

TEKSTILBANK

Earnings Presentation
March 31, 2015 / BRSA Bank-Only

Macroeconomic environment in 1Q 2015...

- GDP growth rose to 2.6% in 4Q2014, leading to a modest growth rate of 2.9% in 2014. Indicators pointed to a weaker growth performance in the first quarter of this year.
- CPI inflation declined less-than-anticipated to 7.6% as of March, from 8.2% recorded at the end of 2014
- Central Bank reduced its policy rate by 75bps to 7.5% in the first two months of the year, thanks to sharp decline in oil prices
- However rate cuts ceased afterwards, due to TL's weakening and slower-than-expected fall in inflation
- Downtrend continued in current account deficit, which contracted by 38% y/y, to US\$5.2bn during the first two months of the year

Higher interest rates curbed NIM in 1Q

Highlights of 1Q 2015:

- Balance sheet contracted by 10% in the first quarter
- Higher interest rates and higher swap costs, in addition to reduced demand for loans, resulted in tighter spreads and lower NIM
- NPL rose to 5.9%
- CAR advanced further to 19.5%
- OPEX remained intact vs the first quarter of 2014
- Both Chinese banking authority (CBRC) and BRSA approved sale of 75.5% shares of Tekstilbank to ICBC. Extraordinary General Assembly of the Bank will be held on May 22, 2015.

Looking into 2015

Macroeconomy

- Timing and magnitude of Fed's rate hikes will be crucial for all emerging markets, in addition to ongoing geopolitical risks around Turkey, and general elections on June 7
- A modest growth rate of 3.5% is foreseen, following 2.9% growth recorded in 2014
- Further fall in inflation to 6.2%, due to lower oil prices and more benign food sector
- CB is likely to hold rates at least until the elections, hit by the TL's weakening and lack of a solid improvement in food sector

Banking Sector

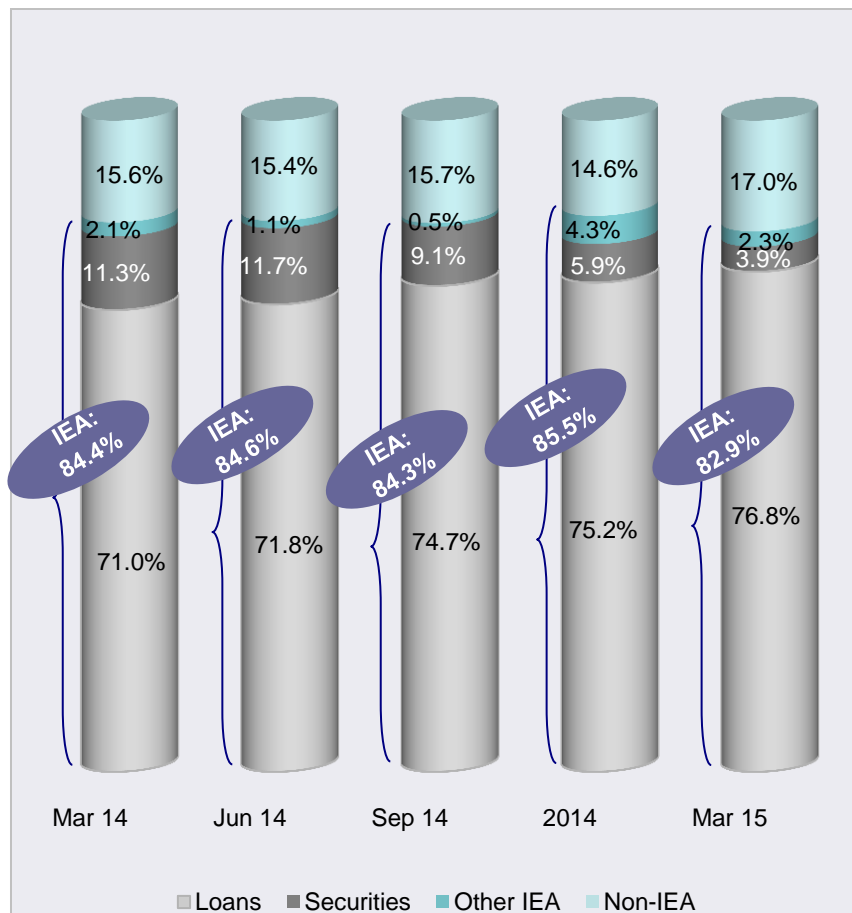
- Loan growth around 17%, under relatively better macroeconomic outlook
- Slightly higher NIM, thanks to more dovish CB
- Asset quality may weaken due to lack of a strong growth environment

Tekstilbank

- Tekstilbank will continue to be in a transition period awaiting the finalization of ICBC's takeover process
- During that period, conservative growth approach will prevail, as well as, extensive focus on collections
- High level of CAR will be preserved

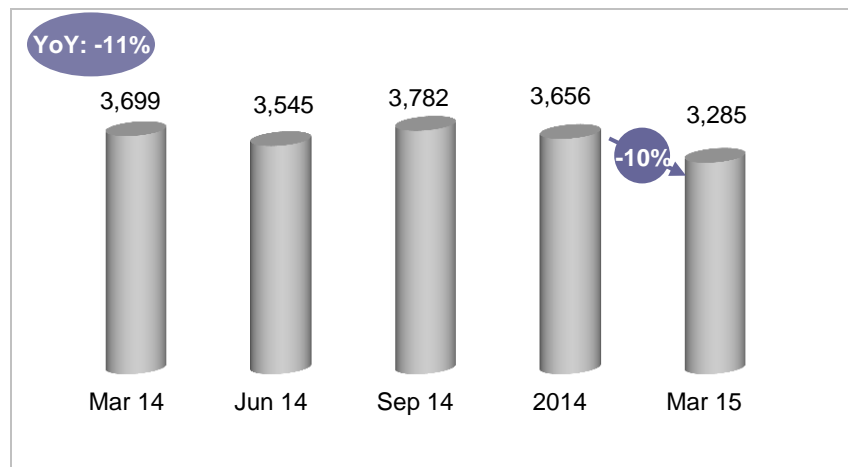
Balance sheet declined by 10% in the first quarter...

