

TEKSTİLBANK

Earnings Presentation
September 30, 2013 / BRSA Bank-Only

Macroeconomic environment in 3Q 2013...

- Concerns on a possible Fed tapering in September meeting kept tension high in global markets, hurting specifically emerging markets including Turkey
- Fed's decision to keep its policy unchanged, coupled with removal of a possible attack to Syria, led to a modest easing in financial markets from September onwards
- Macroeconomic growth was strong at 4.4% in 2Q, supported mainly by private expenditures, and public spending
- Private investment expenditures, however, continued to contract, and loan growth cut pace in September increasing worries on growth performance
- Inflation edged down to 7.9% in September, from 8.3% in June, but remained high, due to food prices and TL's weakening. The CB raised its year-end forecast further to 6.8%, from 6.2%
- The CB increased its average funding rate up to 7.45% in August, from 5.1% as of June-end, while reducing it modestly to 6.4% as of September-end. In the meantime, the Bank increased transparency in its interest rate policy, while rejecting further rate hikes and introducing its O/N funding rate at 7.75% as a ceiling

Headquarter sell off reshaped balance sheet in 3Q

Highlights of 3Q 2013:

- Conservative balance sheet management approach has prevailed
- Headquarter building was sold for US\$62.7mn (TL125mn) in September, resulting in a profit of TL 47mn (US\$23.6mn)
- Free equity increased accordingly
- TL loans gained more dominance in loan book
- Asset quality improved slightly
- CAR advanced further to 18.5%

Looking into rest of 2013

Macroeconomy

- Capital inflows may remain subdued, due to on-going uncertainty on Fed's tapering
- Inflation will probably converge to 8% at year-end, due to TL's weakening and high food prices
- The CB is likely to focus on inflation more extensively, and avoid a decline in average funding rate
- 2013 growth will probably lack behind previously-expected 4%
- Public expenditures may increase further to support growth, as was the case in first quarter

Banking Sector

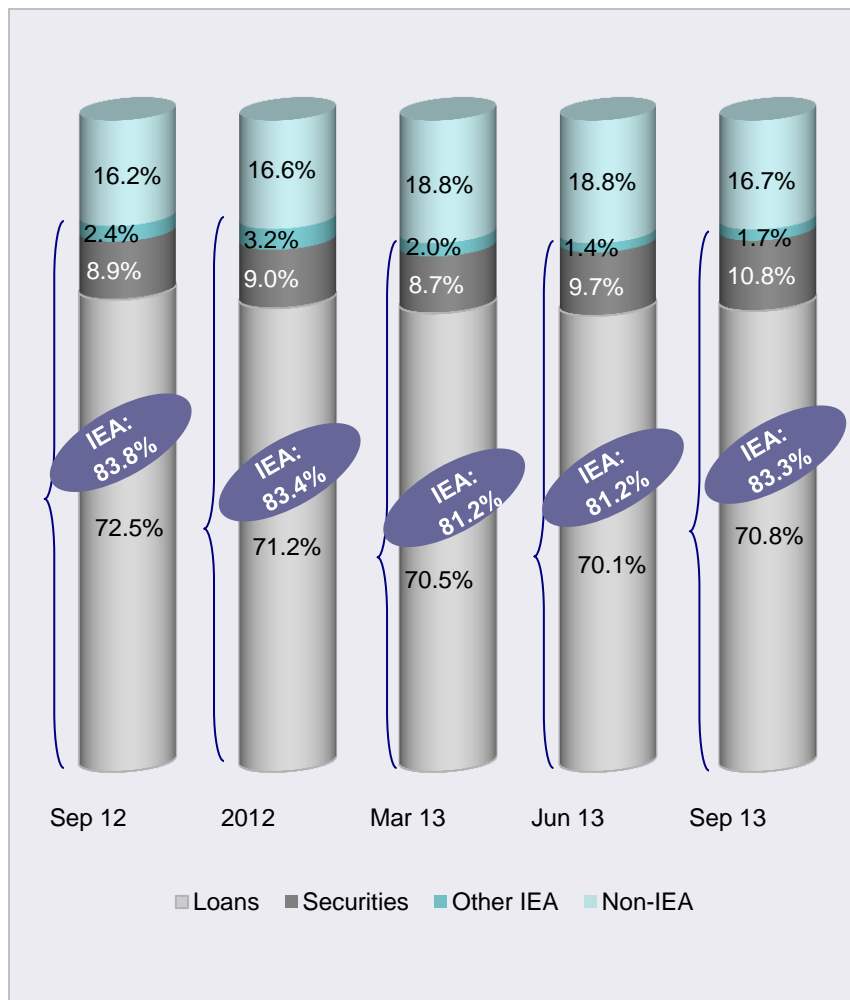
- Recent slowdown in loan growth may continue, attributable to lower external funding opportunities
- Funding costs may be increased further, depending on Fed's timing and market reaction, while the CB underlined that RRR hikes are not on the agenda for the time being
- Asset quality may weaken

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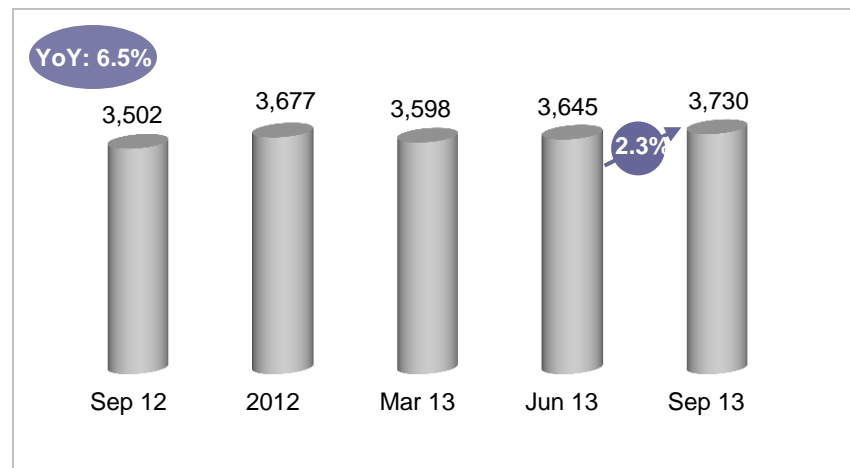
- Conservative growth approach will continue
- Declining margins
- Maintaining high level of CAR
- Extensive focus on collections

