

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

1. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

İşbank operates in compliance primarily with the Banking Law Nr. 5411 and the regulations pertaining to the Banking Law, as well as all other legal provisions that banks are subject to.

İsbank's Compliance and Compliance Risk Management Policy was announced to the organization and published on İşbank's website after the approval of the Board of Directors.

Making public disclosures to the Istanbul Stock Exchange (ISE) promptly and providing access to this information on İşbank's website, keeping shareholders up-to-date with İşbank's Articles of Incorporation, annual reports and all other information and documents, which will affect the exercise of shareholder rights through the website, are the main practices that largely cover the provisions of the "Corporate Governance Principles" published by the Capital Markets Board.

Mrs. Füsün Tümsavaş (Vice Chairman) and Prof. Dr. Savaş Taşkent (Member of the Board) are members of the "Audit Committee", which was established in line with the requirement of article 24 of the Banking Law Nr. 5411.

Without prejudice to the provisions of the Banking Law, explanations regarding the Corporate Governance Principles of the Capital Markets Board, which should be covered in the annual reports of the publicly traded companies, are presented below.

PART I - SHAREHOLDERS

2. Shareholders Relations Unit

Investor Relations Unit of İşbank was founded in 1998 in order to foster communication between the company and the shareholders. The Investor Relations Unit became a separate division starting from 01.04.2009. Following list presents the names and contact details of employees who are working at the Investor Relations Division, which operates under Mr. Mahmut Magemizoğlu, who is the Deputy Chief Executive of İşbank.

Name, Surname	Title	Telephone Number	E-mail Address
Süleyman H. Özcan	Division Head	0212 - 316 16 00	Suleyman.Ozcan@isbank.com.tr
Alper Turgal	Assistant Manager	0212 - 316 16 10	Alper.Turgal@isbank.com.tr
Ebru Nuhoglu	Assistant Manager	0212 - 316 16 08	Ebru.Nuhoglu@isbank.com.tr
Ece Oktar	Assistant Specialist	0212 - 316 16 15	Ece.Oktar@isbank.com.tr
Cansu Budak	Assistant Specialist	0212 - 316 16 21	Cansu.Budak@isbank.com.tr
Selin Özdemir	Assistant Specialist	0212 - 316 16 11	Selin.Ozdemir@isbank.com.tr
Özlem Yavaş	Assistant Specialist	0212 - 316 16 22	Ozlem.Yavas@isbank.com.tr
İpek Taşkın	Senior Section Head	0212 - 316 16 18	Ipek.Taskin@isbank.com.tr
Gürkan Ali Gülyüz	Section Head	0212 - 316 16 19	Ali.Gulyuz@isbank.com.tr
Zeynep Eylem Baş	Assistant Section Head	0212 - 316 16 20	Eylem.Bas@isbank.com.tr
Elif Karal	Officer	0212 - 316 16 02	Elif.Karal@isbank.com.tr

Following are the principal activities performed by the Investor Relations Division:

- Responding to both the existing and potential investors', rating agencies', international lenders' and other related institutions' information requests, which are not categorized as trade secrets or customer secrets, within the framework of related regulations,
- Participating in domestic and overseas investor meetings and conferences on behalf of İşbank and making presentations to the related parties, when necessary,
- Making public disclosures about the material events and other information subject of announcement through related media and institutions including ISE,
- Keeping the contents of the "Investor Relations" pages of İşbank's corporate website updated,
- Working on research and development regarding the Bank's corporate governance practices,
- Coordination of preparations of General Meeting and Annual Report,
- Carrying out the registration of Bank's shareholders.

In the year 2011, more than 500 inquiries were sent to the Investor Relations Division via telephone and e-mail and all inquiries have been promptly replied. In the same year, Investor Relations Division participated in 12 international and 3 domestic investor conferences and 1 international roadshow, meeting with 254 investment companies' representatives. Furthermore, the Investor Relations Division hosted around 79 investor meetings, 33 analyst meetings and 87 conference calls in its head office.

3. Use of Shareholders' Right to Obtain Information

Information requests of shareholders regarding dividend distribution, capital increase, general meeting, annual report, Bank's financial statements and related issues, received by İşbank via mail, telephone, e-mail and other media are evaluated and replied in the most effective and fastest way by the Investor Relations Division. Furthermore, individual or group meetings and teleconferences are held with current and potential investors and analysts. In 2011, more than 500 information requests were received from shareholders and replied by İşbank. Moreover, any information and developments on İşbank concerning the shareholders are regularly disclosed to the related parties through ISE, the website and e-mail.

The announcements regarding capital increase, dividend distribution and General Meeting are made to the shareholders and public via public disclosure, media and İşbank's website as per the provisions of the Turkish Commercial Code and the Capital Markets Law.

Furthermore, regarding the use of shareholders' right to obtain information, shareholders and investors are provided with access to the information specified in article 10 of this report, both in English and Turkish via İşbank's website.

İşbank's website covering the aforementioned information and documents is revised and updated periodically.

İşbank is audited regularly within the framework of primarily the Banking Law and the related regulations.

On the other hand, the Audit Committee, established as required by the article 24 of the Banking Law, consists of Mrs. Füsün Tümsavaş (Vice Chairman) and Prof. Dr. Savaş Taşkent (Member of the Board).

