

TURKIYE VAKIFLAR BANKASI T.A.O

2016 Resolution Plan

Public Section

December 2016

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Vakifbank---Public Information

Introduction

Turkiye Vakiflar Bankasi T.A.O.(“Vakifbank”) is a foreign banking organization duly organized and existing under the laws of Turkey. In the United States, Vakifbank maintains a New York State licensed branch (the “New York Branch”). This is the public section of the plan for resolution (“Resolution Plan”) prepared by Vakifbank and required pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") and regulations of the Federal Deposit Insurance Corporation ("FDIC") and the Board of Governors of the Federal Reserve System (the "Federal Reserve"). Section 165(d) of the Dodd Frank Act and the regulations state that any foreign bank or company that is, or is treated as, a bank holding company under section 8(a) of the International Banking Act of 1978 (the “IBA”) and that has \$50 billion or more in total, global consolidated assets must submit annually to the Federal Reserve and the FDIC a plan for the rapid and orderly resolution of the bank’s U.S. operations in the event of material financial distress or failure. This year’s Resolution Plan of Vakifbank is due on December 31, 2016, with subsequent annual updates.

The FDIC and the Federal Reserve have each, by rule and through the supervisory process, prescribed the assumptions, required approach and scope for these resolution plans, and have required that certain information be included in a public section of the resolution plans. This public section of Vakifbank’s Resolution Plan adheres to these requirements.

Vakifbank is defined as a "covered company" under the applicable rules because it is treated as a bank holding company and is supervised by the Federal Reserve and has consolidated assets of \$50 billion or more. Vakifbank is submitting a “tailored or “reduced” resolution plan which is available for foreign-based covered companies that have less than \$100 billion in total U.S. nonbank assets and whose U.S. depository institution operations, branches, and agencies comprise 85% or more of the company’s U.S. total consolidated assets. The “tailored or reduced” plan allows Vakifbank to provide information on Vakifbank’s U.S. nonbanking material entities and operations. Vakifbank provided written notice to the FRB and FDIC of its intent and eligibility to submit a tailored resolution plan that was delivered on April 5, 2016, and received an approval notice from the FRB and FDIC, dated June 10, 2016, indicating that Vakifbank may file a reduced plan.

This Resolution Plan provides an evaluation by Vakifbank as to how it can be resolved in the United States under the insolvency regime applicable to its businesses in a way that would not pose serious risk to the financial system. This requires Vakifbank to map its core business lines and critical operations (if any) to material entities and provide information on its corporate structure, credit exposure, funding, capital, cash flows, and information with regard to its technology. This Resolution Plan contains information on Vakifbank’s U.S. operations and on the interconnections and interdependencies between Vakifbank’s U.S. and non-U.S. operations.

This Resolution Plan relates to the subsidiaries, branches, critical operations and core business lines that are domiciled in the United States or are conducted in whole or in material part in the United States. The Resolution Plan includes the information required for a tailored plan,

including a description of the Vakifbank's U.S. banking operations. Vakifbank is subject to regulation by its financial regulators primarily in Turkey. There are no current requirements of the Turkish financial authorities relating to recovery and resolution planning of Vakifbank although such requirements may be imposed in the future.

Description of Vakifbank

Vakifbank was founded on April 13, 1954. Vakifbank's initial purpose was the management of the cash revenues and expenditures of certain governmental charitable foundations. As of December 31, 2015, Vakifbank was seventh largest Turkish bank in terms of assets, deposits and branch network according to the BRSA.

As of December 31, 2015, the Group had total assets of TL 189,585 million, total loans of TL 125,959 million and shareholders' equity (including minority interests) of TL 17,002 million.

Vakifbank is a full service commercial and retail bank with its headquarters in Istanbul, Turkey, and is controlled indirectly by the Turkish government through foundations and non-affiliated foundations managed by the General Directorate of Foundations (the "GDF"). As of December 31, 2015, 58.64% of Vakifbank's shares were held by foundations managed by the GDF, 25.2% were publicly-traded, 16.1% were held by the Vakifbank Pension Fund and approximately 0.06% were held by individuals, legal entities and non-affiliated foundations.

