

(Convenience Translation of Consolidated Interim Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Section Three)

ICBC Turkey Bank Anonim Şirketi

**Consolidated Interim Financial Statements
As at and For Three-Month Period Ended
31 March 2020**

With Auditors' Review Report Thereon

*(Convenience Translation of Consolidated Interim Financial Statements
and Related Disclosures and Footnotes Originally Issued in Turkish)*

22 April 2020

*This report includes "Auditors' Review Report"
comprising 2 pages and; "Consolidated Financial
Statements and Related Disclosures and Footnotes"
comprising 78 pages.*



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Convenience Translation of the Auditors' Review Report Originally
Prepared and Issued in Turkish to English (See Note I in Section Three)

REVIEW REPORT ON INTERIM CONSOLIDATED FINANCIAL INFORMATION

To the Board of Directors of ICBC Turkey Bank Anonim Şirketi;

Introduction

We have reviewed the consolidated balance sheet of ICBC Turkey Bank A.Ş. (the "Bank") and its consolidated subsidiary (together the "Group") as at 31 March 2020 and the related consolidated income statement, consolidated statement of income and expenses recognized under equity and consolidated statement of changes in shareholders' equity and consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the consolidated financial statements for the three-month period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial information in accordance with the "Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation" which includes the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and the requirements of Turkish Accounting Standard 34 "Interim Financial Reporting" principles for those matters not regulated by the aforementioned legislations. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, "Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures.



A review of interim financial information is substantially less in scope than an independent audit performed in accordance with the Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial information does not present fairly the financial position of the Group as at 31 March 2020 and of the results of its operations and its cash flows for the three-month period then ended in all aspects in accordance with the BRSA Accounting and Reporting Legislation.

Report on Other Legal and Regulatory Requirements

Based on our review, nothing has come to our attention that causes us to believe that the financial information provided in the accompanying interim activity report in Section VII, is not consistent with the consolidated financial statements and disclosures in all material respects.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

A member firm of KPMG International Cooperative



Orhan Akova SMMM
Partner

22 April 2020

Istanbul, Turkey

ICBC TURKEY BANK A. Ş.
THREE-MONTH CONSOLIDATED FINANCIAL REPORT AS AT 31 MARCH 2020

Address of the Bank's


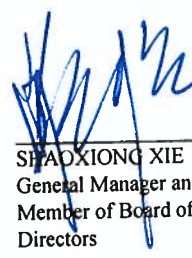
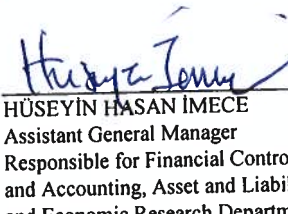

Headquarters : Maslak Mah. Dereboyu/2 Caddesi No:13 34398 Sarıyer - İstanbul
Telephone Number : (0212) 335 53 35
Fax Number : (0212) 328 13 28
Website of the Bank : www.icbc.com.tr
E-mail : info@icbc.com.tr

The three-month consolidated financial report prepared in accordance with the "Communiqué on the Financial Statements to be announced to public by Banks as well as Explanations and Footnotes Thereof" as required by the Banking Regulation and Supervision Agency (BRSA), is comprised of the following sections.

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS
- DISCLOSURES ON APPLIED ACCOUNTING POLICIES IN RELATED PERIOD
- INFORMATION RELATED TO FINANCIAL POSITION OF THE CONSOLIDATED GROUP AND RISK MANAGEMENT
- DISCLOSURES AND FOOTNOTES TO CONSOLIDATED FINANCIAL STATEMENTS
- AUDITOR'S REVIEW REPORT
- INTERIM ACTIVITY REPORT

The financial statements of the subsidiary "ICBC Turkey Yatırım Menkul Değerler A.Ş." is consolidated in this three-month consolidated financial report.

The three-month consolidated financial statements and related disclosures and footnotes that were subject to independent review, are prepared in accordance with the "Regulation on the Procedures and Principles for Accounting Practices and Retention of Documents by Banks", Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements, and in compliance with the financial records of our Bank. Unless stated otherwise, the accompanying consolidated financial statements are presented in **thousands of Turkish Lira**.

 XIANGYANG GAO Chairman of Board of Directors	 PEIGUO LIU Chairman of Audit Committee and Member of Board of Directors	 SIYAOXIONG XIE General Manager and Member of Board of Directors	 HÜSEYİN HASAN İMECE Assistant General Manager Responsible for Financial Control and Accounting, Asset and Liability and Economic Research Department	 YAFENG HE Managing Director
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Contact information for questions on this financial report:

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ICBC TURKEY BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated)

SECTION ONE

GENERAL INFORMATION

I. Parent Bank’s date of establishment, beginning statute, its history including changes on its statute

“The Parent Bank” was established with trade name as Tekstil Bankası A.Ş. on 24 September 1985, to carry out all types of banking activities according to the Banking Law and later changes in the laws and regulations, with the permission of the Council of Ministers in accordance with the resolution numbered 85/9890 and dated 29 April 1986 and started its operations on 13 October 1986. “Articles of Association” of the Parent Bank was published in Turkish Trade Registry Gazette no.1511, dated 9 May 1986. The statute of the Parent Bank was not changed since its establishment. Trade name of the Parent Bank has been changed and registered as disclosed in Note No. II as ICBC Turkey Bank A.Ş. on 13 November 2015.

II. Capital structure, shareholders controlling the management and supervision of the Parent Bank directly or indirectly, and if exists, changes on these issues and the Group that the Parent Bank belongs to and information about the persons and institutions that have qualified shares in the Parent Bank

The capital of the Parent Bank is TL 860,000 as at 31 March 2020 and is fully paid. The Parent Bank was controlled by GSD Group until 21 May 2015. As at 29 April 2014, GSD Holding A.Ş., the major shareholder of the Parent Bank, has come to conclusion to sell 75.50% shares of the Parent Bank to Industrial and Commercial Bank of China (ICBC) and with respect to the sale transaction, it was declared to be approved by China Banking Regulatory Commission (CBRC) on 20 March 2015, and in Turkey, it was approved by Competition Authority in accordance with decision dated 20 August 2014 and numbered 14-29/593-259 and Banking Regulation and Supervision Agency (BRSA), in accordance with decision dated 2 April 2015 and numbered 6262.

Following the completion of relevant permissions with respect to the sale transaction, the Parent Bank appealed Extraordinary General Assembly on 22 May 2015 for approving the resignation of members of Board of Directors and selecting new members on 28 April 2015 in the Public Disclosure Platform (KAP). Within the context of share purchase agreement, 22 May 2015 date was defined as share transfer date and the share transfer was carried out on this date and processed to the Parent Bank’s share ledger.

As a result of acquisition of shares representing 75.50% of Tekstil Bankası A.Ş. which was owned by GSD Holding A.Ş., an obligation occurs to propose take-over bids in order to purchase the shares of other shareholders in accordance with the provision of Article 11 of Take-Over Bids Communiqué numbered Serial II. 26.1 of Capital Markets Board of Turkey related to mandatory bid. In this context, share ownership of ICBC in the Parent Bank has risen to 92.82% from 75.50% as a result of mandatory bid call transactions ending as at 14 August 2015 realized in accordance with the Take-Over Bids Communiqué numbered Serial II. 26.1 by ICBC which is controlling shareholder of the Parent Bank.

In accordance with the decision of the general extraordinary meeting of the Bank dated 9 February 2018, the Bank’s capital has decided to increase and the decision was registered by İstanbul Trade Registry Office at 29 June 2017. At this content, the Bank’s capital has increased in cash amounting to TL 440,000 from TL 420,000 to TL 860,000 and the whole increase was made in cash. With this increase, ICBC’s shareholding ratio at the Bank has increased from 92.82% to 92.84%.

The shares, except for the shares owned by ICBC, are traded at Istanbul Stock Exchange (BIST).

In the context of the decision taken at the Extraordinary General Meeting on 5 November 2015, the Parent Bank’s trade title has been changed and registered as ICBC Turkey Bank A.Ş. at the Trade Registry Gazette on 13 November 2015.

ICBC TURKEY BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

III. Information related to president and members of the Board of Directors, audit committee members, general manager and executive vice presidents, and if exists, changes in these positions and Parent Bank's shares they hold

Title	Name	Job Description	Education
Chairman of the Board of Directors:	Xiangyang Gao	Chairman of the Board of Directors	Graduate
Chairman of the Audit Committee:	Peiguo Liu	Chairman of the Audit Committee and Member of the Board of Directors	Graduate
Member of the Audit Committee:	Ying Wang	Audit Committee Member and Independent Member of the Board of Directors	Graduate
Member of the Board of Directors:	Shaoxiong Xie	General Manager and Member of the Board of Directors	Graduate
	Jianfeng Zheng	Member of the Board of Directors	Graduate
	Serhat Yanik	Independent Member of the Board of Directors	Doctorate
General Manager:	Shaoxiong Xie	General Manager and Member of the Board of Directors	Graduate
Assistant General Managers:	Jinhong Li (*)	Deputy General Manager – Credit Collection Legal Affairs, Operations and Operation Center	Graduate
	Hüseyin H. İmece (**)	Deputy General Manager - Financial Control and Accounting Department, Asset and Liability Department, Economic Research Department	Under-Graduate
	Bozok Evrenosoğlu	Assistant General Manager	Under-Graduate
	D.Halit Döver (***)	International Business Department, Financial Institutions Department, Financial Market Department and Corporate Banking Department	Graduate
	Kadir Karakurum (****)	Digital Banking Department, Financial Technology Department, Technology Center, Administrative Affairs Center, Public Relations and Advertisement Unit of Executive Office	Graduate
Head of the Board of Inspectors:	Selçuk İçten (*****)	President of Inspection Board	Under-Graduate

(*) As of 16 April 2020, Jinhong Li who was in charge of Financial Affairs and Legal Department, has been appointed as Assistant General Manager responsible for Credit Allocation Department, Legal Affairs Department, Operations Department and Operation Center.

(**) As of 16 April 2020, Hüseyin H. İmece who was in charge of Treasury and Investment Relations Group, has been appointed as Assistant General Manager responsible for Asset and Liability Department, Economy Research Department and Financial Control and Accounting Department.

(***) As of 16 April 2020, D. Halit Döver who was in charge of International Relations Group, has been appointed as Assistant General Manager responsible for International Business Department, Financial Institutions Department, Financial Market Department and Corporate Banking Department.

(****) As of 16 April 2020, Kadir Karakurum who was in charge of Retail Banking Group, has been appointed as Assistant General Manager responsible for Digital Banking Department, Financial Technology Department, Technology Center, Administrative Affairs Center, Public Relations and Advertisement Unit of Executive Office.

(*****) As of 3 April 2020, Celal Efe Şeran, who served as the President of the Inspection Board left his position and as of 6 April 2020, Selçuk İçten, who was in charge of the Operations Management Department as Managing Director, has been appointed to the President of the Inspection Board.

The aforementioned persons do not have any shares in the Parent Bank.

IV. Type of services provided and the areas of operations of the Parent Bank

The operations of the Parent Bank consist of corporate and commercial banking services, fund management transactions (foreign currency, money market and securities trading), international banking services, retail banking services and credit card business. The Parent Bank also operates, through its branches, as insurance agent of Sompō Japan Sigorta A.Ş., Vakıf Emeklilik A.Ş., Fiba Emeklilik ve Hayat A.Ş., HDI Sigorta A.Ş. and Axa Sigorta A.Ş.

As at 31 March 2020, the Parent Bank has 40 branches close to industrial zones of Turkey. The Parent Bank has 727 employees as at 31 March 2020 (As at 31 December 2019 number of branches was 43, number of employees was 731).

The Parent Bank and its subsidiary, ICBC Turkey Yatırım Menkul Değerler A.Ş. have been consolidated. As at 31 March 2020, ICBC Portföy Yönetimi A.Ş. has been consolidated in ICBC Yatırım by full consolidation method. "ICBC Yatırım", the consolidated subsidiary of the Parent Bank, represents ICBC Portföy and ICBC Yatırım as a whole. The Parent Bank and its subsidiary are referred to as "the Group" as a whole.

ICBC TURKEY BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated)

V. Differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards and short explanation about the institutions subject to line-by-line method or proportional consolidation and institutions which are deducted from equity or not included in these three methods

There is no difference for the Parent Bank regarding consolidation methods between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards (TAS). Information about consolidated subsidiaries and explanation about consolidation methods are disclosed on Section Three, Footnote III.

VI. The existing or potential, actual or legal obstacle on the transfer of shareholders’ equity between the Parent Bank and its subsidiaries or the reimbursement of liabilities

None.

VII. Other information

Bank’s Official Title	: ICBC Turkey Bank A.Ş. (Formerly named as Tekstil Bankası A.Ş.)
Reporting Period	: 1 January – 31 March 2020
Address of Bank’s Headquarters	: Maslak Mah. Dereboyu/2 Caddesi No:13 34398 Sarıyer - İstanbul
Telephone number	: (0212) 335 53 35
Fax number	: (0212) 328 13 28
Bank’s Internet Address	: www.icbc.com.tr
Reporting Currency	: Thousands of Turkish Lira

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

- I. Consolidated balance sheet (statement of financial position)
- II. Consolidated statement of off-balance sheet items
- III. Consolidated statement of profit or loss
- IV. Consolidated statement of profit or loss and other comprehensive income
- V. Consolidated statement of changes in shareholders' equity
- VI. Consolidated statement of cash flows

ICBC TURKEY BANK A.Ş.

**CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
FOR THE INTERIM PERIOD ENDED 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

ASSETS	Footnotes (Section Five)	THOUSANDS OF TURKISH LIRA					
		Reviewed CURRENT PERIOD 31/03/2020			Audited PRIOR PERIOD 31/12/2019		
		TL	FC	Total	TL	FC	Total
I. FINANCIAL ASSETS (Net)		1,415,796	7,207,602	8,623,398	1,602,486	4,777,063	6,379,549
1.1 Cash and Cash Equivalents		661,535	6,328,551	6,990,086	796,812	3,761,749	4,558,561
1.1.1 Cash and Balances at Central Bank	(5.1.1)	284,109	2,046,134	2,330,243	135,417	1,938,038	2,073,455
1.1.2 Banks	(5.1.3)	1,817	4,291,875	4,293,692	1,115	1,836,919	1,838,034
1.1.3 Receivables from Money Markets		376,878	-	376,878	662,583	-	662,583
1.1.4 Expected Loss Provisions (-)		1,269	9,458	10,727	2,303	13,208	15,511
1.2 Financial Assets at Fair Value Through Profit or Loss		24,871	-	24,871	16,613	-	16,613
1.2.1 Public Debt Securities		-	-	-	-	-	-
1.2.2 Equity Securities		32	-	32	39	-	39
1.2.3 Other Financial Assets		24,839	-	24,839	16,574	-	16,574
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	(5.1.4)	723,742	862,858	1,586,600	788,543	1,015,163	1,803,706
1.3.1 Public Debt Securities		723,742	567,428	1,291,170	788,543	531,683	1,320,226
1.3.2 Equity Securities		-	9,460	9,460	-	10,057	10,057
1.3.3 Other Financial Assets		-	285,970	285,970	-	473,423	473,423
1.4 Derivative Financial Assets	(5.1.2)	5,648	16,193	21,841	518	151	669
1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss		5,648	16,193	21,841	518	151	669
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
II. FINANCIAL ASSETS MEASURED AT AMORTISED COST (Net)		2,520,082	9,434,400	11,954,482	2,420,593	9,394,621	11,815,214
2.1 Loans	(5.1.5)	2,010,202	6,261,021	8,271,223	2,090,009	7,042,420	9,132,429
2.2 Receivables from Leasing Transactions	(5.1.10)	-	-	-	-	-	-
2.3 Factoring Receivables		-	-	-	-	-	-
2.4 Other Financial Assets Measured at Amortised Cost	(5.1.6)	546,287	3,322,027	3,868,314	454,464	2,436,763	2,891,227
2.4.1 Public Debt Securities		546,287	2,277,720	2,824,007	454,464	1,491,780	1,946,244
2.4.2 Other Financial Assets		-	1,044,307	1,044,307	-	944,983	944,983
2.5 Allowance for Expected Credit Losses (-)		36,407	148,648	185,055	123,880	84,562	208,442
III. NON-CURRENT ASSETS OR DISPOSAL GROUPS "HELD FOR SALE" AND RELATED TO DISCONTINUED OPERATIONS (Net)	(5.1.14)	-	-	-	-	-	-
3.1 Held for Sale		-	-	-	-	-	-
3.2 Held from Discontinued Operations		-	-	-	-	-	-
IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		-	-	-	-	-	-
4.1 Investments in Associates (Net)	(5.1.7)	-	-	-	-	-	-
4.1.1 Associates Accounted by Using Equity Method		-	-	-	-	-	-
4.1.2 Non-Consolidated Associates		-	-	-	-	-	-
4.2 Investments in Subsidiaries (Net)	(5.1.8)	-	-	-	-	-	-
4.2.1 Non-Consolidated Financial Subsidiaries		-	-	-	-	-	-
4.2.2 Non-Consolidated Non-Financial Subsidiaries		-	-	-	-	-	-
4.3 Jointly Controlled Partnership (Joint Ventures) (Net)	(5.1.9)	-	-	-	-	-	-
4.3.1 Jointly Controlled Partnerships Accounted by Using Equity Method		-	-	-	-	-	-
4.3.2 Non-Consolidated Jointly Controlled Partnerships		-	-	-	-	-	-
V. TANGIBLE ASSETS (Net)		118,553	-	118,553	118,559	-	118,559
VI. INTANGIBLE ASSETS (Net)		7,523	-	7,523	8,194	-	8,194
6.1 Goodwill		-	-	-	-	-	-
6.2 Others		7,523	-	7,523	8,194	-	8,194
VII. INVESTMENT PROPERTIES (Net)	(5.1.12)	-	-	-	-	-	-
VIII. CURRENT TAX ASSETS		236	-	236	215	-	215
IX. DEFERRED TAX ASSETS	(5.1.13)	56,279	-	56,279	30,918	-	30,918
X. OTHER ASSETS (Net)	(5.1.15)	58,629	12,234	70,863	35,961	2,871	38,832
TOTAL ASSETS		4,177,098	16,654,236	20,831,334	4,216,926	14,174,555	18,391,481

The accompanying notes are an integral part of these consolidated financial statements.

ICBC TURKEY BANK A.Ş.

**CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
FOR THE INTERIM PERIOD ENDED 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated)

EQUITY AND LIABILITIES		Footnotes (Section Five)	THOUSANDS OF TURKISH LIRA					
			Reviewed CURRENT PERIOD 31/03/2020			Audited PRIOR PERIOD 31/12/2019		
			TL	FC	Total	TL	FC	Total
I.	DEPOSIT	(5.II.1)	2,082,691	7,590,302	9,672,993	2,981,092	6,985,670	9,966,762
II.	FUNDS BORROWED	(5.II.3)	4,880	6,205,052	6,209,932	2,052	4,235,955	4,238,007
III.	MONEY MARKET FUNDS		21,075	365,310	386,385	18,841	-	18,841
IV.	MARKETABLE SECURITIES (Net)		-	-	-	-	-	-
4.1	Bills		-	-	-	-	-	-
4.2	Asset Backed Securities		-	-	-	-	-	-
4.3	Bonds		-	-	-	-	-	-
V.	FUNDS		-	-	-	-	-	-
5.1	Borrowers' Funds		-	-	-	-	-	-
5.2	Other		-	-	-	-	-	-
VI.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VII.	DERIVATIVE FINANCIAL LIABILITIES	(5.II.2)	4,407	6,600	11,007	66	3,864	3,930
7.1	Derivative Financial Liabilities at Fair Value Through Profit or Loss		4,407	6,600	11,007	66	3,864	3,930
7.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
VIII.	FACTORING PAYABLES		-	-	-	-	-	-
IX.	LEASE PAYABLES (Net)	(5.II.5)	82,447	-	82,447	82,288	-	82,288
X.	PROVISIONS	(5.II.7)	87,804	31,577	119,381	95,096	36,053	131,149
10.1	Provision for Restructuring		-	-	-	-	-	-
10.2	Reserves for Employee Benefits		23,324	-	23,324	20,975	-	20,975
10.3	Insurance Technical Reserves (Net)		-	-	-	-	-	-
10.4	Other Provisions		64,480	31,577	96,057	74,121	36,053	110,174
XI.	CURRENT TAX LIABILITIES	(5.II.8)	49,023	-	49,023	23,915	-	23,915
XII.	DEFERRED TAX LIABILITIES		-	-	-	-	-	-
XIII.	LIABILITIES RELATED TO NON-CURRENT ASSETS “HELD FOR SALE” AND “DISCONTINUED OPERATIONS” (Net)	(5.II.9)	-	-	-	-	-	-
13.1	Held for Sale		-	-	-	-	-	-
13.2	Related to Discontinued Operations		-	-	-	-	-	-
XIV.	SUBORDINATED DEBT	(5.II.10)	-	1,973,256	1,973,256	-	1,782,420	1,782,420
14.1	Loans		-	1,973,256	1,973,256	-	1,782,420	1,782,420
14.2	Other Debt Instruments		-	-	-	-	-	-
XV.	OTHER LIABILITIES	(5.II.4)	208,560	728,740	937,300	108,595	706,262	814,857
XVI.	SHAREHOLDERS' EQUITY	(5.II.11)	1,415,746	(26,136)	1,389,610	1,321,997	7,315	1,329,312
16.1	Paid-in Capital		860,000	-	860,000	860,000	-	860,000
16.2	Capital Reserves		(587)	-	(587)	(587)	-	(587)
16.2.1	Equity Share Premiums		(587)	-	(587)	(587)	-	(587)
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Other Capital Reserves		-	-	-	-	-	-
16.3	Other Accumulated Comprehensive Income that will not be Reclassified in Profit or Loss		16,310	-	16,310	16,310	-	16,310
16.4	Other Accumulated Comprehensive Income that will be Reclassified in Profit or Loss		(4,588)	(26,136)	(30,724)	(2,733)	7,315	4,582
16.5	Profit Reserves		402,700	-	402,700	328,778	-	328,778
16.5.1	Legal Reserves		22,538	-	22,538	18,842	-	18,842
16.5.2	Statutory Reserves		-	-	-	-	-	-
16.5.3	Extraordinary Reserves		322,099	-	322,099	252,570	-	252,570
16.5.4	Other Profit Reserves		58,063	-	58,063	57,366	-	57,366
16.6	Profit or Loss		141,911	-	141,911	120,229	-	120,229
16.6.1	Prior Years' Profit or Loss		46,307	-	46,307	48,719	-	48,719
16.6.2	Current Period Net Profit or Loss		95,604	-	95,604	71,510	-	71,510
16.7	Minority Shares		-	-	-	-	-	-
	TOTAL LIABILITIES		3,956,633	16,874,701	20,831,334	4,633,942	13,757,539	18,391,481

The accompanying notes are an integral part of these consolidated financial statements.

ICBC TURKEY BANK A.Ş.

