

2016 YEAR

CORPORATE GOVERNANCE 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- Investor Relations Unit

Since the date of 22.02.2013, 28% of its shares have started to be traded in Stock Exchange Istanbul, Halk GYO has continued to operate in accordance with the principles laid down in the Corporate Governance Principles published by the CMB.

The Company has investor relations and strategic planning activities, which operate under the Deputy General Manager of Asset Management and Financial Reporting, in order to ensure the regular and effective management of shareholder rights, the use of shareholder rights, He established the Investor Relations Department within the Department of Advertising & Public Relations Group. Department Manager, Investor Relations, Strategic Planning and Advertising & Public Relations Group Head Uğur Güney. At the same time, Uğur Güney, a member of the Corporate Governance Committee, has licenses as stipulated by CMB legislation.

The contact information of the persons employed in the Investor Relations Department affiliated to the related Group Presidency is as follows.

Name-Surname	Duty	Telephone	E-mail	License Information
Uğur GÜNEY	Group President	216 600 10 25	ugur.guney@halkgyo.com.tr	Advanced / Corporate Governance Rating / Real Estate Valuation / Credit Rating Licenses
Serpil YÖRÜK	Director	216 600 10 33	serpil.yoruk@halkgyo.com.tr	Advanced / Corporate Governance Rating / Real Estate Valuation / Derivative Instruments Licenses
M. Erhan ÇELEBİ	Assistant Specialist	216 600 10 06	mustafaerhan.celebi@halkgyo.com.tr	Advanced / Corporate Governance Rating Licenses
E. Melis BULAK	Assistant Specialist	216 600 10 15	eylulmelis.bulak@halkgyo.com.tr	Advanced License

The Investor Relations Department is mainly responsible for;

- ✓ Ensuring that the records of shareholders are kept healthy, secure and up-to-date
- ✓ Responding to the written information requests of the shareholders regarding the company, except for information that is not disclosed to the public and confidential and / or trade secret,
- ✓ Ensuring that the General Assembly meeting is held in accordance with the applicable legislation, the Articles of Association and other in-house regulations, preparing documents for the benefit of shareholders, keeping the record of voting results and sending the reports related to the results to relevant shareholders,
- ✓ Supervision and monitoring of all aspects of public lighting including legislation and the company's information policy
- ✓ Contributing to the positive evaluation of the Company by organizing meetings with domestic and foreign investors and analysts,
- ✓ Monitoring developments related to the GYO sector and competitor company performances, informing senior management,
- ✓ The sector, which is at the beginning of the daily press, follows news, economic developments, news about competing companies and Halk GYO,
- ✓ Participate in domestic and overseas promotion organizations (roadshow)

it conducts studies on topics to fulfill their missions.

The Investor Relations which actively worked on the communication between the shareholders and the Company participated in the meetings of the Corporate Governance Committee throughout the year and gave information to the Committee on the unit activities, important developments that took place during the period, and legislative changes concerning investor relations activities. Has also been active in the process of improving corporate governance practices.

During the reporting period, over 100 inquiries were received from investors through individual and institutional investors via telephone and e - mail, and 16 investor meetings were held at the Company 's head office and at domestic and international organizations with domestic and foreign institutional investment companies or brokerage house 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 2015 made on 6 April 2016 in the Company centre with 79.51% attendance, of which 79,51% were acting as proxies and 0.00002% 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' 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 2015 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 2015 Annual Report was made available 21 days before the meeting date at the Company's headquarters, on address of 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 accordance with the provisions of Article 37-1 of the GYO Communiqué, it has been agreed that the Board of Directors' duty changes, capital increase and cash dividend distribution amounts and dates are included in the same meeting, where the resolution regarding the leasing procedure of the Şekerpınar Project Block A below the Appraisal Value was given.

The General Assembly did not meet extraordinarily during the term.

5- Voting Rights and Minority Rights

Of total of 790,000,000 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, 12,780,684,388 shares constitute A group shares and 777,219,355,612 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 dominant shareholder of the Company votes at the General Shareholders' Meeting. Minority shares are not represented in the Company management. There is no provision in the Articles of Association for the granting of minority rights to shareholders who have less than one in twenty of the capital. However, attention is given to the use of minority rights under TCC and CMB regulations.

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, 2015. 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.

