

***CONVENIENCE TRANSLATION OF CONSOLIDATED YEAR ENDED
FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND
NOTES ORIGINALLY ISSUED IN TURKISH***

ICBC TURKEY BANK ANONİM ŐIRKETİ

CONSOLIDATED FINANCIAL STATEMENTS
AND THE INDEPENDENT AUDITOR'S REPORT FOR
PERIOD ENDED 31 DECEMBER 2021

**(CONVENIENCE TRANSLATION OF
INDEPENDENT AUDITOR’S REPORT ORIGINALLY ISSUED IN TURKISH)**

INDEPENDENT AUDITOR’S REPORT

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

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the financial statements of ICBC Turkey Bank A.Ş. (the “Bank”) and its consolidated subsidiaries (“the Group”), which comprise the consolidated balance sheet as at 31 December 2021, 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, notes to the consolidated financial statements, including a summary of significant accounting policies.

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 2021, 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 Reporting Regulations” including the regulation on “The Procedures and Principles Regarding Banks’ Accounting Practices and Maintaining Documents” published in the Official Gazette dated 1 November 2006 with No.26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by BRSA and provisions of Turkish Financial Reporting Standards (TFRS) for the matters not legislated by the aforementioned regulations.

2) Basis for Opinion

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

3) 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.

| Key Audit Matters | How the matter was addressed in the audit |
|--|---|
| <p data-bbox="118 286 715 353"><i>Impairment of loans in accordance with TFRS 9 Financial Instruments Standard (“TFRS 9”)</i></p> <p data-bbox="118 387 804 607">Impairment of loans is a key area of judgment for the management. The Group has the total loans and receivables amounting to TL 18,729,343 thousands, which comprise 48% of the Group’s total assets in its consolidated financial statements and the total provision for impairment amounting to TL 770,278 as at 31 December 2021.</p> <p data-bbox="118 640 804 1088">As of 1 January 2018, the Group has started to recognize provisions for impairment in accordance with TFRS 9 and also “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. In this respect, the method of provisions for impairment as set out in accordance with the related legislation of BRSA as mentioned in the Section 3 Note VIII of Explanation on Accounting Policies has been applied the expected credit loss model under TFRS 9. The expected credit loss estimates are required to be unbiased, probability-weighted and should include supportable information about past events, current conditions, and forecasts of future economic conditions.</p> <p data-bbox="118 1122 804 1346">The Group exercises significant decisions using judgment, interpretation and assumptions over calculating loan impairments. These judgments, interpretations and assumptions are key in the development of the financial models. In addition, impairment of loans and receivables consist of significant judgments and assumptions regarding with Covid 19 effects.</p> <p data-bbox="118 1379 804 1570">Not fulfilling the requirements of the TFRS 9 is a potential risk for the Bank. Failure in determining the loans and receivables that are impaired and not recording the adequate provision for these impaired loans is the aforementioned risk. Accordingly, impairment of loans and receivables is considered as a key audit matter.</p> <p data-bbox="118 1603 804 1671">Related explanations relating to the impairment of loans and receivables are presented in Section 5 Note I.6.</p> | <p data-bbox="825 286 1442 353">As part of our audit work, the following procedures were performed:</p> <p data-bbox="825 387 1474 589">We assessed and tested the design, implementation and operating effectiveness of key controls applied by the Group with respect to classification of loans and determination and calculation of impairments. Our information system experts have also participated to perform these procedures.</p> <p data-bbox="825 622 1474 723">We have assessed and analysed the relevant contract terms to assess management’s accounting policy and classification of the instrument for selected samples.</p> <p data-bbox="825 757 1474 992">We have performed loan review procedures on selected samples of loans and receivables considering effects of Covid 19 with the objective of identifying whether the loss event had occurred and whether the provision for impairment has been recognized in a timely manner within the framework of the provisions of the relevant legislation.</p> <p data-bbox="825 1025 1474 1429">We have tested relevant inputs and assumption used by the management in each stage of the expected credit loss calculation by considering whether the inputs and assumptions appear reasonable regarding with Covid 19 effects, the relationship between the assumptions and whether the assumptions are interdependent and internally consistent, whether the assumptions appropriately reflect current market information and collections, and whether the assumptions appear reasonable when considered collectively with other assumptions, including those for the same accounting estimates and those for other accounting estimates.</p> <p data-bbox="825 1462 1474 1529">We have tested historical loss data to validate the completeness and accuracy of key parameters.</p> <p data-bbox="825 1563 1474 1765">We have tested whether the model is applied to appropriate segments of assets which share credit risk characteristics and whether the historical loss rates were incurred under economic conditions representative of those that may exist during the assets’ exposure periods.</p> <p data-bbox="825 1798 1474 1899">We tested the application of the model to the relevant inputs and the mathematical integrity of each stage of the expected credit loss calculation.</p> <p data-bbox="825 1933 1474 2000">Based on our discussions with the Group management, we evaluated whether the key assumptions and other</p> |

| Key Audit Matters | How the matter was addressed in the audit |
|--|--|
| | <p>judgements considering Covid 19 effects underlying the estimations of impairments were reasonable.</p> <p>We assessed expected credit losses determined based on individual assessment per Group’s policy by means of supporting data, and evaluated appropriateness via communications with management considering Covid 19 effects.</p> <p>Our specialists are involved in all procedures related to models and assumptions.</p> <p>We have reviewed disclosures made within the TFRS 9 framework in the consolidated financial statements of the Group with respect to loans and receivables and related impairment provisions.</p> |
| <p><i>Information Technologies Audit</i></p> <p>The Group and its finance functions are dependent on the IT-infrastructure for the continuity of its operations, and the demand for technology-enabled business services is rapidly growing in the Group and its subsidiaries. Controls over reliability and continuity of the electronic data processing are within the scope of the information systems internal controls audit. The reliance on information systems within the Group means that the controls over access rights, continuity of systems, privacy and integrity of the electronic data are critical and found to be key area of focus as part of our risk based scoping.</p> | <p>Procedures within the context of our information technology audit work:</p> <ul style="list-style-type: none"> • We identified and tested the Group's controls over information systems as part of our audit procedures. • Information generation comprise all layers of information systems (including applications, networks, transmission systems and database). The information systems controls tested are categorized in the following areas: <ul style="list-style-type: none"> • Security management • Change management • Operations management • We selected high-risk areas as, database logging and change management control activities, to prevent and detect whether accesses to financial data had been identified in a timely manner. • We tested the accesses and logging controls underlying all applications that have direct or indirect impacts on financial data generation. • Automated controls and integration controls are tested to underly and detect changes and accesses in the process of financial data generation. • We also tested the appropriateness and accuracy of the information produced by the entity and information used in controls reports |

| Key Audit Matters | How the matter was addressed in the audit |
|-------------------|--|
| | <p>as inputs to our controls and outputs generated by the IT components.</p> <ul style="list-style-type: none"> • Finally, we understood and tested the controls over database, network, application and operating system layers of applications. |

4) Other Matters

The consolidated financial statements of the Group as at and for the year ended 31 December 2020 were audited by another auditor who expressed an unqualified opinion on 24 February 2021.

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

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

In preparing the 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.

6) Auditor's Responsibilities for the Audit of the Financial Statements

Responsibilities of independent auditors in an independent 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 the regulation on "Independent Auditing of Banks" published in the Official Gazette dated 2 April 2015 with No. 29314 and SIA 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 the regulation on "Independent Auditing of Banks" published in the Official Gazette dated 2 April 2015 with No. 29314 and SIA, 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 auditor's 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 auditor's 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 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to 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) Other Responsibilities Arising From Regulatory Requirements

In accordance with paragraph four of the Article 402 of the Turkish Commercial Code No. 6102 (“TCC”), nothing has come to our attention that may cause us to believe that the Group’s set of accounts for the period 1 January - 31 December 2021 does not comply with TCC and the provisions of the Bank’s articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

The engagement partner on the audit resulting in this independent auditor’s report is Mjde Aslan.

Additional Paragraph for English Translation

The effect of the differences between the accounting principles summarized in Section 3 and the accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified and reflected in the accompanying consolidated financial statements. The accounting principles used in the preparation of the accompanying consolidated financial statements differ materially from IFRS. Accordingly, the accompanying consolidated financial statements are not intended to present the Group’s consolidated financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

DRT BAĐIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Mjde Aslan, SMMM
Partner

İstanbul, 23 February 2022

ICBC TURKEY BANK A. Ş.
CONSOLIDATED FINANCIAL REPORT AS OF 31 DECEMBER 2021

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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 end 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 is comprised of the following sections.

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS 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 DISCLOSURES
- INDEPENDENT AUDIT 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

JINHONG LI
Deputy General Manager

HÜSEYİN HASAN İMECE
Deputy General Manager Responsible
for Financial Control and Accounting,
Assets and Liabilities and Economic
Research Department

YAFENG HE
Managing Director

Contact information for questions on this financial report

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SECTION ONE**General Information**

| | | |
|------|---|---|
| I. | Parent Bank's date of establishment, beginning statute, its history including changes on its statute | 1 |
| 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 | 1 |
| III. | Information related to president and members of the Board of Directors, audit committee members, general manager and executive vice president and if exists, changes in these positions and Parent Bank's shares they hold | 2 |
| IV. | Explanations regarding the persons and organizations that have shares in the Bank | 2 |
| V. | Type of services provided and the areas of operations of the Parent Bank | 2 |
| VI. | 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 | 2 |
| VII. | 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 | 2 |

SECTION TWO**Consolidated Financial Statements**

| | | |
|------|---|----|
| I. | Consolidated Balance Sheet (Statement of financial position) | 3 |
| II. | Consolidated Statement of Off-Balance Sheet Items | 5 |
| III. | Consolidated Statement of Profit or Loss | 6 |
| IV. | Consolidated Statement of Profit or Loss and Other Comprehensive Income | 7 |
| V. | Consolidated Statement of Changes In Shareholders' Equity | 8 |
| VI. | Consolidated Statement of Cash Flows | 10 |
| VII. | Statement of Parent Bank Profit Distribution | 11 |

SECTION THREE**Accounting Policies**

| | | |
|---------|--|----|
| I. | Explanations on Basis of Presentation | 12 |
| II. | Explanations on Usage Strategy of Financial Assets and Foreign Currency Transactions | 13 |
| III. | Explanations on Consolidated Subsidiaries | 13 |
| IV. | Explanations on Forwards and Options Contracts and Derivative Instruments | 14 |
| V. | Explanations on Interest Income and Expense | 14 |
| VI. | Explanations on Fees and Commissions Income and Expense | 14 |
| VII. | Explanations on Financial Assets | 14 |
| VIII. | Explanations on Impairment of Financial Assets | 16 |
| IX. | Explanations on Write-down Policy | 18 |
| X. | Explanations on Offsetting Financial Instruments | 18 |
| XI. | Explanations on Sale and Repurchase Agreements and Transactions Related to the Lending of Securities | 18 |
| XII. | Explanations on Assets Held For Sale and Discontinued Operations and Liabilities Related with These Assets | 19 |
| XIII. | Explanations on Goodwill and Other Intangible Assets | 19 |
| XIV. | Explanations on Tangible Assets | 19 |
| XV. | Explanations on Leasing Activities | 20 |
| XVI. | Explanations on Provisions and Contingent Liabilities | 20 |
| XVII. | Explanations on Contingent Assets | 20 |
| XVIII. | Explanations on Obligations Related to Employee Rights | 20 |
| XIX. | Explanations on Taxation | 21 |
| XX. | Additional Explanations on Borrowings | 22 |
| XXI. | Explanations on Issued Stock | 22 |
| XXII. | Explanations on Bills and Acceptances | 22 |
| XXIII. | Explanations on Government Grants | 22 |
| XXIV. | Profit Reserves and Profit Distribution | 22 |
| XXV. | Related Parties | 22 |
| XXVI. | Cash and Cash Equivalent Assets | 22 |
| XXVII. | Explanations on Segment Reporting | 22 |
| XXVIII. | Earnings / Loss Per Share | 23 |
| XXIX. | Classifications | 23 |
| XXX. | Explanations on Other Matters | 23 |

SECTION FOUR**Explanations on Consolidated Financial Position and Risk Management**

| | | |
|-------|--|----|
| I. | Explanations on Consolidated Equity | 24 |
| II. | Explanations on Consolidated Credit Risk | 28 |
| III. | Explanations on Consolidated Operational Risk | 35 |
| IV. | Explanations on Consolidated Foreign Currency Exchange Rate Risk | 36 |
| V. | Explanations on Consolidated Interest Rate Risk | 38 |
| VI. | Explanations on Consolidated Liquidity Management and Liquidity Coverage Ratio | 41 |
| VII. | Explanations on Consolidated Leverage Ratio | 45 |
| VIII. | Consolidated Equity Position Risk Arising from Banking Accounts | 46 |
| IX. | Explanations on Consolidated Risk Management | 46 |
| X. | Explanations on Presentation of Financial Assets and Liabilities at Fair Value | 58 |
| XI. | Explanations Related to Operating Segments | 60 |

SECTION FIVE**Explanations and Notes on Consolidated Financial Statements**

| | | |
|-------|---|----|
| I. | Explanations and Notes on Consolidated Assets | 62 |
| II. | Explanations and Notes on Consolidated Liabilities | 78 |
| III. | Explanations and Notes on Consolidated Off -Balance Sheet Items | 84 |
| IV. | Explanations and Notes on Consolidated Profit or Loss Statement | 86 |
| V. | Explanations and Notes On Consolidated Statement of Changes in Shareholders' Equity | 91 |
| VI. | Explanations and Notes On Consolidated Cash Flow Statement | 92 |
| VII. | Explanations on the Parent Bank's Risk Group | 93 |
| VIII. | Explanations and Notes on Subsequent Events | 94 |

SECTION SIX**Explanations on the Bank's Activities**

| | | |
|----|--------------------|----|
| I. | Other Explanations | 95 |
|----|--------------------|----|

SECTION SEVEN**Explanations on the Auditors' Report**

| | | |
|-----|---|----|
| I. | Explanations on the Auditors' Report | 96 |
| II. | Explanations and Notes Prepared by the Independent Auditors | 96 |

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

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 29 April 1986, 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 24 September 1985 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 of 31 December 2021 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 28 April 2015 for approving the resignation of members of Board of Directors and selecting new members on 22 May 2015 in the Public Disclosure Platform (PDP). Within the context of share purchase agreement, 22 May 2015 date was defined as share transfer date and the share transfer was carried out on this date and processed to the Parent Bank’s share ledger.

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

In accordance with the decision of the general extraordinary meeting of the Bank dated 9 February 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 ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

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

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

^(*) On 10 January 2022, Shaoxiong Xie resigned from his duties as a member of the Board of Directors and General Manager, and Jinhong Li was appointed as the Acting General Manager as of the same date.

IV. Explanations regarding the persons and organizations that have shares in the Bank

| Name Surname / Commercial Title | Share Amounts | Share Percentage | Paid Shares | Unpaid Shares |
|---|------------------|---------------------|-------------|------------------|
| Industrial and Commercial Bank of China Limited | 798,424 | %92,84 | 798,424 | - |

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

The operations of the Parent Bank consist of corporate 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 Sampo Japan Sigorta A.Ş., Vakıf Emeklilik A.Ş., Fiba Emeklilik and Hayat A.Ş., HDI Sigorta A.Ş. and Axa Sigorta A.Ş.

As of 31 December 2021, the Group has 59 branches close to industrial zones of Turkey. The Bank has 831 employees as of 31 December 2021 (As of 31 December 2020 number of branches was 59, number of employees was 826).

The Group and its subsidiary, ICBC Turkey Yatırım Menkul Değerler A.Ş. (“ICBC Yatırım”) have been consolidated. As at 31 December 2021, 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.

VI. 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, Note III.

VII. 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.

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. Statement of Parent Bank profit distribution

ICBC TURKEY BANK ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”).)

| ASSETS | Notes (Section Five) | THOUSANDS OF TURKISH LIRA | | | | | |
|--|----------------------------|---|-------------------|-------------------|---------------------------------------|-------------------|-------------------|
| | | Audited CURRENT PERIOD 31/12/2021 | | | Audited PRIOR PERIOD 31/12/2020 | | |
| | | TL | FC | Total | TL | FC | Total |
| I. FINANCIAL ASSETS (Net) | | 738,799 | 12,118,342 | 12,857,141 | 1,315,692 | 9,340,398 | 10,656,090 |
| 1.1 Cash and Cash Equivalents | | 344,676 | 7,735,190 | 8,079,866 | 618,882 | 4,647,341 | 5,266,223 |
| 1.1.1 Cash and Balances at Central Bank | (5.1.1) | 314,003 | 7,290,755 | 7,604,758 | 113,485 | 3,047,428 | 3,160,913 |
| 1.1.2 Banks | (5.1.3) | 12,851 | 446,330 | 459,181 | 2,592 | 1,604,376 | 1,606,968 |
| 1.1.3 Receivables from Money Markets | | 20,955 | - | 20,955 | 504,390 | - | 504,390 |
| 1.1.4 Allowance For Expected Credit Losses (-) | | 3,133 | 1,895 | 5,028 | 1,585 | 4,463 | 6,048 |
| 1.2 Financial Assets at Fair Value Through Profit or Loss | | 41,530 | 25,694 | 67,224 | 21,923 | 14,282 | 36,205 |
| 1.2.1 Public Debt Securities | | - | - | - | - | - | - |
| 1.2.2 Equity Instruments | | 69 | 25,694 | 25,763 | 77 | 14,282 | 14,359 |
| 1.2.3 Other Financial Assets | | 41,461 | - | 41,461 | 21,846 | - | 21,846 |
| 1.3 Financial Assets at Fair Value Through Other Comprehensive Income | (5.1.4) | 225,646 | 4,293,975 | 4,519,621 | 674,573 | 4,677,593 | 5,352,166 |
| 1.3.1 Public Debt Securities | | 225,646 | 1,019,430 | 1,245,076 | 674,573 | 178,864 | 853,437 |
| 1.3.2 Equity Instruments | | - | - | - | - | - | - |
| 1.3.3 Other Financial Assets | | - | 3,274,545 | 3,274,545 | - | 4,498,729 | 4,498,729 |
| 1.4 Derivative Financial Assets | (5.1.2) | 126,947 | 63,483 | 190,430 | 314 | 1,182 | 1,496 |
| 1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss | | 126,947 | 63,483 | 190,430 | 314 | 1,182 | 1,496 |
| 1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income | | - | - | - | - | - | - |
| II. FINANCIAL ASSETS MEASURED AT AMORTISED COST (Net) | | 7,526,949 | 18,412,071 | 25,939,020 | 3,341,509 | 10,780,839 | 14,122,348 |
| 2.1 Loans | (5.1.5) | 4,553,773 | 14,175,570 | 18,729,343 | 2,622,721 | 7,432,590 | 10,055,311 |
| 2.2 Receivables from Leasing Transactions | (5.1.10) | - | - | - | - | - | - |
| 2.3 Factoring Receivables | | - | - | - | - | - | - |
| 2.4 Financial Assets Measured at Amortised Cost | (5.1.6) | 3,065,166 | 4,932,278 | 7,997,444 | 781,293 | 3,609,776 | 4,391,069 |
| 2.4.1 Public Debt Securities | | 3,065,166 | 4,254,512 | 7,319,678 | 781,293 | 2,415,287 | 3,196,580 |
| 2.4.2 Other Financial Assets | | - | 677,766 | 677,766 | - | 1,194,489 | 1,194,489 |
| 2.5 Allowance for Expected Credit Losses (-) | | 91,990 | 695,777 | 787,767 | 62,505 | 261,527 | 324,032 |
| III. NON-CURRENT ASSETS OR DISPOSAL GROUPS “HELD FOR SALE” AND FROM DISCOUNTED OPERATIONS (Net) | (5.1.16) | - | - | - | - | - | - |
| 3.1 Held for Sale | | - | - | - | - | - | - |
| 3.2 Held from Discontinued Operations | | - | - | - | - | - | - |
| IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES | | - | - | - | - | - | - |
| 4.1 Investments in Associates (Net) | (5.1.7) | - | - | - | - | - | - |
| 4.1.1 Associates accounted by using equity method | | - | - | - | - | - | - |
| 4.1.2 Non-Consolidated Associates | | - | - | - | - | - | - |
| 4.2 Investments in Subsidiaries (Net) | (5.1.8) | - | - | - | - | - | - |
| 4.2.1 Non-Consolidated Financial Subsidiaries | | - | - | - | - | - | - |
| 4.2.2 Non-Consolidated Non-Financial Subsidiaries | | - | - | - | - | - | - |
| 4.3 Joint Controlled Partnership (Joint Ventures) (Net) | (5.1.9) | - | - | - | - | - | - |
| 4.3.1 Jointly Controlled Partnership Accounted by Using Equity Method | | - | - | - | - | - | - |
| 4.3.2 Non-Consolidated Jointly Controlled Partnership | | - | - | - | - | - | - |
| V. TANGIBLE ASSETS (Net) | (5.1.13) | 123,237 | - | 123,237 | 113,423 | - | 113,423 |
| VI. INTANGIBLE ASSETS (Net) | (5.1.14) | 11,437 | - | 11,437 | 7,839 | - | 7,839 |
| 6.1 Goodwill | | - | - | - | - | - | - |
| 6.2 Others | | 11,437 | - | 11,437 | 7,839 | - | 7,839 |
| VII. INVESTMENT PROPERTIES (Net) | (5.1.12) | - | - | - | - | - | - |
| VIII. CURRENT TAX ASSETS | | 504 | - | 504 | 19 | - | 19 |
| IX. DEFERRED TAX ASSETS | (5.1.15) | 300,614 | - | 300,614 | 116,269 | - | 116,269 |
| X. OTHER ASSETS (Net) | (5.1.17) | 136,512 | 4,421 | 140,933 | 72,764 | 92,431 | 165,195 |
| TOTAL ASSETS | | 8,838,052 | 30,534,834 | 39,372,886 | 4,967,515 | 20,213,668 | 25,181,183 |

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

ICBC TURKEY BANK ANONİM ŞİRKETİ

**CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
FOR THE YEAR ENDED 31 DECEMBER 2021**

(Amounts expressed in thousands of Turkish Lira (“TL”).)

| LIABILITIES | Notes (Section Five) | THOUSANDS OF TURKISH LIRA | | | | | |
|--|----------------------------|---|-------------------|-------------------|---------------------------------------|-------------------|-------------------|
| | | Audited CURRENT PERIOD 31/12/2021 | | | Audited PRIOR PERIOD 31/12/2020 | | |
| | | TL | FC | Total | TL | FC | Total |
| I. DEPOSIT | (5.II.1) | 2,233,408 | 14,073,145 | 16,306,553 | 1,783,716 | 9,854,981 | 11,638,697 |
| II. LOANS RECEIVED | (5.II.4) | 11,041 | 12,963,603 | 12,974,644 | 639,192 | 7,452,646 | 8,091,838 |
| III. MONEY MARKET FUNDS | (5.II.2) | 3,024,482 | - | 3,024,482 | 550,633 | 147,067 | 697,700 |
| IV. MARKETABLE SECURITIES (Net) | | - | - | - | - | - | - |
| 4.1 Bills | | - | - | - | - | - | - |
| 4.2 Asset Backed Securities | | - | - | - | - | - | - |
| 4.3 Bonds | | - | - | - | - | - | - |
| V. FUNDS | | - | - | - | - | - | - |
| 5.1 Borrowers' Funds | | - | - | - | - | - | - |
| 5.2 Other | | - | - | - | - | - | - |
| VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS | | - | - | - | - | - | - |
| VII. DERIVATIVE FINANCIAL LIABILITIES | (5.II.3) | 11,820 | 4,503 | 16,323 | 293 | 89,662 | 89,955 |
| 7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss | | 11,820 | 4,503 | 16,323 | 293 | 89,662 | 89,955 |
| 7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income | | - | - | - | - | - | - |
| VIII. FACTORING PAYABLES | | - | - | - | - | - | - |
| IX. LEASE PAYABLES (Net) | (5.II.6) | 74,534 | - | 74,534 | 72,700 | - | 72,700 |
| X. PROVISIONS | (5.II.8) | 337,859 | 96,948 | 434,807 | 144,829 | 59,169 | 203,998 |
| 10.1 Provision for Restructuring | | - | - | - | - | - | - |
| 10.2 Reserves for Employee Benefits | | 43,773 | - | 43,773 | 27,024 | - | 27,024 |
| 10.3 Insurance Technical Reserves (Net) | | - | - | - | - | - | - |
| 10.4 Other Provisions | | 294,086 | 96,948 | 391,034 | 117,805 | 59,169 | 176,974 |
| XI. CURRENT TAX LIABILITIES | (5.II.9) | 199,192 | - | 199,192 | 69,246 | - | 69,246 |
| XII. DEFERRED TAX LIABILITIES | | - | - | - | - | - | - |
| XIII. LIABILITIES RELATED TO NON-CURRENT ASSETS “HELD FOR SALE” AND “DISCONTINUED OPERATIONS” (Net) | (5.II.10) | - | - | - | - | - | - |
| 13.1 Held for Sale | | - | - | - | - | - | - |
| 13.2 Related to Discontinued Operations | | - | - | - | - | - | - |
| XIV. SUBORDINATED DEBT | (5.II.11) | - | 3,999,625 | 3,999,625 | - | 2,202,640 | 2,202,640 |
| 14.1 Loans | | - | 3,999,625 | 3,999,625 | - | 2,202,640 | 2,202,640 |
| 14.2 Other Debt Instruments | | - | - | - | - | - | - |
| XV. OTHER LIABILITIES | (5.II.5) | 158,956 | 558,556 | 717,512 | 327,516 | 369,077 | 696,593 |
| XVI. SHAREHOLDERS' EQUITY | (5.II.12) | 1,623,659 | 1,555 | 1,625,214 | 1,424,193 | (6,377) | 1,417,816 |
| 16.1 Paid-in Capital | | 860,000 | - | 860,000 | 860,000 | - | 860,000 |
| 16.2 Capital Reserves | | (587) | - | (587) | (587) | - | (587) |
| 16.2.1 Equity Share Premiums | | (587) | - | (587) | (587) | - | (587) |
| 16.2.2 Share Cancellation Profits | | - | - | - | - | - | - |
| 16.2.3 Other Capital Reserves | | - | - | - | - | - | - |
| 16.3 Other Accumulated Comprehensive Income that will not be Reclassified in Profit or Loss | | 26,365 | - | 26,365 | 18,248 | - | 18,248 |
| 16.4 Other Accumulated Comprehensive Income that will be Reclassified in Profit or Loss | | 2,458 | 1,555 | 4,013 | 1,834 | (6,377) | (4,543) |
| 16.5 Profit Reserves | | 491,598 | - | 491,598 | 402,700 | - | 402,700 |
| 16.5.1 Legal Reserves | | 26,983 | - | 26,983 | 22,538 | - | 22,538 |
| 16.5.2 Statutory Reserves | | - | - | - | - | - | - |
| 16.5.3 Extraordinary Reserves | | 406,552 | - | 406,552 | 322,099 | - | 322,099 |
| 16.5.4 Other Profit Reserves | | 58,063 | - | 58,063 | 58,063 | - | 58,063 |
| 16.6 Profit or Loss | | 243,825 | - | 243,825 | 141,998 | - | 141,998 |
| 16.6.1 Prior Years' Profits or Losses | | 56,636 | - | 56,636 | 51,067 | - | 51,067 |
| 16.6.2 Current Period's net Profit or Loss | | 187,189 | - | 187,189 | 90,931 | - | 90,931 |
| 16.7 Minority Shares' | | - | - | - | - | - | - |
| TOTAL LIABILITIES | | 7,674,951 | 31,697,935 | 39,372,886 | 5,012,318 | 20,168,865 | 25,181,183 |

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

ICBC TURKEY BANK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS
FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira ("TL").)

| | Notes (Section Five) | THOUSANDS OF TURKISH LIRA | | | | | |
|--|----------------------------|---|--------------------|--------------------|---------------------------------------|--------------------|--------------------|
| | | Audited CURRENT PERIOD 31/12/2021 | | | Audited PRIOR PERIOD 31/12/2020 | | |
| | | TL | FC | Total | TL | FC | Total |
| A. OFF BALANCE SHEET COMMITMENTS (I-II+III) | | 2,423,686 | 21,926,199 | 24,349,885 | 1,045,835 | 14,679,666 | 15,725,501 |
| I. GUARANTEES AND WARRANTIES | (5.III.1) | 811,755 | 9,691,300 | 10,503,055 | 899,364 | 8,512,185 | 9,411,549 |
| 1.1. Letters of Guarantee | | 811,755 | 3,926,614 | 4,738,369 | 873,917 | 2,429,013 | 3,302,930 |
| 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 | | 811,755 | 3,926,614 | 4,738,369 | 873,917 | 2,429,013 | 3,302,930 |
| 1.2. Bank Loans | | - | - | - | - | - | - |
| 1.2.1. Import Acceptance Loans | | - | - | - | - | - | - |
| 1.2.2. Other Bank Acceptances | | - | - | - | - | - | - |
| 1.3. Letters of Credit | | - | 1,379,096 | 1,379,096 | 25,447 | 439,924 | 465,371 |
| 1.3.1. Documentary Letters of Credit | | - | 480,184 | 480,184 | 25,447 | 201,616 | 227,063 |
| 1.3.2. Other Letters of Credit | | - | 898,912 | 898,912 | - | 238,308 | 238,308 |
| 1.4. Prefinancing Given as Guarantee | | - | - | - | - | - | - |
| 1.5. Endorsements | | - | - | - | - | - | - |
| 1.5.1. Endorsements to the Central Bank of Turkey | | - | - | - | - | - | - |
| 1.5.2. Other Endorsements | | - | - | - | - | - | - |
| 1.6. Purchase Guarantees for Securities Issued | | - | - | - | - | - | - |
| 1.7. Factoring Guarantees | | - | - | - | - | - | - |
| 1.8. Other Guarantees | | - | 4,385,590 | 4,385,590 | - | 5,643,248 | 5,643,248 |
| 1.9. Other Warranties | | - | - | - | - | - | - |
| II. COMMITMENTS | (5.III.1) | 324,503 | 233,544 | 558,047 | 130,428 | 45,000 | 175,428 |
| 2.1. Irrevocable Commitments | | 324,503 | 233,544 | 558,047 | 130,428 | 45,000 | 175,428 |
| 2.1.1. Asset Purchase and Sales Commitments | | 212,880 | 233,544 | 446,424 | 8,886 | 45,000 | 53,886 |
| 2.1.2. Deposit Purchase and Sales Commitments | | - | - | - | - | - | - |
| 2.1.3. Share Capital Commitment to Associates and Subsidiaries | | - | - | - | - | - | - |
| 2.1.4. Loan Granting Commitments | | 30,958 | - | 30,958 | 29,704 | - | 29,704 |
| 2.1.5. Securities Issue Brokerage Commitments | | - | - | - | - | - | - |
| 2.1.6. Commitments for Reserve Requirements | | - | - | - | - | - | - |
| 2.1.7. Commitments for Checks Payments | | 6,261 | - | 6,261 | 6,294 | - | 6,294 |
| 2.1.8. Tax and Fund Liabilities from Export Commitments | | 3 | - | 3 | 3 | - | 3 |
| 2.1.9. Commitments for Credit Card Limits | | 74,208 | - | 74,208 | 85,095 | - | 85,095 |
| 2.1.10. Commitments for Credit Cards and Banking Services Promotions | | - | - | - | - | - | - |
| 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 | | 193 | - | 193 | 446 | - | 446 |
| 2.2. Revocable Commitments | | - | - | - | - | - | - |
| 2.2.1. Revocable Loan Granting Commitments | | - | - | - | - | - | - |
| 2.2.2. Other Revocable Commitments | | - | - | - | - | - | - |
| III. DERIVATIVE FINANCIAL INSTRUMENTS | | 1,287,428 | 12,001,355 | 13,288,783 | 16,043 | 6,122,481 | 6,138,524 |
| 3.1. Derivative Financial Instruments Held for Hedging | | - | - | - | - | - | - |
| 3.1.1. Fair Value Hedges | | - | - | - | - | - | - |
| 3.1.2. Cash Flow Hedges | | - | - | - | - | - | - |
| 3.1.3. Hedges for Investments Made in Foreign Countries | | - | - | - | - | - | - |
| 3.2. Trading Transactions | | 1,287,428 | 12,001,355 | 13,288,783 | 16,043 | 6,122,481 | 6,138,524 |
| 3.2.1. Forward Foreign Currency Purchase and Sale Transactions | | 99,729 | 123,208 | 222,937 | 9,844 | 27,516 | 37,360 |
| 3.2.1.1. Forward Foreign Currency Purchase Transactions | | 98,206 | 12,241 | 110,447 | 7,132 | 11,708 | 18,840 |
| 3.2.1.2. Forward Foreign Currency Sale Transactions | | 1,523 | 110,967 | 112,490 | 2,712 | 15,808 | 18,520 |
| 3.2.2. Currency and Interest Rate Swaps | | 1,187,699 | 11,878,147 | 13,065,846 | 6,199 | 6,080,240 | 6,086,439 |
| 3.2.2.1. Currency Swap Purchase Transactions | | - | 6,619,622 | 6,619,622 | - | 3,000,604 | 3,000,604 |
| 3.2.2.2. Currency Swap Sale Transactions | | 1,187,699 | 5,258,525 | 6,446,224 | 6,199 | 3,079,636 | 3,085,835 |
| 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 | | - | - | - | - | 14,725 | 14,725 |
| 3.2.3.1. Currency Purchase Options | | - | - | - | - | 7,341 | 7,341 |
| 3.2.3.2. Currency Sale Options | | - | - | - | - | 7,384 | 7,384 |
| 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) | | 18,353,673 | 178,900,665 | 197,254,338 | 18,199,177 | 91,152,523 | 109,351,700 |
| IV. ITEMS HELD IN CUSTODY | | 8,141,876 | 96,600,634 | 104,742,510 | 7,896,731 | 38,703,770 | 46,600,501 |
| 4.1. Customer Fund and Portfolio Assets | | - | - | - | - | - | - |
| 4.2. Securities Held in Custody | | 1,602,505 | 76,749 | 1,679,254 | 1,474,262 | 23,099 | 1,497,361 |
| 4.3. Checks Received for Collection | | 51,374 | 56,294 | 107,668 | 49,343 | 23,103 | 72,446 |
| 4.4. Commercial Notes Received for Collection | | 7,382 | 14,544 | 21,926 | 2,507 | 9,148 | 11,655 |
| 4.5. Other Assets Received for Collection | | - | - | - | - | - | - |
| 4.6. Securities Received for Public Offering | | - | - | - | - | - | - |
| 4.7. Other Items under Custody | | 6,477,685 | 96,453,047 | 102,930,732 | 6,369,985 | 38,648,016 | 45,018,001 |
| 4.8. Custodians | | 2,930 | 2,930 | 5,860 | 634 | 404 | 1,038 |
| V. PLEDGED ITEMS | | 10,211,797 | 82,300,031 | 92,511,828 | 10,302,446 | 52,448,753 | 62,751,199 |
| 5.1. Marketable Securities | | 18,709 | 18,709 | 37,418 | 14,573 | - | 14,573 |
| 5.2. Guarantee Notes | | 921 | 133 | 1,054 | 921 | 440 | 1,361 |
| 5.3. Commodity | | 33,787 | 92,741 | 126,528 | 43,956 | 69,335 | 113,291 |
| 5.4. Warrant | | - | - | - | - | - | - |
| 5.5. Immovables | | 2,606,310 | 54,053,575 | 56,659,885 | 2,865,716 | 36,879,643 | 39,745,359 |
| 5.6. Other Pledged Items | | 7,552,070 | 28,153,582 | 35,705,652 | 7,377,280 | 15,499,335 | 22,876,615 |
| 5.7. Depositories Receiving Pledged Items | | - | - | - | - | - | - |
| VI. ACCEPTED BILL OF GUARANTEES AND WARRANTIES | | - | - | - | - | - | - |
| TOTAL OFF BALANCE SHEET ITEMS (A+B) | | 20,777,359 | 200,826,864 | 221,604,223 | 19,245,012 | 105,832,189 | 125,077,201 |

