000.
Line of Business	: Banking
Company's Sector	: Banking

Rating issues related Company's Representative:

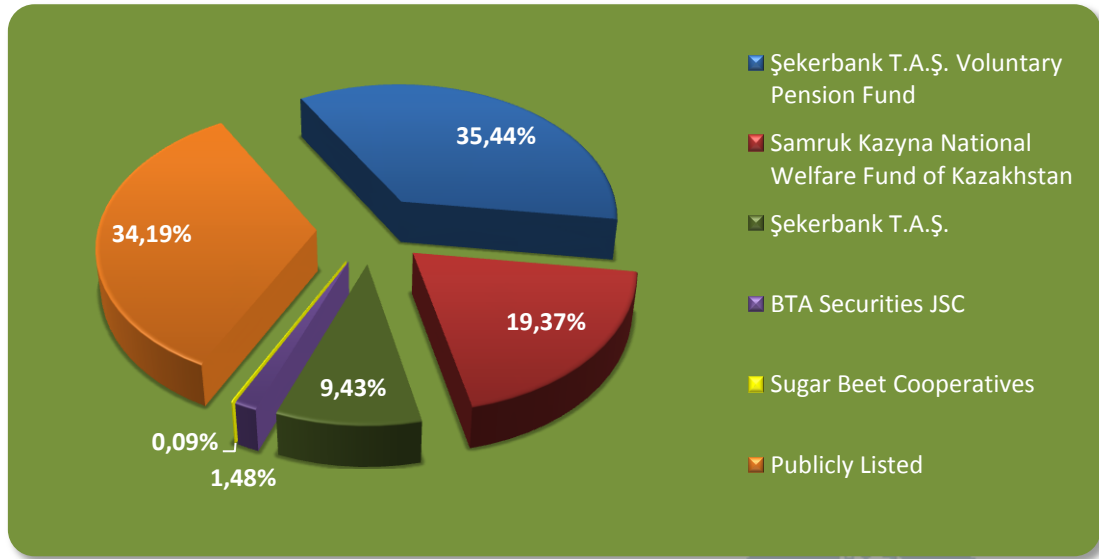
Sibel KIRMIZILAR

Financial Control, Subsidiaries and Shareholders Group Manager and
Manager Responsible for Investor Relations

Sibel.Kirmizilar@sekerbank.com.tr

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Şekerbank T.A.Ş Shareholder Structure



Source: www.sekerbank.com.tr

Shareholder Name	Share (TL)	Share (%)
Şekerbank T.A.Ş. Voluntary Pension Fund	410.388.833,70	35,44
Samruk Kazyna National Welfare Fund of Kazakhstan	224.353.416,50	19,37
Şekerbank T.A.Ş.	109.211.666,24	9,43
BTA Securities JSC	17.083.367,22	1,48
Sugar Beet Cooperatives	1.009.312,08	0,09
Publicly Listed	395.953.404,25	34,19
Total	1.158.000.000,00	100,00

Source: www.sekerbank.com.tr

Şekerbank T.A.Ş Board of Directors

Name/ Surname	Title	Executive / Non - Executive
Dr. Hasan Basri GÖKTAN	Chairman of the Board of Directors-Executive Member	Executive
Viktor ROMANYUK	Vice Chairman of the Board of Directors	Independent
Servet TAZE	Member of the Board of Directors and General Manager	Executive
Erdal BATMAZ	Member of the Board of Directors –Executive Member	Executive
Emin ERDEM	Member of the Board of Directors-Executive Member	Executive
Halil Can YEŞİLADA	Member of the Board of Directors	Non-Executive
Üzeyir BAYSAL	Member of the Board of Directors	Independent
Khosrow Kashani ZAMANI	Member of the Board of Directors	Non-Executive
Nariman ZHARKINBAYEV	Member of the Board of Directors –Executive Member	Executive
Murat ISHMUKHAMEDOV	Member of the Board of Directors	Independent
Zhanibek SAURBEK	Member of the Board of Directors	Non-Executive
Halit YILDIZ	Member of the Board of Directors	Non-Executive

