

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

ICBC Turkey Bank Anonim Şirketi

**Consolidated Interim Financial Statements
As at and For Six-Month Period Ended
30 June 2018**

With Auditors' Review Report Thereon

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

9 August 2018

*This report includes "Auditors' Review Report"
comprising 2 pages and; "Consolidated Financial
Statements and Related Disclosures and Footnotes"
comprising 103 pages.*



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

REVIEW REPORT ON INTERIM CONSOLIDATED FINANCIAL INFORMATION

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

Introduction

We have reviewed the consolidated balance sheet of ICBC Turkey Bank A.Ş. (the "Bank") and its consolidated subsidiary (together the "Group") as at 30 June 2018 and the related 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 and a summary of significant accounting policies and other explanatory notes to the consolidated financial statements for the six-month period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial information in accordance with the "Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation" which includes the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and the requirements of Turkish Accounting Standard 34 "Interim Financial Reporting" principles for those matters not regulated by the aforementioned legislations. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, "Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit performed in accordance with the Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial information does not present fairly the financial position of the Group as at 30 June 2018 and of the results of its operations and its cash flows for the six-month period then ended in all aspects in accordance with the BRSA Accounting and Financial Reporting Legislation.

Report on other legal and regulatory requirements

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

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



Orhan Akova, SMMM
Partner

9 August 2018
Istanbul, Turkey

Additional paragraph for convenience translation to English:

The accounting principles summarized in Note 1 to Section 3, may 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 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 financial statements and IFRS.



ICBC TURKEY BANK A. Ş.
SIX-MONTH CONSOLIDATED FINANCIAL REPORT AS AT 30 JUNE 2018

Address of the Bank's



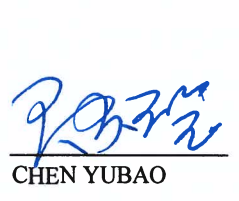
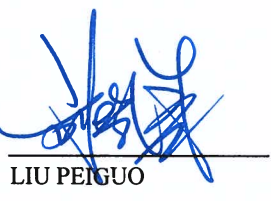
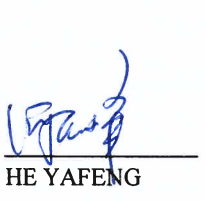
Headquarters : Maslak Mah. Dereboyu/2 Caddesi No:13 34398 Sarıyer - İstanbul
Telephone Number : (0212) 335 53 35
Fax Number : (0212) 328 13 28
Website of the Bank : www.icbc.com.tr
E-mail : info@icbc.com.tr

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

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

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

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

| | | | | |
|--|---|--|--|---|
|  |  |  |  |  |
| GAO XIANGYANG | WANG YING | CHEN YUBAO | LIU PEIGUO | HE YAFENG |
| Chairman of Board of Directors | Member of Board of Directors and Audit Committee | General Manager (On Behalf Of), Member of Board of Directors, Deputy General Manager Responsible for Financial Control Group | Chairman of Audit Committee, Member Of Board of Directors | Unit Manager |

Contact information for questions on this financial report:

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



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ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 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 30 June 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 INTERIM PERIOD ENDED 30 JUNE 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 : | Gao Xiangyang ⁽¹⁾ | Chairman of the Board of Directors | Graduate |
| Member of the Board of Directors and Audit Committee: | Wang Ying | Independent Member of the Board of Directors and Audit Committee | Graduate |
| Member of the Board of Directors: | Chen Yubao ⁽²⁾ | General Manager (On Behalf of) and Member of the Board of Directors | Graduate |
| | Jinhong Li ⁽⁴⁾ | Deputy General Manager and Member of the Board of Directors | Graduate |
| | Zheng Jianfeng | Member of the Board of Directors | Graduate |
| | Liu Peiguo ⁽³⁾ | Chairman of the Audit Committee and Member of the Board of Directors | Graduate |
| | Mehmet Hilmi Güler | Independent Member of Board Of Directors | Graduate |
| Deputy General Managers: | Chen Yubao ⁽²⁾ | Financial Control Group | Graduate |
| | Jinhong Li ⁽⁴⁾ | Operations and Legal Consultancy Group | Graduate |
| Assistant General Managers: | Hüseyin H. İmece | Treasury and Investors Relations Group | Under-Graduate |
| | Başbuğ Y. Samancıoğlu | Corporate and Commercial Banking 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 Xu Keen has resigned from the membership of the board on 24 July 2018. At the same date, Xiangyang Gao has been assigned as a Chairman of the Board of Directors.

⁽²⁾ Due to the appointment of Mr. Xiangyang GAO, who has been General Manager and member of Board of Directors, as the Chairman of Board of Directors, Mr. Yubao Chen has been appointed as Deputy General Manager until the appointment of the new general manager.

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

⁽⁴⁾ Jinhong Li has been appointed as the Deputy General Manager, Assistant General Manager Responsible for Operations and Legal Consultancy Group on 25 July 2018.

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 Sampo 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 30 June 2018, the Parent Bank has 44 branches close to industrial zones of Turkey. The Parent Bank has 811 employees as at 30 June 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. have been consolidated. As at 30 June 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 INTERIM PERIOD ENDED 30 JUNE 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. (Formerly named as Tekstil Bankası A.Ş.) |
| Reporting Period | : 1 January – 30 June 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

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS AT 30 JUNE 2018

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

| ASSETS | Footnotes (Section 5) | THOUSANDS OF TURKISH LIRA | | |
|--|--------------------------|---|------------------|-------------------|
| | | Reviewed CURRENT PERIOD ⁽¹⁾ 30/06/2018 | | |
| | | TL | FC | Total |
| I. FINANCIAL ASSETS (Net) | | 1,851,902 | 4,058,971 | 5,910,873 |
| 1.1.Cash and cash equivalents | | 520,877 | 2,316,025 | 2,836,902 |
| 1.1.1.Cash and balances at Central Bank | (5.I.1) | 291,671 | 1,291,134 | 1,582,805 |
| 1.1.2.Banks | (5.I.3) | 1,321 | 1,024,891 | 1,026,212 |
| 1.1.3.Receivables from Money Markets | | 227,885 | - | 227,885 |
| 1.2.Financial assets at fair value through profit or loss | | 16,203 | - | 16,203 |
| 1.2.1.Public debt securities | | - | - | - |
| 1.2.2.Equity instruments | | 25 | - | 25 |
| 1.2.3.Other financial assets | | 16,178 | - | 16,178 |
| 1.3.Financial assets at fair value through other comprehensive income | (5.I.4) | 923,577 | 1,345,182 | 2,268,759 |
| 1.3.1.Public debt securities | | 923,577 | 455,503 | 1,379,080 |
| 1.3.2.Equity instruments | | - | 5,501 | 5,501 |
| 1.3.3.Other financial assets | | - | 884,178 | 884,178 |
| 1.4.Financial assets measured at amortised cost | (5.I.6) | 373,295 | 391,121 | 764,416 |
| 1.4.1.Public debt securities | | 373,295 | 119,527 | 492,822 |
| 1.4.2.Other financial assets | | - | 271,594 | 271,594 |
| 1.5.Derivative financial assets | (5.I.2) | 19,358 | 10,222 | 29,580 |
| 1.5.1.Derivative financial assets at fair value through profit or loss | | - | - | - |
| 1.5.2.Derivative financial assets at fair value through other comprehensive income | | 19,358 | 10,222 | 29,580 |
| 1.6.Non-performing financial assets (Filled only by banks that apply "IFRS 9 Impairment Model") | | 160 | - | 160 |
| 1.7. Expected Loss Provision (-) | | 1,568 | 3,579 | 5,147 |
| II. LOANS (Net) | (5.I.5) | 3,835,424 | 4,661,371 | 8,496,795 |
| 2.1.Loans | | 3,833,222 | 4,675,888 | 8,509,110 |
| 2.1.1.Loans measured at amortised cost | | 3,833,222 | 4,675,888 | 8,509,110 |
| 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 | | - | - | - |
| 2.2.1.Finance lease receivables | | - | - | - |
| 2.2.2.Operational lease receivables | | - | - | - |
| 2.2.3.Unearned income (-) | | - | - | - |
| 2.3.Factoring receivables | | - | - | - |
| 2.3.1.Factoring receivables measured at amortised 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 | | 95,892 | - | 95,892 |
| 2.5. Allowance for expected credit losses (-) | | 93,690 | 14,517 | 108,207 |
| 2.5.1.12-Month expected credit losses (Stage 1) | | 7,776 | 11,407 | 19,183 |
| 2.5.2.Significant increase in credit risk (Stage 2) | | 1,655 | 3,110 | 4,765 |
| 2.5.3.Credit Impaired (Stage 3/ Specific Provisions) | | 84,259 | - | 84,259 |
| III. NON-CURRENTS ASSETS OR DISPOSAL GROUPS "HELD FOR SALE" AND "FROM DISCONTINUED OPERATIONS (Net) | (5.I.14) | - | - | - |
| 3.1.Held for sale | | - | - | - |
| 3.2.Held from discontinued operations | | - | - | - |
| IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES | (5.I.8) | - | - | - |
| 4.1.Investments in associates (Net) | | - | - | - |
| 4.1.1.Associates accounted by using equity method | | - | - | - |
| 4.1.2.Non-consolidated associates | | - | - | - |
| 4.2.Investments in subsidiaries (Net) | | - | - | - |
| 4.2.1.Non-consolidated financial subsidiaries | | - | - | - |
| 4.2.2.Non-consolidated non-financial subsidiaries | | - | - | - |
| 4.3.Jointly Controlled Partnerships (Joint Ventures) (Net) | | - | - | - |
| 4.3.1.Jointly controlled partnerships accounted by using equity method | | - | - | - |
| 4.3.2.Non-consolidated jointly controlled partnerships | | - | - | - |
| V. TANGIBLE ASSETS (Net) | | 35,551 | - | 35,551 |
| VI. INTANGIBLE ASSETS AND GOODWILL (Net) | | 5,220 | - | 5,220 |
| 6.1.Goodwill | | - | - | - |
| 6.2.Other | | 5,220 | - | 5,220 |
| VII. INVESTMENT PROPERTIES (Net) | (5.I.12) | - | - | - |
| VIII. CURRENT TAX ASSETS | | 4 | - | 4 |
| IX. DEFERRED TAX ASSETS | (5.I.13) | 19,354 | - | 19,354 |
| X. OTHER ASSETS | (5.I.15) | 88,290 | 15,780 | 104,070 |
| TOTAL ASSETS | | 5,835,745 | 8,736,122 | 14,571,867 |

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

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

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

AS AT 30 JUNE 2018

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

| ASSETS | | Footnotes (Section 5) | THOUSANDS OF TURKISH LIRA | | |
|---------------|---|--------------------------|---|------------------|-------------------|
| | | | Audited | | |
| | | | PRIOR PERIOD ⁽¹⁾ 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 | Public Sector Debt Securities | | - | - | - |
| 2.1.2 | Share Certificates | | 28 | - | 28 |
| 2.1.3 | Positive Value of Trading Derivatives | | - | 691 | 691 |
| 2.1.4 | Other Securities | | 30,521 | - | 30,521 |
| 2.2 | Financial Assets Designated at Fair Value | | - | - | - |
| 2.2.1 | Public Sector Debt Securities | | - | - | - |
| 2.2.2 | Share Certificates | | - | - | - |
| 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. | INVESTMENT SECURITIES AVAILABLE FOR SALE (Net) | (5.1.4) | 907,478 | 1,081,532 | 1,989,010 |
| 5.1 | Share Certificates | | 160 | 3,947 | 4,107 |
| 5.2 | Public Sector Debt Securities | | 907,318 | 369,973 | 1,277,291 |
| 5.3 | Other Securities | | - | 707,612 | 707,612 |
| VI. | LOANS | (5.1.5) | 3,731,017 | 3,949,804 | 7,680,821 |
| 6.1 | Loans | | 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 | Public Sector 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. | INVESTMENT SECURITIES HELD TO MATURITY (Net) | (5.1.6) | 205,029 | 288,384 | 493,413 |
| 8.1 | Public Sector 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) | | 36,765 | - | 36,765 |
| XV. | INTANGIBLE ASSETS (Net) | | 5,194 | - | 5,194 |
| 15.1 | Goodwill | | - | - | - |
| 15.2 | Others | | 5,194 | - | 5,194 |
| XVI. | INVESTMENT PROPERTY (Net) | (5.1.12) | - | - | - |
| XVII. | TAX ASSETS | (5.1.13) | 10,619 | - | 10,619 |
| 17.1 | Current Tax Assets | | - | - | - |
| 17.2 | Deferred Tax Assets | | 10,619 | - | 10,619 |
| XVIII. | ASSETS HELD FOR SALE AND ASSETS RELATED TO DISCONTINUED OPERATIONS (Net) | (5.1.14) | - | - | - |
| 18.1 | Held For Sale | | - | - | - |
| 18.2 | Discontinued Operations | | - | - | - |
| XIX. | OTHER ASSETS | (5.1.15) | 77,360 | 26,100 | 103,460 |
| | TOTAL ASSETS | | 5,117,286 | 8,198,274 | 13,315,560 |

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

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

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

AS AT 30 JUNE 2018

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

| EQUITY AND LIABILITIES | Footnotes (Section 5) | THOUSANDS OF TURKISH LIRA | | |
|--|--------------------------|---|------------------|-------------------|
| | | Reviewed CURRENT PERIOD ⁽¹⁾ 30/06/2018 | | |
| | | TL | FC | Total |
| I. DEPOSITS | (5.II.1) | 1,930,124 | 3,704,541 | 5,634,665 |
| II. LOANS RECEIVED | (5.II.3) | 1,523,987 | 4,341,238 | 5,865,225 |
| III. MONEY MARKET FUNDS | | 574,932 | 488,117 | 1,063,049 |
| 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) | 16 | 132 | 148 |
| 7.1.Derivative financial liabilities at fair value through profit or loss | | 16 | 132 | 148 |
| 7.2.Derivative financial liabilities at fair value through other comprehensive income | | - | - | - |
| VIII. FACTORING PAYABLES | | - | - | - |
| IX. LEASE PAYABLES | (5.II.5) | - | - | - |
| 9.1.Finance lease payables | | - | - | - |
| 9.2.Operating lease payables | | - | - | - |
| 9.3.Other | | - | - | - |
| 9.4.Deferred finance lease expenses (-) | | - | - | - |
| X. PROVISIONS | (5.II.7) | 44,435 | 2,419 | 46,854 |
| 10.1.Provision for restructuring | | - | - | - |
| 10.2.Reserves for employee benefits | | 15,844 | - | 15,844 |
| 10.3.Insurance technical reserves (Net) | | - | - | - |
| 10.4.Other provisions | | 28,591 | 2,419 | 31,010 |
| XI. CURRENT TAX LIABILITIES | (5.II.8) | 20,644 | - | 20,644 |
| XII. DEFERRED TAX LIABILITIES | | - | - | - |
| XIII. LIABILITIES RELATED TO NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net) | (5.II.9) | - | - | - |
| 13.1.Held for sale | | - | - | - |
| 13.2.Related to discontinued operations | | - | - | - |
| XIV.SUBORDINATED DEBT | | - | - | - |
| 14.1.Loans | | - | - | - |
| 14.2.Other debt instruments | | - | - | - |
| XV. OTHER LIABILITIES | (5.II.4) | 108,834 | 664,887 | 773,721 |
| XVI. SHAREHOLDERS' EQUITY | (5.II.11) | 1,210,800 | (43,239) | 1,167,561 |
| 16.1.Paid-in capital | | 860,000 | - | 860,000 |
| 16.2.Capital reserves | | (430) | - | (430) |
| 16.2.1.Equity share premiums | | (587) | - | (587) |
| 16.2.2.Share cancellation profits | | - | - | - |
| 16.2.3.Other capital reserves | | 157 | - | 157 |
| 16.3.Other accumulated comprehensive income that will not be reclassified in profit or loss | | (16,457) | (43,239) | (59,696) |
| 16.4.Other accumulated comprehensive income that will be reclassified in profit or loss | | - | - | - |
| 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 | | 121,007 | - | 121,007 |
| 16.6.1.Prior years' profits or losses | | 47,268 | - | 47,268 |
| 16.6.2.Current period net profit or loss | | 73,739 | - | 73,739 |
| TOTAL EQUITY AND LIABILITIES | | 5,413,772 | 9,158,095 | 14,571,867 |

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

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

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

AS AT 30 JUNE 2018

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

| LIABILITIES AND EQUITY | | Footnotes (Section 5) | THOUSANDS OF TURKISH LIRA | | |
|---|--|--------------------------|----------------------------|------------------|-------------------|
| | | | Audited ⁽¹⁾ | | |
| | | | 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 Others | | | 1,431,006 | 1,843,209 | 3,274,215 |
| II. NEGATIVE VALUE OF TRADING DERIVATIVES | | (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 Interbank Money Market | | | 637,677 | - | 637,677 |
| 4.2 Istanbul Stock Exchange | | | - | - | - |
| 4.3 Obligations 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 Others | | | - | - | - |
| VII. MISCELLANEOUS PAYABLES | | | 30,088 | 390,640 | 420,728 |
| VIII. OTHER EXTERNAL RESOURCES | | (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 Others | | | - | - | - |
| 10.4 Deferred Financial Leasing Expenses (-) | | | - | - | - |
| XI. HEDGING PURPOSE DERIVATIVES | | (5.II.6) | - | - | - |
| 11.1 Fair Value Hedge | | | - | - | - |
| 11.2 Cash Flow Hedge | | | - | - | - |
| 11.3 Hedging of a Net Investment in Foreign Subsidiaries | | | - | - | - |
| 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 LIABILITIES | | (5.II.8) | 29,490 | - | 29,490 |
| 13.1 Current Tax Liability | | | 29,490 | - | 29,490 |
| 13.2 Deferred Tax Liability | | | - | - | - |
| XIV. PAYABLES RELATED TO HELD FOR SALE AND DISCONTINUED OPERATIONS (Net) | | (5.II.9) | - | - | - |
| 14.1 Held For Sale | | | - | - | - |
| 14.2 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 Supplementary Capital | | | 3,478 | 2,167 | 5,645 |
| 16.2.1 Share Premium | | | (587) | - | (587) |
| 16.2.2 Share Cancellation Profits | | | - | - | - |
| 16.2.3 Valuation Differences of Securities | | | (7,763) | 2,167 | (5,596) |
| 16.2.4 Revaluation Fund on Tangible Assets | | | 11,646 | - | 11,646 |
| 16.2.5 Revaluation Fund on Intangible Assets | | | - | - | - |
| 16.2.6 Revaluation Fund on Investment Property | | | - | - | - |
| 16.2.7 Capital Bonus of Associates, Subsidiaries and Joint Ventures | | | - | - | - |
| 16.2.8 Hedging Funds (Effective Portion) | | | - | - | - |
| 16.2.9 Revaluation Fund on Assets Held for Sale and Discontinued Operations | | | - | - | - |
| 16.2.10 Other Supplementary Capital | | | 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 |
| TOTAL LIABILITIES AND EQUITY | | | 4,059,747 | 9,255,813 | 13,315,560 |

