



Corporate Governance and Credit Rating Services, Inc.

Corporate Governance Rating Report

TAIB

June 26, 2014

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Rating and Executive Summary

TAIB YATIRIMBANK A.Ş.

 SAHA
Corporate Governance Rating:

8.86

**WORLD
CORPORATE
GOVERNANCE
INDEX**  **Group
1**

MAIN SECTIONS: **Avg. 88.59**

Shareholders: **91.78**



Public Disclosure & Transparency: **78.90**



Stakeholders: **91.34**



Board of Directors: **92.05**



0 10 20 30 40 50 60 70 80 90 100

EXECUTIVE SUMMARY

This report on rating of TAIB YatırımBank A.Ş.'s (YatırımBank) compliance with Corporate Governance Principles is prepared upon conclusions following detailed analysis of the bank. Our rating methodology (page 6) is based on the Capital Markets Board's (CMB) "Corporate Governance Principles".

YatırımBank is rated with **8.86** as a result of the Corporate Governance study conducted by SAHA. The bank's corporate governance rating is assigned as above in consideration with the importance given by YatırımBank to corporate governance principles, its willingness to carry out the continuous and dynamic process and improvements which had been initiated in this direction.

Additionally, in accordance with the World Corporate Governance Index (WCGI) published by SAHA on January 30, 2013, YatırımBank takes place in Group 1. Details of the World Corporate Governance Index (WCGI) published by SAHA can be accessed at <http://www.saharating.com>.

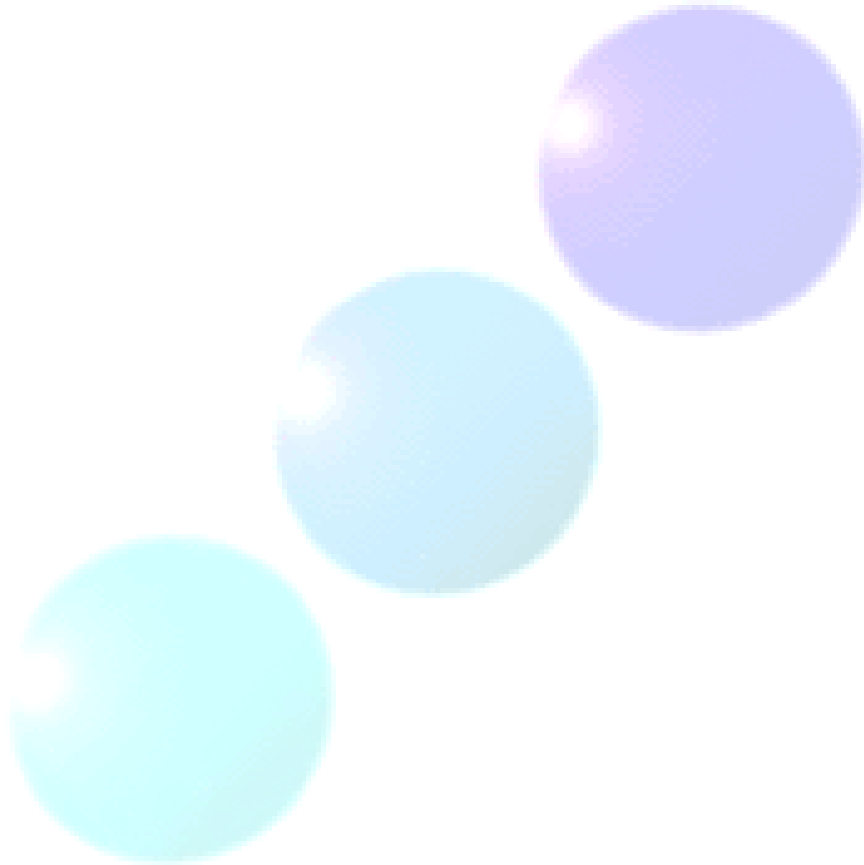
YatırımBank is rated with **9.18** under the **Shareholders** heading. Exercise of shareholders' rights complies with the legislation, articles of association and other internal rules and regulations, and measures have been taken to ensure the exercise of these rights. YatırımBank carries out the investor relations obligations through Investor Relations Department. The Articles of Association do not contain a clause regarding the appointment of a special auditor. However, there are no hindering applications. A disclosure policy for shareholders is published and it was presented to the attention of shareholders at the general shareholders' meeting. All procedures prior to the general shareholders' meeting, as well as the conduct of the meeting, comply with the legislation. In order to ensure full compliance with the Corporate Governance Principles, however, announcement for the general shareholders' meeting should be done three weeks in advance. Bank policy on donations and grants was presented for approval at the general shareholders' meeting. There are no privileges on voting rights. There is a specific and consistent dividend policy of the bank. It is submitted to the general shareholders' meeting for approval and disclosed to the public. The bank's articles of association contain no provisions regarding advance dividend payments. There are also no restrictions on transfer of shares.

