

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Corporate Governance Principles Compliance Report

Pursuant to the resolution passed at the Bank's Extraordinary General Assembly Meeting dated October 24, 2005, VakıfBank committed to compliance with Corporate Governance Principles with the addition of an article (Article 75) to the Articles of Incorporation.

Pursuant to Resolution No. 80059 passed by the Bank's Board of Directors on March 19, 2010, Selahattin Toraman and independent director İsmail Alptekin, were elected to the Corporate Governance and Nominating Committee. By the virtue of being an independent member of the Board of Directors, İsmail Alptekin serves as the Chairman of this Committee.

The Declaration of Compliance with Corporate Governance Principles of Türkiye Vakıflar Bankası T.A.O. was prepared within the framework of the Corporate Governance Principles published by the Capital Markets Board taking into consideration the issues stipulated by the Corporate Governance Principles to be included in the annual reports of the publicly-held companies, international principles and industry practices.

I – SHAREHOLDERS

Shareholder Relations Unit

VakıfBank is committed to the Corporate Governance Principles published by the Capital Markets Board and expends maximum efforts to comply with these principles.

The Bank's investor relations activities are organized under two different groups to serve domestic and international investors in the most effective manner.

Shareholder relations are administered by a separate group under the Investment Banking and Subsidiaries Department, which operates as a Head Office unit and reports to Executive Vice President Hasan Ecesoy.

The names and the contact information of the personnel working in the Shareholder Relations Group are as follows.

Name & Surname	Title	Phone Number	E-mail Address
Dr. Adnan GÜZEL	Head	+90 312-455 88 00	adnan.guzel@vakifbank.com.tr
Nurullah CENSUR	Manager	+90 312-455 87 67	nurullah.censur@vakifbank.com.tr
Hasan COŞKUNER	Manager	+90 312-455 88 55	hasan.coskuner@vakifbank.com.tr
Deniz Varan	Assistant Manager	+90 312-455 88 56	deniz.varan@vakifbank.com.tr
Nihal ARSLANBULUT	Assistant Manager	+90 312-455 88 43	nihal.arslanbulut@vakifbank.com.tr
Vedat PASLI	Assistant Manager	+90 312-455 89 29	vedat.pasli@vakifbank.com.tr
Kübra ŞEN	Specialist	+90 312-455 89 27	kubra.sen@vakifbank.com.tr

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The Shareholder Relations Group primarily conducts the following activities to serve domestic investors:

- Transmitting accurate, clear, comprehensive and complete information simultaneously to the Bank's shareholders and investors excluding the information that are considered confidential and trade secrets,
- Organizing periodic meetings with the participation of the Bank's management for informing the Bank's shareholders and investors,
- Ensuring that the General Assembly meetings are conducted in accordance with the legislation, Articles of Incorporation and the internal regulations of the Bank,
- Preparing the documents for the General Assembly meetings and transmitting them to the shareholders,
- Taking all necessary actions and measures to ensure the provision of the Bank's services to the satisfaction of the investors,
- Performing the Bank's capital increase transactions and ensuring the use of bonus share rights and the tracking of existing shares in the dematerialized system,
- Carrying out the transactions needed to make dividend payments to shareholders should the Bank decide to pay a dividend,
- Sending material disclosures about VakıfBank to the Istanbul Stock Exchange and announcing material disclosures and other news to the investors by means of the Bank's website.

The "Investor Relations" section with Turkish content published on the <http://www.vakifbank.com.tr> website was regularly updated and kept current with respect to its content in order to make available the necessary information and documents to the investors, shareholders and other related parties.

120 information requests were submitted to the Shareholder Relations Group in 2010 and all of these requests were answered via the fastest means of communications.

Information requests of the Bank's foreign shareholders and investors are responded to by the Head Office Department responsible for International Banking and Investor Relations.

The names and contact information of the personnel working in the International Banking and Investor Relations Department that reports to Executive Vice President Birgöl Denli are as follows.

Name & Surname	Title	Phone Number	E-mail Address
Selçuk GÖZÜAK	Head	+90 212-316 73 90	selcuk.gozuak@vakifbank.com.tr
Mustafa TURAN	Manager	+90 212-316 71 20	mustafa.turan@vakifbank.com.tr
Nergis ÖZER	Associate	+90 212-316 73 85	nergis.ozer@vakifbank.com.tr
Zeynep Nihan CANDAN	Associate	+90 212-316 73 83	zeynepnihan.candan@vakifbank.com.tr

Primary activities conducted by the International Banking and Investor Relations Unit in this area include the following:

- Responding to the information requests that are not Bank or client secrets of existing and potential investors residing abroad, the rating agencies and the related parties in international borrowings, participating in the meetings held in Turkey and abroad in representation of VakıfBank,
- Making presentations about VakıfBank to the investors and other related institutions residing abroad,
- Making available the required information and documents to investors, shareholders and other related parties via the “Investor Relations” section with English content published on the www.vakifbank.com.tr website and keeping the website content up-to-date,
- Furthermore, yatirimciiliskileri@vakifbank.com.tr and investor.relations@vakifbank.com.tr e-mail addresses were set up to make it easier for investors to reach the Bank.

