

# **TEKSTILBANK**

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*Earnings Presentation*  
*December 31, 2014 / BRSA Bank-Only*

# Macroeconomic environment in 4Q 2014...

- Expectations converged towards a more dovish Fed, and a more intense monetary easing program from ECB
- Turkish Central Bank preserved its tight policy and kept its policy rate at 8.25%, O/N borrowing and lending rates respectively at 7.5% and 11.25%
- Growth was limited at 1.7% in 3Q2014, prompted by net external demand and partially public consumption, while private consumption and investments performed poorly
- Inflation declined to 8.2% at year-end, thanks to sharp fall in oil prices and decelerating food prices
- C/A deficit contracted further to US\$46bn in 2014 vs. US\$65bn in 2013
- Fiscal performance was strong enough, with a deficit of TL23bn, and a primary surplus of TL27bn

# Conservative policies continued in 4Q

## *Highlights of 4Q 2014:*

- Balance sheet contracted by 3.3%
- Securities portfolio declined to 6% of assets
- NPL increased modestly, despite higher collections
- OPEX increased in y/y terms, attributable to moving of headquarter building to a rental
- ICBC had signed an agreement with Tekstilbank's main shareholder GSD Holding to buy 75.5% of the Bank's shares in April, and the agreement is in the approval process from BRSA and Chinese authorities

# 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 an expected rate of around 2.5% in 2014
- Further fall in inflation to 6.2%, due to lower oil prices and more benign food sector
- CB may ease monetary policy slightly, in line with falling inflation expectations, while TL's performance will be under close watch

## Banking Sector

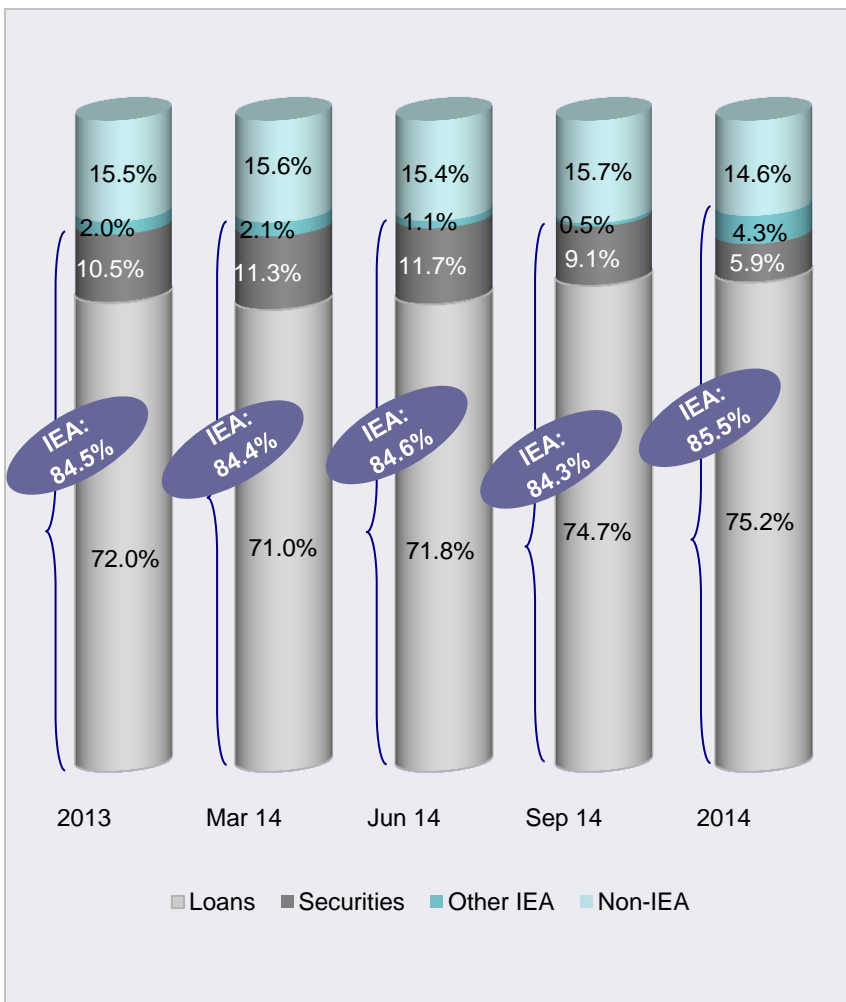
- Loan growth around 17%, under relatively better macroeconomic outlook
- Slightly higher NIM, thanks to more dovish CB
- Asset quality may weaken due to lack of a strong growth environment

## Tekstilbank

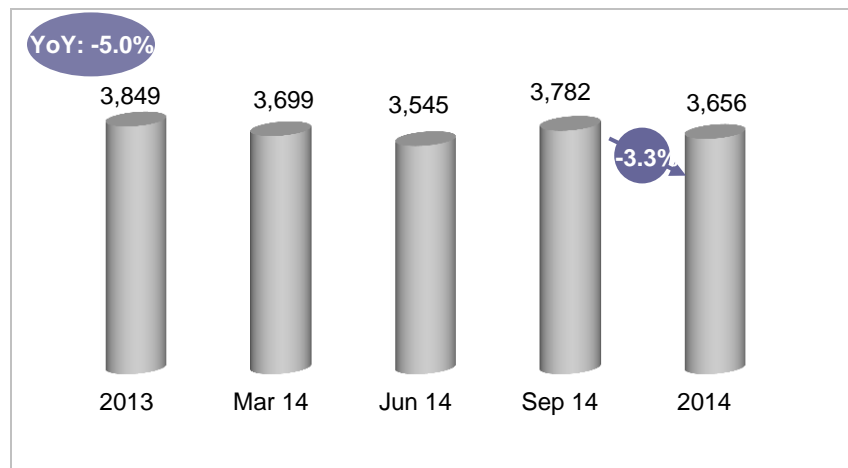
- Tekstilbank will continue to be in a transition period awaiting the finalization of ICBC's takeover process
- During that period conservative growth approach will prevail, as well as, extensive focus on collections
- High level of CAR will be preserved