**CONSOLIDATED OFF-BALANCE SHEET ITEMS
FOR THE INTERIM PERIOD ENDED 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated)

	Footnotes (Section Five)	THOUSANDS OF TURKISH LIRA					
		Reviewed CURRENT PERIOD 31/03/2020			Audited PRIOR PERIOD 31/12/2019		
		TL	FC	Total	TL	FC	Total
A. OFF BALANCE SHEET COMMITMENTS (I+II+III)		1,154,093	9,490,866	10,644,959	1,118,031	8,180,953	9,298,984
I. GUARANTEES AND WARRANTIES	(5.III.1)	751,205	6,917,070	7,668,275	572,605	6,614,803	6,987,408
1.1. Letters of Guarantee		751,205	1,818,301	2,569,506	572,605	1,700,759	2,273,364
1.1.1. Guarantees Subject to State Tender Law		-	-	-	-	-	-
1.1.2. Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3. Other Letters of Guarantee		751,205	1,818,301	2,569,506	572,605	1,700,759	2,273,364
1.2. Bank Acceptances		-	-	-	-	-	-
1.2.1. Import Letter of Acceptance		-	-	-	-	-	-
1.2.2. Other Bank Acceptances		-	-	-	-	-	-
1.3. Letters of Credit		-	271,076	271,076	-	294,068	294,068
1.3.1. Documentary Letters of Credit		-	177,105	177,105	-	104,396	104,396
1.3.2. Other Letters of Credit		-	93,971	93,971	-	189,672	189,672
1.4. Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2. Other Endorsements		-	-	-	-	-	-
1.6. Purchase Guarantees for Securities Issued		-	-	-	-	-	-
1.7. Factoring Guarantees		-	-	-	-	-	-
1.8. Other Guarantees		-	4,827,693	4,827,693	-	4,419,976	4,419,976
1.9. Other Warranties		-	-	-	-	-	-
II. COMMITMENTS	(5.III.1)	127,687	37,755	165,442	121,766	12,185	133,951
2.1. Irrevocable Commitments		127,687	37,755	165,442	121,766	12,185	133,951
2.1.1. Asset Purchase and Sales Commitments		7,823	37,755	45,578	2,975	12,185	15,160
2.1.2. Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3. Share Capital Commitment to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4. Loan Granting Commitments		29,387	-	29,387	30,415	-	30,415
2.1.5. Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6. Commitments for Reserve Requirements		-	-	-	-	-	-
2.1.7. Commitments for Checks Payments		6,806	-	6,806	6,989	-	6,989
2.1.8. Tax and Fund Liabilities from Export Commitments		6	-	6	9	-	9
2.1.9. Commitments for Credit Expenditure Limits		83,217	-	83,217	80,622	-	80,622
2.1.10. Commitments for Credit Cards and Banking Services Promotions		192	-	192	192	-	192
2.1.11. Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12. Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.13. Other Irrevocable Commitments		256	-	256	564	-	564
2.2. Revocable Commitments		-	-	-	-	-	-
2.2.1. Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2. Other Revocable Commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		275,201	2,536,041	2,811,242	423,660	1,753,965	2,177,625
3.1. Derivative Financial Instruments Held for Hedging		-	-	-	-	-	-
3.1.1. Fair Value Hedges		-	-	-	-	-	-
3.1.2. Cash Flow Hedges		-	-	-	-	-	-
3.1.3. Hedges For Investment Made in Foreign Countries		-	-	-	-	-	-
3.2. Trading Transactions		275,201	2,536,041	2,811,242	423,660	1,753,965	2,177,625
3.2.1. Forward Foreign Currency Purchase and Sale Transactions		137,986	147,294	285,280	271,470	308,806	580,276
3.2.1.1. Forward Foreign Currency Purchase Transactions		68,791	74,024	142,815	270,804	19,763	290,567
3.2.1.2. Forward Foreign Currency Sale Transactions		69,195	73,270	142,465	666	289,043	289,709
3.2.2. Currency and Interest Rate Swaps		135,833	2,380,862	2,516,695	148,780	1,439,378	1,588,158
3.2.2.1. Currency Swap Purchase Transactions		-	1,264,764	1,264,764	148,780	643,754	792,534
3.2.2.2. Currency Swap Sale Transactions		135,833	1,116,098	1,251,931	-	795,624	795,624
3.2.2.3. Interest Rate Swap Purchase Transactions		-	-	-	-	-	-
3.2.2.4. Interest Rate Swap Sale Transactions		-	-	-	-	-	-
3.2.3. Currency, Interest Rate and Securities Options		1,382	7,885	9,267	3,410	5,781	9,191
3.2.3.1. Currency Purchase Options		-	4,649	4,649	1,709	2,900	4,609
3.2.3.2. Currency Sale Options		1,382	3,236	4,618	1,701	2,881	4,582
3.2.3.3. Interest Rate Purchase Options		-	-	-	-	-	-
3.2.3.4. Interest Rate Sale Options		-	-	-	-	-	-
3.2.3.5. Securities Purchase Options		-	-	-	-	-	-
3.2.3.6. Securities Sale Options		-	-	-	-	-	-
3.2.4. Currency Futures		-	-	-	-	-	-
3.2.4.1. Currency Purchase Futures		-	-	-	-	-	-
3.2.4.2. Currency Sale Futures		-	-	-	-	-	-
3.2.5. Interest Rate Futures		-	-	-	-	-	-
3.2.5.1. Interest Rate Purchase Futures		-	-	-	-	-	-
3.2.5.2. Interest Rate Sale Futures		-	-	-	-	-	-
3.2.6. Other		-	-	-	-	-	-
B. CUSTODY AND PLEDGED SECURITIES (IV+V+VI)		12,967,295	33,950,041	46,917,336	13,436,713	29,456,396	42,893,109
IV. ITEMS HELD IN CUSTODY		5,282,121	5,005,629	10,287,750	5,418,774	4,641,317	10,060,091
4.1. Assets Under Management		-	-	-	-	-	-
4.2. Securities Held in Custody		1,518,974	20,679	1,539,653	1,546,929	18,892	1,565,821
4.3. Checks Received for Collection		39,546	10,219	49,765	28,928	12,131	41,059
4.4. Commercial Notes Received for Collection		5,221	9,163	14,384	6,879	7,170	14,049
4.5. Other Assets Received for Collection		-	-	-	-	-	-
4.6. Securities Received for Public Offering		-	-	-	-	-	-
4.7. Other Items Under Custody		3,715,895	4,963,535	8,679,430	3,831,407	4,602,827	8,434,234
4.8. Custodians		2,485	2,033	4,518	4,631	297	4,928
V. PLEDGED ITEMS		7,685,174	28,944,412	36,629,586	8,017,939	24,815,079	32,833,018
5.1. Marketable Securities		7,315	-	7,315	11,097	-	11,097
5.2. Guarantee Notes		921	65	986	921	59	980
5.3. Commodity		45,163	59,600	104,763	65,573	61,140	126,713
5.4. Warrant		-	-	-	-	-	-
5.5. Immovables		2,960,019	17,788,161	20,748,180	3,179,455	15,502,429	18,681,884
5.6. Other Pledged Items		4,671,756	11,096,586	15,768,342	4,760,893	9,251,451	14,012,344
5.7. Depositories Receiving Pledged Items		-	-	-	-	-	-
VI. ACCEPTED GUARANTEES AND WARRANTIES		-	-	-	-	-	-
TOTAL OFF BALANCE SHEET ITEMS (A+B)		14,121,388	43,440,907	57,562,295	14,554,744	37,637,349	52,192,093

The accompanying notes are an integral part of these consolidated financial statements.

ICBC TURKEY BANK A.Ş.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE INTERIM PERIOD ENDED 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated)

INCOME STATEMENT	Footnotes (Section Five)	THOUSAND OF TURKISH LIRA	
		Reviewed CURRENT PERIOD (01/01/2020 - 31/03/2020)	Reviewed PRIOR PERIOD (01/01/2019 - 31/03/2019)
I. INTEREST INCOME	(5.IV.1)	274,184	335,749
1.1 Interest on Loans		144,289	213,493
1.2 Interest Received from Reserve Deposits		-	10,179
1.3 Interest Received from Banks		20,498	20,840
1.4 Interest Received from Money Market Transactions		530	16,675
1.5 Interest Received from Marketable Securities Portfolio		89,639	43,781
1.5.1 Financial Assets at Fair Value Through Profit or Loss		-	-
1.5.2 Financial Assets at Fair Value Through Other Comprehensive Income		30,272	13,688
1.5.3 Financial Assets Measured at Amortised Cost		59,367	30,093
1.6 Finance Lease Interest Income		-	-
1.7 Other Interest Income		19,228	30,781
II. INTEREST EXPENSES	(5.IV.2)	151,161	232,663
2.1 Interest on Deposits		80,764	156,095
2.2 Interest on Funds Borrowed		59,948	68,123
2.3 Interest on Money Market Transactions		1,180	5,071
2.4 Interest on Securities Issued		-	-
2.5 Finance Lease Interest Expense		3,469	3,168
2.6 Other Interest Expenses		5,800	206
III. NET INTEREST INCOME/EXPENSE (I - II)		123,023	103,086
IV. NET FEES AND COMMISSIONS INCOME/EXPENSES		23,933	23,377
4.1 Fees and Commissions Received		27,244	24,715
4.1.1 Non-Cash Loans		4,161	3,993
4.1.2 Other		23,083	20,722
4.2 Fees and Commissions Paid		3,311	1,338
4.2.1 Non-Cash Loans		6	5
4.2.2 Other		3,305	1,333
V. DIVIDEND INCOME		-	-
VI. TRADING PROFIT/LOSS (Net)	(5.IV.3)	31,116	13,825
6.1 Profit/Losses from Capital Market Transactions		4,461	3,213
6.2 Profit/Losses from Derivative Financial Transactions		11,279	5,750
6.3 Foreign Exchange Profit/Losses		15,376	4,862
VII. OTHER OPERATING INCOME	(5.IV.4)	108,607	29,219
VIII. GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII+VIII)	(5.IV.5)	286,679	169,507
IX. ALLOWANCES FOR EXPECTED CREDIT LOSSES (-)	(5.IV.5)	55,819	35,378
X. OTHER PROVISION EXPENSES (-)	(5.IV.5)	4,070	272
XI. PERSONNEL EXPENSES (-)		69,101	49,306
XII. OTHER OPERATING EXPENSES (-)	(5.IV.6)	45,325	31,144
XIII. NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)		112,364	53,407
XIV. SURPLUS WRITTEN AS GAIN AFTER MERGER		-	-
XV. PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES		-	-
XVI. NET MONETARY POSITION GAIN / LOSS		-	-
XVII. PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XIII+XIV+XV+XVI)	(5.IV.7)	112,364	53,407
XVIII. PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	(5.IV.8)	16,760	16,510
18.1 Current Tax Provision		33,918	31,896
18.2 Expense Effect of Deferred Tax (+)		278	25,634
18.3 Income Effect of Deferred Tax (-)		(17,436)	(41,020)
XIX. NET PROFIT/(LOSS) FROM CONTINUING OPERATIONS (XVII±XVIII)	(5.IV.9)	95,604	36,897
XX. INCOME FROM DISCONTINUED OPERATIONS		-	-
20.1 Income from Assets Held for Sale		-	-
20.2 Profit from Sale of Associates, Subsidiaries and Joint Ventures		-	-
20.3 Other Income from Discontinued Operations		-	-
XXI. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
21.1 Expenses on Assets Held for Sale		-	-
21.2 Losses from Sale of Associates, Subsidiaries and Joint Ventures		-	-
21.3 Other Expenses from Discontinued Operations		-	-
XXII. PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (±) (XX-XXI)	(5.IV.7)	-	-
XXIII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)	(5.IV.8)	-	-
23.1 Current Tax Provision		-	-
23.2 Expense Effect of Deferred Tax (+)		-	-
23.3 Income Effect of Deferred Tax (-)		-	-
XXIV. CURRENT PERIOD NET PROFIT/(LOSS) (XIX+XXIV)	(5.IV.9)	95,604	36,897
24.1 Group's Profit/Loss		95,604	36,897
24.2 Minority Shares (-)		-	-
Profit/Loss of Per Share (Full TL)		0.0111	0.0043

The accompanying notes are an integral part of these consolidated financial statements.

ICBC TURKEY BANK A.Ş.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE INTERIM PERIOD ENDED 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated)

PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME TABLE		THOUSANDS OF TURKISH LIRA	
		Reviewed CURRENT PERIOD (01/01/2020 - 31/03/2020)	Reviewed PRIOR PERIOD (01/01/2019 - 31/03/2019)
I.	PROFIT (LOSS)	95,604	36,897
II.	OTHER COMPREHENSIVE INCOME	(35,306)	10,417
2.1	Other Comprehensive Income That Will Not Be Reclassified to Profit or Loss	-	(144)
2.1.1	Gains (Losses) on Revaluation of Tangible Assets	-	-
2.1.2	Gains (losses) on Revaluation of Intangible Assets	-	-
2.1.3	Gains (losses) on Remeasurements of Defined Benefit Plans	-	(180)
2.1.4	Other Components of Other Comprehensive Income That Will Not Be Reclassified to Profit Or Loss	-	-
2.1.5	Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss	-	36
2.2	Other Comprehensive Income That Will Be Reclassified to Profit or Loss	(35,306)	10,561
2.2.1	Exchange Differences on Translation	-	-
2.2.2	Valuation and/or Reclassification Profit or Loss from Financial Assets at Fair Value Through Other Comprehensive Income	(43,509)	13,201
2.2.3	Income (Loss) Related with Cash Flow Hedges	-	-
2.2.4	Income (Loss) Related with Hedges of Net Investments in Foreign Operations	-	-
2.2.5	Other Components of Other Comprehensive Income that will be Reclassified to Other Profit or Loss	-	-
2.2.6	Taxes Relating To Components Of Other Comprehensive Income That Will Be Reclassified To Profit Or Loss	8,203	(2,640)
III.	TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)	60,298	47,314

The accompanying notes are an integral part of these consolidated financial statements.

ICBC TURKEY BANK A.Ş.

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE INTERIM PERIOD ENDED 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

	Paid-in Capital	Share Premium	Share Certificate Cancellation Profits	Other Capital Reserves	Other Comprehensive Income/Expense Items not to be Reclassified to Profit or Loss		Other Comprehensive Income/Expense Items to be Reclassified to Profit or Loss		6	Profit Reserves	Prior Period Net Income (loss)	Current Period Net Income (loss)	Total Equity Excluding Minority Shares	Minority Shares	Total Equity	
					1	2	3	4								5
PRIOR PERIOD																
31/03/2019																
I. Balances at Beginning of Period	860,000	(587)	-	-	13,268	(376)	-	-	(83,233)	-	246,680	47,268	83,549	1,166,569	-	1,166,569
II. Adjustments in accordance with TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. New Balance (I+II)	860,000	(587)	-	-	13,268	(376)	-	-	(83,233)	-	246,680	47,268	83,549	1,166,569	-	1,166,569
IV. Total Comprehensive Income	-	-	-	-	-	(144)	-	-	10,561	-	-	-	36,897	47,314	-	47,314
V. Capital Increase in Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase through Internal resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Issued capital/ inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII																
I. Convertible Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase/ (Decrease) through Others Changes, Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	82,098	1,595	(83,549)	144	-	-	144
11.1 Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers legal reserves	-	-	-	-	-	-	-	-	-	82,098	(81,954)	-	144	-	-	144
11.3 Others	-	-	-	-	-	-	-	-	-	-	83,549	(83,549)	-	-	-	-
Balance at the end of period (III+...+X+XI) 31/03/2019	860,000	(587)	-	-	13,268	(520)	-	-	(72,672)	-	328,778	48,863	36,897	1,214,027	-	1,214,027

1. Fixed assets, accumulated revaluation increases / decreases, actuarial gains/losses on remeasurement of defined benefit plans

2. Accumulated recalculation gains / losses of defined benefit plans, exchange differences on translation

3. Other (accumulated amounts of other comprehensive income items that cannot be classified as profit / loss in other comprehensive income of investments accounted for by the equity method and other non-reclassified income as other profit or loss)

4. Foreign currency translation differences,

5. Accumulated revaluation and / or classification gains / losses on financial assets at fair value through profit or loss,

6. Other (Cash flow hedge gains / losses are the accumulated interest in the other comprehensive income of the investments accounted for by the equity method, and the accumulated amounts of other comprehensive income items that will be reclassified to other profit or loss)

The accompanying notes are an integral part of these consolidated financial statements.

ICBC TURKEY BANK A.Ş.

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE INTERIM PERIOD ENDED 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

	Paid-in Capital	Share Premium	Share Certificate Cancellation Profits	Other Capital Reserves	Other Comprehensive Income/Expense Items not to be Reclassified to Profit or Loss			Other Comprehensive Income/Expense Items to be Reclassified to Profit or Loss			Profit Reserves	Prior Period Net Income (loss)	Current Period Net Income (loss)	Total Equity Excluding Minority Shares	Minority Shares	Total Equity
					1	2	3	4	5	6						
CURRENT PERIOD																
31/03/2020																
I. Balances at Beginning of Period	860,000	(587)	-	-	15,094	1,216	-	-	4,582	-	328,778	48,719	71,510	1,329,312	-	1,329,312
II. Adjustments in accordance with TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. New Balance (I+II)	860,000	(587)	-	-	15,094	1,216	-	-	4,582	-	328,778	48,719	71,510	1,329,312	-	1,329,312
IV. Total Comprehensive Income	-	-	-	-	-	-	-	-	(35,306)	-	-	-	95,604	60,298	-	60,298
V. Capital Increase in Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase through Internal resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Issued capital/ inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII																
I. Convertible Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase/ (Decrease) through Others Changes, Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	73,922	(2,412)	(71,510)	-	-	-
11.1 Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers legal reserves	-	-	-	-	-	-	-	-	-	-	73,922	(73,922)	-	-	-	-
11.3 Others	-	-	-	-	-	-	-	-	-	-	-	71,510	(71,510)	-	-	-
Balance at the end of period (III+...+X+XI) 31/03/2020	860,000	(587)	-	-	15,094	1,216	-	-	(30,724)	-	402,700	46,307	95,604	1,389,610	-	1,389,610

1. Fixed assets, accumulated revaluation increases / decreases, actuarial gains/losses on remeasurement of defined benefit plans
2. Accumulated recalculation gains / losses of defined benefit plans, exchange differences on translation
3. Other (accumulated amounts of other comprehensive income items that cannot be classified as profit / loss in other comprehensive income of investments accounted for by the equity method and other non-reclassified income as other profit or loss)
4. Foreign currency translation differences,
5. Accumulated revaluation and / or classification gains / losses on financial assets at fair value through profit or loss,
6. Other (Cash flow hedge gains / losses are the accumulated interest in the other comprehensive income of the investments accounted for by the equity method, and the accumulated amounts of other comprehensive income items that will be reclassified to other profit or loss)

The accompanying notes are an integral part of these consolidated financial statements.

ICBC TURKEY BANK A.Ş.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE INTERIM PERIOD ENDED 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated)

	THOUSANDS OF TURKISH LIRA	
	Review CURRENT PERIOD (01/01/2020 - 31/03/2020)	Review PRIOR PERIOD (01/01/2019 - 31/03/2019)
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating Profit Before Changes in Operating Assets and Liabilities	87,290	223,768
1.1.1 Interest Received	198,886	406,775
1.1.2 Interest Paid	(121,189)	(203,013)
1.1.3 Dividends Received	-	-
1.1.4 Fees And Commissions Received	22,386	22,026
1.1.5 Other Income	135,257	39,331
1.1.6 Collections from Previously Written-Off Loans and Other Receivables	119,276	4,930
1.1.7 Cash Payments to Personnel and Service Suppliers	(67,281)	(48,776)
1.1.8 Taxes Paid	(5,490)	(23,163)
1.1.9 Other	(194,555)	25,658
1.2 Changes in Operating Assets and Liabilities Subject to Banking Operations	2,564,031	1,713,737
1.2.1 Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss	(8,259)	(1,952,969)
1.2.2 Net (Increase) Decrease in Due From Banks	(250,770)	(91,104)
1.2.3 Net (Increase) Decrease in Loans	723,017	(285,512)
1.2.4 Net (Increase) Decrease in Other Assets	(35,646)	(20,953)
1.2.5 Net (Increase) Decrease in Bank Deposits	(24,202)	(612,142)
1.2.6 Net Increase (Decrease) in Other Deposits	(262,353)	2,466,811
1.2.7 Net Increase (Decrease) in Financial Liabilities at Fair Value Through Profit or Loss	-	-
1.2.8 Net Increase (Decrease) in Funds Borrowed	2,302,283	1,401,015
1.2.9 Net Increase (Decrease) in Matured Payables	-	-
1.2.10 Net Increase (Decrease) in Other Liabilities	119,961	808,591
I. Net Cash Provided from Banking Operations	2,651,321	1,937,505
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net Cash Provided from Investing Activities	(650,414)	3,626
2.1 Cash Paid for Purchase of Associates, Subsidiaries and Joint Ventures	-	-
2.2 Cash Obtained From Sale of Associates, Subsidiaries and Joint Ventures	-	-
2.3 Cash Paid For Tangible And Intangible Asset Purchases	70,065	(10,551)
2.4 Cash Obtained from the Sale of Tangible And Intangible Assets	387	435,178
2.5 Cash Paid for Purchase of Financial Assets at Fair Value Through Other Comprehensive Income	(44,365)	(223,141)
2.6 Cash Obtained from Sale of Financial Assets at Fair Value Through Other Comprehensive Income	206,410	-
2.7 Cash Paid for Purchase of Financial Assets Measured at Amortised Cost	(888,750)	(193,183)
2.8 Cash Obtained from Sale of Financial Asset Measured at Amortised Cost	-	-
2.9 Other	5,839	(4,677)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net Cash Provided by / (Used in) Financing Activities	-	-
3.1 Cash Obtained from Funds Borrowed and Securities Issued	-	-
3.2 Cash Outflow Arised from Funds Borrowed and Securities Issued	-	-
3.3 Equity Investments Issued	-	-
3.4 Dividends Paid	-	-
3.5 Payments for Liabilities Leases	-	-
3.6 Other	-	-
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents	175,290	72,918
V. Net Increase/Decrease in Cash and Cash Equivalents (I+II+III+IV)	2,176,197	2,014,049
VI. Cash and Cash Equivalents at the Beginning of the Period	3,866,345	3,854,231
VII. Cash and Cash Equivalents at the End of the Period (V+VI)	6,042,542	5,868,280

The accompanying notes are an integral part of these consolidated financial statements.

ICBC TURKEY BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated)

SECTION THREE ACCOUNTING POLICIES

I. Explanations on the Basis of Presentation

Explanations and disclosures in the financial statements of Bank of Turkey Accounting Standards and Accounting Practices and Retention of Documents Procedures and Principles Regarding the preparation in accordance with Regulation:

The consolidated financial statements are prepared in accordance with the “Banking Regulation and Supervision Agency (“BRSA”) Accounting and Financial Reporting Legislation” which includes the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette No. 26333 dated 1 November 2006, and other regulations on accounting records of banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and requirements of Turkish Financial Reporting Standards (“TFRS”) put into effect by Public Oversight Accounting and Auditing Standards Authority (“POA”) for the matters not regulated by the aforementioned legislations.

Consolidated financial statements have been prepared in TL, under the historical cost convention except for financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and derivative financial assets and liabilities at fair value through profit or loss carried at fair value and revalued buildings.

The preparation of consolidated financial statements in conformity with BRSA Accounting and Financial Reporting regulation requires the use of certain accounting estimates and assumptions by the Parent Bank management to exercise its judgment on the assets and liabilities of the balance sheet and contingent issues as the balance sheet date. These estimates are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are reflected to the statement of profit or loss. Assumptions and estimates that are used in the preparation of the accompanying financial statements are explained in the following related footnotes

Unless stated otherwise, the consolidated financial statements and balances in related disclosures are presented in thousands of Turkish Lira.

Accounting policies and valuation principles used in the preparation of consolidated financial statements are as follows:

Accounting policies and valuation principles adopted when preparing financial statements are in line with the BRSA Accounting and Financial Reporting Legislation.

ICBC TURKEY BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

II. Strategy for the Use of Financial Instruments and the Foreign Currency Operations

Strategy for the use of financial instruments:

The Parent Bank's main area of activities consist corporate, commercial and retail banking, fund management transactions and international banking services. The Parent Bank gives loans mainly to domestic customers by external sources of funds comprised mainly of domestic deposits and foreign borrowings and invests in marketable securities and banks placements to maintain liquidity.

The liability side of the balance sheet is intensively composed of short-term deposits and medium/long term borrowings in line with the general trend in the banking sector. Foreign currency borrowings are predominately floating rate and thus, the Parent Bank aims to minimize the effects of fluctuations in currency and interest rates in the market. Deposits collected are fixed rate and balanced with fixed rate loans and other investments. The fundamental strategy to manage the liquidity risk is to expand the deposit base through customer-oriented banking philosophy, and to increase customer transactions and retention rates. The Parent Bank invests some of its resources to domestic government bonds and short-term placements to reduce liquidity risk.

In order to avoid currency risk, the Parent Bank aims to balance foreign currency assets and liabilities through currency swaps. Currency risk, interest rate risk and liquidity risk are monitored and measured instantly by various risk management systems, and the balance sheet is managed under the limits set by these systems and the limits legally required. Asset-liability management and value at risk models, stress tests and scenario analysis are used for this purpose.

The Parent Bank designates its loan strategy considering international and national economic data and expectations, market conditions, interest, liquidity, currency, credit and other risks. Loan portfolio of the Parent Bank is not concentrated on a specific segment and concentration risk is taken in consideration as much as possible.