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

ICBC TURKEY BANK ANONİM ŞİRKETİ
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2021**

(Amounts expressed in thousands of Turkish Lira (“TL”).)

| | | THOUSANDS OF TURKISH LIRA | | |
|---------------|---|----------------------------|---|---|
| | | Notes (Section Five) | Audited CURRENT PERIOD (01/01/2021 - 31/12/2021) | Audited PRIOR PERIOD (01/01/2020 - 31/12/2020) |
| I. | INTEREST INCOME | (5.IV.1) | 1,608,320 | 1,143,897 |
| 1.1 | Interest on Loans | | 893,013 | 645,962 |
| 1.2 | Interest Received from Reserve Deposits | | 25,704 | 1,295 |
| 1.3 | Interest Received from Banks | | 17,121 | 34,615 |
| 1.4 | Interest Received from Money Market Transactions | | 83,027 | 50,543 |
| 1.5 | Interest Received from Marketable Securities Portfolio | | 584,044 | 408,753 |
| 1.5.1 | Financial Assets at Fair Value Through Profit or Loss | | - | - |
| 1.5.2 | Financial Assets at Fair Value Through Other Comprehensive Income | | 105,786 | 113,926 |
| 1.5.3 | Financial Assets Measured at Amortised Cost | | 478,258 | 294,827 |
| 1.6 | Finance Lease Income | | - | - |
| 1.7 | Other Interest Income | | 5,411 | 2,729 |
| II. | INTEREST EXPENSES | (5.IV.2) | 758,761 | 688,422 |
| 2.1 | Interest on Deposits | | 504,777 | 363,983 |
| 2.2 | Interest on Funds Borrowed | | 207,658 | 261,647 |
| 2.3 | Interest on Money Market Transactions | | 32,661 | 17,012 |
| 2.4 | Interest on Securities Issued | | - | - |
| 2.5 | Interest on Leases | | 11,366 | 12,781 |
| 2.6 | Other Interest Expenses | | 2,299 | 32,999 |
| III. | NET INTEREST INCOME/EXPENSE (I - II) | | 849,559 | 455,475 |
| IV. | NET FEES AND COMMISSIONS INCOME/EXPENSES | | 161,874 | 162,250 |
| 4.1 | Fees and Commissions Received | | 184,079 | 177,720 |
| 4.1.1 | Non-Cash Loans | | 42,576 | 24,757 |
| 4.1.2 | Other | | 141,503 | 152,963 |
| 4.2 | Fees and Commissions Paid (-) | | 22,205 | 15,470 |
| 4.2.1 | Non-Cash Loans | | 97 | 28 |
| 4.2.2 | Other | | 22,108 | 15,442 |
| V. | DIVIDEND INCOME | (5.IV.3) | 201 | 90 |
| VI. | TRADING PROFIT/LOSS (Net) | (5.IV.4) | 382,515 | 100,920 |
| 6.1 | Profit/Losses from Capital Market Transactions | | 29,647 | 28,660 |
| 6.2 | Profit/Losses from Derivative Financial Transactions | | 267,056 | (229,793) |
| 6.3 | Foreign Exchange Profit/Losses | | 85,812 | 302,053 |
| VII. | OTHER OPERATING INCOME | (5.IV.5) | 106,010 | 146,702 |
| VIII. | GROSS OPERATING INCOME (III+IV+V+VI+VII) | | 1,500,159 | 865,437 |
| IX. | ALLOWANCES FOR EXPECTED CREDIT LOSSES (-) | (5.IV.6) | 497,752 | 224,637 |
| X. | OTHER PROVISION EXPENSES (-) | (5.IV.6) | 12,425 | 4,042 |
| XI. | PERSONNEL EXPENSES (-) | | 364,610 | 264,222 |
| XII. | OTHER OPERATING EXPENSES (-) | (5.IV.7) | 384,724 | 242,394 |
| XIII. | NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII) | | 240,648 | 130,142 |
| XIV. | SURPLUS WRITTEN AS GAIN AFTER MERGER | | - | - |
| XV. | PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES | | - | - |
| XVI. | NET MONETARY POSITION GAIN / LOSS | | - | - |
| XVII. | PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XIII+...+XVI) | (5.IV.8) | 240,648 | 130,142 |
| XVIII. | PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±) | (5.IV.9) | 53,459 | 39,211 |
| 18.1 | Current Tax Provision | | 239,888 | 123,681 |
| 18.2 | Expense Effect of Deferred Tax (+) | | 27,608 | 13,810 |
| 18.3 | Income Effect of Deferred Tax (-) | | 214,037 | 98,280 |
| XIX. | NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVII±XVIII) | (5.IV.10) | 187,189 | 90,931 |
| XX. | INCOME FROM DISCONTINUED OPERATIONS | | - | - |
| 20.1 | Income from Assets Held for Sale | | - | - |
| 20.2 | Profit from Sale of Associates, Subsidiaries and Joint Ventures | | - | - |
| 20.3 | Other Income from Discontinued Operations | | - | - |
| XXI. | EXPENSES FROM DISCONTINUED OPERATIONS (-) | | - | - |
| 21.1 | Expenses on Tangible Assets Held for Sale | | - | - |
| 21.2 | Losses from Sale of Associates, Subsidiaries and Joint Ventures | | - | - |
| 21.3 | Other Expenses from Discontinued Operations | | - | - |
| XXII. | PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (±) (XX-XXI) | (5.IV.8) | - | - |
| XXIII. | TAX PROVISION FOR DISCONTINUED OPERATIONS (±) | (5.IV.9) | - | - |
| 23.1 | Current Tax Provision | | - | - |
| 23.2 | Expense Effect of Deferred Tax (+) | | - | - |
| 23.3 | Income Effect of Deferred Tax (-) | | - | - |
| XXIV. | CURRENT PERIOD NET PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS (XXII±XXIII) | | - | - |
| XXV. | CURRENT PERIOD NET PROFIT/LOSS (XIX+XXIV) | (5.IV.11) | 187,189 | 90,931 |
| 25.1 | Group's Profit/Loss | | 187,189 | 90,931 |
| 25.2 | Minority Shares Profit / Loss (-) | | - | - |
| | Profit/Loss per Share | | 0.0218 | 0.0106 |

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

ICBC TURKEY BANK ANONİM ŞİRKETİ

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

| | THOUSANDS OF TURKISH LIRA | |
|--|---|---|
| | Audited CURRENT PERIOD (01/01/2021 - 31/12/2021) | Audited PRIOR PERIOD (01/01/2020 - 31/12/2020) |
| I. CURRENT PERIOD PROFIT / LOSS | 187,189 | 90,931 |
| II. OTHER COMPREHENSIVE INCOME | 16,673 | (7,187) |
| 2.1 Other Items That Will Not Be Reclassified to Profit or Loss | 8,117 | 1,938 |
| 2.1.1 Gains/Losses on Revaluation of Tangible Assets | 12,379 | 2,232 |
| 2.1.2 Gains/Losses on Revaluation of Intangible Assets | - | - |
| 2.1.3 Gains/Losses on Remeasurements of Defined Benefit Plans | (4,697) | (368) |
| 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 | 435 | 74 |
| 2.2 Other Items That Will Be Reclassified to Profit or Loss | 8,556 | (9,125) |
| 2.2.1 Exchange Differences on Translation | - | - |
| 2.2.2 Valuation and/or Reclassification Profit/Loss from Financial Assets at Fair Value Through Other Comprehensive Income | 11,076 | (10,006) |
| 2.2.3 Income/Loss Related with Cash Flow Hedges | - | - |
| 2.2.4 Income/Loss Related with Hedges of Net Investments in Foreign Operations | - | - |
| 2.2.5 Other Components of Other Comprehensive Income That Will Be Reclassified to Other Profit or Loss | - | - |
| 2.2.6 Taxes Relating To Components of Other Comprehensive Income That Will Be Reclassified To Profit or Loss | (2,520) | 881 |
| III. TOTAL COMPREHENSIVE INCOME (I+II) | 203,862 | 83,744 |

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

ICBC TURKEY BANK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira ("TL").)

| | Paid-in Capital | Share Premiums | Share Certificate Cancellation Profits | Other Capital Reserves | Other Accumulated Comprehensive Income and Expenses That Will Not Be Reclassified in Profit and Loss | | Other Accumulated Comprehensive Income and Expenses That Will Be Reclassified in Profit and Loss | | Profit Reserves | Prior Period's Profit/(Loss) | Current Period's Profit / (Loss) | Total Equity Attributable to Equity Holders of the Parent | Minority Shares | Total Equity | | |
|---|--------------------|-------------------|---|------------------------------|--|-------|--|---|--------------------|---------------------------------|--|--|--------------------|-----------------|---|-----------|
| | | | | | 1 | 2 | 3 | 4 | | | | | | | 5 | 6 |
| Prior Period (31/12/2020) | | | | | | | | | | | | | | | | |
| I. Balance at the End of Previous Period | 860,000 | (587) | - | - | 15,094 | 1,216 | - | - | 4,582 | - | 328,778 | 120,229 | - | 1,329,312 | - | 1,329,312 |
| II. Adjustment in Accordance with TAS 8 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2.1 Effect of Adjustment | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2.2 Effect of Changes in Accounting Policies | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| III. New Balance (I+II) | 860,000 | (587) | - | - | 15,094 | 1,216 | - | - | 4,582 | - | 328,778 | 120,229 | - | 1,329,312 | - | 1,329,312 |
| IV. Total Comprehensive Income | - | - | - | - | 2,232 | (294) | - | - | (9,125) | - | - | - | 90,931 | 83,744 | - | 83,744 |
| V. Capital Increase in Cash | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VI. Capital Increase through Internal Reserves | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VII. Issued capital/ inflation adjustment difference | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VIII. Convertible Bonds | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| IX. Subordinated Debt | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| X. Increase/Decrease through Other Changes | - | - | - | - | - | - | - | - | - | - | 2,348 | - | - | 2,348 | - | 2,348 |
| XI. Profit Distribution | - | - | - | - | - | - | - | - | - | 73,922 | (71,510) | - | - | 2,412 | - | 2,412 |
| 11.1 Dividends Distributed | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 11.2 Transfers Legal Reserves | - | - | - | - | - | - | - | - | - | 73,922 | (71,510) | - | - | 2,412 | - | 2,412 |
| 11.3 Others | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Balances at the end of Period (III+IV+...+X+XI) 31/12/2020 | 860,000 | (587) | - | - | 17,326 | 922 | - | - | (4,543) | - | 402,700 | 51,067 | 90,931 | 1,417,816 | - | 1,417,816 |

1. Accumulated revaluation increases/decreases of non-current assets,
2. Accumulated gains / losses on remeasurements 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 on 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.)

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

ICBC TURKEY BANK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira ("TL").)

| | Paid-in Capital | Share Premiums | Share Certificate Cancellation Profits | Other Capital Reserves | Other Accumulated Comprehensive Income and Expenses That Will Not Be Reclassified in Profit and Loss | | Other Accumulated Comprehensive Income and Expenses That Will Be Reclassified in Profit and Loss | | Profit Reserves | Prior Period's Profit/(Loss) | Current Period's Profit / (Loss) | Total Equity Attributable to Equity Holders of the Parent | Minority Shares | Total Equity |
|--|--------------------|-------------------|---|------------------------------|--|----------------|--|---|--------------------|---------------------------------|--|--|--------------------|------------------|
| | | | | | 1 | 2 | 3 | 4 | | | | | | |
| Current Period (31/12/2021) | | | | | | | | | | | | | | |
| I. Balance at the End of Previous Period | 860,000 | (587) | - | - | 17,326 | 922 | - | - | (4,543) | - | 402,700 | 141,998 | - | 1,417,816 |
| II. Adjustment 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) | - | - | 17,326 | 922 | - | - | (4,543) | - | 402,700 | 141,998 | - | 1,417,816 |
| IV. Total Comprehensive Income | - | - | - | - | 11,760 | (3,643) | - | - | 8,556 | - | - | 187,189 | 203,862 | 203,862 |
| V. Capital Increase in Cash | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VI. Capital Increase through Internal Reserves | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VII. Issued capital/ inflation adjustment difference | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VIII. Convertible Bonds | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| IX. Subordinated Debt | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| X. Increase/Decrease through Other Changes | - | - | - | - | - | - | - | - | - | - | 3,536 | - | 3,536 | 3,536 |
| XI. Profit Distribution | - | - | - | - | - | - | - | - | - | 88,898 | (88,898) | - | - | - |
| 11.1 Dividends Distributed | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 11.2 Transfers Legal Reserves | - | - | - | - | - | - | - | - | - | 88,898 | (88,898) | - | - | - |
| 11.3 Others | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Balances at the end of Period (III+IV...+X+XI) 31/12/2021 | 860,000 | (587) | - | - | 29,086 | (2,721) | - | - | 4,013 | - | 491,598 | 56,636 | 187,189 | 1,625,214 |

1. Accumulated revaluation increases/decreases of non-current assets,
2. Accumulated gains / losses on remeasurements 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 on 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/loss.)

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

ICBC TURKEY BANK ANONİM ŞİRKETİ
**CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2021**

(Amounts expressed in thousands of Turkish Lira (“TL”).)

| | Note (Section Five) | THOUSANDS OF TURKISH LIRA | |
|--|---------------------------|---|---|
| | | Audited CURRENT PERIOD (01/01/2021 - 31/12/2021) | Audited PRIOR PERIOD (01/01/2020 - 31/12/2020) |
| A. CASH FLOWS FROM BANKING OPERATIONS | | | |
| 1.1 Operating Profit Before Changes in Operating Assets and Liabilities | | 747,471 | 687,210 |
| 1.1.1 Interest Received | | 1,167,788 | 1,047,116 |
| 1.1.2 Interest Paid | | (614,813) | (600,078) |
| 1.1.3 Dividend Received | | 201 | 90 |
| 1.1.4 Fees And Commissions Received | | 138,051 | 226,515 |
| 1.1.5 Other Income | | 280,679 | 57 |
| 1.1.6 Collections from Non-Performing Receivables Accounted as Loss | | 5,311 | 123,295 |
| 1.1.7 Cash Payments to Personnel and Service Suppliers | | (352,558) | (259,533) |
| 1.1.8 Taxes Paid | | (21,149) | (149,911) |
| 1.1.9 Other | (5.VI.3) | 143,961 | 299,659 |
| 1.2 Changes in Operating Assets and Liabilities Subject to Banking Operations | | 211,764 | (580,576) |
| 1.2.1 Net (Increase) Decrease in Financial Assets at Fair Value through Profit or Loss | | (17,246) | (5,253) |
| 1.2.2 Net (Increase) Decrease in due from Banks | | (1,830,706) | (818,382) |
| 1.2.3 Net (Increase) Decrease in Loans | | (6,937,264) | (5,087,471) |
| 1.2.4 Net (Increase) Decrease in Other Assets | (5.VI.3) | (2,614,667) | (560,839) |
| 1.2.5 Net Increase (Decrease) in Bank Deposits | | 564,986 | 3,091 |
| 1.2.6 Net Increase (Decrease) in Other Deposits | | 4,106,093 | 1,668,612 |
| 1.2.7 Net Increase (Decrease) in Financial Liabilities at Fair Value Through Profit or Loss | | - | - |
| 1.2.8 Net Increase (Decrease) in Funds Borrowed | | 4,735,635 | 3,765,718 |
| 1.2.9 Net Increase (Decrease) in Matured Payables | | - | - |
| 1.2.10 Net Increase (Decrease) in Other Liabilities | (5.VI.3) | 2,204,933 | 453,948 |
| I. Net Cash Provided by Banking Operations | | 959,235 | 106,634 |
| B. CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| II. Net Cash Flows from Investing Activities | | (1,334,476) | (334,034) |
| 2.1 Cash Paid for Purchase of Associates, Subsidiaries and Joint Ventures | | - | - |
| 2.2 Cash Obtained From Sale of Associates, Subsidiaries and Joint Ventures | | - | - |
| 2.3 Cash Paid For the Purchase of Tangible and Intangible Asset | | (18,776) | (22,806) |
| 2.4 Cash Obtained from the Sale of Tangible and Intangible Asset | | - | 3,277 |
| 2.5 Cash Paid for Purchase of Financial Assets at Fair Value Through Other Comprehensive Income | | (324,176) | (43,029) |
| 2.6 Cash Obtained from Sale of Financial Assets at Fair Value Through Other Comprehensive Income | | 26,613 | 622,028 |
| 2.7 Cash Paid for Purchase of Financial Assets Measured at Amortised Cost | | (2,135,581) | (1,240,930) |
| 2.8 Cash Obtained from Sale of Financial Asset Measured at Amortised Cost | | 1,114,930 | 343,919 |
| 2.9 Other | (5.VI.3) | 2,515 | 3,507 |
| C. CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| III. Net Cash Provided from Financing Activities | | (1,834) | (9,586) |
| 3.1 Cash Obtained from Loans and Securities Issued | | - | - |
| 3.2 Cash Outflow Arised From Loans and Securities Issued | | - | - |
| 3.3 Equity Investments Issued | | - | - |
| 3.4 Dividends Paid | | - | - |
| 3.5 Payments for Lease Liabilities | | (1,834) | (9,586) |
| 3.6 Other | | - | - |
| IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents | (5.VI.3) | 1,354,684 | 121,508 |
| V. Net Increase in Cash and Cash Equivalents (I+II+III+IV) | | 977,609 | (115,478) |
| VI. Cash and Cash Equivalents at the Beginning of Period | | 3,750,867 | 3,866,345 |
| VII. Cash and Cash Equivalents at the End of Period (V+VI) | (5.VI.1) | 4,728,476 | 3,750,867 |

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

ICBC TURKEY BANK ANONİM ŞİRKETİ

**CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION
FOR THE YEAR ENDED 31 DECEMBER 2021**

(Amounts expressed in thousands of Turkish Lira (“TL”).)

| | | THOUSANDS OF TURKISH LIRA | |
|-------------|--|--|--|
| | | CURRENT PERIOD ⁽¹⁾⁽²⁾ (01/01/2021 - 31/12/2021) | PRIOR PERIOD (01/01/2020 - 31/12/2020) |
| I. | DISTRIBUTION OF CURRENT YEAR PROFIT | | |
| 1.1 | CURRENT YEAR INCOME | 148,744 | 87,908 |
| 1.2 | TAXES AND LEGAL DUTIES PAYABLES (-) | 32,850 | 29,860 |
| 1.2.1 | Corporate Tax (Income Tax) | 216,160 | 114,950 |
| 1.2.2 | Income Withholding Tax | - | - |
| 1.2.3 | Other Taxes and Duties | (183,310) | (85,090) |
| A. | NET INCOME FOR THE YEAR (1.1-1.2) | 115,894 | 58,048 |
| 1.3 | PRIOR YEAR LOSSES (-) | - | - |
| 1.4 | FIRST LEGAL RESERVES (-) | - | - |
| 1.5 | OTHER STATUTORY RESERVES (-) | - | - |
| B. | NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)] | 115,894 | 58,048 |
| 1.6 | FIRST DIVIDEND TO SHAREHOLDERS (-) | - | - |
| 1.6.1 | To Owners of Ordinary Shares | - | - |
| 1.6.2 | To Owners of Preferred 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 Preferred Shares | - | - |
| 1.9.3 | To Joining Usufruct Certificates | - | - |
| 1.9.4 | To Profit Sharing Bonds | - | - |
| 1.9.5 | To Holders of Profit and Loss Sharing Certificates | - | - |
| 1.10 | STATUTORY RESERVES (-) | - | - |
| 1.11 | EXTRAORDINARY RESERVES | - | 55,146 |
| 1.12 | OTHER RESERVES | - | 2,902 |
| 1.13 | SPECIAL FUNDS | - | - |
| II. | DISTRIBUTION OF RESERVES | | |
| 2.1 | APPROPRIATED RESERVES | - | - |
| 2.2 | DIVIDENDS TO SHAREHOLDERS (-) | - | - |
| 2.3 | To Owners of Ordinary Shares | - | - |
| 2.3.1 | To Owners of Preferred Shares | - | - |
| 2.3.2 | To Joining Usufruct Certificates | - | - |
| 2.3.3 | To Profit Sharing Bonds | - | - |
| 2.3.4 | To Holders of Profit and Loss Sharing Certificates | - | - |
| 2.3.5 | DIVIDENDS TO PERSONNEL (-) | - | - |
| 2.4 | DIVIDENDS TO BOARD OF DIRECTORS (-) | - | - |
| III. | EARNINGS PER SHARE | | |
| 3.1 | TO OWNERS OF ORDINARY SHARES (full TL) | 0.0135 | 0.0067 |
| 3.2 | TO OWNERS OF ORDINARY SHARES (%) | 13.5 | 6.7 |
| 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 | - | - |
| 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) Statement of profit distribution above belongs to the Parent Bank.

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

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”).)

SECTION THREE ACCOUNTING POLICIES

I. Explanations on the Basis of Presentation

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

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

Consolidated financial statements have also been prepared in accordance with the “Communique amending the Communique on the Financial Statements and Related Disclosures and Notes to be Announced to Public by Banks” published in the Official Gazette dated 1 February 2019 with No. 30673.

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 the balance sheet date. These estimates are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are reflected to the statement of profit or loss. Assumptions and estimates that are used in the preparation of the accompanying financial statements are explained in the following related notes.

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

While preparing its financial statements dated 31 December 2021, the Group reflected the possible effects of the COVID-19 outbreak on the estimates and judgments used in the preparation of the financial statements.

Due to COVID-19, the Parent Bank has enabled its individual and legal entity customers postpone their principal, interest and installment payments in case they requested and has applied delays within this scope.

The Indicator Interest Rate Reform - 2nd Phase, which brings changes in TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16, effective from 1 January 2021, was published in December 2020. With the modifications made, certain exceptions are provided for the basis used in the determination of contractual cash flows and hedge accounting implementations. The effects of the changes on the Parent Bank's financials have been evaluated and it has been concluded that there is no material impact on financial statements. On the other hand, the Bank's studies continues within the scope of compliance with the changes.

The amounts in the consolidated financial statements and the related explanations and notes are expressed in thousands of Turkish Lira unless otherwise stated.

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

The accounting policies and the valuation principles used in the preparation of the consolidated financial statements have been determined in accordance with the regulations, communiqués, explanations and circulars published by the BRSA on accounting and financial reporting principles, and the principles within the scope of TFRS (“BRSA Accounting and Financial Reporting Legislation” as a whole), which was put into effect by the POA for matters not regulated by these.

As per the announcement published by the Public Oversight, Accounting and Auditing Standards Authority (“POA”) on 20 January 2022, since the cumulative change in the general purchasing power of the last three years has been 74.41% according to the Consumer Price Index (“CPI”) rates, it has been stated that entities applying the Turkish Financial Reporting Standards (“TFRS”) are not required to make any restatements in their financial statements for 2021 within the scope of TAS 29 “Financial Reporting in High Inflation Economies”. In the accompanying consolidated financial statements, no inflation adjustment has been made in accordance with TAS 29.

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

II. Explanations on Usage Strategy of Financial Instruments and 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.

Currency risk, interest risk and liquidity risk are measured and monitored instantly by various risk management systems, and balance sheet management is carried out within the risk limits and legal limits determined in this framework. Asset-Liability management models, value-at-risk calculations, stress tests and scenario analyzes 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:

The Bank covers and controls the exchange rate risks it is exposed to due to foreign currency transactions through various derivative instruments that establish the general balance of foreign currency assets and liabilities.

Monetary assets and liabilities denominated in foreign currencies are translated by using currency exchange rates on the balance sheet date. Currency differences arising from the valuation of monetary items are accounted for in the profit or loss statement as “Foreign Exchange Transactions Profit/Loss”.

As of 31 December 2021, the USD exchange rate used in the conversion of foreign currency transactions into Turkish currency and their reflection in the financial statements is 13.3290 full TL, Euro exchange rate is 15.0867 full TL, British Pound exchange value is 17.9667 full TL and Japanese Yen exchange rate is 0.1155 full TL.

There is no goodwill amount related to the Parent Bank's foreign subsidiaries.

III. Explanations on Subsidiaries and Associates

As of 31 December 2021 and 31 December 2020, the Parent Bank has no associates.

On 21 April 2015, Tekstil Portföy Yönetimi A.Ş. was established with TL 2,000,000 - full amount - capital from ICBC Yatırım. On 23 November 2015, the trade name of the company has been changed and registered as ICBC Turkey Portföy Yönetimi A.Ş. (ICBC Portföy). ICBC Portföy is a subsidiary of ICBC Yatırım with 100% partnership and an indirect subsidiary of the Parent Bank. As at 30 June 2016, 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 2021 and 31 December 2020.

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

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

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

The financial statements, which have been used in the consolidation, are prepared as at 31 December 2021 and appropriate adjustments are made to financial statements to use uniform accounting policies for similar transactions and events in same circumstances. There is no obstacle on the transfer of shareholders’ equity between the Parent Bank and its subsidiary or on the reimbursement of liabilities.

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”).)

IV. Explanations on Forwards, Options and Derivative Transactions

The derivative transactions of the Group mainly consist of foreign currency swaps, foreign currency options and forward contracts.

Derivative instruments are classified as “Derivative Financial Assets at Fair Value through Profit or Loss”, “Derivative Financial Assets at Fair Value through Other Comprehensive Income” in the asset side of balance sheet and “Derivative Financial Liabilities at Fair Value through Profit or Loss”, “Derivative Financial Liabilities at Fair Value through Other Comprehensive Income” in the liabilities side of balance sheet in accordance with TFRS 9. There is no derivative Financial Liabilities at Fair Value through Other Comprehensive Income” as of 31 December 2021.

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 at Fair Value through Profit/Loss” under the “Derivative Financial Assets” or “Derivative Financial Liabilities at Fair Value through Profit/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 and expense 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 Black - Scholes 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. The Parent Group has no embedded derivative instruments.

V. Explanations on Interest Income and Expense

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

VI. Explanations on Fees and Commissions Income and Expense

Fees and commissions except for which are integral part of “the effective interest (Internal Rate of Return) rates” of financial instruments measured at amortized costs, are accounted for in accordance with TFRS 15 “Revenue from Contracts with Customers”. Except for certain fees related with certain banking transactions and recognized when the related service is given, fees and commissions received or paid, and other fees and commissions paid to financial institutions are accounted under accrual basis of accounting throughout the service period. Prepaid fees for loans are discounted with the effective interest rate method and recorded as income in the relevant period in accordance with the periodicity principle.

VII. Explanations on Financial Assets

The Group recognizes its financial assets as “Financial Assets at Fair Value through Profit or Loss”, “Financial Assets at 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/Loss”, transaction costs are added to fair value or deducted from fair value.

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”).)

VII. Explanations on Financial Assets (continued)

During the recognition of the financial assets, based on following matters, the Group reclassified its financial assets as “Financial Assets at Fair Value through Profit/Loss”, “Financial Assets at Fair Value through Other Comprehensive Income” or “Measured at Amortized Cost”:

- 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 is 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/Loss:

Financial assets at fair value through profit or loss consist of financial assets other than the business model that aims to hold contractual cash flows to collect and the business model that aims to collect and sell contractual cash flows. Financial assets valued at fair value through profit or loss are valued at their fair values. 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 Parent Bank may prefer the method of reflecting changes in fair value to other comprehensive income is irrevocable for the first time in the financial statements for certain investments in equity instruments measured at fair value through profit or loss under normal circumstances.

c. Financial Assets Measured at Amortized Cost:

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

- Financial assets within a business model that 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 (internal rate of return) rate method”. Interest income on financial assets measured at amortized cost is reflected as interest income in the income and expense.

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. All the loans of the Parent Bank are recorded under the financial asset “Financial Assets Measured at Amortized Cost” and “Financial Assets at Fair Value Through Other Comprehensive Income” account.

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”).)

VIII. Explanations on Impairment of Financial Assets

Recognition of Expected Credit Losses in Financial Statements:

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

The Groups 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.

Within the scope of TFRS 9, calculation of expected credit losses consists of three main parameters: Probability of Default (PD), Loss Given Default (LGD), Exposure of Default (EAD). In addition, the PD and LGD parameters used in the expected credit loss calculation are calculated as instant PD (point in time, PIT) including both current and expected cycle changes. For the determination of macroeconomic expectations, “reasonable and supportable information available without undue cost or effort in estimating past events, current conditions and future economic conditions” can be used and accordingly “estimate of expected losses including their expected effects” can be realized. “Regulatory Factor Values”, which are calculated using the actual and scenario-based expected NPL rates by the Bank, are used to include in the calculation. The effect of macroeconomic expectations is reflected on the PD values obtained as a result of the calibration studies performed on the internal rating model using historical data. The cumulative PD values adjusted as a result of the transactions are used is being done.

Probability of Default (PD)

The probability of default represents the probability that the debtor will default in a given time period. Two types of PD values are calculated in accordance with TFRS 9 requests:

- **12-month PD:** The probability of default within 12 months refer to the portion of the expected credit loss that could result from the possible default of the loan.
- **Lifetime PD:** Lifetime losses result from all possible default events over the expected life of the financial instrument after the reporting date.

The Group uses the credit ratings, which are the result of the internal rating systems used by the Bank in the loan allocation processes, to calculate the 12-month or lifetime default probabilities of its corporate and commercial customers. The internal rating models used for the Corporate and Commercial portfolio include the customer's financial information as well as answers to qualitative questions.

Using historical default data for individual customers, a transition matrix based on the number of days of delay is generated and 12-month or lifetime default probabilities are estimated.

