

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

ICBC Turkey Bank Anonim Şirketi

Consolidated Financial Statements As at and For the Year Ended 31 December 2018

With Independent Auditors' Report Thereon

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

21 February 2019

*This report includes "Independent Auditors' Report" comprising 4 pages and;
"Consolidated Financial Statements and Related Disclosures and Footnotes"
comprising 113 pages.*



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Convenience Translation of the Independent Auditor's Report Originally Prepared and
Issued in Turkish to English

To the General Assembly of ICBC Turkey Bank A.Ş

A) Report on the Audit of the Consolidated Financial Statements

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the "Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation" which includes the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No. 26333 dated 1 November 2006, and other regulations on accounting records of banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and requirements of Turkish Financial Reporting Standards ("TFRS") for the matters not regulated by the aforementioned legislations.

Basis for Opinion

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

Key Audit Matters

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

Impairment of loans measured at amortised cost

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

<i>Key audit matter</i>	<i>How the matter is addressed in our audit</i>
<p>As of 31 December 2018, loans measured at amortised cost comprise 49% of the Group's total assets.</p> <p>The Group recognizes its loans measured at amortised cost in accordance with the Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside (the "Regulation") published on the Official Gazette No. 29750 dated 22 June 2016 and TFRS 9 Financial Instruments standard ("the Standard").</p> <p>As of 1 January 2018, due to the adoption of the Regulation and the Standard, in determining the impairment of loans the Group has begun to apply "expected credit loss model" instead of the "incurred loss model". The new model contains significant assumptions and estimates.</p> <p>The significant assumptions and estimates of the Group's management are as follows:</p> <ul style="list-style-type: none"> ✓ assessment of significant increase in credit risk ✓ incorporating the forward looking macroeconomic information in calculation of credit risk; and ✓ design and implementation of expected credit loss model. <p>The determination of the impairment of loans measured at amortised cost depends on the credit default status, the model based on the change in the credit risk subsequent to the initial recognition date and the classification of the loans measured at amortised cost according to the model. Establishing an appropriate loans classification is a significant process as the calculation of expected credit loss varies to the staging of the financial assets.</p> <p>The Group calculates expected credit losses on both an individual and a collective basis. Individual provisions consider the estimated future cash flows and the fair value of the collateral provided for credit transactions.</p> <p>The collective provisions are modelled by using current and past data sets and forward looking expectations.</p> <p>Impairment on loans measured at amortised cost was considered to be a key audit matter, due to the significance of the estimates, assumptions, the level of judgements and its complex structure as explained above.</p>	<p>Our procedures for testing the expected credit loss included below:</p> <ul style="list-style-type: none"> • We tested the design and operating effectiveness of the controls on lending, collateralization, collection, follow-up, classification and impairment procedures are tested with the involvement of information risk management specialists. • The contractual cash flow tests prepared for the financial assets of the Group were examined and the results of the tests were checked for compliance with the loan agreements. • The conformity of the subjective and objective criteria defined in the Group's impairment model has been checked for compliance with the Standard. • We evaluated the Group's business model and methodology and the evaluation of the calculations were carried out with the control testing and detailed analysis by the involvement of specialists. • We performed loan reviews for selected loan samples which include a detailed examination of loan files and related information and testing their classification. In this context, the current status of the loan customer has been evaluated by including prospective information and macroeconomic variables. • We evaluated the adequacy of the expected credit loss calculations by selecting sample for the loans which are assessed on individual basis. • We tested the accuracy and completeness of the data in the calculation models for the loans which are assessed on collective basis. The expected credit loss calculation has been tested through recalculation. The models used for the calculation of the risk parameters were examined and the risk parameters were recalculated. • We assessed the macroeconomic models which are used to reflect forward looking expectations and tested the effect of the risk parameters by recalculation method. • We evaluated the criteria which are used in determining the significant increase in credit risk. • Additionally, we also evaluated the adequacy of the consolidated financial statement disclosures related to impairment provisions.



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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of auditors in an audit are as follows:

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

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

We also:

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



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

B) Report on Other Legal and Regulatory Requirements

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

2) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

Additional paragraph for convenience translation to English:

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

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


Orhan Akova, SMMM
Partner
21 February 2019
Istanbul, Turkey

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

Address of the Bank's

Headquarters : Maslak Mah. Dereboyu/2 Caddesi No:13 34398 Sarıyer - İstanbul
Telephone Number : (0212) 335 53 35
Fax Number : (0212) 328 13 28
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The year ended consolidated financial report prepared in accordance with the “Communiqué on the Financial Statements to be announced to public by Banks as well as Explanations and Footnotes Thereof” as required by the Banking Regulation and Supervision Agency (BRSA), is comprised of the following sections.

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS
- DISCLOSURES ON APPLIED ACCOUNTING POLICIES IN RELATED PERIOD
- INFORMATION RELATED TO FINANCIAL POSITION OF THE CONSOLIDATED GROUP AND RISK MANAGEMENT
- DISCLOSURES AND FOOTNOTES TO CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- EXPLANATIONS ON THE INDEPENDENT AUDITORS' REPORT

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

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

XIANGYANG GAO	PEIGUO LIU	YING WANG	SHAOXIONG XIE	JINHONG LI	YAFENG HE
Chairman of	Chairman of Audit	Member of Board of	General Manager and	Deputy General Manager	Unit Manager
Board of Directors	Committee and	Directors and Member	Member of Board of	Responsible for Financial	
	Member of Board of Directors	of Audit	Directors	Reporting, Operational and	
		Committee		Legal Consultancy Group	

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

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

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 presidents, and if exists, changes in these positions and Parent Bank's shares they hold	2
IV.	Type of services provided and the areas of operations of the Parent Bank	2
V.	Differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards and short explanation about the institutions subject to line-by-line method or proportional consolidation and institutions which are deducted from equity or not included in these three methods	3
VI.	The existing or potential, actual or legal obstacle on the transfer of shareholder's equity between the Parent Bank and its subsidiaries or the reimbursement of liabilities	3
VII.	Other information	3

SECTION TWO**Consolidated Financial Statements**

I.	Consolidated balance sheet (Statement of financial position)	4
II.	Consolidated statement of off-balance sheet items	8
III.	Consolidated statement of profit or loss	10
IV.	Consolidated statement of profit or loss and other comprehensive income	12
V.	Consolidated statement of changes in shareholders' equity	14
VI.	Consolidated statement of cash flows	16
VII.	Parent Bank statement of profit distribution	18

SECTION THREE**Accounting Policies**

I.	Explanations on basis of presentation	19
II.	Explanations on strategy for the use of financial instruments and the foreign currency transactions	20
III.	Explanations on subsidiaries and associates	21
IV.	Derivative financial assets	21
V.	Explanations on interest income and expense	22
VI.	Explanations on fees and commissions income and expense	22
VII.	Explanations on financial assets	22
VIII.	Explanations on impairment of financial assets	24
IX.	Explanations on offsetting financial instruments	25
X.	Explanations on sale and repurchase agreements and transactions related to the lending of securities	25
XI.	Explanations on assets held for sale and discontinued operations and liabilities related with these assets	25
XII.	Explanations on goodwill and other intangible assets	26
XIII.	Explanations on tangible assets	26
XIV.	Explanations on leasing activities	26
XV.	Explanations on provisions and contingent liabilities	27
XVI.	Contingent assets	27
XVII.	Explanations on obligations related to employee rights	27
XVIII.	Explanations on taxation	27
XIX.	Additional explanations on borrowings	28
XX.	Explanations on issued stock	28
XXI.	Explanations on acceptances	28
XXII.	Explanations on government grants	28
XXIII.	Profit reserves and profit distribution	29
XXIV.	Related parties	29
XXV.	Cash and cash equivalents	29
XXVI.	Explanations on segment reporting	29
XXVII.	Reclassifications	29
XXVIII.	Explanations on other matters	30

SECTION FOUR**Information Related to Consolidated Financial Position and Risk Management**

I.	Explanations on consolidated equity	33
II.	Explanation and footnotes on consolidated credit risk	41
III.	Explanations on consolidated operational risk	47
IV.	Explanation and footnotes on consolidated foreign currency exchange rate risk	47
V.	Explanation and footnotes on consolidated interest rate risk	49
VI.	Explanations and footnotes on consolidated liquidity risk	54
VII.	Explanations on consolidated leverage ratio	59
VIII.	Explanations and footnotes on consolidated securitization position risk	60
IX.	Explanations on consolidated risk management	60
X.	Explanations on presentation of financial assets and liabilities at their fair value	69
XI.	Explanation and footnotes on consolidated segment reporting	71

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

I.	Explanations and footnotes related to consolidated assets	73
II.	Explanations and footnotes on consolidated liabilities	90
III.	Explanation and footnotes related to consolidated off-balance sheet items	98
IV.	Explanation and footnotes on consolidated profit or loss statement	101
V.	Explanations and footnotes related to consolidated statement of changes in shareholders' equity	109
VI.	Explanation and footnotes related to consolidated cash flow statement	110
VII.	Explanation on the Parent Bank's Risk Group	111
VIII.	Information on domestic, foreign, off-shore branches and foreign representative offices of Parent Bank	112
IX.	Explanations and footnotes on subsequent events	112

SECTION SIX**Explanations on the Independent Auditors' Report**

I.	Explanations on the independent auditors' report	113
II.	Explanations and footnotes prepared by the independent auditors	113

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

SECTION ONE GENERAL INFORMATION

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

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

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

The capital of the Parent Bank is TL 860,000 as at 31 December 2018 and is fully paid. The Parent Bank was controlled by GSD Group until 21 May 2015. As at 29 April 2014, GSD Holding A.Ş., the major shareholder of the Parent Bank, has come to conclusion to sell 75.50% shares of the Parent Bank to Industrial and Commercial Bank of China (ICBC) and with respect to the sale transaction, it was declared to be approved by China Banking Regulatory Commission (CBRC) on 20 March 2015, and in Turkey, it was approved by Competition Authority in accordance with decision dated 20 August 2014 and numbered 14-29/593-259 and Banking Regulation and Supervision Agency (BRSA), in accordance with decision dated 2 April 2015 and numbered 6262.

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

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

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

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

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

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

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

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

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

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

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

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

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

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

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

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

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

The Parent Bank and its subsidiary, ICBC Turkey Yatırım Menkul Değerler A.Ş. ("ICBC Yatırım") have been consolidated. As at 31 December 2018, ICBC Portföy Yönetimi A.Ş. has been consolidated in ICBC Yatırım by full consolidation method. "ICBC Yatırım", the consolidated subsidiary of the Parent Bank, represents ICBC Portföy and ICBC Yatırım as a whole. The Parent Bank and its subsidiary are referred to as "the Group" as a whole.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

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

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

None.

VII. Other information

Bank's Official Title	: ICBC Turkey Bank A.Ş.
Reporting Period	: 1 January – 31 December 2018
Address of Bank's Headquarters	: Maslak Mah. Dereboyu/2 Caddesi No:13 34398 Sarıyer - İstanbul
Telephone number	: (0212) 335 53 35
Fax number	: (0212) 328 13 28
Bank's Internet Address	: www.icbc.com.tr
Reporting Currency	: Thousands of Turkish Lira

SECTION TWO

Consolidated Financial Statements

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

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

AS AT 31 DECEMBER 2018

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

ASSETS	Footnotes (Section Five)	THOUSANDS OF TURKISH LIRA		
		AUDITED CURRENT PERIOD ^(*) 31/12/2018		
		TL	FC	Total
I. FINANCIAL ASSETS (Net)		2,533,452	5,514,254	8,047,706
1.1.Cash and cash equivalents		879,759	3,277,541	4,157,300
1.1.1.Cash and balances with Central Bank of Turkey	(5.1.1)	529,798	1,277,101	1,806,899
1.1.2.Banks	(5.1.3)	339	2,000,440	2,000,779
1.1.3.Receivables from Money Markets		349,622	-	349,622
1.2.Financial Assets at Fair Value Through Profit or Loss		12,879	-	12,879
1.2.1.Government debt securities		-	-	-
1.2.2.Equity Securities		46	-	46
1.2.3.Other financial assets		12,833	-	12,833
1.3.Financial Assets at Fair Value Through Other Comprehensive Income	(5.1.4)	1,079,785	1,399,248	2,479,033
1.3.1.Government debt securities		1,079,785	518,314	1,598,099
1.3.2.Equity Securities		-	6,255	6,255
1.3.3.Other financial assets		-	874,679	874,679
1.4.Financial Assets Measured at Amortized Cost	(5.1.6)	533,733	850,266	1,383,999
1.4.1.Government debt securities		533,733	459,739	993,472
1.4.2.Other financial assets		-	390,527	390,527
1.5.Derivative financial assets	(5.1.2)	29,902	199	30,101
1.5.1.Derivative financial assets at fair value through profit or loss		29,902	199	30,101
1.5.2.Derivative financial assets at fair value through other comprehensive income		-	-	-
1.6.Non-performing financial assets		160	-	160
1.7.Expected Loss Provisions (-)		2,766	13,000	15,766
II. LOANS (Net)	(5.1.5)	2,771,339	4,894,903	7,666,242
2.1.Loans		2,786,152	4,995,033	7,781,185
2.1.1.Loans measured at amortized cost		2,786,152	4,995,033	7,781,185
2.1.2.Loans at fair value through profit or loss		-	-	-
2.1.3.Loans at fair value through other comprehensive income		-	-	-
2.2.Receivables from leasing transactions	(5.1.10)	-	-	-
2.2.1.Financial lease receivables		-	-	-
2.2.2.Operational lease receivables		-	-	-
2.2.3.Unearned income (-)		-	-	-
2.3.Factoring receivables		-	-	-
2.3.1.Factoring receivables measured at amortized cost		-	-	-
2.3.2.Factoring receivables at fair value through profit or loss		-	-	-
2.3.3.Factoring receivables at fair value through other comprehensive income		-	-	-
2.4.Non-performing loans		93,407	-	93,407
2.5. Allowance for expected credit losses (-)		108,220	100,130	208,350
2.5.1.12-Month expected credit losses (Stage 1)		12,975	33,534	46,509
2.5.2.Significant increase in credit risk (Stage 2)		16,658	66,596	83,254
2.5.3.Credit Impaired (Stage 3/ Specific Provisions)		78,587	-	78,587
III.PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCOUNTED OPERATIONS (NET)	(5.1.16)	-	-	-
3.1.Held for sale		-	-	-
3.2.Related to discontinued operations		-	-	-
IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		-	-	-
4.1.Investments in associates (Net)	(5.1.7)	-	-	-
4.1.1.Associates accounted by using equity method		-	-	-
4.1.2.Unconsolidated associates		-	-	-
4.2.Investments in subsidiaries (Net)	(5.1.8)	-	-	-
4.2.1.Unconsolidated financial subsidiaries		-	-	-
4.2.2.Unconsolidated non-financial subsidiaries		-	-	-
4.3. Joint Ventures (Net)	(5.1.9)	-	-	-
4.3.1.Joint ventures accounted by using equity method		-	-	-
4.3.2.Unconsolidated joint ventures		-	-	-
V. TANGIBLE ASSETS (Net)	(5.1.12)	36,239	-	36,239
VI. INTANGIBLE ASSETS (Net)	(5.1.13)	8,171	-	8,171
6.1.Goodwill		-	-	-
6.2.Other		8,171	-	8,171
VII. INVESTMENT PROPERTIES (Net)	(5.1.14)	-	-	-
VIII. CURRENT TAX ASSET		-	-	-
IX. DEFERRED TAX ASSET	(5.1.15)	44,596	-	44,596
X. OTHER ASSETS	(5.1.17)	41,061	2,866	43,927
TOTAL ASSETS		5,434,858	10,412,023	15,846,881

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

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

ASSETS		Footnotes (Section Five)	THOUSANDS OF TURKISH LIRA		
			AUDITED PRIOR PERIOD ^(*)		
			31/12/2017		
			TL	FC	TOTAL
I.	CASH AND BALANCES WITH THE CENTRAL BANK	(5.1.1)	103,390	1,247,081	1,350,471
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	(5.1.2)	30,549	691	31,240
2.1	Trading Securities		30,549	691	31,240
2.1.1	Government Debt Securities		-	-	-
2.1.2	Equity Securities		28	-	28
2.1.3	Derivative Financial Assets Held For Trading		-	691	691
2.1.4	Other Securities		30,521	-	30,521
2.2	Financial Assets Designated at Fair Value Through Profit or Loss		-	-	-
2.2.1	Government Debt Securities		-	-	-
2.2.2	Equity Securities		-	-	-
2.2.3	Loans		-	-	-
2.2.4	Other Securities		-	-	-
III.	BANKS	(5.1.3)	285	1,604,682	1,604,967
IV.	INTERBANK MONEY MARKET		9,600	-	9,600
4.1	Interbank Money Market Placements		-	-	-
4.2	Istanbul Stock Exchange Money Market Placements		9,600	-	9,600
4.3	Receivables from Reverse Repurchase Agreements		-	-	-
V.	AVAILABLE FOR SALE FINANCIAL ASSETS (Net)	(5.1.4)	907,478	1,081,532	1,989,010
5.1	Equity Securities		160	3,947	4,107
5.2	Government Debt Securities		907,318	369,973	1,277,291
5.3	Other Securities		-	707,612	707,612
VI.	LOANS AND RECEIVABLES	(5.1.5)	3,731,017	3,949,804	7,680,821
6.1	Loans and Receivables		3,706,641	3,949,804	7,656,445
6.1.1	Loans Utilized to the Bank's Risk Group		82	548,335	548,417
6.1.2	Government Debt Securities		-	-	-
6.1.3	Others		3,706,559	3,401,469	7,108,028
6.2	Loans Under Follow-Up		96,523	-	96,523
6.3	Specific Provisions (-)		72,147	-	72,147
VII.	FACTORING RECEIVABLES		-	-	-
VIII.	HELD-TO-MATURITY SECURITIES (Net)	(5.1.6)	205,029	288,384	493,413
8.1	Government Debt Securities		205,029	92,143	297,172
8.2	Other Securities		-	196,241	196,241
IX.	INVESTMENTS IN ASSOCIATES (Net)	(5.1.7)	-	-	-
9.1	Equity Method Associates		-	-	-
9.2	Unconsolidated Associates		-	-	-
9.2.1	Financial Associates		-	-	-
9.2.2	Non-Financial Associates		-	-	-
X.	INVESTMENTS IN SUBSIDIARIES (Net)	(5.1.8)	-	-	-
10.1	Unconsolidated Financial Subsidiaries		-	-	-
10.2	Unconsolidated Non-Financial Subsidiaries		-	-	-
XI.	JOINT VENTURES (Net)	(5.1.9)	-	-	-
11.1	Equity Method Joint Ventures		-	-	-
11.2	Unconsolidated Joint Ventures		-	-	-
11.2.1	Financial Joint Ventures		-	-	-
11.2.2	Non-Financial Joint Ventures		-	-	-
XII.	LEASE RECEIVABLES (Net)	(5.1.10)	-	-	-
12.1	Financial Lease Receivables		-	-	-
12.2	Operational Lease Receivables		-	-	-
12.3	Others		-	-	-
12.4	Unearned Income (-)		-	-	-
XIII.	HEDGING DERIVATIVES	(5.1.11)	-	-	-
13.1	Fair Value Hedge		-	-	-
13.2	Cash Flow Hedge		-	-	-
13.3	Hedging of a Net Investment in Foreign Subsidiaries		-	-	-
XIV.	TANGIBLE ASSETS (Net)	(5.1.12)	36,765	-	36,765
XV.	INTANGIBLE ASSETS (Net)	(5.1.13)	5,194	-	5,194
15.1	Goodwill		-	-	-
15.2	Others		5,194	-	5,194
XVI.	INVESTMENT PROPERTY (Net)	(5.1.14)	-	-	-
XVII.	TAX ASSETS		10,619	-	10,619
17.1	Current Tax Assets		-	-	-
17.2	Deferred Tax Assets	(5.1.15)	10,619	-	10,619
XVIII.	ASSETS HELD FOR SALE AND ASSETS RELATED TO DISCONTINUED OPERATIONS (Net)	(5.1.16)	-	-	-
18.1	Held For Sale		-	-	-
18.2	Discontinued Operations		-	-	-
XIX.	OTHER ASSETS	(5.1.17)	77,360	26,100	103,460
TOTAL ASSETS			5,117,286	8,198,274	13,315,560

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

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

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

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CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS AT 31 DECEMBER 2018

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

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

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ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS AS AT 31 DECEMBER 2018

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

	Footnotes (Section Five)	THOUSANDS OF TURKISH LIRA		
		AUDITED		
		CURRENT PERIOD ^(*)		
		31/12/2018		
		TL	FC	TOTAL
A. OFF BALANCE SHEET COMMITMENTS (I-II+III)		861,082	2,733,144	3,594,226
I. GUARANTEES	(5.III.1)	585,675	1,785,507	2,371,182
1.1.Letters of guarantee		585,675	1,454,768	2,040,443
1.1.1.Guarantees subject to State Tender Law		-	-	-
1.1.2.Guarantees given for foreign trade operations		-	-	-
1.1.3.Other letters of guarantee		585,675	1,454,768	2,040,443
1.2.Bank acceptances		-	-	-
1.2.1.Import letter of acceptance		-	-	-
1.2.2.Other bank acceptances		-	-	-
1.3.Letters of credit		-	217,850	217,850
1.3.1.Documentary letters of credit		-	100,678	100,678
1.3.2.Other letters of credit		-	117,172	117,172
1.4.Prefinancing given as guarantee		-	-	-
1.5.Endorsements		-	-	-
1.5.1.Endorsements to the Central Bank of Turkey		-	-	-
1.5.2.Other endorsements		-	-	-
1.6.Purchase guarantees for securities issued		-	-	-
1.7.Factoring guarantees		-	-	-
1.8.Other guarantees		-	112,889	112,889
1.9.Other warranties		-	-	-
II. COMMITMENTS	(5.III.1)	122,855	107,531	230,386
2.1.Irrevocable commitments		122,855	107,531	230,386
2.1.1.Asset purchase and sales commitments		5,020	107,531	112,551
2.1.2.Time Deposit purchase and sales commitments		-	-	-
2.1.3.Share capital commitment to associates and subsidiaries		-	-	-
2.1.4.Loan granting commitments		29,325	-	29,325
2.1.5.Security issue brokerage commitments		-	-	-
2.1.6.Commitments for reserve requirements		-	-	-
2.1.7.Commitments for checks payments		7,720	-	7,720
2.1.8.Tax and fund liabilities from export commitments		6	-	6
2.1.9.Commitments for credit card limits		73,480	-	73,480
2.1.10.Commitments for credit cards and banking services promotions		199	-	199
2.1.11.Receivables from short sale commitments of marketable securities		-	-	-
2.1.12.Payables for short sale commitments of marketable securities		-	-	-
2.1.13.Other irrevocable commitments		7,105	-	7,105
2.2.Revocable commitments		-	-	-
2.2.1.Revocable loan granting commitments		-	-	-
2.2.2.Other revocable commitments		-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		152,552	840,106	992,658
3.1.Derivative Financial Investments Held for Hedging		-	-	-
3.1.1.Fair value hedges		-	-	-
3.1.2.Cash flow hedges		-	-	-
3.1.3.Foreign Net Investment Hedges		-	-	-
3.2.Trading Transactions		152,552	840,106	992,658
3.2.1.Foreign Currency Purchase and Sale Transactions		43,282	43,200	86,482
3.2.1.1.Foreign Currency Purchase Transactions		42,372	1,308	43,680
3.2.1.2.Foreign Currency Sale Transactions		910	41,892	42,802
3.2.2.Currency and interest rate swaps		109,270	786,850	896,120
3.2.2.1.Currency swap purchase transactions		-	460,472	460,472
3.2.2.2.Currency swap sale transactions		109,270	326,378	435,648
3.2.2.3.Interest rate swap purchase transactions		-	-	-
3.2.2.4.Interest rate swap sale transactions		-	-	-
3.2.3.Currency, interest rate and securities options		-	10,056	10,056
3.2.3.1.Currency purchase options		-	5,028	5,028
3.2.3.2.Currency sale options		-	5,028	5,028
3.2.3.3.Interest rate purchase options		-	-	-
3.2.3.4.Interest rate sale options		-	-	-
3.2.3.5.Security purchase options		-	-	-
3.2.3.6.Security sale options		-	-	-
3.2.4.Currency futures		-	-	-
3.2.4.1.Currency purchase futures		-	-	-
3.2.4.2.Currency sale futures		-	-	-
3.2.5.Interest rate futures		-	-	-
3.2.5.1.Interest rate purchase futures		-	-	-
3.2.5.2.Interest rate sale futures		-	-	-
3.2.6.Other		-	-	-
B. CUSTODY AND PLEDGED SECURITIES (IV+V+VI)		10,855,685	23,103,018	33,958,703
IV. ITEMS HELD IN CUSTODY		5,245,377	4,292,713	9,538,090
4.1.Customers' fund and portfolios balances		-	-	-
4.2.Securities held in custody		1,486,234	15,833	1,502,067
4.3.Checks received for collection		51,270	9,844	61,114
4.4.Commercial notes received for collection		7,592	7,573	15,165
4.5.Other assets received for collection		-	-	-
4.6.Securities received for public offering		-	-	-
4.7.Other items under custody		3,694,639	4,257,204	7,951,843
4.8.Custodians		5,642	2,259	7,901
V. PLEDGED ITEMS		5,610,308	18,810,305	24,420,613
5.1.Marketable securities		18,426	-	18,426
5.2.Guarantee notes		921	53	974
5.3.Commodity		71,445	262,792	334,237
5.4.Warrant		230	-	230
5.5.Immovables		3,747,100	12,587,299	16,334,399
5.6.Other pledged items		1,772,186	5,960,161	7,732,347
5.7.Depositories Receiving Pledged items		-	-	-
VI. ACCEPTED GUARANTEES AND WARRANTS		-	-	-
TOTAL OFF BALANCE SHEET ITEMS (A+B)		11,716,767	25,836,162	37,552,929