Transactions denominated in foreign currencies:

Monetary assets and liabilities denominated in foreign currencies are translated by using currency exchange rates on the balance sheet date. The resulting exchange differences are recorded in the statement of profit or loss as "Foreign Exchange Gain/Loss".

As of 31 March 2020, the US dollar exchange rate used for converting foreign currency transactions into Turkish currency and reflecting these in the financial statements is 6,5160 full TL, the Euro exchange rate is 7,2150 full TL, the British Pound exchange rate is 8.0579 full TL and the Yen exchange rate is 0.0602 full TL.

There is no goodwill amount associated with the Parent Bank's foreign subsidiaries.

III. Explanations on Subsidiaries and Associates

As of 31 March 2020 and 31 December 2019, the Parent Bank has no associates.

On 21 April 2015, Tekstil Portföy Yönetimi A.Ş. was established with TL 2,000,000 - full amount - capital from ICBC Yatırım. On 23 November 2015, the trade name of the company has been changed and registered as ICBC Turkey Portföy Yönetimi A.Ş. (ICBC Portföy). ICBC Portföy is a subsidiary of ICBC Yatırım with 100% partnership and an indirect subsidiary of the Parent Bank. As at 31 December 2018, ICBC Portföy has been consolidated in ICBC Yatırım by full consolidation method. "ICBC Yatırım", the consolidated subsidiary of the Parent Bank, represents ICBC Portföy and ICBC Yatırım as a whole.

ICBC Yatırım, which is financial subsidiary of the Parent Bank is consolidated in the accompanying consolidated financial statements by using full consolidation method as at 31 March 2020 and 31 December 2019.

The Parent Bank and its consolidated subsidiary are referred to as "the Group".

Control is defined as the power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Bank's returns.

The carrying amount of the Parent Bank's investment in its subsidiary and the Parent Bank's portion of equity of its subsidiary are netted off. All intercompany transactions and intercompany balances between the consolidated subsidiary and the Parent Bank are eliminated.

The financial statements, which have been used in the consolidation, are prepared as at 31 March 2020 and appropriate adjustments are made to financial statements to use uniform accounting policies for similar transactions and events in same circumstances. There is no obstacle on the transfer of shareholders' equity between the Parent Bank and its subsidiary or on the reimbursement of liabilities.

ICBC TURKEY BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

IV. Derivative Financial Assets

The derivative transactions of the Group mainly consist of foreign currency swaps, foreign currency options and forward contracts. Spot currency buying-selling transactions and currency swaps with two days value date of the Group are classified under assets purchase and sale commitments.

Derivative instruments are classified as "Derivative Financial Assets Designated at Fair Value Through Profit or Loss" in accordance with TFRS 9. The Parent Bank does not have any embedded derivatives.

The liabilities and receivables arising from the derivative transactions are recorded as off-balance sheet items at their contract values.

The derivative transactions are initially recognized at fair value and measured at fair value subsequent to initial recognition and are presented in the "Derivative Financial Assets Designated at Fair Value Through Profit or Loss" under the "Derivative Financial Assets" or "Derivative Financial Liabilities Designated at Fair Value Through Profit or Loss" under the "Derivative Financial Liabilities" items of the balance sheet depending on the resulting positive or negative amounts of the fair value. Gains and losses arising from a change in the fair value of trading purpose derivatives are recognized in the consolidated statement of profit or loss. Fair values of derivatives are determined using quoted market prices in active markets or using discounted cash flow techniques within current market interest rates.

Fair values of option agreements are calculated using option pricing models and unrealized profit and loss amounts are presented in the statement of profit or loss for the current period.

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host with the effect that some of the cash flows of the combined instrument vary in a way similar to stand alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to contract. A derivative that is attached to a financial instrument but is contractually transferable independently of that instrument, or has a different counterparty, is not an embedded derivative but a separate financial instrument.

V. Interest Income and Expense

Interest income and expenses are accounted for in accordance with the effective interest method in TFRS 9 (the ratio of the future cash flows of the financial asset to the present value of the future cash flows). Interest income and expenses calculated using the internal rate of return method are recognized on an accrual basis. Pursuant to the related legislation, the Parent Bank ceases accrued interest income on non-performing loans and other interest income accruals which are considered as doubtful, and does not record the accruals recorded until that date until the collection is made.

VI. Fees and Commissions

Fees and commissions income and expenses are accounted on accrual or collection basis in accordance with the nature of the transaction. The advance commissions obtained from cash and non-cash loans are allocated to the related periods in accordance with the periodicity principle and recorded as income. Prepaid fees for loans are discounted by using effective interest rate method and recorded as income in the related period due to periodicity principle.

VII. Financial Assets

The Group recognizes its financial assets as "Fair Value through Profit or Loss", "Fair Value through Other Comprehensive Income" or "Measured at Amortized Cost". Such financial assets are recognized or derecognized according to TFRS 9 Financial Instruments. The Group recognizes a financial asset or financial liability on its balance sheet only when it is party to the contractual provisions of the financial lease. The Group derecognizes a financial asset only when the contractual rights to cash flows from the financial asset have expired or the financial assets have been transferred and the conditions for derecognition have been met. A financial liability (or part of a financial liability) is only recognized when the liability has expired; in other words, it is removed from the statement of financial position when the obligation specified in the contract is fulfilled, canceled or time out.

Financial assets are measured at fair value at initial recognition in the financial statements. During the initial recognition of financial assets other than "Financial Assets at Fair Value through Profit or Loss", transaction costs are added to fair value or deducted from fair value.

The Group categorizes its financial assets as "Fair Value through Profit/Loss", "Fair Value through Other Comprehensive Income" or "Measured at Amortized Cost" based on the matters below:

- The business model used by the entity for the management of financial assets,
- Characteristics of contractual cash flows of the financial asset.

ICBC TURKEY BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated)

VII. Explanations on Financial Assets (Continued)

When the business model determined by the Group management is changed, all financial assets affected by this change are reclassified. Reclassification of financial assets is applied prospectively from the date of reclassification. In such cases, there no adjustment to earnings, losses (including impairment gain or loss) or interest received previously in the financial statements is made.

a. Financial Assets at Fair Value Through Profit or Loss:

An asset is measured as financial assets at fair value through profit or loss for which fair values could not be measured at amortized cost or fair value through other comprehensive income. Financial assets valued at fair value through profit or loss are valued at their fair values and gain/loss arising on those assets is recorded in the statement of profit or loss.

b. Financial Assets at Fair Value Through Other Comprehensive Income:

A financial asset is measured at fair value through other comprehensive income when both of the following conditions are met:

- Financial assets within a business model that aim to hold to collect contractual cash flows and aim to hold to sell,
- Financial assets with contractual terms that lead to cash flows are solely payments of principal and interest at certain dates.

Financial assets measured at fair value through other comprehensive income are measured at their fair values subsequently. Unrealized gains or losses arising from changes in the fair value of securities carried at fair value through profit and loss at fair value through profit or loss are expressed in equity as “Other Comprehensive Income That Will Be Reclassified to Profit or Loss”. In case of disposal of marketable securities at fair value through other comprehensive income as a result of fair value application, the value in the shareholders’ equity accounts is reflected to the statement of profit or loss. However, the Bank may prefer the method of reflecting changes in fair value to other comprehensive income is irrevocable for the first time in the financial statements for certain investments in equity instruments measured at fair value through profit or loss under normal circumstances.

c. Financial Assets Measured at Amortized Cost:

A financial asset is measured at amortized cost when both of the following conditions are met:

- Financial assets within a business model that aim to hold to collect contractual cash flows,
- Financial assets with contractual terms that lead to cash flows are solely payments of principal and interest at certain dates.

Subsequent to the initial recognition, financial assets measured at amortized cost are accounted at amortized cost calculated by using the effective interest rate method. Interest income on financial assets measured at amortized cost is recorded as interest income in the statement of profit or loss.

Loans:

Loans are financial assets created by providing money, goods or services to the debtor. Such loans are initially recognized at acquisition cost plus transaction costs presenting their fair value and thereafter measured at amortized cost using the “Effective Interest Rate (internal rate of return) Method”. Charges paid for assets acquired as collateral and other similar expenses are not considered as part of the transaction cost and are reflected in the expense items. All the loans of the Parent Bank are recorded under the “Measured at Amortized Cost” account.

ICBC TURKEY BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated)

VIII. Impairment of Financial Assets

Explanation on Expected Credit Losses

The Parent Bank makes provisions for financial assets measured at fair value through other comprehensive income, assets measured at amortized cost, and expected losses related to non-cash loans and credit commitments. As of 1 January 2018, the Parent Bank recognizes provisions for impairment in accordance with TFRS 9 requirements according to the “Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside” published in the Official Gazette dated 22 June 2016 numbered 29750.

There is no provision for impairment of equity instruments.

The Parent Bank measured the expected credit losses for a financial asset based on the probabilities that are weighted and unbiased by probable outcomes, the time value of money and the estimates of past events, current and future economic conditions that are reasonable, in a way that reflects supportable information.

As of the date of initial recognition, financial assets at are subject to expected loss provision calculation have been followed in accordance with the following three-stage model below:

Stage 1: From initial recognition of a financial asset to the date on which an asset has experienced a significant increase in credit risk relative to its initial recognition, a loss allowance is recognized equal to the credit losses expected to result from its default occurring over the earlier of the next 12 months or its maturity date.

Stage 2: An assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument and measures the provision for impairment on this financial instrument at an amount equal to the lifetime expected credit losses. The purpose of impairment provisions matters are recognizing the risk of default occurring over the remaining life of the financial instrument that credit risk has increased significantly since initial recognition is performed at each reporting period.

Stage 3: When one or more events that negatively affect future estimated cash flows of a financial asset occur, the related financial asset has met with credit-impairment. For these assets, expected lifetime loss of credit is recorded.

Review of the Parent Bank's Business Model:

The Parent Bank classifies its financial assets based on the business model used for the management of financial assets. Based on the determined business model, the Bank evaluates whether the financial assets meet the classification requirements set out in TFRS 9. This assessment requires consideration of all evidence available at the time the assessment was made, including, but not limited to, the following:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Bank management
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed and
- How the additional payments to the Parent Bank management are determined.

Assessment on Contractual Cash Flows Whether Include Only Principal and Interest on Principal Payments are Related to Capital:

The financial asset is classified on the basis of its contractual cash flow characteristics if the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. For this purpose, the Parent Bank determines whether contractual cash flows are solely payments of principal and interest. In assessing whether the contractual cash flows are solely payments of principal and interest, the Parent Bank will consider the consistency of loan agreement. In a basic lending arrangement, consideration for the time value of money and credit risk are typically the most significant elements of interest. In assessing whether the contractual cash flows are solely payments of principal and interest, the Parent Bank will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Parent Bank considers:

- Contingent events that would change the amount and timing of cash flows
- Leverage features
- Prepayment and extension terms
- Terms that limit the Bank’s claim to cash flows from specified assets
- Features that modify consideration for the time value of money

ICBC TURKEY BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated)

IX. Explanations on Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheet only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle the related financial assets and liabilities on a net basis, or realize the asset and settle the liability simultaneously.

Provisions for foreign exchange gain/loss on foreign currency indexed loans are netted with loans on asset side of consolidated balance sheet. Otherwise, the financial assets and liabilities are netted off only when there is a legal right to do so.

X. Explanations on Sale and Repurchase Agreements and Transactions Related to the Lending of Securities

Securities sold under repurchase agreements (“repo”) are classified as “fair value through profit or loss”, “fair value through other comprehensive income” or “financial assets measured at amortized cost” based on the Parent Bank management’s intention and measured with the same valuation principles of the portfolio above. Funds received through repurchase agreements are classified separately under liability accounts and the related interest expenses are accounted on an accrual basis based on the difference between selling and repurchase prices using effective interest rate (internal rate of return) method. Securities purchased under resale agreements (“reverse repo”) are classified under “Receivables from Reverse Repurchase Agreements”. An income accrual using the effective interest rate method is accounted for the positive difference between the purchase and resale prices earned during the period. The Parent Bank does not have any securities related to the lending.

XI. Explanations on Assets Held for Sale and Discontinued Operations and Liabilities Related with These Assets

Assets held for sale consist of assets that have high sales probability, have been planned to be sold, and an active program has been started to complete the plan and determine the buyers. Asset should be marketed the price compatible with fair value. Furthermore, the sales, starting from the day of classifications as held for sale, should be expected to be completed at within a year and the necessary activities should demonstrate that the possibility of having significant change in the plan or the cancellation of the plan is low.

The Group does not have any assets held for sale as of 31 March 2020 (31 December 2019: None).

The Group has no discontinued operations as of 31 March 2020 (31 December 2019: None).

XII. Explanations on Goodwill and Other Intangible Assets

There is no goodwill in the accompanying consolidated financial statements as at 31 March 2020 and 31 December 2019.

Intangible assets are initially recognized at their cost that includes expenditures that are directly attributable to the acquisition of the asset. Intangibles are reflected in the consolidated balance sheet at cost less amortization and any accumulated impairment losses. Intangible assets are subsequently measured at cost less any accumulated depreciation and any accumulated impairment losses.

Intangible assets are amortized on a straight-line basis based on their estimated useful lives. Useful life of an asset is estimated by assessment of the expected life span of the asset and technical and technological wear outs of the asset. The amortization rates used approximate the useful lives of the assets.

XIII. Explanations on Tangible Assets

Tangible assets are initially recognized at their cost that includes expenditures that are directly attributable to the acquisition of the asset. Tangible assets, except buildings as stated below, are reflected in the consolidated financial statements at cost less accumulated depreciation and any accumulated impairment.

Tangible assets are depreciated on a straight-line basis based on the in estimated useful lives. The estimated useful lives are as follows.

Buildings	50 years
Furniture, office machinery and vehicles	3 – 50 years
Leasehold improvements	The shorter of the economic life of lease term

The depreciation of an asset held for a period less than a full financial year is calculated as a proportion of the full year depreciation charge from the date of acquisition to the financial year end.

In cases where the expected future benefits of the assets are less than their “net realizable value”, the book values of such assets are reduced to their “net realizable values” and impairment losses are recorded as expense.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated)

XIII. Explanations on Tangible Assets (Continued)

Gain and losses sourcing from disposal of tangible assets are determined through deduction of net book value from the sales revenue of the related plant, property and equipment.

The regular maintenance and repair expenditures are accounted as expense. The investment expenditures, made to increase the future benefits of the asset by improving the capacity of the asset, are added to the cost of the asset. Investment expenditures comprised of the costs, which increase the useful life of the asset, improve the capacity of the asset, increase the quality or decrease the cost of production.

The Parent Bank applies revaluation model for the buildings as permitted by TAS 16 “Property, Plant and Equipment”. For this purpose, fair values of the buildings are determined by a third party appraiser, which is commissioned by BRSA and Capital Markets Board. The fair value surplus is recognized in “Revaluation Fund on Tangible Assets” within the equity items.

XIV. Explanations on Leasing Activities

The Group has started to apply TFRS 16 Leases standard starting from 1 January 2019.

The Group undertakes leases in the building, vehicle and software asset groups.

As a lessee, the Group has included the right to lease assets and leasing liabilities for most of its leases in accordance with TFRS 16, even though the Group has previously been classified as operating or financial leasing based on the assessment of whether all the risks and rewards of ownership of the asset have been transferred or not. In other words, these leases are presented in the statement of financial position. The Group classifies the right of use assets in classes of tangible assets and intangible assets that are of the same nature as their assets.

The Group takes into the financial statements the right of use and the obligation of the lessee on the date of the lease start. Tenure asset is initially measured at cost and subsequently accumulated depreciation and accumulated impairment losses deducted and the restated cost of the lessor's liability. Properties which are accounted for as right of use are subject to depreciation and related depreciation standards are used for TAS 16 “Property, Plant and Equipment” and TAS 38 “Intangible Assets”. TAS 36 “Impairment of Assets” standard is applied to determine whether the immovable properties have been impaired and to account for impairment.

At the date of the effective date of the lease, the lease liability is measured at the present value of the lease payments not paid at that date. If the interest rate on the lease is easily determined, this rate is discounted using the Group's alternative borrowing interest rate. In general, the Group used the alternative borrowing interest rate as the discount rate.

XV. Explanations on Provisions and Contingent Liabilities

Provisions and contingent liabilities are accounted in accordance with the “Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets” (“TAS 37”).

Provisions are accounted for immediately when obligations arise as a result of past events and a reliable estimate of the obligation is made by the Parent Bank management. Whenever the amount of such obligations cannot be measured, they are regarded as “Contingent”. If the possibility of an outflow of resources embodying economic benefits becomes probable and the amount of the obligation can be measured with sufficient reliability, a provision is recognized. A provision for contingent liabilities arising from past events should be recognized in the same period of occurrence in accordance with the periodicity principle. If the amount of the obligation cannot be measured with sufficient reliability or the possibility of an outflow of resources embodying economic benefits is remote, such liabilities are disclosed in the notes to the consolidated financial statements.

XVI. Explanations on Contingent Assets

The contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Group. Since recognizing the contingent assets in the financial statements may result in the accounting of an income, which will never be generated, the related assets are not included in the financial statements. If an inflow of economic benefits has become probable, then the contingent asset is disclosed in the notes to the consolidated financial statements. Developments related to the contingent assets are constantly evaluated to be reflected rightly in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements of the period in which the change occurs.

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XVII. Explanations on Obligations Related to Employee Rights

Obligations related to employment termination and vacation rights "Turkey Accounting Standards Regarding Employee Benefits" ("IAS 19") are accounted for in accordance with the provisions.

Under the Turkish Labor Law, the Bank and its subsidiaries operating in Turkey are required to pay a specific amount to the employees who have retired or whose employment is terminated other than the reasons specified in the Turkish Labor Law. According to the related regulation, the Bank is obliged to pay termination benefits for employees who retire, quit for their military service obligations, who have been dismissed as defined in the related regulation or who have completed at least one year of service. The reserve for employment termination benefits represents the present value of the estimated total reserve for the future probable obligation of the Group arising from this liability.

XVIII. Explanations on Taxation

a. Current tax:

While the corporate tax rate was at the rate of 20% since 1 January 2006, for all companies, such rate has been set as 22% for the tax bases of the years 2019, 2020 and 2021 based on the legislation of the Amendment on Certain Tax Laws and Other Laws no. 7061. Furthermore, the Council of Ministers has been authorized to reduce the rate of 22% down to 20%.

This rate is applied to tax base which is calculated by adding certain non-deductible expenses for tax purposes and deducting certain exemptions (like dividend income) and other deductions on accounting income. If there is no dividend distribution, no further tax charges are made.

Dividends paid to the resident institutions and the institutions working through local offices or representatives in Turkey are not subject to withholding tax. Accordingly, the withholding tax rate on the dividend payments other than the ones paid to the non-resident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions is 15%. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

In accordance with the tax legislation, corporate taxes are paid in advance based on the tax base calculated on the quarterly earnings of the companies at the rate of 20%. These payments can be deducted from the annual corporate tax calculated for the whole year earnings. Such taxes paid in advance are deducted from the final corporate tax liability.

In accordance with the Turkish tax legislation, the tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns with their tax offices by the end of 25th of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

b. Deferred Tax:

In accordance with TAS 12 "Income Taxes", the Group accounts for deferred taxes based on the tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are based on tax rates that have been enacted at the balance sheet date.

If transactions and other occurrences are accounted at profit or loss; tax effects which are related to these transactions and other occurrences are also accounted at profit or loss. If transactions and other occurrences are directly accounted at equity balances; tax effects which are related to these transactions and other occurrences are also accounted at equity accounts. Tax provision of items that are directly related to equity is offset with related equity accounts.

Deferred tax liabilities are recognized for all deductible temporary differences, however deferred tax assets composed of deductible temporary differences and tax losses are accounted with considering that it is probable that taxable profit will be available and such deductible temporary differences and tax losses can be utilized.

Deferred tax assets and liabilities of the Parent Bank have been offset in the Parent Bank's financial statements. Net deferred tax assets or liabilities of the entities in the Group which are calculated individually have not been offset.

The Group has calculated deferred tax based on the principles above and reflected to the consolidated financial statements.

c. Transfer Pricing:

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via Transfer Pricing, dated 18 November 2007 sets details about implementation.

If a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

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XVIII. Explanations on Tax Applications (Continued)

c. Transfer Pricing (Continued)

Corporate tax payers required in “section 7.1 annual documentation” part of related communiqué, have to fill the “form relating to transfer pricing, controlled foreign companies and thin capitalization” as associated with purchasing and selling goods or services with related parties in an accounting period and send it to the tax office submitted as an appendix to the corporate tax return.

XIX. Additional Explanations on Borrowings

Financial liabilities held for trading and negative value of derivative instruments are carried at fair value and all other financial liabilities are carried at amortized cost using effective interest rate method.

XX. Explanations on Issued Stock

There is no issued stock in the current period.

XXI. Explanations on Acceptances

Acceptances are realized simultaneously with the customer payments and recorded in off-balance sheet accounts, if any.

XXII. Explanations on Government Grants

As at 31 March 2020 and 31 December 2019, the Group does not have any government grants.

XXIII. Profit Reserves and Profit Distribution

Retained earnings at statutory books are allowed for distribution except for the following clause on legal reserves.

The legal reserves consist of first and second reserves, in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profit at the rate of 5% until the total reserve reaches a maximum of 20% of the Company’s paid-in capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Company’s share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital.

At the Ordinary General Assembly Meeting of the Parent Bank held on 27 March 2020, it was decided to allocated legal reserves amounting TL 2,043 at the rate of 5% from the TL 40,869, which constitutes the net profit after the net tax, in accordance with Article 519/1 of the TCC. It was also decided to transfer TL 697 to special reserves account as sales income exempted from tax, that is under equity according to paragraph 1/e of the article 5 of the Corporate Tax Law no. 5520, which was recorded as real estate revenue under equity in the prior periods according to Turkish Accounting Standards (TAS), and the remaining TL 38,129 to extraordinary reserves.

XXIV. Related Parties

For the purpose of the consolidated financial statements, shareholders, members of board of directors, related companies managed by their own and families, associates and jointly controlled entities are accepted as related party in accordance with the article 49 of the Banking Law No.5411. Transactions regarding related parties are presented in footnote VII of Section Five.

XXV. Cash and Cash Equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise cash and balances with central banks, deposits with banks and other financial institutions, other money market placements with an original maturity of nine months or less and receivables from reverse repo. The reserve requirements blocked at the Central Bank of Turkey are not recognized as “cash equivalent assets” in the statement of cash flows.

XXVI. Explanations on Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. Segment reporting is presented in Section Four, footnote VIII.

XXVII. Reclassifications

There is no reclassifications in the current period.

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XXVIII. Explanations on Other Matters

The accounting policies applied in the prior period and which are not applicable together with the application of TFRS 16 standard in the current period are presented below:

Explanations on Leasing Activities:

Assets acquired by financial leasing are recorded by considering the lower of the fair value of the leased asset and the present value of leasing payments. Fixed assets obtained through financial leasing are classified as tangible asset and depreciated over their estimated useful lives. When there is a decrease in the value of the fixed assets obtained through financial leasing, the “provision for losses” is allocated. The obligations under financial leases arising from the lease contracts are presented under “Financial Lease Payables” account in the balance sheet. Interest expense and currency exchange rate differences related to leasing activities are recognized in the statement of profit or loss. The Group does not perform financial lease transactions as the “lessor”.

In operating leases, the rent payments are charged accrual basis in accordance with the relevant contractual provisions.

A new type of coronavirus (COVID-19), which first appeared in China, was classified as an epidemic affecting countries globally by the World Health Organization on March 11, 2020. The COVID-19 epidemic and the measures taken against it have impacts on economic conditions, sectors, businesses, consumers, as well as asset and commodity prices, liquidity, exchange rates, interest rates, money and capital markets and many other issues, and remain uncertain about the future. The impacts of these effects on the Bank's equity management and capital adequacy, asset quality, credit risk, operational risk, currency risk, interest rate risk, liquidity risk, stock position risk arising from banking accounts, leverage ratio and other risks and indicators risk monitoring units and regularly monitored by the Bank Management. Although the effects of the situation are not completely known, it is expected to affect the financial situation of the Bank in the foreseeable future. The Bank takes the necessary measures to keep negative effects under control and to be affected to a minimum.

The loan portfolio of the Bank is predominantly composed of few loans with high amounts. Those with a high level of credit and risk are subject to individual evaluation. The Bank reflected the reasonable and supportable information available in estimating the probability weights and cash flows of the scenarios in which it uses the possible effects of COVID 19 in calculating the expected loan loss for its loans that it is subject to individual evaluation.