For receivables from Banks, the default probability is calculated by using rating transition studies published by S&P.

In the final stage, macroeconomic expectations are taken into account and reflected in the probability of default values.

Loss Given Default (LGD)

If a loan default occurs, it refers to the economic loss that might be encountered by taking into consideration the collection period. In LGD calculations, if the loans are not collateralized, the rates in the IRB App-1 Risk Weighted Amount and Expected Loss Amount Calculation are used. Calculations within the scope of BRSB Credit Risk Mitigation Techniques are also applied for secured loans.

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”).)

VIII. Explanations on Impairment of Financial Assets (continued)

Recognition of Expected Credit Losses in Financial Statements (continued):

Exposure of Default (EAD)

The exposure at default amount is the expected economic receivable at the time of default. For cash loans, it refers to the amount of loan granted as of the reporting date. For non-cash loans and commitments, it is the value calculated through using credit conversion factors.

Definition of Default

Default means, when the borrower’s payment obligations which against to the Group, delays more than 90 days from the day of payment in part or in full, or not pay.

The obligor may be considered as Phase 3 in cases where the Group does not find it possible to pay its obligations regardless of the number of days of delay and without resorting to collateral.

This may include;

- Deterioration in the financial position of the counterparty (memzuc records, bounced check recording, application for condonato, bankruptcy/suspension bankruptcy, etc.) and economic conditions
- Default records in other financial institutions
- The obligor is past due 90 days or more on any material credit obligation to the Bank
- The obligor is past due 30 days or more and restructured after transition from Stage 3 to Stage 2

As of the date of initial recognition, there will be no significant changes in portfolios, 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 not 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.

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 is to recognize the risk of default occurring over the remaining life of the financial instrument that credit risk has increased significantly since initial recognition.

Stage 3: When one or more events that negatively affect future estimated cash flows of a financial asset occur, the related financial asset becomes credit-impaired. For these assets, expected lifetime loss of credit is recorded. Lifetime expected credit losses are recorded for impaired assets. The probability of default is taken into account as 100%.

The Group also makes additional provisions for corporate customers through an individual assessment.

The Group regularly follows the developments regarding macroeconomic expectations, which it uses to calculate expected credit losses within the general approach method, and applies them to its models by updating. the Group evaluated the negative effects of the COVID-19 outbreak in its models by updating the macroeconomic information for the future.

The loan portfolio of the Group mainly consists of a small number of loans with high amounts. Those loans with high amount and risk level are subject to individual assessment. The Bank reflected the possible effects of COVID-19 by taking into account the reasonable and supportable information it has in the estimation of the probability weights and cash flows of the scenarios it uses, in the calculation of the expected credit loss for the loans it is subject to individual assessment.

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 of the Bank
- 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 Group management are determined. (for example, whether the additional payments are determined by the fair value of the assets that managed or by the contractual cash flows collected).

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”).)

VIII. Explanations on Impairment of Financial Assets (continued)

Recognition of Expected Credit Losses in Financial Statements (continued):

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

A 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 Parent Bank’s claim to cash flows from specified assets
- Features that modify consideration for the time value of money.

IX. Explanations on Write-down Policy

The amendment with respect to the regulation on the “Principles and Procedures Regarding the Classification of Loans and Provisions To Be Set Aside” for These Loans entered into force with its publication in the Official Gazette No.30961 on 27 November 2019. Pursuant to the regulation, the banks are enabled to write down and move off the balance sheet the portion of a loan which is classified as “Group V Loan” (Loans Classified as Loss) if it cannot reasonably be expected to be recovered. The Bank performs objective and subjective assessments whether there is reasonable expectation.

The write-down of these loans, which are not possible to be collected, is an accounting policy and this policy does not result in waiving the right of receivables.

X. 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.

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

Securities sold under repurchase agreements (“Repo”) are classified as “Financial Assets at Fair Value Through Profit/Loss”, “Financial Assets at 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 booked in liability account under “Money Market Funds” 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 Money Markets”. 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 ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”).)

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

Non-current assets held for sale are accounted for in accordance with the provisions of “IFRS 5 Turkish Financial Reporting Standard on Assets Held for Sale and Discontinued Operations” in the financial statements. In accordance with IFRS 5 – “Non-current Assets Held for Resale and Discontinued Operations”, an asset (or disposal group) classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell.

Non-current assets held for sale are assets that are highly marketable, which a plan for the sale of them has been made by the management team and an active program is initiated for the determination of buyers and the completion of the plan. The asset should be actively marketed at a price compatible with its fair value. In addition, the sale should be expected to be accounted for as a completed sale within one year from the date of classification, and the actions required to complete the plan should show that the likelihood of significant changes in the plan or cancellation of the plan is unlikely.

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

The Group has no discontinued operations (31 December 2020: None).

XIII. Explanations on Goodwill and Other Intangible Assets

There is no goodwill in the accompanying consolidated financial statements as at 31 December 2021 and 31 December 2020.

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. The useful life of the asset is determined by evaluating the expected life of the asset, technical, technological or other types of obsolescence, and the maintenance costs necessary to obtain the expected economic benefit from the asset.

XIV. 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 |
| Office machinery, furniture and vehicles | 3 – 50 years |
| Leasehold improvements costs | The shorter of the economic life of lease term |

As of the balance sheet date, the amount of depreciation calculated by proportioning the amount of depreciation foreseen for a full year with the period of stay of the asset for the assets that are in the asset for less than one accounting period is depreciated.

If the cost value is higher than the “Net realizable value” of the related tangible asset, the value of the said asset is reduced to its “Net realizable value” in accordance with the “Turkish Accounting Standard for Impairment of Assets” (“TAS 36”) and the provision for impairment is associated with expense accounts.

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

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

The Parent Bank applies a revaluation model within the framework of TAS 16 “Recognition of Tangible Assets” for buildings included in tangible assets. For this purpose, the fair values of the buildings are determined once a year by an independent valuation firm authorized by the BRSA and the Capital Markets Board. The increase in the book value of the buildings as a result of the revaluation is reflected in the Tangible Assets Revaluation Differences account in the equity account group. As a result of the valuation of the buildings, there is a pre-tax value increase of TL 29,086 (31 December 2020: TL 16,740) in the Tangible Assets item as of 31 December 2021.

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira ("TL").)

XV. Explanations on Leasing Activities

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

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

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

After the commencement date of the lease, the lessee increases the carrying amount of the lease liability to reflect the interest on the lease liability and decreases the carrying amount to reflect the lease payments made. It is remeasured in the event of a change in the lease term and in the assessment of the option to purchase the asset, and in the event of a change in the amounts expected to be paid under the residual value commitment, and in the event of a change in these payments as a result of a change in the index or rate.

The Bank records its fixed assets acquired through financial leasing based on their fair value and on the lease payments that are lower than their present value. Fixed assets acquired through financial leasing are classified under tangible assets and these fixed assets are subject to depreciation based on their useful lives. When a decrease in the value of fixed assets acquired through financial leasing is detected, a "provision for impairment" is made. Liabilities arising from financial leasing agreements are shown in the "Financial lease debts" account in the liabilities. Interest and exchange difference expenses related to financial leasing are reflected in the statement of profit or loss. The Bank does not perform financial leasing transactions in the capacity of being the "lessor". Transactions related to operational leases are accounted for on an accrual basis in accordance with the provisions of the relevant contract.

XVI. 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.

XVII. Explanations on Contingent Assets

The contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the business. 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.

XVIII. Explanations on Obligations Related to Employee Rights

Obligations related to employment termination and vacation rights "TAS 19- Employee Benefits" ("TAS 19") are accounted for in accordance with the provisions.

Under the Turkish Labor Law, the Bank and its subsidiaries operating in Turkey are required to pay a specific amount to the employees who have retired or whose employment is terminated other than the reasons specified in the Turkish Labor Law. According to the related regulation, the Bank is obliged to pay termination benefits for employees who retire, quit for their military service obligations, who have been dismissed as defined in the related regulation or who have completed at least one year of service. The reserve for employment termination benefits represents the present value of the estimated total reserve for the future probable obligation of the Group was recorded under equity according to "TAS 19 – Employee Benefits". The discount rate has been applied as 3.09% as of 31 December 2021 (31 December 2020: 4.11%).

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

XIX Explanations on Taxation

a. Current Tax:

In Turkey, the general corporate tax rate is 20%. However, within the scope of the Law No. 7316 on the "Law on the Collection of Public Claims and Amendments to Certain Laws" published in the Official Gazette dated 22 April 2021, this rate will be applied as 25% for the corporate earnings of the institutions for the 2021 taxation period, and 23% for the corporate earnings for the 2022 taxation period, starting from the declarations that must be submitted as of 1 July 2021.

The corporate tax rate is applied to the tax base to be found as a result of adding the expenses that are not accepted as a deduction in accordance with the tax laws to the commercial income of the corporations, deducting the exceptions (such as the participation earnings exception) and discounts (such as the investment discount) in the tax laws. 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. Dividend payments made to individuals and institutions other than these are subject to 15% withholding tax. Addition of profit to capital is not considered as profit distribution and withholding tax is not applied. Pursuant to the President's Decision No. 4936 published in the Official Gazette dated 22 December 2021, the dividends distributed by fully-paying corporations are covered by Article 94 of the Income Tax Law and Articles 15 and 30 of the Corporate Tax Law the rate of withholding was reduced from 15% to 10%. The decision is applicable as of 22 December 2021.

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.

According to the "Law on the Amendment of the Tax Procedure Law and the Corporate Tax Law" numbered 7352 published in the Official Gazette dated 29 January 2022 and numbered 31734, regardless of whether the conditions for the inflation adjustment within the scope of article 298 are met during the temporary tax periods, the application of inflation adjustment in the financial statements has been postponed to 31 December 2023.

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.

For the items subject to deferred tax calculation as of 31 December 2021, enacted tax rates that are valid in accordance with the current tax legislation are used. Within the scope of the law numbered 7316 published in the Official Gazette dated 22 April 2021, this rate will be applied as 25% for the corporate earnings of the institutions for the 2021 taxation period, and as 23% for the corporate earnings of the 2022 taxation period, starting from the declarations that must be submitted as of 1 July 2021. As of 31 December 2020, deferred tax is calculated over 20%.

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.

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”).)

XIX Explanations on Taxation (continued)

c. Transfer Pricing:

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

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

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

XX. 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”.

XXI. Explanations on Issued Stock

There is no issued stock in the current period. (31 December 2020: None).

XXII. Explanations On Bills And Acceptances

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

XXIII. Explanations on Government Grants

As of 31 December 2021 and 31 December 2020, the Group does not have any government grants.

XXIV. 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 25 March 2021, it was decided to allocate 5% of the legal reserves of TL 2,902 from TL 58,048, which constitutes the net after-tax unconsolidated balance sheet profit of 2020, in accordance with Article 519/1 of the TCC and the remaining TL 55,146 was decided to be transferred to extraordinary reserves.

XXV. 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.

XXVI. 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 twelve months or less and receivables from reverse repo. The reserve requirements blocked at the Central Bank of the Republic of Turkey are not recognized as “cash equivalent assets” in the statement of cash flows.

XXVII. 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.

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira ("TL").)

XXVIII. Earnings / Loss Per Share

Earnings per share disclosed in the statement of profit or loss, are calculated by dividing net profit for the period by the weighted average number of shares outstanding during the period concerned.

| | 31 December 2021 | 31 December 2020 |
|--------------------------------------|------------------|------------------|
| Net Profit / (Loss) for the Period | 187,189 | 90,931 |
| Number of Shares | 8,600,000 | 8,600,000 |
| Profit / (Loss) Per Share (*) | 0.0218 | 0.0106 |

(*) Expressed as full TL.

XXIX. Reclassifications

As of 31 December 2021, the Group has made a classification in prior year financial statements in order to comply with the current year presentation. Amounting to TL 49,173 interest from reverse repo transactions which were classified under "Other interest income" in 31 December 2020 were reclassified to "Interest received from money market transactions" on consolidated statement of profit or loss and amounting to TL (233,543) which were classified under "Other interest income" in 31 December 2020 were reclassified to "Other" line under consolidated statement of cash flows.

XXX. Explanations on Other Matters

None.

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”).)

SECTION FOUR

EXPLANATIONS ON CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT

I. Explanations on Consolidated Equity

Information about consolidated equity items:

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

The Group's capital adequacy ratio is 26.93% (31 December 2020: 19.75%).

| Current Period | 31 December 2021 | 31 December 2020 |
|--|------------------|------------------|
| COMMON EQUITY TIER 1 CAPITAL | | |
| Paid-in capital following all debts in terms of claim in liquidation of the Bank | 860,000 | 860,000 |
| Share issue premiums | (587) | (587) |
| Reserves | 491,598 | 402,700 |
| Gains recognized in equity as per TAS | 60,389 | 19,249 |
| Profit | 243,825 | 141,998 |
| Current period profit | 187,189 | 90,931 |
| Prior period profit/loss | 56,636 | 51,067 |
| Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period | - | - |
| Common Equity Tier 1 Capital Before Deductions | 1,655,225 | 1,423,360 |
| Deductions from Common Equity Tier 1 Capital | | |
| Common Equity as per the 1 st clause of Provisional Article 9 of the Regulation of the Equity of Banks | - | - |
| Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS | - | - |
| Improvement costs for operating leasing | 3,920 | 4,545 |
| Goodwill (net of related tax liability) | - | - |
| Other intangibles other than mortgage-servicing rights (net of related tax liability) | 11,437 | 7,839 |
| Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability) | 4,828 | 1,537 |
| 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 core capital 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 core capital of the Bank | - | - |
| Portion of mortgage servicing rights exceeding 10% of the core capital | - | - |
| Portion of deferred tax assets based on temporary differences exceeding 10% of the core capital | - | - |
| Amount exceeding 15% of the core capital 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 core capital | - | - |
| Excess amount arising from mortgage servicing rights | - | - |
| Excess amount arising from deferred tax assets arising from temporary differences | - | - |
| Other items to be defined by the BRSA | - | - |
| Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital | - | - |
| Total Deductions From Common Equity Tier 1 Capital | 20,185 | 13,921 |
| Total Common Equity Tier 1 Capital | 1,635,040 | 1,409,439 |

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira ("TL").)

I. Explanations on Consolidated Equity (continued)

Information about consolidated total capital (continued):

| | 31 December 2021 | 31 December 2020 |
|--|------------------|------------------|
| ADDITIONAL TIER I CAPITAL | | |
| Preferred stock not included in core capital 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 | - | - |
| 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 (-) | - | - |
| Net deferred tax asset/liability which is not deducted from Common Equity Tier I 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 (-) | - | - |
| Total deductions from Additional Tier I Capital | - | - |
| Total Additional Tier I Capital | - | - |
| Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital) | 1,635,040 | 1,409,439 |
| TIER II CAPITAL | | |
| Debt instruments and share issue premiums deemed suitable by the BRSA | 3,998,700 | 2,202,640 |
| Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4) | - | - |
| Provisions (1st clause of Article 8 of the Regulation on the Equity of Banks) | 236,282 | 295,824 |
| Tier II Capital Before Deductions | 4,234,982 | 2,498,464 |
| 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 | 4,234,982 | 2,498,464 |
| Total Capital (The sum of Tier I Capital and Tier II Capital) | 5,870,022 | 3,907,903 |
| Deductions from Total Capital | | |
| Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law | - | - |
| Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years | - | - |
| Other items to be defined by the BRSA | 158 | 174 |
| 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 | - | - |
| 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 | - | - |

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”).)

I. Explanations on Consolidated Equity (continued)

Information about consolidated total capital (continued):

| | 31 December 2021 | 31 December 2020 |
|--|------------------|------------------|
| TOTAL CAPITAL | | |
| Total capital (The Sum of Tier I Capital and Tier II) | 5,869,864 | 3,907,729 |
| Total Risk Weighted Amounts | 21,799,994 | 19,964,381 |
| CAPITAL ADEQUACY RATIOS ⁽²⁾ | | |
| Core Capital Adequacy Ratio (%) | 7.50 | 7.06 |
| Tier I Capital Adequacy Ratio (%) | 7.50 | 7.06 |
| Capital Adequacy Ratio (%) | 26.93 | 19.57 |
| BUFFERS | | |
| Bank-specific total core capital ratio | 2.57 | 2.73 |
| Capital conservation buffer ratio (%) | 2.50 | 2.50 |
| Bank specific countercyclical buffer ratio (%) | 0.07 | 0.23 |
| Systemically significant bank buffer ratio (%) | - | - |
| The ratio of Additional Common Equity Tier I capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%) | - | - |
| Amounts below the financial 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) | 857,333 | 355,904 |
| Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used | 236,282 | 295,824 |
| 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 2019 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 “Regulation on Equity of Banks” and take into consideration at the end of transition process.

⁽²⁾ As of 31 December 2021, the Parent Bank has taken into consideration subordinated loan amounting TL 3,998,700 (31 December 2020: TL 2,202,640) from its main shareholder, Industrial and Commercial Bank of China Limited Company, for capital adequacy calculation.

As of 31 December 2021 in accordance with BRSA's decision dated 8 December 2020 and numbered 9312, the Bank, effective until 31 December 2021 the amount subject to credit risk in capital adequacy calculations calculated by taking into account the simple arithmetic average of the Central Bank foreign exchange buying rates for the last 252 business days before the calculation date. According to the Institution's decision numbered 9795 as of 16 September 2021, it has been decided to continue to implement this practice until a Board decision to the contrary is taken. In addition, if the net valuation differences of the securities held by the Parent Bank in the portfolio of “Securities at Fair Value Reflected in Other Comprehensive Income” are negative, the regulation regarding these differences to be calculated in accordance with the Regulation on Bank's Equity and not to be taken into account in the amount of equity to be used for the capital adequacy ratio, pursuant to the Board decision numbered 9996 dated 21 December 2021 and therefore, negative differences in the calculations for the December period are also not included in the equity calculation. As of April 2020, 0% risk weight has been applied to FX receivables from the central government.

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”).)

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.

Information on borrowing instruments included in equity calculation:

| | |
|---|--|
| Lender | INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED |
| Descriptive elements of debt instrument (CUSIP, ISIN, etc.) | - |
| Legislation subject to debt instrument | Implementing Regulation on the Equity of Banks published in the Official Gazette dated 5 September 2013 and numbered 28756 |
| Consideration in equity calculation | |
| Subject to 10% deduction as of 1 January 2015 | No |
| Validity status on consolidated or unconsolidated basis or on both consolidated and unconsolidated basis | Consolidated and Unconsolidated Basis |
| Type of debt instrument | Secondary Subordinated Loan |
| Amount considered in the calculation of equity (as of the last reporting date) | TL 3,998,700 |
| Nominal value of debt instrument | 300 M USD |
| Accountable account of the debt instrument | 347 |
| Date of issuance of debt instrument Maturity structure of debt instrument (Demand / Term) | 28.12.2018 |
| Maturity structure of debt instrument (Demand / Term) | Term |
| Maturity of debt instrument | 28.12.2028 |
| Whether the issuer has the right of reimbursement due to BRSA approval | In the case of a regulatory cause after the 5th anniversary, the BRSA has the right to reimbursement upon approval |
| Reimbursement option date, contingent repayment options and refund amount | - |
| Subsequent reimbursement option dates | - |
| Interest / dividend payments | |
| Fixed or variable interest / dividend payments | Variable interest |
| Interest rate and interest rate index value | 6 M USD LIBOR +1.75% |
| Whether there are any restrictions that stop the payment of dividends | Payable in accordance with BRSA communiqués and regulations |
| Fully optional, partially optional or mandatory | Mandatory |
| Whether there is an element that will encourage repayment, such as interest rate increases | - |
| Being non-cumulative or cumulative | Non-cumulative |
| Convertible to stock | |
| Triggering events / events that can cause conversion if they can be converted to a stock | -Elimination of activity permit -Possibility of transfer to SDIF -In the event of regulatory reason, the decision of BRSA will be converted to share |
| Full or partial conversion if convertible | Subject to BRSA approval fully or partially |
| If convertible, conversion rate | Subject to BRSA approval and convertible |
| If forced to convert to stock, forced or optional conversion feature | Subject to BRSA approval |
| Convertible vehicle types if converted to stock | Stock |
| Issuer of a debt instrument to be converted | - |
| Value reduction feature | |
| Trigger events / events that will cause a reduction if it has a value reduction feature | - |
| Total or partial value reduction if value reduction is available | - |
| Continuous or transient feature | - |
| Value increment mechanism if the value can be temporarily reduced | - |
| In the case of the right to take in the case of liquidation in the order of the right (the vehicle just above this debt instrument) | Before the borrowing instruments to be included in the calculation of the additional capital of the owner to the owner, after the depositors and all other debts |
| Whether the banks do not have the requirements of Articles 7 and 8 of the Regulation on Shareholders' Equity | Although it has all the requirements of Article 8, it does not meet the requirements of Article 8 |
| Which of the requirements of the articles 7 and 8 of the Regulation on Equity of Banks are not | Although it has all the requirements of Article 8, it does not meet the requirements of Article 8 |

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”).)

II. Explanations on Consolidated Credit Risk

1. Credit risk represents the risks and losses that may arise from the failure of the counter party, with whom the Group has a relationship, to partially or completely fulfill its obligations on time by not complying with the contractual requirements of the Group.

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 guarantees. Guarantees 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.

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:

| 31 December 2021 Risk Classifications | Current Period Risk Amount ⁽¹⁾ | Average Risk Amount |
|---|--|------------------------|
| Contingent and non-contingent claims on central governments or Central Banks | 13,268,774 | 8,777,982 |
| Contingent and non-contingent claims on regional governments or local authorities | 21,985 | 24,292 |
| Contingent and non-contingent claims on administrative bodies and non-commercial undertakings | 411,651 | 49,202 |
| Contingent and non-contingent claims on multilateral development banks | - | - |
| Contingent and non-contingent claims on international organizations | - | - |
| Contingent and non-contingent claims on banks and intermediary institutions | 7,092,237 | 9,084,171 |
| Contingent and non-contingent claims on corporate | 13,704,948 | 10,884,418 |
| Contingent and non-contingent claims on retail | 82,582 | 95,849 |
| Contingent and non-contingent claims secured by residential property | 1,967,827 | 2,015,293 |
| Past due loans | 6,014 | 6,736 |
| 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 | - | - |
| Stock Investments | - | - |
| Other receivables | 441,121 | 318,344 |

(1) Risk amounts present amounts before credit risk mitigation, after credit conversion rate process.

| 31 December 2020 Risk Classifications | Current Period Risk Amount ⁽¹⁾ | Average Risk Amount |
|---|--|------------------------|
| Contingent and non-contingent claims on central governments or Central Banks | 7,529,189 | 6,646,492 |
| Contingent and non-contingent claims on regional governments or local authorities | 26,905 | 23,788 |
| Contingent and non-contingent claims on administrative bodies and non-commercial undertakings | - | - |
| Contingent and non-contingent claims on multilateral development banks | - | - |
| Contingent and non-contingent claims on international organizations | - | - |
| Contingent and non-contingent claims on banks and intermediary institutions | 12,010,571 | 9,847,013 |
| Contingent and non-contingent claims on corporate | 10,081,232 | 8,290,632 |
| Contingent and non-contingent claims on retail | 117,955 | 110,238 |
| Contingent and non-contingent claims secured by residential property | 1,933,898 | 1,626,726 |
| Past due loans | 9,824 | 25,542 |
| 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 | - | - |
| Stock Investments | - | - |
| Other receivables | 346,329 | 310,594 |

(1) Risk amounts present amounts before credit risk mitigation, after credit conversion rate process.

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”).)

II. Explanations 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 structure for foreign funding transactions, where the countries and their market risks are analyzed. When the international interbank credit transactions of the Group are assessed, the majority of the current international credit risk amounts consist of cash-to-cash transactions.
6.
 - a) As of 31 December 2021, the shares of the top 100 and 200 cash loan customers of the Group constitute 97.2% and 98.1% of the total cash loans portfolio (31 December 2020: 94.7% and 95.3%), respectively.
 - b) As of 31 December 2021, the shares of the top 100 and 200 non-cash loan customers of the Group constitute 99.4% and 99.9% of the total non-cash loans portfolio (31 December 2020: 99.93% and 99.99%), respectively.
 - c) As of 31 December 2021, the Group’s total cash and non-cash loans from its top 100 and 200 loan customers comprise 12.10% and 12.20% of the aggregate of total assets and off-balance sheet items (31 December 2020: 12.24% and 12.28%), respectively.
7. As of 31 December 2021, the Group’s stage 1 and stage 2 expected loan loss provision amounts to TL 732,332 (31 December 2020: TL 284,980).

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”).)

II. Explanations on Consolidated Credit Risk (continued)

8.a) Profile of significant exposures in major regions:

| 31 December 2021 ⁽⁴⁾ | Risk Classifications ⁽¹⁾ | | | | | | | | | | | | | | | | Total |
|---|-------------------------------------|---------------|----------------|----------|----------|------------------|-------------------|---------------|------------------|--------------|----------|----------|----------|----------|----------|----------------|-------------------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | |
| Domestic | 13,268,774 | 21,985 | 411,651 | - | - | 5,648,500 | 13,392,791 | 82,443 | 1,967,827 | 6,014 | - | - | - | - | - | 441,121 | 35,241,106 |
| European Union Countries | - | - | - | - | - | 119,867 | 59,310 | 1 | - | - | - | - | - | - | - | - | 179,178 |
| OECD Countries ⁽²⁾ | - | - | - | - | - | 2,810 | 26,694 | - | - | - | - | - | - | - | - | - | 29,504 |
| Off-Shore Banking Regions | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| USA, Canada | - | - | - | - | - | 18,787 | - | 1 | - | - | - | - | - | - | - | - | 18,788 |
| Other Countries | - | - | - | - | - | 1,302,273 | 226,153 | 137 | - | - | - | - | - | - | - | - | 1,528,563 |
| Investments and associates, subsidiaries and joint ventures | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Undistributed Assets/Liabilities ⁽³⁾ | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total | 13,268,774 | 21,985 | 411,651 | - | - | 7,092,237 | 13,704,948 | 82,582 | 1,967,827 | 6,014 | - | - | - | - | - | 441,121 | 36,997,139 |

| 31 December 2020 ⁽⁴⁾ | Risk Classifications ⁽¹⁾ | | | | | | | | | | | | | | | | Total |
|---|-------------------------------------|---------------|----------|----------|----------|-------------------|-------------------|----------------|------------------|--------------|----------|----------|----------|----------|----------|----------------|-------------------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | |
| Domestic | 7,529,189 | 26,905 | - | - | - | 10,944,117 | 9,333,639 | 117,855 | 1,933,898 | 9,824 | - | - | - | - | - | 346,329 | 30,241,756 |
| European Union Countries | - | - | - | - | - | 298,881 | 440,833 | 2 | - | - | - | - | - | - | - | - | 739,716 |
| OECD Countries ⁽²⁾ | - | - | - | - | - | 2,761 | 38,574 | - | - | - | - | - | - | - | - | - | 41,335 |
| Off-Shore Banking Regions | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| USA, Canada | - | - | - | - | - | 145,154 | - | 1 | - | - | - | - | - | - | - | - | 145,155 |
| Other Countries | - | - | - | - | - | 619,658 | 268,186 | 97 | - | - | - | - | - | - | - | - | 887,941 |
| Investments and associates, subsidiaries and joint ventures | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Undistributed Assets/Liabilities ⁽³⁾ | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total | 7,529,189 | 26,905 | - | - | - | 12,010,571 | 10,081,232 | 117,955 | 1,933,898 | 9,824 | - | - | - | - | - | 346,329 | 32,055,903 |

⁽¹⁾ Risk classifications in the Regulation on Measurement and Evaluation of Capital Adequacy of Banks have been used.

- | | | | |
|---|---|----|---|
| 1 | Contingent and non-contingent claims on central governments and Central Banks | 9 | Contingent and non-contingent claims secured by residential property |
| 2 | Contingent and non-contingent claims on regional governments or local authorities | 10 | Past due loans |
| 3 | Contingent and non-contingent claims on administrative bodies and other non-commercial undertakings | 11 | Higher risk categories decided by the Board |
| 4 | Contingent and non-contingent claims on multilateral development banks | 12 | Secured by mortgages |
| 5 | Contingent and non-contingent claims on international organizations | 13 | Securitization positions |
| 6 | Contingent and non-contingent claims on banks and intermediary institutions | 14 | Short-term claims on banks and intermediary institutions and short-term corporate receivables |
| 7 | Contingent and non-contingent claims on corporate | 15 | Undertakings for collective investments in mutual funds |
| 8 | Contingent and non-contingent claims on retail | 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.

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”).)

II. Explanations on Consolidated Credit Risk (continued)

8.b) Risk profile by industries or counterparties:

| 31 December 2021 ⁽²⁾ | Risk Classifications ⁽¹⁾ | | | | | | | | | | | | | | | | TL | FC | Total | |
|--------------------------------------|-------------------------------------|---------------|----------------|----------|----------|------------------|-------------------|---------------|------------------|--------------|----------|----------|----------|----------|----------|----------|----------------|------------------|-------------------|-------------------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | | | | |
| Agriculture | - | - | 254,334 | - | - | - | 101 | 94 | - | - | - | - | - | - | - | - | 254,529 | - | 254,529 | |
| Farming and Raising Livestock | - | - | 254,334 | - | - | - | 92 | 94 | - | - | - | - | - | - | - | - | 254,520 | - | 254,520 | |
| Forestry | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Fishery | - | - | - | - | - | - | 9 | - | - | - | - | - | - | - | - | - | 9 | - | 9 | |
| Manufacturing | - | - | 157,317 | - | - | - | 4,787,194 | 299 | 92,672 | 1 | - | - | - | - | - | - | 716,919 | 4,320,564 | 5,037,483 | |
| Mining and Quarrying | - | - | - | - | - | - | 47,497 | 46 | - | - | - | - | - | - | - | - | 2,666 | 44,877 | 47,543 | |
| Production | - | - | - | - | - | - | 2,602,972 | 211 | 92,372 | 1 | - | - | - | - | - | - | 698,476 | 1,997,080 | 2,695,556 | |
| Electric, Gas and Water | - | - | 157,317 | - | - | - | 2,136,725 | 42 | 300 | - | - | - | - | - | - | - | 15,777 | 2,278,607 | 2,294,384 | |
| Construction | - | - | - | - | - | - | 1,074,188 | 151 | 1,130,966 | 3,832 | - | - | - | - | - | - | 398,832 | 1,810,305 | 2,209,137 | |
| Services | 13,268,774 | 21,985 | - | - | - | 6,187,424 | 6,822,928 | 759 | 447,068 | 2 | - | - | - | - | - | - | 7,488,391 | 19,260,549 | 26,748,940 | |
| Wholesale and Retail Trade | - | - | - | - | - | - | 2,619,100 | 583 | 3 | 2 | - | - | - | - | - | - | 502,387 | 2,117,301 | 2,619,688 | |
| Hotel, Food and Beverage | - | - | - | - | - | - | 94,957 | 9 | 253,557 | - | - | - | - | - | - | - | 21,249 | 327,274 | 348,523 | |
| Transportation and Telecommunication | - | - | - | - | - | - | 1,497,298 | - | - | - | - | - | - | - | - | - | 148,638 | 1,348,660 | 1,497,298 | |
| Financial Institutions | 13,268,774 | - | - | - | - | 6,187,424 | 884,196 | 38 | - | - | - | - | - | - | - | - | 6,779,369 | 13,561,063 | 20,340,432 | |
| Real Estate and Rental Services | - | - | - | - | - | - | 795,021 | 18 | 193,508 | - | - | - | - | - | - | - | 4,210 | 984,337 | 988,547 | |
| Self Employment Services | - | - | - | - | - | - | 922,039 | 25 | - | - | - | - | - | - | - | - | 150 | 921,914 | 922,064 | |
| Educational Services | - | - | - | - | - | - | 15 | - | - | - | - | - | - | - | - | - | 15 | - | 15 | |
| Health and Social Services | - | 21,985 | - | - | - | - | 10,302 | 86 | - | - | - | - | - | - | - | - | 32,373 | - | 32,373 | |
| Other | - | - | - | - | - | 904,813 | 1,020,537 | 81,279 | 297,121 | 2,179 | - | - | - | - | - | - | 441,121 | 1,012,898 | 1,734,152 | |
| Total | 13,268,774 | 21,985 | 411,651 | - | - | 7,092,237 | 13,704,948 | 82,582 | 1,967,827 | 6,014 | - | - | - | - | - | - | 441,121 | 9,871,569 | 27,125,570 | 36,997,139 |

⁽¹⁾ Risk classifications in the “Regulation on Measurement and Evaluation of Capital Adequacy of Banks” have been used. Risk classes that do not have a base amount for credit risk are not included in the table.

| | | | |
|---|---|----|---|
| 1 | Contingent and non-contingent claims on central governments and Central Banks | 9 | Contingent and non-contingent claims secured by residential property |
| 2 | Contingent and non-contingent claims on regional governments or local authorities | 10 | Past due loans |
| 3 | Contingent and non-contingent claims on administrative bodies and other non-commercial undertakings | 11 | Higher risk categories decided by the Board |
| 4 | Contingent and non-contingent claims on multilateral development banks | 12 | Secured by mortgages |
| 5 | Contingent and non-contingent claims on international organizations | 13 | Securitization positions |
| 6 | Contingent and non-contingent claims on banks and intermediary institutions | 14 | Short-term claims on banks and intermediary institutions and short-term corporate receivables |
| 7 | Contingent and non-contingent claims on corporate | 15 | Undertakings for collective investments in mutual funds |
| 8 | Contingent and non-contingent claims on retail | 16 | Other receivables |

⁽²⁾ Risk amounts present amounts before credit risk mitigation, after credit conversion rate process.

