

# **TEKSTİLBANK**

---

*Earnings Presentation*  
*March 31, 2013 / BRSA Bank-Only*

# Macroeconomic environment in 1Q 2013...

- A more gloomy outlook was witnessed abroad, due to Cyprus issues and Italy's political instability in Europe, coupled with rumors of Fed's early exit from extra loose monetary policy
- Turkish economy probably performed slightly better than 2.2%, y/y, growth recorded in 4Q2012, although questionmarks continued for a solid recovery
- Nevertheless, expectations of a second upgrade to 'investment grade', probably from Moody's, as well as, positive developments in the political arena boosted a positive mood in investment markets
- Non-energy external deficit widened modestly, due to better macroeconomic outlook, while lower energy prices kept 12-month cumulative C/A deficit low at US\$47bn as of March, vs. US\$47.5bn recorded at the end of 2012
- CPI inflation declined further to 6.1%, reflecting benign food and energy prices
- The CB reduced short-term rates in order to preserve financial stability, while a moderate tightening was sustained by higher RRR's, aiming to curb credit growth

# More conservative balance sheet management

## *Highlights of 1Q 2013:*

- A more conservative approach, resulting in a balance sheet contraction
- Repo's gained more dominance in funding, while costly deposits were reduced
- CAR strengthened further to 17.0%
- NPL ratio increased to 5.9%, attributable to one-off big client cases
- NIM declined slightly, hit mainly by the CPI linkers

# Looking into 2013

## Macroeconomy

- Slightly better global macroeconomic outlook, thanks to less contraction in Euro area and higher growth in EM's
- Higher but still modest growth rate of around 4% in Turkey
- Modest increase in C/A deficit, in line with better growth performance
- Fiscal performance and inflation trend will be under close watch
- The CB will continue to focus on financial stability and limit TL's real appreciation

## Banking Sector

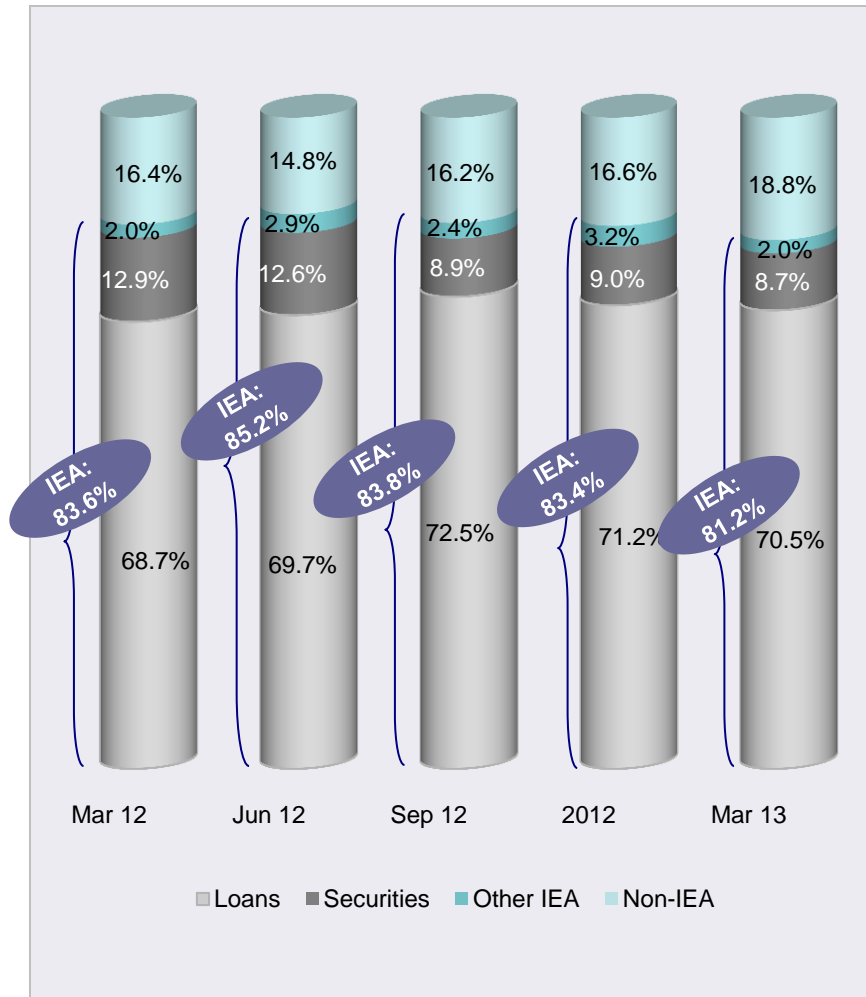
- Loan growth is not expected to exceed 15%, under close scrutiny of the Central Bank, despite banks' high appetite for growth
- Accordingly, RRR may be increased further in order to prevent overheating, which may put pressure on profitability
- Funding costs are likely to remain suppressed
- Asset quality may weaken, but only moderately

## Tekstilbank

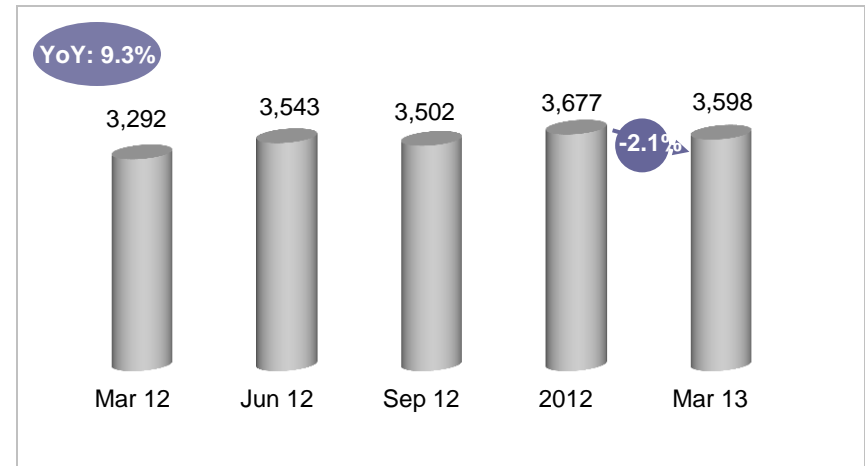
- Growth in line with sector
- Likely increase in NPL's
- Declining margins
- Maintaining high level of CAR