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CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS AS AT 31 DECEMBER 2018

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

	Footnotes (Section Five)	THOUSANDS OF TURKISH LIRA		
		AUDITED PRIOR PERIOD 31/12/2017		
		TL	FC	TOTAL
A. OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		1,622,911	3,057,170	4,680,081
I. GUARANTEES	(5.III.1)	520,682	1,268,501	1,789,183
1.1.Letters of guarantee		520,682	1,155,059	1,675,741
1.1.1.Guarantees subject to State Tender Law		-	-	-
1.1.2.Guarantees given for foreign trade operations		-	-	-
1.1.3.Other letters of guarantee		520,682	1,155,059	1,675,741
1.2.Bank acceptances		-	-	-
1.2.1.Import letter of acceptance		-	-	-
1.2.2.Other bank acceptances		-	-	-
1.3.Letters of credit		-	68,919	68,919
1.3.1.Documentary letters of credit		-	51,933	51,933
1.3.2.Other letters of credit		-	16,986	16,986
1.4.Prefinancing given as guarantee		-	-	-
1.5.Endorsements		-	-	-
1.5.1.Endorsements to the Central Bank of Turkey		-	-	-
1.5.2.Other endorsements		-	-	-
1.6.Purchase guarantees for securities issued		-	-	-
1.7.Factoring guarantees		-	-	-
1.8.Other guarantees		-	44,523	44,523
1.9.Other warranties		-	-	-
II. COMMITMENTS	(5.III.1)	190,237	9,662	199,899
2.1.Irrevocable commitments		190,237	9,662	199,899
2.1.1.Asset purchase and sales commitments		8,697	9,662	18,359
2.1.2.Time deposit purchase and sales commitments		-	-	-
2.1.3.Share capital commitment to associates and subsidiaries		-	-	-
2.1.4.Loan granting commitments		29,033	-	29,033
2.1.5.Security issue brokerage commitments		-	-	-
2.1.6.Commitments for reserve requirements		-	-	-
2.1.7.Commitments for cheque payments		73,028	-	73,028
2.1.8.Tax and fund liabilities from export commitments		5	-	5
2.1.9.Commitments for credit card limits		67,403	-	67,403
2.1.10.Commitments for promotional operations credit cards and banking services		193	-	193
2.1.11.Receivables from short sale commitments of marketable securities		-	-	-
2.1.12.Payables for short sale commitments of marketable securities		-	-	-
2.1.13.Other irrevocable commitments		11,878	-	11,878
2.2.Revocable commitments		-	-	-
2.2.1.Revocable loan granting commitments		-	-	-
2.2.2.Other revocable commitments		-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		911,992	1,779,007	2,690,999
3.1.Derivative financial instruments held for hedging		-	-	-
3.1.1.Fair value hedges		-	-	-
3.1.2.Cash flow hedges		-	-	-
3.1.3.Foreign net investment hedges		-	-	-
3.2.Trading transactions		911,992	1,779,007	2,690,999
3.2.1.Forward foreign currency purchase and sale transactions		-	3,350	3,350
3.2.1.1.Forward foreign currency purchase transactions		-	1,675	1,675
3.2.1.2.Forward foreign currency sale transactions		-	1,675	1,675
3.2.2.Currency and interest rate swaps		911,992	1,775,657	2,687,649
3.2.2.1.Currency swap purchase transactions		-	1,335,803	1,335,803
3.2.2.2.Currency swap sale transactions		911,992	439,854	1,351,846
3.2.2.3.Interest rate swap purchase transactions		-	-	-
3.2.2.4.Interest rate swap sale transactions		-	-	-
3.2.3.Currency, interest rate and securities options		-	-	-
3.2.3.1.Currency options purchase		-	-	-
3.2.3.2.Currency options sale		-	-	-
3.2.3.3.Interest rate options purchase		-	-	-
3.2.3.4.Interest rate options sale		-	-	-
3.2.3.5.Security options purchase		-	-	-
3.2.3.6.Security options sale		-	-	-
3.2.4.Currency futures		-	-	-
3.2.4.1.Currency futures purchase		-	-	-
3.2.4.2.Currency futures sale		-	-	-
3.2.5.Interest rate futures		-	-	-
3.2.5.1.Interest rate futures purchase		-	-	-
3.2.5.2.Interest rate futures sale		-	-	-
3.2.6.Other		-	-	-
B. CUSTODY AND PLEDGED SECURITIES (IV+V+VI)		9,180,376	11,321,250	20,501,626
IV. ITEMS HELD IN CUSTODY		4,886,303	1,313,990	6,200,293
4.1.Customers' fund and portfolio balances		-	-	-
4.2.Securities held in custody		1,365,063	11,754	1,376,817
4.3.Checks received for collection		44,934	2,266	47,200
4.4.Commercial notes received for collection		6,925	5,979	12,904
4.5.Other assets received for collection		-	-	-
4.6.Securities received for public offering		-	-	-
4.7.Other items under custody		3,464,457	1,290,628	4,755,085
4.8.Custodians		4,924	3,363	8,287
V. PLEDGED ITEMS		4,294,073	10,007,260	14,301,333
5.1.Marketable securities		16,600	2	16,602
5.2.Guarantee notes		1,367	38	1,405
5.3.Commodity		128,854	956,904	1,085,758
5.4.Warrant		300	-	300
5.5.Immovables		2,972,167	7,256,918	10,229,085
5.6.Other pledged items		1,174,785	1,793,398	2,968,183
5.7.Depositories receiving pledged items		-	-	-
VI. ACCEPTED GUARANTEES AND WARRANTIES		-	-	-
TOTAL OFF BALANCE SHEET ITEMS (A+B)		10,803,287	14,378,420	25,181,707

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

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

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

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

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

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

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

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

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

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

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

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	THOUSANDS OF TURKISH LIRA
	AUDITED CURRENT PERIOD ^(*) (01/01/2018- 31/12/2018)
I. PROFIT (LOSS)	83,549
II. OTHER COMPREHENSIVE INCOME	(82,182)
2.1. Other Comprehensive Income That Will Not Be Reclassified to Profit or Loss	1,064
2.1.1. Gains/(Losses) on Revaluation of Property, Plant and Equipment	1,708
2.1.2. Gains/(Losses) on Revaluation of Intangible Assets	-
2.1.3. Gains/(Losses) on Remeasurements of Defined Benefit Plans	(765)
2.1.4. Other Components of Other Comprehensive Income That Will Not Be Reclassified to Profit or Loss	-
2.1.5. Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit or Loss	121
2.2. Other Comprehensive Income That Will Be Reclassified to Profit or Loss	(83,246)
2.2.1. Exchange Differences on Translation	-
2.2.2. Valuation and/or Reclassification Profit or Loss from financial assets at fair value through other comprehensive income	(104,058)
2.2.3. Income/(Loss) Related with Cash Flow Hedges	-
2.2.4. Income/(Loss) Related with Hedges of Net Investments in Foreign Operations	-
2.2.5. Other Components of Other Comprehensive Income That Will Be Reclassified to Profit or Loss	-
2.2.6. Tax Relating to Components of Other Comprehensive Income That Will Be Reclassified to Profit or Loss	20,812
III. TOTAL COMPREHENSIVE INCOME (I+II)	1,367

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

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

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

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

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

		Other Comprehensive Income/Expense Items not to be Reclassified to Profit or Loss					Other Comprehensive Income/Expense Items to be Reclassified to Profit or Loss					Profit Reserves	Prior Period Net Profit/ (Loss)	Current Period Net Profit/ (Loss)	Total Shareholders' Equity Without Minority Share	Minority Interest	Total Shareholders' Equity
Current period (*)		Paid-in Capital	Share Premium	Share Certificate Cancellation Profits	Other Capital Reserves	1	2	3	4	5	6						
I.	Balances at Beginning of Period	860,000	(587)	-	182	11,646	-	-	-	(5,596)	-	201,682	(3,316)	48,283	1,112,294	-	1,112,294
II.	Adjustments in accordance with TAS 8	-	-	-	-	-	-	-	-	-	-	-	47,764	-	47,764	-	47,764
2.1	Effect of Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	47,764	-	47,764	-	47,764
III.	New Balance (I+II)	860,000	(587)	-	182	11,646	-	-	-	(5,596)	-	201,682	44,448	48,283	1,160,058	-	1,160,058
IV.	Total Comprehensive Income (Loss)	-	-	-	-	1,622	(558)	-	-	(83,246)	-	-	-	-	(82,182)	-	(82,182)
V.	Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Capital Increase through Internal resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Issued capital/ inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Convertible Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Increase/ (Decrease) through Others Changes	-	-	-	(182)	-	182	-	-	-	-	31	(496)	83,549	83,084	-	83,084
XI.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	44,967	3,316	(48,283)	-	-	-
11.1	Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to legal reserves	-	-	-	-	-	-	-	-	-	-	44,967	-	-	44,967	-	44,967
11.3	Others	-	-	-	-	-	-	-	-	-	-	-	3,316	(48,283)	(44,967)	-	(44,967)
Balances at end of the period (III+IV+.....+X+XI) - 31/12/2018		860,000	(587)	-	-	13,268	(376)	-	-	(88,842)	-	246,680	47,268	83,549	1,160,960	-	1,160,960

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

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

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

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

		AUDITED THOUSANDS OF TURKISH LIRA																	
		Paid-in Capital	Capital Reserves from Inflation Adjustments to Paid-in Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves ⁽¹⁾	Current Period Net Profit / (Loss)	Prior Period Net Profit / (Loss)	Valuation Differences of Securities	Revaluation Fund on Tangible and Intangible Assets	Non-paid up shares from partnerships	Hedge Funds	Revaluation Fund on Assets Held for Sale and Discontinued Operations	Total Equity Attributable to Equity Holders of the Parent	Minority Interests	Total Shareholders' Equity
CHANGES IN SHAREHOLDERS' EQUITY																			
	PRIOR PERIOD 31/12/2017																		
I.	Balances at the beginning of period - 01/01/2017	420,000	-	(814)	-	11,669	-	127,271	57,918	18,749	(17,357)	(20,572)	10,143	-	-	-	607,007		607,007
	Changes in the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II.	Increase / decrease related to mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Valuation difference of available-for-sale securities	-	-	-	-	-	-	-	-	-	-	14,976	-	-	-	-	14,976	-	14,976
IV.	Hedging transactions (effective portion)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Hedging of a net investment in foreign subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Revaluation fund on tangible assets	-	-	-	-	-	-	-	-	-	-	-	1,503	-	-	-	1,503	-	1,503
VI.	Revaluation fund on intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Capital bonus of associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign exchange differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Changes related to sale of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes related to reclassification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effect of changes in equities of associates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Capital increase	440,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	440,000	-	440,000
12.1	Cash	440,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	440,000	-	440,000
12.2	Domestic sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Issuances of share certificates	-	-	227	-	-	-	-	-	-	-	-	-	-	-	-	227	-	227
XIV.	Abolition profit of share certificates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Capital reserves from inflation adjustments to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Others	-	-	-	-	-	-	-	(370)	-	-	-	-	-	-	-	(370)	-	(370)
XVII.	Current period net profit / (loss)	-	-	-	-	-	-	-	-	48,283	-	-	-	-	-	-	48,283	-	48,283
XVIII.	Profit distribution	-	-	-	-	268	-	5,108	-	(18,749)	14,041	-	-	-	-	-	668	-	668
18.1	Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2	Transferred to reserves	-	-	-	-	268	-	5,108	-	(5,376)	-	-	-	-	-	-	-	-	-
18.3	Others	-	-	-	-	-	-	-	-	(13,373)	14,041	-	-	-	-	-	668	-	668
Balances at the end of period (I+II+III+...+XVI+XVII+XVIII) - 31/12/2017		860,000	-	(587)	-	11,937	-	132,379	57,548	48,283	(3,316)	(5,596)	11,646	-	-	-	1,112,294	-	1,112,294

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

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

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

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

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

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

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

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

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

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

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

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

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

PARENT BANK STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

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

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

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

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

SECTION THREE ACCOUNTING POLICIES

I. Explanations on Basis of Presentation

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

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

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

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

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

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

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

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

Additional paragraph for convenience translation to English:

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

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

I. Explanations on Basis of Presentation (Continued)

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

Accounting policies and valuation principles used in the preparation of the consolidated financial statements are determined in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"), and in case where a specific regulation is not made by BRSA, TFRS. In accordance with the transition rules of TFRS 9, the prior period financial statements and notes are not restated. Accounting policies and valuation principles used for the year 2018 and 2017 periods are separately presented in the notes and the accounting policies for the year 2017 are included in Section Three note XXVIII. Impacts of transition to TFRS 9 and its adoption is disclosed in Section Three Note XXVII.

II. Explanations on Strategy for the Use of Financial Instruments and the Foreign Currency Transactions

Strategy for the use of financial instruments:

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

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

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

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

Transactions denominated in foreign currencies:

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

As at 31 December 2018, rates used for converting foreign exchange transactions to Turkish Lira and presenting them in financial statements are as follows (TL Full); USD: TL 5.2609, Euro: TL 6.0280, GBP: TL 6.6528, JPY: TL 0.0475.

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

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

III. Explanations on Subsidiaries and Associates

The Parent Bank has no associate as of 31 December 2018 and 31 December 2017.

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

ICBC Yatırım, which is financial subsidiary of the Parent Bank is consolidated in the accompanying consolidated financial statements by using full consolidation method as at 31 December 2018 and 31 December 2017.

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

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

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

The financial statements, which have been used in the consolidation, are prepared as at 31 December 2018 and appropriate adjustments are made to financial statements to use uniform accounting policies for similar transactions and events in same circumstances. There is no obstacle on the transfer of shareholders' equity between the Parent Bank and its subsidiary or on the reimbursement of liabilities.

IV. Derivative Financial Assets

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

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

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

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

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

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

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

V. Explanations on Interest Income and Expense

Interest is recognized using the effective interest method (the effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability) defined in TFRS 9. Interest income and expense computed by using internal rate of return are recognized on an accrual basis. In accordance with the related legislation, the Parent Bank ceases to accrue interest income on loans that become non-performing. Interest accrual does not start until such loans become performing and are classified as performing loans or until collection.

VI. Explanations on Fees and Commissions Income and Expense

Fee and commission income and expenses are accounted on accrual or cash basis relatively, depending on the nature of the transaction. Upfront commissions from cash and non-cash loans are allocated to related periods. Upfront fees from loans are discounted with effective interest rate method and allocated to related period's income.

VII. Explanations on Financial Assets

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

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

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

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

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

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

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

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

VII. Explanations on Financial Assets (Continued)

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

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

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

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

c. Financial Assets Measured at Amortized Cost:

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

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

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

d. Loans:

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

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

VIII. Explanations on Impairment of Financial Assets

Recognition of Expected Credit Losses

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

There is no provision for impairment of equity instruments.

In this framework, as of 31 December 2017, method of provisions for impairment as set out in accordance with the related legislation of BRSA is changed by applying the expected credit loss model under TFRS 9.

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

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

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

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

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

Review of the Parent Bank's Business Model

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

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

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

VIII. Explanations on Impairment of Financial Assets (Continued)

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

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

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

IX. Explanations on Offsetting Financial Instruments

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

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

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

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

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

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

The Group does not have any assets held for sale.

The Group does not have any discontinued operations.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

XII. Explanations on Goodwill and Other Intangible Assets

There is no goodwill in the accompanying consolidated financial statements as at 31 December 2018 and 31 December 2017.

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

Intangible assets are amortized on amortization rates between 6.66% and 33.33%.

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

XIII. Explanations on Tangible Assets

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

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

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

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

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

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

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

The Parent Bank applies revaluation model for the buildings as permitted by TAS 16 "Property, Plant and Equipment". For this purpose, fair values of the buildings are determined by a third party appraiser, which is commissioned by BRSA and Capital Markets Board. The fair value surplus is recognized in "Revaluation Fund on Tangible Assets" within the equity items. As at 31 December 2018, revaluation surplus on tangible assets amounts to TL 13,967 (31 December 2017: TL 12,259).

XIV. Explanations on Leasing Activities

Assets acquired by financial leasing are recorded by considering the lower of the fair value of the leased asset and the present value of leasing payments. Tangible assets acquired by way of financial leasing are recognized in tangible assets and depreciated in line with tangible assets group they relate to. In cases where leased assets are impaired or the expected future benefits of the assets are less than their book values, the book values of such leased assets are reduced to their net realizable values. The obligations under financial leases arising from the lease contracts are presented under "Financial Lease Payables" account in the balance sheet. Interest expense and currency exchange rate differences related to leasing activities are recognized in the income statement. The Group does not enter into financial lease transactions by acting as the "lessor".

In operating leases, the rent payments are charged to the statement of profit or loss on an accrual basis.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

XV. Explanations on Provisions and Contingent Liabilities

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

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

XVI. Contingent Assets

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

XVII. Explanations on Obligations Related to Employee Rights

Obligations concerning employee severance indemnities and vacation pay are accounted for in accordance with the Turkish Accounting Standard ("TAS 19") "Employee Benefits".

In accordance with existing legislation in Turkey, the Group have to make certain lump-sum payments to employees who has completed one year of service and whose employment is terminated due to retirement or reasons other than resignation or misconduct. Provision for employee severance benefits has been accounted for using discounting total provision and reflected to the consolidated financial statements.

XVIII. Explanations on Taxation

a. Current tax:

While the corporate tax rate was at the rate of 20% since 1 January 2006, for all companies, such rate has been set as 22% for the tax bases of the years 2018, 2019 and 2020 based on the legislation of the Amendment on Certain Tax Laws and Other Laws no. 7061. Furthermore, the Council of Ministers has been authorized to reduce the rate of 22% down to 20%.

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

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

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

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

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

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

XVIII. Explanations on Taxation (continued)

b. Deferred Tax:

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

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

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

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

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

c. Transfer Pricing:

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

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

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

XIX. Additional Explanations on Borrowings

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

XX. Explanations on Issued Stock

There is no issued stock in the current period.

XXI. Explanations on Acceptances

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

XXII. Explanations on Government Grants

As at 31 December 2018 and 31 December 2017, the Group does not have any government grants.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

XXIII. Profit Reserves and Profit Distribution

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

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

At the Ordinary General Assembly Meeting of the Parent Bank held on 30 March 2018, the remaining TL 42,484 of the net income after the net tax for the year 2017 has been deducted from the previous year's losses with amount of TL 3,316. After the deduction remaining amount of TL 39,168 used for calculation of legal reserve of 5% of with amount of TL 1,958 in accordance with the TCC 519/1 and the remaining TL 37,210 to be transferred to extraordinary reserves.

XXIV. Related Parties

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

XXV. Cash and Cash Equivalents

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

XXVI. Explanations on Segment Reporting

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

XXVII. Reclassifications

The table below shows classification and measurement records on 1 January 2018 related to first application of TFRS 9 Financial Instruments Standard.

	31 December 2017	Reclassifications	Remeasurements	1 January 2018
ASSETS				
Financial Assets	2,513,663	17,130	(11,651)	2,519,142
Financial Assets at Fair Value through Profit and Loss	31,240	(691)	-	30,549
Financial Assets at Fair Value through Other Comprehensive Income	-	1,989,010	-	1,989,010
<i>Financial Assets Available for Sale</i>	<i>1,989,010</i>	<i>(1,989,010)</i>	-	-
Financial Assets Measured at Amortized Cost	-	493,413	-	493,413
<i>Investments Held to Maturity</i>	<i>493,413</i>	<i>(493,413)</i>	-	-
Derivative Financial Assets	-	691	-	691
Allowance for Expected Credit Losses (-)	-	17,130	(11,651)	5,479
Loans	72,147	82,928	(39,397)	115,678
Allowance for Expected Credit Losses (-)	-	155,075	(39,397)	115,678
<i>Specific Provisions (-)</i>	<i>72,147</i>	<i>(72,147)</i>	-	-
Deferred Tax Assets	10,619	-	10,028	20,677
Other Assets	84,522	-	(231)	84,291
LIABILITIES				
Derivative financial liabilities	-	14,272	-	14,272
<i>Derivative financial liabilities held for trading</i>	<i>14,272</i>	<i>(14,272)</i>	-	-
Provisions	125,146	(100,057)	(6,543)	18,545
<i>General Provisions</i>	<i>104,344</i>	<i>(104,344)</i>	-	-
<i>Other Provisions</i>	<i>20,802</i>	<i>4,287</i>	<i>(6,543)</i>	<i>18,545</i>
Prior years profit/ losses	44,967	-	47,764	92,731

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

XXVIII. Explanations on Other Matters

The accounting policies applied in the prior period and is not valid for the current period in accordance with application of TFRS 9 standard are presented below:

Explanations on Forward Transactions, Options and Derivative Instruments

The derivative transactions of the Parent Bank are mainly consist of foreign currency swaps, interest rate swaps, currency forwards, currency futures and currency options. Spot currency buying-selling transactions and currency swaps with two days value date of the Parent Bank are classified under assets purchase and sale commitments.