YatırımBank attained **7.89** under the **Public Disclosure and Transparency** chapter. The bank's web site is actively used for disclosure purposes and the information contained therein is continuously updated. All bank policies, financial reports, information on general shareholders' meetings, ethical rules, committees and their working principles are included on the website, and the names of the bank's ultimate controlling shareholders and their proportion of shareholding are disclosed. However, an English version of the corporate web site is not yet in place. Annual report is prepared in detail to provide public access to complete and accurate information about the bank. It is comprehensive and informative. In addition to the legislative obligations, further information is provided. On the other hand, the board of directors' evaluation of the efficiency of the committees is not included in the annual report. In addition, benefits provided to board members and senior executives are mentioned collectively. Best practice of Corporate Governance Principles dictate that this information to be provided on an individual basis.

On the topic of **Stakeholders**, YatırımBank scored **9.13**. In case of violation of the rights of stakeholders and in line with the legislation and mutual agreements, YatırımBank is in a position to provide efficient and speedy compensation. A written compensation policy for the employees is in place and disclosed to public on the corporate web site. The bank has a written and advanced human resources policy. Code of ethics is publicly available at the bank's web site. The bank complies with environmental laws. A comprehensive Environmental Sustainability and Social Responsibility Policy is created to this end. We stand to see actual implementation as purported by this policy.

From the perspective of the principles regarding the **Board of Directors**, YatırımBank's tally is **9.21**. The board fulfills all duties for the efficient functioning of the bank. Chairman of the board of directors and the chief executive officer are not the same person. The board of directors is composed of 7 members, 3 of whom are independent. There is one female board member. No member has a right to veto and each member has a right to one vote. A Corporate Governance Committee, an Audit Committee, and a Remuneration Committee are established within the board of directors. The working principles of the committees are disclosed to the public. Principles of remuneration of board members and senior executives are available on the bank's website. Corporate Governance and Audit Committees are composed of

the same independent members. The Remuneration Committee is chaired by the chairman of the board of directors. We will keep on observing the activities of the committees to have a clearer idea about the level of their efficiency and functionality. Towards the goal of attaining full compliance with Corporate Governance Principles, YatırımBank is also advised to construct a road map to increasing the proportion of female members on the board.



Rating Methodology

SAHA's methodology for rating the degree of compliance with the Principles of Corporate Governance is based upon the CMB's "Corporate Governance Principles" released on January 2014.

The CMB based these principles on the leading work of The World Bank, Organization of Economic Cooperation and Development (OECD) and the Global Corporate Governance Forum (GCGF), which has been established in cooperation with the representatives of these two organizations and private sector. Experts and representatives from the CMB, Borsa Istanbul and the Turkish Corporate Governance Forum have participated in the committee that was established by the CMB for this purpose; additionally many qualified academicians, private sector representatives as well as various professional organizations and NGOs have stated their views and opinions, which were added to the Principles after the required evaluations. Accordingly, these Principles have been established as a product of contributions of all high-level bodies.

Within the Principles, "comply or explain" approach is valid. The implementation of these Principles is advisory and its application is optional. However, the explanation concerning the implementation status of the Principles, if not detailed reasoning thereof, conflicts arising from inadequate implementation of these Principles, and explanation on whether there is a plan for change in the company's governance practices in the

future should be mentioned in the annual report and disclosed to the public.

Based on these Principles, SAHA Corporate Governance Rating methodology features around 330 sub-criteria. During the rating process, each criterion is evaluated on the basis of information provided by the company officials and disclosed publicly. Some of these criteria can be evaluated by a simple Yes/No answer; others require more detailed analysis and examination.


SAHA assigns ratings between 1 (weakest) and 10 (strongest). In order to obtain a rating of 10, a company should be in full and perfect compliance with the Principles (see Rating Definitions, p.23).

To determine the total rating score for each main section parallel to the CMB's Corporate Governance Principles, SAHA allocates the following weights:

Shareholders: **25%**
Public Disclosure and Transparency: **25%**
Stakeholders: **15%**
Board of Directors: **35%**

To determine the final overall rating, SAHA utilizes its proprietary methodology which consists of sub-section weightings and weightings for the criteria there under. A separate rating is assigned to each one of the main sections as well.

Company Overview

TAIB YatırımBank A.Ş.	
	CHAIRMAN Erdal Aksoy GENERAL MANAGER Hikmet Cenk Eynehan
Yüzbaşı Kaya Aldoğan Sok. Aksoy İş Merkezi No: 7, K: 3, Esentepe, 34394 Şişli, İstanbul www.yatirimbank.com.tr	Investor Relations Unit Yeşim Çağlar Tel: (0 212) 705 8908 yesim.caglar@yatirimbank.com.tr

TAIB YatırımBank A.Ş. was established in Istanbul in 1987 as a subsidiary of TAIB Bank B.S.C.(c) resident in Bahrain in line with Law No. 6224 permitting the transfers of bank profits after legal obligations and bank capital to foreign shareholders in case of liquidation. YatırımBank commenced its operation on March 1, 1988 as Turkey's first foreign investment bank. Following the purchase of 58.57% stake of TAIB Bank B.S.C.(c) by Dubai Holding's Dubai Financial Group LLC in 2007, YatırımBank operated in the field of capital flows from the Gulf region to Turkey. It conducted operations in the areas of investment advisory, corporate finance and fund management as an indirect subsidiary of Dubai Financial Group.

