

TEKSTİLBANK

Earnings Presentation
December 31, 2011 / BRSA Bank-Only

A succesful quarter with an eye-catching income growth...

Highlights of Q4 2011:

- Strong loan growth, above sector average
- Notable improvement in NIM, thanks to better spreads and CPI-linkers
- Lower, but still strong CAR at 16%
- Slightly higher NPL

Environment in 2011...

Macroeconomy

- Another strong growth rate of around 8.3%, after 9% in 2010
- Successful fiscal performance
- On-going concerns over C/A deficit, and fragile financing structure
- Rising inflation to 10.5%, from 6.4% recorded at 2010-end
- CB's slight monetary tightening in 1H via RRR hikes, replaced with lower policy rate, lower RRR, but higher funding costs, in order to curb TL's depreciation, in 2H

Banking Sector

- On-going pressure on NIM, hit by the higher RRR
- Significantly higher funding cost in 4Q
- Strong loan growth of ~ 60% at the beginning of the year, declining gradually to ~ 20% in year-end, through macro-prudential measures
- Further improvement in asset quality
- Higher pressure on liquidity, due to elevated RRR

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- Successful balance sheet growth
- Improvement in NPL ratio
- Suppressed cost of risk
- Increasing interest revenues from commercial activities
- Pressure on NIM, attributable to regulatory measures
- Strong capital adequacy ratio

Expectations for 2012...

Macroeconomy

- Weak global growth, due to high uncertainty and low demand originating from Euro-zone
- Soft-landing Turkish economy, with a modest growth rate of 3%
- Successful fiscal performance
- Lower, but still high C/A deficit, with a fragile financing structure
- More focus on combat with inflation: Monetary policy may remain tight until inflationary risks (mainly weakening TL) evaporate, and inflation expectations descent

Banking Sector

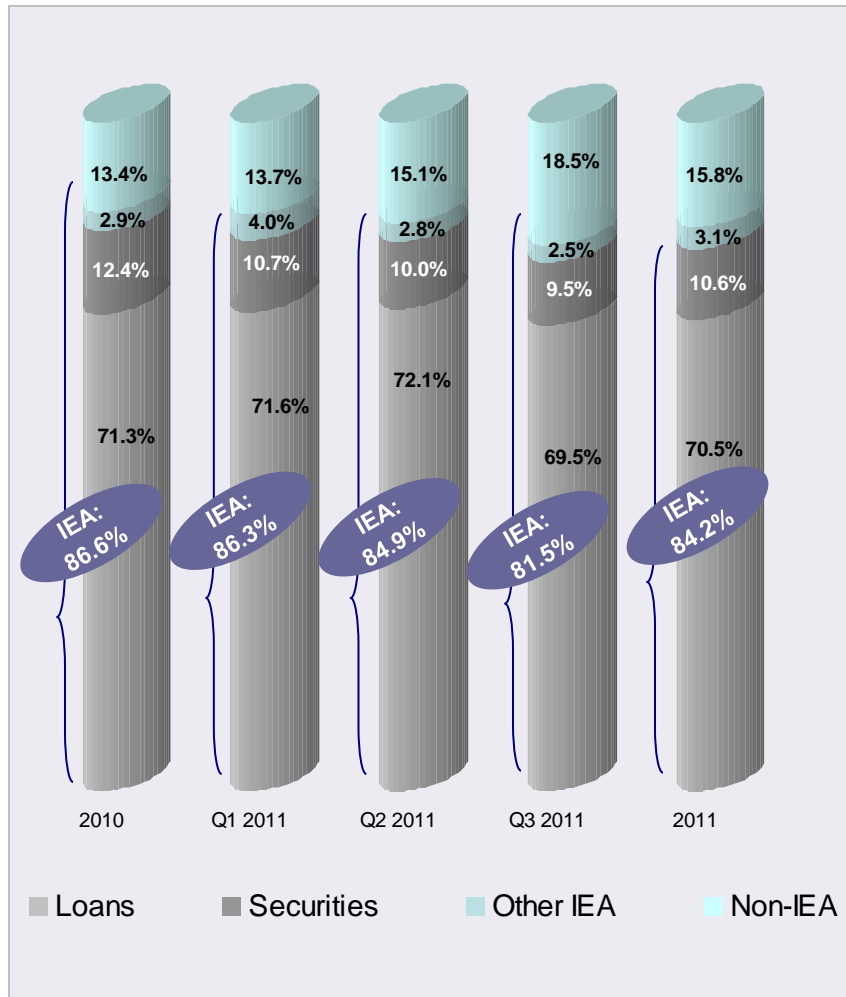
- A modest loan growth of around 15%, vs. 29.5% at the end of 2011
- Marginal change in profitability
- Depressing margins, due to lower growth, but may be offset by a possible decline in RR costs
- Continued high funding costs
- Similar levels for asset quality like 2011

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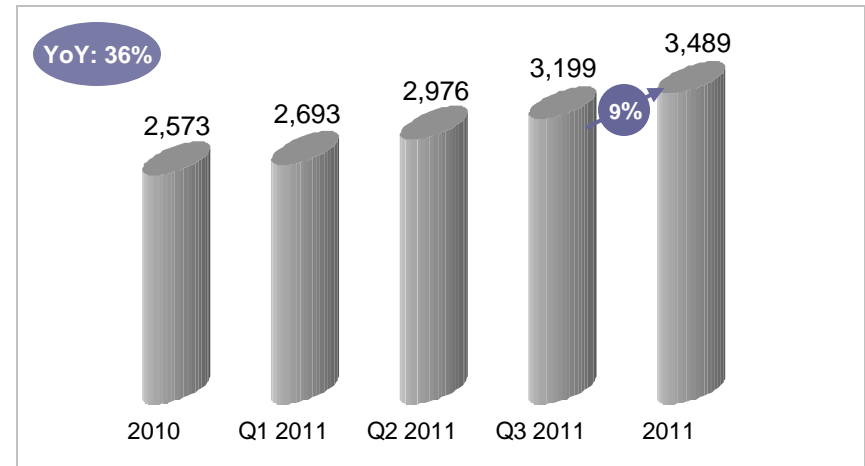
- Preserving cautious growth policy
- Increasing cross-selling opportunities for profitability
- Maintaining free equity
- Achieving additional improvement in asset quality

Solid balance sheet growth in 4Q, within an almost stable banking sector environment...