The Parent Bank's derivative instruments are classified as "held-for-trading" according to TAS 39. The Parent Bank does not have any embedded derivatives.

The notional amounts of derivative transactions are recorded in off-balance sheet accounts based on their contractual amounts.

"Financial instruments at fair value through profit or loss" are measured at fair value. If the fair value of derivative financial instruments is positive, it is disclosed under the main account "financial assets at fair value through profit or loss" in "derivative financial assets held for trading" and if the fair value difference is negative, it is disclosed under "derivative financial liabilities held for trading". Fair value changes are recorded under "Derivative Financial Transactions Gains/ (Losses)" in the income statement. The fair values of the derivative financial instruments are calculated using quoted market prices or by using discounted cash flow models.

The fair values of the option contracts are calculated as part of option pricing model and unrealized gains and losses are presented in the current period income statement.

Embedded derivatives are separated from the host contract and accounted for as a derivative under TAS 39 if, and only if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the hybrid instrument is not measured at fair value with changes in fair value recognized in profit or loss. When the host contract and embedded derivative are closely related, embedded derivatives are not separated from the host contract and are accounted according to the standard applied to the host contract.

Explanations on Financial Assets

The Parent Bank categorizes its financial assets as "Fair Value Through Profit/Loss", "Available-for-sale Financial Assets", "Loan and Receivables" or "Held to Maturity". Sale and purchase transactions of the financial assets mentioned above are recognized and derecognized at the "Settlement dates". The appropriate classification of financial assets of the Group is determined at the time of purchase by The Parent Bank's management, taking into consideration the purpose of the investment.

a. Financial Assets at Fair Value Through Profit or Loss

This category has 2 stages: "trading financial assets" and "financial assets designated at fair value through profit or loss" at initial recognition. The Parent Bank has no financial assets designated at initial recognition.

Trading financial assets are financial assets which are either acquired for generating a profit from short-term fluctuations in a portfolio aiming a short-term profit making.

All regular purchases and sales of financial assets are recognized at the "settlement date", which is the date that the assets is delivered to/ from the Bank. Trading financial assets are initially recognized at fair value and remeasured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the statement of profit or loss. Interest earned holding trading financial assets are accounted as interest income. Profit or loss resulting from disposals of these financial assets before maturity is recognized as "capital market gains/losses" in the statement of profit or loss.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

XXVIII. Explanations on Other Matters (Continued)

b. Financial Assets Available for Sale:

Available-for-sale financial assets consist of financial assets other than "Loans and receivables", "Held-to-maturity", "Financial assets at fair value through profit or loss".

Available-for-sale financial assets are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, available-for-sale financial assets are remeasured at fair value. Interest income arising from available-for-sale calculated with effective interest rate method and dividend income from equity securities are reflected to income statement. "Unrealized gains and losses" arising from the difference between the amortized cost and the fair value of securities classified as available-for-sale are recognized in the account of "Marketable Securities Valuation Differences" under shareholders' equity, unless these assets are impaired, collected, sold, or disposed of. When these securities are collected or disposed of, the related fair value differences accumulated in the shareholders' equity are transferred to the income statement.

The real coupon of State Treasuries Indexed to Consumer Prices in available for sale financial assets remains constant throughout the maturity. In addition to the effects of inflation changes; according to the announcements made by the Undersecretariat of Treasury of the Republic of Turkey Prime Ministry at the issue date, the reference inflation index at the issue date and the reference inflation index at the balance sheet date are evaluated.

c. Loans and Receivables:

Loans and receivables are carried initially by adding acquisition cost at which reflect for value to transaction cost and subsequently recognized at the discounted value calculated using the "effective interest rate method". The expenses incurred the assets received as collateral are not considered as transactions costs and are recognized in the expense accounts.

The Parent Bank classifies its loans and receivables to related groups and calculates specific or general provisions in accordance with the "Regulation on the Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside" published in the Official Gazette dated 1 November 2006, no.26333 and by considering other regulations and explanations announced by BRSA. Specific provisions are accounted under "Provision for Loan Losses and Other Receivables" in the income statement and recorded as expense in the related year. If a receivable is collected which is provisioned in the same year, it is deducted from the "Provision for Loan Losses and Other Receivables". If there is a subsequent collection from a receivable which has already been provisioned in previous years, the recovery amount is classified under "Other Operating Income". Uncollectible receivables are written-off after all the legal procedures are finalized. The general policy of the Bank in the deletion of non-performing loans is that the receivables that are documented to be uncollectible during the legal follow-up process shall be deleted by taking into consideration the provisions of the Tax Procedures Law.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

XXVIII. Explanations on Other Matters (Continued)

d. Held-to-maturity Financial Assets:

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to held-to-maturity other than those that the entity upon initial recognition designates as at fair value through profit or loss, those that the entity designates as available-for-sale; and those that meet the definition of "loans and receivables". Held-to-maturity financial assets are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using "effective interest rate (internal rate of return) method". Interest income obtained from held-to-maturity financial assets is accounted in income statement.

e. Explanations on Impairment of Financial Assets

At each reporting date, the Parent Bank assesses whether there is objective evidence that a financial asset or a group of financial assets has been impaired. In the event that there is an indication of the type of indication, the Parent Bank determines the amount of the impairment.

A financial asset or a group of financial assets is recognized only when it is probable that one or more than one event has occurred after the initial recognition of the asset ("loss/ deficit event") and the related financial asset or group of assets has been reliably estimated if there is objective evidence of impairment as a result of the effect on future cash flows, impairment and impairment is recognized.

In the event that there is evidence that the credited loans will not be collected, the special and general provisions required for the related loans classified in the framework of the "Regulation on the Procedures and Principles for the Determination of the Qualifications of Banks and the Other Receivables in Banks" published in the Official Gazette No. 26333 dated 1 November 2006 provisions are set aside and the provisions are transferred to the related period profit or loss accounts.

As of 31 December 2017; customer loans of the Bank are issued in the Official Gazette dated 18 June 2011 and numbered 27968 and in the Official Gazette dated 8 October 2013 and numbered 28789 (Doubled) "Determination of the Qualifications of Credits and Other Receivables in Banks and as the "Regulation on the Amendment of the Regulation on the Procedures and Principles for the Reserves to be Paid" is below the rates stated, no additional general loan provision has been calculated.

New standards which is not effective as the date of 1 January 2018

TFRS 16 Leases

On 16 April 2018, POA issued the new leasing standard, TFRS 16 "Leasings" which will replace TAS 17 Leases, TFRS Interpretation 4 Determining Whether an Arrangement Contains a Lease, TAS Interpretation 15 Operating Leases – Incentives, and consequently changes to TAS 40 Investment Properties. TFRS 16 Leases eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard is effective for annual periods beginning on or after 1 January 2019, the implementation of this amendment to TFRS 16 is not expected to have a significant impact on the financial statements of the Group.

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

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

**SECTION FOUR
INFORMATION RELATED TO CONSOLIDATED FINANCIAL POSITION AND
RISK MANAGEMENT****I. Explanations on Consolidated Equity****Information about consolidated total capital:**

The capital adequacy ratio of the Group is 30.22% (31 December 2017: 13.90%).

The calculation of the capital adequacy standard ratio is calculated within the scope of the Regulation on Measurement and Assessment of Capital Adequacy of Banks published in the Official Gazette No. 29111 dated 6 September 2014.

Current Period	Amounts related to treatment before 1/1/2014 ⁽¹⁾	
	Amount	
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	860,000	
Share issue premiums	(587)	
Reserves	246,680	
Gains recognized in equity as per TAS	12,892	
Profit	130,817	
Current period profit	83,549	
Prior period profit/loss	47,268	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	
Common Equity Tier 1 Capital Before Deductions	1,249,802	
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1 st clause of Provisional Article 9 of the Regulation of the Equity of Banks	-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	88,842	
Improvement costs for operating leasing	1,047	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	4,903	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	800	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

I. Explanations on Consolidated Equity (Continued)

Information about consolidated total capital (Continued):

	Amount	Amounts related to treatment before 1/1/2014 ⁽¹⁾
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on from temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions From Common Equity Tier I Capital	95,592	
Total Common Equity Tier I Capital	1,154,210	
ADDITIONAL TIER 1 CAPITAL		
Preferred stock not included in common equity and the related share premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA (Temporary Article 4)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

I. Explanations on Consolidated Equity (Continued)

Information about consolidated total capital (Continued):

	Amount	Amounts related to treatment before 1/1/2014 ⁽¹⁾
Transition from the Core Capital to Continue to deduce Components		
Goodwill or other intangibles and deferred tax liabilities of which the regulation concerning Provisional Article 2 of subsection of core capital not reduced from (-)	3,268	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	533	
Total Deductions From Additional Tier I Capital	3,801	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	1,150,409	
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA ⁽²⁾	1,579,084	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	
Provisions (1 st clause of Article 8 of the Regulation on the Equity of Banks)	145,529	
Tier II Capital Before Deductions	1,724,613	
Deductions From Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	1,724,613	
Total Capital (The sum of Tier I Capital and Tier II Capital)	2,875,022	
Deductions from Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be defined by the BRSA	199	
Regulatory Adjustments which will be deducted from Total Capital during the transition period		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

I. Explanations on Consolidated Equity (Continued)

Information about consolidated total capital (Continued):

	Amount	Amounts related to treatment before 1/1/2014 ⁽¹⁾
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
TOTAL CAPITAL		
Total capital (The Sum of Tier I Capital and Tier II)	2,874,823	
Total risk weighted amounts	9,514,657	
CAPITAL ADEQUACY RATIOS		
Consolidated Core Capital Adequacy Ratio (%)	12.09	
Consolidated Tier 1 Capital Adequacy Ratio (%)	12.09	
Consolidated Capital Adequacy Standard Ratio (%)	30.22	
BUFFERS		
Total buffer requirement	9.08	
Capital conservation buffer requirement (%)	1.88	
Bank specific countercyclical buffer requirement (%)	7.20	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	-	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Amount arising from mortgage servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	-	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	-	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0.6 % of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Temporary Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

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

⁽²⁾ As of 31 December 2018, the Parent Bank has taken into consideration the subordinated loan amounting to TL 1,579,084 from its main shareholders, Industrial and Commercial Bank of China Limited Liability Company (ICBC) for capital adequacy calculation.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

I. Explanations on Consolidated Equity (Continued)

Information about consolidated total capital (Continued):

Total capital has been calculated in accordance with the "Regulations regarding to changes on Regulation on Equity of Banks" effective from date 31 December 2017, the information given in the prior period has been calculated pursuant to former regulation.

Prior Period	Amounts related to treatment before 1/1/2014 ⁽¹⁾	
	Amount	
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	860,000	
Share issue premiums	(587)	
Reserves	201,682	
Gains recognized in equity as per TAS	11,828	
Profit	44,967	
Current period profit	48,283	
Prior period profit	(3,316)	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	
Common Equity Tier 1 Capital Before Deductions	1,117,890	
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1 st clause of Provisional Article 9 of the Regulation of the Equity of Banks	-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	5,596	
Improvement costs for operating leasing	2,242	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	3,116	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	328	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

I. Explanations on Consolidated Equity (Continued)

Information about consolidated total capital (Continued):

	Amount	Amounts related to treatment before 1/1/2014 ⁽¹⁾
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions From Common Equity Tier I Capital	11,282	
Total Common Equity Tier I Capital	1,106,608	
ADDITIONAL TIER 1 CAPITAL		
Preferred stock not included in common equity and the related share premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

I. Explanations on Consolidated Equity (Continued)

Information about consolidated total capital (Continued):

	Amount	Amounts related to treatment before 1/1/2014 ⁽¹⁾
Transition from the Core Capital to Continue to deduce Components		
Goodwill or other intangibles and deferred tax liabilities of which the regulation concerning transitional Article 2 of subsection of core capital not reduced from (-)	2,078	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	218	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions From Additional Tier I Capital	2,296	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	1,104,312	
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	104,344	
Tier II Capital Before Deductions	104,344	
Deductions From Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	104,344	
Total Capital (The sum of Tier I Capital and Tier II Capital)	1,208,656	
Deductions from Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be defined by the BRSA	96	
Regulatory adjustments which will be deducted from Total Capital during the transition period		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

I. Explanations on Consolidated Equity (Continued)

Information about consolidated total capital (Continued):

	Amount	Amounts related to treatment before 1/1/2014 ⁽¹⁾
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
TOTAL CAPITAL		
Total capital (The Sum of Tier I Capital and Tier II Capital)	1,208,656	
Total risk weighted amounts	8,692,643	
CAPITAL ADEQUACY RATIOS ⁽²⁾		
Consolidated Core Capital Adequacy Ratio (%)	12.72	
Consolidated Tier 1 Capital Adequacy Ratio (%)	12.70	
Consolidated Capital Adequacy Standard Ratio (%)	13.90	
BUFFERS		
Total buffer requirement	3.89	
Capital conservation buffer requirement (%)	1.25	
Bank specific countercyclical buffer requirement (%)	2.64	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	-	
Amounts below the Excess Limit as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Amount arising from mortgage servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	104,344	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	104,344	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0.6 % of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Temporary Article 4		
(to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

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

⁽²⁾ The Parent Bank considers the loan provided to Industrial and Commercial Bank of China (ICBC) at an amount of TL 548,335, as cash reserve as at 31 December 2017 in accordance with the Account Pledge Contract dated 25 June 2015 concluded with its shareholder ICBC and does not consider the aforementioned loan as an item which shall be deducted from the capital.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

I. Explanations on Consolidated Equity (Continued)

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

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

A subordinated loan amounting to USD 300 million (three hundred million USD), which has a repayment option of 5 years and 10 years maturity, is provided from the main shareholder of the Parent Bank, Industrial and Commercial Bank of China Limited (ICBC). The Bank has taken into consideration the subordinated loan amounting to TL 1,579,084 in capital adequacy calculation.

II. Explanation and footnotes on Consolidated Credit Risk

1. Credit risk represents the risk generating from the counter party's not fulfilling its responsibilities stated in the agreement either partially or totally.

In the Parent Bank, Credit Allocation Department and Problematic Loans Follow-up Department is responsible for managing the credit risk. The Group determines credit limits to counter parties and does not allocate loans more than these limits so as to subject credit risk to risk limitation. Credit limits are determined individually for each customer, company, company groups and risk groups. The Group assesses several criteria such as financial power of customers, business capacity, industry, geographical segment and equity structure when determining credit limits. The review of financial position of the customers is based on financial statements obtained in accordance with relevant legislation and other information. The geographical distribution of credit customers is appropriate to branch network, country, industry, trade and service activities allocation. The credibility of the debtors is assessed periodically with taking notice of the financial statements of the debtors obtained thoroughly to be audited in accordance with the relevant legislation.

The Group gives importance to credit collaterals. Collaterals are generally in form of real estate and movable mortgages, commercial enterprise pledges, secured investment securities, letters of guarantee of other banks and sureties.

The Bank classified overdue loans in accordance with TFRS 9 and "Regulation on the Procedures and Principles for Determination of Classification of Loans by Banks and Provisions to be Set Aside" in current period. General loan loss provision is calculated for past due loans and specific provision is calculated for impaired loans in accordance with "Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside" in the prior periods.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

II. Explanation and footnotes on Consolidated Credit Risk (Continued)

Information related to total amount of exposures after offsetting transactions but before applying risk mitigations and the average exposure amounts that are classified in different risk groups and types:

Risk Classifications	Current Period Risk Amount ⁽¹⁾	Average Risk Amount
Claims on central governments and Central Banks	4,485,288	3,527,521
Claims on regional governments or local authorities	-	-
Claims on administrative bodies and non-commercial undertakings	40,125	278,577
Claims on multilateral development banks	-	-
Claims on international organizations	-	-
Claims on banks and intermediary institutions	6,599,397	4,955,453
Claims on corporate	4,833,831	4,696,556
Claims on retail	144,758	169,031
Claims secured by residential property	1,330,070	1,367,531
Past due loans	14,820	14,467
Higher risk categories decided by the Board	-	-
Secured by mortgages	-	-
Securitization positions	-	-
Short-term claims on banks and intermediary institutions and short-term corporate receivables	-	-
Undertakings for collective investments in mutual funds	-	-
Other receivables	123,718	156,937

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

2. The Parent Bank has control limits over the positions of forward transactions, options and other similar agreements. The credit risk arising from these instruments are managed together with other potential risks resulting from market fluctuations.
3. Regarding forward transactions, if it is required, reverse positions of the current positions are purchased to minimize the risk.
4. Indemnified non-cash loans are treated as non-performing loans. Standard loans, restructured and rescheduled loans are followed-up in accordance with the monitoring methods defined by banking regulations.
5. There is a risk evaluation structure within the Parent Bank for foreign funding transactions, where the countries and their market risks are analyzed although the Group's credit portfolio does not include significant foreign operations and credit transactions yet. When the international interbank credit transactions of the Group are assessed, there is no significant international credit risk concentration.
6.
 - a) As at 31 December 2018, the shares of the top 100 and 200 cash loan customers of the Group constitute 89.7% and 91.9% of the total cash loans portfolio (31 December 2017: 84% and 88%), respectively.
 - b) As at 31 December 2018, the shares of the top 100 and 200 non-cash loan customers of the Group constitute 99.6% and 99.9% of the total non-cash loans portfolio (31 December 2017: 99% and 99.8%), respectively.
 - c) As at 31 December 2018, the Group's total cash and non-cash loans from its top 100 and 200 loan customers comprise 17% and 18% of the aggregate of total assets and off-balance sheet items (31 December 2017: 21% and 22%), respectively.
7. As at 31 December 2018 the Group's 1st and 2nd stage expected loan loss provision amounts to TL 129,763 (31 December 2017 – TL 104,344 general loan loss provision.)

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

II. Explanation and footnotes on Consolidated Credit Risk (Continued)

8.a) Profile of Significant Exposures in Major Regions:

31 December 2018 ⁽⁴⁾	Risk Classifications ⁽¹⁾																Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
Domestic	4,485,288	-	40,125	-	-	6,045,620	4,238,589	144,674	1,330,070	14,820	-	-	-	-	-	123,718	16,422,904
European Union Countries	-	-	-	-	-	60,520	212,231	2	-	-	-	-	-	-	-	-	272,753
OECD Countries ⁽²⁾	-	-	-	-	-	1,079	84,250	-	-	-	-	-	-	-	-	-	85,329
Off-Shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	314,168	-	-	-	-	-	-	-	-	-	-	314,168
Other Countries	-	-	-	-	-	178,010	298,761	82	-	-	-	-	-	-	-	-	476,853
Investments and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Undistributed Assets/Liabilities ⁽³⁾	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	4,485,288	-	40,125	-	-	6,599,397	4,833,831	144,758	1,330,070	14,820	-	-	-	-	-	123,718	17,572,007

31 December 2017 ⁽⁴⁾	Risk Classifications ⁽¹⁾																Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
Domestic	2,899,087	-	272,102	-	-	3,882,706	3,950,137	207,186	1,385,885	24,376	-	-	-	-	-	174,661	12,796,140
European Union Countries	-	-	-	-	-	312,745	153,545	140	-	-	-	-	-	-	-	-	466,430
OECD Countries ⁽²⁾	-	-	-	-	-	622	60,838	-	-	-	-	-	-	-	-	-	61,460
Off-Shore Banking Regions	-	-	-	-	-	-	548,329	-	-	-	-	-	-	-	-	-	548,329
USA, Canada	-	-	-	-	-	840,256	-	-	-	-	-	-	-	-	-	-	840,256
Other Countries	-	-	-	-	-	135,730	-	54	-	-	-	-	-	-	-	-	135,784
Investments and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Undistributed Assets/Liabilities ⁽³⁾	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	2,899,087	-	272,102	-	-	5,172,059	4,712,849	207,380	1,385,885	24,376	-	-	-	-	-	174,661	14,848,399

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

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

⁽²⁾ Includes OECD countries other than EU countries, USA and Canada

⁽³⁾ Includes asset and liability items that cannot be allocated on a consistent basis

⁽⁴⁾ Risk amounts present amounts before credit risk mitigation, after credit conversion rate process.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

II. Explanations and footnotes on Consolidated Credit Risk (Continued)

8.b) Risk profile by industries or counterparties:

31 December 2018 ⁽²⁾	Risk Classifications ⁽¹⁾																TL	FC	TOTAL
Industries/Counterparties	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16			
Agriculture	-	-	-	-	-	-	779	4	-	8	-	-	-	-	-	-	791	-	791
Farming and Raising Livestock	-	-	-	-	-	-	753	4	-	8	-	-	-	-	-	-	765	-	765
Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	26	-	-	-	-	-	-	-	-	-	26	-	26
Manufacturing	-	-	40,125	-	-	-	2,382,429	1,383	141,027	1,510	-	-	-	-	-	-	315,180	2,251,294	2,566,474
Mining and Quarrying	-	-	-	-	-	-	9,620	85	-	221	-	-	-	-	-	-	9,686	240	9,926
Production	-	-	40,125	-	-	-	1,018,194	1,253	140,727	1,289	-	-	-	-	-	-	134,311	1,067,277	1,201,588
Electric, Gas and Water	-	-	-	-	-	-	1,354,615	45	300	-	-	-	-	-	-	-	171,183	1,183,777	1,354,960
Construction	-	-	-	-	-	-	570,675	410	120,219	1,486	-	-	-	-	-	-	404,334	288,456	692,790
Services	4,484,951	-	-	-	-	6,202,459	1,793,657	2,502	435,631	9,935	-	-	-	-	-	-	4,035,987	8,893,148	12,929,135
Wholesale and Retail Trade	-	-	-	-	-	-	100,526	1,502	838	9,935	-	-	-	-	-	-	40,709	72,092	112,801
Hotel, Food and Beverage	-	-	-	-	-	-	1,864	45	214,812	-	-	-	-	-	-	-	1,940	214,781	216,721
Transportation and Telecommunication	-	-	-	-	-	-	741,076	392	-	-	-	-	-	-	-	-	190,366	551,102	741,468
Financial Institutions	4,484,951	-	-	-	-	6,202,459	388,194	61	-	-	-	-	-	-	-	-	3,540,720	7,534,945	11,075,665
Real Estate and Rental Services	-	-	-	-	-	-	266,445	145	219,396	-	-	-	-	-	-	-	245,214	240,772	485,986
Self Employment Services	-	-	-	-	-	-	295,003	229	56	-	-	-	-	-	-	-	15,953	279,335	295,288
Educational Services	-	-	-	-	-	-	1	-	529	-	-	-	-	-	-	-	530	-	530
Health and Social Services	-	-	-	-	-	-	548	128	-	-	-	-	-	-	-	-	555	121	676
Other	337	-	-	-	-	396,938	86,291	140,459	633,193	1,881	-	-	-	-	-	123,718	986,494	396,323	1,382,817
Total	4,485,288	-	40,125	-	-	6,599,397	4,833,831	144,758	1,330,070	14,820	-	-	-	-	-	123,718	5,742,786	11,829,221	17,572,007

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

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

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

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

II. Explanation and Footnotes on Consolidated credit risk (continued)

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

	Term to Maturity				
	1 month	1-3 months	3-6 months	6-12 months	Over 1 Year
Risk Classifications ⁽¹⁾					
Claims on central governments and Central Banks ⁽³⁾	377,462	370,830	96,419	293,030	1,813,760
Claims on regional governments or local authorities	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	-	-	40,125	-	-
Claims on multilateral development banks	-	-	-	-	-
Claims on international organizations	-	-	-	-	-
Claims on banks and intermediary institutions	697,137	309,667	399,997	1,286,719	3,145,372
Claims on corporate	383,558	202,204	746,473	607,319	2,276,886
Claims on retail portfolios	18,732	1,637	4,124	11,473	84,628
Claims secured by residential property	15,940	758	1,714	24,286	1,286,192
Past due loans ⁽²⁾	-	-	-	-	-
Higher risk categories decided by the Board	-	-	-	-	-
Secured by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term claims on banks and intermediary institutions and short-term corporate receivables	-	-	-	-	-
Equity investments	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-
Other receivables	-	-	-	-	125
TOTAL ⁽²⁾	1,492,829	885,096	1,288,852	2,222,827	8,606,963

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

⁽²⁾ Net impaired loans amounting to TL 14,820 and other risk amounts not bearing maturity exposures amounting to TL 3,060,620 are not included.

