

ICBC TURKEY BANK A.Ş.



Earnings Presentation

June 30, 2016 / 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.

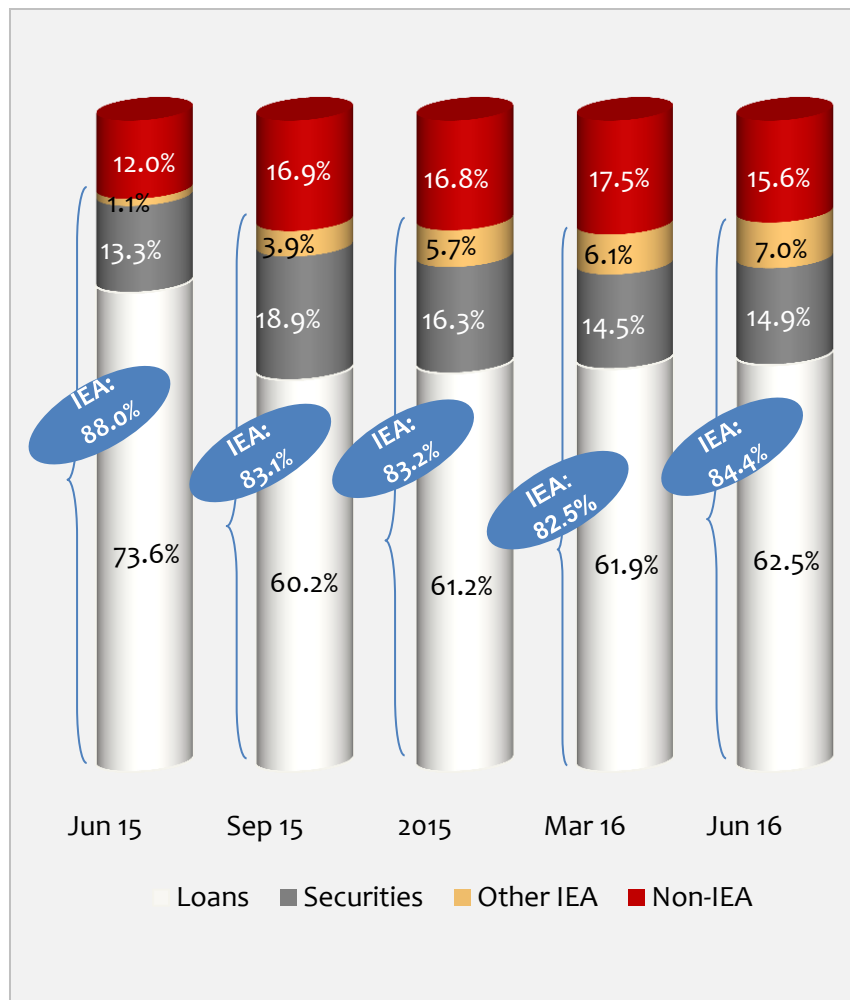
- Global volatility remained low and capital inflows to emerging markets, including Turkey, performed better-than-expected, from February onwards. Dismal effect of UK's Brexit decision on June 24 was short-lived for the time being, although it is a threat for global stability for the medium term. Accordingly, TL gained value in 2Q 2016
- Turkish economy grew by a notable 4.8% in 1Q, following 4.0% growth in 2015, thanks to consumer spending, despite weak investments. Indicators point that growth rate may decelerate in 2Q to the vicinity of 3.0%, and end year around 3.5%
- CBRT cut O/N lending rate by 175 bps during in 1H, to 9.0%, while average funding rate slipped from vicinity of 9%, to 8.2%
- Inflation slipped to 7.6% as of June, from 8.8% recorded at the end of 2015. Inflation may end year-end above official year-end expectation at 7.5%, reflecting TL's weakening from July onwards, and high food prices
- Current account deficit declined further to US\$27bn, thanks to energy prices, despite 32% decline in tourism revenues during Jan-May vs. the same term of 2015. Restoring relationships with Russia and Israel may support exports and tourism revenues for the rest of the year, although geopolitical risks may limit recovery

Highlights of 2Q 2016:

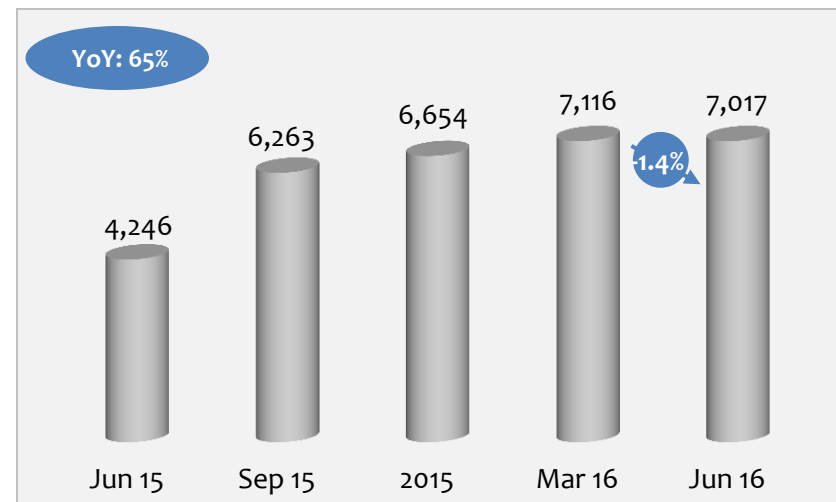
- Asset size declined modestly, due to lower TL loan portfolio, while FX loans has increased with big ticket projects
- Deposits declined, as cheaper funds borrowed from ICBC Group were continued to be preferred rather than high-cost deposits
- NPL ratio fell to 3.1%, while market average increased to 3.3%
- CAR increased further to 14.2%
- A net profit of TL4.7mn recorded in 2Q, cumulating to a total profit of TL0.3mn in 1H of the year, which increases to TL1.9mn according to the consolidated balance sheet

Balance sheet contracted by a marginal 1.4%, in 2Q2016

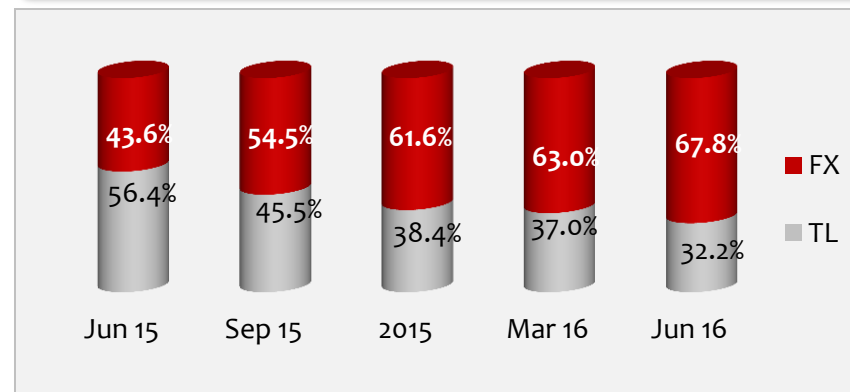
Composition of Assets



Total Assets (TLmn)



