

Corporate Governance Principles Compliance Report

1- Statement of Compliance with Corporate Governance Principles

As detailed below, Finansbank has complied with the principles set out in the Corporate Governance Principles published by the Capital Markets Board (CMB), throughout the financial reporting year of 01.01.2013-31.12.2013.

Finansbank has set up a Corporate Governance Committee responsible for monitoring whether the Corporate Governance Principles are complied with, describing the problems that may arise due to noncompliance and offering corrective actions to the Board of Directors. The Committee consists of Mustafa Aydın Aysan (Chairman), Mustafa Hamdi Gürtin, Christos Alexis Komninos and Ali Teoman Kerman. Additionally, the Committee coordinates the operations of the Investor Relations Division.

PART I - SHAREHOLDERS

2- Investor Relations Division

Finansbank established an Investor Relations Division, for the purposes of protecting the rights of shareholders and ensuring effective communication between the Board of Directors and shareholders, in line with Article 1.1.2 of Part I of the Corporate Governance Principles published by the Capital Markets Board in July 2003. The Investor Relations Division, reporting to the Corporate Governance Committee, is managed by Mr. Fikret Şehsuvar Aladağ.

The contact details for the Investor Relations Division are as follows:

Email:

investor.relations@finansbank.com.tr

Telephone: +90 212 318 52 07

A total of 95 inquiries were received, and a total of 46 meetings were attended by the Investor Relations Division during the financial reporting year concerned.

3- Shareholders' Right to Access Information

All information and changes that occur in relation to shareholders' rights, such as capital increases, are sent to Borsa İstanbul (İstanbul Stock Exchange) and published on the Public Disclosure Platform (www.kap.gov.tr) in Material Event Disclosure format. Shareholders are kept informed through emails, meetings and telephone calls, and through the Bank's web site, regarding material financial and/or operational information that may affect the exercise of the rights of shareholders.

Appointment of a special auditor is not regulated by the Articles of Association of the Bank. The Bank is audited both by the auditors appointed by the Bank's General Assembly and by the Banking Regulation and Supervision Agency ("BRSA") in accordance with the Banking Act.

At the Ordinary General Assembly commenced on 28.03.2013, one of the Bank's shareholders, Mr. Jilber Topuz, requested the appointment of a special auditor regarding the fine inflicted by the Competition Board. The inquiry has been rejected by the majority of the votes as was recorded in the notes of the meeting.

4- Information on Annual General Assembly

The Annual General Assembly Meeting

was held on 28.03.2013 with a meeting quorum of 95%. Shareholders were duly provided with the agenda of the Meeting through the Public Disclosure Platform in Material Event Disclosure format, as well as via publication in the Turkish Trade Registry Gazette and two national newspapers (Güneş and Hürses).

The Board of Directors invitation for the Assembly, the agenda and a sample power of attorney letter were published in the Turkish Trade Registry Gazette and two daily newspapers.

No other General Assembly was held during the financial year.

Shareholders were requested to receive their admission cards, which were issued according to the amount of registered shares in the share registry, from the Bank's Head Office at least one week before the date of the Meeting.

Shareholders are entitled to ask questions and receive answers during the General Assembly. Finansbank shareholder Mr. Jilber Topuz proposed an issue to be included in the Agenda regarding the delisting of the shares of the Bank from Borsa İstanbul. The issue was omitted from the Agenda, although the shareholders were informed about the request during the General Assembly Meeting Notes of the meeting is posted on the Bank's Website.

The invitation and relevant information of the Annual General Assembly that will be held in 2014 will be published in the Turkish Trade Registry Gazette, two high circulation daily newspapers and on the Bank's website. The minutes of the General Assembly Meeting, list of

attendees, agenda and related announcements will be made available to shareholders on the Bank's corporate website following the Assembly.

5- Voting Rights and Minority Rights

No voting privilege is granted and no cumulative voting procedure is adopted by the Bank's Articles of Association.

6- Dividend Distribution Policy and Dividend Distribution Period

Dividend distribution is calculated under the provisions of the applicable regulations and the Bank's Articles of Association. Accordingly, after deducting the legal and financial liabilities of the Bank, 5% of remaining profit is allocated to the statutory reserve fund and an amount corresponding to 5% of capital is allocated as first dividend to shareholders. After allocation of these amounts, 10% of the remaining profit may be allocated to founding shareholders.

