

TEKSTİLBANK

Earnings Presentation
March 31, 2014 / BRSA Bank-Only

Macroeconomic environment in 1Q 2014...

- Turkish Central Bank's front-loaded rate hike of 300 bps in January, supported the currency, even though ongoing political uncertainty ahead of local elections on March 30 prevented a strong recovery
- Leading indicators, such as industrial output and confidence index, pointed out that dismal effect of TL's depreciation and political uncertainty on macroeconomic activity had been limited
- Inflation climbed up further to 8.4%, from 7.4% recorded at 2013-end, due to TL's weakening, higher food prices and deteriorating expectations
- Current account deficit continued to cut pace, declining to US\$62bn as of Feb-end in 12-month cumulative terms, from US\$65bn recorded as of 2013-end

NII increased, thanks to flexible balance sheet structure

Highlights of 1Q 2014:

- Net income increased in the first quarter, prompted by better interest rate spreads, higher income from CPI-linkers, and less inflows to NPL
- Balance sheet contracted modestly vs. 2013-end, hit by the lower loan demand under higher interest rate and higher uncertainty environment
- Higher funding costs, due to the CB's rate hike was reflected on the loan rates immediately, thanks to the Bank's flexible balance sheet structure, leading to a higher net interest income
- Asset quality improved, due to TL57mn worth of bad loan sell-off
- OPEX was accelerated by one-off expenses, mainly attributable to moving of headquarter building
- In April GSD Holding, the major shareholder of Tekstilbank, sold its whole stakes (75.5%) to ICBC, for TL669mn

Looking into 2014

Macroeconomy

- Lower macroeconomic growth, probably below 3%, hit by the lower capital inflows, measures taken by the BRSA, and higher political uncertainty
- Higher inflation, conceivably above 8% at year-end, due to weaker TL, tax hikes, and sticky food prices
- Tight monetary policy to continue, because of high inflation; even though policy rate (currently at 10%) may be cut marginally
- C/A deficit to fall to 6.0% of GDP, reflecting lower activity
- Public spending will be under close watch, ahead of the heavy election agenda

Banking Sector

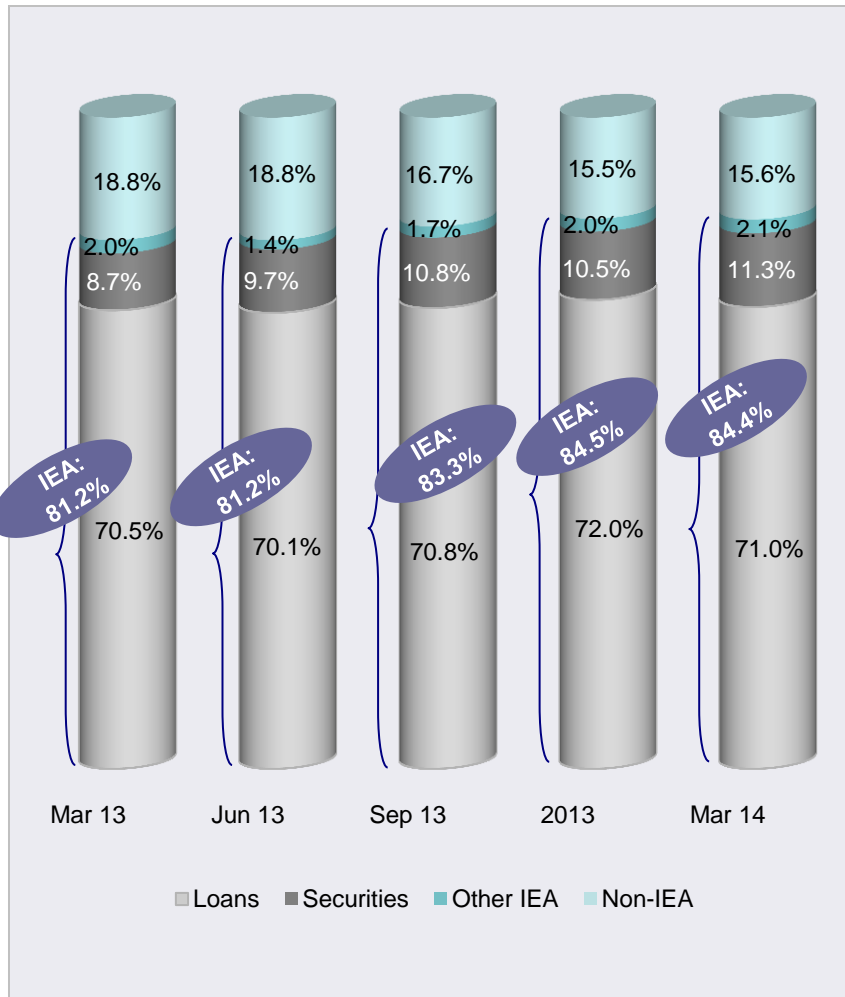
- Slower macroeconomic growth, and restrictions on credit card installments may lead to further decline in loan growth
- Lower NIM, thanks to the CB's decision to increase average funding cost by 300 bp, to 10% in January
- Asset quality may weaken, reflecting deterioration in macroeconomic activity

Tekstilbank

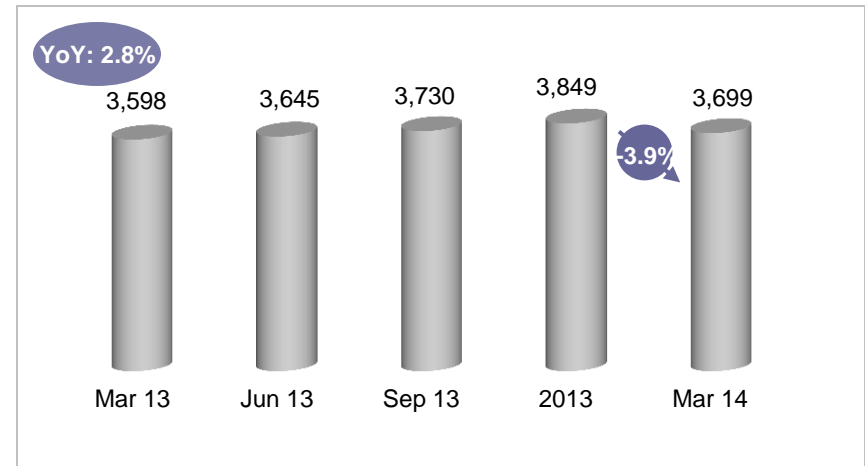
- Conservative growth approach will continue
- Suppressed margins
- Maintaining high level of CAR
- Extensive focus on collections