The primary activities conducted by the International Banking and Investor Relations Unit geared toward investors residing abroad in 2009 are listed below.

The Unit participated in 9 investor information conferences; 5 in London and New York, 4 in Istanbul, Bodrum and Göcek.

126 meetings were held at the conferences and road shows as well as at the Bank’s Istanbul office and a total of 260 investors/analysts were met with.

Following the investor information conferences attended, the Unit prepared reports in accordance with the information received from the investors and submitted them to the senior management.

The Unit organized conference calls at certain times to present current information about the Bank to investors.

Quarterly investor presentations were prepared to be used during these meetings.

Press releases were prepared pertaining to important developments regarding the Bank and the regulatory authorities and the public were informed about such developments in coordination with the Communications and Media Relations Department and the Investment Banking Department. In addition, international institutional investors were also informed about these developments by means of the investor announcements sent to the mail group created for this purpose.

The Unit was in close contact with all analysts authoring reports about the Bank, provided accurate and healthy information to the analysts regarding the Bank to assist them in drafting the reports and transmitted the Bank’s views and opinions about the reports to the analysts.

The “Investor Relations” section with English content published on the <http://www.vakifbank.com.tr> website was regularly updated and kept current with respect to its content in order to make available the necessary information and documents to the investors, shareholders and other related parties.

Information requests submitted to the e-mail addresses above mentioned are directly responded to by Executive Vice Presidents Birgöl Denli and Hasan Ecesoy as well as Dr. Adnan Guzel, Head of the Investment Banking and Subsidiaries Department.

In addition, the International Banking and Investor Relations Group received nearly 702 information requests and all of these requests were responded to by means of the fastest means of communication.

Exercise of Shareholders’ Rights to Obtain Information

A total of 822 information requests received by the Shareholder Relations Group and the International Banking and Investor Relations Group were responded to in 2010. The information and events about the Bank such as the dates of the general assembly meetings, the minutes of the general assembly meetings, financial reports, material disclosures, etc. that are of interest to shareholders are made available to the related parties on a regular basis by means of the Bank’s website, newspaper ads, mail and telephone. In addition, investors residing abroad are also informed about these developments and events via e-mails by the International Banking and Investor Relations Group.

The information and announcements regarding the Bank’s capital increases and dividend payments are published via material disclosures on the Bank’s website after the resolution of the Board of Directors and following the completion of the related legal authorizations.

The capital increases and the announcements regarding the General Assembly meetings are disclosed to the shareholders by means of the press in accordance with the provisions of the Turkish Commercial Code and Capital Markets Law.

The agenda of and the letter of invitation for the General Assembly meeting are transmitted via mail to the shareholders who have their addresses registered in the Bank’s records at least 15 days prior to the date of the General Assembly meeting.

The necessary announcements are made via the Bank’s website before VakifBank’s capital increase transactions commence and these announcements are kept on the website until the completion of the related capital increase transactions.

With respect to the profit distribution activities; the dividends of the Bank’s non-publicly traded A, B and C group shareholders are deposited in their dedicated investment accounts at VakifBank and these funds are invested in VakifBank’s Type B Liquid Mutual Fund until their application for those shareholders who have dematerialized their shares at the Central Registry Agency (CRA). Dividend payments of the publicly-traded D group shareholders are made through the CRA.

During the period, the shareholders' requests for converting their Class B or Class C shares into Class D shares as well as the transfer of Class C shares to their beneficiaries as a result of inheritance were performed; these transactions were recorded into the share register book, dematerialized through the Central Registry Agency and the shareholders were informed regarding these transactions.

While the activities toward enhancing the "Investor Relations" concept created on the Bank's website in order to facilitate the exercise of shareholders' rights to obtain information and the other shareholding rights are ongoing, the following categories of information are provided to the investors on the Bank's website.

Information about VakıfBank;

- Shareholding structure,
- Information about the Board of Directors and Senior Management,
- VakıfBank's Charter Act and Articles of Incorporation,
- Information on credit ratings,
- Ethics principles,
- Registry information

Financial information;

- Annual reports,
- Consolidated reports,
- IFRS reports,
- Subsidiary consolidation balance sheet for financial and non-financial participations in the BRSA format

Material Disclosures;

Corporate Governance Report;
VakıfBank's Information Disclosure Policy;

General Assembly;

- Information regarding invitation to shareholders, agenda, proxy forms and blockage (for the current year),
- Attendee lists,
- Meeting minutes

News from VakıfBank

The information and documents specified above are updated regularly.

