

# ICBC TURKEY BANK A.Ş.



## *Earnings Presentation*

*December 31, 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.

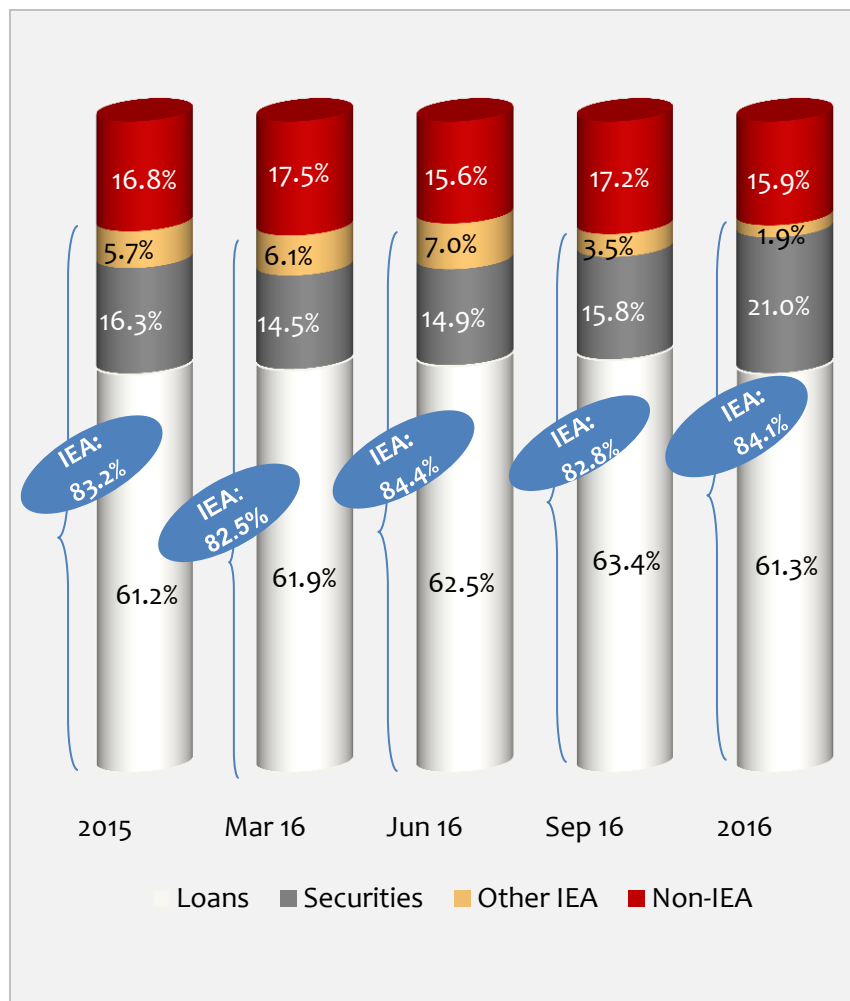
- Appetite for EM assets faded in 4Q2016, as boost from main central banks' loose policies started to vanish. Fed carried out its extensively delayed rate hike in Dec, and ECB decided to reduce its asset purchasing program starting from April 2017 onwards. Surprising outcome of the US elections fueled the uncertainty further.
- Turkey performed worse than its peers, due to elevated probability of referendum for constitutional change, and geopolitical risks, leading TL to lost value by 18.5% in 2016, while TL weakened by 11% solely in the last two months of 2016.
- GDP contracted by 1.8% in 3Q, following a modest growth rate of 4.5% attained in 1H, hit by lower private consumption and investments, while higher public spending prevented a more severe contraction. Industrial production recovered by 2.1%, y/y, in 4Q, pointing to a limited recovery in economy
- CPI inflation slipped to 7.0% as of November, from 8.8% recorded at 2015-end. However CPI climbed back to 8.5% at 2016-end, attributable to TL's sharp weakening and higher oil prices
- After ceasing rate cuts in October, CBRT started to tighten its policy from November onwards, in order to curb inflationary pressures, and accelerated its tightening in January of 2017. Accordingly, CBRT's weighted average funding rate climbed above 10% as of January 2017, from its lowest rate at 7.7% recorded in October 2016

## *Highlights of 4Q 2016:*

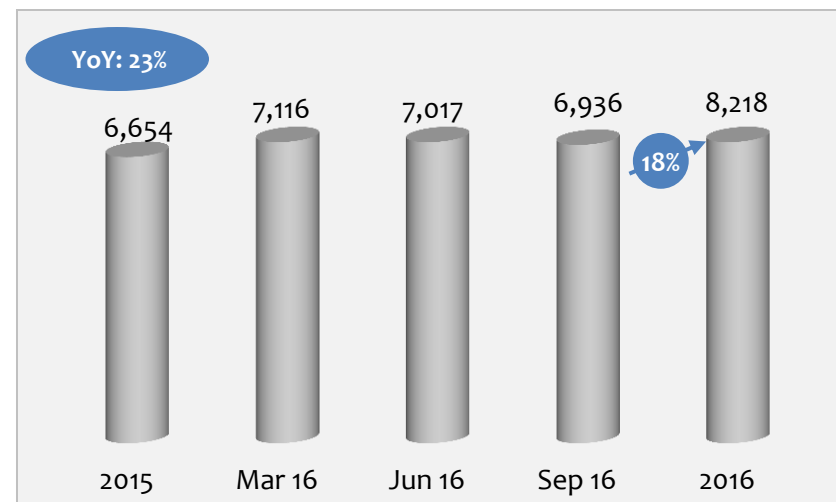
- Scale of ICBC Turkey continued to enlarge, as asset size increased by 18% in 4Q 2016
- NPL ratio declined to 2.2% vs. market average at 3.2%, pointing to a further recovery in asset quality
- ICBC Turkey has pushed the button for a capital injection of TL440mn, which elevated CAR to 19.8%
- Both NII and fee income increased, resulting in a net profit of TL10.7mn in 4Q, leading to a cumulative net profit of TL13.7mn in 2016 vs. TL17mn loss recorded in 2015