A modest contraction in balance sheet vs. 2013-end

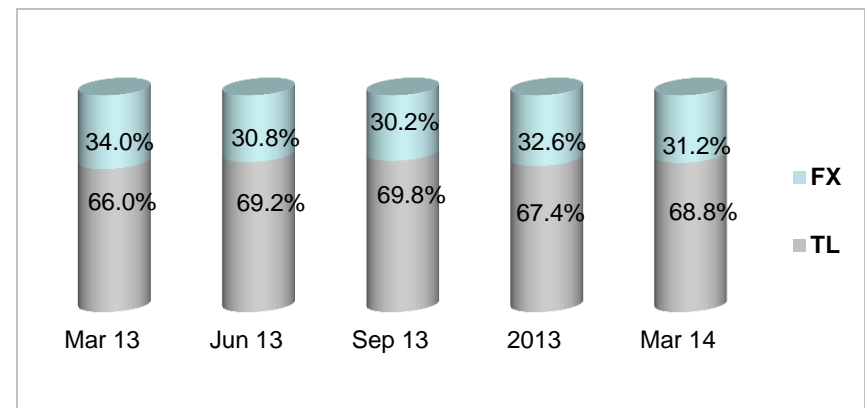
Composition of Assets



Total Assets (TLmn)



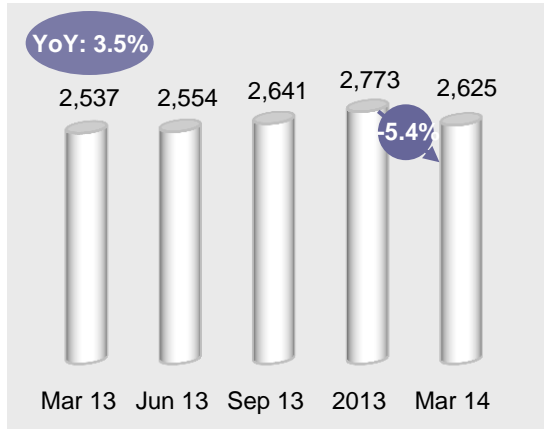
Currency Composition of Assets*



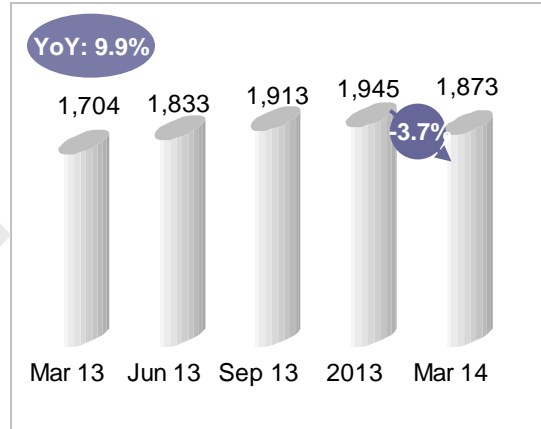
* FX-indexed cash loans are included in FX assets

Loans declined by 5%, attributable to higher interest rate and uncertainty environment

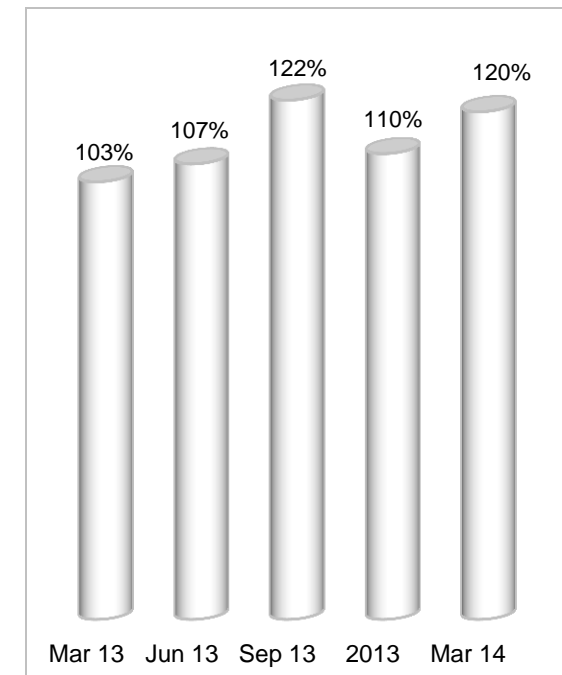
Total Cash Loans (TLmn)



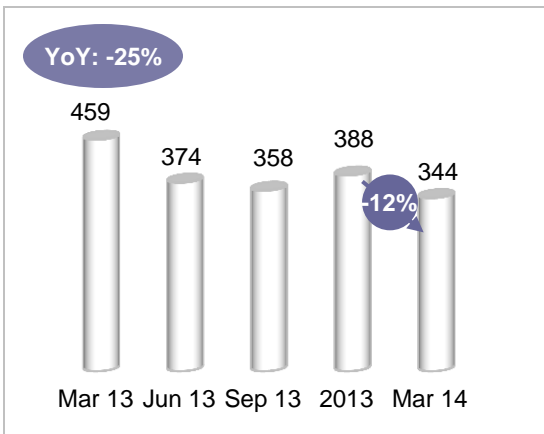
TL Cash Loans* (TLmn)



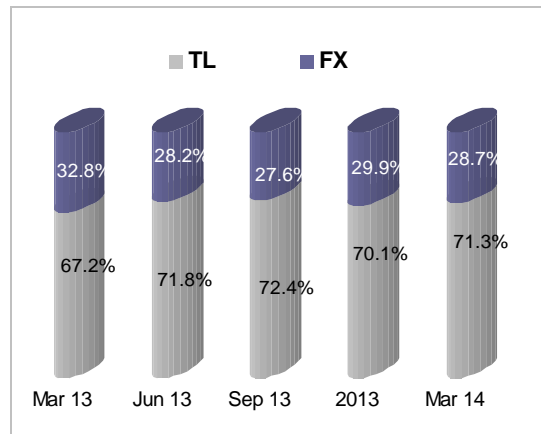
Loans / Customer Deposits



FX Cash Loans* (US\$m)



