

ICBC TURKEY BANK A.Ş.



Earnings Presentation

March 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.

Macroeconomy

- Global volatility declined in 1Q, thanks to Fed's more dovish rate hike schedule for this year, although concerns on growth outlook in EM economies will prevail for the rest of the year
- Geopolitical risks, mainly arising from Syria, continue; while step down of PM Davutoglu, and constitution amendment discussions may keep political risks on the table
- The promising growth rate of 4%, attained in 2015, is expected to be attained also this year, putting aside downside risks such as ripples of Russia's sanctions and terrorist attacks on tourism and exports
- Recent downtrend in inflation, due to falling food prices and TL's recovery, points to a year-end CPI rate around 7.0%. Highly-volatile food prices, and uncertainty in TL's performance keeps inflation outlook fragile
- Suppressed oil prices, stemming from lack of strong demand, and lack of a consensus among oil producer countries to cut supply, on the other hand, will continue to support Turkey's external deficit and limit any possible deterioration in inflation

Banking Sector

- Although deposit costs increased in 1Q, expectations for lower interest rates has revived after CBRT cut its O/N lending rate by 50 bps in two consecutive meetings, to 10%
- A slower loan growth of around 13% is anticipated in sector for 2016
- NPL increased slightly to 3.2% as of March-end, from 3.0% recorded at the end of 2015, which may deteriorate further in the rest of the year
- TL recovered by 3% in real terms against the FX basket in 1Q, in line with expectations of better performance in 2016, after its strong weakening in 2015

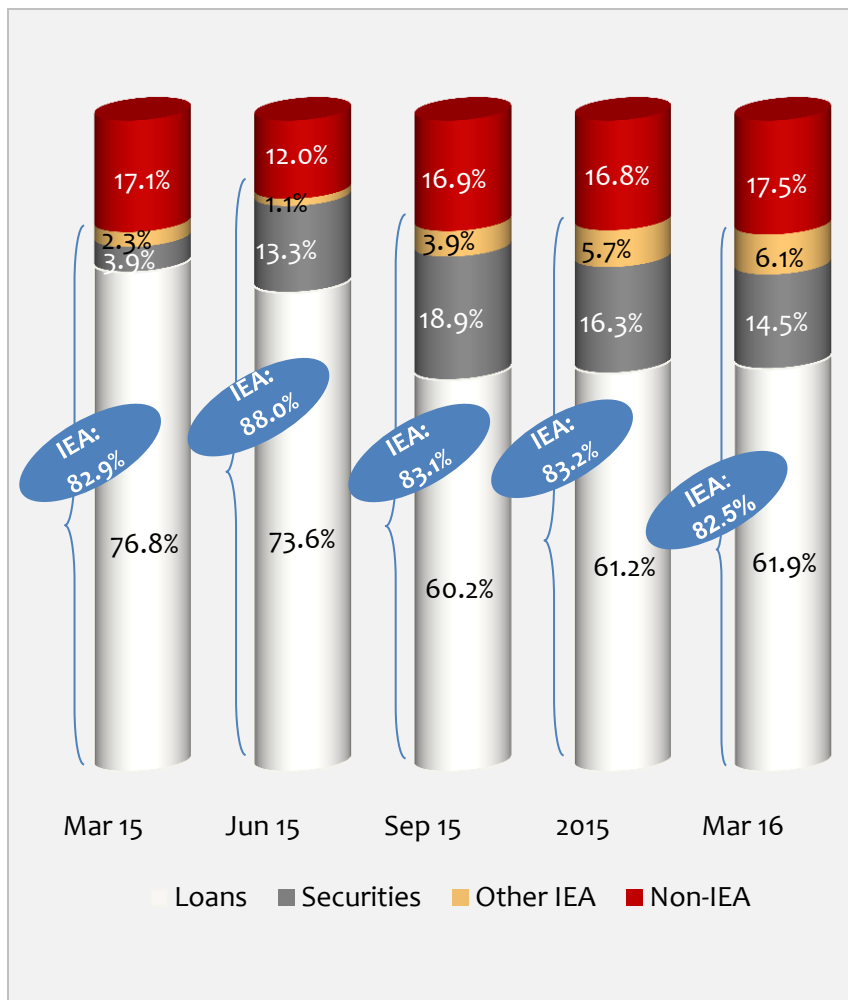
Loan growth continued, and asset quality improved in 1Q

Highlights of 1Q 2015:

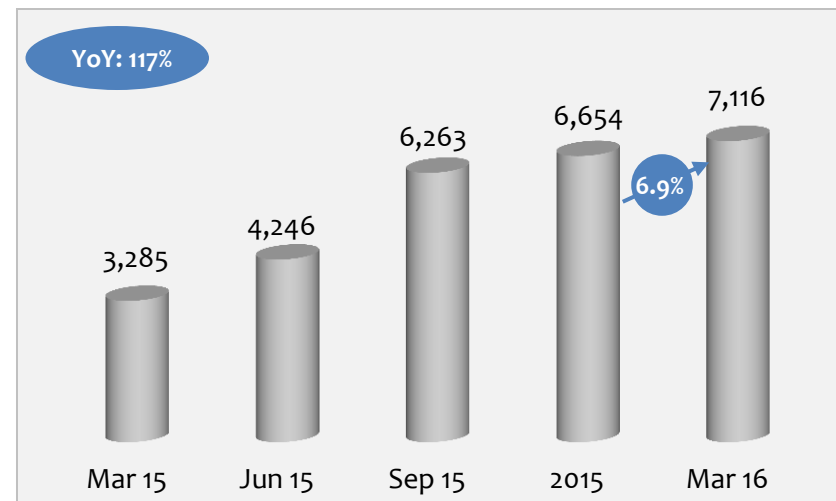
- A loan growth of 8% was achieved, above sector average around 2%
- Deposits continued to dominate in funding structure, as cheaper funds borrowed from ICBC Group were preferred rather than high-cost deposits in the growth process after acquisition
- NPL ratio declined to 3.9%, while the ratio increased to 3.2%, from 3.1% in the sector
- CAR increased to 13.9%
- A net loss of TL4.4mn recorded in the first quarter

Balance sheet expanded by 7%, q/q, in 1Q2016

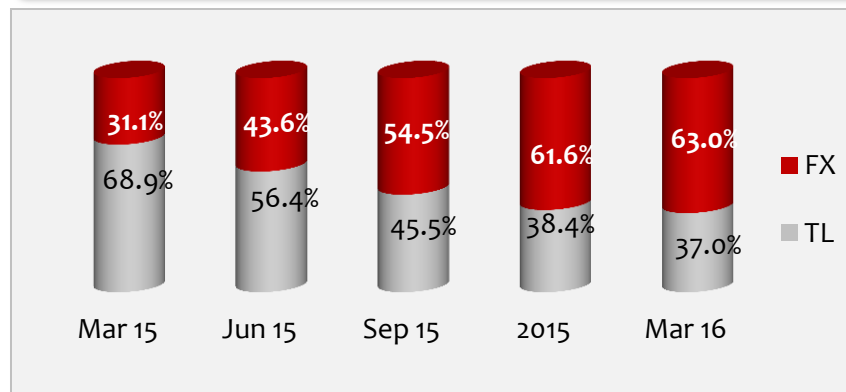
Composition of Assets



Total Assets (TLmn)



