

# **TEKSTİLBANK**

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*Earnings Presentation*  
*September 30, 2012 / BRSA Bank-Only*

# Macroeconomic environment in 3Q 2012...

- ECB's decision to buy bonds of problematic countries, along with following QE3 decision of Fed reversed the dismal mood dominating 2Q12 and resulted in a revival in risk appetite
- Accordingly, the CB reduced its average funding cost gradually down to 5.8% as of 3Q-end, from 9.0% recorded at 2Q-end, as the threat on TL disappeared
- Following a 3%, y/y, GDP recovery in 2Q, industrial production advanced only by a weak 1.0% during July-Aug, triggering worries for a sharper-than-expected growth slowdown
- Positive disclosures from Fitch fueled expectations of a rating upgrade to 'investment grade' and boosted sentiment in the financial markets, which did realize at the beginning of Nov.
- External deficit contracted further, prompted by higher exports and lower imports
- CPI inflation continued to navigate around 9%, while year-end CPI expectations increased, due to extra tax measures taken by the government to limit deterioration in fiscal balance

## *Highlights of 3Q 2012:*

- A slight contraction of 1% in balance sheet, due to disposal of some securities, which were funded by repo
- Increase in NPL, some in line with the sector average, reflecting decelerating macroeconomic activity, – resulted in a quarterly negative bottom line
- Cost of risk increased further, due to on-going effect of a few client case rather than a general trend, as was the case also in 1H
- Strong CAR at 15.9%
- Quarterly NIM declined, hit by the CPI linkers, which suppressed positive effect of the CB's lower funding cost

# Looking into 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%
- Fiscal performance will be under close watch
- Lower, but still high C/A deficit, with a fragile financing structure
- Monetary policy focusing on financial stability, as well as inflation

## Banking Sector

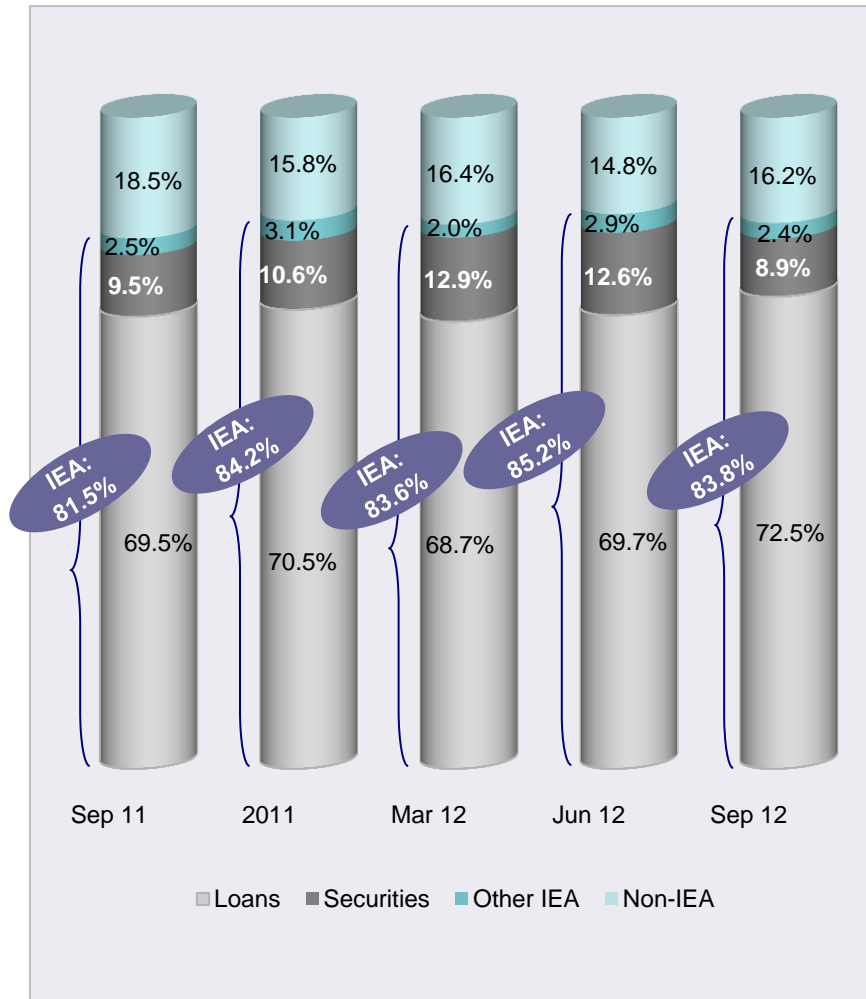
- A modest loan growth of around 15%, vs. 29.5% at the end of 2011
- Marginal decline in profitability
- Depressing margins, due to lower growth, but may be offset by a possible decline in RR costs
- Continued high funding costs
- Similar levels for asset quality like 2011

## Tekstilbank

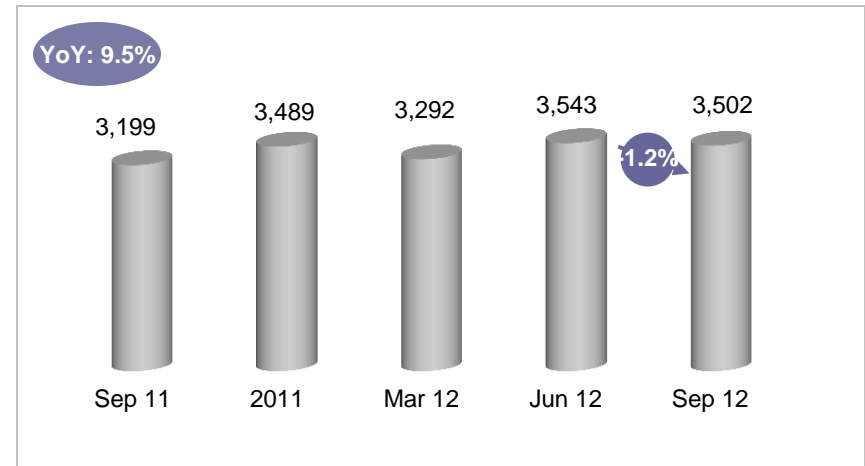
- Preserving cautious growth policy
- Increasing cross-selling opportunities for profitability
- Maintaining free equity
- Focusing more on divesting incepted assets