BRSA Decisions No 8948, 8949 and 8950 (“Board Decisions”) have been published by the BRSA in order to reduce the negative effects of the epidemic. BRSA extended the delays envisaged for the classification of loans in these decisions and was classified as live receivables due to restructuring, and principal and / or interest payments were delayed for more than 30 days in one year or restructured once.

In addition to these measures, in accordance with the announcement dated 23 March 2020, the following measures will be implemented until 31 December 2020:

According to the Regulation on Measurement and Assessment of Capital Adequacy of Banks in the calculation of the amount subject to credit risk; buying rate of exchange which were used on the preparation of the financial statements in 31 December 2019 can be used when calculating the valued amounts in a accordance with Turkish Accounting Standards (TAS) related special provision amounts of the ones that remained out of the items in foreign currency measured in historical cost from non-monetary and monetary assets.

As of 23 March 2020, if the net valuation differences of the securities owned by banks in the portfolio of “Securities at Fair Value through Other Comprehensive Income” are negative, these differences will be calculated in accordance with the Regulation on Banks' Equity and may not be taken into account used for capital adequacy ratio. However, the implementation of the existing provisions of the Regulation for “Securities at Fair Value Differences through Other Comprehensive Income” obtained after 23 March 2020 continues.

As of 23 March 2020, the impairment of the securities owned by the banks may not be taken into account in the calculation of the foreign currency net general position within the scope of the Foreign Currency Net General Position / Equity Standard Calculation and Implementation Regulation. However, the existing provisions of this Regulation continue to be applied for portfolios acquired after 23 March 2020.

The Bank has prepared its financial statements dated 31 March 2020, taking into consideration the aforementioned regulations of the BRSA.

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SECTION FOUR

EXPLANATIONS ON CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT

I. Explanations on Consolidated Equity

Information about consolidated total capital

Equity amount and capital adequacy standard ratio have been calculated within the framework of “Regulation on Measurement and Evaluation of Banks' Capital Adequacy”.

The Group's capital adequacy ratio is 19.86% (31 December 2019: 18.71%)

Current Period	Amount	Amounts related to treatment before 1/1/2014 ⁽¹⁾
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	860,000	
Share issue premiums	(587)	
Reserves	402,700	
Gains recognized in equity as per TAS	33,734	
Profit	141,911	
Current period profit	95,604	
Prior period profit	46,307	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-	
Common Equity Tier 1 Capital Before Deductions	1,437,748	
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1 st clause of Provisional Article 9 of the Regulation of the Equity of Banks	-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	-	
Improvement costs for operating leasing	3,026	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	4,514	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1,430	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions -	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities -	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	

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I. Explanations on Consolidated Equity (Continued)

Information about consolidated total capital (Continued)

	Amount	Amounts related to treatment before 1/1/2014 ⁽¹⁾
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	-
of which: mortgage servicing rights	-	-
of which: deferred tax assets arising from temporary differences	-	-
Other items to be defined by the BRSA	-	-
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	-
Total Deductions From Common Equity Tier I Capital	8,970	
Total Common Equity Tier I Capital	1,428,778	
ADDITIONAL TIER 1 CAPITAL		
Preferred stock not included in common equity and the related share premiums	-	-
Debt instruments and premiums approved by BRSA	-	-
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	-
Additional Tier I Capital before Deductions	-	-
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial	-	-
Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other items to be defined by the BRSA	-	-

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I. Explanations on Consolidated Equity (Continued)

Information about consolidated total capital (Continued)

	Amount	Amounts related to treatment before 1/1/2014
Transition from the Core Capital to Continue to deduce Components		
Goodwill or other intangibles and deferred tax liabilities of which the regulation concerning transitional Article 2 of subsection of core capital not reduced from (-)	3,009	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	953	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions From Additional Tier I Capital	3,962	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	1,424,816	
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA	1,973,256	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	
Provisions (1st clause of Article 8 of the Regulation on the Equity of Banks)	171,822	
Tier II Capital Before Deductions	2,145,138	
Deductions From Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns %10 or more of the issued common share capital exceeding %10 of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	2,145,138	
Total Capital (The sum of Tier I Capital and Tier II Capital)	3,529,954	
Deductions from Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be defined by the BRSA	180	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than %10 of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	

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I. Explanations on Consolidated Equity (Continued)

Information about consolidated total capital (Continued)

	Amount	Amounts related to treatment before 1/1/2014 ⁽¹⁾
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	
TOTAL CAPITAL		
Total capital (The Sum of Tier I Capital and Tier II)	3,569,774	
Total risk weighted items	17,978,675	
CAPITAL ADEQUACY RATIOS ⁽²⁾		
Consolidated Core Capital Adequacy Ratio (%)	7.93	
Consolidated Tier 1 Capital Adequacy Ratio (%)	7.93	
Consolidated Capital Adequacy Standard Ratio (%)	19.86	
BUFFERS		
Total buffer requirement	2.79	
Capital conservation buffer requirement (%)	2.50	
Bank specific countercyclical buffer requirement (%)	0.29	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	-	
Amounts below the thresholds for deduction (before risk weighting)		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Mortgage servicing rights (net of related tax liability)	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	-	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	-	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Temporary Article 4 (to be implemented between January 1, 2019 and January 1, 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

⁽¹⁾ Amounts in this column represent the amounts of items that are subject to transition provisions in accordance with the temporary articles of “Regulations regarding to changes on Regulation on Equity of Banks” and taken into consideration at the end of transition process.

⁽²⁾ As of 31 March 2020, the Parent Bank has taken into consideration the subordinated loan amounting to TL 1,973,256 from its main shareholders, Industrial and Commercial Bank of China Limited Liability Company (ICBC) for capital adequacy calculation.

It is calculated based on the measures contained in the announcement of 23 March 2020.

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I. Explanations on Consolidated Equity (Continued)

Information about consolidated total capital (Continued)

Prior Period	Amount	Amounts related to treatment before 1/1/2014 ⁽¹⁾
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	860,000	
Share issue premiums	(587)	
Reserves	328,778	
Gains recognized in equity as per TAS	20,892	
Profit	120,229	
Current period profit	71,510	
Prior period profit	48,719	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-	
Common Equity Tier 1 Capital Before Deductions	1,329,312	
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1 st clause of Provisional Article 9 of the Regulation of the Equity of Banks	-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	-	
Improvement costs for operating leasing	2,966	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	4,916	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1,290	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions -	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities -	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	

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I. Explanations on Consolidated Equity (Continued)

Information about consolidated total capital (Continued)

	Amount	Amounts related to treatment before 1/1/2014
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
of which: mortgage servicing rights	-	
of which: deferred tax assets arising from temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions From Common Equity Tier I Capital	9,172	
Total Common Equity Tier I Capital	1,320,140	
ADDITIONAL TIER 1 CAPITAL		
Preferred stock not included in common equity and the related share premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial	-	
Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be determined by the Board	-	

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I. Explanations on Consolidated Equity (Continued)

Information about consolidated total capital (Continued)

	Amount	Amounts related to treatment before 1/1/2014
Transition from the Core Capital to Continue to deduce Components		
Goodwill or other intangibles and deferred tax liabilities of which the regulation concerning transitional Article 2 of subsection of core capital not reduced from (-)	3,278	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	860	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions From Additional Tier I Capital	4,138	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	1,316,002	
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA	1,782,420	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	110,481	
Tier II Capital Before Deductions	1,892,901	
Deductions From Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	1,892,901	
Total Capital (The sum of Tier I Capital and Tier II Capital)	3,208,903	
Deductions from Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be defined by the BRSA	181	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	

ICBC TURKEY BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated)

I. Explanations on Consolidated Equity (Continued)

Information about consolidated total capital (Continued)

	Amount	Amounts related to treatment before 1/1/2014 ⁽¹⁾
In accordance with the first paragraph of the Temporary Article 2 of the Regulation on the Equity of Banks, the total amount of the net long positions of the investments made to the additional principal capital and contribution capital elements of the banks and financial institutions, which have more than 10% of the shares and which are not consolidated and which are not consolidated part of main capital and not deducted from capital	-	
The second paragraph of the Provisional Article 2 of the Regulation on Banks 'Equity of Banks' net long positions of investments in the core capital components of non-consolidated banks and financial institutions, deferred tax assets based on temporary differences and the right to offer mortgage services more than 10% of the shareholding shares (1 and the amount to be deducted from the core capital in accordance with sub-paragraphs (2), not deducted from the core capital pursuant to the first paragraph of the Provisional Article 2 of the Regulation.	-	
TOTAL CAPITAL ⁽²⁾		
Total capital (The Sum of Tier I Capital and Tier II)	3,208,722	
Total risk weighted items	17,154,261	
CAPITAL ADEQUACY RATIOS ⁽²⁾		
Consolidated Core Capital Adequacy Ratio (%)	7.67	
Consolidated Tier I Capital Adequacy Ratio (%)	7.67	
Consolidated Capital Adequacy Standard Ratio (%)	18.71	
BUFFERS		
Total buffer requirement	2.77	
Capital conservation buffer requirement (%)	2.50	
Bank specific countercyclical buffer requirement (%)	0.27	
The ratio of Additional Common Equity Tier I capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	-	
Amounts below the thresholds for deduction (before risk weighting)		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Mortgage servicing rights (net of related tax liability)	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	-	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	-	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Temporary Article 4 (to be implemented between January 1, 2019 and January 1, 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

⁽¹⁾ Amounts in this column represent the amounts of items that are subject to transition provisions in accordance with the temporary articles of “Regulations regarding to changes on Regulation on Equity of Banks” and taken into consideration at the end of transition process.

⁽²⁾ As of 31 December 2019, the Parent Bank has taken into consideration the subordinated loan amounting to TL 1,782,420 from its main shareholders, Industrial and Commercial Bank of China Limited Liability Company (ICBC) for capital adequacy calculation.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated)

I. Explanations on Consolidated Equity (Continued)

Information on the issues subject to temporary implementation in capital calculation:

None.

Information on the agreement of equity items and balance sheet amounts:

The difference between the consolidated “Equity” in the preceding table and “Equity” in the consolidated balance sheet mainly arises from the general provision. In the calculation of Total Capital, general provision is taken into consideration as Tier II Capital. In addition, in the calculation of the Total Capital, improvement costs for operating leases followed under tangible assets in the balance sheet, intangible assets and related deferred tax liabilities, net book value of immovables that are acquired against overdue receivables and retained more than five years, other items defined by the regulator are taken into consideration as amounts deducted from Total Capital.

Information on borrowing instruments included in equity calculation:

Lender	INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED
Descriptive elements of debt instrument (CUSIP, ISIN, etc.)	-
Legislation subject to debt instrument	Implementing Regulation on the Equity of Banks published in the Official Gazette dated 5 September 2013 and numbered 28756
Consideration in equity calculation	-
10% reduction as of 1 January 2015	No
Validity status on consolidated or unconsolidated basis or on both consolidated and unconsolidated basis	Based on Consolidated and Non-Consolidated Basis
Type of debt instrument	Secondary Subordinated Loan
Amount considered in the calculation of equity (as of the last reporting date)	1,973,256 TL
Nominal value of debt instrument	300 M USD
Accountable account of the debt instrument	347
Date of issuance of debt instrument Maturity structure of debt instrument (Demand / Term)	28.12.2018
Maturity structure of debt instrument (Demand / Term)	Term
Maturity of debt instrument	28.12.2028
Whether the issuer has the right of reimbursement due to BRSA approval	In the case of a regulatory cause after the 5th anniversary, the BDDK has the right to reimbursement upon approval
Reimbursement option date, contingent repayment options and refund amount	-
Subsequent reimbursement option dates	-
Interest / dividend payments	-
Fixed or variable interest / dividend payments	Variable interest
Interest rate and interest rate index value	6 M USD LIBOR +1.75%
Whether there are any restrictions that stop the payment of dividends	Payable in accordance with BDDK communiqués and regulations
Fully optional, partially optional or mandatory	Mandatory
Whether there is an element that will encourage repayment, such as interest rate increases	
Being cumulative or non-cumulative	Non-cumulative
Convertible to stock	
Triggering events / events that can cause conversion if they can be converted to a stock	-Elimination of activity permit -Possibility of transfer to SDIF -In the event of regulatory reason, the decision of BRSA will be converted to share.
Full or partial conversion if convertible	Subject to BRSA approval
If convertible, conversion rate	Subject to BRSA approval and convertible.
If forced to convert to stock, forced or optional conversion feature	Subject to BRSA approval.
Convertible vehicle types if converted to stock	Stock
Issuer of a debt instrument to be converted	-
Value reduction feature	-
Trigger events / events that will cause a reduction if it has a value reduction feature	-
Total or partial value reduction if value reduction is available	-
Continuous or transient feature	-
Value increment mechanism if the value can be temporarily reduced	-
In the case of the right to take in the case of liquidation in the order of the right (the vehicle just above this debt instrument)	Before the borrowing instruments to be included in the calculation of the additional capital of the owner to the owner, after the depositors and all other debts
Whether the banks do not have the requirements of Articles 7 and 8 of the Regulation on Shareholders' Equity	Although it has all the requirements of Article 8, it does not meet the requirements of Article 7.
Which of the requirements of the articles 7 and 8 of the Regulation on Equity of Banks are not	Although it has all the requirements of Article 8, it does not meet the requirements of Article 7.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated)

II. Explanation and Footnotes on Consolidated Foreign Currency Exchange Rate Risk

Foreign currency risk indicates the possibilities of the potential losses that banks are subject to due to adverse movements between currencies. The Parent Bank monitors foreign currency exchange rate risk in currency/TL and parity basis and uses different risk methods and tools for each. The Parent Bank hedges parity risks through spot/ forward arbitrage transactions.

The Parent Bank’s foreign currency exchange rate risk is measured by Standard Method and Value at Risk Method.

The Group considers all foreign currency assets and liabilities and currency forward transactions in measuring capital obligation against currency risk. Net short and long positions of TL equivalents of all types of currencies are calculated. Position with the higher absolute value, which is the basis for the capital obligation, is used measuring the capital obligation for currency risk.

The Parent Bank’s Board of Directors determines the Parent Bank’s limits, within regulatory limitations, related to short/long positions at any period. The Treasury Department of the Parent Bank is responsible from the management of price and liquidity risks on Turkish Lira or foreign currency in the domestic and international markets. Risk Management Department exercises continuous control on risks in the money markets and transactions creating these risks and reports to the Asset-Liability Committee of the Parent Bank weekly.

The Parent Bank’s spot foreign exchange bid rates as at the balance sheet date and for each of the five days prior to that date (TL full):

	24.03.2020	25.03.2020	26.03.2020	27.03.2020	30.03.2020	31.03.2020
USD	6.5864	6.4943	6.4024	6.4560	6.4346	6.5160
GBP	7.6354	7.5874	7.6005	7.6813	7.8483	8.0579
EURO	7.0484	7.0455	6.9271	7.0610	7.0896	7.2150
JPY	0.0595	0.0586	0.0574	0.0585	0.0590	0.0602

The basic arithmetical average of the Parent Bank’s foreign exchange bid rates for the last thirty one days ending 31 March 2020 (TL full):

	Monthly Average FC Exchange Bid Rates
USD	6.3105
GBP	7.8008
EURO	6.9775
JPY	0.0585

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated)

II. Explanation and Footnotes on Consolidated Foreign Currency Exchange Rate Risk (Continued)

Information on consolidated foreign currency exchange rate risk:

31 March 2020	EURO	USD	OTHER FC	TOTAL
Assets				
Cash (cash in vault, effectives, money in transit, checks purchased) and balances with the CBRT ⁽¹⁾	14,544	2,030,212	1,378	2,046,134
Banks	348,885	3,868,244	74,746	4,291,875
Financial assets at fair value through profit or loss				
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	9,498	853,360	-	862,858
Loans ⁽³⁾	3,433,755	2,936,962	-	6,370,717
Investment in associates, subsidiaries and joint ventures	-	-	-	-
Financial Assets Measured at Amortized Cost	-	3,322,027	-	3,322,027
Hedging Derivative Financial Assets	-	-	-	-
Tangible assets	-	-	-	-
Intangible assets	-	-	-	-
Other assets	5,545	6,510	179	12,234
Total assets ^{(2) (3) (7)}	3,812,227	13,017,315	76,303	16,905,845
Liabilities				
Interbank deposits	23,593	637	10,771	35,001
Foreign currency deposits	1,586,536	5,877,834	90,931	7,555,301
Funds provided from Money Market	-	365,310	-	365,310
Funds provided from other financial institutions	505,925	7,672,383	-	8,178,308
Marketable securities issued	-	-	-	-
Miscellaneous payables	-	-	-	-
Derivative financial liabilities held for hedging	-	-	-	-
Other liabilities	587,490	125,803	15,447	728,740
Total liabilities ^{(2) (6) (8)}	2,703,544	14,041,967	117,149	16,862,660
Net On Balance Sheet Position	1,108,683	(1,024,652)	(40,846)	43,185
Net Off Balance Sheet Position	(1,109,535)	1,188,145	67,686	146,296
Financial Derivative Assets ⁽⁵⁾	40,945	1,243,800	75,301	1,360,046
Financial Derivative Liabilities ⁽⁵⁾	1,150,480	55,655	7,615	1,213,750
Non-cash Loans ⁽⁴⁾	2,285,890	4,622,184	8,996	6,917,070
31 December 2019				
Total Assets ^{(2) (3) (7)}	3,543,013	10,810,265	21,457	14,374,735
Total Liabilities ^{(2) (6) (8)}	2,832,504	10,789,025	88,778	13,710,307
Net On Balance Sheet Position	710,509	21,240	(67,321)	664,428
Net Off Balance Sheet Position	(623,421)	135,000	70,249	(418,172)
Financial Derivative Assets ⁽⁵⁾	665	588,028	85,296	673,989
Financial Derivative Liabilities ⁽⁵⁾	624,086	453,028	15,047	1,092,161
Non-cash Loans ⁽⁴⁾	2,133,845	4,260,459	20,499	6,414,803

⁽¹⁾ As at 31 March 2020 and 31 December 2019, the Group does not have precious metals balance in the Central Bank accounts.

⁽²⁾ As at 31 March 2020, accrual differences of derivative transactions presented in “Derivative Financial Assets at Fair Value Through Profit or Loss” and “Derivative Financial Liabilities at Fair Value Through Profit or Loss” amounting to TL 16,193 and TL 6,600 respectively, (31 December 2019: TL 151 and TL 3,864) are not included in the table.

⁽³⁾ As at 31 March 2020, “Loans” balance includes, in addition to the balance sheet amount, foreign currency indexed loans and their accruals amounting to TL 109,696 (31 December 2019: TL 102,561).

⁽⁴⁾ Has no effect on net off balance sheet position.

⁽⁵⁾ As at 31 March 2020, value dated FX buying and FX selling transactions amounting to TL 16,609 and TL 21,146 respectively, presented under “Asset Purchase and Sale Commitments” of off-balance sheet items are included (31 December 2019: TL 7,572 and TL 4,613).

⁽⁶⁾ “Valuation Differences of Securities” amounting to TL (26,136) (31 December 2019: TL 7,315) classified under Equity as at 31 March 2020 is not included.

⁽⁷⁾ As at 31 March 2020, assets amounting to TL 158,106 (31 December 2019: TL 97,770) are not included “Expected Credit Losses”.

⁽⁸⁾ As at 31 March 2020, liabilities amounting to TL 31,577 (31 December 2019: TL 36,053) are not included “Other Provisions”.

ICBC TURKEY BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated)

II. Explanation and Footnotes on Consolidated Foreign Currency Exchange Rate Risk (Continued)

The table below demonstrates prospective increase and decrease in equity and profit/loss as at 31 March 2020 and 31 December 2019 (excluding tax effect) on condition that 10% revaluation/devaluation of the foreign currencies below against TL. This analysis has been prepared assuming that other variables, particularly interest rates, remain constant.

	31 March 2020			
	Statement of Profit or Loss		Equity ⁽¹⁾	
	10% increase	10% decrease	10% increase	10% decrease
USD	16,349	(16,349)	16,349	(16,349)
EURO	(85)	85	(85)	85
Other FC	2,684	(2,684)	2,684	(2,684)
Total	18,948	(18,948)	18,948	(18,948)

⁽¹⁾ Equity effect includes profit or loss effect in the table.

	31 December 2019			
	Statement of Profit or Loss		Equity ⁽¹⁾	
	10% increase	10% decrease	10% increase	10% decrease
USD	15,624	(15,624)	15,624	(15,624)
EURO	8,709	(8,709)	8,709	(8,709)
Other FC	293	(293)	293	(293)
Total	24,626	(24,626)	24,626	(24,626)

⁽¹⁾ Equity effect includes profit or loss effect in the table.

III. Explanation and Footnotes on Consolidated Interest Rate Risk

Consolidated interest rate risk is the probability of loss due to changes in interest rates depending on the Group’s position regarding the interest bearing financial instruments.

Interest rate risk arises as a result of timing differences on the re-pricing of assets and liabilities, changes in correlation of interest rates between different financial instruments and, unexpected changes in the shape and slope of yield curves. Exposure to interest rate movements arises when there is a mismatch between rate sensitive assets and liabilities.

Interest rate risk is a key component of the Parent Bank’s market risk and asset and liability management.

As part of asset and liability management, duration and sensitivity analysis are used to measure the effects of changes in yield curves on the balance sheet. The Parent Bank’s management daily monitors interest rate movements in the market and revises the Parent Bank’s interest rates.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

III. Explanation and Footnotes on Consolidated Interest Rate Risk (Continued)

Interest sensitivity of assets, liabilities and off-balance sheet items (based on reprising dates):

	Up to 1 Month	1 – 3 Months	3 –12 Months	1 – 5 Years	5 Years and Over	Non-Interest Bearing ⁽¹⁾	Total
31 March 2020							
Assets							
Cash (cash in vault, effectives, money in transit, checks purchased) and balances with the CBRT	2,258,647	-	-	-	-	71,596	2,330,243
Banks	1,515,783	1,316,884	-	-	-	1,461,025	4,293,692
Financial assets at fair value through profit or loss	9,164	8,108	4,569	-	-	24,871	46,712
Money market placements	376,878	-	-	-	-	-	376,878
Financial assets at fair value through other comprehensive income	141,402	433,153	644,467	301,617	56,501	9,460	1,586,600
Loans	1,719,902	2,065,996	1,385,186	1,410,952	1,689,187	-	8,271,223
Financial assets measured at amortized cost	50,833	363,796	852,505	2,479,868	121,312	-	3,868,314
Other assets	56	-	-	-	-	57,616	57,672
Total Assets	6,072,665	4,187,937	2,886,727	4,192,437	1,867,000	1,624,568	20,831,334
Liabilities							
Bank Deposits	-	-	-	-	-	152,251	152,251
Other Deposits	7,463,272	1,244,745	168,350	3,289	-	641,086	9,520,742
Interbank Money Market Borrowings	386,385	-	-	-	-	-	386,385
Miscellaneous Payables	-	-	-	-	-	-	-
Securities Issued	-	-	-	-	-	-	-
Funds Borrowed from Other Fin. Inst.	1,238,911	3,278,562	3,327,792	337,923	-	-	8,183,188
Other Liabilities	875,902	2,453	6,064	-	-	1,704,349	2,588,768
Total Liabilities	9,964,470	4,525,760	3,502,206	341,212	-	2,497,686	20,831,334
Balance Sheet Long Position	-	-	-	3,851,225	1,867,000	-	5,718,225
Balance Sheet Short Position	(3,891,805)	(337,823)	(615,479)	-	-	(873,118)	(5,718,225)
Off Balance Sheet Long Position	-	-	-	-	-	-	-
Off Balance Sheet Short Position	-	-	-	-	-	-	-
Total Position	(3,891,805)	(337,823)	(615,479)	3,851,225	1,867,000	(873,118)	-

⁽¹⁾ Tangible and intangible assets amounting to TL 126,076, tax assets amounting to TL 56,515, expected loan loss provisions amounting to TL (195,782), other assets amounting to TL 70,807 are presented within other assets as non-interest bearing; provisions amounting to TL 119,381, tax liability amounting to TL 49,023, other liabilities amounting to TL 146,335 and equity amounting to TL 1,389,610 are presented within other liabilities as non-interest bearing.

