

**PASHA YATIRIM BANKASI A.Ş.**

**Corporate Governance Principles**  
**Compliance Report**

## **1. Statement of Compliance with Corporate Governance Principles**

Our Bank is aware of the significance of the corporate governance principles as much as that of financial performance, and therefore decided to comply with – in principle – the Corporate Governance principles included in the annex to the “Corporate Governance Communiqué” II-17.1, which had been published by the Capital Markets Board (CMB) and; prepared the Corporate Governance Principles Compliance Report with full confidence in the Corporate Governance Principles of the CMB, and by strengthening its management mechanisms, and also by taking into consideration its corporate structure and understanding as well as the international principles and the practices in the sector.

The contents of our website has been enriched in order to better inform the shareholders, investors and stakeholders of our Bank. Our efforts for compliance with corporate governance principles did accelerate upon changing of the shareholding structure in the year 2013. As an indication of the importance that our shareholder attach to the Corporate Governance Principles, the three independent members of the board of directors that had been elected in 2013 continued to perform their duties in 2014.

Our Bank continued its efforts in furthering its compliance with the Corporate Governance Principles in the year 2014, and in the month of June it was examined for the first time in order to have its corporate governance performance measured by the SPK authorized SAHA Corporate Governance and Credit Rating Services A.Ş. and; received 8.86 points over a scale of 10. This result that is obtained as Corporate Governance Rating, is the confirmation of our high degree of compliance with the Corporate Governance Principles set forth by the CMB

The Corporate Governance Rating report is published on the corporate web site of our Bank, at the address of [www.pashabank.com.tr](http://www.pashabank.com.tr).

The reasons for not observing the mandatory principles during the period are stated at below.

## **SECTION-I SHAREHOLDERS**

### **2. Investor Relations Department**

An Investor Relations Department that includes the Financial Planning, Controlling and Investor Relations Unit (FPK) as well as the Legal Affairs Unit, which report directly to the General Manager and the concerned Deputy General Manager, has been set up in 2014, in order to ensure that when the shareholders exercise their shareholding rights, the pertinent legislation, the articles of association and the other internal rules and regulations of the Bank are complied with, and that the measures that are necessary to facilitate the exercise of such rights are taken. No applications were made to the Investor Relations Department during the period.

The Investor Relations Department performs the duties of facilitating the communication between the Board of Directors and the existing and potential shareholders, and taking the actions for this

by complying with the Corporate Governance Principles of the CMB. Its primary duties are listed at below.

- a) To ensure that the correspondence as well as the other information and documents exchanged between the investors and the Bank are kept appropriately, safely and that they are up to date;
- b) To respond to the shareholders' requests for written information about the Bank;
- c) To prepare the documents that must be made available to the shareholders for their information and examination, regarding the general assembly meeting and; to take the measures that are necessary to ensure that the general assembly meeting is held in accordance with the pertinent legislation, the articles of association and the other internal rules and regulations of the Bank;
- d) To oversee and monitor the performance of the obligations, including also all kinds of matters regarding corporate governance and public disclosures, which are imposed by the capital Market legislation;
- e) To submit reports about the activities it carries out, to the Board of Directors, at least one a year.

As of the date of 27.2.2014, the Bank conducts its relations with the shareholders through the Investor Relations Department, and it received support from the Internal Control and Compliance Unit whenever needed.

The Investor Relations Department reports to the Deputy General Manager Ali İhsan Tokkuzun, and the following persons serve there.

<i>Name Surname</i>	<i>Title</i>	<i>Telephone No:</i>	<i>e-mail address</i>	<i>License Certificate</i>
Yesim Çağlar	Deputy Manager of Financial Planning, Controlling and Investor Relations	(212) 705 8908	Yesim.caglar@pashabank .com.tr	Capital Market Board Level 3 License and Corporate governance Rating License
Sinem A. Güven	Legal Advisor	(212) 705 8919	Sinem.guven@pashabank .com.tr	-

Investor Relations Department is responsible for providing – by receiving the opinion of the other units as necessary and in coordination with them – information about the activities, financial situation and strategies of the Bank, excluding confidential information and commercial secrets, to the shareholders and potential investors and; for the management of the bidirectional communication between the shareholders and the Bank's managers.

The FPK Unit, the Compliance Unit and the Legal Affairs Unit have carried out the activities for updating the website in the year 2014, for preparing the annual and interim financial reports, for holding the General Assembly meetings, for preparing the presentation about the interim and end-of-the-year financial data and the Bank, for compliance with the corporate governance principles.

The Investor Relations Department has shared the information about the activities it had carried out in the year 2014, with the members of the Corporate Governance Committee, at the meeting held with them.

### **3. Exercise of Shareholders' Right to Information**

On the Bank's webpage, our articles of association, shareholding structure, financial information, activity reports, the minutes of and the invitations to the General Assembly meeting, our trade registration and contact details are disclosed to the public.

