



## ***Corporate Governance Compliance Rating Report***

**Şekerbank** 

**Şekerbank T.A.Ş.**

25<sup>th</sup> January 2018

Validity Period 25.01.2018-25.01.2019

## LIMITATIONS

This Corporate Governance Rating Report, issued by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. for Şekerbank T.A.Ş. is compiled;

in accordance with the criteria stated in CMB's Corporate Governance Communiqué, no II-17.1, published in the Official Gazette edition 28871 on 03.01.2014; as well as the CMB's board decision taken at the Board meeting on 01.02.2013, no 4 / 105.

The criteria, established for the companies whose shares are traded at BIST, are organized separately as First Group, Second Group and Third Group companies and investment partnerships, taking into consideration the group distinctions stated by CMB's Corporate Governance Principles in Item 2 - Article 5 of directive no II-17.1.

The Rating Report issued by Kobirate Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. is based on 60 copies of documents, data and files transmitted by the concerned firm electronically, including data open to general public and examinations made by our rating experts on site.

Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. has formulated its Ethical Rules according to the Banking Act, the CMB and BRSA Directives on the Operations of Rating Companies, generally accepted ethical rules of the IOSCO and OECD including generally accepted ethical customs, which is shared with the public through its website ([www.kobirate.com.tr](http://www.kobirate.com.tr)).

Although rating is an assessment based on numerous data, it is consequently the institutional opinion of Kobirate International Credit Rating and Corporate Governance Services Inc. formed accordingly to the methodology disclosed.

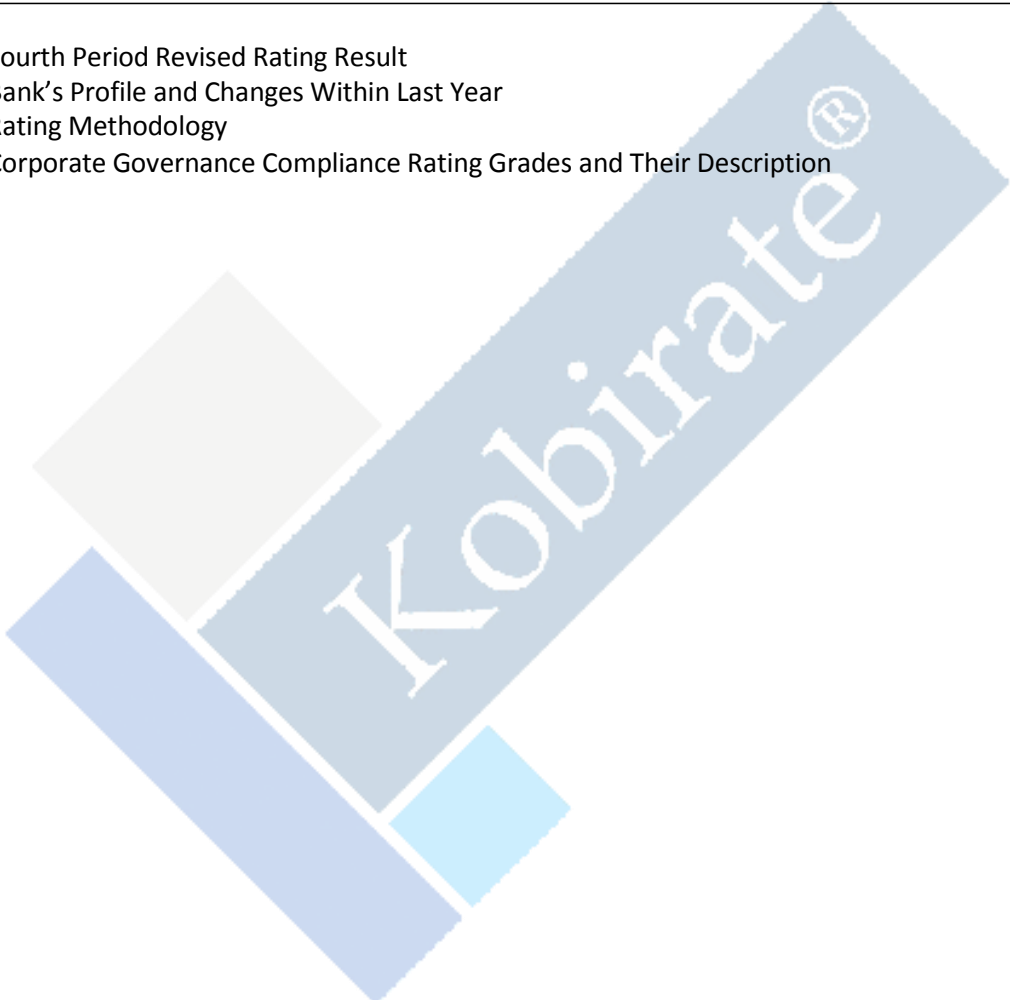
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## ŞEKERBANK T.A.Ş.