A modest balance sheet growth

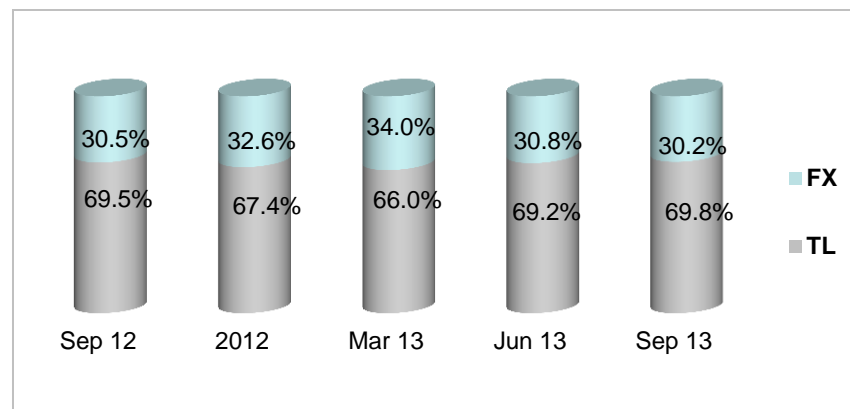
Composition of Assets



Total Assets (TLmn)



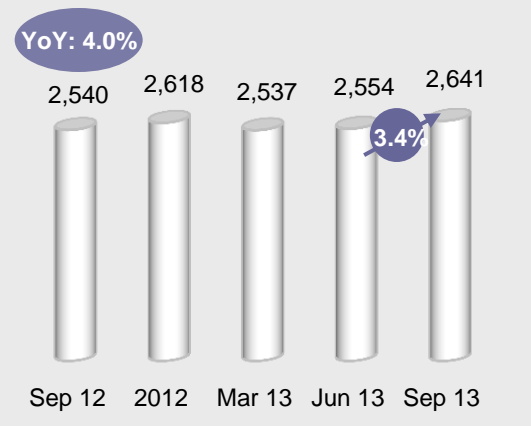
Currency Composition of Assets*



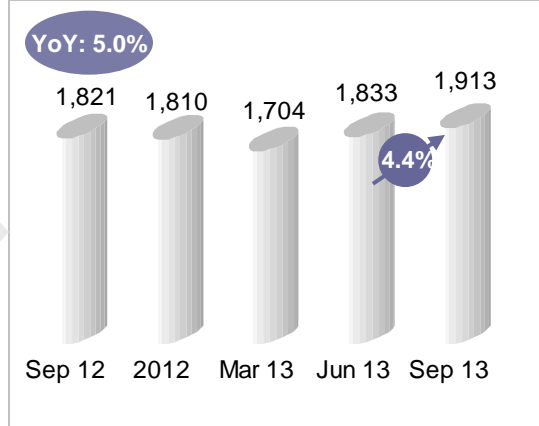
* FX-indexed cash loans are included in FX assets

TL loans gained more dominance in loan book

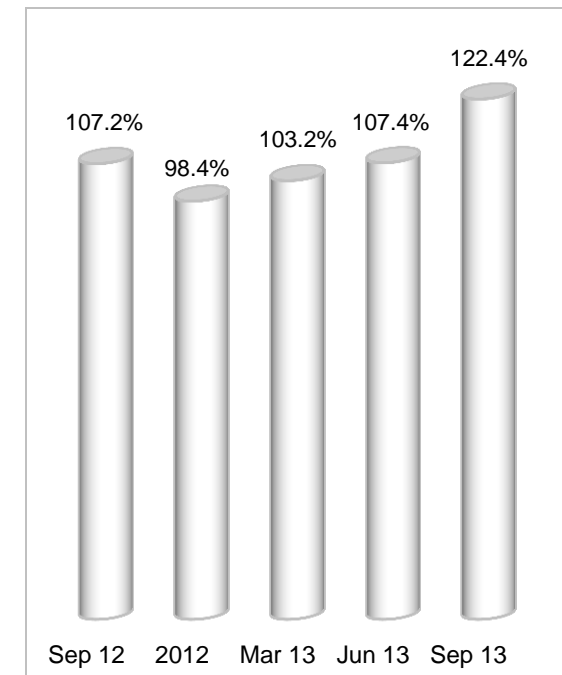
Total Cash Loans (TLmn)



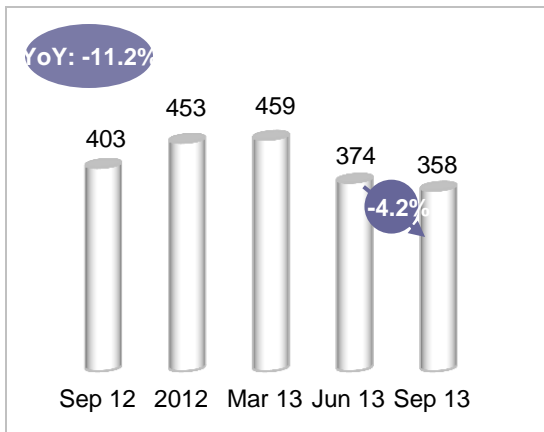
TL Cash Loans* (TLmn)



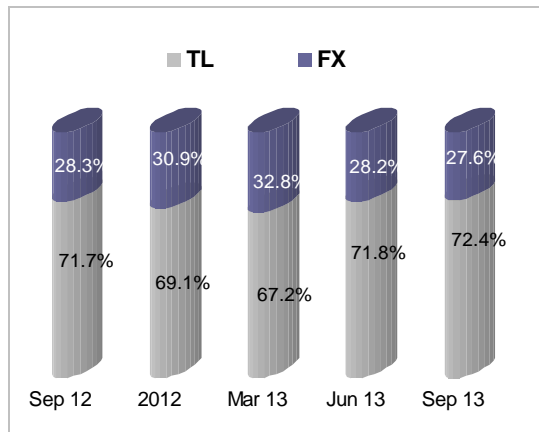
Loans / Customer Deposits



FX Cash Loans* (US\$m)



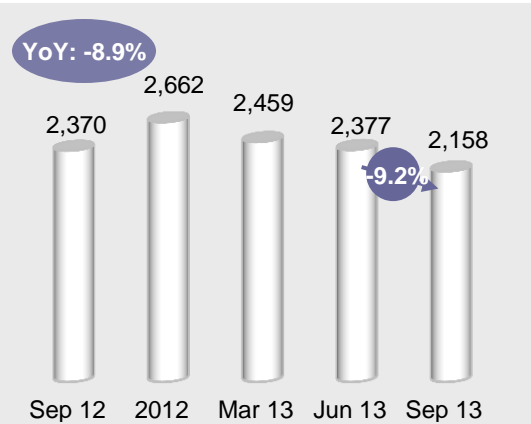
Currency Breakdown of Cash Loans*



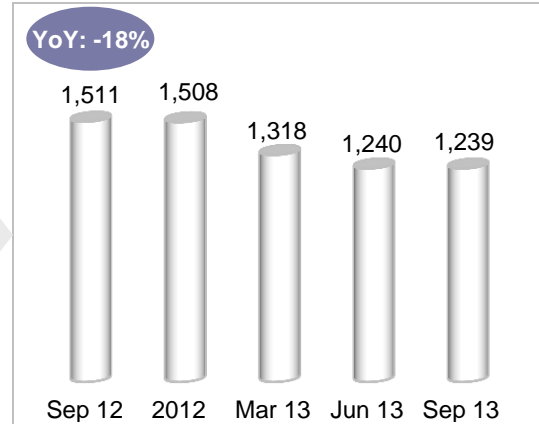
* FX-indexed cash loans are included in FX cash loans

