

TEKSTILBANK

Earnings Presentation
September 30, 2014 / BRSA Bank-Only

Macroeconomic environment in 3Q 2014...

- Increasing geopolitical risks and worries on Fed's rate hike sooner than mid-2015 raised uncertainties, despite ECB's plans for further monetary expansion
- Turkish Central Bank ceased policy rate cuts and kept the rate at 8.25% from July onwards, due to high inflation
- Macroeconomic growth decelerated to 2.1%, y/y, in 2Q, and contracted by 0.5% vs. 1Q, supporting expectations of a growth rate slightly above 3% for the whole year
- CPI inflation increased up to 9.5% in 3Q, before retreating to 8.9% in Sep. Official year-end forecast was raised to 9.5%, from 7.6%
- 12-month cumulative C/A deficit declined further to US\$49bn, as of Aug-end, which is officially forecasted to end year at US\$46bn

Balance sheet expanded in 3Q

Highlights of 3Q 2014:

- Balance sheet expanded slightly
- TL loans increased, while securities portfolio shrunk
- Increase in OPEX vs. the same term of 2013 prevailed, owing 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 2014

Macroeconomy

- Lower macroeconomic growth, around 3%, hit by the lower capital inflows, measures taken by the BRSA, and higher political and geopolitical uncertainty
- Higher inflation, above 9% at year-end, due to weaker TL, tax and energy price hikes, and sticky food prices
- Monetary policy is expected to remain tight, considering high inflation
- Public spending will be under close watch, ahead of the heavy election agenda

Banking Sector

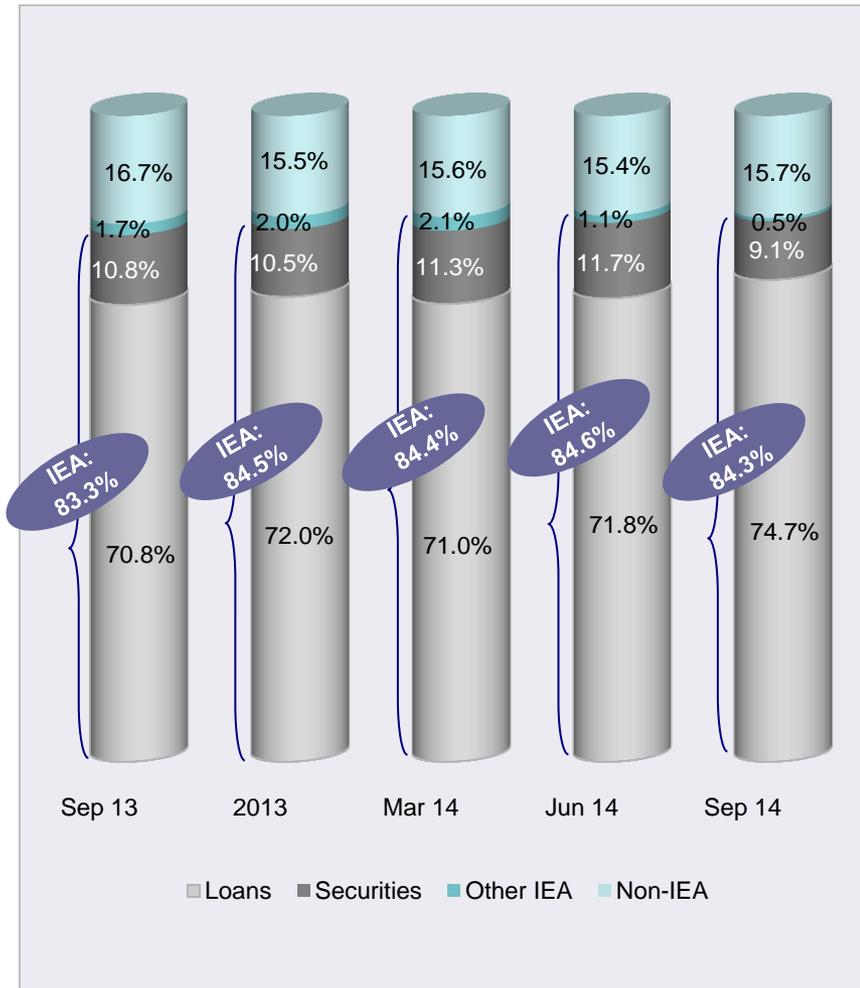
- Slower macroeconomic growth, and restrictions on credit card installments is expected to keep loan growth modest around 15%
- Lower NIM, thanks to the CB's decision to increase average funding cost by 300 bp, to 10% in January
- Asset quality may weaken, reflecting deterioration in macroeconomic activity

Tekstilbank

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

Assets increased by 7% vs. second quarter

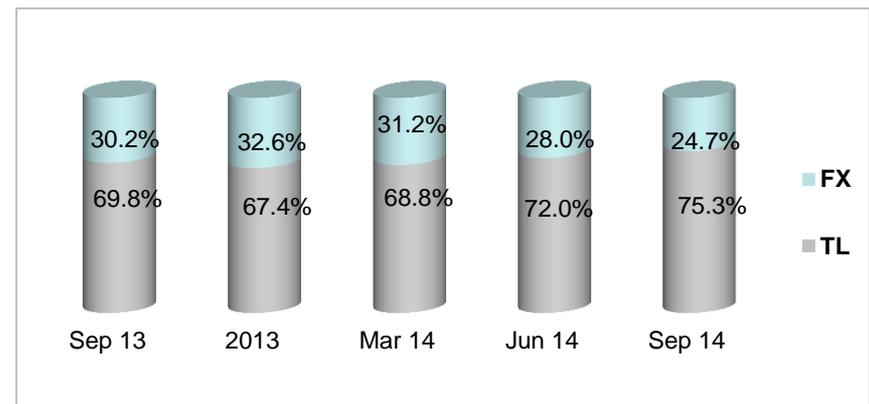
Composition of Assets



Total Assets (TLmn)