# A slight contraction in balance sheet vs. 2012-end

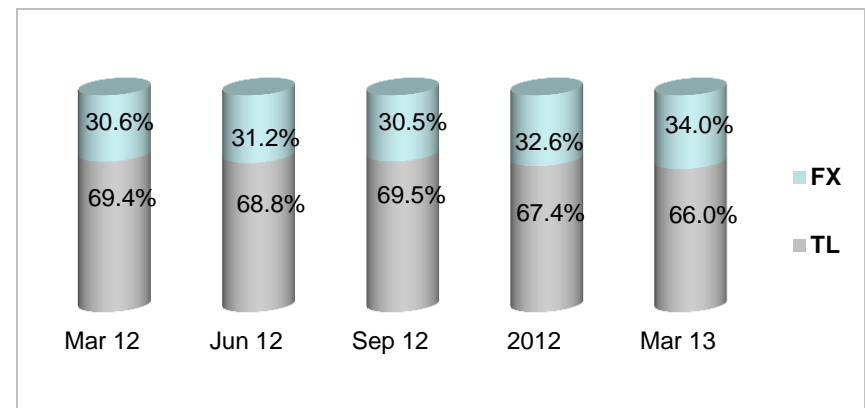
## Composition of Assets



## Total Assets (TLmn)



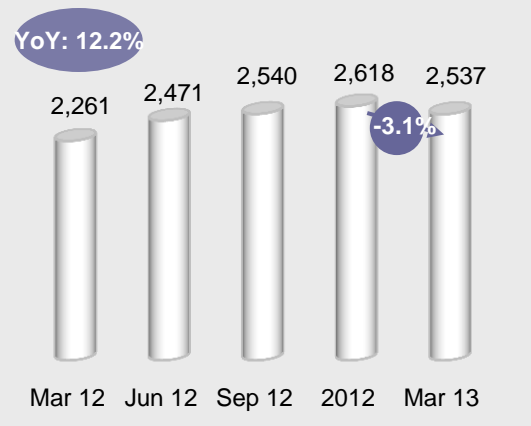
## Currency Composition of Assets\*



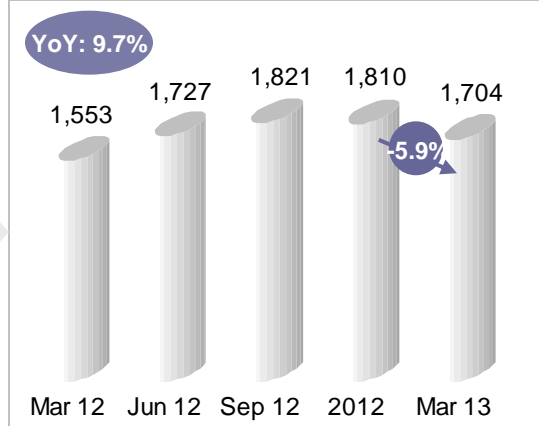
\* FX-indexed cash loans are included in FX assets

# Higher FX Loans

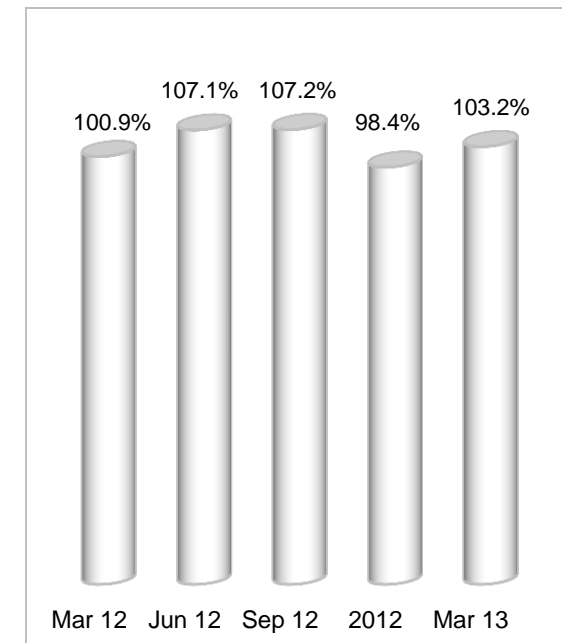
## Total Cash Loans (TLmn)



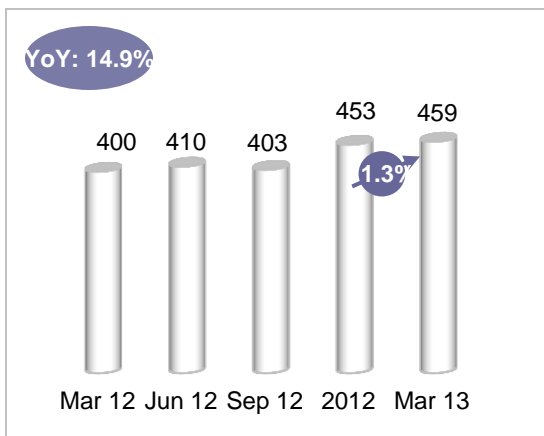
## TL Cash Loans\* (TLmn)