At the Ordinary General Shareholders' Meeting held during the period of 2015, the amount of 5.423.900 TL, which corresponds to 9.98% of the distributable period profit of the year 2015, was paid in cash by 47.0.000. 000 TL in the form of a bonus share and the capital increase process started on 25.05.2016.

7- Transfer of Shares

The Articles of Association do not contain any provisions restricting the transfer of shares.

PART II-PUBLIC DISCLOSURE AND TRANSPARENCY

8- Company 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.

The Company has determined the Information Policy to be valid from 2010 and has informed its shareholders at the 2010 General Assembly Meeting.

The revised policy under the "Communiqué on Disclosure of Special Events to the Public" published by the Capital Markets Board has been submitted to the shareholders' information and approval at the Ordinary General Assembly Meeting of the year 2013. The approved policy has been announced to the public and is included in the company's annual report. In the "Corporate Governance" section under the heading "Investor Relations" in the internet site, it can be reached from "Corporate Policy" section.

The Board of Directors is responsible for monitoring, monitoring and improving the Disclosure Policy. Investor Relations is obliged to observe and follow the Information Policy.

2016 targets were mentioned in the annual report of the year 2015 and the explanations related to the targets in the end of 2016 were shared with the public under the same heading.

9- Company Web Site and Content

The Company's web site is available at 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.

Our Annual Reports are announced to the public at the end of the Board approval process. It will be published on our internet site and will be sent to the partners upon request.

PART III-STAKEHOLDERS

11- Informing the Stakeholders

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.

During the reporting period, our Company provided 4 Annual Reports, 8 press bulletins and 92 material disclosures to inform stakeholders.

12- Beneficiaries' Involvement in the Management

The rights of the shareholders to join management are provided as per the applicable laws, legislations and the Articles of Association. 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.

All the rights of each of the employees are legally protected under the Labor Code and the Code of Ethics, and all grounds are established for them to work in a safe and healthy environment.

There are no complaints from employees regarding discrimination during the period.

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

- To fulfill the activities that the Company will carry out in order to realize its aims with the ideal number of personnel,
- To perform the selection and assignment of personnel in accordance with the competence of the job,
- To provide the environment and conditions in which all staff skills, professional development and skills can be used, developed,
- Providing adequate fees and other additional facilities suitable for the market and the conditions of the day,
- To give importance to the personnel of the personnel, to respect the protection of the material and moral rights,
- To have a company that embraces the corporate culture and corporate values and is in compliance with Ethical Principles,
- Depending on the principles of efficiency and profitability of the staff, ensure that they work within the cost consciousness

14- Ethical Principles and Social Responsibility

The Ethical Principles, which were created in 2010 and passed the approval of the Board of Directors, were published in the company website and announced to the public. In 2016, our Company has adopted the Code of Ethics of its main partner, Türkiye Halk Bankası A.Ş., and published it under the heading "Ethics Principles" in the Corporate section of the Company website. "Ethical Principles"; Detailed conflicts of interest, conflicts of interest, information flow regulatory rules, relationships with customers and human resources, and Halk GYO A.Ş. regulations that require employees to abide by their duties when they fulfill their duties. These principles are to prevent any conflict or conflict of interest between the intended employees, shareholders, customers and the institution. These contradictory attitudes and behaviors are assessed in accordance with the Discipline Directive and must be based on common sense and goodwill rules that are expected from employees and not covered by these rules.

Our company carries out its relations with all stakeholders in relation to ethical rules.

There are no lawsuits filed against the Company due to damages incurred in the period.

Our company's vision is to maximize their investments, as well as to provide external benefits in the area of modern urbanism.

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 in the Company's Articles of Association. The Company is managed by the Board of Directors and is represented outside. Board of Directors; Performs its duties assigned to it by the General Assembly in accordance with the Turkish Commercial Code, the Capital Markets Law and other relevant legislation. All members of the Board of Directors have the minimum qualifications required in the election of the members of the Board of Directors included in the CMB Corporate Governance Principles. The Board of Directors consists of a total of 6 non-executive members, 2 of which are independent. In 2016, there was no situation that lifted the independence of the Independent Board Members. While there are no female members in our Board of Directors, there is no policy in the Board of Directors that determines the target rate and time, not less than twenty percent of the female member rate. However, There are no regulations that prevent our partners from being able to elect a female member of the Board of Directors.

