

ICBC TURKEY BANK A.Ş.



Earnings Presentation

December 31, 2015 / BRSA Bank-Only

- ICBC Turkey has started to make use of global service network, brand and funding advantages of ICBC immediately after the acquisition.
- Targeting a long-term growth pattern, the Bank will continue to transform into a strong, fully localized regional player, and market oriented bank, link peers and customers between Europe and Asia, benefiting from the ICBC Group's power and advantage.

Strong balance sheet growth with a solid structural change in the second half of 2015

Highlights of 2015:

- Asset size more than doubled after acquisition finalized on May 21, 2015
- High-cost deposits were partially replaced with cheaper funds borrowed from ICBC Group
- ICBC funding was extensively placed in marketable securities and loans
- F/X loans gained more weight in the loan book, since US\$369mn loans given to ICBC group companies played a significant role in growth
- CAR declined to 12.8% with balance sheet growth
- Asset quality improved slightly
- A consolidated net income of TL8.7mn was recorded in 2H 2015

Macroeconomy

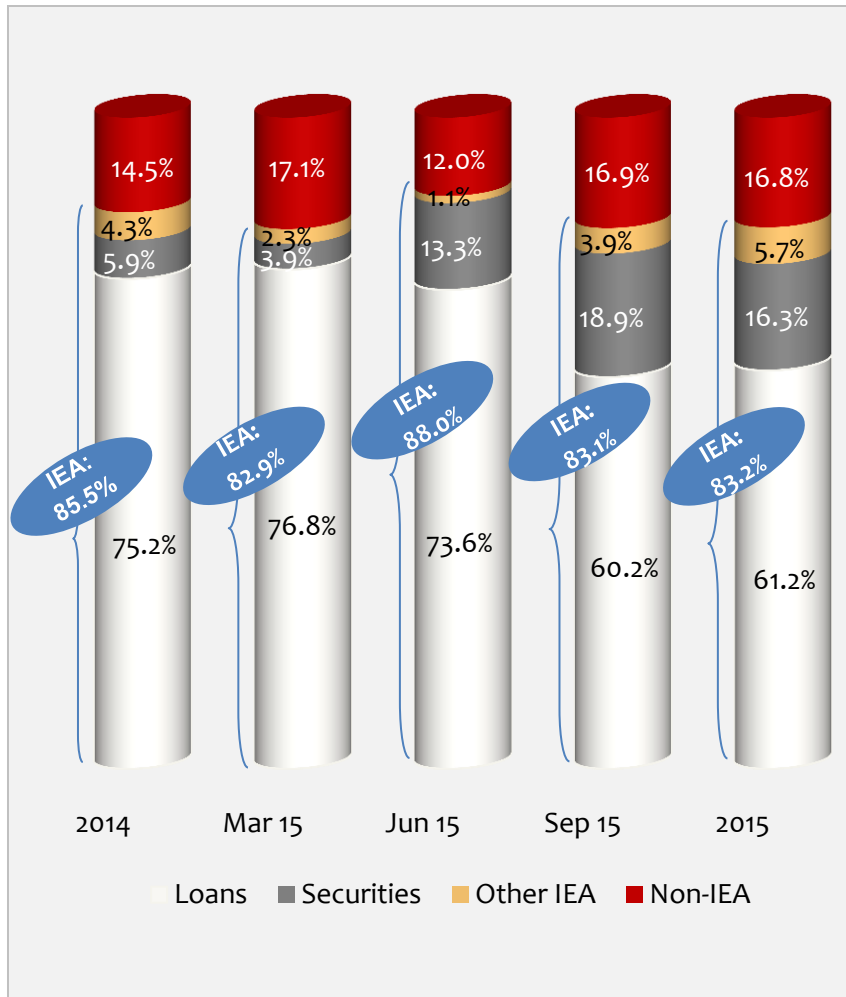
- Suppressed risk appetite abroad, due to concerns on emerging market economies, and dismal impacts of low oil prices
- Geopolitical risks, mainly arousing from Syria, and constitution amendment discussions at home will be monitored
- Modestly strong growth rate of around 4%, following a probably similar performance attained in 2015
- High inflation will be the major concern on the macro side. CPI may end year around 7.7%, declining slightly vs. 8.8% recorded at the end of 2015, but above official target at 5.0%
- Suppressed oil prices, however, will continue to be a major plus for Turkey's external deficit and prevent further deterioration in inflation

Banking Sector

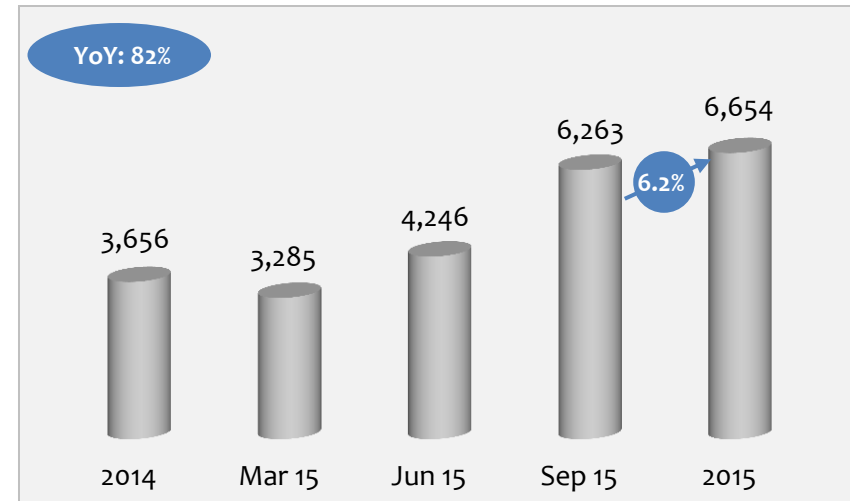
- Slower loan growth, around 13%
- Limited deterioration in asset quality, thanks to strong macroeconomic growth
- Better TL performance vs. 2015
- High interest rates, due to CBRT's higher average funding rate

Balance sheet expanded by 82%, y/y, in 2015

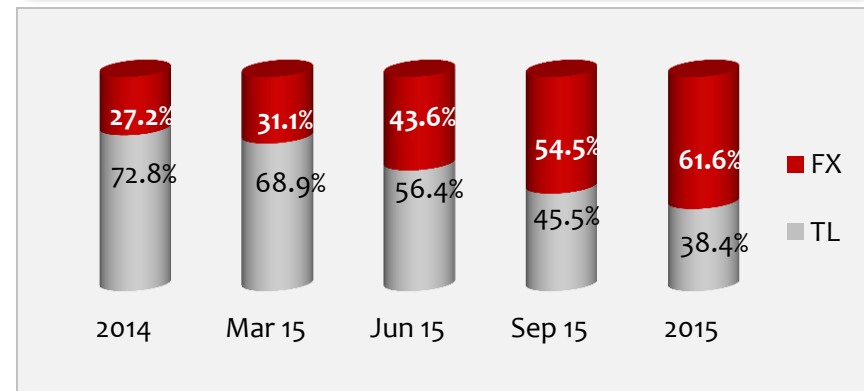
Composition of Assets



Total Assets (TLmn)



