

***CORPORATE GOVERNANCE
PRINCIPLES COMPLIANCE REPORT
2019***



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CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

CHAPTER I-DECLARATION OF CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE

Türkiye Vakıflar Bankası T.A.O. (“VakıfBank” or “Bank”) are bound by the Corporate Governance Principles established by the Banking Legislation, the Capital Market Legislation and the Turkish Commercial Code and relevant regulations and pays maximum attention to the implementation of these principles. VakıfBank embraces the principles of equality, transparency, accountability and responsibility as stipulated in the Corporate Governance Principles (“Principles”) published by the Capital Markets Board (“CMB”).

Among the Corporate Governance Principles within the attachment of Corporate Governance Communiqué numbered II-17.1, as published in the Official Gazette dated January 03, 2014 and numbered 28871;

a-) The Bank is in compliance with the following principles that must be implemented by banks (1.3.1.), (1.3.5.), (1.3.6.), (1.3.9.), (4.2.6.), (4.3.1.), (4.3.2.), (4.3.3.), (4.3.4.), (4.3.5.), (4.3.6.), (4.3.7.), (4.3.8.), (4.5.1.), (4.5.2.), (4.5.3.), (4.5.4.), (4.5.9.), (4.5.10.), (4.5.11.), (4.5. 12.), (4.5.13.), (4.6.2.) and (4.6.3.).

b-) Regarding the non-compulsory principles;

All VakıfBank Board Members are elected by the General Assembly. There is one female member among 9 Board Members elected at the 65th Ordinary General Assembly held on May 27, 2019. On the other hand, in spite of the fact that the 25% ratio advised in the Corporate Governance Principle n.4.3.9 is not reached exactly, no disputes have arisen between the stakeholders so far.

The Corporate Governance Committee, which is responsible for investigating the extent to which the corporate governance principles are applied at the Bank and determining the reasons for this in case it is not applied and determining the negativities that arise as a result of not being fully implemented, was established within the framework of the Regulation on the Corporate Governance Principles of Banks, published by the Banking Regulation and Supervision Agency, Regulation on the Corporate Governance Principles of Banks published by the Capital Markets Board, and Communiqué on the Determination and Implementation of the Corporate Governance Principles Series: IV, No: 56, published by the Capital Markets Board and in force at that time. The Committee convened five times in 2019 with the participation of all members. The Board of Directors deemed the activities carried out by the Corporate Governance Committee in 2019 effective, appropriate, sufficient and in compliance with the legislation.

CHAPTER II – SHAREHOLDERS

2.1 Investor Relations Department

Investor Relations Department carries out its activities under the Head of International Banking and Investor Relations Department that reports to Executive Vice President Mr. Muhammed Onay ÖZKAN.

Conducting relations with foreign and institutional investors, rating institutions and shareholders, the Investor Relations Department informs and reports to the Board of Directors regarding all activities carried out and submits presentations periodically.

Investor Relations Department

Investor Relations E-mail Address: investorrelations@vakifbank.com.tr

Senior Vice President: Ali TAHAN*

Phone: (+90 216) 724 26 61

E-mail: ali.tahan@vakifbank.com.tr

Licenses: Capital Market Transactions Level 3 License, License on Derivatives, Corporate Governance Grading Licenses

*He acts as a member of the Corporate Governance Committee in accordance with Article 11 and paragraph 2 of the Corporate Governance Communiqué.

Manager: Zeynep Nihan DİNCEL

Phone: (+90 216) 724 26 85

E-mail: zeynepnihan.dincel@vakifbank.com.tr

Department Staff

Yasemin KEÇELİOĞLU – Associate

yasemin.kecelioglu@vakifbank.com.tr / (+90 216) 724 26 87

Ece Seda YASAN YILMAZ – Associate

eceseda.yasanyilmaz@vakifbank.com.tr / (+90 216) 724 26 88

Yusuf YILMAZ – Associate

yusuf.yilmaz2@vakifbank.com.tr / (+90 216) 724 26 89

Berna SELEM ARSLANTAŞ – Associate

berna.selemarslantas@vakifbank.com.tr / (+90 216) 724 26 90

Nagehan YALMANCI – Assistant Associate

nagehan.yalmanci@vakifbank.com.tr / (+90 216) 724 26 92

Mehmet Mümtaz MEMİK – Assistant Associate

mehmetmumtaz.memik@vakifbank.com.tr / (+90 216) 724 26 91

Main duties and responsibilities of the Investor Relations Department are as follows;

- Managing relations with existing and potential foreign investors, local institutional investors and rating agencies,
- Maintaining the relations with brokerage companies' analysts who prepare reports regarding the Bank,
- Attending meetings organized in Turkey and abroad on behalf of VakıfBank,
- Preparing quarterly presentations regarding results of the financial statements and making teleconferences,
- Preparing corporate presentations and similar type of meeting tools that publicize the Bank arranging various target-driven publicity and informative meetings,
- Keeping the "Investor Relations" page up-to-date that includes Turkish and English contents on the Bank's website,
- Working in coordination with the relevant Head Office departments in preparing and updating the Corporate Governance Principles Compliance Report,
- Contribute to the preparation of the Bank's annual and interim reports,
- Responding to the shareholders' written information requests about the Bank,
- Disclosing the material events via Public Disclosure Platform required to be made within the scope of the Capital Markets Legislation and the relevant legislation that the Bank is liable to comply with,
- Carrying out activities in collaboration with the departments for sustainability activities,
- Assembling, running, and providing coordination necessary for the sustainability of Quality and Environment Management System with a methodology to be determined by the Corporate Governance Committee within the Bank.

In 2019, Investor Relations Department;

- VakıfBank Investor Relations Department **was among the top 5** in the "**Best Corporate Investor Relations**" category in the survey conducted by Extel,
- Approximately 1,200 information requests submitted by shareholders were responded.
- 13 local and foreign investor conferences were attended, and face-to-face meetings were held with more than 200 foreign and local institutional investors.
- Approximately 200 meetings were held at the Bank's office in Istanbul, and approximately 425 investors/analysts were interviewed.
- Following the investor conferences attended, reports were prepared in line with the feedback obtained from the investors and presented to the top management.
- Four teleconferences about the results of the financial statements were arranged and their records were published on the English version of the website.
- Annual ordinary evaluation meetings were held with rating agencies (Moody's, Fitch, S&P and JCR).