BOARD OF DIRECTORS								
Name-Surname	Title	Profession	The Duties of the Partnership in the Last 5 Years	Duties Outside the Partnership in the Context of the Current Situation	Share of Capital in the Partnership (%)	Represented Share Group	Mission Selection Date /	Situation
RECEP SÜLEYMAN ÖZDİL	CHAIRMAN OF THE BOARD	BANKER	-	TÜRKİYE HALK BANKASI A.Ş. CHAIRMAN OF THE BOARD	-	-	April 2016-	Non-executive Member / Not an Independent

BOARD OF DIRECTORS								
Name-Surname	Title	Profession	The Duties of the Partnership in the Last 5 Years	Duties Outside the Partnership in the Context of the Current Situation	Share of Capital in the Partnership (%)	Represented Share Group	Mission Selection Date /	Situation
								Member
Yüksel GÖRGEÇ	VICE CHAIRMAN	BANKER	BOARD MEMBER		-	-	April 2016-	Independent Member
Yunus KARAN	BOARD MEMBER	BANKER	INDEPENDENT BOARD MEMBER	TÜRKİYE HALK BANKASI A.Ş. INDEPENDENT BM MEMBER	-	-	April 2016-	Non-executive Member / Not an Independent Member
OSMAN BEKTAŞ	BOARD MEMBER	BANKER	-	TÜRKİYE HALK BANKASI A.Ş. CHAIRMAN & TÜRK P&I SİGORTA BM MEMBER	-	-	April 2016-	Non-executive Member / Not an Independent Member
HİLALİ YILDIRIM	BOARD MEMBER	BANKER	-	T.HALK BANKASI A.Ş. GENERAL MANAGER CONSULTANT HEAD OF DEPARTMENTS / HALK BANK AD SKOPJE BOARD MEMBER / HALK YATIRIM MENKUL DEĞERLER A.Ş. BOARD MEMBER	-	-	April 2016-	Non-executive Member / Not an Independent Member
YAHYA BAYRAKTAR	BOARD MEMBER	BANKER	BOARD MEMBER	TÜRKİYE HALK BANKASI A.Ş. BOARD MEMBER	-	-	April 2016-	Independent Member
SENIOR MANAGEMENT								
DR. FEYZULLAH YETGİN	GENERAL MANAGER	FINANCIER	-	-	-	-	July 2016	

During the period of the Ordinary General Assembly of the year 2015 held on April 6, 2016, the term of office of our company was expired. Mr. Ahmet YARIZ was nominated as Mr. Hilal YILDIRIM and he was appointed as a member of the Board of Directors as of the date of 06.04.2016.

Mr. Feyzullah YETGİN was appointed General Manager on 18 July 2016. Şeref AKGÜL, the Vice General Manager of our Company, resigned from his post on 31 July 2016.

Declarations of independence of independent members were included in the ANNUAL REPORT of the end of 2016.

The members of the Board of Directors are not restricted to take other duties or duties outside the company and the provisions of the Turkish Commercial Code regarding the competition law are complied with. In 2016, there has been no violation of the Company's transactions and competition laws regarding the members of the Board of Directors.

The resume information of the members of the Company's Board of Directors is included in the annual report and on the Company's corporate website.

16- Operating Principles of the Board of Directors

The Board of Directors convenes at times deemed necessary for the Company's business, upon the invitation of the Chairman or the Chairman. Each member of the Board of Directors may apply in writing to the Chairman or the Chairman of the Board and request that the board be called to the meeting. If the President or the Vice Chairman does not call for a meeting, the members shall also have the authority to call the chairman.

If none of the members wishes to hold a meeting, the decisions of the board of directors may also be made by the written approval of the majority of the total number of members, in the form of a decision made by a member of the board in a particular matter. The same recommendation has been made to all members of the board of directors, so the decision to be taken in this way is a condition of validity. It is not necessary that the approvals are on the same paper; But it is necessary for the validity of the decision to affix all of the papers on which the approval signatures are located to the decision book of the board of directors or to convert them into a decision containing the signatures of the acceptors,

At the meetings each member has one vote. Voting rights are used personally. Unless a member requests a meeting, a proposal made by a member can be decided by written notification of the approval of the other members.