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

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

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS AS AT 30 JUNE 2018

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

| | Footnotes (Section Five) | THOUSANDS OF TURKISH LIRA | | |
|---|-----------------------------|---|-------------------|-------------------|
| | | Reviewed CURRENT PERIOD ⁽¹⁾ 30/06/2018 | | |
| | | TL | FC | TOTAL |
| A. OFF BALANCE SHEET COMMITMENTS | | 701,080 | 2,964,582 | 3,665,662 |
| I. GUARANTEES AND WARRANTIES | (5.IV.1) | 394,462 | 1,889,367 | 2,283,829 |
| 1.1.Letters of guarantee | | 394,462 | 1,516,942 | 1,911,404 |
| 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 | | 394,462 | 1,516,942 | 1,911,404 |
| 1.2.Bank acceptances | | - | - | - |
| 1.2.1.Import letter of acceptance | | - | - | - |
| 1.2.2.Other bank acceptances | | - | - | - |
| 1.3.Letters of credit | | - | 273,032 | 273,032 |
| 1.3.1.Documentary letters of credit | | - | 120,061 | 120,061 |
| 1.3.2.Other letters of credit | | - | 152,971 | 152,971 |
| 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 | | - | 99,393 | 99,393 |
| 1.9.Other warranties | | - | - | - |
| II. COMMITMENTS | (5.IV.1) | 197,148 | 1,613 | 198,761 |
| 2.1.Irrevocable commitments | | 197,148 | 1,613 | 198,761 |
| 2.1.1.Asset purchase and sales commitments | | 1,602 | 1,613 | 3,215 |
| 2.1.2.Deposit purchase and sales commitments | | - | - | - |
| 2.1.3.Share capital commitment to associates and subsidiaries | | - | - | - |
| 2.1.4.Loan granting commitments | | 30,679 | - | 30,679 |
| 2.1.5.Securities issue brokerage commitments | | - | - | - |
| 2.1.6.Commitments for reserve requirements | | - | - | - |
| 2.1.7.Commitments for checks payments | | 82,363 | - | 82,363 |
| 2.1.8.Tax and fund liabilities from export commitments | | 3 | - | 3 |
| 2.1.9.Commitments for credit card expenditure limits | | 70,061 | - | 70,061 |
| 2.1.10.Commitments for credit cards and banking services promotions | | 190 | - | 190 |
| 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 | | 12,250 | - | 12,250 |
| 2.2.Revocable commitments | | - | - | - |
| 2.2.1.Revocable loan granting commitments | | - | - | - |
| 2.2.2.Other revocable commitments | | - | - | - |
| III. DERIVATIVE FINANCIAL INSTRUMENTS | | 109,470 | 1,073,602 | 1,183,072 |
| 3.1.Derivative financial instruments held for hedging | | - | - | - |
| 3.1.1.Fair value hedges | | - | - | - |
| 3.1.2.Cash flow hedges | | - | - | - |
| 3.1.3.Hedges for investments made in foreign countries | | - | - | - |
| 3.2.Trading transactions | | 109,470 | 1,073,602 | 1,183,072 |
| 3.2.1.Forward foreign currency purchase and sale transactions | | 3,721 | 9,276 | 12,997 |
| 3.2.1.1.Forward foreign currency purchase transactions | | 3,721 | 2,768 | 6,489 |
| 3.2.1.2.Forward foreign currency sale transactions | | - | 6,508 | 6,508 |
| 3.2.2.Currency and interest rate swaps | | 105,749 | 1,064,326 | 1,170,075 |
| 3.2.2.1.Currency swap purchase transactions | | - | 595,115 | 595,115 |
| 3.2.2.2.Currency swap sale transactions | | 105,749 | 469,211 | 574,960 |
| 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 purchase options | | - | - | - |
| 3.2.3.2.Currency sale options | | - | - | - |
| 3.2.3.3.Interest rate purchase options | | - | - | - |
| 3.2.3.4.Interest rate sale options | | - | - | - |
| 3.2.3.5.Securities purchase options | | - | - | - |
| 3.2.3.6.Securities sale options | | - | - | - |
| 3.2.4.Currency futures | | - | - | - |
| 3.2.4.1.Currency purchase futures | | - | - | - |
| 3.2.4.2.Currency sale futures | | - | - | - |
| 3.2.5.Interest rate futures | | - | - | - |
| 3.2.5.1.Interest rate purchase futures | | - | - | - |
| 3.2.5.2.Interest rate sale futures | | - | - | - |
| 3.2.6.Other | | - | - | - |
| B. CUSTODY AND PLEDGED SECURITIES (IV+V+VI) | | 9,416,947 | 16,521,961 | 25,938,908 |
| IV. ITEMS HELD IN CUSTODY | | 5,104,618 | 1,511,623 | 6,616,241 |
| 4.1.Assets under management | | - | - | - |
| 4.2.Securities held in custody | | 1,402,220 | 13,896 | 1,416,116 |
| 4.3.Checks received for collection | | 71,085 | 5,643 | 76,728 |
| 4.4.Commercial notes received for collection | | 6,640 | 11,973 | 18,613 |
| 4.5.Other assets received for collection | | - | - | - |
| 4.6.Securities received for public offering | | - | - | - |
| 4.7.Other items under custody | | 3,619,364 | 1,473,306 | 5,092,670 |
| 4.8.Custodians | | 5,309 | 6,805 | 12,114 |
| V. PLEDGED ITEMS | | 4,312,329 | 15,010,338 | 19,322,667 |
| 5.1.Marketable securities | | 17,716 | 2 | 17,718 |
| 5.2.Guarantee notes | | 921 | 46 | 967 |
| 5.3.Commodity | | 99,719 | 262,548 | 362,267 |
| 5.4.Warrant | | - | - | - |
| 5.5.Immovables | | 3,001,364 | 10,285,878 | 13,287,242 |
| 5.6.Other pledged items | | 1,192,609 | 4,461,864 | 5,654,473 |
| 5.7.Depositories receiving pledged items | | - | - | - |
| VI. ACCEPTED GUARANTEES AND WARRANTIES | | - | - | - |
| TOTAL OFF BALANCE SHEET COMMITMENTS | | 10,118,027 | 19,486,543 | 29,604,570 |

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

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

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS AS AT 30 JUNE 2018

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

| | Footnotes (Section Five) | THOUSANDS OF TURKISH LIRA | | |
|---|--------------------------------|--|-------------------|-------------------|
| | | Audited PRIOR PERIOD ⁽¹⁾ 31/12/2017 | | |
| | | TL | FC | TOTAL |
| A. OFF BALANCE SHEET COMMITMENTS | | 1,622,911 | 3,057,170 | 4,680,081 |
| I. GUARANTEES AND WARRANTIES | | 520,682 | 1,268,501 | 1,789,183 |
| 1.1.Letters of guarantee | (5.IV.1) | 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.IV.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.Deposit purchase and sales commitments | | - | - | - |
| 2.1.3.Share capital commitment to associates and subsidiaries | | - | - | - |
| 2.1.4.Loan granting commitments | | 29,033 | - | 29,033 |
| 2.1.5.Securities issue brokerage commitments | | - | - | - |
| 2.1.6.Commitments for reserve requirements | | - | - | - |
| 2.1.7.Commitments for checks payments | | 73,028 | - | 73,028 |
| 2.1.8.Tax and fund liabilities from export commitments | | 5 | - | 5 |
| 2.1.9.Commitments for credit card expenditure limits | | 67,403 | - | 67,403 |
| 2.1.10.Commitments for credit cards and banking services promotions | | 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.Hedges for investments made in foreign countries | | - | - | - |
| 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 purchase options | | - | - | - |
| 3.2.3.2.Currency sale options | | - | - | - |
| 3.2.3.3.Interest rate purchase options | | - | - | - |
| 3.2.3.4.Interest rate sale options | | - | - | - |
| 3.2.3.5.Securities purchase options | | - | - | - |
| 3.2.3.6.Securities sale options | | - | - | - |
| 3.2.4.Currency futures | | - | - | - |
| 3.2.4.1.Currency purchase futures | | - | - | - |
| 3.2.4.2.Currency sale futures | | - | - | - |
| 3.2.5.Interest rate futures | | - | - | - |
| 3.2.5.1.Interest rate purchase futures | | - | - | - |
| 3.2.5.2.Interest rate sale futures | | - | - | - |
| 3.2.6.Other | | - | - | - |
| B. CUSTODY AND PLEDGED SECURITIES (IV+V+VI) | | 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.Assets under management | | - | - | - |
| 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 COMMITMENTS | | 10,803,287 | 14,378,420 | 25,181,707 |

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

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

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2018**

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

| INCOME STATEMENT | Footnotes (Section Five) | THOUSANDS OF TURKISH LIRA | |
|---|-----------------------------|---|--|
| | | Reviewed CURRENT PERIOD ⁽¹⁾ (01/01/2018- 30/06/2018) | Reviewed CURRENT PERIOD ⁽¹⁾ (01/04/2018 - 30/06/2018) |
| I. INTEREST INCOME | (5.III.1) | 506,353 | 275,628 |
| 1.1.Interest on loans | | 355,167 | 189,488 |
| 1.2.Interest received from reserve deposits | | 13,005 | 6,944 |
| 1.3.Interest received from banks | | 3,355 | 1,687 |
| 1.4.Interest received from money market transactions | | 5,565 | 3,840 |
| 1.5.Interest received from marketable securities portfolio | | 128,098 | 73,014 |
| 1.5.1.Financial assets at fair value through profit or loss | | - | - |
| 1.5.2. Financial assets at fair value through other comprehensive income | | 99,774 | 56,194 |
| 1.5.3.Financial assets measured at amortised cost | | 28,324 | 16,820 |
| 1.6.Finance lease income | | - | - |
| 1.7.Other interest income | | 1,163 | 655 |
| II. INTEREST EXPENSES (-) | (5.III.2) | 290,962 | 170,160 |
| 2.1.Interest on deposits | | 157,382 | 89,430 |
| 2.2.Interest on funds borrowed | | 109,573 | 66,186 |
| 2.3.Interest on money market transactions | | 23,883 | 14,459 |
| 2.4.Interest on securities issued | | - | - |
| 2.5.Other interest expenses | | 124 | 85 |
| III. NET INTEREST INCOME/EXPENSE (I - II) | | 215,391 | 105,468 |
| IV. NET FEES AND COMMISSIONS INCOME/EXPENSES | | 29,489 | 20,862 |
| 4.1.Fees and commissions received | | 32,627 | 22,339 |
| 4.1.1.Non-cash loans | | 5,210 | 3,064 |
| 4.1.2.Other | | 27,417 | 19,275 |
| 4.2.Fees and commissions paid (-) | | 3,138 | 1,477 |
| 4.2.1.Non-cash loans | | 58 | 18 |
| 4.2.2.Other | | 3,080 | 1,459 |
| V. PERSONNEL EXPENSES (-) | (5.III.6) | 74,471 | 38,789 |
| VI. DIVIDEND INCOME | | 1 | 1 |
| VII. TRADING PROFIT/LOSS (Net) | (5.III.3) | (25,272) | 7,056 |
| 7.1.Profit/losses from capital market transactions | | 4,847 | 1,728 |
| 7.2.Profit/losses from derivative financial transactions | | 86,541 | 65,404 |
| 7.3.Foreign exchange profit/losses | | (116,660) | (60,076) |
| VIII. OTHER OPERATING INCOME | (5.III.4) | 72,342 | 49,753 |
| IX. GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII+VIII) | | 217,480 | 144,351 |
| X. ALLOWANCES FOR EXPECTED CREDIT LOSSES (-) | (5.III.5) | 53,756 | 51,082 |
| XI. OTHER OPERATING EXPENSES (-) | (5.III.6) | 60,805 | 34,401 |
| XII. NET OPERATING PROFIT/LOSS (IX-X-XI) | | 102,919 | 58,868 |
| XIII. SURPLUS WRITTEN AS GAIN 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.III.7) | 102,919 | 58,868 |
| XVII. PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±) | (5.III.8) | (29,180) | (22,561) |
| 17.1.Current tax provision | | (19,863) | (17,596) |
| 17.2.Expense effect of deferred tax (+) | | (9,317) | (766) |
| 17.3.Income effect of deferred tax (-) | | - | (4,199) |
| XVIII. NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVI±XVII) | (5.III.9) | 73,739 | 36,307 |
| 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 FROM 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 from discontinued operations | | - | - |
| XXI. PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (±) (XIX-XX) | (5.III.7) | - | - |
| XXII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±) | (5.III.8) | - | - |
| 22.1.Current tax provision | | - | - |
| 22.2.Expense effect of deferred tax (+) | | - | - |
| 22.3.Income effect of deferred tax (-) | | - | - |
| XXIII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII) | | - | - |
| XXIV. NET PROFIT/LOSSES (XVIII+XXIII) | (5.III.9) | 73,739 | 36,307 |
| 24.1. Profit/Loss of Group | | 73,739 | 36,307 |
| 24.2.Profit or Loss of Minority Share (-) | | - | - |
| Profit/Loss of per share (Full TL) | | 0.0086 | 0.0042 |

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

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

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2018**

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

| INCOME AND EXPENSE ITEMS | | Footnotes (Section 5) | THOUSANDS OF TURKISH LIRA | |
|---------------------------------------|--|--------------------------|--|--|
| | | | Reviewed PRIOR PERIOD ⁽¹⁾ (01/01/2017 - 30/06/2017) | Reviewed PRIOR PERIOD ⁽¹⁾ (01/04/2017 - 30/06/2017) |
| I. | INTEREST INCOME | (5.III.1) | 344,285 | 177,187 |
| 1.1 | Interest from Loans | | 222,933 | 119,205 |
| 1.2 | Interest from Reserve Deposits | | 7,217 | 4,003 |
| 1.3 | Interest from Banks | | 1,729 | 1,405 |
| 1.4 | Interest from Money Market Transactions | | 1,545 | 104 |
| 1.5 | Interest from Securities Portfolio | | 110,543 | 52,314 |
| 1.5.1 | Trading Securities | | - | - |
| 1.5.2 | Financial Assets at Fair Value Through Profit or Loss | | - | - |
| 1.5.3 | Available for Sale Securities | | 94,915 | 46,274 |
| 1.5.4 | Held to Maturity Securities | | 15,628 | 6,040 |
| 1.6 | Interest from Financial Leases | | - | - |
| 1.7 | Other Interest Income | | 318 | 156 |
| II. | INTEREST EXPENSE | (5.III.2) | 162,799 | 84,202 |
| 2.1 | Interest on Deposits | | 90,716 | 41,436 |
| 2.2 | Interest on Funds Borrowed | | 47,447 | 26,102 |
| 2.3 | Interest on Money Market Transactions | | 24,584 | 16,643 |
| 2.4 | Interest on Securities Issued | | - | - |
| 2.5 | Other Interest Expense | | 52 | 21 |
| III. | NET INTEREST INCOME (I - II) | | 181,486 | 92,985 |
| IV. | NET FEE AND COMMISSION INCOME | | 28,230 | 7,344 |
| 4.1 | Fees and Commissions Received | | 30,685 | 8,528 |
| 4.1.1 | Non-Cash Loans | | 3,608 | 1,952 |
| 4.1.2 | Other | | 27,077 | 6,576 |
| 4.2 | Fees and Commissions Paid | | 2,455 | 1,184 |
| 4.2.1 | Non-Cash Loans | | 78 | 40 |
| 4.2.2 | Other | | 2,377 | 1,144 |
| V. | DIVIDEND INCOME | | 8 | 8 |
| VI. | TRADING INCOME/LOSS (Net) | (5.III.3) | (15,509) | (15,497) |
| 6.1 | Profit / Loss on Capital Market Transactions | | 4,027 | 2,190 |
| 6.2 | Derivative Instruments Gain / Loss | | (89,745) | (53,806) |
| 6.3 | Foreign Exchange Gain / Loss | | 70,209 | 36,119 |
| VII. | OTHER OPERATING INCOME | (5.III.4) | 10,045 | 4,205 |
| VIII. | TOTAL OPERATING INCOME (III+IV+V+VI+VII) | | 204,260 | 89,045 |
| IX. | IMPAIRMENT ON LOANS AND OTHER RECEIVABLES (-) | (5.III.5) | 29,175 | 14,765 |
| X. | OTHER OPERATING EXPENSES (-) | (5.III.6) | 108,779 | 55,326 |
| XI. | NET OPERATING PROFIT/LOSS (VIII-IX-X) | | 66,306 | 18,954 |
| 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.III.7) | 66,306 | 18,954 |
| XVI. | TAXES ON INCOME FROM CONTINUING OPERATIONS (±) | (5.III.8) | (18,591) | (5,261) |
| 16.1 | Current Tax Provision | | (23,645) | (10,720) |
| 16.2 | Deferred Tax Provision | | 5,054 | 5,459 |
| XVII. | NET PROFIT / LOSS FROM CONTINUING OPERATIONS (XV±XVI) | (5.III.9) | 47,715 | 13,693 |
| 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.III.7) | - | - |
| XXI. | TAXES ON INCOME FROM DISCONTINUED OPERATIONS (±) | (5.III.8) | - | - |
| 21.1 | Current Tax Provision | | - | - |
| 21.2 | Deferred Tax Provision | | - | - |
| XXII. | NET PROFIT / LOSS FROM DISCONTINUED OPERATIONS (XX±XXI) | (5.III.9) | - | - |
| XXIII. | NET PROFIT/LOSS (XVII+XXII) | (5.III.9) | 47,715 | 13,693 |
| 23.1 | Group's Profit / Loss | | 47,715 | 13,693 |
| 23.2 | Minority Shares (-) | | - | - |
| Earnings / Losses per Share (Full TL) | | | 0.0084 | 0.0003 |

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

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

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE INTERIM PERIOD ENDED 30 JUNE 2018**

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

| PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME TABLE | | THOUSANDS OF TURKISH LIRA | |
|---|---|---|---|
| | | Reviewed CURRENT PERIOD ⁽¹⁾ (01/01/2018- 30/06/2018) | Reviewed CURRENT PERIOD ⁽¹⁾ (01/04/2018- 30/06/2018) |
| I. | PROFIT (LOSS) | 73,739 | 36,307 |
| II. | OTHER COMPREHENSIVE INCOME | (65,773) | (47,137) |
| 2.1. | Other comprehensive income that will not be reclassified to profit or loss | (65,773) | (47,156) |
| 2.1.1. | Gains (Losses) on Revaluation of Property, Plant and Equipment | - | - |
| 2.1.2. | Gains (losses) on revaluation of Intangible Assets | - | - |
| 2.1.3. | Gains (losses) on remeasurements of defined benefit plans | - | - |
| 2.1.4. | Other Components of Other Comprehensive Income That Will Not Be Reclassified to Profit Or Loss | (82,216) | (58,984) |
| 2.1.5. | Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss | 16,443 | 11,828 |
| 2.2. | Other Comprehensive Income That Will Be Reclassified to Profit or Loss | - | 19 |
| 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 | - | 19 |
| 2.2.3. | Income (Loss) Related with Cash Flow Hedges | - | - |
| 2.2.4. | Income (Loss) Related with Hedges of Net Investments in Foreign Operations | - | - |
| 2.2.5. | Other Components of Other Comprehensive Income that will be Reclassified to Other Profit or Loss | - | - |
| 2.2.6. | Taxes Relating To Components Of Other Comprehensive Income That Will Be Reclassified To Profit Or Loss | - | - |
| III. | TOTAL COMPREHENSIVE INCOME (LOSS) (I+II) | 7,966 | (10,830) |

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

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ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE INTERIM PERIOD ENDED 30 JUNE 2018**

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

| INCOME/EXPENSE ITEMS RECOGNIZED IN EQUITY | | THOUSANDS OF TURKISH LIRA | |
|---|---|--|--|
| | | Reviewed PRIOR PERIOD ⁽¹⁾ (01/01/2017 - 30/06/2017) | Reviewed PRIOR PERIOD ⁽¹⁾ (01/04/2017 - 30/06/2017) |
| I. | ADDITIONS TO VALUATION DIFF. ON SECURITIES FROM AVAILABLE FOR SALE INVESTMENTS | 23,940 | 6,165 |
| II. | REVALUATION ON TANGIBLE ASSETS | - | - |
| 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 CORRECTION OF ERRORS | - | - |
| VIII. | OTHER PROFIT/LOSS ITEMS RECOGNIZED IN EQUITY PER TURKISH ACCOUNTING STANDARDS | - | - |
| IX. | DEFERRED AND CURRENT TAXES ON VALUATION DIFFERENCES | (4,788) | (1,233) |
| X. | NET PROFIT/LOSS RECOGNIZED IN EQUITY (I+II+...+IX) | 19,152 | 4,932 |
| XI. | CURRENT PERIOD PROFIT/LOSS | 47,715 | 13,693 |
| 11.1 | Net Change in Fair Value of Securities (Transfer to Profit & Loss) | (2) | 1,843 |
| 11.2 | Ineffective Portion of Profit/Loss Related to Derivatives Used in Cash Flow Hedges | - | - |
| 11.3 | Ineffective Portion of Profit/Loss Related to Derivatives Used in Hedge of a Net Investment in Foreign Subsidiaries | - | - |
| 11.4 | Others | 47,717 | 11,850 |
| XII. | TOTAL RECOGNIZED INCOME AND EXPENSE FOR THE PERIOD (X±XI) | 66,867 | 18,625 |

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

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ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE INTERIM PERIOD ENDED 30 JUNE 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 | | | | | | | | |
|---|--------------------|------------------|---|------------------------------|---|----------|-----------------|---|----------|----------|--------------------|--------------------------------------|---|--|----------------------|----------------------------------|
| | | | | | 1 | 2 | 3 | 4 | 5 | 6 | Profit Reserves | Prior Period Net Income (loss) | Current Period Net Income (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 | | | | | | | | | | | | |
| 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 TMS 8 | - | - | - | - | - | - | - | - | - | - | - | 2,797 | - | 2,797 | - | 2,797 |
| 2.1 Effect of Adjustment | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2.2 Effect of Changes in Accounting Policies | - | - | - | - | - | - | - | - | - | - | - | 2,797 | - | 2,797 | - | 2,797 |
| III. New Balance (I+II) | 860,000 | (587) | - | 182 | 11,646 | - | (5,596) | - | - | - | 201,682 | (519) | 48,283 | 1,115,091 | - | 1,115,091 |
| IV. Total Comprehensive Income | - | - | - | - | - | - | (65,746) | - | - | - | - | - | - | (65,746) | - | (65,746) |
| V. Capital Increase in 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,equity | - | - | - | (25) | - | - | - | - | - | - | - | (496) | 73,739 | 73,218 | - | 73,218 |
| XI. Profit Distribution | - | - | - | - | - | - | - | - | - | - | 44,998 | 48,283 | (48,283) | 44,998 | - | 44,998 |
| 11.1 Dividends distributed | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 11.2 Transfers legal reserves | - | - | - | - | - | - | - | - | - | - | 44,998 | - | - | 44,998 | - | 44,998 |
| 11.3 Others | - | - | - | - | - | - | - | - | - | - | - | 48,283 | (48,283) | - | - | - |
| Balances at end of the period (III+IV+.....+X+XI) (30/06/2018) | 860,000 | (587) | - | 157 | 11,646 | - | (71,342) | - | - | - | 246,680 | 47,268 | 73,739 | 1,167,561 | - | 1,167,561 |