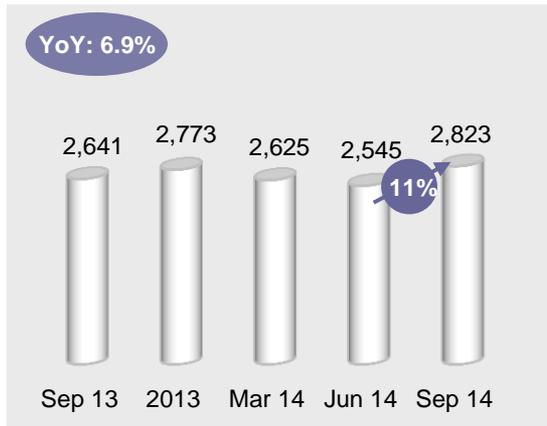
Currency Composition of Assets*



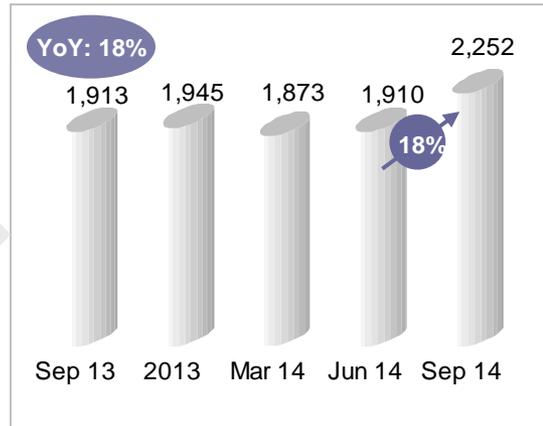
* FX-indexed cash loans are included in FX assets

Loan portfolio expanded by 11%, thanks to TL loans

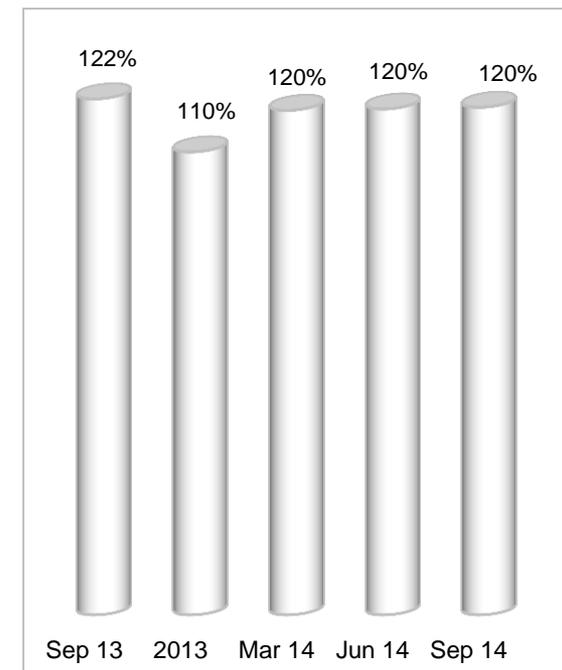
Total Cash Loans (TLmn)



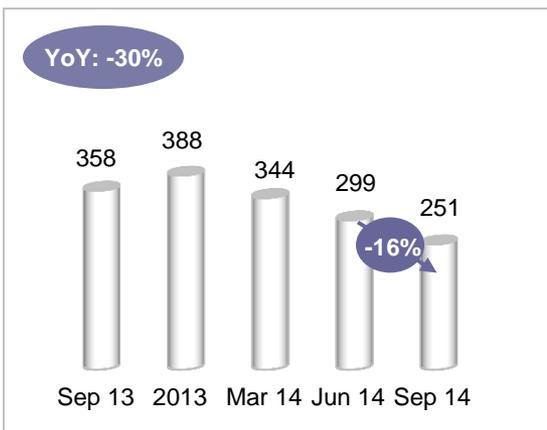
TL Cash Loans* (TLmn)



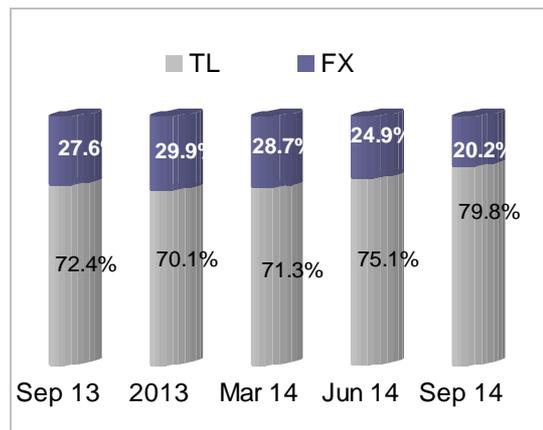
Loans / Customer Deposits



FX Cash Loans* (US\$m)



