



# BANK OF CHINA TURKEY A.Ş.

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ANNUAL ACTIVITY REPORT 2023



**CONVENIENCE TRANSLATION INTO ENGLISH OF  
INDEPENDENT AUDITOR’S REPORT  
ON THE BOARD OF DIRECTORS’ ANNUAL REPORT  
ORIGINALLY ISSUED IN TURKISH**

To the General Assembly of Bank of China Turkey A.Ş.

**1. Opinion**

We have audited the annual report of Bank of China Turkey A.Ş. (the “Bank”) for the 1 January 2023 - 31 December 2023 period.

In our opinion, the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements regarding the Bank’s position in the Board of Directors’ Annual Report are consistent and presented fairly, in all material respects, with the audited full set unconsolidated financial statements and with the information obtained in the course of independent audit.

**2. Basis for Opinion**

Our independent audit was conducted in accordance with the Independent Standards on Auditing that are part of the Turkish Standards on Auditing (the “TSA”) issued by the Public Oversight Accounting and Auditing Standards Authority (“POA”) and the scope of “Regulation on Independent Audit” published on the Official Gazette No.29314 dated 2 April 2015. Our responsibilities under those standards are further described in the Auditor’s Responsibilities in the Audit of the Board of Directors’ Annual Report section of our report. We hereby declare that we are independent of the Bank in accordance with the Ethical Rules for Independent Auditors (including Independence Standards) (the “Ethical Rules”) and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

**3. Our Audit Opinion on the Full Set Unconsolidated Financial Statements**

We expressed an unqualified opinion in the auditor’s report dated 27 February 2024 on the full set unconsolidated financial statements for the 1 January 2023- 31 December 2023 period.



#### **4. Board of Director's Responsibility for the Annual Report**

The Bank management's responsibilities related to the annual report according to Articles 514 and 516 of Turkish Commercial Code ("TCC") No. 6102, and "Regulation on Principles and Procedures Regarding Preparation and Promulgation of Annual Reports by Banks" published in Official Gazette No.26333 dated 1 November 2006 are as follows:

- a) to prepare the annual report within the first three months following the balance sheet date and present it to the general assembly;
- b) to prepare the annual report to reflect the Bank's operations in that year and the financial position in a true, complete, straightforward, fair and proper manner in all respects. In this report financial position is assessed in accordance with the financial statements. Also in the report, developments and possible risks which the Bank may encounter are clearly indicated. The assessments of the Board of Directors in regards to these matters are also included in the report.
- c) to include the matters below in the annual report:
  - events of particular importance that occurred in the Bank after the operating year,
  - the Bank's research and development activities,
  - financial benefits such as salaries, bonuses, premiums and allowances, travel, accommodation and representation expenses, benefits in cash and in kind, insurance and similar guarantees paid to members of the Board of Directors and senior management.

When preparing the annual report, the Board of Directors considers secondary legislation arrangements enacted by the Banking Regulation and Supervision Agency, Ministry of Trade and other relevant institutions.



## 5. Independent Auditor's Responsibility in the Audit of the Annual Report

Our aim is to express an opinion and issue a report comprising our opinion within the framework of TCC, Communiqué and "Regulation on Independent Audit of Banks" published on the Official Gazette No.29314 dated 2 April 2015 provisions regarding whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited unconsolidated financial statements of the Bank and with the information we obtained in the course of independent audit.

Our audit was conducted in accordance with the TSAs. These standards require that ethical requirements are complied with and that the independent audit is planned and performed in a way to obtain reasonable assurance of whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited unconsolidated financial statements and with the information obtained in the course of audit.

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

A blue ink signature of Özge Arslan Yılmaz, written in a cursive style, is positioned below the text of the firm.

Özge Arslan Yılmaz, SMMM  
Independent Auditor

Istanbul, 27 February 2024

**BANK OF CHINA TURKEY A.Ş.**  
**STATEMENT REGARDING ANNUAL ACTIVITY REPORT AS AT 31 DECEMBER 2023**

This Annual Activity Report for year 2023 of Bank of China Turkey 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.



**Xiaoqing ZHANG**

Chairman of the  
Board of Directors



**Qinyan ZHAO**

Deputy Chairman of the  
Board of Directors and  
Chairman of the Audit  
Committee



**Xiaofeng ZHANG**

Member of the  
Board of Directors



**Xiaomig GAO**

Member of the  
Board of Directors and  
General Manager



**Özgür DALGIÇ**

Member of the  
Board of Directors and  
Member of the Audit  
Committee



**Dalei DING**

Assistant General  
Manager



**Sevda DIKICI**

Financial Reporting,  
Budgeting and A&L  
Management Manager

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## A- GENERAL INFORMATION

Related Period : **01.01.2023 – 31.12.2023**  
 Trade name : Bank of China Turkey Anonim Şirketi  
 Trade registry number : 65510-5 (İstanbul Tic. Sicil Müd.)  
 Registered Address : Esentepe Mah. Büyükdere Cad. Tekfen Tower Binası No: 209 Kat: 21  
 PK 34394 4. Levent/Şişli/İstanbul  
 Contact :  
 Phone : +90 212 260 88 88  
 Fax : +90 212 279 88 66  
 E-mail address : contact@bankofchina.com.tr  
 Website Address : www.bankofchina.com.tr

### 1) Financial summary information regarding the activity period

Thousand (TL)	31/12/2023	31/12/2022	31/12/2021	31/12/2020	31/12/2019
<b>Total Assets</b>	<b>3,777,344</b>	<b>2,784,718</b>	<b>2,662,692</b>	<b>2,004,474</b>	<b>1,676,970</b>
Cash Assets and Central Bank	1,137,225	122,985	249,873	43,398	42,859
Banks	2,282,739	638,447	625,417	712,785	677,701
Loans	84,208	532,185	654,721	589,720	568,012
Loans Measured at Amortised Cost	128,362	1,368,229	1,044,541	614,303	329,421
Derivative Financial Assets	-	-	-	-	20,444
Other Assets	144,810	122,872	88,140	44,268	38,553
<b>Total Liabilities and Equity</b>	<b>3,777,344</b>	<b>2,784,718</b>	<b>2,662,692</b>	<b>2,004,474</b>	<b>1,676,970</b>
Deposits	769,663	336,275	367,907	204,189	75,685
Provision	112,267	73,059	40,051	12,974	40,626
Borrowings	410,151	106,943	180,930	74,203	59,423
Derivative Financial Liabilities	-	149,893	199,564	79,019	-
Other Liabilities	151,099	95,173	102,637	42,477	54,801
Equity	2,334,164	2,023,375	1,771,603	1,591,612	1,446,435
Letter of Guarantees	430,529	295,982	388,135	405,598	271,883
Other Guarantees	6,713,579	4,957,703	2,963,605	1,120,291	973,594
Derivatives	-	288,612	469,487	505,220	564,546
Capital Adequacy Ratio (%)	28.11	30.22	35.84	62.71	63.32
Equity/Assets (%)	61.79	72.66	66.53	79.40	86.25
Thousand (TL)	01/01/2023-31/12/2023	01/01/2022-31/12/2022	01/01/2021-31/12/2021	01/01/2020-31/12/2020	01/01/2019-31/12/2019
Net Interest Income	404,754	286,420	243,722	142,262	215,849
Non-Interest Income	195,773	142,397	59,407	35,447	17,650
Trading Income/Loss	108,480	55,355	42,123	30,233	78,257
<b>Total Operating Income/(Expense)</b>	<b>709,007</b>	<b>484,172</b>	<b>345,252</b>	<b>207,942</b>	<b>311,756</b>
Personnel Expenses	107,286	65,156	34,866	26,199	18,330
Net Other Operating Income/Expenses (-)	123,335	64,057	38,643	25,347	24,562
Loan Provisions	7,963	10,319	16,589	744	15,242
<b>Net Profit/(Loss) before Tax</b>	<b>470,423</b>	<b>344,640</b>	<b>255,154</b>	<b>155,652</b>	<b>253,622</b>
Tax Provision (-)	121,941	74,904	64,039	36,711	59,218
<b>Net Profit / Loss for the Period</b>	<b>348,482</b>	<b>269,736</b>	<b>191,115</b>	<b>118,941</b>	<b>194,404</b>
Financial Ratios (%)	31/12/2023	31/12/2022	31/12/2021	31/12/2020	31/12/2019
Return on Assets	9.23	9.69	7.18	5.93	11.59
Return on Equity	15.05	13.62	11.01	7.55	13.44
Capital Adequacy Ratio	28.11	30.22	35.84	62.71	63.32
Loans/Total Assets	2.23	19.11	24.59	29.42	33.87
Securities/ Total Assets	3.40	49.13	39.23	30.65	33.87
Banks/ Total Assets	60.43	22.93	43.49	33.56	40.41
Deposits/Total Assets	20.38	12.08	13.82	10.19	4.51
NPL	-	-	-	-	-