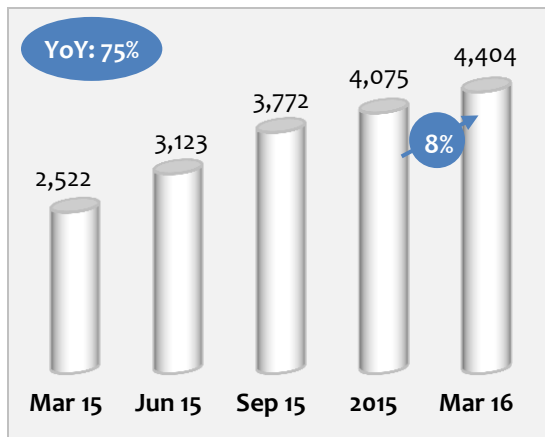
Currency Composition of Assets*



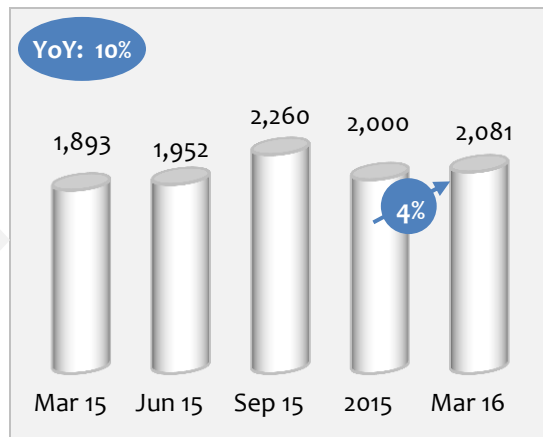
* FX-indexed cash loans are included in FX assets

FX loans increased by 15%, while TL loans advanced by 4%

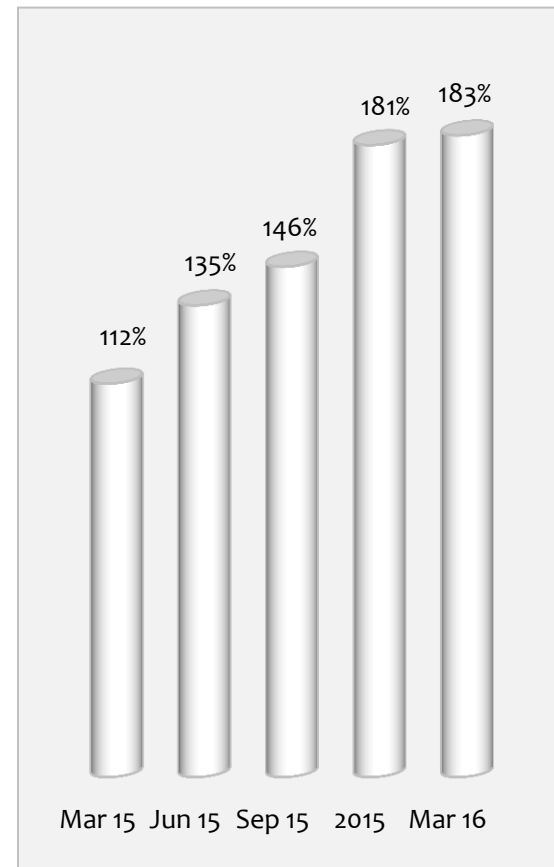
Total Cash Loans (TLmn)



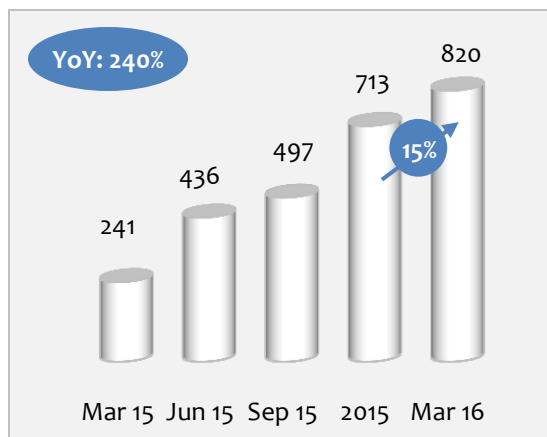
TL Cash Loans* (TLmn)



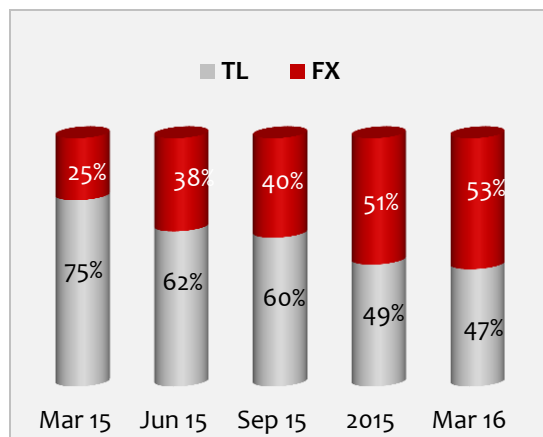
Loans / Customer Deposits



FX Cash Loans* (US\$mn)



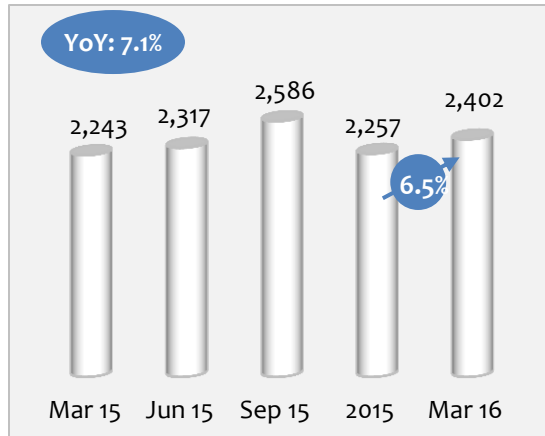
Currency Breakdown*



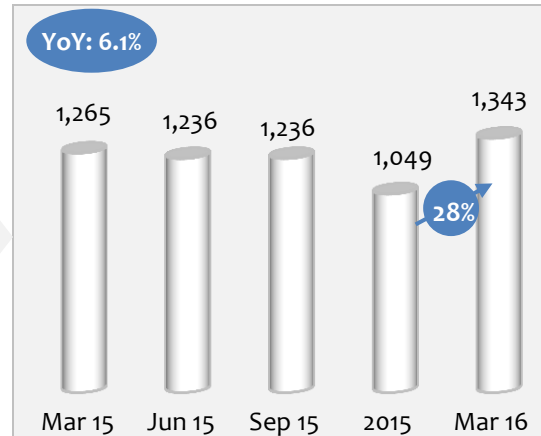
* FX-indexed cash loans are included in FX cash loans