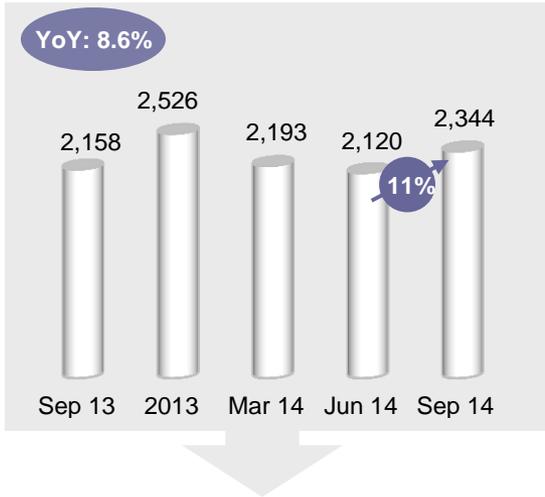
Currency Breakdown of Cash Loans*



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

Deposits rose by 11%, in q/q terms

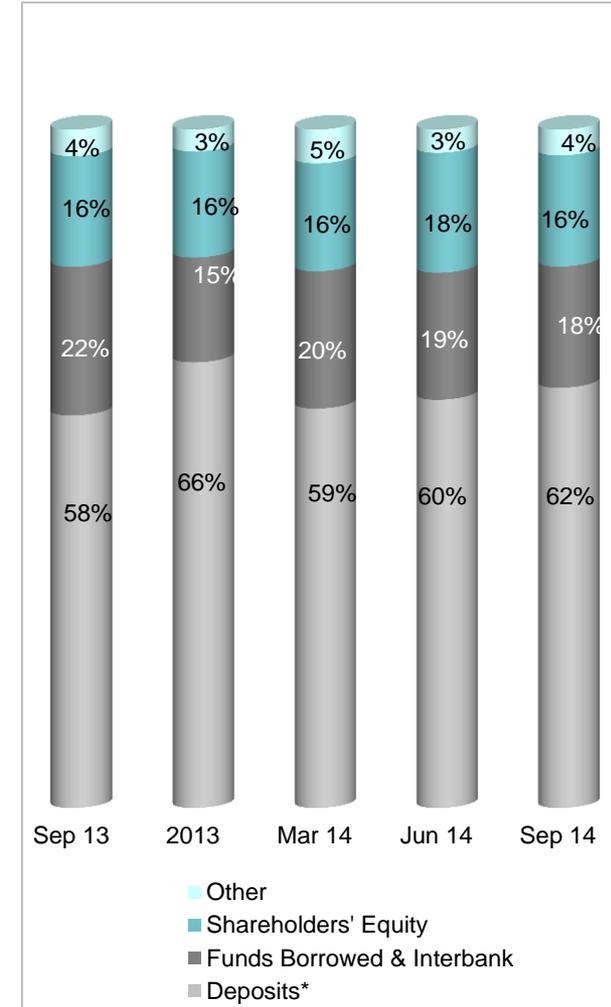
Total Deposits* (TLmn)



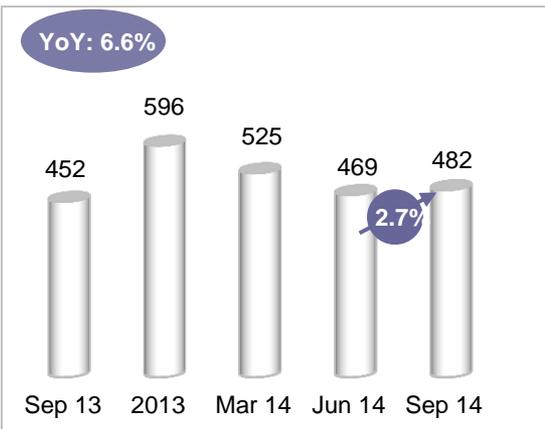
TL Deposits* (TLmn)



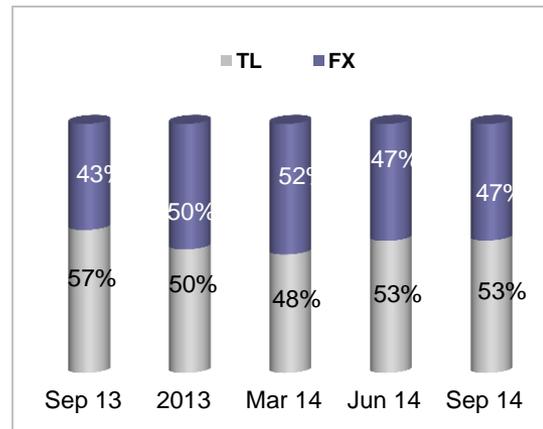
Composition of Liabilities & SHE



FX Deposits* (US\$mn)



