

TEKSTİLBANK

Earnings Presentation
December 31, 2013 / BRSA Bank-Only

Macroeconomic environment in 4Q 2013...

- Capital inflow forecasts to emerging markets deteriorated further, following Fed's decision to push the button on tapering in December
- TL weakened faster than other emerging markets, due to higher political risk after mid-December
- Inflation remained high in 3Q 2013, hit by weaker TL and higher food prices
- The CB believed that the inflationary pressures were temporary and kept its average funding rate around 7%
- Macroeconomic indicators remained strong in 4Q, pointing to a growth rate of around 4% in 2013 as a whole

Headquarter sell off had reshaped balance sheet in 3Q

Highlights of 4Q 2013:

- Conservative balance sheet management approach has prevailed
- Net interest income recovered in the last quarter
- Net income was hit by the provisions
- Headquarter building was sold for US\$62.7mn (TL125mn) in September, leading to higher free equity from 3Q 2013 onwards
- NPL ratio declined to 6.1%, but still remained above market average
- Strong CAR at 17.4%

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
- Inflation to remain high and exceed 8% at year-end, due to weaker TL and tax adjustments
- The CB' is expected to keep its funding rate at least around 10%, considering high inflation
- C/A deficit may fall to 6.0% of GDP, reflecting lower activity
- Public spending will be under close watch, ahead of the heavy election agenda

Banking Sector

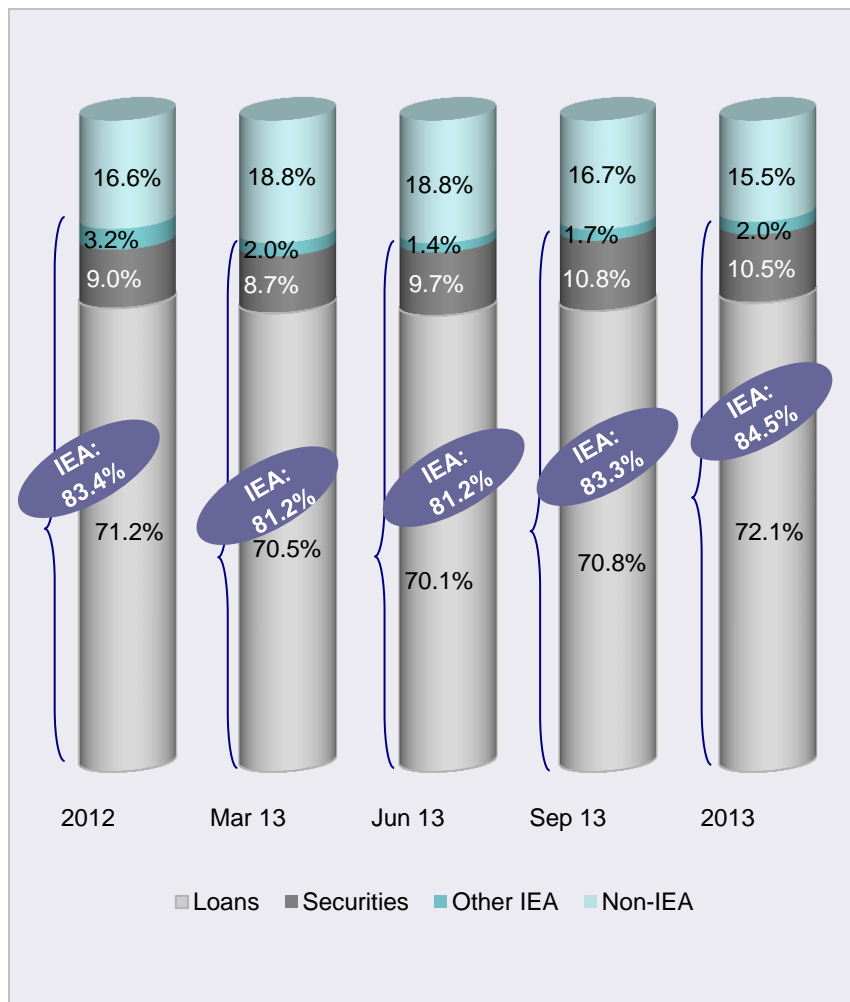
- Slower macroeconomic growth, and restrictions on credit card installments may lead to further decline in loan growth
- Lower NIM, thanks to the CB's decision to increase average funding cost by 300 bp, to 10% in January
- Asset quality may weaken, reflecting deterioration in macroeconomic activity

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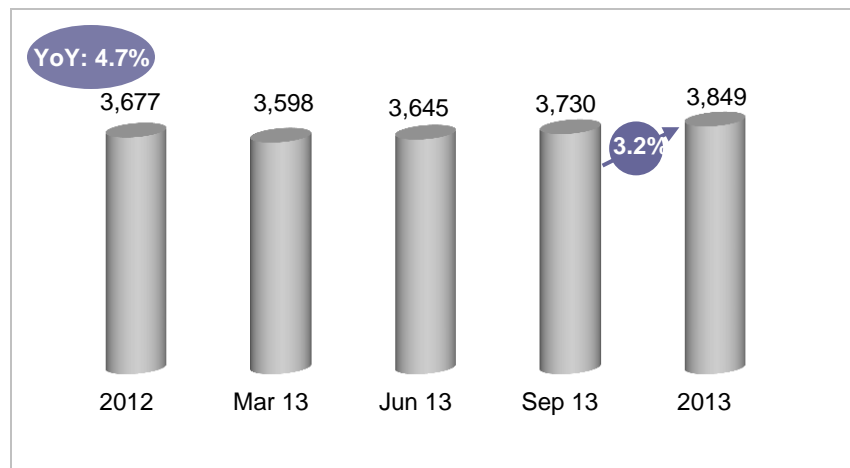
- Conservative growth approach will continue
- Declining margins
- Maintaining high level of CAR
- Extensive focus on collections

A modest balance sheet growth

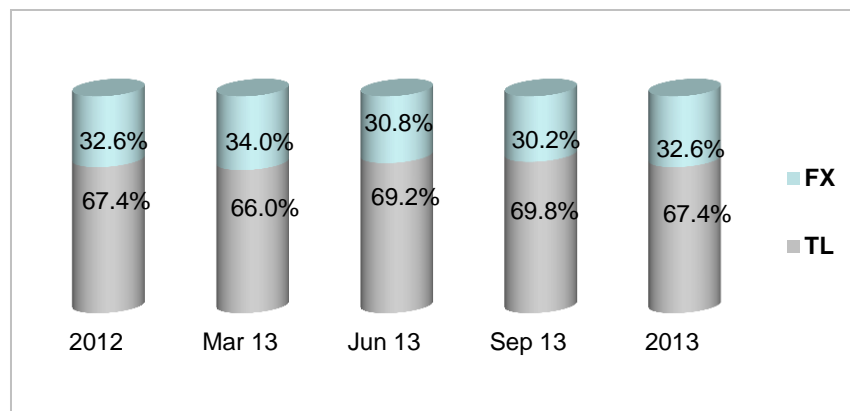
Composition of Assets



Total Assets (TLmn)



