

# **TEKSTİLBANK**

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*Earnings Presentation*  
*June 30, 2013 / BRSA Bank-Only*

# Macroeconomic environment in 2Q 2013...

- Positive mood dominating the first two months of 2Q, lifted by Japan's drastic step in monetary expansion, turned into a gloomy outlook in June, due to Fed's emphasis on reducing asset purchases
- Turkish economy recovered by a notable rate of 3.0%, y/y, in 1Q, which was however supported extensively by public expenditures
- Moody's assigned Turkey's second 'investment grade' rating, after Fitch, in May
- Inflation rose to 8.3% in June, from 7.3% in March, hit by the volatile food prices and partially TL's weakening. The CB raised its year-end forecast to 6.2%, from 5.3%
- Despite lack of strong macroeconomic recovery indicators, 12-month cumulative C/A deficit rebounded to US\$54bn in May, from US\$48bn recorded in March, due to temporary effects of gold trade
- The CB cut its policy rate by 25bp in both April and May, down to 4.5%. However, the Bank had to increase its average funding rate close to 6% in June, in order to curb TL's deterioration

## *Highlights of 2Q 2013:*

- A modest balance sheet recovery, due to TL's weakening
- More focus on TL corporate loans
- Lower deposits/liabilities ratio at 65%, in order to reduce funding cost
- Strong CAR at 16.7%
- Declining asset quality
- Higher NIM at 4.8%

# Looking into second half of 2013

## Macroeconomy

- Capital inflows may be hit by global risk aversion
- The CB may increase funding rate further, in order to support TL
- 2013 growth will probably lack behind previously-expected 4%, due to higher interest rates and uncertainty
- Public expenditures may increase further to support growth, as was the case in first quarter
- Inflation will probably exceed 7% at year-end, triggered by the TL's weakening and higher oil prices

## Banking Sector

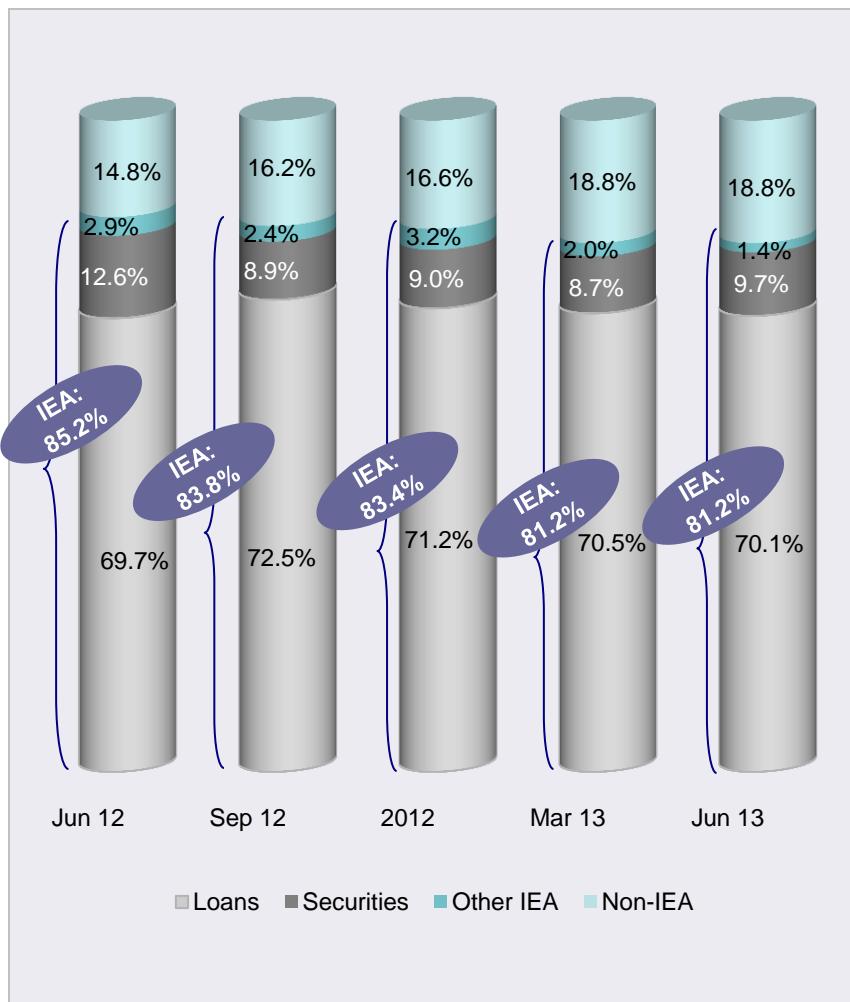
- Strong loan growth may slowdown, hit by lower external funding opportunities of banks, but still remain above the CB's reference rate at 15%
- Funding costs may be increased further, depending on Fed's timing, while the CB underlined that RRR hikes are not on the agenda for the time being
- Asset quality may weaken further

## Tekstilbank

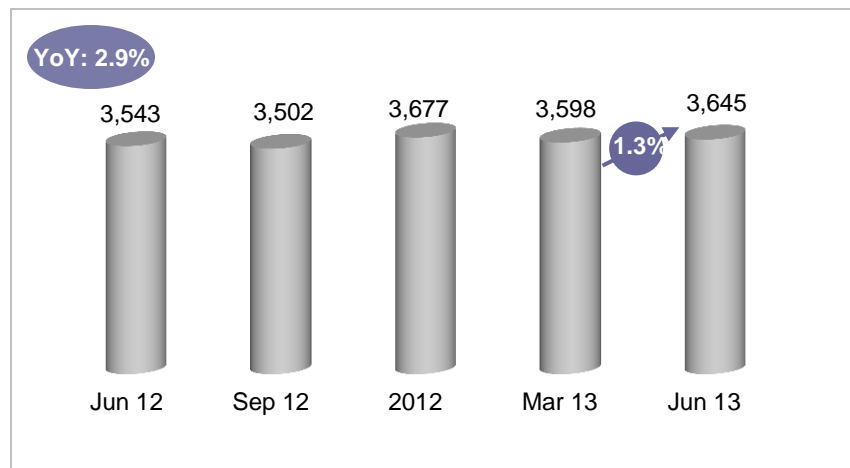
- Conservative growth approach will continue
- Likely increase in NPL's
- Declining margins
- Maintaining high level of CAR
- Extensive focus on collections