- Close communication was sustained with all the analysts publishing reports regarding the Bank, accurate and reliable information was provided to the analysts during the report preparation and comments on the reports were shared with the analysts following the review process. As of December 31, 2019, the foreign ownership ratio of the Bank's public shares was well above the average of peer banks, at 81.9%.
- In the "Bonds & Loans 2019" awards, one of the most prestigious awards in the financial sector, VakifBank was deemed worthy of the second and third prize in the category of "International Bond Deal of the Year" and "Financial Institutions Financing Deal of the Year" with the 5-year Eurobond issue of USD 650 million under the GMTN Program. Also, at the same award ceremony, VakifBank received the award of the "Best Structured Financing Transaction of the Year" with the 5.5-year term TL 1.3 billion covered bond embedded treasury transactions from abroad.
- Within the scope of Covered Bond Program, 8-year covered bond issuances amounting to 1.5 billion Turkish Liras were made in 2 separate transactions in 2019. Thus, VakifBank, which has issued approximately TL 9.5 billion in total since its establishment, has been the most active Turkish bank using the Covered Bond Program.
- In October, VakifBank executed a securitization transaction amounting USD 417 million based on Treasury transactions with a maturity of 7 years. Considering the rating downgrade of the Fitch in July, VakifBank became the first Turkish bank to successfully complete a challenging process by getting approval from all correspondent banks separately specific to this transaction within the scope of providing long-term cost-effective funding sources.
- In 2019, VakifBank continued to increase its funding diversity by providing 300 million USD in financing from abroad within the scope of project loan-backed financing. Funding provided by showing high-standard project loans as collateral and whose guarantor was Republic of Turkey Ministry of Treasury and Finance, is important in terms of expanding the Bank's investor base as well as to extend the maturity of its funding base.
- On September 25, 2019, VakifBank issued Turkey's first 10NC5 Turkish Lira Benchmark Interest Rate (TLREF) indexed Tier II notes amounting TL 725 million with 10 years maturity.
- The leading bank in Turkey in the international capital market, VakifBank decided to call subordinated notes (Tier II), which is the first ever Basel 3-compliant Tier II subordinated notes of Turkey, amounting USD 500 million with 10 years maturity and having a call option at the end of 5 years and getting BRSA approval regarding call option. Notes will be redeemed on February 3, 2020. The use of the call option of this bond, which is a first in the Turkish banking sector, has been a peer decision that reinforces the positive investor perception both in VakifBank and in terms of the Turkish banking sector and supports the access of Turkish banks to international capital markets in the coming periods.
- Secretarial procedures were performed for the Corporate Governance Committee, which is the highest body authorized for coordinating sustainability activities, and for the Sustainability Work Group which carries out activities under this Committee.
- Joint studies were carried out with the Bank's other relevant Head Office departments to develop sustainable banking practices.
- The fourth Sustainability Report, based on the Global Reporting Initiative (GRI) Standards basic option, has been published. The report was deemed worthy of the Silver award within the scope of the Galaxy Awards Sustainability Category launched by Mercomm.

- Relations were conducted uninterruptedly to ensure continuity in the BIST Sustainability Index and FTSE4Good Emerging Markets Index where the Bank is listed.
- The Bank voluntarily participated in the Dow Jones Sustainability Index (DJSI) survey this year for the first time and the data transfer process was managed.
- The Global Compact, the largest sustainability initiative on global scale, and the United Nations Women's Empowerment Principles (UN WEPs) were signed.
- Bank was selected into Bloomberg survey Gender Equality Index (GEI Bloomberg), which holds the largest gender equality on a global scale, this year for the first time and became was one of the two banks involved in this index in Turkey.
- Work has begun to publish the first integrated report, in which the Bank will bring together the financial and non-financial components and convey the story of creating value.
- VakıfBank, which became a member of Integrated Reporting Network Turkey (ERTA carrying out awareness-raising activities for the expansion of integrated thinking in Turkey, was also elected to the ERTA Board of Directors.
- In order to provide input for the Bank's strategy plan, stakeholder dialogues were carried out using various communication channels (stakeholder panel, telephone, questionnaire).
- In line with the feedbacks obtained through stakeholder dialogues, it has been actively involved in the determination of the Bank's material issues and the establishment of a strategic business model.
- The continuity of the ISO: 9001-2015 Quality Management System, which was established in 2017 to cover all Bank activities, was ensured, and it was expanded by involving 250 branches in 2019 in the scope of ISO: 14001-2015 Environmental Management System.
- Necessary contributions have been made to the efforts to maintain the OHSAS: 18001-2007 Occupational Health and Safety Management System certificate acquired in 2018.

2.2 Exercise of Shareholders' Right to Information

The questions addressed to the Investor Relations Department are answered, except the ones that interfere with confidential business information, by contacting with the most authorized person.

Information and developments that interest the shareholders such as stock transaction, capital increase, dividend transactions, General Assembly meetings, financial statements, disclosure of material matters, are regularly communicated with the related parties via websites, newspaper ads, mails or phone calls. Mentioned developments and information are shared with the investors located abroad via e-mail. Moreover, information requests made within the activity period by the domestic shareholders about the status of their stocks, conversion transactions of the existing shares and stock sharing transactions upon death are responded in writing.

VakıfBank has two separate investor relations websites prepared both in Turkish and English. These are:

Investor relations websites in Turkish:

http://www.vakifbank.com.tr/Yatirimci_Iliskileri.aspx?pageID=657

Investor relations websites in English:

<http://www.vakifbank.com.tr/investor-relations.aspx?pageID=625>

These websites include; corporate information, Bank’s Articles of Incorporation and the Law on VakifBank, General Assembly information documents, profit distribution chart, General Assembly Internal directive, attendance lists, brief minutes, periodic financial statements and annual reports, credit rating scores given by credit rating agencies, Corporate Governance reports, sustainability information, stock data, press releases and announcements about the developments in the Bank. Public publicly announced via Disclosure Platform developments about VakifBank and disclosure of material matters are available on these websites.

VakifBank implements the provisions of the Turkish Commercial code in relation to appointment of a private auditor, this issue has not been provided for in a separate article in the Articles of Incorporation. There was no request for appointment of a special auditor during the year of 2019. VakifBank is subject to audit periodically within the scope of especially Banking Law and related legislations.

2.3 General Assembly Meetings

In 2019, the Ordinary General Assembly Meeting was held at the company headquarters. The 65th Ordinary General Assembly Meeting was held on 27 May 2019 and the meeting quorum was 84.37%.

“Regulation on The General Assemblies of The Joint Stock Companies That Will Be Made in Electronic Environment” and “Communiqué on The General Assembly System That Will Be Used in The General Assemblies of The Joint Stock Companies”. The shareholders had the opportunity to attend the General Assembly meeting on an electronic platform, express their opinions, make suggestions, and cast their votes.

In order to inform the shareholders in prior to General Assembly Meetings, the call for General Assembly, the agenda, power of attorney sample and other attached documents were publiclyannounced in conformity with the relevant legislationvia Public Disclosure Platform, Turkish Trade Registry Gazette, Electronic GeneralAssembly System and at least on two newspapers (published nationwide) selected by the Board of Directors. These documents were also published in Turkish and English on the Bank’s website. A minimum of 21 days prior (meetingand call dates excluded), a call for a General Assembly is made in the Central Registry Agency system for the e-General Assembly service that enables participating, making proposals and statements, and voting at the Bank’s General Assembly Meeting on electronic platform. Moreover, these documents are sent to the shareholders whose up-to-date addresses are listed on the Bank’s records.