Ratio of funds borrowed increased, attributable to further increase in deposit costs

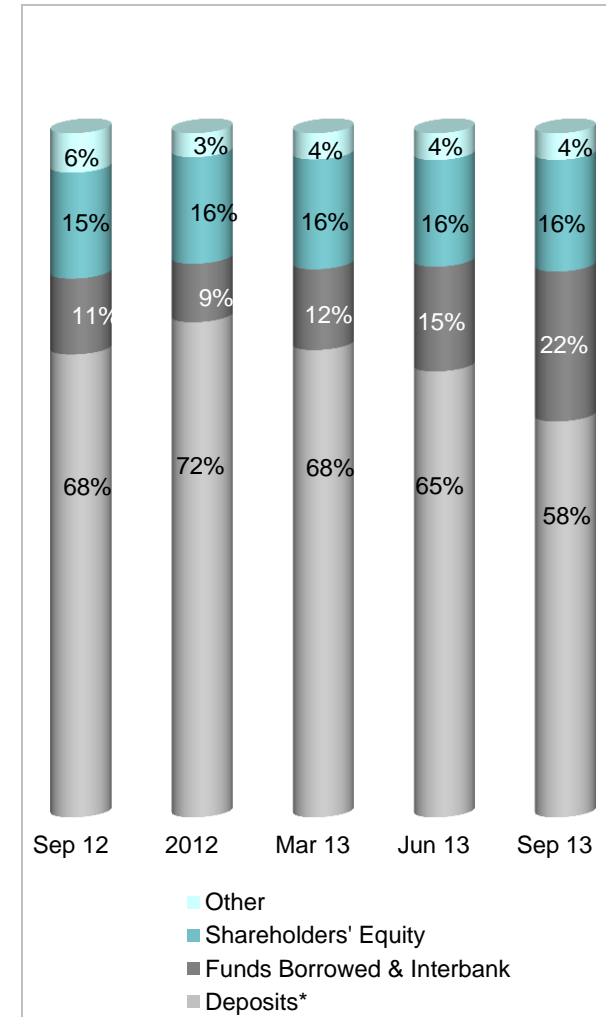
Total Deposits* (TLmn)



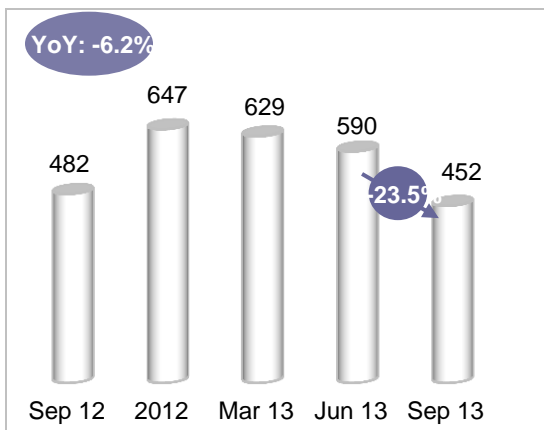
TL Deposits* (TLmn)



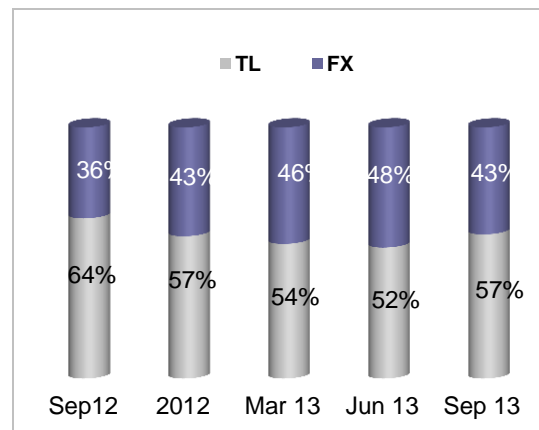
Composition of Liabilities & SHE



FX Deposits* (US\$mn)