Within the framework of the related regulations, a special auditor may be elected by the General Assembly when necessary, for the investigation of the subjects envisaged in the related regulations. İşbank's Articles of Incorporation do not have a separate regulation for the appointment of a special auditor

4. Information on General Shareholders' Meeting

Regulations related to the General Shareholders' Meetings are stated in the Articles of Incorporation, which is publicly disclosed and also available on İşbank's website. As per the related regulations, the agenda of Shareholders' Meetings and other related issues are made publicly available by means of disclosure on material events, media and internet before the Shareholders' Meetings. In addition, İşbank's annual reports prepared for the Shareholders' Meeting are also presented to the shareholders for their information and examination before the General Shareholders' Meeting. Besides shareholders, the representatives of related legal institutions who are entitled to attend General Shareholders' Meetings as per related regulations, attend the General Meetings.

İşbank held an Ordinary General Shareholders' Meeting on 31.03.2011. Announcements, including the agenda of the meeting and sample of proxy statement, were published on the Public Disclosure Platform, the Trade Registry Gazette, media and website of İşbank within the legal periods. 70.89% of the shareholders were represented at the aforementioned meeting. Invitations to Shareholders' Meetings are made within the framework of Capital Market Law and the Turkish Commercial Code as well as the Articles of Incorporation of İşbank. Balance sheet, financial statement footnotes, independent auditors' report, bank auditors' report, dividend distribution proposal of the Board of Directors and similar detailed information in the annual reports are made available at branches of İşbank to the shareholders before the Shareholders' Meetings within the legal time period required by related regulations. Upon request, annual reports are provided to the shareholders before the General Shareholders' Meetings.

At İşbank's Shareholders' Meetings, all shareholders have the right to express their opinions and ask questions on the subjects of the agenda. Moreover, proposals regarding the agenda, which are put forward by shareholders at the Shareholders' Meetings, are submitted to the voting and approval of shareholders as per the legal procedures.

Real estate related activities of İşbank are regulated by article 63 of the Articles of Incorporation. In addition, the real estate related transactions of the Banks are regulated as follows according to article nr.57 of the Banking Law: "Banks shall not engage in purchase and sale of real estate or commodities for commercial purposes, excluding the real estate and commodity contracts under the Capital Markets Law Nr. 2499 or contracts on precious metals deemed appropriate by the Board; or participate in companies, whose core business is real estate trading, except mortgage and real estate investment trusts." According to İşbank's Articles of Incorporation such transactions are under the authority of the Board of Directors within the framework of the Banking Law. Such decisions taken either by the Board of Directors or by the Bank management

with the consent of the Board of Directors, are also made public as disclosures on material events under certain conditions.

Minutes of the Shareholders' Meetings are published on the Trade Registry Gazette and they are available from the related unit of İşbank and the website.

5. Voting and Minority Rights

There are explanations on the Bank's capital structure and qualifications of shares both in the Articles of Incorporation and annual report and these explanations are submitted to the shareholders for their information.

Currently İşbank does not have any Board member elected by the minority shareholders. There is no regulation in the Articles of Incorporation regarding cumulative voting procedures. However, this does not prevent minority shareholders from using their voting rights through the same proxy.

6. Dividend Policy and Dividend Payout Date

İşbank's dividend distribution principles are explained in detail in the Articles of Incorporation and as such the dividend distribution policy is shared with the shareholders. İşbank's dividend payment is made within the legal periods.

On the other hand, dividend distribution proposal of the Board of Directors is also published in the annual report, which is provided to the shareholders prior to the annual Ordinary General Shareholders' Meetings. Dividend distribution is a regular item on the agenda of the General Shareholders' Meeting and is presented for the approval of shareholders and implemented after the approval at General Shareholders' Meeting.

7. Transfer of Shares

Transfer of shares can be done in accordance with the related legislation and the Articles of Incorporation of İşbank.

PART II - PUBLIC DISCLOSURE AND TRANSPARENCY

8. Public Information Policy

General Framework of Information Policy

İşbank discloses all kinds of financial and other information required within the framework of primarily the Banking Law and the related regulations; the Capital Markets Board regulations; Turkish Commercial Code; the regulations of Istanbul Stock Exchange and London Stock Exchange where the Bank's shares are quoted; and the regulations due to the ADR program in the U.S.A., where the Bank's shares are registered, by also considering the generally accepted accounting principles and corporate governance principles. The Bank conducts a detailed policy of disclosure and public information.

The main purpose of information policy is to submit the required information and disclosures, other than trade secrets, to the shareholders, investors, employees, clients, creditors and other related parties with equal treatment, in a timely, accurate, complete and clear manner and to make them easily available with the lowest cost.

İşbank, who has an active approach towards adopting and implementing Corporate Governance Principles, puts great effort in carrying out the requirements of the related regulations and the international best practices with regards to public disclosure and information. Being set in accordance with the above-mentioned context, İşbank's Information Policy has been ratified and put into effect by the Board of Directors.

Authority and Responsibility

Information Policy has been formed by the Board of Directors. Monitoring and improvement of the public disclosure and information policy of İşbank are under the authority and responsibility of the Board of Directors. The Investor Relations Division has been assigned for the coordination of information function. The authorities of the aforementioned Division fulfill their responsibilities by close cooperation with the Audit Committee and the Board of Directors.

