

## **THE YEAR OF 2014**

### **CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT**

#### **1- Compliance Statement for Corporate Governance Principles**

Our Company espoused the regulated four key components of Corporate Governance Principles by CMB and all regulation, which are Fairness, Transparency, Accountability and Responsibility, and observes compliance with them in its activities.

Our company applied to all of the Corporate Governance Principles that are obligated to be implemented, and takes maximum care to stick to optional principles. Optional Corporate Governance Principles are addressed under the relevant headings in the following sections. There is no any of conflicts of interest that occur during the reporting period by reason of non-implementation of optional principles.

Our company has the necessary sensitivity in compliance with Corporate Governance Principles. The Committee's primary duties are monitoring pursuant to Corporate Governance Principles, undertaking improvements in these areas and presenting recommendations to the Board of Directors.

Corporate Governance Principles Compliance report of Our Company is available on the Company website in the "Investor Relations" section, under the heading of "Corporate Governance".

#### **PART I - SHAREHOLDERS**

#### **2- Department of Investor Relations**

Our Company has established the Department of Investor Relations & Strategic Planning & PR which will operate as subordinated to the Deputy General Manager of Portfolio Management and Financial Reporting to ensure that the operations such as use of shareholding rights, public disclosure and information, primarily including the general assembly and capital increase operations. Manager of the IR department is Uğur GÜNEY, who is also the Group President of Investor Relations, Strategic Planning and PR a member of Corporate Governance Committee. He has the licenses of CMB Advanced Level and Corporate Governance Rating License.

The contact information of the investor relations team is provided below:

| Name              | Title                   | Telephone     | E-mail                             | License   |
|-------------------|-------------------------|---------------|------------------------------------|---|
| Uğur<br>GÜNEY     | Group<br>President      | 216 600 10 25 | ugur.guney@halkgyo.com.tr          | Advanced Level / Corporate<br>Governance Rating License<br>/ Real Estate Appraisal License                          |
| Serpil<br>YÖRÜK   | Manager                 | 216 600 10 33 | serpil.yoruk@halkgyo.com.tr        | Advanced Level / Corporate<br>Governance Rating License<br>/ Real Estate Appraisal License /<br>Derivatives License |
| M.Erhan<br>ÇELEBİ | Assistant<br>Specialist | 216 600 10 06 | mustafaerhan.celebi@halkgyo.com.tr | -   |
| E.Melis<br>BULAK  | Assistant<br>Specialist | 216 600 10 15 | eylulmelis.bulak@halkgyo.com.tr    | -   |

Except for the confidential information and/or trade secrets which are not publicly disclosed, department of Investor Relations also take responsibilities for the duties stated as below;

- ✓ Providing the maintenance of related records of the shareholders in a safe and updated way,
- ✓ To reply the written requests for information related to the company received from the shareholders,
- ✓ To ensure that the General Assembly meeting is held in accordance with the applicable legislation, articles of association and other internal regulations,
- ✓ To prepare the documentation that can be used by the shareholders during the general assembly meeting,
- ✓ To ensure that the record of the voting results are kept and the reports related to the results are submitted to the shareholders through relevant channels,
- ✓ To conduct works to perform their duties of looking out for, and monitoring any and all considerations related to public disclosure including the legislation and company's information policy

In addition, the Investor Relations, which acts as an effective communication channel between the Company and its shareholders, attended all the meetings of the Corporate Governance Committee during the period, and provided the Committee with information about its activities, important developments during the period and regulatory changes that concern the investor relations activities. Investor Relations Department also played an active role in the improvement and rating of corporate governance practices.

In 2014, a total of 85 questions received from the individual investors via telephone and e-mail was replied by the IR Team, and totally 40 of foreign and domestic meetings were held in the Company with investment funds and intermediary analysts.

### 3- Use of Shareholders' Right to Information

Halk GYO Disclosure Policy is based on transparency and fairness and our Company treats every shareholder equally in all of the public disclosure activities. Information demands of the shareholder, unless they are disclosed, are evaluated in accordance with such policy and principles.

Shareholders can request information by directly contacting the Investor Relations or by sending an email.

During the period, comprehensive information requests and queries received from investors have been responded pursuant to primal legislation and the Company's Disclosure Policy, as well as all other considerations relating to public disclosure.

Necessary records related to written and oral information requests and the responses regularly kept by the Investor Relations. Not only the information requests made to the Company, but also the prepared reports about the Company are regularly followed up.

The Company website is actively used to facilitate public disclosure and usage of shareholder rights. Quarterly investor presentations in Turkish and English, as well as the financial statements, along with material event disclosures made through the Public Disclosure Platform (PDP) are published on the Company website in both Turkish and English. Moreover, the sections of the Company's website which are subject to updates, particularly the information with a potential impact on the usage of shareholder rights, are regularly updated. By this way, accurate and updated information is made available especially to investors and analysts in addition to various individuals or institutions that require information about the Company and its activities.

