



## **ICBC TURKEY BANK A.Ş.**

# **ANNUAL REPORT FOR THE YEAR OF 2016**

### **CONTACT INFORMATION OF THE BANK**

ICBC Turkey Bank Anonim Şirketi (ICBC Turkey) has been operating as a foreign-capitalized deposit bank in Turkey. The contact information of our branches and representative offices can be reached on our website under the subheadings of the “Branches”, “ATMs” and “Representative Offices” under the heading of the “Contact Us”.

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<b>Period of the Report</b>	01.01.2016 - 31.12.2016
<b>Corporate Name of the Bank</b>	ICBC Turkey Bank A.Ş.
<b>Currency of the Report</b>	Unless indicated otherwise, all of the amounts are indicated in thousand TL.
<b>Trade Registry Number of the Bank</b>	224058 – Istanbul Trade Registry
<b>Address of the Headquarters</b>	Maslak Mah. Dereboyu/2 Cad. No:13 34398 Sarıyer - Istanbul
<b>Telephone Number of the Headquarters</b>	0212 335 53 35
<b>Facsimile Number of the Headquarters</b>	0212 328 13 28
<b>Website Address</b>	<a href="http://www.icbc.com.tr">www.icbc.com.tr</a>
<b>E-mail</b>	info@icbc.com.tr

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## SECTION I - GENERAL INFORMATION

### Annual Report Compliance Opinion



Akis Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.  
Kavacık Rüzgarlı Bahçe Mah. Kavak Sok.  
No:29 Beykoz 34805 İstanbul  
Tel +90 (216) 681 90 00  
Fax +90 (216) 681 90 90  
www.kpmg.com.tr

#### CONVENIENCE TRANSLATION INTO ENGLISH OF THE INDEPENDENT AUDITOR'S REPORT RELATED TO ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

To the Board of Directors of ICBC Turkey Bank Anonim Şirketi

Report on the Audit of Board of Directors' Annual Report Based on Standards on  
Auditing

We have audited the accompanying annual report of ICBC Turkey Bank Anonim  
Şirketi (the "Bank"), for the year ended 31 December 2016.

*Board of Directors' Responsibility for the Annual Report*

In accordance with the Article 514 of the Turkish Commercial Code No. 6102  
("TCC") and "Regulation on the Principles and Procedures Concerning the  
Preparation of and Publishing Annual Reports by Banks" published in the Official  
Gazette dated 1 November 2006 and No. 26333 in accordance with "Banking  
Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation"  
which includes the "Regulation on Accounting Applications for Banks and  
Safeguarding of Documents" published in the Official Gazette No.26333 dated 1  
November 2006, and other regulations on accounting records of Banks published  
by Banking Regulation and Supervision Board and circulars and interpretations  
published by BRSA and requirements of the Turkish Accounting Standards for the  
matters not regulated by the aforementioned legislations, and for such internal  
control as management determines is necessary to enable the preparation of the  
annual report.



#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the Bank's annual report based on our audit conducted in accordance with the provisions of the Article 397 of the TCC and the regulation on "Independent Auditing of Banks" published in the Official Gazette dated 2 April 2015 with No. 29314, whether the consolidated and unconsolidated financial information included in the accompanying annual report is consistent with the financial statements of the Bank and provides fair presentation.

We conducted our audit in accordance with the Independent Standards on Auditing which is a component of the Turkish Auditing Standards ("TAS") published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial information included in the annual report is consistent with the consolidated and unconsolidated financial statements and provide fair presentation.

An audit involves performing procedures to obtain audit evidence about the historical financial information. The procedures selected depend on the auditor's judgment.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial information included in the Board of Directors' annual report is consistent, in all material respects, with the audited consolidated and unconsolidated financial statements and provides a fair presentation.

#### **Report on Other Regulatory Requirements**

In accordance with the third clause of the Article 402 of TCC, no material issue has come to our attention that shall be reported about the Bank's ability to continue as a going concern in accordance with TAS 570 Going Concern.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

A member firm of KPMG International Cooperative

  
Orhan Akova, SMMM  
Partner

Istanbul, 1 March 2017

ICBC TURKEY BANK ANONİM ŞİRKETİ  
STATEMENT REGARDING ANNUAL REPORT FOR YEAR 2016

Address of the Bank's

Headquarters : Maslak Mah. Dereboyu/2 Caddesi No: 13 34398 Sarıyer - İstanbul  
Telephone number : (0212) 335 53 35  
Fax number : (0212) 328 13 28  
Website of the Bank : www.icbc.com.tr

Annual Report for year 2016 of ICBC Turkey Bank A.Ş., has been prepared in accordance with the "Regulation on the Procedures and Principles for Preparation and Publishing of Annual Report by Banks" published in the Official Gazette no.26333 dated 1 November 2006 by Banking Regulation and Supervision Agency, and enclosed herewith.

  
XU KEEN  
Chairman of Board of Directors  
and Audit Committee

  
WANG YING  
Member of Board of Directors  
and Audit Committee

  
GAO XIANGYANG  
Chief Executive Officer and  
Member of Board of Directors

  
CHEN YUBAO  
Deputy General Manager  
Accounting and Financial  
Control Group

  
YAFENG HE  
Department Head of  
Financial Control and Reporting  
Department



## **Agenda of the Ordinary General Assembly Meeting Dated March 31st 2017**

1. Opening and formation of the Presidential Board,
2. Granting authorization to the Presidential Board for signing the meeting minutes,
3. Reading, discussion and approval of the summary of the Board of Directors' Activity Report and the Independent Auditors' Report for the year of 2016,
4. Reading, discussion and approval of the financial statements for the year of 2016,
5. Release of the Board of Directors,
6. Discussion of the Board of Director's proposal on the dividend distribution for the year of 2016,
7. Discussion and approval of the Profit Distribution Policy for the year of 2017,
8. Determining the remuneration to be paid to the Board of Directors,
9. Passing resolution on the appointment of the Independent Audit Firm pursuant to the Article 399 of the Turkish Commercial Code,
10. Providing information on donations made by the Bank in the year of 2016,
11. Determining the highest amount of the donation to be made within the year of 2017 in accordance with the Banking legislation and the Capital Markets Board resolutions,
12. Providing information on the Remuneration Policy,
13. Providing information on the issues that are within the scope of the principle numbered 1.3.6 of the CMB Corporate Governance Principles.

## Milestones in the Bank's Historical Development

ICBC Turkey Bank A.Ş. (formerly named as Tekstil Bankası A.Ş.) was incorporated as a privately owned bank and authorized to accept money deposits on April 29<sup>th</sup> 1986 and started its operations on October 13<sup>th</sup> 1986. Shares of the Bank have started publicly trading in the Bourse Istanbul (BIST) as of May 23<sup>rd</sup> 1990.

The Bank has grown until 2006 based on the banking strategy predominantly focusing on commercial and corporate banking. In 2006, the Bank restructured its retail banking organization and since then has started providing services in this area as well. The Bank has continued to meet the needs of its customers with boutique banking concept by closely following the developments in the banking sector, including the commercial-corporate banking, retail banking and the investment banking areas.

GSD Holding A.Ş. acquired 75.5% of the Tekstil Bankası A.Ş.'s shares and became the majority shareholder in 2007; and the remaining shares at 24.5% continued to publicly trade in the BIST.

In 2008, the Bank's share capital was increased from 300 million TL to 420 million TL, 60 million TL out of this incremental share capital was obtained from the internal sources and the remaining 60 million TL was paid in cash.

The Bank belonged to GSD Group until May 21<sup>st</sup> 2015. With its resolution dated April 2<sup>nd</sup> 2015 and numbered 6262, the Banking Regulation and Supervision Agency (the BRSA) authorized the transfer all of the shares owned by GSD Holding A.Ş. corresponding to 75.5% of the Tekstil Bankası A.Ş.'s shares to Industrial Commercial Bank of China Limited (ICBC), residing at the People's Republic of China. On April 28<sup>th</sup> 2015, the Bank made an announcement in the "Public Disclosure Platform" related to the transfer transaction and calling for an Extraordinary General Assembly to be held on May 22<sup>nd</sup> 2015 to resolve on the approval of the existing board of directors and reappoint the new ones to substitute them. May 22<sup>nd</sup> 2015 was determined to the date on which the shares were to be transferred in accordance with the share purchase and sale agreement and the share transfer was realized on the same date. As of May 22<sup>nd</sup> 2015, the Bank became one of the foreign banks incorporated in Turkey.

Pursuant to the Article 11, related to the mandatory bid offer transactions, of the Communiqué on Mandatory Bid Offers issued by the capital Markets Board with the Serial Number II. 26.1, ICBC became obligated to make a share purchase proposal to purchase the remaining shares belonging to the other shareholders as a result of its purchase of the shares owned by GSD Holding A.Ş. representing 75.5% of the share capital of Tekstil Bankası A.Ş.. In this context, ICBC, the majority shareholder of the Bank, made a mandatory bid offer pursuant to the "Communiqué on Mandatory Bid Offers" with Serial II, No.26.1, which expired on August 14<sup>th</sup>, 2015 as a result of which the shares of the Bank held by ICBC increased from 75.50% to 92.82%.

ICBC is the largest bank in the world in terms of its asset size, perfect customer profile, product range, innovative structure and competitiveness. As of December 31<sup>st</sup> 2014, ICBC operated in 42 countries worldwide, including People's Republic of China, through its wide range of network consisting of 17,094 national branches as well as 404 branches abroad. The Bank has 5 million corporate and 496 million retail customers. It was chosen as the "Global Bank of the Year" by "The Banker" in 2014.

The corporate name of the Bank has been changed from "Tekstil Bankası A.Ş." to "ICBC Turkey Bank A.Ş." pursuant to the general assembly resolution taken on November 5<sup>th</sup> 2015 and this matter was registered with the trade registry on November 13<sup>th</sup> 2015 and published in the Turkish Trade Registry Gazette dated November 19<sup>th</sup> 2015 and numbered 8950.

The Bank conducts its operations through its Headquarters located in Istanbul and 44 branches nationwide. Aside from its branches, the Bank also provides banking services through its online retail and corporate branches. On the other hand, capital markets and investment banking services are provided by Tekstil Yatırım Menkul Değerler A.Ş., of which 99.9% is owned by the Bank.

Tekstil Portföy Yönetimi A.Ş., wholly owned subsidiary of Tekstil Yatırım Menkul Değerler A.Ş., was incorporated on April 21<sup>st</sup> 2015 and changed its corporate name to ICBC Turkey Portföy Yönetimi A.Ş. pursuant to the Extraordinary General Assembly Resolution taken on November 5<sup>th</sup> 2015. Main line of business of the Company is to establish and manage investment funds.



## Vision, Mission and Strategic Targets

ICBC Turkey’s vision, mission and strategic targets are determined as follows and announced to the public through the Bank’s website and annual reports.

### Our Vision:

Within the context of the international banking conception, to become a bank that is innovative, open to developments, expeditious and meticulous in its services and the most favored by its with its conservative risk management approach.

### Our Mission:

To generate tailor-made solutions to our customers’ existing and future needs, to establish long-lasting relations through our high-quality service approach based on knowledge and creativity, to contribute to our country’s economy by creating social and economic values, to continuously generate added value for our customers, employees and shareholders.

### Our Strategic Targets:

- In light of the political movements in the nearby geography and the global financial fluctuations, achieve a deliberate and sustainable growth by protecting the Bank’s steady balance sheet and strong capital structure and identifying the risks correctly,
- Grow in the corporate and commercial segments,
- Sustain the countenance of the growth in the retail banking area through various campaigns,
- Closely monitor the costs and taking savings measures as practicable as possible.

The Bank’s budget is approved by the Board of Directors. Realization of the budget is being regularly scrutinized based on the performance criteria.

## Changes in the Articles of Association

Due to the Board of Directors decision dated November 2, 2016, it is decided to increase the capital of ICBC Turkey Bank from TL 420,000,000 to TL 860,000,000 and to change the article 8 of the Bank's Articles of Association entitled “Capital”. The necessary approvals were obtained from the Banking Regulation and Supervision Agency on November 15, 2016 , Capital Market Board on November 9, 2016 and Ministry of Customs and Trade on December 2, 2016 for the relevant amendments. The amendment of Article 8 of the Articles of Association has been approved at the Extraordinary General Assembly meeting held on February 9, 2017 and the necessary application was made to the Capital Markets Board on February 23, 2017 for capital increase.

## Share Capital and the Shareholding Structure

Following is the shareholding structure of the Bank as of December 31<sup>st</sup> 2015 and December 31<sup>st</sup> 2016:

<b>Name of the Shareholder – 2015</b>	<b>Shareholding Amount (TL)</b>	<b>Percentage (%)</b>
Industrial and Commercial		
Bank of China Limited(*) (ICBC)	389,831,185	92.82
Publicly Traded	30,168,815	7.18
<b>General Total</b>	<b>420,000,000</b>	<b>100.00</b>

Name of the Shareholder – 2015	Shareholding Amount (TL)	Percentage (%)
Industrial and Commercial Bank of China Limited(*) (ICBC)	389,831,185	92.82
Publicly Traded	30,168,815	7.18
<b>General Total</b>	<b>420,000,000</b>	<b>100.00</b>

(\*)Legal Person Shareholder of the Bank with Qualified Share (\*) is Industrial and Commercial Bank of China Limited Şirketi. Consummation of the transaction pursuant to the share purchase and sale agreement dated April 29<sup>th</sup> 2014 signed by and between GSD Holding A.Ş. and Industrial and Commercial Bank of China Limited (ICBC) related to the sale of the shares owned by GSD Holding A.Ş. representing 75.5% of the share capital of Tekstil Bankası A.Ş. to ICBC was completed by GSD Holding A.Ş. and ICBC on May 22<sup>nd</sup> 2015 and the fact that the transfer of such shares to ICBC was completed as of this date was notified to the Bank who registered the shares owned by Industrial and Commercial Bank of China Limited as a result of transfer transaction representing the 75.5% of the share capital of the Bank into the Bank's share ledger. Pursuant to the Article 11, related to the mandatory bid offer transactions, of the Communiqué on Mandatory Bid Offers issued by the capital Markets Board with the Serial Number II. 26.1, ICBC became obligated to make a share purchase proposal to purchase the remaining shares belonging to the other shareholders as a result of its purchase of the shares owned by GSD Holding A.Ş. representing 75.5% of the share capital of Tekstil Bankası A.Ş.. In this context, ICBC, the majority shareholder of the Bank, made a mandatory bid offer pursuant to the "Communiqué on Mandatory Bid Offers" with Serial II, No.26.1, which expired on August 14th, 2015 as a result of which the shares of the Bank held by ICBC increased from 75.50% to 92.82%.

The Bank has acquired none of its shares within the context of the Article 379 of the Turkish Commercial Code numbered 6102.

**Shares Owned by the Officers;** Based on the Bank's share ledger records, none of the members of the Board of Directors, General Manager and Assistant General Managers of the Bank owns any shares within the shareholding structure of the Bank.

## Information on the Privileged Shares and the Voting Rights Thereof

Pursuant to the Article 35 of the Bank's Articles of Association, except for the General Manager, the General Assembly shall appoint 3 out of the 5 members of the Board of Directors among the nominees of the (A) Group shareholders and 2 out of the members of the Board of Directors among the nominees of the (B) Group shareholders, provided that in each case 1 member shall possess the qualifications of the independent member specified in the Principles of the Corporate Governance of the Capital Markets Board.

Following are the (A) and (B) Group shares within the shareholding structure of the Bank:

Name of the Shareholder	A Group Shares		B Group Shares		Total Share Capital	
	Amount (TL)	%	Amount (TL)	%	Amount (TL)	%
Industrial and Commercial Bank of China Limited (ICBC)	263,831,185	89.738	126,000,000	100.00	389,831,185	92.817
Publicly Traded	30,168,815	10.262	-	-	30,168,815	7.183
<b>Total Share Capital</b>	<b>294,000,000</b>	<b>100.00</b>	<b>126,000,000</b>	<b>100.00</b>	<b>420,000,000</b>	<b>100.00</b>

Upon the written request, which must state the necessitating reasons, of the shareholders holding at least one twenty of the share capital of the Bank, the Board of Directors must call for General Assembly.

Each shareholder has one casting vote at the Bank's Ordinary and Extraordinary General Assemblies and none of the casting votes are privileged.

## Information Related to the Special Audit and the Public Audit Conducted in the Year 2016

None of the shareholders of the Bank requested any special audit in the year of 2016.

Board of the Department of Finance on dated January 31<sup>st</sup> 2014 and March 3<sup>rd</sup> 2014 with regards to the 2012 corporate tax and banking and insurance transaction tax and the stamp duty, respectively. These audits were completed in 2015. A report on the findings of the audits were prepared by a tax inspector

and prior to the tax assessment related to such findings was made, a settlement was reached on January 27<sup>th</sup> 2016. As a result of the settlement, a tax assessment in a very miniscule amount was charged to the Bank and paid on February 26<sup>th</sup> 2016.

Financial Crimes Investigation Board (MASAK) has conducted obligation audit. No deficiencies were detected in the audit.

Presidency of tax inspection board has started to audit of KKDF on November,24<sup>th</sup> ,2016 for 2011,2012,2013,2014 years. Penalty amount has calculated for 2011, the bank has used right of litigation

## Information Related to the Material Proceedings Brought Against the Bank During the Year 2016 and Their Potential Outcomes

There has been no material action brought against the Bank in 2016.

## Organizational Structure

Organizational chart of the bank has been attached to this report as an appendix.

## Information Regarding the Employees' Social Benefits, Vocational Training and the Corporate Social Responsibility Activities Related to the Bank Operations Creating Other Social and Environmental Consequences

Information related to the fringe benefits of the employees of the Bank are summarized below. Accordingly;

- The Bank has adopted gross salary policy and the salaries are paid at the end of each month. Salary increases are made once a year in April based on performance and inflation.
- All of the personnel are granted with private health insurance and life insurance.
- Personnel working at the branches of the Bank are given meal cards of the Bank's contractual supplier and the personnel working at the Headquarters make use of the cafeteria located in the premises.
- There are shuttle busses for the personnel of the Headquarters.
- Security staff and the Support Personnel of the Bank are semiannually provided with clothing support.

Educational profile of the Bank's employees is as follows:

Level of Education	Number of Personnel	%
Primary School	12	1.5
Middle School	4	0.5
High School	110	13.6
Two-Year Degree	67	8.3
Undergraduate	541	66.9
Graduate	74	9.1
PhD	1	0.1
<b>General Total</b>	<b>809</b>	<b>100.00</b>

In all of its practices and investments, the Bank pays special attention to the reputation, benefit and profitability of the Bank itself as well as the social benefits of the society by supporting it with the cultural activities in light of the principles of the environmental impact, considers the matters related to the development of the banking system as well as the sustainability of the confidence in the sector and contributes to the healthy development of the society by complying with the regulations related to the health of the consumers and the public.

## Summary of the Financial Indicators

<b>Financial Figures (Million TL)</b>	<b>31.12.2015</b>	<b>31.12.2016</b>	<b>%</b>
Total Assets	6,655	8,218	23%
Deposits (*)	2,257	2,929	30%
Loans	4,120	5,071	23%
Shareholders' Equity	590	595	1%
Profit	-17.0	13.7	-181%
<b>Financial Ratios %</b>	<b>31.12.2015</b>	<b>31.12.2016</b>	<b>%</b>
Return on Assets	-0.3	0.2	-156%
Return on Equity	-2.8	2.3	-182%
Capital Adequacy Ratio	12.8	19.8	55%
Loans/Total Assets	61.9	61.7	0%
Deposits/Total Assets	33.9	35.6	5%
Non-Performing Loans Ratio	4.2	2.2	-47%

(\*) *Excluding the Deposits in the Banks.*



## Letter from the Chairman of the Board of Directors

Esteemed Shareholders,

Turkish banking sector started 2016 in a positive mood, reflecting global risk appetite, thanks to ongoing loose monetary policies of main central banks. Operating environment became more and more challenging in the second half of the year, after coup attempt followed by rating cuts. Economic activity has slowed down, macroeconomic indicators deteriorated and uncertainty increased. Interest rates increased and TL lost value with high volatility. Loan demand declined, funding costs augmented and credit risk has increased. The world economy is still in the process of slow recovery. Policy trend of the new presidency of the US, the subsequent process of Brexit and the elections of major nations of the EU may bring new shocks or variables to global economy. Meanwhile, the spillover effect of monetary policy of FED may also cause material impact on global financial market and international capital flow.

2016 was the first complete operating year of ICBC Turkey. Being a subsidiary of the world's number 1 bank according to three major ranking lists compiled by "The Banker", "Forbes" and "Fortune" for successively 4 years; we have overcome the adverse impacts from the external operational environment and realized a very good operation performance. Asset size has increased by 25% vs. 2015, with a loan growth of 19%. Profitability has increased, and asset quality has realized constant improvement. Accordingly, NPL ratio has declined further to 2.2% as of 2016-end, significantly below sector average at 3.2%. ICBC Turkey gives premium importance to risk analysis and prognosis in the current complex external operational environment, where exchange rate risk, interest rate risk, credit risk and liquidity risk has increased. In 2017, ICBC Turkey will aim to promote business volume and profitability per capita and per outlet, with additional stimulus of the capital increase. ICBC Turkey will work hard to promote ranking of the bank among overseas institutions of ICBC, and promote the competitiveness of the bank in local industry. Turkey encounters increased devaluation pressure for TL, increased capital outflow expectation, increased financing difficulty and financing costs for the banking sector and enterprises, as international rating agencies turned down the sovereign rating of Turkey. Facing more severe credit risk control pressure, our bank will improve internal control and risk management further.

