



Corporate Governance Compliance Rating Report

Şekerbank 

Şekerbank T.A.Ş.

26 January 2016

Validity Period 26.01.2016-26.01.2017

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 Directive, 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 published in the Official Gazette edition 28871 on 03.01.2014.

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.

Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. has formulated its Ethical Rules according to the Banking Act, the CMB and BRSA Directives on the Operations of Rating Companies, generally accepted ethical rules of the IOSCO and OECD including generally accepted ethical customs, which is shared with the public through its website (www.kobirate.com.tr).

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.

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ŞEKERBANK T.A.Ş.

CMB CORPORATE GOVERNANCE
PRINCIPLES COMPLIANCE GRADE

BIST SECOND GROUP COMPANY

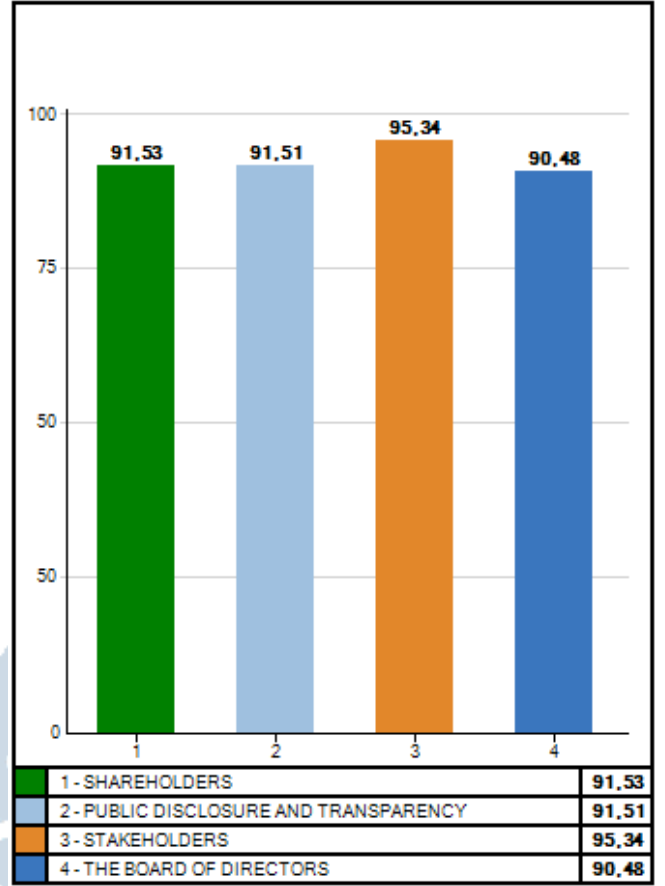
9.17

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1. SECOND PERIOD REVISED RATING RESULT

The process of rating of compliance of **Şekerbank T.A.Ş.** with the Corporate Governance Principles is 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, according to the Capital Markets Board's (CMB) Corporate Governance Principles directive no II-17.1 published in the Official Gazette edition 28871 on 03.01.2014.

According to CMB Bulletin dated 08.01.2016 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.** is determined as **9.17**.

This result signifies that the company 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 **91.53**. Developments that made it possible for the Bank to reach this grade are listed below:

- Investor Relations Department has been reorganized and its structure became compliant with Principles.

- Detailed information document was prepared about the agenda of the General Assembly before the meeting, together with other documents required by regulations.

- Dividend distribution policy was revised and presented for the approval of shareholders at the General Assembly meeting on 19.03.2015.

Relations with shareholders are being conducted through the Financial Control, Subsidiaries and Shareholders Department and Investor Relations and Structured Finance. Investor Relations Department operates under Selim Güray ÇELİK, Executive Vice President for Financial Control, Budget and Strategic Planning. Selim Güray ÇELİK has also been appointed as a member of Corporate Governance Committee and the appointment was disclosed with a Material Event Disclosure dated 12.12.2014. Sibel KIRMIZILAR was appointed as the Manager of 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 Department:

Orhan ULUYOL Senior Vice President
Sibel KIRMIZILAR Manager
Özcan DEMİR Manager

Investor Relations and Structured Finance Department:

Gülfer TUNCAY Senior Vice President
Oya SARI Vice President
İrem BULAT Specialist
Anıl ÇALIM Asistant Specialist

There is no regulation and practice at shareholders' right to obtain and review information to be cancelled or constrained by the Articles of Association and/or a decision by any corporate organ. 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 2014 was held on 19.03.2015. Invitation to the meeting was made properly through Turkish Trade Registry Gazette dated 24.02.2015 and numbered 8765, Public Disclosure Platform on 17.02.2015, and MKK e – general assembly system and Company's corporate website.