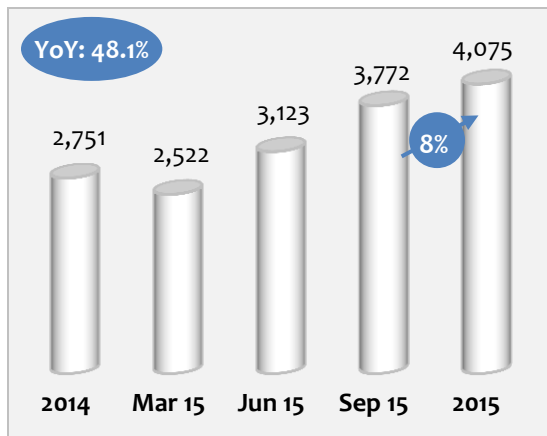
Currency Composition of Assets*



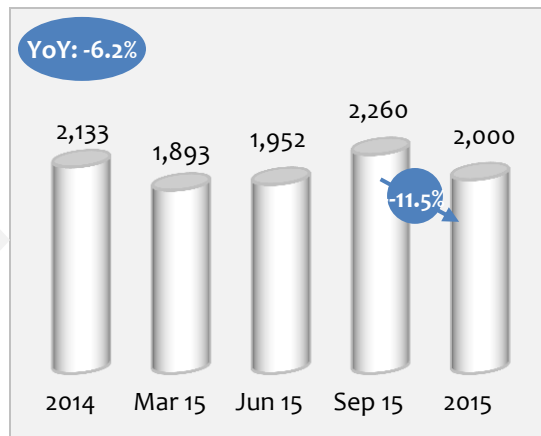
* FX-indexed cash loans are included in FX assets

FX loans played a significant role on balance sheet growth

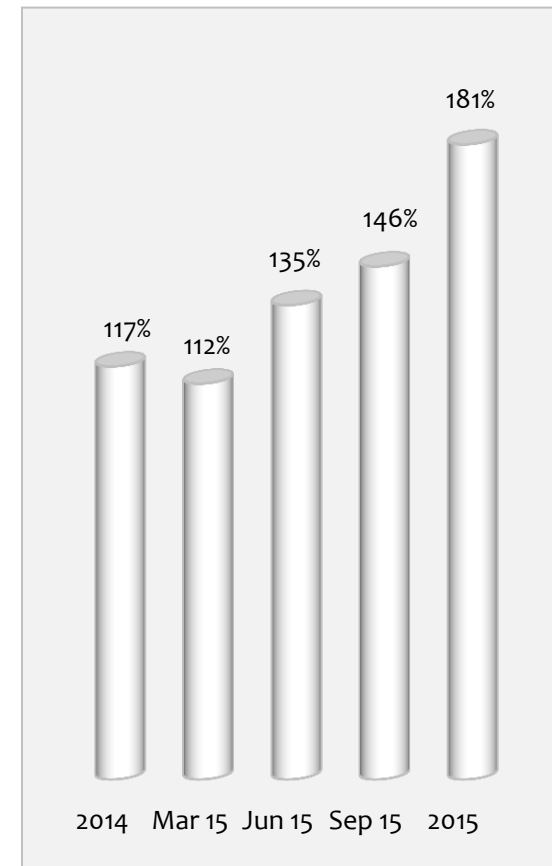
Total Cash Loans (TLmn)



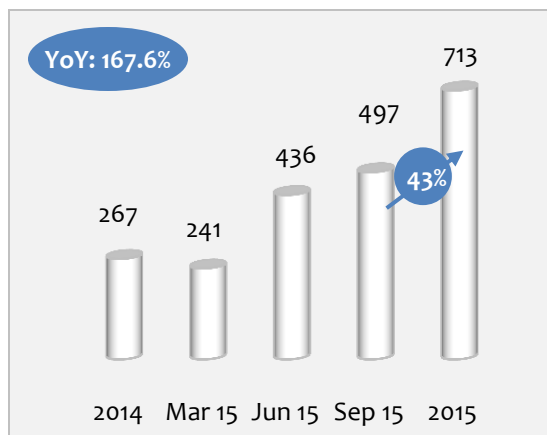
TL Cash Loans* (TLmn)



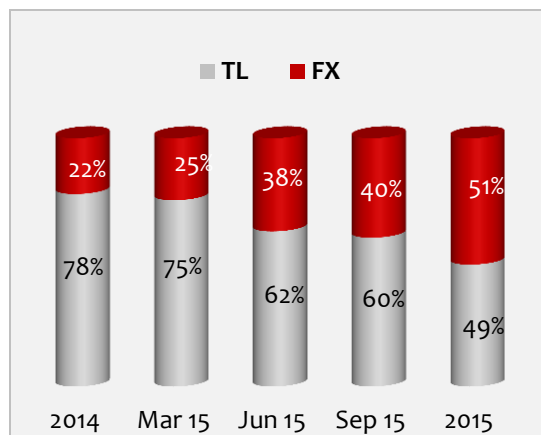
Loans / Customer Deposits



FX Cash Loans* (US\$mn)



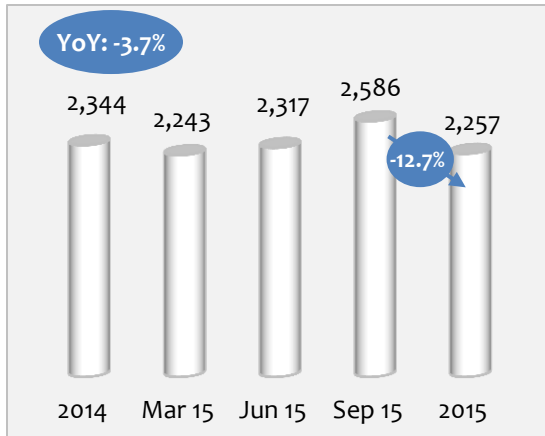
Currency Breakdown*



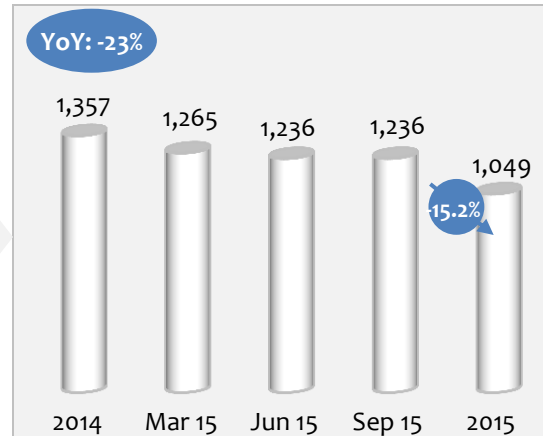
* FX-indexed cash loans are included in FX cash loans

Funding from ICBC group was preferred rather than high cost deposits

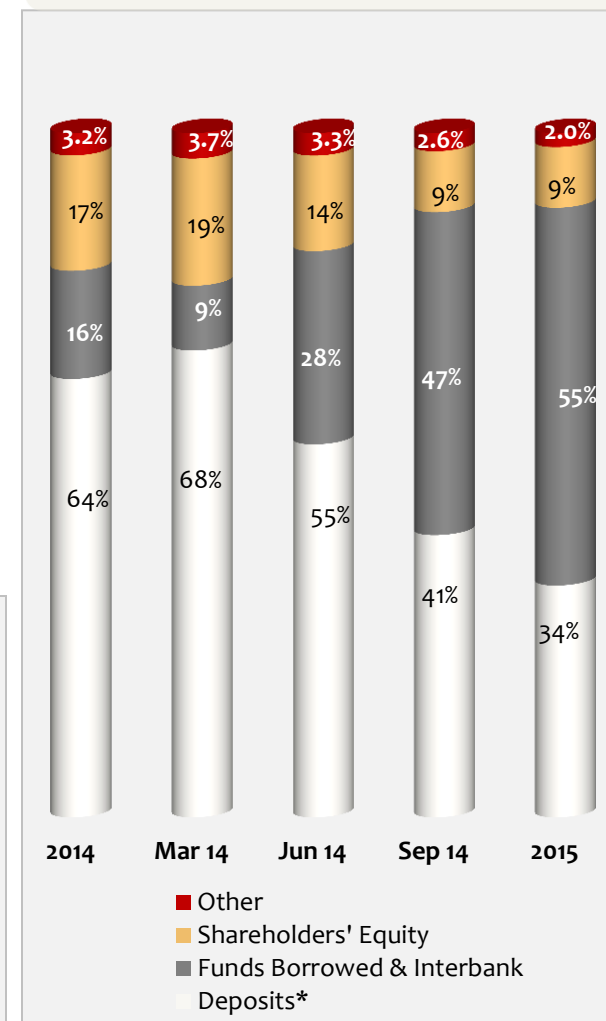
Total Deposits* (TLmn)



