

***CORPORATE GOVERNANCE  
PRINCIPLES COMPLIANCE REPORT  
2017***



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## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

### CHAPTER I-DECLARATATION OF CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE

Türkiye Vakıflar Bankası T.A.O. (“VakıfBank” or “Bank”), has adopted the Corporate Governance Principles stipulated in accordance with the Banking Legislation, Capital Markets Legislation, Turkish Commercial Code and other relevant regulations. VakıfBank pays utmost attention in order to implement these principles and has adopted the equality, transparency, accountability and responsibility concepts of the Corporate Governance Principles published by Capital Markets Board (CMB).

The Bank ensured compliance with the following Corporate Governance Principles from among those stipulated in the Annex of the Corporate Governance Communiqué II-17.1 that entered into force after being published in the Official Gazette (no. 28871) on the 3rd of January 2014;

a-) The Bank is in compliance with the following compulsory principles that must be implemented by the 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.), (4.3.8.), (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-) The Bank was not able to comply with the compulsory principle no. 4.3.7 that must be implemented by the banks due to the fact that the list of independent Board Members can not be prepared at least 60 days before the General Meeting date. The aforementioned situation was informed to the Capital Markets Board by the letter dated 27.01.2017 and numbered 35. The matter of whether the members elected in the 63rd Ordinary General Assembly dated 09.06.2017 meet the independency criteria or not was informed to the Capital Markets Board by the letter dated 16.06.2017 and numbered 212. It has been stated that there is no negative opinion regarding the elected independent Board Members in the response letter of CMB dated 17.07.2017 and numbered 29833736.

c-) Regarding the non-compulsory principles:

8 members of the Board of Directors are elected by the General Assembly whilst one member is appointed by the Prime Minister. There is one female member in the Board of Directors which is composed of eight members who were elected at the 63rd Ordinary General Assembly in 2017. On the other hand, in spite of the fact that the 25% ratio advised in the Corporate Governance Principle no. 4.3.9 is not fully reached, no disputes have arisen among the stakeholders so far.

## CHAPTER II – SHAREHOLDERS

### 2.1 Investor Relations Department

The Investor Relations Department carries out its activities under the Head of International Banking and Investor Relations that reports to the Executive Vice President Mr. Hasan Ecesoy.

Conducting relations with foreign 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, in particular, regarding the financial comparative analysis of VakıfBank with its peers.

The licenses of the department directors are as shown below:

NAME-SURNAME	TITLE	LICENSE
Mustafa TURAN*	Head	Capital Market Activities Advanced Level License Derivative Instruments License Corporate Governance License
Ali TAHAN	Manager	Capital Market Activities Advanced Level License Derivative Instruments License Corporate Governance License

\* A member of the Corporate Governance Committee as per the 11th Article and 2nd paragraph of the Corporate Governance Communiqué.

Employees working in the Investor Relations Department are as follows:

NAME-SURNAME	TITLE	PHONE	E-MAIL
Mustafa TURAN	Head	(0216) 724 26 61	<a href="mailto:mustafa.turan@vakifbank.com.tr">mustafa.turan@vakifbank.com.tr</a>
Ali TAHAN	Manager	(0216) 724 26 85	<a href="mailto:ali.tahan@vakifbank.com.tr">ali.tahan@vakifbank.com.tr</a>
Zeynep Nihan DİNCEL	Assistant Manager	(0216) 724 26 86	<a href="mailto:zeynepnihandincel@vakifbank.com.tr">zeynepnihandincel@vakifbank.com.tr</a>
Yasemin KEÇELİOĞLU	Associate	(0216) 724 26 87	<a href="mailto:yasemin.kecelioglu@vakifbank.com.tr">yasemin.kecelioglu@vakifbank.com.tr</a>
Ece Seda YASAN YILMAZ	Associate	(0216) 724 26 88	<a href="mailto:ecedayasan.yilmaz@vakifbank.com.tr">ecedayasan.yilmaz@vakifbank.com.tr</a>
Yusuf YILMAZ	Associate	(0216) 724 26 89	<a href="mailto:yusuf.yilmaz2@vakifbank.com.tr">yusuf.yilmaz2@vakifbank.com.tr</a>
Berna SELEM ARSLANTAŞ	Associate	(0216) 724 26 90	<a href="mailto:bernaselem.arslantas@vakifbank.com.tr">bernaselem.arslantas@vakifbank.com.tr</a>
Mehmet Mümtaz MEMİK	Assistant Associate	(0216) 724 26 91	<a href="mailto:mehmetmumtaz.memik@vakifbank.com.tr">mehmetmumtaz.memik@vakifbank.com.tr</a>