During the period, the Company organized the corporate website as demanded by the "Regulation" governing the websites of equity companies published by the Ministry of Customs and Trade, and incorporated the "Information Society Services" section. Investors link to the CRA portal via the Information Society Services section and are able to access fundamental information about the Company.

Care is taken seriously to publish announcements about the Company's activities, which will take place in the press, in national editions of newspapers. In addition, news and documents concerning ordinary and extraordinary General Assemblies of Shareholders are also published on the corporate website.

Requests to appoint a special auditor have not been stipulated as an individual right in the Company's Articles of Association. On the other hand, during the period, our company did not receive any requests for appointing of a special auditor.

#### **4- General Assembly Meetings**

The General Assembly is convened to ensure the highest-level involvement of shareholders and also, the minutes of the meeting are made available all the times either in writing, or electronically. The financial statements and annual reports are made available at the head office of the company, on the web site of the company, and anywhere the shareholders can easily access not later than 21 (twenty one) days before the General Assembly. It is duly provided by the Council for the shareholders to use their rights to ask question at the General Assembly, to offer a suggestion related to the items on the agenda and to make a speech on their suggestions. There is not any provision in the articles of association that such important decisions as division, sales, purchase and leasing of assets in an important amount are taken by the General Assembly. These issues are decided upon by the Board of Directors elected and authorized by the General Assembly in accordance with the provisions of the articles of association. The minutes of General Assembly meetings are issued in the Trade Registry Gazette and made continuously available to the shareholders at the head office of the Company and on our web site, as well.

The Annual General Assembly of Shareholders for 2013 made on 10 April 2014 in the Company centre with 78.2% attendance, of which 78% were acting as proxies and 0.2% were acting in person. Besides the shareholders, all Members of the Board of Directors were participated in the meeting, as well as officials from the independent audit firm to give information about the Company's financial statements and the audited period, Company's general manager and authorized officials.

Although the Company's Articles of Association do not include prohibitive provisions for the media about attending the General Assembly, no members of the media attended the General Assembly held.

The Company's General Assembly Meeting for 2013 was concurrently held on the Electronic General Meeting System provided by the Central Registry Agency, under the relevant regulations of the Turkish Commercial Code and the Ministry of Customs and Trade, and shareholders who have a right to participate in the General Assembly Meeting were given the opportunity to electronically participate in the meeting, assign a proxy, make suggestions, express their comments, and cast votes through this system.

The General Assembly process was carried out in compliance with the Corporate Governance Principles and the provisions of the Turkish Commercial Code (TCC); additionally, the invitation of the meeting, including the agenda and the draft amendments, were published on the Public Disclosure Platform, the corporate website, the Electronic General Meeting System (e-GEM) of the CRA, Turkish Trade Registry Gazette and in a national newspapers. Beside these, "General Assembly Informative Document" was prepared to ensure that investors were informed about meeting topics in advance. This document, as well as the proxy form sample, the agenda and the dividend

distribution proposal of the Board of Directors along with the invitation were published on the Company website. The 2013 Annual Report was made available 21 days before the meeting date at the Company's headquarters, on address of [www.kap.gov.tr](http://www.kap.gov.tr) and on the Company website for investor review.

All prepared documents in relation to the General Assembly were uploaded to the Electronic General Meeting System of CRA.

Prior to the meeting, in accordance with Corporate Governance Principles, shareholders were informed about the number of total votes that may be cast at the General Assembly, the privileges they have, and the voting procedure.

At each stage of the meeting, shareholders are allowed to raise questions and make suggestions. All questions are answered and all proposals are taken into consideration as well. The questions and proposals by attended shareholders were added in meeting minutes. Furthermore, all oral and written queries from the shareholders about the Company during the period were answered prior to and after the General Assembly of Shareholders within the scope of the Company Disclosure Policy.

After the General Assembly, the meeting minutes were uploaded to the e-GEM, the minutes and the list of attendants were publicly disclosed through the Public Disclosure Platform, and were submitted shareholders' information by publishing them under the heading of "Corporate Governance-General Assembly" beneath the "Investor Relations" section of the Company website.

In General Assembly, the Company's Dividend and Disclosure Policies, revised in scope of related regulations of CMB, were brought to shareholders attention and confirmed.

Any kind of donation was not carried on by the Company.

Under the Company's Donations Policy, the donation budget allocated for the Company's donations during 2014 and approved by the General Assembly was decided to be upper limit as specified in H paragraph of Article 5 of the Company's Articles of Association.