Practices and Methods and Devices Used in Public Disclosure

The practices and devices and methods used in public disclosure within the framework of banking regulations, Capital Markets Board Regulations, Turkish Commercial Code and other related regulations, are listed below:

- Bank-only and consolidated financial statements and related notes and explanations together with the independent auditors' report, prepared on a quarterly basis in accordance with the regulations of the Banking Regulation and Supervision Agency (BRSA), are sent to the Istanbul Stock Exchange (ISE) within the legal time frame and are published on İşbank's website. The related financial statements are signed by the members of the Audit Committee and the managers of the Bank, who are in charge of financial reporting together, with a statement of accuracy. Furthermore, the Bank makes a press release related to the quarterly published financial statements and informs the public about the operations during the related period, İşbank's market position, general financial performance and other significant subjects.
- The Bank translates both the financial statements and the press releases into English and submits them to the related parties and publishes them on its official website. On the date of annual general meetings following the announcement of financial statements as of year ends, regularly a review of the previous year is made in the press conference held by the Chairman of the Board and/or the Chief Executive Officer and the questions of the press are answered.
- Bank-only financial statements and related notes and explanations together with the independent auditor's review report thereon, prepared in accordance with the International Financial Reporting Standards on a quarterly basis, are sent to specific creditor institutions and also published on the Bank's official website.

- Consolidated financial statements and related notes and explanations together with the independent auditors' report, prepared in accordance with the International Financial Reporting Standards on a yearly basis are published on İşbank's official website.
- Disclosures of material events required as per the regulations of the Capital Markets Board (CMB) are sent to the ISE and the CMB within the deadlines. Although disclosures of material events are signed on principle by the officials in charge of relations with shareholders, sometimes as an exception they are also signed by the managers in charge of the departments related to the subject and presented to the related authorities. Material disclosures are announced on İşbank's website not later than the day after the related public announcement is made.
- In order to secure the confidentiality of material events until they are publicly disclosed, the Bank's employees with access to inside information are informed on their responsibilities arising from the related regulation. In the agreements made with the entities and firms which have access to inside information due to providing a certain service for the Bank, a confidentiality article is added, when necessary. On the other hand, in accordance with the Banking Law Nr. 5411 and the related regulations, İşbank strictly complies with its legal obligation in terms of keeping the Bank's and its customers' secrets and not disclosing to any authorities other than those which have been expressly authorized by law. This obligation is valid also for the support service contractors and their employees as well as the Bank's employees.
- In cases such as changes in the Articles of Incorporation, general meetings and capital increases, necessary announcements are made via Trade Registry Gazette and Dailies.
- Before each annual general meeting, an annual report, including the necessary information and disclosures, is prepared both in Turkish and in English in accordance with the regulations of the BRSA and presented to the shareholders for their information and it is also published on İşbank's website (www.isbank.com.tr). Hard copies of the annual reports can be obtained from the Investor Relations Division of the Bank, upon request.
- When necessary, press releases are made through written and visual media. Press releases to the written and visual media can be made by the Chairman of the Board, Chief Executive Officer or Deputy Chief Executive, or by the ones authorized by the said persons.
- News on İşbank which take place in domestic media are followed by a professional media monitoring agency. Within this framework, in case there is a need to make a disclosure within the scope of the regulations related to material disclosures, an announcement is made after the completion of the necessary inquiry through related divisions.
- When a disclosure is made related to news and rumors that take place in media, but which do not create any obligation for the Bank to make a material disclosure as per the related regulations, the method and the content of the disclosure is determined by considering the factors like the quality of the news, the extent of the audience reached by the media and whether the news detracts the Bank's reputation or not. When a disclosure is made upon such news and rumors, if the content of the disclosure includes anything which requires a public disclosure, a material disclosure is also made in accordance with the related regulations regarding the subject matter. If the published news is a violation of article 74 of the Banking Law, related to the protection of reputation, the Bank has the right to make an attempt to take necessary legal actions.

- Occasionally, shareholders and related parties are informed through conference calls. These conference calls are coordinated by the Investor Relations Division.
- Shareholders and other related parties are kept informed through investor meetings and road shows in Turkey and abroad. These meetings are conducted by the Investor Relations Division and the Chief Executive Officer, managers in charge financial management and reporting and the managers of the Investor Relations Division participate in these meetings and road-shows, depending on their availability. If necessary, participation can be extended.
- In order to allow all market participants to get information simultaneously and equally, the information and presentation meetings held with investors, presentations and reports announced at press conferences are made available on the Investor Relations pages of the Bank's official website.
- By e-mail, the Investor Relations Division sends regularly and periodically the financial statements and related disclosures to the shareholders, creditors, rating institutions and analysts that prepare reports about İşbank.
- Detailed information on İşbank is available on the Investor Relations pages of the corporate website both in Turkish and in English in line with the corporate governance principles. The said pages are monitored and updated by the Investor Relations Division. All kinds of inquiries sent by the shareholders and related parties via e-mail, letter or telephone are responded to in coordination with the Investor Relations Division within the shortest time possible.

Other Disclosures

Public disclosures other than the ones mentioned above are made within the boundaries determined by the framework of the Bank's authorized signatures.

Specifying the Persons Discharging Management Responsibility

The criteria of specifying the persons discharging management responsibility are the administrative functions of the persons in the Bank's organization and the content of the information accessed. Within this context, apart from the Board Members, Chief Executive Officer and Deputy Chief Executives, some division managers who have access to holistic information on the Bank and who are authorized to make administrative decisions that may significantly affect factors like asset-liability structure, profit-loss, cash flow, strategic targets, are also specified as persons discharging management responsibility.

