



Corporate Governance and Credit Rating Services, Inc.

Corporate Governance Rating Report



19 December 2011

CONTENTS

Rating and Executive Summary	3
Rating Methodology	5
Bank Overview	6
SECTION 1: SHAREHOLDERS	9
Facilitating the Exercise of Shareholders’ Statutory Rights	10
Shareholders’ Right to Obtain and Evaluate Information	10
Minority Rights	11
The Right to Participate in the General Shareholder Meeting	11
Voting Rights	13
Dividend Rights	13
Transfer of Shares	14
Equal Treatment of Shareholders	14
SECTION 2: PUBLIC DISCLOSURE AND TRANSPARENCY	15
Principles and Means for Public Disclosure	16
Public Disclosure of Relations Between the Bank and Its Shareholders, The Board of Directors and Executives	18
Periodical Financial Statement and Reports in Public Disclosure	18
Functions of External Audit	19
The Concept of Trade Secret and Insider Trading	20
Significant Events and Developments That Must Be Disclosed to the Public	20
SECTION 3: STAKEHOLDERS.	21
Bank Policy Regarding Stakeholders	22
Stakeholders’ Participation in the Bank Management	22
Protection of Bank Assets	22
Bank Policy on Human Resources	23
Relations with Borrowers, Depositors, and Lenders	24
Ethical Rules	24
Social Responsibility	24
SECTION 4: BOARD OF DIRECTORS.	26
Fundamental Functions of the Board of Directors	27
Principles of Activity and Duties and Responsibilities of the Board of Directors	28
Formation and Election of the Board of Directors	30
Remuneration of the Board of Directors	31
Number, Structure and Independence of the Committees Established by the Board of Directors	31
Executives	32
Rating Definitions	34

Rating and Executive Summary

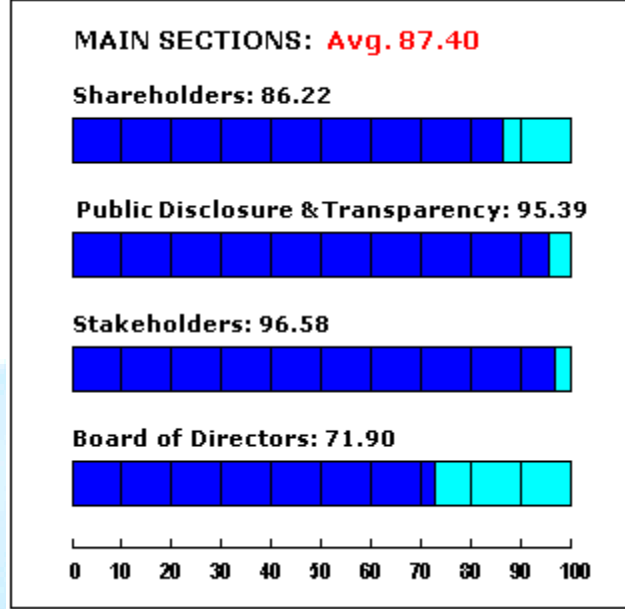
TÜRKİYE HALK BANKASI A. Ş.

SAHA
Corporate Governance Rating:

8.74
BNK

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EXECUTIVE SUMMARY

This report, on rating of Türkiye Halk Bankası A.Ş.'s (Halkbank) compliance with Corporate Governance Principles is prepared upon conclusions following detailed analysis of the bank. Our rating methodology (page 5) is based on the Capital Markets Board's (CMB) "Corporate Governance Principles".

Halkbank is rated with **8.74** as a result of the Corporate Governance study done by SAHA. Details of this study are presented in the following chapters as main sections and sub-sections. We observe that Halkbank took the necessary steps to determine and manage its governance risks. There is still room, on the other hand, for improvements in order to fully comply with the CMB's Corporate Governance Principles.

Under the **Shareholders** heading, Halkbank scored **8.62**. A shareholder relations department is established to ensure that shareholders' rights to obtain and evaluate information are observed diligently. The processes of preparation for the general shareholders meeting, its conduct and publication of its results comply with the relevant legislation. The bank has a consistent dividend distribution policy and there are no voting privileges and upper ceilings applied to voting rights. Shareholders are treated equally and there are no limitations on the transfer of shares. However;

shareholders do not have the right to request appointment of special auditors from the General Shareholders' Meeting, there is no enlargement of the scope of minority rights (beyond the required 5%) in the Articles of Association of the bank, cumulative voting procedures are not embraced, and an information document relating to the agenda items of the General Shareholders' Meeting is not prepared. These are main areas under this heading that need improvement.

Halkbank attained **9.54** under the **Public Disclosure and Transparency** chapter. The website, annual report, information policy, and the corporate governance compliance report of the bank are duly comprehensive. Information policy as well as the ethical rules of Halkbank are disclosed to public. The independent audit process complies entirely with the legislation and disclosure to the ISE (Istanbul Stock Exchange), CMB (Capital Markets Board) and the BRSA (Banking Regulation and Supervision Agency) is done as per the requirements of these respective organizations. Details of executive compensation, however, are not disclosed in the annual report of the bank.

On the topic of **Stakeholders**, Halkbank scored a well deserved **9.66**. Relations with stakeholders are at a very high and satisfactory level and there is no evidence of any infringements of their rights. The human resources policy is fully comprehensive and duly applied. Requests and needs of borrowers for bank products and services are met diligently. It is also worth noting that Halkbank's corporate sensitivity to environmental issues deserves special commendation.

From the perspective of the Principles regarding the **Board of Directors**, Halkbank's tally is **7.19**. The board of directors duly performs all its fundamental functions. Sound risk management and internal control mechanisms are in place and there is an active and efficient audit committee. Qualified and experienced executives work with principles of fairness, transparency, accountability, and responsibility. Nevertheless, the fact that there are no independent members on the board and on committees and the inexistence of a provision in the Articles of Association of the bank that defines procedures for shareholders or stakeholders to invite the board to convene are the areas which need further improvements.

DISCLAIMER

This Corporate Governance Rating Report has been prepared by Saha Kurumsal Yönetim ve Kredi Derecelendirme A.Ş. (SAHA Corporate Governance and Credit Rating Services, Inc.) based on information made available by Türkiye Halk Bankası A.Ş. and according to the Corporate Governance Principles by the Turkish Capital Markets Board as amended on 2005.

This report, conducted by SAHA A.Ş. analysts and based on their best intentions, knowledge base and experience, is the product of an in depth study of the available information which is believed to be correct as of this date. It is a final opinion about the degree of sensitivity of a company to its shareholders' and stakeholders' rights, its commitment to public disclosure and transparency, and conduct and credibility of its board of directors.

The contents of this report and the final corporate governance rating should be interpreted neither as an offer, solicitation or advice to buy, sell or hold securities of any companies referred to in this report nor as a judgment about the suitability of that security to the conditions and preferences of investors. SAHA A.Ş. makes no warranty, regarding the accuracy, completeness, or usefulness of this information and assumes no liability with respect to the consequences of relying on this information for investment or other purposes.

SAHA A.Ş. has embraced and published on its web site (www.saharating.com) the IOSCO (International Organization of Securities Commissions) Code of Conduct for Credit Rating Agencies and operates on the basis of independence, objectivity, transparency, and analytic accuracy.

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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 July 2003, as revised on February 2005.

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, the Istanbul Securities Exchange 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 the Principles 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 all be included in the annual report and disclosed to public.

The Principles consist of four main sections: shareholders, public disclosure and transparency, stakeholders and board of directors:

On the foundation of these Principles, SAHA Corporate Governance Rating methodology features over 350 code criteria. During the rating process, each criterion is evaluated on the basis of information provided by the bank 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 bank should be in full and perfect compliance with the Principles (see Rating Definitions, p.19).

In compliance with the CMB's directive and to reach an overall Corporate Governance Rating, SAHA allocates the following weights to the four main sections of the Principles:

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

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

Türkiye Halk Bankası A. Ş.	
 <p>Üreten Türkiye'nin Bankası</p>	<p>CHAIRMAN Hasan Cebeci GENERAL MANAGER Süleyman Aslan</p>
<p>Söğütözü Mah. 2.Cad. No:63 06520 Söğütözü/ANKARA www.halkbank.com.tr</p>	<p>Financial Institutions and Investor Relations Department Mehmet Hakan Atilla Tel: (0212) 393 09 09 hakan.atilla@halkbank.com.tr</p>

Following the declaration of the republic, Halkbank was established to find solutions to small business owners' problems and promote economic development by providing credit in favorable terms to tradesmen and artisans.