On May 13, 2013 TAIB Bank B.S.C.(c) and Aksoy Holding agreed on sale of TAIB YatırımBank A.Ş.'s 99.46% stake to Aksoy Holding. Following the approval of the Banking Regulation and Supervision Agency (BRSA) on June 26, 2013, shares were transferred on August 2, 2013 and TAIB YatırımBank A.Ş. took its place under the umbrella of Aksoy Holding.

As of 31 December 2013, the bank operates at its headquarters in Istanbul and has no branches.

Following the capital increase of TAIB YatırımBank A.Ş. from TL 39 million to TL 80 million in 2013, the capital structure shaped up as follows:

Bank's Capital Structure		
Shareholder	Amount (TL)	Percentage %
Aksoy Holding A.Ş.	79,795,000	99.7439
Other	205,000	0.2561
Total	80,000,000	100.00

Members of the board, general manager and deputy general managers do not possess any direct shares of the bank. The list of ultimate controlling shareholders and actual ownership rates through the controlling shareholder Aksoy Holding is as follows:

Bank's Ultimate Controlling Shareholders		
Shareholder	Amount (TL)	Percentage %
Erdal Aksoy	46,581,000	58.23
Banu Aksoy Tarakçiođlu	15,963,000	19.95
Saffet Batu Aksoy	15,963,000	19.95

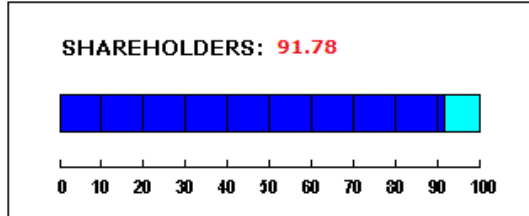
The bank serves mainly in corporate and commercial sectors and closed the year 2013 with assets of TL 50 million, loan size of TL 27 million and net losses of TL 9 million for the period.

As of date of this report, the bank operates with 29 staff.

The board of directors of the bank is composed as follows

TAIB YatırımBank A.Ş. Board of Directors	
Name	Title
Erdal Aksoy	Chairman of the Board Chairman of the Remuneration Committee
Saffet Batu Aksoy	Vice Chairman of the Board Member of the Remuneration Committee
Adnan Aykol	Independent Member
Süreyya Serdengeçti	Independent Member Chairman of Corporate Governance and Audit Committees
Afag Mustafayeva	Member
Mesut Özdiñç	Independent Member Member of Corporate Governance and Audit Committees
Hikmet Cenk Eynehan	Member General Manager

SECTION 1: SHAREHOLDERS



SYNOPSIS

+	Investor Relations Department has been established
+	A Disclosure Policy exists and disclosed to public
+	General shareholders' meetings are conducted in compliance with the legislation
+	Preparation and disclosure prior to the general shareholders' meetings are satisfactory
+	No share privileges
+	A specific dividend policy exists and disclosed to public
+	No restrictions on transfer of shares
=	Articles of Association do not contain a clause regarding the appointment of a special auditor however there are no hindering applications
=	Minority rights are not recognized for shareholders who possess an amount less than one-twentieth of the share capital
=	Announcement for general shareholders' meeting made 2 weeks in advance
-	Public attendance at the general shareholders' meeting is not incorporated in the articles of association

1.1. Facilitating the Exercise of Shareholders' Statutory Rights:

YatırımBank's Investor Relations unit functions in conjunction with the

Financial Planning and Control Unit and the Legal Affairs Unit and reports directly to the CEO and the related AGM. Its mandate is to ensure shareholders' seamless exercise of rights in compliance with legislation, articles of association and other in-house regulations. Unit managers are Erkan Akgüzel (Director of Financial Planning and Control Unit), Yeşim Çağlar (Deputy Director of Financial Planning and Control Unit) and Sinem Güven (Legal Counsel) respectively. Yeşim Çağlar holds the Capital Market Activities Advanced Level License.

Investor Relations Unit makes sure that shareholder records are kept up-to-date and properly; shareholders' written queries are replied to; the general shareholders' meeting is conducted in accordance with the legislation, the corporate statute and other in-house regulations; and that all general shareholders' meeting documentation is prepared. It informs the board about its activities with a formal report.

1.2. Shareholders' Right to Obtain and Evaluate Information:

There is no regulation in the bank's articles of association relating to the request for appointment of a special auditor. However, we did not come across to any hindering process or application within the rating period if such a request was received.

In order to protect and facilitate the exercise of shareholders' rights and in particular the right to obtain and review information, all information that may affect usage of rights is duly updated and made available to all shareholders. A disclosure policy is established for them and this policy

was submitted for the approval of shareholders' at the general shareholders' meeting. There have been no court disputes on grounds that shareholders' rights to receive information and review are left unanswered and rejected unfairly.