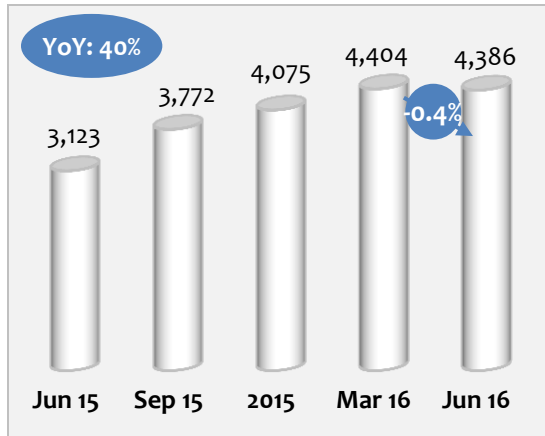
Currency Composition of Assets*



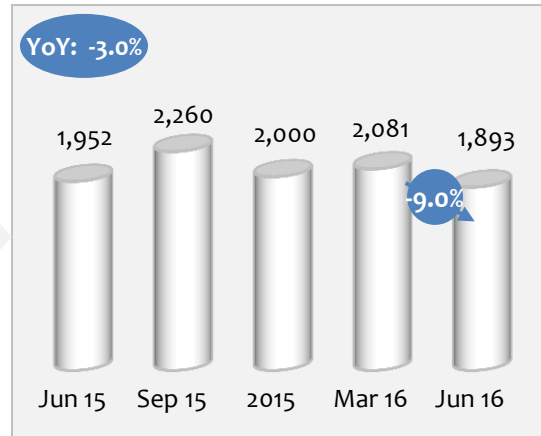
* FX-indexed cash loans are included in FX assets

FX loans expanded by 5%, while TL loans declined by 9%

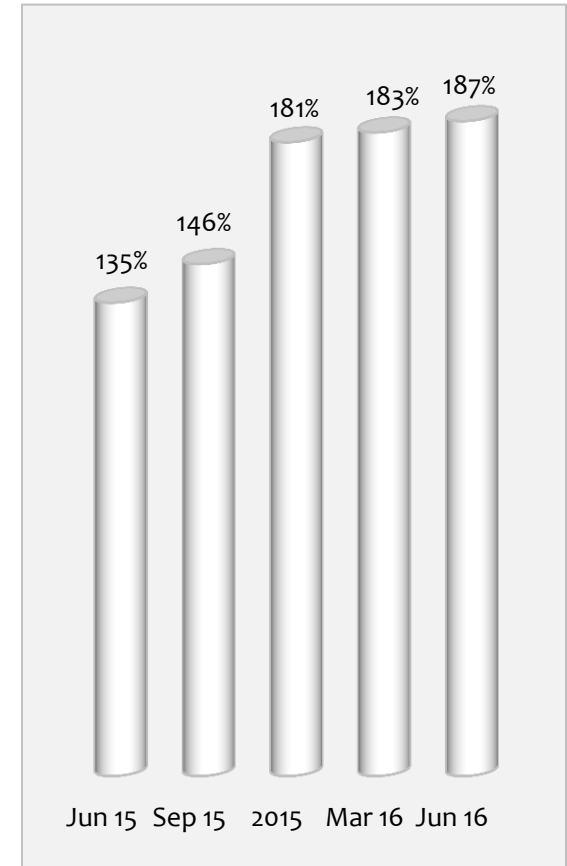
Total Cash Loans (TLmn)



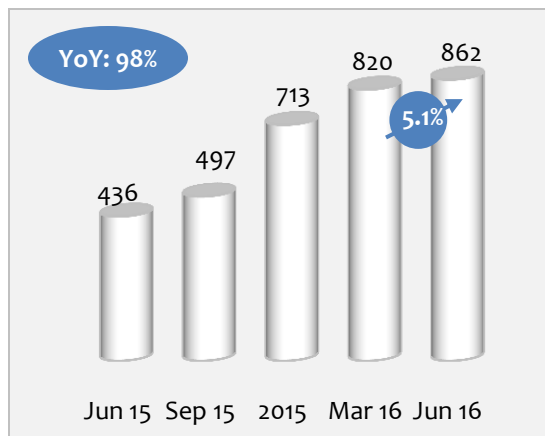
TL Cash Loans* (TLmn)



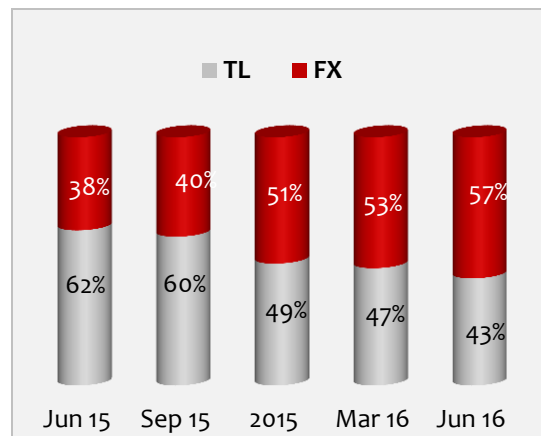
Loans / Customer Deposits



FX Cash Loans* (US\$mn)



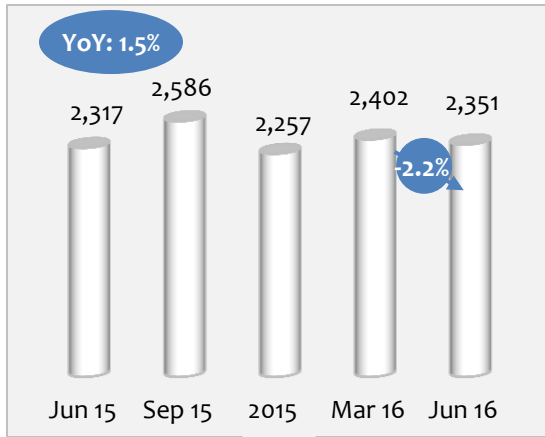
Currency Breakdown*



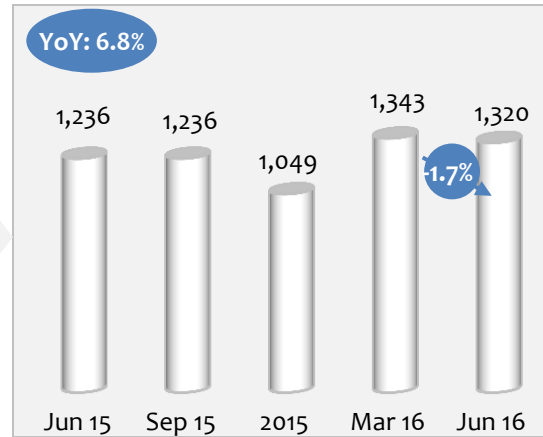
* FX-indexed cash loans are included in FX cash loans

Funding from ICBC Group continued to capture major part of funding vs. deposits with higher-cost