## 2) Bank's history and modifications of articles of associations within the year and their reasons

Bank of China Turkey A.S. is established on January 10th, 2017, major shares holder being Bank of China Limited. The BRSA granted the operational banking license to Bank of China Turkey A.Ş. as of 01/12/2017 and such license has been published on the Official Gazette on 07/12/2017.

As China's most internationalized and diversified bank, Bank of China Limited provides a comprehensive range of financial services to customers across the Chinese mainland as well as 57 countries and regions. The Bank's core business is commercial banking, including corporate banking, personal banking, and financial markets services.

There are no changes occurred regarding the Articles of Association or the shareholder structure within the accounting period this Report pertains to.

## 3) Bank's capital structure, changes in capital and shareholder structure within the year and information on qualified shares

a)- Capital : TL 1,051,230,000

b)- Shareholding Structure : The capital and shareholding structure of the Bank is as follows.

NAME, SURNAME/TITLE OF THE SHAREHOLDER	RESIDENTIAL ADDRESS	NUMBER OF SHARES	AMOUNT OF CAPITAL (TL)
1-Bank of China Limited	No.1 Fuxingmen Nei Dajie Beijing/China 100818	1,051,229,996	TL 1,051,229,996
2-Maxon Limited	23/F Bank of China Tower 1 Garden Road Hong Kong	1	TL 1
3-Best Stream Limited	23/F Bank of China Tower 1 Garden Road Hong Kong	1	TL 1
4-Union Favour Limited	23/F Bank of China Tower 1 Garden Road Hong Kong	1	TL 1
5-Well Ocean Limited	23/F Bank of China Tower 1 Garden Road Hong Kong	1	TL 1

c)- There are no existing privileged shares.

d)- Explanation on Qualified Shares:

Pursuant to the definition of "qualified share" given by the Banking Law numbered 5411, the owners of the existing qualified shares within the Bank capital and their share rates are explained below:

Name Surname/Trade Name	The Amount of Shares	Share Rate	Paid Shares	Unpaid Shares
Bank of China Limited	1,051,229,996	99.99%	1,051,229,996	-

**4) Explanations regarding the chairman and the members of board of directors, general manager and assistants and their shares**

The Chairman and members of the Board of Directors, the members of Audit Committee, the General Manager and his assistants do not have any shares in the Bank.

**5) The Evaluation of the chairman of the board of directors and the general manager for the activity period and their expectations for the future**

Bank of China Turkey A.Ş., being the subsidiary of a Global Systemically Important Financial Institution, Bank of China Ltd, is increasing its presence in the Turkish market with a long term point of view.

Bank of China Ltd. has increased its global operations as of end of 2023 and is now active in 64 countries all around the world. The Bank has been present in Turkey through its Istanbul Representative Office since 2011. The decision to establish a subsidiary in Turkey was taken in 2015 after which, in May 2016, the Banking License was obtained from the BRSA and upon completion of all the necessary steps on May 9th 2018 Bank of China Turkey A.Ş. became operational. As we approached our fifth year of operations in Türkiye, we also had the chance to celebrate the 100<sup>th</sup> anniversary of the Republic of Türkiye. Our Bank is targeting to grow in Türkiye, a Belt and Road country, in parallel with the Turkish and global economy.

In 2023 central banks kept hiking rates for longer than expected. But, as inflation is down markedly, the major western central banks have now paused. Despite quarters of restrictive monetary policy, the global economy — particularly in the US — has remained remarkably resilient. One year ago, expectations were for a recession in the US in 2023. Instead, the economy has exceeded expectations, with full-year growth set to come in around 2.7%. The headline inflation in Eurozone has already come down back to around 3% as the full impact of the ECB's monetary tightening in 2023 will continue to unfold in 2024. Disinflation in 2023 was mainly the result of energy and fiscal policy base effects. Although expectations were very positive for China after the pandemic reopening, because of the problems in the real estate sector, we saw consumer confidence dropping. Authorities launched dozens of measures to prop up the economy and increase demand and the economy grew by 5.2% annually.

It is possible that the global economy is entering a brief period of below-trend growth driven by recent monetary policy tightening. Growth will much likely slow further in H1 before starting to improve in H2, starting in the US as inflation softens and FED begins to introduce rate cuts. Inflation is expected to fall and near central bank targets by the end of 2024. With inflation having peaked and gradually falling and many major economies showing signs of pressure from policy tightening, it is reasonable to expect monetary policymakers have now reached the end of their tightening cycles. As inflation falls, real policy rates will rise and, in response, central bankers will start to cut rates to ease any additional pressure on growth, employment and wages. This easing is expected to begin late in the first half of 2024. Rate cuts — combined with falling inflation — will set the stage for a recovery, putting the global economy on a path to trend growth accompanied by real wage growth in the second half of 2024

OECD estimates the world GDP growth at 2.9% in 2024.

Recent events in the Middle East have raised risks of regional escalation that may impact oil and natural gas markets. Other political risks range from the ongoing Russia-Ukraine war, US-China trade tensions, and the upcoming US election. These events are likely to dominate 2024 headlines. As geopolitical risks climb, fears are elevated around an oil or other key commodity price shock that could force global growth lower. Also, there are still other potential sources of upward inflationary pressure. Metals are an obvious vulnerability, and scarcity due to a lack of production capacity and/or geopolitics are important risks. Likewise, we saw last year the cross-dependency of food prices on energy costs and the ongoing risks associated with the Ukraine war and grain exports. Climate change is also creating increasingly volatile harvests, and the risk here is that this may result in more protectionism as producing nations seek to protect domestic supply.

