

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

## **ICBC Turkey Bank Anonim Şirketi**

**Consolidated Financial Statements  
As at and For the Year Ended  
31 December 2017**

With Independent Auditors' Report Thereon

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

28 February 2018

*This report includes "Independent Auditors' Report"  
comprising 4 pages and; "Consolidated Financial  
Statements and Related Disclosures and Footnotes"  
comprising 90 pages.*



KPMG Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.  
İş Kuleleri Kule 3 Kat:2-9  
Levent 34330 İstanbul  
Tel +90 212 316 6000  
Fax +90 212 316 6060  
www.kpmg.com.tr

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

To the Board of Directors of ICBC Turkey Bank A.Ş.

**A) Report on the Consolidated Financial Statements**

*Opinion*

We have audited the accompanying consolidated financial statements of ICBC Turkey Bank A.Ş. ("the Bank") and its consolidated subsidiaries (collectively referred to as "the Group") which comprise the consolidated balance sheet as at 31 December 2017, and the consolidated income statement, consolidated statement of income and expense items recognized under equity, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of ICBC Turkey Bank A.Ş. as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the "Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation" which includes the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No. 26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and requirements of Turkish Accounting Standards for the matters not regulated by the aforementioned legislations.

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



### *Key Audit Matters*

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

Refer to Section III, Note: VIII to the consolidated financial statements relating to the details of accounting policies and significant judgments for impairment loans.

<i>Key audit matter</i>	<i>How the matter is addressed in our audit</i>
<p>As at 31 December 2017, loans comprise 58% of the Group's total assets.</p> <p>The Group recognizes its loans in accordance with the BRSA Accounting and Financial Reporting Legislation. Identification of loan loss provisions are based on management's subjective judgements, as well as objective criteria. Due to use of judgements, there is a risk that impaired loans and loan loss provisions cannot be identified accurately.</p>	<p>Our audit procedures for testing loan loss provisions include below:</p> <p>Design and operating effectiveness of the controls on lending, allocation, collection, follow-up and impairment procedures have been tested.</p> <p>Audit work has focused, pursuant to materiality level, on identification of impaired loans, appropriateness of the provisions in accordance with the BRSA Accounting and Financial Reporting Legislation, value of collaterals and collection ability of the Group.</p> <p>Additionally, the sufficiency of financial statement disclosures related to impairment provisions have been assessed.</p>

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

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

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

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



### *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

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

As part of an audit in accordance with BRSA Auditing Regulation and TSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

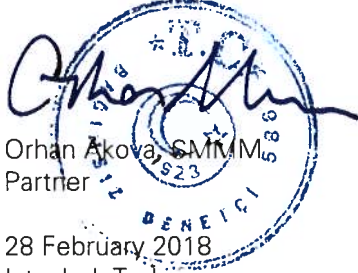
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law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



#### B) Report on Other Legal and Regulatory Requirements

- 1) Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code ("TCC") No. 6102; no significant matter has come to our attention that causes us to believe that the Group's bookkeeping activities for the period 1 January - 31 December 2017 are not in compliance with TCC and provisions of the Bank's articles of association in relation to financial reporting.
- 2) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

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



Orhan Akova, SMMM,  
Partner

28 February 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.**  
**CONSOLIDATED FINANCIAL REPORT AS OF 31 DECEMBER 2017**

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](http://www.icbc.com.tr)  
E-mail : [info@icbc.com.tr](mailto:info@icbc.com.tr)

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

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

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

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

Xu Keen	Wang Ying	Gao Xiangyang	Chen Yubao	He Yafeng
Chairman of Board of Directors and Audit Committee	Member of Board of Directors and Audit Committee	Chief Executive Officer and Member of Board of Directors	Deputy General Manager Responsible for Financial Reporting	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

**SECTION ONE**  
**General Information**

I.	Parent Bank's date of establishment, beginning statute, its history including changes on its statute	1
II.	Capital structure, shareholders controlling the management and supervision of the Parent Bank directly or indirectly, and, if exists, changes on these issues and the Group that the Parent Bank belongs to and information about the persons and institutions that have qualified shares in the Parent Bank	1
III.	Information related to president and members of the Board of Directors, audit committee members, general manager and executive vice presidents, and if exists, changes in these positions and Parent Bank's shares they hold	2
IV.	Type of services provided and the areas of operations of the Parent Bank	2
V.	Differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards and short explanation about the institutions subject to line-by-line method or proportional consolidation and institutions which are deducted from equity or not included in these three methods	3
VI.	The existing or potential, actual or legal obstacle on the transfer of shareholder's equity between the Parent Bank and its subsidiaries or the reimbursement of liabilities	3
VII.	Other information	3

**SECTION TWO**  
**Consolidated Financial Statements**

I.	Consolidated balance sheet (Statement of financial position)	4
II.	Consolidated statement of off-balance sheet items	6
III.	Consolidated income statement	7
IV.	Consolidated statement of income and expenses recognized under equity	8
V.	Consolidated statement of changes in shareholders' equity	9
VI.	Consolidated statement of cash flows	11
VII.	Parent bank statement of profit distribution table	12

**SECTION THREE**  
**Accounting Policies**

I.	Basis of presentation	13
II.	Strategy for the use of financial instruments and the foreign currency operations	14
III.	Presentation of information regarding consolidated subsidiaries and associates	14
IV.	Forward transactions, options and derivative instruments	15
V.	Interest income and expense	15
VI.	Fees and commissions	16
VII.	Financial assets	16
VIII.	Impairment of financial assets	17
IX.	Offsetting financial instruments	17
X.	Sale and repurchase agreements and transactions related to the lending of securities	17
XI.	Assets held for sale and discontinued operations	17
XII.	Goodwill and other intangible assets	18
XIII.	Tangible assets	18
XIV.	Leasing activities	18
XV.	Provisions and contingencies	19
XVI.	Contingent assets	19
XVII.	Obligations concerning employee rights	19
XVIII.	Taxation	19
XIX.	Additional explanations on borrowings	20
XX.	Issued stock	20
XXI.	Acceptances	21
XXII.	Government grants	21
XXIII.	Reserves and profit distribution	21
XXIV.	Related parties	21
XXV.	Cash and cash equivalents	21
XXVI.	Segment reporting	21
XXVII.	Reclassifications	21
XXVIII.	Other disclosures	21

**SECTION FOUR**  
**Consolidated Financial Structure and Risk Management**

I.	Explanations on consolidated equity	23
II.	Consolidated credit risk	31
III.	Consolidated operational risk	37
IV.	Consolidated foreign currency exchange rate risk	37
V.	Consolidated interest rate risk	39
VI.	Consolidated liquidity risk	44
VII.	Information regarding consolidated leverage ratio	48
VIII.	Information related to consolidated securitization position risk	48
IX.	Information related to consolidated risk management	48
X.	Presentation of financial assets and liabilities at their fair value	56
XI.	Consolidated segment reporting	58

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

I.	Information and disclosures related to consolidated assets	60
II.	Information and disclosures related to consolidated liabilities	72
III.	Information and disclosures related to consolidated income statement	79
IV.	Information and disclosures related to consolidated off-balance sheet items	84
V.	Information and disclosures related to consolidated statement of changes in shareholders' equity	85
VI.	Information and disclosures related to consolidated cash flow statement	87
VII.	Information and disclosures related to the Parent Bank's risk group	88
VIII.	Information and disclosures related to subsequent events	89

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

I.	Explanations on the independent auditors' report	90
II.	Information and disclosures prepared by the independent auditors	90

## ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(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 on 13 November 2015 as ICBC Turkey Bank A.Ş.

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

The capital of the Parent Bank is TL 860,000 as at 31 December 2017 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 Extraordinary General Assembly meeting of the Bank dated 9 February 2017, the Bank's capital has been 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 by 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 Assembly 5 November 2015, the Parent Bank's trade title has been changed and registered as ICBC Turkey Bank A.Ş. at the Trade Registry Gazette on 13 November 2015.



## ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(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 and Audit Committee:	Xu Keen	Chairman of the Board of Directors and Audit Committee	Graduate
Member of Audit Committee:	Wang Ying	Independent Member of the Board of Directors and Audit Committee	Graduate
Members of the Board of Directors:	Gao Xiangyang	Chief Executive Officer and Member of the Board of Directors	Graduate
	Zheng Jianfeng	Member of the Board of Directors	Graduate
	Liu Peiguo	Member of the Board of Directors	Graduate
	Mehmet Hilmi Güler	Independent Member of Board Of Directors	Graduate
General Manager:	Gao Xiangyang	Chief Executive Officer and Member of the Board of Directors	Graduate
Deputy General Managers:	Chen Yubao	Financial Control Group	Graduate
Asistant 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 <sup>(1)</sup>	President of Inspectors' Group	Under-Graduate

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

<sup>(1)</sup> Başak Kaya who was serving as the President of Inspectors' Group, has resigned from her position in the Parent Bank on 12 October 2017. As of 1 December 2017, Celal Efe Şeran, Head of Retail Loans Allocation Department has been appointed as the Head of Inspectors' Group with the Board resolution as a board member.

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

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

As at 31 December 2017, the Parent Bank has 44 branches close to industrial zones of Turkey. The Parent Bank has 810 employees as at 31 December 2017 (As at 31 December 2016 number of branches was 44, number of employees was 809).

The Parent Bank and its subsidiary, ICBC Turkey Yatırım Menkul Değerler A.Ş. have been consolidated. As at 31 December 2017, ICBC Portföy Yönetimi A.Ş. has been consolidated in ICBC Yatırım by full consolidation method. "ICBC Yatırım", the consolidated subsidiary of the Parent Bank, represents ICBC Portföy and ICBC Yatırım as a whole. The Parent Bank and its subsidiary are referred to as "the Group" as a whole.

## ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

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

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

None.

**VII. Other information**

Bank's Official Title	: ICBC Turkey Bank A.Ş. (Formerly named as Tekstil Bankası A.Ş.)
Reporting Period	: 1 January – 31 December 2017
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 income statement
- IV. Consolidated statement of income and expenses recognized under equity
- V. Consolidated statement of changes in shareholders' equity
- VI. Consolidated statement of cash flows
- VII. Parent Bank statement of profit distribution

**ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY**
**CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)  
AS AT 31 DECEMBER 2017**

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

ASSETS		Footnotes (Section 5)	THOUSANDS OF TURKISH LIRA					
			Audited CURRENT PERIOD 31/12/2017			Audited PRIOR PERIOD 31/12/2016		
			TL	FC	TOTAL	TL	FC	TOTAL
<b>I.</b>	<b>CASH AND BALANCES WITH THE CENTRAL BANK</b>	(5.1.1)	<b>103,390</b>	<b>1,247,081</b>	<b>1,350,471</b>	<b>112,318</b>	<b>1,046,297</b>	<b>1,158,615</b>
<b>II.</b>	<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)</b>	(5.1.2)	<b>30,549</b>	<b>691</b>	<b>31,240</b>	<b>5,723</b>	<b>954</b>	<b>6,677</b>
2.1	Trading Securities		30,549	691	31,240	5,723	954	6,677
2.1.1	Public Sector Debt Securities		-	-	-	-	-	-
2.1.2	Share Certificates		28	-	28	19	-	19
2.1.3	Positive Value of Trading Derivatives		-	691	691	598	954	1,552
2.1.4	Other Securities		30,521	-	30,521	5,106	-	5,106
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		-	-	-	-	-	-
<b>III.</b>	<b>BANKS</b>	(5.1.3)	<b>285</b>	<b>1,604,682</b>	<b>1,604,967</b>	<b>738</b>	<b>220,711</b>	<b>221,449</b>
<b>IV.</b>	<b>INTERBANK MONEY MARKET</b>		<b>9,600</b>	<b>-</b>	<b>9,600</b>	<b>4,763</b>	<b>-</b>	<b>4,763</b>
4.1	Interbank Money Market Placements		-	-	-	-	-	-
4.2	Istanbul Stock Exchange Money Market Placements		9,600	-	9,600	4,763	-	4,763
4.3	Receivables from Reverse Repurchase Agreements		-	-	-	-	-	-
<b>V.</b>	<b>INVESTMENT SECURITIES AVAILABLE FOR SALE (Net)</b>	(5.1.4)	<b>907,478</b>	<b>1,081,532</b>	<b>1,989,010</b>	<b>552,014</b>	<b>986,335</b>	<b>1,538,349</b>
5.1	Share Certificates		160	3,947	4,107	160	2,495	2,655
5.2	Public Sector Debt Securities		907,318	369,973	1,277,291	551,854	339,665	891,519
5.3	Other Securities		-	707,612	707,612	-	644,175	644,175
<b>VI.</b>	<b>LOANS</b>	(5.1.5)	<b>3,731,017</b>	<b>3,949,804</b>	<b>7,680,821</b>	<b>2,380,284</b>	<b>2,717,822</b>	<b>5,098,106</b>
6.1	Loans		3,706,641	3,949,804	7,656,445	2,344,301	2,717,822	5,062,123
6.1.1	Loans Utilized to the Bank's Risk Group		82	548,335	548,417	57	1,079,135	1,079,192
6.1.2	Public Sector Debt Securities		-	-	-	-	-	-
6.1.3	Others		3,706,559	3,401,469	7,108,028	2,344,244	1,638,687	3,982,931
6.2	Loans under Follow-Up		96,523	-	96,523	115,153	-	115,153
6.3	Specific Provisions (-)		72,147	-	72,147	79,170	-	79,170
<b>VII.</b>	<b>FACTORING RECEIVABLES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VIII.</b>	<b>INVESTMENT SECURITIES HELD TO MATURITY (Net)</b>	(5.1.6)	<b>205,029</b>	<b>288,384</b>	<b>493,413</b>	<b>93,432</b>	<b>91,155</b>	<b>184,587</b>
8.1	Public Sector Debt Securities		205,029	92,143	297,172	93,432	1,183	94,615
8.2	Other Securities		-	196,241	196,241	-	89,972	89,972
<b>IX.</b>	<b>INVESTMENTS IN ASSOCIATES (Net)</b>	(5.1.7)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
9.1	Equity Method Associates		-	-	-	-	-	-
9.2	Unconsolidated Associates		-	-	-	-	-	-
9.2.1	Financial Associates		-	-	-	-	-	-
9.2.2	Non-Financial Associates		-	-	-	-	-	-
<b>X.</b>	<b>INVESTMENTS IN SUBSIDIARIES (Net)</b>	(5.1.8)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
10.1	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
10.2	Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
<b>XI.</b>	<b>JOINT VENTURES (Net)</b>	(5.1.9)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
11.1	Equity Method Joint Ventures		-	-	-	-	-	-
11.2	Unconsolidated Joint Ventures		-	-	-	-	-	-
11.2.1	Financial Joint Ventures		-	-	-	-	-	-
11.2.2	Non-Financial Joint Ventures		-	-	-	-	-	-
<b>XII.</b>	<b>LEASE RECEIVABLES (Net)</b>	(5.1.10)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
12.1	Financial Lease Receivables		-	-	-	-	-	-
12.2	Operational Lease Receivables		-	-	-	-	-	-
12.3	Others		-	-	-	-	-	-
12.4	Unearned Income (-)		-	-	-	-	-	-
<b>XIII.</b>	<b>HEDGING DERIVATIVES</b>	(5.1.11)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
13.1	Fair Value Hedge		-	-	-	-	-	-
13.2	Cash Flow Hedge		-	-	-	-	-	-
13.3	Hedging of a Net Investment in Foreign Subsidiaries		-	-	-	-	-	-
<b>XIV.</b>	<b>TANGIBLE ASSETS (Net)</b>	(5.1.12)	<b>36,765</b>	<b>-</b>	<b>36,765</b>	<b>29,821</b>	<b>-</b>	<b>29,821</b>
<b>XV.</b>	<b>INTANGIBLE ASSETS (Net)</b>	(5.1.13)	<b>5,194</b>	<b>-</b>	<b>5,194</b>	<b>2,982</b>	<b>-</b>	<b>2,982</b>
15.1	Goodwill		-	-	-	-	-	-
15.2	Others		5,194	-	5,194	2,982	-	2,982
<b>XVI.</b>	<b>INVESTMENT PROPERTY (Net)</b>	(5.1.14)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XVII.</b>	<b>TAX ASSETS</b>	(5.1.15)	<b>10,619</b>	<b>-</b>	<b>10,619</b>	<b>8,891</b>	<b>-</b>	<b>8,891</b>
17.1	Current Tax Assets		-	-	-	-	-	-
17.2	Deferred Tax Assets		10,619	-	10,619	8,891	-	8,891
<b>XVIII.</b>	<b>ASSETS HELD FOR SALE AND ASSETS RELATED TO DISCONTINUED OPERATIONS (Net)</b>	(5.1.16)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
18.1	Held For Sale		-	-	-	-	-	-
18.2	Discontinued Operations		-	-	-	-	-	-
<b>XIX.</b>	<b>OTHER ASSETS</b>	(5.1.17)	<b>77,360</b>	<b>26,100</b>	<b>103,460</b>	<b>50,087</b>	<b>4,292</b>	<b>54,379</b>
<b>TOTAL ASSETS</b>			<b>5,117,286</b>	<b>8,198,274</b>	<b>13,315,560</b>	<b>3,241,053</b>	<b>5,067,566</b>	<b>8,308,619</b>

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 31 DECEMBER 2017**

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

LIABILITIES AND EQUITY		Footnotes (Section 5)	THOUSANDS OF TURKISH LIRA					
			Audited			Audited		
			CURRENT PERIOD			PRIOR PERIOD		
			31/12/2017			31/12/2016		
			TL	FC	TOTAL	TL	FC	TOTAL
<b>I.</b>	<b>DEPOSITS</b>	(5.II.1)	<b>1,501,051</b>	<b>1,844,050</b>	<b>3,345,101</b>	<b>2,070,911</b>	<b>1,233,640</b>	<b>3,304,551</b>
1.1	Deposits of the Bank's Risk Group		70,045	841	70,886	451,026	1,191	452,217
1.2	Others		1,431,006	1,843,209	3,274,215	1,619,885	1,232,449	2,852,334
<b>II.</b>	<b>NEGATIVE VALUE OF TRADING DERIVATIVES</b>	(5.II.2)	<b>13,857</b>	<b>415</b>	<b>14,272</b>	<b>719</b>	<b>72</b>	<b>791</b>
<b>III.</b>	<b>FUNDS BORROWED</b>	(5.II.3)	<b>6,614</b>	<b>6,981,424</b>	<b>6,988,038</b>	<b>7,386</b>	<b>3,764,449</b>	<b>3,771,835</b>
<b>IV.</b>	<b>DUE TO MONEY MARKETS</b>		<b>1,149,966</b>	-	<b>1,149,966</b>	<b>170,411</b>	<b>164,374</b>	<b>334,785</b>
4.1	Interbank Money Market		637,677	-	637,677	-	-	-
4.2	Istanbul Stock Exchange		-	-	-	-	-	-
4.3	Obligations under Repurchase Agreements		512,289	-	512,289	170,411	164,374	334,785
<b>V.</b>	<b>SECURITIES ISSUED (Net)</b>		-	-	-	-	-	-
5.1	Bills		-	-	-	-	-	-
5.2	Asset Backed Securities		-	-	-	-	-	-
5.3	Bonds		-	-	-	-	-	-
<b>VI.</b>	<b>FUNDS</b>		-	-	-	-	-	-
6.1	Bank Borrowers' Funds		-	-	-	-	-	-
6.2	Others		-	-	-	-	-	-
<b>VII.</b>	<b>MISCELLANEOUS PAYABLES</b>		<b>30,088</b>	<b>390,640</b>	<b>420,728</b>	<b>155,709</b>	<b>1,114</b>	<b>156,823</b>
<b>VIII.</b>	<b>OTHER EXTERNAL RESOURCES</b>	(5.II.4)	<b>77,431</b>	<b>37,117</b>	<b>114,548</b>	<b>42,706</b>	<b>2,285</b>	<b>44,991</b>
<b>IX.</b>	<b>FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>X.</b>	<b>LEASE PAYABLES (Net)</b>	(5.II.5)	-	-	-	-	-	-
10.1	Financial Lease Payables		-	-	-	-	-	-
10.2	Operational Lease Payables		-	-	-	-	-	-
10.3	Others		-	-	-	-	-	-
10.4	Deferred Financial Leasing Expenses ( - )		-	-	-	-	-	-
<b>XI.</b>	<b>HEDGING PURPOSE DERIVATIVES</b>	(5.II.6)	-	-	-	-	-	-
11.1	Fair Value Hedge		-	-	-	-	-	-
11.2	Cash Flow Hedge		-	-	-	-	-	-
11.3	Hedging of a Net Investment in Foreign Subsidiaries		-	-	-	-	-	-
<b>XII.</b>	<b>PROVISIONS</b>	(5.II.7)	<b>141,123</b>	-	<b>141,123</b>	<b>70,531</b>	-	<b>70,531</b>
12.1	General Provisions		104,344	-	104,344	36,986	-	36,986
12.2	Restructuring Provisions		-	-	-	-	-	-
12.3	Reserve for Employee Benefits		15,977	-	15,977	13,679	-	13,679
12.4	Insurance Technical Provisions (Net)		-	-	-	-	-	-
12.5	Other Provisions		20,802	-	20,802	19,866	-	19,866
<b>XIII.</b>	<b>TAX LIABILITIES</b>	(5.II.8)	<b>29,490</b>	-	<b>29,490</b>	<b>17,305</b>	-	<b>17,305</b>
13.1	Current Tax Liability		29,490	-	29,490	17,305	-	17,305
13.2	Deferred Tax Liability		-	-	-	-	-	-
<b>XIV.</b>	<b>PAYABLES RELATED TO HELD FOR SALE AND DISCONTINUED OPERATIONS</b>	(5.II.9)	-	-	-	-	-	-
14.1	Held For Sale		-	-	-	-	-	-
14.2	Discontinued Operations		-	-	-	-	-	-
<b>XV.</b>	<b>SUBORDINATED LOANS</b>	(5.II.10)	-	-	-	-	-	-
<b>XVI.</b>	<b>SHAREHOLDERS' EQUITY</b>	(5.II.11)	<b>1,110,127</b>	<b>2,167</b>	<b>1,112,294</b>	<b>625,994</b>	<b>(18,987)</b>	<b>607,007</b>
16.1	Paid-In Capital		860,000	-	860,000	420,000	-	420,000
16.2	Supplementary Capital		3,478	2,167	5,645	8,296	(18,987)	(10,691)
16.2.1	Share Premium		(587)	-	(587)	(814)	-	(814)
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Valuation Differences of Securities		(7,763)	2,167	(5,596)	(1,585)	(18,987)	(20,572)
16.2.4	Revaluation Fund on Tangible Assets		11,646	-	11,646	10,143	-	10,143
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	552	-	552
16.3	Profit Reserves		201,682	-	201,682	196,306	-	196,306
16.3.1	Legal Reserves		11,937	-	11,937	11,669	-	11,669
16.3.2	Status Reserves		-	-	-	-	-	-
16.3.3	Extraordinary Reserves		132,379	-	132,379	127,271	-	127,271
16.3.4	Other Profit Reserves		57,366	-	57,366	57,366	-	57,366
16.4	Profit or Loss		44,967	-	44,967	1,392	-	1,392
16.4.1	Prior Periods' Profit or Loss		(3,316)	-	(3,316)	(17,357)	-	(17,357)
16.4.2	Current Period Profit or Loss		48,283	-	48,283	18,749	-	18,749
16.5	Minority Shares		-	-	-	-	-	-
<b>TOTAL LIABILITIES AND EQUITY</b>			<b>4,059,747</b>	<b>9,255,813</b>	<b>13,315,560</b>	<b>3,161,672</b>	<b>5,146,947</b>	<b>8,308,619</b>