# Balance sheet contracted by 3.3% in q/q terms...

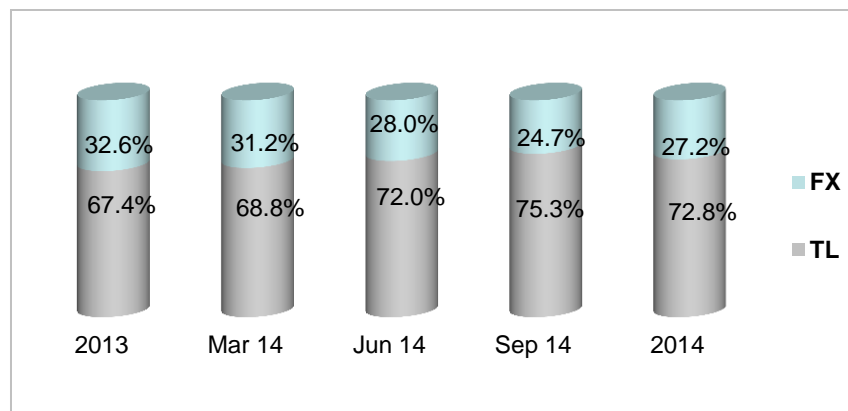
## Composition of Assets



## Total Assets (TLmn)



## Currency Composition of Assets\*

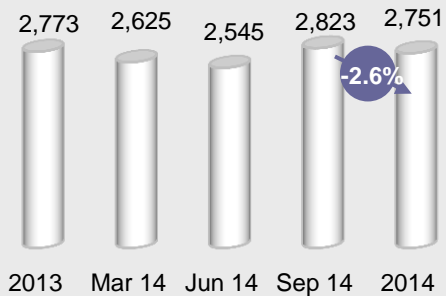


\* FX-indexed cash loans are included in FX assets

# TL loans declined by 5.3%

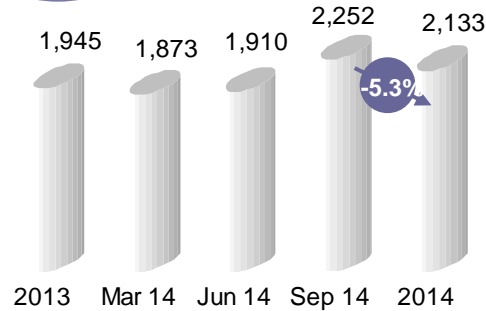
## Total Cash Loans (TLmn)

YoY: -0.8%

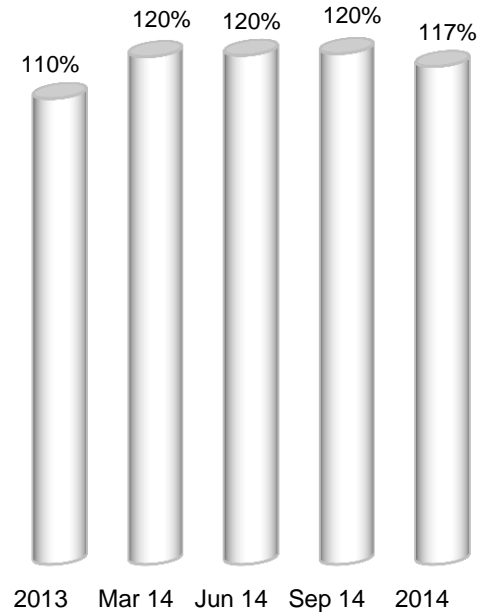


## TL Cash Loans\* (TLmn)

YoY: 9.7%

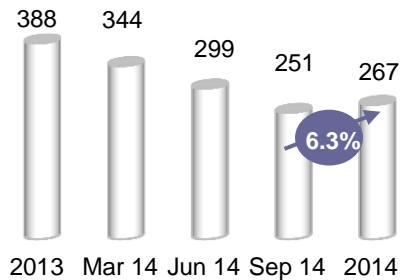


## Loans / Customer Deposits

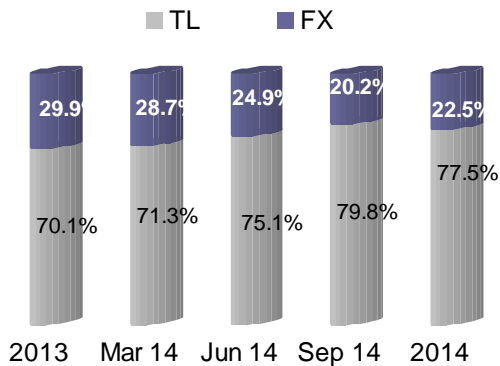


## FX Cash Loans\* (US\$m)

YoY: -31%



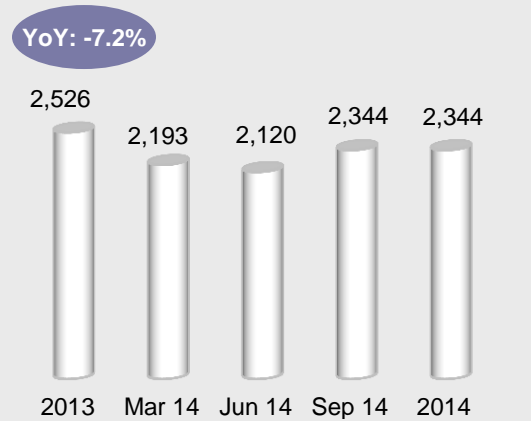
## Currency Breakdown of Cash Loans\*



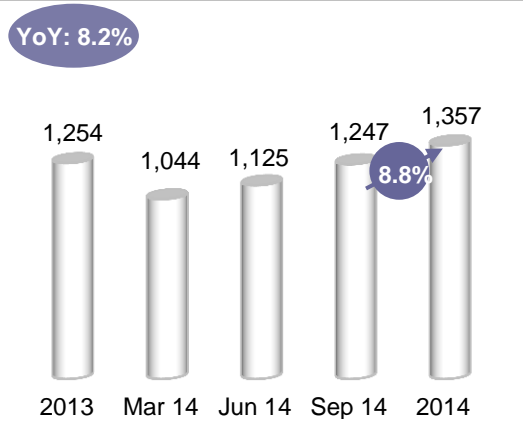
\* FX-indexed cash loans are included in FX cash loans