	Up to 1 Month	1 – 3 Months	3 –12 Months	1 – 5 Years	5 Years and Over	Non-Interest Bearing ⁽¹⁾	Total
31 December 2019							
Assets							
Cash (cash in vault, effectives, money in transit, checks purchased) and balances with the CBRT	1,781,633	-	-	-	-	291,822	2,073,455
Banks	1,685,168	-	-	-	-	152,866	1,838,034
Financial assets at fair value through profit or loss	582	86	1	-	-	16,613	17,282
Money market placements	662,583	-	-	-	-	-	662,583
Financial assets at fair value through other comprehensive income	626,834	134,879	530,535	395,465	105,936	10,057	1,803,706
Loans	1,204,729	3,190,978	2,365,710	1,471,340	899,672	-	9,132,429
Financial assets measured at amortized cost	113,727	218,574	335,385	2,111,294	112,247	-	2,891,227
Other assets	2	-	-	-	-	(27,237)	(27,235)
Total Assets	6,075,258	3,544,517	3,231,631	3,978,099	1,117,855	444,121	18,391,481
Liabilities							
Bank Deposits	59,408	-	-	-	-	117,050	176,458
Other Deposits	7,672,644	1,442,347	97,190	3,224	-	574,899	9,790,304
Interbank Money Market Borrowings	18,841	-	-	-	-	-	18,841
Miscellaneous Payables	-	-	-	-	-	-	-
Securities Issued	-	-	-	-	-	-	-
Funds Borrowed from Other Fin. Inst.	237,624	1,500,618	2,448,704	1,833,481	-	-	6,020,427
Other Liabilities	773,040	32	54	-	-	1,612,325	2,385,451
Total Liabilities	8,761,557	2,942,997	2,545,948	1,836,705	-	2,304,274	18,391,481
Balance Sheet Long Position	-	601,520	685,683	2,141,394	1,117,855	-	4,546,452
Balance Sheet Short Position	(2,686,299)	-	-	-	-	(1,860,153)	(4,546,452)
Off Balance Sheet Long Position	-	-	-	-	-	-	-
Off Balance Sheet Short Position	-	-	-	-	-	-	-
Total Position	(2,686,299)	601,520	685,683	2,141,394	1,117,855	(1,860,153)	-

⁽¹⁾ Tangible and intangible assets amounting to TL 126,753, tax assets amounting to TL 31,133, expected loan loss provisions amounting to TL (223,953), other assets amounting to TL 38,830 are presented within other assets as non-interest bearing; provisions amounting to TL 131,149, tax liability amounting to TL 23,915, other liabilities amounting to TL 127,949 and equity amounting to TL 1,329,312 are presented within other liabilities as non-interest bearing.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated)

III. Explanation and Footnotes on Consolidated Interest Rate Risk (Continued)

Interest rates applied to monetary financial instruments:

	EURO %	USD %	JPY %	TL %
31 March 2020 ⁽¹⁾				
Assets				
Cash (Cash in Vault, Foreign Currencies, Cash in Transit, Checks Purchased) and Balances with the CBRT	-	-	-	-
Banks	-	2.67	-	8.60
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	9.83
Financial Assets at Fair Value Through Other Comprehensive Income	1.78	4.47	-	13.88
Loans	3.38	5.42	-	13.86
Financial Assets Measured at Amortized Cost	-	6.50	-	3.46
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	0.33	1.90	0.01	9.89
Interbank Money Market Borrowings	-	2.41	-	9.49
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	-
Funds Borrowed from Other Financial Institutions	0.01	2.97	-	11.95

⁽¹⁾ Stated at compound interest rates.

	EURO %	USD %	JPY %	TL %
31 December 2019 ⁽¹⁾				
Assets				
Cash (Cash in Vault, Foreign Currencies, Cash in Transit, Checks Purchased) and Balances with the CBRT	-	1.74	-	11.36
Banks	-	4.57	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	11.73
Financial Assets at Fair Value Through Other Comprehensive Income	1.78	4.48	-	14.43
Loans	2.60	4.71	6.04	14.59
Financial Assets Measured at Amortized Cost	-	6.54	-	10.02
Liabilities				
Bank Deposits	-	1.71	-	-
Other Deposits	0.40	2.29	-	11.41
Interbank Money Market Borrowings	-	-	-	12.00
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	-
Funds Borrowed from Other Financial Institutions	2.98	3.13	-	16.89

⁽¹⁾ Stated at compound interest rates.

The interest rate risk of the banking book items:

The interest rate risk of the banking book items is prepared via the cash flow of interest sensitive balance sheet and off-balance sheet positions for bank accounts, over the maturity for fixed interest rate instruments and over the re-pricing period for variable interest rate instruments.

Present values of the net positions obtained over related cash flows are calculated by yield curves formed by using market interest rates. The proportion of the differences arising from implementation of positive and negative standard shocks to equity is followed.

For products with non-specified maturities, maturity is determined based on interest rate setting frequency and customer behaviors. These results are supported by periodical sensitivity and scenario analysis against prospective fluctuations in the market.

The interest rate risk of the banking book items is measured legally in accordance with the “Regulation on Measurement and Evaluation of Interest Rate Risk Arising from Banking Accounts via Standard Shock Method”, published in the Official Gazette no. 28034 dated 23 August 2011, and the legal limit based on this measurement is monitored and reported monthly.

The interest rate risks of financial instruments on trading portfolio are considered within the scope of the market risk.

The following table presents the economic value differences arising from fluctuations in interest rates in accordance with the Regulation on Measurement and Evaluation of Interest Rate on Banking Accounts by Standard Shock, divided by different currencies as of 31 March 2020. Tax effects are excluded in the study.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated)

IV. Explanation and Footnotes on Consolidated Liquidity Risk

Liquidity risk is the risk generated as a result of not having an effect or cash inflow at a level which can meet cash outflow, formed because of an imbalance in cash flow, timely and completely.

Liquidity risk can also be formed as a result of not closing positions with appropriate prices and in required time because of market conditions.

The Parent Bank established Liquidity Management Principles in order to monitor, audit and manage its liquidity position and liquidity requirement. Liquidity risk of the Parent Bank is managed through taking potential funding sources, unexpected situation plans and legal limits into consideration within the framework of limits which are updated at least annually.

It is aimed to carry out activities through ensuring a liquidity level which can provide to make payments at any time to sustain the trustable bank image of the Parent Bank in the sector via taking risk/return balance of the Parent Bank into consideration. Cash inflow and outflows in Turkish Lira and foreign currencies are tried to be kept under control continuously in liquidity risk management approach, long-term cash flow tables are formed and scenario analysis based on expectations and stress tests are performed to determine the resistance against the sudden crisis.

Liquidity risk management is performed by Assets and Liability Committee (ALC) and Treasury Department under the guidance of Audit Committee. Liquidity risk management under stress conditions is performed in the framework of Emergency Situation Funding Plan. ALC is responsible to measure, monitor and manage liquidity risk and net funding requirement periodically and follow its implementations and to plan necessary precautions for urgent and unexpected conditions occurring related to liquidity of the Parent Bank. Treasury Department is responsible to plan the access of the Parent Bank to the market for short, medium and long term fund requirements, monitor and evaluate funding requirement under different scenarios and plan necessary precautions for urgent and unexpected conditions occurring related to liquidity of the Parent Bank.

The Parent Bank’s Risk Management Department is responsible to define, measure, monitor the liquidity risk periodically and report to senior management. Risk Management Department also provides coordination in the management of liquidity management process. Risk Management Department monitors the liquidity risk via specific ratios and submit it to ALC weekly.

Liquidity management is not performed centrally. The Parent Bank does not function as a central funding institution in its relation with partners. Funding management of the Parent Bank is operated in the framework of ALC decisions. The liabilities of the Parent Bank are mainly liabilities provided in TL, USD and EUR currencies. Foreign currency funds are used to generate TL assets via swap transactions for the purpose of liquidity management. Derivative transactions are used in scope of liquidity reduction techniques. Cash flow analysis is made on the basis of TL and FC and estimated liquidity requirement is calculated. The action plans are prepared and the liquidity position is evaluated through warnings applied to assets and liabilities of the Parent Bank to determine stresses which can occur on the liquidity position of the Parent Bank. The Parent Bank makes scenario analysis taking delays and non-payment in credit payments, deposit withdrawn, and non-liquidation of securities into consideration as stress cases. It is detailed in emergency liquidity management process and Liquidity Emergency Funding Plan. This plan determines the gradation of resources which shall be used for responsibilities, communication channels, funding sources and urgent requirements.

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IV. Explanation and Footnotes on Consolidated Liquidity Risk (Continued)

Liquidity coverage ratios calculated weekly on bank only basis and monthly on consolidated basis are subject to regulatory reporting starting from 1 January 2015 as per “Regulation on Liquidity Coverage Ratio Calculation” published in the Official Gazette no. 28948, dated 21 March 2014. Liquidity coverage ratios should be at least 80% for foreign currency denominated assets and liabilities and 100% for total assets and liabilities for 2019. Monthly consolidated liquidity coverage ratios for the first three months including the reporting period are as follows:

Liquidity Coverage Ratios		FC Liquidity Coverage Ratio		Total Liquidity Coverage Ratio	
31 March 2020		236.93%		303.71%	
Average		247.71%		251.65%	
	Min FC (%)	Min Sum (%)	Max FC (%)	Max Sum (%)	
Month	20 March 2020	20 March 2020	11 February 2020	11 February 2020	
Ratio (%)	106.33%	133.91%	500.54%	439.88%	
Current Period - 31 March 2020					
		Unweighted Amounts ⁽²⁾		Weighted Amounts ⁽²⁾	
		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS					
High Quality Liquid Assets				5,194,638	3,749,429
CASH OUTFLOWS					
Retail and Small Business Customers Deposits		4,481,503	2,588,898	381,818	241,339
Stable deposits		1,326,649	351,019	66,332	17,551
Less stable deposits		3,154,854	2,237,879	315,485	223,788
Unsecured Funding other than Retail and Small Business Customers Deposits		6,959,771	5,923,517	3,082,258	2,456,682
Operational Deposits		3,381	-	718	-
Non-Operational Deposits		6,560,420	5,742,572	2,724,321	2,319,166
Other Unsecured Funding		395,970	180,944	357,219	137,516
Secured funding		-	-	-	-
Other Cash Outflows		1,386,150	1,232,176	1,283,470	1,154,964
Liquidity needs related to derivatives and market valuation changes on derivatives transactions		1,215,016	1,103,489	1,215,016	1,103,489
Debts related to the structured financial products		-	-	-	-
Commitments related to debts to financial markets and other off balance sheet liabilities		171,134	128,687	68,454	51,475
Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments		310,862	305,305	15,543	15,265
Other irrevocable or conditionally revocable commitments		2,079,254	1,388,495	202,522	138,873
TOTAL CASH OUTFLOWS				4,945,611	4,007,123
CASH INFLOWS					
Secured Lending Transactions		-	-	-	-
Unsecured Lending Transactions		2,563,842	2,136,658	2,465,951	2,096,554
Other contractual cash inflows		345,414	307,819	345,414	307,819
TOTAL CASH INFLOWS				2,811,365	2,404,374
				Upper Limit Applied Accounts	
TOTAL HIGH LIQUIDITY ASSETS				5,194,638	3,749,429
TOTAL NET CASH OUTFLOWS ⁽¹⁾				2,154,245	1,602,749
LIQUIDITY COVERAGE RATIO (%)				241.13%	233.94%

⁽¹⁾ The part of total cash inflows which exceeds 75% of total cash outflows is not being taken into account during the calculation of related amounts.

⁽²⁾ Monthly simple arithmetic average of consolidated liquidity coverage ratios for the first three month of 2020 is calculated.

IV. Explanation and Footnotes on Consolidated Liquidity Risk (Continued)

Prior Period - 31 December 2019	Unweighted Amounts ⁽¹⁾	Weighted Amounts ⁽²⁾
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				
High Quality Liquid Assets			4,705,539	3,333,548
CASH OUTFLOWS				
Retail and Small Business Customers Deposits	4,227,757	2,361,046	359,842	216,570
Stable deposits	1,258,675	390,687	62,934	19,534
Less stable deposits	2,969,082	1,970,359	296,908	197,036
Unsecured Funding other than Retail and Small Business Customers Deposits	5,571,519	4,059,590	2,470,674	1,680,539
Operational Deposits	12,596	-	2,893	-
Non-Operational Deposits	5,266,734	4,042,663	2,197,516	1,665,555
Other Unsecured Funding	292,189	16,927	270,265	14,984
Secured funding	-	-	-	-
Other Cash Outflows	960,025	917,513	924,143	904,183
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	900,222	895,296	900,222	895,296
Debts related to the structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off balance sheet liabilities	59,803	22,217	23,921	8,887
Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	274,707	269,417	13,735	13,471
Other irrevocable or conditionally revocable commitments	1,812,253	1,115,613	176,487	111,583
TOTAL CASH OUTFLOWS			3,944,881	2,926,346
CASH INFLOWS				
Secured Lending Transactions	-	-	-	-
Unsecured Lending Transactions	2,273,378	1,987,979	2,201,150	1,961,888
Other contractual cash inflows	241,283	218,834	241,283	218,834
TOTAL CASH INFLOWS	2,514,661	2,206,813	2,442,433	2,180,722
			Upper Limit Applied Accounts	
TOTAL HIGH LIQUIDITY ASSETS			4,705,539	3,333,548
TOTAL NET CASH OUTFLOWS ⁽¹⁾			1,502,448	745,624
LIQUIDITY COVERAGE RATIO (%)			313.19%	447.08%

⁽¹⁾ The part of total cash inflows which exceeds 75% of total cash outflows is not being taken into account during the calculation of related amounts.

⁽²⁾ Monthly simple arithmetic average of consolidated liquidity coverage ratios for the first three month of 2019 is calculated.

The Parent Bank liquidity coverage ratio has decreased in the current period due to the increase in cash outflows arising from the increase of unsecured debts other than real person deposits and retail deposits.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2020

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IV. Explanation and Footnotes on Consolidated Liquidity Risk (Continued)

Presentation of assets and liabilities according to their remaining maturities:

31 March 2020	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undist. ⁽¹⁾	Total
Assets								
Cash (Cash in Vault, Foreign Currencies, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	1,377,930	952,313	-	-	-	-	-	2,330,243
Due from Banks	1,461,025	1,694,855	1,137,812	-	-	-	-	4,293,692
Financial Assets at Fair Value Through Profit or Loss	24,871	9,164	8,108	4,569	-	-	-	46,712
Interbank Money Market Placements	-	376,878	-	-	-	-	-	376,878
Financial Assets at Fair Value Through Other Comprehensive Income	9,460	139,289	433,153	67,235	880,927	56,536	-	1,586,600
Loans	-	706,464	704,724	1,065,005	3,166,268	2,628,762	-	8,271,223
Financial Assets Measured at Amortised Cost	-	-	237,342	483,505	3,026,156	121,311	-	3,868,314
Other Assets	-	55,964	2,888	7,084	317	56,280	(64,861)	57,672
Total Assets	2,873,286	3,934,927	2,524,027	1,627,398	7,073,668	2,862,889	(64,861)	20,831,334
Liabilities								
Interbank Deposits	152,251	-	-	-	-	-	-	152,251
Other Deposits	641,086	7,463,272	1,244,745	168,350	3,289	-	-	9,520,742
Funds Provided from Other Financial Institutions	-	909,116	1,305,306	1,694,341	2,301,169	1,973,256	-	8,183,188
Money Market Funds	-	386,385	-	-	-	-	-	386,385
Marketable Securities Issued	-	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	-	-	-	-	-	-
Other Liabilities	-	13,057	41,032	8,859	39,810	39,719	2,446,291	2,588,768
Total Liabilities	793,337	8,771,830	2,591,083	1,871,550	2,344,268	2,012,975	2,446,291	20,831,334
Net Liquidity Gap	2,079,949	(4,836,903)	(67,056)	(244,152)	4,729,400	849,914	(2,511,151)	-
Net Off Balance Sheet Position	-	6,916	7,214	(914)	-	-	-	13,216
Derivative Financial Assets ⁽³⁾	-	636,827	591,629	206,562	-	-	-	1,435,018
Derivative Financial Liabilities ⁽³⁾	-	629,911	584,415	207,476	-	-	-	1,421,802
Non-Cash Loans ⁽²⁾	885,851	278,747	185,620	507,156	4,505,381	1,305,520	-	7,668,275
31 December 2019								
Total Assets	1,312,026	4,789,404	1,444,637	2,478,484	6,448,521	2,010,713	(92,304)	18,391,481
Total Liabilities	691,949	8,008,950	1,449,995	469,392	3,677,584	1,818,293	2,275,318	18,391,481
Net Liquidity Gap	620,077	(3,219,546)	(5,358)	2,009,092	2,770,937	192,420	(2,367,622)	-
Net Off Balance Sheet Position	-	(2,236)	51	(34)	-	-	-	(2,219)
Derivative Financial Assets ⁽³⁾	-	1,062,581	29,148	3,554	-	-	-	1,095,283
Derivative Financial Liabilities ⁽³⁾	-	1,064,817	29,097	3,588	-	-	-	1,097,502
Non-Cash Loans ⁽²⁾	863,011	263,979	110,602	603,120	1,864,379	3,282,317	-	6,987,408

⁽¹⁾ Assets on the balance sheet which are not convertible into cash in short period; tangible and intangible assets amounting to TL 126,076, stationary supplies amounting to TL 749, assets to be disposed of amounting to TL 4,096, expected loan loss provision amounting to TL (195,782) and liabilities on the balance sheet which are necessary for the banking operations; provisions amounting to TL 119,381, other liabilities amounting to TL 937,300 and equity amounting to TL 1,389,610 are included here.

⁽²⁾ The letters of guarantee without a defined maturity date due to their business nature are presented at demand column.

⁽³⁾ As at 31 March 2020, spot foreign currency purchase and sale transactions with value date amounting to TL 22,790 and TL 22,788, respectively, are presented under "Asset Purchase and Sale Commitments" of off-balance sheet items (31 December 2019 – TL 7,573 and TL 7,587).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2020

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V. Explanation on Consolidated Leverage Ratio

Consolidated leverage ratio of the Group calculated based on last 3 months average amounts is 5.18% as at 31 March 2020 (31 December 2019: 5.39%). This ratio is above the minimum ratio.

	Current Period 31 March 2020 ⁽¹⁾	Prior Period 31 December 2019 ⁽¹⁾
On-balance sheet exposures		
On-balance sheet assets (Excluding derivative financial instruments and credit derivatives, including collaterals)	19,462,834	17,363,797
(Assets amounts deducted in determining Tier 1 capital)	180	181
Total on-balance sheet exposures	19,462,654	17,363,616
Derivative financial instruments and credit derivatives		
Replacements cost of derivative financial instruments and credit derivatives	-	-
Potential credit risk of derivative financial instruments and credit derivatives	16,032	7,724
Total derivative financial instruments and credit derivatives exposure	16,032	7,724
Securities financial instruments and credit derivatives		
Total risk of gross securities financing transactions (excluding on-balance sheet exposure)	34,299	538
Agent transaction exposure	-	-
Total securities financing transactions exposures	34,299	538
Off-balance sheet items		
Off-balance sheet exposure at gross notional amount	7,458,524	7,045,035
(Adjustments for conversions to credit equivalent amounts)	-	-
Total risk of off-balance sheet items	7,458,524	7,045,035
Capital and total exposure		
Tier 1 capital	1,396,976	1,316,229
Total exposures	26,971,507	24,416,914
Leverage ratio	5.18%	5.39%

⁽¹⁾ The arithmetic average of the first 3 months in the related periods.

VI. Explanations and Footnotes on Consolidated Securitization Position Risk

As at 31 March 2020, Group has no securitization position risk generated by banking accounts.

VII. Explanations on Consolidated Risk Management

Risk Management contains all processes of identifying, measuring, monitoring, limit determination, identifying the areas of risk concentration and reporting the risks the Parent Bank is or will be exposed to due to its facilities.

Risk Management organization constituted to systematically manage the risks the Parent Bank is or will be exposed to, consists of the Independent Audit Committee connected directly to the Board of Directors, Risk Management Department fulfilling the responsibilities to Board of Directors via this committee and certain individual risk management committees including senior management or relevant processes.

Risk Management Department consists of market risk unit and credit and operational risk unit, business continuity is performed by business continuity committee within the framework of Parent Bank Business Continuity Strategy. Risk management committees are market risk committee, credit risk committee, operational risk committee and business continuity committee.

Necessary manners are identified to update, adjust for changing circumstances, implement and manage the policies determined to identify and manage the risks the Parent Bank is exposed to. These risks are measured and managed with accepted international procedures and procedures complied with international and local regulations, policies and procedures of the Parent Bank.

The Parent Bank data and market data are monitored regularly in order to manage the risk. To restrain the risks, certain in-bank limits are determined besides the legal limits. Probable economic changes and risks confronted under tough conditions are taken into consideration.

Reporting units that are responsible for all risks, the frequency and the address of reporting is determined separately in policy documents including each risk management process. Additionally, Risk Management Department regularly reports the risk analysis of the Parent Bank, periodical progress and limit usage of risks and state of chance to Asset-Liability Committee and Audit Committee.

Footnotes and related explanations are given in this section prepared based on "Communiqué About Public Disclosures Regarding to Banks Risk Management" published in Official Gazette No. 29511 at 23 October 2015 and became effective as at 31 March 2016. Based on this communiqué, the tables under the internal rating and internal model must be presented for each 3 month-period are not presented because standard approach is used in calculation of the Parent Bank's capital adequacy.

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VII. Explanations on Consolidated Risk Management (Continued)

1. General Information on Risk Management and Risk Weighted Amount

a) Overview of RWA:

	Risk Weighted Amount		Minimum capital requirement
	Current Period 31 March 2020	Prior Period 31 December 2019	Current Period 31 March 2020
1 Credit risk (excluding counterparty credit risk) (CCR)	16,571,439	15,881,894	1,325,715
2 Standardised approach (SA)	16,571,439	15,881,894	1,325,715
3 Internal rating-based (IRB) approach			
4 Counterparty credit risk	139,119	143,657	11,130
5 Standardised approach for counterparty credit risk (SA-CCR)	139,119	143,657	11,130
6 Internal model method (IMM)			
7 Basic risk weight approach to internal models equity position in the banking account	-	-	-
8 Investments made in collective investment companies - look-through approach	-	-	-
9 Investments made in collective investment companies - mandate-based approach	-	-	-
10 Investments made in collective investment companies - 1250% weighted risk approach	-	-	-
11 Settlement risk	-	-	-
12 Securitization positions in banking accounts	-	-	-
13 IRB ratings-based approach (RBA)			
14 IRB supervisory formula approach (SFA)			
15 SA/simplified supervisory formula approach (SSFA)			
16 Market risk	314,213	359,607	25,137
17 Standardised approach (SA)	314,213	359,607	25,137
18 Internal model approaches (IMM)			
19 Operational risk	953,904	769,103	76,312
20 Basic indicator approach	953,904	769,103	76,312
21 Standard approach	-	-	-
22 Advanced measurement approach	-	-	-
23 The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24 Floor adjustment	-	-	-
25 Total (1+4+7+8+9+10+11+12+16+19+23+24)	17,978,675	17,154,261	1,438,294

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2020

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VIII. Explanation and Footnotes on Consolidated Segment Reporting

The Group performs activities in areas of retail banking, corporate banking and investment banking including treasury transactions.

Corporate banking offers TL and foreign currency loans, corporate deposit operations, cash management, foreign currency purchases and sales, non-cash transactions (letters of credit, letters of guarantee, refinancing, bills of exchange) and custody services.

Treasury department is consisted of Balance Sheet Management and Sales units. The Balance Sheet Management unit follows up the Parent Bank’s cash flows, liquidity management, marketable securities portfolio and transfer pricing activities. Sales unit is responsible for marketing all types of bills and bonds, foreign exchange transactions and derivative products including forwards and options to its customers. ICBC Yatırım, subsidiary of Parent Bank, intermediates for capital markets products and provides investment fund and portfolio management services.

Servicing the middle-upper segment of retail customers who require sophisticated banking and investment services falls within the scope of retail banking. Credit card services are also within the activities of retail banking.

Information related to the segments of the Group:

Segment reporting is prepared according to the 28th article of the BRSA’s “Communiqué on the Financial Statements to be announced to public by Banks as well as Explanations and Footnotes Thereof”, which is published in the Official Gazette no. 26333 dated 1 November 2006.