Best regards

XU KEEN

Chairman of the Board of Directors



## Letter from the General Manager

Esteemed Shareholders,

In 2016, Turkey faced many problems such as July 15 coup attempt, decrease in value of TL, increase in the non-performing loan ratio. These problems caused the profits and hence the shareholders' equity in the banking sector to erode. However, we can say that Turkey is still a rising value among the developing countries and is in the increasing trend economically.

ICBC Turkey has acquired 75.5% stake in the bank as of May 22nd 2015. This is the first Chinese bank in Turkey and we are very glad to be here. Our Bank under the control of ICBC is brought a breath of fresh air to sector as well. Subsequent to the purchase of the Bank, we, as ICBC Turkey, have promptly started to observe the markets. Among our aims are to support the local customers and their projects, strengthen business relationships with the neighboring countries by enlarging the Turkish market, bridge Asia and Europe through our customers, strengthen our regional services and expand our marketing activities within the context of the "New Silk Road" in accordance with our strategies. Within this context, we have closed the year 2016 with a healthy and rapid growth in terms of our business lines. Our success in 2016 may be evaluated in five different aspects:

**Growth:** After completing the purchasing process, we have grown rapidly in the local market as well as the international market. As ICBC Turkey, our consolidated asset size in the amount of 8.3 billion TL has increased by 25% at the end of the year compared to that of 2015. This equals, in the aggregate, to 1.6 billion TL increase in our consolidated asset size. Our consolidated asset size in USD terms in the amount of 2.4 billion USD has increased by 3% at the end of the year compared to that of 2015. This resulted from the decrease of the TL in value against USD during the course of 2016. Our loans has reached to 5.1 billion TL at the end of the year, a 23% increase compared to that of 2015. Securities of the Bank increased by 59% and reached up to 1.7 billion TL.

**Quality of Our Assets:** We have looked into the Bank's internal operation principles related to the credit management in order to regulate the Bank's asset quality. The non-performing loans ratio, which was 4.2% at the beginning of the year, decreased by 47% and was realized at 2.2% range due to our prioritized risk management and the quality of our assets.

**Profitability:** ICBC Turkey's consolidated operating income for 2016 was 265 million TL. The Bank realized a profit after the provisions for taxes and loans were deducted. However, our Bank has gradually increased its profitability starting as of June 2016 and generated 16.9 million TL profit in the last six months. This profitability arose from our commission income as well as the increase of the assets in size. Primarily, our commission income and other income have increased by 79% compared to that of 2015 year-end.

**Management & Strategy:** They have started working with our local employees very closely in order to infuse the ICBC culture in every area. We, as the management, have done our utmost in order to ensure healthy development of the Bank and a smooth transmission and integration of the company culture. At this point, we may say that we have come a long distance in a very short time and completed the integration successfully. We, as ICBC Turkey Bank, have implemented ICBC Group's strategy such as; fully localized regional player and market oriented bank, link peers and customers between Europe and Asia, benefiting from the knowledge of the ICBC Group's power and advantage.

**Innovation:** We, as ICBC Turkey, have implemented ICBC Group's operation principles regarding the credit pricing in the local market. And thus, we have developed the credit pricing management level. As the first Chinese bank operating in Turkey, we have investigated the ways of business development in RMB (Chinese Yuan). We, as ICBC Turkey, shall be using our best efforts to enhance transactions denominated in RMB in the local market.

Providing a wide range of products and quality services shall be one of our main duties. In order to accomplish this, we shall benefit from the global network, information technology and the accumulated knowledge of the ICBC Group. Creating added value to the local economy, our customers and shareholders shall be our priority. Contribution of our esteemed employees and the executive management shall be of great importance in this pathway.

Best Regards,

GAO XIANGYANG

General Manager



## 2016 Outlook of the Year 2016 and the Expectations from the Year 2017

2016 had started in a better-than-predicted atmosphere for the emerging markets, which turned into a dismal mood in the last quarter of the year. US central bank Fed had signaled at the end of 2015 to raise rates four more times in 2016, following its first rate hike in December of 2015. However, Fed had to behave more dovish in the first half of 2016, due to global uncertainties including Brexit, which supported capital inflows to emerging markets, including Turkey. From September onwards, however, Fed's second rate hike in December had started to be priced in, leading to higher interest rates and weaker currencies in emerging markets. Meanwhile ECB and BOJ pursued their loose monetary policies. Turkey was among the worst performers during that period, due to coup attempt in July, elevated geopolitical risks and losing one of its "investment grade" ratings by Moody's rate cut in September. Discussions on constitutional change including shift to Presidential system, as well as lower risk appetite following surprising outcome of US elections and U.S. dollar's sharp strengthening had also supported the negative outlook.

Macroeconomic growth in Turkey, turned into a 1.8% contraction in the third quarter, following a modest growth rate of 4.5% attained in the first half of the year. Elevated uncertainty, stemming from coup attempt, terrorist attacks and the possibility of referendum had hit both private consumption and private investments and pulled economic activity down, while elevated public spending prevented a more severe contraction. For the last quarter of the year, industrial production recovered by 2.1%, y/y, pointing to a limited recovery in economy.

CPI inflation slipped to 7.0% as of November, from 8.8% recorded at 2015-end. However CPI climbed back to 8.5% at 2016-end, attributable to TL's sharp weakening and higher oil prices. TL lost value by 18.5% in 2016, as was the case in 2015, while TL weakened by 11% solely in the last two months of 2016. On the oil side, OPEC's agreement to limit supply, in November, supported also by Russia and Mexico triggered an uptrend in oil prices. Central Bank cut its O/N lending rate by 250 bps until October, which led to a 100 bps decline in CBRT's average blended funding rate. However, CBRT ceased cutting rates in October, and started to tighten its policy from November onwards, in order to curb inflationary pressures, and accelerated its tightening in January of 2017. Accordingly, CBRT's weighted average funding rate climbed above 10% as of January 2017, from its lowest rate at 7.7% recorded in October 2016. Inflation climbed to 10.1% as of February 2017, reaching two digit levels. CBRT expects inflation to end year at 8.0%

Fiscal discipline has been protected broadly in 2016, although the government has initiated some measures to support slowing economic activity. Budget deficit has increased to TL29.3bn in 2016, from TL23.5bn recorded in 2015, still remaining within the budget targets. Government disclosed that budget deficit will be increased in 2017 in order to support economy, but fiscal discipline will be protected.

Current account deficit realized at US\$32.6bn in 2016 similar to US\$32bn recorded in 2015. Although foreign trade deficit narrowed by 15% vs. 2015, since imports narrowed more than decline in exports, current account deficit failed to narrow, attributable to 34% contraction in net tourism revenues. Although capital inflows through FDI and other investments has slowed down, a net foreign capital inflow of US\$22.3bn was witnessed in 2016, in addition to an inflow of US\$11bn in "net errors and omissions" item, as portfolio outflows recorded in 2015 has reversed in 2016. Accordingly, official FX reserves increased by US\$818bn. Government projected a current account deficit of US\$32bn for 2017 in the medium-term program. Sluggish macroeconomic activity is expected to suppress imports, and better growth performance mainly in Europe may support exports. However, possible increase in oil prices and weak performance of tourism sector due to security concerns are risks for the current account balance.

## Explanations Regarding the Bank's Number of Personnel and Branches, Service Types Provided by the Bank and Its Area of Activity and the Assessment of its Position in the Sector based on These Criteria

The Bank's areas of operations consists of corporate banking, treasury transactions (foreign currency, money market and securities transactions), international banking services, retail banking and the credit card transactions. The Bank, along with the aforementioned banking services, also conducts insurance services operations by being an agency for and on behalf of Sompō Japan Sigorta A.Ş., Vakıf Emeklilik A.Ş., Fiba Emeklilik ve Hayat A.Ş., HDI Sigorta A.Ş. and Axa Sigorta A.Ş..

As of December 31<sup>st</sup> of 2016, the Bank has 44 branches primarily located nearby the industrial zones of Turkey and a representative office in Berlin, Germany. Berlin Representation Office has ceased to operate since January 20<sup>th</sup>, 2017. As of the same date, the number of the employees of the Bank is 809 (As of December 31<sup>st</sup> 2015, number of the branches and employees were 44 and 841, respectively).

### Looking at the position of the Bank, it was observed that within this period; the Bank's

- assets size increased by 24% whereas total size of the sector only increased by 16%,
- loans increased by 24% whereas the total loans of the sector only increased by 8%,
- deposits (including the deposits of the banks) decreased by 50% whereas the total deposits of the sector increased by 9%,
- securities increased by 59% whereas the total securities of the sector increased by 7%,
- placement with the banks decreased by 60% whereas the total placements of the sector increased by 21%, and
- non-cash loans increased by 90% whereas the total non-cash loans of the sector increased by %11.2.

Million TL	31.12.2015		31.12.2016		Change Ratios	
	ICBC Turkey	Sector	ICBC Turkey	Sector	ICBC Turkey	Sector
Cash and Cash Equivalents and the CBRT	946	63,338	1,159	124,238	22.5%	15.2%
Placements with the Banks and Receivables from the Money Markets	377	69,814	152	75,310	-59.6%	21.4%
Securities Portfolio	1,085	328,011	1,723	351,224	58.9%	6.9%
Loans	4,075	1,500,261	5,035	1,751,697	23.6%	7.7%
Loans (Including Non-performing Loans)	4,120	1,512,648	5,071	1,765,096	23.1%	7.7%
Non-performing Loans (Gross)	180	47,496	115	57,880	-36.3%	4.8%
Special Provision for the Non-performing Loans	135	35,109	79	44,481	-41.3%	6.0%
Total of Deposits and Funds	2,257	1,320,930	3,383	1,541,287	49.9%	8.6%
Non-cash Loans	731	496,809	1,390	552,272	90.1%	11.2%
<b>Total Assets</b>	<b>6,655</b>	<b>2,346,577</b>	<b>8,218</b>	<b>2,730,943</b>	<b>23.5%</b>	<b>16.4%</b>

Note: Data has been obtained from the daily reports of the BRSA dated 16.02.2017.

While the active loans to assets ratio and deposits to liabilities ratios realized in the sector were 64% and 56%, respectively, the Bank's loans to assets ratio and deposits to liabilities ratios were 61% and 41%, respectively. The main reason for the deposits to be at such a low level is the fact that majority of its financing is provided through ICBC Group.

	31.12.2015		31.12.2016		Change Ratios	
	ICBC Turkey	Sector	ICBC Turkey	Sector	ICBC Turkey	Sector
Total Loans/Total Assets	61%	69%	61%	64%	0.1%	-7.4%
Total Deposits/Total Liabilities	34%	60%	41%	56%	21.4%	-6.7%
Securities/Total Assets	16%	14%	21%	13%	28.7%	-8.1%
Non-performing Loans Ratio	4%	3%	2%	3%	-47.3%	-2.6%
Liquid Assets/Total Assets	20%	7%	16%	7%	-19.7%	0.9%
Non-cash Loans/Total Cash Loans	18%	30%	27%	31%	54.4%	3.2%

## Assessment of the Bank's Activities in the Year 2016

### Corporate and Commercial Banking

ICBC Turkey Bank A.Ş. (ICBC Turkey) provides tailor-made banking services both to its domestic and global customers introducing the wide-range of banking products of its major shareholder Industrial and to Commercial Bank of China Limited (ICBC).

ICBC Turkey provides;

- Working capital and investment loans,
- Project finance,
- Foreign Trade Finance,
- Cash Management Products,
- Derivative Transactions,

services in Corporate and Commercial Banking business line. Beside, ICBC Turkey acquired all necessary permissions from BRSA on 01.11.2016 for providing consulting services to its customers.

ICBC Turkey meets all banking transaction demands of its customers by reflecting its motto "Yes Sure".

China's and world's largest bank ICBC's extensive network of services and its experience in international trade gives ICBC Turkey a great opportunity to access the global resources. In this context, ICBC Turkey presents international finance opportunities to its customers and actively provides an easy access for realizing Chinese Yuan (RMB) transactions to its customers through its global resources.

While carrying out an effective risk management approach in the corporate and commercial banking business in this global economic conditions we are in, ICBC Turkey also continued to follow the market and customers closely and supported its customers' all financing needs.

Classical corporate banking products aside; The Project and Structured Finance Department, which is positioned under the Corporate and Commercial Banking framework, provides wide-range of services mainly in energy, infrastructure and transportation, real estate, public-private partnership projects and acquisition financing, targeting to continue its activities by increasing its effectiveness.

One of the major priorities of ICBC Turkey is to contribute the development of the Turkey's economy by supporting the long-term domestic investments through project finance. ICBC Turkey holds the necessary resources and experience to provide financing support to the investment movements in Turkey, thanks to ICBC's global support and synergy created by its power.

Beside from providing corporate solutions; ICBC Turkey provides Cash Managements services to its customers both electronically and through classical means and continues to ensure that they conduct their banking transactions safely and without encountering any problems by providing products such as “Direct Debiting System”, “Collective EFT/Wire Transfer”, “Continuous Check Printing Program”, “Electronic Reconciliation-Accounting Integration”, “Electronic Checks” and “Corporate Online Banking”.

ICBC Turkey continues to establish a long-term cooperation with all domestic and foreign customers who need corporate and commercial banking products with its ability to access to the global resources, innovative products and services and its experience and competitive advantage in corporate banking.

### **Retail Banking**

In 2016, an increase in both volume and income has been achieved in retail products such as deposits, retail loans and insurance.

Affordable Loan and New Home Loan campaigns, Retail Fee Exemption Management System, 'New Time Deposits Customer' and 'Demand Deposit' campaigns for deposits and “Two credits for every day” practice which we applied previous year too were the outstanding works during the year.

Within the framework of the studies mentioned;

- In deposits; new customer, new deposits with low amount and time deposit-based campaigns via Internet Banking continued incessantly in 2016 in order to have a broad based deposit portfolio. Specially, significant gains were achieved within the scope of the "New Time Deposit Customer" campaign and the increase in the total TL Time Deposit amount was realized as 32%.
- 'Demand Deposit' campaign was launched in order to emphasize the importance of Demand Deposit in 2016. As a result of the campaign, an increase of 15% in TL demand deposit and 5% in FX demand deposit during the campaign period has been achieved.
- In retail loans, main driver was mortgage loan in 2016. Growth in mortgage loan has also contributed to growth in total retail loans. An increase in risk balance of 97% compared to the previous year was achieved with the help of the campaign namely "New Home Loan" with competitive interest rates especially in the period of January – August. The increase in risk balance for total retail loans was 35%.
- The infrastructure studies for the Retail Fee Exemption Management were completed in October and the system was fully operational for branches as of December. The new system aims to manage exemptions more effectively.
- On the insurance part, the rapid increase in both total premium and commission continued. The acceleration in mortgage loans in particular has led to an increase of 86% in the total volume of commission generated in life insurance. Retail insurance commission income grew by 47% by providing more alternative services to our customers' needs.
- In order to be able to provide the best service from our branchless channels, an English language option has been added to our Internet Branch and ATMs. Our mobile banking application has been renewed and made suitable for both iOS and Android operating system devices and presented to our customers with the name of ICBC Turkey Mobile Branch. Our Web Site icbc.com.tr has been renewed with the latest technology compatible with mobile devices and the number of visitors per month after renovation has increased by 8 times. Thanks to the credit and time deposit calculation/application tools added to our website, our customers could easily compare and make their applications.

ICBC Turkey continued to provide services 24/7 with ICBC Turkey Internet and Mobile Branch, 49 ATMs with 47 deposit function and 444 00 50 ICBC Turkey Call Center for non-stop access to our customers' banking services.

## **Treasury and Investor Relations**

### **Treasury**

In 2016, ICBC Turkey maintained its deliberate approach towards the fluctuations in the markets and targeted to sustain its steady balance sheet and strong capital structure through its dynamic balance sheet management strategy. Within this context, while sustainability of optimum liquidity level policy was the first priority of the Bank's Treasury and widening its deposit base on the funding side was aimed at. Money market operations, swap transactions, repo and derivative transactions were conducted in the management of short and long term liquidity denominated in Turkish Lira and foreign currency.

ICBC Turkey has continued its marketing activities by taking the risks in the global markets into account and highlighting the products geared towards risk minimization. Customer visits were conducted changing of risk factor, volatility and market trend. Special importance was attached to the internal systems of the Bank for the Treasury products and the operational efficiency; and increase in the quality of its services and customer satisfaction through systemic developments were aimed at.

### **Economic Research and Investor Relations**

In 2016, Department of Economic Research and Investor Relations has closely monitored the changing dynamics and the risk factors in the global economy and analyzed their impact on Turkish economy and updated its expectations regarding the macroeconomic indicators and financial markets accordingly. Department shared such developments and its prudential predictions with the related departments and the executive management of the Bank and created macro information flow needed for the micro decisions to be taken. Department concurrently analyzed and scrutinized the developments in the banking sector and continue to relay the developments related to the Bank's strategies and operations in this environment to the investors and analysts.

### **International Relations Group**

International Relations Group continued to provide special products and services geared towards the bank's customers' foreign trade needs in order to satisfy all of their needs related to the foreign trade with a rapid, meticulous and competitive approach by keeping the customer satisfaction above everything else within the framework of the Bank's slogan "Of Course We Do" and utilizing the Bank's strong corresponding bank network established based on long term and reciprocal confidence principles and consisting of 500 banks spread all around a wide geography consisting of approximately 75 countries as well as ICBC's wide global branch network spread over 42 countries.

International Relations Group, becoming much stronger with the international experience and financial strength of ICBC Group, continued its strategy to present different solution proposals for the Bank's customers' needs with a wide range of products including risk sharing programmes in order to capture the opportunities within the scope of internationalizing RMB, obtain a larger share of the foreign trade being conducted between Turkey and China that have been gradually increasing over the years, be able to manage the changing commercial needs of and the relationships with the Bank's customers in the most correct way and present the most suitable solution for their financial needs.

On August 3<sup>rd</sup> 2016, Fitch Ratings, one of the international rating institution, the Bank's national long term credit rating to "AAA (tur)", long term credit rating denominated in foreign currency to "BBB" and long term credit rating denominated in Turkish Liras to "BBB" and asserted the Bank's outlook as "Stable".

In accordance with the vision and mission it adopted in the recent years and with the positive contribution provided by the period of change, International Relations Group aims to continue healthily and sustainably widening and increasing the already wide product range and the service quality that the Bank provides to its customers as well as the Bank's share in Turkey's foreign trade and creating added value for the Bank's customers by producing innovating solutions.

## **Cross Border Financial Department**

Cross Border Finance Department started its operation on July 1st, 2015 in the ICBC Turkey Bank A.S. Headquarters. It has been leading various project and has financed reputable companies that need big-scale financing.

Main responsibility of Cross Border Finance Department may be summarized as to conduct all types of banking transactions for the companies with Chinese origin or the companies incorporated with Chinese-Turkish partnerships operating in Turkey, provide financial support to companies that have investment in Turkey and neighboring countries, coordinate with ICBC China and the other subsidiaries abroad and branches of ICBC Bank and the other national and international banks in order to provide such support.

In 2016, Cross Border Finance Department has intensely been focusing its works related to the large energy and construction project investments planned to be undertaken in Turkey. Besides, the Cbfd has contributed by 11% to ICBC Turkey Bank A.Ş.'s 2016 revenues. In addition to this, many companies with Chinese origin or the companies incorporated with Chinese-Turkish partnerships have opened bank accounts with the Bank's several branches and conducted their banking transactions through these branches with customer satisfaction.

In 2017, Cross Border Finance Department has undertaken a part of bank's profit target in line with ICBC Turkey Bank's growth and profitability. Thus, the followings are the main topics planned to be carried out in order to realize the targets in this context;

- Sustain of asset purchases and sales in the group of ICBC
- Continue to strengthen the direct marketing activities by making numerous client visits on behalf of the gain new client,
- We, as ICBC Turkey Bank to conduct negotiations by strengthening the communication network with ICBC Head Office and other foreign subsidiaries as well as ICBC branches and other domestic and foreign banks in order to evaluate the existing and new projects in detail and finalize them quickly.

The works to be conducted and the projects to be completed by Cross Border Financial Department in 2017 shall substantially contribute to the growth of ICBC Turkey.

## **Capital Markets**

ICBC Turkey Yatırım Menkul Değerler A.Ş. has adopted a deliberate policy during the course of the year of 2016 and increased its number of customers and portfolio size through regular customer visits. Within the framework of the transactions conducted in 2016, its stocks trading volume reached to 18.9 billion TL, it had a market share of 0.94% in the ISE, its average fund size was 28.3 million TL, it acted as an intermediary for the dividend payment to Gimat Company, its internet trading commissions constituted 36.40% of the company's total commission income and the company ranked as the 32<sup>nd</sup> among the 64 brokerage institutions.

## **Information Technologies**

In 2016, in line with the Bank's strategies, Information Technologies Department continued its works and infrastructural investments by considering the targets of IT Strategy plan related to;

- efficiency, effective monitoring, increasing the speed of the transactions,
- decreasing the costs,
- increasing the efficiency of the collections,
- developing the process sufficiency,
- maintaining the compliance with the local and international audit standards and legislation,
- Increasing information security
- developing the service sustainability,

- developing products/services suitable for the market needs

## **Human Resources**

### **Recruitment and Personal Development**

As of December 31<sup>st</sup> 2016, the number of the personnel is 809. Number of the branches as of 2016 year-end is 44. 2016 seniority average is 7.15 years and the average age of the Bank's personnel is 37. 9% of the Bank's personnel have PhD degrees and master's degrees and university degrees at 75%.

