

ICBC TURKEY BANK A.Ş.



Earnings Presentation

September 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.

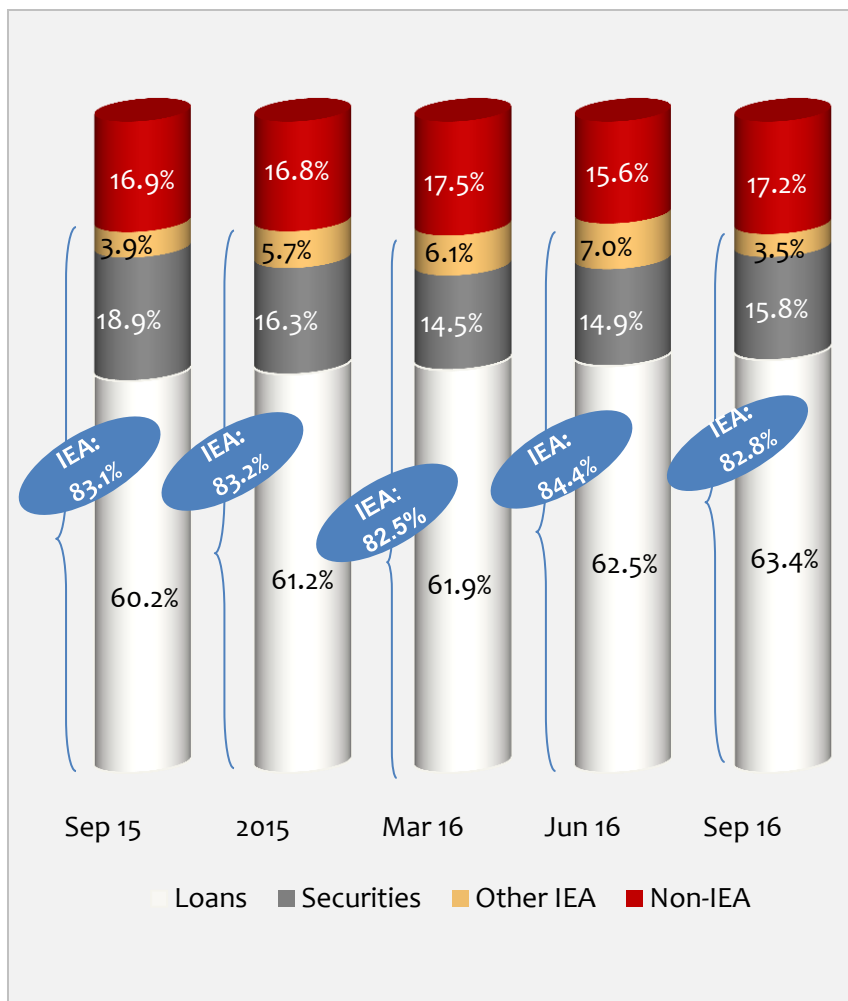
- Global environment was benign in 3Q. Fed preserved its dovish stance in general, due to global concerns, and ECB pursued its loose monetary policy
- Turkey, however, had to deal with political uncertainties after coup attempt in mid-July, and financial markets underperformed EM universe in general. Turkish Army's operations in Syria have also contributed to the geopolitical risks. Economic activity lost momentum, and economic agents shifted to a wait-and-see mode, due to uncertainties
- S&P downgraded Turkey's rating to BB from BB+, in July, and revised outlook to "negative" from "stable". However, Moody's decision to cut Turkey's rating one notch to Ba1, below investment grade, in September had a more notable impact on financial markets. S&P revised outlook to "stable" in November
- Loan growth decelerated, and banks faced a mounting pressure on credit risk control
- CBRT continued to cut O/N funding rate by another 75 bps in 3Q, to 8.25%, followed by a pause in October meeting, due to TL's sharp depreciation and elevated risks
- GDP growth decelerated to 3.1% in 2Q, following a more solid growth rate of 4.7% attained in 1Q. Government cut year-end growth projection to 3.2%, from 4.5% in MTP in October, although 3.2%, y/y, decline in industrial output in 3Q pointed to an unpredicted GDP contraction in 3Q, and conceivably a lower growth performance for 2016

Highlights of 3Q 2016:

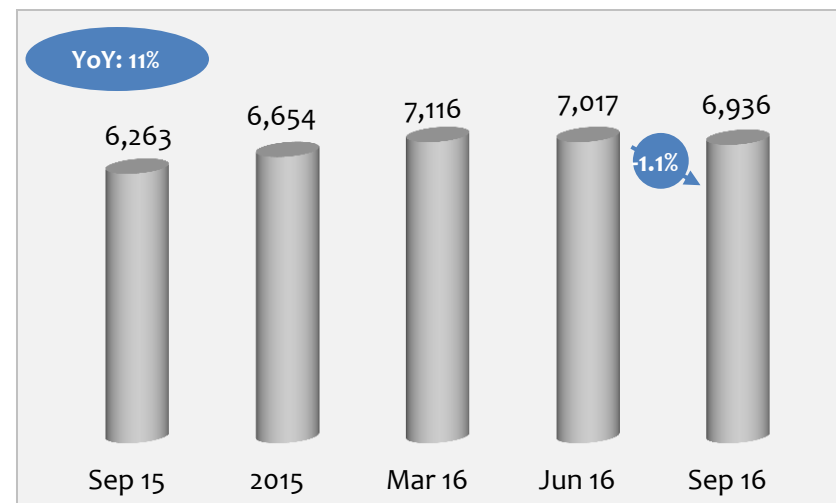
- Asset size slipped to TL6,936mn
- Funding from ICBC Group continued to dominate liabilities, rather than high-cost deposits
- NPL ratio declined further to 2.7% vs. market average at 3.3%
- CAR recovered further to 14.4%
- A net profit of TL2.7mn recorded in 3Q, resulting in a cumulative profit of TL3.0bn during 9-month term vs. TL36mn loss recorded during the same term of 2015

Assets declined by 1.1% in 3Q2016

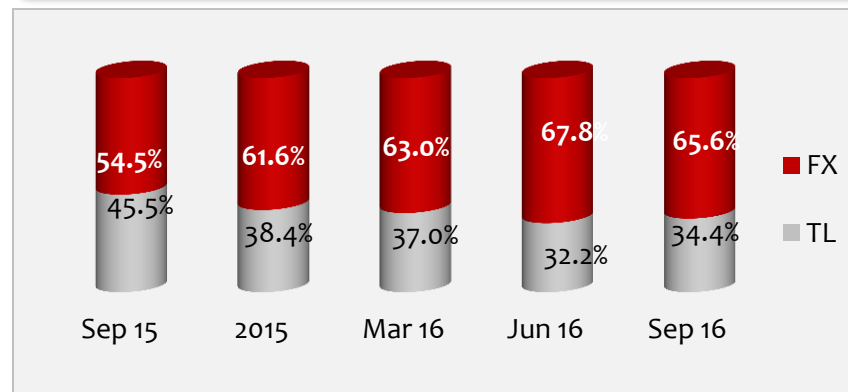
Composition of Assets



Total Assets (TLmn)