# Slight contraction in balance sheet...

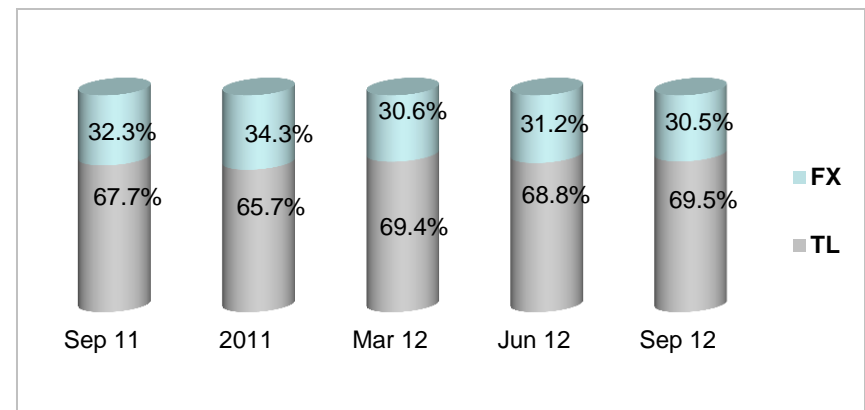
## Composition of Assets



## Total Assets (TLmn)



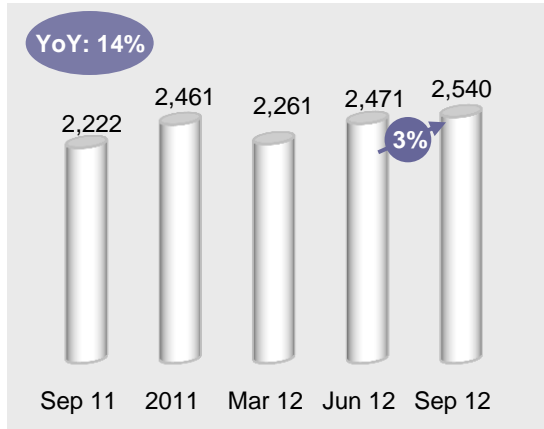
## Currency Composition of Assets\*



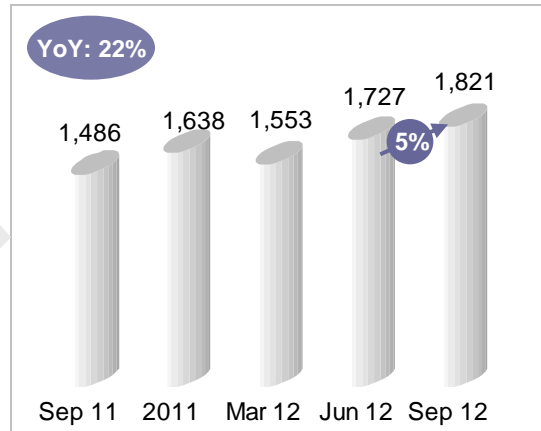
\* FX-indexed cash loans are included in FX assets

# TL loan portfolio expanded further...

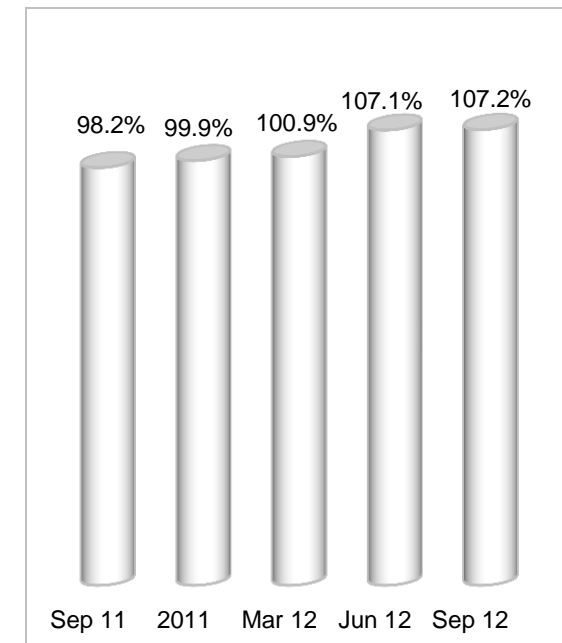
## Total Cash Loans (TLmn)



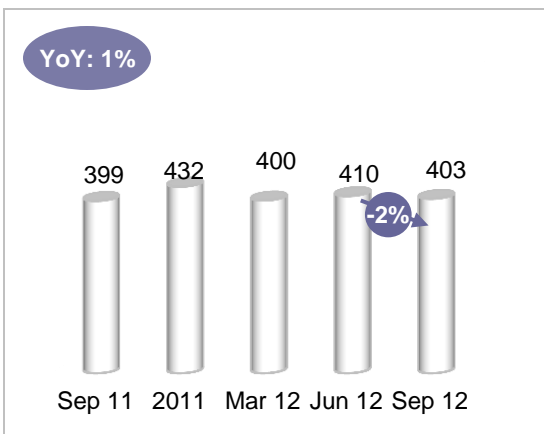
## TL Cash Loans\* (TLmn)



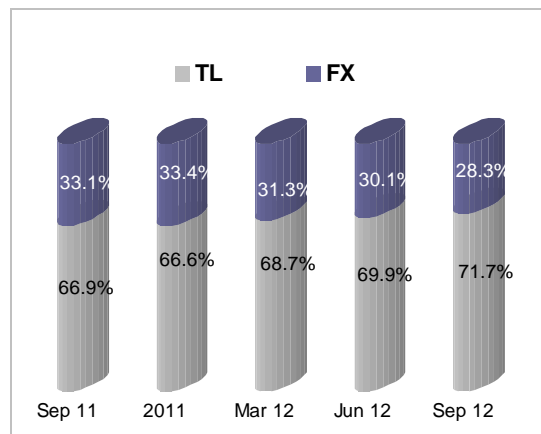
## Loans / Customer Deposits



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



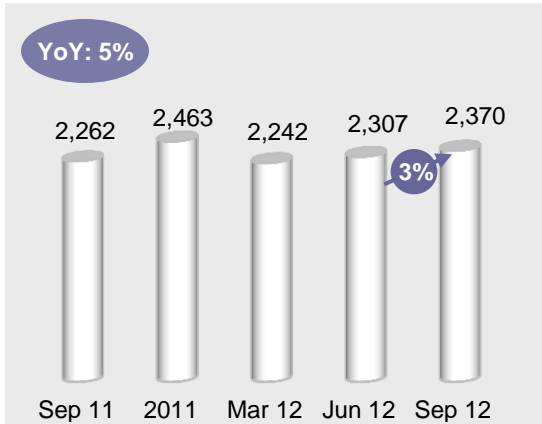
## Currency Breakdown of Cash Loans\*



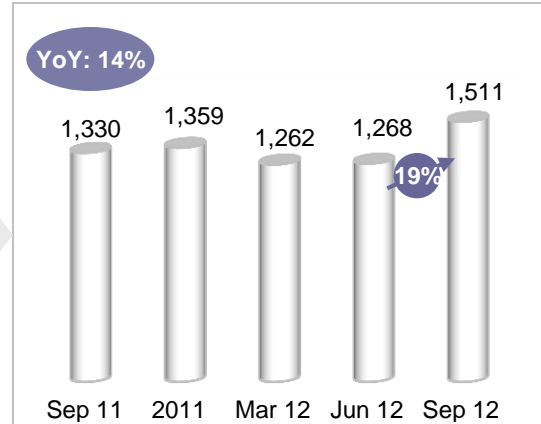
\* FX-indexed cash loans are included in FX cash loans