After deducting statutory reserves, first dividend to shareholders and profits on the sale of property and subsidiaries that are mandatorily kept in the Bank accounts, all of the remaining distributable profit can be kept as reserves by the General Assembly at the recommendation of the Board of Directors.

Following the General Assembly, the shareholders are informed that the Board of Directors is about to make a decision to increase capital, in line with the growth targets of the Bank, by issuing bonus shares within the limits of registered capital and taking into account the mandatory distribution of 5% profits as a first dividend to the

shareholders by the Articles of Association.

7- Transfer of Shares

Finansbank's Articles of Association do not restrict shareholders from transferring their shares. However, share transfer is subject to BRSA approval pursuant to the Banking Law.

PART II - DISCLOSURE AND TRANSPARENCY

8- Disclosure Policy

In accordance with CMB's Communiqué (Serial VIII, No. 54) regarding the Procedures for the Disclosure of Material Events, and within the framework of its Disclosure Policy, Finansbank discloses publicly all material events regarding Finansbank through the Capital Markets Board, Borsa İstanbul and Public Disclosure Platform (PDP); corporate news releases are also sent to media outlets. The Bank's disclosure policy is posted on the its website at <http://www.finansbank.com.tr/en/investor-relations/disclosure-policy/default.aspx>

The persons responsible for Finansbank's disclosure policy are Dr. Ömer A. Aras (Chairman) and Sinan Şahinbaş (Vice Chairman).

In addition to the means of disclosure explained above, the Bank's Investor Relations Division holds informational meetings with domestic and foreign investors in their visits to the Bank or through phone or email, following each disclosure of quarterly profit and balance sheet data.

General-purpose disclosures, other than those legally required, related to

Finansbank products, services and strategies are made by the Communications Department in coordination with the Bank's other related departments.

All media inquiries communicated to Finansbank are classified and coordinated by the Communications Department and responded to by the related departments or the Communications Department.

9- Corporate Web Site and Its Content

Finansbank's corporate web page, www.finansbank.com.tr, contains information, both in Turkish and English, on the Bank's current shareholder and corporate management structure; Articles of Association; annual reports; periodical financial statements and reports; material events regarding the Bank; agendas, minutes and list of attendees of General Assembly Meetings; a sample power of attorney letter; and inquiries and answers provided under the FAQ section.

10- Annual Report

The Bank's Annual Report, which is prepared in accordance with the relevant regulations, includes the issues on corporate governance principles. The details are given in the "Corporate Governance Principles Compliance Report" section of the Annual Report.

PART III - STAKEHOLDERS

11- Informing Stakeholders

Bank employees are informed about the Bank's operations when deemed necessary via internal communications tools. In addition, managers at the Bank Headquarters and branches are

informed about developments via regularly held meetings.

12- Participation of Stakeholders in Management

The Bank does not have a model to ensure stakeholders' involvement in management.

13- Human Resources Policy

The Bank's Human Resources Policy has been developed and approved in line with the strategic goals and business plans of the Bank. The policy is based on increasing the Bank's performance, while attracting, developing and retaining new talent, and hence realizing sustainable development of the Bank's human resources.

The Bank's Human Resources Policy has four components:

- Human Resources Planning and Recruitment: Attracting talented employees to the Bank and placing them in the most suitable positions in line with Bank's staffing requirements.
- Performance Management: Managing staff performance by harmonizing goals of employees with the goals of the Bank.
- Talent and Development Management: Developing the technical and managerial skills of employees, retaining promising employees in the Bank and focusing on their development.
- Loyalty and Awards: Developing policies for increasing employee loyalty to the Bank and increasing their involvement in Bank's growth.

Finansbank's number of personnel reached 13,967 by the end of 2013.

Performance management in Finansbank encourages career

development with a continuous feedback culture and establishes long term talent strategies in order to support employee potential. Performance evaluation is made biannually. Results are shared with the employees transparently. Performance evaluation process aims to foster loyalty through a fair and transparent system which assesses the performance of the personnel on concrete and measurable criteria. In addition, "360 Degree Feedback and Development Inventory" is used to determine individual career development plans by focusing on strengths and opportunities of the personnel.

