



CORPORATE GOVERNANCE RATING REPORT ON

ŞEKERBANK T.A.Ş



RATING RELEASE DATE
7 February 2013

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INTRODUCTION

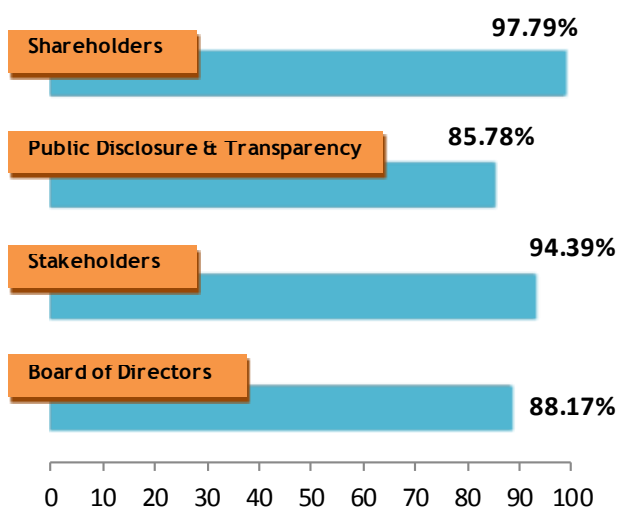
GROUP



OVERALL SCORE

9.09

RESULTS BY CATEGORY



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ISS Corporate Services (hereafter, ICS) assigns a rating score of 9.09 (90.91 percent) to Şekerbank T.A.Ş. (the "Bank" or "Şekerbank"). This rating reflects a continued good overall performance of the Bank regarding its corporate governance structures as measured against the rules stipulated by the Capital Markets Board of Turkey (the "CMB Rules"). The result also signals that there still remains room to improve the Bank's governance practices.

ICS was first appointed by Şekerbank in December 2007 to review its corporate governance structures and processes in line with the CMB Rules. This rating report represents the sixth rating update after Şekerbank had been subject to a first rating released on 27 February 2008. Şekerbank then had been rated with a score of 7.00 (70.16 percent). It is also important to note that Şekerbank is the first bank in Turkey to have obtained a governance rating.

The rating report is based on information provided to ICS prior to January 2014. The rating may be changed, suspended or withdrawn as a result of changes in or unavailability of such information.

Important: Please note that the Bank's rating results are not compared to ICS's last Rating as the methodology has changed. Please refer to the "Rating Methodology" section for more information.

COMPANY INFORMATION

	
Trade Name	Şekerbank T.A.Ş.
Address	Büyükdere Caddesi No:171/A Blok Metrocity İş Merkezi, Levent İstanbul, Turkey
Web	www.sekerbank.com
Investor Relations	Mrs. Irem Soydan Güler Phone: +90 212 319 7361 E-Mail: ir@sekerbank.com.tr
Chairman	Mr. Dr. Hasan Basri Göktaş
General Manager	Mrs. Meriç Uluşahin

Şekerbank was founded in 1953 as the "Sugar Beet Cooperative Bank" in Eskişehir. In 1956 it relocated its headquarters to Ankara and changed its name to Şekerbank. During the 1970s the Bank completed its transition from a cooperative to a full service commercial bank. Şekerbank went public in 1997.

In 2002, Şekerbank initiated a major internal restructuring and successfully transformed itself from a traditional commercial bank into a multi-channel, diversified financial institution based on customer and segment focused applications. This was subsequently followed by the relocation of its headquarters to Istanbul in 2004. Today, Şekerbank is represented by a well distributed branch network with 312 branch offices with broad geographical coverage with its more than 50 years of experience. This has enabled the Bank to become both a major commercial and retail bank in Turkey.

For the year-ended 31 December 2012, the Bank reported a 104 percent rise in net profit when compared to the previous year, amounting to TL 240 million.

In June 2006, Şekerbank's two pension funds signed an agreement with BTA Securities JSC ("BTAS") for the sale of 33.98 percent of its issued share capital. This partnership was successfully concluded in March 2007. In 2011, BTAS transferred its shares to

Samruk Kazyna; the National Welfare Fund of Kazakhstan. The Bank's shareholder structure is as follows:

SHAREHOLDER STRUCTURE

Shareholder	% of Share Capital
Şekerbank Voluntary Pension Fund	33.98
Samruk-Kazyna	21.93
BTA Securities JSC	11.76
Sugar Beet Cooperatives	0.08
Publicly Traded	32.24

Source: Şekerbank website

In 2011, Şekerbank's bond issue in two tranches totaling TL 500 million constituted the domestic bond issue with the longest maturity amongst commercial banks. In 2012, the Bank made another bond issuance in the amount of TL 330 million. The total nominal demand for the bond issue reached TL 932 million, which confirmed the Bank's power.

Also in 2011, Şekerbank completed the first Covered Bond issue in Turkey. This issue, specifically for international investors, was made by using the SME loans on the Bank's balance sheet as collateral. The Covered Bond program allows Şekerbank to create a robust financial bridge worth TL 800 million, connecting international institutions with Turkey's small businesses.

CREDIT RATINGS

As at 30 September 2013, the Bank's ratings were as follows:

	National Rating	Foreign Currency	Local Currency	Financial Strength Rating
Fitch	A+ (tur)	BB-	BB-	
Moody's	A2.tr	Ba1	Ba1	D
JCR	AA- (Trk)	BBB-	BBB-	

Source: Şekerbank website

RATING METHODOLOGY (as at 31.1.2014)

UNDERLYING REFERENCE

The corporate governance rating at hand has been conducted by ICS based on the latest CMB Rules published 3 January 2014 (II-17.1). As such, it differs in content and methodology from ISS' standard corporate governance ratings that are based on ISS' own methodology.

The CMB defined its first Corporate Governance Principles in 2003, followed by several amendments and most recently in January 2014. ICS has updated its rating methodology under CMB's supervision based on the latest regulation. According to the CMB Rules, all Borsa Istanbul companies are subject to mandatory implementation of certain CMB Rules. The CMB Rules continue to look at four categories (see Weighting Scheme for more information).

Turkey's governance landscape has moved away from a "comply or explain" regime to one that is more regulated as the CMB has increased its tone with a view to boost the competitiveness of Turkish companies globally.

THE RATING

Based on the new CMB Rules, ICS identified close to 600 criteria for the rating (which was previously around 500 criteria). Each criterion is examined thoroughly upon compliance by the Bank, on the basis of publicly available information. Additional information was provided by the Bank upon request.

Under the old methodology, a straightforward 0 (no) or 1 (yes) scoring approach was applied, in addition to attributing a score of 0.5 points in some instances to acknowledge partial fulfillment. However, this scoring system has been amended whereby companies now receive a maximum score of 0.85 (out of 1) for meeting the mandatory clauses of the CMB Rules, but can increase to 1 if the practices adopted by a company go further than what is stipulated in the CMB Rules as mandatory for each specific group, described below.

THE GROUPS

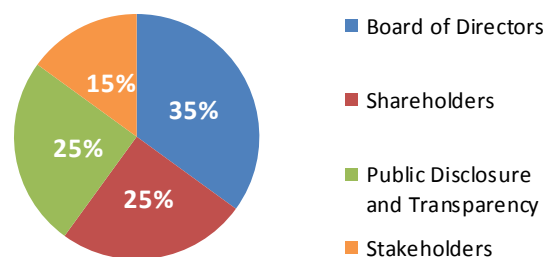
The CMB Rules classify companies in three main groups based on the systematic risk companies pose to Turkish capital markets:

- 1. Group I:** Companies with a market value exceeding TL 3 billion and free float exceeding TL 750 million;
- 2. Group II:** Companies with a market value exceeding TL 1 billion and free float exceeding TL 250 million; and
- 3. Group III:** All other companies which do not fall under either Group.

Group I companies are required to comply with all mandatory Principles whereas Group II and III companies benefit from certain exemptions. Şekerbank remains in Group III as of January 2014.

WEIGHTING SCHEME

The weighting scheme applied for the four main sections was pre-determined by the CMB, which did change in 2013. The Board of Directors category has increased from 25 percent to 35 percent whereas the Public Disclosure and Transparency category reduced from 35 percent to 25 percent.



Further sub-weightings have been attributed to the sub-criteria according to ICS's own reference. Based on the scoring and adjusted weightings, the overall rating result is calculated. The result reflects the overall compliance of the Bank with the CMB Rules as well as each main category.