Currency Breakdown of Cash Loans*

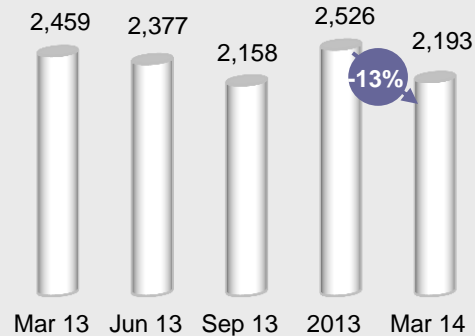


* FX-indexed cash loans are included in FX cash loans

Deposits declined, due to higher cost

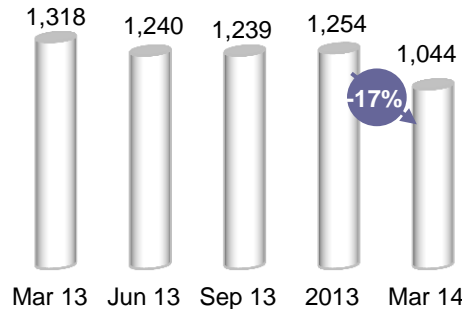
Total Deposits* (TLmn)

YoY: -10.8%

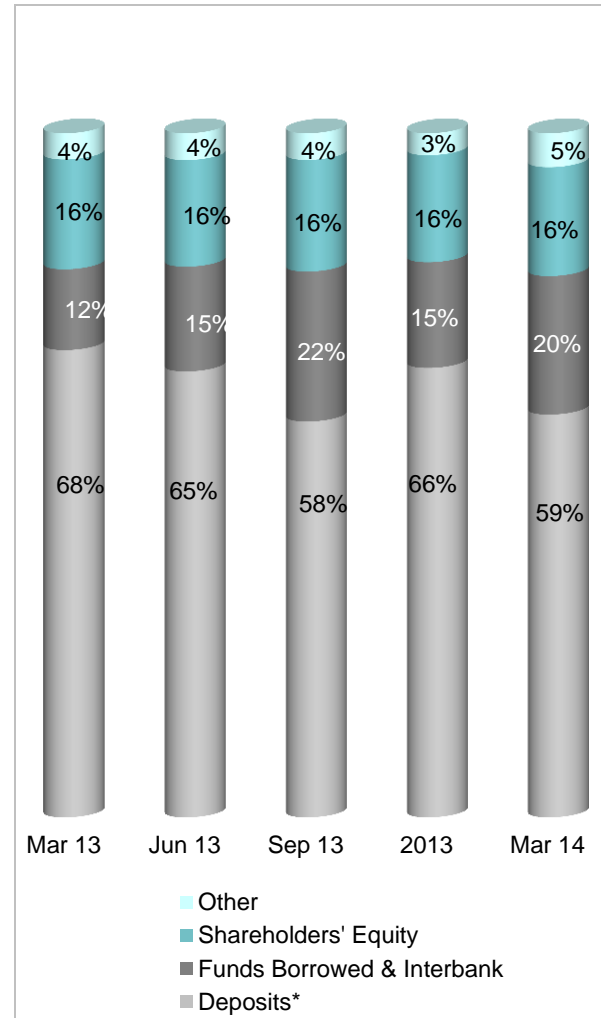


TL Deposits* (TLmn)

YoY: -20.8%

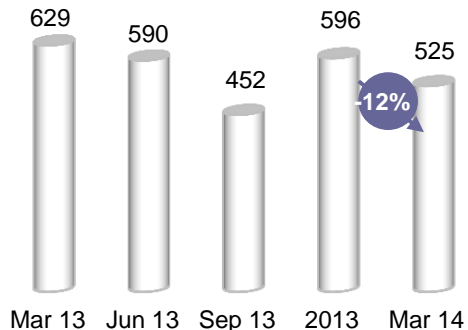


Composition of Liabilities & SHE

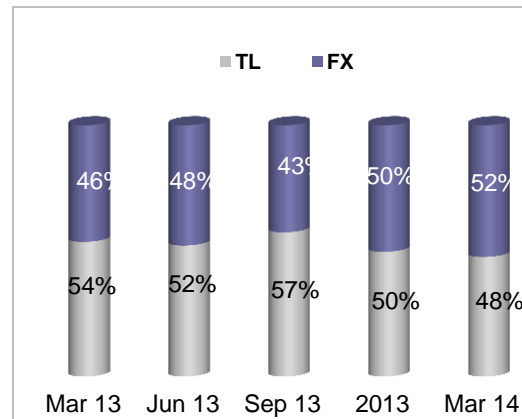


FX Deposits* (US\$m)

YoY: -16.5%



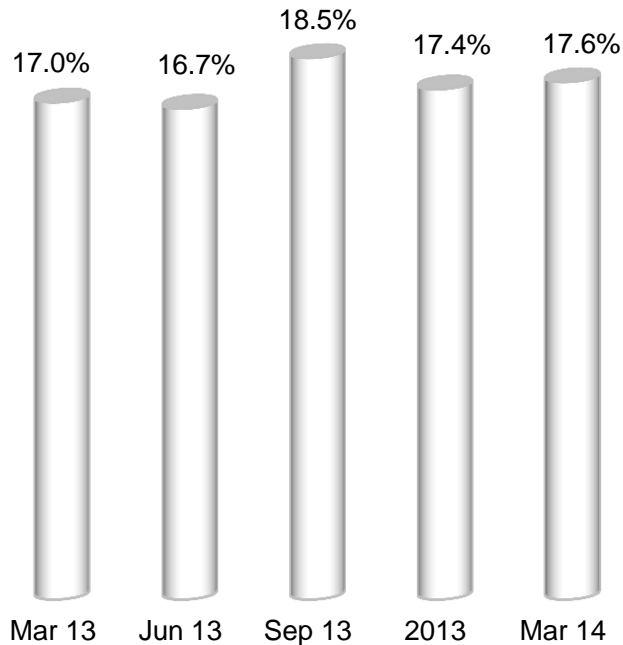
Currency Breakdown*



* Excluding bank deposits

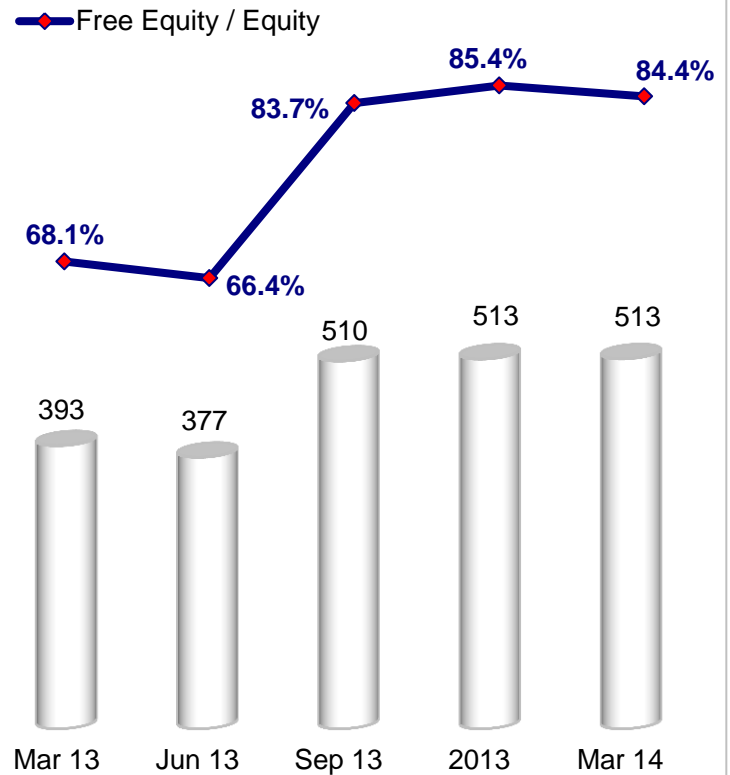
CAR was strong at 17.6%

Capital Adequacy Ratio (CAR)