CMB CORPORATE GOVERNANCE  
PRINCIPLES COMPLIANCE GRADE

BIST SECOND GROUP COMPANY

9.27

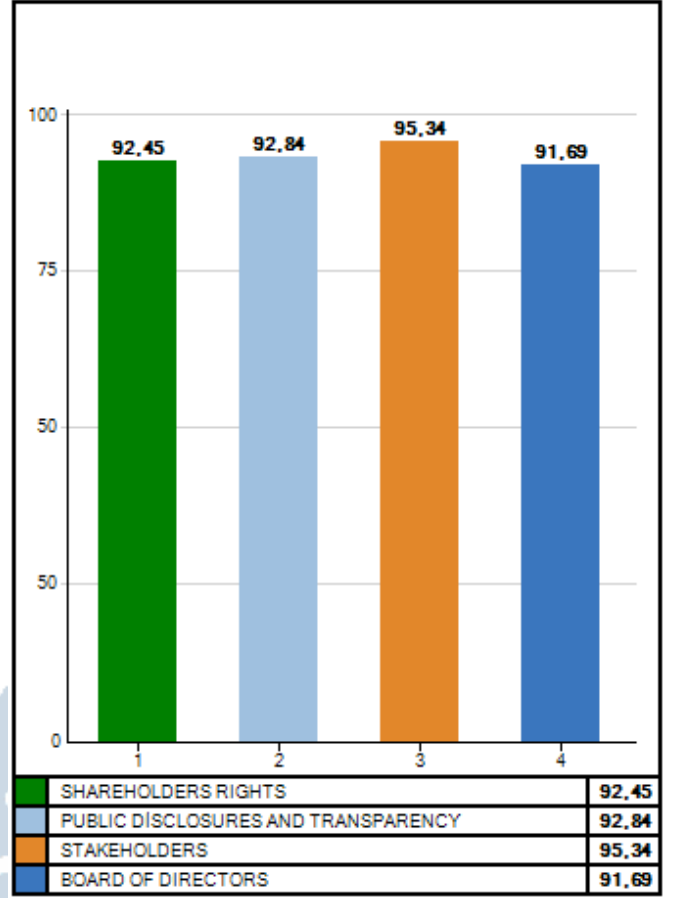
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### 1. FOURTH PERIOD REVISED RATING RESULT

The process of rating of compliance of **Şekerbank T.A.Ş.** with the Corporate Governance Principles has been concluded through examination of documents at bank's headquarters, interviews held with executives and persons involved, information open to public and of other detailed reviews and observations. It has been based on the Corporate Governance Compliance Rating Methodology developed by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş., Methodology. The evaluation process has been conducted in accordance with Capital Markets Board's (CMB) Corporate Governance Principles Communiqué no II- published in the Official Gazette edition 28871 on 03.01.2014.

According to CMB Bulletin dated 08.01.2018 and numbered 1 / 6, Şekerbank T.A.Ş is on BİST 2<sup>nd</sup> Group Companies list. The Bank has been evaluated by examination of 463 criteria, as described in the methodology of Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. for BİST 2<sup>nd</sup> Group Companies / Banks. At the end of the evaluation process under the main headings of Shareholders, Public Disclosure and Transparency, Stakeholders and Board of Directors, the Corporate Governance Compliance Rating Grade of Şekerbank T.A.Ş. has been determined as **9.27**.

This result signifies that the Bank has largely achieved compliance with the CMB's Corporate Governance Principles to a great extent. Internal control systems have been

established and working. Possible risks for the Bank have been determined and they are being kept under control. Public Disclosure and Transparency activities are at a rather good level. Rights of shareholders and stakeholders are being treated fairly. The structure and mode of operation of Board of Directors are in compliance with corporate governance principles to a large extent. The result shows that Şekerbank highly deserves to be included in the BIST Corporate Governance Index.

▪ At the section of Shareholders, it is seen that Şekerbank T.A.Ş has achieved a grade of **92.45**.

In this section, the Bank continues its activities in a stable fashion and in compliance with corporate governance principles.

Relations with shareholders are being conducted through the Financial Control, Subsidiaries and Shareholders Group and Investor Relations and Structured Finance Department. Investor Relations Department operates under Selim Güray ÇELİK, Executive Vice President for Financial Control, Reporting, Budget and Performance Management. Selim Güray ÇELİK has also been appointed as a member of Corporate Governance Committee and the appointment was disclosed to public with a Material Event Disclosure dated 12.12.2014. Sibel KIRMIZILAR was appointed as the Manager Responsible for Investor Relations Department on 05.08.2015 and the appointment was disclosed with a Material Event Disclosure dated 06.08.2015. Names of the staff working in these Departments are below:

Financial Control, Subsidiaries and Shareholders Group:

Orhan ULUYOL Group Head  
Sibel KIRMIZILAR - Manager /Investor Relations Department Manager  
Selim Umut ÖZYILMAZ – Manager

Investor Relations and Structured Finance Department:

Gülfer TUNCAY - Group Head  
Oya SARI - Department Manager  
Hasan SÜTMEN - Manager  
İnci KUTSAR – Assistant Specialist

There is no regulation or practice of cancelling or restricting shareholders' right to obtain and examine information imposed by the Articles of Association and/or a decision by the Company. Disclosures for shareholders and public are conducted in accordance with the Company's "Disclosure Policy". The policy can be accessed in the corporate website.

The Ordinary General Assembly Meeting for activities of 2016 was held on 31.03.2017. Invitation to the meeting was made properly through the Turkish Trade Registry Gazette dated 10.03.2017 and numbered 9281, the Public Disclosure Platform on 02.03.2017, the e – General Meeting system of the Central Registry Agency and Company's corporate website.

The Information Note for the items of the General Assembly's agenda was prepared and published together with the invitation. However, adding general information required by the CMB's "Corporate Governance Communiqué" II-17.1 to the document would strengthen compliance with the principles. Information about the Bank's shareholder structure, the annual report, the financial statements, the dividend distribution proposal of the Board of Directors and the form of voting by proxy have also been prepared alongside the Information Note.

Shareholders held a meeting again with extraordinary agenda on 28.12.2017. The agenda included discussion of "Partial Demerger". Information about this discussion and decisions taken are described in the page 14 of our report, under the heading of "**v. Other Developments**".

Examination of the documents has revealed

that invitation for the Extraordinary General Assembly has been done properly and within the required timeline. The Information Note on the items of the agenda has been prepared and published with the invitation to the general assembly meeting.

The Bank has disclosed to public in its corporate website in the form of the "Donation Policy" the Board of Directors decision not to make donations.