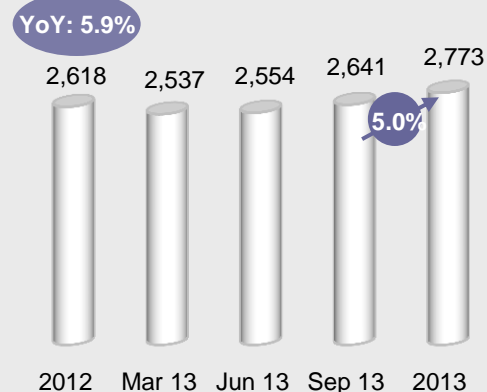
Currency Composition of Assets*



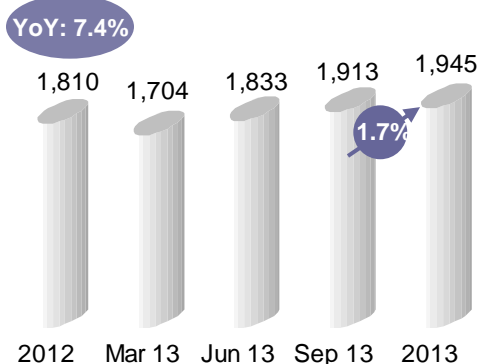
* FX-indexed cash loans are included in FX assets

FX cash loans increased by 8.4%

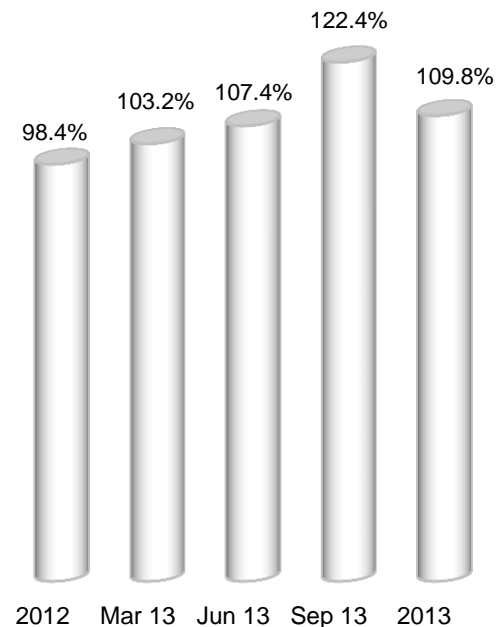
Total Cash Loans (TLmn)



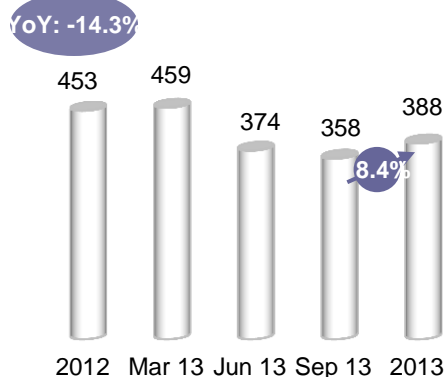
TL Cash Loans* (TLmn)



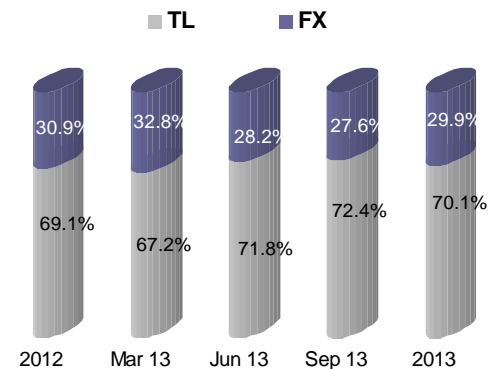
Loans / Customer Deposits



FX Cash Loans* (US\$m)



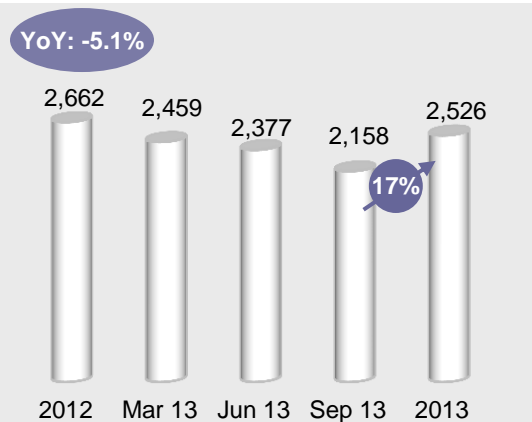
Currency Breakdown of Cash Loans*



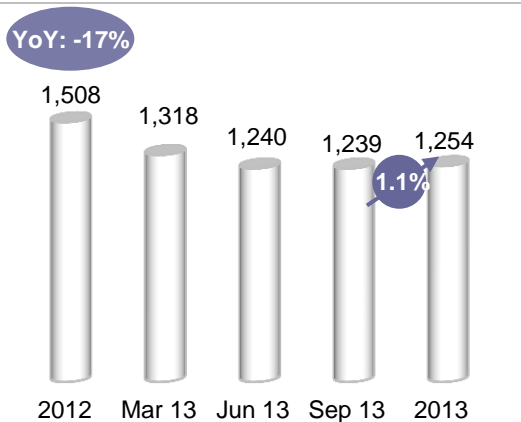
* FX-indexed cash loans are included in FX cash loans