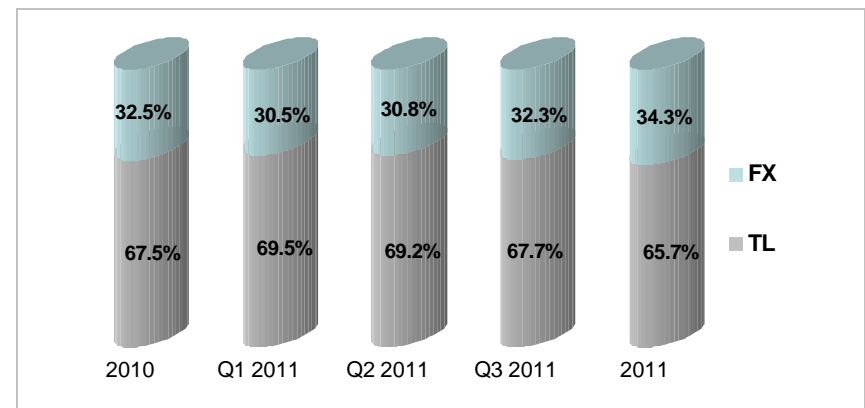
Composition of Assets*



Total Assets (TLmn)



Currency Composition of Assets**

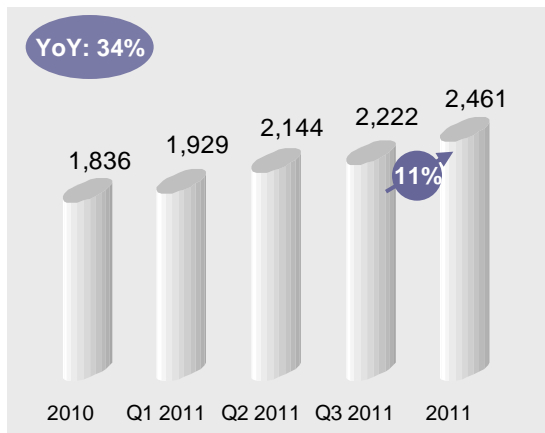


* Central Bank is excluded from Other IEA and included in Non-IEA from 2010-end onwards

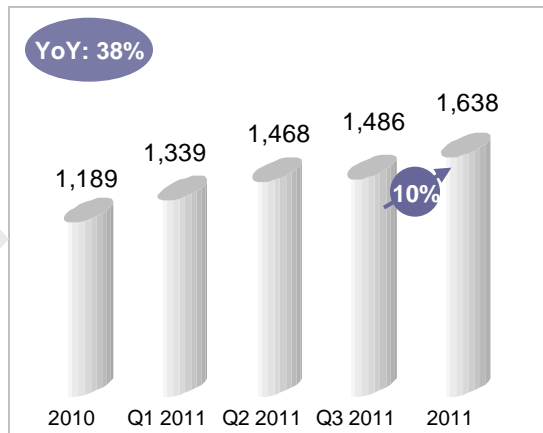
** FX-indexed cash loans are included in FX assets

...reflecting strong loan growth of 11%, vs. sector average at 3%...

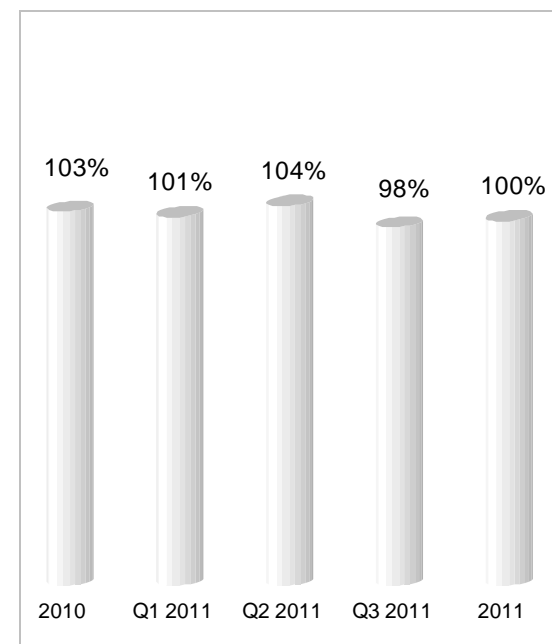
Total Cash Loans (TLmn)



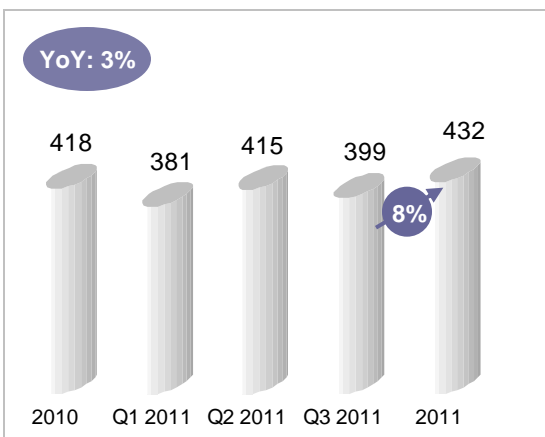
TL Cash Loans* (TLmn)



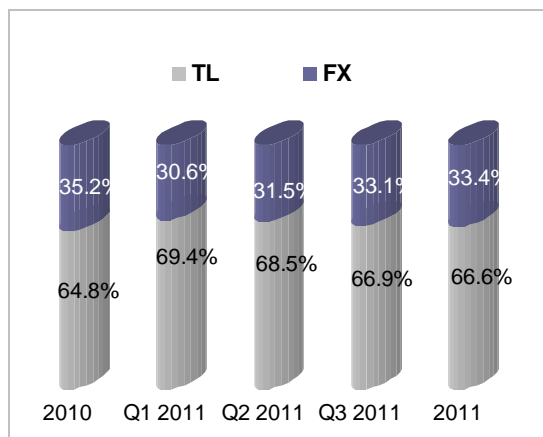
Loans / Customer Deposits



FX Cash Loans* (US\$m)



Currency Breakdown of Cash Loans*



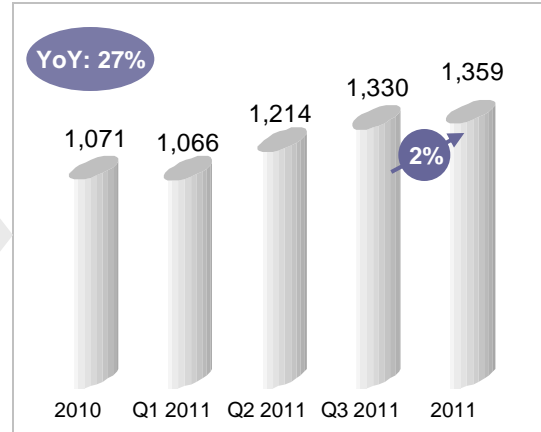
* FX-indexed cash loans are included in FX cash loans

