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OUR POWERS

CONTACT INFORMATION OF THE BANK

ICBC Turkey Bank Anonim Şirketi (ICBC Turkey) conducts operations as a foreign-capitalized deposit bank in Turkey. The contact information of our branches can be reached on our website under the subheadings of the “Branches”, “ATMs” under the heading of the “Contact Us”.

Period of the Report	: 01 January 2018 - 31 December 2018
Trade Name of the Bank	: ICBC Turkey Bank A.Ş.
Currency of the Report	: Unless indicated otherwise, all of the amounts are indicated in thousand TL.
Trade Registry Number of the Bank	: 224058 - İstanbul Chamber of Commerce
Head Office Address	: Maslak Mah. Dereboyu/2 Cad. No:13 34398 Sarıyer - İstanbul - TURKEY
Head Office Phone No.	: 0212 335 53 35
Head Office Fax No.	: 0212 328 13 28
Internet Site Address	: www.icbc.com.tr
Electronic Mail	: info@icbc.com.tr



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CONTENTS

SECTION I

GENERAL INFORMATION

- 3 Agenda of the Ordinary General Assembly Meeting
- 4 Annual Report Compliance Opinion
- 7 Responsibility Statement of Annual Report
- 8 Historical Development
- 10 Vision, Mission and Strategic Targets
- 10 Changes in the Articles of Association
- 11 Share Capital and the Shareholding Structure
- 12 Information on the Privileged Shares and the Voting Rights
- 13 Information Related to the Special Audit and the Public Audit Conducted in the Year 2018
- 13 Information Related to the Material Lawsuits Brought Against the Bank During the Year 2018 and Their Potential Outcomes
- 13 Organizational Structure
- 14 Letter from the Chairman of the Board of Directors
- 18 Letter from the General Manager
- 22 Outlook for 2019
- 23 Selected Financial Indicators
- 24 Assessment of the Bank's Activities in the Year 2018
- 46 Information Regarding the Associates and the Subsidiaries
- 46 Research and Development Practices Related to the New Services and Activities

SECTION II

MANAGEMENT AND CORPORATE GOVERNANCE PRACTICES

- 48 Names and Surnames, Terms of Office, Responsibility Areas, Educational Background and Professional Experiences of the Chairman and Members of the Board of Directors, Audit Committee Members, General Manager and the Assistant General Managers and the Officers of the Departments within the Scope of the Internal Systems
- 51 Duties of the Board of Directors Outside of the Bank
- 52 Profiles of the Chairman and Members of the Board of Directors, Audit Committee Members, General Manager and the Assistant General Managers and the Managers of the Units within the Scope of the Internal Systems
- 58 Declarations of Independence by the Members of the Board of Directors
- 60 Financial Rights Provided to the Members of the Board of Directors and the Senior Executives
- 60 Information Regarding the Committees Established Within the Body of the Board of Directors
- 64 Other Committees (Assets and Liabilities Committee - ALCO)
- 64 Information Regarding the Attendance by the Board of Directors and the Committee Members to the Related Meetings During the Accounting Period

- 65 Summary Board of Directors Report
- 67 Human Resources Practices
- 69 Information Regarding the Transactions Conducted by the Bank with the Risk Group that the Bank is Involved in
- 69 Information Regarding the Institutions from which the Bank Receives Support Services
- 69 Information Regarding the Transactions Made by the Members of the Board of Directors with the Bank in the Name of Themselves or on Behalf of Another Person within the Framework of the Permissions Given by the Board of Directors of the Bank and the Activities within the Scope of Non-Competition
- 70 Proposal for Profit Distribution for the Year of 2018
- 70 ICBC Turkey Bank A.Ş. Profit Distribution Policy
- 70 Information Related to the Donations and the Disbursements Made within the Scope of Corporate Social Responsibility Projects in the Year 2018
- 71 Corporate Governance Principles Compliance Report for the Year of 2018

SECTION III

UNCONSOLIDATED FINANCIAL INFORMATION AND THE ASSESSMENTS RELATED TO THE RISK MANAGEMENT

- 82 Assessment of Operation of the Internal Control, Internal Audit and the Risk Management Systems by the Audit Committee
- 83 Information Regarding the 2018 Activities of the Internal Control, Internal Audit and the Risk Management Systems
- 85 Risk Management
- 88 Information on the Financial Position, Profitability and Solvency of the Bank
- 90 Credit Ratings of the Bank and Related Explanations
- 90 Financial Information Summary for a Period of Five Years Including the Report Period
- 90 Other Matters - Explanations Regarding the Post Balance Sheet Events
- 90 Independent Auditors' Report

SECTION IV

CONSOLIDATED FINANCIAL INFORMATION

- 92 Consolidated Financial Information Summary and the Financial Ratios for a Period of Five Years Including the Report Period
- 92 Information Related to the Consolidated Subsidiaries
- 93 Independent Auditors' Report
- 96 Consolidated Financial Statements as at and for the Year Ended 31 December 2018 with Independent Auditors' Report Thereon

AGENDA OF THE ORDINARY GENERAL ASSEMBLY MEETING DATED 29 MARCH 2019

1. Opening and formation of the meeting presidency,
2. Authorization of the Meeting Presidency to sign the minutes of the Ordinary General Meeting of Shareholders,
3. Reading and discussion of the Board of Directors' 2018 Annual Activity Report and Independent Audit Report Summary,
4. Reading, discussion and approval of the 2018 financial statements,
5. Approval of the membership of the new board member who elected according to Turkish Commercial Code, Article 363,
6. Release of the board members,
7. Discussion on dividend distribution for the year 2018 according to the Board of Directors's proposal,
8. Discussion and approval of the 2019 Dividend Distribution Policy,
9. Determination of the remuneration of the board members,
10. Election of the Independent Auditor in accordance with the Article 399 of Turkish Commercial Code,
11. Informing the shareholders about the donations made in 2018,
12. Determination of an upper limit for the donations to be made in 2019 in accordance with Banking legislation and Capital Markets Board's regulations,
13. Informing the shareholders about the Remuneration Policy,
14. Informing the shareholders regarding CMB's Corporate Governance Principles, clause 1.3.6.

ANNUAL REPORT COMPLIANCE OPINION



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

To the Shareholders of ICBC Turkey Bank Anonim Şirketi

Opinion

We have audited the annual report of ICBC Turkey Bank Anonim Şirketi (the "Bank") and its consolidated subsidiaries (together will be referred as "the Group") for the period between 1 January 2018 and 31 December 2018, since we have audited the complete set consolidated and unconsolidated financial statements for this period.

In our opinion, the consolidated and unconsolidated financial information included in the annual report and the analysis of the Board of Directors by using the information included in the audited financial statements regarding the position of the Bank are consistent, in all material respects, with the audited complete set of consolidated and unconsolidated financial statements and information obtained during the audit and provides a fair presentation.

Basis for Opinion

We conducted our audit in accordance with "Regulation on Independent Audit of the Banks" published in the Official Gazette No.29314 dated 2 April 2015 by BRSA ("BRSA Auditing Regulation") and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Annual Report* section of our report. We declare that we are independent of the Bank in accordance with the Code of Ethics for Auditors issued by POA (POA's Code of Ethics) and the ethical requirements in the regulations issued by POA that are relevant to audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Auditor's Opinion on Complete Set of Financial Statements

We have expressed an unqualified opinion on the complete set of consolidated and unconsolidated financial statements of the Bank for the period between 1 January 2018 and 31 December 2018 on 21 February 2019.

Board of Directors' Responsibility for the Annual Report

In accordance with the Articles 514 and 516 of the Turkish Commercial Code numbered 6102 ("TCC") and Regulation on the Principles and Procedures Concerning the Preparation of and Publishing Annual Reports by the Bank ("Regulation") published in the Official Gazette dated 1 November 2006 and Numbered 26333, the Bank's management is responsible for the following regarding the annual report:

a) The Bank's management prepares its annual report within the first three months following the date of statement of financial position and submits it to the general assembly.

b) The Bank's management prepares its annual report in such a way that it reflects the operations of the year and the consolidated and unconsolidated financial position of the Bank accurately, completely, directly, true and fairly in all respects. In this report, the financial position is assessed in accordance with the Bank's consolidated and unconsolidated financial statements. The annual report shall also clearly indicate the details about the Bank's development and risks that might be encountered. The assessment of the Board of Directors on these matters is included in the report.

c) The annual report also includes the matters below:

- Significant events occurred in the Bank after the reporting period,
- The Bank's research and development activities.
- Financial benefits such as wages, premiums and bonuses paid to board members and key management personnel, appropriations, travel, accommodation and representation expenses, benefits in cash and kind, insurance and similar guarantees.

When preparing the annual report, the Board of Directors also considers the secondary legislation arrangements issued by the Ministry of Trade and related institutions.

Auditor's Responsibility for the Audit of the Annual Report

Our objective is to express an opinion on whether the consolidated and unconsolidated financial information included in the annual report in accordance with the TCC and the Regulation, and analysis of the Board of Directors by using the information included in the audited financial statements regarding the position of the Bank are consistent with the audited consolidated and unconsolidated financial statements of the Bank and the information obtained during the audit and give a true and fair view and form a report that includes this opinion.

ANNUAL REPORT COMPLIANCE OPINION



We conducted our audit in accordance with BRSA Auditing Regulation and Standards on Auditing issued by POA. Those standards require compliance with ethical requirements and planning of audit to obtain reasonable assurance on whether the consolidated and unconsolidated financial information included in the annual report and analysis of the Board of Directors by using the information included in the audited financial statements regarding the position of the Bank are consistent with the consolidated and unconsolidated financial statements and the information obtained during the audit and provides a fair presentation.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of KPMG International Cooperative


Orhan Akova, SMMM
Partner

21 February 2019
İstanbul, Türkiye

RESPONSIBILITY STATEMENT OF ANNUAL REPORT



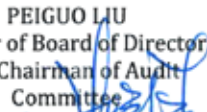
ICBC TURKEY BANK ANONİM ŞİRKETİ STATEMENT REGARDING ANNUAL REPORT FOR YEAR 2018

Address of the Bank's


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

Annual Report for year 2018 of ICBC Turkey Bank A.Ş., has been prepared in accordance with the "Regulation on the Procedures and Principles for Preparation and Publishing of Annual Report by Banks" published in the Official Gazette no.26333 dated 1 November 2006 by Banking Regulation and Supervision Agency, and enclosed herewith.


 XIANGYANG GAO
 Chairman of Board of Directors


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


 YING WANG
 Member of Board of Directors
 and Member of Audit
 Committee


 SHAOXIONG XIE
 General Manager and Member of
 Board of Directors


 JINHONG LI
 Deputy General Manager
 Responsible for Financial
 Reporting, Operations and Legal
 Consultancy Group


 YAFENG HE
 Department Head of
 Financial Control and
 Reporting



HISTORICAL DEVELOPMENT OF THE BANK

ICBC has been incorporated in the People's Republic of China in 1984 and it provides a broad range of financial products and services to its customers.

ICBC Turkey Bank A.Ş. (formerly named as Tekstil Bankası A.Ş.) was incorporated as a privately owned bank and authorized to accept deposits, on 29 April 1986 and started its operations on 13 October 1986.

Shares of the Bank have started publicly traded and listed on Borsa İstanbul (Istanbul Stock Exchange - BIST) as of 23 May 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 at the BIST.

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

The Bank belonged to GSD Group until 21 May 2015. With its resolution dated 2 April 2015 and numbered 6262, the Banking Regulation and Supervision Agency (the BRSA) authorized the transfer of all of the shares owned by GSD Holding A.Ş. corresponding to 75.50% of the Tekstil Bankası A.Ş.'s shares, to Industrial Commercial Bank of China Limited (ICBC), domiciled at the People's Republic of China. On 28 April 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 22 May 2015 to resolve on the approval of the existing board of directors and reappoint the new ones to substitute them. 22 May 2015 was determined to be the date on which the shares were to be transferred in accordance with the share purchase and sale agreement and the share transfer was realized on the same date. As of 22 May 2015, the Bank was included in the group of 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 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 75.50% 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 14 August 2015, as a result of which the shares of the Bank held by ICBC increased from 75.50% to 92.82%.

By the capital increase made in 2017, share capital of the Bank, which used to be TL 420 million, has been increased by an amount of TL 440 million in cash, to TL 860 million. As a result of the capital increase, shares held by the major shareholder ICBC in the share capital of the Bank, has increased from 92.82% to 92.84%.

ICBC has been incorporated in the People’s Republic of China in 1984 and it provides a broad range of financial products and services to its customers. By cross markets, an international and integrated business model has been formed. Shares of ICBC have been listed on Hong Kong Stock Exchange and Shanghai Stock Exchange concurrently, in October 2006. Following the years of international development, as of the end of 2017, operations of ICBC have expanded six continents, covering 45 countries and regions. By its widespread global coverage network, ICBC offers comprehensive financial products and services to 6,706 thousand corporate customers and 587 million individual customers through its distribution channels consisting of 419 overseas institutions, 27,196 self-service banking services and 95,043 ATMs, and its e-banking network composed of internet and telephone banking services constituting the diversified, international information based operation structure and the self-service banking services. It is audited by, and is subject to the regulations of, the China Banking Regulatory Commission (CBRC), the banking authority in the People’s Republic of China.

As of the date of 28 September 2018, according to the International Financial Reporting Standards (“IFRS”) data,

Our Bank conducts its operations through its Head Office located in İstanbul and 44 branches nationwide. Aside from its branches, the Bank also provides banking services through its online retail and corporate branches.

the share of its total consolidated assets among the assets size of Industrial and Commercial Bank of China Limited, is 0.062%. (Source: most recent Activity Report of ICBC for the Year 2018)

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

Our Bank conducts its operations through its Head Office located in İstanbul 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 out of the banking services, are provided by ICBC Turkey Yatırım Menkul Değerler A.Ş., 99.998% of which is owned by the Bank.

By the resolution taken at the extraordinary general assembly meeting, held on the date of 8 September 2017, of ICBC Turkey Yatırım Menkul Değerler A.Ş., which is an affiliate of our bank and 99.998% of the share capital of which is held by our Bank; it has been decided to increase its share capital. In this context, it has been resolved by the Board of Directors of our Bank, to exercise our pre-emption right for an amount of 39,999,200.-TL, arising from the portion of the share capital increased in cash, and to pay the amount of pre-emption right within the period set by said affiliated company. Within the framework of said resolution, said amount pre-emption right amount was paid to ICBC Turkey Yatırım Menkul Değerler A.Ş. on the date of 4 October 2017. New share capital of the company has been registered as TL 76,000,000.- on the date of 9 October 2017.

Tekstil Portföy Yönetimi A.Ş., 100% of the share capital of which is held by ICBC Turkey Yatırım A.Ş., has been incorporated on the date of 21 April 2015 and by the resolution taken at the extraordinary general assembly meeting held on 5 November 2015, its trade name has been changed as “ICBC Turkey Portföy Yönetimi A.Ş.”. Main field of activities of the company is to establish and manage investment funds.

VISION, MISSION AND STRATEGIC TARGETS

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

OUR VISION

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

OUR MISSION

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

OUR STRATEGIC TARGETS

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

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

CHANGES IN THE ARTICLES OF ASSOCIATION

No changes were made in Bank's Articles of Association in 2018.

SHARE CAPITAL AND THE SHAREHOLDING STRUCTURE

Shareholding structure of our Bank as of 31 December 2017 and 31 December 2018 are as follows.

Trade Name of the Shareholder -2017	Shareholding Amount (in full TL)	Share (%)
Industrial and Commercial Bank of China Limited (ICBC) ⁽¹⁾	798,428,227	92.84
Public	61,571,773	7.16
Grand Total	860,000,000	100.00

Trade Name of the Shareholder - 2018	Shareholding Amount (in full TL)	Share (%)
Industrial and Commercial Bank of China Limited (ICBC) ⁽¹⁾	798,428,227	92.84
Public	61,571,773	7.16
Grand Total	860,000,000	100.00

⁽¹⁾ The company named Industrial and Commercial Bank of China Limited, is the legal entity shareholder of the Bank holding qualified shares.

There is no share of our Bank which has been acquired by it within the scope of article 379 of the Turkish Commercial Code no.6102.

SHARES HELD BY THE MANAGERS

According to the share book records regarding the shareholding structure of the Bank, there is no share held by the Members of the Board of Directors and the General Manager and the Assistant General Managers.

The share capital of the Bank amounts to 860,000,000-Turkish Liras. This share capital is divided into 8,600,000,000 shares, each with a nominal value of 10 (ten) Kuruş. Shares of the Bank are traded at Borsa İstanbul A.Ş. (Stock Exchange) and are listed on the Stock Exchange, since the date of 23 May 1990.

INFORMATION ON THE PRIVILEGED SHARES AND THE VOTING RIGHTS

According to article 35 of the Articles of Association of our Bank, of the 5 members of the Board of Directors (excluding the General Manager); 3 members shall be elected by the General Assembly among the candidates to be nominated by Group (A) shareholders, provided that 1 of them holds the independent member qualifications specified in the Corporate Governance principles of the Capital Markets Board and 2 members shall be elected by the General Assembly among the candidates to be nominated by Group (B) shareholders, provided that 1 of them holds the independent member qualifications specified in the Corporate Governance principles of the Capital Markets Board.

According to article 19 of the Articles of Association of our Bank upon written demand of the shareholders holding at least one twentieth of the Bank's share capital, indicating the obligatory reasons and the agenda; the Board of Directors shall be obliged to invite the General Assembly for a meeting, or if a General Assembly meeting is already scheduled, to include the articles, they demand

to be discussed, in the agenda. The shareholders may, via notary public, request an item to the agenda of the General Assembly Meeting be added. The request for an additional agenda item should be submitted to the Board of Directors prior to depositing the registration fee of the Turkish Trade Registry Gazette with respect to convening a General Assembly. If the request of these shareholders pertaining to the convention of a General Assembly Meeting or the addition of an item to the agenda is rejected by the Board of Directors, or if an affirmative reply is not given within seven work days, the commercial court of first instance that has jurisdiction over the address of the headquarters of the Bank may resolve upon the convention of a General Assembly meeting upon an application by the same shareholders.

At the Ordinary and Extraordinary General Assembly meetings of our Bank, shareholders or their proxies shall each have one voting right and there shall not be any privilege with regards to votes.

The table which shows group (A) and (B) shares within the scope of the shareholding structure of our Bank, is given below.

Name / Trade Name Of The Shareholder	Nominal Shareholding Group A (TL)	Nominal Shareholding Group B (TL)	Total Nominal Share Capital (TL)	% Total Share Rate	% Group A Shares	% Group B Shares
Industrial and Commercial Bank of China Limited (ICBC)*	540,428,227	258,000,000	798,428,227	92.84	89.77	100.00
Other (Public)	61,571,773	None	61,571,773	7.16	10.23	None
TOTAL	602,000,000	258,000,000	860,000,000	100.00	100.00	100.00

INFORMATION RELATED TO THE SPECIAL AUDIT AND THE PUBLIC AUDIT CONDUCTED IN THE YEAR 2018

Saving Deposit Insurance Fund (TMSF) premium review was performed by Banking Regulation and Supervision Agency (BRSA).

Capital Markets Board (CMB) has conducted an audit for compliance with the Investor Compensation Center Legislation disclosure requirements.

An audit of Bank Information Systems and Banking Processes has been conducted by the independent audit firm, KPMG.

INFORMATION RELATED TO THE MATERIAL LAWSUITS BROUGHT AGAINST THE BANK DURING THE YEAR 2018 AND THEIR POTENTIAL OUTCOMES

There is no significant lawsuit file, commenced against our Bank during the year 2018.

ORGANIZATIONAL STRUCTURE

Organizational structure of the Bank, is annexed as a chart at the end of this report.

LETTER FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS



Turkey's economy demonstrated a strong performance in the first two quarters of 2018, notching up growth rates of 7.2% and 5.3%, respectively.

Xiangyang GAO

Chairman of the Board of Directors

ESTEEMED STAKEHOLDERS OF ICBC TURKEY,

2018 was a year of solid growth for the global economy.

According to the IMF, the world economy is estimated to have grown by 3.7% in 2018. Growth in the US economy gained pace thanks to a looser fiscal policy with tax cuts and the Fed's continued accommodative monetary policy. Economic activity in the Eurozone expanded on the back of rising exports and strong domestic demand. Growth in developing economies, on the other hand, has stabilized. In China, the economy saw a moderation in activity, especially in the second half of the year.

While projections for global economic growth in 2019 indicate a similar performance to 2018, downside risks have grown. The recovery period and the positive business cycle we observed in the aftermath of the global financial crisis may have reached its natural conclusion. In addition to this, increased protectionist measures in international trade, a reversal of capital flows into emerging markets and mounting political risks may weigh in on global economic activity.

A hectic agenda for Turkey's economy in 2018

In 2018 Turkey underwent a very hectic year with the Olive Branch Operation, the presidential election, the exchange rate volatility in August and September and the developments in the Middle East.

Turkey's economy demonstrated a strong performance in the first two quarters of 2018, notching up growth rates of 7.2% and 5.3%, respectively. In the second half of the year, the rapid depreciation of the TL, the tightening in global financial conditions, the rise in interest rates and increased inflationary pressures significantly subdued economic activity with the rate of growth slowing to 1.6% in the third quarter of the year.

This was followed by a recovery in the value of the Lira and a limited decline in bond yields, leading to a slight recovery in domestic demand. The economy has entered a rebalancing process with the support of government, Central Bank and the support of the New Economic Program, unveiled by the government in September.

The recovery in the value of the Lira and a limited decline in bond yields led to a slight recovery in domestic demand.

Chalking up a strong performance, the third year of operation for ICBC Turkey in Turkey

It gives me great pleasure to report that ICBC Turkey has stood out among the competition with its performance and achievements in 2018, its third year of activity.

We succeeded in carrying out management integration, business transaction, and asset quality improvement, which realized outstanding performance of scale, quality, profit and risk control.

The relevant details of these developments are presented in this report. In the second part of my message, I would like to share with you our vision for the future, our competitive strengths, the developments in the economic relations between Turkey and China, the contribution that we bring to this axis, and finally, our expectations for the future.

A FOCUS ON GROWTH IN THE TURKISH MARKETS

We are a young member of the ICBC Group based on the growth potential of the regional market, the support of local regulators and ICBC Group, we aim to take advantage of about 10 years to become the top 10 in the local banking industry, becoming the leading bank of the "Belt and Road Initiative" and the preferred bank of "Chinese elements". Corporate governance, human resources, our global network and our service platforms in Turkey form the basis and key drivers of ICBC Turkey's sustainable and long-term growth strategy.

We, as our shareholder and the Turkey team believe in the growth opportunities that this country and its surrounding region have to offer. To this end, we will continue to advance our performance by deploying our resources in the best astute way, even if the market may experience some short term volatility.

LETTER FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

We have witnessed a rapid development in economic and commercial relations between Turkey and China in the recent era. One milestone in this process was the completion of the second leg of Ankara-Istanbul High-Speed Railway in 2014 by state-owned Chinese companies, with the financial assistance of the China Exim Bank.

We are positioned in the Turkish market to further improve the rapidly developing economic relationship between Turkey and China.

We have witnessed a rapid development in economic and commercial relations between Turkey and China in the recent era.

One milestone in this process was the completion of the second leg of Ankara-Istanbul High-Speed Railway in 2014 by state-owned Chinese companies, with the financial assistance of the China Exim Bank.

The year 2015, on the other hand, was marked by our acquisition of Tekstilbank for USD 314 million. In the same year, the Chinese state-owned shipping and logistics companies obtained a 65% share in Kumport, Turkey's third-largest container terminal. Additionally, several financing vehicles and structures were established to provide financing to projects within its scope, such as the Asian Investment and Infrastructure Bank, which started to focus on the energy and transportation sectors in 2016, while China established the Silk Road Fund in 2014.

ICBC Turkey is an outstanding symbol of the financial communication between China and Turkey. Relying on the ICBC Group's global network, it can fully mobilize resources and give play to its financial advantages.

As well as participating in a number of investments, ICBC Turkey will continue to support the "Belt and Road" projects and serve the local economic growth under the principle of commercial marketization.

ABOUT THE FUTURE

Resolutely looking to the future

In 2019, with hard efforts and concrete actions, ICBC Turkey will continue to focus on providing the best service to its corporate and individual customers, through pushing ahead with reform, innovation and business transformation, defending the bottom line of compliance and risk, and coordinating the development of scale, structure, quality, profit and risk control at an appropriate pace without fear of difficulties.

ICBC Turkey is committed to being a leading bank for the "Belt and Road" financing service, the premier bank for "Chinese elements" and the best practicing bank for prudent operation, a role model for financial cooperation between Turkey and China as well as a pilot bank for the cultural integration, on the basis of the growth potential of the local market and the support from regulators and the ICBC Group.

ICBC Turkey will carry forward the integration and innovation of superior businesses and products. We will vigorously develop lead distribution of syndication, bond underwriting, M&A advisory, financial advisory, fund management and other investment banking business, provide a full package of financial services for large customers and further raise the fee-based business income with the two drivers of "commercial banking and investment banking".

ICBC Turkey will seek further progress in the business diversification of the local market and the integrated expansion of regional markets. The Bank will boost business and product innovation, especially the FinTech and online finance innovation as well as RMB business innovation.

In line with the market conditions, our Bank will step up its comprehensive risk management and compliance management efforts to meet the expectations of regulators and the ICBC Group, and develop in a healthy and sustainable way.

ICBC Turkey will seek further progress in the business diversification of the local market and the integrated expansion of regional markets. The Bank will boost business and product innovation, especially the FinTech and online finance innovation as well as RMB business innovation.



ICBC Turkey will pay more efforts to improve management, culture, innovation and technology, on the basis of significant growth of scale, quality and profit realized in the past three years.

We will strengthen the cultivation and transmission of excellent corporate culture via establishing a platform for transmission of corporate culture and reach consensus with the help of culture. We will do well in internal and external transmission of the Group's corporate culture and furtherly strengthen the soft power of ICBC brand.

We will further optimize the governance structure according to the requirements of the Head Office to perform the collective review and decision-making functions concerning our major issues

We will vigorously cultivate and actively promote the innovation of FinTech products by making full use of the successful experience and cases of ICBC Group in FinTech and online finance in recent years. We will also continue the innovation of RMB business.

We are committed to build a bank which commands the satisfaction of its customers, employees, regulators and shareholders

Our strong equity, high asset quality, distribution channels and the infrastructure we are developing in the digital world provide the input necessary for our Bank to grow. Providing our high value-added products, services and solutions to a wide range of customers ranging from individuals to corporations is all down to the skill of our competent human resources and management team.

I sincerely believe that ICBC Turkey will chalk up new successes and strengthen its shareholder value in a growing market in line with its vision.

On behalf of the Board of Directors, I would like to thank all of our employees, customers and shareholders for their valuable support and contributions.

Yours sincerely,

XIANGYANG GAO
Chairman of the Board of Directors

LETTER FROM THE GENERAL MANAGER



The year 2018 was a year in which ICBC Turkey realized the fruits of its sound growth strategy, achieving a strong performance with growth of 20% in total assets, 144% in deposits, 3% in shareholders' equity.

Shaoxiong XIE
General Manager

2018, Wrapping up a year of growth for ICBC Turkey

ICBC Turkey achieved sustainable growth and chalked up a number of important developments.

The Bank leaves 2018 behind with a bigger footprint in the Turkish market and a stronger operational and financial performance, as we have already made significant inroads in the structuring of our human resources, building the loyalty of our domestic customers and in developing our corporate motivation, our way of doing business and our strategic focus.

In short, 2018 was a year of success with respect to improving our shareholder value as well as the value added offered to our stakeholders. ICBC Turkey has paved the way for new growth in 2019.

AN OPPORTUNE TIME, ADVANTAGEOUS TERRAIN AND POPULAR SUPPORT

Before I address our 2018 results I would like to touch upon ICBC Turkey's strengths and I would like to make some comments following the ancient Chinese philosopher Mencius, highlighting the powerful combination of "opportune time, advantageous terrain and popular support."

The economic cooperation between Turkey and China has underpinned the "Belt and Road Initiative", providing the opportune time for ICBC Turkey to serve the Turkish market.

The "Middle Corridor" initiative proposed by Turkey is highly integrated with the Belt and Road Initiative. The deep and extensive interaction between China and Turkey through the implementation of the Belt and Road Initiative will create further opportunities for economic development and cooperation between the two countries.

ICBC attaches tremendous importance to the Turkish market. ICBC Turkey, as a key international subsidiary of ICBC Group, has already provided a wide array of high-quality financial services for Turkish infrastructure and social projects. In the future, it will provide a greater contribution to supporting local consumption as well as promoting economic and social development, and will continue to contribute more to the deepening of the mutually beneficial and win-win economic and trade cooperation between China and Turkey through the implementation of the "Belt and Road Initiative".

The economic cooperation between Turkey and China has underpinned the "Belt and Road Initiative", providing the opportune time for ICBC Turkey to serve the Turkish market.

ICBC Turkey benefits from the advantageous terrain lovingly prepared by ICBC's strong and global network and Turkey's strategic position

ICBC is the World's biggest bank, based on asset size. ICBC has 426 international institutions in 47 countries and regions throughout the world, and has extended its presence indirectly in 20 African countries by holding shares in the Standard Bank of South Africa.

The global network has channeled massive business opportunities and funds to ICBC Turkey, helping us rise to the position of a unique on-shore foreign commercial bank, dedicated to providing substantial support to the Turkish economy and society.

Turkey has always served as an important passage for the ancient "Silk Road", bridging Eastern Europe, the Middle East and the Black Sea region. Incorporating the regional connection and geopolitical strength of Turkey, ICBC Turkey has seized more commercial opportunities and will play many new active roles in this regional market.

ICBC Turkey has the solid support of its excellent Human Resources.

ICBC Turkey has a unique workforce, which consists of ICBC Expatriates, which have brought ICBC skills, know-how and technology to Turkey; and local talent, which has provided local experience, information, insight and a customer base to ICBC. The successful union of these parties means innovation and development go beyond being just a combination of knowledge; they contribute to the bank's rapid growth towards being a competitive bank in Turkey. The average age of ICBC Turkey staff is just 37. Young talented individuals generate new ideas, new services and even new financial patterns with dynamic thoughts and Fintech for our modern life.

LETTER FROM THE GENERAL MANAGER

Thanks to our solid growth performance and an increase in interest income, ICBC Turkey has realized a net profit of TL 62.1 million, after tax and provisions.

“Yes We Can”

Within the context of our service philosophy, that is based upon the strengths that I have summarized above, ICBC Turkey meets all banking needs of its customers in the various business lines, providing banking solutions to with the slogan “Yes We Can”.

This service philosophy was reflected successfully to our financial and operational results in 2018, and our Bank has delivered high value to all of its stakeholders.

HIGHLIGHTS OF OUR 2018 PERFORMANCE

In 2018, ICBC Turkey’s total assets reached TL 15.5 billion, with a growth rate of 20%. Customer deposits, which constitute 53% of the Bank’s total liabilities, increased to TL 8.2 billion, with a growth rate of 144%. Our loan book has remained almost unchanged compared to previous year at a size of TL 7.6 billion.

Thanks to our solid growth performance and an increase in interest income, ICBC Turkey has realized a net profit of TL 62.1 million, after tax and provisions. While achieving this growth and profit through what has been a highly volatile year, ICBC Turkey has kept its capital base solid as well. As of 2018 year end, our capital adequacy ratio stands at 30.8%, up 14.4% as at 2017 year end.

In line with our strategic goals, we have successfully adopted an effective risk approach in the field of Corporate and Commercial Banking and achieved a substantial increase in our business volume and profitability.

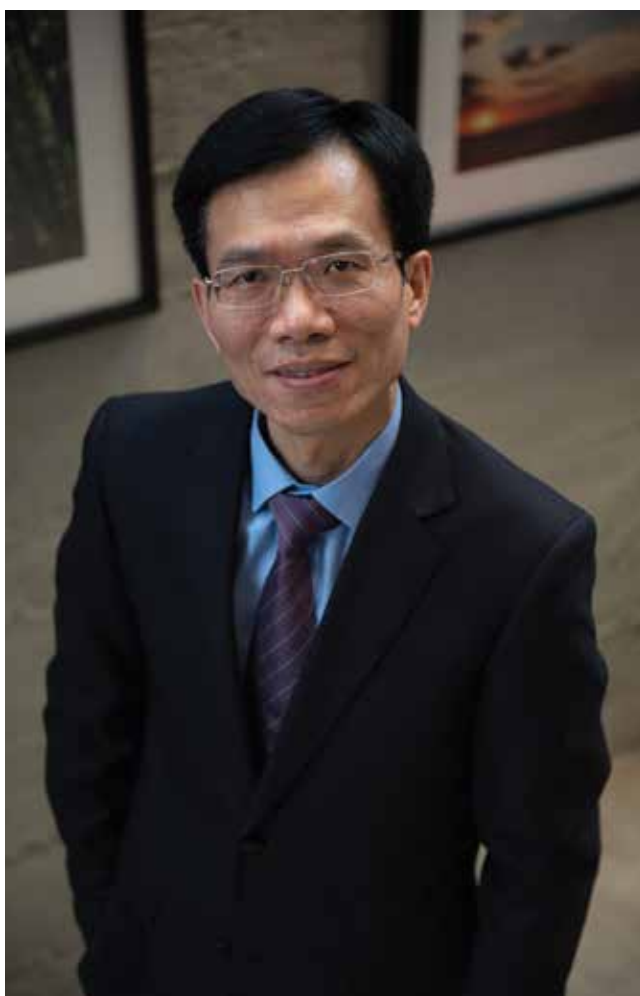
ICBC Turkey has attracted new customers in our targeted customer segmentations by providing corporate financial solutions and project finance support. Medium and long term loan opportunities have been provided to Turkey’s pioneering companies through our international funding.

Being a smaller bank in the Turkish market arena, we seek to be an attractive bank in selected areas where a niche market can be exploited. In doing so, ICBC Turkey aims to lay down the foundations of a good retail banking business infrastructure and while diversifying its sales and service channels with e-banking, while benefiting from the lower cost structure that comes with having a small number of branches. With the steps taken, we have enhanced the value we offer to our customers and accordingly increased both our number of active customers and deposit volumes.

In 2018, we recorded rapid growth and development in our investment banking activities which are carried out through the ICBC Securities our investment banking and securities arm.

We have supported large-scale projects in different sectors such as infrastructure and energy, acquisition finance and refinancing transactions where we have developed secure revenue mechanisms and strong collateral packages. In doing so, we have enhanced our contribution to trading and economic cooperation between China and Turkey.

According to its Strategic Plan for 2018-2020 period, ICBC Turkey will continue to support the Turkish banking sector and the real sector, keeping the Turkish economy on track to become a high income economy.



GROWTH OPPORTUNITIES IN PERIPHERAL MARKETS

I would also like to emphasize that we will seek projects within the context of “Belt and Road Initiative” and continue to project ICBC’s global power by providing long term financing and tailor made project finance structuring to the Turkish market as well as peripheral markets.

In this context, in the Greece, Georgia, Azerbaijan, Macedonia and Israel - markets that are under the authority of ICBC Turkey, we continued to seek business opportunities in 2018. Our aim is to remain active in these markets in 2019 with our international business partners.

STRATEGIC PLAN FOR 2018-2020

ICBC Turkey has recently updated its Strategic Plan for 2018-2020 period. According to this plan, our bank will continue to support the Turkish banking sector and the real sector, keeping the Turkish economy on track to become a high income economy.

We will also continue to work to bolster ties between Turkey and China. Since the entry of ICBC Turkey into the Turkish market, Chinese investors have demonstrated an increasing level of interest in Turkey. We will continue to advise Chinese companies and investors of opportunities in Turkey and continue to implement our strategy in Turkish market with the full support of ICBC’s global network and create added value for our clients, investors and shareholders.

Very truly yours,

SHAOXIONG XIE
General Manager

OUTLOOK FOR 2019

ICBC Turkey will be even more active in sustaining its successful progress as it goes from strength to strength in meeting the new targets it has set for itself.

The global environment is likely to become more challenging, given the issues such as trade wars and Brexit, which caused volatility in 2018, have not been resolved. Furthermore, Turkey has to manage slowing economic activity and high inflation. This set of factors offer significant challenges to policymakers, real sector and banking sector.

The slowdown in economic activity and high funding costs will continue to present a challenge for the banking sector in early 2019. However, with a gradual disinflation process starting from the second half of 2019 onwards, we could well see some recovery in financial activity.

ICBC Turkey is now in its fourth year in the Turkish market. The Bank rounded off its first three years by meeting, and in some cases exceeding, its targets. As we head into the New Year, ICBC Turkey will be even more active in sustaining its successful progress as it goes from strength to strength in meeting the new targets it has set for itself.

Having adopted a long-term perspective, our shareholders remain highly confident in the Turkish market and continue to provide us with all the support we need. There may, of course, be short-term volatilities, but our expectation is that the Turkish economy and our sector embody the essential characteristics that will support our strong and sustainable growth in the medium and long term.



SELECTED FINANCIAL INDICATORS

ICBC TURKEY IN 2018

TL 15.5 billion

Asset size reached TL 15.5 billion.

TL 3.9 billion

Securities of the Bank increased by 56% from 2017 year end and reached TL 3.9 billion.

TL 399.2 million

Operating income of ICBC Turkey has increased to TL 399.2 million.

TL 62.1 million

Net profit for 2018 was TL 62.1 million.

ICBC TURKEY IN 2018

TL 7.6 billion

Total cash loans were TL 7.6 billion.

49%

Customer deposits constituted 49% of the Bank's balance sheet.

3%

Shareholders' equity increased by 3% compared to that of the prior year-end.

Asset size of our Bank was up by 20% in 2018, increasing from TL 12.9 billion to TL 15.5 billion in 2018. Credits decreased by 0.1% to TL 7.6 billion when compared with 2017. Securities of the Bank increased by 56% from 2017 year end and reached TL 3.9 billion.

Operating income of ICBC Turkey has increased to TL 399.2 million, while net profit is reached to TL 62.1 million in 2018. Interest income is up by 66.2% from 2017, driven by the fast growth in our assets.

As of 2018 year end, based on unconsolidated financial statements of ICBC Turkey prepared in accordance with the regulations of BRSA;

- » Asset size reached TL 15.5 billion.
- » Total cash loans were TL 7.6 billion and constituted 49% of the Bank's balance sheet.

- » Consumer loans (excluding credit cards) constituted 10% of the total cash loans and has decreased by 7% compared to that of the previous year.
- » Total customer deposits were TL 8.2 billion with an increase of 144% compared to that of 2017 and constituted 53% of the Bank's total liabilities.
- » Shareholders' equity increased by 3% compared to that of the prior year-end.
- » Net profit for 2018 was TL 62.1 million.
- » Return on assets and return on equity are 0.4%, and 5.6%, respectively.
- » Capital adequacy ratio has been 30.8% (2017: 14.4%).

We have closely monitored the activities of the Audit Committee, Corporate Governance Committee and Remuneration Committee during the year and observed that the committees have worked effectively.

ASSESSMENT OF THE BANK'S ACTIVITIES IN THE YEAR 2018

The Bank has 44 branches located nearby the industrial zones of Turkey. As of the same date, the number of the employees of the Bank is 786.

EXPLANATIONS REGARDING THE BANK'S NUMBER OF PERSONNEL AND BRANCHES, SERVICE TYPES PROVIDED BY THE BANK AND ITS AREA OF ACTIVITY AND THE ASSESSMENT OF ITS POSITION IN THE SECTOR BASED ON THESE CRITERIA

The Bank's areas of operations consists of corporate banking, fund management transactions (foreign currency, money markets and securities transactions), international banking services, individual banking and the credit card transactions. Along with abovementioned banking services the Bank also conducts insurance services operations as an agency of Sompo Japan Sigorta A.Ş., Vakıf Emeklilik A.Ş., Fiba Emeklilik ve Hayat A.Ş., HDI Sigorta A.Ş. and Axa Sigorta A.Ş.

As of 31 December 2018, the Bank has 44 branches located nearby the industrial zones of Turkey. As of the same date, the number of the employees of the Bank is 786 (As of 31 December 2017, the numbers of the branches and employees were 44 and 810, respectively).

The position of our Bank in the sector as of year-end 2018:

- » Total assets of our Bank increased by 20.4% whereas total assets of the sector increased by 18.0%,
- » Total loans of our Bank increased by 1.7% whereas the total loans of the sector increased by 12.4%,
- » Total deposits of our Bank (including the banks deposits) increased by 144.4% whereas the total deposits of the sector increased by 10.8%,
- » Total securities portfolio of our Bank increased by 55.5% whereas the total securities portfolio of the sector increased by 17.9%,
- » Total placements of our Bank increased by 66.6% whereas the total placements of the sector increased by 109.8%,
- » Non-cash loans of our Bank increased by 32.5% whereas the total non-cash loans of the sector increased by 18.8%.

(TL million)	31 December 2017		31 December 2018		Change	
	ICBC Turkey	Sector	ICBC Turkey	Sector ¹	ICBC Turkey	Sector ¹
Cash Equivalents and the CBRT	1,350	138,866	1,807	223,971	33.8%	61.3%
Placements with the Banks and Receivables from the Money Markets	1,214	87,405	2,023	183,366	66.6%	109.8%
Securities Portfolio	2,482	401,256	3,860	473,219	55.5%	17.9%
Loans	7,606	2,121,328	7,736	2,385,194	1.7%	12.4%
Loans (Including Non-performing Loans)	7,631	2,134,607	7,621	2,413,211	-0.1%	13.1%
Non-performing Loans (Gross)	96	63,645	93	91,845	-3.2%	44.3%
Special Provision for the Nonperforming Loans	72	50,365	208	63,828	189.2%	26.7%
Total of Deposits and Funds	3,359	1,801,509	8,208	1,995,199	144.4%	10.8%
Non-cash Loan	1,789	658,386	2,371	782,122	32.5%	18.8%
Total Assets	12,888	3,257,842	15,519	3,842,639	20.4%	18.0%

¹ Based on the data taken from BRSA's November 2018 Monthly Sector Bulletin dated 31 December 2018.

While the performing loans to assets ratio and deposits to liabilities ratio of the sector were 62% and 52%, respectively, the Bank's loans to assets ratio and deposits to liabilities ratio were 50% and 53%, respectively.

	31 December 2017		31 December 2018		Change	
	ICBC Turkey	Sector	ICBC Turkey	Sector ¹	ICBC Turkey	Sector ¹
Total Loans/Total Assets	59%	65%	50%	62%	-15.5%	-4.7%
Total Deposits/Total Liabilities	26%	55%	53%	52%	102.9%	-6.1%
Securities/Total Assets	19%	12%	25%	12%	29.1%	0.0%
Non-performing Loans Ratio	1%	3%	1%	4%	-4.8%	27.3%
Liquid Assets/Total Assets	20%	7%	25%	11%	24.0%	52.6%
Non-cash Loans/Total Cash Loans	23%	31%	31%	32%	32.7%	5.1%

¹ Based on the data taken from BRSA's November 2018 Monthly Sector Bulletin dated 31 December 2018.

The image features a blurred industrial background with several tall chimneys and structures. In the foreground, a yellow robotic arm is visible on the left, and a person's hands are holding a tablet on the right. The tablet displays a dashboard with various charts and data points. A large, semi-transparent circle with concentric white lines is centered over the text.

OUR FOCUS IS
TO SUPPORT
GROWTH

ASSESSMENT OF THE BANK'S ACTIVITIES IN THE YEAR 2018

Balanced growth within cash and non-cash loans was accompanied by developing cooperation with some of Turkey's largest and strongest companies, in line with the ICBC's global goals and strategies in Turkey.

CORPORATE AND COMMERCIAL BANKING

Focusing on high customer satisfaction, profitability and growth

ICBC Turkey meets all banking needs of its customers in the Corporate and Commercial Banking business line in line with the slogan "Yes We Can". The Bank supports its corporate and commercial customers in helping them maximize their competitive strength in both national and international markets.

In line with the strategic goals of the bank, the Corporate and Commercial Banking Group has successfully adopted an effective risk approach and achieved a considerable increase in its net profit. In 2018, the total placement of cash and non-cash loans (TL and FX Guarantee Letters) has made remarkable progress compared to 2017. Balanced growth within cash and non-cash loans was accompanied by developing cooperation with some of Turkey's largest and strongest companies, in line with the ICBC's global goals and strategies in Turkey.

ICBC Turkey attaches tremendous importance on improving customer loyalty by establishing long lasting, versatile relations as well as attracting new customers by offering products and services which are innovative and offer one-to-one solutions. During 2018, the Corporate and Commercial Banking Group has attracted new customers in its targeted customer segmentations by providing corporate financial solutions and project finance support. The Bank offers Turkey's pioneering companies medium and long term loan opportunities through its international funding.

Developing long-term relations with customers with a vast array of products

The Bank maintains its position as a respected player in the market in the financing of projects in areas that are vital to the development of the Turkish economy, through the resources that it transfers to the real economy and the customized financial solutions that it is capable of offering based on its wealth of experience supported by project finance, technical and financial analysis.

In line with the portfolio-based and customer-oriented service approach under the Corporate Banking business line, ICBC Turkey services in the areas of;

- » enriching the Bank's customer portfolio with efficient projects that meet the needs of customers,
- » developing long-term relations with customers supported by project financing products,
- » promoting the coordination of internal and external parties,
- » preparation of structured financing products and the Bank's acquisition of these products in the developing investment financing market.

ICBC Turkey, as well as meeting the needs for long term structured finance in projects to be conducted in primary sectors, such as infrastructure (such as ports, highways, airports and railways), energy (production and distribution), health, education and real estate, provides financing to industrial investments outside these sectors, privatization and acquisition finance transactions in line with the Bank's strategies.



IN 2018 ICBC TURKEY FINANCED THE PROJECTS BELOW.

124_{MW}

Menzelet Hydroelectric
Power Plant and Dam

54_{MW}

Kilavuzlu Hydroelectric
Power Plant

480_{MW}

Onur Sultan Energy
Vessel

Some examples of projects financed by ICBC Turkey are as follows:

- » ICBC Turkey has taken part in the TL 1.5 billion syndication loan for the privatization of the 124 MW Menzelet Hydroelectric Power Plant and Dam, and the 54 MW Kilavuzlu Hydroelectric Power Plant, for operation for a period of 49 years, being carried out by the Privatization Administration of the Prime Ministry of the Republic of Turkey.
- » ICBC Turkey participated in the USD 250 million syndication loan for the financing of the energy vessel (a floating power plant), Karadeniz Powership Onur Sultan of the Karadeniz Energy Group, operating in Indonesia with an installed capacity of 480 MW, and increased the share of electricity production in the loan portfolio

- » ICBC Turkey provided approximately USD 74 million non-cash financing and USD 35 million of cash financing for the privatization of the Tekirdağ Port, being conducted by the Privatization Administration of the Republic of Turkey Prime Ministry, for its operation for a period of 36 years.

ICBC Turkey's priority will be to generate solutions which meet the finance needs of Turkey's leading companies by supporting these companies both at home and abroad with sources of financing and meeting the medium and long-term cash and non-cash needs in later periods as well.



ASSESSMENT OF THE BANK'S ACTIVITIES IN THE YEAR 2018

In 2018 ICBC Turkey continued to work in cooperation with international financial institutions to carry out its investment financing in the markets neighboring Turkey.

Cooperating with international organizations in investment financing

ICBC Turkey, which entered the Turkish banking sector in 2015, attaches utmost importance on its relationships with international financial institutions. The Bank continues to work in cooperation with international financial institutions such as EBRD and IFC to extend new resources and establish new relationships with additional financial institutions.

ICBC Turkey, which has a presence in other countries (Greece, Georgia, Azerbaijan, Macedonia and Israel), conducted studies with these organizations in 2018 regarding investment financing in these such agreements, without being limited to projects in Turkey. The Bank aims to continue increased cooperation by years.

High added-value with innovative cash management solutions

The primary target of ICBC Turkey's cash management business line is to expand the Bank's market share in this field and ensure a structure which is able to meet

customers' demands with a wide service and product range.

The volume of total collection, payment and electronic banking product volume has remarkably increased in 2018. The Corporate and Commercial Banking Group will continue to offer its customers new and innovative solutions.

The cash management operations of the bank deals with the cash flow of the Bank's corporate and commercial customers through collection and payment systems undertaken through both electronic and classical methods with Direct Debit, Bulk EFT / Money Transfer, Continuous Check Printing System, Electronic Reconciliation-Accounting Integration and Corporate Internet Banking products allowing customers to conduct their banking transactions smoothly and safely.

In 2018, Findeks package sales were initiated, in addition to the Bank's related products. The Bank's customers are easily able to access products such as risk reports and check reports via Findeks.





OUR FOCUS IS
TO SUPPORT
EMPLOYMENT

ASSESSMENT OF THE BANK'S ACTIVITIES IN THE YEAR 2018

ICBC TURKEY IN 2018

16 %

The number of active customers increased by 16% to 51,372 with a sustainable increase achieved in line with the targets expected.

63 %

Retail deposits reached TL 3,371 million.

20 %

Increase in the number of active customers in the Retail Internet Branch

RETAIL BANKING

Meeting customer needs with the most appropriate products and services

ICBC Turkey implements ICBC Global's overall strategy in Turkey and seeks to expand the volume of deposits and loans, aiming to offer products and services which best meet the needs of its customers, through the most appropriate channels, ensuring excellence in the customer experience.

As a smaller bank in the Turkish market arena, ICBC Turkey seeks to carve out a presence for itself in selected areas where a niche market can be exploited. To this end, ICBC Turkey aims to lay down the foundations for a sound retail banking business infrastructure, diversifying its sales and service channels with e-banking, while benefiting from the lower cost structure that comes with having a small number of branches.

The Bank's actions in the retail banking business line are informed by the principle of achieving sustainable and profitable growth by enhancing the value that it offers its customers. Accordingly, the Bank develops strategies appropriate to the particulars of different customer groups.