The main principle in regard to the right to information and the right to review of the shareholders, as per the Corporate Governance Policy of the Bank, is indiscrimination between the shareholders.

The provision of Article 33 of our Bank's articles of association reads as, "Bank's independent audit will be conducted according to the pertinent legislation, by the independent audit firms that are empowered to conduct independent audit of bank. The audit firm which will conduct such audit will be selected by the General Assembly." There is no provision regarding any request for the assignment of any private auditor. No request has been made during the period, regarding appointment of a private auditor.

### **4. General Assembly Meetings**

Provisions that pertain to the General Assembly meetings are included in the "Articles of Association of the Bank" (AoA) and in the "Internal Directive Pertaining to the Principles and Procedures on the Work of the General Assembly", which are placed on the Bank's website and that are open to the public.

The ordinary general assembly meeting of the Bank is held physically at the address of the General Management building, on the date of 28 March 2014.

In the matter of the quorum regarding the ordinary and extraordinary meetings, the provisions in Turkish Commercial Code applies, as per the pertinent Article of the Articles of Association. Our shareholders that own 79,525, 121 of the total number of shares, which is 80,000,000, were present at the Ordinary General Assembly Meeting; that adds up to a majority at a ratio of 99.74%. No reporter from any of the media groups did participate to the general assembly meetings.

At the Extraordinary General Assembly meeting of PASHA Yatırım Bankası A.Ş., which was held on the date of 27 January 2015, the capital of the Bank was increased from 80,000,000 to 255,000,000 TL, and Article 7, titled "The Capital", of the Articles of Association was amended regarding this increase.

The trade name was changed to “PASHA Yatırım Bankası A.Ş.”, name of the entity was changed to “PashaBank” and Article 2, titled “The Title” of the Articles of Association was amended.

Invitations letters were sent to the shareholders, whose names are written on the stock ledger, three weeks before the dates of the General Assembly meetings, and in addition to this, invitation announcements for the meetings as well as the items of the agenda and a sample copy of power of attorney were published in the Trade Registry Gazette of Turkey as well as in a daily newspaper that is distributed nationwide in Turkey. Invitations to the General Assembly meetings were made by the Board of Directors. On the other hand, the officials of the Banking Regulation and Supervision Agency (BDDK) were also invited to the said meetings, along with the shareholders. In addition to the shareholders, the representatives of the official establishments that are, according to the pertinent legislation, empowered to attend the General Assembly meetings can participate to them.

Announcements of the invitation to the general assembly meeting of the Bank had been published in the Trade Registry Gazette of Turkey (TTSG) at least 3 (three) weeks ahead excluding the dates of the announcement and of the meeting, as per the provisions of Article 414 of Turkish Commercial Code, in accordance with the pertinent Article of the Articles of Association, by observing the time limits in the legislation. Besides, the announcement for the meeting has been published on our website and in the Hürses newspaper, and the day, place and agenda have also been posted to the shareholders.

Our activity report have been made available before the General Assembly Meeting, at the head office of the Bank and on the website, for the information of our shareholders, and for them to review. There is no deadline for registration of the holders of the registered shares in the stock ledger, for participation to the General Assembly Meetings.

The minutes of the General Assembly meetings of our Bank are available at all times, to the shareholders, on the information society site of the Bank’s webpage.

The shareholders of our Bank are entitled to declare their opinions and as questions about the subject on the agenda, and there are no limitations in this regard.

The shareholders did not make any request for the inclusion of any items to the agenda of the Ordinary and Extraordinary General Assembly meetings.

There is no provision in our Articles of Association regarding voting of important motions like sale, purchase, lease of assets of significant value, and the General Management and the Board of Directors is empowered to effect transactions within the set limits of the powers [delegated to them]. The reason for the entrustment of such power with the Board of Directors is to enable timely decisions. However, the activity reports of the Board of Directors, the balance sheet, income and expenditure accounts as well as the reports that are prepared by the auditors, selection of the independent audit firm, recommendation of the Board of Directors regarding distribution of profit, assignments to the vacant seats of the members of the Board of Directors who leaves before their term ends, sale and purchase as well as leasing of immovable property, expenditures, payments of

tax, aid and donations within the year, must be submitted to the General Assembly for its information, and are subject to release by it.

No donations have been made during the period and; the internal rules and regulations about the policy on donations are laid down according to the Corporate Governance Policy.

Casting of votes by proxies is possible as per to the provisions of the Articles of Association of the Bank. According to Article 26 of the Articles of Association, the shareholders can themselves exercise their right to vote, or they can have themselves represented by other shareholders, by a non-shareholder proxy they will appoint, or by the representative of the organ that would be assigned as per Article 428 of Turkish Commercial Code, by an independent representative or a corporate representative.

The minutes of the General Assembly meetings of our Bank are published on the investor relations' information society site of the Bank's webpage, and announced in the Trade Registry Gazette of Turkey.