...which was financed by F/X deposit growth

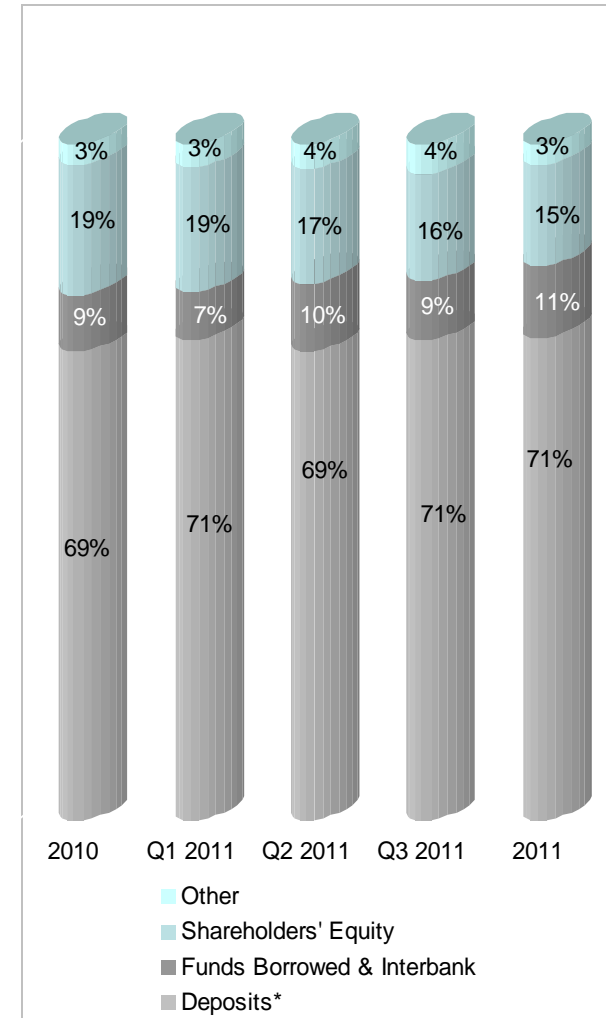
Total Deposits* (TLmn)



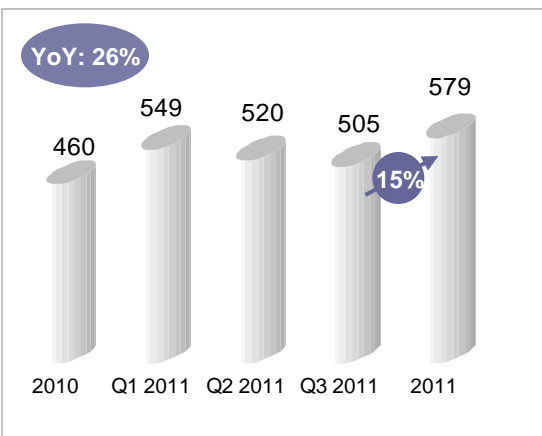
TL Deposits* (TLmn)



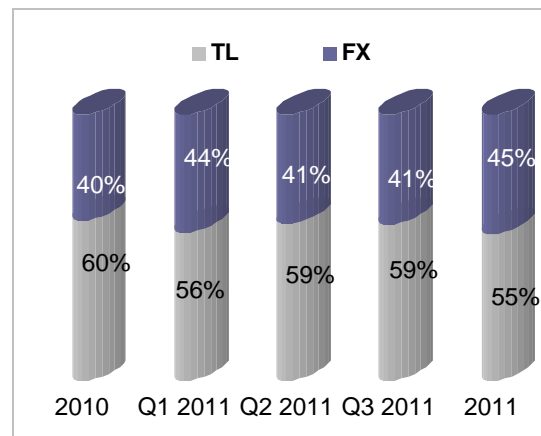
Composition of Liabilities & SHE



FX Deposits* (US\$mn)