Composition of Assets

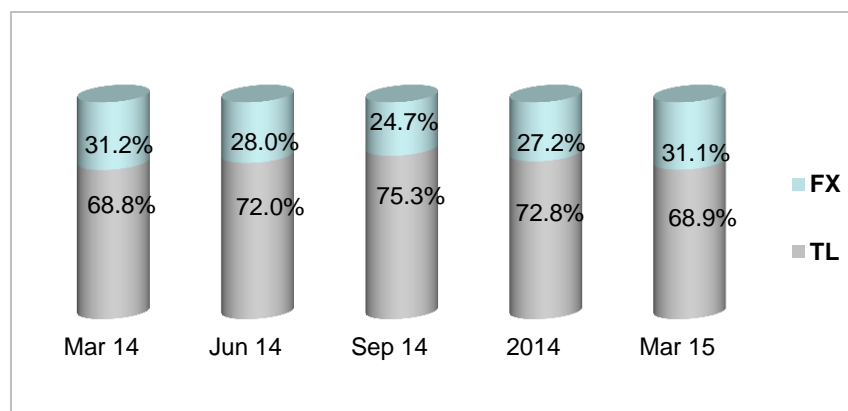


* FX-indexed cash loans are included in FX assets

Total Assets (TLmn)



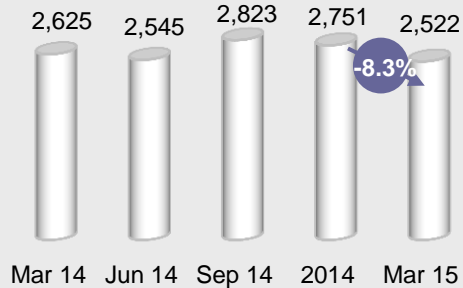
Currency Composition of Assets*



Loans dropped by 8.3%

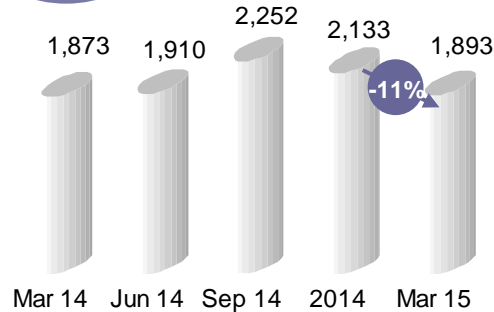
Total Cash Loans (TLmn)

YoY: -3.9%

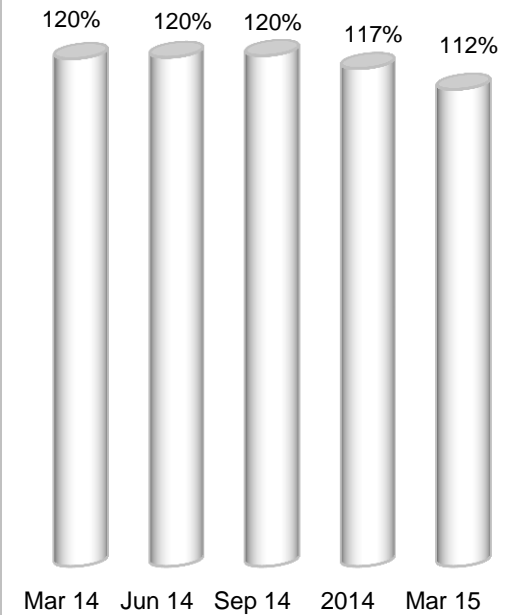


TL Cash Loans* (TLmn)

YoY: 1.1%

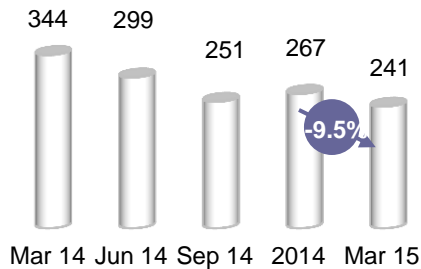


Loans / Customer Deposits

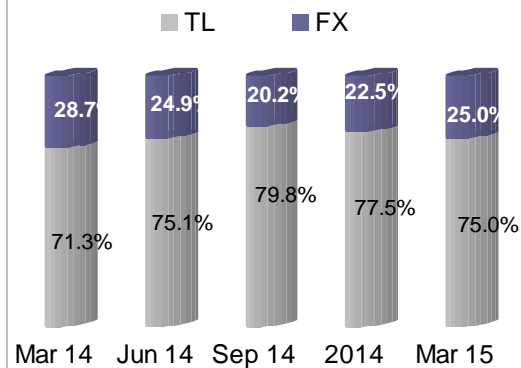


FX Cash Loans* (US\$m)

YoY: -30%



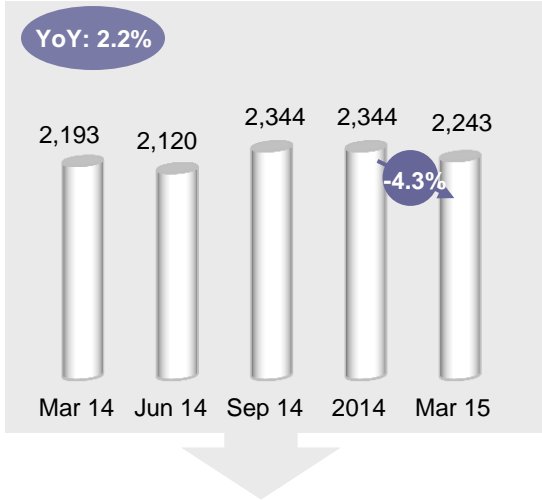
Currency Breakdown of Cash Loans*



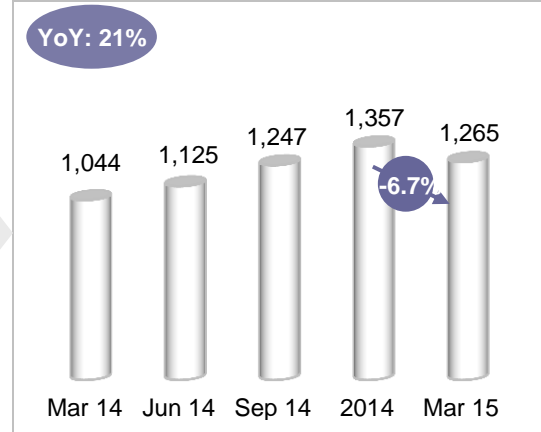
* FX-indexed cash loans are included in FX cash loans

Deposits descended by 4.3%

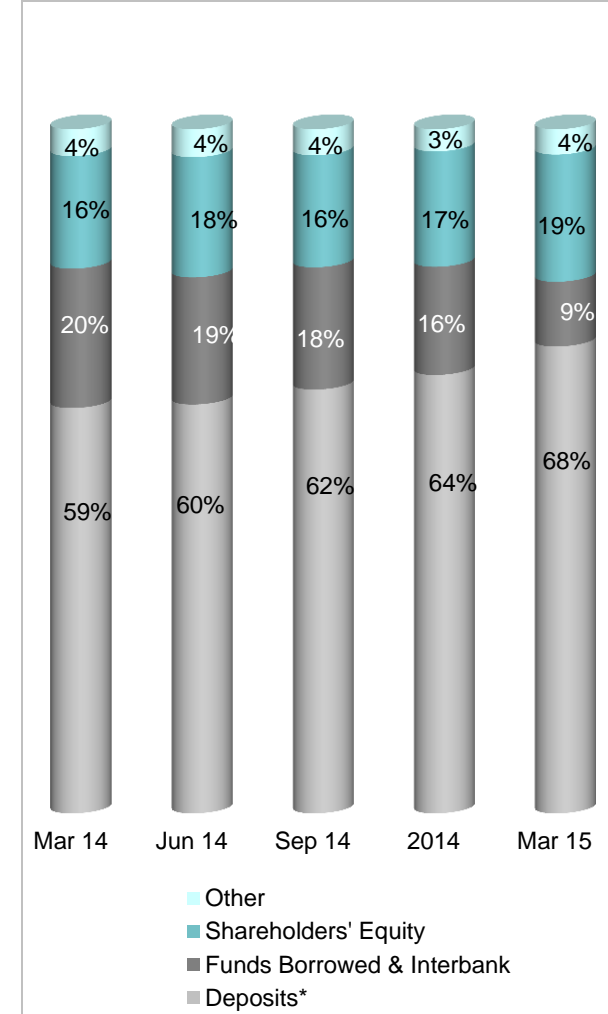
Total Deposits* (TLmn)