The Ordinary General Assembly Meeting of the Bank for the year 2014 will be held on the date of 31 March 2015, at its head office building.

## **5. Voting Rights and Minority Rights**

In the Articles of Association, there is no preferred voting right. There is no company with which the Bank has a mutual participation relation.

## **6. Dividend Right**

The policies regarding dividends are developed within the framework of the Corporate Governance Policy. Dividends can be paid to the extent it is allowed by the general policy of the Bank regarding distribution of profits, its financial structure, pending investments, the current conditions of the sector, the economic conjuncture and by the legislation on banking.

The principles on the principles on distribution of profits will be included in the Articles of Association of the Bank (AoA) and in the website contents.

The General Assembly can – after setting aside the statutory reserves as required by Turkish Commercial Code (TCC) and the provisions of the Articles of Association of the Bank, and upon obtaining the permission that need to be taken according to the legislation on banking – at its sole discretion and in a way not to constitute a vested right, appropriate as much of the profit as it wishes to the members of the Board of Directors and/or top managers and the employees of the Bank.

The General Assembly is empowered to decide to distribute the remaining profit entirely or partly to the shareholders, or to set aside as excess reserve.

## 7. Transfer of Shares

There is no provision that restricts transfer of stock certificates, in the Articles of Association of our Bank.

The share certificates of the Bank can be transferred freely, without prejudice the provisions of the Banking Law, Turkish Commercial Code and of the Articles of Association.

## SECTION-II PUBLIC DISCLOSURE AND TRANSPARENCY

### 8. Policy on the Provision of Information

Our Bank’s policy of provision of information has been developed in compliance with the Corporate governance principles; approved by the Board of Directors and; is published on the its website.

The principles on the disclosure of information regarding the future are included in the Policy on the Provision of Information.

The power and responsibility for follow up, surveillance and development of the policy on public disclosure and provision of information belongs to the Board of Directors.

The Investor Relations Department is assigned with the duty of surveillance of every matter regarding public disclosures, and answering the questions addressed to the company. The names and duties of the persons who are responsible for following of the policy on the provision of information are included in the “Investor Relations Section” of this report.

Information that is disclosed to the public are presented on the “Public Disclosure Platform” ([www.kap.gov.tr](http://www.kap.gov.tr)) and on the Bank’s website, in a way that would help the individuals and organizations, that would benefit from the disclosure, make their decisions, in a meticulous, understandable and interpretable manner and; with low cost accessibility.

### 9. Company’s Website and its Contents

Our Bank’s website address is [www.pashabank.com.tr](http://www.pashabank.com.tr). The principles on how to use the website are included in the Corporate Governance Policy.

The contents published on the website are included in the following table, and special attention is paid so as to ensure that the information herein is always up-to-date.

<i>CORPORATE STRUCTURE</i>	<i>INVESTOR RELATIONS</i>
<i>Our History</i>	<ul style="list-style-type: none"><li>• <i>Financial Reports (Last 5 Years)</i><ul style="list-style-type: none"><li>• Annual Activity Reports</li><li>• Interim Activity Reports</li><li>• Independent Audit Reports</li></ul></li></ul>
<ul style="list-style-type: none"><li>• <i>Our Shareholders</i></li></ul>	<ul style="list-style-type: none"><li>• <i>Articles of Association</i></li></ul>

• Pasha Bank OJSC	
• Aksoy Holding	
• <i>Corporate governance</i>	• <i>Rating</i>
• Our Vision, Mission and Values	• Corporate Governance Rating
• Policies	
• Donation and Aid Policy	
• Disclosure Policy	
• Ethical Principles	
• Confidentiality Policy	
• Human Resources Policy	
• Profit Distribution Policy	
• Corporate Governance Principles	
• Compensation (Severance and Notice Pay) Policy	
• Remuneration Policy	
• Sustainability, Environment and Social Responsibility Policy	
• Shareholding Structure	• <i>Banking Services and Credit Agreement</i>
• Trade Registry Details	• <i>Applicable Maximum Interest and Commission Rates</i>
• Corporate Governance Principles Compliance Report	• <i>The General Rules</i>
• <i>Our Organization</i>	• <i>Internal Directive</i>
• Board of Directors	
• Audit Committee	
• Corporate Governance Committee	
• Remuneration Committee	
• Our Executives	
• Organizational Chart	
• <i>The Message of the Chairman of Our Board of Directors</i>	• <i>General Announcements / PASHA YATIRIM BANKASIA.Ş.</i>
• <i>General Manager's Message</i>	• <i>Announcement for Investors</i>
<i>OUR PRODUCTS AND SERVICES</i>	• <i>Arbitration Board</i>
• Investment Banking	• <i>Frequently Asked Questions</i>
• Corporate and Commercial Banking	• <i>Investor Relations Communication</i>
• Treasury and Financial Organizations	<i>HUMAN RESOURCES</i>
• Intermediary Services	• Our HR Policy
<i>INFORMATION SOCIETY SERVICES</i>	• Career Opportunities in our Bank
<i>COMMUNICATION</i>	• Job Application

## 10. Activity Report

The Activity Report is prepared with as much detail as to enable access to complete and correct information, and to include the information and data mentioned in the applicable provisions of the pertinent legislation.