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

# ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

## CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS AS AT 31 DECEMBER 2017

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

STATEMENT OF OFF-BALANCE SHEET	Footnotes (Section 5)	THOUSANDS OF TURKISH LIRA					
		Audited CURRENT PERIOD 31/12/2017			Audited PRIOR PERIOD 31/12/2016		
		TL	FC	TOTAL	TL	FC	TOTAL
<b>A. OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I-II+III)</b>		<b>1,622,911</b>	<b>3,057,170</b>	<b>4,680,081</b>	<b>665,149</b>	<b>1,666,966</b>	<b>2,332,115</b>
<b>I. GUARANTEES</b>	(5.IV.1)	<b>520,682</b>	<b>1,268,501</b>	<b>1,789,183</b>	<b>214,241</b>	<b>1,175,890</b>	<b>1,390,131</b>
1.1 Letters of Guarantee		520,682	1,155,059	1,675,741	214,241	965,902	1,180,143
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	214,241	965,902	1,180,143
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	-	78,677	78,677
1.3.1 Documentary Letters of Credit		-	51,933	51,933	-	51,586	51,586
1.3.2 Other Letters of Credit		-	16,986	16,986	-	27,091	27,091
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 Related Guarantees		-	-	-	-	-	-
1.8 Other Collaterals		-	44,523	44,523	-	131,311	131,311
1.9 Other Sureties		-	-	-	-	-	-
<b>II. COMMITMENTS</b>	(5.IV.1)	<b>190,237</b>	<b>9,662</b>	<b>199,899</b>	<b>192,939</b>	<b>741</b>	<b>193,680</b>
2.1 Irrevocable Commitments		190,237	9,662	199,899	192,939	741	193,680
2.1.1 Asset Purchase and Sale Commitments		8,697	9,662	18,359	-	741	741
2.1.2 Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3 Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4 Loan Granting Commitments		29,033	-	29,033	27,889	-	27,889
2.1.5 Securities Issuance Brokerage Commitments		-	-	-	-	-	-
2.1.6 Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7 Commitments for Cheque Payments		73,028	-	73,028	75,491	-	75,491
2.1.8 Tax and Fund Obligations from Export Commitments		-	5	5	-	-	196
2.1.9 Commitments for Credit Card Limits		67,403	-	67,403	75,776	-	75,776
2.1.10 Commitments for Promotional Operations Re-Credit Cards and Banking Services		193	-	193	218	-	218
2.1.11 Receivables from "Short" Sale Commitments On Securities		-	-	-	-	-	-
2.1.12 Payables for "Short" Sale Commitments On Securities		-	-	-	-	-	-
2.1.13 Other Irrevocable Commitments		11,878	-	11,878	13,369	-	13,369
2.2 Revocable Commitments		-	-	-	-	-	-
2.2.1 Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2 Other Revocable Commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>911,992</b>	<b>1,779,007</b>	<b>2,690,999</b>	<b>257,969</b>	<b>490,335</b>	<b>748,304</b>
3.1 Hedging Purpose Derivatives		-	-	-	-	-	-
3.1.1 Fair Value Hedge		-	-	-	-	-	-
3.1.2 Cash Flow Hedge		-	-	-	-	-	-
3.1.3 Hedging of a Net Investment in Foreign Subsidiaries		-	-	-	-	-	-
3.2 Trading Purpose Derivatives		911,992	1,779,007	2,690,999	257,969	490,335	748,304
3.2.1 Forward Foreign Currency Purchases/Sales		-	3,350	3,350	5,115	8,788	13,903
3.2.1.1 Forward Foreign Currency Purchases		-	1,675	1,675	1,058	5,894	6,952
3.2.1.2 Forward Foreign Currency Sales		-	1,675	1,675	4,057	2,894	6,951
3.2.2 Currency and Interest Rate Swaps		911,992	1,775,657	2,687,649	252,854	481,547	734,401
3.2.2.1 Currency Swaps-Purchases		-	1,335,803	1,335,803	182,084	185,827	367,911
3.2.2.2 Currency Swaps-Sales		911,992	439,854	1,351,846	70,770	295,720	366,490
3.2.2.3 Interest Rate Swaps-Purchases		-	-	-	-	-	-
3.2.2.4 Interest Rate Swaps-Sales		-	-	-	-	-	-
3.2.3 Currency, Interest Rate and Security Options		-	-	-	-	-	-
3.2.3.1 Currency Options-Purchases		-	-	-	-	-	-
3.2.3.2 Currency Options-Sales		-	-	-	-	-	-
3.2.3.3 Interest Rate Options-Purchases		-	-	-	-	-	-
3.2.3.4 Interest Rate Options-Sales		-	-	-	-	-	-
3.2.3.5 Securities Options-Purchases		-	-	-	-	-	-
3.2.3.6 Securities Options-Sales		-	-	-	-	-	-
3.2.4 Currency Futures		-	-	-	-	-	-
3.2.4.1 Currency Futures-Purchases		-	-	-	-	-	-
3.2.4.2 Currency Futures-Sales		-	-	-	-	-	-
3.2.5 Interest Rate Futures		-	-	-	-	-	-
3.2.5.1 Interest Rate Futures-Purchases		-	-	-	-	-	-
3.2.5.2 Interest Rate Futures-Sales		-	-	-	-	-	-
3.2.6 Others		-	-	-	-	-	-
<b>B. CUSTODY AND PLEDGED SECURITIES (IV+V+VI)</b>		<b>9,180,376</b>	<b>11,321,250</b>	<b>20,501,626</b>	<b>7,273,598</b>	<b>2,348,991</b>	<b>9,622,589</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>4,886,303</b>	<b>1,313,990</b>	<b>6,200,293</b>	<b>3,683,564</b>	<b>58,319</b>	<b>3,741,883</b>
4.1 Customers' Securities and Portfolios Held		-	-	-	-	-	-
4.2 Securities Held in Custody		1,365,063	11,754	1,376,817	931,185	11,968	943,153
4.3 Checks Received for Collection		44,934	2,266	47,200	49,114	10,162	59,276
4.4 Commercial Notes Received for Collection		6,925	5,979	12,904	6,620	5,212	11,832
4.5 Other Assets Received for Collection		-	-	-	-	-	-
4.6 Assets Received for Public Offering		-	-	-	-	-	-
4.7 Other Items under Custody		3,464,457	1,290,628	4,755,085	2,692,026	28,254	2,720,280
4.8 Custodians		4,924	3,363	8,287	4,619	2,723	7,342
<b>V. PLEDGED ITEMS</b>		<b>4,294,073</b>	<b>10,007,260</b>	<b>14,301,333</b>	<b>3,589,779</b>	<b>2,290,672</b>	<b>5,880,451</b>
5.1 Securities		16,600	2	16,602	16,153	1	16,154
5.2 Guarantee Notes		1,367	38	1,405	1,294	2,245	3,539
5.3 Commodities		128,854	956,904	1,085,758	90,079	203,463	293,542
5.4 Warrants		300	-	300	1,004	-	1,004
5.5 Immovables		2,972,167	7,256,918	10,229,085	2,397,258	1,548,054	3,945,312
5.6 Other Pledged Items		1,174,785	1,793,398	2,968,183	1,083,991	536,909	1,620,900
5.7 Pledged Items-Depository		-	-	-	-	-	-
<b>VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>255</b>	<b>-</b>	<b>255</b>
<b>TOTAL OFF BALANCE SHEET ITEMS (A+B)</b>		<b>10,803,287</b>	<b>14,378,420</b>	<b>25,181,707</b>	<b>7,938,747</b>	<b>4,015,957</b>	<b>11,954,704</b>

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

**ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY**
**CONSOLIDATED INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

INCOME AND EXPENSE ITEMS		Footnotes (Section 5)	THOUSANDS OF TURKISH LIRA	
			Audited CURRENT PERIOD (01/01/2017 - 31/12/2017)	Audited PRIOR PERIOD (01/01/2016 - 31/12/2016)
<b>I. INTEREST INCOME</b>	(5.III.1)		<b>745,389</b>	<b>464,021</b>
1.1 Interest from Loans			517,389	372,869
1.2 Interest from Reserve Deposits			17,653	7,225
1.3 Interest from Banks			8,288	1,573
1.4 Interest from Money Market Transactions			4,675	7,211
1.5 Interest from Securities Portfolio			196,522	74,447
1.5.1 Trading Securities			-	-
1.5.2 Financial Assets at Fair Value Through Profit or Loss			-	-
1.5.3 Available for Sale Securities			167,107	69,816
1.5.4 Held to Maturity Securities			29,415	4,631
1.6 Interest from Financial Leases			-	-
1.7 Other Interest Income			862	696
<b>II. INTEREST EXPENSE</b>	(5.III.2)		<b>377,672</b>	<b>239,059</b>
2.1 Interest on Deposits			211,185	160,272
2.2 Interest on Funds Borrowed			123,874	64,623
2.3 Interest on Money Market Transactions			42,475	14,096
2.4 Interest on Securities Issued			-	-
2.5 Other Interest Expense			138	68
<b>III. NET INTEREST INCOME (I - II)</b>			<b>367,717</b>	<b>224,962</b>
<b>IV. NET FEE AND COMMISSION INCOME</b>			<b>76,055</b>	<b>24,587</b>
4.1 Fees and Commissions Received			82,417	30,274
4.1.1 Non-Cash Loans			8,170	6,699
4.1.2 Other			74,247	23,575
4.2 Fees and Commissions Paid			6,362	5,687
4.2.1 Non-Cash Loans			158	194
4.2.2 Other			6,204	5,493
<b>V. DIVIDEND INCOME</b>	(5.III.3)		<b>8</b>	<b>25</b>
<b>VI. TRADING INCOME/LOSS (Net)</b>	(5.III.4)		<b>(64,192)</b>	<b>(15,379)</b>
6.1 Profit / Loss on Capital Market Transactions			10,019	7,290
6.2 Derivative Instruments Gain / Loss			(63,863)	(40,134)
6.3 Foreign Exchange Gain / Loss			(10,348)	17,465
<b>VII. OTHER OPERATING INCOME</b>	(5.III.5)		<b>25,286</b>	<b>31,079</b>
<b>VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>			<b>404,874</b>	<b>265,274</b>
<b>IX. IMPAIRMENT ON LOANS AND OTHER RECEIVABLES (-)</b>	(5.III.6)		<b>94,017</b>	<b>43,771</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	(5.III.7)		<b>229,271</b>	<b>194,350</b>
<b>XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)</b>			<b>81,586</b>	<b>27,153</b>
<b>XII. SURPLUS WRITTEN AS GAIN AFTER MERGER</b>			-	-
<b>XIII. PROFIT / LOSS FROM EQUITY METHOD INVESTMENTS</b>			-	-
<b>XIV. GAIN/LOSS ON NET MONETARY POSITION</b>			-	-
<b>XV. P/L BEFORE TAXES FROM CONTINUING OPERATIONS (XI+...+XIV)</b>	(5.III.8)		<b>81,586</b>	<b>27,153</b>
<b>XVI. TAXES ON INCOME FROM CONTINUING OPERATIONS (±)</b>	(5.III.9)		<b>(33,303)</b>	<b>(8,404)</b>
16.1 Current Tax Provision			(39,898)	(8,379)
16.2 Deferred Tax Provision			6,595	(25)
<b>XVII. NET PROFIT / LOSS FROM CONTINUING OPERATIONS (XV±XVI)</b>	(5.III.10)		<b>48,283</b>	<b>18,749</b>
<b>XVIII. PROFIT FROM DISCONTINUED OPERATIONS</b>			-	-
18.1 Assets Held for Sale			-	-
18.2 Profit on Sale of Associates, Subsidiaries and Joint Ventures			-	-
18.3 Others			-	-
<b>XIX. LOSS FROM DISCONTINUED OPERATIONS (-)</b>			-	-
19.1 Assets Held for Sale			-	-
19.2 Loss on Sale of Associates, Subsidiaries and Joint Ventures			-	-
19.3 Others			-	-
<b>XX. P/L BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)</b>	(5.III.8)		-	-
<b>XXI. TAXES ON INCOME FROM DISCONTINUED OPERATIONS (±)</b>	(5.III.9)		-	-
21.1 Current Tax Provision			-	-
21.2 Deferred Tax Provision			-	-
<b>XXII. NET PROFIT / LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)</b>	(5.III.10)		-	-
<b>XXIII. NET PROFIT/LOSS (XVII+XXII)</b>	(5.III.11)		<b>48,283</b>	<b>18,749</b>
23.1 Group's Profit / Loss			48,283	18,749
23.2 Minority Shares			-	-
Earnings / Losses per Share (Full TL)			0.0075	0.0045

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

**ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY**
**CONSOLIDATED STATEMENT OF INCOME AND EXPENSES RECOGNIZED UNDER EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

INCOME/EXPENSES RECOGNIZED UNDER EQUITY		THOUSANDS OF TURKISH LIRA	
		Audited CURRENT PERIOD (01/01/2017 - 31/12/2017)	Audited PRIOR PERIOD (01/01/2016 - 31/12/2016)
<b>I.</b>	<b>ADDITIONS TO VALUATION DIFF. ON SECURITIES FROM AVAILABLE FOR SALE INVESTMENTS</b>	<b>18,720</b>	<b>(12,885)</b>
<b>II.</b>	<b>REVALUATION ON TANGIBLE ASSETS</b>	<b>1,582</b>	<b>1,525</b>
<b>III.</b>	<b>REVALUATION ON INTANGIBLE ASSETS</b>	-	-
<b>IV.</b>	<b>FOREIGN EXCHANGE DIFFERENCES</b>	-	-
<b>V.</b>	<b>PROFIT/LOSS RELATED TO DERIVATIVES USED IN CASH FLOW HEDGES (Effective portion)</b>	-	-
<b>VI.</b>	<b>PROFIT/LOSS RELATED TO DERIVATIVES USED IN HEDGE OF A NET INVESTMENT IN FOREIGN SUBSIDIARIES (Effective portion)</b>	-	-
<b>VII.</b>	<b>EFFECT OF CHANGES IN ACCOUNTING POLICIES OR CORRECTION OF ERRORS</b>	-	-
<b>VIII.</b>	<b>OTHER PROFIT/LOSS ITEMS RECOGNIZED IN EQUITY PER TURKISH ACCOUNTING STANDARDS</b>	<b>(218)</b>	<b>123</b>
<b>IX.</b>	<b>DEFERRED AND CURRENT TAXES ON VALUATION DIFFERENCES</b>	<b>(3,982)</b>	<b>2,625</b>
<b>X.</b>	<b>NET PROFIT/LOSS RECOGNIZED IN EQUITY (I+II+...+IX)</b>	<b>16,102</b>	<b>(8,612)</b>
<b>XI.</b>	<b>CURRENT PERIOD PROFIT/LOSS</b>	<b>48,283</b>	<b>18,749</b>
11.1	Net Change in Fair Value of Securities (Transfer to Profit & Loss)	(2)	(1,255)
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	48,285	20,004
<b>XII.</b>	<b>TOTAL RECOGNIZED INCOME AND EXPENSE FOR THE PERIOD (X±XI)</b>	<b>64,385</b>	<b>10,137</b>

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



**ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY**

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

CHANGES IN SHAREHOLDERS' EQUITY	AUDITED THOUSANDS OF TURKISH LIRA														Revaluation Fund on Assets Held for Sale and Discontinued Operations	Total Equity Attributable to Equity Holders of the Parent	Non-controlling Interests	Total Shareholders' Equity
	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 <sup>(1)</sup>	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				
<b>PRIOR PERIOD 31/12/2016</b>																		
<b>I. Balances at the beginning of period - 01/01/2016</b>	<b>420,000</b>	<b>-</b>	<b>(814)</b>	<b>-</b>	<b>11,496</b>	<b>-</b>	<b>123,953</b>	<b>57,671</b>	<b>(13,542)</b>	<b>-</b>	<b>(10,264)</b>	<b>8,694</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>597,194</b>	<b>-</b>	<b>597,194</b>
<b>Changes in the period</b>																		
II. Increase / decrease related to mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Valuation difference of available-for-sale securities	-	-	-	-	-	-	-	-	-	-	(10,308)	-	-	-	-	(10,308)	-	(10,308)
IV. Hedging transactions (effective portion)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1 Cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2 Hedging of a net investment in foreign subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Revaluation fund on tangible assets	-	-	-	-	-	-	-	-	-	-	-	1,449	-	-	-	1,449	-	1,449
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1 Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Issuances of share certificates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Abolition profit of share certificates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Capital reserves from inflation adjustments to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Others	-	-	-	-	-	-	-	247	-	-	-	-	-	-	-	247	-	247
XVII. Current period net profit / loss	-	-	-	-	-	-	-	-	18,749	-	-	-	-	-	-	18,749	-	18,749
XVIII. Profit distribution	-	-	-	-	173	-	3,318	-	13,542	(17,357)	-	-	-	-	-	(324)	-	(324)
18.1 Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2 Transferred to reserves	-	-	-	-	173	-	3,318	-	(3,815)	-	-	-	-	-	-	(324)	-	(324)
18.3 Others	-	-	-	-	-	-	-	-	17,357	(17,357)	-	-	-	-	-	-	-	-
<b>Balances at the end of period (I+II+III+...+XVI+XVII+XVIII) - 31/12/2016</b>	<b>420,000</b>	<b>-</b>	<b>(814)</b>	<b>-</b>	<b>11,669</b>	<b>-</b>	<b>127,271</b>	<b>57,918</b>	<b>18,749</b>	<b>(17,357)</b>	<b>(20,572)</b>	<b>10,143</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>607,007</b>	<b>-</b>	<b>607,007</b>

<sup>(1)</sup> The amounts presented under 'Other Reserves' consist of amounts of 'Other Supplementary Capital' and 'Other Profit Reserves' 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 CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