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

8.d) Information related to Credit Ratings:

While determining the risk classifications explained in the article No. 6 of the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks", ratings given by authorized rating companies are not used.

Risk amounts according to risk weights:

Risk Weights	0%	20%	35%	50%	75%	100%	150%	200%	Total	Deducted From
										Equity ⁽¹⁾
Exposures Before Credit Risk Mitigation	3,555,075	296,798	602,200	7,670,366	144,735	5,302,707	126	-	-	9,417
Exposures After Credit Risk Mitigation	4,682,313	314,394	601,968	6,830,451	129,411	5,013,344	126	-	-	9,417

⁽¹⁾ Includes the amounts deducted from core capital.

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

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

II. Explanation and Footnotes on Consolidated Credit Risk (Continued)
8.e) Information of major industries or type of counterparties

Impaired and past due loans and value adjustments and methods related to provisions are explained at Section Four, article no. 1 of Footnote II.

Major Industries/Counterparties	Loans		Provisions
	Impaired (TFRS 9)		Expected Credit Loss Provisions (TFRS 9)
	Significant Increase in Credit Risk (Stage II)	Credit-Impaired Losses (Stage III)	
Agriculture	-	467	460
Farming and Raising Livestock	-	467	460
Forestry	-	-	-
Fishery	-	-	-
Manufacturing	195,445	46,728	95,723
Mining and Quarrying	-	1,796	1,645
Production	195,445	41,567	81,211
Electricity, Gas and Water	-	3,365	12,867
Construction	127,707	10,967	64,858
Services	12,601	26,138	38,252
Wholesale and Retail Trade	12,601	24,237	14,466
Accommodation and Dining Services	-	798	800
Transportation and Telecommunication	-	338	4,797
Financial Institutions	-	-	11,863
Real Estate and Lending Services	-	-	5,006
Self Employment Services	-	765	1,320
Educational Services	-	-	-
Health and Social Services	-	-	-
Other	14,689	9,107	9,057
Total	350,442	93,407	208,350

(1) Includes information related to cash loans

8.f) Information related with value adjustments and loan loss provisions:

	Opening Balance	Provision within the Period	Provision Reversals	Other Adjustments ⁽¹⁾	Closing Balance
Stage III Provision ⁽²⁾	72,147	52,534	(6,011)	(40,083)	78,587
Stage I and II Provisions	104,344	25,419	-	-	129,763

(1) Other adjustments in specific provisions includes amounts related to credits which are written off and sold from loans under follow-up portfolio.

(2) Includes information related to cash loan.

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

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

III. Explanations on Consolidated Operational Risk

The Group used the “Basic Indicators Approach” in computation of its operational risk. In accordance with the 3rd section ‘Computation of the Operational Risk’ of the “Regulation on Measurement and Evaluation of Capital Adequacy of Banks”, published in the Official Gazette no. 29111 dated 6 September 2014, operational risk is computed using the gross income of the Group for the years ended 2018, 2017 and 2016. Operational risk used in computation of capital adequacy ratio per article I of this section is 8% of TL 526,500 which is TL 42,120. TL 42,120 represents also the minimum capital amount to eliminate the operational risk.

Information related with operational risk that is calculated with Basic Indicator Approach

	2 PP	1 PP	CP	Total/Number of		
	Amount	Amount	Amount	years of positive	Rate (%)	Total
				gross		
Gross Income	189,907	256,826	395,666	3	15	42,120
Value at Operational Risk (Total*12.5)						526,500

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

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

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

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

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

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

	24.12.2018	25.12.2018	26.12.2018	27.12.2018	28.12.2018	31.12.2018
USD	5.2746	5.2926	5.3034	5.2832	5.2889	5.2609
GBP	6.6718	6.6877	6.7245	6.6954	6.6761	6.6528
EURO	6.0342	6.0291	6.0419	6.0185	6.0245	6.0280
JPY	0.0473	0.0475	0.0480	0.0477	0.0476	0.0475

The basic arithmetical average of the Parent Bank’s foreign exchange bid rates for the last thirty one days ending 31 December 2018 (TL full):

	Monthly Average FC Exchange Bid Rates
USD	5.3000
GBP	6.7116
EURO	6.0323
JPY	0.0471

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

Information on consolidated foreign currency exchange rate risk:

31 December 2018	EURO	USD	OTHER FC	TOTAL
Assets				
Cash (cash in vault, effectives, money in transit, checks purchased) and balances with the CBRT ⁽¹⁾	12,526	1,264,085	490	1,277,101
Banks	322,745	1,662,505	15,190	2,000,440
Financial assets at fair value through profit or loss	-	-	-	-
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	6,288	1,392,960	-	1,399,248
Loans ⁽³⁾	1,930,635	3,367,593	14	5,298,242
Investment in associates, subsidiaries and joint ventures	-	-	-	-
Financial Assets Measured at Amortized Cost	-	850,266	-	850,266
Hedging Derivative Financial Assets	-	-	-	-
Tangible assets	-	-	-	-
Intangible assets	-	-	-	-
Other assets	1,170	1,654	42	2,866
Total assets ^{(2) (3) (7)}	2,273,364	8,539,063	15,736	10,828,163
Liabilities				
Interbank deposits	605,719	473,514	21,723	1,100,956
Foreign currency deposits	951,891	3,658,749	28,580	4,639,220
Funds provided from Money Market	-	88,881	-	88,881
Funds provided from other financial institutions	-	4,498,879	-	4,498,879
Marketable securities issued	-	-	-	-
Miscellaneous payables	-	-	-	-
Derivative financial liabilities held for hedging	-	-	-	-
Other liabilities	269,864	214,793	293	484,950
Total liabilities ^{(2) (6) (8)}	1,827,474	8,934,816	50,596	10,812,886
Net On Balance Sheet Position	445,890	(395,753)	(34,860)	15,277
Net Off Balance Sheet Position	(231,251)	291,313	36,359	96,421
Financial Derivative Assets ⁽⁵⁾	89,000	383,482	49,547	522,029
Financial Derivative Liabilities ⁽⁵⁾	320,251	92,169	13,188	425,608
Non-cash Loans ⁽⁴⁾	464,938	1,316,828	3,741	1,785,507
31 December 2017				
Total Assets ^{(1) (2) (3)}	1,812,314	6,543,883	9,532	8,365,729
Total Liabilities ^{(2) (6)}	1,382,708	7,856,124	14,399	9,253,231
Net On Balance Sheet Position	429,606	(1,312,241)	(4,868)	(887,503)
Net Off Balance Sheet Position	(428,329)	1,325,368	4,996	902,035
Financial Derivative Assets ⁽⁵⁾	2,671	1,333,147	9,534	1,345,352
Financial Derivative Liabilities ⁽⁵⁾	431,000	7,779	4,538	443,317
Non-cash Loans ⁽⁴⁾	309,883	936,601	22,017	1,268,501

⁽¹⁾ As at 31 December 2018 and 31 December 2017, the Group does not have precious metals balance in the Central Bank accounts.

⁽²⁾ As at 31 December 2018, accrual differences of derivative transactions presented in "Derivative Financial Assets at Fair Value Through Profit or Loss" and "Derivative Financial Liabilities at Fair Value Through Profit or Loss" amounting to TL 199 and TL 373 respectively, (31 December 2017: TL 691 and TL 415) are not included in the table.

⁽³⁾ As at 31 December 2018, "Loans" balance includes, in addition to the balance sheet amount, foreign currency indexed loans and their accruals amounting to TL 303,209 (31 December 2017: TL 168,146).

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

⁽⁵⁾ As at 31 December 2018, value dated FX buying and FX selling transactions amounting to TL 55,221 and TL 52,310 respectively, presented under "Asset Purchase and Sale Commitments" of off-balance sheet items are included (31 December 2017: TL 7,874 and TL 1,788). As at 31 December 2018 and 31 December 2017, the Group does not have precious metals balance in the Central Bank accounts.

⁽⁶⁾ "Valuation Differences of Securities" amounting to TL (35,674) (31 December 2017: TL 2,167) classified under Equity as at 31 December 2018 is not included.

⁽⁷⁾ As at 31 December 2018 assets TL 113,130 (31 December 2017 – None) included "Allowance for Expected Credit Losses".

⁽⁸⁾ As at 31 December 2018 liabilities TL 4,183 (31 December 2017 – None) included "Other Provisions".

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

The table below demonstrates prospective increase and decrease in equity and profit/loss as at 31 December 2018 and 31 December 2017 (excluding tax effect) on condition that 10% revaluation/devaluation of the foreign currencies below against TL. This analysis has been prepared assuming that other variables, particularly interest rates, remain constant.

	31 December 2018			
	Statement of Profit or Loss		Equity ⁽¹⁾	
	10% increase	10% decrease	10% increase	10% decrease
USD	(10,444)	10,444	(10,444)	10,444
EURO	21,464	(21,464)	21,464	(21,464)
Other FC	150	(150)	150	(150)
Total	11,170	(11,170)	11,170	(11,170)

⁽¹⁾ Equity effect includes income statement effect in the table.

	31 December 2017			
	Statement of Profit or Loss		Equity ⁽¹⁾	
	10% increase	10% decrease	10% increase	10% decrease
USD	1,096	(1,096)	1,313	(1,313)
EURO	128	(128)	128	(128)
Other FC	26	(26)	26	(26)
Total	1,250	(1,250)	1,467	(1,467)

⁽¹⁾ Equity effect includes income statement effect in the table.

V. Explanation and Footnotes on Consolidated Interest Rate Risk

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

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

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

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

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

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

V. Explanation and Footnotes on Consolidated Interest Rate Risk (Continued)
Interest sensitivity of assets, liabilities and off-balance sheet items (based on repricing dates):

	Up to 1 Month	1 – 3 Months	3 –12 Months	1 – 5 Years	5 Years and Over	Non- Interest Bearing ⁽¹⁾	Total
31 December 2018							
Assets							
Cash (cash in vault, effectives, money in transit, checks purchased) and balances with the CBRT	-	1,757,893	-	-	-	49,006	1,806,899
Banks	1,659,503	-	-	-	-	341,276	2,000,779
Financial assets at fair value through profit or loss	239	29,862	-	-	-	12,879	42,980
Money market placements	349,622	-	-	-	-	-	349,622
Financial assets at fair value through other comprehensive income	315,476	490,012	644,186	916,825	106,279	6,255	2,479,033
Loans	685,954	2,048,483	2,575,320	1,383,072	973,413	-	7,666,242
Financial assets measured at amortized cost	1,605	130,093	328,395	824,434	99,472	-	1,383,999
Other assets	85	-	-	-	-	117,242	117,327
Total assets	3,012,484	4,456,343	3,547,901	3,124,331	1,179,164	526,658	15,846,881
Liabilities							
Bank Deposits	664,060	-	605,719	-	-	52,774	1,322,553
Other Deposits	5,203,544	1,042,768	67,978	-	-	385,399	6,699,689
Interbank Money Market Borrowings	346,145	-	-	-	-	-	346,145
Miscellaneous Payables	-	-	-	-	-	-	-
Securities Issued	-	-	-	-	-	-	-
Funds Borrowed from Other Fin. Inst.	533,932	1,594,227	3,533,475	-	-	-	5,661,634
Other Liabilities	467,376	746	-	-	-	1,348,738	1,816,860
Total Liabilities	7,215,057	2,637,741	4,207,172	-	-	1,786,911	15,846,881
Balance Sheet Long Position	-	1,818,602	-	3,124,331	1,179,164	-	6,122,097
Balance Sheet Short Position	(4,202,573)	-	(659,271)	-	-	(1,260,253)	(6,122,097)
Off Balance Sheet Long Position	-	-	-	-	-	-	-
Off Balance Sheet Short Position	-	-	-	-	-	-	-
Total Position	(4,202,573)	1,818,602	(659,271)	3,124,331	1,179,164	(1,260,253)	-

⁽¹⁾ Tangible and intangible assets amounting to TL 44,410, tax assets amounting to TL 44,596, expected loan loss provisions amounting to TL (15,766), non performing financial assets amounting to TL 160 and other assets amounting to TL 43,842 are presented within other assets as non-interest bearing; provisions amounting to TL 62,468, tax liability amounting to TL 38,591, other liabilities amounting to TL 86,719 and equity amounting to TL 1,160,960 are presented within other liabilities as non-interest bearing.

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

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

V. Explanation and Footnotes on Consolidated Interest Rate Risk (Continued)
Interest Sensitivity of assets, liabilities and off-balance sheet items (based on repricing dates) (Continued):

	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	5 Years and Over	Non- Interest Bearing ⁽¹⁾	Total
31 December 2017							
Assets							
Cash (Cash in Vault, Foreign Currencies, Cash in Transit, Checks Purchased) and Balances with the CBRT	-	1,313,816	-	-	-	36,655	1,350,471
Banks	465,685	-	-	-	-	1,139,282	1,604,967
Financial Assets at Fair Value Through Profit or Loss	353	338	-	-	-	30,549	31,240
Interbank Money Market Placements	9,600	-	-	-	-	-	9,600
Av.-for-Sale Financial Assets	288,602	414,570	188,188	1,007,410	86,133	4,107	1,989,010
Loans	654,017	2,688,453	1,416,517	1,697,177	1,200,281	24,376	7,680,821
Held-to-Mat. Investments	1	104,216	-	276,459	112,737	-	493,413
Other Assets	129	-	-	-	-	155,909	156,038
Total Assets	1,418,387	4,521,393	1,604,705	2,981,046	1,399,151	1,390,878	13,315,560
Liabilities							
Bank Deposits	-	-	-	-	-	71,241	71,241
Other Deposits	2,321,060	460,729	26,940	-	-	465,131	3,273,860
Interbank Money Market Borrowings	1,149,966	-	-	-	-	-	1,149,966
Miscellaneous Payables	-	-	-	-	-	420,728	420,728
Securities Issued	-	-	-	-	-	-	-
Funds Borrowed from Other Fin. Inst.	1,352,676	767,306	2,569,486	1,336,229	962,341	-	6,988,038
Other Liabilities	14,272	-	-	-	-	1,397,455	1,411,727
Total Liabilities	4,837,974	1,228,035	2,596,426	1,336,229	962,341	2,354,555	13,315,560
Balance Sheet Long Position	-	3,293,358	-	1,644,817	436,810	-	5,374,985
Balance Sheet Short Position	(3,419,587)	-	(991,721)	-	-	(963,677)	(5,374,985)
Off Balance Sheet Long Position	-	-	-	-	-	-	-
Off Balance Sheet Short Position	-	-	-	-	-	-	-
Total Position	(3,419,587)	3,293,358	(991,721)	1,644,817	436,810	(963,677)	-

⁽¹⁾ Tangible and intangible assets amounting to TL 41,959, tax assets amounting to TL 10,619 and other assets amounting to TL 103,460 are presented within other assets as non-interest bearing; provisions amounting to TL 141,123, tax liability amounting to TL 29,490, other liabilities amounting to TL 114,548 and equity amounting to TL 1,112,294 are presented within other liabilities in non-interest bearing column.

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

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

V. Explanation and Footnotes on Consolidated Interest Rate Risk (Continued)
Interest rates applied to monetary financial instruments:

	EURO	USD	JPY	TL
	%	%	%	%
31 December 2018 ⁽¹⁾				
Assets				
Cash (Cash in Vault, Foreign Currencies, Cash in Transit, Checks Purchased) and Balances with the CBRT	-	1.56	-	8.79
Banks	-	5.35	-	27.08
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	24.21
Financial Assets at Fair Value Through Other Comprehensive Income	1.78	4.54	-	21.14
Loans	2.86	5.23	6.04	16.93
Financial Assets Measured at Amortized Cost	-	5.82	-	13.81
Liabilities				
Bank Deposits	1.16	2.49	-	23.33
Other Deposits	2.50	4.88	-	25.40
Interbank Money Market Borrowings	-	-	-	27.93
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	-
Funds Borrowed from Other Financial Institutions	-	3.30	-	6.84

⁽¹⁾ Stated at compound interest rates.

	EURO	USD	JPY	TL
	%	%	%	%
31 December 2017 ⁽¹⁾				
Assets				
Cash (Cash in Vault, Foreign Currencies, Cash in Transit, Checks Purchased) and Balances with the CBRT	-	1.30	-	3.94
Banks	-	2.73	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	-
Available-for-Sale Financial Assets	-	4.45	-	13.69
Loans	3.45	4.14	6.04	14.39
Held-to-Maturity Investments	-	5.59	-	2.67
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	1.72	3.45	-	14.81
Interbank Money Market Borrowings	-	-	-	13.57
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	-
Funds Borrowed from Other Financial Institutions	0.07	2.52	-	6.74

⁽¹⁾ Stated at compound interest rates.

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

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

V. Explanation and Footnotes on Consolidated Interest Rate Risk (Continued)**The interest rate risk of the banking book items:**

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

Present values of the net positions obtained over related cash flows are calculated by yield curves formed by using market interest rates. The proportion of the differences 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 2018. Tax effects are excluded in the study.

Type of Currency	Shocks Applied (+/- basis points)	Gains/Losses	Gains/Equity- Losses/Equity
TL	500	(129,423)	(4.6)%
	(400)	121,391	4.3%
EURO	200	34,252	(1.2)%
	(200)	(40,277)	0.2%
USD	200	(33,335)	1.2%
	(200)	4,462	(1.4)%
Total (for negative shocks)		(128,506)	(4.5)%
Total (for positive shocks)		85,576	3.0%

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

VI. Explanation and Footnotes on Consolidated Liquidity Risk

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

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

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

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

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

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

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

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

Liquidity coverage ratios calculated weekly on bank only basis and monthly on consolidated basis are subject to regulatory reporting starting from 1 January 2015 as per "Regulation on Liquidity Coverage Ratio Calculation" published in the Official Gazette no. 28948, dated 21 March 2014. Liquidity coverage ratios should be at least 70% for foreign currency denominated assets and liabilities and 90% for total assets and liabilities for 2018. Monthly consolidated liquidity coverage ratios for the first three months including the reporting period are as follows:

Liquidity Coverage Ratios		FC Liquidity Coverage Ratio		Total Liquidity Coverage Ratio
31 December 2018		121.53%		233.82%
Average		174.41%		321.47%

	Min FC (%)	Min Sum (%)	Max FC (%)	Max Sum (%)
Month	31 December 2018	28 November 2018	20 December 2018	22 October 2018
Ratio (%)	121.53%	197.12%	275.59%	558.95%

Current Period - 31 December 2018		Unweighted Amounts ⁽²⁾		Weighted Amounts ⁽²⁾	
		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS					
High Quality Liquid Assets				3,922,664	2,031,262
CASH OUTFLOWS					
Retail and Small Business Customers Deposits		2,887,734	1,435,693	289,684	150,818
Stable deposits		897,868	216,316	50,409	12,362
Less stable deposits		1,989,866	1,219,377	239,275	138,456
Unsecured Funding other than Retail and Small Business Customers Deposits		4,117,305	3,769,180	1,898,145	1,609,962
Operational Deposits		12,097	-	1,321	-
Non-Operational Deposits		3,540,018	3,306,974	1,851,007	1,602,001
Other Unsecured Funding		565,190	462,206	45,817	7,961
Secured funding		-	-	-	-
Other Cash Outflows		797,886	614,518	671,178	642,882
Liquidity needs related to derivatives and market valuation changes on derivatives transactions		637,235	495,490	592,129	583,649
Debts related to the structured financial products		-	-	-	-
Commitments related to debts to financial markets and other off balance sheet liabilities		160,651	119,028	79,049	59,233
Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments		311,187	311,187	9,576	9,516
Other irrevocable or conditionally revocable commitments		1,857,622	1,408,478	174,955	124,617
TOTAL CASH OUTFLOWS		-	-	3,043,538	2,537,795
CASH INFLOWS					
Secured Lending Transactions		-	-	-	-
Unsecured Lending Transactions		1,473,868	976,827	1,481,041	1,077,012
Other contractual cash inflows		640,564	636,633	281,570	275,861
TOTAL CASH INFLOWS		2,114,432	1,613,460	1,762,611	1,352,873
				Upper Limit Applied Accounts	
TOTAL HIGH LIQUIDITY ASSETS				3,922,664	2,031,262
TOTAL NET CASH OUTFLOWS ⁽¹⁾		-	-	1,280,927	1,184,922
LIQUIDITY COVERAGE RATIO (%)		-	-	306.24%	171.43%

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

⁽²⁾ Monthly simple arithmetic average of consolidated liquidity coverage ratios for the last three month of 2018 is calculated.

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

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

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

Prior Period - 31 December 2017	Unweighted Amounts ⁽²⁾		Weighted Amounts ⁽²⁾	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				
High Quality Liquid Assets			2,997,887	2,224,728
CASH OUTFLOWS				
Retail and Small Business Customers Deposits	2,030,311	822,259	168,296	74,113
Stable deposits	697,187	162,250	34,983	8,112
Less stable deposits	1,333,124	660,009	133,313	66,001
Unsecured Funding other than Retail and Small Business Customers Deposits				
Operational Deposits	4,776,670	4,116,561	3,593,144	3,272,099
Non-Operational Deposits	12,753	-	2,776	-
Other Unsecured Funding	1,816,768	1,408,575	776,679	564,114
Secured funding	2,947,149	2,707,986	2,813,689	2,707,985
Other Cash Outflows				
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	-	-	-	-
Debts related to the structured financial products	1,160,991	202,870	1,160,991	202,870
Commitments related to debts to financial markets and other off balance sheet liabilities	1,160,991	202,870	1,160,991	202,870
Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	-	-	-	-
Other irrevocable or conditionally revocable commitments	86,265	41,504	34,506	16,602
	89,132	89,132	4,457	4,457
	1,516,148	977,200	162,656	97,733
TOTAL CASH OUTFLOWS			5,124,050	3,667,874
CASH INFLOWS				
Secured Lending Transactions	-	-	-	-
Unsecured Lending Transactions	1,792,105	1,340,620	1,638,025	1,284,185
Other contractual cash inflows	1,166,216	1,166,216	1,166,216	1,166,216
TOTAL CASH INFLOWS			2,804,241	2,450,401
			Upper Limit Applied Accounts	
TOTAL HIGH LIQUIDITY ASSETS	-	-	2,997,877	2,224,728
TOTAL NET CASH OUTFLOWS ⁽¹⁾	-	-	2,319,809	1,217,473
LIQUIDITY COVERAGE RATIO (%)	-	-	129.23%	182.73%

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

⁽²⁾ Monthly simple arithmetic average of consolidated liquidity coverage ratios for the last three months of 2017 is calculated.