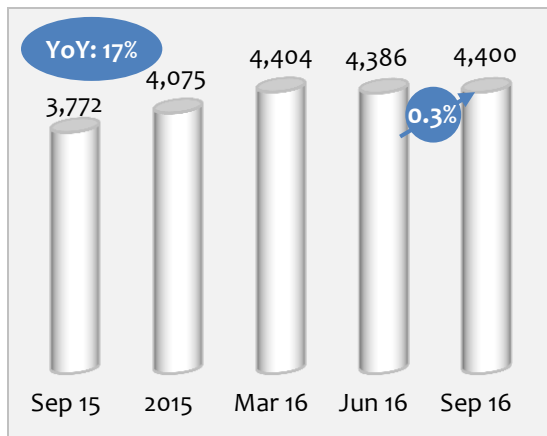
Currency Composition of Assets*



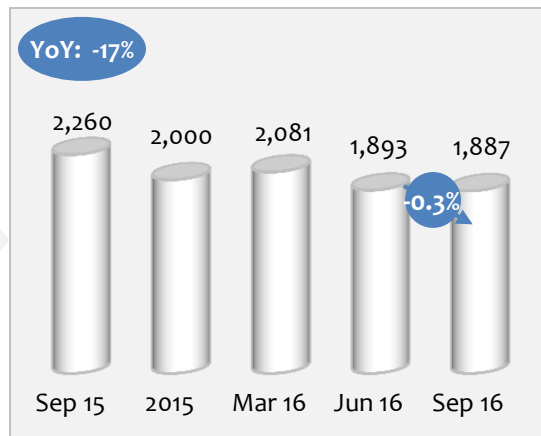
* FX-indexed cash loans are included in FX assets

TL loans retreated marginally, while FX loans dropped by 2.6%

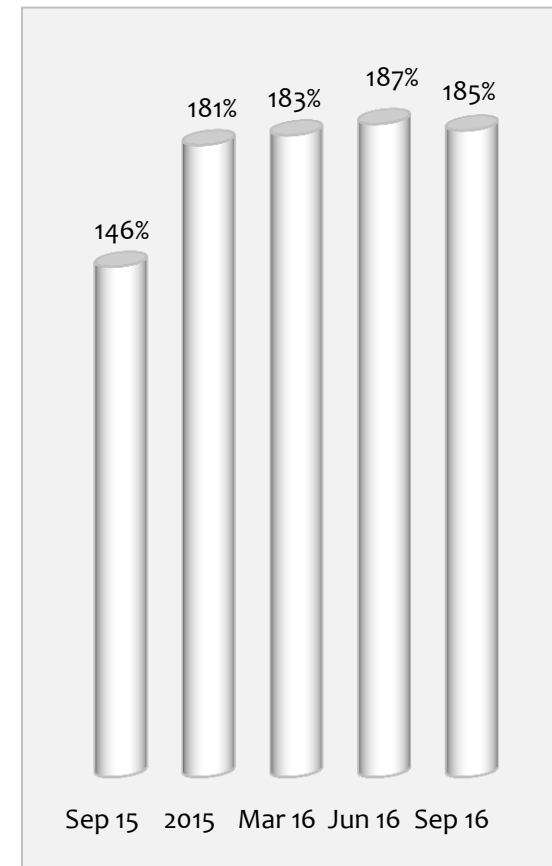
Total Cash Loans (TLmn)



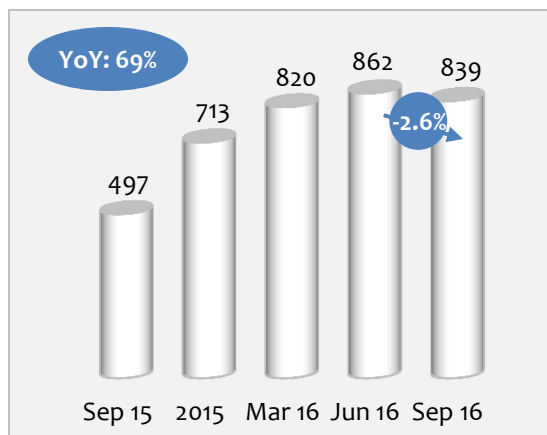
TL Cash Loans* (TLmn)



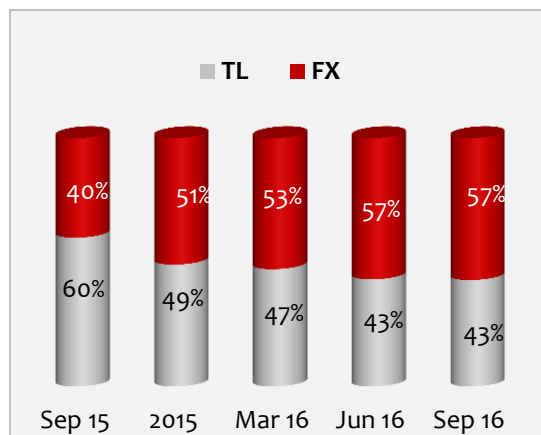
Loans / Customer Deposits



FX Cash Loans* (US\$mn)



Currency Breakdown*

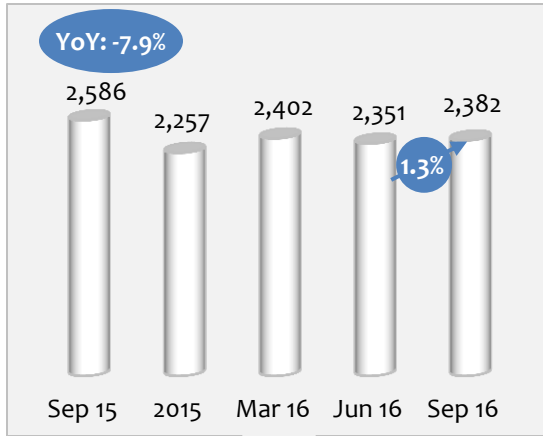


* FX-indexed cash loans are included in FX cash loans

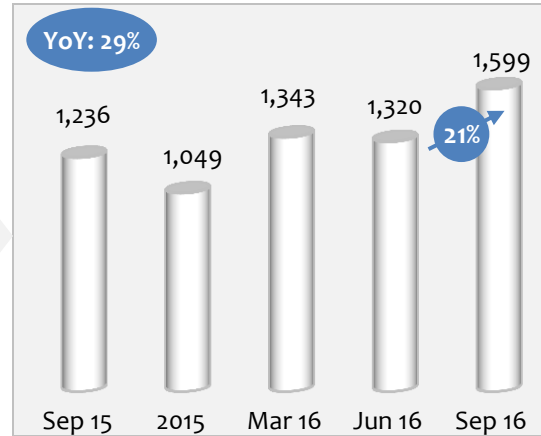
Deposits declined, while funding from ICBC Group bearing lower cost continued to dominate liabilities