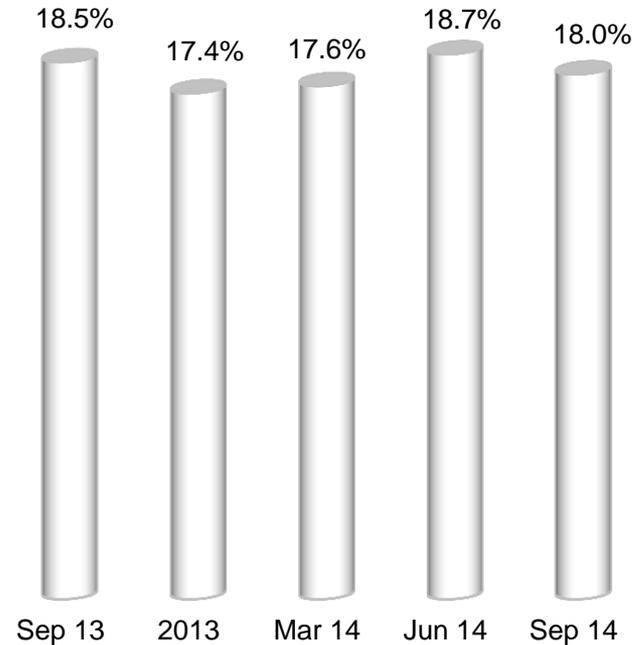
Currency Breakdown*



* Excluding bank deposits

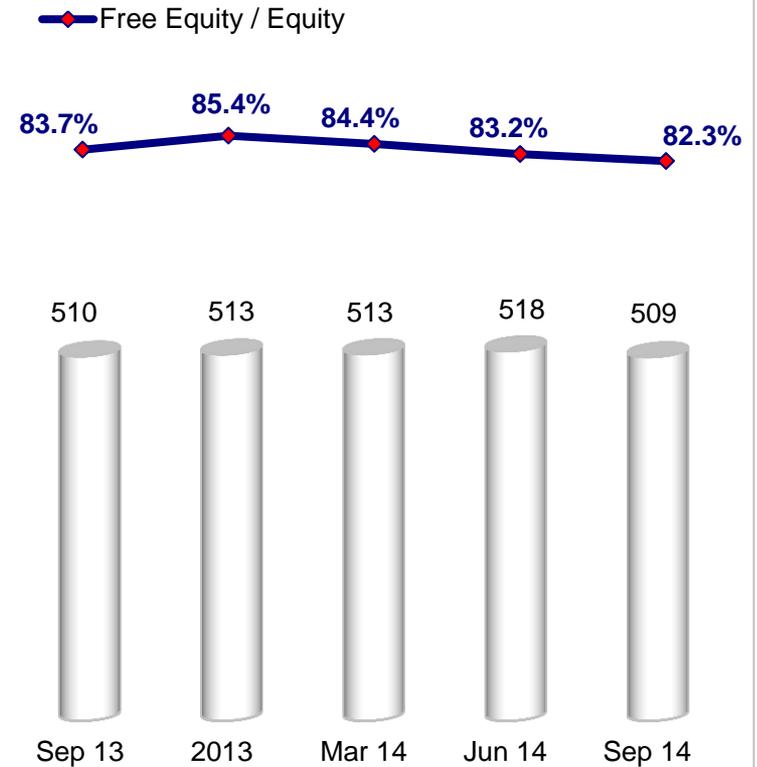
CAR remained strong at 18.0%

Capital Adequacy Ratio (CAR)



Calculated according to BRSA regulations, in line with Basel II

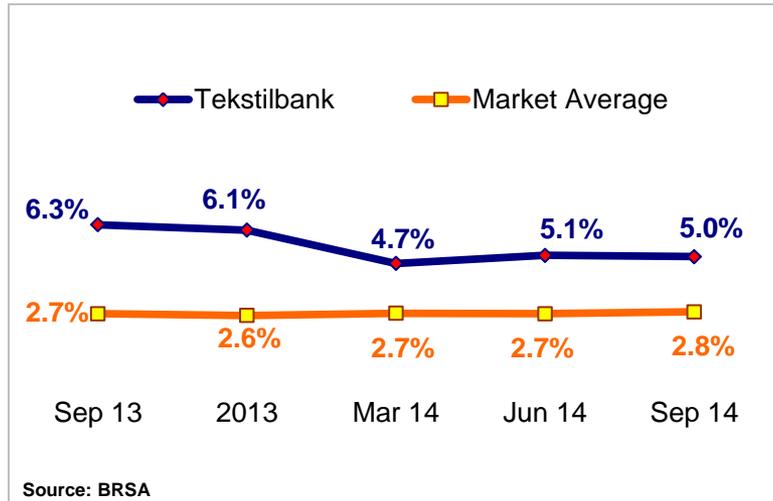
Free Equity (TLmn)



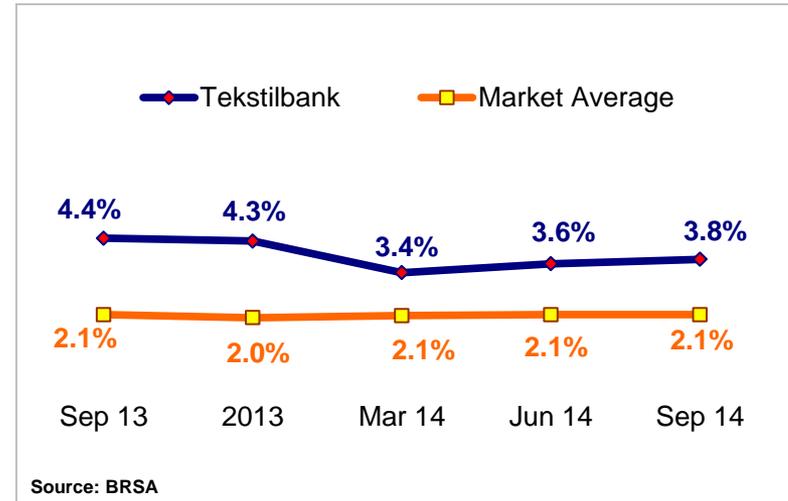
Free Equity: SHE-subsiaries-property & equipment-intangible assets-property & equipment held for sale-unprovisioned NPL

Cost of risk remained almost flat around 1.2%

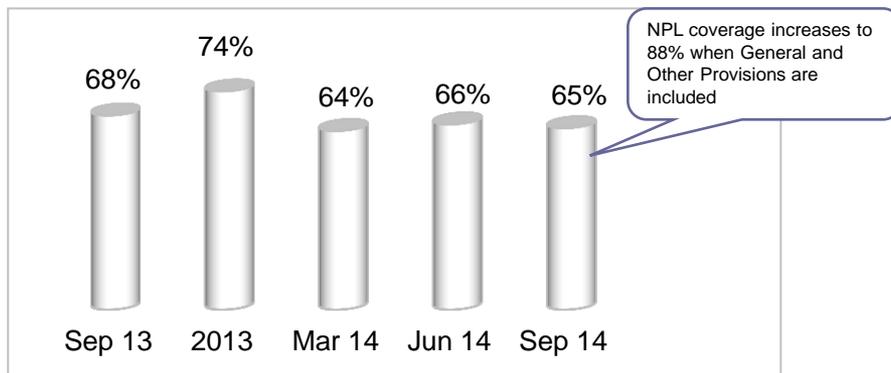
NPL Ratio



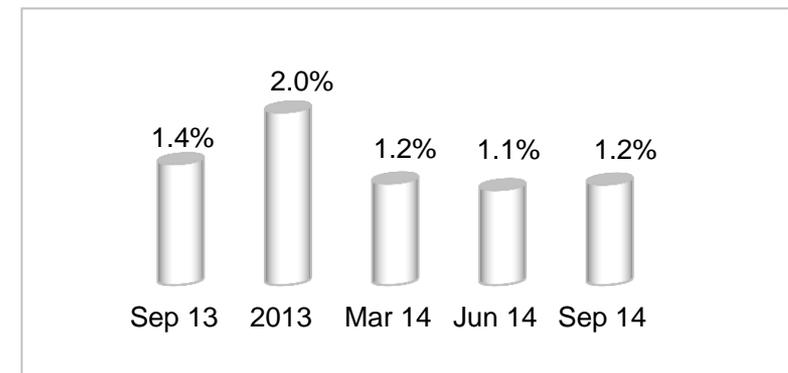
NPL Ratio (including non-cash loans)