The 2018 annual report, issued for the General Assembly, including Bank's balance sheet and profit/loss statements of 2018 accounting period, Board of Directors annual report, auditor's report and independent external audit company report, was made available in prior to the General Assembly within the timelines set out in the related regulation for the Bank shareholders' information and review via VakıfBank corporate website, Central Registry Agency system, Electronic General Assembly System, Head Office and all branches of the Bank. Furthermore, in case shareholders request, Bank's branch staff will be providing them with the copies of the call for General Assembly, agenda and power of attorney samples. Shareholders, entitled to attend the General Assembly, who completed the necessary procedures did attend the Ordinary General Assembly Meeting held in 2019.

In the announcement and invitation letters published before the General Assembly;

- Date, time and location of the meeting,
- Agenda of the meeting,
- The body inviting shareholders to the meeting (e.g. Bank's Board of Directors,
- The locations where the annual report, balance sheet and profit/loss accounts statements are available for review by shareholders in case of ordinary meeting announcements (Head Office, branches, Central Registry Agency system, Electronic General Assembly System and corporate web site,
- Sample power of attorney for shareholders who will not attend the meeting in person.

The issued annual report includes information such as; information regarding the activities of the Bank, information regarding the top management, Bank's balance sheets, balance sheet footnotes, independent audit report, audit board report, Board of Directors' proposal for profit distribution, Corporate Governance Principles Compliance Report, etc. Upon request, the Investor Relations Department provides shareholders with a copy of the annual report before or after the General Assembly meeting.

No media members participated in the 65th Ordinary General Assembly of the Bank.

In the General Meetings of the Bank, all shareholders, irrespective of the size of their participating share, are entitled to speak, to express their opinions and to ask questions on the agenda items, regardless of their share rates. At the Ordinary General Assembly meeting held in 2019, the proposal to choose Dr. Şinasi Kara, who was one of the D-Group shareholders which was requested to be included in the agenda by the shareholders, as a member of the Board of Directors was rejected by majority of votes.

Within the scope of Corporate Governance Principle No 1.3.5, all questions asked during the General Assembly meetings and the answers given to these questions are available on the Bank's website within 30 days following the General Assembly. In the wishes and closing section, which is the 14th agenda item of the Ordinary General Assembly Meeting held on May 27, 2019, the shareholders were given the right to ask questions and speak regarding all agenda items, and the stakeholders conveyed their opinions and suggestions. During the meeting, there were not any raised a question which was supposed to be verbally or in writing.

The questions asked by the shareholders who attend the Ordinary General Assembly Meeting both physically and electronically, the wishes and thoughts they declare, and the answers given by the Meeting Chairman and the Presidency regarding these issues are included in detail in the minutes of the General Assembly. Following the General Assembly, minutes and the annexes of the General Assembly Meeting are announced to the public and the shareholders via Public Disclosure Platform, Turkish Trade Registry Gazette, e-Company Information Portal and Electronic General Assembly System and furthermore on the Bank's website.

Information was given at the General Assembly Meeting about the amount of aid and donation made by the Bank within the period. Summary of the General Assembly Meeting include information about this issue.

In 2019, there was no matter left to the General Assembly for resolution due to the majority of the independent Members of the Board of Directors not casting affirmative vote.

Shareholders (who control the management of the Company), Board of Directors' members, managers who have administrative responsibilities, and their spouses and blood relatives and relatives by marriage up to second-degree did not make any important transaction with the Bank or its associate companies which may lead to conflicts of interest. Furthermore, the aforementioned individuals did not make any transaction, related to a commercial business that is within the scope of the Bank's or its associate companies' field of activity, for their own account or for the account of others or did not become unlimited partners in other companies carrying out similar commercial businesses.

2.4 Voting and Minority Rights

The provisions regarding voting rights of the shareholders and the use of these rights are stipulated in Article 17 of VakıfBank's Articles of Incorporation. As per the Article 19 of the VakıfBank Articles of Incorporation, shareholders (A), (B) and (C) have the privilege to nominate in the election of the Board of Directors.

VakıfBank's shares are divided into (A), (B), (C) and (D) groups. Nominal values and voting rights of the share certificates in all classes are equal. Group (D) consists of publicly traded shares.

Shareholders use their voting rights in the General Assembly in proportion to the total nominal value of their shares. Every ten shareholder or representative of this amount has one voting right in the general assembly. Those who have more than ten shares have the right to vote regardless of the limitation in terms of the amount mentioned above. Regarding voting by proxy, the regulations of the Capital Markets Board are complied with.

There is no company with which VakıfBank is a mutually affiliated and there is no vote cast for this reason in the 65th Ordinary General Assembly. The use of minority rights is subject to the

Turkish Commercial Code, the Capital Markets Law, the relevant legislation and the communiqué and resolutions of the CMB.

2.5 Dividend Rights

There is no provision in the VakıfBank Articles of Incorporation that stipulates the privileges in participating in profit sharing. The principles regarding the profit distribution VakıfBank's share are explained in Article 35 of the Articles of Incorporation.

Each year, Board of Directors of VakıfBank submits its proposal on profit distribution to the General Assembly and to the Shareholders' information via annual report prior to the General Assembly meeting. The proposal of the Board of Directors regarding profit distribution is discussed and resolved at the General Assembly. Profit distribution procedures were completed within the legal timeframe in line with the decision taken by the General Assembly about distributing 2018 Profit and necessary notifications were made to the public authorities. Furthermore, the relevant decision was publicly announced on the same day via Public Disclosure Platform.

In the profit distribution, a balanced policy is pursued between the benefits of the shareholders and the partnership.

With the aim of complying with the Corporate Governance Principle Numbered 1.6.1., in 2014, the Board of Directors of the Bank created a "Profit Distribution Policy" and published the document in Turkish and English on the corporate website. Profit Distribution Policy was presented to the approval of the shareholders at the Ordinary General Assembly Meeting held in 2015. Thus, full compliance with the relevant principle was achieved.

2.6 Transfer of Shares

All Bank shares are registered shares and divided into Class (A), (B), (C) and (D) groups.

The process regarding the transfer of bank shares was completed as of December 11, 2019 and 58.51% of the Bank's shares were transferred to the Treasury. It is recorded in the Bank's share book on behalf of the Ministry of Treasury and Finance.

The Bank's Articles of Incorporation does not include any provisions to restrict the transfer of Class (B) shares held by other attendant foundations and of Class (C) and (D) shares.

However, as per to the 6th article of the Articles of Incorporation, VakıfBank Board of Directors is authorized to convert from Class (B) shares held by attendant foundations (subject to permission by the General Directorate of Foundations) and Class (C) shares into Class (D) shares at the request of the Shareholders.

CHAPTER III- PUBLIC DISCLOSURE AND TRANSPARENCY

3.1 Bank Website and Its Content

The Bank has two separate websites; that are regularly updated and published in accordance with the Corporate Governance Principles in Turkish (www.vakifbank.com.tr) and English (<http://www.vakifbank.com.tr/English.aspx?pageID=977>).