Halkbank was established following the issuance of the Law of Halkbank and People's Fund on 1933, and carried out its lending services via these People's Fund which it provided financement between 1938 and 1950. On 1940, Halkbank provided its first loans to SMSE (small and medium sized enterprises), and on 1964 created the fund to establish small industrial sites.

On 1992 Türkiye Öğretmenler Bankası T. A. Ş. (Töbank), on 1993 Sümerbank, on 1998 Etibank, on 2001 some branches of Emlak Bankası, and on 2004 Pamukbank took place under the organization of Halkbank.

Halkbank's public shares is trading at the Istanbul Stock Exchange (ISE) under the "HALKB" code and is a constituent of ISE National 100 (XU100), ISE National 50 (XU050), ISE National 30 (XU030), ISE National All Shares (XUTUM), ISE National (XULUS), ISE Dividend (XTMTU), ISE Dividend 25 (XTM25), ISE National Financials (XUMAL), ISE 10 Banks (XBN10), ISE Banks (XBANK), and ISE Corporate Governance (XKURY) indices.

With the percentage of 75.02604 %, Republic of Turkey Prime Ministry Privatization Administration is the qualified shareholder.

Capital structure of the bank is as follows:

Türkiye Halk Bankası A.Ş. Capital Structure (13.12.2011)			
Shareholder	Number of Shareholders*	Paid in Capital	Shareholding (%)
Republic of Turkey Prime Ministry Privatization Administration **	1	937,825,500	75.02604000
Banks	4	14,105	0.00112840
Cooperatives	143	17,244	0.00137952
Municipalities	980	186,854	0.01494832
Special Provincial	65	92,084	0.00736672

Administrations			
Chambers of Commerce	12	2,086	0.00016688
Individuals and Legal Entities	13,525	149,292	0.01194336
Free Float**	1	311,712,835	24.93702680
Total	14,731	1,250,000,000	100.00000000

* Shareholders registered in stock register.

** Privatization Administration has TL 549.932 share in the free float in addition to its share of TL 937.825.500. Together with these shares, Total amount of shares in the free float is TL 312.262.767 and total shares correspond to 24, 98 %.

The Board of Directors of the bank has shaped as follows:

Türkiye Halk Bankası A. Ş. Board of Directors	
Name	Post
Hasan Cebeci	Chairman
Mehmet Emin Özcan	Vice Chairman
Süleyman Aslan	Member - CEO
Salim Alkan	Member
Emin Süha Çayköylü	Member
Dr. Nurzahit Keskin	Member
İbrahim Hakkı Tuncay	Member
Sabahattin Birdal	Member
Dr. Ahmet Yarız	Member

As end of 2010, Halkbank' branch network consisted of 705 domestic branches (637 branches, 6 corporate branches, 35 commercial branches, 3 free zone branches, 16 satellite branches, 8 special processing centers), 21 regional coordinators, 4 international branches, 3 financial services branches, and 1 international representation.

Halkbank's subsidiaries as of 13.12.2011 are listed below:

Subsidiary	Paid-in Capital	Capital Share	Currency	Share (%)	Attribution
HALK FİNANSAL KİRALAMA A.Ş.	70,750,000	70,749,996	TL	99.99	SUBSIDIARY
HALK YATIRIM MENKUL DEĞERLER A.Ş.	36,000,000	35,978,400	TL	99.94	SUBSIDIARY
HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.	477,000,000	476,249,997	TL	99.84	SUBSIDIARY
HALK BANKA AD, SKOPJE	1,884,150,000	1,848,820,000	MKD	98.12	SUBSIDIARY
HALK HAYAT VE EMEKLİLİK A.Ş.	40,000,000	37,760,000	TL	94.40	SUBSIDIARY
HALK SİGORTA A.Ş.	40,000,000	35,672,093	TL	89.18	SUBSIDIARY
HALK PORTFÖY YÖNETİMİ A.Ş.	5,000,000	2,799,999	TL	55.99	SUBSIDIARY
KOBİ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.	38,000,000	11,958,600	TL	31.47	PARTICIPATION
DEMİR-HALKBANK (NEDERLAND) NV	113,445,054	34,033,516	EUR	30.00	PARTICIPATION
FİNTEK-FİNANSAL TEKNOLOJİ HİZMETLERİ A.Ş.	2,500,000	600,000	TL	24.00	PARTICIPATION
BİLEŞİM ALTERNATİF DAĞITIM KANALLARI VE ÖDEME SİSTEMLERİ A.Ş.	1,000,000	240,000	TL	24.00	PARTICIPATION
BANKALARARASI KART MERKEZİ A.Ş.	14,000,000	2,653,021	TL	18.95	PARTICIPATION

KREDİ KAYIT BÜROSU A.Ş.	7,425,000	1,350,000	TL	18.18	PARTICIPATION
KREDİ GARANTİ FONU A.Ş.	179,369,799	3,000,000	TL	1.67	PARTICIPATION

Halkbank 2010 activities:

On 2010 Halkbank achieved rapid growth on areas of corporate and commercial banking, and the loans were settled on a common base with the introduction of new customers to the bank's portfolio. In the same year, cash loans to corporate and commercial customers have risen 45.3% as of end of 2009, and reached to 18.6 billion Turkish Liras.

Out of 1,800,000 SMSE of Turkey, approximately 375,000 of them are in Halkbank's loan portfolio. When the number of other SMSE who are not in the bank's portfolio but benefiting from other products and services of Halkbank are added to this figure, it emerges that 1 out of 2 SMSE have preferred Halkbank. Halkbank has added nearly 50,000 new SMSE as customer to its portfolio in 2010 and assigned 36.1% of its cash loans portfolio to their use.

Halkbank is the market leader in SMSE banking in Turkey with a 12.5% share.

Halkbank enjoyed a healthy growth in 2010 and attained the following annual increases in selected financial indicators:

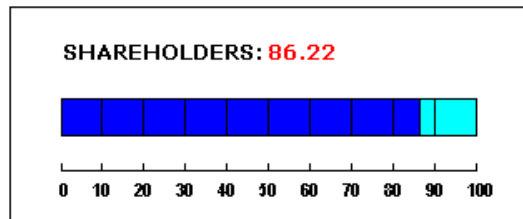
- Total assets increased by 20.3% to TL 72,942,000,000
- Total lending increased by 36.5% to TL 44,296,000,000
- Shareholders' equity increased by 29.3% to TL 7,445,000,000
- Net profit increased by 23.3% to TL 2,010,000,000

Selected financial figures (solo) of the bank are listed below:

Selected Financial Figures (million TL)				
	2008	2009	2010	Sept. 2011
Total Assets	51,096	60,650	72,942	90,714
Loans	25,836	32,458	44,296	55,035
Total Deposits	40,271	43,950	54,782	62,314
Shareholders' Equity	4,289	5,760	7,445	8,299
Net Profit	1,018	1,631	2,010	1,541

Selected Ratios and Figures (%)				
	2008	2009	2010	Sept. 2011
Avg. Return On Equity	23.5	32.5	30.5	26.2
Avg. Return On Assets	2.2	2.9	3.0	2.5
Capital Adequacy Ratio	14.5	16.0	15.9	14.5
Non Performing Loans	4.7	4.9	3.8	2.9

SECTION 1: SHAREHOLDERS



SYNOPSIS

+	Shareholder relations dept. established and active
+	General shareholders' meetings are conducted in compliance with the legislation
+	Preparation and disclosure prior to general shareholders' meetings are satisfactory
+	Equal treatment of shareholders
+	Voting rights are facilitated
+	No voting privileges
+	No limitations on the transfer of shares

- Shareholders do not have the right to request appointment of special auditors from the general shareholders' meeting
- Lack of cumulative voting procedures
- Information document relating to agenda items of the general shareholders' meeting not prepared

In exercising shareholders' rights; legislation, articles of association and other in-house regulations are applied and necessary precautions to ensure use of such rights are adopted. The Financial Institutions and Investor Relations Department, along with Financial Accounting and Reporting Department, work jointly to facilitate the exercise of shareholders' statutory rights, to report to the board and for the maintenance of communication

between shareholders and management.

In order to broaden the scope of shareholders' right to obtain and evaluate information, any type of information that may affect the way in which shareholders exercise such rights, are updated on a regular basis in electronic form. In the articles of association, however, there is no provision that allows individual shareholders the right to request from the general shareholders' meeting the appointment of a special auditor for the examination and clarification of a specific material situation.

Halkbank is contented with the recognition of minority rights in its articles of association at 5%, which is what the current legislation requires. The articles of association of the bank do not allow the execution of cumulative voting procedures which will make it possible for minority shareholders to appoint their representatives to the board.