# ...,in line with higher TL deposits

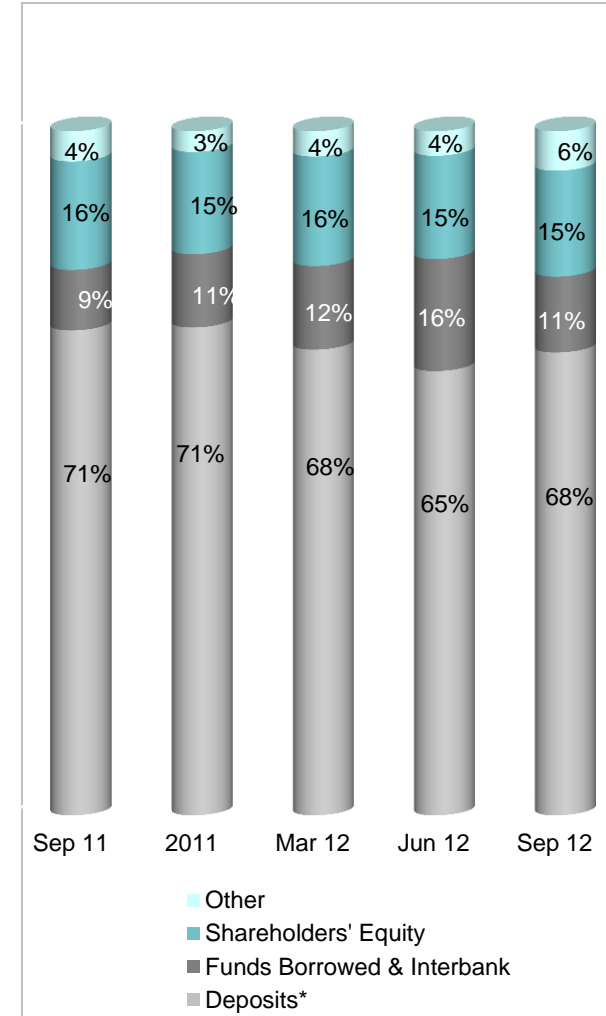
## Total Deposits\* (TLmn)



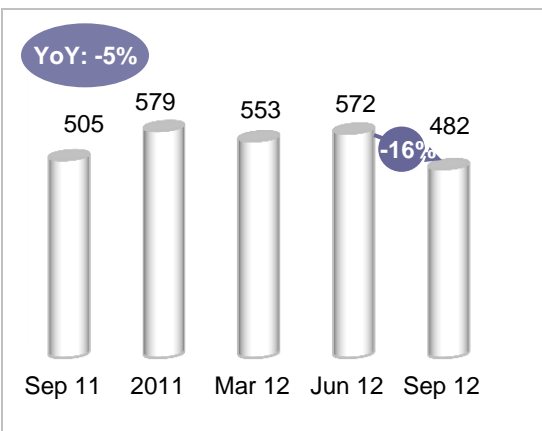
## TL Deposits\* (TLmn)