1.3 Minority Rights:

Maximum care is given to the usage of minority rights. However, minority rights are not recognized for shareholders who hold an amount less than one-twentieth of the share capital and the bank has adopted exactly the rate foreseen in the legislation for banks.

There is no evidence of any conflict of interest between the majority shareholders and that of the bank.

1.4. The General Shareholders' Meeting:

The invitation to the general shareholders' meeting was made two weeks prior to the meeting date as specified in the articles of association. In order to ensure full compliance with the Corporate Governance Principles, announcement for the general shareholders' meeting should be made three weeks in advance.

The announcement for the 2013 general shareholders' meeting held on March 28, 2014 was made on 12th of March. All announcements prior to the general shareholders' meeting included information such as the date and time of the meeting; without any ambiguity exact location of the meeting; agenda items of the meeting; the body inviting to the general shareholders' meeting; and the exact location where the annual report, financial statements and other meeting documents can be examined.

Commencing from the date of announcement of invitation for the

general shareholders' meeting; financial statements and reports including the annual report, and all other related documents pertaining to the agenda items were made available to all shareholders for examination purposes in the most convenient locations including the headquarters of the bank and also in electronic media. Total number of shares and voting rights reflecting the bank's shareholding structure, information about the selection of board members and their CVs, and the old and new versions of the articles of association are also announced.

Agenda items were put under a separate heading and expressed clearly in a manner not to result in any misinterpretations. Expressions like "other" and "various" were not used. Information submitted to the shareholders prior to the conduct of the general shareholders' meeting was related to the agenda items.

General shareholders' meetings took place at the bank's headquarters. Items on the agenda were conveyed in detail and in a clear and understandable way by the chairman of the meeting and shareholders were given equal opportunity to voice their opinions and ask questions.

The members of the board of directors, other related and authorized persons who are responsible for preparing the financial statements and auditors were present to give necessary information and to answer questions at the general shareholders' meeting.

The bank has established a policy on donations and grants, and submitted to the approval of shareholders at the general shareholders' meeting. The minutes of the meeting are made available to the shareholders in writing on the corporate web site at all times.

1.5. Voting Rights:

At YatırımBank, all shareholders, including those who reside abroad, are given the opportunity to exercise their voting rights conveniently and appropriately.

There are no voting privileges. There is no such arrangement which allows the use of voting rights only after a certain period from the date of acquisition.

1.6. Dividend Rights:

The dividend policy of YatırımBank is clearly defined and disclosed to the public on the bank's web site. It is submitted to the approval of shareholders at the general shareholders' meeting. The bank's dividend distribution policy contains minimum information clear enough for investors to predict any future dividend distribution procedures and principles.

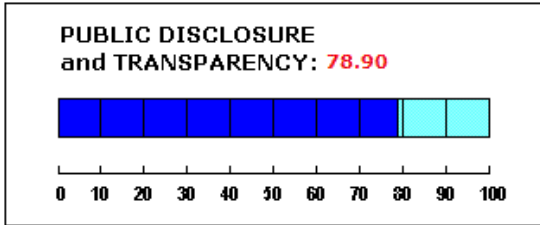
A balanced policy is followed between the interests of the shareholders and that of the bank.

The articles of association of the bank do not contain a provision on advance dividend payments.

1.7. Transfer of Shares:

Exclusive of the provisions of the BRSA, the articles of association of the company do not contain any provisions that impede the transfer of shares.

SECTION 2: PUBLIC DISCLOSURE AND TRANSPARENCY



SYNOPSIS

+	Comprehensive web site, actively used for public disclosure
+	All bank policies, financial reports, general shareholders' meeting disclosures, ethical rules and information on committees and their working principles published on the web site
+	List of ultimate controlling individual shareholders and their shareholding proportion are disclosed to public
+	Comprehensive and informative annual report complies with the legislation,
+	Agreement and studies conducted with the external audit firm complies with the legislation
-	English version of the web site not yet prepared
-	Benefits provided to board members and senior management are not mentioned on individual basis
-	Assessment of the board on the efficiency of the committees not included in the annual report

2.1. Corporate Web Site:

YatırımBank's corporate website (www.yatirimbank.com.tr) is actively used for disclosure purposes and the

information contained therein is continuously updated.

Along with the information required to be disclosed pursuant to the legislation, the bank's website includes: trade register information; information about latest shareholder and management structure; the date and the number of the trade registry gazettes in which the bank's articles of association changes are published along with the final version; last 5 years' financial reports; annual reports, and other public disclosure documents; frequently asked questions including requests for information, questions and notices, and responses thereof; external audit report; agendas of the general shareholders' meetings and list of participants; minutes of the general shareholders' meeting; form for proxy voting at the general shareholders' meeting; information on senior management; ethical rules; corporate governance compliance report; disclosure policy; information on donations and grants, privacy, human resources, dividend distribution, compensation, and remuneration policies.

