

From the Banking Regulation and Supervision Agency:

REGULATION ON CORPORATE GOVERNANCE PRINCIPLES OF BANKS¹

(Published in the Official Gazette Nr. 26333 dated November 1, 2006)

SECTION ONE

Objective and Scope, Basis and Definitions

Objective and Scope

ARTICLE 1 — (1) The objective of this Regulation is to set down the structures and processes relating to the corporate governance of banks and the principles thereof.

Basis

ARTICLE 2 — (1) This Regulation has been prepared based on the Articles 22 and 93 of Banking Law Nr. 5411 dated October 19, 2005.

Definitions

ARTICLE 3— (1) The following terms used in this Regulation shall have the meanings expressly designated to them below:

- a) Bank: Bank defined in the article 3 of the Law.
- b) Member of Board of Management without executive function: Board of management member without a unit attached to him/herself operating an executive duty.
- c) Unit operating an executive duty: Unit in which direct income-generating activities are conducted.
- ç) Law: Banking Law Nr. 5411 dated October 19, 2005.
- d) Board: Banking Regulation and Supervision Board.
- e) Agency: Banking Regulation and Supervision Agency.
- f) Corporate governance: The management of the bank by the board of managers in compliance with the determined targets, the Law, the regulations published pursuant to the Law as well as other related legislation, main contract and in-bank regulations and the ethical rules of banking, and as to protect the interest and rights of all the stakeholders and shareholders as well as the savers.
- g) Top-level management: General Manager and assistant general managers of the bank, managers of the units within the scope of internal systems and the managers in a position equivalent to assistant general manager or higher of units excluding consultancy unit, even if they have been employed under a different title.

¹ As amended pursuant to the Regulation published in Official Gazette Nr:27959 dated June 9, 2011.

ğ) Senior management: Board of managers and top-level managers of the bank.

SECTION TWO

Corporate Governance and Final Provisions

Structures and Processes relating to the Corporate Governance

ARTICLE 4 — (1) Considering the size of their activities and their organization types, banks may determine their structures and processes relating to corporate governance based on the banks' corporate governance principles within the annex of this Regulation, on condition that they follow the principles and procedures determined by the Law and regulations became operative pursuant to the Law.

Entry into Force

ARTICLE 5— (1) This Regulation becomes operative on the date of its publication.

Enforcement

ARTICLE 6— (1) The provisions of this Regulation are enforced by the Chairman of the Banking Regulation and Supervision Agency.

CORPORATE GOVERNANCE PRINCIPLES OF BANKS

Principle 1- Corporate values and strategic targets shall be established within the Bank.

The bank's board of managers shall determine and declare the mission and the vision of the bank.

The board of managers shall at first determine the strategies orienting the continuous activities of the banks and shall lead to the establishment of corporate values and ethical rules in the name of itself, top-level management and the other personnel. The corporate values and ethical rules shall reflect the importance of evaluating problems in time and correctly, and shall be oriented to prevent the illegal and unethical behavior such as bribery and corruption in and outside the bank.

Adequate communication channels providing to personnel to connect safely the behavior inappropriate to corporate values and ethical rules to the relevant authorities inside the bank shall be established.

The board of managers shall ensure the application of policies for determining, preventing or administrating the possible conflicts of interest which may occur because of the role of top-level management inside the activities of the banks or inside the group.

The board of managers shall establish the systems providing the monitoring of the accordance to the policies determined within the bank and reporting the possible perversions within the related management levels.

The board of managers shall evaluate continuously and efficiently the rating of bank in attaining its objectives as well as its activities and performance. The board of managers shall monitor the accordance of the bank's activities to the Law, to regulations published pursuant to the Law and to the other related legislation, to the main contract and to the in-bank regulations and to policies. If necessary, the Board of managers shall take measures promptly and even before the appearance of the problem if possible.

The top-level management shall plan the resources within the aim of applying the policies and ensuring the accordance and shall also ensure that these resources are included to the operations as a part of them.

The top-level management shall monitor if the application of policies are made in time. The policies shall be reevaluated for determining their sufficiency and their adequacy following the major changes occurred in the business environment and activity field, at least once a year and innovations shall be made if necessary. The top-level management shall determine a framework and process to approve the periodic review, standards, policies, directions, and the application procedures.

Principle 2- The authorities and responsibilities inside the bank shall be determined and applied clearly.

The board of managers shall determine the authorities and responsibilities of the members of the board of managers and top-level management and shall monitor the activities of top-level management and whether or not the top-level managers comply with the policies determined by the board.