THE GOVERNANCE LANDSCAPE IN TURKEY

Though the corporate governance structure and performance on the company level is of particular interest for shareholders, one should also acknowledge the corporate governance landscape on the country level. Despite the fact that the country level is not a part of the rating itself, ICS believes that an overview can enable investors to enhance their perspective and evaluation of corporate governance in a more holistic approach.

Turkey is well aware of the structural changes and the need for ongoing development and harmonization of its capital market legislation. Although Turkey is a latecomer to corporate governance, it has tried to speed up the progress since the year 2000. The overall legal framework regulating public companies in Turkey is determined by the new Turkish Commercial Code (effective 1 July 2012), the Capital Markets Law, the Decree-law, CMB Rules, and Borsa Istanbul listing requirements.

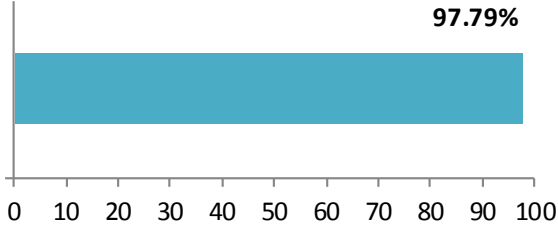
Focusing in particular on corporate governance, the CMB and Borsa Istanbul can be observed as key players in promoting relevant regulations. They are supported by several other organizations such as the Turkish Industrialists' and Businessmen's Association, Corporate Governance Association of Turkey, Corporate Governance & Sustainability Center and the Corporate Governance Forum of Turkey.

Below we have highlighted the general aspects of the governance landscape in Turkey.

- Within Turkish companies stock ownership is concentrated, very often characterized by the presence of a majority shareholder. In addition, holding structures, conglomerates, pyramid shareholding structures, and cross-shareholdings are quite common. Through these mechanisms Turkish families control a considerable amount of Turkish listed companies. Additionally, one can also find shares containing multiple voting rights, thus preserving family control.
- Due to the influential holdings of the families, family members are often present on the boards of the holdings and subsidiaries or act as executives.
- Due to the limited free float, hostile takeovers are rare, thus, weakening the market for corporate control.
- State ownership has declined significantly in line with privatization efforts, but is still to be found in the energy, communication and mining industries. In the meantime, foreign institutional investors started to increase their holdings.
- Issued stocks in Turkey range from ordinary shares, to preference shares. Golden shares only exist in few companies.
- Minority rights are granted to shareholders that own at least 5 percent of the company's capital, providing them with the right to call an extraordinary general meeting or bring in a shareholder proposal.
- Even though pre-emptive rights are granted by Turkish law at the first instance, companies can, through their articles of association, exclude pre-emptive rights in case of capital increases up to 100 percent of their registered capital.
- Mandatory tender offer bid requirements exist above a 50 percent threshold.
- Disclosure of indirect or direct ownership in case various thresholds (e.g. 5, 10, 15, 20, 25, 1/3, 50, 2/3, and 75 percent) are passed.
- Companies have adopted IFRS accounting standards.
- Companies have a single tier board structure.
- The current CMB Rules outline rules that regulate the independence of board members.

SECTION I - SHAREHOLDERS

SHAREHOLDERS



SUMMARY

Şekerbank continues to attain a good result of 9.77 in this category. A clear dividend policy is in place and voting rights are well defined. Each share is subject to the **one share - one vote - one dividend principle**.

The Bank's registered share capital is TL 1.25 billion and this share capital is divided into 1.25 billion shares, each with a nominal value of TL 1. The issued share capital of the Bank is TL 1 billion and is paid-up in its entirety. The registered capital ceiling authorization was given by the CMB for the years 2011 – 2015 (five years).

Şekerbank maintains a **clear dividend policy** with the level of payout determined by local regulations, national and global economic conditions as well as the Bank's growth strategy. At the Bank's March 2013 Annual General Meeting (AGM) it was decided that it will not distribute dividends to its shareholders, instead the Bank allocated its profits to the extraordinary reserves (see Section 1.1.2 Dividend and Voting Rights for more information).

Şekerbank pays close attention to **minority rights** which have been clearly defined in the Bank's Articles of Association (AoA). For example, cross border voting is allowed and shares can be transferred freely. In addition, shareholders are able to appoint a special auditor pursuant to the Bank's Corporate Governance Policy.

An **Investor Relations (IR) Department** has been established since 2005 to enable shareholders to exercise their rights and obtain relevant information. Şekerbank's IR website is easily accessible from the Bank's main website and includes information concerning the Bank's corporate governance practices, financials, and pertinent news. The website can be accessed in English by foreign investors, which mirrors the content included under the Turkish version of the website.

The AGM invitation, agenda and accompanying documents are uploaded to the Bank's website and announced in two leading newspapers well in advance of the meetings. A summary of the vote results and attendance rate (the "Minutes of the AGM") is also uploaded on the Bank's website. The notice for the AGM to take place in March 2014 will be announced three weeks before the AGM.

The AGMs appear to be conducted in a fair and efficient manner where shareholders are allowed to exercise their statutory rights. In addition, although not yet incorporated in its AoA, Şekerbank permits the media to attend general meetings if asked beforehand.

GOVERNANCE FOCUS
+ Established dividend policy
+ Clearly defined voting rights
+ No preferred shares issues
+ One Share – One Vote respected
+ Shareholders can appoint a special auditor
+ Shares can be transferred freely
+ General Meetings are held in a shareholder friendly manner
- The AoA does not include a provision to allow Media to the General Meeting
- A general policy on corporate donations has not yet been established and disclosed publicly

1.1 RIGHTS OF SHAREHOLDERS

1.1.1 Equal Treatment of Shareholders and Their Ability to Obtain and Evaluate Information

According to ICS's analysis, no provisions hindering the equitable treatment of shareholders were identified. No written or verbal complaints reached the Bank during the 2012 and 2013 financial years concerning the exercise of shareholder rights, nor is the Bank aware of any legal proceedings initiated against itself in this regard.

The Bank has an active Investor Relations (IR) Department, which was established in 2005. This IR Department joined the Financial Control, Accounting and Subsidiaries Department in 2011. One recent change, according to the Bank, is that relations with shareholders are controlled through the Financial Control, Subsidiaries and Shareholder Relations Department (FSSRD) and Financial Institutions, Investor Relations and Structured Finance Department (FIIRSF), with the former carrying out most of the IR Duties. Such allocation of duties among various departments is permitted by the CMB regulation on the conditions that is publicly disclosed. The Bank fully complies with such recommendation. According to the Bank, the manager of FSSRD has the Capital Market Activities Advanced Level License as well as the Corporate Governance Rating Specialists License. For the purposes of this Report, ICS will be referring to the former IR Department as FSSRD.

The above mentioned departments are comprised of the following individuals: Mr. Orhan Uluyol (FSSRD Group Head), Mrs. Irem Soydan Güler (FSSRD Vice President), Mrs. Sibel Kırmızılar (FSSRD Manager), Mr. Özcan Demir (FSSRD Manager), Mrs. Gülfer Tuncay (FIIRSF Grup Head), Mrs. Oya SARI (FIIRSF Vice-president), Mrs. Aşım Selçuk (FIIRSF Specialist), and Mrs. İrem BULAT (FIIRSF Specialist). Mrs. Sibel Kırmızılar has the Capital Market Activities Advanced Level License as well as the Corporate Governance Rating Specialists License from the CMB.

Following the recent changes made to the CMB Rules, the manager who is responsible for the most of the duties of the investor relations, needs to be on the Corporate Governance Committee. The compliance date for this requirement is June 30, 2014. Finally, again following the recent change, the Corporate Governance Committee will need to observe the work of the IR Department, which it already did. To this end, the Bank stated that the new CMB Rules will be considered at the nearest Corporate Governance Committee meeting in February 2014.

The FSSRD is tasked to allow shareholders to exercise their rights, respond to written requests from shareholders, ease shareholders' access to information, updating the Bank's website, preparing the interim and annual reports, meeting with shareholders, investors, and analysts, capital increase arrangements and corporate governance activities. A more detailed description of the FSSRD's duties can be found on the Bank's website.

A good level of information continues to be provided to shareholders and Şekerbank has made a strong effort to comply with the CMB Rules in this regard. Information that may be of interest to shareholders is provided in an accurate, timely, and diligent manner through the Bank's website and the Public Disclosure Platform (KAP).

Verbal and written requests for information received from shareholders during the 2012 and 2013 financial years were responded in a timely manner under the supervision of the FSSRD and in compliance with the Capital Markets Law. During the 2012 and 2013 financial years, the Bank held 30 meetings with corporate investors.

1.1.2 Dividend and Voting Rights

Dividend Rights

Each share is entitled to an equal dividend. None of the Bank's shares incorporate special rights concerning the distribution of the Bank's profits.