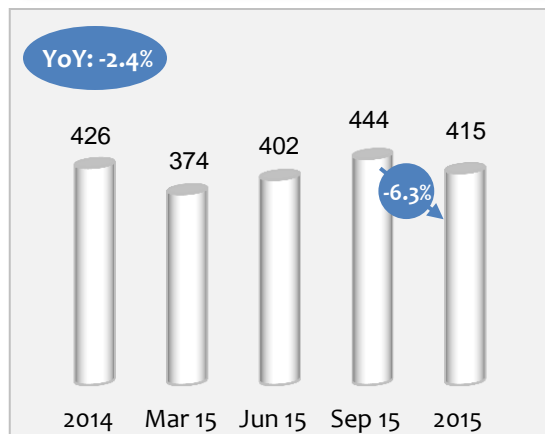
TL Deposits* (TLmn)



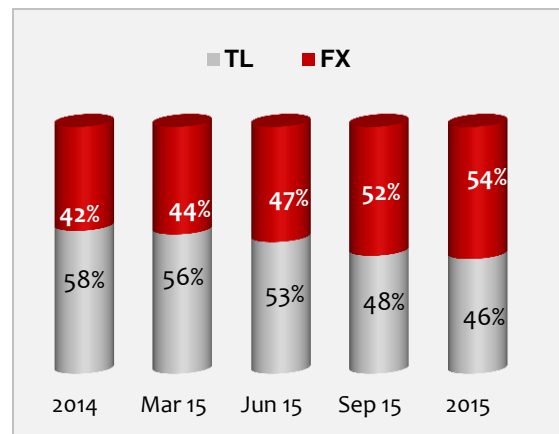
Composition of Liabilities & SHE



FX Deposits* (US\$m)



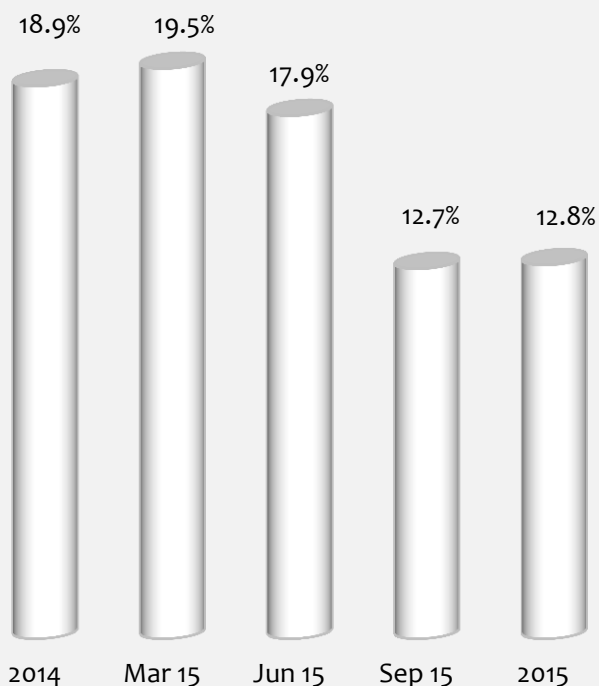
Currency Breakdown*



* Excluding bank deposits

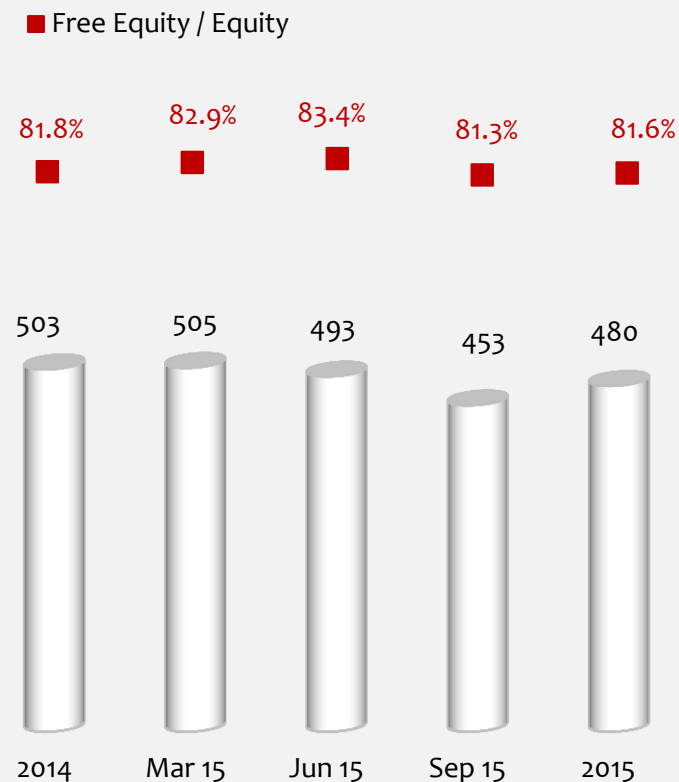
CAR retreated reflecting the balance sheet growth

Capital Adequacy Ratio (CAR)



Calculated according to BRSA regulations, in line with Basel II

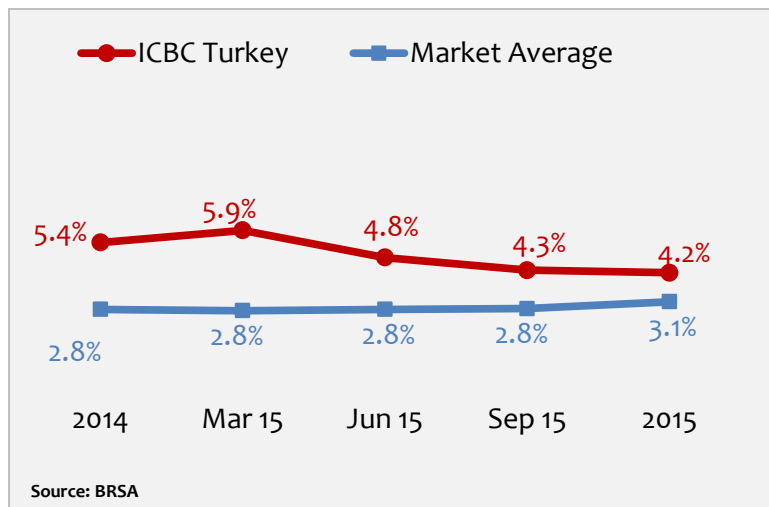
Free Equity (TLmn)