The links of Investor relations website in Turkish and in English as presented below;

Investor Relations Website in Turkish:

http://www.vakifbank.com.tr/Yatirimci_Iliskileri.aspx?pageID=657

Investor Relations Website in English:

<http://www.vakifbank.com.tr/investor-relations.aspx?pageID=625>

These websites include; information about the Members of the Board of Directors and Senior Management, VakıfBank's organizational structure, committees and partnership structure, the Bank's record of registration, financial information and annual reports for the last 5 years at least, credit ratings given by credit rating agencies, Corporate Governance reports, information regarding sustainability, and the sustainability reports of the Bank, stock data, analyst list, presentations for investors, Bank's Articles of Incorporation and the Law on VakıfBank, General Assembly Internal directive, attendance lists, General Assembly brief minutes, capital increase and dividend ratios, code of ethics, information policy, profit distribution policy, anti-bribery and corruption policy, compensation policy, donation policy, remuneration policy, environment policy, social responsibility policy, Occupational Health and Safety policy, MASAK compliance policy, Medium Term Bonds and Mortgage Covered Bond Program and announcements regarding the developments in the Bank. These websites also include the disclosure of material matters on publicly announced developments about VakıfBank via Public Disclosure Platform. The Bank's corporate websites do not include information and announcement that may have impact on using shareholders rights.

Interactive Analysis Function offers the opportunity to make comparative analysis of VakıfBank shares and indices in local and foreign currencies.

Bank's website is in compliance with The CMB's Corporate Governance Communiqué (II-17.1; date: 03.01.2014) principles numbered (2.1.1), numbered (2.1.2), numbered (2.1.3) and numbered (2.1.4) regarding corporate websites. Most of the announcements made by the Bank via Public Disclosure Platform are translated into English and published on the webpage. Furthermore, it is made sure that the English version is consistent with the Turkish version and is prepared in a manner that will be correct, complete, direct, comprehensible, and sufficient enough for the persons who will make use of the announcement to make a decision.

3.2 Annual Report

The Bank's Annual Report is being issued within the scope of the Banking Regulation and Supervision Agency's Regulation on the Principles and Procedures of Preparation and Publication of Annual Report by Banks. Bank's Annual Report is in compliance with the CMB's Corporate Governance Communiqué (II-17.1; date: 03.01.2014) principles numbered (2.2.1) and numbered (2.2.2) regarding Annual Report.

CHAPTER IV- STAKEHOLDERS

4.1 Disclosure of Information to Stakeholders

Stakeholders are informed regularly about the issues deemed necessary through press releases, press conferences, interviews, annual reports, news on the website, announcements and various meetings.

In order to ensure accurate and reliable flow of information, the Investor Relations Department prepares presentations regarding the financial statements disclosed each quarter, shares these presentations with the investors via website and e-mail and also announces them through live teleconferences. The Department, by attending the investor meetings organized by the investment companies, shares the developments related with the Bank and the sector and answers any type of related question and request over the phone or via e-mail on a daily basis. On the Bank's website; necessary technical infrastructure was built in the "Sorun Çözelim" section for the Bank customers' information requests, comments or complaints about the Bank's services and products. Information requests, suggestions and complaints of customers about the Bank's products and services as well as the problems of customers are resolved by all relevant departments of the Bank in the most effective manner.

In order to speed up stakeholders' access to information, and to facilitate Corporate Governance Committee's access to the Bank's transactions that are contrary to the legislation and that are ethically not appropriate; mail addresses are available as presented below and on the corporate website in the Investor Relations section for the information of the stakeholders.

surdurulebilirlik@vakifbank.com.tr
sustainability@vakifbank.com.tr
yatirimciliskileri@vakifbank.com.tr
investorrelations@vakifbank.com.tr

The Information System Portal was built in order to provide information to Bank employees. All announcements are made on this intranet portal that is an internal information sharing system. At different locations, employees can have immediate and effective access to the information they are looking for due to the fact that all internal information is available on the system. In this manner, as employee satisfaction increases, time and energy loss is prevented, as well. The aim is to achieve cost saving and faster communication with the help of this portal.

The opinions and suggestions of the employees are taken into consideration and studies are carried out within this scope. Employees convey their ideas and suggestions that they think will add value to the Bank through the Suggestion Platform.

More than 10,000 suggestions have been submitted by the employees since 2012 and 1,780 suggestions were shared in 2019 through the Suggestion Platform.

Internal Customer Satisfaction Survey is conducted to measure and evaluate the satisfaction of the employees from the services they receive from the Head Office departments, to carry out the processes between the departments that are in business relations more accurately and quickly, to increase the internal customer satisfaction, to differentiate the Bank in the sector, to make it stand out in competition and to support its continuous development.

An Employee Loyalty and Satisfaction Survey is conducted to learn the trust and loyalty of the employees, VakıfBank brand and perception, their work-private life balance, their opinions on performance management, salary, training and development opportunities, and their general evaluations about their managers.

VakıfBank organizes the Management Summit Meeting, in which managers of all periods attend. At this summit, the Bank's current status, performance and expectations for the next period are discussed in line with the Corporate Strategic Goals.

The oversight of the existing control mechanisms for the compliance of the transactions performed by VakıfBank with the relevant legislation, banking practices, Bank's internal policies and ethical principles, is done by the Compliance Directorate with the coordination of Audit Board Department, Internal Control Department and Risk Management Department. The scope of the compliance function consists of: tracking of the compliance risks that may arise from the international regulations, in the foreign branches and consolidated partners of VakıfBank, performing necessary tasks in order to continuously increase the compliance awareness and culture within the Bank. The Audit Board is directly informed about the results of the activities carried out regarding the compliance function.

4.2 Stakeholder Participation in Management

The Bank takes utmost care of its employees and all the stakeholders and thereby aiming to meet the expectations of its internal and external customers by improving the quality of its products and services: In order to achieve this aim, it designs all its systems in a manner that they can be continuously improved.

VakıfBank pays utmost attention that its employees play an effective role at the development stage of new products and services. With an e-mail address created in the Bank, employees are given the opportunity to state their opinions within the scope of the new product development.

The presented opinions, after being evaluated by the departments of the Head Office, can be brought to the project stage.

If necessary, the Bank also provides information to the stakeholders who are not Bank employees, about the issues that concern them via the Bank's website, call center, branches and social media, phone and other communication channels. The Bank assembled the department called Consumer Relations Coordination Center, to ensure customer satisfaction. All suggestions, complaints or positive feedback about the Bank's products and services are communicated to the relevant department via e-mail. Additionally, customers can perform all banking transactions through a direct call to VakıfBank 7/24 branch at 0850 222 0 724.

4.3 Human Resources Policy

Within the scope of the sustainability efforts, the "Human Rights and Employee Rights Policy" that fulfills the requisites of the principle numbered 3.3.1. of the Corporate Governance Communiqué (II-17.1) was made available for the information of the stakeholders on the corporate website.

VakıfBank carries out a human resources policy that values and focuses on people with its current human resources practices. In line with the current human resources approach, the Bank aims to create proactive employees that are recruited, trained, developed and assigned appropriate roles / duties in compliance with their abilities, according to their qualifications and competencies, to perform talent management in the most effective way and that have a high level of banking professional knowledge and duty awareness, and make them adopt the Bank's goals and visions.