There are no provisions to apply certain ceilings on the number of votes a shareholder might exercise and no obstacles to the implementation of voting rights of foreign investors. Articles of association of the bank do not contain any provisions that dictate any voting privileges.

The procedures followed prior to and the conduct of the general shareholders' meeting comply with the legislation as well as rules and regulations and serve to facilitate the use of shareholders' statutory rights. Shareholders are duly provided with all relevant information prior to and during the meeting, however an informative document prior to the

general shareholders' meeting is not prepared. Additionally, articles of association of the bank do not include provisions to maintain that certain decisions can only be adopted in the general shareholders' meeting.

The right to vote is automatically granted once the share is acquired and there are no arrangements that would postpone the exercise of the right to vote a certain period following the acquisition of the share. Voting was conducted through open ballot and by raising hands during the general shareholders' meeting.

Halkbank has a clearly defined dividend policy and disclosed it to public. However, this policy includes only the provisions of the TCC (Turkish Commercial Code). The articles of association of the bank do not contain any provisions to carry out interim dividend payments.

Neither the articles of association of the bank nor any decisions adopted at the general shareholders' meeting contain any provisions that impede the transfer of shares.

All shareholders, including minority shareholders and foreign shareholders are treated equally.

1.1. Facilitating the Exercise of Shareholders' Statutory Rights:

In exercising shareholders' rights; legislation, articles of association and other in-house regulations are applied and necessary precautions to ensure use of such rights are adopted. The Financial Institutions and Investor Relations Department, along with Financial Accounting and Reporting Department, are jointly responsible to facilitate the exercise of shareholders' statutory rights, reporting to the board and for the maintenance of communication between shareholders and management.

Both departments are adequately staffed in terms of number, structure and experience. The staff is observed to be dedicated and committed to proper application of corporate governance principles and best practices.

The departments which are responsible of shareholder relations make sure that shareholder records are kept up-to-date, secure and properly. Shareholders' written queries for information (excluding the information that is confidential and classified as trade secret) are replied to promptly; appropriate preparation is done to ensure that the general shareholders' meeting is conducted in accordance with the legislation, the corporate statute and other in-house regulations; documents to be used by the shareholders at the Meeting are prepared; records of voting results are kept and all reports related to the resolutions of the general shareholders' meeting are sent to the shareholders; all issues concerning investor relations and public disclosure, including the related legislation and information policy of the company are supervised.

1.2. Shareholders' Right to Obtain and Evaluate Information:

There is no discrimination among shareholders when exercising their right to obtain and evaluate information. With regard to facilitating shareholder rights, all necessary information and documentation are available for and easily accessible by the shareholders. The information is submitted as complete, accurate and in a timely and diligent manner.

The bank's obligation to inform shareholders, which is mandatory under BRSA legislation, includes legal or commercial relationships with other enterprises or individuals with whom there is a direct/indirect managerial,

administrative, supervisory or ownership related relationship. In order to broaden the scope of shareholders' right to obtain and evaluate information, any type of information that may affect the way in which shareholders exercise such rights, are updated on a regular basis in electronic form.

In the articles of association, however, there is no provision that allows individual shareholders the right to request from the general shareholders' meeting the appointment of a special auditor for the examination and clarification of a specific material situation.

1.3. Minority Rights:

Halkbank recognizes minority rights in its articles of association at 5%, which is what the current legislation requires. However, it would be more appropriate if an enlargement of the scope of minority rights is attained through the regulations in the articles of association, as recommended by the CMB's Corporate Governance Principles.

The articles of association of the bank do not allow the execution of cumulative voting procedures which will make it possible for minority shareholders to appoint their representatives to the board. These are main areas under this heading that will need improvement.

On the positive front, there are no provisions to apply certain ceilings on the number of votes a shareholder might exercise, and the articles of association of the bank does not contain any provisions that dictate any voting privileges.

There are no obstacles to the implementation of voting rights of foreign investors. Proxy forms are announced for those domestic and

international shareholders who will appoint a proxy for the meeting and these forms are also made available for use to shareholders on electronic media.

1.4. The Right to Participate in the General Shareholders' Meeting:

Prior to the general shareholders' meeting, holders of registered shares are recorded in the bank's share ledger in order to ensure attendance of real shareholders at the general shareholders' meeting.

The procedure, content and timing of invitation to the general shareholders' meeting, allowed shareholders to acquire adequate information about the agenda items to be discussed prior to the meeting and enabled preparations thereto. The board, however, did not prepare and disclose to public an informative document regarding the agenda items.

In addition to the methods of invitation in the legislation and in order to ensure attendance of maximum number of shareholders, the invitation to the general shareholders' meeting was performed through all means of communication available to the bank and was published in a nationwide newspaper, in special events disclosures made to the ISE as well as the bank's web site with 2 weeks notice.

All announcements prior to the 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 the general shareholders' meeting; and the place where annual report, financial statements and other meeting documents can be examined.

The board made all relevant documentation pertaining to the

agenda items ready and disclosed those to public.

Commencing from the date of announcement of invitation, financial statements and reports including the annual report; all other related documents pertaining to the agenda items were made available to all shareholders for examination purposes in the most convenient places including at the headquarters or branches of the bank and also in electronic form.

Halkbank is prompt in disclosing information regarding all operational and management changes, including those in the affiliates and subsidiaries, which were realized in the previous accounting period to the ISE as well as the public, via the "disclosure of special events" and via its web site within the time period required by the current legislation.

Information submitted to the shareholders before the conduct of general shareholders' meeting was easily associated with agenda items. Such information consisted of references and citations pertaining to the agenda items to be discussed. 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.

Voting procedure and proxy forms were posted on the web site promptly and appropriately for those who would appoint a proxy for the general shareholders' meeting.

While preparing the agenda, the board gave due attention to the issues raised within the shareholder relations unit and to the issues that shareholders wish to include in the agenda.

The meeting took place at the headquarters of the bank. The location

was easily accessible and appropriate for the predicted attendance level of shareholders. The meeting did not lead to any discrimination among the shareholders, and took place with at least possible cost, and in the least complex manner. Agenda items were expressed in an unbiased and detailed manner with, clear and concise method in the general shareholders' meeting. Shareholders were provided with equal opportunities to express their opinions, and raise any questions and a sound discussion environment was created.

The board ensured that the total number of votes to be cast by shareholders during the meeting is determined and classified, and the shareholders are informed at the start of general shareholders' meeting. The meeting served as a forum of shareholders in which the annual report and the bank's performance indicators are discussed.

The chairman conducted the meeting on fair grounds, and in an efficient manner that would enable shareholders to exercise their rights. The chairman ensured that each question imposed by any of the shareholders was answered directly in the general shareholders' meeting. Shareholders were given the opportunity to present their opinions and suggestions regarding the remuneration policy of the board.

All board members, auditors and authorized persons who are responsible for preparing the financial statements and persons who are in a position to inform shareholders about peculiar agenda items participated in the meeting.

Each agenda item was voted separately, the votes were counted and results of voting were announced before the end of the meeting. The minutes of the meeting are made

available to the shareholders in writing and in electronic media at all times.

At the last general shareholders' meeting, following the resignation of a board member, approval of the nomination of a new member to the board of directors was realized. All other board members sustain their duties.

Minimum requirements for disclosure of information about the candidates to the board of directors are not stated in the articles of association of the bank.

The audit firm explained in writing in its audit report whether or not the financial statements and other financial reports such as capital adequacy table comply with the current principles and standards; the statements and reports truly and completely reflect the real status of the bank; and whether or not there are any issues hindering the independence of the external auditing company.

The articles of association of the bank does not include a provision to maintain that decisions, regarding the division and allocation of shares which changes the capital and management structure of the bank and the composition of the bank's assets; the sale, purchase or lease of tangible/intangible assets or grants in significant amounts; the issuance of guarantees like pledges and mortgages in favor of a third person are adopted in the general shareholders' meeting.

1.5. Voting Rights:

At Halkbank, each shareholder, including those domiciled abroad, is provided with the opportunity to exercise his/her voting right in the most appropriate and convenient way. There are no ceilings applied on the number of votes that a shareholder

may exercise during the general shareholders' meeting. The right to vote is automatically granted once the share is acquired and there are no arrangements that would postpone the exercise of the right to vote a certain period following the acquisition of the share. The articles of association of the bank do not contain any provisions that grant any voting privileges.

There are no provisions in the articles of association of the bank that prevent voting by use of a proxy who is not a shareholder. Legal representations are documented in writing. The board communicates with the institutional representatives and institutional representation is based on open ballot.