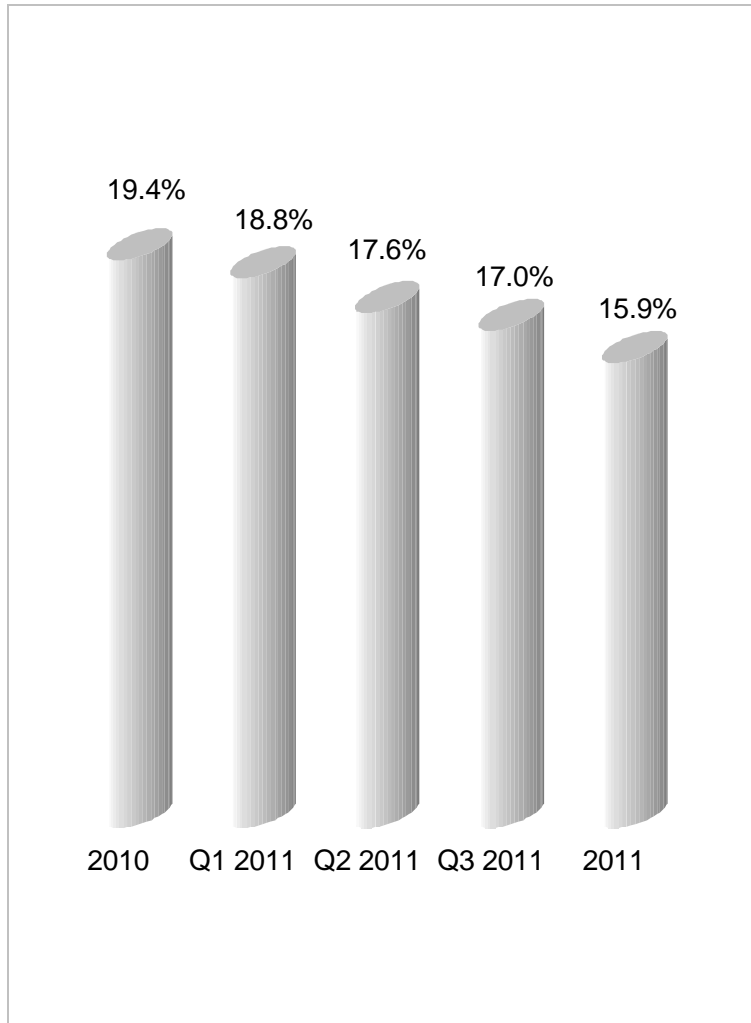
Currency Breakdown*



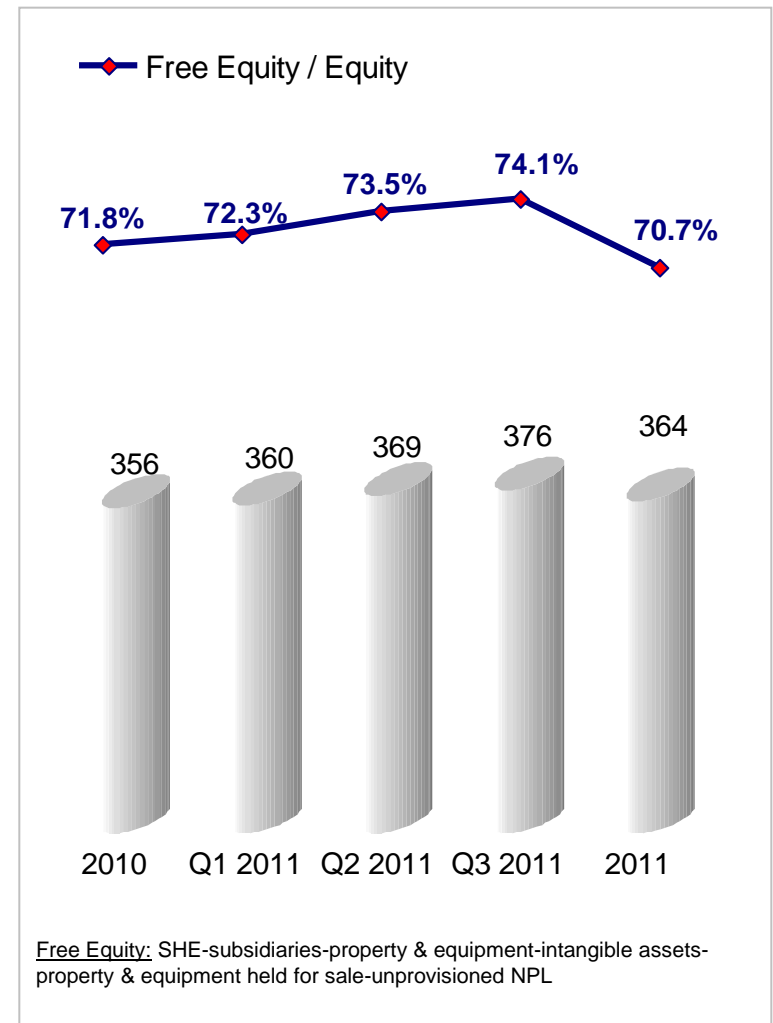
* Excluding bank deposits

Lower, but still strong CAR at 16%...

Capital Adequacy Ratio (CAR)



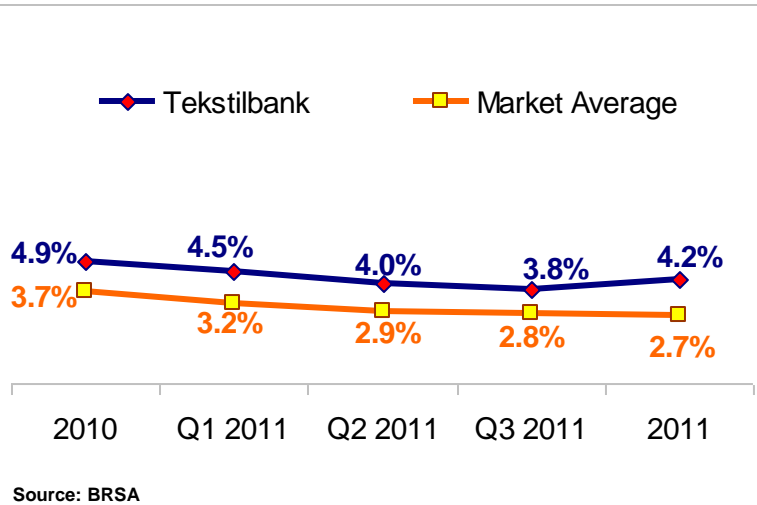
Free Equity (TLmn)



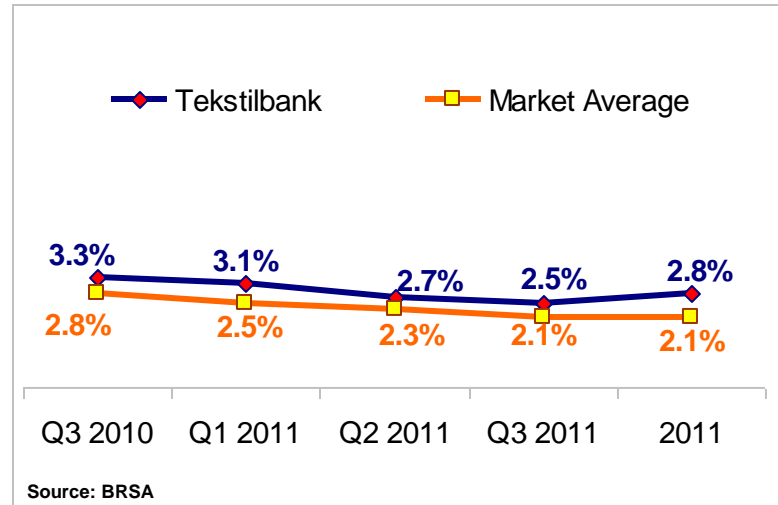
Free Equity: SHE-subidiaries-property & equipment-intangible assets-property & equipment held for sale-unprovisioned NPL

A modest increase in NPL ratio...

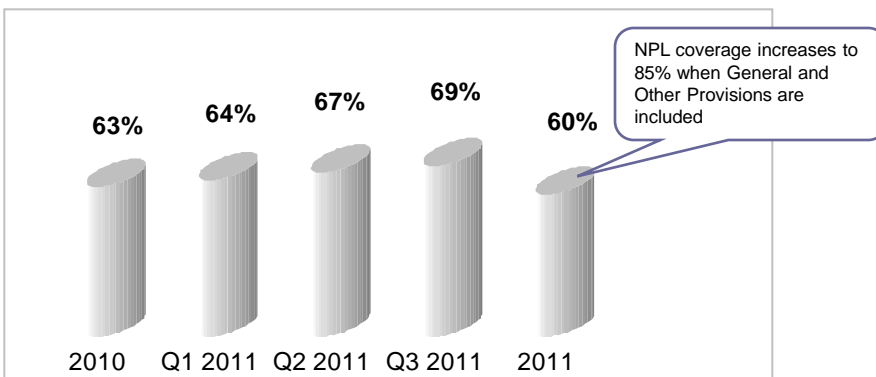
NPL Ratio



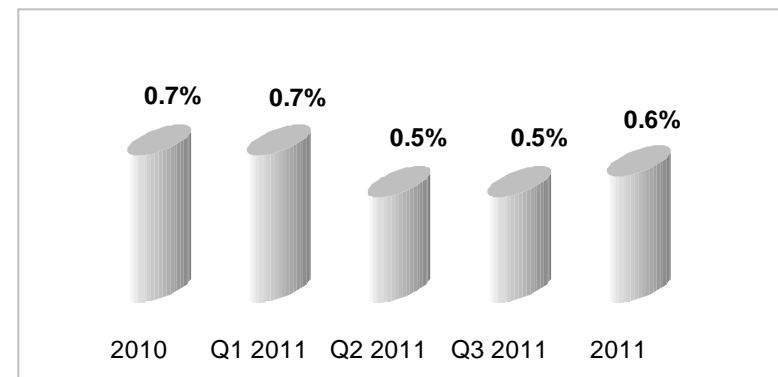
NPL Ratio (including non-cash loans)