The main principles of the Human Resources policy carried out by the Bank are given as follows:

- Creating and maintaining a working environment to increase the motivation and efficiency of the Bank employee,
- Prioritizing the concept of gender equality in performing the policy and procedures of the Bank without discriminating among the female-male employee members, and thus providing a working environment where all employee members have equal opportunities and labor peace,
- Maintaining a permanent working environment open to communication at all levels,
- Evaluating employees' success and performance at work, encourage them, maintaining their moral and motivation at the highest level,
- Considering the material and moral interests of the employees' and pursuing, maintaining, developing a fair wage policy where equal wages are given for equal jobs without making any gender discrimination,
- Contributing to personal development of the employees and helping them reach their career goals while increasing their loyalty to the Bank and strengthening their sense of belonging through internal/ external training programs,
- Taking necessary measures to increase health, safety, and welfare of the female/male employees, and increasing their loyalty to the Bank,

- Providing the employees with opportunities to get title promotions on the basis of female male equality, and contributing to improving their management and leadership skills with the new responsibilities given,
- Keeping track of the modern HR practices and developments, integrating the latest HR practices into the Bank's system and,
- Considering mainly the understanding that the attitudes of the candidates will have a high impact within their competencies, to establish and implement a recruitment approach that will highlight the values adopted by the candidate.

The criteria about the employee to be employed at the Bank are specified in the Bank Personnel Directive. Recruitment process is carried out in line with the principles stipulated in the relevant legislation, taking long-term strategic targets of the Bank and the norm staff of branches and departments into consideration. VakıfBank aims to employ visionary and qualified candidates who can see the opportunities that evolve in the sector in the process of digitalization through recruitments it manages.

Recruitment at the Bank is made mainly by the titles of Officer, Assistant Associate in the Banking profession group, and by the titles of Assistant Auditor and Assistant Controller in the audit group. In addition, VakıfBank also employs personnel in IT Assistant Associate, Engineer, Architect and Lawyer titles to work in business departments outside the banking area such as IT Centers, Legal Departments etc. that requires specialities. The Bank conducts profiling based on the behavior-based competency criteria in order to identify qualified, correct and appropriate candidates for the corporate culture in the recruitments it performs in the group of specialized staff. In line with this, in order to determine the competencies of the candidates in this group, the candidates are subjected to the evaluation center application and appointed to the Bank after their competency-based evaluations.

The Bank also aims to strengthen and increase employee loyalty through its human resources practices. In this regard, the "Business Compliance Practice Principles" document has been taken as a basis in order to facilitate the adjustment and adaptation of the newly appointed personnel to the Bank, and to transfer the corporate culture, vision, mission and objectives of the Bank to the newly recruited personnel in the best way.

Transactions regarding the change of place of duty at the Bank are carried out in accordance with the personnel needs of the branches/departments in the framework of the provisions of the Bank Personnel Regulation. It is aimed to manage the current human resources effectively and efficiently and to carry out the activities with the optimum number of personnel in the branch/departments in order to sustain the success of the Bank with the changes in the location of the duties.

The Bank also conducts activities for the development and modernization of business processes for human resources, and conducts HR business processes through the digital platform (VIT), where the Banking applications are placed and which the software of is the Bank's own. With the screens developed via this platform, HR processes are carried out in a structure where the risks

arising from individual/operational errors are minimized without loss of documents and information from end to end.

Considering the lack of permanent staff in the Branches/Departments, and the need for authorized employee in the existing/future Branches/Departments employee and probable pensions, resignations and the like, promotion exams are made in accordance with the Bank Employee Directive's and the Career and Salary Management System Regulation's, relevant clauses that regulate promoting.

The aim is to create a structure based on the specialization of the staff members in line with their competencies and thus to determine their career steps by taking their performance measurements, expertise/experience in the field of task and trainings, certificates into consideration. Making evaluations with an organizational approach that cultivates its managers/executives, and monitoring the employee members who have the competencies necessary for the job, and making sure that they are cultivated for executive positions. To this end, efforts are made to increase the corporate (employee) loyalty, and to create an organization where activities are carried out adopting the corporate culture.

The performance process is continuously reviewed and improved as the performance measurements of Head Office Departments, regional directorates, branches and sales employee are made; performances are fairly and objectively evaluated; bonuses are paid to staff members depending on their performances.

Training programs inside and outside the Bank are carried out to improve the competencies of the staff and to ensure that the employees are specialized in their jobs in line with their career plans through the approach targeting continuous learning, innovation and perfection. Furthermore, there are special orientation trainings for novice Assistant Auditors, Assistant Associates, and Officers to build up the corporate culture, and to make sure they adapt themselves to the Bank.

Employees are informed about their job descriptions and distribution as well as performance and awarding principles via documents in the Bank's information systems and via notifications/announcements.

The Bank's staff works in accordance with the provisions of private law, and is recruited in conformity with the provisions of the Labor Law numbered 4857 currently in effect. Bank employees are "Turkish Bank, Finance and Insurance Company Employees Union" (BASS) members, and thus working conditions of the employees are determined with the collective bargaining agreements between the Bank and the union. Currently, Collective Bargaining Agreement for the 24th Period between 01.05.2019 - 30.04.2021 in effect.

Relations between the employees and employers are carried out by the directors and representatives of the abovementioned unions. The union representatives forward the requests and complaints of the employees of the Bank about working conditions, personal rights, duties

and responsibilities to the employers and monitor the process. Furthermore, there are union representatives, elected among the staff working in the Bank's Branches/ Departments, (i) who should monitor whether or not the Collective Bargaining Agreement and the laws in force about the union members are practiced in line with their purposes and, (ii) who should verbally or in writing inform the director of that workplace about the insufficiency and discrepancy they detected on these issues. To date, there has not been any complaint from the employees about any discrimination issues. The names, surnames and duties of the directors of the abovementioned unions are given below.

NAME-SURNAME	TITLE
Turgut YILMAZ	President
Mustafa EREN	Secretary General
Nefiye ARSLAN	Secretary General of Finance

4.4 Ethical Rules and Social Responsibility

Pursuant to its objectives of protecting stability and reliability in the banking sector by preventing unfair competition, improving service quality and maintaining the reputation of the banking profession before the public, the Bank, with Board of Directors' resolution numbered 74205, dated February 16, 2006, adopted the Bank's Banking Ethical Rules, issued by the Banks Association of Turkey and has undertaken to comply with these rules. This resolution was approved by the General Assembly held on March 31, 2006. Business Ethics in Banking (Code of Ethics) is available in Turkish and English on the Bank's website.

Assuring to comply with the Business Ethics in Banking, VakıfBank continued to touch the public life also in 2019 with a sense of social responsibility. In addition to contributing to the solution of existing problems, the Bank continued to be the strength by side of the society by providing maximum support to areas open to improvement.

Determining its social responsibility framework as infrastructure in sports, special children in education, and cultural publishing in culture and arts, VakıfBank continued its active activities in these areas in 2019 as well. Aiming to provide benefits to the society through social responsibility projects under the roof brand "I Am on Your Side", the Bank added new ones to its projects that add value with their sustainable and measurable activities.