F/X deposits recovered in the last quarter

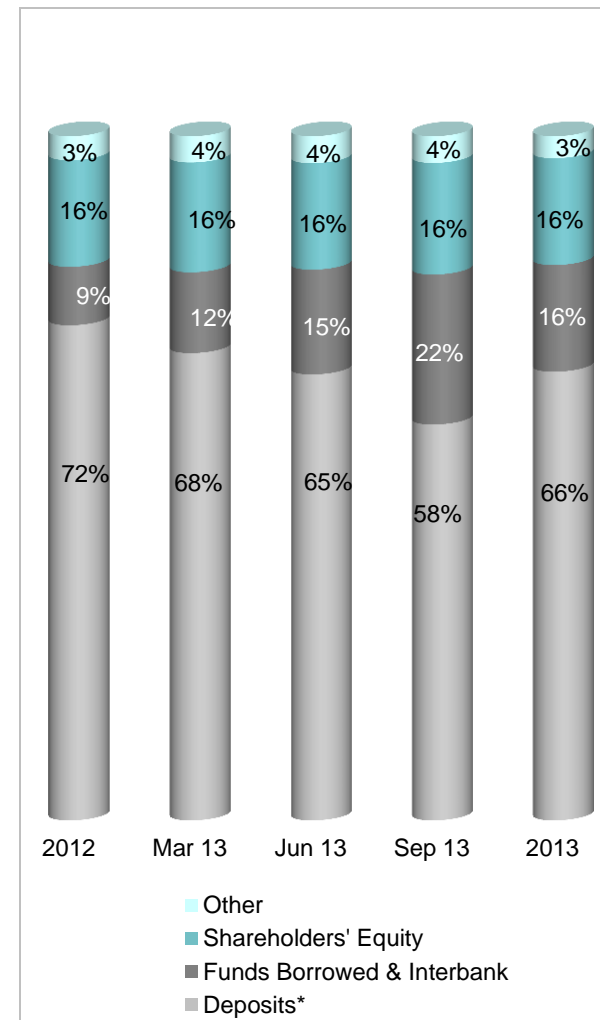
Total Deposits* (TLmn)



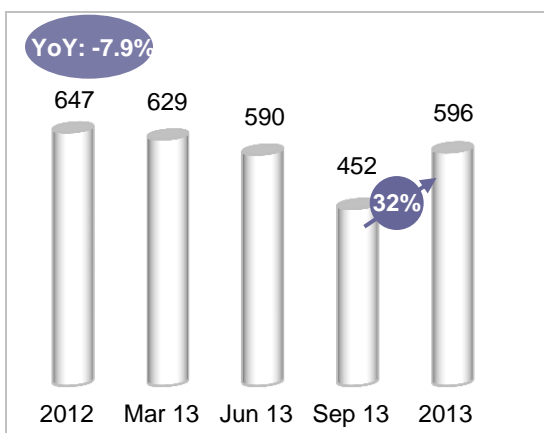
TL Deposits* (TLmn)



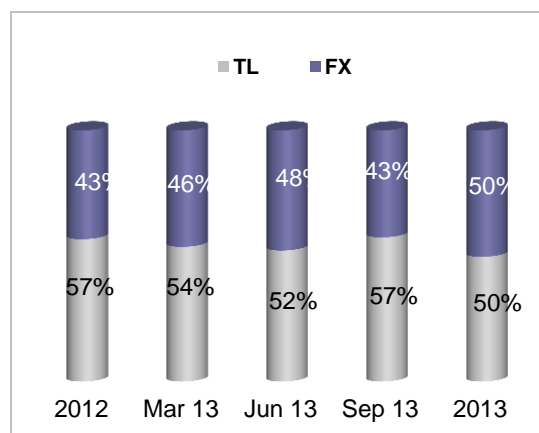
Composition of Liabilities & SHE



FX Deposits* (US\$m)



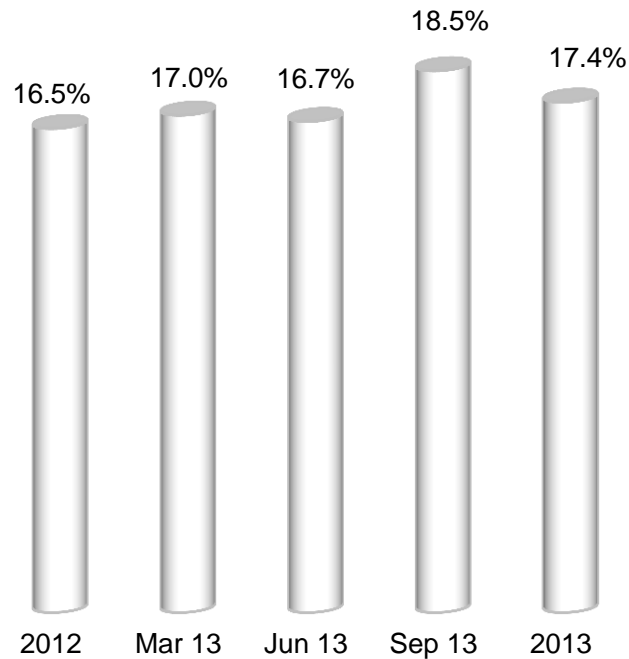
Currency Breakdown*



* Excluding bank deposits

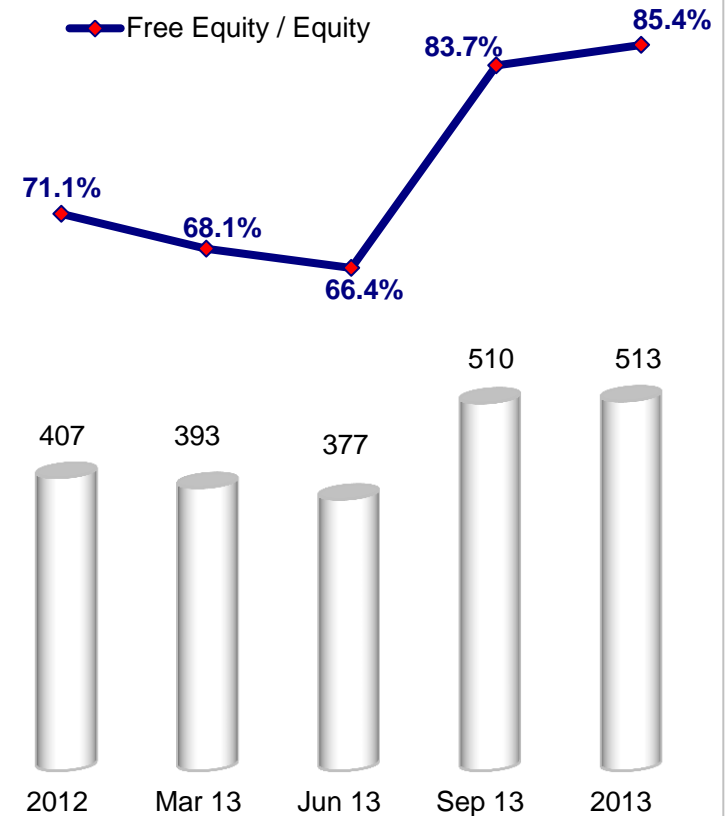
CAR remained strong at 17.4%

Capital Adequacy Ratio (CAR)



