

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

CHAPTER I - DECLARATION 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 actualize 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-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.), (4.3.7.), (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:

In order to achieve compliance with the principle no. 1.3.10, the Bank’s Board of Directors established a “Donation and Aid Policy” within the period and this policy was published on the website in Turkish and English. The policy was approved by the shareholders at the 61st Ordinary General Assembly Meeting held in 2015, and thus full compliance with the principle was achieved.

In order to comply with principle no.1.6.1, the Bank’s Board of Directors established a “Profit Distribution Policy” in 2014, and published the policy document in Turkish and English on the website. The policy was approved by the shareholders at the 61st Ordinary General Assembly Meeting held in 2015, and thus full compliance with the principle was achieved.

There are no female members on the Bank’s Board of Directors. No target ratio and time were determined for female members to be included on the Board of Directors. Although the Bank currently could not achieve compliance with the advisory principle no. 4.3.9, there was no conflict of interest among the stakeholders due to a non-compliance with the mentioned principle.

In order to ensure that companies set forth their approach towards sustainability issues such as environment, global warming, depletion of natural resources,

employee rights, occupational health and safety, Corporate Governance, and that their decisions about their activities are analyzed with an independent evaluation system in international standards; a Sustainability Index was established in 2014 within the structure of Borsa İstanbul (BİST). In this context, VakıfBank maintained its position in the index in 2015. VakıfBank is one of the five banks in the index listing 29 companies. VakıfBank's participation in this index, which is one of the significant indicators in terms of corporate governance, shows the Bank's sensitivity in this field.

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 and corporate investors, rating institutions and shareholders, the Investor Relations Department makes required notifications regarding all activities carried out and quarterly submits presentations, in particular, regarding the financial comparative analysis of VakıfBank with its peers to the Board of Directors.

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
*Assumes duties as a member of the Corporate Governance Committee as per the 11 th Article and 2 nd paragraph of the Corporate Governance Communiqué.		

Employees serving in the Investor Relations Department are as follows:

Name-Surname	Title	Phone	E-mail
Mustafa TURAN	Head	+90 212 316 73 90	mustafa.turan@vakifbank.com.tr
Ali TAHAN	Manager	+90 212 316 73 36	ali.tahan@vakifbank.com.tr
Nazan KILIÇ	Assistant Manager	+90 212 316 73 86	nazan.kilic@vakifbank.com.tr
Zeynep Nihan DİNCEL	Associate	+90 212 316 73 83	zeynepnihan.dincel@vakifbank.com.tr
Yasemin KEÇELİOĞLU	Associate	+90 212 316 73 85	yasemin.kecelioglu@vakifbank.com.tr
Ece Seda YASAN	Assistant Associate	+90 212 316 74 01	eceseda.yasan@vakifbank.com.tr
Yusuf YILMAZ	Assistant Associate	+90 212 316 73 88	yusuf.yilmaz2@vakifbank.com.tr
Berna SELEM ARSLANTAŞ	Assistant Officer	+90 212 316 75 94	bernaselem.arslantas@vakifbank.com.tr

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 institutions,
- Maintaining the relations with brokerage companies' analysts who prepare reports about the Bank,
- Attending meetings organized inside and outside the country 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 Headquarters departments in preparing and updating the Corporate Governance Principles Compliance Report,
- Answering the shareholders' written information requests about the Bank,
- Preparing documents that must be submitted for the shareholders' information and review regarding 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,
- Making the disclosure of material matters - required to be made within the scope of the Capital Markets Legislation and the relevant legislation that the Bank is liable to comply with - via Public Disclosure Platform,
- Coordinating projects regarding sustainability.

During 2015, the Investor Relations Department:

- Approximately 1,500 information requests submitted by the shareholders were responded to.
- 19 local and foreign investor conferences were attended, and face-to-face meetings were held with approximately 650 foreign and local institutional investors.
- More than 200 meetings were held in the Bank's İstanbul office and roughly 450 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 four rating institutions (Fitch, Moody's, S&P and Capital Intelligence).
- Close contact was made with all the analysts issuing reports about the Bank, accurate and reliable information was given to the analysts at the report preparation stages and opinions were shared with the analysts on the prepared reports.
- It was ensured that 2015 Ordinary General Assembly meetings were held within the scope and in compliance with the Banking Law, Capital Markets Law, Corporate Governance Communiqué, the Bank's Articles of Incorporation and other legislations.
- With the aim of coordinating the projects regarding sustainability, secretarial office works of the Sustainability Working Group that carries out its activities under the Corporate Governance Committee were performed; meetings related to sustainability, meeting agenda and actions to be taken were determined.

