

TEKSTILBANK

Earnings Presentation
June 30, 2014 / BRSA Bank-Only

Macroeconomic environment in 2Q 2014...

- ECB's further policy loosening and Fed's dovish attitude has improved global liquidity conditions and inflows to Turkey
- Turkish Central Bank started to cut rates from May onwards, reducing its policy rate down to 8.25% as of June, from 10%
- Economy grew by another 4.3%, y/y, in the first quarter, increasing hopes for a modest growth rate of around 3% for the whole year
- Expected decline in inflation was not witnessed, due to high food prices. Accordingly, Inflation climbed further to 9.2% in June, from 8.4%, recorded in March, and 7.4% at 2013-end
- Downtrend in current account deficit prevailed, contracting to US\$53bn as of May-end in 12-month cumulative terms, from US\$65bn recorded as of 2013-end

Conservative policies continued in the second quarter

Highlights of 2Q 2014:

- Tekstilbank entered a transition period in the second quarter of the year, following the agreement signed at the end of April by ICBC to buy 75.5% of the Bank's from the main shareholder GSD Holding
- Balance sheet contracted slightly
- Smaller loan portfolio, coupled with minor additions to the NPL portfolio, resulted in a higher NPL ratio
- Increase in OPEX vs. the same term of 2013 prevailed in the second quarter, owing to moving of headquarter building to a rental
- Dividend revenue of TL1.3mn, resulting from capital increase, was recorded from Tekstil Securities

Looking into 2014

Macroeconomy

- Lower macroeconomic growth, conceivably around 3%, hit by the lower capital inflows, measures taken by the BRSA, and higher political uncertainty
- Higher inflation, conceivably above 8% at year-end, due to weaker TL, tax hikes, and sticky food prices
- Monetary policy is expected to remain tight, considering high inflation; while policy rate may be cut to 8.0%, because of better global liquidity conditions
- C/A deficit to fall to 6.0% of GDP
- Public spending will be under close watch, ahead of the heavy election agenda

Banking Sector

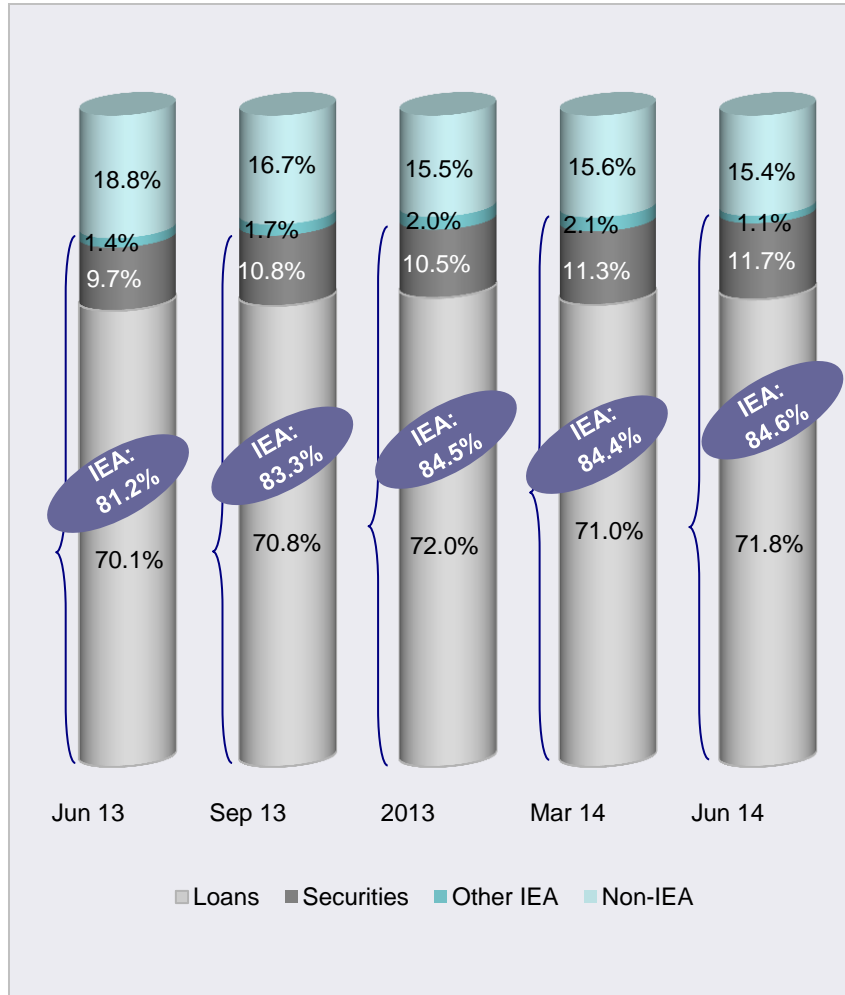
- Slower macroeconomic growth, and restrictions on credit card installments is expected to keep loan growth modest around 15%
- Lower NIM, thanks to the CB's decision to increase average funding cost by 300 bp, to 10% in January
- Asset quality may weaken, reflecting deterioration in macroeconomic activity

Tekstilbank

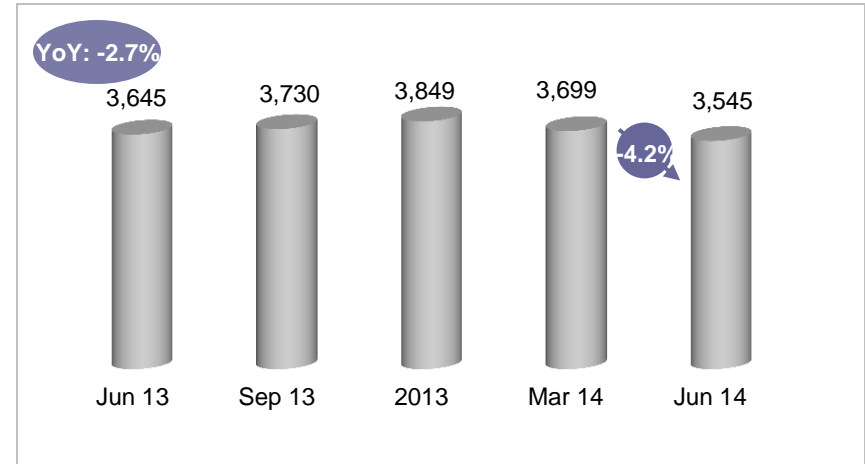
- Conservative growth approach will continue
- Supressed margins
- Maintaining high level of CAR
- Extensive focus on collections