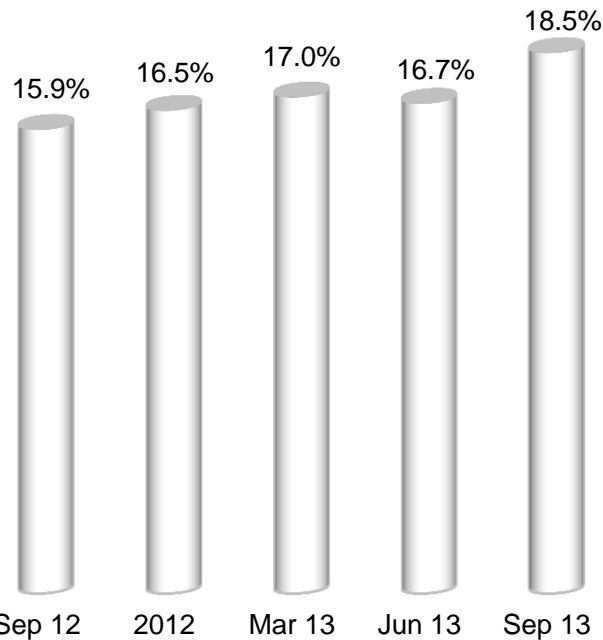
Currency Breakdown*



* Excluding bank deposits

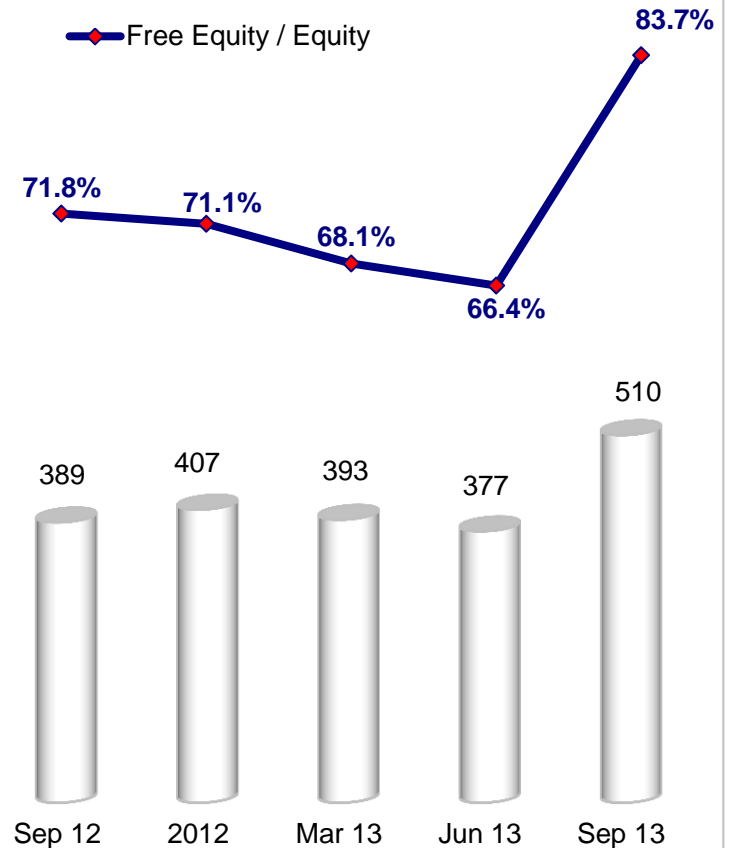
Free equity increased significantly, due to selling of headquarter

Capital Adequacy Ratio (CAR)



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

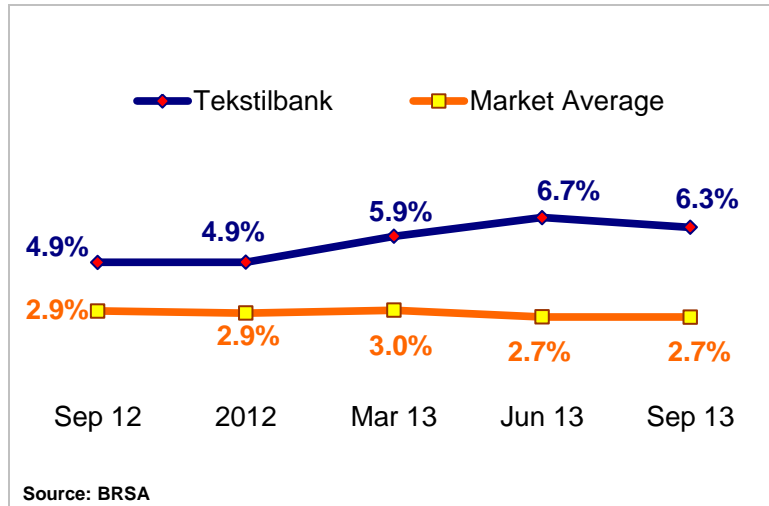
Free Equity (TLmn)



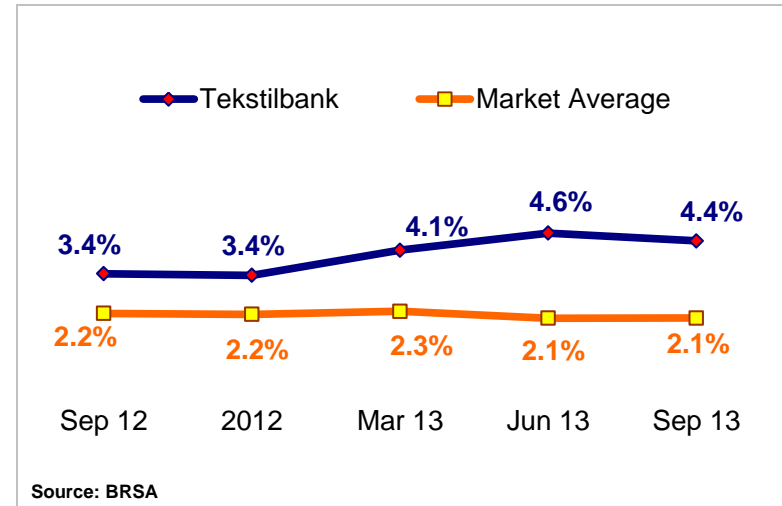
Free Equity: SHE-subsiaries-property & equipment-intangible assets-property & equipment held for sale-unprovisioned NPL

NPL ratio declined slightly

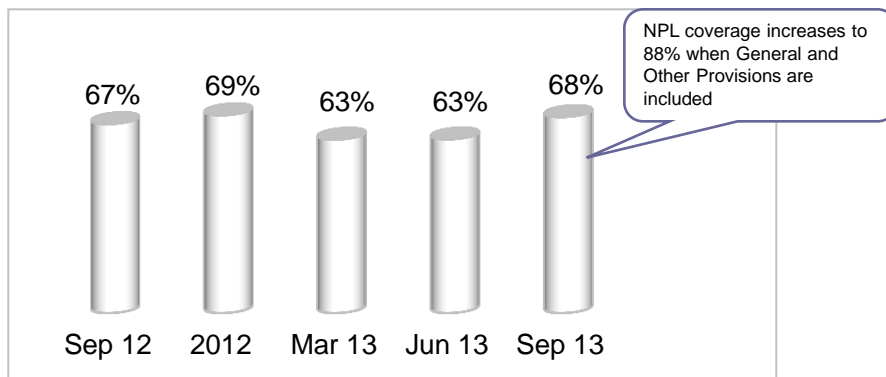
NPL Ratio



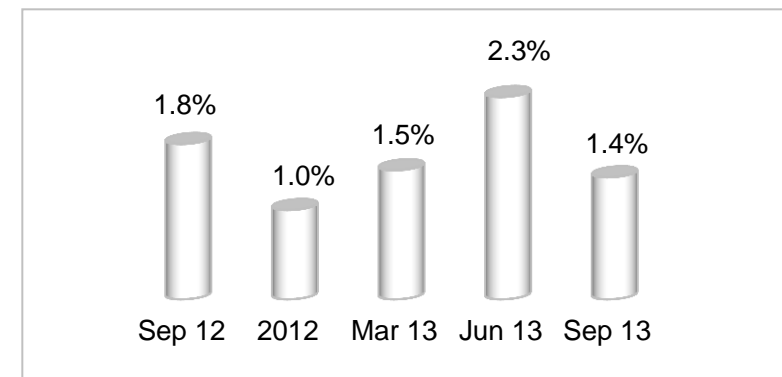
NPL Ratio (including non-cash loans)