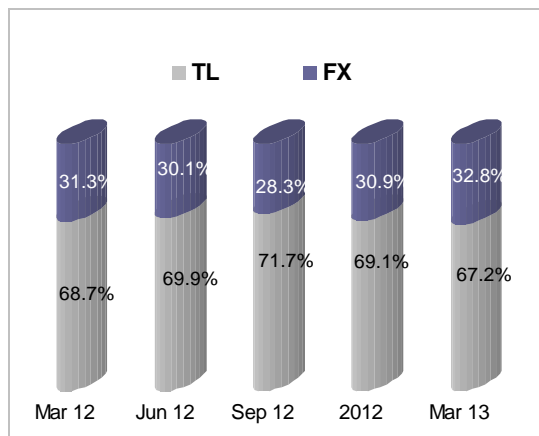
## Loans / Customer Deposits



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



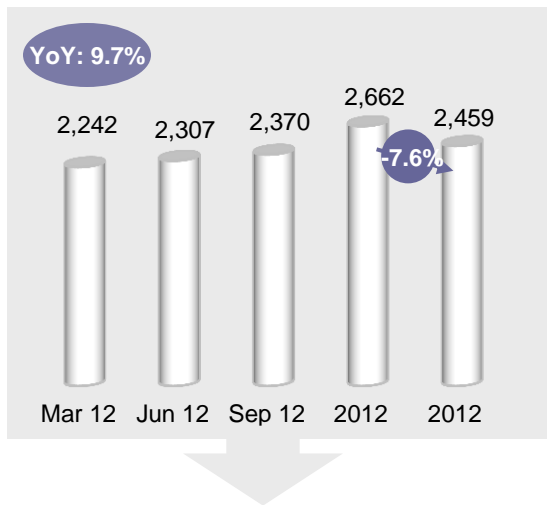
## Currency Breakdown of Cash Loans\*



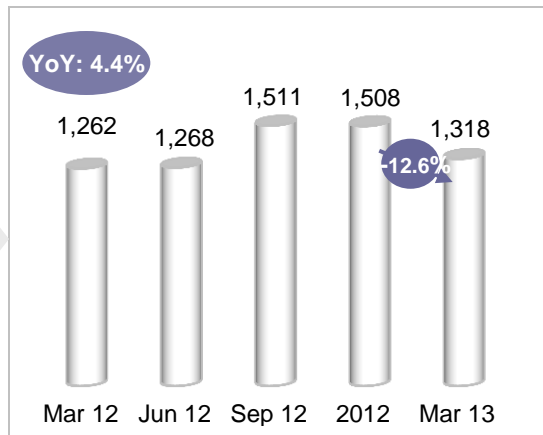
\* FX-indexed cash loans are included in FX cash loans

# Diminished weight of deposits in funding

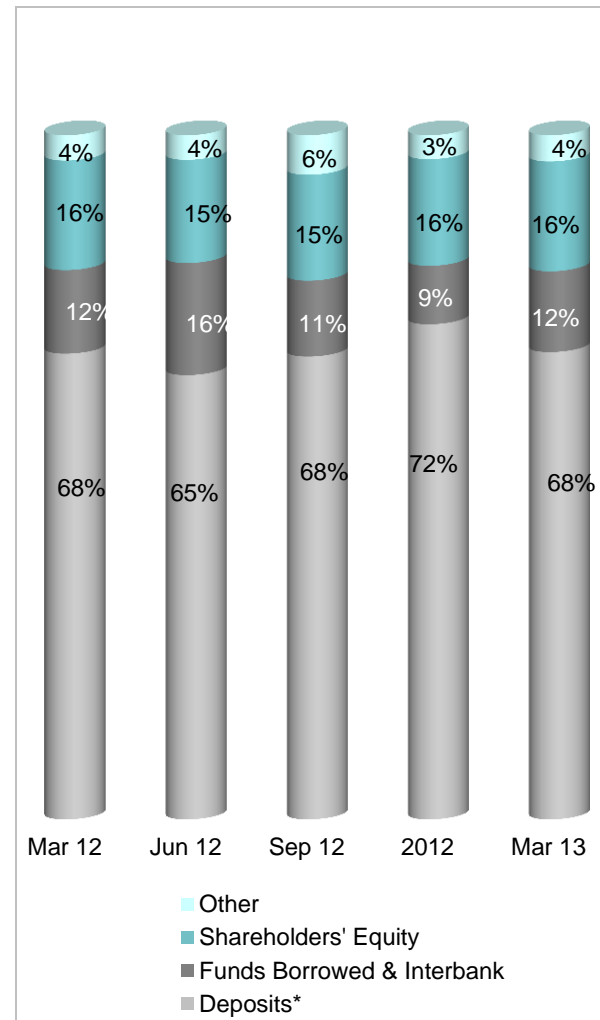
## Total Deposits\* (TLmn)



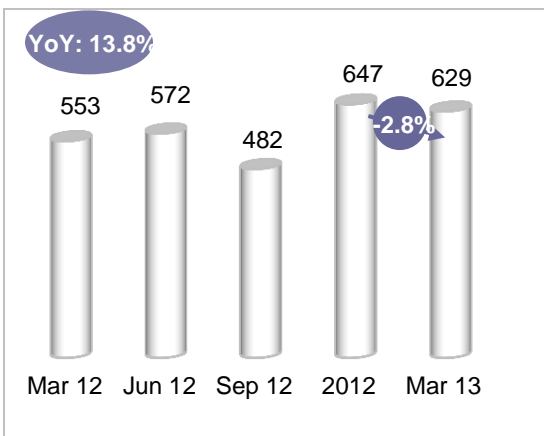
## TL Deposits\* (TLmn)