Moreover, information mentioned in the Corporate Governance Principles and Corporate Governance Principles Compliance Report is presented in the annual activity report.



## **SECTION-3 STAKEHOLDERS**

### **11. Provision of Information to Stakeholders**

The Bank provides all stakeholders with information by way of the general assembly minutes, meetings, electronic post and website, but excluding the commercial secrets of the Bank, within the framework of the Banking Law, Turkish Commercial Code and the Capital Market Board legislation. Furthermore, the public disclosure tools and methods have been developed according to the Policy on the Provision of Information.

In the “Ethical Principles Regulation” document of the Bank, relations with stakeholders are discussed in regard to different groups.

An internal reporting system and a communication line has been set up that enable direct contact with the Compliance Unit, should our Bank and/or employees face a risk that may be associated with risk management or compliance.

The internal Audit Unit will be notified about the transactions, which have been reported by the stakeholders as being incompliant with the legislation and ethically inappropriate.

### **12. Stakeholders’ Participation to Management**

A customers’ line and a complaints line through Internet have been set up for all stakeholders, enabling them e-mail any opinion, suggestion, wish and complaint they may have as well as their request for information.

Models, incentives and codes of practice in support of participation of the employees to management are developed within the framework of the “Human Resources Policy”.

Efforts that promote communication between and that support team sprit among the employees are made, with the purpose of establishing effective and productive relationships, and for collective work.

Responsibilities are assigned in order to effectively reveal and resolve conflicts of interest and; measures and control processes intended to prevent them are implemented by the Bank within the framework of “Corporate governance Policy”.

### **13. Human Resources Policy**

Human resources policy and the basic policies of the Bank are explicitly stated in the Human Resources Policy document that is served to all employees against signature.

Human Resources Policy includes, in addition to the basic principles on the personnel policy, information about recruitment processes and principles, performance management, promotions, salaries, fringe benefit, rewarding, disciplinary provisions and termination of employment contracts.

The Human Resources Policy of the Bank is decided on behalf of the Board of Directors by the Human Resources Committee, by taking the following principles into consideration. The purpose of the Bank is to retain the most qualified and competent personnel available at all positions. When recruiting, the basic recruitment criteria must be observed.

Accordingly, the below mentioned basic principles will be taken as the basis, regarding the Human Resources policy.

- a) To employ the personnel who best meets the qualities for that job, and to give all personnel the opportunity to develop their talents and competencies;
- b) To hire optimum number of personnel by facilitating the conditions for them to work in most productive way;
- c) To organize seminars and on the job training programs for the personal development of the employees;
- d) To encourage and reward the personnel for success;
- e) To strive for training personnel from among the Bank staff and when filling the vacancies, to give priority the Bank personnel, and to give promotion opportunities to the Bank personnel according to their skills;
- f) To inform the personnel about matters that concerns them in a timely manner, and to develop effective communication means and methods for the personnel to easily communicate their opinion to their superiors;
- g) To create a work atmosphere that would motivate the personnel and all managers, and help them build better social relationships;
- h) To create the environment and conditions that is needed for the professional and personal development of all personnel, without making discrimination among them.
- i) To offer career opportunities to the personnel who meets the conditions that are necessary for promotion.
- i<sup>1</sup>) Considering market conditions and the budget of the Bank, to give sufficient pay and benefits to the personnel;
- j) To hire staff with competencies that are suitable for the job that the Bank need to get done in order to achieve its objectives;
- k) To keep the channels, through which the personnel can communicate their opinion and suggestions, open;

l) To ensure that the personnel get together to achieve the common goals, and to ensure sharing of corporate culture and corporate loyalty;

m) To create a work atmosphere that would encourage people to think creatively and to develop ideas for improving the processes.

On the other hand, there are job descriptions that apply to each and every employee.

At our Bank, target based assessment system is implemented in order to increase productivity of the employees and to reward their successes. The performance system of the Bank measures the performance of the employees with reference to targets and achievement of such targets. For this purpose, Target Performance Cards that consist of four main sections that are based on financial, customer, internal process, learning and development perspectives are used. A performance assessment meeting is held at the end of every quarterly period, with the Unit Manager and the Bank's Top Management. At these performance assessment meetings, the level of achievement will be assessed and the actions that would be taken will be discussed.

The vacancies will be filled primarily by existing employees, and the training and development programs of the employees will be supported in line with the career plans set with them.

The organizational structure of the Bank and the job descriptions of the employees are published in the file server of the Bank, and the employees are informed by announcements.