The bank's shareholding structure along with the names, amount and rate of the shares held by the bank's ultimate controlling individual shareholders over 5% as identified after being released from indirect or cross shareholding relationships between co-owners is disclosed to the public. It is updated at least in every 6 months.

The company's web site also includes: information and working principles of the committees established within the board of directors; information about

the upper management; the vision/mission of the bank established by the board; information on capital increases, financial data, main ratio analysis, web site privacy and terms of use; disclosure documents on the maximum annual loan interest rates and fees and commission rates; public disclosure document; The Banks Association of Turkey Customer Complaints arbitral tribunal complaint form, and the information leaflet.

The bank's corporate social responsibility and sustainability reports, however, did not find place on the web site. The web site is not yet prepared in English for the benefit of all stakeholders.

2.2. Annual Report:

Annual report is prepared in detail by the board of directors to provide public access to complete and accurate information on the bank, and it covers information such as;

- a. period covered by the report, the title of the company, trade register number, contact information,
- b. the names and surnames of the chairman, members and executive members involved in the management and supervisory boards during the covered period, their limits of authority,
- c. the sector in which the bank operates and information on its position in the sector,
- d. number of staff and branches, statements on the bank's services and activities,
- e. changes and justifications on the articles of association during the period,
- f. Corporate Governance Principles Compliance Report,
- g. information on related party transactions,

- h. other issues not included in the financial statements, but are beneficial for users,
- i. the bank's organization, capital and ownership structure and any changes in the related accounting period,
- j. dividend distribution policy,
- k. information on extraordinary general shareholders' meeting inclusive of the date of the meeting, decisions taken, and the corresponding transactions,
- l. basic ratios on the financial position, profitability and solvency,
- m. the bank's financing resources and risk management policies,
- n. information on major events occurred between the closing of the accounting period and the date of the general shareholders' meeting where financial statements are evaluated.

In addition to the matters specified in the legislation, following information also took place in the annual report;

- a. information on external duties of board members and executives,
- b. members of the committees within the board, frequency of the meetings and their limited working principles,
- c. the number of board meetings held during the year and status of participation of the members,
- d. major court cases against the bank and possible consequences,
- e. information on direct contributions to capital ratio with cross shareholding investments in excess of 5%,

However, assessment of the board on the efficiency of the committees is not included in the annual report.

In addition, benefits provided to the members of the board and senior executives are given collectively. In order to fully comply with the Corporate Governance Principles, it is essential that this information is provided on an individual basis.

Another area that is open for further improvement is the inclusion of information about benefits and vocational training of employees as well as those social responsibility activities of the bank that give rise to social and environmental results in the annual report.

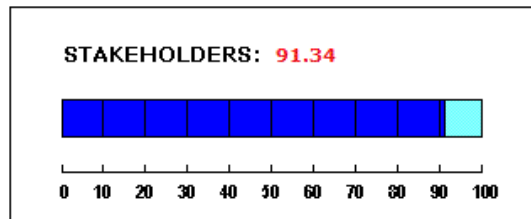
2.3. External Audit:

The external audit of the bank is conducted by Bařaran Nas Bađımsız Denetim ve Serbest Muhasebeci Mali Műřavirlik A.ř., a member of PricewaterhouseCoopers group with a worldwide experience.

The external auditor issued a qualified report during the latest audit period. The bank officials declared that there has been no legal conflict between the bank and the external audit firm.

Independent audit firm and their audit staff did not provide consulting services for a price or free of charge during the audit period. Neither a consulting company in which the external audit firm is in a dominant position either directly or indirectly in management or capital provided any consulting services during the same period.

SECTION 3: STAKEHOLDERS



SYNOPSIS

+	Compensation is provided in case of violation of the rights of stakeholders in line with the legislation and mutual agreements
+	Efficient human resources policy
+	Strict quality standards for banking services
+	Comprehensive code of ethics, disclosed to public
+	A written employee compensation policy exists and disclosed to public on the web site
=	Bank complies with environmental laws. A comprehensive Environmental Sustainability and Social Responsibility Policy created in this context. Actual implementation to be observed.

3.1. Bank Policy Regarding Stakeholders:

Rules and principles on determination of relationships with stakeholders are applied in the framework of Corporate Governance Policy. In cases when the rights of stakeholders are not protected by legislation and mutual agreements, benefits of stakeholders are protected in good faith principles and within the capabilities of the bank. We have not come across to a significant or repetitive situation in which these rights are not recognized. The bank's corporate governance

practices are in top level, and YatirimBank recognizes the rights of stakeholders established by law or through any other mutual agreements.

A written compensation policy for the employees of the bank is constituted and disclosed to the public on its web site. The web site of the bank is actively used to provide adequate information on policies and procedures towards the protection of stakeholders' rights. Stakeholders are informed on issues that concern them by the bank plenary proceedings, annual reports, meetings, and via e-mail. The relevant "Disclosure Policy" provisions are reserved. There have been no instances of any conflict of interest amongst the stakeholders during the last year.