- The EIRIS firm was contacted for the evaluation of the sustainability projects; transactions to be made about this subject were determined in the order of priority; and the ideas were exchanged about the reports prepared by EIRIS about VakıfBank.
- The first Sustainability Report, covering 2014 and 2015 June activity period, was prepared in compliance with the Global Reporting Initiative G4, and submitted for the information of the stakeholders.
- For the institutional and foreign investors, Turkey's first investor relations application in English that was prepared by the related Bank units in 2014 for iPhone and iPad users, was actualized with the name "VakıfBank IR." From the date of activating the application until the end of 2015, 4,710 users downloaded the application and started using 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 that interfere with confidential information and trade secrets, by contacting with the most authorized person who is the addressee of the question.

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 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>

On these websites, VakıfBank's corporate information, periodical financial statements and activity reports, corporate governance information, share certificate information and announcements about developments in the bank are available. There is no information or disclosure in the Bank's corporate website that may have an impact on the use of the shareholders' rights.

The Articles of Incorporation of VakıfBank does not regulate the issue of appointing a private auditor. Provisions on requesting a private auditor were evaluated within the scope of the Turkish Code of Commerce and the Capital Markets Law. At the 2015 Ordinary General Assembly, no requests to appoint a private auditor were received from the shareholders.

2.3 General Assembly Meetings

The Ordinary General Assembly Meeting was held at the Headquarters' address in 2015. 61st Ordinary General Assembly Meeting was held on the 30th of March 2015 and meeting quorum was 85.08%.

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 conformity 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 2014 Annual Report – composed of the Bank's Balance Sheet and Profit & Loss Statements for the 2014 accounting period, Board of Directors' Annual Report, Audit Report and Independent External Audit Firm's Report – prepared for the General Assembly, was available for the information of the shareholders in the Central Registry Agency system and in all branches of the Bank before the General Assembly so that they had the opportunity to have information about and to review the Annual Report. 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 2015.

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 and branches),
- Sample power of attorney for shareholders who will not attend the meeting in person.

The annual report contains information on the operations of the Bank, information on the top management, the Bank's balance sheets, footnotes on the balance sheet, Independent Auditors' Report, Board of Audit Report, Board of Directors' Dividend Distribution Proposal, with Corporate Governance Principles Compliance Report and other relevant information. Upon request, the Investor Relations Department provides shareholders with a copy of the annual report before or after the 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. 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 held on the 30th of March 2015 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.

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." At the Ordinary General Assembly Meeting held on the 30th of March 2015, shareholders' questions were answered during the meeting by the Investor Relations Department. 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. There were no unanswered

questions at the 61st Ordinary General Assembly Meeting. Therefore, no announcement was made about this issue on the website.

At the 61st Ordinary General Assembly Meeting, the question asked by a shareholder attending the meeting about not having appointed female Members in the Board of Directors as per CMB Corporate Governance Principles; was answered explaining that “No requests were received from the shareholders about the issue, and the issue would be presented to the General Assembly’s evaluation if any request is received.”

At the Ordinary General Assembly Meeting held on the 30th of March 2015, the 7th Article with title “Capital” of the Articles of Incorporation of the Bank was amended. The upper limit of the registered capital of the Bank was increased from 5,000,000,000 Turkish Liras to 10,000,000,000 Turkish Liras.

At the Ordinary General Assembly Meeting held in 2015, shareholders did not make any request to add an item on the agenda of the Ordinary General Assembly Meeting.

In addition in 2015, 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.

In 2015, 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, 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 2014 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

VakıfBank's websites both in Turkish and English are available at the URL of www.vakifbank.com.tr.

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

Bank's Annual Report is 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 surdurulebilirlik@vakifbank.com.tr and sustainability@vakifbank.com.tr were made available and presented for the information of the stakeholders on the corporate website in the Investor Relations section.

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, accessible via the Internet, 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 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,
- Developing their knowhow and skills through training programs given to the employee within the Bank,

- Cultivating its employee in line with their career targets within the framework of the Bank's training policy,
- 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,
- Creating high motivation by developing individual and professional competencies of the employee and strengthening their loyalty to the Bank,
- 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 an assistant auditor or an assistant financial analyst/associate or as an officer. The personnel who will be working at the Bank are chosen from among the candidates who have a bachelor's degree in banking from a 4-year department of the universities. Special attention is paid to make sure candidates have a postgraduate degree and knowledge of foreign language.

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 and regional directorates 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.

Moreover, the Training Department provides orientation trainings within the scope of special programs for novice assistant auditors, assistant financial analysts/associates and officers in order to help them get adapted to the Bank and in order to make sure that the corporate culture is adopted.