The main duties and responsibilities of the Investor Relations Department are as follows:

- Managing the relations with existing and potential foreign and 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 the results of the financial statements and organizing 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 annual and interim period reports of the Bank,
- Responding the shareholders' written information requests regarding the Bank,
- Preparing documents that must be submitted for the shareholders' information and review for Ordinary and Extraordinary General Assembly meetings, and holding General Assembly meetings in compliance with the relevant legislation, the Bank's Articles of Incorporation and other internal regulations,
- 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 related departments for sustainability activities,
- Establishing, 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.

The activities conducted by Investor Relations Department during 2017 were as follows:

- Approximately 1,000 information requests submitted by the shareholders were responded.
- 21 local and foreign investor conferences were attended, and one-on-one and group meetings were held with above 400 foreign and local institutional investors.
- More than 250 meetings were held with roughly 400 investors/analysts in the Istanbul office of the Bank.
- 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 regarding 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 (Fitch, Moody's, and S&P).
- 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.
- It was ensured that 2017 Ordinary General Assembly meeting was held within the scope and in compliance with the Banking Law, Capital Markets Law, Corporate Governance Communiqué (II-17.1), the Bank's Articles of Incorporation and other legislations.
- The Disclosure Policy was updated with the Board of Directors' resolution dated 31.10.2017 within the scope of Communiqué on Material Events Disclosure (II-15.1) published by Capital Markets Board (CMB).
- VakıfBank received the awards of "International Bond Deal of the Year" and "Financial Institutions Financing Deal of the Year" with the first ever Euro denominated Mortgage Covered Bond issuance of Turkey amounting EUR 500 million with 5 years maturity by "Bond and Loans Award 2017", one of the most prestigious award in the Turkish Capital Markets and finance sector. In addition, VakıfBank has won "CEEMEA Financial Institution Deal of the Year" award by Global Capital, one of the respectful and prestigious media company of international capital markets, in January 2017 for the same issuance.
- Mr. Hasan Ecesoy, EVP responsible for International Banking and Investor Relations Department, took part as a speaker for the panel of "the Symbiotic Life of Credit Markets and Capital Markets: Securitization" at Capital Markets Congress held in İstanbul.
- Mr. Mustafa Turan, SVP responsible for International Banking and Investor Relations, participated to the panel of "Banks in Central and Eastern Europe" as a speaker at Euromoney Covered Bond Conference held in Barcelona.
- Mr. Mustafa Turan, SVP responsible for International Banking and Investor Relations, participated to the panel of "Capital" as a speaker at the Bonds&Loans Conference held in İstanbul.
- 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. Anticipated meetings and meeting agendas were determined.
- As the Bank is listed in the BIST Sustainability Index, correspondence with the related organizations has been carried out to make sure that the Bank maintains its position in the Index. Furthermore, EIRIS (Ethical

Investment Research Services Limited) reports issued regarding the Bank's index performance were reviewed and mutual opinions were shared.

