

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

### PART I – SHAREHOLDERS

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

TEB aims to fully comply with the “Corporate Governance Principles” issued by the Capital Markets Board (CMB) in July 2003 concerning the principles to be observed by listed companies to achieve professional management, transparency and ethical conduct in the course of their activities.

As TEB believes that compliance with these principles will become as important as credit valuation (ratings) in the near future, the Board of Directors has set up a Corporate Governance Committee at the Board level through Resolution No: 3609/4 dated 24 January 2004, to regulate and monitor compliance with these principles. The Corporate Governance Committee performs the functions explained below.

Although compliance with these principles requires a process development, it has been noted that complete compliance has been realized without any conflicts of interest.

#### 2. Shareholder Relations Department

A Shareholder Relations Department referred to as the Shareholders Unit in the organizational chart) has been established in an effort to inform registered shareholders about dividends, capital increases and the agenda and resolutions of General Meetings, to maintain the share register in accordance with Article 326/1 of the Turkish Commercial Code and to manage legal and operational relations with shareholders. The contact details of this unit are as follows:

Cüneyt Temiztürk (Unit Manager)  
Phone: +90 216 635 39 39  
Fax: +90 212 249 65 68

This unit reports to the General Secretary of the Board of Directors

Additionally, the Bank has an “Investor Relations and Corporate Governance Department” to establish relations with domestic and foreign investors and inform them about the Bank’s activities and financial results.

Çiğdem Başaran and Özgün Zaimoğlu are responsible for the overall management of the department.

Their contact information is as follows:

Çiğdem Başaran (Senior Manager)  
Phone: +90 216 635 24 63  
Fax: +90 216 636 36 36  
E-mail: [cigdem.basaran@teb.com.tr](mailto:cigdem.basaran@teb.com.tr)

Özgün Zaimoğlu (Assistant Manager)  
Phone: +90 216 635 24 60  
Fax: +90 216 636 36 36  
E-mail: [ozgun.zaimoglu@teb.com.tr](mailto:ozgun.zaimoglu@teb.com.tr)

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

Investors and the general public are provided with detailed information both in Turkish and in English through the "Investor Relations" and "Corporate Governance" sections on TEB's website:

[http://www.teb.com.tr/eng/main/HaritaInvestor\\_relations\\_menu.aspx](http://www.teb.com.tr/eng/main/HaritaInvestor_relations_menu.aspx)

[http://www.teb.com.tr/eng/main/HaritaCorporate\\_governance\\_menu.aspx](http://www.teb.com.tr/eng/main/HaritaCorporate_governance_menu.aspx)

Information is available under the following headings:

- TEB- BNP Paribas
- Share Price Info
- Financial Calendar
- Ratings
- Financial Highlights
- Financials
- Investor Presentation
- Dividends
- Annual Reports
- Announcements
- Research Reports
- Broker Forecasts
- Press Releases
- Frequently Asked Questions
- Contact Info
- About the Merger
- Corporate Governance Principles
- Management
- General Meetings
- Committees
- Policies

In addition to meetings, nearly 50 queries about TEB have been answered by telephone and e-mail in 2011. The questions were about various subjects and all requests for information by shareholders were answered as quickly as possible, provided that they are not related to trade secrets or information that is not publicly available.

Although Article 36 of the Articles of Association of TEB provides for the appointment of a special auditor, no special auditor was elected in 2011. This article does not define the request for the appointment of a special auditor as an individual right. However, the Articles of Association does not contain any provisions that contradict with the relevant provision of the Turkish Commercial Code. This right was not exercised in 2011.

### 4. Information on General Meetings of Shareholders

The General Meeting of Shareholders convened to an Ordinary General Meeting which was held on 31 March 2011 and Attendance was 89.66.%, no media members were present at these events.

Invitation letters were sent by registered mail at least 15 days prior to the respective meeting dates to the Shareholders in the share register. The meetings were also announced in the Turkish Trade Registry Gazette

and a national daily newspaper. In addition, e-mail messages were sent to the shareholders whose e-mail addresses were known.