The Human Resources Unit is working in coordination with the other units, in line with the targets, and with the purpose of selecting the most suitable candidate at the recruitment phase, by reaching the correct target group for that particular position. Besides, special care is taken to ensure that all candidates are willing to adopt the corporate culture, that they believe in open communication and continuous development and are customer and result oriented, and that they have the necessary education and knowledge of foreign language.

Minimum levels of seniority at the current position, depending on the educational qualifications, for promotion have been defined. The Employees can be promoted by meeting the criteria that are defined and stated in the Human Resources Policy.

The "Remuneration Committee" of our Bank had been set up in year 2013, by resolution 52 of the Board of Directors, dated 9 October 2013, with the purpose of carrying out the activities which fall under the scope of the "Regulation pertaining to Corporate Governance Principles of Banks" of the Banking Regulation and Supervision Agency. The Remuneration Committee is responsible for following up, on behalf of the Board of Directors, of the remuneration management practices of the Banks within the scope of compliance with the Corporate governance Principles; for compliance [of such practices] with the Banks' ethical values, internal balances and strategic targets; for reviewing of the remuneration policy and for submitting of its recommendations determined according to the needs; for other matters as well as the duties given to it within this context by the Board of Directors.

At its first meeting held in the first quarter of the year 2014, the Remuneration Committee reviewed the remuneration system policies and practices of our Bank and; then reported its assessments and recommendations within the scope of management of the risks associated with such remuneration practices, to the Board of Directors.

The Remuneration Policy of the Bank has been developed on the basis the “Corporate governance Principles of Banks” and the “Corporate governance Principles of the Capital Market Board”, and approved by the Board of Directors on the date of 10 March 2014.

At the Ordinary General Assembly meeting of the Bank for the year 2013, which was held on the date of 28 March 2014, its was explained to the shareholders, and approved by them, following which it was disclosed to the public on the Bank’s website, as required by the legislation.

When deciding the severance and notice pay, Labor Law 4857, dated 22.5.2003, was referred to.

Bank management has not in the year 2014 received any discrimination complaint.

The targets of the training activities of the Human Resources Unit are as follows:

- With the career training, to both increase the performance of our employees at their current jobs and also getting the ready for higher positions;
- Supporting positive developments in our employees’ relations with each other and with our customers.
- To increase their work and social life quality with the help of personal development trainings.

For job applications to our Bank, this e-mail address is used. [hr@pashabank.com.tr](mailto:hr@pashabank.com.tr).

#### **14. Ethical Rules and Social Responsibility**

The “Ethical Principles Regulation” that had been approved by the Board of Directors lays down all of the rules that have to be observed in all actions and transactions with the customers, employees, other financial organizations and all stakeholders and; it has been disclosed to the public on the website, according to the provision of information policy of the Bank.

The ethical principles are intended to regulate the relations with all stakeholders in and outside the bank, which are categorized as the competitors, customers, suppliers, personnel, the media, and the public institutions and organizations.

The Ethical Principles of PASHA Yatırım Bankası A.Ş.is deemed as an inseparable part of the Corporate governance Policy and the Human Resources Policy.

The Ethical Principles are the aggregate of all rules that would be observed in all actions and transactions with the customers, employees, other financial organizations and all stakeholders.

The rules and regulations set in accordance with the Ethical Principles Regulation are among the general responsibilities of all employees, and they must be included in the compliance and acceptance statement.

The Sustainability, Environment and Social Responsibility Policy of the Bank have been put into effect as of the date of 28 April 2014.

In the year 2014, the Bank did not pay any fine to the regulatory and supervisory authorities for violation of the provisions of the legislation.

## **SECTION-4 THE BOARD OF DIRECTORS**

### **15. The Structure and Composition of the Board of Directors**

In section two of the Articles of Association, the Bank's organization and the duties and powers of the Board of Directors are explained. According to them, the duties and responsibilities of the Board of Directors are subject to the principles set forth by the provisions of Turkish Commercial Code and the Banking Law, and to the provisions of the Articles of Association.

The Board of Directors is carrying out its activities transparently, fairly and with responsibility, and is accountable for them.

The members and the fields of duty of the members of the Board of Directors of our Bank are stated at below. The CVs of the members of the Board are included in the annual activity report on pages 210, 21 and 22 and on the website of the Bank, and on the MKK (the Central Register Organization) e-company portal.

<i>Name-Surname</i>	<i>Title</i>	<i>Date of Appointment</i>
Erdal Aksoy	Chairman of the Board of Directors	28 August 2013 - Continues
S. Batu Aksoy	Deputy Chairman of the Board of Directors	20 August 2013 - Continues
H. Cenk Eynehan	General Manager and the Member of the Board of Directors	20 August 2015 - Continues
Afag Mustafayeva	Member of the Board of Directors	8 November 2013 - Continues
Adnan Aykol	Independent Member of the Board of Directors	28 August 2013 - Continues
Sureyya Serdengeçti	Independent Member of the Board of Directors	26 September 2013 - Continues
Mesut Ozdinc	Independent Member of the Board of Directors	13 January 2014 - Continues

The members of the Board of Directors have last been elected at the extraordinary general assembly meeting on the date of 27 January 2015, and their terms of service continues. Assumption of any other duty or duties by the members of the Board of Directors, is not, unless otherwise is stated in Turkish Laws, subjected to any rules or restrictions.