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

Free Equity (TLmn)

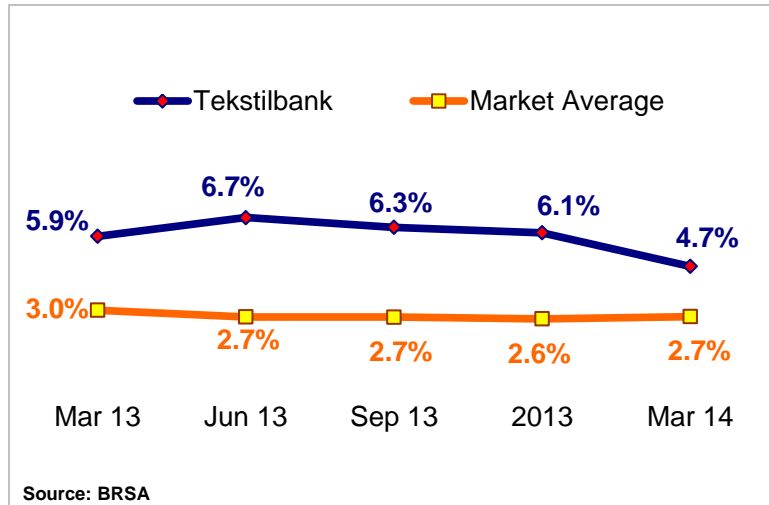


Free Equity: SHE-subsidaries-property & equipment-intangible assets-property & equipment held for sale-unprovisioned NPL

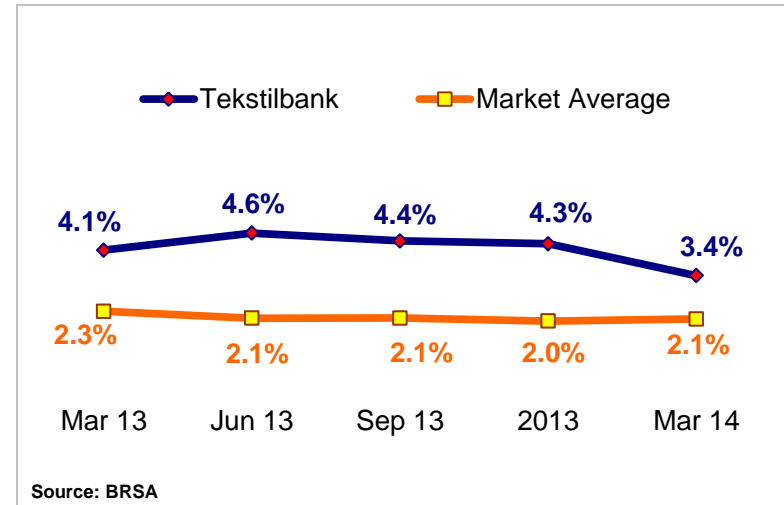
* Headquarter building was sold for US\$62.7mn (TL125mn) in Sep. 2013, leading to higher free equity from 3Q 2013 onwards

Asset quality recovered significantly, due to NPL sell-off

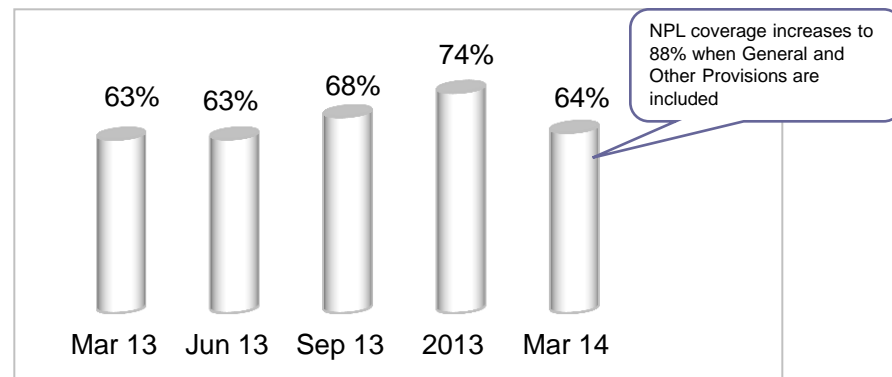
NPL Ratio



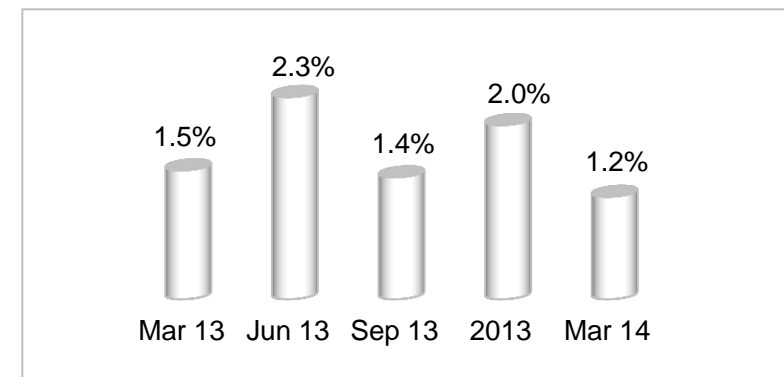
NPL Ratio (including non-cash loans)