The Bank is regularly audited by independent audit firms, the Prime Ministry Supreme Audit Board, Banking Regulation and Supervision Agency and two statutory auditors appointed pursuant to the Articles of Incorporation within the framework of the provisions of the Banking Law, Turkish Commercial Code and its Charter Act.

Pursuant to Article 24 of the Banking Law and Article 73 of VakıfBank's Articles of Incorporation, Board Members Halim Kanatcı and Serdar Tunçbilek also serve as the members of the "Audit Committee".

In addition, İsmail Alptekin and Selahattin Toraman serve as the members of the “Corporate Governance and Nominating Committee” to perform the functions stipulated in Article 74 of VakıfBank’s Articles of Incorporation.

Information about the General Assembly

During 2010, the Bank’s 56th Ordinary General Assembly Meeting was held on March 19, 2010 and the Extraordinary General Assembly Meeting was held on October 22, 2010. The arrangements about the meetings of the Bank’s General Assembly are stipulated in the Charter Act and Articles of Incorporation of VakıfBank, which are available on the Bank’s website for the viewing of the public.

For the purpose of informing the shareholders prior to the General Assembly meetings, the announcements about the General Assembly meetings are published in the newspaper stipulated in Article 37 of the Turkish Commercial Code and in at least two daily national newspapers as determined by the Board of Directors no later than 15 days prior to the date of the meeting, excluding the dates of the announcement and the meeting. Information about the General Assembly meetings, letters of invitation and proxy forms are published on the Bank’s website. Furthermore, these documents are mailed to the shareholders whose current address information is registered in the Bank’s records.

The Annual Report produced for submission to the General Assembly is also presented for the information and examination of the Bank’s shareholders prior to the date of General Assembly meeting. In addition, the Bank’s balance sheet and the profit and loss statements, the agenda of the General Assembly and proxy forms are made available for viewing by the shareholders at all VakıfBank branches. Shareholders who have the right to participate in the General Assembly meetings and performed the required procedures for participation attended the 55th Ordinary General Assembly.

In the letters of announcement and invitation published before the General Assembly meetings, the following information is announced to the shareholders:

- Date, hour and location of the meeting,
- Agenda of the Meeting,
- The body inviting the General Assembly for a meeting (The Bank’s Board of Directors),
- The addresses at which the annual report and the balance sheet and profit and loss statements will be made available for the examination of shareholders in case of ordinary meeting announcements (Head Office and VakıfBank branches),
- Proxy forms for shareholders who cannot attend the meeting in person.

The Annual Report prepared for this meeting contains information such as the activities of the Bank in 2010, information about senior management, the Bank's balance sheets, notes to the balance sheet, independent audit report, statutory auditors' report, profit distribution proposal of the Board of Directors, Report on Compliance with Corporate Governance Principles, etc. Upon request, shareholders are given a copy of the annual report by the Investment Banking Shareholder Relations Group before or after the General Assembly meeting.

In both the ordinary and extraordinary meetings of the Bank's General Assembly, all of the shareholders have the right to speak, declare opinion and ask questions about the agenda items regardless of the number of their shares they own. Shareholders can submit proposals on the issues on the agenda of the General Assembly, and these proposals are voted on and resolved by the General Assembly under the procedure in accordance with the legislation and the Bank's Articles of Incorporation.

The minutes of the General Assembly meetings are published in the Trade Registry Gazette of Turkey. The minutes of the General Assembly meetings are sent to shareholders upon request by the Investment Banking Shareholder Relations Group.

The agenda, place, hour and minutes of the General Assembly meetings and the resolutions passed are also announced to the public and our shareholders by way of "Material Disclosures" after the meeting of the General Assembly.

Voting Rights and Minority Rights

VakıfBank is divided into Class (A), (B), (C) and (D) group shares. The nominal values and voting rights of the share certificates of all classes are equal.

Class (D) consists of publicly held shares.

A shareholder who owns or represents ten shares has one vote at the meetings of the General Assembly. Those with more than ten shares have number of votes determined based on the proportion specified above without any limitation.

The Bank's Board of Directors consists of nine members including the CEO. One of the members of the Class (A) is elected by the Prime Minister to represent the General Directorate of Foundations; the other three members of Class (A) and one member of Class (B) and two members of Class (C) are elected by the General Assembly from among the candidates nominated by a majority of their own groups and one member is elected from among the candidates nominated by the shareholders.

Class (D) group has priority in determined this member.

One member elected to the Board of Directors by the General Assembly and one member per each of Class (A) and Class (C) groups are independent members. There is not any member on the Board of Directors elected by minority shares.