# Higher TL deposits were suppressed by lower F/X deposits, keeping the total amount intact

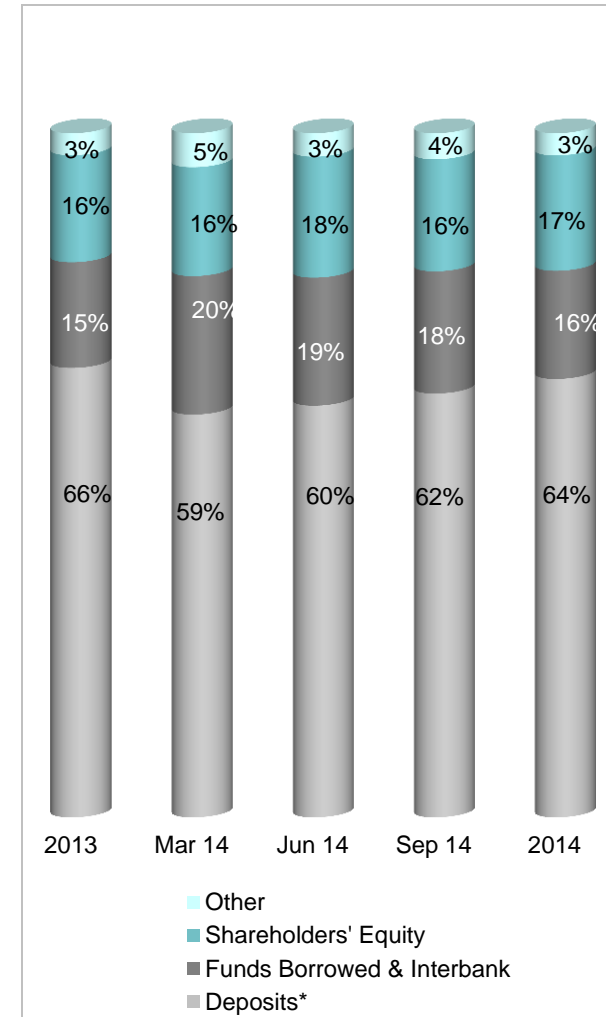
## Total Deposits\* (TLmn)



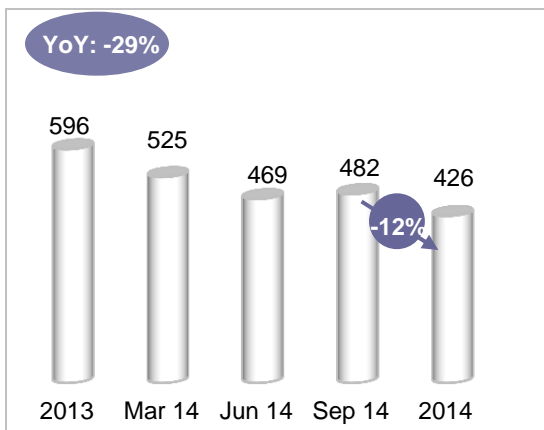
## TL Deposits\* (TLmn)