The Parent Bank accepts required reserves, deposit and drawing accounts in Central Bank of Republic of Turkey, cash and borrowing instruments issued by Undersecretariat of Treasury as premium quality as liquid assets. Credits, provided from abroad, are the main fund resources while deposit and repo are other resources regarding funding. The opposite parties of repo transactions are the Central Bank of the Republic of Turkey and banks and there is no concentration. A significant part of funds, provided from abroad, is provided by the risk group of the Bank.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

Presentation of assets and liabilities according to their remaining maturities:

31 December 2018	Demand	Up to 1 month	1-3 months	3-12 Months	1-5 Years	5 years and over	Undist. ⁽¹⁾	Total
Assets								
Cash (Cash in Vault, Foreign Currencies, Cash in Transit, Checks Purchased) and Balances with the CBRT	1,519,167	287,732	-	-	-	-	-	1,806,899
Banks	341,276	1,205,826	453,677	-	-	-	-	2,000,779
Financial Assets at Fair Value Through Profit or Loss	12,879	239	29,862	-	-	-	-	42,980
Interbank Money Market Placements	-	349,622	-	-	-	-	-	349,622
Financial Assets at Fair Value Through Other Comprehensive Income	6,255	-	370,830	546,316	1,449,354	106,278	-	2,479,033
Loans	-	536,853	384,875	2,448,460	2,894,258	1,401,796	-	7,666,242
Financial Assets Measured at Amortized Cost	-	1,605	-	328,397	954,526	99,471	-	1,383,999
Other Assets	-	36,209	1,612	2,969	262	44,595	31,680	117,327
Total Assets	1,879,577	2,418,086	1,240,856	3,326,142	5,298,400	1,652,140	31,680	15,846,881
Liabilities								
Bank Deposits	52,774	664,060	-	605,719	-	-	-	1,322,553
Other Deposits	385,399	5,203,544	1,042,768	67,978	-	-	-	6,699,689
Funds Borrowed from Other Financial Institutions	-	-	265,553	1,689,672	798,660	2,907,749	-	5,661,634
Interbank Money Markets	-	346,145	-	-	-	-	-	346,145
Marketable Securities Issued	-	-	-	-	-	-	-	-
Other Liabilities	-	17,405	22,308	-	-	-	1,777,147	1,816,860
Total Liabilities	438,173	6,231,154	1,330,629	2,363,369	798,660	2,907,749	1,777,147	15,846,881
Net Liquidity Gap	1,441,404	(3,813,068)	(89,773)	962,773	4,499,740	(1,255,609)	(1,745,467)	-
Net off balance sheet position	-	31	25,674	-	-	-	-	25,705
Derivative financial assets ⁽³⁾	-	423,070	142,387	-	-	-	-	565,457
Derivative financial liabilities ⁽³⁾	-	423,039	116,713	-	-	-	-	539,752
Non-cash loans ⁽²⁾	1,008,876	263,040	175,396	357,797	566,073	-	-	2,371,182
31 December 2017								
Total Assets	1,533,651	1,954,805	966,925	1,540,596	5,383,649	1,860,586	75,348	13,315,560
Total Liabilities	957,100	4,965,810	1,244,237	2,596,426	1,336,229	962,341	1,253,417	13,315,560
Net Liquidity Gap	576,551	(3,011,005)	(277,312)	(1,055,830)	4,047,420	898,245	(1,178,069)	-
Net off balance sheet position	-	(16,516)	506	-	-	-	-	(16,010)
Derivative financial assets ⁽³⁾	-	1,250,635	96,039	-	-	-	-	1,346,674
Derivative financial liabilities ⁽³⁾	-	1,267,151	95,533	-	-	-	-	1,362,684
Non-cash loans ⁽²⁾	643,783	117,396	28,151	596,108	403,206	539	-	1,789,183

⁽¹⁾ Assets on the balance sheet which are not convertible into cash in short period; tangible and intangible assets amounting to TL 44,410, stationary supplies amounting to TL 818, non performing financial assets amounting to TL 160, assets to be disposed of amounting to TL 2,058, expected loan loss provision amounting to TL (15,766) and liabilities on the balance sheet which are necessary for the banking operations; provisions amounting to TL 62,468, other liabilities amounting to TL 553,719 and equity amounting to TL 1,160,960 are included here.

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

⁽³⁾ As at 31 December 2018, spot foreign currency purchase and sale transactions with value date amounting to TL 56,277 and TL 56,274, respectively, are presented under "Asset Purchase and Sale Commitments" of off-balance sheet items (31 December 2017: TL 9,196 and TL 9,163).

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

Collaterals on Risk Classes:

Risk Classification	Amount (**)	Financial Collaterals	Other/ Tangible Collaterals	Guarantees and Credit Derivatives
Contingent and Non-Contingent Receivables from Central Governments or Central Banks	4,485,288	-	-	-
Contingent and Non-Contingent Receivables from Regional Governments or Local Authorities	-	-	-	-
Contingent and Non-Contingent Receivables from Administrative Units and Non-commercial Enterprises	40,125	-	-	-
Contingent and Non-Contingent Receivables from Multilateral Development Banks	-	-	-	-
Contingent and Non-Contingent Receivables from International organizations	-	-	-	-
Contingent and Non-Contingent Receivables from banks and Intermediaries	6,599,397	860,067	-	-
Contingent and Non-Contingent Corporate Receivables	4,833,831	276,957	-	71,061
Contingent and Non-Contingent Retail Receivables	144,758	17,954	-	-
Contingent and Non-Contingent Receivables Secured by Residential Property ^(*)	1,330,070	390	-	-
Non-Performing Receivables	14,820	-	-	-
Receivables Identified as High Risk by the Board	-	-	-	-
Secured by Mortgages	-	-	-	-
Securitization Positions	-	-	-	-
Short-term Receivables from Banks, Brokerage Houses and Corporates	-	-	-	-
Investments Similar to Collective Investment Funds	-	-	-	-
Stock Investment	-	-	-	-
Other Receivables	123,718	-	-	-
Total	17,572,007	1,155,368	-	71,061

^(*) According to Article 6 of the Regulation on Measurement and Assessment of Capital Adequacy of Banks, real estate mortgages used to determine the risk class have not been taken into account.

^(**) Includes the total amounts after the off-balance sheet conversion rates, before taking into account the effects of the Credit Risk Mitigation.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

VII. Explanation on Consolidated Leverage Ratio

Consolidated leverage ratio of the Group calculated based on last 3 months average amounts is 6.41% as at 31 December 2018 (31 December 2017: 7.48%). This ratio is above the minimum ratio.

	Current Period 31 December 2018 ⁽¹⁾
On-balance sheet assets	
On-balance sheet assets (Excluding derivative financial instruments and credit derivatives, including collaterals)	15,662,768
(Assets deducted from Tier 1 capital)	206
Total risk amount of on-balance sheet assets	15,662,562
Derivative financial instruments and credit derivatives	
Replacement costs of derivative financial instruments and credit derivatives	-
Potential credit risk amount of derivative financial instruments and credit derivatives	41,874
Total risk amount of derivative financial instruments and credit derivatives	41,874
Financing transactions secured by marketable security or commodity	
Risk amount of financing transactions secured by marketable security or commodity (excluding on-balance sheet)	91,701
Risk amount from intermediary transactions	-
Total risk amount of financing transactions secured by marketable security or commodity	91,701
Off-balance sheet transactions	
Off-balance sheet transactions at gross notional amount	2,343,992
Adjustments for conversions to credit equivalent amounts	-
Total risk amount of off-balance sheet transactions	2,343,992
Capital and total risk	
Tier 1 capital	1,162,658
Total risk amount	18,140,129
Leverage ratio	6.41%

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

	Prior Period 31 December 2017 ⁽¹⁾
On-balance sheet assets	
On-balance sheet assets (Excluding derivative financial instruments and credit derivatives, including collaterals)	12,827,171
(Assets deducted in determining Tier 1 capital)	109
Total risk amount of on-balance sheet assets	12,827,062
Derivative financial instruments and credit derivatives	
Replacement costs of derivative financial instruments and credit derivatives	-
Potential credit risk amount of derivative financial instruments and credit derivatives	29,100
Total risk amount of derivative financial instruments and credit derivatives	29,100
Financing transactions secured by marketable security or commodity	
Risk amount of financing transactions secured by marketable security or commodity (excluding on-balance sheet)	14,679
Risk amount from intermediary transactions	-
Total risk amount of financing transactions secured by marketable security or commodity	14,679
Off-balance sheet transactions	
Off-balance sheet transactions at gross notional amount	1,926,558
Adjustments for conversions to credit equivalent amounts	-
Total risk amount of off-balance sheet transactions	1,926,558
Capital and total risk	
Tier 1 capital	1,106,729
Total risk amount	14,797,399
Leverage ratio	7.48%

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

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

VIII. Explanations and Footnotes on Consolidated Securitization Position Risk

As at 31 December 2018, Group has no securitization position risk generated by banking accounts.

IX. Explanations on Consolidated Risk Management

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

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

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

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

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

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

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

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

IX. Explanations on Consolidated Risk Management (Continued)

1. General Information on Risk Management and Risk Weighted Amount

a) Overview of RWA:

	Risk Weighted Amount		Minimum capital requirement	
	Current Period		Current Period	
	31 December 2018		31 December 2018	
1 Credit risk (excluding counterparty credit risk) (CCR)	8,762,255		700,980	
2 Standardized approach (SA)	8,762,255		700,980	
3 Internal rating-based (IRB) approach	-		-	
4 Counterparty credit risk	38,477		3,078	
5 Standardized approach for counterparty credit risk (SA-CCR)	38,477		3,078	
6 Internal model method (IMM)	-		-	
7 Basic risk weight approach to internal models equity position in the banking account	-		-	
8 Investments made in collective investment companies - look-through approach	-		-	
9 Investments made in collective investment companies - mandate-based approach	-		-	
10 Investments made in collective investment companies - 1250% weighted risk approach	-		-	
11 Settlement risk	-		-	
12 Securitization positions in banking accounts	-		-	
13 IRB ratings-based approach (RBA)	-		-	
14 IRB Supervisory Formula Approach (SFA)	-		-	
15 SA/simplified supervisory formula approach (SSFA)	-		-	
16 Market risk	187,425		14,994	
17 Standardized approach (SA)	187,425		14,994	
18 Internal model approaches (IMM)	-		-	
19 Operational risk	526,500		42,120	
20 Basic indicator approach	526,500		42,120	
21 Standard approach	-		-	
22 Advanced measurement approach	-		-	
23 The amount of the discount threshold under the equity (subject to a 250% risk weight)	-		-	
24 Floor adjustment	-		-	
25 Total (1+4+7+8+9+10+11+12+16+19+23+24)	9,514,657		761,173	

	Risk Weighted Amount		Minimum capital requirement	
	Prior Period		Prior Period	
	31 December 2017		31 December 2017	
1 Credit risk (excluding counterparty credit risk) (CCR)	8,254,044		660,324	
2 Standardized approach (SA)	8,254,044		660,324	
3 Internal rating-based (IRB) approach	-		-	
4 Counterparty credit risk	27,401		2,191	
5 Standardized approach for counterparty credit risk (SA-CCR)	27,401		2,191	
6 Internal model method (IMM)	-		-	
7 Basic risk weight approach to internal models equity position in the banking account	-		-	
8 Investments made in collective investment companies - look-through approach	-		-	
9 Investments made in collective investment companies - mandate-based approach	-		-	
10 Investments made in collective investment companies - 1250% weighted risk approach	-		-	
11 Settlement risk	-		-	
12 Securitization positions in banking accounts	-		-	
13 IRB ratings-based approach (RBA)	-		-	
14 IRB Supervisory Formula Approach (SFA)	-		-	
15 SA/simplified supervisory formula approach (SSFA)	-		-	
16 Market risk	24,738		1,979	
17 Standardized approach (SA)	24,738		1,979	
18 Internal model approaches (IMM)	-		-	
19 Operational risk	386,460		30,917	
20 Basic indicator approach	386,460		30,917	
21 Standard approach	-		-	
22 Advanced measurement approach	-		-	
23 The amount of the discount threshold under the equity (subject to a 250% risk weight)	-		-	
24 Floor adjustment	-		-	
25 Total (1+4+7+8+9+10+11+12+16+19+23+24)	8,692,643		695,411	

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

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

IX. Explanations on Consolidated Risk Management (Continued)
2. Connections between Financial Statements and Risk Amounts

a) Differences between accounting consolidation and legal consolidation scope and matching:

Carrying values of items in accordance with Turkish Accounting Standards						
Current Period – 31 December 2018	Carrying values 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	4,157,300	4,157,300	-	-	-	-
Financial Assets at Fair Value Through Profit or Loss	12,879	-	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	2,479,033	3,164,190	-	-	-	-
Financial Assets Measured at Amortised Cost	1,383,999	831,639	-	-	-	-
Derivative Financial Asset	30,101	-	35,764	-	559,501	-
Non-Performing Asset	160	-	-	-	-	-
Expected Loss Provisions (-)	15,766	15,766	-	-	-	-
Loans (Net)	7,666,242	7,666,242	-	-	-	-
Leasing Receivables	-	-	-	-	-	-
Factoring Receivables	-	-	-	-	-	-
Non-Performing Loans	93,407	93,407	-	-	-	-
Expected credit loss (-)	208,350	208,350	-	-	-	-
Assets Held For Sale And Discontinued Operations (Net)	-	-	-	-	-	-
Equity Investment	-	-	-	-	-	-
Tangible assets (Net)	36,239	36,239	-	-	-	-
Intangible assets (Net)	8,171	-	-	-	-	8,171
Investment Property (Net)	-	-	-	-	-	-
Current Tax Asset	-	-	-	-	-	-
Deferred Tax Asset	44,596	44,596	-	-	-	-
Other Assets (Net)	43,927	43,927	-	-	-	1,047
Total Assets	15,846,881	15,928,367	35,764	-	559,501	9,218
Liabilities						
Deposits	8,022,242	-	-	-	-	-
Funds Borrowed	4,082,550	-	-	-	-	-
Money Market Funds	346,145	262,690	2,713	-	-	-
Marketable Securities Issued (Net)	-	-	-	-	-	-
Funds	-	-	-	-	-	-
Financial Liabilities At Fair Value Through P/L	-	-	-	-	-	-
Derivative Financial Liabilities	1,122	-	-	-	-	-
Factoring Liabilities	-	-	-	-	-	-
Lease Liabilities (Net)	-	-	-	-	-	-
Provisions	62,468	-	-	-	-	-
Current Tax Liability	38,591	-	-	-	-	-
Deferred Tax Liability	-	-	-	-	-	-
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (Net)	-	-	-	-	-	-
Subordinated Debt Instruments	1,579,084	-	-	-	-	-
Other Liabilities	553,719	-	-	-	-	-
Equity	1,160,960	-	-	-	-	-
Total Liabilities	15,846,881	262,690	2,713	-	-	-

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

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

IX. Explanations on Consolidated Risk Management (Continued)
2. Connections between Financial Statements and Risk Amounts (continued):
a) Differences between accounting consolidation and legal consolidation scope and matching (Continued):

Prior Period – 31 December 2017	Carrying values of items in accordance with Turkish Accounting Standards					Not subject to capital requirements or subject to deduction from capital
	Carrying values as reported in published financial statements	Subject to Credit risk	Subject to counterparty credit risk	Subject to the securitisation	Subject to the market risk	
Assets						
Cash and balances at central bank	1,350,471	1,350,471	-	-	-	-
Financial assets held for trading	31,240	-	9,245	-	1,346,127	-
Financial assets classified as at fair value through profit or loss	-	-	-	-	-	-
Banks	1,604,967	1,604,967	-	-	-	-
Receivables from money markets	9,600	9,600	-	-	-	-
Available for sale financial assets (net)	1,989,010	1,989,010	-	-	-	-
Loans and receivables	7,680,821	7,680,821	-	-	-	-
Lease receivables	-	-	-	-	-	-
Held to maturity securities	493,413	493,413	-	-	-	-
Associates (net)	-	-	-	-	-	-
Investments In Subsidiaries	-	-	-	-	-	-
Joint Venture (net)	-	-	-	-	-	-
Leasing Receivables	-	-	-	-	-	-
Hedging derivative financial assets	-	-	-	-	-	-
Tangible assets (net)	36,765	36,765	-	-	-	-
Intangible assets (net)	5,194	-	-	-	-	5,194
Investment Properties (net)	-	-	-	-	-	-
Tax Assets	10,619	10,619	-	-	-	-
Fixed assets held for sale and related to discontinued operations (net)	-	-	-	-	-	-
Other Assets	103,460	101,218	-	-	-	2,242
Total Assets	13,315,560	13,276,884	9,245	-	1,346,127	7,436
Liabilities						
Deposits	3,345,101	-	-	-	-	-
Derivative financial liabilities held for trading	14,272	-	-	-	-	-
Loans	6,988,038	-	-	-	-	-
Debt to money markets	1,149,966	-	530,779	-	-	-
Debt securities in issue	-	-	-	-	-	-
Funds	-	-	-	-	-	-
Various debts	420,728	-	-	-	-	-
Other liabilities	114,548	-	-	-	-	-
Factoring payables	-	-	-	-	-	-
Leasing payables	-	-	-	-	-	-
Hedge Derivative Financial Liabilities	-	-	-	-	-	-
Provisions	141,123	-	-	-	-	-
Tax liabilities	29,490	-	-	-	-	-
Liabilities included in disposal groups classified as held for sale (net)	-	-	-	-	-	-
Subordinated debts	-	-	-	-	-	-
Equity	1,112,294	-	-	-	-	-
Total Liabilities	13,315,560	-	530,779	-	-	-

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

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

IX. Explanations on Consolidated Risk Management (Continued)
2. Connections between Financial Statements and Risk Amounts (continued):

b) Main Sources of Differences between the Risk Amounts and the Valuation Amounts in the Financial Statements in accordance with TAS:

Current Period – 31 December 2018		Total	Subject to credit risk	Securitization positions	Subject to counterparty credit risk	Subject to market Risk
1	Asset carrying value amount under scope of regulatory consolidation	15,846,881	15,959,899	-	2,713	2,713
2	Liabilities carrying value amount under regulatory scope of consolidation	-	-	-	262,690	-
3	Total net amount under regulatory scope of consolidation	15,846,881	15,959,899	-	265,403	2,713
4	Off-balance Sheet Amounts	3,594,226	1,374,614	-	-	-
5	Differences in valuations	-	-	-	-	-
6	Differences due to different netting rules, (other than those already included in row 2)	-	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-	-
8	Differences due to prudential filters	-	-	-	-	-
9	Differences due to risk reduction	-	-	-	-	-
10	Risk amounts	19,441,107	17,334,513	-	265,403	2,713

3. Explanations of credit risk

a) Credit quality of assets

		Gross carrying value as per TAS		Allowances/ amortization and impairments	Net values
		Defaulted	Non-defaulted		
1	Loans	93,407	7,781,185	208,350	7,666,242
2	Debt instruments	-	3,863,032	15,766	3,847,266
3	Off-balance sheet exposures	6,060	2,595,508	6,718	2,594,850
4	Total	99,467	14,239,725	230,834	14,108,358

b) Changes in Stock of Default Loans and Debt Securities

1	Defaulted loans and debt securities at end of the previous reporting period	96,523
2	Loans and debt securities defaulted since the last reporting period	2,909
3	Receivables back to non-defaulted status	-
4	Amounts written off	40,083
5	Other changes	34,058
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	93,407

c) Credit risk mitigation techniques - overview

		Exposures unsecured of: (according to TAS)	Exposures secured by collateral	Exposures secured by collateral, of which secured amount	Exposures secured by financial guarantees	Financial guarantees, of which secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which secured amount
1	Loans	6,887,151	872,990	878,481	21,044	21,044	-	-
2	Debt Instruments	3,847,266	-	-	-	-	-	-
3	Total	10,734,417	872,990	878,481	21,044	21,044	-	-
4	Of which defaulted	93,407	-	-	-	-	-	-

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

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

IX. Explanations on Consolidated Risk Management (Continued)
3. Explanation of credit risk (Continued):
d) Standard Approach - Exposure to credit risk and credit risk mitigation risks

Risk Classifications	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Claims on central governments and Central Banks	4,485,288	-	4,485,288	-	489,678	1%
Claims on regional governments or local authorities	-	-	-	-	-	0%
Claims on administrative bodies and other non-commercial undertakings	40,125	-	40,125	-	40,125	100%
Claims on multilateral development banks	-	-	-	-	-	0%
Claims on international organizations	-	-	-	-	-	0%
Claims on banks and intermediary institutions	6,245,502	537,363	6,245,520	353,877	3,098,342	47%
Claims on corporates	3,936,868	1,680,398	3,936,868	896,963	4,348,628	90%
Claims included in the regulatory retail portfolios	122,779	101,723	122,779	21,979	97,643	67%
Claims secured by residential property	601,987	1,062	601,987	213	210,695	35%
Claims secured by commercial property	626,288	203,450	626,288	101,582	424,722	58%
Overdue loans	14,820	-	14,820	-	14,803	0%
Higher risk categories decided by the Board	-	-	-	-	-	0%
Secured by mortgages	-	-	-	-	-	0%
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	0%
Undertakings for collective investments in mutual funds	-	-	-	-	-	0%
Other receivables	123,718	-	123,718	-	74,748	1%
Equity share investments	-	-	-	-	-	0%
Total	16,197,375	2,523,996	16,197,393	1,374,614	8,799,384	

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

IX. Explanations on Consolidated Risk Management (Continued)

3. Explanation of credit risk (Continued):

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

Risk Classifications	0%	10%	20%	50% ⁽¹⁾	75%	100%	150%	Others	Total Risk Amount ⁽²⁾
Claims on central governments and Central Banks	3,505,933	-	-	979,355	-	-	-	-	4,485,288
Claims on regional governments or local authorities	-	-	-	-	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	-	-	-	-	-	40,125	-	-	40,125
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	173	-	278,851	5,766,595	-	553,778	-	-	6,599,397
Claims on corporates	-	-	17,947	318,077	-	4,497,807	-	-	4,833,831
Claims included in the regulatory retail portfolios	-	-	-	23	144,735	-	-	-	144,758
Claims secured by residential property	-	-	-	-	-	-	-	602,200	602,200
Overdue loans	-	-	-	606,155	-	121,715	-	-	727,870
Higher risk categories decided by the Board	-	-	-	161	-	14,533	126	-	14,820
Secured by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on Bank and intermediary institutions	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-
Other receivables	48,969	-	-	-	-	74,749	-	-	123,718
Total	3,555,075	-	296,798	7,670,366	144,735	5,302,707	126	602,200	17,572,007

(1) Guaranteed with real estate mortgage.