NPL Coverage

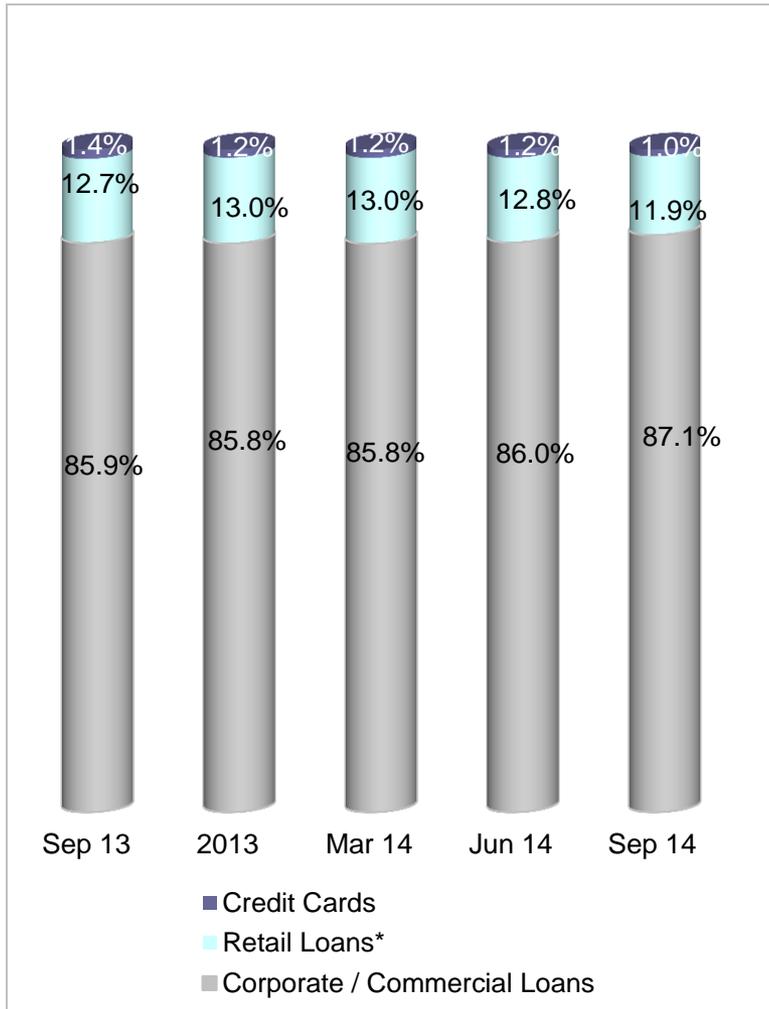


Cost of Risk (quarterly)

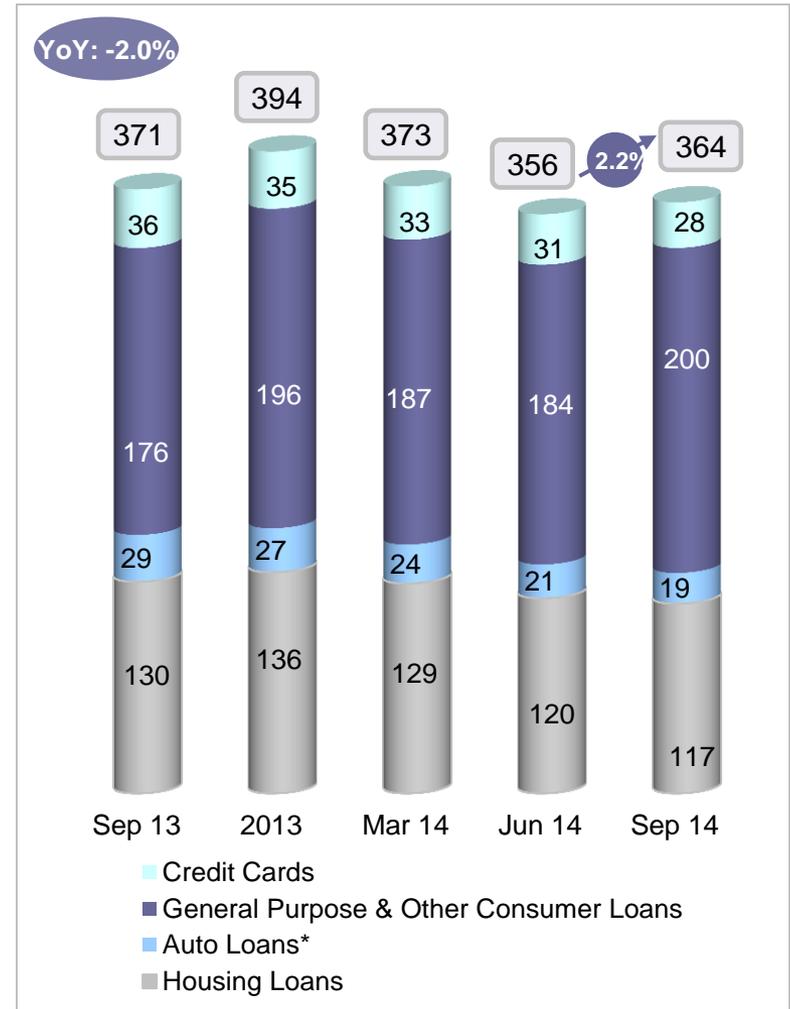


Composition of loan portfolio was preserved

Breakdown of Loan Portfolio



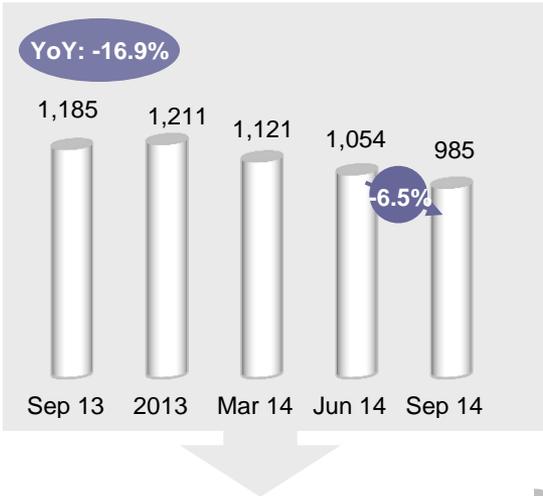
Breakdown of Retail Loans (TLmn)