# Asset volume expanded by 18% in 4Q2016

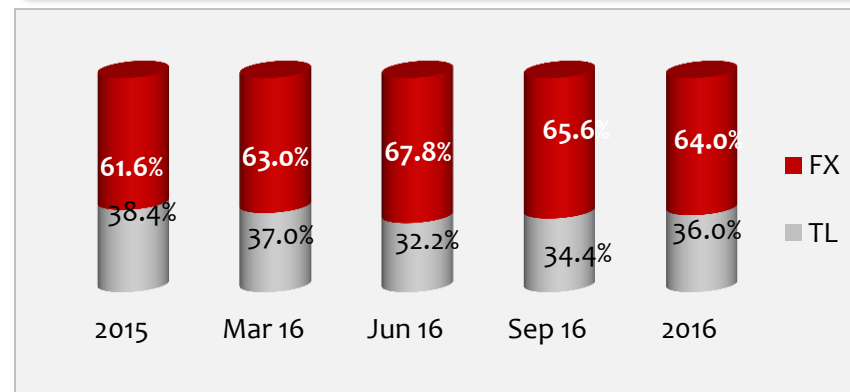
## Composition of Assets



## Total Assets (TLmn)



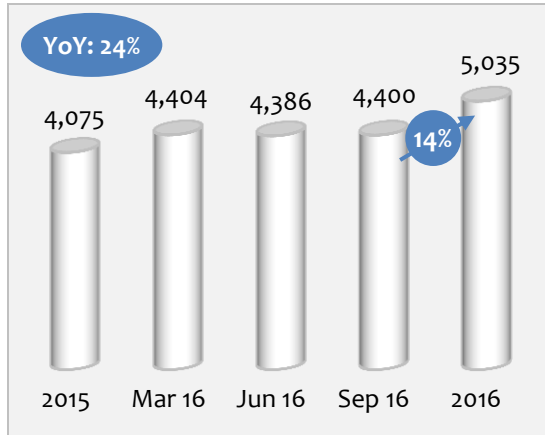
## Currency Composition of Assets\*



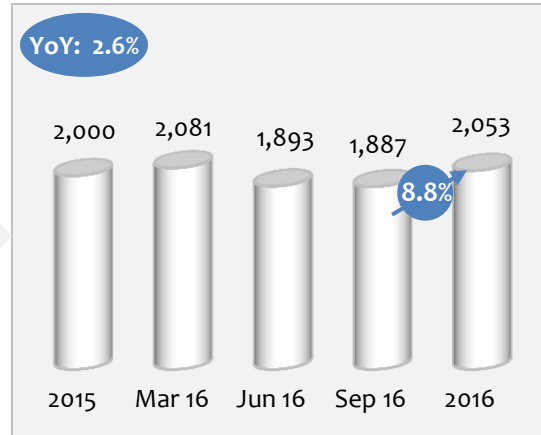
\* FX-indexed cash loans are included in FX assets

# Loans increased by 14%

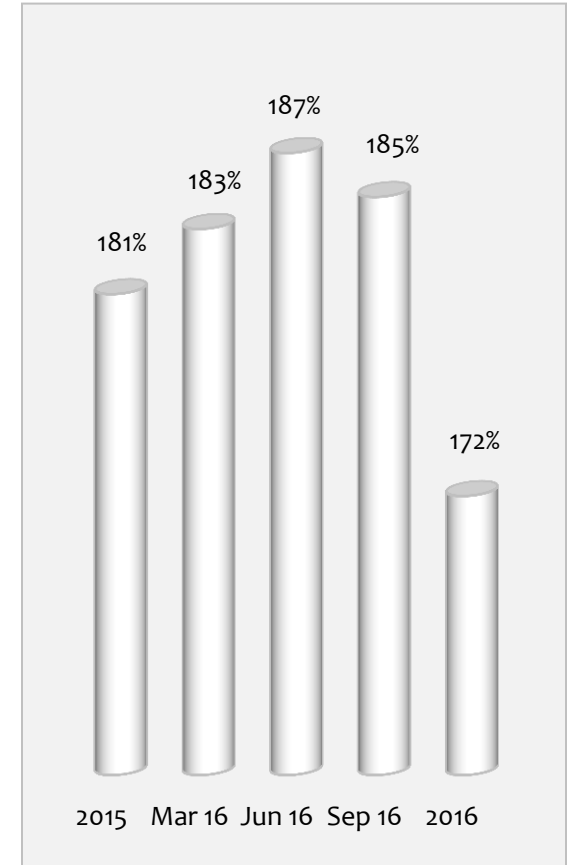
## Total Cash Loans (TLmn)



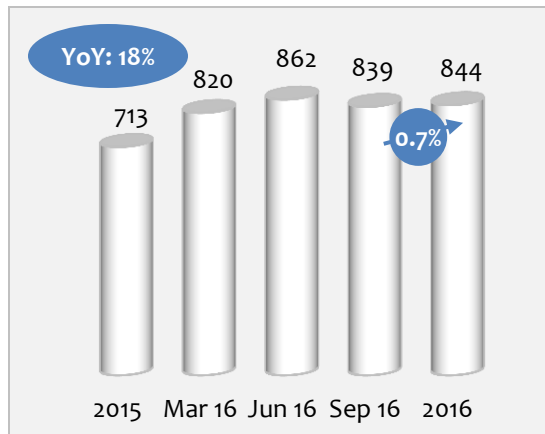
## TL Cash Loans\* (TLmn)



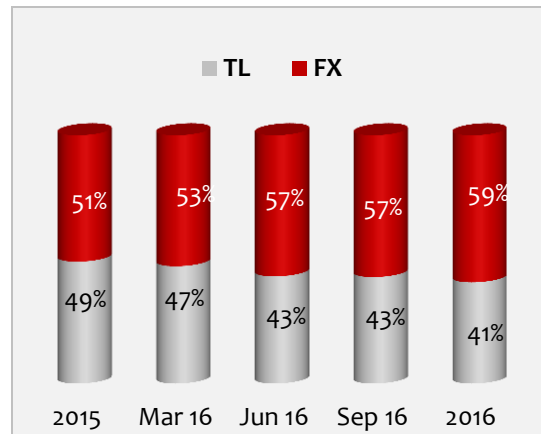
## Loans / Customer Deposits



## FX Cash Loans\* (US\$mn)



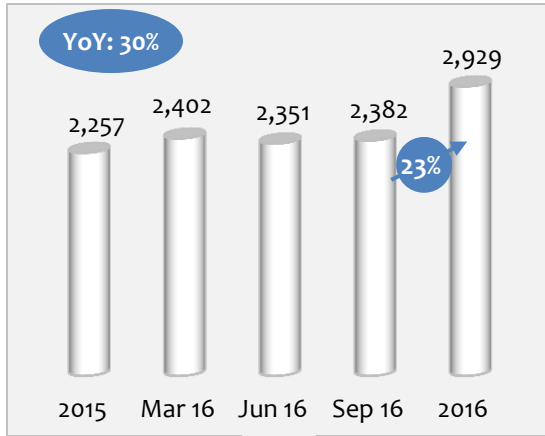
## Currency Breakdown\*



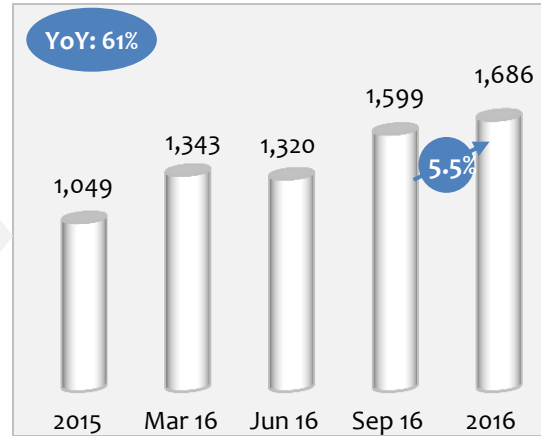
\* FX-indexed cash loans are included in FX cash loans