In the absence of the Bank's CEO, the Deputy CEO is the ex officio member of the Board of Directors. The CEO and the Chairman of the Board of Directors of the Bank cannot be the same person.

Dividend Distribution Policy and Dividend Distribution Timeline

The principles governing the Bank's profit distribution are stipulated in detail in the Articles of Incorporation of the Bank. The Articles of Incorporation of the Bank is made available on the VakıfBank website for information and examination of the public and shareholders.

The Board of Directors of VakıfBank presents its dividend proposal to the General Assembly and to the information of the shareholders by means of the annual report prior to the General Assembly meeting each year. The dividend distribution proposal of the Board of Directors is discussed and resolved at VakıfBank's General Assembly meeting.

The dividend distribution approved by the General Assembly of VakıfBank is performed within the timeline specified by legislation.

Transfer of Shares

The shares are divided into Class (A), (B), (C), and (D) groups and all of them are registered shares.

The Council of Ministers is authorized to sell and to determine the procedures and principles about the sale of Class (A) shares of the Bank as well as the Class (B) shares owned by the foundations that are represented by the General Directorate of Foundations.

There is no provision in VakıfBank's Articles of Incorporation limiting the transfer of remaining Class (B) shares (shares owned by foundations that are not controlled by the General Directorate of Foundations), or the shares representing Class (C) and (D) groups.

However, VakıfBank's Board of Directors is authorized to convert Class (B) shares that are owned by registered and added foundations (upon the consent of the General Directorate of Foundations) as well as Class (C) shares into Class (D) shares upon the demand of the shareholders.

II - PUBLIC DISCLOSURE AND TRANSPARENCY

VakıfBank's Information Disclosure Policy

VakıfBank's Information Disclosure Policy was approved by the Board of Directors on March 19, 2009 and was announced to the public. The mentioned Information Disclosure Policy is available on the www.vakifbank.com.tr website.

The following categories of information are disclosed to the public within the scope of the Bank's information disclosure policy:

- Announcement of issues (agenda, proxy, invitation to shareholders) to be discussed at the General Assembly meeting via the press and Internet,
- Making the mandatory announcements via the Trade Registry Gazette of Turkey and daily newspapers for changes in Articles of Incorporation, General Assembly meetings, capital increases and dividend payments,
- In accordance with the Banking Regulation and Supervision Agency (BRSA) regulations; the annual report is prepared with the statutorily required information and announcements prior to the General Assembly meeting each year, provided to the shareholders for their examination, published on the Bank's website (<http://www.vakifbank.com.tr>) and hard copies are made available by the Investor Relations Group upon request or at the Bank's branches,
- Disclosure of the Bank's dividend policy via the Istanbul Stock Exchange (ISE) and the Bank's website,
- Submitting quarterly unconsolidated and consolidated financial statements and notes to these statements prepared in accordance with BRSA regulations as well as the independent audit report to the ISE within the statutorily stipulated timeline and publishing these reports and information on the Bank's website,
- Timely submission of Material Disclosures to the ISE as required by Capital Markets Board (CMB) regulations,
- The Bank makes press releases via the print or visual media when necessary. These print or visual media press releases can only be prepared by the Chairman of the Board of Directors, the CEO, the Deputy CEO or a person officially authorized by either one of them.

Material Disclosures

Pursuant to the Communiqué on the Principles Regarding the Public Disclosure of Material Events issued by the Capital Markets Board, 84 material disclosures were made in 2010 pertaining to issues affecting the Bank or the Bank's operations.

The material disclosures that are prepared and made centrally by the Investment Banking Group are also forwarded regularly to the overseas-based fund managers, institutional investors and other investors via e-mail by the International Banking and Investor Relations Group. The Bank did not receive any request for supplemental material disclosures from the Istanbul Stock Exchange with respect to its material disclosures.

No sanctions were imposed on the Bank by the Capital Markets Board for non-compliance with material disclosure requirements.

VakıfBank Website and Its Content

The Bank's website can be reached at <http://www.vakifbank.com.tr>.

The Investor Relations section of VakıfBank's website contains the following information:

Information about the Bank

- Shareholding Structure
- Board of Directors and Senior Management
- VakıfBank Articles of Incorporation
- VakıfBank Charter Act
- Credit Ratings
- Ethics Principles
- Trade Registry Information

Financial Information

- Annual Reports
- Consolidated Reports
- Unconsolidated Reports
- IFRS Reports
- Subsidiary Consolidated Balance Sheet for Financial and Non-financial Participations in the BRSA Format

Material Disclosures

- Material disclosures made in 2005, 2006, 2007, 2008, 2009, 2010.