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

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

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

**ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY**
**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

STATEMENT OF CASH FLOWS	THOUSANDS OF TURKISH LIRA	
	Audited CURRENT PERIOD (01/01/2017 - 31/12/2017)	Audited PRIOR PERIOD (01/01/2016 - 31/12/2016)
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>		
<b>1.1 Operating Profit before Changes in Operating Assets and Liabilities</b>	<b>65,751</b>	<b>(23,954)</b>
1.1.1 Interest Received	614,828	411,856
1.1.2 Interest Paid	(343,390)	(227,687)
1.1.3 Dividend Received	8	25
1.1.4 Fees And Commissions Received	97,069	31,896
1.1.5 Other Income	(63,686)	(64,193)
1.1.6 Collections from Non-performing Loans	14,627	13,489
1.1.7 Payments to Personnel and Service Suppliers	(130,602)	(112,418)
1.1.8 Taxes Paid	(39,597)	(16,255)
1.1.9 Other	(83,506)	(60,667)
<b>1.2 Changes in Operating Assets and Liabilities</b>	<b>1,390,186</b>	<b>624,685</b>
1.2.1 Net (Increase) Decrease in Trading Securities	(25,415)	(5,106)
1.2.2 Net (Increase) Decrease in Financial Assets Designated at FV	-	-
1.2.3 Net (Increase) Decrease in Banks	(329,873)	(51,834)
1.2.4 Net (Increase) Decrease in Loans	(2,563,186)	(939,030)
1.2.5 Net (Increase) Decrease in Other Assets	(49,522)	22,207
1.2.6 Net Increase (Decrease) in Bank Deposits	(383,233)	454,437
1.2.7 Net Increase (Decrease) in Other Deposits	421,021	711,990
1.2.8 Net Increase (Decrease) in Funds Borrowed	3,999,865	424,508
1.2.9 Net Increase (Decrease) in Due Payables	-	-
1.2.10 Net Increase (Decrease) in Other Liabilities	320,529	7,513
<b>I. Net Cash Provided by / (Used in) Banking Operations</b>	<b>1,455,937</b>	<b>600,731</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>II. Net Cash Provided by / (Used in) Investing Activities</b>	<b>(676,532)</b>	<b>(655,592)</b>
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	(11,008)	(5,578)
2.4 Fixed Assets Sales	125	34
2.5 Cash Paid for Purchase of Investments Available for Sale	(783,547)	(1,118,973)
2.6 Cash Obtained From Sale of Investments Available for Sale	415,071	652,971
2.7 Cash Paid for Purchase of Investment Securities	(293,707)	(181,971)
2.8 Cash Obtained from Sale of Investment Securities	-	-
2.9 Other	(3,466)	(2,075)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>III. Net Cash Provided by / (Used in) Financing Activities</b>	<b>440,227</b>	<b>-</b>
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	-
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>	<b>26,812</b>	<b>64,096</b>
<b>V. Net Increase (Decrease) in Cash and Cash Equivalents (I+II+III+IV)</b>	<b>1,246,444</b>	<b>9,235</b>
<b>VI. Cash and Cash Equivalents at the Beginning of Period</b>	<b>721,925</b>	<b>712,690</b>
<b>VII. Cash and Cash Equivalents at the End of Period (V+VI)</b>	<b>1,968,369</b>	<b>721,925</b>

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

**ICBC TURKEY BANK A.Ş**  
**STATEMENTS OF PROFIT DISTRIBUTION**  
**FOR THE YEAR ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016**  
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

	THOUSANDS OF TURKISH LIRA	
	Current period <sup>(1)</sup>	Prior period <sup>(2)</sup>
	(01/01/2017 - 31/12/2017)	(01/01/2016 - 31/12/2016)
<b>I. DISTRIBUTION OF CURRENT YEAR PROFIT<sup>(3)</sup></b>		
1.1. Current Period Profit	71,564	20,786
1.2. Taxes and Legal Duties Payables (-)	(29,080)	(7,086)
1.2.1. Corporate Tax (Income Tax)	(35,340)	(7,007)
1.2.2. Withholding Tax	-	-
1.2.3. Other Taxes and Duties	6,260	(79)
<b>A. Net Profit For The Period (1.1-1.2)</b>	<b>42,484</b>	<b>13,700</b>
1.3. Accumulated Losses (-)	-	(13,700)
1.4. First Legal Reserves (-)	-	-
1.5. Other Statutory Reserves (-)	-	-
<b>B. Net Profit Available for Distribution [(A-(1.3+1.4+1.5)]</b>	<b>-</b>	<b>-</b>
1.6. First Dividend to shareholders (-)	-	-
1.6.1. To Owners of Ordinary Shares	-	-
1.6.2. To Owners of Privileged Shares	-	-
1.6.3. To Owners of Redeemed Shares	-	-
1.6.4. To Profit Sharing Bonds	-	-
1.6.5. To Holders of Profit and Loss Sharing Certificates	-	-
1.7. Dividends to personnel (-)	-	-
1.8. Dividends to Board of Directors (-)	-	-
1.9. Second Dividend to Shareholders (-)	-	-
1.9.1. To Owners of Ordinary Shares	-	-
1.9.2. To Owners of Privileged Shares	-	-
1.9.3. To Owners of Redeemed Shares	-	-
1.9.4. To Profit Sharing Bonds	-	-
1.9.5. To Holders Of Profit And Loss Sharing Certificates	-	-
1.10. Second Legal Reserves (-)	-	-
1.11. Status Reserves (-)	-	-
1.12. Extraordinary Reserves	-	-
1.13. Other Reserves	-	-
1.14. Special Funds	-	-
<b>II. Distribution of Reserves</b>		
2.1. Appropriated Reserves	-	-
2.2. Second Legal Reserves (-)	-	-
2.3. Dividends to Shareholders (-)	-	-
2.3.1. To Owners of Ordinary Shares	-	-
2.3.2. To Owners of Privileged Shares	-	-
2.3.3. To Owners of Redeemed Shares	-	-
2.3.4. To Profit Sharing Bonds	-	-
2.3.5. To Holders of Profit and Loss Sharing Certificates	-	-
2.4. Dividends to Personnel (-)	-	-
2.5. Dividends to Board of Directors (-)	-	-
<b>III. Earnings per Share</b>		
3.1. To Owners of Ordinary Shares(Full TRY)	0.0066	0.0033
3.2. To Owners of Ordinary Shares (%)	6.6	3.3
3.3. To Owners of Privileged Shares	-	-
3.4. To Owners of Privileged Shares (%)	-	-
<b>IV. Dividend per Share</b>		
4.1. To Owners of Ordinary Shares(Full TRY)	-	-
4.2. To Owners of Ordinary Shares (%)	-	-
4.3. To Owners of Privileged Shares	-	-
4.4. To Owners of Privileged Shares (%)	-	-

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

(2) Statement of profit distribution related to prior period has been approved and restated in accordance with General Assembly Decision as of 30 March 2017, after issuance of audited financial statements of 31 December 2016.

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

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

## ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(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 of 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.

New and revised TAS effective for annual periods beginning on or after 1 January 2017 have no material effect on the financial statements, financial performance and on the Bank's accounting policies and accounting estimates. The Bank evaluates the effect on the financial position and financial performance of the new and revised TAS issued but not yet effective, as at the reporting date, except for TFRS 9 Financial Instruments which will be effective from periods beginning on or after 1 January 2018. The Bank continues to work in order to comply with TFRS 9 standard, and the related work is summarized in Note XXVIII Other disclosures.

In November 2013, the IASB issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7. Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging transactions. Further, new standard removes the 1 January 2015 effective date of IFRS 9. The new version of IFRS 9 issued after IFRS 9 (2103) introduces the mandatory effective date of 1 January 2018 for IFRS 9, with early adoption permitted. The Group is in the process of assessing the impact of the standard on the consolidated financial position or performance of the Group. The Report (Sequence No: 55) about "Turkish Financial Reporting Standard Related to Financial Instruments" (TFRS 9) has been published after the balance sheet date by Public Oversight, Accounting and Auditing Standards Authority on 19 January 2017.

## **ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

#### **I. Basis of presentation (continued)**

##### **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, financial performance 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 financial statements are defined and applied in accordance with TAS and are consistent with the accounting policies applied for the year ended 31 December 2016. Those accounting policies and valuation principles are explained in Notes II to XXVIII.

#### **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 31 December 2017, rates used for converting foreign exchange transactions to Turkish Lira and presenting them in financial statements are as follows (TL Full); USD: TL 3.8104, Euro: TL 4.5478, GBP: TL 5.1142, JPY: TL 0.0337.

The Parent Bank has no goodwill related to any partnership established abroad.

#### **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 TURKEY BANK A.Ş. AND ITS SUBSIDIARY**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

#### **III. Presentation of information regarding consolidated subsidiaries and associates (continued)**

ICBC Portföy is a subsidiary of ICBC Yatırım with 100% partnership and an indirect subsidiary of the Parent Bank. As at 31 December 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 31 December 2017 and 31 December 2016.

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 31 December 2017 and appropriate adjustments are made to financial statements to use uniform accounting policies for similar transactions and events in same circumstances. There is no obstacle on the transfer of shareholders' equity between the Parent Bank and its subsidiary or on the reimbursement of liabilities.

#### **IV. Forward transactions, options and derivative instruments**

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.

Derivatives are classified as held for trading in accordance with TAS 39 "Financial Instruments: Recognition and Measurement". 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 "Positive Value of Trading Derivatives" under the "Financial Assets at Fair Value Through Profit or Loss" or "Negative Value of Trading Derivatives" 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 income statement for the current period.

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.

#### **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 TAS 39. 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.

## **ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

#### **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 categorizes its financial assets as "Fair value through profit/loss", "Available for sale", "Loans and receivables" or "Held to maturity". Sale and purchase transactions of the financial assets mentioned above are recognized and derecognized at the "Settlement dates". The appropriate classification of financial assets of the Group is determined at the time of purchase by the Parent Bank's management, taking into consideration the purpose of the investment.

##### **a. Financial assets at fair value through profit or loss:**

Financial assets at fair value through profit or loss consist of "trading securities" and "financial assets designated at fair value". The Group does not have any financial assets classified as "financial assets designated at fair value".

Trading securities are financial assets acquired for generating a profit from short term fluctuations in price or in similar elements or which are part of a portfolio used for generating profit in the short term regardless of their reason of acquisition.

Trading securities are recognized and derecognized on settlement date basis when purchased and disposed of. Trading securities are initially recognized at fair value and also evaluated at fair value subsequent to initial recognition. Gains and losses arising from evaluation of such assets are recognized in the income statement. Interest earned from trading securities is reported under interest income. Any profit or loss resulting from the disposal of those assets before their maturity dates is recognized within "Profit/loss on capital market transactions" account in the income statement.

##### **b. Investment securities available-for-sale:**

Available-for-sale assets are financial assets other than financial assets at fair value through profit or loss, loans and advances to banks and customers, or financial assets held to maturity.

Purchase and sale transactions of available-for-sale securities are recorded on settlement date. Such financial assets are measured at their fair values subsequently following the initial recognition. Unrecognized gain/losses derived from the difference between their fair value and the discounted values are recorded in "Valuation Differences of Securities" under the shareholders' equity. In case of sales, the realized gain/losses are recognized directly in the income statement.

The real coupon rates for government bonds indexed to consumer price index are fixed throughout maturities. As per the statements made by the Turkish Treasury on the dates of issuance, such securities are valued taking into account the difference between the reference inflation index at the issue date and the reference inflation index at the balance sheet date to reflect the effects of inflation.

##### **c. Loans and receivables:**

Loans and receivables arise when the Parent Bank provides money, goods or services directly to a debtor. Such assets are initially recognized at cost and are carried at amortized cost using the effective interest method. Duties paid, transaction expenditures and other similar expenses on assets received against such risks are not considered as a part of transaction cost and are recorded as expense.

Based on the regular reviews of the loan portfolio by the Parent Bank management, loans that are identified as being impaired are transferred to "loans under follow-up" accounts. Thereby, specific and general allowances are made against the carrying amount of these loans in accordance with the "Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside" published on the Official Gazette no.26333 dated 1 November 2006. Provisions are deducted from the income of the current year. When collections are made on loans that have been provided for, they are credited to the income statement accounts "Provision for Loan Losses or Other Receivables" if the provision was made in the current year, otherwise such collections are credited to "Other Operating Income" account with respect to allowances made in the prior years. Uncollectible receivables are written-off after all the legal procedures are finalized.



## **ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

#### **VI. Financial assets (continued)**

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

##### **d. Investment securities held-to-maturity:**

Held-to-maturity securities are financial assets with fixed maturities and pre-determined payment schedules that the Parent Bank has the intent and ability to hold until maturity, excluding loans and receivables. Investment securities held-to-maturity are initially recognized at cost. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method. Interest earned on held-to-maturity securities are recognized as interest income in the consolidated income statement.

#### **VIII. Impairment of financial assets**

Financial asset or a group of financial assets is audited at each balance sheet date to determine whether there is an objective indicator of impairment. If any such indicator exists, the Group estimates the amount of impairment.

Impairment loss incurs if, and only if, there is an objective evidence that the expected future cash flows of financial asset or group of financial assets are adversely affected by an event(s) ("loss event(s)") incurred subsequent to recognition. The losses expected to incur due to future events are not recognized even if the probability of loss is high.

If there is an objective evidence that certain loans will not be collected, for such loans; the Parent Bank provides specific and general allowances for loan and other receivables classified in accordance with the "Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside" published on the Official Gazette no.26333 dated 1 November 2006. The allowances are recorded in the income statement of the related period.

As at 31 December 2017, since the consumer loans of the Parent Bank do not exceed the ratios mentioned in the regulation published in the Official Gazette no. 27968 dated 18 June 2011 and in the Official Gazette no. 28789 (repeated) dated 8 October 2013 amending the "The Amendment to the Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside" additional general loan loss provision has not been calculated.

#### **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 "trading", "available for sale" or "held to maturity" 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.

## ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

#### **XI. Assets held for sale and discontinued operations (continued)**

Furthermore, the sales, starting from the day of classifications as held for sale, should be expected to be completed at within a year and the necessary activities should demonstrate that the possibility of having significant change in the plan or the cancellation of the plan is low.

The Group does not have any assets held for sale.

The Group does not have any discontinued operations.

#### **XII. Goodwill and other intangible assets**

There is no goodwill in the accompanying consolidated financial statements as at 31 December 2017 and 31 December 2016.

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 book values, 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 tangible assets are determined through deduction of net book value from the sales revenue of the related tangible assets.

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

The Parent Bank applies revaluation model for the buildings as permitted by TAS 16 "Property, Plant and Equipment". For this purpose, fair values of the buildings are determined by a third party appraiser, which is commissioned by BRSA and Capital Markets Board. The fair value surplus is recognized in "Revaluation Fund on Tangible Assets" within the equity items. As at 31 December 2017, revaluation surplus on tangible assets amounts to TL 12,259 (31 December 2016: TL 10,677).

#### **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.

## **ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

#### **XIV. Leasing activities (continued)**

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 income statement on an accrual basis.

#### **XV. Provisions and contingencies**

Provisions, other than specific and general provisions for loans and other receivables, and contingent liabilities are provided for in accordance with TAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

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. 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 have completed one year of service and whose employment is terminated due to retirement or reasons other than resignation or misconduct. Provision for employee severance benefits has been accounted for using discounting total provision and reflected to the consolidated financial statements.

#### **XVIII. 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.

## **ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

#### **XVIII. Taxation (continued)**

##### **a- Current taxes (continued)**

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.

##### **b- 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.

## **ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

#### **XXI. Acceptances**

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

#### **XXII. Government grants**

As at 31 December 2017 and 31 December 2016, 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.

#### **XXIV. Related parties**

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

#### **XXV. Cash and cash equivalents**

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

#### **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 XI.

#### **XXVII. Reclassifications**

None.

#### **XXVIII. Other disclosures**

##### **IFRS 9 Financial Instruments**

In January 2017, Public Oversight Accounting and Auditing Standards Authority ("POA") published the final version of TFRS 9 which replaces TAS 39. TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. In this context, it became compulsory for banks to adopt TFRS 9 effective from 1 January 2018 based on the regulation published in the Official Gazette no. 29750 dated 22 June 2016 in connection with procedures and principals regarding classification of loans and allowances allocated for such loans.

The Bank has been analysing the potential impact of the new standard on both in the classification of portfolios and in the valuation models of financial instruments ever since publication of the initial drafts of the standard.

During 2016 and 2017, the Bank conducted an extensive project to implement TFRS 9 with the participation of finance, risk, technology, economic research departments and business areas. In this project, The Bank has established the definition of the processes regarding implementation of the corresponding accounting policies and standards and made necessary preparations in connection with the presentation of the financial statements.

## **ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

#### **XXVIII. Other disclosures (continued)**

##### **IFRS 9 Financial Instruments (continued)**

The impact assessment regarding three phases of TFRS 9 is explained below:

##### **Measurement and Classification of Financial Instruments:**

###### **Financial Assets:**

TFRS 9 contains a new approach regarding the classification and measurement of financial assets that reflects the business model in which the assets are managed and their cash flow characteristics. TFRS 9 contains three main categories of classification for financial assets: valued at amortized cost, valued at fair value with changes in other comprehensive income, and valued at fair value through profit or loss.

It is anticipated that the financial assets valued at fair value through profit or loss will continue to be measured at fair value. On the other hand, there might be classifications among the financial assets classified as financial assets valued at amortized cost or valued at fair value with changes in other comprehensive income depending on the characteristics of their business models.

Loans and receivables are held to collect contractual cash flows and such cash flows consist of principal and interest collections. The Bank analysed contractual cash flow characteristics of these financial instruments and decided to classify such instruments as financial assets valued at amortised cost. Accordingly, it shall not be possible to classify these financial instruments into a different category.

Based on the analysis carried out up until today, the Bank has been evaluating of impact regarding accounting of financial assets based on the scope of TFRS 9.

###### **Financial Liabilities:**

TFRS 9 maintains the requirements in TAS 39 for the classification of financial liabilities except for allowing accounting of the fair value changes occurred as a result of changes in a financial liability's own credit risk under other comprehensive income for the liabilities designated for fair value option (applicable for instances not affecting the accounting mismatch at large extent). The Bank, has been evaluating of impact regarding accounting of financial liabilities based on the scope of TFRS 9.

###### **Impairment:**

TFRS 9 replaces the "incurred losses" model in TAS 39 with a model of "expected credit loss". The new standard establishes three stages impairment model (general model) based on the change in credit quality subsequent to initial recognition.

Stage 1: Includes financial assets not having significant increase in their credit risk from initial recognition till the following reporting date or financial assets having low credit risk at the reporting date. It is recognized 12-month expected credit losses for such financial assets.

Stage 2: Includes financial assets having significant increase in their credit risk subsequent to the initial recognition, but not having objective evidence about impairment. It is recognized life time expected credit losses for such financial assets.

Stage 3: Includes financial assets having objective evidence about impairment at the reporting date. It is recognized life time expected credit losses for such financial assets.

The matters which have the most significant impact on TFRS 9 implementation and may change impairment calculations considerably are presented below:

- Assessment of under which conditions there may be significant increase in credit risk
- Macroeconomic factors, forward looking information and multiple scenarios
- Maximum contractual period over which it is exposed to credit risk to be considered during measurement of expected credit losses
- Definition of default

It is not anticipated a significant impact on the total equity as a result of the impairment calculation based expected credit loss model in accordance with TFRS 9. The impact of implementation for this standard is based on the assessments made so far. As of the transition date, it is still ongoing the revisions on the accounting policies, relevant processes and internal controls. Accordingly, there might be changes in the anticipated impact of TFRS 9 on the financials until announcement of the first time adoption financial statement including the opening balance sheet as of 1 January 2018. Besides, the Bank will calculate deferred tax on the expected credit losses calculated on stage 1 and 2 loans and the impact regarding calculated deferred tax asset will be accounted under equity during transition.

# ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

### SECTION FOUR

#### CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT

##### I. Explanations on Consolidated Equity

##### Information about consolidated total capital

	Amount	Amounts related to treatment before 1/1/2014 <sup>(1)</sup>
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
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	-	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>1,117,890</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>		
Common Equity as per the 1 <sup>st</sup> clause of Provisional Article 9 of the Regulation of the Equity of Banks	-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	5,596	
Improvement costs for operating leasing	2,242	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	3,116	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	328	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions -	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities -	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	

# ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(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 <sup>(1)</sup>
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	-	
<b>Total Deductions From Common Equity Tier I Capital</b>	<b>11,282</b>	
<b>Total Common Equity Tier I Capital</b>	<b>1,106,608</b>	
<b>ADDITIONAL TIER 1 CAPITAL</b>		
Preferred stock not included in common equity and the related share premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital	-	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	



# ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(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 <sup>(1)</sup>
<b>Transition from the Core Capital to Continue to deduce Components</b>		
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 (-)	-	
<b>Total Deductions From Additional Tier I Capital</b>	<b>2,296</b>	
<b>Total Additional Tier I Capital</b>	<b>-</b>	
<b>Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)</b>	<b>1,104,312</b>	
<b>TIER II CAPITAL</b>		
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	
<b>Tier II Capital Before Deductions</b>	<b>104,344</b>	
<b>Deductions From Tier II Capital</b>		
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 (-)	-	
<b>Total Deductions from Tier II Capital</b>	<b>-</b>	
<b>Total Tier II Capital</b>	<b>104,344</b>	
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>1,208,656</b>	
<b>Deductions from Total Capital</b>		
Deductions from Capital Loans granted contrary to the 50 <sup>th</sup> and 51 <sup>th</sup> 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	
<b>Items to be continued to be deducted from Total Core Capital and Supplementary Capital (the capital) during Transition period</b>	<b>-</b>	
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	

# ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(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 <sup>(1)</sup>
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 (-)	-	
<b>TOTAL CAPITAL</b>		
Total capital	1,208,656	
Total risk weighted items	8,692,643	
<b>CAPITAL ADEQUACY RATIOS <sup>(**)</sup></b>		
Consolidated Core Capital Adequacy Ratio (%)	12.72	
Consolidated Tier 1 Capital Adequacy Ratio (%)	12.70	
Consolidated Capital Adequacy Standard Ratio (%)	13.90	
<b>BUFFERS</b>		
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	-	
<b>Amounts below the thresholds for deduction (before risk weighting)</b>		
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	-	
<b>Limits related to provisions considered in Tier II calculation</b>		
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	-	
<b>Debt instruments subjected to Article 4</b>		
<b>(to be implemented between January 1, 2018 and January 1, 2022)</b>		
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	-	

<sup>(1)</sup>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.

<sup>(2)</sup> The Parent Bank considers the loan provided to ICBC Group at an amount of TL 548,355, as cash reserve as of 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 adequacy ratio calculation.

# ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

### I. Explanations on Consolidated Equity (continued)

#### Information about consolidated total capital (continued)

Total capital has been calculated in accordance with the "Regulations regarding to changes on Regulation on Equity of Banks" effective from date 31 March 2016, the information given in the prior period has been calculated pursuant to former regulation.

	Amount	Amounts related to treatment before 1/1/2014 <sup>(1)</sup>
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	420,000	
Share issue premiums	(814)	
Reserves	196,306	
Gains recognized in equity as per TAS	10,695	
Profit	1,392	
Current period profit	18,749	
Prior period profit	(17,357)	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>627,579</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>		
Common Equity as per the 1 <sup>st</sup> 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	20,572	
Improvement costs for operating leasing	3,958	
Goodwill (net of related tax liability)	1,789	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	-	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
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 4 <sup>th</sup> clause of the 56 <sup>th</sup> Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	

# ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(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 <sup>(1)</sup>
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	-	
<b>Total Deductions From Common Equity Tier I Capital</b>	<b>26,319</b>	
<b>Total Common Equity Tier I Capital</b>	<b>601,260</b>	
<b>ADDITIONAL TIER 1 CAPITAL</b>		
Preferred stock not included in common equity and the related share premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital	-	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	

# ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(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 <sup>(1)</sup>
<b>Transition from the Core Capital to Continue to deduce Components</b>		
Goodwill or other intangibles and deferred tax liabilities of which the regulation concerning transitional Article 2 of subsection of core capital not reduced from (-)	1,193	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
<b>Total Deductions From Additional Tier I Capital</b>	<b>1,193</b>	
<b>Total Additional Tier I Capital</b>	<b>-</b>	
<b>Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)</b>	<b>600,067</b>	
<b>TIER II CAPITAL</b>		
Debt instruments and share issue premiums deemed suitable by the BRSA <sup>(3)</sup>	440,000	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	36,986	
<b>Tier II Capital Before Deductions</b>	<b>476,986</b>	
<b>Deductions From Tier II Capital</b>		
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 (-)	-	
<b>Total Deductions from Tier II Capital</b>	<b>-</b>	
<b>Total Tier II Capital</b>	<b>476,986</b>	
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>1,077,053</b>	
<b>Deductions from Total Capital</b>		
Deductions from Capital Loans granted contrary to the 50 <sup>th</sup> and 51 <sup>th</sup> 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	434	
Other items to be defined by the BRSA	160	
<b>Items to be continued to be deducted from Total Core Capital and Supplementary Capital (the capital) during Transition period</b>	<b>-</b>	
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	

# ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(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 <sup>(1)</sup>
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 (-)	-	
<b>TOTAL CAPITAL</b>		
Total capital	1,076,459	
Total risk weighted items	5,516,055	
<b>CAPITAL ADEQUACY RATIOS <sup>(2)</sup></b>		
Consolidated Core Capital Adequacy Ratio (%)	10.90	
Consolidated Tier 1 Capital Adequacy Ratio (%)	10.88	
Consolidated Capital Adequacy Standard Ratio (%)	19.52	
<b>BUFFERS</b>		
Total buffer requirement	3.91	
Capital conservation buffer requirement (%)	0.63	
Bank specific countercyclical buffer requirement (%)	3.28	
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	6.40	
<b>Amounts below the thresholds for deduction (before risk weighting)</b>		
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	-	
<b>Limits related to provisions considered in Tier II calculation</b>		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	36,986	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	36,986	
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	-	
<b>Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)</b>		
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	-	

<sup>(1)</sup> 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.

<sup>(2)</sup> The Parent Bank considers the loan provided to Industrial and Commercial Bank of China (ICBC) at an amount of TL 1,079,135, as cash reserve as at 31 December 2016 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.

<sup>(3)</sup> With the decision of the Banking Regulation and Supervision Agency dated 5 January 2017 and numbered 7181, the amount of TL 440,000 transferred to the Parent Bank accounts for capital increase has been taken into consideration in the contribution capital account until the completion of the capital increase procedure.

#### 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.

## **ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

#### **I. Explanations on Consolidated Equity (continued)**

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

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

#### **II. Consolidated credit risk**

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

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

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

The Parent Bank assesses loans as past due loans that are classified in 2nd group loans in accordance with “Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside” and whose principal or interest payments are not paid at relevant maturity dates. The loans are assessed as impaired if the principal or interest payments of loans are not paid over 90 days since their maturities or payment dates or if the Parent Bank assesses that the loan is impaired due to the loss of credibility of the debtor.

General loan loss provision is calculated for past due loans and specific provision is calculated for impaired loans in accordance with “Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside”.

# ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

### II. Consolidated credit risk (continued)

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

Risk Classifications	Current Period Risk Amount <sup>(1)</sup>	Average Risk Amount
Claims on sovereigns and Central Banks	2,899,087	2,838,666
Claims on regional governments or local authorities	-	-
Claims on administrative bodies and other non-commercial undertakings	272,102	189,897
Claims on multilateral development banks	-	-
Claims on international organizations	-	-
Claims on banks and intermediary institutions	5,172,059	3,384,966
Claims on corporate receivables	4,712,849	4,478,356
Claims included in the regulatory retail portfolios	207,380	196,043
Claims secured by residential property	1,385,885	1,069,631
Past due loans	24,376	30,118
Higher risk categories decided by the Board	-	-
Secured by mortgages	-	-
Securitization positions	-	-
Short-term claims on banks and intermediary institutions and short-term corporate receivables	-	-
Undertakings for collective investments in mutual funds	-	-
Other receivables	174,661	152,229

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

2. The Parent Bank has control limits over the positions of forward transactions, options and other similar agreements. The credit risk arising from these instruments are managed together with other potential risks resulting from market fluctuations.
3. Regarding forward transactions, if it is required, reverse positions of the current positions are purchased to minimize the risk.
4. Indemnified non-cash loans are treated as non-performing loans in accordance with "Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside" published at Official Gazette no.26333 dated 1 November 2006. Standard loans, restructured and rescheduled loans are followed-up in accordance with the monitoring methods defined by banking regulations.
5. There is a risk evaluation structure within the Parent Bank for foreign funding transactions, where the countries and their market risks are analyzed although the Group's credit portfolio does not include significant foreign operations and credit transactions yet. When the international interbank credit transactions of the Group are assessed, there is no significant international credit risk concentration.
6. a) As at 31 December 2017, the shares of the top 100 and 200 cash loan customers constitute 84% and 88% of the total cash loans portfolio (31 December 2016: 81% and 85%), respectively.
- b) As at 31 December 2017, the shares of the top 100 and 200 non-cash loan customers constitute 99% and 99.8% of the total non-cash loans portfolio (31 December 2016: 97% and 99%), respectively.
- c) As at 31 December 2017, the Group's total cash and non-cash loans from its top 100 loan customers comprise 21% and 22% of the aggregate of total assets and off-balance sheet items (31 December 2016: 27% and 28%), respectively.
7. As at 31 December 2017, the Group's general loan loss provision amounts to TL 104,344 (31 December 2016 – TL 36,986).



## ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

#### II. Consolidated credit risk (continued)

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

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

31 December 2016 <sup>(4)</sup>	Risk Classifications <sup>(1)</sup>																Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
Domestic	2,256,295	-	128,490	-	-	1,151,677	3,068,999	212,370	887,162	35,983	-	-	-	-	-	143,957	7,884,933
European Union Countries	-	-	-	-	-	281,705	142,450	-	-	-	-	-	-	-	-	-	424,155
OECD Countries <sup>(2)</sup>	-	-	-	-	-	1,092	48,362	-	-	-	-	-	-	-	-	-	49,454
Off-Shore Banking Regions	-	-	-	-	-	-	527,636	-	-	-	-	-	-	-	-	-	527,636
USA, Canada	-	-	-	-	-	6,333	-	-	-	-	-	-	-	-	-	-	6,333
Other Countries	-	-	-	-	-	617,273	22	33	-	-	-	-	-	-	-	-	617,328
Investments and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Undistributed Assets/Liabilities <sup>(3)</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2,256,295</b>	<b>-</b>	<b>128,490</b>	<b>-</b>	<b>-</b>	<b>2,058,080</b>	<b>3,787,469</b>	<b>212,403</b>	<b>887,162</b>	<b>35,983</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>143,957</b>	<b>9,509,839</b>

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

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

<sup>(2)</sup> Includes OECD countries other than EU countries, USA and Canada

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

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

# ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

### II. Consolidated credit risk (continued)

#### 8.b) Risk profile by industries or counterparties:

31 December 2017 <sup>(2)</sup>	Risk Classifications <sup>(1)</sup>																TL	FC	TOTAL
Industries/Counterparties	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16			
<b>Agriculture</b>	-	- 127,144	-	-	-	-	3,331	323	4	281	-	-	-	-	-	-	131,083	-	131,083
Farming and Stockbreeding	-	- 127,144	-	-	-	-	2,496	308	4	281	-	-	-	-	-	-	130,233	-	130,233
Forestry	-	-	-	-	-	-	35	-	-	-	-	-	-	-	-	-	35	-	35
Fishery	-	-	-	-	-	-	800	15	-	-	-	-	-	-	-	-	815	-	815
<b>Manufacturing</b>	-	- 144,957	-	-	-	-	1,362,928	5,092	324,791	8,045	-	-	-	-	-	-	554,806	1,291,007	1,845,813
Mining and Quarrying	-	-	-	-	-	-	14,432	809	11	915	-	-	-	-	-	-	8,500	7,667	16,167
Production	-	- 144,957	-	-	-	-	961,662	3,750	154,616	3,694	-	-	-	-	-	-	521,192	747,487	1,268,679
Electric, Gas and Water	-	-	-	-	-	-	386,834	533	170,164	3,436	-	-	-	-	-	-	25,114	535,853	560,967
<b>Construction</b>	-	-	-	-	-	-	557,742	920	120,502	5,419	-	-	-	-	-	-	326,286	358,297	684,583
<b>Services</b>	2,898,071	- 1	-	-	-	5,172,059	2,335,756	5,046	300,396	6,139	-	-	-	-	-	17,837	3,707,699	7,027,606	10,735,305
Wholesale and Retail Trade	-	-	-	-	-	-	261,360	2,587	2,970	4,374	-	-	-	-	-	-	162,647	108,644	271,291
Hotel, Food and Beverage	-	-	-	-	-	-	1,727	687	186,703	450	-	-	-	-	-	-	3,492	186,075	189,567
Transportation and Telecommunication	-	-	-	-	-	-	747,141	669	3,516	658	-	-	-	-	-	-	32,527	719,457	751,984
Financial Institutions	2,898,071	-	-	-	-	5,172,059	519,479	10	-	-	-	-	-	-	-	17,837	3,021,497	5,585,959	8,607,456
Real Estate and Rental Services	-	-	-	-	-	-	359,008	145	105,905	-	-	-	-	-	-	-	277,222	187,836	465,058
Professional Services	-	-	1	-	-	-	394,662	679	249	657	-	-	-	-	-	-	156,657	239,591	396,248
Educational Services	-	-	-	-	-	-	15	191	1,051	-	-	-	-	-	-	-	1,257	-	1,257
Health and Social Services	-	-	-	-	-	-	52,364	78	2	-	-	-	-	-	-	-	52,400	44	52,444
<b>Other</b>	1,016	-	-	-	-	-	453,092	195,999	640,192	4,492	-	-	-	-	-	156,824	1,111,421	340,194	1,451,615
<b>Total</b>	2,899,087	- 272,102	-	-	-	5,172,059	4,712,849	207,380	1,385,885	24,376	-	-	-	-	-	174,661	5,831,295	9,017,104	14,848,399

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

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

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

## ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

## II. Consolidated credit risk (continued)

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

	Term to Maturity				
	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 Year
<b>Risk Classifications <sup>(1)</sup></b>					
Claims on sovereigns and Central Banks <sup>(3)</sup>	1,012,728	1,067	-	-	1,551,586
Claims on regional governments or local authorities	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	-	127,144	104,900	40,058	-
Claims on multilateral development banks	-	-	-	-	-
Claims on international organizations	-	-	-	-	-
Claims on banks and intermediary institutions	627,844	53,019	53,666	341,757	2,864,737
Claims on corporate	357,042	762,112	380,123	927,353	1,544,414
Claims included in the regulatory retail portfolios	20,401	2,987	7,745	17,869	135,501
Claims secured by residential property	11,826	2,351	10,899	9,752	1,349,322
Past due loans <sup>(2)</sup>	-	-	-	-	-
Higher risk categories decided by the Board	-	-	-	-	-
Secured by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term claims on banks and intermediary institutions and short-term corporate receivables	-	-	-	-	-
Equity investments	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-
Other receivables	-	-	-	-	-
<b>TOTAL <sup>(2)</sup></b>	<b>2,029,841</b>	<b>948,680</b>	<b>557,333</b>	<b>1,336,789</b>	<b>7,445,560</b>

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

(2) Net impaired loans amounting to TL 24,376 and other risk amounts not bearing maturity exposures amounting to TL 2,505,820 are not included.

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

## 9. Information related to Credit Ratings:

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

Risk Weights								Deducted From	
	0%	20%	50%	75%	100%	150%	200%	Total	Equity <sup>(1)</sup>
Exposures Before Credit Risk Mitigation	2,473,625	155,429	5,902,615	207,372	6,109,325	33	-	14,848,399	7,532
Exposures After Credit Risk Mitigation	3,558,832	209,439	5,404,659	190,472	5,484,964	33	-	14,848,399	7,532

(1) Includes the amounts deducted from core capital.

# ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

### II. Consolidated credit risk (continued)

#### 10. Information of major industries or type of counterparties

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

Major Industries/Counterparties	Loans <sup>(1)</sup>			
	Impaired Loans	Past Due Loans	Value Adjustments	Provisions
<b>Agriculture</b>	10	2,118	-	1,837
Farming and Stockbreeding	10	2,118	-	1,837
Forestry	-	-	-	-
Fishery	-	-	-	-
<b>Manufacturing</b>	1,165	40,365	53	33,762
Mining and Quarrying	-	1,336	-	421
Production	1,165	34,446	53	30,281
Electricity, Gas and Water	-	4,583	-	3,060
<b>Construction</b>	119	14,365	6	8,986
<b>Services</b>	3,465	24,846	170	18,595
Wholesale and Retail Trade	96	15,062	2	10,688
Accommodation and Dining	-	802	-	222
Transportation and Telecommunication	3,369	5,517	168	4,859
Financial Institutions	-	17	-	17
Real Estate and Rental Services	-	-	-	-
Professional Services	-	3,440	-	2,802
Educational Services	-	-	-	-
Health and Social Services	-	8	-	7
<b>Others</b>	10,685	14,829	228	8,967
<b>Total</b>	<b>15,444</b>	<b>96,523</b>	<b>457</b>	<b>72,147</b>

<sup>(1)</sup> Includes information relating to cash loans.

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

	Opening Balance	Provision for the Period	Provision Reversals	Other Adjustments <sup>(1)</sup>	Closing Balance
Specific Provisions <sup>(2)</sup>	79,170	9,692	(6,883)	(9,832)	72,147
General Loan Loss Provisions	36,986	67,358	-	-	104,344

<sup>(1)</sup> Other adjustments in special provisions includes amounts related to credits which are removed from the assets.

<sup>(2)</sup> Includes information relating to cash loan.

**ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

**III. Consolidated operational risk**

The Group used the "Basic Indicators Approach" in computation of its operational risk. In accordance with the 3<sup>rd</sup> section 'Computation of the Operational Risk' of the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks", published in the Official Gazette no. 29111 dated 6 September 2014, operational risk is computed using the gross income of the Group for the years ended 2017, 2016 and 2015. Operational risk used in computation of capital adequacy ratio per article I of this section is 8% of TL 329,347 which is TL 26,348. TL 26,348 represents also the minimum capital amount to eliminate the operational risk.

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

	2 PP Amount	1 PP Amount	CP Amount	Total/No of years of positive gross	Rate (%)	Total
Gross Income	171,603	189,907	256,826	3	15	30,917
Value at Operational Risk (Total*12.5)						386,460

**IV. 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/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).

	22/12/17	25/12/17	26/12/17	27/12/17	28/12/17	29/12/17
<b>USD</b>	3.8223	3.8113	3.8087	3.8029	3.8197	3.8104
<b>GBP</b>	5.1009	5.0923	5.0877	5.0747	5.1091	5.1142
<b>EURO</b>	4.5382	4.5171	4.5205	4.5116	4.5385	4.5478
<b>JPY</b>	0.0336	0.0335	0.0335	0.0335	0.0337	0.0337

The basic arithmetical average of the Parent Bank's foreign exchange bid rates for the last thirty one days ending 31 December 2017 (TL full):

	Monthly Average FC Exchange Bid Rates
<b>USD</b>	3.8494
<b>GBP</b>	5.1523
<b>EURO</b>	4.5572
<b>JPY</b>	0.0340

# ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

### IV. Consolidated foreign currency exchange rate risk (continued)

#### Information on consolidated foreign currency exchange rate risk:

31 December 2017	EURO	USD	OTHER FC	TOTAL
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currencies, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey <sup>(1)</sup>	11,435	1,235,058	588	1,247,081
Banks	680,840	918,044	5,798	1,604,682
Financial Assets at Fair Value Through Profit or Loss <sup>(2)</sup>	-	-	-	-
Interbank Money Market Placements	-	-	-	-
Investment Securities Available-for-Sale	3,972	1,077,560	-	1,081,532
Loans <sup>(3)</sup>	1,109,964	3,004,863	3,123	4,117,950
Investments in Subsidiaries and Associates	-	-	-	-
Investment Securities Held-to-Maturity	-	288,384	-	288,384
Hedging Purpose Financial Derivatives	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets <sup>(2)</sup>	6,103	19,974	23	26,100
<b>Total Assets</b>	<b>1,812,314</b>	<b>6,543,883</b>	<b>9,532</b>	<b>8,365,729</b>
<b>Liabilities</b>				
Bank Deposits	-	205	1,056	1,261
Foreign Currency Deposits	808,779	1,023,923	10,087	1,842,789
Interbank Money Markets	-	-	-	-
Funds Borrowed from Other Financial Institutions	183,338	6,794,996	3,090	6,981,424
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	389,210	1,430	-	390,640
Hedging Purpose Financial Derivatives	-	-	-	-
Other Liabilities <sup>(2) (6)</sup>	1,381	35,570	166	37,117
<b>Total Liabilities <sup>(2) (6)</sup></b>	<b>1,382,708</b>	<b>7,856,124</b>	<b>14,399</b>	<b>9,253,231</b>
<b>Net Balance Sheet Position</b>	<b>429,606</b>	<b>(1,312,241)</b>	<b>(4,868)</b>	<b>(887,503)</b>
<b>Net Off Balance Sheet Position</b>	<b>(428,329)</b>	<b>1,325,368</b>	<b>4,996</b>	<b>902,035</b>
Financial Derivatives (Assets) <sup>(5)</sup>	2,671	1,333,147	9,534	1,345,352
Financial Derivatives (Liabilities) <sup>(5)</sup>	431,000	7,779	4,538	443,317
<b>Non-cash Loans <sup>(4)</sup></b>	<b>309,883</b>	<b>936,601</b>	<b>22,017</b>	<b>1,268,501</b>
<b>31 December 2016</b>				
<b>Total Assets <sup>(1) (2) (3)</sup></b>	<b>751,528</b>	<b>4,573,993</b>	<b>5,524</b>	<b>5,331,045</b>
<b>Total Liabilities <sup>(2) (6)</sup></b>	<b>461,486</b>	<b>4,693,290</b>	<b>11,086</b>	<b>5,165,862</b>
<b>Net Balance Sheet Position</b>	<b>290,042</b>	<b>(119,297)</b>	<b>(5,562)</b>	<b>165,183</b>
<b>Net Off Balance Sheet Position</b>	<b>(213,665)</b>	<b>100,413</b>	<b>6,360</b>	<b>(106,892)</b>
Financial Derivatives (Assets) <sup>(5)</sup>	951	181,721	9,420	192,092
Financial Derivatives (Liabilities) <sup>(5)</sup>	214,616	81,308	3,060	298,984
<b>Non-cash Loans <sup>(4)</sup></b>	<b>206,922</b>	<b>964,977</b>	<b>3,991</b>	<b>1,175,890</b>

- (1) As at 31 December 2017, there are no precious metals balance in the Central Bank accounts (31 December 2016: None).
- (2) As at 31 December 2017, 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 691 and TL 415 respectively, (31 December 2016: TL 954 and TL 72).
- (3) As at 31 December 2017, "Loans" balance includes, in addition to the balance sheet amount, foreign currency indexed loans and their accruals amounting to TL 168,146 (31 December 2016: TL 264,433).
- (4) Has no effect on net off balance sheet position.
- (5) As at 31 December 2017, value dated FX buying and FX selling transactions amounting to TL 7,874 and TL 1,788 respectively, presented under "Asset Purchase and Sale Commitments" of off-balance sheet items are included (31 December 2016: TL 371 and TL 370). As at 31 December 2017, there are no precious metals balance in the Central Bank accounts (31 December 2016: None).
- (6) "Valuation Differences of Securities" amounting to TL 2,167 (31 December 2016: TL (18,987)) classified under Equity as of 31 December 2017 is not included.

**ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

**IV. Consolidated foreign currency exchange rate risk (continued)**

The table below demonstrates prospective increase and decrease in equity and profit/loss as at 31 December 2017 and 31 December 2016 (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.