# Deposits increased by 23%

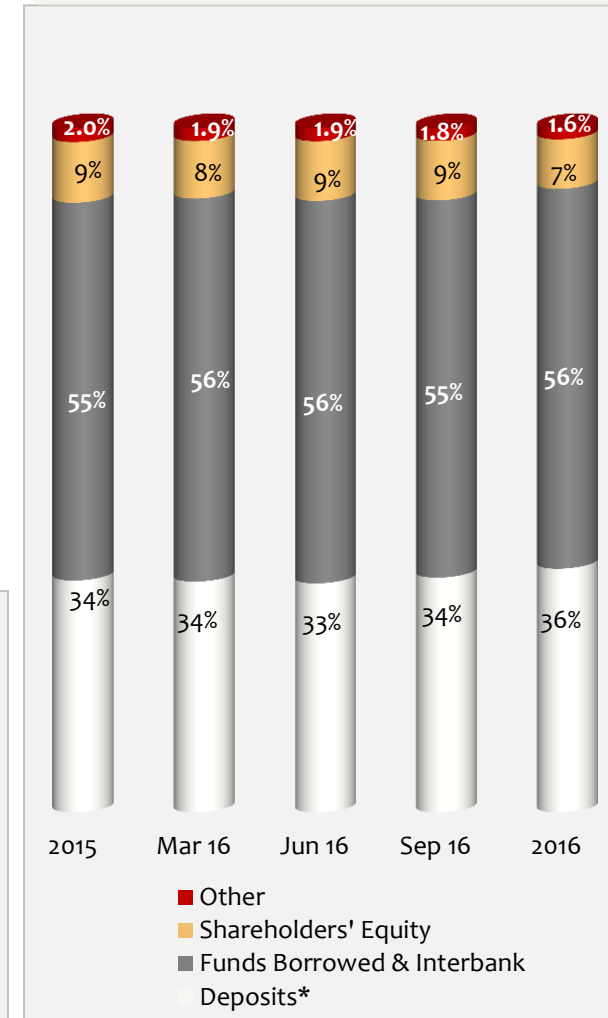
## Total Deposits\* (TLmn)



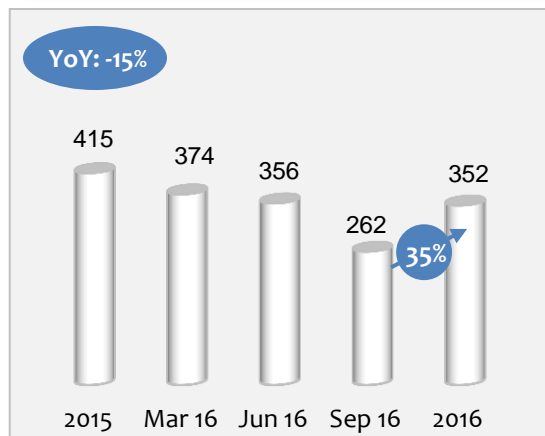
## TL Deposits\* (TLmn)