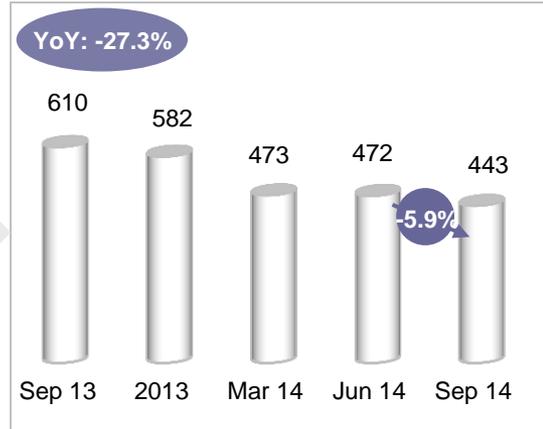
*Specialized loans granted to farmers for vehicle purchases are classified in retail loans

Non-cash loans declined further in 3Q

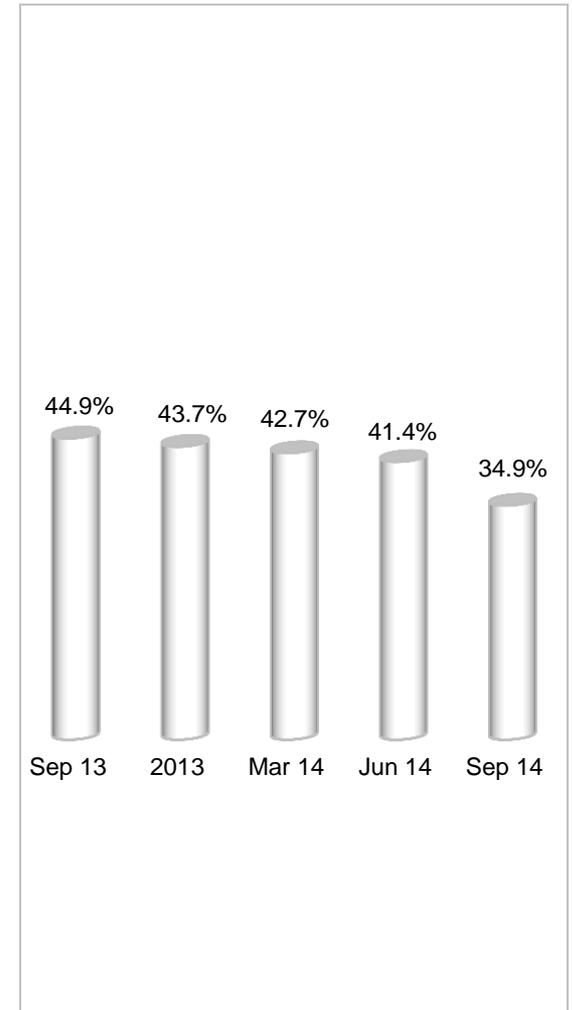
Total Non-Cash Loans (TLmn)



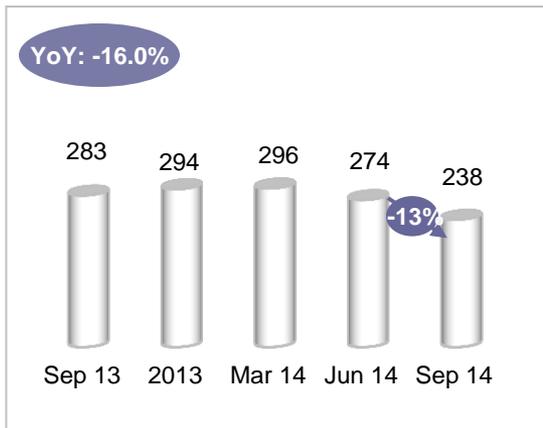
TL Non-Cash Loans (TLmn)



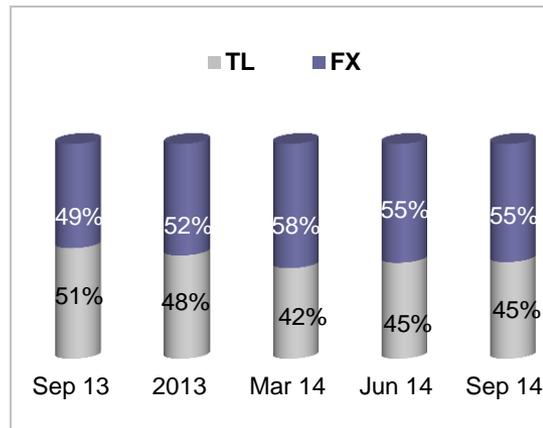
Non-Cash / Cash Loans



FX Non-Cash Loans (US\$m)

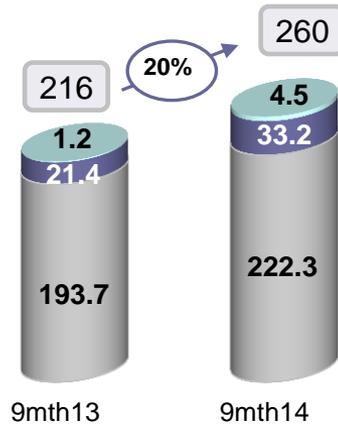


Currency Breakdown of Non-Cash Loans

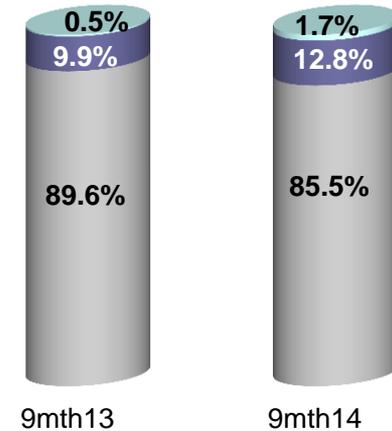


Ratio of funds borrowed increased in interest expense, because of higher swap costs