Voting was conducted through open ballot and by raising hands during the general shareholders' meeting and shareholders were informed of the voting procedure prior to but not at the beginning of the meeting. "One share, one vote" principle was duly observed at the meeting.

1.6. Dividend Rights:

Halkbank has a clearly defined dividend policy and disclosed it to public. However, it would be more appropriate if this policy covers some details which are not included in the TCC (Turkish Commercial Code) provisions.

At the last general shareholders' meeting, it was decided to pay out 21.05% of distributable profit. Dividend proposal included the amount of net income and distributable income, dividend per share to be paid, and donations and grants made by the bank during the year.

Halkbank does not carry out any interim dividend payments and no such provisions exist in the articles of association.

1.7. Transfer of Shares:

Neither the articles of association of the bank nor any decisions adopted at the general shareholders' meeting contain any provisions that impede the transfer of shares.

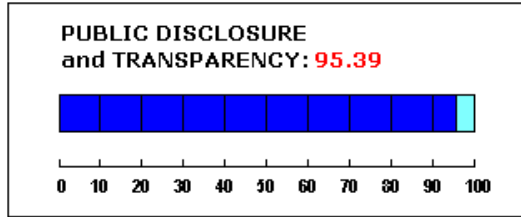
1.8. Equal Treatment of Shareholders:

As a result of our examinations of the conduct, execution and minutes of the general shareholders' meetings, the articles of association, and interviews with bank officials, we have no reason to doubt the equitable treatment of shareholders.

Halkbank officials, during the rating process, have also declared that the board of directors, executives, shareholders who are controlling the management, or other persons, who would have the privilege to retrieve various kinds of information, do not perform any activities on their own behalf which coincide with the activities of the bank.

We did not come across to a sign of any shareholder acting with the intention of harming other shareholders and the bank unless aimed at protecting his/her own justified interest.

SECTION 2: PUBLIC DISCLOSURE AND TRANSPARENCY



SYNOPSIS

+	An information policy is established with regard to public disclosure
+	A corporate governance compliance report is established and disclosed to public
+	Dividend policy disclosed in the annual report
+	Ethical rules disclosed to public on the web site
+	Comprehensive web site, actively used for public disclosure
+	Periodical financial statements comply with the legislation
+	Comprehensive annual report complies with the legislation
+	Relations and modus operandi with independent auditors comply with rules and regulations
+	The concept of trade secret is defined
+	Disclosure about developments that may affect the value of the bank complies with the legislation
+	List of insiders is disclosed to public
-	Unilateral declaration of the board about why certain Principles are not being applied, is not in the compliance report
-	Minutes of important board meetings not posted on the web site

Remuneration of executives not disclosed to public

“Financial Institutions and Investor Relations Department” and “Financial Accounting and Reporting Department” are responsible for public disclosure tasks. The bank has established an information policy and disclosed it to the public. Any developments that may affect the value of the bank’s capital market instruments are disclosed to public without any delay and within the time period required by the current legislation.

A corporate governance compliance report is prepared and duly disclosed to public by the bank. Dividend policy of Halkbank is included in the annual report of the bank and disclosed to public within the framework of the bank’s information policy. The bank has also disclosed its ethical rules on its web site.

The bank’s website is actively used as a means of public disclosure. It is easily accessible, user friendly, and comprehensive. It is also available in English for foreign investors with the same content.

Transactions between the bank and board members, executives and shareholders are disclosed to public as per the CMB, ISE, and BRSA regulations.

The periodical financial statements and their notes are prepared in accordance with the existing legislation and international accounting standards. The annual report of the bank is comprehensive and fully complies with rules and regulations. However, remuneration, bonuses and other benefits offered to the executives, and

the audit firm's opinion about the internal control system of the bank did not find space in the annual report of the bank.

The external audit of the bank is performed by a reputable and international company. The selection of the audit firm as well as the entire audit process fully complies with the existing legislation.

Halkbank has incorporated the definition of information that falls within the scope of trade secret in its internal book of rules and regulations. A list of the names of executives and other persons/institutions who provide services to the bank, and who can potentially possess price-sensitive information is disclosed to public.

Halkbank fully complies with the legislation in terms of public disclosure duly discloses all information about significant developments that must be disclosed to the public.

2.1. Principles and Means for Public Disclosure:

"Financial Institutions and Investor Relations Department" and "Financial Accounting and Reporting Department" are responsible for public disclosure tasks. Mr. Yusuf Duran Ocak and Ms. Şebnem Ülgin are the holders of authorized signatures to use and operate the KAP (Public Disclosure Platform). These executives perform their duties in cooperation with the Corporate Governance Committee.

The "Financial Institutions and Investor Relations Department" staff is assigned solely to monitor and supervise all issues pertaining to public disclosure. Furthermore; investors, financial analysts, press and other interested parties requesting information are directed to this department.

In full compliance with the transparency principle, the bank accurately discloses its accounting policy and operational financial results to the public. The bank has established its information policy and disclosed it to the public on its web site.

Halkbank's information policy covers category of information to be disclosed to the public in addition to the requirements of the relevant legislation; form, frequency and methods of disclosure; the frequency at which the board and the executives would confront the press/media; the frequency at which meetings for public disclosure would be conducted; the method to be adopted in order to answer the questions submitted to the bank and other relevant issues. Nevertheless, it does not define the type of information to be discussed at the general shareholders' meeting and the principles for the public disclosure of forward looking information. Additionally, provisions for the disclosure of the nature of legal and commercial relationships between the bank and third parties, and companies that the bank is related to in terms of capital, management or audit, is not included in the bank's information policy.

Structural organization of the board of directors as well executives, scope of activities and the corporate structures of the bank and legal or commercial relationships with other enterprises or individuals are duly disclosed to public. The system for bonuses to be paid to the board members and executives is incorporated in the articles of association of the bank; however, salaries and social benefits are not included in the annual report.

Any developments that may affect the value of the bank's capital market instruments are disclosed to public without any delay and within the time period required by the current

legislation. Should there be a significant change in the financial status and/or operations of the bank, or in case of an expectation of such a significant change in the financial status and/or operations in the future, the information is disclosed to public, save for the relevant provisions of legislation. Any changes or new developments in the already disclosed information is also regularly updated and disclosed to the public.

A comprehensive corporate governance compliance report is duly included in the annual report of the bank as well as its web site. However, a unilateral declaration of the board, which covers information about whether or not The Principles are being properly applied, if The Principles are not being applied, the reasons for such non-application and all possible conflicts of interest due to the improper adoption of The Principles, is not included in the pertinent compliance report.

The dividend policy of Halkbank is included in the annual report of the bank and disclosed to public within the framework of the bank's information policy. However, it would be more appropriate if these policies are complementary to TCC's already existing provisions. The bank has also disclosed its ethical rules on its web site.

Public disclosure, including the financial statements and reports does not consist of any exaggerated provisions or misleading information that would lead to false interpretations about the bank's financial status and operational results.

Save for the provisions of the legislation, the preparation or revision of financial statements, the compliance audit of the independent auditor, and public disclosure thereof are in compliance with the international

standards. However, the method to be adopted for disclosing forward looking information is not included in the information policy of the bank.

The bank's website is actively used as a means of public disclosure. It is easily accessible, user friendly, and comprehensive. It is also available in English for foreign investors with the same content. The bank ensures that the information disclosed to the public is also available on its website which is configured and designed accordingly. The bank takes all the necessary precautions in order to prevent any modifications on the information displayed on its website.

Halkbank's website includes trade register information; detailed information about the latest shareholder and management structure; the final version of the bank's articles of association together with date and numbers of the trade register gazettes in which amendments are published; special events announcements; annual reports and periodical financial statements; agendas of the general shareholders' meetings and list of participants and minutes of the general shareholders' meeting; form for proxy voting at the general shareholders' meeting; and frequently asked questions including requests for information, queries and notifications and responses thereof.

Minutes of important board meetings which may affect the value of capital market instruments of the bank, however, are not posted on Halkbank's web site.

The bank's website emphasizes the announcement of the planned general shareholders' meeting, agenda items, other information, documents and reports on the agenda items and information on methods of participation in the general shareholders' meeting.

Since an informative document pertaining to the agenda items of the general shareholders' meeting was not prepared, no such document is posted on the bank's web site.

Halkbank's web address is printed in the bank's letterhead. The criteria regarding the use of the website are also included in the bank's information policy.

In addition to disclosing information as required by the legislation, the bank also publicly discloses any information that may affect decisions of shareholders and investors.

Provisions for the disclosure of the nature of legal and commercial relationships between the bank and third party persons and companies that the bank is related to in terms of capital, management or audit are not included in the bank's information policy.