Türkiye İş Bankası Corporate Website (www.isbank.com.tr)

İşbank's website is actively and intensely used for communicating information and public disclosures. The website includes the information and data required by the Corporate Governance Principles and regulatory authorities, both in Turkish and in English. Information available on the website include notices on the general meetings, agenda of the general meetings, information circular related to the agenda, other information, documents and reports related to the agenda and

methods of participation in the general meeting. Utmost care is given to keep the website up to date.

9. Disclosures on Material Events

In 2011, İşbank made 65 disclosures of material events to the ISE in compliance with the “Material Events Disclosure Requirement Communiqué” of the Capital Markets Board. Regarding the public disclosures in 2011, no further information was requested by ISE or the Capital Markets Board. An administrative fine was imposed against İşbank and some other banks about some transactions which were not considered as an obligation to give notice about between the years 2008-2009, regarding accounting standards and related regulations of the Capital Markets Board (CMB).

İşbank’s depository receipts issued in the USA are listed and currently traded on the London Stock Exchange. Certain disclosures made to the ISE are also regularly sent to the London Stock Exchange and the Bank of New York Mellon, which is the sponsor of İşbank’s DR program.

10. Türkiye İş Bankası Company Website (www.isbank.com.tr)

İşbank’s website is actively and intensely used for public disclosures and communicating information. The website includes the information and data required by the Corporate Governance Principles and regulatory authorities, both in Turkish and in English. Information available on the website include trade registry information, organization and ownership structure, information about shares, Articles of Incorporation, Public Disclosures, annual reports, periodic financial statements and independent auditors’ report, Corporate Governance Principles Compliance Report, investor presentations, notices on the general meetings, agenda of the general meetings, information circular related to the agenda, proxy voting form, other information, documents and reports related to the agenda, information about methods of participation in the general meeting, minutes of the general meeting and information required by related legislation. Utmost care is given to keep the website up to date.

11. Disclosure on Ultimate Controlling Real Person Shareholder/Shareholders

There is no ultimate controlling real person shareholder of İşbank. İşbank’s ownership structure is disclosed to public and this information is updated and disclosed in the footnotes of the financial statements published at the ISE and on the internet pages of the Investor Relations Division on a quarterly basis.

12. Disclosure on People Who can Have Access to Insider Information

As per article 73 of the Banking Law, banks’ shareholders, directors, employees, representatives and officials shall not disclose trade secrets related to banks or their clients thereof which they have received in connection with their positions and duties, to any authority other than those which have been expressly authorized by law.

This obligation shall continue after leaving office, too. Any person, who has been found to infringe this provision of the article, shall be sentenced to a heavy imprisonment term from one year to three years and a judicial fine starting from a thousand days up to two thousand days.

Same penalties are also applicable to any third party who has disclosed trade secrets related to a bank and its clients. If the confidential information and documents are disclosed with a view to acquiring benefits for one-self or for others, the penalties shall be increased by one sixth. Furthermore, depending on the importance of the offense, the responsible persons shall be prohibited from working at the institutions subject to this Law temporarily for a period that is not less than two years or permanently.

İşbank fully complies with the legal regulations on insider trading. İşbank has also adopted anti-insider trading policies as an indispensable part of its corporate culture. For this reason, using information in order to obtain benefits for one-self or for others by employees who are able to access insider information is strictly prohibited. In this context, for instance, employees of the Capital Markets Division are prohibited from buying and selling equities including İşbank shares.

Moreover, the list of people who have access to inside information is tracked by İşbank in accordance with CMB regulations and is updated regularly and transferred to the Central Registry System.

PART III - STAKEHOLDERS

13. Informing Stakeholders

İşbank's stakeholders are regularly informed about required subjects through press release, press conference, interviews, annual reports, news on the website, disclosures and various meetings. Within this context, the necessary corporate organizational structure has been formed to satisfy the information demands of shareholders, employees and customers.

Functions related to informing the employees about the human resources practices and policies are conducted by Human Resources Management Division and, in this context, İşbank's Corporate Intranet Portal is used effectively. Human Resources Help Desk operates in order to answer the questions of the employees and to develop solutions.

14. Participation of Stakeholders in the Bank Management

İşbank employees participate in the management of the Bank via İşbank Members' Supplementary Pension Fund, which is a shareholder of the Bank. Other shareholders are represented in the management of İşbank in line with the regulations of the Articles of Incorporation.

Furthermore, there is a proposal system by which employees may make suggestions regarding the activities of the Bank.

15. Human Resources Policy

Human Resources Policies of İşbank were defined and based on the principles of equal opportunity, fairness, transparency and performance. The related policies are implemented with the aim of increasing the means for employee progress adhering to basic rules of conduct and ethical values. Human resources needs are met in line with İşbank's vision and mission in respect

of human resources, through recruiting people who have the required qualifications for the job using convenient evaluation methods and instruments. In this context, fundamental recruitment criteria are defined in written format and the hiring processes are carried out according to these criteria.

In principle, employees within İşbank are promoted to the executive management positions. When there is a need, areas that require expertise, including professional consulting, may be outsourced.