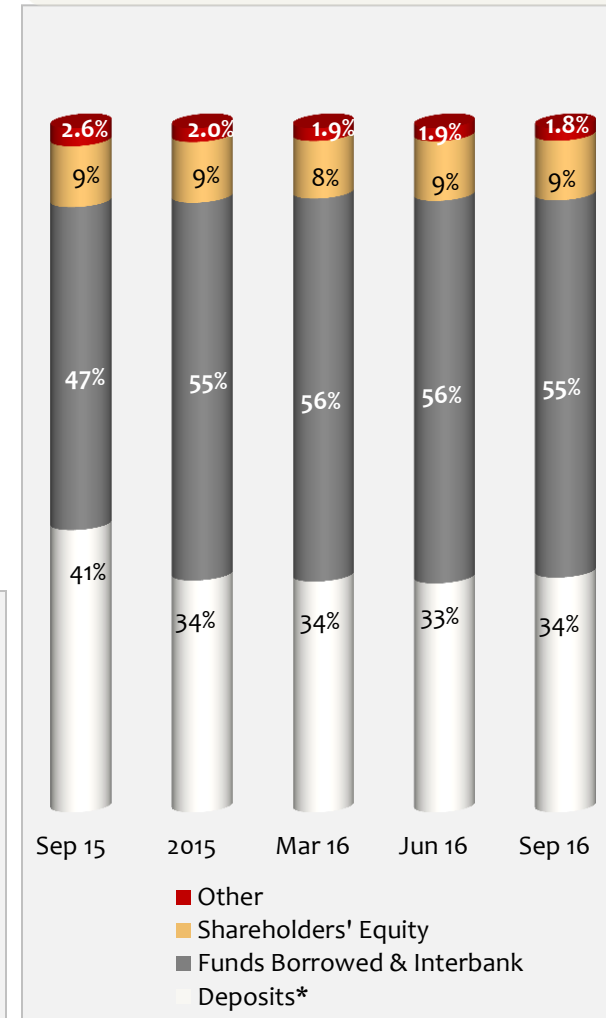
Total Deposits* (TLmn)



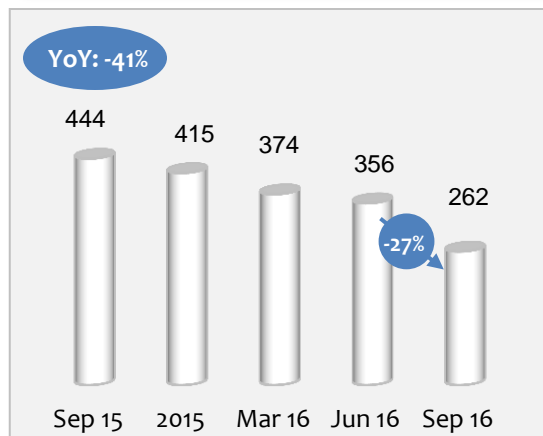
TL Deposits* (TLmn)



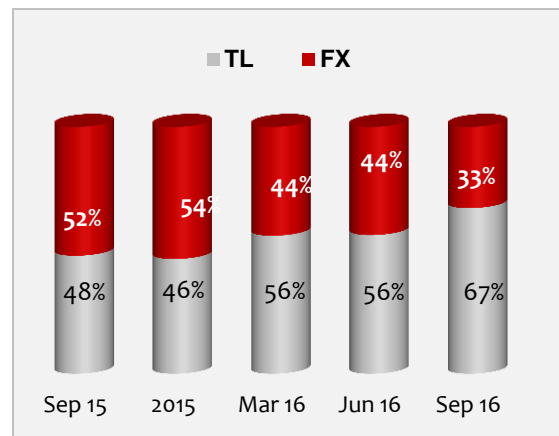
Composition of Liabilities & SHE



FX Deposits* (US\$mn)