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

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

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 INTERIM PERIOD ENDED 30 JUNE 2018**

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

| | | REVIEWED 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 (*) | | | | | | | | | | | | | | | | | | | |
| 30/06/2017 | | | | | | | | | | | | | | | | | | | |
| 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 | - | - | - | - | - | - | - | - | - | - | 19,152 | - | - | - | - | 19,152 | - | 19,152 |
| IV. | Hedging transactions (effective portion) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 4.1 | Cash flow hedge | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 4.2 | Hedging of a net investment in foreign subsidiaries | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| V. | Revaluation fund on tangible assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VI. | Revaluation fund on intangible assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VII. | Capital bonus of associates, subsidiaries and joint ventures | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VIII. | Foreign exchange differences | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| IX. | Changes related to sale of assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| X. | Changes related to reclassification of assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| XI. | Effect of changes in equities of associates | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| XII. | Capital increase | 440,000 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 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 | - | - | - | - | - | - | - | 210 | - | - | - | - | - | - | - | - | - | - |
| XVII. | Current period net profit / loss | - | - | - | - | - | - | - | - | 47,715 | - | - | - | - | - | - | 47,715 | - | 47,715 |
| XVIII. | Profit distribution | - | - | - | - | 268 | - | 5,108 | - | (18,749) | 13,170 | - | - | - | - | - | (203) | - | (203) |
| 18.1 | Dividends | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 18.2 | Transferred to reserves | - | - | - | - | 268 | - | 5,108 | - | (5,376) | - | - | - | - | - | - | - | - | - |
| 18.3 | Others | - | - | - | - | - | - | - | - | (13,373) | 13,170 | - | - | - | - | - | (203) | - | (203) |
| Balances at the end of period | | | | | | | | | | | | | | | | | | | |
| (I+II+III+...+XVI+XVII+XVIII) - 30/06/2017 | | 860,000 | - | (587) | - | 11,937 | - | 132,379 | 58,128 | 47,715 | (4,187) | (1,420) | 10,143 | - | - | - | 1,114,108 | - | 1,114,108 |

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

(1) 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 INTERIM PERIOD ENDED 30 JUNE 2018**

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

| | | THOUSANDS OF TURKISH LIRA |
|-------------|---|--|
| | | Reviewed CURRENT PERIOD ⁽¹⁾ (01/01/2018 - 30/06/2018) |
| A. | CASH FLOWS FROM BANKING OPERATIONS | |
| 1.1 | Operating Profit before Changes in Operating Assets and Liabilities | (229,749) |
| 1.1.1 | Interest Received | 379,777 |
| 1.1.2 | Interest Paid | (268,829) |
| 1.1.3 | Dividend Received | 1 |
| 1.1.4 | Fees And Commissions Received | 30,232 |
| 1.1.5 | Other Income | 42,491 |
| 1.1.6 | Collections from Non-performing Loans | 4,592 |
| 1.1.7 | Payments to Personnel and Service Suppliers | (74,353) |
| 1.1.8 | Taxes Paid | (50,995) |
| 1.1.9 | Other | (292,665) |
| 1.2 | Changes in Operating Assets and Liabilities | 864,809 |
| 1.2.1 | Net (Increase) Decrease in Financial Assets Designated at FV(fair value) | 28,693 |
| 1.2.2 | Net (Increase) Decrease in Banks | 337,166 |
| 1.2.3 | Net (Increase) Decrease in Loans | (796,547) |
| 1.2.4 | Net (Increase) Decrease in Other Assets | (4,524) |
| 1.2.5 | Net (Increase) Decrease in Bank Deposits | 2,571 |
| 1.2.6 | Net Increase (Decrease) in Other Deposits | 2,275,636 |
| 1.2.7 | Net Increase (Decrease) in Financial Assets Designated on FV(fair value) | - |
| 1.2.8 | Net Increase (Decrease) in Funds Borrowed | (1,220,506) |
| 1.2.9 | Net Increase (Decrease) in Due Payables | - |
| 1.2.10 | Net Increase (Decrease) in Other Liabilities | 242,320 |
| I. | Net Cash Provided by / (Used in) Banking Operations | 635,060 |
| B. | CASH FLOWS FROM INVESTING ACTIVITIES | |
| II. | Net Cash Provided by / (Used in) Investing Activities | (510,868) |
| 2.1 | Cash Paid for Purchase of Investments, Associates and Subsidiaries | - |
| 2.2 | Cash Obtained From Sale of Investments, Associates And Subsidiaries | - |
| 2.3 | Fixed Assets Purchases | (2,239) |
| 2.4 | Fixed Assets Sales | 257,968 |
| 2.5 | Purchase of Financial Assets at Fair Value Through Other Comprehensive Income | (302,556) |
| 2.6 | Sale of Financial Assets at Fair Value Through Other Comprehensive Income | - |
| 2.7 | Purchase of Financial Assets Measured at Amortised Cost | (244,606) |
| 2.8 | Sale of Financial Asset Measured at Amortised Cost | - |
| 2.9 | Other | (219,435) |
| C. | CASH FLOWS FROM FINANCING ACTIVITIES | |
| III. | Net Cash Provided by / (Used in) Financing Activities | - |
| 3.1 | Cash Obtained from Funds Borrowed and Securities Issued | - |
| 3.2 | Cash Used for Repayment of Funds Borrowed and Securities Issued | - |
| 3.3 | Capital Increase | - |
| 3.4 | Dividends Paid | - |
| 3.5 | Payments for Finance Leases | - |
| 3.6 | Other | - |
| IV. | Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents | 83,387 |
| V. | Net Increase (Decrease) in Cash and Cash Equivalents (I+II+III+IV) | 207,579 |
| 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) | 2,175,948 |

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

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

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY
**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2018**

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

| | | THOUSANDS OF TURKISH LIRA |
|-------------|---|--|
| | | Reviewed PRIOR PERIOD ⁽¹⁾ (01/01/2017 - 30/06/2017) |
| A. | CASH FLOWS FROM BANKING OPERATIONS | |
| 1.1 | Operating Profit before Changes in Operating Assets and Liabilities | 47,645 |
| 1.1.1 | Interest Received | 254,816 |
| 1.1.2 | Interest Paid | (144,623) |
| 1.1.3 | Dividend Received | 8 |
| 1.1.4 | Fees And Commissions Received | 44,349 |
| 1.1.5 | Other Income | 12,974 |
| 1.1.6 | Collections from Non-performing Loans | 9,193 |
| 1.1.7 | Payments to Personnel and Service Suppliers | (59,624) |
| 1.1.8 | Taxes Paid | (23,540) |
| 1.1.9 | Other | (45,908) |
| 1.2 | Changes in Operating Assets and Liabilities | 522,456 |
| 1.2.1 | Net (Increase) Decrease in Trading Securities | 4,322 |
| 1.2.2 | Net (Increase) Decrease in Financial Assets Designated at FV(fair value) | - |
| 1.2.3 | Net (Increase) Decrease in Banks | (285,677) |
| 1.2.4 | Net (Increase) Decrease in Loans | (1,070,877) |
| 1.2.5 | Net (Increase) Decrease in Other Assets | (35,544) |
| 1.2.6 | Net Increase (Decrease) in Bank Deposits | 11,648 |
| 1.2.7 | Net Increase (Decrease) in Other Deposits | (1,093,387) |
| 1.2.8 | Net Increase (Decrease) in Funds Borrowed | 2,956,186 |
| 1.2.9 | Net Increase (Decrease) in Due Payables | - |
| 1.2.10 | Net Increase (Decrease) in Other Liabilities | 35,785 |
| I. | Net Cash Provided by / (Used in) Banking Operations | 570,101 |
| B. | CASH FLOWS FROM INVESTING ACTIVITIES | |
| II. | Net Cash Provided by / (Used in) Investing Activities | (455,313) |
| 2.1 | Cash Paid for Purchase of Investments, Associates and Subsidiaries | - |
| 2.2 | Cash Obtained From Sale of Investments, Associates And Subsidiaries | - |
| 2.3 | Fixed Assets Purchases | (1,013) |
| 2.4 | Fixed Assets Sales | 125 |
| 2.5 | Cash Paid for Purchase of Investments Available for Sale | (492,126) |
| 2.6 | Cash Obtained From Sale of Investments Available for Sale | 211,832 |
| 2.7 | Cash Paid for Purchase of Investment Securities | (173,521) |
| 2.8 | Cash Obtained from Sale of Investment Securities | - |
| 2.9 | Other | (610) |
| C. | CASH FLOWS FROM FINANCING ACTIVITIES | |
| III. | Net Cash Provided by / (Used in) 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 | (20,919) |
| V. | Net Increase (Decrease) in Cash and Cash Equivalents (I+II+III+IV) | 534,096 |
| VI. | Cash and Cash Equivalents at the Beginning of Period | 721,925 |
| VII. | Cash and Cash Equivalents at the End of Period (V+VI) | 1,256,021 |

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

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

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

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

SECTION THREE ACCOUNTING POLICIES

I. 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 "Regulation on the Procedures and Principles for Accounting Practices and Retention of Documents by Banks" published in the Official Gazette no.26333 dated 1 November 2006 with regard to Banking Law No. 5411, and 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, "Turkish Accounting Standards" ("TAS") and "Turkish Financial Reporting Standards" ("TFRS") and related appendices and interpretations (all "Turkish Accounting Standards" or "TAS") put into effect by Public Oversight Accounting and Auditing Standards Authority ("POA").

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.

Financial statements have been prepared in TL, under the historical cost convention except for financial assets at fair value through profit or loss, available-for-sale assets and negative value of trading derivatives carried at fair value and revalued buildings.

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

The preparation of consolidated financial statements in conformity with TAS 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 income statement. Assumptions and estimates that are used in the preparation of the accompanying financial statements are explained in the following related disclosures.

The amendments of TAS and TFRS which have entered into force as at 1 January 2018, except than IFRS 9 Financial Instruments, have no impact on the accounting policies, financial position and performance of the Group. It is not expected that the amendments to TAS and TFRS which are published but not yet effective as of the date of issuance of the financial statements will have a significant effect on the Bank's accounting policies, financial position and performance.

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.

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, "Turkish Accounting Standards" ("TAS") and "Turkish Financial Reporting Standards" ("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.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

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

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

Strategy for the use of financial instruments:

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

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

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

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

Transactions denominated in foreign currencies:

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

As at 30 June 2018, rates used for converting foreign exchange transactions to Turkish Lira and presenting them in financial statements are as follows (TL Full); USD: TL 4.6083, Euro: TL 5.3310, GBP: TL 6.0221, JPY: TL 0.0417.

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

III. Presentation of Information Regarding Consolidated Subsidiaries and Associates

The Parent Bank has no consolidated associate.

On 21 April 2015 Tekstil Portföy Yönetimi A.Ş. was established with TL 2,000,000 –full amount- capital from ICBC Yatırım. On 23 November 2015, the trade name of the company has been changed and registered as ICBC Turkey Portföy Yönetimi A.Ş. (ICBC Portföy). ICBC Portföy is a subsidiary of ICBC Yatırım with 100% partnership and an indirect subsidiary of the Parent Bank. As at 30 June 2017, 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 30 June 2018 and 31 December 2017.

The Parent Bank and its consolidated subsidiary are named 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 30 June 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.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

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

IV. Derivative Financial Assets

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

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

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

The derivative transactions are initially recognized at fair value and measured at fair value subsequent to initial recognition and are presented in the "Derivative Financial Assets Designated at Fair Value through Profit or Loss" under the "Derivative Financial Assets" or "Derivative Financial Liabilities Designated at Fair Value through Profit or Loss" under the "Derivative Financial Liabilities" items of the balance sheet depending on the resulting positive or negative amounts of the fair value. Gains and losses arising from a change in the fair value of trading purpose derivatives are recognized in the consolidated 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.

V. 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. Fees and Commissions

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 statement.

VII. Financial Assets

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

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

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

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

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

VII. Financial Assets (Continued)

- 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 loss, gain or loss) or interest received previously in the financial statements is made.

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

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

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

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

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

Financial assets measured at fair value through other comprehensive income are measured at their fair values subsequently.

Interests calculated and/or earned by using the effective interest method during holding of financial assets measured at fair value through other comprehensive income are recorded primarily in interest income. In case of sale of such financial assets available-for-sale before maturity date, the difference between the sales income calculated as difference between the cost in accordance with the Uniform Chart of Accounts and the sale price and the recognized interest income is transferred to "trading income/losses".

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 amortised cost are accounted at amortised 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 income statement.

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 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 PERIOD ENDED 30 JUNE 2018

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

VIII. Impairment of Financial Assets

Explanations on Expected Credit Losses

The 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 IFRS 9.

The 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 recognising 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 Bank's Business Model

The 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 bank management are determined.

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VIII. 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 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 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 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 Bank consider:

- 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 e.g. non-recourse asset arrangements
- Features that modify consideration for the time value of money (e.g. periodic reset of interest rates).

IX. 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. Sale and Repurchase Agreements and Transactions Related to The Lending Of Securities

Securities sold under repurchase agreements (“repo”) are classified as “FVTPL”, “FVOCI” or “financial assets measured at amortised 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 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. Assets Held for Sale and Discontinued Operations

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.

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XII. Goodwill and Other Intangible Assets

There is no goodwill in the accompanying consolidated financial statements as at 30 June 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. 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 realisable 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 30 June 2018, revaluation surplus on tangible assets amounts to TL 12,259 (31 December 2017: TL 12,259).

XIV. 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.

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XV. Provisions and Contingencies

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. Obligations Concerning Employee Rights

Obligations concerning employee severance indemnities and vacation pay are accounted for in accordance with the Turkish Accounting Standard 19 (“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.

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XVIII. Taxation

a. Current taxes:

While the corporate tax rate was at the rate of 20% since 1 January 2016, for all companies, such rate has been set as 22% for the tax bases of the years 2018, 2019 and 2020 based on the legislation of the Amendment on Certain Tax Laws and Other Laws no. 7061. Furthermore, the Council of Ministers has been authorized to reduce the rate of 22% down to 20%.

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

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

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

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

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

b. Deferred Taxes:

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.

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XVIII. Taxation (Continued)

c. Transfer Pricing:

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

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

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

XIX. Additional Explanations on Borrowings

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

XX. Issued stock

There is no issued stock in the current period.

XXI. Acceptances

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

XXII. Government grants

As at 30 June 2018 and 31 December 2017, the Group does not have any government grants.

XXIII. 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.

According to Ordinary General Assembly of the Parent Bank held on 30 March 2018, the Parent Bank has profit for the year 2017 amounting to TL 42,484. The Parent Bank transferred profit for the year 2017 amounting to TL 3,316 to prior year profit/ losses, legal reserve is appropriated out of the statutory profit at the rate of 5% amounting to TL 1,958 and extraordinary reserves with all the remaining amounts of TL 37,210.

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 V 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 Central Bank of Turkey are not recognized as “cash equivalent assets” in the statement of cash flows.

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XXVI. 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 VIII.

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 | (11,719) | 2,519,074 |
| 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 |
| Financial Assets Available for Sale | 1,989,010 | (1,989,010) | - | - |
| Financial Assets Measured at Amortised Cost | - | 493,413 | - | 493,413 |
| Investments Held to Maturity | 493,413 | (493,413) | - | - |
| Derivative Financial Assets | - | 691 | - | 691 |
| Allowance for Expected Credit Losses (-) | - | 17,130 | (11,719) | 5,411 |
| Loans | 72,147 | 82,928 | (16,824) | 138,251 |
| Allowance for Expected Credit Losses (-) | - | 155,075 | (16,824) | 138,251 |
| Specific Provisions (-) | 72,147 | (72,147) | - | - |
| Deferred Tax Assets | 10,619 | - | 29,434 | 40,053 |
| Other Assets | 84,522 | - | (1,059) | 83,463 |
| LIABILITIES | | | | |
| Derivative financial liabilities | - | 14,272 | - | 14,272 |
| Derivative financial liabilities held for trading | 14,272 | (14,272) | - | - |
| Provisions | 125,146 | (100,057) | 2,965 | 28,054 |
| General Provisions | 104,344 | (104,344) | - | - |
| Other Provisions | 20,802 | 4,287 | 2,965 | 28,054 |
| Prior years profit/ losses | 44,967 | - | 2,797 | 47,764 |

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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 Group 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 Group are classified under assets purchase and sale commitments.

The Bank's derivative instruments are classified as "held-for-trading" according to TAS 39. The 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.

Financial Assets

The 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 Bank's management, taking into consideration the purpose of the investment.

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XXVIII. Explanations on Other Matters (Continued)

a. Financial Assets at the 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 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 income statement. Interest earned holding trading financial assets is accounted as interest income and dividends received and included separately in dividend income.

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 Undersecretariat 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 recognised in the expense accounts.

The 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.

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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 method. Interest income obtained from held-to-maturity financial assets is accounted in income statement.

Impairment of Financial Assets

At each reporting date, the 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 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.

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SECTION FOUR

CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT

I. Explanations on Consolidated Equity

Information about consolidated total capital

| Current Period | Amount | Amounts related to treatment before 1/1/2014 ⁽¹⁾ |
|---|------------------|---|
| COMMON EQUITY TIER 1 CAPITAL | | |
| Paid-in capital following all debts in terms of claim in liquidation of the Bank | 860,000 | |
| Share issue premiums | (587) | |
| Reserves | 246,680 | |
| Gains recognized in equity as per TAS | 157 | |
| Profit | 121,007 | |
| Current period profit | 73,739 | |
| Prior period profit | 47,268 | |
| Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period | - | |
| Common Equity Tier 1 Capital Before Deductions | 1,227,257 | |
| 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 | 59,696 | |
| Improvement costs for operating leasing | 1,640 | |
| Goodwill (net of related tax liability) | - | |
| Other intangibles other than mortgage-servicing rights (net of related tax liability) | 3,132 | |
| Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability) | 300 | |
| Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk | - | |
| Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision | - | |
| Gains arising from securitization transactions | - | |
| Unrealized gains and losses due to changes in own credit risk on fair valued liabilities | - | |
| Defined-benefit pension fund net assets | - | |
| Direct and indirect investments of the Bank in its own Common Equity | - | |
| Shares obtained contrary to the 4th clause of the 56th Article of the Law | - | |
| Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank | - | |
| Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank | - | |

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I. Explanations on Consolidated Equity (Continued)

Information about consolidated total capital (Continued)

| | Amount | Amounts related to treatment before 1/1/2014 ⁽¹⁾ |
|---|------------------|---|
| Portion of mortgage servicing rights exceeding 10% of the Common Equity | - | |
| Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity | - | |
| Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks | - | |
| Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital | - | |
| of which: mortgage servicing rights | - | |
| of which: deferred tax assets arising from temporary differences | - | |
| Other items to be defined by the BRSA | - | |
| Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital | - | |
| Total Deductions From Common Equity Tier I Capital | 64,768 | |
| Total Common Equity Tier I Capital | 1,162,489 | |
| 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 PERIOD ENDED 30 JUNE 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 (-) | 2,088 | |
| 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 (-) | 200 | |
| 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 | 2,288 | |
| Total Additional Tier I Capital | 1,160,201 | |
| Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital) | | |
| 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 (1st clause of Article 8 of the Regulation on the Equity of Banks) | 29,095 | |
| Tier II Capital Before Deductions | 29,095 | |
| 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 | 29,095 | |
| Total Capital (The sum of Tier I Capital and Tier II Capital) | 1,189,296 | |
| 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 | 241 | |
| In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components | | |
| The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds | - | |

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 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) | 1,189,296 | |
| Total risk weighted items | 9,631,209 | |
| CAPITAL ADEQUACY RATIOS ⁽²⁾ | | |
| Consolidated Core Capital Adequacy Ratio (%) | 12.05 | |
| Consolidated Tier 1 Capital Adequacy Ratio (%) | 12.05 | |
| Consolidated Capital Adequacy Standard Ratio (%) | 12.35 | |
| BUFFERS | | |
| Total buffer requirement | 6.88 | |
| Capital conservation buffer requirement (%) | 1.19 | |
| Bank specific countercyclical buffer requirement (%) | 5.70 | |
| The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%) | - | |
| Amounts below the thresholds for deduction (before risk weighting) | | |
| Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital | - | |
| Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital | - | |
| Mortgage servicing rights (net of related tax liability) | - | |
| Amount arising from deferred tax assets based on temporary differences | - | |
| Limits related to provisions considered in Tier II calculation | | |
| General provisions for standard based receivables (before tenthousandtwentyfive limitation) | - | |
| Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used | - | |
| Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation | - | |
| Excess amount of total provision amount to 0,6 % of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation | - | |
| Debt instruments subjected to Temporary Article 4 (to be implemented between January 1, 2018 and January 1, 2022) | | |
| Upper limit for Additional Tier I Capital subjected to temporary Article 4 | - | |
| Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4 | - | |
| Upper limit for Additional Tier II Capital subjected to temporary Article 4 | - | |
| Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4 | - | |

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

⁽²⁾ The Parent Bank considers the loan provided to ICBC Group at an amount of TL 6,681, as cash reserve as at 30 June 2018 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 adequacy ratio calculation.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

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

I. Explanations on Consolidated Equity (Continued)

Information about consolidated total capital (Continued)

| Prior Period | Amount | Amounts related to treatment before 1/1/2014 ⁽¹⁾ |
|---|------------------|---|
| COMMON EQUITY TIER 1 CAPITAL | | |
| Paid-in capital following all debts in terms of claim in liquidation of the Bank | 860,000 | |
| Share issue premiums | (587) | |
| Reserves | 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 recognised 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 PERIOD ENDED 30 JUNE 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 | - | |
| of which: mortgage servicing rights | - | |
| of which: deferred tax assets arising from temporary differences | - | |
| Other items to be defined by the BRSA | - | |
| Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital | - | |
| Total Deductions From Common Equity Tier I Capital | 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 PERIOD ENDED 30 JUNE 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 | |
| In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components | - | |
| The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-) | - | |
| The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds | - | |

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 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 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) | 1,208,656 | |
| Total risk weighted items | 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 thresholds for deduction (before risk weighting) | | |
| Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital | - | |
| Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital | - | |
| Mortgage servicing rights (net of related tax liability) | - | |
| Amount arising from deferred tax assets based on temporary differences | - | |
| Limits related to provisions considered in Tier II calculation | | |
| General provisions for standard based receivables (before tenthousandtwentyfive limitation) | 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 January 1, 2018 and January 1, 2022) | | |
| Upper limit for Additional Tier I Capital subjected to temporary Article 4 | - | |
| Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4 | - | |
| Upper limit for Additional Tier II Capital subjected to temporary Article 4 | - | |
| Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4 | - | |

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

⁽²⁾ 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 PERIOD ENDED 30 JUNE 2018**

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

I. Explanations on Consolidated Equity (Continued)**Information on the issues subject to temporary implementation in capital calculation:**

None.