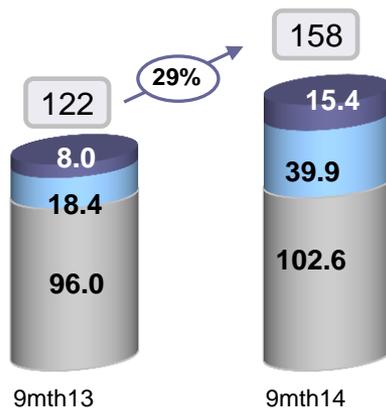
Interest Income (TLmn)



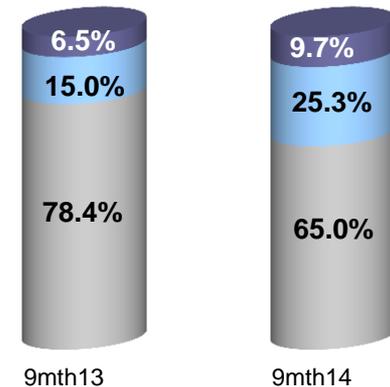
Composition of Interest Income



Interest Expense (TLmn)

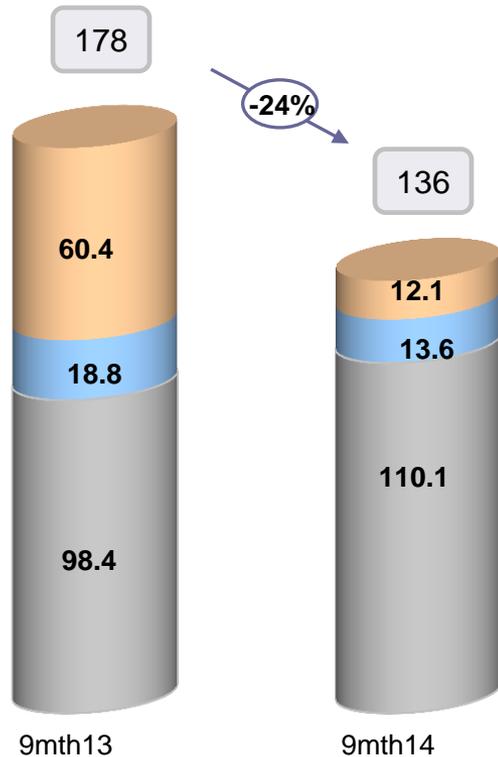


Composition of Interest Expense



NIM declined in 3Q

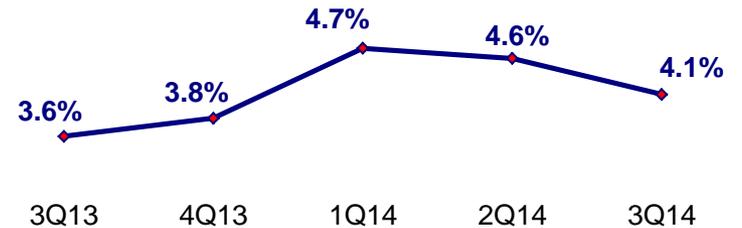
Banking Income (TLmn)



Other* Net Fees Adj.NII (by FX and trading gain/loss)

* Other revenues were boosted by the sale of headquarter building in Sep. 2013

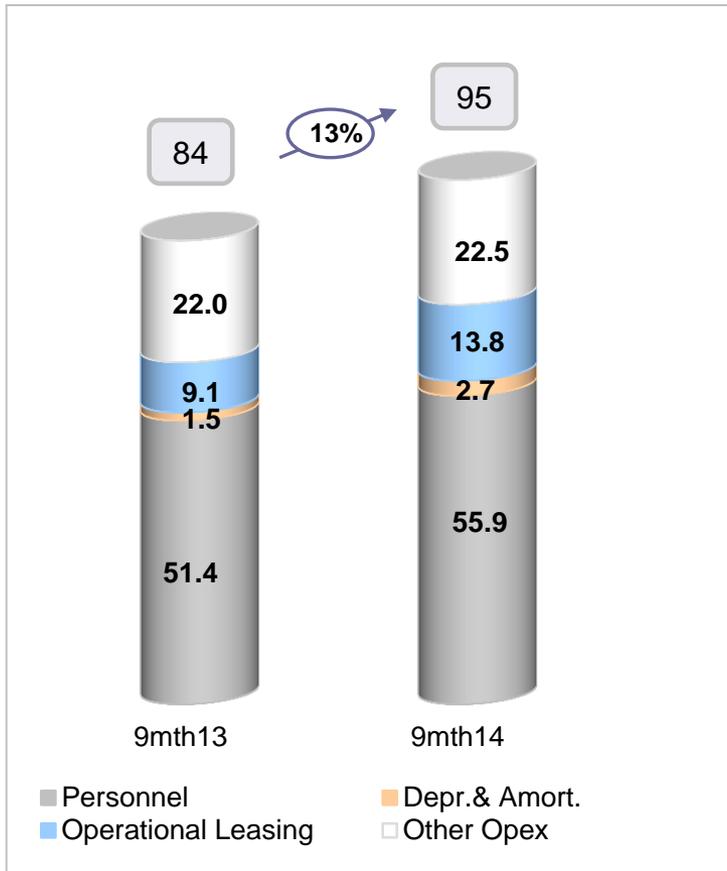
Adjusted Net Interest Margin* (Quarterly)