Vakifbank provides retail, commercial and investment banking services through a network (as of December 31, 2015) of 890 branches distributed throughout Turkey and three branches abroad. Vakifbank's branch network covers all of the 81 cities in Turkey.

Internationally, Vakifbank has one subsidiary in Austria, one branch in New York City, one branch in Arbil (in the Republic of Iraq) and one branch in Bahrain. In addition, Vakifbank offers its services through automated teller machines, a call center and internet banking. Vakifbank had 15,410 employees as of December 31, 2015.

Vakifbank has four principal business departments - Retail Banking, Commercial Banking, International Banking and Treasury, and Investment Banking. In addition, Vakifbank (including through its subsidiaries and other companies in which Vakifbank has an interest) provides brokerage, insurance, fund and portfolio management and overseas banking services. Retail banking is Vakifbank's primary focus, providing a broad range of services, including deposits, loans (including auto and mortgage loans), credit and debit cards, investment accounts and payroll services. Commercial Banking encompasses project finance, cash transfer, business-to-business activities, foreign exchange, corporate finance, electronic banking, cash management and investment services. Treasury focuses on diversifying Vakifbank's funding sources and acting as a market maker in the Turkish money markets. Investment Banking includes trading in equities, mutual funds and government securities.

Executive Summary of the Resolution Plan

1. Names of Material Entities

A "material entity" is defined as a "subsidiary or foreign office of the Covered Company that is significant to the activities of a critical operation or core business line."

Core business lines are defined as "those business lines of the Covered Company, including associated operations, services, functions and support that, in the view of the Covered Company, upon failure would result in a material loss of revenue, profit, or franchise value."

Critical operations are defined as "those operations of the Covered Company, including associated services, functions and support, the failure or discontinuance of which, in the view of the Covered Company or as jointly directed by the Board and the Corporation, would pose a threat to the financial stability of the United States."

Vakifbank has determined that it does not have any "critical operations" that, upon their failure or discontinuance, would pose a threat to the stability of the U.S. financial system. Neither the Federal Reserve nor the FDIC designated any operations as "critical operations."

In the view of management of Vakifbank, there are no critical operations or core business lines conducted in the United States. The only entity that Vakifbank operates in the U.S. is the New York Branch. The New York Branch is licensed by the New York State Department of Financial Services (the "NYDFS") and is located at 1177 Avenue of the Americas, New York, NY10036. The New York Branch engages in deposit taking, remittances, commercial lending, trade finance activities, treasury and investments. The New York Branch is subject to supervision, examination and regulation by the NYDFS and the Federal Reserve.

Vakifbank has evaluated whether the New York Branch is a "material entity" that is significant to the activities of a critical operation or core business line. Based on the definitions in the regulations, the New York Branch is not a "material entity." The New York Branch does not conduct any core business lines or critical operations in the U.S., but engages in some banking activities such as: offering commercial loans—both secured and unsecured—including revolving and term loans; offering a full suite of trade finance products including export and import letters of credit as well as standby letters of credit; handling collection of trade documentation and arranging for bid and performance bonds for customers and offering remittance activities including both domestic and international wire transfers.

2. Description of Core Business Lines

As noted above, in the view of management of Vakifbank, there are no core business lines conducted in the United States. Core business lines means those business lines of Vakifbank, including associated operations, services, functions and support, that, in the view of Vakifbank, upon failure would result in a material loss of revenue, profit or franchise value. There is no

activity of the New York Branch that, upon its failure, would result in a material loss of revenue, profit or franchise value for Vakifbank. There is no activity of the New York Branch that even comes close to contributing five percent of the income attributed that activity for Vakifbank as a whole.