The Bank earned a profit of TRY 125,193,885.47 through its activities according to the financial statements for 2016 year-end. The use of the earned profit is explained in our report in the section titled, "*ii. Dividend Distribution*".

▪ The Bank has achieved a grade of **92.84** in the section of Public Disclosure and Transparency.

Responsible persons with the authority to sign disclosure statements are:

Orhan ULUYOL (Group Head), Sibel KIRMIZILAR (Manager), Ahu ALÇIÇEK (Manager), Selim Umut ÖZYILMAZ (Manager).

These officials are assigned with the task of monitoring and watching all developments related to public disclosure.

Public disclosure activities are conducted in accordance with the disclosure policy, which has been approved by the General Assembly and disclosed to the public.

During the rating period "Share Buy-Back Policy" has been prepared and approved by the Board based on the proposal of the Corporate Governance Committee' on 12.12.2017. The policy has been disclosed to public in the Bank's corporate website.

The Bank's corporate website, [www.sekerbank.com.tr](http://www.sekerbank.com.tr), and its annual reports are in compliance with the criteria specified in the Principles to a great extent and they are being used as effective means for public disclosure.

Independent audit for 2016 year has been conducted by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of KPMG International Cooperative). There were no disclosures in the report that the auditor avoided expressing opinion, expressed conditional opinion or withheld signature.

In accordance with the information received from the Bank's officials, there were no any developments that might infringe independency of the audit company and its personnel, and there were no legal disputes with the independent audit firm.

DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu Limited) has been approved as the independent auditor for 2017 year by the General Assembly based on the proposal of the Audit Committee.

▪ In the section of Stakeholders Şekerbank has received the grade of **95.34**.

The Bank continues its activities in a stable fashion.

The stakeholders are adequately informed on the Bank policies and procedures, which are related to the protection of their rights through use of the corporate website. There is a comprehensive policy stipulating the measures to be taken to avoid the conflicts of interest among stakeholders and its resolving mechanism. "The Conflict of Interest Policy" is disclosed to the public in the Bank's corporate website.

The Bank has a comprehensive and up-to-date Human Resources Regulation. Procedures on working conditions, employee files, disciplinary practices, authorities and responsibilities of employees, remuneration, health and leave rights, promotions, task alterations and dismissals, death, resignation, retirement and training have been developed and the bank complies with these procedures. Performance and reward criteria have been prepared and disclosed



to employees and these criteria are followed in determining benefits for employees.

The Union of Bank and Insurance Workers (BASISEN) is organized in the Bank. Its members are referred to as Covered Personnel and they are represented at least by one member at each working place. There were 3,602 employees at the end of September 2017. 1,382 people were employed as covered and 2,220 as non – covered staff.

Şekerbank has determined its strategy for sustainable development. Its annual Sustainability Report and Corporate Social Responsibility projects are disclosed in the corporate website and the annual reports.

- In the section of Board of Directors, Şekerbank has achieved the grade of **91.69**.

The Board of Directors continues its activities in the field of corporate governance. During the monitoring period it has been observed that the Board of Directors cooperated with the management in the process of strengthening corporate governance principles of the Bank and there was an effective co-operation.

Through face-to-face meetings with managers from different departments and examination of the Board of Directors and the Committees' meeting minutes, it has been determined that the Board of Directors and Committees continue their activities regularly.

The Bank's Board of Directors has set Bank's vision and mission and disclosed them to the public. The Board of Directors has also set principal strategies for Bank's continuing operations. It is our opinion that the Board of Directors has been leading the Company in setting the corporate values and ethical rules on behalf of the top management and other employees.

The Chairman of the Board of Directors and the General Manager positions are hold by different individuals in compliance with the Article 23 of the Banking Law, no 5411.

The Board of Directors comprises of 12 (twelve) members. 5 (five) of them are executive and 7 (seven) are non – executive. 3 (three) of non – executive members are independent, meeting the independence criteria set by the Corporate Governance Principles.

The Board of Directors held 25 (twenty five) meetings in 2017.

Audit, Corporate Governance and Remuneration Committees, which are stipulated in the Principles, have been formed. A Separate Nomination Committee hasn't been established due to the structure of the Board of Directors. Duties of this committee are carried out by the Corporate Governance Committee. On the other hand, in line with the requirements of the banking sector, the Credit Committee has been established.

Responsibility areas, working principles and membership structures for committees have been determined by the Board of Directors, approved as the written documents, disclosed to public and published in the Company's corporate website.

In compliance with the Article 24 of the Banking Law No 5411, the Audit Committee comprises 2 (two) non – executive Board Members. The Committee held 3 (three) meetings in 2017 and presented 7 (seven) reports to the Board of Directors.

The Corporate Governance Committee comprises 1 (one) independent, 2 (two) non – executive, 2 (two) executive members of the Board and the vice president responsible for the Investor Relations Department. The Committee held 4 (four) meetings in 2017 and briefed the Board about results of these meetings. It has also prepared a comprehensive report on activities of Investor Relations Department and presented it to the Board of Directors.

The Remuneration Committee comprises 2 (two) executive and 1 (one) non-executive members of the Board of Directors. The Committee held 1 (one) meeting in 2017 and presented the results and its proposals to the Board.

Guidelines on compensation of the Board of Directors and top executives have been determined and disclosed to public in the corporate website.

In accordance with the Article 4.2.8 of the CMB Corporate Governance Communiqué, dated 01.03.2014, No II-17-1, in line with the "Director Liability Insurance Policy" the Board Members and Top Executives are insured for USD 25 million annual cover, in case the company incur losses due to the their fault while performing their duties and the amount of such loss exceeds 25 % of the paid-in-capital. The Material Event Disclosure has not been made on this subject.