The first half of the 2023 was dominated by two uncertainties; elections and the earthquake disaster affecting the southeast region of the country. The post-election period witnessed a return to orthodox macro policies, allowing for a recovery of lost ground. The policy rate is hiked from 8.5% in May to 42.5% at the end of the year. The CBRT took comprehensive steps to simplify the micro and macroprudential policy framework in order to enhance the functionality of market mechanisms and strengthen macro financial stability.

Annual growth rates in the first and second quarters were 4.0% and 2.8%, respectively. On the other hand, the annual growth rate stood at 5.8% in the third quarter amid the increased policy rate. For the year 2023 as a whole the growth rate is expected to be around 4.5%. At the end of the year the CPI rate stood at 64.77%. The expectations regarding the GDP growth in 2024 are between 3.5% to 4.0%, with potential risks skewed to the downside, due to tightening policies impacting domestic demand and persistently weak export markets. Inflation will edge up higher in 1H, but gradually retreat thereafter to close the year towards 40% area. The main reasons for this expectations are substantial rate hikes, the strong base effect in 2024, transition to rational policies after the elections, stronger steps taken after the end of August 2023, and forward-looking messages during this transition period. After year-on-year inflation that will rise until May and reach around 70%, under the strong positive base effect, the inflation is expected to close the year around 45%.

Sufficient rate hikes, compensating the retail investors as an inflation hedge is also expected to drive down the current account deficit. Gold demand, driven by the deep negative real interest rates, had pushed net gold imports to record levels in previous years. 2024 might see this demand to slow down. In this context, an improvement in the current account deficit/GDP to around 3% by the end of 2024 could be likely. This improvement will bring about some relief in Turkey's external financing needs.

As the year progresses, the disinflation program's success and a clearer pathway towards disinflation, along with predictable monetary policy, is expected to attract stronger foreign inflows.

Despite the challenging environment both globally and in Turkey, we have been able to continue with funding in the projects we have participated. In line with our strategy, we have continued working with top notch Turkish corporates as well as the local financial institutions. We hope to continue supporting the big projects as well as telecommunications, energy and logistics projects in the coming year. As a long-term investor in Turkey, we are willing to have long-term business perspectives in the market and take advantage of the market expectations of a better second half of 2023 to increase our portfolio. Since one of the most important targets of our bank is to boost the Sino-Turkish trade and economic cooperation between China and Turkey, we will be using the full support of Bank of China global network.

We would like to take this opportunity to extend our gratitude to our shareholder, our dedicated employees, our customers, local regulators and government for their continuous support. Also, we would like to present our gratitude to our former Chairman of the Board Bin Chen and Board Members Xiayou Li and Pengjung Dang for their work and continuous support from the establishment of the Bank till on November 16, 2023 they resigned. We also welcome and wish success to our new Board Members.

Chairman of the Board of Directors

**Xiaoqing ZHANG**

General Manager

**Xiaoming GAO**

**6) Explanation of the number of personnel and branches, type of services and activities of the bank and evaluation of the position of the Bank in the sector**

Bank of China Turkey A.Ş. has 44 employees as of December 31, 2023. The Bank is operating only through its Head Office and does not have any branches as of end of 2023. Although the Bank has the full license from the banking regulator, the actual business is concentrated in Corporate Banking. The Bank only serves to legal entity customers and does not provide any cash services.

Bank of China Turkey A.Ş. aims to work with top tier corporates; local, multinational, Chinese or International, which have solid financials and easy access to financial sources. As per the “One Belt One Road” initiative the Bank also concentrates in the banking needs of Chinese companies having investment appetite in Turkey.

Main service areas of the Bank are related to Trade Finance, Corporate Loans, Project Finance, Deposits and Foreign Currency transactions. Thanks to the global network of Bank of China of around 11 thousand branches in China and 64 countries and regions around the world, Bank of China Turkey A.Ş. has vast opportunities to finance the international trade. Another major aim is to support the infrastructural projects of Turkey. Therefore, Bank of China Turkey A.Ş. is concentrating on financing of these huge projects together with other branches of the group and thus, investing its resources to the development of the country.

One of the most important competitive advantages of the Bank in the sector is its global network and the cooperation opportunities with this network. Another one is the increasing appetite from Chinese corporates to invest in Turkey. Since Turkey has become part of the Belt and Road Initiative in 2015, more and more Chinese companies are interested in investing in Turkey. Being the most internationally active bank in China, most of the Chinese going out customers is already the clients of Bank of China in China and thus potential clients for Bank of China Turkey A.Ş. as they invest in Turkey.

## **7) Information on research and development practices related to new services and activities given**

Bank of China Turkey A.Ş.'s product portfolio is composed of cash and non-cash loans as well as trade finance products, deposits and currency transactions. The Bank aims to enlarge its product portfolio in time as per the requests of its customers. Since the Bank is concentrating on corporate clients most of the products that will be utilized will be tailor-made designed according to the needs of the customers. On the Treasury side, the Bank is working on extending its infrastructure to be able to offer its clients derivative products. The Bank has become a direct participant to CIPS system of China as of October 2023. CIPS is the RMB payment system in China and the direct participation enables the Bank to realize RMB transfers all through its working hours. We hope that this will be an important step to increase the utilization of RMB in Turkey.

## **B- INFORMATION ABOUT MANAGEMENT AND CORPORATE GOVERNANCE APPLICATIONS**

### **1) Corporate governance**

The Bank, strictly follows the rules and regulations within the scope of the applicable legislation, closely tracks changes in the related legislation and continuously enhances its corporate governance capabilities. Xiaoming Gao and Özgür Dalgıç have carried out the duties as the members of the Corporate Governance Committee during the year of 2023 and Xiaoyu Liu has carried out the duty as the members of the Corporate Governance Committee till the Extraordinary General Assembly Meeting dated 16<sup>th</sup> of November 2023 which had been formed in order to comply with the applicable legislation with the Regulation on the Corporate Governance Principles of the Banks and its annex, the Corporate Governance Principles of the Banks . Xiaofeng Zhang who has been appointed as the Board of Director Member through the Extraordinary General Assembly Meeting dated 16 November 2023 has been selected as the Member and the Chair Person of the Corporate Governance Committee by the Board of Directors. The Committee follows the Bank's progress in respect of the corporate governance principles and policies and informs the Board of Directors as it deems necessary.

The Bank attaches great importance to corporate principles and rules. In order to continuously update the corporate governance policies according to the legislative requirements and the Bank's progress and to perform activities in strict compliance with these policies, the Bank's Board of Directors, with guidance from its Corporate Governance Committee, has gone through all the related documents which need to be prepared/amended by the Board including but not limited to the Corporate Governance Committee Charter, Corporate Governance Policy and the Board of Directors Charter, and has applied necessary changes to some other policies and charters. Utmost importance is given to the comprehensive support of the Bank's systems to the effective operation of its corporate governance.

The Bank promotes innovative practices in corporate governance and constantly takes measures for the smooth operations of the Board of Directors and develops mechanisms and precautions in respect of information security and shareholder engagement. This supports the systematic decision-making and constructive work of the Board, promotes the transparency of the Bank and allows the Bank to properly meet its responsibilities to its shareholders as well.