Successful results in retail banking in 2018

ICBC Turkey closely followed the market in 2018, and achieved success in its retail banking activities - including that of its e-channel - thanks to the strategy it implemented, with growth recorded in profit, deposit volumes, asset quality and its number of customers:

- » The number of active customers increased by 16% to 51,372 with a sustainable increase achieved in line with the targets expected.
- » One open product customer number increased by 4%.
- » Positive results were achieved in the challenging market conditions in deposit and individual credit development. Retail deposits reached TL 3,371 million, marking an increase of 63% YoY. Retail loans maintained their previous year's level, at TL 769 million.

- » The NPL in retail banking decreased to 1.1% (including credit cards)
- » Retail banking business line achieved an increase in its profit and met its year-end targets.
- » The number of active customers in the Retail Internet Branch increased by 20%.

Launching new products and services in 2018

In addition to these achievements as expressed in numbers, 2018 was a successful year for ICBC Turkey Retail Banking in terms of launching new products and services.

- » The CHINEX Project was realized successfully with the help of the ICBC Head Office IT team. The service was launched for all customers, whether individual or corporate customers. With this project, ICBC Turkey has begun to offer a fast, convenient and economical money transfer service to China. The service has also been launched for the Internet Branch and the Mobile Branch.
- » ICBC Turkey Mobile Branch was totally renewed and re-launched in order to serve our customers' daily banking transaction needs. Our customers may now carry out their banking transactions whenever and wherever they wish, thanks to the completely revamped ICBC Turkey Mobile Branch. The design process of the application was aimed at enabling even customers who had never used a mobile banking application in their life use it without any help. Two of the most impressive features are.
 - » Each time customers login to the ICBC Turkey Mobile Application, withdrawals of TL 200 or more from all ATMs in Turkey are free of charge for the following 30 days. (For all individual customers)
 - » All EFT and money transfer transactions are free of charge.
 - » Cash register POS and contactless setups have been successfully completed. Acquisitions for new merchants in 2018 were performed using this new technology.

Direct Money Transfer to China with CHINEX



CHINEX

The CHINEX Project was realized successfully with the help of the ICBC Head Office IT team. The service was launched for all customers, whether individual or corporate customers. With this project, ICBC Turkey has begun to offer a fast, convenient and economical money transfer service to China.

- » In a bid to expand mortgage loan applications, we have opened a new channel and collaborated with hangikredi.com. With this new channel, retail customers searching for a mortgage loan can search the interest rates offered by the banks according to customer preference, while individual customers can directly apply for a mortgage loan from our bank through the www.hangikredi.com web site.
- » We completely redesigned and renewed our Mobile Branch during 2018 and launched our new application on 6 November 2018. Moreover, the process of customer acquisition remotely was put into effect with the help of Be Our Customer form, which has been added to the deposit calculator page on our website.

Active communication through systematic marketing and advertising activities in 2018

The following major marketing and advertising activities were carried out in 2018:

- » The Belt and Road Investment and Financial Cooperation Forum was held on 26 July 2018 with the attendance of ICBC Chairman YI Huiman.
- » Visa Fee Collection Account Opening Ceremony was held at the ICBC Turkey Ankara Branch.
- » A Chinese Cultural Festival was held at Istanbul University with the sponsorship of the Bank, and was attended by the Bank's CFO and PR team.
- » Study of communities in order to increase customer numbers by using groups, associations and other institutions.

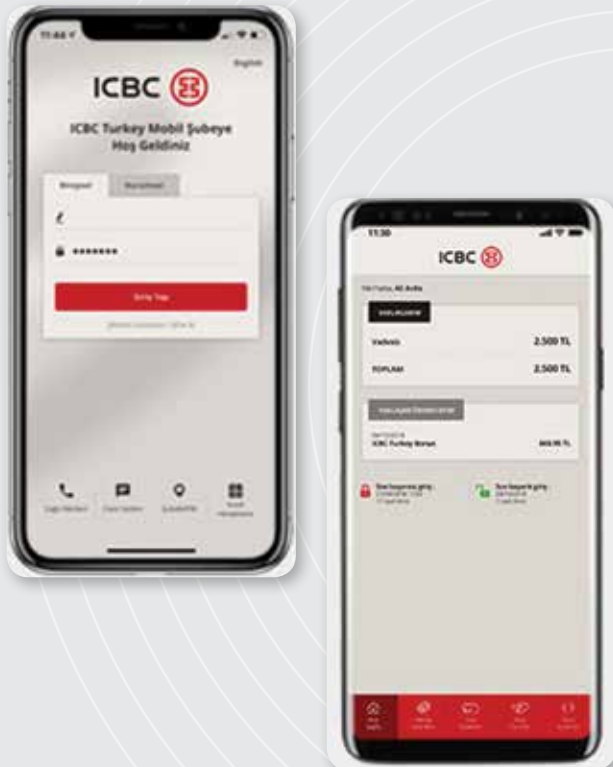
ASSESSMENT OF THE BANK'S ACTIVITIES IN THE YEAR 2018

- » Cooperation with ICBC Securities regarding derivative products.
- » Informing customers of current campaigns by SMS, within the scope of time deposit marketing activities.
- » Preparation of a brochure including information on all retail banking products, for distribution to all salaried corporate clients' staff.
- » Distribution of nine newly designed posters and brochures were distributed to all the branches, with renewal of outdoor visuals of 11 branches.
- » Product based campaigns, including for credit cards, cash loans, overdraft etc.

ICBC Turkey will continue to deploy and manage its product, channel, price and communication mix in the most effective manner in order to sustainably maintain its respected presence in the retail banking business line.



ICBC Turkey Mobile Branch Renewed.



Each time customers login to the ICBC Turkey Mobile Application, withdrawals of TL 200 or more from all ATMs in Turkey are free of charge for the following 30 days. (For all individual customers)

All EFT and money transfer transactions are free of charge.

Cash register POS and contactless setups have been successfully completed. Acquisitions for new merchants in 2018 were performed using this new technology.

A quality-oriented service approach in financial markets management is the main pillar behind ICBC Turkey's popularity in treasury transactions.

TREASURY AND INVESTOR RELATIONS GROUP

A quality-oriented service approach in financial markets management is the main pillar behind ICBC Turkey's popularity in treasury transactions.

ICBC Turkey's Treasury Group consists of three departments.

Asset and Liability Management

The Asset and Liability Management (ALM) Department acts in line with the bank's overall prudent growth strategy of achieving sustainable profitability by managing interest and exchange rate risk and exercising dynamic pricing strategies in local and international markets.

ALM's responsibilities include the management of liquidity in all currencies used with money market transactions, bond transactions and performing the Fund Transfer Pricing function and allocation of funds for ICBC Turkey's other business units, in order to manage the currency, interest rate and maturity sensitivities during the process of loan disbursement and deposit collection.

The ALM department made full use of ICBC's global network, continuing to raise funds with a favorable maturity and cost structure, elevating the contributions to the bank's balance sheet.

The ALM department also acted in line with CBRT's monetary policy actions, to utilize TL and foreign currency markets, while fulfilling the ICBC Turkey's TL and foreign currency denominated reserve requirements.

Treasury Sales

The Sales Department serves customers in all segments in three main areas - spot foreign exchange (FX), bond and derivative businesses - through the branches, alternative delivery channels or by direct contact with clients. In line with ICBC Turkey's strategy, Treasury Sales have focused their business mainly on large corporations since 2015. The department also informs clients of developments and expectations in their financial markets and aims to structure products tailored to clients' risk management needs and their business conduct.

Economic Research and Investor Relations

The Economic Research Department is positioned within the Treasury Department and monitors the global and domestic economic environment and financial markets.

The department provides periodic and ad-hoc reports to the senior management, other business lines within the bank, as well as ICBC offices around the globe to keep them up-to-date on the macroeconomic situation in Turkey.

In addition, this department informs the Board of Directors, foreign investors and clients of the current economic situation and market data.



ASSESSMENT OF THE BANK'S ACTIVITIES IN THE YEAR 2018

2018 was a white-knuckle year for capital and money markets. Risk appetite remained rather subdued throughout the year against a rather unfavorable global backdrop, mounting political uncertainty and geopolitical risks.

2018: A year marked by volatility in the markets

2018 was a white-knuckle year for capital and money markets. Risk appetite remained rather subdued throughout the year against a rather unfavorable global backdrop, mounting political uncertainty and geopolitical risks. For a country like Turkey, which depends on foreign capital, the slowdown in capital flows sparked an increase in volatility. The spike in the exchange rate and steep climb in inflation rate precipitated a rise in demand for foreign exchange operations. By mid-August, liquidity management has become an important issue. All parties involved - policymakers, regulators and banking sector - acted with prudence to ensure markets operated smoothly.

Adopting a prudent approach shaped by the market realities

Being part of the world's largest bank, ICBC Turkey's strategy is shaped following a period of detailed consultations. The Treasury Group works in line with this wider strategy. Short-term market fluctuations do not significantly affect the group's targets.

ICBC's global network, and its position of being the Turkish subsidiary of the world's largest bank, represents a major source of strength for all ICBC Turkey departments. As the first Chinese bank in Turkey, the Treasury department is the first point of call for RMB business.

In 2018 ICBC Treasury Department continued to provide its branches with ample liquidity and guidance for other business lines to help provide support in navigating these highly volatile times.



Being part of the world's largest bank - A crucial competitive edge for the Bank



ICBC Turkey's treasury strategy - shaped following a period of detailed consultations.



ICBC Treasury Department - providing branches with ample liquidity and guidance for other business lines



The first Chinese bank in Turkey - the first point of call for RMB business.

An aerial photograph of a city skyline across a body of water, with large pipes in the foreground. The pipes are arranged in a circular pattern, and a worker in a blue uniform and yellow hard hat is visible inside one of the pipes. The text "OUR FOCUS IS TO SUPPORT INFRASTRUCTURE" is centered in the image.

OUR FOCUS IS
TO SUPPORT
INFRASTRUCTURE

ASSESSMENT OF THE BANK'S ACTIVITIES IN THE YEAR 2018

ICBC TURKEY IN 2018

USD **1,3** billion

Total amount of Turkish financial institutions assets invested in 2018 together with ICBC Group banks in 2018

USD **400** million

A 5-year loan to Türkiye Kalkınma ve Yatırım Bankası

USD **100** million

A 3-year loan to Loan to Ak Lease

INTERNATIONAL BUSINESS GROUP

An enriched and diversified product span bringing success

ICBC Turkey has an extensive global network, as part of ICBC Group, which enables us to offer a broad products base and a tailored and quality service in international business transactions, which includes trade finance products, bilateral and syndicated term loan facilities, forfaiting and other structured trade finance and deposit businesses, amongst others.

During 2018, the International Business Group's activities were complemented by the international experience and broad network of the ICBC Group, adding value and offering tailored financial and business specific solutions for its selected customers' needs.

Since ICBC's takeover, the International Business Group has diversified its range of products and has been intermediating bilateral term loans through ICBC's international network and participating in syndicated term loan facilities arranged by internationally recognized banks, achieving significant progress in this direction and further cementing ICBC's footprint in the Turkish banking industry.

International Business Group with full confidence to the Turkish banking sector and pride being the first one in this drive introduced another first, USD 250 million - 3 year tenor single ticket bilateral term loan facility been granted to the selected Turkish banks starting from 2017, this dedicated and well reciprocated in all other business lines approach has been further surmounted both by amount and tenor in new bilateral term loan facilities disbursed within 2018 namely to Türkiye Kalkınma ve Yatırım Bankası and Ak Lease for the amount of USD 400 million with 5 years tenor and USD 100 million with 3 years tenor, respectively.

Furthermore, International Business Group also successfully committed to several syndicated term loan facilities with the highest titles of Coordinator, Bookrunner and Senior MLA of ABank, Türk Eximbank, Vakıfbank, İş Bankası and Garanti Bankası within 2018.

The total amount of Turkish financial institutions assets invested in 2018 together with ICBC Group banks reached approximately USD 1.3 billion.

ICBC's extensive service network and international trade experience adding value in reaching global resources

As the largest bank in China and indeed the world, ICBC operates in 47 countries and territories through its internationalized and diversified operating model and international operations.

Additionally, ICBC Group operates in 20 African countries through its shares in the Standard Bank of South Africa

ICBC Turkey offers the clout of its parent's extensive network of services and experience in international trade and settlements, providing wide access to global resources and competitive advantages in the trade finance avenues while also providing its customers with the opportunity not only to have their transactions executed flawlessly but also to obtain structured funding facilities in international markets.

ICBC Turkey follows the footprints and operations of its selected customers and their projects in the assigned by ICBC HQ as well as neighboring countries and regions, and supports them with various financing models, risk sharing programs, innovative business solutions and ICBC's respective bank/branch network. The Bank thereby adds unprecedented value by placing the utmost priority on customer satisfaction and equally important continuously enhancing long lasting and value adding customer relationships in line with the Bank's motto "Yes, We Can".

Competitive and tailored foreign trade services

ICBC Turkey offers a wide array of trade finance products, including letters of credit, counter guarantees, standby letters of credit, UPAS letters of credit, export/ import collections, aval, shipping guarantees, pre-export loans, Eximbank loans, forfaiting and discounts, in addition to other products - and this is offered with the virtues, synergies and strengths of the ICBC Group banks and branches covering 67 countries directly and indirectly, allowing the Bank's selected customers to benefit from all such incentives, advantages and benefits of the readily available, competitive, tailored and around the clock for foreign trade finance services offered through the ICBC Group.

ICBC Group's full-fledged RMB products and services, longstanding business experience and full global coverage through its seven RMB Clearing Centers successfully covering all time zones.

International Business Group has been proactively introducing new products such as structured letters of credit business for large international commodity houses in order to enjoy improving volumes of trade finance and time deposit as well as profitability simultaneously.

Promoting trade between China and Turkey

Through the Bank's meticulous efforts as well as continuous training and market updates provided comprehensively, the total volume of international settlements realized in RMB terms successfully reached over CNY 400 million in 2018, whereas the total volume of RMB FX reached over CNY 180 million.

In order to further expand the RMB business, ICBC Turkey's strategy for the next year is centered around marketing not only to the Bank's individual and corporate clients but also to the financial institution clients of the

interbank RMB business as well as RMB clearing services by creating synergies and building on the ICBC Group's full-fledged RMB products and services, longstanding business experience and full global coverage through its seven RMB Clearing Centers successfully covering all time zones.

International Business Group has been focusing in introducing new product base to utilize and leverage the full benefits availed by cross currency swap agreement, and Panda bonds to be considered as another good example to be brought into the attention and rewarding benefits of its selected sovereign and eligible correspondent bank clients in the near future.



ASSESSMENT OF THE BANK'S ACTIVITIES IN THE YEAR 2018

ICBC TURKEY IN 2018

~100

ICBC Turkey's total number of cross-border corporate customers

330_{km}

Syndicated loan facility for the construction of the Trans-European Motorway

USD 160_{million}

ICBC Leasing HAIKUO asset transfer

CROSS BORDER FINANCE

ICBC Turkey, responding to the needs and expectations of customers that require big-scale financing with a lineup of high-quality products and services

The total number of cross-border corporate customers reached nearly 100 in 2018, to include Zoomlion, CRRC, Shandong Kerui, Xugong Group, National Nuclear Power, Zhengtai Group, Zhongtian Technology and OPPO.

In 2018, while the Cross Border group registered a robust growth in business volumes, the non-performing loan balance ended the year at zero.

ICBC Turkey continues to provide services to high-quality Chinese-funded enterprises which are going global. In order to better implement the national "Belt and Road" initiative and promote the development of ICBC Turkey, the cross-border department has achieved major breakthroughs in an impressive range of projects and provided significant contributions to the bank's development.

ICBC Turkey successfully has participated into Ankara-Niğde Motorway Project syndication loan, a 330 km Trans-European Motorway from the capital, Ankara, to the south-east.

The completion is projected to be 13 years. ICBC's share in this project is EUR 68.81 million and the Bank has been the mandated among lead arrangers in this syndicated transaction and also the Project has significant importance to be promoting the practice of the "Belt and Road Initiative".

ICBC Turkey successfully renewed L/G security issued for GRG Banking Company. Under ICBC Turkey guarantee, the company successfully secured a working capital loan and opened an L/G.

ICBC Turkey successfully closed the ICBC Leasing HAIKUO asset transfer, amounting to USD 160 million, which extended from the beginning of 2017 to October 2018 and helped the Bank to go through the steady transition in different stages of operation.

Improving post-lending management quality

Post-lending management was one of the focal points of the cross-border department's 2018 credit work. The cross-border department has taken detailed and powerful measures to improve the post-lending management quality of the credit business and further implement post-loan management requirements.

The cross-border department focuses on key target customers and projects, conducts detailed and in-depth analysis, conducts follow-up visit marketing efforts, actively seeks policy support from the head office and lays a solid foundation to promote business development for the following year.

Carrying out promotional activities to support business

The Department also carried out a wide range of Chinese-funded enterprise product service promotion activities, such as the Chinese-funded enterprises' products and services conference and the first "Silk Road Cup" table tennis competition.

In 2018, the Cross-border Group actively participated in a number of major events, including high-profile delegations of Chinese-funded enterprises, high-level delegations led by the head office, and high-level delegations from financial sectors.

The Cross-border Group also actively organized and implemented the preparatory work for the first China International Import Expo held in Shanghai in November 2018.

The investment banking business continued to innovate and won the “2017 Best Investment Bank Award” in Turkey.

INVESTMENT BANKING

ICBC Securities

ICBC Securities, a subsidiary of ICBC Turkey was incorporated in 1996 in İstanbul.

ICBC Securities provides a regional platform for wide range of investment banking services including M&A advisory, debt capital markets, equity capital markets, project finance and syndicated loans as well as securities brokerage and over the counter financial products to governments, corporate and retail customers. ICBC Securities offers full range of brokerage services to local clients with 21 years of local expertise and 21 branches across Turkey as well as International institutional clients through strategic alliances with ICBC Group investment banks based in London and Hong Kong.

ICBC Securities plays an important role in financing of large infrastructure investments in Turkey. The Company is active in coordination and book-running of syndications and bond issuances.

ICBC Securities provides research and sales reports for international clients along with corporate roadshows for public companies. ICBC Securities is appointed as market maker for Yuan/TL future contracts in Borsa İstanbul.

Through its subsidiary ICBC Turkey Asset Management company, alternative investment instruments are provided with different risk and return categories and discretionary asset management services to corporate and retail clients besides pension funds.

“One-point access, group-wide response and global service”

In 2018 ICBC Securities implemented an integrated development strategy and gained strong support from ICBC Group members through internal and external business links, and created multiple firsts in the market, truly achieving “one-point access, group-wide response and global service”.

ICBC Securities offers a wide range of OTC products to its retail customers to serve various risk-return profiles, enhanced the returns on their investments and fostered customer loyalty towards the ICBC Group.

Surging revenues and profits

As a result of the successful performance achieved on the back of astute strategies, brokerage commission revenue grew by 30% YoY in 2018, with 50% of trading volume generated through electronic trading channels.

Product offerings to institutional and retail customers were gradually enriched, over 30 products under 5 categories - brokerage, advisory, project finance, corporate finance and OTC financial products - offered to clients.

Achievements crowned by the “2017 Best Investment Bank Award” in Turkey

The investment banking business continued to innovate and won the “2017 Best Investment Bank Award” in Turkey.

This award recognized various accomplishments including the completion of the first project bond financing in the Turkish market and the successful coordination and book-running of large ticket syndications for Turkish banks; a first for the Turkish investment banking institutions.



ASSESSMENT OF THE BANK'S ACTIVITIES IN THE YEAR 2018

In 2018 ICBC Securities advised and arranged participation of two ICBC Group banks along with one ICBC Hedging Bank in the EUR 3 billion Çanakkale Bridge and Motorway project bank consortium

An active role in project and structured finance transactions

ICBC Securities played an active role in project and structured finance transactions in Turkey under the Private Public Partnership (PPP) and Build Operate Transfer (BOT) models for the funding of large infrastructure investments in Turkey.

In 2018, the Company advised and arranged participation of two ICBC Group banks along with one ICBC Hedging Bank in the EUR 3 billion Çanakkale Bridge and Motorway project bank consortium, using the experience gained in Turkish market.

ICBC Turkey has also been mandated to lead and arrange a syndication for the refinancing of 3rd Bosphorus Bridge Project.

In 2018, ICBC Securities obtained the mandate of the Treasury Ministry for the issuance of the Yuan denominated Panda Bond as a joint lead underwriter and book-runner.

The Company acted as coordinator and joint book-runner in Akbank's USD 980 million equivalent syndicated term loan facilities in September 2018, where 23 global financial institutions from North America, Western Europe, Asia and the Middle East participated in the transaction.

Chinese Yuan market making activities

ICBC Securities conducted CNY-TL futures market making activity by narrowing the spreads and increasing liquidity of the contracts in 2018. Through its marketing efforts, ICBC Yatırım succeeded in garnering increased market interest from different securities companies during the year, boosting its volume from CNY 10 million in 2017 to CNY 225 million in 2018.

Asset management

The Company's subsidiary, ICBC Asset Management, manages five of its own mutual funds and two pension funds established by reputable Pension companies, with a total volume of assets under management of TL 450 million at the end of 2018 - a YoY growth rate of 480%.

OPERATIONS

ICBC Turkey introduced systemic and practical improvements to turn current platforms into operational processes that are easier, leaner and of higher quality.

ICBC Turkey managed the efficiency, operational risk control and compliance activities in 2018 in order to conduct operations in a stable, safe and efficient manner.

Steps taken to improve efficiency

- » The Operations Group Performance Evaluation Document was prepared, which will enable the Operations Group to objectively measure staff performance and efficiency.
- » Organizational adjustments were planned in order to improve the efficiency of the Operations Group.
- » Operations Group workflows documents and SLA were all revised in order to measure all transactions type basis efficiency and improve on it.
- » The cash vaults of the branches were watched on a daily basis, monitored and necessary guidance was provided within the scope of efforts to improve the management of non-interest bearing assets and improve efficiency. As a result of these efforts, the overall branch cash management target was achieved in 2018.
- » A new remuneration system was established and branch tellers began to contribute to retail banking sales, in order to improve the efficiency of branch tellers.



ICBC Turkey aims to provide an excellent and the fluent experience for the customers through digital channels, by placing the customer oriented mindset at the heart of all its processes.



SERVICE CHANNELS

ICBC Turkey aims to effectively meet the needs and expectations of its customers by making use of digital products

ICBC Turkey believes that the future of banking is one where the transactions of companies are performed safely and in a short space of time using digital world's applications without the need for conventional bank channels. Accordingly, the Bank's customers can expect an array of new products in the field of digital banking going forward.

ICBC Turkey aims to provide an excellent and the fluent experience for the customers through digital channels, by placing the customer oriented mindset at the heart of all its processes.

Alongside its branches, the Bank's customers have the opportunity may receive service through ATMs, the Internet Branch, the Mobile Branch, the Call Center and the website, icbc.com.tr, on a 24/7 basis. All of the channels also provide a service in English in addition to Turkish.

Totally renewal of the ICBC Turkey Mobile Branch

ICBC Turkey customers may now perform their banking transactions whenever and wherever they wish through the totally renewed ICBC Turkey Mobile Branch. The ICBC Turkey Mobile Branch, which was renewed and launched in 2018 to meet our customers' daily banking transaction needs, provides a secure, fast and convenient service.

Since the launch of the application on 6 November 2018, the Bank has worked to a strategy of being one of the most popular banks and gaining new customers through the services offered on the Mobile Branch with its user-friendly application.

Steps taken to improve operational risk monitoring and compliance

- » Reconciliations in the Operations Group were revised, consolidated and reported in order to improve monitoring.
- » Systems to monitor foreign money which will go out of circulation were established and centrally followed in order to prevent operational losses.
- » Feasibility studies got underway on Parameter Management Compliance.
- » CRS (Common Reporting Standards) were established.
- » Several system development projects were completed in order to manage in-process operational risks in particular, as well as compliance risks, with IT support.
- » Payments systems projects such as TROY cards and Cash Register POS were successfully completed on time.

ASSESSMENT OF THE BANK'S ACTIVITIES IN THE YEAR 2018



The design process of the application was aimed at enabling even customers who had never used a mobile banking application in their life to use it without any help. In this context, a whole range of features were offered, such as obtaining a password without entering card information, performing virtual card transactions without entering any additional passwords, a customizable menu format and being able to reach customer service simply by shaking the device.

Besides, with the help of the ongoing campaign, our customers can withdraw money from any ATM across the country, as well as from ICBC Turkey ATMs, without paying any commission fee as long as they continue to use the application.

Another benefit offered in the same campaign is that all EFT transactions are free of charge for those who use the application. As an outcome of all these endeavors, a quarter of the Bank's active customers opted to use internet or mobile banking channels in their banking transactions at 2018 year end.

The new mobile branch application constitutes the backbone of our Bank's medium-term strategy - both for the purpose of meeting the target for the acquisition of new customers, and for satisfying the needs of our current customers.

New applications for practical and efficient banking

A number of changes have been rolled out to the Bank's website, icbc.com.tr, oriented towards offering a better experience for the customer. These changes were aimed at transforming the application pages into more customer friendly versions. The process of remote customer

The number of active users of ICBC Turkey's mobile banking service rose by 38% when compared to the previous year.

acquisition has been carried into effect with the help of "Be Our Customer" form, which has been added to the deposit calculator page.

In 2018, the number of active users of the Bank's internet branch increased by 23%, while the number of active users of the Bank's mobile banking service rose by 38% when compared to the previous year.

Working to offer a better service for disabled customers through all service channels

In 2018, a number of agreements were reached with non-governmental organizations so a better service could be provided for disabled customers through all of the Bank's service channels. In order to guide visually impaired customers, perceivable walking paths were placed at the entry of each branch along with braille lettering, guidance and informative plates. Bell buttons were placed next to the entrance doors for disabled customers seeking help from a member of the Bank's staff. Portable ramps were also positioned at the entrances of the branches. With these measures, the Bank aimed to provide easy access for its disabled customers at its branches.

Furthermore, stickers with braille lettering and earphone jacks have been placed at each of our 52 ATMs in order to make them to be more accessible and audio compatible for visually impaired users.

A large industrial factory floor with workers welding metal plates and others in the background. The scene is filled with machinery, metal structures, and workers in safety gear. The floor is highly reflective, and the overall atmosphere is one of active production.

OUR FOCUS IS
TO SUPPORT
PRODUCTION

ASSESSMENT OF THE BANK'S ACTIVITIES IN THE YEAR 2018

ICBC Turkey believes that it will achieve its goals with a personnel structure in which employees place importance to a future in a prominent bank, who know that their career development will come with disciplined and intensive training and they value human relationships.

HUMAN RESOURCES

ICBC Turkey works to the principle of working with highly motivated and loyal employees by implementing effective and people-oriented human resources.

ICBC Turkey provides leadership in shaping the Turkish-Chinese culture that drives excellence and innovation by supporting talent, engagement and the employee work experience.

ICBC Turkey is aiming to maximize the motivation, knowledge and skills of its employees

The ICBC Turkey's employee value proposition principally consists of compensation which includes bonuses, promotions and benefits, such as insurance, allowances, paid leave and career training and education at work, along with evaluations and feedback that help employees improve their skills.

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

ICBC Turkey has adopted a gross salary policy for base and flexible salaries. The base salaries are paid at the end of each month while flexible payments under the category of Performance Appraisals & Bonus Payments are paid on quarterly, depending on the employee's performance. In addition to this system, under a new initiative in 2018, some groups were granted incentive bonuses aimed at strengthening their motivation - these were referred to as "Incentive Premiums", "Piece by Piece", and "Credits in the Follow-up Process Incentive Premium", based on employees target achievements.

ICBC Turkey is placing the right people for the right jobs, and selecting individuals with a high potential to generate added value

The job descriptions, authorizations and responsibilities of the Bank's personnel have been determined based on each title and position. General human resources policies, implemented with the goal of ensuring the Bank performs to the highest standard, are based on the principles summarized below and published in the Bank's intranet environment as well as on its website.

ICBC Turkey believes that it will achieve its goals with a personnel structure in which employees place importance to a future in a prominent bank, who know that their career development will come with disciplined and intensive training and they value human relationships.

ICBC Turkey knows that its position in the industry and its corporate identity have been achieved with the contribution of its employees and believes that each employee working with a perspective that everyone has to be the "Leader of Their Work", is essential. The training to be provided, and the criteria for promotion for anyone starting to work at ICBC Turkey, has already been set. All employees are expected to have knowledge about their career paths. ICBC Turkey provides feedback to its employees regarding their career development through the open performance assessment system.

As well as vertical promotions, horizontal career paths also exist for the Bank's personnel. Face to face interviews are conducted with personnel by Human Resources department, where an open and fair performance assessment system is applied. During this process, the Bank's personnel are evaluated based on their personal development, competencies and targets and the results are shared with them. In accordance with the Bank's human resources policy, each member of the personnel is treated equally with no discrimination.

Benefits

- » All personnel receive private health insurance and life insurance.
- » Personnel working in the Bank's branches receive meal cards for the Bank's contractual supplier.
- » Personnel working at the Head Office may use the cafeteria located in the Head Office.
- » Shuttle busses are provided for personnel at the Head Office.
- » Clothing aid is provided to Security Staff and the Support Personnel twice a year.

Awards

- » Personnel receive awards based on 5, 10, 15, 20, and 25 years of service.
- » Voting has been organized for giving awards to 15 Youth Outstanding and Excellent Employees.
- » The vacation payment, which was specially prepared for 2018, was also paid in 3 instalments for all employees equally.
- » The "CEO Bonus payment" is made to personnel at the position of manager and below.

The ICBC Turkey Human Resources Department

- » restructured its remuneration system (performance bonus, incentive bonus, CEO bonus), and established a new "Promotion System"
- » created and conducted an Employees Satisfaction Survey
- » reviewed Human Resources policies with an eye to improving according to employee's needs, to initiate more efficient HR Management.
- » revised the regulations for annual leave, which will enter effect in 2019.

A dynamic team of 786 people possessing superior competencies

As of the date of 31 December 2018, the number of the personnel is 786; 374 employees work at our branches and

ICBC TURKEY INEDUCATION PROFILE OF THE EMPLOYEES OF ICBC TURKEY

Educational Level	Number of Person(s)	%
Primary School	9	1.2
Middle School	5	0.6
High School	89	11.3
Two-Year Degree	53	6.7
Undergraduate	536	68.2
Double Major	1	0.1
Graduate	90	11.5
PhD	3	0.4
Grand Total	786	

412 employees work at our Head Office. Number of the branches as of 2018 year-end is 44.

In accordance with gender distribution 416 women and 370 men are working in our bank as of 2018 year-end.

The average age of the Bank's personnel is 36.7. Seniority average for HQ is 6.7 years meanwhile the seniority average for branches is 8.6 years.

86.8% of our personnel are holding bachelor's degree and above; of which 0.4% hold doctorate degree, 11.5% hold graduate degree, 68.2% hold undergraduate degree and 6.7% hold associate two years degree.

Training and development activities at ICBC Turkey

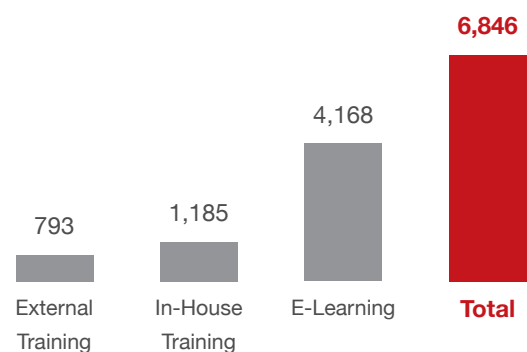
The Bank's 2018 training process consisted of the training programs provided by the Bank's internal instructors, professional training companies, conferences and seminars held by the Banks Association of Turkey (BAT).

A total of 6,846 employees enrolled in training programs, including in-house training, external training and distance learning.

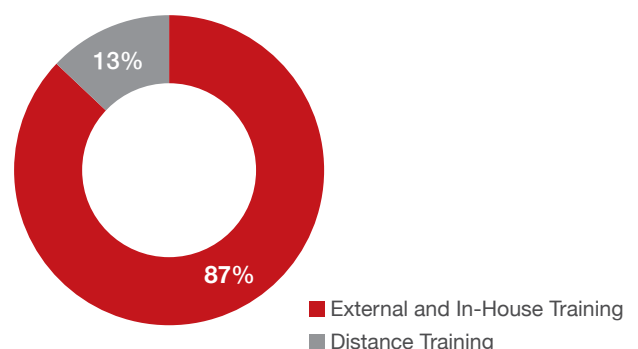
On this basis, distance learning was provided to 4,168 participants in 18 different subject areas. In-house and external training sessions were provided to 2,678 participants in 121 different subject areas.

The chart below is showing the participant numbers who enrolled to trainings as of today.

TRAINING PROGRAMS-PARTICIPANT NUMBER



DISTRIBUTION OF TYPES OF TRAININGS



INFORMATION REGARDING THE ASSOCIATES AND THE SUBSIDIARIES

Company	Affiliates	Field of Activities	Share %
Finance Sector	ICBC Turkey Yatırım Menkul Değerler A.Ş.	Investment Banking	99.998

ICBC Securities, a subsidiary of ICBC Turkey Bank A.Ş. was incorporated in 1996 in İstanbul. Its paid-in capital is TL 76,000,000. ICBC Securities provides a regional platform for wide range of investment banking services including M&A advisory, debt capital markets, equity capital markets, project finance and syndicated loans as well as securities brokerage and over the counter financial products to governments, corporate and retail customers.

ICBC Securities offers full range of brokerage services to local clients with 21 years of local expertise and 21 branches across Turkey as well as International institutional clients through strategic alliances with ICBC Group investment banks based in London and Hong Kong.

ICBC Securities plays an important role in financing of large infrastructure investments in Turkey. The Company is active in coordination and book-running of syndications and bond issuances.

ICBC Securities provides research and sales reports for international clients along with corporate roadshows for public companies. ICBC Securities is appointed as market maker for Yuan /TL future contracts in Borsa İstanbul.

ICBC Securities is ideally placed as a regional investment banking management platform to serve sovereign, financial institution, and corporate clients with unparalleled financing power and ability to create innovative structures using ICBC's global capabilities, strong overseas network composed of various ICBC investment banks and commercial banking centers. Through its subsidiary ICBC Turkey Asset Management company, alternative investment instruments are provided with different risk and return categories and discretionary asset management services to corporate and retail clients besides pension funds.

ICBC Securities is licensed as a Broadly Authorised Securities company by Capital Markets Board on 1 January 2016 together with enlarging its scope of activities into investment banking.

RESEARCH AND DEVELOPMENT PRACTICES RELATED TO THE NEW SERVICES AND ACTIVITIES

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

SECTION II

MANAGEMENT AND CORPORATE GOVERNANCE PRACTICES

NAMES AND SURNAMES, TERMS OF OFFICE, RESPONSIBILITY AREAS, EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE OF THE CHAIRMAN AND MEMBERS OF THE BOARD OF DIRECTORS, AUDIT COMMITTEE MEMBERS, GENERAL MANAGER AND THE ASSISTANT GENERAL MANAGERS AND THE OFFICERS OF THE DEPARTMENTS WITHIN THE SCOPE OF THE INTERNAL SYSTEMS

CHAIRMAN AND MEMBERS OF THE BOARD OF DIRECTORS

Name-Surname	Position	Date of Commencement to Work	Educational Status	Banking or Management Experience	Areas of Responsibility	Whether He/She is an Independent Member of the Board of Directors
Xiangyang Gao ⁽¹⁾	Chairman of the Board of Directors	22 May 2015	Undergraduate Degree Abroad, Graduate Degree Abroad	23	Chairman of the Credit Committee	Not an Independent Member
Shaoxiong Xie ⁽²⁾	Member of the Board of Directors- General Manager	29 November 2018	Undergraduate Degree Abroad, Graduate Degree Abroad	28	Vice Chairman of the Credit Committee	Not an Independent Member
Peiguo Liu ⁽³⁾	Member of the Board of Directors	02 January 2017	Undergraduate Degree Abroad, Graduate Degree Abroad	19	Chairman of the Audit Committee, Member of the Credit Committee	Independent Member
Jianfeng Zheng	Member of the Board of Directors	22 May 2015	Undergraduate Degree Abroad, Graduate Degree Abroad	22	Member of the Corporate Governance Committee, Member of the Remuneration Committee, Alternate Member of the Credit Committee	Not an Independent Member
Ying Wang	Independent Member of the Board of Directors	22 May 2015	Undergraduate Degree Abroad, Graduate Degree Abroad	27	Member of the Audit Committee, Chairman of the Remuneration Committee, Alternate Member of the Credit Committee	Independent Member
Mehmet Hilmi Güler	Independent Member of the Board of Directors	26 May 2015	Undergraduate Degree Domestic, Graduate Degree Domestic	27	Chairman of the Corporate Governance Committee	Independent Member

⁽¹⁾ Mr. Keen Xu who was the chairman of the Board of Directors, Credit and Audit Committees resigned from his duties on 24 July 2018 by the board resolution dated 24 July 2018 and numbered 1520/01-1520/02. Mr. Xiangyang Gao was appointed as chairman of the Board of Directors and Credit Committee.

⁽²⁾ Mr. Shaoxiong Xie was appointed as General Manager by dated 19 November 2018 and numbered 1538/01 Board Resolution being effective from the date of 29 November 2018.

⁽³⁾ Mr. Peiguo Liu was appointed as Chairman of the Audit Committee on 24 July 2018 due to the resignation of Mr. Keen Xu.

GENERAL MANAGER AND ASSISTANT GENERAL MANAGERS

Name-Surname	Position	Date of Commencement to Work	Educational Status	Banking or Management Experience	Areas of Responsibility
Shaoxiong Xie ⁽¹⁾	Member of the Board of Directors-General Manager	29 November 2018	Undergraduate Degree Abroad, Graduate Degree Abroad	28	Vice Chairman of the Credit Committee
Jinhong Li ⁽²⁾	Deputy General Manager/Assistant General Manager	25 July 2018	Undergraduate Degree Abroad, Graduate Degree Abroad	20	Financial Affairs, Operations and Legal
Yubao Chen	Deputy General Manager/Assistant General Manager	22 May 2015	Undergraduate Degree Abroad, Graduate Degree Abroad	35	Corporate / Commercial Banking and Cross Border Finance Group
Hüseyin H.İmece	Assistant General Manager	02 November 2007	Domestic Undergraduate Degree - Boğaziçi University, Department of Economics	29	Treasury and Investor Relations Group
Bozok Evrenosoğlu	Assistant General Manager	21 May 2010	Domestic Undergraduate Degree - Ankara University Department of Economics	30	Credits Group
D.Halit Döver	Assistant General Manager	04 January 2005	Domestic Undergraduate Degree-İstanbul Technical Uni. Mining Engineering Domestic Graduate Degree - İstanbul Technical University	26	International Business Group
Kadir Karakurum	Assistant General Manager	09 January 2017	Domestic Undergraduate Degree-METU-Faculty of Architecture Domestic Graduate Degree -METU-Social Sciences Institute Department	18	Retail Banking Group

⁽¹⁾ Mr. Shoaxiong Xie was appointed as General Manager by dated 19 November 2018 and numbered 1538/01 Board Resolution being effective from the date of 29 November 2018.

⁽²⁾ Jinhong Li was appointed as Assistant General Manager/Deputy General Manager in charge of Operations and Legal Group on 25 July 2018. Duty responsibility area of Jinhong Li as Assistant General Manager was determined Financial Affairs, Operations and Legal Gorup.

⁽³⁾ Duty responsibility area of Yubao Chen who was responsible for Financial Affairs Group was changed. He has been responsible for Corporate / Commercial Banking and Cross Border Finance Group since 04 December 2018.

Assistant General Manager Başbuğ Yavuz Samancıoğlu who was responsible for Corporate and Commercial Banking Group left from his position on 12 October 2018.

NAMES AND SURNAMES, TERMS OF OFFICE, RESPONSIBILITY AREAS, EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE OF THE CHAIRMAN AND MEMBERS OF THE BOARD OF DIRECTORS, AUDIT COMMITTEE MEMBERS, GENERAL MANAGER AND THE ASSISTANT GENERAL MANAGERS AND THE OFFICERS OF THE DEPARTMENTS WITHIN THE SCOPE OF THE INTERNAL SYSTEMS

MANAGERS OF THE UNITS WITHIN THE SCOPE OF THE INTERNAL SYSTEMS

Name-Surname	Position	Date of Commencement to Work	Educational Status	Banking or Management Experience	Areas of Responsibility
Celal Efe Şeran	Chairman of the Board of Inspections	01 December 2017	Domestic Undergraduate Degree	18	Board of Inspections
Gürdoğan Yurtsever	Head of Internal Control and Compliance Department	01 September 2003	Domestic Undergraduate Degree, Domestic Graduate Degree	23	Internal Control and Compliance
Berrin Gencal	Head of Risk Management Department	01 February 2009	Domestic Undergraduate Degree	23	Risk Management

DUTIES OF THE BOARD OF DIRECTORS OUTSIDE OF THE BANK

Duties of Members of the Board of Directors, conducted by them out of the Bank (as of 31 December 2018) are specified below.

Name Surname	Positions Assumed at the Bank at the Last 5 Years	Positions Held out of the Bank in the Final Situation (Segregated as Within the Group, Out of the Group)
Xiangyang Gao	Member of the Board of Directors, General Manager, Vice Chairman of the Credit Committee, Chairman of the Board of Directors and Credit Committee	Intra-Group: Chairman of the Board of Directors at ICBC Turkey Yatırım Menkul Değerler A.Ş., an affiliate of the Bank
Shaoxiong Xie	General Manager/Member of the Board of Directors	He holds no other position out of the Bank.
Peiguo Liu	Member of the Board of Directors, Member of the Credit Committee, Coordinator of the General Secretariat Group, Chairman of the Audit Committee	Intra-Group: Member of the Board of Directors at ICBC Turkey Yatırım Menkul Değerler A.Ş., an affiliate of the Bank
Jianfeng Zheng	Member of the Board of Directors, Member of the Corporate Governance Committee, Member of the Remuneration Committee, Alternate Member of the Credit Committee	Intra-Group: Industrial and Commercial Bank of China Ltd.(ICBC) Head Office - Corporate Strategy and Investor Relations Department Senior Specialist, ICBC Mexico Ltd., ICBC (Thai) Public Company Ltd., Non-Executive Member of the Board of Directors, ICBC Credit Suisse Asset Management Co. Ltd. Supervisor
Ying Wang	Independent Member of the Board of Directors, Member of the Audit Committee, Chairman of the Remuneration Committee, Alternate Member of the Credit Committee	Intra-Group: Industrial and Commercial Bank of China Ltd.(ICBC) Corporate Strategy and Investor Relations Department- Senior Specialist, ICBC-AXA Assurance Co. Ltd. Non-Executive Member of the Board of Directors, ICBC Credit Suisse Asset Management Co. Ltd. Non-Executive Member of the Board of Directors, ZAO Industrial and Commercial Bank of China Ltd. (Moscow) Non-Executive Member of the Board of Directors, ICBC Europe S.A. Non-Executive Member of the Board of Directors
Mehmet Hilmi Güler	Independent Member of the Board of Directors, Chairman of the Corporate Governance Committee	Out of the Group: Lecturer at Bahçeşehir University, Board Member of Dizayn Teknik Boru ve Elemanları Sanayi ve Ticaret A.Ş., Turkcell İletişim Hizmetleri A.Ş. Independent Member of the Board of Directors, Superonline İletişim Hizmetleri A.Ş. Chairman of the Board of Directors, Turkcell Enerji Çözümleri ve Elektrik Satış Ticaret A.Ş. Independent Member of the Board of Directors,

PROFILES OF THE CHAIRMAN AND MEMBERS OF THE BOARD OF DIRECTORS, AUDIT COMMITTEE MEMBERS, GENERAL MANAGER AND THE ASSISTANT GENERAL MANAGERS AND THE MANAGERS OF THE UNITS WITHIN THE SCOPE OF THE INTERNAL SYSTEMS

BOARD OF DIRECTORS



Xiangyang Gao
Chairman of the Board of Directors

Mr. Xiangyang Gao graduated from Beijing University International Finance Undergraduate Program in 1997 and from Beijing University Business Administration Graduate Program (MBA) in 2004. Mr. Xiangyang Gao has started to work at Industrial and Commercial Bank of China Limited (ICBC) in 1997 and he worked, respectively, as a Clerk at the Headquarters Banking Transactions Department between July 1997 - September 1997, Senior Manager at the Headquarters Human Resources Department between July 1997 - October 2001, Senior Manager at Luwan District Branch and Fuxing Road Sub-Branch (Shanghai) between August 2000 - May 2001, Senior Manager at the Headquarters International Trade Department between October 2001 - August 2008, Chairman at Ningde City Branch between August 2010 - February 2014, Vice Chairman at ICBC Fujian Branch between December 2012 - May 2015. Mr. Xiangyang Gao has been appointed as the General Manager of ICBC Turkey on 22 May 2015 and pursued his duty until 24 July 2018. He has been serving as Chairman of Board of Directors and Credit Committee since 24 July 2018. Furthermore, he has been appointed as a Member of the Board of Directors at ICBC Turkey Yatırım Menkul Değerler A.Ş., an affiliate of ICBC Turkey, on 22 May 2015 and he serves as the Chairman of the Board of Directors of ICBC Yatırım.



Shaoxiong Xie
General Manager/Board Member

Mr. Shaoxiong Xie graduated from Xiamen University Department of Finance/School of Economy in 1990 and received his Master's Degree in Business Administration (EMBA) from Hunan University in 2010. Mr. Shaoxiong Xie started to work at Industrial and Commercial Bank of China Limited (ICBC) in 1990 and worked respectively as Customer Manager/Branch Manager in ICBC Hunan Branch between September 1990 - November 2010, as Deputy General Manager in ICBC Malaysia between December 2010 - December 2016 and as an expert in ICBC Hunan Branch between January 2017 - October 2018. Mr. Shaoxiong Xie has been appointed as General Manager of ICBC Turkey on 29 November 2018 and he has also been serving as Board Member and Vice President of Credit Committee.



Peiguo Liu
Member of the Board of Directors

Mr. Peiguo Liu graduated from Shandong University of Finance and Economics - Investment Economics Management Program, and received a master's degree from Beijing University of Technology - MBA Program. He joined ICBC in 1998. Mr. Liu served in several positions including Asset Management Department, Asset Risk Management - Monitoring and Inspection Department, Risk Reporting Department, Operational Risk Measurement Management Department. Then he came to Turkey as the member of the Tekstil Bankasi Project Team, then he appointed as the Coordinator of General Secretariat in ICBC Turkey Bank A.S. He has served as a Member of the Board of Directors since 2 January 2017, presently he also serves as a Member of the Credit Committee. Mr. Peiguo Liu has been appointed as President of the Audit Committee on 24 July 2018. At present, he is also concurrently a Member of the Board of Directors of ICBC Yatırım Menkul Değerler A.Ş..



Jianfeng Zheng
Member of the Board of Directors

Mr. Zheng Jianfeng graduated from Tianjin University Industrial Business Administration Undergraduate Program in 1988, from Tianjin University Industrial Business Administration Graduate Program in 1991 and from England York University Finance Graduate Program in 2006. He worked, respectively, as the Vice Chairman of the Operations Evaluation and Market and Industry Analysis Department Unit at the State Development Bank Headquarters between 1998-2000, as the Vice Chairman of the Bank of China Agricultural Department Audit Board Unit at the Basic State Council State Financial Institutions Audit Boards (Under the Central Financial Business Committee) between 2000-2002. Mr. Zheng Jianfeng has started to work as Industrial and Commercial Bank of China Limited (ICBC) in 2002 and he worked, respectively, as Unit Chief at the Office of Board of Supervisor, Audit Board Surveillance Commissar, Deputy General Manager of the Office of Board of Supervisor. Since 2014, he works as a specialist at the Strategic Management and Investor Relations Department at ICBC Headquarters and he continues to serve as non-executive member of the board of directors and non-executive supervisor at some ICBC Group companies. Mr. Zheng Jianfeng has been elected as the Member of the Board of Directors on the date of 22 May 2015 and at the same time, he serves as a Member of the Corporate Governance Committee and a Member of the Remuneration Committee.



Ying Wang
Independent Member of the Board of Directors

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



Mehmet Hilmi Güler
Independent Member of the Board of Directors

He obtained his undergraduate degree, graduate degree and PhD from Middle East Technical University School of Metallurgy Engineering in 1972, in 1975 and in 1985, respectively. He worked as General Coordinator and Member of the Board of Directors of Çamsan A.Ş. between 1992 and 1994, as a Consultant to the İstanbul Metropolitan Municipality and General Manager Chairman of the Board of Directors of İstanbul Gaz Dağıtım Sanayi ve Ticaret A.Ş. between 1994 and 1996. He was elected and served as Member of Parliament, representing the Province of Ordu between 2002 and 2011 and Ministry of Energy and Natural Resources between 2002 and 2009. M. Hilmi Güler has been working as a faculty Member at Bahçeşehir University and serving as Member of the Board of Directors of Dizayn Teknik Boru ve Elemanları Sanayi ve Ticaret A.Ş. Mr. Güler has been an Independent Member of the Board of Directors of Turkcell İletişim Hizmetleri A.Ş. since 2013. He has also been serving as Chairman of Board of Directors of Superonline İletişim Hizmetleri A.Ş. since December 2014 and as independent board member of Turkcell Enerji Çözümleri ve Elektrik Satış Ticaret A.Ş. since February 2017. Mehmet Hilmi Güler was appointed as an Independent Member of the Board of Directors and also the President of the Corporate Governance Committee of ICBC Turkey on 22 May 2015.