Top-level management shall determine clearly the authorities and responsibilities for the personnel as to include the attachment to the policy and application procedures, to ethical rules and to professional applications and follow if the authorities and responsibilities

determined are fulfilled. All the personnel shall be in consciousness that they are responsible to the board of managers decisively.

A corporate governance committee shall be formed within the aim of monitoring the accordance of the bank to the corporate governance principles, conducting innovation studies and offering suggestions to the board of managers. The chairman of the committee shall be chosen among the member of board of managers without executive duty. The committee shall put in writing and achieve every studies conducted.

The board of managers shall regard that the top-level managers carry the qualities required for their positions, shall encourage the qualified personnel to serve to the bank for long time and take measures to ensure it.

The task definitions and distributions of the bank personnel as well as the rewarding criteria shall be determined and announced to the personnel by top-level managers.

Principle 3- The members of the board of management shall have the qualifications to fulfill efficiently their duty and be conscious of their role that they undertook within the corporate governance and they shall carry out independent evaluations about the bank's activities.

The board of management members shall;

- a) Conduct their duties towards the bank and shareholders in fidelity.
- b) Understand their task in protecting the bank.
- c) Spare sufficient time for bank businesses and participate to the board of management meetings.

- ç) Fulfill forethoughtfully their duty as member of board of managers and in good intentions.

- d) Know the legislation to which the bank is subject to and ensure that the relations between the bank and regulatory and supervisory authorities are efficient.

- e) Not give in to the pressures creating results which may be disadvantageous to the bank and not accept financial interest for that purpose.

- f) Not give incomplete and incorrect information to mislead the other members.

The top-level management shall;

- a) Conduct their activities in an egalitarian, transparent, accountable and responsible way.

- b) Assess the efficiency of their management skills regularly, as to include the appointment and election of the members, make changes if any deficiencies or weaknesses are detected.

- c) Question the senior management of the bank and take sufficient explanations from them.

- ç) Offer objective suggestions.

- d) Be formed in a adequate number and composition to ensure that the members decide independently from any influence and conflicts of interest.

- e) The number of members shall be determined as to provide the members to conduct effective and constructive studies, take fast and rational decisions, establish necessary committees and organize their studies effectively.

- f) Avoid conflicts of interest and burdens in their relations with other institutions.

- g) The top-level management shall reunite regularly to establish the bank policies and communication channels and to monitor the progress made in the realization of corporate objectives.

Principle 4- The senior management shall have the qualifications to fulfill its duties efficiently and in conscious of its role within the corporate governance.

The senior management members shall not be appointed to branches in which they do not have the required knowledge and skills.

The senior management members shall conduct their duties in a fair, transparent and accountable way. The senior management shall provide that the bank's activities are conducted within the framework of the mission, vision, targets and policies. The senior management shall move according to the financial and operational plans approved by the board of management and shall comply with the Law, regulations published pursuant to the Law and the relevant legislation, the main contract and in-bank regulation in fulfilling its tasks.

The senior management shall not accept direct or indirect gifts relevant to the bank's businesses and shall not take unfair advantage.

The senior management shall protect the customer rights in marketing the products and services of the bank and during the service relations.

The senior management shall take necessary measures to establish good relations between the bank and its customers and to provide that the contract conditions made between them are adopted.

Principle 5- The studies conducted by both bank supervisors and independent auditors shall be exploited effectively.

To detect the problems in the risk management, internal control and internal audit systems of the bank and to provide that the bank's financial reports reflect correctly the bank's financial state and performance, the senior management shall comprehend and make the personnel also comprehend the importance of the risk management, internal control and internal audit systems.

The board of managers shall use the findings of the bank auditors and independent auditors in controlling the correctness of the information related to the bank's activities and performance they took from the top-level managers. Measures contributing to the independence and prestige of the auditors shall be taken.

The senior management shall use the findings of the bank auditors and internal control staff in time and efficiently and shall provide that the detected problems are resolved in time by the top-level management.

Principle 6- The compliance of the wages policy with the ethical values, strategic targets and internal balances of the bank shall be provided. (Amended: OG-09/06/2011-27959)²³

A written charging policy shall be formed which is in compliance with the scope and structure of the bank as well as its strategies, long-term targets and risk management structure, which will prevent taking excess-risk and promote to efficient risk management. The board of managers shall revise the charging policy at least once a year in order to ensure the efficiency thereof.

A charging committee comprised of at least two persons shall be formed with the aim of monitoring and auditing the charging implementations on behalf of the board of managers. The charging committee shall evaluate the charging policy and implementations within the scope of risk management and shall submit its recommendations via reports to the board of managers every year.