The corporate governance structure of the bank ensures that its stakeholders, including its employees and representatives, report their concerns to the management concerning any illegal or unethical transactions.

3.2. Stakeholders' Participation in the Bank Management:

A customer and complaint lines are established on the web site for transmission of stakeholders' opinions, suggestions, requests, inquiries and complaints via e-mail.

Models to encourage bank employees' participation in management and encourage and reward principles are organized in the bank's internal rules and regulations document, namely the "Human Resources Policy". The regulations concerning all stakeholders are included in the "Code of Ethics Regulations" and in the Corporate Governance Policy. In addition, an

internal reporting system has been established for all stakeholders to get in direct contact with the Compliance Unit.

3.3. Bank Policy on Human Resources:

The bank has a comprehensive human resources policy. The purpose of this policy is to regulate principles in recruitment of staff with contracts, their deployment, monetary and social rights, discipline procedures, duties, powers and responsibilities of basic rights and obligations in accordance with the labor legislation, the bank's articles of association and other relevant legislations. Execution of this policy is the responsibility of Human Resources Department and the General Manager. Responsibility for implementing the provisions of staff of Internal Systems department belongs to the Human Resources Department and the Audit Committee.

Following are the basic principles of this policy:

- a) Employment of staff in accordance with specifications and nature of the job, providing opportunities according to their abilities and qualifications,
- b) Providing employment with high efficiency with optimum number of staff,
- c) Organizing seminars and in service training programs in order to ensure the development of staff,
- d) Encouraging staff to be successful and reward them,
- e) Training staff and giving priority to in-house staff for any job openings and providing promotion possibilities in line with their talent and merit,
- f) Informing staff on-time on issues concerning them, developing effective communication tools and methods for the staff to easily

communicate their views to the upper echelons,

- g) Creating a business environment to increase staff's willingness to work including their managers and preparing an environment to establish good human relations,
- h) Providing suitable conditions for professional and personal development of all employees without any discrimination,
- i) Providing career opportunities to staff who possess necessary qualities for promotion,
- j) Providing adequate wages and employee rights in accordance with the market conditions and within the bank's budget capabilities,
- k) Providing competent human resources appropriate with the nature of the job to achieve the objectives of the bank,
- l) Working to gather staff around common goals, providing share of corporate culture and loyalty,
- m) Providing a work environment for the staff to develop creative thinking and to generate new ideas to improve operations.

During the creation of recruitment policies and career planning, the principle of providing equal opportunities to persons under equal conditions was adopted in line with this policy.

In cases which management reshuffle could cause disruptions, succession planning for determination of new manager appointments is done in accordance with the bank's Business Recovery Plan. Recruitment criteria are set forth in writing and these criteria are adhered to.

All rights provided to employees are exercised fairly, training programs and policies are put in place to enhance employees' knowledge, skills and manners.

The Financial Planning and Control Unit conducts informational meetings with

employees to exchange views on subjects such as the bank's financial status, remuneration, career opportunities, education, and health. Employees are informed of decisions and developments concerning them.

Employee job descriptions, distribution of tasks and performance and rewarding criteria are determined within the framework of the "Human Resources Policy". A declaration of acceptance on this policy is required from the staff.

The process of determining employee remuneration and other benefits is identified in the "Remuneration Policy" with a focus on productivity.

Measures taken against race, religion, language and gender discrimination among employees and protection against any physical, spiritual and emotional ill-treatment within the bank along with provisions for establishing safe working conditions and environment are organized in the framework of the "Code of Ethics Regulation" and the "Sustainability, Environment and Social Responsibility Policy".

3.4. Relations with Customers and Suppliers:

Precautions to attain customer satisfaction in the sales and marketing of the bank's products and services are taken within the framework of the "Sustainability, Environment and Social Responsibility Policy".

Issues like adherence to quality standards in banking services and protecting these standards, protection of information about loan customers, and procedures prepared to protect depositor rights in illegal on-line transactions in customer accounts are defined in the bank's "Code of Ethics Regulation".

It has been declared that no warning or penalty was received from the supervisory authority regarding these issues.

3.5. Ethical Rules & Social Responsibility:

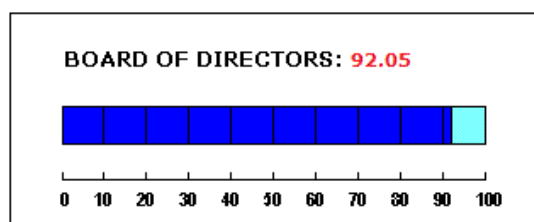
The bank has prepared a set of ethical rules and these principles have been announced to the public on the corporate web site. Use of corporate assets and resources; relations with competitors, customers, suppliers, staff, media, public agencies, and organizations; rules on acceptance of gifts, invitations, personal contributions and donations; activities that create conflicts of interest; external duties; political and religious activities; discrimination; complying with legal and internal regulations; privacy policies; prevention of money laundering; combating the financing of terrorism; processes and rules on internal reporting systems and communication lines are clearly defined in this set of ethical rules.