According to the corporate governance practices of the Capital Market Board, the members of the audit committees of the banks are at the same time the independent members of the board of directors.

The independent members of the Board of Directors as of the end of the year 2014 are Sureyya Serdengecti, Adnan Aykol and Mesut Ozdinc. No incident that impairs the independence of these members has occurred during this period.

Except for the General Manager, no member of the Board has executive duties.

The powers of the Chairman of the Board of Directors and of the General Manager are clearly separated.

The duties that the members of the Board of Directors have assumed outside the Bank are stated in the table at below, and the said information is included also in their CVs published on the Bank's website.

<i>NAME-SURNAME</i>	<i>DUTY</i>	<i>DUTIES ASSUMED OUTSIDE THE BANK</i>	<i>COMMITTEE MEMBERSHIPS AND DUTIES</i>
Erdal Aksoy	Chairman of the Board of Directors	Aksoy Holding A.Ş. – Chairman of the Board of Directors Turcas Oil A.Ş. and its Subsidiaries – Chairman of the Board of Directors Yeditepe International Hotel Management Tourism Trade A.Ş. (Conrad Hotel) – Chairman of the Board of Directors Aksoy International Trade A.Ş. – Chairman of the Board of Directors Aksoy Holding Real Estate Investment Companies – Chairman of the Board of Directors RWE & Turcas South Electricity Production A.Ş. – Deputy Chairman of the Board of Directors Shell & Turcas Oil A.Ş. – Member of the Board of Directors	Chairman of the Remuneration Committee
S. Batu Aksoy	Member of the Board of Directors	Aksoy Holding A.Ş. – Deputy Chairman of the Board of Directors Turcas Oil A.Ş. and its Subsidiaries – CEO and Member of the Board of Directors	Member of the Remuneration Committee

Yeditepe International Hotel  
Management Tourism Trade A.Ş.  
(Conrad Hotel) – Member of the  
Board of Directors  
Aksoy International Trade A.Ş. –  
Member of the Board of  
Directors  
Aksoy Holding Real Estate  
Investment Companies –  
Member of the Board of  
Directors  
RWE & Turcas South Electricity  
Production A.Ş. – Member of the  
Board of Directors

H. Cenk Eynehan	General Manager and the Member of the Board of Directors	-	-
Afag Mustafayeva	Member of the Board of Directors	PASHA Holding LLC – Member of the Investment Committee KAPITAL Bank ASC – Member of the Board of Directors PASHA Insurance – Chairwoman of the Audit Committee PASHA Holding LLC – Chairwoman of Audit and Surveillance Department	-
Adnan Aykol	Independent Member of the Board of Directors	-	-
Süreyya Serdengeçti	Independent Member of the Board of Directors	TOBB Economy and Technology University – Lecturer TEPAV - Director	Chairman of the Audit Committee Chairman of the Corporate governance Committee
Mesut Özdiñ	Independent Member of the Board of Directors	Istanbul Bilgi University – Lecturer (part-time)	Member of the Audit Committee Member of the Corporate governance Committee

Among the 7 persons who are as of the date of 31 December 2014 members of the Board of Directors, Chairman Erdal Aksoy's indirect share in the Bank's capital is 58.7%, and Deputy Chairman Saffet Batu Aksoy's indirect share in the Bank's capital is 20.11%.

## 16. Principles on Activities of the Board of Directors

In order to ensure the productivity of the Board of Directors, the General Manager will determine the timetable of its meetings that would be held during the year, with the approval of Board.

The Board of Directors meets at times and frequencies as required as business or legislation requires, but in principle, holds physical meetings at least once a month.

The agenda of the meetings is prepared according to the suggestions received from various units of the Bank, and by including the items that the members wish. The meeting date and agenda as well as the related files are submitted to the members of the Board of Directors, by the Board, according to the principles laid down in the Corporate Governance Policy, for review. The way Board of Directors' meetings should be held is written in the said policy.

The members of the Board of Directors must physically attend to the meetings as long as they don't have an excuse.

There is a secretariat for providing information to and communication with the members of the Board.

Having met periodically every month, the Board of Directors did hold 12 meetings. Invitations to the meetings of the Board of Directors will be made by calling, telephoning and sending e-mails.

The Board of Directors passed 67 resolutions, some at the meetings and some upon reviewing the files. During the period, the decisions were taken unanimously and there was no dissenting opinion.

According to the Articles of Association of the Bank, the Board of Directors meets when absolute majority is present, and will pass resolutions with the majority of the attendants.

Minutes and the resolutions of the meetings of the Board of Directors are recorded in the resolutions books of the Boards.