The board of managers shall ensure the charges to be given to members of board of managers, top-management and other personnel be in compliance with the bank's ethical values, internal balances and strategic targets. These wages shall not only be related to the short-term performance of the bank such as profit or income. Payments should be effected to the members of the committees composed of members of board of managers having considered the responsibilities they take.

Although it is possible to effect incentive payments to the members of the board of managers with executive duty and the top-level management in accordance with the bank's performance, these payments shall be attached to objective conditions in a way to affect positively the bank's corporate values. Payment amounts based on performance should not be guaranteed in advance. Payments based on performance should be made by installments and having considered the maturity of the risks taken.

Payments to be made to the managers of internal control, internal audit, risk management units as well as the personnel should be determined independently from the performance of

² Amendments made by the Regulation published in Official Gazette Nr:27959 dated June 9, 2011 enter into force on the date of January 1, 2012.

³ Version before amendment: "The board of managers shall ensure the charges to be given to members of board of managers, top-management and other personnel be in compliance with the bank's ethical values, internal balances and strategic targets.

Payments should be effected to the members of the committees composed of members of board of managers having considered the responsibilities they take, but their wages shall not be related to the short-term performance of the bank.

Although it is possible to effect incentive payments to the members of the board of managers with executive duty and the top-level management in accordance with the bank's performance, these payments shall be attached to objective conditions in a way to affect positively the bank's corporate values.

The top-level management shall apply and supervise the relevant processes as to ensure that the employments and promotions are based on objective criteria and to consider education, experience and responsibilities. These processes shall be in compliance with the organization's general policy and procedures such as employment education, measurement, consultancy, promotion, indemnity and discipline. The top-level management shall ensure that the knowledge and skill requirements are continuously monitored and that the organization has the capacity to acquire the labor force complying with the determined targets.

The top-level management shall ensure that the personnel are oriented and trained after employment to increase their knowledge and skills to the required level. The training and educative programs prepared within the aim of increasing the technical and administrative skills of the personnel effectively shall be reviewed regularly.

The criteria relating to the duty definitions and distributions of the employees as well as the incentive payments according to their performances shall be determined and announced by the top management. These criteria shall be reviewed regularly according to the determined standards and special duty responsibilities. Suggestion shall be made to the employees about their performance or behavior ."

the activity unit they supervise, monitor or control, having considered the performance concerning the function of the related personnel.

The criteria relating to the duty definitions and distributions of the employees as well as the incentive payments according to their performances shall be determined and announced by the top management. These criteria shall be reviewed regularly according to the determined standards and special duty responsibilities.

Indemnity payments to be made to the personnel leaving the bank shall be specified considering the personnel's past performance as well as his/her contribution to the bank's long termed performance.

The board of managers shall establish the necessary operations about the payments for those who endanger the safe running of the bank or who are responsible of the deterioration of financial structure of the bank as a result of their activities, including the cancellation of payments based on performance.

The criteria taken into account in the payments made based on performance as well as the information concerning the manner and average amounts of these payments shall be presented in the banks' annual activity reports prepared within the frame of the "Regulation on the Principles and Procedures of the Preparation and Publication of Annual Activity Reports by Banks", under the section of "Information on Human Resources Applications".

The top-level management shall apply and supervise the relevant processes as to ensure that the employments and promotions are based on objective criteria and to consider education, experience and responsibilities. These processes shall be in compliance with the organization's general policy and procedures such as employment education, measurement, consultancy, promotion, indemnity and discipline. The top-level management shall ensure that the knowledge and skill requirements are continuously monitored and that the organization has the capacity to acquire the labor force complying with the determined targets.

The top-level management shall ensure that the personnel are oriented and trained after employment to increase their knowledge and skills to the required level. The training and educative programs prepared within the aim of increasing the technical and administrative skills of the personnel effectively shall be reviewed regularly.

Principle 7- Transparency shall be ensured in corporate governance.

The bank shall ensure that the shareholders, depositors, market participants and public are informed sufficiently about the structure and objectives of the bank and thus, make possible that the top-level management evaluates its efficiency in bank management.

The information shall be put to the public usage in time, correctly, completely, comprehensively, objectively, accessibly and equally as to help the relevant people and institutions to make decisions.

The main partnership banks shall consolidate basing on the Turkish Accounting Standards and inform the public about the financial statements of their affiliates, subsidiaries and jointly controlled partnerships qualified or not as credit institutions or financial institutions as of year-ends, March, June and September.

The internet site of the bank shall be used actively in enlightening the public.