TL deposits rose by 28%, while funding from ICBC with lower cost continued to dominate liabilities

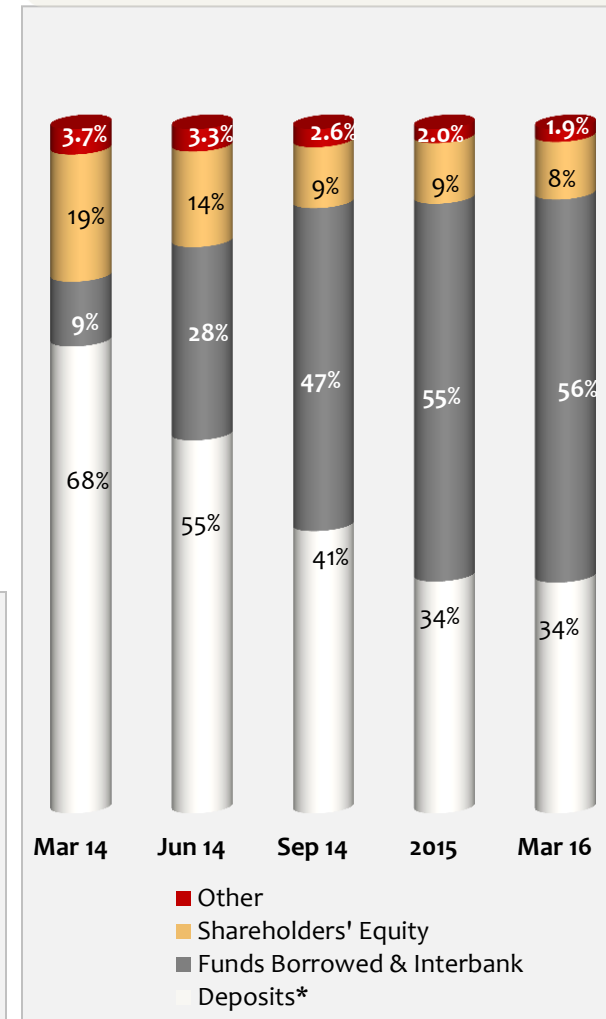
Total Deposits* (TLmn)



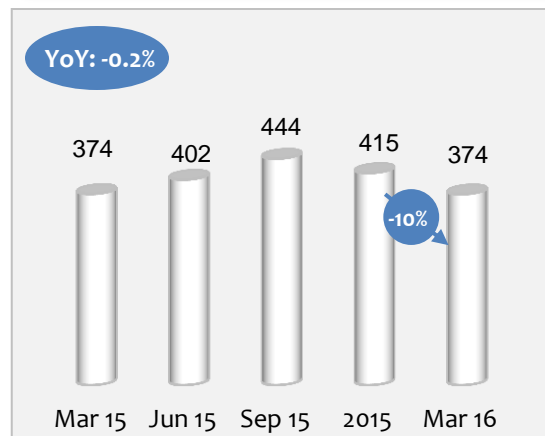
TL Deposits* (TLmn)



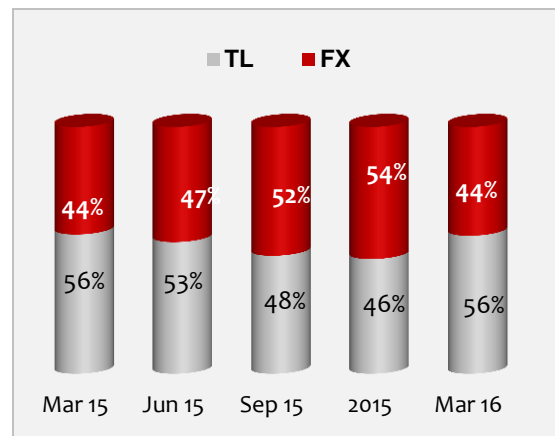
Composition of Liabilities & SHE



FX Deposits* (US\$mn)



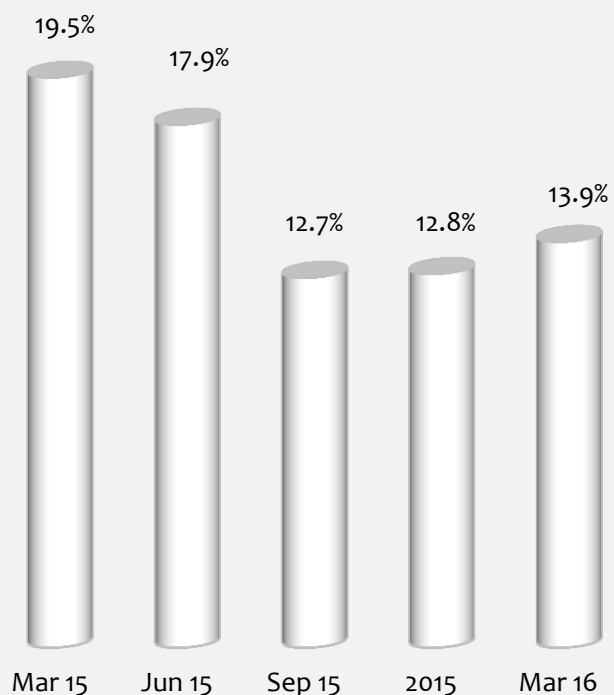
Currency Breakdown*



* Excluding bank deposits

CAR increased to 13.9%

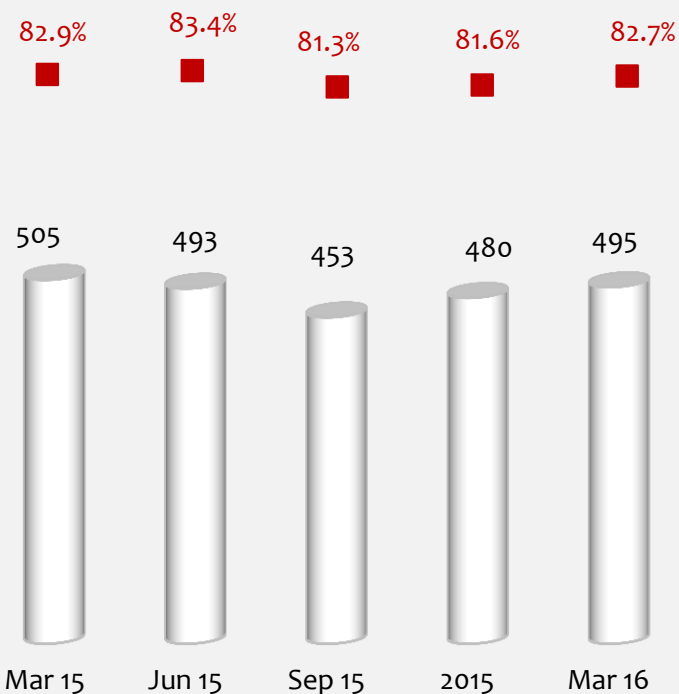
Capital Adequacy Ratio (CAR)