Information on the debt instruments those will be included in capital calculation:

None.

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

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

II. 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).

| | 22/06/2018 | 25/06/2018 | 26/06/2018 | 27/06/2018 | 28/06/2018 | 29/06/2018 |
|-------------|------------|------------|------------|------------|------------|------------|
| USD | 4.7524 | 4.7077 | 4.6397 | 4.6740 | 4.6349 | 4.6083 |
| GBP | 6.2349 | 6.2474 | 6.1379 | 6.1847 | 6.1115 | 6.0221 |
| EURO | 5.4833 | 5.4848 | 5.4071 | 5.4576 | 5.3960 | 5.3310 |
| JPY | 0.0429 | 0.0427 | 0.0423 | 0.0425 | 0.0421 | 0.0417 |

The basic arithmetical average of the Parent Bank's foreign exchange bid rates for the last thirty days ending 30 June 2018 (TL full):

| | Monthly Average FC Exchange Bid Rates |
|-------------|--|
| USD | 4.6227 |
| GBP | 6.1349 |
| EURO | 5.4022 |
| JPY | 0.0419 |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

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

II. Consolidated Foreign Currency Exchange Rate Risk (Continued)

Information on consolidated foreign currency exchange rate risk:

| 30 June 2018 | EURO | USD | OTHER FC | TOTAL |
|---|------------------|--------------------|----------------|------------------|
| Assets | | | | |
| Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of Turkey ⁽¹⁾ | 9,936 | 1,280,164 | 1,034 | 1,291,134 |
| Due from banks | 693,557 | 319,127 | 12,207 | 1,024,891 |
| Financial assets where fair value change is reflected to income statement | - | - | - | - |
| Money market placements | - | - | - | - |
| Financial assets at fair value through other comprehensive income | 5,530 | 1,339,652 | - | 1,345,182 |
| Loans ⁽³⁾ | 1,431,715 | 3,565,346 | 3,673 | 5,000,734 |
| Investment and associates, subsidiaries and joint ventures (business partners) | - | - | - | - |
| Loans measured at amortised cost | - | 391,121 | - | 391,121 |
| Derivative financial assets held for hedging | - | - | - | - |
| Property and equipment | - | - | - | - |
| Intangible assets | - | - | - | - |
| Other assets | 3,691 | 12,063 | 26 | 15,780 |
| Total assets ^{(2) (3) (7)} | 2,144,429 | 6,907,473 | 16,940 | 9,068,842 |
| Liabilities | | | | |
| Interbank deposits | 18 | - | 3,795 | 3,813 |
| Foreign currency deposits | 866,104 | 2,819,100 | 15,524 | 3,700,728 |
| Money market takings | - | 488,117 | - | 488,117 |
| Funds provided from other financial institutions | 133,277 | 4,204,320 | 3,641 | 4,341,238 |
| Marketable securities issued | - | - | - | - |
| Miscellaneous payables | - | - | - | - |
| Derivative financial liabilities held for hedging | - | - | - | - |
| Other liabilities ^{(2) (6)} | 631,349 | 33,485 | 53 | 664,887 |
| Total liabilities ^{(2) (6)} | 1,630,748 | 7,545,022 | 23,013 | 9,198,783 |
| Net On Balance Sheet Position | 513,681 | (637,549) | (6,073) | (129,941) |
| Net Off Balance Sheet Position | (472,693) | 587,876 | 6,289 | 121,472 |
| Financial Derivatives Assets ⁽⁵⁾ | - | 590,421 | 7,923 | 598,344 |
| Financial Derivatives Liabilities ⁽⁵⁾ | 472,693 | 2,545 | 1,634 | 476,872 |
| Non-cash Loans ⁽⁴⁾ | 569,537 | 1,314,448 | 5,382 | 1,889,367 |
| 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 Derivatives Assets ⁽⁵⁾ | 2,671 | 1,333,147 | 9,534 | 1,345,352 |
| Financial Derivatives 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 30 June 2018 and 31 December 2017, the Group does not have precious metals balance in the Central Bank accounts.

(2) As at 30 June 2018, accrual differences of derivative transactions presented in "Financial Assets At Fair Value Through Profit or Loss" and "Negative Value of Trading Derivatives" amounting to TL 10,222 and TL 132 respectively, (31 December 2017: TL 691 and TL 415) are not included in the table.

(3) As at 30 June 2018, "Loans" balance includes, in addition to the balance sheet amount, foreign currency indexed loans and their accruals amounting to TL 324,846 (31 December 2017: TL 168,146).

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

(5) As at 30 June 2018, value dated FX buying and FX selling transactions amounting to TL 461 and TL 1,153 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 30 June 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 (43,239) (31 December 2017: TL 2,167) classified under Equity as at 30 June 2018 is not included.

(7) As at 30 June 2018, assets TL 18,096 (31 December 2017 – None) included "Allowance for Expected Credit Losses"

(8) As at 30 June 2018, liabilities TL 2,419 (31 December 2017 – None) included "Other Provisions"

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018**

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

II. Consolidated Foreign Currency Exchange Rate Risk (Continued)

The table below demonstrates prospective increase and decrease in equity and profit/loss as at 30 June 2018 and 31 December 2017 (excluding tax effect) on condition that 10 percent revaluation/devaluation of the foreign currencies below against TL. This analysis has been prepared assuming that other variables, particularly interest rates, remain constant.

| 30 June 2018 | | | | |
|---------------------------------|-----------------------------|--------------|-----------------------|--------------|
| Change in foreign currency rate | Statement of Profit or Loss | | Equity ⁽¹⁾ | |
| | 10% increase | 10% decrease | 10% increase | 10% decrease |
| USD | (4,967) | 4,967 | (4,967) | 4,967 |
| EURO | 4,099 | (4,099) | 4,099 | (4,099) |
| Other FC | 40 | (40) | 40 | (40) |
| | (828) | 828 | (828) | 828 |

⁽¹⁾ Equity effect includes income statement effect.

| 31 December 2017 | | | | |
|---------------------------------|-----------------------------|----------------|-----------------------|----------------|
| Change in foreign currency rate | 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) |
| | 1,250 | (1,250) | 1,467 | (1,467) |

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

III. Consolidated Interest Rate Risk

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

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

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

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

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III. Consolidated Interest Rate Risk (Continued)
Interest sensitivity of assets, liabilities and off-balance sheet items (based on reprising dates):

| | Up to 1 Month | 1 – 3 Months | 3 –12 Months | 1 – 5 Years | 5 Years and Over | Non-Interest Bearing ⁽¹⁾ | Total |
|--|--------------------|------------------|------------------|------------------|---------------------|--|-------------------|
| 30 June 2018 | | | | | | | |
| Assets | | | | | | | |
| Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of Turkey | - | 1,541,476 | - | - | - | 41,329 | 1,582,805 |
| Due from banks | 935,178 | - | - | - | - | 91,034 | 1,026,212 |
| Financial assets at fair value through profit or loss | 9,844 | 375 | 19,361 | - | - | 16,203 | 45,783 |
| Money market placements | 227,885 | - | - | - | - | - | 227,885 |
| Financial assets at fair value through other comprehensive income | 83,417 | 165,671 | 745,761 | 1,150,471 | 117,938 | 5,501 | 2,268,759 |
| Loans | 454,607 | 3,334,612 | 1,813,551 | 1,855,464 | 1,038,561 | - | 8,496,795 |
| Financial assets measured at amortised cost | 22,622 | 114,837 | 225,027 | 232,363 | 169,567 | - | 764,416 |
| Other assets | 75 | - | - | - | - | 159,137 | 159,212 |
| Total assets | 1,733,628 | 5,156,971 | 2,803,700 | 3,238,298 | 1,326,066 | 313,204 | 14,571,867 |
| Liabilities | | | | | | | |
| Bank Deposits | - | - | - | - | - | 73,812 | 73,812 |
| Other Deposits | 4,005,914 | 1,144,820 | 22,458 | - | - | 387,661 | 5,560,853 |
| Interbank Money Market Borrowings | 875,544 | 187,505 | - | - | - | - | 1,063,049 |
| Miscellaneous Payables | - | - | - | - | - | - | - |
| Securities Issued | - | - | - | - | - | - | - |
| Funds Borrowed from Other Fin. Inst. | 295,292 | 819,849 | 1,501,895 | 2,084,335 | 1,163,854 | - | 5,865,225 |
| Other Liabilities | 599,965 | 123 | - | - | - | 1,408,840 | 2,008,928 |
| Total Liabilities | 5,776,715 | 2,152,297 | 1,524,353 | 2,084,335 | 1,163,854 | 1,870,313 | 14,571,867 |
| Balance Sheet Long Position | - | 3,004,674 | 1,279,347 | 1,153,963 | 162,212 | - | 5,600,196 |
| Balance Sheet Short Position | (4,043,087) | - | - | - | - | (1,557,109) | (5,600,196) |
| Off Balance Sheet Long Position | - | - | - | - | - | - | - |
| Off Balance Sheet Short Position | - | - | - | - | - | - | - |
| Total Position | (4,043,087) | 3,004,674 | 1,279,347 | 1,153,963 | 162,212 | (1,557,109) | - |

⁽¹⁾ Tangible and intangible assets amounting to TL 40,771, tax assets amounting to TL 19,358 and expected loan loss provisions amounting to TL (4,987) and TL 103,995 are presented within other assets as non-interest bearing; provisions amounting to TL 46,854, tax liability amounting to TL 20,644, other liabilities amounting to TL 173,781 and equity amounting to TL 1,167,561 are presented within other liabilities as non-interest bearing.

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III. Consolidated Interest Rate Risk (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, Cheques Purchased) and Balances with the Central Bank of Turkey | - | 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 |
| Investment Securities Av.-for-Sale | 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 |
| Investment Securities Held-to-Mat. | 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.

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

III. Consolidated Interest Rate Risk (Continued)

Interest rates applied to monetary financial instruments:

| | EURO % | USD % | JPY % | TL % |
|---|-----------|----------|----------|---------|
| 30 June 2018 ⁽¹⁾ | | | | |
| Assets | | | | |
| Cash (Cash in Vault, Foreign Currencies, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey | - | 1.50 | - | 4.79 |
| Banks | 0.01 | 2.04 | - | 19.40 |
| Financial Assets at Fair Value Through Profit or Loss | - | - | - | - |
| Interbank Money Market Placements | - | - | - | 19.70 |
| Financial Assets at Fair Value Through Other Comprehensive Income | - | 4.50 | - | 16.69 |
| Loans | 3.36 | 4.80 | 6.04 | 15.49 |
| Financial Assets Measured at Amortised Cost | - | - | - | 11.09 |
| Liabilities | | | | |
| Bank Deposits | - | - | - | - |
| Other Deposits | 1.77 | 4.32 | - | 16.93 |
| Interbank Money Market Borrowings | - | 3.35 | - | 19.39 |
| Miscellaneous Payables | - | - | - | - |
| Securities Issued | - | - | - | - |
| Funds Borrowed from Other Financial Institutions | 0.05 | 2.84 | - | 6.83 |

⁽¹⁾ Stated at compound interest rates.

| | EURO % | USD % | JPY % | TL % |
|---|-----------|----------|----------|---------|
| 31 December 2017 ⁽¹⁾ | | | | |
| Assets | | | | |
| Cash (Cash in Vault, Foreign Currencies, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey | - | 1.30 | - | 3.94 |
| Banks | - | 2.73 | - | - |
| Financial Assets at Fair Value Through Profit or Loss | - | - | - | - |
| Interbank Money Market Placements | - | - | - | - |
| Investment Securities Available-for-Sale | - | 4.45 | - | 13.69 |
| Loans | 3.45 | 4.14 | 6.04 | 14.39 |
| Investment Securities Held-to-Maturity | - | 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.

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IV. 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 YP and estimated liquidity requirement is calculated. The action plans are prepared and the liquidity position is evaluated through warnings applied to assets and liabilities of the Parent Bank to determine stresses which can occur on the liquidity position of the Parent Bank. The Parent Bank makes scenario analysis taking delays and non-payment in credit payments, deposit withdrawn, and non-liquidation of securities into consideration as stress cases. It is detailed in emergency liquidity management process and Liquidity Emergency Funding Plan. This plan determines the gradation of resources which shall be used for responsibilities, communication channels, funding sources and urgent requirements.

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IV. 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 (%) |
|---------------------------|---------------|---------------------------------|--------------|------------------------------------|
| 30 June 2018 | | 402.21% | | 508.36% |
| Average | | 342.25% | | 442.25% |
| | Min FC (%) | Min Sum (%) | Max FC (%) | Max Sum (%) |
| Month | 30 April 2018 | 31 May 2018 | 29 June 2018 | 29 June 2018 |
| Ratio (%) | 232.61% | 355.05% | 402.21% | 508.36% |

| Current Period – 30 June 2018 | | Unweighted Amounts ⁽²⁾ | | Weighted Amounts ⁽²⁾ | |
|--|--|-----------------------------------|-----------|-------------------------------------|------------------|
| | | TL+FC | FC | TL+FC | FC |
| HIGH QUALITY LIQUID ASSETS | | | | | |
| High Quality Liquid Assets | | | | 3,479,043 | 2,098,538 |
| CASH OUTFLOWS | | | | | |
| Retail and Small Business Customers Deposits | | 2,450,047 | 1,020,152 | 203,515 | 92,785 |
| Stable deposits | | 830,942 | 184,614 | 41,604 | 9,231 |
| Less stable deposits | | 1,619,105 | 835,538 | 161,911 | 83,554 |
| Unsecured Funding other than Retail and Small Business Customer Deposits | | 3,922,388 | 3,168,258 | 2,035,731 | 1,695,003 |
| Operational deposits | | 24,556 | - | 5,522 | - |
| Non-Operational Funding | | 2,888,462 | 2,339,526 | 1,200,219 | 938,651 |
| Other Unsecured Funding | | 1,009,370 | 828,732 | 829,990 | 756,352 |
| Secured funding | | - | - | - | - |
| Other Cash Outflows | | 390,009 | 231,819 | 390,009 | 231,819 |
| Liquidity needs related to derivatives and market valuation changes on derivatives transactions | | 390,009 | 231,819 | 390,009 | 231,819 |
| Debts related to the structured financial products | | - | - | - | - |
| Commitments related to debts to financial markets and other off balance sheet liabilities | | 121,116 | 84,686 | 48,446 | 33,874 |
| Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments | | 233,130 | 233,130 | 11,656 | 11,656 |
| Other irrevocable or conditionally revocable commitments | | 1,586,244 | 1,057,937 | 181,581 | 105,799 |
| TOTAL CASH OUTFLOWS | | - | - | 2,870,938 | 2,170,936 |
| CASH INFLOWS | | | | | |
| Secured Lending Transactions | | - | - | - | - |
| Unsecured Lending Transactions | | 2,004,759 | 1,294,220 | 1,773,451 | 1,175,914 |
| Other contractual cash inflows | | 396,006 | 394,537 | 396,006 | 394,537 |
| TOTAL CASH INFLOWS | | - | - | 2,169,457 | 1,570,451 |
| | | | | Upper Limit Applied Accounts | |
| TOTAL HIGH LIQUIDITY ASSETS | | | | 3,479,043 | 2,098,538 |
| TOTAL NET CASH OUTFLOWS ⁽¹⁾ | | | | 701,481 | 600,485 |
| Liquidity Coverage Ratio (%) | | | | 484.73% | 349.47% |

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

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

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IV. 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 | | | 2,997,877 | 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 Customer Deposits | 4,776,670 | 4,116,561 | 3,593,144 | 3,272,099 |
| Operational deposits | 12,753 | - | 2,776 | - |
| Non-Operational Funding | 1,816,768 | 1,408,575 | 776,679 | 564,114 |
| Other Unsecured Funding | 2,947,149 | 2,707,986 | 2,813,689 | 2,707,985 |
| Secured funding | | | - | - |
| Other Cash Outflows | 1,160,991 | 202,870 | 1,160,991 | 202,870 |
| Liquidity needs related to derivatives and market valuation changes on derivatives transactions | 1,160,991 | 202,870 | 1,160,991 | 202,870 |
| Debts related to the structured financial products | - | - | - | - |
| Commitments related to debts to financial markets and other off balance sheet liabilities | 86,265 | 41,504 | 34,506 | 16,602 |
| Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments | 89,132 | 89,132 | 4,457 | 4,457 |
| Other irrevocable or conditionally revocable commitments | 1,516,148 | 977,200 | 162,656 | 97,733 |
| TOTAL CASH OUTFLOWS | | | 5,124,050 | 3,667,874 |
| CASH INFLOWS | | | | |
| Secured Lending Transactions | - | - | - | - |
| Unsecured Lending Transactions | 1,792,105 | 1,340,620 | 1,638,025 | 1,284,185 |
| Other contractual cash inflows | 1,166,216 | 1,166,216 | 1,166,216 | 1,166,216 |
| TOTAL CASH INFLOWS | | | 2,804,241 | 2,450,401 |
| | | | Upper Limit Applied Accounts | |
| TOTAL HIGH LIQUIDITY ASSETS | | | 2,997,877 | 2,224,728 |
| TOTAL NET CASH OUTFLOWS ⁽¹⁾ | | | 2,319,809 | 1,217,473 |
| Liquidity Coverage Ratio (%) | | | 129.23% | 182.73% |

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

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

There is an increase in the liquidity coverage ratio because of the loans provided from abroad by the Parent Bank in current period. The Parent Bank accepts required reserves, deposit and drawing accounts in Central Bank of Republic of Turkey, cash and borrowing instruments issued by Undersecretariat of Treasury as premium quality as liquid assets. 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.

