

ICBC Turkey Bank A.Ş.
Corporate Governance Principles Compliance Report of the Year of 2017

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 8, 2018 and with number 2018/01, 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 3rd item of the 6th 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 4th item of the 11th 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 either “Level 3 license of the Capital Markets Activities” or 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 Audit Committee 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 Management Liability Insurance for the members of the board of directors of our Bank with a lower value and the policy period is between 31/08/2017 – 31/08/2018.
- 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 sectorial 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 5th item of the 11th article of the Corporate Governance Communiqué number II-17.1 published by CMB are performed by the Shareholder Relations and Board Secretariat Unit under 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 11th 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 under 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,

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- 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.

Name-Surname of the Authorized Person	Title- Starting Date of employment	Telephone	E-mail Address	License
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 KADANALIOĞ LU	Assistant Manager- 05/08/2002	(0212) 335 5138	sukran.kadanalioglu@icbc.com.tr	None

Within the scope of the Investor Relations activities, approximately 25 written and 75 oral information requests are delivered to the Shareholder Relations and Board Secretariat Unit from the investors in 2017 and questions not including commercial secrets are replied by considering principle of equality. Most of the subject requests were on capital increase, and extraordinary price and amount movement at the stock exchange.

According to the CMB’s Regulation on Corporate Governance numbered II-17.1, within the scope of the Investor Relations activities, a report on activities carried out in 2016 by the Shareholder Relations and Board Secretariat is presented to the Corporate Governance Committee and the Board of Directors on 21/02/2017.

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 19th 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 438th 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 2017, including one ordinary and one extraordinary, total two electronic general meetings, to which physical or electronic attendance is possible, was held. The extraordinary meeting was held on 09/02/2017 with the quorum of 92,82%; the ordinary general meeting was held on 30/03/2017 with the quorum of 95,93%. The decision made in the general meetings have been implemented.

Regulations on general meetings of shareholders 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 28th 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 29th 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.

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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 2017, 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.

In line with the Bank's Donation and Aid Policy approved in the ordinary general meeting of our Bank held on 31/03/2014, information on that there hasn't been any change in the policy is given to the shareholders at the ordinary general meeting held on 30/03/2017, with a separate agenda item.

At the general meetings held on 30/03/2017, 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 8th 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 35th 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 19th 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 30/03/2017, it is decided to set off the last year losses against the 2016 annual net profit in the amount of TL-13.700.307,62- (after tax).

The Profit Distribution Policy of the Bank is approved at the ordinary General Meeting held on 30/03/2017. 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. Shares can be transferred according to ICBC Turkey Bank's Articles of Association, Banking Law numbered 5411, and other relevant regulations.

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) 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 employees join for evaluating the targets and the strategies of the Bank are organized in specific periods.

The ICBC Turkey Bank A.S. 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), Central Bank of the Republic of Turkey (CBRT), Ministry of Finance, Turkish Financial Crimes Investigation Board (MASAK), Competition Authority, and Capital Markets Board (CMB) regulations. All transactions of our Bank are audited by Sworn Auditors of Banks in the BRSA. Reports requested by BRSA, CBRT, Ministry of Finance, MASAK and CMB are prepared and sent periodically.

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, depending on performance and inflation.

Competence and target based performance evaluation system is applied in our bank.

The performance-based bonus system in our bank is implemented for all employees. Also, competence-based individual performance evaluation system is applied in the bank as well as considering target realizations for employees in branches, and achieving the bank's overall goal for employees in Head Office departments or groups. In addition to this system, "CEO Bonus Payment" which is made to total 6 personnel who have the "assistant manager" or lower title with the initiative of the CEO, "Incentive Bonus Payment" which is made based on net profit of the Bank and target realizations of market-oriented groups and branches every quarter, "Piece by Piece Bonus Payment" which is monthly made to the retail banking and operation personnel in branches according to product-based sales, "NPL Incentive Bonus Payment" which is quarterly made to the Non-performing Loan Follow-up Department and related branch employees in marketing units based on NPL and real estate sales.

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 Head Office, 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.

4.4 Code of Ethics and Social Responsibility

Ethical Code

Within our corporate governance approach, “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 5th 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, and illegal gambling and betting.

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, except for the general manager.

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 (*);

Name Family Name	Position
Xu Keen	Chairman of the Board of Directors
Gao Xiangyang	Member of the Board of Directors and the General Manager
Liu Peiguo*	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. According to our Board of Directors' decision, Mr. Liu Peiguo appointed as the Executive Board Member.*

According to the 23rd article of the Banking Law; excluding Mr. Gao Xiangyang, the General Manager who is the natural member of the Board of Directors and Mr. Liu Peiguo, Executive Board member, the board members 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 35th 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 Ying Wang) 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 Mr. Ying Wang) 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 Ying Wang are selected as the independent members of the board of directors at our Bank as of the date of this general meeting, and they are still holding their offices.

According to the Capital Markets Board's Corporate Governance Principles, the number of independent board members for banks has been determined to be at least three. As the members of the board of directors appointed for the audit committee membership are deemed as independent board members within the scope of these principles, Mr. Xu Keen is currently an Independent Board Member of the Bank, who elected as the Chairman of the Audit Committee. 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 3rd item of the 6th 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.

The permission was granted to the members of the Board of Directors to enable them to conduct transactions within the framework of the Turkish Commercial Code, Article 395 "Prohibition to Do Business with the Company" and Article 396 " Prohibition of Competition".

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 delegation of management; the Board of Directors of the Bank is authorized to delegate the management authority completely or partially to one or more Members of the Board of Directors or to third parties by an internal directive which shall be prepared according to the 367th article of the Turkish Commercial Code. Within this scope, an Internal Directive has been put into force by the Board of Directors with the resolution dated 16/01/2017 according to Article 367, 371 of the TCC and Article 44 of the Articles of Association. The Internal Directive was registered on 08/03/2017 and announced in the Trade Registry Gazette on 13/03/2017.

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 4th sub-clause of the 390th article of the Turkish Commercial Code numbered 6102.

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 31/08/2017 – 31/08/2018.

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. Assignments 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. The committees consist of at least two members, except for the Credit 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. 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 29th 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 Internal Audit Board, Internal Control and Compliance Department 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 under the Audit Committee. These departments meet quarterly by the Audit Committee as determined in the legislation and report to the Board of Directors.

General explanations about operations of the Internal System Units in 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 48th 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 50th 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 Manager, health/life insurance expenses, travel, accommodations and representing expenses and other various expenses are summarized below.

Thousand TL	31.12.2016	31.12.2017
Allowances and insurances	7,960	10.608
Other Expenses	2,277	2.759
Total Expenses	10,237	13.367