A dividend policy is established and accessible through the Bank's public documents and website, in English and Turkish. The Bank does not carry out any interim dividend payments and no such provisions exist in its AoA.

The Bank paid no dividends for the 2012 financial year. The Bank's profit for the 2012 financial year was TL 240.3 million and after subtracting TL 40.7 million deferred tax income that is not subject to profit distribution, the remaining balance was TL 199.6 million. The Bank decided to allocate such amount under the provisions of its AoA and the TCC as: (1) TL 10 million to the Legal Reserves Account; and (2) the remaining amount of TL 189.6 million, along with deferred tax income of TL 40.7 million and previous year's profit of TL 201,253 (totalling TL 230.5 million) to be transferred to the Extraordinary Reserves.

Voting Rights

As the Bank has not issued any preferred stock, each share is entitled one vote without any further privileges. The right to vote is automatically granted when the share is purchased, and no arrangements can be installed that would hinder this right or cause a delay in exercising voting rights, following the share acquisition.

Voting rights are well defined in the Bank's AoA, ensuring equal and clear voting procedures. The exercise of voting rights can be delegated to a proxy whether or not the person is shareholder. According to the Bank's AoA, voting is exercised by a show of hands, though closed ballots are mandatory if requested by 10 percent of shareholder represented at the AGM.

There are no ceilings on the number of votes a shareholder might exercise during the meeting. The Bank's share capital does not involve any cross-shareholdings. Finally, ICS is not aware of any voting agreements aimed at increasing control over the management of the Bank.

1.1.3 Minority Rights and Transfer of Shares **Minority Rights**

Minority rights, as stipulated by the AoA, are granted to shareholders owning (collectively) at least 5 percent of the Bank's issued share capital. Those rights include requesting to convene an extraordinary meeting or requesting special agenda items. According to the TCC, both aspects are up to the discretion of the board, though shareholders can appeal to the court to decide on the General Meeting to convene.

The ability to appoint a special auditor is considered crucial by ICS. Şekerbank grants this right to its shareholders since 2009. In case such request is rejected by the General Meeting, the minority shareholders have the right to request appointment of a special auditor from the court. The Bank did not receive any requests in this sense during the 2012 financial year. Upon engagement, the Bank stated that no request was made for a special auditor during the 2013 financial year as well.

Transfer of Shares

There are no provisions installed or included in the Bank's AoA that may impede the free transfer of shares by shareholders.

1.2 GENERAL MEETINGS (GM)

The Bank's AGM for the 2012 financial year was held on 21 March 2013 at the Bank's headquarters.

According to Article 1527 of TTC, shareholders can participate at GMs personally or electronically to vote on the agenda items. Shareholders or representatives of them who participate electronically need to have an Electronic Signature Certificate. Shareholders wanting to participate electronically need to fulfill the process in accordance with "Regulation Regarding Participation to General Assembly Meetings of Joint Stock Companies on Electronic Medium" and "Communique on the Electronic General Assembly Meeting System Used in General Assembly Meetings

of Joint Stock Company” published in the Official Gazette in August 2012.

ICS notes that the Bank has a robust internal directive on the working principles and procedures of the meeting of shareholders and that this directive can be found on the Bank’s website. This directive was approved by the Bank’s shareholders at the AGM held in March 2013.

1.2.1 Invitation

The Bank can convene a GM ordinarily or extraordinarily. The AGM should be held at least once a year within the three months following the closing of the financial year. The announcement of the 2012 AGM held in March 2013, including the necessary information like the date, time and location, agenda items, procedures for attendance at the meeting, proxy forms and arrangement procedures were all published 21 days in advance.

An invitation for the 2012 AGM was mailed by post to the shareholders listed in the Bank’s shareholder register three weeks prior to the meeting. The announcement was also published in two leading Turkish newspaper 21 days in advance as well as in the Turkish Trade Registry Gazette. In addition to the procedures stipulated by legislation, the AGM announcement and all necessary documents (annual reports, etc.) were also made available on the Bank’s website 21 days prior to the meeting in an attempt to reach the maximum number of shareholders possible.

The meeting agenda for the 2013 AGM to be held in March 2014 will be disclosed by the Bank three weeks before the meeting via its website, 2 Turkish national newspapers, KAP, the Electronic General Meeting System, and the Turkish Trade Registry Gazette.

The agenda for the 2012 AGM was prepared in a solid manner, clearly indicating each agenda item. In line with the CMB Rules, the Bank allows shareholders to put forward agenda items to be

voted on at the AGM. However, for the 2012 and 2013 AGM, the Bank received no such request.

Considering the administrative proceedings, voting procedures are set up in a clear and understandable manner and proxy forms are available in written and electronic form. Ordinary and Extraordinary GMs are notified to the Ministry of Customs and Trade (the "Ministry") and the agenda and the documents pertaining to the meeting and the relevant supporting documents are submitted to the foregoing Ministry. The attendance of a Commissar appointed by the Ministry in the GMs is mandatory. Finally, according to Şekerbank, AGMs are open to related parties and the media but they are not entitled to vote. The Bank’s AoA does not incorporate such a provision but upon engagement, the Bank stated that it will consider adding such a provision in the Bank’s AoA at the next Corporate Governance Committee meeting in February 2014.

1.2.2 Functioning

Şekerbank held its latest AGM on 21 March 2013, within three months following the end of its financial year. The AGM was held at its headquarters located in central Istanbul. This location is considered by ICS as easily accessible to shareholders. The Bank does, however, allow for meetings to be held at another location in Istanbul.

Following examination, Şekerbank’s AGMs continue to be held in an appropriate way, led in an unbiased manner by the chair of the AGM and overseen by an official government representative, and thereby ensuring that all shareholders are able to exercise their statutory rights. The Chairman of the Board presides over the AGMs. In the absence of the Chairman, this function is fulfilled by the Vice-Chairman.

The AGM functions as a forum to discuss the Bank’s annual report and financial results. The appointed representative of the Bank by the chair of the AGM reads a summary of the annual report and the Bank’s financial performance at the beginning of the AGM in line with the set agenda of the AGM. This is

followed by a discussion of the questions raised by shareholders, if any. According to Şekerbank, all questions coming from shareholders are, in principle, responded to in detail.

It is our understanding that the chair of the meeting ensures an equitable participation among shareholders and leads the meeting in a fair and efficient manner, where each agenda item is voted upon separately and where there are no special privileges enjoyed by any of the Bank's shareholders.

Board members, auditors and other authorized and responsible persons attend the AGM to answer requests put forward by shareholders. If any Bank official who has been invited to a meeting cannot attend the meeting, the reasons of non-attendance are to be announced by the chair of the AGM. The specific right of shareholders to ask questions to the candidates is provided by the Bank.

Candidates to be elected to the Board are obliged to disclose a wide range of information covering all aspects put forward by the CMB Rules. These requests comprise for example, their educational background, previous board membership(s) and experience, financial status, and independence considerations. All of this information was provided to the shareholders.

The AoA enables the AGM (with a majority of three-fourth) to allow Board members to be engaged in other companies' business or their own business. Once again, no Board member made use of this authorization and was involved in business or competitive activities with the Bank during the 2012 financial year.

Voting at AGMs is done by the raising of hands; however, secret ballot system may also be applied upon the request of the shareholders representing 10 percent of the share capital in the AGM.

1.2.3 After the General Meeting

As a follow-up to the meeting, minutes are made available for the examination of shareholders at the Bank's headquarters. This information is also

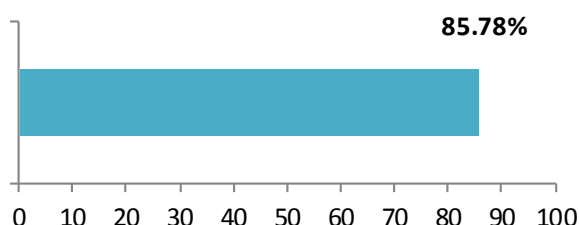
disclosed on the Bank's website (in English and Turkish) summarizing and reflecting the meeting in a short but clear manner. According to the internal directive, the minutes will be posted on the website no later than five days following the date of the GM.

Information pertaining to previous annual meetings of shareholders is stored on the Bank's website and is easily accessible both in Turkish and English.

In compliance with the CMB Rules, in cases where questions are raised by shareholders that cannot be answered immediately, the FSSRD is responsible for providing a response in a fast manner. The new CMB Rules stipulate that the FSSRD needs to provide a written response within 15 days after the GM. In addition, all questions asked and their responses at the GM will need to be disclosed on the Bank's website within 30 days after the GM. To this end, the Bank stated such changes are already reflected in the Bank's internal documents.