Assets declined by 4.2% vs. first quarter

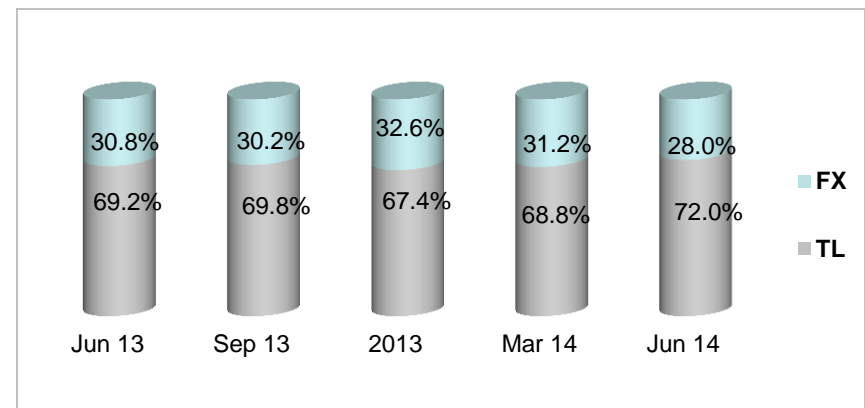
Composition of Assets



Total Assets (TLmn)



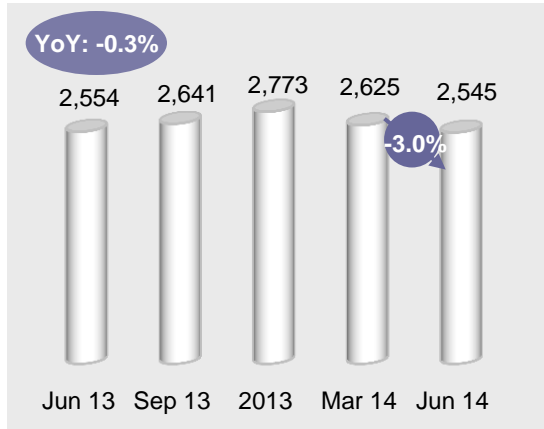
Currency Composition of Assets*



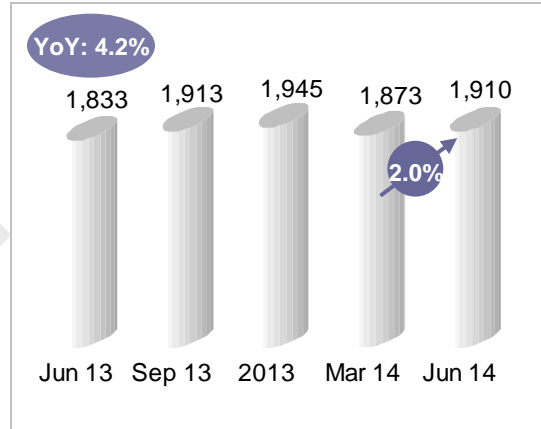
* FX-indexed cash loans are included in FX assets

Loan portfolio contracted by 3%, prompted by lower F/X loans

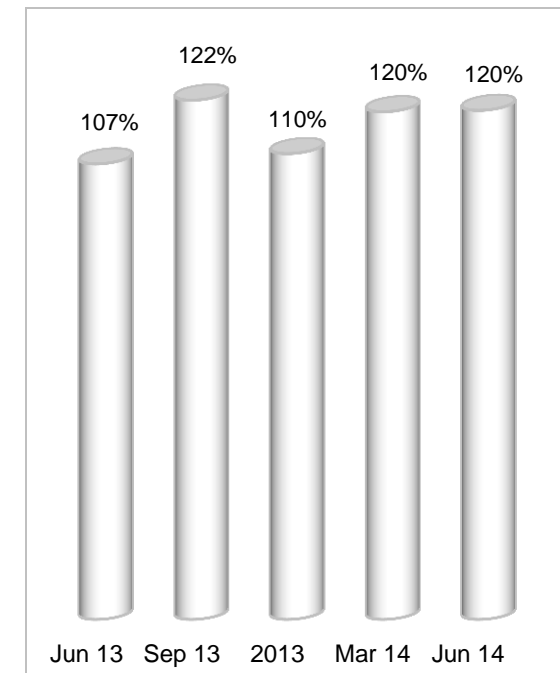
Total Cash Loans (TLmn)



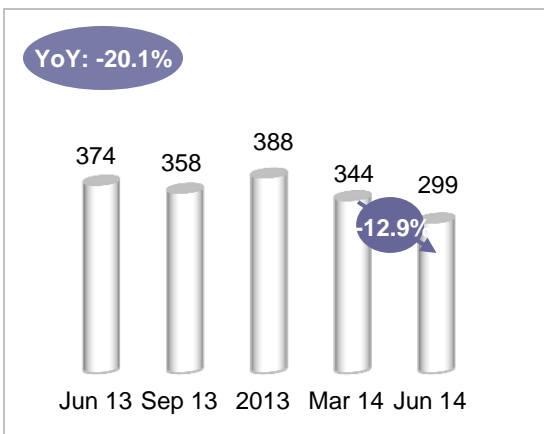
TL Cash Loans* (TLmn)



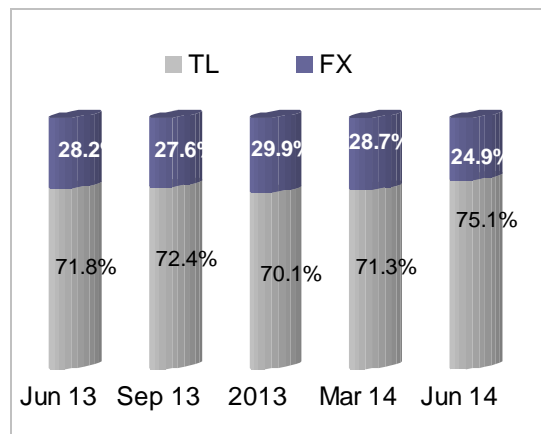
Loans / Customer Deposits



FX Cash Loans* (US\$m)