### **The Bank's Training Process**

The Bank's 2016 training process consisted of the training programs provided by the Bank's internal instructors, conferences and seminars held by the Banks Association of Turkey (BAT), training programs organized by several training institutions and online trainings.

In parallel with these, e-learning trainings in 15 different topics were provided with a participation of 2,884 participants. In-house and external training were provided in 134 different topics with participants of 1,667 and 506, respectively.

## **Information Regarding the Subsidiaries and the Affiliates**

<b>Company</b>	<b>Affiliates</b>	<b>Main Area of Business Activity</b>	<b>Percentage %</b>
Financial Sector	ICBC Turkey Yatırım Menkul Değerler A.Ş.	Brokerage Services	99.998

ICBC Turkey Yatırım which is participation of ICBC Turkey Bank A.Ş was incorporated in 1996 in Istanbul. Subscribed capital is 25 million TL. The Company conducts capital market transactions within the scope of the Capital Markets Law and the related legislation provisions. ICBC Turkey Yatırım acts as an intermediary in providing capital markets products and offers alternatives in investment funds with different risk and return categories and portfolio management services. It creates financing solutions for its corporate customers by issuance of private sector bonds and commercial papers and prepares the ground for the investors and the corporations to meet through the IPO operations. ICBC Turkey Yatırım, providing daily and weekly reports and stock analyses for its customers prepared by its experienced research team, helps a wider range of customers via ICBC Turkey branches and 20 investment centers.

ICBC Turkey Yatırım has combined experienced and knowledgeable human resource with dynamic service principle, which has continued it's activities as "Broad authority brokerage house" since January 1<sup>st</sup>, 2016 with authorization license of Capital Markets Board .

## **Research and Development Practices Related to the New Services and Activities**

ICBC Turkey attaches importance to corporate banking, which constitutes majority portion of its operations, as well as retail banking. All types of new products have been developed and offered to the Bank's customers with the view of customer satisfaction and considering the developments related to the retail banking business in the markets and the economy.

## SECTION II - MANAGEMENT AND CORPORATE GOVERNANCE PRACTICES

### Names and Surnames, Terms of Duty, Responsibility Areas, Educational Background and Professional Experience of the Chairman of the Board and the Board Members, Audit Committee Members, General Manager and the Assistant General Managers and the Officers of the Departments within the Scope of the Internal Systems

#### Chairman and the Members of the Board of Directors

Name and Surname	Position	Starting Date of Duty	Educational Background	Banking or Business Administration Experience	Areas of Responsibility
Keen Xu	Chairman of the Board	22/05/2015	Undergraduate Degree Abroad – Graduate Degree Abroad	23	Chairman of the Audit Committee-President of the Credit Committee
Xiangyang Gao	Member of the Board of Directors – General Manager	22/05/2015	Undergraduate Degree Abroad – Graduate Degree Abroad	18	Vice President of the Credit Committee
Qiang Wang (*)	Member of the Board of Directors	22/05/2015	Undergraduate Degree Abroad – Graduate Degree Abroad	23	Member of the Credit Committee
Jianfeng Zheng	Member of the Board of Directors	22/05/2015	Undergraduate Degree Abroad – Graduate Degree Abroad	21	Member of the Corporate Governance Committee – Member of the Remuneration Committee – Substitute Member of the Credit Committee
Ying Wang	Independent Member of the Board of Directors	22/05/2015	Undergraduate Degree Abroad – Graduate Degree Abroad	26	Member of the Audit Committee –Member of the Remuneration Committee - Substitute Member of the Credit Committee
Mehmet Hilmi Güler	Independent Member of the Board of Directors	26/05/2015	Domestic Undergraduate Degree – Domestic Graduate Degree	25	President of the Corporate Governance Committee

(\*) Upon the resignation of the Board of Directors and Credit Committee Member Mr. Wang Qiang, our Board of Directors has decided to appoint Mr. LIU PEIGUO, who was the Coordinator of the General Secretariat Group, as the Board and Credit Committee Member as of 02/01/2017 with the Board resolution dated 30/12/2016, and this appointment has been approved by the general assembly on 09/02/2017.



### General Manager and Assistant General Managers

Name and Surname	Position	Starting Date of Duty	Educational Background	Banking or Business Administration Experience	Areas of Responsibility
Gao Xiangyang	Member of the Board of Directors – General Manager	22/05/2015	Undergraduate Degree Abroad – Graduate Degree Abroad	18	Vice President of the Credit Committee
Chen Yubao (*)	Deputy General Manager – Assistant General Manager	22/05/2015	Undergraduate Degree Abroad – Graduate Degree Abroad	33	Financial Affairs Group
D.Halit Döver	Assistant General Manager	04/01/2005	Undergraduate Degree - Istanbul Technical University - Graduate Degree - Istanbul Technical University Mining Engineering	24	International Relations Group
Başbuğ Y. Samancıoğlu	Assistant General Manager	19/06/2006	Undergraduate Degree – Bosphorus University School of Business Administration	30	Corporate and Commercial Banking Group
Hüseyin H. İmece	Assistant General Manager	02/11/2007	Undergraduate Degree – Bosphorus University School of Economics	27	Treasury and Investor Relations Group
Bozok Evrenosoğlu	Assistant General Manager	21/05/2010	Undergraduate Degree - Ankara University School of Economics	28	Loans Group

(\*)According to Board of Directors’ Decision numbered 1385/01 dated 15 July 2016, Deputy General Manager Chen Yubao is appointed as Assistant General Manager responsible for Financial Control Group, due to resignation of Deputy General Manager Gülden Akdemir as of 11 July 2016.

### Officers of the Departments within the Scope of the International Systems

Name and Surname	Position	Starting Date of Duty	Educational Background	Banking or Business Administration Experience	Areas of Responsibility
Başak Kaya	Head of the Board of Auditors	01/10/2015	Domestic Undergraduate Degree	20	Board of Auditors
Gürdoğan Yurtsever	Head of the Internal Control and Compliance	01/09/2003	Domestic Undergraduate Degree – Graduate Degree Abroad	21	Internal Control and Compliance
Berrin Gencal	Head of the Risk Management Department	01/02/2009	Domestic Undergraduate Degree	22	Risk Management

## Duties of the Board of Directors Outside of the Bank

Duties of the Board of Directors Outside of the Bank (as of December 31<sup>st</sup> 2016) are as follows:

Name and Surname	Position in the Bank	Positions Assumed in the Bank within the Last 5 years	Duties Assumed Outside of the Bank as of the Last Situation
Xu Keen	Chairman of the Board of Directors – Chairman of the Audit Committee – President of the Credit Committee	Chairman of the Board of Directors – President of the Audit Committee – President of the Credit Committee	None
Gao Xiangyang	Member of the Board of Directors – General Manager – Vice President of the Credit Committee	Member of the Board of Directors – General Manager – Vice President of the Credit Committee	ICBC Turkey Yatırım Menkul Değerler A.Ş., Chairman of the Board of Directors
Wang Qiang	Member of the Board of Directors – Member of the Credit Committee	Member of the Board of Directors – Member of the Credit Committee	ICBC Turkey Yatırım Menkul Değerler A.Ş., Member of the Board of Directors
Zheng Jianfeng	Member of the Board of Directors – Member of the Corporate Governance and Remuneration Committee – Substitute Member of the Credit Committee	Member of the Board of Directors – Member of the Corporate Governance Committee – Member of the Remuneration Committee – Substitute Member of the Credit Committee	Industrial and Commercial Bank of China (ICBC) Headquarters, Specialist in the Strategic Management and Investor Relations Department - Industrial and Commercial Bank of China Ltd.(ICBC) Headquarters , Deputy Chairman of Audit Board- ICBC Meksika Limited, Non-Executive Member of the Board of Directors- ICBC Standard Bank Public Limited, Non-Executive Member of the Board of Directors - ICBC (Thai) Public Company Limited, Non-Executive Member of the Board of Directors - ICBC-AXA Assurance Co Ltd., Non-Executive Member of the Board of Directors -
Wang Ying	Independent Member of the Board of Directors – Member of the Audit Committee – President of the Remuneration Committee – Substitute Member of the Credit	Independent Member of the Board of Directors – Member of the Audit Committee – President of the Remuneration Committee – Substitute Member of the Credit Committee	Industrial and Commercial Bank of China (ICBC), Specialist in the Strategic Management and Investor Relations Department - ICBC Credit Suisse Asset Management Co. Ltd., Non-Executive Member of the Board of Directors - ICBC-AXA Assurance Co. Ltd., Non-Executive Member of the Board of Directors - ZAO Industrial and Commercial Bank of China (Moscow), Non-Executive member of the Board of Directors

Name and Surname	Position in the Bank	Positions Assumed in the Bank within the Last 5 years	Duties Assumed Outside of the Bank as of the Last Situation
	Committee		
Mehmet Hilmi Güler	Independent Member of the Board of Directors – President of the Corporate Governance Committee	Independent Member of the Board of Directors – President of the Corporate Governance Committee	Faculty Member of Bahçeşehir University – Dizayn Teknik Boru ve Elemanları Sanayi ve Ticaret A.Ş., Member of the Board of Directors - Turkcell İletişim Hizmetleri A.Ş., Independent Member of the Board of Directors –Superonline İletişim Hizmetleri A.Ş. ,Chairman of the Board of Directors

## Profiles of the Chairman of the Board and the Board Members, Audit Committee Members, General Manager and the Assistant General Managers and the Officers of the Departments within the Scope of the Internal Systems

### The Board of Directors



**Xu Keen - Chairman of the Board of Directors**

Mr.Xu graduated from China Henan University of political sciences in 1986 ,he graduated from Renmin University of China and received a Master`s degree in International Politics in 1986 , he studied bank management at Alberta University of Canada in 2001 . Mr. Xu started his career as a lecturer at International Politics Department in Renmin University of China at first and served in several positions after joined ICBC in 1993 including Deputy Chief of HR Department and then Chief of division of HR Department, Deputy General Manager of Retail Banking Department of ICBC Head Quarters and appointed as General Manager of Karachi Branch in Pakistan. Mr. Xu has served as Chairman of the Board of Directors of ICBC Turkey since May 22nd 2015, presently also serves as the President of the Audit Committee and President of the Credit Committee.



**Gao Xiangyang - Member of the Board of Directors ,General Manager**

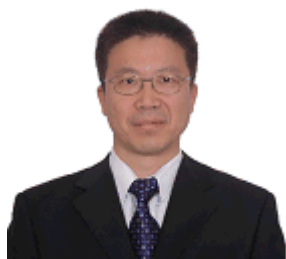
Mr.Gao graduated from Peking University in 1997 and received a Master`s degree from Peking University in Business Administration in 2004. He joined ICBC in 1997 , . Mr. Gao served in several positions including Senior Staff of HR Department, Deputy Chief of division, Chief of division of International Business Department of ICBC Head Quarters, Vice President, President of Ningde Branch, Assistant President of Fujian Province Branch. Mr. Gao has served as a Member of the Board of Directors and General Manager of ICBC Turkey since May 22nd 2015, presently also serves as the Vice President of the Credit Committee. Also, he has served as a Member of the Board of Directors of

ICBC Turkey Yatırım Menkul Değerler A.Ş since May 22nd 2015 , serves as the Chairman of the board of ICBC Turkey Yatırım.



**Wang Qiang - Member of the Board of Directors**

Mr. Wang has served as a Member of the Board of Directors since May 22nd 2015, presently he also serves as a Member of the Credit Committee. He joined ICBC in 1993, and was appointed as Manager of Risk Management Department of ICBC Financial Leasing CO., LTD in January 2012. Mr. Wang served in several positions including Assistant Manager of Credit Analysis Department of ICBC Shanxi Branch, Deputy Chief of division of Credit Evaluation Department of ICBC Head Quarters, Assistant Manager of Asia Corporate Loans Department of ICBC (ASIA), and Manager of Equipment Finance Department of ICBC Leasing. At present, he is concurrently a Member of the Board of Directors of ICBC Turkey Yatırım Menkul Değerler A.Ş. He graduated from Hong Kong University and received a Master`s degree of Business Administration.



**Zheng Jianfeng - Member of the Board of Directors**

Mr.Zheng graduated from Tianjin University and University of York, and received two Master`s degree in Industrial Management and Finance respectively. Mr. Zheng served as Deputy Chief of divisions in State Development Bank Head Quarters, Deputy Chief of division of the Supervisory of the Key State-owned Financial Institutions of the State Council, Board of Supervisors Office of Agriculture Bank of China. Mr. Zheng joined ICBC in 2002 and served in several positions including Chief of division, Supervisory Commissioner, Deputy General Manager of the Board of Supervisors Office, Senior Specialist in the Strategic Management and Investors Relations Department of ICBC Head Quarters. Mr. Zheng has served as a Member of the Board of Directors since May 22nd 2015, presently also serves as a Member of the Corporate Governance Committee and a Member of the Remuneration Committee.



**Wang Ying - Independent Member of the Board of Directors**

Ms.Wang graduated from Liaoning University in 1986 , She graduated from Shanxi Finance Institute in 1989 and received a Master`s degree in Economics. Ms. Wang joined ICBC in 2000, She served in several positions including Deputy Chief of division of International Business Department, Chief of division of Audit and Supervision Bureau, Internal Audit Bureau, Manager of Audit Department of ICBC Sydney Branch. She was appointed as Specialist of the Strategic Management and Investor Relations Department ICBC Head Quarters. Ms. Wang has served as an Independent Member of the Board of Directors of ICBC Turkey on May 22nd 2015, presently she also serves as a Member of the Audit Committee and the President of the Remuneration Committee.



### **Mehmet Hilmi Güler Independent Member of the Board of Directors**

He obtained his undergraduate degree, graduate degree and PhD from Middle East Technical University School of Metallurgy Engineering in 1972, in 1975 and in 1985, respectively. He worked as General Coordinator and Member of the Board of Directors of Çamsan A.Ş. between 1992 and 1994, as a Consultant to the Istanbul Metropolitan Municipality and General Manager Chairman of the Board of Directors of Istanbul Gaz Dağıtım Sanayi ve Ticaret A.Ş. between 1994 and 1996. He was elected and served as Member of Parliament of Ordu between 2002 and 2011 and Ministry of Energy and Natural Resources between 2002 and 2009. M. Hilmi Güler has been working as a faculty Member at Bahçeşehir University and serving as Member of the Board of Directors of Dizyn Teknik Boru ve Elemanları Sanayi ve Ticaret A.Ş.. Mr. Güler has been an Independent Member of the Board of Directors of Turkcell İletişim Hizmetleri A.Ş. since 2013. Mehmet Hilmi Güler was appointed as an Independent Member of the Board of Directors and the President of the Corporate Governance Committee of ICBC Turkey on May 22<sup>nd</sup> 2015.

### **Assistant General Managers**

#### **Chen Yubao**

#### **Deputy General Manager - Assistant General Manager (Financial Affairs)**

He graduated from School of Central Party, Foreign Related Economics Program in 1997, from Xinjiang University, Graduate School of Political Economy Program in 2000 and New Zealand University Graduate School of Business Administration (EMBA) in 2005. Chen Yubao, having started working for Industrial and Commercial Bank of China Limited (ICBC) in 1998, assumed the following positions in order of chronology: Vice President of Xinjiang Yili Branch (he concurrently worked as President of Xinjiang Yining Branch), Assistant General Manager of the Xinjiang Branch Company Areas of Operations Department, General Manager of Xinjiang Branch International Business Department, General Manager of Xinjiang Branch Company Areas of Operations and International Business Department, President of the Xinjiang Changji Branch, Branch Officer and General Manager of Almaty Branch. He was appointed as Assistant General Manager of ICBC Turkey and Member of the Board of Directors of ICBC Yatırım Menkul Değerler A.Ş., a subsidiary of ICBC Turkey, on May 22<sup>nd</sup>, 2015. From January 2016 he was leading the Cross-Border Finance Group as an Assistant General Manager, starting from July 2016 he continues his position as an Assistant General Manager in Accounting and Financial Control Group.

#### **D. Halit Döver**

#### **Assistant General Manager (International Relations Group)**

Halit Döver, graduated from Istanbul Technical University School of Mining in 1988 and obtained his graduate degree in the same university. Between 1990 and 1992, he worked as a certified engineer in different companies abroad and started his banking career as Manager and Director of the Services in the Correspondent Relations and International Marketing Department of a private bank in 1993. He started working for ICBC Turkey as the Head of the International Relations Department in 2000 and was appointed as the Assistant General Manager Responsible for the International Relations Group in January 2005. He concurrently continues to serve as Consumer Relations Coordination Officer, a position he assumed since July 30<sup>th</sup> 2015.

## **Başbuğ Y. Samancıoğlu**

### **Assistant General Manager (Corporate and Commercial Banking)**

He graduated from Bosphorus University School of Economics and Administration Department of Business Administration in 1986. He worked as branch manager and head of several departments in the headquarters of several banks. He joined ICBC Turkey in June 2006 and has been the Assistant General Manager Responsible for the Corporate and Commercial Banking Group.

## **Hüseyin H.İmece**

### **Assistant General Manager (Treasury and Investor Relations)**

Hüseyin İmece, having graduated from Bosphorus University School of Economics, started his career in a private bank in 1990. He assumed different positions in the Treasury Department of the same bank. He joined ICBC Turkey in November 2007 and has been the Assistant General Manager Responsible for the Treasury and Investor Relations Group.

## **Bozok Evrenosoğlu**

### **Assistant General Manager (Loans)**

He graduated from Ankara University School of Political Sciences Department of Economics in 1983. Bozok Evrenosoğlu started his career in the Board of Auditors of a private bank in 1985 and joined ICBC Turkey as Assistant Manager of ICBC Turkey İzmir Branch in January 1990. Subsequently, he worked as a Branch Manager in several banks and rejoined ICBC Turkey as the Branch Manager of ICBC Turkey İzmir Branch in 2004. In March 2005, he was promoted from his position of Branch Manager of the ICBC Turkey İzmir Branch to the Assistant General Manager Responsible for the Loans position, effective as of May 2010.

## **Officers of the Departments within the Scope of the Internal Systems**

### **Başak Kaya**

#### **Head of the Board of Auditors**

Başak Kaya graduated from Ankara University School of Political Sciences International Affairs Department in 1997 and started her banking career as an inspector of a private bank. She has been serving as Head of the Board of Auditors of ICBC Turkey since October 2015. Between 2002 and 2015, she worked in a private bank as unit manager of the center of internal control, president of internal audit, vice president of investigation activities and support and coordination manager of the Board of Auditors.

### **Berrin Gencal**

#### **Head of Risk Management Department**

Berrin Gencal graduated from ITU School of Business Administration Engineering in 1990 and started working in the Treasury Department of ICBC Turkey Bank A.Ş. in 1993. She has been serving as the Head of Risk Management Department since February 2009.

### **Gürdoğan Yurtsever**

#### **Head of the Center of Internal Control and Compliance**

Gürdoğan Yurtsever graduated from Istanbul University School of Political Sciences in 1991 and obtained his graduate degree from the same school in 2002. He started working as an assistant inspector in the Board of Auditors of a bank in 1995. He joined ICBC Turkey as an inspector in 1998. Subsequently, he worked as a manager in the Credit Control Department and Center of Internal Control. He was appointed as the Head of Center of Internal Control in 2003. Gürdoğan Yurtsever has been serving as the Head of Center of Internal Control and Compliance since 2008 and concurrently as a Compliance Officer as well. Mr. Yurtsever is also Member of the Board of Directors and Vice President of Turkish Internal Audit Institute (TIAE), Chief Editor and Managing Editor of the Internal Audit Journal, and holds Certified Public Accountant (CPA), Independent Auditor (IA), Certified Fraud Monitoring Examiner (CFE) and Certified in Risk Management Assurance (CRMA)

permits and certificates. He has also published a number of essays and articles in several journals and newspapers related to topics such as banking, internal control, internal audit, audit committee and compliance and five books, two out of which are published by Banks of Association of Turkey (BAT).