Source: www.kap.gov.tr

Şekerbank T.A.Ş Senior Management

Name/ Surname	Title
Servet TAZE	Member of the Board of Directors and General Manager
Salih Zeki ÖNDER	Executive Vice President-Financial Institutions
Aybala ŞİMŞEK	Executive Vice President-Strategy and Corporate Communication
Murat SABAZ	Executive Vice President-SME and Agricultural Banking Marketing
Gökhan ERTÜRK	Executive Vice President-Retail Banking Marketing
Aytay Tolga ŞENEFE	Executive Vice President-Treasury
Hakan EKEN	Executive Vice President-Credit Management
Ali Güray DEMİR	Executive Vice President- Credit Monitoring and Administrative Follow-Up
Nihat BÜYÜKBOZKOYUN	Executive Vice President-Operations
Selim Güray ÇELİK	Executive Vice President-Financial Control, Reporting, Budget, Performance Management
Fatin Rüştü KARAKAŞ	Executive Vice President-Audit
Umut ÜLBEGİ	Executive Vice President-Corporate and Commercial Banking Marketing

Source: www.sekerbank.com.tr

Board of Directors Committees

Audit Committee

Name/ Surname	Job	Independent/Non-Executive/Executive
Viktor ROMANYUK	Member	Independent Board Member
Murat Ishmukhamedov	Member	Independent Board Member

Source: www.kap.gov.tr

Corporate Governance Committee

Name/ Surname	Job	Independent/Non-Executive/Executive
Khosrow Kashani ZAMANI	Acting Chairman	Board Member-Non-Executive
Dr. Hasan Basri GÖKTAN	Member	Chairman of the Board-Executive
Halil Can YEŞİLADA	Member	Board Member-Non-Executive
Murat ISHUKHAMEDOV	Member	Independent Board Member
Selim Güray ÇELİK	Member	Executive Vice President

Source: www.kap.gov.tr

Remuneration Committee

Name/ Surname	Job	Independent/Non-Executive/Executive
Üzeyir BAYSAL	Member	Independent Board Member
Dr. Hasan Basri GÖKTAN	Member	Chairman of the Board-Executive
Viktor ROMANYUK	Member	Independent Board Member

Source: www.kap.gov.tr

Credit Committee

Name/ Surname	Job	Independent/Non-Executive/Executive
Dr. Hasan Basri GÖKTAN	Member	Chairman of the Board of Directors-Executive
Servet TAZE	Member	Board Member and General Manager
Emin Erdem	Member	Member of Board-Executive
Nariman ZHARKINBAYEV	Member	Member of Board-Executive

Source: www.kap.gov.tr

Investor Relations Department

Name Surname	Title	Contact
Selim Güray ÇELİK	Executive Vice President - Financial Control, Budget, Performance Management	(0) 212 319 7360 SelimGuray.Celik@sekerbank.com
Orhan ULUYOL	Group Head/Financial Control. Budget and Reporting	(0)212 319 7690 Orhan.Uluyol@sekerbank.com.tr
Sibel KIRMIZILAR	Manager Responsible for Investor Relations	(0)212 319 7104 Sibel.Kirmizilar@sekerbank.com.tr
Özcan DEMİR	Manager/ Financial control. Budget and Reporting	(0)212 319 7378 Ozcan.Demir@sekerbank.com.tr
Gülfer TUNCAY	Group Head / Financial Institutions	(0)212 319 7155 Gulfer.Tuncay@sekerbank.com.tr
Oya SARI	Vice President/ Investor Relations and Structured Finance	(0)212 319 7158 Oya.Sari@sekerbank.com.tr
Anil ÇALIM	Assistant Specialist/ Investor Relations and Structured Finance Manager	0(212) 319 7157 Anil.Calim@sekerbank.com.tr

Kaynak: www.kap.gov.tr

Balance-Sheet Comparison of Bank's Certain Selected Items for 3rd Quarters of last two years

Consolidated, passed Limited Audit	2015/09 (000 TL)	2016/09 (000 TL)	Change %
Total Assets	23,776,650	22,846,053	-3.91
Equity	2,425,816	2,444,877	0.78
Total Credits	16,506,359	16,260,658	-1.49
Total Deposits	14,908,844	14,842,666	-0.44
Paid in Capital	1,158,000	1,158,000	-

Source: www.sekerbank.com.tr

The Market Where the Capital Market Instrument is Traded and the Indexes that the Company is Included

- OUTRIGHT PURCHASES AND SALES MARKET-(AMONG QUALIFIED INVESTORS) / STAR MARKET
- BIST BANK / -BIST CORPORATE GOVERNANCE / -BIST FINANCIAL / -BIST ALL / -BIST ALL-100 / -BIST STAR