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”).)

II. Explanations on Consolidated Credit Risk (continued)

8.b) Risk profile by industries or counterparties (continued):

| 31 December 2020 ⁽²⁾ | Risk Classifications ⁽¹⁾ | | | | | | | | | | | | | | | | TL | FC | Total | |
|--------------------------------------|-------------------------------------|---------------|----------|----------|----------|-------------------|-------------------|----------------|------------------|--------------|----------|----------|----------|----------|----------|----------|----------------|------------------|-------------------|-------------------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | | | | |
| Agriculture | - | - | - | - | - | - | 120 | 215 | - | - | - | - | - | - | - | - | 335 | - | 335 | |
| Farming and Raising Livestock | - | - | - | - | - | - | 94 | 215 | - | - | - | - | - | - | - | - | 309 | - | 309 | |
| Forestry | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Fishery | - | - | - | - | - | - | 26 | - | - | - | - | - | - | - | - | - | 26 | - | 26 | |
| Manufacturing | - | - | - | - | - | 3,681,438 | 917 | 114,370 | 194 | - | - | - | - | - | - | - | 469,485 | 3,327,434 | 3,796,919 | |
| Mining and Quarrying | - | - | - | - | - | 5,231 | 168 | - | - | - | - | - | - | - | - | - | 5,080 | 319 | 5,399 | |
| Production | - | - | - | - | - | 1,147,234 | 707 | 114,070 | 194 | - | - | - | - | - | - | - | 136,714 | 1,125,491 | 1,262,205 | |
| Electric, Gas and Water | - | - | - | - | - | 2,528,973 | 42 | 300 | - | - | - | - | - | - | - | - | 327,691 | 2,201,624 | 2,529,315 | |
| Construction | - | - | - | - | - | 1,140,622 | 512 | 898,666 | 3,173 | - | - | - | - | - | - | - | 241,615 | 1,801,358 | 2,042,973 | |
| Services | 7,529,189 | 26,905 | - | - | - | 11,641,810 | 4,387,331 | 1,049 | 522,380 | 1,639 | - | - | - | - | - | - | 4,141,387 | 19,968,916 | 24,110,303 | |
| Wholesale and Retail Trade | - | - | - | - | - | 1,979,228 | 475 | 4 | 1,639 | - | - | - | - | - | - | - | 338,051 | 1,643,295 | 1,981,346 | |
| Hotel, Food and Beverage | - | - | - | - | - | 57,556 | 181 | 242,825 | - | - | - | - | - | - | - | - | 1,296 | 299,266 | 300,562 | |
| Transportation and Telecommunication | - | - | - | - | - | 1,148,378 | 32 | - | - | - | - | - | - | - | - | - | 1,396 | 1,147,014 | 1,148,410 | |
| Financial Institutions | 7,529,189 | - | - | - | - | 11,641,810 | 360,628 | 38 | - | - | - | - | - | - | - | - | 3,754,977 | 15,776,688 | 19,531,665 | |
| Real Estate and Rental Services | - | - | - | - | - | 1,527 | 192 | 279,535 | - | - | - | - | - | - | - | - | 1,719 | 279,535 | 281,254 | |
| Self Employment Services | - | - | - | - | - | 838,938 | 96 | 16 | - | - | - | - | - | - | - | - | 15,932 | 823,118 | 839,050 | |
| Educational Services | - | - | - | - | - | 17 | - | - | - | - | - | - | - | - | - | - | 17 | - | 17 | |
| Health and Social Services | - | 26,905 | - | - | - | 1,059 | 35 | - | - | - | - | - | - | - | - | - | 27,999 | - | 27,999 | |
| Other | - | - | - | - | - | 368,761 | 871,721 | 115,262 | 398,482 | 4,818 | - | - | - | - | - | - | 346,329 | 1,188,824 | 916,549 | |
| Total | 7,529,189 | 26,905 | - | - | - | 12,010,571 | 10,081,232 | 117,955 | 1,933,898 | 9,824 | - | - | - | - | - | - | 346,329 | 6,041,646 | 26,014,257 | 32,055,903 |

⁽¹⁾ Risk classifications in the “Regulation on Measurement and Evaluation of Capital Adequacy of Banks” have been used.

| | | | |
|---|---|----|---|
| 1 | Contingent and non-contingent claims on central governments and Central Banks | 9 | Contingent and non-contingent claims secured by residential property |
| 2 | Contingent and non-contingent claims on regional governments or local authorities | 10 | Past due loans |
| 3 | Contingent and non-contingent claims on administrative bodies and other non-commercial undertakings | 11 | Higher risk categories decided by the Board |
| 4 | Contingent and non-contingent claims on multilateral development banks | 12 | Secured by mortgages |
| 5 | Contingent and non-contingent claims on international organizations | 13 | Securitization positions |
| 6 | Contingent and non-contingent claims on banks and intermediary institutions | 14 | Short-term claims on banks and intermediary institutions and short-term corporate receivables |
| 7 | Contingent and non-contingent claims on corporate | 15 | Undertakings for collective investments in mutual funds |
| 8 | Contingent and non-contingent claims on retail | 16 | Other receivables |

⁽²⁾ Risk amounts present amounts before credit risk mitigation, after credit conversion rate process.

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”).)

II. Explanations on Consolidated Credit Risk (continued)

8.c) Analysis of maturity-bearing exposures according to remaining maturities:

| 31 December 2021 | Term to Maturity | | | | |
|---|------------------|------------------|------------------|------------------|-------------------|
| | 1 month | 1-3 months | 3-6 months | 6-12 months | Over 1 Year |
| Risk Classification ⁽¹⁾ | | | | | |
| Contingent and non-contingent claims on central governments or Central Banks ⁽³⁾ | 4,049,773 | 641,680 | 1,952 | 923,211 | 4,507,828 |
| Contingent and non-contingent claims on regional governments or local authorities | - | - | - | - | 21,985 |
| Contingent and non-contingent claims on administrative bodies and other non-commercial undertakings | - | - | 254,334 | 157,318 | - |
| Contingent and non-contingent claims on multilateral development banks | - | - | - | - | - |
| Contingent and non-contingent claims on international organizations | - | - | - | - | - |
| Contingent and non-contingent claims on banks and intermediary institutions | 1,713,115 | 562,575 | 237,099 | 2,899,553 | 1,186,532 |
| Contingent and non-contingent claims on corporate | 937,727 | 990,944 | 939,587 | 1,264,349 | 8,974,676 |
| Contingent and non-contingent claims on retail portfolios | 15,929 | 832 | 1,463 | 7,740 | 36,419 |
| Contingent and non-contingent claims secured by residential property | 324 | 325 | 1,663 | 202,815 | 1,761,823 |
| 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 | - | - | - | - | 21,928 |
| Total ⁽²⁾ | 6,716,868 | 2,196,356 | 1,436,098 | 5,454,986 | 16,511,191 |

⁽¹⁾ Risk figures present amounts before credit risk mitigation, after credit conversion rate process.

⁽²⁾ Net impaired loans amounting to TL 6,014 are not included.

⁽³⁾ The amount of restricted time deposits kept at Central Bank of the Republic of Turkey is presented under the 1-month column.

| 31 December 2020 | Term to Maturity | | | | |
|---|------------------|------------------|----------------|------------------|-------------------|
| | 1 month | 1-3 months | 3-6 months | 6-12 months | Over 1 Year |
| Risk Classification ⁽¹⁾ | | | | | |
| Contingent and non-contingent claims on central governments or Central Banks ⁽³⁾ | 576,051 | 85,765 | - | 670,053 | 6,197,320 |
| Contingent and non-contingent claims on regional governments or local authorities | - | - | - | - | 26,905 |
| Contingent and non-contingent claims on administrative bodies and other non-commercial undertakings | - | - | - | - | - |
| Contingent and non-contingent claims on multilateral development banks | - | - | - | - | - |
| Contingent and non-contingent claims on international organizations | - | - | - | - | - |
| Contingent and non-contingent claims on banks and intermediary institutions | 1,560,601 | 887,195 | 447,299 | 1,026,090 | 8,089,386 |
| Contingent and non-contingent claims on corporate | 950,448 | 997,700 | 280,768 | 1,853,418 | 5,998,898 |
| Contingent and non-contingent claims on retail portfolios | 14,731 | 1,252 | 2,727 | 8,959 | 90,286 |
| Contingent and non-contingent claims secured by residential property | 1,495 | 893 | 4,127 | 7,208 | 1,920,175 |
| Past due loans ⁽²⁾ | - | - | - | - | 9,824 |
| 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 | - | - | - | - | 346,329 |
| Total ⁽²⁾ | 3,103,326 | 1,972,805 | 734,921 | 3,565,728 | 22,679,123 |

⁽¹⁾ Risk figures present amounts before credit risk mitigation, after credit conversion rate process.

⁽²⁾ Net impaired loans amounting to TL 9,824 are not included.

⁽³⁾ The amount of restricted time deposits kept at Central Bank of the Republic of Turkey is presented under the 1-month column.

9. 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 weight:

| Risk Weight - 31 December 2021 | 0% | 20% | 35% | 50% | 75% | 100% | 150% | 200% | Deducted From Equity ⁽¹⁾ |
|--------------------------------|------------|-----------|---------|-----------|--------|------------|--------|------|-------------------------------------|
| Exposures Before Credit | | | | | | | | | |
| Risk Mitigation | 13,432,595 | 1,820,787 | 285,089 | 5,881,239 | 74,037 | 15,483,072 | 20,320 | - | 15,515 |
| Exposures After Credit | | | | | | | | | |
| Risk Mitigation | 13,478,157 | 1,869,323 | 284,504 | 5,857,938 | 67,330 | 15,429,350 | 10,537 | - | 15,515 |

⁽¹⁾ Ana sermayeden indirilen tutarlar dahil edilmiştir.

| Risk Weight - 31 December 2020 | 0% | 20% | 35% | 50% | 75% | 100% | 150% | 200% | Deducted From Equity ⁽¹⁾ |
|--------------------------------|-----------|-----------|---------|-----------|---------|------------|-------|------|-------------------------------------|
| Exposures Before Credit | | | | | | | | | |
| Risk Mitigation | 7,613,484 | 1,235,579 | 381,400 | 9,009,318 | 117,955 | 13,696,469 | 1,696 | - | 14,095 |
| Exposures After Credit | | | | | | | | | |
| Risk Mitigation | 7,799,710 | 1,574,616 | 380,736 | 8,690,559 | 101,892 | 13,506,692 | 1,696 | - | 14,095 |

⁽¹⁾ Includes the amounts deducted from core capital.

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”).)

II. Explanations on Consolidated Credit Risk (continued)

10. 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 Note II.

| 31 December 2021 | Loans ⁽¹⁾ | | Provisions |
|--|--|------------------------------------|--|
| | Impaired (IFRS 9) | | Expected Credit Loss Provisions (IFRS 9) |
| | Significant Increase in Credit Risk (Stage II) | Credit-Impaired Losses (Stage III) | |
| Major Industries/Counterparties | | | |
| Agriculture | - | 15 | 15 |
| Farming and Raising Livestock | - | 14 | 14 |
| Forestry | - | 1 | 1 |
| Fishery | - | - | - |
| Manufacturing | 635,214 | 1,308 | 272,399 |
| Mining and Quarrying | - | 10 | 10 |
| Production | 66,921 | 1,289 | 16,389 |
| Electricity, Gas and Water | 568,293 | 9 | 256,000 |
| Construction | - | 19,151 | 15,320 |
| Services | 418,908 | 17,129 | 306,825 |
| Wholesale and Retail Trade | 418,908 | 16,260 | 305,956 |
| Accommodation and Dining Services | - | 1 | 1 |
| Transportation and Telecommunication | - | 351 | 351 |
| Financial Institutions | - | - | - |
| Real Estate and Lending Services | - | 506 | 506 |
| Self Employment Services | - | - | - |
| Educational Services | - | - | - |
| Health and Social Services | - | 11 | 11 |
| Other | 3,485 | 6,357 | 4,271 |
| Total | 1,057,607 | 43,960 | 598,830 |

(1) Includes information related to cash loans.

| 31 December 2020 | Loans ⁽¹⁾ | | Provisions |
|--|--|------------------------------------|--|
| | Impaired (IFRS 9) | | Expected Credit Loss Provisions (IFRS 9) |
| | Significant Increase in Credit Risk (Stage II) | Credit-Impaired Losses (Stage III) | |
| Major Industries/Counterparties | | | |
| Agriculture | - | 404 | 404 |
| Farming and Raising Livestock | - | - | - |
| Forestry | - | 404 | 404 |
| Fishery | - | - | - |
| Manufacturing | 591,230 | 1,682 | 203,836 |
| Mining and Quarrying | 39,228 | 189 | 9,027 |
| Production | 246,036 | 1,491 | 86,249 |
| Electricity, Gas and Water | 305,966 | 2 | 108,560 |
| Construction | 1,968 | 18,093 | 14,924 |
| Services | 14,712 | 921 | 1,937 |
| Wholesale and Retail Trade | 14,712 | - | 1,016 |
| Accommodation and Dining Services | - | - | - |
| Transportation and Telecommunication | - | 347 | 347 |
| Financial Institutions | - | - | - |
| Real Estate and Lending Services | - | 505 | 505 |
| Self Employment Services | - | - | - |
| Educational Services | - | - | - |
| Health and Social Services | - | 69 | 69 |
| Other | 2,384 | 24,643 | 18,536 |
| Total | 610,294 | 45,743 | 239,637 |

(1) Includes information related to cash loans.

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”).)

II. Explanations on Consolidated Credit Risk (continued)

11. Information related with value adjustments and loan loss provisions:

| 31 December 2021 | Opening Balance | Provision within the Period | Provision Reversals | Other Adjustments ⁽¹⁾ | Closing Balance |
|------------------------------------|--------------------|--------------------------------|------------------------|-------------------------------------|-----------------|
| Stage III Provision ⁽²⁾ | 35,919 | 4,483 | (2,456) | - | 37,946 |
| Stage I and II Provisions | 284,980 | 503,120 | (55,768) | - | 732,332 |

⁽¹⁾ Other adjustments in Stage Three Provisions include amounts for non-performing loans written off and disposed of through sale.

⁽²⁾ Includes information related to cash loan.

| 31 December 2020 | Opening Balance | Provision within the Period | Provision Reversals | Other Adjustments ⁽¹⁾ | Closing Balance |
|------------------------------------|--------------------|--------------------------------|------------------------|-------------------------------------|-----------------|
| Stage III Provision ⁽²⁾ | 113,666 | 485 | (60,948) | (17,284) | 35,919 |
| Stage I and II Provisions | 92,185 | 218,798 | (26,003) | - | 284,980 |

⁽¹⁾ Other adjustments in Stage Three Provisions include amounts for non-performing loans written off and disposed of through sale.

⁽²⁾ Includes information related to cash loan.

12. Risks included in the calculation of circular capital:

| 31 December 2021 | Private sector loans in banking accounts | Risk-weighted amount calculated within the scope of trading accounts | Total |
|--------------------------|---|---|------------|
| Turkey | 14,752,723 | - | 14,752,723 |
| China | 770,311 | - | 770,311 |
| North Macedonia | 106,197 | - | 106,197 |
| Germany | 47,984 | - | 47,984 |
| Luxembourg | 26,765 | - | 26,765 |
| Malta | 26,694 | - | 26,694 |
| United States of America | 18,055 | - | 18,055 |
| Italy | 15,800 | - | 15,800 |
| Other | 19,714 | - | 19,714 |

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 2020, 2019 and 2018. Operational risk used in computation of capital adequacy ratio per article I of this section is 8% of TL 1,035,780 which is TL 82,822. TL 82,822 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 | 578,072 | 552,508 | 749,624 | 626,734 | 15 | 94,010 |
| Value at Operational Risk (Total*12.5) | | | | | | 1,175,127 |

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”).)

IV. Explanations 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 consolidated 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 (full TL):

| | 27.12.2021 | 28.12.2021 | 29.12.2021 | 30.12.2021 | 31.12.2021 |
|-------------|------------|------------|------------|------------|------------|
| USD | 11.3900 | 11.8302 | 12.2219 | 12.9775 | 13.3290 |
| GBP | 15.2412 | 15.8766 | 16.3800 | 17.4530 | 17.9667 |
| EURO | 12.8903 | 13.4000 | 13.8011 | 14.6823 | 15.0867 |
| JPY | 0.0992 | 0.1028 | 0.1061 | 0.1124 | 0.1155 |

The basic arithmetical average of the Parent Bank’s foreign exchange bid rates for the last thirty-one days ending 31 December 2021 (TL full):

| | Monthly Average FC Exchange Bid Rates |
|-------------|---------------------------------------|
| USD | 13.6355 |
| GBP | 18.1085 |
| EURO | 15.4155 |
| JPY | 0.1194 |

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”).)

IV. Explanations on Consolidated Foreign Currency Exchange Rate Risk (continued)

Information on consolidated foreign currency rate risk:

| 31 December 2021 | EURO | USD | Other FC | Total |
|---|--------------------|--------------------|------------------|-------------------|
| Assets | | | | |
| Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with The CBRT ⁽¹⁾ | 799,207 | 6,490,658 | 890 | 7,290,755 |
| Banks | 31,748 | 350,893 | 63,689 | 446,330 |
| Financial Assets at Fair Value Through Profit or Loss | 25,694 | - | - | 25,694 |
| Money Market Placements | - | - | - | - |
| Financial Assets at Fair Value Through Other Comprehensive Income | 3,045,904 | 449,798 | 798,273 | 4,293,975 |
| Loans ⁽³⁾ | 8,512,136 | 5,663,434 | - | 14,175,570 |
| Investment and Associates, Subsidiaries and Joint Ventures | - | - | - | - |
| Financial Assets Measured at Amortized Cost | - | 4,932,278 | - | 4,932,278 |
| Hedging Derivative Financial Assets | - | - | - | - |
| Tangible Assets | - | - | - | - |
| Intangible Assets | - | - | - | - |
| Other Assets | 570 | 3,849 | 2 | 4,421 |
| Total Assets ^{(2) (3) (7)} | 12,415,259 | 17,890,910 | 862,854 | 31,169,023 |
| Liabilities | | | | |
| Interbank Deposits | - | 5 | 128,067 | 128,072 |
| Foreign Currency Deposits | 4,206,138 | 9,348,479 | 390,456 | 13,945,073 |
| Fund Provided From Money Market | - | - | - | - |
| Funds Provided From Other Financial Institutions | 3,621,611 | 13,341,617 | - | 16,963,228 |
| Marketable Securities Issued | - | - | - | - |
| Miscellaneous Payables | - | - | - | - |
| Derivative Financial Liabilities Held For Hedging | - | - | - | - |
| Other Liabilities | 279,518 | 123,934 | 155,104 | 558,556 |
| Total Liabilities ^{(2) (6) (8)} | 8,107,267 | 22,814,035 | 673,627 | 31,594,929 |
| Net On Balance Sheet Position | 4,307,992 | (4,923,125) | 189,227 | (425,906) |
| Net Off Balance Sheet Position | (4,210,917) | 5,724,264 | (187,665) | 1,325,682 |
| Financial Derivatives Assets ⁽⁵⁾ | 100,327 | 6,293,913 | 386,051 | 6,780,291 |
| Financial Derivatives Liabilities ⁽⁵⁾ | 4,311,244 | 569,649 | 573,716 | 5,454,609 |
| Non-Cash Loans ⁽⁴⁾ | 3,897,453 | 5,780,541 | 13,306 | 9,691,300 |
| 31 December 2020 | | | | |
| Total Assets ^{(2) (3) (7)} | 6,900,860 | 13,489,201 | 92,379 | 20,482,440 |
| Total Liabilities ^{(2) (6) (8)} | 3,849,559 | 15,976,985 | 199,867 | 20,026,411 |
| Net On Balance Sheet Position | 3,051,301 | (2,487,784) | (107,488) | 456,029 |
| Net Off Balance Sheet Position | (3,034,712) | 2,863,917 | 93,460 | (77,335) |
| Financial Derivatives Assets ⁽⁵⁾ | 24,321 | 2,899,707 | 121,045 | 3,045,073 |
| Financial Derivatives Liabilities ⁽⁵⁾ | 3,059,033 | 35,790 | 27,585 | 3,122,408 |
| Non-Cash Loans ⁽⁴⁾ | 2,845,476 | 5,617,723 | 48,986 | 8,512,185 |

⁽¹⁾ As of 31 December 2021 and 31 December 2020, the Group does not have precious metals in CBRT accounts.

⁽²⁾ As of 31 December 2021, 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 63,483 and TL 4,503 respectively (31 December 2020: to TL 1,182 and TL 89,662) are not included in the table.

⁽³⁾ As of 31 December 2021, there are no foreign currency indexed loans and rediscount amounts included under the TL column in the “Loans” line in the assets (31 December 2020: TL 3,964).

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

⁽⁵⁾ As of 31 December 2021, foreign currency purchase transactions amounting to TL 148,427 and selling transactions with a value date of TL 85,117 are included in the “Forward Assets Purchase/Sale Commitments” item in off-balance sheet accounts (31 December 2020: TL 25,420 and TL 15,580).

⁽⁶⁾ As of 31 December 2021, “Valuation Differences of Securities” amounting to TL 1,555 (31 December 2020: TL 6,377) which are classified under shareholders’ equity, are not included.

⁽⁷⁾ As of 31 December 2021, assets amounting to TL 697,672 (31 December 2020: TL 265,990) are not included “Expected Loss Provisions”.

⁽⁸⁾ As of 31 December 2021, liabilities amounting to TL 96,948 (31 December 2020: TL 59,169) are not included “Other Provisions”.

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira ("TL").)

V. Explanations 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.

The Parent Bank deals with interest rate risk in the scope of market risk management and asset-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.

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 2021 | | | | | | | |
| Assets | | | | | | | |
| Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with The CBRT | 4,910,310 | - | - | - | - | 2,694,448 | 7,604,758 |
| Banks | 291,651 | 268 | - | - | - | 167,262 | 459,181 |
| Financial Assets at Fair Value Through Profit or Loss ⁽²⁾ | 164,627 | 15,190 | 10,613 | - | - | 67,224 | 257,654 |
| Money Market Placements | 20,955 | - | - | - | - | - | 20,955 |
| Financial Assets at Fair Value Through Other Comprehensive Income | 214,755 | 3,789,210 | 192,673 | 225,386 | 97,597 | - | 4,519,621 |
| Loans | 4,787,547 | 8,418,843 | 1,681,010 | 2,816,657 | 1,025,286 | - | 18,729,343 |
| Financial Assets Measured at Amortized Cost | 935,014 | 467,870 | 2,410,375 | 3,932,655 | 251,530 | - | 7,997,444 |
| Other Assets ⁽¹⁾ | 698 | - | - | - | - | (216,768) | (216,070) |
| Total Assets | 11,325,557 | 12,691,381 | 4,294,671 | 6,974,698 | 1,374,413 | 2,712,166 | 39,372,886 |
| Liabilities | | | | | | | |
| Bank Deposits | 600,253 | - | - | - | - | 148,109 | 748,362 |
| Other Deposits | 9,938,998 | 2,396,974 | 518,464 | 1,071 | - | 2,702,684 | 15,558,191 |
| Money Market Borrowings | 3,024,482 | - | - | - | - | - | 3,024,482 |
| Miscellaneous Payables | - | - | - | - | - | - | - |
| Securities Issued | - | - | - | - | - | - | - |
| Funds Borrowed from Other Fin. Inst. | 615,308 | 2,006,335 | 14,352,626 | - | - | - | 16,974,269 |
| Other Liabilities | 565,285 | 4,379 | 10,491 | - | - | 2,487,427 | 3,067,582 |
| Total Liabilities | 14,744,326 | 4,407,688 | 14,881,581 | 1,071 | - | 5,338,220 | 39,372,886 |
| Balance Sheet Long Position | - | 8,283,693 | - | 6,973,627 | 1,374,413 | - | 16,631,733 |
| Balance Sheet Short Position | (3,418,769) | - | (10,586,910) | - | - | (2,626,054) | (16,631,733) |
| Off Balance Sheet Long Position | - | - | - | - | - | - | - |
| Off Balance Sheet Short Position | - | - | - | - | - | - | - |
| Total Position | (3,418,769) | 8,283,693 | (10,586,910) | 6,973,627 | 1,374,413 | (2,626,054) | - |

⁽¹⁾ Tangible and intangible assets amounting to TL 134,674, deferred tax assets amounting to TL 300,614, tax assets amounting to TL 504, expected loss provisions amounting to TL (792,795) and other assets amounting to TL 140,235, are included in other assets line in the interest-free column; provisions amounting to TL 434,807, tax liability amounting to TL 199,192, lease liabilities amounting to TL 74,534, other foreign sources amounting to TL 153,680 and shareholders' equity amounting to TL 1,625,214 are presented in other liabilities as non-interest bearing.

⁽²⁾ Derivative financials instruments are included.

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”).)

V. Explanations on Consolidated Interest Rate Risk (continued)

Interest sensitivity of assets, liabilities and off-balance sheet items (based on repricing date) (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 2020 | | | | | | | |
| Assets | | | | | | | |
| Cash (Cash in Vault, Foreign Currencies, Cash in Transit, Cheques Purchased) and Balances with the CBRT | 3,075,790 | - | - | - | - | 85,123 | 3,160,913 |
| Banks | 950,086 | 369,237 | - | - | - | 287,645 | 1,606,968 |
| Financial Assets at Fair Value Through Profit or Loss ⁽²⁾ | 15,532 | - | 246 | - | - | 21,923 | 37,701 |
| Money Market Placements | 504,390 | - | - | - | - | - | 504,390 |
| Financial Assets at Fair Value Through Other Comprehensive Income | 407,338 | 4,377,304 | 263,991 | 226,351 | 77,182 | - | 5,352,166 |
| Loans | 1,100,217 | 3,539,787 | 3,622,556 | 1,337,210 | 455,541 | - | 10,055,311 |
| Financial Assets Measured at Amortized Cost | 349,438 | 785,399 | 585,866 | 2,531,749 | 138,617 | - | 4,391,069 |
| Other Assets ⁽¹⁾ | 8 | - | - | - | - | 72,657 | 72,665 |
| Total Assets | 6,402,799 | 9,071,727 | 4,472,659 | 4,095,310 | 671,340 | 467,348 | 25,181,183 |
| Liabilities | | | | | | | |
| Bank Deposits | 92,512 | - | - | - | - | 87,036 | 179,548 |
| Other Deposits | 8,549,813 | 1,902,087 | 168,389 | 3,760 | - | 835,100 | 11,459,149 |
| Money Market Borrowings | 697,700 | - | - | - | - | - | 697,700 |
| Miscellaneous Payables | - | - | - | - | - | - | - |
| Securities Issued | - | - | - | - | - | - | - |
| Funds Borrowed from Other Fin. Inst. | - | 3,418,377 | 6,485,165 | 390,936 | - | - | 10,294,478 |
| Other Liabilities | 626,556 | 60,322 | 2,456 | - | - | 1,860,974 | 2,550,308 |
| Total Liabilities | 9,966,581 | 5,380,786 | 6,656,010 | 394,696 | - | 2,783,110 | 25,181,183 |
| Balance Sheet Long Position | - | 3,690,941 | - | 3,700,614 | 671,340 | - | 8,062,895 |
| Balance Sheet Short Position | (3,563,782) | - | (2,183,351) | - | - | (2,315,762) | (8,062,895) |
| Off Balance Sheet Long Position | - | - | - | - | - | - | - |
| Off Balance Sheet Short Position | - | - | - | - | - | - | - |
| Total Position | (3,563,782) | 3,690,941 | (2,183,351) | 3,700,614 | 671,340 | (2,315,762) | - |

(1) Tangible and intangible assets amounting to TL 121,262, deferred tax assets amounting to TL 116,269, current tax assets amounting to TL 19, expected loss provisions amounting to TL (330,080) and other assets amounting to TL 165,187, are included in other assets line in the interest-free column; provisions amounting to TL 203,998, tax liability of TL 69,246, other liabilities amounting to TL 97,214, liabilities from lease transactions amounting to TL 72,700 and equity amounting to TL 1,417,816 are presented in other liabilities as non-interest bearing.

(2) Derivative financial instruments are included.

Interest rates applied to monetary financial instruments:

| | EURO % | USD % | JPY % | TL % |
|---|--------|-------|-------|-------|
| 31 December 2021 ⁽¹⁾ | | | | |
| Assets | | | | |
| Cash (Cash in Vault, Foreign Currencies, Cash in Transit, Cheques Purchased) and Balances with the CBRT | - | - | - | 8.50 |
| Banks | - | 0.10 | - | - |
| Financial Assets at Fair Value Through Profit or Loss | - | - | - | - |
| Interbank Money Market Placements | - | - | - | 16.86 |
| Financial Assets at Fair Value Through Other Comprehensive Income | 2.65 | 5.05 | - | 22.05 |
| Loans | 3.00 | 3.67 | - | 18.17 |
| Financial Assets Measured at Amortised Cost | - | 5.91 | - | 9.86 |
| Liabilities | | | | |
| Bank Deposits | - | - | - | 15.23 |
| Other Deposits | 0.47 | 1.00 | - | 15.23 |
| Money Market Borrowings | - | - | - | 14.02 |
| Miscellaneous Payables | - | - | - | - |
| Securities Issued | - | - | - | - |
| Funds Borrowed from Other Financial Institutions | 0.05 | 1.16 | - | 17.02 |

⁽¹⁾ Stated at compound interest rates.

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”).)

V. Explanations on Consolidated Interest Rate Risk (continued)

Interest rates applied to monetary financial instruments (continued):

| | EURO % | USD % | JPY % | TL % |
|---|--------|-------|-------|-------|
| 31 December 2020 ⁽¹⁾ | | | | |
| Assets | | | | |
| Cash (Cash in Vault, Foreign Currencies, Cash in Transit, Cheques Purchased) and Balances with the CBRT | - | - | - | 12.00 |
| Banks | 0.86 | 0.65 | - | - |
| Financial Assets at Fair Value Through Profit or Loss | - | - | - | - |
| Interbank Money Market Placements | - | - | - | 12.13 |
| Financial Assets at Fair Value Through Other Comprehensive Income | 2.65 | 4.87 | - | 16.19 |
| Loans | 3.05 | 3.69 | - | 14.12 |
| Financial Assets Measured at Amortised Cost | - | 6.51 | - | 3.42 |
| Liabilities | | | | |
| Bank Deposits | - | 0.20 | - | - |
| Other Deposits | 2.11 | 3.25 | 0.01 | 16.81 |
| Money Market Borrowings | - | - | - | 18.62 |
| Miscellaneous Payables | - | - | - | - |
| Securities Issued | - | - | - | - |
| Funds Borrowed from Other Financial Institutions | 0.33 | 2.27 | - | 14.25 |

⁽¹⁾ Stated at compound interest rates.

The interest rate risk of the banking book items:

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

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

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

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

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

The following table presents the economic value differences arising from fluctuations in interest rates in accordance with the Regulation on Measurement and Evaluation of Interest Rate on Banking Accounts by Standard Shock, divided by different currencies as of 31 December 2021. Tax effects are excluded in the study.

| Type of Currency | Shocks Applied (+/- basis points) | Gains/Losses | Gains/Equity- Losses/Equity |
|------------------------------------|--------------------------------------|------------------|--------------------------------|
| TL | 500 | (102,089) | (1.79%) |
| | (400) | 89,713 | 1.57% |
| EURO | 200 | (181,200) | (3.18%) |
| | (200) | 12,255 | 0.22% |
| USD | 200 | (132,357) | (2.32%) |
| | (200) | 182,470 | 3.20% |
| Total (for Negative Shocks) | | 284,438 | 4.99% |
| Total (for Positive Shocks) | | (415,646) | (7.30%) |

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”).)

VI. Explanations on Consolidated Liquidity Management and Liquidity Coverage Ratio

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

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

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

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

Liquidity risk management is performed by Assets and Liability Committee (ALCO) 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. ALCO 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 ALCO 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 ALCO 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.