Uninterruptedly since 1986, in women's volleyball that operated through VakıfBank Sports Club, VakıfBank raised the number of total volleyball schools in Turkey to 9 by continuing opening schools with the vision of dissemination of volleyball schools across the country. Volleyball schools opened in Eskişehir, Antalya and Bursa were opened this year. Thus, VakıfBank continued to make over a thousand girls meet sports this year as well. Through its VakıfBank Women's Volleyball Team, which have the most championships of Turkey in the international area, the Bank pioneered the youth to dream big and it continues its goals to raise beneficial individuals to the society as well as talented sportspersons for Turkish sports.

Within the scope of the joint efforts with the Ministry of Education and VakıfBank undertaking the furnishing, number of workshops in Art and Science Education Centers (SAC) has increased to 45 in different places of Turkey. It has reached 7 thousand 200, that developing skills in mechatronics, mind games and artificial intelligence workshops. Within the 2020 planning, the number of artificial intelligence workshops will be increased to 160. With this approach, support for the inventors of the future is provided today.

VakıfBank Cultur Publications, which started broadcasting in 2018, continued to contribute to culture and art life in 2019 as well. As well as the first edition and facsimiles have taken their place on the shelves, also the general participation in book fairs in Turkey have been made and met with the readers. VBKY, which is the publisher of qualified works in history, philosophy, human and social sciences, art, economics, classics, children and academic fields, continues to confront the reader with high conscious, stimulating, qualified works that enlighten the society in line with its publication policy. In line with this approach, efforts to expand the publication pool by increasing the quantity of qualified works continued in 2019. This year, 18 new books were published and the total number of books increased to 33.

Supporting its employees to contribute to social life as well as its Corporate Social Responsibility efforts, VakıfBank organized works in the field of education, environment, arts and sports in 2019 within the scope of its internal communication strategy.

Thousands of children were reached with the İyilik Kumbarası, which is a volunteer movement that was launched to meet the needs of students in village schools in different cities and their needs from stationery to clothing, from sports equipment to musical instruments were met. Thanks to the same piggy bank, the long-term campaign for animal shelters was continued and the cleaning and daily use needs of the shelters, especially food, were provided by VakıfBank employees.

Employees of VakıfBank, who also ran for goodness in the 2019 Istanbul Marathon, collected an aid of tens of thousands of liras for various non-governmental organizations, especially for Darüşşafaka and KAÇUV. Within the scope of Father's Day, with the support of VakıfBank, employees visited Darülaceze and presented various gifts.

VakıfBank, which has been entitled to international certificates a long time ago with its corporate works carried out in order to leave a livable environment for future generations, has contributed to the establishment of forests with the saplings donated through various institutions and foundations until today. In 2019, it participated in the campaign of the Turkish Republic General Directorate of Forestry by including his employees, and VakıfBank employees reached half the goal of donating ten thousand saplings in a short time.

A selection of paintings in the art collection that VakıfBank has extended for many years has been opened to the art lovers at the Mimar Sinan Fine Arts University Tophane-i Amire Culture and Art Center within the scope of the Bank's 65th Anniversary events. The works of many master names,

from Feyhaman Duran to Zeki Faik İzer, İbrahim Safi to Fikret Otyam, from Ergin İnan, to Şeref Bigalı and Ara Güler, came together at the VakıfBank Art Collection 65th Anniversary exhibition. Visually impaired people were made to visit the exhibition and communicate with the tables by being provided an auditory description for the works in the exhibition.

VakıfBank social clubs, which were established to develop and display its employees' talents in arts and sports, continued their active activities this year as well. The Theatre Club with choirs in Istanbul, Ankara and İzmir appeared on the stage, and basketball and football teams in the same cities represented the bank in various tournaments. With the courses opened in the marbling field, which is one of the leading traditional Turkish Handicrafts, employees were given the opportunity to show their talents in this field. In addition, the employees represented VakıfBank, especially in swimming and chess in various corporate organizations.

CHAPTER V - BOARD OF DIRECTORS

5.1 Structure and Formation of Board of Directors

NAME AND SURNAME	POSITION	START DATE OF THIS POSITION
Abdülkadir AKSU	Member of Board (A) Chairman of the Board	27.05.2019 27.05.2019
Abdi Serdar ÜSTÜNSALİH	General Manager Board of Directors-Executive Member (A)	27.05.2019
Assoc. Prof. Dr. Şahap KAVCIOĞLU	Member of Board (A)- Independent Deputy Chairman of the Board Member of Credit Committee Member of Audit Committee Member of Corporate Governance Committee	13.08.2018 14.08.2018 14.08.2018 14.08.2018 14.08.2018
Dr. Adnan ERTEM	Member of the Board (B) Member of Remuneration Committee	28.10.2010 06.04.2012
Şahin UĞUR	Member of the Board (C) Member of Remuneration Committee	09.06.2017 15.06.2017
Dilek YÜKSEL	Member of Board (C)- Independent Member of Remuneration Committee Associate Member of Credit Committee	29.03.2016 29.03.2016 29.03.2016
Serdar TUNÇBİLEK	Member of Board (D)-Independent Member of Audit Committee Member of Credit Committee	09.06.2017 15.06.2017 27.05.2019

Cemil Ragıp ERTEM	Member of the Board Associate Member of Credit Committee	13.08.2018 27.05.2019
Sadık YAKUT	Member of the Board Member of Corporate Governance Committee	27.05.2019 27.05.2019
BOARD OF AUDITORS		
Yunus ARINCI	Member of Audit Board	19.03.2010
Hasan TÜRE	Member of Audit Board	09.06.2017

As stated in Article 19 of the Bank's Articles of Incorporation; The Board of Directors consists of nine members and nine members of the board of directors were elected at the 65th Ordinary General Assembly Meeting held on 27.05.2019.

Pursuant to the regulations of the Banking Regulation and Supervision Agency, the Chairman of the Board of Directors does not have executive tasks and duties. General Manager Abdi Serdar ÜSTÜNSALİH is an executive member of the Board of Directors. There are no other executive members in the Board of Directors except the General Manager. The term of office of the members of the Board of Directors is three years. Members completing their term of office can be reelected. Résumés of the Members of the Board of Directors are included on <http://www.vakifbank.com.tr/yonetim-kurulu-uyeleri.aspx?pageID=300> and <https://www.vakifbank.com.tr/management.aspx?pageID=843>.

As per the Capital Markets Board regulations regarding Corporate Governance Principles, the number of Independent Members of the Board of Directors was determined as "three". On 27.05.2019 at the Bank Ordinary General Assembly, Assoc. Prof. Dr. Şahap KAVCIOĞLU, Serdar TUNÇBİLEK and Dilek YÜKSEL were elected as Independent Members of the Board of Directors. Independent members of the Board of Directors' statements of independence are available, and there is no breach of independence as of the relevant activity period.