**The Bottom and Peak Closing Values of Company's Shares traded on the BIST
(15/01/2016-15/01/2017)**

<i>Bottom (TL)</i>	<i>Peak (TL)</i>
1,07.- (01.12.2016)	1,76.- (22.03.2016)

Source: www.sekerbank.com.tr

**Information on Subsidiaries, Financial Fixed Assets and Financial Investments
(As of 01.01.2017)**

<i>Commercial Title</i>	<i>Business Line</i>	<i>Paid/Issued Capital</i>	<i>Company's Share in Capital</i>	<i>Currency</i>	<i>Company's Share in Capital (%)</i>	<i>Nature of Relations with Company</i>
Şeker Yat. Men. Değ. A.Ş.	Capital Market Intermediary Services	30.000.000	29.711.995	TL	99,04	Subsidiary
Şeker Fin. Kiralama A.Ş.	Financial Leasing	45.000.000	24.357.739,19	TL	54,13	Subsidiary
Şeker Fak. A.Ş.	Factoring	50.000.000	49.999.966,65	TL	99,99	Subsidiary
Şeker Finansman A.Ş.	Finance	26.000.000	16.199.996,10	TL	62,31	Subsidiary
Şekerbank Kıbrıs Ltd.	Banking	21.550.000	20.712.402,90	TL	96,11	Subsidiary
Şekerbank International Banking Unit Ltd.	Off Shore Banking	5.000.000	4.789.700	USD	95,79	Subsidiary
Zahlungsdienste GmbH Der Şekerbank T.A.Ş.	Finance	250.000	250.000	EUR	100	Subsidiary

Source: www.kap.gov.tr

B. Changes Within Last Year:

i. Capital, Shareholder Structure and Articles of Association Changes:

• The Bank repurchased 9.43 % of Şekerbank shares for TRY 175 million. These shares have been seized because of a disputed credit relationship between Vakıfbank and a company owned by the former partners of BTA Bank (former indirect shareholder of Şekerbank T.A.Ş.). Disclosures on this subject were made through Public Disclosure Platform Statements on 05.04.2016, 28.04.2016 and 29.04.2016. As a result of this transaction Şekerbank owned 9.43 %, while the share of BTA Securities JSC decreased from 10.91 % to 1.48 %.

• During the same period, the Article 6 of the Bank's Articles of Association, titled "Head Office and Branches", has been revised and the address of the Bank's head office has been changed as "Emniyet Evleri Mah. Eski Büyükdere Caddesi, No: 1 / 1A 34415 Kağıthane / İstanbul". The change was discussed at the general assembly meeting on 30.03.2016 as 8th item of the agenda and it was approved.

ii. Dividend Distribution:

Şekerbank earned TRY 102,648,579.42 as a result of its activities in 2015.

The Board of Directors took the following decision at its meeting on 26.02.2016 on the distribution of net period profit of 2015;

"Under the provisions of our Bank's Articles of Association and articles of the Turkish Commercial Law, it was decided at the Board of Directors meeting on 26.02.2016, that the Bank's profit, which is TRY 102,648,579.42 according to the independent audited financial statements for 2015 year would be distributed as follows;

- TRY 5,132,428.97 (5 %) to be transferred into legal reserves,
- TRY 29,868,632.53 to be transferred into special funds account in accordance with the Article 5, Item 1 and Paragraph (e) of the Corporate Tax Law No 5520,
- TRY 67,647,517.92, which is the remaining amount after transfers to legal reserves and special funds, to be transferred into Extraordinary Reserves,

It was also decided that TRY 2,649,005.65 out of previous year's profit of TRY 3,965,122.20, to be transferred into special funds account within the scope of the Article 5, Item 1 and Paragraph (e) of the Corporate Tax Law No 5520 and remaining TRY 1,316,116.55 to be transferred into Extraordinary Reserves."

This suggestion of the Board of Directors not to distribute dividends was discussed at the general assembly meeting on 30.03.2016 as 6th Item of the agenda and it was approved.

iii. Policies:

No changes took place in Bank's policies during the rating period.

iv. Management and Organization:

It has been learned that there were no significant changes in the Bank's organization during the period of rating. Developments about top management are listed chronologically below:

Public Disclosure Platform (PDP) statement dated 03.02.2016;

Executive Vice Presidents Mr. Nejat BİLGİNER and Mr. Feyza ÖNEN resigned their jobs and Mr. Ramazan KARADEMİR retired as of 01.02.2016.