- In order to maximize the Bank's performance on environmental, social and Corporate Governance fields, activities were carried out in collaboration with other departments of the Bank.
- In accordance with the Global Reporting Initiative G5 requirements, activities were initiated to prepare the third Sustainability Report of the Bank that will cover June 2017 – June 2018 period.
- In order to formulate the framework of the Sustainability Report and establish the long term sustainability strategy of the Bank, various communication channels (surveys, phone calls and meetings) were used and opinions of the shareholder were taken. Within this scope, approximately 200 shareholders were surveyed, 10 shareholders were contacted by phone calls and one-on-one meetings were held with 10 shareholders.
- ISO:9001-2015 Quality Management Certificate and ISO: 14001-2015 Environmental Management System Certificate obtained on the basis of the activities initiated for the purpose of establishing, managing and providing sustainability of the Quality and Environmental Management Systems of which methodology to be determined by the Corporate Governance Committee within the Bank. VakıfBank became the second bank in the sector and first bank among state banks with ISO:9001-2015 Quality Management Certificate including the assessment of both Head Office departments and all branches.
- Targeting the institutional and foreign investors, Turkey's first investor relations application in English that was prepared by the related Bank departments in 2014 for iPhone and iPad users was developed with the name "VakıfBank IR." From the date of activating the application until the end of 2017, 12,160 users in total and during 2017 5,830 users downloaded the application and continue to use it on tablets and smartphones.

## 2.2 Exercise of Shareholders' Right to Information

Questions asked in writing or via phone calls to the Investor Relations Department are answered, except the ones which are 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 events, 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 regarding the status of their stocks, the transfer of their existing shares to free float shares and stock sharing transactions upon death are responded in written.

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

Investor Relations website in Turkish:

[http://www.vakifbank.com.tr/Yatirimci\\_Iliskileri.aspx?pageID=657](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 corporate information, Bank's Articles of Association and the Law on VakıfBank, 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 and press release and announcements regarding the developments in the Bank. Disclosure of material events of developments regarding VakıfBank announced via Disclosure Platform are available on these websites. Bank's corporate websites do not include any information and announcement that may have impact on using shareholders rights.

VakıfBank 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 Association. There was no request for appointment of a special auditor during the year of 2017. VakıfBank is subject to audit periodically within the scope of especially Banking Law and related legislations.

### 2.3 General Assembly Meetings

The Ordinary General Assembly Meeting was held at the Headquarters' address in 2017. 63rd Ordinary General Assembly Meeting was held on the 9th of June 2017 and meeting quorum was 91.64%.

Ordinary General Assembly Meeting was held as per the provisions of the "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 publicly announced in accordance with the relevant legislation via Public Disclosure Platform, Turkish Trade Registry Gazette, Electronic General Assembly 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 (meeting and 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 2016 annual report, issued for the General Assembly, including Bank's balance sheet and profit/loss statements of 2016 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 2017.

The invitation letters published before the meetings contain the following information:

- 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 63rd Ordinary General Assembly Meeting.

All shareholders, irrespective of the size of their participating share, are entitled to speak, to express opinion and to ask questions related to the agenda items of both Ordinary and Extraordinary General Shareholders' meetings. In 2017, there was not any proposal which was submitted by the shareholders to add an item to the agenda.

The 39th Article of the Bank's Articles of Incorporation is as follows: "Every shareholder attending the General Assembly Meeting has the opportunity to declare his/her opinions and ask question about the agenda items, under equal circumstances and within the framework of the principles regarding the conduct of the meeting. Questions asked to the Board of Directors, are verbally answered right on the spot if possible, if not they will be answered in writing within one week following the General Assembly provided that they are necessary for using shareholders' rights and that they do not interfere with trade secrets. Furthermore, within the scope of the Corporate Governance Principle no. 1.3.5; the questions asked at the General Assembly meeting and the answers given, were published on the Bank's website within the 30 days following the meeting date. At the Ordinary General Assembly Meeting was held on the 9th of June 2017, an opportunity was presented to the shareholders to speak and ask questions regarding all agenda items, there were not any raised a question which was supposed to be answered in written and verbally.