ICBC TURKEY BANK ANONİM ŞİRKETİ

**EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

(Amounts expressed in thousands of Turkish Lira (“TL”).)

VI. Explanations on Consolidated Liquidity Management and Liquidity Coverage Ratio (continued)

Liquidity coverage ratios are calculated on a weekly and monthly basis as of 1 January 2015 in accordance with the Regulation on Banks' Liquidity Coverage Ratio Calculation published in the Official Gazette No. 28948 dated 21 March 2014 and are subject to legal reporting. Liquidity coverage ratios should be at least 80% in foreign currency assets and liabilities for 2021 and at least 100% in total assets and liabilities. The ratios in the table show the rates for the twelve months including the reporting period.

| | Min FC (%) | Min Sum (%) | Max FC (%) | Max Sum (%) |
|-----------|-----------------|------------------|------------------|------------------|
| Month | 31 October 2021 | 31 December 2021 | 31 December 2021 | 30 November 2021 |
| Ratio (%) | 266.24 | 334.57 | 356.38 | 346.39 |

| 31 December 2021 | Unweighted Amounts ⁽¹⁾ | | Weighted Amounts ⁽¹⁾ | |
|--|-----------------------------------|------------------|-------------------------------------|------------------|
| | TL+FC | FC | TL+FC | FC |
| HIGH QUALITY LIQUID ASSETS | | | | |
| High Quality Liquid Assets | | | 8,080,376 | 5,901,739 |
| CASH OUTFLOWS | | | | |
| Retail and Small Business Customers Deposits | 7,125,264 | 5,297,112 | 664,055 | 529,463 |
| Stable deposits | 969,431 | 4,966 | 48,472 | 248 |
| Less Stable Deposits | 6,155,833 | 5,292,146 | 615,583 | 529,215 |
| Unsecured Funding other than Retail and Small Business | | | | |
| Customer Deposits | 8,984,008 | 8,094,030 | 4,329,623 | 3,821,552 |
| Operational Deposits | 2,033 | - | 323 | - |
| Non-Operational Funding | 7,470,586 | 7,075,842 | 3,061,448 | 2,839,502 |
| Other Unsecured Funding | 1,511,389 | 1,018,188 | 1,267,852 | 982,050 |
| Secured Funding | - | - | - | - |
| Other Cash Outflows | 2,321,782 | 2,061,348 | 2,046,191 | 1,865,776 |
| Liquidity Needs Related to Derivatives and Market | | | | |
| Valuation Changes on Derivatives Transactions | 1,862,464 | 1,735,394 | 1,862,464 | 1,735,394 |
| Debts Related to The Structured Financial Products | - | - | - | - |
| Commitments Related to Debts To Financial Markets and | | | | |
| Other Off Balance Sheet Liabilities | 459,318 | 325,954 | 183,727 | 130,382 |
| Commitments That Are Unconditionally Revocable at Any | | | | |
| Time by The Bank and Other Contractual Commitments | 533,487 | 533,487 | 26,674 | 26,674 |
| Other Irrevocable or Conditionally Revocable Commitments | 2,784,681 | 2,449,814 | 284,145 | 249,581 |
| TOTAL CASH OUTFLOWS | | | 7,350,688 | 6,493,046 |
| CASH INFLOWS | | | | |
| Secured Lending Transactions | - | - | - | - |
| Unsecured Lending Transactions | 3,363,675 | 3,067,427 | 2,948,738 | 2,678,270 |
| Other Contractual Cash Inflows | 1,557,930 | 1,552,284 | 1,557,930 | 1,552,284 |
| TOTAL CASH INFLOWS | 4,921,605 | 4,619,711 | 4,506,668 | 4,230,554 |
| | | | Upper Limit Applied Accounts | |
| TOTAL HIGH LIQUIDITY ASSETS | | | 8,080,376 | 5,901,739 |
| TOTAL NET CASH OUTFLOWS ⁽¹⁾ | | | 2,844,020 | 2,262,492 |
| LIQUIDITY COVERAGE RATIO (%) | | | 284.12 | 260.85 |

⁽¹⁾ Simple arithmetical average of the monthly consolidated liquidity coverage ratios of the last three months of 2021 was taken.

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”).)

VI. Explanations on Consolidated Liquidity Management and Liquidity Coverage Ratio (continued)

| 31 December 2020 | Unweighted Amounts ⁽¹⁾ | | Weighted Amounts ⁽¹⁾ | |
|--|-----------------------------------|------------------|-------------------------------------|------------------|
| | TL+FC | FC | TL+FC | FC |
| HIGH QUALITY LIQUID ASSETS | | | | |
| High Quality Liquid Assets | | | 4,705,539 | 3,333,548 |
| CASH OUTFLOWS | | | | |
| Real Person Deposits And Retail Deposits | 6,432,691 | 4,870,636 | 600,172 | 486,640 |
| Stable deposits | 861,953 | 8,463 | 43,098 | 423 |
| Less stable deposits | 5,570,738 | 4,862,173 | 557,074 | 486,217 |
| Unsecured Debts Other than Real Person Deposits and Retail Deposits | 6,505,043 | 5,186,765 | 3,111,569 | 2,111,291 |
| Operational deposits | 1,686 | - | 228 | - |
| Non-Operational Funding | 5,705,849 | 5,138,983 | 2,350,473 | 2,068,398 |
| Other Unsecured Funding | 797,508 | 47,782 | 760,868 | 42,893 |
| Secured funding | - | - | - | - |
| Other Cash Outflows | 892,225 | 807,456 | 787,436 | 734,388 |
| Derivative Liabilities and Collateral-Making Obligations | 717,577 | 685,676 | 717,577 | 685,676 |
| Debts related to the structured financial products | - | - | - | - |
| Commitments related to debts to financial markets and other off balance sheet liabilities | 174,648 | 121,780 | 69,859 | 48,712 |
| Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments | 333,992 | 302,159 | 16,700 | 15,108 |
| Other irrevocable or conditionally revocable commitments | 2,404,431 | 2,026,802 | 246,020 | 202,701 |
| TOTAL CASH OUTFLOWS | | | 4,761,897 | 3,550,128 |
| CASH INFLOWS | | | | |
| Secured Lending Transactions | - | - | - | - |
| Unsecured Lending Transactions | 2,161,737 | 1,975,379 | 2,084,325 | 1,944,107 |
| Other Contractual Cash Inflows | 664,946 | 657,050 | 664,946 | 657,050 |
| TOTAL CASH INFLOWS | 2,862,683 | 2,632,429 | 2,749,271 | 2,601,157 |
| | | | Upper Limit Applied Accounts | |
| TOTAL HIGH LIQUIDITY ASSETS | | | 7,781,515 | 6,397,774 |
| TOTAL NET CASH OUTFLOWS ⁽¹⁾ | | | 2,012,625 | 948,972 |
| LIQUIDITY COVERAGE RATIO (%) | | | 386.64 | 674.18 |

⁽¹⁾ Simple arithmetical average of the monthly consolidated liquidity coverage ratios of the last three months of 2020 was taken.

There has been a decrease in the liquidity coverage ratio due to the increase in cash outflows due to the increase in the unsecured debts of the Parent Bank excluding real person deposits and retail deposits in the current period. 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. Deposits are the main fund resources while loans provided from abroad, 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 ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira ("TL").)

VI. Explanations on Consolidated Liquidity Management and Liquidity Coverage Ratio (continued)

Presentation of assets and liabilities according to their remaining maturities:

| 31 December 2021 | Demand | Up to 1 month | 1-3 months | 3-12 Months | 1-5 Years | 5 years and over | Undist. | Total |
|---|------------------|--------------------|--------------------|--------------------|-------------------|------------------|--------------------|-------------------|
| Assets | | | | | | | | |
| Cash (Cash in Vault, Foreign Currencies, Cash in Transit, Cheques Purchased) and Balances with the CBRT | 2,694,448 | 4,910,310 | - | - | - | - | - | 7,604,758 |
| Banks | 167,262 | 291,651 | 268 | - | - | - | - | 459,181 |
| Financial Assets at Fair Value Through Profit or Loss ⁽⁴⁾ | 67,224 | 164,627 | 15,190 | 10,613 | - | - | - | 257,654 |
| Interbank Money Market Placements | - | 20,955 | - | - | - | - | - | 20,955 |
| Financial Assets at Fair Value Through Other Comprehensive Income | - | 214,277 | 743,787 | 3,238,576 | 225,385 | 97,596 | - | 4,519,621 |
| Loans | - | 3,034,353 | 1,041,158 | 3,882,583 | 6,246,139 | 4,525,110 | - | 18,729,343 |
| Financial Assets Measured at Amortised Cost | - | 674,977 | 436,741 | 1,283,531 | 4,540,085 | 1,062,110 | - | 7,997,444 |
| Other Assets | - | 131,040 | 2,533 | 3,639 | 1,564 | 300,614 | (655,460) | (216,070) |
| Total Assets | 2,928,934 | 9,442,190 | 2,239,677 | 8,418,942 | 11,013,173 | 5,985,430 | (655,460) | 39,372,886 |
| Liabilities | | | | | | | | |
| Bank Deposits | 148,109 | 600,253 | - | - | - | - | - | 748,362 |
| Other Deposits | 2,702,684 | 9,938,998 | 2,396,974 | 518,464 | 1,071 | - | - | 15,558,191 |
| Funds Borrowed from Other Financial Institutions | - | 11,041 | 1,333,070 | 10,353,001 | 1,277,532 | 3,999,625 | - | 16,974,269 |
| Interbank Money Markets | - | 3,024,482 | - | - | - | - | - | 3,024,482 |
| Marketable Securities Issued | - | - | - | - | - | - | - | - |
| Miscellaneous Payables | - | - | - | - | - | - | - | - |
| Other Liabilities | - | 31,722 | 173,321 | 18,693 | 19,155 | 47,158 | 2,777,533 | 3,067,582 |
| Total Liabilities | 2,850,793 | 13,606,496 | 3,903,365 | 10,890,158 | 1,297,758 | 4,046,783 | 2,777,533 | 39,372,886 |
| Net Liquidity Gap | 78,141 | (4,164,307) | (1,663,687) | (2,471,216) | 9,715,415 | 1,938,647 | (3,432,993) | - |
| Net off balance sheet position | - | (86) | - | 171,355 | - | - | - | 171,269 |
| Derivative financial assets ⁽³⁾ | - | 223,169 | - | 6,730,069 | - | - | - | 6,953,238 |
| Derivative financial liabilities ⁽³⁾ | - | 223,255 | - | 6,558,714 | - | - | - | 6,781,969 |
| Non-cash loans⁽²⁾ | 4,918,144 | 910,930 | 1,000,516 | 1,204,684 | 2,465,449 | 3,332 | - | 10,503,055 |
| 31 December 2020 | | | | | | | | |
| Total Assets | 1,964,839 | 3,733,134 | 1,757,041 | 4,198,835 | 10,428,760 | 3,304,401 | (205,827) | 25,181,183 |
| Total Liabilities | 922,136 | 9,394,884 | 3,572,834 | 4,098,937 | 2,635,348 | 2,238,637 | 2,318,407 | 25,181,183 |
| Net Liquidity Gap | 1,042,703 | (5,661,750) | (1,815,793) | 99,898 | 7,793,412 | 1,065,764 | (2,524,234) | - |
| Net off balance sheet position | - | (25,631) | (58,003) | (1,418) | - | - | - | (85,052) |
| Derivative financial assets ⁽³⁾ | - | 1,039,698 | 1,683,624 | 330,357 | - | - | - | 3,053,679 |
| Derivative financial liabilities ⁽³⁾ | - | 1,065,329 | 1,741,627 | 331,775 | - | - | - | 3,138,731 |
| Non-cash loans⁽²⁾ | 571,069 | 310,488 | 349,075 | 931,702 | 7,244,532 | 4,685 | - | 9,411,551 |

⁽¹⁾ The balance sheet is composed of TL 134,674 of tangible and intangible assets, TL 1,935 of the stationary supplies, TL 1,686 of assets held for sale, TL (793,755) of expected loss provisions and liabilities on the balance sheet which are necessary for the banking operations; provisions amounting to TL 434,807, other liabilities amounting to TL 717,512 and equity amounting to TL 1,625,214 are included here.

⁽²⁾ The non-cash loans given indefinitely are shown in the demand column.

⁽³⁾ As of 31 December 2021, the spot purchase transactions amounting to TL 223,169 which are shown under TL Forward Asset Commitment / Sale Commitments account in the off-balance sheet accounts are included in the receivables from derivative financial instruments and valued spot foreign exchange transactions amounting to TL 223,255 are included in liabilities of derivative financial instruments (31 December 2020 : TL 26,894 and TL 26,992).

⁽⁴⁾ Receivables from derivative transactions are included.

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”).)

VII. Explanations on Consolidated Leverage Ratio

Consolidated leverage ratio of the Parent Bank calculated based on 3 months average amounts is 3.91% as at 31 December 2021 (31 December 2020: 4.04%). This rate is above the minimum rate.

| | Current period 31 December 2021 ⁽¹⁾ | Prior period 31 December 2020 ⁽¹⁾ |
|--|---|---|
| On-Balance Sheet Exposures | | |
| On-Balance sheet assets (Excluding derivative financial instruments and credit derivatives, including collaterals) | 31,489,334 | 25,059,388 |
| (Assets amounts deducted in determining Tier 1 capital) | (160) | (175) |
| Total on-Balance sheet exposures | 31,489,174 | 25,059,213 |
| Derivative Financial Instruments and Credit Derivatives | | |
| Replacements cost of Derivative Financial Instruments and credit derivatives | - | - |
| Potential credit risk of Derivative Financial Instruments and credit derivatives | 125,363 | 29,700 |
| Total risk amount related to Derivative Financial Instruments and credit derivatives | 125,363 | 29,700 |
| Securities or Commodity Collateralized Financing Transactions | | |
| Risk amount of security or commodity secured financing transactions | 192,906 | 496,542 |
| Amount of risk arising from brokered transactions | - | - |
| Total risk amount related to securities or commodity-backed financing transactions | 192,906 | 496,542 |
| Off-balance Sheet Items | | |
| Off-balance sheet exposure at gross notional amount | 9,920,586 | 10,043,577 |
| Adjustments for conversions to credit equivalent amounts | - | - |
| Total risk of off-balance sheet items | 9,920,586 | 10,043,577 |
| Capital and Total Exposure | | |
| Tier 1 capital | 1,631,970 | 1,439,715 |
| Total exposures | 41,728,029 | 35,629,031 |
| Leverage Ratio Average | 3.91% | 4.04% |

⁽¹⁾ The amounts in the table show the arithmetic averages of the last 3 months of the relevant periods.

Summary comparison table of total asset amount and total risk amount in the consolidated financial statements prepared in accordance with TAS:

| | 31 December 2021 ⁽¹⁾ | 31 December 2020 ⁽¹⁾ |
|---|---------------------------------|---------------------------------|
| 1 Total amount of assets included in the consolidated financial statements prepared in accordance with TAS | 31,489,334 | 25,059,388 |
| 2 The difference between the amount of assets in the consolidated financial statements prepared in accordance with TAS and the amount of assets in the consolidated financial statements prepared within the scope of the Communiqué on Preparation of Consolidated Financial Statements of Banks | - | - |
| 3 The difference between the amounts of derivative financial instruments and credit derivatives in the consolidated financial statements prepared within the scope of the Communiqué on the Preparation of Consolidated Financial Statements of Banks and their risk amounts | 125,363 | 29,700 |
| 4 The difference between the amounts in the consolidated financial statements prepared within the scope of the Communiqué on the Preparation of the Consolidated Financial Statements of the “Banks and the risk amounts of the securities or commodity-backed financing transactions | 192,906 | 496,542 |
| 5 The difference between the amounts of off-balance sheet transactions in the consolidated financial statements prepared within the scope of the Communiqué on Preparation of Consolidated Financial Statements of Banks and their risk amounts | 9,920,586 | 10,043,577 |
| 6 Other differences between the amount in the consolidated financial statements prepared within the scope of the Communiqué on the Preparation of Consolidated Financial Statements of Banks and the risk amount | (160) | (175) |
| 7 Total risk amount | 41,728,029 | 35,629,031 |

⁽¹⁾ The amounts in the table show the arithmetic averages of the last 3 months of the relevant periods.

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”).)

VIII. Consolidated Share Position Risk Arising from Banking Accounts

As at 31 December 2021 and 31 December 2020, the Group has no share position risk arising from 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 Bank is or will be exposed to due to its facilities.

Risk Management organization constituted to systematically manage the risks the 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 is divided into two different units as Risk Methodology, Model Development and Reporting Unit and Risk Policy Development and Monitoring Unit. The Risk Policy Development and Monitoring Unit is responsible for monitoring and preparing risk policies and procedures in general and making them compatible with current legislation, while the Risk Methodology, Model Development and Reporting Unit is responsible for measuring and monitoring the risks exposed and preparing internal and legal reports. Business continuity studies are carried out by the Operational Risk Committee within the framework of the Bank's Business Continuity Strategy. Risk management committees are Senior Risk Committee and market risk committee, credit risk committee, operational risk committee.

Necessary manners are identified to update, adjust for changing circumstances, implement and manage the policies determined to identify and manage the risks the 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 Bank.

Risk management policies have been determined in accordance with the Bank's activity volume, nature and complexity, and have been established by taking into account the Bank's past experience and performance. The Bank's main risk policies, including risk appetite and limits for each risk, are credit risk, market risk, operational risk, country risk, interest rate risk, liquidity risk, strategic risk, reputation risk policies.

The Bank has regulated the principles of ICAAP management to be a part of the internal management processes and decision-making culture of the bank, with a future-oriented perspective, based on adequate and appropriate measurement-evaluation methods and processes, in accordance with the risk appetite, covering all its risks on a consolidated and unconsolidated basis. ICAAP is owned by the Risk Management Department and is scheduled to be reviewed annually or more frequently as needed.

The Bank carries out its operational risk management activities in line with Basel II in accordance with local and international regulations. Operational Risk Policies, Operational Risk Monitoring Rules and Operational Risk Reduction Principles prepared in this direction are in effect.

In market risk management, the Bank uses the results obtained with Basel II advanced measurement techniques while determining the limits for risk limitation. In this context, risk measurements using advanced measurement models and daily limit controls are carried out, various scenario analyzes and stress tests are applied. In market risk management, measurements such as Value at Risk (VAR), stress testing and scenario analysis, duration gap and sensitivity analysis are used.

The reliability of the model is monitored by applying backtesting by comparing the estimated gains/losses with the actual values with the risk measurement model used. The measurement of the resilience of the capital against the risks that may occur when the fluctuation in the market is very high is done by stress tests and scenario analysis.

Bank and market data are regularly monitored for the purpose of risk management. Within the scope of limiting risks, in-bank limits are determined as well as legal limits. Possible changes in economic conditions and risks that may arise under difficult conditions are taken into account.

The units responsible for reporting on all risks, the frequency of reporting and the authority to which it will be made are determined separately in the policy documents containing the management process of each risk. In addition, the Risk Management Department regularly reports the analysis of the Bank's risks to which it is exposed, the periodic development of risks and the use of limits, and the risk situation to the Assets and Liabilities Committee and the Risk Management Committee of the Board of Directors.

ICBC TURKEY BANK ANONİM ŞİRKETİ

**EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

(Amounts expressed in thousands of Turkish Lira (“TL”).)

IX. Explanation on Consolidated Risk Management (continued)

1. General Information on Consolidated Risk Management and Risk Weighted Amounts:

a) Overview of RWA:

| | Risk Weighted Amount | | Minimum Capital Requirement |
|---|------------------------------------|----------------------------------|------------------------------------|
| | Current Period 31 December 2021 | Prior Period 31 December 2020 | Current Period 31 December 2021 |
| 1 Credit risk (excluding counterparty credit risk) | 18,816,558 | 18,223,670 | 1,505,325 |
| 2 Standardised approach | 18,898,063 | 18,223,670 | 1,511,845 |
| 3 Internal rating-based approach | - | - | - |
| 4 Counterparty credit risk | 85,984 | 156,494 | 6,879 |
| 5 Standardised approach for counterparty credit risk | 85,984 | 156,494 | 6,879 |
| 6 Internal model method | - | - | - |
| 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 | - | - | - |
| 14 IRB Supervisory Formula Approach | - | - | - |
| 15 SA/simplified supervisory formula approach | - | - | - |
| 16 Market risk | 1,722,325 | 630,313 | 137,786 |
| 17 Standardised approach | 1,722,325 | 630,313 | 137,786 |
| 18 Internal model approaches) | - | - | - |
| 19 Operational risk | 1,175,127 | 953,904 | 94,010 |
| 20 Basic Indicator Approach | 1,175,127 | 953,904 | 94,010 |
| 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) | 21,799,994 | 19,964,381 | 1,744,000 |

ICBC TURKEY BANK ANONİM ŞİRKETİ

**EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

(Amounts expressed in thousands of Turkish Lira (“TL”).)

IX. Explanation 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 2021 | Valued amount in accordance with TAS reported in financial statements | Amount of Items Valued in accordance with TMS | | | Not subject to capital requirements or subject to deduction from capital |
|---|--|---|---|---|---|
| | | Subject to credit risk | Subject to counterparty credit risk | Subject to securitization positions | |
| Assets | | | | | |
| Cash and Cash Equivalents | 8,084,894 | 8,084,894 | - | - | - |
| Financial Assets at Fair Value Through Profit or Loss | 67,224 | - | - | - | 67,224 |
| Financial Assets at Fair Value Through Other Comprehensive Income | 4,519,621 | 4,519,621 | - | - | - |
| Banks | - | - | - | - | - |
| Receivables from Money Markets | 792,795 | 37,695 | - | - | - |
| Loans | 18,729,343 | 18,729,343 | - | - | - |
| Expected Loss Provisions (-) | 792,795 | 37,695 | - | - | - |
| Factoring Receivables | - | - | - | - | - |
| Financial Assets Measured at Amortised Cost | 7,997,444 | 7,997,444 | - | - | - |
| Leasing Receivables | - | - | - | - | - |
| Factoring Receivables | - | - | - | - | - |
| Derivative Financial Asset | 190,430 | - | 85,623 | - | 174,141 |
| Tangible Assets (Net) | 123,237 | 123,237 | - | - | 3,920 |
| Intangible Assets (Net)) | 11,437 | 11,437 | - | - | 11,437 |
| Current Tax Asset | 504 | 504 | - | - | - |
| Deferred Tax | 300,614 | 300,614 | - | - | - |
| Other Asset | 140,933 | 140,933 | - | - | - |
| Deferred Tax Asset | 39,372,886 | 39,870,359 | 85,623 | - | 241,365 |
| Liabilities | | | | | |
| Deposits | 16,306,553 | - | - | - | 16,306,553 |
| Funds Borrowed | 12,974,644 | - | - | - | 12,974,644 |
| Money Market Funds | 3,024,482 | 23,270 | 361 | - | - |
| Marketable Securities Issued (Net) | - | - | - | - | - |
| Funds | - | - | - | - | - |
| Financial Liabilities at Fair Value Through P/L | - | - | - | - | - |
| Derivative Financial Liabilities | 16,323 | - | - | - | 16,323 |
| Factoring Liabilities | - | - | - | - | - |
| Lease Liabilities (Net) | 74,534 | - | - | - | 74,534 |
| Provisions | 434,807 | - | - | - | 434,807 |
| Current Tax Liability | 199,192 | - | - | - | 199,192 |
| Deferred Tax Liability | - | - | - | - | - |
| Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (Net) | - | - | - | - | - |
| Subordinated Debt Instruments | 3,999,625 | - | - | - | 3,999,625 |
| Other Liabilities | 717,512 | - | - | - | 717,512 |
| Equity | 1,625,214 | - | - | - | 1,625,214 |
| Total Liabilities | 39,372,886 | 23,270 | 361 | - | 36,364,753 |

ICBC TURKEY BANK ANONİM ŞİRKETİ

**EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

(Amounts expressed in thousands of Turkish Lira (“TL”).)

IX. Explanation 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 2020 | Amount of Items Valued in accordance with TMS | | | | | |
|---|--|---------------------------|---|---|---------------------------------|--|
| | Valued amount in accordance with TAS reported in financial statements | Subject to credit risk | Subject to counterparty credit risk | Subject to securitization positions | Subject to market risk | Not subject to capital requirements or subject to deduction from capital |
| Assets | | | | | | |
| Cash and Cash Equivalents | 5,272,271 | 5,272,271 | - | - | - | - |
| Financial Assets at Fair Value Through Profit or Loss | 36,205 | - | - | - | - | - |
| Financial Assets at Fair Value Through Other Comprehensive Income | 5,352,166 | 5,352,166 | - | - | - | - |
| Financial Assets Measured at Amortised Cost | 4,391,069 | 4,391,069 | - | - | - | - |
| Derivative Financial Asset | 1,496 | - | 30,311 | - | 88,474 | - |
| Non-Performing Asset | - | - | - | - | - | - |
| Expected Loss Provisions (-) | 6,048 | 6,048 | - | - | - | - |
| Loans (Net) | 10,009,568 | 10,009,568 | - | - | - | - |
| Loans | 10,055,311 | 10,055,311 | - | - | - | - |
| Leasing Receivables | - | - | - | - | - | - |
| Factoring Receivables | - | - | - | - | - | - |
| Non-Performing Loans | 45,743 | 45,743 | - | - | - | - |
| Expected Credit Loss (-) | 324,032 | 324,032 | - | - | - | - |
| Assets Held For Sale And Discontinued Operations (Net) | - | - | - | - | - | - |
| Equity Investment | - | - | - | - | - | - |
| Tangible Assets (Net) | 113,423 | 113,423 | - | - | - | 4,545 |
| Intangible Assets (Net) | 7,839 | - | - | - | - | 7,839 |
| Investment Property (Net) | - | - | - | - | - | - |
| Current Tax Asset | 19 | 19 | - | - | - | - |
| Deferred Tax Asset | 116,269 | 116,269 | - | - | - | - |
| Other Assets (Net) | 165,195 | 165,195 | - | - | - | - |
| Total Assets | 25,181,183 | 25,135,643 | 30,311 | - | 88,474 | 12,384 |
| Liabilities | | | | | | |
| Deposits | 11,638,697 | - | - | - | - | 11,638,697 |
| Funds Borrowed | 8,091,838 | - | - | - | - | 8,091,838 |
| Money Market Funds | 697,700 | 1,062,222 | 126,183 | - | - | - |
| Marketable Securities Issued (Net) Funds | - | - | - | - | - | - |
| Financial Liabilities At Fair Value Through Profit or Loss | - | - | - | - | - | - |
| Derivative Financial Liabilities | 89,955 | - | - | - | - | 89,955 |
| Factoring Liabilities | - | - | - | - | - | - |
| Lease Liabilities (Net) | 72,700 | - | - | - | - | 72,700 |
| Provisions | 203,998 | - | - | - | - | 203,998 |
| Current Tax Liability | 69,246 | - | - | - | - | 69,246 |
| Deferred Tax Liability | - | - | - | - | - | - |
| Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (Net) | - | - | - | - | - | - |
| Subordinated Debt Instruments | 2,202,640 | - | - | - | - | 2,202,640 |
| Other Liabilities | 696,593 | - | - | - | - | 696,593 |
| Equity | 1,417,816 | - | - | - | - | 1,417,816 |
| Total Liabilities | 25,181,183 | 1,062,222 | 126,183 | - | - | 24,573,438 |

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira ("TL").)

IX. Explanation 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 2021 | | Total | Subject to credit risk | Securitization positions | Subject to counterparty credit risk | Subject to market risk |
|---------------------------------|--|-------------------|------------------------|--------------------------|-------------------------------------|------------------------|
| 1 | Valued amounts of assets within the scope of legal consolidation in accordance with TAS (as in template B1) | 39,372,886 | 39,870,359 | - | 85,623 | 241,365 |
| 2 | Valued amounts of liabilities within the scope of legal consolidation in accordance with TAS (as in template B1) | 23,631 | 23,270 | - | 361 | - |
| 3 | Total net amount under legal consolidation | 39,396,517 | 39,893,629 | - | 85,984 | 241,365 |
| 4 | Off-balance Sheet Amounts | 24,349,857 | 5,512,806 | - | - | - |
| 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 arising from the Institution's practices | - | - | - | - | - |
| 9 | Differences due to risk reduction | - | - | - | - | - |
| 10 | Risk amounts | 63,746,374 | 45,406,435 | - | 85,984 | 241,365 |

| Prior Period 31 December 2020 | | Total | Subject to credit risk | Securitization positions | Subject to counterparty credit risk | Subject to market risk |
|-------------------------------|--|-------------------|------------------------|--------------------------|-------------------------------------|------------------------|
| 1 | Valued amounts of assets within the scope of legal consolidation in accordance with TAS (as in template B1) | 25,181,183 | 25,135,643 | - | 30,311 | 88,474 |
| 2 | Valued amounts of liabilities within the scope of legal consolidation in accordance with TAS (as in template B1) | - | 1,062,222 | - | 126,183 | - |
| 3 | Total net amount under legal consolidation | 25,181,183 | 26,197,865 | - | 156,494 | 88,474 |
| 4 | Off-balance Sheet Amounts | 15,725,642 | 7,236,140 | - | - | - |
| 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 arising from the Institution's practices | - | - | - | - | - |
| 9 | Differences due to risk reduction | - | - | - | - | - |
| 10 | Risk amounts | 40,906,825 | 33,524,005 | - | 156,494 | 88,474 |

3. Explanation of Credit Risk

a) Credit quality of assets

| 31 December 2021 | The gross amount valued in accordance with TAS in the financial statements prepared according to prohibited consolidation | | Allowances/ amortization and impairments | Net values | |
|------------------|---|---------------|--|----------------|-------------------|
| | Defaulted | Non-defaulted | | | |
| 1 | Loans | 43,960 | 18,685,383 | 744,032 | 17,985,311 |
| 2 | Debt instruments | - | 12,517,065 | 43,735 | 12,473,330 |
| 3 | Off-balance sheet exposures | 9,913 | 11,051,188 | 104,079 | 10,957,020 |
| 4 | Total | 53,873 | 42,253,636 | 891,846 | 41,415,661 |

| 31 December 2020 | The gross amount valued in accordance with TAS in the financial statements prepared according to prohibited consolidation | | Allowances/ amortization and impairments | Net values | |
|------------------|---|---------------|--|----------------|-------------------|
| | Defaulted | Non-defaulted | | | |
| 1 | Loans | 45,743 | 10,009,568 | 294,462 | 9,760,849 |
| 2 | Debt instruments | - | 9,743,235 | 29,571 | 9,713,664 |
| 3 | Off-balance sheet exposures | 7,070 | 9,579,907 | 65,217 | 9,521,760 |
| 4 | Total | 52,813 | 29,332,710 | 389,250 | 28,996,273 |

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira ("TL").)

IX. Explanation on Consolidated Risk Management (continued)

3. Explanation of Credit Risk (continued):

b) Changes in stock of default loans and debt securities

| | 31 December 2021 | 31 December 2020 |
|---|------------------|------------------|
| 1 Defaulted loans and debt securities at end of the previous reporting period | 52,813 | 168,054 |
| 2 Loans and debt securities defaulted since the last reporting period | 6,377 | 18,264 |
| 3 Receivables back to non-defaulted status | - | - |
| 4 Amounts written off | - | 17,284 |
| 5 Other changes | (5,317) | (116,221) |
| 6 Defaulted loans and debt securities at end of the reporting period (1+2-3-4+5) | 53,873 | 52,813 |

c) Credit risk mitigation techniques – overview

| 31 December 2021 | 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 | 18,581,161 | 104,222 | 81,668 | 21,985 | 21,985 | - | - |
| 2 Debt Instruments | 12,473,330 | - | - | - | - | - | - |
| 3 Total | 31,054,491 | 104,222 | 81,668 | 21,985 | 21,985 | - | - |
| 4 Of which defaulted | 43,960 | - | - | - | - | - | - |

| 31 December 2020 | 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 | 9,926,679 | 55,984 | 55,984 | 26,905 | 26,905 | - | - |
| 2 Debt Instruments | 9,713,664 | - | - | - | - | - | - |
| 3 Total | 19,640,343 | 55,984 | 55,984 | 26,905 | 26,905 | - | - |
| 4 Of which defaulted | 45,743 | - | - | - | - | - | - |

d) Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk:

To determine the risk weights of receivables from central governments or from central banks and risk weights of receivables from banks and intermediary institutions specified in Article 6 of the Regulation on the Measurement and Assessment of Capital Adequacy of Banks, the application of rotation in Japan Credit Rating Agency (JCR) degrees, which has been used as of 31 October 2016. The degrees of the international credit rating agency Islamic International Rating Agency (IIRA) had been used since April 30, 2020. In this context, the note set for Turkey's rating countries of long-term foreign currency, the Republic of Turkey in foreign currency securities issued by the Treasury, all other foreign currency risk associated with the Republic of Turkey and the Central Government and on the opposite side of the incoming international limited is countered by resident banks, which will have risk weights are determined. The matching of "Credit Quality Levels" corresponding to IIRA degrees and Japan Credit Rating Agency (JCR), which was abandoned to use, is shared with the table below.

| Islamic International Rating Agency | Credit Quality Level | Japan Credit Rating Agency |
|-------------------------------------|----------------------|----------------------------|
| AAA and AA- | 1 | AAA and AA- |
| A+ and A- | 2 | A+ and A- |
| BBB+ and BBB | 3 | BBB+ and BBB |
| BB+ and BB- | 4 | BB+ and BB- |
| B+ and B- | 5 | B+ and B- |
| CCC and below | 6 | CCC+ and below |

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”).)

