

# **TEKSTİLBANK**

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*Earnings Presentation*  
*December 31, 2013 / BRSA Bank-Only*

## Macroeconomic environment in 4Q 2013...

- Capital inflow forecasts to emerging markets deteriorated further, following Fed's decision to push the button on tapering in December
- TL weakened faster than other emerging markets, due to higher political risk after mid-December
- Inflation remained high in 3Q 2013, hit by weaker TL and higher food prices
- The CB believed that the inflationary pressures were temporary and kept its average funding rate around 7%
- Macroeconomic indicators remained strong in 4Q, pointing to a growth rate of around 4% in 2013 as a whole

# Headquarter sell off had reshaped balance sheet in 3Q

## *Highlights of 4Q 2013:*

- Conservative balance sheet management approach has prevailed
- Net interest income recovered in the last quarter
- Net income was hit by the provisions
- Headquarter building was sold for US\$62.7mn (TL125mn) in September, leading to higher free equity from 3Q 2013 onwards
- NPL ratio declined to 6.1%, but still remained above market average
- Strong CAR at 17.4%

# Looking into 2014

## Macroeconomy

- Lower macroeconomic growth, probably below 3%, hit by the lower capital inflows, measures taken by the BRSA, and higher political uncertainty
- Inflation to remain high and exceed 8% at year-end, due to weaker TL and tax adjustments
- The CB' is expected to keep its funding rate at least around 10%, considering high inflation
- C/A deficit may fall to 6.0% of GDP, reflecting lower activity
- Public spending will be under close watch, ahead of the heavy election agenda

## Banking Sector

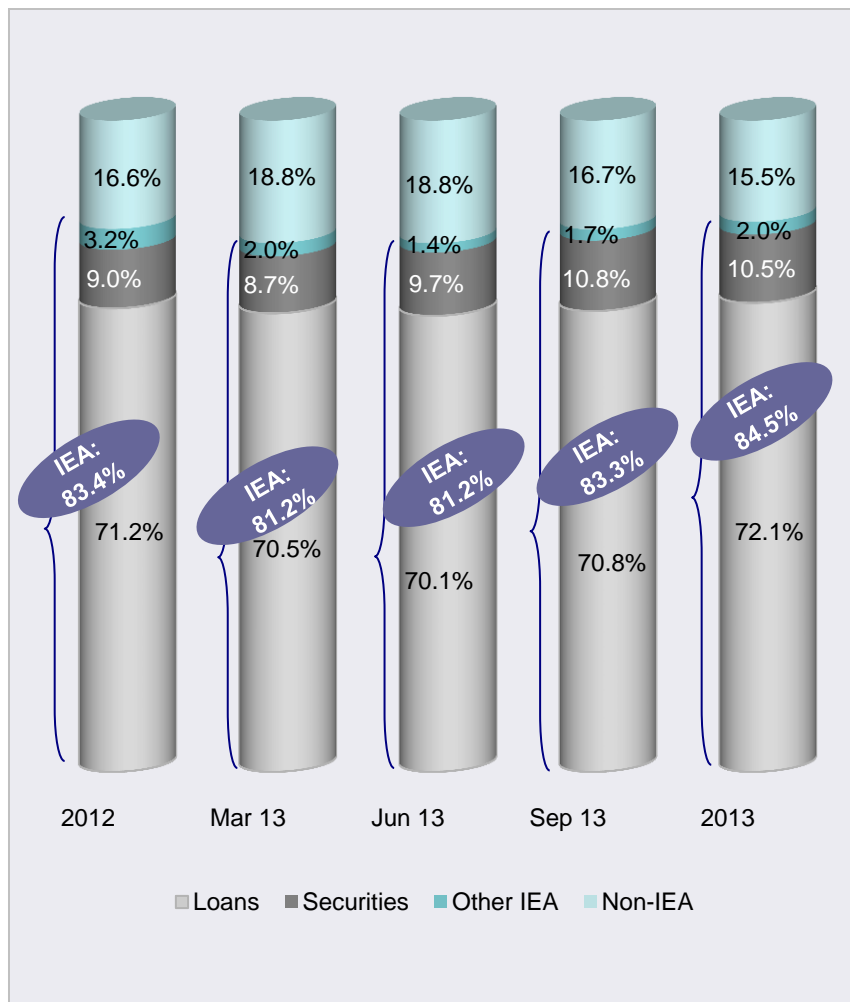
- Slower macroeconomic growth, and restrictions on credit card installments may lead to further decline in loan growth
- Lower NIM, thanks to the CB's decision to increase average funding cost by 300 bp, to 10% in January
- Asset quality may weaken, reflecting deterioration in macroeconomic activity