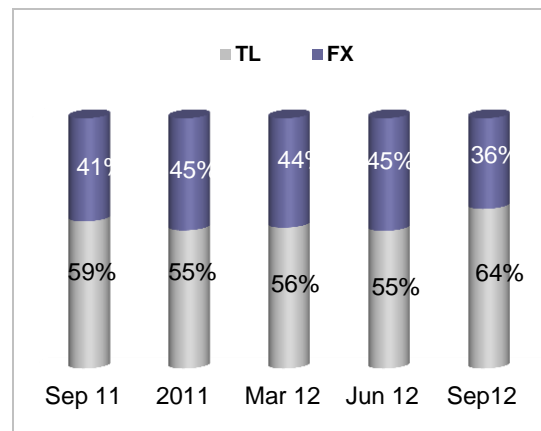
## Composition of Liabilities & SHE



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



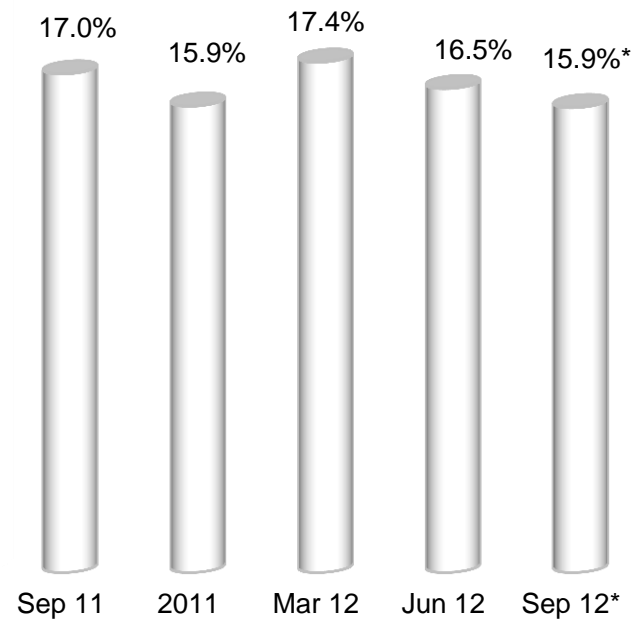
## Currency Breakdown\*



\* Excluding bank deposits

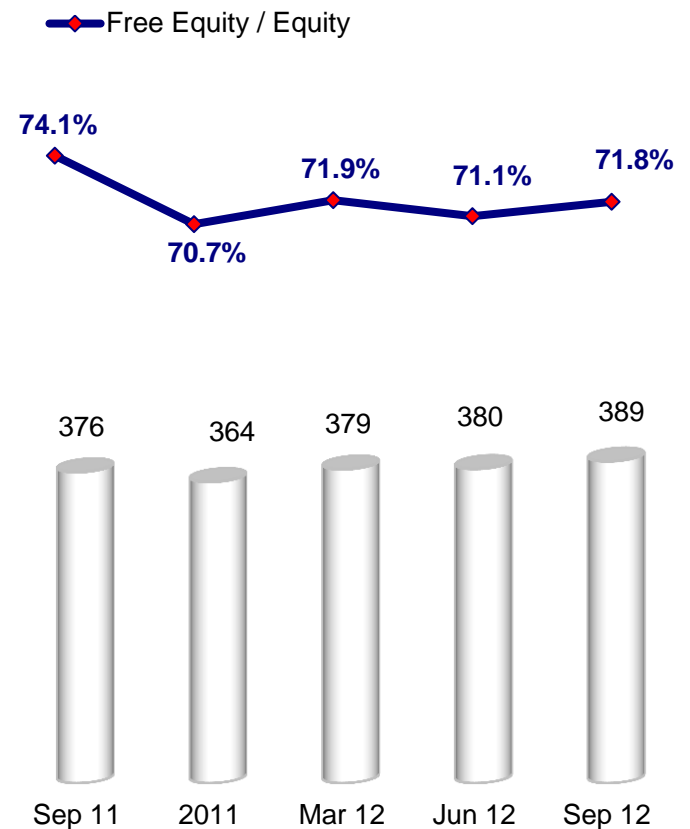
# Strong CAR at 15.9%...

## Capital Adequacy Ratio (CAR)



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

## Free Equity (TLmn)

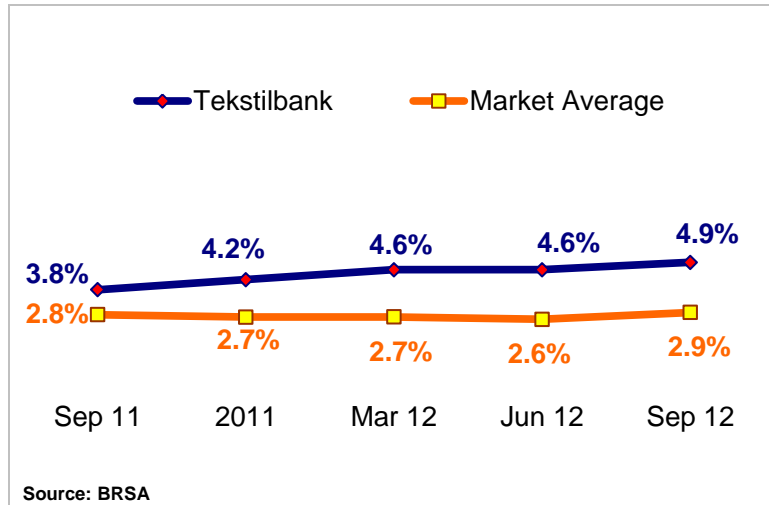


Free Equity: SHE-subsiaries-property & equipment-intangible assets-property & equipment held for sale-unprovisioned NPL

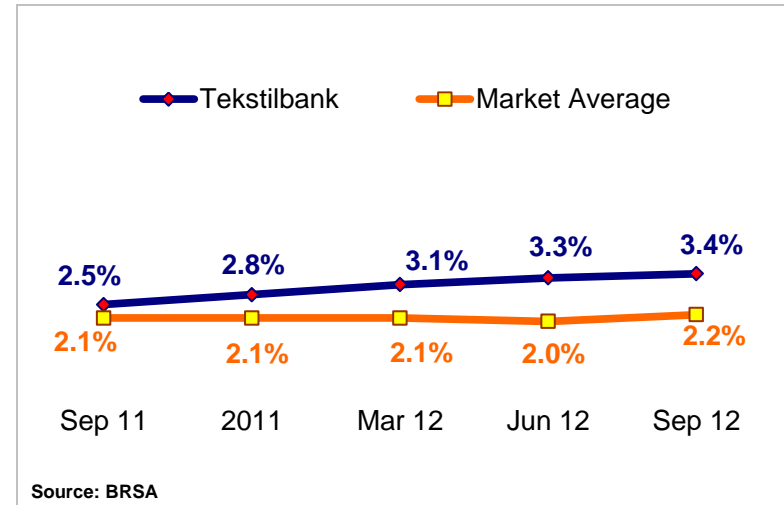


# NPL ratio edged up, in line with the sector average...

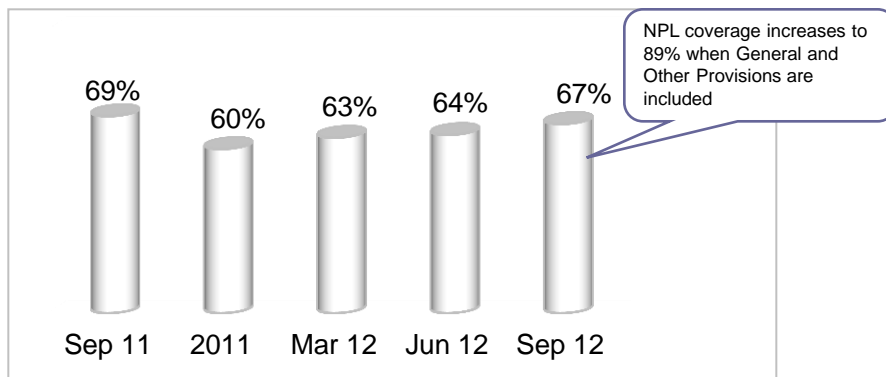
## NPL Ratio



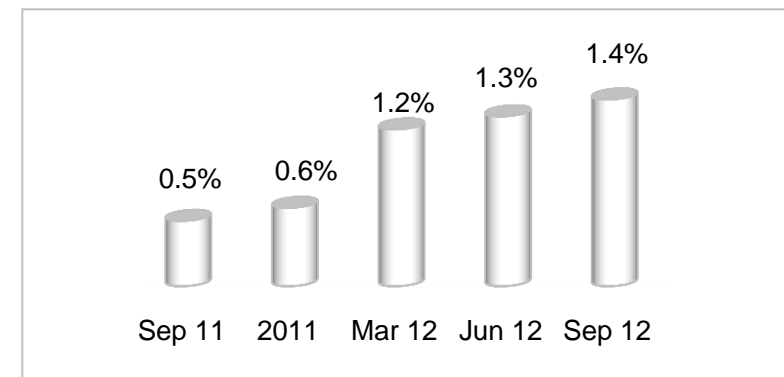
## NPL Ratio (including non-cash loans)