Calculated according to BRSA regulations, in line with Basel II

Free Equity (TLmn)

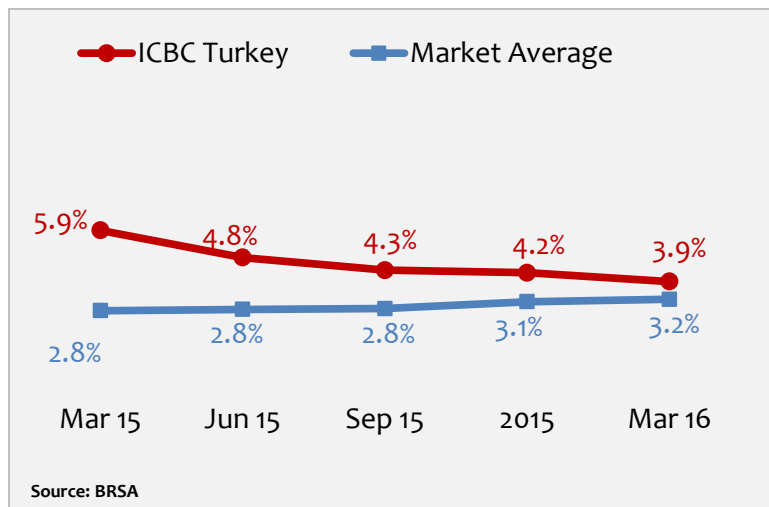
■ Free Equity / Equity



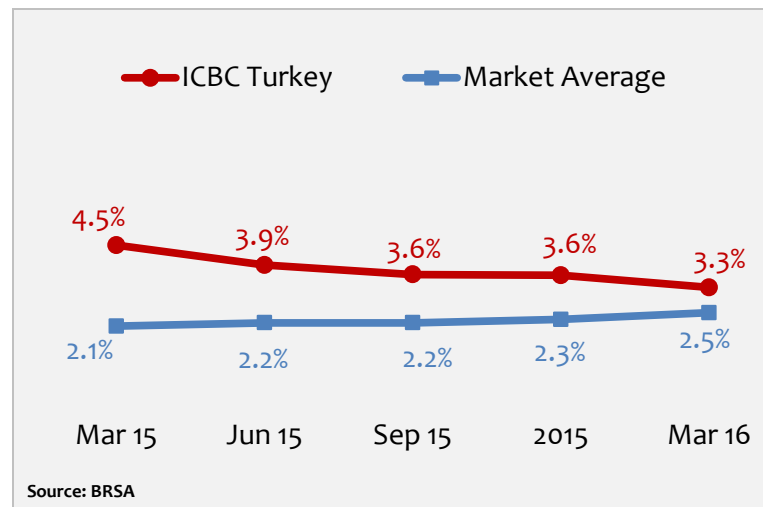
Free Equity: SHE-subsiaries-property & equipment-intangible assets-property & equipment held for sale-unprovisioned NPL

NPL ratio declined to 3.9% and converged further to market average

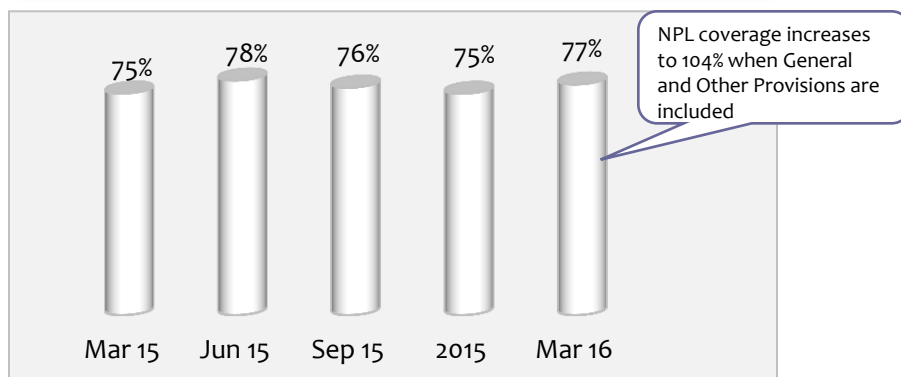
NPL Ratio



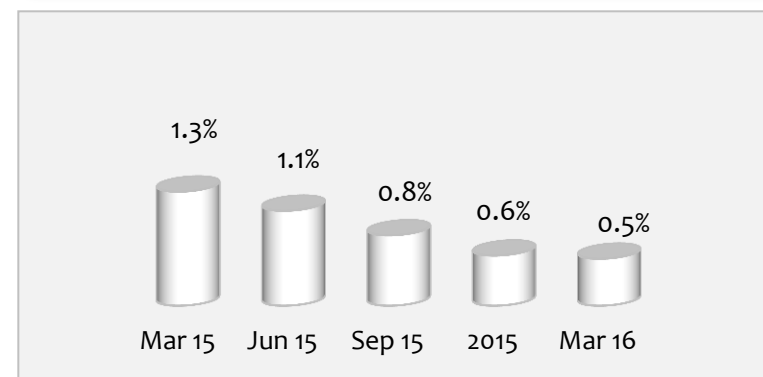
NPL Ratio (including non-cash loans)