In accordance with the provisions of the 2499 Capital Markets Act temporary article and 294 of Central Register Agency communication, completion of dematerialization of shares is mandatory in order to vote in General Assembly. Unless the dematerialization is completed, attendance of our shareholders to General Assembly is not possible.

The shareholders who will attend the Ordinary General Assembly meeting individually or via proxy shall submit the below listed documents, before the meeting date, to the Shareholders Unit of the Bank's Head Office or to Branches, and obtain the Entrance Cards or shall apply before the establishment of Presidential Board of the General Assembly, at the latest.

- Identity documents and/or proxies,
- General assembly blocking letters related to the shares that they own,
- In addition to the above listed documents, the authorization document of the person who is authorized by the legal entity shareholders

The date, venue, time and agenda of the meeting, as well as sample statements for those who wish to appoint a proxy to attend the meeting on their behalf, are included in the invitation letters, the newspaper announcements and on TEB's website.

Shareholders exercised their right to ask questions at general meetings and their questions were answered informatively.

Shareholders tabled motions, which were put to the vote of attending shareholders and accepted.

According to the Articles of Association, approval of the General Meeting of Shareholders is not required for decisions concerning spin-offs or the sale, purchase and leasing of material assets. The powers and responsibilities of the Board of Directors in relation to these decisions have been specified in Article 26 of the Articles of Association.

To facilitate attendance at General Meetings of Shareholders, notices are sent out on time, the meetings are held in central locations in Istanbul and the minutes of the meetings are made available at the Shareholders Unit and on the website.

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

There are no privileges regarding voting rights. Further there are not any cross-shareholding companies. Minority shares are not represented in management; however the views, suggestions and requests of minority shareholders are communicated to the management through the Investor Relations and Corporate Governance Department and the Shareholders Unit.

The Articles of Association do not provide for cumulative voting.

## **6. Dividend Policy and Time of Distributions**

There are no privileges regarding dividend distribution. TEB's dividend policy, which was amended on 29 September 2006 and announced to the public, is as follows:

**Dividend Policy:**

“Türk Ekonomi Bankası A.Ş. will pay up to 40% of the net distributable profit to its shareholders as a cash dividend or as bonus shares within the context of its Articles of Association. The amount distributable depends on market conditions, maintenance of a comfortable capital adequacy ratio and growth plans of the bank and will be proposed by the Board of Directors to the Ordinary General Meeting of Shareholders every year.”

No dividend was distributed for the profit generated in the year 2010.

**7. Transfer of Shares**

Article 9 of the Articles of Association stipulates that:

- The relevant provisions of the Turkish Commercial Code and other applicable legislation shall govern share transfers.
- Transfer of shares at the percentages specified in the Banking Law and transfer of share certificates that grant usufruct rights shall be subject to the prior permission of the Banking Regulation and Supervision Agency and the Capital Markets Board.
- In order for such transfer and assignment to be binding for the company and for third parties, the share transfer must be approved and certified by the Board of Directors and entered into the share register.

Furthermore, the same article stipulates that the company’s Board of Directors may reject approval and registration without specifying any reason.

**PART II - PUBLIC DISCLOSURE AND TRANSPARENCY****8. Disclosure Policy**

As indicated on its website, TEB has publicly announced the following Disclosure Policy within the context of the Corporate Governance Principles:

“Subject to applicable legislation, TEB promptly, accurately and fully discloses any matters concerning its operations for which a disclosure has been requested.”

All information that fits the above definition is publicly disclosed by the Investor Relations and Corporate Governance Department or the Official Reporting Department and is subject to the approval of the Board of Directors and the General Management. Announcements made are also reported to the Corporate Governance Committee.