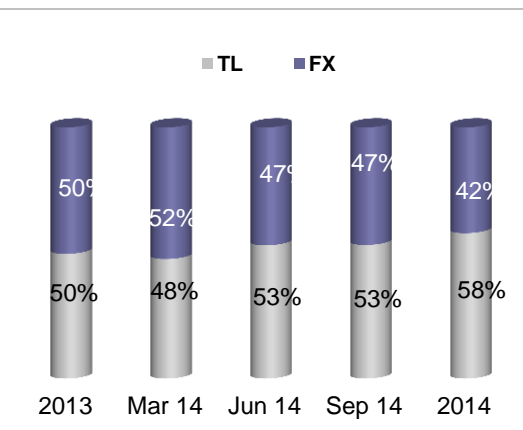
## Composition of Liabilities & SHE



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



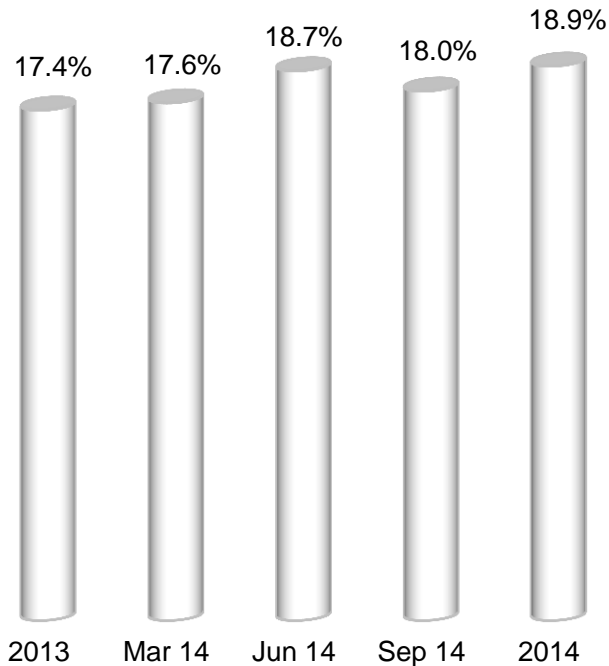
## Currency Breakdown\*



\* Excluding bank deposits

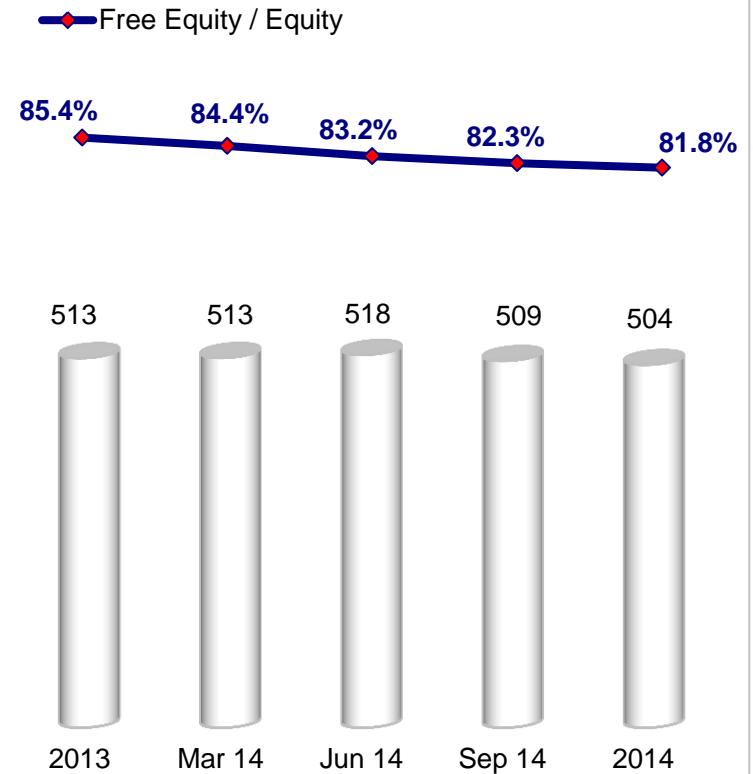
# CAR advanced further to 19%

## Capital Adequacy Ratio (CAR)



Calculated according to BRSA regulations, in line with Basel II

## Free Equity (TLmn)

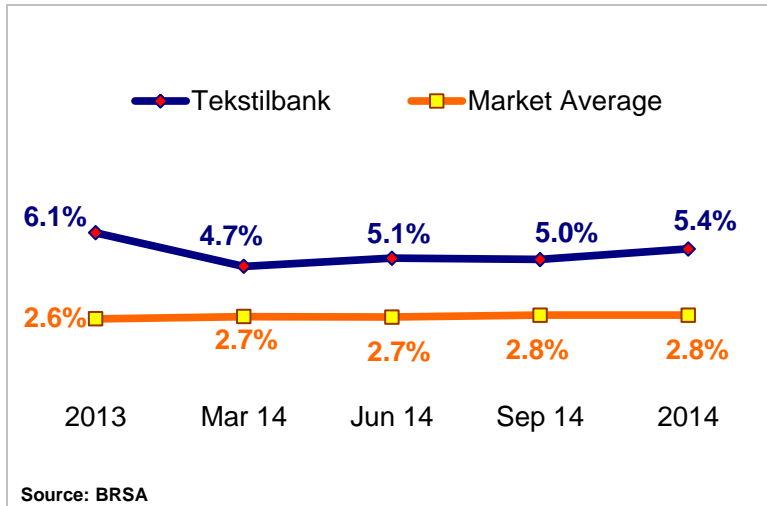


Free Equity: SHE-subsiaries-property & equipment-intangible assets-property & equipment held for sale-unprovisioned NPL

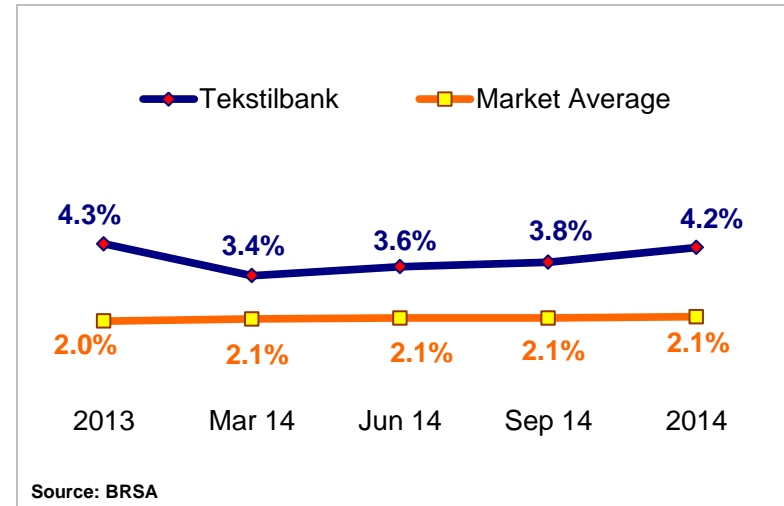


# Cost of risk increased in the last quarter

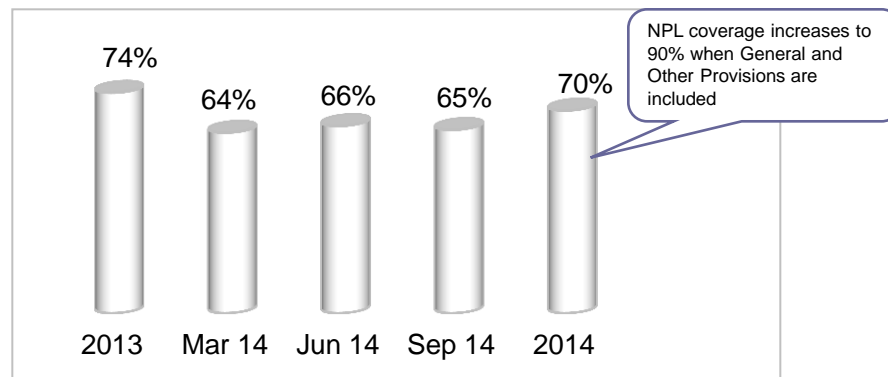
## NPL Ratio



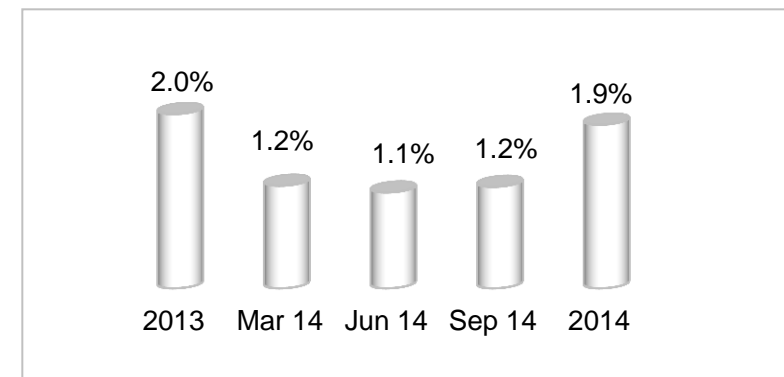
## NPL Ratio (including non-cash loans)