SECTION II - PUBLIC DISCLOSURE & TRANSPARENCY

PUBLIC DISCLOSURE & TRANSPARENCY



SUMMARY

Şekerbank attains a score of 8.57 in this category. An **Information Policy** document, which was last amended in September 2013, has been provided on the Bank's website and contains Şekerbank's policy on how it will approach public disclosure of material events. The FSSRD is in charge of the implementation of this policy as well as disclosing information to the public and responding to the queries received by the Bank.

Şekerbank discloses its code of ethics, which is referred to as the **Ethical Principles**, and a comprehensive **Insider Trading List** in its 2012 Annual Report. With regard to the Bank's Ethical Principles, this document is a set of essential rules that have been formulated to govern the Bank-wide relationships, the relationships between the Bank and its employees, and the relationships with customers, and other stakeholders. Additional safeguards governing the behaviour towards clients, employees and corporate governance principles are also formalized in this document.

Aside from a few senior management changes (such as promotions), there have been no major changes in the management or operational organization of the Bank during the 2013 financial year, nor are any such changes envisioned for the near future. In the case such change does occur, the Bank confirms that it will share with the public within the scope of legislative requirements.

A **website** for investors is easily accessible and is continuously improved. The content on the website is well structured and comprehensive. As for the Bank's **Annual Report**, it is detailed in terms of content and contains a corporate governance section that explains the Bank's rationale for opting-out of key governance provisions. The Bank's financial statements and their notes are prepared in accordance with existing legislation and international accounting standards. In line with the new CMB Rules, the Bank confirmed that it will be providing its financial statements and associated footnotes in English on KAP.

GOVERNANCE FOCUS

+ Information Policy is established and covers material disclosure aspects
+ Disclosure proceedings are clearly defined and assigned to high level personnel
+ A Code of Ethics (which the Bank refers to as the Ethical Principles) has been disclosed
+ The Bank's website provides a good level of resource for investors
+ Key risks and mitigation efforts have been disclosed in a robust manner
+ The list of insiders and a policy to prevent insider trading has been disclosed
+ The Bank has included commentary on forward-looking information in its 2012 Annual Report
- The Bank has not disclosed quantifiable sustainability targets
- The Bank received an administrative fine from the CMB due to non-disclosure of a "material" decision

2.1 DISCLOSURE – PRINCIPLES & MEANS

2.1.1 Information Policy

The Information Policy has been disclosed to the public and is accessible through the Bank's website. This Policy has been composed in pursuant to legislations and laws of the TCC, the Banking Regulation and Supervision Agency (BRSA), the CMB,

Borsa Istanbul, and Corporate Governance Principles set by the Bank's Board.

The Bank's objectives with this Policy is: (1) to regulate disclosure of the essential information about the Bank and its activities; (2) to mitigate the risk of insider trading; (3) to enhance compliance with the Turkish regulations; and (4) to ensure that necessary information related to the Bank and its activities is sufficient and timely presented to its stakeholders.

The Information Policy covers forms and methods of disclosure, authorized personnel regarding public disclosure, and how investors are dealt with. A positive development since ICS's last rating is the fact that the Bank has now included commentary in the Information Policy on forward-looking statements. In addition, the Bank's 2012 Annual Report includes commentary on forward-looking information.

2.1.2 Disclosure Procedures

After reviewing Şekerbank's public disclosures, no issues were found that would harm investors' interests. Given Şekerbank's shares are traded on Borsa Istanbul only; the Bank makes its announcements on KAP. The Bank's shares are not traded on overseas stock exchanges so no disclosures were made to other relevant bodies. For the 2012 financial year and 2013 financial year, 49 and 52 material disclosures were made to the public, respectively.

No additional information was required by the CMB or Borsa Istanbul for disclosures which were submitted within the legally prescribed times during the 2012 financial year. For the 2013 financial year, in relation to disclosure of material circumstances, an administrative fine was imposed on the Bank by the CMB under the Articles 103 and 105 of the Capital Markets Law for the reason that the Board decision number 95 dated 20 March 2013 was not disclosed to the public in violation of the Articles 13 and 14 of the "Communique on Principles Governing Public Disclosure of Material Circumstances" (Series:

VIII, No: 54). As a result of this non-disclosure, investors were not informed about such decision made by the Board until 30 May 2013 when the application made to the Board with regard to the covered bond issuance was disclosed to the public. This decision of the Board provided the authorization to renew the CMB permission for new issues due expiry of the current covered bond issuance limit of TL 800 million. No actual issuance is performed based on this authorization, moreover, a CMB approval needs to be obtained for the future issuances within the scope of covered bonds initially announced program.

The Bank states that since it was conducting investor meetings for an Eurobond issuance at the time when the said Board decision was taken, and based on the recommendations of its Lead Arrangers, the Bank decided that this decision was not to be disclosed taking into consideration its potential effects on the course of the then current process/pricing, thus, considering that the Board's decision includes nothing that would mislead the Bank's shareholders.

With the recent changes made to the CMB Rules, companies are now asked to provide public disclosures and financial statements and its footnotes in English on KAP. To this end, the Bank has confirmed that it will follow the CMB Rules.

The FSSRD is tasked to monitor and supervise all issues related to public disclosure. Questions of third parties are responded. The FSSRD forwards the queries, views, suggestions and requests raised by investors, shareholders and stakeholders via telephone, e-mail, meetings, and/or in conferences to the Bank's management team.

The responsibility for public disclosure is clearly defined and assigned to specific individuals within the Bank. The methods used to disclose information to the public are: financial statements and footnotes, the Bank's website, analyst meetings and conferences, declarations and announcements in newspapers, and press releases. In accordance with the Bank's workflow and approval procedure, the

Corporate Communications Department delivers the press releases and could be found on the Bank's website. The Chairman and the General Manager or the person assigned by them is allowed to hold press meetings.

2.1.3 Transparency Issues

Transparency issues cover ethical behavior, insider trading rules and the functions of the external audit.

Ethical Behaviour

To ensure a high degree of transparency Şekerbank discloses its ethical rules to the public. For more information on the Bank's Ethical Principles, please refer to the "**Stakeholders**" section of this report.

Insider Trading

In order to prevent insider trading, Şekerbank provides a comprehensive list of executives and other third parties who potentially have access to information that can impact the value of the capital market instruments issued by the Bank. This list can be found in the Bank's 2012 Annual Report. The Bank also provides measures undertaken to prevent insider trading in its Information Policy and Corporate Governance Compliance Report. During the period under review, ICS notes that the Bank also included a definition of Insider Trading in its Conflict of Interests Policy.

External Audit

Since the appointed audit company Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of KPMG International) does not provide any consulting services, it can be considered as independent from having other business interests that may impede the objectivity of the auditing services. Independent audit companies are subject to rotation at certain intervals pursuant to the regulations of the BRSA.

At the AGM held in March 2013, shareholders approved KPMG to continue to serve as the Bank's external independent auditor for another three years. Upon review, there appears to be no legal

conflict between the Bank and the external audit firm.

2.2 ANNUAL REPORT

Overall, the Annual Report continues to be well prepared and houses all of the pertinent information relevant for investors. For example, Şekerbank's Corporate Governance Compliance Report, risk management philosophy, and financial statements can all be found in both tabular and graphic form. Financial information is presented in a manner that is easy to follow and the notes to the financial statements clarify the content. The Bank's growth strategy is also clear for shareholders to follow.

Annual and interim reports are prepared in Turkish and English. These reports are signed by the Chairman of the Board, Members of the Audit Committee, General Manager, the Executive Vice President in charge of financial reporting, Group Head of Financial Control, Budget & Reporting and Vice President of FCSS, or the individuals holding equivalent positions. A responsibility statement has been included in the 2012 Annual Report which shows that the authorised people have approved the Annual Report and financial statements for the 2012 financial year. According to the Bank's independent auditor, KPMG, the financial statements truly reflect the current financial status of the Bank.

There is a dedicated section on the Bank's efforts with regard to corporate social responsibility (CSR) in the 2012 Annual Report. It outlines a thorough and concrete plan regarding employees' social rights and the environment.

Şekerbank's risk management and internal control systems (collectively referred to as the "Internal Systems") complies with the applicable banking regulation, and includes a brief explanation of the different types of risk the bank must manage. The notes to the financial statements provide greater detail regarding each type of risk the bank is exposed to. For more information on Şekerbank's Internal

Systems refer to the "**Board of Directors**" section of this report.