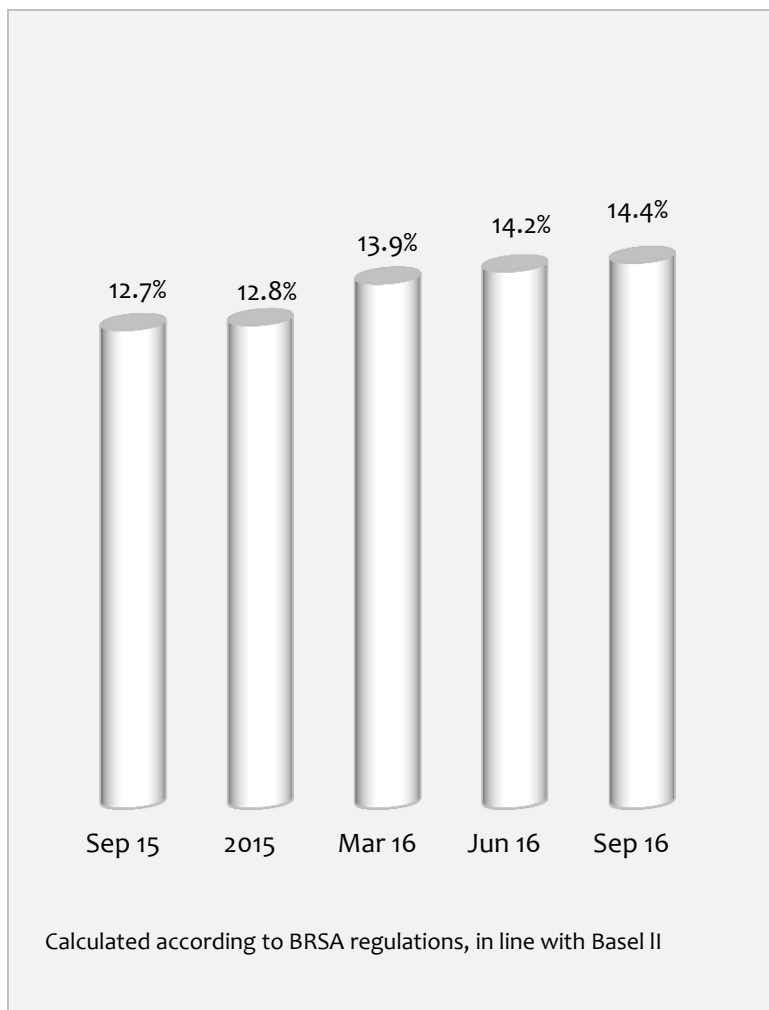
Currency Breakdown*



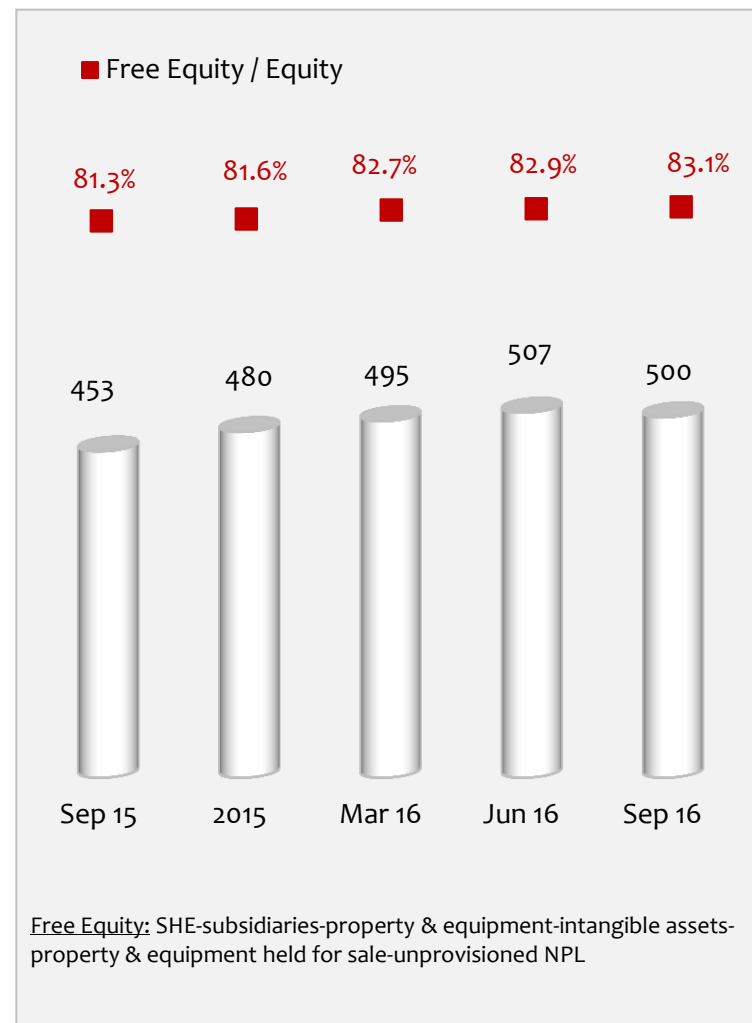
* Excluding bank deposits

CAR recovered to 14.4%

Capital Adequacy Ratio (CAR)

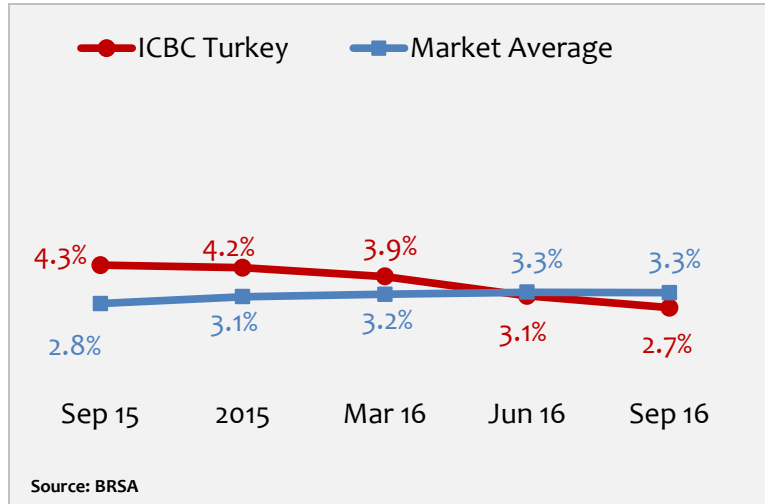


Free Equity (TLmn)

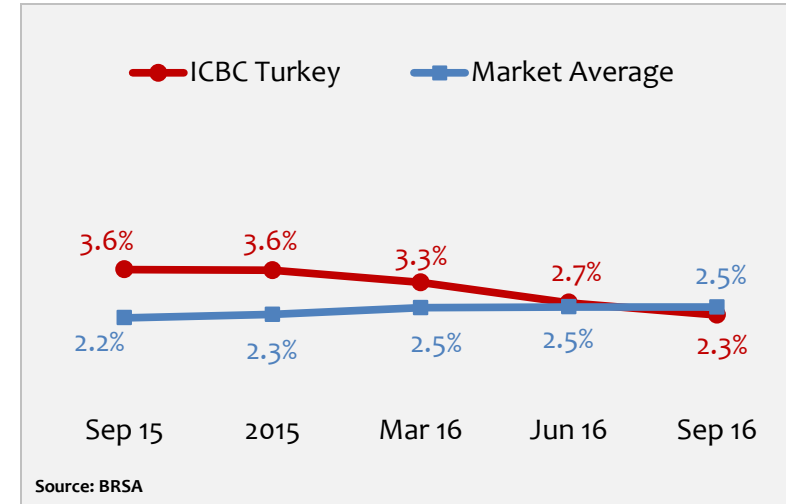


NPL ratio retreated further to 2.7% vs. market average at 3.3%

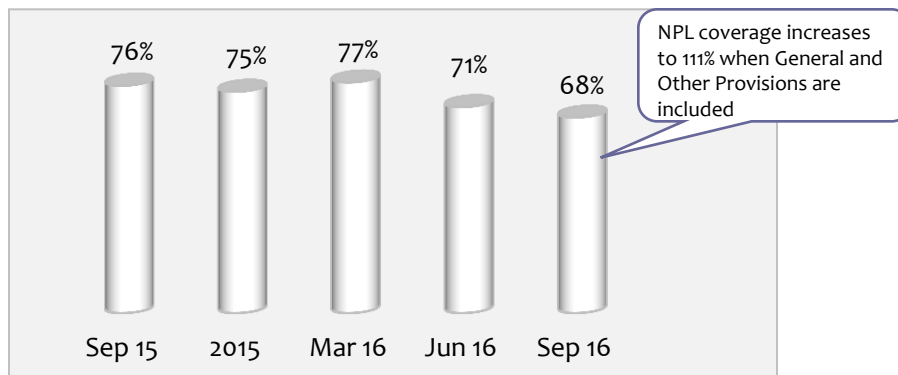
NPL Ratio



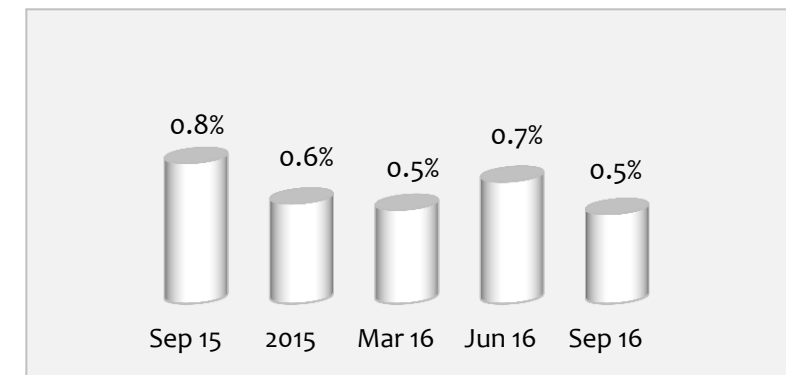
NPL Ratio (including non-cash loans)