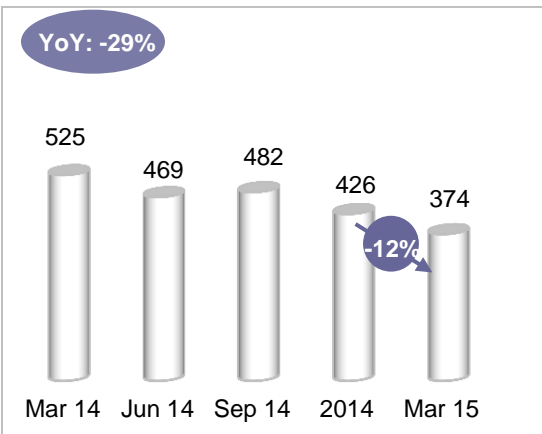
TL Deposits* (TLmn)



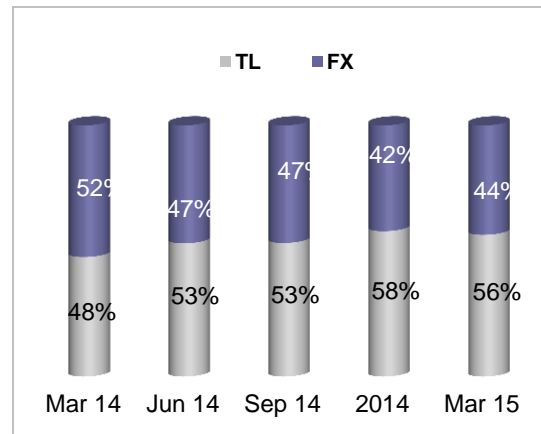
Composition of Liabilities & SHE



FX Deposits* (US\$mn)