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

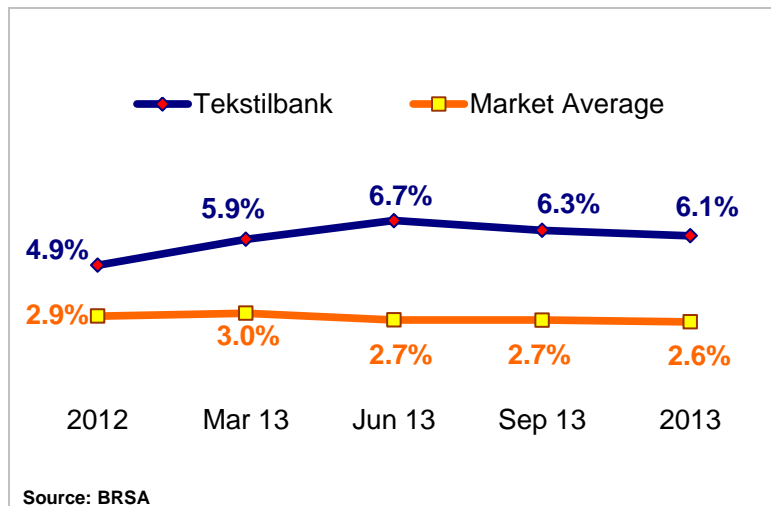
Free Equity (TLmn)



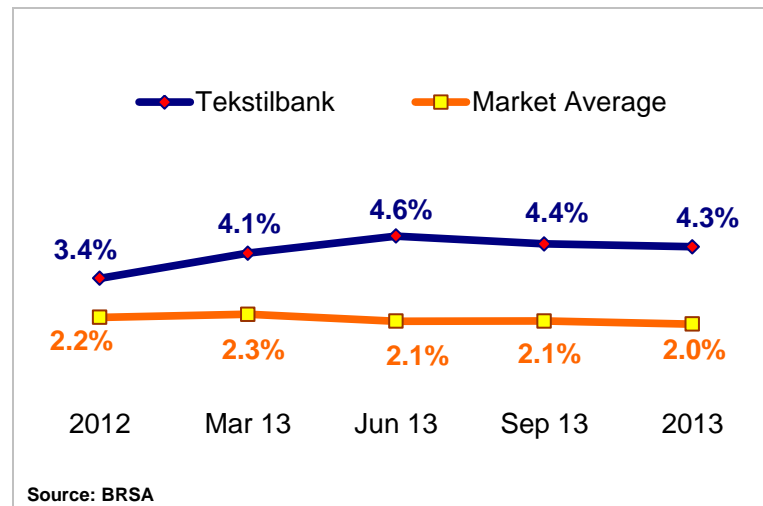
Free Equity: SHE-subsiaries-property & equipment-intangible assets-property & equipment held for sale-unprovisioned NPL

NPL ratio retreated marginally

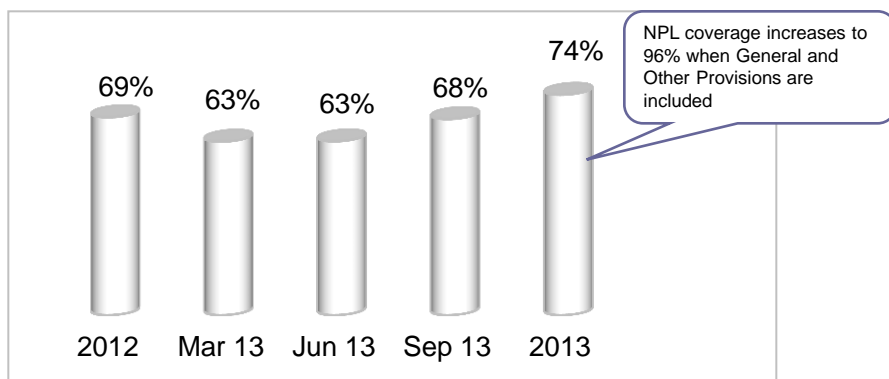
NPL Ratio



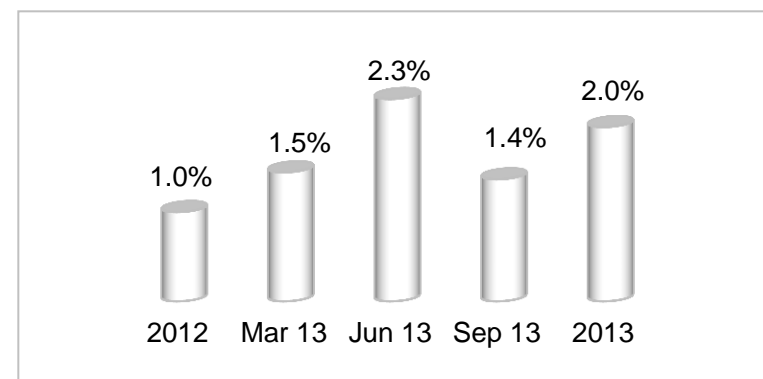
NPL Ratio (including non-cash loans)