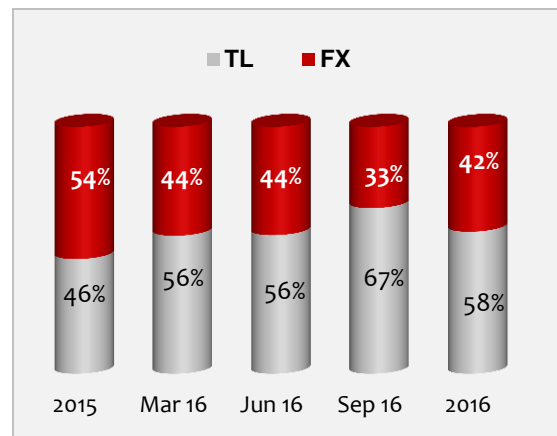
## Composition of Liabilities & SHE



## FX Deposits\* (US\$m)



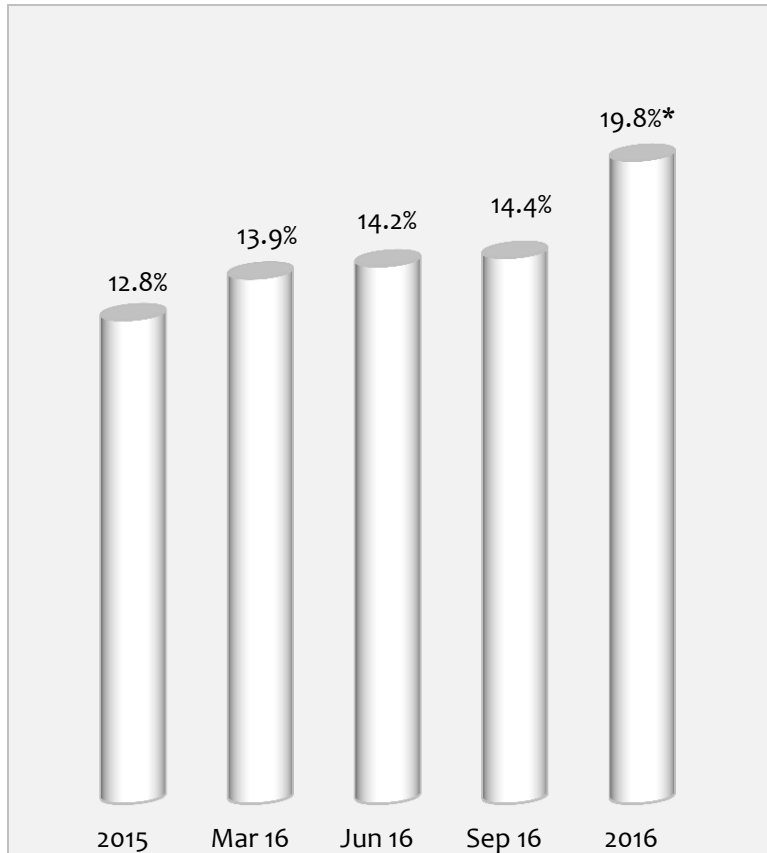
## Currency Breakdown\*



\* Excluding bank deposits

# CAR recovered to 19.8%, thanks to capital increase process

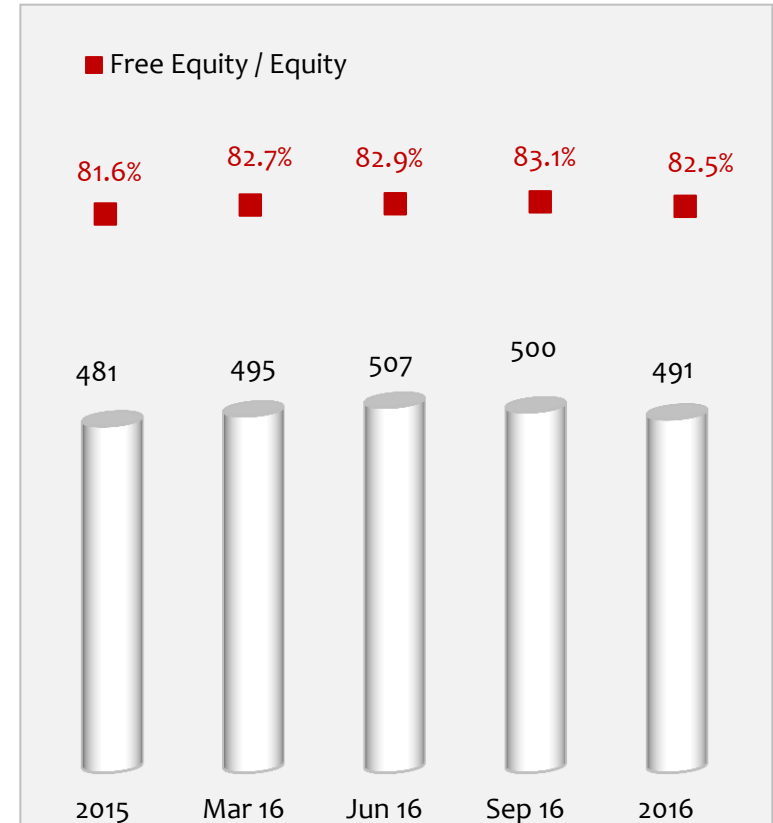
## Capital Adequacy Ratio (CAR)



Calculated according to BRSA regulations, in line with Basel II

\*TL440mn deposited for the purpose of capital increase has been booked in the account of secondary capital until the capital injection process is completed

## Free Equity (TLmn)

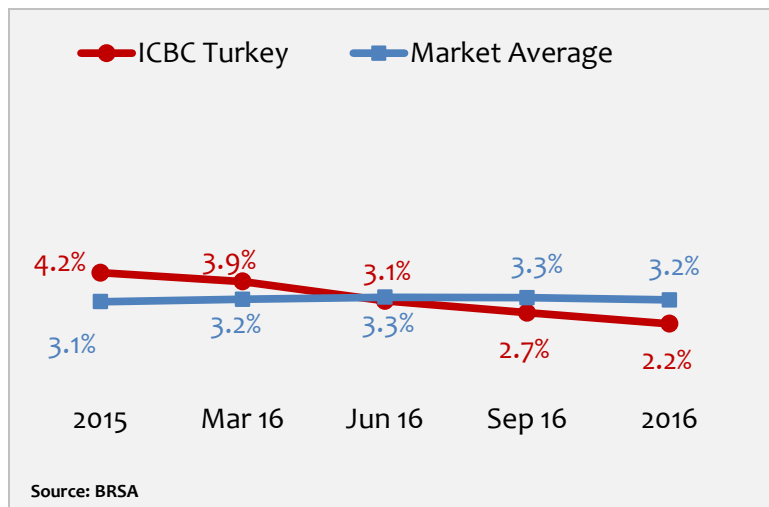


Free Equity: SHE-subsiaries-property & equipment-intangible assets-property & equipment held for sale-unprovisioned NPL

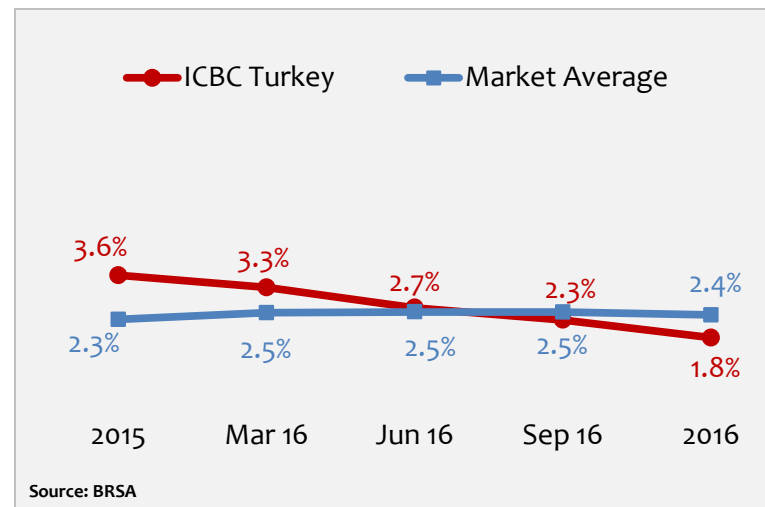


# Asset quality continued to improve, while NPL ratio declined to 2.2%, well below market average

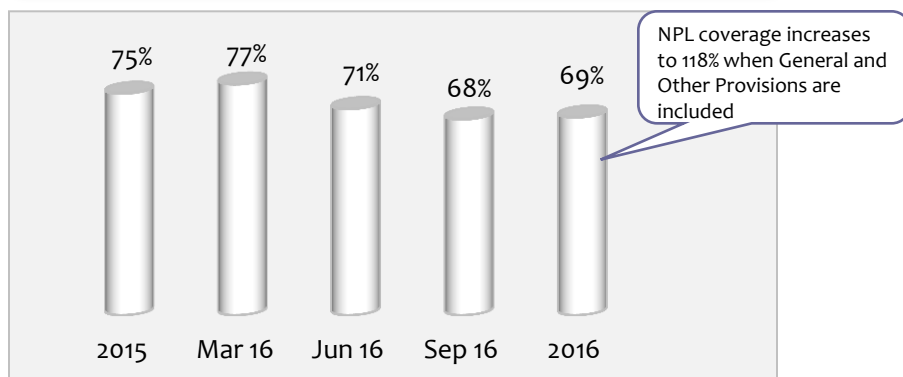
## NPL Ratio



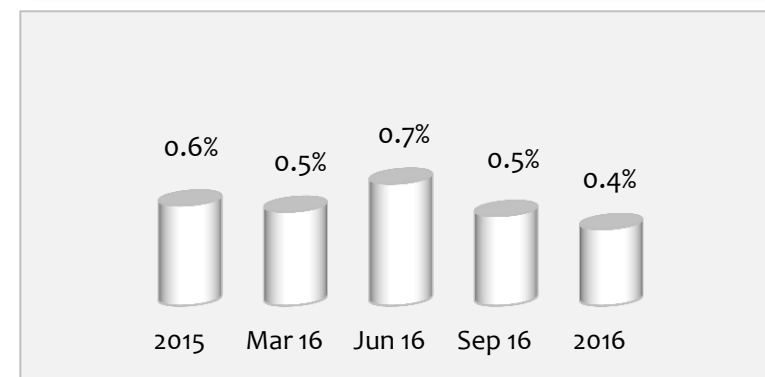
## NPL Ratio (including non-cash loans)