Change in foreign currency rate	31 December 2017				31 December 2016			
	Income Statement		Equity <sup>(1)</sup>		Income Statement		Equity <sup>(1)</sup>	
	10% increase	10% decrease	10% increase	10% decrease	10% increase	10% decrease	10% increase	10% decrease
USD	1,096	(1,096)	1,313	(1,313)	10	(10)	(1,888)	1,888
EURO	128	(128)	128	(128)	7,638	(7,638)	7,638	(7,638)
Other FC	26	(26)	26	(26)	80	(80)	80	(80)
<b>Total, net</b>	<b>1,250</b>	<b>(1,250)</b>	<b>1,467</b>	<b>(1,467)</b>	<b>7,728</b>	<b>(7,728)</b>	<b>5,830</b>	<b>(5,830)</b>

<sup>(1)</sup> Equity effect includes income statement effect in the table.

**V. Consolidated interest rate risk**

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

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

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

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

**ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

**V. 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 <sup>(1)</sup>	Total
<b>31 December 2017</b>							
<b>Assets</b>							
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
<b>Total Assets</b>	<b>1,418,387</b>	<b>4,521,393</b>	<b>1,604,705</b>	<b>2,981,046</b>	<b>1,399,151</b>	<b>1,390,878</b>	<b>13,315,560</b>
<b>Liabilities</b>							
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
<b>Total Liabilities</b>	<b>4,837,974</b>	<b>1,228,035</b>	<b>2,596,426</b>	<b>1,336,229</b>	<b>962,341</b>	<b>2,354,555</b>	<b>13,315,560</b>
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	-	-	-	-	-	-	-
<b>Total Interest Sensitivity Gap</b>	<b>(3,419,587)</b>	<b>3,293,358</b>	<b>(991,721)</b>	<b>1,644,817</b>	<b>436,810</b>	<b>(963,677)</b>	<b>-</b>

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



**ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

**V. Consolidated interest rate risk (continued)**
**Interest sensitivity of assets, liabilities and off-balance sheet items (based on reprising dates) (continued)**

	Up to 1 Month	1 – 3 Months	3 –12 Months	1 – 5 Years	5 Years Non-Interest and Over	Bearing <sup>(1)</sup>	Total
<b>31 December 2016</b>							
<b>Assets</b>							
Cash (Cash in Vault, Foreign Currencies, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	1,094,669	-	-	-	63,946	1,158,615
Banks	127,706	-	-	-	-	93,743	221,449
Financial Assets at Fair Value Through Profit or Loss	1,551	1	-	-	-	5,125	6,677
Interbank Money Market Placements	4,763	-	-	-	-	-	4,763
Investment Securities Av.-for-Sale	253,366	172,930	1,091	1,028,621	79,686	2,655	1,538,349
Loans	469,979	912,799	1,619,001	1,372,259	688,085	35,983	5,098,106
Investment Securities Held-to-Mat.	-	93,432	-	91,155	-	-	184,587
Other Assets	2	-	-	-	-	96,071	96,073
<b>Total Assets</b>	<b>857,367</b>	<b>2,273,831</b>	<b>1,620,092</b>	<b>2,492,035</b>	<b>767,771</b>	<b>297,523</b>	<b>8,308,619</b>
<b>Liabilities</b>							
Bank Deposits	3,694	-	-	-	-	450,780	454,474
Other Deposits	1,870,362	738,595	18,066	-	-	223,054	2,850,077
Interbank Money Market Borrowings	114,634	-	220,151	-	-	-	334,785
Miscellaneous Payables	-	-	-	-	-	156,823	156,823
Securities Issued	-	-	-	-	-	-	-
Funds Borrowed from Other Fin. Inst.	1,156,283	413,090	1,310,483	-	891,979	-	3,771,835
Other Liabilities	782	9	-	-	-	739,834	740,625
<b>Total Liabilities</b>	<b>3,145,755</b>	<b>1,151,694</b>	<b>1,548,700</b>	<b>-</b>	<b>891,979</b>	<b>1,570,491</b>	<b>8,308,619</b>
Balance Sheet Long Position	-	1,122,137	71,392	2,492,035	-	-	3,685,564
Balance Sheet Short Position	(2,288,388)	-	-	-	(124,208)	(1,272,968)	(3,685,564)
Off Balance Sheet Long Position	-	-	-	-	-	-	-
Off Balance Sheet Short Position	-	-	-	-	-	-	-
<b>Total Interest Sensitivity Gap</b>	<b>(2,288,388)</b>	<b>1,122,137</b>	<b>71,392</b>	<b>2,492,035</b>	<b>(124,208)</b>	<b>(1,272,968)</b>	<b>-</b>

<sup>(1)</sup> Tangible and intangible assets amounting to TL 32,803, tax assets amounting to TL 8,891 and other assets amounting to TL 54,377 are presented within other assets as non-interest bearing; provisions amounting to TL 70,531, tax liability amounting to TL 17,305, other liabilities amounting to TL 44,991 and equity amounting to TL 607,007 are presented within other liabilities as non-interest bearing.

# ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

### V. Consolidated interest rate risk (continued)

#### Interest rates applied to monetary financial instruments:

	EURO %	USD %	JPY %	TL %
<b>31 December 2017 <sup>(1)</sup></b>				
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

<sup>(1)</sup> Stated at compound interest rates.

#### Interest rates applied to monetary financial instruments:

	EURO %	USD %	JPY %	TL %
<b>31 December 2016 <sup>(1)</sup></b>				
Assets				
Cash (Cash in Vault, Foreign Currencies, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	0.51	-	2.94
Banks	-	0.84	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	-
Investment Securities Available-for-Sale	-	4.45	-	9.67
Loans	3.58	3.99	6.04	12.95
Investment Securities Held-to-Maturity	-	5.13	-	-
Liabilities				
Bank Deposits	0.01	-	-	-
Other Deposits	1.41	3.37	-	11.98
Interbank Money Market Borrowings	-	2.24	-	8.57
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	-
Funds Borrowed from Other Financial Institutions	0.40	1.84	-	6.64

<sup>(1)</sup> Stated at compound interest rates.

**ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

**V. Consolidated interest rate risk (continued)****The interest rate risk of the banking book items:**

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

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

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

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

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

The following table presents the economic value differences arising from fluctuations in interest rates in accordance with the Regulation on Measurement and Evaluation of Interest Rate on Banking Accounts by Standard Shock, divided by different currencies as of 31 December 2017. Tax effects are excluded in the study.

<b>Type of Currency</b>	<b>Shocks Applied (+/- basis points)</b>	<b>Gains/Losses</b>	<b>Gains/Equity- Losses/Equity</b>
TL	500	(201,046)	(16.9%)
	(400)	191,432	16.1%
EURO	200	(25,916)	(2.2%)
	(200)	3,425	0.3%
USD	200	24,354	2.0%
	(200)	(29,474)	(2.5%)
<b>Total (of negative shocks)</b>		<b>(202,608)</b>	<b>13.9%</b>
<b>Total (of positive shocks)</b>		<b>165,383</b>	<b>(17.0%)</b>

## **ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

#### **VI. 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.

**ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

**VI. 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 60% for foreign currency denominated assets and liabilities and 80% for total assets and liabilities for 2017, respectively 50% and 70% for 2016. Monthly consolidated liquidity coverage ratios for the last three months including the reporting period are as follows:

<b>Liquidity Coverage Ratios</b>		<b>FC Liquidity Coverage Ratio (%)</b>		<b>Total Liquidity Coverage Ratio (%)</b>
31 December 2017		220.55%		132.48%
Average		182.73%		129.23%

	<b>Min FC (%)</b>	<b>Min Sum (%)</b>	<b>Max FC (%)</b>	<b>Max Sum (%)</b>
Week	30 November 2017	30 November 2017	31 December 2017	31 October 2017
Ratio (%)	137.85%	110.85%	220.55%	146.81%

<b>Current Period – 31 December 2017</b>		<b>Unweighted Amounts<sup>(2)</sup></b>		<b>Weighted Amounts<sup>(2)</sup></b>	
		<b>TL+FC</b>	<b>FC</b>	<b>TL+FC</b>	<b>FC</b>
<b>HIGH QUALITY LIQUID ASSETS</b>					
High Quality Liquid Assets				2,997,877	2,224,728
<b>CASH OUTFLOWS</b>					
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
<b>TOTAL CASH OUTFLOWS</b>				<b>5,124,050</b>	<b>3,667,874</b>
<b>CASH INFLOWS</b>					
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
<b>TOTAL CASH INFLOWS</b>				<b>2,804,241</b>	<b>2,450,401</b>
				<b>Upper Limit Applied Amounts</b>	
<b>TOTAL HIGH LIQUIDITY ASSETS</b>				<b>2,997,877</b>	<b>2,224,728</b>
<b>TOTAL NET CASH OUTFLOWS <sup>(1)</sup></b>				<b>2,319,809</b>	<b>1,217,473</b>
<b>Liquidity Coverage Ratio (%)</b>				<b>129.23%</b>	<b>182.73%</b>

<sup>(1)</sup>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.

<sup>(2)</sup> Monthly simple arithmetic average of consolidated liquidity coverage ratios for the last quarter is calculated.

**ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

**VII. Consolidated liquidity risk (continued)**

Prior Period – 31 December 2016	Unweighted Amounts <sup>(2)</sup>		Weighted Amounts <sup>(2)</sup>	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>				
High Quality Liquid Assets			<b>1,598,584</b>	<b>1,107,217</b>
<b>CASH OUTFLOWS</b>				
Retail and Small Business Customers Deposits	1,756,590	639,870	158,283	63,904
Stable deposits	351,426	1,656	17,767	83
Less stable deposits	1,405,164	638,214	140,516	63,821
Unsecured Funding other than Retail and Small Business Customer Deposits	2,436,968	1,363,334	1,776,352	1,122,591
Operational deposits	11,979	-	2,353	-
Non-Operational Funding	1,377,346	401,415	731,202	160,672
Other Unsecured Funding	1,047,643	961,919	1,042,797	961,919
Secured funding	-	-	-	-
Other Cash Outflows	173,722	173,722	173,722	173,722
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	173,722	173,722	173,722	173,722
Debts related to the structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off balance sheet liabilities	50,325	32,371	20,130	12,948
Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	78,677	78,677	3,934	3,934
Other irrevocable or conditionally revocable commitments	911,571	546,386	93,211	54,644
<b>TOTAL CASH OUTFLOWS</b>			<b>2,225,632</b>	<b>1,431,743</b>
<b>CASH INFLOWS</b>				
Secured Lending Transactions	-	-	-	-
Unsecured Lending Transactions	606,559	244,321	534,680	229,341
Other contractual cash inflows	174,887	89,428	174,887	89,428
<b>TOTAL CASH INFLOWS</b>			<b>709,567</b>	<b>318,769</b>
			<b>Upper Limit Applied Amounts</b>	
<b>TOTAL HIGH LIQUIDITY ASSETS</b>			<b>1,598,584</b>	<b>1,107,217</b>
<b>TOTAL NET CASH OUTFLOWS <sup>(1)</sup></b>			<b>1,516,065</b>	<b>1,112,974</b>
<b>Liquidity Coverage Ratio (%)</b>			<b>105%</b>	<b>99%</b>

<sup>(1)</sup>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.

<sup>(2)</sup> Monthly simple arithmetic average of consolidated liquidity coverage ratios for the last quarter 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.

# ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

### VI. Consolidated liquidity risk (continued)

#### Presentation of assets and liabilities according to their residual maturities:

31 December 2017	Demand	Up to 1 month	1-3 months	3-12 Months	1-5 Years	5 years and over	Undist. <sup>(1)</sup>	Total
<b>Assets</b>								
Cash (Cash in Vault, Foreign Currencies, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	359,713	990,758	-	-	-	-	-	1,350,471
Banks	1,139,282	434,430	31,255	-	-	-	-	1,604,967
Financial Assets at Fair Value Through Profit or Loss	30,549	353	338	-	-	-	-	31,240
Interbank Money Market Placements	-	9,600	-	-	-	-	-	9,600
Investment Securities Available-for-Sale	4,107	21,970	52	106,597	1,770,152	86,132	-	1,989,010
Loans	-	406,262	934,487	1,432,137	3,232,462	1,651,097	24,376	7,680,821
Investment Securities Held-to-Maturity	-	-	-	-	380,675	112,738	-	493,413
Other Assets	-	91,432	793	1,862	360	10,619	50,972	156,038
<b>Total Assets</b>	<b>1,533,651</b>	<b>1,954,805</b>	<b>966,925</b>	<b>1,540,596</b>	<b>5,383,649</b>	<b>1,860,586</b>	<b>75,348</b>	<b>13,315,560</b>
<b>Liabilities</b>								
Bank Deposits	71,241	-	-	-	-	-	-	71,241
Other Deposits	465,131	2,321,060	460,729	26,940	-	-	-	3,273,860
Funds Borrowed from Other Financial Institutions	-	1,352,676	767,306	2,569,486	1,336,229	962,341	-	6,988,038
Interbank Money Markets	-	1,149,966	-	-	-	-	-	1,149,966
Marketable Securities Issued	-	-	-	-	-	-	-	-
Miscellaneous Payables	420,728	-	-	-	-	-	-	420,728
Other Liabilities	-	142,108	16,202	-	-	-	1,253,417	1,411,727
<b>Total Liabilities</b>	<b>957,100</b>	<b>4,965,810</b>	<b>1,244,237</b>	<b>2,596,426</b>	<b>1,336,229</b>	<b>962,341</b>	<b>1,253,417</b>	<b>13,315,560</b>
<b>Net Liquidity Gap</b>	<b>576,551</b>	<b>(3,011,005)</b>	<b>(277,312)</b>	<b>(1,055,830)</b>	<b>4,047,420</b>	<b>898,245</b>	<b>(1,178,069)</b>	<b>-</b>
<b>Net off balance sheet position</b>	<b>-</b>	<b>(16,516)</b>	<b>506</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(16,010)</b>
Derivative financial assets <sup>(3)</sup>	-	1,250,635	96,039	-	-	-	-	1,346,674
Derivative financial liabilities <sup>(3)</sup>	-	1,267,151	95,533	-	-	-	-	1,362,684
<b>Non-cash loans <sup>(2)</sup></b>	<b>643,783</b>	<b>117,396</b>	<b>28,151</b>	<b>596,108</b>	<b>403,206</b>	<b>539</b>	<b>-</b>	<b>1,789,183</b>
<b>31 December 2016</b>								
<b>Total Assets</b>	<b>599,253</b>	<b>1,138,426</b>	<b>620,469</b>	<b>1,686,871</b>	<b>2,855,811</b>	<b>1,327,943</b>	<b>79,846</b>	<b>8,308,619</b>
<b>Total Liabilities</b>	<b>830,657</b>	<b>3,202,562</b>	<b>1,157,236</b>	<b>1,548,647</b>	<b>-</b>	<b>891,979</b>	<b>677,538</b>	<b>8,308,619</b>
<b>Net Liquidity Gap</b>	<b>(231,404)</b>	<b>(2,064,136)</b>	<b>(536,767)</b>	<b>138,224</b>	<b>2,855,811</b>	<b>435,964</b>	<b>(597,692)</b>	<b>-</b>
<b>Net off balance sheet position</b>	<b>-</b>	<b>1,437</b>	<b>(14)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,423</b>
Derivative financial assets <sup>(3)</sup>	-	365,654	9,580	-	-	-	-	375,234
Derivative financial liabilities <sup>(3)</sup>	-	364,217	9,594	-	-	-	-	373,811
<b>Non-cash loans <sup>(2)</sup></b>	<b>541,490</b>	<b>95,935</b>	<b>149,563</b>	<b>183,889</b>	<b>273,949</b>	<b>145,305</b>	<b>-</b>	<b>1,390,131</b>

<sup>(1)</sup> Assets on the balance sheet which are not convertible into cash in short period; tangible and intangible assets amounting to TL 41,959, commodity TL 598, assets to be disposed of amounting to TL 8,415, loans in follow-up amounting to TL 24,376 and liabilities on the balance sheet which are necessary for the banking operations; provisions amounting to TL 141,123 and equity amounting to TL 1,112,294 are included here.

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

<sup>(3)</sup> As at 31 December 2017, spot foreign currency purchase and sale transactions with value date amounting to TL 9,196 and TL 9,163, respectively, are presented under "Asset Purchase and Sale Commitments" of off-balance sheet items (31 December 2016: TL 371 and TL 370).

## ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

#### VII. Information regarding consolidated leverage ratio

Consolidated leverage ratio of the Group calculated based on 3 months average amounts is 7.48% as of 31 December 2017 (31 December 2016: 6.42%). This ratio is above the minimum ratio. The main reason behind the increase in current period leverage ratio, compared to the previous year, is the increase in share capital.

	Current Period <sup>(1)</sup> 31 December 2017	Prior Period <sup>(1)</sup> 31 December 2016
<b>On-Balance sheet exposures</b>		
On-Balance sheet assets (Excluding derivative financial instruments and credit derivatives, including collaterals)	12,827,171	7,909,347
(Assets amounts deducted in determining Tier 1 capital)	109	591
Total on-Balance sheet exposures	12,827,062	7,908,756
<b>Derivative financial instruments and credit derivatives</b>		
Replacements cost of derivative financial instruments and credit derivatives	-	-
Potential credit risk of derivative financial instruments and credit derivatives	29,100	4,726
Total derivative financial instruments and credit derivatives exposure	29,100	4,726
<b>Securities financial instruments and credit derivatives</b>		
Total risk of gross securities financing transactions (excluding on-balance sheet exposure)	14,679	62,705
Agent transaction exposure	-	-
Total securities financing transactions exposures	14,679	62,705
<b>Off-balance sheet items</b>		
Off-balance sheet exposure at gross notional amount	1,926,558	1,274,391
(Adjustments for conversions to credit equivalent amounts)	-	-
Total risk of off-balance sheet items	1,926,558	1,274,391
<b>Capital and total exposure</b>		
Tier 1 capital	1,106,729	594,251
Total exposures	14,797,399	9,250,578
<b>Leverage ratio (%)</b>	<b>7.48%</b>	<b>6.42%</b>

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

#### VIII. Information related to consolidated securitization position risk

As of 31 December 2017 Group has no securitization position risk generated by banking accounts.

#### IX. 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.



# ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

### IX. Information related to consolidated risk management (continued)

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 of 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.