3. Summary Financial Information Regarding Assets, Liabilities, Capital And Major Funding Sources

Assets and Liabilities

The following is Vakifbank's Consolidated Balance Sheet for the period ended December 31, 2015. For a more detailed discussion on each of the specific line captions on the Consolidated Balance Sheet, please refer to Vakifbank's 2015 Annual Report. The financial information was prepared in accordance with Generally Accepted Accounting Principles in Turkey.

Fiscal Data as of Dec 31 2015 (Thousand TL)

| | ASSETS | 2015 | 2014 |
|---------------|--|--------------------|--------------------|
| I. | CASH AND BALANCES WITH THE CENTRAL BANK | 21,489,914 | 21,891,081 |
| II. | FINANCIAL ASSETS WHERE FAIR VALUE CHANGE IS REFLECTED TO INCOME STATEMENT (Net) | 995,862 | 450,241 |
| III. | BANKS | 6,176,019 | 3,568,508 |
| IV. | MONEY MARKET SECURITIES | 6,699 | 9,504 |
| V. | FINANCIAL ASSETS AVAILABLE FOR SALE (Net) | 17,336,111 | 16,871,115 |
| VI. | LOANS AND RECEIVABLES | 125,959,679 | 106,355,671 |
| VII. | FACTORING RECEIVABLES | 717,727 | 510,381 |
| VIII. | INVESTMENTS HELD TO MATURITY (Net) | 7,677,729 | 6,854,593 |
| IX. | INVESTMENTS AND ASSOCIATES (Net) | 295,335 | 264,187 |
| X. | SUBSIDIARIES (Net) | 271,017 | 258,927 |
| XI. | JOINT VENTURES (BUSINESS PARTNERS) (Net) | 0 | 0 |
| XII. | RECEIVABLES FROM LEASING TRANSACTIONS | 1,325,825 | 1,089,987 |
| XIII. | DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGING | 0 | 0 |
| XIV. | PROPERTY AND EQUIPMENT (Net) | 1,654,118 | 784,873 |
| XV. | INTANGIBLE ASSETS (Net) | 201,537 | 162,235 |
| XVI. | REAL ESTATES FOR INVESTMENT PURPOSE (Net) | 287,726 | 192,000 |
| XVII. | ASSETS FOR TAXES | 142,916 | 182,290 |
| XVIII. | PROPERTY AND EQUIPMENT HELD FOR SALE AND HELD FROM TERMINATED OPERATIONS (Net) | 994,991 | 747,482 |
| XIX. | OTHER ASSETS | 4,052,353 | 3,358,387 |
| | TOTAL ASSETS | 189,585,558 | 163,551,462 |

| | LIABILITIES | 2015 | 2014 |
|--------------|---|--------------------|--------------------|
| I. | DEPOSITS | 112,009,997 | 93,402,613 |
| II. | DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING | 304,352 | 270,627 |
| III. | FUNDS BORROWED | 20,195,047 | 16,260,655 |
| IV. | INTERBANK MONEY MARKET | 12,827,198 | 16,655,241 |
| V. | MARKETABLE SECURITIES ISSUED (Net) | 10,646,708 | 10,384,708 |
| VI. | FUNDS | 4,228 | 20,089 |
| VII. | MISCELLANEOUS PAYABLES | 4,397,761 | 3,344,419 |
| VIII. | OTHER EXTERNAL RESOURCES | 2,445,961 | 1,520,219 |
| IX. | FACTORING PAYABLES | 5 | 0 |
| X. | LEASING TRANSACTION PAYABLES | 0 | 0 |
| XI. | DERIVATIVE FINANCIAL LIABILITIES HELD FOR HEDGING | 0 | 0 |
| XII. | PROVISIONS | 5,056,546 | 4,111,937 |
| XIII. | LIABILITIES FOR TAX | 539,449 | 493,995 |
| XIV. | LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND HELD FROM TERMINATED OPERATIONS | 0 | 0 |
| XV. | SUBORDINATED LOANS | 4,155,551 | 2,126,436 |
| XVI. | SHAREHOLDERS` EQUITY | 17,002,755 | 14,960,523 |
| | TOTAL LIABILITIES | 189,585,558 | 163,551,462 |

Capital

Although the legal capital adequacy ratio is 8% according to Turkish Banking Law; the BRSA (Banking Regulation and Supervision Agency) in Turkey requires a target capital adequacy ratio of 12%. Vakifbank follows a policy for its capital adequacy ratio to be over 12% taking into account its internal growth projections. In all the stress tests performed to date, Vakifbank has met the BRSA's requirements for capital adequacy.