## NPL Coverage

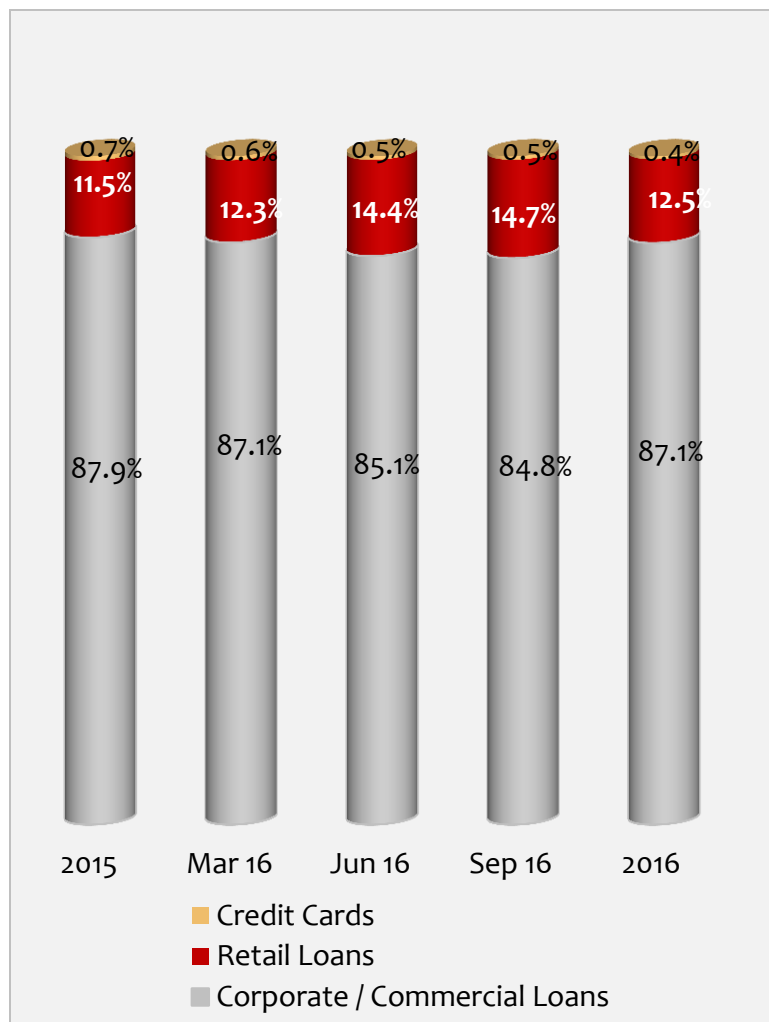


## Cost of Risk (quarterly)

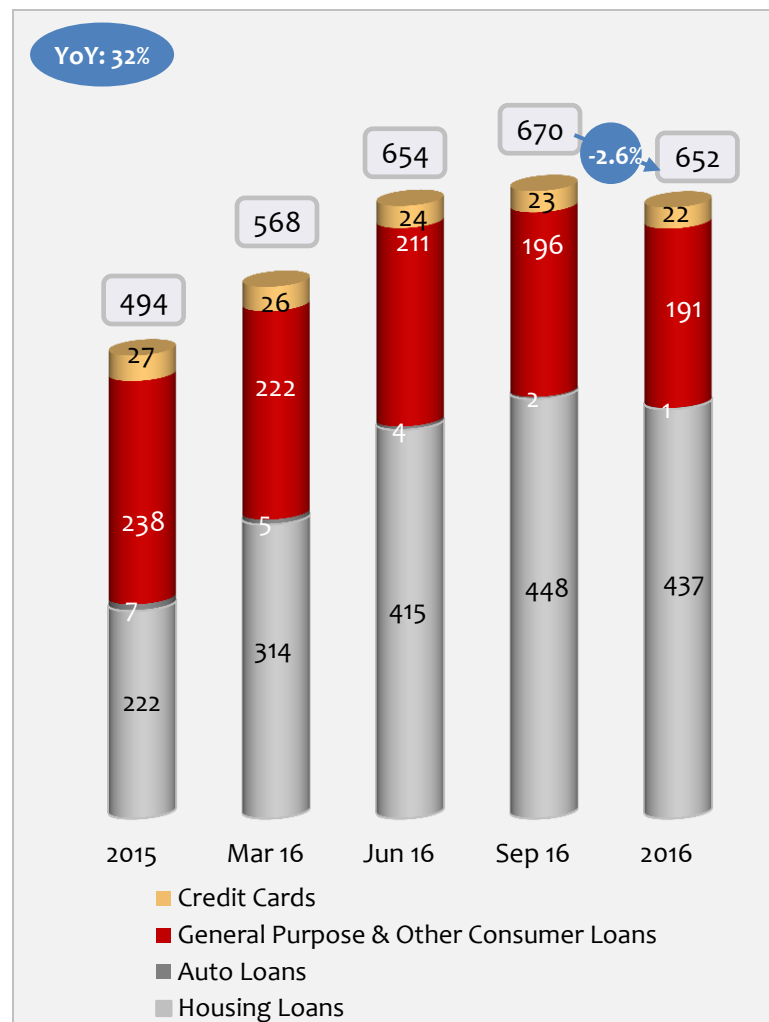


# Corporate/commercial loans continued to dominate loan portfolio

## Breakdown of Loan Portfolio



## Breakdown of Retail Loans (TLmn)

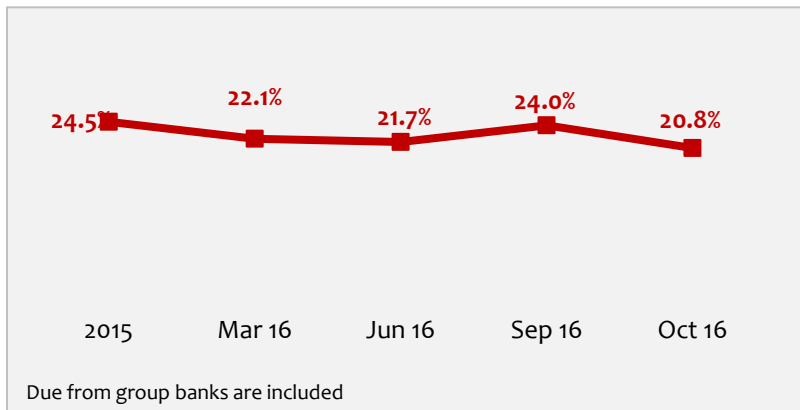


# Group risk was high, stemming from ICBC Group support\*

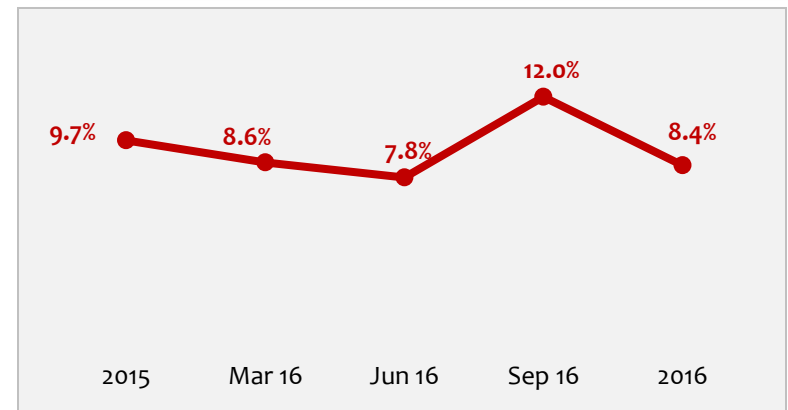
## Group Total Risk / Total Risk



## Group Cash Loans / Cash Loans



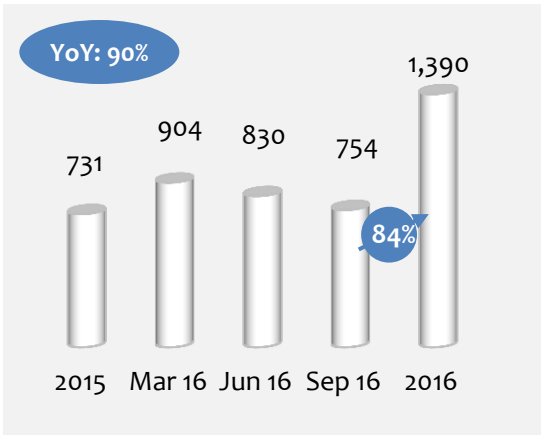