Currency Breakdown of Cash Loans*

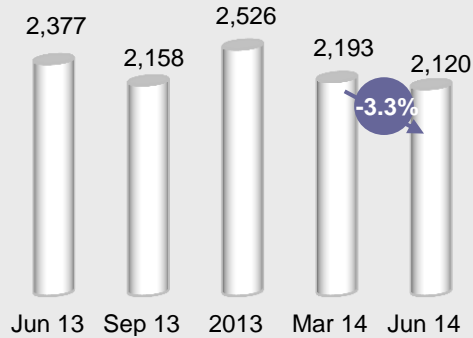


* FX-indexed cash loans are included in FX cash loans

TL deposits captured %53 of total volume

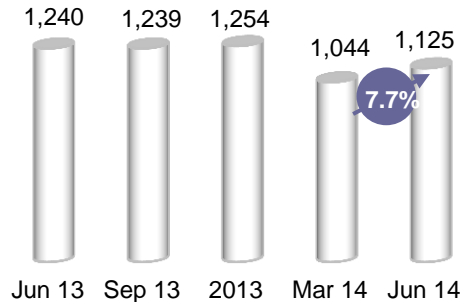
Total Deposits* (TLmn)

YoY: -10.8%

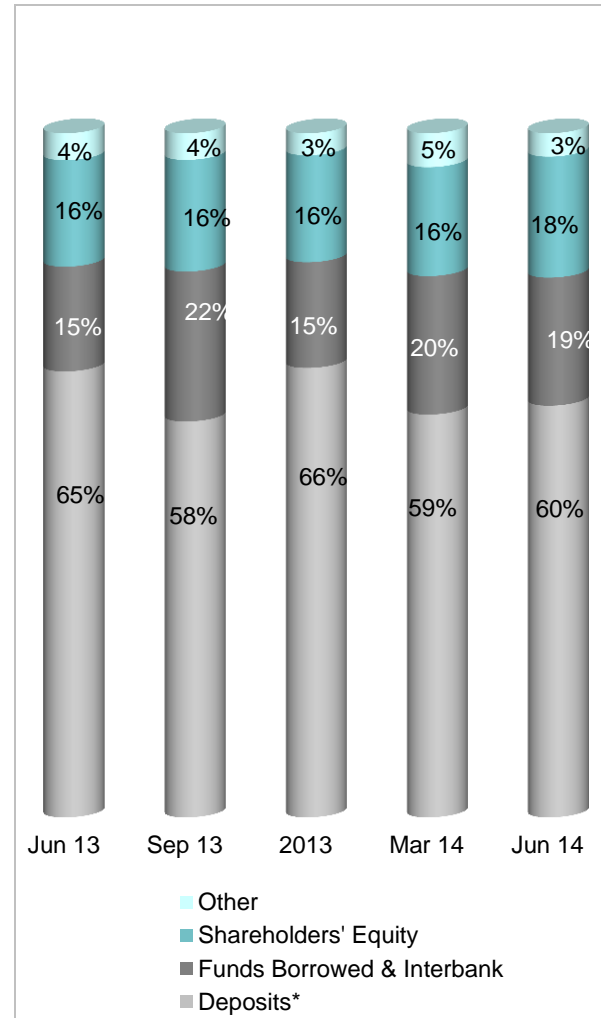


TL Deposits* (TLmn)

YoY: -9.3%

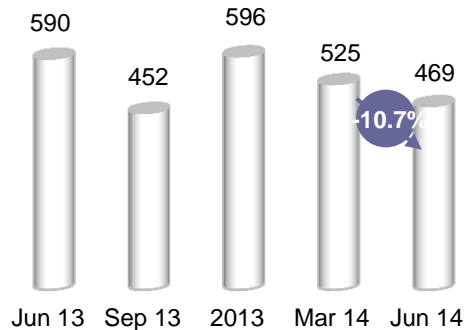


Composition of Liabilities & SHE

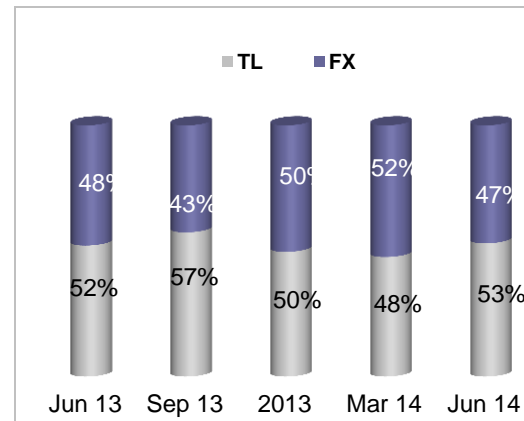


FX Deposits* (US\$m)