## NPL Coverage

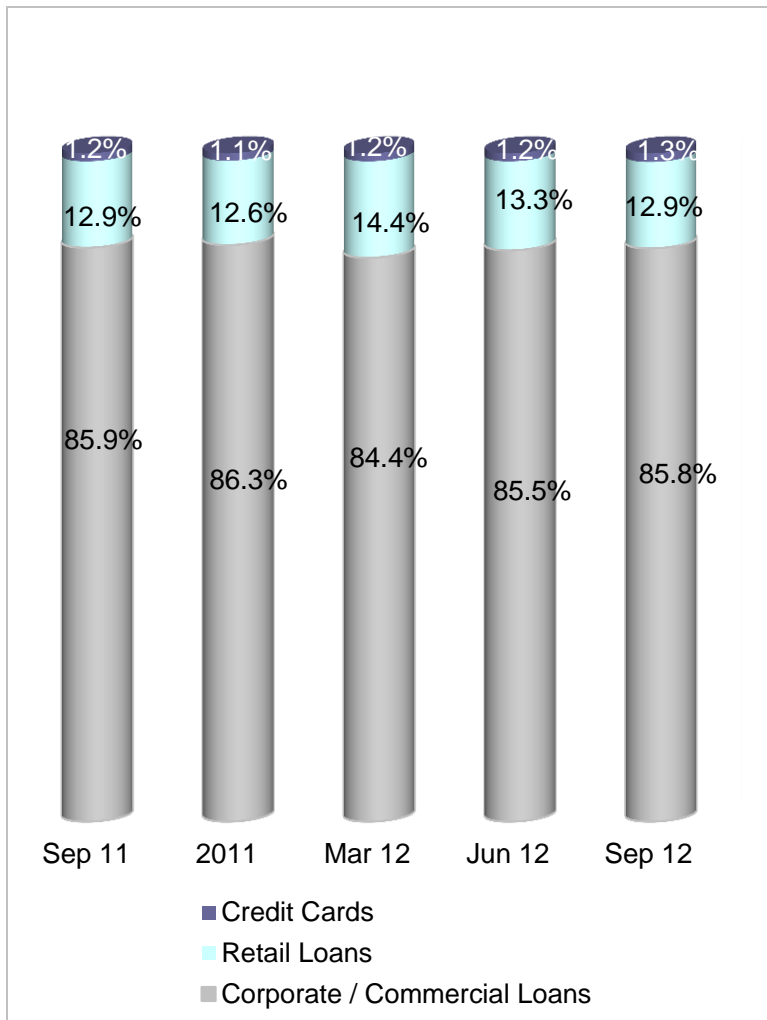


## Cost of Risk (cumulative)

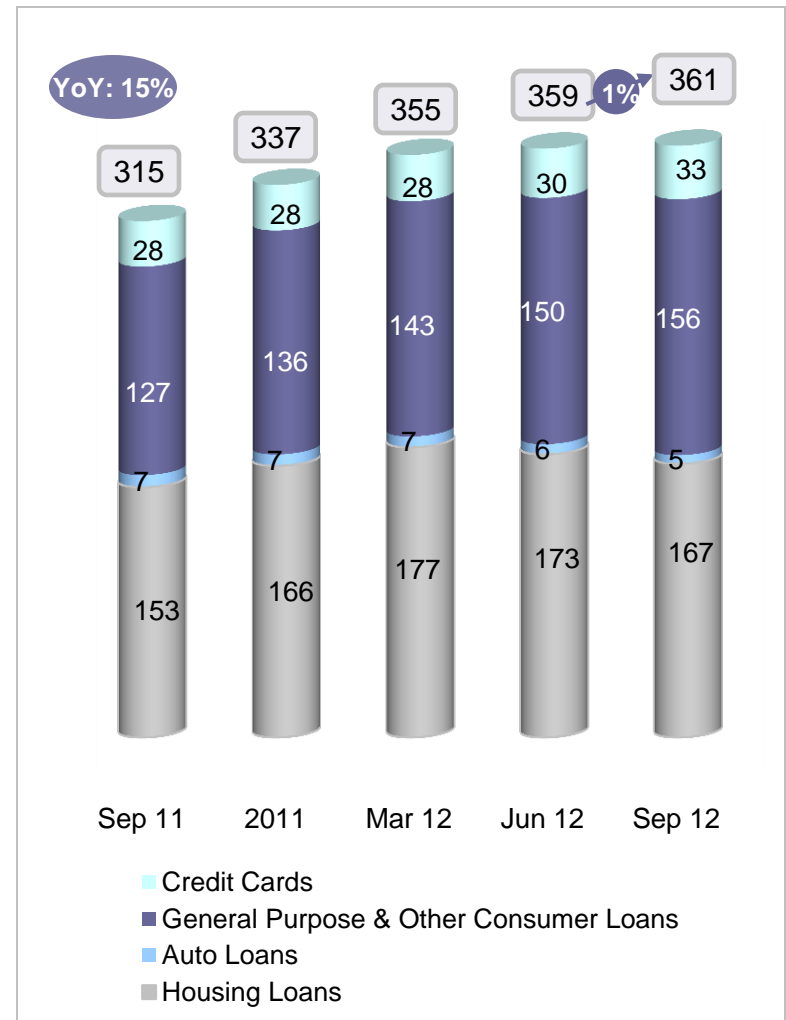


# No significant change in loan portfolio...

## Breakdown of Loan Portfolio

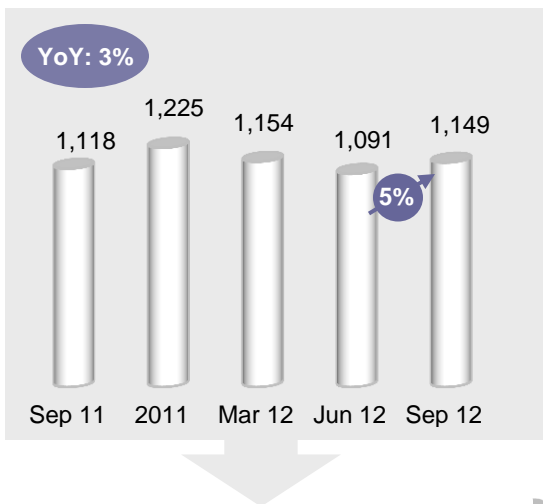


## Breakdown of Retail Loans (TLmn)

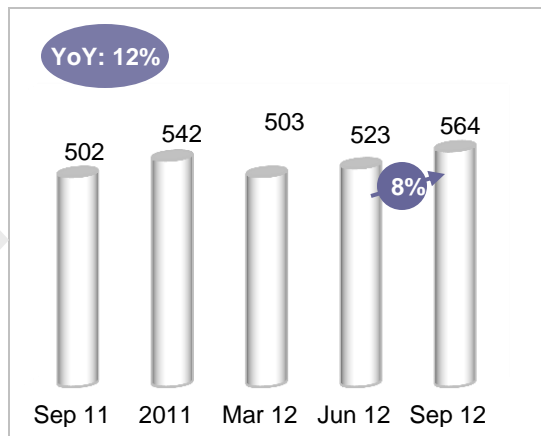


# Non-cash loans increased...

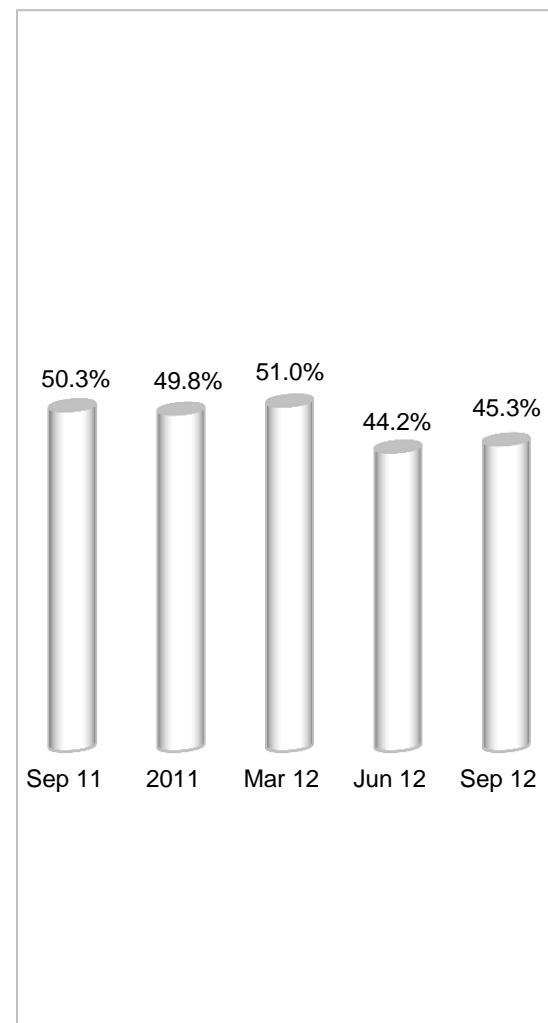