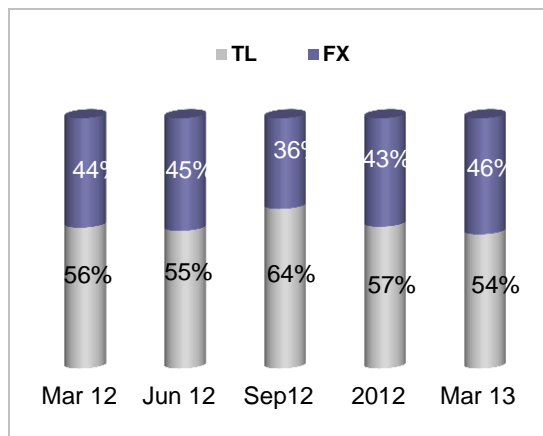
## Composition of Liabilities & SHE



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



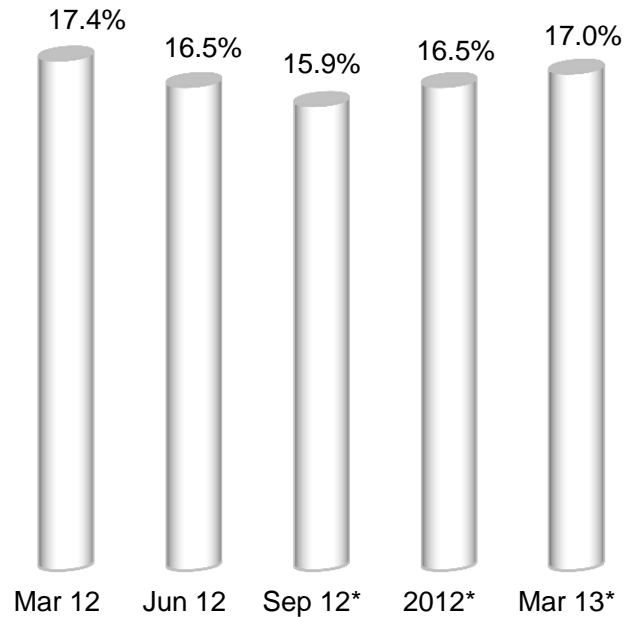
## Currency Breakdown\*



\* Excluding bank deposits

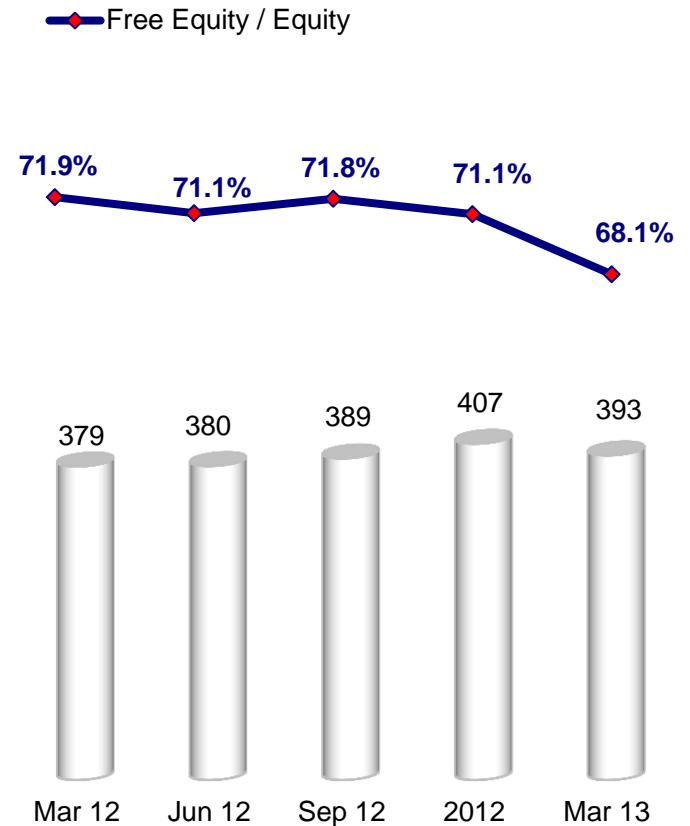
# Strong CAR at 17.0%...

## Capital Adequacy Ratio (CAR)



\* Calculated according to new BRSA regulations, in line with Basel II

## Free Equity (TLmn)

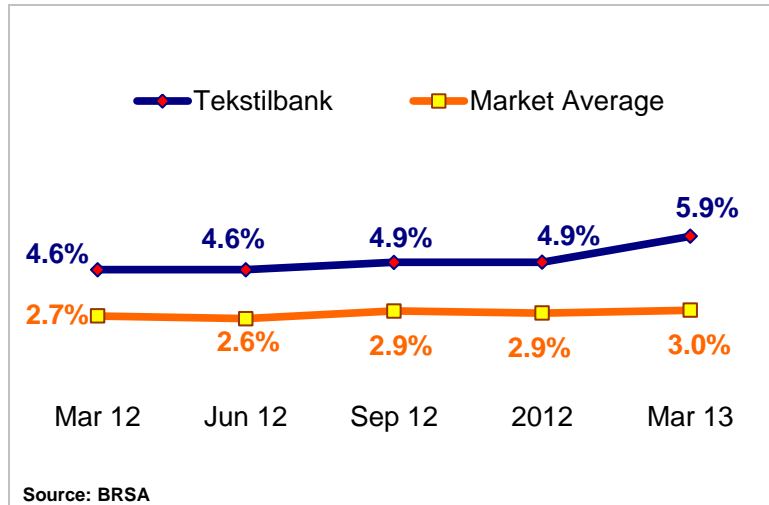


Free Equity: SHE-subidiaries-property & equipment-intangible assets-property & equipment held for sale-unprovisioned NPL

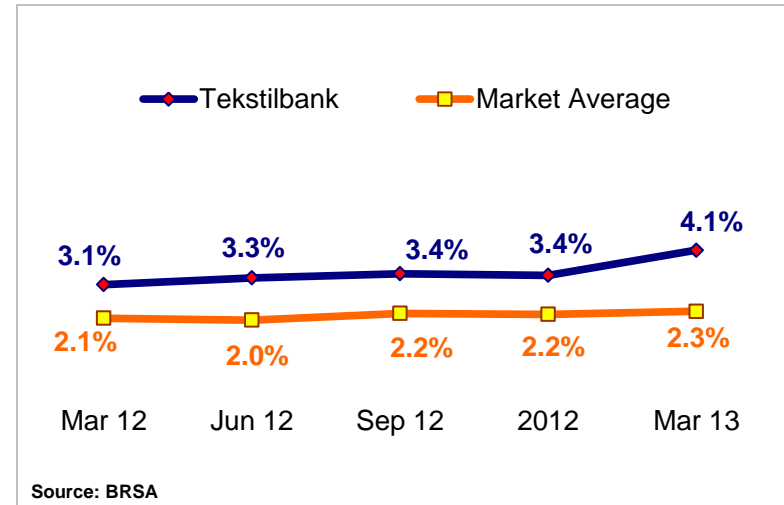


# Temporary deterioration in asset quality

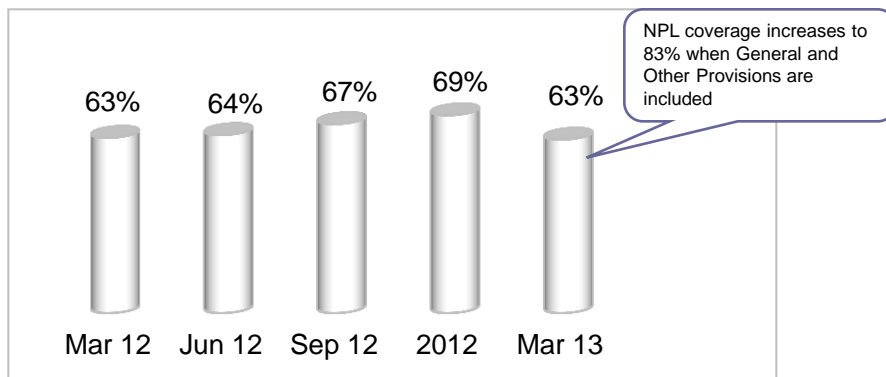
## NPL Ratio



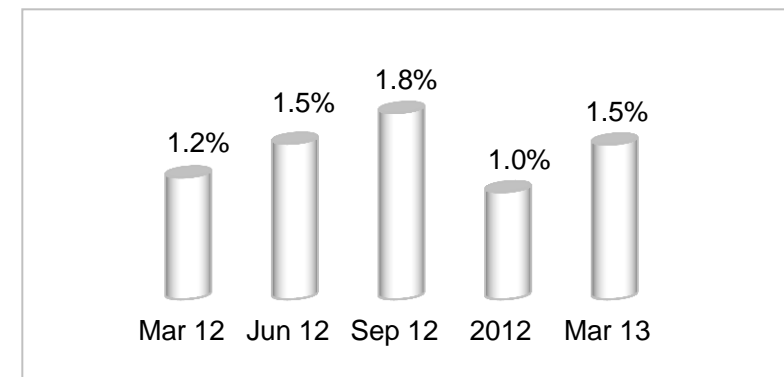
## NPL Ratio (including non-cash loans)