The Bank enhances its corporate governance system in a forward-looking and exploratory manner. The Board of Directors pays close attention to the internal control and risk management and continuously endeavors to enhance the Bank's level of compliance with the legislation. In addition, the Bank closely monitors all the latest developments in domestic and international corporate governance principles and policies.

## **2) Information about the chairman and members of the board of directors, members of the audit committee, general manager and assistants and managers of the units within the scope of internal systems**

### **Board of Directors**

The Bank's managing body is the Board of Directors constituting of five board members. One of them (Özgür Dalgıç) were appointed with the Articles of Association dated 10 January 2017 and the board resolution no.1 dated 31 January 2017 and his appointment has been re-approved at the general assembly dated 30 March 2017 and as of 29/03/2022 the same one member along with Xiaoming Gao (the General Manager and the natural member of the Board of Directors) got appointed for two years. . Xiaoqing Zhang, Qingyan Zhao and Xiaofeng Zhang have been appointed as the members of the Board of Directors in the Extraordinary General Assembly Meeting held in 16.11.2023. As of the Board of Directors Resolution dated 05.12.2023, Mr. Xiaoqing Zhang has been appointed as the Chairman of the Board of Directors, and Ms. Qingyan Zhao has been appointed as the Deputy Chairman of the Board of Directors until the end of their terms of duty. Accordingly,

Name Surname	Duty	Assigned Date	Education	Professional Experience
Xiaoqing Zhang	Chairman of the Board	Elected in the Extraordinary General Assembly Meeting held in 16/11/2023. As of the Board of Directors Resolution dated 05/12/2023, he has been appointed, as the Chairman of the Board of Directors.	* Wuhan University, Finance, Phd * Tsinghua University, Business Administration, Master's Degree * Renmin University of China, Industrial Economics, Bachelor Degree	29 Years
Xiaoming Gao	Board Member / General Manager	He is the natural member of the Board of Directors since he is the General Manager of the Bank.  Appointed as Board Member for 2 years with the General Assembly resolution dated 29/03/2022.	*University of International Business and Economics, Economics, Phd *University of International Business and Economics, International Trade, Bachelor Degree  *Beijing Institute of Light Industry, Department of Automation Engineering, Computer and Application, Bachelor Degree	31 Years
Qingyan Zhao	Deputy/Acting Chairman of the Board	Elected in the Extraordinary General Assembly Meeting held in 16/11/2023. As of the Board of Directors Resolution dated 05/12/2023, she has been appointed, as the Deputy/Acting Chairman of the Board of Directors.	** Xiamen University major of the Accounting, Master's Degree in Management * Nankai University major of the International Finance, Bachelor's Degree in Economics.	29 Years
Xiaofeng Zhang	Board Member	Elected in the Extraordinary General Assembly Meeting held in 16/11/2023.	** Foreign Economic and Trade University, Finance, Master's Degree * Foreign Economic and Trade University, International Trade, Bachelor's Degree	23 Years
Özgür Dalgıç	Board Member and Internal Systems Officer	Re-elected for a period of 2 years with the General Assembly resolution dated 29/03/2022 .	*Loughborough University, Banking and Finance, Master Degree * Ankara University , Business Administration, Bachelor Degree	32 Years



### Managers of Internal Systems

Name Surname	Duty	Assigned Date	Education	Professional Experience
Ferhun Ateş	Head of Internal Control & Compliance Department	04/05/2017	*Ankara University, Business Administration, PHD *Gazi University, Institute of Social Sciences, Master in Business Administration *Ankara University, Faculty of Political Sciences, Economics, Bachelor Degree	25 Years
Hülya Bayır	Head of Risk Management Department	04/05/2017	*Hacettepe University , Finance, PHD *Vanderbilt University, Economic Development, MA *Hacettepe University, Finance, MS *Ankara University, Finance, Bachelor Degree	32 Years
Gürkan Sezgün	Head of Internal Audit Department	04/05/2017	*Marmara University, Business Administration, Bachelor Degree	24Years

### Audit Committee

Name Surname	Duty	Assigned Date	Education	Professional Experience
Qingyan Zhao	Committee Chairman	05.12.2023	Xiamen University major of the Accounting, Master's Degree in Management * Nankai University major of the International Finance, Bachelor's Degree in Economics.	29 Years
Özgür Dalgıç	Committee Member	04.05.2017 (As per the BoD Resolution dated 05.12.2023, he continues to the same duty.)	*Loughborough University, Banking and Finance, Master Degree * Ankara University , Business Administration, Bachelor Degree	31 Years

**Assistant General Manager**

Name Surname	Duty	Assigned Date	Education	Professional Experience
Dalei Ding	Assistant/Acting General Manager	Following his first time appointment on 03/06/2019, his appointment as the Acting/Assistant General Manager has been repeated by the Board resolution dated 19/07/2021.	* Central Finance and Economy Institute, Finance and Banking, Bachelor Degree	27 Years

**3) Information on the mandate and professional experience of the auditors**

In the General Assembly Meeting dated 28 March 2023, PwC BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş. was authorized about auditing process and preparation of audit reports. The audit agreement is for 1-year term.

**4) The activities of the credit committee and the committees affiliated to the board of directors or established under the risk management systems in accordance with the internal systems of banks to assist the board of directors and the names and surnames of the chairman and the members of these committees and their essential duties****Audit Committee**

The Committee, in accordance with the provisions of the Regulation on Banks' Internal Systems and Internal Capital Adequacy Assessment Procedure has been established to support to Board of Directors by monitoring the integrity of financial statements, the operations of internal systems and other aspects of the Bank's financial management in accordance with the duties and responsibilities as well as to set up and maintenance of necessary processes to ensure compliance of the Bank with all applicable laws, other regulations and internal regulations. Members of the Committee is composed of Qingyan Zhao (Committee Chairman) and Özgür Dalgıç who are non-executive directors of Board. Özgür DALGIÇ who is located in Turkey also serves as Internal Systems Officer in the Bank. During the year, the Audit Committee convened 4 times and took 4 resolutions.

## **Risk Committee**

The Committee has been established to assist the Board of Directors in monitoring the risk management structure of the Bank; the Bank's risk management and risk assessment guidelines and policies required to fulfill the duties and responsibilities of the Committee regarding market, credit, operations, liquidity, strategy, reputation risks and other risks; the risk tolerance and appetite of the Bank; the capital, liquidity and funds of the Bank and the risk management performance of the bank. Committee Members is composed of Xiaoming Gao (General Manager); Xiaofeng Zhang (Chairman of the Committee) and Özgür Dalgıç (Internal Systems Officer) who are the Board members. The regular reports have been submitted to Committee for information and Committee took 5 resolution.

## **Steering Committee on Prevention of Anti Money Laundering**

The Committee has been established to ensure that the Bank's compliance with the anti-money laundering and counter-terrorism legislation and the global Bank of China policies and procedures, and the implementation of its policies and procedures to carry out the Compliance program in accordance with the legislation and global policies, to review them in case of new regulations and amendments in the relevant legislation, to evaluate the impacts on the Bank, and to assess the issues identified in the examinations by internal and external auditors and regulators, and to determine and evaluate the risk appetite for the prevention of financing of money laundering and terrorism.