Purpose of remuneration management in Finansbank is to gain new talents and increase employee loyalty, satisfaction, motivation and synergy. Accordingly, a fair and transparent pricing methodology that is in compliance with the bank's ethical values and internal regulations is implemented. Moreover, incentive programs that are focused on individual and institutional targets without taking excessive risk are created and are encouraged. In 2013, The Bank's personnel received a cash bonus of around 2 salaries per employee as part of the performance-based remuneration scheme. Various benefits that will improve the living standards and increase labor productivity of the employees, such as health insurance, annual leave, transportation, food, telecommunication aid and other employee support services are provided with consideration of market conditions.

A Remuneration Committee was established after the approval of the

Board of Directors in compliance with the regulation of the Banking Regulation and Supervision Agency on Corporate Management Principles of the Banks.

No discrimination complaint has been received from the Bank's employees.

14- Social Responsibility and Code of Ethics

Finansbank believes in the importance of securing the future of a healthy and sound environment. The concept of sustainable banking is applied in every environmental, economic and social policy/process of the Bank. The Bank's business strategy and decision-making mechanism supports its goal to leave a livable world for future generations. With every transaction and funding decision, the Bank strives to promote a sustainable development mindset.

To this end, the Bank has set up a Social Responsibility Committee. In parallel with the research and studies of this Committee, the Compliance Department carries out activities in terms of compliance with national and international legislation. The Bank has also established a Social and Environmental Management System (SEMS) policy.

The Bank conducts investment projects and funding operations in line with Environment, Occupational Health and Safety Guidelines of the Bank's shareholder, the International Finance Corporation (IFC), and in keeping with local environmental laws and regulations. Lenders are required to submit an Environmental Impact Evaluation (EIE) Report along with other required permissions and documents. The Bank has issued an EIE Report for

one investment project in 2013 within this context. The Bank gave comments and assessments for 17 projects without the need for an EIE Report.

Social responsibility is and always will be of particular concern to Finansbank. This is reflected in the Bank's sponsorship of several foundations and organizations, especially in the field of education and health care. In 2013, the Bank donated a total amount of TL 77,762.20 to various foundations, associations and educational institutions.

Finansbank has adopted a code of ethics as specified under the Banking Law. The Finansbank Employee Code of Conduct and Finansbank Code of Ethics for Financial Professionals have been approved by Board of Directors and communicated to Bank staff as a leaflet and online via the Intranet.

PART IV- BOARD OF DIRECTORS **15- Structure and Formation of the Board of Directors**

Members of Finansbank's Board of Directors are as follows:

Dr. Ömer A. Aras,

Chairman and Group CEO,

Sinan Şahinbaş,

Vice Chairman of the Board of Directors,

Prof. Dr. Mustafa A. Aysan,

Board Member and Head of Audit Committee

Temel Güzeloğlu,

Board Member and General Manager,

Ioannis Vagionitis,

Board Member and Member of Audit Committee

Antonios Grammatikopoulos,

Board Member,

Ali Teoman Kermen,

Board Member,

Stefanos Pantzopoulos,

Board Member,

Dr. Paul Mylonas,

Board Member and Member of Audit Committee

Christos Alexis Komninos,

Board Member,

Mustafa Hamdi Gürtin,

Board Member,

Paula Hadjisotiriou,

Board Member.

The backgrounds and bios of Board members are provided in the Annual Report.

In the General Assembly Meeting on 28.03.2013, it was decided that Mustafa Hamdi Gürtin shall be appointed as the independent member of the Board, and the members of the Audit Committee shall also be designated as the independent Board Members in compliance with the Communiqué Series IV No 56 of the Application and Designation of the Corporate Governance Principles.

It is acknowledged that, within the restrictions stated in the Banking Law, the members of the Board may also hold professional positions outside the Bank provided that no such position prevents them from fulfilling their respective responsibilities in the Bank and does not cause any conflict of interest.

16- Principles Related to the Activities of the Board of Directors

22 Board of Directors Meetings were held in 2013, in compliance with relevant laws and the Bank's Articles of Association, with the attendance of all members except when prevented due to reasonable excuses.

Finansbank's Board of Directors meets regularly, on a monthly basis, 12 times a year in any event. The Board also holds special meetings if needed. Each Board Member is provided with documents that include the agenda for each meeting, prior to the meeting. No dissenting opinion has been voiced during the Board meetings held previously.