PROFILES OF THE CHAIRMAN AND MEMBERS OF THE BOARD OF DIRECTORS, AUDIT COMMITTEE MEMBERS, GENERAL MANAGER AND THE ASSISTANT GENERAL MANAGERS AND THE MANAGERS OF THE UNITS WITHIN THE SCOPE OF THE INTERNAL SYSTEMS

SENIOR MANAGEMENT



Jinhong Li

Assistant General Manager / Financial Affairs / Operations and Legal Department / Deputy General Manager

Jinhong Li graduated from Guangxi Normal University Political and Economics Faculty - Department of Law in 1995 and Guangxi Normal University Master of Philosophy programme in 1998. Mrs. Li started to work at Industrial and Commercial Bank of China Limited (ICBC) Nanning Branch in 1998 and worked respectively as staff between July 1998 - May 1999 in Nanning Branch Law Department, as manager between June 1999 - December 2005 in Nanning Branch Law Department, as Deputy General Manager between January 2006 - June 2013 in Nanning Branch Law Department, as General Manager between July 2013 - April 2015 in Nanning Branch Law Department and as Deputy General Manager between May 2015 - April 2018 in Nanning Branch. Mrs. Li has been appointed as Deputy General Manager and Assistant General Manager in charge of Operations and Legal departments on 25 July 2018. Mrs. Li currently responsible for Operations and Legal Departments has been appointed as Assistant General Manager responsible for Financial Affairs, Legal and Operations departments as of 4 December 2018.



Yubao Chen

Assistant General Manager / Cross Border Finance / Corporate and Commercial Banking / Deputy General Manager

He graduated from School of Central Party, Foreign Related Economics Program in 1997, from Xinjiang University, Graduate School of Political Economy Program in 2000 and New Zealand University Graduate School of Business Administration (EMBA) in 2005. Yubao Chen, having started working for Industrial and Commercial Bank of China Limited (ICBC) in 1998, assumed the following positions in order of chronology: Vice President of Xinjiang Yili Branch between November 1998 and February 2003 (he concurrently worked as President of Xinjiang Yining Branch between November 1998 and January 2000), Assistant General Manager of the Xinjiang Branch Company Areas of Operations Department between February 2003 and April 2006, General Manager of Xinjiang Branch International Business Department between April 2006 and March 2009, General Manager of Xinjiang Branch Company Areas of Operations and International Business Department between March 2009 and March 2010, President of the Xinjiang Changji Branch between March 2010 and November 2011, Branch Officer and General Manager of Almaty Branch between November 2011 and August 2014. He was appointed as Assistant General Manager of ICBC Turkey and Member of the Board of Directors of ICBC Yatırım Menkul Değerler A.Ş., a subsidiary of ICBC Turkey, on May 22nd. From January 2016 to July 2016 he was leading the Cross-Border Finance Group as Assistant General Manager, from July 2016 to December 2018 he worked as Assistant General Manager responsible for Accounting and Financial Control Group. Mr. Yubao Chen has been serving as the Assistant General Manager of Cross Border Finance and Corporate/Commercial Banking Group since 4 December 2018. Also he has been serving as Deputy General Manager since 1 March 2016.



Hüseyin H.İmece

Assistant General Manager (Treasury and Investor Relations)

Hüseyin İmece graduated from Boğaziçi University in 1990 and started his professional career the same year at Yapı ve Kredi Bankası, where he was promoted to Assistant General Manager in charge of Treasury in 1999. He also undertook the management of the bank's Financial Institutions and Investor Relations department. In the same period, Mr. İmece acted as an Executive Board Member in the same bank's local Portfolio Management, Leasing, Factoring and Real Estate Investment Trust subsidiaries, as well as foreign subsidiaries in Germany, Netherlands, Russia and Ireland. He served as member at the bank's Asset-Liability Committee, as well as Technology, HR and Commercial Committees. He played a leading role in the bank's merger with Koçbank.

He joined Tekstilbank in 2007 as AGM in charge of Treasury, where he oversaw physical, functional and procedural changes in the department, as well as establishment of Investor Relations department. In 2014, he played an active leading role in the bank's sale to ICBC, one of world's most prominent banks and the takeover has been successfully completed in 2015. Continuing at the same capacity after ICBC's takeover, he contributed significantly to the orientation and integration process and worked on issues such as asset quality, profitability, risk and capital management. He still serves as a member of ICBC Turkey's Executive Management.



Bozok Evrenosoğlu

Assistant General Manager (Loans)

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

PROFILES OF THE CHAIRMAN AND MEMBERS OF THE BOARD OF DIRECTORS, AUDIT COMMITTEE MEMBERS, GENERAL MANAGER AND THE ASSISTANT GENERAL MANAGERS AND THE MANAGERS OF THE UNITS WITHIN THE SCOPE OF THE INTERNAL SYSTEMS

SENIOR MANAGEMENT



D. Halit Döver

Assistant General Manager (International Business)

Halit Döver, graduated from Istanbul Technical University of Mining Engineering in 1988 and obtained his post-graduate degree from the same university. Between 1990 and 1993, he worked as a certified engineer in different companies in South Africa and started his banking career as Manager and Director in the Correspondent Relations and International Marketing Dept at Pamukbank in 1993. He started working for ICBC Turkey as Head of the International Relations Dept in 2000 and was appointed as Assistant General Manager responsible for the International Business Group in January 2005. He also served as Customer Relations Coordination Officer from 2015 to 2017.



Kadir Karakurum

Assistant General Manager (Retail Banking)

Mr. Kadir Karakurum graduated from the Middle East Technical University Faculty of Architecture in 1993 and he had his graduate degree at the same university, Faculty of Economics and Business Administration, Business Administration Department. Between 1992 - 2012, he served at various positions at the private sector companies and banks and in February 2014, he started to work at ICBC Turkey as the Head of Individual Sales and Marketing Department and as of 9 January 2017, he has been appointed as the Assistant General Manager in charge of Retail Banking.



Oraj Özel

General Manager (ICBC Turkey Yatırım Menkul Değerler A.Ş.)

Oraj Özel is CEO and Board member of ICBC Securities. Özel was one of the first floor brokers at the Istanbul Stock Exchange founded in 1987. Mr. Özel worked in senior management of major Turkish banks and securities firms until he joined ICBC Turkey (then Tekstilbank) group in April 2007 as General Manager of ICBC Securities. During his career, Mr. Özel introduced several new products to Turkish Capital Markets such as first equity research, first mutual fund, first commercial paper issue by a government owned institution, first asset backed security issue. Mr. Özel is awarded a level 3 license from Capital Markets Board of Turkey and holds a BS Degree in Economics from Middle East Technical University at Ankara.

MANAGERS OF THE UNITS WITHIN THE SCOPE OF INTERNAL SYSTEMS**Celal Efe Şeran****Chairman of the Board of Inspections**

Mr. Celal Efe Şeran graduated from İstanbul University Department of Economics in 2002 and started his banking career as a Customer Services Officer at HSBC Bank A.Ş. in 2000 and he worked, respectively, as Inspector at Fortisbank A.Ş. in 2004 and the Manager of Risk Management Department at TEB Cetelem in 2011. As of February 2015, he has started to work at ICBC Turkey Bank A.Ş. as the Head Of Individual Credits Allocation Department and since 1 December 2017, he continues to serve as the Chairman of the Board of Inspections at ICBC Turkey Bank A.Ş. Mr. Celal Efe Şeran holds CIA (Certified Internal Auditor), CFE (Certified Fraud Examiner), the CMB Level 3 and Corporate Governance Rating certificates and has an experience of approximately 18 years in the fields of Internal Audit, Risk Management, Credits, Alternative Delivery Channels and Customer Services.

Gürdoğan Yurtsever**Head of Internal Control Centre and Compliance**

Mr. Gürdoğan Yurtsever graduated from İstanbul University School of Political Sciences in 1991 and obtained his graduate degree from the same school in 2002. He started working as an assistant inspector in the Board of Auditors of a bank in 1995. He joined ICBC Turkey as an inspector in 1998. Subsequently, he worked as a manager in the Credit Control Department and Internal Control Center. He was appointed as the Head of Centre of Internal Control in 2003. Mr. Gürdoğan Yurtsever has been serving as the Head of Centre of Internal Control and Compliance since 2008 and concurrently as a Compliance Officer as well. Mr. Yurtsever is also Member of the Board of Directors and Vice President of Turkish Internal Audit Institute (TIAE), Chief Editor and Managing Editor of the Internal Audit Journal, and holds Certified Public Accountant (CPA), Independent Auditor (IA), Certified Fraud Monitoring Examiner (CFE) and Certified in Risk Management Assurance (CRMA) permits and certificates. He has also published a number of essays and articles in several journals and newspapers related to topics such as banking, internal control, internal audit, audit committee and compliance and five books, two out of which are published by Banks of Association of Turkey (BAT).

Berrin Gencal**Head of the Risk Management Department**

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

DECLARATIONS OF INDEPENDENCE BY THE MEMBERS OF THE BOARD OF DIRECTORS

Within the scope of the articles of association of ICBC Turkey Bank A.Ş. and the Corporate Governance Principles set out in the Communiqué of Corporate Governance (Serial No.II-17.1) issued by the Capital Markets Board, I hereby declare that I am a candidate to be an “independent member” of the Boards of Directors of ICBC Turkey Bank A.Ş. and within this context, I further declare that;

a) within the last five years, there have been no employment relationship requiring to assume material duties and responsibilities in the capacity of a manager between myself, my spouse and my next of kin and relatives by blood and marriage up to second degree and the Company, partnerships and the shareholders holding the control of or possessing substantial impact on the Company and the legal persons who are substantially controlled by such shareholders, I do not hold, alone or jointly, more than 5% of the share capital or voting rights or privileged shares of the Company nor do I have any material commercial relationship with the Company,

b) within the last five years, I have not been a shareholder (more than 5%), an employee or a member of the board of director requiring to assume material duties and responsibilities in the capacity of a manager of any company from or to whom the Company purchases or sells services or products in substantial amounts within the framework of the agreements entered into, primarily auditing (including tax audit, legal audit, internal audit), rating of and providing consultancy to the Company during the period in which such services and products were being purchased or sold,

c) I possess the vocational education, knowledge and experience necessary to perform the duties I would be assuming as an independent member of the board of directors,

d) provided that it is applicable to the legislation I am bound with, I have not and, upon my appointment as an independent member of the board of directors, shall not work for any state institutions and organizations as full time employee, except for being a faculty member,

e) I possess strong ethical standards, occupational reputation and experience in order to positively contribute to the activities of the Company, be neutral to any conflicts of interests among the Company and its shareholders and freely decide by considering the rights of the beneficiaries,

f) I shall devote enough time to follow the operational activities of the Company and completely fulfil the responsibilities I would be assuming,

g) I have been a member of the board of directors of the Company for more than six years within the last ten years,

h) I have not been an independent member of the board of directors of the Company or no more than three of the companies that are controlled by the controlling shareholders of the Company and that of no more than total of five publicly trading companies,

i) I have not been registered for and on behalf of any legal person who has been appointed as a member of the board of directors.



Ying Wang

Within the scope of the articles of association of ICBC Turkey Bank A.Ş. and the Corporate Governance Principles set out in the Communiqué of Corporate Governance (Serial No.II-17.1) issued by the Capital Markets Board, I hereby declare that I am a candidate to be an “independent member” of the Boards of Directors of ICBC Turkey Bank A.Ş. and within this context, I further declare that;

a) within the last five years, there have been no employment relationship requiring to assume material duties and responsibilities in the capacity of a manager between myself, my spouse and my next of kin and relatives by blood and marriage up to second degree and the Company, partnerships and the shareholders holding the control of or possessing substantial impact on the Company and the legal persons who are substantially controlled by such shareholders, I do not hold, alone or jointly, more than 5% of the share capital or voting rights or privileged shares of the Company nor do I have any material commercial relationship with the Company,

b) within the last five years, I have not been a shareholder (more than 5%), an employee or a member of the board of director requiring to assume material duties and responsibilities in the capacity of a manager of any company from or to whom the Company purchases or sells services or products in substantial amounts within the framework of the agreements entered into, primarily auditing (including tax audit, legal audit, internal audit), rating of and providing consultancy to the Company during the period in which such services and products were being purchased or sold,

c) I possess the vocational education, knowledge and experience necessary to perform the duties I would be assuming as an independent member of the board of directors,

d) provided that it is applicable to the legislation I am bound with, I have not and, upon my appointment as an independent member of the board of directors, shall not work for any state institutions and organizations as full time employee, except for being a faculty member,

e) pursuant to the Income Tax Law (ITL) dated 31 December 1960 and numbered 193, I am deemed to a resident in Turkey,

f) I possess strong ethical standards, occupational reputation and experience in order to positively contribute to the activities of the Company, be neutral to any conflicts of interests among the Company and its shareholders and freely decide by considering the rights of the beneficiaries,

g) I shall devote enough time to follow the operational activities of the Company and completely fulfil the responsibilities I would be assuming,

h) I have been a member of the board of directors of the Company for more than six years within the last ten years,

i) I have not been an independent member of the board of directors of the Company or no more than three of the companies that are controlled by the controlling shareholders of the Company and that of no more than total of five publicly trading companies,

j) I have not been registered for and on behalf of any legal person who has been appointed as a member of the board of directors.



Mehmet Hilmi Güler

FINANCIAL RIGHTS PROVIDED TO THE MEMBERS OF THE BOARD OF DIRECTORS AND THE SENIOR EXECUTIVES

Corporate Governance Principles stated in the Section II of this Report, are provided in the article 5.6 of the Compliance Report.

INFORMATION REGARDING THE COMMITTEES ESTABLISHED WITHIN THE BODY OF THE BOARD OF DIRECTORS

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

AUDIT COMMITTEE

Within the framework of article 24 of the Banking Law numbered 5411 that requires formation of an audit committee, the Board of the Directors of the Bank appointed two non-executive members of the board, who possessed the conditions stated in the prevailing legislation, in order to perform the auditing and monitoring activities, as the members of the "Bank's Audit Committee", on 30 October 2006. The Bank's Board of Inspections, Internal Control Centre and Compliance Department and the Risk Management Department operate under supervision of the Audit Committee. Audit Committee meets four times a year with the units operating under its supervision, by participation of other related departments at the Head Office. Audit Committee informs the Board of Directors regularly in every three months, regarding its activities.

Following are the main activities of the Audit Committee and the principles of authorities and responsibilities thereof, all of which are published under the title "Committees" in the section named "Investor Relations" on our website.

Audit Committee

- » Monitors the efficiency and sufficiency of the Bank's internal systems, whether these systems and the accounting and reporting systems operate within the framework of the related legislation and the policies of the Bank and the integrity of the information produced,
- » Performs the necessary preliminary evaluations regarding election of the independent audit firms, rating companies and the institutions providing appraisal and support services and regularly monitors the activities of these institutions that are assigned by the Board of Directors,
- » Ensures that the internal audit functions of the partnerships that are included in the consolidation conducted co-ordinately within the scope of the related legislation,
- » Submits reports and provides opinions and proposals to the Board of Directors regarding the internal systems and the operations, activities of the departments and the related policies and regulations falling under the scope of these systems,
- » Evaluates the information and the reports regarding the activities provided by the departments falling under the scope of these systems and the independent audit firms,
- » Prepares the financial reports of the Bank in compliance with the related legislations, regulations and the standards,
- » Requests information, documents or reports from all of the departments of the Bank, contracted institutions providing support services and independent audit firms, if necessary and receives consultancy services from persons, who are specialized in their fields of activity, provided that this is subject to the approval of the Board of Directors,
- » Fulfills their responsibilities given by the prevailing legislations and the duties assigned to them by the Board of Directors within this framework,
- » Notifies or reports the results of its activities and the measures need to be taken in order for the Bank's activities to be conducted sustainably and safely within the framework of the related legislation and the policies of the Bank and its findings, opinions and proposals related to the other issues which it deems material.

Features of the members of the Audit Committee, are shown on the following table.

Member	Duty at the Committee	Definition of the Member
Peiguo Liu ⁽¹⁾	Chairman	Independent Member of the Board of Directors ⁽²⁾
Ying Wang	Member	Independent Member of the Board of Directors

⁽¹⁾ Due to the resignation of Audit Committee Chairman Keen Xu on 24 July 2018, Peiguo Liu was appointed as Chairman of the Audit Committee on 24 July 2018.

⁽²⁾ Members of the audit committee of banks are considered as independent members within the scope of "Corporate Governance Communiqué" no. II-17.1, issued by the Capital Markets Board.

Declarations stating the qualifications of the Members of the Audit Committee of the Bank within the scope of the Article 24 of the Banking Law no.5411 and the Regulation on Internal Systems, issued by the Banking Regulation and Supervision Agency, are as follows:

TO THE BANKING REGULATION AND SUPERVISION AGENCY

1. Within the last two years prior to my being appointed as the member of the audit committee, I declare that neither myself nor my spouse or my children

a) have been a shareholder or employee of any institution providing independent audit, rating, appraisal or support services to ICBC Turkey Bank Anonim Şirketi or any of its partnerships that are included in the consolidation, have participated in the independent audit, rating or appraisal processes of the bank or any of its partnerships included in the consolidation,

b) have been a shareholder or employee of any institutions providing consultancy and support services to ICBC Turkey Bank Anonim Şirketi or any of its partnerships that are included in the consolidation nor have provided such services thereto,

c) hold any qualified shares of ICBC Turkey Bank Anonim Şirketi or any of its partnerships that are included in the consolidation,

2. is the spouse or next of kin and relative by blood and marriage up to second degree (including this degree) of the majority shareholder or the general manager of ICBC Turkey Bank Anonim Şirketi have served in any of the banks' audit committee for more than nine years regularly or in intervals, have received any income, whether as fee or anything similar under any name whatsoever, from ICBC Turkey Bank Anonim Şirketi or any of its partnerships that are included in the consolidation based on their profitability, except for the payments made all of the employees in accordance with provisions of their articles of association or general assembly resolutions,

3. neither my spouse nor my children has been general manager, assistant general manager or in an equivalent position of ICBC Turkey Bank Anonim Şirketi or any of its partnerships that are included in the consolidation,

4. have directly managed any the executive units of ICBC Turkey Bank Anonim Şirketi within the last two years,

5. have worked in any units of ICBC Turkey Bank Anonim Şirketi or any of its partnerships that are included in the consolidation, except for the internal audit, internal control, risk management, financial control and accounting units.

6. Not having duty in another commercial institution other than the below-mentioned ones;

a) Partnerships subject to ICBC Turkey Bank A.Ş.'s consolidated audit on condition to be limited with the duty of board membership

b) Domestic or abroad legal entity partnerships having direct or indirect shares in ICBC Turkey Bank A.Ş.

c) Domestic or abroad credit institutions and financial institutions which are directly or indirectly jointly or alone controlled by natural person partners of ICBC Turkey Bank A.Ş. stated in sub-paragraph (b) or in which they are participating with unlimited responsibility.



Peiguo Liu
Chairman of Audit Committee

INFORMATION REGARDING THE COMMITTEES ESTABLISHED WITHIN THE BODY OF THE BOARD OF DIRECTORS

TO THE BANKING REGULATION AND SUPERVISION AGENCY

1. Within the last two years prior to my being appointed as the member of the audit committee, I declare that neither myself nor my spouse or my children

a) have been a shareholder or employee of any institution providing independent audit, rating, appraisal or support services to ICBC Turkey Bank Anonim Şirketi or any of its partnerships that are included in the consolidation, have participated in the independent audit, rating or appraisal processes of the bank or any of its partnerships included in the consolidation,

b) have been a shareholder or employee of any institutions providing consultancy and support services to ICBC Turkey Bank Anonim Şirketi or any of its partnerships that are included in the consolidation nor have provided such services thereto,

c) hold any qualified shares of ICBC Turkey Bank Anonim Şirketi or any of its partnerships that are included in the consolidation,

2. is the spouse or next of kin and relative by blood and marriage up to second degree (including this degree) of the majority shareholder or the general manager of ICBC Turkey Bank Anonim Şirketi have served in any of the banks' audit committee for more than nine years regularly or in intervals, have received any income, whether as fee or anything similar under any name whatsoever, from ICBC Turkey Bank Anonim Şirketi or any of its partnerships that are included in the consolidation based on their profitability, except for the payments made all of the employees in accordance with provisions of their articles of association or general assembly resolutions,

3. neither my spouse nor my children has been general manager, assistant general manager or in an equivalent position of ICBC Turkey Bank Anonim Şirketi or any of its partnerships that are included in the consolidation,

4. have directly managed any the executive units of ICBC Turkey Bank Anonim Şirketi within the last two years,

5. have worked in any units of ICBC Turkey Bank Anonim Şirketi or any of its partnerships that are included in the consolidation, except for the internal audit, internal control, risk management, financial control and accounting units.



Ying Wang
Audit Committee Member

CREDIT COMMITTEE

By the resolution of the Bank's Board of Directors dated 22 May 2015 and with number 1324/01, it has been resolved to form a Credit Committee consisting of three persons, namely two members of the Board of Directors and the general Manager of our Bank, in order to perform the duties relating to credits to be assigned by the Board of Directors, within the scope of the Banking Law no.5411 and the Regulation on Banks Credit Transactions which has been published in the Official Gazette dated 1 November 2006 and issue no.26333 and has come to effect accordingly. Duties of the Credit Committee are; to take credit decision within the scope of its powers and to take the decisions relating to other works designated by the Board of Directors. Credit Committee conducts its activities within the framework of the Credit Committee Regulation, which has been adopted by the Board of Directors resolution dated 23 August 2017 and numbered 1451/02. Credit Committee generally convenes once a week. Features of the members of the Credit Committee, are shown in the following table.

Member	Duty at the Committee	Definition of the Member
Xiangyang Gao ⁽¹⁾	Chairman	Chairman of the Board of Directors
Shaoyong Xie ⁽²⁾	Vice Chairman	Member of the Board of Directors-General Manager
Peiguo Liu	Member	Member of the Board of Directors
Jianfeng Zheng	Alternate Member	Member of the Board of Directors
Ying Wang	Alternate Member	Independent Member of the Board of Directors

⁽¹⁾ Mr. Keen Xu who was the chairman of the Board of Directors, Credit and Audit Committees resigned from his duties on 24 July 2018. Mr. Xiangyang Gao was appointed as chairman of the Board of Directors and Credit Committee.

⁽²⁾ Mr. Shaoyong Xie was appointed as General Manager being effective from the date of 29 November 2018. He is going to be the vice chairman of the Credit Committee.

CORPORATE GOVERNANCE COMMITTEE

By the resolution of the Bank's Board of Directors dated 4 February 2005 and number 758/1, the "Corporate Governance Committee" has been formed in order to monitor the compliance with the corporate governance principles, to conduct improvement activities in this regard and to submit proposals to the Board of Directors, to coordinate activities of the Shareholder Relationships and the Secretariat of the Board of Directors. Within the scope of the Article 4.5.1 of the "Communiqué on the Determination and Application of the Corporate Governance Principles" Serial:IV No:56 issued by the Capital Markets Board, entered into force and effect at a later time; the Corporate Governance Committee has been additionally authorized by the Bank's Board of Directors' resolution dated 20 March 2012 and number 1165/01, to perform functions as a "Nomination Committee" as well. Main duties and powers of the Corporate Governance Committee, are; to monitoring whether the Bank complies with the corporate governance principles, to conduct improvement activities in this regard and to present proposals to the Board of Directors; if the corporate governance principles are not implemented, shall determine the reason thereof and the conflicts of interest that occur due to failure to implement them and to ensure formation of necessary policies for this purpose. It shall evaluate the proposals for independent membership of the board of directors, including also the management and shareholders, taking into consideration whether a candidate bears independency criteria and shall explain its evaluation in this regard in a report and shall present it for approval of the board of directors. In order to comply with article 11 of the Corporate Governance Communiqué no.II-17.1, published in the Official Gazette dated 3 January 2014 and has come into effect accordingly, by the resolution of the Board of Directors of the Bank dated 30 June 2014 and no.1276/01, Manager of the Shareholder Relations and the Board of Directors Secretariat Unit has been appointed as a member of the Corporate Governance Committee. The committee convenes whenever required by the business of the Bank, not be less than once a year. Features of the members of the Corporate Governance Committee, are shown in the following table.

Member	Duty at the Committee	Definition of the Member
Mehmet Hilmi Güler	Chairman	Independent Member of the Board of Directors
Zheng Jianfeng	Member	Member of the Board of Directors
Levent İŞCAN ⁽¹⁾	Member	Manager of the Shareholder Relations and the Board of Directors Secretariat Unit (Capital Markets Activities Level 3 Licence and Corporate Governance Rating Licence)

⁽¹⁾ Şeyma İnayet UYGUR left from his position on 30 April 2018 and Levent İŞCAN who has Capital Markets Activities Level 3 Licence and Corporate Governance Rating Licence was appointed as Manager of the Shareholder Relations and the Board of Directors Secretariat Unit and member of the Corporate Governance Committee on 14 May 2018.

INFORMATION REGARDING THE COMMITTEES ESTABLISHED WITHIN THE BODY OF THE BOARD OF DIRECTORS

REMUNERATION COMMITTEE

Pursuant to the “Regulation on Corporate Governance Principles of Banks” of the Banking Resolution and Supervision Agency and by the resolution of the Bank’s Board of Directors dated 11 July 2011, a “Remuneration Committee” has been formed in order to monitor and supervise the remuneration practices on behalf of the Board of Directors. The Committee shall evaluate the remuneration policy and implementations thereof within the framework of the risk management and prepare and submit a report regarding its recommendations in relation thereto, to the Board of Directors, on an annual basis. Features of the members of the Remuneration Committee, are shown in the following table.

Member	Duty at the Committee	Definition of the Member
Ying Wang	Chairman	Independent Member of the Board of Directors
Jianfeng Zheng	Member	Member of the Board of Directors

OTHER COMMITTEES

Assets and Liabilities Committee (ALCO)

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

Risk Management Committee

As an element of corporate governance, Risk Management Committee ensures the bank to achieve effective risk management, according to Bank’s risk strategy and policies. Risk Management Committee shall act as a decision-making organization as well as control and monitoring mechanism on all significant matters related to enterprise risk management. Committee is presided by the General Manager.

INFORMATION REGARDING THE ATTENDANCE BY THE BOARD OF DIRECTORS AND THE COMMITTEE MEMBERS TO THE RELATED MEETINGS DURING THE ACCOUNTING PERIOD

Timing, place and method of the Board of Directors Meeting shall be subject to the provisions of the Turkish Commercial Code and the Bank’s Articles of Association. Board of Directors shall convene as frequently as the businesses of the Bank necessitates. Participating in the meetings in person or through electronic environment is possible. Board of Directors is called for meeting by the Chairman of the Board of Director and in his/her absence by the Vice President of the Board of Directors. Each Board Member may request in writing from the Chairman of the Board that the Board of Directors be convened. Board of Directors consists of 6 members, including the general manager. Calling procedure of the Board of Directors Meeting is subject to provisions of the Turkish Commercial Code and the Bank’s Article of Associations. The quorum for the Board of Directors meeting is the presence of majority of the members. Resolutions of the Board of Directors may be passed by the votes of the majority of the members present in person at the meeting as well as, pursuant to article 40 of the Articles of Association of our Bank and paragraph 4 of article 390 of the Turkish Commercial Code with number 6102, with the method by which a written proposal of one of the members is approved in writing by the other members.

The Board of Directors convened with all of the members being present in person, 4 times and passed 32 resolutions in 2018. Pursuant to article 40 of the Articles of Association of our Bank and the paragraph 4 of article 390 of the Turkish Commercial Code, by circular Board of Directors has taken 346 resolutions.

In 2018, the Audit Committee convened with the members being present in person, 4 times and passed 27 resolutions; passed 15 resolutions by circulation. In 2018, the Credit Committee convened to examine the credit files within the scope of its powers and passed 171 resolutions. In 2018, the Corporate Governance Committee passed 5 decision; and the Remuneration Committee passed 13 decision.

Pursuant to the resolution passed at the Ordinary General Assembly meeting held on 30 March 2018, the Board of Directors, who were assigned to the aforementioned committees, have been appointed to be in duty until the ordinary general assembly to be held in order to review the 2021 accounts.

SUMMARY BOARD OF DIRECTORS' REPORT

Asset size of our Bank was up by 20% in 2018, increasing from TL 12,9 billion in 2017 year-end to TL 15,5 billion. Credits decreased by 0.1% to TL 7,6 billion when compared with 2017 year-end. Securities of the Bank increased by 56% from 2017 year end to reach TL 3.9 billion.

Operating income of ICBC Turkey has increased to TL 399.2 million, while net profit is reached to TL 62.1 million in 2018. Interest income is up by 66.2% from 2017, driven by the fast growth in our assets.

As of 2018 year end, based on unconsolidated financial statements of ICBC Turkey prepared in accordance with the regulations of BRSA;

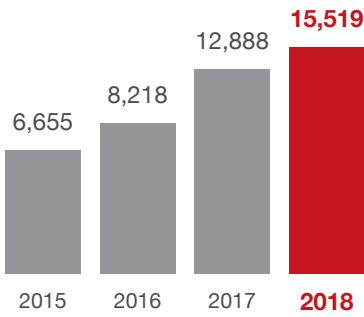
- » Asset size reached TL 15,5 billion,
- » Total cash loans were TL 7,6 billion and constituted 49% of the Bank's balance sheet,
- » Consumer loans (excluding credit cards) constituted 10% of the total cash loans and has decreased by 7% compared to that of the previous year,
- » Total customer deposits were TL 6,9 billion, up by 109% compared to that of 2017 and constituted 44% of the Bank's total liabilities,
- » Shareholders' equity increased by 3% compared to that of the previous year-end,
- » Net profit for 2018 was TL 62,1 million,
- » Return on assets and return on equity are 0.4%, and 5.6%, respectively,
- » Capital adequacy ratio has been 30.8% (2017: 14.4%).

We have closely monitored the activities of the Audit Committee, Corporate Governance Committee and Remuneration Committee during the year and observed that the committees have worked effectively.

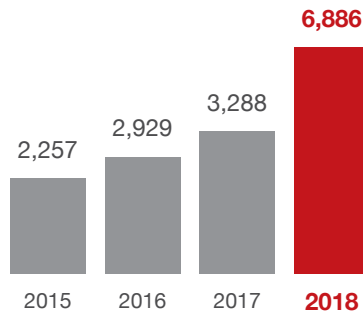
Board of Directors

SUMMARY BOARD OF DIRECTORS' REPORT

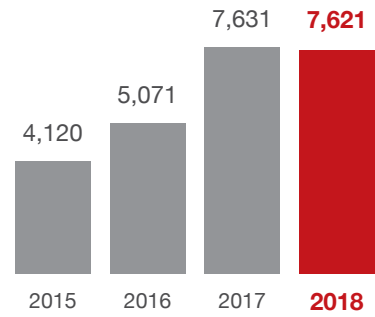
TOTAL ASSETS (TL million)



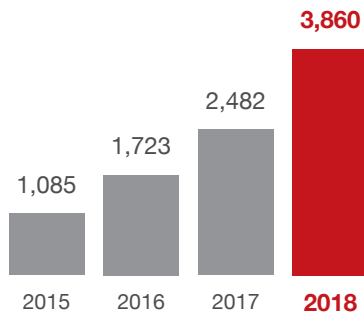
DEPOSITS (TL million)



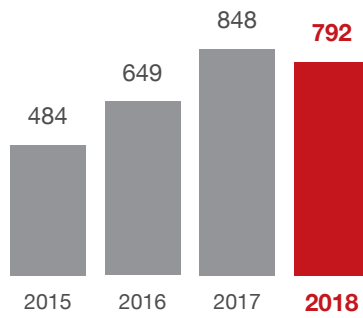
CASH LOANS (TL million)



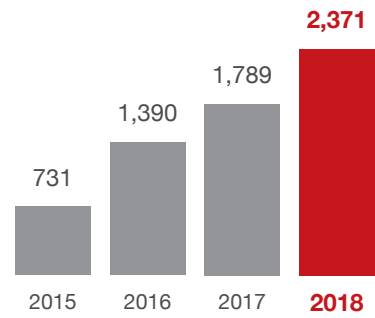
SECURITIES PORTFOLIO (TL million)



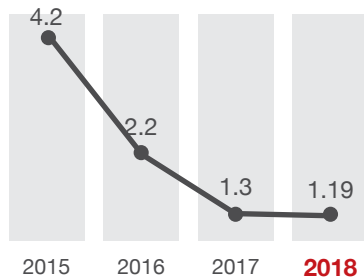
RETAIL LOANS (TL million)



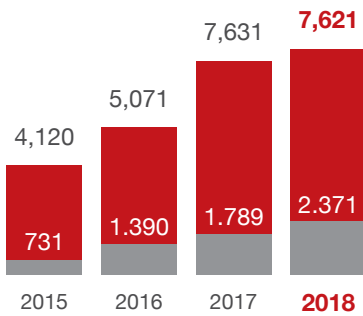
NON-CASH LOANS (TL million)



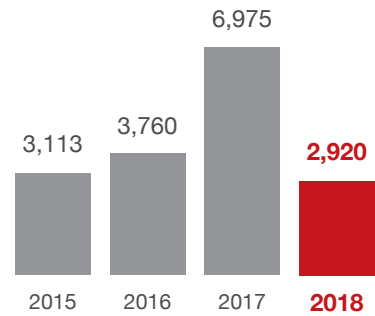
NON-PERFORMING LOANS RATIO (%)



BREAKDOWN OF CASH AND NON-CASH LOANS (TL million)



International Borrowing (TL million)



■ Total Cash Loans
■ Total Non-Cash Loans

HUMAN RESOURCES PRACTICES

JOB APPLICATIONS - RECRUITMENT PRACTICES

Job Applications

The Bank accepts job applications through www.kariyer.net website. Received applications are assessed according to their conformity to open positions in the Bank.

Recruitment Practices

Open positions are determined at our Bank; considering the norm staff, current business volume, organizational chart, changes in personnel structure and future plans are considered. For the open positions, the Bank prefers to meet the need first from the Bank's organization. For hiring staff externally, as a result of interviews made by the Human Resources and the Manager of related department and the researches regarding references, proposal is made to a candidate who is considered convenient. After the personnel complete required documents, they are actually allowed to start performing their job.

Promotion Practices

Following the evaluations made within the scope of promotion rules set by our Bank, persons who are considered eligible shall be entitled to promotion.

Profile of the Bank's Human Resources

As of 31 December 2018, total number of the employees is 786; 374 work at the branches and 412 at the Head Office. Number of the branches as of 2018 year-end is 44. 2018 seniority average is 7.6 years and the average age of the Bank's personnel is 36.7. 86.8% of the Bank's personnel have university diplomas whose breakdown is as follows: PhD degrees at 0.4%, graduate degrees at 11.5%, undergraduate degrees at 68.2%, 6.7% associate (two years) degree.

Training Practices

In 2018, our training process consisted of the training programs provided by the Bank's internal instructors, conferences and seminars held by the Banks Association of Turkey (BAT), training programs organized by several training institutions and online trainings.

On this basis, e-learning trainings in 14 different topics were provided with a participation of 5,062 participants. In-house and external training were provided in 134 different topics with 2,872 participations / 711 different participants, respectively.

Remuneration Committee and Practices Implemented in the year of 2018

By the resolution of the Board of Directors dated 30 March 2012, the "Remuneration Committee" has been set up for following and auditing the remuneration applications on behalf of the Board of Directors. By the resolution of the Board of Directors dated 22 May 2015, Zheng Jianfeng and Wang Ying who have not had any executive duty at the Bank, have been appointed as the members of the "Remuneration Committee". Wang Ying has been elected as the chairman of the committee. Remuneration Committee has carried out its activities during the term between the dates of 1 January 2018 and 31 December 2018, in accordance with the Bank's corporate governance principles.

HUMAN RESOURCES POLICY

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

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

Our human resources policy enhances the productivity and happiness of the employees, by using the remuneration, performance evaluation, career planning, training and similar human resources tools, in line with the targets and strategies of our Bank. With this understanding, we intend to create a workplace environment suitable for our employees to reveal their energy and creativity, to discover their talents.

HUMAN RESOURCES PRACTICES

We believe that we may be able to reach our targets by a composition of staff, who considers it important to a future in a reputable bank and is conscious that his/her career will develop by well-disciplined and intense training processes and who value human relations. ICBC Turkey, by its efficient and people oriented human resources policy, adopts the principle to have highly motivated employees, loyal to the institution they work at. We are aware that the position and corporate identity of our Bank in the sector, has developed by the contribution of our employees and we believe in the importance of the principle that everyone should work with a consciousness of being in a leading position in his/her job. Training courses to be given to each employee, who starts to work at ICBC Turkey, at every title and the criteria to be observed for their promotion to a higher position, are clearly defined. All our employees are informed about their career path. Employees of ICBC Turkey are informed by feedbacks regarding their career development, by means of a performance assessment system. During said process, our employees are evaluated according to their personal development, competence and targets and the results are shared with them. According to our human resources policy, no discrimination shall be made among our employees for any reason, all our staff shall be treated equally.

Furthermore, premium payments are made in parallel with the contribution of our employees to our Bank and their achievements.

Recruitment Process

According to the annual workforce planning, experience and inexperienced staff are hired for required positions. As a result of evaluation of applications made through related career sites, job offer is made to the candidates who pass the examination and interview phases.

Recruitment of experienced staff shall be made as a result of interviews by related managers and our Department, with the candidates specified in related subject according to the requirements of that job. We have no examination phase for hiring experienced staff and English interview shall be made depending on the nature of related job.

For hiring inexperienced staff, in addition to the interview process; English, general aptitude and personality test, depending on the nature of related job.

MT Program

MT exam, which we make to train the managers of the future within the scope of our organisation, in line with the strategies of our Bank and the conditions prevailing in the sector; is a different practice with regards to the recruitment. Among the candidates who apply for a vacancy announcement we make and who; are citizens of the Republic of Turkey, graduated from the Economy, Business Administration, Law, Public Finance, Labour Economics, International Relations, English or American Language and Literature, Public Administration, Econometrics, Banking and Finance, Management Engineering, Computer Engineering or Industrial Engineering departments of universities, providing 4 years undergraduate education in foreign language, speak English fluently, for male candidates completed military service obligation or postponed it at least 2 years, have strong self-expression and communication skills, have the ability to think analytically, those who are successful in examinations made and who are successful in collective and individual interview phases, shall be employed at related departments of our Bank, where it is required to hire new staff.

Furthermore, for operations staff at our Branches, according to the needs, examinations are made and the candidates who can be successful in the examinations made and the interviews, shall be appointed to related positions at our Branches, following a "Basic Banking Training".

Training Activities

Renovation and development are indispensable elements of contemporary banking. Our Bank considers these elements as a basis and has consolidated with the learning organisation concept. In this context, at our Bank targeting to improve its employees and all its surrounding to who it provides services, within the scope of constantly developing system; training is the leading matter among those with the highest priority. Training vision of ICBC Turkey, is based on a long term career planning perspective. Training programs to be attended by the employees according to their qualifications and competencies, beginning from the date when they start their banking career, targets are defined and implemented accordingly. For our young employees who participate in the organisation of ICBC Turkey; on-the-job, orientation and long term development trainings are provided and afterwards, they continue their job in related specialisation areas. And, our other employees working at our Bank complete their managerial and specialisation programs, according to determined career planning, by means of the training courses they attend both in Turkey and abroad. Our training programs cover the Career Training Programs, Personal Development Training Programs, Manager Development Training Programs, MT and Basic Banking Training programs. Advance training courses are provided by trainers from prominent private training companies and by in-house trainers of the Bank.

INFORMATION REGARDING THE TRANSACTIONS CONDUCTED BY THE BANK WITH THE RISK GROUP THAT THE BANK IS INVOLVED IN

The relationship between the Bank and the risk group to which it belongs includes all types of banking transactions conducted in compliance with the Banking Law and within the framework of the normal bank-customer relationships and based on the market conditions. Explanations regarding such transactions are stated in the footnote I of the Section Six of the Independent Audit Report, Unconsolidated Financial Statements as of 31 December 2018 and the Related Explanations and Footnotes Prepared to be Disclosed to the Public.

INFORMATION REGARDING THE INSTITUTIONS FROM WHICH THE BANK RECEIVES SUPPORT SERVICES

Information regarding the institutions from which the Bank obtains support services and their authorizations and services received are specified below.

- » from “Güzel Sanatlar Çek Basım Limited Şirketi” - checks printing and coding services,
- » from “FU Gayrimenkul Yatırım Danışmanlık A.Ş.” - creation of mortgages in favour of the Bank based on power of attorney,
- » from “İpoteka Gayrimenkul Yatırım Danışmanlık A.Ş.” - creation of mortgages in favour of the Bank based on power of attorney,
- » from “Fineksus Bilişim Çözümleri Ticaret A.Ş.” - maintenance of Swift Alliance and ODM office services, main connection of the Swift service to the office, sale and service of Paygate products,
- » from “Asseco See Teknoloji A.Ş.” - technical maintenance and license services for the Call Centre System,
- » from “E-Kart Elektronik Kart Sistemleri Sanayi ve Ticaret A.Ş.” - card printing (personalization) services,
- » from “Kuryenet Motorlu Kuryecilik ve Dağıtım Hizmetleri A.Ş.” - distribution of the Bank’s credit and ATM cards,
- » from “Printkom Doküman Baskı ve Bilgi İşlem Hizmetleri Limited Şirketi” - folding and enveloping of the credit card statements of the Bank,
- » from “Loomis Güvenlik Hizmetleri A.Ş.” - transportation of cash services,
- » from “Banksoft Bilişim Bilgisayar Hizmetleri Limited Şirketi” - card payment systems, leasing of software and resource allocation software development services,
- » from “Konut Kredisi Com Tr Danışmanlık A.Ş.” - credit marketing and sale through alternative channels service.
- » from “Treo Bilgi Teknolojileri Ltd. Şti.” - outsource staff supply services
- » from “Securitas Güvenlik Hizmetleri A.Ş.” - security services.
- » from “Hangisi İnternet ve Bilgi Hizmetleri A.Ş.” - services related to directing loan customers from Hangikredi.com website to the bank.
- » “Iron Mountain Arşivleme Hizmetleri A.Ş.” - archive services.
- » “BGA Bilgi Güvenliği A.Ş.” - services related to data leakage tests.
- » “Magis Teknoloji A. Ş.” - mobile banking software services.

INFORMATION REGARDING THE TRANSACTIONS MADE BY THE MEMBERS OF THE BOARD OF DIRECTORS WITH THE BANK IN THE NAME OF THEMSELVES OR ON BEHALF OF ANOTHER PERSON WITHIN THE FRAMEWORK OF THE PERMISSIONS GIVEN BY THE BOARD OF DIRECTORS OF THE BANK AND THE ACTIVITIES WITHIN THE SCOPE OF NON-COMPETITION

Permissions specified in articles 395 and 396 of the Turkish Commercial Code regarding prohibition of making transaction with the company and non-competition, have been given by the General Assembly to the members of our Board of Directors, provided that the transactions conducted in this context should be out of the scope of those prohibited by the Banking Law no.5411. Any situation out of the framework set by related rules and regulations, has been encountered.

PROPOSAL FOR PROFIT DISTRIBUTION FOR THE YEAR OF 2018

In the meeting of the Board of Directors of our Bank held on the date of 21 February 2019; it has been resolved to propose to the General Assembly that, from the amount of TL 62,069,246.22 which constitutes the after tax net balance sheet profit of ICBC Turkey Bank A.Ş. for the year 2018, legal reserves in the amount of TL 3,103,462.31, at the rate of 5% be set aside according to article 519/1 of the Turkish Commercial Code and that all of the remaining profit amount of TL 58,965,783.91 be transferred to extraordinary legal reserves and the Board of Directors be authorised with regards to utilisation of the legal reserves.

On the other hand, according to the Profit Distribution Policy of our Bank, a basic profit distribution policy has been adopted, by which the profits are to be retained within the Bank in extraordinary reserves in order to finance its growth and be distributed as shares in capital increases by bonus issue.

ICBC TURKEY BANK A.Ş. PROFIT DISTRIBUTION POLICY

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

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

INFORMATION RELATED TO THE DONATIONS AND THE DISBURSEMENTS MADE WITHIN THE SCOPE OF CORPORATE SOCIAL RESPONSIBILITY PROJECTS IN THE YEAR 2018

List of donation(s) made by the Bank to various institutions as of the date of 31 December 2018, is given below:

Donee Institution (full amount)	Amount (TL)
Türk Eğitim Vakfı (Turkish Education Foundation)	920
Other	150
Total	1,070

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT OF THE YEAR OF 2018

SECTION I- CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE DECLARATION

ICBC Turkey Bank A.Ş. (“ICBC Turkey” or the “Bank”) is subject to provisions relevant to Corporate Governance Principles stipulated for banks in Banking and Capital Market legislation. Within this scope, ICBC Turkey, adopted a management method based on caution, stability and trust, continues its studies on compliance to the Corporate Governance Communiqué (the “Communiqué”) number II-17.1 put into effect by the Capital Markets Board (“CMB”) by publishing in the Official Gazette dated 3 January 2014 with number 28871 and is focused on periodic development in this field. In this respect, while complying with principles obligatory within the scope of the Communiqué in effect, the Bank has complied with majority of the non-obligatory principles. Necessary explanations on comprehensive studies conducted within the framework of the Corporate Governance Principles within the body of the Bank and on principles not being complied with at the relevant departments are made.

The Bank is in compliance with compulsory principles among the Corporate Governance Principles taking place in the Corporate Governance Communiqué Annex number II-17.1 put into effect by publishing in the Official Gazette dated 3 January 2014 with number 28871.

According to the announcement in CMB Bulletin dated 10 January 2019 and with number 2019/2, in the grouping determined as a result of the evaluation made by CMB, our Bank has taken place in the Third Group companies. Within this scope, exceptions/exemptions in the practice of the Corporate Governance Principles of the companies in the third group is applicable also for our Bank. Within this scope;

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

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

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

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

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

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

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

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT OF THE YEAR OF 2018

- » For the principle number 1.5.2., minority rights are not granted to those holding less than one twentieth of the capital with the Articles of Association of the Bank.
- » For the principle number 3.1.2., no written indemnity policy is issued for the bank employees. All applications relevant to the Bank employees are subject to Labor Law and other relevant legislations, and as contradictory provisions are not set forth in in-Bank regulations, a separate indemnity policy is not issued.
- » For the principle number 4.2.8., against the damages the Members of the Board of Directors may cause in the Company during their duties, they are not insured with a value exceeding 25% of the company capital. However, there is a Financial Corporations Management Liability Insurance for the members of the board of directors of our Bank with a lower value and the policy period is between 31 August 2018 - 01 September 2019.
- » According to the principle number 4.3.9., no target rate or target time is specified for the female member rate in the Board of Directors and there is 1 female member in the Board of Directors of our Bank.
- » According to the principle number 4.4.7., due to the business experiences and sectorial experiences of the Members of the Board of Directors having significant contribution to the Board of Directors, they are not restricted in taking part in duties other than the Bank. While duties of some members continue in in-group companies, some members take office only at our Bank. One independent member of the board of directors is also taking office at out of the group companies. The members allocate sufficient time for the Bank.
- » According to the principle number 4.5.5., as the number of our members of the Board of Directors is limited, assignment at the committees is carried out by considering knowledge and experiences of the Members of the Board of Directors, in line with the relevant legislation, and one Member of the Board of Directors may be assigned in more than one committee.
- » According to the principle number 4.6.5., salaries paid to and fringe benefits provided for the Members of the Board of Directors and the executives are announced to public through the annual activity report. However, the explanation made is in a way to separate the Board of Directors and the executives, not on person basis.

According to Capital Markets Board's resolution dated 10 January 2019 and numbered 2/49 it is possible to reach "Corporate Governance Compliance Report" (CRF) and Corporate Governance Information Form (CGIF) from the <https://www.kap.org.tr/tr/sirket-bilgileri/ozet/2420-icbc-turkey-bank-a-s> link.

SECTION II- SHAREHOLDERS

2.1. Investor Relations Department

The Board of Directors of the Bank has restructured the Board Secretariat Unit performing the duties for complying with the legislation, the Articles of Association and other in-bank regulations in carrying out the relations with the shareholders properly and protecting and using share ownership rights and taking precautions for providing the use of these rights, as the "Investor Relations and Board Secretariat Unit" within the scope of the Corporate Governance Principles the Capital Markets Board has published in July 2003. Then, the Board of Directors of the Bank has changed the name of this unit as the Shareholder Relations and Board Secretariat on 05 November 2007. Currently, although most of the duties stipulated in the 5th item of the 11th article of the Corporate Governance Communiqué number II-17.1 published by CMB are performed by the Shareholder Relations and Board Secretariat Unit under the Shareholder Relations and Board Secretariat Group of the Bank, there are some duties being fulfilled by the Financial Control and Reporting Department and Treasury and Investor Relations Group along with this unit. These three departments perform the investor relations activities in coordination within the scope of the 11th article of the Communiqué.

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

- » Providing the correspondences between the shareholders and the partnership on shares and information and documents to be kept on shares within the scope of legal legislation to be kept properly, securely and livingly,
- » In relation with the ordinary and extraordinary general meetings, preparing documents required to be submitted to the shareholders for information and examination and providing general meetings to be held in compliance with the relevant legislation, the Articles of Association and other in-bank regulations,

- » Announcing special situation explanations required to be made within the scope of the Capital Markets legislation and the legislation the Bank is obliged to follow, through public disclosure platform,
- » Enabling electronic general meetings to be held in compliance with the applicable legislation, the Articles of Association and in-bank regulations, preparing general meeting minutes, performing registration and announcement processes, providing general meeting decisions to be sent to the shareholders and all authorities required by legislation, in time,
- » Carrying out capital increase procedures, enabling the use of charged and free share ownership rights arising from capital increasing,
- » Fulfilling functions relevant to Public Information Services,
- » Enabling content of the sections related to the “Investor Relations” to be kept updated on the Bank’s corporate internet site,
- » Providing the Board of Directors meetings to be held in compliance with the applicable legislation, the Articles of Association and in-bank regulations, preparing general meeting minutes, performing registration and announcement processes, if necessary, and providing them to be sent to the authorities when required by legislation,

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

Name-Surname of the Authorized Person	Title- Starting Date of employment	Telephone	E-mail Address	License
Levent İŞCAN (*)	Unit Manager-14/05/2018, Corporate Governance Committee Member/ -14/05/2018	(0212) 335 5457	levent.iscan@icbc.com.tr	Capital Markets Activities Level 3 License and Corporate Governance Rating Licence
Şükran KADANALIOĞLU	Assistant Manager-05/08/2002	(0212) 335 5138	sukran.kadanalioğlu@icbc.com.tr	None

(*) Şeyma İnayet Uygur left from her position in Shareholder Relations and Board Secretariat and Mr. Levent İşcan appointed as of 14 May 2018.