#### 1. General Information on Risk Management and Risk Weighted Amount

##### a) Overview of RWA:

	Risk Weighted Amount		Minimum capital requirement
	Current Period	Prior Period	Current Period
<b>1 Credit risk (excluding counterparty credit risk) (CCR)</b>	<b>8,254,044</b>	<b>5,015,922</b>	<b>660,324</b>
2 Standardized approach (SA)	8,254,044	5,015,922	660,324
3 Internal rating-based (IRB) approach	-	-	-
<b>4 Counterparty credit risk</b>	<b>27,401</b>	<b>72,199</b>	<b>2,191</b>
5 Standardized approach for counterparty credit risk (SA-CCR)	27,401	72,199	2,191
6 Internal model method (IMM)	-	-	-
<b>7 Basic risk weight approach to internal models equity position in the banking account</b>	-	-	-
<b>8 Investments made in collective investment companies – look-through approach</b>	-	-	-
<b>9 Investments made in collective investment companies – mandate-based approach</b>	-	-	-
<b>10 Investments made in collective investment companies - 1250% weighted risk approach</b>	-	-	-
<b>11 Settlement risk</b>	-	-	-
<b>12 Securitization positions in banking accounts</b>	-	-	-
13 IRB ratings-based approach (RBA)	-	-	-
14 IRB Supervisory Formula Approach (SFA)	-	-	-
15 SA/simplified supervisory formula approach (SSFA)	-	-	-
<b>16 Market risk</b>	<b>24,738</b>	<b>98,588</b>	<b>1,979</b>
17 Standardized approach (SA)	24,738	98,588	1,979
18 Internal model approaches (IMM)	-	-	-
<b>19 Operational risk</b>	<b>386,460</b>	<b>329,347</b>	<b>30,917</b>
20 Basic Indicator Approach	386,460	329,347	30,917
21 Standard Approach	-	-	-
22 Advanced measurement approach	-	-	-
<b>23 The amount of the discount threshold under the equity (subject to a 250% risk weight)</b>	-	-	-
<b>24 Floor adjustment</b>	-	-	-
<b>25 Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>8,692,643</b>	<b>5,516,056</b>	<b>695,411</b>

**ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

**IX. Information related to consolidated risk management (continued)**
**2. Connections between Financial Statements and Risk Amounts**

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

31 December 2017	Carrying values of items in accordance with Turkish Accounting Standards					
	Carrying values in financial statements prepared as per TAS	Credit Risk	Counterparty credit risk	Securitization positions	Market Risk	Not subject to capital requirements or subject to deduction from capital
<b>Assets</b>						
Cash and Balances with the Central Bank	1,350,471	1,350,471	-	-	-	-
Available-for-Sale Financial Assets	31,240	-	9,245	-	1,346,127	-
Financial assets at fair value through profit and loss	-	-	-	-	-	-
Banks	1,604,967	1,604,967	-	-	-	-
Receivables from Money markets	9,600	9,600	-	-	-	-
Financial assets available for sale (net)	1,989,010	1,989,010	-	-	-	-
Loans and receivables	7,680,821	7,680,821	-	-	-	-
Receivables from factoring	-	-	-	-	-	-
Investments held to maturity (net)	493,413	493,413	-	-	-	-
Subsidiaries (net)	-	-	-	-	-	-
Associates (net)	-	-	-	-	-	-
Jointly controlled entities (joint ventures) (net)	-	-	-	-	-	-
Finance lease receivables	-	-	-	-	-	-
Derivative financial liabilities held for risk management	-	-	-	-	-	-
Tangible Assets (net)	36,765	36,765	-	-	-	-
Intangible Assets (net)	5,194	-	-	-	-	5,194
Real estate for investment purpose (net)	-	-	-	-	-	-
Tax asset	10,619	10,619	-	-	-	-
Assets Held For Sale and Discontinued Operations (net)	-	-	-	-	-	-
Other assets	103,460	101,218	-	-	-	2,242
<b>Total Assets</b>	<b>13,315,560</b>	<b>13,276,884</b>	<b>9,245</b>	<b>-</b>	<b>1,346,127</b>	<b>7,436</b>
<b>Liabilities</b>						
Deposits	3,345,101	-	-	-	-	-
Derivative financial liabilities held for trading	14,272	-	-	-	-	-
Loans	6,988,038	-	-	-	-	-
Money market borrowings	1,149,966	-	530,779	-	-	-
Securities issued	-	-	-	-	-	-
Funds	-	-	-	-	-	-
Miscellaneous payables	420,728	-	-	-	-	-
Other liabilities	114,548	-	-	-	-	-
Factoring payables	-	-	-	-	-	-
Finance lease payables	-	-	-	-	-	-
Derivative financial liabilities held for risk management	-	-	-	-	-	-
Provisions	141,123	-	-	-	-	-
Tax Liability	29,490	-	-	-	-	-
Liabilities regarding assets held for sale and discontinued operations (net)	-	-	-	-	-	-
Subordinated Loans	-	-	-	-	-	-
Shareholders' equity	1,112,294	-	-	-	-	-
<b>Total liabilities</b>	<b>13,315,560</b>	<b>-</b>	<b>530,779</b>	<b>-</b>	<b>-</b>	<b>-</b>

**ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

**IX. Information related to consolidated risk management (continued)**
**2. Connections between Financial Statements and Risk Amounts (continued)**

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

	31 December 2017	Total	Credit risk	Securitization positions	Counterparty credit risk	Market Risk
1	Asset carrying value amount under scope of regulatory consolidation	13,315,560	13,276,884	-	9,245	1,346,127
2	Liabilities carrying value amount under regulatory scope of consolidation	-	-	-	530,779	-
3	Total net amount under regulatory scope of consolidation	13,315,560	13,276,884	-	540,024	1,346,127
4	Off-balance Sheet Amounts	4,680,082	1,040,600	-	-	-
5	Differences in valuations	-	-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-	-
8	Differences due to prudential filters	-	-	-	-	-
9	Differences due to risk reduction	-	-	-	-	-
10	Risk exposure	17,995,642	14,317,484	-	540,024	1,346,127

**3. Explanation of credit risk**

a) Credit quality of assets

		Gross carrying value as per TAS		Allowances /amortization and impairments	Net values
		Defaulted	Non-defaulted		
1	Loans	96,523	7,656,445	176,491	7,576,477
2	Debt instruments	-	2,478,316	-	2,478,316
3	Off-balance sheet exposures	10,423	1,952,096	9,852	1,952,667
4	Total	106,946	12,086,857	186,343	12,007,460

b) Changes in Stock of Default Loans and Debt Securities

	31 December 2017
1	Defaulted loans and debt securities at end of the previous reporting period
2	Loans and debt securities defaulted since the last reporting period
3	Receivables back to non-defaulted status
4	Amounts written off
5	Other changes
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)
	115,153
	3,725
	-
	9,831
	(12,524)
	96,523

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	7,009,702	617,811	617,811	33,038	33,038	-
2	Debt Instruments	2,478,475	-	-	-	-	-
3	Total	9,488,177	617,811	617,811	33,038	33,038	-
4	Of which defaulted	96,523	-	-	-	-	-

# ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

### X. Information related to consolidated risk management (continued)

#### 3. Explanation of credit risk (continued)

##### d) 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
Claims on sovereigns and Central Banks	2,899,087	-	2,899,087	-	231,058	3%
Claims on regional governments or local authorities	-	1	-	-	-	0%
Claims on administrative bodies and other non-commercial undertakings	272,102	5	272,102	1	272,102	3%
Claims on multilateral development banks	-	-	-	-	-	0%
Claims on international organizations	-	-	-	-	-	0%
Claims on banks and intermediary institutions	4,970,965	361,840	4,970,994	201,066	3,180,515	38%
Claims on corporates	3,972,251	1,374,124	3,972,252	740,598	3,613,112	43%
Claims included in the regulatory retail portfolios	184,954	98,016	184,953	22,426	143,522	2%
Claims secured by residential property	605,206	1,033	605,205	207	211,735	3%
Claims secured by commercial property	704,170	152,854	704,170	76,304	468,926	6%
Overdue loans	24,376	-	24,376	-	22,339	0%
Higher risk categories decided by the Board	-	-	-	-	-	0%
Secured by mortgages	-	-	-	-	-	0%
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	0%
Undertakings for collective investments in mutual funds	-	-	-	-	-	0%
Other receivables	175,303	-	174,661	-	138,035	2%
Equity share investments	-	-	-	-	-	0%
<b>Total</b>	<b>13,808,414</b>	<b>1,987,873</b>	<b>13,807,800</b>	<b>1,040,602</b>	<b>8,281,344</b>	<b>100%</b>

# ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

### IX. Information related to consolidated risk management (continued)

#### 3. Explanation of credit risk (continued)

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

Risk weight / Risk Classifications	0%	10%	20%	50% <sup>(1)</sup>	75%	100%	150%	200%	Others	Total Risk Amount <sup>(2)</sup>
Claims on sovereigns and Central Banks	2,436,970	-	-	462,117	-	-	-	-	-	2,899,087
Claims on regional governments or local authorities	-	-	-	-	-	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	-	-	-	-	-	272,102	-	-	-	272,102
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	102	-	-	3,524,844	-	1,647,113	-	-	-	5,172,059
Claims on corporates	-	-	155,428	683,475	-	3,873,946	-	-	-	4,712,849
Claims included in the regulatory retail portfolios	-	-	-	8	207,372	-	-	-	-	207,380
Claims secured by residential property	-	-	-	-	-	-	-	-	605,411	605,411
Claims secured by commercial property	-	-	-	622,658	-	157,816	-	-	-	780,474
Overdue loans	-	-	-	4,107	-	20,236	33	-	-	24,376
Higher risk categories decided by the Board	-	-	-	-	-	-	-	-	-	-
Secured by mortgages	-	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-	-
Other receivables	36,626	-	-	-	-	138,035	-	-	-	174,661
Equity share investments	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2,473,698</b>	<b>-</b>	<b>155,428</b>	<b>5,297,209</b>	<b>207,372</b>	<b>6,109,248</b>	<b>33</b>	<b>-</b>	<b>605,411</b>	<b>14,848,399</b>

<sup>(1)</sup> Guaranteed with real estate mortgage.

<sup>(2)</sup> Amount after Credit Conversion Rate ("KDO") and Credit Risk Reduction ("KRA")

**ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

**IX. Information related to consolidated risk management (continued)**
**4. Analysis of counterparty credit risk (CCR) exposure by approach**
**a) Evaluation of counterparty credit risk according to measurement methods**

<b>31 December 2017</b>	<b>Replacement cost</b>	<b>Potential future exposure</b>	<b>EEPE</b>	<b>Alpha used for computing regulatory Exposure at Default</b>	<b>Exposure at Default post-CRM</b>	<b>RWA</b>
Standard Approach-CCR (for derivatives)	738	17,319	-	1.4	18,056	18,056
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	-	-	-	-	530,779	9,245
<b>Total</b>	<b>738</b>	<b>17,319</b>	<b>-</b>	<b>-</b>	<b>548,835</b>	<b>27,301</b>

**b) Credit valuation adjustment (CVA) capital charge**

<b>31 December 2017</b>	<b>EAD (post-CRM)</b>	<b>RWA</b>
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	18,056	124
4 Total subject to the CVA capital charge	18,056	124

**ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

**IX. 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:

<b>Risk Weight /Regulatory Portfolio</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>Others</b>	<b>Total Credit Risk<sup>(1)</sup></b>
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	-	-	-	9,245	-	18,056	-	-	27,301
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	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,245</b>	<b>-</b>	<b>18,056</b>	<b>-</b>	<b>-</b>	<b>27,301</b>

<sup>(1)</sup> 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.

# ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

### IX. Information related to consolidated risk management (continued)

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

f) Exposures to central counterparties (CCP):

None.

5. Securitization Explanations: None.

#### 6. Market risk disclosures

a) Standard approach

	RWA
<b>Outright products</b>	
1 Interest rate risk (general and specific)	-
2 Equity risk (general and specific)	8,113
3 Foreign exchange risk	16,625
4 Commodity risk	-
<b>Options</b>	
5 Simplified approach	-
6 Delta-plus method	-
7 Scenario approach	-
8 Securitization	-
<b>9 Total</b>	<b>24,738</b>

### X. Presentation of financial assets and liabilities at their fair value

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

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

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

	Carrying value		Fair value	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
<b>Financial Assets</b>	<b>11,753,435</b>	<b>7,011,271</b>	<b>11,790,902</b>	<b>7,010,852</b>
Interbank money market	9,600	4,763	9,600	4,763
Banks	1,604,967	221,449	1,604,967	221,449
Investment securities available-for-sale (Net)	1,989,010	1,538,349	1,989,010	1,538,349
Investment securities held-to-maturity (Net)	493,413	184,587	503,736	181,200
Loans <sup>(1)</sup>	7,656,445	5,062,123	7,683,589	5,065,091
<b>Financial Liabilities</b>	<b>10,753,867</b>	<b>7,233,209</b>	<b>11,216,213</b>	<b>7,242,299</b>
Bank deposits	71,241	454,474	71,241	454,474
Other deposits	3,273,860	2,850,077	3,749,630	2,849,923
Funds borrowed from other financial institutions	6,988,038	3,771,835	6,974,614	3,781,079
Securities issued (Net)	-	-	-	-
Miscellaneous payables	420,728	156,823	420,728	156,823

<sup>(1)</sup> Loans under follow up and specific provisions are not included.



# ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

### X. Presentation of financial assets and liabilities at their fair value (continued)

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

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

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

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

31 December 2016	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>	<b>894,193</b>	<b>650,833</b>	-	<b>1,545,026</b>
<b>Financial Assets At Fair Value Through Profit or Loss</b>	<b>19</b>	<b>6,658</b>	-	<b>6,677</b>
Share Certificates	19	-	-	19
Trading Derivatives	-	1,552	-	1,552
Other Securities	-	5,106	-	5,106
<b>Investment Securities Available for Sale</b>	<b>894,174</b>	<b>644,175</b>	-	<b>1,538,349</b>
Share Certificates	2,655	-	-	2,655
Public Sector Debt Securities	891,519	-	-	891,519
Other Securities	-	644,175	-	644,175
<b>Financial Liabilities</b>	-	<b>791</b>	-	<b>791</b>
Derivative financial liabilities held for trading	-	791	-	791

### Presentation of non-financial assets and liabilities at their fair value

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

## ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

#### XI. Consolidated segment reporting

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

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

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

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

#### Information related to the segments of the Group:

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

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

<sup>(1)</sup> 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.

<sup>(2)</sup> 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; 52% for corporate banking, 6% for retail banking, 42% for investment banking and others segment. Gross income (operational income) of the Group is distributed between corporate banking, investment banking and other segment and retail banking as 46%, 36%, and 18%, respectively.

**ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

**XI. Consolidated segment reporting (continued)**

	<b>Retail Banking</b>	<b>Corporate Banking</b>	<b>Treasury, Investment Banking and Others</b>	<b>Total Operations</b>
<b>31 December 2016</b>				
Operating Income	59,445	102,590	103,239	265,274
Operating profit of segment	19,633	11,681	(4,161)	27,153
Operating profit	19,633	11,681	(4,161)	27,153
Profit before tax	19,633	11,681	(4,161)	27,153
Tax provision (-)	-	-	8,404	8,404
Profit after tax	19,633	11,681	(12,565)	18,749
<b>Net Profit/ (Loss)</b>	<b>19,633</b>	<b>11,681</b>	<b>(12,565)</b>	<b>18,749</b>
Segment assets <sup>(1)</sup>	662,295	4,480,570	3,165,754	8,308,619
<b>Total Assets</b>	<b>662,295</b>	<b>4,480,570</b>	<b>3,165,754</b>	<b>8,308,619</b>
Segment liabilities <sup>(1)</sup>	1,764,694	1,167,585	4,769,333	7,701,612
Equity	-	-	607,007	607,007
<b>Total Liabilities</b>	<b>1,764,694</b>	<b>1,167,585</b>	<b>5,376,340</b>	<b>8,308,619</b>
<b>Other Segment Items</b>	<b>4,814</b>	<b>20,731</b>	<b>24,900</b>	<b>50,425</b>
Capital expenditure	-	-	2,031	2,031
Depreciation and amortization	289	484	3,870	4,643
Impairment losses <sup>(2)</sup>	4,525	20,247	18,999	43,771

<sup>(1)</sup> 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.

<sup>(2)</sup> 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; 54% for corporate banking, 8% for retail banking, 38% 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 39%, 22%, and 39%, respectively.

**ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

**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:**

	<b>31 December 2017</b>		<b>31 December 2016</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Cash	12,798	23,828	15,029	48,875
Central Bank of Turkey (CBRT) <sup>(1)</sup>	90,592	1,223,253	97,289	997,422
Others	-	-	-	-
<b>Total</b>	<b>103,390</b>	<b>1,247,081</b>	<b>112,318</b>	<b>1,046,297</b>

**b) Balances with the Central Bank of Turkey:**

	<b>31 December 2017</b>		<b>31 December 2016</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Unrestricted Demand Deposits <sup>(1)</sup>	90,592	232,495	97,289	336,537
Unrestricted Time Deposits	-	-	-	-
Restricted Time Deposits	-	990,758	-	660,885
<b>Total</b>	<b>90,592</b>	<b>1,223,253</b>	<b>97,289</b>	<b>997,422</b>

<sup>(1)</sup> As at 31 December 2017, the Parent Bank does not keep precious metals as reserve deposits at Central Bank of Turkey (31 December 2016: None).

**c) Explanation related to reserve deposits:**

In accordance with the "Communiqué Regarding the Reserve Requirements no. 2005/1", the Parent Bank is required to maintain reserves in CBRT for TL and foreign currency liabilities. The reserve requirements can be maintained as TL, USD, EUR and standard gold. Interest payments are made to required reserves held as TL as of November 2014 and required reserves held as USD as of 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 of 31 December 2017 (31 December 2016: between 4% and 10.5%); the reserve rates for foreign currency liabilities vary between 4% and 24% (31 December 2016: 4.5% and 24.5%).

**ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

**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 31 December 2017 and 31 December 2016, 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:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Forward transactions	-	1	7	1
Swap transactions	-	690	591	953
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>-</b>	<b>691</b>	<b>598</b>	<b>954</b>

**3. Information on banks:**

- a) Information on banks

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
<b>Banks</b>				
Domestic	285	467,446	738	204,543
Foreign	-	1,137,236	-	16,168
<b>Total</b>	<b>285</b>	<b>1,604,682</b>	<b>738</b>	<b>220,711</b>

- b) Foreign banks:

	Unrestricted Amount		Restricted Amount	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
EU Countries	294,627	8,204	-	-
USA, Canada	839,365	5,507	-	-
OECD Countries <sup>(1)</sup>	622	1,092	-	-
Off shore zones	-	-	-	-
Other	2,622	1,365	-	-
<b>Total</b>	<b>1,137,236</b>	<b>16,168</b>	<b>-</b>	<b>-</b>

- <sup>(1)</sup> OECD countries except for the EU countries, the USA and Canada.

**4. Information on investment securities available-for-sale (net):**

- a) Investment securities available-for-sale given as collateral or blocked:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Given as collateral or blocked	373,844	326,885	47,924	-
Subject to repurchase agreements	475,844	-	109,935	139,890
<b>Total</b>	<b>849,688</b>	<b>326,885</b>	<b>157,859</b>	<b>139,890</b>

As at 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 (31 December 2016: TL 1,240,600).

**ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

**I. Information and disclosures related to consolidated assets (continued)**
**4. Information on investment securities available-for-sale (net) (continued)**

b) Available-for-sale securities:

	31 December 2017	31 December 2016
Debt instruments	2,017,003	1,575,452
Listed	1,299,458	913,872
Unlisted	717,545	661,580
Equity instruments	4,107	2,655
Listed	543	-
Unlisted	3,564	2,655
Impairment provision (-) / charge (+)	32,100	39,758
<b>Total</b>	<b>1,989,010</b>	<b>1,538,349</b>

**5. Information related to loans:**

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

	31 December 2017		31 December 2016	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans granted to shareholders	-	166,912	551,499	113,702
Corporate shareholders	-	166,912	551,499	113,702
Individual shareholders	-	-	-	-
Indirect loans granted to shareholders <sup>(1)</sup>	548,335	1,782	527,636	3,366
Loans granted to employees	2,671	-	2,428	-
<b>Total</b>	<b>551,006</b>	<b>168,694</b>	<b>1,081,563</b>	<b>117,068</b>

<sup>(1)</sup> 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 about loans classified in groups I and II and other receivables and loans that have been restructured or rescheduled:

Cash Loans	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables (Total)	Conditions of Contracts Amended		Loans and Other Receivables (Total)	Conditions of Contracts Amended	
		Amendments related to the extension of the payment plan	Other		Amendments related to the extension of the payment plan	Other
Non-specialized loans	7,335,440	3,916	-	56,409	260,437	-
Enterprise loans	-	-	-	-	189,946	-
Export loans	112,684	-	-	38,104	-	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	2,656,337	-	-	-	-	-
Consumer loans	814,224	3,916	-	11,400	73	-
Credit cards	19,313	-	-	583	-	-
Other <sup>(1)</sup>	3,732,882	-	-	6,322	70,418	-
Specialized loans	233	-	-	10	-	-
Other receivables	-	-	-	-	-	-
<b>Total <sup>(1)</sup></b>	<b>7,335,673</b>	<b>3,916</b>	<b>-</b>	<b>56,419</b>	<b>260,437</b>	<b>-</b>

<sup>(1)</sup> Other includes loan receivables from customers of ICBC Yatırım amounting to TL 50,235.

**ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

(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)**

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

<b>Number of Amendments Related to the Extension of the Payment Plan</b>	<b>Standard Loans and Other Receivables</b>	<b>Loans and Other Receivables Under Close Monitoring</b>
Extended by 1 or 2 Times	3,728	260,437
Extended by 3,4 or 5 Times	188	-
Extended by More than 5 Times	-	-

<b>The Time Extended via the Amendment on Payment Plan</b>	<b>Standard Loans and Other Receivables</b>	<b>Loans and Other Receivables Under Close Monitoring</b>
Up to 6 Months	268	181,157
6 Months - 12 Months	294	-
1-2 Years	1,084	4,445
2-5 Years	1,575	39,603
5 Years and Over	695	35,232

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

<b>Cash Loans</b>	<b>Standard Loans and Other Receivables</b>		<b>Loans and Receivables Under Close Monitoring</b>	
	<b>Loans and other receivables (Total)</b>	<b>Conditions of Contracts Amended</b>	<b>Loans and other receivables (Total)</b>	<b>Conditions of Contracts Amended</b>
Short term Loans	1,589,704	-	44,973	2,443
Non specialized Loans	1,589,704	-	44,973	2,443
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long term Loans	5,745,969	3,916	11,446	257,994
Non specialized Loans	5,745,736	3,916	11,436	257,994
Specialized Loans	233	-	10	-
Other Receivables	-	-	-	-
<b>Total</b>	<b>7,335,673</b>	<b>3,916</b>	<b>56,419</b>	<b>260,437</b>

**ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

(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)**

d) Information on instalment corporate loans and corporate credit cards:

	Short Term	Medium or Long Term	Total
<b>Consumer Loans – TL</b>	<b>7,043</b>	<b>816,689</b>	<b>823,732</b>
Real Estate Loans	140	647,241	647,381
Automotive Loans	-	4,810	4,810
Consumer Loans	6,903	164,638	171,541
Other	-	-	-
<b>Consumer Loans – Indexed to FC</b>	<b>-</b>	<b>134</b>	<b>134</b>
Real Estate Loans	-	134	134
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Consumer Loans – FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Real Estate Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Credit Cards – TL</b>	<b>16,236</b>	<b>-</b>	<b>16,236</b>
Installment	4,416	-	4,416
Non installment	11,820	-	11,820
<b>Credit Cards – FC</b>	<b>619</b>	<b>-</b>	<b>619</b>
Installment	-	-	-
Non Installment	619	-	619
<b>Loans Given to Employees – TL</b>	<b>68</b>	<b>1,464</b>	<b>1,532</b>
Real Estate Loans	-	336	336
Automotive Loans	-	-	-
Consumer Loans	68	1,128	1,196
Other	-	-	-
<b>Loans Given to Employees – Indexed to FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Real Estate Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Loans Given to Employees – FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Real Estate Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Employee Credit Cards – TL</b>	<b>1,124</b>	<b>-</b>	<b>1,124</b>
Installment	402	-	402
Non Installment	722	-	722
<b>Employee Credit Cards – FC</b>	<b>41</b>	<b>-</b>	<b>41</b>
Installment	-	-	-
Non Installment	41	-	41
<b>Overdraft Account – TL (Individual)</b>	<b>4,215</b>	<b>-</b>	<b>4,215</b>
<b>Overdraft Account – FC (Individual)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>29,346</b>	<b>818,287</b>	<b>847,633</b>



**ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

(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)**

e) Domestic and foreign loans:

	Short Term	Medium or Long Term	Total
<b>Installment Corporate Loans – TL</b>	<b>8,986</b>	<b>248,273</b>	<b>257,259</b>
Business Residential Loans	-	-	-
Automotive Loans	-	17,048	17,048
Consumer Loans	8,986	231,225	240,211
Other	-	-	-
<b>Installment Corporate Loans – Indexed to FC</b>	<b>-</b>	<b>109,548</b>	<b>109,548</b>
Business Residential Loans	-	-	-
Automotive Loans	-	63,542	63,542
Consumer Loans	-	46,006	46,006
Other	-	-	-
<b>Installment Corporate Loans – FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Business Residential Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Corporate Credit Cards – TL</b>	<b>1,799</b>	<b>-</b>	<b>1,799</b>
Installment	509	-	509
Non Installment	1,290	-	1,290
<b>Corporate Credit Cards – FC</b>	<b>77</b>	<b>-</b>	<b>77</b>
Installment	-	-	-
Non Installment	77	-	77
<b>Overdraft Account – TL (Commercial)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account – FC (Commercial)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>10,862</b>	<b>357,821</b>	<b>368,683</b>

f) Loan concentration based on counterparties:

	31 December 2017	31 December 2016
Public sector	1,227,969	127,687
Private sector	6,428,476	4,934,436
<b>Total</b>	<b>7,656,445</b>	<b>5,062,123</b>

g) Domestic and foreign loans:

	31 December 2017	31 December 2016
Domestic loans	6,893,750	3,792,803
Foreign loans	762,695	1,269,320
<b>Total</b>	<b>7,656,445</b>	<b>5,062,123</b>

h) Loans granted to subsidiaries and associates: None.

**ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

(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)**

## i) Specific provisions for loans:

	31 December 2017	31 December 2016
Specific Provisions		
Loans and Receivables with Limited Collectability	51	306
Loans and Receivables with Doubtful Collectability	5,091	14,037
Uncollectible Loans and Receivables	67,005	64,827
<b>Total</b>	<b>72,147</b>	<b>79,170</b>

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

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

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Current period	-	-	-
(Gross amounts before the specific reserves)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	-	-	-
Prior period	-	-	-
(Gross amounts before the specific reserves)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	-	-	-

## j.2) Information on 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 receivables
Balances at Beginning of Period	1,095	16,571	97,487
Additions (+)	3,388	902	1,538
Transfers from Other Categories of Non- Performing Loans (+)	-	3,113	12,863
Transfers to Other Categories of Non-Performing Loans (-)	3,113	12,863	-
Collections (-)	1,169	2,010	11,448
Write-offs (-)	-	75	9,756
Corporate and Commercial Loans	-	-	5,634
Retail Loans	-	36	2,283
Credit Cards	-	39	1,839
Other	-	-	-
Balances at End of the Period	201	5,638	90,684
Specific Provisions (-)	51	5,091	67,005
<b>Net Balance on the Balance Sheet</b>	<b>150</b>	<b>547</b>	<b>23,679</b>

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

# ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(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)

j.4) Information on 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
<b>Current Period (Net)</b>	<b>150</b>	<b>547</b>	<b>23,679</b>
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)	-	-	-
<b>Prior Period (Net)</b>	<b>789</b>	<b>2,534</b>	<b>32,660</b>
Loans Allowed to Real Persons and Corporate Bodies (Gross)	1,095	16,571	97,487
Specific provision (-)	306	14,037	64,827
Loans Allowed to Real Persons and Corporate Bodies (Net)	789	2,534	32,660
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

k) Liquidation policy for uncollectible loans and other receivables:

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

On June 22 2017, retail loans and credit card portfolio amounting to TL 4,158 have been sold to an asset management company for TL 250 and an additional provision of TL 84 has been provided for written-off portfolio having carrying amount of TL 275.

l) Information on write-off from assets policy:

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

**ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

(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):**

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 accounts in which government securities held-to-maturity are reflected:

As at December 2017, the Parent Bank's whole investment securities held to maturity consist of bank bills.

c) Information on investment securities held-to-maturity:

	<b>31 December 2017</b>	<b>31 December 2016</b>
Debt instruments	478,294	181,971
Listed	-	-
Unlisted	478,294	181,971
Impairment provision (-)	15,119	2,616
<b>Period end balance</b>	<b>493,413</b>	<b>184,587</b>

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

	<b>31 December 2017</b>	<b>31 December 2016</b>
Beginning balance	184,587	-
Foreign currency differences on monetary assets	-	-
Purchases during year	293,707	181,971
Disposals through sales and redemptions	-	-
Impairment provision (-)	15,119	2,616
<b>Period end balance</b>	<b>493,413</b>	<b>184,587</b>

**7. Investments in associates (net):**

None.

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

As at 31 December 2017, 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 31 December 2017, the Parent Bank has no non-consolidated subsidiary.

# ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(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)

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	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
517,548	94,570	1,427	15,910	11,901	16,799	5,049	-

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, 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
2,755	2,577	12	238	-	(537)	(532)	-

g) Movement of consolidated subsidiaries:

	31 December 2017	31 December 2016
Balance at the Beginning of the Period	25,000	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	-	-
<b>Balance at the End of the Period</b>	<b>75,998</b>	<b>25,000</b>
Capital Commitments	-	-
Share Percentage at the end of Period (%)	-	-

h) Sectorial distribution of consolidated subsidiaries:

	31 December 2017	31 December 2016
Subsidiaries		
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	75,998	25,000
Other Non-Financial Subsidiaries	-	-
<b>Total</b>	<b>75,998</b>	<b>25,000</b>

i) Listed subsidiaries: None.

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

k) Subsidiaries purchased in the current period: None.

**ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

(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 tangible assets (net):**

<b>31 December 2017</b>	<b>Buildings <sup>(1)</sup></b>	<b>Tangible assets under finance lease</b>	<b>Vehicles</b>	<b>Other tangible assets</b>	<b>Total</b>
Prior Period End: 31/12/2016					
Cost	20,300	3,160	36	39,094	62,590
Accumulated Depreciation (-)	3,615	3,160	36	25,958	32,769
Net Book Value	16,685	-	-	13,136	29,821
Current Period End: 31/12/2017					
Net Book Value at the Beginning of the Period	16,685	-	-	13,136	29,821
Additions	-	-	-	11,008	11,008
Disposals, net (-) <sup>(2)</sup>	-	-	-	17	17
Revaluation / (Impairment) <sup>(1)</sup>	1,582	-	-	-	1,582
Depreciation (-)	197	-	-	5,449	5,646
Cost at year end	21,882	3,160	36	50,102	75,180
Accumulated Depreciation at year end (-)	3,812	3,160	36	31,407	38,415
<b>Closing Net Book Value</b>	<b>18,070</b>	<b>-</b>	<b>-</b>	<b>18,695</b>	<b>36,765</b>

<b>31 December 2016</b>	<b>Buildings <sup>(1)</sup></b>	<b>Tangible assets under finance lease</b>	<b>Vehicles</b>	<b>Other tangible assets</b>	<b>Total</b>
Prior Period End: 31/12/2015					
Cost	18,774	3,165	105	33,552	55,596
Accumulated Depreciation (-)	3,419	3,163	105	22,222	28,909
Net Book Value	15,355	2	-	11,330	26,687
Current Period End: 31/12/2016					
Net Book Value at the Beginning of the Period	15,355	2	-	11,330	26,687
Additions	-	-	-	5,578	5,578
Disposals, net (-) <sup>(2)</sup>	-	-	-	7	7
Revaluation / (Impairment) <sup>(1)</sup>	1,526	-	-	-	1,526
Depreciation (-)	196	2	-	3,791	3,989
Cost at year end	20,300	3,160	36	39,094	62,590
Accumulated Depreciation at year end (-)	3,615	3,160	36	25,958	32,769
<b>Closing Net Book Value</b>	<b>16,685</b>	<b>-</b>	<b>-</b>	<b>13,136</b>	<b>29,821</b>

<sup>(1)</sup> There is a capital gain amounting to TL 12,259 as of 31 December 2017 as a result of change in fair value of buildings, which is determined by licensed immovable property valuation companies (31 December 2016 – TL 10,677).

<sup>(2)</sup> The cost and accumulated depreciation of assets disposed is as follows:

<b>31 December 2017</b>	<b>Properties</b>	<b>Tangible assets under finance lease</b>	<b>Vehicles</b>	<b>Other tangible assets</b>	<b>Total</b>
Cost	-	1	-	176	177
Accumulated Depreciation (-)	-	1	-	159	160
<b>Net disposal amount</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17</b>	<b>17</b>

<b>31 December 2016</b>	<b>Properties</b>	<b>Tangible assets under finance lease</b>	<b>Vehicles</b>	<b>Other tangible assets</b>	<b>Total</b>
Cost	-	5	69	62	136
Accumulated Depreciation (-)	-	5	69	55	129
<b>Net disposal amount</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7</b>	<b>7</b>

**ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

**I. Information and disclosures related to consolidated assets (continued)****13. Intangible assets (net):**

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

	31 December 2017	31 December 2016
Gross Book Value	24,881	21,412
Accumulated Amortization (-)	19,687	18,430
<b>Total</b>	<b>5,194</b>	<b>2,982</b>

b) Movement of intangible assets:

	31 December 2017	31 December 2016
Beginning of the period	2,982	1,496
Additions Resulting from Mergers, Acquisitions and Purchases	3,466	2,075
Disposals (-)	-	-
Accumulated Amortization (-)	1,254	589
<b>Period End</b>	<b>5,194</b>	<b>2,982</b>

**14. Information on investment properties (net):**

None.

**15. Information on deferred tax assets:**

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

As of 31 December 2017, the deferred tax asset arising from the deductible temporary differences except for general loan provisions, is amounting to TL 10,619 (31 December 2016: TL 8,891). As of 31 December 2017, there is no deferred tax asset arising from financial losses (31 December 2016: None).

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

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

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

The Group has no asset held for sale and discontinued operation as at 31 December 2017 and 31 December 2016.

**17. Information on other assets:**

Commodities and immovable properties of the Group obtained with respect to bad credits are recognized under securities and immovable properties to be sold off and shown under other assets in the balance sheet. Net total carrying value of the aforementioned assets is TL 8,415 as of 31 December 2017 (31 December 2016: TL 10,619).

Total of other assets amounting to TL 95,045 (31 December 2016- TL 43,760), which are other than movables and immovables held for sale, do not exceed 10% of the balance sheet total.

**ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

(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) 31 December 2017:

	<b>Demand</b>	<b>Up to 1 month</b>	<b>1-3 Months</b>	<b>3-6 Months</b>	<b>6 Months- 1 Year</b>	<b>1 Year and Over</b>	<b>Cumulative Deposits</b>	<b>Total</b>
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	-	-	-	-	-	-	-	-
<b>Total</b>	<b>536,372</b>	<b>79,023</b>	<b>2,664,826</b>	<b>43,160</b>	<b>15,758</b>	<b>5,962</b>	<b>-</b>	<b>3,345,101</b>

a.2) 31 December 2016:

	<b>Demand</b>	<b>Up to 1 month</b>	<b>1-3 Months</b>	<b>3-6 Months</b>	<b>6 Months- 1 Year</b>	<b>1 Year and Over</b>	<b>Cumulative Deposits</b>	<b>Total</b>
Saving Deposits	25,782	19,970	1,032,934	642	200	69	-	1,079,597
Foreign Currency Deposits	141,156	5,263	1,057,495	7,756	13,081	5,145	-	1,229,896
Residents in Turkey	136,799	5,020	1,004,138	4,952	3,407	1,269	-	1,155,585
Residents Abroad	4,357	243	53,357	2,804	9,674	3,876	-	74,311
Public Sector Deposits	1,779	-	-	-	-	-	-	1,779
Commercial Deposits	52,117	20,330	455,043	2	-	-	-	527,492
Other Ins. Deposits	2,220	108	8,929	27	10	19	-	11,313
Precious Metal Deposits	-	-	-	-	-	-	-	-
Bank Deposits <sup>(1)</sup>	450,780	3,694	-	-	-	-	-	454,474
Central Bank	-	-	-	-	-	-	-	-
Domestic Banks	62	3,694	-	-	-	-	-	3,756
Foreign Banks	450,718	-	-	-	-	-	-	450,718
Participation Banks	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total</b>	<b>673,834</b>	<b>49,365</b>	<b>2,554,401</b>	<b>8,427</b>	<b>13,291</b>	<b>5,233</b>	<b>-</b>	<b>3,304,551</b>

<sup>(1)</sup> The amount of TL 440,000 transferred to the Bank's accounts by ICBC China for capital increase has been presented in the demand column.



# ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(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	Covered by Deposit Insurance Fund	Exceeding the Deposit Insurance Limit	Exceeding the Deposit Insurance Limit
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Saving Deposits	555,417	487,314	645,020	591,119
Foreign Currency Savings Deposits	184,108	148,284	681,930	509,592
Other Saving Deposits	-	-	-	-
Foreign branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
<b>Total</b>	<b>739,525</b>	<b>635,598</b>	<b>1,326,950</b>	<b>1,100,711</b>

- 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 4,504 (31 December 2016: TL 3,079).

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

	31 December 2017	31 December 2016
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	3,079
Deposits and Other Accounts linked to Crimes Mentioned in 282 <sup>nd</sup> Article of 5237 Numbered Turkish Crime Legislation dated on 26/09/2004	-	-
Deposits belong to Off-shore Banks which are established to be engaged in offshore banking in Turkey.	-	-

### 2. Information on derivative financial liabilities held for trading:

Negative difference on derivatives held for trading:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Forwards transactions	-	1	2	4
Swaps transactions	13,857	414	717	68
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>13,857</b>	<b>415</b>	<b>719</b>	<b>72</b>

**ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

(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:**

a) Information on banks and other financial institutions:

	<b>31 December 2017</b>		<b>31 December 2016</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Central Bank of Turkey	-	-	-	-
Domestic Banks and Institutions	6,614	6,810	7,386	4,010
Foreign Banks, Institutions and Funds	-	6,974,614	-	3,760,439
<b>Total</b>	<b>6,614</b>	<b>6,981,424</b>	<b>7,386</b>	<b>3,764,449</b>

b) Contractual maturities of funds borrowed:

	<b>31 December 2017</b>		<b>31 December 2016</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Short-Term	6,614	4,682,854	7,386	1,493,039
Medium and Long-Term	-	2,298,570	-	2,271,410
<b>Total</b>	<b>6,614</b>	<b>6,981,424</b>	<b>7,386</b>	<b>3,764,449</b>

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 114,548 (31 December 2016: TL 44,991) 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 31 December 2017 and 31 December 2016, the Group does not have financial lease liabilities.

As at 31 December 2017 and 31 December 2016, the Group does not have any obligations from operational lease agreements.

**6. Information on liabilities arising from hedging purpose derivatives:**

None.

# ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

### II. Information and disclosures related to consolidated liabilities (continued)

#### 7. Information on provisions:

##### a) Information on general provisions:

	31 December 2017	31 December 2016
General Provisions		
Provision for Group I Loans and Receivables	94,396	31,485
<i>Additional Provision for Loans and Receivables with Extended Maturities</i>	39	26
Provision for Group II Loans and Receivables	5,957	2,775
<i>Additional Provision for Loans and Receivables with Extended Maturities</i>	5,209	2,338
Provision for Non-cash Loans	3,760	2,667
Other	231	59
<b>Total</b>	<b>104,344</b>	<b>36,986</b>

##### b) 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.

Such payments are calculated on the basis of 30 days' pay, as at 31 December 2017, at ceiling amount of TL-full 4,732 (31 December 2016: TL-full 4,297), per year of employment at the rate of pay applicable at the date of retirement of termination. 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.

	31 December 2017	31 December 2016
Discount Ratio (%)	2.78	4.72
Expected Salary/ETI Liability Ceiling Increase Rate (%)	8.00	6.00
Rate for the Probability of Retirement (%)	93.00	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 below:

	31 December 2017	31 December 2016
Balance at Prior Period End	8,743	7,569
Current year provisions	4,465	3,351
Paid in current year	(2,473)	(2,177)
<b>Balance at Current Period End</b>	<b>10,735</b>	<b>8,743</b>

As at 31 December 2017, the Group has vacation pay liability amounting TL 5,242 (31 December 2016: TL 4,936).

**ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

**II. Information and disclosures related to consolidated liabilities (continued)****c) Provision for foreign exchange gain/loss on foreign currency indexed loans:**

As at 31 December 2017, foreign exchange differences on foreign currency indexed loans amounting TL 343 (31 December 2016: TL 7) are netted with loans on the asset side.

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

As at 31 December 2017, the Group has provision amounting to TL 6,092 (31 December 2016: TL 7,173) for non-cash loans and irrevocable commitments that are not indemnified and not converted into cash amounting to TL 10,423 (31 December 2016: TL 13,109).

**e) Information on other provisions:**

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

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

As at 31 December 2017, the Parent Bank has provision for credit card service promotions amounting to TL 94 (31 December 2016: TL 103).

e.3) Information on other provisions:

As at 31 December 2017, there is provision for lawsuits filed against the Parent Bank and its subsidiary amounting to TL 9,546 (31 December 2016: TL 6,953).

As at 31 December 2017, the reserve for premiums amounting to TL 5,070 has been set aside (31 December 2016: TL 5,637).

**8. Taxation:**

a) Current tax liability: As at 31 December 2017, corporate taxes payable of the Group after deductions of prepaid taxes is TL 13,791 (31 December 2016: TL 3,076).

**b) Information on taxes payable:**

	<b>31 December 2017</b>	<b>31 December 2016</b>
Corporate taxes payable	13,791	3,076
Taxation on securities	3,479	3,052
Capital gains tax on property	236	212
Banking Insurance Transaction Tax (BITT)	3,019	2,875
Value added tax payable	216	158
Other	4,954	4,828
<b>Total</b>	<b>25,695</b>	<b>14,201</b>

**c) Information on premiums payable:**

	<b>31 December 2017</b>	<b>31 December 2016</b>
Social security premiums- employee share	1,630	1,327
Social security premiums- employer share	1,819	1,497
Unemployment insurance- employee share	115	93
Unemployment insurance- employer share	231	186
Other	-	1
<b>Total</b>	<b>3,795</b>	<b>3,104</b>

**ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

**II. Information and disclosures related to consolidated liabilities (continued)****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:**

	<b>31 December 2017</b>	<b>31 December 2016</b>
Common Stock	860,000	420,000
Preferred Stock	-	-

It is decided in the Extraordinary General Assembly of the Parent Bank held on 9 February 2017 regarding the increase in the paid in capital of Parent Bank from TL 420,000 to TL 860,000 that with respect to Banking Regulation and Supervision Agency's 15 November 2016 dated 20008792-101.01.04 {48}-E.11782 numbered, Capital Markets Board's 9 November 2016 dated and 29833736-110.03.02-E.11782 numbered and Turkish Republic Ministry of Customs and Trade Internal Trade General Directorate 2 December 2016 dated, 50035491-431.02 numbered authorizations to amend the main agreement's "Capital " title Item 8.

As of the registration date of 29 June 2017, the Parent Bank's capital has increased by TL 440,000 in cash from TL 420,000 to TL 860,000.

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

- b) Paid-in capital amount, explanation as to whether the registered share capital system is applicable at bank; if so the amount of registered share capital: None
- c) Information on share capital increases and their sources; other information on any increase in capital shares during the current period:

<b>Increase Date</b>	<b>Increase Amount</b>	<b>Cash</b>
29 June 2017	440,000	440,000

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

**ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

(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)**

- 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 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 valuation reserve:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Associates, subsidiaries and joint ventures	-	-	-	-
Valuation gain/loss of available for sale securities	(7,763)	2,167	(1,585)	(18,987)
Translation gain/loss	-	-	-	-
<b>Total</b>	<b>(7,763)</b>	<b>2,167</b>	<b>(1,585)</b>	<b>(18,987)</b>

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) Information on profit distribution of Parent Bank for the year 2016:

At the Ordinary General Assembly held on 30 March 2017, the Parent Bank has decided not to distribute dividends, TL 13,700 amount of 2016 profit has been transferred to prior years' profit/loss.

According to Ordinary General Assembly of ICBC Turkey Yatırım Menkul Değerler A.Ş. held 30 March 2017, the Company has transferred profit for the year 2016 amounting to TL 5,376 to legal reserves and extraordinary reserves with amounts of TL 268 and TL 5,108, respectively. The aforementioned amounts are presented in the consolidated statement of changes in shareholders' equity.

# ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(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:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Interest Income Received From Loans <sup>(1)</sup>				
Short Term Loans	173,584	4,073	141,147	5,894
Medium and Long Term Loans	196,643	140,278	131,959	92,371
Loans Under Follow-Up	2,811	-	1,498	-
Source Utilization Support Fund	-	-	-	-
<b>Total</b>	<b>373,038</b>	<b>144,351</b>	<b>274,604</b>	<b>98,265</b>

<sup>(1)</sup> Also includes fees and commissions from cash loans.