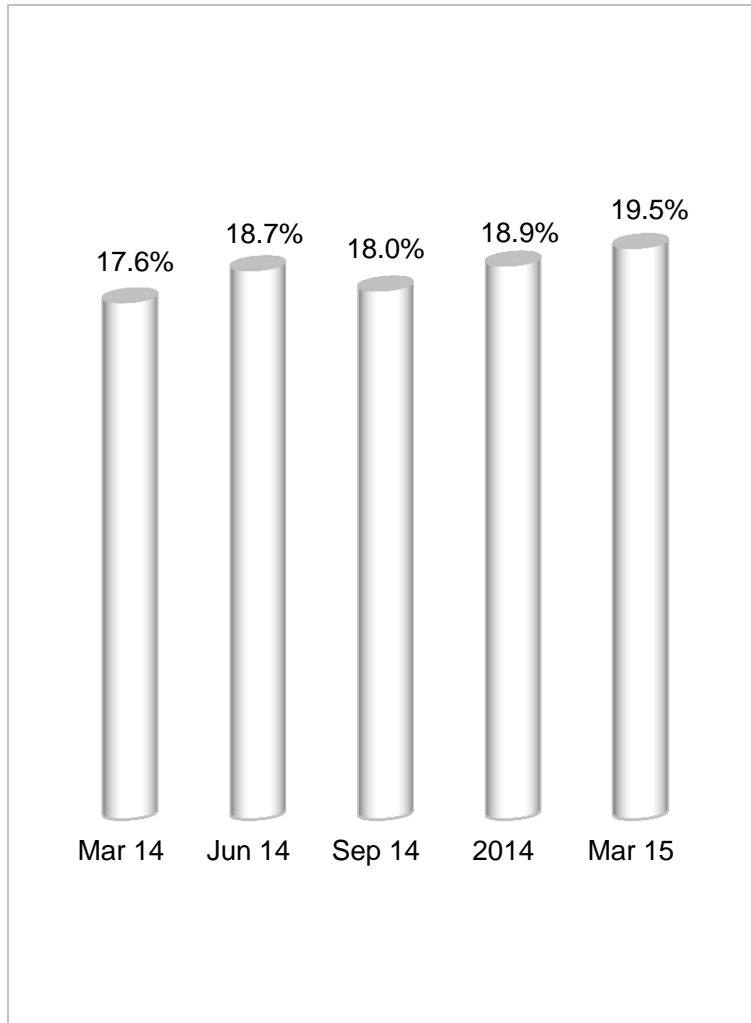
Currency Breakdown*



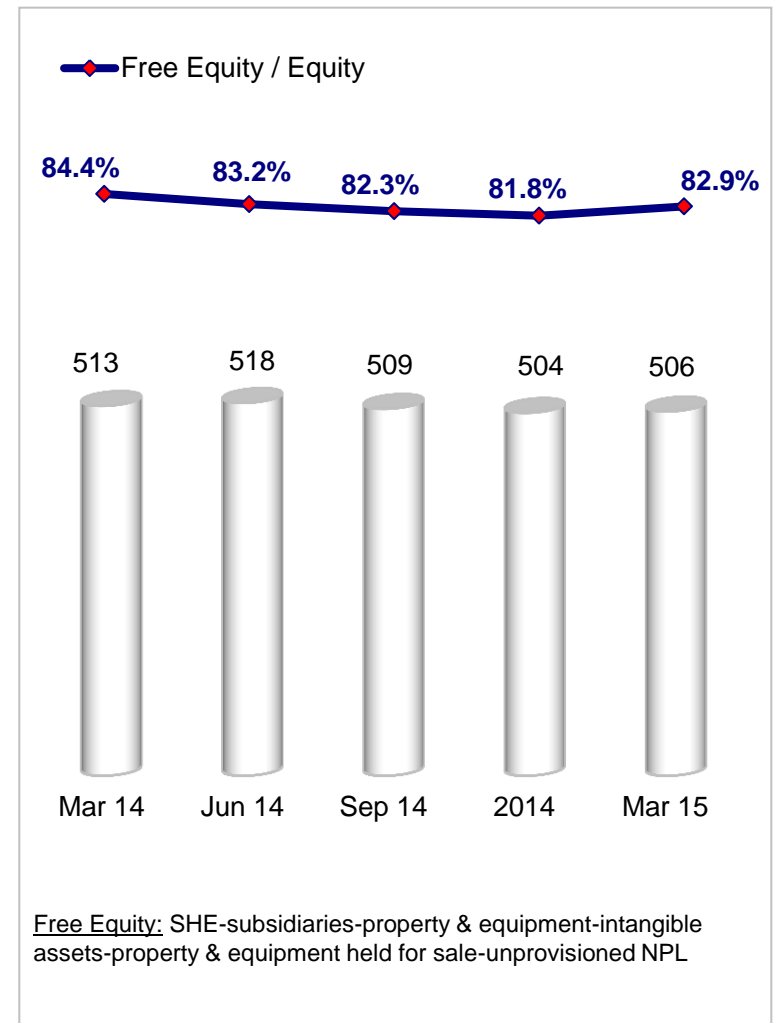
* Excluding bank deposits

CAR increased to 19.5%

Capital Adequacy Ratio (CAR)

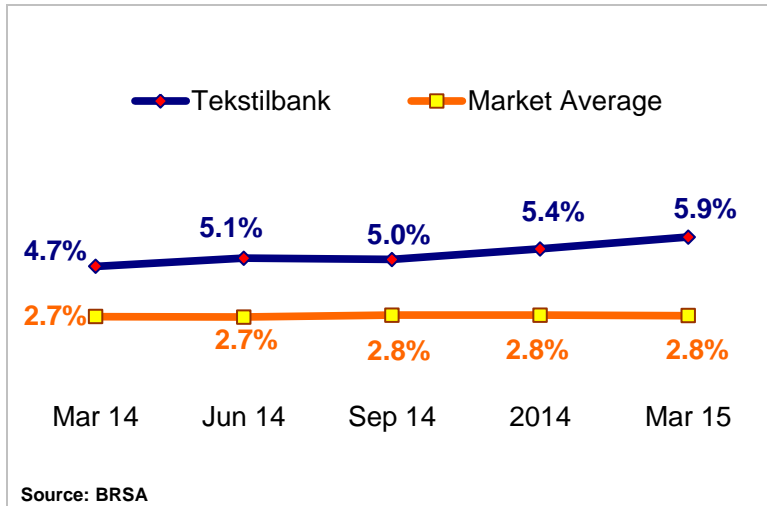


Free Equity (TLmn)

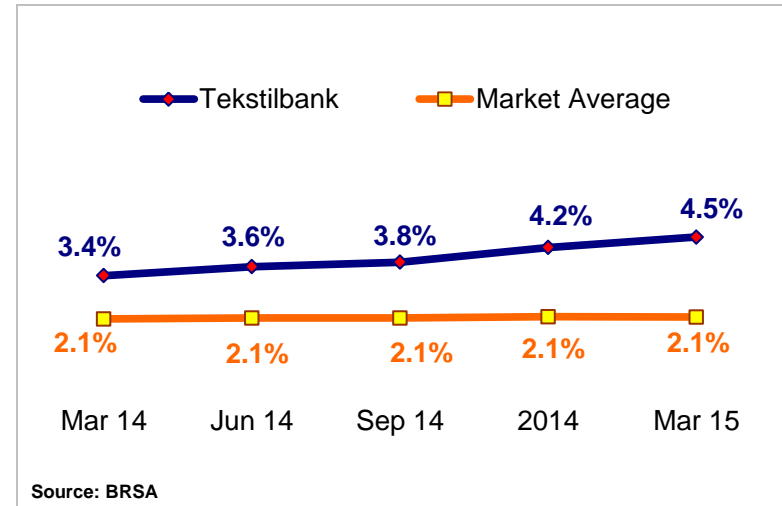


Cost of risk retreated to 1.3%

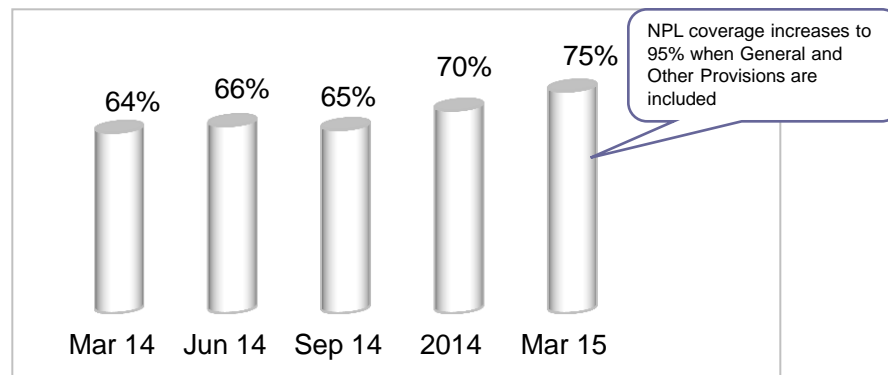
NPL Ratio



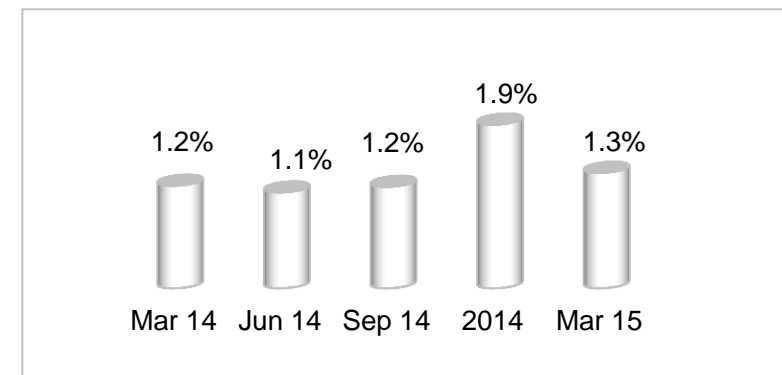
NPL Ratio (including non-cash loans)