## NPL Coverage

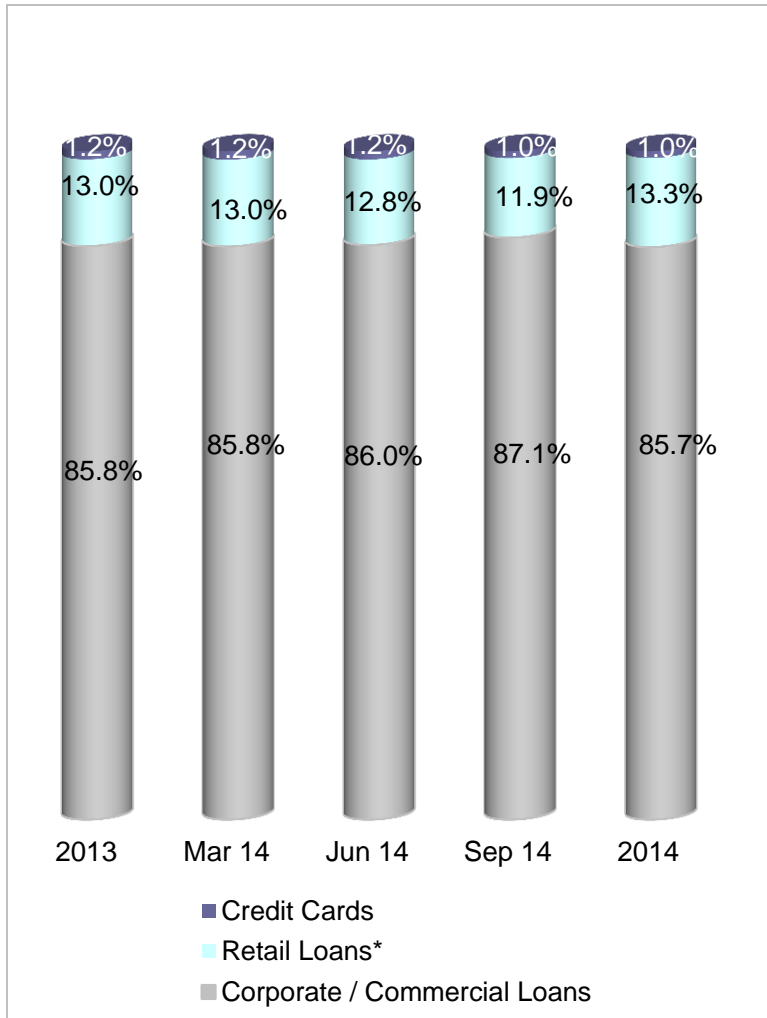


## Cost of Risk (quarterly)

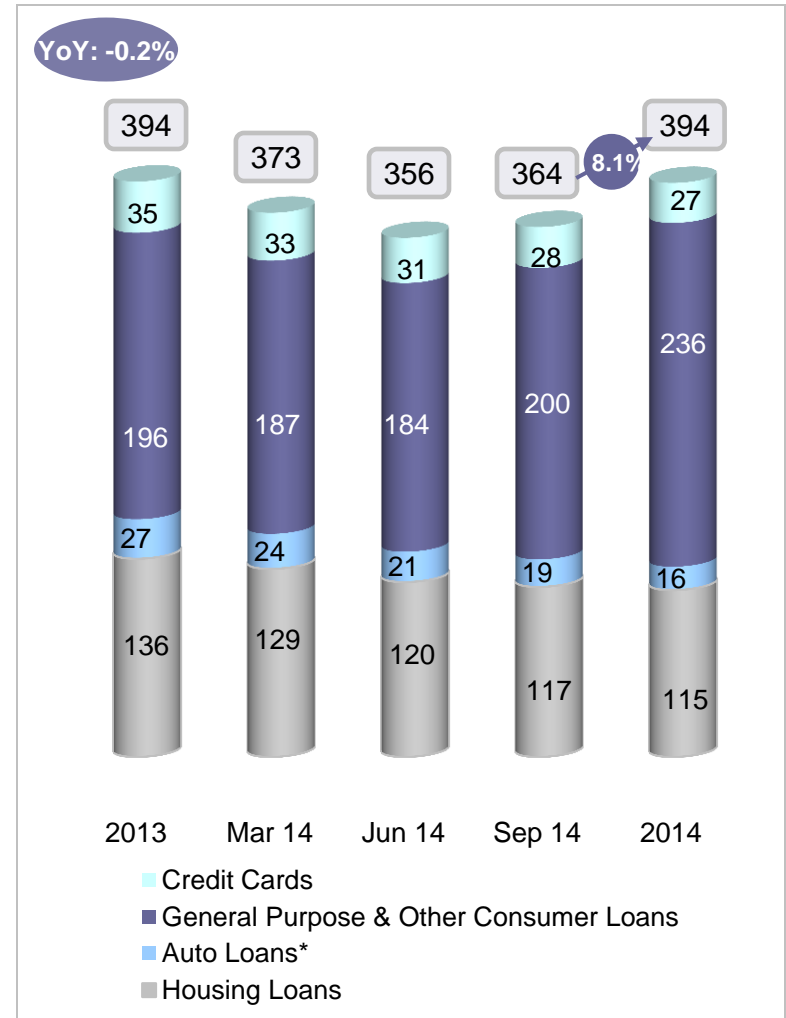


# Corporate loans continued to be the main focus of Tekstilbank

## Breakdown of Loan Portfolio



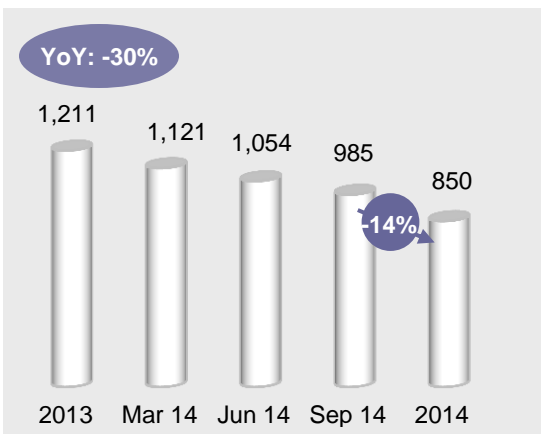
## Breakdown of Retail Loans (TLmn)



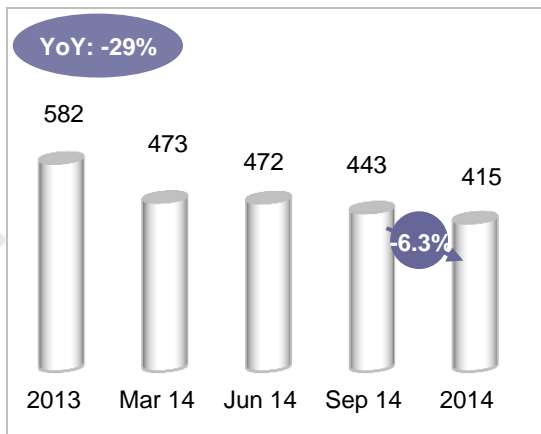
\*Specialized loans granted to farmers for vehicle purchases are classified in retail loans

# Downtrend in non-cash loans prevailed in 4Q

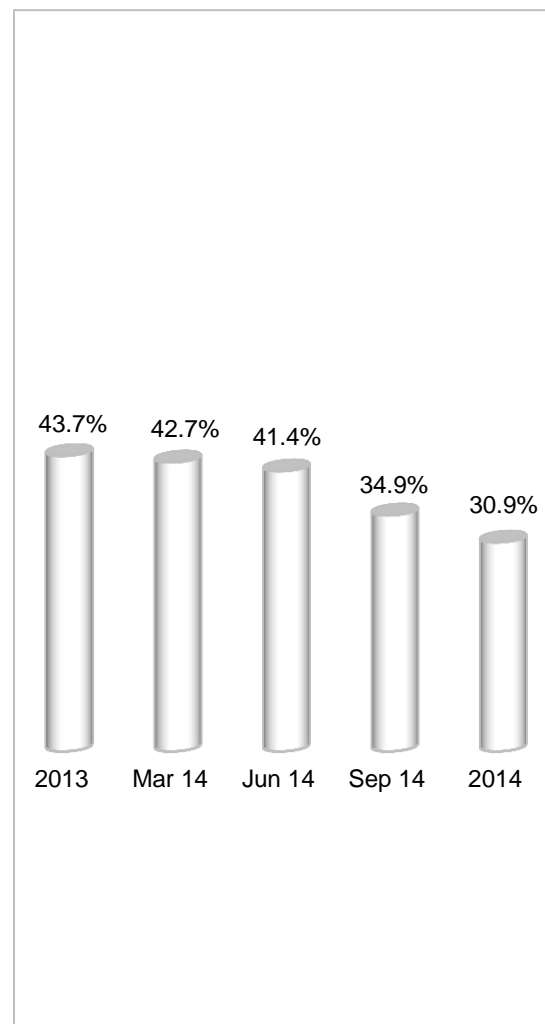
## Total Non-Cash Loans (TLmn)