## NPL Coverage

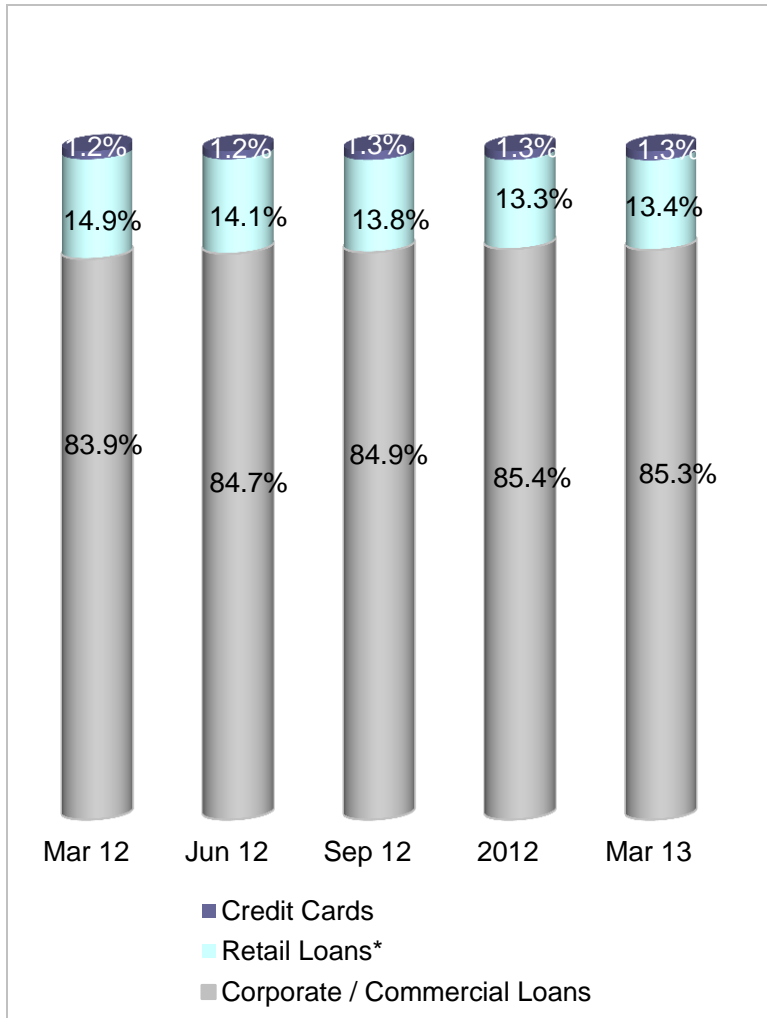


## Cost of Risk (quarterly)

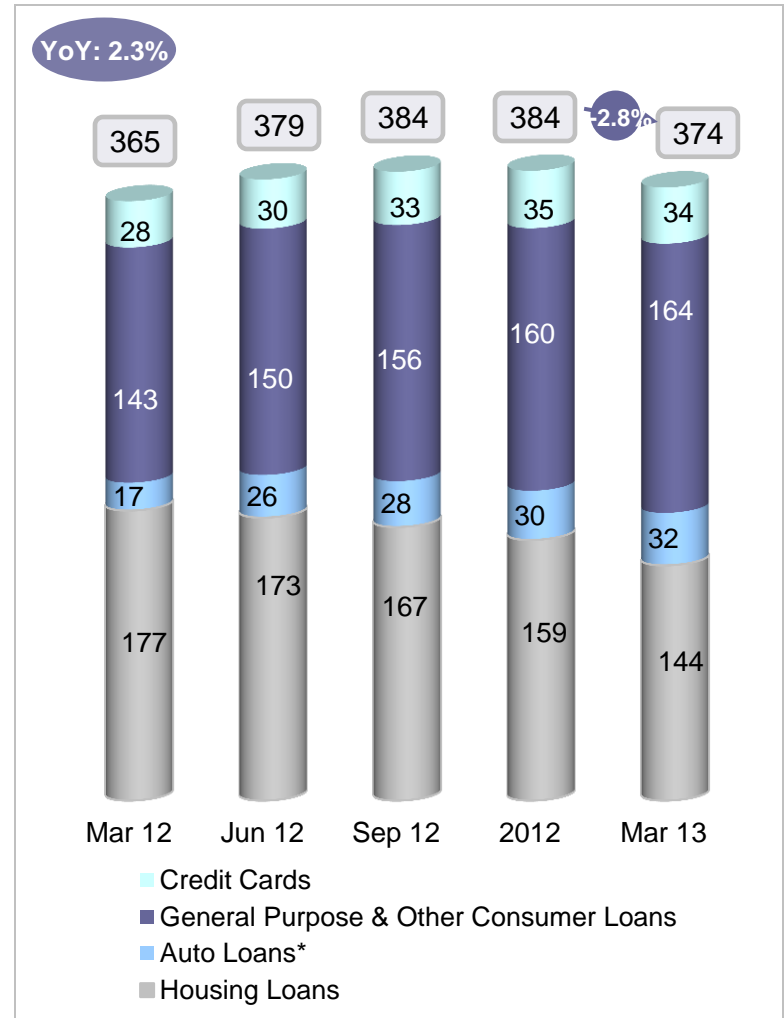


# Modest drop in retail loans

## Breakdown of Loan Portfolio



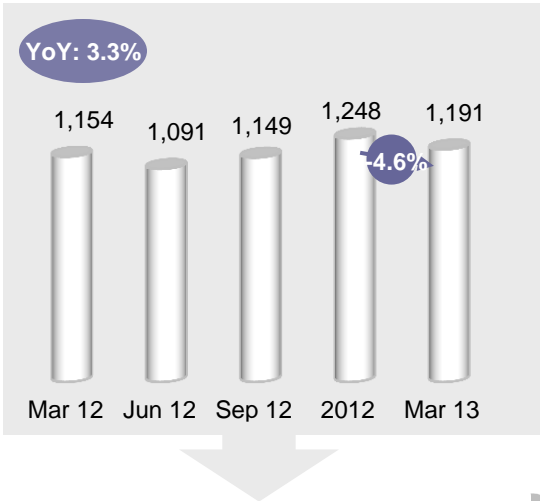
## Breakdown of Retail Loans (TLmn)