Committee Members is composed of the General Manager Xiaoming GAO and Internal Systems Officer Özgür Dalgıç who are co-chairman of the Committee, Assistant General Manager Dalei Ding, Head of Internal Control and Compliance Ferhun Ateş, AML and Compliance Manager Nazlı İpek Tüzün, Head of Banking Services Dept. Guohong Sun and Head of Corporate Banking Dept. Onur Sekizyeralı, Head of Internal Audit Gurkan Sezgun without having voting right and other participants upon agenda of the Committee, if needed. The committee convened quarterly and discussed updated the AML and Combatting the Finance of Terrorism Policy, KYC Process, FATF Evaluation, the AML Steering Committee Charter, recent developments about the E.U and the U.S sanctions, and sanctions screening activities of the Bank.

## **Remuneration Committee**

With remuneration policy, Bank of China Turkey A.Ş. aims to create an effective remuneration system, hire capable employees who will support the Bank to reach its goals and provide a sustainable process.

In order to carry out the supervision of the Bank's remuneration policy and its implementation on behalf of the Board of Directors, a Remuneration Committee was established in accordance with the regulations of the Banking Regulation and Supervision Agency and Bank of China policies.

The current structure of Remuneration Committee is below:

Name Surname	Duty
Qingyan Zhao	Committee Chairman
Xiaoqing Zhang	Committee Member

The meeting is held as often as required by the Remuneration Committee with the condition of meeting at least once a year.

The Remuneration Committee reviews the remuneration policy of the Bank at least once annually, with a purpose to assess if changes are required. In order to ensure effectiveness of remuneration policy, the Board of Directors review it at least once a year as well. During the year, the Remuneration Committee convened 1 time and approved 2 resolutions.

In the implementation of remuneration practices in Bank of China Turkey A.Ş., “The Guide for Best Remuneration Practices in Banks” which is published by BRSA in 31 March 2016 dated Official Gazette are taken into consideration as reference.

#### **Corporate Governance Committee**

The Committee’s purpose is to act on behalf of the Board in fulfilling the following responsibilities:

- Oversight of corporate governance practices of the Bank, including review of the Bank’s Corporate Governance Guidelines and carry out development studies in this regard;
- Annual performance evaluation process of the Board and its committees;
- Oversight of the Bank’s regulatory compliance with corporate governance principles and carry out development studies in this regard
- Making suggestions to the Board, when necessary, regarding corporate governance issues.

The meeting is held as often as required by the Remuneration Committee with the condition of meeting at least once a year.

The current structure of the Committee which was first constituted on 04/05/2017 is as follows:

Name Surname	Duty
Xiaofeng Zhang	Committee Chairman
Xiaoming Gao	Committee Member
Özgür Dalgıç	Committee Member

## Credit Committee

The Credit Committee is the mechanism for credit evaluations and decision-making of the Bank. Credit Committee has the responsibility to approve new credit proposals and annual reviews (including modifications and changes to conditions) within the scope of Delegated Level of Authority defined by Board. Duties, responsibilities and working principles of Credit Committee are defined in Credit Committee Charter. Since the Board of Directors and the Credit Committee are composed of the same members, there is no actual Credit Committee.

### **5) Information on the attendance of the members of the Board of Directors and the audit committee and other subcommittees to the relevant meetings held during the accounting period**

Özgür Dalgıç attended 4 audit committee meetings within 2023.

### **6) Audit committee's assessments on the operation of internal control, internal audit and risk management systems and information about their activities within the accounting period**

The departments of the Bank within the scope of internal systems are the Internal Control and Compliance; Internal Audit and Risk Management. These departments are carried out as directly reported to the Internal Systems Officer and the Audit Committee and independent from each other and the executive units. Internal systems and Audit Committee activities are carried out as compliant with the regulation on Banks' Internal Systems and Internal Capital Adequacy Assessment Process and in line with the Bank's scope of transactions and activities. Committee convened 4 times and took 4 resolutions and informed the Board of Directors by reports.

Internal Control and Compliance Department is carried out in accordance to Internal Control and Compliance Policy, which is based on the Banking Law, Law on Prevention of Laundering Proceeds of Crime, Law on Prevention of the Financing of Terrorism and related sub-regulations and Bank of China global practices. Internal Control and Compliance is authorized to monitor, inspect and control all activities in the units /departments of the Bank. Internal Control and compliance activities and how they will be performed are designed together with the relevant units by Internal Control and Compliance, taking into account all the characteristics of the activities carried out by the Bank. Compliance activities are; in order to ensure compliance of all activities and new activities carried out and planned by the Bank with all applicable laws and other applicable legislation giving priority to the legislation regarding the prevention of laundering of criminal proceeds and the fight against financing of terrorism; monitoring all applicable legislation, reviewing new legislation or amended regulations and informing and directing personnel; committees and senior management, Audit Committee / Internal Systems Responsible and Board of Directors of the Bank to a necessary extent.

Reports were prepared within the scope of Internal Control and Compliance Policy and Audit Committee and Senior Management were informed.

In this scope;

- Following the legislative amendments, top management and related units were informed, opinions on draft amendments were given and opinions were drawn on the questions of the top management and in-bank units regarding the legislation.
- Internal procedures were reviewed and updated
- Rectification Management Procedure which regulates the correction process of the findings detected by Regulatory Agency, Independent and internal auditor and mother company auditors was enacted.
- MASAK senior managers were visited and exchanged information; annual AML training on legislation, compliance program of the Bank, sanctions were given to staff with a test for evaluation and assessment; the annual MASAK workshop was attended.

Risk management activities are the management of the risk caused from banking activities in accordance with the risk policy by considering the scale of the Bank and its activities.

In this scope,

- The General Risk Limit Policy, Liquidity Risk Management Policy, Operational Risk Policy, - - Market Risk Management Policy and all other relevant policies have been revised. In addition, the - Credit Risk Management Policy and Liquidity Contingency Plan - have been approved by Board of Directors. Internal Capital Adequacy Assessment Process is being coordinated by involvement of all other relevant departments.
- The Risk Committee, the Audit Committee and the Senior Management and the Board of Directors are informed about the Bank's risks through periodic reports.
- The risk limits are reviewed regularly by the Internal Systems Officer, Head of Risk Management, Risk Committee and the Bank's senior management in a way not to exceed the legal limits stated in the legislation and if deemed necessary, they are redefined with the approval of the Board of Directors.
- Risks are measured according to international and local regulations, Bank policies and procedures, using methods accepted in international practices appropriate to the Bank's structure, stress test and scenario analyzes are carried out and reported regularly to senior management, Risk Committee and Board of Directors. Risk measurements are included in the Bank's decision-making processes.

In the scope of Internal Audit activities;

- The Annual Internal Audit Plan, IS Internal Audit Plan, Risk Assessment Report and Risk Matrix were prepared and audits were carried out in accordance with the plan. Related units' responses were taken, corrective actions were scheduled and followed up, Audit Committee, Senior Management and Board of Directors were informed.
- 2023 Management Assertion Audit Plan was prepared and the audit activities were carried out and the results were shared with the Independent Auditor by obtaining the approval of the senior management and the Board of Directors.
- Meetings were held with the independent auditors and independent audit activities, the findings were evaluated, corrective actions were taken and monitored, the senior management, the Audit Committee and the Board of Directors were informed.