During the General Assembly Meeting held in the year, Board of Directors Members was allowed to transact under Articles 395 and 396 of the TCC concerning "prohibition on doing business with the Company, on borrowing from the Company" and "noncompeting". In addition, shareholders were informed that the Board Members practiced neither business nor operations which are in the scope of Capital Market Board Corporate Governance Principles Article 1.3.6. nor treatments in accordance with related regulations of TCC.

In the meeting; changes of the duties, capital increase and both the amount and the date of dividend distribution in cash were also determined.

The General Assembly did not convene extraordinarily during the reporting period.

## **5- Voting Rights and Minority Rights**

Of total of 697,900,000 shares each with a nominal value at TL 1.00, representing the issued capital within the ceiling limit of the authorized capital of the company valued at TL 1,500,000,000, 11,290,683 shares constitute A group shares and 686,609,317 shares constitute B group shares.

A Group Shares are entitled to nominate a candidate for the election of the members of the Board of Directors. The member who will constitute one more than the half of the Board of Directors will be elected among the candidates as nominated by the A Group shareholders, and the rest will be elected among the candidates as nominated by the A and B Group shareholders.

In the Articles of Association of our Company, the following provision has been included: "No securities can be issued, which provides privilege other than those shares that already grants privilege to nominate candidates for the election of the members of the Board of Directors. No privilege can be created including the privilege for nominating candidates after public offering."

Principles related to voting at General Assembly Meetings are placed in the Company's "General Assembly Operating Principles and Procedures Guidelines", which has been submitted for approval at the General Assembly and has been publicly disclosed.

Each share is entitled to one vote at either ordinary or extraordinary General Meetings. Shareholders are allowed to be represented at General Meetings by proxies given either to other shareholders or to those who are not shareholders. Such proxy holders who are also shareholders have the right, except their own vote, to vote for each share they represent.

The controlling shareholder cast vote at the General Assembly Meeting. There are no articles in the articles of association regarding that the minority shares be represented in the management.

## **6- Dividend Right**

The dividend policy of the company is determined by the Board of Directors considering the shareholders' equity structure and cyclical changes, and submitted for approval of the General Assembly. The dividend policy approved by the General Assembly is disclosed to the public. The relevant policy is made available on the web site of the company and included in the annual report. There is no privilege for sharing the company's profit and dividend distribution.

The revised Company Dividend Policy in the scope of Dividend Communiqué by CMB was submitted shareholders' information and approval in General Assembly, 2013.

Confirmed and revised policy was publicly disclosed and published in Company Annual Report and on Company website. In the scope of revised policy, distributing dividends of up to 50% of the distributable net profit to shareholders has been taken as a principle except such special situations of investing for the long-term growth of the Company and extraordinary developments in general economic conditions.

The procedures and principles concerning the dividend of the company are provided in the Article 30 of the Articles of Association. The dividend decided to be distributed is distributed to the shareholders within the legal time periods as set forth in the legislation.

The dividend for the year 2013 has been distributed to the shareholders as bonus shares by % 80.69- TL 24,261,296 and in cash % 10- TL 3,006,912 (on April 15,2014) with the decision in Ordinary General Assembly meeting.

## **7- Transfer of Shares**

The Company's Articles of Association do not consist of any provisions of restricting the transfer of shares.

## **PART II – PUBLIC DISCLOSURE AND TRANSPARENCY**

### **8- Company's Information Policy**

The "Information Policy" of our Company adopts to disclose the information in time, completely, clearly and in an easily accessible way, which are not considered to be trade secret or such information that may prevent the competitive power of the Company, to the shareholders and beneficiaries, so that the same looks out for the rights and benefits of the Company in accordance with the primary transparency principle of the corporate governance.

Our Company has set their Information Policy so as to be applicable as of 2010, and submitted the same for the information of the shareholders at the General Assembly Meeting in 2010. In the period, the Company Disclosure Policy was updated in line with the “Communiqué of Public Disclosure” by CMB and presented for the information and approval of the General Assembly, publicly disclosed and published in the Company Annual Report and on the Company website under “Policies” under the heading of “Corporate Governance” in the “Investor Relations” section.

The Board of Directors is responsible for tracking, supervision and improvement of the Information Policy. Shareholder Relations Unit is responsible for supervising and tracking the Information Policy.

In 2013 Annual Report, for the subject of future expectations disclosure to public, the prediction of “Return on Equity will be 7.5% by the end of 2014” was made. It was disclosed to public that this forecast had accrued or not under the related topic in 2014 Annual Report.

During the year, with the quarterly earnings releases, in the case where estimates and the base for these expectations are not realized or it is understood that they are not going to be realized, the updated expectations are shared with public with the required explanation. During the year, with the quarterly earnings releases, in the case where estimates and the base for these expectations are not realized or it is understood that they are not going to be realized, the updated expectations are shared with public with the required explanation.