##### b) Information on interest income received from banks:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Central Bank	48	7,684	735	532
Domestic Banks	1	555	14	292
Foreign Banks	-	-	-	-
<b>Total</b>	<b>49</b>	<b>8,239</b>	<b>749</b>	<b>824</b>

##### c) Information on interest income received from securities portfolio:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Trading Securities	-	-	-	-
Financial Assets at Fair Value				
Through Profit or Loss	-	-	-	-
Investment Securities Available-for-Sale	110,833	56,274	23,445	46,371
Investment Securities Held-to-Maturity	14,993	14,422	1,433	3,198
<b>Total</b>	<b>125,826</b>	<b>70,696</b>	<b>24,878</b>	<b>49,569</b>

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

#### 2. Interest expense:

##### a) Information on interest expense related to funds borrowed:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Banks <sup>(1)</sup>	631	123,243	1,015	63,608
Central Bank of Turkey	-	-	-	-
Domestic Banks	604	126	1,005	112
Foreign Banks	27	123,117	10	63,496
Foreign Branches	-	-	-	-
Other Institutions	-	-	-	-
<b>Total</b>	<b>631</b>	<b>123,243</b>	<b>1,015</b>	<b>63,608</b>

<sup>(1)</sup> Also includes fees and commission expenses related with funds borrowed.

# ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

### III. Information and disclosures related to consolidated income statement (continued)

#### 2. Interest expense (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.

#### 31 December 2017

Account Name	Demand Deposits	Time Deposits					Cumulative Deposits	Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	1 year and over		
TL								
Bank Deposits	-	58	-	-	-	-	-	58
Saving Deposits	-	1,398	130,700	291	145	4	-	132,538
Public Sector Deposits	-	-	-	-	-	-	-	-
Commercial Deposits	-	4,208	36,354	19	-	-	-	40,581
Other Deposits	-	4	1,144	2	5	1	-	1,156
<b>Total Turkish Lira</b>	-	<b>5,668</b>	<b>168,198</b>	<b>312</b>	<b>150</b>	<b>5</b>	-	<b>174,333</b>
Foreign Currency								
Foreign Currency Deposits	-	116	36,359	131	159	81	-	36,846
Bank Deposits	-	6	-	-	-	-	-	6
Precious Metal Deposits	-	-	-	-	-	-	-	-
<b>Total Foreign Currency</b>	-	<b>122</b>	<b>36,359</b>	<b>131</b>	<b>159</b>	<b>81</b>	-	<b>36,852</b>
<b>Total</b>	-	<b>5,790</b>	<b>204,557</b>	<b>443</b>	<b>309</b>	<b>86</b>	-	<b>211,185</b>

#### 31 December 2016

Account Name	Demand Deposits	Time Deposits					Cumulative Deposits	Up to 1 Month
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	1 year and over		
TL								
Bank Deposits	-	318	-	-	-	-	-	318
Saving Deposits	-	1,238	105,413	97	25	7	-	106,780
Public Sector Deposits	-	-	-	-	-	-	-	-
Commercial Deposits	-	2,107	32,096	321	-	-	-	34,524
Other Deposits	-	8	1,129	2	1	2	-	1,142
<b>Total Turkish Lira</b>	-	<b>3,671</b>	<b>138,638</b>	<b>420</b>	<b>26</b>	<b>9</b>	-	<b>142,764</b>
Foreign Currency								
Foreign Currency Deposits	-	71	16,899	139	191	80	-	17,380
Bank Deposits	-	128	-	-	-	-	-	128
Precious Metal Deposits	-	-	-	-	-	-	-	-
<b>Total Foreign Currency</b>	-	<b>199</b>	<b>16,899</b>	<b>139</b>	<b>191</b>	<b>80</b>	-	<b>17,508</b>
<b>Total</b>	-	<b>3,870</b>	<b>155,537</b>	<b>559</b>	<b>217</b>	<b>89</b>	-	<b>160,272</b>

#### 3. Information on dividend income:

The subsidiary of ICBC Turkey Yatırım Menkul Değerler has dividend income amounting to TL 8 (2016- TL 25) from the securities classified as trading financial assets.



# ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

### III. Information and disclosures related to consolidated income statement (continued)

#### 4. Trading income / loss (net):

	31 December 2017	31 December 2016
<b>Profit</b>	<b>562,837</b>	<b>299,022</b>
Capital Market Gains	10,025	7,385
Derivative Gains	217,608	101,388
Foreign Exchange Gains	335,204	190,249
<b>Loss (-)</b>	<b>627,029</b>	<b>314,401</b>
Capital Market Losses	6	95
Derivative Losses	281,471	141,522
Foreign Exchange Losses	345,552	172,784

Net profit related to derivative transactions resulting from foreign currency exchange rate changes is amounting to TL 15,387 (2016: TL 11,260 net profit).

#### 5. Other operating income:

	31 December 2017	31 December 2016
Income from project appraisal	10,881	15,523
Income from recoveries of previous year	8,402	6,678
Income from collection of previous year	1,245	289
Income from sales of loans	806	515
Income on communication	248	232
Other	3,704	7,842
<b>Total</b>	<b>25,286</b>	<b>31,079</b>

#### 6. Impairment on loans and other receivables:

	31 December 2017	31 December 2016
Specific Provisions on Loans and Other Receivables	10,130	25,358
Loans and Receivables in Group III	51	757
Loans and Receivables in Group IV	1,322	12,013
Loans and Receivables in Group V	8,757	12,588
General Provision Expenses	67,358	6,456
Provision for Possible Losses	-	-
Impairment Losses on Securities:	13,329	11,162
Trading securities	-	-
Investment Securities Available-for-Sale	13,329	11,162
Other Impairment Losses:	606	-
Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Investment Securities Held-to-Maturity	606	-
Other <sup>(1)</sup>	2,594	795
<b>Total</b>	<b>94,017</b>	<b>43,771</b>

<sup>(1)</sup> 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 YEAR ENDED 31 DECEMBER 2017**

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

**III. Information and disclosures related to consolidated income statement (continued)****7. Information related to other operational expenses:**

	31 December 2017	31 December 2016
Personnel Expenses	130,072	112,869
Reserve for Employee Termination Indemnities and Vacation Pay	2,609	1,482
Reserve for Bank's Social Aid Fund Deficit	-	-
Impairment of Tangible Assets	-	-
Depreciation Expenses of Tangible Assets	5,646	3,989
Impairment of Intangible Assets	-	-
Impairment of Goodwill	-	-
Amortization Expenses of Intangible Assets	1,254	589
Impairment of Investments in Associates	-	-
Impairment of Assets to be Disposed of	-	-
Depreciation of Assets to be Disposed of	1,253	65
Impairment of Assets Held for Sale and Discontinued Operations	-	-
Other Operating Expenses	61,346	49,244
Operational Leases	25,586	23,550
Repair and Maintenance	7,409	3,931
Advertising	233	354
Other Expenses	28,118	21,409
Loss on Sale of Assets	1	1
Other <sup>(1)</sup>	27,090	26,111
<b>Total</b>	<b>229,271</b>	<b>194,350</b>

<sup>(1)</sup> Other line mainly includes taxes paid other than corporate income tax, customs and duties paid and SDIF premium expense.**8. Profit / loss before taxes for continued and discontinued operations:**

Profit before taxes for continued operations is TL 81,586 (31 December 2016: TL 27,153). Profit before taxes consists of net interest income amounting to TL 367,717 (31 December 2016: TL 224,962), net fees and commission income amounting to TL 76,055 (31 December 2016: TL 24,587) and other operating expenses amounting to TL 229,271 (31 December 2016: TL 194,350).

**9. Taxes on income from continued and discontinued operations:**

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

Current tax expense for the year ended 31 December 2017 is TL 39,898 (2016 – TL 8,379).

There is a deferred tax income at an amount of TL 6,595 belonging to period ending on 31 December 2017 (2016 – TL 25 deferred tax expense).

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

For the period ended 31 December 2017, the deferred tax income arising from the origination of temporary differences amounts TL 6,595 (2016: TL 25 deferred tax expense).

Additionally, for the period ended 31 December 2017, the current tax effect amounting to TL 1,248 and deferred tax effect amounting to TL (5,230), on an aggregate TL (3,982) tax effect (2016: total TL 368 current and TL 2,257 is deferred tax effect total TL 2,625) 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 31 December 2017, the deferred tax income arising from the origination of temporary differences amounts to TL 6,595 (2016: TL 25 deferred tax expense). There is no deferred tax income or expense sourcing from financial loss in period ending on 31 December 2017 (2016 – None).

**ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

**III. Information and disclosures related to consolidated income statement (continued)**

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

Net profit from continued operations is TL 48,283 (2016: TL 18,749 net profit).

**11. Information on net profit and loss:**

- a) Any further explanation on operating results needed for better understanding of the Parent Bank's performance: None.
- b) Any changes in estimations that might have a material effect on current and subsequent period results: None.

**12. 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 mainly of income received and expenses paid to customers and third parties regarding banking activities.

**ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

(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:**

	<b>31 December 2017</b>	<b>31 December 2016</b>
Forward deposit purchase and sale commitments	18,359	741
Commitment for use guaranteed credit allocation	29,033	27,889
Credit cards limit commitments	67,403	75,776
Payment commitments for cheques	73,028	75,491
Credit card commitments given with applications for promotion	193	218
Tax and fund obligations arising from export commitments	5	196
Other irrevocable commitments	11,878	13,369
<b>Total</b>	<b>199,899</b>	<b>193,680</b>

**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.

	<b>31 December 2017</b>	<b>31 December 2016</b>
Letters of guarantee	1,675,741	1,180,143
Bank acceptance loans	-	-
Letters of credit	68,919	78,677
Other guarantees collaterals	44,523	131,311
<b>Total</b>	<b>1,789,183</b>	<b>1,390,131</b>

**c) Non-cash loans:**

	<b>31 December 2017</b>	<b>31 December 2016</b>
Non-Cash Loans Given for Cash Loan Risks	138,877	63,438
With Original Maturity of 1 Year or Less	78,354	53,788
With Original Maturity of More Than 1 Year	60,523	9,650
Other Non-Cash Loans	1,650,306	1,326,693
<b>Total</b>	<b>1,789,183</b>	<b>1,390,131</b>

**ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

(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)**
**d) Sectoral risk concentration of non-cash loans:**

	31 December 2017				31 December 2016			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	772	0.15	-	-	1,962	0.92	-	-
Farming and raising livestock	754	0.14	-	-	1,933	0.90	-	-
Forestry	-	-	-	-	11	0.01	-	-
Fishing	18	-	-	-	18	0.01	-	-
Manufacturing	54,009	10.37	434,263	34.23	42,401	19.79	194,111	16.51
Mining	1,000	0.19	347	0.03	3,826	1.79	322	0.03
Production	52,543	10.09	419,011	33.03	38,006	17.74	142,528	12.12
Electric, gas and water	466	0.09	14,905	1.18	569	0.27	51,261	4.36
Construction	220,315	42.31	137,075	10.81	52,952	24.72	286,550	24.37
Services	243,883	46.84	696,937	54.94	110,581	51.62	658,150	55.97
Wholesale and retail trade	30,862	5.93	16,447	1.30	38,020	17.75	28,589	2.43
Hotel, food and beverage services	3,570	0.69	-	-	2,943	1.37	961	0.08
Transportation and telecommunication	654	0.13	146,254	11.53	957	0.45	24,804	2.11
Financial institutions	198,051	38.04	241,406	19.03	55,209	25.77	152,651	12.98
Real estate and renting services	17	-	-	-	17	0.01	141,272	12.01
Self-employment services	6,686	1.28	290,201	22.88	4,881	2.28	304,584	25.90
Education services	1	-	-	-	491	0.23	8	-
Health and social services	4,042	0.78	2,629	0.21	8,063	3.76	5,281	0.45
Other	1,703	0.33	226	0.02	6,345	2.96	37,079	3.15
<b>Total</b>	<b>520,682</b>	<b>100.00</b>	<b>1,268,501</b>	<b>100.00</b>	<b>214,241</b>	<b>100.00</b>	<b>1,175,890</b>	<b>100.00</b>

**e) Information on the first and second group non-cash loans:**

	I. Group		II. Group	
	TL	FC	TL	FC
Letters of guarantee	509,455	1,152,597	3,024	242
Bank acceptances	-	-	-	-
Letters of credit	-	30,465	-	38,454
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	-	44,523	-	-
<b>Total</b>	<b>509,455</b>	<b>1,227,585</b>	<b>3,024</b>	<b>38,696</b>

The Parent Bank has provided provisions amounting to TL 10,423 (31 December 2016: TL 12,497) after considering the guarantees for the non-cash loans classified under group 3-4-5 loans amounting to TL 3,503 (31 December 2016: TL 4,656). The Parent Bank also provided provisions amounting to TL 2,589 (31 December 2016: TL 2,517) for the cheque commitments based on off-balance sheet transactions.

**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 YEAR ENDED 31 DECEMBER 2017**

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

#### **V. Information and disclosures related to consolidated statement of changes in shareholders' equity**

##### **1. Information on differences in revaluation of financial assets available for sale:**

As at 31 December 2017, valuation difference of TL 14,976 net off tax, related to the remeasurement of the fair values of available for sale investments (2016: TL 10,308, amount of decrease) is accounted under "Valuation Differences of Securities" account under equity.

In the current period, TL (2) loss was transferred to the income statement from Valuation Differences of Securities (31 December 2016: TL (1,255)).

Information on cash flow hedge: None.

##### **2. Differences arising on revaluation of tangible fixed assets:**

Surplus amounting to TL 1,503 (2016: TL 1,449) that occurs after purged tax effect arise from revaluation of buildings fair value included tangible fixed assets of the Parent Bank is represented as period transaction of "Revaluation Fund on Tangible Assets" on statement of changes in equity.

##### **3. Information on the foreign exchange differences:** None.

##### **4. Information on profit shares noticed after balance sheet date but previous to announcement of financial statements:**

As at the report date, there is no decision for the profit distribution of current year profit of the Parent Bank.

##### **Net profit per share for the period that has been suggested to be distributed to shareholders after balance sheet date:**

As at the report date, there is no decision for the profit distribution of current year profit of the Parent Bank.

##### **5. Information on issue of shares:**

It is decided in the Extraordinary General Assembly of the Parent Bank held on 9 February 2017 regarding the increase in the paid in capital of the Parent Bank from TL 420,000 to TL 860,000 with respect to Banking Regulation and Supervision Agency's 15 November 2016 dated 20008792-101.01.04 {48}-E.11782 numbered, Capital Markets Board's 9 November 2016 dated and 29833736-110.03.02-E.11782 numbered and Turkish Republic Ministry of Customs and Trade Internal Trade General Directorate 2 December 2016 dated, 50035491-431.02 numbered authorizations to amend the main agreement's "Capital " title Item 8.

As of the registration date of 29 June 2017, the Parent Bank's capital has increased by TL 440,000 in cash from TL 420,000 to TL 860,000.

##### **6. Information on other share capital increase accounts in statements of changes in equity:** None.

##### **7. Other explanations:**

The Group has presented actuarial loss amounting to TL 370 (2016 - TL 247 actuarial gain) after deferred tax effect arising from the changes in actuarial assumptions of the employee severance pay liability, as current period movement of "Other Reserves" section.

**ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

**VI. Information and disclosures related to consolidated cash flow statement****1. Information on cash and cash equivalents:**

The components of cash and cash equivalents and the accounting policies used in the determination of these components:

Cash in vault, foreign currencies, cash in transit, cheques purchased, demand deposits in banks including demand deposit balances with the Central Bank of Turkey are described as "Cash"; interbank money market placements, time deposits in banks which have original maturities lower than three months and reverse repo receivables are described as "Cash Equivalents". The reserve requirement amounts within the Central Bank is not considered as "cash equivalent assets" in the statement of cash flows.

**a) Cash and cash equivalents at the beginning of the period:**

	<b>31 December 2017</b>	<b>31 December 2016</b>
<b>Cash</b>	<b>511,908</b>	<b>355,522</b>
Cash in Vault, Foreign Currencies and Other	63,903	35,067
Demand Deposits at Banks	448,005	320,455
<b>Cash Equivalents</b>	<b>210,017</b>	<b>357,168</b>
Interbank Money Market	4,763	77,000
Time Deposits at Banks	205,254	280,168
Investment Securities	-	-
<b>Total Cash and Cash Equivalents</b>	<b>721,925</b>	<b>712,690</b>

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

	<b>31 December 2017</b>	<b>31 December 2016</b>
<b>Cash</b>	<b>1,493,478</b>	<b>511,908</b>
Cash in Vault, Foreign Currencies and Other	36,626	63,903
Demand Deposits at Banks	1,456,852	448,005
<b>Cash Equivalents</b>	<b>474,891</b>	<b>210,017</b>
Interbank Money Market	9,600	4,763
Time Deposits at Banks	465,291	205,254
Investment Securities	-	-
<b>Total Cash and Cash Equivalents</b>	<b>1,968,369</b>	<b>721,925</b>

**2. Information on cash and cash equivalent assets of the Group that are not available for free use due to legal restrictions or other reasons:**

As mentioned in the first item above, the reserve requirement amounts held under blockage within the Central Bank is not considered as cash equivalent assets in the statement of cash flows.

**3. Disclosures for "other" items in the statement of cash flows and effect of changes in foreign currency exchange rates on cash and cash equivalents:**

As at 31 December 2017, "Other" item amounting to TL 83,506 (31 December 2016: TL 60,667) presented under "Operating Profit Before Changes in Operating Assets and Liabilities" comprises other operating expenses except personnel expenses, other taxes paid, fees and commissions paid.

As at 31 December 2017 "Net Decrease in Other Liabilities" item amounting to TL 319,789 (31 December 2016: TL 7,513) presented under "Changes in Operating Assets and Liabilities" is comprised of changes in miscellaneous payables, other external resources and tax liabilities. "Net Increase/decrease in Other Assets" amounting to TL 49,522 (31 December 2016: TL 22,207) is comprised of miscellaneous receivables and other assets.

The cash outflow of TL 2,726 (31 December 2016: TL 2,075) presented in the "net cash flows from investments" as of 31 December 2017 results from the acquisition of intangible assets.

The effect of the change of foreign exchange rates on the cash and cash equivalents is TL 26,812 for the year 2017 (31 December 2016: TL 64,096).

# ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

### VII. 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 <sup>(1)</sup>	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	-	-	-

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

The Parent Bank has TL 5,951 placements in its risk group banks as at 31 December 2017 (31 December 2016: TL 3,610). Also the Parent Bank has TL 122 irrevocable commitment in its risk group as at 31 December 2017 (31 December 2016: TL 144).

##### b) Prior Period:

Parent Bank's Risk Group <sup>(1)</sup>	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	-	-	1,071,801	71,208	41	-
Balance at the End of the Period	-	-	1,079,137	117,068	55	-
Interest and Commission Income Received	-	-	36,558	-	-	-

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

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

Parent Bank's Risk Group <sup>(1)</sup>	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposit						
Balance at the beginning of the Period	-	-	450,896	290,992	1,321	1,441
Balance at the End of the Period	-	-	70,367	450,896	519	1,321
Interest on Deposits	-	-	-	-	37	16

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

As of 31 December 2017, the Parent Bank has borrowings amounting to TL 4,461,325 from the banks included in the risk group (31 December 2016: TL 3,071,631).

d) Information on forward transactions and option agreements and similar other agreements related with the Parent Bank's risk group: None (31 December 2016: None)

As of 31 December 2017, the Group does not have derivative instruments with risk group (31 December 2016: None).



## ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

#### VII. 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 31 December 2017, proportion of cash loans to risk group in total cash loans is 7.1% (31 December 2016: 21.1%) and proportion of deposits from its risk group in total deposits is 2.1% (31 December 2016: 13.7%). Proportion of borrowings from its risk group in total funds borrowed is 63.8% (31 December 2016: 81%).

As of 31 December 2017, other commission income from risk group is amounting to TL 1.

As of 31 December 2017, benefits provided to the Group's key management amount to TL 14,698 (2016: TL 10,821).

#### VIII. Information and disclosures related to subsequent events

As of 19 February 2018, international credit rating agency Fitch Ratings confirmed the rating distribution of ICBC Bank A.Ş. as follows :

Long Term TL and FC credit ratings	BBB-
Short Term TL and FC credit ratings	F3
Viability ratings	b+
Support Rating	2
National long term credit ratings	AAA(tur)
Outlook	Stable

The Parent Bank's subsidiary, ICBC Turkey Yatırım Menkul Değerler A.Ş. has requested branch opening permission by Board of Directors decision dated 22 December 2017 and numbered 669. Necatibey Branch was opened with the permission of Capital Markets Board's 15 January 2018 dated and 32992422-205.04.04-E.485 approval and it has been registered to Turkish Trade Registry on 31 January 2018.

**ICBC TURKEY BANK A.Ş. AND ITS SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

**SECTION SIX**

**EXPLANATIONS ON THE INDEPENDENT AUDITORS’ REPORT**

**I. Explanations on the independent auditors’ report**

The consolidated financial statements of the Parent Bank and its subsidiary as at and for the year ended 31 December 2017 have been audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A Turkish member of KPMG International Cooperative, a Swiss entity) and the independent auditors’ report dated 28 February 2018 is presented in the introduction of this report.

**II. Information and disclosures prepared by the independent auditors**

None.