Within the scope of the Investor Relations activities, approximately 5 written, 25 oral information requests are delivered to the Shareholder Relations and Board Secretariat Unit from the investors in 2018 and questions not including commercial secrets are replied by considering principle of equality. Most of the subject requests were on General Meeting and extraordinary price and amount movement at the stock exchange.

According to the CMB’s Regulation on Corporate Governance numbered II-17.1, within the scope of the Investor Relations activities, a report on activities carried out in 2017 by the Shareholder Relations and Board Secretariat is presented to the Corporate Governance Committee on 23 January 2018 and submitted to the Board of Directors on 29 January 2018.

2.2 Usage of the Shareholders’ right of Information

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

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

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

Although right for requesting private auditor is not arranged as a personal right in the Articles of Association, according to the 438th article of the Turkish Commercial Code, each shareholder may ask the General Meeting to reveal specific evidences by a private audit even if it does not take place in the agenda, if it is necessary for the using the share ownership rights, and if right of information and examining rights are used previously. In 2018, the shareholders did not have such a request. ICBC Turkey is subject to CMB’s regulations with the audit and supervision of the Banking Regulation and Supervision Agency (BRSA) within the framework of the Banking Law and is periodically audited by an Independent Auditor selected at the Bank Activities General Meeting.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT OF THE YEAR OF 2018

2.3 General Meetings

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

In 2018, including ordinary electronic general meeting, to which physical or electronic attendance is possible, was held. The ordinary general meeting was held on 30 March 2018 with the quorum of 96.49%. The decisions made in the general meetings have been implemented.

Regulations on general meetings of shareholders set forth in “the Articles of Association of ICBC Turkey Bank A.Ş.” which take place in the Bank’s internet site open to public and in the “Internal Regulations on the Working Principles and Procedures of the General Meeting”.

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

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

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

In 2018, there hasn’t been any operation which majority Yes votes of the independent members of the Board of Directors are required for deciding at the Board of Directors or its decision is left to the general meeting for No votes given.

In line with the Bank’s Donation and Aid Policy approved in the ordinary general meeting of our Bank held on 31 March 2014, information on that there hasn’t been any change in the policy is given to the shareholders at the ordinary general meeting held on 30 March 2018, with a separate agenda item.

At the general meetings held on 30 March 2018, the shareholders are informed about that there has been no significant transaction which may cause an interest conflict between the shareholders holding the management control, the members of the board of directors, managers having administrative responsibility and their spouses and blood relatives and relatives by marriage up to second degree and the Bank or the subsidiaries.

2.4 Voting Right and Minority Rights

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

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

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

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

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

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

2.5 Profit Sharing Right

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

Suggestion of the Board of Directors of our Bank on Profit Distribution is proposed to the General Meeting and to the information of the shareholders by the activity report before the General Meeting every year and decided by discussing at the general meeting. At the ordinary General Meeting of the Bank dated 30 March 2018, it is decided after setting off last year's loss amount of TL 3,315,501.85 against the 2017 annual net profit in the amount of TL 42,483,842.98 (after tax) and restricting 5% of the remaining TL 39,168,341.13 as TL 1,958,417.06 as the legal reserves then transfer the whole remaining amount of TL 37,209,924.07 to the extraordinary reserves.

The Profit Distribution Policy of the Bank is approved at the ordinary General Meeting held on 30 March 2018. This policy is published in the Bank's corporate internet site and in the activity report as "Regarding our Bank's target-directed growth in the sector and under the light of investment and financial needs, within the framework of the Banking Law, the Turkish Commercial Code and the Capital Markets Law and related legal legislation and the provisions of our Articles of Association, a basic profit distribution policy based on saving profits in the extraordinary reserves for the finance of growth by holding profits in the body and distributing as shares in free capital increases from internal sources is adopted. This policy shall be evaluated every year by considering regulations of the Capital Markets Board on profit distribution and liquidity status of our Bank."

2.6 Transfer of the Shares

There is no provision in the Articles of Association of the Bank restricting the transfer of shares and provisions of the Banking Law number 5411 relevant to the transfer of shares are reserved. Shares can be transferred according to ICBC Turkey Bank's Articles of Association, Banking Law numbered 5411, and other relevant regulations.

SECTION III - PUBLIC DISCLOSURE AND TRANSPARENCY

3.1 Corporate Internet Site and Its Content

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

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

In 2018, within the scope of the principle number 2.1.4. of the Communiqué, on investor relations internet page in English (<http://www.icbc.com.tr/portal/en/investor-relations/homepage.html>) for the international investors to benefit from it, along with interim and year end activity reports and audit reports being published, material event disclosures, Board of Directors and Top Management's information, policies, general meeting minutes and the Articles of Association take place in English with the same content as in Turkish.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT OF THE YEAR OF 2018

3.2 Activity Report

The Bank's activity report is prepared in a way to include information in the "Regulations on the Principles and Procedures on Preparing and Publishing the Annual Activity Report by the Banks" published by the Banking Regulation and Supervision Agency and CMB legislation and in the Corporate Governance Principles. Within this scope, the activity report of the Bank is in compliance with the principles number 2.2.1. and 2.2.2. relevant to the activity report, of the Corporate Governance Communiqué number II-17.1 published on 3 January 2014 by CMB.

SECTION IV - STAKEHOLDERS

4.1 Informing Stakeholders

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

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

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

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

Our Bank is subject to Banking Regulation and Supervision Agency (BRSA), Central Bank of the Republic of Turkey (CBRT), Ministry of Finance, Turkish Financial Crimes Investigation Board (MASAK), Competition Authority, and Capital Markets Board (CMB) regulations. All transactions of our Bank are audited by Sworn Auditors of Banks in the BRSA. Reports requested by BRSA, CBRT, Ministry of Finance, MASAK and CMB are prepared and sent periodically.

4.2 Participation of the Stakeholders to Management

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

4.3 Human Resources Policy

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

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

Our human resources policy enhances the productivity and happiness of the employees, by using the remuneration, performance evaluation, career planning, training and similar human resources tools, in line with the targets and strategies of our Bank. With this understanding, we intend to create a workplace environment suitable for our employees to reveal their energy and creativity, to discover their talents. We believe that we may be able to reach our targets by a composition of staff, who considers it important to a future in a reputable bank and is conscious that his/her career will develop by well-disciplined and intense training processes and who value human relations. ICBC Turkey, by its efficient and people oriented human resources policy, adopts the principle to have highly motivated employees, loyal to the institution they work at. We are aware that the position and corporate identity of our Bank in the sector, has developed by the contribution

of our employees and we believe in the importance of the principle that everyone should work with a consciousness of being in a leading position in his/her job. Training courses to be given to each employee, who starts to work at ICBC Turkey, at every title and the criteria to be observed for their promotion to a higher position, are clearly defined. All our employees are informed about their career path. Employees of ICBC Turkey are informed by feedbacks regarding their career development, by means of a performance assessment system. During said process, our employees are evaluated according to their personal development, competence and targets and the results are shared with them. According to our human resources policy, no discrimination shall be made among our employees for any reason, all our staff shall be treated equally.

Furthermore, premium payments are made in parallel with the contribution of our employees to our Bank and their achievements.

Recruitment Process

According to the annual workforce planning, experience and inexperienced staff are hired for required positions. As a result of evaluation of applications made through related career sites, job offer is made to the candidates who pass the examination and interview phases.

Recruitment of experienced staff shall be made as a result of interviews by related managers and our Department, with the candidates specified in related subject according to the requirements of that job. We have no examination phase for hiring experienced staff and English interview shall be made depending on the nature of related job.

For hiring inexperienced staff, in addition to the interview process; English, general aptitude and personality test, depending on the nature of related job.

MT Program

MT exam, which we make to train the managers of the future within the scope of our organisation, in line with the strategies of our Bank and the conditions prevailing in the sector; is a different practice with regards to the recruitment. Among the candidates who apply for a vacancy announcement we make and who; are citizens of the Republic of Turkey, graduated from the Economy, Business Administration, Law, Public Finance, Labour Economics, International Relations, English or American Language and Literature, Public Administration, Econometrics, Banking and Finance, Management Engineering, Computer Engineering or Industrial Engineering departments of universities, providing 4 years undergraduate education in foreign language, speak English fluently, for male candidates completed military service obligation or postponed it at least 2 years, have strong self-expression and communication skills, have the ability to think analytically, those who are successful in examinations made and who are successful in collective and individual interview phases, shall be employed at related departments of our Bank, where it is required to hire new staff.

Furthermore, for operations staff at our Branches, according to the needs, examinations are made and the candidates who can be successful in the examinations made and the interviews, shall be appointed to related positions at our Branches, following a "Basic Banking Training".

Training Activities

Renovation and development are indispensable elements of contemporary banking. Our Bank considers these elements as a basis and has consolidated with the learning organisation concept. In this context, at our Bank targeting to improve its employees and all its surrounding to who it provides services, within the scope of constantly developing system; training is the leading matter among those with the highest priority. Training vision of ICBC Turkey, is based on a long term career planning perspective. Training programs to be attended by the employees according to their qualifications and competencies, beginning from the date when they start their banking career, targets are defined and implemented accordingly. For our young employees who participate in the organisation of ICBC Turkey; on-the-job, orientation and long term development trainings are provided and afterwards, they continue their job in related specialisation areas. And, our other employees working at our Bank complete their managerial and specialisation programs, according to determined career planning, by means of the training courses they attend both in Turkey and abroad. Our training programs cover the Career Training Programs, Personal Development Training Programs, Manager Development Training Programs, MT and Basic Banking Training programs. Advance training courses are provided by trainers from prominent private training companies and by in-house trainers of the Bank.

4.4 Code of Ethics and Social Responsibility

Ethical Code

Within our corporate governance approach, "Banking Code of Ethics" published by Banks Association of Turkey is accepted and applied by our Bank. Ethical Principles which includes the purpose of arranging behaviors and attitudes of our Bank employees at every level and their relations with persons and organizations within and out of the Bank and

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT OF THE YEAR OF 2018

which the Bank employees have to follow are explained under the 5th article titled “Principles” of the Personnel Regulations and are approved and put into effect by the Board of Directors with the decision dated 9 December 2002. These rules are announced to public within the framework of the Bank’s Information Policy through internet site. All our personnel are informed on ethical principles and requested to apply these principles in their works and they’ve put their signatures under. By the proposal of the Corporate Governance Committee of our Bank, the “Banking Code of Ethics” published by the Banks Association of Turkey is updated and published on our internet site.

Social Responsibility

Our Bank pays great attention on supporting social and cultural events in the light of protecting social benefits and principles of respect to environment along with the reputation, benefits and profitability of the bank in all practices and investments, looks after the matters of developing banking sector and maintaining trust in sector, and contributes in health development of society by following arrangements on consumer and public health.

Within the scope of social responsibility; the bank fights against all crimes as extortion, bribery, all kinds of corruption, money laundering and terrorism financing, and illegal gambling and betting.

SECTION V - THE BOARD OF DIRECTORS

5.1. Structure and Formation of the Board of Directors

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

Resumes, duties they perform out of the Bank and independency declarations of the Members of the Board of Directors selected at the ordinary general meeting of our Bank on 30 March 2018 to take office until the ordinary general meeting to be held to examine 2020 accounts, and listed below, take place in the second section of the activity report and the Bank’s internet site.

Members of the Board of Directors;

Name Family Name	Position
Xiangyang Gao ⁽¹⁾	Chairman of the Board of Directors
Shaoxiong Xie ⁽²⁾	Member of the Board of Directors and the General Manager
Peiguo Liu	Member of the Board of Directors
Jianfeng Zheng	Member of the Board of Directors
Ying Wang	Independent Member of the Board of Directors
Mehmet Hilmi Güler	Independent Member of the Board of Directors

⁽¹⁾ Mr. Keen Xu who was the chairman of the Board of Directors, Credit and Audit Committees resigned from his duties by the board resolution dated 24 July 2018 and numbered 1520/01-1520/02. Mr. Xiangyang Gao was appointed as chairman of the Board of Directors and Credit Committee.

⁽²⁾ Mr. Shaoxiong Xie was appointed as General Manager by dated 19 November 2018 and numbered 1538/01 Board Resolution being effective from the date of 29 November 2018.

According to the 23rd article of the Banking Law; excluding Mr. Shaoxiong Xie, the General Manager who is the natural member of the Board of Directors and Mr. Xiangyang Gao, Executive Board member, the board members are not involved in the administrative structure, do not take part in the daily business flow or the ordinary activities of the bank and do not have operational duties.

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

According to the Corporate Governance Communiqué number Series II-17.1 of CMB and the 35th article of the Articles of Association of the Bank, independent board member candidates (Ms. Ying Wang and Mr. Mehmet Hilmi Güler), were evaluated by the Corporate Governance Committee on 27 February 2018 offered by our main shareholder Industrial and Commercial Bank of China (ICBC) on behalf of the (A) and (B) group shares regarding the article of the agenda discussed about the election of board of directors at the Ordinary General Assembly Meeting to be held in 2018 March and the report involving that the two board members have the independency criterias submitted to Board of Directors as in the same date mentioned above.

Mr. Mehmet Hilmi Güler and Ms. Ying Wang were elected as independent board members for three years at the 30 March 2018 dated Ordinary General Assembly Meeting.

According to the Capital Markets Board's Corporate Governance Principles, the number of independent board members for banks has been determined to be at least three. As the members of the board of directors appointed for the audit committee membership are deemed as independent board members within the scope of these principles, Mr. Peiguo Liu is currently an Independent Board Member of the Bank, who elected as the Chairman of the Audit Committee. As Peiguo Liu assigned for the Audit Committee Membership within the structuring of the Board of Directors of the Bank is considered directly the Independent Member of the Board of Directors according to the 3rd item of the 6th Article of the Corporate Governance Communiqué number II-17.1.

No evidence has occurred within the activity period of 2018 for resolving independency for the Independent Board Members.

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

No target rate or target time is specified for the female member rate in the Board of Directors and there is 1 female member (Ying Wang) in the Board of Directors of our Bank constituted of 6 persons including the General Manager.

5.2 Activity Principles of the Board of Directors

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

For the delegation of management; the Board of Directors of the Bank is authorized to delegate the management authority completely or partially to one or more Members of the Board of Directors or to third parties by an internal directive which shall be prepared according to the 367th article of the Turkish Commercial Code. Within this scope, an Internal Directive has been put into force by the Board of Directors with the resolution dated 16 January 2017 according to Article 367 and 371 of the TCC and Article 44 of the Articles of Association. The Internal Directive was registered on 8 March 2017 and announced in the Trade Registry Gazette on 13 March 2017. Internal Directive was revised by 26 June 2018 dated and 1513/02 numbered Board Resolution and was registered on 16 August 2018 and announced in the Trade Registry Gazette on 28 August 2018.

The Board of Directors is constituted of 6 members including the General Manager. The Board of Directors may meet with the majority of the full number of the members. Decisions of the Board of Directors may be taken as a result of the physically attended meeting with the majority of the members present at the meeting as well as by the written approval of the other members upon written proposal of one of the members according to the 4th sub-clause of the 390th article of the Turkish Commercial Code numbered 6102. Board resolutions were taken unanimously in 2018. Number of meetings of the Members of the Board of Directors, their attendance status to the meetings are included in the "Management and Corporate Governance Practices" section of the activity report.

Informing and communication activities on the Members of the Board of Directors of the Bank are performed by the Shareholder Relations and Board Secretariat Unit. Minutes of the Board of Directors Meetings and relevant documents are regularly archived by the Shareholder Relations and Board Secretariat Unit.

The Members of the Board of Directors attend the Board of Directors meetings except for their excuses. Voting rights of the Members of the Board of Directors are equal and weighted vote or veto right is not granted to any of the members.

There is manager liabilities insurance for the Members of the Board of Directors of the Bank. Duration of the policy is between 31 August 2018 - 1 September 2019.

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

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

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT OF THE YEAR OF 2018

Within the body of the Board of Directors; the Audit Committee, Credit Committee, Corporate Governance Committee (the Nominating Committee at the same time) and Remuneration Committee perform their duties. The chairmen of the Committees (Except Credit Committee) are constituted of independent members. The Committees submit information on their studies and meeting results to the Board of Directors whenever necessary.

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

5.4 Risk Management and Internal Control Mechanism

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

General explanations about operations of the Internal System Units in 2018 are included in the third section of the activity report.

5.5 Strategic Targets of the Company

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

5.6 Financial Rights

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

The Bank's current Remuneration Policy is submitted for the shareholders' information with a separate agenda item at the ordinary general meeting held on 30 March 2018 and published on KAP and the website of the Bank.

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

According to the principle number 4.6.5 of the "Corporate Governance Principles" set forth in the Corporate Governance Communiqué annex number II-17.1 published in the Official Gazette dated 3 January 2014 with number 28871 and put into effect by CMB, salaries given and fringe benefits provided for the members of the Board of Directors and the executives should be announced to public through the activity report. However, the declaration shall be made as the total of the financial rights provided for the members of the board of directors and the assistant general managers, not on person basis. Allowances paid to the members of the board of directors and the Assistant General Manager, health/life insurance expenses, travel, accommodations and representing expenses and other various expenses are summarized below.

TL thousand	31 December 2017	31 December 2018
Allowances and insurances	10,608	10,604
Other Expenses	2,759	6,862
Total Expenses	13,367	17,476

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

ASSESSMENT OF OPERATION OF THE INTERNAL CONTROL, INTERNAL AUDIT AND THE RISK MANAGEMENT SYSTEMS BY THE AUDIT COMMITTEE

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

At our Bank, the framework of the Risk Management has been determined by the Board of Directors and the Risk Management Department and risk committees consisting of the senior executives of the business lines have been assigned to deal with this issue. Together with the parties responsible for the processes, the Risk Management Department is responsible for establishing the risk policies and procedures, computing, analysing, monitoring and reporting the risks, within the framework of the principles approved by the Board of Directors.

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

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

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

Sincerely yours,



Peiguo Liu
Chairman of the Audit Committee



Ying Wang
Member of the Audit Committee

INFORMATION REGARDING THE 2018 ACTIVITIES OF THE INTERNAL CONTROL, INTERNAL AUDIT AND THE RISK MANAGEMENT SYSTEMS

INTERNAL AUDIT

Board of Inspections of the Bank has been operating pursuant to the Banking Law no.5411 and the Regulation on the Internal Systems and Assessment of the Internal Capital Adequacy Processes of the Banks issued pursuant to the Banking Law. The purpose of the Board is to ensure the Bank's senior management that the banking operations are being conducted in compliance with the laws and the related legislation and the internal strategies, policies, principles and targets of the Bank and the efficiency and sufficiency of the Bank's internal control and risk management systems. The Board performs its duties independently and objectively, under supervision of the Board of Directors through the Audit Committee.

As of 31 December 2018, the Board of Inspections consisted of 17 people; 1 Chairman, 1 Vice Chairman, 7 Inspectors, 1 Senior Assistant Inspector, 5 Assistant Inspectors, 1 Expat and 1 Platform Assistant.

Branches, Head Office departments, and the Bank's Affiliate(s) and the processes and activities implemented and conducted therein, are included in the annual inspection plan based on periodicity and risk management. The Board of Inspections presents its opinions and recommendations as to the deficiencies and mistakes identified as a result of such inspections, utilization of the Bank's resources more effectively and efficiently and limitation of the risks. As a result of the risk assessments, activities of the Board of Auditors in 2018 have concentrated on the credit risks and operational risks. Among its other responsibilities, the Board of Inspections is also responsible for coordination of all external audits.

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

Board of Inspections is authorized to investigate and identify whether the personnel working in the Headquarters' Units, branches and the affiliates of the Bank commit any acts that have been determined as crime and fault in the related legislation. These investigations include determination of the degrees of such crime and recommendation of suitable penalties, identification and elimination remedy works of the losses and deficiencies incurred or threatened to incur. Furthermore, if considered necessary, inspections are conducted on the files of Credits in Legal Follow-up, sent from the Internal Control and Compliance Department.

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

For the inspectors to perform their duties with the professional care and attention, all kinds of measures are taken and attention is paid for their professional training activities and personal development.

INTERNAL CONTROL AND COMPLIANCE DEPARTMENT

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

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

Within the scope of the internal control activities included are the controlling of the operational transactions for conducting of the activities, communication channels, information technologies and financial reporting and the compliance controls. Control of the uninterrupted compliance is conducted by the Internal Control and the Compliance Department. Regulations as to the requisite of obtaining the Internal Control and Compliance Department's opinion for the new products and transactions and the activities planned to be conducted prior to submitting them to the Board of Directors have been

INFORMATION REGARDING THE 2018 ACTIVITIES OF THE INTERNAL CONTROL, INTERNAL AUDIT AND THE RISK MANAGEMENT SYSTEMS

implemented. Internal control activities have been designed as an integral part of the Bank's daily operations. Written policies and the implementation procedures of the internal controls have been developed and all of the Bank's personnel have been and are being informed regarding the policies and implementation procedures related to internal control activities developed for their lines of activities.

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

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

As of the end of 2018, the Internal Control and Compliance department consisted of 16 people, 1 department head, 10 internal control and compliance assistant managers, 1 Head Office supporter, 1 senior specialist, 2 specialists, and 1 internal assistant. Internal control and compliance personnel perform their duties in the branches where the operations are conducted, in the Headquarters and the affiliates included in the consolidation. There are four units operating under the Internal Control and Compliance department: Head Office Control Unit, Branches Control Unit, Compliance Unit and Legislation Unit. Within the scope of the Branches Control Unit, regional structures have been set up, hence the Branches are subject to on-site control activities frequently within the scope of the control planning.

Internal Control and Compliance department conducts its compliance works as an integral part of its daily routine both at the Headquarters and information systems and the branches periodically, on the spot and on the ground and prepares reports based on the content of the works performed. In the reports prepared, great importance is attached to the development of the internal control system and recommendations to create an internal control culture throughout the Bank. In its activities, areas that may create high risks are concentrated on and preventive control points are created. During 2018 operating period, each internal control employee was given the responsibility of 10-11 branches in average and within this context, 4 internal control personnel were continuously conducting control activities in the branches; all of the branches were controlled on the ground 2 times in average during the year. Aside from these, among the personnel, who perform operational duties in certain departments and units at the Head Office and in the branches, some were assigned as control responsible who performed controls within the scope of the pre-prepared control lists and in other matters necessary and reported their findings to the department.

RISK MANAGEMENT

INFORMATION RELATED TO THE RISK MANAGEMENT POLICIES IMPLEMENTED BASED ON THE RISK TYPES

Risk management activities are conducted by the Audit Committee, that reports directly to the Board of Directors and the Risk Management Department which fulfils its responsibilities against the Board of Directors through said committee and the Risk Management Committee, composed of the senior management and chaired by the General Manager and sub risk management committees chaired by the persons who are responsible for related processes. Risk management sub-committees are; the Market Risk Committee, Credit Risk Committee, Operational Risk Committee.

The Bank has set out the ISEDES management implementation principles, covering all risks on consolidated basis, consistent with the risk appetite, based on adequate and convenient quantification- assessment methods and processes and with a forward looking perspective, as a part of the Bank's internal governance processes and decision making culture.

ISEDES shall be under responsibility of the Risk Management Department and it is planned to be revised in annual periods or more frequently, if needed.

Risk Management Department has conducted 2017 ISEDES activities, based on the consolidated financial statements dated 31 December 2017 and in cooperation with all departments within the framework of the Bank's consolidated business plans. ISEDES report has been reviewed by the Chairmanship of the Board of Inspections and an examination report has been prepared.

Risk Policies reflecting the risk taking approach of the Bank, set out the standards and principles applicable throughout the Bank.

Credit Risk Policy, formed to ensure efficient risk management considering asset quality and risk/income balance, includes also the limits relating to credit risk determined in accordance with the risk tolerance.

In risk management, different ratings models are used for corporate and commercial banking, enterprise banking and individual banking segments and credit cards.

Credit performances of the customers are followed by a system, containing early warning signals. Thereby, necessary actions may be taken automatically.

At ICBC Turkey, operational risk management activities are conducted in compliance with local and international regulations in line with Basel II. Operational Risk Policies, Operational Risk Monitoring Rules and Operational Risk Mitigation Principles which have been prepared in this direction, are in force and effect.

Business continuity activities are conducted by the Operational Risk Committee, according to the Bank's Business Continuity Strategy.

At ICBC Turkey, market risk management activities include quantification, monitoring and reporting the risks encountered due to price, exchange rate, interest fluctuations that occur at financial markets and effects of such risks on liquidity. Market Risk Policy sets out the market risk management framework.

To manage market risk, the Bank benefits from the results obtained by it by Basel II advanced quantification techniques, for setting the limits intended to limit the risk. In this context, advance quantification models are used and risk quantifications and daily limits controls are made and various scenario analysis and stress tests are applied.

Results of calculations and analysis made by the Risk Management Department, are reported to related business units and to the senior management in daily, weekly and monthly periods.

RISK MANAGEMENT

Market Risk Management

Market risk refers to the risk of loss that may be incurred due to fluctuations in the value of positions included in trading accounts of the Bank, in interest rates, equity prices and exchange rates.

At our Bank, for market risk management, quantification methods such as the Value at Risk (VaR), stress test and scenario analysis, duration gap and sensitivity analysis are used.

VaR, as quantification of maximum potential loss that may be sustained in the market value of the trading portfolio in hand, in a certain time period; is calculated on daily basis by Historical Simulation, Variation-Co variation and Monte-Carlo Simulation methods for 99% confidence interval and for one day holding period. VaR calculated by internal models is used for market risk management of trading transactions.

In order to manage the market risk encountered due to the positions carried in trading accounts, efficiently and in consistent with the Bank's risk tolerance; risk limits linked to the ratio of VaR to equity capital, are set out. Compliance with the limits is monitored by the Market Risk Unit and the VaR results are reported regularly.

By the risk quantification method used, estimated earnings/losses are compared with realised values and thereby, retrospective test is applied and the reliability of the model is monitored.

Durability of the share capital against the risks that may occur at the times when fluctuations are at very high level at the market, is measured by stress tests and scenario analysis.

In accordance with existing legal regulations, legal capital requirement for market risk is calculated by using standard method and is reported to the BRSA.

Managing the Interest Rate Risk Arising from the Banking Accounts

Interest Rate Risk Arising from the Banking Accounts refers to the risk incurred by the Bank due to inconsistency in maturity periods in its balance sheet. The risk is managed by the Treasury Department within the framework of the strategies set by the Assets and Liabilities Committee, in accordance with the policy approved by the Board of Directors.

To measure the risk; the duration gap reports prepared according to the current values calculated by using the market interest rates on cash flows, of all interest-sensitive assets and liabilities in and out of the balance sheet, on the basis of each transaction; are used.

Impact of change in interest rates on the net economic value, is measured by scenario analysis. In the scenario analysis, as a shock scenario, for TL assets-liabilities +5%/-4%, for FX assets-liabilities +2%/-2% interest shock is applied in accordance with legal regulations and they are reported to the BRSA.

Impact of changes in Exchange rates and interests, on the net balance sheet value, is followed regularly by various scenarios and the impact of change on equity capital, is followed closely.

Liquidity Risk Management

Liquidity risk refers to the risk of inability to fulfil, fully and on time, the obligations due to market conditions and inconsistencies in cash flow which may arise from the Bank's balance sheet structure. Liquidity management is conducted by the Treasury Department within the framework of the strategies set by the Assets and Liabilities Committee, in accordance with the policy approved by the Board of Directors.

The Bank monitors the liquidity risk within the framework of the early warning signals and the actions that may be taken, set out in writing in the Principles on Liquidity Management. Various liquidity ratios are calculated within the framework of the Principles on Liquidity Management and their Management and their development is followed. Scenario analysis is also used within the scope of liquidity management.

Credit Risk Management

Credit risk means the probability of losses that may occur as a result of partial or whole non-fulfilment of the responsibilities under the credit agreements by the customers who have utilized credits.

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

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

Monitoring of the credit policy limits and the assessments related to the rating models used are performed by the Risk Management Department. Scenario analyses are also used in managing the credit risk and due precautions are taken without delay, for credit quality in compliance with the risk appetite.

Operational Risk Management

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

Operational risks are classified and monitored in groups as recommended by Basel II. Data regarding losses are collected by the operational risk loss database.

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

Business Continuity Management

With regards to business continuity, the Bank has prepared a Business Continuity and Emergency Plan and Instructions for Manual Activities to be Conducted During an Emergency in order to minimize the losses in case the banking activities cannot be conducted during any internal and external emergency situations and in the unexpected circumstances. As the case in every year, related documentation has been revised and requires updates have been made. An Emergency Centre has been established and Instructions for Manual Activities to be Conducted During an Emergency tests as well as the emergency evacuations drills have been conducted at all branches and at the Head Office.

INFORMATION ON THE FINANCIAL POSITION, PROFITABILITY AND SOLVENCY OF THE BANK

FINANCIAL POSITION

As of year-end 2018, the Bank's total asset size reached TL 15.5 billion with an increase of 20% year-on-year. Total loans decreased by 0.1% and accounted for 49% of the total assets. In 2018, non-performing loans ratio was 1.2% (2017: 1.3%). Deposits increased by 144% from last year to TL 8.2 billion.

The share of deposits in total liabilities was 53%. The Bank's total shareholders' equity was TL 1.1 billion as of year-end 2018. Unconsolidated capital adequacy ratio was 30.8%.

(TL million)	2017	%	2018	%	Change (amount)	Change (%)
Assets	12,888	100	15,519	100	2,631	20.41
Current Assets	2,564.0	20	3,830.0	24.7	1,266	49.4
Cash and Cash Equivalents & Central Bank	1,350.0	10	1,807.0	11.6	457	33.9
Banks and Other Financial Institutions	1,214.0	9	2,023.0	13.0	809	66.6
Placements	10,112.4	78	11,496.0	74.1	1,384	13.7
Financial Placements	2,482.4	19	3,890.0	25.1	1,408	56.7
Securities Held for Trading ⁽¹⁾	1.0	0	2,509.0	16.2	2,508	250,800.0
Securities Available for Sale	1,988.0	15	0.0	0.0	-1,988	-100.0
Securities Held to Maturity	493.4	4	1,381.0	8.9	888	0.0
Commercial Placements	7,630.0	59	7,606.0	49.0	-24	-0.3
TL Loans	3,488.0	27	2,438.0	15.7	-1,050	-30.1
FC Loans	4,118.0	32	5,298.0	34.1	1,180	28.7
Non-Performing Loans	96.0	1	93.0	0.6	-3	-3.1
Provisions	72.0	1	223.0	1.4	151	209.7
Fixed Assets	117.0	1	119.0	0.8	2	1.7
Subsidiaries and Affiliates	76.0	1	76.0	0.5	0	0.0
Tangible Assets	36.0	0	35.0	0.2	-1	-2.8
Intangible Assets	5.0	0	8.0	0.1	3	60.0
Other Assets	95.0	1	74.0	0.5	-21	-22.1
Liabilities	12,888	100	15,519	100	2,631	20.41
Deposits⁽²⁾	3,288.0	26	6,885.0	44.4	3,597	109.4
TL Deposits	1,434.0	11	2,064.0	13.3	630	43.9
Demand Deposits	127.0	1	70.0	0.5	-57	-44.9
Time Deposits	1,307.0	10	1,994.0	12.8	687	52.6
FC Deposits	1,854.0	14	4,821.0	31.1	2,967	160.0
Demand Deposits	349.0	3	321.0	2.1	-28	-8.0
Time Deposits	1,505.0	12	4,500.0	29.0	2,995	199.0
Money Markets	1,221.0	9	1,669.0	10.8	448	36.7
Borrowings	6,988.0	54	5,662.0	36.5	-1,326	-19.0
Provisions	138.0	1	59.0	0.4	-79	-57.2
Other	159.0	1	122.0	0.8	-37	-23.3
Shareholders' Equity	1,094.0	8	1,122.0	7.2	28	2.6
Paid in Capital	860.0	7	860.0	5.5	0	0.0
Reserves	191.0	1	200.0	1.3	9	4.7
Profit / Loss	42.0	0	62.0	0.4	20	47.6

⁽¹⁾ Including derivative financial assets.

⁽²⁾ Excluding bank deposits.

PROFITABILITY

The Bank's net profit increased compared to that of the previous year and reached TL 62.1 million. In 2018, the return on assets and return on equity ratios of the Bank were 0.4% (2017: 0.4%) and 5.6% (2017: 5.0%), respectively.

Operating income of ICBC Turkey in 2018 was TL 399 million. Increasing its profitability since December 2017, our Bank achieved a net profit level of TL 62.1 million at year-end 2018. The main drivers of the profitability were higher interest income and the steep increase in assets. The Bank's interest income performed a year-on-year increase of 66.2%.

Income Statement	2017	2018	Change (amount)	Change (%)
Interest Income	737.4	1,225.8	488.5	66.2
Interest Expense	385.0	766.6	381.6	99.1
Net Interest Income	352.3	459.2	106.9	30.3
Net Fees and Commission Income	58.6	76.1	17.5	29.9
Net Accounting Profit / Loss	-76.1	-41.8	34.3	-45.1
Other Operating Income	38.0	62.1	24.1	63.4
Total Operating Income	372.8	555.6	182.8	49.0
Other Operating Expenses ⁽¹⁾	207.2	285.2	77.9	37.6
Operating Profit / Loss	165.6	270.5	104.9	63.4
Provisions for Loans and Other Receivables	94.0	175.1	81.0	86.2
Profit/Loss Before Tax	71.6	95.4	23.8	33.3
Provision for Taxes	29.1	-33.3	-62.4	-214.7
Net Profit/Loss for the Period	42.5	62.1	19.6	46.1

CREDIT RATINGS OF THE BANK AND RELATED EXPLANATIONS

Fitch Ratings, an international rating agency, has confirmed ICBC Turkey's outlook as "Stable" on 24 October 2018.

Fitch Ratings	
Long term credit rating denominated in TL	BB
Long term credit rating denominated in foreign currency	BB-
National long term credit rating	AA (tur)
Short term credit rating denominated in foreign currency and in TL	B
Viability rating	b+
Support rating	3
Outlook	Stable

FINANCIAL INFORMATION SUMMARY FOR A PERIOD OF FIVE YEARS INCLUDING THE REPORT PERIOD

TL thousand	2014	2015	2016	2017	2018
Total Assets	3,656,110	6,654,517	8,217,724	12,888,024	15,519,186
Total Deposits ⁽¹⁾	2,343,986	2,256,775	2,929,000	3,287,840	6,885,541
Total Loans	2,798,723	4,120,400	5,071,404	7,630,620	7,621,258
Shareholders' Equity	616,132	589,665	594,507	1,093,724	1,122,385
Net Profit	12,516	-17,016	13,700	42,484	62,069

⁽¹⁾ Excluding bank deposits.

OTHER MATTERS - EXPLANATIONS REGARDING THE POST BALANCE SHEET EVENTS

Detailed explanations on the matters occurred after the balance sheet date, are given in the footnote no. I of the Section Six of the "Unconsolidated Financial Statements to be Disclosed to Public for the Reporting Period ended as of 31 December 2018, the Explanations and Footnotes Related Thereto and the Independent Audit Report".

INDEPENDENT AUDITORS' REPORT

The Unconsolidated Year-end Financial Statements Prepared as of 31 December 2018

The Unconsolidated Financial Statements of ICBC Turkey for the reporting period ended as of 31 December 2018, Explanations and Footnotes Related Thereto and the Independent Audit Report are available at the Bank's website at the address of www.icbc.com.tr under the heading "Investor Relations" / "Financial Information".

SECTION IV
CONSOLIDATED FINANCIAL
INFORMATION

CONSOLIDATED FINANCIAL INFORMATION SUMMARY AND THE FINANCIAL RATIOS FOR A PERIOD OF FIVE YEARS INCLUDING THE REPORT PERIOD

FIVE YEARS INCLUDING THE REPORT PERIOD - CONSOLIDATED

TL Thousand	2014	2015	2016	2017	2018
Total Assets	3,664,377	6,670,222	8,308,619	13,315,560	15,846,881
Total Deposits	2,342,233	2,134,512	2,850,077	3,273,860	8,022,242
Total Loans	2,812,918	4,150,620	5,098,106	7,680,821	7,781,185
Shareholders' Equity	620,136	597,194	607,007	1,112,294	1,160,960
Net Profit	12,760	-13,542	18,749	48,283	83,549

FINANCIAL HIGHLIGHTS (TL MILLION)

	31 December 2017	31 December 2018	%
Total Assets	13,316	15,847	19
Deposits ⁽¹⁾	3,274	6,700	105
Loans	7,681	7,781	1
Shareholders' Equity	1,112	1,161	4
Net Profit	48.3	83.5	73

⁽¹⁾ Excluding deposits from banks.

FINANCIAL RATIOS %

	31 December 2017	31 December 2018	%
Return on Assets	0.4	0.6	28
Return on Equity	5.6	7.4	31
Capital Adequacy Ratio	13.9	30.2	117
Loans/Total Assets	57.7	49.1	-15
Deposits/Total Assets ⁽¹⁾	24.6	42.3	72
NPL Ratio	1.2	1.2	-5

⁽¹⁾ Excluding deposits from banks.

INFORMATION RELATED TO CONSOLIDATED SUBSIDIARIES

Company	Address (City/Country)	Stake (%)	Stake in Bank's Risk Group
ICBC Turkey Yatırım Menkul Değerler A.Ş.	Istanbul/Turkey	99.998	99.998

Summary financials of the above-mentioned subsidiary (31 December 2018):

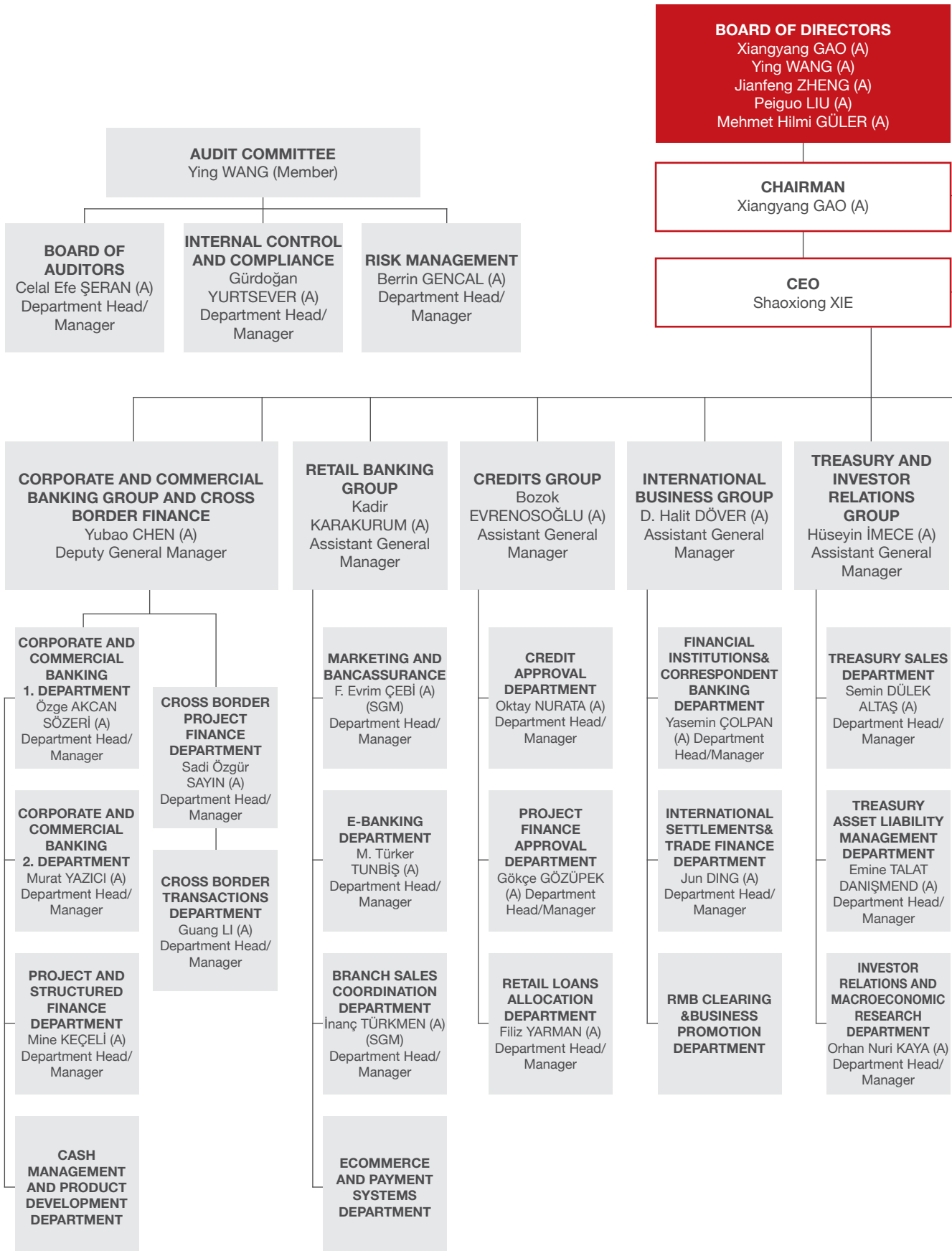
Total Assets	Shareholders' Equity	Fixed Assets	Interest Income	Income from Securities	Current Period (Profit/Loss)	Prior Period (Profit/Loss)	Fair Value
589,568	114,575	1,139	16,621	293	21,480	(526)	-

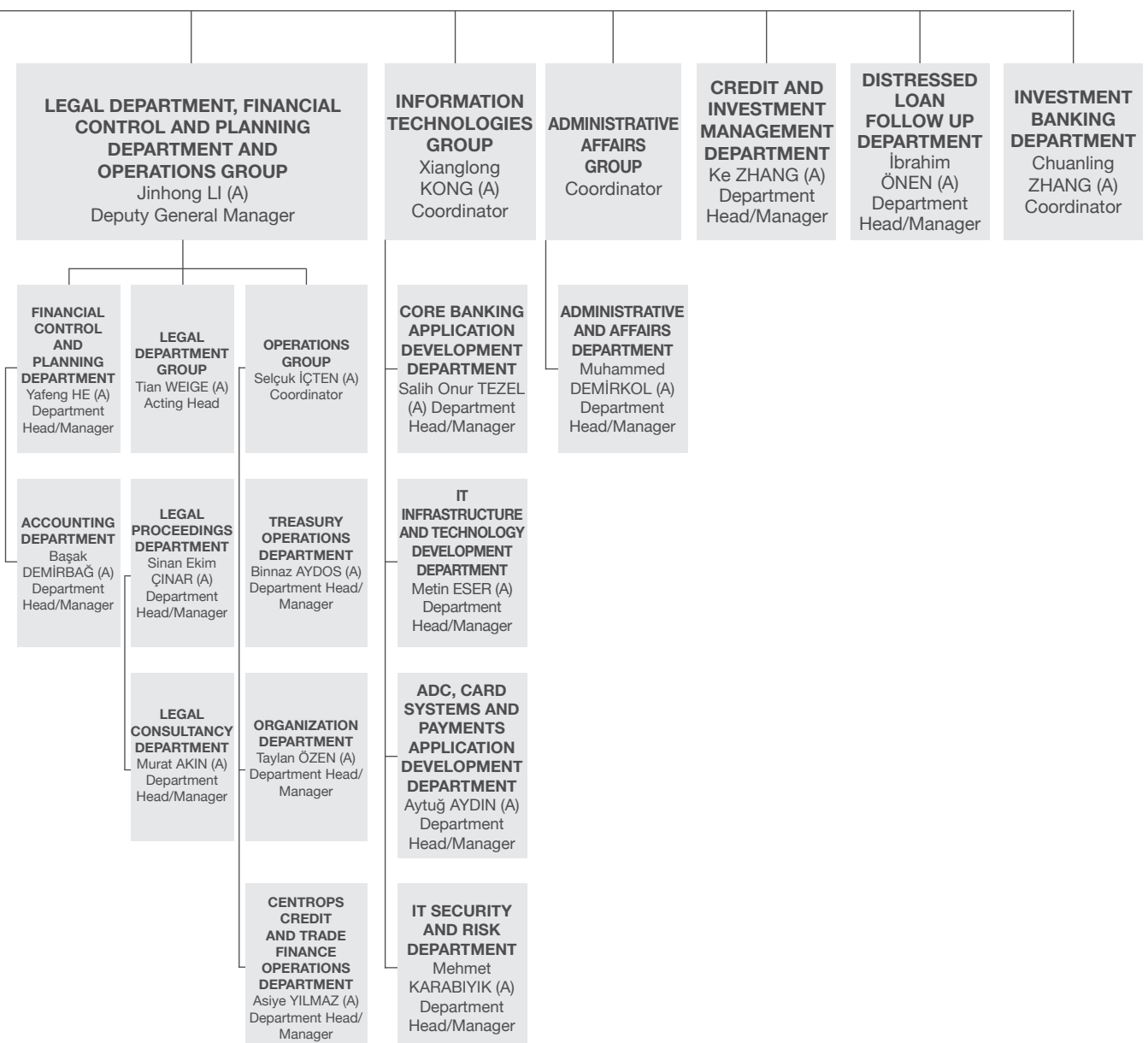
INDEPENDENT AUDITORS' REPORT

The Consolidated Year-end Financial Statements Prepared as of 31 December 2018

The Consolidated Financial Statements of ICBC Turkey for the reporting period ended as of 31 December 2018, Explanations and Footnotes Related Thereto and the Independent Audit Report are available at the Bank's website at the address of www.icbc.com.tr under the heading "**Investor Relations**" / "**Financial Information**".

ORGANIZATION CHART





ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018
WITH INDEPENDENT AUDITORS' REPORT THEREON

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

INDEPENDENT AUDITOR'S REPORT



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To the General Assembly of ICBC Turkey Bank A.Ş

A) Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of ICBC Turkey Bank A.Ş (“the Bank”) and its subsidiaries (together will be referred as “the Group”) which comprise the consolidated balance sheet as at 31 December 2018 and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders’ equity and consolidated statement of cash flows for the year then ended, and consolidated notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended 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”) for the matters not regulated by the aforementioned legislations.

Basis for Opinion

We conducted our audit in accordance with the “Regulation on Independent Audit of the Banks” published in the Official Gazette No.29314 dated 2 April 2015 by BRSA and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority (“POA”) (“Standards on Auditing issued by POA”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We declare that we are independent of the Group in accordance with the Ethics for Auditors issued by POA (“POA’s Code of Ethics”) and the ethical requirements in the regulations that are relevant to audit of consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the POA’s Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



INDEPENDENT AUDITOR'S REPORT

Impairment of loans measured at amortised cost

The details of accounting policies and significant estimates and assumptions for impairment of loans measured at amortised cost is presented Section Three, Note VIII to the consolidated financial statements.

Key audit matter

As of 31 December 2018, loans measured at amortised cost comprise 49% of the Group's total assets.

The Group recognizes its loans measured at amortised cost in accordance with the Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside (the "Regulation") published on the Official Gazette No. 29750 dated 22 June 2016 and TFRS 9 Financial Instruments standard ("the Standard").

As of 1 January 2018, due to the adoption of the Regulation and the Standard, in determining the impairment of loans the Group has begun to apply "expected credit loss model" instead of the "incurred loss model". The new model contains significant assumptions and estimates.

The significant assumptions and estimates of the Group's management are as follows:

- assessment of significant increase in credit risk
- incorporating the forward looking macroeconomic information in calculation of credit risk; and
- design and implementation of expected credit loss model.

The determination of the impairment of loans measured at amortised cost depends on the credit default status, the model based on the change in the credit risk subsequent to the initial recognition date and the classification of the loans measured at amortised cost according to the model. Establishing an appropriate loans classification is a significant process as the calculation of expected credit loss varies to the staging of the financial assets.

The Group calculates expected credit losses on both an individual and a collective basis. Individual provisions consider the estimated future cash flows and the fair value of the collateral provided for credit transactions.

The collective provisions are modelled by using current and past data sets and forward looking expectations.

Impairment on loans measured at amortised cost was considered to be a key audit matter, due to the significance of the estimates, assumptions, the level of judgements and its complex structure as explained above.

How the matter is addressed in our audit

Our procedures for testing the expected credit loss included below:

- We tested the design and operating effectiveness of the controls on lending, collateralization, collection, follow-up, classification and impairment procedures are tested with the involvement of information risk management specialists.
- The contractual cash flow tests prepared for the financial assets of the Group were examined and the results of the tests were checked for compliance with the loan agreements.
- The conformity of the subjective and objective criteria defined in the Group's impairment model has been checked for compliance with the Standard.
- We evaluated the Group's business model and methodology and the evaluation of the calculations were carried out with the control testing and detailed analysis by the involvement of specialists.
- We performed loan reviews for selected loan samples which include a detailed examination of loan files and related information and testing their classification. In this context, the current status of the loan customer has been evaluated by including prospective information and macroeconomic variables.
- We evaluated the adequacy of the expected credit loss calculations by selecting sample for the loans which are assessed on individual basis.
- We tested the accuracy and completeness of the data in the calculation models for the loans which are assessed on collective basis. The expected credit loss calculation has been tested through recalculation. The models used for the calculation of the risk parameters were examined and the risk parameters were recalculated.
- We assessed the macroeconomic models which are used to reflect forward looking expectations and tested the effect of the risk parameters by recalculation method.
- We evaluated the criteria which are used in determining the significant increase in credit risk.
- Additionally, we also evaluated the adequacy of the consolidated financial statement disclosures related to impairment provisions.



Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The Group management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the “BRSA Accounting and Financial Reporting Legislation”, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of auditors in an audit are as follows:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Regulation on Independent Audit of the Banks and Standards on Auditing issued by POA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Regulation on Independent Audit of the Banks and Standards on Auditing issued by POA, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



INDEPENDENT AUDITOR'S REPORT

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Report on Other Legal and Regulatory Requirements

- 1) Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code ("TCC") No. 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period 1 January - 31 December 2018 are not in compliance with TCC and provisions of the Bank's articles of association in relation to financial reporting.
- 2) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

Additional paragraph for convenience translation to English:

The accounting principles summarized in Note I Section Three, differ from the accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in such countries of users of the consolidated financial statements and IFRS.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member firm of KPMG International Cooperative



Orhan Akova, SMMM
Partner
21 February 2019
İstanbul, Türkiye

ICBC TURKEY BANK A.Ş.
CONSOLIDATED FINANCIAL REPORT
AS OF 31 DECEMBER 2018

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 year ended 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
- OTHER EXPLANATIONS
- EXPLANATIONS ON THE INDEPENDENT AUDITORS' REPORT

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

The consolidated financial statements and related disclosures and footnotes that were subject to independent audit, 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



YING WANG
 Member of Board of Directors and Member
 of Audit Committee



SHAOXIONG XIE
 General Manager and Member of
 Board of Directors



JINHONG LI
 Deputy General Manager Responsible for
 Financial Reporting, Operational and
 Legal Consultancy Group



YAFENG HE
 Unit Manager

Information of the charged person for questions on this financial report:

Name-Surname : Yafeng He
 Tel No : 0212 335 52 18
 Fax No : 0212 328 13 23

TABLE OF CONTENTS

	Page No
SECTION ONE	
General Information	
I. Parent Bank's date of establishment, beginning statute, its history including changes on its statute	104
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	104
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	106
IV. Type of services provided and the areas of operations of the Parent Bank	107
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	107
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	107
VII. Other information	107
SECTION TWO	
Consolidated Financial Statements	
I. Consolidated balance sheet (Statement of financial position)	108
II. Consolidated statement of off-balance sheet items	112
III. Consolidated statement of profit or loss	116
IV. Consolidated statement of profit or loss and other comprehensive income	118
V. Consolidated statement of changes in shareholders' equity	120
VI. Consolidated statement of cash flows	124
VII. Parent Bank statement of profit distribution	126
SECTION THREE	
Accounting Policies	
I. Explanations on Basis of Presentation	127
II. Explanations on Strategy for the Use of Financial Instruments and the Foreign Currency Transactions	128
III. Explanations on Subsidiaries and Associates	129
IV. Derivative Financial Assets	129
V. Explanations on Interest Income and Expense	130
VI. Explanations on Fees and Commissions Income and Expense	130
VII. Explanations on Financial Assets	130
VIII. Explanations on Impairment of Financial Assets	131
IX. Explanations on Offsetting Financial Instruments	132
X. Explanations on Sale and Repurchase Agreements and Transactions Related to The Lending of Securities	132
XI. Explanations on Assets Held for Sale and Discontinued Operations and Liabilities Related with These Assets	133
XII. Explanations on Goodwill and Other Intangible Assets	133
XIII. Explanations on Tangible Assets	133
XIV. Explanations on Leasing Activities	134
XV. Explanations on Provisions and Contingent Liabilities	134
XVI. Contingent Assets	134
XVII. Explanations on Obligations Related to Employee Rights	134
XVIII. Explanations on Taxation	135
XIX. Additional Explanations on Borrowings	136
XX. Explanations on Issued Stock	136
XXI. Explanations on Acceptances	136
XXII. Explanations on Government Grants	136
XXIII. Profit Reserves and Profit Distribution	136
XXIV. Related Parties	136
XXV. Cash and Cash Equivalents	136
XXVI. Explanations on Segment Reporting	137
XXVII. Reclassifications	137
XXVIII. Explanations on Other Matters	138

	Page No
SECTION FOUR	
Information Related to Consolidated Financial Position and Risk Management	
I. Explanations on consolidated equity	140
II. Explanation and footnotes on consolidated credit risk	149
III. Explanations on consolidated operational risk	158
IV. Explanation and footnotes on consolidated foreign currency exchange rate risk	158
V. Explanation and footnotes on consolidated interest rate risk	160
VI. Explanation and footnotes on consolidated liquidity risk	164
VII. Explanation on consolidated leverage ratio	170
VIII. Explanations and footnotes on consolidated securitization position risk	171
IX. Explanations on consolidated risk management	171
X. Explanations on presentation of financial assets and liabilities at their fair value	181
XI. Explanation and footnotes on consolidated segment reporting	183
SECTION FIVE	
Explanations and Footnotes on Consolidated Financial Statements	
I. Explanations and footnotes on consolidated assets	186
II. Explanations and footnotes on consolidated liabilities	203
III. Explanation and footnotes on consolidated off-balance sheet items:	211
IV. Explanation and footnotes on consolidated profit or loss statement	214
V. Information and footnotes related to consolidated statement of changes in shareholders' equity	222
VI. Explanation and footnotes on consolidated cash flow statement	223
VII. Explanations on the parent bank's risk group	224
VIII. Information on domestic, foreign, off-shore branches and foreign representative offices of parent bank	226
IX. Explanations and footnotes on subsequent events	226
SECTION SIX	
Explanations on the Independent Auditors' Report	
I. Explanations on the independent auditors' report	227
II. Information and footnotes prepared by the independent auditors	227

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

(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 December 2018 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.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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 (Continued)

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 2017, 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. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

(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 ⁽¹⁾	Chairman of the Board of Directors	Graduate
Chairman of Audit Committee:	Peiguo Liu	Chairman of the Audit Committee and Member of the Board of Directors	Graduate
Member of the Audit Committee:	Ying Wang	Member of the Audit Committee and Independent Member of the Board of Directors	Graduate
Members of the Board of Directors:	Shaoxiong Xie ⁽²⁾	General Manager and Member of the Board of Directors	Graduate
	Jianfeng Zheng	Member of the Board of Directors	Graduate
	Peiguo Liu ⁽³⁾	Chairman of the Audit Committee and Member of the Board of Directors	Graduate
	Mehmet Hilmi Güler	Independent Member of the Board of Directors	Graduate
General Manager:	Shaoxiong Xie ⁽²⁾	General Manager and Member of the Board of Directors	Graduate
Assistant General Managers ⁽⁴⁾ :	Jinhong Li ⁽⁵⁾	Financial Control, Operations and Legal Consultancy Group	Graduate
	Yubao Chen ⁽⁶⁾	Cross Border Finance, Corporate and Commercial Banking Group	Graduate
	Hüseyin H. İmece	Treasury and Investors Relations Group	Under-Graduate
	Bozok Evrenosoğlu	Loans Group	Under-Graduate
	D.Halit Döver	International Relations Group	Graduate
Head of the Board of Inspectors:	Kadir Karakurum	Retail Banking Group	Graduate
	Celal Efe Şeran	President of Inspectors' Group	Under-Graduate

⁽¹⁾ The Chairman of the Board of Directors Keen Xu has resigned from the membership of the board on 24 July 2018. At the same date, Xiangyang Gao has been assigned as the Chairman of the Board of Directors.

⁽²⁾ Due to the appointment of Xiangyang Gao, who has been General Manager and member of Board of Directors, as the Chairman of the Board of Directors, Shaoxiong Xie has been appointed as General Manager as at 29 November 2018.

⁽³⁾ Since the Chairman of the Board of Directors Keen Xu has resigned from the Chairman of the Audit Committee on 24 July 2018, at the same date Peiguo Liu has been appointed as the Chairman of the Audit Committee.

⁽⁴⁾ As of 12 October 2018, Başbuğ Yavuz Samancıoğlu, Assistant General Manager in charge of Corporate and Commercial Banking Group, resigned from his position.

⁽⁵⁾ Jinhong Li who is the Assistant General Manager in charge of Operations and Legal Consultancy Group, was appointed as the Assistant General Manager responsible for Financial Control, Operations and Legal Consultancy Group on 4 December 2018.

⁽⁶⁾ As of 4 December 2018, Yubao Chen was appointed as the Assistant General Manager in charge of Cross Border Finance, Corporate and Commercial Banking Group.

These people mentioned above do not own any share of the Parent Bank.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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 Sompo 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 December 2018, the Parent Bank has 44 branches close to industrial zones of Turkey. The Parent Bank has 786 employees as at 31 December 2018 (As at 31 December 2017 number of branches was 44, number of employees was 810).

The Parent Bank and its subsidiary, ICBC Turkey Yatırım Menkul Değerler A.Ş. (“ICBC Yatırım”) have been consolidated. As at 31 December 2018, 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.

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.
Reporting Period	: 1 January - 31 December 2018
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
- VII. Parent Bank statement of profit distribution

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS AT 31 DECEMBER 2018
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated)

ASSETS	Footnotes (Section Five)	THOUSANDS OF TURKISH LIRA		
		AUDITED		
		CURRENT PERIOD ⁽¹⁾ 31/12/2018		
		TL	FC	Total
I. FINANCIAL ASSETS (Net)		2,533,452	5,514,254	8,047,706
1.1.Cash and cash equivalents		879,759	3,277,541	4,157,300
1.1.1.Cash and balances with Central Bank of Turkey	(5.1.1)	529,798	1,277,101	1,806,899
1.1.2.Banks	(5.1.3)	339	2,000,440	2,000,779
1.1.3.Receivables from Money Markets		349,622	-	349,622
1.2.Financial Assets at Fair Value Through Profit or Loss		12,879	-	12,879
1.2.1.Government debt securities		-	-	-
1.2.2.Equity Securities		46	-	46
1.2.3.Other financial assets		12,833	-	12,833
1.3.Financial Assets at Fair Value Through Other Comprehensive Income	(5.1.4)	1,079,785	1,399,248	2,479,033
1.3.1.Government debt securities		1,079,785	518,314	1,598,099
1.3.2.Equity Securities		-	6,255	6,255
1.3.3.Other financial assets		-	874,679	874,679
1.4.Financial Assets Measured at Amortized Cost	(5.1.6)	533,733	850,266	1,383,999
1.4.1.Government debt securities		533,733	459,739	993,472
1.4.2.Other financial assets		-	390,527	390,527
1.5.Derivative financial assets	(5.1.2)	29,902	199	30,101
1.5.1.Derivative financial assets at fair value through profit or loss		29,902	199	30,101
1.5.2.Derivative financial assets at fair value through other comprehensive income		-	-	-
1.6.Non-performing financial assets		160	-	160
1.7.Expected Loss Provisions (-)		2,766	13,000	15,766
II. LOANS (Net)	(5.1.5)	2,771,339	4,894,903	7,666,242
2.1.Loans		2,786,152	4,995,033	7,781,185
2.1.1.Loans measured at amortized cost		2,786,152	4,995,033	7,781,185
2.1.2.Loans at fair value through profit or loss		-	-	-
2.1.3.Loans at fair value through other comprehensive income		-	-	-
2.2.Receivables from leasing transactions	(5.1.10)	-	-	-
2.2.1.Financial lease receivables		-	-	-
2.2.2.Operational lease receivables		-	-	-
2.2.3.Unearned income (-)		-	-	-
2.3.Factoring receivables		-	-	-
2.3.1.Factoring receivables measured at amortized cost		-	-	-
2.3.2.Factoring receivables at fair value through profit or loss		-	-	-
2.3.3.Factoring receivables at fair value through other comprehensive income		-	-	-
2.4.Non-performing loans		93,407	-	93,407
2.5. Allowance for expected credit losses (-)		108,220	100,130	208,350
2.5.1.12-Month expected credit losses (Stage 1)		12,975	33,534	46,509
2.5.2.Significant increase in credit risk (Stage 2)		16,658	66,596	83,254
2.5.3.Credit Impaired (Stage 3/ Specific Provisions)		78,587	-	78,587
III.PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCOUNTED OPERATIONS (NET)	(5.1.16)	-	-	-
3.1.Held for sale		-	-	-
3.2.Related to 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.Unconsolidated associates		-	-	-
4.2.Investments in subsidiaries (Net)	(5.1.8)	-	-	-
4.2.1.Unconsolidated financial subsidiaries		-	-	-
4.2.2.Unconsolidated non-financial subsidiaries		-	-	-
4.3. Joint Ventures (Net)	(5.1.9)	-	-	-
4.3.1.Joint ventures accounted by using equity method		-	-	-
4.3.2.Unconsolidated joint ventures		-	-	-
V. TANGIBLE ASSETS (Net)	(5.1.12)	36,239	-	36,239
VI. INTANGIBLE ASSETS (Net)	(5.1.13)	8,171	-	8,171
6.1.Goodwill		-	-	-
6.2.Other		8,171	-	8,171
VII. INVESTMENT PROPERTIES (Net)	(5.1.14)	-	-	-
VIII. CURRENT TAX ASSET		-	-	-
IX. DEFERRED TAX ASSET	(5.1.15)	44,596	-	44,596
X. OTHER ASSETS	(5.1.17)	41,061	2,866	43,927
TOTAL ASSETS		5,434,858	10,412,023	15,846,881

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ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS AT 31 DECEMBER 2018

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

	Footnotes (Section Five)	THOUSANDS OF TURKISH LIRA		
		AUDITED PRIOR PERIOD ⁽¹⁾		
		TL	FC	TOTAL
ASSETS				
I. CASH AND BALANCES WITH THE CENTRAL BANK	(5.1.1)	103,390	1,247,081	1,350,471
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	(5.1.2)	30,549	691	31,240
2.1 Trading Securities		30,549	691	31,240
2.1.1 Government Debt Securities		-	-	-
2.1.2 Equity Securities		28	-	28
2.1.3 Derivative Financial Assets Held For Trading		-	691	691
2.1.4 Other Securities		30,521	-	30,521
2.2 Financial Assets Designated at Fair Value Through Profit or Loss		-	-	-
2.2.1 Government Debt Securities		-	-	-
2.2.2 Equity Securities		-	-	-
2.2.3 Loans		-	-	-
2.2.4 Other Securities		-	-	-
III. BANKS	(5.1.3)	285	1,604,682	1,604,967
IV. INTERBANK MONEY MARKET		9,600	-	9,600
4.1 Interbank Money Market Placements		-	-	-
4.2 Istanbul Stock Exchange Money Market Placements		9,600	-	9,600
4.3 Receivables from Reverse Repurchase Agreements		-	-	-
V. AVAILABLE FOR SALE FINANCIAL ASSETS (Net)	(5.1.4)	907,478	1,081,532	1,989,010
5.1 Equity Securities		160	3,947	4,107
5.2 Government Debt Securities		907,318	369,973	1,277,291
5.3 Other Securities		-	707,612	707,612
VI. LOANS AND RECEIVABLES	(5.1.5)	3,731,017	3,949,804	7,680,821
6.1 Loans and Receivables		3,706,641	3,949,804	7,656,445
6.1.1 Loans Utilized to the Bank's Risk Group		82	548,335	548,417
6.1.2 Government Debt Securities		-	-	-
6.1.3 Others		3,706,559	3,401,469	7,108,028
6.2 Loans Under Follow-Up		96,523	-	96,523
6.3 Specific Provisions (-)		72,147	-	72,147
VII. FACTORING RECEIVABLES		-	-	-
VIII. HELD-TO-MATURITY SECURITIES (Net)	(5.1.6)	205,029	288,384	493,413
8.1 Government Debt Securities		205,029	92,143	297,172
8.2 Other Securities		-	196,241	196,241
IX. INVESTMENTS IN ASSOCIATES (Net)	(5.1.7)	-	-	-
9.1 Equity Method Associates		-	-	-
9.2 Unconsolidated Associates		-	-	-
9.2.1 Financial Associates		-	-	-
9.2.2 Non-Financial Associates		-	-	-
X. INVESTMENTS IN SUBSIDIARIES (Net)	(5.1.8)	-	-	-
10.1 Unconsolidated Financial Subsidiaries		-	-	-
10.2 Unconsolidated Non-Financial Subsidiaries		-	-	-
XI. JOINT VENTURES (Net)	(5.1.9)	-	-	-
11.1 Equity Method Joint Ventures		-	-	-
11.2 Unconsolidated Joint Ventures		-	-	-
11.2.1 Financial Joint Ventures		-	-	-
11.2.2 Non-Financial Joint Ventures		-	-	-
XII. LEASE RECEIVABLES (Net)	(5.1.10)	-	-	-
12.1 Financial Lease Receivables		-	-	-
12.2 Operational Lease Receivables		-	-	-
12.3 Others		-	-	-
12.4 Unearned Income (-)		-	-	-
XIII. HEDGING DERIVATIVES	(5.1.11)	-	-	-
13.1 Fair Value Hedge		-	-	-
13.2 Cash Flow Hedge		-	-	-
13.3 Hedging of a Net Investment in Foreign Subsidiaries		-	-	-
XIV. TANGIBLE ASSETS (Net)	(5.1.12)	36,765	-	36,765
XV. INTANGIBLE ASSETS (Net)	(5.1.13)	5,194	-	5,194
15.1 Goodwill		-	-	-
15.2 Others		5,194	-	5,194
XVI. INVESTMENT PROPERTY (Net)	(5.1.14)	-	-	-
XVII. TAX ASSETS		10,619	-	10,619
17.1 Current Tax Assets		-	-	-
17.2 Deferred Tax Assets	(5.1.15)	10,619	-	10,619
XVIII. ASSETS HELD FOR SALE AND ASSETS RELATED TO DISCONTINUED OPERATIONS (Net)	(5.1.16)	-	-	-
18.1 Held For Sale		-	-	-
18.2 Discontinued Operations		-	-	-
XIX. OTHER ASSETS	(5.1.17)	77,360	26,100	103,460
TOTAL ASSETS		5,117,286	8,198,274	13,315,560

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ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS AT 31 DECEMBER 2018
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated)

LIABILITIES AND EQUITY	Footnotes (Section Five)	THOUSANDS OF TURKISH LIRA		
		AUDITED CURRENT PERIOD ⁽¹⁾ 31/12/2018		
		TL	FC	Total
I. DEPOSITS	(5.II.1)	2,282,066	5,740,176	8,022,242
II. LOANS RECEIVED	(5.II.3)	1,162,755	2,919,795	4,082,550
III. MONEY MARKET FUNDS		257,264	88,881	346,145
IV. MARKETABLE SECURITIES (Net)		-	-	-
4.1.Bills		-	-	-
4.2.Asset backed securities		-	-	-
4.3.Bonds		-	-	-
V. FUNDS		-	-	-
5.1.Borrower funds		-	-	-
5.2.Other		-	-	-
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES	(5.II.2)	749	373	1,122
7.1.Derivative financial liabilities at fair value through profit or loss		749	373	1,122
7.2.Derivative financial liabilities at fair value through other comprehensive income		-	-	-
VIII. FACTORING PAYABLES		-	-	-
IX. LEASE PAYABLES	(5.II.5)	-	-	-
9.1.Financial lease payables		-	-	-
9.2.Operating lease payables		-	-	-
9.3.Other		-	-	-
9.4.Deferred finance lease expenses (-)		-	-	-
X. PROVISIONS	(5.II.7)	58,285	4,183	62,468
10.1.Provision for restructuring		-	-	-
10.2.Reserves for employee benefits		17,917	-	17,917
10.3.Insurance technical reserves (Net)		-	-	-
10.4.Other provisions		40,368	4,183	44,551
XI. CURRENT TAX LIABILITIES	(5.II.8)	38,591	-	38,591
XII. DEFERRED TAX LIABILITIES		-	-	-
XIII. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCOUNTED OPERATIONS(Net)	(5.II.9)	-	-	-
13.1.Held for sale		-	-	-
13.2.Related to discontinued operations		-	-	-
XIV.SUBORDINATED DEBT	(5.II.10)	-	1,579,084	1,579,084
14.1.Loans		-	1,579,084	1,579,084
14.2.Other debt instruments		-	-	-
XV. OTHER LIABILITIES	(5.II.4)	68,769	484,950	553,719
XVI. SHAREHOLDERS' EQUITY	(5.II.11)	1,196,634	(35,674)	1,160,960
16.1.Paid-in capital		860,000	-	860,000
16.2.Capital reserves		(587)	-	(587)
16.2.1.Equity share premiums		(587)	-	(587)
16.2.2.Share cancellation profits		-	-	-
16.2.3.Other capital reserves		-	-	-
16.3.Other accumulated comprehensive income or loss that will not be reclassified in profit or loss		12,892	-	12,892
16.4.Other accumulated comprehensive income or loss that will be reclassified in profit or loss		(53,168)	(35,674)	(88,842)
16.5.Profit reserves		246,680	-	246,680
16.5.1.Legal reserves		14,737	-	14,737
16.5.2.Statutory reserves		-	-	-
16.5.3.Extraordinary reserves		174,577	-	174,577
16.5.4.Other profit reserves		57,366	-	57,366
16.6. Profit or loss		130,817	-	130,817
16.6.1.Prior years' profits or losses		47,268	-	47,268
16.6.2.Current period net profit or loss		83,549	-	83,549
16.7.Minority Shares		-	-	-
TOTAL LIABILITIES		5,065,113	10,781,768	15,846,881

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ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS AT 31 DECEMBER 2018

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

LIABILITIES AND EQUITY		Footnotes (Section Five)	THOUSANDS OF TURKISH LIRA		
			AUDITED PRIOR PERIOD ⁽¹⁾ 31/12/2017		TOTAL
			TL	FC	
I. DEPOSITS	(5.II.1)	1,501,051	1,844,050		3,345,101
1.1 Deposits of the Bank's Risk Group		70,045	841		70,886
1.2 Other		1,431,006	1,843,209		3,274,215
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(5.II.2)	13,857	415		14,272
III. FUNDS BORROWED	(5.II.3)	6,614	6,981,424		6,988,038
IV. DUE TO MONEY MARKETS		1,149,966			1,149,966
4.1 Funds from Interbank Money Market		637,677	-		637,677
4.2 Funds from Istanbul Stock Exchange		-	-		-
4.3 Funds Provided Under Repurchase Agreements		512,289	-		512,289
V. SECURITIES ISSUED (Net)					
5.1 Bills		-	-		-
5.2 Asset Backed Securities		-	-		-
5.3 Bonds		-	-		-
VI. FUNDS					
6.1 Bank Borrowers' Funds		-	-		-
6.2 Other		-	-		-
VII. MISCELLANEOUS PAYABLES		30,088	390,640		420,728
VIII. OTHER LIABILITIES	(5.II.4)	77,431	37,117		114,548
IX. FACTORING PAYABLES					
X. LEASE PAYABLES (Net)	(5.II.5)				
10.1 Financial Lease Payables		-	-		-
10.2 Operational Lease Payables		-	-		-
10.3 Other		-	-		-
10.4 Deferred Financial Leasing Expenses (-)		-	-		-
XI. HEDGING DERIVATIVES FINANCIAL LIABILITIES	(5.II.6)				
11.1 Fair Value Hedge		-	-		-
11.2 Cash Flow Hedge		-	-		-
11.3 Foreign Net Investment Hedge		-	-		-
XII. PROVISIONS	(5.II.7)	141,123			141,123
12.1 General Provisions		104,344	-		104,344
12.2 Restructuring Provisions		-	-		-
12.3 Reserve for Employee Benefits		15,977	-		15,977
12.4 Insurance Technical Provisions (Net)		-	-		-
12.5 Other Provisions		20,802	-		20,802
XIII. TAX LIABILITY	(5.II.8)	29,490			29,490
13.1 Current Tax Liability		29,490	-		29,490
13.2 Deferred Tax Liability		-	-		-
XIV. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCOUNTED OPERATIONS (Net)	(5.II.9)				
14.1 Held For Sale		-	-		-
14.2 Related to Discontinued Operations		-	-		-
XV. SUBORDINATED LOANS	(5.II.10)				
XVI. SHAREHOLDERS' EQUITY	(5.II.11)	1,110,127	2,167		1,112,294
16.1 Paid-in Capital		860,000	-		860,000
16.2 Capital Reserves		3,478	2,167		5,645
16.2.1 Share Premiums		(587)	-		(587)
16.2.2 Share Cancellation Profits		-	-		-
16.2.3 Marketable Securities Valuation Differences		(7,763)	2,167		(5,596)
16.2.4 Property and Equipment Revaluation Differences		11,646	-		11,646
16.2.5 Intangible Assets Revaluation Differences		-	-		-
16.2.6 Investment Property Revaluation Differences		-	-		-
16.2.7 Bonus shares of Associates, Subsidiaries and Joint Ventures		-	-		-
16.2.8 Hedging Funds (Effective Portion)		-	-		-
16.2.9 Revaluation Differences and Assets Held for Sale and Assets Related to Discounted Operations		-	-		-
16.2.10 Other Capital Reserves		182	-		182
16.3 Profit Reserves		201,682	-		201,682
16.3.1 Legal Reserves		11,937	-		11,937
16.3.2 Status Reserves		-	-		-
16.3.3 Extraordinary Reserves		132,379	-		132,379
16.3.4 Other Profit Reserves		57,366	-		57,366
16.4 Profit or Loss		44,967	-		44,967
16.4.1 Prior Periods' Profit or Loss		(3,316)	-		(3,316)
16.4.2 Current Period Profit or Loss		48,283	-		48,283
16.5 Minority Shares		-	-		-
TOTAL LIABILITIES		4,059,747	9,255,813		13,315,560

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ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS
AS AT 31 DECEMBER 2018

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

	Footnotes (Section Five)	THOUSANDS OF TURKISH LIRA		
		AUDITED		
		CURRENT PERIOD (*) 31/12/2018		
		TL	FC	TOTAL
A. OFF BALANCE SHEET COMMITMENTS (I+II+III)		861,082	2,733,144	3,594,226
I. GUARANTEES	(5.III.1)	585,675	1,785,507	2,371,182
1.1.Letters of guarantee		585,675	1,454,768	2,040,443
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		585,675	1,454,768	2,040,443
1.2.Bank acceptances		-	-	-
1.2.1.Import letter of acceptance		-	-	-
1.2.2.Other bank acceptances		-	-	-
1.3.Letters of credit		-	217,850	217,850
1.3.1.Documentary letters of credit		-	100,678	100,678
1.3.2.Other letters of credit		-	117,172	117,172
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		-	112,889	112,889
1.9.Other warranties		-	-	-
II. COMMITMENTS	(5.III.1)	122,855	107,531	230,386
2.1.Irrevocable commitments		122,855	107,531	230,386
2.1.1.Asset purchase and sales commitments		5,020	107,531	112,551
2.1.2.Time Deposit purchase and sales commitments		-	-	-
2.1.3.Share capital commitment to associates and subsidiaries		-	-	-
2.1.4.Loan granting commitments		29,325	-	29,325
2.1.5.Securities issue brokerage commitments		-	-	-
2.1.6.Commitments for reserve requirements		-	-	-
2.1.7.Commitments for checks payments		7,720	-	7,720
2.1.8.Tax and fund liabilities from export commitments		6	-	6
2.1.9.Commitments for credit card limits		73,480	-	73,480
2.1.10.Commitments for credit cards and banking services promotions		199	-	199
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		7,105	-	7,105
2.2.Revocable commitments		-	-	-
2.2.1.Revocable loan granting commitments		-	-	-
2.2.2.Other revocable commitments		-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		152,552	840,106	992,658
3.1.Derivative Financial Investments Held for Hedging		-	-	-
3.1.1.Fair value hedges		-	-	-
3.1.2.Cash flow hedges		-	-	-
3.1.3.Foreign Net Investment Hedges		-	-	-
3.2.Trading Transactions		152,552	840,106	992,658

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

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS
AS AT 31 DECEMBER 2018**

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

	THOUSANDS OF TURKISH LIRA		
	AUDITED		
	CURRENT PERIOD ^(*)		
Footnotes (Section Five)	31/12/2018		
	TL	FC	TOTAL
3.2.1. Foreign Currency Purchase and Sale Transactions	43,282	43,200	86,482
3.2.1.1. Foreign Currency Purchase Transactions	42,372	1,308	43,680
3.2.1.2. Foreign Currency Sale Transactions	910	41,892	42,802
3.2.2. Currency and interest rate swaps	109,270	786,850	896,120
3.2.2.1. Currency swap purchase transactions	-	460,472	460,472
3.2.2.2. Currency swap sale transactions	109,270	326,378	435,648
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	-	10,056	10,056
3.2.3.1. Currency purchase options	-	5,028	5,028
3.2.3.2. Currency sale options	-	5,028	5,028
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)	10,855,685	23,103,018	33,958,703
IV. ITEMS HELD IN CUSTODY	5,245,377	4,292,713	9,538,090
4.1. Customers' fund and portfolios balances	-	-	-
4.2. Securities held in custody	1,486,234	15,833	1,502,067
4.3. Checks received for collection	51,270	9,844	61,114
4.4. Commercial notes received for collection	7,592	7,573	15,165
4.5. Other assets received for collection	-	-	-
4.6. Securities received for public offering	-	-	-
4.7. Other items under custody	3,694,639	4,257,204	7,951,843
4.8. Custodians	5,642	2,259	7,901
V. PLEDGED ITEMS	5,610,308	18,810,305	24,420,613
5.1. Marketable securities	18,426	-	18,426
5.2. Guarantee notes	921	53	974
5.3. Commodity	71,445	262,792	334,237
5.4. Warrant	230	-	230
5.5. Immovables	3,747,100	12,587,299	16,334,399
5.6. Other pledged items	1,772,186	5,960,161	7,732,347
5.7. Depositories Receiving Pledged items	-	-	-
VI. ACCEPTED GUARANTEES AND WARRANTEES	-	-	-
TOTAL OFF BALANCE SHEET ITEMS (A+B)	11,716,767	25,836,162	37,552,929

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

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS
AS AT 31 DECEMBER 2018**

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

	Footnotes (Section Five)	THOUSANDS OF TURKISH LIRA		
		AUDITED		
		PRIOR PERIOD 31/12/2017		
		TL	FC	TOTAL
A. OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		1,622,911	3,057,170	4,680,081
I. GUARANTEES	(5.III.1)	520,682	1,268,501	1,789,183
1.1.Letters of guarantee		520,682	1,155,059	1,675,741
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		520,682	1,155,059	1,675,741
1.2.Bank acceptances		-	-	-
1.2.1.Import letter of acceptance		-	-	-
1.2.2.Other bank acceptances		-	-	-
1.3.Letters of credit		-	68,919	68,919
1.3.1.Documentary letters of credit		-	51,933	51,933
1.3.2.Other letters of credit		-	16,986	16,986
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		-	44,523	44,523
1.9.Other warrantees		-	-	-
II. COMMITMENTS	(5.III.1)	190,237	9,662	199,899
2.1.Irrevocable commitments		190,237	9,662	199,899
2.1.1.Asset purchase and sales commitments		8,697	9,662	18,359
2.1.2.Time deposit purchase and sales commitments		-	-	-
2.1.3.Share capital commitment to associates and subsidiaries		-	-	-
2.1.4.Loan granting commitments		29,033	-	29,033
2.1.5.Securities issue brokerage commitments		-	-	-
2.1.6.Commitments for reserve requirements		-	-	-
2.1.7.Commitments for cheque payments		73,028	-	73,028
2.1.8.Tax and fund liabilities from export commitments		5	-	5
2.1.9.Commitments for credit card limits		67,403	-	67,403
2.1.10.Commitments for promotional operations credit cards and banking services		193	-	193
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		11,878	-	11,878
2.2.Revocable commitments		-	-	-
2.2.1.Revocable loan granting commitments		-	-	-
2.2.2.Other revocable commitments		-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		911,992	1,779,007	2,690,999
3.1.Derivative financial instruments held for hedging		-	-	-
3.1.1.Fair value hedges		-	-	-
3.1.2.Cash flow hedges		-	-	-
3.1.3.Foreign net investment hedges		-	-	-
3.2.Trading transactions		911,992	1,779,007	2,690,999

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

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

	THOUSANDS OF TURKISH LIRA		
	Footnotes (Section Five)	AUDITED PRIOR PERIOD 31/12/2017	
		TL	FC
3.2.1.Forward foreign currency purchase and sale transactions	-	3,350	3,350
3.2.1.1.Forward foreign currency purchase transactions	-	1,675	1,675
3.2.1.2.Forward foreign currency sale transactions	-	1,675	1,675
3.2.2.Currency and interest rate swaps	911,992	1,775,657	2,687,649
3.2.2.1.Currency swap purchase transactions	-	1,335,803	1,335,803
3.2.2.2.Currency swap sale transactions	911,992	439,854	1,351,846
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	-	-	-
3.2.3.1.Currency options purchase	-	-	-
3.2.3.2.Currency options sale	-	-	-
3.2.3.3.Interest rate options purchase	-	-	-
3.2.3.4.Interest rate options sale	-	-	-
3.2.3.5.Securities options purchase	-	-	-
3.2.3.6.Securities options sale	-	-	-
3.2.4.Currency futures	-	-	-
3.2.4.1.Currency futures purchase	-	-	-
3.2.4.2.Currency futures sale	-	-	-
3.2.5.Interest rate futures	-	-	-
3.2.5.1.Interest rate futures purchase	-	-	-
3.2.5.2.Interest rate futures sale	-	-	-
3.2.6.Other	-	-	-
B. CUSTODY AND PLEDGED SECURITIES (IV+V+VI)	9,180,376	11,321,250	20,501,626
IV. ITEMS HELD IN CUSTODY	4,886,303	1,313,990	6,200,293
4.1.Customers’ fund and portfolio balances	-	-	-
4.2.Securities held in custody	1,365,063	11,754	1,376,817
4.3.Checks received for collection	44,934	2,266	47,200
4.4.Commercial notes received for collection	6,925	5,979	12,904
4.5.Other assets received for collection	-	-	-
4.6.Securities received for public offering	-	-	-
4.7.Other items under custody	3,464,457	1,290,628	4,755,085
4.8.Custodians	4,924	3,363	8,287
V. PLEDGED ITEMS	4,294,073	10,007,260	14,301,333
5.1.Marketable securities	16,600	2	16,602
5.2.Guarantee notes	1,367	38	1,405
5.3.Commodity	128,854	956,904	1,085,758
5.4.Warrant	300	-	300
5.5.Immovables	2,972,167	7,256,918	10,229,085
5.6.Other pledged items	1,174,785	1,793,398	2,968,183
5.7.Depositories receiving pledged items	-	-	-
VI. ACCEPTED GUARANTEES AND WARRANTEES	-	-	-
TOTAL OFF BALANCE SHEET ITEMS (A+B)	10,803,287	14,378,420	25,181,707

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

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

	Footnotes (Section Five)	THOUSANDS OF TURKISH LIRA
		AUDITED CURRENT PERIOD ⁽¹⁾ (01/01/2018-31/12/2018)
INCOME AND EXPENSE ITEMS		
I. INTEREST INCOME	(5.IV.1)	1,240,100
1.1. Interest on loans		758,136
1.2. Interest received from reserve deposits		36,097
1.3. Interest received from banks		8,740
1.4. Interest received from money market transactions		26,993
1.5. Interest received from marketable securities portfolio		396,554
1.5.1. Financial assets at fair value through profit or loss		-
1.5.2. Financial assets at fair value through other comprehensive income		302,028
1.5.3. Financial assets measured at amortized cost		94,526
1.6. Finance lease income		-
1.7. Other interest income		13,580
II. INTEREST EXPENSES (-)	(5.IV.2)	764,529
2.1. Interest on deposits		459,053
2.2. Interest on funds borrowed		258,220
2.3. Interest on money market transactions		46,770
2.4. Interest on securities issued		-
2.5. Other interest expenses		486
III. NET INTEREST INCOME/EXPENSE (I - II)		475,571
IV. NET FEES AND COMMISSIONS INCOME/EXPENSES		96,576
4.1. Fees and commissions received		104,952
4.1.1. Non-cash loans		13,099
4.1.2. Other		91,853
4.2. Fees and commissions paid (-)		8,376
4.2.1. Non-cash loans		66
4.2.2. Other		8,310
V. PERSONNEL EXPENSES (-)	(5.IV.7)	180,011
VI. DIVIDEND INCOME	(5.IV.3)	152
VII. TRADING PROFIT/LOSS (Net)	(5.IV.4)	(16,793)
7.1. Profit/(losses) from capital market transactions		10,378
7.2. Profit/(losses) from derivative financial transactions		227,960
7.3. Foreign exchange profit/losses		(255,131)
VIII. OTHER OPERATING INCOME	(5.IV.5)	59,371
IX. GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)		434,866
X. ALLOWANCES FOR EXPECTED CREDIT LOSSES (-)	(5.IV.6)	175,413
XI. OTHER OPERATING EXPENSES (-)	(5.IV.7)	136,540
XII. NET OPERATING PROFIT/LOSS (IX-X-XI)		122,913
XIII. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-
XIV. PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES		-
XV. NET MONETARY POSITION GAIN/LOSS		-
XVI. PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XII+XIII+XIV+XV)	(5.IV.8)	122,913
XVII. PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	(5.IV.9)	39,364
17.1. Current tax provision		32,110
17.2. Expense effect of deferred tax (+)		7,619
17.3. Income effect of deferred tax (-)		365
XVIII. CURRENT PERIOD NET PROFIT/(LOSS) FROM CONTINUING OPERATIONS (XVI±XVII)	(5.IV.10)	83,549
XIX. INCOME FROM DISCONTINUED OPERATIONS		-
19.1. Income from assets held for sale		-
19.2. Profit from sale of associates, subsidiaries and joint ventures		-
19.3. Other income from discontinued operations		-
XX. EXPENSES FOR DISCONTINUED OPERATIONS (-)		-
20.1. Expenses on assets held for sale		-
20.2. Losses from sale of associates, subsidiaries and joint ventures		-
20.3. Other expenses for discontinued operations		-
XXI. PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (±) (XIX-XX)	(5.IV.8)	-
XXII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)	(5.IV.9)	-
22.1. Current tax provision		-
22.2. Expense effect of deferred tax (+)		-
22.3. Income effect of deferred tax (-)		-
XXIII. CURRENT PERIOD NET PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS (XXI±XXII)	(5.IV.10)	-
XXIV. CURRENT PERIOD NET PROFIT/(LOSS) (XVIII+XXIII)	(5.IV.11)	83,549
24.1. Group's Profit/(Loss)		83,549
24.2. Minority Shares' Profit/(Loss) (-)		-
Earnings/(Losses) per share (Full TL)		0.0097

⁽¹⁾ The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

INCOME AND EXPENSE ITEMS	Footnotes (Section Five)	THOUSANDS OF TURKISH LIRA
		AUDITED PRIOR PERIOD ⁽¹⁾ (01/01/2017 - 31/12/2017)
I. INTEREST INCOME	(5.IV.1)	745,389
1.1 Interest from Loans		517,389
1.2 Interest from Reserve Deposits		17,653
1.3 Interest from Banks		8,288
1.4 Interest from Money Market Transactions		4,675
1.5 Interest from Securities Portfolio		196,522
1.5.1 Trading Securities		-
1.5.2 Financial Assets at Fair Value Through Profit or Loss		-
1.5.3 Available for Sale Securities		167,107
1.5.4 Held to Maturity Securities		29,415
1.6 Interest from Financial Leases		-
1.7 Other Interest Income		862
II. INTEREST EXPENSE	(5.IV.2)	377,672
2.1 Interest on Deposits		211,185
2.2 Interest on Funds Borrowed		123,874
2.3 Interest on Money Market Transactions		42,475
2.4 Interest on Securities Issued		-
2.5 Other Interest Expense		138
III. NET INTEREST INCOME (I - II)		367,717
IV. NET FEE AND COMMISSION INCOME		76,055
4.1 Fees and Commissions Received		82,417
4.1.1 Non-Cash Loans		8,170
4.1.2 Other		74,247
4.2 Fees and Commissions Paid		6,362
4.2.1 Non-Cash Loans		158
4.2.2 Other		6,204
V. DIVIDEND INCOME	(5.IV.3)	8
VI. TRADING INCOME/LOSS (Net)	(5.IV.4)	(64,192)
6.1 Profit / (Loss) on Capital Market Transactions		10,019
6.2 Derivative Instruments Gain / (Loss)		(63,863)
6.3 Foreign Exchange Gain / (Loss)		(10,348)
VII. OTHER OPERATING INCOME	(5.IV.5)	25,286
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)		404,874
IX. IMPAIRMENT ON LOANS AND OTHER RECEIVABLES (-)	(5.IV.6)	94,017
X. OTHER OPERATING EXPENSES (-)	(5.IV.7)	229,271
XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)		81,586
XII. SURPLUS WRITTEN AS GAIN AFTER MERGER		-
XIII. PROFIT / LOSS FROM EQUITY METHOD INVESTMENTS		-
XIV. GAIN/LOSS ON NET MONETARY POSITION		-
XV. P/L BEFORE TAXES FROM CONTINUING OPERATIONS (XI+...+XIV)	(5.IV.8)	81,586
XVI. TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	(5.IV.9)	(33,303)
16.1 Current Tax Provision		(39,898)
16.2 Deferred Tax Provision		6,595
XVII. NET PROFIT / LOSS FROM CONTINUING OPERATIONS (XV±XVI)	(5.IV.10)	48,283
XVIII. PROFIT FROM DISCONTINUED OPERATIONS		-
18.1 Assets Held for Sale		-
18.2 Profit on Sale of Associates, Subsidiaries and Joint Ventures		-
18.3 Others		-
XIX. LOSS FROM DISCONTINUED OPERATIONS (-)		-
19.1 Assets Held for Sale		-
19.2 Loss on Sale of Associates, Subsidiaries and Joint Ventures		-
19.3 Others		-
XX. P/L BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)	(5.IV.8)	-
XXI. TAXES ON INCOME FROM DISCONTINUED OPERATIONS (±)	(5.IV.9)	-
21.1 Current Tax Provision		-
21.2 Deferred Tax Provision		-
XXII. NET PROFIT / LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)	(5.IV.10)	-
XXIII. NET PROFIT/LOSS (XVII+XXII)	(5.IV.11)	48,283
23.1 Group's Profit / Loss		48,283
23.2 Minority Shares' Profit / Loss (-)		-
Earnings / (Loss) per Share (Full TL)		0.0075

⁽¹⁾ The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	THOUSANDS OF TURKISH LIRA AUDITED CURRENT PERIOD ⁽¹⁾ (01/01/2018 - 31/12/2018)
I. PROFIT (LOSS)	83,549
II. OTHER COMPREHENSIVE INCOME	(82,182)
2.1. Other Comprehensive Income That Will Not Be Reclassified to Profit or Loss	1,064
2.1.1. Gains/(Losses) on Revaluation of Property, Plant and Equipment	1,708
2.1.2. Gains/(Losses) on Revaluation of Intangible Assets	-
2.1.3. Gains/(Losses) on Remeasurements of Defined Benefit Plans	(765)
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	121
2.2. Other Comprehensive Income That Will Be Reclassified to Profit or Loss	(83,246)
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	(104,058)
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 Profit or Loss	-
2.2.6. Tax Relating to Components of Other Comprehensive Income That Will Be Reclassified to Profit or Loss	20,812
III. TOTAL COMPREHENSIVE INCOME (I+II)	1,367

⁽¹⁾ The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

PROFIT/LOSS ITEMS RECOGNIZED IN EQUITY	THOUSANDS OF TURKISH LIRA AUDITED PRIOR PERIOD⁽¹⁾ (01/01/2017 - 31/12/2017)
I. ADDITIONS TO VALUATION DIFF. ON SECURITIES FROM AVAILABLE FOR SALE INVESTMENTS	18,720
II. REVALUATION ON TANGIBLE ASSETS	1,582
III. REVALUATION ON INTANGIBLE ASSETS	-
IV. FOREIGN EXCHANGE DIFFERENCES	-
V. PROFIT/LOSS RELATED TO DERIVATIVES USED IN CASH FLOW HEDGES (Effective portion)	-
VI. PROFIT/LOSS RELATED TO DERIVATIVES USED IN HEDGE OF A NET INVESTMENT IN FOREIGN SUBSIDIARIES (Effective portion)	-
VII. EFFECT OF CHANGES IN ACCOUNTING POLICIES OR CORRECTIONS OF ERRORS	-
VIII. OTHER PROFIT/LOSS ITEMS RECOGNIZED IN EQUITY PER TURKISH ACCOUNTING STANDARDS	(218)
IX. DEFERRED AND CURRENT TAXES ON VALUATION DIFFERENCES	(3,982)
X. NET PROFIT/LOSS RECOGNIZED IN EQUITY (I+II+...+IX)	16,102
XI. CURRENT PERIOD PROFIT/LOSS	48,283
11.1 Net Change in Fair Value of Securities (Transfer to Profit or Loss)	(2)
11.2 Ineffective Portion of Profit / Loss Related to Derivatives in Cash Flow Hedges	-
11.3 Ineffective Portion of Profit / Loss Related to Derivatives Used in Hedge of Net Investment in Foreign Subsidiaries	-
11.4 Other	48,285
XII. TOTAL RECOGNIZED INCOME OR EXPENSE FOR THE PERIOD (X±XI)	64,385

⁽¹⁾ The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
 FOR THE YEAR ENDED 31 DECEMBER 2018**

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

Current period ⁽¹⁾	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Other Comprehensive Income/Expense Items not to be Reclassified to Profit or Loss		
					1	2	3
I. Balances at Beginning of Period	860,000	(587)	-	182	11,646	-	-
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)	-	182	11,646	-	-
IV. Total Comprehensive Income (Loss)	-	-	-	-	1,622	(558)	-
V. Capital Increase by Cash	-	-	-	-	-	-	-
VI. Capital Increase through Internal resources	-	-	-	-	-	-	-
VII. Issued capital/ inflation adjustment difference	-	-	-	-	-	-	-
VIII. Convertible Bonds	-	-	-	-	-	-	-
IX. Subordinated Liabilities	-	-	-	-	-	-	-
X. Increase/ (Decrease) through Others Changes	-	-	-	(182)	-	182	-
XI. Profit Distribution	-	-	-	-	-	-	-
11.1 Dividends distributed	-	-	-	-	-	-	-
11.2 Transfers to legal reserves	-	-	-	-	-	-	-
11.3 Others	-	-	-	-	-	-	-
Balances at end of the period (III+IV+.....+X+XI) - 31/12/2018	860,000	(587)	-	-	13,268	(376)	-

⁽¹⁾ The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

1. Tangible/ intangible assets revaluation reserves
2. Actuarial gains/(losses) on remeasurement of defined benefit plans
3. Other (other comprehensive income of associates and joint ventures accounted for using equity method that will not be reclassified to profit or loss and other accumulated amounts of other comprehensive income that will not be reclassified to profit or loss)
4. Exchange differences on translation
5. Accumulated gains / (losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income.
6. Other (Accumulated gains / (losses) and cash flow hedges, other comprehensive income of associates and joint ventures accounted for using equity method that will be reclassified to profit or loss and other accumulated amounts of other comprehensive income that will be reclassified to profit or loss)

Other Comprehensive Income/Expense Items to be Reclassified to Profit or Loss			Profit Reserves	Prior Period Net Profit/ (Loss)	Current Period Net Profit/ (Loss)	Total Shareholders' Equity Without Minority Share	Minority Interest	Total Shareholders' Equity
4	5	6						
-	(5,596)	-	201,682	(3,316)	48,283	1,112,294	-	1,112,294
-	-	-	-	47,764	-	47,764	-	47,764
-	-	-	-	-	-	-	-	-
-	-	-	-	47,764	-	47,764	-	47,764
-	(5,596)	-	201,682	44,448	48,283	1,160,058	-	1,160,058
-	(83,246)	-	-	-	-	(82,182)	-	(82,182)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	31	(496)	83,549	83,084	-	83,084
-	-	-	44,967	3,316	(48,283)	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	44,967	-	-	44,967	-	44,967
-	-	-	-	3,316	(48,283)	(44,967)	-	(44,967)
-	(88,842)	-	246,680	47,268	83,549	1,160,960	-	1,160,960

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

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

CHANGES IN SHAREHOLDERS' EQUITY	AUDITED THOUSANDS OF TURKISH LIRA						
	Paid-in Capital	Capital Reserves from Inflation Adjustments to Paid-in Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves
PRIOR PERIOD							
31/12/2017							
I. Balances at the beginning of period - 01/01/2017	420,000	-	(814)	-	11,669	-	127,271
Changes in the period							
II. Increase / decrease related to mergers	-	-	-	-	-	-	-
III. Valuation difference of available-for-sale securities	-	-	-	-	-	-	-
IV. Hedging transactions (effective portion)	-	-	-	-	-	-	-
4.1 Cash flow hedge	-	-	-	-	-	-	-
4.2 Hedging of a net investment in foreign subsidiaries	-	-	-	-	-	-	-
V. Revaluation fund on tangible assets	-	-	-	-	-	-	-
VI. Revaluation fund on intangible assets	-	-	-	-	-	-	-
VII. Capital bonus of associates, subsidiaries and joint ventures	-	-	-	-	-	-	-
VIII. Foreign exchange differences	-	-	-	-	-	-	-
IX. Changes related to sale of assets	-	-	-	-	-	-	-
X. Changes related to reclassification of assets	-	-	-	-	-	-	-
XI. Effect of changes in equities of associates	-	-	-	-	-	-	-
XII. Capital increase	440,000	-	-	-	-	-	-
12.1 Cash	440,000	-	-	-	-	-	-
12.2 Domestic sources	-	-	-	-	-	-	-
XIII. Issuances of share certificates	-	-	227	-	-	-	-
XIV. Abolition profit of share certificates	-	-	-	-	-	-	-
XV. Capital reserves from inflation adjustments to paid-in capital	-	-	-	-	-	-	-
XVI. Others	-	-	-	-	-	-	-
XVII. Current period net profit / (loss)	-	-	-	-	-	-	-
XVIII. Profit distribution	-	-	-	-	268	-	5,108
18.1 Dividends	-	-	-	-	-	-	-
18.2 Transferred to reserves	-	-	-	-	268	-	5,108
18.3 Others	-	-	-	-	-	-	-
Balances at the end of period							
(I+II+III+...+XVI+XVII+XVIII) - 31/12/2017	860,000	-	(587)	-	11,937	-	132,379

⁽¹⁾ The amounts presented under "Other Reserves" column consist of "Other Supplementary Capital" and "Other Profit Reserves" amounts presented on the balance sheet.