## **9- Company’s Web Site and Its Content**

The Company’s web site is available at **[www.halkgyo.com.tr](http://www.halkgyo.com.tr)**. The information and documentation as stipulated under the CMB Corporate Governance Principles Article 2.1.1 and the other relevant laws and regulations are made available at the web site.

Care is taken for the web site to be used actively and kept updated continuously. The Company takes due precautions in order to protect accuracy of published information and to prevent the changes on them. The information made available at our web site is also available in English so that the foreign investors can make use of it.

In 2014, our company designed a English and Turkish mobile site to provide easy access for smart phones and tablets. This mobile site contains all published and synchronically updated information on the Company’s website.

## **10- Annual Report**

Utmost care is taken to prepare the annual report of the company so detailed that the public and shareholders can access true, complete and accurate information about the Company's operations, including the information as specified in the other relevant legislation, primarily in accordance with the Corporate Governance Principles Article 2.2.

After obtaining approval by Board of Directors, our annual reports are disclosed in quarterly periods, published on the Company website and sent to the shareholders upon their demands.

## **PART III - BENEFICIARIES**

### **11- Informing the Beneficiaries**

Our Company takes utmost care to protect the rights of all beneficiaries regulated under the legislation and mutual contracts in their transactions and operations, and the rights of all the beneficiaries are looked out for in accordance with the "Code of Ethics" of our Company. The beneficiaries are informed accurately and in time through the material disclosures made by the Company to the public, press bulletins, annual reports, web site and internal notices. The beneficiaries' information, demands and questions are submitted to the Investor Relations Department using their contact information available on the web site, except for the trade secrets and/or such information that are not publicly disclosed. In addition, it is likely for the beneficiaries to forward their questions about the operations they consider to be against the legislation and code of ethics to the Corporate Governance Committee or Audit Committee of our Company.

In 2013, a total of 4 annual reports had been issued by our Company at each quarter and 7 press bulletins had been published and 54 material disclosures made.

### **12- Beneficiaries' Involvement in the Management**

There is not any established model for the beneficiaries other than the shareholders to be involved in the management. All the expectations and requests of the beneficiaries who are in a relationship with the Company are assessed in accordance with the code of ethics.

### **13- Human Resources Policy**

Such issues as the conditions for recruitment, career guidance and conditions for promotion, monetary regulations and social benefits are submitted for the information of the employees in detail and clearly under the Guidelines for Human Resources of the Company. All the decisions taken about the employees and the communication are conducted in accordance with the relevant guidelines. When considering of the number of the Company's employees and its current organizational structure, a specific person has not been assigned as a representative to manage the relations with employees.

Our company does not have a written indemnity policy for its employees yet, pursuant to Article 3.1.2 of Corporate Governance Principles. All of the legally-recognized rights of each employee are protected within the frame of the Company's Code of Ethics and Commerce and all sufficient measures have been taken in order to ensure a safe and healthy work environment.

There is no complaint received from the employees regarding discrimination.

The Human Resources Policy of our Company has been set under the following principles and the same has been shared with our employees.

- To carry out the operations they will perform to achieve the objectives of the Company with an ideal number of personnel,
- To select and assign the personnel who are properly qualified and suitable for the job,
- To provide for all the personnel such environment and conditions that they can make use of and develop their competences, professional development and skills,
- To provide sufficient wage and other additional facilities suitable for the market and the current conditions for the personnel,
- To pay regard and respect to the personality of the personnel and to look out for the protection of their monetary and incorporeal rights,
- To employ such personnel that adopt the company culture and corporate values, and comply with the Code of Ethics,
- To ensure that the personnel work as cost-conscious and committed to the efficiency and profitability principles.

#### **14- Code of Ethics and Social Responsibility**

The Code of Ethics, which was set in 2010 and approved by the Board of Directors, have been published at the web site of our Company and disclosed to the public. The Code of Ethics is available under the title "Corporate Governance" in the "Investor Relations" section on the web site.

Our Company carries out their relationships with all the beneficiaries with whom they have relationships in accordance with the code of ethics.

There is no action brought against the Company because of the damages to the environment within the period.

Our Company's vision includes evaluation of their investment in the best way as much as providing external benefit for the environments where they are located in respect of modern urban planning.