There are no materially significant legal cases filed against the Bank during the 2012 and 2013 financial years. The number and the amount of open cases are disclosed publicly in the Bank's footnotes to the financial statements.

2.3 WEBSITE

Şekerbank has a dedicated website for IR where shareholders may find information on the Bank's corporate governance practices, financial statements, annual reports, etc. As a means of communication the use of the website is also subject to and incorporated in the Bank's Information Policy.

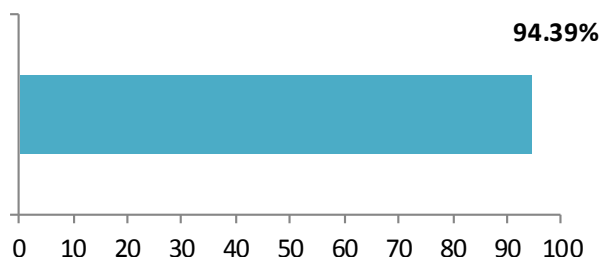
The Bank's website content is structured in a sound manner, where investors find relevant documents suggested by the CMB for inclusion. Features like the investor presentations and the FAQ section are all positive steps taken by Şekerbank which demonstrates its belief in informing its shareholder to the fullest extent. The website also offers a section that includes information previously disclosed to the public.

Although there is room for improvement, the website is considered by ICS to be relatively user-friendly and as a satisfying instrument for shareholders to access information on the Bank. Şekerbank notes that the website is continuously being improved. For foreign investors an English version of the website is also available, which does not differ in content from the Turkish version.

In reference to the AGM, the website contains relevant information for shareholders. This includes the announcement, agenda, the attendee list, and the minutes.

SECTION III - STAKEHOLDERS

STAKEHOLDERS



SUMMARY

Şekerbank has scored 9.43 in this category. The Bank continues to build upon a concrete model to have stakeholders participate in the management of the Bank and ensures their participation on a continual basis. The Bank appears to be in contact with its stakeholders and engaged with its employees. Şekerbank states that all feedback received from the stakeholders is presented to senior management for evaluation, solution proposals and policies are developed from such feedback.

Şekerbank has established the Ethical Principles, more commonly known as the code of ethics, which provides the essential framework of rules to be applied in the relationships between the Bank and its stakeholders. Stakeholders are continually kept informed within the framework of the Bank's Information Policy.

A **Human Resources Policy** is in place and disclosed publicly. In accordance with its policy, the Bank offers equal opportunity to people with the same qualifications in recruitment and promotions. In addition to these policies, an overview of a robust training policy for employees has been publicly disclosed by the Bank. Şekerbank makes use of structured training systems that include selective training, online education and on the job training programs.

There is also a **Corporate Social Responsibility (CSR)** section in the Annual Report and website outlining

Şekerbank's social and environmental efforts. It is also important to note that the Bank will be publishing its first Sustainability Report alongside its 2013 Annual Report this year. Noteworthy is the fact that employees can organize a trade union, which is not always common in Turkish companies.

GOVERNANCE FOCUS
+ Bank-wide human resources policy
+ Employee rights are warranted
+ Code of Ethics governing Bank-wide relationships disclosed publicly
+ A section on Corporate Social Responsibility is included in the Bank's Annual Report
+ The Bank provides information on the donations it has made during the year
- More information can be provided by the Bank on its succession planning for higher-level executives

3.1 RIGHTS & DUTIES OF STAKEHOLDERS

Not much has changed in this regard since ICS's last rating. Şekerbank defines stakeholders as shareholders, Board members, employees, subsidiaries, potential investors, regulatory and governmental organizations, creditors, customers, and other third parties.

Şekerbank recognizes and guarantees the rights of employees in its Ethical Principles. There is also a Corporate Social Responsibility (CSR) section in the 2012 Annual Report where information on Şekerbank's social initiatives is provided. Stakeholders are kept informed by the Bank through annual reports, material event disclosures, press releases, meetings, and its website. The Bank's corporate portal, Şekernet, keeps the employees informed. The internal information sharing system enables communication of all announcements in lieu of using hard copies.

In 2008, Şekerbank published a policy that establishes concrete measures on how potential disputes between the Bank and stakeholders are addressed. This policy was last reviewed and

amended in September 2013 and can easily be found on the Bank's website. According to the Bank, however, no conflicts have occurred to date. Stakeholders can communicate freely their concerns about any illegal or unethical practices to the Bank via the established communication channels set. In addition, any stakeholder has the right to communicate directly to the Board concerning any illegal and/or unethical issues.

Relevant union representatives continue to play an important role in the relations between the employees and Şekerbank.

3.2 RELATIONS WITH CUSTOMERS & SUPPLIERS

Şekerbank's customers can communicate their suggestions and complaints through the Bank's branches, the internet, and the Bank's call center. These suggestions and complaints are then escalated and evaluated by the Bank's senior management team. A scheme showing an assessment flow of the opinions, suggestions and requests by stakeholders is housed in the Bank's Conflict of Interest Policy, which was approved by the Bank's Board. During the 2013 financial year, a total of 32 suggestions of employees were implemented, customer proposals were also considered by the related department and implemented whenever it was considered feasible and relevant.

In addition, based on the Bank's Ethical Principles, employees must strive to pursue customer satisfaction in their duties and to ensure the correction and prevention of the recurrence of the practices which has led to complaints.

The Bank's Conflict of Interest Policy and Ethical Principles make references to confidentiality; more specifically, except for the information to be given to the authorized institutions, organizations and the persons assigned by them, the employees have to keep the secrets of the Bank and of the Bank's customers.

3.3 PARTICIPATION IN MANAGEMENT

In order to take into account stakeholders' opinions, as recommended by the CMB Rules, actions are in place. More specifically, a comprehensive model to ensure this interaction has been set out by the Board and is available on the Bank's website. In addition, stakeholders are continuously informed through the FSSRD and the Bank's website.

Employees are encouraged to participate in the management of the Bank and their proposals aimed at the improvement of the business is given due consideration. According to the Bank's Annual Report, feedback received from stakeholders is evaluated and submitted to senior management, to assist the development of solutions and policies.

3.4 EMPLOYEES & SOCIAL RESPONSIBILITY

Employees

Şekerbank's internal regulations, policies, workflows, notifications and internal circular letters are published to ensure that personnel are informed in an easy and timely manner using an internal portal called Şekernet. The Chairman and/or General Manager's statements on financials, strategies, activities and operating results are also published monthly for the staff acknowledgement on this portal.

As at 31 December 2013, Şekerbank had a total of 4,150 employees. To manage its large workforce, Şekerbank has a written human resources policy which is publicly available. This policy talks about training employees on the job as well as promotion procedures. Employee relations are conducted by the Bank's Human Resources Department. The Bank ensures that equal opportunities are provided to all employees. According to the Şekerbank, no cases of discrimination have been reported during the 2012 and 2013 financial years.

Employees are evaluated on the basis of their responsibilities, qualifications, work development and contribution to the Bank's objectives. The performance evaluation takes place twice a year and

are shared with all personnel. The implemented performance evaluation systems are based on targets and competences and are important tools for increasing efficiency and rewarding performance. In 2013, a total of 786 employees were promoted to immediate upper-level positions, 215 employees were incorporated into the sales pool and 109 managers joined the branch manager pool.

In terms of training, the Bank aims to equip its employees with the knowledge and skills required by modern banking and in line with the principles of equality and continuity announced to all employees. The general categories of the Bank's trainings are: (1) certificate programs; (2) specialization; (3) career; (4) leadership development; (5) information technologies; and (6) foreign language. For the 2012 financial year, the Bank staff received an average of 4.8 days of classroom based training per employee, 11.33 days of e-learning and 4.5 days of e-video training.

With respect to compensation, this is determined through a benchmarking exercise whereby the wages and practices within the sector are determined for each position in relation to the employees' performance. The Bank uses a balanced scorecard system and sales results when evaluating performance. The Bank pays annual performance bonuses, based on the employees' and Bank performances during the previous year. Benefits provided to employees are listed on the Bank's website. Equity is not utilized to pay the Bank's employees. To this end, the Bank states that the non-use of equity will be considered in the future while observing market practice.

The Bank's employees who are the members of the Banking Insurance Workers Syndicate have the right to sign collective bargaining agreements and are represented within every branch by at least one person. The monetary issues and personal rights of such employees are regulated through Collective Work Agreements signed between the Bank and the Syndicate on a two-year renewal basis.

Outside the "management pool" of employees, there are no other specific plans in terms of the Bank's succession planning that is publicly disclosed. However, upon engagement, the Bank stated that the Corporate Governance Committee reviews the necessity and possibility of staff movements within the executives' level.