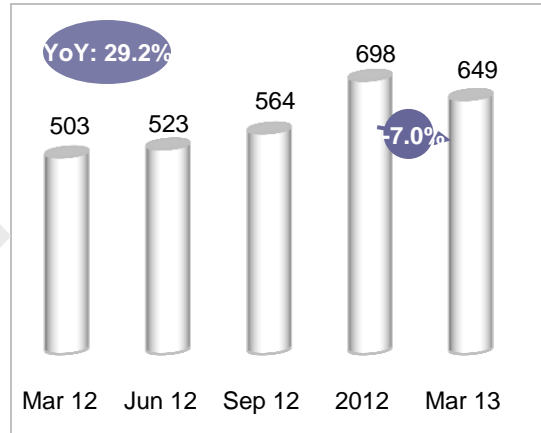
\*Specialized loans granted to farmers for vehicle purchases are classified in retail loans

# Reduced non-cash loans

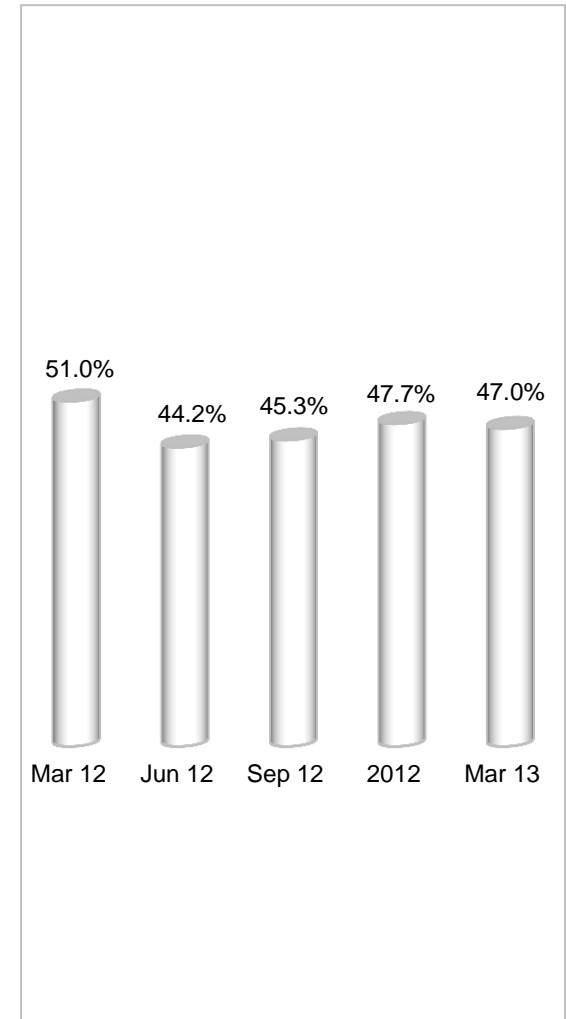
## Total Non-Cash Loans (TLmn)



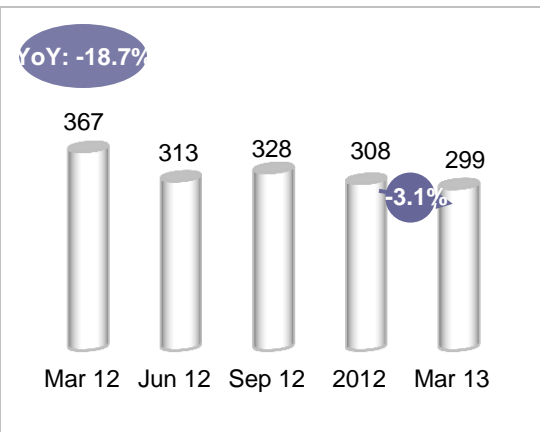
## TL Non-Cash Loans (TLmn)



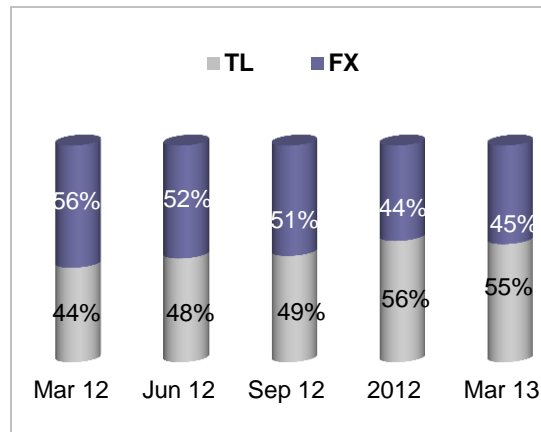
## Non-Cash / Cash Loans



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

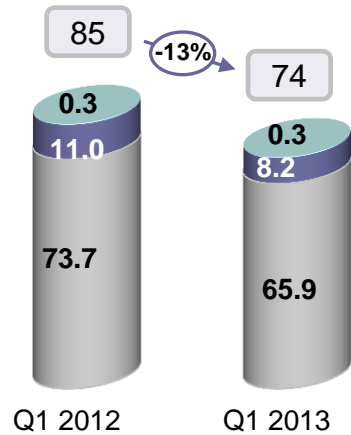


## Currency Breakdown of Non-Cash Loans

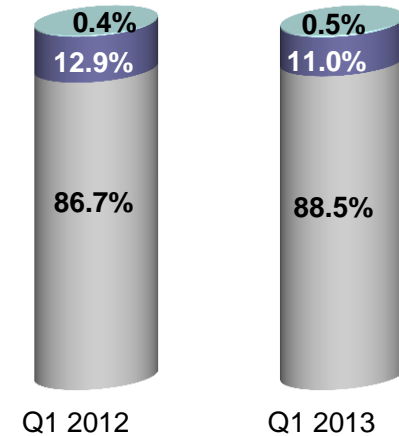


# Lower interest income, hit by falling interest rates and CPI-linkers...

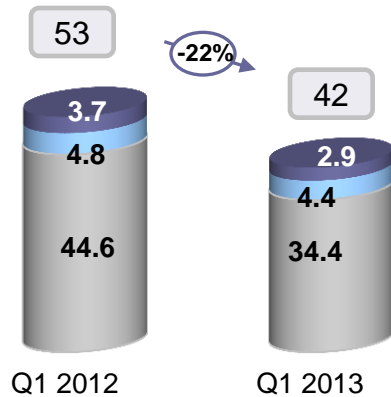
### Interest Income (TLmn)