## Group Non-Cash Loans / Non-Cash Loans



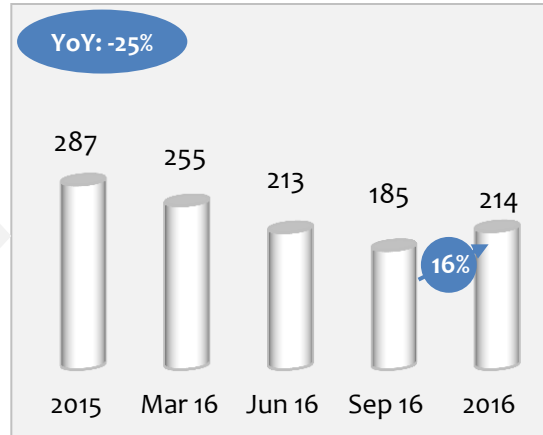
\* Whole group loans are cash collateral

# Non-cash loans increased in 4Q

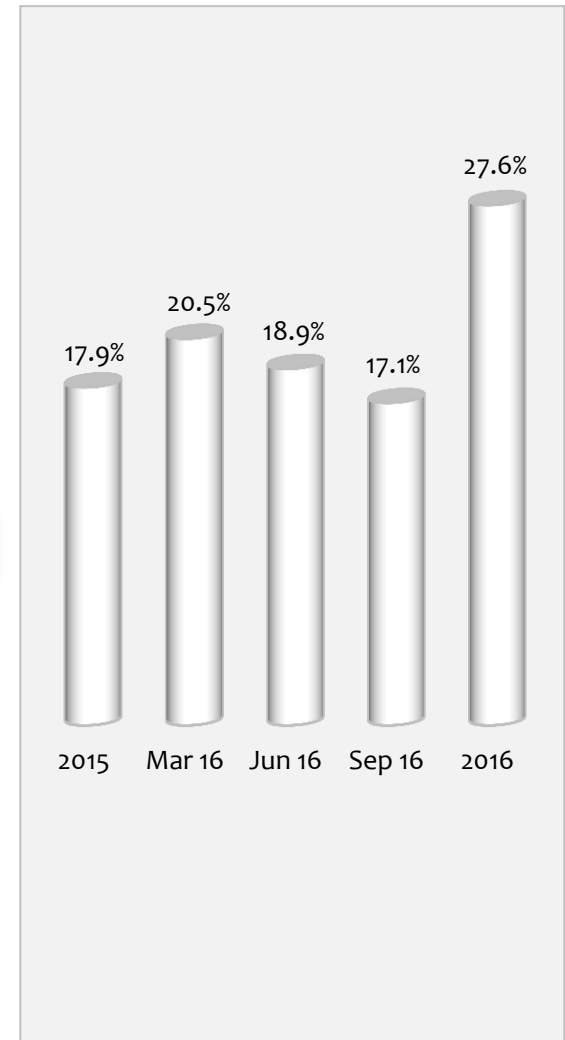
## Total Non-Cash Loans (TLmn)



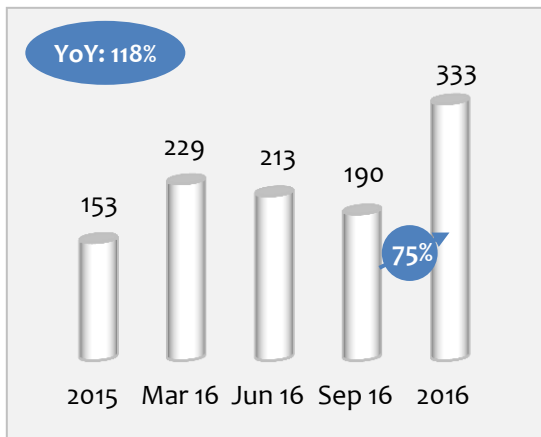
## TL Non-Cash Loans (TLmn)



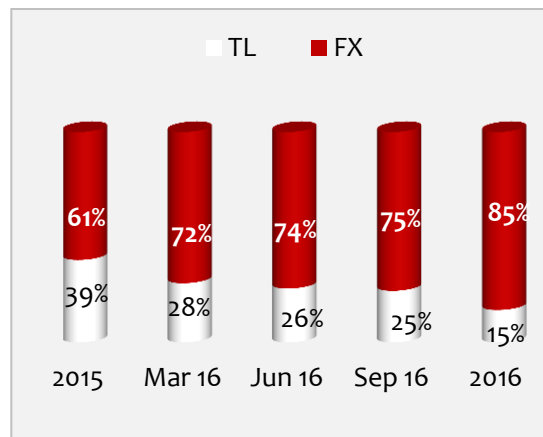
## Non-Cash / Cash Loans



## FX Non-Cash Loans (US\$m)

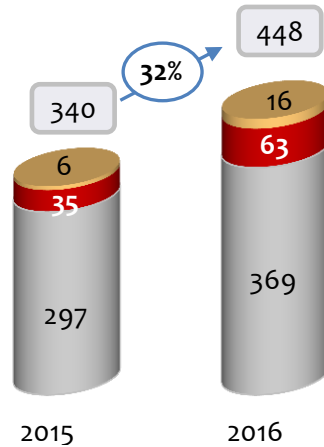


## Currency Breakdown



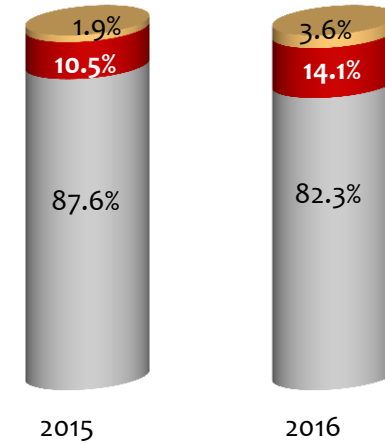
# Net interest income recovered with the contribution of expanded securities portfolio,