As of December 31, 2015, the Consolidated Capital Adequacy Ratio of Vakifbank is 14.21% and the CET 1 (Common Equity Tier I) Ratio is 11.03%.

| Year End Capital (Thousand TL): | 2015 | 2014 |
|--|-------------------|-------------------|
| CET I | 16,810,344 | 14,824,597 |
| Tier II capital | 5,101,213 | 3,639,371 |
| Deductions from capital | 138,811 | 121,208 |
| Total regulatory capital | 21,651,824 | 18,212,972 |
| Capital Adequacy Ratios | 2015 | 2014 |
| CET 1 Ratio | 11.03% | 11.17% |
| Total capital adequacy ratio | 14.21% | 13.73% |

Vakifbank funds its operations in various ways. Its Treasury at the Head Office arranges long term funding for all its operations. The major funding sources of Vakifbank come from depositors and capital markets in Turkey and worldwide. The New York Branch borrowing activities are tied closely to Head Office. VakifBank New York manages its market and liquidity risk within the guidelines provided by Head Office Treasury by directly borrowing from other banks, accepting customer deposits and receiving funding from our Head Office. The New York Branch seeks to have adequate liquidity to cover normal operations and to meet any reasonable level of unexpected funding requirements.

4. Description of Derivative and Hedging Activities

Vakifbank enters into transactions with derivative instruments, including interest rate swaps, foreign exchange forward, swap and options contracts and capital markets transactions. For example, Vakifbank enters into interest rate swap transactions in order to hedge certain cash flow and currency exposures primarily on floating rate assets and liabilities through converting its fixed rate income/payments into floating rate income/payments. Foreign currency forward contracts are used to manage the foreign exchange risk of foreign currency denominated assets and liabilities. These derivative transactions are considered as effective economic hedges under Vakifbank's risk management policies.

The New York Branch may engage in swap transactions, primarily single currency interest rate swaps and cross currency interest rate swaps.

5. Memberships in Material Payment, Clearing and Settlement Systems

Vakifbank New York Branch is not a critical or significant member of any material payment, clearing or settlement system for the purpose of this document. However, the Branch does have membership with;

- **Fedwire Advantage** is a wire transfer service owned and operated by the Federal Reserve.

- **ACH-** Federal Reserve Bank electronic payment system.
- **The Society for Worldwide Interbank Financial Telecommunication ("SWIFT")** is a member-owned cooperative to provide a telecommunication platform for the exchange of standardized financial messages between financial institutions and corporations.

Vakifbank, the covered company, maintains memberships and/or participates in certain systems to facilitate the clearing and settlement of customer securities, derivatives, and cash transactions. The following are the most significant systems used:

- **Central Bank of Turkey Electronic Funds Transfer System** is the Turkish domestic system for transferring Turkish Lira operated by the Central Bank of Turkey.
- **Euroclear** is a European settlement organization for international debt.
- **The Society for Worldwide Interbank Financial Telecommunication ("SWIFT").**

6. Description of Foreign Operations

Vakifbank is a Turkish banking organization that provides global services to individual and corporate clients through its domestic and overseas operations.

The international offices of Vakifbank include International branches in New York, Bahrain and Arbil, Iraq as well as a subsidiary in Vienna; VakifBank International AG, with their branches in Vienna, Frankfurt and Cologne, Germany.