IX. Explanation on Consolidated Risk Management (continued)

3. Explanation of Credit Risk (continued)

e) Standard Approach - Exposure to credit risk and credit risk mitigation risks

| 31 December 2021 | | 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 |
| 1 | Claims on sovereigns and Central Banks | 13,183,773 | 85,002 | 13,183,773 | 85,002 | - | - |
| 2 | Claims on regional governments or local authorities | 21,985 | - | - | - | - | - |
| 3 | Claims on administrative bodies and other non-commercial undertakings | 411,651 | - | 411,651 | - | 411,651 | 2% |
| 4 | Claims on multilateral development banks | - | - | - | - | - | - |
| 5 | Claims on international organizations | - | - | - | - | - | - |
| 6 | Claims on banks and intermediary institutions | 5,863,692 | 2,009,003 | 5,996,912 | 1,117,322 | 3,827,911 | 20% |
| 7 | Claims on corporates | 9,415,026 | 5,495,839 | 9,416,370 | 4,290,226 | 13,128,850 | 70% |
| 8 | Claims included in the regulatory retail portfolios | 63,143 | 94,714 | 61,798 | 19,124 | 59,899 | 0% |
| 9 | Claims secured by residential property | 284,744 | 1,725 | 284,744 | 345 | 99,585 | 1% |
| 10 | Claims secured by commercial property | 1,682,262 | 1,058 | 1,682,262 | 476 | 1,085,905 | 6% |
| 11 | Overdue loans | 6,013 | - | 6,013 | - | 6,865 | 0% |
| 12 | Higher risk categories decided by the Board | - | - | - | - | - | - |
| 13 | Secured by mortgages | - | - | - | - | - | - |
| 14 | Short-term claims and short-term corporate claims on banks and intermediary institutions | - | - | - | - | - | - |
| 15 | Undertakings for collective investments in mutual funds | - | - | - | - | - | - |
| 16 | Other receivables | 442,364 | 1,554 | 440,810 | 311 | 277,397 | 1% |
| 17 | Equity share investments | - | - | - | - | - | - |
| 18 | Total | 31,374,653 | 7,688,895 | 31,484,333 | 5,512,806 | 18,898,063 | 100% |

| 31 December 2020 | | 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 |
| 1 | Claims on sovereigns and Central Banks | 7,529,189 | - | 7,529,189 | - | 60,030 | 0% |
| 2 | Claims on regional governments or local authorities | 26,905 | - | 26,905 | - | - | - |
| 3 | Claims on administrative bodies and other non-commercial undertakings | - | - | - | - | - | - |
| 4 | Claims on multilateral development banks | - | - | - | - | - | - |
| 5 | Claims on international organizations | - | - | - | - | - | - |
| 6 | Claims on banks and intermediary institutions | 8,713,961 | 3,876,891 | 8,713,961 | 3,296,610 | 7,141,093 | 39% |
| 7 | Claims on corporates | 6,293,277 | 4,745,243 | 6,293,277 | 3,787,955 | 9,857,080 | 54% |
| 8 | Claims included in the regulatory retail portfolios | 95,550 | 107,444 | 95,550 | 22,405 | 77,643 | 0% |
| 9 | Claims secured by residential property | 381,096 | 1,519 | 381,096 | 304 | 133,305 | 1% |
| 10 | Claims secured by commercial property | 1,423,632 | 258,018 | 1,423,632 | 128,866 | 838,294 | 5% |
| 11 | Overdue loans | 9,824 | - | 9,824 | - | 9,540 | 0% |
| 12 | Higher risk categories decided by the Board | - | - | - | - | - | - |
| 13 | Secured by mortgages | - | - | - | - | - | - |
| 14 | Short-term claims and short-term corporate claims on banks and intermediary institutions | - | - | - | - | - | - |
| 15 | Undertakings for collective investments in mutual funds | - | - | - | - | - | - |
| 16 | Other receivables | 346,329 | - | 346,329 | - | 262,132 | 1% |
| 17 | Equity share investments | - | - | - | - | - | - |
| 18 | Total | 24,819,763 | 8,989,115 | 24,819,763 | 7,236,140 | 18,379,117 | 100% |

ICBC TURKEY BANK ANONİM ŞİRKETİ

**EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

(Amounts expressed in thousands of Turkish Lira (“TL”).)

IX. Explanation on Consolidated Risk Management (continued)

3. Explanation of Credit Risk (continued)

f) Standard Approach - Receivables by risk classes and risk weights

| 31 December 2021 | | | | | | | | | | | | Total Risk Amount (After Credit Conversion Rate and Credit Risk Reduction) |
|-----------------------------------|--|-------------------|----------|------------------|---|------------------|---------------|-------------------|---------------|----------|----------|--|
| Risk Classifications/ Risk Weight | 0% | 10% | 20% | 35% | 50% Guaranteed with Real Estate Mortgage | 75% | 100% | 150% | 200% | Others | | |
| 1 | Claims on central governments or central banks | 13,268,774 | - | - | - | - | - | - | - | - | - | 13,268,775 |
| 2 | Claims on regional or local governments | - | - | - | - | - | - | - | - | - | - | - |
| 3 | Claims on administrative units and non-commercial undertakings | - | - | - | - | - | 411,651 | - | - | - | - | 411,651 |
| 4 | Claims on multilateral development banks | - | - | - | - | - | - | - | - | - | - | - |
| 5 | Claims on international organizations | - | - | - | - | - | - | - | - | - | - | - |
| 6 | Claims on banks and intermediary institutions | 22,648 | - | 1,465,858 | - | 4,181,978 | - | 1,443,750 | - | - | - | 7,114,234 |
| 7 | Claims on corporates | 18,446 | - | 399,647 | - | 482,291 | - | 12,803,085 | 3,127 | - | - | 13,706,596 |
| 8 | Claims included in the regulatory retail portfolios | 4,022 | - | 3,776 | - | - | 67,330 | 89 | 5,705 | - | - | 80,922 |
| 9 | Claims secured by residential property | 543 | - | 42 | 284,504 | - | - | - | - | - | - | 285,089 |
| 10 | Claims secured by commercial property | - | - | - | - | 1,193,665 | - | 489,073 | - | - | - | 1,682,738 |
| 11 | Overdue loans | - | - | - | - | 2 | - | 4,307 | 1,705 | - | - | 6,014 |
| 12 | Higher risk categories decided by the Board | - | - | - | - | - | - | - | - | - | - | - |
| 13 | Secured by mortgages | - | - | - | - | - | - | - | - | - | - | - |
| 14 | Short-term claims and short-term corporate claims on banks and intermediary institutions | - | - | - | - | - | - | - | - | - | - | - |
| 15 | Undertakings for collective investments in mutual funds | - | - | - | - | - | - | - | - | - | - | - |
| 16 | Other receivables | 163,724 | - | - | - | - | - | 277,397 | - | - | - | 441,121 |
| 17 | Equity share investments | - | - | - | - | - | - | - | - | - | - | - |
| 18 | Total | 13,478,157 | - | 1,869,323 | 284,504 | 5,857,936 | 67,330 | 15,429,352 | 10,537 | - | - | 36,997,139 |

ICBC TURKEY BANK ANONİM ŞİRKETİ

**EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

(Amounts expressed in thousands of Turkish Lira (“TL”).)

IX. Explanation on Consolidated Risk Management (continued)

3. Explanation of credit risk (continued)

f) Standard Approach - Receivables by risk classes and risk weights

| 31 December 2020 | | | | | | | | | Total Risk |
|--|------------------|------------|------------------|---|----------------|-------------------|--------------|----------------|--|
| Risk Classifications/ Risk Weight | 0% | 10% | 20% | 50% (Guaranteed with Real Estate Mortgage) | 75% | 100% | 150% | Others | Amount (After Credit Conversion Rate and Credit Risk Reduction) |
| Claims on central governments or central banks | 7,529,189 | - | - | - | - | - | - | - | 7,529,189 |
| Claims on regional or local governments | - | - | - | 26,905 | - | - | - | - | 26,905 |
| Claims on administrative units and non-commercial undertakings | - | - | - | - | - | - | - | - | - |
| Claims on multilateral development banks | - | - | - | - | - | - | - | - | - |
| Claims on international organizations | - | - | - | - | - | - | - | - | - |
| Claims on banks and intermediary institutions | 99 | - | 1,235,579 | 7,256,663 | - | 3,518,230 | - | - | 12,010,571 |
| Claims on corporates | - | - | - | 295,147 | - | 9,786,085 | - | - | 10,081,232 |
| Claims included in the regulatory retail portfolios | - | - | - | - | 117,955 | - | - | - | 117,955 |
| Claims secured by residential property | - | - | - | - | - | - | - | 381,400 | 381,400 |
| Claims secured by commercial property | - | - | - | 1,428,341 | - | 124,157 | - | - | 1,552,498 |
| Overdue loans | - | - | - | 2,262 | - | 5,865 | 1,697 | - | 9,824 |
| Higher risk categories decided by the Board | - | - | - | - | - | - | - | - | - |
| Secured by mortgages | - | - | - | - | - | - | - | - | - |
| Short-term claims and short-term corporate claims on banks and intermediary institutions | - | - | - | - | - | - | - | - | - |
| Undertakings for collective investments in mutual funds | - | - | - | - | - | - | - | - | - |
| Other receivables | 84,197 | - | - | - | - | 262,132 | - | - | 346,329 |
| Equity share investments | - | - | - | - | - | - | - | - | - |
| Total | 7,613,485 | - | 1,235,579 | 9,009,318 | 117,955 | 13,696,469 | 1,697 | 381,400 | 32,055,903 |

ICBC TURKEY BANK ANONİM ŞİRKETİ

**EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

(Amounts expressed in thousands of Turkish Lira (“TL”).)

IX. Explanations on Consolidated Risk Management (continued)

4. Explanations on Counterparty Credit Risk (“CCR”)

a) Evaluation of counterparty credit risk according to measurement methods

| 31 December 2021 | | Replacement cost | Potential credit risk amount | EEPE | Alpha used to calculate the legal risk amount | Exposure at Default post-CRM | RWA |
|------------------|---|------------------|------------------------------|----------|---|------------------------------|---------------|
| 1 | Standard Approach-CCR (for derivatives) | 191,292 | (16,443) | | 1.4 | 174,849 | 85,623 |
| 2 | 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) | - | - | - | - | - | - |
| 3 | Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions) | - | - | - | - | - | - |
| 4 | Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions) | - | - | - | - | - | - |
| 5 | Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions | - | - | - | - | 23,270 | 361 |
| 6 | Total | 191,292 | (16,443) | - | - | 198,119 | 85,984 |

| 31 December 2020 | | Replacement cost | Potential credit risk amount | EEPE | Alpha used to calculate the legal risk amount | Exposure at Default post-CRM | RWA |
|------------------|---|------------------|------------------------------|----------|---|------------------------------|----------------|
| 1 | Standard Approach-CCR (for derivatives) | 1,521 | 30,403 | - | 1.4 | 31,924 | 30,311 |
| 2 | 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) | - | - | - | - | - | - |
| 3 | Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions) | - | - | - | - | - | - |
| 4 | Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions) | - | - | - | - | - | - |
| 5 | Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions | - | - | - | - | 1,062,222 | 126,183 |
| 6 | Total | 1,521 | 30,403 | - | - | 1,094,146 | 156,494 |

b) Credit valuation adjustment (“CVA”) capital charge:

| 31 December 2021 | | 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 | 174,849 | 3,057 |
| 4 | Total subject to the CVA capital charge | 174,849 | 3,057 |

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”).)

IX. Explanations on Consolidated Risk Management (continued)

4. Explanations on Counterparty Credit Risk (“CCR”) (continued)

b) Credit valuation adjustment (“CVA”) capital charge (continued):

| 31 December 2020 | 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 | 31,924 | 867 |
| 4 Total subject to the CVA capital charge | 31,924 | 867 |

c) Standardized Approach – CCR exposures by regulatory portfolio and risk weights

| Risk Weights | 0% | 10% | 20% | 50% | 75% | 100% | 150% | Other | Total Credit Risk ⁽¹⁾ |
|--|---------------|----------|----------|--------------|----------|---------------|----------|----------|----------------------------------|
| Risk Classifications | | | | | | | | | |
| Claims from central governments and central banks | 85,002 | - | - | - | - | - | - | - | - |
| Claims from regional and local governments | - | - | - | - | - | - | - | - | - |
| Claims from administration and non-commercial | - | - | - | - | - | - | - | - | - |
| Claims from multilateral development banks | - | - | - | - | - | - | - | - | - |
| Claims from international organizations | - | - | - | - | - | - | - | - | - |
| Claims from banks and intermediary institutions | - | - | - | 9,170 | - | 81,399 | - | - | 85,984 |
| 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 | 85,002 | - | - | 9,170 | - | 81,399 | - | - | 85,984 |

⁽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: Since there are no derivative collaterals, the relevant table is not given.

e) Credit derivatives: Since there is no credit derivative, the relevant table is not given.

f) Risks to the central counterparty (“CCP”): none.

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”).)

IX. Explanations on Consolidated Risk Management (continued)

5. Securitization Explanations

None.

6. Calculations Related to Market Risk

The Parent Bank’s risk management operations, which are determined by the Board of Directors, are in line with the “Regulation of Internal Bank Systems” and “Regulation of Capital Adequacy Measurement and Evaluation”. In order to comply with the Regulations, the Bank’s operations regarding the market risk are administrated in line with the “Regulation of Internal Bank Systems” and “Regulation of Capital Adequacy Measurement and Evaluation”.

Board of Directors monitors the efficiency of risk administration systems by evaluations of the Audit Committee, Management and Early Detection of Risk Committee as well as upper management’s opinions and other miscellaneous reports.

The Bank’s risk policies and risk administration policies for the encountered market risk are being approved by the board of directors and reviewed on a regular basis. Market risk is measured and limited in compliance with international standards and capital requirements are calculated accordingly in addition to it is managed by hedging instruments to eliminate the risk.

The market risk of portfolios held for trading is calculated using the standard method and the value at risk (“VaR”) methods. Standard method calculations are made on a monthly basis which is used for calculating the capital adequacy generally accepted three methods (variance, covariance, historical simulation, monte carlo). VaR calculations are performed on a daily basis using the historical simulation (EWMA) method. VaR calculations are made using the past 1 year data with 99% assurance and 1 day holding period (10 days for legal capital calculation). All positions in the trading portfolio are set a daily risk limit and nominal position limits and all these limits are monitored and reported to upper management. In addition, trading portfolio, value at risk increase and limit comply situations are reported to Active Passive Committee every two weeks and to upper management and Management and Early Detection of Risk Committee every three months. VaR model is tested on a backward basis to ensure reliability. In order to limit market risk, in addition to VaR and nominal position limits, there are stop loss limits on trading portfolio that are approved by the board of directors.

a) Standard approach:

| Risk Weighted Amounts | 31 December 2021 | 31 December 2020 |
|---|-------------------------|-------------------------|
| Outright products | | |
| 1 Interest rate risk (general and specific) | 141,175 | 118,488 |
| 2 Equity risk (general and specific) | 257,963 | 108,512 |
| 3 Foreign exchange risk | 1,323,187 | 403,313 |
| 4 Commodity risk | - | - |
| Options | | |
| 5 Simplified approach | - | - |
| 6 Delta-plus method | - | - |
| 7 Scenario approach | - | - |
| 8 Securitization | - | - |
| 9 Total | 1,722,325 | 630,313 |

ICBC TURKEY BANK ANONİM ŞİRKETİ

**EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

(Amounts expressed in thousands of Turkish Lira (“TL”).)

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. The fair value of funds obtained from other financial institutions represents the cash flows discounted using market interest rates for fixed interest rates, and the cash flows discounted with market interest rates for variable interest rates according to the interest renewal date. 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.

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 2021 | 31 December 2021 |
| Financial Assets | 31,726,544 | 31,939,865 |
| Interbank Money Market | 20,955 | 20,955 |
| Banks | 459,181 | 459,181 |
| Financial Assets at Fair Value Through Other Comprehensive Income | 4,519,621 | 4,519,621 |
| Financial Assets Measured at Amortized Cost | 7,997,444 | 8,188,100 |
| Loans | 18,729,343 | 18,752,008 |
| Financial Liabilities | 33,998,334 | 33,972,010 |
| Bank Deposits | 748,362 | 748,362 |
| Other Deposits | 15,558,191 | 15,542,908 |
| Funds Borrowed from Other Financial Institutions | 16,974,269 | 16,963,228 |
| Bonds Issued | - | - |
| Other Debts | 717,512 | 717,512 |

| | Carrying Value | Fair Value |
|---|-------------------------|-------------------------|
| | 31 December 2020 | 31 December 2020 |
| Financial Assets | 21,909,904 | 21,937,770 |
| Interbank Money Market | 504,390 | 504,390 |
| Banks | 1,606,968 | 1,606,968 |
| Financial Assets at Fair Value Through Other Comprehensive Income | 5,352,166 | 5,352,356 |
| Financial Assets Measured at Amortized Cost | 4,391,069 | 4,391,069 |
| Loans | 10,055,311 | 10,082,987 |
| Financial Liabilities | 22,629,768 | 23,450,866 |
| Bank Deposits | 179,548 | 179,548 |
| Other Deposits | 11,459,149 | 12,301,256 |
| Funds Borrowed from Other Financial Institutions | 10,294,478 | 10,273,469 |
| Bonds Issued | - | - |
| Other Debts | 696,593 | 696,593 |

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”).)

X. Explanations on Presentation of Financial Assets and Liabilities at Their Fair Value (Devamı)

“IFRS 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.

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities (Exchange value);
- Level 2: Data that are directly (through prices) or indirectly (derived from prices) observable data in terms of assets or liabilities, excluding recorded prices in Level 1 (Valuation techniques can be measured in the market);
- Level 3: Data on assets or liabilities that are not based on observable market data (valuation techniques cannot be measured in the market).

The table below presents the classification of fair values of financial instruments carried at fair value:

| 31 December 2021 | Level 1 | Level 2 | Level 3 | Total |
|--|------------------|------------------|---------|------------------|
| Financial Assets | 1,540,942 | 3,236,333 | - | 4,777,275 |
| Financial Assets At Fair Value Through Profit/Loss | 67,224 | - | - | 67,224 |
| Equity Instruments | 25,763 | - | - | 25,763 |
| Public Debt Securities | - | - | - | - |
| Other Financial Assets | 41,461 | - | - | 41,461 |
| Derivative Financial Assets at Fair Value Through Profit/Loss | - | 190,430 | - | 190,430 |
| Financial Assets at Fair Value Through Other Comprehensive Income | 1,473,718 | 3,045,903 | - | 4,519,621 |
| Equity Instruments | - | - | - | - |
| Public Debt Securities | 1,245,076 | - | - | 1,245,076 |
| Other Securities | 228,642 | - | - | 228,642 |
| Other Financial Assets | - | 3,045,903 | - | 3,045,903 |
| Financial Liabilities | - | 16,323 | - | 16,323 |
| Derivative Financial Liabilities | - | 16,323 | - | 16,323 |

| 31 December 2020 | Level 1 | Level 2 | Level 3 | Total |
|--|----------------|------------------|---------|------------------|
| Financial Assets | 889,642 | 4,500,225 | - | 5,389,867 |
| Financial Assets At Fair Value Through Profit/Loss | 36,205 | 1,496 | - | 37,701 |
| Equity Instruments | 14,359 | - | - | 14,359 |
| Public Debt Securities | - | - | - | - |
| Derivative Financial Assets at Fair Value Through Profit or Loss | - | 1,496 | - | 1,496 |
| Other Financial Assets | 21,846 | - | - | 21,846 |
| Financial Assets at Fair Value Through Other Comprehensive Income | 853,437 | 4,498,729 | - | 5,352,166 |
| Equity Instruments | - | - | - | - |
| Government Debt Securities | 853,437 | - | - | 853,437 |
| Other Financial Assets | - | 4,498,729 | - | 4,498,729 |
| Financial Liabilities | - | 89,955 | - | 89,955 |
| Derivative financial liabilities | - | 89,955 | - | 89,955 |

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 BRSA and Capital Markets Board of Turkey.

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”).)

XI. Explanations Related to Segment Reporting

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

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

Treasury department consists 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.

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

Information related to the Group’s operating segments:

| 31 December 2021 | Retail Banking | Corporate Banking | Treasury, Investment Banking and Others | Group’s Total Operations |
|------------------------------------|----------------|-------------------|---|--------------------------|
| Operating Income | 110,222 | 481,336 | 908,601 | 1,500,159 |
| Net profit of segment | 44,591 | 450,436 | (254,379) | 240,648 |
| Undistributed Costs | - | - | - | - |
| Operating Profit / (Loss) | - | - | - | - |
| Income from subsidiaries | - | - | - | - |
| Profit / (Loss) before tax | 44,591 | 450,436 | (254,379) | 240,648 |
| Tax provision (-) | - | - | 53,459 | 53,459 |
| Profit / (Loss) after tax | 44,591 | 450,436 | (307,838) | 187,189 |
| Net Profit/ (Loss) | 44,591 | 450,436 | (307,838) | 187,189 |
| Segment Assets ⁽¹⁾ | 404,982 | 21,220,588 | 17,747,316 | 39,372,886 |
| Associate and Subsidiaries | - | - | - | - |
| Total Assets | 404,982 | 21,220,588 | 17,747,316 | 39,372,886 |
| Segment Liabilities ⁽¹⁾ | 8,637 | 16,167,599 | 21,571,436 | 37,747,672 |
| Equity | - | - | 1,625,214 | 1,625,214 |
| Total Liabilities | 8,637 | 16,167,599 | 23,196,650 | 39,372,886 |

⁽¹⁾ Segment assets classified in the Other column consist of securities held in the assets of the treasury department, tangible and intangible assets under the head office, fixed assets to be disposed of, deferred tax asset and other non-distributed assets. Segment liabilities classified in the Other column consist of loans taken from abroad, which are under the liabilities of the treasury department, general loan provisions in the general directorate, employee rights provision, current tax provision and miscellaneous debts that cannot be distributed.

Based on information that is presented in the table above, segments of the Group are distributed based on their asset sizes as percentages in current period as; 54% for corporate banking, 1% for retail banking, 45% for treasury, investment banking and others segment. Looking at the gross income (operating income) distribution of the Group, corporate banking constitutes 32% of the total gross income, investment banking and other segments 61% and retail banking 7%.

ICBC TURKEY BANK ANONİM ŞİRKETİ

**EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

(Amounts expressed in thousands of Turkish Lira (“TL”).)

XI. Explanations Related to Operating Segments (continued)

Information related to the Group’s operating segments (continued):

| 31 December 2020 | Retail Banking | Corporate Banking | Treasury, Investment Banking and Others | The Group’s Total Operation |
|------------------------------------|-----------------------|--------------------------|--|--|
| Operating Income | 99,993 | 447,559 | 317,885 | 865,437 |
| Net profit of segment | 41,111 | 390,245 | (301,214) | 130,142 |
| Undistributed Costs | - | - | - | - |
| Operating Profit / (Loss) | 41,111 | 390,245 | (301,214) | 130,142 |
| Income from subsidiaries | - | - | - | - |
| Profit / (Loss) before tax | 41,111 | 390,245 | (301,214) | 130,142 |
| Tax provision (-) | - | - | 39,211 | 39,211 |
| Profit / (Loss) after tax | 41,111 | 390,245 | (340,425) | 90,931 |
| Net Profit for the Period | 41,111 | 390,245 | (340,425) | 90,931 |
| Segment Assets ⁽¹⁾ | 545,506 | 13,680,789 | 10,954,888 | 25,181,183 |
| Associates and Subsidiaries | - | - | - | - |
| Total Assets | 545,506 | 13,680,789 | 10,954,888 | 25,181,183 |
| Segment Liabilities ⁽¹⁾ | 6,521,744 | 5,555,603 | 11,686,020 | 23,763,367 |
| Equity | - | - | 1,417,816 | 1,417,816 |
| Total Liabilities | 6,521,744 | 5,555,603 | 13,103,836 | 25,181,183 |

⁽¹⁾ Segment assets classified in the Other column consist of securities held in the assets of the treasury department, tangible and intangible assets under the head office, fixed assets to be disposed of, deferred tax asset and other non-distributed assets. Segment liabilities classified in the Other column consist of loans taken from abroad, which are under the liabilities of the treasury department, general loan provisions in the general directorate, employee rights provision, current tax provision and miscellaneous debts that cannot be distributed.

Based on information that is presented in the table above, segments of the Group are distributed based on their asset sizes as percentages in prior period as; 54% for corporate banking, 2% for retail banking, 44% for treasury, investment banking and others segment. Looking at the gross income (operating income) distribution of the Group, corporate banking constitutes 52% of the total gross income, investment banking and other segments constitute 37% and retail banking constitutes 11%.

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”).)

SECTION FIVE

EXPLANATIONS AND NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

Explanations and Notes on Consolidated Assets

1. Information related to cash and balances with the Central Bank of the Republic of Turkey:

a) Cash and balances with the Central Bank of the Republic of Turkey:

| | 31 December 2021 | | 31 December 2020 | |
|--|------------------|------------------|------------------|------------------|
| | TL | FC | TL | FC |
| Cash | 18,241 | 149,199 | 15,781 | 69,067 |
| Central Bank of the Republic of Turkey (CBRT) ⁽¹⁾ | 295,762 | 7,141,556 | 97,704 | 2,978,361 |
| Others | - | - | - | - |
| Total | 314,003 | 7,290,755 | 113,485 | 3,047,428 |

⁽¹⁾ As of 31 December 2021, there are no precious metals at the CBRT (31 December 2020: None).

b) Information related to the account of the Central Bank of Turkey:

| | 31 December 2021 | | 31 December 2020 | |
|---|------------------|------------------|------------------|------------------|
| | TL | FC | TL | FC |
| Unrestricted Demand Deposits ⁽¹⁾ | 295,762 | 2,236,850 | 97,704 | 1,458,436 |
| Unrestricted Time Deposits | - | - | - | - |
| Restricted Time Deposits | - | 4,904,706 | - | 1,519,925 |
| Total | 295,762 | 7,141,556 | 97,704 | 2,978,361 |

⁽¹⁾ As at 31 December 2021, there are no precious metals at the CBRT (31 December 2020: None).

c) Explanation related to 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.

As of 31 December 2021, the applicable rates for Turkish lira required reserves are between 3% and 8%, depending on the maturity structure, (31 December 2020: between 1% and %6); The applicable rates for FX required reserves are between 5% and 26%, depending on the maturity structure (31 December 2020: between 5% and 22%).

2. Information on financial assets at fair value through profit or loss (net):

a) Information on trading securities given as collateral/blocked and subject to repo from financial assets at fair value through profit/loss:

As at 31 December 2021 and 31 December 2020, the financial assets at fair value through profit or loss are kept under unrestricted account.

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”).)

I. Explanations and Notes on Consolidated Assets (continued)

2. Financial assets at fair value through profit or loss (net) (continued):

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

Information on Derivative Financial Assets at Fair Value Through Profit/Loss:

| | 31 December 2021 | | 31 December 2020 | |
|----------------------|------------------|---------------|------------------|--------------|
| | TL | FC | TL | FC |
| Forward Transactions | 916 | - | 314 | 247 |
| Swap Transactions | 126,031 | 63,483 | - | 935 |
| Futures Transactions | - | - | - | - |
| Options | - | - | - | - |
| Other | - | - | - | - |
| Total | 126,947 | 63,483 | 314 | 1,182 |

3. Information on banks:

a) Information on Banks:

| | 31 December 2021 | | 31 December 2020 | |
|------------------------------|------------------|----------------|------------------|------------------|
| | TL | FC | TL | FC |
| Banks | | | | |
| Domestic | 12,851 | 336,417 | 2,592 | 1,331,622 |
| Foreign | - | 109,913 | - | 272,754 |
| Foreign Offices and Branches | - | - | - | - |
| Total | 12,851 | 446,330 | 2,592 | 1,604,376 |

b) Information on Foreign Bank Accounts

| | Unrestricted Amount | | Restricted Amount | |
|-------------------------------|---------------------|------------------|-------------------|------------------|
| | 31 December 2021 | 31 December 2020 | 31 December 2021 | 31 December 2020 |
| EU Countries | 18,297 | 35,792 | - | - |
| USA, Canada | 12,620 | 152,134 | - | - |
| OECD Countries ⁽¹⁾ | 4,289 | 3,060 | - | - |
| Off Shore Banking Regions | - | - | - | - |
| Other | 74,707 | 81,768 | - | - |
| Total | 109,913 | 272,754 | - | - |

(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 available-for-sale given as collateral or blocked with net values and comparatively:

| | 31 December 2021 | | 31 December 2020 | |
|----------------------------------|------------------|----------------|------------------|----------------|
| | TL | FC | TL | FC |
| Given as Collateral or Blocked | 183,443 | 250,700 | 401,444 | 180,440 |
| Subject to Repurchase Agreements | - | - | 176,641 | - |
| Total | 183,443 | 250,700 | 578,085 | 180,440 |

As of 31 December 2021, financial assets at fair value through other comprehensive income other than those given as collaterals or subject to repurchase agreements amounting to TL 1,039,575 are unrestricted (31 December 2020: TL 407,884).

Financial Assets at Fair Value Through Other Comprehensive Income includes loans of TL 3,045,903 (31 December 2020: TL 4,185,757).

Related loans are monitored as financial assets whose fair value difference is reflected to other comprehensive income within the scope of TFRS 9. The fair value of this loan was determined by taking into account the discounted cash flows, similar market multipliers, similar transaction multipliers in the same sector and market value average. Related loans are monitored as Level 2 within the scope of TFRS 13 Fair Value Measurement Standard.

ICBC TURKEY BANK ANONİM ŞİRKETİ

**EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

(Amounts expressed in thousands of Turkish Lira (“TL”).)

I. Explanations and Notes on Consolidated Assets (continued)

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

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

| | 31 December 2021 | 31 December 2020 |
|--------------------------|-------------------------|-------------------------|
| Debt Instruments | 1,509,524 | 1,176,791 |
| Listed | 1,279,675 | 861,645 |
| Unlisted | 229,849 | 315,146 |
| Equity Instruments | - | - |
| Listed | - | - |
| Unlisted | - | - |
| Impairment Provision (-) | 35,806 | 10,382 |
| Total | 1,473,718 | 1,166,409 |

5. Information related to loans:

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

| | 31 December 2021 | | 31 December 2020 | |
|--|-------------------------|------------------|-------------------------|-----------------|
| | Cash | Non-Cash | Cash | Non-Cash |
| Direct loans granted to shareholders | - | 1,001,523 | 3,867 | 997,502 |
| Loans Given to Legal Entity Partners | - | 1,001,523 | 3,867 | 997,502 |
| Loans Given to Real Person Partners | - | - | - | - |
| Indirect Loans Granted to Shareholders | - | - | - | - |
| Loans Granted to Employees | 4,473 | - | 3,962 | - |
| Total | 4,473 | 1,001,523 | 7,829 | 997,502 |

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

| 31 December 2021 | Loans Under Close Monitoring | | | |
|---------------------------------|-------------------------------------|---|--|------------------|
| | Standard Loans | Loans Not Subject to restructuring | Restructured Loans | |
| Cash Loans | | | Loans with Revised Contract Terms | Refinance |
| Non-Specialized Loans | 17,627,776 | 3,336 | 1,049,972 | 4,299 |
| Enterprise Loans | 11,321,865 | - | 983,051 | 4,155 |
| Export Loans | 1,296,721 | - | 66,921 | - |
| Import Loans | - | - | - | - |
| Loans Given to Financial Sector | 3,737,353 | - | - | - |
| Consumer Loans | 382,637 | 3,193 | - | 144 |
| Credit Cards | 16,666 | 116 | - | - |
| Other | 872,534 | 27 | - | - |
| Specialized Loans | - | - | - | - |
| Other Receivables | - | - | - | - |
| Total | 17,627,776 | 3,336 | 1,049,972 | 4,299 |

ICBC TURKEY BANK ANONİM ŞİRKETİ

**EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

(Amounts expressed in thousands of Turkish Lira (“TL”).)