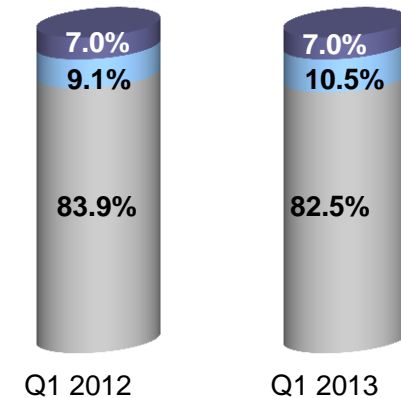
### Composition of Interest Income



### Interest Expense (TLmn)

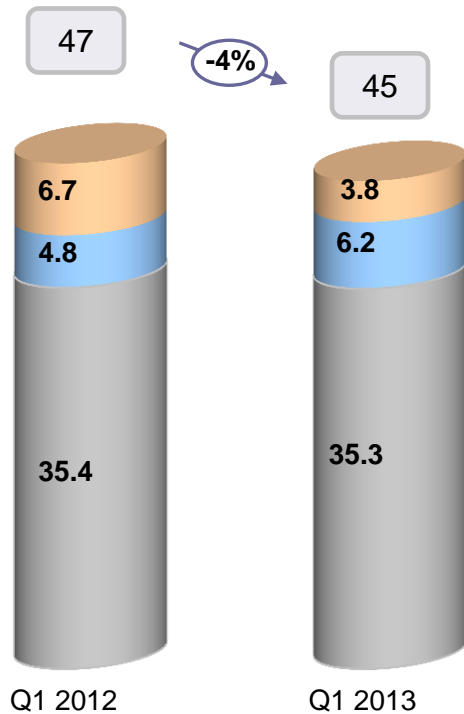


### Composition of Interest Expense



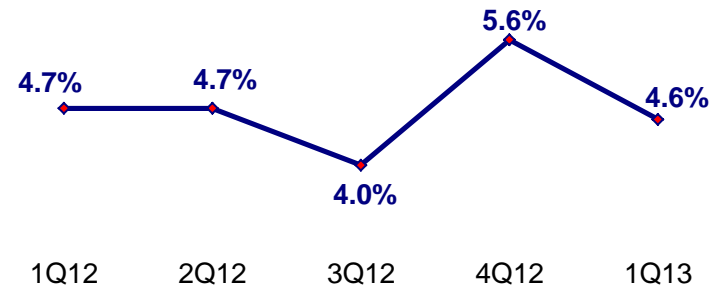
# ...resulting in a lower NIM

## Banking Income (TLmn)



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

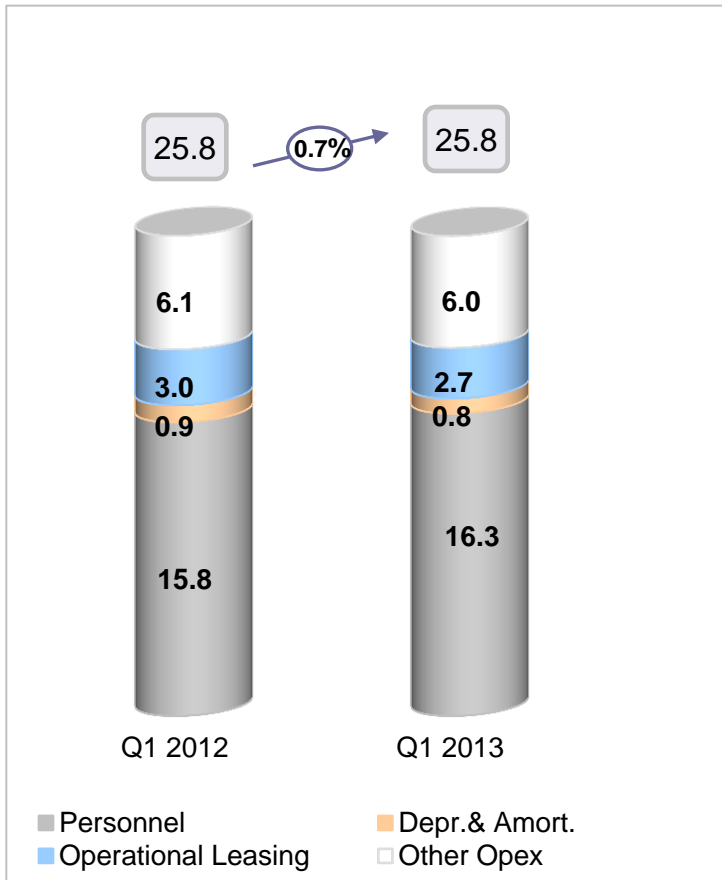
## Adjusted Net Interest Margin\* (Quarterly)