Performances of the employees are evaluated within the framework of personnel evaluation criteria suitable to their positions periodically by face to face interviews with the employees; strengths and/or weaknesses of the employees are defined to increase their performances and also to prepare them for a higher position, related development and education schemes are formed; activities are designed for the purpose of realization of these plans and meeting the educational needs. In line with a career management philosophy based on constant development, by taking into account their skills, staff is employed according to their skills at positions that they fit best, in terms of satisfying the needs of the Bank and productivity.

İşbank employee candidates are informed about Human Resources practices and hirings through the Human Resources pages of the Bank's corporate website.

Through İşbank's Corporate Intranet Portal, which was formed in order to enhance information sharing within the Corporation and to communicate with employees more effectively, all the employees are given the opportunity to have quick access to the Bank's regulations, activities of divisions, up-to-date announcements and to supplementary sources.

Furthermore, suggestions, requests and questions of employees and other interested parties regarding human resources applications are evaluated via Human Resources Help Desk.

Labor union representatives who are assigned by Basisen (Labor Union of Banks and Insurance Companies) under which İşbank employees are organized, conducts relations with the employees. Labor union representatives have a constructive and effective role in forming communication between the Bank and the employees.

Every two years a Collective Bargaining Agreement is signed by the Bank and Basisen. The last Collective Bargaining Agreement that was signed covers the period between 01.04.2010 – 31.03.2012.

It is essential for İşbank that human rights are respected and that there is not any discrimination based on race, language, religion and sex.

16. Information on Relations with Customers and Suppliers

A Customer Relations Unit was established within the Bank to ensure the customer satisfaction and this unit is accessible through the website, call center, mail, fax and via e-mail. All types of customer complaints received by İşbank are followed, assessed and resolved by this unit and relevant feedback is communicated to the related units to improve the product and services processes.

17. Social Responsibility

Together with its equity participations, İşbank is one of the biggest economic players in Turkey due to its contribution to economy, public interest oriented vision, high level of employment creation and awareness of social responsibility which is among İşbank's management principles.

Since its establishment, focusing seriously on the issues, which are the basic needs of the modern society and which are directly related to the country's future, İşbank supports, within the framework of the Regulation on Social Responsibility Practice formed in 2007, the social responsibility projects in education, environment, culture and arts, which are qualified to be long-lasting, being able to advance the society, far-reaching, sustainable and extendable.

Detailed information regarding these activities can be found on the Bank's website and annual reports. There is no violation of environmental legislation regarding İşbank's operations and the Bank has never faced legal sanctions thereon.

PART IV - BOARD OF DIRECTORS

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

İşbank's Board of Directors has 11 members as listed below

Name, Surname	Position
H. Ersin Özince	Chairman
Füsun Tümsavaş	Vice Chairman
Adnan Bali	Member of the Board and Chief Executive Officer
Prof. Dr. Savaş Taşkent	Member of the Board
Hasan Koçhan	Member of the Board
Aynur Dülger Ataklı	Member of the Board
M. Mete Başol	Member of the Board
Mustafa Kıcalıoğlu	Member of the Board
Aysel Tacer	Member of the Board
Hüseyin Yalçın	Member of the Board
Murat Vulkan	Member of the Board

Board of Directors, excluding the chief executive officer, comprise of non-executive members.

The election of İşbank Board members is implemented according to article 25 of the Articles of Incorporation and the Banking Law. As per the Banking Law, the chief executive officer of the Bank and, in his absence, his deputy shall be a natural member of the Board.

Although there is no restriction for the Board members to work elsewhere, some activities of Board members have been defined as "Forbidden Activities" in article 32 of the Articles of Incorporation of İşbank.

19. The Qualifications of the Board Members

The principles governing the election of Board Members are stated in the Bank's Articles of Incorporation.

The Banking Law describes the qualifications required for a Board member and İşbank complies with the aforementioned regulations in the election of Board members.

As per article 23 of the Banking Law, the qualifications required for the chief executive officer (The chief executive officer of a bank must have at least an undergraduate degree in the disciplines of law, economics, finance, banking, business administration, public administration and related fields and those that have undergraduate degrees in engineering fields must have a graduate degree in the aforementioned fields and in both cases they must have at least ten years of professional experience in the field of banking or business administration), shall also be required for majority of the Board of Directors.

20. Vision, Mission and Strategic Goals of the Bank

The vision and objectives of İşbank were approved by the Board of Directors and disclosed to public via the Bank's website. In this context, İşbank's vision is to be the most preferred bank in Turkey by customers, shareholders and employees by maintaining its leading, pioneering and reliable position. İşbank's mission, in general, is described as meeting the needs of its customers with fast, efficient and high standard solutions, increasing the value it created for its shareholders constantly and encouraging employees for the maximum performance. The Board of Directors regularly monitors and supervises the performance of the Bank in terms of achieving the strategic goals. The Business Programme that includes the yearly objectives formed according to the general strategic goals, comes into effect after approval by the Board of Directors. The quarterly performance of the Bank in comparison with the objectives is reported comprehensively to the Board of Directors.

21. Risk Management and Internal Control

As per article 29 of the Banking Law, banks are obliged to establish and operate adequate and efficient internal control, risk management and internal audit systems that are in harmony with the scope and structure of their activities, that can respond to changing conditions and that cover all their branches and participations subject to consolidation in order to monitor and control the risks that they encounter. Internal controlling activities are carried out by the Internal Control Division and the internal control personnel reporting to the Board of Directors and risk management activities are performed by the Risk Management Division and personnel reporting to the Board of Directors. Furthermore, banks have to establish internal audit systems that involve all their units, branches and participations subject to consolidation. In this context, bank inspectors investigate the conformity of the banking activities to the legislation, articles of association, internal regulations and banking principles.