## PART IV – BOARD OF DIRECTORS

### 15- Structure, Formation and Independent Members of the Board of Directors

The powers and responsibilities of the members of the Board of Directors are regulated under the Articles of Association of the Company. The company is managed and represented by the Board of Directors. The Board of Directors performs the duties as assigned to them by the General Assembly in accordance with Turkish Commercial Code, Capital Markets Law and the other relevant legislation. The Board of Directors consists of at least of 5 non-executive members including two independent members. There is no female member in the Board of Directors.

| Board of Directors |                       |               |  |   |                            |                             |   |  |
|--------------------|-----------------------|---------------|--|---|----------------------------|-----------------------------|---|--|
| Name               | Title                 | Profession    | Offices Held at the Trust for the last 5 years | Last Offices Held other than the Trust                                | Capital Share at Trust (%) | Represented Group of Shares | Date of Election for the Office/ Term of Office | Status of Independent Member of the Board of Directors |
| HASAN CEBECİ       | CHAIRMAN OF THE BOARD | BANK EMPLOYEE | CHAIRMAN OF THE BOARD                          | TÜRKİYE HALK BANKASI A.Ş. CHAIRMAN OF THE BOARD                       | -                          | -                           | April 2014-3 Years                              | Not Independent Member                                 |
| AHMET YARIZ        | MEMBER OF THE BOARD   | BANK EMPLOYEE | MEMBER OF THE BOARD                            | TÜRKİYE HALK BANKASI A.Ş. MEMBER OF THE BOARD                         | -                          | -                           | April 2014-3 Years                              | Not Independent Member                                 |
| YUNUS KARAN        | MEMBER OF THE BOARD   | BANK EMPLOYEE | INDEPENDENT MEMBER OF THE BOARD                | TÜRKİYE HALK BANKASI A.Ş. MEMBER OF THE BOARD                         | -                          | -                           | April 2014-3 Years                              | Not Independent Member                                 |
| YÜKSEL GÖRGEÇ      | MEMBER OF THE BOARD   | BANK EMPLOYEE | MEMBER OF THE BOARD                            |   | -                          | -                           | April 2014-3 Years                              | Independent Member                                     |
| YAHYA BAYRAKTAR    | MEMBER OF THE BOARD   | BANK EMPLOYEE | MEMBER OF THE BOARD                            | VAKIF B TİPİ MENKUL KIYMETLER YO A.Ş. INDEPENDENT MEMBER OF THE BOARD | -                          | -                           | April 2014-3 Years                              | Independent Member                                     |
| Executives         |                       |               |  |   |                            |                             |   |  |
| KAZIM ŞİMŞEK       | GENERAL MANAGER       | BANK EMPLOYEE | GENERAL MANAGER                                |   | -                          | -                           | 2010  |  |

Mr. Levent KILIÇ resigned from the position of Board of Directors Member in 08.12.2014.

In the reporting year, Yunus Karan, who was a Independent Member of the Board, has lost his independency by being elected as a Member of the Halkbank Board with the frame of Article 4.3.8 of Corporate Governance Principals and the necessary disclosure has been made related to this subject. The eligible number of independent member for the Board has been reached with the selection for Board of Directors made in the General Assembly on 10 April 2014, in accordance with the Article 4.3.4. of Corporate Governance Principals.

Within the scope of Corporate Governance Principles, a Nominating Committee was not founded at the Company, and its duties are fulfilled by the Corporate Governance Committee. Within this line, to fill the holes in the Board, new Members were nominated to work as Independent Board member by the Corporate Governance Committee to be submitted in General Assembly in the period.

In 10.04.2014, Corporate Governance Committee prepared a report about the nominee's independence (or not) and presented the report to the Board of Directors. The statements of independence made by the independent members are provided in the annual report for 2013.

It is not restricted for the members of the Board of Directors to take office or offices other than the company and the provisions of Turkish Commercial Code concerning noncompetition are observed. There has not been experienced any case against performing transactions with the Company and noncompetition with respect to the Members of the Board of Directors in 2014.

The curriculum vitae of the Board members are stated as below:

| <b>Hasan CEBECİ</b><br><b>Chairman</b>  | <b>Dr.Ahmet YARIZ</b><br><b>Vice Chairman</b>   | <b>Yunus KARAN</b><br><b>Member</b>  |
|---|---|--|
| He was born in 1949 in Çankırı. He completed his undergraduate studies at the Department of Economy & Finance, Ankara Academy of Economics and Commercial Sciences. He has continued his carrier, which he kicked-off as an Assistant Inspector at T. Vakıflar Bankası T.A.O., respectively as Inspector, Branch Manager, Unit Manager, District Manager and Vice- General Manager at the same Bank. He was assigned to the position of Managing Member of the Board of Directors responsible for the Loans at T. Halk Bankası A.Ş. on 28.03.2003, and had continued to hold office at the position of General Manager and CEO as of 08.12.2003. MR. Cebeci who elected as the Chairman of the Board of Directors at T. Halk Bankası A.Ş. on 13.04.2005 has been holding office as the Chairman of the Board of Directors at T. Halk GYO A.Ş. as of 29.03.2011. | He was born in 1966 in Elazığ. He completed his undergraduate studies at the Faculty of Business Administration, İstanbul University and his graduate and doctorate studies at the Institute of Banking and Underwriting, Marmara University. He started his banking career at Sinaif Yatırım ve Kredi Bankası A.O., Mr. YARIZ held offices at industrial enterprises and financial institutions. He also held offices of the Member of the Board of Directors responsible for the Risk Management and Internal Audit at T. Vakıflar Bankası T.A.O. as well as of the Member of Board at Saving Deposit Insurance Fund of Turkey. He has been holding office of the Member of the Board of Directors at T. Halk Bankası A.Ş. as of 09.04.2008 and he has been assigned as the Deputy Chairman of the Board of Directors as of 10.04.2014. | He was born in 1940 in Giresun. He completed his undergraduate studies in 1964 at the Department of Finance & Accounting, İstanbul Academy of Economics and Commercial Sciences. Having started to hold office at Rize Branch of T.C. Ziraat Bankası A.Ş. in 1965, Mr. KARAN had held office of Branch Manager at Dolapdere, Sehermini and Fatih branches of T.C Ziraat Bankası A.Ş. until 1996, and of Fatih Branch Manager at İhlas Finans Kurumu between 1996 and 1999. Having held office of the Member of the Board of Directors at Ziraat Leasing Finansal Kiralama A.Ş. between 2002 and May, 2012, Mr. KARAN has been assigned to the position of the Independent Member of the Board at Halk GYO A.Ş. on 14.05.2012 and assigned to the position of Member of the Board of Directors at Halk GYO on 10.04.2014. |

| <b>Yüksel GÖRGEÇ</b><br><b>Independent Member</b>  | <b>Yahya BAYRAKTAR</b><br><b>Independent Member</b>   |
|--|---|
| He was born in 1960 in Osmancık/ Çorum. He completed his graduate studies at the Department of Economics and Finance, Faculty of Political Sciences, Ankara University. He kicked-off his career as a Vice-Inspector at Tobank. He held offices of Inspector, Branch Manager and Unit Manager at the same bank. He later held offices of Chairman of the Board of Inspectors, Branch Manager and Unit Manager at Albaraka Türk Katılım Bankası A.Ş. Having held offices of Vice-Chairman and Member of the Fund Committee between 2004 and 2010 at Saving Deposit Insurance Fund of Turkey, Mr. GÖRGEÇ also simultaneously held offices of the Member of the Board of Directors at Fonbank and Chairman of the Board of Directors at Star Group Media Companies. He has been assigned as the Independent Member of the Board at Halk Gayrimenkul Yatırım Ortaklığı A.Ş. on 14.05.2012. | He was born in 1955, Erzincan / Kemaliye. He graduated from İstanbul Religious Vocational High School in 1974 and Business Administration Department of Economics and Administrative Sciences Faculty, METU (Middle East Technical University), Ankara in 1981. In 1982, he started to work as Deputy Inspector and worked as Inspector between the years of 1986 and 1988 in Yapı Kredi Bank. In 1988, he started as Inspector in Faisal Financial Institution and became the Principal of Funds and Banking Department and continued as Fund Management Principal. In 2009, he worked as Branch Principal of Türkiye Finans Katılım Bankası. Now he is Independent Board Member of Vakıf Securities Investment Trust Co. while he is also General Secretary of Erzincan Eğitim ve Kültür Foundation in which he is responsible for the organizations of student scholarship and educating activities. As of 10.04.2014, he has been fulfilling the duty of Independent Board Member of our Company. |

## 16- Principle Activities of the Board of Directors

The Board of Directors is convened with the invitation by the Chairman or the Vice-Chairman at required times in respect of the Company's operations. Each of the members of the Board of Directors can also make a written application to the Chairman or the Vice-Chairman to convene the Board for a meeting. If, however, the Chairman or the Vice-Chairman fails to convene the Board for a meeting, the members shall become entitled to call a meeting ex-officio.

If none of the members makes a request for convening a meeting, the resolutions of the board of directors can be made with the written approval of the majority of at least the whole number of the members for the suggestion written as a resolution offered by one of the members of the board regarding a particular subject. Offering the same suggestion to all the members of the board of directors is stipulated for the validity of the resolution made in this way. The approvals should not be affixed on the same page; however, all the papers with the approval signatures is required to be attached to the Board minutes book or translated into a resolution consisting of the approvals of those who have accepted the suggestion and entered into the minutes book for such resolution to be applicable.

Each member has one voting right at the meetings. The voting right is used personally. If none of the members makes a request for convening a meeting, a resolution can also be made with the written approval of other members for the suggestion offered by one of the members.

The meeting agenda of the Board of Directors is determined by the Chairman of the Board of Directors. The agenda can be changed based on a resolution of the Board of Directors. The meeting venue is the head office of the company. However, the Board can be convened at another place, providing a resolution from Board of Directors.