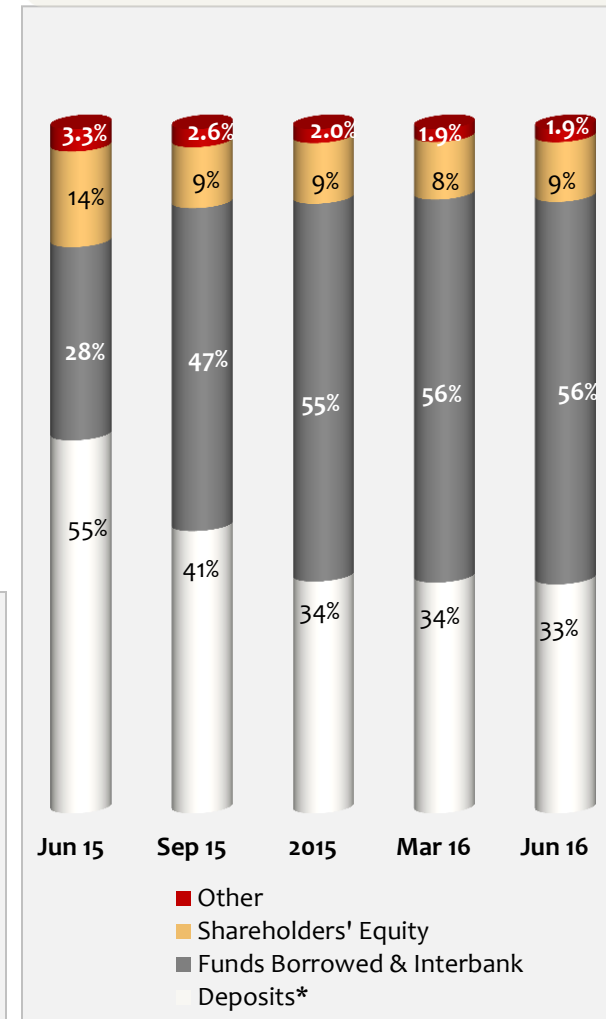
Total Deposits* (TLmn)



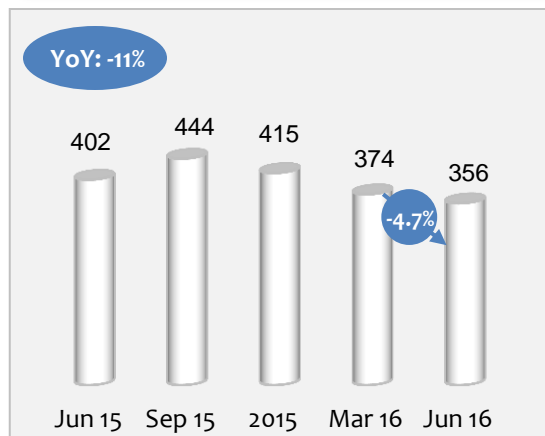
TL Deposits* (TLmn)



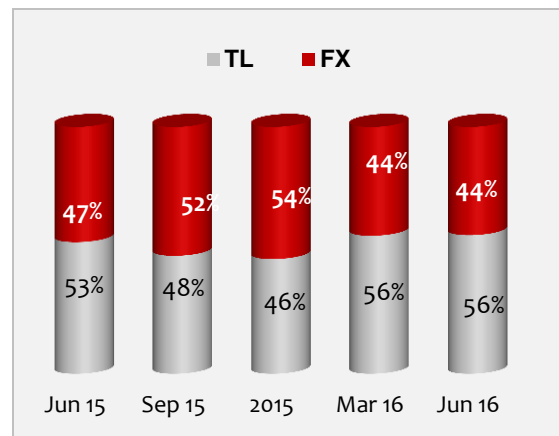
Composition of Liabilities & SHE



FX Deposits* (US\$mn)