31 March 2020	Retail Banking	Corporate Banking	Treasury, Investment Banking and Others	Group’s Total Operations
Operating Income	17,528	151,646	117,505	286,679
Net profit of segment	1,400	141,502	(30,538)	112,364
Undistributed costs	-	-	-	-
Operating Profit / (Loss)	1,400	141,502	(30,538)	112,364
Income from subsidiaries	-	-	-	-
Profit / (Loss) before tax	1,400	141,502	(30,538)	112,364
Tax provision (-)	-	-	16,760	16,760
Profit / (Loss) after tax	1,400	141,502	(47,298)	95,604
Minority Shares	-	-	-	-
Current Period Net Profit/ (Loss)	1,400	141,502	(47,298)	95,604
Segment assets ⁽¹⁾	588,215	7,756,235	12,486,884	20,831,334
Associate and subsidiaries	-	-	-	-
Total Assets	588,215	7,756,235	12,486,884	20,831,334
Segment liabilities ⁽¹⁾	4,500,481	5,230,052	9,711,191	19,441,724
Equity	-	-	1,389,610	1,389,610
Total Liabilities	4,500,481	5,230,052	11,100,801	20,831,334
Other Segment Items	559	(72,878)	(2,525)	(74,844)
Capital investment	-	-	(70,044)	(70,044)
Amortization	256	214	7,965	8,435
Impairment ⁽²⁾	303	(73,092)	59,554	(13,235)

⁽¹⁾ Assets in others column contain tangible assets, intangible assets, assets held for sale, deferred tax assets and assets not distributed. Liabilities in others column contain general provisions, reserve for employee benefits, current tax liabilities and liabilities not distributed.

⁽²⁾ Includes loss in value of marketable securities, fixed assets, assets to be disposed of and associates and special loan loss amount.

Based on information that is presented in the table above as at 31 March 2020, segments of the Group are distributed based on their asset sizes as percentages in current period as; 37% for corporate banking, 3% for retail banking, 60% for treasury, investment banking and others segment. Gross income (operational income) of the Group is distributed between corporate banking, treasury, investment banking and others segment and retail banking as 37%, 55%, and 8%, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2020

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VIII. Explanations and Footnotes on Consolidated Segment Reporting (Continued)

Information related to the segments of the Group (Continued):

31 March 2019	Retail Banking	Corporate Banking	Treasury, Investment Banking and Others	Group's Total Operations
Operating Income	8,890	100,013	60,604	169,507
Net profit of segment	(4,439)	84,022	(26,176)	53,407
Operating Profit / (Loss)	(4,439)	84,022	(26,176)	53,407
Profit / (Loss) before tax	(4,439)	84,022	(26,176)	53,407
Tax provision (-)	-	-	16,510	16,510
Profit / (Loss) after tax	(4,439)	84,022	(42,686)	36,897
Minority Shares	-	-	-	-
Current Period Net Profit/ (Loss)	(4,439)	84,022	(42,686)	36,897
Segment assets ⁽¹⁾	769,302	9,330,393	10,117,353	20,217,048
Associate and subsidiaries	-	-	-	-
Total Assets	769,302	9,330,393	10,117,353	20,217,048
Segment liabilities ⁽¹⁾	3,957,792	5,948,999	9,096,230	19,003,021
Equity	-	-	1,214,027	1,214,027
Total Liabilities	3,957,792	5,948,999	10,310,257	20,217,048
Other Segment Items	584	4,784	49,039	54,407
Capital investment	-	-	10,551	10,551
Amortization	179	166	7,861	8,206
Impairment ⁽²⁾	405	4,618	30,627	35,650

⁽¹⁾ Assets in others column contain tangible assets, intangible assets, assets held for sale, deferred tax assets and assets not distributed. Liabilities in others column contain general provisions, reserve for employee benefits, current tax liabilities and liabilities not distributed.

⁽²⁾ Includes loss in value of marketable securities, fixed assets, assets to be disposed of and associates and special loan loss amount.

Based on information that is presented in the table above as at 31 March 2019, segments of the Group are distributed based on their asset sizes as percentages in current period as; 46% for corporate banking, 4% for retail banking, 50% for treasury, investment banking and others segment. Gross income (operational income) of the Group is distributed between corporate banking, treasury, investment banking and others segment and retail banking as 59%, 36%, and 5%, respectively.

ICBC TURKEY BANK A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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SECTION FIVE**EXPLANATIONS AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS****I. Explanations and Footnotes on Consolidated Assets****1. Information related to cash and the account of the Central Bank of Republic of Turkey (the CBRT):****a) Cash and balances with the CBRT:**

	31 March 2020		31 December 2019	
	TL	FC	TL	FC
Cash	17,888	53,665	15,274	37,085
Central Bank of the Republic of Turkey (CBRT) ⁽¹⁾	266,221	1,992,469	120,143	1,900,953
Others	-	-	-	-
Total	284,109	2,046,134	135,417	1,938,038

⁽¹⁾ As at 31 March 2020 and 31 December 2019, the Parent Bank does not keep precious metals as reserve deposits at CBRT.**b) Information related to the account of the CBRT:**

	31 March 2020		31 December 2019	
	TL	FC	TL	FC
Unrestricted Demand Deposits ⁽¹⁾	266,221	1,040,156	120,143	959,988
Unrestricted Time Deposits	-	-	-	-
Restricted Time Deposits	-	952,313	-	940,965
Total	266,221	1,992,469	120,143	1,900,953

⁽¹⁾ As at 31 March 2020 and 31 December 2019, the Parent Bank does not keep precious metals as reserve deposits at CBRT.**c) Explanation on reserve deposits:**

In accordance with the “Communiqué Regarding the Reserve Requirements no. 2005/1”, the Parent Bank is required to maintain reserves in CBRT for TL and foreign currency liabilities. The reserve requirements can be maintained as TL, USD, EUR and/or standard gold. Interest payments are made to required reserves held as TL as at November 2014 and required reserves held as USD as at May 2015, reserve options and free/open accounts.

The reserve rates for TL liabilities vary between 1% and 7% due their maturity profile as at 31 March 2020 (31 December 2019 – between 1% and 7%); the reserve rates for foreign currency liabilities vary between 5% and 21% (31 December 2019 – 5% and 21%).

ICBC TURKEY BANK A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

I. Explanations and Footnotes on Consolidated Assets (Continued)**2. Financial assets at fair value through profit or loss (net):**

a) Financial assets at fair value through profit or loss given as collateral/blocked and subject to repurchase agreements:

As at 31 March 2020 and 31 December 2019, the financial assets at fair value through profit or loss are kept under unrestricted account.

b) Table of positive differences related to trading derivative financial assets at fair value through profit or loss:

Table of positive differences related to derivative financial assets at fair value through other comprehensive income

	31 March 2020		31 December 2019	
	TL	FC	TL	FC
Forward transactions	4,573	-	324	116
Swap transactions	1,054	16,168	171	35
Future transactions	-	-	-	-
Options	21	25	23	-
Other	-	-	-	-
Total	5,648	16,193	518	151

3. Information on banks:

a) Information on banks:

	31 March 2020		31 December 2019	
	TL	FC	TL	FC
Banks				
Domestic	1,817	2,448,500	1,115	1,691,394
Foreign	-	1,843,375	-	145,525
Foreign Offices and Branches	-	-	-	-
Total	1,817	4,291,875	1,115	1,836,919

4. Information on financial assets at fair value through other comprehensive income:

a) Investment securities available-for-sale given as collateral or blocked with net values and comparatively:

Financial assets measured at amortized cost:

	31 March 2020		31 December 2019	
	TL	FC	TL	FC
Given as collateral or blocked	535,064	210,374	704,702	191,784
Subject to repurchase agreements	-	366,483	-	-
Total	535,064	576,857	704,702	191,784

As of 31 March 2020, financial assets at fair value through other comprehensive income other than those given as collateral or subject to repurchase agreements amounting to TL 474,679 are unrestricted (31 December 2019: TL 907,220).

b) Information on financial assets fair value through other comprehensive income:

	31 March 2020		31 December 2019	
	TL	FC	TL	FC
Debt instruments				
Listed		1,674,593		1,848,637
Unlisted		1,366,874		1,373,848
Equity instruments		307,719		474,789
Listed		9,460		10,057
Unlisted		-		-
Impairment provision (-) / charge (+)		9,460		10,057
		97,453		54,988
Total		1,586,600		1,803,706

ICBC TURKEY BANK A.Ş.

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I. Explanations and Footnotes on Consolidated Assets (Continued)

5. Information on loans:

a) Information on all types of loans and advances given to shareholders and employees of the Parent Bank:

	31 March 2020		31 December 2019	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans granted to shareholders	-	795,969	-	567,918
Corporate shareholders	-	795,969	-	567,918
Individual shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	2,410	-	2,782	-
Total	2,410	795,969	2,782	567,918

b) Information on the standard and under close monitoring loans with restructured loans under close monitoring :

Cash Loans	Loans Under Close Monitoring			
	Standard Loans	Loans Not Subject to Restructuring	Restructured Loans	
			Loans with Revised Contract Terms	Refinance
Non-specialized loans	7,700,502	329,968	181,125	15,762
Enterprise loans	-	-	181,104	15,481
Export loans	5,581	34,746	-	-
Import loans	-	-	-	-
Loans given to financial sector	2,951,336	-	-	-
Consumer loans	564,141	299	21	281
Credit cards	15,046	6	-	-
Other	4,164,398	294,917	-	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
Total	7,700,502	329,968	181,125	15,762

Allowances for Expected Credit Losses on Stage 1 and 2	31 March 2020		31 December 2019	
	Standard Loans	Loans under close monitoring	Standard Loans	Loans under close monitoring
12 Months Expected Loss Provision	35,640	-	43,362	-
Significant Increase in Credit Risk	-	120,696	-	48,823
Total	35,640	120,696	43,362	48,823

Information on changes in the payment schedule and payment terms of standard loans and other receivables and loans and other receivables under close monitoring:

Number of Amendments Related to the Extension of the Payment Plan	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
Extended by 1 or 2 Times	3,309	196,607
Extended by 3,4 or 5 Times	-	-
Extended by More than 5 Times	-	-

The Time Extended via the Amendment on Payment Plan	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
Up to 6 Months	763	173,797
6 Months – 1 Year	425	1,642
1-2 Years	251	9,180
2-5 Years	1,288	11,988
5 Years and Over	582	-

ICBC TURKEY BANK A.Ş.

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(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated)

I. Explanations and Footnotes on Consolidated Assets (Continued)

5. Information on loans (continued):

c) Information on consumer loans, consumer credit cards, personnel loans and personnel credit cards:

Current Period	Short Term	Medium and Long Term	Total
Consumer Loans – TL	5,837	554,021	559,858
Mortgage Loans	-	451,990	451,990
Automotive Loans	19	3,146	3,165
Consumer Loans	5,818	98,885	104,703
Other	-	-	-
Consumer Loans – Indexed to FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans – FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Credit Cards – TL	12,603	-	12,603
With Installment	2,632	-	2,632
Without Installment	9,971	-	9,971
Consumer Credit Cards – FC	494	-	494
With Installment	-	-	-
Without Installment	494	-	494
Personnel Loans – TL	169	1,117	1,286
Mortgage Loans	-	227	227
Automotive Loans	-	-	-
Consumer Loans	169	890	1,059
Other	-	-	-
Personnel Loans – Indexed to FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans – FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards – TL	1,149	-	1,149
With Installment	367	-	367
Without Installment	782	-	782
Personnel Credit Cards – FC	19	-	19
With Installment	-	-	-
Without Installment	19	-	19
Credit Deposit Account – TL (Real Person)	3,598	-	3,598
Credit Deposit Account – FC (Real Person)	-	-	-
Total	23,869	555,138	579,007

ICBC TURKEY BANK A.Ş.

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(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated)

I. Explanations and Footnotes on Consolidated Assets (Continued)

5. Information on loans (continued):

c) Information on consumer loans, consumer credit cards, personnel loans and personnel credit cards (continued):

Prior Period	Short Term	Medium and Long Term	Total
Consumer Loans – TL	4,052	596,837	600,889
Mortgage Loans	17	489,157	489,174
Automotive Loans	29	3,600	3,629
Consumer Loans	4,006	104,080	108,086
Other	-	-	-
Consumer Loans – Indexed to FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans – FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Credit Cards – TL	15,166	-	15,166
With Installment	3,385	-	3,385
Without Installment	11,781	-	11,781
Consumer Credit Cards – FC	552	-	552
With Installment	-	-	-
Without Installment	552	-	552
Personnel Loans – TL	215	1,272	1,487
Mortgage Loans	-	242	242
Automotive Loans	-	-	-
Consumer Loans	215	1,030	1,245
Other	-	-	-
Personnel Loans – Indexed to FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans – FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards – TL	1,277	-	1,277
With Installment	423	-	423
Without Installment	854	-	854
Personnel Credit Cards – FC	43	-	43
With Installment	-	-	-
Without Installment	43	-	43
Credit Deposit Account – TL (Real Person)	3,204	-	3,204
Credit Deposit Account – FC (Real Person)	-	-	-
Total	24,509	598,109	622,618

ICBC TURKEY BANK A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated)

I. Explanations and Footnotes on Consolidated Assets (Continued)**5. Information on loans (continued):**

d) Information on commercial installment loans and corporate credit cards:

Current Period	Short Term	Medium and Long Term	Total
Commercial Installment Loans – TL	61	211,600	211,661
Business Residential Loans	-	-	-
Automotive Loans	-	1,016	1,016
Consumer Loans	61	178,184	178,245
Other	-	32,400	32,400
Commercial Installment Loans – Indexed to FC	-	8,310	8,310
Business Residential Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	8,310	8,310
Other	-	-	-
Commercial Installment Loans – FC	6,592	1,471,789	1,478,381
Business Residential Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	6,592	1,471,789	1,478,381
Other	-	-	-
Corporate Credit Cards – TL	669	-	669
With Installment	116	-	116
Without Installment	553	-	553
Corporate Credit Cards – FC	118	-	118
With Installment	-	-	-
Without Installment	118	-	118
Credit Deposit Account – TL (Legal Entity)	-	-	-
Credit Deposit Account – FC (Legal Entity)	-	-	-
Total	7,440	1,691,699	1,699,139

ICBC TURKEY BANK A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated)

I. Explanations and Footnotes on Consolidated Assets (Continued)**5. Information on loans (Continued):**

d) Information on commercial installment loans and corporate credit cards (Continued):

Prior Period	Short Term	Medium and Long Term	Total
Commercial Installment Loans – TL	85	226,618	226,703
Business Residential Loans	-	-	-
Automotive Loans	-	2,238	2,238
Consumer Loans	85	188,500	188,585
Other	-	35,880	35,880
Commercial Installment Loans – Indexed to FC	-	11,023	11,023
Business Residential Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	11,023	11,023
Other	-	-	-
Commercial Installment Loans – FC	8,197	647,423	655,620
Business Residential Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	8,197	647,423	655,620
Other	-	-	-
Corporate Credit Cards – TL	963	-	963
With Installment	101	-	101
Without Installment	862	-	862
Corporate Credit Cards – FC	82	-	82
With Installment	-	-	-
Without Installment	82	-	82
Credit Deposit Account – TL (Legal Entity)	-	-	-
Credit Deposit Account – FC (Legal Entity)	-	-	-
Total	9,327	885,064	894,391

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated)

I. Explanations and Footnotes on Consolidated Assets (Continued)

5. Information on loans (continued):

e) Distribution of domestic and foreign loans:

	31 March 2020	31 December 2019
Domestic loans	7,529,126	8,438,533
Foreign loans	742,097	693,896
Total	8,271,223	9,132,429

f) Loans granted to subsidiaries and associates: TL 44 (31 December 2019: TL 25).

g) Information on loans related reserves for specific provisions or credit impaired (Stage 3):

	31 March 2020	31 December 2019
Loans and Receivables with Limited Collectability	4,730	142
Loans and Receivables with Doubtful Collectability	375	86,827
Uncollectible Loans and Receivables	19,218	26,697
Total	24,323	113,666

h) Information on non-performing loans (net):

h.1) Information on non-performing loans and other receivables those are restructured or rescheduled:

	Group III Loans with limited collectability	Group IV Loans with doubtful collectability	Group V Uncollectible loans
Current period			
Gross amounts before the specific reserves	-	-	1,168
Restructured Loans and other receivables	-	-	1,168
Prior period			
Gross amounts before the specific reserves	-	-	998
Restructured Loans and other receivables	-	-	998

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(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated)

I. Explanations and Footnotes on Consolidated Assets (Continued)

5. Information on loans (continued):

h) Information on non-performing loans (net) (continued):

h.2) Information on total movements of non-performing loans:

	Group III Loans with limited collectability	Group IV Loans with doubtful collectability	Group V Uncollectible loans
Prior Period End Balance	448	133,177	34,428
Additions (+)	7,939	3,064	668
Transfers from Other Categories of Non- Performing Loans (+)	-	445	1,881
Transfers to Other Categories of Non-Performing Loans (-)	445	1,881	-
Collections (-)	7	117,516	1,754
Write-offs (-)	-	16,580	-
Sales (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Balances at End of the Current Period	7,935	709	35,223
Specific Provisions (-)	4,730	375	19,218
Net Balance on Balance Sheet	3,205	334	16,005

h.3) Information on non-performing loans in foreign currencies:

	Group III Loans with limited collectability	Group IV Loans with doubtful collectability	Group V Uncollectible Loans
Current Period			
Balances at the end of the period	-	-	124
Provision Amount (-)	-	-	104
Net Balance on Balance Sheet	-	-	20
Prior Period			
Balances at the end of the period	-	100,596	119
Provision Amount (-)	-	72,337	72
Net Balance on Balance Sheet	-	28,259	47

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

I. Explanations and Footnotes on Consolidated Assets (Continued)

5. Information on loans (continued):

h.4) Information on net and gross amounts of non-performing loans according to beneficiary group:

	Group III Loans with limited collectability	Group IV Loans with doubtful collectability	Group V Uncollectible loans
Current Period (Net)	3,205	334	16,005
Loans Allowed to Real Persons and Corporate Entities (Gross)	7,935	709	35,223
Specific provision (-)	4,730	375	19,218
Loans Allowed to Real Persons and Corporate Entities (Net)	3,205	334	16,005
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loan and Receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other Loan and Receivables (Net)	-	-	-
Prior Period (Net)	306	46,350	7,731
Loans Allowed to Real Persons and Corporate Entities (Gross)	448	133,177	34,428
Specific provision (-)	142	86,827	26,697
Loans Allowed to Real Persons and Corporate Entities (Net)	306	46,350	7,731
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loan and Receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other Loan and Receivables (Net)	-	-	-

h.5) Information on interest accruals, rediscounts, valuation differences and their provisions calculated for non-performing loans which are expected to be used in accordance with TFRS 9:

	Group III Loans with Limited Collectability	Group IV Loans with Doubtful Collectability	Group V Uncollectible Loans
Current period (Net)	(3,940)	-	4,497
Interest accruals and rediscounts with valuation differences	714	-	6,516
Provision amount (-)	4,653	-	2,018
Prior period (Net)	-	(77,078)	(3,713)
Interest accruals and rediscounts with valuation differences	-	9,563	5,956
Provision amount (-)	-	86,641	9,669

i) Liquidation policy for counting as loss loans and other receivables:

Uncollectible loans and other receivables are collected through legal follow-up and liquidation of collaterals.

j) Information on write-off from assets policy:

The Parent Bank's general policy for write-off of loans and receivables under follow-up is to write off such loans and receivables that are proven to be uncollectible by obtaining required documentation, also considering Tax Procedural Law's verdicts.

ICBC TURKEY BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

I. Explanations and Footnotes on Consolidated Assets (Continued)

6. Financial assets at amortized cost:

a) Information on subject to repurchase agreement and given as collateral or blocked:

Securities subject to hold to maturity are kept under unrestricted account.

b) Information on public sector debt securities at amortized cost:

	31 March 2020	31 December 2019
Government bonds	2,824,007	1,946,244
Treasury bills	-	-
Other public sector debt securities	-	-
Total	2,824,007	1,946,244

c) Information on financial assets at amortized cost:

	31 March 2020	31 December 2019
Debt instruments	3,779,975	2,791,719
Listed	-	-
Unlisted	3,779,975	2,791,719
Impairment provision ⁽¹⁾	88,339	99,508
Total	3,868,314	2,891,227

⁽¹⁾ Consists of change in interest accruals.

d) Movements of investment securities held-to-maturity during the year:

	31 March 2020	31 December 2019
Beginning balance	2,889,131	1,380,504
Foreign currency differences on monetary assets	-	-
Purchases during year	1,059,963	1,748,151
Disposals through sales and redemptions	(169,119)	(336,936)
Impairment provision ⁽¹⁾	88,339	99,508
Total	3,868,314	2,891,227

⁽¹⁾ Consists of change in interest accruals.

7. Information on associates (net):

None.

8. Information on subsidiaries (net):

As at 31 March 2020, the Parent Bank has subsidiary as ICBC Turkey Yatırım Menkul Değerler A.Ş.. The Parent Bank does not have any capital needs due to its subsidiary which is included in the calculation of its consolidated capital adequacy standard ratio. The current equity amount of the subsidiary fulfils the minimum capital requirement entailed in accordance with the Capital Markets Board's regulations.

Information related to subsidiaries:

a) Information on unconsolidated subsidiaries: None.

b) Information on unconsolidated subsidiaries according to information above: None.

c) Movement of unconsolidated subsidiaries: None.

d) Industrial distribution of unconsolidated subsidiaries:

As at 31 March 2020, the Parent Bank has no unconsolidated subsidiary.

ICBC TURKEY BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

I. Explanations and Footnotes on Consolidated Assets (Continued)

e) Information on consolidated subsidiaries:

Description	Address (City/Country)	Bank's share percentage- If different from voting percentage (%)	Banks Risk Group Share Percentage (%)
ICBC Turkey Yatırım Menkul Değerler A.Ş. (ICBC Yatırım)	İstanbul/Turkey	99.998	100

f) Information on subsidiaries included in the scope of consolidation in the order listed above:

Total assets	Shareholders' equity	Total fixed assets	Interest Income	Income from marketable securities portfolio	Current period profit/ (loss)	Prior period profit / (loss)	Fair Value
1,029,173	148,478	2,604	3,563	9	2,941	(1,487)	-

ICBC Yatırım participated in ICBC Turkey Portföy Yönetimi A.Ş (ICBC Portföy) with 100% share in April 2015. The financial information above shows amounts occurred as a result of consolidation of ICBC Yatırım and ICBC Portföy.

The solo financial information of ICBC Portföy company, which is consolidated to ICBC Yatırım, is also listed below:

Total assets	Shareholders' equity	Total fixed assets	Interest Income	Income from marketable securities portfolio	Current period profit/ (loss)	Prior period profit / (loss)	Fair Value
4,822	4,389	65	99	-	(42)	290	-

g) Movement of consolidated subsidiaries:

	31 March 2020	31 December 2019
Balance at the Beginning of the Period	75,998	75,998
Movements During the Period	-	-
Purchases	-	-
Bonus Shares Received	-	-
Dividends from Current Year Profit	-	-
Sales	-	-
Revaluation Increase	-	-
Impairment Provision	-	-
Balance at the End of the Period	75,998	75,998

h) Sectoral distribution of consolidated subsidiaries:

	31 March 2020	31 December 2019
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	75,998	75,998
Total	75,998	75,998

i) Listed subsidiaries: None.

j) Subsidiaries disposed of during the current period: None.

k) Subsidiaries purchased in the current period: None.

9. Information on joint ventures (net):

None.

ICBC TURKEY BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated)

I. Explanations and Footnotes on Consolidated Assets (Continued)

10. Information on financial lease receivables (net):

None.

11. Information on hedging purpose derivatives (net):

None.

12. Information on investment properties:

None.

13. Information on deferred tax assets:

- a) Amount of deferred tax asset recognized in the balance sheet in respect of each type of deductible temporary differences, unused tax credits:

As at 31 March 2020, the Group’s deferred tax asset arising from the deductible temporary differences except for general loan provisions is amounting to TL 56,278 (31 December 2019: TL 30,918). As at 31 March 2020, there is no deferred tax asset arising from financial losses (31 December 2019: None).

In case of book value and taxable value differences of assets are subject of deferred tax relating to equities accounts, deferred tax asset or liability net off with accounts in this group.