### **Declarations of Independence by the Board of Directors**

Within the scope of the articles of association of ICBC Turkey Bank A.Ş.(formerly named as Tekstil Bank A.Ş.) and the Corporate Governance Principles set out in the Communiqué of Corporate Governance (Serial No.II-17.1) issued by the Capital Markets Board and published on the Official Gazette dated January 3<sup>rd</sup> 2014 and numbered 28871, I hereby declare that I am a candidate to be an “independent member” of the Boards of Directors of ICBC Turkey Bank A.Ş. and within this context, I further declare that;

- a) within the last five years, there have been no employment relationship requiring to assume material duties and responsibilities in the capacity of a manager between myself, my spouse and my next of kin and relatives by blood and marriage up to second degree and the Company, partnerships and the shareholders holding the control of or possessing substantial impact on the Company and the legal persons who are substantially controlled by such shareholders, I do not hold, alone or jointly, more than 5% of the share capital or voting rights or privileged shares of the Company nor do I have any material commercial relationship with the Company,
- b) within the last five years, I have not been a shareholder (more than 5%), an employee or a member of the board of director requiring to assume material duties and responsibilities in the capacity of a manager of any company from or to whom the Company purchases or sells services or products in substantial amounts within the framework of the agreements entered into, primarily auditing (including tax audit, legal audit, internal audit), rating of and providing consultancy to the Company during the period in which such services and products were being purchased or sold,
- c) I possess the vocational education, knowledge and experience necessary to perform the duties I would be assuming as an independent member of the board of directors,

Within the scope of the articles of association of ICBC Turkey Bank A.Ş. (formerly named as Tekstil Bank A.Ş.) and the Corporate Governance Principles set out in the Communiqué of Corporate Governance (Serial No.II-17.1) issued by the Capital Markets Board and published on the Official Gazette dated January 3<sup>rd</sup> 2014 and numbered 28871, I hereby declare that I am a candidate to be an “independent member” of the Boards of Directors of ICBC Turkey Bank A.Ş. and within this context, I further declare that;

- a) within the last five years, there have been no employment relationship requiring to assume material duties and responsibilities in the capacity of a manager between myself, my spouse and my next of kin and relatives by blood and marriage up to second degree and the Company, partnerships and the shareholders holding the control of or possessing substantial impact on the Company and the legal persons who are substantially controlled by such shareholders, I do not hold, alone or jointly, more than 5% of the share capital or voting rights or privileged shares of the Company nor do I have any material commercial relationship with the Company,
- b) within the last five years, I have not been a shareholder (more than 5%), an employee or a member of the board of director requiring to assume material duties and responsibilities in the capacity of a manager of any company from or to whom the Company purchases or sells services or products in substantial amounts within the framework of the agreements entered into, primarily auditing (including tax audit, legal audit, internal audit), rating of and providing consultancy to the Company during the period in which such services and products were being purchased or sold,
- c) I possess the vocational education, knowledge and experience necessary to perform the duties I would be assuming as an independent member of the board of directors,

- d) provided that it is applicable to the legislation I am bound with, I have not and, upon my appointment as an independent member of the board of directors, shall not work for any state institutions and organizations as full time employee, except for being a faculty member,
- e) pursuant to the Income Tax Law (ITL) dated December 31<sup>st</sup> 1960 and numbered 193, I am deemed to a resident in Turkey,
- f) I possess strong ethical standards, occupational reputation and experience in order to positively contribute to the activities of the Company, be neutral to any conflicts of interests among the Company and its shareholders and freely decide by considering the rights of the beneficiaries,
- g) I shall devote enough time to follow the operational activities of the Company and completely fulfill the responsibilities I would be assuming,
- h) I have been a member of the board of directors of the Company for more than six months within the last ten years,
- i) I have not been an independent member of the board of directors of the Company or no more than three of the companies that are controlled by the controlling shareholders of the Company and that of no more than total of five publicly trading companies,
- j) I have not been registered for and on behalf of any legal person who has been appointed as a member of the board of directors.

Wang Ying

Date of Declaration: December 24<sup>th</sup> 2014

- d) provided that it is applicable to the legislation I am bound with, I have not and, upon my appointment as an independent member of the board of directors, shall not work for any state institutions and organizations as full time employee, except for being a faculty member,
- e) pursuant to the Income Tax Law (ITL) dated December 31<sup>st</sup> 1960 and numbered 193, I am deemed to a resident in Turkey,
- f) I possess strong ethical standards, occupational reputation and experience in order to positively contribute to the activities of the Company, be neutral to any conflicts of interests among the Company and its shareholders and freely decide by considering the rights of the beneficiaries,
- g) I shall devote enough time to follow the operational activities of the Company and completely fulfill the responsibilities I would be assuming,
- h) I have been a member of the board of directors of the Company for more than six months within the last ten years,
- i) I have not been an independent member of the board of directors of the Company or no more than three of the companies that are controlled by the controlling shareholders of the Company and that of no more than total of five publicly trading companies,
- j) I have not been registered for and on behalf of any legal person who has been appointed as a member of the board of directors.

Mehmet Hilmi Güler

Date of Declaration: December 25<sup>th</sup> 2014



## Remuneration of the Board of Directors and the Senior Executives

Corporate Governance Principle stated in the Section II of this Report are provided in the Article 20 of the Section 4 of the Compliance Report.

### Information Regarding the Committees Established Within the Body of the Board of Directors

Several committees have been formed in order to help the Board of Director in performing their duties under their responsibility more efficiently and these committees are given special responsibilities in certain areas. In accordance with resolution taken in the Extraordinary General Assembly held on May 22<sup>nd</sup> 2015, Members of the Board of Directors, Audit Committee, Corporate Governance Committee and Remuneration Committee were changed as a result of the transfer of 75.50% of the Bank's shares to ICBC; additionally a Credit Committee was formed. Information regarding the committees operating under the Board of Directors are provided below:

#### Audit Committee

Within the framework of the Article 24 of the Banking Law numbered 5411 that requires an audit committee to be formed, the Board of the Directors of the Bank appointed two non-executive members of the board, who possessed the conditions stated in the prevailing legislation in order to perform the auditing and monitoring activities, as the "Bank's Audit Committee on October 30<sup>th</sup> 2006. Board of Auditors, Center of the Internal Control and Compliance Department and Risk Management Department operate under the Audit Committee. Audit Committee meets four times a year with the units operating under it together with other departments in the Headquarters. Audit Committee regularly notifies the Board of Directors regarding its activities by submitting quarterly reports.

Following are the structure, duties, main activities, which have already been defined, of the Audit Committee and the principles of authorities and responsibilities thereof, all of which are published under the "Committees" heading in the "Investor Relations" section of the Bank's website.

Audit Committee continues its operations with the following responsibilities:

- Monitoring the efficiency and sufficiency of the Bank's internal systems, whether these systems and the accounting and reporting systems operate within the framework of the related legislation and the policies of the Bank and the integrity of the information produced,
- Performing the necessary preliminary evaluations regarding election of the independent audit firms, rating companies and the institutions providing appraisal and support services and regularly monitoring the activities of these institutions that are assigned by the Board of Directors,
- Ensuring that the internal audit functions of the partnerships that are included in the consolidation conducted coordinately within the scope of the related legislation,
- Submitting reports and providing opinions and proposals to the Board of Directors regarding the internal systems and the operations, activities of the departments and the related policies and regulations falling under the scope of these systems,
- Evaluating the information and the reports regarding the activities provided by the departments falling under the scope of these systems and the independent audit firms,
- Preparing the financial reports of the Bank in compliance with the related legislations, regulations and the standards,
- Requesting information, documents or reports from all of the departments of the Bank, contracted institutions providing support services and independent audit firms, if necessary and receiving consultancy services from person who are specialized in their fields of activity, provided that this is subject to the approval of the Board of Directors,

- Fulfilling their responsibilities given by the prevailing legislations and the duties assigned to them by the Board of Directors within this framework,
- Notifying or reporting the results of its activities and the measures need to be taken in order for the Bank's activities to be conducted sustainably and safely within the framework of the related legislation and the policies of the Bank and its findings, opinions and proposals related to the other issues which it deems material,

The qualifications of the members of the Audit Committee are shown in the following table.

<b>Name and Surname</b>	<b>Duty in the Committee</b>	<b>Position in the Bank</b>
Xu Keen	President	Non Executive Member- Independent Member of the Board of Directors(*)
Wang Ying	Member	Non Executive Member- Independent Member of the Board of Directors

(\*)Members of the audit committee of banks are considered as independent members within the scope of "Corporate Governance Communiqué" no. II-17.1 of the Capital Markets Board.

The above-mentioned Board Members have appointed as Committee Members with the Board resolution dated 22/05/2015. Declarations stating the qualifications of the Members of the Audit Committee of the Bank within the scope of the Article 24 of the Banking Law and the Communiqué of the Internal Systems issued by the Banking Regulation and Supervision Agency are as follows:

#### **TO THE BANKING REGULATION AND SUPERVISION AGENCY**

1. Within the last two years prior to my being appointed as the member of the audit committee, I declare that neither myself nor my spouse or my children
  - a) have been a shareholder or employee of any institution providing independent audit, rating, appraisal or support services to ICBC Turkey Bank A.Ş. (formerly named as Tekstil Bankası A.Ş.) or any of its partnerships that are included in the consolidation, have participated in the independent audit, rating or appraisal processes of the bank or any of its partnerships included in the consolidation,
  - b) have been a shareholder or employee of any institutions providing consultancy and support services to ICBC Turkey Bank A.Ş. or any of its partnerships that are included in the consolidation nor have provided such services thereto,
  - c) hold any qualified shares of ICBC Turkey Bank A.Ş. or any of its partnerships that are included in the consolidation,
2. is the spouse or next of kin and relative by blood and marriage up to second degree (including this degree) of the majority shareholder or the general manager of ICBC Turkey Bank A.Ş., have served in any of the banks' audit committee for more than nine years regularly or in intervals, have received any income, whether as fee or anything similar under any name whatsoever, from ICBC Turkey Bank A.Ş. or any of its partnerships that are included in the consolidation based on their profitability, except for the payments made all of the employees in accordance with provisions of their articles of association or general assembly resolutions,
3. neither my spouse nor my children has been a general manager, assistant general manager or in an equivalent position of ICBC Turkey Bank A.Ş. or any of its partnerships that are included in the consolidation,
4. have directly managed any the executive units of ICBC Turkey Bank A.Ş. within the last two years,
5. have worked in any units of ICBC Turkey Bank A.Ş. or any of its partnerships that are included in the consolidation, except for the internal audit, internal control, risk management, financial control and accounting units.

Xu Keen

President of the Audit Committee

Date of Declaration: March 13<sup>th</sup> 2015

Wang Ying

Member of the Audit Committee

Date of Declaration: March 13<sup>th</sup> 2015

### Credit Committee

With the resolution of the Bank's Board of Directors dated May 22<sup>nd</sup> 2015 and numbered 1324/01, a "Credit Committee" has been formed within the scope of the banking legislation in order to perform the duties assigned to itself by the Board of Directors. Credit Committee shall convene with the participation of its members. While the decision taken unanimously by the Committee shall be directly implemented, the decisions taken by the majority of the votes shall be subject the approval of the Board of Directors.

The Credit Committee meets once a week. Qualifications of members of the Credit Committee are as following table.

Members of the Credit Committee:

Name and Surname	Duty in the Committee	Position in the Bank
Xu Keen	President	Non-Executive Officer
Gao Xiangjang	Vice President	Executive Officer
Wang Qiang(*)	Member	Non-Executive Officer
Zheng Jianfeng	Substitute Member	Non-Executive Officer
Wang Ying	Substitute Member	Independent Member of the Board of Directors

(\*) Upon the resignation of the Board of Directors and Credit Committee Member Mr. Wang Qiang, our Board of Directors has decided to appoint Mr. LIU PEIGUO, who was the Coordinator of the General Secretariat Group, as the Board and Credit Committee Member as of 02/01/2017 with the Board resolution dated 30/12/2016, and this appointment has been approved by the general assembly on 09/02/2017.

### Corporate Governance Committee

With the resolution of the Bank's Board of Directors dated February 4<sup>th</sup> 2005 and numbered 758/1, a "Corporate Governance Committee" has been formed in order to monitor the compliance of the corporate governance principles, conduct works to perfect them and submit proposals to the Board of Directors and coordinate the Shareholder Relationships and the Spokesmanship of the Board of Directors. Within the scope of the Article 4.5.1 of the "Communiqué on the Determination and Application of the Corporate Governance Principles" numbered Serial No:IV-56 issued by the Capital Markets Board, entered into force and effect at a later time, Corporate Governance Committee has been additionally authorized by the Bank's Board of Directors' resolution dated March 22<sup>nd</sup> 2012 and numbered 1165/01 to perform as a "Nomination Committee" as well.

Corporate Governance Committee continues its operations with the following responsibilities:

- Monitoring whether the Bank complies with the corporate governance principles, conducting studies in order to perfect the situation in this issue and presenting proposals to the Board of Directors,
- Identifying the conflict of interests and their justifications occurring as result of any noncompliance with the Corporate Governance principles, if any, and establishing policies necessary for this purpose and ensuring that the Corporate Governance Compliance Report is prepared,

Subsequently, in order to comply with the Article 11 of the Corporate Governance Communiqué numbered II-17.1 published in the Official Gazette and entered into effect on January 3<sup>rd</sup> 2014, The Bank's Board of Directors resolved with its resolution dated June 30<sup>th</sup> 2014 and numbered 1276/01 that the Head of the Shareholder Relations and the Spokesman of the Board of Director to become a member of the Corporate Governance Committee.

Members of the Corporate Governance Committee (\*);

Name and Surname	Duty in the Committee	Position in the Bank
Mehmet Hilmi Güler	President	Independent Member of the Board of Directors
Zheng Jianfeng	Member	Non-Executive Officer
Eda Atamer Coşkunsu	Member	Head of the Shareholder Relations and Spokesmanship of the Board of Directors

### Remuneration Committee

Pursuant to the "Regulation Related to the Corporate Governance Principles of the Banks" of the Banking Resolution and Supervision Agency and with the resolution of the Bank's Board of Directors dated July 11<sup>th</sup> 2011, a "Remuneration Committee" has been formed in order to monitor and supervise the remuneration practices for and on behalf of the Board of Directors. Committee shall evaluate the remuneration policy and implementations thereof within the framework of the risk management and prepare and submit a report regarding its recommendations to the Board of Directors on an annual basis.

Members of the Remuneration Committee (\*);

Name and Surname	Duty in the Committee	Position in the Bank
Wang Ying	President	Independent Member of the Board of Directors
Zheng Jianfeng	Member	Non-Executive Officer

### Other Committees

#### Assets and Liabilities Committee (ALCO)

Assets and Liability Committee is a committee where the volume and cost/return of the balance sheet items of the Bank, economic developments affecting these items are evaluated, strategies regarding the management of the balance sheet is determined and the topics related to the ways to increase the Bank's performance are discussed. This Committee convenes once every two weeks under the chairmanship of the General Manager. General Manager, Assistant General Managers and all the Department Heads responsible for the banking transactions shall participate in the meeting.

#### Information Regarding the Attendance of the Board of Directors and the Committee Members to the Related Meetings During the Accounting Period

Timing, place and method of the Board of Directors Meeting shall be subject to the Turkish Commercial Code and the Bank's Articles of Association. Board of Directors convene as frequently as the businesses of the Bank necessitates. Participating in the meetings in person or through electronic environment is possible. Board of Directors is called for meeting by the Chairman of the Board of Director and in his/her absence by the Vice President of the Board of Directors. Each Board Member may request in writing from the Chairman of the Board that the Board of Directors to be convened. Board of Directors consist of 6 members, including the general manager. Calling procedure of the Board of Directors Meeting is subject to provisions of the Turkish Commercial Code and the Bank's Article of Associations. The quorum for the Board of Directors meeting is the presence of majority of the members. Resolutions of the Board of Directors may be passed with the votes of the majority of the members present in person at the meeting as well as, pursuant to the clause

4 of the Article 390 of the Turkish Commercial Code numbered 6102, with the method by which a written proposal of one of the members is approved in writing by the other members. During the course of the year 2016, all of the resolutions were passed unanimously and there was no objection to any of the resolutions.

The Board of Directors convened with all of the members being present in person 4 times and passed 28 resolution in 2016. Pursuant to the clause 4 of the Article 390 of the Turkish Commercial Code, in 2016, Board of Directors convened 53 times through teleconference under the chairmanship of Xu Keen, the Chairman of the Board of Directors, and passed 282 resolutions.

Audit committee convened with the members being present in person 4 times and passed 27 resolution in 2016. Pursuant to the clause 4 of the Article 390 of the Turkish Commercial Code, in 2016, Audit committee convened 7 times through teleconference under the chairmanship of Xu Keen, the Chairman of the Board of Directors, and passed 11 resolutions.

In 2016, Audit Committee has convened with all of the members being present in person 4 times and taken 27 decisions.

In 2016, Credit Committee has convened 33 times to review the files within its scope of work and taken 419 decisions.

In 2016, Corporate Governance Committee has convened 1 times and taken 1 decisions; and Remuneration Committee has convened 5 times and taken 5 decisions. Pursuant to the resolution passed at the Extraordinary General Assembly held on May 22<sup>nd</sup> 2015, the Board of Directors, who were assigned to the aforementioned committees, have been appointed to be in duty until the ordinary general assembly to be held in order to review the 2017 accounts.

## **Explanations Regarding the Administrative Sanctions Applied to the Bank and Its Board of Directors**

The BRSA charged the Bank with 3 administrative fines as a result of the various inspections it conducted during the course of the year 2016. The Bank promptly started to eliminate the deficiencies stated in its reports.

The tax audit conducted by the Tax Inspection Board of the Department of Finance was completed in 2015. A settlement was reached on January 27<sup>th</sup> 2016 regarding the identified findings of the tax audit.

## **Summary of the Board of Directors Annual Report**

In 2016, the Bank's asset size has increased from 6.7 billion TL to 8.2 billion TL, an increase of 23% in 2016. The Bank's loans has reached to 5.1 billion TL at the end of the year, a 23% increase compared to that of 2015. Securities of the Bank increased by 59% and reached up to 1.7 billion TL.

ICBC Turkey's operating income for 2016 was 243 million TL. The Bank realized a profit after the provisions for taxes and loans were deducted. However, the Bank has gradually increased its profitability starting as of June 2016 and generated 13.4 million TL profit in the last six months. This profitability arose from the Bank's commission income as well as the increase of the assets in size. Primarily, the Bank's commission income have increased by 79% compared to that of 2015 year-end.

Based on the ICBC Turkey's unconsolidated financial statements as of the end of 2016, prepared in accordance with the regulations of the Banking Regulation and Supervision Agency,

- Asset size has reached to 8.2 billion TL,
- Total cash loans were in the amount of 5.1 billion TL and constituted 61% of the Bank's balance sheet,
- Consumer loans (excluding credit cards) constituted 12.5% of the total cash loans and has increased by 36% compared to that of the previous year,

- Total customer deposits increased by 30% compared to that of 2015 and realized at 2.9 billion TL and constituted 36% of the Bank's liabilities,
- Shareholders' Equity increased by 1% compared to that of the previous year-end,
- Net profit for the period in 2016 was 13.7 million TL,
- Return on assets and return on equity are 0.2% and 2.3%, respectively,
- Capital adequacy ratio is 19.8% (2015: 12.78%)

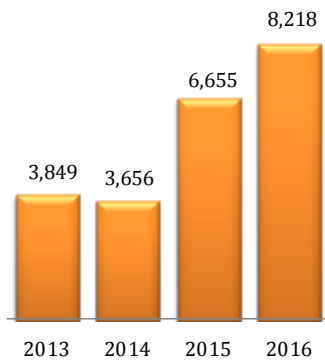
On the other hand, we have closely monitored the activities of Audit Committee, Corporate Governance Committee and Remuneration Committee during the course of the year and observed that all of the committees worked efficiently.

Best Regards,

Board of Directors

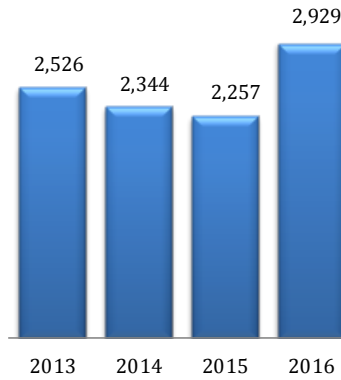
### **Asset Size**

(million TL)



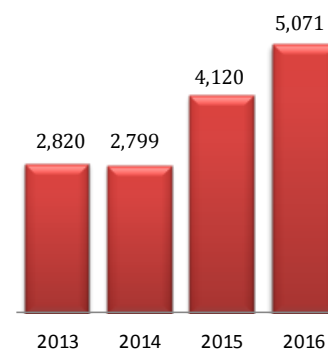
### **Deposit**

(million TL)



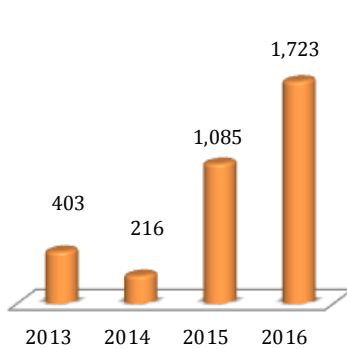
### **Cash Loans**

(million TL)



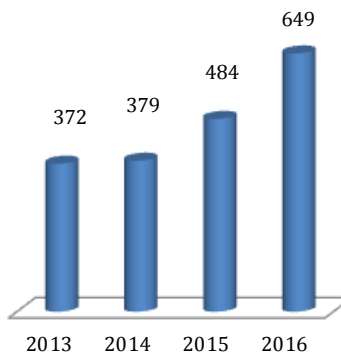
### **Marketable Securities**

(million TL)



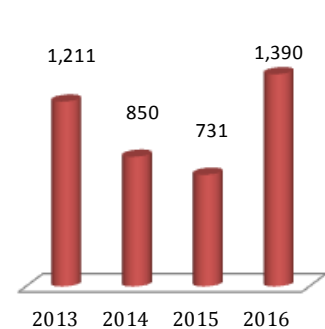
### **Retail Loans**

(million TL)



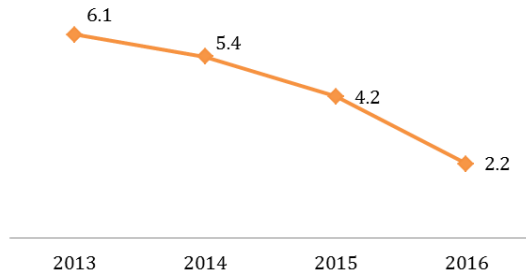
### **Non-Cash Loans**

(million TL)



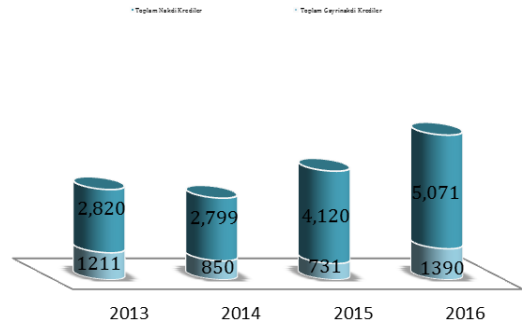
### NPL Ratio

(million TL)



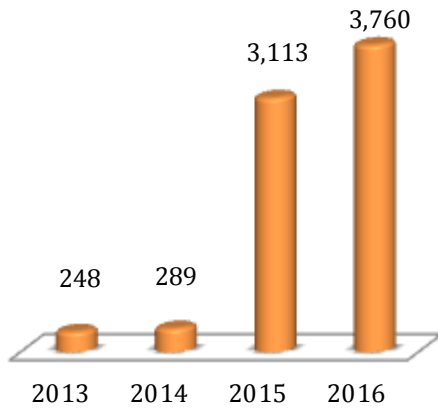
### Cash and Non-cash distribution

(million TL)



### Borrowings from foreign banks

(million TL)



## Human Resources Practices

### Job Applications - Recruitment Practices

The Bank accepts job applications through websites of the recruitment companies. The Bank has entered into agreements with two private companies in finding candidates via their websites, one of which has a link ICBC Turkey's website. Incoming applications are assessed according to their conformity to open positions in the Bank.