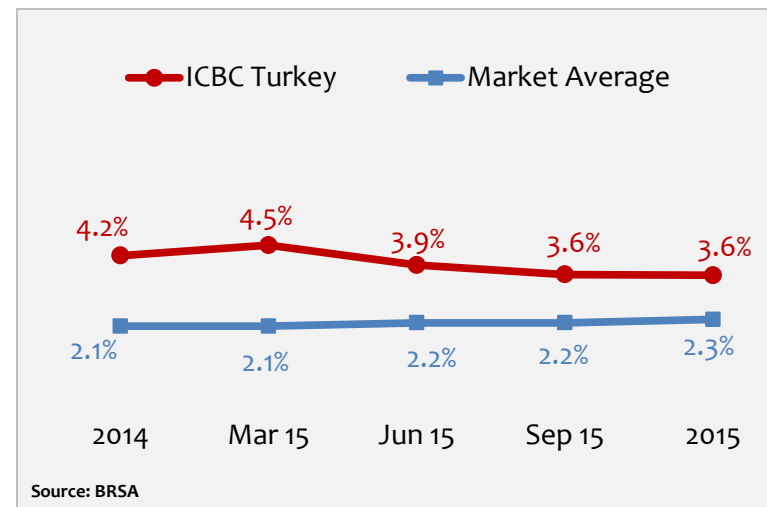
Free Equity: SHE-subsiaries-property & equipment-intangible assets-property & equipment held for sale-unprovisioned NPL

Cost of risk declined to 0.6% at the end of 2015

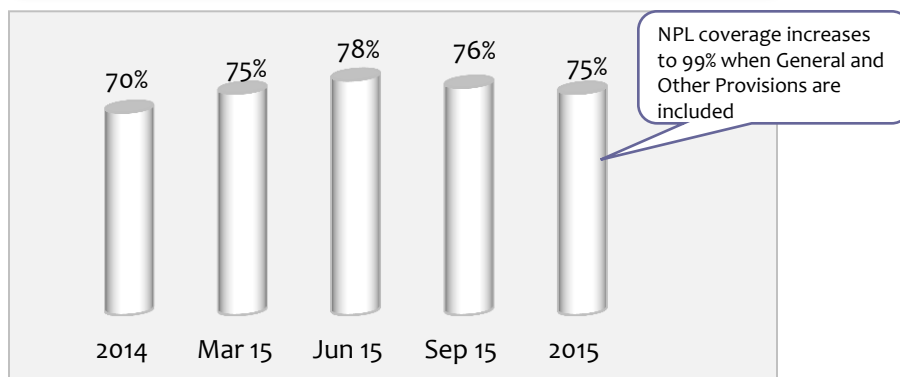
NPL Ratio



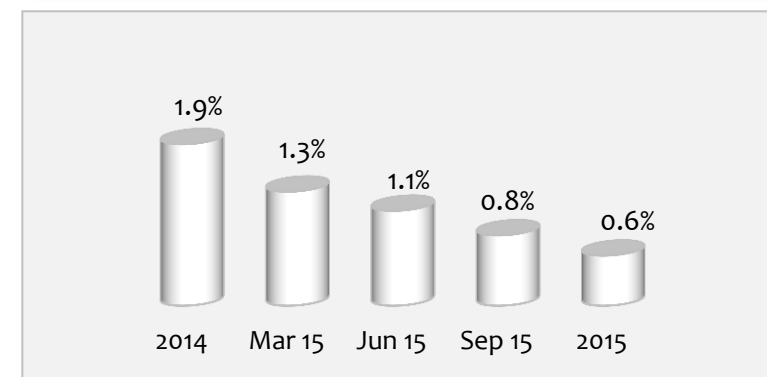
NPL Ratio (including non-cash loans)



NPL Coverage

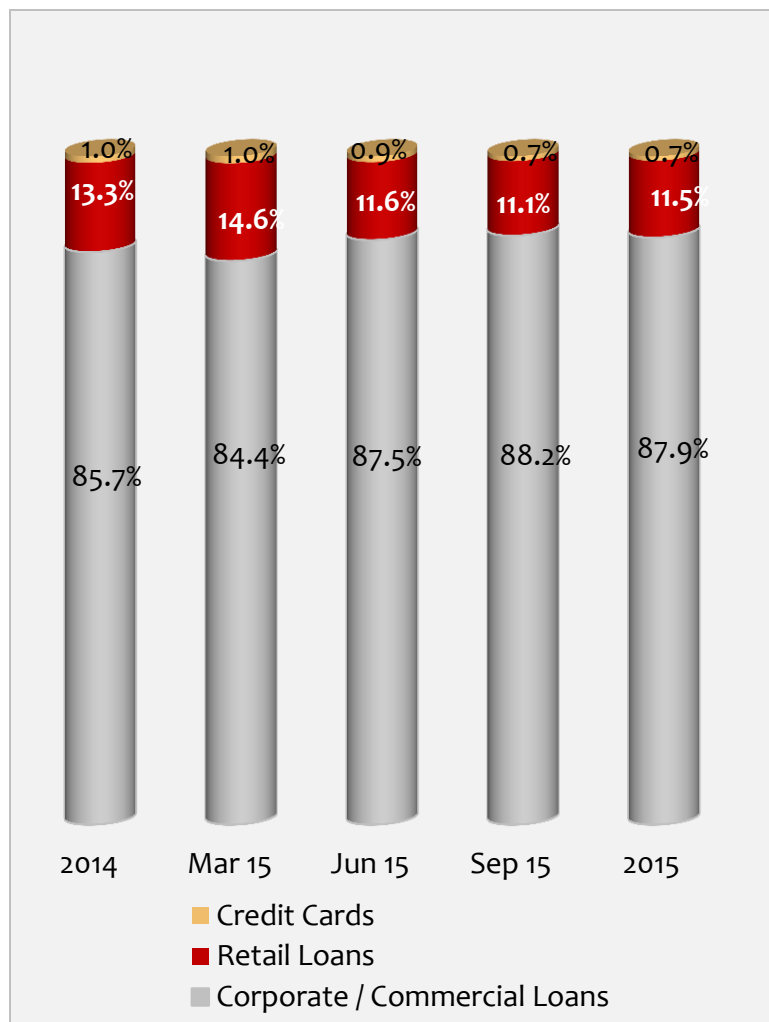


Cost of Risk (quarterly)