## Total Non-Cash Loans (TLmn)



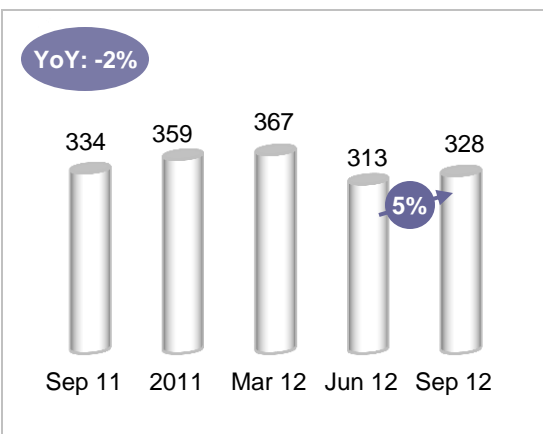
## TL Non-Cash Loans (TLmn)



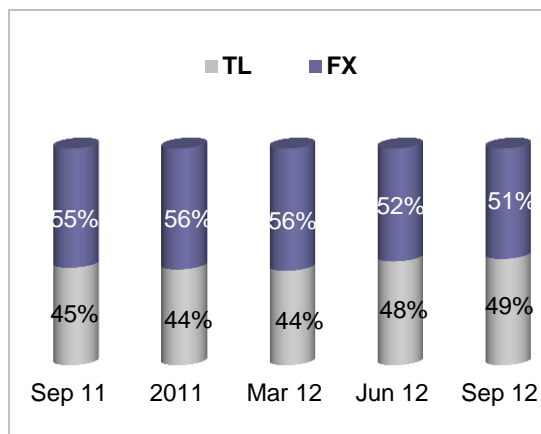
## Non-Cash / Cash Loans



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

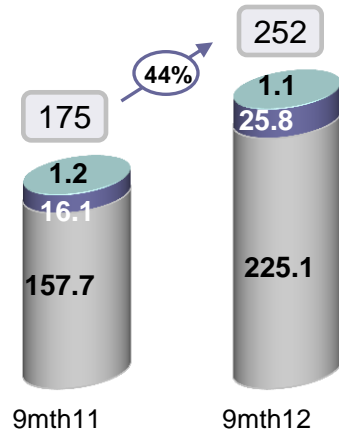


## Currency Breakdown of Non-Cash Loans

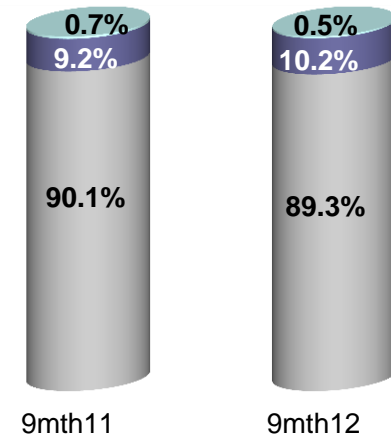


# Notable increase in interest income...

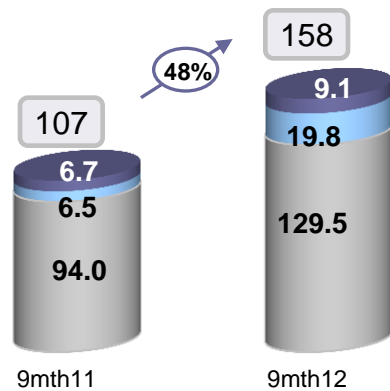
## Interest Income (TLmn)