7. Material Supervisory Authorities

Turkish Banking System

Turkish banks and branches of foreign banks are primarily governed by two regulatory authorities in Turkey: the BRSA and the Central Bank. The BRSA is responsible for ensuring that banks observe banking legislation, supervises the application of banking legislation and monitors the banking system. The Central Bank performs the traditional functions of a central bank. The Central Bank sets mandatory reserve levels and liquidity ratios. In addition, each Turkish bank must provide the Central Bank, on a current basis, with information adequate to permit off-site evaluation of its financial performance, including balance sheets, profit and loss accounts, board of directors' reports and auditor's reports.

Pursuant to a regulation regarding the internal systems of banks issued by the BRSA, banks are obligated to establish, manage and develop (for themselves and all of their consolidated affiliates) internal audit and risk management systems commensurate with the scope and structure of their activities. Among the significant elements of Turkish banking law are: a comprehensive liquidity arrangement has been adopted by the BRSA, with the consent of the Central Bank; reserve requirements pegged to foreign currency and Turkish Lira liabilities; limits on foreign exchange exposure based on capital; mandatory audits and audit committees of the

Board of Directors; lending limits; annual reporting and anti-money laundering standards under FATF.

The BRSA has adopted regulations to implement Basel II into Turkish law and requires banks to calculate and report capital ratios which may not be less than 8%. As a prudential requirement, the BRSA requires a target capital adequacy ratio that is 4% higher than the legal capital ratio of 8%.

U.S Bank Supervisory System

Vakifbank is deemed to be a bank holding company under section 8(a) of the IBA as a result of maintaining the New York Branch. Vakifbank is subject to supervision by the Federal Reserve under the Bank Holding Company Act of 1956, the IBA, the Dodd-Frank Act and the USA PATRIOT Act of 2001 among others.

The New York Branch is subject to the supervision of and examination by the New York State Department of Financial Services. The Federal Reserve supervises and examines the New York Branch and acts as the umbrella supervisor for Vakifbank with regard to any activities in the U.S.

8. Principal Officers

As of September 30, 2016

A) Head Office Directors & Officers

| Name | Title |
|-------------------|---|
| Ramazan GUNDUZ | Chairman of the Board |
| Mehmet Emin OZCAN | Deputy Chairman, (Independent) Member of Audit Committee |
| Halil AYDOGAN | General Manager, Member of the Board |
| Ismail ALPTEKIN | Independent Member of the Board |
| Dr. Adnan ERTEM | Member of the Board |
| Ozturk ORAN | Member of the Board |
| Dilek YUKSEL | Member of the Board |
| Sabahattin BIRDAL | Member of Audit Committee |
| Yunus ARINCI | Auditor |
| Mehmet Emin BAYSA | Auditor |

| Name | Title |
|-----------------------|--|
| Metin Recep ZAFER | EVP - Accounting and Financial Affairs, Treasury and Foreign Operations, Banking Operations, Consumer Coordination Attendant EVP - Application Development Departments, System Management, IT Operations and Support, IT Services Planning Department, IT Process Management and Compliance Directorate, Project Management Directorate, Information Security Directorate |
| Hasan ECESoy | EVP-Treasury, International Relations and Investor Relations, Coordination of Foreign Branches |
| Serdar SATOGLU | EVP-Private Banking, Subsidiaries |
| Osman DEMREN | EVP-Commercial and Corporate Loans, Consumer and SME Loans, Intelligence |
| Muhammet Lutfu CELEBI | EVP-Commercial and Corporate Banking, SME Banking, Cash Management |
| Mustafa SAYDAM | EVP-Human Resources, Support Services, Distribution Channels |
| Mehmet Emin KARAAGAC | EVP-Loans and Follow-up, Legal Affairs |
| Yakup SIMSEK | Retail Banking, Payment Systems, Payment System Operations, Bancassurance |

B) New York Branch Senior Management

| Name | Title |
|------------------|----------------------------|
| Hakki Senel | General Manager* |
| Guldal Sisman | Assistant General Manager* |
| Thomas Martin | SVP & Treasurer* |
| Rabia Sheikh | VP & Controller |
| Canan Onay | VP & Compliance Officer |
| Tulay Cetinkaya | VP Credit Manager |
| Pasquale Barbera | VP Operations Manager |
| Ramesh Kulkarni | VP Trade Finance |
| Murat Kilavuz | VP Customer Relations |
| Syed Hassan | VP IT Manager |

*New York branch members of Risk Planning Committee for the Resolution Plan.