Social Responsibility and the Environment

Social responsibility activities Şekerbank carried out are given in detail in its Corporate Responsibility section of its 2012 Annual Report as well as on its website. The Bank's activities comply with the environmental legislation and there are currently no claims against the Bank in this regard. Moreover, Şekerbank is a leader in its sector for the promotion of energy savings and environmental issues awareness among its customers, providing a number of various financial instruments targeted at the energy savings, renewable energy and environmental protection.

With a product named EKO kredi (or Eco Loan) launched in May 2009, Şekerbank aims at financing energy saving investments and expenses in appropriate conditions, creating and spreading awareness in the society about energy efficiency. As at 31 December 2012, over 34,000 customers have benefitted from this innovative product. In addition, the 2012 Annual Report states that this initiative has prevented 2.5 million tons of carbon emissions. As a result of the evaluations conducted through the Turkish Ministry of Development to identify the world's most effective applications in sustainability, EKO kredi was selected one of the best practices to represent Turkey at the Rio+20, United Nations Conference on Sustainable Development in June 2012.

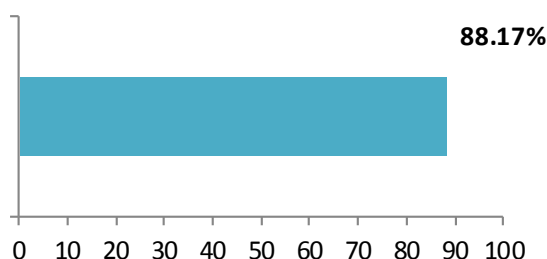
Şekerbank is also one of the first five banks included in the Carbon Disclosure Project (CDP) 2010 Report. As of 2010, the Bank began applying carbon emission measurements. Finally, the Bank will be publishing a sustainability report alongside its Annual Report for the 2013 financial year.

On the social front, the Bank has opened 18 schools in Turkey since 1965, an initiative that has been recognized by Turkey's Ministry of Education. The Bank has also been publishing for the past 30 years a children's magazine to help with their education, issued free of charge. This magazine is also published in braille.

During the 2012 financial year, the Bank made a total of TL 394,904 in donations to various foundations and associations working for the public good. A few of the recipients of the donations were listed in the 2012 AGM's Minutes, which are included on the Bank's website. However, a general policy on donations made by the Bank has not been disclosed. To this end, the Bank states that it has no written policy on donations but that it acts in accordance with its mission, social responsibility policy and local legislation.

SECTION IV - BOARD OF DIRECTORS (“BOARD”)

BOARD OF DIRECTORS



SUMMARY

Şekerbank has a score of 8.81 in this category. Firstly, it is important to highlight that the composition of the Bank's Board has again changed since it was last reviewed. The Board's size has increased by one to thirteen (13) members. The number of independent non-executive directors (NEDs) has increased to four members.

Following the changes to the Board's composition during the period under review, ICS notes that the Bank's Board continues to comply with the rules stipulated by the CMB. In terms of non-executive representation, the composition of the Corporate Governance Committee and Audit Committee also meet the CMB Rules. The composition of the Remuneration Committee does not comply with the CMB Rules as the General Manager is a member of it. In addition, ICS notes that there are two members of the Board that sit on more than one Board Committee, which falls short of CMB Rules. Finally, ICS notes that the Bank's internal regulations do not stipulate Chairman positions on the Audit and Remuneration Committees.

The suggested separation of the Chairman of the Board and the General Manager is followed. Mr. Dr. Hasan Basri Gökten serves as the Board's Chairman and Mrs. Meriç Uluşahin serves as the General Manager. Mr. Viktor Romanyuk serves as the Vice-Chairman. The role of Vice-Chairman was previously carried out by Mr. Arman Dunayev.

The Bank's AoA clearly describes both the duties and working principles of the Board. Board members have prepared explicit declarations of compliance with internal and external regulations. This is in accordance with the CMB Rules.

There are risk management and internal control systems in place at Şekerbank, which have been made more robust over the years.

GOVERNANCE FOCUS
+ The Board plays an active role in the Bank's strategic planning
+ The Bank does not lend money to Board members or executives
+ Each Board member is entitled to one vote
+ A secretariat has been established to support the Board
+ General Manager and Chairman positions are separately held
+ The Board has four independent NEDs
+ Efficient risk management and internal control mechanism in place
+ A robust adaptation program is in place for new Board members
= The Bank's internal regulations do not stipulate the provision of a Chairman on the Audit and Remuneration Committees as it reports directly to the Board
- The General Manager serves on the Remuneration Committee
- One Board member sits on three Board Committees, and another Board member sits on two Board Committees

Each Board member has one vote without any privileges. Attendance at Board meetings is encouraged and all Board members need to be present in-person at meetings where important matters concerning the operations of the Bank are going to be discussed. According to the Bank's 2012 Annual Report, full attendance was attained in all Board meetings held in 2012. Upon engagement, the Bank stated that full attendance was again achieved in all Board meetings held in 2013.

4.1 PRINCIPLES OF ACTIVITY, DUTIES, AND RESPONSIBILITIES OF THE BOARD

Şekerbank's Board appears to fulfill its duties with diligence and meets its responsibilities. The Board defines the Bank's mission and vision and is thereby leading the Bank. The Board continuously reviews the Bank's position in the market and defines new targets and strategies responding to changing conditions. The Board is informed about the reasons of divergences regarding strategic targets and budget. Targets and budgets are revised only when needed and detailed presentations are made regarding the market, macroeconomic environment and the sector to the Board by the senior management team.

The Board believes that the 2012 financial year was a successful one where it achieved budgetary targets, as well as implemented strategic plans. One area that the Bank has not addressed is the disclosure of targets which it has failed to achieve in its public documents. To this end, the Bank stated that providing such information is currently planned and will be discussed at the next Corporate Governance Committee meeting in February 2014.

All of the nominated and appointed Board members possess the qualifications stipulated by the CMB. The Board is structured to ensure maximum influence and effectiveness. Article 24 in the Bank's AoA stipulates the principles regarding this matter. It is the Bank's principal aim to appoint Board members who possess knowledge regarding the legal principles governing the Bank's transactions and business, are qualified and experienced in corporate management, and possess the capability of examining financial statements and reports. Background information of the members of the Board is included in the 2012 Annual Report and more up to date information on the Bank's website. Having looked at the current Board members' experience, ICS concludes that such requirements have been met by the Bank's Board members. Persons having financial interests in competing establishments or companies cannot be appointed to the Board.

It is mandatory that independent Board members issue an independence declaration and inform immediately the Board in case their independence is compromised. Before commencing work, Board members declare compliance with all necessary internal and external regulations in writing.

Concrete mechanisms used to keep Board members regularly and comprehensively informed on pertinent matters are explained and there is a Board of Directors Department with the aim of keeping Board members informed.

Şekerbank does not impose any rules or restrictions, unless stipulated by the Turkish legislation, on its Board members assuming additional duties outside of the Bank. Nevertheless, as suggested by the CMB, the Bank's AoA provides guidance to the issue of Board members engaging in business or competitive activities with the Bank. Such activities have to be approved by three-fourths of the Bank's shareholders at the AGM. The 2012 Annual Report states that no Board member engaged in any business or competed with the Bank during the 2012 financial year. The Bank confirmed, upon engagement, that this continued in 2013.

An official declaration confirming the careful preparation of financial statements is provided by the Chairman, General Manager, the Audit Committee members and the responsible financial officers in the 2012 Annual Report. Turkish Law foresees the joint liability of the Board. In accordance with this, the AoA states that the Board should perform and carry out its duties in accordance with the provisions of the Capital Markets Law, Banking Law, Turkish Commercial Law and the AoA.

A performance evaluation of the Board and its key Committees was carried out during the 2012 and 2013 financial years. Starting with the 2013 Annual Report to be published, the Bank will provide more information on this process as well as its results in more detail to its stakeholders.

Şekerbank has a formal training/compliance program for new Board members that is carried out by the Corporate Governance Committee. The 2012 Annual Report provides details on the Bank's comprehensive orientation program.

There are no sanctions foreseen for employees that obstruct the flow of information to Board members, apart from the ones foreseen in Turkish Labor Law.

4.2 BOARD STRUCTURE

The Bank's AoA suggests a minimum Board size of nine members with a maximum of 13 members. The current Board is composed of thirteen members, which has increased by one member since last year's Rating. Four new members have joined.

Appointed Board members at Şekerbank seem to be highly qualified and show a high level of knowledge and experience, reflected in their long-lasting career backgrounds.