The answers given by the Meeting Chairman and Council to the questions, suggestions and opinions, and to other issues of the shareholders – who physically and/or electronically attended the Ordinary General Assembly Meeting was included in detail in the General Assembly minutes. Following the General Assembly, General Assembly Meeting minutes and annexes are publicly announced 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 2017, 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 persons 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 the Article 30 of VakıfBank Articles of Incorporation. As per the Articles 43 and 48 of the Bank's Articles of Incorporation; group (A), (B) and (C) shareholders have the privilege to nominate in the election of the Board of Directors while group (A) and (C) shareholders have the privilege in the election of the Audit Committee.



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

Shareholders who hold or represent 10 shares are entitled to one vote at the General Assembly meetings while those who hold more than 10 shares are entitled to a number of votes calculated as per the proportion specified above without any limitation.

In VakıfBank's capital, there is no mutual participation relationship. The use of the minority rights is subject to Turkish Commercial Code, Capital Markets Law and relevant legislation and to the communiqué and resolutions of CMB.

## 2.5 Dividend Rights

There are no provisions in the Bank's Articles of Incorporation that stipulates privileges in participating in profit sharing. The principles regarding the profit distribution of VakıfBank's shares are stipulated in the Articles 82, 83, 84, 85 of the Bank's 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 2016 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 profit distribution, a balanced policy is pursued between the benefits of the shareholders and partnership.

With the aim of complying with the Corporate Governance Principle no. 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 Council of Ministers is entitled to sell and to determine the procedures and principles of the sale of Class (A) shares of the Bank and the Class (B) shares held by the attendant foundations under the General Directorate of Foundations.

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, the Bank's Board of Directors is authorized to convert 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](http://www.vakifbank.com.tr)) and in English (<http://www.vakifbank.com.tr/English.aspx?pageID=977>). VakıfBank has two separate investor relations website published in Turkish and in English.

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](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; corporate information, periodic financial statements and annual reports, ratings given by credit rating agencies, Corporate Governance Reports, information regarding sustainability, and the sustainability reports of the Bank, stock data, presentations for investors, Bank's Articles of Association and the Law on VakıfBank, General Assembly Internal directive, attendance lists, General Assembly brief minutes, capital increase and dividend ratios, analyst lists, VakıfBank's management, organizations structure, committees, code of ethics, information policy, profit distribution policy, anti-bribery and corruption policy, compensation policy, human rights and employee rights policy, aid and donation policy, remuneration policy, environment policy, social responsibility policy Occupational Health and Safety, MASAK compliance policy, and announcements regarding the developments in the Bank. These websites also include the disclosure of material events on publicly announced developments about VakıfBank via Public Disclosure Platform. Bank's corporate websites do not include any 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 no. (2.1.1), no. (2.1.2), no. (2.1.3) and no. (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 prepared according to BRSA Regulations regarding the Principles and Procedures Concerning the Preparation of the Annual Report by Banks and in compliance with the CMB's Corporate Governance Communiqué (II- 17.1; date: 03.01.2014) principles no. (2.2.1) and no. (2.2.2) regarding Annual Report.

## CHAPTER IV- STAKEHOLDERS

### 4.1 Disclosure of Information to Stakeholders

VakıfBank 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 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](mailto:surdurulebilirlik@vakifbank.com.tr)  
[sustainability@vakifbank.com.tr](mailto:sustainability@vakifbank.com.tr)  
[yatirimciiliskileri@vakifbank.com.tr](mailto:yatirimciiliskileri@vakifbank.com.tr)  
[investor.relations@vakifbank.com.tr](mailto:investor.relations@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 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 e-mail, phone and other communication channels. The Bank established 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 the corporate web, call center, branches and social media channels. Additionally, customers can perform all banking transactions through a direct call to VakıfBank 7/24 branch at 0850 222 0 724.

### 4.3 Human Resource Policy

Within the scope of the sustainability efforts, the "Human Rights and Employee Rights Policy" that fulfills the requisites of the principle no. 3.3.1. of the Corporate Governance Communiqué (II-17.1) was made available for the information of the stakeholders on the corporate website.

Making maximum use of its existing human resources with its HR practices in order to reach its targets, the Bank also aims to maintain the labor peace with the equal opportunity working environment it provides to its staff.