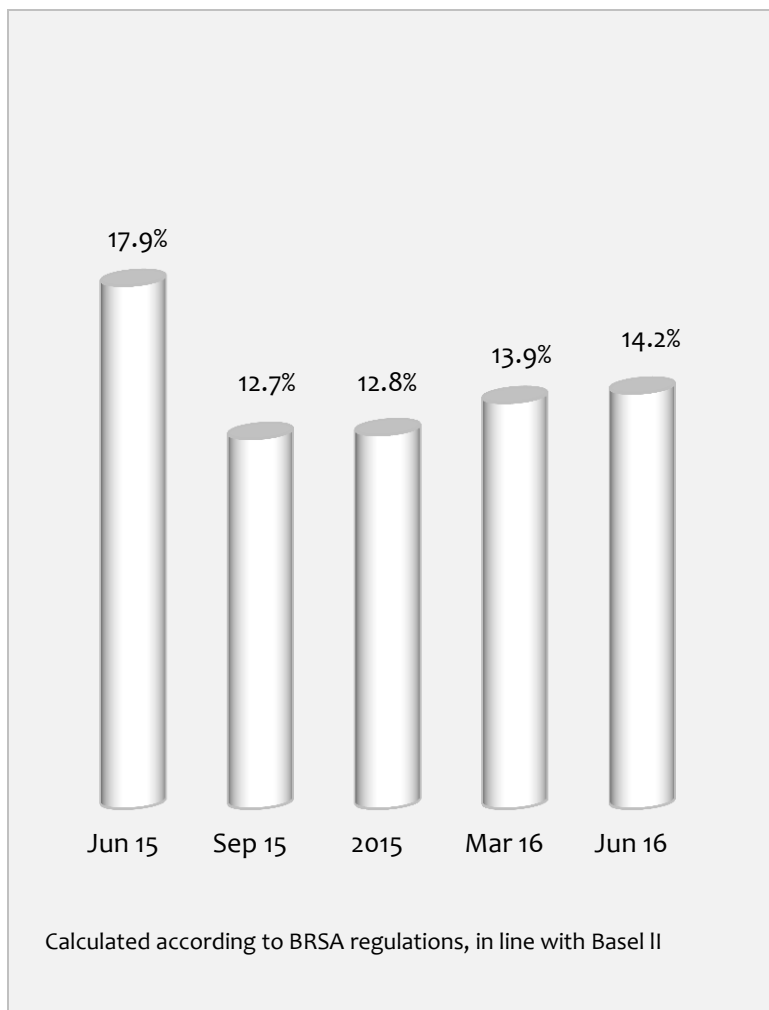
Currency Breakdown*



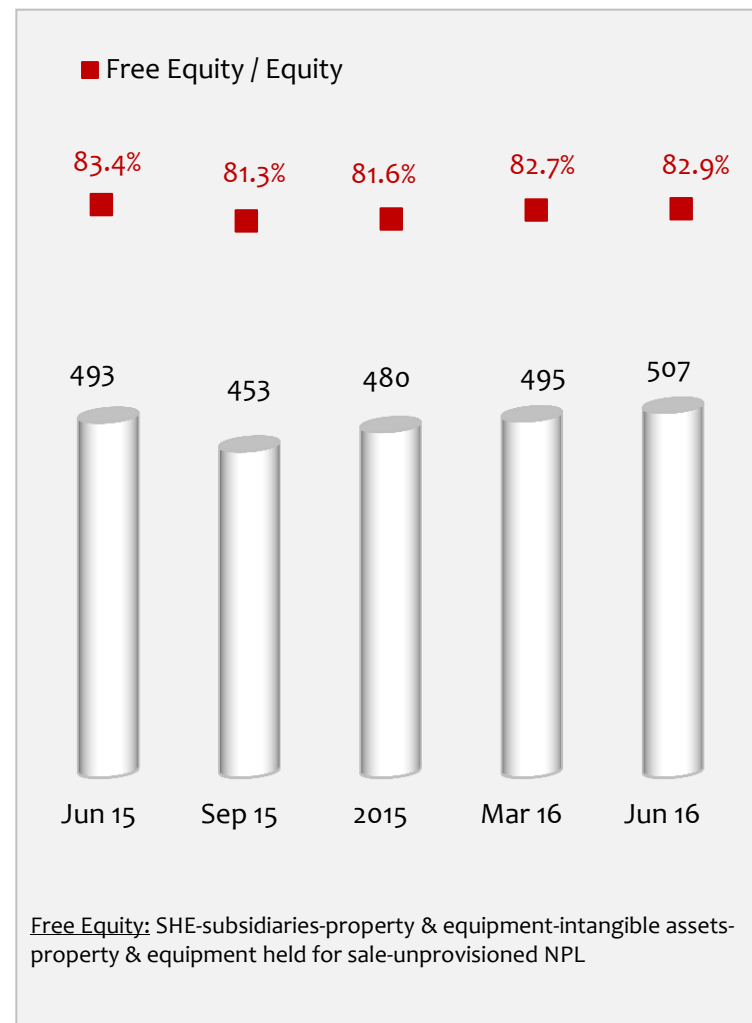
* Excluding bank deposits

CAR increased further to 14.2%

Capital Adequacy Ratio (CAR)

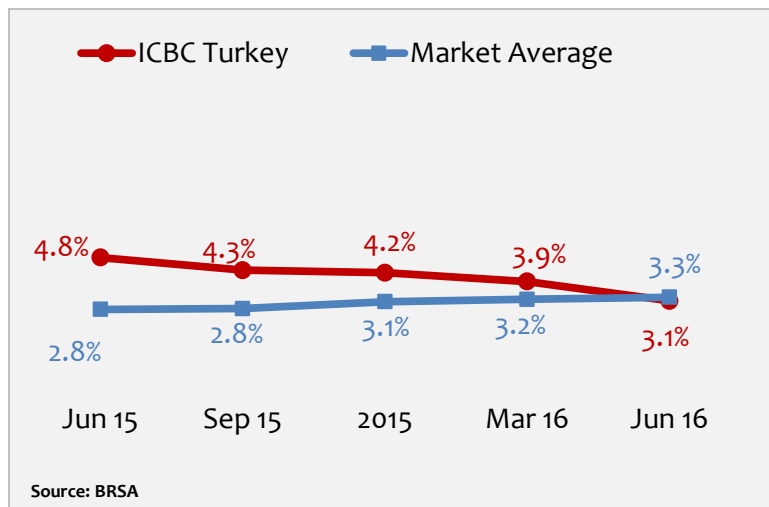


Free Equity (TLmn)

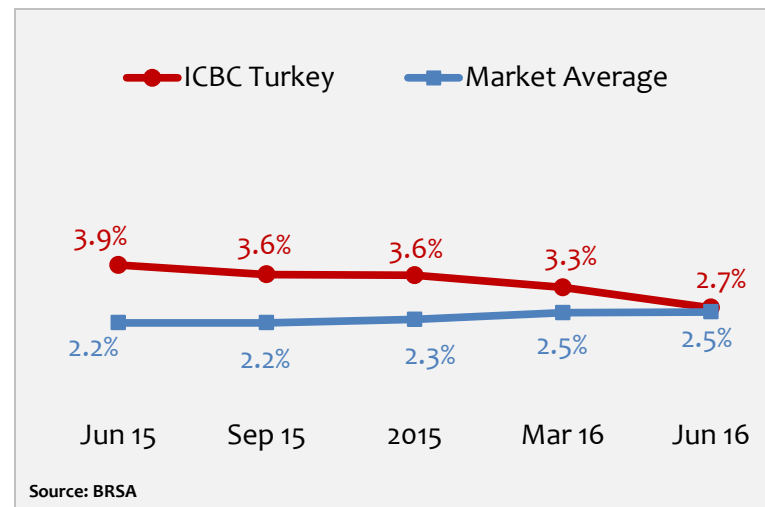


NPL ratio declined to 3.1%, while market average increased to 3.3%

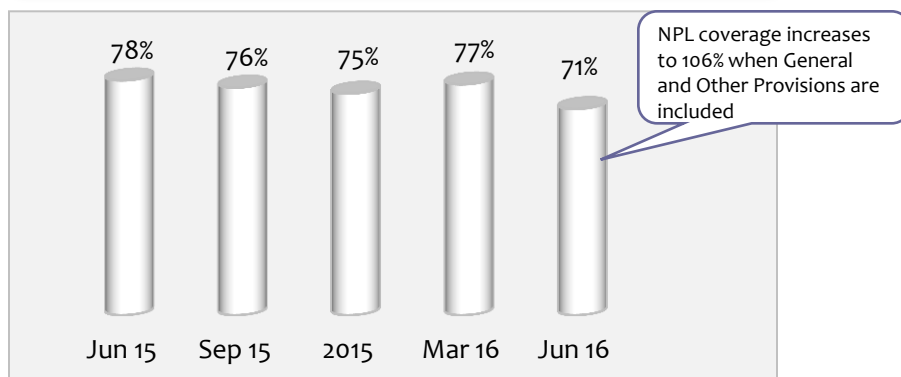
NPL Ratio



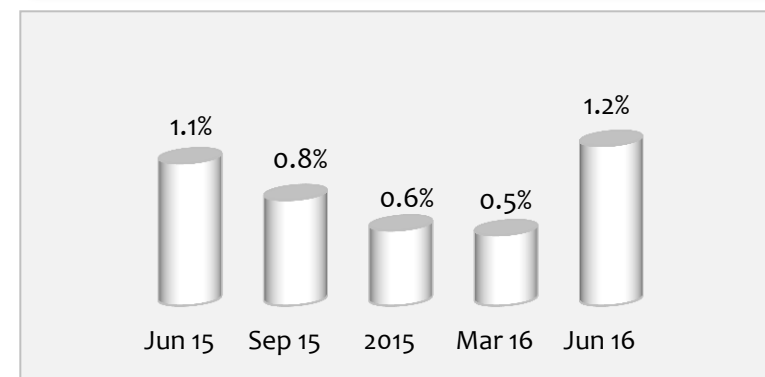
NPL Ratio (including non-cash loans)