NPL Coverage

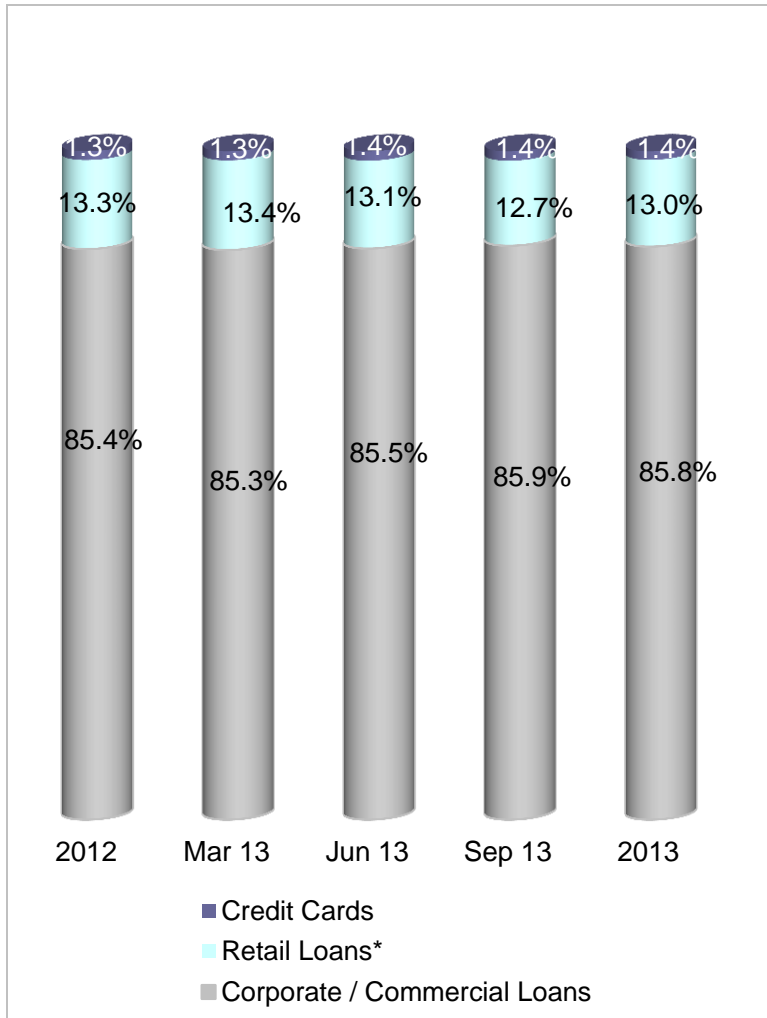


Cost of Risk (quarterly)

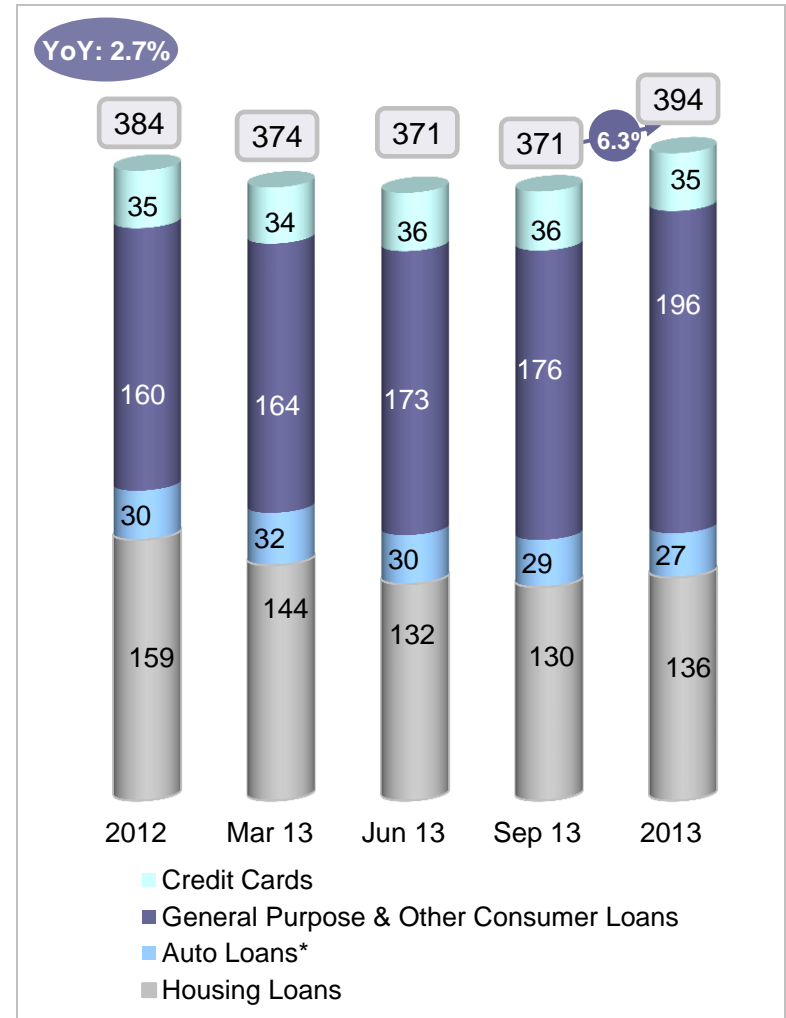


Commercial loans continued to be the main focus of the bank

Breakdown of Loan Portfolio



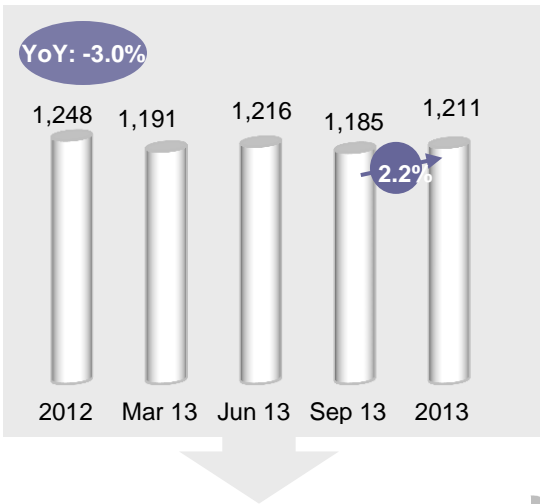
Breakdown of Retail Loans (TLmn)



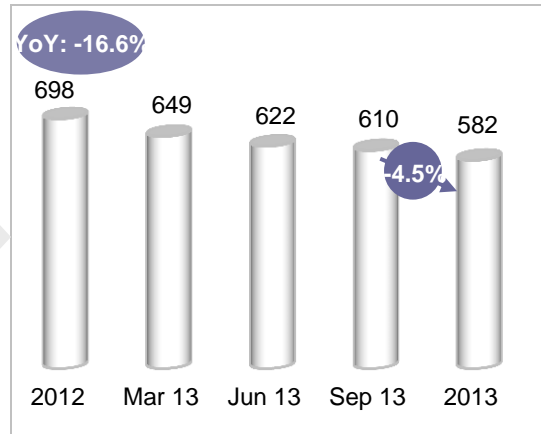
*Specialized loans granted to farmers for vehicle purchases are classified in retail loans