## **7) A summary Board report submitted to the General Assembly**

We believe that 2023 was a successful year for Bank of China Turkey A.Ş.

As of December 31, 2023, the Bank's total assets stood at TL 3,777,344 thousand (31 December 2022: TL 2,784,718 thousand), total loans at TL 84,208 thousand (31 December 2022: TL 532,185 thousand) and customer deposits except for Bank's deposits at TL 769,365 thousand (31 December 2022: TL 335,785 thousand) .

As of the end of 2023, the Bank's net profit was TL 348,482 thousand (31 December 2022: TL 269,736 thousand). As of December 31, 2023, the Bank's total equity amounted to TL 2,315,935 thousand (31 December 2022: TL 1,980,811 thousand) with a capital adequacy ratio of 28.11% (31 December 2022: 30.22%).

Bank receivables, the major component of Bank's assets amounted to TL 2,282,739 thousand (31 December 2022: TL 638,447 thousand), excluding receivables from the Central Bank of Turkey.

Cash and Central Bank of Turkey, the component of Bank's assets, reached TL 1.137.225 thousand (31 December 2022: 122,985) at year's end.

Loans reached TL 84.208 thousand (31 December 2022: 532,185) at year's end, decreased by 84% compared to 2022.

At year-end 2023, Bank of China Turkey A.Ş, reported total assets as TL 3,777,344 thousand (31 December 2022: TL 2,784,718 thousand), increased by 36% year-to-year,

Bank of China Turkey A.Ş. reported TL 404,754 thousand (31 December 2022: TL 286,420 thousand) net interest income in 2023. The Bank's net profit is TL 348,482 thousand (31 December 2022: TL 269,736 thousand) for the fiscal year. The average return on equity was 15% in 2023, which was 14% in the previous year.

We will continue to strengthen our Bank, expand our product and service coverage, and diversify our financing capability to better serve our customers and grow stronger and stronger.

## 8) Information on human resources applications

The Bank's vision is to be a globally preferred Bank in Turkey by providing services that add high value to society.

The Bank's mission is to provide financial services that create excellent values for its customers and shareholders, by strengthening the financial cooperation between Turkey and China. It is aimed to support the trade between two countries while contributing to the realization of the China's "One Belt One Road" initiative and Turkey's "the Middle Corridor Plan".

The Bank's values;

- Professionalism
- Integrity
- Performance
- Responsibility
- Innovation
- Prudence

In the recruitment processes, the Bank concentrates to hire new employees who are in line with the global values of the Bank, who pursue excellence, are honest, responsible, open to development and are prone to team work.

In the future, the Bank aims to hire experienced and competent professionals in line with its vision, mission and values.

With performance management process, the Bank aims to achieve to establish moderate incentive and constraint mechanism, to enhance the duty performance capacity of employees at various levels and to improve the employees' career development and performance advancement.

As of 31 December 2023, number of employees in Bank of China Turkey A.Ş. is 44 (31 December 2022: 43) Bank of China Turkey A.Ş. pays attention to the implementation of the remuneration policy by providing equal opportunities to our employees, and ensuring that the practices related to remuneration and promotion are in compliance with the relevant legislation, ethical values and strategic objectives of the Bank.



With the remuneration policy, the Bank aims to bring new professionals to the Bank and to increase/maintain the motivation of the employees who has high level of performance. In the process of determining the remuneration policy, sectorial data are taken into consideration in order to show a competitive attitude in the sector, to bring new competent and experienced professionals to the Bank and increase the motivation of the employees. Within the budget of the relevant year, salary increases are mainly based on some factors such as general inflation level in Turkey and the employee's performance in the relevant period.

It is aimed in the Bank to support the professional and personal development of the employees through training and development activities such as internal trainings, oversea trainings organized by the Parent Company in China and online trainings carried out by the London Training Center and New York Global Training Center. Due to the pandemic, all trainings and seminars were held online in 2022. Trainings, which require all employees' participation and compulsory by local institutions and the Parent Company, were carried out online by internal trainers and participation of all employees was ensured.

With the disappearance of the pandemic conditions, return to the office was made as of 01/10/2023. Trainings, which require all employees' participation and compulsory by local institutions and the Parent Company, were carried out online or face to face by internal trainers and participation of all employees was ensured. The new employees attended the face to face orientation program and received the equipment they needed, in the office, on the date they started to work.

## 9) Transactions of the Bank with the related risk group

The Bank carries out various transactions with the Group companies within the scope of its activities. The resulting profit/loss are associated with the income statement.

The operations of Bank of China Turkey A.Ş. with its risk group including the summary information are explained in detail in the footnotes of the financial statements.

Amount – Thousand TL	2023	2022	2021
<b><i>Balance Sheet</i></b>			
Banks	230,552	150,763	39,678
Derivative financial assets valued at fair value through profit and loss	-	-	-
Derivative financial liabilities valued at fair value through profit and loss	-	152,547	199,564
Banking Deposits	298	490	82,977
Borrowings	409,873	106,861	180,931
Other Liabilities	-	-	-
<b><i>Income Statement</i></b>			
Interest Income from banks	2,880	979	89
Interest Expense to banks	8,858	3,107	945
Fees and Commissions Income	179,361	126,129	46,780
Fee and Commission Expense	-	-	-
Profit on Derivative Financial Transactions	-	-	-
Loss on Derivative Financial Transactions	41,785	42,963	127,239
<b><i>Off-Balance Sheet</i></b>			
Guarantees and Letter of Credits	430,529	295,982	388,135
Derivatives	-	369,298	469,487

**10) Information on the activities of the members of the governing body on behalf of the Bank itself or its printing activities and the activities within the scope of the activities within the scope of the competition bank**

The Board of Directors members have made no transaction with the Bank on their or other persons' behalf pursuant to the permission given by the General Assembly and no activity within the scope of noncompetition has been carried by the board members.

**11) Information on the subjects of activity and the persons and institutions from which the support is received in accordance with the regulation on authorization of Banks' support services and authorization of support service organizations**

Name of Supporting Service Company	Explanation of Service
Intertech Bilgi İşlem ve Pazarlama Ticaret A.Ş.	Core Banking Application License and Application Service, Software Development and Support Service
KyndrylGlobal Services İş ve Teknoloji Hizmetleri ve Ticaret Ltd. Şti.	Primary Data Center Server Hosting Service
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	Disaster Recovery Centre Server Hosting Service
Maro Uluslararası Bilgi Teknolojileri Danışmanlık, Geliştirme, Destek Hizmetleri Sanayi ve Ticaret A.Ş.	TCMB IBS system integration application development and support service
Fineksus Bilişim Çözümleri Ticaret A.Ş.	PayGate Maestro, PayGate Inspector Licence, Development and Support

**C- FINANCIAL INFORMATION AND RISK MANAGEMENT ASSESSMENT**

**1) Independent Auditor's report**

The attached independent auditor's report as of 31 December 2023 is presented to General Assembly.