NPL Coverage

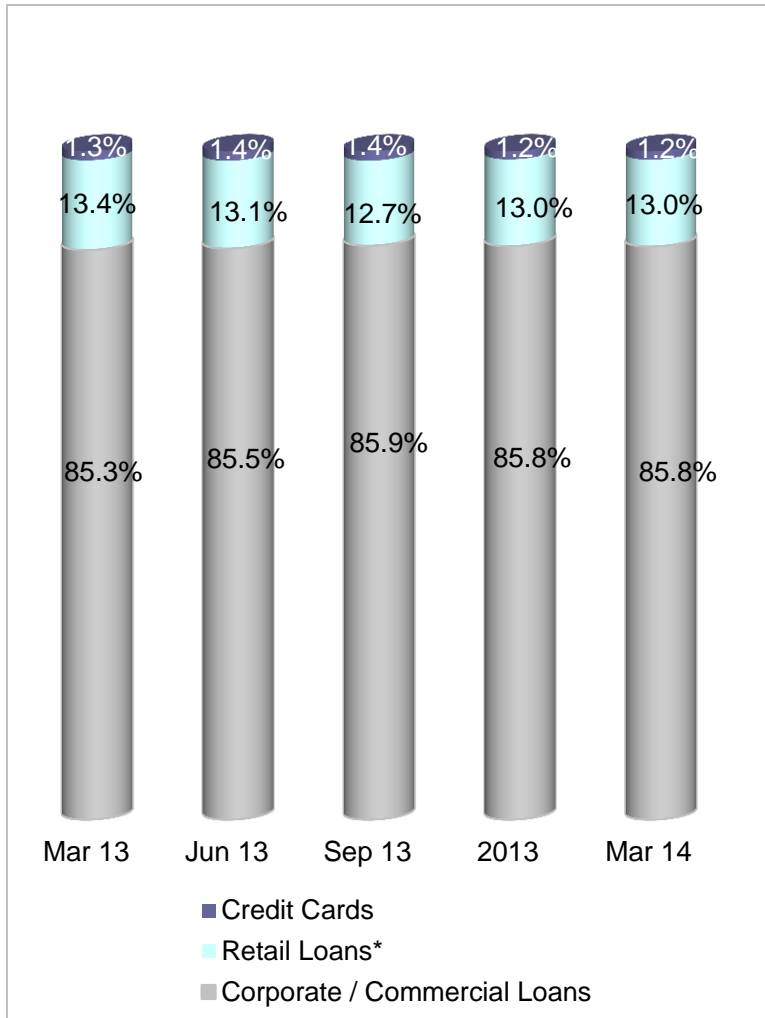


Cost of Risk (quarterly)

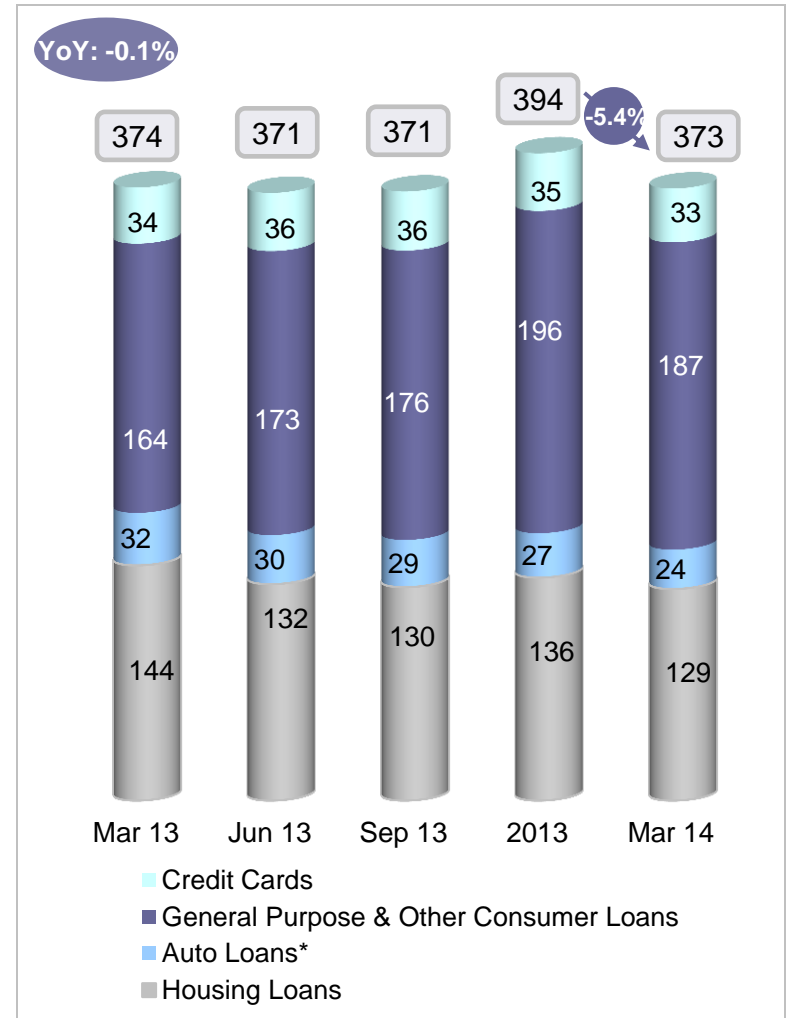


Commercial loans continued to be the main focus of the bank

Breakdown of Loan Portfolio



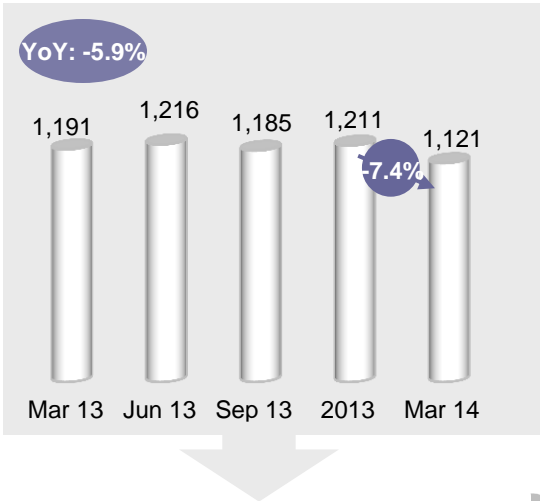
Breakdown of Retail Loans (TLmn)



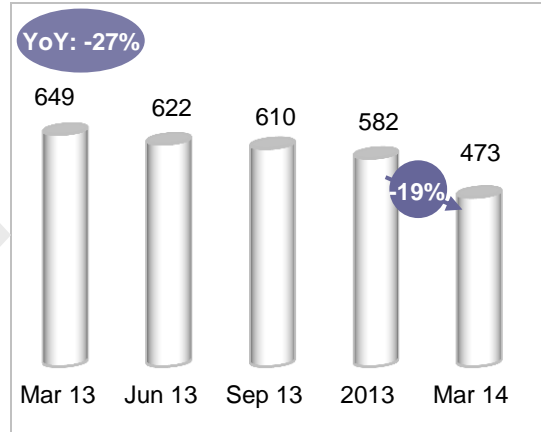
*Specialized loans granted to farmers for vehicle purchases are classified in retail loans