Open positions are determined in the bank; Norm staff, current business volume, organizational chart, changes in personnel structure and future plans are considered. For the open positions, the bank meet the need from the bank organization.

In the case of recruiting personnel from outside, HR and department manager interviewed, after the reference control that offered a job to endorsed person. After the staff completes the necessary documents, actually start to work.

### Promotion Practices

Endorsed persons entitle to promote after the assessment within the scope of promotion rules.

### Profile of the Bank's Human Resources

As of December 31<sup>st</sup> 2016, the number of the personnel is 809, 406 out of which work in the branches and 403 in the Headquarters. Number of the branches as of 2016 year-end is 44. 2016 seniority average is 7.15 years and the average age of the Bank's personnel is 37. Bank's personnel have

university diplomas whose breakdown is as follows: PhD degrees at 0.1%, graduate degrees at 9.1% undergraduate degrees at 66.9% .

### **The Bank's Training Process**

The Bank's 2016 training process consisted of the training programs provided by the Bank's internal instructors, conferences and seminars held by the Banks Association of Turkey (BAT), training programs organized by several training institutions and online trainings.

In parallel with these, e-learning trainings in 15 different topics were provided with a participation of 2,884 participants. In-house and external training were provided in 134 different topics with participants of 1,667 and 506, respectively.

### **Remuneration Committee and Practices Implemented in the year of 2015**

Remuneration Committee was set up for following and auditing the remuneration applications on behalf of the Board of Directors. The Remuneration Committee continued its activities in accordance with the bank's corporate governance principles during the period 01/01/2016- 31/12/2016. Remuneration Committee reviewed the personnel salaries in parallel with the positions and titles based on the information it received from the Human Resources Department. As a result of their review, they concluded that the salaries were in line with the Bank's Remuneration Policy.

### **Human Resources Policy**

Human Resources Policy of the Bank is published on the Bank's website under the heading of "Policies" and in the Corporate Governance Principles Compliance Report. This policy has entered into force and effect pursuant to the Board of Directors' resolution.

Job descriptions, authorizations and responsibilities of the Bank's personnel have been determined based on each title and position. General human resources policies, being implemented in order for the Bank to perform in the best way possible, are based on the principles summarized below and published on the Bank's intranet environment as well as its website.

The Bank's human resources policy is to determine and increase the salaries based on the efficiency and happiness of its employees in accordance with the Bank's targets and strategies and by using the performance assessment system, career planning, training and similar human resources sources. With this understanding, the Bank intends to create a work environment suitable for its employees to unravel their energies and creativity and present their competencies.

The Bank believes that it shall achieve its goals with a personnel structure in which the employees attach importance to a future with a prominent bank, know that their career development shall come with the disciplinary and intense training and they value human relationships. ICBC Turkey Bank has adopted a principle as to work with highly motivated and loyal employees through effective and people-oriented human resources implementations. The Bank knows that its position in the market and its corporate identity have been achieved with the contribution of its employees and believes that each employee working with an perspective that everyone is the "Leader of his/her Work" is essential. Trainings to be provided and the criteria for promotion for anyone starting to work at ICBC Turkey Bank has already been set. All of the employees of the Bank are knowledgeable about their career paths. ICBC Turkey Bank provides feedback to its employees regarding their career development through open performance assessment system.

The Bank's personnel profile containing information regarding the Number of the personnel, Female/Male ratio, Average Age, Average Seniority and the training received by the employees is updated monthly by the Bank's Human Resources Department and published on the Bank's website as well as its intranet environment.

Not only vertical promotions are available for the Bank's personnel, but horizontal career paths also exist. In every year, each personnel is evaluated in person by way of performance assessment. During such process, the Bank's personnel are evaluated based on their personal development, competencies



and targets and the results are shared with them. In accordance with the Bank's human resources policy, each personnel is treated equally and no one is discriminated.

The Bank has adopted gross salary policy and the salaries are paid at the end of each month. Salary increases are made once a year in April based on performance and inflation. All of the personnel are granted with private health insurance and life insurance; personnel working at the branches of the Bank are given meal cards of the Bank's contractual supplier and the personnel working at the Headquarters make use of the cafeteria located in the premises; there are shuttle busses for the personnel of the Headquarters and security staff and the Support Personnel of the Bank are semiannually provided with clothing support. Personnel is given awards based on 5, 10, 15, 20,25 and 30 years of seniority.

### **Recruitment Process**

Criteria for recruitment has already been determined in writing. In accordance with its human resources planning, the Bank recruits experienced as well as inexperienced people for the open positions. As a result of the assessments made based on the incoming applications through the contracted recruitment websites, candidates passing the examination and interview phases are offered job opportunities. The Bank recruits experienced personnel specialized in their fields based on the qualifications of the position through interviews conducted by the related managers and the Human Resources Department. The Bank requires no exam to be taken by the experienced candidates. For the inexperienced candidates, there is an interview process as well as efficiency in English, general ability exams and a personality test.

### **MT Program**

For training the managers of the future within the body of the bank, MT tests we open is specific periods within the direction of our Bank strategies and sector conditions show differences in terms of recruitment process. Among the candidates, who applies to the job posting by the Bank published on the contracted recruitment websites, who are graduate of Economics, Business Administration, Law, Finance, Labor Economics, International Affairs, Public Administration, Econometrics, Banking and Finance, English/American language and literature, Management Engineering or Industrial Engineering Departments of the 4-year undergraduate schools of the universities, which provide education in foreign languages, meet the specified age criteria, have good command of English, have completed or postponed his military service for at least 2 years, if a male, are articulate and have strong communication skills and have the ability to think analytically, the candidates who are successful in the exams and passed the collective and individual interviews successfully are assigned to the departments, primarily Credit Marketing in Branches, Board of Auditors, International relations Group, Credits, Treasury and Human Resources, where there is a need.

### **Training Activities**

Renovation and development are indispensable elements of modern banking. The Bank has already acknowledged these elements as basis and incorporated them into learning organization. Within this context, training is one of the mostly prioritized matters of the Bank who targets to perfect its employees and the environment to which it provides services within the continuously changing system. ICBC Turkey's training vision is based on long term career planning perspective. Training programs to which the Bank's employees shall participate from the date they start working for the Bank based on their qualifications and abilities, targets have already been defined and are being implemented. Young employees joining to ICBC Turkey are given orientation, on the job and long term development trainings and subsequently continue their duties in the related tracks. Other employees of the Bank complete their managerial and specialty programs based on specified career planning by participating in certain training programs either in Turkey or abroad. The Bank's Training Programs consist of Career Training Programs, Personal Development Programs, Executive Development training programs, MT and Basic Banking Training. The Bank also provides trainings that are legally mandatory. Such trainings are given by instructors employed by prominent training institutions and instructors of the bank itself.

## Information Regarding the Transactions Conducted by the Bank with the Risk Group that the Bank Belongs to

The relationship between the Bank and the risk group to which it belongs includes all types of banking transactions conducted in compliance with the Banking Law and within the framework of the normal bank-customer relationships and based on the market conditions. Explanations regarding such transactions are stated in the footnote VII of the Section Five of the Independent Audit Report, Unconsolidated Financial Statements as of December 31<sup>st</sup> 2016 and the Related Explanations and Footnotes Prepared to be Disclosed to the Public.

## Information regarding the Institutions from which the Bank Obtains Support Services

Information regarding the institutions from which the Bank obtains support services and their authorizations and services provided are as follows:

- from “**Güzel Sanatlar Çek Basım Limited Şirketi**” - checks printing and coding services,
- from “**FU Gayrimenkul Yatırım Danışmanlık A.Ş.**” – creation of mortgages in favor of the Bank though a power of attorney,
- from “**İpoteka Gayrimenkul Yatırım Danışmanlık A.Ş.**” - creation mortgages in favor of the Bank though a power of attorney,
- from “**Fineksus Bilişim Çözümleri Ticaret A.Ş.**” - maintenance of Swift Alliance and ODM office services, main connection of the Swift service to the office, sale and service of Paygate products,
- from “**Asseco See Teknoloji A.Ş.**” - technical maintenance and license services for the Call Center System,
- from “**E-Kart Elektronik Kart Sistemleri Sanayi ve Ticaret A.Ş.**”- card printing (personalization) services,
- from “**Kuryenet Motorlu Kuryecilik ve Dağıtım Hizmetleri A.Ş.**” - distribution of the Bank’s credit and ATM cards,
- from “**Printkom Doküman Baskı ve Bilgi İşlem Hizmetleri Limited Şirketi**” - folding and enveloping of the credit card statements of the Bank,
- from “**Loomis Güvenlik Hizmetleri A.Ş.**” - transportation of cash services,
- from “**Banksoft Bilişim Bilgisayar Hizmetleri Limited Şirketi**” - card payment systems, leasing of software and resource allocation software development services,
- from “**Konut Kredisi Com Tr Danışmanlık A.Ş.**” - credit marketing and sale through alternative channels service.
- From “**Treo Bilgi Teknolojileri Ltd.Şti.**” - Outsource staff supply services
  - From “**Securitas Güvenlik Hizmetleri A.Ş.**” - security services.

## Proposal of the Dividend Distribution for the Year of 2016

The Bank’s Board of Directors convened on March 1<sup>st</sup> 2017 and discussed the proposal of the dividend distribution for the year of 2016 which is to be discussed in the Ordinary General Assembly Meeting to be held on March 30<sup>st</sup> 2017. Net income after tax which is TL 13.700.307 has not distributed and has absorbed from losses of the previous year.

On the other hand, the Bank adopted a dividend policy by which the profits are to be retained within the Bank in order to finance its growth and used in capital increases through bonus shares.

## **ICBC Turkey Bank A.Ş. Dividend Distribution Policy**

Considering the growth of the Bank in line with its targets within the sector, in light of the investment and financing needs and within the framework of the Banking Law, Turkish Commercial Code and Capital Markets Law and related legislation and the provisions of its Articles of Association, the Bank adopted a dividend policy by which the profits are to be retained within the Bank in order to finance its growth and used in capital increases through bonus shares.

This policy shall be reviewed annually based on the regulations of the Capital Markets Board regarding the dividend distribution and the Bank's liquidity position.

## **Information Related to the Donations and the Disbursements Made within the Scope of the Corporate Social Responsibility Projects in the Year 2016**

As of December 31<sup>st</sup> 2016, the Bank has not donated to several institutions.

## **ICBC Turkey Bank A.Ş.**

### **Corporate Governance Principles Compliance Report for the Year of 2016**

#### **SECTION I- Corporate Governance Principles Compliance Declaration**

ICBC Turkey Bank A.Ş. ("ICBC Turkey" or the "Bank") is subject to provisions relevant to Corporate Governance Principles stipulated for banks in Banking and Capital Market legislation. Within this scope, ICBC Turkey, adopted a management method based on caution, stability and trust, continues its studies on compliance to the Corporate Governance Communiqué (the "Communiqué") number II-17.1 put into effect by the *Capital Markets Board* ("CMB") by publishing in the Official Gazette dated 03/01/2014 with number 28871 and is focused on periodic development in this field. In this respect, while complying with principles obligatory within the scope of the Communiqué in effect, the Bank has complied with majority of the non-obligatory principles. Necessary explanations on comprehensive studies conducted within the framework of the Corporate Governance Principles within the body of the Bank and on principles not being complied with at the relevant departments are made.

The Bank is in compliance with compulsory principles among the Corporate Governance Principles taking place in the Corporate Governance Communiqué Annex number II-17.1 put into effect by publishing in the Official Gazette dated 03/01/2014 with number 28871.

According to the announcement in CMB Bulletin dated January 08, 2017 and with number 2016/01, in the grouping determined as a result of the evaluation made by CMB, our Bank has taken place in the Third Group companies. Within this scope, exceptions/exemptions in the practice of the Corporate Governance Principles of the companies in the third group is applicable also for our Bank. Within this scope;

It is stated in the 3<sup>rd</sup> item of the 6<sup>th</sup> article of the Communiqué on exceptions independent member of the board of directors for the banks is in discretion of the bank provided that the number of these members should not be less than three and the members of the board of directors assigned for the audit committee membership within the structuring of the Board of Directors of the banks shall be considered as the independent member of the Board of Directors within the framework of this Communiqué. Besides, it is stated that qualifications determined in the Corporate Governance Principle number 4.3.6. shall not be looked for in the audit committee members of the banks and Principles number 4.3.7. and 4.3.8. on selecting these members shall not be applied. Again in the same Communiqué; it is ensured that qualifications determined in the Principle number 4.3.6. shall be looked for any way for the independent members of the board of directors who shall not take place in the audit committee, and shall be looked for only one member in case all of the independent members

of the board of directors take place in the audit committee, and Principles number 4.3.7. and 4.3.8. on selecting these independent members shall be applied.

As the Bank is in the third group companies, we are exempted from;

- The Principle number 4.3.7. of Communiqué as “...the Board of Directors prepares the nominee list of the independent member within the framework of the report of the nominating committee and sends to the *Capital Markets Board* at least 60 days before the general meeting along with the related report of the nominating committee and the decision of the Board of Directors”,
- The Principle number 4.3.8. of Communiqué as “in case independent membership is vacant, the Board of Directors send the nominee list determined within the framework of the report of the nominating committee to the *Capital Markets Board* within 30 days”.

Within this direction, within the abovementioned legal framework, all 3 independent members of the board of directors of the Bank bear the qualifications determined in the Corporate Governance Principles of CMB.

Besides, according to the provision in the 4<sup>th</sup> item of the 11<sup>th</sup> article of the Communiqué, it is found sufficient for the manager of the investor relations department of the partnerships in the third group to have “Level 3 license of the Capital Markets Activities” and any of the “Corporate Governance Grading Specialty Licenses or only the “Capital Markets Activities Level 2 License”. The Manager of the Unit of the Shareholder Relations and Board Secretariat performing duty within this scope at our Bank holds Level 2 License of the Capital Markets Activities.

Within the scope of Banking and Capital Market legislation, the Committee responsible from Audit is established on October 30, 2006, the Corporate Governance Committee is established on March 30, 2005, and Salary Committee is established on July 11, 2011. Within the year of 2012, considering the structuring of the Board of Directors and duties our independent members have undertaken in the committees they take part, it is decided the “Nominating Committee” not to be constituted separately and duties of this committee to be performed by the “Corporate Governance Committee”. The Chairmen of these committees are elected among our Independent Members of the Board of Directors.

Although the following principles which are not obligatory among the Corporate Governance Principles but are only advisory are still not complied with due to the specified reasons, there hasn't been any conflict of interest arising from these not applied matters.

- For the principle number 1.5.2., minority rights is not granted to those holding less than one twentieth of the capital with the Articles of Association of the Bank.
- For the principle number 3.1.2., no written indemnity policy is issued for the bank employees. All applications relevant to the Bank employees are subject to Labor Law and other relevant legislations, and as contradictory provisions are not set forth in in-Bank regulations, a separate indemnity policy is not issued.
- For the principle number 4.2.8., against the damages the Members of the Board of Directors may cause in the Company during their duties, they are not insured with a value exceeding 25% of the company capital. However, there is a Financial Corporations Manager Liabilities Insurance for the members of the board of directors of our Bank with a lower value and the policy period is between 31/08/2016 – 31/08/2017.
- According to the principle number 4.3.9., no target rate or target time is specified for the female member rate in the Board of Directors and there is 1 female member in the Board of Directors of our Bank.
- According to the principle number 4.4.7., due to the business experiences and sectoral experiences of the Members of the Board of Directors having significant contribution to the Board of Directors, they are not restricted in taking part in duties other than the Bank. While duties of some members continue in in-group companies, some members take office only at our Bank. One independent member of the board of directors is also taking office at out of the group companies. The members allocate sufficient time for the Bank.

- According to the principle number 4.5.5., as the number of our members of the Board of Directors is limited, assignment at the committees is carried out by considering knowledge and experiences of the Members of the Board of Directors, in line with the relevant legislation, and one Member of the Board of Directors may be assigned in more than one committee.
- According to the principle number 4.6.5., salaries paid to and fringe benefits provided for the Members of the Board of Directors and the executives are announced to public through the annual activity report. However, the explanation made is in a way to separate the Board of Directors and the executives, not on person basis.

## **SECTION II- SHAREHOLDERS**

### **2.1. Investor Relations Section**

The Board of Directors of the Bank has restructured the Board Secretariat Unit performing the duties for complying with the legislation, the Articles of Association and other in-bank regulations in carrying out the relations with the shareholders properly and protecting and using share ownership rights and taking precautions for providing the use of these rights, as the “Investor Relations and Board Secretariat Unit” within the scope of the Corporate Governance Principles the Capital Markets Board has published in July 2003. Then, the Board of Directors of the Bank has changed the name of this unit as the Shareholder Relations and Board Secretariat on 05.11.2007. Currently, although most of the duties stipulated in the 5<sup>th</sup> item of the 11<sup>th</sup> article of the Corporate Governance Communiqué number II-17.1 published by CMB are performed by the Shareholder Relations and Board Secretariat Unit depending on the Shareholder Relations and Board Secretariat Group of the Bank, there are some duties being fulfilled by the Financial Control and Reporting Department and Treasury and Investor Relations Group along with this unit. These three departments perform the investor relations activities in coordination within the scope of the 11<sup>th</sup> article of the Communiqué.

While submitting the financial reports within the scope of the Communiqué on the Principles on Financial Reporting in the Capital Markets number II-14.1 to the Public Disclosure Platform and publishing in the Bank’s corporate internet site is carried out by the Financial Control and Reporting Department; meeting the information requests which are not confidential for the bank or the customer, of the existing and potential investors abroad and rating institutions and the relevant parties in international borrowing, representing the Bank in meetings and teleconferences organized with domestic and abroad intermediaries along with credit rating institutions and making presentations about the Bank to the investors and other relevant institutions abroad and such matters are performed by the Treasury and Investor Relations Group. Investor relations activities other than these are conducted by the Shareholder Relations and Board Secretariat Unit depending on the Shareholder Relations and Board Secretariat Group. Primary activities carried out by the Shareholder Relations and Board Secretariat Unit are as the following:

- Providing the correspondences between the shareholders and the partnership on shares and information and documents to be kept on shares within the scope of legal legislation to be kept properly, securely and livingly,
- In relation with the ordinary and extraordinary general meetings, preparing documents required to be submitted to the shareholders for information and examination and providing general meetings to be held in compliance with the relevant legislation, the Articles of Association and other in-bank regulations,
- Announcing special situation explanations required to be made within the scope of the Capital Markets legislation and the legislation the Bank is obliged to follow, through public disclosure platform,
- Enabling electronic general meetings to be held in compliance with the applicable legislation, the Articles of Association and in-bank regulations, preparing general meeting minutes, performing registration and announcement processes, providing general meeting decisions to be sent to the shareholders and all authorities required by legislation, in time,
- Carrying out capital increase procedures, enabling the use of charged and free share ownership rights arising from capital increasing,

- Fulfilling functions relevant to Public Services,
- Enabling content of the sections related to the “Investor Relations” to be kept updated on the Bank’s corporate internet site,
- Providing the Board of Directors meetings to be held in compliance with the applicable legislation, the Articles of Association and in-bank regulations, preparing general meeting minutes, performing registration and announcement processes, if necessary, and providing them to be sent to the authorities when required by legislation,

Names and communication information of the authorized personnel working at the Shareholder Relations and Board Secretariat Unit are as the following.

<b>Name-Surname of the Authorized Person</b>	<b>Title- Starting Date of employment</b>	<b>Telephone</b>	<b>E-mail Address</b>	<b>License</b>
Attorney Eda ATAMER COŞKUNSU	Unit Manager- 28/04/2014, Corporate Governance Committee Member/ - 22/05/2015	(0212) 335 5457	eda.coskunsu@icbc.com.tr	Capital Markets Activities Level 2 License
Şükran KADANALIOĞLU	Assistant Manager- 05/08/2002	(0212) 335 5138	sukran.kadanalioğlu@icbc.com.tr	None

Within the scope of the Investor Relations activities, 9 oral information requests are delivered to the Shareholder Relations and Board Secretariat Unit from the investors in 2016 and questions not including commercial secrets are replied by considering principle of equality. Most of the subject requests were on general meetings, and capital increase.

Within the scope of the Investor Relations activities, a report on activities carried out in 2016 by the Shareholder Relations and Board Secretariat Unit Manager is presented to the Board of Directors on 28/02/2017.