In this context, the growth strategy followed by considering the increasing competition in the banking sector, through its existing HR policies the Bank supports its employees' development, and prioritizes the issue of creating motivation and job satisfaction. The Bank also aims to maximize employee loyalty and happiness.

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

- Creating and maintaining a working environment that will 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 the employee's career targets and self-improvement through training programs given to the employee within internal and outside of the Bank and strengthening their loyalty to the Bank,
- 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, adapting the latest HR practices in the Bank's system and making them practicable.

The criteria about the personnel 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 norm staff of the branches and departments into consideration.

For the Bank's success to continue, the aim is to effectively and efficiently manage the current human resources, and to carry out activities in the branches/departments with optimum number of personnel.

In the recruitment process carried out to meet the need for personnel, candidates can start working for the Bank as Assistant Bank Examiner, Assistant Specialist, Assistant Controller, and Intern. The personnel who will be working at the Bank are chosen from among the candidates, who are graduates of a 4-year department any university, with a bachelor's degree in departments related banking, or other fields that will be determined by the Bank. Special attention is paid to make sure candidates have a postgraduate degree and knowledge of foreign language. On the other hand, the Bank employs IT Assistant Specialists in the Bank's Information Technology units, Lawyers in the Legal units, and Engineers and Architects in the relevant business units.

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 retirements, resignations and the like, promotion exams are made in accordance with the Bank Employee Directive'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 and trainings 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 branches, regional directorates 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 Internal Auditor, Assistant Associates, and Officers to build up the corporate culture, and to make sure they adapt themselves to the Bank.

Employees are informed about 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 no. 4857 currently in effect. Bank employees are "Bank Finance and Insurance 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, CBA for the 23rd Period between 01.05.2017 and 30.04.2019 is 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	POSITION
Turgut YILMAZ	President
Mustafa EREN	Secretary General
Nefiye ARSLAN	Secretary General-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 Principles, 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. Principles of Banking Ethics is available in Turkish and English on the Bank's website.

Assuring to comply with the Principles of Banking Ethics, VakıfBank has adopted the principle of contributing to social life at the maximum level. The Bank has switched to a new corporate communication strategy by updating it during the year. In line with the new vision of being the leading bank of the strong Turkey and the image of "strength by your side" as principal of corporate culture, the Bank also updated the framework of its corporate social responsibility and carried out important projects in the fields of sponsorship and social responsibility also in 2017.

Within the scope of communication strategy targeting to give support the special children's training and to carry out the projects aimed for this purpose, VakıfBank will continue to support traditional Turkish art in the field of culture and art. The Bank, establishing a department to carry out internal communication, has taken an important step to develop the corporate culture and to establish an employee brand.

VakıfBank moved forward the support to perpetually Turkish volleyball since 1986 through VakıfBank Spor Sarayı which opened by the end of 2016. Thanks to this facility, thousands of residents in İstanbul have the opportunity to play sports in 2017. More than 300 athletes have been given basic training in the volleyball and chess school in the facility. In line with the Bank's vision, VakıfBank Volleyball School opened branches in Ankara and İzmir and began to train candidates of volleyball player in 2017.

VakıfBank Volleyball Team, the most successful team of Turkey in the international platform, won the Second Club World Championship, the third championship of European Champions League. Carrying its support for sports and education to schools all across the country, VakıfBank has provided a great number of schools with sports equipment, stationery materials and besides computers by its own means and by means of the sports club and has also sponsored numerous national organizations.

Continuing to support arts also in this year, VakıfBank gave many painters the opportunity to exhibit their works in the galleries in Ankara and İstanbul. Moreover, Turkish Folk Music and Turkish Classical Music choruses formed within the Bank continued their activities throughout the year, while these activities and concerts were supported by VakıfBank.