İşbank's internal audit, risk management and internal control systems have been established in accordance with the principles and organization structures as required by domestic regulations in parallel with the best international practices. The units constituting the internal systems are the

Board of Inspectors, Internal Control, Risk Management and Corporate Compliance Divisions. The units constituting the internal systems work under the Board of Directors.

Corporate Compliance Division works under the Board of Directors on issues regarding compliance with the regulation and anti money laundering. The basic objective of the corporate compliance practices is to make the maximum contribution to ensure that the compliance risk at the Bank is managed effectively and as targeted, thus kept under control and within this framework, the structure and implementation of the Bank's operations are carried out constantly in accordance with the rules, regulations and standards. In addition, the Corporate Compliance Division, which is also responsible for the coordination of duties and activities related with compliance and compliance risk, has a mutual communication and cooperation with other related Divisions and employees.

22. The Authorities and Responsibilities of the Board of Directors and the Management

Authorities and responsibilities of the Board members, the CEO and the auditors are clearly defined in the Banking Law, the related provisions of the Banking Law, the Turkish Commercial Code and the Articles of Incorporation of İşbank.

23. Fundamentals of the Functions of the Board of Directors

Secretariat to the Board of Directors is in charge of providing all the necessary support and communication activities for the functions of the Board to be carried out.

The Board meetings are normally held once a month, yet interim meetings might be held in case of need. Meeting agendas are prepared in accordance with the proposals of head office departments. Moreover, various reports requested by the Board of Directors from the Bank management and off the agenda topics put forward by the Board members are discussed during the meetings. Meeting agendas and related documents are distributed to the Board members and auditors before the meetings according to the principles determined by the Board.

All the discussions during the Board meetings are recorded in the minutes of the Board meetings. As per article 28 of the Articles of Incorporation, the minutes of the Board meetings were recorded to the Board Record Book, but within the framework of the change in regulations, starting from 11 June 2008 separate record books are being kept for the Board Resolutions and the minutes of the Board meetings. When there is a dissenting opinion on an item at the Board meetings, the related dissenting vote is recorded to the Board Record Book and in case a written argument for the dissent is presented to the Board, the related written statement is submitted to the Auditors. Each Board member has one voting right and the Board members do not have any weighted voting rights and/or veto rights.

15 Board meetings were held in 2011. Generally, full participation is achieved at the meetings. In 2011, 13 meetings were held by full participation and one member could not attend in two of the meetings, one for each meeting. 583 pages of meeting minutes were taken for the Board meetings in 2011. 954 resolutions were made both during the meetings and by examining files.

24. Prohibition of Transaction and Competition with the Company

As per the article 32 of İşbank's Articles of Incorporation, Board Members cannot directly or indirectly do commercial business with the Bank for themselves or on behalf of others unless they take the consent of the General Assembly.

25. Ethical Rules

For the aims to preserve stabilization and trust, to improve the service quality, to maintain society's respect to banking business by preventing unfair competition in the banking sector, the banks, including İşbank, that constitute the Turkish banking sector, united under the Banks Association of Turkey and formed the "Code of Banking Ethics" for regulating ethical rules to be effective for the banks' transactions between each other, with their customers, employees and other institutions. Banks Association of Turkey disclosed the aforementioned Code of Banking Ethics to public with a communiqué.

Within the same framework, the Association of Capital Market Intermediary Institutions of Turkey disclosed Capital Markets Code of Profession to public according to the resolution of General Assembly dated 13 December 2001 that contains rules for banks and other intermediary institutions to be applied in their business transactions and relations between each other, with their customers and employees in order to form a respectful society of the members of the profession. The aforementioned codes of ethics that describe the culture of behaviors within the organization have also been adopted by İşbank and shared with its employees through internal communication channels. On the other hand, İşbank has formed the Policy for the Prevention of Laundering of Criminal Proceeds and Terrorism Financing and procedures and shared them with all its employees through internal communication channels. The aforementioned policy is also published on İşbank's website both in Turkish and in English.

26. Number, Structure and Independency of the Committees Established within the Board

The administrative and organizational structuring required by the Banking Law Nr. 5411 and related legislation, exists in İşbank.

The Audit Committee

The Audit Committee has two members and is chaired by Mrs. Füsün Tümsavaş, Vice Chairman of the Board of Directors. The other member of the Committee is Prof. Dr. Savaş Taşkent, who is also a member of the Board.

The Audit Committee is obliged to hold meetings in accordance with the related regulations and to inform the Board of Directors about the results of its activities and the measures to be taken, practices that are required and its opinions on other matters that are deemed to be significant for the Bank to conduct its business safely.