YoY: -20.5%



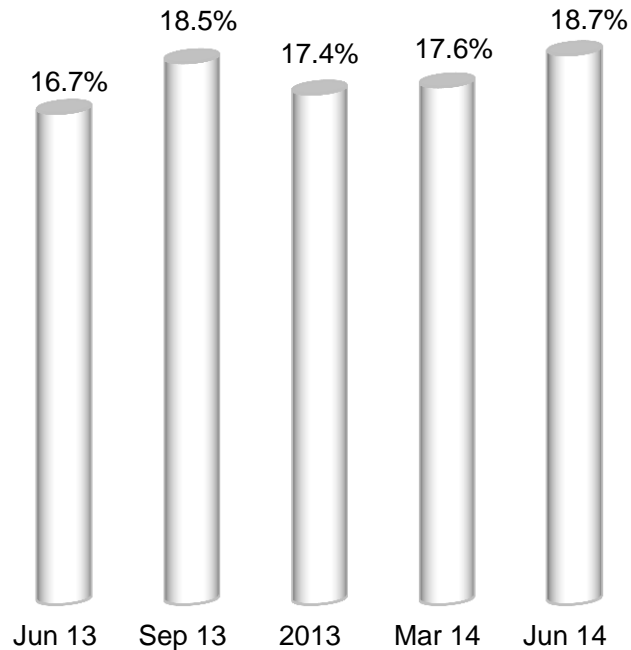
Currency Breakdown*



* Excluding bank deposits

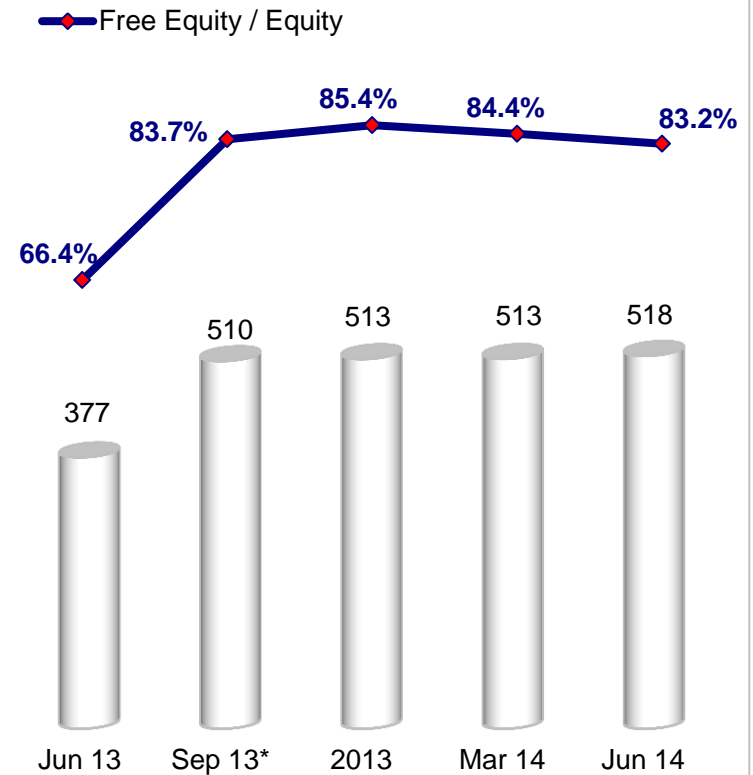
CAR was strong at 18.7%

Capital Adequacy Ratio (CAR)



Calculated according to BRSA regulations, in line with Basel II

Free Equity (TLmn)

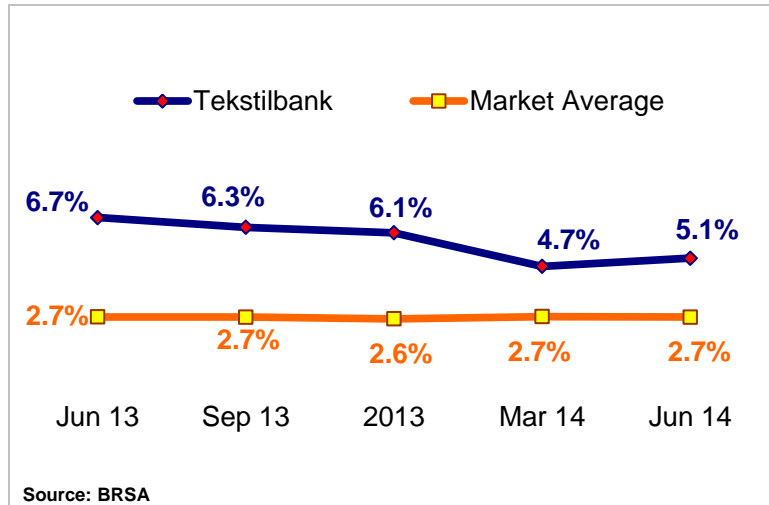


Free Equity: SHE-subsiaries-property & equipment-intangible assets-property & equipment held for sale-unprovisioned NPL

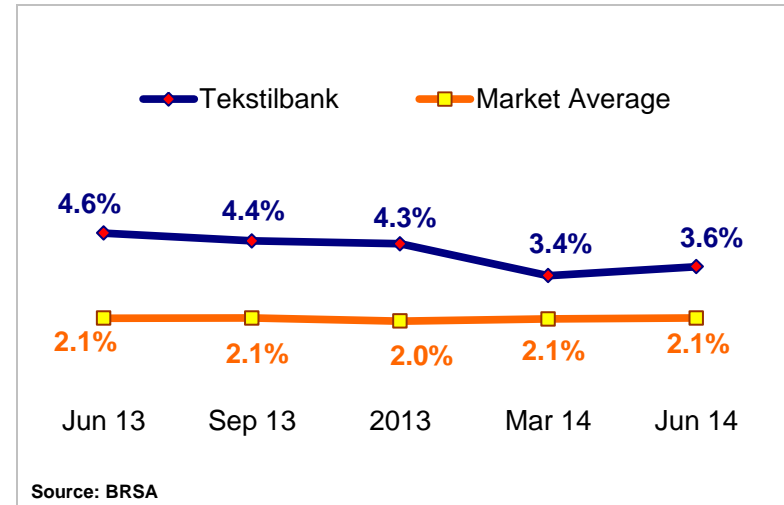
* Headquarter building was sold for US\$62.7mn (TL125mn) in Sep. 2013, leading to higher free equity from 3Q 2013 onwards

NPL ratio increased, reflecting mainly smaller loan book

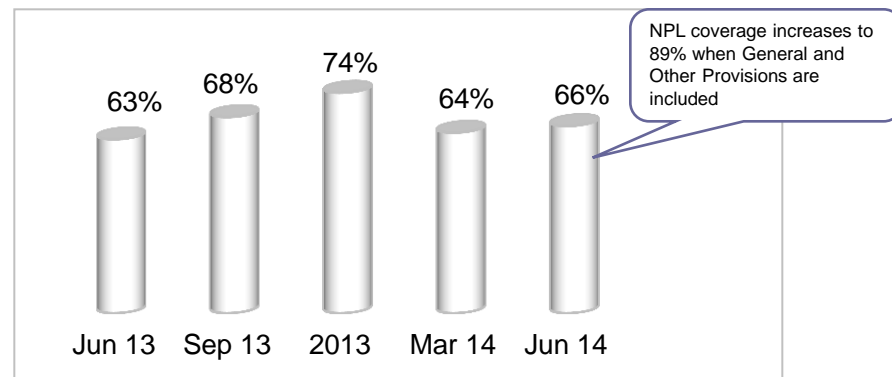
NPL Ratio



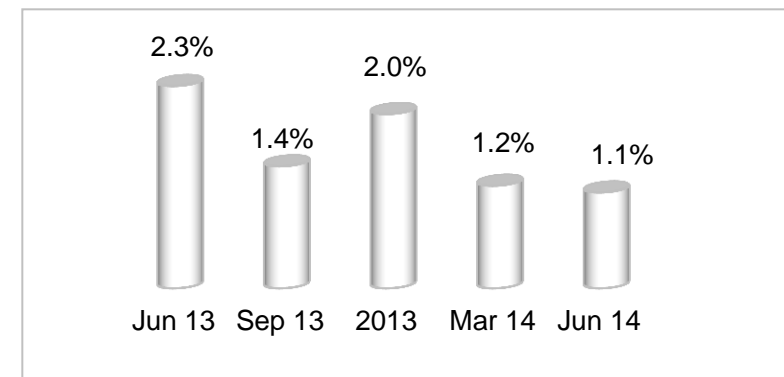
NPL Ratio (including non-cash loans)