## Tekstilbank

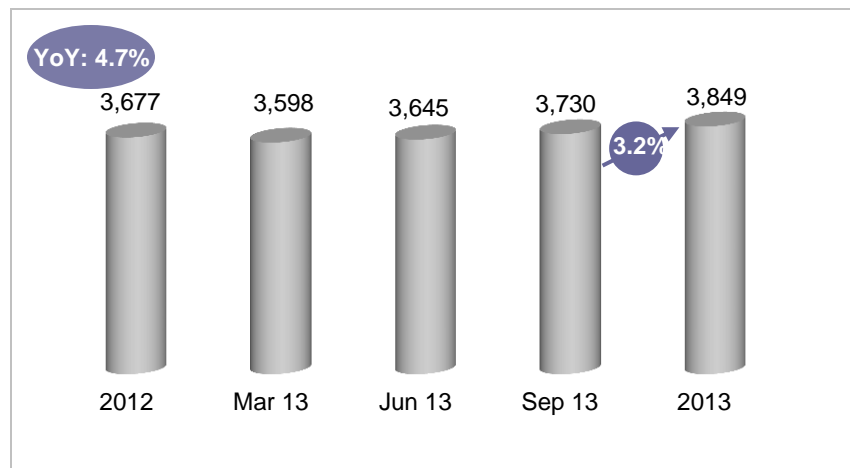
- Conservative growth approach will continue
- Declining margins
- Maintaining high level of CAR
- Extensive focus on collections