The Board of Directors is convened by an absolute majority and the resolutions are made by the absolute majority of those who attend to the meeting. The attendees use their voting rights as either affirmative or negative vote at the meeting of the Board of Directors. Those who cast a negative vote will write down the reason for rejection under the resolution. Board of Directors decisions about the subjects mentioned in related communiqués and legislations are disclosed and posted on the Company website.

Those who do not attend to the meeting cannot cast a vote in writing or otherwise, unless it is based on a justifiable excuse. The Members of the Board of Directors who have failed to attend three meetings successively without getting permission of the Board of

Directors, or even if intermittently, to a half of the meetings held within a financial year for any reason or obligation whatsoever will be deemed to have been resigned.

The meetings of the Board of Directors can be held physically and/or electronically.

Those who are entitled to attend the meeting of the board of directors of the company can also attend these meetings electronically in accordance with the Article 1527 of Turkish Commercial Code. While the Company can make the Electronic Meeting System that will

allow them to attend these meetings and cast a vote electronically installed, they can also outsource such service from the systems established for that purpose in accordance with the “Communiqué on the Board meetings to be Held Electronically at the Corporations other than the General Assemblies of the Incorporated Companies.” In the meetings to be held, it will be ensured that the beneficiaries can make use of their rights as set forth in the relevant legislation in accordance with the framework as provided in the provisions of the Communiqué through the system as installed as per this provision of the Articles of Association or through the system where support services are provided.

A Board of Directors Secretariat has not been set up at the Company and related works are carried out by Legal Consultancy Department. This unit is responsible for and actively involved in organizing Board meetings, preparing and recording reports, documentation, and Board decisions, providing the communication among Board Members, and performing similar duties.

In 2014, the Board of Directors of the Company has convened for 53 times and made 112 resolutions during these. Care is taken for the date of meeting to be determined so as to ensure the participation of all the members. All Board Members attended all of the Board meetings held during the year. All decisions are taken unanimously by the Board. No dissenting opinions were voiced in any of the decisions taken during board meetings. Since no votes were posed against any of the taken decisions, it was not necessary to make note of any opposition to them in meetings’ minutes.

Board Members are not allowed to enjoy any special voting rights and/or has the power to exercise a veto.

During the year, The Board of Directors presented decisions in General Assembly about related party transactions of material nature were taken unanimously with the affirmative votes of the Independent Board Members.

## **17- Number of Members, Structure and Independence of the Committees Constituted at the Board of Directors**

A Corporate Governance Committee, an Audit Committee, a Remuneration Committee and an Early Detection of Risk Committee have been established at the existing board of directors in accordance with the Corporate Governance Principles of the Capital Markets Board and Operating Principles of the Board of Directors at the Company. The committees are convened at least once every 3 months and report to the Board of Directors.

Within the scope of CMB Corporate Governance Communiqué, during the period and after the Company’s annual meeting, the duties and responsibilities of Board Members were assigned and elections to committee seats were held, which were then publicly announced.

Committee Members are elected as required in the principles of Corporate Governance.

The information about committees is provided below:

| <b>Committee</b>                  | <b>Chairman</b> | <b>Status of Independence</b> | <b>Member</b>             | <b>Status of Independence</b>      |
|-----------------------------------|-----------------|-------------------------------|---------------------------|------------------------------------|
| Audit Committee                   | Yüksel GÖRGEÇ   | Independent                   | Yahya BAYRAKTAR           | Independent                        |
| Corporate Governance Committee    | Yahya BAYRAKTAR | Independent                   | Yunus KARAN<br>Uğur GÜNEY | Not Independent<br>Not Independent |
| Remuneration Committee            | Yüksel GÖRGEÇ   | Independent                   | Yunus KARAN               | Not Independent                    |
| Early Detection of Risk Committee | Yüksel GÖRGEÇ   | Independent                   | Yahya BAYRAKTAR           | Independent                        |

The Board of Directors of the Company is constituted by 5 non-executive members as specified in the Article 15, and 2 members hold the status of independent member of the Board of Directors. As it is required to have at least one independent member in the committees as per the relevant legislation, a member of the board of directors is assigned in more than one committee within the current organization.

In the Board of Directors, there is no Nominating Committee which has been constituted. The functions of this committee are performed by the Corporate Governance Committee.

A Corporate Governance Committee has been set up in accordance with the Capital Markets Board's rules and regulations related to corporate governance and it has been charged with fulfilling its incumbent duties and responsibilities which are specified under Corporate Governance Principles. This Committee regularly overviews the Company's corporate governance practices and it exerts effort to make improvements in them. In addition to its corporate governance functions, this Committee also gives a crucial importance to investor relations. At regular intervals, the Committee follows the Company's investor relations activities and strategies and it provides that the Board of Directors is kept regularly informed about such issues. Besides these functions, the Committee also gets into the acts in such areas as providing coordination among other committees and backing up their activities if necessary. During the period, Committee assembled for 4 meetings and took 4 decisions.