NPL Coverage

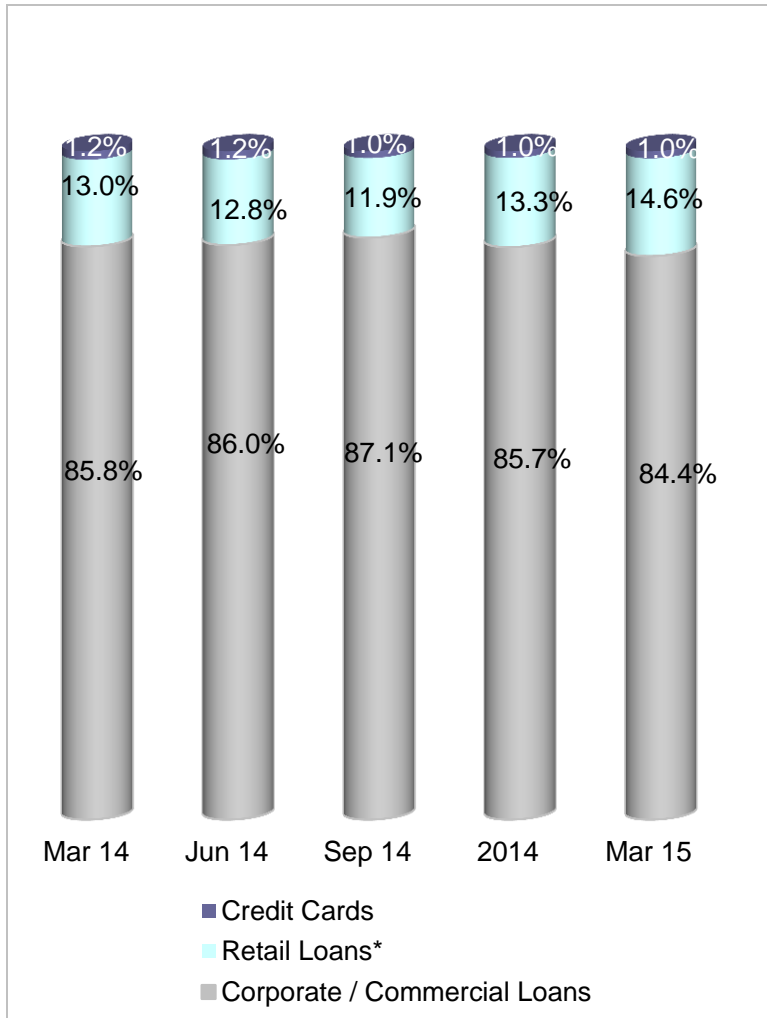


Cost of Risk (quarterly)

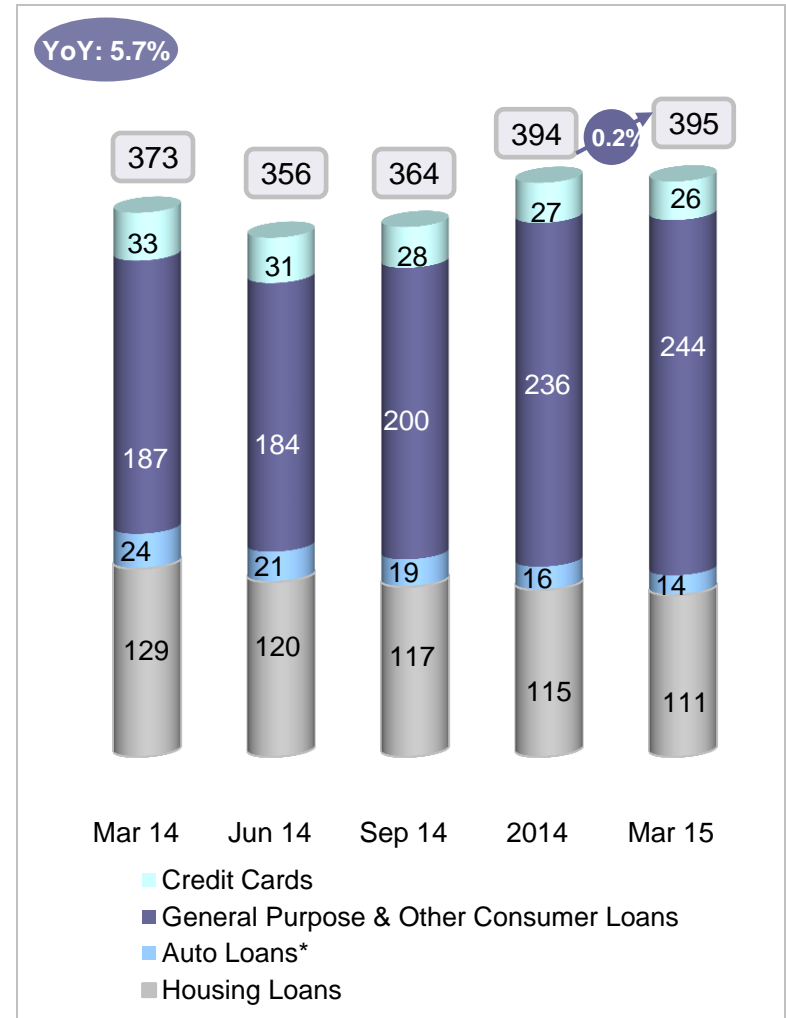


Corporate loans continued to be the main focus of Tekstilbank

Breakdown of Loan Portfolio



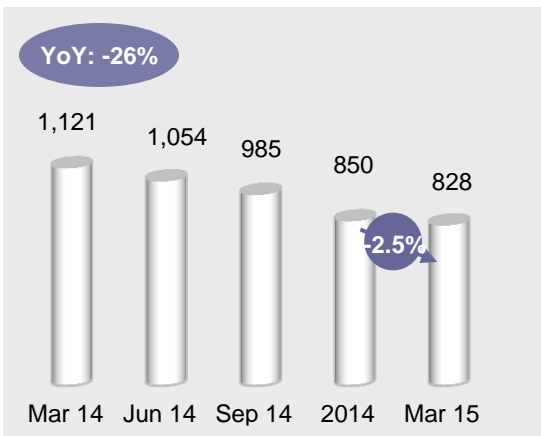
Breakdown of Retail Loans (TLmn)



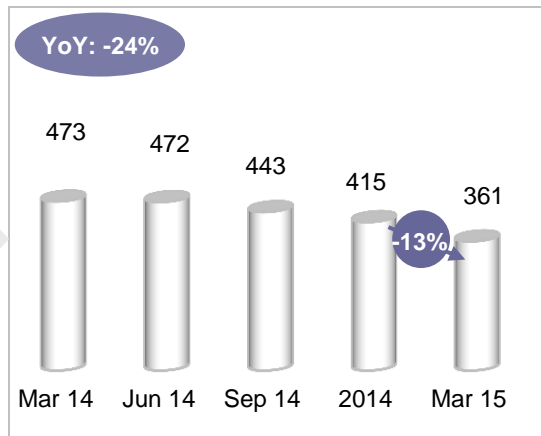
*Specialized loans granted to farmers for vehicle purchases are classified in retail loans