I. Explanations and Notes on Consolidated Assets (continued)

5. Information related on loans (continued):

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

| 31 December 2020 | Standard | Loans Under Close Monitoring | | |
|---------------------------------|------------------|------------------------------------|-----------------------------------|--------------|
| | | Loans Not Subject to Restructuring | Restructured Loans | |
| Cash Loans | Loans | | Loans with Revised Contract Terms | Refinance |
| Non-Specialized Loans | 9,399,274 | 569,686 | 38,831 | 1,777 |
| Enterprise Loans | 4,530,485 | - | - | 1,611 |
| Export Loans | 593,763 | 397 | 38,831 | - |
| Import Loans | - | - | - | - |
| Loans Given to Financial Sector | 1,481,499 | - | - | - |
| Consumer Loans | 523,627 | 2,149 | - | 166 |
| Credit Cards | 15,483 | 69 | - | - |
| Other | 2,254,417 | 567,071 | - | - |
| Specialized Loans | - | - | - | - |
| Other Receivables | - | - | - | - |
| Total | 9,399,274 | 569,686 | 38,831 | 1,777 |

| Allowances for Expected Credit Losses on Stage 1 and 2 | 31 December 2021 | | 31 December 2020 | |
|--|------------------|------------------------------|------------------|------------------------------|
| | Standard Loans | Loans Under Close Monitoring | Standard Loans | Loans Under Close Monitoring |
| 12 Months Expected Loss Provision | 171,448 | - | 54,822 | - |
| Significant Increase in Credit Risk | - | 560,884 | - | 203,719 |
| Total | 171,448 | 560,884 | 54,822 | 203,719 |

c) Distribution of cash loans by maturity:

| 31 December 2021 | Loans Under Close Monitoring | | |
|-----------------------------|------------------------------|------------------------------------|--------------------|
| | Standard Loans | Loans not Subject to Restructuring | Restructured Loans |
| Short Term Loans | 7,931,046 | 204 | 3,374 |
| Midterm and Long Term Loans | 9,696,730 | 3,132 | 1,050,897 |
| Total | 17,627,776 | 3,336 | 1,054,271 |

| 31 December 2020 | Loans Under Close Monitoring | | |
|-----------------------------|------------------------------|------------------------------------|--------------------|
| | Standard Loans | Loans not Subject to Restructuring | Restructured Loans |
| Short Term Loans | 4,312,440 | 38,831 | 801 |
| Midterm and Long Term Loans | 5,086,834 | 1,777 | 568,885 |
| Total | 9,399,274 | 40,608 | 569,686 |

ICBC TURKEY BANK ANONİM ŞİRKETİ

**EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

(Amounts expressed in thousands of Turkish Lira (“TL”).)

I. Explanations and Notes on Consolidated Assets (continued)

5. Information related on loans (continued):

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

| Current Period | Short Term | Medium and Long Term | Total |
|--|-------------------|-----------------------------|----------------|
| Consumer Loans – TL | 10,085 | 374,978 | 385,063 |
| Mortgage Loans | - | 291,399 | 291,399 |
| Automotive Loans | - | 4,734 | 4,734 |
| Consumer Loans | 10,085 | 78,845 | 88,930 |
| 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 | 14,201 | - | 14,201 |
| With Installment | 4,042 | - | 4,042 |
| Without Installment | 10,159 | - | 10,159 |
| Consumer Credit Cards – FC | 375 | - | 375 |
| With Installment | - | - | - |
| Without Installment | 375 | - | 375 |
| Personnel Loans – TL | 805 | 1,764 | 2,569 |
| Mortgage Loans | - | 137 | 137 |
| Automotive Loans | - | - | - |
| Consumer Loans | 805 | 1,627 | 2,432 |
| 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 | 1,835 | - | 1,835 |
| With Installment | 613 | - | 613 |
| Without Installment | 1,222 | - | 1,222 |
| Personnel Credit Cards – FC | 69 | - | 69 |
| With Installment | - | - | - |
| Without Installment | 69 | - | 69 |
| Credit Deposit Account – TL (Real Person) | 2,720 | - | 2,720 |
| Credit Deposit Account – FC (Real Person) | - | - | - |
| Total | 30,090 | 376,742 | 406,832 |

ICBC TURKEY BANK ANONİM ŞİRKETİ

**EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

(Amounts expressed in thousands of Turkish Lira (“TL”).)

I. Explanations and Notes on Consolidated Assets (continued)

5. Information related on loans (continued):

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

| Prior Period | Short Term | Medium and Long Term | Total |
|--|-------------------|-----------------------------|----------------|
| Consumer Loans – TL | 8,528 | 510,370 | 518,898 |
| Mortgage Loans | 100 | 393,280 | 393,380 |
| Automotive Loans | 65 | 7,266 | 7,331 |
| Consumer Loans | 8,363 | 109,824 | 118,187 |
| 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 | 13,471 | - | 13,471 |
| With Installment | 3,508 | - | 3,508 |
| Without Installment | 9,963 | - | 9,963 |
| Consumer Credit Cards – FC | 152 | - | 152 |
| With Installment | - | - | - |
| Without Installment | 152 | - | 152 |
| Personnel Loans – TL | 420 | 2,332 | 2,752 |
| Mortgage Loans | - | 190 | 190 |
| Automotive Loans | - | - | - |
| Consumer Loans | 420 | 2,142 | 2,562 |
| 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 | 1,174 | - | 1,174 |
| With Installment | 433 | - | 433 |
| Without Installment | 741 | - | 741 |
| Personnel Credit Cards – FC | 36 | - | 36 |
| With Installment | - | - | - |
| Without Installment | 36 | - | 36 |
| Credit Deposit Account – TL (Real Person) | 3,888 | - | 3,888 |
| Credit Deposit Account – FC (Real Person) | - | - | - |
| Total | 27,669 | 512,702 | 540,371 |

ICBC TURKEY BANK ANONİM ŞİRKETİ

**EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

(Amounts expressed in thousands of Turkish Lira (“TL”).)

I. Explanations and Notes on Consolidated Assets (continued)

5. Information related on loans (continued):

e) Information on installment corporate loans and corporate credit cards:

| Current Period | Short Term | Medium and Long Term | Total |
|---|-------------------|-----------------------------|------------------|
| Commercial Installment Loans – TL | 45 | 214,202 | 214,247 |
| Business Residential Loans | - | - | - |
| Automotive Loans | - | - | - |
| Consumer Loans | 45 | 206,969 | 207,014 |
| Other | - | 7,233 | 7,233 |
| Commercial Installment Loans – Indexed to FC | - | - | - |
| Business Residential Loans | - | - | - |
| Automotive Loans | - | - | - |
| Consumer Loans | - | - | - |
| Other | - | - | - |
| Commercial Installment Loans – FC | - | 3,915,321 | 3,915,321 |
| Business Residential Loans | - | - | - |
| Automotive Loans | - | - | - |
| Consumer Loans | - | 3,915,321 | 3,915,321 |
| Other | - | - | - |
| Corporate Credit Cards – TL | 530 | - | 530 |
| With Installment | 87 | - | 87 |
| Without Installment | 443 | - | 443 |
| Corporate Credit Cards – FC | 174 | - | 174 |
| With Installment | - | - | - |
| Without Installment | 174 | - | 174 |
| Credit Deposit Account – TL (Legal Entity) | 41 | - | 41 |
| Credit Deposit Account – FC (Legal Entity) | - | - | - |
| Total | 790 | 4,129,523 | 4,130,313 |

| Prior Period | Short Term | Medium and Long Term | Total |
|---|-------------------|-----------------------------|------------------|
| Commercial Installment Loans – TL | 100 | 270,312 | 270,412 |
| Business Residential Loans | - | - | - |
| Automotive Loans | - | - | - |
| Consumer Loans | 100 | 248,736 | 248,836 |
| Other | - | 21,576 | 21,576 |
| Commercial Installment Loans – Indexed to FC | - | 3,964 | 3,964 |
| Business Residential Loans | - | - | - |
| Automotive Loans | - | - | - |
| Consumer Loans | - | 3,964 | 3,964 |
| Other | - | - | - |
| Commercial Installment Loans – FC | 2,812 | 1,623,097 | 1,625,909 |
| Business Residential Loans | - | - | - |
| Automotive Loans | - | - | - |
| Consumer Loans | 2,812 | 1,623,097 | 1,625,909 |
| Other | - | - | - |
| Corporate Credit Cards – TL | 643 | - | 643 |
| With Installment | 95 | - | 95 |
| Without Installment | 548 | - | 548 |
| Corporate Credit Cards – FC | 76 | - | 76 |
| With Installment | - | - | - |
| Without Installment | 76 | - | 76 |
| Credit Deposit Account – TL (Legal Entity) | - | - | - |
| Credit Deposit Account – FC (Legal Entity) | - | - | - |
| Total | 3,631 | 1,897,373 | 1,901,004 |

ICBC TURKEY BANK ANONİM ŞİRKETİ

**EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

(Amounts expressed in thousands of Turkish Lira (“TL”).)

I. Explanations and Notes on Consolidated Assets (continued)

5. Information related on loans (continued)

f) Loan concentration based on counterparties:

| | 31 December 2021 | 31 December 2020 |
|--------------|-------------------|-------------------|
| Public | 477,759 | 2,844,388 |
| Private | 18,251,584 | 7,210,923 |
| Total | 18,729,343 | 10,055,311 |

g) Domestic and foreign loans:

| | 31 December 2021 | 31 December 2020 |
|----------------|-------------------|-------------------|
| Domestic Loans | 18,274,733 | 9,266,426 |
| Foreign Loans | 454,610 | 788,885 |
| Total | 18,729,343 | 10,055,311 |

h) Loans granted to subsidiaries and associates: None (31 December 2020: TL 8).

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

| | 31 December 2021 | 31 December 2020 |
|--|------------------|------------------|
| Loans and Receivables with Limited Collectibility | 16 | - |
| Loans and Receivables with Doubtful Collectibility | 49 | 679 |
| Allocated for Loss Loans | 37,881 | 35,241 |
| Total | 37,946 | 35,920 |

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 | - | - | 44 |
| Restructured Loans and Other Receivables | - | - | 44 |

| | Group III Loans with Limited Collectibility | Group IV Loans with Doubtful Collectibility | Group V Uncollectible Loans |
|--|--|--|--------------------------------|
| Current Period | | | |
| Gross Amounts Before the Specific Reserves | - | - | 858 |
| Restructured Loans and Other Receivables | - | - | 858 |

ICBC TURKEY BANK ANONİM ŞİRKETİ

**EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

(Amounts expressed in thousands of Turkish Lira (“TL”).)

I. Explanations and Notes on Consolidated Assets (continued)

5. Information related on loans (continued)

j) Information on non-performing loans (Net)(continued):

j.2) Information related on loans:

| | Group III Loans with Limited Collectibility | Group IV Loans with Doubtful Collectibility | Group V Uncollectible Loans |
|--|--|--|--|
| Prior Period End Balance | - | 3,017 | 42,726 |
| Additions (+) | 215 | 141 | 3,172 |
| Transfers from Other Categories of Non- Performing Loans (+) | - | 21 | 282 |
| Transfers to Other Categories of Non-Performing Loans (-) | 21 | 282 | - |
| Collections (-) | 22 | 2,836 | 2,453 |
| Write-offs (-) | - | - | - |
| Sold Portfolio (-) | - | - | - |
| Corporate and Commercial Loans | - | - | - |
| Retail Loans | - | - | - |
| Credit Cards | - | - | - |
| Other | - | - | - |
| Balances at End of the Period | 172 | 61 | 43,727 |
| Provisions (-) | 16 | 49 | 37,881 |
| Net Balance on Balance Sheet | 156 | 12 | 5,846 |

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

| | Group III Loans with Limited Collectibility | Group IV Loans with Doubtful Collectibility | Group V Uncollectible Loans |
|-----------------------------------|--|--|--|
| Current Period | | | |
| Balances at the End of the Period | - | - | 162 |
| Provision Amount (-) | - | - | 161 |
| Net Balance on Balance Sheet | - | - | 1 |
| Prior Period | | | |
| Balances at the End of the Period | - | - | 141 |
| Provision Amount (-) | - | - | 128 |
| Net Balance on Balance Sheet | - | - | 13 |

ICBC TURKEY BANK ANONİM ŞİRKETİ

**EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

(Amounts expressed in thousands of Turkish Lira (“TL”).)

I. Explanations and Notes on Consolidated Assets (continued)

5. Information related on loans (continued)

j) Information on non-performing loans (Net)(continued):

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

| | Group III Loan with Limited Collectibility | Group IV Loans with Doubtful Collectibility | Group V Uncollectible Loans |
|--|---|--|--|
| Current Period (Net) | 156 | 12 | 5,846 |
| Loans Allowed to Real Persons and Corporate Entities (Gross) | 172 | 61 | 43,727 |
| Provision Amount (-) | 16 | 49 | 37,881 |
| Loans Allowed to Real Persons and Corporate Entities (Net) | 156 | 12 | 5,846 |
| Banks (Gross) | - | - | - |
| Provision Amount (-) | - | - | - |
| Banks (Net) | - | - | - |
| Other Loan and Receivables (Gross) | - | - | - |
| Provision Amount (-) | - | - | - |
| Other Loan and Receivables (Net) | - | - | - |
| Prior Period (Net) | - | 2,338 | 7,485 |
| Loans Allowed to Real Persons and Corporate Entities (Gross) | - | 3,017 | 42,726 |
| Provision Amount (-) | - | 679 | 35,241 |
| Loans Allowed to Real Persons and Corporate Entities (Net) | - | 2,338 | 7,485 |
| Banks (Gross) | - | - | - |
| Provision Amount (-) | - | - | - |
| Banks (Net) | - | - | - |
| Other Loan and Receivables (Gross) | - | - | - |
| Provision Amount (-) | - | - | - |
| Other Loan and Receivables (Net) | - | - | - |

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 Loan with Limited Collectibility | Group IV Loans with Doubtful Collectibility | Group V Uncollectible Loans |
|---|---|--|--|
| Current Period (Net) | - | - | 1,307 |
| Interest accruals and rediscounts and valuation differences | - | - | 11,722 |
| Provision amount (-) | - | - | 10,415 |
| Prior Period (Net) | - | - | 1,574 |
| Interest Accruals And Rediscounts And Valuation Differences | - | 1 | 8,943 |
| Provision Amount (-) | - | 1 | 7,369 |

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

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

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”).)

I. Explanations and Notes on Consolidated Assets (continued)

5. Information related on loans (continued)

l) Information on write-off from assets policy:

The Parent Bank’s general policy for write-off of loans and receivables under follow-up is to write off such loans and receivables that are proven to be uncollectible by obtaining required documentation, also considering Tax Procedural Law’s verdicts. As of 31 December 2021, there are no written-off loans (31 December 2020: TL 17,284).

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 2021, the Bank’s government debt securities valued at amortized cost is TL 7,319,678. (31 December 2020: 3,196,580 TL).

| | 31 December 2021 | 31 December 2020 |
|-------------------------------------|------------------|------------------|
| Government Bonds | 7,319,678 | 3,196,580 |
| Treasury Bills | - | - |
| Other Public Sector Debt Securities | - | - |
| Total | 7,319,678 | 3,196,580 |

b) Information on financial assets at amortized cost:

| | 31 December 2021 | 31 December 2020 |
|--|------------------|------------------|
| Debt Instruments | 7,651,959 | 4,223,205 |
| Listed | - | - |
| Unlisted | 7,651,959 | 4,223,205 |
| Value Increase / Impairment Provision ⁽¹⁾ | 345,485 | 167,864 |
| Total | 7,997,444 | 4,391,069 |

⁽¹⁾ Consists of change in interest accruals.

d) Information on the movement of financial assets at amortized cost during the year:

| | 31 December 2021 | 31 December 2020 |
|--|------------------|------------------|
| Beginning Balance | 4,391,069 | 2,889,131 |
| Foreign Currency Differences on Monetary Assets | 2,240,239 | 437,063 |
| Purchases During Year | 2,135,581 | 1,240,930 |
| Disposals Through Sales and Redemptions | (1,114,930) | (343,919) |
| Value Increase / Impairment Provision ⁽¹⁾ | 345,485 | 167,864 |
| Total | 7,997,444 | 4,391,069 |

⁽¹⁾ Consists of change in interest accruals.

7. Information on associates (net):

None (31 December 2020: None).

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”).)

I. Explanations and Notes on Consolidated Assets (continued)

8. Information on subsidiaries (net):

As of 31 December 2021, the Parent Bank has subsidiary as ICBC Turkey Yatırım Menkul Değerler A.Ş. The Parent Bank does not have any capital needs due to its subsidiary which is included in the calculation of its consolidated capital adequacy standard ratio. The current equity amount of the subsidiary fulfils the minimum capital requirement entailed in accordance with the Capital Markets Board’s regulations.

Information related to subsidiaries:

- a) Information on unconsolidated subsidiaries:
None.
- b) Information on unconsolidated subsidiaries according to information above:
None
- c) Movement of unconsolidated subsidiaries:
None.
- d) Industrial distribution of unconsolidated subsidiaries:
As of 31 December 2021, the Parent Bank has no unconsolidated subsidiary.
- e) Information on consolidated subsidiaries:

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

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

| Total Assets | Shareholders’ Equity | Total Fixed Assets | Interest Income | Income from Marketable Securities Portfolio | Current Period Profit/(Loss) | Prior Period Profit / (Loss) | Fair Value |
|--------------|-------------------------|--------------------------|--------------------|---|------------------------------------|---------------------------------------|------------|
| 853,733 | 247,727 | 3,551 | 35,472 | - | 70,021 | 32,883 | - |

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.

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 |
|--------------|-------------------------|-----------------------|--------------------|---|------------------------------------|---------------------------------------|------------|
| 9,568 | 8,929 | 35 | 927 | - | 489 | 431 | - |

- g) Movement of consolidated subsidiaries:

| | 31 December 2021 | 31 December 2020 |
|---|------------------|------------------|
| Balance at the Beginning of the Period | 75,998 | 75,998 |
| Movements During the Period | - | - |
| Purchases | - | - |
| Bonus Shares Received | - | - |
| Dividends from Current Year Profit | - | - |
| Sales | - | - |
| Revaluation Increase | - | - |
| Impairment Provision | - | - |
| Balance at the End of the Period | 75,998 | 75,998 |

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”).)

I. Explanations and Notes on Consolidated Assets (continued)

8. Information on subsidiaries (net) (continued):

h) Sector information and related recorded amounts of subsidiaries included in the scope of consolidation:

| | 31 December 2021 | 31 December 2020 |
|------------------------------|------------------|------------------|
| Banks | - | - |
| Insurance Companies | - | - |
| Factoring Companies | - | - |
| Leasing Companies | - | - |
| Finance Companies | - | - |
| Other Financial Subsidiaries | 75,998 | 75,998 |
| Total | 75,998 | 75,998 |

i) Listed subsidiaries: None (31 December 2020: None).

j) Subsidiaries disposed of during the current period: None. (31 December 2020: None).

k) Subsidiaries purchased in the current period: None. (31 December 2020: None).

9. Information on joint ventures (net):

The Parent Bank does not have any joint ventures. (31 December 2020: None).

10. Information on financial lease receivables (net):

None. (31 December 2020: None).

11. Information on hedging purpose derivatives:

The Group does not have derivative financial instruments for hedging purposes. (31 December 2020: None).

12. Information on investment properties (net):

The Bank has no investment property (31 December 2020: None).

ICBC TURKEY BANK ANONİM ŞİRKETİ

**EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

(Amounts expressed in thousands of Turkish Lira (“TL”).)

I. Explanations and Notes on Consolidated Assets (continued)

13. Information on tangible assets:

| 31 December 2021 | Buildings | Tangible assets from finance lease | Vehicles | Right-of- Use | Other Tangible Assets | Total |
|--|------------------|---|-----------------|--------------------------|--------------------------------------|----------------|
| Prior Period End: 31/12/2020 | | | | | | |
| Cost | 25,396 | 2,269 | - | 99,055 | 78,622 | 205,342 |
| Accumulated Depreciation (-) | 3,976 | 2,269 | - | 34,628 | 51,046 | 91,919 |
| Net Book Value | 21,420 | - | - | 64,427 | 27,576 | 113,423 |
| Current Period End: 31/12/2020 | | | | | | |
| Net Book Value at the Beginning of the Period | 21,420 | - | - | 64,427 | 27,576 | 113,423 |
| Additions | 241 | - | - | 19,304 | 8,055 | 27,600 |
| Disposals, net (-) | - | - | - | 176 | - | 176 |
| Revaluation / (Impairment) | 12,379 | - | - | - | - | 12,379 |
| Depreciation (-) | 175 | - | - | 20,380 | 9,434 | 29,989 |
| Cost at period end | 38,016 | 2,269 | - | 118,183 | 86,677 | 245,145 |
| Accumulated Depreciation at period end (-) | 4,151 | 2,269 | - | 55,008 | 60,480 | 121,908 |
| Closing Net Book Value | 33,865 | - | - | 63,175 | 26,197 | 123,237 |

| 31 December 2020 | Buildings | Tangible assets from finance lease | Vehicles | Right-of- Use | Other Tangible Assets | Total |
|--|------------------|---|-----------------|--------------------------|--------------------------------------|----------------|
| Prior Period End: 31/12/2019 | | | | | | |
| Cost | 23,046 | 2,269 | - | 95,313 | 67,280 | 187,908 |
| Accumulated Depreciation (-) | 3,795 | 2,269 | - | 17,648 | 45,637 | 69,349 |
| Net Book Value | 19,251 | - | - | 77,665 | 21,643 | 118,559 |
| Current Period End: 31/12/2019 | | | | | | |
| Net Book Value at the Beginning of the Period | 19,251 | - | - | 77,665 | 21,643 | 118,559 |
| TFRS 16 Opening Balance | - | - | - | 80,333 | - | 80,333 |
| Additions | - | - | - | 15,835 | 12,107 | 27,942 |
| Disposals, net (-) | - | - | - | - | 927 | 927 |
| Revaluation / (Impairment) | 2,350 | - | - | - | - | 2,350 |
| Depreciation (-) | 181 | - | - | 34,628 | 10,472 | 45,281 |
| Cost at period end | 25,396 | 2,269 | - | 99,055 | 78,622 | 205,342 |
| Accumulated Depreciation at period end (-) | 3,976 | 2,269 | - | 34,628 | 51,046 | 91,919 |
| Closing Net Book Value | 21,420 | - | - | 64,427 | 27,576 | 113,423 |

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”).)

I. Explanations and Notes 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 2021 | Buildings | Tangible assets from finance lease | Right-of-Use Assets | Other Tangible Assets | Total |
|------------------------------|-----------|--|---------------------|-----------------------------|------------|
| Cost | - | - | 452 | - | 452 |
| Accumulated Depreciation (-) | - | - | 276 | - | 276 |
| Net disposal amount | - | - | 176 | - | 176 |

| 31 December 2020 | Buildings | Tangible assets from finance lease | Vehicles | Other Tangible Assets | Total |
|------------------------------|-----------|--|----------|-----------------------------|------------|
| Cost | - | - | - | 1,386 | 1,386 |
| Accumulated Depreciation (-) | - | - | - | 459 | 459 |
| Net disposal amount | - | - | - | 927 | 927 |

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 2021 | 31 December 2020 |
|------------------------------|------------------|------------------|
| Gross Book Value | 51,722 | 41,241 |
| Accumulated Amortization (-) | 40,285 | 33,402 |
| Total | 11,437 | 7,839 |

b) Movement table contains below mentioned information at the beginning and the end of the period:

| | 31 December 2021 | 31 December 2020 |
|--|------------------|------------------|
| Beginning of the Period | 7,839 | 8,194 |
| Additions Resulting from Mergers, Acquisitions and Purchases | 10,480 | 5,307 |
| Disposals and Sales (-) | - | - |
| Accumulated Amortization for the Period (-) | 6,882 | 5,662 |
| Period End | 11,437 | 7,839 |

14. Information on investment properties:

The Group has no investment property. (31 December 2020 : 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:

| | (1 January – 31 December 2021) | (1 January - 31 December 2020) |
|--|--------------------------------|--------------------------------|
| Balance at the beginning of the previous period | 116,269 | 30,918 |
| TFRS 9 effect | - | - |
| Balance at the beginning of the current period | 116,269 | 30,918 |
| Deferred tax income / (expense) (net) | 186,429 | 84,470 |
| Deferred tax recognized in other comprehensive income | (2,085) | 881 |
| Balance at the end of the period | 300,613 | 116,269 |

ICBC TURKEY BANK ANONİM ŞİRKETİ**EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

(Amounts expressed in thousands of Turkish Lira (“TL”).)

15. Information on deferred tax assets (continued):

Net deferred tax asset / (liability) movements in the current and previous periods are as follows.

| Timing differences from a basis for deferred tax | Current period | | Prior period | |
|---|---|-----------------------------------|---|-----------------------------------|
| | Accumulated temporary differences | Deferred tax asset / (debt) | Accumulated temporary differences | Deferred tax asset / (debt) |
| Provisions (*) | 322,425 | 80,104 | 34,653 | 6,931 |
| Financial assets and liabilities valuation differences | 342,489 | 85,622 | 37,816 | 7,563 |
| Derivative valuation differences | (174,102) | (43,526) | 88,548 | 17,710 |
| Loan provisions on stage I and II | 862,145 | 175,896 | 359,958 | 71,992 |
| Other | 9,874 | 2,517 | 60,369 | 12,073 |
| Total net deferred tax asset / (liability) | 1,362,831 | 300,613 | 581,344 | 116,269 |

(*) Consists of employee rights provisions, credit score provisions and other provisions.

As at 31 December 2021, the Group’s deferred tax asset arising from the deductible temporary differences except for general loan provisions is amounting to TL 300,613 (31 December 2020: TL 116,269). As at 31 December 2021, there is no deferred tax asset arising from financial losses (31 December 2020: 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.

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 Group has no asset held for sale and discontinued operation as at 31 December 2021 and 31 December 2020.

17. Information on other assets:

Total other assets of the balance sheet amount to TL 140,933 (31 December 2020: TL 165,195) and does not exceed 10% of the balance sheet total, excluding off-balance sheet commitments.

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”).)

II. Explanations and Notes 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 2021:

| | Demand | Up to 1 Month | 1-3 Months | 3-6 Months | 6 Months-1 Year | 1 Year and Over | Cumulative Deposits | Total |
|---------------------------|------------------|------------------|-------------------|----------------|-----------------|-----------------|---------------------|-------------------|
| Saving Deposits | 56,463 | 164,413 | 1,121,269 | 43,010 | 1,017 | 2,301 | - | 1,388,473 |
| Foreign Currency Deposits | 2,488,602 | 709,758 | 10,026,709 | 126,508 | 566,055 | 27,441 | - | 13,945,073 |
| Residents in Turkey | 2,287,561 | 706,186 | 9,118,467 | 123,157 | 111,324 | 2,844 | - | 12,349,539 |
| Residents Abroad | 201,041 | 3,572 | 908,242 | 3,351 | 454,731 | 24,597 | - | 1,595,534 |
| Public Sector Deposits | 7,524 | - | - | - | - | - | - | 7,524 |
| Commercial Deposits | 146,033 | 26,255 | 34,907 | 73 | - | - | - | 207,268 |
| Other Ins. Deposits | 4,062 | 738 | 5,012 | - | 40 | 1 | - | 9,853 |
| Precious Metal Deposits | - | - | - | - | - | - | - | - |
| Bank Deposits | 148,109 | 600,253 | - | - | - | - | - | 748,362 |
| CBRT | - | - | - | - | - | - | - | - |
| Domestic Banks | 128,084 | 600,253 | - | - | - | - | - | 728,337 |
| Foreign Banks | 20,025 | - | - | - | - | - | - | 20,025 |
| Participation Banks | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - |
| Total | 2,850,793 | 1,501,417 | 11,187,897 | 169,591 | 567,112 | 29,743 | - | 16,306,553 |

a.2) 31 December 2020:

| | Demand | Up to 1 Month | 1-3 Months | 3-6 Months | 6 Months-1 Year | 1 Year and Over | Cumulative Deposits | Total |
|---------------------------|----------------|----------------|------------------|---------------|-----------------|-----------------|---------------------|-------------------|
| Saving Deposits | 40,717 | 157,936 | 1,294,936 | 485 | 357 | 87 | - | 1,494,518 |
| Foreign Currency Deposits | 693,143 | 456,568 | 8,386,656 | 18,807 | 127,665 | 55,200 | - | 9,738,039 |
| Residents in Turkey | 651,264 | 448,599 | 8,131,672 | 16,283 | 7,531 | 1,760 | - | 9,257,109 |
| Residents Abroad | 41,879 | 7,969 | 254,984 | 2,524 | 120,134 | 53,440 | - | 480,930 |
| Public Sector Deposits | 6,763 | - | - | - | - | - | - | 6,763 |
| Commercial Deposits | 91,196 | 5,853 | 103,216 | 148 | 59 | 2 | - | 200,474 |
| Other Ins. Deposits | 3,279 | 1,669 | 14,362 | 12 | 32 | 1 | - | 19,355 |
| Precious Metal Deposits | - | - | - | - | - | - | - | - |
| Bank Deposits | 87,036 | 92,512 | - | - | - | - | - | 179,548 |
| CBRT | - | - | - | - | - | - | - | - |
| Domestic Banks | 19,931 | 73,409 | - | - | - | - | - | 93,340 |
| Foreign Banks | 67,105 | 19,103 | - | - | - | - | - | 86,208 |
| Participation Banks | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - |
| Total | 922,134 | 714,538 | 9,799,170 | 19,452 | 128,113 | 55,290 | - | 11,638,697 |

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”).)

II. Explanations and Notes on Consolidated Liabilities (continued)

1. Information on deposits (continued):

b) Information on deposit insurance:

b.1) Information on savings deposits insured by saving deposit insurance fund and the total amount of the deposits exceeding the insurance coverage limit:

| Saving Deposits | Covered by Deposit Insurance Fund | Exceeding the Deposit Insurance Limit |
|---|--------------------------------------|---|
| | 31 December 2021 | 31 December 2021 |
| Saving Deposits | 694,196 | 694,277 |
| Foreign Currency Savings Deposits | 757,126 | 4,926,525 |
| Other Saving Deposits | - | - |
| Foreign branches' Deposits Under Foreign Insurance Coverage | - | - |
| Off-Shore Deposits Under Foreign Insurance Coverage | - | - |
| Total | 1,451,322 | 5,620,802 |

| Saving Deposits | Covered by Deposit Insurance Fund | Exceeding the Deposit Insurance Limit |
|---|--------------------------------------|---|
| | 31 December 2020 | 31 December 2020 |
| Saving Deposits | 802,803 | 689,835 |
| Foreign Currency Savings Deposits | 642,168 | 3,922,840 |
| Other Saving Deposits | - | - |
| Foreign branches' Deposits Under Foreign Insurance Coverage | - | - |
| Off-Shore Deposits Under Foreign Insurance Coverage | - | - |
| Total | 1,444,971 | 4,612,675 |

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

b.3) The Group has saving deposits not covered by deposit insurance amounting to TL 11,389 (31 December 2020 : TL 7,209).

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

| | 31 December 2021 | 31 December 2020 |
|--|------------------|------------------|
| Deposits and Other Accounts at Foreign Branches | - | - |
| Deposits and Other Accounts belong to Major Shareholders with Their Parents, Spouse and Children under Their Care | - | - |
| Deposits and Other Accounts belong to Members of Board of Directors, CEO and Deputy CEOs with Their Parents, Spouse and Children under Their Care | 11,389 | 7,209 |
| Deposits and Other Accounts linked to Crimes Mentioned in 282 nd Article of 5237 Numbered Turkish Crime Legislation dated on 26/09/2004 | - | - |
| Deposits belong to Off-shore Banks which are established to be engaged in offshore banking in Turkey | - | - |

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”).)

II. Explanations and Notes on Consolidated Liabilities (continued)

2. Payables to Money Markets:

As of 31 December 2021, the Group has funds from repo transactions amounting to TL 22,549 and funds from interbank markets amounting to TL 3,001,933 (31 December 2020: TL 697,700).