Corresponding its incumbent duties incumbent as indicated in its operating principles and pursuant to the principles of applicable Capital Market Laws, regulations, and administrative provisions during the period, the Audit Committee actively works in such subjects of publicly disclosing the Company's financial statements, having independent audits conducted, ensuring that the Company's internal control system functions in an effective way, electing members to Audit Committee and reviewing all other aspects of the independent auditors' activities. During the period, Committee assembled for 8 meetings and took 4 decisions.

In accordance with the CMB rules and regulations of corporate governance, the Committee for Early Detection of Risk has been established to early detect the threatening risks upon Company's existence, development and survival, to take the necessary provisions for identified risks, to manage the risks pursuant to Article 378 of TCC and to supervise the risk management systems. During the period, Committee assembled for 6 meetings and took 6 decisions.

Remuneration Committee sets forth the remuneration principles, criteria and practices for members of the Board of Directors and executives by considering the Company's long-term objectives and overseeing the resulting compensation policy and practices and presents

Committee's recommendations to the Board of Directors about the pay packages to be offered to the members of the Board of Directors and executives, taking into consideration the level of achievement with respect to the criteria used in remuneration.

Board of Directors Evaluation Report regarding committees' works in the period was presented under the title 1, in the Annual Report of 2014.

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

At the Company, the risk management, internal control and audit systems are organized in accordance with the international practices, principles and organization framework. Risk management and internal control operations are conducted by the "Department of Internal Audit and Risk Control" and the "Department of Risk Management".

By considering the opinion of the relevant Board of Directors committees, the Board of Directors generates the Company's internal control systems, including information systems and processes as well as risk management systems, which ensure to minimize the impact of risks that have the potential to affect the Company's stakeholders, particularly its shareholders. The effectiveness of the risk management and internal control systems are reviewed at least once per each year. Internal Audit actions are conducted within the framework of approved "Annual Audit Plan" by Audit Committee.

Internal control systems are formed in order to review, check, monitor, assess and report the fitness, adequacy and effectiveness of Company's activities, as well as their controls.

The information of inter-corporate controls and internal audit's existence, process and effectiveness are also presented in the annual reports.

A periodic assessment report, a statement of compliance and follow up of the portfolio restrictions, and a monthly statement of liquidity rate are drawn up by the "Department of Internal Audit and Risk Control", and these are submitted simultaneously to the Audit Committee, Corporate Governance Committee, Early Detection of Risk Committee, the senior management and to the Board. Thus, in respect of the management of the relevant risks, it is aimed by the senior management and by the Board of the Company to take the necessary actions and to develop control systems.

Halk GYO provides a wide portfolio range within the real estate industry as an investment strategy, and they steer for the estate where they earn regular rental income and put efforts to minimize the risk for their investors in respect of choosing the real estate.

All real estate contained in the Company's portfolio is insured against any and all damages.

## **19- Company's Mission, Vision and Strategic Goals**

The Company's strategic goals include developing their real estate portfolio as heavily based on the commercial property where can be gained high rental income and offering high return to their shareholders.

The Board of Directors approves the annual budget included of the targets and strategies so as to incorporate its own revisions and suggestions. Except extraordinary cases like all changes in strategies result of the decisions made and the deviations in estimations, the performance assessments of the company are conducted quarterly by the Board of Directors during the assessment of the financial statements. Short and long-term investment and funding plans are revised and repositioned, if needed due to new developments.

## **20- Financial Rights**

Any and all benefits and pays provided for the Board of Directors and executives of the company as well as the criteria and remuneration principles used in determining these are set in accordance with the Remuneration Policy of the company, and the relevant policy is disclosed to public on the web site.

Their social rights are provided regularly and periodically to the executives in accordance with the legal regulations, and no different compensation policy is applied other than the legal compensations as set forth in the laws and regulations. The pays for the executives are determined based on the resolution of the Board of Directors.

Care is taken for the pay to be at a level that protects the independence of the member while determining the pay levels of the independent members of the board of directors, and no stock options or payment schemes based on the performance of the company are used in accordance with the Corporate Governance Principles. The pays to the members of the Board of Directors will be determined based on the resolution of the General Assembly.

The company has not lent money, extended a loan, extended a loan under the name of personal loan through any third parties or given such guarantees as surety in their favor to any member of the Board of Directors and the executives within the period. In the line with the Article 4.6.6 of Corporate Governance Principles, the remunerations and all other benefits provided to Board members and executives are made publicly declared through annual reports. On the other hand, the declaration is not made separately for each member, but a cumulative number of all remunerations are declared. The total of the financial rights provided by the company for the board of directors and the executives is TL 857,816 as of the end of 2014.