F/X non-cash loans expanded

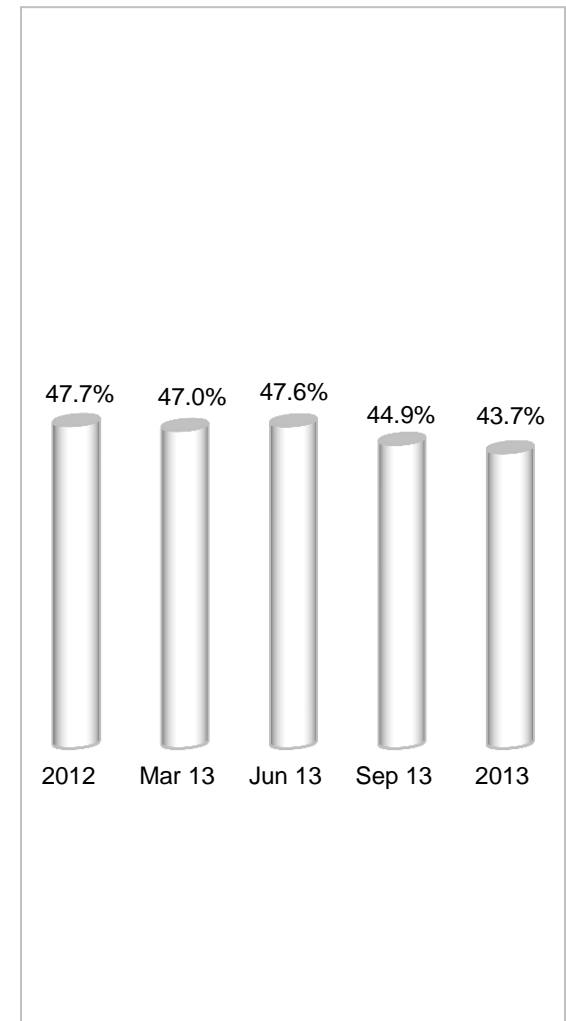
Total Non-Cash Loans (TLmn)



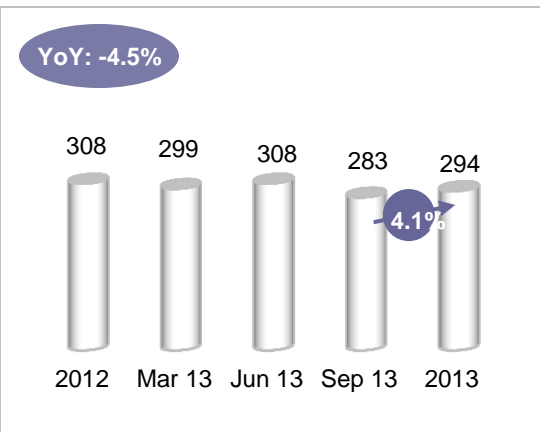
TL Non-Cash Loans (TLmn)



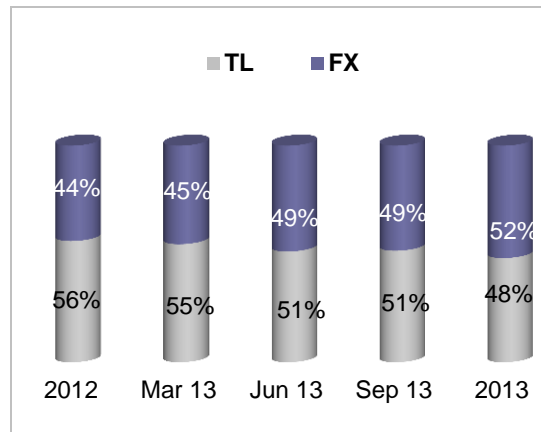
Non-Cash / Cash Loans



FX Non-Cash Loans (US\$m)

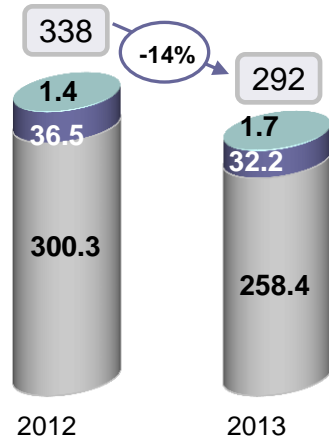


Currency Breakdown of Non-Cash Loans

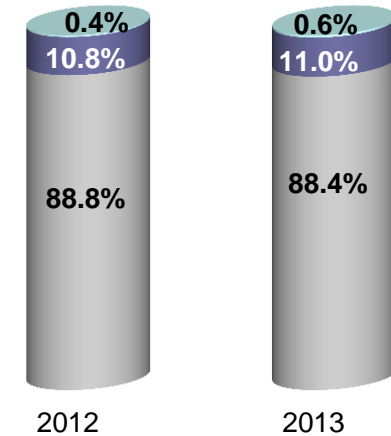


Both interest income, and interest expense declined in y/y terms...

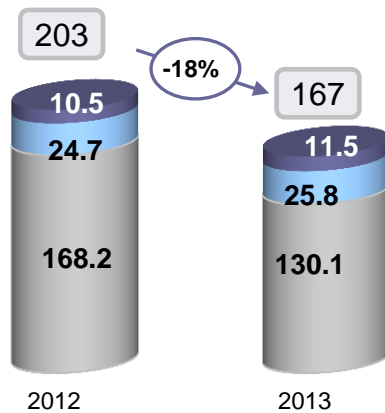
Interest Income (TLmn)



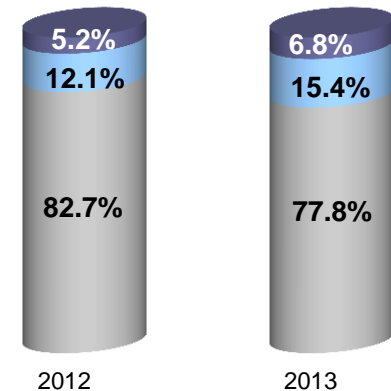
Composition of Interest Income



Interest Expense (TLmn)