AUDITED
THOUSANDS OF TURKISH LIRA

Other Reserves ⁽¹⁾	Current Period Net Profit / (Loss)	Prior Period Net Profit / (Loss)	Valuation Differences of Securities	Revaluation Fund on Tangible and Intangible Assets	Non-paid up shares from partnerships	Hedge Funds	Revaluation Fund on Assets Held for Sale and Discontinued Operations	Total Equity Attributable to Holders of the Parent	Minority Interests	Shareholders' Equity	Total Equity
57,918	18,749	(17,357)	(20,572)	10,143	-	-	-	607,007	-	607,007	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	14,976	-	-	-	-	14,976	-	14,976	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	1,503	-	-	-	1,503	-	1,503	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	440,000	-	440,000	-
-	-	-	-	-	-	-	-	440,000	-	440,000	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	227	-	227	-
-	-	-	-	-	-	-	-	-	-	-	-
(370)	-	-	-	-	-	-	-	(370)	-	(370)	-
-	48,283	-	-	-	-	-	-	48,283	-	48,283	-
-	(18,749)	14,041	-	-	-	-	-	668	-	668	-
-	-	-	-	-	-	-	-	-	-	-	-
-	(5,376)	-	-	-	-	-	-	-	-	-	-
-	(13,373)	14,041	-	-	-	-	-	668	-	668	-
57,548	48,283	(3,316)	(5,596)	11,646	-	-	-	1,112,294	-	1,112,294	-

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

		THOUSANDS OF TURKISH LIRA
		AUDITED
		CURRENT PERIOD ⁽¹⁾
		(01/01/2018 - 31/12/2018)
A.	CASH FLOWS FROM BANKING OPERATIONS	
1.1	Operating Profit before Changes in Operating Assets and Liabilities	(207,101)
1.1.1	Interest Received	936,964
1.1.2	Interest Paid	(694,602)
1.1.3	Dividend Received	152
1.1.4	Fees And Commissions Received	105,241
1.1.5	Other Income	31,635
1.1.6	Collections from Previously Written Off Loans and Other Receivables	8,329
1.1.7	Cash Payments to Personnel and Service Suppliers	(179,806)
1.1.8	Taxes Paid	(40,717)
1.1.9	Other	(374,297)
1.2	Changes in Operating Assets and Liabilities	1,665,268
1.2.1	Net (Increase)/ Decrease in Financial Assets Measured at Fair Value Through Profit/Loss	17,686
1.2.2	Net (Increase)/Decrease in Due From Banks	703,026
1.2.3	Net (Increase)/Decrease in Loans	(45,078)
1.2.4	Net (Increase)/Decrease in Other Assets	42,825
1.2.5	Net Increase/(Decrease) in Bank Deposits	1,247,814
1.2.6	Net Increase/(Decrease) in Other Deposits	3,397,393
1.2.7	Net Increase/(Decrease) in Financial Liabilities Measured at Fair Value Through Profit/Loss	-
1.2.8	Net Increase/(Decrease) in Funds Borrowed	(3,747,302)
1.2.9	Net Increase/(Decrease) in Matured Payables	-
1.2.10	Net Increase/(Decrease) in Other Liabilities	48,904
I.	Net Cash Provided from Banking Operations	1,458,167
B.	CASH FLOWS FROM INVESTING ACTIVITIES	
II.	Net Cash Provided from Investing Activities	(1,221,766)
2.1	Cash Paid for Purchase of Associates and Subsidiaries, Joint Ventures	-
2.2	Cash Obtained From Sale of Associates and Subsidiaries, Joint Ventures	-
2.3	Cash Paid for the Purchase of Tangible and Intangible Assets	(4,884)
2.4	Cash Obtained From the Sale of Tangible and Intangible Assets	914,547
2.5	Cash Paid for the Purchase of Financial Assets at Fair Value Through Other Comprehensive Income	(871,755)
2.6	Cash Obtained From the Sale of Financial Assets at Fair Value Through Other Comprehensive Income	-
2.7	Cash Paid for the Purchase of Financial Assets Measured at Amortized Cost	(830,911)
2.8	Cash Obtained From the Sale of Financial Assets Measured at Amortized Cost	-
2.9	Other	(428,763)
C.	CASH FLOWS FROM FINANCING ACTIVITIES	
III.	Net Cash Flows from Financing Activities	1,579,084
3.1	Cash Obtained from Funds Borrowed and Securities Issued	1,579,084
3.2	Cash Outflow From Funds Borrowed and Securities Issued	-
3.3	Equity Instruments Issued	-
3.4	Dividends Paid	-
3.5	Payments for Finance Lease Liabilities	-
3.6	Other	-
IV.	Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents	70,377
V.	Net Increase in Cash and Cash Equivalents (I+II+III+IV)	1,885,862
VI.	Cash and Cash Equivalents at the Beginning of Period	1,968,369
VII.	Cash and Cash Equivalents at the End of Period (V+VI)	3,854,231

⁽¹⁾ The prior period financial statements and related disclosures are not re-stated as permitted by TFRS 9 transition rules. Since 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

		THOUSANDS OF TURKISH LIRA
		AUDITED
		PRIOR PERIOD⁽¹⁾
		(01/01/2017 - 31/12/2017)
A.	CASH FLOWS FROM BANKING OPERATIONS	
1.1	Operating Profit before Changes in Operating Assets and Liabilities	65,751
1.1.1	Interest Received	614,828
1.1.2	Interest Paid	(343,390)
1.1.3	Dividend Received	8
1.1.4	Fees And Commissions Received	97,069
1.1.5	Other Income	(63,686)
1.1.6	Collections from Non-performing Loans	14,627
1.1.7	Payments to Personnel and Service Suppliers	(130,602)
1.1.8	Taxes Paid	(39,597)
1.1.9	Other	(83,506)
1.2	Changes in Operating Assets and Liabilities	1,390,186
1.2.1	Net (Increase)/ Decrease in Trading Securities	(25,415)
1.2.2	Net (Increase)/Decrease in Financial Assets Designated at Fair Value Through Profit/Loss	-
1.2.3	Net (Increase)/Decrease in Banks	(329,873)
1.2.4	Net (Increase)/Decrease in Loans	(2,563,186)
1.2.5	Net (Increase)/Decrease in Other Assets	(49,522)
1.2.6	Net Increase/(Decrease) in Bank Deposits	(383,233)
1.2.7	Net Increase/(Decrease) in Other Deposits	421,021
1.2.8	Net Increase/(Decrease) in Funds Borrowed	3,999,865
1.2.9	Net Increase/(Decrease) in Due Payables	-
1.2.10	Net Increase/(Decrease) in Other Liabilities	320,529
I.	Net Cash Provided by Banking Operations	1,455,937
B.	CASH FLOWS FROM INVESTING ACTIVITIES	
II.	Net Cash Provided from Investing Activities	(676,532)
2.1	Cash Paid for Purchase of Investments, Associates and Subsidiaries (Joint Ventures)	-
2.2	Cash Obtained From Sale of Investments, Associates and Subsidiaries (Joint Ventures)	-
2.3	Fixed Assets Purchases	(11,008)
2.4	Fixed Assets Sales	125
2.5	Cash Paid for Purchase of Investments Available for Sale	(783,547)
2.6	Cash Obtained From Sale of Investments Available for Sale	415,071
2.7	Cash Paid for Purchase of Investment Securities	(293,707)
2.8	Cash Obtained from Sale of Investment Securities	-
2.9	Other	(3,466)
C.	CASH FLOWS FROM FINANCING ACTIVITIES	
III.	Net Cash Provided by Financing Activities	440,227
3.1	Cash Obtained from Funds Borrowed and Securities Issued	-
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued	-
3.3	Capital Increase	440,000
3.4	Dividends Paid	-
3.5	Payments for Finance Leases	-
3.6	Other	227
IV.	Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents	26,812
V.	Net Increase / (Decrease) in Cash and Cash Equivalents (I+II+III+IV)	1,246,444
VI.	Cash and Cash Equivalents at the Beginning of Period	721,925
VII.	Cash and Cash Equivalents at the End of Period (V+VI)	1,968,369

⁽¹⁾ The prior period financial statements and related disclosures are not re-stated as permitted by TFRS 9 transition rules. Since 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**PARENT BANK STATEMENT OF PROFIT DISTRIBUTION
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

	THOUSANDS OF TURKISH LIRA	
	CURRENT PERIOD ⁽¹⁾ (01/01/2018-31/12/2018)	PRIOR PERIOD ⁽²⁾ (01/01/2017-31/12/2017)
I. DISTRIBUTION OF CURRENT YEAR PROFIT⁽³⁾		
1.1. Current Year Income	95,413	71,564
1.2. Taxes and Legal Duties Payables (-)	33,344	29,080
1.2.1. Corporate Tax (Income Tax)	25,758	35,340
1.2.2. Income Withholding Tax	-	-
1.2.3. Other Taxes and Duties	7,586	(6,260)
A. Net Income For The Year (1.1-1.2)	62,069	42,484
1.3. Prior Year Losses (-)	-	3,316
1.4. First Legal Reserves (-)	-	1,958
1.5. Other Statutory Reserves (-)	-	-
B. Net Income Available for Distribution [(A)-(1.3+1.4+1.5)]	-	37,210
1.6. First Dividend to shareholders (-)	-	-
1.6.1. To Owners of Ordinary Shares	-	-
1.6.2. To Owners of Privileged Shares	-	-
1.6.3. To Owners of Redeemed Shares	-	-
1.6.4. To Profit Sharing Bonds	-	-
1.6.5. To Holders of Profit and Loss Sharing Certificates	-	-
1.7. Dividends to personnel (-)	-	-
1.8. Dividends to Board of Directors (-)	-	-
1.9. Second Dividend to Shareholders (-)	-	-
1.9.1. To Owners of Ordinary Shares	-	-
1.9.2. To Owners of Privileged Shares	-	-
1.9.3. To Owners of Redeemed Shares	-	-
1.9.4. To Profit Sharing Bonds	-	-
1.9.5. To Holders Of Profit And Loss Sharing Certificates	-	-
1.10. Second Legal Reserves (-)	-	-
1.11. Statutory Reserves (-)	-	-
1.12. Extraordinary Reserves	-	37,210
1.13. Other Reserves	-	-
1.14. Special Funds	-	-
II. Distribution of Reserves		
2.1. Appropriated Reserves	-	-
2.2. Second Legal Reserves (-)	-	-
2.3. Dividends to Shareholders (-)	-	-
2.3.1. To Owners of Ordinary Shares	-	-
2.3.2. To Owners of Privileged Shares	-	-
2.3.3. To Owners of Redeemed Shares	-	-
2.3.4. To Profit Sharing Bonds	-	-
2.3.5. To Holders of Profit and Loss Sharing Certificates	-	-
2.4. Dividends to Personnel (-)	-	-
2.5. Dividends to Board of Directors (-)	-	-
III. Earnings per Share		
3.1. To Owners of Ordinary Shares(Full TL)	0.0072	0.0066
3.2. To Owners of Ordinary Shares (%)	7.2	6.6
3.3. To Owners of Privileged Shares	-	-
3.4. To Owners of Privileged Shares (%)	-	-
IV. Dividend per Share		
4.1. To Owners of Ordinary Shares(Full TL)	-	-
4.2. To Owners of Ordinary Shares (%)	-	-
4.3. To Owners of Privileged Shares	-	-
4.4. To Owners of Privileged Shares (%)	-	-

⁽¹⁾ The authorised body of the Bank for the distribution of the current period's profit is the General Assembly. The Bank's annual ordinary General Assembly meeting had not been held as of the date on which these financial statements were prepared.

⁽²⁾ The statement of profit distribution for the prior period has been finalized and restated with the decision of the Ordinary General Assembly dated 30 March 2018, after the audited financial statements as of 31 December 2017 have been issued. At the Ordinary General Assembly Meeting of the Parent Bank held on 30 March 2018, the remaining TL 42,484 of the net income after the net tax for the year 2017 has been deducted from the previous year's losses with amount of TL 3,316. After the deduction remaining amount of TL 39,168 used for calculation of legal reserve of 5% of with amount of TL 1,958 in accordance with the TCC 519/1 and the remaining TL 37,210 to be transferred to extraordinary reserves.

⁽³⁾ Statement of profit distribution above belongs to the Parent Bank.

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

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2018**

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

SECTION THREE

ACCOUNTING POLICIES

I. Explanations on Basis of Presentation

Preparation of the consolidated financial statements and the accompanying footnotes in accordance with Turkish Accounting Standards and Regulation on the Procedures and Principles for Accounting Practices and Retention of Documents by Banks:

The consolidated financial statements have been 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”) for the matters not regulated by the aforementioned legislations.

The format and content of the publicly announced consolidated financial statements and notes to these statements have been prepared in accordance with the “Communiqué on the Financial Statements to be announced to public by Banks as well as Explanations and Footnotes Thereof”, published in Official Gazette no. 28337, dated 28 June 2012, and amendments to this Communiqué. The Bank maintains its books in Turkish Lira in accordance with the Banking Law, Turkish Commercial Code and Turkish Tax Legislation.

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 Legislation 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 at the balance sheet date. These estimates are being audited 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 disclosures.

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

The Parent Bank has started to apply, pursuant to the “Regulation on Principles and Procedures for Classification of Loans and Provisions to be Reserved for These” published in the Official Gazette No. 29750 and dated 22 June 2016, entered into force as of 1 January 2018, TFRS 9 Financial Instruments (TFRS 9) standard issued by the POA on its financial statements for the first time on 1 January 2018.

TFRS 15 and other relevant TFRS amendments does not have a significant impact on the Parent Bank’s accounting policies, financial position and performance. TFRS 16 Leases have entered into force on 1 January 2019 and is not expected to have a significant impact on the Group’s financial statements.

Additional paragraph for convenience translation to English:

The differences between accounting principles, as described in these preceding paragraphs and accounting principles generally accepted in countries in which consolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in these consolidated financial statements. Accordingly, these consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2018**

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

I. Explanations on Basis of Presentation (Continued)

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

Accounting policies and valuation principles used in the preparation of the consolidated financial statements are determined in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"), and in case where a specific regulation is not made by BRSA, TFRS. In accordance with the transition rules of TFRS 9, the prior period financial statements and notes are not restated. Accounting policies and valuation principles used for the year 2018 and 2017 periods are separately presented in the notes and the accounting policies for the year 2017 are included in Section Three note XXVIII. Impacts of transition to TFRS 9 and its adoption is disclosed in Section Three Note XXVII.

II. Explanations on Strategy for the Use of Financial Instruments and the Foreign Currency Transactions

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 income statement as "Foreign Exchange Gain/Loss".

As at 31 December 2018, rates used for converting foreign exchange transactions to Turkish Lira and presenting them in financial statements are as follows (TL Full); USD: TL 5.2609, Euro: TL 6.0280, GBP: TL 6.6528, JPY: TL 0.0475.

There is no goodwill related to the Parent Bank's foreign operations.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2018**

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

III. Explanations on Subsidiaries and Associates

The Parent Bank has no associate as of 31 December 2018 and 31 December 2017.

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 December 2018 and 31 December 2017.

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 eliminated. 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 December 2018 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.

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 income statement. 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 income statement 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.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2018**

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

V. Explanations on Interest Income and Expense

Interest is recognized using the effective interest method (the effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability) defined in TFRS 9. Interest income and expense computed by using internal rate of return are recognized on an accrual basis. In accordance with the related legislation, the Parent Bank ceases to accrue interest income on loans that become non-performing. Interest accrual does not start until such loans become performing and are classified as performing loans or until collection.

VI. Explanations on Fees and Commissions Income and Expense

Fee and commission income and expenses are accounted on accrual or cash basis relatively, depending on the nature of the transaction. Upfront commissions from cash and non-cash loans are allocated to related periods. Upfront fees from loans are discounted with effective interest rate method and allocated to related period’s income.

VII. Explanations on 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

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 aims to hold to collect contractual cash flows and aims to hold to sell,
- Financial asset 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.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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 aims to hold to collect contractual cash flows,
- Financial asset 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.

d. 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.

VIII. Explanations on Impairment of Financial Assets

Recognition of 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 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.

In this framework, as of 31 December 2017, method of provisions for impairment as set out in accordance with the related legislation of BRSA is changed by applying the expected credit loss model under TFRS 9.

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.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2018**

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

VIII. Explanations on Impairment of Financial Assets (Continued)

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 key management personnel;
- 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 Payments are Related to Principal 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

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.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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.

The Group does not have any discontinued operations.

XII. Explanations on Goodwill and Other Intangible Assets

There is no goodwill in the accompanying consolidated financial statements as at 31 December 2018 and 31 December 2017.

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 amortization rates between 6.66% and 33.33%.

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.

Gain and losses sourcing from disposal of plant, property and equipment 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.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

XIII. Explanations on Tangible Assets (Continued)

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. As at 31 December 2018, revaluation surplus on tangible assets amounts to TL 13,967 (31 December 2017: TL 12,259).

XIV. 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. Tangible assets acquired by way of financial leasing are recognized in tangible assets and depreciated in line with tangible assets group they relate to. In cases where leased assets are impaired or the expected future benefits of the assets are less than their book values, the book values of such leased assets are reduced to their net realizable values. 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 income statement. The Group does not enter into financial lease transactions by acting as the “lessor”.

In operating leases, the rent payments are charged to the statement of profit or loss on an accrual basis.

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. 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.

XVII. Explanations on Obligations Related to Employee Rights

Obligations concerning employee severance indemnities and vacation pay are accounted for in accordance with the Turkish Accounting Standard (“TAS 19”) “Employee Benefits”.

In accordance with existing legislation in Turkey, the Group have to make certain lump-sum payments to employees who has completed one year of service and whose employment is terminated due to retirement 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.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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 2018, 2019 and 2020 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 offsetted 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.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2018**

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

XVIII. Explanations on Taxation (continued)

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.

Corporate tax-payers required in “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 (internal rate of return) 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 December 2018 and 31 December 2017, 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 30 March 2018, the remaining TL 42,484 of the net income after the net tax for the year 2017 has been deducted from the previous year’s losses with amount of TL 3,316. After the deduction remaining amount of TL 39,168 used for calculation of legal reserve of 5% of with amount of TL 1,958 in accordance with the TCC 519/1 and the remaining TL 37,210 to be transferred 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 Note 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 three months or less and receivables from reverse repo. The reserve requirements blocked at the CBRT are not recognized as “cash equivalent assets” in the statement of cash flows.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

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, Note XI.

XXVII. Reclassifications

The table below shows classification and measurement records on 1 January 2018 related to first application of TFRS 9 Financial Instruments Standard.

	31 December			1 January
	2017	Reclassifications	Remeasurements	2018
ASSETS				
Financial Assets	2,513,663	17,130	(11,651)	2,519,142
Financial Assets at Fair Value through Profit and Loss	31,240	(691)	-	30,549
Financial Assets at Fair Value through Other Comprehensive Income	-	1,989,010	-	1,989,010
<i>Financial Assets Available for Sale</i>	<i>1,989,010</i>	<i>(1,989,010)</i>	-	-
Financial Assets Measured at Amortized Cost	-	493,413	-	493,413
<i>Investments Held to Maturity</i>	<i>493,413</i>	<i>(493,413)</i>	-	-
Derivative Financial Assets	-	691	-	691
Allowance for Expected Credit Losses (-)	-	17,130	(11,651)	5,479
Loans	72,147	82,928	(39,397)	115,678
Allowance for Expected Credit Losses (-)	-	155,075	(39,397)	115,678
<i>Specific Provisions (-)</i>	<i>72,147</i>	<i>(72,147)</i>	-	-
Deferred Tax Assets	10,619	-	10,028	20,677
Other Assets	84,522	-	(231)	84,291
LIABILITIES				
Derivative financial liabilities	-	14,272	-	14,272
<i>Derivative financial liabilities held for trading</i>	<i>14,272</i>	<i>(14,272)</i>	-	-
Provisions	125,146	(100,057)	(6,543)	18,545
<i>General Provisions</i>	<i>104,344</i>	<i>(104,344)</i>	-	-
<i>Other Provisions</i>	<i>20,802</i>	<i>4,287</i>	<i>(6,543)</i>	<i>18,545</i>
Prior years profit/ losses	44,967	-	47,764	92,731

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2018**

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

XXVIII. Explanations on Other Matters

The accounting policies applied in the prior period and is not valid for the current period in accordance with application of TFRS 9 standard are presented below:

Explanations on Forward Transactions, Options and Derivative Instruments

The derivative transactions of the Parent Bank are mainly consist of foreign currency swaps, interest rate swaps, currency forwards, currency futures and currency options. Spot currency buying-selling transactions and currency swaps with two days value date of the Parent Bank are classified under assets purchase and sale commitments.

The Parent Bank’s derivative instruments are classified as “held-for-trading” according to TAS 39. The Parent Bank does not have any embedded derivatives.

The notional amounts of derivative transactions are recorded in off-balance sheet accounts based on their contractual amounts.

“Financial instruments at fair value through profit or loss” are measured at fair value. If the fair value of derivative financial instruments is positive, it is disclosed under the main account “financial assets at fair value through profit or loss” in “derivative financial assets held for trading” and if the fair value difference is negative, it is disclosed under “derivative financial liabilities held for trading”. Fair value changes are recorded under “Derivative Financial Transactions Gains/ (Losses)” in the income statement. The fair values of the derivative financial instruments are calculated using quoted market prices or by using discounted cash flow models.

The fair values of the option contracts are calculated as part of option pricing model and unrealized gains and losses are presented in the current period income statement.

Embedded derivatives are separated from the host contract and accounted for as a derivative under TAS 39 if, and only if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the hybrid instrument is not measured at fair value with changes in fair value recognized in profit or loss. When the host contract and embedded derivative are closely related, embedded derivatives are not separated from the host contract and are accounted according to the standard applied to the host contract.

Explanations on Financial Assets

The Parent Bank categorizes its financial assets as “Fair Value Through Profit/Loss”, “Available-for-sale Financial Assets”, “Loan and Receivables” or “Held to Maturity”. Sale and purchase transactions of the financial assets mentioned above are recognized and derecognized at the “Settlement dates”. The appropriate classification of financial assets of the Group is determined at the time of purchase by The Parent Bank’s management, taking into consideration the purpose of the investment.

a. Financial Assets at Fair Value Through Profit or Loss

This category has 2 stages: “trading financial assets” and “financial assets designated at fair value through profit or loss” at initial recognition. The Parent Bank has no financial assets designated at initial recognition.

Trading financial assets are financial assets which are either acquired for generating a profit from short-term fluctuations in a portfolio aiming a short-term profit making.

All regular purchases and sales of financial assets are recognized at the “settlement date”, which is the date that the assets is delivered to/ from the Bank. Trading financial assets are initially recognized at fair value and remeasured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the statement of profit or loss. Interest earned holding trading financial assets are accounted as interest income. Profit or loss resulting from disposals of these financial assets before maturity is recognized as “capital market gains/losses” in the statement of profit or loss.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2018**

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

XXVIII. Explanations on Other Matters (Continued)

b. Financial Assets Available for Sale:

Available-for-sale financial assets consist of financial assets other than “Loans and receivables”, “Held-to-maturity”, “Financial assets at fair value through profit or loss”.

Available-for-sale financial assets are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, available-for-sale financial assets are remeasured at fair value. Interest income arising from available-for-sale calculated with effective interest rate method and dividend income from equity securities are reflected to income statement. “Unrealized gains and losses” arising from the difference between the amortized cost and the fair value of securities classified as available-for-sale are recognized in the account of “Marketable Securities Valuation Differences” under shareholders’ equity, unless these assets are impaired, collected, sold, or disposed of. When these securities are collected or disposed of, the related fair value differences accumulated in the shareholders’ equity are transferred to the income statement.

The real coupon of State Treasuries Indexed to Consumer Prices in available for sale financial assets remains constant throughout the maturity. In addition to the effects of inflation changes; according to the announcements made by the Undersecretariat of Treasury of the Republic of Turkey Prime Ministry at the issue date, the reference inflation index at the issue date and the reference inflation index at the balance sheet date are evaluated.

c. Loans and Receivables:

Loans and receivables are carried initially by adding acquisition cost at which reflect for value to transaction cost and subsequently recognized at the discounted value calculated using the “effective interest rate method”. The expenses incurred the assets received as collateral are not considered as transactions costs and are recognized in the expense accounts.

The Parent Bank classifies its loans and receivables to related groups and calculates specific or general provisions in accordance with the “Regulation on the Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside” published in the Official Gazette dated 1 November 2006, no.26333 and by considering other regulations and explanations announced by BRSA. Specific provisions are accounted under “Provision for Loan Losses and Other Receivables” in the income statement and recorded as expense in the related year. If a receivable is collected which is provisioned in the same year, it is deducted from the “Provision for Loan Losses and Other Receivables”. If there is a subsequent collection from a receivable which has already been provisioned in previous years, the recovery amount is classified under “Other Operating Income”. Uncollectible receivables are written-off after all the legal procedures are finalized. The general policy of the Bank in the deletion of non-performing loans is that the receivables that are documented to be uncollectible during the legal follow-up process shall be deleted by taking into consideration the provisions of the Tax Procedures Law.

d. Held-to-maturity Financial Assets:

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to held-to-maturity other than those that the entity upon initial recognition designates as at fair value through profit or loss, those that the entity designates as available-for-sale; and those that meet the definition of “loans and receivables”. Held-to-maturity financial assets are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using “effective interest rate (internal rate of return) method”. Interest income obtained from held-to-maturity financial assets is accounted in income statement.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

XXVIII. Explanations on Other Matters (Continued)

e. Explanations on Impairment of Financial Assets

At each reporting date, the Parent Bank assesses whether there is objective evidence that a financial asset or a group of financial assets has been impaired. In the event that there is an indication of the type of indication, the Parent Bank determines the amount of the impairment.

A financial asset or a group of financial assets is recognized only when it is probable that one or more than one event has occurred after the initial recognition of the asset (“loss/ deficit event”) and the related financial asset or group of assets has been reliably estimated if there is objective evidence of impairment as a result of the effect on future cash flows, impairment and impairment is recognized.

In the event that there is evidence that the credited loans will not be collected, the special and general provisions required for the related loans classified in the framework of the “Regulation on the Procedures and Principles for the Determination of the Qualifications of Banks and the Other Receivables in Banks” published in the Official Gazette No. 26333 dated 1 November 2006 provisions are set aside and the provisions are transferred to the related period profit or loss accounts.

As of 31 December 2017; customer loans of the Bank are issued in the Official Gazette dated 18 June 2011 and numbered 27968 and in the Official Gazette dated 8 October 2013 and numbered 28789 (Doubled) “Determination of the Qualifications of Credits and Other Receivables in Banks and as the “Regulation on the Amendment of the Regulation on the Procedures and Principles for the Reserves to be Paid” is below the rates stated, no additional general loan provision has been calculated.

New standards which is not effective as the date of 1 January 2018

TFRS 16 Leases

On 16 April 2018, POA issued the new leasing standard, TFRS 16 “Leasings” which will replace TAS 17 Leases, TFRS Interpretation 4 Determining Whether an Arrangement Contains a Lease, TAS Interpretation 15 Operating Leases - Incentives, and consequently changes to TAS 40 Investment Properties. TFRS 16 Leases eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard is effective for annual periods beginning on or after 1 January 2019, the implementation of this amendment to TFRS 16 is not expected to have a significant impact on the financial statements of the Group.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

SECTION FOUR

INFORMATION RELATED TO CONSOLIDATED FINANCIAL POSITION AND

RISK MANAGEMENT

I. Explanations on Consolidated Equity

Information about consolidated total capital:

The capital adequacy ratio of the Group is 30.22% (31 December 2017: 13.90%).

The calculation of the capital adequacy standard ratio is calculated within the scope of the Regulation on Measurement and Assessment of Capital Adequacy of Banks published in the Official Gazette No. 29111 dated 6 September 2014.

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	246,680	
Gains recognized in equity as per TAS	12,892	
Profit	130,817	
Current period profit	83,549	
Prior period profit/loss	47,268	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	
Common Equity Tier 1 Capital Before Deductions	1,249,802	
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	88,842	
Improvement costs for operating leasing	1,047	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	4,903	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	800	
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	-	

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

(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⁾
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	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on 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	95,592	
Total Common Equity Tier I Capital	1,154,210	
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	-	

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

(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⁾
Transition from the Core Capital to Continue to deduce Components		
Goodwill or other intangibles and deferred tax liabilities of which the regulation concerning Provisional Article 2 of subsection of core capital not reduced from (-)	3,268	
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 (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	533	
Total Deductions From Additional Tier I Capital	3,801	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	1,150,409	
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA ⁽²⁾	1,579,084	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	
Provisions (1 st clause of Article 8 of the Regulation on the Equity of Banks)	145,529	
Tier II Capital Before Deductions	1,724,613	
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	1,724,613	
Total Capital (The sum of Tier I Capital and Tier II Capital)	2,875,022	
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	199	
Regulatory Adjustments which will be deducted from Total Capital during the transition period		
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	-	

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

(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⁾
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)	2,874,823	
Total risk weighted amounts	9,514,657	
CAPITAL ADEQUACY RATIOS		
Consolidated Core Capital Adequacy Ratio (%)	12.09	
Consolidated Tier 1 Capital Adequacy Ratio (%)	12.09	
Consolidated Capital Adequacy Standard Ratio (%)	30.22	
BUFFERS		
Total buffer requirement	9.08	
Capital conservation buffer requirement (%)	1.88	
Bank specific countercyclical buffer requirement (%)	7.20	
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 Excess Limits as per the Deduction Principles		
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	-	
Amount arising from mortgage servicing rights	-	
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 1 January 2018 and 1 January 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 2018, the Parent Bank has taken into consideration the subordinated loan amounting to TL 1,579,084 from its main shareholders, Industrial and Commercial Bank of China Limited Liability Company (ICBC) for capital adequacy calculation.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

I. Explanations on Consolidated Equity (Continued)

Information about consolidated total capital (Continued):

Total capital has been calculated in accordance with the “Regulations regarding to changes on Regulation on Equity of Banks” effective from date 31 December 2017, the information given in the prior period has been calculated pursuant to former regulation.

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	201,682	
Gains recognized in equity as per TAS	11,828	
Profit	44,967	
Current period profit	48,283	
Prior period profit	(3,316)	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	
Common Equity Tier 1 Capital Before Deductions	1,117,890	
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	5,596	
Improvement costs for operating leasing	2,242	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	3,116	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	328	
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	-	

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

(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⁾
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	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on 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	11,282	
Total Common Equity Tier I Capital	1,106,608	
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	-	

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

(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⁾
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 (-)	2,078	
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 (-)	218	
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	2,296	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	1,104,312	
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	104,344	
Tier II Capital Before Deductions	104,344	
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	104,344	
Total Capital (The sum of Tier I Capital and Tier II Capital)	1,208,656	
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	96	
Regulatory adjustments which will be deducted from Total Capital during the transition period		
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 (-)	-	

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

(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⁾
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 Capital)	1,208,656	
Total risk weighted amounts	8,692,643	
CAPITAL ADEQUACY RATIOS ⁽²⁾		
Consolidated Core Capital Adequacy Ratio (%)	12.72	
Consolidated Tier 1 Capital Adequacy Ratio (%)	12.70	
Consolidated Capital Adequacy Standard Ratio (%)	13.90	
BUFFERS		
Total buffer requirement	3.89	
Capital conservation buffer requirement (%)	1.25	
Bank specific countercyclical buffer requirement (%)	2.64	
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 Excess Limit as per the Deduction Principles		
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	-	
Amount arising from mortgage servicing rights	-	
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)	104,344	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	104,344	
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 1 January 2018 and 1 January 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⁾ The Parent Bank considers the loan provided to Industrial and Commercial Bank of China (ICBC) at an amount of TL 548,335, as cash reserve as at 31 December 2017 in accordance with the Account Pledge Contract dated 25 June 2015 concluded with its shareholder ICBC and does not consider the aforementioned loan as an item which shall be deducted from the capital.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2018**

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

I. Explanations on Consolidated Equity (Continued)

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.

A subordinated loan amounting to USD 300 million (three hundred million USD), which has a repayment option of 5 years and 10 years maturity, is provided from the main shareholder of the Parent Bank, Industrial and Commercial Bank of China Limited (ICBC). The Bank has taken into consideration the subordinated loan amounting to TL 1,579,084 in capital adequacy calculation.

II. Explanation and footnotes on Consolidated Credit Risk

1. Credit risk represents the risk generating from the counter party’s not fulfilling its responsibilities stated in the agreement either partially or totally.

In the Parent Bank, Credit Allocation Department and Problematic Loans Follow-up Department is responsible for managing the credit risk. The Group determines credit limits to counter parties and does not allocate loans more than these limits so as to subject credit risk to risk limitation. Credit limits are determined individually for each customer, company, company groups and risk groups. The Group assesses several criteria such as financial power of customers, business capacity, industry, geographical segment and equity structure when determining credit limits. The review of financial position of the customers is based on financial statements obtained in accordance with relevant legislation and other information. The geographical distribution of credit customers is appropriate to branch network, country, industry, trade and service activities allocation. The credibility of the debtors is assessed periodically with taking notice of the financial statements of the debtors obtained thoroughly to be audited in accordance with the relevant legislation.

The Group gives importance to credit collaterals. Collaterals are generally in form of real estate and movable mortgages, commercial enterprise pledges, secured investment securities, letters of guarantee of other banks and sureties.

The Bank classified overdue loans in accordance with TFRS 9 and “Regulation on the Procedures and Principles for Determination of Classification of Loans by Banks and Provisions to be Set Aside” in current period. General loan loss provision is calculated for past due loans and specific provision is calculated for impaired loans in accordance with “Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside” in the prior periods.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

II. Explanation and footnotes on Consolidated Credit Risk (Continued)

Information related to total amount of exposures after offsetting transactions but before applying risk mitigations and the average exposure amounts that are classified in different risk groups and types:

Risk Classifications	Current Period Risk Amount ⁽¹⁾	Average Risk Amount
Claims on central governments and Central Banks	4,485,288	3,527,521
Claims on regional governments or local authorities	-	-
Claims on administrative bodies and non-commercial undertakings	40,125	278,577
Claims on multilateral development banks	-	-
Claims on international organizations	-	-
Claims on banks and intermediary institutions	6,599,397	4,955,453
Claims on corporate	4,833,831	4,696,556
Claims on retail	144,758	169,031
Claims secured by residential property	1,330,070	1,367,531
Past due loans	14,820	14,467
Higher risk categories decided by the Board	-	-
Secured by mortgages	-	-
Securitization positions	-	-
Short-term claims on banks and intermediary institutions and short-term corporate receivables	-	-
Undertakings for collective investments in mutual funds	-	-
Other receivables	123,718	156,937

⁽¹⁾ Risk amounts present amounts before credit risk mitigation, after credit conversion rate process.

II. Explanation and footnotes on Consolidated Credit Risk (Continued)

2. The Parent Bank has control limits over the positions of forward transactions, options and other similar agreements. The credit risk arising from these instruments are managed together with other potential risks resulting from market fluctuations.
3. Regarding forward transactions, if it is required, reverse positions of the current positions are purchased to minimize the risk.
4. Indemnified non-cash loans are treated as non-performing loans. Standard loans, restructured and rescheduled loans are followed-up in accordance with the monitoring methods defined by banking regulations.
5. There is a risk evaluation structure within the Parent Bank for foreign funding transactions, where the countries and their market risks are analyzed although the Group's credit portfolio does not include significant foreign operations and credit transactions yet. When the international interbank credit transactions of the Group are assessed, there is no significant international credit risk concentration.
6. a) As at 31 December 2018, the shares of the top 100 and 200 cash loan customers of the Group constitute 89.7% and 91.9% of the total cash loans portfolio (31 December 2017: 84% and 88%), respectively.
b) As at 31 December 2018, the shares of the top 100 and 200 non-cash loan customers of the Group constitute 99.6% and 99.9% of the total non-cash loans portfolio (31 December 2017: 99% and 99.8%), respectively.
c) As at 31 December 2018, the Group's total cash and non-cash loans from its top 100 and 200 loan customers comprise 17% and 18% of the aggregate of total assets and off-balance sheet items (31 December 2017: 21% and 22%), respectively.
7. As at 31 December 2018 the Group's 1st and 2nd stage expected loan loss provision amounts to TL 129,763 (31 December 2017 - TL 104,344 general loan loss provision.)

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2018**

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

II. Explanation and footnotes on Consolidated Credit Risk (Continued)

8.a) Profile of Significant Exposures in Major Regions:

31 December 2018 ⁽⁴⁾	Risk Classifications ⁽¹⁾						
	1	2	3	4	5	6	7
Domestic	4,485,288	-	40,125	-	-	6,045,620	4,238,589
European Union Countries	-	-	-	-	-	60,520	212,231
OECD Countries ⁽²⁾	-	-	-	-	-	1,079	84,250
Off-Shore Banking Regions	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	314,168	-
Other Countries	-	-	-	-	-	178,010	298,761
Investments and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-
Undistributed Assets/Liabilities ⁽³⁾	-	-	-	-	-	-	-
Total	4,485,288	-	40,125	-	-	6,599,397	4,833,831

31 December 2017 ⁽⁴⁾	Risk Classifications ⁽¹⁾						
	1	2	3	4	5	6	7
Domestic	2,899,087	-	272,102	-	-	3,882,706	3,950,137
European Union Countries	-	-	-	-	-	312,745	153,545
OECD Countries ⁽²⁾	-	-	-	-	-	622	60,838
Off-Shore Banking Regions	-	-	-	-	-	-	548,329
USA, Canada	-	-	-	-	-	840,256	-
Other Countries	-	-	-	-	-	135,730	-
Investments and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-
Undistributed Assets/Liabilities ⁽³⁾	-	-	-	-	-	-	-
Total	2,899,087	-	272,102	-	-	5,172,059	4,712,849

⁽¹⁾ Risk classifications in the “Regulation on Measurement and Evaluation of Capital Adequacy of Banks” have been used.

- | | |
|---|--|
| 1 Claims on central governments and Central Banks | 9 Claims secured by residential property |
| 2 Claims on regional governments or local authorities | 10 Past due loans |
| 3 Claims on administrative bodies and other non-commercial undertakings | 11 Higher risk categories decided by the Board |
| 4 Claims on multilateral development banks | 12 Secured by mortgages |
| 5 Claims on international organizations | 13 Securitization positions |
| 6 Claims on banks and intermediary institutions | 14 Short-term claims on banks and intermediary institutions and short-term corporate receivables |
| 7 Claims on corporate | 15 Undertakings for collective investments in mutual funds |
| 8 Claims included in the regulatory retail portfolios | 16 Other receivables |

⁽²⁾ Includes OECD countries other than EU countries, USA and Canada

⁽³⁾ Includes asset and liability items that cannot be allocated on a consistent basis

⁽⁴⁾ Risk amounts present amounts before credit risk mitigation, after credit conversion rate process.

Risk Classifications ⁽¹⁾										Total
8	9	10	11	12	13	14	15	16		
144,674	1,330,070	14,820	-	-	-	-	-	-	123,718	16,422,904
2	-	-	-	-	-	-	-	-	-	272,753
-	-	-	-	-	-	-	-	-	-	85,329
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	314,168
82	-	-	-	-	-	-	-	-	-	476,853
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
144,758	1,330,070	14,820	-	-	-	-	-	-	123,718	17,572,007

Risk Classifications ⁽¹⁾										Total
8	9	10	11	12	13	14	15	16		
207,186	1,385,885	24,376	-	-	-	-	-	-	174,661	12,796,140
140	-	-	-	-	-	-	-	-	-	466,430
-	-	-	-	-	-	-	-	-	-	61,460
-	-	-	-	-	-	-	-	-	-	548,329
-	-	-	-	-	-	-	-	-	-	840,256
54	-	-	-	-	-	-	-	-	-	135,784
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
207,380	1,385,885	24,376	-	-	-	-	-	-	174,661	14,848,399

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

II. Explanations and footnotes on Consolidated Credit Risk (Continued)

8.b) Risk profile by industries or counterparties:

31 December 2018 ⁽²⁾	Risk Classifications ⁽¹⁾						
	1	2	3	4	5	6	7
Industries/Counterparties							
Agriculture	-	-	-	-	-	-	779
Farming and Raising							
Livestock	-	-	-	-	-	-	753
Forestry	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	26
Manufacturing	-	-	40,125	-	-	-	2,382,429
Mining and Quarrying	-	-	-	-	-	-	9,620
Production	-	-	40,125	-	-	-	1,018,194
Electric, Gas and Water	-	-	-	-	-	-	1,354,615
Construction	-	-	-	-	-	-	570,675
Services	4,484,951	-	-	-	-	6,202,459	1,793,657
Wholesale and Retail Trade	-	-	-	-	-	-	100,526
Hotel, Food and Beverage	-	-	-	-	-	-	1,864
Transportation and Telecommunication	-	-	-	-	-	-	741,076
Financial Institutions	4,484,951	-	-	-	-	6,202,459	388,194
Real Estate and Rental Services	-	-	-	-	-	-	266,445
Self Employment Services	-	-	-	-	-	-	295,003
Educational Services	-	-	-	-	-	-	1
Health and Social Services	-	-	-	-	-	-	548
Other	337	-	-	-	-	396,938	86,291
Total	4,485,288	-	40,125	-	-	6,599,397	4,833,831

⁽¹⁾ Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" have been used.

- | | |
|---|--|
| 1 Claims on central governments and Central Banks | 9 Claims secured by residential property |
| 2 Claims on regional governments or local authorities | 10 Past due loans |
| 3 Claims on administrative bodies and other non-commercial undertakings | 11 Higher risk categories decided by the Board |
| 4 Claims on multilateral development banks | 12 Secured by mortgages |
| 5 Claims on international organizations | 13 Securitization positions |
| 6 Claims on banks and intermediary institutions | 14 Short-term claims on banks and intermediary institutions and short-term corporate receivables |
| 7 Claims on corporate | 15 Undertakings for collective investments in mutual funds |
| 8 Claims included in the regulatory retail portfolios | 16 Other receivables |

⁽²⁾ Risk amounts present amounts before credit risk mitigation, after credit conversion rate process.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

Risk Classifications ⁽¹⁾												
	8	9	10	11	12	13	14	15	16	TL	FC	TOTAL
	4	-	8	-	-	-	-	-	-	791	-	791
	4	-	8	-	-	-	-	-	-	765	-	765
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	26	-	26
	1,383	141,027	1,510	-	-	-	-	-	-	315,180	2,251,294	2,566,474
	85	-	221	-	-	-	-	-	-	9,686	240	9,926
	1,253	140,727	1,289	-	-	-	-	-	-	134,311	1,067,277	1,201,588
	45	300	-	-	-	-	-	-	-	171,183	1,183,777	1,354,960
	410	120,219	1,486	-	-	-	-	-	-	404,334	288,456	692,790
	2,502	435,631	9,935	-	-	-	-	-	-	4,035,987	8,893,148	12,929,135
	1,502	838	9,935	-	-	-	-	-	-	40,709	72,092	112,801
	45	214,812	-	-	-	-	-	-	-	1,940	214,781	216,721
	392	-	-	-	-	-	-	-	-	190,366	551,102	741,468
	61	-	-	-	-	-	-	-	-	3,540,720	7,534,945	11,075,665
	145	219,396	-	-	-	-	-	-	-	245,214	240,772	485,986
	229	56	-	-	-	-	-	-	-	15,953	279,335	295,288
	-	529	-	-	-	-	-	-	-	530	-	530
	128	-	-	-	-	-	-	-	-	555	121	676
	140,459	633,193	1,881	-	-	-	-	-	123,718	986,494	396,323	1,382,817
	144,758	1,330,070	14,820	-	-	-	-	-	123,718	5,742,786	11,829,221	17,572,007

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

II. Explanation and Footnotes on Consolidated credit risk (continued)

8.c) Analysis of maturity-bearing exposures according to remaining maturities:

	Term to Maturity				
	1 month	1-3 months	3-6 months	6-12 months	Over 1 Year
Risk Classifications ⁽¹⁾					
Claims on central governments and Central Banks ⁽³⁾	377,462	370,830	96,419	293,030	1,813,760
Claims on regional governments or local authorities	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	-	-	40,125	-	-
Claims on multilateral development banks	-	-	-	-	-
Claims on international organizations	-	-	-	-	-
Claims on banks and intermediary institutions	697,137	309,667	399,997	1,286,719	3,145,372
Claims on corporate	383,558	202,204	746,473	607,319	2,276,886
Claims on retail portfolios	18,732	1,637	4,124	11,473	84,628
Claims secured by residential property	15,940	758	1,714	24,286	1,286,192
Past due loans ⁽²⁾	-	-	-	-	-
Higher risk categories decided by the Board	-	-	-	-	-
Secured by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term claims on banks and intermediary institutions and short-term corporate receivables	-	-	-	-	-
Equity investments	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-
Other receivables	-	-	-	-	125
TOTAL ⁽²⁾	1,492,829	885,096	1,288,852	2,222,827	8,606,963

⁽¹⁾ Risk figures present amounts before credit risk mitigation, after credit conversion rate process.

⁽²⁾ Net impaired loans amounting to TL 14,820 and other risk amounts not bearing maturity exposures amounting to TL 3,060,620 are not included.

⁽³⁾ The amount of restricted time deposits kept at Central Bank of Turkey is presented under the 1-month column.

8.d) Information related to Credit Ratings:

While determining the risk classifications explained in the article No. 6 of the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks", ratings given by authorized rating companies are not used.

Risk amounts according to risk weights:

Risk Weights	0%	20%	35%	50%	75%	100%	150%	200%	Total	Deducted From
										Equity ⁽¹⁾
Exposures Before Credit Risk Mitigation	3,555,075	296,798	602,200	7,670,366	144,735	5,302,707	126	-	-	9,417
Exposures After Credit Risk Mitigation	4,682,313	314,394	601,968	6,830,451	129,411	5,013,344	126	-	-	9,417

⁽¹⁾ Includes the amounts deducted from core capital.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

II. Explanation and Footnotes on Consolidated Credit Risk (Continued)

8.e) Information of major industries or type of counterparties

Impaired and past due loans and value adjustments and methods related to provisions are explained at Section Four, article no. 1 of Footnote II.

Major Industries/ Counterparties	Loans		Provisions
	Impaired (IFRS 9)		Expected Credit Loss Provisions (IFRS 9)
	Significant Increase in Credit Risk (Stage II)	Credit-Impaired Losses (Stage III)	
Agriculture	-	467	460
Farming and Raising			
Livestock	-	467	460
Forestry	-	-	-
Fishery	-	-	-
Manufacturing	195,445	46,728	95,723
Mining and Quarrying	-	1,796	1,645
Production	195,445	41,567	81,211
Electricity, Gas and Water	-	3,365	12,867
Construction	127,707	10,967	64,858
Services	12,601	26,138	38,252
Wholesale and Retail Trade	12,601	24,237	14,466
Accommodation and Dining Services	-	798	800
Transportation and Telecommunication	-	338	4,797
Financial Institutions	-	-	11,863
Real Estate and Lending Services	-	-	5,006
Self Employment Services	-	765	1,320
Educational Services	-	-	-
Health and Social Services	-	-	-
Other	14,689	9,107	9,057
Total	350,442	93,407	208,350

⁽¹⁾ Includes information related to cash loans

8.f) Information related with value adjustments and loan loss provisions:

	Opening Balance	Provision within the Period	Provision Reversals	Other Adjustments ⁽¹⁾	Closing Balance
Stage III Provision ⁽²⁾	72,147	52,534	(6,011)	(40,083)	78,587
Stage I and II Provisions	104,344	25,419	-	-	129,763

⁽¹⁾ Other adjustments in specific provisions includes amounts related to credits which are written off and sold from loans under follow-up portfolio.

⁽²⁾ Includes information related to cash loan.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2018**

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

III. Explanations on Consolidated Operational Risk

The Group used the "Basic Indicators Approach" in computation of its operational risk. In accordance with the 3rd section 'Computation of the Operational Risk' of the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks", published in the Official Gazette no. 29111 dated 6 September 2014, operational risk is computed using the gross income of the Group for the years ended 2018, 2017 and 2016. Operational risk used in computation of capital adequacy ratio per article I of this section is 8% of TL 526,500 which is TL 42,120. TL 42,120 represents also the minimum capital amount to eliminate the operational risk.

Information related with operational risk that is calculated with Basic Indicator Approach

	2 PP Amount	1 PP Amount	CP Amount	Total/ Number of years of positive gross	Rate (%)	Total
Gross Income	189,907	256,826	395,666	3	15	42,120
Value at Operational Risk (Total*12.5)						526,500

IV. 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):

	24.12.2018	25.12.2018	26.12.2018	27.12.2018	28.12.2018	31.12.2018
USD	5.2746	5.2926	5.3034	5.2832	5.2889	5.2609
GBP	6.6718	6.6877	6.7245	6.6954	6.6761	6.6528
EURO	6.0342	6.0291	6.0419	6.0185	6.0245	6.0280
JPY	0.0473	0.0475	0.0480	0.0477	0.0476	0.0475

The basic arithmetical average of the Parent Bank's foreign exchange bid rates for the last thirty one days ending 31 December 2018 (TL full):

	Monthly Average FC Exchange Bid Rates
USD	5.3000
GBP	6.7116
EURO	6.0323
JPY	0.0471

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

Information on consolidated foreign currency exchange rate risk:

31 December 2018	EURO	USD	OTHER FC	TOTAL
Assets				
Cash (cash in vault, effectives, money in transit, checks purchased) and balances with the CBRT ⁽¹⁾	12,526	1,264,085	490	1,277,101
Banks	322,745	1,662,505	15,190	2,000,440
Financial assets at fair value through profit or loss	-	-	-	-
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	6,288	1,392,960	-	1,399,248
Loans ⁽³⁾	1,930,635	3,367,593	14	5,298,242
Investment in associates, subsidiaries and joint ventures	-	-	-	-
Financial Assets Measured at Amortized Cost	-	850,266	-	850,266
Hedging Derivative Financial Assets	-	-	-	-
Tangible assets	-	-	-	-
Intangible assets	-	-	-	-
Other assets	1,170	1,654	42	2,866
Total assets ^{(2) (3) (7)}	2,273,364	8,539,063	15,736	10,828,163
Liabilities				
Interbank deposits	605,719	473,514	21,723	1,100,956
Foreign currency deposits	951,891	3,658,749	28,580	4,639,220
Funds provided from Money Market	-	88,881	-	88,881
Funds provided from other financial institutions	-	4,498,879	-	4,498,879
Marketable securities issued	-	-	-	-
Miscellaneous payables	-	-	-	-
Derivative financial liabilities held for hedging	-	-	-	-
Other liabilities	269,864	214,793	293	484,950
Total liabilities ^{(2) (6) (8)}	1,827,474	8,934,816	50,596	10,812,886
Net On Balance Sheet Position	445,890	(395,753)	(34,860)	15,277
Net Off Balance Sheet Position	(231,251)	291,313	36,359	96,421
Financial Derivative Assets ⁽⁵⁾	89,000	383,482	49,547	522,029
Financial Derivative Liabilities ⁽⁵⁾	320,251	92,169	13,188	425,608
Non-cash Loans ⁽⁴⁾	464,938	1,316,828	3,741	1,785,507
31 December 2017				
Total Assets ^{(1) (2) (3)}	1,812,314	6,543,883	9,532	8,365,729
Total Liabilities ^{(2) (6)}	1,382,708	7,856,124	14,399	9,253,231
Net On Balance Sheet Position	429,606	(1,312,241)	(4,868)	(887,503)
Net Off Balance Sheet Position	(428,329)	1,325,368	4,996	902,035
Financial Derivative Assets ⁽⁵⁾	2,671	1,333,147	9,534	1,345,352
Financial Derivative Liabilities ⁽⁵⁾	431,000	7,779	4,538	443,317
Non-cash Loans ⁽⁴⁾	309,883	936,601	22,017	1,268,501

⁽¹⁾ As at 31 December 2018 and 31 December 2017, the Group does not have precious metals balance in the Central Bank accounts.