- b) Amount and expiry date of deductible temporary differences, unused tax losses, unused tax credits for which no deferred tax asset is recognized in the balance sheet: None.

14. Information on assets held for sale and discontinued operations:

The Parent Bank has no asset held for sale and discontinued operation as at 31 March 2020 and 31 December 2019.

15. Information on other assets:

Commodities and immovable properties of the Group obtained with respect to non-performing loans are recognized under movable and immovable assets to be sold off and shown under other assets in the balance sheet. Net total carrying value of the aforementioned assets is TL 4,096 as at 31 March 2020 (31 December 2019: TL 4,176).

Sum of other assets amounting to TL 66,767 (31 December 2019: TL 34,657), which are out of movable and immovable properties to be sold off, do not exceed 10% of the balance sheet total.

ICBC TURKEY BANK A.Ş.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 31 MARCH 2020**

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II. Explanations and Footnotes on Consolidated Liabilities

1. Information on deposits:

a) Information on maturity profile of deposits:

The Parent Bank does not have any deposits callable in 7 days.

a.1) 31 March 2020:

	Demand	Up to 1 Month	1-3 Months	3-6 Months	6 Months- 1 Year	1 Year and Over	Cumulative Deposits	Total
Saving Deposits	42,829	311,797	1,253,545	30,348	10,324	254	-	1,649,097
Foreign Currency Deposits	536,009	487,766	6,331,273	91,057	95,391	13,805	-	7,555,301
Residents in Turkey	485,802	486,513	6,131,846	87,931	30,246	5,020	-	7,227,358
Residents Abroad	50,207	1,253	199,427	3,126	65,145	8,785	-	327,943
Public Sector Deposits	5,682	-	-	-	-	-	-	5,682
Commercial Deposits	54,060	104,370	119,387	5,733	56	-	-	283,606
Other Ins. Deposits	2,506	523	23,988	12	25	2	-	27,056
Precious Metal Deposits	-	-	-	-	-	-	-	-
Interbank Deposits	152,251	-	-	-	-	-	-	152,251
CBRT	-	-	-	-	-	-	-	-
Domestic Banks	3,359	-	-	-	-	-	-	3,359
Foreign Banks	148,892	-	-	-	-	-	-	148,892
Participation Banks	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total	793,337	904,456	7,728,193	127,150	105,796	14,061	-	9,672,993

a.2) 31 December 2019:

	Demand	Up to 1 Month	1-3 Months	3-6 Months	6 Months- 1 Year	1 Year and Over	Cumulative Deposits	Total
Saving Deposits	40,686	298,425	1,538,667	1,465	11,311	252	-	1,890,806
Foreign Currency Deposits	442,887	1,089,028	5,198,971	74,701	75,445	12,185	-	6,893,217
Residents in Turkey	411,215	1,088,931	4,921,801	71,822	22,046	4,188	-	6,520,003
Residents Abroad	31,672	97	277,170	2,879	53,399	7,997	-	373,214
Public Sector Deposits	6,810	-	-	-	-	-	-	6,810
Commercial Deposits	79,829	102,275	788,894	5,403	54	-	-	976,455
Other Ins. Deposits	4,687	744	17,531	12	42	-	-	23,016
Precious Metal Deposits	-	-	-	-	-	-	-	-
Interbank Deposits	117,050	59,408	-	-	-	-	-	176,458
CBRT	-	-	-	-	-	-	-	-
Domestic Banks	4,154	59,408	-	-	-	-	-	63,562
Foreign Banks	112,896	-	-	-	-	-	-	112,896
Participation Banks	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total	691,949	1,549,880	7,544,063	81,581	86,852	12,437	-	9,966,762

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated)

II. Explanations and Footnotes on Consolidated Liabilities (Continued)

1. Information on deposits (continued):

b) Information on Deposit Insurance:

b.1) Information on savings deposits insured by Saving Deposit Insurance Fund and the total amount of the deposits exceeding the insurance coverage limit:

Saving Deposits	Covered by	Exceeding the Deposit Insurance Limit
	Deposit Insurance Fund	
	31 March 2020	31 March 2020
Saving Deposits	914,725	733,123
Foreign Currency Savings Deposits	522,746	2,313,554
Other Saving Deposits	-	-
Foreign branches’ Deposits Under Foreign Insurance Coverage	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-
Total	1,437,471	3,046,677

Saving Deposits	Covered by	Exceeding the Deposit Insurance Limit
	Deposit Insurance Fund	
	31 December 2019	31 December 2019
Saving Deposits	983,721	907,130
Foreign Currency Savings Deposits	528,032	1,956,518
Other Saving Deposits	-	-
Foreign branches’ Deposits Under Foreign Insurance Coverage	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-
Total	1,511,753	2,863,648

b.2) Saving deposits in Turkey are not covered under insurance in another country since the Headquarter of the Group is not located abroad: None.

b.3) Saving deposits not covered by deposit insurance: The group has saving deposits not covered by deposit insurance amounting to TL 4,849 (31 December 2019: TL 7,710).

Saving deposits of real persons that are not covered under the guarantee of saving deposit insurance fund:

	31 March 2020	31 December 2019
Deposits and Other Accounts at Foreign Branches	-	-
Deposits and Other Accounts belong to Major Shareholders with Their Parents, Spouse and Children under Their Care	-	-
Deposits and Other Accounts belong to Members of Board of Directors, CEO and Deputy CEOs with Their Parents, Spouse and Children under Their Care	4,849	7,710
Deposits and Other Accounts linked to Crimes Mentioned in 282 nd Article of 5237 Numbered Turkish Crime Legislation dated on 26/09/2004	-	-
Deposits belong to Off-Shore Banks which are established to be engaged in off-shore banking in Turkey	-	-

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated)

II. Explanations and Footnotes on Consolidated Liabilities (Continued)

2. Information on derivative financial liabilities held for trading:

Derivative Financial Liabilities:

	31 March 2020		31 December 2019	
	TL	FC	TL	FC
Forward Transactions	4,407	21	51	104
Swap Transactions	-	6,558	-	3,760
Future Transactions	-	-	-	-
Options	-	21	15	-
Other	-	-	-	-
Total	4,407	6,600	66	3,864

3. Information on funds borrowed:

a) Information on banks and other financial institutions:

	31 March 2020		31 December 2019	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks and Institutions	4,880	875	2,052	801
Foreign Banks, Institutions and Funds	-	6,204,177	-	4,235,154
Total	4,880	6,205,052	2,052	4,235,955

b) Contractual maturities of funds borrowed:

	31 March 2020		31 December 2019	
	TL	FC	TL	FC
Short-Term	4,880	3,903,883	2,052	603,593
Medium and Long-Term	-	2,301,169	-	3,632,362
Total	4,880	6,205,052	2,052	4,235,955

c) Additional information on concentrations of the Parent Bank’s liabilities:

The Parent Bank diversifies its funding resources with customer deposits and funds borrowed from foreign banks. The Parent Bank makes concentration analysis for the customers providing funds in branch basis and takes long and short term actions to generalize the customers in these branches. Funds borrowed consist of funds with different characteristics and maturity-interest structures like export financing, money market, post-finance funding and are provided from different institutions.

4. Information on other liabilities:

Other liabilities are amounting to TL 937,300 (31 December 2019: TL 814,857) and do not exceed 10% of total liabilities excluding the off-balance sheet items.

5. Information on lease payables (net):

	31 March 2020		31 December 2019	
	TL	FC	TL	FC
Less Than 1 Year	2,918	-	4,417	-
Between 1-4 Years	39,810	-	16,062	-
More Than 4 Years	39,719	-	61,809	-
Total	82,447	-	82,288	-

6. Information on liabilities arising from hedging purpose derivatives (net):

None.

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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

II. Explanations and Footnotes on Consolidated Liabilities (Continued)

7. Information on provisions:

a) Information on reserve for employee rights:

In accordance with existing legislation in Turkey, the Parent Bank and its subsidiary in Turkey have to make certain lump-sum payments to employees who has completed one year of service with the Parent Bank, who has complete 25 working years (20 years for women) and whose employment is terminated due to retirement (retirement age for women and men are 58 and 60, respectively) or reasons other than resignation or misconduct. Provision for employee severance benefits has been accounted for using discounting total provision and reflected to the consolidated financial statements.

The indemnity payable is one month's salary for each year of service and as of 31 March 2020, this amount is restricted with TL-full 6,730.15 (31 December 2019 – TL-full 6,379.86). The liability is not funded, since there is no funding requirement.

The Parent Bank reserved for employee severance indemnities in the accompanying financial statements using actuarial method in accordance with the Turkish Accounting Standard 19 (TAS 19) "Employee Benefits". The major actuarial assumptions used in the calculation of the total liability are as follows.

The basic assumption, which is to be paid severance pay for each year of service, or an estimated salary increase cap will increase in the rate of inflation each year. The discount rate is shows the expected real rate after adjusting for the effects of inflation.

	31 March 2020	31 December 2019
Discount Ratio (%)	4.39	4.39
Expected Salary/ETI Liability Ceiling Increase Rate (%)	8.30	8.30
Rate for the Probability of Retirement (%)	93.00	93.00

Movement of ETI liability is as below:

	31 March 2020	31 December 2019
Balance at prior period end	14,114	12,183
Current year provisions	2,752	6,570
Paid in current year	(872)	(4,639)
Balance at Current Period End	15,994	14,114

As at 31 March 2020, the Group has vacation pay liability amounting TL 7,330 (31 December 2019: TL 6,861).

b) Information on provisions related to foreign currency differences of foreign currency indexed loans:

As at 31 March 2020, there is no foreign exchange differences on foreign currency indexed loans (31 December 2019 –none) are netted with loans on the asset side.

c) Specific provisions for non-cash loans that are not indemnified and not converted into cash:

As at 31 March 2020, the Group has provision amounting to TL 6,826 (31 December 2019: TL 6,643) for non-cash loans and irrevocable commitments that are not indemnified and not converted into cash amounting to TL 3,374 (31 December 2019: TL 3,232).

d) Information on other provisions:

d.1) Information on provision for possible risks: None.

d.2) Information on banking services promotion provisions:

As of 31 March 2020, the Parent Bank has a provision amounting to TL 86 (31 December 2019: TL 96) that it recognized for promotional practices regarding credit card services.

d.3) Information on other provisions:

As at 31 March 2020, there is provision for lawsuits filed against the Parent Bank and its subsidiary amounting TL 14,314 (31 December 2019: TL 13,051).

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(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated)

II. Explanations and Footnotes on Consolidated Liabilities (Continued)

8. Information on tax liabilities:

- a) Information on current tax liability: As at 31 March 2020, corporate taxes payable of the Group after deductions of prepaid taxes is TL 31,298 (31 December 2019: TL 2,292).
- b) Information on taxes payable:

	31 March 2020	31 December 2019
Corporate Taxes Payable	31,298	2,292
Taxation on Securities	3,961	6,411
Property Tax	292	325
Booking and Insurance Transaction Tax (BITT)	3,233	4,909
Foreign Exchange Tax	-	-
Value Added Tax Payable	231	609
Other	5,975	6,288
Total	44,990	20,834

- c) Information on premiums payable:

	31 March 2020	31 December 2019
Social security premiums - employee	1,750	1,322
Social security premiums - employer	1,953	1,478
Bank social aid pension fund premium - employee	-	-
Bank social aid pension fund premium - employer	-	-
Pension fund membership fees and provisions - employee	-	-
Pension fund membership fees and provisions - employer	-	-
Unemployment insurance - employee	110	94
Unemployment insurance - employer	219	187
Other	1	-
Total	4,033	3,081

- d) Information on deferred tax liabilities:

Deferred tax assets and liabilities of each consolidated entity calculated individually are netted at each individual financial statement. Net deferred tax assets and liabilities of the Group’s entities are not netted off with each other during consolidation process.

9. Information on payables related to assets held for sale and discontinued operations (net):

None.

10. Detailed explanation on subordinated loans including quantity, maturity, interest rate, issuing institution, option to be converted into stock certificate

	31 March 2020		31 December 2019	
	TL	FC	TL	FC
Debt instruments to be included in the additional capital				
borrowing instruments	-	-	-	-
Subordinated Loans	-	-	-	-
Subordinated Debt Instruments	-	-	-	-
Debt instruments to be included in the contribution				
capital calculation	-	1,973,256	-	1,782,420
Subordinated Loans ⁽¹⁾	-	1,973,256	-	1,782,420
Subordinated Debt Instruments	-	-	-	-
Total	-	1,973,256	-	1,782,420

(1) The main shareholder of the Bank, Industrial and Commercial Bank of China Limited (ICBC), provided a subordinated loan amounting to USD 300 million (USD three hundred million), with a maturity of 10 years and repayment option after 5 years.

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II. Explanations and Footnotes on Consolidated Liabilities (Continued)

11. Information on shareholders' equity:

a) Paid in capital:

	31 March 2020	31 December 2019
Common Stock	860,000	860,000
Preferred Stock	-	-

The paid-in share capital of the Parent Bank is represented by 8,600,000,000 registered shares of one 0.10 Turkish Liras each.

b) Paid-in capital amount, explanation as to whether the registered share capital system is applicable at bank; if so the amount of registered share capital: None

c) Information on share capital increases and their sources; other information on any increase in capital shares during the current period: None.

d) Information on share capital increases from revaluation funds: None.

e) Capital commitments for current financial year and following period: None.

f) Prior period indicators of the Parent Bank's income, profitability and liquidity; and possible effects of the predictions on equity, considering the ambiguity of the indicators: None.

g) Information on the privileges given to stocks representing the capital: The 70% of share capital of the Parent Bank consist of Type A shares and the 30% of the remaining consist of Type B shares. Three out of five members of the Board of Directors are appointed by Type A shareholders and the remaining two are appointed by Type B shareholders. There is no other privilege appointed.

h) Information on marketable securities value increase fund:

	31 March 2020		31 December 2019	
	TL	FC	TL	FC
From investment in associates, subsidiaries and joint ventures	-	-	-	-
Revaluation difference	(4,588)	(26,136)	(2,733)	7,315
Foreign exchange difference	-	-	-	-
Total	(4,588)	(26,136)	(2,733)	7,315

Information on portion of marketable securities valuation reserve related to foreign currency securities:

Portion of marketable securities valuation reserve related to foreign marketable securities is presented as difference between fair values of the government bonds classified as financial assets at fair value through other comprehensive income and values, discounted according to the effective interest rate (internal rate of return) method.

i) Information on the Parent Bank's 2019 profit distribution:

At the Ordinary General Assembly Meeting of the Parent Bank held on 27 March 2020, it was decided to allocated legal reserves amounting TL 2,043 at the rate of 5% from the TL 40,869, which constitutes the net profit after the net tax, in accordance with Article 519/1 of the TCC. It was also decided to transfer TL 697 to special reserves account as sales income exempted from tax, that is under equity according to paragraph 1/e of the article 5 of the Corporate Tax Law no. 5520, which was recorded as real estate revenue under equity in the prior periods according to Turkish Accounting Standards (TAS), and the remaining TL 38,129 to extraordinary reserves.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated)

III. Explanations and Footnotes on Consolidated Off-Balance Sheet Items:

1. Disclosures on off - balance sheet items:

a) Type and amount of irrevocable commitments:

	31 March 2020	31 December 2019
Forward purchase and sale commitments	45,578	15,160
Commitment for use guaranteed credit allocation	29,387	30,415
Credit cards limit commitments	83,217	80,622
Payment commitments for cheques	6,806	6,989
Credit card commitments given with applications for promotion	192	192
Tax and fund obligations arising from export commitments	6	9
Other irrevocable commitments	256	564
Total	165,442	133,951

b) Type and amount of possible losses and commitments from off-balance sheet items:

There is no possible loss arising from off-balance sheet items. Guarantees from off-balance sheet commitments are shown in “off-balance sheet items” statements.

	31 March 2020	31 December 2019
Letters of guarantee	2,569,506	2,273,364
Bank acceptance loans	-	-
Letters of credit	271,076	294,068
Other guarantees	4,827,693	4,419,976
Total	7,668,275	6,987,408

c) Total amount of non-cash loans:

	31 March 2020	31 December 2019
Non-Cash Loans Given for Cash Loan Risks	88,327	93,003
With Original Maturity of 1 Year or Less	69,608	74,324
With Original Maturity of More Than 1 Year	18,719	18,679
Other Non-Cash Loans	7,579,948	6,894,405
Total	7,668,275	6,987,408

2. Explanations on the services rendered on behalf and account of other persons:

The Group performs purchase-sale transactions on behalf of its customers and provides custody, management and consultancy services.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated)

IV. Explanation and Footnotes on Consolidated Profit or Loss Statement

1. Information on interest income:

a) Information on interest income received from loans:

	31 March 2020		31 March 2019	
	TL	FC	TL	FC
Interest Income Received from Loans ⁽¹⁾				
Short Term Loans	17,827	3,557	19,634	1,918
Medium and Long Term Loans	46,465	71,690	72,179	115,730
Loans Under Follow-Up	4,750	-	4,032	-
Premiums Received from Resource Utilization Support Fund	-	-	-	-
Total	69,042	75,247	95,845	117,648

⁽¹⁾ Also includes fees and commissions from cash loans.

b) Information on interest income received from banks:

	31 March 2020		31 March 2019	
	TL	FC	TL	FC
From CBRT	-	-	-	-
From Domestic Banks	277	18,064	540	18,345
From Foreign Banks	-	2,157	-	1,955
From Headquarters and Branches Abroad	-	-	-	-
Total	277	20,221	540	20,300

c) Information on interest income received from securities portfolio:

	31 March 2020		31 March 2019	
	TL	FC	TL	FC
Financial Assets at Fair Value Through Profit Or Loss	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	22,501	7,771	206	13,482
Financial Assets Measured at Amortized Cost	16,547	42,820	15,551	14,542
Total	39,048	50,591	15,757	28,024

d) Information on interest income received from associates and subsidiaries: None.

2. Information on interest expense:

a) Information on interest expense related to funds borrowed:

	31 March 2020		31 March 2019	
	TL	FC	TL	FC
Banks ⁽¹⁾				
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	95	7	23	-
Foreign Banks	-	59,846	22,960	45,140
Foreign Branches and Offices Abroad	-	-	-	-
Other Institutions	-	-	-	-
Total	95	59,853	22,983	45,140

⁽¹⁾ Also includes fees and commission expenses related with funds borrowed.

b) Information on interest expense paid to associates and subsidiaries: None (31 March 2019: None).

c) Information on interest expense paid to securities issued: None (31 March 2019: None).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated)

IV. Explanation and Footnotes on Consolidated Profit or Loss Statement (Continued)

2. Information on interest expense (continued):

d) Maturity structure of the interest expense on deposits:

The Parent Bank has no interest expense paid to deposits callable within 7 days (31 March 2019: None).

31 March 2020	Account Name	Demand Deposits	Time Deposits				1 year and over	Cumulative Deposits	Total
			Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year			
	Turkish Lira								
	Bank Deposits	-	60	-	-	-	-	60	
	Saving Deposits	-	8,207	33,284	458	381	7	42,337	
	Public Sector Deposits	-	-	-	-	-	-	-	
	Commercial Deposits	-	1,912	9,093	188	2	1	11,196	
	Other Deposits	3	8	429		1	1	442	
	Total	3	10,187	42,806	646	384	9	54,035	
	Foreign Currency								
	Deposits	-	1,584	24,148	270	547	85	26,634	
	Bank Deposits	-	95	-	-	-	-	95	
	Precious Metal Deposits	-	-	-	-	-	-	-	
	Total	-	1,679	24,148	270	547	85	26,729	
	Grand Total	3	11,866	66,954	916	931	94	80,764	

31 March 2019	Account Name	Demand Deposits	Time Deposits				1 year and over	Cumulative Deposits	Total
			Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year			
	Turkish Lira								
	Bank Deposits	-	2,489	-	-	-	-	2,489	
	Saving Deposits	-	2,370	80,475	5,414	310	101	88,670	
	Public Sector Deposits	-	-	-	-	-	-	-	
	Commercial Deposits	-	3,160	11,642	562	-	-	15,364	
	Other Deposits	-	2	1,009	2	1	-	1,014	
	Total	-	8,021	93,126	5,978	311	101	107,537	
	Foreign Currency								
	Deposits	-	652	43,289	510	68	34	44,553	
	Bank Deposits	-	4,005	-	-	-	-	4,005	
	Precious Metal Deposits	-	-	-	-	-	-	-	
	Total	-	4,657	43,289	510	68	34	48,558	
	Grand Total	-	12,678	136,415	6,488	379	135	156,095	

3. Information on trading profit / loss (net):

	31 March 2020	31 March 2019
Profit	136,407	147,277
Capital Market Gains	4,461	3,213
Derivative Gains	51,707	76,616
Foreign Exchange Gains	80,239	67,448
Loss (-)	105,291	133,452
Capital Market Losses	-	-
Derivative Losses	40,428	70,866
Foreign Exchange Losses	64,863	62,586

Net profit related to derivative transactions resulting from foreign currency rate changes is amounting to TL 10,620 TL (31 March 2019: TL 7,011 net profit).

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated)

IV. Explanation and Footnotes on Consolidated Profit or Loss Statement (Continued)

4. Information on other operating income:

Other Operating Income in the statement of profit or loss consists of collections from receivables from the previous periods is TL 73,289 (31 March 2019: TL 4,339) and consists of project evaluation fees’s part is TL 9,260 (31 March 2019: TL 2,310).

5. Impairment on loans and other receivables:

	31 March 2020	31 March 2019
Allowance for expected credit losses	55,819	35,378
12-Month expected credit losses (Stage 1)	(26,017)	22,176
Significant increase in credit risk (Stage 2)	81,333	10,146
Credit-Impaired (Stage 3)	503	3,056
Impairment provisions for financial assets	2,875	-
Financial assets at fair value through profit or loss	8	-
Financial assets at fair value through other comprehensive income	2,867	-
Impairment provisions related to investments in associates, subsidiaries and joint ventures	-	-
Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other	1,195	-
Total	59,889	35,378

6. Information on other operational expenses:

	31 March 2020	31 March 2019
Reserve for Employee Termination Benefits	2,165	1,266
Reserve for Bank’s Social Aid Fund Deficit	-	-
Impairment Expenses of Tangible Assets	-	-
Depreciation Expenses of Tangible Assets	7,143	7,107
Impairment Expenses of Intangible Assets	-	-
Impairment Expenses of Goodwill	-	-
Depreciation Expenses on Intangible Assets	1,265	1,081
Impairment Expenses of Investments in Associates	-	-
Impairment Expenses of Assets Held for Resale	-	-
Depreciation Expenses of Assets Held for Resale	27	18
Impairment Expenses of Assets Held for Sale and Discontinued Operations	-	-
Other Operating Expenses	14,298	12,919
Leasing Expenses related to TFRS 16 Exemptions	379	1,216
Repair and Maintenance Expenses	3,747	3,125
Advertisement Expenses	143	121
Other Expenses	10,029	8,457
Loss on Sale of Assets	19	6
Other ⁽¹⁾	20,408	8,747
Total	45,325	31,144

⁽¹⁾ Other line mainly includes taxes paid other than corporate income tax, customs and duties paid and SDIF premium expense.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated)

IV. Explanation and Footnotes on Consolidated Profit or Loss Statement (Continued)

7. Explanations on profit / loss before tax of continued and discontinued operations:

Profit before taxes for continued operations is TL 112,364 (31 March 2019: TL 53,407 profit before tax). Profit before taxes consists of net interest income amounting to TL 123,023 (31 March 2019: TL 103,086), net fees and commission income amounting to TL 23,933 (31 March 2019: TL 23,377) and other operating expenses amounting to TL 108,607 (31 March 2019: TL 31,144).

8. Explanations on tax provision of continued and discontinued operations:

a) Information on current tax income or expense and deferred tax income or expense:

Current tax expenses belonging to period ending on 31 March 2020 is TL 33,918 (31 March 2019: TL 31,896).

There is a deferred tax expense on 31 March 2020 amounting to TL 278 (31 March 2019: TL 25,634) and there is deferred tax income on 31 March 2020 amounting to TL 17,436 (31 March 2019: TL 41,020).

b) Information on deferred tax charge arising from origination or reversal of temporary differences:

For the period ended 31 March 2020, the deferred tax expense arising from the origination of temporary differences amounts TL 278 (31 March 2019: TL 25,634) and there is deferred tax income on 31 March 2020 amounting to TL 17,436 (31 March 2019: TL 41,020).