9. Corporate Governance Structure For Resolution Planning And Related Processes

Vakifbank has established a governance framework for a resolution planning including both at Head Office and the U.S. branch in New York. The resolution planning process at Vakifbank is predominately managed by the New York Branch. The New York Risk Planning Committee has the responsibility to plan and adopt the Resolution Plan. The General Manager, Assistant General Manager and the Treasurer are the New York Risk Planning Committee which has been expanded to include the Head of Global Risk Management Department from Head Office. These senior executives represent the business and supervisory functions at the New York Branch and Global Risk Management Department of Head Office, Istanbul. The US Risk Committee is responsible for overseeing the development, implementation and filing of the Resolution Plan. The committee is responsible for reviewing and approving the resolution planning process in the United States and has responsibility for preparing the notice of intent to file a reduced plan and preparing the business information needed to complete the Resolution Plan.

Upon completion in the United States, the Resolution Plan will be forwarded to the Head Office Global Risk Management Department for further comment, review and assessment. The Global Risk Management Department will conduct the final review of the Plan for consistency with Vakifbank's global risk guidelines and general corporate governance and seek input from other internal control functions within Vakifbank Head Office, Istanbul, Turkey as needed.

Once the Resolution Plan has been finally reviewed and completed by the Global Risk Management Department, the Resolution Plan will be presented to the Vakifbank Board of Directors for final review and approval for submission to the regulatory authorities in the U.S.

10. Description of Material Management Information Systems

Vakifbank utilizes a number of management information systems ("MIS") and applications to support internal management, risk, accounting, loan, financial and regulatory reporting. The New York Branch's MIS consists primarily of third party systems and applications managed independently by the Branch. The Branch sends various daily reports and files directly to Head Office for purposes of supervising the Branch operations. Vakifbank has a control environment with policies and procedures to ensure the systems producing MIS are dependable and maintained and operated in a manner that will support Vakifbank's business. Vakifbank has disaster recovery and business continuity plans for data backup and recovery off-site, periodic testing of the plan, training, and safeguarding of vital records. These policies and procedures govern information security, data protection, technology developments and improvement and business continuity.

11. High-level description of resolution strategy including such items as the range of potential purchasers of the company, its material entities, core business lines and materia changes to the 2016 Resolution Plan.

In the event of material financial distress or failure, the Resolution Plan discusses the plan to be executed to minimize the impact on the U.S. financial community. This would be part of a situation involving Vakifbank specifically, and other financial institutions and markets generally would not be experiencing a system-wide financial panic or crisis. As noted above, the Turkish Government has a majority stake in Vakifbank and while this factor may not be considered for the purposes of the Resolution Plan, it is expected that the Turkish Government would lend support to Vakifbank in times of material financial distress.

As noted above, Vakifbank currently does not have, nor is it required to have, a Turkish resolution plan and does not engage in resolution planning pursuant to the requirements of its home country regulators. Any resolution activity in the U.S. for Vakifbank New York Branch would be conducted by the New York State Department of Financial Services pursuant to the provisions of New York State Banking Law governing the liquidation of branches of foreign banks operating in New York. The New York Branch would be seized by the Superintendent of the NYDFS who would directly commence the resolution process of the branch under New York State insolvency law. In view of this manner of resolution, Vakifbank New York Branch has adopted a Plan that focuses on coordination with the New York State Department of Financial Services in regard to the liquidation of the New York Branch.

There have been no material changes in the operations of Vakifbank in the U.S. since the filing of the 2015 Resolution Plan. Accordingly, Vakifbank has not changed its current Resolution Plan.