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IV. Consolidated Liquidity Risk (Continued)

Presentation of assets and liabilities according to their residual maturities:

| 30 June 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, Cheques Purchased) and Balances with the Central Bank of Turkey | 929,212 | 653,593 | - | - | - | - | - | 1,582,805 |
| Banks | 91,034 | 650,110 | 285,068 | - | - | - | - | 1,026,212 |
| Financial Assets at Fair Value Through Profit or Loss | 16,203 | 9,844 | 375 | 19,361 | - | - | - | 45,783 |
| Interbank Money Market Placements | - | 227,885 | - | - | - | - | - | 227,885 |
| Financial Assets at Fair Value Through Other Comprehensive Income | 5,501 | - | - | 714,365 | 1,440,264 | 108,629 | - | 2,268,759 |
| Loans | - | 415,719 | 895,714 | 1,663,502 | 4,054,836 | 1,467,024 | - | 8,496,795 |
| Financial Assets Measured at Amortised Cost | - | 1,037 | - | 98,304 | 495,509 | 169,566 | - | 764,416 |
| Other Assets | - | 88,313 | 2,032 | 4,088 | 317 | 19,353 | 45,109 | 159,212 |
| Total Assets | 1,041,950 | 2,046,501 | 1,183,189 | 2,499,620 | 5,990,926 | 1,764,572 | 45,109 | 14,571,867 |
| Liabilities | | | | | | | | |
| Bank Deposits | 73,812 | - | - | - | - | - | - | 73,812 |
| Other Deposits | 387,661 | 4,005,914 | 1,144,820 | 22,458 | - | - | - | 5,560,853 |
| Funds Borrowed from Other Financial Institutions | - | 273,703 | 819,849 | 1,523,484 | 2,084,335 | 1,163,854 | - | 5,865,225 |
| Interbank Money Markets | - | 875,544 | 187,505 | - | - | - | - | 1,063,049 |
| Marketable Securities Issued | - | - | - | - | - | - | - | - |
| Miscellaneous Payables | - | - | - | - | - | - | - | - |
| Other Liabilities | - | 13,353 | 7,439 | - | - | - | 1,988,136 | 2,008,928 |
| Total Liabilities | 461,473 | 5,168,514 | 2,159,613 | 1,545,942 | 2,084,335 | 1,163,854 | 1,988,136 | 14,571,867 |
| Net Liquidity Gap | 580,477 | (3,122,013) | (976,424) | 953,678 | 3,906,591 | 600,718 | (1,943,027) | - |
| Net off balance sheet position | - | 10,107 | 560 | 9,464 | - | - | - | 20,131 |
| Derivative financial assets ⁽³⁾ | - | 364,740 | 123,006 | 115,463 | - | - | - | 603,209 |
| Derivative financial liabilities ⁽³⁾ | - | 354,633 | 122,446 | 105,999 | - | - | - | 583,078 |
| Non-cash loans ⁽²⁾ | 729,167 | 254,017 | 177,777 | 579,348 | 543,520 | - | - | 2,283,829 |
| 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 40,771, stationary supplies amounting to TL 553, assets to be disposed of amounting to TL 8,772, expected loan loss provision amounting to TL (4,987) and liabilities on the balance sheet which are necessary for the banking operations; provisions amounting to TL 46,854, other liabilities amounting to TL 773,721 and equity amounting to TL 1,167,561 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 30 June 2018, spot foreign currency purchase and sale transactions with value date amounting to TL 1,605 and TL 1,610, respectively, are presented under "Asset Purchase and Sale Commitments" of off-balance sheet items (31 December 2017: TL 9,196 and TL 9,163).

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V. Information Regarding Consolidated Leverage Ratio

Consolidated leverage ratio of the Parent Bank calculated based on last 3 months average amounts is 7.08% as at 30 June 2018 (31 December 2017: 7.48%). This ratio is above the minimum ratio.

| | Current Period ⁽¹⁾ 30 June 2018 |
|--|---|
| On-Balance sheet exposures | |
| On-Balance sheet assets (Excluding derivative financial instruments and credit derivatives, including collaterals) | 14,204,515 |
| (Assets amounts deducted in determining Tier 1 capital) | 248 |
| Total on-Balance sheet exposures | 14,204,267 |
| Derivative financial instruments and credit derivatives | |
| Replacements cost of derivative financial instruments and credit derivatives | - |
| Potential credit risk of derivative financial instruments and credit derivatives | 32,581 |
| Total derivative financial instruments and credit derivatives exposure | 32,581 |
| Securities financial instruments and credit derivatives | |
| Total risk of gross securities financing transactions (excluding on-balance sheet exposure) | 45,867 |
| Agent transaction exposure | - |
| Total securities financing transactions exposures | 45,867 |
| Off-balance sheet items | |
| Off-balance sheet exposure at gross notional amount | 2,231,362 |
| (Adjustments for conversions to credit equivalent amounts) | - |
| Total risk of off-balance sheet items | 2,231,362 |
| Capital and total exposure | |
| Tier 1 capital | 1,166,404 |
| Total exposures | 16,514,076 |
| Leverage ratio (%) | 7.08% |

⁽¹⁾ In current period and prior period table, the arithmetic average of the last 3 months.

| | Prior Period ⁽¹⁾ 31 December 2017 |
|--|---|
| On-Balance sheet exposures | |
| On-Balance sheet assets (Excluding derivative financial instruments and credit derivatives, including collaterals) | 12,827,171 |
| (Assets amounts deducted in determining Tier 1 capital) | 109 |
| Total on-Balance sheet exposures | 12,827,062 |
| Derivative financial instruments and credit derivatives | |
| Replacements cost of derivative financial instruments and credit derivatives | - |
| Potential credit risk of derivative financial instruments and credit derivatives | 29,100 |
| Total derivative financial instruments and credit derivatives exposure | 29,100 |
| Securities financial instruments and credit derivatives | |
| Total risk of gross securities financing transactions (excluding on-balance sheet exposure) | 14,679 |
| Agent transaction exposure | - |
| Total securities financing transactions exposures | 14,679 |
| Off-balance sheet items | |
| Off-balance sheet exposure at gross notional amount | 1,926,558 |
| (Adjustments for conversions to credit equivalent amounts) | - |
| Total risk of off-balance sheet items | 1,926,558 |
| Capital and total exposure | |
| Tier 1 capital | 1,106,729 |
| Total exposures | 14,797,399 |
| Leverage ratio (%) | 7.48% |

⁽¹⁾ In current period and prior period table, the arithmetic average of the last 3 months.

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VI. Information Related to Consolidated Securitization Position Risk

As at 30 June 2018, Group has no securitization position risk generated by banking accounts (31 December 2017: None).

VII. Information Related to 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 “Communique 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.

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VII. Information Related to Consolidated Credit 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 30 June 2018 | Current Period 30 June 2018 |
| 1 Credit risk (excluding counterparty credit risk) (CCR) | 8,841,946 | 707,356 |
| 2 Standardised approach (SA) | 8,841,946 | 707,356 |
| 3 Internal rating-based (IRB) approach | - | - |
| 4 Counterparty credit risk | 127,313 | 10,185 |
| 5 Standardised approach for counterparty credit risk (SA-CCR) | 127,313 | 10,185 |
| 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 | 135,450 | 10,836 |
| 17 Standardised approach (SA) | 135,450 | 10,836 |
| 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) | 9,631,209 | 770,497 |

| | Risk Weighted Amount | Minimum capital requirement |
|---|----------------------------------|----------------------------------|
| | Prior Period 31 December 2017 | Prior Period 31 December 2017 |
| 1 Credit risk (excluding counterparty credit risk) (CCR) | 8,254,044 | 660,324 |
| 2 Standardised approach (SA) | 8,254,044 | 660,324 |
| 3 Internal rating-based (IRB) approach | - | - |
| 4 Counterparty credit risk | 27,401 | 2,191 |
| 5 Standardised 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 Standardised 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 |

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VII. Information Related to Consolidated Credit Risk Management (Continued)
2. Explanation of credit risk
a) Credit quality of assets

| | | Gross carrying value as per TAS | | Allowances /amortization and impairments | Net values (a+b-c) |
|----------|-----------------------------|---------------------------------|-------------------|--|-----------------------|
| | | Defaulted (a) | Non-defaulted (b) | (c) | |
| 1 | Loans | 95,892 | 8,509,110 | 108,207 | 8,496,795 |
| 2 | Debt instruments | - | 3,033,175 | 5,147 | 3,028,028 |
| 3 | Off-balance sheet exposures | 10,635 | 2,471,955 | 6,718 | 2,475,872 |
| 4 | Total | 106,527 | 14,014,240 | 120,072 | 14,000,695 |

b) Changes in Stock of Default Loans and Debt Securities

| | | Amount |
|----------|---|---------------|
| 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 | 23,471 |
| 3 | Receivables back to non-defaulted status | - |
| 4 | Amounts written off | 19,694 |
| 5 | Other changes | (4,408) |
| 6 | Defaulted loans and debt securities at end of the reporting period (1+2-3-4+5) | 95,892 |

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 | 8,255,050 | 242,456 | 242,456 | 18,433 | 18,433 | - | - |
| 2 | Debt Instruments | 3,028,028 | - | - | - | - | - | - |
| 3 | Total | 11,283,078 | 242,456 | 242,456 | 18,433 | 18,433 | - | - |
| 4 | Of which defaulted | 95,892 | - | - | - | - | - | - |

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

To determine the risk weights of the risk categories as per the Article 6 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks", international rating firm Japan Credit Rating Agency (JCR) is started to be used as a result of rotation with 31 October 2016 instead Fitch Ratings' external risk ratings which had been used since 31 December 2012. In this context, the note set for Turkey's rating countries of long-term foreign currency, foreign currency bond issued by Treasury of the Republic of Turkey, all other foreign currency risk associated with the Republic of Turkey Central Government and assess to corresponding risk weights with limited to receivables the opposite side from foreign banks. Rating notes issued by JCR and corresponding Fitch Ratings are presented in the table below:

| Japan Credit Rating Agency | Credit Quality Level | Fitch Ratings |
|----------------------------|----------------------|----------------|
| AAA to AA- | 1 | AAA to AA- |
| A+ to A- | 2 | A+ to A- |
| BBB+ to BBB | 3 | BBB+ to BBB |
| BB+ to BB- | 4 | BB+ to BB- |
| B+ to B- | 5 | B+ to B- |
| CCC and lower | 6 | CCC+ and lower |

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VII. Information related to consolidated risk management (Continued)

2. Explanation of credit risk (continued)

In order to ensure that the credit risk is not concentrated on the customers whose credibility is relatively low, the credits made available to the customers are classified based on the risk rating scores of the customers utilizing such credits. The amount of the credit risk which may be taken in the certain risk degrees is limited to the definite rates of the total credits. In this frame, within risk appetite, based on external ratings country risk limits and counterparty abroad financial institution risk limits are defined.

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

| | | Exposures before CCF and CRM | | Exposures post-CCF and CRM | | RWA and RWA density | |
|----|--|------------------------------------|------------------------------------|-----------------------------------|------------------------------------|---------------------|----------------|
| | | On- balance sheet amount | Off- balance sheet amount | On- balance sheet amount | Off- balance sheet amount | RWA | RWA density |
| 1 | Claims on sovereigns and Central Banks | 4,187,542 | - | 4,187,542 | - | 288,065 | 3% |
| 2 | Claims on regional governments or local authorities | - | 1 | - | - | - | 0% |
| 3 | Claims on administrative bodies and other non-commercial undertakings | 159,931 | 6 | 159,931 | 2 | 159,932 | 2% |
| 4 | Claims on multilateral development banks | - | - | - | - | - | 0% |
| 5 | Claims on international organizations | - | - | - | - | - | 0% |
| 6 | Claims on banks and intermediary institutions | 4,890,753 | 544,924 | 4,890,752 | 335,656 | 2,664,821 | 30% |
| 7 | Claims on corporates | 4,693,681 | 1,698,964 | 4,693,682 | 925,473 | 4,946,861 | 55% |
| 8 | Claims included in the regulatory retail portfolios | 146,936 | 88,400 | 146,936 | 18,031 | 113,473 | 1% |
| 9 | Claims secured by residential property | 630,187 | 1,115 | 630,187 | 223 | 220,551 | 3% |
| 10 | Claims secured by commercial property | 618,385 | 180,744 | 618,385 | 90,089 | 421,774 | 5% |
| 11 | Overdue loans | 11,633 | - | 11,633 | - | 16,241 | 0% |
| 12 | Higher risk categories decided by the Board | - | - | - | - | - | 0% |
| 13 | Secured by mortgages | - | - | - | - | - | 0% |
| 14 | Short-term claims and short-term corporate claims on banks and intermediary institutions | - | - | - | - | - | 0% |
| 15 | Undertakings for collective investments in mutual funds | - | - | - | - | - | 0% |
| 16 | Other receivables | 175,494 | - | 175,494 | - | 134,190 | 1% |
| 17 | Equity share investments | - | - | - | - | - | 0% |
| 18 | Total | 15,514,542 | 2,514,154 | 15,514,542 | 1,369,474 | 8,965,908 | 100% |

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VII. Information related to consolidated risk management (Continued)

2. Explanation of credit risk (Continued)

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

| | Risk weight / Risk Classifications | 0% | 10% | 20% | 35%⁽¹⁾ | 50%⁽¹⁾ | 50% | 75% | 100% | 150% | 200% | Others | Total Risk Amount⁽²⁾ |
|-----------|---|------------------|------------|----------------|--------------------------|--------------------------|------------|----------------|------------------|--------------|-------------|----------------|--|
| 1 | Exposures to central governments or central banks | 3,611,413 | - | - | - | 576,129 | - | - | - | - | - | - | 4,187,542 |
| 2 | Exposures to regional governments or local authorities | - | - | - | - | - | - | - | - | - | - | - | - |
| 3 | Exposures to public sector entities | - | - | - | - | - | - | - | 159,932 | - | - | - | 159,932 |
| 4 | Exposures to multilateral development banks | - | - | - | - | - | - | - | - | - | - | - | - |
| 5 | Exposures to international organisations | - | - | - | - | - | - | - | - | - | - | - | - |
| 6 | Exposures to institutions | 81 | - | 30,695 | - | 4,478,076 | - | - | 717,596 | - | - | - | 5,226,448 |
| 7 | Exposures to corporates | - | - | 139,468 | - | 622,430 | - | - | 4,857,255 | - | - | - | 5,619,153 |
| 8 | Retail exposures | - | - | - | - | - | - | 164,967 | - | - | - | - | 164,967 |
| 9 | Exposures secured by residential property | - | - | - | - | - | - | - | - | - | - | 630,411 | 630,411 |
| 10 | Exposures secured by commercial real estate | - | - | - | - | 573,130 | - | - | 135,343 | - | - | - | 708,473 |
| 11 | Past-due loans | - | - | - | - | - | - | - | 2,411 | 9,222 | - | - | 11,633 |
| 12 | Higher-risk categories by the Agency Board | - | - | - | - | - | - | - | - | - | - | - | - |
| 13 | Exposures in the form of covered bonds | - | - | - | - | - | - | - | - | - | - | - | - |
| 14 | Exposures to institutions and corporates with a short-term credit assessment | - | - | - | - | - | - | - | - | - | - | - | - |
| 15 | Exposures in the form of units or shares in collective investment undertakings (CIUs) | - | - | - | - | - | - | - | - | - | - | - | - |
| 16 | Other assets | 41,304 | - | - | - | - | - | - | 134,191 | - | - | - | 175,495 |
| 17 | Investments in equities | - | - | - | - | - | - | - | - | - | - | - | - |
| 18 | Total | 3,652,798 | - | 170,163 | - | 6,249,765 | - | 164,967 | 6,006,728 | 9,222 | - | 630,411 | 16,884,054 |

⁽¹⁾ Guaranteed with real estate mortgage.

⁽²⁾ Amount after Credit Conversion Rate ("KDO") and Credit Risk Reduction ("KRA")

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VII. Information related to consolidated risk management (Continued)
3. Analysis of counterparty credit risk (CCR) exposure by approach
a) Evaluation of counterparty credit risk according to measurement methods

| | 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) | 29,696 | 6,032 | | 1.4 | 35,715 | 35,715 |
| 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 | | | | | 969,812 | 91,598 |
| Total | 29,696 | 6,032 | | | 1,005,540 | 127,313 |

b) Credit valuation adjustment (CVA) capital charge

| | 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 | 35,728 | 3,313 |
| 4 Total subject to the CVA capital charge | 35,728 | 3,313 |

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VII. Information related to consolidated risk management (Continued)

4. Analysis of counterparty credit risk (CCR) exposure by approach (Continued)

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

| Risk Weight /Regulatory Portfolio | 0% | 10% | 20% | 50% | 75% | 100% | 150% | Others | Total Credit Risk ⁽¹⁾ |
|--|----|-----|-----|-----|-----|---------------|------|--------|----------------------------------|
| 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 | - | - | - | - | - | 35,703 | - | - | 35,703 |
| 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 | - | - | - | - | - | 35,703 | - | - | 35,703 |

⁽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.

4. **Securitization Explanations:** None.

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VII. Information related to consolidated risk management (Continued)**5. Explanations on Market Risk**

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

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

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

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

6. Market risk disclosures

| | RWA |
|---|----------------|
| Outright products | |
| 1 Interest rate risk (general and specific) | 22,275 |
| 2 Equity risk (general and specific) | 80,937 |
| 3 Foreign exchange risk | 32,238 |
| 4 Commodity risk | - |
| Options | |
| 5 Simplified approach | - |
| 6 Delta-plus method | - |
| 7 Scenario approach | - |
| 8 Securitization | - |
| 9 Total | 135,450 |

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VIII. Consolidated Segment Reporting and Footnotes

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 Turkey 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.

| Interim period ending as at 30 June 2018 | Retail Banking | Corporate Banking | Treasury, Investment Banking and Others | Group's Total Operations |
|---|---------------------------|------------------------------|--|---|
| Operating Income | 29,902 | 88,109 | 99,469 | 217,480 |
| Net profit of segment | 13,823 | 38,988 | 50,108 | 102,919 |
| Costs not distributed | - | - | - | - |
| Operating profit | 13,823 | 38,988 | 50,108 | 102,919 |
| Income from subsidiaries | - | - | - | - |
| Profit / Loss before tax | 13,823 | 38,988 | 50,108 | 102,919 |
| Tax provision (-) | - | - | 29,180 | 29,180 |
| Profit / Loss after tax | 13,823 | 38,988 | 20,928 | 73,739 |
| Minority Shares | - | - | - | - |
| Current Period Net Profit/ (Loss) | 13,823 | 38,988 | 20,928 | 73,739 |
| Segment assets ⁽¹⁾ | 840,218 | 7,753,514 | 5,978,135 | 14,571,867 |
| Associate and subsidiaries | - | - | - | - |
| Total Assets | 840,218 | 7,753,514 | 5,978,135 | 14,571,867 |
| Segment liabilities ⁽¹⁾ | 6,990 | 5,636,612 | 7,760,704 | 13,404,306 |
| Equity | - | - | 1,167,561 | 1,167,561 |
| Total Liabilities | 6,990 | 5,636,612 | 8,928,265 | 14,571,867 |
| Other Segment Items | 420 | 23,986 | 262,860 | 287,266 |
| Capital expenditure | - | - | 228,708 | 228,708 |
| Depreciation and amortization | 321 | 258 | 4,223 | 4,802 |
| Impairment losses ⁽²⁾ | 99 | 23,728 | 29,929 | 53,756 |
| Other non-cash income-expenses | - | - | - | - |
| 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, segments of the Group are distributed based on their asset sizes as percentages in current period as; 53% for corporate banking, 6% for retail banking, 41% for investment banking and others segment. Gross income (operational income) of the Group is distributed between corporate banking, retail banking and investment banking and others segment as 40%, 14%, and 46%, respectively.

Explanations on business segments are prepared on the basis of data obtained from Parent Bank Management Reporting System.

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VIII. Consolidated Segment Reporting (Continued)

| Interim period ending as at 30 June 2017 | Retail Banking | Corporate Banking | Treasury, Investment Banking and Others | Total Operations |
|---|---------------------------|------------------------------|--|-----------------------------|
| Operating Income | 37,341 | 76,572 | 90,347 | 204,260 |
| Net profit of segment | 11,884 | 40,609 | 13,813 | 66,306 |
| Costs not distributed | - | - | - | - |
| Operating profit | 11,884 | 40,609 | 13,813 | 66,306 |
| Income from subsidiaries | - | - | - | - |
| Profit / Loss before tax | 11,884 | 40,609 | 13,813 | 66,306 |
| Tax provision (-) | - | - | 18,591 | 18,591 |
| Profit / Loss after tax | 11,884 | 40,609 | (4,778) | 47,715 |
| Minority Shares | - | - | - | - |
| Net Profit / Loss | 11,884 | 40,609 | (4,778) | 47,715 |
| Other Segment Items | 1,794 | 3,809 | 28,222 | 33,825 |
| Capital expenditure | - | - | 1,623 | 1,623 |
| Depreciation and amortization | 230 | 189 | 2,608 | 3,027 |
| Impairment losses ⁽²⁾ | 1,564 | 3,620 | 23,991 | 29,175 |
| Other non-cash income-expenses | - | - | - | - |
| Restructuring costs | - | - | - | - |
| 31 December 2017 | | | | |
| Segment assets ⁽¹⁾ | 858,496 | 6,854,101 | 5,602,963 | 13,315,560 |
| Investments in subsidiaries | - | - | - | - |
| 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 |

⁽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, segments of the Group are distributed based on their asset sizes as percentages in current period as; 53% for corporate banking, 6% for retail banking, 41% for investment banking and others segment. Gross income (operational income) of the Group is distributed between corporate banking, retail banking and investment banking and others segment as 38%, 18%, and 44%, respectively.