The Audit Committee is in charge of:

- Ensuring that the internal systems of the Bank function efficiently and sufficiently, that these systems and the accounting and reporting systems operate within the framework of the related regulations and the Bank's policies and that the information produced has integrity,
- Carrying out the preliminary assessment of independent audit firms and companies providing rating, valuation and support services to be selected and monitoring the firms that are appointed by the Board, on a regular basis,
- Ensuring that the internal audit functions of subsidiaries that are subject to consolidation are coordinated in line with the related regulations,
- Reporting, presenting opinions and making recommendations to the Board on the functions, operations and related policies and regulations of the internal systems and the divisions that are part of the internal systems,
- Evaluating the information and reports received from the independent audit firms and the divisions that are part of the internal systems, about their operations,
- Ensuring that the Bank's financial reports are prepared in line with the related legislation, regulations and standards,
- If required, gathering information, documents or reports from all Bank units, support service contractors and independent auditors and being subject to Board approval, receiving consultancy from those who are specialists in their respective fields,
- Fulfilling other responsibilities determined by the related legislations and the duties given by the Board within this framework,
- Reporting to and informing the Board about the results of its own operations, the measures needed to be taken in order for the Bank's operations to be within the framework of the related legislation and Bank policies in a continuous and secure way and its evaluation, opinion and recommendation on any other issues that are deemed to be important.

In 2011, Audit Committee held 24 meetings and adopted 27 resolutions.

Turkish Republic of Northern Cyprus (TRNC) Internal Systems Committee

As per the resolution of the Board of Directors, dated 15.06.2009, Nr.35546, TRNC Internal Systems Committee is established for the branches operating in TRNC within the framework of TRNC Banking Law and related regulations. The Committee has two members and is chaired by Mrs. Füsün Tümsavaş, who is the Vice Chairman of the Board of Directors. The other member of the committee is Prof. Dr. Savaş Taşkent, who is also a member of the Board.

The Committee holds meetings at least twice a year provided that a six month period is not exceeded and informs the Board of Directors on the results of its own activities, its opinion on the measures needed to be taken and the necessary practices to be implemented by the TRNC branches and other important issues in order for these branches to operate in a secure way.

TRNC Internal Systems Committee is responsible for ensuring the efficiency and sufficiency of the internal systems provided by the Bank in relation to the operation of the TRNC branches; ensuring the operation of the internal systems, accounting and reporting systems in line with the law and related regulations and ensuring the integrity of the produced information; carrying out the preliminary assessment of independent audit firms and other companies providing services directly related to other banking operations to be selected by the Board; and monitoring regularly and coordinating these companies that are selected and contracted by the Board.

In 2011, the TRNC Internal Systems Committee held 5 meetings and adopted 7 resolutions.

Credit Committee

İşbank's Credit Committee makes resolutions on credit allocation within its authorization limit, makes decisions on demands to change the credit allocation conditions within its authorization limit and carries out any assignments regarding credits given by the Board.

İşbank's Credit Committee consists of three members; one of them is the Chief Executive Officer or Deputy Chief Executive , who is also the chairman of the Committee and two members from the Board of Directors. Each year, at the first Board meeting after the Annual General Meeting, the Board members of the Credit Committee that will perform their duty until the next General Meeting are determined. Two alternate Committee Members are designated who will stand if need arises.

The Committee makes decision on the credit allocation with consensus, after each Committee Member examines and signs the files. Resolutions of the Credit Committee which have unanimous backing are executed directly while resolutions made on a majority basis are executed following the approval of the Board of Directors.

By the end of December 2011, 140 files under the authority of the Credit Committee were evaluated.

The members of the Credit Committee for the period between January and March 2011 were Member of the Board and Chief Executive Officer Mr. H. Ersin Özince as the Chairman of the Committee, Vice Chairman of the Board of Directors, Mr. H. Fevzi Onat and Board Member, Mrs. Füsün Tümsavaş as Committee Members. Alternate members of the Credit Committee were the Board members Mrs. Tülin Aykın and Mr. Hasan Koçhan.

The members of the Credit Committee for the period between April and May 2011 are Member of the Board and Chief Executive Officer, Mr. Adnan Bali as the Chairman of the Committee, Vice Chairman of the Board of Directors, Mr. H. Fevzi Onat and Board Member, Mrs. Füsün Tümsavaş as Committee Members. Alternate members of the Credit Committee are Board members Mr. Hasan Koçhan and Mr. M. Mete Başol. After resignation of Vice Chairman of the Board of Directors Mr. H. Fevzi Onat on 30.05.2011, who was Credit Committee member, Member of the Board and Chief Executive Officer Mr. Adnan Bali continued his duty as the Chairman of the Committee, the Vice Chairman of the Board of Directors Mrs. Füsün Tümsavaş and the member of the Board Mr. Hasan Koçhan continued the duty of the Credit Committee members for the period of June-December 2011. Board members M. Mete Başol and Aysel Tacer were appointed as alternate members of the Credit Committee.

Committee Members	Duty	Primary Duty
Adnan Bali	Chairman of the Committee	Member of the Board and Chief Executive Officer
Füsün Tümsavaş	Member	Vice Chairman of the Board
Hasan Koçhan	Member	Member of the Board

Alternate members: M. Mete Bařol – Aysel Tacer

Credit Revision Committee

Being one of the committees of the Board of Directors, the Credit Revision Committee is established as per the article of Revision of Limits within the context of Credit Risk Policy, which came into effect by the resolution of the Board of Directors dated 30.09.2003 and nr 30249, within the framework of the principle of reviewing the loan portfolio, evaluating the relations with credit customers at the end of the year and revising, when necessary, the credit limits allocated to the said persons and corporations.