NPL Coverage

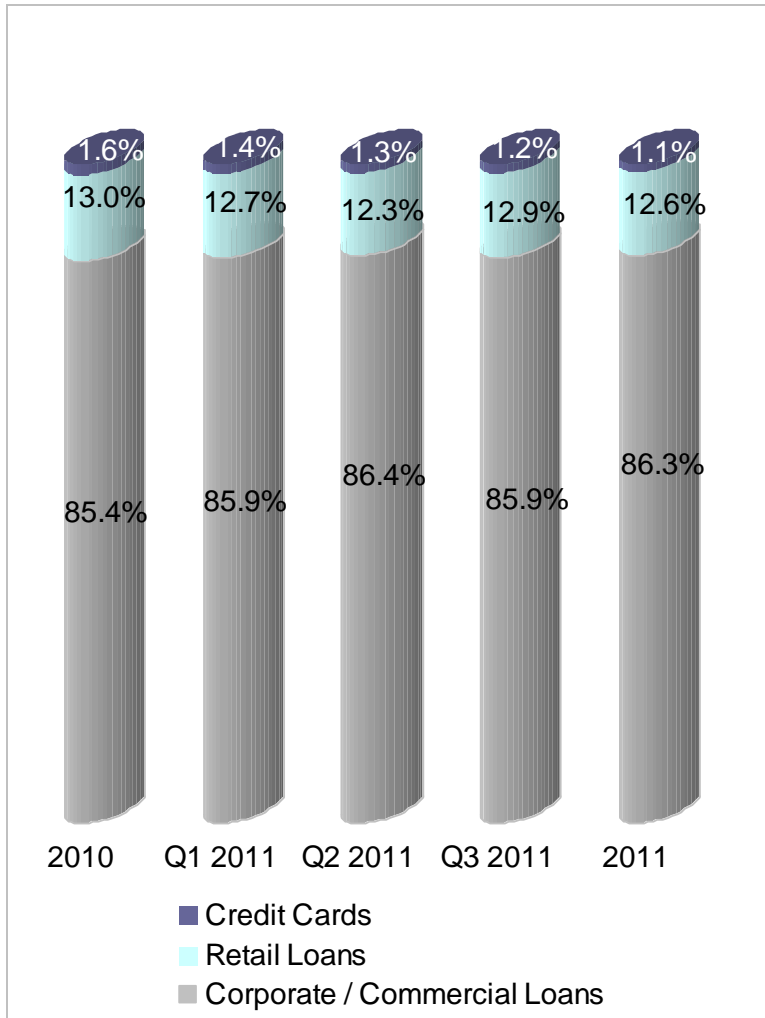


Cost of Risk

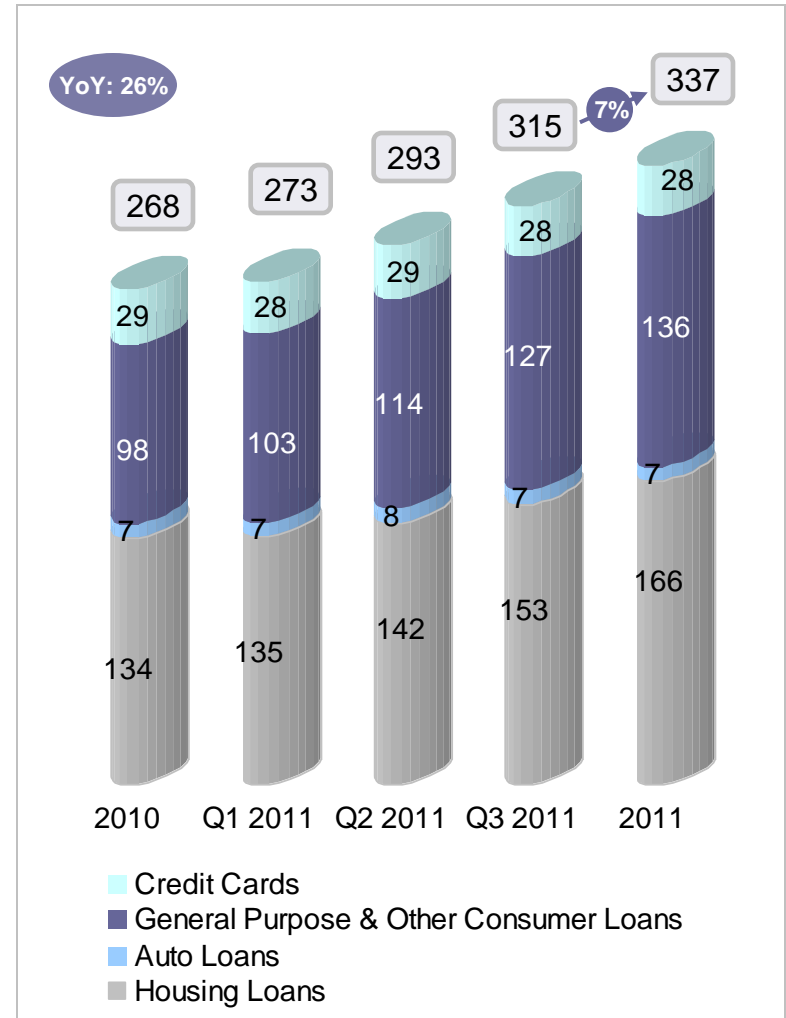


Corporate loans preserved their dominance...

Breakdown of Loan Portfolio

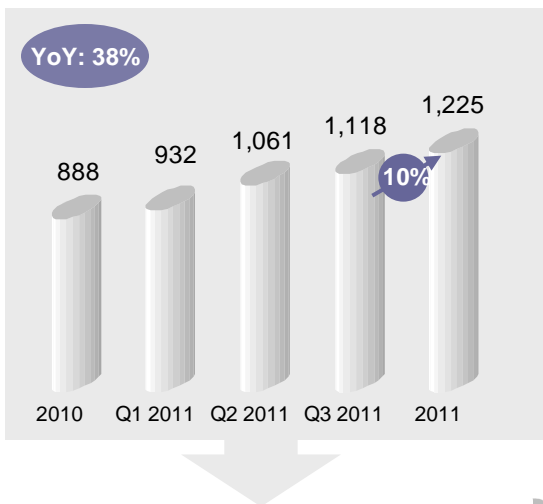


Breakdown of Retail Loans (TLmn)

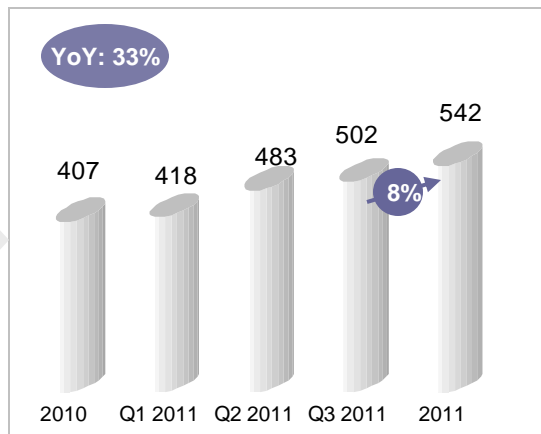


Non-cash loans headed upwards...