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SECTION FIVE

DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS

I. Information and Disclosures Related to Consolidated Assets

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

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

| | 30 June 2018 | |
|--|---------------------|------------------|
| | TL | FC |
| Cash/ Foreign Currency | 15,631 | 25,672 |
| Central Bank of Turkey (CBRT) ⁽¹⁾ | 276,040 | 1,265,462 |
| Others | - | - |
| Total | 291,671 | 1,291,134 |

⁽¹⁾ As at 30 June 2018, the Parent Bank does not keep precious metals as reserve deposits at Central Bank of Turkey.

| | 31 December 2017 | |
|--|-------------------------|------------------|
| | TL | FC |
| Cash | 12,798 | 23,828 |
| Central Bank of Turkey (CBRT) ⁽¹⁾ | 90,592 | 1,223,253 |
| Others | - | - |
| Total | 103,390 | 1,247,081 |

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

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

| | 30 June 2018 | |
|---|---------------------|------------------|
| | TL | FC |
| Unrestricted Demand Deposits ⁽¹⁾ | 276,040 | 611,870 |
| Unrestricted Time Deposits | - | - |
| Restricted Time Deposits | - | 653,592 |
| Total | 276,040 | 1,265,462 |

⁽¹⁾ As at 30 June 2018, the Parent Bank does not keep precious metals as reserve deposits at Central Bank of Turkey.

| | 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 Central Bank of Turkey.

c) Explanation related to reserve deposits:

In accordance with the "Communiqué Regarding the Reserve Requirements no. 2005/1", the Parent Bank is required to maintain reserves in CBRT for TL and foreign currency liabilities. The reserve requirements can be maintained as TL, USD, EUR and 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 4% and 10.5% due their maturity profile as at 30 June 2018 (31 December 2017: between 4% and 10.5%); the reserve rates for foreign currency liabilities vary between 4% and 24% (31 December 2017: 4% and 24%).

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I. Information and Disclosures Related to 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 30 June 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 derivative financial assets held for trading at fair value through profit/loss :

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

| | 30 June 2018 | |
|----------------------|---------------------|---------------|
| | TL | FC |
| Forward transactions | - | - |
| Swap transactions | 19,358 | 10,222 |
| Futures transaction | - | - |
| Options transaction | - | - |
| Other | - | - |
| Total | 19,358 | 10,222 |

- ii. Table of positive differences related to trading derivative financial assets

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

3. Information on banks:

| | 30 June 2018 | |
|--------------|---------------------|------------------|
| | TL | FC |
| Banks | | |
| Domestic | 1,321 | 935,632 |
| Foreign | - | 89,259 |
| Total | 1,321 | 1,024,891 |

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

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I. Information and Disclosures Related to Consolidated Assets (Continued)

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

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

| | 30 June 2018 | |
|----------------------------------|---------------------|----------------|
| | TL | FC |
| Given as collateral or blocked | 87,395 | 53,792 |
| Subject to repurchase agreements | 517,606 | 198,314 |
| Total | 605,001 | 252,106 |

As of 30 June 2018, investment securities available-for-sale other than those given as collateral or subject to repurchase agreements amounting to TL 1,411,652 are unrestricted.

| | 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.

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

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

| | 30 June 2018 |
|--|---------------------|
| Debt instruments | 2,374,579 |
| Listed | 1,448,366 |
| Unlisted | 926,213 |
| Equity instruments | 5,501 |
| Listed | - |
| Unlisted | 5,501 |
| Impairment provision (-) / charge (+) ⁽¹⁾ | 111,321 |
| Total | 2,268,759 |

⁽¹⁾ Consists of change of interest accruals.

ii. Information on available-for-sale financial assets:

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

⁽¹⁾ Consists of change of interest accruals.

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I. Information and Disclosures Related to Consolidated Assets (Continued)
5. Information related to loans:

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

| 30 June 2018 | | |
|---|--------------|-----------------|
| | Cash | Non-Cash |
| Direct loans granted to shareholders | - | 318,399 |
| Corporate shareholders ⁽¹⁾ | - | 318,399 |
| Individual shareholders | - | - |
| Indirect loans granted to shareholders ⁽¹⁾ | 6,681 | - |
| Loans granted to employees | 2,858 | - |
| Total | 9,539 | 318,399 |

⁽¹⁾ As at 30 June 2018, 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, amounting of TL 6,681, as cash collateralized loan.

| 31 December 2017 | | |
|---|----------------|-----------------|
| | Cash | Non-Cash |
| Direct loans granted to shareholders | - | 166,912 |
| Corporate shareholders ⁽¹⁾ | - | 166,912 |
| Individual 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 first and second group loans and other receivables including loans that have been restructured or rescheduled

| Loans and Other Receivables Under Close Monitoring | | | | |
|---|-------------------------------|---|--|------------------|
| | | | Restructured Loans | |
| | | | Loans with Revised Contract Terms | Refinance |
| Cash Loans | Standard Loans (Total) | Loans Not Subject to Restructuring | | |
| Non-specialized loans | 8,206,775 | 30,979 | 152,280 | 118,943 |
| Enterprise loans | - | - | 142,350 | 84,949 |
| Export loans | 158,443 | 11,570 | - | - |
| Import loans | - | - | - | - |
| Loans given to financial sector | 2,963,827 | - | - | - |
| Consumer loans ⁽¹⁾ | 811,461 | 1,717 | 9,930 | 93 |
| Credit cards | 18,676 | 126 | - | - |
| Other | 4,254,368 | 17,566 | - | 33,901 |
| Specialized loans | 99 | 34 | - | - |
| Other receivables | - | - | - | - |
| Total | 8,206,874 | 31,013 | 152,280 | 118,943 |

⁽¹⁾ The loans and other receivables also include loan receivables of ICBC Yatırım from customers amounting to TL 40,569.

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I. Information and Disclosures Related to Consolidated Assets (Continued)

5. Information related to loans (continued):

| Allowances for Expected Credit Losses on Stage 1 and 2 | Standard Loans | Loans under close monitoring |
|--|----------------|------------------------------|
| 12-Month Expected Credit Losses | 19,183 | - |
| Significant Increase in Credit Risk | - | 4,765 |
| Total | 19,183 | 4,765 |

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**

b) Information about changes in the payment schedule and payment terms of loans classified in groups I and II and other receivables:

| 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 | 3,286 | 269,655 |
| 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 | 250 | 204,752 |
| 6 Months - 12 Months | 236 | 5 |
| 1-2 Years | 936 | 17,927 |
| 2-5 Years | 1,190 | 30,685 |
| 5 Years and Over | 674 | 16,286 |

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I. Information and Disclosures Related to Consolidated Assets (Continued)
5. Information related to loans (continued):

c) Information on consumer loans, credit cards, loans given to employees and employee credit cards:

| | Short Term | Medium or Long Term | Total |
|---|---------------|------------------------|----------------|
| Consumer Loans – TL | 6,813 | 811,443 | 818,256 |
| Real Estate Loans | 215 | 645,548 | 645,763 |
| Automotive Loans | - | 4,491 | 4,491 |
| Consumer Loans | 6,598 | 161,404 | 168,002 |
| Other | - | - | - |
| Consumer Loans – Indexed to FC | - | - | - |
| Real Estate Loans | - | - | - |
| Automotive Loans | - | - | - |
| Consumer Loans | - | - | - |
| Other | - | - | - |
| Consumer Loans – FC | - | - | - |
| Real Estate Loans | - | - | - |
| Automotive Loans | - | - | - |
| Consumer Loans | - | - | - |
| Other | - | - | - |
| Consumer Credit Cards – TL | 15,702 | - | 15,702 |
| Installment | 4,143 | - | 4,143 |
| Non instalment | 11,559 | - | 11,559 |
| Consumer Credit Cards – FC | 374 | - | 374 |
| Installment | - | - | - |
| Non Installment | 374 | - | 374 |
| Loans Given to Employees – TL | 83 | 1,423 | 1,506 |
| Real Estate Loans | - | 312 | 312 |
| Automotive Loans | - | - | - |
| Consumer Loans | 83 | 1,111 | 1,194 |
| Other | - | - | - |
| Loans Given to Employees – Indexed to FC | - | - | - |
| Real Estate Loans | - | - | - |
| Automotive Loans | - | - | - |
| Consumer Loans | - | - | - |
| Other | - | - | - |
| Loans Given to Employees – FC | - | - | - |
| Real Estate Loans | - | - | - |
| Automotive Loans | - | - | - |
| Consumer Loans | - | - | - |
| Other | - | - | - |
| Employee Credit Cards – TL | 1,301 | - | 1,301 |
| Installment | 410 | - | 410 |
| Non Installment | 891 | - | 891 |
| Employee Credit Cards – FC | 51 | - | 51 |
| Installment | - | - | - |
| Non Installment | 51 | - | 51 |
| Overdraft Account – TL (Individual) | 3,439 | - | 3,439 |
| Overdraft Account – FC (Individual) | - | - | - |
| Total | 27,763 | 812,866 | 840,629 |

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I. Information and Disclosures Related to Consolidated Assets (Continued)
5. Information related to loans (continued):
d) Information on installment corporate loans and corporate credit cards:

| | Short Term | Medium or Long Term | Total |
|--|--------------|---------------------|----------------|
| Installment Corporate Loans – TL | 1,273 | 394,828 | 396,101 |
| Business Residential Loans | - | - | - |
| Automotive Loans | - | 16,112 | 16,112 |
| Consumer Loans | 1,273 | 378,716 | 379,989 |
| Other | - | - | - |
| Installment Corporate Loans – Indexed to FC | - | 62,681 | 62,681 |
| Business Residential Loans | - | - | - |
| Automotive Loans | - | 25,962 | 25,962 |
| Consumer Loans | - | 36,719 | 36,719 |
| Other | - | - | - |
| Installment Corporate Loans – FC | - | - | - |
| Business Residential Loans | - | - | - |
| Automotive Loans | - | - | - |
| Consumer Loans | - | - | - |
| Other | - | - | - |
| Corporate Credit Cards – TL | 1,280 | - | 1,280 |
| Installment | 387 | - | 387 |
| Non Installment | 893 | - | 893 |
| Corporate Credit Cards – FC | 94 | - | 94 |
| Installment | - | - | - |
| Non Installment | 94 | - | 94 |
| Overdraft Account – TL (Commercial) | 199 | - | 199 |
| Overdraft Account – FC (Commercial) | - | - | - |
| Total | 2,846 | 457,509 | 460,355 |

e) Domestic and foreign loans:

| | 30 June 2018 |
|----------------|------------------|
| Domestic loans | 7,958,612 |
| Foreign loans | 550,498 |
| Total | 8,509,110 |
| | |
| | 31 December 2017 |
| Domestic loans | 6,893,750 |
| Foreign loans | 762,695 |
| Total | 7,656,445 |

f) Loans granted to subsidiaries and associates: None.

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I. Information and Disclosures Related to Consolidated Assets (Continued)

5. Information related to loans (continued):

g) i. Information on loans related reserves for specific provisions on credit impaired (Stage 3)

| | 30 June 2018 |
|--|---------------------|
| Loans and Receivables with Limited Collectability | 21,946 |
| Loans and Receivables with Doubtful Collectability | 215 |
| Uncollectible Loans and Receivables | 62,098 |
| Total | 84,259 |

ii. Specific provisions accounted for loans:

| | 31 December 2017 |
|--|-------------------------|
| Loans and Receivables with Limited Collectability | 51 |
| Loans and Receivables with Doubtful Collectability | 5,091 |
| Uncollectible Loans and Receivables | 67,005 |
| Total | 72,147 |

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

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

| | Group III Loans and receivables with limited collectability | Group IV Loans and receivables with doubtful collectability | Group V Uncollectible loans and receivables |
|--|--|---|---|
| Current period | | | |
| (Gross amounts before the specific reserves) | 23,344 | 466 | 72,082 |
| Loans and other receivables which are restructured | - | - | 664 |
| Prior period | | | |
| (Gross amounts before the specific reserves) | 201 | 5,638 | 90,683 |
| Loans and other receivables which are restructured | 1 | 15 | 1,946 |

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I. Information and Disclosures Related to Consolidated Assets (Continued)
5. Information related to loans (continued):

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

| | Group III Loans and receivables with limited collectability | Group IV Loans and receivables with doubtful collectability | Group V Uncollectible loans and collectability |
|---|---|---|---|
| Balances at Beginning of Period | 201 | 5,638 | 90,683 |
| Additions (+) | 23,966 | 18 | 536 |
| Transfers from Other Categories of Non- Performing Loans (+) | - | 471 | 5,599 |
| Transfers to Other Categories of Non-Performing Loans (-) | 471 | 5,599 | - |
| Collections (-) | 352 | 62 | 5,042 |
| Write-offs (-) | - | - | 19,694 |
| Corporate and Commercial Loans | - | - | 19,694 |
| Retail Loans | - | - | - |
| Credit Cards | - | - | - |
| Other | - | - | - |
| Balances at End of the Period | 23,344 | 466 | 72,082 |
| Specific Provisions (-) | 21,946 | 215 | 62,098 |
| Net Balance on Balance Sheet | 1,398 | 251 | 9,984 |

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

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

| | Group III Loans and receivables with limited collectability | Group IV Loans and receivables with doubtful collectability | Group V Uncollectible loans and receivables |
|--|---|---|--|
| Current Period (Net) | 1,398 | 251 | 9,984 |
| Loans Allowed to Real Persons and Corporate Bodies (Gross) | 23,344 | 466 | 72,082 |
| Specific provision (-) | 21,946 | 215 | 62,098 |
| Loans Allowed to Real Persons and Corporate Bodies (Net) | 1,398 | 251 | 9,984 |
| Banks (Gross) | - | - | - |
| Specific provision (-) | - | - | - |
| Banks (Net) | - | - | - |
| Other Loan and Receivables (Gross) | - | - | - |
| Specific provision (-) | - | - | - |
| Other Loan and Receivables (Net) | - | - | - |
| Prior Period (Net) | 150 | 547 | 23,679 |
| Loans Allowed to Real Persons and Corporate Bodies (Gross) | 201 | 5,638 | 90,684 |
| Specific provision (-) | 51 | 5,091 | 67,005 |
| Loans Allowed to Real Persons and Corporate Bodies (Net) | 150 | 547 | 23,679 |
| 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 PERIOD ENDED 30 JUNE 2018

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

I. Information and Disclosures Related to Consolidated Assets (Continued)

5. Information related to loans (continued):

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

| | Group III Loans with Limited collectability | Group IV Loans with Doubtful collectability | Group V Uncollectible loans |
|---|--|--|-----------------------------------|
| Current period (Net) | (18,128) | | |
| Interest accruals and discounts and valuation differences | 3,039 | - | - |
| Provision amount (-) | 21,167 | - | - |
| Prior period (Net) | | | |
| Interest accruals and discounts and valuation differences | - | - | - |
| Provision amount (-) | - | - | - |

The Group does not calculate interest accruals and discounts for non-performing loans.

i) Liquidation policy for uncollectible loans and other receivables:

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

j) Information on write-off from assets policy:

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

6. Information on investment securities held-to-maturity (net):

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.

i. Financial assets measured at amortized cost:

| | 30 June 2018 |
|-------------------------------------|---------------------|
| Government Bonds | 492,822 |
| Treasury bills | - |
| Other public sector debt securities | - |
| Total | 492,822 |

As of 30 June 2018, all of the securities classified as financial assets at amortized cost of the Parent Bank consist of bank bills.

ii. Investments to be held with maturity:

| | 31 December 2017 |
|-------------------------------------|-------------------------|
| Government Bonds | 1,277,291 |
| Treasury bills | - |
| Other public sector debt securities | - |
| Total | 1,277,291 |

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FOR THE PERIOD ENDED 30 JUNE 2018**

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

I. Information and Disclosures Related to Consolidated Assets (Continued)**6. Information on investment securities held-to-maturity (net) (continued):**

c) i. Information on financial assets at amortized cost:

| | 30 June 2018 |
|---|---------------------|
| Debt instruments | 738,019 |
| Listed | - |
| Unlisted | 738,019 |
| Impairment provision (-) ⁽¹⁾ | 26,397 |
| Total | 764,416 |

⁽¹⁾ Consists of change in interest accruals.

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

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

⁽¹⁾ Consists of change in interest accruals.

d) Information on the movement of investment securities held-to-maturity during the period:

i. The movement of financial assets at amortized costs:

| | 30 June 2018 |
|---|---------------------|
| Beginning balance | 493,413 |
| Foreign currency differences on monetary assets | - |
| Purchases during year | 244,606 |
| Disposals through sales and redemptions | - |
| Impairment provision (-) | 26,397 |
| Period end balance | 764,416 |

ii. Held-to-maturity:

| | 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 (-) | 15,119 |
| Period end balance | 493,413 |

7. Investments in associates (net):

None.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

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

I. Information and Disclosures Related to Consolidated Assets (Continued)

8. Investments in subsidiaries (net):

As at 30 June 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 subsidiaries not consolidated: None.
- b) Information on subsidiaries not consolidated according to information above: None.
- c) Movement of subsidiaries not consolidated: None.
- d) Industrial distribution of subsidiaries not consolidated:

As at 30 June 2018, the Parent Bank has no non-consolidated 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 | - |

- f) Information on consolidated subsidiaries according to information above:

| Total Assets | Shareholders' Equity | Total Fixed Assets | Interest Income | Trading Income | Current Period Profit / Loss | Prior Period Profit / Loss | Fair value |
|--------------|-------------------------|-----------------------|--------------------|-------------------|------------------------------------|-------------------------------|------------|
| 718,245 | 110,330 | 1,300 | 7,099 | 42 | 16,253 | (526) | - |

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

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

| Total assets | Shareholders' equity | Total fixed assets | Interest Income | Income from marketable securities portfolio | Current period profit/loss | Prior period profit/loss | Fair Value |
|--------------|-------------------------|-----------------------|--------------------|---|----------------------------------|-----------------------------|------------|
| 3,616 | 2,444 | 12 | 197 | - | (131) | (240) | - |

- g) Movement of consolidated subsidiaries:

- i. The movement of financial assets at amortized costs:

| | 30 June 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 (%) | - |

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FOR THE PERIOD ENDED 30 JUNE 2018**

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

I. Information and Disclosures Related to Consolidated Assets (Continued)**8. Investments in subsidiaries (net) (continued):**

ii. Held-to-maturity:

| | 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 |

h) Sectorial distribution of consolidated subsidiaries:

| | 30 June 2018 |
|----------------------------------|---------------------|
| Subsidiaries | |
| Banks | - |
| Insurance Companies | - |
| Factoring Companies | - |
| Leasing Companies | - |
| Finance Companies | - |
| Other Financial Subsidiaries | 75,998 |
| Other Non-Financial Subsidiaries | - |
| Total | 75,998 |

| | 31 December 2017 |
|----------------------------------|-------------------------|
| Subsidiaries | |
| 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.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018**

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

I. Information and Disclosures Related to Consolidated Assets (continued)

9. Information on joint ventures (net):

None.

10. Information on financial lease receivables (net):

None.

11. Information on hedging purpose derivatives:

None.

12. Information on investment properties (net):

None.

13. Information on deferred tax assets:

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

As at 30 June 2018, the deferred tax asset arising from the deductible temporary differences except for general loan provisions is amounting to TL 19,354 (31 December 2017: TL 10,619). As at 30 June 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.

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

The Group has no asset held for sale and discontinued operation as at 30 June 2018 and 31 December 2017.

15. Information on other assets:

Commodities and immovable properties of the Group obtained with respect to non-performing loans are recognized under movable and immovable assets to be sold off and shown under other assets in the balance sheet. Net total carrying value of the aforementioned assets is TL 8,772 as at 30 June 2018 (31 December 2017: TL 8,415).

Total of other assets amounting to TL 95,298 (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 PERIOD ENDED 30 JUNE 2018

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

II. Information and Disclosures Related to 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) 30 June 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 | 30,633 | 30,791 | 1,318,224 | 23,848 | 2,352 | 2 | - | 1,405,850 |
| Foreign Currency Deposits | 296,901 | 38,679 | 3,268,127 | 76,184 | 15,736 | 5,101 | - | 3,700,728 |
| Residents in Turkey | 287,124 | 38,563 | 3,175,894 | 73,576 | 4,135 | 1,392 | - | 3,580,684 |
| Residents Abroad | 9,777 | 116 | 92,233 | 2,608 | 11,601 | 3,709 | - | 120,044 |
| Public Sector Deposits | 1,602 | - | - | - | - | - | - | 1,602 |
| Commercial Deposits | 55,450 | 23,821 | 362,873 | - | 2 | - | - | 442,146 |
| Other Ins. Deposits | 3,075 | 296 | 7,072 | 45 | 39 | - | - | 10,527 |
| Precious Metal Deposits | - | - | - | - | - | - | - | - |
| Bank Deposits | 73,812 | - | - | - | - | - | - | 73,812 |
| Central Bank | - | - | - | - | - | - | - | - |
| Domestic Banks | 3,830 | - | - | - | - | - | - | 3,830 |
| Foreign Banks | 69,982 | - | - | - | - | - | - | 69,982 |
| Participation Banks | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - |
| Total | 461,473 | 93,587 | 4,956,296 | 100,077 | 18,129 | 5,103 | - | 5,634,665 |

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 | - | - | - | - | - | - | - | - |
| Bank Deposits | 71,241 | - | - | - | - | - | - | 71,241 |
| Central Bank | - | - | - | - | - | - | - | - |
| 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 PERIOD ENDED 30 JUNE 2018

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

II. Information and Disclosures Related to 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 |
|---|---|--|
| | 30 June 2018 | 30 June 2018 |
| Saving Deposits | 665,387 | 738,192 |
| Foreign Currency Savings Deposits | 208,546 | 961,447 |
| Other Saving Deposits | - | - |
| Foreign branches' Deposits Under Foreign Insurance Coverage | - | - |
| Off-Shore Deposits Under Foreign Insurance Coverage | - | - |
| Total | 873,933 | 1,699,639 |

| 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: TL 4,894 (31 December 2017: TL 4,504).