# A modest balance sheet growth

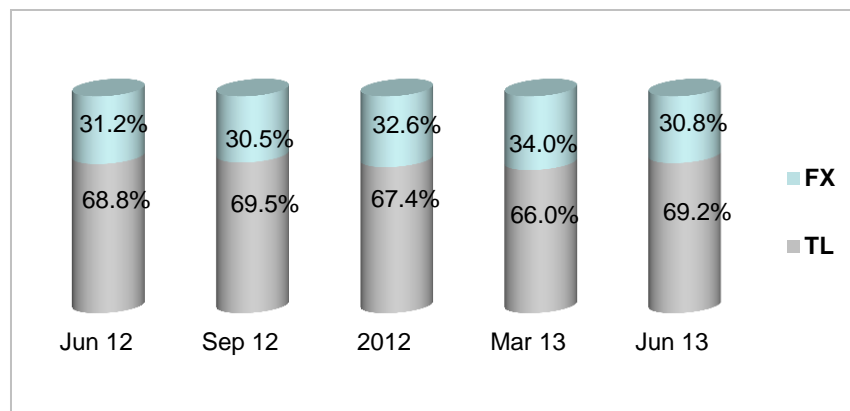
## Composition of Assets



## Total Assets (TLmn)



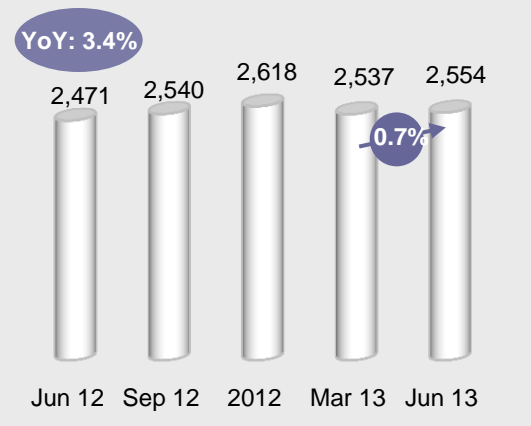
## Currency Composition of Assets\*



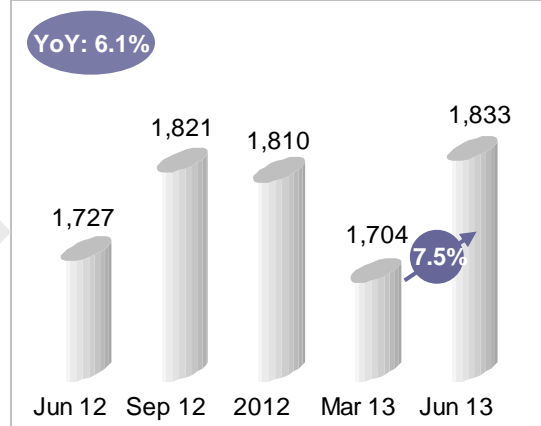
\* FX-indexed cash loans are included in FX assets

# A minor rise in loan book, due to TL loan growth

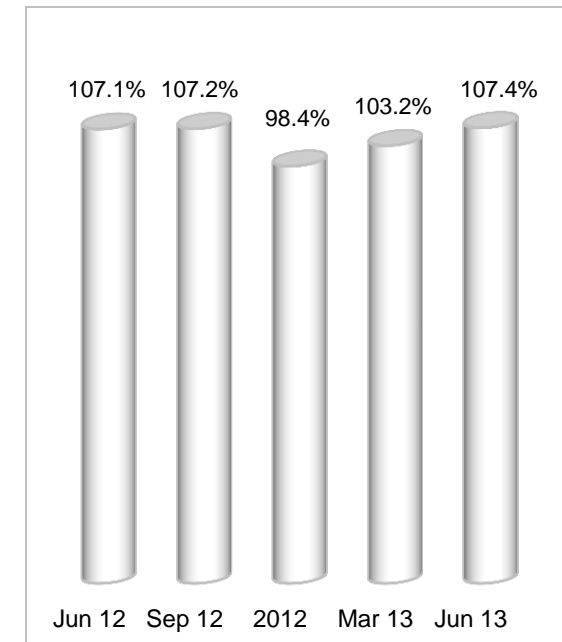
## Total Cash Loans (TLmn)



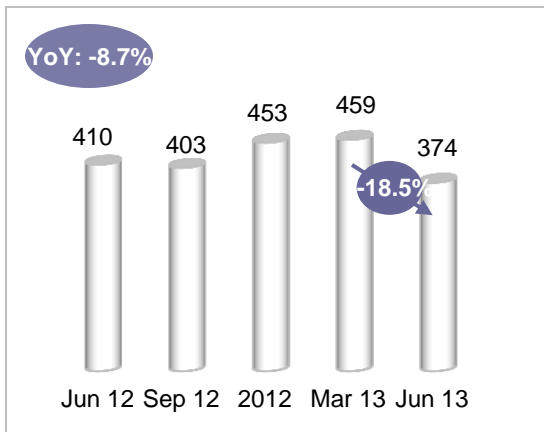
## TL Cash Loans\* (TLmn)



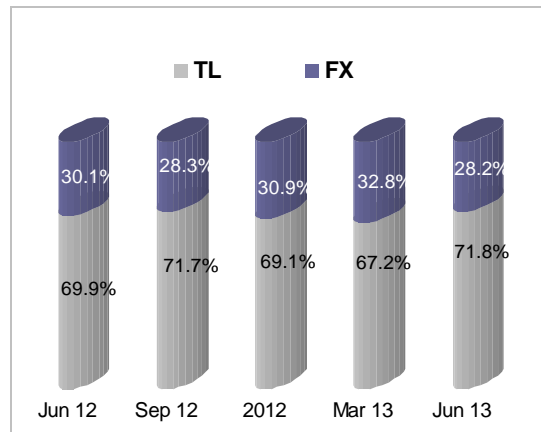
## Loans / Customer Deposits



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



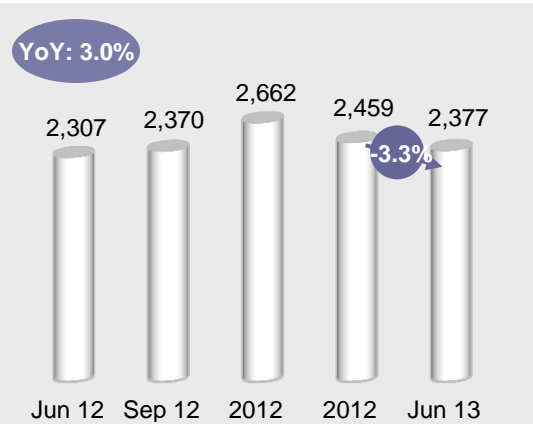
## Currency Breakdown of Cash Loans\*



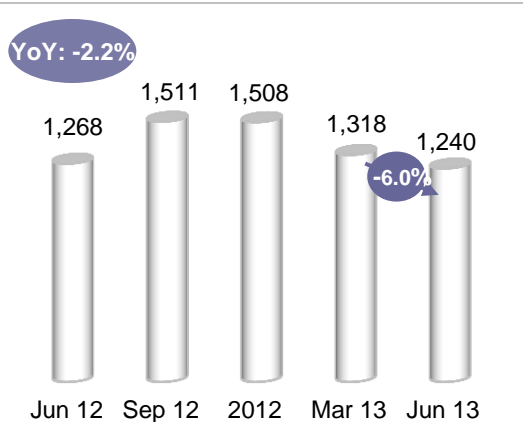
\* FX-indexed cash loans are included in FX cash loans