NPL Coverage

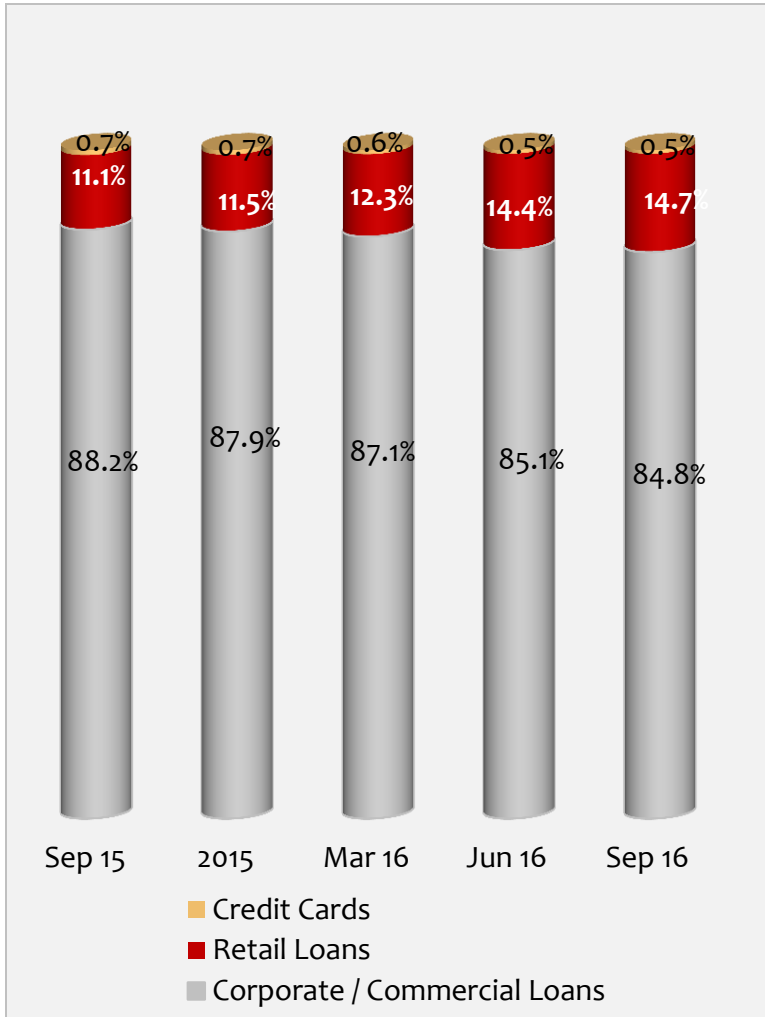


Cost of Risk (quarterly)

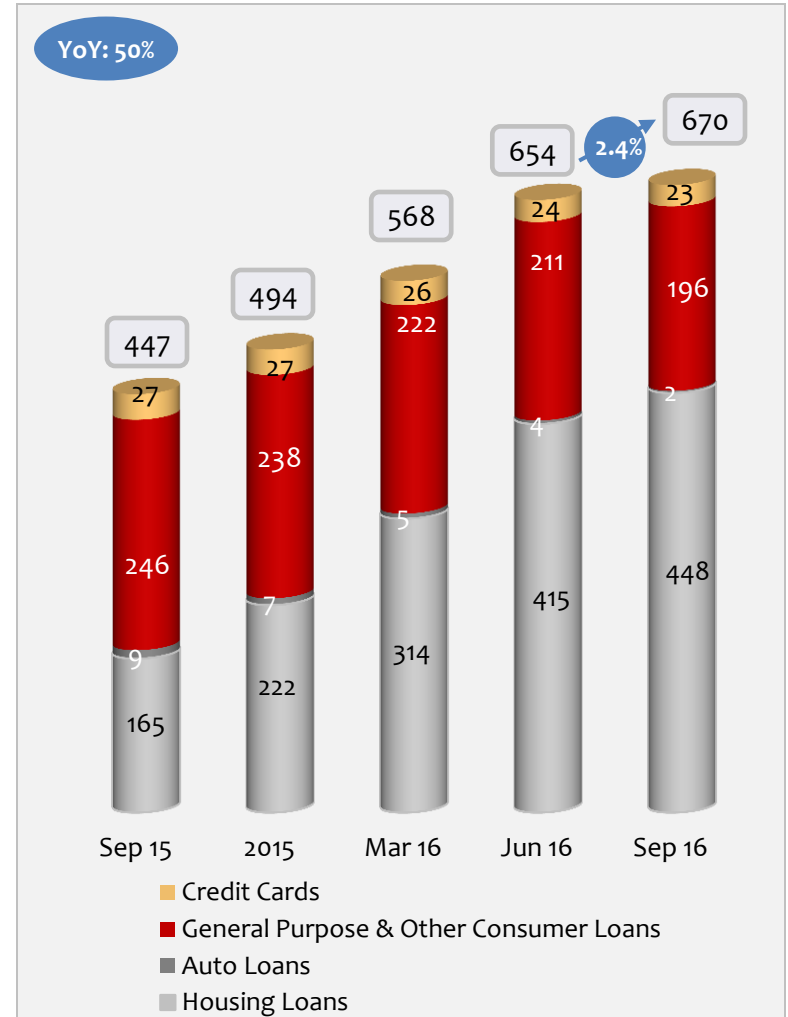


Uptrend in mortgage loans resulted in further increase in retail loans

Breakdown of Loan Portfolio

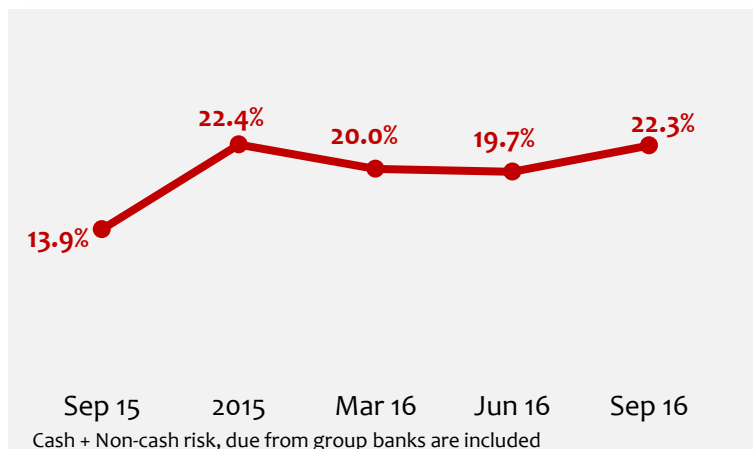


Breakdown of Retail Loans (TLmn)