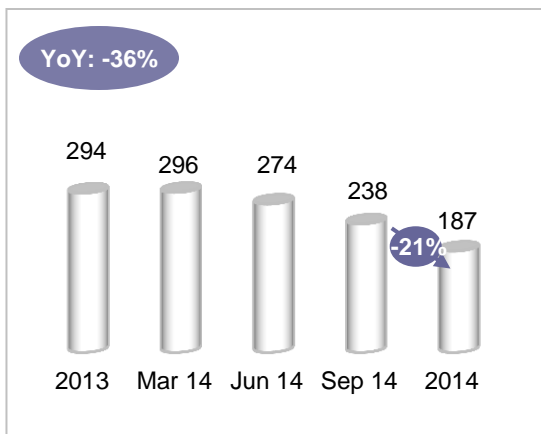
## TL Non-Cash Loans (TLmn)



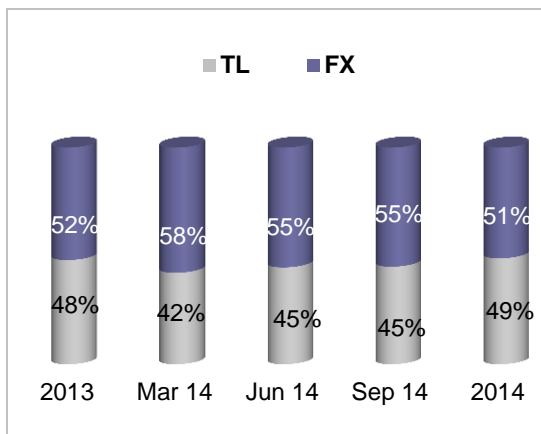
## Non-Cash / Cash Loans



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

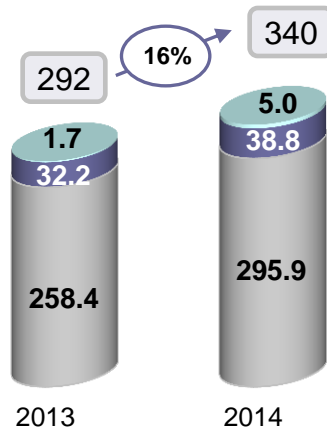


## Currency Breakdown of Non-Cash Loans

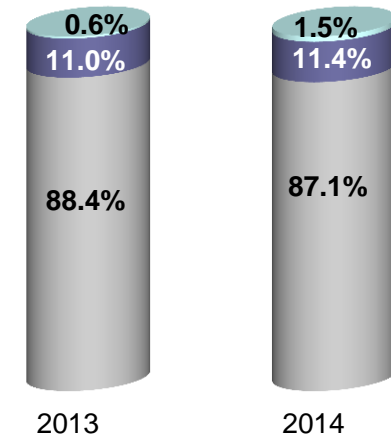


# Higher swap costs increased interest expense

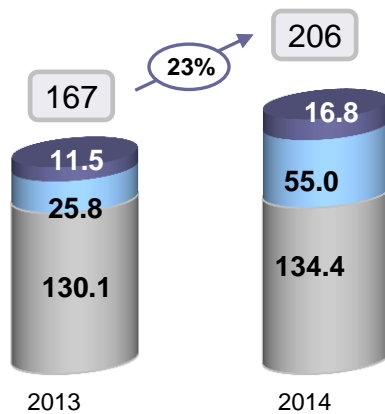
Interest Income (TLmn)



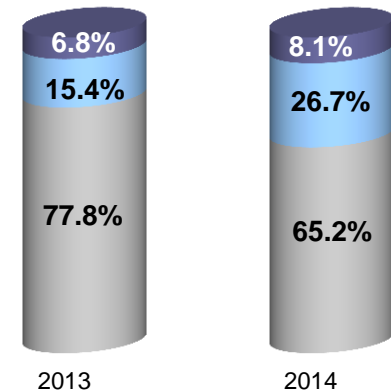
Composition of Interest Income



Interest Expense (TLmn)