PDP statement dated 08.02.2016;

Mr. Servet TAZE was appointed as Bank's General Manager and General Mr. Halit Haydar YILDIZ was appointed as Board Member, filling an empty Membership seat.

PDP statement dated 08.03.2016;

Executive Vice President Mr. Çetin AYDIN retired from his post as of 07.03.2016.

PDP statement dated 05.04.2016;

Board Member Mr. Daniyar AMANOV resigned as of 01 Nisan 2016 and he was replaced by Mr. Zhanibek SAURBEK. Mr. Mehmet Murat SABAZ and Ms. Ayşe Aybala ŞİMŞEK have been appointed as Executive Vice Presidents.

PDP statement dated 18.05.2016;

Mr. Aytay Tolga ŞENEFE was appointed as Executive Vice President with Board of Directors decision dated 18.05.2016, No 147.

PDP statement dated 30.06.2016;

Bank's Corporate and Commercial Banking Marketing Department Manager Mr. Umut ÜLBEGİ was appointed as Executive Vice President with Board of Directors decision dated 30.06.2016, No 184.

PDP statement dated 02.08.2016;

Executive Vice President Mr. Orhan KARAKAŞ retired as of 31.07.2016 and left his job at the Bank.

PDP statement dated 13.12.2016;

Mr. Ahmet Hakan EKEN was appointed as Executive Vice President with Board of Directors decision dated 12.12.2016, No 430.

PDP statement dated 26.12.2016;

Executive Vice President Mr. Ahmet İLERİGELEN quitted his job as of 16.12.2016.

3. RATING METHODOLOGY

The Corporate Governance Compliance Rating is a system which audits whether or not the firm's management structures and management styles, the arrangements for shareholders and stakeholders and the process of informing in transparency and accuracy are performed in accordance with the modern corporate governance principles and which assigns a grade corresponding to the existing situation.

Organization for Economic Co-operation and Development (OECD) established a working group in 1998 in order to assess member countries' opinions on corporate governance and to prepare some non – binding principles.

The fact that principles are open to change in time was also accepted at this work. Although at first these principles were focused on the companies whose shares were quoted in stock exchange, it was emphasized by OECD that it would be also useful to implement these principles in public enterprises and companies whose shares were not quoted in stock exchange.

In 1999, OECD Corporate Governance Principles were approved at the OECD Meeting of Ministers and published. Since then, these principles have been regarded as international references for the decision – makers, investors, shareholders, companies and stakeholders throughout the world.

Since their approval, these principles kept the concept of corporate governance on the agenda and became guidelines for the laws and regulations in OECD members, as well as other countries.

There are four basic principles of corporate governance in OECD Corporate Governance Principles. These are: fairness, transparency, accountability and responsibility.

Turkey has been closely monitoring these developments. A working group, established

within TUSIAD in 2001, prepared the guide, titled, "Corporate governance: The best implementation code". Then CMB issued "Capital Market Board Corporate Governance Principles" in 2003 and updated it in 2005, 2010, 2012, 2013 and 2014, according to international developments in this field.

Obligation to comply with CMB's Corporate Governance Principles, based on the principle of "implement or disclose", and to declare it became part of companies' lives in 2004. Putting the Declaration of Compliance to Corporate Governance in the annual reports became obligatory the following year.

The principles are grouped under four main headings namely: the Shareholders, Public Disclosure and Transparency, Stakeholders and the Board of Directors.

The Corporate Governance Compliance Rating Methodology has been prepared by Kobirate A.Ş. for companies whose shares are traded on BIST, banks, investment partnerships and non – quoted companies.

The methodology takes into consideration the criteria stated in CMB's Corporate Governance Directive, no II-17.1, dated January 3rd 2014; as well as CMB's board decisions taken at Board meeting on 01.02.2013, no 4 / 105.

In this analysis, the full compliance of work flow and analysis technique with Kobirate A.Ş.'s Ethical Rules is considered.

In the process of rating, **463** different criteria are considered to measure the compliance of BIST Second Group Companies with the corporate governance principles. These criteria are translated into Corporate Governance Rating Question Sets through Kobirate A.S.'s unique software.