(2) Amount after Credit Conversion Rate (“CCR”) and Credit Risk Reduction (“CRR”)

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

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

IX. Explanations on Consolidated Risk Management (Continued)
4. Analysis of counterparty credit risk (CCR) exposure by approach

a) Evaluation of counterparty credit risk according to measurement methods:

Current Period – 31 December 2018	Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory Exposure at Default	Exposure at Default post-CRM	RWA
Standard Approach-CCR (for derivatives)	30,160	5,604	-	1.4	35,764	35,764
Internal Model Method (Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	262,690	2,713
Total	30,160	5,604	-		298,454	38,477

b) Credit valuation adjustment (CVA) capital charge:

Current Period – 31 December 2018	EAD (post-CRM)	RWA
Total portfolios subject to the Advanced CVA capital charge	-	-
1 (i) VaR component (including the 3×multiplier)	-	-
2 (ii) Stressed VaR component (including the 3×multiplier)	-	-
3 All portfolios subject to the Standardized CVA capital charge	35,764	1,331
4 Total subject to the CVA capital charge	35,764	1,331

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

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

IX. Explanations on Consolidated Risk Management (Continued)
4. Analysis of counterparty credit risk (CCR) exposure by approach

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

Risk Weight	0%	10%	20%	50%	75%	100%	150%	Other	Total Credit Risk ⁽¹⁾
Risk Classifications									
Claims from central governments and central banks	-	-	-	-	-	-	-	-	-
Claims from regional and local governments	-	-	-	-	-	-	-	-	-
Claims from administration and non-commercial	-	-	-	-	-	-	-	-	-
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-
Claims from institutions	-	-	-	5,426	-	35,764	-	-	38,477
Corporates	-	-	-	-	-	-	-	-	-
Retail portfolios	-	-	-	-	-	-	-	-	-
Claims on landed real estate	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-	-
Claims which are determined as high risk by the board of BRSA	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Claims from corporates, banks and financial intermediaries which have short term credit rating	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-
Stock investment	-	-	-	-	-	-	-	-	-
Other claims	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	-	-	-	5,426	-	35,764	-	-	38,477

⁽¹⁾ Total credit risk: The amount related to the capital adequacy calculation after the counterparty credit risk measurement techniques are applied.

d) Collaterals for counterparty credit risk: None.

e) Credit derivatives: None.

f) Exposures to central counterparties (CCP): None.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

IX. Explanations on Consolidated Risk Management (Continued)

5. **Securitization Explanations:** None.

6. Market risk disclosures

a) Standard approach

	RWA
Outright products	
1 Interest rate risk (general and specific)	5,850
2 Equity risk (general and specific)	64,263
3 Foreign exchange risk	117,312
4 Commodity risk	-
Options	
5 Simplified approach	-
6 Delta-plus method	-
7 Scenario approach	-
8 Securitization	-
9 Total	187,425

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

Investment securities in current period includes only marketable interest bearing assets. Market/fair/current value of marketable assets is defined based on quoted market prices for other securities, which are subject to redemption in the same nature with respect to interest, maturity and other conditions, if the market price or this price cannot be defined.

Estimated fair value of demand deposit states the amount which shall be paid on demand. Fair value of adjustable-rate placements and overnight deposit states the book value. Estimated fair value of fixed rate is calculated through determination of cash flow discounted via using money market interest rates which is applicable to similar credit risk and other debts having with a remaining redemption. Fair value of credits is calculated through determination of cash flow discounted via using money market interest rates which is applicable to similar credit risk and other debts having with a remaining redemption. Fair value states the book value since the other debts are short-termed.

In the table below; fair values and carrying values of some of the financial assets and liabilities are presented.

	Carrying value	Fair value
	31 December 2018	31 December 2018
Financial Assets	13,994,618	13,994,747
Interbank money market	349,622	349,622
Banks	2,000,779	2,000,779
Financial Assets at Fair Value Through Other Comprehensive Income (Net)	2,479,033	2,479,033
Financial Assets measured at amortized cost(Net)	1,383,999	1,349,154
Loans and receivables ⁽¹⁾	7,781,185	7,816,159
Financial Liabilities	14,423,447	14,494,347
Bank deposits	1,322,553	1,322,553
Other deposits	6,885,541	7,090,959
Funds borrowed from other financial institutions	5,661,634	5,660,107
Other debts	553,719	420,728

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

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

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

	Carrying value	Fair value
	31 December 2017	31 December 2017
Financial Assets	11,753,435	11,790,902
Interbank money market	9,600	9,600
Banks	1,604,967	1,604,967
Investment securities available-for-sale (Net)	1,989,010	1,989,010
Investment securities held-to-maturity (Net)	493,413	503,736
Loans and receivables ⁽¹⁾	7,656,445	7,683,589
Financial Liabilities	10,753,867	11,216,213
Bank deposits	71,241	71,241
Other deposits	3,273,860	3,749,630
Funds borrowed from other financial institutions	6,988,038	6,974,614
Securities issued (Net)	420,728	420,728

⁽¹⁾ Loans under follow up and specific provisions are not included.

"TFRS 7: Financial Instruments – Disclosures" describes classifications of valuation techniques based on observability of data used in valuation techniques which are basis for fair value measurements. Classification of fair values is defined as follows.

- Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);
- Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

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

31 December 2018	Level 1	Level 2	Level 3	Total
Financial Assets	1,604,400	887,512	-	2,491,912
Financial Assets At Fair Value Through Profit/Loss	46	12,833	-	12,879
Equity Instruments	46	-	-	46
Government Debt Securities	-	-	-	-
Derivative Financial Assets at Fair Value Through Profit or Loss	-	30,101	-	30,101
Other Financial Assets	-	12,833	-	12,833
Derivative Financial Assets at Fair Value Through Other Comprehensive Income	1,604,354	874,679	-	2,479,033
Equity Instruments	6,255	-	-	6,255
Government Debt Securities	1,598,099	-	-	1,598,099
Other Financial Assets	-	874,679	-	874,679
Financial Liabilities	-	1,122	-	1,122
Derivative financial liabilities	-	1,122	-	1,122

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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

31 December 2017	Level 1	Level 2	Level 3	Total
Financial Assets	1,281,426	738,824	-	2,020,250
Financial Assets At Fair Value Through Profit or Loss	28	31,212	-	31,240
Equity Instruments	28	-	-	28
Trading Derivatives	-	691	-	691
Other Securities	-	30,521	-	30,521
Investment Securities Available for Sale	1,281,398	707,612	-	1,989,010
Equity Instruments	4,107	-	-	4,107
Government Debt Securities	1,277,291	-	-	1,277,291
Other Securities	-	707,612	-	707,612
Financial Liabilities	-	14,272	-	14,272
Derivative financial liabilities held for trading	-	14,272	-	14,272

Explanations on presentation of non-financial assets and liabilities at their fair value

The Parent Bank shows the buildings, included in tangible assets, over their fair values. The aforementioned fair value valuations are classified as level 3. Fair value of buildings is determined by an independent valuation company authorized by Capital Markets Board of Turkey and Banking Regulation and Supervision Agency.

XI. Explanation and Footnotes on Consolidated Segment Reporting

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

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

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

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

Information related to the segments of the Group:

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

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

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

XI. Explanation and Footnotes on Consolidated Segment Reporting (Continued)

31 December 2018	Retail Banking	Corporate Banking	Treasury, Investment Banking and Others	Group's Total Operations
Operating Income	89,174	255,284	90,408	434,866
Net profit of segment	51,968	167,029	(96,084)	122,913
Undistributed costs	-	-	-	-
Operating Profit / (Loss)	51,968	167,029	(96,084)	122,913
Income from subsidiaries	-	-	-	-
Profit / (Loss) before tax	51,968	167,029	(96,084)	122,913
Tax provision (-)	-	-	39,364	39,364
Profit / (Loss) after tax	51,968	167,029	(135,448)	83,549
Minority Shares	-	-	-	-
Current Period Net Profit/ (Loss)	51,968	167,029	(135,448)	83,549
Segment assets ⁽¹⁾	803,381	7,093,472	7,950,028	15,846,881
Associate and subsidiaries	-	-	-	-
Total Assets	803,381	7,093,472	7,950,028	15,846,881
Segment liabilities ⁽¹⁾	3,485,400	4,096,472	7,104,049	14,685,921
Equity	-	-	1,160,960	1,160,960
Total Liabilities	3,485,400	4,096,472	8,265,009	15,846,881
Other Segment Items	1,873	31,119	205,465	238,457
Capital investment	-	-	53,041	53,041
Amortization	766	675	8,562	10,003
Impairment ⁽²⁾	1,107	30,444	143,862	175,413
Other non-cash income-expense	-	-	-	-
Restructuring costs	-	-	-	-

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

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

Based on information that is presented in the table above as at 31 December 2018, segments of the Group are distributed based on their asset sizes as percentages in current period as; 45% for corporate banking, 5% for retail banking, 50% for investment banking and others segment. Gross income (operational income) of the Group is distributed between corporate banking, investment banking and others segment and retail banking as 59%, 21%, and 20%, respectively.

31 December 2017	Retail Banking	Corporate Banking	Treasury, Investment Banking and Others	Group's Total Operations
Operating Income	74,724	185,683	144,467	404,874
Net profit of segment	22,883	111,814	(53,111)	81,586
Operating Profit / (Loss)	22,883	111,814	(53,111)	81,586
Profit / (Loss) before tax	22,883	111,814	(53,111)	81,586
Tax provision (-)	-	-	33,303	33,303
Profit / (Loss) after tax	22,883	111,814	(86,414)	48,283
Net Profit / (Loss)	22,883	111,814	(86,414)	48,283
Segment Assets ⁽¹⁾	858,496	6,854,101	5,602,963	13,315,560
Total Assets	858,496	6,854,101	5,602,963	13,315,560
Segment Liabilities ⁽¹⁾	2,123,694	1,399,619	8,679,953	12,203,266
Equity	-	-	1,112,294	1,112,294
Total Liabilities	2,123,694	1,399,619	9,792,247	13,315,560
Other Segment Items	2,757	8,307	98,765	109,829
Capital investment	-	-	7,653	7,653
Amortization	522	420	7,217	8,159
Impairment losses ⁽²⁾	2,235	7,887	83,895	94,017

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

⁽²⁾ Includes loss in value of marketable securities, fixed assets, assets to be disposed of and provisions of associates, loan loss provisions and other provision expenses.

Based on information that is presented in the table above as at 31 December 2017, segments of the Group are distributed based on their asset sizes as percentages in current period as; 52% for corporate banking, 6% for retail banking, 42% for investment banking and others segment. Gross income (operational income) of the Group is distributed between corporate banking, investment banking and others segment and retail banking as 46%, 36%, and 18%, respectively.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

SECTION FIVE

EXPLANATIONS AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and Footnotes on Consolidated Assets

1. Information related to cash and the account of the Central Bank of Republic of Turkey (the CBRT):

a) Cash and balances with the CBRT:

	31 December 2018	
	TL	FC
Cash/ Foreign Currency	12,783	36,187
Central Bank of the Republic of Turkey (CBRT) ⁽¹⁾	517,015	1,240,914
Other	-	-
Total	529,798	1,277,101

⁽¹⁾ As at 31 December 2018, the Parent Bank does not keep precious metals as reserve deposits at CBRT.

	31 December 2017	
	TL	FC
Cash / Foreign Currency	12,798	23,828
Central Bank of the Republic of Turkey (CBRT) ⁽¹⁾	90,592	1,223,253
Other	-	-
Total	103,390	1,247,081

⁽¹⁾ As at 31 December 2017, the Parent Bank does not keep precious metals as reserve deposits at CBRT.

b) Information related to the account of the CBRT:

	31 December 2018	
	TL	FC
Unrestricted Demand Deposits ⁽¹⁾	517,015	953,182
Unrestricted Time Deposits	-	-
Restricted Time Deposits	-	287,732
Total	517,015	1,240,914

⁽¹⁾ As at 31 December 2018, the Parent Bank does not keep precious metals as reserve deposits at CBRT.

	31 December 2017	
	TL	FC
Unrestricted Demand Deposits ⁽¹⁾	90,592	232,495
Unrestricted Time Deposits	-	-
Restricted Time Deposits	-	990,758
Total	90,592	1,223,253

⁽¹⁾ As at 31 December 2017, the Parent Bank does not keep precious metals as reserve deposits at CBRT.

c) Explanation on reserve deposits:

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

The reserve rates for TL liabilities vary between 1.5% and 8% due their maturity profile as at 31 December 2018 (31 December 2017: between 4% and 10.5%); the reserve rates for foreign currency liabilities vary between 4% and 20% (31 December 2017: 4% and 24%).

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

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

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

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

As at 31 December 2018 and 31 December 2017, the financial assets at fair value through profit or loss are kept under unrestricted account.

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

i. Derivative financial assets at fair value through profit/loss

	31 December 2018	
	TL	FC
Forward transactions	725	-
Swap transactions	29,177	199
Futures transactions	-	-
Options	-	-
Other	-	-
Total	29,902	199

ii. Trading derivative financial assets

	31 December 2017	
	TL	FC
Forward transactions	-	1
Swap transactions	-	690
Futures transactions	-	-
Options	-	-
Other	-	-
Total	-	691

3. Information on banks:

a) Information on banks:

	31 December 2018	
	TL	FC
Banks		
Domestic	339	1,660,524
Foreign	-	339,916
Total	339	2,000,440

	31 December 2017	
	TL	FC
Banks		
Domestic	285	467,446
Foreign	-	1,137,236
Total	285	1,604,682

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

I. Explanations and Footnotes on Consolidated Assets (Continued)

3. Information on banks (Continued):

b) Information on foreign bank accounts:

	Unrestricted Amount		Restricted Amount	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
EU Countries	14,554	294,627	-	-
USA, Canada	314,168	839,365	-	-
OECD Countries ⁽¹⁾	1,079	622	-	-
Off shore banking regions	-	-	-	-
Other	10,115	2,622	-	-
Total	339,916	1,137,236	-	-

⁽¹⁾ OECD countries except for the EU countries, the USA and Canada.

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

a) Investment securities given as collateral or blocked with net values and comparatively:

i. Financial assets at fair value through other comprehensive income

	31 December 2018	
	TL	FC
Given as collateral or blocked	150,244	231,262
Subject to repurchase agreements	255,363	-
Total	405,607	231,262

As of 31 December 2018, financial assets at fair value through other comprehensive income other than those given as collateral or subject to repurchase agreements amounting to TL 1,842,164 are unrestricted.

ii. Financial assets available for sale

	31 December 2017	
	TL	FC
Given as collateral or blocked	373,844	326,885
Subject to repurchase agreements	475,844	-
Total	849,688	326,885

As of 31 December 2017, investment securities available-for-sale other than those given as collateral or subject to repurchase agreements amounting to TL 812,437 are unrestricted.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

I. Explanations and Footnotes on Consolidated Assets (Continued)

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

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

i. Financial assets at fair value through other comprehensive income:

	31 December 2018
Debt securities	2,584,771
Listed	1,674,523
Unlisted	910,248
Share Certificates	6,255
Listed	-
Unlisted	6,255
Impairment provision (-) / charge (+)	111,993
Total	2,479,033

ii. Available-for-sale financial assets:

	31 December 2017
Debt securities	2,017,003
Listed	1,299,458
Unlisted	717,545
Share Certificates	4,107
Listed	543
Unlisted	3,564
Impairment provision (-) / charge (+)	32,100
Total	1,989,010

5. Information on loans:

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

	31 December 2018	
	Cash	Non-Cash
Direct loans granted to shareholders	-	259,363
Corporate shareholders	-	259,363
Real person shareholders	-	-
Indirect loans granted to shareholders	-	-
Loans granted to employees	2,692	-
Total	2,692	259,363

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

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

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

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

	31 December 2017	
	Cash	Non-Cash
Direct loans granted to shareholders	-	166,912
Corporate shareholders	-	166,912
Real person shareholders	-	-
Indirect loans granted to shareholders ⁽¹⁾	548,335	1,782
Loans granted to employees	2,671	-
Total	551,006	168,694

⁽¹⁾ The Parent Bank considers the loan provided to Industrial and Commercial Bank of China Limited (ICBC) in accordance with the Account Pledge Contract dated on 25 June 2015, as at 31 December 2017 an amount of TL 548,335 as cash collateralized loan.

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

		Loans Under Close Monitoring		
			Restructured Loans	
			Loans with Revised Contract Terms	Refinance
Cash Loans	Standard Loans	Loans Not Subject to Restructuring		
Non-specialized loans	7,430,734	70,873	249,858	29,697
Enterprise loans	-	-	249,857	28,707
Export loans	81,799	13,210	-	-
Import loans	-	-	-	-
Loans given to financial sector	2,767,016	-	-	-
Consumer loans	777,395	14,441	1	72
Credit cards	19,623	174	-	-
Other	3,784,901	43,048	-	918
Specialized loans	9	14	-	-
Other receivables	-	-	-	-
Total	7,430,743	70,887	249,858	29,697

	Standard Loans	Loans under close monitoring
Allowances for Expected Credit Losses on Stage 1 and 2		
12 Month Expected Credit Losses	46,509	-
Significant Increase in Credit Risk	-	83,254
Total	46,509	83,254

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

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

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

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

	31 December 2017
General Provisions	
Provisions for Group I. Loans and Receivables	94,396
<i>In addition to allocation for duration of payment provisions</i>	39
Provisions for Group II. Loans and Receivables	5,957
<i>In addition to allocation for duration of payment provisions</i>	5,209
Provisions for Non-cash Loans	3,760
Other	231
Total	104,344

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

Number of Amendments Related to the Extension of the Payment Plan	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
Extended by 1 or 2 Times	3,200	278,637
Extended by 3,4 or 5 Times	-	-
Extended by More than 5 Times	-	-
The Time Extended via the Amendment on Payment Plan	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
Up to 6 Months	223	232,137
6 Months – 1 Year	157	-
1-2 Years	1,039	17,866
2-5 Years	1,130	28,634
5 Years and Over	651	-

c) Distribution of cash loans and other receivables by maturity:

	Standard Loans and Other Receivables		Loans and Receivables Under Close Monitoring	
Cash Loans	Loans and other receivables	Restructured	Loans and other receivables	Restructured
Short term Loans and Other Receivables	799,396	-	18,783	1
Non specialized Loans	799,396	-	18,783	1
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long term Loans and Other Receivables	6,631,347	3,200	53,022	278,636
Non specialized Loans	6,628,138	3,200	53,008	278,636
Specialized Loans	9	-	14	-
Other Receivables	-	-	-	-
Total	7,427,543	3,200	71,805	278,637

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

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

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

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

	Short Term	Medium and Long Term	Total
Consumer Loans – TL	5,731	762,122	767,853
Mortgage Loans	109	618,602	618,711
Automotive Loans	-	3,442	3,442
Consumer Loans	5,622	140,078	145,700
Other	-	-	-
Consumer Loans – Indexed to FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans – FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Credit Cards – TL	16,231	-	16,231
With Installment	3,870	-	3,870
Without Installment	12,361	-	12,361
Consumer Credit Cards – FC	469	-	469
With Installment	-	-	-
Without Installment	469	-	469
Personnel Loans – TL	80	1,222	1,302
Mortgage Loans	-	289	289
Automotive Loans	-	-	-
Consumer Loans	80	933	1,013
Other	-	-	-
Personnel Loans – Indexed to FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans – FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards – TL	1,381	-	1,381
With Installment	452	-	452
Without Installment	929	-	929
Personnel Credit Cards – FC	33	-	33
With Installment	-	-	-
Without Installment	33	-	33
Credit Deposit Account – TL (Real Person)	5,198	-	5,198
Credit Deposit Account – FC (Real Person)	-	-	-
Total	29,123	763,344	792,467

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

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

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

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

	Short Term	Medium and Long Term	Total
Commercial Installment Loans – TL	305	343,234	343,539
Business Residential Loans	-	-	-
Automotive Loans	-	9,093	9,093
Consumer Loans	305	334,141	334,446
Other	-	-	-
Commercial Installment Loans – Indexed to FC	-	40,861	40,861
Business Residential Loans	-	-	-
Automotive Loans	-	11,573	11,573
Consumer Loans	-	29,288	29,288
Other	-	-	-
Commercial Installment Loans – FC	-	-	-
Business Residential Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards – TL	1,617	-	1,617
With Installment	282	-	282
Without Installment	1,335	-	1,335
Corporate Credit Cards – FC	66	-	66
With Installment	-	-	-
Without Installment	66	-	66
Credit Deposit Account – TL (Legal Entity)	-	-	-
Credit Deposit Account – FC (Legal Entity)	-	-	-
Total	1,988	384,095	386,083

f) Loan concentration based on counterparties:

	31 December 2018	31 December 2017
Public	702,964	1,227,969
Private	7,078,221	6,428,476
Total	7,781,185	7,656,445

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

I. Explanations and Footnotes on Consolidated Assets (Continued)

5. Information on loans (continued):

g) Distribution of domestic and foreign loans:

	31 December 2018	31 December 2017
Domestic loans	7,185,241	6,893,750
Foreign loans	595,944	762,695
Total	7,781,185	7,656,445

h) Loans granted to subsidiaries and associates: TL 24 (31 December 2017: TL 35).

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

	31 December 2018
Loans and Other Receivables with Limited Collectibility	928
Loans and Other Receivables with Doubtful Collectibility	28,759
Uncollectible Loans and Other Receivables	48,900
Total	78,587

	31 December 2017
Loans and Other Receivables with Limited Collectibility	51
Loans and Other Receivables with Doubtful Collectibility	5,091
Uncollectible Loans and Other Receivables	67,005
Total	72,147

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

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

	Group III Loans with limited collectibility	Group IV Loans with doubtful collectibility	Group V Uncollectible loans
Current period			
Gross amounts before the specific reserves	-	-	483
Restructured Loans and other receivables	-	-	483
	Group III Loans with limited collectibility	Group IV Loans with doubtful collectibility	Group V Uncollectible loans
Prior period			
Gross amounts before the specific reserves	1	15	1,946
Restructured Loans and other receivables	1	15	1,946

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

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

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

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

	Group III Loans with limited collectibility	Group IV Loans with doubtful collectibility	Group V Uncollectible loans
Prior Period End Balance	201	5,638	90,684
Additions (+)	39,008	5,305	984
Transfers from Other Categories of Non- Performing Loans (+)	-	34,993	6,065
Transfers to Other Categories of Non-Performing Loans (-)	34,993	6,066	-
Collections (-)	1,399	194	6,736
Write-offs (-)	-	-	40,083
Corporate and Commercial Loans	-	-	35,319
Retail Loans	-	-	3,019
Credit Cards	-	-	1,745
Other	-	-	-
Balances at End of the Current Period	2,817	39,676	50,914
Specific Provisions (-)	928	28,759	48,900
Net Balance on Balance Sheet	1,889	10,917	2,014

j.3) Information on non-performing loans in foreign currencies: None.