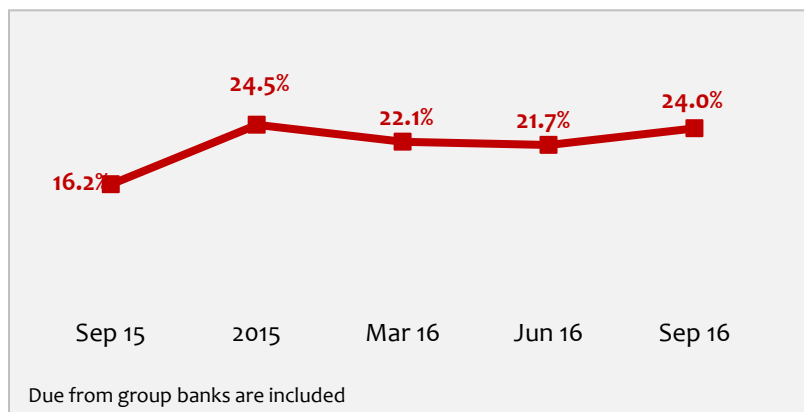


Group risk was high, stemming from ICBC Group support*

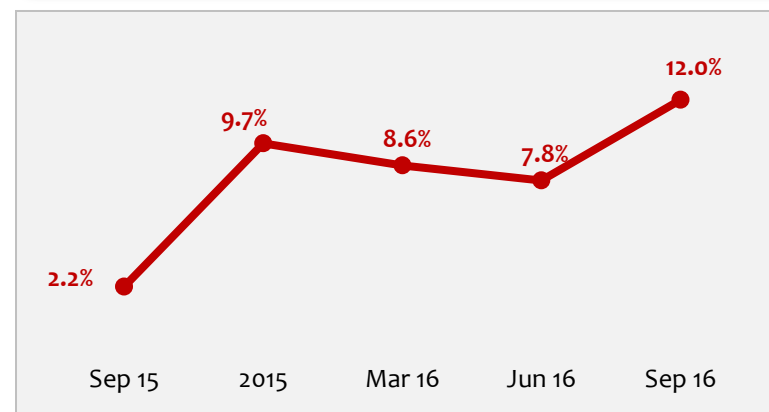
Group Total Risk / Total Risk



Group Cash Loans / Cash Loans



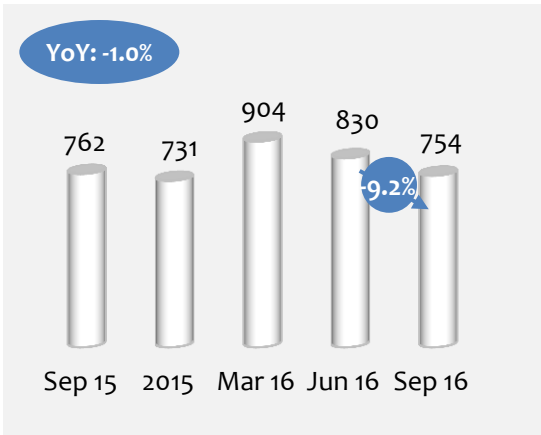
Group Non-Cash Loans / Non-Cash Loans



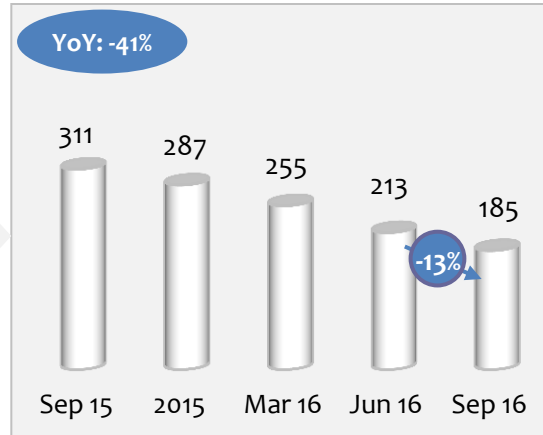
* Whole group loans are cash collateral

Non-cash loans declined by 9.2%

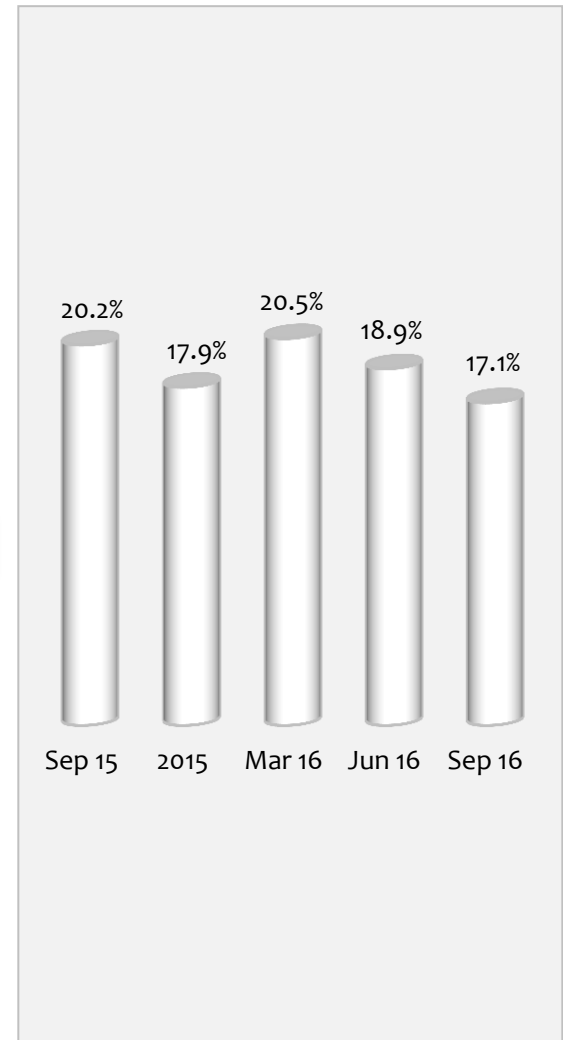
Total Non-Cash Loans (TLmn)



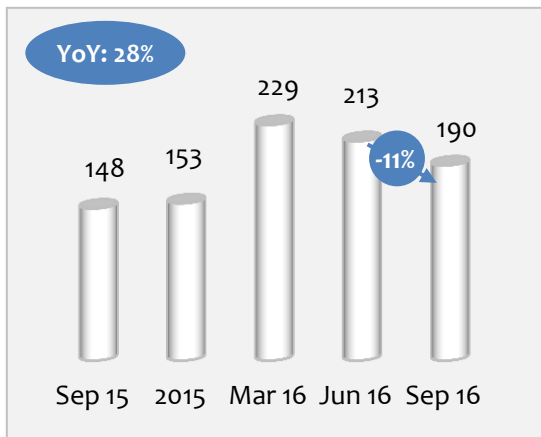
TL Non-Cash Loans (TLmn)



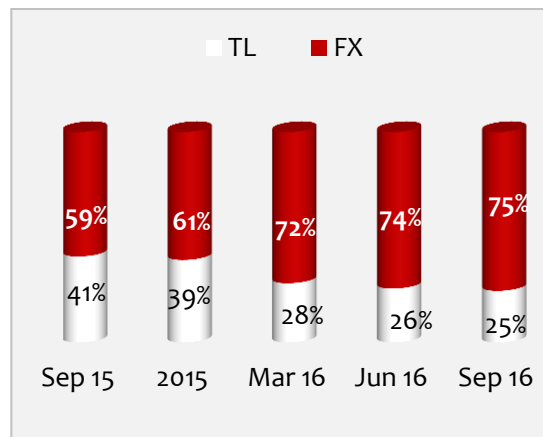
Non-Cash / Cash Loans



FX Non-Cash Loans (US\$m)

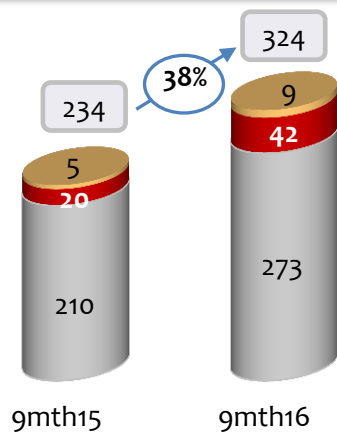


Currency Breakdown

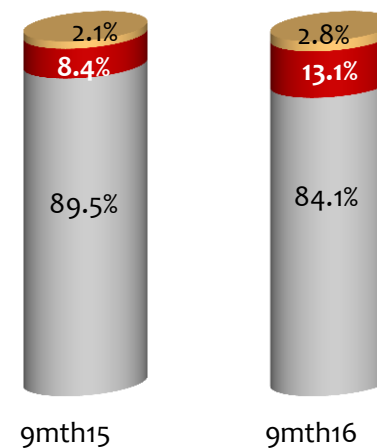


NII increased by 43%, y/y, in 9-month term

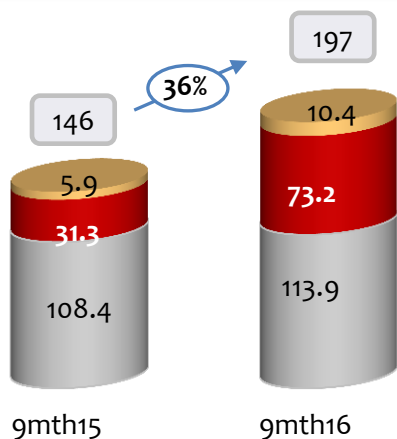
Interest Income (TLmn)