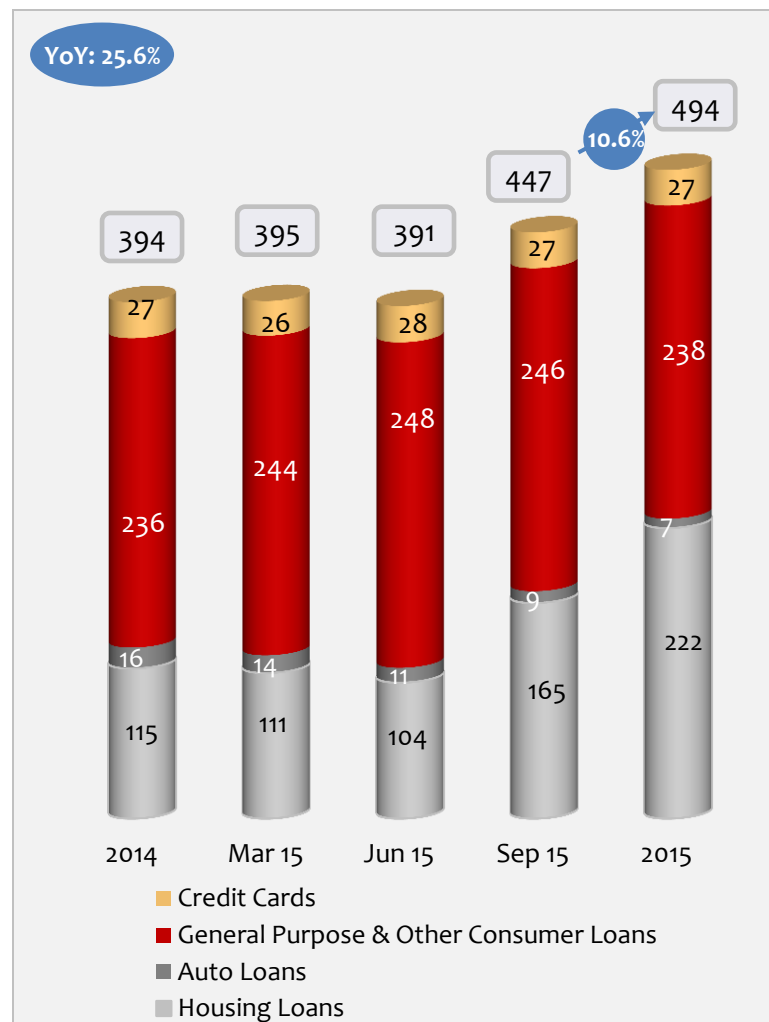


Corporate loans continued to dominate the loan portfolio

Breakdown of Loan Portfolio



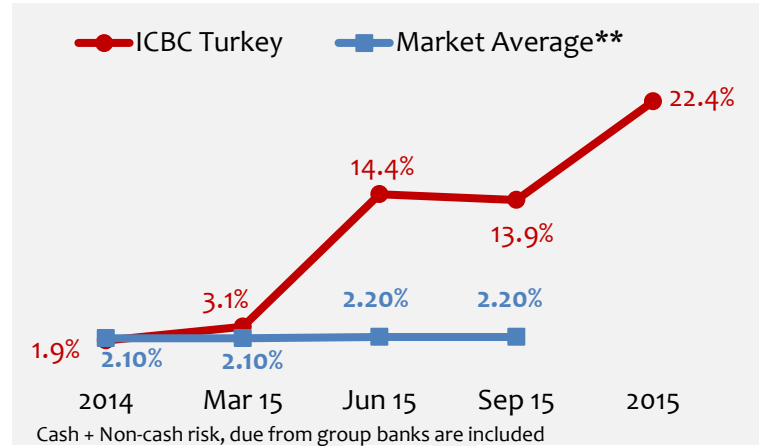
Breakdown of Retail Loans (TLmn)



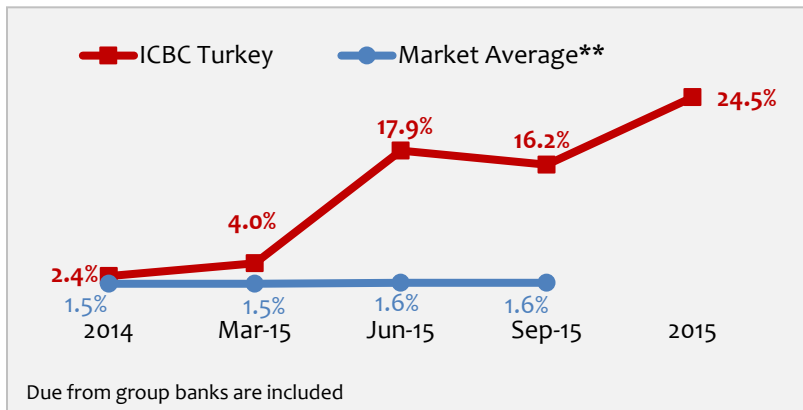
Group risk increased, thanks to ICBC Group support* after acquisition to attain fast balance sheet growth...



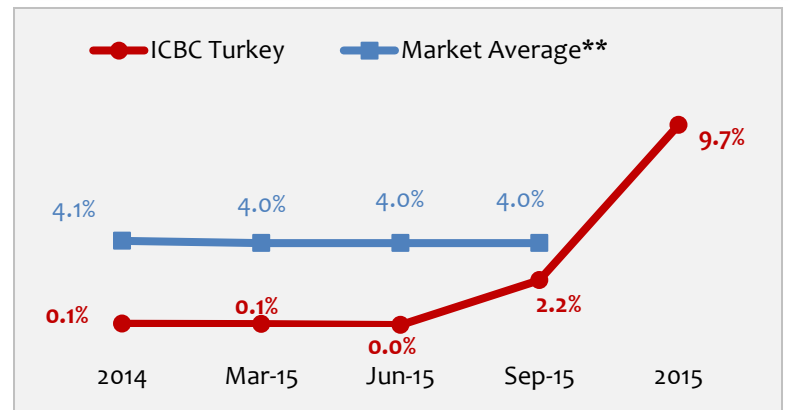
Group Total Risk / Total Risk



Group Cash Loans / Cash Loans



Group Non-Cash Loans / Non-Cash Loans

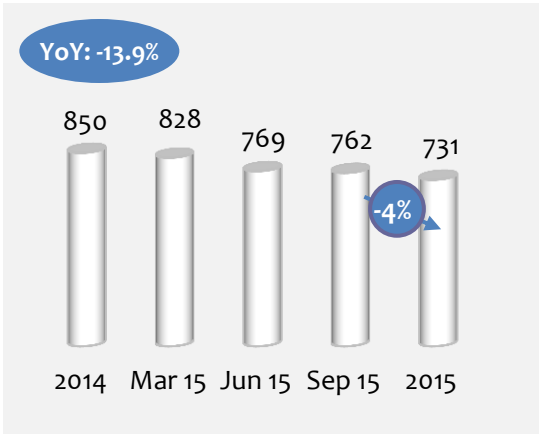


* Whole group loans are cash collateral

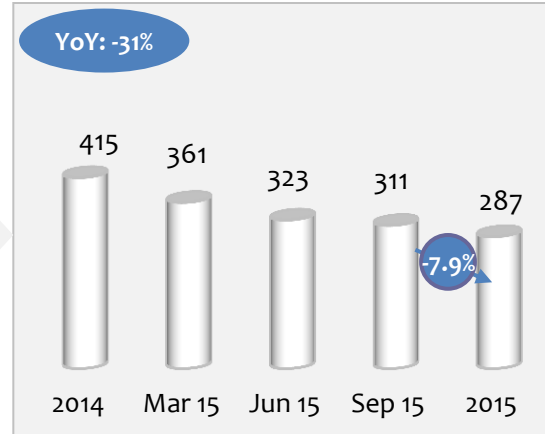
** Selected 22 banks' average for December 31 2015 is not available yet