Non-cash loans declined as well

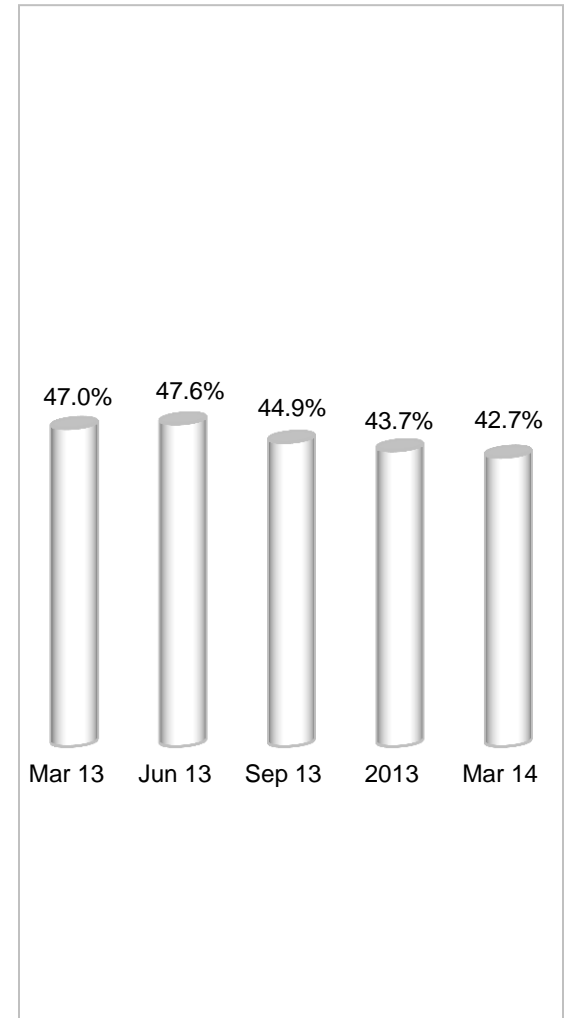
Total Non-Cash Loans (TLmn)



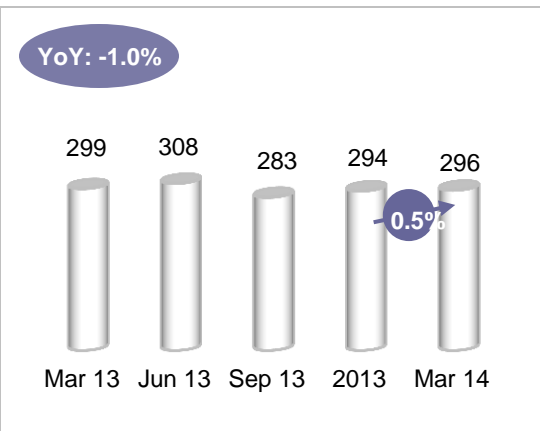
TL Non-Cash Loans (TLmn)



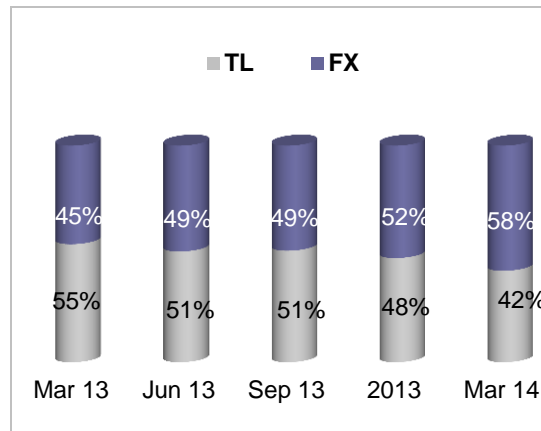
Non-Cash / Cash Loans



FX Non-Cash Loans (US\$m)

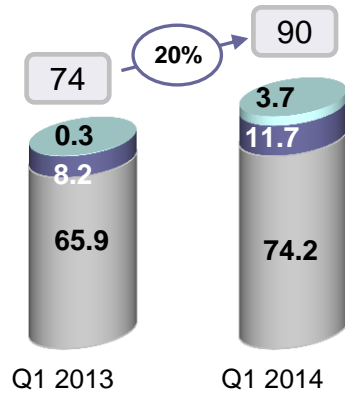


Currency Breakdown of Non-Cash Loans

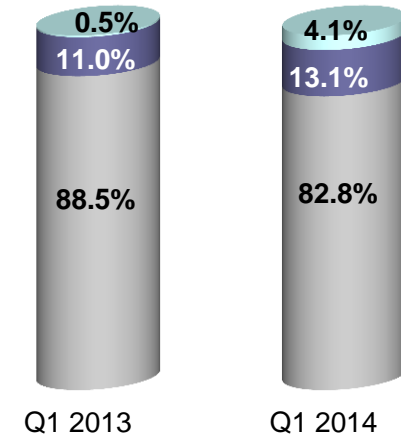


Net interest income recovered, despite higher interest rates

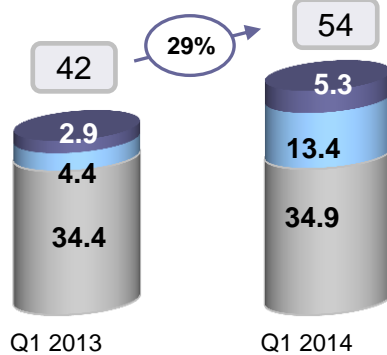
Interest Income (TLmn)



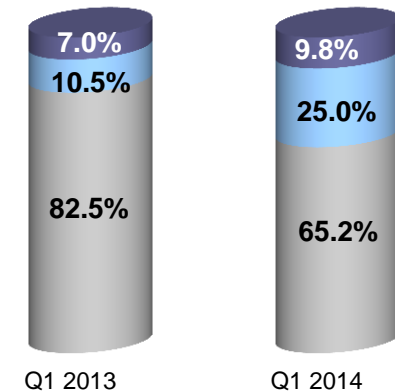
Composition of Interest Income



Interest Expense (TLmn)