Additionally, for the period ended 31 March 2020, the current tax effect amounting to TL 99 and deferred tax effect amounting to TL 8,104, on an aggregate TL 8,203 tax effect (31 March 2019: TL (8,096) current and TL 5,492 is deferred tax effect total TL (2,604)) which are related to transactions recognized under equity is accounted under equity accounts).

c) Information on deferred tax income or expense reflected on the statement of profit or loss resulting from temporary differences, financial losses and tax deductions and exemptions:

For the period ended 31 March 2020, the deferred tax expense amounting to TL 278 (31 March 2019: TL 25,634) and deferred tax income amounting to TL 17,436 (31 March 2019: TL 41,020) arising from the origination of temporary differences. There is no deferred tax income from financial loss in period ending on 31 March 2020 (31 March 2019: None).

9. Explanations on continued and discontinued operations net profit/loss:

Net profit from continued operations is TL 95,604 (31 March 2019: TL 36,897 net profit).

10. Explanations on net profit and loss:

a) If it is required that the nature of the income and expense items arising from ordinary banking transactions, size and repetition rate for the understanding of the Parent Bank's performance over the period, the nature and amount of these items: None.

b) The profit / loss effect of a change in the estimate made in relation to the financial statement items, if any, is likely to affect subsequent periods: None.

11. Explanations on the components of other items in the income statement exceeding 10% of the group total, or at least 20% of the sub-accounts belonging to this group:

In the consolidated income statement; the “Other” captions presented under “Fees and Commissions Received” and “Fees and Commissions Paid” accounts, which are included in “Net Fee and Commission Income”, consist of mainly income received and expenses paid to customers and third parties regarding banking activities.

ICBC TURKEY BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated)

V. Explanations on the Parent Bank’s Risk Group

1. Information on the volume of transactions with the Parent Bank’s risk group, lending and deposits outstanding at period end and income and expenses in the current period:

a) 31 March 2020:

Parent Bank’s Risk Group ⁽¹⁾	Associates, Subsidiaries and Joint Ventures		Bank’s Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
	Loans and Other Receivables					
Balance at the Beginning of the Period	-	-	-	567,918	20	-
Balance at the End of the Period	2	-	-	795,969	10	-
Interest and Commission Income Received	-	-	-	-	-	-

⁽¹⁾ As described in the 2nd Sub clause on Article 49 of Banking Law no.5411.

The Parent Bank has TL 21,337 placements at its risk group banks as at 31 March 2020 (31 December 2019 – TL 20,056). Also the Parent Bank has TL 308 irrevocable commitment at its risk group as at 31 March 2020 (31 December 2019: TL 424).

b) 31 December 2019:

Parent Bank’s Risk Group ⁽¹⁾	Associates, Subsidiaries and Joint Ventures		Bank’s Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
	Loans and Other Receivables					
Balance at the Beginning of the Period	1	2	-	259,363	25	-
Balance at the End of the Period	-	-	-	567,918	20	-
Interest and Commission Income Received	-	-	-	-	-	-

⁽¹⁾ As described in the 2nd Sub clause on Article 49 of Banking Law no.5411.

c) Information on deposits held by the Parent Bank’s risk group:

Current Period Parent Bank’s Risk Group ⁽¹⁾	Associates, Subsidiaries and Joint Ventures	Bank’s Direct and Indirect Shareholders	Other Components in Risk Group
Balance at the beginning of the Period	-	203	2,261
Balance at the End of the Period	-	222	885
Interest on Deposits	-	-	7

⁽¹⁾ As described in the 2nd Sub clause on Article 49 of Banking Law no.5411.

Prior Period Parent Bank’s Risk Group ⁽¹⁾	Associates, Subsidiaries and Joint Ventures	Bank’s Direct and Indirect Shareholders	Other Components in Risk Group
Balance at the beginning of the Period	-	31,221	992
Balance at the End of the Period	-	203	2,261
Interest on Deposits	-	-	67

⁽¹⁾ As described in the 2nd Sub clause on Article 49 of Banking Law no.5411.

The Parent Bank has borrowed loans from the Parent Bank’s Risk Group amounting TL 5,699,126 as at 31 March 2020 (31 December 2019: TL 4,235,154).

The Parent Bank has borrowed subordinated loan from the Parent Bank’s Risk Group amounting TL 1,973,256 (31 December 2019: TL 1,782,420).

d) Information on forward transactions and option agreements and similar other agreements related with the Parent Bank’s risk group as at 31 March 2020: None (31 December 2019: None).

ICBC TURKEY BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated)

V. Explanations on the Parent Bank’s Risk Group (Continued)

2. Information on the Parent Bank’s transactions with the risk group:

Besides nature of the relationship, transaction type, amount and its proportion in total transaction amount, amounts of primary transactions and their proportions in total amount, pricing policy and other matters:

In the Group’s transactions with its risk group, pricing policy and other matters are determined and applied at market conditions. As at 31 March 2020, proportion of cash loans to risk group in total cash loans is 0.0001% (31 December 2019: 0.0002%) and proportion of deposits from its risk group in total deposits is 0.01% (31 December 2019: 0.02%). Proportion of subordinated loans from its risk group in total subordinated loans is 91.8% (31 December 2019: 99.9%).

In the current period, benefits provided to the Group’s key management amount to TL 8,545 (31 March 2019: TL 5,867).

VI. Explanations and footnotes on subsequent events

Within the scope of the organizational restructure of ICBC Bank Turkey A.Ş., the departments under responsibilities of General Manager and Assistant General Managers have been redefined on 16 April 2020. According to this meeting:

- Jinhong Li, who was in charge of Financial Affairs and Legal Department, has been appointed as Assistant General Manager responsible for Credit Allocation Department, Legal Affairs Department, Operations Department and Operation Center.
- Hüseyin H. Imece, who was in charge of Treasury and Investment Relations Group, has been appointed as Assistant General Manager responsible for Asset and Liability Department, Economy Research Department and Financial Control and Accounting Department.
- D.Halit Döver, who was in charge of International Relations Group, has been appointed as Assistant General Manager responsible for International Business Department, Financial Institutions Department, Financial Market Department and Corporate Banking Department
- Kadir Karakurum, who was in charge of Retail Banking Group, has been appointed Assistant General Manager responsible for Digital Banking Department, Financial Technology Department, Technology Center, Administrative Affairs Center, Public Relations and Advertisement Unit of Executive Office.

ICBC TURKEY BANK A.Ş.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated)

SECTION SIX

EXPLANATIONS ON THE AUDITOR’S REVIEW REPORT

I. Explanations on the auditor’s review report

The consolidated financial statements of the Parent Bank and its subsidiary as at and for the three-month period ended 31 March 2020 have been reviewed by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (the Turkish member of KPMG International Cooperative, a Swiss entity) and the Auditors’ Review Report dated 22 April 2020 is presented in the introduction of this report.

II. Explanations and footnotes prepared by the independent auditors

None.

ICBC TURKEY BANK A.Ş.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated)

SECTION SEVEN

INTERIM ACTIVITY REPORT

**I. Capital Markets Board Communiqué on Principles Regarding Financial Reporting in Capital Markets (II-14.1)
Consolidated Liability Statement in accordance with Article 9 of the Second Section**

The consolidated financial statements and consolidated annual report of our Bank “ICBC Turkey Bank A.Ş.” as at 31 March 2020 are examined by us.

Within the frame of information held by us in our fields of duty and responsibility in the entity, the consolidated interim financial statements and consolidated board of directors’ report do not contain any untrue statement on material events or any deficiency which may make them misleading as at the date of statement.

Within the frame of information held by us in our fields of duty and responsibility in the entity, the consolidated interim financial statements – together with those covered by consolidation – fairly reflect the truth relating to assets, liabilities, financial statements, profits and losses of the entity, and the consolidated board of directors’ report fairly reflects the progress and performance of business and – together with those covered by consolidation, if any – the financial situation of the entity, together with material risks and uncertainties exposed by the entity.

Best Regards,

XIANGYANG GAO
Chairman of the Board of
Directors

PEIGUO LIU
Chairman of the Audit
Committee
Member of the Board of
Directors

SHAOXIONG XIE
General Manager and
Member of the Board of
Directors

HÜSEYİN HASAN İMECE
Assistant General Manager
Responsible for Financial Control
and Accounting, Asset and
Liability and Economic Research
Department

ICBC TURKEY BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated)

II. General Information

1. Summarized Information About ICBC Turkey Bank A.Ş.

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

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

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

In 2008, the Bank’s share capital was increased from TL 300 million to TL 420 million, a total TL 120 million increase, TL 60 million out of this incremental share capital was obtained from the internal sources and the remaining TL 60 million was paid in cash.

With the capital increase dated June 29, 2017, the paid-in capital of the Bank has been increased from TL 420 million to TL 860 million by increasing TL 440 million in cash.

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

Pursuant to the Article 11, related to the mandatory bid offer transactions, of the Communiqué on Mandatory Bid Offers issued by the capital Markets Board with the Serial Number II. 26.1, ICBC became obligated to make a share purchase proposal to purchase the remaining shares belonging to the other shareholders as a result of its purchase of the shares owned by GSD Holding A.Ş. representing 75.5% of the share capital of Tekstil Bankası A.Ş.. In this context, ICBC, the majority shareholder of the Bank, made a mandatory bid offer pursuant to the “Communiqué on Mandatory Bid Offers” with Serial II, No.26.1, which expired on August 14th, 2015 as a result of which the shares of the Bank held by ICBC increased from 75.50% to 92.82%. As a result of the capital increase in 2017, the shareholding ratio of ICBC in the bank increased from 92.82% to 92.84%.

ICBC was established in 1984 in the People's Republic of China. It offers clients a wide range of financial products and services. ICBC has established an international and integrated business model in cross-markets. ICBC's shares were simultaneously listed on both on the Hong Kong Stock Exchange and the Shanghai Stock Exchange in October 2006. After the years of international development, by the first interim of 2018, ICBC operations spread to six continents covering 42 countries and regions. With a widespread global coverage network, ICBC has established an extensive network of national and international organizations and correspondent banks around the world and an e-banking network consisting of a wide range of internet and telephone banking services and self-service banking centers, 5,784 thousand corporate clients and 530 million personal customers provide comprehensive financial products and services. The banking authority in the People's Republic of China is supervised and regulated by the China Banking Regulatory Commission (CBRC).

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

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

At the Extraordinary General Assembly Meeting of Tekstil Yatırım Menkul Değerler A.Ş. dated 30 May 2016; it has been decided that the commercial title of the Company is changed to “**ICBC Turkey Yatırım Menkul Değerler Anonim Şirketi**” shortly as “**ICBC Turkey Yatırım**”.

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

ICBC TURKEY BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated)

II. General Information(Continued)

2. Capital and Shareholder Structure

Following is the shareholder structure of the Bank as at 31 March 2020;

Name of the Shareholder – 31 March 2019	Shareholding Amount (TL)	Percentage (%)
Industrial and Commercial Bank of China Limited ⁽¹⁾ (ICBC)	798,428,227	92.84
Publicly Traded	61,571,773	7.16
Grand Total	860,000,000	100.00

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

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

3. Amendments in Articles of Association During the Period

As at the reporting period, there has been no change in articles of association.

4. Chairman and the Member of the Board of Directors

Name and Surname	Position and Areas of Responsibility
Xiangyang Gao	Chairman of the Board, Chairman of the Credit Committee
Shaoxiong Xie	General Manager, Board Member, Vice Chairman of the Credit Committee
Peiguo Liu	Chairman of the Audit Committee, Member of the Board of Directors, Member of the Credit Committee
Jianfeng Zheng	Member of the Board of Directors, Member of the Corporate Governance Committee, Member of the Remuneration Committee, Substitute Member of the Credit Committee
Ying Wang	Chairman of the Remuneration Committee, Member of the Audit Committee, Substitute Member of the Credit Committee, Independent Board Member
Serhat Yanık	Independent Board Member, Chairman of the Corporate Governance Committee

5. General Manager and Assistant General Managers

Name and Surname	Position and Areas of Responsibility
Shaoxiong Xie	General Manager – Member of Board of Directors
Jinhong Li	Deputy General Manager - Credit Collection Legal Affairs, Operations and Operation Center
Hüseyin H.İmece	Assistant General Manager - Financial Control and Accounting Department, Asset and Liability Department, Economic Research Department
Bozok Evrenosoğlu	Assistant General Manager
D.Halit Döver	Assistant General Manager - International Business Department, Financial Institutions Department, Financial Market Department and Corporate Banking Department
Kadir Karakum	Assistant General Manager, Member of Digital Banking Department, Financial Technology Department, Technology Center, Administrative Affairs Center, Public Relations and Advertisement Unit of Executive Office

ICBC TURKEY BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2020

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6. Information Regarding the Subsidiaries and Affiliates

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

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

III. Financial Information and Evaluations

1. Consolidated Financial Figures:

Financial Figures (TL Million)	31 March 2020	31 December 2019	%
Total Assets	20,831	18,391	13%
Deposits ⁽¹⁾	9,521	9,790	(3)%
Loans	8,271	9,132	(9)%
Shareholders' Equity	1,390	1,329	5%
Profit / (Loss)	95,6	71,5	34%

⁽¹⁾ Bank deposits are excluded.

Financial Ratios %	31 March 2020	31 December 2019	%
Return on Assets	1.9%	0.4%	367%
Return on Equity	28.1%	5.7%	391%
Capital Adequacy Ratio	19.7%	18.7%	6%
Loans/ Total Assets	39.7%	49.7%	(20)%
Deposits/ Total Assets	45.7%	53.2%	(14)%
NPL Ratio	0.5%	1.8%	(74)%

⁽¹⁾ Bank deposits are excluded.

Five Years Summary Financial Information :

TL Thousand	31 March 2020	31 December 2019	31 December 2018	31 December 2017	31 December 2016
Total Assets	20,831,334	18,391,481	15,852,490	13,315,560	8,308,619
Total Deposits ⁽¹⁾	9,520,742	9,790,304	6,699,689	3,273,860	2,850,077
Total Loans	8,271,223	9,132,429	7,874,592	7,680,821	5,098,106
Shareholders' Equity	1,389,610	1,329,312	1,166,569	1,112,294	607,007
Profit/ (Loss)	95,604	71,510	83,549	48,283	18,749

⁽¹⁾ Bank deposits are excluded.

ICBC TURKEY BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated)

III. Financial Information and Evaluations (continued)

2. Letter from the Chairman of the Board of Directors:

At the beginning of 2020, global markets had a relatively positive mood with expectations that ongoing foreign trade problems between the United States and China would be overcome and accommodative monetary policies would continue in developed countries. But the Covid-19 virus outbreak, which appeared in China at the beginning of the year and spread to the vast majority of the world since early March, and the measures taken against this outbreak have led to a huge reduction in economic activity and rise in volatility in financial markets. Given the impact of the measures on global supply chain and consumption, the global growth rate could be expected to fall to its lowest level since the Great Depression of 1929. Lockdowns and other measures have led to excessive production cuts and sharp declines in supply and demand. The sharp contraction in the services sector and industrial sector, where the most employment is provided in economies, has led to high historical levels in unemployment rates, especially in developed countries.

In the face of this sharp contraction in the global economy, global interest rates have fallen to low levels. In particular, the Fed and the European Central Bank (ECB) have expanded the scope of loose monetary policies that support the economy. Since the beginning of 2020, the Fed has cut its policy rate by 150 basis points, while also starting a wide-ranging asset acquisition program. The ECB also kept interest rates close to zero, expanding the scope of the asset purchase program and extending its period until the end of the year. Along with the supportive monetary policies of the central banks, countries have also taken important steps by the fiscal policy. The U.S. government has announced a total package of \$2.3 trillion in support, while in Germany, the federal government and local governments have announced financial support packages of €870 billion in total and in France the government has announced a package of 412 billion euros in support of the economy. While 2019 as a rebalancing year for the Turkish economy, macroeconomic data and credit market data for the first two months of 2020 point to high growth figures in the economy. However, as of March, it is estimated that excessive volatility, uncertainty and slowdown in global markets due to the impact of the Covid-19 pandemic will negatively affect growth in economic activity amid measures taken in domestic markets. In addition to its expansionary monetary policies, Turkey has also announced a 100 billion TL economic support package. While necessary health measures were taken against the epidemic in Turkey, all policy-making institutions have taken necessary steps by limiting the impact of these measures on workflow and markets.

During this period, ICBC Turkey continued its support for the Turkish people and economy. At the annual meeting in March, ICBC Turkey decided to donate health supplies to help fight the COVID-19 outbreak. With the awareness of the fact that this challenging period is temporary and will be circumvented as soon as possible, the globalization strategy of "establishing the foundation in local regions and connecting Europe to Asia by affecting the surrounding regions" is kept in line with the ICBC Group targets. In line with this strategy, ICBC Turkey has continued its support for projects and the real sector in Turkey, which is located at the center of the connecting routes.

Yours truly,

XIANGYANG GAO

Chairman of the Board of Directors

ICBC TURKEY BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated)

III. Financial Information and Evaluations (continued)

3. Letter from the General Manager

Dear Shareholders of our Bank;

Due to measures taken against the Covid-19 pandemic there has been a sharp decline in global economic activity in the first quarter of 2020. In the same period, with the increasing uncertainty, excessive volatility and deterioration in pricing in the financial markets were observed. In the first two months of 2020, there has been a strong recovery in the economy with decreasing volatility and good performance in domestic financial markets. In March, the impact of the sharp and sudden contraction in the global economy has also been observed in domestic markets and economic activity. These developments have led international institutions to revise their positive growth forecasts at the beginning of the year, downwards.

Based on the latest macroeconomic data, it is seen that the most important development in the first two months of the year was the recovery in production and economic activity. In the first two months of the year, the positive trend in industrial production and retail sales continued. Nevertheless, the inflation rate remained at 12% in the first quarter due to the increase in exchange rates and the recovery in domestic demand. The CBRT continued to cut its policy rates with the prediction that the ongoing economic recovery and low commodity and energy prices will decrease inflation expectations, and the global relaxation in monetary policy in March and it has cut 150 basis points in total in the first quarter of the year. In March 2020, Turkey has announced a support package of total of 100 billion TL in the first phase after the economic recession following measures taken within the scope of fighting against Covid-19. CBRT, BRSA along with other policymakers announced policy measures to help the economy and the banking system get through this period in the best way.

Growth in the banking sector is seen with the expansion in the credit market at the beginning of the first quarter of the year. Within the scope of KGF-backed economic support packages against the slowdown in March, banks began lending to companies and individuals with relatively more favorable conditions. In this way, it is aimed to provide financing to the real economy by preventing a sharp decline in demand and economic activity. The strong structure of the sector and the rapid decision-making-implementation mechanism show the importance of the role the banking sector plays in the economic fight against covid-19 pandemic.

As ICBC Turkey, we have prioritized the health of both our employees and our customers as our top priority in this period. While continuing our support for projects that will support the development of the Turkish economy in the long term, we have kept fulfilling our mission to meet the immediate needs of our customers in the most efficient way. With the strong support and experience of our global team, we have taken measures to protect the health of our employees and their families. ICBC Turkey continues to support the government-launched economic support program against the COVID-19 outbreak. The coming period offers an important opportunity to implement long-term and sustainable economic policies, especially for Turkey. During this period, economy administration in the government and the banking sector will keep contacts and create the necessary environment for the most efficient use of this opportunity.

Yours truly,

SHAXIONG XIE

General Manager

ICBC TURKEY BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

III. Financial Information and Evaluations (continued)

4. Evaluation of the Bank's Position in the Sector ⁽¹⁾:

Based on the comparison of the Bank's position in sector with data in "Daily Banking Sector Report" (as at December 2019 and February 2020) announced by Banking Regulation and Supervision Agency (BRSA);

- Cash and Balances with CBRT increased in the sector by 22.5%, at bank increased by 12.4%.
- Securities increased in the sector by 4.6%, at bank increased by 16.2%.
- Loans increased by 4.3%, at bank decreased by 9.4%.
- Total NPLs (gross) of sector increased by 1.2%, at bank decreased by 74.0%.
- Total deposits of the sector increased by 4.7% and total deposits of bank decreased by %3.7 (included bank deposits)
- Total non-cash loans of the sector increased by 1.8%, bank's total non-cash loans increased by 9.7%.

TL Million	31 March 2020		31 December 2019		Change %	
	ICBC Turkey	Sector ⁽¹⁾	ICBC Turkey	Sector	ICBC Turkey	Sector ⁽¹⁾
Cash and Balances with CBRT	2,330	291,424	2,073	237,952	12.4%	22.5%
Placement to Banks	4,276	199,938	2,300	211,399	85.9%	(5.4)%
Securities Portfolio	5,455	710,562	4,693	679,476	16.2%	4.6%
Loans	8,238	2,770,888	9,088	2,656,132	(9.4)%	4.3%
Loans (including NPL)	8,258	2,820,923	9,142	2,708,700	(9.7)%	4.1%
NPL (Gross)	44	152,622	168	150,763	(74.0)%	1.2%
Provisions for NPLs	24	102,587	114	98,195	(78.7)%	4.5%
Total Deposits and Funds	10,225	2,687,727	10,614	2,566,897	(3.7)%	4.7%
Non-cash Loans	7,668	829,451	6,987	814,961	9.7%	1.8%
Total Assets	20,430	4,712,688	18,191	4,491,090	12.3%	4.9%

⁽¹⁾ The data is taken from the February 2020 Monthly Sector Bulletin of the BRSA dated April 13, 2020.

Comparison of Sector	31 March 2020		31 December 2019		Change %	
	ICBC Turkey	Sector ⁽¹⁾	ICBC Turkey	Sector	ICBC Turkey	Sector ⁽¹⁾
Total Loans/Total Assets	%40	%59	%50	%59	(19.3) %	(0.6) %
Total Deposits/Total Liabilities	%50	%57	%58	%57	(14.2)%	(0.2) %
Securities/ Total Assets	%27	%15	%26	%15	3.5%	(0.3) %
NPL Ratio	%1	%5	%2	%5	(70.9) %	(2.8) %
Liquid Values/ Total Assets	%32	%10	%24	%10	34.5%	4.2%
Non-cash Loans/ Total Cash Loans	%93	%29	%76	%30	21.5%	(2.4) %

⁽¹⁾ Evaluations are given on non-consolidated basis.

ICBC TURKEY BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated)

III. Financial Information and Evaluations (continued)

5. Explanations related to The Bank’s Financial Situation, Profitability and Solvency:

According to Bank’s consolidated financial statements as at March 2020 prepared in accordance with the regulations of Banking Regulation and Supervision Agency;

- Consolidated total assets over approximately TL 20 billion.
- Total consolidated reached TL 8.2 billion while the share in the balance sheet was realized as 39.7%.
- Total consolidated deposits are TL 9.7 billion.
- Consolidated deposits’ share in consolidated total assets is 46.4%.
- Consolidated net profit of the first three-month of 2020 is realized as TL 95.6 million.
- Consolidated return on assets was 0.4% at the end of 2019 and 1.9% for the current period. Consolidated return on equity reached 28.1% from 5.7% at the end of 2019.
- Consolidated capital adequacy ratio is realized as 19.9%.

6. Explanations about Bank’s Credit Ratings

International Credit Rating Agency, Fitch Ratings confirmed the outlook rating of ICBC Turkey as “Stable” as of 12 November 2019.

International Rating Institution- Fitch Ratings	
Long-term foreign currency and credit notes denominated in TL	B+, BB-
National long-term credit rating	AA (tur)
Short-term foreign currency and credit notes denominated in TL	B
Support rating	4
Outlook	Stable

IV. Information About Transactions of Bank with Risk Group

Bank’s relations with risk group covers all kind of banking transactions in accordance with Banking Law, within the framework of normal bank-customer relationship and market conditions. Detailed explanations in these transactions are at Section 5 and V. Footnote of “Consolidated Financial Statements to Be Announced to Public and Related Explanations and Footnotes with Auditors’ Review Report as at 31 March 2020”.

V. Information on Risk Management Policies by Risk Types

As of the reporting period, there has been no change.

VI. Information Related to the Donations at the End of the Period

There is no donations during the reporting period.

VII. Consolidated Auditors’ Review Report

ICBC Turkey’s all material disclosures to BIST, Consolidated Financial Statements, Explanations and Footnotes Related Thereon and the Auditors’ Review Report for the nine-month period ended at 31 March 2020 are published under the “Financial Information” heading in the “Investor Relations” section of the Bank’s website addressed www.icbc.com.tr.