Information document about the items of General Assembly's agenda was prepared and issued with the invitation. Information about Bank's shareholder structure, financial statements, dividend distribution proposal of the Board of Directors and forms to vote by proxy were also prepared alongside with the information document.

The Bank earned a profit of TRY 223,969,065.46 through its activities in 2014 according to financial statements. There was no distribution of dividend in accordance with the decision that Board of Directors took at its meeting on 25.02.2014. The reason for not distributing dividend was explained at the General Assembly meeting to shareholders as

Item 6 of its agenda. How the profit was used is explained in our report at the section titled, **“ii. Dividend Distribution”**.

▪ The Bank has achieved a grade of **91.51** in the section of Public Disclosure and Transparency. The developments that have been effective for the Company to achieve this increase in grade are listed below:

- Disclosure Policy has been presented for the approval of General Assembly.

- Dividend Policy, Remuneration and Compensation Policies and information about the structures of Board of Directors Committees have been published on the corporate website.

- There is information on the corporate website about shareholder structure and whether or not there are real person shareholders.

- Company’s corporate website has been renewed and equipped with more information and gained more functionality.

- Within the scope of General Assembly’s permission, Annual Report includes information on Board members’ transactions with the Bank in their own name or on behalf of someone else and their activities covered by competition ban.

- Annual Report includes information on administrative or legal sanctions applied to Bank’s Directors or Board Members because of their activities in violation of regulations.

The persons who are responsible for disclosure statements and have the authority of signature are: Financial Control, Budget Reporting Group Senior Vice President Orhan ULUYOL, Financial Control, Affiliated Companies and Shareholders Group Manager Sibel KIRMIZILAR, Financial Control, Affiliated Companies and Shareholders Group Manager Özcan DEMİR and Financial Control, Affiliated Companies and Shareholders Group Manager Ahu ALÇİÇEK. These officials are assigned with the task of monitoring and watching all developments related to public disclosure.

Bank’s corporate website is updated made functional. It is thought that both corporate website and annual reports are in compliance with the criteria specified in the Principles and they are being used as effective means of disclosure.

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

The Bank continues its work in this section with the same sensitivity. Compensation policy for employees was disclosed to public through corporate website in the period of monitoring. This development was seen as the reason for grade increase.

The stakeholders are adequately informed on Bank policies and procedures to protect their rights. Corporate website is also used to this end. The policy comprising what is to be done to prevent conflicts of interest among stakeholders and what method should be applied in case there is one has been prepared in detail. “The Conflict of Interest Policy” is disclosed to public through Bank’s corporate website.

The Bank has a comprehensive and modern Human Resources Policy. Procedures on working conditions, employee files, disciplinary practices, power and responsibilities of employees, remuneration, health rights, leave rights, promotions, task alteration and dismissal, death, resignation, retirement and education have been developed and there is the tradition of sticking with these policies in practice.

Performance and reward criteria have been established and disclosed to employees; in determination of benefits provided to employees the above mentioned criteria is followed.

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 can be accessed through corporate website and annual reports.

▪ In the section of Board of Directors, Şekerbank has achieved the grade of **90.48**. Most important factors for this grade are listed below:

- "Early Detection and Management of Risk Committee has been established in order to detect reasons that might jeopardize existence, development and continuation of the Bank; to apply appropriate measures and solutions against these reasons and manage the risk, within the scope of Article 378 of Turkish Commercial Law. Under the chair of Internal Systems Director, the Committee comprises Vice Presidents for Internal Control and Risk Management, Internal Audit, Financial Control Budget and Strategic Planning, Corporate and Commercial Loan Management and Monitoring.

- Board of Directors continues to develop its activities in the field of corporate governance. During the monitoring period it has been observed that the Board of Directors participated to the processes with directors and maintained an efficient cooperation with them.