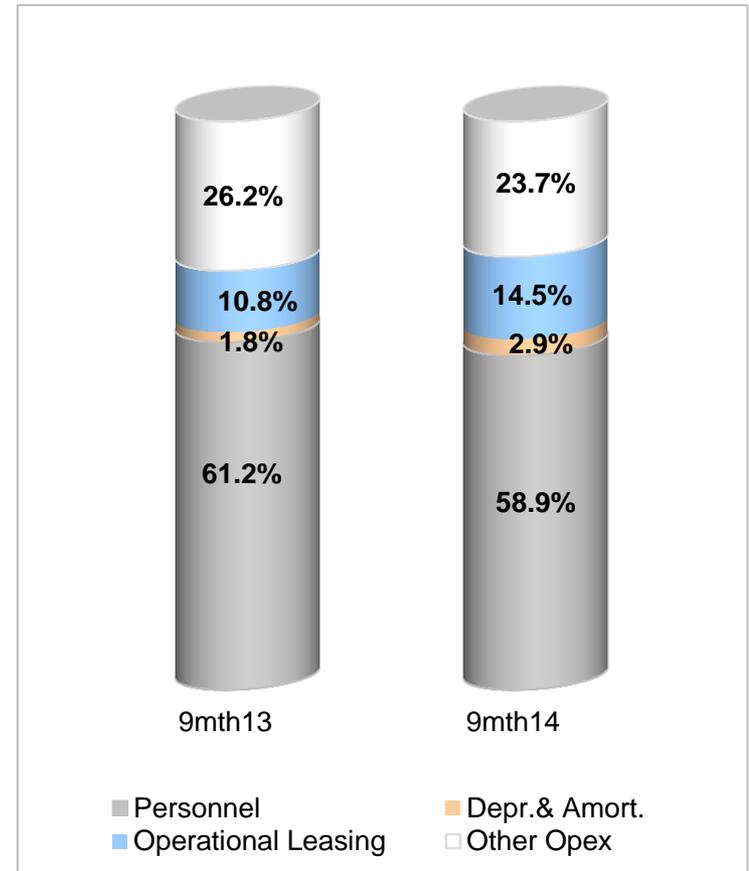
* Adjusted by FX gain / loss

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	Sep 2013	Dec 2013	Mar 2014	Jun 2014	Sep 2014
Cash & Banks	477	526	476	400	432
Total Securities	401	403	417	416	344
Total Cash Loans	2,641	2,773	2,625	2,545	2,823
Fixed Assets & Subsidiaries	44	41	49	59	58
Other	167	106	132	125	125
Total Assets	3,730	3,849	3,699	3,545	3,782
Deposits*	2,158	2,526	2,193	2,120	2,344
Interbank Money Market*	367	259	380	285	272
Borrowings	449	341	373	373	403
Other	146	123	145	145	144
SHE	610	600	608	622	619
Total Liabilities & SHE	3,730	3,849	3,699	3,545	3,782

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

Summary Income Statement...

TL million	1Q 2014	2Q 2014	3Q 2014	9mth 2013	9mth 2014
Interest Income	89.6	89.3	81.1	216.3	260.0
Loans	74.2	75.4	72.7	193.7	222.3
Securities	11.7	13.6	7.9	21.4	33.2
Other	3.7	0.3	0.5	1.2	4.5
Interest Expense	53.6	54.6	49.7	122.4	157.9
Deposits	34.9	36.0	31.7	96.0	102.6
Funds Borrowed	13.4	13.1	13.4	18.4	39.9
Other Borrowings	5.3	5.5	4.6	8.0	15.4
Net Interest Income	36.0	34.7	31.4	93.9	102.1
Net FX Gain (Loss)*	1.8	0.6	0.6	3.1	3.0
Adj. Net Interest Income	37.8	35.3	32.0	97.0	105.1
Net Trading Income (Loss)*	0.0	0.0	5.0	1.4	5.0
Net Fees & Commissions	4.3	5.0	4.3	18.8	13.6
Other Operating Income	9.5	3.2	-0.6	60.4	12.1
Total Operating Income	51.6	43.5	40.7	177.6	135.8
Provisions	8.6	8.1	8.8	38.9	25.5
Opex	32.0	32.4	30.5	84.0	94.9
Profit from Subsidiaries	0.0	1.3	0.0	0.0	1.3
Profit Before Tax	11.0	4.3	1.4	54.7	16.7
Tax	1.6	0.7	0.7	4.5	3.0
Net Income	9.4	3.6	0.7	50.2	13.7

* 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	9mth 2013	9mth 2014
Interest Income	90.4	90.2	82.2	218.4	262.8
Loans	74.8	75.9	73.4	195.5	224.1
Securities	11.7	13.7	7.9	21.4	33.3
Other	3.9	0.6	0.9	1.5	5.4
Interest Expense	53.6	54.5	49.7	122.3	157.8
Deposits	34.9	35.9	31.7	95.9	102.5
Funds Borrowed	13.4	13.1	13.4	18.4	39.9
Other Borrowings	5.3	5.5	4.6	8.0	15.4
Net Interest Income	36.8	35.7	32.5	96.1	105.0
Net FX Gain (Loss)*	1.8	0.6	0.6	3.2	3.0
Adj. Net Interest Income	38.6	36.3	33.1	99.2	108.0
Net Trading Income (Loss)*	1.2	1.4	6.4	5.5	9.0
Net Fees & Commissions	4.6	5.2	4.5	19.2	14.3
Other Operating Income	9.4	3.2	-0.7	60.1	11.9
Total Operating Income	53.8	46.1	43.3	184.1	143.2
Provisions	8.5	8.2	8.8	38.9	25.5
Opex	33.9	34.5	32.6	89.0	101.0
Profit from Subsidiaries	0.0	0.0	0.0	0.0	0.0
Profit Before Tax	11.4	3.4	1.9	56.1	16.7
Tax	1.7	0.8	0.8	4.7	3.3
Net Income	9.7	2.6	1.1	51.4	13.4

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

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