## Interest Income (TLmn)

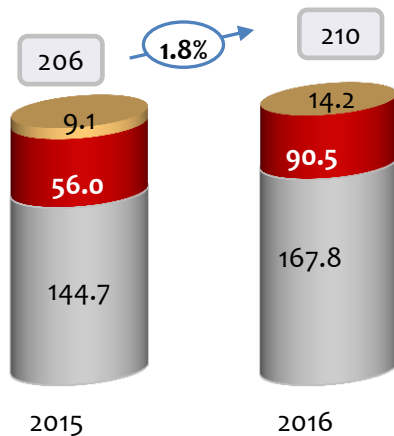


- Other
- Securities
- Loans

## Composition of Interest Income

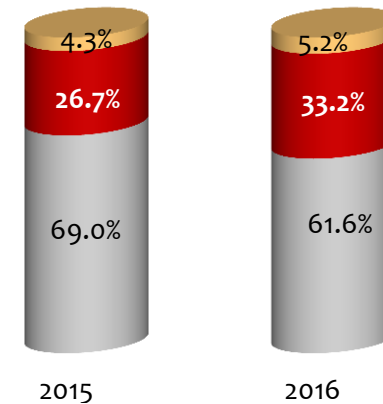


## Interest Expense (TLmn)



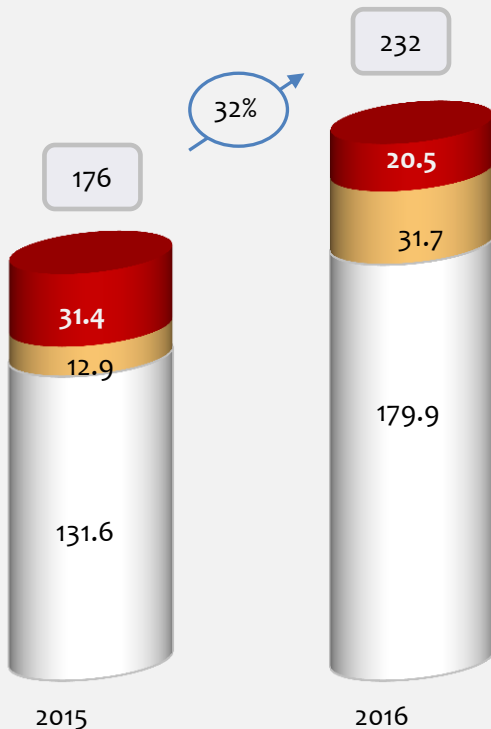
- Interbank & Other
- Funds Borrowed
- Deposits

## Composition of Interest Expense



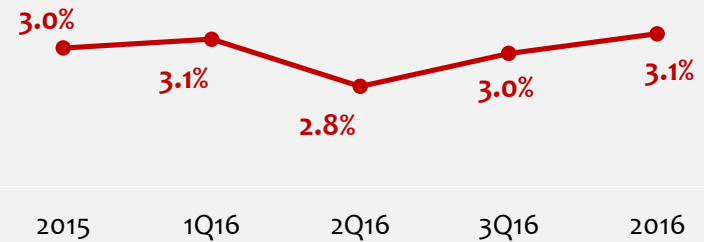
# ...while higher fee income also contributed to better banking income

## Banking Income (TLmn)



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

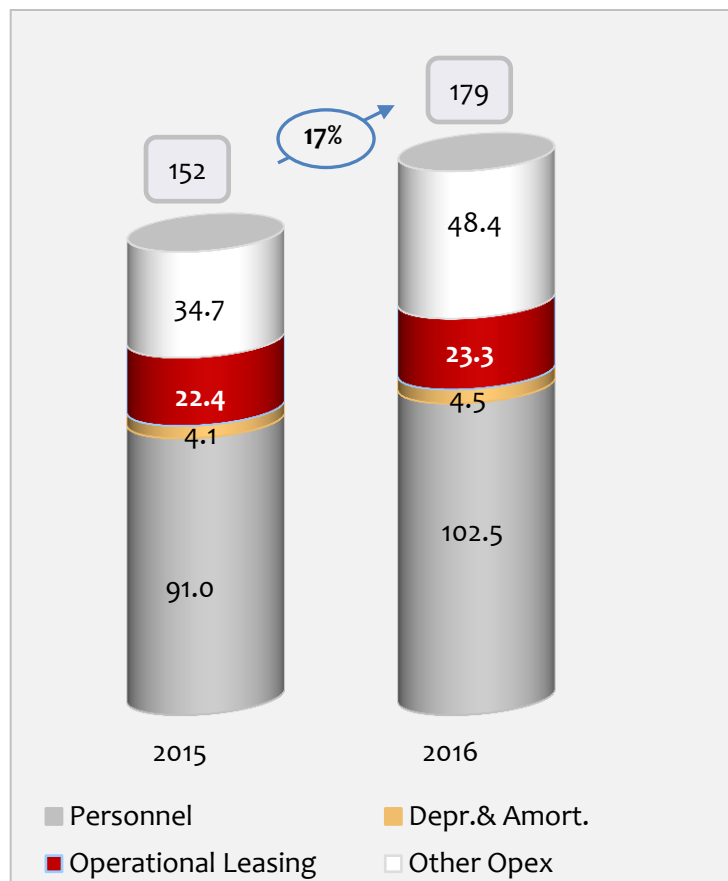
## Adjusted Net Interest Margin\* (Quarterly)