Corporate Governance Report

- Corporate Governance Report

General Assembly

- Ordinary General Assembly Agenda, Invitations to Shareholders, Proxy Forms
- Annual Report
- General Assembly List of Attendees
- General Assembly List of Attendees for 2005, 2006, 2007, 2008, 2009, 2010
- General Assembly Meeting Minutes
- Minutes from 2005, 2006, 2007, 2008, 2009, 2010

News from VakıfBank

Disclosure of Real Person Ultimate Controlling Shareholder(s)

There is no real person controlling shareholder in the Bank. None of the Bank's real person shareholders own more than 5% of the Bank's outstanding shares.

The shareholding structure of the Bank is published in the annual reports and the website.

Public Disclosure of Persons with Access to Inside Information

Pursuant to Article 73 of the Banking Law; banks' partners, Members of their Board of Directors, their relatives and persons assigned to act on behalf of them are prevented from disclosing the secrets about the banks and their clients that they learn as a result of their positions and duties to any parties other than the people and entities that are clearly authorized by law in this respect.

Information about the Bank's financial, economic, credit and cash position that are known by the members of the Bank's executive and audit functions, their relatives and other officials consist of;

- Bank's customer potential,
- names of its customers,
- lending, deposit collection and strategic management principles,
- information that would potentially harm the Bank's competitive position if it were acquired by its rivals and thus that should not be disclosed to third parties or to the public,
- research and product development initiatives,
- operating strategy, pricing policy and marketing tactics,
- all information, documents, electronic records and data regarding its major contracts and risk positions.

With deference to principles and limitations stipulated in the Banking Law and other laws, Bank's secrets cannot be revealed, used or given to third parties by the Bank's official bodies and their officers. This responsibility continues after the termination of employment.

The Bank prepared a list of individuals who work for the Bank pursuant to an employment contract or other means and have regular access to insider information, updates this list when there is change and stands ready to send the list to the Capital Markets Board and the Istanbul Stock Exchange. This list kept confidential for at least eight years.

A separate list of persons with access to insider information is not disclosed. The members of the Board of Directors and members of the senior management who can be in that position are listed in the annual reports and on the Bank's website.

III – STAKEHOLDERS

Disclosure of Information to Stakeholders

VakıfBank stakeholders and investors are informed in accordance with the public disclosure principles.

In addition, the corporate website is also used for giving stakeholders access to information about which they need to be informed.

Information requests, wishes and complaints of customers about the Bank's products and as well as customers' problems are tended to and resolved by all units of the Bank in the most effective manner.

An Information System Portal was created for providing information to the employees. All of the announcements were migrated to a system-based format by means of this portal, which is an intra-Bank information sharing system. Since access to all information within the company is available over the system, employees can reach any information they need quickly and from various points in the most efficient manner.

Therefore, this platform enhances employee satisfaction as well as preventing loss of time and effort. VakıfBank's purpose in launching this portal was to cut costs and achieve faster communication.

Stakeholder Participation in Management

The Bank's stakeholders are represented in its management as stipulated in the Articles of Incorporation as follows:

The Bank's Board of Directors consists of nine members including the CEO. One of the members of the Class (A) is elected by the Prime Minister to represent the General Directorate of Foundations; the other three members of Class (A) and one member of Class (B) and two members of Class (C) are elected by the General Assembly among the candidates nominated by the majority of their own groups and one member is elected amongst the members nominated by the shareholders; the latter member is determined taking into consideration the preferences of Class (D) group. Three of the nine Members of the Board of Directors are elected as independent members.

The employees and pensioners of VakıfBank participate in the management by means of the Türkiye Vakıflar Bankası T.A.O. Employees Pension and Health Benefits Fund Foundation, which owns 16.10% of the Bank's share capital.

Activities toward enhancing the communication among the Bank's personnel are carried out with the purpose of establishing efficient and productive work relations and creating team spirit among the employees of the Bank. Participation in management is always encouraged and the employees are provided with means and opportunities to have access to and to express their wishes and recommendations to the senior management. To this effect, an e-mail address was created as part of the Bank's restructuring efforts in order to enable all employees at every level and with any title to participate in the Bank's management with the purpose of ensuring efficiency in the implementation of restructuring operations and increasing productivity, effectiveness and performance. The suggestions submitted to this e-mail address are examined and evaluated.

Human Resources Policy

Aware of the fact that the success of the growth strategy it has adopted in the recent years, and the achievement of the targets set in line with the still ongoing restructuring project are mostly dependent on its human resource; the Bank is continuously undertaking improvement efforts in the recruitment, promotion, performance evaluation, career planning and training processes.

VakıfBank recruits new personnel in order to meet the staffing needs arising from the creation of new branches and new units, and expanding business volume in connection with the Bank's growth strategy and its restructuring project.

The Bank accepts applications from candidates with degrees from four-year banking-related departments and institutes of Turkey's leading universities; candidates who try to improve themselves, hold advanced degrees, and are fluent in foreign languages are preferred.