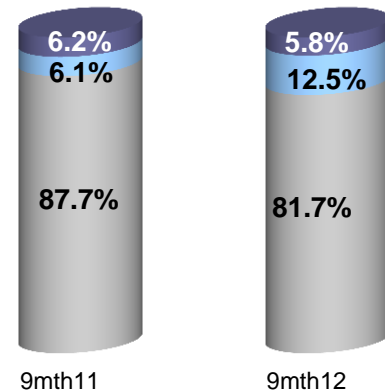
## Composition of Interest Income



## Interest Expense (TLmn)

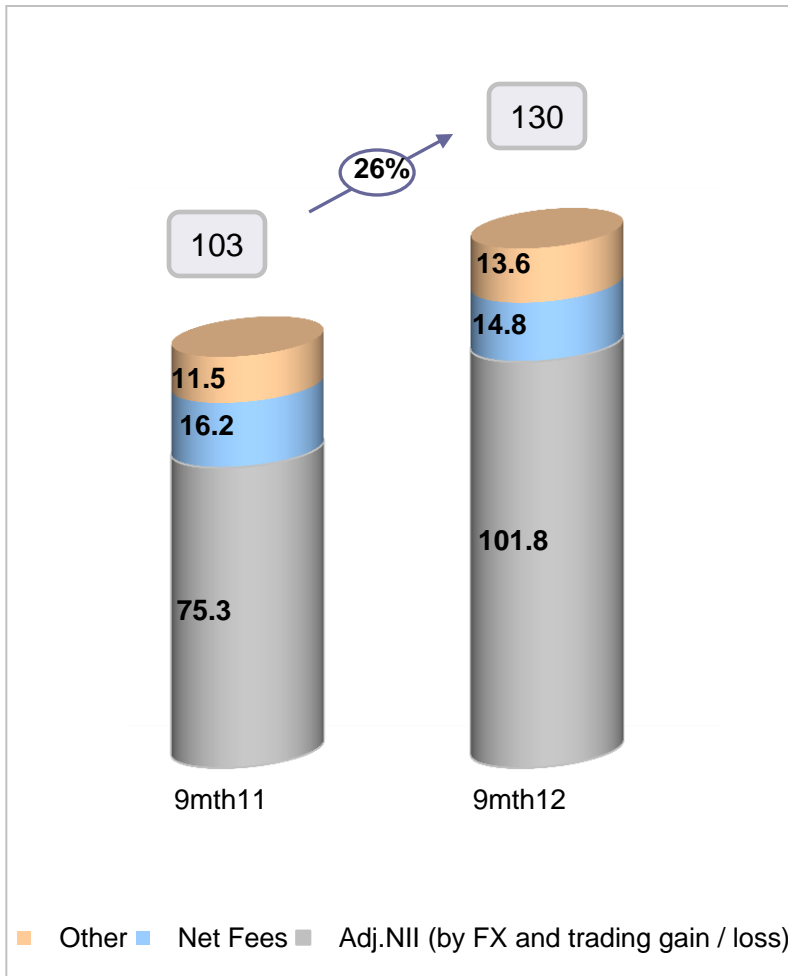


## Composition of Interest Expense

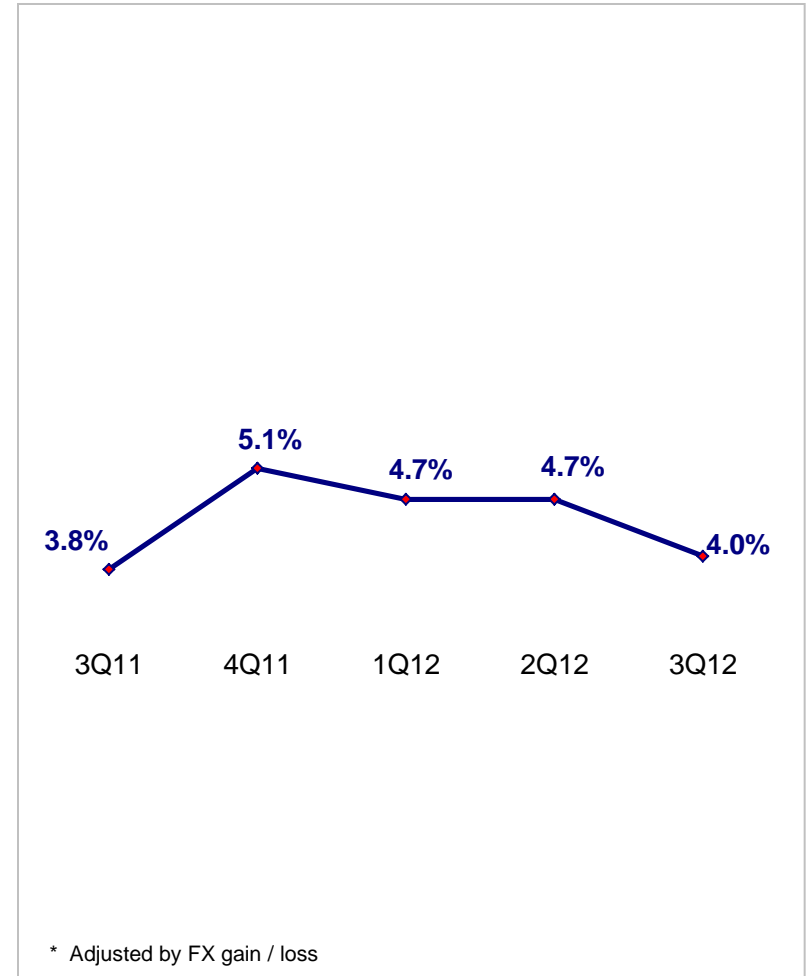


# Despite CB's lower funding cost, quarterly NIM declined, because of CPI linkers...

## Banking Income (TLmn)

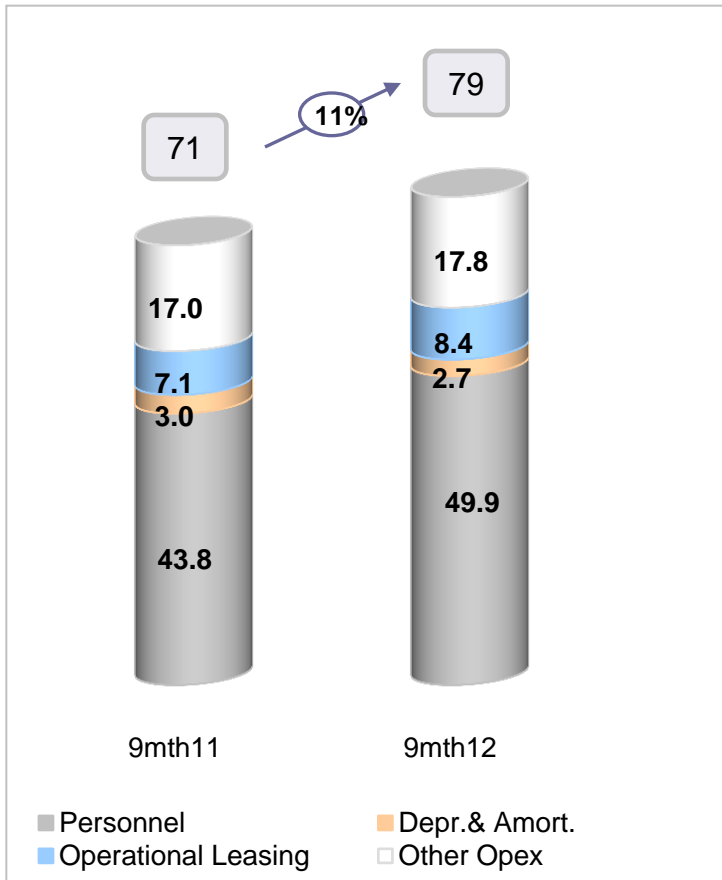


## Adjusted Net Interest Margin\* (Quarterly)

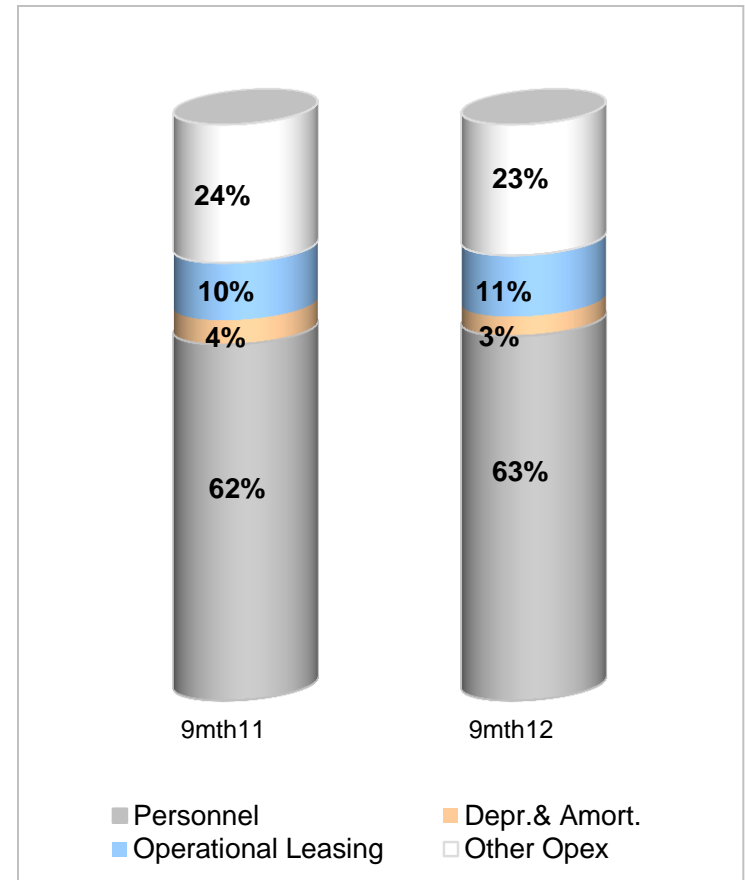


# Almost no real rise in OPEX...

## Operating Expenses (TLmn)



## Composition of Operating Expenses



# Summary Balance Sheet...

TL million	Sep 2011	Dec 2011	Mar 2012	Jun 2012	Sep 2012
<b>Cash &amp; Banks</b>	447	411	375	381	388
<b>Total Securities</b>	303	370	425	448	312
<b>Total Cash Loans</b>	2,222	2,461	2,261	2,471	2,540
<b>Fixed Assets &amp; Subsidiaries</b>	104	108	108	111	109
<b>Other</b>	123	139	123	132	153
<b>Total Assets</b>	<b>3,199</b>	<b>3,489</b>	<b>3,292</b>	<b>3,543</b>	<b>3,502</b>
<b>Deposits*</b>	2,262	2,463	2,242	2,307	2,370
<b>Interbank Money Market*</b>	51	126	224	324	141
<b>Borrowings</b>	232	242	177	257	247
<b>Other</b>	147	143	121	121	202
<b>SHE</b>	507	515	528	534	542
<b>Total Liabilities &amp; SHE</b>	<b>3,199</b>	<b>3,489</b>	<b>3,292</b>	<b>3,543</b>	<b>3,502</b>

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