There are no women Members in the Board of Directors. However, there is the statement of the Board of Directors, which states: "Bank's Board of Directors presented its opinion to main shareholders that taking that shortness into consideration the Bank should to set a target of appointing one female director to the Board of Directors till 2019 year with the principle intention of increasing the number of female directors in the following years." Taking into consideration the diversity and gender issues, on 27.11.2014 the Board of Directors approved amendments to the Corporate Governance Committee Regulation, according to which Committee's nomination processes has been reviewed. The Corporate Governance Regulation includes commitment that that every three year the Board will set measurable objectives with a view to progressing towards a balanced representation of women at the Board and performance to achieve these objectives will be reviewed every three year by the Corporate Governance Committee. At the Corporate Governance Committee meeting on 13.12.2017, numbered 4, it was decided "to start forming women candidates database

in order to provide equal opportunities for women to be elected to Board membership and to put the information on related actions into Bank's Annual Report."

The Board of Directors conducts regular self-assessment. Self-assessment for 2016 was conducted on 30.03.2017.



## 2. The BANK'S PROFILE AND CHANGES WITHIN the LAST YEAR

### A. The Bank's Profile:



**Company Name** : Şekerbank Türk Anonim Şirketi  
**Company Address** : Emniyet Evleri Mah. Eski Büyükdere Cad. No: 1/1A 34415  
Kağıthane - İstanbul  
**Company Phone** : (0212) 3197000  
**Company Facsimile** : (0212) 3197429  
**Company's Web Address** : [www.sekerbank.com.tr](http://www.sekerbank.com.tr)

**Date of Incorporation** : 06/10/1953  
**Registered Number** : 563973  
**Paid in Capital** : TRY 1.158.000.000.

**Line of Business** : Banking  
**Company's Sector** : Banking

#### **The Bank's Representative on Rating**

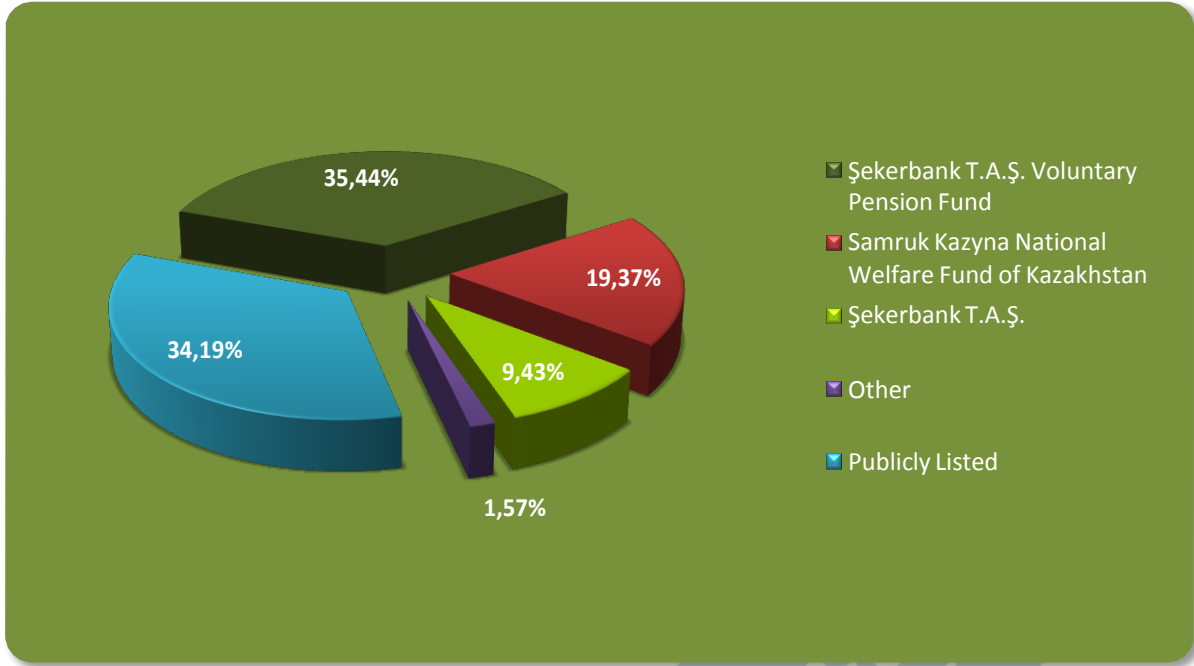
Sibel KIRMIZILAR

Financial Control, Subsidiaries and Shareholders Group Manager and  
Manager Responsible for Investor Relations

[Sibel.Kirmizilar@sekerbank.com.tr](mailto:Sibel.Kirmizilar@sekerbank.com.tr)

(0212) 319 71 04

### Şekerbank T.A.Ş Shareholder Structure



Source: [www.sekerbank.com.tr](http://www.sekerbank.com.tr)

Shareholder's Name	Share (TL)	Share (%)
Şekerbank T.A.Ş. Voluntary Pension Fund	410.388.833,70	35,44
Samruk Kazyna National Welfare Fund of Kazakhstan	224.353.416,50	19,37
Şekerbank T.A.Ş.	109.211.666,24	9,43
Other	18.092.679,30	1,57
Publicly Listed	395.953.404,25	34,19
<b>Total</b>	<b>1.158.000.000,00</b>	<b>100,00</b>

Source: [www.sekerbank.com.tr](http://www.sekerbank.com.tr)