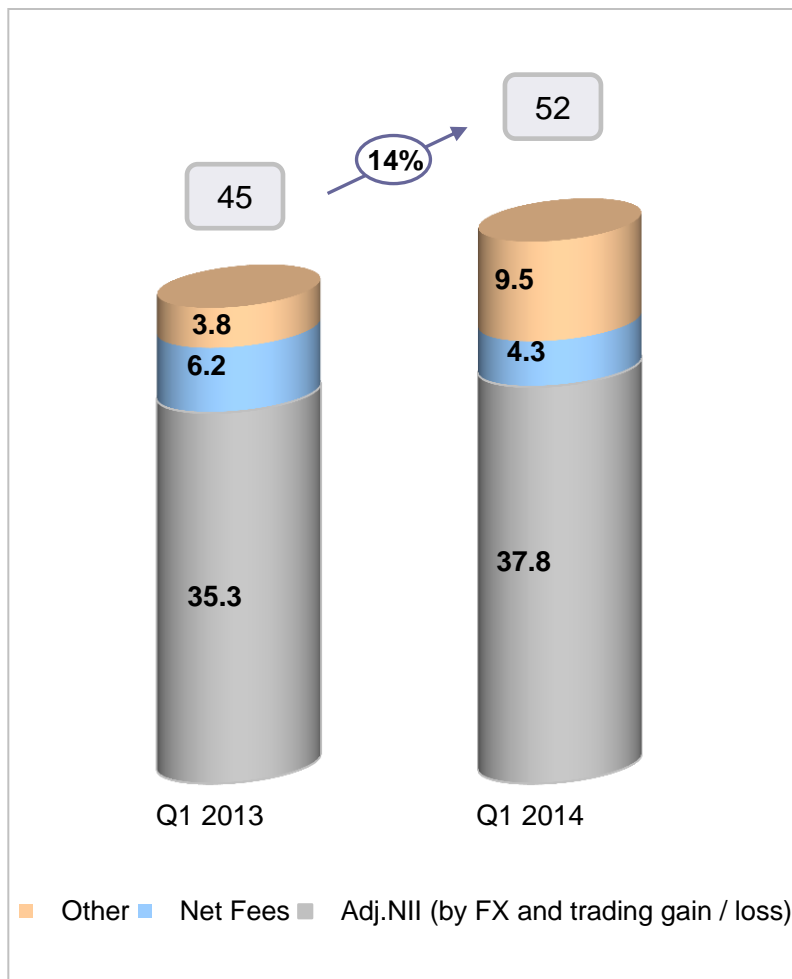


Composition of Interest Expense

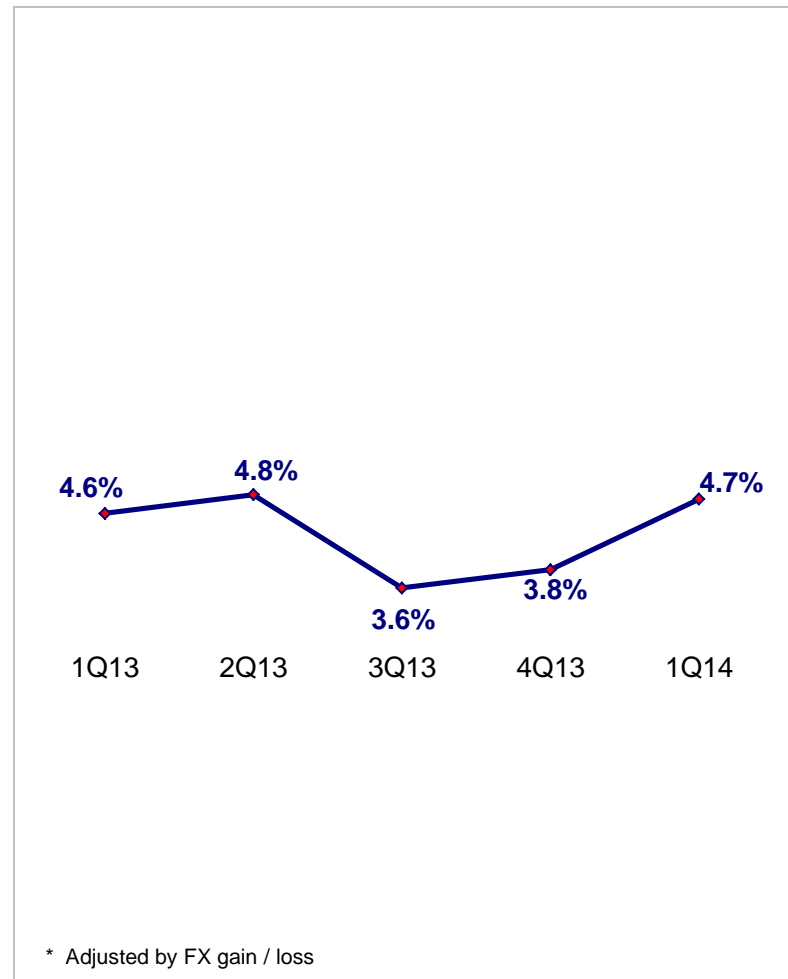


...ending up a better NIM

Banking Income (TLmn)

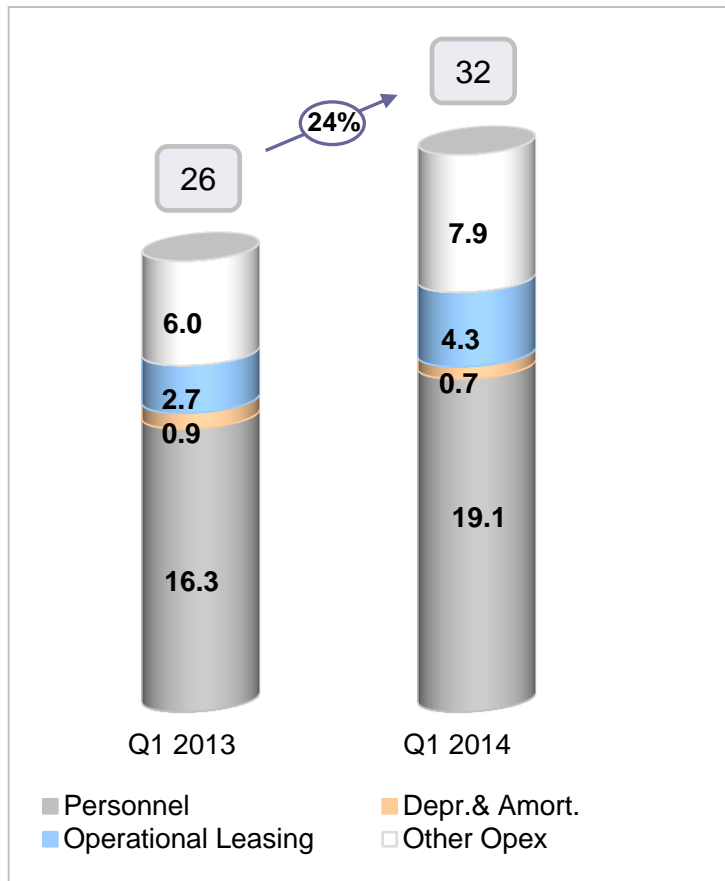


Adjusted Net Interest Margin* (Quarterly)