Non-cash loans slumped by 2.5%

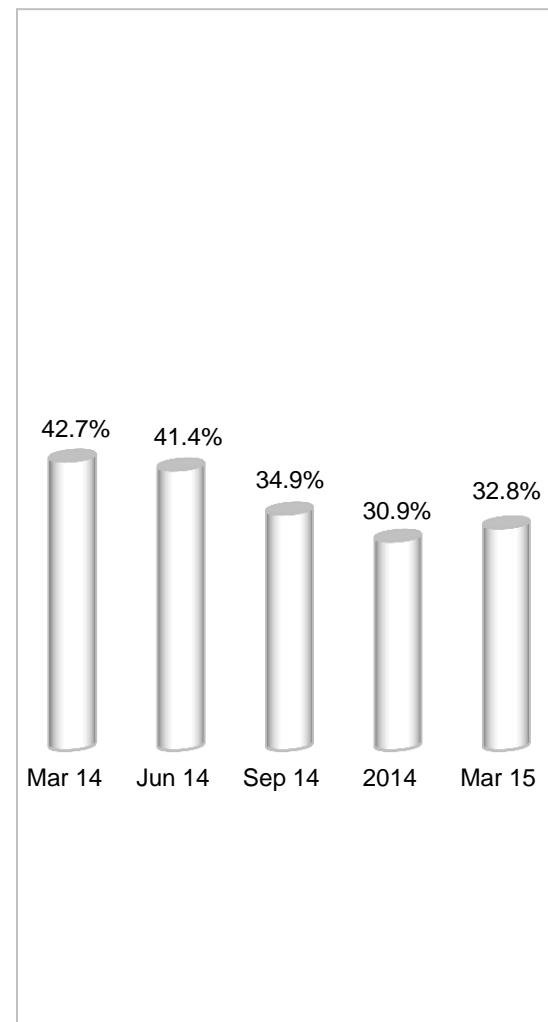
Total Non-Cash Loans (TLmn)



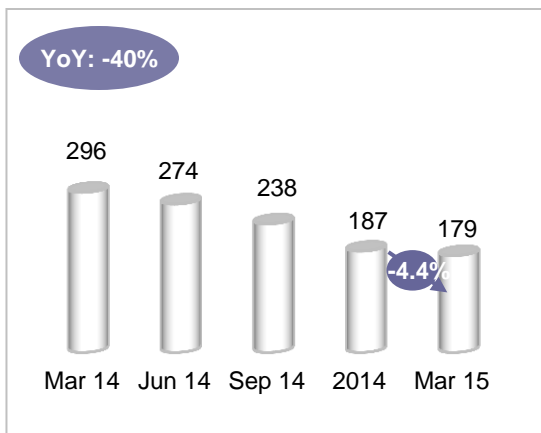
TL Non-Cash Loans (TLmn)



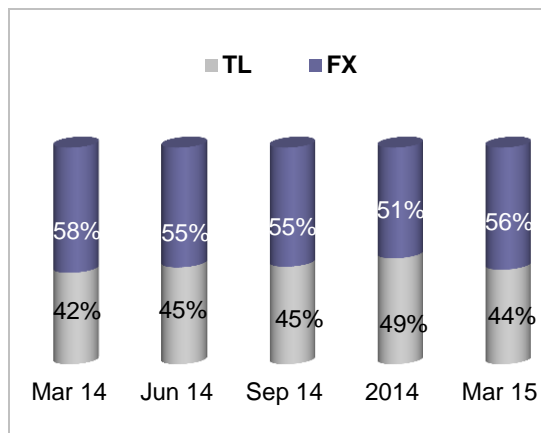
Non-Cash / Cash Loans



FX Non-Cash Loans (US\$m)

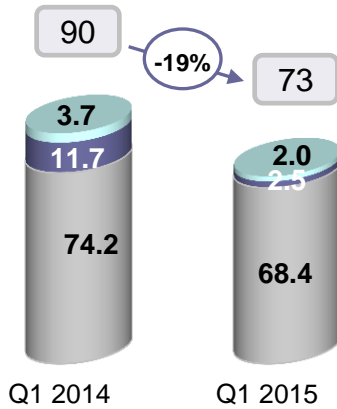


Currency Breakdown of Non-Cash Loans

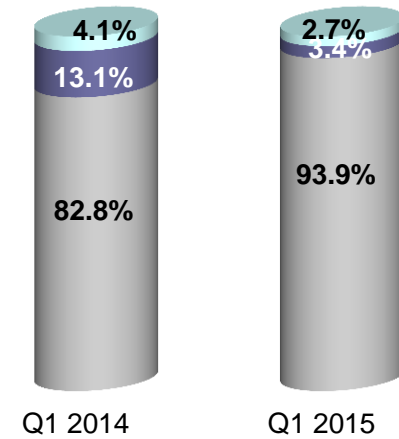


Elevated interest rates, coupled with less loan demand...

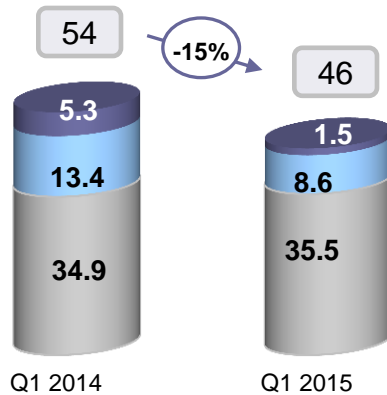
Interest Income (TLmn)



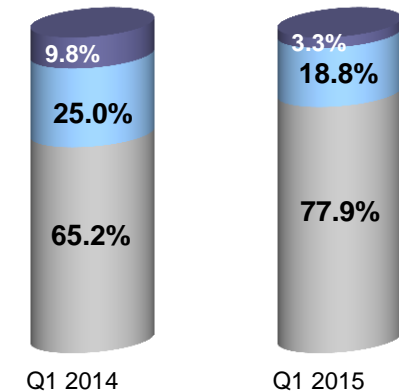
Composition of Interest Income



Interest Expense (TLmn)