NPL Coverage

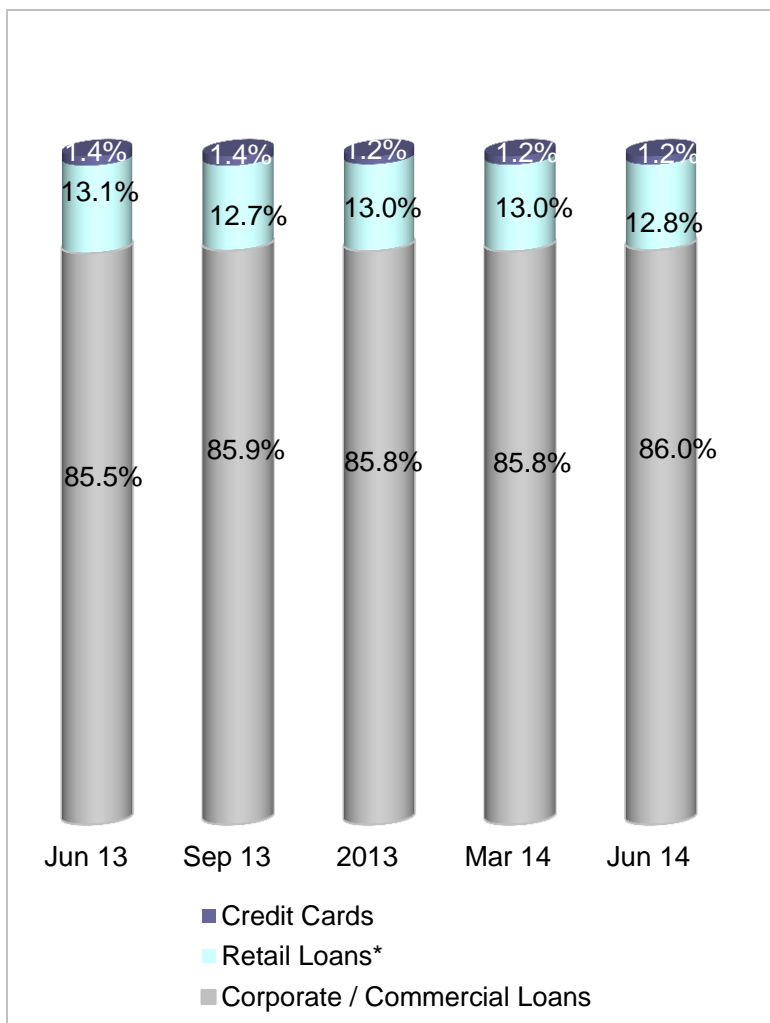


Cost of Risk (quarterly)

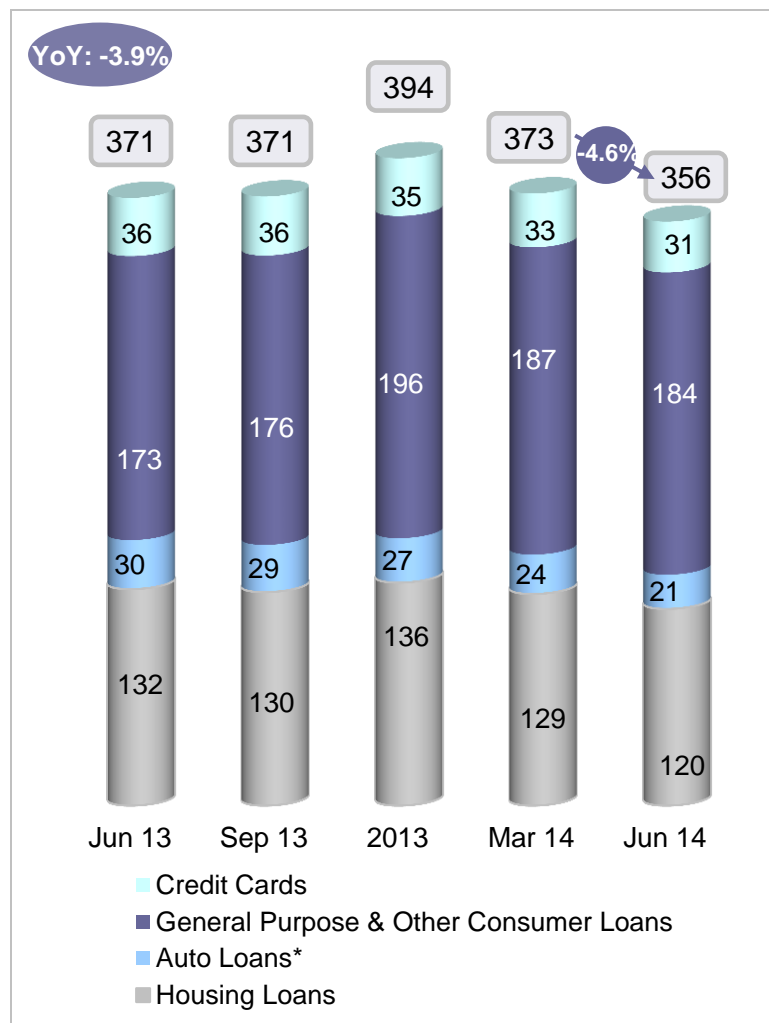


Commercial loans continued to navigate around 86% of the total portfolio

Breakdown of Loan Portfolio



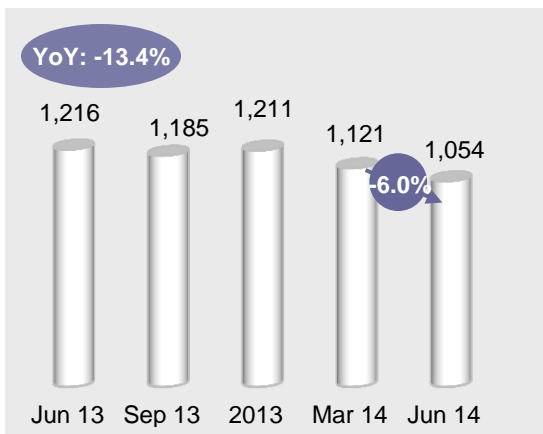
Breakdown of Retail Loans (TLmn)