### Şekerbank T.A.Ş Board of Directors

Name/ Surname	Title	Executive / Non -
Dr. Hasan Basri GÖKTAN	Chairman of the Board of Directors	Executive
Viktor ROMANYUK	Vice Chairman of the Board of Directors – Independent Member	Non-Executive
Servet TAZE	Member of the Board of Directors and General Manager	Executive
Emin ERDEM	Executive Member of the Board of Directors	Executive
Nariman ZHARKINBAYEV	Executive Member of the Board of Directors	Executive
Khosrow Kashani ZAMANI	Member of the Board of Directors	Non-Executive
Erdal BATMAZ(*)	Executive Member of the Board of Directors	Executive
Halil Can YEŞİLADA	Member of the Board of Directors	Non-Executive
Üzeyir BAYSAL	Member of the Board of Directors – Independent Member	Independent
Aidar RYSKULOVOV	Member of the Board of Directors	Non-Executive
Almat ZHAMİYEV	Member of the Board of Directors	Non-Executive
Halit YILDIZ	Member of the Board of Directors	Non-Executive

Source: [www.kap.gov.tr](http://www.kap.gov.tr)

## **Şekerbank T.A.Ş Senior Management**

<b>Name/ Surname</b>	<b>Title</b>
Servet TAZE	Member of the Board of Directors and General Manager
Salih Zeki ÖNDER	Executive Vice President-Financial Institutions
Ayşe Aybala ŞİMŞEK	Executive Vice President-Strategy and Human Resources
Gökhan ERTÜRK	Executive Vice President -Agriculture and Retail Banking Marketing
Aytay Tolga ŞENEFE	Executive Vice President-Treasury
Ahmet Hakan EKEN	Executive Vice President-Credit Management
Nihat BÜYÜKBOZKOYUN	Executive Vice President-Operation
Selim Güray ÇELİK	Executive Vice President-Financial Control, Reporting, Budget, Performance Management
Umut ÜLBEGİ	Executive Vice President-Corporate and Commercial Banking Marketing
Erdal ERDEM	Executive Vice President- SME and Enterprise Banking Marketing
Hüseyin ÜST	Executive Vice President -Credit Monitoring and Follow Up

Source : [www.sekerbank.com.tr](http://www.sekerbank.com.tr)

### **The Board of Directors**

#### **Audit Committee**

<b>Name/ Surname</b>	<b>Job</b>	<b>Independent/Non-Executive/Executive</b>
Viktor ROMANYUK	Member	Independent Board Member
Erdal BATMAZ (*)	Member	Independent Board Member

Source : [www.kap.gov.tr](http://www.kap.gov.tr)

(\*) Information about Audit Committee Membership and the declaration of Independence of Erdal Batmaz, who has been appointed as an Audit Committee Member of Board of Directors in accordance with Banking Law No 5411, Article 24, has been sent to BRSA

#### **Corporate Governance Committee**

<b>Name/ Surname</b>	<b>Job</b>	<b>Independent/Non-Executive/Executive</b>
Üzeyir BAYSAL	Member	Independent Board Member
Khosrow Kashani ZAMANI	Member	Board Member (Non – Executive )
Dr. Hasan Basri GÖKTAN	Member	Board Member (Executive )
Nariman ZHARKINBAYEV	Member	Board Member (Executive)
Selim Güray ÇELİK	Member	Executive Vice President and IRD

Source: [www.kap.gov.tr](http://www.kap.gov.tr)

#### **Remuneration Committee**

<b>Name/ Surname</b>	<b>Job</b>	<b>Independent/Non-Executive/Executive</b>
Viktor ROMANYUK	Member	Independent Board Member
Dr. Hasan Basri GÖKTAN	Member	Chairman of Board (Executive Member)
Halit Haydar YILDIZ	Member	Board Member (Non – Executive)
Servet TAZE	Observer	Board Member and General Manager

Source: [www.kap.gov.tr](http://www.kap.gov.tr)

#### **Credit Committee**

<b>Name/ Surname</b>	<b>Job</b>	<b>Independent/Non-Executive/Executive</b>
Dr. Hasan Basri GÖKTAN	Member	Chairman and Executive Board Member
Emin Erdem	Member	Executive Board Member
Nariman ZHARKINBAYEV	Member	Executive Board Member
Servet TAZE	Member	Board Member and General Manager

Source: [www.kap.gov.tr](http://www.kap.gov.tr)

### **Investor Relations Department**

<b>Name Surname</b>	<b>Title</b>	<b>Contact</b>
Selim Güray ÇELİK	Executive Vice President/Financial Control, Reporting, Budget and Performance Management	(0) 212 319 7360 SelimGuray.Celik@sekerbank.com
Orhan ULUYOL	Group Head/ Financial Control, Subsidiaries and Shareholders Group	(0)212 319 7690 Orhan.Uluyol@sekerbank.com.tr
Sibel KIRMIZILAR	Manager/Manager in the Investor Relations Department	(0)212 319 7104 Sibel.Kirmizilar@sekerbank.com.tr
Selim Umut ÖZYILMAZ	Manager/ Financial Control, Subsidiaries and Shareholders Group	(0)212 319 7378 selimumut.ozyilmaz@sekerbank.com.tr
Gülfer TUNCAY	Group Head/Financial Institutions Group	(0)212 319 7155 Gulfer.Tuncay@sekerbank.com.tr
Oya SARI	Department Head /Investor Relations and Structured Finance Department	(0)212 319 7158 Oya.Sari@sekerbank.com.tr
Hasan SÜTMEN	Department Head/ Investor Relations and Structured Finance Department	(0)212 3197146 Hasan.sutmen@sekerbank.com.tr
İnci KUTSAR	Assistant Specialist/ Investor Relations and Structured Finance Manager	0(212) 319 7157 inci.kutsar@sekerbank.com.tr

### **Balance –Sheet Comparison of Bank’s Certain Selected Items for Last Two Yearends and 3<sup>rd</sup> Quarter of 2017**