NPL Coverage

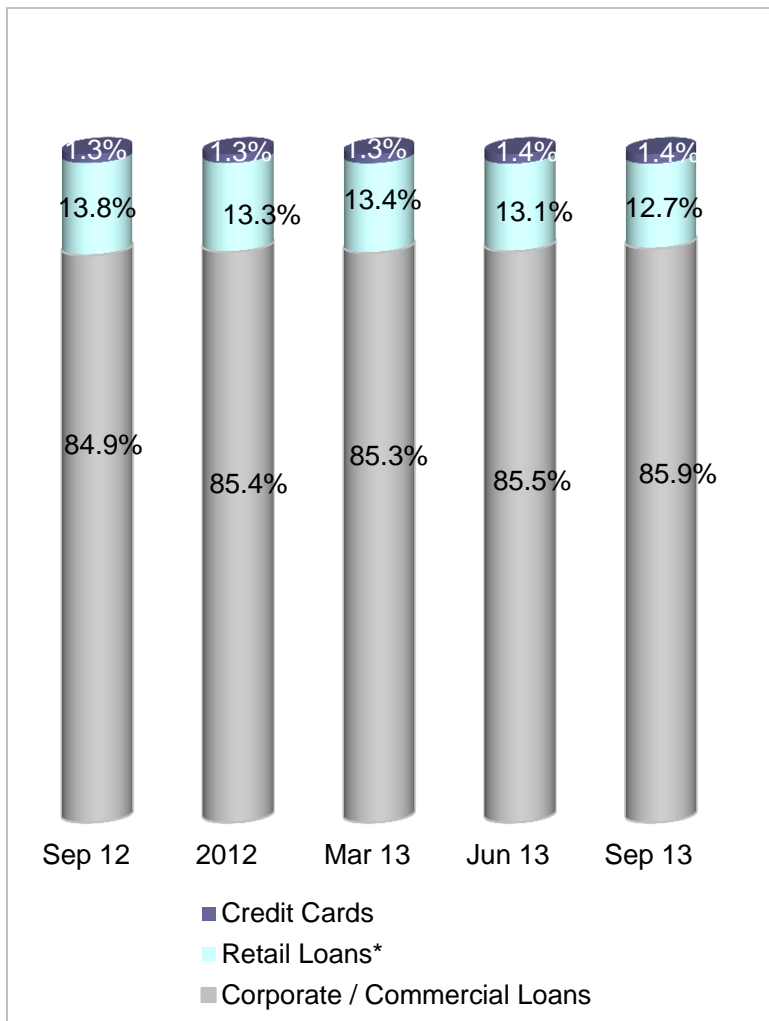


Cost of Risk (quarterly)

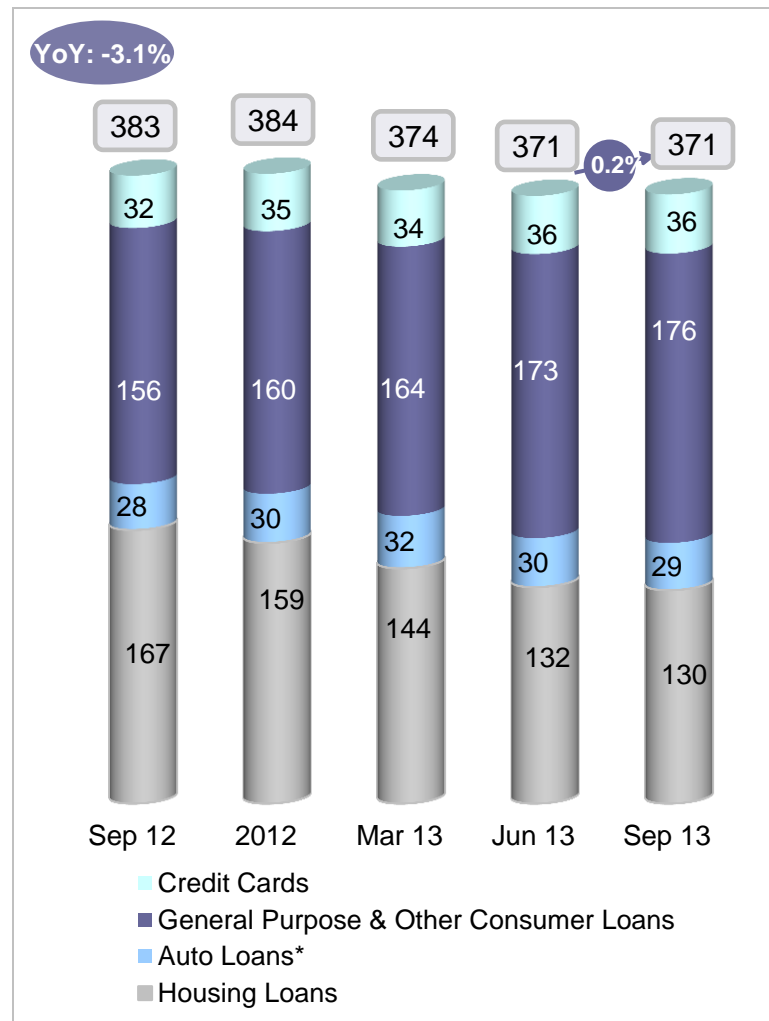


General purpose loans' ratio increased

Breakdown of Loan Portfolio



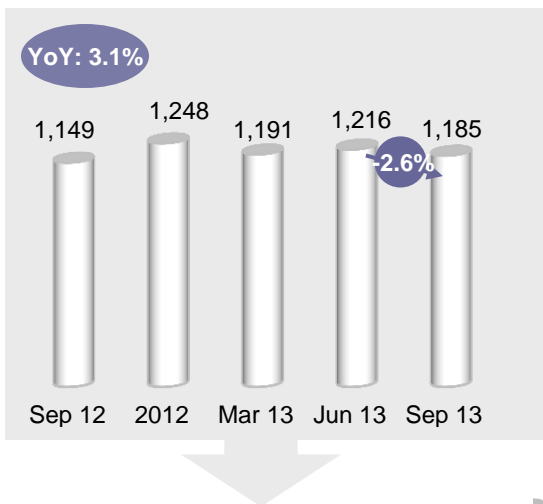
Breakdown of Retail Loans (TLmn)



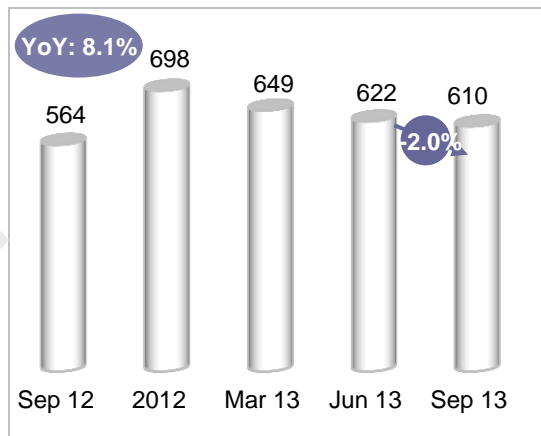
*Specialized loans granted to farmers for vehicle purchases are classified in retail loans