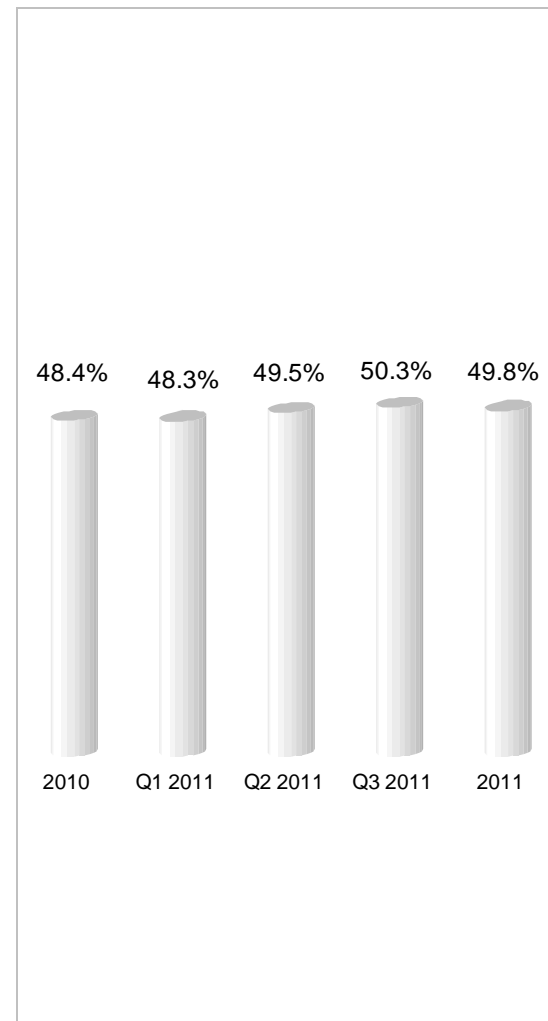
Total Non-Cash Loans (TLmn)



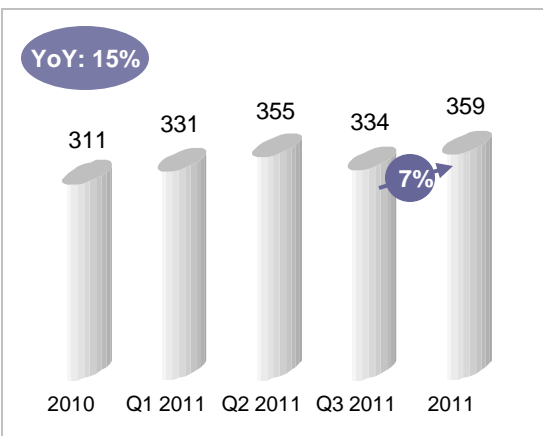
TL Non-Cash Loans (TLmn)



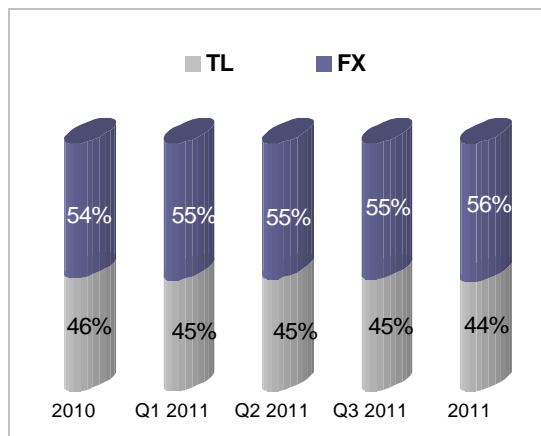
Non-Cash / Cash Loans



FX Non-Cash Loans (US\$m)

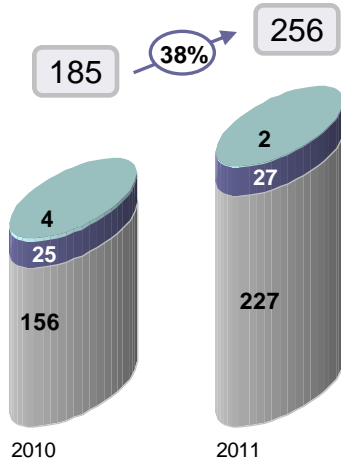


Currency Breakdown of Non-Cash Loans

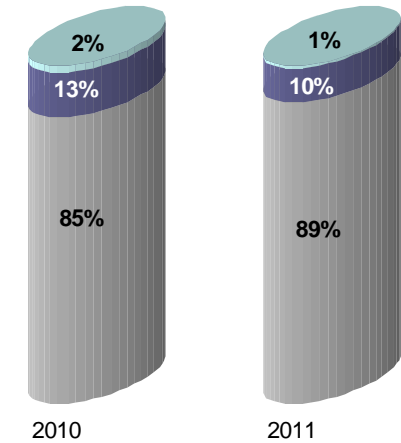


Interest expense was up on higher RRR and funding cost, suppressed by strong interest income...

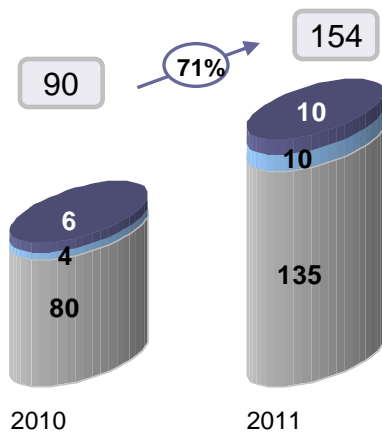
Interest Income (TLmn)



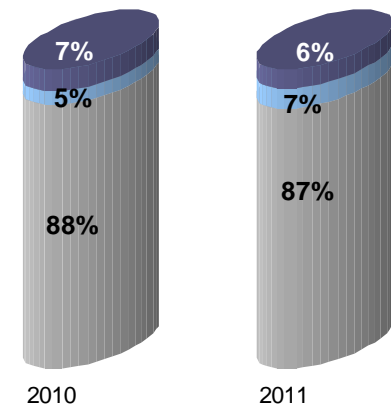
Composition of Interest Income



Interest Expense (TLmn)