The members of the Board of Directors cannot cast prevailing vote and/or they don't have veto rights. Every member has one vote.

Every members of the Board of Directors confirms that his participation to the Board does not directly or indirectly result in any conflict of interests because of personal reasons or because of the professional interests they represent. The members of the Board of Directors cannot attend to and vote at the sessions at which matters that are associated with their interests or with the interests of their relations mentioned in Article 393 of Turkish Commercial Code.

The principles on the operations of the Board of Directors are laid down in the Corporate Governance Policy, and studies on the Internal Directive as per the provisions of the provisions of Turkish Commercial Code regarding limited delegation of power of attorney continues.

## **17. The Number, Structure and Independence of the Committees Set up By the Board of Directors**

In the year 2014, the committees stated at belong have conducted activities in our Bank, as per the provisions of the Corporate governance Principles and the Banking legislation. Any member of the Board of Directors can assume duties according to the legislation in more than one committee.



These committees carry out their activities according to the internal policies and Regulations that are made in accordance with the pertinent provisions of legislation, as well as with the operating principles that are included in the Bank's website.

#### *Audit Committee*

The Audit Committee that is set up as per Article 24 of Banking Law 5411 consists of at least two members, who have the qualifications stated in Article 6 of the Regulation on the Internal Systems of Banks, selected by the Board of Directors among its own members who does not have executive duties, in order to help the it perform its supervision and surveillance functions.

The audit committee has the duty of and responsible for, on behalf of the Board of Directors, overseeing the effectiveness and adequacy of the internal systems of the Bank, the operation of these systems as well as the accounting and reporting systems in accordance with the laws and pertinent regulations; making the preliminary assessments that are needed by the Board of Directors when selecting the independent audit firms, and the rating, evaluating supporting service organizations; regular overseeing of the activities of such firms and organizations that are selected by the Board of Directors and with which contracts are signed; the consolidated internal audits of the companies which are, according to the rules and regulation that have taken effect as per the Law, subject to consolidation, and coordination of such audits; presenting its opinions and recommendations about the activities that are carried out by the units of internal systems during the period as well as their results, about the measures that have to be taken and the things that have to be done, and about the other matters it deems important for the safety of the operations of the Bank.

Süreyya Serdengeçti (Committee Chairman – Independent and Non-Executive Member of the Board Of Directors)

Mesut Özdiñç (Committee Member - Independent and Non-Executive Member of the Board Of Directors)

Frequency of Meetings: Quarterly

In 2014, the Audit Committee met nine times on the dates of 25 December 2014, 27 November 2014, 26 September 2014, 26 August 2014, 17 July 2014, 26 June 2014, 27 May 2014, 28 April 2014 and 28 March 2014, and passed 28 resolutions either at the meetings or by upon reviewing the files.

#### *Corporate governance Committee*

It is set up with the purpose of ensuring that the Bank is managed as per the Banking Law, Capital Markets Law and the other regulations made according to them as well as the other legislation, the articles of association, internal regulations of the Bank and the rules of ethics, in a way to protect the rights and interests of all stakeholders and shareholders, and fairly, transparently and accountably; to oversee the Bank's compliance with the corporate governance principles; to

promote compliance with the corporate governance principles and; to make the necessary recommendations to the board of directors.

Süreyya Serdengeçti (Committee Chairman – Independent and Non-Executive Member of the Board Of Directors)

Mesut Ozdinc (Committee Member - Independent and Non-Executive Member of the Board Of Directors)

Frequency of Meetings: At least one a year / as needed

In year 2014, the Corporate Governance Committee held six meetings, and passed six resolutions.

#### *Credit Committee*

In the year 2014, the Credit Committee could not be formed because of the insufficiency of the number of members of the Board of Directors who are qualified for the Cere. The recommendations for credits are submitted by the Credits Units are assessed and approved by the Board of Directors.

#### *Remuneration Committee*

It has been set up with the purpose of following up and overseeing the remuneration practices of the Bank, making assessment of the remuneration policy and practices in regard to risk management, and presenting an annual report of its recommendations on them to the board of directors.

Erdal Aksoy (Committee Chairman – Chairman of the Board of Directors)

S. Batu Aksoy (Committee Member – Deputy Chairman of the Board of Directors)

In year 2014, the Remuneration Committee held six meetings, and passed six resolutions.

## **18. Risk Management and Internal Control Mechanism**

It has been set up with the purpose of identifying, analyzing, follow up, control and supervision of the risks that could be encountered as the result of the strategies and activities of the Bank, with a structure that is compatible with the scope and nature of the activities of the Bank, and that is adaptable to the changing conditions.

Internal Audit, Internal Control and Compliance, Risk Management units report to the Internal Systems Director, and carry out their activities under the effective surveillance and supervision of the Audit Committee.