There is no age limit prescribed in the Bank's AoA. Pursuant to the current AoA, Board members are elected for a maximum period of three years, with re-election possible at the end of term. As for diversity on the Board, ICS notes that there is one woman serving on the Board (who also serves as the Bank's General Manager) - Meriç Uluşahin, which is in compliance with the CMB Rules. Although not a mandatory clause under the CMB Rules, the Bank needs to adopt a general diversity policy that specifies a target (not to be less than 25 percent of the Board) and a target date for reaching such goal. Upon engagement, the Bank stated that it will consider the new change at the next Corporate Governance Committee meeting in February 2014.

The suggested separation of the Chairman of the Board and the General Manager is followed. Mr. Dr. Hasan Basri Gökten serves as the Board's Chairman and Mrs. Meriç Uluşahin serves as the General Manager. Mr. Viktor Romanyuk serves as the Vice-Chairman. Mr. Viktor Romanyuk is Managing Director of BTA JSC and board member of various subsidiaries of BTA JSC since December 2011.

According to the Bank, four Board members are considered to be independent. We note that pursuant to the CMB Rules, it is sufficient to have four independent NEDs for a company of Şekerbank's size and its line of business. Mr. Halil Can Yeşilada and Mr. Zhandos Yessenbay are considered to be independent based on the CMB Rules as they sit on the Audit Committee.

The table below shows the composition of the Board:

Name	Role	Independent
Dr. Hasan Basri Gökten	Chairman	
Viktor Romanyuk	Vice-Chairman	
Meriç Uluşahin	ED, General Manager	
Emin Erdem	ED	
Erdal Batmaz	ED	
Nariman Zharkinbayev	ED	
Halil Can Yeşilada	NED	x
Üzeyir Baysal	NED	x
Khosrow K. Zamani	NED	
Ulf Wokurka	NED	x
Askhat Beisenbayev	NED	
Nariman Zharkinbayev	ED	
Zhandos Yessenbay	NED	x

No lawsuits were brought against Board members with regard to the Bank's activities during the period under review.

4.3 BOARD COMMITTEES

4.3.1 General

Şekerbank has established an Audit Committee, Corporate Governance Committee, Remuneration Committee and a Credit Committee. All four Committees met during the 2012 and 2013 financial years. There is also an Assets & Liabilities Committee and Improvement of Operational Findings Committee at the Bank's management level. By the time this Report was published, the Bank had not yet established a separate board committee for nominations which is housed with the Corporate Governance Committee.

Two Board members serve on more than one Board Committee, which does not meet the CMB Rules. To this end, the Bank states that the Board decides on

memberships on the basis of trying to ensure that the Committees are effective and efficient. According to the Bank, the results of the Board's performance evaluation support the Committees' current compositions.

4.3.2 Audit Committee

According to the new CMB Rules, all members of the audit committee of banks are considered to be independent. In addition, the nomination procedures specified by the CMB are also not applied. However, independent directors not serving on the audit committee are subject to the independence criteria and nomination process under the CMB Rules.

The Audit Committee, reporting directly to the Board, oversees the financial and operational activities of the Bank. The Audit Committee scrutinizes the effectiveness and adequacy of the internal control and audit. The Audit Committee is also responsible for ensuring that measures are taken such that internal controls are transparent.

The Audit Committee's composition is as follows:

Name	Role	Independent
Halil Can Yeşilada	Member	x
Zhandos Yessenbay	Member	x

Both Audit Committee members are considered by the Bank to be financial experts. The Audit Committee met 12 times during the 2012 financial year. Through engagement, the Bank stated that the Audit Committee again met 12 times in 2013. According to the Bank, all meetings were attended in full.

The external audit firm is invited to the meetings of evaluation of the financial statements if the Audit Committee members consider that its presence could help clarify issues.

In accordance with the Turkish regulation and the internal regulations of the Bank, the Audit Committee presents written reports to the Board.

It should be noted, however, that the Audit Committee does not have a Chairman. Upon engagement, the Bank stated that it has very detailed and solid regulations setting the workflow of the Audit Committee. In addition, the Bank notes that having a Chairman for the Audit Committee is not a requirement under both CMB Rules and the Banking Regulation and Supervision Agency.

4.3.2 Corporate Governance Committee

A Corporate Governance Committee has been established to assist the Board in creating and improving the Bank's governance structure and practices. In addition, this Committee observes the work of the FSSRD.

The Committee's composition is as follows:

Name	Role	Independent
Khosrow K. Zamani	Member	
Dr. Hasan B. Göktan	Member	
Halil Can Yeşilada	Member	x
Ulf Wokurka	Chairman	x

Ulf Wokurka is the Chairman of the Corporate Governance Committee and is an independent Board member, which is in line with the CMB Rules. In addition, the Committee is comprised of solely of non-executive directors, which again meets the CMB Rules. Moreover, the General Manager is an Observer Member in this Committee, which helps enhance the implementation process of such Committee's proposals.

The Corporate Governance Committee met four times in 2012 and six times in 2013. All meetings were attended in full according to the Bank.

4.3.3 Credit Committee

The Credit Committee ensures compliance of the Bank's credit activities with the Bank's strategy as well as evaluating credit proposals across the Bank within the limits set by the Board. The Board is mandated to audit the activities of the Credit Committee. All Board members are authorized to request information from the Credit Committee,

regarding their activities, and to execute any kinds of control that they deem to be appropriate.

The Credit Committee needs to consist of at least two members who are appointed by the Board from amongst the members of the Board and the General Manager. This Committee is responsible for the performance of the duties specified by the Banking Law, or bestowed upon itself by the Board. The resolutions within the limits set by the Board passed by the Credit Committee unanimously are executed directly whereas the resolutions passed by the majority are executed following the approval of the Board.

During 2012, this Committee met 46 times. In 2013, the Bank stated that the Credit Committee met 60 occasions.

The Committee's composition is as follows:

Name	Role
Dr. Hasan B. Göktan	Member
Emin Erdem	Member
Meriç Uluşahin	Member
Nariman Zharkinbayev	Member

4.3.4 Remuneration Committee

In 2011 Şekerbank established a Remuneration Committee. This Committee does not have a Chairman and as such believes that it complies with the CMB Rules regarding committees needing to have an independent board member serving as its chairman. The Bank states that the Board's Committees do not have decision making powers and may only advise the Board on a specific decision. In addition, the Committee is comprised a majority of non-executive directors, which meets the CMB Rules.

The General Manager, who should not be serving on such a Committee according to the CMB Rules, serves as a member on the Remuneration Committee. To this end, the Bank stated that such arrangement is considered appropriate as the General Manager does not have a veto power and as mentioned above, this Committee is not viewed as

having any decision making powers. In addition, the Bank feels that the General Manager's experience is valuable to the workings of the Committee by the Corporate Governance Committee. Upon engagement, the Bank added that the BRSA regulations do not restrict the General Manager serving on such Committee.

The Committee's composition is as follows:

Name	Role	Independent
Dr. Hasan B. Göktan	Member	
Meriç Uluşahin	Member	
Viktor Romanyuk	Member	
Üzeyir Baysal	Member	x

The Committee, holding a meeting once a year, determines premium payments policy, Collective Work Agreements, salary increase rates and methods prior to the wage increase for the non-unionized staff and oversight its implementation in accordance with the principles of the Corporate Governance Committee.

4.4 EXECUTIVES

The day-to-day running of the Bank is assigned to the senior management team. Below is the list of the Bank's senior management team as at January 2014:

Name	Role
Meriç Uluşahin	General Manager
Orhan Karakaş	EVP - Corporate & Commercial Banking
Halit H. Yıldız	EVP – Retail Banking
Zafer Ersan	EVP – Internal Control and Risk Management
Abdullah Y. Akbulut	EVP – Credit Monitoring and Administrative Follow-up
Çetin Aydın	EVP – Audit
Salih Zeki Önder	EVP – Financial Institutions
Ramazan Karademir	EVP – Corporate and Commercial Credit Management
Hüseyin Serdar	General Secretary
Nejat Bilginer	EVP – HR
Tanol Türkoğlu	EVP – Information Technology
Selim Güray Çelik	EVP – Financial Control, Budget and Strategic Planning
Fatin Rüştü Karakaş	EVP – Retail Credit Management
Feyza Önen	EVP – Treasury
Nihat Büyükbozkoyun	EVP - Operations

Since last year's Rating, Mr. Abdurrahman Özciğer has left the Bank as the EVP of Retail Banking. He has been replaced by Halit H. Yıldız. ICS also notes that four new members have been added to the senior management team – Mr. Selim Güray Çelik, Mr. Fatin Rüştü Karakaş, Mrs. Feyza Önen, and Mr. Nihat Büyükbozkoyun. The latter three executives were promoted.