The bank's level and quality of institutional relationship with non-governmental organizations and public social institutions remain to be observed.

3.6 Sustainability:

A Sustainability Environment and Social Responsibility Policy has been created in order to determine the general framework of social and environmental management systems and basic principles that the bank has to comply with in this context. It is intended that the standards defined in this policy should also cover obligations arising from laws and regulations issued by regulatory authorities. This policy complements the bank's corporate governance policies and procedures.

SECTION 4: BOARD OF DIRECTORS



SYNOPSIS

+	The board periodically reviews effectiveness of risk management and internal control systems
+	Chairman of the board and CEO are not the same person
+	1 out of 7 members of the board is executive and there are 3 independent members
+	Board meetings/decision quorum defined in articles of association
+	Board meetings take place with sufficient frequency and working principles are set in writing
+	Each member has a right to 1 vote
+	Audit, Corporate Governance and Remuneration Committees established
+	Principles of remuneration of board members and senior executives are established and disclosed to the public
=	1 female member on the board
=	Corporate Governance and Audit Committee members are composed of the same independent members and the Remuneration Committee is chaired by the chairman of the board of directors.
=	Functionality and efficiency of the Corporate Governance Committee will be observed
-	No established policy to increase the number of female board members

4.1. Functions of the Board of Directors:

Strategic decisions of the board of directors aims to manage the bank's risk, growth, and return balance at an appropriate level; and with a view to the long-term interests of the bank, conduct a rational and cautious risk management approach. The board administers and represents the company within these parameters.

The board of directors has defined the bank's strategic goals and identified the needs in human and financial resources, and controls management's performance.

4.2. Principles of Activity of the Board of Directors:

The board of directors performs its activities in a transparent, accountable, fair and responsible manner.

Distribution of tasks between the members of the board of directors is explained in the annual report.

Various internal control systems which are inclusive of risk management and information systems are established by the board of directors who have also considered the views and recommendations of the committees to this end. In this context, the board reviews the effectiveness of risk management and internal control systems at least once a year.

The presence, functioning, and effectiveness of internal controls and internal audit, are explained in the annual report.

Chairman of the board and the chief executive officer/general manager's executive powers are separated and this separation is documented in the articles of association. In this context, chairman of the board and chief executive officer/general manager are not the same person. On the other hand, there is no person in the bank who has unlimited authority to make decisions.

4.3. Structure of the Board of Directors:

The bank's board of directors is composed of seven members. With the exception of the general manager, all members are non-executive. Among the non-executive board members, there are 3 independent members who have the ability to execute their duties without being influenced under any circumstances. Tenure of office of independent members is 3 years and all comply with the independence criteria outlined in the Corporate Governance Principles.

The Corporate Governance Committee has prepared a report about the candidates including those proposed by the board and shareholders, by taking into consideration of whether or not the candidate meets the independency criteria, and submitted this assessment as a report to the board for its approval. Capital Markets Board (CMB) criteria are complied with in determining independent candidates. Independent candidates for the board of directors have signed a declaration of independence within the framework of the legislation, articles of association, and the CMB criteria.

There is one female member on the board. However, the bank has not yet prepared a policy to reach the Corporate Governance Principles' advisory target of 25% of the number of board members.

4.4. Conduct of the Meetings of the Board of Directors:

To ensure the efficiency of the board of directors, the time table of the board meetings that will take place during the year is determined by the general manager with the approval of the board of directors. Meeting agendas are prepared according to proposals from various units of the bank and requests of the members on the items they wish to be on the agenda.

Even though the board meetings take place with sufficient intervals in line with the bank operations and the legislation, physical meetings are held at least once a month by principle. Unless there are valid excuses, all members attend meetings.

Information on the agenda items of the board of directors is made available to the members in sufficient time prior to the meeting date by a coordinated flow of information. The conduct of the board of directors meetings is defined in the Corporate Governance Policy. Meeting and decision quorums have been included in writing in the articles of association of the bank.

Board members do not have any weighted vote privileges. There are no vetoing rights and each member has a right to one vote.

Bank officials declared that the board members allocate the required time for the bank's affairs. There are no limitations for the members taking on additional duties outside the bank.

4.5. Committees Established Within the Board of Directors:

A Corporate Governance Committee, an Audit Committee, and a Remuneration Committee are established from within the board of

directors in order to fulfill its duties and responsibilities. Each committee is composed of two members.

Functions of the committees, their working principles, and its members are designated by the board of directors and disclosed to the public on the bank web site.

All members of the Audit Committee and the Corporate Governance Committee are elected among the independent board members. However both committees have the same members and the same chairmen. Remuneration committee is chaired by the chairman of the board of directors and the other member is not independent. There are no executive members on the committees. In the process of restructuring, the bank will reconsider structure of the committee membership to ensure full compliance with the Corporate Governance Principles.