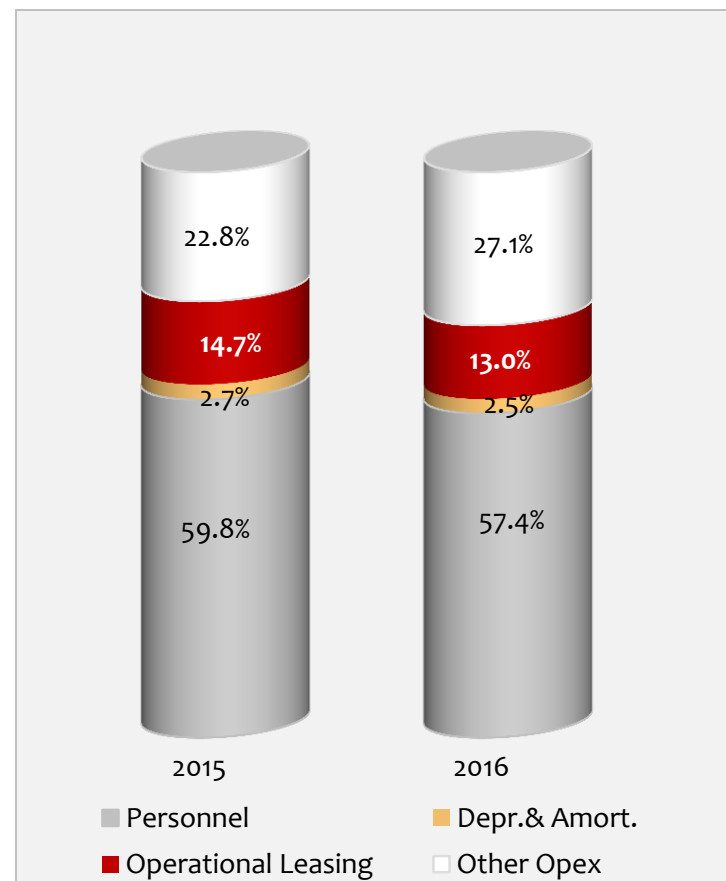
\* Adjusted by FX gain / loss

# OPEX increased by 17% in 2016 vs. 2015

## Operating Expenses (TLmn)



## Composition of Operating Expenses



# Summary Balance Sheet

TL million	2015	Mar 2016	Jun 2016	Sep 2016	2016
<b>Cash &amp; Banks</b>	1,322	1,515	1,440	1,283	1,311
<b>Total Securities</b>	1,085	1,032	1,042	1,096	1,723
<b>Total Cash Loans</b>	4,075	4,404	4,386	4,400	5,035
<b>Fixed Assets &amp; Subsidiaries</b>	63	62	63	63	68
<b>Other</b>	110	103	86	94	80
<b>Total Assets</b>	<b>6,655</b>	<b>7,116</b>	<b>7,017</b>	<b>6,936</b>	<b>8,218</b>
<b>Deposits*</b>	2,257	2,402	2,351	2,382	2,929
<b>Interbank Money Market*</b>	518	430	472	771	789
<b>Borrowings</b>	3,155	3,552	3,450	3,053	3,772
<b>Other</b>	135	133	133	128	133
<b>SHE</b>	590	598	612	602	595
<b>Total Liabilities &amp; SHE</b>	<b>6,655</b>	<b>7,116</b>	<b>7,017</b>	<b>6,936</b>	<b>8,218</b>

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



# Summary Income Statement

TL million	1Q 2016	2Q 2016	3Q 2016	4Q 2016	2015	2016
<b>Interest Income</b>	<b>113.0</b>	<b>103.8</b>	<b>107.5</b>	<b>123.8</b>	<b>338.7</b>	<b>448.1</b>
Loans	94.9	88.1	89.7	96.2	296.8	368.9
Securities	15.6	13.1	13.8	20.7	35.4	63.1
Other	2.5	2.7	4.0	6.9	6.5	16.1
<b>Interest Expense</b>	<b>69.8</b>	<b>63.6</b>	<b>64.1</b>	<b>75.0</b>	<b>209.8</b>	<b>272.5</b>
Deposits	35.6	37.3	41.0	54.0	144.7	167.8
Funds Borrowed	30.3	23.1	19.8	17.3	56.0	90.5
Other Borrowings	3.9	3.1	3.4	3.8	9.1	14.2
<b>Net Interest Income</b>	<b>43.2</b>	<b>40.3</b>	<b>43.3</b>	<b>48.8</b>	<b>128.9</b>	<b>175.6</b>
Net FX Gain (Loss)*	1.1	0.3	0.4	1.0	2.6	2.9
<b>Adj. Net Interest Income</b>	<b>44.3</b>	<b>40.6</b>	<b>43.8</b>	<b>49.8</b>	<b>131.5</b>	<b>178.0</b>
Net Trading Income (Loss)*	0.0	1.3	0.0	0.0	0.1	1.4
Net Fees & Commissions	3.6	4.0	4.3	19.8	12.9	31.7
Other Operating Income	2.0	12.6	2.5	3.4	31.4	20.5
<b>Total Operating Income</b>	<b>49.9</b>	<b>58.5</b>	<b>50.6</b>	<b>73.1</b>	<b>175.9</b>	<b>232.2</b>
Provisions	10.9	9.4	7.4	4.9	41.7	32.6
Opex	42.5	42.7	39.3	54.2	152.3	178.8
Profit from Subsidiaries	0.0	0.0	0.0	0.0	0.0	0.0
<b>Profit Before Tax</b>	<b>-3.5</b>	<b>6.5</b>	<b>3.8</b>	<b>14.0</b>	<b>-18.2</b>	<b>20.8</b>
Tax	-0.9	-1.8	-1.1	-3.3	-1.1	-7.1
<b>Net Income</b>	<b>-4.4</b>	<b>4.7</b>	<b>2.7</b>	<b>10.7</b>	<b>-17.0</b>	<b>13.7</b>

\* 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	4Q 2016	2015	2016
<b>Interest Income</b>	<b>114.3</b>	<b>105.2</b>	<b>108.7</b>	<b>124.7</b>	<b>343.7</b>	<b>452.9</b>
Loans	96.1	89.2	90.5	97.1	300.9	372.9
Securities	15.6	13.2	13.7	20.8	35.5	63.3
Other	2.6	2.8	4.5	6.8	7.3	16.7
<b>Interest Expense</b>	<b>67.7</b>	<b>61.6</b>	<b>62.3</b>	<b>73.3</b>	<b>206.0</b>	<b>264.9</b>
Deposits	33.6	35.3	39.2	52.2	140.9	160.3
Funds Borrowed	30.3	23.1	19.8	17.3	56.0	90.5
Other Borrowings	3.9	3.2	3.4	3.8	9.1	14.2
<b>Net Interest Income</b>	<b>46.6</b>	<b>43.6</b>	<b>46.4</b>	<b>51.4</b>	<b>137.7</b>	<b>187.9</b>
Net FX Gain (Loss)*	1.0	0.4	0.5	1.3	2.5	3.2
<b>Adj. Net Interest Income</b>	<b>47.6</b>	<b>43.9</b>	<b>46.9</b>	<b>52.8</b>	<b>140.3</b>	<b>191.1</b>
Net Trading Income (Loss)*	1.7	2.7	-2.8	5.7	7.3	7.3
Net Fees & Commissions	3.7	4.5	8.6	12.1	13.6	28.9
Other Operating Income	1.7	12.2	2.0	10.8	30.6	26.8
<b>Total Operating Income</b>	<b>54.7</b>	<b>63.4</b>	<b>54.6</b>	<b>81.4</b>	<b>191.8</b>	<b>254.1</b>
Provisions	10.9	9.4	7.4	4.9	41.7	32.6
Opex	45.9	46.8	43.5	58.2	163.7	194.4
Profit from Subsidiaries	0.0	0.0	0.0	0.0	0.0	0.0
<b>Profit Before Tax</b>	<b>-2.2</b>	<b>7.3</b>	<b>3.7</b>	<b>18.3</b>	<b>-13.7</b>	<b>27.2</b>
Tax	1.4	1.9	1.0	4.1	0.1	8.4
<b>Net Income</b>	<b>-3.6</b>	<b>5.5</b>	<b>2.7</b>	<b>14.1</b>	<b>-13.5</b>	<b>18.7</b>

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

## Disclaimer Statement

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