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

| | 30 June 2018 |
|---|------------------|
| Deposits and Other Accounts at Foreign Branches | - |
| Deposits and Other Accounts belong to Major Shareholders with Their Parents, Spouse and Children under Their Wardship | - |
| Deposits and Other Accounts belong to Members of Board of Directors, CEO and Deputy CEOs with Their Parents, Spouse and Children under Their Wardship | 4,894 |
| Deposits and Other Accounts linked to Crimes Mentioned in 282 nd Article of 5237 Numbered Turkish Crime Legislation dated on 26/09/2004 | - |
| Deposits belong to Off-shore Banks which are established to be engaged in offshore banking in Turkey | - |
| | |
| | 31 December 2017 |
| Deposits and Other Accounts at Foreign Branches | - |
| Deposits and Other Accounts belong to Major Shareholders with Their Parents, Spouse and Children under Their Wardship | - |
| Deposits and Other Accounts belong to Members of Board of Directors, CEO and Deputy CEOs with Their Parents, Spouse and Children under Their Wardship | 4,504 |
| Deposits and Other Accounts linked to Crimes Mentioned in 282 nd Article of 5237 Numbered Turkish Crime Legislation dated on 26/09/2004 | - |
| Deposits belong to Off-shore Banks which are established to be engaged in offshore banking in Turkey | - |

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II. Information and Disclosures Related to Consolidated Liabilities (Continued)**2. Information on derivative financial liabilities held for trading:**

i. Negative difference on derivatives held for trading:

| | 30 June 2018 | |
|--------------|---------------------|------------|
| | TL | FC |
| Forwards | 16 | 9 |
| Swaps | - | 123 |
| Futures | - | - |
| Options | - | - |
| Other | - | - |
| Total | 16 | 132 |

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

| | 31 December 2017 | |
|--------------|-------------------------|------------|
| | TL | FC |
| Forwards | - | 1 |
| Swaps | 13,857 | 414 |
| Futures | - | - |
| Options | - | - |
| Other | - | - |
| Total | 13,857 | 415 |

3. Information on funds borrowed:

a) Information on banks and other financial institutions:

| | 30 June 2018 | |
|---------------------------------------|---------------------|------------------|
| | TL | FC |
| Central Bank of Turkey | - | - |
| Domestic Banks and Institutions | 2,626 | 3,641 |
| Foreign Banks, Institutions and Funds | 1,521,361 | 4,337,597 |
| Total | 1,523,987 | 4,341,238 |

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

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

II. Information and Disclosures Related to Consolidated Liabilities (Continued)

3. Information on funds borrowed (continued):

b) Contractual maturities of funds borrowed:

| 30 June 2018 | | |
|----------------------|------------------|------------------|
| | TL | FC |
| Short-Term | 1,523,987 | 1,093,049 |
| Medium and Long-Term | - | 3,248,189 |
| Total | 1,523,987 | 4,341,238 |

| 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 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 external resources:

Other external resources are amounting to TL 773,721 (31 December 2017: TL 114,548) and do not exceed 10% of total liabilities excluding the off-balance sheet items.

5. Obligations under financial leases:

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 30 June 2018 and 31 December 2017, the Group does not have financial lease liabilities.

As at 30 June 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:

None.

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II. Information and Disclosures Related to 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 30 June 2018, this amount is restricted with TL-full 5,001.76 (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.

| | 30 June 2018 |
|---|-------------------------|
| Discount Ratio (%) | 4.67 |
| Expected Salary/ETI Liability Ceiling Increase Rate (%) | 7.00 |
| 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 |

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.

Movement of ETI liability is as below:

| | 30 June 2018 |
|--------------------------------------|-------------------------|
| Balance at Prior Period End | 10,735 |
| Current year provisions | 324 |
| Paid in current year | (966) |
| Balance at Current Period End | 10,093 |
| | 31 December 2017 |
| Balance at Prior Period End | 8,743 |
| Current year provisions | 4,465 |
| Paid in current year | (2,473) |
| Balance at Current Period End | 10,735 |

As at 30 June 2018, the Group has vacation pay liability amounting TL 5,751 (31 December 2017: TL 5,242).

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II. Information and Disclosures Related to Consolidated Liabilities (Continued)**7. Information on provisions (continued):****b) Provision for foreign exchange gain/loss on foreign currency indexed loans:**

As at 30 June 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 30 June 2018, the Group has provision amounting to TL 10,635 (31 December 2017: TL 10,423) for non-cash loans and irrevocable commitments that are not indemnified and not converted into cash amounting to TL 4,201 (31 December 2017: TL 6,092).

d) Information on other provisions:

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

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

As at 30 June 2018, the Parent Bank has provision for credit card service promotions amounting TL 92 (31 December 2017: TL 94).

d.3) Information on other provisions:

As at 30 June 2018, there is provision for lawsuits filed against the Parent Bank and its subsidiary amounting TL 11,284 (31 December 2017: TL 9,546).

As at 30 June 2018, there is provision for personnel bonus amounting TL 12,916 (31 December 2017: TL 5,070). As at 30 June 2018, there is provision for non-cash loans is amounting to TL 2,517.

8. Taxation:

a) Current tax liability: As at 30 June 2018, corporate taxes payable of the Group after deductions of prepaid taxes is TL 2,875 (31 December 2017: TL 13,791).

b) Information on taxes payable:

| | 30 June 2018 |
|-------------------------------|---------------------|
| Corporate taxes payable | 2,875 |
| Taxation on securities | 5,508 |
| Property Tax | 239 |
| Booking Transaction Tax (BTT) | 3,240 |
| Foreign Exchange Legislation | - |
| Value added tax payable | 396 |
| Other | 4,199 |
| Total | 16,457 |

| | 31 December 2017 |
|-------------------------------|-------------------------|
| Corporate taxes payable | 13,791 |
| Taxation on securities | 3,479 |
| Property Tax | 236 |
| Booking Transaction Tax (BTT) | 3,019 |
| Foreign Exchange Legislation | - |
| Value added tax payable | 216 |
| Other | 4,954 |
| Total | 25,695 |

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II. Information and Disclosures Related to Consolidated Liabilities (Continued)**8. Taxation (continued):****c) Information on premiums payable:**

| | 30 June 2018 |
|--|-------------------------|
| Social security premiums- employee share | 1,796 |
| Social security premiums- employer share | 2,009 |
| Bank social aid pension fund premium employee | - |
| Bank social aid pension fund premium employer | - |
| Pension fund membership fees and provisions – employee | - |
| Pension fund membership fees and provisions – employer | - |
| Unemployment insurance- employee share | 128 |
| Unemployment insurance- employer share | 254 |
| Other | - |
| Total | 4,187 |
| | |
| | 31 December 2017 |
| Social security premiums- employee share | 1,630 |
| Social security premiums- employer share | 1,819 |
| Bank social aid pension fund premium employee | - |
| Bank social aid pension fund premium employer | - |
| Pension fund membership fees and provisions | - |
| Pension fund membership fees and provisions | - |
| Unemployment insurance- employee share | 115 |
| Unemployment insurance- employer share | 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 consolidated 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. Information on subordinated loans:

None.

11. Information on shareholders' equity:**a) Paid in capital:**

| | 30 June 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.

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

II. Information and Disclosures Related to Consolidated Liabilities (Continued)**11. Information on shareholders' equity (continued)**

- 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:

| | 30 June 2018 | |
|---|---------------------|-----------------|
| | TL | FC |
| From investment and associates, subsidiaries and joint ventures (business partners) | - | - |
| Revaluation difference | (16,457) | (43,239) |
| Foreign exchange difference | - | - |
| Total | (16,457) | (43,239) |

| | 31 December 2017 | |
|---|-------------------------|--------------|
| | TL | FC |
| From investment and associates, subsidiaries and joint ventures (business partners) | - | - |
| 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 currency securities is presented as difference between fair values and using by effective interest method, amortized the costs of the government bonds classified as investment securities available-for-sale.

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

According to Ordinary General Assembly of the Parent Bank as at 30 March 2018, the Parent Bank has profit for the year 2017 amounting to TL 42,484. The Parent Bank transferred profit for the year 2017 amounting to TL 3,316 to prior year profit/ losses, legal reserve is appropriated out of the statutory profit at the rate of 5% amounting to TL 1,958 and extraordinary reserves with all the remaining amounts of TL 37,210.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

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

III. Information and Disclosures Related to Consolidated Income Statement

1. Interest income:

a) Information on interest income received from loans:

| 30 June 2018 | | |
|--|----------------|---------------|
| | TL | FC |
| Interest income received from loans ⁽¹⁾ | | |
| Short Term Loans | 104,828 | 3,101 |
| Medium and Long Term Loans | 147,977 | 95,091 |
| Loans Under Follow-Up | 4,170 | - |
| Source Utilization Support Fund | - | - |
| Total | 256,975 | 98,192 |

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

| 30 June 2017 | | |
|--|----------------|---------------|
| | TL | FC |
| Interest income received from loans ⁽¹⁾ | | |
| Short Term Loans | 78,032 | 2,090 |
| Medium and Long Term Loans | 79,469 | 62,363 |
| Loans Under Follow-Up | 979 | - |
| Source Utilization Support Fund | - | - |
| Total | 158,480 | 64,453 |

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

b) Information on interest income received from banks:

| 30 June 2018 | | |
|-----------------------------------|------------|--------------|
| | TL | FC |
| From Domestic Banks | 504 | 2,259 |
| From Foreign Banks | - | 592 |
| From Foreign Branches and Offices | - | - |
| Total | 504 | 2,851 |

| 30 June 2017 | | |
|-------------------------------|-----------|--------------|
| | TL | FC |
| From Domestic Banks | 36 | 1,502 |
| From Foreign Banks | 1 | 190 |
| From Foreign Branches Offices | - | - |
| Total | 37 | 1,692 |

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

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

III. Information and Disclosures Related to Consolidated Income Statement (Continued)

1. Interest income (continued):

c) Information on interest income received from securities portfolio:

| | 30 June 2018 | |
|---|---------------|---------------|
| | TL | FC |
| Financial Assets At Fair Value Through Profit Or Loss | - | - |
| Financial Assets at Fair Value Through Other Comprehensive Income | 69,122 | 30,652 |
| Financial Assets Measured at Amortized Cost | 19,389 | 8,935 |
| Total | 88,511 | 39,587 |

| | 30 June 2017 | |
|---|---------------|---------------|
| | TL | FC |
| Trading Securities | - | - |
| Financial Assets at Fair Value Through Profit or Loss | - | - |
| Investment Securities Available-for-Sale | 67,831 | 27,084 |
| Investment Securities Held-to-Maturity | 8,707 | 6,921 |
| Total | 76,538 | 34,005 |

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

2. Interest expense:

a) Information on interest expense related to funds borrowed:

| | 30 June 2018 | |
|-------------------------------------|---------------|---------------|
| | TL | FC |
| Banks ⁽¹⁾ | 21,487 | 88,086 |
| Central Bank of Turkey | - | - |
| Domestic Banks | 126 | 75 |
| Foreign Banks | 21,361 | 88,011 |
| Foreign Branches and offices abroad | - | - |
| Other Institutions | - | - |
| Total | 21,487 | 88,086 |

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

| | 30 June 2017 | |
|------------------------|--------------|---------------|
| | TL | FC |
| Banks ⁽¹⁾ | 345 | 47,102 |
| Central Bank of Turkey | - | - |
| Domestic Banks | 332 | 44 |
| Foreign Banks | 13 | 47,058 |
| Foreign Branches | - | - |
| Other Institutions | - | - |
| Total | 345 | 47,102 |

⁽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 PERIOD ENDED 30 JUNE 2018

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

III. Information and Disclosures Related to Consolidated Income Statement (Continued)

- b) Information on interest expense paid to associates and subsidiaries: None.
- 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.

| 30 June 2018 | 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 | - | 1 | - | - | - | - | - | 1 |
| Saving Deposits | - | 1,288 | 89,156 | 2,757 | 143 | 1 | - | 93,345 |
| Public Sector Deposits | - | - | - | - | - | - | - | - |
| Commercial Deposits | - | 3,233 | 22,632 | 29 | - | 1 | - | 25,895 |
| Other Deposits | - | 7 | 739 | 1 | 2 | 1 | - | 750 |
| Total Turkish Lira | - | 4,529 | 112,527 | 2,787 | 145 | 3 | - | 119,991 |
| Foreign Currency | | | | | | | | |
| Foreign Currency Deposits | - | 343 | 36,092 | 758 | 91 | 56 | - | 37,340 |
| Bank Deposits | - | 51 | - | - | - | - | - | 51 |
| Precious Metal Deposits | - | - | - | - | - | - | - | - |
| Total Foreign Currency | - | 394 | 36,092 | 758 | 91 | 56 | - | 37,391 |
| Grand Total | - | 4,923 | 148,619 | 3,545 | 236 | 59 | - | 157,382 |

| 30 June 2017 | Time Deposits | | | | | | | |
|-------------------------------|-----------------|---------------|----------------|----------------|--------------|-----------------|---------------------|---------------|
| | 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 | - | 57 | - | - | - | - | - | 57 |
| Saving Deposits | - | 592 | 57,658 | 26 | 16 | 4 | - | 58,296 |
| Public Sector Deposits | - | - | - | - | - | - | - | - |
| Commercial Deposits | - | 2,448 | 15,451 | - | - | - | - | 17,899 |
| Other Deposits | - | 3 | 464 | 1 | 2 | - | - | 470 |
| Total Turkish Lira | - | 3,100 | 73,573 | 27 | 18 | 4 | - | 76,722 |
| Foreign Currency | | | | | | | | |
| Foreign Currency Deposits | - | 25 | 13,785 | 62 | 77 | 39 | - | 13,988 |
| Bank Deposits | - | 6 | - | - | - | - | - | 6 |
| Precious Metal Deposits | - | - | - | - | - | - | - | - |
| Total Foreign Currency | - | 31 | 13,785 | 62 | 77 | 39 | - | 13,994 |
| Grand Total | - | 3,131 | 87,358 | 89 | 95 | 43 | - | 90,716 |

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018**

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

III. Information and Disclosures Related to Consolidated Income Statement (Continued)**3. Trading income / loss (net):**

| | 30 June 2018 |
|-------------------------|---------------------|
| Profit | 360,194 |
| Capital Market Gains | 4,847 |
| Derivative Gains | 198,676 |
| Foreign Exchange Gains | 156,671 |
| Loss (-) | 385,466 |
| Capital Market Losses | - |
| Derivative Losses | 112,135 |
| Foreign Exchange Losses | 273,331 |

Net profit related to derivative transactions resulting from foreign currency rate changes is amounting to TL 178,967.

| | 30 June 2017 |
|-------------------------|---------------------|
| Profit | 179,601 |
| Capital Market Gains | 4,033 |
| Derivative Gains | 34,801 |
| Foreign Exchange Gains | 140,767 |
| Loss (-) | 195,110 |
| Capital Market Losses | 6 |
| Derivative Losses | 124,546 |
| Foreign Exchange Losses | 70,558 |

Net loss related to derivative transactions resulting from foreign currency rate changes is amounting to TL 68,395.

4. Other operating income:

| | 30 June 2018 |
|--|---------------------|
| Reverse of Prior Year Provision Expenses | 34,832 |
| Collection of Prior Year Provisions | 20,899 |
| Income on Project Appraisal | 7,370 |
| Other Income | 9,241 |
| Total | 72,342 |

| | 30 June 2017 |
|-------------------------------------|---------------------|
| Collection of Prior Year Provisions | 6,062 |
| Other Income | 3,983 |
| Total | 10,045 |

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

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

III. Information and Disclosures Related to Consolidated Income Statement (Continued)

5. Impairment on loans and other receivables:

| | 30 June 2018 |
|---|---------------|
| Allowance for expected credit losses | 43,519 |
| 12-Month expected credit losses (Stage 1) | 5,627 |
| Significant increase in credit risk (Stage 2) | 550 |
| Credit-Impaired (Stage 3) | 37,342 |
| Impairment provisions for financial assets | 9,297 |
| Financial assets at fair value through profit or loss | 4 |
| Financial assets at fair value through other comprehensive income | 9,293 |
| Impairment provisions related to investments in associates, subsidiaries and jointly controlled partnerships (Joint ventures) | - |
| Investments in associates | - |
| Subsidiaries | - |
| Jointly controlled partnerships (joint ventures) | - |
| Other | 940 |
| Total | 53,756 |
| | |
| | 30 June 2017 |
| Specific Provisions on Loans and Other Receivables | 5,187 |
| Loans and Receivables in Group III | 233 |
| Loans and Receivables in Group IV | 1,216 |
| Loans and Receivables in Group V | 3,738 |
| General Provision Expenses | 16,301 |
| Provision for Possible Losses | - |
| Impairment Losses on Securities: | 5,197 |
| Trading securities | - |
| Investment Securities Available-for-Sale | 5,197 |
| Other Impairment Losses: | 496 |
| Associates | - |
| Subsidiaries | - |
| Joint Ventures | - |
| Investment Securities Held-to-Maturity | 496 |
| Other ⁽¹⁾ | 1,994 |
| Total | 29,175 |

⁽¹⁾ Consists of provision for lawsuits filed against the Group and other provision expense.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

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

III. Information and Disclosures Related to Consolidated Income Statement (Continued)

6. Information related to other operational expenses:

| | 30 June 2018 |
|--|----------------|
| Personnel Expenses ⁽²⁾ | 74,471 |
| Reserve for Employee Termination Indemnities and Vacation Pay | 400 |
| Reserve for Bank's Social Aid Fund Deficit | - |
| Impairment of Tangible Assets | - |
| Depreciation Expenses of Tangible Assets | 3,452 |
| Impairment of Intangible Assets | - |
| Impairment of Goodwill | - |
| Amortization Expenses of Intangible Assets | 1,128 |
| Impairment of Investments in Associates | - |
| Impairment of Assets to be Disposed of | - |
| Depreciation of Assets to be Disposed of | 222 |
| Impairment of Assets Held for Sale and Discontinued Operations | - |
| Other Operating Expenses | 29,946 |
| Operational Leases | 13,507 |
| Repair and Maintenance | 3,438 |
| Advertising | 70 |
| Other Expenses | 12,931 |
| Loss on Sale of Assets | - |
| Other ⁽¹⁾ | 25,657 |
| Total | 135,276 |

(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.

| | 30 June 2017 |
|--|----------------|
| Personnel Expenses | 59,848 |
| Reserve for Employee Termination Indemnities and Vacation Pay | 1,692 |
| Reserve for Bank's Social Aid Fund Deficit | - |
| Impairment of Tangible Assets | - |
| Depreciation Expenses of Tangible Assets | 2,459 |
| Impairment of Intangible Assets | - |
| Impairment of Goodwill | - |
| Amortization Expenses of Intangible Assets | 538 |
| Impairment of Investments in Associates | - |
| Impairment of Assets to be Disposed of | - |
| Depreciation of Assets to be Disposed of | 30 |
| Impairment of Assets Held for Sale and Discontinued Operations | - |
| Other Operating Expenses | 29,851 |
| Operational Leases | 12,519 |
| Repair and Maintenance | 3,206 |
| Advertising | 101 |
| Other Expenses | 14,025 |
| Loss on Sale of Assets | - |
| Other ⁽¹⁾ | 14,361 |
| Total | 108,779 |

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

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

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

III. Information and Disclosures Related to Consolidated Income Statement (Continued)

7. Profit / loss before taxes for continued and discontinued operations:

Profit before taxes for continued operations is TL 102,919 (30 June 2017: TL 66,306 profit before tax). Profit before taxes consists of net interest income amounting to TL 215,391 (30 June 2017: TL 181,486), net fees and commission income amounting to TL 29,489 (30 June 2017: TL 28,230) and other operating expenses amounting to TL 60,805 (30 June 2017: TL 108,779).

8. Taxes on income from continued and discontinued operations:

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

Current tax expenses belonging to period ending on 30 June 2018 is TL 19,863 (2017: TL 23,645).

There is a deferred tax expense on 30 June 2018 amounting to TL 9,317 (2017 - TL 5,054 deferred tax income).

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

For the period ended 30 June 2018, the deferred tax expense arising from the origination of temporary differences amounts TL 9,317 (30 June 2017: TL 5,054 deferred tax income).

Additionally, for the period ended 30 June 2018, the current tax effect amounting to TL 5,559 and deferred tax effect amounting to TL 10,884, on an aggregate TL 16,443 tax effect (2017: total TL 724 current and TL (5,512) is deferred tax effect total TL (4,788)) which are related to transactions recognized under equity is accounted for under equity accounts).

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

For the period ended 30 June 2018, the deferred tax expense arising from the origination of temporary differences amounts TL 9,317 (2017: 5,054 deferred tax income). There is no deferred tax income from financial loss in period ending on 30 June 2018 (2017: None).

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

Net profit from continued operations is TL 73,739 (30 June 2017: TL 47,715 net profit).