The weighting scheme for the four main sections in the new Corporate Governance Compliance Rating, determined by CMB's

memorandum dated 12.04.2013 and numbered 36231672-410.99 (KBRT)-267/3854, is applied completely by Kobirate A.Ş. The weightings are as below:

Corporate Governance Principles in the existing structure.

Shareholders 25 %

Public Disclosure and Transparency 25 %

Stakeholders 15 %

Board of Directors 35 %

CMB has sent its notification dated 19.07.2013 and numbered 36231672-410.99 (KBRT) 452, on CMB decision dated 01.02.2013 and numbered 4/105 to our company, which required adding new questions into the methodology in order to ensure that good corporate governance principles, which go beyond meeting the minimum requirements of CMB issued good corporate governance principles – bringing 85 % of full points at most – will be included in the rating grade.

The 2014/2 revised corporate governance compliance rating methodology, created by our company, is restricted if the minimum conditions of corporate governance principles – declared in CMB Communiqué of Corporate Governance published on 03.01.2014 – are met and all criteria is evaluated within same category. In this case all criteria are restricted to 85 % of the full points that the related criterion would get in that subsection. Remaining 15 % is reached by using good practices - other than those determined by Corporate Governance Principles - that are internalized by the Company that are apart from the criteria determined.

The grade to be assigned by the Corporate Governance Rating Committee to the firm ranges between 0-10. In this scale of grade, “10” points mean excellent, full compliance with CMB’s Corporate Governance Principles while grade “0” means that there is unsatisfactory compliance with CMB’s

4. KOBİRATE ULUSLARARASI KREDİ DERCELENDİRME VE KURUMSAL YÖNETİM HİZMETLERİ
A. Ş. CORPORATE GOVERNANCE RATING GRADES AND DESCRIPTIONS

GRADE	DEFINITIONS
9–10	<p>The Company achieved a substantial compliance with to the Corporate Governance Principles issued by the Capital Market Board. Internal control systems are established and are operational. Any risks to which the Company might be exposed are recognized and controlled effectively. The rights of the shareholders are impartially taken care of. The level of public disclosure and transparency are high. Interests of the stakeholders are fairly considered. The structure and the working conditions of the Board of Directors are in full compliance with the Corporate Governance Principles. The Company is eligible for inclusion in the BIST corporate governance index.</p>
7–8,9	<p>The Company complied considerably with the Corporate Governance Principles issued by the Capital Market Board. Internal control systems are in place, and operational, although some improvements are required. Potential risks, which the Company may be exposed are identified and can be managed. Benefits of the shareholders are fairly taken care of. Public Disclosure and transparency are at high levels. Interests of the stakeholders are equitably considered. Composition and operational conditions of the Board comply with the Corporate Governance Principles. Some improvements are needed in compliance with the Corporate Governance Principles even though they do not constitute serious risks. The company is eligible for inclusion in the BIST Corporate Governance Index.</p>
6–6,9	<p>The Company has moderately complied with the Corporate Governance Principles issued by the Capital Market Board. Internal Control systems at moderate level have been established and operated, however, improvement is required. Potential risks that the Company may be exposed are identified and can be managed. The interests of the shareholders are taken care of although improvement is needed. Although public disclosure and transparency are taken care of, there is need for improvement. Benefits of the stakeholders are taken care of but improvement is needed. Some improvement is required in the structure and working conditions of the Board. Under these conditions, the Company is not eligible for inclusion in the BIST Corporate Governance Index.</p>

GRADE	DEFINITIONS
4-5,9	<p>The Company has minimum compliance with the Corporate Governance Principles issued by the Capital Market Board. Internal control systems are in place at a minimum level, but are not full and efficient. Potential risks that the company is exposed to are not properly identified and are not under control. Substantial improvements are required to comply with the Corporate Governance Principles in terms of the benefits of both the shareholders and stakeholders, public disclosure, transparency, the structure and working conditions of the Board. Under the current conditions, the Company is not eligible to be listed in the BIST Corporate Governance Index.</p>
< 4	<p>The Company has failed to comply with the Corporate Governance Principles issued by the Capital Market Board. It also failed to establish its internal control systems. Potential risks that the company might be exposed are not identified and cannot be managed. The company is not responsive to the Corporate Governance Principles at all levels. There are major weaknesses in the interest of the shareholders and the stakeholders, public disclosure, transparency. Structure and working conditions of the Board appear to be at a level that might cause the investor to incur material losses.</p>