Internal regulation of the Bank regarding the duties, powers and responsibilities of these units had been made according to the provisions of the Banking Law and the Regulation Pertaining to the Internal Systems of Banks, and have taken effect upon having been approved by the Board of Directors.

Internal Control and compliance activities are constantly controlled and monitored by the Internal Control and Compliance Unit, which reports to the Board of Directors. Risk management activities on the other hand, are carried out by the Risk Management Unit and personnel, which report to the Board of Directors.

The basic purpose of compliance activities is to provide maximum support for the efforts to keep the compliance risks of the Bank by managing them appropriately and effectively, and in this context ensuring that the Banks activities are always carried out and managed, in respect to their nature and operation, in accordance with the pertinent legislation, regulations and standards and; to make maximum contribution to the fight against money laundering and financing of terror.

It supervises compliance of all banking processes and information systems with the legislation, internal corporate regulations and the banking principles, within the framework of the annual risk assessment work and the supervision plan of the Internal Audit Unit and personnel and; the reports the findings of the audit to the Audit Committee and to the Board of Directors.

The Audit Committee is a committee that has been set up according to the provisions of both the Banking Law and also of the Regulation Pertaining to the Internal Systems of Banks, in order to help Board of Directors perform supervision and surveillance functions. The Audit Committee does, on behalf of the Board of Directors, oversee the effectiveness and efficiency of the Internal System units; the operation of these as well as the accounting and reporting systems of the Bank with reference to the Banking Law and the regulation that associated with that Law and; the integrity of the gathered information.

The assessments of the Audit Committee for the period are published in the annual activity report.

### **19. Strategic Targets of the Bank**

The members of the Boards of Directors, Mesut Ozdinc, Afag Mustafayeva and the General Manager H. Cenk Eynihan have been given the duty of supervising the work for developing the strategic plan of the Bank for the years 2015-2017, by resolution 6 of 3 February 2014 of the Board of Directors.

The work on the strategy for the years 2015-2017 has been concluded, and in March 2015, it will be submitted to the Board of Directors for approval. The end of the year target figures for 2015, for assets, total loans and equities are respectively, 296 million TL, 227 million TL and 228 million TL.

The Banks year 2015 budget had been approved by the Board of Directors, with its resolution that had been passed at the meeting of 26 December 2014.

Banks performance regarding achievement of its annual budget targets is regularly followed up by the Board of Directors. Banks performance with reference to the budget targets are reported in detail to the Board of Directors, at the meetings held every month.

### **20. Financial Rights**

The financial rights granted to the members of the Board of Directors are decided in accordance with Article 4 of the Articles of Association. According to that Article,

- A payment at the amount decided by the Board of Directors will be paid to the chairman, deputy chairman and members of the Board of Directors. When deciding these amounts, the time that these people would spend at the meeting, for preparing before the meetings

and for performing the duties following the meetings will be taken into consideration. In addition to these, the amount of honoraria that would be paid to them for every meeting they attend will also be decided by the General Assembly.

- Whether or not a payment would be made to the chairman and the members of the committee, and the amount of any such payment if it is going to be made, will be decided by the Board of Directors, in its decision for setting up such committee. In the event the chairman and the member of the committee is at the same time the chairman and the member of the Board of Directors, the General Assembly will decide if any payment would be made, and if so its amount.

The remuneration policy of the Bank is implemented in accordance with the rules and regulations of the Banking Regulation and Supervision Agency and the Capital Market Board. The remuneration policy is prepared in writing, and at the Ordinary General Assembly meeting for the year 2013 – which had been held on the date of 28 March 2014 –it was presented to the shareholders for their information under a separate item [of the agenda].

At the Extraordinary General Assembly meeting held on the date of 27 January 2015, it has been decided to pay monthly net 6,000 TL (six thousand) to the members of the Board of Directors.

Profit share, share options or Bank performance based payment plans cannot be implemented for the remuneration of the independent members of the Board of Directors.

Total sums paid to the top-level managers and to the members of the Boards of Directors will, at the following General Assembly meeting, presented to the shareholders for their information and/or approval in accordance with the legislation.

The total sum of all pay and other benefits provided to the members of the Board of Directors and to the top-level managers will be disclosed to the public in the annual activity report.

The total sum of honoraria, pay, premium, bonus, and profit share and similar other financial benefits provided to the Board of Directors and to the top-level managers of the Bank in year 2014 was 899 thousand TL.

No loans were given by the Bank to the members of the Board of Directors and managers either directly or through a third person; and no guarantees were issued in their favor. The Banking Law provisions were not violated in regard to matters such as giving loans, credits to any member of the board of directors or to any manager. In Article 17 of the Articles of Association it is provided as follows: “Members of the Boards of Directors cannot take part at the phases where loan transactions to which they themselves, their spouses or children who are under his custody, other real and legal persons who together with them constitute a risk group is a party, are assessed and decided and; they must report it to the authorities in writing. Provisions of the Banking Law that prohibit and restrict giving loans to the members of the Board of Directors are not affected.”