**9. Special Circumstances Disclosures**

TEB made 36 special circumstances disclosures in 2011. None of these was an additional disclosure made in response to the instructions of the Istanbul Stock Exchange (ISE). Since the Bank is listed on the London Stock Exchange (LSE) as well, the material disclosures made to the ISE and the Capital Markets Board (CMB) are also sent simultaneously to the LSE. No disclosures were made to the LSE other than those made to the ISE and the CMB.

Since TEB takes the utmost care in its disclosures, the CMB has not imposed any sanctions on the Bank in 2011.

All material disclosures are available on TEB's website.

### 10. The Website and its Contents

TEB's website is at [www.teb.com.tr](http://www.teb.com.tr). TEB monitors similar websites in other countries and constantly updates the information available on its website in accordance with Section II Article 1.11.5 of the Corporate Governance Principles issued by the CMB.

The website contains sufficient information to satisfy shareholders and third parties who need information about TEB.

### 11. Ultimate Controlling Individual Shareholders

The shareholding structure of TEB as of 31 December 2010 was as follows:

- 55.00% TEB Holding A.Ş. (TEB Financial Investments)
- 23.34% BNP Paribas Yatırımlar Holding A.Ş.
- 17.08% BNP Paribas Fortis Yatırımlar Holding A.Ş.
- 04.52% Open to public
- 0.06% other shareholders

### 12. Individuals with Access to Insider Information

According to the Banking Law, the law that governs the banking profession and defines its legal and ethical rules, it is forbidden for bank employees to convey to third parties confidential information on the bank or its customers that they acquire during the performance of their duties. Since this obligation continues after the termination of employment, it was not deemed necessary to disclose and publicly announce the list of persons who have access to insider information, in view of the industry practice and employment ethics and work discipline.

## PART III - STAKEHOLDERS

### 13. Announcements to Stakeholders

Stakeholders are provided information concerning TEB's activities through special circumstances disclosures, as published on the website and in annual reports. Views, opinions and questions submitted to TEB using the 'Contact us' section of the website are referred to the relevant departments and answered within the framework of applicable legislation.

### 14. Participation of Stakeholders in Management

As banking practice and legal rules impose strict restrictions on the appointment of executives, no model has been devised for stakeholders to personally take part in management. TEB believes that this applies equally to other banks in the industry. However, stakeholders can communicate their views, opinions, critiques and demands to the management through the "Investor Relations and Corporate Governance Department", the "Shareholders Unit" and the "Customer Communications Unit".

## 15. Human Resources Policy

The main objective of TEB's Human Resources Group is to adopt the best HR practices in the finance industry.

Given this objective, the Bank's human resource policy assures the following:

- \* Ensuring dynamism and readiness for change in the organizational structure, in line with the strategic plans and goals of the TEB Group.

- \* Within the scope of the TEB Talent Pool, recruiting people for the TEB Group who are well educated, open to innovation and change, have entrepreneurial skills, are energetic, dynamic, who possess potential for self-development, are team players and who can adopt corporate values and commit to them.

- \* Utilizing human resources in the most effective and productive manner in conformity with the Bank's targets and strategies, supporting employees with development programs that are in line with both professional and personal career goals indicated in employees' career plans and creating career opportunities by ensuring employees' participation in advanced BNP Paribas training courses.

- \* Considering training and development as an investment in human resources and contributing to the development of employees in line with the TEB Group's targets and strategies within the framework of the "continuous learning and development" philosophy of the TEB Formation Academy,

- \* Training future managers amongst employees within the organization and prioritizing applicants amongst employees within TEB for future open positions,

- \* Improving individual and team performance continuously through quality improving methods and systems, focusing on rewarding schemes in the Performance Assessment System that enables the recognition of superior performance and giving each employee equal opportunity within the context of their career plans,

Contributing to the productivity and performance of Bank's employees and branches; by providing quick and effective HR support and practices.

By the end of 2011, TEB has 9356 personnel and 507 branches. % 61.2 of the TEB employees have university degree while 5.4% holds a graduate degree and 0.1 % holds a post graduate degree. Average training time per employee was realized as 40 hours.