Employees to be recruited in assistant auditor, assistant financial analyst, assistant specialist and officer positions are given at least one written and one oral exam. The Bank's personnel by-laws clearly stipulate the operation and conditions of the recruitment process. The same bylaws also set out career steps for the Bank's employees and the required qualifications; the employees are promoted in accordance with these predetermined plans.

As part of the restructuring project, performance evaluations are conducted for branch employees who have assumed TPY (Commercial Portfolio Manager), BPY (Individual Portfolio Manager) and SS (Sales Representative) roles, as well as for the branches, regional directorates and the Head Office. Performance-based bonuses are paid to the entire personnel of the Bank.

Furthermore, employee performance is measured according to objective criteria, and their qualifications and the fields in which they can be productive are evaluated. A record model is in place, which is aimed at assessing the employees in view of their roles and responsibilities; the model is updated at certain intervals, and the Bank aims to assess its employees from every aspect.

The training programs are developed and carried out in line with the analyses made to identify training needs of the personnel and the training requests received.

The Bank's personnel are subject to the provisions and principles of private law and their employment is governed by the provisions of the Labor Law No. 4857, which is still in force. The Bank's personnel are members of the Union of Bank and Insurance Workers (BASS), and the employment conditions of the personnel are determined by the Collective Bargaining Agreements (TIS) concluded between the Bank and this union. Currently, the 19th Period TIS, which is effective from May 1, 2009 until April 30, 2011, is in force.

The relations between the employees and the employer are conducted by means of the managers and representatives of this union.

Requests and complaints of the Bank's employees regarding their working conditions, benefits, duties and responsibilities are transmitted to the employer via the union representatives and followed up closely. The full names and positions of the union administrators are listed below.

Name & Surname	Title
Turgut YILMAZ	General Secretary
Erol DEMİR	General Secretary
Salih KALFA	General Secretary of Education
Mustafa EREN	General Secretary of Finance
Gökhan EYGÜN	General Secretary of Organization

Relations with Customers and Suppliers

A “Customer Problems Solution Centre” unit was established within the Bank in order to ensure customer satisfaction. This unit can be reached on the Internet and all requests, complaints or gratifications about the Bank’s products and services can be transmitted to the related unit via e-mail. Furthermore, clients can resolve all of their banking transactions with a single call through the Vakıfbank-724 branch via by dialing 444 0 724.

All practices regarding the suppliers are conducted in accordance with the Labor Law and other legislation. The recruitment, promotion and dismissal policies are documented in writing in the personnel by-laws.

Social Responsibility

In addition to the successful results attained in 2010, VakıfBank extended support to sports and athletes, to various assistance and solidarity associations and organizations that will contribute to financial and technological advancement of our country, and also sponsored various cultural, artistic and educational events and projects.

VakıfBank sustained its long-lasting support to the Turkish arts and artists by opening 61 exhibitions throughout 2010 at art galleries in Ankara and İstanbul. The Bank also reinforced its contribution to the arts by extending support and opportunities for the continued activities and concerts of the Turkish Art Music and Turkish Folk Music choirs comprised of VakıfBank employees.

The importance attached by the Bank to the press has found further evidence in the support extended by VakıfBank to the “TFMD Press Photo of the Year 2009” competition organized by the Turkish Photojournalists Association (TFMD) from March 12, 2010 until December 31, 2010.

One of the major supporters of the Turkish sports for nearly 25 years with VakıfBank Güneş Sigorta Women’s Volleyball Team, our Bank continued to support sports also during 2010. Becoming the main sponsor of Turkey’s Women’s National Volleyball Team, the Bank led the significant achievements of our National Team and the promotion of the Turkish sports to an important level.

The Bank also gave support to Ahi Evran Summer Biathlon Turkey Championships, the second leg of the Biathlon World Championships and the Turkish National Team qualifications.

Our Bank showed that it stands by our handicapped citizens, who are unfortunately always regarded of secondary importance in our country, by sponsoring Ayvalık 18th Handicapped Cultural and Artistic Activities organized by the Federation for the Handicapped between September 14-19, 2010. Fulfilling more than its share of social responsibility, VakıfBank was also honored with an award by TEMADER, an association of terror victims and their families whose activities have been long receiving support from the Bank.

One of the greatest supporters of Turkey's most deep-rooted establishments and of the SMEs, VakıfBank also sponsored the 23rd Ahi Week Celebrations held in İstanbul and Kırşehir on October 11-17, 2010, co-organized by the Ministry of Industry and Trade, Directorate General for Craftsmen and Tradesmen, and the Association of Craftsmen and Tradesmen. This was yet another endorsement of the Bank's constant support to tradesmen and artisans.