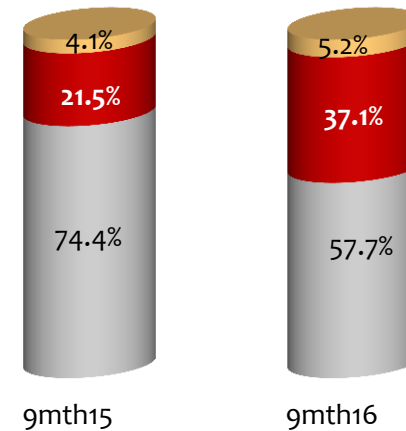
Composition of Interest Income



Interest Expense (TLmn)

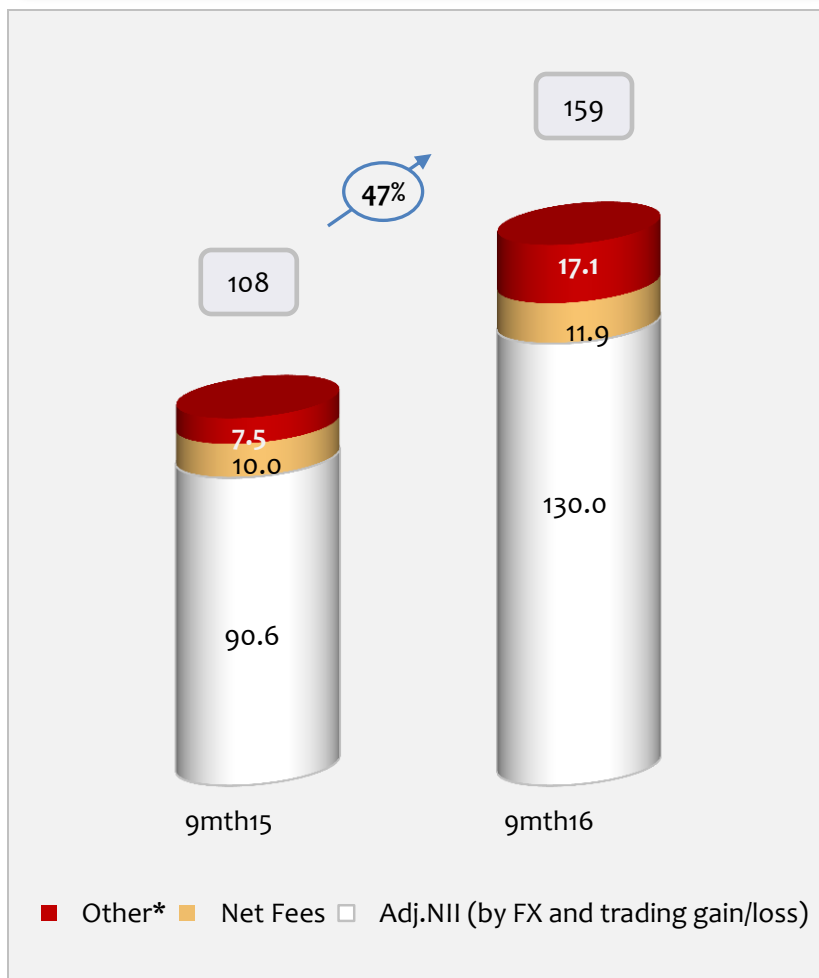


Composition of Interest Expense

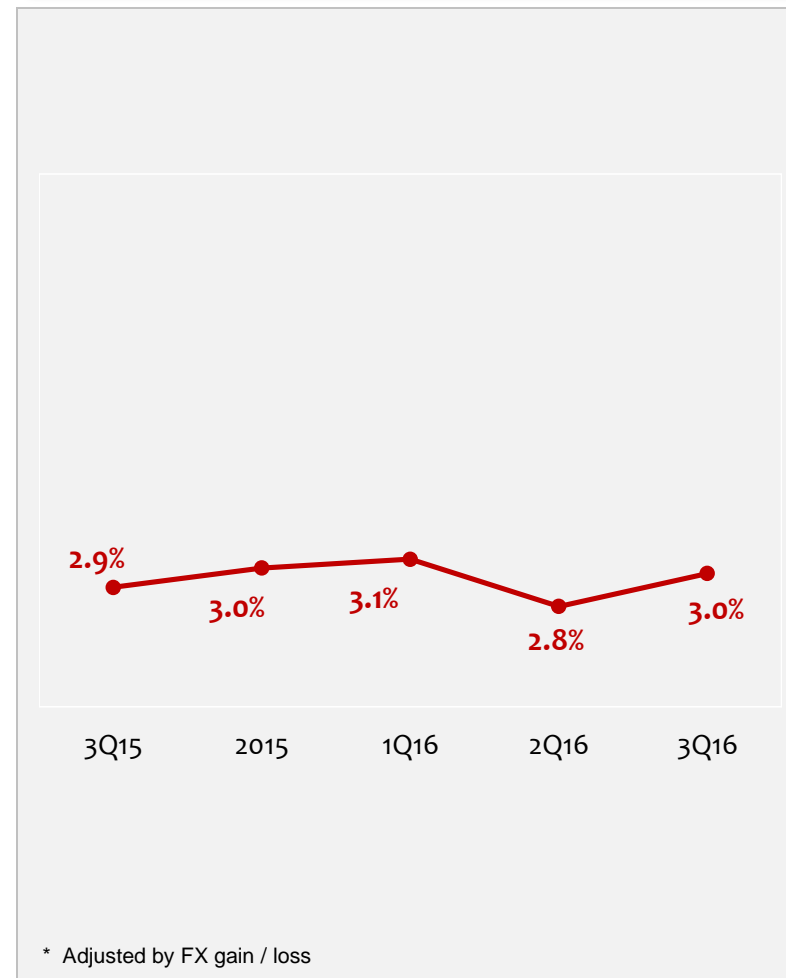


Banking income improved by 47%, accordingly

Banking Income (TLmn)