NPL Coverage

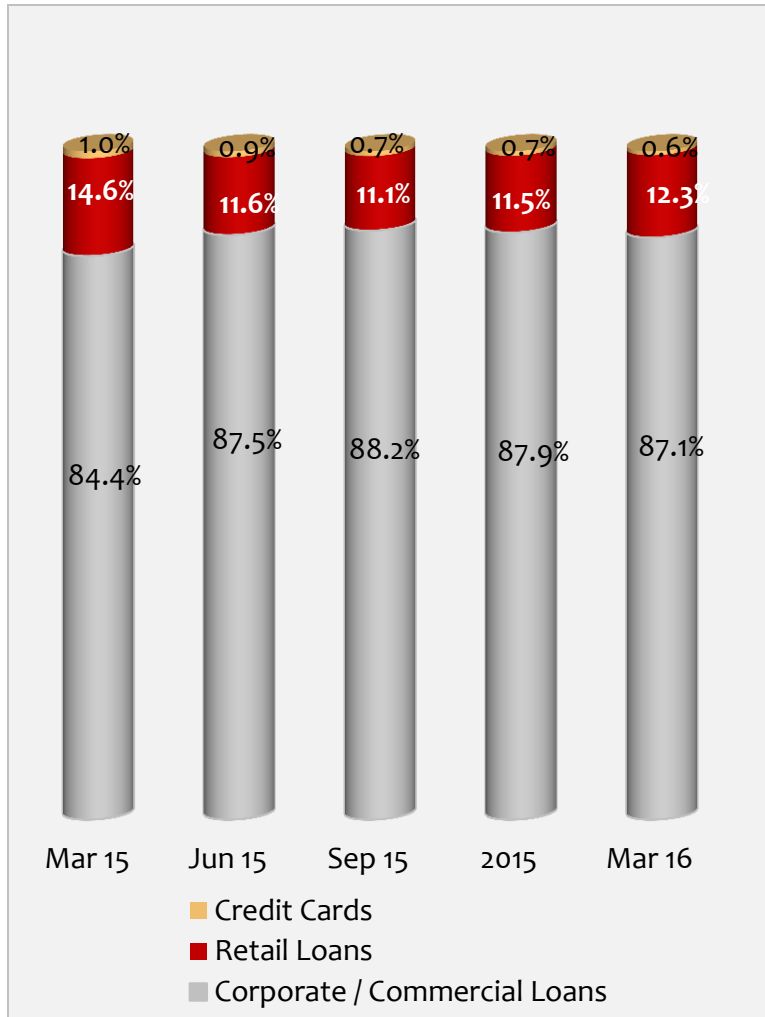


Cost of Risk (quarterly)

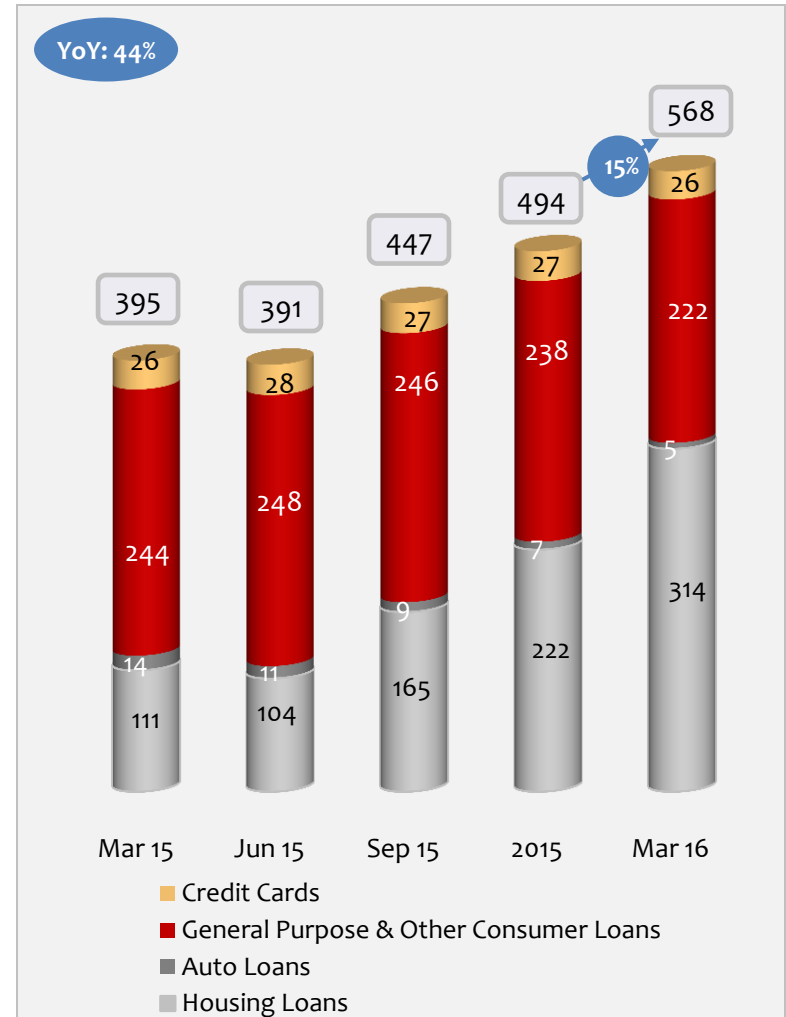


Increase in mortgage loans stimulated retail loans

Breakdown of Loan Portfolio

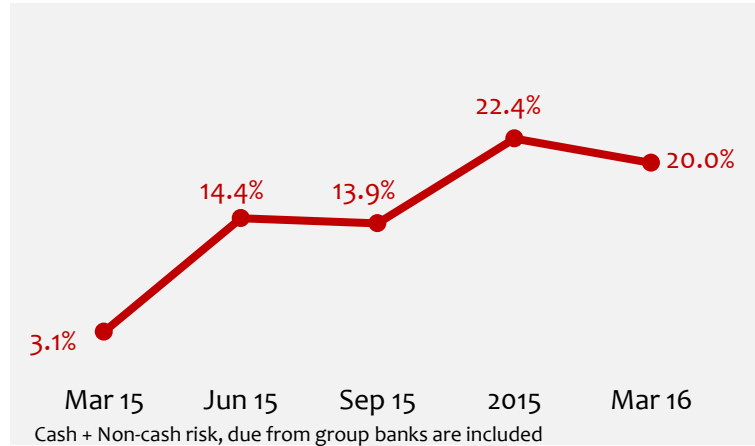


Breakdown of Retail Loans (TLmn)

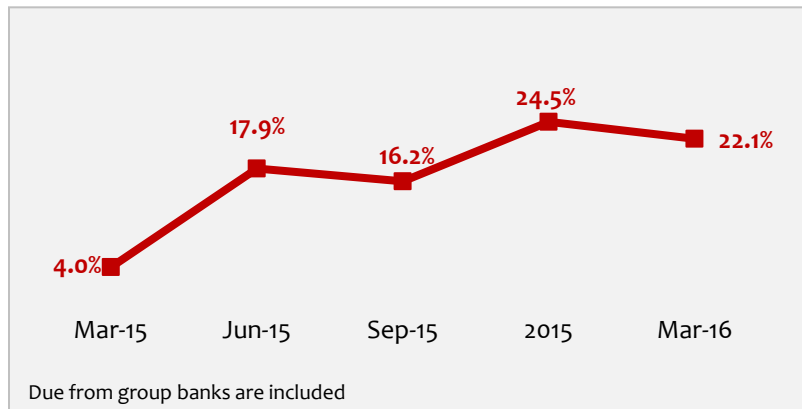


Group risk remained high, thanks to ICBC Group support* after acquisition to attain fast balance sheet growth... ICBC