## **2.2 Usage of the Shareholders’s right of Information**

All questions and information requests led to the Bank by the Shareholders and which do not bear commercial secret property are evaluated within the framework of our Bank’s Information Policy and replied by the Shareholder Relations and Board Secretariat Unit and the Treasury and Investor Relations Group via telephone, e-mail or mail. As explained in section no 3.1. of this report, all kind of required information and explanation related to the usage of the share ownership rights are set in the Bank’s corporate internet site.

There is no information or explanation in the Bank’s corporate internet sites which may affect the usage of the shareholders’ rights.

Within the scope of the 19<sup>th</sup> article of the Articles of Association of the Bank, the Board of Directors may invite the General Assembly for an extraordinary meeting and may include to the agenda the matters they wish to discuss upon the justified written requests of the shareholders holding at least one twentieth of the shares.

Although right for requesting private auditor is not arranged as a personal right in the Articles of Association, according to the 438<sup>th</sup> article of the Turkish Commercial Code, each shareholder may ask the General Meeting to reveal specific evidences by a private audit even if it does not take place in the agenda, if it is necessary for the using the share ownership rights, and if right of information and examining rights are used previously.

In 2016, the shareholders did not have such a request. ICBC Turkey is subject to CMB’s regulations with the audit and supervision of the Banking Regulation and Supervision Agency (*BRSA*) within the

framework of the Banking Law and is periodically audited by an Independent Auditor selected at the Bank Activities General Meeting.

### **2.3 General Meetings**

General Meetings are held within the framework of the Banking Law, the Turkish Commercial Code and the Capital Markets Law.

In 2016, one ordinary and two extraordinary electronic general meetings which attending physically at the registered address of the Bank and in electronic environment was possible are held. The ordinary general meeting was held on 31/03/2016 and the quorum was 95.1%. Regulations on ordinary and extraordinary general meetings set forth in “the Articles of Association of ICBC Turkey Bank A.Ş.” which take place in the Bank’s internet site open to public and in the “Internal Regulations on the Working Principles and Procedures of the General Meeting”.

The Bank makes the invitation to the general meeting at least three weeks before the meeting, excluding the announcement and meeting dates. Calls/invitations and announcements for the General Meeting are published in the Turkish Trade Registry Gazette, a newspaper published in Istanbul where the registered address of the Bank is, at Merkezi Kayıt Kuruluşu A.Ş. (MKK) (Central Securities Depository Institution), at Electronic General Meeting System (EGMS), on e-YÖNET- Corporate Governance and Investor Relations Portal, on Public Disclosure Platform (KAP) and on the Bank’s corporate internet site. Besides, as from the date of announcement, agenda, a sample of power of attorney, activity report, the Articles of Association of the Bank, financial tables and footnotes, independent audit reports, the old and new versions of the amendments along with the related resolution of the Board of Directors in case there is an amendment in the Articles of Association, in case there is dismissal, change or election of the Members of the Board of Directors among the items of the agenda, reasons for dismissal and change, information on the member and independent member nominees specified in the Corporate Governance Principles, and other documents related to the agenda are available at the General Management of the Bank and on our corporate internet site for the review of the shareholders. Documents related to the agenda items are published in EGMS separately.

According to the provisions of the Articles of Association of the Bank, it is possible to vote by proxy. According to the 28<sup>th</sup> article of our Articles of Association, the shareholders may personally attend the general meetings as well as being presented at these meetings by a proxy they choose among the shareholders or from outside. Provisions of the 29<sup>th</sup> article of the Capital Markets Law is applied in the invitation of the shareholders. General Meeting minutes are always available for the shareholders on our Bank’s internet site and at E-Company information portal which is accessible also from our Bank’s internet site with the Electronic General Meeting System, within the scope of the related provisions of the Turkish Commercial Code, and which is specialized for Information public services and the infrastructure of it is provided by the Central Securities Depository.

All shareholders have the right to declare opinions on the subjects related to the agenda and ask questions at the General Meetings. Suggestions given in relation with the agenda are resulted by voting in compliance with the legal procedure.

In 2016, there hasn’t been any operation which majority Yes votes of the independent members of the Board of Directors are required for deciding at the Board of Directors or its decision is left to the general meeting for No votes given.

At the ordinary general meeting of our Bank dated 31/03/2014, in line with the policy approved by the shareholders, information on the amount of the aids and donations made within the period and beneficiaries, and that there hasn’t been any change in the donation and aid policy of the Bank is given to the shareholders at the ordinary general meeting held on 31/03/2016, in a separate agenda item.

At the general meetings held on 31/03/2016, the shareholders are informed about that there has been no significant transaction which may cause an interest conflict between the shareholders holding the management control, the members of the board of directors, managers having administrative responsibility and their spouses and blood relatives and relatives by marriage up to second degree and the Bank or the subsidiaries.

## **2.4 Voting Right and Minority Rights**

Capital structure of the Bank, rights related to the shares and information related to the shares are set forth in the Articles of Association of the Bank and the activity report and offered to the shareholders' information.

According to the 8<sup>th</sup> article of the Articles of Association of the Bank, Capital of the Bank is divided in (A) and (B) group shares and all of them are registered. Also, according to the 35<sup>th</sup> article of the Articles of Association, nominating privilege for the Board of Directors is given to these (A) and (B) Group shareholders. Nominal value of the shares in these groups and the voting rights are equal.

There is no mutual participation relation in the capital structure of the Bank.

There is no member in the Board of Directors of the Bank elected with minority shares and there is no restriction on using voting rights of minority in the election of the Board of Directors.

Minority right is determined as one twentieth of the capital with the 19<sup>th</sup> article of the Articles of Association of the Bank.

Usage of minority rights is subject to the Turkish Commercial Code, the Capital Markets Law, and CMB's communiqué and decisions.

## **2.5 Profit Sharing Right**

In the Articles of Association of the Bank, there is no provision regulating privilege in participating profit share. Profit Distribution is carried out within the framework of the provisions of the Articles of Association. Each shareholder has the right to get profit share over the distributed profit share in his share rate.

Suggestion of the Board of Directors of our Bank on Profit Distribution is proposed to the General Meeting and to the information of the shareholders by the activity report before the General Meeting every year and decided by discussing at the general meeting. At the ordinary General Meeting of the Bank dated 31/03/2016, it is decided not to distribute the profit. Accordingly, the Board resolved to propose for General Assembly's approval not distribute any profit since there was no after tax accounting profit in the Bank's balance sheet and the Bank incurred 17,016 thousand TL losses in 2015.

*The Profit Distribution Policy of the Bank is approved at the ordinary General Meeting held on 31/03/2016. This policy is published in the Bank's corporate internet site and in the activity report as "Regarding our Bank's target-directed growth in the sector and under the light of investment and financial needs, within the framework of the Banking Law, the Turkish Commercial Code and the Capital Markets Law and related legal legislation and the provisions of our Articles of Association, a basic profit distribution policy based on saving profits in the extraordinary reserves for the finance of growth by holding profits in the body and distributing as shares in free capital increases from internal sources is adopted. This policy shall be evaluated every year by considering regulations of the Capital Markets Board on profit distribution and liquidity status of our Bank."*

## **2.6 Transfer of the Shares**

There is no provision in the Articles of Association of the Bank restricting the transfer of shares and provisions of the Banking Law number 5411 relevant to the transfer of shares are reserved.

## **SECTION III – Public Disclosure and Transparency**

### **3.1 Corporate Internet Site and Its Content**

The Bank has an internet site named ([www.icbc.com.tr](http://www.icbc.com.tr)) prepared in Turkish and English regarding the Corporate Governance Principles. In both versions of the Internet site, matters stated in the Corporate Governance Principles are given under the "Investor Relations" section.

In the investor relations section of Turkish internet site (<http://www.icbc.com.tr/portal/yatirimci/anasayfa.html>); there are the Board of Directors and executive information, reports relevant to the Corporate Governance, information about the



committees, policies, banking ethical codes, partnership structure, information on privileged shares, partnership structure, the Articles of Association and amendments, annual and interim activity reports and financial tables, independent auditor reports, General Meeting minutes, list of attendants at the meeting, samples of letter of attorney, explanation on capital increasing and circular, special condition explanations, rating information, trade registry information, internal regulation on working procedures and principles of general meeting, BRSA and investor relations communication information, share information, and in About Us section, there are the history of the Bank, vision, mission and strategic targets of the Bank and other information related to the Bank. Information on the subjects to be discussed within the scope of the agenda of the General Meeting takes place in the Bank's internet site, Electronic General Meeting System (EGMS), in e-YÖNET-Corporate Governance and Investor Relations Portal by a General Meeting Informing Note, and documents related to information in this document (activity report, financial tables, the Board of Directors profit distribution suggestion, profit distribution policy and other documents relevant to the subjects in the agenda) are presented at the General Meeting.

In 2016, within the scope of the principle number 2.1.4. of the Communiqué, on investor relations internet page in English (<http://www.icbc.com.tr/portal/en/investor-relations/homepage.html>) for the international investors to benefit from it, along with interim and year end activity reports and audit reports being published, special condition explanations and general meeting minutes and the Articles of Association take place in English with the same content as in Turkish.

### **3.2 Activity Report**

The Bank's activity report is prepared in a way to include information in the "Regulations on the Principles and Procedures on Preparing and Publishing the Annual Activity Report by the Banks" published by the Banking Regulation and Supervision Agency and CMB legislation and in the Corporate Governance Principles.

Within this scope, the activity report of the Bank is in compliance with the principles number 2.2.1. and 2.2.2. relevant to the activity report, of the Corporate Governance Communiqué number II-17.1 published on 03/01/2014 by CMB.

## **SECTION IV – Stakeholders**

### **4.1 Informing Stakeholders**

ICBC Turkey stakeholders are informed regularly on subjects found necessary, special situation explanations made to KAP, newspaper ads, activity reports, news in the internet site, explanations and in-Bank announcements. In our Internet site suggestions transmitted to our Bank under the title, "How Can We Help You" and information requested are replied within the framework of legal provisions by directing to the relevant departments.

There are mechanisms established in the body of the Bank for stakeholders to transmit their requests and complaints related to the Bank's operations and transactions to the Bank's management. Our consumers can transmit their requests, complaints, suggestions related to the management through the Bank's website "Write to Us", "How can we help you?", and the Consumer Satisfaction Forms in our branches, or our call center number "444 00 50". The Organization and Process Management Unit provides service in the Bank for ensuring customer satisfaction according to consumer relations coordination duties. All kind of requests and complaints related to the Bank's products and services are solved by this Unit.

The employees are informed on products, services and events and about developments relevant to the Bank, when necessary, through internal communication channels (electronic announcement, website, etc.). Besides, meetings where managers and workers join for evaluating the targets and the strategies of the Bank are organized in specific periods.

The ICBC Turkey Bank A.Ş. Conflicts of Interest Policy is adopted by the Board of Directors with a resolution dated 23/11/2015, numbered 1343/01 for prevention of conflicts of interest or being a guideline to manage unavoidable conflicts of interest in the body of the Bank. This policy includes all the employees both in the Headquarter and branches.

Our Bank is subject to Banking Regulation and Supervision Agency (BRSA), Financial Crimes Investigation Board (MASAK) and Capital Markets Board (CMB) regulations. All transactions of our Bank are audited by Sworn Auditors of the Bank in the body of BRSA.

Reports requested by BRSA and CMB are prepared monthly and the reports requested by MASAK are prepared annually.

## **4.2 Participation of the Stakeholders to Management**

Mechanisms are established for Stakeholders to share their complaints and suggestions on the Bank's activities and transactions with the Bank Management. Our customers have the opportunity to transmit their requests and complaints and their opinions and suggestions about the management any time from "Write to Us" section in our internet site or from call center phone number 444 00 50. A "Suggestion System" platform is established in in-Bank intranet environment for all our employees. By suggestion system, our employees in any level may share all their opinions and suggestions freely and make contribution to the Corporate Governance.

## **4.3 Human Resources Policy**

Our Bank's Human Resources Policy is being published in our internet site under the title "Policies" and in the Corporate Governance Principles Compliance Report. This policy is put into effect by the decision of the Board of Directors.

Job descriptions of the Bank Personnel, their authorities and responsibilities are determined on the basis of title and position. General Human Resources policies applied for the Bank to fulfill its functions in the best way, is based on the principles summarized below and are published in intranet environment and in our internet site where all our employees may access easily.

Our Human Resources Policy increases the efficiencies and satisfaction of the employees within the direction of our Bank's target and strategies by using Human Resources tools as salary, performance evaluation, career planning, training, etc. With this sense, we plan to create a working environment which reveals energies and creativities of our employees and which is proper for displaying their skills.

We believe that we shall achieve our goal by a personnel structure who care their future, aware that their careers shall be formed by disciplined and intensive training processes in a respectful bank and who appreciate human relations. The Bank has adopted the principle of having employees with high motivation, loyal to their organization by an effective and human oriented Human Resources practices. We know that position of our Bank in the sector and our corporate identification are established by the contribution of our employees and believe the importance of everyone working with the sense of being the "Leader of His Work". Training the employees stepping in the Bank shall take in every title and the criteria required for promotion are determined. All our employees have the information about their career path. By open performance evaluation, the Bank employees are informed by feedback method about their career developments.

Our personnel profile including number of personnel, women/men ratio, average age, average seniority and educational information of the personnel are updated by the Human Resources Department every month ends and published in our web site and intranet environment.

There are not only vertical but also horizontal career ways as duty change for our employees. "Open Performance Evaluation" is applied once a year. During this process, our employees are evaluated according to their personal improvements, competencies and targets and the results are shared with them. Due to our Human Resources Policy, no discrimination is made for any reason among our employees, and they're treated equally.

Gross salary policy is being applied at our Bank and the salaries are paid at the end of the month. Salary rise is made once a year in April, depending on performance and inflation. All our employees are insured for private health and life insurances, meal tickets are given to our branch personnel from a contracted company, our personnel in the General Management benefit from the dining hall in our general management building, we have transportation service at the General management, clothing support is made twice a year for Security Personnel and Support Services Personnel. Awards are given

to our personnel on their birthdays and according to their seniority, when they complete 5, 10, 15, 20,25 and 30 years of office.

### **Recruitment Process**

Criteria for personnel recruitment are determined in written. For positions needed within the direction of annual manpower planning, experienced and inexperienced recruitments are carried out. As a result of evaluating the applications made through a contracted career site, proposal is made to the candidates passing the test , interview stages and reference control. Experienced personnel recruitments are performed as a result of interviews of the candidates specialized in their field according to the qualifications of the duty with relevant managers and HR. We do not have a test stage for our experienced personnel recruitments. In inexperienced personnel recruitments, English, general skills and personality tests are applied according to the qualifications of the duty, along with the interview process.

### **MT Program**

For training the managers of the future within the body of the bank, MT tests we open is specific periods within the direction of our Bank strategies and sector conditions show differences in terms of recruitment process. Among the candidates, who applies to the job posting by the Bank published on the contracted recruitment websites, who are graduate of Economics, Business Administration, Law, Finance, Labor Economics, International Affairs, Public Administration, Econometrics, Banking and Finance, English/American language and literature, Management Engineering or Industrial Engineering Departments of the 4-year undergraduate schools of the universities, which provide education in foreign languages, meet the specified age criteria, have good command of English, have completed or postponed his military service for at least 2 years, if a male, are articulate and have strong communication skills and have the ability to think analytically, the candidates who are successful in the exams and passed the collective and individual interviews successfully are assigned to the departments, primarily Credit Marketing in Branches, Board of Auditors, International relations Group, Credits, Treasury and Human Resources, where there is a need.

### **Training Activities**

Innovation and development are essential factors of contemporary banking. Our Bank accepts these factors as the basis and integrated them with the learning organization concept. In this regard, training is among the primary subjects at our Bank aiming to develop its employees and all environment it's rendering service to in the continuously changing system. Training vision of ICBC Turkey Bank is based on long term career planning perspective.

The employees shall attend training programs according to their qualifications and skills from the date they start working at the Bank, and targets are determined and put into practice. Our young employees joining the body of ICBC Bank are taken to inauguration, orientation and long term development training and then, they continue in the tracks related to their duties. Other employees working at our Bank complete their administrative and expert programs by the training they attend at home and abroad in line with the determined career planning. Our training programs include Career Training Programs, Personal Training Programs, Manager Development Training Programs, MT and Basic Banking Training Programs. Our training programs also involves training within the scope of legal obligation. Related training are given by the trainers working at exclusive, special training companies and by in-Bank trainers.

## **4.4 Code of Ethics and Social Responsibility**

### **Ethical Code**

Within our sense of Corporate Governance, "Banking Code of Ethics" published by Banks Association of Turkey is accepted and applied by our Bank. Ethical Principles which includes the purpose of arranging behaviors and attitudes of our Bank employees at every level and their relations with persons and organizations within and out of the Bank and which the Bank employees have to follow are explained under the 5<sup>th</sup> article titled "Principles" of the Personnel Regulations and are approved and put into effect by the Board of Directors with the decision dated December 9, 2002. These rules are announced to public within the framework of the Bank's Information Policy through internet site. All our personnel are informed on ethical principles and requested to apply these

principles in their works and they've put their signatures under. By the proposal of the Corporate Governance Committee of our Bank, the "Banking Code of Ethics" published by the Banks Association of Turkey is updated and published on our internet site.

### **Social Responsibility**

Our Bank pays great attention on supporting social and cultural events in the light of protecting social benefits and principles of respect to environment along with the reputation, benefits and profitability of the bank in all practices and investments, looks after the matters of developing banking sector and maintaining trust in sector, and contributes in health development of society by following arrangements on consumer and public health. Within the scope of social responsibility; the bank fights against all crimes as extortion, bribery, all kinds of corruption, money laundering and terrorism financing.

## **SECTION V – The Board of Directors**

### **5.1. Structure and Formation of the Board of Directors**

The Bank is managed and represented by the Board of Directors. The Members of the Board of Directors and their number are determined at the General Meeting. According to the Articles of Association of the Bank, the Board of Directors is constituted of 6 members including the general manager. Term of office of the members elected for the Board of Directors is maximum three years.

Resumes, duties they perform out of the Bank and independency declarations of the Members of the Board of Directors selected at the extraordinary general meeting of our Bank on 22/05/2015 to take office until the ordinary general meeting to be held to examine 2017 accounts, and listed below, take place in the second section of the activity report and the Bank's internet site.

#### **Members of the Board of Directors (\*);**

<b>Name Family Name</b>	<b>Position</b>
Xu Keen	Chairman of the Board of Directors
Gao Xiangyang	Member of the Board of Directors and the General Manager
Wang Qiang(*)	Member of the Board of Directors
Zheng Jianfeng	Member of the Board of Directors
Wang Ying	Independent Member of the Board of Directors
Mehmet Hilmi Güler	Independent Member of the Board of Directors

*(\*)Upon the resignation of the Board of Directors and Credit Committee Member Mr. Wang Qiang, our Board of Directors has decided to appoint Mr. LIU PEIGUO, who was the Coordinator of the General Secretariat Group, as the Board and Credit Committee Member as of 02/01/2017 with the Board resolution dated 30/12/2016, and this appointment has been approved by the general assembly on 09/02/2017.*

In the Board of Directors according to the 23<sup>rd</sup> article of the Banking Law, the members except Gao Xiangyang, the General Manager who is the natural member of the Board of Directors, are those who are not involved in the administrative structure, do not take part in the daily business flow or the ordinary activities of the bank and do not have operational duties.

Duties of the Chairman of the Board of Directors and the General Manager are not performed by the same person. Attention is paid for the Members of the Board of Directors to allocate the required time for the Bank operations, and due to the business experiences and sectoral experiences of the Members of the Board of Directors having significant contribution to the Board of Directors, they are not restricted in taking part in duties other than the Bank.

According to the Corporate Governance Communiqué number Series II-17.1 of CMB and the 35<sup>th</sup> article of the Articles of Association of the Bank, in relation with the sale of 75.50% shares GSD Holding A.Ş., the former major partner of the Bank, owns at our Bank to Industrial and Commercial Bank of China Limited, and as it is decided to hold a general meeting as of the date of closing of the share sale-purchasing transaction carried out within the framework of share sale-purchasing agreement signed between these two companies, nominees of the independent members of the Board of Directors

(Mehmet Hilmi Güler and Wang Ying) have been evaluated by GSD Holding A.Ş. within the framework of independency criteria stated in the Corporate Governance Principles of CMB with the offer dated 21/01/2015 submitted to the Corporate Governance Committee, to discuss within the scope of the agenda item on the election of the members of the board of directors at the subject general meeting which the closing date and consequently the meeting date are not specified, and resume information of the nominees of the independent members are submitted along with the independency declarations to the Board of Directors. With the decision of the Board of Directors dated 23/01/2015 and with number 1303/07, it is decided to send the independent member nominee list (Nominees for the Independent Members of the Board of Directors Mr. Mehmet Hilmi Güler and Mrs. Wang Ying) along with the Corporate Governance Committee Report dated 23/01/2015 to CMB, to submit for their evaluation. The abovementioned extraordinary general meeting is held as of 22/05/2015, the closing date of share sale-purchase transaction; Mehmet Hilmi Güler and Wang Ying are selected as the independent members of the board of directors at our Bank as of the date of this general meeting.