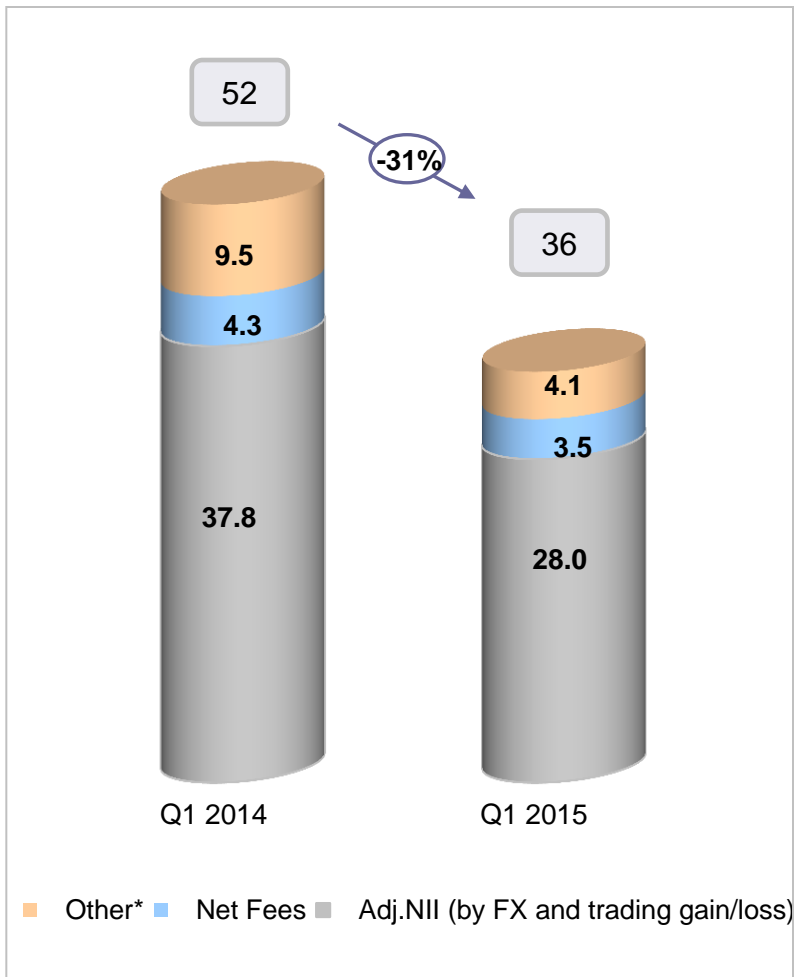


Composition of Interest Expense

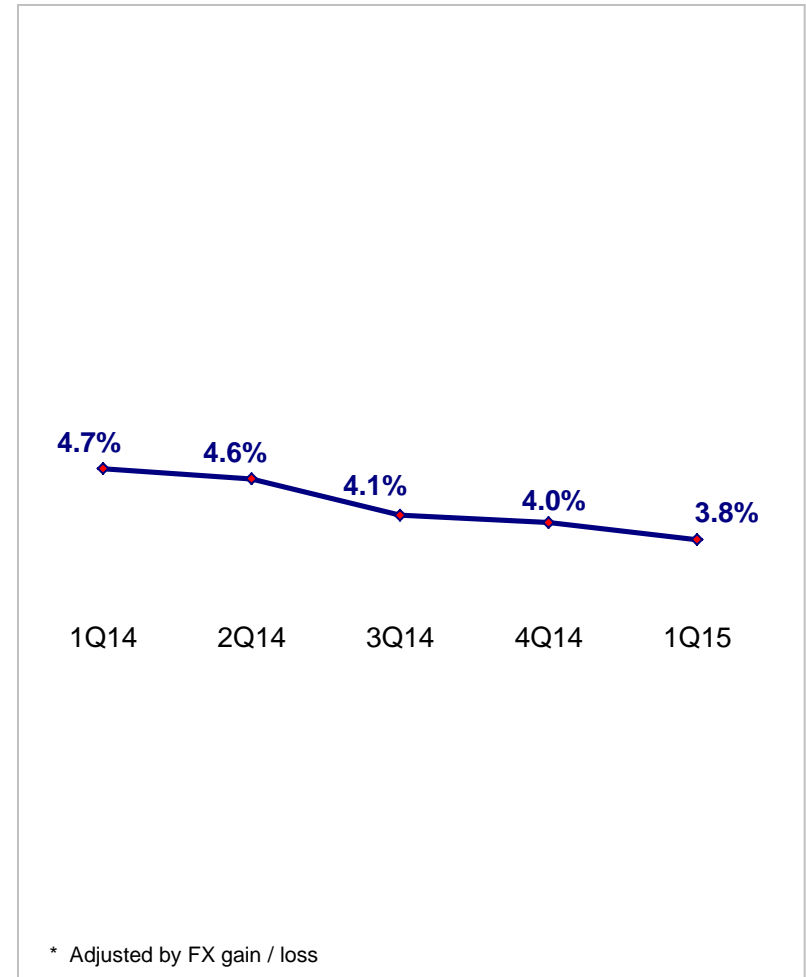


...resulted in lower net interest margin

Banking Income (TLmn)

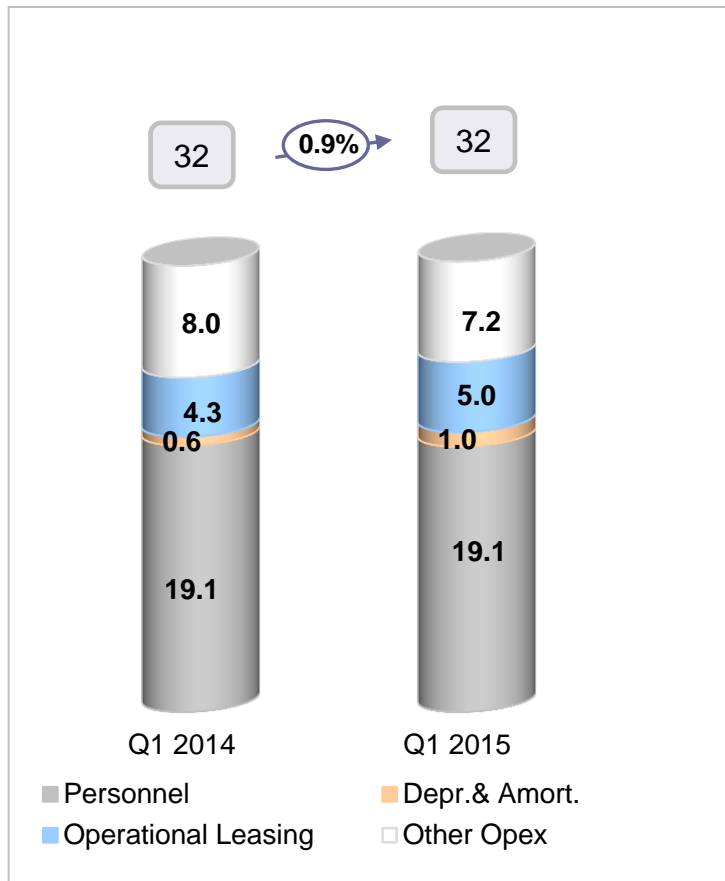


Adjusted Net Interest Margin* (Quarterly)