Duties of the Members of the Board of Directors outside the Bank within the Group:

NAME AND SURNAME	SUBSIDIARY	POSITION IN THE SUBSIDIARY	START DATE OF POSITION
Abdülkadir AKSU	Vakıf Gayrimenkul Değerleme A.Ş.	Chairman of the Board	20.06.2019
Assoc. Prof. Şahap KAVCIOĞLU	Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş.	Chairman of the Board	04.09.2018
Abdi Serdar ÜSTÜNSALİH	Güneş Sigorta A.Ş. TSKB AŞ.	Chairman of the Board Member of the Board	15.04.2016 14.06.2019
Şahin UĞUR	Vakıf Menkul Kıymet Yatırım Ortaklığı A.Ş.	Chairman of the Board	15.06.2017
Dilek YÜKSEL	Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş.	Vice President of The Executive Board	24.06.2019
Serdar TUNÇBİLEK	Vakıf Yatırım Menkul Değerler A.Ş.	Chairman of the Board	01.02.2019
Sadık YAKUT	Vakıf Gayri Menkul Değerleme A.Ş.	Vice President of The Executive Board	20.06.2019

Member of the Board of Directors Dr. Adnan ERTEM's duties outside VakıfBank and the Group are; Deputy Minister of Family, Labour and Social Services, Member of the Board of Trustees of Recep Tayyip Erdoğan University Foundation, Member of the Board of Trustees of Bezmiâlem Vakıf University, Deputy Chairman of the Board of Directors of Kuveyt Türk Katılım Bankası A.Ş.

The provisions of the Turkish Commercial Code (TCC) articles 395 and 396 are applicable for the Bank's Board Members to assume duties outside the company. This issue was discussed in the 11th agenda item of the 65th Ordinary General Assembly meeting held on 27 May 2019, and it was decided by majority vote to allow the members of the Board of Directors within the scope of articles 395 and 396 of the TCC by the shareholders.

5.2 Operating Principles of Board of Directors

Board of Directors convenes upon the call of the Chairman of the Board of Directors; in the absence of the Chairman, meets upon the call of the Deputy Chairman when Bank affairs require. It is mandatory that the Board convenes at least once a month (Article 22 of the Bank's Articles of Incorporation). Meeting agendas are prepared according to the memorandums sent from the Head Office departments while various reports the Board of Directors requested from the

execution and various issues presented by the Board Members are discussed during the meeting. The agenda and relevant files are presented to the members prior to the meeting.

Informational and communication activities for the Members of the Board of Directors of the Bank are carried out by the Board of Directors Administrative Department. In 2019, 74 Board of Directors meetings were held. Members of the Board of Directors did attend the Board Meetings except in cases they had excuses. Decisions were made unanimously. All questions, opinions and objections of the Members during the Board of Directors Meeting are recorded in the meeting minutes. Each Member of the Board of Directors has one right to vote, and members do not have weighted right to vote and/or negative veto right.

The Board of Directors convenes with the majority of the total number of members and takes its decisions with the majority of the members present at the meeting (22nd article/5th paragraph of the Bank's Articles of Incorporation).

An electronic meeting system was set up to enable the Members of the Board of Directors of the Bank to attend the meetings and to vote on electronic platform.

Losses incurred by the members of the Board of Directors as a result of their faults during their term of office, are covered under insurance. Employer's Liability Insurance 2019 policy's total value is USD 50,000,000 for each damage within the term of the policy.

5.3 Number, Structure and Independence of Committees Established by the Board of Directors

In order to efficiently and effectively carry out its activities in line with the Banking Law numbered 5411, Banking Regulation and Supervision Agency's "Regulation on Corporate Governance Principles in Banks", Capital Markets Board's Corporate Governance Principles and the Articles of Incorporation of the Bank; the Board of Directors has established Audit Committee, Credit Committee, Corporate Governance Committee and Remuneration Committee. All Members of the Audit Committee and the Chairmen of the other committees are Independent Members. Due to the fact that there are no Executive Members except the General Manager, in the Board of Directors, Committee Members are non-executive members. Committees are not entitled to take executive decision.

Information about the committees is available under the Committee Structures and Policies section in the Corporate Governance Section of the 2019 Integrated Annual Report.

The Board of Directors consists of nine members. Of these, three members of the Class (A) and one member of the Class (B) and two members of the Class (C) among the candidates that the majority of their class will nominate, one member among the candidates that shareholders will propose by initially taking into account the Class (D)'s preferences, and two members among the candidates that shareholders will propose are elected by the General Assembly. One member elected by the General Assembly considering the preferences of the Class (D) and one member of

the Class (A) and (C) are independent members (Article 19/Paragraph 1 of the Bank's Articles of Incorporation).

Board Members assume duties in more than one committee since the number of the members of the committees of the Board of Directors is greater than the number of the members of the Board of Directors as stipulated in the principles of the Capital Markets Board Corporate Governance Principles and Banking Regulation and Supervision Agency. Committees are composed of at least 2 members.

5.4 Risk Management and Internal Control Mechanism

Head of Risk Management directly reporting to the Audit Committee that is responsible for carrying out activities for defining, measuring, reporting, monitoring and controlling the risks that the Bank faces. Furthermore, all departments are considered as a part of the risk management system.

Risk management activities in the Bank are carried out in conformity with the legal legislation, also international best practices are pursued. Within this scope, risk management strategies were set up, as the policies for managing each of the risks were written within the framework of principle of materiality.

The Bank has created a “Risk Appetite Statement” in order to determine the risk level that it is ready to accept with the foresight of the risk capacity that it can handle the risks at a safe level in order to actualize its targets and strategies. In the risk appetite declaration, appetite indicators related to established capital, liquidity and risk concentrations and risk-based limits are regularly monitored.

A capital structure in appropriate with the risk level is closely monitored, as the Bank’s resistance against unexpected and negative developments is measured via scenario analysis and stress tests. Besides measuring legal capital requirement, İSEDES (Internal Capital Adequacy and Assessment Process) activities that include internally evaluating the capital requirement for the risks the Bank faces/will face also carried out, as the results are evaluated by the top management.

Furthermore, Risk Management Department carries out its activities in coordination with the Audit Board, Internal Control Department and Compliance and Regulation Department within the scope of the “Regulation on Banks’ Internal Systems and Internal Capital Adequacy Assessment Process. An efficient and effective internal control system was set up in order to; I) carry out the activities of the Bank in conformity with the targets, policies and strategies set by the top management and within the framework of existing legal legislation, and II) make sure that risky transactions are controlled in the Bank. In order to ensure the protection of bank assets, to carry out activities in accordance with the Law and other relevant legislation actively and efficiently, to carry out internal policies and rules and in accordance with banking practices, and to enable the reliability, integrity of the accounting and financial reporting system, and timely access to information, the Internal Control Department, which operates under the supervision and control

of the Audit Committee; controls the operational procedures for carrying out activities of the Bank, bank's communication channels, information systems, financial reporting systems.

With a risk-oriented perspective, internal control activities are carried out in all domestic and international branches of the Bank and Headquarters departments, and the actions taken are monitored through reports by sharing the findings and suggestions determined within the scope of internal control activities conducted onsite and from the center with the relevant parties. Furthermore, information technology controls are also performed to check whether or not information system activities are carried out securely and in conformity with the guidelines determined by the Bank.