NPL Coverage

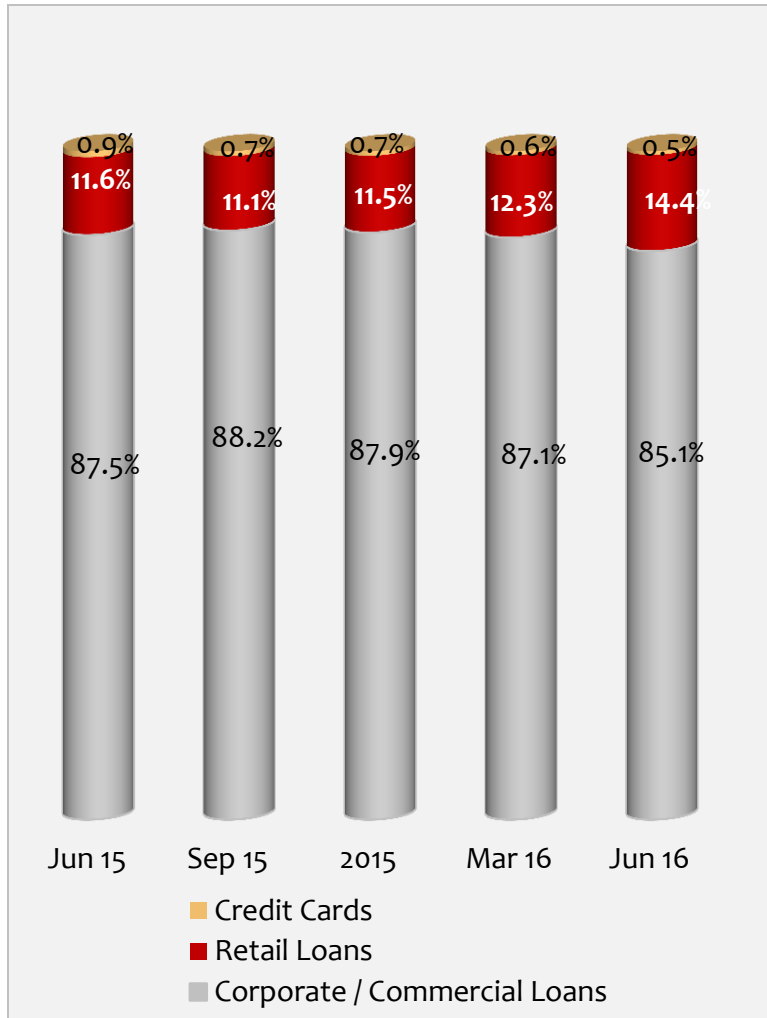


Cost of Risk (quarterly)

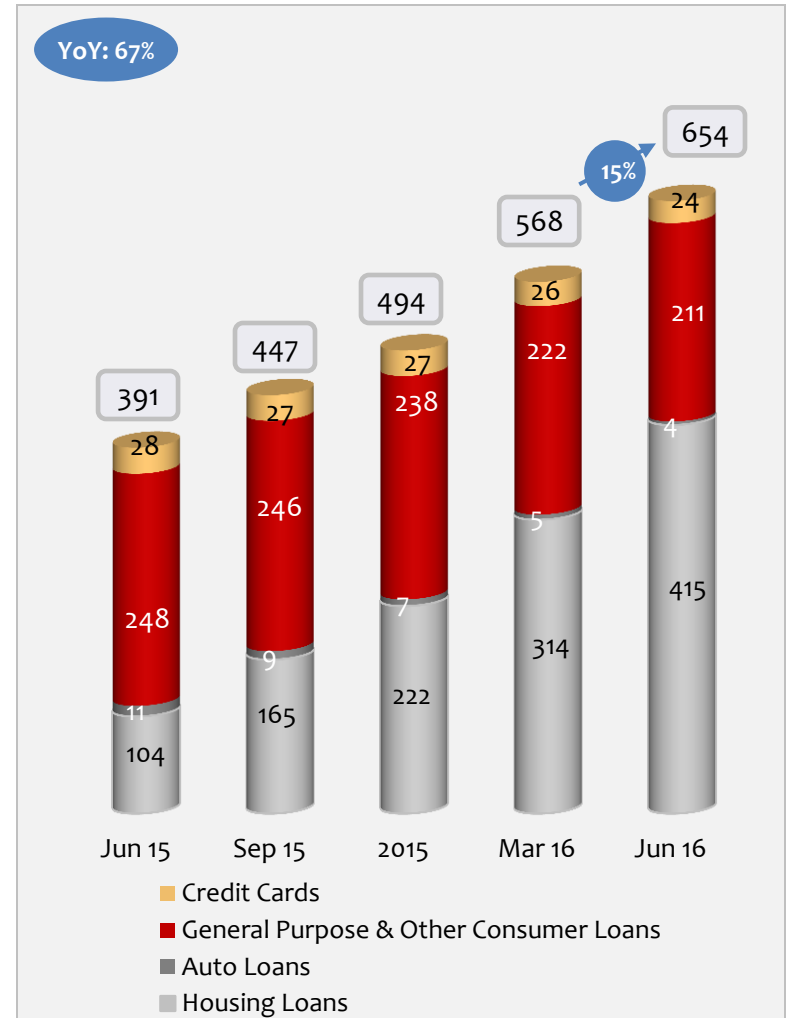


Retail loans increased, triggered by mortgage loans

Breakdown of Loan Portfolio



Breakdown of Retail Loans (TLmn)

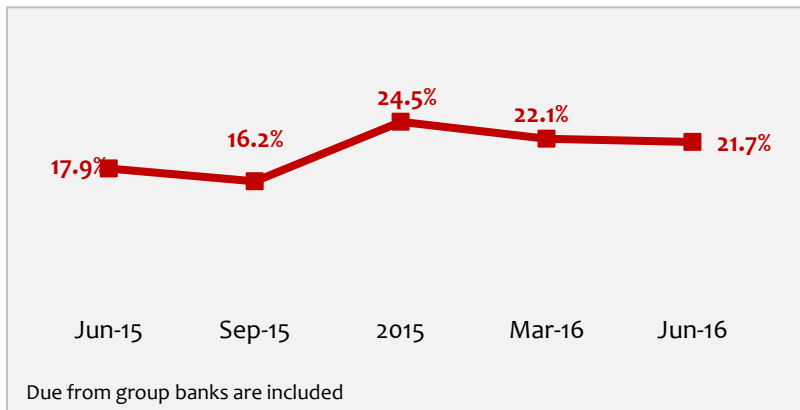


Group risk remained high, thanks to ICBC Group support* after acquisition to attain fast balance sheet growth... ICBC