## 2) Information on risk management policies and risk management explanations by risk types

Risk management covers the measurement and monitoring of risks, the control and reporting of risks within certain limits. Risk Management is independent from the executive units and fulfills her responsibilities to the Board of Directors through the Internal Systems Officer, Audit Committee and Risk Committee.

The policies for each of the quantifiable risks such as General Risk Policy and Credit Risk, Market Risk, Liquidity Risk, Operational risk have been established for the determination, measurement and control of the risks that the Bank may be exposed to due to its activities and have been approved and enacted by Board of Directors.

For these risks, written limits, early warning thresholds and risk appetite indicators were determined by the General Risk Limit Policy and approved by the Board of Directors.

Reputational Risk Policy has been approved by Board of Directors to improve the level of reputational risk management, and reduce the impact of and losses arising from reputational risk events.

The Internal Capital Adequacy Assessment Procedure for the determination of the internal capital requirements and the adequacy of the Bank has been approved by the Board of Directors.

The risk limits are reviewed regularly by the Internal Systems Officer, Head of Risk Management, Risk Committee and the Bank's senior management in a way not to exceed the legal limits stated in the legislation and if deemed necessary, they are redefined with the approval of the Board of Directors. International Financial Reporting Standard 9 (IFRS9) Impairment Methodology Document has been approved by IFRS9 Committee as a procedure. Stress Test Implementation Fundamentals Procedure has been approved for application of stress tests.

Risks are measured according to international and local regulations, Bank policies and procedures, using methods accepted in international practices appropriate to the Bank's structure, stress test and scenario analyzes are carried out and reported regularly to senior management, Risk Committee and Board of Directors. Risk measurements are included in the Bank's decision-making processes.

## Credit Risk Management

The Bank identifies the credit risk as the credit risk by the borrower or by the counterparty from failing to pay the loan or failing to fulfill a contractual obligation. The general principles related to the credit risk management of the Bank are determined within the framework of the Comprehensive Risk Management Policy and the limits for risk appetite are determined within the framework of the General Risk Limit Policy:

The Credit Policy has been established and approved by the Board of Directors in order to establish a credit risk management framework to manage credit risks; to help maintain a high level of credit portfolio quality; to support early detection and active management of real and potential credit issues in order to minimize the financial losses, and to ensure compliance with local legislation and main shareholder regulations on general and specific loan provisions. Together with the credit policy, Credit Allocation Procedure, Credit Monitoring Procedure, Loan Disbursement Procedure, Asset Classification Procedure, Periodic Inventory of Credit Assets Procedure, Customer Credit Rating Procedure and Collateral Procedure constitute the Bank's credit risk management framework. The International Financial Reporting Standard 9 (IFRS9) Policy was approved by the Board of Directors as the Bank started to allocate provisions according to IFRS9 Methodology in 2020.

The main principle of the credit risk policy is to monitor and control the risk yield structure arising from the credit risk of the Bank and when necessary, determine the policies for correction; to identify, measure, report, monitor and control the risks to which the Bank is exposed when determining the procedure and limit and the risks arising from the transactions with the risk group of the Bank.

In order to mitigate all risks related to errors, deficiencies, irregularities and abuses and to prevent conflicts of interest; marketing, approval, disbursement and monitoring tasks of loans are executed by the authorities of different units by taking into consideration the principle of segregation of duties.

Credit limits are determined in line with the risk appetite of the Bank by taking into consideration the activity area of the companies, sector seasonality, risk profile, loss history, collateral structure and maturity of the loan. Credit limits are checked at both the counterparty level and the group level.

A rating system is used for the evaluation and examination of credits in the Bank; for discovering of early warning signals of deteriorated risks to allow for special monitoring of loans; for effectively managing problematic loans and for producing proper and effective risk-based pricing mechanisms.

The principle of triple defense line has been adopted in the management of credit risk. Controls of operational unit are the first line of defense; risk management, legal compliance and internal control the second line of defense; Internal Audit is the third line of defense. The Bank's credit risk measurement and monitoring activities are carried out directly by Risk Management under the Internal Systems Officer.

The Senior Management, Risk Committee and the Board of Directors are regularly informed about developments in the quality of the loan portfolio, stress test and scenario analysis, and limits on risk appetite.

### **Market Risk Management**

Bank defines the market risk as the risk of loss in value and return of in or off balance sheet assets as a result of changes in rates and prices in financial markets. Within the framework of the market risk policy, the Bank's basic principles regarding market risk management, duties and responsibilities of the parties involved in market risk management and the process of measuring, monitoring and reporting of market risk have been determined.

The limits for risk appetite are determined by the Board of Directors in the General Risk Limit Policy and monitored in this scope.

### **Liquidity Risk Management**

The Bank identifies 'liquidity risk' as the risk that the Bank may fail to meet funding requirements or may fail to do so at a reasonable cost.

Under normal and stressful market conditions, liquidity risk is defined, measured, limited and reporting standards are set by Liquidity Risk Management Policy. This Policy is reviewed by the Risk Committee every year and approved by the Board of Directors when necessary. Where there is a significant change in the Bank's business strategy or legal requirements, the Board of Directors approves these changes in line with the recommendations of the Risk Committee.

The Bank's appetite for liquidity risk is determined under the General Risk Limit Policy. Business units are responsible for complying with the risk appetite determined within the framework of the General Risk Limit Policy and to remain within the limits.

## **Operational Risk Management**

The operational risk management framework includes all processes of identifying, measuring, evaluating, controlling, reducing, monitoring and reporting the operational risks that the Bank is exposed to. The Bank considers the need for operational risk management in strategic and operational planning, daily and operational risk management and decision taking mechanism at all levels within the organization. This policy aims at establishing an effective internal control system to ensure a secure banking environment in compliance with other internal regulations, applicable laws and other regulations. Activities are carried out to establish the operational risk culture across the Bank.

### **3) Financial benefits to members of the board of directors and senior executives**

Total amount of the granted monetary advantages such as salary, premium, bonus to the Board of Directors members, within the year of 2023, is net amounting to TL 12,735 thousand (31 Dec 2022: TL 12,764 thousand). There is no such payment made to the Board members not holding a certain executive or non-executive position/duty in the Bank. No attendance fee has been paid to any of the Board members.

### **4) Information on ratings if any and ratings provided by rating agencies**

None.

### **5) Information on the Bank's investments in the related accounting period**

#### **Tangible Asset Investment:**

As of 31 December 2023, the Bank has tangible fixed assets amounting to TL 22,900 thousand (31 December 2022: TL 11,374 thousand).

An important part of tangible fixed assets consists of operating lease development costs, vehicle, furniture and furnishing and office machinery mainly related to IT.

**Investment in Intangible Assets:**

As of 31 December 2023, the Bank has intangible assets amounting to TL 5,438 thousand (31 December 2022: TL 4,269 thousand).

Intangible assets are the operating license and development costs that the Bank pays for its systems.

**6) Information on direct and indirect subsidiaries and shares of the Bank**

The Bank does not have any direct or indirect affiliates.

**7) Information on the Bank's own shares**

None.

**8) Explanations on the special audit and public audit in the accounting period**

Quarterly limited audits and annual audit were conducted by the independent auditors of the Bank. Bank's shareholders performed an audit for the Bank in 2023.

BRSA and Financial Crimes Investigation Board conducted audits for the Bank in 2023.