# Funds borrowed continued to gain more dominance, while high cost deposits lost weight

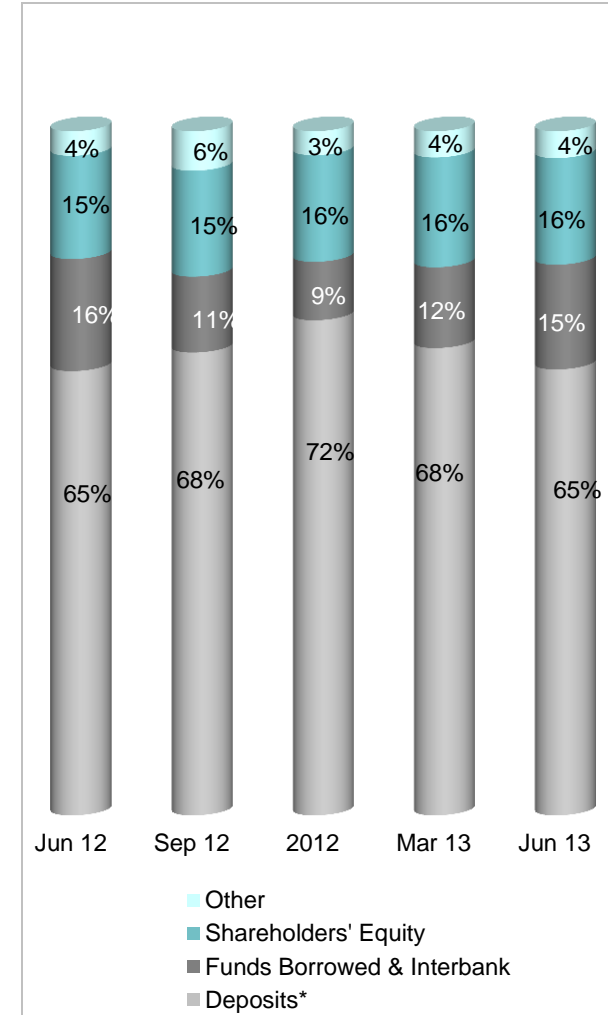
## Total Deposits\* (TLmn)



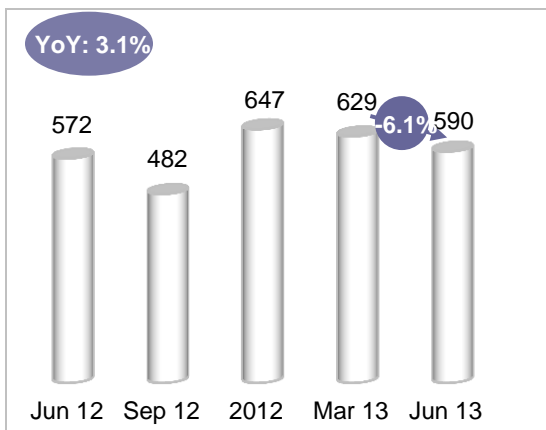
## TL Deposits\* (TLmn)