# Summary Income Statement...

TL million	1Q 2012	2Q 2012	3Q 2012	9mth 2011	9mth 2012
<b>Interest Income</b>	<b>85.0</b>	<b>87.2</b>	<b>79.8</b>	<b>175.0</b>	<b>252.0</b>
<i>Loans</i>	73.7	74.8	76.6	157.7	225.1
<i>Securities</i>	11.0	12.0	2.8	16.1	25.8
<i>Other</i>	0.3	0.4	0.4	1.2	1.1
<b>Interest Expense</b>	<b>53.1</b>	<b>54.0</b>	<b>51.3</b>	<b>107.2</b>	<b>158.4</b>
<i>Deposits</i>	44.6	41.4	43.5	94.0	129.5
<i>Funds Borrowed</i>	4.8	9.0	6.0	6.5	19.8
<i>Other Borrowings</i>	3.7	3.6	1.8	6.7	9.1
<b>Net Interest Income</b>	<b>31.9</b>	<b>33.2</b>	<b>28.5</b>	<b>67.8</b>	<b>93.6</b>
<i>Net FX Gain (Loss)*</i>	1.9	0.8	1.0	6.1	3.7
<b>Adj. Net Interest Income</b>	<b>33.8</b>	<b>34.0</b>	<b>29.5</b>	<b>73.9</b>	<b>97.3</b>
<i>Net Trading Income (Loss)*</i>	1.6	0.2	2.7	1.4	4.5
<i>Net Fees &amp; Commissions</i>	4.8	5.0	5.0	16.2	14.8
<i>Other Operating Income</i>	6.7	4.5	2.4	11.5	13.6
<b>Total Operating Income</b>	<b>46.9</b>	<b>43.7</b>	<b>39.6</b>	<b>103.0</b>	<b>130.2</b>
<i>Provisions</i>	7.2	10.1	13.7	14.7	31.0
<i>Opex</i>	25.8	27.0	26.0	70.9	78.8
<i>Profit from Subsidiaries</i>	0.0	0.0	0.0	0.7	0.0
<b>Profit Before Tax</b>	<b>13.9</b>	<b>6.6</b>	<b>-0.1</b>	<b>18.1</b>	<b>20.4</b>
<i>Tax</i>	2.3	1.4	0.2	3.1	3.9
<b>Net Income</b>	<b>11.6</b>	<b>5.2</b>	<b>-0.3</b>	<b>15.0</b>	<b>16.5</b>

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



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