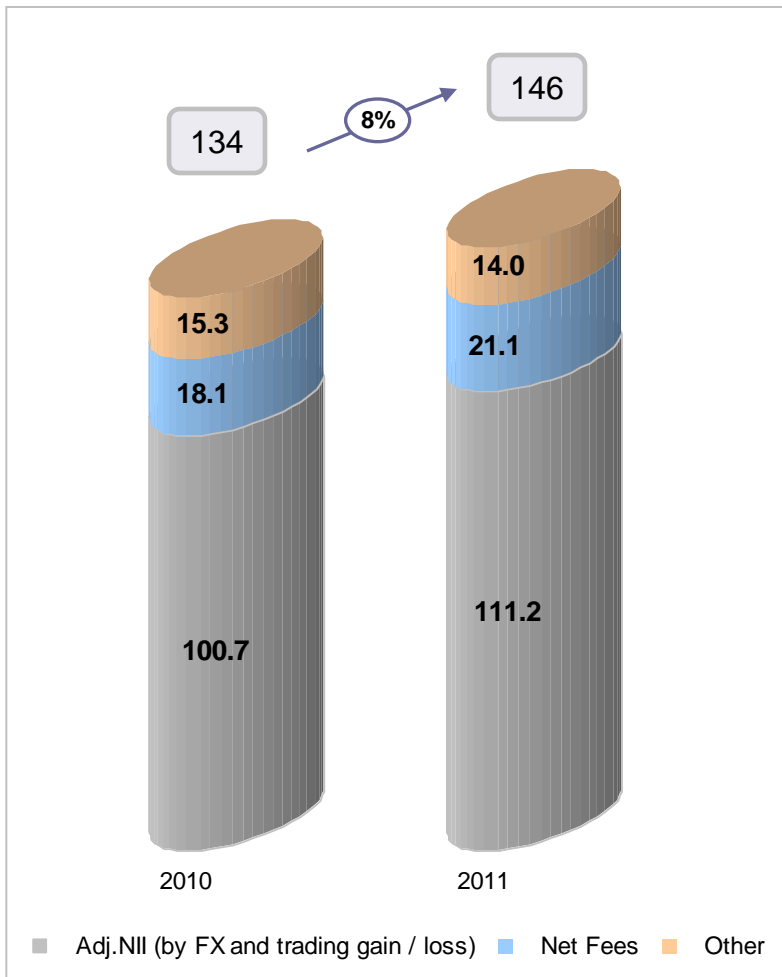


Composition of Interest Expense

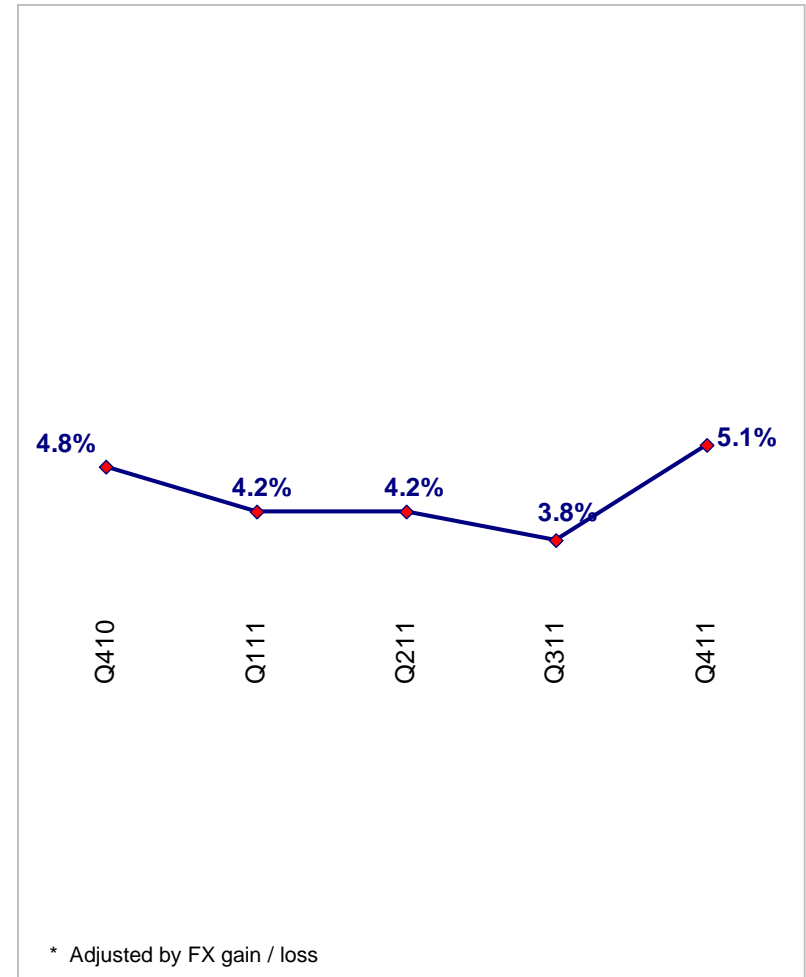


Hence better NIM, driven by recovery in spreads and CPI-linkers...

Banking Income (TLmn)

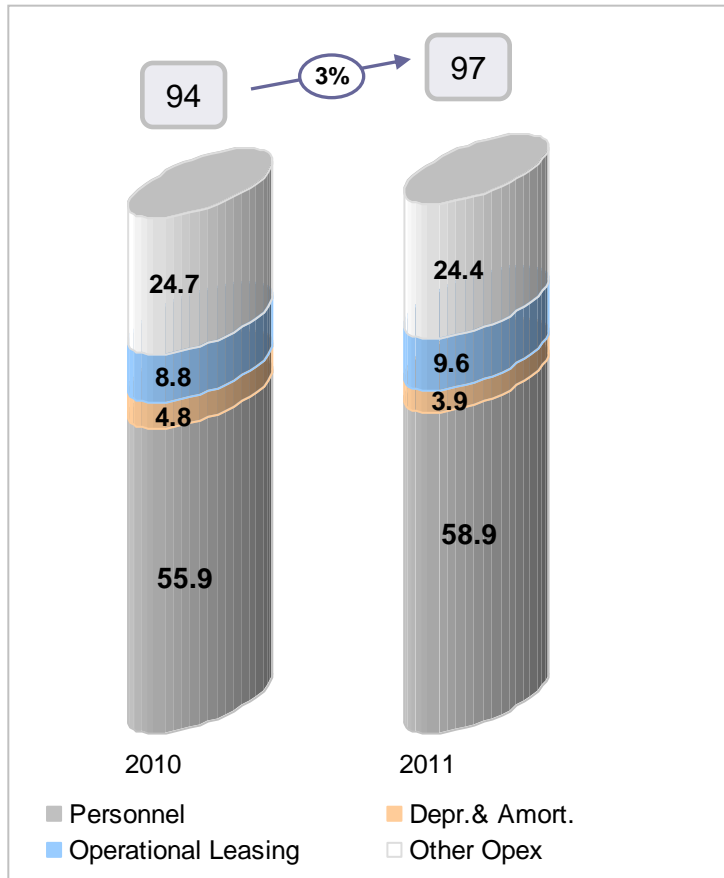


Adjusted Net Interest Margin* (Quarterly)