The Internal Control Department controls the functional classification of tasks and the sharing of powers and responsibilities in order to identify, measure and prevent the Bank's risks. Opinions are presented in order to reduce and manage risks by evaluating the compliance and the possible risks carried by of the projects, procedures and processes formulated by the Bank's business departments with the policies and rules within the Bank, control points are determined, increasing the effectiveness of the control activities, set up and enhancing auto control and systemic control mechanisms in the processes and procedures, and decreasing operational risks are provided.

The adequacy and effectiveness of risk management and internal control systems are audited by the Audit Board Department.

With the goals of current monitoring of the legislation regarding the legal obligations within the scope of "Prevention of Laundering of Proceeds of Crime and Financing of Terrorism",, as well as the activities carried out in order to provide required compliance with the international rules, principles and fundamentals on the same issue and up-to-date monitoring of the legislation concerning banking activities, evaluating the effects of the changes on the Bank's activities in a timely and with ensured full compliance, activities to monitor and coordinate internal Bank activities are carried out by the Compliance and Regulation Department.

Within this scope, as per the "Regulation On Program of Compliance with The Obligations Regarding Prevention of Laundering of Proceeds of Crime and Financing of Terrorism", in order to ensure that the Bank's obligations are fulfilled;

- necessary policies and procedures are structured in the issues of identifying the customers, classifying them into risk categories and monitoring them, informing about the suspicious customer transactions and
- controls are made to see if these policies and procedures are implemented or not,
- opinion/approval is given for risky sector/ country transactions,
- Financial Crimes Investigation Board (MASAK) is informed about the transactions that are considered suspicious in the necessary investigations and evaluations made within the framework of a risk based approach about the potentially suspicious transactions (for the Bank) detected within the scope of monitoring and controlling activities or forwarded via

channels like branches etc. to the Compliance and Regulation Department. In order to make sure that the Bank healthily keeps track of the international sanctions, the ban list covering the sanctions of the international organizations and institutions such as United Nations, European Union, Office of Foreign Assets Control (OFAC) and etc. is used in investigations and controls. The activities of the Compliance and Regulation Department are carried out in coordination with the business departments. Within framework of training activities; in-class and online trainings are regularly given to the Bank employee in order to constantly increase the awareness and culture within the Bank about “Prevention of Laundering of Proceeds of Crime and Financing of Terrorism”.

The developments regarding the legislation and banking practices related to banking activities are followed up currently by the staff of the Compliance and Regulation Department and the changes that are occurring are interpreted in terms of their effects on the Bank's activities and practices, and the necessary measures to be taken by the Bank and the changes required in the Bank's internal legislation and practices are determined, and is notified to the relevant business departments in writing. By coordinating the works in order to reflect the legislation changes to the Bank's internal legislation and practices, the measures taken by relevant business departments within this scope and actualized practice changes and internal legislation regulations are monitored and controlled regarding the compliance to the legislation within the scope of “Regulation on Banks' Internal Systems and Internal Capital Adequacy Assessment Process” and necessary measures are taken to provide timely and full compliance with the legislation. In addition, in line with the Regulation, controls are carried out for the compliance of the Bank's new products and services with the legislation.

With the domestic banking regulation, legislation on mutual information exchange agreements for the improvement of international tax compliance signed between OECD countries and the Republic of Turkey and the United States is followed and business departments in order to ensure compliance with these regulations are directed, the works carried out within this scope of relevant business departments are followed and coordinated.

Within the scope of the obligation to comply with all the principles contained in the Good Practice Manuals brought to the “Systemically Important Banks” by the Banking Regulation and Supervision Agency, and to present detailed justifications for principles that applied partially or not applied fully to the BRSA each year with the submission of the İSEDES reports, follow-up and control activities are carried out to ensure that the Bank's, which is determined as “Systemically Important Bank” practices and policy documents are fully in line with the principles set out in the Good Practice Manuals, and relevant business departments are coordinated to make changes and corrections when necessary.

In addition, compliance of the Bank's branches abroad with the legislation of the countries in which they operate, is checked by the personnel assigned in this context in the relevant branches, and reporting is made to the Compliance and Regulation Department regarding compliance.

The Audit Board Department conducts systematic audits for internal control, risk management and compliance systems in accordance with all legal regulations and Bank regulations.

5.5 Company's Strategic Targets

The general strategies of the Bank are determined in line with the expectations on the economy and sector at the meetings chaired by the General Manager with the participation of the top management. Forecasts regarding the annual projection in line with the strategies are evaluated by the management. Consequently, strategies of the Bank, annual projections are presented by the Strategy and Planning Department to the approval of the Board of Directors. Approved final projections and strategies are sent to the Bank's Executive Vice Presidents, and announced to the Bank staff as they are monitored by the relevant departments. Information regarding these projections and strategies are assessed at the monthly held "target achievement performance" meetings by the Assets and Liabilities Committee according to the data received from the Performance Evaluation and Career Planning Department. Furthermore, at the periodically held meetings these strategies and projections are reviewed while target achievement performance and activities are evaluated and necessary actions are taken. Furthermore, in case of having unexpected developments in the sector, the projection is revised if necessary.

5.6 Financial Rights Provided to the Board of Directors

The Chairman, Deputy Chairman and Members of the Board of Directors receive an annual salary that is determined by the General Assembly annually. In this context, in 2019, gross TL 28.1 million was paid to the members of the the Board of Directors, Members of Audit Committeeand Senior Managementsin terms of wages, travel allowances, accommodation, representation expenses and other real and material rights.

This issue was specified in the 10th article of the 65th Ordinary General Assembly minutes and the General Assembly minutes were announced on the Bank's website. On the other hand, banking sector practices are also taken into consideration, and remunerations and benefits given to the members of the Board of Directors and executives are not disclosed on individual basis. Fixed and performance based payments to the executives and other employee are determined and made within the framework of the principles of the Bank's Remuneration Policy.

In order to comply with the principle numbered4.6.2 of The Corporate Governance Communiqué numbered II-17.1, the "Remuneration Policy " of the Board of Directors of the Bank that entered into effect on 24.02.2014, was submitted for shareholders' information at the 2015 Ordinary General Assembly Meeting. The policy mentioned has been updated in accordance with the "Guide on Good Remuneration Practices in Banks" published by the BRSA with the no. 65 decision of the Board of Directors dated 30.12.2019 and the document is availablein Turkish and in English on the website.

On the other hand, the loans to be extended to the Board Members and Managers by the Bank are limited pursuant to Article 50 of the Banking Law. In this context, the Bank did not lend money

or extend loan to any of the Members of Board of Directors. It did not improve the terms for loans or credits that have been given to the Members of the Board of Directors, and neither it extended loans by means of third persons and nor gave any collaterals.

Yours Sincerely;

Assoc. Prof. Şahap KAVCIOĞLU
Chairman of Corporate
Governance Committee

Sadık YAKUT
Member of Corporate
Governance Committee

Ali TAHAN
Member of Corporate
Governance Committee