2.2. Public Disclosure of Relations between the Bank and Its Shareholders, the Board of Directors and Executives:

Halkbank's majority shareholder is the Privatization Administration with a 75% share and nearly 25% is open to public. So there is no ultimate controlling individual shareholder or shareholders. Nevertheless, Halkbank authorities have officially declared that, in case shareholding or voting right percentage of an individual or group reaches, exceeds or falls below the thresholds dictated by the legislation, the bank discloses such information immediately upon being informed thereof.

Commercial and non-commercial transactions between the bank and companies, where board members, executives and shareholders, who either directly or indirectly own at

least 5% of the bank's capital, possess at least 5% and more of shareholding or having the control of the latter are disclosed to public as per the CMB, ISE, and BRSA legislation.

2.3. Periodical Financial Statement and Reports in Public Disclosure:

The periodical financial statements and their notes are prepared in accordance with the existing legislation and international accounting standards and applied accounting policies are also included in the footnotes of the financial statements.

The footnotes of the periodical financial statements include all off-balance sheet transactions including contingent claims, all liabilities and operational results that would affect future financial status, liquidity of the bank, investment expenditures, investment sources, all factors that would affect the future relations of the bank with other real persons and legal entities which are not within the scope of consolidation.

Comments about the capital adequacy obligations of the bank, as per the relevant articles of the BRSA legislation are also incorporated in the footnotes of the periodical financial statements.

Halkbank's annual report is signed by the responsible board members and executives who have declared that the bank acts in accordance with the related legislation and a statement indicating that the current periodical financial statements completely reflects the true financial status of the bank and that the bank acts in accordance with the related legislation is provided in the annual report.

Halkbank's annual report includes information about the scope of activities of the bank and its status within the sector; statistical data and

graphics; board of directors' evaluation and analysis of financial status and operation results; level of achievement of the planned operations; the bank's position with respect to the defined strategic objectives; the board of directors' statement about the status of internal control system; rating agencies' opinions about the bank; a macro analysis of foreseeable risk factors regarding future operations; and an analysis of significant transactions carried out during the preceding year with the group companies and other related persons and institutions; commercial transactions between the company and companies, where board members, executives and shareholders, who either directly or indirectly own at least 5% of the company's capital, possess at least 5% and more of shareholding or having the control of the latter; and the dividend policy of the bank.

On the other hand, the audit firm's opinion about the internal control system of the bank and general information about the banking sector did not take place in the annual report.

The curriculum vitae of the bank's board members and executives; their duties and responsibilities within the bank; and positions held outside the bank are included in the annual report. However, remuneration, bonuses and other benefits offered, criteria that define such benefits and performance evaluation of the corporate governance committee are not presented in the annual report.

Information about employees' social rights is not mentioned in the bank's annual report.

Halkbank's annual report is rich in content, comprehensive and fully complies with the requirements of BRSA. All pertinent information such as the capital adequacy ratio; financial

risks; realistic valuations of financial assets and liabilities; transactions affected on behalf of others; detailed explanations regarding balance sheet, cash flow statement, and statement of changes in equity items; and comments of independent auditors are embedded in the annual report.

2.4. Functions of External Audit:

The external audit firm chosen by Halkbank (AKİS Bağımsız Denetim ve SMMM A. Ş., a KPMG member company) is an independent and international audit company.

The nomination and election process of the audit firm starts with a proposal from the audit committee to the board and ends with the board's choice being presented and approved by the general shareholders' meeting.

The operations of the audit firm and the contents of the contract signed with them are in compliance with the legislation.

Independent audit contract is devised in accordance with the existing legislation. Although there is no evidence of any contrary application, it is worth noting that independent auditors have not been contractually provided with immunity against risks due to legal proceedings emanating from the bank's operations.

There has been no legal conflict between the bank and the external audit firm. Similarly, the bank authorities during the rating process officially declared that the audit firm, auditors and other related staff working for them are not permitted to provide consultancy services to the bank within the same period of auditing services.

2.5. The Concept of Trade Secret and Insider Trading:

Halkbank has incorporated the definition of information that falls within the scope of trade secret in its internal book of rules and regulations. In order to prevent insider trading, necessary measures and precautions are taken by the internal procedures of the bank.

A list of the names of executives and other persons/institutions who provide services to the bank, and who can potentially possess price-sensitive information is prepared and disclosed to public on the web site of the bank.

2.6. Significant Events and Developments That Must Be Disclosed to the Public:

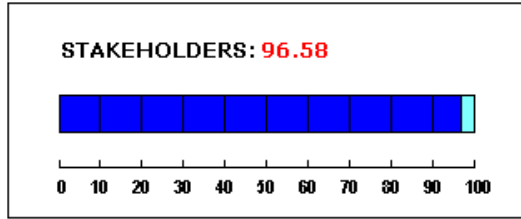
Halkbank fully complies with the rules and regulations of the CMB and the BRSA in terms of public disclosure.

All developments such as a lawsuit brought against or filed by the bank at significant amounts, or conclusion thereof; any significant change in the management and capital structure of the bank, and affiliated companies; any increase or decrease of more than 25% in the share price of the bank within the last 5 days; changes in the articles of association or internal regulations; the rating agencies' grades assigned to the bank's creditability and issuance of shares; any changes that may take place thereafter are regularly disclosed to public.

During the rating process and in recent history, there has been no change in the listing criteria of the ISE where Halkbank's shares are traded; cases where the bank is unable to meet one of the listing criteria; and cases where the bank's securities get de-listed or suspended. Similarly, Halkbank did not decide to make a tender offer or

proxy solicitation by making an announcement. An obligation to make a tender offer did not arise and there were no transactions to be made for this purpose. Also, again in recent history, regulatory agencies have not imposed any sanctions or penalties upon the bank.

SECTION 3: STAKEHOLDERS



SYNOPSIS

+	Measures to safeguard stakeholders' rights are taken
+	Comprehensive human resources policy
+	Strict quality standards in banking products and services
+	Good relations with regulatory authorities
+	Ethical rules prepared, disclosed to public on the web site, and brought to the shareholders' meeting for approval
-	No provision in the articles of association regarding the participation of stakeholders in the management of the bank

This chapter covers the subjects about which Halkbank performs the best in terms of Corporate Governance applications. With the exception of the sub-heading of "Stakeholders' Participation in the Bank's Management", Halkbank has reached a standard above country norms.

Türkiye Halk Bankası A. Ş. was established by the state at the initial years of the Republic, to accelerate the economic development by providing credit in favorable terms to craftsmen, artisans and small business owners. Halkbank also accepts deposits. Stakeholders of the bank are above mentioned groups along with the employees.

Following going public, bank's relations with stakeholders are moving at positive direction and there is no evidence of any infringements of their rights. However, it is understood that some minority shareholders who existed before the bank's public offering are still continuing their search efforts for their rights and that the top management's conduct towards them are insightful and sensitive.

All channels are open for the conveyance of complaints and grievances and internal and external level of satisfaction is constantly monitored.

The human resources policy is fully comprehensive and duly applied.

This policy provides incentives for carrier advancement and solicits a structure based on merit.

Remuneration system is based on performance.

Requests and needs of corporate credit customers and other stakeholders for banking products and services are met diligently.

Personnel and discipline bylaws include detailed processes to deal with actions against ethical and operational rules and regulations.

Relations with regulatory authorities are good and there have been no significant legal conflicts with clients, other banks, employees, auditors, and regulatory authorities in recent years.

Environmental awareness and occupational health and safety at work takes important place among

Halkbank's business principles. Studies on this subject are satisfactory and perform above country averages.

3.1. Bank Policy Regarding Stakeholders:

After going public, the quality of the relationship between Halkbank and its stakeholders is high. During the rating process, we did not detect any significant or frequent incidences where stakeholders' rights which are regulated by the current legislation and contracts have been violated. The bank officials have declared that grievances of stakeholders who claim that their rights have been violated are reviewed by the audit units of the bank; priority is given to the reinstatement of those rights if reviews dictate so; wrong transactions are corrected; and finally necessary penalties are affected for those who are responsible. Furthermore, the bank acts as a pioneer in overcoming and solving any possible conflicts and disputes that may arise between the bank and its stakeholders. In case the rights of the stakeholders are not regulated by the relevant legislation, the bank preserves the interest of stakeholders under good faith principles and within the capabilities of the bank, without permitting any damage to the brand image.

The corporate governance structure of the bank ensures that all stakeholders, including the employees are provided with an effective and continuous mechanism to convey their concerns regarding legally and ethically improper transactions to management. Within this context; the intra-net mail system enables conveyance of complaints to be evaluated by the bank. Halkbank aims to record all the customer complaints, whether they are received in verbal or written format. Then, areas of trouble are determined and necessary actions are promptly taken for improvement.