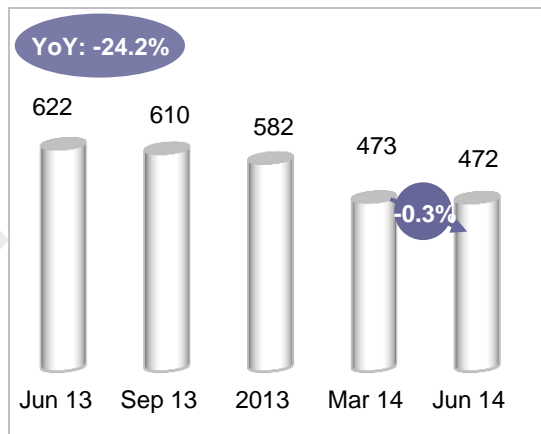
*Specialized loans granted to farmers for vehicle purchases are classified in retail loans

Non-cash loans continued to cut pace in 2Q

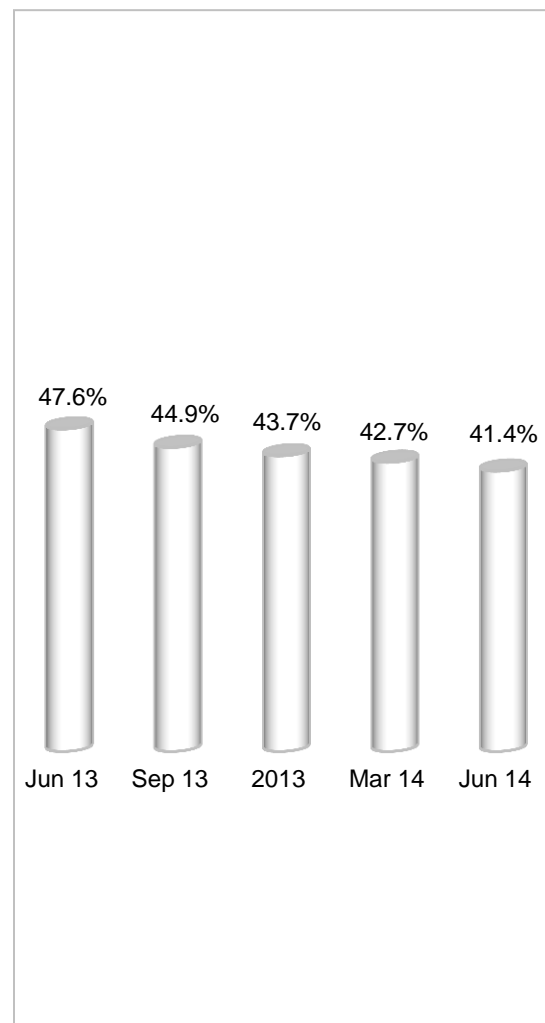
Total Non-Cash Loans (TLmn)



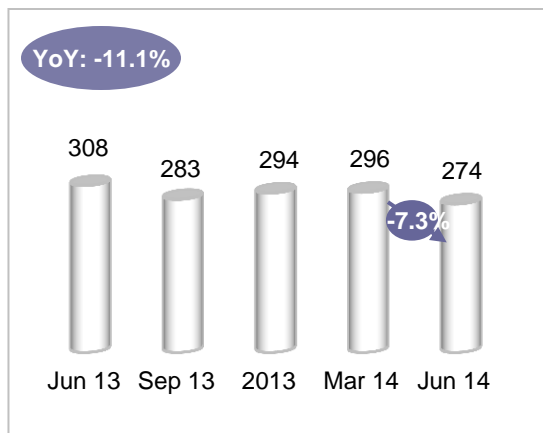
TL Non-Cash Loans (TLmn)



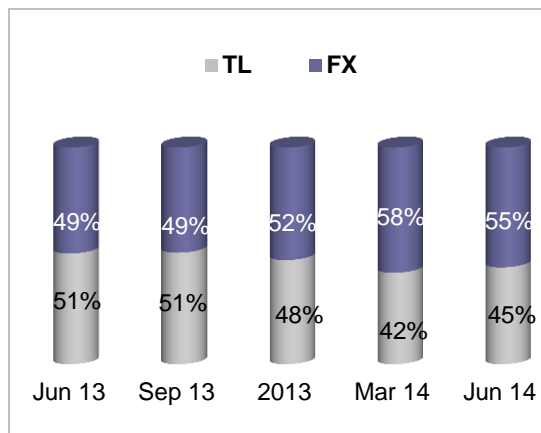
Non-Cash / Cash Loans



FX Non-Cash Loans (US\$m)

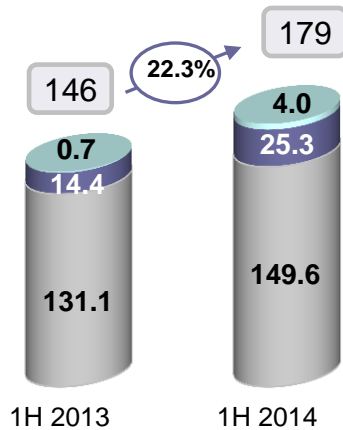


Currency Breakdown of Non-Cash Loans

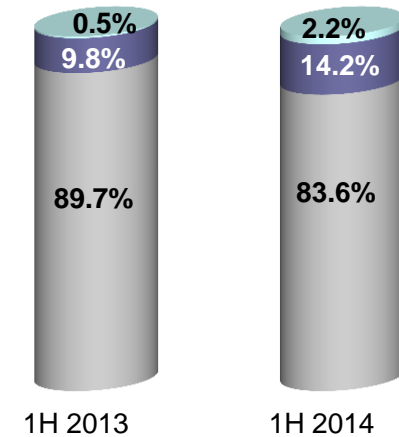


Net interest income increased slightly vs. first half of 2013

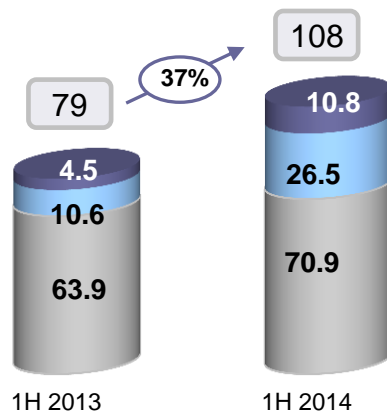
Interest Income (TLmn)



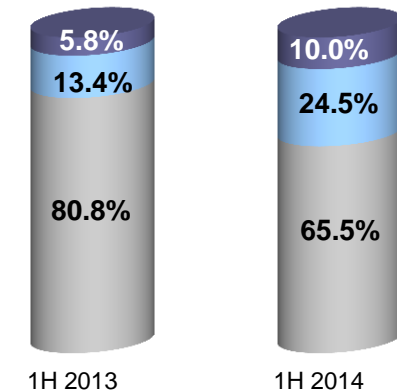
Composition of Interest Income



Interest Expense (TLmn)