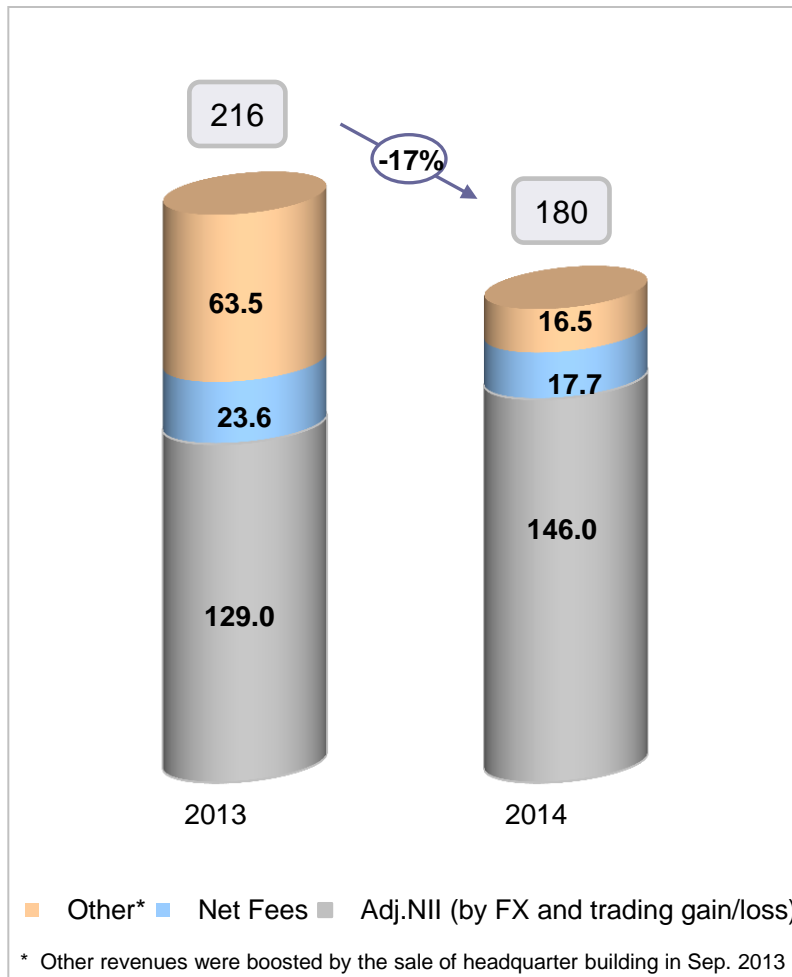


Composition of Interest Expense

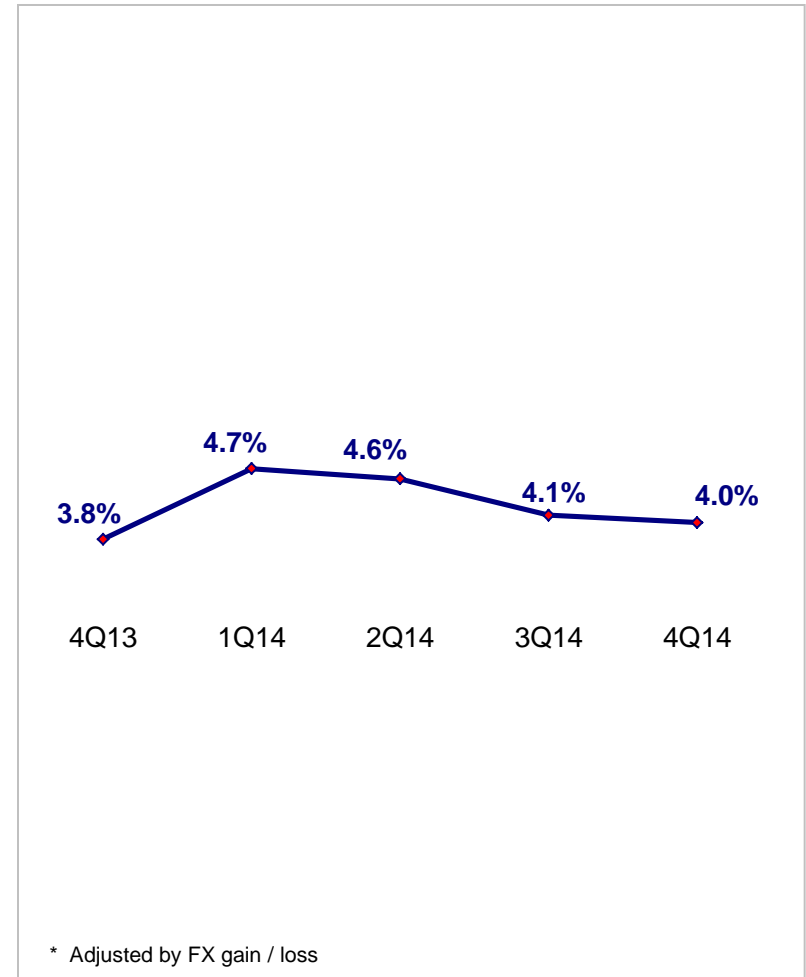


# Banking income declined, hit by the high base period effect of headquarter building sale in 2013

## Banking Income (TLmn)

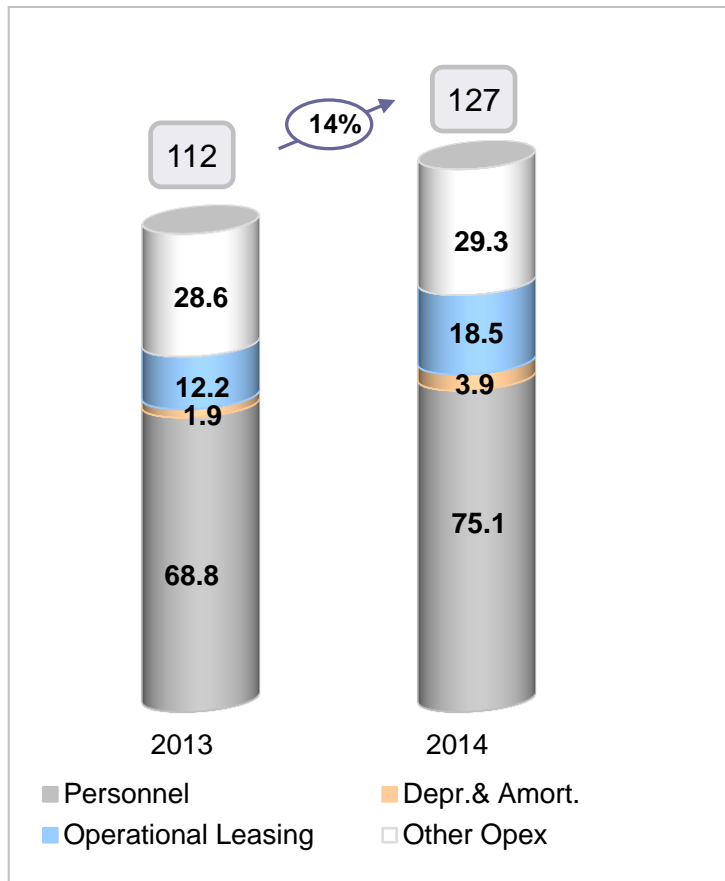


## Adjusted Net Interest Margin\* (Quarterly)

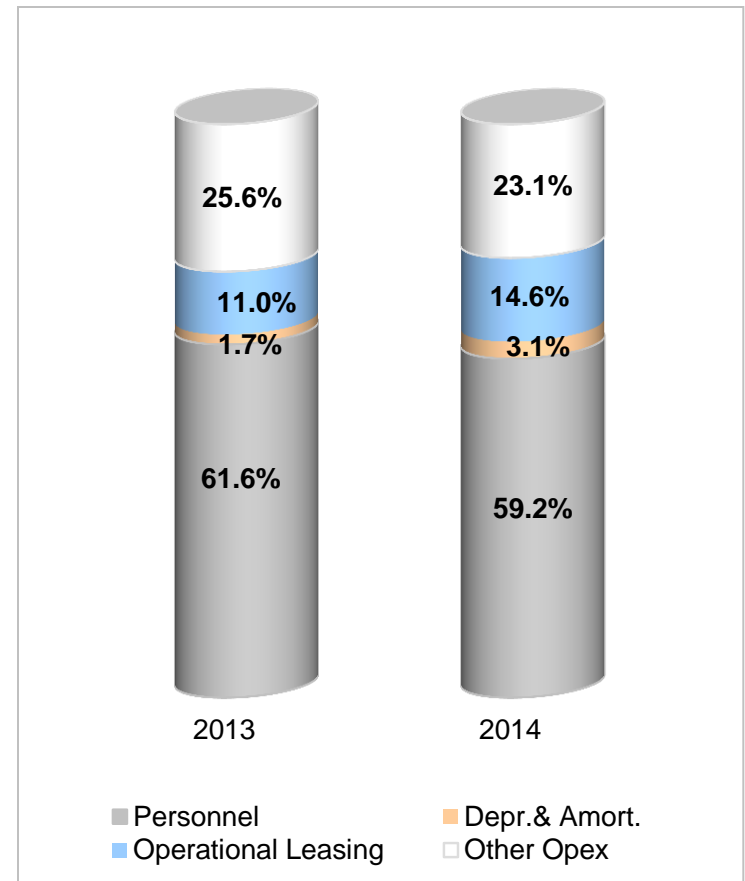


# OPEX was elevated by rent expense, while personnel spending was broadly in line with inflation

## Operating Expenses (TLmn)



## Composition of Operating Expenses



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

# Summary Balance Sheet...

TL million	Dec 2013	Mar 2014	Jun 2014	Sep 2014	Dec 2014
<b>Cash &amp; Banks</b>	526	476	400	432	507
<b>Total Securities</b>	403	417	416	344	216
<b>Total Cash Loans</b>	2,773	2,625	2,545	2,823	2,751
<b>Fixed Assets &amp; Subsidiaries</b>	41	49	59	58	65
<b>Other</b>	106	132	125	125	117
<b>Total Assets</b>	<b>3,849</b>	<b>3,699</b>	<b>3,545</b>	<b>3,782</b>	<b>3,656</b>
<b>Deposits*</b>	2,526	2,193	2,120	2,344	2,344
<b>Interbank Money Market*</b>	259	380	285	272	229
<b>Borrowings</b>	341	373	373	403	348
<b>Other</b>	123	145	145	144	119
<b>SHE</b>	600	608	622	619	616
<b>Total Liabilities &amp; SHE</b>	<b>3,849</b>	<b>3,699</b>	<b>3,545</b>	<b>3,782</b>	<b>3,656</b>

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

# Summary Income Statement...

TL million	1Q 2014	2Q 2014	3Q 2014	4Q 2014	2013	2014
<b>Interest Income</b>	89.6	89.3	81.1	79.7	292.4	339.6
Loans	74.2	75.4	72.7	73.5	258.4	295.9
Securities	11.7	13.6	7.9	5.5	32.2	38.8
Other	3.7	0.3	0.5	0.6	1.7	5.0
<b>Interest Expense</b>	53.6	54.6	49.7	48.3	167.3	206.2
Deposits	34.9	36.0	31.7	31.8	130.1	134.4
Funds Borrowed	13.4	13.1	13.4	15.0	25.8	55.0
Other Borrowings	5.3	5.5	4.6	1.5	11.5	16.8
<b>Net Interest Income</b>	36.0	34.7	31.4	31.4	125.1	133.5
Net FX Gain (Loss)*	1.8	0.6	0.6	0.6	2.4	3.6
<b>Adj. Net Interest Income</b>	37.8	35.3	32.0	32.0	127.5	137.0
Net Trading Income (Loss)*	0.0	0.0	5.0	4.0	1.4	9.0