Non-cash loans diminished by 2.6%

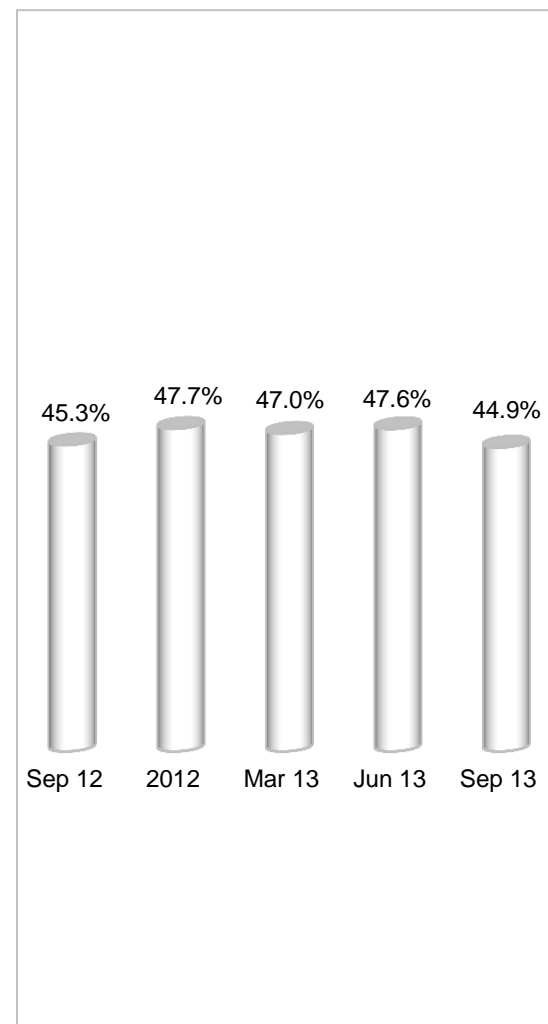
Total Non-Cash Loans (TLmn)



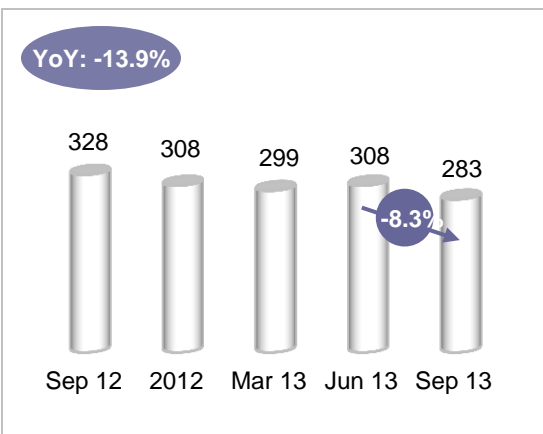
TL Non-Cash Loans (TLmn)



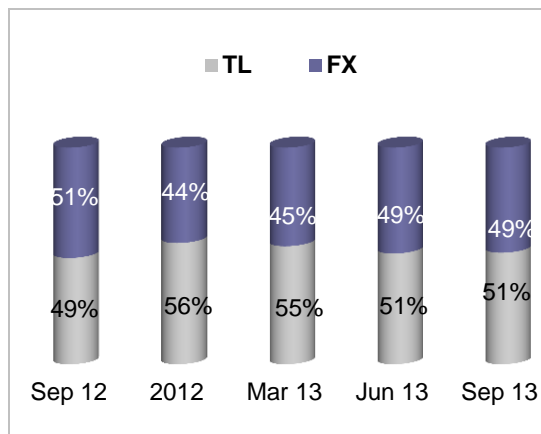
Non-Cash / Cash Loans



FX Non-Cash Loans (US\$m)

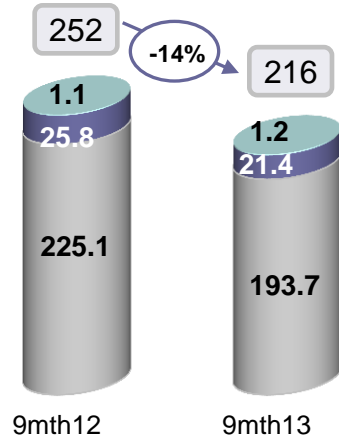


Currency Breakdown of Non-Cash Loans

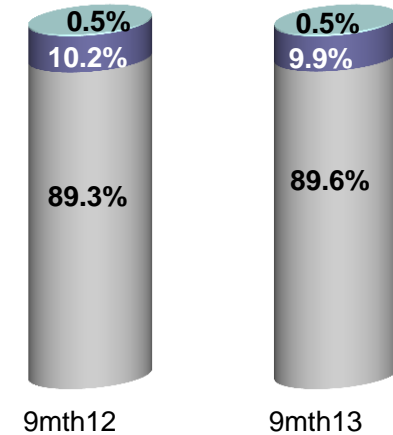


Both interest income, and interest expense declined in y/y terms

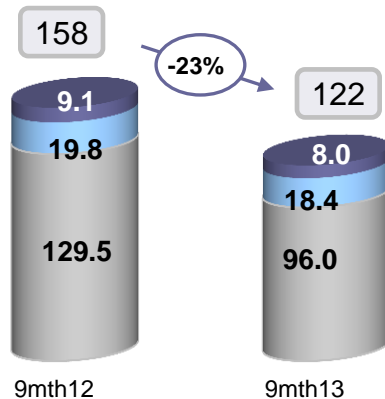
Interest Income (TLmn)



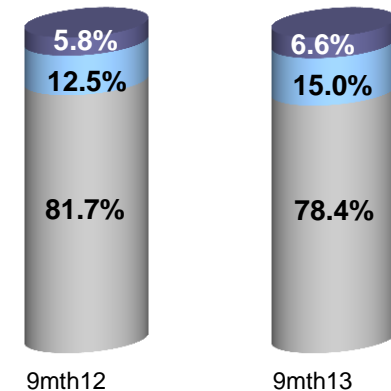
Composition of Interest Income



Interest Expense (TLmn)