Through face to face meetings with managers / directors at different departments and examination of Committees' Decision Books, it has been determined that the Board of Directors and Committees continue their activities regularly.

Bank's Board of Directors has determined Bank's vision and mission and disclosed them to public. The Board of Directors has also determined guiding strategies for Bank's continued operations. It is our opinion that the Board of Directors has been pioneering in determining corporate values and ethical rules in the name of top management and other employees.

Posts of Chairman of the Board of Directors and the General Manager are hold by different individuals in compliance with the Article 23th of the Banking Law, no 5411.

Board of Directors comprises 11 (eleven) members. 5 (five) of them are executive and 6 (six) are non – executive. 3 (three) of non – executive members are independent, satisfying the independence criteria laid down by Corporate Governance Principles.

Audit Committee, Corporate Governance Committee, Early Detection and Management of Risk Committee and Remuneration Committee, which are referred to in the Principles, are formed. A Separate Nomination Committee hasn't been established because of the Board of Directors' structure. Duties of this committee are carried out by Corporate Governance Committee. Due to the sector that the Bank is active in, Credit Committee has also been established.

Working rules, duties and membership structures for all three committees have been prepared in written documents, approved by Board of Directors, disclosed to public and published on the Company's corporate website. In compliance with Article 24 of the Banking Law No 5411, Audit Committee comprises 2 (two) non – executive Board Members.

The Chairman of 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.

Board of Directors held 20 (twenty) meetings in 2015.

Audit Committee held 5 (five) meetings in 2015 and reported to Board of Directors 6 (six) times.

Corporate Governance Committee held 5 (five) meetings in 2015 and reported to Board of Directors once. The Committee also

prepared a detailed report on its and Investor Relations Department's activities and presented it to the Board of Directors.

In the same period, Remuneration Committee held 1 (one) meeting and reported proposals to the Board of Directors.

Early Detection and Management of Risk Committee, which was established with Board of Directors decision dated 17.02.2015, No 43, held 4 (four) meetings after this date and presented reports to the Board of Directors 4 (four) times.

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, Board Members and Top Executives are covered by "Director Liability Insurance Policy" for possible damages to the company due to their defects while performing their duties. Annual amount of this insurance policy is USD 25 million, over twice the amount of paid in capital. No special case declarations have been made on this subject.

There are no women Members of Board of Directors. However, Bank's Board of Directors presented its opinion to main shareholders that this point should be taken into consideration in the elections for Board of Directors; it should be targeted for a woman Member to be appointed by 2019 and intention to increase this number in coming periods should be adapted as a principle. On 27.11.2014, Board of Directors approved the updating of Corporate Governance Committee Regulations, which included a review of Committee's nomination processes in view of variety and gender issues. The regulation states that Board of Directors would prepare a plan once in every three years with measurable targets to develop a balanced representation of women on the Board and Corporate Governance Committee

would review the performance of the plan once in every three years.

Board of Directors makes regular self evaluations. Self evaluation for 2014 was made on 13.05.2015.

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

Company's Representative in Charge of Rating:

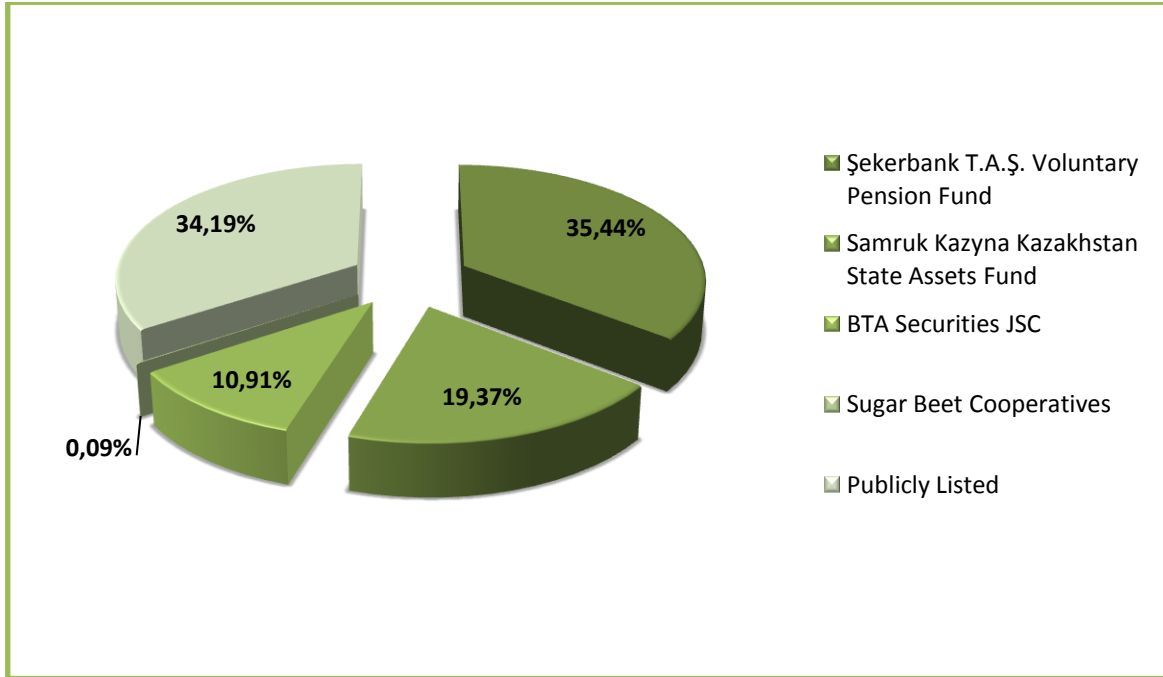
Sibel KIRMIZILAR

Directorate of Financial Control, Subsidiaries and Shareholders
Manager and
Investor Relations Department Manager

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(0212) 319 71 04

Şekerbank T.A.Ş Shareholders 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 Kazakhstan State Assets Fund	224.353.416,50	19,37
BTA Securities JSC	126.295.033,47	10,91
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 (BOD)

Name/ Surname	Title	Executive / Non - Executive
Dr. Hasan Basri GÖKTAN	Chairman of BOD – Executive Member	Executive Member
Viktor ROMANYUK	Vice Chairman of BOD	Independent Member
Halit Haydar YILDIZ	Member of BOD and General Manager	Executive Member
Erdal BATMAZ	Member of BOD – Executive Member	Executive Member
Emin ERDEM	Member of BOD – Executive Member	Executive Member
Halil Can YEŞİLADA	Member of BOD	Non - Executive
Üzeyir BAYSAL	Member of BOD	Independent Member
Khosrow Kashani ZAMANI	Member of BOD	Non - Executive
Nariman ZHARKİNBAYEV	Member of BOD – Executive Member	Executive Member
Murat ISHUKHAMEDOV	Member of BOD	Independent Member
Daniyar AMANOV	Member of BOD	Non - Executive

Source: www.kap.gov.tr

Şekerbank T.A.Ş Top Management

Name/ Surname	Title
Halit Haydar YILDIZ	Member of BOD and General Manager
Orhan KARAKAŞ	Executive Vice President- Corporate & Commercial Banking Marketing
Gökhan ERTÜRK	Executive Vice President - Retail Banking Marketing
Çetin AYDIN	Executive Vice President - Audit
Ali Güray DEMİR	Executive Vice President - Credits Legal and Administrative Follow-Up
Ramazan KANDEMİR	Executive Vice President - Internal Control and Risk Management
Salih Zeki ÖNDER	Executive Vice President - Financial Institutions
Nejat BİLGİNER	Executive Vice President – Human Resources
Selim Güray ÇELİK	Executive Vice President - Financial Control, Budget, Strategic Planning
Fatin Rüştü KARAKAŞ	Executive Vice President - Retail Credit Management
Nihat BÜYÜKBOZKOYUN	Executive Vice President - Operation
Feyza ÖNEN	Executive Vice President - Treasury
Ahmet İLERİGELEN	Executive Vice President - Corporate and Commercial Credit Management and Monitoring
Hüseyin SERDAR	General Secretary