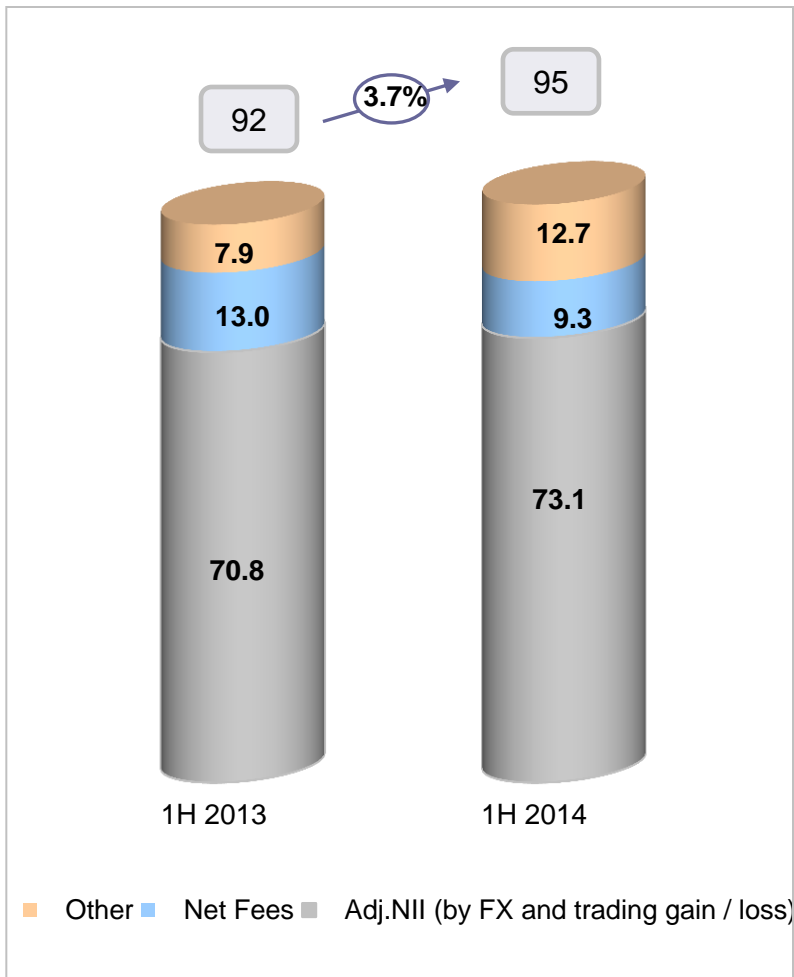


Composition of Interest Expense

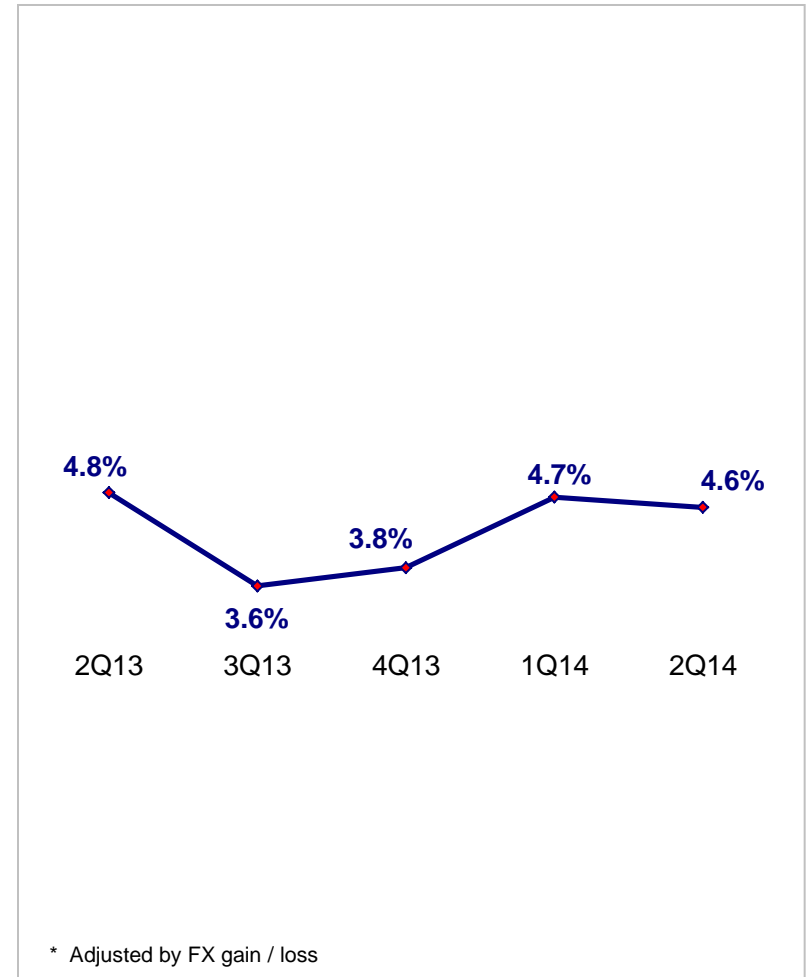


NIM preserved its rate around 4.6%

Banking Income (TLmn)

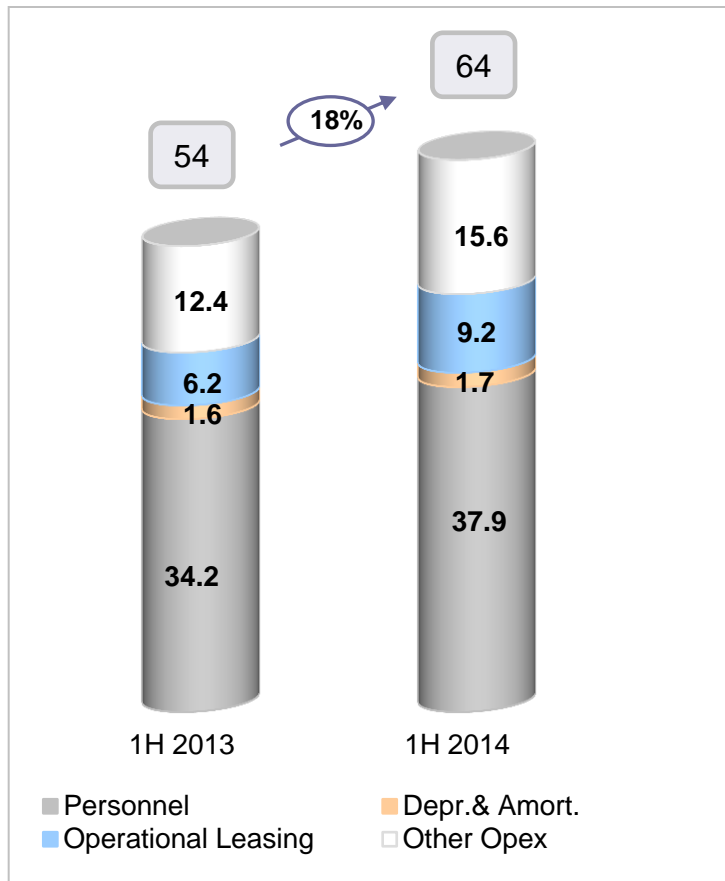


Adjusted Net Interest Margin* (Quarterly)