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

	Group III Loans with limited collectibility	Group IV Loans with doubtful collectibility	Group V Uncollectible loans
Current Period (Net)	1,889	10,917	2,014
Loans Allowed to Real Persons and Corporate Entities (Gross)	2,817	39,676	50,914
Specific provision (-)	928	28,759	48,900
Loans Allowed to Real Persons and Corporate Entities (Net)	1,889	10,917	2,014
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loan and Receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other Loan and Receivables (Net)	-	-	-
Prior Period (Net)	-	-	-
Loans Allowed to Real Persons and Corporate Entities (Gross)	-	-	-
Specific provision (-)	-	-	-
Loans Allowed to Real Persons and Corporate Entities (Net)	-	-	-
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loan and Receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other Loan and Receivables (Net)	-	-	-

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

I. Explanations and Footnotes on Consolidated Assets (Continued)

5. Information on loans (continued):

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

	Group III Loans with Limited Collectibility	Group IV Loans with Doubtful Collectibility	Group V Uncollectible Loans
Current period (Net)	(386)	(23,160)	-
Interest accruals and rediscounts with valuation differences	420	5,231	-
Provision amount (-)	806	(28,391)	-
Prior period (Net)	-	-	-
Interest accruals and rediscounts with valuation differences	-	-	-
Provision amount (-)	-	-	-

6. Financial assets at amortized cost:

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

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

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

As of 31 December 2018, the Bank's government debt securities valued at amortized cost are TL 989,977. As of 31 December 2017, the Bank's investments in held-to-maturity investments amount to TL 297,172.

i. Financial assets measured at amortized cost:

	31 December 2018
Government Bonds	993,472
Treasury bills	-
Other public sector debt securities	-
Total	993,472

ii. Investments held-to-maturity:

	31 December 2017
Government Bonds	297,172
Treasury bills	-
Other public sector debt securities	196,241
Total	493,413

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

I. Explanations and Footnotes on Consolidated Assets (Continued)

6. Financial assets at amortized cost (continued):

c) Information on financial assets at amortized cost:

i. Information on financial assets at amortized cost:

	31 December 2018
Debt securities	1,324,326
Listed	-
Unlisted	1,324,326
Impairment provision (-) ⁽¹⁾	59,673
Total	1,383,999

⁽¹⁾ Consists of change in interest accruals.

ii. Information on investment securities held-to-maturity:

	31 December 2017
Debt securities	478,294
Listed	-
Unlisted	478,294
Impairment provision (-) ⁽¹⁾	15,119
Total	493,413

⁽¹⁾ Consists of change in interest accruals.

d) i. The movement of financial assets at amortized cost during the year:

	31 December 2018
Beginning balance	493,413
Foreign currency differences on monetary assets	-
Purchases during year	830,913
Disposals through sales and redemptions	-
Impairment provision (-) ⁽¹⁾	59,673
Total	1,383,999

⁽¹⁾ Consists of change in interest accruals.

ii. The movement of financial investment securities during the year:

	31 December 2017
Beginning balance	184,587
Foreign currency differences on monetary assets	-
Purchases during year	293,707
Disposals through sales and redemptions	-
Impairment provision (-) ⁽¹⁾	15,119
Total	493,413

⁽¹⁾ Consists of change in interest accruals.

7. Information on associates (net):

None.

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

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

I. Explanations and Footnotes on Consolidated Assets (Continued)**8. Information on subsidiaries (net):**

As at 31 December 2018, the Parent Bank has subsidiary as ICBC Turkey Yatırım Menkul Değerler A.Ş.. The Parent Bank does not have any capital needs due to its subsidiary which is included in the calculation of its consolidated capital adequacy standard ratio. The current equity amount of the subsidiary fulfils the minimum capital requirement entailed in accordance with the Capital Markets Board's regulations.

Information related to subsidiaries:

- a) Information on unconsolidated subsidiaries: None.
- b) Information on unconsolidated subsidiaries according to information above: None.
- c) Movement of unconsolidated subsidiaries: None.
- d) Industrial distribution of unconsolidated subsidiaries:

As at 31 December 2018, the Parent Bank has no unconsolidated subsidiary.

- e) Information on consolidated subsidiaries:

Description	Address (City/Country)	Bank's share percentage- If different from voting percentage (%)	Banks Risk Group Share Percentage (%)
ICBC Turkey Yatırım Menkul Değerler A.Ş. (ICBC Yatırım)	İstanbul/Turkey	99,998	100

- f) Solo/stand-alone financial information of ICBC Portföy company, which is consolidated to ICBC Yatırım, is as follows:

Total assets	Shareholders' equity	Total fixed assets	Interest Income	Income from marketable securities portfolio	Current period profit/ (loss)	Prior period profit / (loss)	Fair Value
3,890	3,657	10	573	-	82	(1,425)	-

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

- g) Movement of consolidated subsidiaries:

31 December 2018	
Balance at the Beginning of the Period	75,998
Movements during the Period	-
Purchases	-
Bonus Shares Received	-
Dividends from Current Year Profit	-
Sales	-
Revaluation Increase	-
Impairment Provision	-
Balance at the End of the Period	75,998
Capital Commitments	-
Share of Capital Percentage at the end of Period (%)	-

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

I. Explanations and Footnotes on Consolidated Assets (Continued)

8. Investments in subsidiaries (net) (continued):

g) Movement of consolidated subsidiaries (continued):

	31 December 2017
Balance at the Beginning of the Period	25,000
Movements during the Period	50,998
Purchases	39,998
Bonus Shares Received	11,000
Dividends from Current Year Profit	-
Sales	-
Revaluation Increase	-
Impairment Provision	-
Balance at the End of the Period	75,998
Capital commitment	-
Share of capital percentage (%)	-

h) Sectoral distribution of consolidated subsidiaries:

	31 December 2018
Banks	-
Insurance Companies	-
Factoring Companies	-
Leasing Companies	-
Finance Companies	-
Other Financial Subsidiaries	75,998
Other Non-Financial Subsidiaries	-
Total	75,998

	31 December 2017
Banks	-
Insurance Companies	-
Factoring Companies	-
Leasing Companies	-
Finance Companies	-
Other Financial Subsidiaries	75,998
Other Non-Financial Subsidiaries	-
Total	75,998

i) Listed subsidiaries: None.

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

k) Subsidiaries purchased in the current period: None.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

I. Explanations and Footnotes on Consolidated Assets (Continued)

9. Information on joint ventures (net):

None.

10. Information on financial lease receivables (net):

None.

11. Information on hedging purpose derivatives (net):

None.

12. Information on tangible assets (net):

31 December 2018	Buildings ⁽¹⁾	Tangible assets from finance lease	Vehicles	Other tangible assets	Total
Prior Period End: 31/12/2017					
Cost	21,882	3,160	36	50,102	75,180
Accumulated Depreciation (-)	3,812	3,160	36	31,407	38,415
Net Book Value	18,070	-	-	18,695	36,765
Current Period End: 31/12/2018					
Net Book Value at the Beginning of the Period	18,070	-	-	18,695	36,765
Additions	-	-	-	4,884	4,884
Disposals, net (-)	-	-	-	-	-
Revaluation / (Impairment) ⁽¹⁾	1,708	-	-	-	1,708
Depreciation (-)	198	-	-	6,937	7,135
Cost at period end	23,590	3,160	36	54,986	81,772
Accumulated Depreciation at period end (-)	4,010	3,169	36	38,327	45,533
Closing Net Book Value	19,580	-	-	16,659	36,239

(1) There is a capital gain amounting to TL 13,967 as of 31 December 2018 as a result of change in fair value of buildings, which is determined by licensed immovable property valuation companies

31 December 2017	Buildings ⁽¹⁾	Tangible assets from finance lease	Vehicles	Other tangible assets	Total
Prior Period End: 31/12/2016					
Cost	20,300	3,160	36	39,094	62,590
Accumulated Depreciation (-)	3,615	3,160	36	25,958	32,769
Net Book Value	16,685	-	-	13,136	29,821
Current Period End: 31/12/2017					
Net Book Value at the Beginning of the Period	16,685	-	-	13,136	29,821
Additions	-	-	-	11,008	11,008
Disposals, net (-)	-	-	-	17	17
Revaluation / (Impairment) ⁽¹⁾	1,582	-	-	-	1,582
Depreciation (-)	197	-	-	5,449	5,646
Cost at period end	21,882	3,160	36	50,102	75,180
Accumulated Depreciation at period end (-)	3,812	3,160	36	31,407	38,415
Closing Net Book Value	18,070	-	-	18,695	37,765

(1) There is a capital gain amounting to TL 12,259 as of 31 December 2017 as a result of change in fair value of buildings, which is determined by licensed immovable property valuation companies

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

I. Explanations and Footnotes on Consolidated Assets (Continued)

12. Information on tangible assets (net) (Continued):

a) The cost and accumulated depreciation of assets disposed is as follows:

31 December 2018	Buildings	Tangible assets from finance lease	Vehicles	Other tangible assets	Total
Cost	-	886	-	1,031	1,917
Accumulated Depreciation (-)	-	886	-	1,031	1,917
Net disposal amount	-	-	-	-	-

31 December 2017	Buildings	Tangible assets from finance lease	Vehicles	Other tangible assets	Total
Cost	-	1	-	176	177
Accumulated Depreciation (-)	-	1	-	159	160
Net disposal amount	-	-	-	17	17

13. Intangible assets (net):

a) The gross book value and accumulated amortization amounts at the beginning and at the end of the period:

	31 December 2018	31 December 2017
Gross Book Value	30,407	24,881
Accumulated Amortization (-)	22,236	19,687
Total	8,171	5,194

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

	31 December 2018	31 December 2017
Beginning of the period	5,194	2,982
Additions Resulting from Mergers, Acquisitions and Purchases	5,526	3,466
Disposals (-)	-	-
Accumulated Amortization (-)	2,549	1,254
Period End	8,171	5,194

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

I. Explanations and Footnotes on Consolidated Assets (Continued)

14. Information on investment properties:

None.

15. Information on deferred tax assets:

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

As at 31 December 2018, the Group's deferred tax asset arising from the deductible temporary differences except for general loan provisions is amounting to TL 44,596 (31 December 2017: TL 10,619). As at 31 December 2018, there is no deferred tax asset arising from financial losses (31 December 2017: None).

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

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

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

The Parent Bank has no asset held for sale and discontinued operation as at 31 December 2018 and 31 December 2017.

17. Information on other assets:

Commodities and immovable properties of the Group obtained with respect to non-performing loans are recognized under movable and immovable assets to be sold off and shown under other assets in the balance sheet. Net total carrying value of the aforementioned assets is TL 2,058 as at 31 December 2018 (31 December 2017: TL 8,415).

Sum of other assets amounting to TL 41,869 (31 December 2017: TL 95,045), which are out of movable and immovable properties to be sold off, do not exceed 10% of the balance sheet total.

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

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

II. Explanations and Footnotes on Consolidated Liabilities
1. Information on deposits:

a) Information on maturity profile of deposits:

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

a.1) 31 December 2018:

	Demand	Up to 1 Month	1-3 Months	3-6 Months	6 Months- 1 Year	1 Year and Over	Cumulative Deposits	Total
Saving Deposits	24,938	36,896	1,635,517	108,563	6,507	1,967	-	1,814,388
Foreign Currency Deposits	315,403	287,300	3,946,995	68,698	16,337	4,487	-	4,639,220
Residents in Turkey	302,244	284,863	3,837,081	63,256	4,637	515	-	4,492,596
Residents Abroad	13,159	2,437	109,914	5,442	11,700	3,972	-	146,624
Public Sector Deposits	7,544	-	-	-	-	-	-	7,544
Commercial Deposits	33,478	26,058	125,273	37,862	-	-	-	222,671
Other Ins. Deposits	4,036	42	11,716	30	41	1	-	15,866
Precious Metal Deposits	-	-	-	-	-	-	-	-
Interbank Deposits	52,774	1,269,779	-	-	-	-	-	1,322,553
CBRT	-	-	-	-	-	-	-	-
Domestic Banks	1,775	1,269,779	-	-	-	-	-	1,271,554
Foreign Banks	50,999	-	-	-	-	-	-	50,999
Participation Banks	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total	438,173	1,620,075	5,719,501	215,153	22,885	6,455	-	8,022,242

a.2) 31 December 2017:

	Demand	Up to 1 Month	1-3 Months	3-6 Months	6 Months- 1 Year	1 Year and Over	Cumulative Deposits	Total
Saving Deposits	39,614	17,256	1,130,403	12,808	2,820	1	-	1,202,902
Foreign Currency Deposits	338,317	36,587	1,440,900	8,136	12,898	5,951	-	1,842,789
Residents in Turkey	330,767	10,674	1,384,923	5,691	3,701	1,312	-	1,737,068
Residents Abroad	7,550	25,913	55,977	2,445	9,197	4,639	-	105,721
Public Sector Deposits	1,835	-	-	-	-	-	-	1,835
Commercial Deposits	82,239	25,142	87,239	22,206	2	-	-	216,828
Other Ins. Deposits	3,126	38	6,284	10	38	10	-	9,506
Precious Metal Deposits	-	-	-	-	-	-	-	-
Interbank Deposits	71,241	-	-	-	-	-	-	71,241
CBRT	-	-	-	-	-	-	-	-
Domestic Banks	1,065	-	-	-	-	-	-	1,065
Foreign Banks	70,176	-	-	-	-	-	-	70,176
Participation Banks	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total	536,372	79,023	2,664,826	43,160	15,758	5,962	-	3,345,101

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

II. Explanations and Footnotes on Consolidated Liabilities (Continued)

b) Information on Deposit Insurance:

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

Saving Deposits	Covered by Deposit Insurance Fund	Exceeding the Deposit Insurance Limit
	31 December 2018	31 December 2018
Saving Deposits	807,156	1,005,237
Foreign Currency Savings Deposits	272,089	1,283,059
Other Saving Deposits	-	-
Foreign branches' Deposits Under Foreign Insurance Coverage	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-
Total	1,079,245	2,288,296

Saving Deposits	Covered by Deposit Insurance Fund	Exceeding the Deposit Insurance Limit
	31 December 2017	31 December 2017
Saving Deposits	555,417	645,020
Foreign Currency Savings Deposits	184,108	681,930
Other Saving Deposits	-	-
Foreign branches' Deposits Under Foreign Insurance Coverage	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-
Total	739,525	1,326,950

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

- b.3) Saving deposits not covered by deposit insurance: The group has saving deposits not covered by deposit insurance amounting to TL 5,588 (31 December 2017: TL 4,504).

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

	31 December 2018
Deposits and Other Accounts at Foreign Branches	-
Deposits and Other Accounts belong to Major Shareholders with Their Parents, Spouse and Children in their care	-
Deposits and Other Accounts belong to Members of Board of Directors, CEO and Deputy CEOs with Their Parents, Spouse and Children in their care	5,588
Deposits and Other Accounts defined in Crimes Mentioned in 282 nd Article of 5237 Numbered Turkish Crime Legislation dated on 26/09/2004	-
Deposits belong to Off-shore Banks which are established to be engaged in offshore banking in Turkey	-
	31 December 2017
Deposits and Other Accounts at Foreign Branches	-
Deposits and Other Accounts belong to Major Shareholders with Their Parents, Spouse and Children in their care	-
Deposits and Other Accounts belong to Members of Board of Directors, CEO and Deputy CEOs with Their Parents, Spouse and Children in their care	4,504
Deposits and Other Accounts defined in Crimes Mentioned in 282 nd Article of 5237 Numbered Turkish Crime Legislation dated on 26/09/2004	-
Deposits belong to Off-shore Banks which are established to be engaged in offshore banking in Turkey	-

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

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

II. Explanations and Footnotes on Consolidated Liabilities (Continued)
2. Information on derivative financial liabilities held for trading:

- i. Negative differences table for derivative financial liabilities at fair value through profit or loss:

	31 December 2018	
	TL	FC
Forward Transactions	4	-
Swap Transactions	745	373
Future Transactions	-	-
Options	-	-
Other	-	-
Total	749	373

- ii. Negative differences table for derivative financial liabilities held for trading:

	31 December 2017	
	TL	FC
Forward Transactions	-	1
Swap Transactions	13,857	414
Future Transactions	-	-
Options	-	-
Other	-	-
Total	13,857	415

3. Information on funds borrowed:

- a) Information on banks and other financial institutions:

	31 December 2018	
	TL	FC
Central Bank of the Republic of Turkey	-	-
Domestic Banks and Institutions	1,527	-
Foreign Banks, Institutions and Funds	1,161,228	2,919,795
Total	1,162,755	2,919,795

	31 December 2017	
	TL	FC
Central Bank of the Republic of Turkey	-	-
Domestic Banks and Institutions	6,614	6,810
Foreign Banks, Institutions and Funds	-	6,974,614
Total	6,614	6,981,424

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

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

II. Explanations and Footnotes on Consolidated Liabilities (Continued)**3. Information on funds borrowed (continued):****b) Contractual maturities of funds borrowed:**

	31 December 2018	
	TL	FC
Short-Term	1,162,755	792,471
Medium and Long-Term	-	2,127,324
Total	1,162,755	2,919,795

	31 December 2017	
	TL	FC
Short-Term	6,614	4,682,854
Medium and Long-Term	-	2,298,570
Total	6,614	6,981,424

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

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

4. Information on other liabilities:

Other liabilities are amounting to TL 553,719 (31 December 2017: TL 114,548) and do not exceed 10% of total liabilities excluding the off-balance sheet items.

5. Information on lease payables (net):

Lease rent payments are determined according to related asset’s cost, market interest rates and lease term. The Parent Bank does not have significant obligations regarding financial lease agreements.

As at 31 December 2018 and 31 December 2017, the Group does not have financial lease liabilities.

As at 31 December 2018 and 31 December 2017, the Group does not have any obligations from operational lease agreements.

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

None.

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

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

II. Explanations and Footnotes on Consolidated Liabilities (Continued)**7. Information on provisions:****a) Information on reserve for employee rights:**

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

The indemnity payable is one month's salary for each year of service and as of 31 December 2018, this amount is restricted with TL-full 5,434.42 (31 December 2017: TL-full 4,732.48). The liability is not funded, since there is no funding requirement.

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

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

	31 December 2018
Discount Ratio (%)	4.11
Expected Salary/ETI Liability Ceiling Increase Rate (%)	9.50
Rate for the Probability of Retirement (%)	93.00
	31 December 2017
Discount Ratio (%)	2.78
Expected Salary/ETI Liability Ceiling Increase Rate (%)	8.00
Rate for the Probability of Retirement (%)	93.00

Movement of employment termination benefits liability is as below:

	31 December 2018
Balance at prior period end	10,735
Current year provisions	3,706
Paid in current period	(2,258)
Balance at the end of the period	12,183
	31 December 2017
Balance at prior period end	8,743
Current year provisions	4,465
Paid in current period	(2,473)
Balance at the end of the period	10,735

As at 31 December 2018, the Group has vacation pay liability amounting TL 5,734 (31 December 2017: TL 5,242).

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

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

II. Explanations and Footnotes on Consolidated Liabilities (Continued)**7. Information on provisions (continued):**

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

As at 31 December 2018, there is no foreign exchange differences on foreign currency indexed loans (31 December 2017: TL 343) are netted with loans on the asset side.

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

As at 31 December 2018, the Group has provision amounting to TL 2,964 (31 December 2017: TL 6,092) for non-cash loans and irrevocable commitments that are not indemnified and not converted into cash amounting to TL 6,060 (31 December 2017: TL 10,423).

d) Information on other provisions:

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

d.2) Information on other provisions:

As at 31 December 2018, there is provision for lawsuits filed against the Parent Bank and its subsidiary amounting TL 12,515 (31 December 2017: TL 9,546). As at 31 December 2018, there is provision for personnel bonus amounting TL 23,244 (31 December 2017: TL 5,070). As at 31 December 2018, there is provision for non-cash loans is amounting to TL 5,737 (31 December 2017: TL 3,760 amount of non-cash loans general provision). As at 31 December 2018, the Parent Bank has provision for credit card service promotions amounting TL 91 (31 December 2017: TL 94)

8. Information on tax liabilities:

a) Information on current tax liability: As at 31 December 2018, corporate taxes payable of the Group after deductions of prepaid taxes is TL 18,001 (31 December 2017: TL 13,791).

b) Information on taxes payable:

	31 December 2018
Corporate taxes payable	18,001
Taxation on securities	5,391
Property Tax	256
Booking and Insurance Transaction Tax (BITT)	2,976
Value added tax payable	744
Other	8,892
Total	36,260
	31 December 2017
Corporate taxes payable	13,791
Taxation on securities	3,479
Property Tax	236
Booking and Insurance Transaction Tax (BITT)	3,019
Value added tax payable	216
Other	4,954
Total	25,695

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

II. Explanations and Footnotes on Consolidated Liabilities (Continued)

8. Information on tax liabilities (continued):

c) Information on premiums payable:

	31 December 2018
Social security premiums- employee	1,009
Social security premiums- employer	1,135
Unemployment insurance- employee	62
Unemployment insurance- employer	124
Other	1
Total	2,331

	31 December 2017
Social security premiums- employee	1,630
Social security premiums- employer	1,819
Unemployment insurance- employee	115
Unemployment insurance- employer	231
Other	-
Total	3,795

d) Information on deferred tax liabilities:

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

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

None.

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

	31 December 2018	
	TL	FC
To be included in the calculation of additional capital borrowing instruments	-	-
Subordinated loans	-	-
Subordinated debt instruments	-	-
Debt instruments to be included in contribution capital calculation	-	1,579,084
Subordinated loans ⁽¹⁾	-	1,579,084
Subordinated debt instruments	-	-
Total	-	1,579,084

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

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

II. Explanations and Footnotes on Consolidated Liabilities (Continued)

11. Information on shareholders' equity:

a) Paid in capital:

	31 December 2018
Common Stock	860,000
Preferred Stock	-
	31 December 2017
Common Stock	860,000
Preferred Stock	-

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

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

	31 December 2018	
	TL	FC
From investment in associates, subsidiaries and joint ventures		
Revaluation difference	(53,168)	(35,674)
Foreign exchange difference	-	-
Total	(53,168)	(35,674)
	31 December 2017	
	TL	FC
From investment in associates, subsidiaries and joint ventures		
Revaluation difference	(7,763)	2,167
Foreign exchange difference	-	-
Total	(7,763)	2,167

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

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

i) Information on the Parent Bank's 2017 profit distribution:

According the Ordinary General Assembly Meeting of the Parent Bank held on 30 March 2018, the remaining TL 42,484 of the net income after the net income tax for the year 2017 has been deducted from the previous year's losses with amount of TL 3,316. After the deduction remaining amount of TL 39,168 used for calculation of legal reserve of 5% of with amount of TL 1,958 in accordance with the TCC 519/1 and the remaining TL 37,210 to be transferred to extraordinary reserves.