The meeting agenda of the Board of Directors is determined by the Chairman of the Board of Directors. Changes may be made on the agenda with the decision of the Board of Directors. The meeting place is the company headquarters. However, the Board of Directors can also convene elsewhere, subject to a decision.

The board of directors convenes with absolute majority and takes decisions with the absolute majority of the attendees. In the board of directors votes are used as acceptance or rejection. The voter who gives the rejection signs it by writing the reason for rejection under the decision. Decisions of the Board of Directors about the matters entered in the relevant

communiqués and legislation are shared with the public and published on the company website.

Members who do not attend the meeting may not vote in writing or in any other way unless they are based on a legitimate excuse. Members of the Board of Directors who have not participated in three consecutive meetings without authorization from the Board of Directors, regardless of the reason or necessity, or who have not participated in an intermittent or half of the meetings held during an accounting period, shall be deemed to have resigned.

Meetings of the Board of Directors can be realized in physical and / or electronic environment.

Those who have the right to participate in the board meeting of the Company may participate in this meeting in electronic environment in accordance with article 1527 of the Turkish Commercial Code. In accordance with the provisions of the "Communiqués Regarding Committees to be Made in Electronic Media Other than the Joint Stock Company General Assemblies in Trade Companies", the Company may purchase the Electronic Meeting System which enables the beneficiaries to participate and vote in these electronic meetings and may also purchase services from the systems established for this purpose. At the meetings to be held, it is ensured that the rights of the rights holders specified in the related legislation can be used within the framework specified in the Communiqués, either through the system established under this provision of the Main Contractor or through the system to receive support services.

The Investor Relations Department is actively involved in organizing board meetings, preparing the necessary reports and documentation, and preparing and registering board decisions, ensuring information flow and coordination among members, and similar issues.

The Company's Board of Directors met 32 times during the period and 58 decisions were taken at these meetings. Care has been taken to ensure that the meeting date is determined to ensure the participation of all members. All of the meetings held throughout the year were held with the participation of all members of the Board of Directors. All decisions of the Board of Directors are taken unanimously. None of the decisions taken at the meetings were put in opposition. In addition, there is no point in the decision record because there are no opposing votes used in the decisions taken.

Members of the Board of Directors have not been given the right to vote heavily and / or to veto negatively.

Decisions of the board of directors regarding the related party transactions of significant quality presented to the approval of the independent board members during the year were taken by a vote of the independent board members in a positive vote.

During the period, the insurance required to compensate the losses caused by the members of the Board of Directors and their duties due to the duties of the Company will be covered by T. Halk Bankası A.Ş. In order to cover the Bank and its subsidiaries.

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 except Remuneration Committee convened at least once in a year.

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.

Committee	President	Independence Status	Member	Independence Status
The Audit Committee	Yüksel GÖRGEÇ	Independent	Yahya BAYRAKTAR	Independent
Corporate Governance Committee	Yahya BAYRAKTAR	Independent	Yunus KARAN Uğur GÜNEY	Not Independent Not Independent-Performer
Remuneration Committee	Yüksel GÖRGEÇ	Independent	Yunus KARAN	Not Independent
Members of Committee for Early Detection of Risk	Yüksel GÖRGEÇ	Independent	Yahya BAYRAKTAR	Independent

The Board of Directors of the Company is constituted by 6 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.

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 9 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.

The Committee's Assessment Report on the work of the committees within the period was included under heading 1 of the 2016 annual ANNUAL REPORT.

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.

Internal reports are also provided in the ANNUAL REPORT on the existence, functioning and effectiveness of internal controls and internal audit. The Risk Assessment and

Management Department prepares the periodic evaluation report, compliance with portfolio limitations and follow-up chart, the monthly liquidity ratio notification schedule, and the Audit Committee is presented simultaneously to the Corporate Governance Committee, the Risk Early Determination Committee, the Company's top management and the Board of Directors .

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- Strategic Goals of the Company

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 accordance with Article 4.6.6 of the Corporate Governance Principles, the fees paid to the members of the Board of Directors and senior managers and all other benefits provided are announced to the public through the Annual Report. However, the explanation made is not

person-based. Total financial rights provided by the Company to the board of directors and senior executives are 936,620.-TL