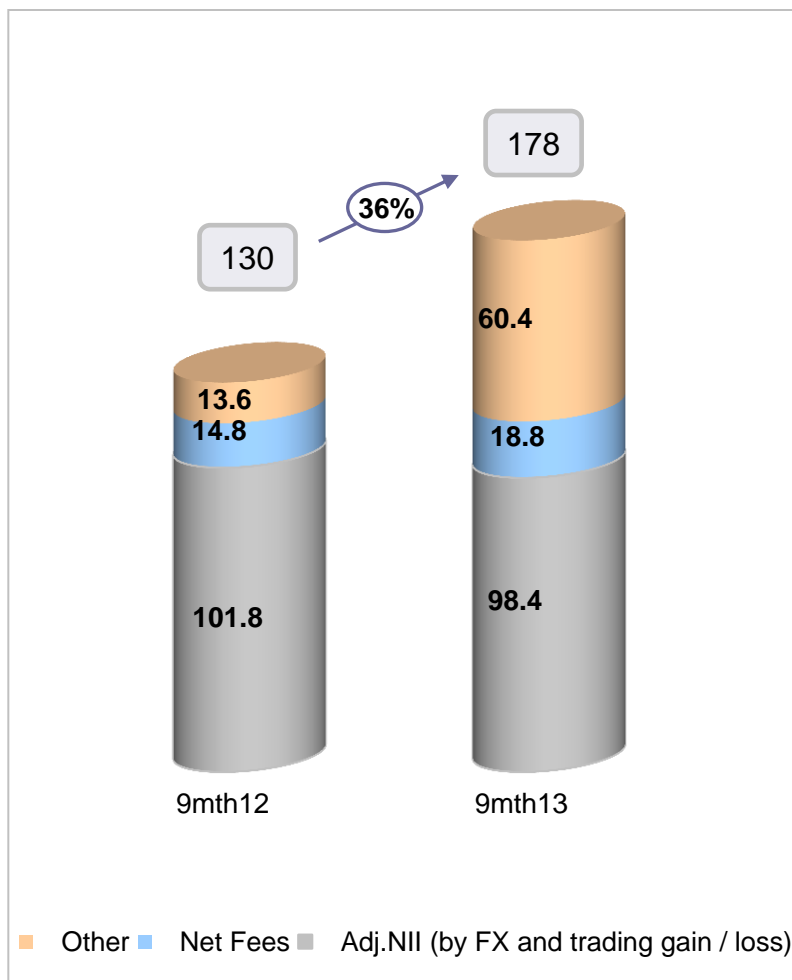


Composition of Interest Expense

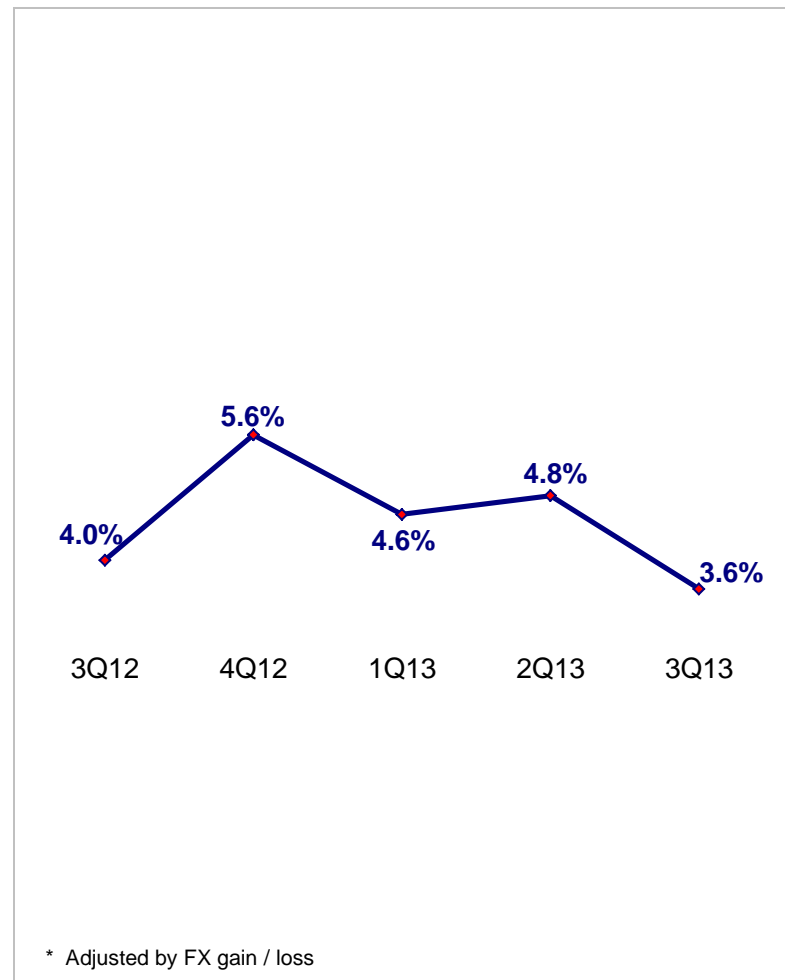


Premises sell off was recorded under banking income

Banking Income (TLmn)

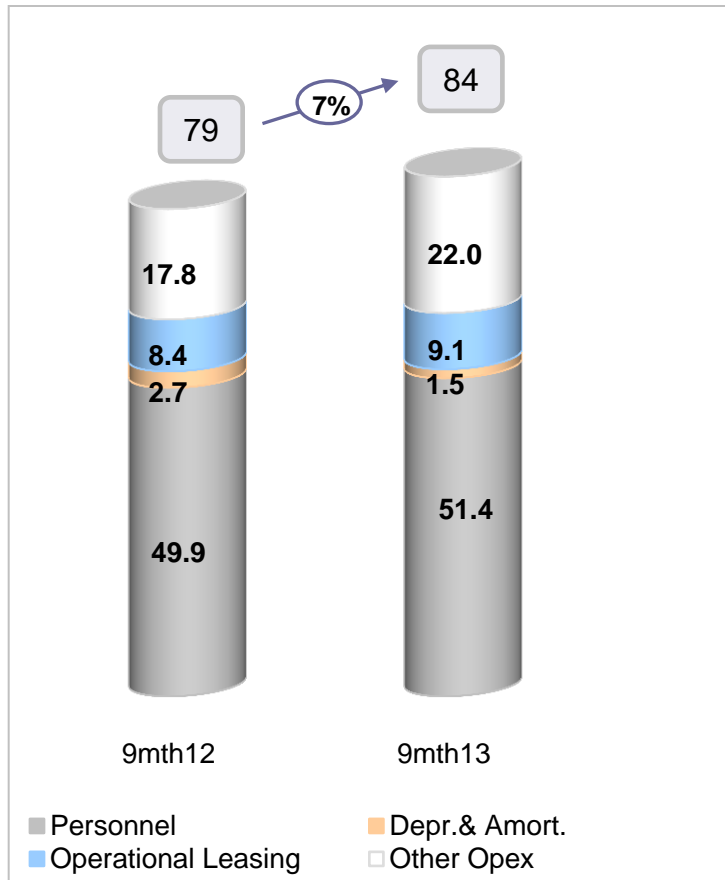


Adjusted Net Interest Margin* (Quarterly)