Employees are informed about their job descriptions and distribution as well as performance and awarding principles.

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 "Turkish Bank 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, CBA for the 22nd Period between 01.05.2015 and 30.04.2017 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
Salih KALFA	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 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 has adopted the principle of contributing to social life at the maximum level. In line with the influence of the "foundation heritage" in its roots and the image of "Compassionate Bank", the Bank carried out important projects in the fields of sponsorship and social responsibility also in 2015.

With the support it has uninterruptedly given to volleyball for 29 years, VakıfBank continued to be the main sponsor of VakıfBank Sports Club. VakıfBank Sports Club again achieved new successes in all championships playing in the finals.

VakıfBank also made considerable progress in the sport complex that is being constructed. The structure, with 33,300 square meters of indoor sports space in total, has been planned to open in August 2016. Having made more than TL 40 million investment, VakıfBank will present the sport complex to serve Turkish sports for at least 25 years.

Carrying its support for sports and education to schools all across the country, VakıfBank has provided a great number of schools with sports equipment and stationery materials by its own means and by means of the sports club and has also sponsored and hosted 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.

CHAPTER V - BOARD OF DIRECTORS

5.1 Structure and Formation of the Board of Directors

Name - Surname	Position	Start Date of Position
Ramazan GÜNDÜZ	Chairman Board Member (C)	29.03.2013 06.04.2009

Mehmet Emin ÖZCAN	Independent Board Member (D) Deputy Chairman Credit Committee Member Audit Committee Member	28.03.2014 29.03.2013 05.04.2013 04.04.2014
Halil AYDOĞAN	General Manager-Executive Board Member-Ordinary Member	29.03.2013
İsmail ALPTEKİN	Board Member (A) Corporate Governance Committee Member Credit Committee Substitute Member	06.04.2009 07.04.2009 30.03.2015
Dr. Adnan ERTEM	Board Member (A) Remuneration Committee Member	28.10.2010 06.04.2012
Öztürk ORAN	Independent Board Member (A) Corporate Governance Committee Member Remuneration Committee Member	30.04.2014 08.05.2014 30.03.2015
Şeref AKSAÇ	Board Member (B) Remuneration Committee Member Credit Committee Member	30.04.2014 08.05.2014 29.12.2015
Sabahattin BİRDAL	Independent Board Member (C) Audit Committee Member Credit Committee Substitute Member	31.03.2014 04.04.2014 29.12.2015
BOARD OF AUDITORS		
Mehmet HALTAŞ	Audit Board Member	19.03.2010
Yunus ARINCI	Audit Board Member	19.03.2010

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 Halil AYDOĞAN 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/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”. Mehmet Emin ÖZCAN’s and Sabahattin BİRDAL’s statements of independence, stating that they are independent within the framework of the criteria

specified in the legislation, the Bank's Articles of Incorporation and the relevant Capital Markets Board Communiqué, are available in the Corporate Governance Committee Decision dated 26.01.2015. Independent Members were presented to the Board of Directors on 29.01.2015 and at the Bank Ordinary General Assembly, Mehmet Emin ÖZCAN, Sabahattin BİRDAL and Öztürk ORAN 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-Surname	Subsidiary	Position in the Subsidiary	Start Date of Position
Ramazan GÜNDÜZ	Vakıfbank International AG	Chairman	27.04.2015
Mehmet Emin ÖZCAN	Güneş Sigorta A.Ş.	Deputy Chairman	27.03.2015
	Vakıf Yatırım Menkul Değerler A.Ş.	Chairman	27.03.2015
Halil AYDOĞAN	Güneş Sigorta A.Ş.	Chairman	09.04.2013
	Taksim Otelcilik A.Ş.	Chairman	15.02.2012
	TSKB A.Ş.	Member	16.12.2013
İsmail ALPTEKİN	Vakıf Gayrimenkul Değerleme A.Ş.	Chairman	31.05.2010
	Taksim Otelcilik A.Ş.	Member	01.01.2011
Dr. Adnan ERTEM	Vakıf Emeklilik A.Ş.	Chairman	30.03.2011
Sabahattin BİRDAL	Vakıf Yatırım Menkul Değerler A.Ş.	Deputy Chairman	27.03.2015
	Vakıf Gayrimenkul Yatırım Ort. A.Ş.	Chairman	30.04.2014
Öztürk ORAN	Vakıf Menkul Kıymet Yat. Ort. A.Ş.	Chairman	09.05.2014
	Vakıfbank International AG	Deputy Chairman	27.04.2015
Şeref AKSAÇ	Vakıf Emeklilik A.Ş.	Deputy Chairman	27.03.2015
	Vakıf Finansal Kiralama AŞ	Chairman	01.04.2015

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 Öztürk ORAN's duties outside VakıfBank and the Group; since 2003, he continues his professional life as Chairman of the Board of Directors in the pharmaceutical companies where he also is a partner. He is a Member of the Board of Directors in İstanbul Chamber of Commerce and in the World Trade Center. He is also the Chairman of the Board of Directors of Vakıf Katılım Bankası A.Ş.