	<b>2015/12 (000 TL)*</b>	<b>2016/12 (000 TL)*</b>	<b>Change %</b>	<b>2017/09 (000 TL)**</b>
Total Assets	24,415,966	23,818,856	-2.45	28,147,222
Equity	2,526,942	2,532,793	0.002	2,615,921
Total Credits &	16,725,908	17,605,982	5.26	19,425,124
Total Deposits	14.867.633	16,136,281	8.53	18,247,534
Paid in Capital	1,158,000	1,158,000	-	1,158,000

### **The Market Where the Capital Market Instrument is Traded and the Indexes that the Company is Included**

- OUTRIGHT PURCHASES AND SALES MARKET-(AMONG QUALIFIED INVESTORS) / STAR MARKET
- BIST BANK / -BIST CORPORATE GOVERNANCE / -BIST FINANCIAL / -BIST ALL / -BIST ALL-100 / -BIST STAR / BIST 30 / BIST 50

**The Bottom and Peak Closing Values of Company's Shares traded on the BIST  
15/01/2017-15/01/2018**

<i>Bottom (TL)</i>	<i>Peak (TL)</i>
<b>1,17</b> (03-04-07-13-14/04/2017)	<b>1,86</b> (08/01/2018)

Source: www.sekerbank.com.tr

**Information on Subsidiaries, Financial Fixed Assets and Financial Investments  
(As of 06.11.2017)**

<i>Commercial Title</i>	<i>Business Line</i>	<i>Paid/Issued Capital</i>	<i>Company's Share in Capital</i>	<i>Currency</i>	<i>Company's Share in Capital (%)</i>	<i>Nature of Relations with Company</i>
<b>Şeker Yatırım Menkul Değerler A.Ş.</b>	Capital Market Intermediary Services	30.000.000	29.711.995	TL	99,04	Subsidiary
<b>Şeker Finansal Kiralama A.Ş.</b>	Financial Leasing	45.000.000	24.357.739,19	TL	54,13	Subsidiary
<b>Şeker Faktoring A.Ş.</b>	Factoring	75.000.000	74.999.949,98	TL	99,99	Subsidiary
<b>Şeker Finansman A.Ş.</b>	Finance	26.000.000	16.199.996,10	TL	62,31	Subsidiary
<b>Şekerbank Kıbrıs Ltd.</b>	Banking	21.550.000	20.712.402,90	TL	96,11	Subsidiary
<b>Şekerbank International Banking Unit Ltd.</b>	Off Shore Banking	5.000.000	4.789.700	USD	95,79	Subsidiary
<b>Zahlungsdienste GmbH Der Şekerbank T.A.Ş.</b>	Finance	250.000	250.000	EUR	100,00	Subsidiary
<b>Şeker Proje Geliştirme ve Gayrimenkul Yatırım A.Ş.</b>	Real Estate Investment	500.000	500.000	TL	100,00	Subsidiary

Source: www.kap.gov.tr

## **B. Changes within Last Year:**

### ***i. Capital, Shareholder Structure and Articles of Association Changes:***

There have been no changes in the Bank's capital, the shareholder structure and the Articles of Association during the rating period.

### ***ii. Dividend Distribution:***

Şekerbank earned TRY 125,193, 885.47 as a result of its activities in 2016. The Board of Directors took the following decision at its meeting on 01.03.2017 on the distribution of the net period profit of 2016;

"Under the provisions of the Bank's Articles of Association and the articles of the Turkish Commercial Law, it was decided at the Board of Directors meeting on 01.03.2017 that the Bank's profit, which is TRY 125,193,885.47 according to the independently audited financial statements for 2016 year would be distributed as follows;

- TRY 6,259,694.27 (5 %) to be transferred into legal reserves,
- TRY 17,100,151.34 to the Special Funds Account within the item "5/1-e" of Corporate Tax Law numbered 5520,
- Remaining amount after the distribution to legal reserves and special funds accounts, which is TL 101,834,039.86 to the Extraordinary Reserves, and

On the other hand, TL 35,990,287.30 of TL 50,831,388.87, which is the previous year's income, to be transferred to the Special Funds Account within the item "5/1-e" of Corporate Tax Law numbered 5520; and the remaining amount to TL 14,841,101.57 to be transferred to the Extraordinary Reserves."

This proposal of the Board of Directors not to distribute dividends was disclosed in the Public Disclosure Platform on the same date of 01.03.2017 and it was discussed at the General assembly meeting on 31.03.2017 as 7<sup>th</sup> Item of the agenda and approved accordingly.

### ***iii. Policies:***

The Shares Buy-Back Policy and the Donation Policy have been prepared during the rating period and disclosed to public in the Bank's corporate website.

### ***iv. Management and Organization:***

It has been learned that there have been no significant changes (in the general sense) in Bank's organization during the rating period. Changes in the top management are listed below:

The Public Disclosure Platform (PDP) Statement dated 02.11.2017:



According to the Board of Directors decision dated 01.11.2017, the Vice Presidents Ali Güray DEMİR and Mehmet Murat SABAZ left the Bank and Hüseyin ÜST and Erdal ERDEM have been appointed as new Vice Presidents, subject to the BRSA approval.

The PDP Statement dated 15.12.2017:

The Vice President Fatin Rüştü KARAKAŞ left his position as of 14.12.2017.

#### ***v. Other Developments:***

Partial Demerger Transactions:

At the General Assembly meeting held on 31.03.2017 the below mentioned matters related to the item 9 of the agenda have been discussed and the related decisions have been taken:

- The shareholders have been informed that application to the BRSA to get permission to transfer the Bank's real estates to a company, which will be further turned into the Real Estate Investment Trust (REIT) with the purpose to have more effective management of the real estates through setting profitable financial subsidiary with the professional personnel and benefiting from the tax advantages;
- According to the BRSA decision # 7208 dated 19.01.2017, the BRSA issued permission "to found a partnership to be transformed into a REIT, on the condition of getting necessary legal permissions" ;
- In accordance with the above stated permission the required procedures for setting the company, which will be 100% owned by the Bank and the capital of which will be formed through spin off method of real estates, that belonged to the Bank, in the amount of approximately 500.000.000 TL, have been started;
- The Spin off Agreement will be prepared after receiving all necessary permissions and approvals from the authorities in line with the legal requirements of the legislation related to the partial spin off procedures and submitted to the approval of the shareholders.