## 16. Relationships with Customers and Suppliers

A "Customer Communication Unit" directly reporting to the General Manager was established to maintain customer service quality, measure customer satisfaction and assess the complaints, views and suggestions of customers.

TEB also monitors customer expectations and remarks in cooperation with consulting companies and reports its findings to the Board of Directors.

## 17. Social Responsibility

### CORPORATE SOCIAL RESPONSIBILITY

**As a good corporate citizen that is fully aware of its social responsibilities, TEB strives to be a Bank that upholds the core values and the heritage of the society in which it operates.**

To achieve this goal, TEB implements corporate social responsibility projects that contribute to the creation of a sustainable community and environment as it invests in future generations.

Planning its corporate social responsibility program in parallel with its business activities, TEB continues to encourage the active, voluntary participation of its employees in its projects.

#### Contributing to Education

Always placing great priority on supporting the community and offering a helping hand to resolving social problems, TEB and the Mother Child Education Foundation (AÇEV) jointly carry out a corporate social responsibility project for the education of children before they start school.

The project entitled “Ben de ben de” aims to raise awareness of early childhood education and ensure that all children in Turkey benefit from a high-quality preschool education service. The project comprises of two parts: The first part of the project, “Ev Okulum”, conducted with the support of the Ministry of National Education, primarily aims bring children who are unable to get preschool education, because of physical or environmental circumstances, into the system and to support the development of these children through their mothers, by offering a model that is an alternative to institutional education and to help them become ready for school. The second part of the project, “Güzel Sınıfım”, aims to ensure that the nursery classes of needy state schools are fully equipped, since high-quality preschool education requires “learning by experience”.

This project, which was launched in the 2009-2010 education year in districts of Istanbul with a high population of urban migrants, had reached a total of 4,000 mothers and 4,000 children by the end of the two year period. The project, “Ben de ben de”, will be continued during the 2011-2012 education year in order to provide equality of opportunity in poor regions.

As one of the defenders of the principle, “Education is everyone’s right”, TEB supports 4 students within the framework of Koç University’s Anatolian Scholarship Program. Under the program, Koç University - one of Turkey’s leading universities, in which most students receive paid education, offer scholarships to a select number of students in underdeveloped areas in a bid to address socioeconomic inequalities, while accepting the most successful among them. As such, these students graduate from university as global citizens with superior capabilities. By providing support to this program developed by the Koç University, TEB provides a way forward for Turkey’s brightest young people to receive the best possible education. Thanks to this program that can reach needy students throughout Turkey, superior students are able to benefit from the privileges offered by Koç University, while the university provides a contribution to science with Turkey’s bright young people. Within this cooperation, that began in the 2011-2012 education year, all education costs of 4 students will be met by TEB for a period of 5 years.

#### Contributing to the Environment

As a pioneer aware of its responsibility to contribute to a sustainable environment, TEB developed and deployed an effective and systematic management approach to minimize the environmental impacts of its activities.

As the first deposit bank entitled to receive the ISO 14001 Environmental Management

Standard Certification, TEB sustained its efforts to become more environmentally friendly in 2012. In the first 15 months of the Environmental Management System, TEB saved a total of 3.7 million kWh of power, 16,261 tons of water and saved paper to the equivalent to saving 3,726 trees.

### Contributing to the Community

Striving to contribute to the community where it has a presence, TEB was one of the organizers of the WTA Championships held in Turkey. One of the world's most important tennis tournaments, the WTA Championships were held in Istanbul on October 25<sup>th</sup>-30<sup>th</sup> with the initiative of the Republic of Turkey's Ministry of Youth and Sports and the Turkish Tennis Federation and with the support of TEB. TEB provided a great contribution to Turkey's promotion with this event, which was viewed by about 800 million people around the world on TV and 70,000 people at the tennis court. As one of the organizers of this prestigious sports event which won the approval of tennis authorities and tennis fans alike, TEB was handed the Billie Jean King Award by the WTA. The tournament, which will be held again in Turkey in 2012 and 2013, aims to raise Turkish people's interest in tennis and be a significant source of motivation for professional tennis players.