Within ICS's analysis, no issues have been revealed that would cause doubt about the transparent, reliable and accountable work of the executives. The executive team reports to the Board and the Bank's results are scrutinized in comparison to the budget.

Penalties to be applied in cases of losses arising from the failure or underperformance of managers serving in the technical and administrative organization have not been specified in the Bank's public documents but are managed by local regulations as well as through the non-payment of bonuses.

From previous engagement, Şekerbank confirmed that it has Directors & Officers liability insurance.

4.5 FUNCTIONING OF THE BOARD

Şekerbank's Board convenes as required by the business, provided that it is at least once every three months. Board meetings are held upon the written invitation of the Chairman or one of the Board members. The Board meetings are held in Turkish but translators may be provided to non-Turkish speakers if requested in advance. During the 2012 financial year, 17 Board meetings took place. In 2013, the Board met on 20 occasions.

The agenda of the Board meeting is drafted by the Chairman and is submitted to all Board members by the Board of Directors Department at least one week before the date of the meeting via e-mail. The agenda may be revised in accordance with the suggestions of the Board.

Although all Board members are required to attend meetings in person, Şekerbank provides the

provision to attend the meetings by using any technological methods that would provide remote access. The opinions of the members, who are not able to attend the meeting but present their opinions in writing, shall be submitted for the information of the other members. According to Şekerbank, travel and meeting expenses of the Board are paid out of the Bank's general budget.

Each Board member is entitled to one vote without any preferential voting or veto rights. The Board and majority decision quorum are both stated in the AoA. The quorum for the Board meetings is seven members and the resolutions are passed by the affirmative votes of the seven attending members. The provisions of the Banking Law, Capital Market Law, and the TCC apply for all matters pertaining to the rights, powers, and responsibilities of the Board, and pertaining to the administration of the Bank, which have not been regulated in the Bank's current AoA. Board decisions are not effective until they are signed and recorded in the decision book. Executives can attend meetings on a frequent basis and when called upon by the Board.

In line with the CMB Rules, the Board members who cast negative votes must sign the minutes by also stating their justifications. The documents concerning the meeting as well as any related correspondences shall be archived by the Board of Directors Department. No such opposition or alternative opinion has been expressed in any of the Board meetings in 2012 and 2013. As such, the Bank made no announcement to this effect to the public.

The Board of Directors Department has been established in order to prepare and assist the Board meetings as well as to ensure convenient access to information for Board members. The meeting minutes and the decisions taken by the Board are prepared in Turkish and in English.

Board members can seek external advice which is reimbursed by the Bank. However, if such a service is used, this needs to be disclosed publicly in the Bank's Annual Report according to the new CMB

Rules. To this end, the Bank feels that the consultancy fee provided as a general amount in the financial statements is sufficient and that anything more to be provided will not be practical or feasible due to commercial sensitivity.

Overall, the Board meetings appear to be conducted in an efficient and sound manner. Conducted interviews did not reveal any issue that could cause a different impression.

4.6 INTERNAL CONTROL & RISK MANAGEMENT

Şekerbank has defined and implemented a risk management and an internal control mechanism. This system is comprised of three divisions (internal audit unit, compliance and internal control unit, and risk management unit). All of these units report directly to the Board and the Audit Committee. Furthermore, Internal System Managers report directly to the Audit Committee as well. All types of risk confronting the Bank are also described in the Bank's Annual Report and the risk system is elaborated upon in the Corporate Governance Compliance Report.

Moreover, it is a duty of the Board to oversee whether or not the Bank complies with the relevant legislation, AoA, in-house regulations and policies. ICS did not reveal any instance that the Board would fail to fulfill this duty in an adequate manner.

Risk Management

Şekerbank's Risk Management System consists of all the decision-making, executing and as a consequence, monitoring, controlling and auditing bodies of the Bank; its scope, thus, covers: (i) the Board; (ii) senior management; (iii) internal systems; (iv) Committees established by the Board within the Risk Management System; and (v) Committees established by senior management within the Risk Management System.

The Bank provides a detailed document on its website detailing its purpose and principles. The Risk Management System is under the supervision of the

Bank's Audit Committee. Areas of interest for the Bank's investors are the tools of the Risk Management System, which include: (i) the establishment of risk limits; (ii) the segregation of duties and decision-making system; (iii) the establishment of sound communication channels (including financial and managerial reporting lines); (iv) the establishment of sound internal controls; and (v) the structuring of emergency and business continuity planning. For the 2013 financial year, the Bank's management fully complied with the scope of Basel II principles adopted in the country by the BRSA.

The Bank has identified the following risks which it may be exposed to: (i) credit risk; (ii) strategic risk; (iii) market risk; (iv) interest rate risk; (v) liquidity risk; and (vi) operational risk. Through the effective use of advanced risk measurement and analysis techniques in the areas of credit risk, market risk, interest rate risk, liquidity risk, operational risk and strategic risk, the Risk Management Department operated the information flow and reporting channels in a timely and sound manner during the 2012 financial year. The results of stress tests and scenario analyses conducted to measure the impact of a potential loss that may be incurred under the most extreme conditions on the Bank's financial structure were reported on a regular basis.

Internal Audit

The Bank's internal auditors are responsible for auditing the Bank's activities regarding compliance with the Banking Law and related regulations, other effective legislation and the Bank's internal strategies, principles, policies and procedures. This team also provides assurance to the Bank's Board of Directors and senior management regarding the effectiveness and adequacy of internal control and risk management systems.

The internal auditors continued to execute audits in 2012 and 2013 and focused on activities as central audits that utilize remote auditing techniques and process audits where the effectiveness and sufficiency of the internal controls over the

information systems and banking processes are evaluated.

In 2012, 15 separate banking processes were audited. Moreover, the auditing of 168 branches, 21 units and six participations were executed; special purpose and short-term "spot audit" activities were carried out in 30 branches.

Reports of the audit activities were summated to the Audit Committee as well as the Bank's senior management team. Actions taken with regards to these audit findings were also closely monitored by the Audit Committee.

Internal Control and Compliance Unit

The Internal Control and Compliance Unit conducted central control activities on the operations of the Bank's business lines as well as on the consistency and reliability of the information systems and the accounting processes. With regard to on-site controls, branch operations and security practices were controlled in accordance with legal requirements and the Bank's standards. Assessments and recommendations were reported to the Audit Committee and to the Bank's senior management on a regular basis.

4.7 REMUNERATION

In line with the CMB Rules, the Bank provides shareholders the opportunity to vote on its remuneration policy at AGMs. For Board members, the fees are determined at the AGMs and are determined based on the time required for the Board meetings, pre-meeting and post-meeting preparations and the performance of duties. For the 2012 financial year, the Bank paid TL 14.8 million to the top management. The Bank does not consider it appropriate at this time to provide information on pay on an individual basis or distinguishing between Board and Senior Executive salaries based on market and sector practices.

Each Board member receives TL 6,500 (previously TL 6,000); full-time independent members are paid TL

13,000. Full-time Executive Directors and Audit Committee members are paid TL 19,500 (previously TL 18,000). The Executive Chairman is paid a net amount equal to three-fold this amount and a premium as per the relevant regulation. No attendance fees are paid.

The Bank's remuneration package for its senior management consists of: (i) basic salary; (ii) annual bonus; and (iii) benefits. The salary levels are regularly reviewed in order to be able to reflect market trends and the individual's performance.

The bonus scheme for the Bank's management team is a combination of individual performance based on the competences and leadership criteria, achievements of targets set for the specific area of responsibilities and for the Bank as a whole evaluated in view of the Bank's long-term performance. According to the 2012 Annual Report, the average performance-based achievement bonus was 1.3 times the average salary of the employees eligible to participate in the bonus scheme. More specifically, a total of TL 25 million of the 2012 profits were distributed to the personnel and the Board as premium after excluding tax and other deductions.

ICS notes that the Bank currently does not offer any equity to its senior managers as part of their remuneration package. Mr. Dr. Hasan B. Göktaş and Mr. Khosrow Kashani Zamani hold shares corresponding to 0.05 percent and 0.012 percent of the Bank's share capital, respectively. Both shareholdings were acquired from the Bank's public offering.

No loans were extended to the Board members on the basis of the criteria set forth in Article 50 of the Banking Law. In addition, no credits were granted under the name of personal credit through a third party or guarantees in their favor. There is no non-conformity to the Banking Law regarding loans, credits, etc. to be extended by the Bank to any Board member.