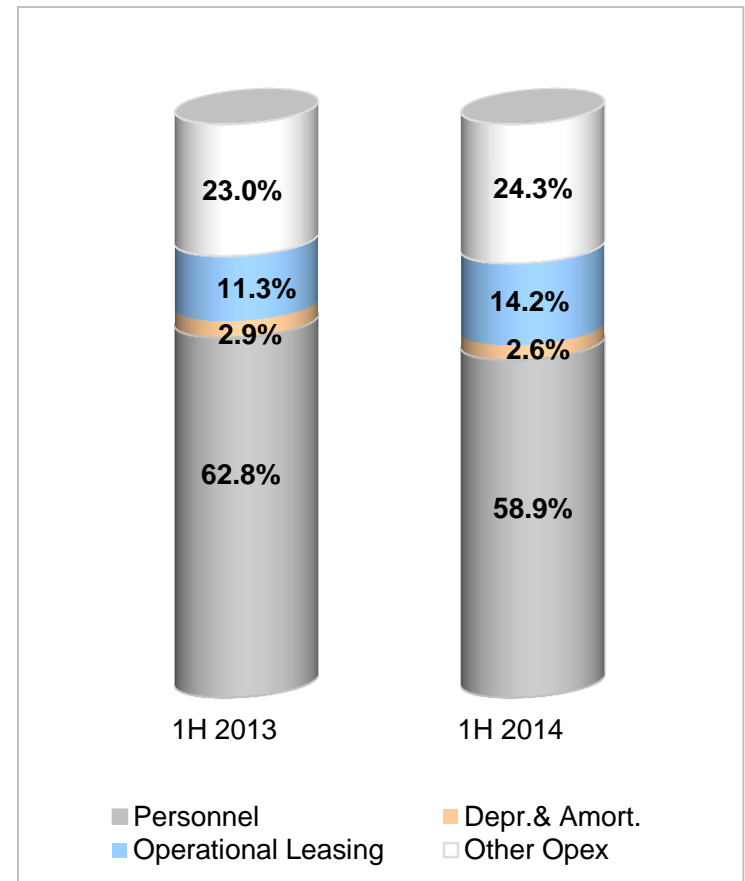


OPEX was higher vs. last year, stimulated by rent expense*

Operating Expenses (TLmn)



Composition of Operating Expenses



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

Summary Balance Sheet...

TL million	Jun 2013	Dec 2013	Mar 2014	Jun 2014
Cash & Banks	442	526	476	400
Total Securities	354	403	417	416
Total Cash Loans	2,554	2,773	2,625	2,545
Fixed Assets & Subsidiaries	122	41	49	59
Other	173	106	132	125
Total Assets	3,645	3,849	3,699	3,545
Deposits*	2,377	2,526	2,193	2,120
Interbank Money Market*	173	259	380	285
Borrowings	385	341	373	373
Other	143	123	145	145
SHE	567	600	608	622
Total Liabilities & SHE	3,645	3,849	3,699	3,545

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

Summary Income Statement...

TL million	1Q 2014	2Q 2014	1H 2013	1H 2014
Interest Income	89.6	89.3	146.2	178.9
Loans	74.2	75.4	131.1	149.6
Securities	11.7	13.6	14.4	25.3
Other	3.7	0.3	0.7	4.0
Interest Expense	53.6	54.6	79.0	108.2
Deposits	34.9	36.0	63.9	70.9
Funds Borrowed	13.4	13.1	10.6	26.5
Other Borrowings	5.3	5.5	4.5	10.8
Net Interest Income	36.0	34.7	67.2	70.7
Net FX Gain (Loss)*	1.8	0.6	2.2	2.4
Adj. Net Interest Income	37.8	35.3	69.4	73.1
Net Trading Income (Loss)*	0.0	0.0	1.4	0.0
Net Fees & Commissions	4.3	5.0	13.0	9.3
Other Operating Income	9.5	3.2	7.9	12.7
Total Operating Income	51.6	43.5	91.7	95.1
Provisions	8.6	8.1	28.1	16.7
Opex	32.0	32.4	54.4	64.4
Profit from Subsidiaries	0.0	1.3	0.0	1.3
Profit Before Tax	11.0	4.3	9.2	15.3
Tax	1.6	0.7	1.8	2.3
Net Income	9.4	3.6	7.4	13.0

* 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	1Q 2014	2Q 2014	1H 2013	1H 2014
Interest Income	90.4	90.2	147.7	180.6
Loans	74.8	75.9	132.3	150.7
Securities	11.7	13.7	14.4	25.4
Other	3.9	0.6	1.0	4.5
Interest Expense	53.6	54.5	79.0	108.1
Deposits	34.9	35.9	63.9	70.8
Funds Borrowed	13.4	13.1	10.6	26.5
Other Borrowings	5.3	5.5	4.5	10.8
Net Interest Income	36.8	35.7	68.7	72.5
Net FX Gain (Loss)*	1.8	0.6	2.3	2.4
Adj. Net Interest Income	38.6	36.3	71.0	74.9
Net Trading Income (Loss)*	1.2	1.4	4.2	2.6
Net Fees & Commissions	4.6	5.2	13.4	9.8
Other Operating Income	9.4	3.2	7.8	12.6
Total Operating Income	53.8	46.1	96.4	99.9
Provisions	8.5	8.2	28.1	16.7
Opex	33.9	34.5	57.7	68.4
Profit from Subsidiaries	0.0	0.0	0.0	0.0
Profit Before Tax	11.4	3.4	10.6	14.8
Tax	1.7	0.8	2.0	2.5
Net Income	9.7	2.6	8.6	12.3

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

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