As Xu Keen assigned for the Audit Committee Membership within the structuring of the Board of Directors of the Bank is considered directly the Independent Member of the Board of Directors according to the 3<sup>rd</sup> item of the 6<sup>th</sup> Article of the Corporate Governance Communiqué number II-17.1, the abovementioned process is not applied in the election of this member according to the exception clause of the Communiqué. No evidence has occurred within the activity period of 2016 for resolving independency for the Independent Board Members. No target rate or target time is specified for the female member rate in the Board of Directors and there is 1 female member in the Board of Directors of our Bank constituted of 6 persons including the General Manager.

## **5.2 Activity Principles of the Board of Directors**

The Board of Directors meet any time the Bank business requires. The Board of Directors is invited to the meeting by the Chairman or the Deputy Chairman if he is absent. Each of the members has the right to request invitation of the Board of Directors and include to the agenda the matters they wish to discuss. The meetings are held within the framework of the agenda distributed to the members by the Chairman beforehand.

For the transfer of management; the Board of Directors of the Bank is authorized to transfer the management completely or partially to one or more Members of the Board of Directors or to third parties by an internal directive it shall prepare according to the 367<sup>th</sup> article of the Turkish Commercial Code.

The Board of Directors is constituted of 6 members including the General Manager. The Board of Directors may meet with the majority of the full number of the members. Decisions of the Board of Directors may be taken as a result of the physically attended meeting with the majority of the members present at the meeting as well as by the written approval of the other members upon written proposal of one of the members according to the 4<sup>th</sup> subclause of the 390<sup>th</sup> article of the Turkish Commercial Code number 6102. In 2016, all decisions are taken unanimously by the Board of Directors and there hasn't been any decision declaring an opposing view.

Number of meetings of the Members of the Board of Directors, their attendance status to the meetings are included in the "Management and Corporate Governance Practices" section of the activity report.

Informing and communication activities on the Members of the Board of Directors of the Bank are performed by the Shareholder Relations and Board Secretariat Unit. Minutes of the Board of Directors Meetings and relevant documents are regularly archived by the Shareholder Relations and Board Secretariat Unit. The Members of the Board of Directors attend the Board of Directors meetings except for their excuses. Voting rights of the Members of the Board of Directors are equal and weighted vote or veto right is not granted to any of the members. There is manager liabilities insurance for the Members of the Board of Directors of the Bank. Duration of the policy is between 31/08/2016–31/08/2017.

### **5.3 Number, Structure and Independency of the Committees Constituted within the Body of the Board of Directors**

Within the framework of the Banking Law number 5411 and regulations stipulated by the relevant legislation, there is an administrative and organizational structuring at our Bank. Assignment in the Committees are made by considering knowledge and experiences of the members of the board of directors and according to the related legislation and one Member of the Board of Directors may be assigned in more than one committee.

Within the body of the Board of Directors; the Audit Committee, Credit Committee, Corporate Governance Committee (the Nominating Committee at the same time) and Remuneration Committee perform their duties. The chairmen of the Committees are constituted of independent members. As there is no member having execution duty except the General Manager in the Board of Directors, the members of the committees are constituted of members not having execution duty. The Committees submit information on their studies and meeting results to the Board of Directors whenever necessary.

Detailed information on committees constituted within the framework of the Banking legislation and other related legislation are published in “Management and Corporate Governance Practices” section of the activity report and on the Bank’s internet site.

### **5.4 Risk Management and Internal Control Mechanism**

According to the 29<sup>th</sup> article of the Banking Law number 5411, the banks are obliged to establish and apply a sufficient and effective internal control, risk management and internal audit system including all branches and partnerships subject to consolidation which comply with scope and structure of the activities on monitoring risks they are exposed to and providing their control, and in compatible with the changing conditions. According to this provision, the Presidency of the Board of Auditors, Internal Control Center and Presidency of Harmonization within the scope of the Internal Control Systems at our Bank and the Risk Management Department fulfill their duties within the organization structure of the Bank and depending on the Audit Committee. These departments meet quarterly by the Audit Committee as determined in the legislation and report to the Board of Directors.

Explanations relevant to the general evaluations on operations of the Departments within the scope of Internal Systems within 2016 are included in the third section of the activity report.

### **5.5 Strategic Targets of the Company**

The Board of Directors have determined the vision, mission and strategic targets of the Bank and announced to the public through internet site and the activity report. Strategic targets are reviewed every year by the Board of Directors. As stated in the first section of the activity report, the bank’s strategic targets and the budget are approved by the Board of Directors. The Bank performance is reported to the Board of Directors in detail within the framework of the annual targets determined in line with the general strategic targets and the development of the budget, the specified performance criteria, quarterly, in comparison with the targets.

### **5.6 Financial Rights**

According to the 48<sup>th</sup> article of the Articles of Association of the Bank, salaries to be paid to the members of the Board of Directors are determined and set by the general meeting. Salaries of the members of the Board of Directors are announced to the public through the general meeting minutes published at KAP and internet site of the Bank.

The Bank’s current Remuneration Policy is submitted for the shareholders’ information with a separate agenda item at the ordinary general meeting held on 31/03/2016 and published on KAP and the website of the Bank.

On the other hand, loans to be used by our Bank to the members of the board of directors are restricted within a specific framework in the 50<sup>th</sup> article of the Banking Law number 5411. The members of the board of directors are not used any loan out of this framework.

According to the principle number 4.6.5 of the “Corporate Governance Principles” set forth in the Corporate Governance Communiqué annex number II-17.1 published in the Official Gazette dated 03/01/2014 with number 28871 and put into effect by CMB, salaries given and fringe benefits provided for the members of the Board of Directors and the executives should be announced to public through the activity report. However, the declaration shall be made as the total of the financial rights provided for the members of the board of directors and the assistant general managers, not on person basis. Allowances paid to the members of the board of directors and the Assistant General Managers, health/life insurance expenses, travel, accommodations and representing expenses and other various expenses are summarized below.

<b>Thousand TL</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
Allowances and insurances	7,960	10,660
Other Expenses	2,277	1,892
Total Expenses	10,237	12,552

## SECTION III - UNCONSOLIDATED FINANCIAL INFORMATION AND THE ASSESSMENTS RELATED TO THE RISK MANAGEMENT

### Assessment of the Internal Control, Internal Audit and the Risk Management Systems by the Audit Committee

Developments in recent years showed once again how an important function is risk management in banking. Risk management, which have always been the main function of banking and implemented most effectively at all times, have started to be implemented more differently and delicately in the recent years compared to the previous years due to more technical applications being implemented, risk sensitivity being further considered and the special attention paid to the matter by the local authorities and the support of the legislation.

The framework of the Risk Management has been determined by our Bank's Board of Directors and Risk Management Department and risk committees consisting of the senior executives of the business lines have been assigned to deal with this issue. Together with the owners of the processes, Risk Management Department is responsible for establishing the risk policies and principles, computing, analyzing, monitoring and reporting the risks.

Board of Auditors of our Bank has been operating pursuant to the Banking Law numbered 5411 and the Regulation Related to the Internal Systems of the Banks issued pursuant to the Banking Law. The purpose of the Committee is to ensure our Bank's senior management that the banking operations are being conducted in compliance with the laws and the related legislation and the internal strategies, policies, principles and targets of our Bank and the efficiency and sufficiency of our Bank's internal control and risk management systems. Committee continues its duties independently and objectively directly under the Board of Directors .

In our Bank, an Internal Control Center and Compliance Department directly operating under the Board of Directors has been formed in order to design the internal control activities and collaboration. Within the scope of the internal control activities included are the controlling of the operational transactions for the conducting of the activities, communication channels, information technologies and financial reporting and the compliance controls. Regulations as to the requisite of obtaining approvals from the Internal Control Center and Compliance Department for the new products and transactions and the activities planned to be conducted prior to submitting them to the Board of Directors have been implemented. Within the scope of the prevention of laundering of crime revenues and financing terrorism legislation, a Compliance Program has been initiated in our Bank and the risk management, monitoring and controlling and training activities within the scope of the aforementioned legislation are conducted by the Internal Control Center and Compliance Department. Our Bank recognizes the importance of the risk management, internal control and inspection functions that are the subject matter of the internal systems and closely monitors the developments in this matter and benefits from the outputs thereof. Within this context, assessments and decisions taken at the quarterly Audit Committee meetings conducted with the presence of the department heads of the Internal Controls have been submitted to the Board of Directors for their attention and approval.

In the period ahead, as has been so far, our Bank shall continue its decisiveness with regard to the risk oriented approach and closely monitor the internal systems and the implementation results as well as the proposals by the independent auditors and necessary remediation shall be put in place and addressed at the Audit Committee meetings.

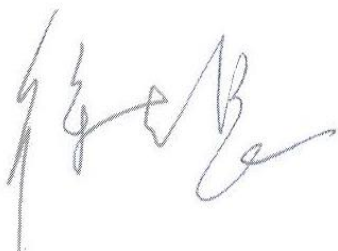
Best regards,

Xu Keen

President of the Audit Committee

Wang Ying

Member of the Audit Committee





## **Information Regarding the 2016 Activities of the Internal Control, Internal Audit and the Risk Management Systems**

### **Board of Auditors**

Board of Auditors of the Bank has been operating pursuant to the Banking Law numbered 5411 and the Regulation Related to the Internal Systems and Assessment of the Internal Capital Adequacy Processes of the Banks issued pursuant to the Banking Law. The purpose of the Committee is to ensure the Bank's senior management that the banking operations are being conducted in compliance with the laws and the related legislation and the internal strategies, policies, principles and targets of the Bank and the efficiency and sufficiency of the Bank's internal control and risk management systems. Committee continues its duties independently and objectively directly under the Board of Directors through the Audit Committee.

As of December 31<sup>st</sup> 2016, Board of Auditors consisted of 13 people, 1 Chairman, 4 Inspectors, 7 Assistant Inspectors and 1 Platform Assistant.

Branches, Headquarters Units, representative office abroad and the Bank's Affiliate and the processes and activities implemented and conducted therein are included in the annual inspection plan based on periodicity and risk management. Board of Auditors presents its opinions and recommendations as to the deficiencies and mistakes identified as a result of such inspections, usage of the Bank's resources more effectively and efficiently and limitation of the risks. As a result of the risk assessments, activities of the Board of Auditors has concentrated on the credit risks and operational risks.

Information technologies systems are inspected based on the adaptation of the methods set out in the "Controlling of the Information Technologies Targets (COBIT)", an international standard in this area. In order to enhance these types of inspections, one inspector and one assistant inspector within the Board of Auditors have been assigned to this task and inspection of the information technologies systems has been an on-going process.

Board of Auditors is authorized to investigate and identify whether the personnel working in the Headquarters' Units, branches and the affiliates of the Bank commit any acts that have been determined as crime and fault in the related legislation. In these investigations included are the determination of the degrees of such crime and recommendation of suitable penalties, identification and elimination remedy works of the losses and deficiencies incurred or threatened to incur.

Inspectors submit their reports containing the findings of their inspections to the Senior Management and the Audit Committee through the Board as practicable as possible.

In order for the inspectors to perform their duties with the professional care and attention, all kinds of measures have been taken and their vocational training and personal developments are paid attention to.

### **Internal Control Center and Compliance Department**

An internal control system has been established, in compliance with the BRSA regulations and covering all the activities of the branches, Headquarters and the Bank's affiliates included in the consolidation, in order to protect the Bank's assets, conduct the Bank's activities effectively and efficiently in compliance with the Banking Law and the related legislation, the Bank's internal policies and rules and the general practices of the banking sector, ensure that the accounting and financial reporting systems are secured, integrated and the information is obtained on a timely basis.

The Bank has already established and announced to all of its personnel its strategies and policies regarding the control activities and the measures necessary to maintain the internal control systems effectively within the Bank have been taken by the Board of Directors. In order to achieve the foreseen purpose from the internal control systems, functional segregation of duties have been identified, responsibilities have been allocated, accounting and financial reporting systems, information technologies and internal communication channels have been established to work effectively, business sustainability plan has been prepared, internal control activities have been determined and the work flow charts indicating the controls over the work processes and business steps have been prepared.

Within the scope of the internal control activities included are the controlling of the operational transactions for conducting of the activities, communication channels, information technologies and financial reporting and the compliance controls. Control of the uninterrupted compliance is conducted by the Internal Control Center and the Compliance Department. Regulations as to the requisite of obtaining the Internal Control Center and Compliance Department's opinion for the new products and transactions and the activities planned to be conducted prior to submitting them to the Board of Directors have been implemented. Internal control activities have been designed as an integral part of the Bank's daily operations. Written policies and the implementation procedures of the internal controls have been developed and all of the Bank's personnel have been and are being informed regarding the policies and implementation procedures related to internal control activities developed for their lines of activities.

In the Bank, an Internal Control Center directly operating under the Board of Directors was formed in 2001 in accordance with the regulations issued by the Banking Regulation and Supervision Agency (the BRSA) in order to design the internal control activities and collaboration and on March 10<sup>th</sup> 2008, with the integration of the compliance function, the name of such department was changed to Internal Control Center and Compliance Department. Legislation Unit has also been operating under the department since April 1<sup>st</sup> 2011. The department performs its responsibilities to the Board of Directors through the Audit Committee.

Internal control systems and activities and how they shall be implemented are designed by the Internal Control Center and Compliance department in coordination with the senior managers of the related units by taken the characteristics of all of the activities that the Bank conducts into account. Within the scope of the prevention of laundering of crime revenues and financing terrorism legislation, a Compliance Program has been initiated by the Bank and the risk management, monitoring and controlling and training activities within the scope of the aforementioned legislation are conducted by the Internal Control Center and Compliance department. Legislation Unit operating under the department keeps up with the changing legislation related to Banking and otherwise, notifies and announces the related units and branches as to the changes in the legislation, investigates and answers the legislation related problems encountered in practice.

As of December 31<sup>st</sup> 2016, Internal Control Center and Compliance department consisted of 18 people, 1 president, 1 vice president, 10 internal control and compliance managers, 2 internal control and compliance assistant manager , 3 internal control and compliance specialist and 1 internal assistant. Internal control and compliance personnel perform their duties in the branches where the operations are conducted, in the Headquarters and the affiliates included in the consolidation. There are four units operating under the Internal Control Center and Compliance department: Headquarters Control Unit, Branches Control Unit, Compliance Unit and Legislation Unit. Within the scope of the Branches Control Unit, regional structures have been set up, hence the Branches are being subjected to control works on the ground frequently within the scope of the control planning.

Internal Control Center and Compliance department conducts its compliance works as an integral part of its daily routine both at the Headquarters and information systems and the branches periodically, on the spot and on the ground and prepares reports based on the content of the works performed. In the reports prepared, great importance is attached to the development of the internal control system and recommendations to create an internal control culture throughout the Bank. In its activities, areas that may create high risks are concentrated on and preventive control points are created. During 2016 operating period, each internal control employee was given the responsibility of 9 branches in average and within this context, 5 internal control personnel were continuously conducting control activities in the branches; all of the branches were controlled on the ground 2.81 times in average during the year. Aside from these, among the personnel, who perform operational duties in certain departments and units at the Headquarters and in the branches, some were assigned as control responsible who performed controls within the scope of the pre-prepared control lists and in other matters necessary and reported their findings to the department.

## **Risk Management**

### **Information Related to the Risk Management Policies Implemented Based on the Risk Types**

Risk management activities are conducted by the Audit Committee directly operating under the Board of Directors, the Risk Management Department fulfilling its responsibilities through the Audit Committee and risk management committees consisting of the process owners. Risk management committees are Market Risk Committee, Credit Risk Committee, Operational Risk Committee and Business Sustainability Committee.

With a prudential perspective based on the sufficient and convenient assessment and evaluation methods and processes, in accordance with its risk appetite and in a way to cover all of the risks on a consolidated basis, the Bank has implemented the ICAAP management code of practices to be part of the internal management processes and the decision making culture.

Responsibility of ICAAP rests with the Risk Management Department and it is planned to be reviewed on an annual basis or as may be required more frequently.

Risk Management Department has conducted the ICAAP works within the framework of consolidated business plans of the Bank with the cooperation of the other departments based on the consolidated financial statements as of December 31<sup>st</sup> 2015. The ICAAP reports have been reviewed by the Board of Auditors and a review report has been prepared.

Credit Risk Policies reflecting the risk taking approach of the Bank determine the standards and the principles applicable throughout the Bank. These policies, which have been created in order to ensure an effective risk management by considering the quality of its assets and the balance of risk and return, also include the limits related to the credit risks that are determined based on the risk tolerance.

With regards to the credit risk management, different rating models are used for corporate and commercial banking, enterprise banking and retail banking segments.

System development containing early warning signals for customers' credit performances has been monitored. In this way necessary actions can be taken automatically.

ICBC Turkey conducts its operational risk management activities in accordance with Basel II and in compliance with the international regulations. Operational Risk Policies and Operational Risk Reduction Principles have been prepared accordingly and are currently in force and effect.

Business sustainability works are conducted by the Business Sustainability Committee in accordance with the Business Sustainability Strategy of the Bank.

In ICBC Turkey, market risk management activities include the risks that the Bank has been exposed to as a result of price, exchange rates and interest rates fluctuations and the determining, monitoring and reporting the impact of these risk on the liquidity. Market Risk Policies determine the market risk management framework.

With regards to the market risk management, the Bank uses the results it obtained by using the Basel II advanced measurement technics in determining the credit lines in order to limit the risks. Within this context, daily risk measurements and credit line controls and several scenario analyses are conducted and stress tests are implemented.

The results of the calculations and analyses conducted by the Risk Management Department are reported to the related business lines and senior management on a daily, weekly and monthly arrears.

## **Market Risk Management**

Market risk means the risk of losses that may be incurred in the value of the positions included in the trading accounts of the Bank as a result of the fluctuations in the interest rates, stock prices and exchange rates.

In the Bank, measurements such as Value at Risk (VAR), stress tests, scenario analyses and duration gap and sensitivity analyses are used in the market risk management.

The VAR, a measurement of the maximum potential losses in the market value of the trading portfolio held during a certain period of time, is calculated on a daily basis by using the Historical Simulation, Variance - Covariance and Monte Carlo Simulation methods within 99% confidence range and for one day. The VAR calculated based on internal models is used in market risk management of the trading transactions.

Risk limits correlated with the ratio of the VAR to the shareholders' equity are determined in order to manage the market risk effectively and in accordance with the risk tolerance of the Bank that the Bank is exposed to due to the positions it carries in its trading accounts. Compliance with the limits is monitored by the Market Risk Unit and VAR results are regularly reported.

Gains/Losses projected by using the risk measurement model are compared with the actual values, hence, the reliability of the model is monitored by implementing the test retrospectively.

Measurement of the durability of the share capital against the potential risks that may occur when the fluctuation is high in the markets is done through stress tests and scenario analyses.

In compliance with the existing legal regulations, legal share capital need for the market risk is calculated by using the standard model and reported to the BRSA.

Structural Interest Rate Risk means the interest risk that the Bank may be exposed to due to the maturity mismatch in the Bank's balance sheet. Duration/gap reports prepared based on the net present value calculated by using the market interest rates on the cash flow of an each transaction of all of the assets and liabilities in the balance sheet and off balance sheet sensitive to the interest rates are used in the measurement of such risks.

Impact of the changes in interest rates on the net economic value is calculated through scenario analyses. As the shock scenario, +5%/-4+ and +2%/-2% ranges are used for the assets and liabilities denominated in TL and in FX, respectively, and these shock scenarios are reported to the BRSA.

Impact of the exchange rate and interest rate changes on the net balance sheet value is regularly kept track with through various scenarios and the ratio of the change to the shareholders' equity is closely monitored.

Liquidity risk means the risk of nonfulfillment of the liabilities fully and timely due to the market conditions as well as the mismatch of the cash flows that may arise out of the Bank's balance sheet structure. Liquidity management is performed by the Treasury Department within the framework of strategies determined at the Assets and Liabilities Committee in accordance with the policies approved by the Board of Directors.

The Bank monitors its liquidity risk within the framework of the early warning signals and the actions that may be taken written in the Liquidity Management Principles. Various liquidity ratios are calculated within the framework of the Liquidity Management Principles and its development is monitored. Scenario analyses are also used in managing the liquidity risk.

## **Credit Risk Management**

Credit risk means the probability of losses that may occur as a result of partial or whole nonfulfillment of the responsibilities under the credit agreements by the customers who have withdrawn loans.

The Bank manages its credit risk on a portfolio basis by considering the balance of risk and return and the asset quality of the Bank. As a result of the legal share capital need to be allocated for the credit risk being very high due to the weight of the loans in the balance sheet, credit risk management policies are established in such a way as to minimize the foreseeable risks related to the loans and target to interfere, control and take action on a timely basis in order to ensure that the credit process works effectively.

The Bank has adopted concentration limits – degree, sector, product, collateral, size of the risk, currency, maturity –, all determined internally and approved by the Board of Directors in order to keep the structure and the quality of the loan portfolio at a specified level.

Monitoring of the credit policy limits and the assessments related to the rating models used are performed by the Risk Management Department. Scenario analyses are also used in managing the credit risk and due precautions are taken for credit quality in compliance with the risk appetite.

## Operational Risk Management

The priority of the Bank in terms of the works performed within the scope of the operational risk management is the compliance with Basel II in every stage. Additionally, an importance is attached to the works to make the operational risk awareness as part of the corporate culture as well.

Operational risks are classified and monitored in groups as recommended by Basel II. Data of losses is accumulated by establishing an operational risk loss database.

Operational risks are identified through risk control and self-evaluation works which ensure taking actions for material risks.