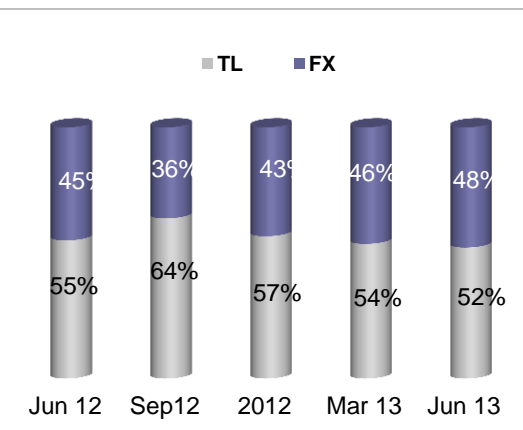
## Composition of Liabilities & SHE



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



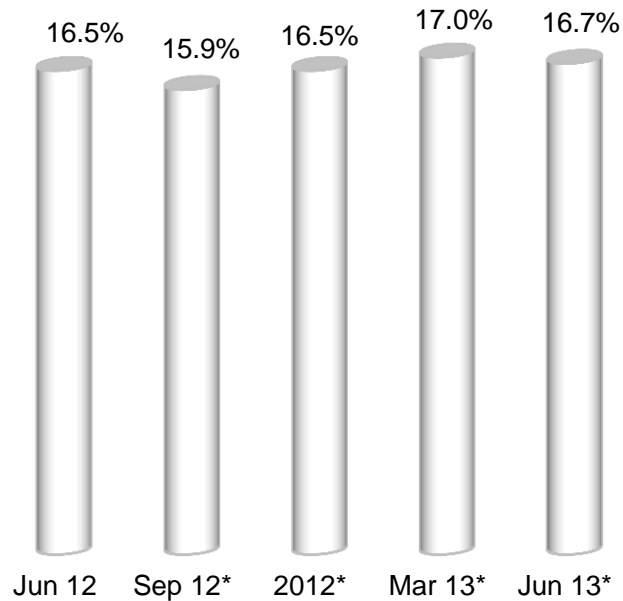
## Currency Breakdown\*



\* Excluding bank deposits

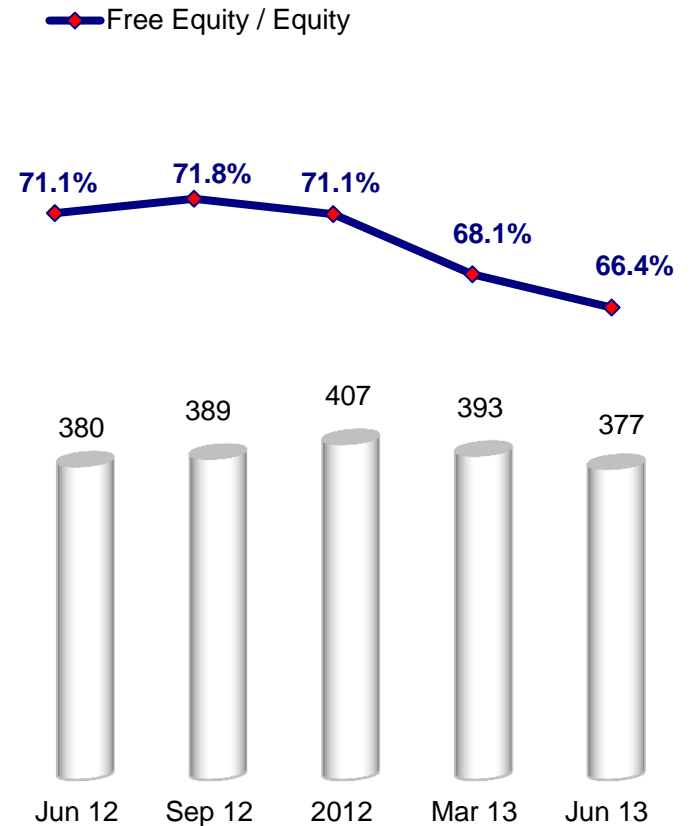
# Strong CAR at 16.7%

## Capital Adequacy Ratio (CAR)



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

## Free Equity (TLmn)

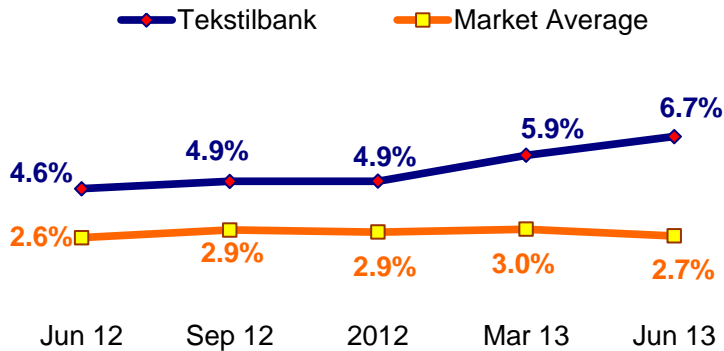


Free Equity: SHE-subidiaries-property & equipment-intangible assets-property & equipment held for sale-unprovisioned NPL



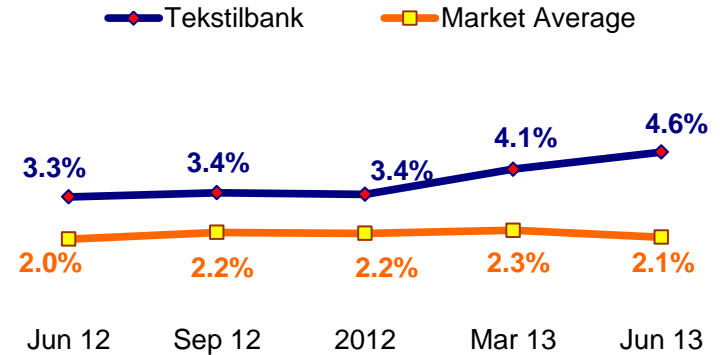
# Decline in asset quality

## NPL Ratio



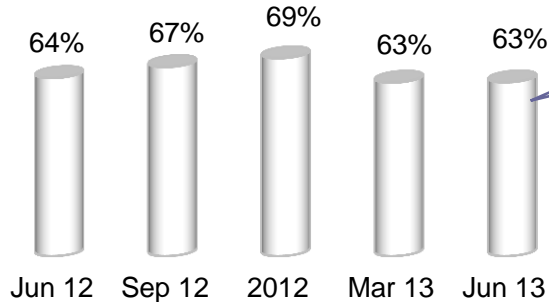
Source: BRSA

## NPL Ratio (including non-cash loans)



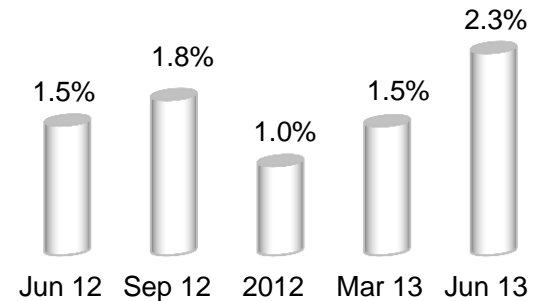
Source: BRSA

## NPL Coverage



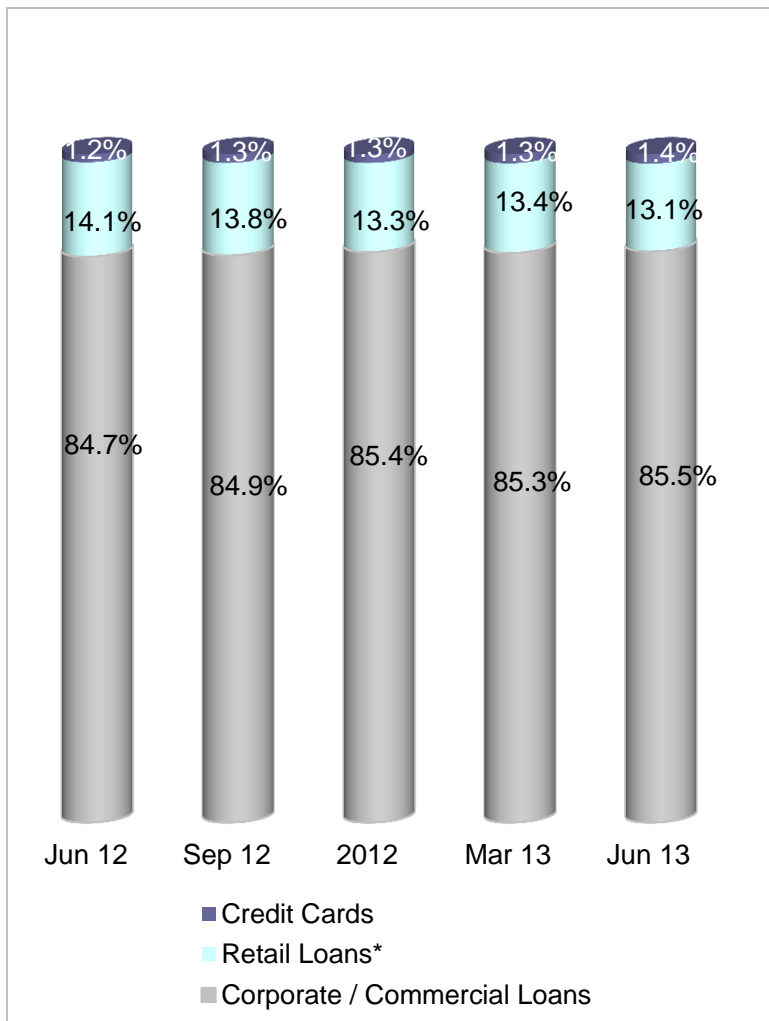
NPL coverage increases to 81% when General and Other Provisions are included