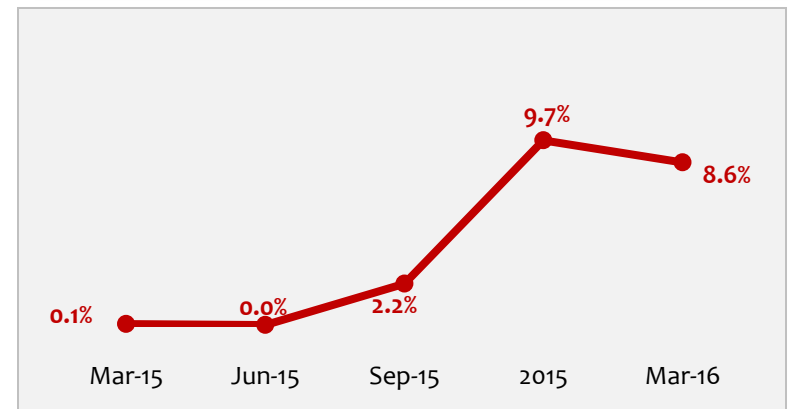
Group Total Risk / Total Risk



Group Cash Loans / Cash Loans



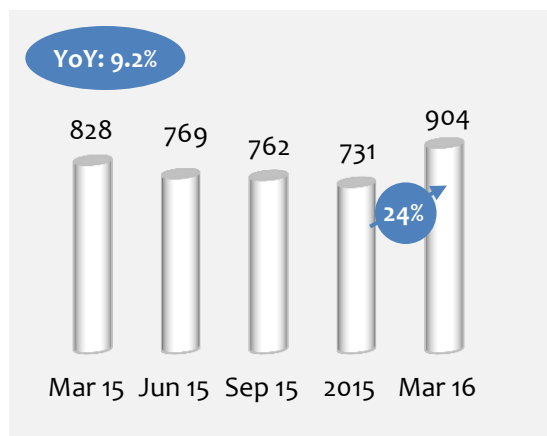
Group Non-Cash Loans / Non-Cash Loans



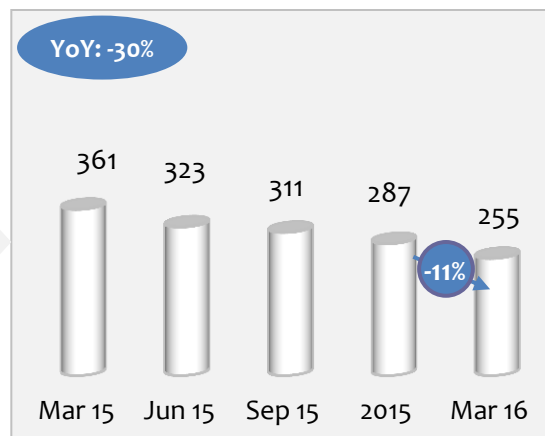
* Whole group loans are cash collateral

Non-cash loans increased by 24%

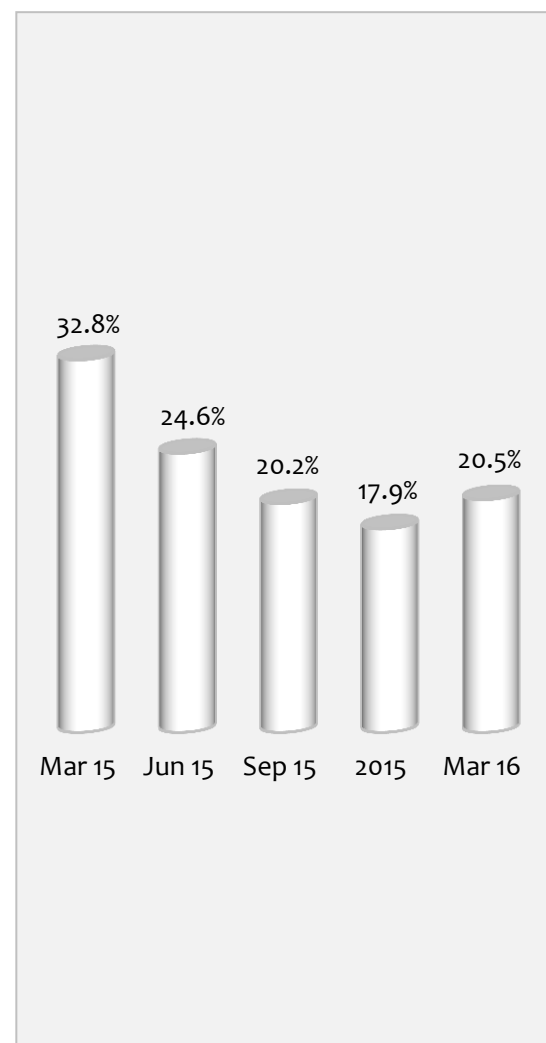
Total Non-Cash Loans (TLmn)



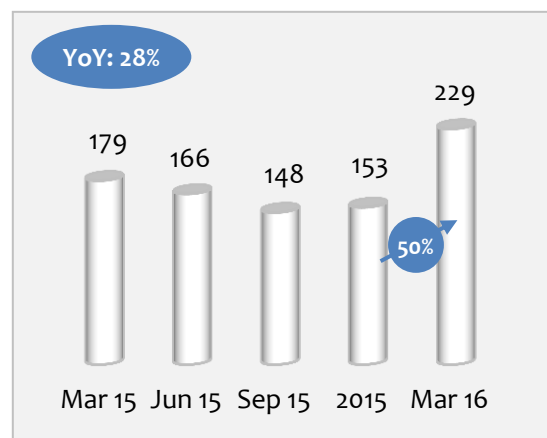
TL Non-Cash Loans (TLmn)



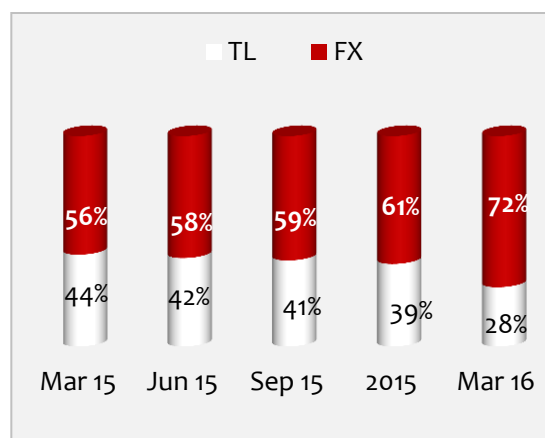
Non-Cash / Cash Loans



FX Non-Cash Loans (US\$mn)