In line with the above, the Board of Directors has been authorized to determine the method of demerger and start legal procedures to get necessary permissions in line with the related regulations, on the condition of presenting the demerger plan for the approval of shareholders at the extraordinary general assembly meeting.

In accordance with the authorities given by the General Assembly on 31.03.2017, the Board of Directors took the following decisions at its meeting dated 10.05.2017:

Within the scope of real estate portfolio transfer from the Bank's assets to Şeker Proje Geliştirme ve Gayrimenkul Yatırım A.Ş., which would be further transformed into the REIT,

- To start necessary legal procedures for transferring all real estates together with its auxiliaries,

registered in the Bank's assets and eligible for the REIT portfolio, at its book value as at 31.12.2016 to Şeker Proje Geliştirme ve Gayrimenkul Yatırım A.Ş. as partial demerger via simple method of the "subsidiary model" in compliance with the related laws and regulations, the "Banks' Merger, Transfer, Demerger and Share Change Regulation" (Banks' Demerger Chapter), and the CMB regulations,

- To apply the partial demerger procedure based on financial statements as at 31.12.2016,  
- To obtain the Expert Company Report to be prepared in accordance with the Article 17 of the Banks' Demerger Regulation,

- To prepare Demerger Contract, Demerger Report, Announcement Text and other relevant documents in accordance with the related regulations,

- To complete the required by legislation partial spin off procedures with the Banking Regulation and Supervision Agency (BRSA), Capital Markets Board (CMB), Trade Registry Offices, Ministry Of Customs and Trade, Stock Exchange Istanbul A.Ş. (BIST), the Ministry of Finance and the Competition Board, including all the official and private companies, which supervise the partial demerging transactions.

- In accordance with the related legislation the General Management has been authorized to disclose the transaction to the public, to inform shareholders about the transaction and to make necessary announcement to enable execution of the right for examination.

The Bank Board of Directors' decision dated 08.08.2017 states:

"Although in accordance with the Merger and Demerger Communiqué No: II-23.2 of the Capital Markets Board, the publication of the announcement for the approval of the demerger process based on the annual financial statements as at 31.12.2016 has to be done in the PAP and the Bank's website not later than 31.07.2017, due to the delay in completion of legal permission process, the demerger transaction should be continued based on of the financial statements as at 30.06.2017.

In line with the decision of the Board of Directors dated 08.08.2017, it has been decided to continue the demerger process by updating all the documents and applications related to the demerger process based on the financial statements as at.

After the completion of legal processes, the following decisions were taken at the Extraordinary General Assembly held on 28.12.2017:

- In the 2<sup>nd</sup> item of the agenda; in accordance with the provisions of the Turkish Commercial law the shareholders have been informed about the independent auditors' report regarding equity determination, prepared in line with the communiques on the "Right for Examination" and "Announcement Regarding the Protection of Creditors";
- In the 3<sup>rd</sup> item of the agenda; In accordance with the Communiqué of the Capital Markets Board II-23.1 on "Common Principles on Important Transactions and Declaration of Right to Leave", the shareholders have been informed about the statement of the Board of Directors that the right of leave does not occur;
- In the 4<sup>th</sup> item of the agenda; the Consolidated Balance Sheet and Income Statement covering the interim accounting period of 01.01.2017 - 30.06.2017, which were the base for the partial spin off, were accepted.

- In the 5th item of the agenda, the Demerger Report and Demerger Agreement have been approved together with the all transactions related to the transfer of real estate, recorded in the Bank's assets and eligible for the REIT portfolio, together with all structures, equipment, inventory and buildings on it, which are the integral parts of these real estate to Şeker Proje Geliştirme ve Gayrimenkul Yatırım A.Ş., the capital of which is 100% owned by the Bank.

The Extraordinary General Assembly meeting decisions have been registered by the Istanbul Trade registry Directorate on 29.12.2017.

The announcements related to the demerger transaction in simplified method and to the extraordinary general assembly have been to the public duly and on time.



### 3. RATING METHODOLOGY

The Corporate Governance Compliance Rating is a system which audits whether or not the firm's management structures and management styles, the arrangements for shareholders and stakeholders and the process of informing in transparency and accuracy are performed in accordance with the modern corporate governance principles and which assigns a grade corresponding to the existing situation.

Organization for Economic Co-operation and Development (OECD) established a working group in 1998 in order to assess member countries' opinions on corporate governance and to prepare some non – binding principles.

The fact that principles are open to change in time was also accepted at this work. Although at first these principles were focused on the companies whose shares were quoted in stock exchange, it was emphasized by OECD that it would be also useful to implement these principles in public enterprises and companies whose shares were not quoted in stock exchange.

In 1999, OECD Corporate Governance Principles were approved at the OECD Meeting of Ministers and published. Since then, these principles have been regarded as international references for the decision – makers, investors, shareholders, companies and stakeholders throughout the world.

Since their approval, these principles kept the concept of corporate governance on the agenda and became guidelines for the laws and regulations in OECD members, as well as other countries.

There are four basic principles of corporate governance in OECD Corporate Governance Principles. These are: fairness, transparency, accountability and responsibility.

Turkey has been closely monitoring these developments. A working group, established

within TUSIAD in 2001, prepared the guide, titled, "Corporate governance: The best implementation code". Then CMB issued "Capital Market Board Corporate Governance Principles" in 2003 and updated it in 2005, 2010, 2012, 2013 and 2014, according to international developments in this field.