## Cost of Risk (quarterly)

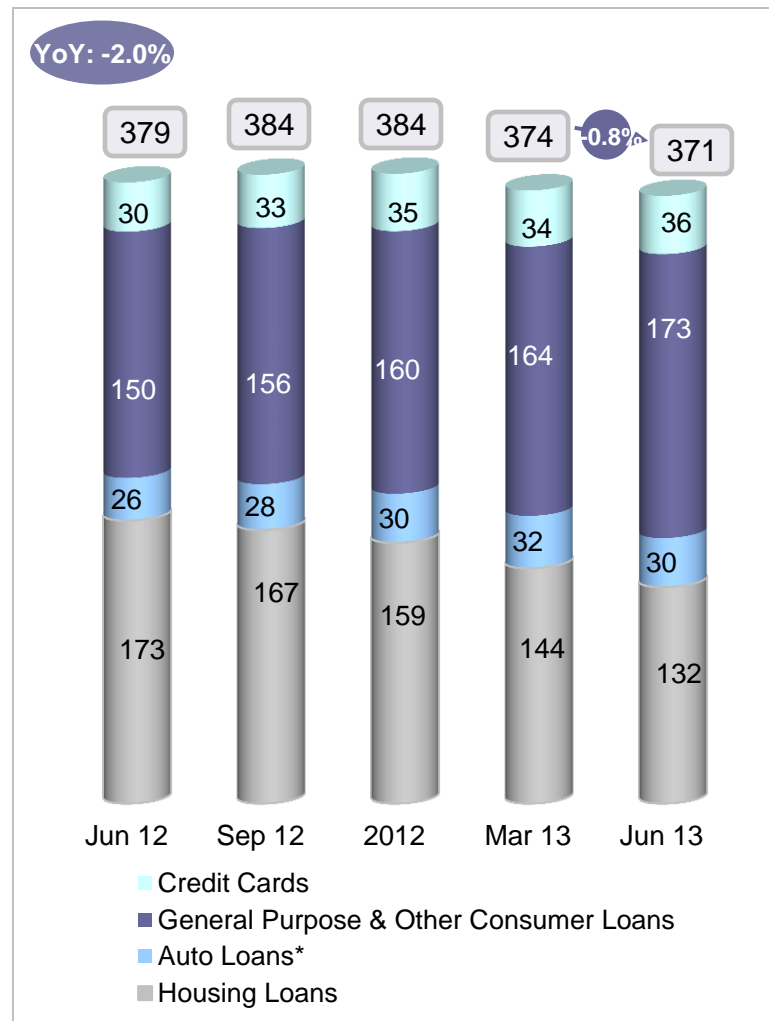


# More focus on corporate loans

## Breakdown of Loan Portfolio



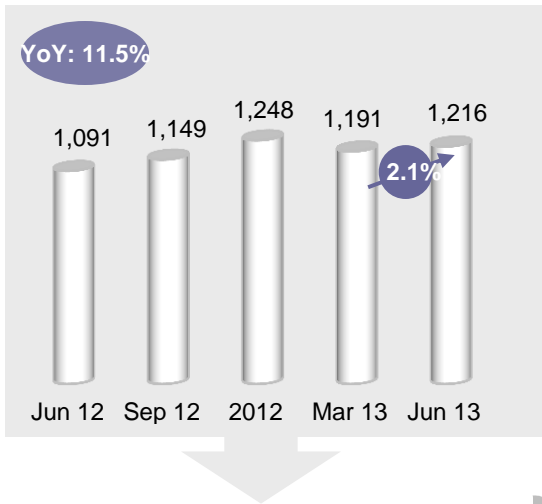
## Breakdown of Retail Loans (TLmn)



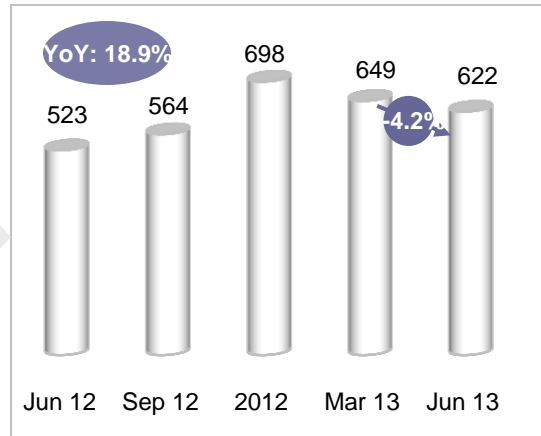
\*Specialized loans granted to farmers for vehicle purchases are classified in retail loans

# Higher F/X non-cash loans

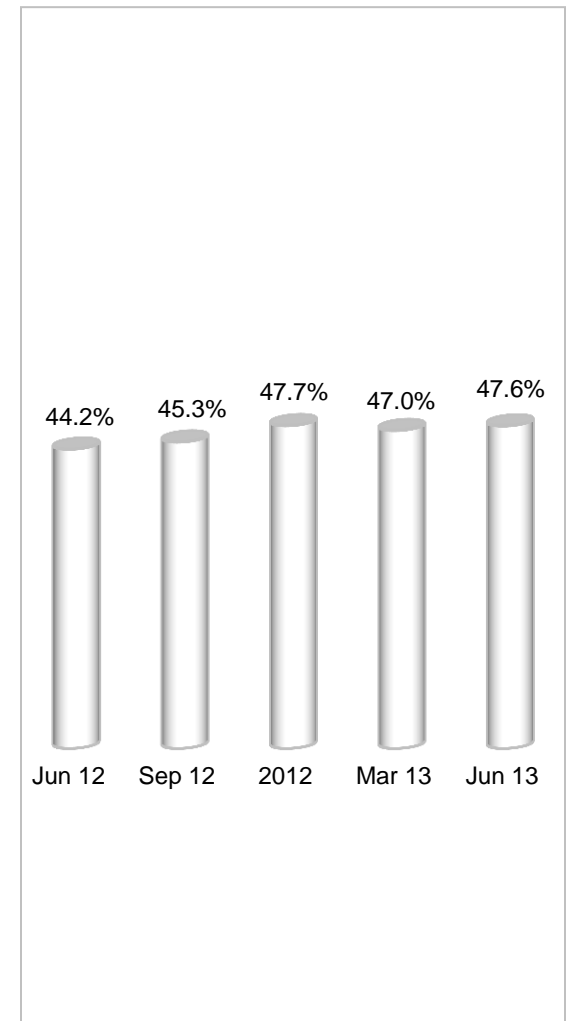
## Total Non-Cash Loans (TLmn)