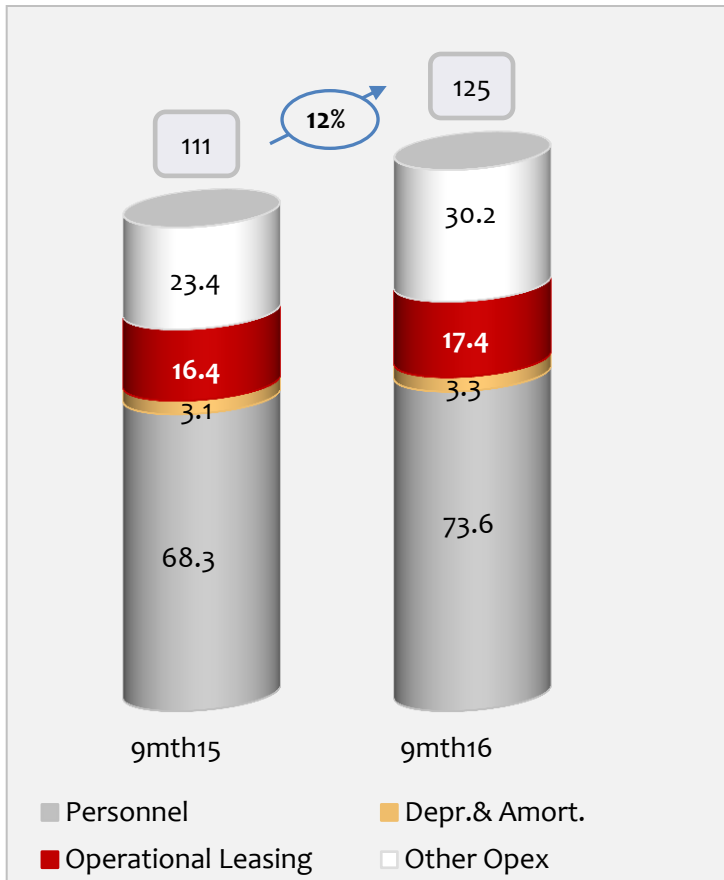


Adjusted Net Interest Margin* (Quarterly)

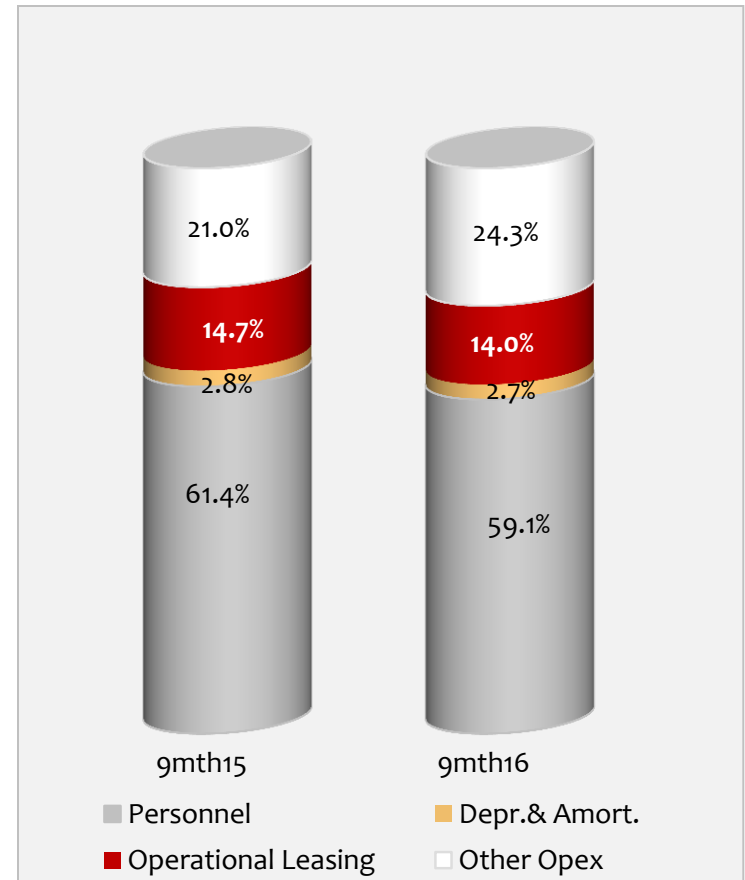


OPEX increased by 12%

Operating Expenses (TLmn)



Composition of Operating Expenses



Summary Balance Sheet

TL million	Sep 2015	2015	Mar 2016	Jun 2016	Sep 2016
Cash & Banks	1,103	1,322	1,515	1,440	1,283
Total Securities	1,186	1,085	1,032	1,042	1,096
Total Cash Loans	3,772	4,075	4,404	4,386	4,400
Fixed Assets & Subsidiaries	63	63	62	63	63
Other	140	110	103	86	94
Total Assets	6,264	6,655	7,116	7,017	6,936
Deposits*	2,586	2,257	2,402	2,351	2,382
Interbank Money Market*	370	518	430	472	771
Borrowings	2,585	3,155	3,552	3,450	3,053
Other	165	135	133	133	128
SHE	558	590	598	612	602
Total Liabilities & SHE	6,264	6,655	7,116	7,017	6,936

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

Summary Income Statement

TL million	1Q 2016	2Q 2016	3Q 2016	9mth 2016	9mth 2015
Interest Income	113.0	103.8	107.5	324.3	234
Loans	94.9	88.1	89.7	272.7	209.9
Securities	15.6	13.1	13.8	42.4	19.6
Other	2.5	2.7	4.0	9.2	4.9
Interest Expense	69.8	63.6	64.1	197.5	146
Deposits	35.6	37.3	41.0	113.9	108.4
Funds Borrowed	30.3	23.1	19.8	73.2	31.3
Other Borrowings	3.9	3.1	3.4	10.4	5.9
Net Interest Income	43.2	40.3	43.3	126.8	88.8
Net FX Gain (Loss)*	1.1	0.3	0.4	1.8	1.8
Adj. Net Interest Income	44.3	40.6	43.8	128.7	90.6
Net Trading Income (Loss)*	0.0	1.3	0.0	1.4	0
Net Fees & Commissions	3.6	4.0	4.3	11.9	10
Other Operating Income	2.0	12.6	2.5	17.1	7.5
Total Operating Income	49.9	58.5	50.6	159.1	108.2
Provisions	10.9	9.4	7.4	27.7	38.7
Opex	42.5	42.7	39.3	124.5	111.3
Profit from Subsidiaries	0.0	0.0	0.0	0.0	0.0
Profit Before Tax	-3.5	6.5	3.8	6.8	-41.8
Tax	-0.9	-1.8	-1.1	-3.8	5.6
Net Income	-4.4	4.7	2.7	3.0	-36.2

* 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	3Q 2016	9mth 2016	9mth 2015
Interest Income	114.3	105.2	108.7	328.2	238.1
Loans	96.1	89.2	90.5	275.8	212.8
Securities	15.6	13.2	13.7	42.5	19.7
Other	2.6	2.8	4.5	9.9	5.6
Interest Expense	67.7	61.6	62.3	191.6	143.9
Deposits	33.6	35.3	39.2	108.1	106.7
Funds Borrowed	30.3	23.1	19.8	73.2	31.3
Other Borrowings	3.9	3.2	3.4	10.4	5.9
Net Interest Income	46.6	43.6	46.4	136.5	94.2
Net FX Gain (Loss)*	1.0	0.4	0.5	1.8	2.0
Adj. Net Interest Income	47.6	43.9	46.9	138.4	96.2
Net Trading Income (Loss)*	1.7	2.7	-2.8	1.6	5.2
Net Fees & Commissions	3.7	4.5	8.6	16.8	10.5
Other Operating Income	1.7	12.2	2.0	16.0	7.0
Total Operating Income	54.7	63.4	54.6	172.7	118.8
Provisions	10.9	9.4	7.4	27.7	38.7
Opex	45.9	46.8	43.5	136.1	119.4
Profit from Subsidiaries	0.0	0.0	0.0	0.0	0.0
Profit Before Tax	-2.2	7.3	3.7	8.9	-39.3
Tax	1.4	1.9	1.0	4.3	-5.0
Net Income	-3.6	5.5	2.7	4.6	-34.3

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

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