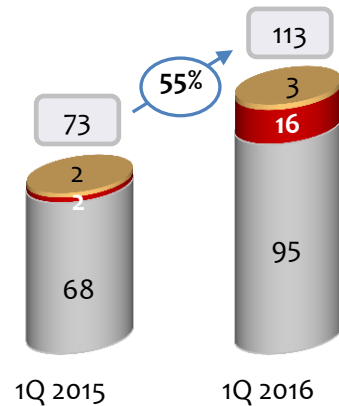


Currency Breakdown

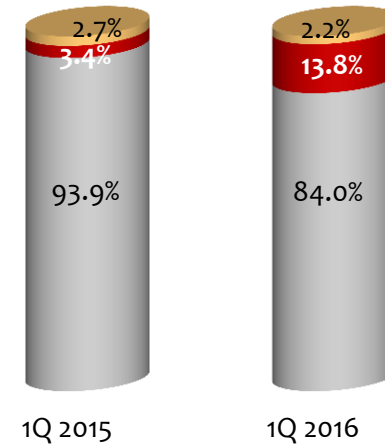


Both interest income and interest expense increased with higher interest rates

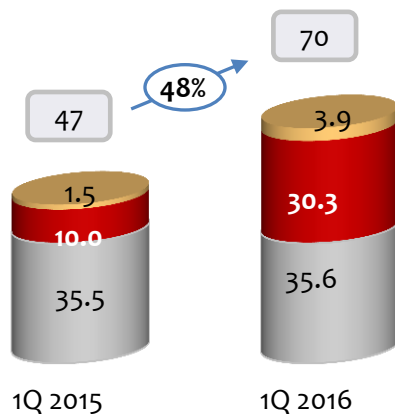
Interest Income (TLmn)



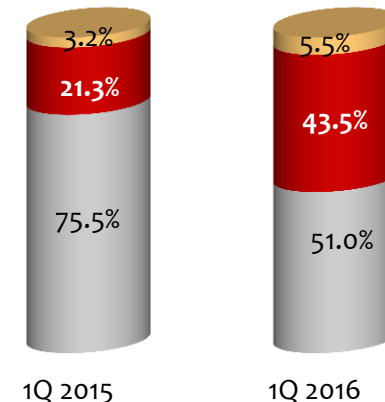
Composition of Interest Income



Interest Expense (TLmn)

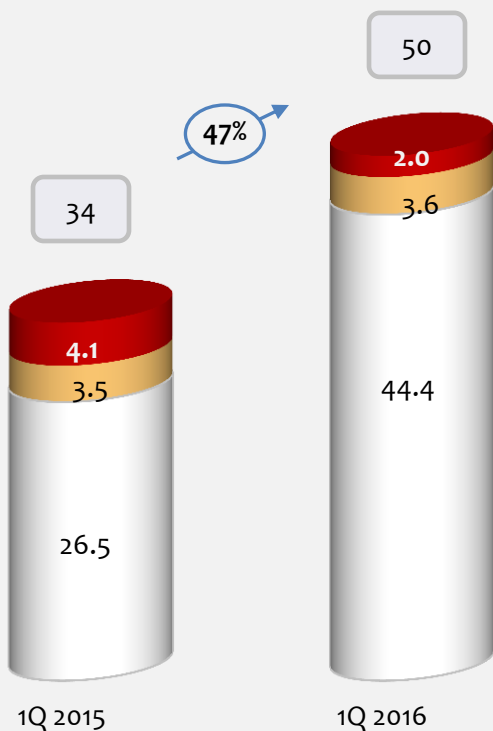


Composition of Interest Expense



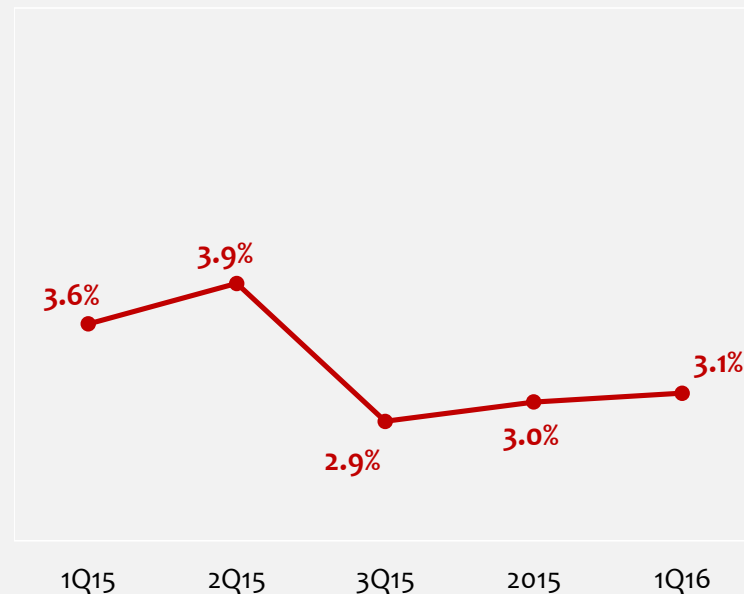
Banking income improved with higher NIM

Banking Income (TLmn)



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

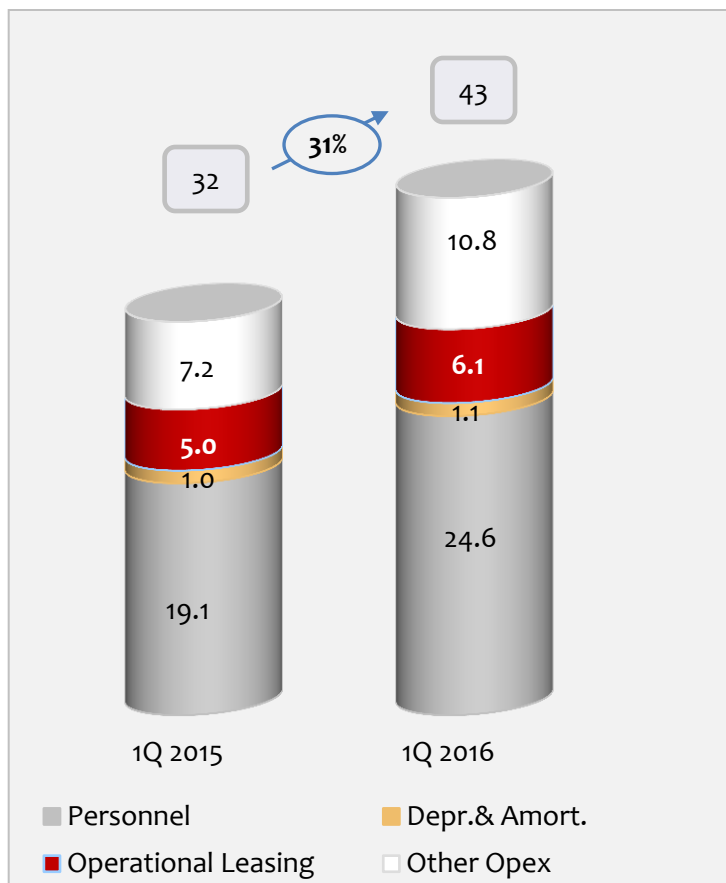
Adjusted Net Interest Margin* (Quarterly)