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

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

III. Explanation and Footnotes on Consolidated Off-Balance Sheet Items:**1. Disclosures on off - balance sheet items:****a) Type and amount of irrevocable commitments:**

	31 December 2018
Forward deposit purchase and sale commitments	112,551
Commitment for use guaranteed credit allocation	29,325
Credit cards limit commitments	73,480
Payment commitments for checks	7,720
Credit card commitments given with applications for promotion	199
Tax and fund obligations arising from export commitments	6
Other irrevocable commitments	7,105
Total	230,386

	31 December 2017
Forward deposit purchase and sale commitments	18,359
Commitment for use guaranteed credit allocation	29,033
Credit cards limit commitments	67,403
Payment commitments for checks	73,028
Credit card commitments given with applications for promotion	193
Tax and fund obligations arising from export commitments	5
Other irrevocable commitments	11,878
Total	199,899

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

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

	31 December 2018
Letter of guarantee	2,040,443
Bank acceptance loans	-
Letter of credits	217,850
Other guarantees	112,889
Total	2,371,182

	31 December 2017
Letter of guarantee	1,675,741
Bank acceptance loans	-
Letter of credits	68,919
Other guarantees	44,523
Total	1,789,183

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

III. Explanation and Footnotes on Consolidated Off-Balance Sheet Items (Continued)

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

c) Total amount of non-cash loans:

	31 December 2018
Non-Cash Loans Given for Cash Loan Risks	166,824
With Original Maturity of 1 Year or Less	108,737
With Original Maturity of More Than 1 Year	58,087
Other Non-Cash Loans	2,204,358
Total	2,371,182

	31 December 2017
Non-Cash Loans Given for Cash Loan Risks	138,877
With Original Maturity of 1 Year or Less	78,354
With Original Maturity of More Than 1 Year	60,523
Other Non-Cash Loans	1,650,306
Total	1,789,183

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

	31 December 2018				31 December 2017			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agriculture	894	0.15	31,782	1.78	772	0.15	-	-
Farming and Raising	876	0.15	31,782	1.78	754	0.14	-	-
Forestry	-	-	-	-	-	-	-	-
Fishery	18	-	-	-	18	-	-	-
Manufacturing	29,925	5.11	533,939	29.91	54,009	10.37	434,263	34.23
Mining and Quarrying	4,578	0.78	480	0.03	1,000	0.19	347	0.03
Production	24,911	4.25	522,611	29.27	52,543	10.09	419,011	33.03
Electricity, Gas and Water	436	0.07	10,848	0.61	466	0.09	14,905	1.18
Construction	154,178	26.32	149,704	8.38	220,315	42.31	137,075	10.81
Services	399,180	68.16	1,069,862	59.92	243,883	46.84	696,937	54.94
Wholesale and Retail Trade	16,048	2.74	58,941	3.30	30,862	5.93	16,447	1.30
Accommodation and Dining	2,582	0.44	-	-	3,570	0.69	-	-
Transportation and	322,955	55.14	239,905	13.44	654	0.13	146,254	11.53
Financial Institutions	54,711	9.34	456,227	25.55	198,051	38.04	241,406	19.03
Real Estate and Lending	17	-	-	-	17	-	-	-
Self Employment Services	1,615	0.28	314,548	17.62	6,686	1.28	290,201	22.88
Educational Services	1	-	-	-	1	-	-	-
Health and Social Services	1,251	0.21	241	0.01	4,042	0.78	2,629	0.21
Other	1,498	0.26	220	0.01	1,703	0.33	226	0.02
Total	585,675	100.00	1,785,507	100.00	520,682	100.00	1,268,501	100.00

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

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

III. Explanation and Footnotes on Consolidated Off-Balance Sheet Items (Continued)**1. Disclosures on off balance sheet items (continued):**

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

	Group I		Group II	
	TL	FC	TL	FC
Letters of Guarantee	579,953	1,412,553	2,098	39,779
Bank Acceptances	-	-	-	-
Letters of Credit	-	178,065	-	39,785
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	112,889	-	-
Total	579,953	1,703,507	2,098	79,564

The Parent Bank has recorded a provision amounting to TL 2,964 (31 December 2017 - TL 6,092), for the unearned non-cash loans and irrevocable commitments amounting to TL 6,060 (31 December 2017: TL 10,423).

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

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

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

IV. Explanation and Footnotes on Consolidated Profit or Loss Statement

1. Information on interest income:

a) Information on interest income received from loans:

	Current Period	
	TL	FC
Interest income received from loans ⁽¹⁾		
Short Term Loans	192,988	6,306
Medium and Long Term Loans	309,211	242,075
Interest on Loans Under Follow-Up	7,556	-
Premiums received from resource Utilization Support Fund	-	-
Total	509,755	248,381

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

	Prior Period	
	TL	FC
Interest income received from loans ⁽¹⁾		
Short Term Loans	173,584	4,073
Medium and Long Term Loans	196,643	140,278
Loans Under Follow-Up	2,811	-
Premiums received from resource Utilization Support Fund	-	-
Total	373,038	144,351

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

b) Information on interest income received from banks:

	Current Period	
	TL	FC
From CBRT	-	-
From Domestic Banks	1,059	5,260
From Foreign Banks	-	2,421
From Headquarters and Branches Abroad	-	-
Total	1,059	7,681

	Prior Period	
	TL	FC
From CBRT	-	-
From Domestic Banks	48	7,684
From Foreign Banks	1	555
From Headquarters and Branches Abroad	-	-
Total	49	8,239

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

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

IV. Explanation and Footnotes on Consolidated Profit or Loss Statement (Continued)
1. Information on interest income (continued):

c) Information on interest income received from securities portfolio:

	Current Period	
	TL	FC
Financial Assets at Fair Value Through Profit Or Loss	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	228,831	73,197
Financial Assets Measured at Amortized Cost	69,305	25,221
Total	298,136	98,418

	Prior Period	
	TL	FC
Trading Financial Assets	-	-
Financial Assets Available-for-Sale	110,833	56,274
Financial Assets Held-to-Maturity	14,993	14,422
Total	125,826	70,696

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

2. Information on interest expense:

a) Information on interest expense related to funds borrowed:

	Current Period	
	TL	FC
Banks ⁽¹⁾	80,913	177,307
Central Bank of the Republic of Turkey	-	-
Domestic Banks	216	96
Foreign Banks	80,697	177,211
Headquarters and Branches Abroad	-	-
Other Institutions	-	-
Total	80,913	177,307

	Prior Period	
	TL	FC
Banks ⁽¹⁾	631	123,243
Central Bank of the Republic of Turkey	-	-
Domestic Banks	604	126
Foreign Banks	27	123,117
Headquarters and Branches Abroad	-	-
Other Institutions	-	-
Total	631	123,243

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

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

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

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

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

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

	Current Period
Interest Expenses Paid To Associates And Subsidiaries:	2,566

	Prior Period
Interest Expenses Paid To Associates And Subsidiaries:	8,245

c) Information on interest expense paid to securities issued: None.

d) Maturity structure of the interest expense on deposits:

The Parent Bank has no interest expense paid to deposits callable within 7 days.

Current Period		Time Deposits						
Account Name	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	1 year and over	Cumulative Deposits	Total
TL								
Bank Deposits	-	847	-	-	-	-	-	847
Saving Deposits	-	4,478	251,299	6,851	540	44	-	263,212
Public Sector Deposits	-	-	-	-	-	-	-	-
Commercial Deposits	-	6,986	43,759	916	-	1	-	51,662
Other Deposits	-	21	1,868	4	4	-	-	1,897
Total	-	12,332	296,926	7,771	544	45	-	317,618
FC								
Foreign Currency Deposits	-	1,353	133,643	1,690	189	126	-	137,001
Bank Deposits	-	4,434	-	-	-	-	-	4,434
Precious Metal Deposits	-	-	-	-	-	-	-	-
Total	-	5,787	133,643	1,690	189	126	-	141,435
Grand Total	-	18,119	430,569	9,461	733	171	-	459,053

Prior Period		Time Deposits						
Account Name	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	1 year and over	Cumulative Deposits	Total
TL								
Bank Deposits	-	58	-	-	-	-	-	58
Saving Deposits	-	1,398	130,700	291	145	4	-	132,538
Public Sector Deposits	-	-	-	-	-	-	-	-
Commercial Deposits	-	4,208	36,354	19	-	-	-	40,581
Other Deposits	-	4	1,144	2	5	1	-	1,156
Total	-	5,668	168,198	312	150	5	-	174,333
FC								
Foreign Currency Deposits	-	116	36,359	131	159	81	-	36,846
Bank Deposits	-	6	-	-	-	-	-	6
Precious Metal Deposits	-	-	-	-	-	-	-	-
Total	-	122	36,359	131	159	81	-	36,852
Grand Total	-	5,790	204,557	443	309	86	-	211,185

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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

3. Explanation on dividend income:

	Current Period
Financial Assets at Fair Value Through Profit/Loss	152
Financial Assets at Fair Value Through Other Comprehensive Income	-
Other	-
Total	152

	Prior Period
Trading Financial Assets	8
Financial Assets at Fair Value Through Profit/Loss	-
Other	-
Total	8

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

	Current Period
Profit	1,392,785
Capital Market Gains	10,378
Derivative Gains	715,708
Foreign Exchange Gains	666,699
Loss (-)	1,409,578
Capital Market Losses	-
Derivative Losses	487,748
Foreign Exchange Losses	921,830

Net profit related to derivative transactions resulting from foreign currency rate changes is amounting to TL 320,412.

	Prior Period
Profit	562,837
Capital Market Gains	10,025
Derivative Gains	217,608
Foreign Exchange Gains	335,204
Loss (-)	627,029
Capital Market Losses	6
Derivative Losses	281,471
Foreign Exchange Losses	345,552

Net profit related to derivative transactions resulting from foreign currency rate changes is amounting to TL 15,387.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

5. Information on other operating income:

	Current Period
Collection of Prior Year Provisions	23,014
Income on Project Appraisal	12,862
Reverse of Prior Year Provisions	6,542
Income from Collection of Prior Year Expenses	-
Other Income	16,953
Total	59,371

	Prior Period
Income on Project Appraisal	10,881
Collection of Prior Year Provisions	8,402
Collection of Prior Year Expenses	1,245
Income from Financial Assets Sales	806
Communication Expenses	248
Other Income	3,704
Total	25,286

6. Impairment on loans and other receivables:

i. Allowance for expected credit losses:

	Current Period
Allowance for expected credit losses	149,850
12-Month expected credit losses (Stage 1)	17,863
Significant increase in credit risk (Stage 2)	79,051
Credit-Impaired (Stage 3)	52,936
Impairment provisions for financial assets	22,596
Financial assets at fair value through profit or loss	-
Financial assets at fair value through other comprehensive income	22,596
Impairment provisions related to investments in associates, subsidiaries and joint ventures	-
Investments in associates	-
Subsidiaries	-
Joint ventures	-
Other	2,967
Total	175,413

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

6. Impairment on loans and other receivables (Continued):

ii. Provision for impairment of loans and other receivables:

	Prior Period
Specific Provisions on Loans and Other Receivables	10,130
Loans and Receivables in Group III	51
Loans and Receivables in Group IV	1,322
Loans and Receivables in Group V	8,757
General Provision Expenses	67,358
Provision for Possible Risks	-
Impairment Losses on Securities:	13,329
Financial assets at fair value through profit or loss	-
Financial assets Available-for-Sale	13,329
Other Impairment Losses:	606
Associates	-
Subsidiaries	-
Joint Ventures	-
Investment Securities Held-to-Maturity	606
Other ⁽¹⁾	2,594
Total	94,017

⁽¹⁾ Consists of provision for lawsuits filed against the Group and other provision expense.

7. Information on other operational expenses:

	Current Period
Personnel Expenses ⁽²⁾	180,011
Reserve for Employee Termination Benefits	589
Reserve for Bank's Social Aid Fund Deficit	-
Impairment Expenses of Tangible Assets	-
Depreciation Expenses of Tangible Assets	7,118
Impairment Expenses of Intangible Assets	-
Impairment Expenses of Goodwill	-
Amortization Expenses of Intangible Assets	2,549
Impairment Expenses of Investments in Associates	-
Impairment Expenses of Assets Held for resale	-
Depreciation Expenses of Assets Held for resale	336
Impairment Expenses of Assets Held for Sale and Discontinued Operations	-
Other Operating Expenses	70,999
Operational Leasing expenses	28,185
Repair and Maintenance expenses	9,424
Advertising Expenses	850
Other Expenses	32,540
Loss on Sale of Assets	-
Other ⁽¹⁾	54,949
Total	316,551

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

(2) "Personnel Expenses", which are not included in "Other Operating Expenses" in the statement of profit or loss, are included in this table.

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

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

IV. Explanation and Footnotes on Consolidated Profit or Loss Statement (Continued)**7. Information on other operational expenses (continued):**

	Prior Period
Personnel Expenses	130,072
Reserve for Employee Termination Benefits	2,609
Reserve for Bank's Social Aid Fund Deficit	-
Impairment Expenses of Tangible Assets	-
Depreciation Expenses of Tangible Assets	5,646
Impairment Expenses of Intangible Assets	-
Impairment Expenses of Goodwill	-
Amortization Expenses of Intangible Assets	1,254
Impairment Expenses of Investments in Associates	-
Impairment Expenses of Assets Held for resale	-
Depreciation Expenses of Assets Held for resale	1,253
Impairment Expenses of Assets Held for Sale and Discontinued Operations	-
Other Operating Expenses	61,346
Operational Leasing Expenses	25,586
Repair and Maintenance Expenses	7,409
Advertising Expenses	233
Other Expenses	28,118
Loss on Sale of Assets	1
Other ⁽¹⁾	27,090
Total	229,271

⁽¹⁾ Other line mainly includes taxes paid other than corporate income tax, customs and duties paid and SDIF premium expense.**8. Explanations on profit / loss before tax of continued and discontinued operations:**

Profit before taxes for continued operations is TL 122,913 (31 December 2017: TL 81,586 profit before tax). Profit before taxes consists of net interest income amounting to TL 475,571 (31 December 2017: TL 367,717), net fees and commission income amounting to TL 96,576 (31 December 2017: TL 76,055) and other operating expenses amounting to TL 316,551 (31 December 2017: TL 229,271).

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

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

Current tax expenses belonging to period ending on 31 December 2018 is TL 32,110 (2017: TL 39,898).

There is a deferred tax expense on 31 December 2018 amounting to TL 7,619 (2017: None) and there is deferred tax income on 31 December 2018 amounting to TL 365 (2017: TL 6,595).

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

For the period ended 31 December 2018, the deferred tax expense arising from the origination of temporary differences amounts TL 7,619 (2017: TL 6,595 deferred tax income) and there is deferred tax income on 31 December 2018 amounting to TL 365 (2017: None).

Additionally, for the period ended 31 December 2018, the current tax effect amounting to TL 12,982 and deferred tax effect amounting to TL 7,662, on an aggregate TL 20,644 tax effect (2017: TL 1,248 current and TL (5,230) is deferred tax effect total TL (3,982)) which are related to transactions recognized under equity is accounted under equity accounts).

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

For the period ended 31 December 2018, the deferred tax expense amounting to TL 7,619 (2017: None) and deferred tax income amounting to TL 365 (2017: 6,595 deferred tax income) arising from the origination of temporary differences. There is no deferred tax income from financial loss in period ending on 31 December 2018 (2017: None).

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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

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

Net profit from continued operations is TL 83,549 (31 December 2017: TL 48,283 net profit).

11. Explanations on net profit and loss:

- a) If it is required that the nature of the income and expense items arising from ordinary banking transactions, size and repetition rate for the understanding of the Parent Bank's performance over the period, the nature and amount of these items: None.
- b) The profit / loss effect of a change in the estimate made in relation to the financial statement items, if any, is likely to affect subsequent periods: None.

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

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

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

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

V. Information and footnotes related to consolidated statement of changes in shareholders' equity**1. Information on financial assets at fair value through other comprehensive income:**

The decrease amounting to TL 83,246 (December 31, 2017 - TL 14,976 increase) resulting from the remeasurement of the Bank's available-for-sale investments is recognized in the statement of changes in equity accumulated gains/(losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income as period movement.

Information on cash flow hedge: None.

2. Differences arising on revaluation of tangible fixed assets:

Surplus amounting to TL 1,622 (31 December 2017: TL 1,503) that occurs after purged tax effect arise from revaluation of buildings fair value included tangible fixed assets of the Parent Bank is represented as period transaction of "Tangible / Intangible Assets Revaluation Reserves" on statement of changes in equity.

3. Information on the foreign exchange differences: None.**4. Information on profit shares noticed after balance sheet date but previous to announcement of financial statements:**

As at the report date, there is no decision for the profit distribution of current year profit of the Parent Bank.

Net profit per share for the period that has been suggested to be distributed to shareholders after balance sheet date:

As at the report date, there is no decision for the profit distribution of current year profit of the Parent Bank.

Amounts transferred to the reserves:

	2018	2017
Amount transferred to legal reserves from non-distributed profits	1,958	-
Extraordinary Reserves from Unallocated Profit and Other		
Amount transferred to profit reserves	37,210	-

5. Information on issue of shares:

None.

6. Information on other share capital increase accounts in statements of changes in equity: None.**7. Other explanations:**

The Group has presented actuarial difference amounting to TL (558) (2017 - TL 370) arising from the changes in actuarial assumptions of the employee severance pay liability, Total Comprehensive Income section.

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

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

VI. Explanation and footnotes on consolidated cash flow statement**1. Information on cash and cash equivalents:**

The components of cash and cash equivalents and the accounting policies used in the determination of these components:

Cash in vault, foreign currencies, cash in transit, cheques purchased, demand deposits in banks including demand deposit balances with the Central Bank of Turkey are described as "Cash"; interbank money market placements, time deposits in banks which have original maturities shorter than three months and reverse repo receivables are described as "Cash Equivalents". The reserve requirement amounts within the Central Bank are not considered as "cash equivalent assets" in the statement of cash flows.

a) Cash and cash equivalents at the beginning of the period:

	31 December 2018	31 December 2017
Cash	1,493,478	511,908
Cash in Vault, Foreign Currencies and Other	36,626	63,903
Demand Deposits at Banks	1,456,852	448,005
Cash Equivalents	474,891	210,017
Interbank Money Market	9,600	4,763
Time Deposits at Banks	465,291	205,254
Investment Securities	-	-
Total Cash and Cash Equivalents	1,968,369	721,925

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

	31 December 2018	31 December 2017
Cash	1,846,590	1,493,478
Cash in Vault, Foreign Currencies and Other	48,969	36,626
Demand Deposits at Banks	1,797,621	1,456,852
Cash Equivalents	2,007,641	474,891
Interbank Money Market	349,216	9,600
Time Deposits at Banks	1,658,425	465,291
Investment Securities	-	-
Total Cash and Cash Equivalents	3,854,231	1,968,369

2. Information on cash and cash equivalent assets of the Group that are not available for free use due to legal restrictions or other reasons:

As mentioned in the first item above, the reserve requirement amounts held under blockage within the Central Bank is not considered as cash equivalent assets in the statement of cash flows.

3. Disclosures for "other" items in the statement of cash flows and effect of changes in foreign currency exchange rates on cash and cash equivalents:

As at 31 December 2018, "Other" item amounting to TL 374,297 (31 December 2017: TL 83,506) presented under "Operating Profit Before Changes in Operating Assets and Liabilities" comprises other operating expenses except personnel expenses, other taxes paid, fees and commissions paid.

As at 31 December 2018 "Net Decrease in Other Liabilities" item amounting to TL 48,904 (31 December 2017: TL 319,789) presented under "Changes in Operating Assets and Liabilities" is comprised of changes in miscellaneous payables, other external resources and tax liabilities. As at 31 December 2018, "Net Increase/decrease in Other Assets" amounting to TL 42,825 (31 December 2017: TL 49,522) is comprised of miscellaneous receivables and other assets.

The cash outflow of TL (428,763) (31 December 2017: TL 2,726) presented in the "net cash flows from investments" as of 31 December 2018 results from the differences arises from cash outflows and actuarial differences of financial assets from fair value other comprehensive income.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

VI. Explanation and footnotes on consolidated cash flow statement (Continued)

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 (continued):

The effect of the change of foreign exchange rates on the cash and cash equivalents is TL 70,377 for the year 2018 (2017: TL 26,812).

VII. Explanations on the Parent Bank's Risk Group

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

a) 31 December 2018:

Parent Bank's Risk Group ⁽¹⁾	Associates, Subsidiaries and Joint Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	-	-	548,329	168,694	88	-
Balance at the End of the Period	1	2	-	259,363	25	-
Interest and Commission Income Received	-	-	2,597	-	-	-

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

The Parent Bank has TL 19,259 placements at its risk group banks as at 31 December 2018 (31 December 2017: TL 5,951). Also the Parent Bank has TL 93 irrevocable commitment at its risk group as at 31 December 2018 (31 December 2017: TL 122).

b) 31 December 2017:

Parent Bank's Risk Group ⁽¹⁾	Associates, Subsidiaries and Joint Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	-	-	1,079,137	117,068	55	-
Balance at the End of the Period	-	-	548,329	168,694	88	-
Interest and Commission Income Received	-	-	35,028	-	-	-

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

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

Current Period Parent Bank's Risk Group ⁽¹⁾	Associates, Subsidiaries and Joint Ventures	Bank's Direct and Indirect Shareholders	Other Components in Risk Group
Balance at the beginning of the Period	-	70,367	519
Balance at the End of the Period	-	31,221	992
Interest on Deposits	-	-	33

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

Prior Period Parent Bank's Risk Group ⁽¹⁾	Associates, Subsidiaries and Joint Ventures	Bank's Direct and Indirect Shareholders	Other Components in Risk Group
Balance at the beginning of the Period	-	450,896	1,321
Balance at the End of the Period	-	70,367	519
Interest on Deposits	-	-	37

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

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

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

VII. Explanations on the Parent Bank's Risk Group (Continued)**1. Information on the volume of transactions with the Parent Bank's risk group, lending and deposits outstanding at period end and income and expenses in the current period (continued):**

The Parent Bank has borrowed loans from the Parent Bank's Risk Group amounting TL 3,815,471 as at 31 December 2018 (31 December 2017: TL 4,461,325). The Parent Bank has borrowed subordinated loan from the Parent Bank's Risk Group amounting TL 1,578,084 (31 December 2017: None).

d) Information on forward transactions and option agreements and similar other agreements related with the Parent Bank's risk group as at 31 December 2018: None (31 December 2017: None).

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

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

In the Group's transactions with its risk group, pricing policy and other matters are determined and applied at market conditions. As at 31 December 2018, proportion of cash loans to risk group in total cash loans is 0.0004% (31 December 2017: 7.1%) and proportion of deposits from its risk group in total deposits is 0.4% (31 December 2017: 2.1%). Proportion of borrowings from its risk group in total funds borrowed is 93.5% (31 December 2017: 63.8%). Proportion of subordinated loans from its risk group in total subordinated loans is 100% (31 December 2017: none).

As a result of other activities in the risk group of the Bank, other commission income with amount of TL 28 (31 December 2017 – TL 31), other operating income with amount of TL 2,768 (31 December 2017 – TL 1,910), other commission expenses with amount of TL 17 (31 December 2017 – TL 12) and other operating expenses with amount of TL 102 (31 December 2017 - None) are recognized in the records.

In the current period, benefits provided to the Group's key management amount to TL 19,709 (2017: TL 14,698)

VIII. Information on domestic, foreign, off-shore branches and foreign representative offices of Parent Bank

	Number of Branches	Number of Employees			
Domestic Branches	44	786			
			Country		
Foreign Representative Offices	-	-	-		
				Total Assets	Legal Capital
Foreign Branches	-	-	-	-	-
Off-Shore Branches	-	-	-	-	-

IX. Explanations and footnotes on subsequent events

None.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

SECTION SIX

Explanations on the Independent Auditors’ Report

I. Explanations on the independent auditors’ report

The consolidated financial statements of the Parent Bank and its subsidiary as at and for the year ended 31 December 2018 have been audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (the Turkish member of KPMG International Cooperative, a Swiss entity) and the Independent Auditors’ Report dated 21 February 2019 is presented in the introduction of this report.

II. Information and footnotes prepared by the independent auditors

None.