Aiming to raise its employees' awareness of their social responsibility, TEB continues to increase the number of volunteering projects every year. In this context, 70 TEB employees ran in the International Eurasia Marathon, collecting donations for the Spinal Cord Paralytics Association of Turkey. Also reading books for the Technology and Education Laboratory for the Visually Disabled (GETEM), a division under the Bosphorus University, TEB Volunteers have recently collected toys for the toy libraries opened in Anatolia by the Foundation for the Support of Women's Work (FSWW).

## SECTION IV – BOARD OF DIRECTORS

### 18. Structure and Composition of the Board of Directors and Independent Members

An up-to-date list of the members of the Board of Directors and their resumes are available on TEB's website.

Members of the Board of Directors and their responsibilities as of 31 December 2011 are listed below:

Name	Position
Yavuz Canevi	Chairman
Dr. Akın Akbaygil	Vice Chairman
Varol Civil	Executive Member and CEO
Jean-Paul Sabet	Vice Chairman
Musa Erden	Member
Yves Paul Henri Martrenchar	Member
Jean-Milan Charles Dominique Givadinovitch	Member
Ayşe Aşardağ	Member
Jean-Yves Fillion	Member
Alain Georges Auguste Fonteneau	Member

Capital Markets Board's new regulations regarding Corporate Governance Principles released on December 30, 2011 will be applicable for banks as from December 31, 2012.

This new regulation brings compulsory rules to public companies to have an independent member in Board of Directors, TEB has started to develop strategies/plan /reorganize its existing structure to be coherent with new regulations.

Article 28 of TEB's Articles of Association on Prohibited Transactions states the following:



“Activities and transactions that the Chairman and members of the Board of Directors as well as the Chairman and Members of the Credit Committee may not engage in are specified in the relevant provisions of the Turkish Commercial Code, the Banking Law and the Capital Markets Law.

### **19. Qualifications of Board Members**

The qualifications required for membership in the Board of Directors are specified in Article 22 of the Articles of Association and the relevant provisions of the Banking Law. The qualifications of TEB board members comply with applicable legislation and the Corporate Governance Principles.

### **20. Mission, Vision and Strategic Targets**

#### **Mission**

TEB’s mission is to have a sustainable and profitable growth with

- a dedication to provide excellence service to its clients,
- Ambitious and disciplined professionals that continuously educate and adapt themselves
- treatment of all shareholders with the same level of transparency
- successful monitoring and management of all risks
- An objective credit culture that based on analysis
- Highly advanced technological infrastructure

#### **Vision**

TEB’s vision is to be leader among mid size banks while providing high quality and innovative products to its clients and generating sustainable profits for its shareholders. TEB aims to be the most innovative and practical bank in Turkey.

### **21. Risk Management and Internal Control**

In accordance with the provisions of the Banking Law No: 5411, the Bank has established an “Audit Committee” reporting to the Board of Directors through two non-executive board members exclusively appointed for this task.

The Board of Directors has set up the Audit Committee for the following purposes

- To make decisions to realize Bank’s strategic goals and plans
- To Discuss and evaluate bank’s strategic plans related to performance
- To provide an independent work environment for external auditors
- To confirm Internal Control System, Inspection and Risk Management are performing in an independent and unbiased way
- To monitor internal control regulations and internal audit policies
- To review consolidated financial reports
- To identify discrepancies between applications and their implementations

### **22. Authority and Responsibilities of Board Members and Executives**

The authorities and responsibilities of board members and executives are governed by Articles 26 and 30 of the Articles of Association, while issues related to the General Manager and his/her deputies are covered by Articles 32 and 33.

### **23. Activities of the Board of Directors**

Meetings of the Bank's Board of Directors are organized through the General Secretary of the Board of Directors. Members of the Board of Directors submit to the General Secretary any items that they want to be included in the agenda and the final agenda is communicated to the members at least one week before the meeting.