Non-cash exposure continued to decline in 4Q

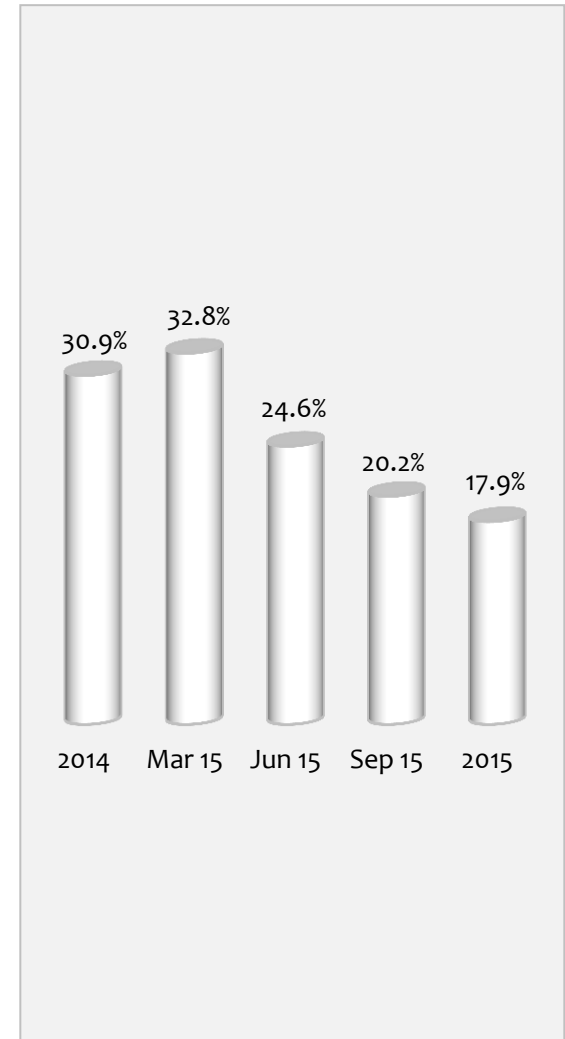
Total Non-Cash Loans (TLmn)



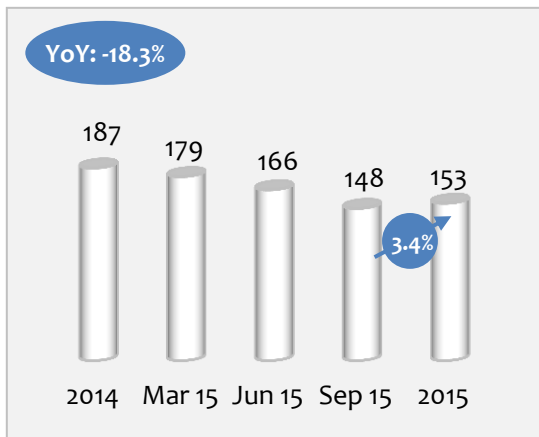
TL Non-Cash Loans (TLmn)



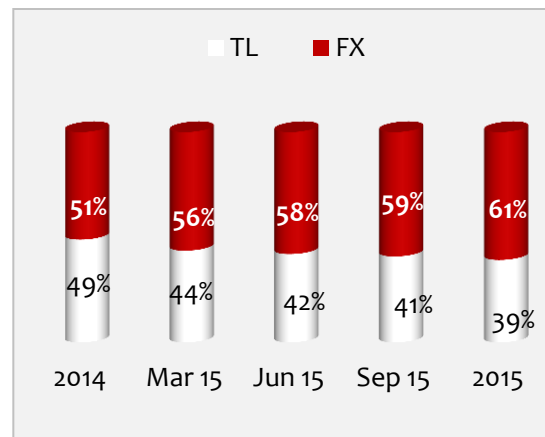
Non-Cash / Cash Loans



FX Non-Cash Loans (US\$mn)

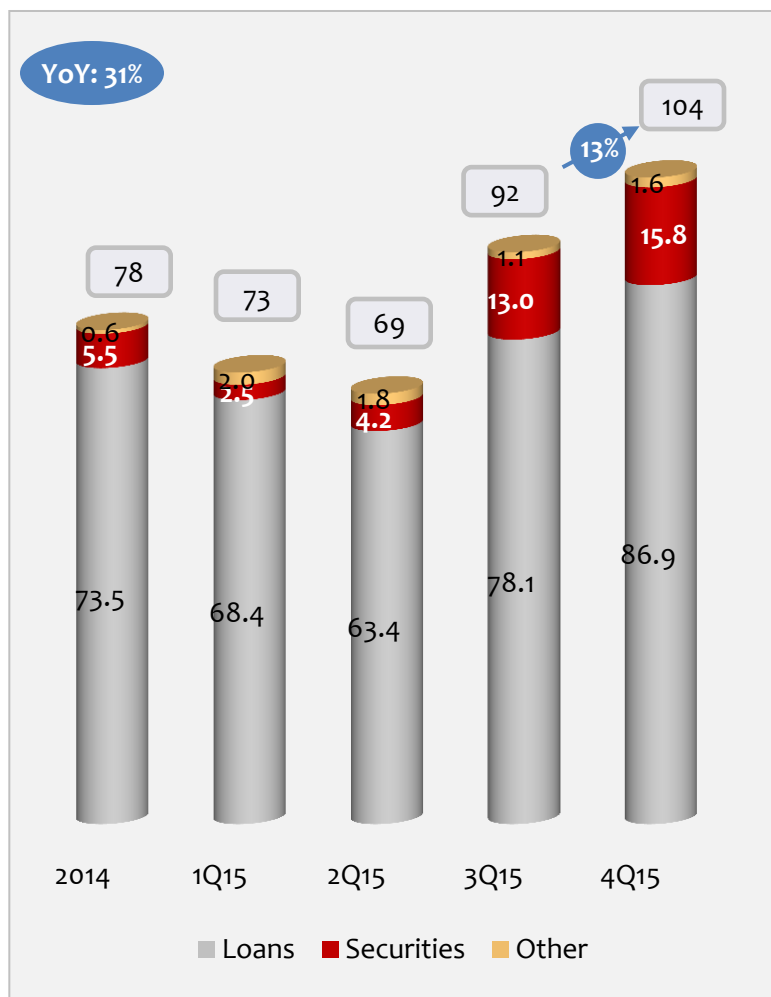


Currency Breakdown

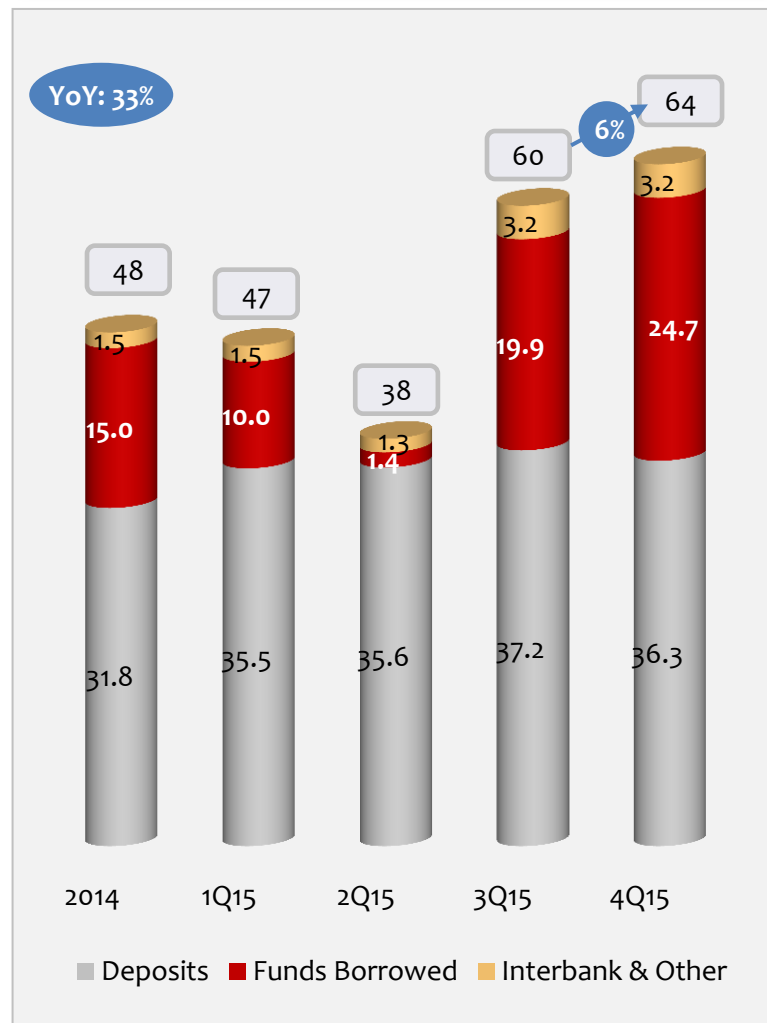


Interest income recovered in the second half of 2015

Interest Income (TLmn)