The agenda of each Board meeting is determined on the basis of input and recommendations from Board Members and the General Directorate. Discussions on risk and monthly reports, assessment and approval/rejection of applications for loans, and loan amounts that exceed the authority limits of the Credit Committee and therefore require the approval of the Board are also included in the agenda of each Board meeting.

The Board of Directors has a secretariat who is charged with informing and communicating with Board members; the secretariat also ensures compliance of meetings and resolutions with applicable laws and regulations.

No Board member has preferential voting rights.

17- Number, Structure and Independence of Committees under the Board of Directors

There are five committees under the authority of the Board of Directors, which are Corporate Governance Committee, Audit Committee, Risk Management Committee, Credit Committee and Remuneration Committee.

As of 31.12.2013:

The members of the Corporate

Governance Committee are Prof. Dr. Mustafa A. Aysan (Chairman), Christos Alexis Komninos, Mustafa Hamdi Gürtin and Ali Teoman Kerman.

The members of the Audit Committee are Prof. Dr. Mustafa A. Aysan (Chairman) and *Sinan Şahinbaş.

The members of the Risk Management Committee are Dr. Ömer A. Aras, Sinan Şahinbaş, Antonios Grammatikopoulos and Paul Mylonas.

The members of the Credit Committee are Dr. Ömer A. Aras, Sinan Şahinbaş, Antonios Grammatikopoulos, Temel Güzeloğlu, Prof. Dr. Mustafa Aydın Aysan (Reserve Member) and Stefanos Pantzopoulos.

The members of the Remuneration Committee are Sinan Şahinbaş and Paul Mylonas.

The Credit Committee meets weekly, the Risk Management Committee meets monthly, the Audit Committee and Corporate Governance Committee meet on a quarterly basis. The Remuneration Committee meets at least three times a year.

*After Mr. Michail Oratis' resignation on 21.11.13, elected as the temporary member in compliance with the related regulations

18- Risk Management and Internal Control

In accordance with the Regulation on Internal Control Systems in Banks, the Bank's Board of Directors set up an Audit Committee, the current members of which are Prof. Dr. Mustafa Aydın Aysan and Sinan Şahinbaş (Temporary

Member). The Internal Control Office, Internal Audit Department and Compliance Department report to the Audit Committee.

Risk Management Department was set up at the end of 2001 as an entity independent from all other executive departments. The Risk Management Department is responsible for measuring possible banking risks, formulating risk management policies, and ensuring that the Bank is run in a manner so that the risks taken remain within the limits of the risks the Bank may wish to take in line with its strategic goals. The Bank aims to conform its Risk Management operations to Basel II standards and applicable legal requirements in force in Turkey. The Risk Management Department reports to the Risk Management Committee, which was established in 2007. Dr. Ömer A. Aras, Sinan Şahinbaş, Antonios Grammatikopoulos and Paul Mylonas were appointed as the Committee's members.

21- Mission, Vision and Strategic Goals

Our Vision:

To help build individual and commercial financial plans, that will catalyze Turkey' success.

Our Mission:

To forge a lifelong partnership with all our stakeholders, by understanding their needs, finding the right solutions and aiming for maximum customer satisfaction.

Finansbank's vision and mission are declared publicly on the Bank's corporate website.

The Bank prepares five-year business plans that are to be discussed with the Board of Directors. In addition to the business plans, the Bank's detailed annual budget is decided in consort with the Board of Directors. After the approval of the business plan and budget, the Board of Directors monitors and discusses the Bank's rate of attainment of the objectives, activities and performance at its monthly meetings.

The Board of Directors approves the strategic goals set by management and monitors the Bank's progress, operations and performance toward these goals.

20- Remuneration

During the General Assembly Meeting held on 28.03.2013, it was decided that each member of the Board of Directors shall be paid a net honorarium amount of TL 2,500 per month. In 2013, a gross total of TL 370,770 was paid to the Board members.

In addition, a gross amount of TL 40,275,961 was paid to the personnel, who hold a position of manager and above, as part of the existing performance based bonus structure.

Loans extended to Board members and managers are limited in Article 50 of the Banking Law. No loans are granted to Board members and managers above these limits.

The honorariums that are to be paid to the Board members are determined at the General Assembly Meeting of Shareholders.