Within this framework, as per the resolution of the Board dated 31.12.2010 and nr 37089, the Credit Revision Committee; consisting of Deputy Chairman of the Board, Mr. H. Fevzi Onat and Board Members Mrs. Tlin Aykn, Mrs. Fsun Tmsavař and Mr. Hasan Kořan; individually reviewed 471 individual or group firms whose general limits/risk ceilings are above a certain amount and are monitored by Corporate and Commercial Loans Underwriting Divisions. The firms/risk groups of which the risk perceptions are respectively lower were evaluated on an overall basis. Furthermore, 57 correspondent banks of whose general limits are above a certain amount were evaluated and the Committee completed its evaluations as of 31.03.2011.

As per the resolution of the Board of Directors dated 12.12.2011 and nr 37986, the current Credit Revision Committee, consisting of Vice Chairman of the Board, Mrs. Fsun Tmsavař and Board members Mr. Hasan Kořan, Ms. Aysel Tacer and Mr. Murat Vulkan, has started its examinations.

Corporate Social Responsibility Committee

The Corporate Social Responsibility Committee was established as per the Regulation on Social Responsibility Practice, which was adopted with the resolution of the Board and its members are Board Members Mrs. Aynur Dlger Ataklı and Ms. Aysel Tacer, Deputy Chief Executives Mr. zcan Trkakn and Mr. Yalřın Sezen and Head of the Corporate Communications Division Mr. Suat E. Szen.

The Committee operates in accordance with the Regulation principles, by considering the basic fields of contribution, which are determined as education, culture and art, health, protection of the environment and other activities.

In 2011, Corporate Social Responsibility Committee held 11 meetings and adopted 31 resolutions.

Risk Committee

Risk Committee is responsible for formulating the risk management strategies and policies İşbank will adhere to both on a consolidated and unconsolidated basis, presenting them to the İşbank Board of Directors for approval and monitoring compliance with them. The Committee is the common communication platform with the Bank's executive divisions in terms of assessing the risk the Bank is exposed to, making suggestions about the measures to be taken and methods to be followed.

The Committee's principal duties are the following:

- Prepare the risk strategies and policies and present to the Board for approval,
- Adjudicate by negotiating the issues addressed by Risk Management Division,
- Recommend to the Board the level of risk limits for exposures, monitor the breach of limits and recommend to the Board regarding elimination of those breaches,
- Recommend to the Board changes in risk policies if diverse circumstances require,
- Monitor risk identification, definition, measurement, assessment and management processes carried out by Risk Management Division,
- Monitor accuracy and reliability concerning the risk measurement methodologies and their results.

Committee Members:

- Füsün Tümsavaş: Vice Chairman of the Board of Directors and Head of Risk Committee.
- Adnan Bali: Member of the Board and Chief Executive Officer, Head of Credit Committee
- Ertuğrul Bozgedik: Deputy Chief Executive
- Senar Akkuş: Deputy Chief Executive, Head of Asset & Liability Management Committee
- Gamze Yalçın: Head of Risk Management Division

Risk Committee contributes to the formation of group risk policies structured on a consolidated basis including both financial and non-financial participations of İşbank. In the activities that the Risk Committee carries out on a consolidated basis,

- Özcan Türkakın, Deputy Chief Executive
- Burhanettin Kantar, Head of Equity Participations Division

also attend the meetings.

In 2011, the Risk Committee met a total of 12 times 4 of which were on a consolidated basis. In addition to the risk management evaluations of İşbank and its participations under consolidation, 12 risk management reports were submitted to the Committee and resolutions were adopted about risk management systems and processes.

Remuneration Committee

As per the resolution of the Board of Directors, dated 29.12.2011 and nr.38038, Remuneration Committee has been established for the purpose of executing functions and activities related to monitoring and controlling remuneration implementations of the Bank on behalf of Board of Directors. The Committee has two members; Mr. H. Ersin Özince, the Chairman of the Board, was elected as the Chairman of the Committee and Prof. Dr. Savaş Taşkent was elected as the member of the Committee.

The Committee holds meetings at least twice a year provided that six month period is not exceeded and informs the Board of Directors on the results of its own activities and its opinions on other important issues.

Remuneration Committee is responsible for monitoring and controlling implementations related to remuneration management on behalf of Board of Directors within the context of compliance to Corporate Governance Principles; providing that remuneration is in compliance with the Bank's on ethical values, internal balances and strategic goals; evaluating remuneration policy and its implementations within the framework of risk management; submitting the proposals to Board of Directors that are in line with the requirements after examining remuneration policy, as well as officiating other responsibilities in accordance with relevant legislations and missions given by the Board of Directors within this framework.

27. The Remuneration of the Board of Directors

Monthly remunerations of the Board members and auditors are determined annually at İşbank's General Shareholders' Meetings and disclosed to the ISE.

On the other hand, restrictions related with the loans to be extended by İşbank to the Board members are defined in article 50 of the Banking Law. In this context, İşbank does not extend loans to its Board members other than those allowed by the law.

As for the remuneration of the Board of Directors; article 58 of İşbank's Articles of Incorporation contains the following expression: "After the legal and extraordinary reserves fund and the first dividend have been allocated from the net profit, 0.25% of the remaining balance is distributed among the members of the Board of Directors and the Chief Executive Officer equally." Within the context of this regulation, financial rights of the Board members are determined with an approach that is sensitive to the financial performance and profitability of İşbank to a large extent.