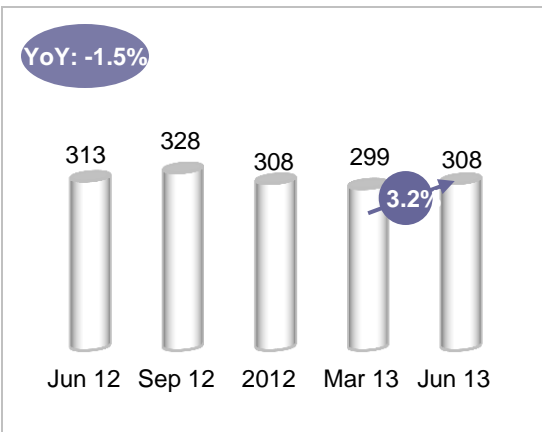
## TL Non-Cash Loans (TLmn)



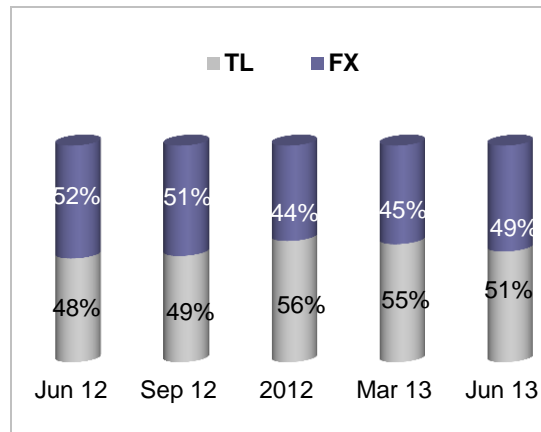
## Non-Cash / Cash Loans



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

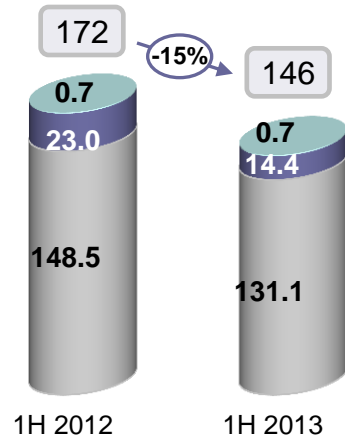


## Currency Breakdown of Non-Cash Loans

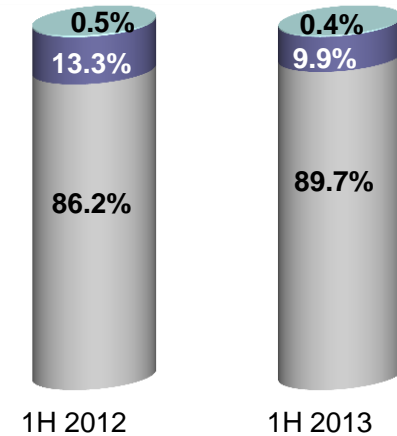


# Lower interest expense, thanks to the CB's monetary easing...

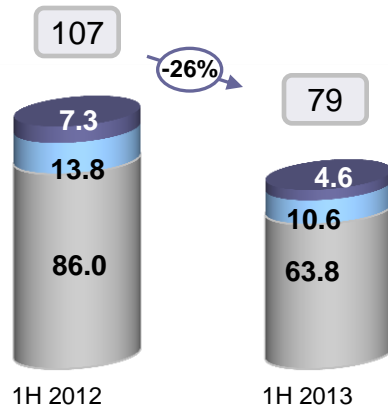
### Interest Income (TLmn)