## Business Sustainability Management

With regards to the business sustainability, the Bank has prepared a Business Sustainability and Emergency Plan and Instructions for Manual Activities to be Conducted During an Emergency in order to minimize the losses in case the banking activities cannot be conducted during any internal and external emergency situations and in the unexpected circumstances. In 2016, related documentation have been updated based on the results of the consolidated business – impact analysis. An Emergency Center has been established and Instructions for Manual Activities to be Conducted During an Emergency tests as well as the emergency evacuations drills have been conducted in all of the branches and in the Headquarters.

## Explanations Regarding the Financial Position, Profitability and the Ability to Make Payments of the Bank

### Financial Position

In 2016, the Bank's asset size in the amount of 8.2 billion TL has increased by 23% at the end of the year compared to that of 2015. As of December 2016, the Bank's loans have increased by 23% and constituted 62% of the total assets. The non-performing loans ratio, which was 4.2% at the end of 2015, was realized at 2.2%.

Deposits have increases by 30% compared to that of the previous year and realized at 2.9 billion TL. The deposits to total liabilities and shareholders' equity ratio was realized at 41%. The Bank's total shareholder equity was 595 million TL as of 2016 year-end. Solo capital adequacy ratio was realized at 19.8%.

<i>Million TL</i>	2015	%	2016	%	Amount of the Change	Change%
<b>Assets</b>	<b>6,652</b>	<b>100</b>	<b>8,220</b>	<b>100</b>	<b>1,568</b>	<b>2357%</b>
<b>Current Assets</b>	<b>1,323</b>	<b>19.9</b>	<b>1,311</b>	<b>15.9</b>	<b>-12</b>	<b>-0.9</b>
Cash and Cash Equivalents & Central Bank	946	14.2	1,159	14.1	213	22.5
Banks and Other Financial Institutions	377	5.7	152	1.8	-225	-59.7
<b>Placements</b>	<b>5,203</b>	<b>78.2</b>	<b>6,795</b>	<b>82.7</b>	<b>1,592</b>	<b>30.6</b>
<b>Financial Placements</b>	<b>1,084</b>	<b>16.3</b>	<b>1,724</b>	<b>21.0</b>	<b>640</b>	<b>59.0</b>
Marketable Securities in the Tradebook (*)	0	0.0	2	0.0	2	0.0
Securities Available for Sale	1,084	16.3	1,537	18.7	453	41.8
Securities held to maturity	0	0.0	185	2.2	185	0.0
<b>Commercial Placements</b>	<b>4,119</b>	<b>61.9</b>	<b>5,071</b>	<b>61.7</b>	<b>952</b>	<b>23.1</b>
Loans in TL	2,000	30.1	2,053	25.0	53	2.7
Loans in FX	2,074	31.2	2,982	36.3	908	43.8
Non-Performing Loans	180	2.7	115	1.4	-65	-36.1
Provisions	135	2.0	79	1.0	-56	-41.5

<b>Fixed Assets</b>	<b>53</b>	<b>0.8</b>	<b>57</b>	<b>0.7</b>	<b>4</b>	<b>7.5</b>
Subsidiaries and Affiliates	25	0.4	25	0.3	0	0.0
Tangible Assets	27	0.4	29	0.4	2	7.4
Intangible Assets	1	0.0	3	0.0	2	200.0
<b>Other Assets</b>	<b>73</b>	<b>1.1</b>	<b>57</b>	<b>0.7</b>	<b>-16</b>	<b>-21.9</b>
<b>Liabilities</b>	<b>6,654</b>	<b>100</b>	<b>8,218</b>	<b>100</b>	<b>1,564</b>	<b>2350%</b>
<b>Deposits (**)</b>	<b>2,257</b>	<b>33.9</b>	<b>2,929</b>	<b>35.6</b>	<b>672</b>	<b>29.8</b>
<b>Deposits in TL</b>	<b>1,049</b>	<b>15.8</b>	<b>1,686</b>	<b>20.5</b>	<b>637</b>	<b>60.7</b>
Demand Deposits	66	1.0	82	1.0	16	24.2
Time Deposits	983	14.8	1,604	19.5	621	63.2
<b>Deposits in FX</b>	<b>1,208</b>	<b>18.2</b>	<b>1,243</b>	<b>15.1</b>	<b>35</b>	<b>2.9</b>
Demand Deposits	390	5.9	145	1.8	-245	-62.8
Time Deposits	818	12.3	1,098	13.4	280	34.2
<b>Money Markets</b>	<b>518</b>	<b>7.8</b>	<b>789</b>	<b>9.6</b>	<b>271</b>	<b>52.3</b>
<b>Loans Withdrawn</b>	<b>3,155</b>	<b>47.4</b>	<b>3,772</b>	<b>45.9</b>	<b>617</b>	<b>19.6</b>
<b>Provisions</b>	<b>54</b>	<b>0.8</b>	<b>69</b>	<b>0.8</b>	<b>15</b>	<b>27.8</b>
<b>Other</b>	<b>80</b>	<b>1.2</b>	<b>64</b>	<b>0.8</b>	<b>-16</b>	<b>-20.0</b>
<b>Shareholders' Equity</b>	<b>590</b>	<b>8.9</b>	<b>595</b>	<b>7.2</b>	<b>5</b>	<b>0.8</b>
Paid in Capital	420	6.3	420	5.1	0	0.0
Reserves	187	2.8	161	2.0	-26	-13.9
Profit / Loss	-17	-0.3	14	0.2	31	-182.4

(\*) Derivative financial assets are included. (\*\*) Deposits in the Banks are excluded.

## Profitability

The Bank's net profit increased compared to that of the previous year and the Bank realized 13.7 million TL in profit. Return on Assets ratio and Return on Equity ratio of the Bank were realized at -0.2% (2015: -0.3%) and 2.3% (2015: -2.8%), respectively.

Operating income of ICBC Turkey in 2016 is 243 million TL. The Bank realized a profit after the provisions for taxes and loans were deducted. However, the Bank has gradually increased its profitability starting as of June 2016 and generated 13.4 million TL profit in the last six months. This profitability arose from the Bank's commission income as well as the increase of the assets in size. Primarily, the Bank's commission income and other income have increased by 79% compared to that of 2015 year-end.

<b>Income Statement</b>	<b>2015</b>	<b>2016</b>	<b>Change</b>	<b>Change %</b>
Interest Income	343.7	459.3	115.6	33.6
Interest Income	171.7	246.6	75.0	43.7
<b>Net Interest Income</b>	<b>172.0</b>	<b>212.6</b>	<b>40.6</b>	<b>23.6</b>
Net Fees and Commission Income	11.0	19.6	8.6	78.6
Net Accounting Profit / Loss	-35.5	-21.6	13.9	-39.1
Other Operating Income	33.3	32.7	-0.7	-2.0
<b>Total Operating Income</b>	<b>180.9</b>	<b>243.3</b>	<b>62.5</b>	<b>34.5</b>
Other Operating Expenses	152.3	178.8	26.4	17.3
<b>Operating Profit / Loss</b>	<b>28.5</b>	<b>64.6</b>	<b>36.0</b>	<b>126.4</b>
Provisions for Loans and Other Receivables	46.7	43.8	-2.9	-6.2
<b>Profit/Loss Before Tax</b>	<b>-18.2</b>	<b>20.8</b>	<b>38.9</b>	<b>-214.5</b>
Provision for Taxes	-1.1	7.1	8.2	-720.5
<b>Net Profit/Loss for the Period</b>	<b>-17.0</b>	<b>13.7</b>	<b>30.7</b>	<b>-180.5</b>

## Credit Rating of the bank and the Related Explanations

Fitch Ratings, one of the international rating institutions, asserted ICBC Turkey's outlook as "Stable" on August 3<sup>rd</sup> 2016.

<b>Fitch Ratings, One of the International Rating Institutions</b>	
Long term credit rating denominated in foreign currency and in TL	BBB
National long term credit rating	AAA(tur)
Short term credit rating denominated in foreign currency and in TL	F2
Support rating	2
Outlook	Stable

## Financial Information Summary for the Last 5 Years Including the Report Period

<b>Thousand TL</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Total Assets	3,676,903	3,849,367	3,656,110	6,654,517	8,217,724
Total Deposits (*)	2,661,856	2,525,572	2,343,986	2,256,775	2,929,000
Total Loans	2,660,402	2,819,681	2,798,723	4,120,400	5,071,404
Shareholders' Equity	572,587	600,494	616,132	589,665	594,507
Net Profit	26,824	43,813	12,516	-17,016	13,700

(\*) Excluding the Deposits in the Banks.

## Contact information of the Branches and the Representative Offices

### Branches

Branch	Branch Code	Address	Telephone	Facsimile
Adana Branch	26	Cemalpaşa Mah. Atatürk Caddesi Ceyhan Apt No:72/A 01120 Seyhan/Adana	(322) 459 5870	(322) 459 5875
Ankara Necatibey Branch	40	Korkutreis Mahallesi Necatibey Caddesi No 40 / A 06430 Çankaya/Ankara	(312) 232 1760	(312) 232 1767
Ankara Ostim Branch	58	Ostim OSB Mahallesi Uzay Çağı Caddesi No: 82 / A-2 06374 Yenimahalle/Ankara	(312) 386 0450	(312) 386 0458
Ankara Branch	2	Aziziye Mahallesi Cinnah Caddesi No: 100/A 06550 Çankaya/Ankara	(312) 440 6980	(312) 440 6217
Antakya Branch	55	Yavuz Sultan Selim Cad. Haraparası Mah. H.Çuhadaroğlu İş Merkezi No:11/D Antakya	(326) 225 3740	(326) 225 3748
Antalya Branch	46	Şirinyalı Mahallesi İsmet Gökşen Caddesi Hüseyin Akçor 2 Apt. No:40 A/B/C 07160 Muratpaşa/Antalya	(242) 316 4230	(242) 316 4322
Avcılar Branch	23	Merkez Mahallesi E-5 Yanyol (Londra Asfaltı) No:159 A 34310 Avcılar/İstanbul	(212) 593 4270	(212) 593 4269
Aydın Branch	42	Zafer Mahallesi Doğu Gazi Bulvarı No:55/C 09100 Efeler/Aydın	(256) 215 2771	(256) 214 2984
Bakırköy Branch	18	İstanbul Cad. 36/A No: 1 34142 Bakırköy/İstanbul	(212) 660 0160	(212) 543 3965
Balıkesir Branch	41	Eski Kuyumcular Mah. Bankalar Sok. No: 5 Balıkesir	(266) 249 3761	(266) 249 3768
Bayrampaşa Branch	14	Yenidoğan Mah. Abdi İpekçi Cad. No:26 34160 Bayrampaşa/İstanbul	(212) 501 6700	(212) 544 2292
Beşiktaş Branch	59	Cihannuma Mahallesi Barbaros Bulvarı No:85/A D:1-2 34353 Beşiktaş/İstanbul	(212) 236 7307	(212) 236 7757
Bodrum Branch	53	Kıbrıs Şehitleri Cad. Yeniköy Mah. No:102/A,B,1 Bodrum/Muğla	(252) 313 5850	(252) 313 5643
Bursa Branch	12	Ahmetpaşa Mahallesi Fevzi Çakmak Caddesi No:69/B 16050 Osmangazi/Bursa	(224) 250 4100	(224) 253 1898
Dalyan Branch	38	Fenerbahçe Mahallesi Dr. Faruk Ayanoğlu Caddesi Çağdaş Apt No :15/B 34726 Kadıköy/İstanbul	(216) 411 1490	(216) 411 1489
Denizli Branch	22	Saraylar Mahallesi Gazi Mustafa Kemal Bulvarı No:50A Denizli	(258) 242 1204	(258) 242 1193



<b>E-5 Küçükalyalı Branch</b>	20	Aydınevler Mahallesi, Kaptan Rıfat Sokak No: 3, 34854 Küçükalyalı-Maltepe/İstanbul	(216) 518 0090	(216) 518 0100
<b>Eskişehir Branch</b>	27	Sakarya Cad. No: 22/A 26100 Eskişehir	(222) 221 6721	(222) 220 4300
<b>Etiler Branch</b>	9	Nispetiye Cad. Yeni Çarşı Durağı No: 61 34337 Etiler Beşiktaş/İstanbul	(212) 257 7604	(212) 287 6389
<b>Güneşli Branch</b>	32	Evren Mahallesi Koçman Caddesi No:54/B 34212 Bağcılar/İstanbul	(212) 630 8052	(212) 630 8059
<b>İkitelli Branch</b>	47	İkitelli Organize Sanayi Bölgesi Mah. Bağcılar-Güngören Metro AVM, B Blok Sokak, Dış Kapı No: 1/B, İç Kapı No: 11 34490 Başakşehir/İstanbul	(212) 458 9898	(212) 458 9868
<b>İskenderun Branch</b>	54	Çay Mah. 5 Temmuz Cad. 5 Temmuz Apt. No:11/A İskenderun	(326) 614 0888	(326) 614 0861
<b>İstanbul Industrial and Commercial Free Zone Branch</b>	801	İstanbul Endüstri ve Ticaret Serbest Bölgesi Hakkı Matraş Cad. No:18 Tuzla 34957 İstanbul	(216) 394 2619	(216) 394 2620
<b>İzmir Bornova Branch</b>	36	Sakarya Cad. Manavkuyu Mah. No:72 Bayraklı/İzmir	(232) 342 8912	(232) 342 8915
<b>İzmir Bostanlı Branch</b>	34	Bostanlı Mahallesi Cengiz Topel Caddesi No:36 B 35590 Karşıyaka/İzmir	(232) 330 9800	(232) 330 0099
<b>İzmir Branch</b>	3	Akdeniz Mahallesi Cumhuriyet Bulvarı No:116 35210 Konak/İzmir	(232) 489 4051	(232) 489 5293
<b>Kadıköy Branch</b>	8	Feneryolu Mahallesi Bağdat Caddesi No: 61 34724 Kadıköy/İstanbul	(216) 418 0113	(216) 349 4332
<b>Kayseri Branch</b>	29	Cumhuriyet Mahallesi Millet Caddesi No:33 D 38040 Melikgazi/Kayseri	(352) 221 1242	(352) 221 1265
<b>Konya Branch</b>	31	Büyük Sinan Mah. Ankara Cad. No: 124 42050 Karatay/Konya	(332) 238 5729	(332) 238 5720
<b>Kozyatağı Branch</b>	62	Sahrayıcedit Mh.Atatürk Cad. No: 32/1 Kadıköy/İstanbul	(216) 363 1725	(216) 411 3894
<b>Levent Branch</b>	33	Levent Mahallesi Levent Caddesi No:4 34330 Beşiktaş/İstanbul	(212) 284 0804	(212) 284 0760
<b>Maltepe Branch</b>	37	Bağlarbaşı Mahallesi Bağdat Caddesi .No 382 / B 34844 Maltepe/İstanbul	(216) 383 3560	(216) 371 4398
<b>Merkez Branch</b>	25	Maslak Mah. Dereboyu / 2 Caddesi No:13 34398 Sarıyer / İSTANBUL	(212) 335 5335	(212) 285 9200
<b>Mersin Branch</b>	56	Çankaya Mah. İsmet İnönü Bulvarı No:112/B Canatan İş Merkezi P.K. 33070 Mersin	(324) 237 8284	(324) 237 7655

<b>Merter Branch</b>	7	M.Nesih Özmen Mah. Merter Tekstil Merkezi Fatih Cad. No:31 Merter Güngören/İstanbul	(212) 637 4131	(212) 637 3171
<b>Moda Branch</b>	15	Moda Caddesi No:180A Caferağa Mahallesi 34710 Kadıköy/İstanbul	(216) 349 8185	(216) 348 2545
<b>Pangaltı Branch</b>	48	Halaskargazi Cad. Badur İşhanı No: 20A Pangaltı Şişli/İstanbul	(212) 343 9750	(212) 343 9756
<b>Samsun Branch</b>	52	Kale Mahallesi İstiklal Cad. No:21/19 İlkadım/Samsun	(362) 435 0242	(362) 435 5103
<b>Taksim Branch</b>	73	Abdülhakhamit Caddesi No: 25 Beyoğlu/İstanbul	(212) 250 6151	(212) 250 6120
<b>Tekstilkent Branch</b>	35	Oruç Reis Mahallesi Tekstilkent Caddesi No:10-T İş Hanı Blok No:11 34235 Esenler/İstanbul	(212) 438 0444	(212) 438 0880
<b>Teşvikiye Branch</b>	21	Hüsrev Gerede Cad. No:92/A 34365 Teşvikiye Şişli / İstanbul	(212) 259 1763	(212) 259 1389
<b>Trabzon Branch</b>	66	Kahramanmaraş Cad. No:31 Trabzon	(462) 326 5191	(462) 326 5197
<b>Uşak Branch</b>	43	İslice Mahallesi İsmetpaşa Caddesi No:43 / A 64100 Uşak	(276) 227 7490	(276) 227 7493
<b>Ümraniye Branch</b>	10	Atatürk Mahallesi Alemdağ Caddesi No:48 A 34764 Ümraniye/İstanbul	(216) 316 7072	(216) 344 0357

## Representation Offices

### Berlin Representation Office

Representation Office has been in operation at Bastian Strasse 3, 13357 Berlin (Tel: +49 30 466 01 609 and Facsimile: +49 30 466 01 619) since 1995.

\*Berlin Representation Office has ceased to operate since January 20<sup>th</sup>,2017.

## **Other Issues - Explanations Regarding the Events Occurred Subsequent to the Balance Sheet**

Detailed explanations of the matters occurred after the balance sheet date, Unconsolidated Financial Statements as of December 31<sup>st</sup> 2016 to be Disclosed to the Public and the Explanations and Footnotes Related Thereto are stated in the footnote VIII of the fifth section of the Independent Audit Report.

## **Independent Audit Report**

### **Unconsolidated Year-end Financial Report Prepared as of December 31st 2016**

Unconsolidated Financial Statements, the Explanations and Footnotes Related Thereto and the Independent Audit Report are published under the “Financial Information” heading in the “Investor Relations” section of the Bank’s website addressed [www.icbc.com.tr](http://www.icbc.com.tr).

## SECTION IV - CONSOLIDATED FINANCIAL INFORMATION

### Consolidated Financial Information Summary and the Financial Ratios for the Last 5 Years Including the Report Period

Thousand TL	2012	2013	2014	2015	2016
Total Assets	3,684,449	3,854,254	3,664,377	6,670,222	8,308,619
Total Deposits (*)	2,656,509	2,521,794	2,342,233	2,134,512	2,850,077
Total Loans	2,669,118	2,832,164	2,812,918	4,150,620	5,098,106
Shareholders' Equity	574,901	604,308	620,136	597,194	607,007
Net Profit	26,058	45,316	12,760	-13,542	18,749

Financial Figures (Million TL)	31/12/2015	31/12/2016	%
Total Assets	6,670	8,309	25%
Deposits (*)	2,135	2,850	34%
Loans	4,151	5,098	23%
Shareholders' Equity	597	607	2%
Profit	-13.5	18.7	-238%

(\*) Excluding Deposits in the Banks

Financial Ratios %	31/12/2015	31/12/2016	%
Return on Assets	-0.3	0.3	-197%
Return on Equity	-2.2	3.1	-238%
Capital Adequacy Ratio	12.9	19.5	52%
Loans/Total Assets	62.2	61.4	-1%
Deposits/Total Assets	32.0	34.3	7%
Non-Performing Loans Ratio	4.2	2.2	-47%

### Information Related to the Consolidated Subsidiaries

Corporate Name	Address (City / Country)	Parent Company Bank's Shareholding Percentage –If Different, Its Voting Ratio (%)	Shareholding Percentage of the Bank's Risk Group
ICBC Turkey Yatırım Menkul Değerler A.Ş.	Istanbul/Turkey	99.998	100

Information related to the affiliates in order of the aforementioned chronology (as of December 31<sup>st</sup> 2016):

Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Securities Income	Profit/Loss for the Period	Previous Years Profits/Losses	Fair Value
194,818	37,500	445	12,451	6,219	5,049	342	-

### Independent Audit Report

#### Consolidated Year-end Financial Report Prepared as of December 31<sup>st</sup> 2016

Consolidated Financial Statements, Explanations and Footnotes Related Thereto and the Independent Audit Report are published under the "Financial Information" heading in the "Investor Relations" section of the Bank's website addressed [www.icbc.com.tr](http://www.icbc.com.tr).

**BOARD OF DIRECTORS**

**KEEN XU(A)**  
 XIANGYANG GAO(A)  
 YING WANG(A)  
 JIANFENG ZHENG(A)  
 PEIGUO LIU(A)  
 MEHMET HILMI GÜLER(A)

Updated at:23.02.2017

**CEO**  
 XIANGYANG GAO

**SECRETARY GENERAL**

**SHAREHOLDER RELATIONS AND BOARD SECRETARIAT GROUP**  
 JUN YIN  
 Coordinator

**REMUNERATION COMMITTEE**  
 JIANFENG ZHENG  
 YING WANG

**CREDIT COMMITTEE**  
 KEEN XU  
 XIANGYANG GAO  
 PEIGUO LIU  
 JIANFENG ZHENG  
 YING WANG

**CORPORATE GOVERNANCE COMMITTEE**  
 MEHMET HILMI GÜLER  
 JIANFENG ZHENG  
 EDA ATAMER COŞKUNSU

**AUDIT COMMITTEE**  
 KEEN XU  
 YING WANG  
 Member

**BOARD OF AUDITORS**  
 Başak KAYA  
 Department Head / Manager

**INTERNAL CONTROL AND COMPLIANCE**  
 Gurdogan YURTSEVER (A)  
 Department Head / Manager

**RISK MANAGEMENT**  
 Berrin GENÇAL (A)  
 Department Head / Manager