10. Information on net profit and loss:

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

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

11. Information related to the components of other items in the income statement exceeding 10% of the group total, or 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 PERIOD ENDED 30 JUNE 2018**

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

IV. Information and Disclosures Related to Consolidated off-Balance Sheet Items**1. Disclosures related to other contingent liabilities:****a) Type and amount of irrevocable commitments:**

| | 30 June 2018 |
|---|---------------------|
| Forward deposit purchase and sale commitments | 3,215 |
| Commitment for use guaranteed credit allocation | 30,679 |
| Credit cards limit commitments | 70,061 |
| Payment commitments for cheques | 82,363 |
| Credit card commitments given with applications for promotion | 190 |
| Tax and fund obligations arising from export commitments | 3 |
| Other irrevocable commitments | 12,250 |
| Total | 198,761 |

| | 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 cheques | 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.

| | 30 June 2018 |
|-----------------------|---------------------|
| Letter of guarantee | 1,911,404 |
| Bank acceptance loans | - |
| Letter of credits | 273,032 |
| Other guarantees | 99,393 |
| Total | 2,283,829 |

| | 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 PERIOD ENDED 30 JUNE 2018**

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

IV. Information and Disclosures Related to Consolidated off-Balance Sheet Items (Continued)**1. Disclosures related to other contingent liabilities (continued):****c) Non-cash loans:**

| | 30 June 2018 |
|--|-------------------------|
| Non-Cash Loans Given for Cash Loan Risks | 257,245 |
| With Original Maturity of 1 Year or Less | 182,456 |
| With Original Maturity of More Than 1 Year | 74,789 |
| Other Non-Cash Loans | 2,026,584 |
| Total | 2,283,829 |
| <hr/> | |
| | 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 |

2. Information on fiduciary services rendered on behalf of third parties:

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 PERIOD ENDED 30 JUNE 2018

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

V. Information and Disclosures Related to 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) Current Period:

| Parent Bank's Risk Group ⁽¹⁾ | Associates and Subsidiaries | | 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 | - | - | 6,681 | 318,399 | 136 | - |
| Interest and Commission Income Received | - | - | 1,658 | - | - | - |

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

The Parent Bank has TL 76,173 placements in its risk group banks as at 30 June 2018 (31 December 2017: TL 5,951). Also the Parent Bank has TL 112 irrevocable commitment in its risk group as at 30 June 2018 (31 December 2017: TL 122).

b) Prior Period:

| Parent Bank's Risk Group ⁽¹⁾ | Associates and Subsidiaries | | 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 | Associates and Subsidiaries | Bank's Direct and Indirect Shareholders | Other Components in Risk Group |
|---|-----------------------------|---|--------------------------------|
| Parent Bank's Risk Group ⁽¹⁾ | | | |
| Balance at the beginning of the Period | - | 70,367 | 519 |
| Balance at the End of the Period | 926 | 70,214 | 697 |
| Interest on Deposits | - | - | 14 |

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

| Prior Period | Associates and Subsidiaries | Bank's Direct and Indirect Shareholders | Other Components in Risk Group |
|---|-----------------------------|---|--------------------------------|
| Parent Bank's Risk Group ⁽¹⁾ | | | |
| Balance at the beginning of the Period | - | 450,896 | 1,321 |
| Balance at the End of the Period | - | 70,367 | 519 |
| Interest on Deposits | - | - | 19 |

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

The Parent Bank has borrowed loans from the Parent Bank's Risk Group amounting TL 5,624,199 as at 30 June 2018 (31 December 2017 : TL 4,461,325).

d) Information on forward transactions and option agreements and similar other agreements related with the Parent Bank's risk group 30 June 2018: None (31 December 2017: None).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

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

V. Information and Disclosures Related to the Parent Bank’s Risk Group (Continued)

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

- a) 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 30 June 2018, proportion of cash loans to risk group in total cash loans is 0.1% (31 December 2017: 7.1%) and proportion of deposits from its risk group in total deposits is 2.1% (31 December 2017: 2.1%). Proportion of borrowings from its risk group in total funds borrowed is 95.9% (31 December 2017: 63.8%).

In the prior period, the Group’s other commission income from risk group is amounting TL 1.

In the current period, benefits provided to the Group’s key management amount to TL 8,458 (2017: TL 7,342).

VI. Information and disclosure related to subsequent events

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

Due to the appointment of Mr. Xiangyang GAO, who has been General Manager and member of Board of Directors, as the Chairman of Board of Directors, Mr. Yubao Chen has been appointed as Deputy General Manager until the appointment of the new general manager.

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

Jinhong Li has been appointed as the Deputy General Manager, Assistant General Manager Responsible for Operations and Legal Consultancy Group on 25 July 2018.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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SECTION SIX

Explanations on the Auditors’ Review Report

I. Explanations on the auditors’ review report

The consolidated financial statements of the Parent Bank and its subsidiary as at and for the six-month period ended 30 June 2018 have been reviewed by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (the Turkish member of KPMG International Cooperative, a Swiss entity) and the Auditors’ Review Report dated 9 August 2018 is presented in the introduction of this report.

II. Information and disclosures prepared by the independent auditors

None.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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SECTION SEVEN

INTERIM ACTIVITY REPORT

I. Statement of Responsibility Prepared Pursuant to Article 9 of the Communiqué no. II-14.1 of The Capital Markets Board

The consolidated financial statements and consolidated annual report of our Bank “ICBC Turkey Bank A.Ş.” as at 30 June 2018 are examined by us.

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

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

Best Regards,

GAO XIANGYANG
Chairman of the Board of Directors

WANG YING
Member of the Board of Directors and
Audit Committee

CHEN YUBAO
General Manager (On Behalf of), Member of Board
of Directors and Deputy General Manager
Responsible for Financial Control Group

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

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

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

II. General Information

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

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

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

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

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

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

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

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

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

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

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

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

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

II. General Information (Continued)

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

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

2. Capital and Shareholder Structure

Following is the shareholder structure of the Bank as at 30 June 2018;

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

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

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

3. Amendments in Articles of Association During the Period

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

4. Chairman and the Member of the Board of Directors

| Name and Surname | Position and Areas of Responsibility |
|------------------------------|--|
| Gao Xiangyang ⁽¹⁾ | Chairman of the Board of Directors, Member of Credit Committee |
| Chen Yubao ⁽²⁾ | General Manager (On Behalf of), Member of the Board of Directors, Deputy General Manager Responsible for Financial Control Group, Vice President of the Credit |
| Liu Peiguo ⁽³⁾ | Chairman of the Audit Committee, Member of the Board of Directors and Member of Credit Committee |
| Jinhong Li ⁽⁴⁾ | Deputy General Manager, Assistant General Manager Responsible for Operations and Legal Consultancy Group |
| Wang Ying | Independent Member of Board of Directors, Member of the Audit Committee, Chairman of the Remuneration Committee and Substitute Member of the Credit Committee |
| Mehmet Hilmi Güler | Independent Member of Board of Directors, Chairman of the Corporate Governance Committee |

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

⁽²⁾ Due to the appointment of Mr. Xiangyang GAO, who has been General Manager and member of Board of Directors, as the Chairman of Board of Directors, Mr. Yubao Chen has been appointed as Deputy General Manager until the appointment of the new general manager.

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

⁽⁴⁾ Jinhong Li has been appointed as the Deputy General Manager, Assistant General Manager Responsible for Operations and Legal Consultancy Group on 25 July 2018.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

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

II. General Information (Continued)

5. General Manager and Assistant General Managers

| Name and Surname | Position and Areas of Responsibility |
|---------------------------|---|
| Chen Yubao ⁽²⁾ | General Manager (On Behalf of) – Assistant General Manager - Financial Affairs Group |
| Jinhong Li ⁽⁴⁾ | Deputy General Manager – Assistant General Manager - Operations and Legal Consultancy Group |
| Hüseyin H.İmece | Assistant General Manager -Treasury and Investor Relations Group |
| Başbuğ Y. Samancıoğlu | Assistant General Manager -Corporate and Commercial Banking Group |
| Bozok Evrenosoğlu | Assistant General Manager -Loans Group |
| D.Halit Döver | Assistant General Manager -International Relations |
| Kadir Karakurum | Assistant General Manager -Retail Banking Group |

⁽²⁾ Due to the appointment of Mr. Xiangyang GAO, who has been General Manager and member of Board of Directors, as the Chairman of Board of Directors, Mr. Yubao Chen has been appointed as Deputy General Manager until the appointment of the new general manager.

⁽⁴⁾ Jinhong Li has been appointed as the Deputy General Manager, Assistant General Manager Responsible for Operations and Legal Consultancy Group on 25 July 2018.

6. Information Regarding the Subsidiaries and Affiliates

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

ICBC Turkey Yatırım Menkul Değerler A.Ş. was incorporated in 1996 in Istanbul. The Company conducts capital market transactions within the scope of the Capital Markets Law and the related legislation provisions. ICBC Yatırım acts as an intermediary in providing capital markets products and offers alternatives in investment funds with different risk and return categories and portfolio management services. It creates financing solutions for its corporate customers by issuance of private sector bonds and commercial papers and prepares the ground for the investors and the corporations to meet through the IPO operations. ICBC Turkey Yatırım, providing daily and weekly reports and stock analyses for its customers prepared by its experienced research team, helps a wider range of customers via 21 branches.

III. Financial Information and Evaluations

1. Consolidated Financial Figures:

| Financial Figures (TL Million) | 30 June 2018 | 31 December 2017 | % |
|--------------------------------|--------------|------------------|-----|
| Total Assets | 14,572 | 13,316 | 9% |
| Deposits ⁽¹⁾ | 5,561 | 3,274 | 70% |
| Loans | 8,497 | 7,681 | 11% |
| Shareholders' Equity | 1,168 | 1,112 | 5% |
| Profit / (Loss) | 73.7 | 48.3 | 53% |

| Financial Ratios % | 30 June 2018 | 31 December 2017 | % |
|------------------------|--------------|------------------|------|
| Return on Assets | 1.1 | 0.4 | 137% |
| Return on Equity | 12.9 | 5.6 | 130% |
| Capital Adequacy Ratio | 12.3 | 13.9 | -11% |
| Loans/ Total Assets | 58.3 | 57.7 | 1% |
| Deposits/ Total Assets | 38.2 | 24.6 | 55% |
| NPL Ratio | 1.1 | 1.2 | -10% |

Five Years Summary Financial Information (consolidated):

| TL Thousand | 30 June 2018 | 31 December 2017 | 31 December 2016 | 31 December 2015 | 31 December 2014 |
|-------------------------------|--------------|------------------|------------------|------------------|------------------|
| Total Assets | 14,571,867 | 13,315,560 | 8,308,619 | 6,670,222 | 3,664,377 |
| Total Deposits ⁽¹⁾ | 5,560,853 | 3,273,860 | 2,850,077 | 2,134,512 | 2,342,233 |
| Total Loans | 8,496,795 | 7,680,821 | 5,098,106 | 4,150,620 | 2,812,918 |
| Shareholders' Equity | 1,167,561 | 1,112,294 | 607,007 | 597,194 | 620,136 |
| Profit/ (Loss) | 73,739 | 48,283 | 18,749 | (13,542) | 12,760 |

⁽¹⁾ Excluding bank deposits.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

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

III. Financial Information and Evaluations (Continued)

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

Turkey has caught the fastest economical growth among G-20 countries in 2017, continues to fast growing trend along the first quarter of 2018. In the recent period, as Turkey’s potential growing ratio is above on economical growth, caused fast increase on current deficit and inflation rates. Increased geopolitical risks among global markets, expectation of tightening monetary policy step taken by FED and ECB, caused rising volatility on developing countries included Turkey. In the forthcoming period, Turkey may expect improve investment environment and attend to high income countries’ group with producing sustainable policies and focusing on structural reforms while providing growth rate moderation to potential rate.

In the second quarter, ICBC Turkey has successfully implemented the globalization strategy in line with the ICBC Group’s strategic principle of “basing ourselves on local areas, influencing surrounding areas and connecting Europe and Asia”. ICBC Turkey’s business readjustment and internal control applications have been strengthened continuously and the upward tendency in the Bank’s core business has continued. As of June-end, the asset size of ICBC Turkey exceeded US\$12 bn and consolidated net profit of US\$24.1.mn has been achieved, while non-performing loan continued to decline and NPL ratio was 1.3%, below the market average. In the meantime, ICBC Turkey has achieved success in marketing aimed at high quality and large clients and large projects.

In the complex business environment we experience today, where the exchange rates, interests, credit and liquidity risks are rising; ICBC Turkey place great importance on risk analysis and risk scenarios. Due to the requirement of a stricter risk control, our Bank shall further develop internal audit and risk management. In 2018, ICBC Turkey targets to increase its business volume, profitability per person and per sales point, also by the support of capital increase. ICBC Turkey shall put efforts to increase its ranking among other overseas institutions of ICBC and the increase competitive capacity of the Bank in the local sector.

Sincerely yours,

GAO XIANGYANG

Chairman of the Board of Directors

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

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

III. Financial Information and Evaluations (Continued)

3. Letter from the General Manager

Esteemed shareholders of our Bank,

We are delighted to report to you on the Bank’s operating results for the second quarter of 2018. In the first six months, operating income of ICBC Turkey achieved 102.9 million TL. After tax and credit provisions, our Bank’s consolidated net profit achieved 73.7 million TL, representing the high profitability continuing after the rapid growth in 2017. Profitability is the final result and comprehensive reflection of operation and management, and its improvement mainly comes from four aspects.

First, the effect of transformational innovation. With regards to credit pricing, we have stated to implement the working principles of our ICBC Group, at our local market and thereby, we have developed the credit pricing management level and updated the credit structure. The optimization of credit structure has brought the stable income for the Bank, maintain the low risk at the same time.

Second, the effect of quality improvement. After the acquisition process is completed, internal working principles of the Bank relating to credit management have been considered in order to bring order to the asset quality. Due to priority given to risk management and asset quality, the ratio of credits in follow-up process, which has fallen down to 1.11% level, 1.90% lower than banking sector average level.

Third, the effect of business development. After the acquisition process is completed, we have quickly grown both at local market and international market. At June end of 2018, as ICBC Turkey, our consolidated asset size has reached 14.6 billion TL, which is equivalent to 3.2 billion USD. On consolidated basis, the credits have reached to 8.5 billion TL, which equivalent to 1.8 billion USD. Consolidated securities of the Bank have increased by 21.3% compared to the end of 2017 and have reached the amount of 3.0 billion TL.

Forth, the effect of management and strategy. To ensure that ICBC culture can be felt in every area, an intense work schedule has been launched by our local organization. In order to achieve healthy growth of our Bank and a smooth cultural transition and integration, we have put our maximum efforts. At the point we have reached, we can indicate that we have covered long distances and completed the integration successfully. According to our strategy, it is among our targets to support the local customers and their projects, strengthen business relationships with the neighbouring countries by enlarging the Turkish market, bridge Asia and Europe through our customers, strengthen our regional services and expand our marketing activities within the context of “Belt and Road Initiatives” and “Intermediate Corridor Plan”. In this context, we have completed 2018 Q2, with healthy and rapid growth for all lines of business.

2018 is the year of challenge, as well as inspiration and hope. ICBC Turkey shall forever maintain the original commitment and craftsmanship to continuously offer our customers with a broader range of products, to provide service in higher quality. ICBC Turkey shall uphold the “fighter + doer” spirit, to create value for the local economy, for our investors, customers and also valuable staff.

Sincerely yours,

CHEN YUBAO

General Manager (Deputy)

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018**

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

III. Financial Information and Evaluations (Continued)**4. Evaluation of the Bank's Position in the Sector ⁽¹⁾:**

Based on the comparison of the Bank's position in sector with data in "Daily Banking Sector Report" (as at December 2017 and June 2018) announced by Banking Regulation and Supervision Agency (BRSA);

- Cash and Balances with CBRT increased in the sector by 6.3%, at bank increased by 17.2%.
- Securities increased in the sector by 8.2%, at bank increased by 22.1%.
- Loans increased by 12.5%, at bank increased by 11.3%.
- NPLs (gross) increased by 13.9 %, at bank decreased by 0.7%.
- Total deposits of the sector increased by 12.3% and total deposits of bank increased by 69.2% (included bank deposits)
- Total non-cash loans of the sector increased by 15.6%, bank's total non-cash loans increased by 27.6%.

| TL Million | 30 June 2018 | | 31 December 2017 | | Change % | |
|-----------------------------|----------------|------------------|------------------|------------------|----------------|--------------|
| | ICBC Turkey | Sector | ICBC Turkey | Sector | ICBC Turkey | Sector |
| Cash and Balances with CBRT | 1,583 | 147,679 | 1,350 | 138,866 | 17.2% | 6.3% |
| Placement to Banks | 659 | 109,034 | 1,214 | 87,405 | -45.7% | 24.7% |
| Securities Portfolio | 3,031 | 434,238 | 2,482 | 401,256 | 22.1% | 8.2% |
| Loans | 8,469 | 2,385,871 | 7,606 | 2,121,328 | 11.3% | 12.5% |
| Loans (including NPL) | 8,456 | 2,406,416 | 7,631 | 2,134,607 | 10.8% | 12.7% |
| NPL (Gross) | 96 | 72,481 | 96 | 63,645 | -0.7% | 13.9% |
| Provisions for NPLs | 108 | 51,936 | 72 | 50,365 | 50.1% | 3.1% |
| Total Deposits and Funds | 5,682 | 2,023,121 | 3,359 | 1,801,509 | 69.2% | 12.3% |
| Non-cash Loans | 2,284 | 761,378 | 1,789 | 658,386 | 27.6% | 15.6% |
| Total Assets | 13,977 | 3,671,537 | 12,888 | 3,257,842 | 8% | 12.7% |

Note: Data were obtained from the BRSA's interactive monthly report of banking sector dated 20 July 2018. Sectors' total assets are dated as at June 2018.

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018**

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

III. Financial Information and Evaluations (Continued)**4. Evaluation of the Bank's Position in the Sector ⁽¹⁾ (continued):**

| Comparison of Sector | 30 June 2018 | | 31 December 2017 | | Change % | |
|----------------------------------|----------------|--------|------------------|--------|----------------|--------|
| | ICBC Turkey | Sector | ICBC Turkey | Sector | ICBC Turkey | Sector |
| Total Loans/Total Assets | 61% | 65% | 59% | 65% | 2.7% | -0.2% |
| Total Deposits/Total Liabilities | 41% | 55% | 26% | 55% | 56.0% | -0.4% |
| Securities/ Total Assets | 22% | 12% | 19% | 12% | 12.6% | -4.0% |
| NPL Ratio | 1% | 3% | 1% | 3% | -10.7% | 1.2% |
| Liquid Values/ Total Assets | 16% | 7% | 20% | 7% | -19.4% | 0.7% |
| Non-cash Loans/ Total Cash Loans | 27% | 32% | 23% | 31% | 15.2% | 2.6% |

⁽¹⁾ Evaluations are given on non-consolidated basis.**5. Explanations related to The Bank's Financial Situation, Profitability and Solvency:**

According to Bank's consolidated financial statements as at June 2018 prepared in accordance with the regulations of Banking Regulation and Supervision Agency;

- Consolidated total assets reached TL 14.6 billion.
- Total consolidated loans reached TL 8.5 billion and its share in balance sheet is 58%.
- Total consolidated deposits are TL 5.6 billion.
- Consolidated deposits' share (excluded bank deposits) in consolidated total assets is 38%.
- Consolidated net profit of the first six-month of 2018 is realized as TL 73.7 million.
- Consolidated return on assets were 0.4% at the end of 2017, this period it increased to 1.1%. At the same time, consolidated return on equity increased to 12.9% whereas it was 5.6% at the end of 2017.
- Consolidated capital adequacy ratio is realized as 12.3%.

6. Explanations about Bank's Credit Ratings

International Credit Rating Agency, Fitch Ratings confirmed the outlook rating of ICBC Turkey Bank as "Stable" as at 19 February 2018.

| International Rating Institution- Fitch Ratings | |
|--|----------|
| Long-term foreign currency and credit notes denominated in TL | BBB- |
| National long-term credit rating | AAA(tur) |
| Short-term foreign currency and credit notes denominated in TL | F3 |
| Support rating | 2 |
| Outlook | Stable |

IV. Information About Transactions of Bank with Risk Group

Bank's relations with risk group covers all kind of banking transactions in accordance with Banking Law, within the framework of normal bank-customer relationship and market conditions. Detailed explanations in these transactions are at 5th part and V. footnote of "Consolidated Financial Statements to Be Announced to Public and Related Explanations and Footnotes with Auditors' Review Report as at 30 June 2018".

V. Information Related to Risk Management Policies Applied According to Risk Types

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

ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018**

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

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

The information below is related to the donations as at 30 June 2018:

| Institutions (full-TL) | Amount (TL) |
|-------------------------------|--------------------|
| Türk Eğitim Vakfı | 650 |
| Total | 650 |

VII. Consolidated Auditors’ Review Report

ICBC Turkey’s all material disclosures to BIST, Consolidated Financial Statements, Explanations and Footnotes Related Thereon and the Auditors’ Review Report for the six-month period ended at 30 June 2018 are published under the “Financial Information” heading in the “Investor Relations” section of the Bank’s website addressed www.icbc.com.tr.