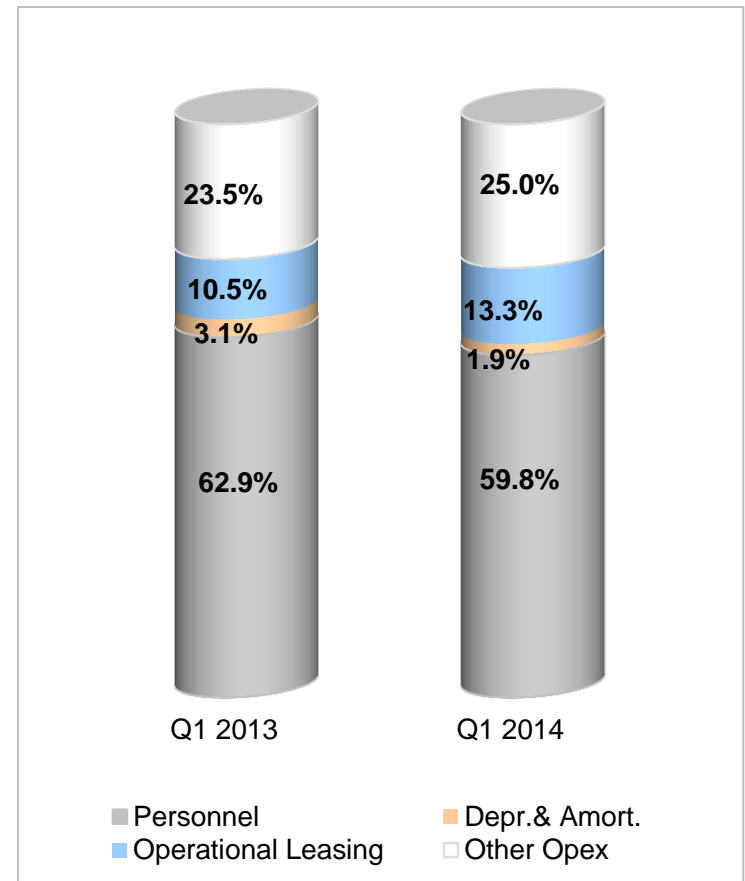


OPEX was elevated by one-off expenditures*

Operating Expenses (TLmn)



Composition of Operating Expenses



*Expenses mainly related to moving of headquarter to a new rental building

Summary Balance Sheet...

TL million	Mar 2013	Dec 2013	Mar 2014
Cash & Banks	467	526	476
Total Securities	314	403	417
Total Cash Loans	2,537	2,773	2,625
Fixed Assets & Subsidiaries	125	41	49
Other	155	106	132
Total Assets	3,598	3,849	3,699
Deposits*	2,459	2,526	2,193
Interbank Money Market*	146	259	380
Borrowings	278	341	373
Other	138	123	145
SHE	577	600	608
Total Liabilities & SHE	3,598	3,849	3,699

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

Summary Income Statement...

TL million	1Q 2013	2Q 2013	3Q 2013	4Q 2013	1Q 2014
Interest Income	74.4	71.8	70.1	76.1	89.6
<i>Loans</i>	65.9	65.2	62.6	64.7	74.2
<i>Securities</i>	8.2	6.2	7.0	10.8	11.7
<i>Other</i>	0.3	0.4	0.5	0.6	3.7
Interest Expense	41.7	37.4	43.3	44.9	53.6
<i>Deposits</i>	34.4	29.5	32.1	34.1	34.9
<i>Funds Borrowed</i>	4.4	6.3	7.7	7.4	13.4
<i>Other Borrowings</i>	2.9	1.6	3.5	3.5	5.3
Net Interest Income	32.7	34.4	26.8	31.1	36.0
<i>Net FX Gain (Loss)*</i>	1.4	0.8	0.9	-0.7	1.8
Adj. Net Interest Income	34.1	35.2	27.7	30.5	37.8
<i>Net Trading Income (Loss)*</i>	1.2	0.2	0.0	0.0	0.0
<i>Net Fees & Commissions</i>	6.2	6.8	5.8	4.8	4.3
<i>Other Operating Income</i>	3.8	4.2	52.4	3.2	9.5
Total Operating Income	45.3	46.4	85.9	38.5	51.6
<i>Provisions</i>	11.1	17.0	10.8	18.5	8.6
<i>Opex</i>	25.8	28.6	29.6	27.6	32.0
<i>Profit from Subsidiaries</i>	0.0	0.0	0.0	0.0	0.0
Profit Before Tax	8.4	0.8	45.5	-7.6	11.0
<i>Tax</i>	1.9	-0.1	2.7	-1.2	1.6
Net Income	6.5	0.9	42.8	-6.4	9.4

* 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 2013	2Q 2013	3Q 2013	4Q 2013	1Q 2014
Interest Income	75.1	72.6	70.7	77.0	90.4
<i>Loans</i>	66.4	65.9	63.2	65.4	74.8
<i>Securities</i>	8.2	6.2	6.9	10.9	11.7
<i>Other</i>	0.5	0.5	0.6	0.7	3.9
Interest Expense	41.6	37.4	43.4	44.9	53.6
<i>Deposits</i>	34.3	29.6	32.2	34.1	34.9
<i>Funds Borrowed</i>	4.4	6.2	7.8	7.4	13.4
<i>Other Borrowings</i>	2.9	1.6	3.5	3.5	5.3
Net Interest Income	33.5	35.2	27.3	32.0	36.8
<i>Net FX Gain (Loss)*</i>	1.4	0.9	0.9	-0.7	1.8
Adj. Net Interest Income	34.9	36.1	28.2	31.4	38.6
<i>Net Trading Income (Loss)*</i>	2.7	1.5	1.3	1.2	1.2
<i>Net Fees & Commissions</i>	6.3	7.1	5.9	4.8	4.6
<i>Other Operating Income</i>	3.7	4.1	52.3	3.3	9.4
Total Operating Income	47.6	48.8	87.7	40.8	53.8
<i>Provisions</i>	11.1	17.0	10.8	18.5	8.5
<i>Opex</i>	27.4	30.3	31.4	29.3	33.9
<i>Profit from Subsidiaries</i>	0.0	0.0	0.0	0.0	0.0
Profit Before Tax	9.1	1.5	45.5	-7.0	11.4
<i>Tax</i>	2.0	0.0	-2.7	1.0	-1.7
Net Income	7.1	1.5	42.8	-6.1	9.7

* 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

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