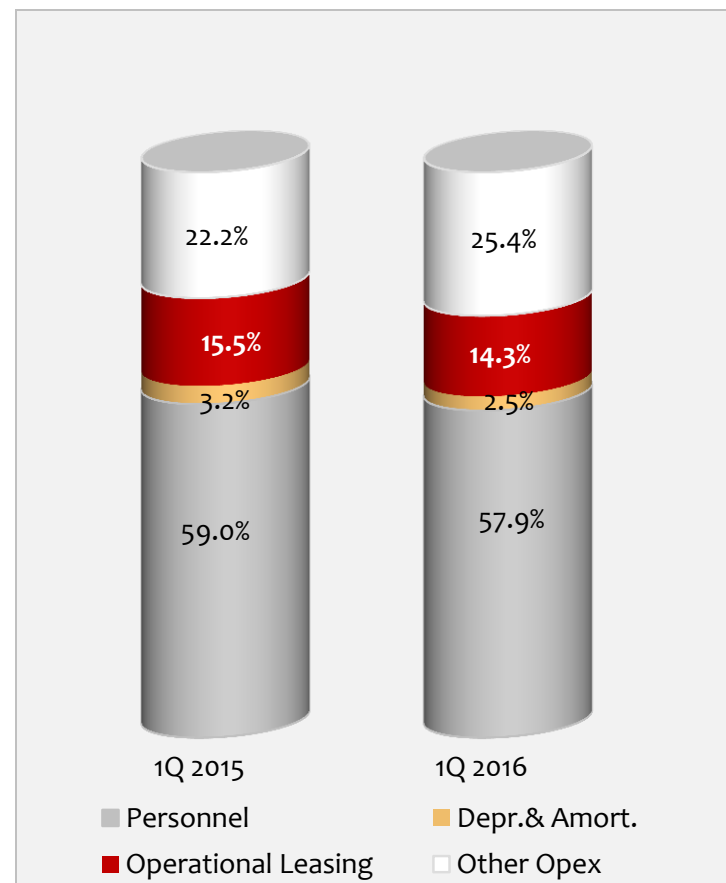
* Adjusted by FX gain / loss

OPEX increased by 31%, hit by higher personnel spending

Operating Expenses (TLmn)



Composition of Operating Expenses



Summary Balance Sheet

TL million	Mar 2015	Jun 2015	Sep 2015	2015	Mar 2016
Cash & Banks	469	390	1,103	1,322	1,515
Total Securities	127	566	1,186	1,085	1,032
Total Cash Loans	2,522	3,123	3,772	4,075	4,404
Fixed Assets & Subsidiaries	64	63	63	63	62
Other	103	103	140	110	103
Total Assets	3,285	4,246	6,264	6,655	7,116
Deposits*	2,243	2,317	2,586	2,257	2,402
Interbank Money Market*	67	260	370	518	430
Borrowings	244	939	2,585	3,155	3,552
Other	122	139	165	135	133
SHE	610	593	558	590	598
Total Liabilities & SHE	3,285	4,246	6,264	6,655	7,116

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

Summary Income Statement

TL million	1Q 2015	2Q 2015	3Q 2015	4Q 2015	1Q 2016
Interest Income	72.8	69.4	92.2	104.3	113.0
Loans	68.4	63.4	78.1	86.9	94.9
Securities	2.5	4.2	13.0	15.8	15.6
Other	2.0	1.8	1.1	1.6	2.5
Interest Expense	47.1	38.3	60.3	64.2	69.8
Deposits	35.5	35.6	37.2	36.3	35.6
Funds Borrowed	10.0	1.4	19.9	24.7	30.3
Other Borrowings	1.5	1.3	3.2	3.2	3.9
Net Interest Income	25.8	31.1	32.0	40.1	43.2
Net FX Gain (Loss)*	0.8	0.7	0.4	0.7	1.1
Adj. Net Interest Income	26.5	31.7	32.4	40.8	44.3
Net Trading Income (Loss)*	0.0	0.0	0.0	0.1	0.0
Net Fees & Commissions	3.5	3.4	3.1	2.9	3.6
Other Operating Income	4.1	2.1	1.4	23.9	2.0
Total Operating Income	34.1	37.2	36.9	67.7	49.9
Provisions	10.3	14.9	13.5	3.1	10.9
Opex	32.3	41.4	37.6	41.0	42.5
Profit from Subsidiaries	0.0	0.0	0.0	0.0	0.0
Profit Before Tax	-8.6	-19.0	-14.2	23.7	-3.5
Tax	-1.5	-2.6	-1.5	4.5	0.9
Net Income	-7.1	-16.4	-12.7	19.2	-4.4

* 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	1Q 2016
Interest Income	74.1	70.6	93.5	105.6	114.3
Loans	69.3	64.4	79.1	88.1	96.1
Securities	2.5	4.2	13.0	15.8	15.6
Other	2.2	2.0	1.3	1.7	2.6
Interest Expense	45.6	39.8	58.5	62.1	67.7
Deposits	35.5	35.6	35.5	34.2	33.6
Funds Borrowed	8.6	2.9	19.9	24.7	30.3
Other Borrowings	1.5	1.3	3.2	3.2	3.9
Net Interest Income	28.4	30.8	34.9	43.5	46.6
Net FX Gain (Loss)*	0.8	0.7	0.5	0.6	1.0
Adj. Net Interest Income	29.3	31.5	35.4	44.1	47.6
Net Trading Income (Loss)*	1.7	2.0	1.4	2.1	1.7
Net Fees & Commissions	3.6	3.8	3.1	3.1	3.7
Other Operating Income	4.0	1.9	1.0	23.6	1.7
Total Operating Income	38.6	39.2	41.1	72.9	54.7
Provisions	10.3	14.9	13.5	3.1	10.9
Opex	34.4	44.2	40.8	44.3	45.9
Profit from Subsidiaries	0.0	0.0	0.0	0.0	0.0
Profit Before Tax	-6.1	-19.9	-13.3	25.6	-2.2
Tax	-1.3	-2.4	-1.3	4.9	1.4
Net Income	-4.8	-17.4	-12.0	20.7	-3.6

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

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