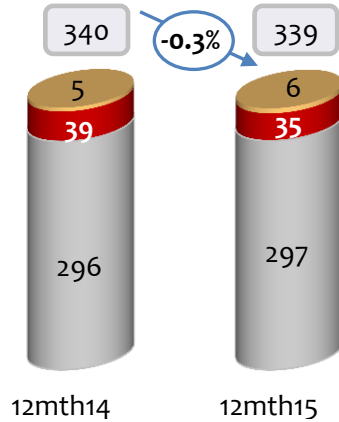


Interest Expense (TLmn)

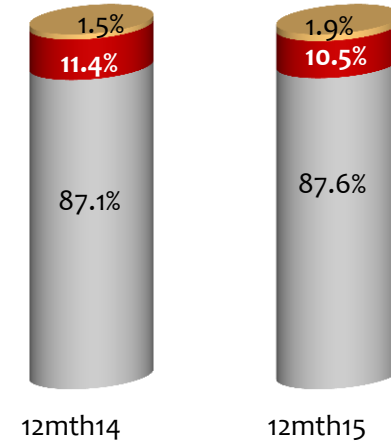


However, declined in y/y terms, reflecting change in balance sheet structure

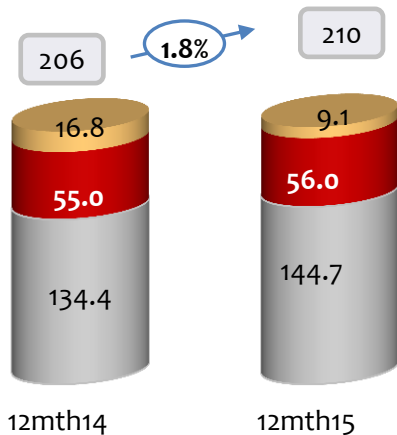
Interest Income (TLmn)



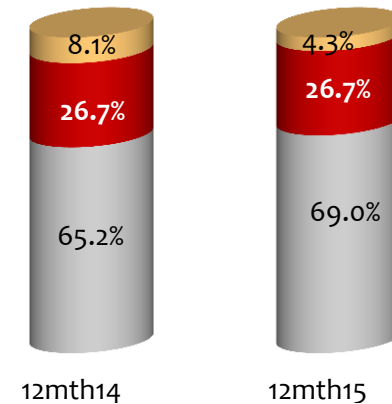
Composition of Interest Income



Interest Expense (TLmn)

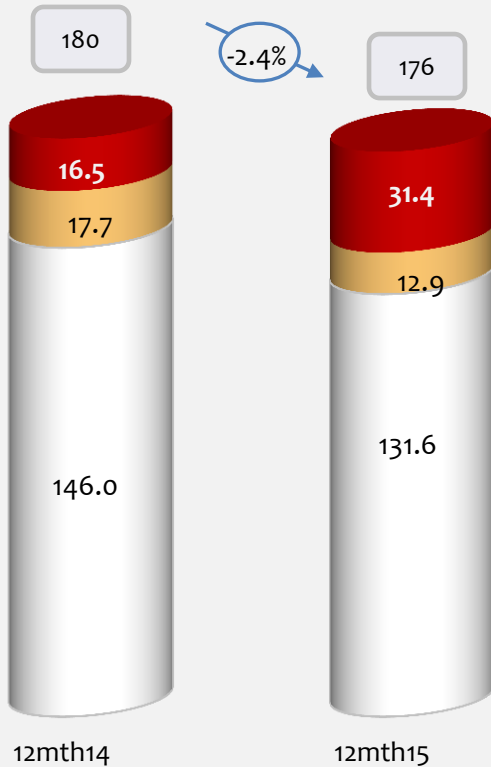


Composition of Interest Expense



NIM improved in 4Q, in line with asset size and better pricing

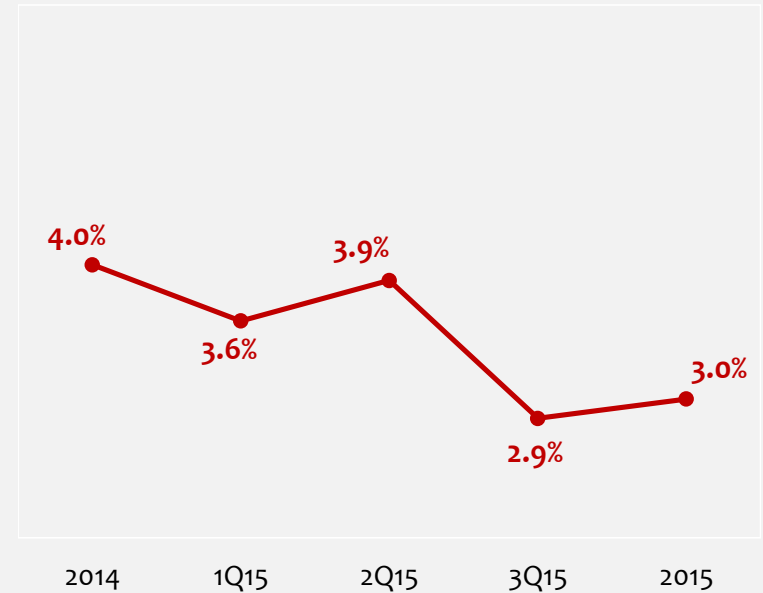
Banking Income (TLmn)



■ Other* ■ Net Fees □ Adj.NII (by FX and trading gain/loss)

* Consultancy fees are included in other income

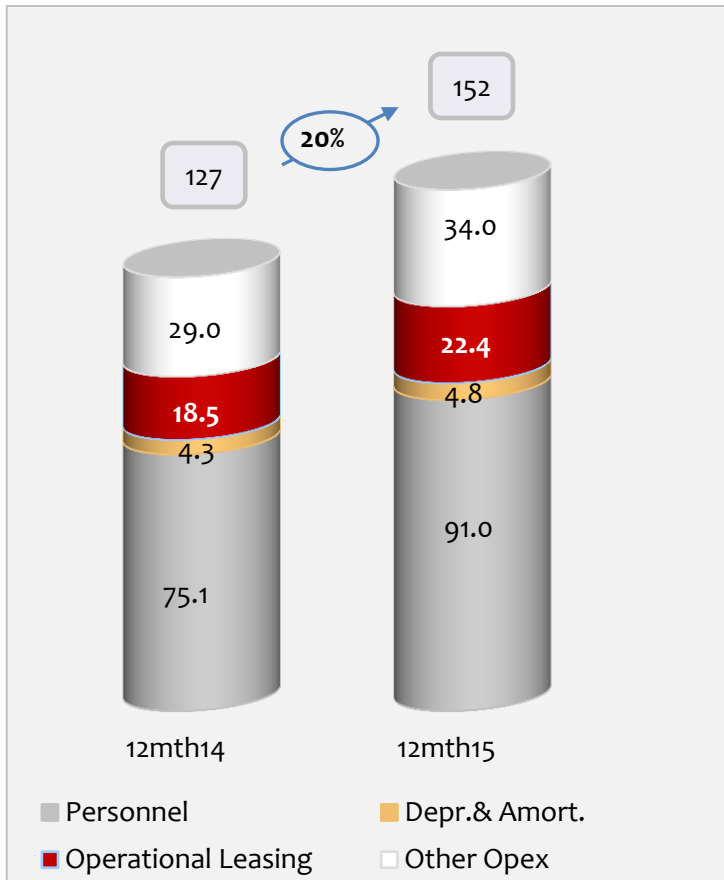
Adjusted Net Interest Margin* (Quarterly)