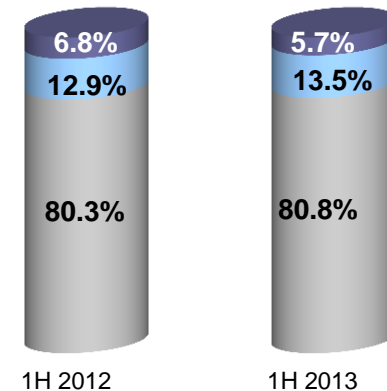
### Composition of Interest Income



### Interest Expense (TLmn)

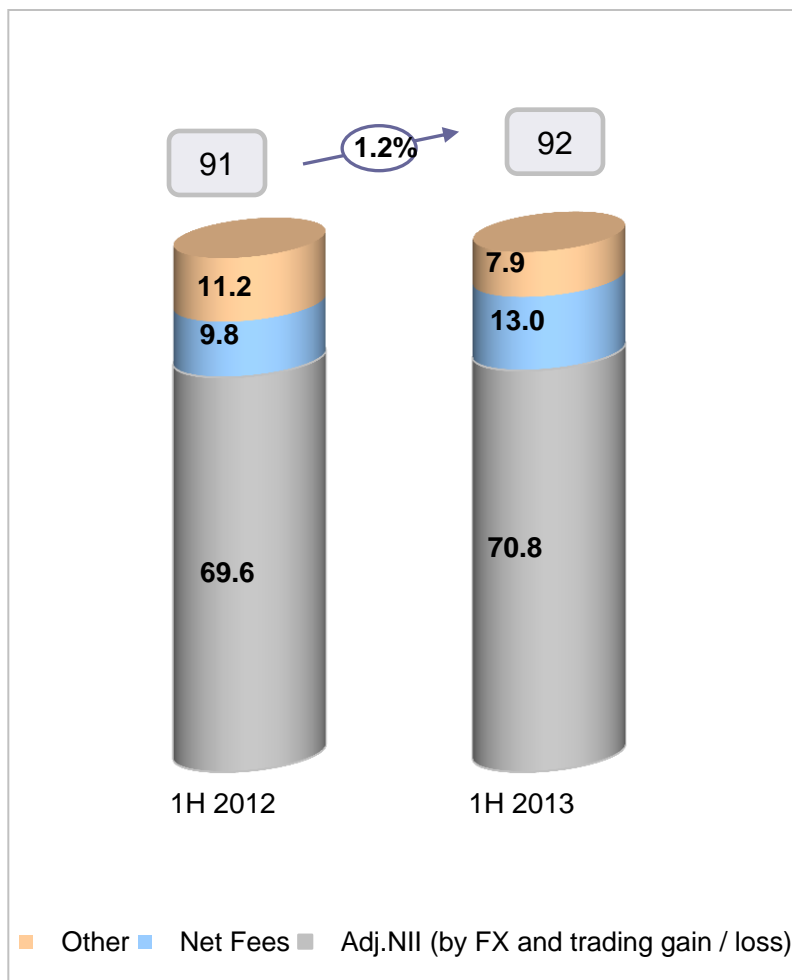


### Composition of Interest Expense

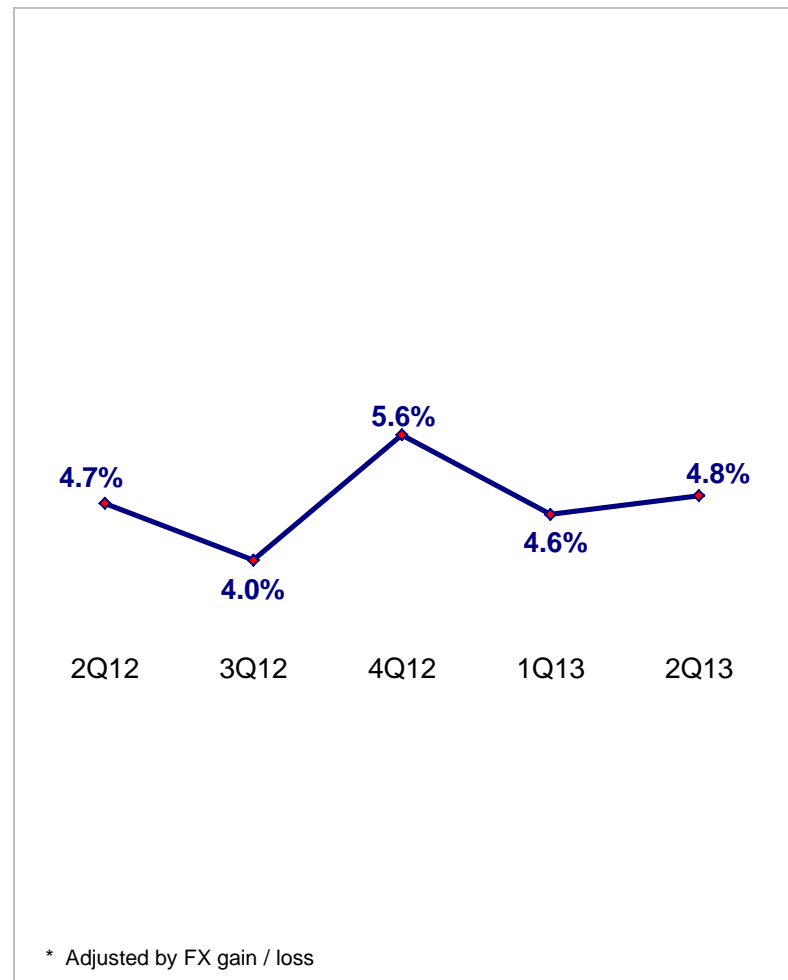


# Resulting in better NIM

## Banking Income (TLmn)

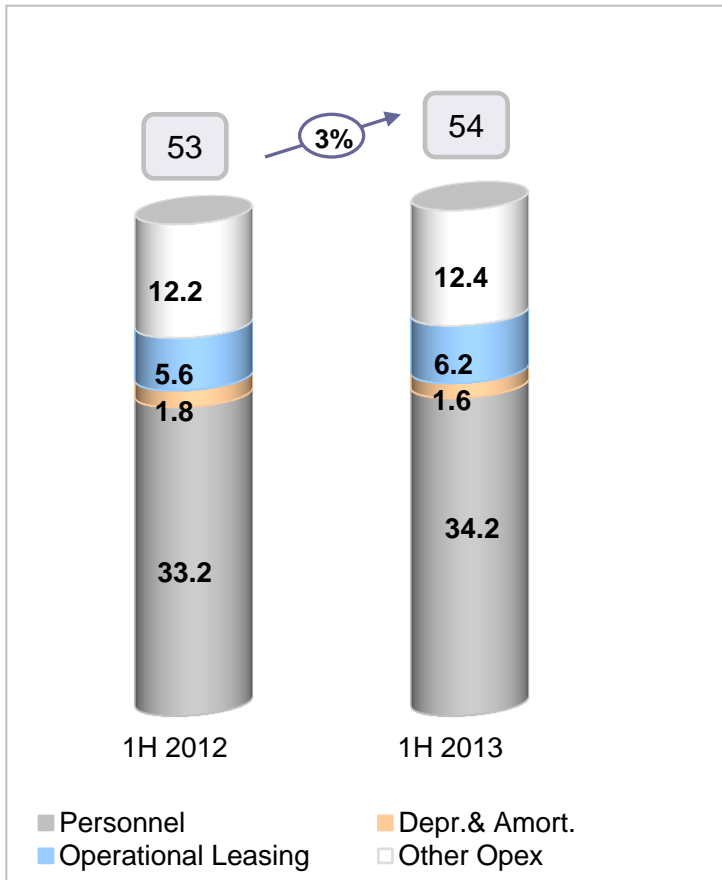


## Adjusted Net Interest Margin\* (Quarterly)

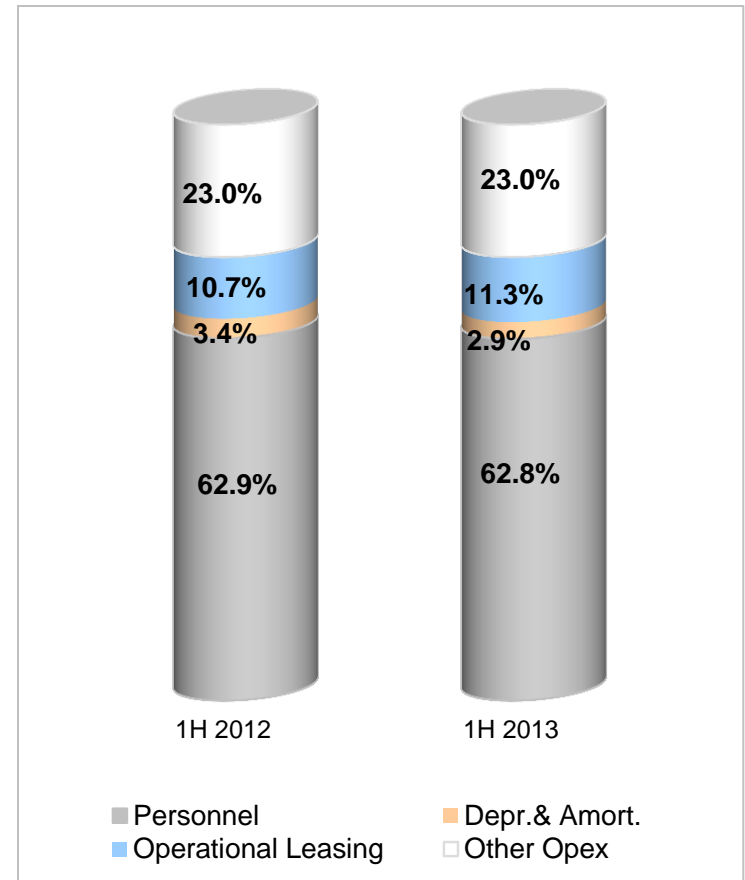


# Strict control on OPEX

## Operating Expenses (TLmn)



## Composition of Operating Expenses



# Summary Balance Sheet...

TL million	Jun 2012	Dec 2012	Mar 2013	Jun 2013
<b>Cash &amp; Banks</b>	381	480	467	442
<b>Total Securities</b>	448	330	314	354
<b>Total Cash Loans</b>	2,471	2,618	2,537	2,554
<b>Fixed Assets &amp; Subsidiaries</b>	111	124	125	122
<b>Other</b>	132	125	155	173
<b>Total Assets</b>	<b>3,543</b>	<b>3,677</b>	<b>3,598</b>	<b>3,645</b>
<b>Deposits*</b>	2,307	2,662	2,459	2,377
<b>Interbank Money Market*</b>	324	65	146	173
<b>Borrowings</b>	257	249	278	385
<b>Other</b>	121	128	138	143
<b>SHE</b>	534	573	577	567
<b>Total Liabilities &amp; SHE</b>	<b>3,543</b>	<b>3,677</b>	<b>3,598</b>	<b>3,645</b>

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

# Summary Income Statement...

TL million	1Q 2013	2Q 2013	1H 2012	1H 2013
<b>Interest Income</b>	<b>74.4</b>	<b>71.8</b>	<b>172.2</b>	<b>146.2</b>
<i>Loans</i>	65.9	65.2	148.5	131.1
<i>Securities</i>	8.2	6.2	23.0	14.4
<i>Other</i>	0.3	0.4	0.7	0.7
<b>Interest Expense</b>	<b>41.7</b>	<b>37.4</b>	<b>107.1</b>	<b>79.0</b>
<i>Deposits</i>	34.4	29.5	86.0	63.9
<i>Funds Borrowed</i>	4.4	6.3	13.8	10.6
<i>Other Borrowings</i>	2.9	1.6	7.3	4.5
<b>Net Interest Income</b>	<b>32.7</b>	<b>34.5</b>	<b>65.1</b>	<b>67.2</b>
<i>Net FX Gain (Loss)*</i>	1.4	0.8	2.7	2.2
<b>Adj. Net Interest Income</b>	<b>34.1</b>	<b>35.3</b>	<b>67.8</b>	<b>69.4</b>