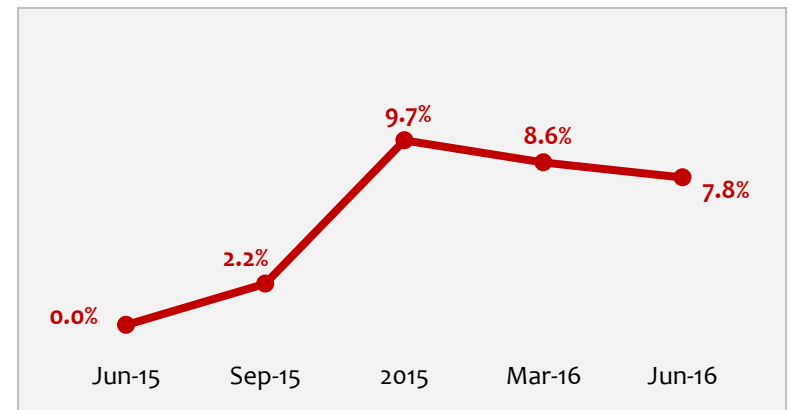
Group Total Risk / Total Risk



Group Cash Loans / Cash Loans



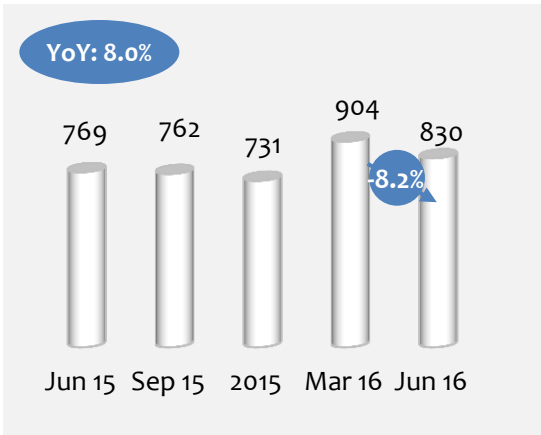
Group Non-Cash Loans / Non-Cash Loans



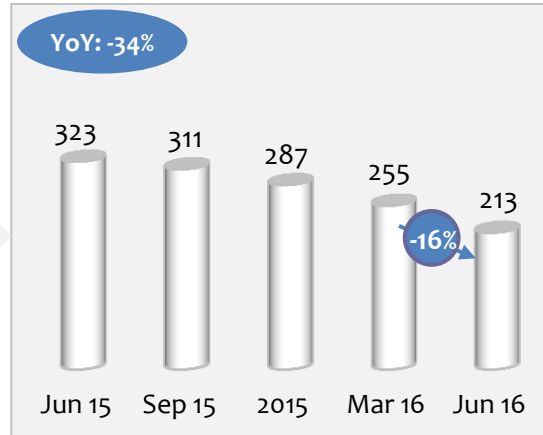
* Whole group loans are cash collateral

Non-cash loans declined by 8%

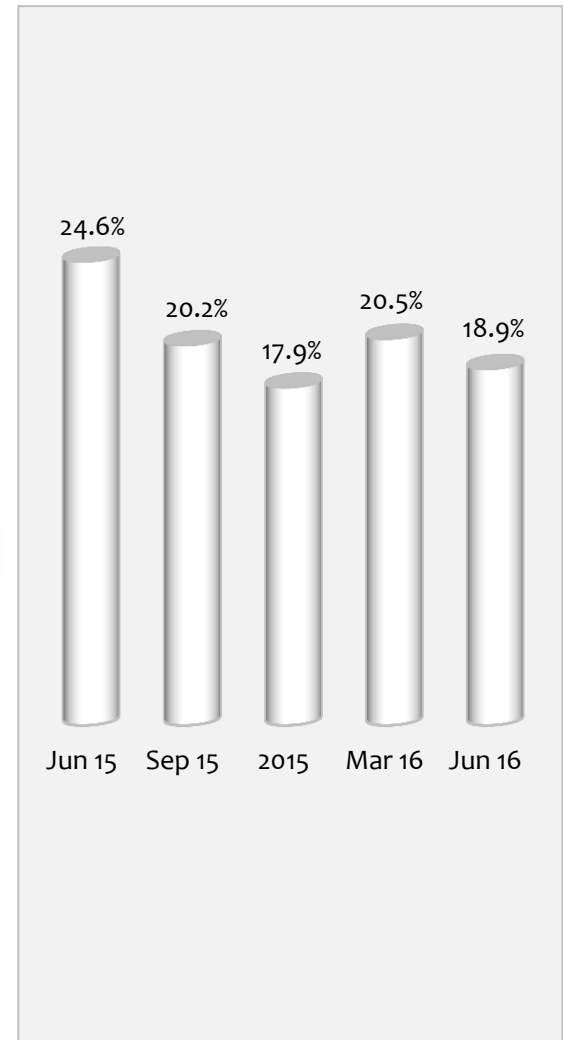
Total Non-Cash Loans (TLmn)



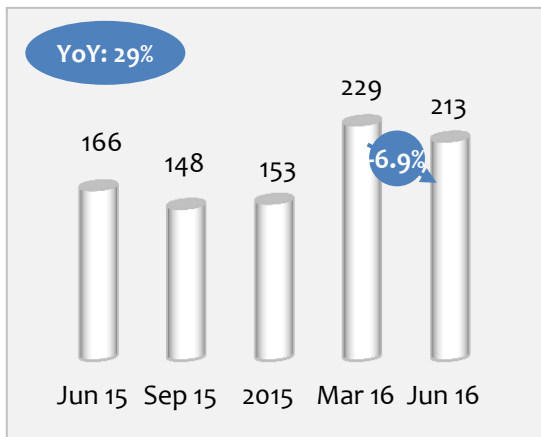
TL Non-Cash Loans (TLmn)



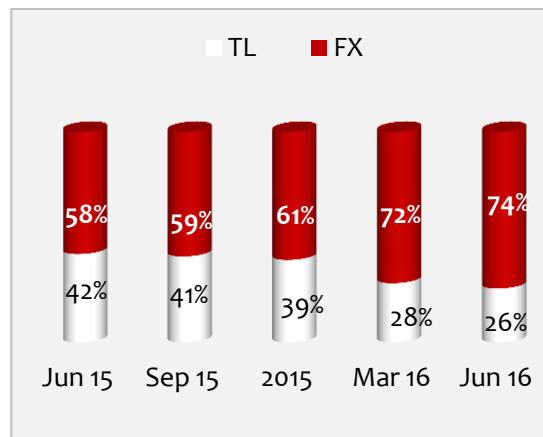
Non-Cash / Cash Loans



FX Non-Cash Loans (US\$m)

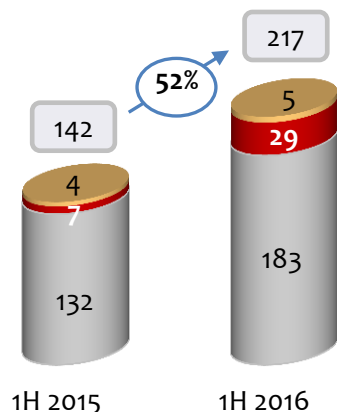


Currency Breakdown



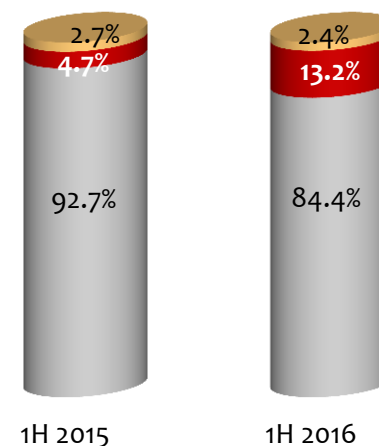
Both interest income and interest expense increased in 1H

Interest Income (TLmn)