The companies' performance in environmental, social, and Corporate Governance fields is taken as basis in the BİST Sustainability Index, which was initiated by Borsa İstanbul in 2014, in order to increase perception, knowledge and practices in the field of sustainability in Turkey and among Borsa İstanbul companies in particular. Being listed in the BİST Sustainability Index since the beginning, VakıfBank maintains its position in the index for the November 2016 – October 2017 period as a result of the evaluations made in 2016. Being listed in this index which is a very significant indicator in terms of Corporate Governance and sustainable development, is the proof of the Bank's insight in this area.

## CHAPTER V- BOARD OF DIRECTORS

### 5.1 Structure and Formation of Board of Directors

NAME-SURNAME	POSITION	START DATE OF POSITION
<b>İsmail ALPTEKİN</b>	Chairman Board of Directors Board Member (A)	09.06.2017 06.04.2009
<b>Serdar TUNÇBİLEK</b>	Board Member (D) - Independent Deputy Chairman Credit Committee Member Audit Committee Member Corporate Governance Committee Member	09.06.2017 09.06.2017 15.06.2017 15.06.2017 06.07.2017
<b>Mehmet Emin ÖZCAN</b>	CEO Board Member - Ordinary Member	09.06.2017
<b>Şahin UĞUR</b>	Board Member (A) - Independent Remuneration Committee Member	09.06.2017 15.06.2017
<b>Dr. Adnan ERTEM</b>	Board Member (A) Remuneration Committee Member	28.10.2010 06.04.2012
<b>Ömer ARISOY</b>	Board Member (C) Corporate Governance Committee Member Credit Committee Substitute Member	09.06.2017 15.06.2017 15.06.2017
<b>Dilek YÜKSEL</b>	Board Member (B) Remuneration Committee Member Credit Committee Substitute Member	29.03.2016 29.03.2016 29.03.2016
<b>Sabahattin BİRDAL</b>	Board Member (C) – Independent Audit Committee Member Credit Committee Member	31.03.2014 04.04.2014 29.03.2016
BOARD OF AUDITORS		
<b>Yunus ARINCI</b>	Audit Board Member	19.03.2010
<b>Hasan TÜRE</b>	Audit Board Member	09.06.2017



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. The General Manager Mehmet Emin ÖZCAN 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> <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 09.06.2017 at the Bank Ordinary General Assembly, Serdar TUNÇBİLEK, Sabahattin BİRDAL and Şahin UĞUR 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.

NAME - SURNAME	SUBSIDIARY	POSITION IN THE SUBSIDIARY	START DATE OF POSITION
İsmail ALPTEKİN	Taksim Otelcilik A.Ş.	Chairman	21.06.2017
Serdar TUNÇBİLEK	Vakıf Finansal Kiralama A.Ş.	Chairman	14.06.2017
Mehmet Emin ÖZCAN	TSKB A.Ş.	Board Member	14.06.2017
Şahin UĞUR	Vakıf Menkul Kıymet Yatırım Ortaklığı A.Ş.	Chairman	15.06.2017
Dr. Adnan ERTEM	Vakıf Emeklilik ve Hayat A.Ş.	Chairman	30.03.2011
Sabahattin BİRDAL	Vakıf Gayrimenkul Yatırım Ort. A.Ş.	Chairman	30.04.2014
Dilek YÜKSEL	Vakıf Gayrimenkul Değerleme A.Ş.	Chairman	18.07.2017

Member of the Board of Directors Dr. Adnan ERTEM’s duties outside VakıfBank and the Group are; General Manager of the General Directorate of Foundations, Member of the Board of Directors of the Social Aid Fund Board, Member of the Board of Directors of Supreme Council of Antiquities and Monuments, Member of the Board of Trustees of Recep Tayyip Erdoğan University Foundation, Member of the Board of Trustees of Bezmi Alem University Foundation, Member of the Board of Directors of Kuveyt Türk Katılım Bankası A.Ş., Chairman of the Board of Directors of Press Advertising Institution, and Deputy Chairman of the Board of Directors of Vakıf Katılım Bankası A.Ş.