⁽²⁾ As at 31 December 2018, 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 199 and TL 373 respectively, (31 December 2017: TL 691 and TL 415) are not included in the table.

⁽³⁾ As at 31 December 2018, “Loans” balance includes, in addition to the balance sheet amount, foreign currency indexed loans and their accruals amounting to TL 303,209 (31 December 2017: TL 168,146).

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

⁽⁵⁾ As at 31 December 2018, value dated FX buying and FX selling transactions amounting to TL 55,221 and TL 52,310 respectively, presented under “Asset Purchase and Sale Commitments” of off-balance sheet items are included (31 December 2017: TL 7,874 and TL 1,788). As at 31 December 2018 and 31 December 2017, the Group does not have precious metals balance in the Central Bank accounts.

⁽⁶⁾ “Valuation Differences of Securities” amounting to TL (35,674) (31 December 2017: TL 2,167) classified under Equity as at 31 December 2018 is not included.

⁽⁷⁾ As at 31 December 2018 assets TL 113,130 (31 December 2017 - None) included “Allowance for Expected Credit Losses”.

⁽⁸⁾ As at 31 December 2018 liabilities TL 4,183 (31 December 2017 - None) included “Other Provisions”.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

IV. 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 December 2018 and 31 December 2017 (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 December 2018			
	Statement of Profit or Loss		Equity ⁽¹⁾	
	10% increase	10% decrease	10% increase	10% decrease
USD	(10,444)	10,444	(10,444)	10,444
EURO	21,464	(21,464)	21,464	(21,464)
Other FC	150	(150)	150	(150)
Total	11,170	(11,170)	11,170	(11,170)

⁽¹⁾ Equity effect includes income statement effect in the table.

	31 December 2017			
	Statement of Profit or Loss		Equity ⁽¹⁾	
	10% increase	10% decrease	10% increase	10% decrease
USD	1,096	(1,096)	1,313	(1,313)
EURO	128	(128)	128	(128)
Other FC	26	(26)	26	(26)
Total	1,250	(1,250)	1,467	(1,467)

⁽¹⁾ Equity effect includes income statement effect in the table.

V. 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.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

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

	Up to 1 Month	1 - 3 Months	3 -12 Months	1 - 5 Years	5 Years and Over	Non- Interest Bearing ⁽¹⁾	Total
31 December 2018							
Assets							
Cash (cash in vault, effectives, money in transit, checks purchased) and balances with the CBRT	-	1,757,893	-	-	-	49,006	1,806,899
Banks	1,659,503	-	-	-	-	341,276	2,000,779
Financial assets at fair value through profit or loss	239	29,862	-	-	-	12,879	42,980
Money market placements	349,622	-	-	-	-	-	349,622
Financial assets at fair value through other comprehensive income	315,476	490,012	644,186	916,825	106,279	6,255	2,479,033
Loans	685,954	2,048,483	2,575,320	1,383,072	973,413	-	7,666,242
Financial assets measured at amortized cost	1,605	130,093	328,395	824,434	99,472	-	1,383,999
Other assets	85	-	-	-	-	117,242	117,327
Total assets	3,012,484	4,456,343	3,547,901	3,124,331	1,179,164	526,658	15,846,881
Liabilities							
Bank Deposits	664,060	-	605,719	-	-	52,774	1,322,553
Other Deposits	5,203,544	1,042,768	67,978	-	-	385,399	6,699,689
Interbank Money Market Borrowings	346,145	-	-	-	-	-	346,145
Miscellaneous Payables	-	-	-	-	-	-	-
Securities Issued	-	-	-	-	-	-	-
Funds Borrowed from Other Fin. Inst.	533,932	1,594,227	3,533,475	-	-	-	5,661,634
Other Liabilities	467,376	746	-	-	-	1,348,738	1,816,860
Total Liabilities	7,215,057	2,637,741	4,207,172	-	-	1,786,911	15,846,881
Balance Sheet Long Position	-	1,818,602	-	3,124,331	1,179,164	-	6,122,097
Balance Sheet Short Position	(4,202,573)	-	(659,271)	-	-	(1,260,253)	(6,122,097)
Off Balance Sheet Long Position	-	-	-	-	-	-	-
Off Balance Sheet Short Position	-	-	-	-	-	-	-
Total Position	(4,202,573)	1,818,602	(659,271)	3,124,331	1,179,164	(1,260,253)	-

⁽¹⁾ Tangible and intangible assets amounting to TL 44,410, tax assets amounting to TL 44,596, expected loan loss provisions amounting to TL (15,766), non performing financial assets amounting to TL 160 and other assets amounting to TL 43,842 are presented within other assets as non-interest bearing; provisions amounting to TL 62,468, tax liability amounting to TL 38,591, other liabilities amounting to TL 86,719 and equity amounting to TL 1,160,960 are presented within other liabilities as non-interest bearing.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

Interest Sensitivity of assets, liabilities and off-balance sheet items (based on repricing dates) (Continued):

	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	5 Years and Over	Non- Interest Bearing ⁽¹⁾	Total
31 December 2017							
Assets							
Cash (Cash in Vault, Foreign Currencies, Cash in Transit, Checks Purchased) and Balances with the CBRT	-	1,313,816	-	-	-	36,655	1,350,471
Banks	465,685	-	-	-	-	1,139,282	1,604,967
Financial Assets at Fair Value Through Profit or Loss	353	338	-	-	-	30,549	31,240
Interbank Money Market Placements	9,600	-	-	-	-	-	9,600
Av.-for-Sale Financial Assets	288,602	414,570	188,188	1,007,410	86,133	4,107	1,989,010
Loans	654,017	2,688,453	1,416,517	1,697,177	1,200,281	24,376	7,680,821
Held-to-Mat. Investments	1	104,216	-	276,459	112,737	-	493,413
Other Assets	129	-	-	-	-	155,909	156,038
Total Assets	1,418,387	4,521,393	1,604,705	2,981,046	1,399,151	1,390,878	13,315,560
Liabilities							
Bank Deposits	-	-	-	-	-	71,241	71,241
Other Deposits	2,321,060	460,729	26,940	-	-	465,131	3,273,860
Interbank Money Market Borrowings	1,149,966	-	-	-	-	-	1,149,966
Miscellaneous Payables	-	-	-	-	-	420,728	420,728
Securities Issued	-	-	-	-	-	-	-
Funds Borrowed from Other Fin. Inst.	1,352,676	767,306	2,569,486	1,336,229	962,341	-	6,988,038
Other Liabilities	14,272	-	-	-	-	1,397,455	1,411,727
Total Liabilities	4,837,974	1,228,035	2,596,426	1,336,229	962,341	2,354,555	13,315,560
Balance Sheet Long Position	-	3,293,358	-	1,644,817	436,810	-	5,374,985
Balance Sheet Short Position	(3,419,587)	-	(991,721)	-	-	(963,677)	(5,374,985)
Off Balance Sheet Long Position	-	-	-	-	-	-	-
Off Balance Sheet Short Position	-	-	-	-	-	-	-
Total Position	(3,419,587)	3,293,358	(991,721)	1,644,817	436,810	(963,677)	-

⁽¹⁾ Tangible and intangible assets amounting to TL 41,959, tax assets amounting to TL 10,619 and other assets amounting to TL 103,460 are presented within other assets as non-interest bearing; provisions amounting to TL 141,123, tax liability amounting to TL 29,490, other liabilities amounting to TL 114,548 and equity amounting to TL 1,112,294 are presented within other liabilities in non-interest bearing column.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

Interest rates applied to monetary financial instruments:

	EURO %	USD %	JPY %	TL %
31 December 2018 ⁽¹⁾				
Assets				
Cash (Cash in Vault, Foreign Currencies, Cash in Transit, Checks Purchased) and Balances with the CBRT	-	1.56	-	8.79
Banks	-	5.35	-	27.08
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	24.21
Financial Assets at Fair Value Through Other Comprehensive Income	1.78	4.54	-	21.14
Loans	2.86	5.23	6.04	16.93
Financial Assets Measured at Amortized Cost	-	5.82	-	13.81
Liabilities				
Bank Deposits	1.16	2.49	-	23.33
Other Deposits	2.50	4.88	-	25.40
Interbank Money Market Borrowings	-	-	-	27.93
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	-
Funds Borrowed from Other Financial Institutions	-	3.30	-	6.84

⁽¹⁾ Stated at compound interest rates.

	EURO %	USD %	JPY %	TL %
31 December 2017 ⁽¹⁾				
Assets				
Cash (Cash in Vault, Foreign Currencies, Cash in Transit, Checks Purchased) and Balances with the CBRT	-	1.30	-	3.94
Banks	-	2.73	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	-
Available-for-Sale Financial Assets	-	4.45	-	13.69
Loans	3.45	4.14	6.04	14.39
Held-to-Maturity Investments	-	5.59	-	2.67
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	1.72	3.45	-	14.81
Interbank Money Market Borrowings	-	-	-	13.57
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	-
Funds Borrowed from Other Financial Institutions	0.07	2.52	-	6.74

⁽¹⁾ Stated at compound interest rates.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

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 arised 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 December 2018. Tax effects are excluded in the study.

Type of Currency	Shocks Applied (+/- basis points)	Gains/Losses	Gains/Equity- Losses/Equity
TL	500	(129,423)	(4.6)%
	(400)	121,391	4.3%
EURO	200	34,252	(1.2)%
	(200)	(40,277)	0.2%
USD	200	(33,335)	1.2%
	(200)	4,462	(1.4)%
Total (for negative shocks)		(128,506)	(4.5)%
Total (for positive shocks)		85,576	3.0%

VI. 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.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

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.

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 70% for foreign currency denominated assets and liabilities and 90% for total assets and liabilities for 2018. 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 December 2018	121.53%	233.82%
Average	174.41%	321.47%

Month	Min FC (%)	Min Sum (%)	Max FC (%)	Max Sum (%)
	31 December 2018	28 November 2018	20 December 2018	22 October 2018
Ratio (%)	121.53%	197.12%	275.59%	558.95%

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

Current Period - 31 December 2018	Unweighted Amounts ⁽²⁾		Weighted Amounts ⁽²⁾	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				
High Quality Liquid Assets			3,922,664	2,031,262
CASH OUTFLOWS				
Retail and Small Business Customers Deposits	2,887,734	1,435,693	289,684	150,818
Stable deposits	897,868	216,316	50,409	12,362
Less stable deposits	1,989,866	1,219,377	239,275	138,456
Unsecured Funding other than Retail and Small Business Customers Deposits	4,117,305	3,769,180	1,898,145	1,609,962
Operational Deposits	12,097	-	1,321	-
Non-Operational Deposits	3,540,018	3,306,974	1,851,007	1,602,001
Other Unsecured Funding	565,190	462,206	45,817	7,961
Secured funding	-	-	-	-
Other Cash Outflows	797,886	614,518	671,178	642,882
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	637,235	495,490	592,129	583,649
Debts related to the structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off balance sheet liabilities	160,651	119,028	79,049	59,233
Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	311,187	311,187	9,576	9,516
Other irrevocable or conditionally revocable commitments	1,857,622	1,408,478	174,955	124,617
TOTAL CASH OUTFLOWS	-	-	3,043,538	2,537,795
CASH INFLOWS				
Secured Lending Transactions	-	-	-	-
Unsecured Lending Transactions	1,473,868	976,827	1,481,041	1,077,012
Other contractual cash inflows	640,564	636,633	281,570	275,861
TOTAL CASH INFLOWS	2,114,432	1,613,460	1,762,611	1,352,873
			Upper Limit Applied Accounts	
TOTAL HIGH LIQUIDITY ASSETS			3,922,664	2,031,262
TOTAL NET CASH OUTFLOWS ⁽¹⁾	-	-	1,280,927	1,184,922
LIQUIDITY COVERAGE RATIO (%)	-	-	306.24%	171.43%

⁽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 last three month of 2018 is calculated.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

Prior Period - 31 December 2017	Unweighted Amounts ⁽²⁾		Weighted Amounts ⁽²⁾	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				
High Quality Liquid Assets			2,997,887	2,224,728
CASH OUTFLOWS				
Retail and Small Business Customers Deposits	2,030,311	822,259	168,296	74,113
Stable deposits	697,187	162,250	34,983	8,112
Less stable deposits	1,333,124	660,009	133,313	66,001
Unsecured Funding other than Retail and Small Business Customers Deposits	4,776,670	4,116,561	3,593,144	3,272,099
Operational Deposits	12,753	-	2,776	-
Non-Operational Deposits	1,816,768	1,408,575	776,679	564,114
Other Unsecured Funding	2,947,149	2,707,986	2,813,689	2,707,985
Secured funding			-	-
Other Cash Outflows	1,160,991	202,870	1,160,991	202,870
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	1,160,991	202,870	1,160,991	202,870
Debts related to the structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off balance sheet liabilities	86,265	41,504	34,506	16,602
Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	89,132	89,132	4,457	4,457
Other irrevocable or conditionally revocable commitments	1,516,148	977,200	162,656	97,733
TOTAL CASH OUTFLOWS			5,124,050	3,667,874
CASH INFLOWS				
Secured Lending Transactions	-	-	-	-
Unsecured Lending Transactions	1,792,105	1,340,620	1,638,025	1,284,185
Other contractual cash inflows	1,166,216	1,166,216	1,166,216	1,166,216
TOTAL CASH INFLOWS			2,804,241	2,450,401
			Upper Limit Applied Accounts	
TOTAL HIGH LIQUIDITY ASSETS	-	-	2,997,877	2,224,728
TOTAL NET CASH OUTFLOWS ⁽¹⁾	-	-	2,319,809	1,217,473
LIQUIDITY COVERAGE RATIO (%)	-	-	129.23%	182.73%

⁽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 last three months of 2017 is calculated.

The Parent Bank accepts required reserves, deposit and drawing accounts in Central Bank of Republic of Turkey, cash and borrowing instruments issued by Undersecretariat of Treasury as premium quality as liquid assets. Credits, provided from abroad, are the main fund resources while deposit and repo are other resources regarding funding. The opposite parties of repo transactions are the Central Bank of the Republic of Turkey and banks and there is no concentration. A significant part of funds, provided from abroad, is provided by the risk group of the Bank.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

Presentation of assets and liabilities according to their remaining maturities:

31 December 2018	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, Checks Purchased) and Balances with the CBRT	1,519,167	287,732	-	-	-	-	-	1,806,899
Banks	341,276	1,205,826	453,677	-	-	-	-	2,000,779
Financial Assets at Fair Value Through Profit or Loss	12,879	239	29,862	-	-	-	-	42,980
Interbank Money Market Placements	-	349,622	-	-	-	-	-	349,622
Financial Assets at Fair Value Through Other Comprehensive Income	6,255	-	370,830	546,316	1,449,354	106,278	-	2,479,033
Loans	-	536,853	384,875	2,448,460	2,894,258	1,401,796	-	7,666,242
Financial Assets Measured at Amortized Cost	-	1,605	-	328,397	954,526	99,471	-	1,383,999
Other Assets	-	36,209	1,612	2,969	262	44,595	31,680	117,327
Total Assets	1,879,577	2,418,086	1,240,856	3,326,142	5,298,400	1,652,140	31,680	15,846,881
Liabilities								
Bank Deposits	52,774	664,060	-	605,719	-	-	-	1,322,553
Other Deposits	385,399	5,203,544	1,042,768	67,978	-	-	-	6,699,689
Funds Borrowed from Other Financial Institutions	-	-	265,553	1,689,672	798,660	2,907,749	-	5,661,634
Interbank Money Markets	-	346,145	-	-	-	-	-	346,145
Marketable Securities Issued	-	-	-	-	-	-	-	-
Other Liabilities	-	17,405	22,308	-	-	-	1,777,147	1,816,860
Total Liabilities	438,173	6,231,154	1,330,629	2,363,369	798,660	2,907,749	1,777,147	15,846,881
Net Liquidity Gap	1,441,404	(3,813,068)	(89,773)	962,773	4,499,740	(1,255,609)	(1,745,467)	-
Net off balance sheet position								
Derivative financial assets ⁽²⁾	-	423,070	142,387	-	-	-	-	565,457
Derivative financial liabilities ⁽²⁾	-	423,039	116,713	-	-	-	-	539,752
Non-cash loans ⁽²⁾	1,008,876	263,040	175,396	357,797	566,073	-	-	2,371,182
31 December 2017								
Total Assets	1,533,651	1,954,805	966,925	1,540,596	5,383,649	1,860,586	75,348	13,315,560
Total Liabilities	957,100	4,965,810	1,244,237	2,596,426	1,336,229	962,341	1,253,417	13,315,560
Net Liquidity Gap	576,551	(3,011,005)	(277,312)	(1,055,830)	4,047,420	898,245	(1,178,069)	-
Net off balance sheet position								
Derivative financial assets ⁽²⁾	-	1,250,635	96,039	-	-	-	-	1,346,674
Derivative financial liabilities ⁽²⁾	-	1,267,151	95,533	-	-	-	-	1,362,684
Non-cash loans ⁽²⁾	643,783	117,396	28,151	596,108	403,206	539	-	1,789,183

⁽¹⁾ Assets on the balance sheet which are not convertible into cash in short period; tangible and intangible assets amounting to TL 44,410, stationary supplies amounting to TL 818, non performing financial assets amounting to TL 160, assets to be disposed of amounting to TL 2,058, expected loan loss provision amounting to TL (15,766) and liabilities on the balance sheet which are necessary for the banking operations; provisions amounting to TL 62,468, other liabilities amounting to TL 553,719 and equity amounting to TL 1,160,960 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 December 2018, spot foreign currency purchase and sale transactions with value date amounting to TL 56,277 and TL 56,274, respectively, are presented under "Asset Purchase and Sale Commitments" of off-balance sheet items (31 December 2017: TL 9,196 and TL 9,163).

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

Collaterals on Risk Classes:

Risk Classification	Amount ^(*)	Financial Collaterals	Other/ Tangible Collaterals	Guarantees and Credit Derivatives
Contingent and Non-Contingent Receivables from Central Governments or Central Banks	4,485,288	-	-	-
Contingent and Non-Contingent Receivables from Regional Governments or Local Authorities	-	-	-	-
Contingent and Non-Contingent Receivables from Administrative Units and Non-commercial Enterprises	40,125	-	-	-
Contingent and Non-Contingent Receivables from Multilateral Development Banks	-	-	-	-
Contingent and Non-Contingent Receivables from International organizations	-	-	-	-
Contingent and Non-Contingent Receivables from banks and Intermediaries	6,599,397	860,067	-	-
Contingent and Non-Contingent Corporate Receivables	4,833,831	276,957	-	71,061
Contingent and Non-Contingent Retail Receivables	144,758	17,954	-	-
Contingent and Non-Contingent Receivables Secured by Residential Property ⁽¹⁾	1,330,070	390	-	-
Non-Performing Receivables	14,820	-	-	-
Receivables Identified as High Risk by the Board	-	-	-	-
Secured by Mortgages	-	-	-	-
Securitization Positions	-	-	-	-
Short-term Receivables from Banks, Brokerage Houses and Corporates	-	-	-	-
Investments Similar to Collective Investment Funds	-	-	-	-
Stock Investment	-	-	-	-
Other Receivables	123,718	-	-	-
Total	17,572,007	1,155,368	-	71,061

⁽¹⁾ According to Article 6 of the Regulation on Measurement and Assessment of Capital Adequacy of Banks, real estate mortgages used to determine the risk class have not been taken into account.

^(*) Includes the total amounts after the off-balance sheet conversion rates, before taking into account the effects of the Credit Risk Mitigation.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

VII. Explanation on Consolidated Leverage Ratio

Consolidated leverage ratio of the Group calculated based on last 3 months average amounts is 6.41% as at 31 December 2018 (31 December 2017: 7.48%). This ratio is above the minimum ratio.

	Current Period 31 December 2018 ⁽¹⁾
On-balance sheet assets	
On-balance sheet assets (Excluding derivative financial instruments and credit derivatives, including collaterals)	15,662,768
(Assets deducted from Tier 1 capital)	206
Total risk amount of on-balance sheet assets	15,662,562
Derivative financial instruments and credit derivatives	
Replacement costs of derivative financial instruments and credit derivatives	-
Potential credit risk amount of derivative financial instruments and credit derivatives	41,874
Total risk amount of derivative financial instruments and credit derivatives	41,874
Financing transactions secured by marketable security or commodity	
Risk amount of financing transactions secured by marketable security or commodity (excluding on-balance sheet)	91,701
Risk amount from intermediary transactions	-
Total risk amount of financing transactions secured by marketable security or commodity	91,701
Off-balance sheet transactions	
Off-balance sheet transactions at gross notional amount	2,343,992
Adjustments for conversions to credit equivalent amounts	-
Total risk amount of off-balance sheet transactions	2,343,992
Capital and total risk	
Tier 1 capital	1,162,658
Total risk amount	18,140,129
Leverage ratio	6.41%

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

	Prior Period 31 December 2017 ⁽¹⁾
On-balance sheet assets	
On-balance sheet assets (Excluding derivative financial instruments and credit derivatives, including collaterals)	12,827,171
(Assets deducted in determining Tier 1 capital)	109
Total risk amount of on-balance sheet assets	12,827,062
Derivative financial instruments and credit derivatives	
Replacement costs of derivative financial instruments and credit derivatives	-
Potential credit risk amount of derivative financial instruments and credit derivatives	29,100
Total risk amount of derivative financial instruments and credit derivatives	29,100
Financing transactions secured by marketable security or commodity	
Risk amount of financing transactions secured by marketable security or commodity (excluding on-balance sheet)	14,679
Risk amount from intermediary transactions	-
Total risk amount of financing transactions secured by marketable security or commodity	14,679
Off-balance sheet transactions	
Off-balance sheet transactions at gross notional amount	1,926,558
Adjustments for conversions to credit equivalent amounts	-
Total risk amount of off-balance sheet transactions	1,926,558
Capital and total risk	
Tier 1 capital	1,106,729
Total risk amount	14,797,399
Leverage ratio	7.48%

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

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

VIII. Explanations and Footnotes on Consolidated Securitization Position Risk

As at 31 December 2018, Group has no securitization position risk generated by banking accounts.

IX. 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 chances 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 communique, 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.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

IX. 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 December 2018	Current Period 31 December 2018
1 Credit risk (excluding counterparty credit risk) (CCR)	8,762,255	700,980
2 Standardized approach (SA)	8,762,255	700,980
3 Internal rating-based (IRB) approach	-	-
4 Counterparty credit risk	38,477	3,078
5 Standardized approach for counterparty credit risk (SA-CCR)	38,477	3,078
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	187,425	14,994
17 Standardized approach (SA)	187,425	14,994
18 Internal model approaches (IMM)	-	-
19 Operational risk	526,500	42,120
20 Basic indicator approach	526,500	42,120
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)	9,514,657	761,173

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

IX. Explanations on Consolidated Risk Management (Continued)

	Risk Weighted	Minimum capital
	Amount	requirement
	Prior Period	Prior Period
	31 December 2017	31 December 2017
1 Credit risk (excluding counterparty credit risk) (CCR)	8,254,044	660,324
2 Standardized approach (SA)	8,254,044	660,324
3 Internal rating-based (IRB) approach	-	-
4 Counterparty credit risk	27,401	2,191
5 Standardized approach for counterparty credit risk (SA-CCR)	27,401	2,191
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	24,738	1,979
17 Standardized approach (SA)	24,738	1,979
18 Internal model approaches (IMM)	-	-
19 Operational risk	386,460	30,917
20 Basic indicator approach	386,460	30,917
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)	8,692,643	695,411

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

IX. Explanations on Consolidated Risk Management (Continued)

2. Connections between Financial Statements and Risk Amounts

a) Differences between accounting consolidation and legal consolidation scope and matching:

Current Period - 31 December 2018	Carrying values of items in accordance with Turkish Accounting Standards					Not subject to capital requirements or subject to deduction from capital
	Carrying values in financial statements	Subject to Credit Risk	Subject to Counterparty credit risk	Subject to Securitization positions	Subject to Market Risk	
Assets						
Cash and Cash Equivalents	4,157,300	4,157,300	-	-	-	-
Financial Assets at Fair Value Through Profit or Loss	12,879	-	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	2,479,033	3,164,190	-	-	-	-
Financial Assets Measured at Amortised Cost	1,383,999	831,639	-	-	-	-
Derivative Financial Asset	30,101	-	35,764	-	559,501	-
Non-Performing Asset	160	-	-	-	-	-
Expected Loss Provisions (-)	15,766	15,766	-	-	-	-
Loans (Net)	7,666,242	7,666,242	-	-	-	-
Leasing Receivables	-	-	-	-	-	-
Factoring Receivables	-	-	-	-	-	-
Non-Performing Loans	93,407	93,407	-	-	-	-
Expected credit loss (-)	208,350	208,350	-	-	-	-
Assets Held For Sale And Discontinued Operations (Net)	-	-	-	-	-	-
Equity Investment	-	-	-	-	-	-
Tangible assets (Net)	36,239	36,239	-	-	-	-
Intangible assets (Net)	8,171	-	-	-	-	8,171
Investment Property (Net)	-	-	-	-	-	-
Current Tax Asset	-	-	-	-	-	-
Deferred Tax Asset	44,596	44,596	-	-	-	-
Other Assets (Net)	43,927	43,927	-	-	-	1,047
Total Assets	15,846,881	15,928,367	35,764	-	559,501	9,218
Liabilities						
Deposits	8,022,242	-	-	-	-	-
Funds Borrowed	4,082,550	-	-	-	-	-
Money Market Funds	346,145	262,690	2,713	-	-	-
Marketable Securities Issued (Net)	-	-	-	-	-	-
Funds	-	-	-	-	-	-
Financial Liabilities At Fair Value Through P/L	-	-	-	-	-	-
Derivative Financial Liabilities	1,122	-	-	-	-	-
Factoring Liabilities	-	-	-	-	-	-
Lease Liabilities (Net)	-	-	-	-	-	-
Provisions	62,468	-	-	-	-	-
Current Tax Liability	38,591	-	-	-	-	-
Deferred Tax Liability	-	-	-	-	-	-
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (Net)	-	-	-	-	-	-
Subordinated Debt Instruments	1,579,084	-	-	-	-	-
Other Liabilities	553,719	-	-	-	-	-
Equity	1,160,960	-	-	-	-	-
Total Liabilities	15,846,881	262,690	2,713	-	-	-

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

IX. Explanations on Consolidated Risk Management (Continued)

2. Connections between Financial Statements and Risk Amounts (continued):

a) Differences between accounting consolidation and legal consolidation scope and matching (Continued):

Prior Period - 31 December 2017	Carrying values of items in accordance with Turkish Accounting Standards					Not subject to capital requirements or subject to deduction from capital
	Carrying values as reported in published financial statements	Subject to Credit risk	Subject to counterparty credit risk	Subject to the securitisation	Subject to the market risk	
Assets						
Cash and balances at central bank	1,350,471	1,350,471	-	-	-	-
Financial assets held for trading	31,240	-	9,245	-	1,346,127	-
Financial assets classified as at fair value through profit or loss	-	-	-	-	-	-
Banks	1,604,967	1,604,967	-	-	-	-
Receivables from money markets	9,600	9,600	-	-	-	-
Available for sale financial assets (net)	1,989,010	1,989,010	-	-	-	-
Loans and receivables	7,680,821	7,680,821	-	-	-	-
Lease receivables	-	-	-	-	-	-
Held to maturity securities	493,413	493,413	-	-	-	-
Associates (net)	-	-	-	-	-	-
Investments In Subsidiaries	-	-	-	-	-	-
Joint Venture (net)	-	-	-	-	-	-
Leasing Receivables	-	-	-	-	-	-
Hedging derivative financial assets	-	-	-	-	-	-
Tangible assets (net)	36,765	36,765	-	-	-	-
Intangible assets (net)	5,194	-	-	-	-	5,194
Investment Properties (net)	-	-	-	-	-	-
Tax Assets	10,619	10,619	-	-	-	-
Fixed assets held for sale and related to discontinued operations (net)	-	-	-	-	-	-
Other Assets	103,460	101,218	-	-	-	2,242
Total Assets	13,315,560	13,276,884	9,245	-	1,346,127	7,436
Liabilities						
Deposits	3,345,101	-	-	-	-	-
Derivative financial liabilities held for trading	14,272	-	-	-	-	-
Loans	6,988,038	-	-	-	-	-
Debt to money markets	1,149,966	-	530,779	-	-	-
Debt securities in issue	-	-	-	-	-	-
Funds	-	-	-	-	-	-
Various debts	420,728	-	-	-	-	-
Other liabilities	114,548	-	-	-	-	-
Factoring payables	-	-	-	-	-	-
Leasing payables	-	-	-	-	-	-
Hedge Derivative Financial Liabilities	-	-	-	-	-	-
Provisions	141,123	-	-	-	-	-
Tax liabilities	29,490	-	-	-	-	-
Liabilities included in disposal groups classified as held for sale (net)	-	-	-	-	-	-
Subordinated debts	-	-	-	-	-	-
Equity	1,112,294	-	-	-	-	-
Total Liabilities	13,315,560	-	530,779	-	-	-

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

IX. Explanations on Consolidated Risk Management (Continued)

2. Connections between Financial Statements and Risk Amounts (continued):

b) Main Sources of Differences between the Risk Amounts and the Valuation Amounts in the Financial Statements in accordance with TAS:

Current Period - 31 December 2018	Total	Subject to credit risk	Securitization positions	Subject to counterparty credit risk	Subject to market Risk
1 Asset carrying value amount under scope of regulatory consolidation	15,846,881	15,959,899	-	2,713	2,713
2 Liabilities carrying value amount under regulatory scope of consolidation	-	-	-	262,690	-
3 Total net amount under regulatory scope of consolidation	15,846,881	15,959,899	-	265,403	2,713
4 Off-balance Sheet Amounts	3,594,226	1,374,614	-	-	-
5 Differences in valuations	-	-	-	-	-
6 Differences due to different netting rules, (other than those already included in row 2)	-	-	-	-	-
7 Differences due to consideration of provisions	-	-	-	-	-
8 Differences due to prudential filters	-	-	-	-	-
9 Differences due to risk reduction	-	-	-	-	-
10 Risk amounts	19,441,107	17,334,513	-	265,403	2,713

3. Explanations of credit risk

a) Credit quality of assets

	Gross carrying value as per TAS		Allowances/ amortization and impairments	Net values
	Defaulted	Non-defaulted		
1 Loans	93,407	7,781,185	208,350	7,666,242
2 Debt instruments	-	3,863,032	15,766	3,847,266
3 Off-balance sheet exposures	6,060	2,595,508	6,718	2,594,850
4 Total	99,467	14,239,725	230,834	14,108,358

b) Changes in Stock of Default Loans and Debt Securities

1	Defaulted loans and debt securities at end of the previous reporting period	96,523
2	Loans and debt securities defaulted since the last reporting period	2,909
3	Receivables back to non-defaulted status	-
4	Amounts written off	40,083
5	Other changes	34,058
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	93,407

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

IX. Explanations on Consolidated Risk Management (Continued)

3. Explanations of credit risk (Continued)

c) Credit risk mitigation techniques - overview

	Exposures unsecured of: (according to TAS)	Exposures secured by collateral	Exposures secured by collateral, of which secured amount	Exposures secured by financial guarantees	Financial guarantees, of which secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which secured amount
1 Loans	6,887,151	872,990	878,481	21,044	21,044	-	-
2 Debt Instruments	3,847,266	-	-	-	-	-	-
3 Total	10,734,417	872,990	878,481	21,044	21,044	-	-
4 Of which defaulted	93,407	-	-	-	-	-	-

d) Standard Approach - Exposure to credit risk and credit risk mitigation risks

Risk Classifications	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On- balance sheet amount	Off- balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Claims on central governments and Central Banks	4,485,288	-	4,485,288	-	489,678	1%
Claims on regional governments or local authorities	-	-	-	-	-	0%
Claims on administrative bodies and other non-commercial undertakings	40,125	-	40,125	-	40,125	100%
Claims on multilateral development banks	-	-	-	-	-	0%
Claims on international organizations	-	-	-	-	-	0%
Claims on banks and intermediary institutions	6,245,502	537,363	6,245,520	353,877	3,098,342	47%
Claims on corporates	3,936,868	1,680,398	3,936,868	896,963	4,348,628	90%
Claims included in the regulatory retail portfolios	122,779	101,723	122,779	21,979	97,643	67%
Claims secured by residential property	601,987	1,062	601,987	213	210,695	35%
Claims secured by commercial property	626,288	203,450	626,288	101,582	424,722	58%
Overdue loans	14,820	-	14,820	-	14,803	0%
Higher risk categories decided by the Board	-	-	-	-	-	0%
Secured by mortgages	-	-	-	-	-	0%
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	0%
Undertakings for collective investments in mutual funds	-	-	-	-	-	0%
Other receivables	123,718	-	123,718	-	74,748	1%
Equity share investments	-	-	-	-	-	0%
Total	16,197,375	2,523,996	16,197,393	1,374,614	8,799,384	

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

IX. Explanations on Consolidated Risk Management (Continued)

3. Explanation of credit risk (Continued):

e) Standard Approach - Receivables by risk classes and risk weights

Risk Classifications	0%	10%	20%	50% ⁽¹⁾	75%	100%	150%	Others	Total Risk Amount ⁽²⁾
Claims on central governments and Central Banks	3,505,933	-	-	979,355	-	-	-	-	4,485,288
Claims on regional governments or local authorities	-	-	-	-	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	-	-	-	-	-	40,125	-	-	40,125
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	173	-	278,851	5,766,595	-	553,778	-	-	6,599,397
Claims on corporates	-	-	17,947	318,077	-	4,497,807	-	-	4,833,831
Claims included in the regulatory retail portfolios	-	-	-	23	144,735	-	-	-	144,758
Claims secured by residential property	-	-	-	-	-	-	-	602,200	602,200
Overdue loans	-	-	-	606,155	-	121,715	-	-	727,870
Higher risk categories decided by the Board	-	-	-	161	-	14,533	126	-	14,820
Secured by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on Bank and intermediary institutions	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-
Other receivables	48,969	-	-	-	-	74,749	-	-	123,718
Total	3,555,075	-	296,798	7,670,366	144,735	5,302,707	126	602,200	17,572,007

⁽¹⁾ Guaranteed with real estate mortgage.

⁽²⁾ Amount after Credit Conversion Rate ("CCR") and Credit Risk Reduction ("CRR")

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

IX. Explanations on Consolidated Risk Management (Continued)

4. Analysis of counterparty credit risk (CCR) exposure by approach

a) Evaluation of counterparty credit risk according to measurement methods:

Current Period - 31 December 2018	Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory Exposure at Default	Exposure at Default post-CRM	RWA
Standard Approach-CCR (for derivatives)	30,160	5,604	-	1.4	35,764	35,764
Internal Model Method (Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	262,690	2,713
Total	30,160	5,604	-		298,454	38,477

b) Credit valuation adjustment (CVA) capital charge:

Current Period - 31 December 2018	EAD (post-CRM)	RWA
Total portfolios subject to the Advanced CVA capital charge	-	-
1 (i) VaR component (including the 3×multiplier)	-	-
2 (ii) Stressed VaR component (including the 3×multiplier)	-	-
3 All portfolios subject to the Standardized CVA capital charge	35,764	1,331
4 Total subject to the CVA capital charge	35,764	1,331

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2018**

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

IX. Explanations on Consolidated Risk Management (Continued)

4. Analysis of counterparty credit risk (CCR) exposure by approach

c) Standardized approach - CCR exposures by regulatory portfolio and risk weights:

Risk Weight	0%	10%	20%	50%	75%	100%	150%	Other	Total Credit Risk ⁽¹⁾
Risk Classifications									
Claims from central governments and central banks	-	-	-	-	-	-	-	-	-
Claims from regional and local governments	-	-	-	-	-	-	-	-	-
Claims from administration and non-commercial	-	-	-	-	-	-	-	-	-
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-
Claims from institutions	-	-	-	5,426	-	35,764	-	-	38,477
Corporates	-	-	-	-	-	-	-	-	-
Retail portfolios	-	-	-	-	-	-	-	-	-
Claims on landed real estate	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-	-
Claims which are determined as high risk by the board of BRSA	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Claims from corporates, banks and financial intermediaries which have short term credit rating	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-
Stock investment	-	-	-	-	-	-	-	-	-
Other claims	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	-	-	-	5,426	-	35,764	-	-	38,477

⁽¹⁾ Total credit risk: The amount related to the capital adequacy calculation after the counterparty credit risk measurement techniques are applied.

d) Collaterals for counterparty credit risk: None.

e) Credit derivatives: None.

f) Exposures to central counterparties (CCP): None.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2018**

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

IX. Explanations on Consolidated Risk Management (Continued)

5. Securitization Explanations: None.

6. Market risk disclosures

a) Standard approach

	RWA
Outright products	
1 Interest rate risk (general and specific)	5,850
2 Equity risk (general and specific)	64,263
3 Foreign exchange risk	117,312
4 Commodity risk	-
Options	
5 Simplified approach	-
6 Delta-plus method	-
7 Scenario approach	-
8 Securitization	-
9 Total	187,425

X. Explanations on Presentation of Financial Assets and Liabilities at Their Fair Value

Investment securities in current period includes only marketable interest bearing assets. Market/fair/current value of marketable assets is defined based on quoted market prices for other securities, which are subject to redemption in the same nature with respect to interest, maturity and other conditions, if the market price or this price cannot be defined.

Estimated fair value of demand deposit states the amount which shall be paid on demand. Fair value of adjustable-rate placements and overnight deposit states the book value. Estimated fair value of fixed rate is calculated through determination of cash flow discounted via using money market interest rates which is applicable to similar credit risk and other debts having with a remaining redemption. Fair value of credits is calculated through determination of cash flow discounted via using money market interest rates which is applicable to similar credit risk and other debts having with a remaining redemption. Fair value states the book value since the other debts are short-termed.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

X. Explanations on Presentation of Financial Assets and Liabilities at Their Fair Value (Continued)

In the table below; fair values and carrying values of some of the financial assets and liabilities are presented.

	Carrying value	Fair value
	31 December 2018	31 December 2018
Financial Assets	13,994,618	13,994,747
Interbank money market	349,622	349,622
Banks	2,000,779	2,000,779
Financial Assets at Fair Value Through Other Comprehensive Income (Net)	2,479,033	2,479,033
Financial Assets measured at amortized cost(Net)	1,383,999	1,349,154
Loans and receivables ⁽¹⁾	7,781,185	7,816,159
Financial Liabilities	14,423,447	14,494,347
Bank deposits	1,322,553	1,322,553
Other deposits	6,885,541	7,090,959
Funds borrowed from other financial institutions	5,661,634	5,660,107
Other debts	553,719	420,728

	Carrying value	Fair value
	31 December 2017	31 December 2017
Financial Assets	11,753,435	11,790,902
Interbank money market	9,600	9,600
Banks	1,604,967	1,604,967
Investment securities available-for-sale (Net)	1,989,010	1,989,010
Investment securities held-to-maturity (Net)	493,413	503,736
Loans and receivables ⁽¹⁾	7,656,445	7,683,589
Financial Liabilities	10,753,867	11,216,213
Bank deposits	71,241	71,241
Other deposits	3,273,860	3,749,630
Funds borrowed from other financial institutions	6,988,038	6,974,614
Securities issued (Net)	420,728	420,728

⁽¹⁾ Loans under follow up and specific provisions are not included.

"TFRS 7: Financial Instruments - Disclosures" describes classifications of valuation techniques based on observability of data used in valuation techniques which are basis for fair value measurements. Classification of fair values is defined as follows.

- a) Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b) Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);
- c) Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

X. Explanations on Presentation of Financial Assets and Liabilities at Their Fair Value (Continued)

The table below presents the classification of fair values of financial instruments carried at fair value:

31 December 2018	Level 1	Level 2	Level 3	Total
Financial Assets	1,604,400	887,512	-	2,491,912
Financial Assets At Fair Value Through Profit/Loss	46	12,833	-	12,879
Equity Instruments	46	-	-	46
Government Debt Securities	-	-	-	-
Derivative Financial Assets at Fair Value Through Profit or Loss	-	30,101	-	30,101
Other Financial Assets	-	12,833	-	12,833
Derivative Financial Assets at Fair Value Through Other Comprehensive Income	1,604,354	874,679	-	2,479,033
Equity Instruments	6,255	-	-	6,255
Government Debt Securities	1,598,099	-	-	1,598,099
Other Financial Assets	-	874,679	-	874,679
Financial Liabilities	-	1,122	-	1,122
Derivative financial liabilities	-	1,122	-	1,122
31 December 2017	Level 1	Level 2	Level 3	Total
Financial Assets	1,281,426	738,824	-	2,020,250
Financial Assets At Fair Value Through Profit or Loss	28	31,212	-	31,240
Equity Instruments	28	-	-	28
Trading Derivatives	-	691	-	691
Other Securities	-	30,521	-	30,521
Investment Securities Available for Sale	1,281,398	707,612	-	1,989,010
Equity Instruments	4,107	-	-	4,107
Government Debt Securities	1,277,291	-	-	1,277,291
Other Securities	-	707,612	-	707,612
Financial Liabilities	-	14,272	-	14,272
Derivative financial liabilities held for trading	-	14,272	-	14,272

Explanations on presentation of non-financial assets and liabilities at their fair value

The Parent Bank shows the buildings, included in tangible assets, over their fair values. The aforementioned fair value valuations are classified as level 3. Fair value of buildings is determined by an independent valuation company authorized by Capital Markets Board of Turkey and Banking Regulation and Supervision Agency.

XI. 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, prefinancing, 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.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

XI. Explanation and Footnotes on Consolidated Segment Reporting (Continued)

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 December 2018	Retail Banking	Corporate Banking	Treasury, Investment Banking and Others	Group's Total Operations
Operating Income	89,174	255,284	90,408	434,866
Net profit of segment	51,968	167,029	(96,084)	122,913
Undistributed costs	-	-	-	-
Operating Profit / (Loss)	51,968	167,029	(96,084)	122,913
Income from subsidiaries	-	-	-	-
Profit / (Loss) before tax	51,968	167,029	(96,084)	122,913
Tax provision (-)	-	-	39,364	39,364
Profit / (Loss) after tax	51,968	167,029	(135,448)	83,549
Minority Shares	-	-	-	-
Current Period Net Profit/ (Loss)	51,968	167,029	(135,448)	83,549
Segment assets ⁽¹⁾	803,381	7,093,472	7,950,028	15,846,881
Associate and subsidiaries	-	-	-	-
Total Assets	803,381	7,093,472	7,950,028	15,846,881
Segment liabilities ⁽¹⁾	3,485,400	4,096,472	7,104,049	14,685,921
Equity	-	-	1,160,960	1,160,960
Total Liabilities	3,485,400	4,096,472	8,265,009	15,846,881
Other Segment Items	1,873	31,119	205,465	238,457
Capital investment	-	-	53,041	53,041
Amortization	766	675	8,562	10,003
Impairment ⁽²⁾	1,107	30,444	143,862	175,413
Other non-cash income-expense	-	-	-	-
Restructuring costs	-	-	-	-

⁽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 December 2018, segments of the Group are distributed based on their asset sizes as percentages in current period as; 45% for corporate banking, 5% for retail banking, 50% for investment banking and others segment. Gross income (operational income) of the Group is distributed between corporate banking, investment banking and others segment and retail banking as 59%, 21%, and 20%, respectively.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

XI. Explanation and Footnotes on Consolidated Segment Reporting (Continued)

31 December 2017	Retail Banking	Corporate Banking	Treasury, Investment Banking and Others	Group's Total Operations
Operating Income	74,724	185,683	144,467	404,874
Net profit of segment	22,883	111,814	(53,111)	81,586
Operating Profit / (Loss)	22,883	111,814	(53,111)	81,586
Profit / (Loss) before tax	22,883	111,814	(53,111)	81,586
Tax provision (-)	-	-	33,303	33,303
Profit / (Loss) after tax	22,883	111,814	(86,414)	48,283
Net Profit / (Loss)	22,883	111,814	(86,414)	48,283
Segment Assets ⁽¹⁾	858,496	6,854,101	5,602,963	13,315,560
Total Assets	858,496	6,854,101	5,602,963	13,315,560
Segment Liabilities ⁽¹⁾	2,123,694	1,399,619	8,679,953	12,203,266
Equity	-	-	1,112,294	1,112,294
Total Liabilities	2,123,694	1,399,619	9,792,247	13,315,560
Other Segment Items	2,757	8,307	98,765	109,829
Capital investment	-	-	7,653	7,653
Amortization	522	420	7,217	8,159
Impairment losses ⁽²⁾	2,235	7,887	83,895	94,017

⁽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 provisions of associates, loan loss provisions and other provision expenses.

Based on information that is presented in the table above as at 31 December 2017, segments of the Group are distributed based on their asset sizes as percentages in current period as; 52% for corporate banking, 6% for retail banking, 42% for investment banking and others segment. Gross income (operational income) of the Group is distributed between corporate banking, investment banking and others segment and retail banking as 46%, 36%, and 18%, respectively.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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 December 2018	
	TL	FC
Cash/ Foreign Currency	12,783	36,187
Central Bank of the Republic of Turkey (CBRT) ⁽¹⁾	517,015	1,240,914
Other	-	-
Total	529,798	1,277,101

⁽¹⁾ As at 31 December 2018, the Parent Bank does not keep precious metals as reserve deposits at CBRT.

	31 December 2017	
	TL	FC
Cash / Foreign Currency	12,798	23,828
Central Bank of the Republic of Turkey (CBRT) ⁽¹⁾	90,592	1,223,253
Other	-	-
Total	103,390	1,247,081

⁽¹⁾ As at 31 December 2017, the Parent Bank does not keep precious metals as reserve deposits at CBRT.

b) Information related to the account of the CBRT:

	31 December 2018	
	TL	FC
Unrestricted Demand Deposits ⁽¹⁾	517,015	953,182
Unrestricted Time Deposits	-	-
Restricted Time Deposits	-	287,732
Total	517,015	1,240,914

⁽¹⁾ As at 31 December 2018, the Parent Bank does not keep precious metals as reserve deposits at CBRT.

	31 December 2017	
	TL	FC
Unrestricted Demand Deposits ⁽¹⁾	90,592	232,495
Unrestricted Time Deposits	-	-
Restricted Time Deposits	-	990,758
Total	90,592	1,223,253

⁽¹⁾ As at 31 December 2017, 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 1.5% and 8% due their maturity profile as at 31 December 2018 (31 December 2017: between 4% and 10.5%); the reserve rates for foreign currency liabilities vary between 4% and 20% (31 December 2017: 4% and 24%).

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2018**

(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 December 2018 and 31 December 2017, 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:

i. Derivative financial assets at fair value through profit/loss

	31 December 2018	
	TL	FC
Forward transactions	725	-
Swap transactions	29,177	199
Futures transactions	-	-
Options	-	-
Other	-	-
Total	29,902	199

ii. Trading derivative financial assets

	31 December 2017	
	TL	FC
Forward transactions	-	1
Swap transactions	-	690
Futures transactions	-	-
Options	-	-
Other	-	-
Total	-	691

3. Information on banks:

a) Information on banks:

	31 December 2018	
	TL	FC
Banks		
Domestic	339	1,660,524
Foreign	-	339,916
Total	339	2,000,440

	31 December 2017	
	TL	FC
Banks		
Domestic	285	467,446
Foreign	-	1,137,236
Total	285	1,604,682

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2018**

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

I. Explanations and Footnotes on Consolidated Assets (Continued)

3. Information on banks (Continued):

b) Information on foreign bank accounts:

	Unrestricted Amount		Restricted Amount	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
EU Countries	14,554	294,627	-	-
USA, Canada	314,168	839,365	-	-
OECD Countries ⁽¹⁾	1,079	622	-	-
Off shore banking regions	-	-	-	-
Other	10,115	2,622	-	-
Total	339,916	1,137,236	-	-

⁽¹⁾ OECD countries except for the EU countries, the USA and Canada.