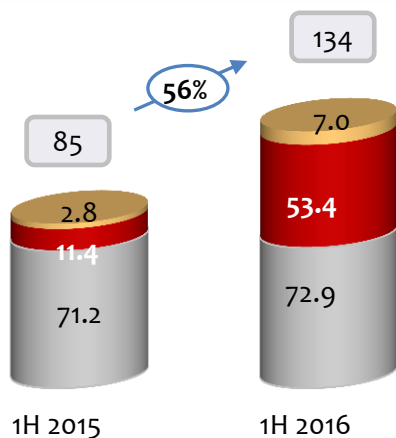


- Other
- Securities
- Loans

Composition of Interest Income

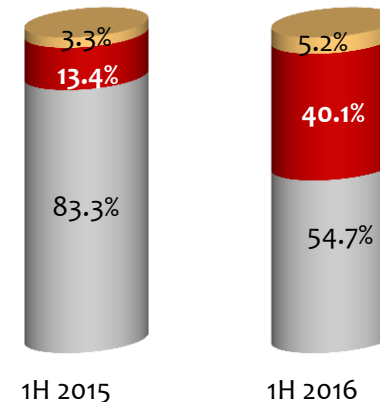


Interest Expense (TLmn)



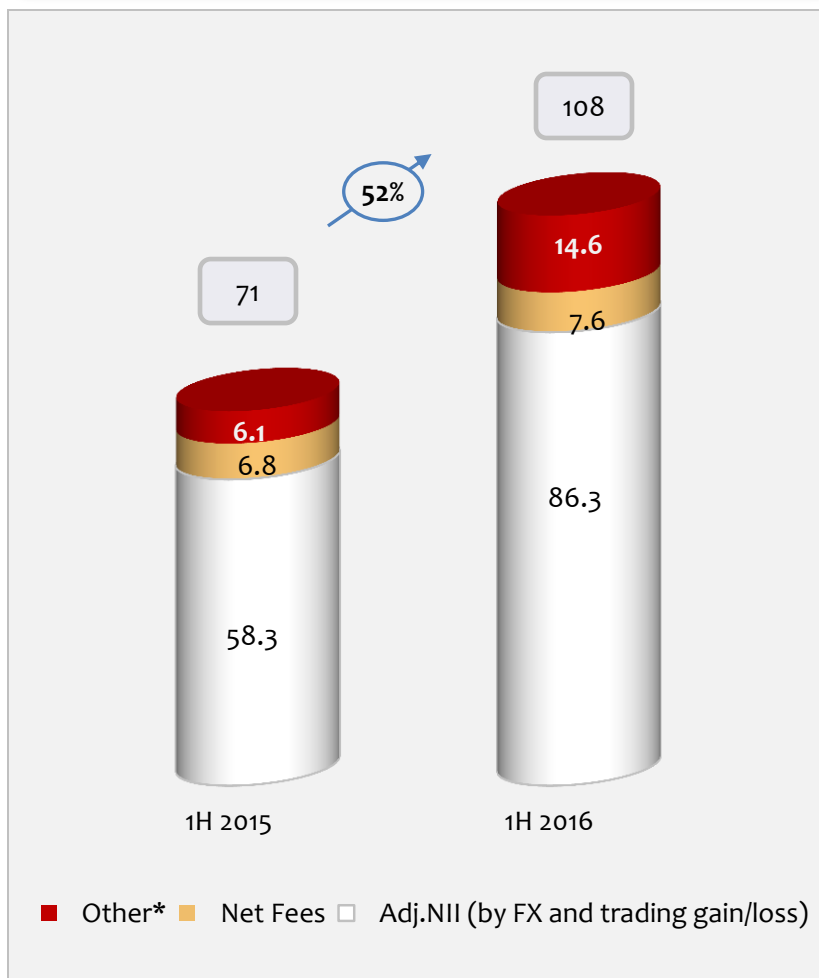
- Interbank & Other
- Funds Borrowed
- Deposits

Composition of Interest Expense

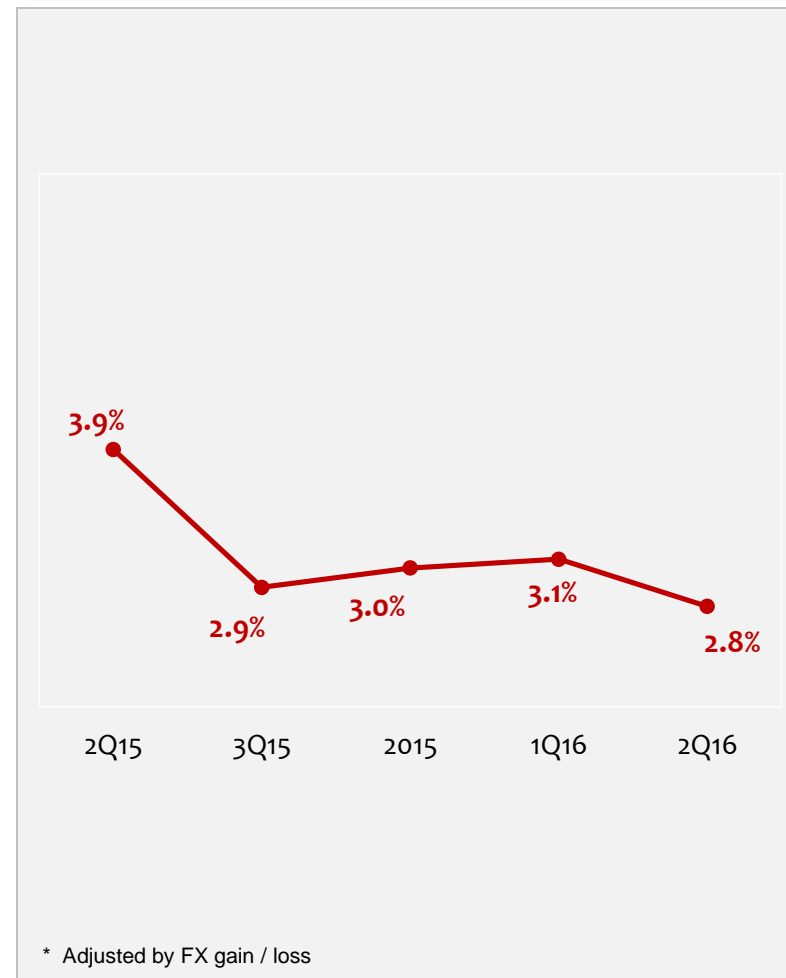


Banking income improved in 1H

Banking Income (TLmn)