3.2. Stakeholders' Participation in the Bank Management:

Halkbank supports mechanisms and models to encourage participation of the stakeholders in the management of the bank while giving priority to employees. In accordance with its principles, Halkbank encourages employees to prepare proposals so that they support the decision-making process of the Bank. The "Quality Proposal System" which is formed for this purpose, encourages employees to prepare proposals for; increasing the productivity, improving the service quality, adding to the bank's image, improving the operational procedures, and minimizing the risks parallel to the strategic objectives of the bank.

On the other hand, we observe that there are no such practices at Halkbank that allow the representation of employees at the board.

During the rating process, we did not come across to any incidence of any incentives and privileges granted to stakeholders regarding the review of the management and operations of the bank and/or any information which is classified as trade secret being used so as to violate the equal opportunity among different groups of stakeholders.

3.3. Protection of Bank Assets:

Neither the board nor any of the executives of Halkbank have been involved in any actions that caused the bank assets loose value and led to deliberate loss for stakeholders. Legally, the bank can only extend limited amounts of credit to the board members, shareholders and employees. Bank officials have declared that those credits are within the limits allowed by the Banking Code and related procedures.

3.4. Bank Policy on Human Resources:

Halkbank employs a comprehensive and efficient human resources policy of which the fundamental principles are:

- Carry out activities to achieve the Bank's objectives with an optimum number of employees.
- Select and assign personnel whose competencies are appropriate to the nature of the task.
- Give importance to and respect employees' individuality and be mindful of safeguarding their material and moral rights.
- Provide a working environment that is safe and appropriate to the nature of the work being done.
- Provide a working environment and opportunities to establish social relationships that will increase employees' eagerness and ability to work.
- Provide personnel with fair and equal opportunities to work, progress, and develop in line with their individual abilities.
- Establish and maintain a salary and compensation system which makes it possible to employ a workforce whose qualifications and numbers satisfy the demand of service and which will encourage personnel to work without any impairment in their interest or productivity.
- Provide opportunities for employees to increase their knowledge and experience and reward successful employees to the degree that company means allow.
- Keep employees informed about matters of their concern in a timely manner. Maintain open channels of communication so as to make it easy for employees to express

their views and opinions to management.

- Ensure that employees perform their jobs with awareness of costs and in keeping with the principles of productivity and profitability.
- Encourage employees to think creatively and to come up with new ideas to improve the work they do.
- For the purpose of preserving the Bank's corporate culture and identity, adhere to the principle of making appointments from within the Bank insofar as is possible, giving priority to filling vacancies from among existing personnel, and promoting employees on the basis of their skills, success, educational background, and length of service.
- Evaluate employees on the basis of criteria that are objective and equitable.

In 2010 Halkbank organized 2,905 training programs under 14 different titles. 42% of these were given by internal trainers, and 58% were provided by external training companies/trainers. Periodic evaluation and information activities were realized by 34 well-attended meetings and 41 conferences. Supporting in-class training, 695 groups were trained on the e-learning module with 73 different topics.

Training opportunities provided for Halkbank employees are:

- career training,
- e-learning training,
- elective training,
- conferences and seminars,
- training due to legal obligation.

Halkbank has specified recruitment criteria.

Post-privatization Halkbank monitored a competition oriented and market sensitive remuneration policy. Wage raises are determined by employees' performance, commitment to personal development, sector averages and inflation rate.

3.5. Relations with Borrowers, Depositors and Lenders:

As a result of our observations and interviews, we observed that the requests of customers are handled in a quick and efficient manner, and any delay in handling customers' requests and the reasons thereof are acknowledged. The bank adheres to the norms of quality standards of its services and ensures that the level of quality is preserved.

Within the scope of trade secret, confidentiality of information relevant to borrowers and depositors are respected. These issues are closely monitored by the overall management system. Concerns and suggestions of the depositors and borrowers are filed and kept in electronic archive. Halkbank also pursues the institutionalization of its borrowers.

3.6. Ethical Rules:

Halkbank has prepared an ethical code, disclosed it to public on its web site, and brought it to the shareholders' meeting for approval.

Processes to be applied in case of unethical personnel behavior and acts against operational rules and regulations are explained in detail at the Operation Application Instructions and the Disciplinary Board Regulation.

3.7. Social Responsibility:

Halkbank's relations with regulatory authorities are at a satisfactory level. There have been no significant legal conflicts between the bank and its

customers, employees, auditors, other banks, and regulatory authorities in recent history. Also, again in recent history, regulatory agencies have not imposed any sanctions or penalties upon the bank.

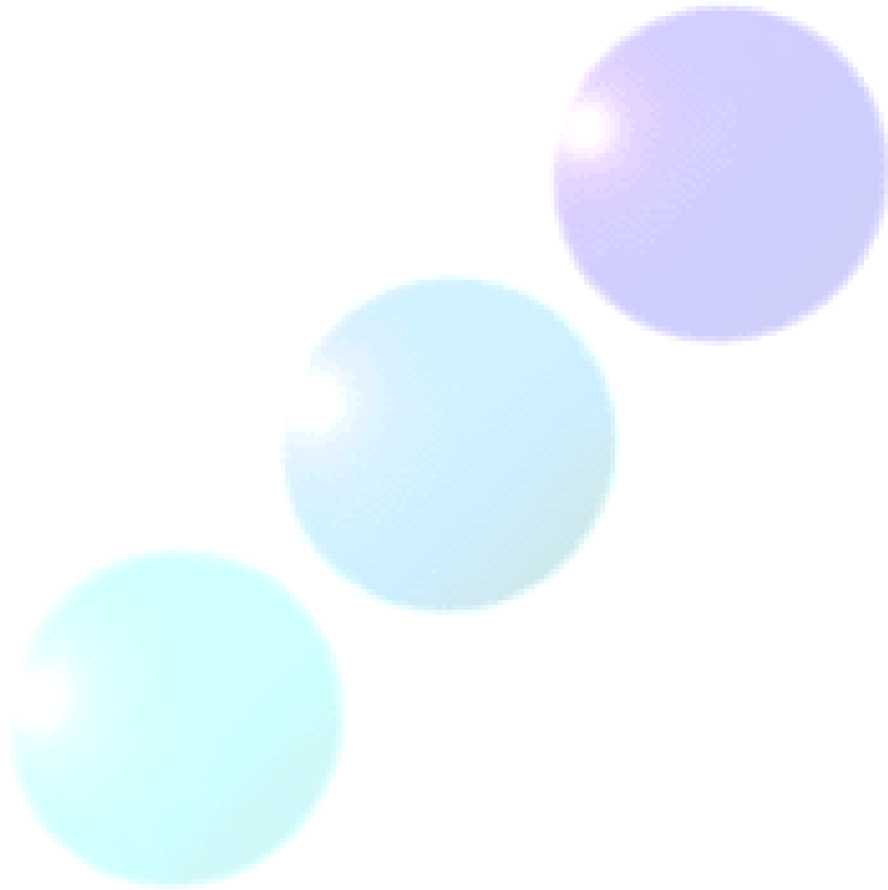
Environmental awareness and occupational health and safety at work takes important place among the bank's business principles. Together with the French Development Agency, on September of 2008 Halkbank has implemented (and plans to sustain until end of 2011) SME Transformation Project to raise awareness on corporate social responsibility, environmental issues, and occupational health and safety.

In the scope of SME Transformation Project, so far 2,500 representatives and interested parties have participated to Halkbank's educational conferences organized in 10 provinces. Free training and consultancy work on environmental issues, and occupational health and safety was conducted at the premises of 96 companies located in these provinces. 1,400 employees of these companies have been awarded a certificate following the free training period. Four SME took advantage of free consultancy services on the establishment of ISO 14001 or OHSAS 18001 standards.

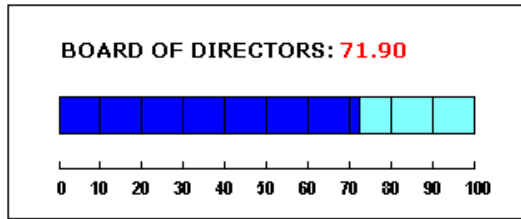
Halkbank supports educational, cultural, and sports organizations. In this context, in order to ensure employment for the young generation, the bank supported the projects of two vocational schools under Bozok University and the construction of Industrial Vocational Technical High School at Denizli.

Bank also supports activities like "Turkish Fair on Public Education" and "Ankara International Film Festival".