Source: www.sekerbank.com.tr

Board of Directors Committees

Audit Committee

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

Source: www.kap.gov.tr

Corporate Governance Committee

Name/ Surname	Job	Independent/Non-Executive/Executive
Khosrow Kashani ZAMANI	Chairman	Member of Board (Non - Executive)
Dr. Hasan Basri GÖKTAN	Member	Chairman of Board (Executive)
Halil Can YEŞİLADA	Member	Member of Board (Non - Executive))
Murat ISHUKHAMEDOV	Member	Independent Member of Board
Selim Güray ÇELİK	Member	Executive Vice President and Manager of Investor Relations Department

Source: www.kap.gov.tr

Remuneration Committee

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

Source: www.kap.gov.tr

Credit Committee

Name/ Surname	Job
Dr. Hasan Basri GÖKTAN	Chairman of Board Executive Member
Halit Haydar Yıldız	Member of Board and General Manager
Emin Erdem	Executive Member of Board
Nariman ZHARKINBAYEV	Executive Member of Board

Source: www.kap.gov.tr

Early Detection and Management of Risk Committee

Name/ Surname	Job
Halil Can YEŞİLADA	Board Member - Internal Systems
Ramazan KARADEMİR	Executive Vice President – Internal Control and Risk Management
Çetin AYDIN	Executive Vice President - Audit
Selim Güray ÇELİK	Executive Vice President – Financial Control, Budget ve Strategic Planning
Ahmet İLERİGELEN	Executive Vice President - Corporate and Commercial Credit Management and Monitoring

Source: Şekerbank T.A.Ş

Investor Relations Department

Name Surname	Title	Contact
Selim Güray ÇELİK	Executive Vice President - Financial Control, Budget, Strategic Planning	(0) 212 319 7360 SelimGuray.Celik@sekerbank.com
Orhan ULUYOL	Senior Vice President/Financial Control. Budget and Reporting	(0)212 319 7690 Orhan.Uluyol@sekerbank.com.tr
Sibel KIRMIZILAR	Manager/Investor Relations Department	(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	Senior Vice President / 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
İrem BULAT	Specialist/ Investor Relations and Structured Finance	(0)212 319 7154 Irem.Bulat@sekerbank.com.tr
Anil ÇALIM	Assistant Specialist/ Investor Relations and Structured Finance	0(212) 319 7157 Anil.Calim@sekerbank.com.tr

Source: www.kap.gov.tr

Balance-Sheet Comparison of Bank's Certain Selected Items as of the 3rd Q of the last two years

(Unconsolidated)	2014/09 (000 TL)	2015/09 (000 TL)	Change %
Total Assets	20.532	23.777	15,80
Equity	2.249	2.426	7,87
Total Credits	14.210	16,506	16,16
Total Deposits	13.346	14.909	11,71
Paid in Capital	1.087	1.158	6,53

Source: www.kap.gov.tr

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

- 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
(01.01.2015 – 31.12.2015)**

Bottom (TL)	Peak (TL)
1,31- (14.09.2015)	1,90- (26.01.2015)

Source: www.sekerbank.com.tr

**Information on Subsidiaries, Financial Fixed Assets and Financial Investments
(As of 01.01.2016)**

Commercial Title	Business Line	Paid/Subtracted Capital	Company's Share in Capital	Currency	Company's Share in Capital (%)	Nature of Relations with Company
Şeker Yat. Men. Değ. A.Ş.	Capital Market Intermediary Services	30.000.000	29.711.995	TL	99,04	Subsidiary
Şeker Kiralama A.Ş.	Fin. Leasing	45.000.000	24.357.739,19	TL	54,13	Subsidiary
Şeker Fak. A.Ş.	Factoring	20.000.000,00	19.999.986,66	TL	99,99	Subsidiary
Şekerbank Kıbrıs Ltd.	Banking	21.550.000,00	20.712.402,90	TL	96,11	Subsidiary
Şekerbank International Banking Unit Ltd.	Off Shore Banking	5.000.000,00	4.790.000,00	USD	95,80	Subsidiary
Şeker Mortgage Fin. A.Ş.	Finance	26.000.000,00	16.199.996,10	TL	62,31	Subsidiary
Zahlungsdienste GmbH Der Şekerbank T.A.Ş.	Finance	250.000,00	250.000,00	EUR	100	Subsidiary