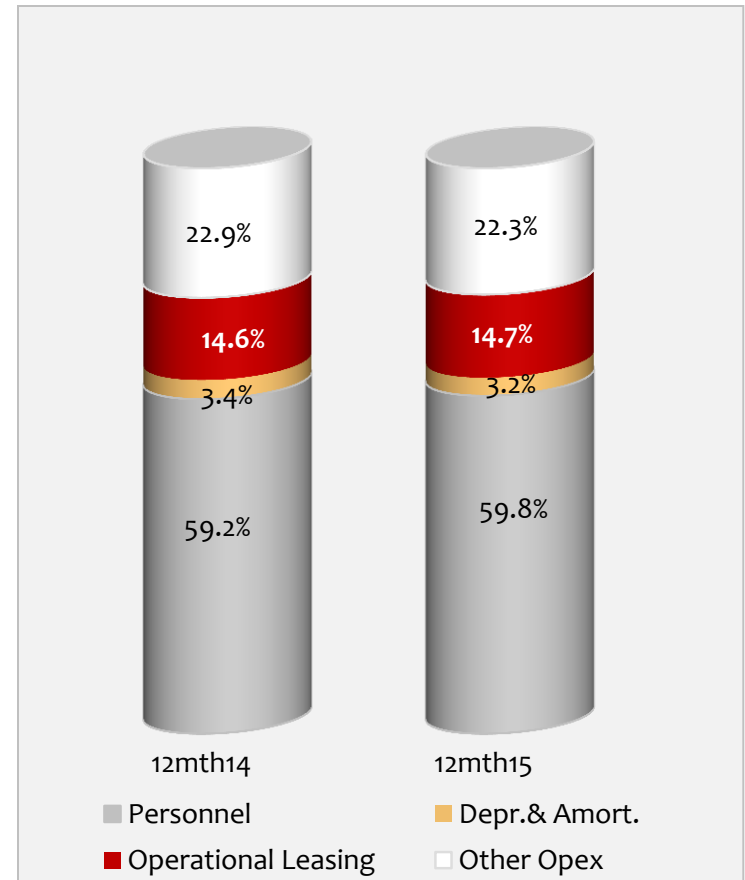
* Adjusted by FX gain / loss

OPEX increased vs. 2014

Operating Expenses (TLmn)



Composition of Operating Expenses



Summary Balance Sheet

TL million	2014	Mar 2015	Jun 2015	Sep 2015	2015
Cash & Banks	507	469	390	1,103	1,322
Total Securities	216	127	566	1,186	1,085
Total Cash Loans	2,751	2,522	3,123	3,772	4,075
Fixed Assets & Subsidiaries	65	64	63	63	63
Other	117	103	103	140	110
Total Assets	3,656	3,285	4,246	6,264	6,655
Deposits*	2,344	2,243	2,317	2,586	2,257
Interbank Money Market*	229	67	260	370	518
Borrowings	348	244	939	2,585	3,155
Other	119	122	139	165	135
SHE	616	610	593	558	590
Total Liabilities & SHE	3,656	3,285	4,246	6,264	6,655

* Bank deposits are included in Interbank & Money Market rather than Deposits

Summary Income Statement

TL million	1Q 2015	2Q 2015	3Q 2015	4Q 2015	12mth 2014	12mth 2015
Interest Income	72.8	69.4	92.2	104.3	339.6	338.7
Loans	68.4	63.4	78.1	86.9	295.9	296.8
Securities	2.5	4.2	13.0	15.8	38.8	35.4
Other	2.0	1.8	1.1	1.6	5.0	6.5
Interest Expense	47.1	38.3	60.3	64.2	206.2	209.8
Deposits	35.5	35.6	37.2	36.3	134.4	144.7
Funds Borrowed	10.0	1.4	19.9	24.7	55.0	56.0
Other Borrowings	1.5	1.3	3.2	3.2	16.8	9.1
Net Interest Income	25.8	31.1	32.0	40.1	133.5	128.9
Net FX Gain (Loss)*	0.8	0.7	0.4	0.7	3.6	2.6
Adj. Net Interest Income	26.5	31.7	32.4	40.8	137.0	131.5
Net Trading Income (Loss)*	0.0	0.0	0.0	0.1	9.0	0.1
Net Fees & Commissions	3.5	3.4	3.1	2.9	17.7	12.9
Other Operating Income	4.1	2.1	1.4	23.9	16.5	31.4
Total Operating Income	34.1	37.2	36.9	67.7	180.2	175.9
Provisions	10.3	14.9	13.5	3.1	39.5	41.7
Opex	32.3	41.4	37.6	41.0	126.8	152.3
Profit from Subsidiaries	0.0	0.0	0.0	0.0	1.3	0.0
Profit Before Tax	-8.6	-19.0	-14.2	23.7	15.1	-18.2
Tax	-1.5	-2.6	-1.5	4.5	2.6	-1.1
Net Income	-7.1	-16.4	-12.7	19.2	12.5	-17.0

* Foreign exchange gain / loss resulted from derivatives are included in FX Gain (loss), not in Net Trading Income (Loss)

Summary Income Statement (Consolidated)



TL million	1Q 2015	2Q 2015	3Q 2015	4Q 2015	12mth 2014	12mth 2015
Interest Income	74.1	70.6	93.5	105.6	343.6	343.7
Loans	69.3	64.4	79.1	88.1	298.3	300.9
Securities	2.5	4.2	13.0	15.8	38.9	35.5
Other	2.2	2.0	1.3	1.7	6.3	7.3
Interest Expense	45.6	39.8	58.5	62.1	206.1	206.0
Deposits	35.5	35.6	35.5	34.2	134.3	140.9
Funds Borrowed	8.6	2.9	19.9	24.7	55.0	56.0
Other Borrowings	1.5	1.3	3.2	3.2	16.9	9.1
Net Interest Income	28.4	30.8	34.9	43.5	137.4	137.7
Net FX Gain (Loss)*	0.8	0.7	0.5	0.6	3.6	2.5
Adj. Net Interest Income	29.3	31.5	35.4	44.1	141.1	140.3
Net Trading Income (Loss)*	1.7	2.0	1.4	2.1	14.7	7.3
Net Fees & Commissions	3.6	3.8	3.1	3.1	18.5	13.6
Other Operating Income	4.0	1.9	1.0	23.6	16.2	30.6
Total Operating Income	38.6	39.2	41.1	72.9	190.4	191.8
Provisions	10.3	14.9	13.5	3.1	39.6	41.7
Opex	34.4	44.2	40.8	44.3	134.9	163.7
Profit from Subsidiaries	0.0	0.0	0.0	0.0	0.0	0.0
Profit Before Tax	-6.1	-19.9	-13.3	25.6	15.8	-13.7
Tax	1.3	2.4	1.3	-4.9	-3.1	0.1
Net Income	-4.8	-17.4	-12.0	20.7	12.8	-13.5

* Foreign exchange gain / loss resulted from derivatives are included in FX Gain (loss), not in Net Trading Income (Loss)

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