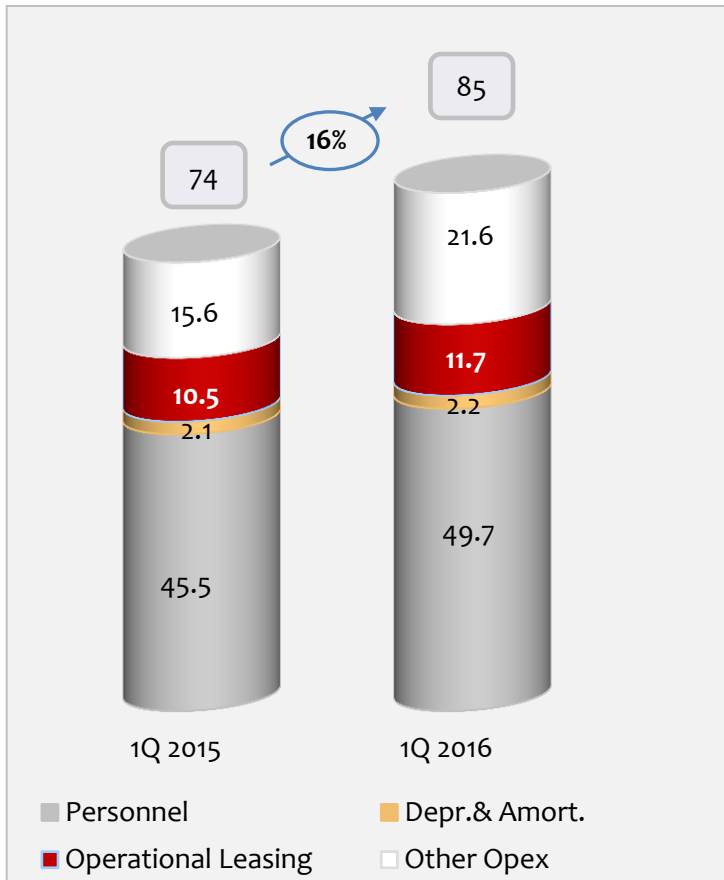


Adjusted Net Interest Margin* (Quarterly)

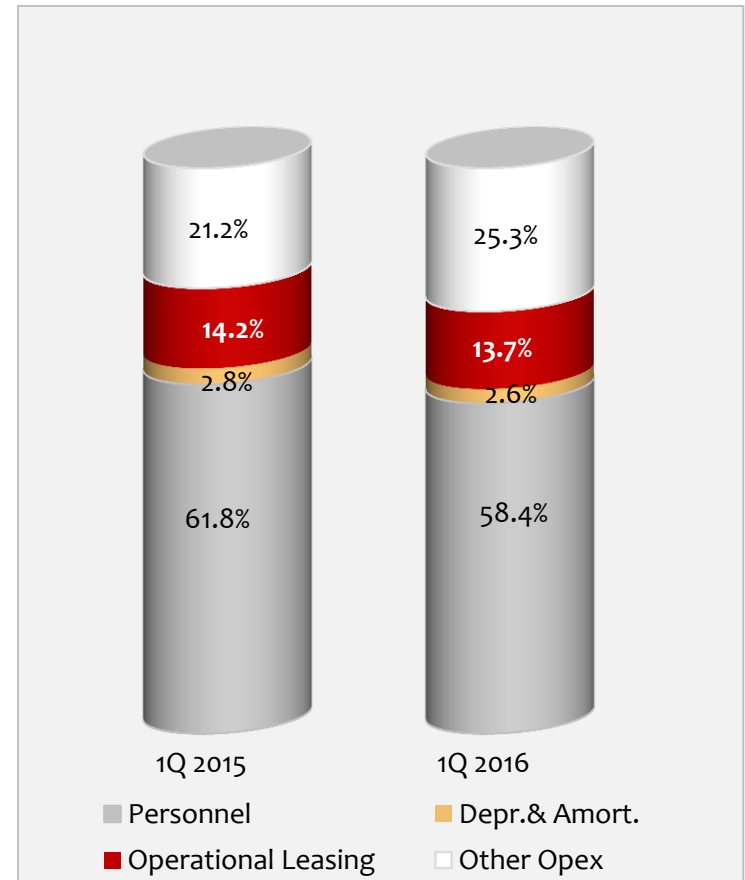


OPEX increased by 16%

Operating Expenses (TLmn)



Composition of Operating Expenses



Summary Balance Sheet

TL million	Jun 2015	Sep 2015	2015	Mar 2016	Jun 2016
Cash & Banks	390	1,103	1,322	1,515	1,440
Total Securities	566	1,186	1,085	1,032	1,042
Total Cash Loans	3,123	3,772	4,075	4,404	4,386
Fixed Assets & Subsidiaries	63	63	63	62	63
Other	103	140	110	103	86
Total Assets	4,246	6,264	6,655	7,116	7,017
Deposits*	2,317	2,586	2,257	2,402	2,351
Interbank Money Market*	260	370	518	430	472
Borrowings	939	2,585	3,155	3,552	3,450
Other	139	165	135	133	133
SHE	593	558	590	598	612
Total Liabilities & SHE	4,246	6,264	6,655	7,116	7,017

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

Summary Income Statement

TL million	1Q 2016	2Q 2016	1H 2016	1H 2015
Interest Income	113.0	203.8	216.8	142.2
Loans	94.9	88.1	183.0	131.8
Securities	15.6	13.1	28.7	6.7
Other	2.5	2.7	5.2	3.8
Interest Expense	69.8	63.6	133.3	85.4
Deposits	35.6	37.3	72.9	71.2
Funds Borrowed	30.3	23.1	53.4	11.4
Other Borrowings	3.9	3.1	7.0	2.8
Net Interest Income	43.2	40.3	83.5	56.8
Net FX Gain (Loss)*	1.1	0.3	1.4	1.5
Adj. Net Interest Income	44.3	40.6	84.9	58.3
Net Trading Income (Loss)*	0.0	1.3	1.4	0.0
Net Fees & Commissions	3.6	4.0	7.6	6.8
Other Operating Income	2.0	12.6	14.6	6.1
Total Operating Income	49.9	58.5	108	71.3
Provisions	10.9	9.4	20.3	25.2
Opex	42.5	42.7	85.2	73.7
Profit from Subsidiaries	0.0	0.0	0.0	0.0
Profit Before Tax	-3.5	6.5	3.0	-27.6
Tax	0.9	1.8	2.7	-4.1
Net Income	-4.4	4.7	0.3	-23.5

* 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 2016	2Q 2016	1H 2016	1H 2015
Interest Income	114.3	105.2	219.5	144.6
Loans	96.1	89.2	185.3	133.7
Securities	15.6	13.2	28.8	6.7
Other	2.6	2.8	5.4	4.2
Interest Expense	67.7	61.6	129.4	85.4
Deposits	33.6	35.3	68.9	71.2
Funds Borrowed	30.3	23.1	53.4	11.4
Other Borrowings	3.9	3.2	7.0	2.8
Net Interest Income	46.6	43.6	90.1	59.3
Net FX Gain (Loss)*	1.0	0.4	1.4	1.5
Adj. Net Interest Income	47.6	43.9	91.5	60.8
Net Trading Income (Loss)*	1.7	2.7	4.4	3.7
Net Fees & Commissions	3.7	4.5	8.2	7.3
Other Operating Income	1.7	12.2	14.0	6.0
Total Operating Income	54.7	63.4	118.1	77.8
Provisions	10.9	9.4	20.3	25.2
Opex	45.9	46.8	92.7	78.6
Profit from Subsidiaries	0.0	0.0	0.0	0.0
Profit Before Tax	-2.2	7.3	5.1	-26.0
Tax	1.4	1.9	-3.3	3.7
Net Income	-3.6	5.5	1.9	-22.2

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

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