Obligation to comply with CMB's Corporate Governance Principles, based on the principle of "implement or disclose", and to declare it became part of companies' lives in 2004. Putting the Declaration of Compliance to Corporate Governance in the annual reports became obligatory the following year.

The principles are grouped under four main headings namely: the Shareholders, Public Disclosure and Transparency, Stakeholders and the Board of Directors.

The Corporate Governance Compliance Rating Methodology has been prepared by Kobirate A.Ş. for companies whose shares are traded on BIST, banks, investment partnerships and non – quoted companies.

The methodology takes into consideration the criteria stated in CMB's Corporate Governance Directive, no II-17.1, dated January 3<sup>rd</sup> 2014; as well as CMB's board decisions taken at Board meeting on 01.02.2013, no 4 / 105.

In this analysis, the full compliance of work flow and analysis technique with Kobirate A.Ş.'s Ethical Rules is considered.

In the process of rating, **463** different criteria are considered to measure the compliance of BIST Second Group Companies with the corporate governance principles. These criteria are translated into Corporate Governance Rating Question Sets through Kobirate A.S.'s unique software.

The weighting scheme for the four main sections in the new Corporate Governance Compliance Rating, determined by CMB's

memorandum dated 12.04.2013 and numbered 36231672-410.99 (KBRT)-267/3854, is applied completely by Kobirate A.Ş. The weightings are as below:

**Shareholders 25 %**

**Public Disclosure and Transparency 25 %**

**Stakeholders 15 %**

**Board of Directors 35 %**

CMB has sent its notification dated 19.07.2013 and numbered 36231672-410.99 (KBRT) 452, on CMB decision dated 01.02.2013 and numbered 4/105 to our company, which required adding new questions into the methodology in order to ensure that good corporate governance principles, which go beyond meeting the minimum requirements of CMB issued good corporate governance principles – bringing 85 % of full points at most – will be included in the rating grade.

The 2014/2 revised corporate governance compliance rating methodology, created by our company, is restricted if the minimum conditions of corporate governance principles – declared in CMB Communiqué of Corporate Governance published on 03.01.2014 – are met and all criteria is evaluated within same category. In this case all criteria are restricted to 85 % of the full points that the related criterion would get in that subsection. Remaining 15 % is reached by using good practices - other than those determined by Corporate Governance Principles - that are internalized by the Company that are apart from the criteria determined.

The grade to be assigned by the Corporate Governance Rating Committee to the firm ranges between 0-10. In this scale of grade, “10” points mean excellent, full compliance with CMB’s Corporate Governance Principles while grade “0” means that there is unsatisfactory compliance with CMB’s Corporate Governance Principles in the existing structure.

**4. KOBİRATE ULUSLARARASI KREDİ DERCELENDİRME VE KURUMSAL YÖNETİM HİZMETLERİ  
A. Ş. CORPORATE GOVERNANCE RATING GRADES AND DESCRIPTIONS**

GRADE	DEFINITIONS
<p><b>9–10</b></p>	<p>The Company achieved a substantial compliance with to the Corporate Governance Principles issued by the Capital Market Board. Internal control systems are established and are operational. Any risks to which the Company might be exposed are recognized and controlled effectively. The rights of the shareholders are impartially taken care of. The level of public disclosure and transparency are high. Interests of the stakeholders are fairly considered. The structure and the working conditions of the Board of Directors are in full compliance with the Corporate Governance Principles. The Company is eligible for inclusion in the BIST corporate governance index.</p>
<p><b>7–8,9</b></p>	<p>The Company complied considerably with the Corporate Governance Principles issued by the Capital Market Board. Internal control systems are in place, and operational, although some improvements are required. Potential risks, which the Company may be exposed are identified and can be managed. Benefits of the shareholders are fairly taken care of. Public Disclosure and transparency are at high levels. Interests of the stakeholders are equitably considered. Composition and operational conditions of the Board comply with the Corporate Governance Principles. Some improvements are needed in compliance with the Corporate Governance Principles even though they do not constitute serious risks. The company is eligible for inclusion in the BIST Corporate Governance Index.</p>
<p><b>6–6,9</b></p>	<p>The Company has moderately complied with the Corporate Governance Principles issued by the Capital Market Board. Internal Control systems at moderate level have been established and operated, however, improvement is required. Potential risks that the Company may be exposed are identified and can be managed. The interests of the shareholders are taken care of although improvement is needed. Although public disclosure and transparency are taken care of, there is need for improvement. Benefits of the stakeholders are taken care of but improvement is needed. Some improvement is required in the structure and working conditions of the Board. Under these conditions, the Company is not eligible for inclusion in the BIST Corporate Governance Index.</p>



GRADE	DEFINITIONS
4-5,9	<p>The Company has minimum compliance with the Corporate Governance Principles issued by the Capital Market Board. Internal control systems are in place at a minimum level, but are not full and efficient. Potential risks that the company is exposed to are not properly identified and are not under control. Substantial improvements are required to comply with the Corporate Governance Principles in terms of the benefits of both the shareholders and stakeholders, public disclosure, transparency, the structure and working conditions of the Board. Under the current conditions, the Company is not eligible to be listed in the BIST Corporate Governance Index.</p>
< 4	<p>The Company has failed to comply with the Corporate Governance Principles issued by the Capital Market Board. It also failed to establish its internal control systems. Potential risks that the company might be exposed are not identified and cannot be managed. The company is not responsive to the Corporate Governance Principles at all levels. There are major weaknesses in the interest of the shareholders and the stakeholders, public disclosure, transparency. Structure and working conditions of the Board appear to be at a level that might cause the investor to incur material losses.</p>