All necessary resources and support needed to fulfill the tasks of the committees are provided by the board of directors and all their work is put into writing, and records are kept. Committee meeting frequencies are sufficient and almost each committee meets once a month. The information about the work of committees, and reports containing the results of the meetings are presented to the board.

The Audit Committee supervises the operation and efficiency of the bank's accounting system, public disclosure, external audit and internal audit systems. It reviews those complaints that are received by the bank regarding the bank's accounting practices and internal and external independent audit systems within the framework of the principle of confidentiality, and resolves them. It notifies the board in writing on findings related to their duties and responsibilities and the related

assessments and recommendations. After taking the opinion of responsible managers of the bank and the external auditor, the Audit Committee notifies the board in writing on whether the annual and interim statements disclosed to the public are in accordance with the bank's accounting principles, true and accurate.

The bank's audit committee also assumed the tasks of a risk management committee and reviews risk management systems at least once a year. Our observations will continue to assess the efficiency of this committee towards early detection of risks which may jeopardize the bank's assets, its development and progression to have a clearer idea whether necessary measures are taken to mitigate and manage those risks.

The annual report contains information on working principles of the audit committee and how many times the board of directors is informed with a written notice in the accounting period. Meeting results are also disclosed in the annual report. The external auditor and services provided by them are designated by the audit committee and submitted to the board of directors for approval.

The Corporate Governance Committee is established in order to determine whether or not the corporate governance principles are being fully implemented by the bank. If implementation of some of the principles are not possible; the committee determines the reasons thereof, and assesses any conflict of interests arising as a result of imperfect implementation of these principles, and presents remedial advices to the board of directors. In addition, it oversees the work of the shareholder relations unit.

Corporate Governance Committee's level of functionality and efficiency in

establishing a transparent system to identify, evaluate and train suitable candidates for the board and management and devising policies and strategies to this end will again be monitored by us during the rating and surveillance process. Likewise, this observation will also include whether the committee performs regular evaluations on the structure and efficiency of the board of directors and capable of presenting suggestions for changes to be made on these issues.

Remuneration Committee of the bank determines and supervises principles, criteria and applications for the remuneration of independent board members and managers with administrative responsibility by taking into consideration the bank's long term objectives. Its approach to the degree of achievement on the criteria used especially on remuneration of board members in addition to managers with administrative responsibility will also be monitored by us during the surveillance period.

4.6. Remuneration of the Board of Directors and Senior Management:

The assessment of the operating period and future expectations of the chairman of the board of directors and the general manager took place in the annual report.

The principles of remuneration of board members and senior executives have been documented in writing and submitted to the shareholders' attention as a separate item in the general shareholders' meeting.

A remuneration policy prepared for this purpose can be found on the bank's web site. Stock options or performance based payments are not included in the remuneration package of the independent board members.

The bank did not lend any funds or extend any credits to a member of the board or to senior executives, or grant any personal loans through a third party, or extend any guarantees.

The bank has acquired a Bankers Blanket Bond insurance policy to compensate for losses incurred by the bank and/or third parties, as a result of misconduct by the board members and executives with management responsibility.

There have been no cases where the executives used confidential and non-public bank information in favor of themselves or others. There are no executives who accepted a gift or favor directly or indirectly related to the bank's affairs, and provided unfair advantage.

Remuneration of the executives is based on market conditions and determined according to their qualifications. Remuneration is duly proportional to their contributions to the performance of the bank.

Orientation process for newly appointed managers is determined in writing in the Human Resources Policy which has been supplied to us in its entirety.

Rating Definitions

Rating	Definition
9 - 10	The bank performs very good in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified and actively managed all significant corporate governance risks through comprehensive internal controls and management systems. The bank's performance is considered to represent best practice, and it had almost no deficiencies in any of the areas rated. Deserved to be included in the BIST Corporate Governance Index on the highest level.
7 - 8	The bank performs good in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified all its material corporate governance risks and is actively managing the majority of them through internal controls and management systems. During the rating process, minor deficiencies were found in one or two of the areas rated. Deserved to be included in the BIST Corporate Governance Index.
6	The bank performs fair in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified the majority of its material corporate governance risks and is beginning to actively manage them. Deserved to be included in the BIST Corporate Governance Index and management accountability is considered in accordance with national standards but may be lagging behind international best practice. During the ratings process, minor deficiencies were identified in more than two of the areas rated.
4 - 5	The bank performs weakly as a result of poor corporate governance policies and practices. The bank has, to varying degrees, identified its minimum obligations but does not demonstrate an effective, integrated system of controls for managing related risks. Assurance mechanisms are weak. The rating has identified significant deficiencies in a number (but not the majority) of areas rated.
<4	The bank performs very weakly and its corporate governance policies and practices are overall very poor. The bank shows limited awareness of corporate governance risks, and internal controls are almost non-existent. Significant deficiencies are apparent in the majority of areas rated and have led to significant material loss and investor concern.

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Contacts:

S. Suhan Seçkin

suhan@saharating.com

Ali Perşembe

apersembe@saharating.com

Ömer Ersan

oersan@saharating.com