Source: www.kap.gov.tr

B. Changes Within Last Year:

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

- Board of Directors has decided to increase Bank's issued capital by TRY 80,000,000 (TRY 55,000,000 in cash and TRY 25,000,000 from internal sources), from TRY 1,087,186,884 to TRY 1,167,186,884. After application, approval form CMB was received on 26.03.2015. After using right of purchasing new shares, remaining shares had a total nominal value of TRY 11,110,151.036 and these shares were put on sale at BIST Primary Market on March 18-19, 2015. Unsold shares with a nominal value of TRY 9,186,884.000 were cancelled on 24.03.2015. As a result of these transactions, Bank's issued capital increased from TRY 1,087,186,884 to TRY 1,158,000,000 (TRY 45,813,116 in cash and TRY 25,000,000 from internal sources). It was registered Istanbul Trade Registry on 15.07.2015.
- Because of the capital increase, which is described above in detail, Article 8 of Articles of Association was changed, stating: "Company's issued capital is TRY 1,158,000,000 and all of it is paid." This change was made in accordance with the regulation described in Article 25/ç of CMB's Share Communiqué No VII-128.1, which allows new version of capital related article of Articles of Association to be registered by Trade Registry and announced by TTSG in 10 days, without a need of General Assembly decision.

ii. Dividend Distribution:

Şekerbank earned TRY 223,969,065.46 profit from its activities in 2014.

At its meeting on 25.02.2015, Board of Directors took the following decision about distribution of net period profit:

"At the meeting of our Board of Directors on 25.02.2014, decision was taken that after subtracting TRY 14,724,344.03 postponed tax revenue from TRY 223,969,065.46 profit for 2014 (according to financial statements that went through the process of independent auditing); 5 % of the remaining amount of TRY 209,244,721.43 (i.e. TRY 10,462,236.07) to be transferred to the Account of Legal Reserves in accordance with our Bank's Articles of Association and Turkish Commercial Law and, from the remaining amount of TRY 198,782,485.36 (after transfer to the Account of Legal Reserves), TRY 14,724,344.03 of postponed tax revenue and TRY 63,947.43 of previous periods' profit to be transferred to Extraordinary Reserves as a total of TRY 213,570,776.82."

This suggestion of the Board of Directors not to distribute dividend was discussed as the 6th Item of the agenda at the General Assembly meeting on 19.03.2015 and approved.

iii. Policies:

Disclosure Policy and Corporate Governance Policy have been revised within the rating period. Corporate Governance Committee Regulation, Board of Directors Regulation, Audit Committee Regulation, Internal Systems Work Structure Regulation, Human Resources Regulation, Credit Committee Regulation, Purchases and Selling Tender Procedures Regulation, Market Risk and Policies and Practices for Risk Management in the Process of Active Passive Management Regulation and many other regulations related with banking have also been revised within this period. All these policies and regulations were presented for the information and approval of shareholders at the General Assembly on 19.03.2015.

iv. Management and Organization:

It has been learned that there has been no significant change in Bank's organization during the period of rating. Other developments are listed below:

Material Event Disclosure on 29.04.2015 stated that "with Board of Directors decision dated and numbered 100, Halil Can Yeşilada, Member of Audit Committee left his position due to expiration of his tenure and Board Member Murat ISHMUKHAMEDOV was chosen as Member of Audit Committee to replace him."

Material Event Disclosure on 17.06.2015 stated that "Board Member Ulf Wokurka resigned his position." Article 21 of Articles of Association requires that the Company is run by a Board of Directors, which comprises minimum 9 (nine) and maximum 13 (thirteen) members. As the number of Board Members is compliant with this article, no new member was appointed to the Board of Directors despite the resignation.

Ali Güray Demir was appointed as Vice President – pending BRSA approval – with Board of Directors decision dated 17.02.2015 and numbered 44. A material event disclosure was released on the same date. Material Event Disclosure on 18.02.2015 stated that Vice President Abdullah Yücel Akbulut would be leaving his job as of 01.03.2015.

Sibel KIRMIZILAR, Manager for Financial Control, Subsidiaries and Shareholders, was also appointed as Investor Relations Department Manager on 05.08.2015. Material event disclosure for this development was released on 06.08.2015.

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:

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 Corporate Governance Principles in the existing structure.

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>