The Board of Directors has taken 157 decisions in 2011. As mentioned above, the General Secretary is responsible for the implementation of these matters. All decisions during the reporting period were made unanimously and no dissenting opinion was noted.

Members who do not attend a meeting based on a reasonable ground are informed of the resolutions taken in their absence at the first meeting they attend. There are meeting minutes whereby the decisions taken are noted. TEB's Articles of Association does not contain any provisions on weighted voting rights or negative veto rights.

### **24. Ban on Dealing and Competing with the Company**

Members of the Board of Directors have no relationships with TEB that could result in a conflict of interest.

### **25. Ethical Rules**

According to Article 75 of Banking Law (No: 5411), banks and their employees shall ensure that activities are performed in compliance with this Law, applicable legislation and the banks' goals and policies and shall comply with ethical principles that put justice, fairness, honesty and social responsibility at the foundations of management. In consultation with the board, these principles will be determined by the related agencies.

As also stated on our website, The Board of Directors complies with the Code of Banking Ethics dated November 1, 2001 and numbered 1012 as prepared and published by the Banks Association of Turkey to which TEB contributes to the activities thereof.

In addition, TEB Group Ethical Principles are defined and delivered to all employees. Ethical principles are classified as "Use of Company Resources", "Relations", "Responsibilities Toward the Company", "General and Particular Rules" serving as a resource to adopt corporate culture and guide that all employees can consult.

In accordance with corporate governance principles, the following committees were active in 2011:

#### Corporate Governance Committee

Follow - up on the Corporate Governance applications in the Bank

Meets upon invitation from the Committee Chairman

<b>Chairman</b>	Chairman of the Board	Yavuz Canevi
<b>Members</b>	Chairman of the Board	Yavuz Canevi
	Deputy Chairman	Dr.Akın Akbaygil
	Deputy Chairman	Jean Paul Sabet
	Board Member	Ayşe Aşardağ
	Board Member	Jean Milan Charles Dominique Givadinovitch
	General Manager&Executive Director	Varol Civil
	Head of Internal Audit Group-IG Hub Turkey	Hakan Tıraşın
	Head of Compliance and Internal Control Group	Ayşe Korkmaz
	Chief Legal Advisor, General Secretary of the Board	Melis Coşan Baban
	Chief Advisor to the Chairman	Sabri Davaz
		Feryal İmşir
	CMB Regulations Coordinator Financial Affairs Assistant General Manager	Aşkın Dolaştır
<b>Secretary</b>	Investor Relations and Corporate Governance Manager	Çiğdem Başaran

#### Audit Committee

- To make decisions to realize Bank's strategic goals and plans
- To discuss and evaluate bank's strategic plans related to performance
- To provide an independent work environment for external auditors
- To confirm Internal Control System, Inspection and Risk Management are performing in an independent and unbiased way
- To monitor internal control regulations and internal audit policies
- To review consolidated financial reports
- To identify discrepancies between applications and their implementations

Meets every two months

Members: Jean Milan Givadinovitch Chairman

Dr.Akın Akbaygil Member

and other possible attendees requested with respect to the agenda.

#### **27. Remuneration of the Board of Directors**

At the Ordinary General Meeting of Shareholders held on 31 March 2011, it was resolved that no fees be paid to the members of the Board of Directors, who shall continue to perform this duty voluntarily and that

a gross monthly fee of TRY 750.- be paid to Statutory Auditors. Remuneration to be paid to Executive Board Members is determined by the Board of Directors in accordance with Article 27 of the Articles of Association and in view of the nature of the duties involved and the time to be spent to fulfill these duties. In 2011, TRY 6,965,999 TRY was paid to the Members of the Board of Directors as salaries and attendance fees.

Board members may be granted loans within the limits defined by law or may be rewarded depending on the performance of the Bank, the duties vested on them and the time spent by them to fulfill these duties.