**9) Information on the lawsuits against the Bank and the cases and possible results that can affect the Bank's financial status and activities**

None.

**10) Explanations regarding the administrative or judicial sanctions imposed on the members of the bank and the governing body due to unlawful practices**

None.



**11) Information on the rationale and the reasons if the general assembly resolutions were not fulfilled, if the objectives were not met or if the resolutions were not fulfilled in the past periods**

Decisions of the past General Assembly were fulfilled.

**12) Extraordinary general assembly meetings within the year**

An Extraordinary General Assembly Meeting was held on 16.11.2023 and Xiaoqing Zhang, Qingyan Zhao and Xiaofeng Zhang have been elected as the members of the Board of Directors.

**13) Information on the donations and assistance provided by the Bank within the year and expenditures within the framework of social responsibility projects**

Bank of China Turkey A.S. donated TL 560 thousand to the T.C. Ministry of Interior; Disaster and Emergency Management Presidency due to the 7.7 and 7.5 magnitude earthquakes that occurred in the south of Turkey on February 6, 2023; affecting 10 provinces 5 of which were severe. (2022: none)

**14) Legal transactions with the beneficiary company or a company based on a dominant enterprise or a legal entitlement to the benefit of a company dependent on the company, and other measures avoided for the beneficiary company or a company dependent on it in the previous year**

Bank of China Turkey A.S. has performed legal transactions with Bank of China Limited and its foreign subsidiaries in the form of financial transactions.

None of these legal transactions were performed in accordance with the initiative or interest of Bank of China Limited or its related companies.

In all these legal proceedings, the agreements were concluded as it is signed between third parties. In accordance with the initiative or interest of Bank of China Limited or its affiliated companies, no prevention has been applied that would result in damage to the Bank.

Information on the transactions carried out within the Group Companies is detailed in the Bank's Affiliation Report.

- 15) Information if the above-mentioned legal process is taken or the measure is taken or avoided at the moment according to their own circumstances and conditions, according to each legal act is provided in an appropriate manner and whether the provision of measures taken from the company to prevent the damage of the company did not hurt, whether the loss of the Company is not equivalent or equalized**

As of the date of the transactions conducted between Bank of China Turkey A.S. and Bank of China Limited and other subsidiaries of the main shareholder, there are no circumstances or conditions existing for the beneficiary of Bank of China Limited or its affiliated parties.

There is no measure taken by the Bank in favor of these companies and there is no harm to the Bank.

#### **D- FINANCIAL INFORMATION**

- 1) Analysis and evaluation of the management body on the financial situation and activity results, the degree of realization of the planned activities, the status of the Bank against the determined strategic targets**

During 2023, the number of customers and transaction volume increased in line with Bank of China Limited's global strategies. In 2024, we aim to reinforce the perception of a reliable, permanent and global business partner by establishing long term relationships with its customers.

In line with the targets set by the Board of Directors, an annual budget is created and the compliance of the operating results with the budget is monitored. Profit/Loss Balances, Balance Sheet and risk-weighted assets are approved by the Board of Directors within the scope of the internal capital adequacy process.

The decisions taken by the General Assembly are carried out by the Board of Directors without exception.

**2) Information on the Bank's sales, efficiency, revenue generation capacity, profitability, debt / equity ratio and other issues that will give an idea about the results of bank operations compared to previous years and prospective expectations**

Bank of China Turkey A.Ş. started its activities on May 09, 2018 after a rather long intense preparation period. During 2023, Bank of China Turkey A.Ş., Receivables from banks, the major component of our Bank's assets, amounted to TL 2,282,739 thousand (31 December 2022: TL 638,447 thousand), excluding receivables from the Central Bank of Turkey. During 2022, Cash and Cent Bank of Turkey, the other key item of the Bank's assets, reached TL 1,137,225 thousand (31 December 2022: TL 122,985 thousand) at year's end. Loans, another component of our Bank's assets, reached TL 84,208 thousand (31 December 2022: TL 532,185 thousand) at year's end, decreased by 84% compared to 2022. Cash loan is in foreign currencies.

On the liabilities side, Bank of China Turkey A.Ş.'s borrowings are TL 410,151 thousand (31 December 2022: TL 106,943 thousand) in 2023. Demand and time deposits from non-banking clients are TL 769,365 thousand (31 December 2022: TL 335,785 thousand), increased by 129% compared to 2022.

Bank of China Turkey A.Ş. reported net interest income of TL 404,754 thousand (31 December 2022: TL 286,420 thousand) in 2023. Profit before taxes from continuing operations amounted to TL 470,423 thousand (31 December 2022: TL 344,640 thousand). The Bank's net profit is TL 348,482 thousand (31 December 2022: TL 269,736 thousand) for the fiscal year.

As of 31 December 2023, the Bank has a total of TL 7,144,108 thousand (31 December 2022: TL 5,253,685 thousand) non-cash loans consisting of letters of guarantee amounting to TL 430,529 thousand (31 December 2022: TL 295,982 thousand) and other guarantees amounting to TL 6,713,579 thousand. (31 December 2022: TL 4,957,703 thousand)

As of 31 December 2023, the Bank reported total shareholders' equity of TL 2,334,164 thousand (31 December 2022: TL 2,023,375 thousand), which is increased by TL 310,789 compared to 2022.

As of 31 December 2023, the Bank's capital adequacy ratio is 28.11% (31 December 2022: 30.22%) and is well above the minimum rate determined by the relevant legislation. At the same time, the Bank's liquidity and FX rates are above the minimum level determined by the legislation.

**3) Assessment and management body evaluations regarding whether the capital of the Bank is unrequited or whether it is submerged in debt or not**

None.

**4) Measures to be taken to improve the financial structure of the Bank, if any**

None.

**5) Explanations on government incentives**

None.

**6) Information on the dividend distribution policy and the proposal on how to use the undistributed profit if the profit distribution will not be made**

The legal reserves are allocated to the first and second reserves in accordance with Turkish Commercial Code (TTK). First legal reserves are allocated as 5% of the profit until the total reserves reach 20% of the paid-in capital.

It was decided to distribute unconsolidated net profit of TL 269,736 in accordance with the General Assembly dated March 28, 2023 as follows: TL 17,232 to be transferred to legal reserves, TL 214,629 to be transferred to undistributed profits and TL 37,875 to be distributed as cash dividend. On March 29, 2023, TL 269,736 was transferred to reserves and dividend payable accounts. Dividends amounting to TL 37,875 were paid to the shareholders on April 14, 2023 and May 12, 2023.

Bank's net income of 2023 after tax (TL 348,482) is retained at previous years' profit account. The authorized body of the Bank regarding the distribution of profit is the General Assembly and as of the date of these financial statements, the annual ordinary General Assembly has not been held yet. As of the report date, there is no decision taken regarding the profit distribution for year 2023.

**7) Summary financial information for a period of five years including the reporting period**

The comparative financial information of the Bank for the past periods is presented in the previous sections of the Annual Report.

**E- OTHER**

**1) Disclosures about special events that occurred in the Bank after the end of the operating year and which may affect the rights of shareholders, creditors and other related persons and organizations**

None.

**2) Additional information deemed appropriate by the governing body**

None.