Member of the Board of Directors Ömer ARISOY’s duties outside VakıfBank and the Group; He continues his professional life as Undersecretary of Republic of Turkey Ministry of Culture and Tourism, Board of Member of the Tourism Development and Education Foundation, Board of Member of Yunus Emre Institute.

The fourth paragraph of the 60th Article of the Bank’s Articles of Incorporation is as follows: “Without getting approval from the General Assembly, Members of the Board of Directors cannot perform any transactions related to a commercial business that is within the scope of the Bank’s field of activity, for their own account or for the account of others, or cannot become unlimited partners in other companies carrying out similar commercial businesses.” Within this scope, without getting permission from the General Assembly of the Bank, the Members of the Board of Directors cannot directly or indirectly make any transactions with the Bank

on behalf of themselves or others and cannot be executive members in a corporation making transactions with the Bank.

## 5.2 Operating Principles of the Board of Directors

Board of Directors must convene at least twice a month upon the call made by the Chairman or at least two members in line with the necessity of the Bank affairs. However, if there are not any issues on the agenda, the meeting can be postponed only for one time with the approval of the Chairman (Article 53 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 management 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 Head of Board Directors. In 2017, 89 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.

At the Board of Directors Meetings, majority of the Members must be present. Decisions are taken by majority of the attending members. In case of equality of votes, the voted issue will be added on the agenda of the next meeting; and will be deemed refused in case of equality for another time in that meeting (54th Article of the Articles of Incorporation of the Bank).

In the Board of Directors' decisions regarding the Bank's significant related party transactions, approval is required by majority of the Independent Members. In case any such transaction is not approved by the majority of the Independent Members, (i) the situation will be publicly announced within the framework of public disclosure regulations in such a manner that will include sufficient information regarding the transaction; and (ii) the transaction will be presented to the approval of the General Assembly. Board of Directors' decisions that are not made in conformity with the specified principles will not be valid (54th Article of the Articles of Incorporation of the Bank).

An electronic meeting system was established 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 2017 policy's total value is USD 75,000,000 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 no. 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.

The Audit Committee is composed of the Independent Members of the Board of Directors; Serdar TUNÇBİLEK and Sabahattin BİRDAL. The Audit Committee convenes at least once a month on the specified date.

Credit Committee is composed of two permanent members and General Manager. Permanent members are Serdar TUNÇBİLEK (independent member) and Sabahattin BİRDAL (independent member). There are two substitute members for a member who will not attend a meeting. Substitute members are Ömer ARISOY and Dilek YÜKSEL. The Credit Committee generally convenes once every 15 days, and holds an extraordinary meeting in urgent cases. The Committee's meeting date is set according to the number and urgency of the agenda items that are received by the meeting secretary.

The Corporate Governance Committee is composed of the Members of the Board of Directors Serdar TUNÇBİLEK (Committee Chairman - Independent Member), Ömer ARISOY and Head of International Banking and Investor Relations Mustafa TURAN. The Committee generally convenes once every three months or at least twice in a year on semi-annual basis on a date determined by the Committee Chairman.

The Remuneration Committee is composed of Şahin UĞUR (Committee Chairman - Independent Member), Dr. Adnan ERTEM and Dilek YÜKSEL. Remuneration Committee evaluates the remuneration policy and applications within the scope of risk management and submits the suggestions as a report to the Board of Directors every year. The Committee convenes once every year.

Committees carry out their tasks within the scope of the framework of the working principles specified in the Articles of Incorporation of the Bank. Committees meet at a regularity required by their tasks. All tasks are carried out in writing and necessary records are kept. Furthermore, the procedures and principles practiced by the committees in carrying out their activities are available in the Annual Report. The 48<sup>th</sup> Article of VakıfBank Articles of Corporation in relation to the criteria of the selection of Board of Members is as follows: "The Board of Directors of the Bank consists of nine members including the General Manager". However, the number of the Members of the Board of Directors carrying out tasks is "8".

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 is responsible for carrying out activities for defining, measuring, reporting, monitoring and controlling the risks 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 established, as the policies for managing each of the risks were written within the framework of principle of materiality.