3. Derivative financial liabilities:

Derivative financial liabilities statement:

| | 31 December 2021 | | 31 December 2020 | |
|-----------------------|------------------|--------------|------------------|---------------|
| | TL | FC | TL | FC |
| Forwards Transactions | 10,568 | 79 | 5 | 280 |
| Swaps Transactions | 1,252 | 4,424 | 288 | 89,339 |
| Futures Transactions | - | - | - | - |
| Options | - | - | - | 43 |
| Other | - | - | - | - |
| Total | 11,820 | 4,503 | 293 | 89,662 |

4. Information on funds borrowed:

a) Information on banks and other financial institutions:

| | 31 December 2021 | | 31 December 2020 | |
|--|------------------|-------------------|------------------|------------------|
| | TL | FC | TL | FC |
| Central Bank of the Republic of Turkey | - | - | - | - |
| Domestic Banks and Institutions | 11,040 | - | 21,009 | - |
| Foreign Banks, Institutions and Funds | 1 | 12,963,603 | 618,183 | 7,452,646 |
| Total | 11,041 | 12,963,603 | 639,192 | 7,452,646 |

b) Contractual maturities of funds borrowed:

| | 31 December 2021 | | 31 December 2020 | |
|----------------------|------------------|-------------------|------------------|------------------|
| | TL | FC | TL | FC |
| Short-Term | 11,041 | 2,841,570 | 639,192 | 2,368,890 |
| Medium and Long-Term | - | 10,122,033 | - | 5,083,756 |
| Total | 11,041 | 12,963,603 | 639,192 | 7,452,646 |

c) Additional information on concentrations of Parents 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.

5. Information on other liabilities:

Other liabilities amount to TL 717,512 (31 December 2020: TL : 696,593) on the balance sheet and do not exceed 10% of the total balance sheet excluding off-balance sheet commitments.

6. Information on lease payables (net):

| | 31 December 2021 | | 31 December 2020 | |
|-------------------|------------------|----------|------------------|----------|
| | TL | FC | TL | FC |
| Less than 1 Year | 8,222 | - | 3,738 | - |
| Between 1-4 Years | 19,155 | - | 29,400 | - |
| More Than 4 Years | 47,157 | - | 39,562 | - |
| Total | 74,534 | - | 72,700 | - |

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

The Group does not have derivative financial instruments for hedging purposes (31 December 2020: None).

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira ("TL").)

II. Explanations and Notes on Consolidated Liabilities (continued)

8. 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..

The indemnity payable is one month's salary for each year of service and as of 31 December 2021, this amount is restricted with full TL 10,848.59 (31 December 2020: full TL 7,117.17). 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 is that the severance pay ceiling to be paid for each year of service will increase each year at the rate of inflation or the estimated salary increase. Thus, the discount rate applied will show the expected real rate after adjusting for the expected effects of inflation.

| | 31 December 2021 | 31 December 2020 |
|---|------------------|------------------|
| Discount Ratio (%) | 3.09 | 4.11 |
| Expected Salary/ETI Liability Ceiling Increase Rate (%) | 21.85 | 9.50 |
| Rate for the Probability of Retirement (%) | 25.61 | 14.00 |

Movement of ETI liability is as below:

| | 31 December 2021 | 31 December 2020 |
|---|------------------|------------------|
| Balance at Prior Period End | 16,889 | 14,114 |
| Current Year Provisions | 9,299 | 4,653 |
| Paid in Current Year | (2,086) | (1,878) |
| Actual Loss/ (Gain) | 4,697 | - |
| Balance at the End of the Period | 28,799 | 16,889 |

As at 31 December 2021, the Group has vacation pay liability amounting TL 14,974 (31 December 2020: TL 10,135).

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

As at 31 December 2021, there is no foreign exchange differences on foreign currency indexed loans (31 December 2020: None) are netted with loans on the asset side.

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

As at 31 December 2021, the Group has specific provision amounting to TL 9,913 (31 December 2020: TL 7,070) for non-cash loans that are not indemnified and not converted into cash and irrevocable commitments amounting to TL 4,916 (31 December 2020: TL 3,449).

d) Information on other provisions:

d.1) Information on provision for possible risks:

None.

d.2) Information on provision for promotions related with banking services:

As at 31 December 2021, the Parent Bank has provision for credit card service promotions amounting TL 69 (31 December 2020: TL 67).

d.3) Information on other provisions::

As at 31 December 2021, there is provision for lawsuits filed against the Parent Bank and its subsidiary amounting TL 19,958 (31 December 2020: TL 14,347).

As at 31 December 2021, there is provision for personnel bonus amounting TL 257,429 (31 December 2020: TL 97,344).

As at 31 December 2021, the Group has provision for non-cash loans amounting to TL 104,079 (31 December 2020: TL 65,215).

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”).)

II. Explanations and Notes on Consolidated Liabilities (continued)

9. Information on tax liabilities:

a) Information on taxes payable:

| | 31 December 2021 | 31 December 2020 |
|--|------------------|------------------|
| Corporate Taxes Payable | 162,367 | 40,898 |
| Taxation on Securities | 5,525 | 8,748 |
| Property Tax | 334 | 130 |
| Booking and Insurance Transaction Tax (BITT) | 6,370 | 4,057 |
| Foreign Exchange Tax | - | - |
| Value Added Tax Payable | 1,531 | 2,322 |
| Other | 15,968 | 8,093 |
| Total | 192,095 | 64,248 |

b) Information on premiums payable:

| | 31 December 2021 | 31 December 2020 |
|--|------------------|------------------|
| Social Security Premiums- Employee | 3,051 | 2,150 |
| Social Security Premiums- Employer | 3,395 | 2,390 |
| Bank Social Aid Pension Fund Premium - Employee | - | - |
| Bank Social Aid Pension Fund Premium - Employer | - | - |
| Pension Fund Membership Fees And Provisions - Employee | - | - |
| Pension Fund Membership Fees And Provisions - Employer | - | - |
| Unemployment Insurance- Employee | 217 | 152 |
| Unemployment Insurance- Employer | 434 | 306 |
| Other | - | - |
| Total | 7,097 | 4,998 |

c) 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 consolidated entities are not netted off with each other during consolidation process.

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

None.

11. Explanations on subordinated loans including quantity, maturity, interest rate, issuing institution, option to be converted into stock certificate:

| | 31 December 2021 | | 31 December 2020 | |
|---|------------------|------------------|------------------|------------------|
| | TL | FC | TL | FC |
| Debt Instruments to be Included in the Additional Capital | | | | |
| Borrowing Instruments | - | - | - | - |
| Subordinated Loans | - | - | - | - |
| Subordinated Debt Instruments | - | - | - | - |
| Debt Instruments to be Included in the Tier II | | | | |
| Capital Calculation | - | 3,999,625 | - | 2,202,640 |
| Subordinated Loans ⁽¹⁾ | - | 3,999,625 | - | 2,202,640 |
| Subordinated Debt Instruments | - | - | - | - |
| Total | - | 3,999,625 | - | 2,202,640 |

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

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”).)

II. Explanations and Notes on Consolidated Liabilities (continued)

12. Information on shareholders’ equity:

a) Paid in capital:

| | 31 December 2021 | 31 December 2020 |
|--------------|------------------|------------------|
| Common Stock | 860,000 | 860,000 |

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

- b) Paid-in capital amount, explanation as to whether the registered share capital system is applicable at bank; if so the amount of registered share capital: None.
- c) Information on share capital increases and their sources; other information on any increase in capital shares during the current period:
There is no capital increase in the current period.
- d) Information on share capital increases from revaluation funds:
There is no capital increase in the current period.
- e) Capital commitments for current financial year and following period, and the overall purpose of these commitments and the estimated resources required for these commitments: None.
- f) Prior period indicators of the Parent Bank’s income, profitability and liquidity; and possible effects of the predictions on equity, considering the ambiguity of the indicators: None.
- g) Information on the privileges given to stocks representing the capital: The 70% of share capital of the Parent Bank consist of Type A shares and the 30% of the remaining consist of Type B shares. Three out of five members of the Board of Directors are appointed by Type A shareholders and the remaining two are appointed by Type B shareholders. There is no other privilege appointed.
- h) Information on marketable securities value increase fund:

| | 31 December 2021 | | 31 December 2020 | |
|--|------------------|--------------|------------------|----------------|
| | TL | FC | TL | FC |
| From Investment in Associates, Subsidiaries and Joint Ventures | - | - | - | - |
| Revaluation Difference | 2,458 | 1,555 | 1,834 | (6,377) |
| Foreign Exchange Difference | - | - | - | - |
| Total | 2,458 | 1,555 | 1,834 | (6,377) |

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”).)

III. Explanations and Notes on Consolidated Off-Balance Sheet Items

1. Explanation on off-balance sheet items:

a) Type and amount of irrevocable commitments:

| | 31 December 2021 | 31 December 2020 |
|---|------------------|------------------|
| Forward purchase and sale commitments | 446,424 | 53,886 |
| Commitment for use guaranteed credit allocation | 30,958 | 29,704 |
| Credit cards limit commitments | 74,208 | 85,095 |
| Payment commitments for cheques | 6,261 | 6,294 |
| Credit card commitments given with applications for promotion | - | - |
| Tax and fund obligations arising from export commitments | 3 | 3 |
| Other irrevocable commitments | 193 | 446 |
| Total | 558,047 | 175,428 |

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 2021 | 31 December 2020 |
|-----------------------|-------------------|------------------|
| Letters of guarantee | 4,738,369 | 3,302,930 |
| Bank acceptance loans | - | - |
| Letters of credit | 1,379,096 | 465,371 |
| Other guarantees | 4,385,590 | 5,643,248 |
| Total | 10,503,055 | 9,411,549 |

c) Total amount of non-cash loans:

| | 31 December 2021 | 31 December 2020 |
|--|-------------------|------------------|
| Non-Cash Loans Given for Cash Loan Risks | 139,253 | 93,385 |
| With Original Maturity of 1 Year or Less | 25,617 | 75,736 |
| With Original Maturity of More Than 1 Year | 113,636 | 17,649 |
| Other Non-Cash Loans | 10,363,802 | 9,318,164 |
| Total | 10,503,055 | 9,411,549 |

ICBC TURKEY BANK ANONİM ŞİRKETİ

**EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

(Amounts expressed in thousands of Turkish Lira (“TL”).)

III. Explanations and Notes on Consolidated Off-Balance Sheet Items (continued)

1. Disclosures on off - balance sheet items (continued):

d) Information on sectoral risk concentration of non-cash loans

| | 31 December 2021 | | | | 31 December 2020 | | | |
|-----------------------------------|------------------|---------------|------------------|---------------|------------------|---------------|------------------|---------------|
| | TL | (%) | FC | (%) | TL | (%) | FC | (%) |
| Agriculture | 141 | 0.02 | - | - | 200 | 0.02 | - | - |
| Farming and Raising Livestock | 123 | 0.02 | - | - | 182 | 0.02 | - | - |
| Forestry | - | - | - | - | - | - | - | - |
| Fishery | 18 | - | - | - | 18 | - | - | - |
| Manufacturing | 41,772 | 5.15 | 1,210,108 | 12.49 | 64,357 | 7.16 | 531,909 | 6.25 |
| Mining and Quarrying | 368 | 0.05 | 669 | 0.01 | 434 | 0.06 | 669 | 0.01 |
| Production | 11,695 | 1.44 | 1,202,516 | 12.41 | 61,453 | 6.83 | 531,240 | 6.24 |
| Electricity, Gas and Water | 29,709 | 3.66 | 6,923 | 0.07 | 2,470 | 0.27 | - | - |
| Construction | 92,182 | 11.36 | 4,361,434 | 45.00 | 98,167 | 10.92 | 848,651 | 9.97 |
| Services | 672,740 | 82.87 | 3,434,013 | 35.43 | 733,922 | 81.60 | 7,131,540 | 83.78 |
| Wholesale and Retail Trade | 20,905 | 2.57 | 189,465 | 1.95 | 10,154 | 1.13 | 1,644,041 | 19.32 |
| Accommodation and Dining Services | 1,622 | 0.20 | - | - | 2,491 | 0.28 | - | - |
| Transportation and | 650 | 0.08 | 1,711,267 | 17.66 | 297 | 0.03 | 993,515 | 11.67 |
| Financial Institutions | 648,582 | 79.90 | 1,255,971 | 12.96 | 719,969 | 80.05 | 3,647,373 | 42.85 |
| Real Estate and Lending Services | 259 | 0.03 | 277,310 | 2.86 | 17 | - | - | - |
| Self Employment Services | - | - | - | - | 865 | 0.10 | 75,858 | 0.89 |
| Educational Services | 1 | - | - | - | 1 | - | - | - |
| Health and Social Services | 721 | 0.09 | - | - | 128 | 0.01 | 770,753 | 9.05 |
| Other | 4,920 | 0.60 | 685,745 | 7.08 | 2,718 | 0.30 | 85 | - |
| Total | 811,755 | 100.00 | 9,691,300 | 100.00 | 899,364 | 100.00 | 8,512,185 | 100.00 |

e) Non-cash loans classified under Group I and II:

| | Group I | | Group II | |
|--------------------------------------|----------------|------------------|--------------|---------------|
| | TL | FC | TL | FC |
| Letters of Guarantee | 805,967 | 3,823,063 | 2,691 | 96,792 |
| Acceptance/Aval Credits | - | - | - | - |
| Letters of Credit | - | 1,379,096 | - | - |
| Securities Issue Purchase Guarantees | - | - | - | - |
| Factoring Guarantees | - | - | - | - |
| Other Commitments and Contingencies | - | 4,385,590 | - | - |
| Total | 805,967 | 9,587,749 | 2,691 | 96,792 |

The Parent Bank has recorded a provision amounting to TL 9,856 (31 December 2020: TL 7,070), for the unearned non-cash loan and irrevocable commitments amounting to TL 4,916 (31 December 2020: TL 3,449).

2. Explanations on the services rendered on behalf of 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 ANONİM ŞİRKETİ

**EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

(Amounts expressed in thousands of Turkish Lira (“TL”).)

IV. Explanations and Notes on Consolidated Profit or Loss Statement

1. Information on interest income:

a) Information on interest income received from loans:

| | 31 December 2021 | | 31 December 2020 | |
|---|------------------|----------------|------------------|----------------|
| | TL | FC | TL | FC |
| Interest Income Received from Loans ⁽¹⁾ | | | | |
| Short Term Loans | 162,220 | 85,934 | 100,155 | 32,422 |
| Medium and Long Term Loans | 150,299 | 486,578 | 157,457 | 347,771 |
| Loans Under Follow-Up | 7,982 | - | 8,157 | - |
| Premiums Received from Resource Utilization Support Fund | - | - | - | - |
| Total | 320,501 | 572,512 | 265,769 | 380,193 |

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

b) Information on interest income received from banks:

| | 31 December 2021 | | 31 December 2020 | |
|---|------------------|--------------|------------------|---------------|
| | TL | FC | TL | FC |
| From Central Bank of The Republic of Turkey | 25,704 | - | - | - |
| From Domestic Banks | 11,281 | 3,985 | 1,148 | - |
| From Foreign Banks | - | 1,855 | - | 30,382 |
| From Foreign Offices and Branches | - | - | - | 3,085 |
| Total | 36,985 | 5,840 | 1,148 | 33,467 |

c) Information on interest income received from securities portfolio:

| | 31 December 2021 | | 31 December 2020 | |
|---|------------------|----------------|------------------|----------------|
| | TL | FC | TL | FC |
| Financial Assets at Fair Value Through Profit Or Loss | - | - | - | - |
| Financial Assets at Fair Value Through Other Comprehensive Income | 86,427 | 19,359 | 88,540 | 25,386 |
| Financial Assets Measured at Amortized Cost | 262,695 | 215,563 | 88,282 | 206,545 |
| Total | 349,122 | 234,922 | 176,822 | 231,931 |

d) Information on interest income received from associates and subsidiaries: None (31 December 2020 : None).

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”).)

IV. Explanations and Notes on Consolidated Profit or Loss Statement (continued)

2. Information on interest expense:

a) Information on interest expense related to funds borrowed:

| | 31 December 2021 | | 31 December 2020 | |
|--|------------------|----------------|------------------|----------------|
| | TL | FC | TL | FC |
| Banks ⁽¹⁾ | | | | |
| Central Bank of The Republic of Turkey | - | - | - | - |
| Domestic Banks | 1,102 | - | 892 | 19 |
| Foreign Banks | 69,119 | 137,437 | 18,185 | 242,551 |
| Foreign Branches and Offices Abroad | - | - | - | - |
| Other Institutions | - | - | - | - |
| Total | 70,221 | 137,437 | 19,077 | 242,570 |

⁽¹⁾ Also includes fees and commission expenses related with loans allowed.

b) Information on interest expense paid to associates and subsidiaries:

None. (31 December 2020: 15,703).

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.

| 31 December 2021 | | Time Deposits | | | | | | Cumulative Deposits | Total |
|---------------------------|-----------------|---------------|----------------|----------------|--------------|-----------------|---|---------------------|----------------|
| Account Name | 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 | - | 4,253 | - | - | - | - | - | - | 4,253 |
| Saving Deposits | - | 25,690 | 272,965 | 70 | 52 | 11 | - | - | 298,788 |
| Public Sector Deposits | - | - | - | - | - | - | - | - | - |
| Commercial Deposits | - | 12,425 | 23,175 | 10 | - | - | - | - | 35,610 |
| Other Deposits | 4 | 135 | 2,098 | - | 4 | - | - | - | 2,241 |
| Total | 4 | 42,503 | 298,238 | 80 | 56 | 11 | - | - | 340,892 |
| Foreign Currency | | | | | | | | | |
| Foreign Currency Deposits | - | 2,548 | 153,621 | 2,444 | 4,291 | 903 | - | - | 163,807 |
| Bank Deposits | - | 78 | - | - | - | - | - | - | 78 |
| Precious Metal Deposits | - | - | - | - | - | - | - | - | - |
| Total | - | 2,626 | 153,621 | 2,444 | 4,291 | 903 | - | - | 163,885 |
| Grand Total | 4 | 45,129 | 451,859 | 2,524 | 4,347 | 914 | - | - | 504,777 |

| 31 December 2020 | | Time Deposits | | | | | | Cumulative Deposits | Total |
|---------------------------|-----------------|---------------|----------------|----------------|--------------|-----------------|---|---------------------|----------------|
| Account Name | 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 | - | 442 | - | - | - | - | - | - | 442 |
| Saving Deposits | - | 30,201 | 122,667 | 1,186 | 833 | 28 | - | - | 154,915 |
| Public Sector Deposits | - | - | - | - | - | - | - | - | - |
| Commercial Deposits | - | 6,376 | 30,686 | 201 | 7 | - | - | - | 37,270 |
| Other Deposits | 5 | 25 | 1,267 | 1 | 3 | - | - | - | 1,301 |
| Total | 5 | 37,024 | 156,620 | 1,388 | 843 | 28 | - | - | 193,908 |
| Foreign Currency | | | | | | | | | |
| Foreign Currency Deposits | - | 3,514 | 163,280 | 854 | 1,898 | 413 | - | - | 169,959 |
| Bank Deposits | - | 116 | - | - | - | - | - | - | 116 |
| Precious Metal Deposits | - | - | - | - | - | - | - | - | - |
| Total | - | 3,630 | 163,280 | 854 | 1,898 | 413 | - | - | 170,075 |
| Grand Total | 5 | 40,654 | 317,900 | 2,242 | 2,741 | 441 | - | - | 363,983 |

ICBC TURKEY BANK ANONİM ŞİRKETİ

**EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

(Amounts expressed in thousands of Turkish Lira (“TL”).)

IV. Explanations and Notes on Consolidated Profit or Loss Statement (continued)

3. Explanation on dividend income

| | 31 December 2021 | 31 December 2020 |
|---|-------------------------|-------------------------|
| Financial Assets at Fair Value Through Profit/Loss | 201 | 90 |
| Financial Assets at Fair Value Through Other Comprehensive Income | - | - |
| Other | - | - |
| Total | 201 | 90 |

4. Information on trading income / loss (net):

| | 31 December 2021 | 31 December 2020 |
|-------------------------|-------------------------|-------------------------|
| Profit | 5,074,653 | 1,430,541 |
| Capital Market Gains | 29,648 | 28,660 |
| Derivative Gains | 1,980,128 | 456,538 |
| Foreign Exchange Gains | 3,064,877 | 945,343 |
| Loss (-) | 4,692,138 | 1,329,621 |
| Capital Market Losses | 1 | - |
| Derivative Losses | 1,713,072 | 686,331 |
| Foreign Exchange Losses | 2,979,065 | 643,290 |

5. Information on other operating income:

The “Other operating income” item in the income statement mainly consists of collections from receivables for which provision was made in previous periods, provisions set aside in previous years and reversed in the current year, and income from sales from the follow-up portfolio.

6. Impairment on expected loans and other provisions receivables:

| | 31 December 2021 | 31 December 2020 |
|---|-------------------------|-------------------------|
| Allowance for Expected Credit Losses | 497,752 | 224,637 |
| 12-Month Expected Credit Losses (Stage 1) | 142,094 | 26,817 |
| Significant Increase in Credit Risk (Stage 2) | 359,201 | 184,938 |
| Credit-Impaired (Stage 3) | (3,543) | 12,882 |
| Impairment Provisions for Securities | 6,814 | 2,648 |
| Financial Assets at Fair Value Through Profit or Loss | 5,410 | - |
| Financial Assets at Fair Value Through Other Comprehensive Income | 1,404 | 2,648 |
| Impairment Provisions Related to Investments in Associates, Subsidiaries and Joint Ventures | - | - |
| Associates | - | - |
| Subsidiaries | - | - |
| Joint Ventures | - | - |
| Other | 5,611 | 1,394 |
| Total | 510,177 | 228,679 |

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira ("TL").)

IV. Explanations and Notes on Consolidated Profit or Loss Statement (continued)

7. Information related to other operating expenses:

| | 31 December 2021 | 31 December 2020 |
|---|------------------|------------------|
| Reserve for Employee Termination Benefits | 9,530 | 5,478 |
| Reserve for Bank's Social Aid Fund Deficit | - | - |
| Impairment Expenses of Tangible Assets | - | - |
| Depreciation Expenses of Tangible Assets | 29,989 | 28,913 |
| Impairment Expenses of Intangible Assets | - | - |
| Impairment Expenses of Goodwill | - | - |
| Depreciation Expenses on Intangible Assets | 6,881 | 5,690 |
| Impairment Expenses of Investments in Associates | - | - |
| Impairment Expenses of Assets Held for Resale | - | - |
| Depreciation Expenses of Assets Held for Resale | 72 | 99 |
| Impairment Expenses of Assets Held for Sale and Discontinued Operations | - | - |
| Other Operating Expenses | 79,996 | 66,261 |
| Leasing Expenses related to TFRS 16 Exemptions | 2,916 | 3,824 |
| Repair and Maintenance Expenses | 21,287 | 16,305 |
| Advertisement Expenses | 2,741 | 1,863 |
| Other Expenses | 53,052 | 44,269 |
| Loss on Sale of Assets | - | 141 |
| Other ⁽¹⁾ | 258,256 | 135,812 |
| Total | 384,724 | 242,394 |

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

8. Profit / loss before taxes from continued and discontinued operations:

Profit before taxes for continued operations is TL 240,648 (31 December 2020: TL 130,142 profit before tax). Profit before taxes consists of net interest income amounting to TL 849,559 (31 December 2020: TL 455,475), net fees and commission income amounting to TL 161,874 (31 December 2020: TL 162,250), personnel expenses amounting to TL 364,610 (31 December 2020: TL 264,222) and other operating expenses amounting to TL 384,724 (31 December 2020: TL 242,394).

9. Taxes on income from 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 2021 is TL 239,888 (31 December 2020: TL 69,246).

For the period ended 31 December 2021, deferred tax expense amounts to TL 27,608 (31 December 2020: TL 13,810) and deferred tax income amounts to TL 214,037 TL (31 December 2020: TL 98,280).

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

For the period ended 31 December 2021, deferred tax income amounts to TL 214,037 (31 December 2020: TL 98,280) arising from the origination of temporary differences and deferred tax expense amounts to TL 27,608 (31 December 2020: TL 13,810).

Additionally, for the period ended 31 December 2021, the current tax effect amounting to TL (80,381) and deferred tax effect amounting to TL 78,296, on an aggregate TL (2,085) tax effect (31 December 2020: TL (3,793) current and TL 5,924 is deferred tax effect total TL (2,643) which are related to transactions recognized under equity is accounted under equity accounts.

The Bank has no discontinued operations.

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

For the period ended 31 December 2021, deferred tax income amounting to TL 214,037 (31 December 2020: TL 98,280 deferred tax income) and TL 27,608 deferred tax expense (31 December 2020: TL 13,810 deferred tax expense) arise from temporary differences. For the period ended 31 December 2021, there is no deferred tax income arising from financial losses (31 December 2020: None).

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”).)

IV. Explanations and Notes on Consolidated Profit or Loss Statement (continued)

10. Information on continued and discontinued operations net profit/loss:

Net profit from continued operations is TL 187,189 (31 December 2020 : TL 90,931 net profit).

11. Information on net profit and loss:

- 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.
- 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.
- There is no profit/loss of minority interests (31 December 2020: None).

12. In case the other items in the consolidated statement of profit or loss exceeds 10% of the total profit or loss, the sub-accounts constituting at least 20% of these items:

In the consolidated statement of profit or loss; 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 mainly of income received and expenses paid to customers and third parties regarding banking activities.

13. Fees for services received from independent auditor / independent audit firm

The fee information for the reporting period regarding the services received from the independent auditor or independent audit firm in accordance with the decision of the POA dated 26 March 2021 is given in the table below. These fees include the fees for the services provided to the Bank's subsidiaries.

| | 31 December 2021 ⁽¹⁾ | 31 December 2020 ⁽¹⁾⁽²⁾ |
|---|---------------------------------|------------------------------------|
| Independent Audit Fee | 2,805 | 1,690 |
| Other Assurance Services Fee | 749 | 242 |
| Fee for Services Other than Independent Audit | - | - |
| Total | 3,554 | 1,932 |

(1) Amounts Excluding VAT.

(2) Audit service for 2020 was obtained from KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”).)

V. Explanations and notes on consolidated statement of changes in shareholders’ equity

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

The decrease amounting to TL 11,076 (31 December 2020 – TL (10,006) 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 assets:

Surplus amounting to TL 12,379 (31 December 2020: TL 2,232) that occurs after purged tax effect arise from revaluation of buildings fair value included tangible 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:

None.

5. Explanations on Profit Distribution:

At the Ordinary General Assembly Meeting of the Parent Bank held on 25 March 2021, it was decided to allocate 5% of the legal reserves of TL 2,902 from TL 58,048, which constitutes the net after-tax unconsolidated balance sheet profit of 2020, in accordance with Article 519/1 of the TCC and the remaining TL 55,146 was decided to be transferred to extraordinary reserves.

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”).)

VI. Explanations and Notes on Consolidated Cash Flow Statement

1. 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 equivalent assets at the beginning of the period:

| | 31 December 2021 | 31 December 2020 |
|---|------------------|------------------|
| Cash | 1,924,771 | 1,846,590 |
| Cash in Vault, Foreign Currencies and Other | 84,846 | 48,969 |
| Demand Deposits at Banks | 1,839,925 | 1,797,621 |
| Cash Equivalents | 1,826,096 | 2,007,641 |
| Interbank Money Market | 504,241 | 349,216 |
| Time Deposits at Banks | 1,321,855 | 1,658,425 |
| Total | 3,750,867 | 3,854,231 |

b) Cash and cash equivalents at the end of the period:

| | 31 December 2021 | 31 December 2020 |
|---|------------------|------------------|
| Cash | 2,861,528 | 1,924,771 |
| Cash in Vault, Foreign Currencies and Other | 167,440 | 84,846 |
| Demand Deposits at Banks | 2,694,088 | 1,839,925 |
| Cash Equivalents | 1,866,948 | 1,826,096 |
| Interbank Money Market | 20,955 | 504,241 |
| Time Deposits at Banks | 1,845,993 | 1,321,855 |
| Total | 4,728,476 | 3,750,867 |

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 of 31 December 2021, “Other” item amounting to TL 143,961 (31 December 2020: TL 299,659) 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 of 31 December 2021, “Net increase/decrease in other liabilities” item amounting to TL 2,204,933 (31 December 2020: TL 453,948) presented under “Change in assets and liabilities subject to banking activities” is comprised of changes in miscellaneous payables, other external resources and taxes, fees and funds. As of 31 December 2021, “Net increase/decrease in other assets” amounting to TL (2,614,667) (31 December 2020: TL (560,839)) is comprised of changes in miscellaneous receivables and other assets.

The cash outflow of TL 2,515 (31 December 2020: TL (3,507)) is presented in the “net cash flows from investments” as of 31 December 2021 results from the balance sheet changes in financial assets at fair value through other comprehensive income.

The effect of the change of foreign exchange rates on the cash and cash equivalents is TL 1,354,684 for the year 2021 (31 December 2020: TL 121,508).

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”).)

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 2021:

| Current Period 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 | - | - | 3,867 | 997,502 | 6 | - |
| Balance at the End of the Period | 1 | - | - | 1,001,523 | 25 | - |
| Interest and Commission Income Received | - | - | 48 | - | - | - |

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

As of 31 December 2021, the Bank has placements amounting to TL 192,015 (31 December 2020: TL 114,722) in banks in the risk group.

| Prior Period Parent Bank’s Risk Group ⁽¹⁾ | Associates, Subsidiaries and Joint Ventures | | Bank’s Direct and Indirect Shareholders | | Other Components in Risk Group | |
|---|--|----------|--|----------|-----------------------------------|----------|
| | Cash | Non-Cash | Cash | Non-Cash | Cash | Non-Cash |
| Loans and Other Receivables | - | - | - | - | - | - |
| Balance at the Beginning of the Period | - | - | - | 567,918 | 20 | - |
| Balance at the End of the Period | - | - | 3,867 | 997,502 | 6 | - |
| Interest and Commission Income Received | - | - | - | - | - | - |

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

b) 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 | |
|---|--|----------|--|----------|-----------------------------------|----------|
| | Cash | Non-Cash | Cash | Non-Cash | Cash | Non-Cash |
| Deposits | | | | | | |
| Balance at the beginning of the Period | - | - | - | 62,865 | - | 2,621 |
| Balance at the End of the Period | - | - | - | 122,229 | - | 3,625 |
| Interest on Deposits | - | - | - | - | - | 80 |

⁽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 | |
|---|--|----------|--|----------|-----------------------------------|----------|
| | Cash | Non-Cash | Cash | Non-Cash | Cash | Non-Cash |
| Deposits | | | | | | |
| Balance at the beginning of the Period | - | - | - | 203 | - | 2,261 |
| Balance at the End of the Period | - | - | - | 62,865 | - | 2,621 |
| Interest on Deposits | - | - | - | - | - | 27 |

⁽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 8,359,652 as at 31 December 2021 (31 December 2020: TL 8,070,829).

The Parent Bank has borrowed subordinated loans from the Parent Bank’s Risk Group amounting to TL 3,999,625 as at 31 December 2021 (31 December 2020: TL 2,202,640).

c) Information on forward transactions, option contracts and other similar agreements with the risk group of the Parent Bank:

None (31 December 2020: None).

ICBC TURKEY BANK ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”).)

VII. Explanations on the Parent Bank’s Risk Group (continued)

1. 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 of 31 December 2021, proportion of cash loans to risk group in total cash loans is 0.002% (31 December 2020: 0.001%) and proportion of deposits from its risk group in total deposits is 4.1% (31 December 2020: 3.8%). Proportion of borrowings from its risk group in total funds borrowed is 64.5% (31 December 2020: 99.9%)

As a result of other activities in the risk group of the Bank, other commission income is amounting to TL 16 (31 December 2020: TL 10), other operating income is amounting to TL 3,427 (31 December 2020: TL 3,157) and there is no other operating expenses (31 December 2020: TL 28 other operating expenses) and other commission expenses are amounting to TL 2 (31 December 2020: TL 1).

In the current period, benefits provided to the Group’s key management amount to TL 32,354 (31 December 2020: TL 29,526).

VIII. Information on Domestic, Foreign, Offshore Branches and Foreign Representative Offices of Parent Bank

| | Number | Employees | | |
|--------------------------------|--------|-----------|--------------|---------------|
| Domestic branches | 59 | 831 | | |
| Foreign representative offices | - | - | Country | - |
| | | | Total Assets | Legal Capital |
| Foreign branches | - | - | | |
| Off-Shore branches | - | - | | |

VIII. Explanation and Notes on Subsequent Events

None.

ICBC TURKEY BANK ANONİM ŞİRKETİ

**EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

(Amounts expressed in thousands of Turkish Lira (“TL”).)

SECTION SIX

OTHER EXPLANATIONS ON THE BANK’S ACTIVITIES

I. Other Explanations

None.

ICBC TURKEY BANK ANONİM ŞİRKETİ

**EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

(Amounts expressed in thousands of Turkish Lira (“TL”).)

SECTION SEVEN

EXPLANATIONS ON THE AUDITORS’ REPORT

I. Explanations on the Auditors’ Report

The consolidated financial statements of the Parent Bank and its subsidiaries as at and for the year ended 31 December 2021 have been audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu Limited) and the Auditors’ Report dated 23 February 2022 is presented in the introduction of this report.

II. Explanation and Notes Prepared by the Independent Auditors

None.