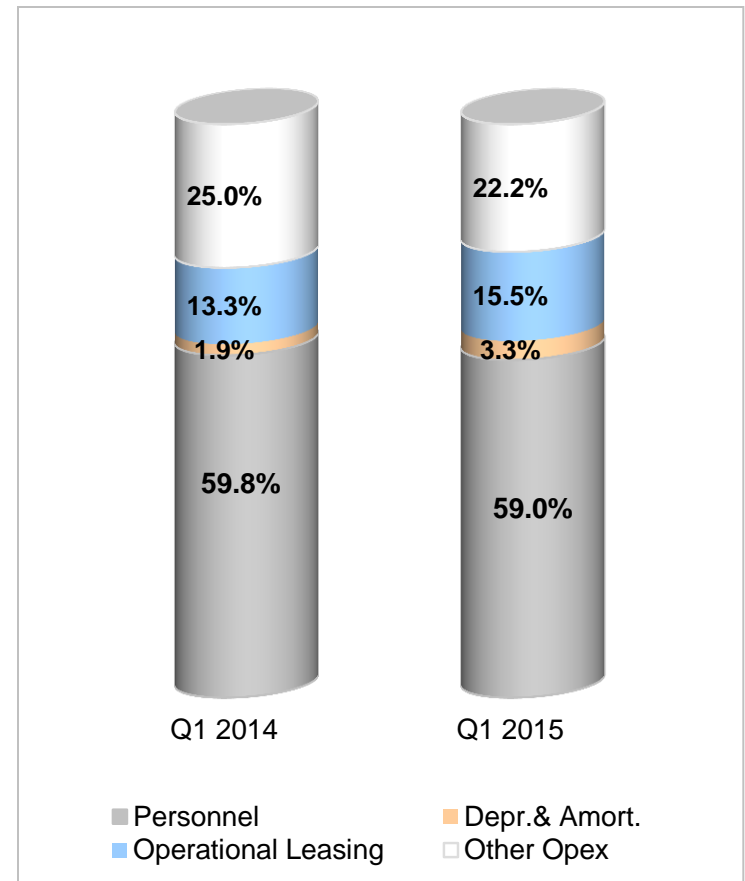


OPEX remained almost intact vs the same term of 2014

Operating Expenses (TLmn)



Composition of Operating Expenses



Summary Balance Sheet...

| TL million | Mar 2014 | Dec 2014 | Mar 2015 |
|--|--------------|--------------|--------------|
| Cash & Banks | 476 | 507 | 469 |
| Total Securities | 417 | 216 | 127 |
| Total Cash Loans | 2,625 | 2,751 | 2,522 |
| Fixed Assets & Subsidiaries | 49 | 65 | 64 |
| Other | 132 | 117 | 103 |
| Total Assets | 3,699 | 3,656 | 3,285 |
| Deposits* | 2,193 | 2,344 | 2,242 |
| Interbank Money Market* | 380 | 229 | 67 |
| Borrowings | 373 | 348 | 244 |
| Other | 145 | 119 | 122 |
| SHE | 608 | 616 | 610 |
| Total Liabilities & SHE | 3,699 | 3,656 | 3,285 |

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

Summary Income Statement...

| TL million | 1Q 2014 | 2Q 2014 | 3Q 2014 | 4Q 2014 | 1Q 2015 |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|
| Interest Income | 89.6 | 89.3 | 81.1 | 79.7 | 72.8 |
| <i>Loans</i> | 74.2 | 75.4 | 72.7 | 73.5 | 68.4 |
| <i>Securities</i> | 11.7 | 13.6 | 7.9 | 5.5 | 2.5 |
| <i>Other</i> | 3.7 | 0.3 | 0.5 | 0.6 | 2.0 |
| Interest Expense | 53.6 | 54.6 | 49.7 | 48.3 | 45.6 |
| <i>Deposits</i> | 34.9 | 36.0 | 31.7 | 31.8 | 35.5 |
| <i>Funds Borrowed</i> | 13.4 | 13.1 | 13.4 | 15.0 | 8.6 |
| <i>Other Borrowings</i> | 5.3 | 5.5 | 4.6 | 1.5 | 1.5 |
| Net Interest Income | 36.0 | 34.7 | 31.4 | 31.4 | 27.2 |
| <i>Net FX Gain (Loss)*</i> | 1.8 | 0.6 | 0.6 | 0.6 | 0.8 |
| Adj. Net Interest Income | 37.8 | 35.3 | 32.0 | 32.0 | 28.0 |
| <i>Net Trading Income (Loss)*</i> | 0.0 | 0.0 | 5.0 | 4.0 | 0.0 |
| <i>Net Fees & Commissions</i> | 4.3 | 5.0 | 4.3 | 4.0 | 3.5 |
| <i>Other Operating Income</i> | 9.5 | 3.2 | -0.6 | 4.4 | 4.1 |
| Total Operating Income | 51.6 | 43.5 | 40.7 | 44.4 | 35.5 |
| <i>Provisions</i> | 8.6 | 8.1 | 8.8 | 14.0 | 10.3 |
| <i>Opex</i> | 32.0 | 32.4 | 30.5 | 31.9 | 32.3 |
| <i>Profit from Subsidiaries</i> | 0.0 | 1.3 | 0.0 | 0.0 | 0.0 |
| Profit/ Loss Before Tax | 11.0 | 4.3 | 1.4 | -1.6 | -7.1 |
| <i>Tax</i> | 1.6 | 0.7 | 0.7 | -0.4 | -1.5 |
| Net Profit/ Loss | 9.4 | 3.6 | 0.7 | -1.2 | -5.6 |

* 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 2014 | 2Q 2014 | 3Q 2014 | 4Q 2014 | 1Q 2015 |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|
| Interest Income | 90.4 | 90.2 | 82.2 | 80.8 | 74.1 |
| <i>Loans</i> | 74.8 | 75.9 | 73.4 | 74.2 | 69.3 |
| <i>Securities</i> | 11.7 | 13.7 | 7.9 | 5.6 | 2.5 |
| <i>Other</i> | 3.9 | 0.6 | 0.9 | 1.0 | 2.2 |
| Interest Expense | 53.6 | 54.5 | 49.7 | 48.3 | 45.6 |
| <i>Deposits</i> | 34.9 | 35.9 | 31.7 | 31.8 | 35.5 |
| <i>Funds Borrowed</i> | 13.4 | 13.1 | 13.4 | 15.0 | 8.6 |
| <i>Other Borrowings</i> | 5.3 | 5.5 | 4.6 | 1.5 | 1.5 |
| Net Interest Income | 36.8 | 35.7 | 32.5 | 32.5 | 28.4 |
| <i>Net FX Gain (Loss)*</i> | 1.8 | 0.6 | 0.6 | 0.6 | 0.8 |
| Adj. Net Interest Income | 38.6 | 36.3 | 33.1 | 33.1 | 29.3 |
| <i>Net Trading Income (Loss)*</i> | 1.2 | 1.4 | 6.4 | 5.7 | 1.7 |
| <i>Net Fees & Commissions</i> | 4.6 | 5.2 | 4.5 | 4.2 | 3.6 |
| <i>Other Operating Income</i> | 9.4 | 3.2 | -0.7 | 4.2 | 4.0 |
| Total Operating Income | 53.8 | 46.1 | 43.3 | 47.2 | 38.6 |
| <i>Provisions</i> | 8.5 | 8.2 | 8.8 | 14.1 | 10.3 |
| <i>Opex</i> | 33.9 | 34.5 | 32.6 | 34.0 | 34.4 |
| <i>Profit from Subsidiaries</i> | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Profit/ Loss Before Tax | 11.4 | 3.4 | 1.9 | -0.9 | -6.1 |
| <i>Tax</i> | 1.7 | 0.8 | 0.8 | 0.2 | 1.3 |
| Net Profit/ Loss | 9.7 | 2.6 | 1.1 | -0.7 | -4.8 |

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

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