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. Furthermore as per the Banking Law no. 5411, Members of the Board of Directors who assume tasks in the Audit Committee do not have any tasks/duties/positions in the unconsolidated subsidiaries.

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 Board of Directors Administrative Department. In 2015, 31 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 2015 policy's total value is USD 75,000,000 for each damage within the term of the policy.

5.3 Number, Structure and Independency 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; Mehmet Emin ÖZCAN 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 Mehmet Emin ÖZCAN (independent member) and Şeref AKSAÇ. There are two substitute members for a member who will not attend a meeting. Substitute members are Sabahattin BİRDAL and İsmail ALPTEKİN. 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 Öztürk ORAN (Committee Chairman - Independent Member), İsmail ALPTEKİN 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 Öztürk ORAN (Committee Chairman - Independent Member), Dr. Adnan ERTEM and Şeref AKSAÇ. 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 number of the Members of the Board of Directors of the Bank is "9". However, the number of the Members of the Board of Directors carrying out tasks as of the report date is "8". (The term of office of the Member of the Board of Directors Halim KANATCI ended on 30.04.2015. The Prime Ministry Office has not appointed a new member in his vacant position yet.). 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

The Risk Management Department 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, ISEDES (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, Risk Management Department 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 make sure that; Bank activities are carried out within the framework of the current legal legislation, in conformity with the targets, policies and strategies specified by the top management. In order to establish, develop and coordinate a healthy internal control system in the Bank and 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 in all branches and departments of the Bank, bank's communication channels, information systems, financial reporting systems and business processes.

Internal Control Department; i) controls the functional separation of tasks, and distribution of duties and responsibilities, for defining, measuring and preventing the Bank risks, ii) reviews the processes, iii) determines check points, iv) carries out activities to increase the effectiveness of the control process, and to establish auto-control mechanisms in processes. While necessary measures are taken, processes and systems to be activated, are evaluated with a proactive approach covering risks that have not been previously encountered or defined.

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.

Legislation Monitoring and Evaluation Department; i) regularly monitors the developments (related to banking activities) in legislation and banking practices, ii) interprets the impacts of the legislation changes on the banking activities, iii) determines, within this scope, the measures to be taken by the Bank, and changes to be made in Bank’s internal legislation and practices, and provides written information about the issue to the relevant departments of the Bank, iv) requests necessary measures to be taken. Furthermore, relevant departments are informed about draft regulations related to banking, necessary procedures are initiated before the regulations enter into force. The Department monitors the activities carried out by the relevant departments, measures taken, changes made in practices, and the internal legislation regulations, and moreover coordinates the processes of i) eliminating deficiencies (as the Department counsels if necessary) and ii) taking necessary measures in order to promptly and fully comply with the legislation, iii) updating the general legislation and guidelines that will be prepared by the business units in this context. Moreover, the Department i) performs tasks regarding the compliance controls within the scope of the “Regulation On Banks’ Internal Systems and Internal Capital Adequacy Evaluation Process”, ii) examines and evaluates the new products and services of the Bank in terms of internal legislation regulations compliance risk, iii) ensures that necessary corrections, changes are made and measures are taken.

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 and business plans are received from the business units of the Bank and the business plans along with data received from units are evaluated by the management. Consequently, strategies of the Bank, annual projections and business plans are presented by the Strategy Development Department to the approval of the Board of Directors. The final version of the approved projections and strategies are forwarded to the Executive Vice Presidents of the Bank and announced to the Bank employees. 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. This issue specified in the minutes to the General Assembly, is available on the Bank's website.

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.

With the aim of complying with the principle no. 4.6.2, the Board of Directors of the Bank established a "Remuneration Policy" within the period and published the policy document in Turkish and English on the website. The policy was submitted for the information of the shareholders at the 2015 Ordinary General Assembly Meeting.

Yours sincerely,

ÖZTÜRK ORAN
Corporate Governance
Committee Chairman

İSMAİL ALPTEKİN
Corporate Governance
Committee Member

MUSTAFA TURAN
Corporate Governance
Committee Member