<i>Net Trading Income (Loss)*</i>	1.2	0.2	1.8	1.4
<i>Net Fees &amp; Commissions</i>	6.2	6.8	9.8	13.0
<i>Other Operating Income</i>	3.8	4.2	11.2	7.9
<b>Total Operating Income</b>	<b>45.3</b>	<b>46.4</b>	<b>90.6</b>	<b>91.7</b>
<i>Provisions</i>	11.1	17.0	17.3	28.1
<i>Opex</i>	25.8	28.6	52.8	54.4
<i>Profit from Subsidiaries</i>	0.0	0.0	0.0	0.0
<b>Profit Before Tax</b>	<b>8.4</b>	<b>0.8</b>	<b>20.5</b>	<b>9.2</b>
<i>Tax</i>	1.9	-0.1	3.7	1.8
<b>Net Income</b>	<b>6.5</b>	<b>0.9</b>	<b>16.8</b>	<b>7.4</b>

\* 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	1H 2012	1H 2013
<b>Interest Income</b>	<b>75.1</b>	<b>72.6</b>	<b>173.6</b>	<b>147.7</b>
<i>Loans</i>	66.4	65.9	149.3	132.3
<i>Securities</i>	8.2	6.2	23.2	14.4
<i>Other</i>	0.5	0.5	1.1	1.0
<b>Interest Expense</b>	<b>41.6</b>	<b>37.4</b>	<b>107.0</b>	<b>79.0</b>
<i>Deposits</i>	34.3	29.6	85.9	63.9
<i>Funds Borrowed</i>	4.4	6.2	13.8	10.6
<i>Other Borrowings</i>	2.9	1.6	7.3	4.5
<b>Net Interest Income</b>	<b>33.5</b>	<b>35.2</b>	<b>66.6</b>	<b>68.7</b>
<i>Net FX Gain (Loss)*</i>	1.4	0.9	2.7	2.3
<b>Adj. Net Interest Income</b>	<b>34.9</b>	<b>36.1</b>	<b>69.3</b>	<b>71.0</b>
<i>Net Trading Income (Loss)*</i>	2.7	1.5	4.9	4.2
<i>Net Fees &amp; Commissions</i>	6.3	7.1	10.3	13.4
<i>Other Operating Income</i>	3.7	4.1	8.6	7.8
<b>Total Operating Income</b>	<b>47.6</b>	<b>48.8</b>	<b>93.1</b>	<b>96.4</b>
<i>Provisions</i>	11.1	17.0	17.3	28.1
<i>Opex</i>	27.4	30.3	56.4	57.7
<i>Profit from Subsidiaries</i>	0.0	0.0	0.0	0.0
<b>Profit Before Tax</b>	<b>9.1</b>	<b>1.5</b>	<b>19.4</b>	<b>10.6</b>
<i>Tax</i>	2.0	0.0	4.0	2.0
<b>Net Income</b>	<b>7.1</b>	<b>1.5</b>	<b>15.4</b>	<b>8.6</b>

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

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