Halkbank has a fairly good level of participation to the activities of non-governmental organizations and other social institutions with public nature.



SECTION 4: BOARD OF DIRECTORS



SYNOPSIS

+	The Company's vision, mission and strategic goals are clearly defined
+	Efficient risk management and internal control mechanism in place
+	Members possess necessary knowledge, skills, and experience
+	Board chairman and chief executive officer is not the same person
+	Only one member is executive
+	Qualified and experienced executives working with principles of fairness, transparency, accountability, and responsibility
=	Audit, Risk and Corporate Governance committees established; no remuneration and appointment committees
-	No cumulative voting method
-	No independent member on the board
-	Code of ethics does not include the board of directors
-	No provisions in the Articles of Association defining procedures for shareholders or stakeholders to invite the board to convene

The board of directors fairly represents the bank within the framework of the relevant legislation, the articles of association and in-house regulations and policies. Members are well qualified and experienced in banking

operations. However, criteria for selection of candidates are not present in the articles of association.

The board has determined the vision, mission, and strategic goals of the bank and duly monitors the level of performance and achievement of objectives. An efficient risk management and internal control mechanism is in place and working. The board also established all the mandatory committees as well as non-mandatory corporate governance committee.

The flow of information to the board is seamless and the frequency and the level of participation to the meetings are high.

On the other hand, members of the board have not declared in writing that they will be jointly liable should they intentionally or unintentionally fail to properly perform their duties assigned to them by legislation, the articles of association and the general shareholders' meeting.

The most important committees are established by the board of directors and working procedures of these committees are duly determined. The level of work produced by these committees is at a satisfactory level.

The audit committee is active and efficient. The audit committee receives periodical reports from external auditors and from internal units to make sure that internal audit mechanisms are carried out adequately and transparently. The audit committee is also supervising the activities of the external auditors and the compliance with accounting standards.

The executives of Halkbank are qualified and experienced, and working with principles of fairness, transparency, accountability, and responsibility. They are suitably endowed with the necessary amount of authority.

The executives follow the legislation, articles of association, in-house regulations and policies while performing their duties.

On the other hand, although there are special provisions in the Banking Code regarding the responsibilities of executives, there are no provisions in the book of rules and regulations of the bank stipulating that the executives should compensate the losses incurred by the bank and third persons as a result of not performing their duties duly. Similarly, employment agreements of the bank do not indicate that the executive may not be permitted to work for a competitor of the bank in case the executive renounces from his/her duty.

4.1. Fundamental Functions of the Board of Directors:

The board constantly and effectively revises the bank's level of success in achieving its goals, reviews its past performance, and monitors;

- the degree of achievement of the bank's operations, approved annual financial and business plans, compliance with legislation, and international accounting standards,
- the degree of accuracy of the bank related financial information.

The board of directors of Halkbank has established an internal control and risk management mechanism that is appropriate for the bank to minimize adverse effects of the risks that the bank may face, which would also

negatively affect the shareholders and stakeholders. The board also takes all necessary measures for sound functioning of such mechanisms implemented.

The board; in order to perform these tasks in a sound manner, established Audit, Operational Risks Working, Credit, Assets and Liabilities, and Corporate Governance committees. Remuneration and appointment committees, however, are not established.

The board assesses whether the executives are well qualified to suit the demands of their positions and seeks measures that would encourage qualified employees to work for the bank over a long period of time. As the board deems appropriate, it terminates the employment of executives and appoints new executives to replace the former without delay.

The board also closely monitors and supervises whether or not the bank's operations comply with the relevant legislation, articles of association, and in-house regulations and policies.

The board of directors of Halkbank acts as a pioneer in resolving and settling disputes that may arise between the bank and shareholders. The fact that the board meets frequently is conducive to this environment. It would be a positive aspect should the Board of Halkbank work in close cooperation with the newly formed corporate governance committee to ensure that the shareholders exercise their rights in accordance with the legislation, provisions of the Articles of Association, in-house regulations and policies.

4.2. Principles of Activity and Duties and Responsibilities of the Board of Directors:

The board's duties and responsibilities are clearly defined in the articles of association of the bank in consistence with its functions and beyond any doubt so as to distinguish from the authorities and responsibilities of individual board members, executives and general shareholders' meeting. Authority and responsibility for each board member and committees are clearly defined; and, these are disclosed to public.

In order to ensure that the board members perform their duties fully, they are provided with easy access to all kinds of information in a timely manner. To this end, mechanisms to enable timely and accurate information for the board members about significant developments that may impact the bank are adopted. If deemed necessary, required executives attend the board meetings. Any behavior by the bank employees that would obstruct flow of information to the board are subject to sanctions including warnings and termination of employment contracts. The principles in this respect are clearly defined in internal regulations.

Members of the board are jointly liable by the BRSA regulations should they intentionally or unintentionally fail to properly perform their duties assigned to them by legislation, the articles of association and the general shareholders' meeting. However, as per the corporate governance Principles, the members have not signed a written document that confirms this joint liability.

Although the ethical code of Halkbank includes measures to ensure that employees should not indulge in pressures that would serve against the interests of the shareholders and not

accept any material gains, these measures are not extended to include the members of the board.

Each member of the board devotes sufficient time for the bank's business. Within this scope, any duty that the board member may accept outside the bank is subject to the current banking code with which Halkbank fully abides.

The ethical rules of the bank do not dictate that members of the board can under no circumstances disclose bank information that is confidential and/or trade secret. However, the board has adopted requisite measures in order to ensure that confidential information does not flow out of the bank by other company employees.

In this context, we found no evidence of any members of the board exploiting confidential and publicly unavailable information in favor of himself/herself or others; providing information or extending news or making comments that are false, untrue, misleading, and unfounded information about the bank.

Members of the board have not declared in writing before commencing work that they will comply with the legislation, articles of association, in-house regulations and policies, and in case of incompliance, that they would be jointly liable to compensate the loss accrued to the shareholders and stakeholders. The legal document in which the members of the board have sworn at the commercial court contains no provisions to this end.

The board of directors of Halkbank adopts a separate decision to approve the periodical financial statements and annual report of the bank. At the time of announcement and notification of periodical financial statements and the annual report, the member of the board who was assigned the duty of preparing the above documentation

signed an official declaration in writing consisting of below-mentioned items:

- The periodical financial statements and footnotes thereto and annual report of the bank have been carefully examined by the relevant parties.
- In accordance with the authority and liabilities in the bank and according to the information obtained, the financial statements and footnotes thereto and annual reports do not consist of any misleading statements that contradict the truth and that there is no lack of essential information.

Beyond its basic functions, the board approves the annual budget and business plans of the bank; prepares the annual report; ensures that the general shareholders' meeting is conducted in accordance with the legislation and the bank's articles of association; fulfills the general shareholders' meeting decisions; controls significant material expenditures; approves the career plans and remuneration of executives; determines policies for shareholders, stakeholders and the public relations; determines the working principles of the committees; and ensures them to work effectively and efficiently.

Board meetings are planned and conducted efficiently and productively. In principle, each member of the board attends all meetings.

Agenda items such as deciding the areas of business in which the company will operate and approving business and financial plans; inviting the ordinary/extraordinary general shareholders' meeting; finalizing the annual report to be submitted to the general shareholders' meeting; electing the board chairman and deputy chairman; establishing administrative divisions or terminating

their operations; appointing or dismissing the chief executive officer; and establishing committees are approved by the members of the board who attend the board meetings in person.

The board of directors of Halkbank meets more than once a month. In 2010, 53 board decisions were signed.

Documents and information about the agenda items of the board meeting are submitted to the members of the board in a timely manner and utmost attention is given to ensuring equal information flow to each of the board members.

Provisions regarding the procedures for invitation of the board members for a meeting by shareholders and stakeholders are not incorporated in the articles of association. Similarly, the articles of association of the bank do not include any provisions for the members of the board to convene upon the request by institutional investors or minority shareholders and stakeholders defined under the articles of association.

The manner in which the board meetings are to be conducted are incorporated in the bank's internal regulations.

The board meeting and decision quorum is included in the articles of association.

A secretariat is established under the responsibility of the board chairman in order to serve the board and to keep documents related to the board meetings in order. The secretariat basically engages in communication between members of the board; make preparations for the board meetings and committee meetings; keep the minutes of the meetings; and record and archive all communications made

by the board, including announcements.

There has been no opposition raised by any board member on a particular issue at the board meetings in the periods that we reviewed during the rating process.

The board does not have a budget to reimburse travel/meeting expenses, costs pertaining to special working requests and similar expenses.