In 2010, VakıfBank continued to spend its best efforts to support the financial progress of our country by taking part in national and international events. The Bank sponsored the ADFIMI Development Forum 2010 organized on October 5-6, 2010 by ADFIMI (Association of National Development Finance Institutions in Member Countries of The Islamic Development Bank), of which it is a member.

In addition, the Bank sponsored Euromoney Turkey Finance&Investment Forum held on June 16th, and the Active Academy 8th International Finance Summit organized on December 8th and 9th, thus playing a major role in the financial development of Turkey in the international platform. VakıfBank was honored with an award at the Finance Summit for its contributions to foreign trade.

During the course of 2010, VakıfBank continued to give support in the fields of sports, education, finance, culture and the arts, and gave financial and moral support for the realization of various activities.

V – BOARD OF DIRECTORS

Structure, Composition and Independent Members of the Board of Directors

Name & Surname	Position	Appointed on
Hasan SEZER	Chairman of the Board of Directors Member of the Board of Directors (A) (Credit Committee Alternate Member)	19.03.2010
Ahmet CANDAN	Deputy Chairman of the Board of Directors Member of the Board of Directors (A) (Credit Committee Member)	19.03.2010 01.04.2010
Süleyman KALKAN	CEO Ex Officio Member of the Board of Directors	19.03.2010
Halim KANATCI	Member of the Board of Directors (A) (Audit Committee Member)	28.04.2009 05.11.2010
İsmail ALPTEKİN	Member of the Board of Directors (A)- Independent (Corporate Governance and Nominating Committee Member)	06.04.2009 07.04.2009
Dr. Adnan ERTEM	Member of the Board of Directors (B) (Credit Committee Alternate Member)	27.10.2010 03.11.2010
Ramazan GÜNDÜZ	Member of the Board of Directors (C)- Independent (Credit Committee Member)	06.04.2009 07.04.2009
Selahattin TORAMAN	Member of the Board of Directors (C) (Corporate Governance and Nominating Committee Member)	19.03.2010
Serdar TUNÇBİLEK	Member of the Board of Directors (D)- Independent (Audit Committee Member)	24.07.2007 01.04.2010

Qualifications of the Members of the Board of Directors

The minimum qualifications required to be eligible to serve on the Bank's Board of Directors are identical to the qualifications stipulated in Articles 3.1.1, 3.1.2 and 3.1.5 of Section IV of Corporate Governance Principles of the Capital Markets Board.

Mission, Vision and Strategic Goals of the Bank

Mission

Recognizing that our focus on people and knowledge is our most valuable asset, our mission is to take modern banking to new levels with new ventures in line with our social banking approach.

Vision

With the products and services we offer, as well as the trust we inspire, our vision is to become Turkey's leading bank and be the 'primary banking partner' of customers.

Goals

- Increasing our market share by creating change via the Restructuring Program,
- Ensuring healthy growth,
- Achieving unconditional customer satisfaction,
- Addressing any and all financing needs,
- Adhering to a broad-based deposit policy,
- Developing and launching new products and services,
- Increasing non-interest income,
- Reducing costs,
- Enhancing employee development and motivation while pursuing these goals, since employees are the Bank's most valuable asset.

Risk Management and Internal Control Mechanism

Internal Control

Pursuant to Article 29 of the Banking Law; in order to monitor the risks they are exposed to and to keep these risks under control, banks are obligated to establish and operate an adequate and effective internal control, risk management and internal audit system that is compatible with the scope and structure of their operations, that adapts to changing conditions and that covers all branches and consolidated subsidiaries.

The Bank conducts its internal control activities within the framework of the provisions of the Regulation on Banks' Internal Systems, which was published in the Official Gazette issue 26333, dated November 1, 2006, regarding internal control, risk management and internal audit systems of the banks, and these activities cover all of the Bank's domestic and international branches, consolidated subsidiaries, Head Office units and all of the Bank's operations.

The Bank's internal control activities are executed under the supervision of the Audit Committee, which consists of certain members of the Board of Directors.

The internal control system was formulated from the procedures, principles and methods put forth by the Internal Control Department. It was structured to ensure that the Bank's activities are conducted in line with legislation and regulations, as well as the Bank's strategies, policies, principles and targets; account and record-keeping system is functioning reliably; and financial and operational risks are kept at a manageable level.

In this scope, systems were created so as to prevent errors and fraud by way of implementation procedures, business flows, separation of authorities, duties and responsibilities, authorization and approval mechanisms, cross checks, signature authorities, rules geared toward safeguarding cash and countable securities, and systematic self controls. Necessary reviews and updates are performed in line with changing needs and circumstances, and technological developments.

The internal control system protects the Bank from financial losses and legal sanctions stemming from flawed operation of implementation processes and systems, personal errors and fraud, while identifying potential exposure and taking actions against them.