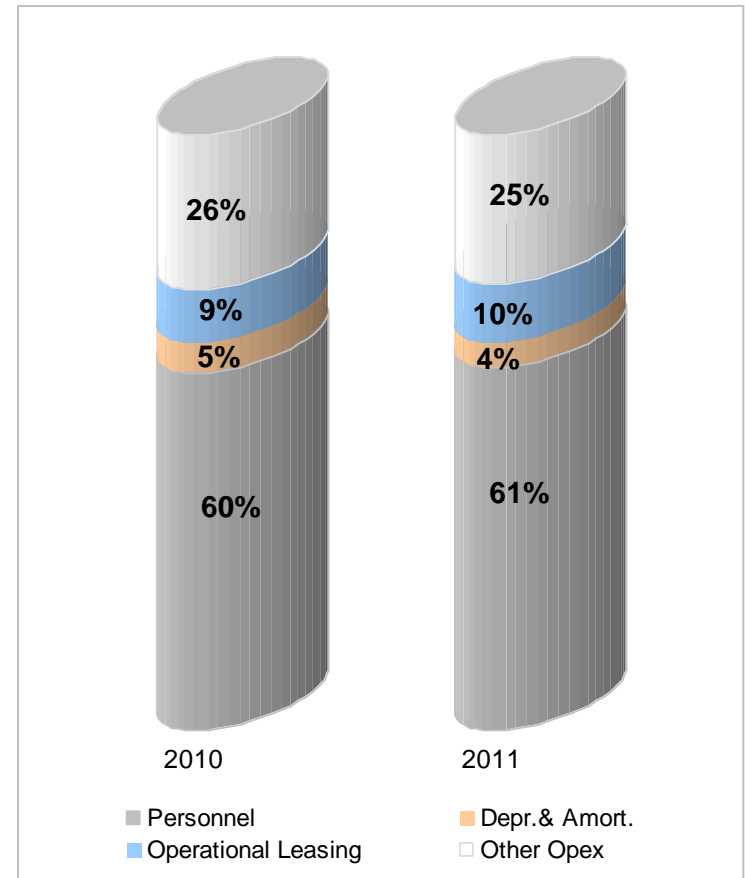


Focus on expenses prevailed...

Operating Expenses (TLmn)



Composition of Operating Expenses



Summary Balance Sheet...

TL million	Dec 2010	Sep 2011	Dec 2011
Cash & Banks	251	447	411
Total Securities	320	303	370
Total Cash Loans	1,836	2,222	2,461
Fixed Assets & Subsidiaries	105	104	108
Other	61	123	139
Total Assets	2,573	3,199	3,489
Deposits*	1,782	2,262	2,463
Interbank Money Market*	151	51	126
Borrowings	67	232	242
Other	77	147	142
SHE	496	507	515
Total Liabilities & SHE	2,573	3,199	3,489

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

Summary Income Statement...

TL million	Q1 2011	Q2 2011	Q3 2011	Q4 2011	2010	2011
Interest Income	49.8	58.4	66.8	80.9	184.9	255.9
Loans	45	51.6	61.1	69.1	156.4	226.8
Securities	4.5	6.4	5.2	11.3	24.7	27.4
Other	0.3	0.4	0.5	0.5	3.8	1.7
Interest Expense	27.5	35.3	44.4	47.3	90.1	154.5
Deposits	25.6	29.2	39.2	40.7	79.6	134.7
Other Borrowings	1.9	6.1	5.2	6.6	10.5	19.8
Net Interest Income	22.3	23.1	22.4	33.6	94.8	101.4
Net FX Gain (Loss)*	1.9	2.1	2.1	2.0	3.6	8.1
Adj. Net Interest Income	24.2	25.2	24.5	35.6	98.4	109.5
Net Trading Income (Loss)*	0.7	0.4	0.3	0.3	2.3	1.7
Net Fees & Commissions	5.4	5.5	5.3	4.9	18.1	21.1
Other Operating Income	4.5	4.1	2.9	2.5	15.3	14.0
Total Operating Income	34.8	35.2	33.0	43.3	134.1	146.3
Provisions	6.4	3.7	4.6	8.1	21.1	22.8
Opex	23.1	24.1	23.7	25.9	94.2	96.8
Profit from Subsidiaries	0.0	0.7	0.0	0.0	0.5	0.7
Profit Before Tax	5.3	8.1	4.7	9.3	19.3	27.4
Tax	1.5	1.8	-0.2	2.3	5.1	5.4
Net Income	3.8	6.3	4.9	7.0	14.2	22.0

* 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	Q1 2011	Q2 2011	Q3 2011	Q4 2011	2010	2011
Interest Income	50.1	58.7	67.2	81.4	186.0	257.4
Loans	45.2	52.0	61.5	69.5	156.9	228.2
Securities	4.5	6.3	5.2	11.4	25.1	27.4
Other	0.4	0.4	0.5	0.5	4.0	1.8
Interest Expense	27.5	35.1	44.4	47.2	90.0	154.2
Deposits	25.5	29.2	39.1	40.6	79.5	134.4
Other Borrowings	2.0	5.9	5.3	6.6	10.5	19.8
Net Interest Income	22.6	23.6	22.8	34.2	96.0	103.2
Net FX Gain (Loss)*	2.0	2.0	2.2	1.9	3.4	8.1
Adj. Net Interest Income	24.6	25.6	25.0	36.1	99.4	111.3
Net Trading Income (Loss)*	3.5	2.7	1.9	1.5	7.9	9.6
Net Fees & Commissions	6.1	6.1	5.6	5.3	20.9	23.1
Other Operating Income	4.4	4.0	2.8	2.6	15.0	13.8
Total Operating Income	38.6	38.4	35.3	45.5	143.2	157.8
Provisions	6.4	3.7	4.6	8.2	17.2	22.9
Opex	24.7	26.2	25.4	27.9	100.1	104.2
Profit from Subsidiaries	0.0	0.0	0.0	0.0	0.0	0.0
Profit Before Tax	7.5	8.5	5.3	9.4	25.9	30.7
Tax	1.9	2.0	-0.1	2.3	5.9	6.1
Net Income	5.6	6.5	5.4	7.1	20	24.6

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

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