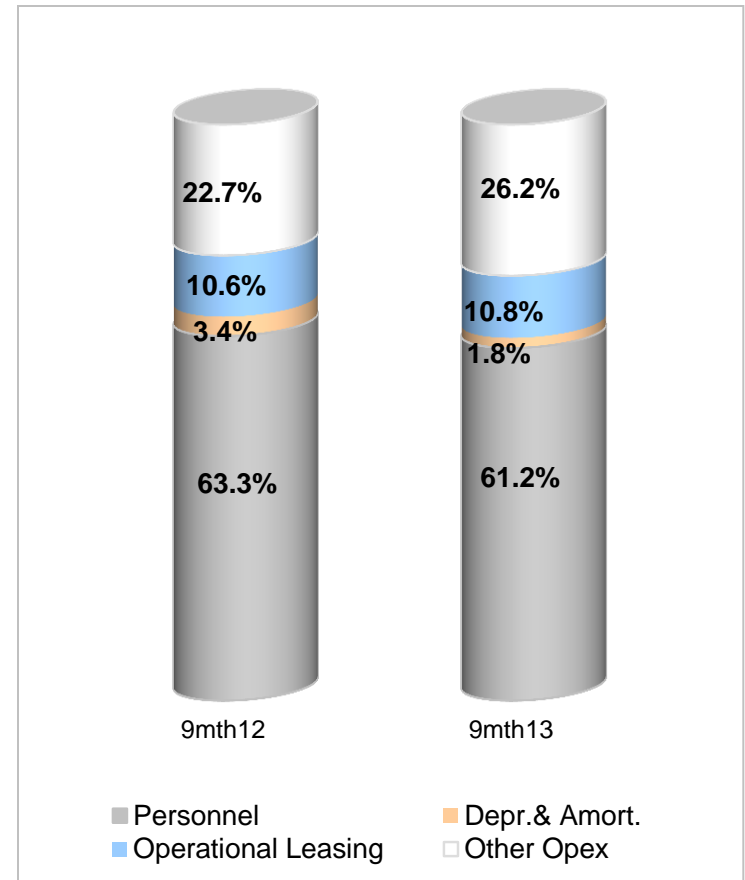


OPEX continued to be under close scrutiny

Operating Expenses (TLmn)



Composition of Operating Expenses



Summary Balance Sheet...

TL million	Sep 2012	Dec 2012	Mar 2012	Jun 2013	Sep 2013
Cash & Banks	388	480	467	442	477
Total Securities	312	330	314	354	401
Total Cash Loans	2,540	2,618	2,537	2,554	2,641
Fixed Assets & Subsidiaries	109	124	125	122	44
Other	153	125	155	173	167
Total Assets	3,502	3,677	3,598	3,645	3,730
Deposits*	2,370	2,662	2,459	2,377	2,158
Interbank Money Market*	141	65	146	173	367
Borrowings	247	249	278	385	449
Other	202	128	138	143	146
SHE	542	573	577	567	610
Total Liabilities & SHE	3,502	3,677	3,598	3,645	3,730

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

Summary Income Statement...

TL million	1Q 2013	2Q 2013	3Q 2013	9mth 2012	9mth 2013
Interest Income	74.4	71.8	70.1	252.0	216.3
<i>Loans</i>	65.9	65.2	62.6	225.1	193.7
<i>Securities</i>	8.2	6.2	7.0	25.8	21.4
<i>Other</i>	0.3	0.4	0.5	1.1	1.2
Interest Expense	41.7	37.4	43.3	158.4	122.4
<i>Deposits</i>	34.4	29.5	32.1	129.5	96.0
<i>Funds Borrowed</i>	4.4	6.3	7.7	19.8	18.4
<i>Other Borrowings</i>	2.9	1.6	3.5	9.1	8.0
Net Interest Income	32.7	34.4	26.8	93.6	93.9
<i>Net FX Gain (Loss)*</i>	1.4	0.8	0.9	3.7	3.1
Adj. Net Interest Income	34.1	35.2	27.7	97.3	97.0
<i>Net Trading Income (Loss)*</i>	1.2	0.2	0.0	4.5	1.4
<i>Net Fees & Commissions</i>	6.2	6.8	5.8	14.8	18.8
<i>Other Operating Income</i>	3.8	4.2	52.4	13.6	60.4
Total Operating Income	45.3	46.4	85.9	130.2	177.6
<i>Provisions</i>	11.1	17.0	10.8	31.0	38.9
<i>Opex</i>	25.8	28.6	29.6	78.8	84.0
<i>Profit from Subsidiaries</i>	0.0	0.0	0.0	0.0	0.0
Profit Before Tax	8.4	0.8	45.5	20.4	54.7
<i>Tax</i>	1.9	-0.1	2.7	3.9	4.6
Net Income	6.5	0.9	42.8	16.5	50.2

* 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	9mth 2012	9mth 2013
Interest Income	75.1	72.6	70.7	254.0	218.4
<i>Loans</i>	66.4	65.9	63.2	226.3	195.5
<i>Securities</i>	8.2	6.2	6.9	26.1	21.4
<i>Other</i>	0.5	0.5	0.6	1.6	1.6
Interest Expense	41.6	37.4	43.4	158.3	122.3
<i>Deposits</i>	34.3	29.6	32.2	129.4	95.9
<i>Funds Borrowed</i>	4.4	6.2	7.8	19.8	18.4
<i>Other Borrowings</i>	2.9	1.6	3.5	9.1	8.0
Net Interest Income	33.5	35.2	27.3	95.7	96.1
<i>Net FX Gain (Loss)*</i>	1.4	0.9	0.9	3.7	3.2
Adj. Net Interest Income	34.9	36.1	28.2	99.4	99.2
<i>Net Trading Income (Loss)*</i>	2.7	1.5	1.3	8.9	5.5
<i>Net Fees & Commissions</i>	6.3	7.1	5.9	15.4	19.2
<i>Other Operating Income</i>	3.7	4.1	52.3	10.9	60.1
Total Operating Income	47.6	48.8	87.7	134.6	184.1
<i>Provisions</i>	11.1	17.0	10.8	31.0	38.9
<i>Opex</i>	27.4	30.3	31.4	83.9	89.0
<i>Profit from Subsidiaries</i>	0.0	0.0	0.0	0.0	0.0
Profit Before Tax	9.1	1.5	45.5	19.7	56.1
<i>Tax</i>	2.0	0.0	-2.7	4.3	4.7
Net Income	7.1	1.5	42.8	15.4	51.4

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

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