Prior to introduction new products, services and related processes and systems are evaluated, and risk analyses are performed thereon, thereby aiming to establish self-control and systemic controls in processes. Risk-oriented systemic and standard controls are developed and implemented, which will make sure that the Bank's activities are conducted in line with the Board of Directors decisions, Head Office instructions, predetermined guidelines and restrictions.

Internal control activities are carried out in view of the Bank's scale and activities, by an adequate number of auditors possessing the qualifications as required by their duties, powers and responsibilities. Regulatory arrangements concerning the conduct of activities are monitored and necessary actions and measures are taken.

Risk Management

Pursuant to Regulation on Banks' Internal Systems; the Board of Directors is responsible for the development of internal systems and ensuring effective, adequate and appropriate operation of these systems.

In this context; Board of Internal Auditors, Internal Control Department and Risk Management Department were created such that the duties and responsibilities of each are clear, there is no conflict of duties between them and they will work together in a coordinated fashion.

Structured to report directly to the Board of Directors via an Audit Committee member, the Risk Management Department operates in accordance with local legislation and international regulations and standards.

Authorities and Responsibilities of the Members of the Board of Directors and the Executives

The duties, authorities and responsibilities of the members of the Bank's Board of Directors are specified in Articles 56 and 59 of the Bank's Articles of Incorporation in accordance with the principles determined as per the provisions of the Turkish Commercial Code and the Banking Law.

Operating Principles of the Bank's Board of Directors

The Bank's Board of Directors is obliged to convene no fewer than twice a month upon the invitation of the Chairman or the request of at least two members as required by the Bank's operations and business. However, in the case that there are no issues to be discussed in the agenda, the meeting can be postponed for one time only upon the approval of the Chairman (Article 53 of the Bank's Articles of Incorporation).

The meeting agendas are set according to the memorandums received from the Head Office departments; reports requested by the Board of Directors from the Bank's executives and various issues brought up by the Members of the Board are discussed during the meetings. The agenda and the related documents are distributed to the members before the meeting.

The information and communication services for the Members of the Bank's Board of Directors are carried out by the Board of Directors' Office.

The Board of Directors held 48 meetings in 2010. All of the opinions and objections expressed by the members during the meetings of the Board of Directors are recorded in the minutes. The members participate in person at the meetings where issues specified in Article 2.17.4 of Section IV of Corporate Governance Principles published by the Capital Markets Board are to be discussed.

Prohibition from Doing Business or Competing with the Bank

Pursuant to Article 60 of the Bank's Articles of Incorporation, the members of the Board of Directors cannot be engaged in any business relationship with the bank directly or indirectly for themselves or on behalf of others or become an executive member of any other company or institution doing business with the Bank without the permission of the Bank's General Assembly.

Ethics Rules

Embracing the principles of preventing unfair competition and maintaining stability and confidence in the banking industry, increasing the service quality, and maintaining the existing distinguished image of the banking profession in the society; the Bank's Board of Directors has adopted the Banking Ethics Rules that were formulated by the Banks Association of Turkey with resolution No. 74205 dated February 16, 2006 and committed to adhere to these principles. This resolution was approved at the Bank's General Assembly held on March 31, 2006.

Number, Structure and Independence of the Committees established by the Board of Directors

Audit Committee, Credit Committee and Corporate Governance and Nominating Committee were formed from among the members of the Board of Directors in accordance with the Banking Law No. 5411, the Regulation on the Banks' Corporate Governance Principles issued by BRSA (Banking Regulation and Supervising Agency), the Corporate Governance Principles issued by CMB (Capital Markets Board) and the Bank's Articles of Incorporation.

The Audit Committee consists of Serdar Tunçbilek, who was appointed on April 1, 2010, and Halim Kanatçı, who was appointed on November 11, 2010. The Audit Committee convenes at the times specified by the Chairman of the Audit Committee at least once a month.

The Credit Committee consists of two full and two alternate members. Ramazan Gündüz and Ahmet Candan are the full members whereas Hasan Sezer and Dr. Adnan Ertem are the alternate members. The Credit Committee convenes every 15 days in general but holds extraordinary meetings in case of emergencies. The date of meeting is determined by the CEO according to the number and the urgency of the items on the agenda received by the secretariat of the meeting.

The Corporate Governance and Nominating Committee consists of Selahattin Toraman and the Independent Board Member İsmail Alptekin. The Corporate Governance and Nominating Committee convenes at the dates specified by the Committee Chairman at least twice a year, generally every three months but not to exceed six months between meetings.

Remuneration to the Board of Directors

The Chairman, Deputy Chairman and the Members of the Board of Directors receive an annual salary determined by the General Assembly every year and enforced upon approval of the Prime Minister.

Yours sincerely;

İsmail ALPTEKİN
Member of the Corporate
Governance and Nominating
Committee

Selahattin TORAMAN
Member of the Corporate
Governance and Nominating
Committee