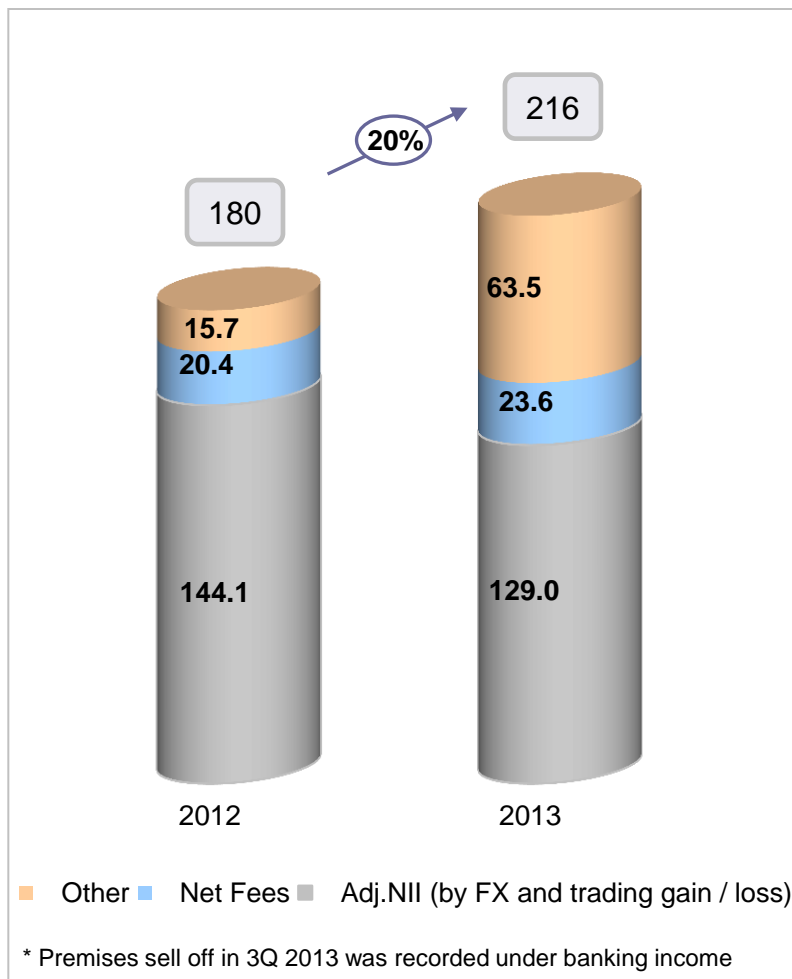


Composition of Interest Expense

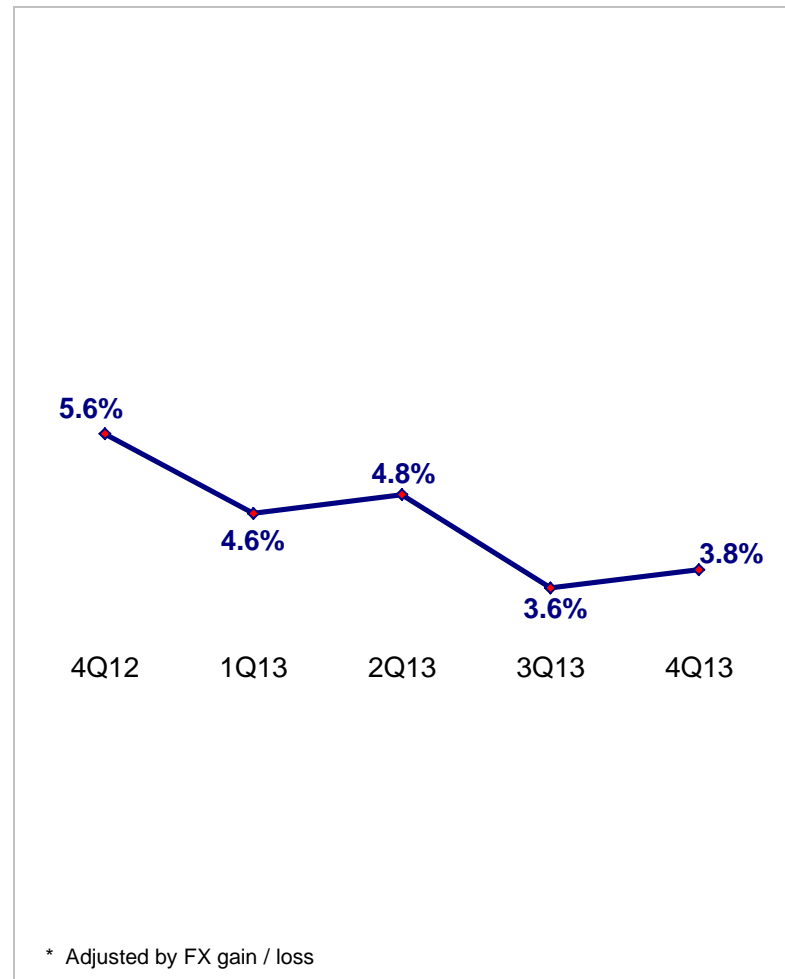


...ending up a better NIM

Banking Income (TLmn)

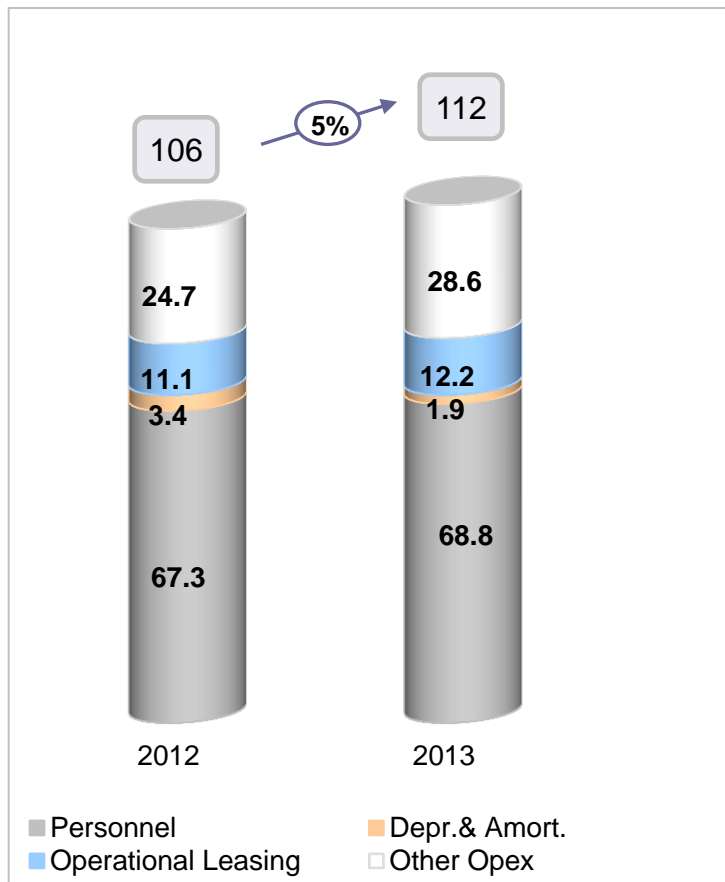


Adjusted Net Interest Margin* (Quarterly)