The board of directors of Halkbank has acknowledged the importance of internal audit, internal control, risk management, and independent external audit functions and communicated the same to executives and employees of the bank. The findings of these functional units are used effectively and efficiently. Provisions are in place to avoid any actions that may hinder the independence and reputation of these auditors.

The board uses the findings of the controllers and independent auditors to verify and control the operational and performance information received from the executives.

Similarly, the board solicits and receives a report from the independent auditors regarding the efficiency of internal control, internal risk, and risk management functions and also regarding the consolidated information systems.

The board of directors, in order to establish internal systems (internal control, internal audit, and risk management); implement these in an efficient and appropriate manner; guarantee the safe keeping of information received from accounting and financial reporting functions; and identify the internal responsibilities and relevant authorities:

- has determined the functions and responsibilities of internal systems executives and closely monitors their operations.
- has determined in writing, strategies and policies of internal systems units and takes measures to ensure efficient implementation of the same.
- has determined the responsibilities and relevant authorizations of internal systems units and executives in a clear manner not to cause any overlaps or conflicts and provided the necessary resources.
- has determined in writing the bank's policies and strategies regarding risk management and allotted the maximum risk limits as per the nature and function of banking units and the number of personnel working in these units.

Each board member of Halkbank is entitled to a single vote at the board meeting and board members are not granted with weighted voting rights or positive/negative veto rights.

4.3. Formation and Election of the Board of Directors:

The board of directors of Halkbank is structured so as to optimize effect and efficiency thereof. The number of the members for the board is determined to facilitate producing efficient and constructive works by the board, adopting rapid and rational decisions and effectively organizing formation and working of committees.

Members of the board are elected from among qualified persons. However, criteria required for candidates for board membership positions are not incorporated in the articles of association.

Board members are capable of analyzing and interpreting financial statements and reports and have basic knowledge about the legal regulations applicable to the bank for daily or long term business as well as dispositions.

All of the board members, except the CEO, are non-executive members. The chairman and the CEO positions are not occupied by the same person.

The board does not comprise an independent member who complies with the CMB rules and has the ability to execute his duties without being influenced under any circumstances.

Halkbank has not embraced use of cumulative voting in the election of the board members. The procedure for the adoption of cumulative voting, therefore, is not incorporated in the articles of association of the bank.

4.4. Remuneration of the Board of Directors:

Halkbank officials have informed us that under the condition that it stays within the limits of the banking code, the bank extends credit to members of the board. Same declaration confirms that there are no other guarantees or warranties provided to board members.

Compensation for the members of the board is determined by the general shareholders' meeting so as to counterweigh the time invested and performance of membership duties as a minimum.

There are dividend payments to the members of the board, proposed by the articles of association of the bank, as an incentive remuneration which is based upon the performance of the members of the board in connection with the performance of the bank.

4.5. Number, Structure and Independence of Committees Established by the Board of Directors:

In order to perform the board's tasks in a sound manner; Audit, Operational Risks Working, Credit, Assets and Liabilities, and Corporate Governance committees are established. Remuneration and appointment committees, however, are not established.

Since there are no independent members within the board, committees do not have any neither. Whereas, none of the members of the audit committee is executive.

Each committee keeps records of all their work in writing. The scheduling for committee meetings is compliant with that of the board meetings.

After the meetings, the chairman of the committee delivers a written report about the activities of the committee to the board and delivers the summary of the minutes of the meeting to the board in writing.

An audit committee in charge of supervision of the financial and operational activities of the bank is established.

The criteria for selection of the audit committee members are compliant with the current legislation.

The board provides all necessary sources and assistance to the audit committee for its duties to be performed. The internal auditor also reports to the audit committee.

The audit committee supervises whether or not periodic financial statements and its footnotes are prepared in accordance with the current legislation and international accounting standards and declares its

opinion to the board in writing upon receiving the opinion of the independent audit firm.

The audit committee took all necessary measures in order to ensure that internal and external auditing are carried out adequately and transparently.

Appointment of the external audit firm and the services to be provided thereby are submitted to the board upon the preliminary approval by the audit committee. Prior to appointment of the external audit firm, the audit committee reviews whether or not there exist any issues that may jeopardize independence of the audit company.

The audit committee evaluates and resolves any issues pertaining to the complaints and suggestions on the accounting practices, internal control system and external auditing as submitted to the bank and also ensure that complaints made by the employees in this respect are evaluated in accordance with confidentiality principle.

The audit committee also ensures that it receives regular reports from internal control, internal audit, and risk management units regarding their operations.

The audit committee scrutinizes full compliance with the in-house regulations and policies, ensures that it pinpoints any actions that may adversely affect the operations of the bank, and submits the outcome to the board.

A corporate governance committee is established in order to monitor the bank's compliance with the corporate governance principles and perform improvement studies and offer any possible suggestions to the board.

Executive and non-executive members of this committee are divided equally.

4.6. Executives:

The executives perform their duties in a fair, transparent, accountable and reliable manner. They ensure that the bank conducts its business within the framework of its mission, vision, goals, strategies and policies.

The executives act in accordance with the financial and operational plans of the bank.

The executives are authorized to perform their duties and have the required professional qualifications in order to perform the assigned duties.

They obey the legislation, articles of association, in-house regulations and policies while performing their duties; and submit a quarterly report to the board regarding the conformity of the performed works with these.

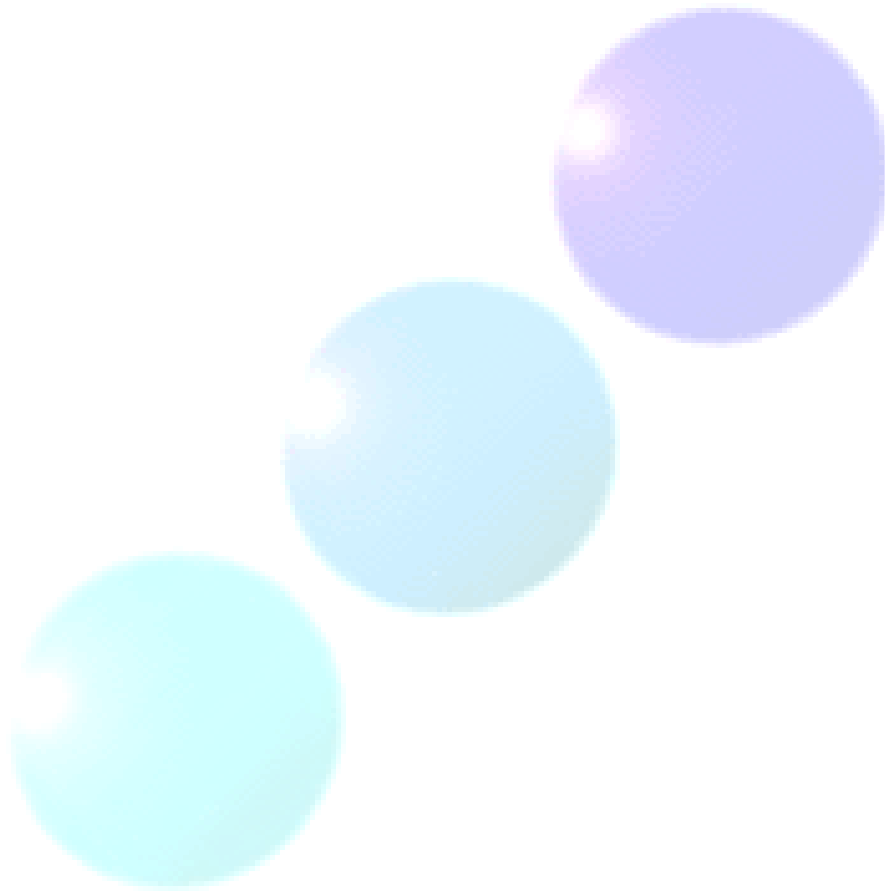
During the rating process, we came across to no incidence of any executives exploiting bank related confidential and publicly unavailable information in favor of himself/herself or others, and providing information or extending news or making comments that are false, untrue, misleading or unfounded about the bank.

Although there are special provisions in the Banking Code regarding the responsibilities of executives, there are no provisions in the bank's internal book of rules and regulations that the executives should compensate the losses incurred by the bank and third persons as a result of not performing their duties duly.

Similarly, employment agreements do not contain provisions which clearly indicate that the executive may not be permitted to work for a competitor of the bank and describe the sanctions to

be implemented in case of violation of such provision in case the executive renounces from his/her duty, to protect the interests of the bank for a certain period of time.

Management reviews the findings of internal controllers and auditors' in an efficient and timely manner and ensures that identified problems are solved promptly.



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.
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.
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. 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.