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

a) Investment securities given as collateral or blocked with net values and comparatively:

i. Financial assets at fair value through other comprehensive income

	31 December 2018	
	TL	FC
Given as collateral or blocked	150,244	231,262
Subject to repurchase agreements	255,363	-
Total	405,607	231,262

As of 31 December 2018, financial assets at fair value through other comprehensive income other than those given as collateral or subject to repurchase agreements amounting to TL 1,842,164 are unrestricted.

ii. Financial assets available for sale

	31 December 2017	
	TL	FC
Given as collateral or blocked	373,844	326,885
Subject to repurchase agreements	475,844	-
Total	849,688	326,885

As of 31 December 2017, investment securities available-for-sale other than those given as collateral or subject to repurchase agreements amounting to TL 812,437 are unrestricted.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2018**

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

I. Explanations and Footnotes on Consolidated Assets (Continued)

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

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

i. Financial assets at fair value through other comprehensive income:

	31 December 2018
Debt securities	2,584,771
Listed	1,674,523
Unlisted	910,248
Share Certificates	6,255
Listed	-
Unlisted	6,255
Impairment provision (-) / charge (+)	111,993
Total	2,479,033

ii. Available-for-sale financial assets:

	31 December 2017
Debt securities	2,017,003
Listed	1,299,458
Unlisted	717,545
Share Certificates	4,107
Listed	543
Unlisted	3,564
Impairment provision (-) / charge (+)	32,100
Total	1,989,010

5. Information on loans:

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

	31 December 2018	
	Cash	Non-Cash
Direct loans granted to shareholders	-	259,363
Corporate shareholders	-	259,363
Real person shareholders	-	-
Indirect loans granted to shareholders	-	-
Loans granted to employees	2,692	-
Total	2,692	259,363

	31 December 2017	
	Cash	Non-Cash
Direct loans granted to shareholders	-	166,912
Corporate shareholders	-	166,912
Real person shareholders	-	-
Indirect loans granted to shareholders ⁽¹⁾	548,335	1,782
Loans granted to employees	2,671	-
Total	551,006	168,694

⁽¹⁾ The Parent Bank considers the loan provided to Industrial and Commercial Bank of China Limited (ICBC) in accordance with the Account Pledge Contract dated on 25 June 2015, as at 31 December 2017 an amount of TL 548,335 as cash collateralized loan.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

I. Explanations and Footnotes on Consolidated Assets (Continued)

5. Information on loans (Continued):

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

Cash Loans	Standard Loans	Loans Not Subject to Restructuring	Loans Under Close Monitoring	
			Loans with Revised Contract Terms	Restructured Loans Refinance
Non-specialized loans	7,430,734	70,873	249,858	29,697
Enterprise loans	-	-	249,857	28,707
Export loans	81,799	13,210	-	-
Import loans	-	-	-	-
Loans given to financial sector	2,767,016	-	-	-
Consumer loans	777,395	14,441	1	72
Credit cards	19,623	174	-	-
Other	3,784,901	43,048	-	918
Specialized loans	9	14	-	-
Other receivables	-	-	-	-
Total	7,430,743	70,887	249,858	29,697

Allowances for Expected Credit Losses on Stage 1 and 2	Standard Loans	Loans under close monitoring
12 Month Expected Credit Losses	46,509	-
Significant Increase in Credit Risk	-	83,254
Total	46,509	83,254

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

	31 December 2017
General Provisions	
Provisions for Group I. Loans and Receivables	94,396
<i>In addition to allocation for duration of payment provisions</i>	39
Provisions for Group II. Loans and Receivables	5,957
<i>In addition to allocation for duration of payment provisions</i>	5,209
Provisions for Non-cash Loans	3,760
Other	231
Total	104,344

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

I. Explanations and Footnotes on Consolidated Assets (Continued)

5. Information on loans (continued):

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	3,200	278,637
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	223	232,137
6 Months - 1 Year	157	-
1-2 Years	1,039	17,866
2-5 Years	1,130	28,634
5 Years and Over	651	-

c) Distribution of cash loans and other receivables by maturity:

	Standard Loans and Other Receivables		Loans and Receivables Under Close Monitoring	
	Loans and other receivables	Restructured	Loans and other receivables	Restructured
Cash Loans				
Short term Loans and Other Receivables	799,396	-	18,783	1
Non specialized Loans	799,396	-	18,783	1
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long term Loans and Other Receivables	6,631,347	3,200	53,022	278,636
Non specialized Loans	6,628,138	3,200	53,008	278,636
Specialized Loans	9	-	14	-
Other Receivables	-	-	-	-
Total	7,427,543	3,200	71,805	278,637

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

(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 consumer loans, consumer credit cards, personnel loans and personnel credit cards:

	Short Term	Medium and Long Term	Total
Consumer Loans - TL	5,731	762,122	767,853
Mortgage Loans	109	618,602	618,711
Automotive Loans	-	3,442	3,442
Consumer Loans	5,622	140,078	145,700
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	16,231	-	16,231
With Installment	3,870	-	3,870
Without Installment	12,361	-	12,361
Consumer Credit Cards - FC	469	-	469
With Installment	-	-	-
Without Installment	469	-	469
Personnel Loans - TL	80	1,222	1,302
Mortgage Loans	-	289	289
Automotive Loans	-	-	-
Consumer Loans	80	933	1,013
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	1,381	-	1,381
With Installment	452	-	452
Without Installment	929	-	929
Personnel Credit Cards - FC	33	-	33
With Installment	-	-	-
Without Installment	33	-	33
Credit Deposit Account - TL (Real Person)	5,198	-	5,198
Credit Deposit Account - FC (Real Person)	-	-	-
Total	29,123	763,344	792,467

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2018**

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

	Short Term	Medium and Long Term	Total
Commercial Installment Loans - TL	305	343,234	343,539
Business Residential Loans	-	-	-
Automotive Loans	-	9,093	9,093
Consumer Loans	305	334,141	334,446
Other	-	-	-
Commercial Installment Loans - Indexed to FC	-	40,861	40,861
Business Residential Loans	-	-	-
Automotive Loans	-	11,573	11,573
Consumer Loans	-	29,288	29,288
Other	-	-	-
Commercial Installment Loans - FC	-	-	-
Business Residential Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards - TL	1,617	-	1,617
With Installment	282	-	282
Without Installment	1,335	-	1,335
Corporate Credit Cards - FC	66	-	66
With Installment	-	-	-
Without Installment	66	-	66
Credit Deposit Account - TL (Legal Entity)	-	-	-
Credit Deposit Account - FC (Legal Entity)	-	-	-
Total	1,988	384,095	386,083

f) Loan concentration based on counterparties:

	31 December 2018	31 December 2017
Public	702,964	1,227,969
Private	7,078,221	6,428,476
Total	7,781,185	7,656,445

g) Distribution of domestic and foreign loans:

	31 December 2018	31 December 2017
Domestic loans	7,185,241	6,893,750
Foreign loans	595,944	762,695
Total	7,781,185	7,656,445

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

(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) Loans granted to subsidiaries and associates: TL 24 (31 December 2017: TL 35).

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

	31 December 2018
Loans and Other Receivables with Limited Collectibility	928
Loans and Other Receivables with Doubtful Collectibility	28,759
Uncollectible Loans and Other Receivables	48,900
Total	78,587
	31 December 2017
Loans and Other Receivables with Limited Collectibility	51
Loans and Other Receivables with Doubtful Collectibility	5,091
Uncollectible Loans and Other Receivables	67,005
Total	72,147

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

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

	Group III Loans with limited collectibility	Group IV Loans with doubtful collectibility	Group V Uncollectible loans
Current period			
Gross amounts before the specific reserves	-	-	483
Restructured Loans and other receivables	-	-	483
	Group III Loans with limited collectibility	Group IV Loans with doubtful collectibility	Group V Uncollectible loans
Prior period			
Gross amounts before the specific reserves	1	15	1,946
Restructured Loans and other receivables	1	15	1,946

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2018**

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

I. Explanations and Footnotes on Consolidated Assets (Continued)

5. Information on loans (continued):

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

	Group III Loans with limited collectibility	Group IV Loans with doubtful collectibility	Group V Uncollectible loans
Prior Period End Balance	201	5,638	90,684
Additions (+)	39,008	5,305	984
Transfers from Other Categories of Non- Performing Loans (+)	-	34,993	6,065
Transfers to Other Categories of Non-Performing Loans (-)	34,993	6,066	-
Collections (-)	1,399	194	6,736
Write-offs (-)	-	-	40,083
Corporate and Commercial Loans	-	-	35,319
Retail Loans	-	-	3,019
Credit Cards	-	-	1,745
Other	-	-	-
Balances at End of the Current Period	2,817	39,676	50,914
Specific Provisions (-)	928	28,759	48,900
Net Balance on Balance Sheet	1,889	10,917	2,014

j.3) Information on non-performing loans in foreign currencies: None.

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

	Group III Loans with limited collectibility	Group IV Loans with doubtful collectibility	Group V Uncollectible loans
Current Period (Net)	1,889	10,917	2,014
Loans Allowed to Real Persons and Corporate Entities (Gross)	2,817	39,676	50,914
Specific provision (-)	928	28,759	48,900
Loans Allowed to Real Persons and Corporate Entities (Net)	1,889	10,917	2,014
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loan and Receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other Loan and Receivables (Net)	-	-	-
Prior Period (Net)	-	-	-
Loans Allowed to Real Persons and Corporate Entities (Gross)	-	-	-
Specific provision (-)	-	-	-
Loans Allowed to Real Persons and Corporate Entities (Net)	-	-	-
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loan and Receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other Loan and Receivables (Net)	-	-	-

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2018**

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

I. Explanations and Footnotes on Consolidated Assets (Continued)

5. Information on loans (continued):

j.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 Collectibility	Group IV Loans with Doubtful Collectibility	Group V Uncollectible Loans
Current period (Net)	(386)	(23,160)	-
Interest accruals and rediscounts with valuation differences	420	5,231	-
Provision amount (-)	806	(28,391)	-
Prior period (Net)	-	-	-
Interest accruals and rediscounts with valuation differences	-	-	-
Provision amount (-)	-	-	-

6. Financial assets at amortized cost:

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

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

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

As of 31 December 2018, the Bank's government debt securities valued at amortized cost are TL 989,977. As of 31 December 2017, the Bank's investments in held-to-maturity investments amount to TL 297,172.

i. Financial assets measured at amortized cost:

	31 December 2018
Government Bonds	993,472
Treasury bills	-
Other public sector debt securities	-
Total	993,472

ii. Investments held-to-maturity:

	31 December 2017
Government Bonds	297,172
Treasury bills	-
Other public sector debt securities	196,241
Total	493,413

	31 December 2018
Debt securities	1,324,326
Listed	-
Unlisted	1,324,326
Impairment provision (-) ⁽¹⁾	59,673
Total	1,383,999

⁽¹⁾ Consists of change in interest accruals.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2018**

(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 (continued):

c) Information on financial assets at amortized cost:

i. Information on financial assets at amortized cost:

ii. Information on investment securities held-to-maturity:

	31 December 2017
Debt securities	478,294
Listed	-
Unlisted	478,294
Impairment provision (-) ⁽¹⁾	15,119
Total	493,413

⁽¹⁾ Consists of change in interest accruals.

d) i. The movement of financial assets at amortized cost during the year:

	31 December 2018
Beginning balance	493,413
Foreign currency differences on monetary assets	-
Purchases during year	830,913
Disposals through sales and redemptions	-
Impairment provision (-) ⁽¹⁾	59,673
Total	1,383,999

⁽¹⁾ Consists of change in interest accruals.

ii. The movement of financial investment securities during the year:

	31 December 2017
Beginning balance	184,587
Foreign currency differences on monetary assets	-
Purchases during year	293,707
Disposals through sales and redemptions	-
Impairment provision (-) ⁽¹⁾	15,119
Total	493,413

⁽¹⁾ Consists of change in interest accruals.

7. Information on associates (net):

None.

8. Information on subsidiaries (net):

As at 31 December 2018, 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.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

I. Explanations and Footnotes on Consolidated Assets (Continued)

8. Investments in subsidiaries (net) (continued):

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 December 2018, the Parent Bank has no unconsolidated subsidiary.

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)	Istanbul/Turkey	99.998	100

f) Solo/stand-alone financial information of ICBC Portföy company, which is consolidated to ICBC Yatırım, is as follows:

Total assets	Shareholders' equity	Total fixed assets	Interest Income	Income from marketable securities portfolio	Current period profit/ (loss)	Prior period profit / (loss)	Fair Value
3,890	3,657	10	573	-	82	(1,425)	-

⁽¹⁾ 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.

g) Movement of consolidated subsidiaries:

	31 December 2018
Balance at the Beginning of the Period	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
Capital Commitments	-
Share of Capital Percentage at the end of Period (%)	-

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2018**

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

I. Explanations and Footnotes on Consolidated Assets (Continued)

g) Movement of consolidated subsidiaries (continued):

	31 December 2017
Balance at the Beginning of the Period	25,000
Movements during the Period	50,998
Purchases	39,998
Bonus Shares Received	11,000
Dividends from Current Year Profit	-
Sales	-
Revaluation Increase	-
Impairment Provision	-
Balance at the End of the Period	75,998
Capital commitment	-
Share of capital percentage (%)	-

h) Sectoral distribution of consolidated subsidiaries:

	31 December 2018
Banks	-
Insurance Companies	-
Factoring Companies	-
Leasing Companies	-
Finance Companies	-
Other Financial Subsidiaries	75,998
Other Non-Financial Subsidiaries	-
Total	75,998

	31 December 2017
Banks	-
Insurance Companies	-
Factoring Companies	-
Leasing Companies	-
Finance Companies	-
Other Financial Subsidiaries	75,998
Other Non-Financial Subsidiaries	-
Total	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.

10. Information on financial lease receivables (net):

None.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

I. Explanations and Footnotes on Consolidated Assets (Continued)

11. Information on hedging purpose derivatives (net):

None.

12. Information on tangible assets (net):

31 December 2018	Buildings ⁽¹⁾	Tangible assets from finance lease	Vehicles	Other tangible assets	Total
Prior Period End: 31/12/2017					
Cost	21,882	3,160	36	50,102	75,180
Accumulated Depreciation (-)	3,812	3,160	36	31,407	38,415
Net Book Value	18,070	-	-	18,695	36,765
Current Period End: 31/12/2018					
Net Book Value at the Beginning of the Period	18,070	-	-	18,695	36,765
Additions	-	-	-	4,884	4,884
Disposals, net (-)	-	-	-	-	-
Revaluation / (Impairment) ⁽¹⁾	1,708	-	-	-	1,708
Depreciation (-)	198	-	-	6,937	7,135
Cost at period end	23,590	3,160	36	54,986	81,772
Accumulated Depreciation at period end (-)	4,010	3,169	36	38,327	45,533
Closing Net Book Value	19,580	-	-	16,659	36,239

⁽¹⁾ There is a capital gain amounting to TL 13,967 as of 31 December 2018 as a result of change in fair value of buildings, which is determined by licensed immovable property valuation companies

31 December 2017	Buildings ⁽¹⁾	Tangible assets from finance lease	Vehicles	Other tangible assets	Total
Prior Period End: 31/12/2016					
Cost	20,300	3,160	36	39,094	62,590
Accumulated Depreciation (-)	3,615	3,160	36	25,958	32,769
Net Book Value	16,685	-	-	13,136	29,821
Current Period End: 31/12/2017					
Net Book Value at the Beginning of the Period	16,685	-	-	13,136	29,821
Additions	-	-	-	11,008	11,008
Disposals, net (-)	-	-	-	17	17
Revaluation / (Impairment) (1)	1,582	-	-	-	1,582
Depreciation (-)	197	-	-	5,449	5,646
Cost at period end	21,882	3,160	36	50,102	75,180
Accumulated Depreciation at period end (-)	3,812	3,160	36	31,407	38,415
Closing Net Book Value	18,070	-	-	18,695	37,765

⁽¹⁾ There is a capital gain amounting to TL 12,259 as of 31 December 2017 as a result of change in fair value of buildings, which is determined by licensed immovable property valuation companies

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2018**

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

I. Explanations and Footnotes on Consolidated Assets (Continued)

12. Information on tangible assets (net) (Continued):

a) The cost and accumulated depreciation of assets disposed is as follows:

31 December 2018	Buildings	Tangible assets from finance lease	Vehicles	Other tangible assets	Total
Cost	-	886	-	1,031	1,917
Accumulated Depreciation (-)	-	886	-	1,031	1,917
Net disposal amount	-	-	-	-	-

31 December 2017	Buildings	Tangible assets from finance lease	Vehicles	Other tangible assets	Total
Cost	-	1	-	176	177
Accumulated Depreciation (-)	-	1	-	159	160
Net disposal amount	-	-	-	17	17

13. Intangible assets (net):

a) The gross book value and accumulated amortization amounts at the beginning and at the end of the period:

	31 December 2018	31 December 2017
Gross Book Value	30,407	24,881
Accumulated Amortization (-)	22,236	19,687
Total	8,171	5,194

b) Movement table contains below mentioned information at the beginning and the end of the period:

	31 December 2018	31 December 2017
Beginning of the period	5,194	2,982
Additions Resulting from Mergers, Acquisitions and Purchases	5,526	3,466
Disposals (-)	-	-
Accumulated Amortization (-)	2,549	1,254
Period End	8,171	5,194

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

I. Explanations and Footnotes on Consolidated Assets (Continued)

14. Information on investment properties:

None.

15. 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 December 2018, the Group's deferred tax asset arising from the deductible temporary differences except for general loan provisions is amounting to TL 44,596 (31 December 2017: TL 10,619). As at 31 December 2018, there is no deferred tax asset arising from financial losses (31 December 2017: 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.

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

The Parent Bank has no asset held for sale and discontinued operation as at 31 December 2018 and 31 December 2017.

17. 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 2,058 as at 31 December 2018 (31 December 2017: TL 8,415).

Sum of other assets amounting to TL 41,869 (31 December 2017: TL 95,045), 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. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

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 December 2018:

	Demand	Up to 1 Month	1-3 Months	3-6 Months	6 Months-1 Year	1 Year and Over	Cumulative Deposits	Total
Saving Deposits	24,938	36,896	1,635,517	108,563	6,507	1,967	-	1,814,388
Foreign Currency Deposits	315,403	287,300	3,946,995	68,698	16,337	4,487	-	4,639,220
Residents in Turkey	302,244	284,863	3,837,081	63,256	4,637	515	-	4,492,596
Residents Abroad	13,159	2,437	109,914	5,442	11,700	3,972	-	146,624
Public Sector Deposits	7,544	-	-	-	-	-	-	7,544
Commercial Deposits	33,478	26,058	125,273	37,862	-	-	-	222,671
Other Ins. Deposits	4,036	42	11,716	30	41	1	-	15,866
Precious Metal Deposits	-	-	-	-	-	-	-	-
Interbank Deposits	52,774	1,269,779	-	-	-	-	-	1,322,553
CBRT	-	-	-	-	-	-	-	-
Domestic Banks	1,775	1,269,779	-	-	-	-	-	1,271,554
Foreign Banks	50,999	-	-	-	-	-	-	50,999
Participation Banks	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total	438,173	1,620,075	5,719,501	215,153	22,885	6,455	-	8,022,242

a.2) 31 December 2017:

	Demand	Up to 1 Month	1-3 Months	3-6 Months	6 Months-1 Year	1 Year and Over	Cumulative Deposits	Total
Saving Deposits	39,614	17,256	1,130,403	12,808	2,820	1	-	1,202,902
Foreign Currency Deposits	338,317	36,587	1,440,900	8,136	12,898	5,951	-	1,842,789
Residents in Turkey	330,767	10,674	1,384,923	5,691	3,701	1,312	-	1,737,068
Residents Abroad	7,550	25,913	55,977	2,445	9,197	4,639	-	105,721
Public Sector Deposits	1,835	-	-	-	-	-	-	1,835
Commercial Deposits	82,239	25,142	87,239	22,206	2	-	-	216,828
Other Ins. Deposits	3,126	38	6,284	10	38	10	-	9,506
Precious Metal Deposits	-	-	-	-	-	-	-	-
Interbank Deposits	71,241	-	-	-	-	-	-	71,241
CBRT	-	-	-	-	-	-	-	-
Domestic Banks	1,065	-	-	-	-	-	-	1,065
Foreign Banks	70,176	-	-	-	-	-	-	70,176
Participation Banks	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total	536,372	79,023	2,664,826	43,160	15,758	5,962	-	3,345,101

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2018**

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

II. Explanations and Footnotes on Consolidated Liabilities (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:

	Covered by Deposit Insurance Fund	Exceeding the Deposit Insurance Limit
Saving Deposits	31 December 2018	31 December 2018
Saving Deposits	807,156	1,005,237
Foreign Currency Savings Deposits	272,089	1,283,059
Other Saving Deposits	-	-
Foreign branches' Deposits Under Foreign Insurance Coverage	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-
Total	1,079,245	2,288,296

	Covered by Deposit Insurance Fund	Exceeding the Deposit Insurance Limit
Saving Deposits	31 December 2017	31 December 2017
Saving Deposits	555,417	645,020
Foreign Currency Savings Deposits	184,108	681,930
Other Saving Deposits	-	-
Foreign branches' Deposits Under Foreign Insurance Coverage	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-
Total	739,525	1,326,950

b.2) Savings 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 5,588 (31 December 2017: TL 4,504).

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

II. Explanations and Footnotes on Consolidated Liabilities (Continued)

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

	31 December 2018
Deposits and Other Accounts at Foreign Branches	-
Deposits and Other Accounts belong to Major Shareholders with Their Parents, Spouse and Children in their care	-
Deposits and Other Accounts belong to Members of Board of Directors, CEO and Deputy CEOs with Their Parents, Spouse and Children in their care	5,588
Deposits and Other Accounts defined in 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 offshore banking in Turkey	-
	31 December 2017
Deposits and Other Accounts at Foreign Branches	-
Deposits and Other Accounts belong to Major Shareholders with Their Parents, Spouse and Children in their care	-
Deposits and Other Accounts belong to Members of Board of Directors, CEO and Deputy CEOs with Their Parents, Spouse and Children in their care	4,504
Deposits and Other Accounts defined in 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 offshore banking in Turkey	-

2. Information on derivative financial liabilities held for trading:

i. Negative differences table for derivative financial liabilities at fair value through profit or loss:

	31 December 2018	
	TL	FC
Forward Transactions	4	-
Swap Transactions	745	373
Future Transactions	-	-
Options	-	-
Other	-	-
Total	749	373

ii. Negative differences table for derivative financial liabilities held for trading:

	31 December 2017	
	TL	FC
Forward Transactions	-	1
Swap Transactions	13,857	414
Future Transactions	-	-
Options	-	-
Other	-	-
Total	13,857	415

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2018**

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

II. Explanations and Footnotes on Consolidated Liabilities (Continued)

3. Information on funds borrowed:

a) Information on banks and other financial institutions:

	31 December 2018	
	TL	FC
Central Bank of the Republic of Turkey	-	-
Domestic Banks and Institutions	1,527	-
Foreign Banks, Institutions and Funds	1,161,228	2,919,795
Total	1,162,755	2,919,795

	31 December 2017	
	TL	FC
Central Bank of the Republic of Turkey	-	-
Domestic Banks and Institutions	6,614	6,810
Foreign Banks, Institutions and Funds	-	6,974,614
Total	6,614	6,981,424

b) Contractual maturities of funds borrowed:

	31 December 2018	
	TL	FC
Short-Term	1,162,755	792,471
Medium and Long-Term	-	2,127,324
Total	1,162,755	2,919,795

	31 December 2017	
	TL	FC
Short-Term	6,614	4,682,854
Medium and Long-Term	-	2,298,570
Total	6,614	6,981,424

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2018**

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

II. Explanations and Footnotes on Consolidated Liabilities (Continued)

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 553,719 (31 December 2017: TL 114,548) and do not exceed 10% of total liabilities excluding the off-balance sheet items.

5. Information on lease payables (net):

Lease rent payments are determined according to related asset’s cost, market interest rates and lease term. The Parent Bank does not have significant obligations regarding financial lease agreements.

As at 31 December 2018 and 31 December 2017, the Group does not have financial lease liabilities.

As at 31 December 2018 and 31 December 2017, the Group does not have any obligations from operational lease agreements.

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

None.

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 December 2018, this amount is restricted with TL-full 5,434.42 (31 December 2017: TL-full 4,732.48). 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 December 2018
Discount Ratio (%)	4.11
Expected Salary/ETI Liability Ceiling Increase Rate (%)	9.50
Rate for the Probability of Retirement (%)	93.00
	31 December 2017
Discount Ratio (%)	2.78
Expected Salary/ETI Liability Ceiling Increase Rate (%)	8.00
Rate for the Probability of Retirement (%)	93.00

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2018**

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

II. Explanations and Footnotes on Consolidated Liabilities (Continued)

7. Information on provisions (continued):

Movement of employment termination benefits liability is as below:

	31 December 2018
Balance at prior period end	10,735
Current year provisions	3,706
Paid in current period	(2,258)
Balance at the end of the period	12,183
	31 December 2017
Balance at prior period end	8,743
Current year provisions	4,465
Paid in current period	(2,473)
Balance at the end of the period	10,735

As at 31 December 2018, the Group has vacation pay liability amounting TL 5,734 (31 December 2017: TL 5,242).

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

As at 31 December 2018, there is no foreign exchange differences on foreign currency indexed loans (31 December 2017: TL 343) 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 December 2018, the Group has provision amounting to TL 2,964 (31 December 2017: TL 6,092) for non-cash loans and irrevocable commitments that are not indemnified and not converted into cash amounting to TL 6,060 (31 December 2017: TL 10,423).

d) Information on other provisions:

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

d.2) Information on other provisions:

As at 31 December 2018, there is provision for lawsuits filed against the Parent Bank and its subsidiary amounting TL 12,515 (31 December 2017: TL 9,546). As at 31 December 2018, there is provision for personnel bonus amounting TL 23,244 (31 December 2017: TL 5,070). As at 31 December 2018, there is provision for non-cash loans is amounting to TL 5,737 (31 December 2017: TL 3,760 amount of non-cash loans general provision). As at 31 December 2018, the Parent Bank has provision for credit card service promotions amounting TL 91 (31 December 2017: TL 94)

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2018**

(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 December 2018, corporate taxes payable of the Group after deductions of prepaid taxes is TL 18,001 (31 December 2017: TL 13,791).

b) Information on taxes payable:

	31 December 2018
Corporate taxes payable	18,001
Taxation on securities	5,391
Property Tax	256
Booking and Insurance Transaction Tax (BITT)	2,976
Value added tax payable	744
Other	8,892
Total	36,260

	31 December 2017
Corporate taxes payable	13,791
Taxation on securities	3,479
Property Tax	236
Booking and Insurance Transaction Tax (BITT)	3,019
Value added tax payable	216
Other	4,954
Total	25,695

c) Information on premiums payable:

	31 December 2018
Social security premiums- employee	1,009
Social security premiums- employer	1,135
Unemployment insurance- employee	62
Unemployment insurance- employer	124
Other	1
Total	2,331

	31 December 2017
Social security premiums- employee	1,630
Social security premiums- employer	1,819
Unemployment insurance- employee	115
Unemployment insurance- employer	231
Other	-
Total	3,795

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.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2018**

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

II. Explanations and Footnotes on Consolidated Liabilities (Continued)

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

	31 December 2018	
	TL	FC
To be included in the calculation of additional capital borrowing instruments	-	-
Subordinated loans	-	-
Subordinated debt instruments	-	-
Debt instruments to be included in contribution capital calculation	-	1,579,084
Subordinated loans ⁽¹⁾	-	1,579,084
Subordinated debt instruments	-	-
Total	-	1,579,084

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

11. Information on shareholders' equity:

a) Paid in capital:

	31 December 2018
Common Stock	860,000
Preferred Stock	-
	31 December 2017
Common Stock	860,000
Preferred Stock	-

The paid-in share capital of the Parent Bank is represented by 8,600 million 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.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2018**

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

II. Explanations and Footnotes on Consolidated Liabilities (Continued)

h) Information on marketable securities value increase fund:

	31 December 2018	
	TL	FC
From investment in associates, subsidiaries and joint ventures		
Revaluation difference	(53,168)	(35,674)
Foreign exchange difference	-	-
Total	(53,168)	(35,674)
	31 December 2017	
	TL	FC
From investment in associates, subsidiaries and joint ventures		
Revaluation difference	(7,763)	2,167
Foreign exchange difference	-	-
Total	(7,763)	2,167

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 2017 profit distribution:

According the Ordinary General Assembly Meeting of the Parent Bank held on 30 March 2018, the remaining TL 42,484 of the net income after the net income tax for the year 2017 has been deducted from the previous year’s losses with amount of TL 3,316. After the deduction remaining amount of TL 39,168 used for calculation of legal reserve of 5% of with amount of TL 1,958 in accordance with the TCC 519/1 and the remaining TL 37,210 to be transferred to extraordinary reserves.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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

1. Disclosures on off - balance sheet items:

a) Type and amount of irrevocable commitments:

	31 December 2018
Forward deposit purchase and sale commitments	112,551
Commitment for use guaranteed credit allocation	29,325
Credit cards limit commitments	73,480
Payment commitments for checks	7,720
Credit card commitments given with applications for promotion	199
Tax and fund obligations arising from export commitments	6
Other irrevocable commitments	7,105
Total	230,386

	31 December 2017
Forward deposit purchase and sale commitments	18,359
Commitment for use guaranteed credit allocation	29,033
Credit cards limit commitments	67,403
Payment commitments for checks	73,028
Credit card commitments given with applications for promotion	193
Tax and fund obligations arising from export commitments	5
Other irrevocable commitments	11,878
Total	199,899

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 December 2018
Letter of guarantee	2,040,443
Bank acceptance loans	-
Letter of credits	217,850
Other guarantees	112,889
Total	2,371,182

	31 December 2017
Letter of guarantee	1,675,741
Bank acceptance loans	-
Letter of credits	68,919
Other guarantees	44,523
Total	1,789,183

c) Total amount of non-cash loans:

	31 December 2018
Non-Cash Loans Given for Cash Loan Risks	166,824
With Original Maturity of 1 Year or Less	108,737
With Original Maturity of More Than 1 Year	58,087
Other Non-Cash Loans	2,204,358
Total	2,371,182

	31 December 2017
Non-Cash Loans Given for Cash Loan Risks	138,877
With Original Maturity of 1 Year or Less	78,354
With Original Maturity of More Than 1 Year	60,523
Other Non-Cash Loans	1,650,306
Total	1,789,183

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

III. Explanation and Footnotes on Consolidated Off-Balance Sheet Items (Continued)

1. Disclosures on off balance sheet items (continued):

d) Informations on sectoral risk concentration of non-cash loans

	31 December 2018				31 December 2017			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agriculture	894	0.15	31,782	1.78	772	0.15	-	-
Farming and Raising								
Livestock	876	0.15	31,782	1.78	754	0.14	-	-
Forestry	-	-	-	-	-	-	-	-
Fishery	18	-	-	-	18	-	-	-
Manufacturing	29,925	5.11	533,939	29.91	54,009	10.37	434,263	34.23
Mining and Quarrying	4,578	0.78	480	0.03	1,000	0.19	347	0.03
Production	24,911	4.25	522,611	29.27	52,543	10.09	419,011	33.03
Electricity, Gas and Water	436	0.07	10,848	0.61	466	0.09	14,905	1.18
Construction	154,178	26.32	149,704	8.38	220,315	42.31	137,075	10.81
Services	399,180	68.16	1,069,862	59.92	243,883	46.84	696,937	54.94
Wholesale and Retail								
Trade	16,048	2.74	58,941	3.30	30,862	5.93	16,447	1.30
Accommodation and								
Dining Services	2,582	0.44	-	-	3,570	0.69	-	-
Transportation and								
Telecommunication	322,955	55.14	239,905	13.44	654	0.13	146,254	11.53
Financial Institutions	54,711	9.34	456,227	25.55	198,051	38.04	241,406	19.03
Real Estate and Lending	17	-	-	-	17	-	-	-
Self Employment Services	1,615	0.28	314,548	17.62	6,686	1.28	290,201	22.88
Educational Services	1	-	-	-	1	-	-	-
Health and Social Services	1,251	0.21	241	0.01	4,042	0.78	2,629	0.21
Other	1,498	0.26	220	0.01	1,703	0.33	226	0.02
Total	585,675	100.00	1,785,507	100.00	520,682	100.00	1,268,501	100.00

e) Non-cash loans classified under Group I and II:

	Group I		Group II	
	TL	FC	TL	FC
Letters of Guarantee	579,953	1,412,553	2,098	39,779
Bank Acceptances	-	-	-	-
Letters of Credit	-	178,065	-	39,785
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	112,889	-	-
Total	579,953	1,703,507	2,098	79,564

The Parent Bank has recorded a provision amounting to TL 2,964 (31 December 2017 - TL 6,092), for the unearned non-cash loans and irrevocable commitments amounting to TL 6,060 (31 December 2017: TL 10,423).

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.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

(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:

	Current Period	
	TL	FC
Interest income received from loans ⁽¹⁾		
Short Term Loans	192,988	6,306
Medium and Long Term Loans	309,211	242,075
Interest on Loans Under Follow-Up	7,556	-
Premiums received from resource Utilization Support Fund	-	-
Total	509,755	248,381

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

	Prior Period	
	TL	FC
Interest income received from loans ⁽¹⁾		
Short Term Loans	173,584	4,073
Medium and Long Term Loans	196,643	140,278
Loans Under Follow-Up	2,811	-
Premiums received from resource Utilization Support Fund	-	-
Total	373,038	144,351

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

b) Information on interest income received from banks:

	Current Period	
	TL	FC
From CBRT	-	-
From Domestic Banks	1,059	5,260
From Foreign Banks	-	2,421
From Headquarters and Branches Abroad	-	-
Total	1,059	7,681

	Prior Period	
	TL	FC
From CBRT	-	-
From Domestic Banks	48	7,684
From Foreign Banks	1	555
From Headquarters and Branches Abroad	-	-
Total	49	8,239

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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

1. Information on interest income (continued):

c) Information on interest income received from securities portfolio:

	Current Period	
	TL	FC
Financial Assets at Fair Value Through Profit Or Loss	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	228,831	73,197
Financial Assets Measured at Amortized Cost	69,305	25,221
Total	298,136	98,418

	Prior Period	
	TL	FC
Trading Financial Assets	-	-
Financial Assets Available-for-Sale	110,833	56,274
Financial Assets Held-to-Maturity	14,993	14,422
Total	125,826	70,696

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:

	Current Period	
	TL	FC
Banks ⁽¹⁾	80,913	177,307
Central Bank of the Republic of Turkey	-	-
Domestic Banks	216	96
Foreign Banks	80,697	177,211
Headquarters and Branches Abroad	-	-
Other Institutions	-	-
Total	80,913	177,307

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

	Prior Period	
	TL	FC
Banks ⁽¹⁾	631	123,243
Central Bank of the Republic of Turkey	-	-
Domestic Banks	604	126
Foreign Banks	27	123,117
Headquarters and Branches Abroad	-	-
Other Institutions	-	-
Total	631	123,243

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

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

b) Information on interest expense paid to associates and subsidiaries:

	Current Period
Interest Expenses Paid To Associates And Subsidiaries:	2,566
	Prior Period
Interest Expenses Paid To Associates And Subsidiaries:	8,245

c) Information on interest expense paid to securities issued: None.

d) Maturity structure of the interest expense on deposits:

The Parent Bank has no interest expense paid to deposits callable within 7 days.

Account Name	Time Deposits							Cumulative Deposits	Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	1 year and over			
TL									
Bank Deposits	-	847	-	-	-	-	-	-	847
Saving Deposits	-	4,478	251,299	6,851	540	44	-	-	263,212
Public Sector Deposits	-	-	-	-	-	-	-	-	-
Commercial Deposits	-	6,986	43,759	916	-	1	-	-	51,662
Other Deposits	-	21	1,868	4	4	-	-	-	1,897
Total	-	12,332	296,926	7,771	544	45	-	-	317,618
FC									
Foreign Currency Deposits	-	1,353	133,643	1,690	189	126	-	-	137,001
Bank Deposits	-	4,434	-	-	-	-	-	-	4,434
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Total	-	5,787	133,643	1,690	189	126	-	-	141,435
Grand Total	-	18,119	430,569	9,461	733	171	-	-	459,053

Account Name	Time Deposits							Cumulative Deposits	Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	1 year and over			
TL									
Bank Deposits	-	58	-	-	-	-	-	-	58
Saving Deposits	-	1,398	130,700	291	145	4	-	-	132,538
Public Sector Deposits	-	-	-	-	-	-	-	-	-
Commercial Deposits	-	4,208	36,354	19	-	-	-	-	40,581
Other Deposits	-	4	1,144	2	5	1	-	-	1,156
Total	-	5,668	168,198	312	150	5	-	-	174,333
FC									
Foreign Currency Deposits	-	116	36,359	131	159	81	-	-	36,846
Bank Deposits	-	6	-	-	-	-	-	-	6
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Total	-	122	36,359	131	159	81	-	-	36,852
Grand Total	-	5,790	204,557	443	309	86	-	-	211,185

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

3. Explanation on dividend income:

	Current Period
Financial Assets at Fair Value Through Profit/Loss	152
Financial Assets at Fair Value Through Other Comprehensive Income	-
Other	-
Total	152

	Prior Period
Trading Financial Assets	8
Financial Assets at Fair Value Through Profit/Loss	-
Other	-
Total	8

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

	Current Period
Profit	1,392,785
Capital Market Gains	10,378
Derivative Gains	715,708
Foreign Exchange Gains	666,699
Loss (-)	1,409,578
Capital Market Losses	-
Derivative Losses	487,748
Foreign Exchange Losses	921,830

Net profit related to derivative transactions resulting from foreign currency rate changes is amounting to TL 320,412.

	Prior Period
Profit	562,837
Capital Market Gains	10,025
Derivative Gains	217,608
Foreign Exchange Gains	335,204
Loss (-)	627,029
Capital Market Losses	6
Derivative Losses	281,471
Foreign Exchange Losses	345,552

Net profit related to derivative transactions resulting from foreign currency rate changes is amounting to TL 15,387.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

5. Information on other operating income:

	Current Period
Collection of Prior Year Provisions	23,014
Income on Project Appraisal	12,862
Reverse of Prior Year Provisions	6,542
Income from Collection of Prior Year Expenses	-
Other Income	16,953
Total	59,371
	Prior Period
Income on Project Appraisal	10,881
Collection of Prior Year Provisions	8,402
Collection of Prior Year Expenses	1,245
Income from Financial Assets Sales	806
Communication Expenses	248
Other Income	3,704
Total	25,286

6. Impairment on loans and other receivables:

i. Allowance for expected credit losses:

	Current Period
Allowance for expected credit losses	149,850
12-Month expected credit losses (Stage 1)	17,863
Significant increase in credit risk (Stage 2)	79,051
Credit-Impaired (Stage 3)	52,936
Impairment provisions for financial assets	22,596
Financial assets at fair value through profit or loss	-
Financial assets at fair value through other comprehensive income	22,596
Impairment provisions related to investments in associates, subsidiaries and joint ventures	-
Investments in associates	-
Subsidiaries	-
Joint ventures	-
Other	2,967
Total	175,413

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

6. Impairment on loans and other receivables (Continued):

ii. Provision for impairment of loans and other receivables:

	Prior Period
Specific Provisions on Loans and Other Receivables	10,130
Loans and Receivables in Group III	51
Loans and Receivables in Group IV	1,322
Loans and Receivables in Group V	8,757
General Provision Expenses	67,358
Provision for Possible Risks	-
Impairment Losses on Securities:	13,329
Financial assets at fair value through profit or loss	-
Financial assets Available-for-Sale	13,329
Other Impairment Losses:	606
Associates	-
Subsidiaries	-
Joint Ventures	-
Investment Securities Held-to-Maturity	606
Other ⁽¹⁾	2,594
Total	94,017

⁽¹⁾ Consists of provision for lawsuits filed against the Group and other provision expense.

7. Information on other operational expenses:

	Current Period
Personnel Expenses ⁽²⁾	180,011
Reserve for Employee Termination Benefits	589
Reserve for Bank’s Social Aid Fund Deficit	-
Impairment Expenses of Tangible Assets	-
Depreciation Expenses of Tangible Assets	7,118
Impairment Expenses of Intangible Assets	-
Impairment Expenses of Goodwill	-
Amortization Expenses of Intangible Assets	2,549
Impairment Expenses of Investments in Associates	-
Impairment Expenses of Assets Held for resale	-
Depreciation Expenses of Assets Held for resale	336
Impairment Expenses of Assets Held for Sale and Discontinued Operations	-
Other Operating Expenses	70,999
Operational Leasing expenses	28,185
Repair and Maintenance expenses	9,424
Advertising Expenses	850
Other Expenses	32,540
Loss on Sale of Assets	-
Other ⁽¹⁾	54,949
Total	316,551

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

⁽²⁾ “Personnel Expenses”, which are not included in “Other Operating Expenses” in the statement of profit or loss, are included in this table.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

7. Information on other operational expenses (continued):

	Prior Period
Personnel Expenses	130,072
Reserve for Employee Termination Benefits	2,609
Reserve for Bank's Social Aid Fund Deficit	-
Impairment Expenses of Tangible Assets	-
Depreciation Expenses of Tangible Assets	5,646
Impairment Expenses of Intangible Assets	-
Impairment Expenses of Goodwill	-
Amortization Expenses of Intangible Assets	1,254
Impairment Expenses of Investments in Associates	-
Impairment Expenses of Assets Held for resale	-
Depreciation Expenses of Assets Held for resale	1,253
Impairment Expenses of Assets Held for Sale and Discontinued Operations	-
Other Operating Expenses	61,346
Operational Leasing Expenses	25,586
Repair and Maintenance Expenses	7,409
Advertising Expenses	233
Other Expenses	28,118
Loss on Sale of Assets	1
Other ⁽¹⁾	27,090
Total	229,271

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

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

Profit before taxes for continued operations is TL 122,913 (31 December 2017: TL 81,586 profit before tax). Profit before taxes consists of net interest income amounting to TL 475,571 (31 December 2017: TL 367,717), net fees and commission income amounting to TL 96,576 (31 December 2017: TL 76,055) and other operating expenses amounting to TL 316,551 (31 December 2017: TL 229,271).

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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

9. 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 December 2018 is TL 32,110 (2017: TL 39,898).

There is a deferred tax expense on 31 December 2018 amounting to TL 7,619 (2017: None) and there is deferred tax income on 31 December 2018 amounting to TL 365 (2017: TL 6,595).

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

For the period ended 31 December 2018, the deferred tax expense arising from the origination of temporary differences amounts TL 7,619 (2017: TL 6,595 deferred tax income) and there is deferred tax income on 31 December 2018 amounting to TL 365 (2017: None).

Additionally, for the period ended 31 December 2018, the current tax effect amounting to TL 12,982 and deferred tax effect amounting to TL 7,662, on an aggregate TL 20,644 tax effect (2017: TL 1,248 current and TL (5,230) is deferred tax effect total TL (3,982)) 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 December 2018, the deferred tax expense amounting to TL 7,619 (2017: None) and deferred tax income amounting to TL 365 (2017: 6,595 deferred tax income) arising from the origination of temporary differences. There is no deferred tax income from financial loss in period ending on 31 December 2018 (2017: None).

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

Net profit from continued operations is TL 83,549 (31 December 2017: TL 48,283 net profit).

11. 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.

12. 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. AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2018**

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

V. Information and footnotes related to consolidated statement of changes in shareholders’ equity

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

The decrease amounting to TL 83,246 (December 31, 2017 - TL 14,976 increase) resulting from the remeasurement of the Bank’s available-for-sale investments is recognized in the statement of changes in equity accumulated gains/(losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income as period movement.

Information on cash flow hedge: None.

2. Differences arising on revaluation of tangible fixed assets:

Surplus amounting to TL 1,622 (31 December 2017: TL 1,503) that occurs after purged tax effect arise from revaluation of buildings fair value included tangible fixed assets of the Parent Bank is represented as period transaction of “Tangible / Intangible Assets Revaluation Reserves” on statement of changes in equity.

3. Information on the foreign exchange differences: None.

4. Information on profit shares noticed after balance sheet date but previous to announcement of financial statements:

As at the report date, there is no decision for the profit distribution of current year profit of the Parent Bank.

Net profit per share for the period that has been suggested to be distributed to shareholders after balance sheet date:

As at the report date, there is no decision for the profit distribution of current year profit of the Parent Bank.

Amounts transferred to the reserves:

	2018	2017
Amount transferred to legal reserves from non-distributed profits	1,958	-
Extraordinary Reserves from Unallocated Profit and Other		
Amount transferred to profit reserves	37,210	-

5. Information on issue of shares:

None.

6. Information on other share capital increase accounts in statements of changes in equity: None.

7. Other explanations:

The Group has presented actuarial difference amounting to TL (558) (2017 - TL 370) arising from the changes in actuarial assumptions of the employee severance pay liability, Total Comprehensive Income section.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2018**

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

VI. Explanation and footnotes on consolidated cash flow statement

1. Information on cash and cash equivalents:

The components of cash and cash equivalents and the accounting policies used in the determination of these components:

Cash in vault, foreign currencies, cash in transit, cheques purchased, demand deposits in banks including demand deposit balances with the Central Bank of Turkey are described as “Cash”; interbank money market placements, time deposits in banks which have original maturities shorter than three months and reverse repo receivables are described as “Cash Equivalents”. The reserve requirement amounts within the Central Bank are not considered as “cash equivalent assets” in the statement of cash flows.

a) Cash and cash equivalents at the beginning of the period:

	31 December 2018	31 December 2017
Cash	1,493,478	511,908
Cash in Vault, Foreign Currencies and Other	36,626	63,903
Demand Deposits at Banks	1,456,852	448,005
Cash Equivalents	474,891	210,017
Interbank Money Market	9,600	4,763
Time Deposits at Banks	465,291	205,254
Investment Securities	-	-
Total Cash and Cash Equivalents	1,968,369	721,925

b) Cash and cash equivalents at the end of the period:

	31 December 2018	31 December 2017
Cash	1,846,590	1,493,478
Cash in Vault, Foreign Currencies and Other	48,969	36,626
Demand Deposits at Banks	1,797,621	1,456,852
Cash Equivalents	2,007,641	474,891
Interbank Money Market	349,216	9,600
Time Deposits at Banks	1,658,425	465,291
Investment Securities	-	-
Total Cash and Cash Equivalents	3,854,231	1,968,369

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2018**

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

VI. Explanation and footnotes on consolidated cash flow statement (Continued)

2. Information on cash and cash equivalent assets of the Group that are not available for free use due to legal restrictions or other reasons:

As mentioned in the first item above, the reserve requirement amounts held under blockage within the Central Bank is not considered as cash equivalent assets in the statement of cash flows.

3. Disclosures for “other” items in the statement of cash flows and effect of changes in foreign currency exchange rates on cash and cash equivalents:

As at 31 December 2018, “Other” item amounting to TL 374,297 (31 December 2017: TL 83,506) presented under “Operating Profit Before Changes in Operating Assets and Liabilities” comprises other operating expenses except personnel expenses, other taxes paid, fees and commissions paid.

As at 31 December 2018 “Net Decrease in Other Liabilities” item amounting to TL 48,904 (31 December 2017: TL 319,789) presented under “Changes in Operating Assets and Liabilities” is comprised of changes in miscellaneous payables, other external resources and tax liabilities. As at 31 December 2018, “Net Increase/decrease in Other Assets” amounting to TL 42,825 (31 December 2017: TL 49,522) is comprised of miscellaneous receivables and other assets.

The cash outflow of TL (428,763) (31 December 2017: TL 2,726) presented in the “net cash flows from investments” as of 31 December 2018 results from the differences arises from cash outflows and actuarial differences of financial assets from fair value other comprehensive income.

The effect of the change of foreign exchange rates on the cash and cash equivalents is TL 70,377 for the year 2018 (2017: TL 26,812).

VII. 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 December 2018:

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	-	-	548,329	168,694	88	-
Balance at the End of the Period	1	2	-	259,363	25	-
Interest and Commission Income Received	-	-	2,597	-	-	-

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

The Parent Bank has TL 19,259 placements at its risk group banks as at 31 December 2018 (31 December 2017: TL 5,951). Also the Parent Bank has TL 93 irrevocable commitment at its risk group as at 31 December 2018 (31 December 2017: TL 122).

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2018**

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

VII. Explanations on the Parent Bank's Risk Group (Continued)

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 (continued):

b) 31 December 2017:

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	-	-	1,079,137	117,068	55	-
Balance at the End of the Period	-	-	548,329	168,694	88	-
Interest and Commission Income Received	-	-	35,028	-	-	-

⁽¹⁾ As described in the 2nd Subclause 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	-	70,367	519
Balance at the End of the Period	-	31,221	992
Interest on Deposits	-	-	33

⁽¹⁾ As described in the 2nd Subclause 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	-	450,896	1,321
Balance at the End of the Period	-	70,367	519
Interest on Deposits	-	-	37

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

The Parent Bank has borrowed loans from the Parent Bank's Risk Group amounting TL 3,815,471 as at 31 December 2018 (31 December 2017: TL 4,461,325). The Parent Bank has borrowed subordinated loan from the Parent Bank's Risk Group amounting TL 1,578,084 (31 December 2017: None).

d) Information on forward transactions and option agreements and similar other agreements related with the Parent Bank's risk group as at 31 December 2018: None (31 December 2017: None).

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2018**

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

VII. 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 December 2018, proportion of cash loans to risk group in total cash loans is 0.0004% (31 December 2017: 7.1%) and proportion of deposits from its risk group in total deposits is 0.4% (31 December 2017: 2.1%). Proportion of borrowings from its risk group in total funds borrowed is 93.5% (31 December 2017: 63.8%). Proportion of subordinated loans from its risk group in total subordinated loans is 100% (31 December 2017: none).

As a result of other activities in the risk group of the Bank, other commission income with amount of TL 28 (31 December 2017 - TL 31), other operating income with amount of TL 2,768 (31 December 2017 - TL 1,910), other commission expenses with amount of TL 17 (31 December 2017 - TL 12) and other operating expenses with amount of TL 102 (31 December 2017 - None) are recognized in the records.

In the current period, benefits provided to the Group’s key management amount to TL 19,709 (2017: TL 14,698)

VIII. Information on domestic, foreign, off-shore branches and foreign representative offices of Parent Bank

	Number of Branches	Number of Employees	Country	Total Assets	Legal Capital
Domestic Branches	44	786			
Foreign Representative Offices	-	-	-		
Foreign Branches	-	-	-	-	-
Off-Shore Branches	-	-	-	-	-

IX. Explanations and footnotes on subsequent events

None.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

SECTION SIX

Explanations on the Independent Auditors’ Report

I. Explanations on the independent auditors’ report

The consolidated financial statements of the Parent Bank and its subsidiary as at and for the year ended 31 December 2018 have been audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (the Turkish member of KPMG International Cooperative, a Swiss entity) and the Independent Auditors’ Report dated 21 February 2019 is presented in the introduction of this report.

II. Information and footnotes prepared by the independent auditors

None.

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