Net Fees & Commissions	4.3	5.0	4.3	4.0	23.6	17.7
Other Operating Income	9.5	3.2	-0.6	4.4	63.5	16.5
<b>Total Operating Income</b>	51.6	43.5	40.7	44.4	216.1	180.2
Provisions	8.6	8.1	8.8	14.0	57.3	39.5
Opex	32.0	32.4	30.5	31.9	111.6	126.8
Profit from Subsidiaries	0.0	1.3	0.0	0.0	0.0	1.3
<b>Profit Before Tax</b>	11.0	4.3	1.4	-1.6	47.2	15.1
Tax	1.6	0.7	0.7	-0.4	3.4	2.6
<b>Net Income</b>	9.4	3.6	0.7	-1.2	43.8	12.5

\* 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	2013	2014
<b>Interest Income</b>	<b>90.4</b>	<b>90.2</b>	<b>82.2</b>	<b>80.8</b>	<b>295.4</b>	<b>343.6</b>
<i>Loans</i>	74.8	75.9	73.4	74.2	260.8	298.3
<i>Securities</i>	11.7	13.7	7.9	5.6	32.2	38.9
<i>Other</i>	3.9	0.6	0.9	1.0	2.3	6,3
<b>Interest Expense</b>	<b>53.6</b>	<b>54.5</b>	<b>49.7</b>	<b>48.3</b>	<b>167.3</b>	<b>206.1</b>
<i>Deposits</i>	34.9	35.9	31.7	31.8	130.1	134.3
<i>Funds Borrowed</i>	13.4	13.1	13.4	15.0	25.8	55.0
<i>Other Borrowings</i>	5.3	5.5	4.6	1.5	11.5	16.9
<b>Net Interest Income</b>	<b>36.8</b>	<b>35.7</b>	<b>32.5</b>	<b>32.5</b>	<b>128.1</b>	<b>137.4</b>
<i>Net FX Gain (Loss)*</i>	1.8	0.6	0.6	0.6	2.5	3.6
<b>Adj. Net Interest Income</b>	<b>38.6</b>	<b>36.3</b>	<b>33.1</b>	<b>33.1</b>	<b>130.6</b>	<b>141.1</b>
<i>Net Trading Income (Loss)*</i>	1.2	1.4	6.4	5.7	6.7	14.7
<i>Net Fees &amp; Commissions</i>	4.6	5.2	4.5	4.2	24.0	18.5
<i>Other Operating Income</i>	9.4	3.2	-0.7	4.2	63.4	16.2
<b>Total Operating Income</b>	<b>53.8</b>	<b>46.1</b>	<b>43.3</b>	<b>47.2</b>	<b>224.8</b>	<b>190.4</b>
<i>Provisions</i>	8.5	8.2	8.8	14.1	57.4	39.6
<i>Opex</i>	33.9	34.5	32.6	34.0	118.4	134.9
<i>Profit from Subsidiaries</i>	0.0	0.0	0.0	0.0	0.0	0.0
<b>Profit Before Tax</b>	<b>11.4</b>	<b>3.4</b>	<b>1.9</b>	<b>-0.9</b>	<b>49.1</b>	<b>15.8</b>
<i>Tax</i>	1.7	0.8	0.8	0.2	-3.8	-3.1
<b>Net Income</b>	<b>9.7</b>	<b>2.6</b>	<b>1.1</b>	<b>-0.7</b>	<b>45.3</b>	<b>12.8</b>

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

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