A capital structure in conformity 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 Evaluation 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, Head of Risk Management carries out its activities in coordination with the Audit Board and Internal Control Department, within the scope of the “Regulation on Banks’ Internal Systems and Internal Capital Adequacy Evaluation Process”.

An efficient and effective internal control system was established 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 the legal legislation, and II) make sure that risky transactions are controlled in the Bank. In order to enable the reliability, integrity of the accounting and financial reporting system, and timely access to information, the Internal Control Department – carrying out its activities 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 and business processes.

The findings and suggestions in the scope of internal audit performed by internal audit personnel from central and on site audit was shared with the related parties through reports and follow the decisions taken. In addition, information technology controls are carried out to ensure that the operations are within the scope of principles determined by the Bank and are secure.

Internal Control Department; I) controls the functional classification of tasks, and distribution of duties and responsibilities, for defining, measuring and preventing the Bank’s risks, II) presents opinions about existing, changed, cancelled or new established procedures and processes, and about the projects formulated by the Bank’s business departments, and evaluates their potential risks and their compliance to Bank’s internal policies and guidelines III) determines control points, IV) makes effective controlling and monitoring by increasing the effectiveness of the control activities, establishing and enhancing auto-control and systemic control mechanisms in processes and procedures, and decreasing operational risks.

The Audit Board Department, performs systematic audits on internal control and risk management systems in conformity with all legal regulations and Bank’s directives.

Compliance Department carries out necessary activities in order to ensure compliance with the legal obligations within the scope of “Prevention of Laundering of Proceeds of Crime and Financing of Terrorism”, and with the international rules and principles on the same issue.

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 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 Department are carried out in coordination with the business units. Within framework of training activities; in-class and online trainings are regularly given to the Bank personnel in order to constantly

increase the awareness and culture within the Bank about “Prevention of Laundering of Proceeds of Crime and Financing of Terrorism”.

## 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 received from the departments of the Bank and with data received from departments are evaluated by the management. Consequently, strategies of the Bank, annual projections are established and presented by the Head of Strategy Planning to the approval of the Board of Directors. Approved final projections and strategies are sent to the Bank’s Assistant General Managers, and announced to the Bank staff as they are monitored by the relevant units. 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 Board of Directors Remuneration

The Chairman, Deputy Chairman and Members of the Board of Directors receive an annual salary that is determined by the General Assembly annually and that is implemented with the approval of the Prime Minister. In 2017, gross TL 13.8 million payment was made to the members of Board of Directors, Members of Audit Committee and Senior Managements. The issue was specified in 9th item of the minutes of the 63rd Ordinary General Assembly meeting, and the General Assembly minutes were announced on the Bank’s website. On the other hand, taking the banking sector practices into account, remuneration and all other benefits granted to the members of the Board of Directors and to the managers who have administrative responsibilities are not announced on individual basis. Fixed and performance based payments to the executives and other personnel are determined and made within the framework of the principles of the Bank’s Remuneration Policy.

The Board of Directors submitted its “Remuneration Policy” dated on 24.02.2014 to Shareholder’s information with the aim of complying with the Communiqué on Corporate Governance Principle no. 4.6.2 at the 2015 Ordinary General Assembly Meeting. The policy has published on the corporate website in Turkish and English.

The third paragraph of the 60th Article of the Articles of Incorporation of the Bank is as follows: “Members of the Board of Directors who are not shareholders and Members of the Board of Directors’ relatives who are not shareholders specified in the 393rd Article of the Turkish Commercial Code cannot borrow cash from the Bank. For these persons, the Bank cannot give surety, guarantee and collateral, cannot assume responsibility, and cannot take over their debts.” Within this scope, the Bank did not lend any money or extend loans to any of the Members of the 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;**

**Serdar TUNÇBİLEK**  
**Corporate Governance Committee**  
**Chairman**

**Ömer ARISOY**  
**Corporate Governance**  
**Committee Member**

**Mustafa TURAN**  
**Corporate Governance**  
**Committee Member**