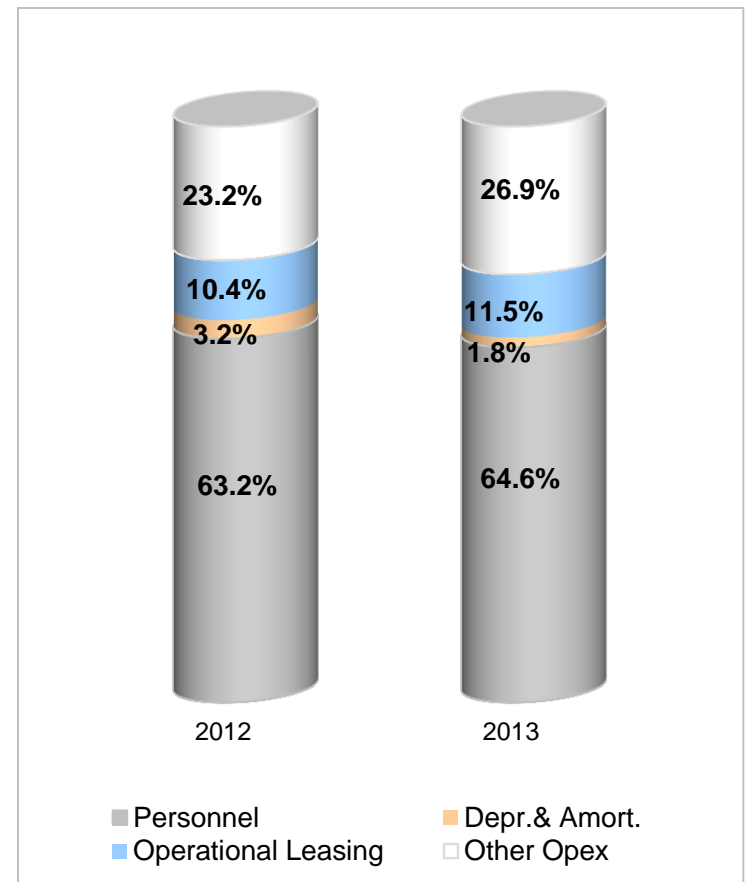


OPEX contracted in real terms

Operating Expenses (TLmn)



Composition of Operating Expenses



Summary Balance Sheet...

TL million	Dec 2012	Mar 2013	Jun 2013	Sep 2013	Dec 2013
Cash & Banks	480	467	442	477	526
Total Securities	330	314	354	401	403
Total Cash Loans	2,618	2,537	2,554	2,641	2,773
Fixed Assets & Subsidiaries	124	125	122	44	41
Other	125	155	173	167	105
Total Assets	3,677	3,598	3,645	3,730	3,849
Deposits*	2,662	2,459	2,377	2,158	2,526
Interbank Money Market*	65	146	173	367	259
Borrowings	249	278	385	449	341
Other	128	138	143	146	124
SHE	573	577	567	610	600
Total Liabilities & SHE	3,677	3,598	3,645	3,730	3,849

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

Summary Income Statement...

TL million	1Q 2013	2Q 2013	3Q 2013	4Q 2013	2012	2013
Interest Income	74.4	71.8	70.1	76.1	338.2	292.4
Loans	65.9	65.2	62.6	64.7	300.3	258.4
Securities	8.2	6.2	7.0	10.8	36.5	32.2
Other	0.3	0.4	0.5	0.6	1.4	1.7
Interest Expense	41.7	37.4	43.3	44.9	203.4	167.3
Deposits	34.4	29.5	32.1	34.1	168.2	130.1
Funds Borrowed	4.4	6.3	7.7	7.4	24.7	25.8
Other Borrowings	2.9	1.6	3.5	3.5	10.5	11.5
Net Interest Income	32.7	34.4	26.8	31.1	134.8	125.1
Net FX Gain (Loss)*	1.4	0.8	0.9	-0.7	4.4	2.4
Adj. Net Interest Income	34.1	35.2	27.7	30.5	139.2	127.5
Net Trading Income (Loss)*	1.2	0.2	0.0	0.0	4.9	1.4
Net Fees & Commissions	6.2	6.8	5.8	4.8	20.4	23.6
Other Operating Income	3.8	4.2	52.4	3.2	15.6	63.5
Total Operating Income	45.3	46.4	85.9	38.5	180.1	216.1
Provisions	11.1	17.0	10.8	18.5	40.0	57.3
Opex	25.8	28.6	29.6	27.6	106.4	111.6
Profit from Subsidiaries	0.0	0.0	0.0	0.0	0.0	0.0
Profit Before Tax	8.4	0.8	45.5	-7.6	33.7	47.2
Tax	1.9	-0.1	2.7	-1.2	6.9	3.4
Net Income	6.5	0.9	42.8	-6.4	26.8	43.8

* 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 2014	2012	2013
Interest Income	75.1	72.6	70.7	77.0	340.8	295.4
Loans	66.4	65.9	63.2	65.4	301.8	260.8
Securities	8.2	6.2	6.9	10.9	36.8	32.2
Other	0.5	0.5	0.6	0.7	2.2	2.3
Interest Expense	41.6	37.4	43.4	44.9	203.3	167.3
Deposits	34.3	29.6	32.2	34.1	168.1	130.1
Funds Borrowed	4.4	6.2	7.8	7.4	24.7	25.8
Other Borrowings	2.9	1.6	3.5	3.5	10.5	11.5
Net Interest Income	33.5	35.2	27.3	32.0	137.5	128.1
Net FX Gain (Loss)*	1.4	0.9	0.9	-0.7	4.3	2.5
Adj. Net Interest Income	34.9	36.1	28.2	31.4	141.8	130.6
Net Trading Income (Loss)*	2.7	1.5	1.3	1.2	10.6	6.7
Net Fees & Commissions	6.3	7.1	5.9	4.8	21.2	24.0
Other Operating Income	3.7	4.1	52.3	3.3	13.1	63.4
Total Operating Income	47.6	48.8	87.7	40.8	186.7	224.8
Provisions	11.1	17.0	10.8	18.5	40.0	57.4
Opex	27.4	30.3	31.4	29.3	113.3	118.4
Profit from Subsidiaries	0.0	0.0	0.0	0.0	0.0	0.0
Profit Before Tax	9.1	1.5	45.5	-7.0	33.4	49.1
Tax	2.0	0.0	-2.7	1.0	7.3	-3.8
Net Income	7.1	1.5	42.8	-6.1	26.1	45.3

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

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