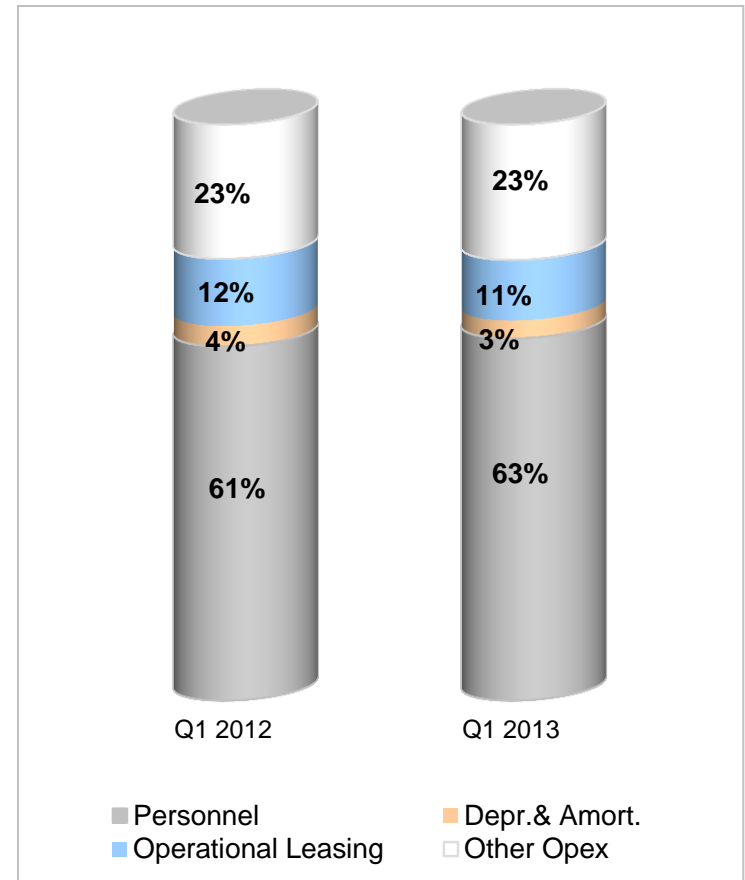
\* Adjusted by FX gain / loss

# Well-managed OPEX

## Operating Expenses (TLmn)



## Composition of Operating Expenses



# Summary Balance Sheet...

TL million	Mar 2012	Dec 2012	Mar 2013
<b>Cash &amp; Banks</b>	375	480	467
<b>Total Securities</b>	425	330	314
<b>Total Cash Loans</b>	2,261	2,618	2,537
<b>Fixed Assets &amp; Subsidiaries</b>	108	124	125
<b>Other</b>	123	125	155
<b>Total Assets</b>	<b>3,292</b>	<b>3,677</b>	<b>3,598</b>
<b>Deposits*</b>	2,242	2,662	2,459
<b>Interbank Money Market*</b>	224	65	146
<b>Borrowings</b>	177	249	278
<b>Other</b>	121	128	138
<b>SHE</b>	528	573	577
<b>Total Liabilities &amp; SHE</b>	<b>3,292</b>	<b>3,677</b>	<b>3,598</b>

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

# Summary Income Statement...

TL million	1Q 2012	2Q 2012	3Q 2012	4Q 2012	1Q 2013
<b>Interest Income</b>	<b>85.0</b>	<b>87.2</b>	<b>79.8</b>	<b>86.2</b>	<b>74.4</b>
<i>Loans</i>	73.7	74.8	76.6	75.2	65.9
<i>Securities</i>	11.0	12.0	2.8	10.7	8.2
<i>Other</i>	0.3	0.4	0.4	0.3	0.3
<b>Interest Expense</b>	<b>53.1</b>	<b>54.0</b>	<b>51.3</b>	<b>45.0</b>	<b>41.7</b>
<i>Deposits</i>	44.6	41.4	43.5	38.7	34.4
<i>Funds Borrowed</i>	4.8	9.0	6.0	4.9	4.4
<i>Other Borrowings</i>	3.7	3.6	1.8	1.4	2.9
<b>Net Interest Income</b>	<b>31.9</b>	<b>33.2</b>	<b>28.5</b>	<b>41.2</b>	<b>32.7</b>
<i>Net FX Gain (Loss)*</i>	1.9	0.8	1.0	0.7	1.4
<b>Adj. Net Interest Income</b>	<b>33.8</b>	<b>34.0</b>	<b>29.5</b>	<b>41.9</b>	<b>34.1</b>
<i>Net Trading Income (Loss)*</i>	1.6	0.2	2.7	0.4	1.2
<i>Net Fees &amp; Commissions</i>	4.8	5.0	5.0	5.6	6.2
<i>Other Operating Income</i>	6.7	4.5	2.4	2.0	3.8
<b>Total Operating Income</b>	<b>46.9</b>	<b>43.7</b>	<b>39.6</b>	<b>49.9</b>	<b>45.3</b>
<i>Provisions</i>	7.2	10.1	13.7	9.0	11.1
<i>Opex</i>	25.8	27.0	26.0	27.6	25.8
<i>Profit from Subsidiaries</i>	0.0	0.0	0.0	0.0	0.0
<b>Profit Before Tax</b>	<b>13.9</b>	<b>6.6</b>	<b>-0.1</b>	<b>13.3</b>	<b>8.4</b>
<i>Tax</i>	2.3	1.4	0.2	3.0	1.9
<b>Net Income</b>	<b>11.6</b>	<b>5.2</b>	<b>-0.3</b>	<b>10.3</b>	<b>6.5</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 2012	2Q 2012	3Q 2012	4Q 2012	1Q 2013
<b>Interest Income</b>	<b>85.6</b>	<b>88.0</b>	<b>80.4</b>	<b>86.8</b>	<b>75.1</b>
Loans	74.1	75.1	77.1	75.5	66.4
Securities	11.1	12.1	2.9	10.7	8.2
Other	0.4	0.8	0.4	0.6	0.5
<b>Interest Expense</b>	<b>53.1</b>	<b>53.9</b>	<b>51.3</b>	<b>45.0</b>	<b>41.6</b>
Deposits	44.6	41.3	43.5	38.7	34.3
Funds Borrowed	4.9	8.9	6.0	4.9	4.4
Other Borrowings	3.6	3.7	1.8	1.4	2.9
<b>Net Interest Income</b>	<b>32.5</b>	<b>34.1</b>	<b>29.1</b>	<b>41.8</b>	<b>33.5</b>
Net FX Gain (Loss)*	1.9	0.8	1.0	0.6	1.4
<b>Adj. Net Interest Income</b>	<b>34.4</b>	<b>34.9</b>	<b>30.1</b>	<b>42.4</b>	<b>34.9</b>
Net Trading Income (Loss)*	3.2	1.7	4.0	1.7	2.7
Net Fees & Commissions	5.1	5.2	5.1	5.8	6.3
Other Operating Income	6.7	1.9	2.3	2.2	3.7
<b>Total Operating Income</b>	<b>49.4</b>	<b>43.7</b>	<b>41.5</b>	<b>52.1</b>	<b>47.6</b>
Provisions	7.2	10.1	13.7	9.0	11.1
Opex	27.5	28.9	27.5	29.4	27.4
Profit from Subsidiaries	0.0	0.0	0.0	0.0	0.0
<b>Profit Before Tax</b>	<b>14.7</b>	<b>4.7</b>	<b>0.3</b>	<b>13.7</b>	<b>9.1</b>
Tax	2.5	1.5	0.3	3.0	2.0
<b>Net Income</b>	<b>12.2</b>	<b>3.2</b>	<b>0.0</b>	<b>10.7</b>	<b>7.1</b>

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

---

## **Disclaimer Statement**

The information, opinions and estimates contained in this document have been compiled or arrived at by Tekstilbank from sources believed to be reliable and in good faith, but no representation or warranty, expressed or implied, is made as to their accuracy, completeness or correctness. All opinions and estimates contained in this document constitute the Company's judgement as of the date of this document and are subject to change without notice. The information contained in this document is published for the assistance of recipients, but is not to be relied upon as authoritative or taken in substitution for the exercise of judgement by any recipient. The Company does not accept any liability whatsoever for any direct or consequential loss arising from any use of this document or its contents. This document is strictly confidential and may not be reproduced, distributed or published for any purpose.

*For further information please contact:*

Investor Relations

Phone: +90-212-335-5159

[investorrelations@tekstilbank.com.tr](mailto:investorrelations@tekstilbank.com.tr)

[\*\*www.tekstilbank.com.tr\*\*](http://www.tekstilbank.com.tr)