# A modest balance sheet growth

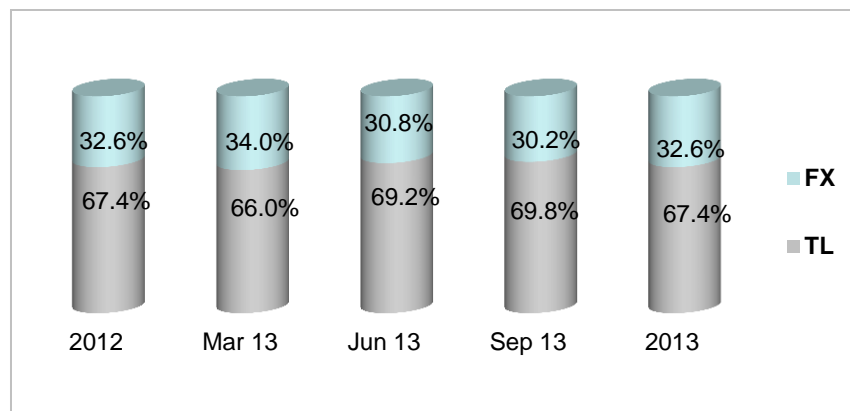
## Composition of Assets



## Total Assets (TLmn)



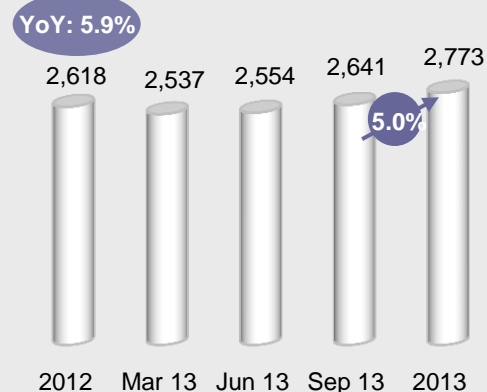
## Currency Composition of Assets\*



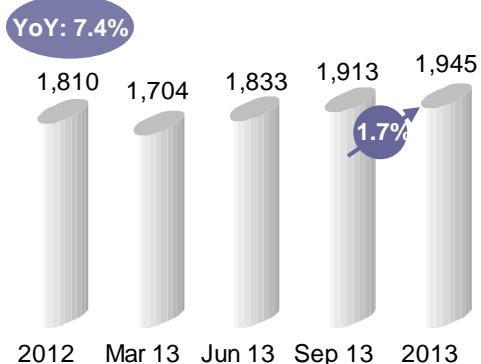
\* FX-indexed cash loans are included in FX assets

# FX cash loans increased by 8.4%

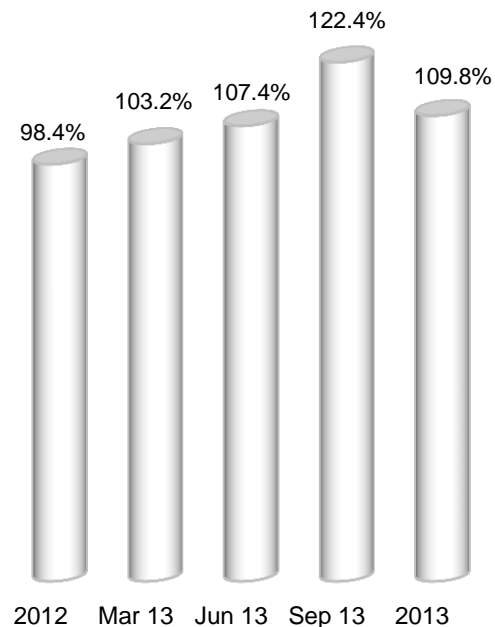
## Total Cash Loans (TLmn)



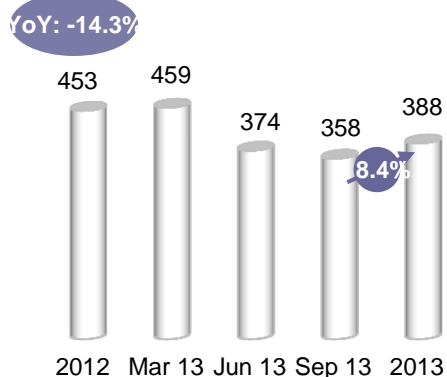
## TL Cash Loans\* (TLmn)



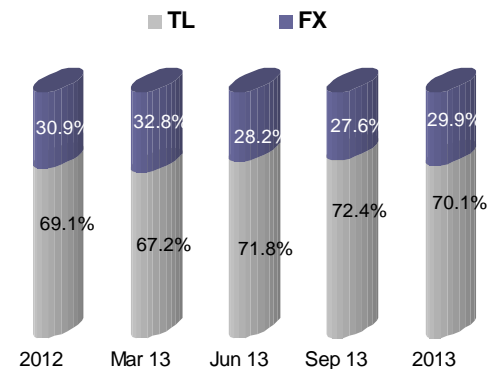
## Loans / Customer Deposits



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



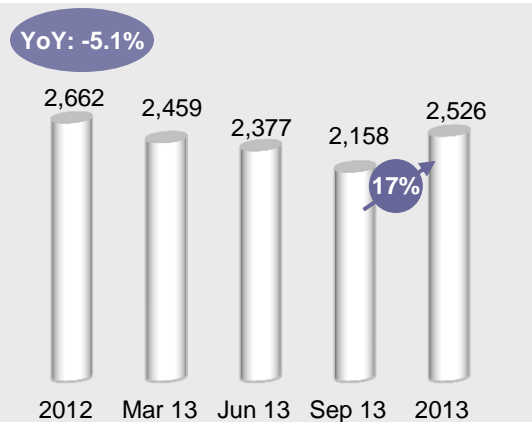
## Currency Breakdown of Cash Loans\*



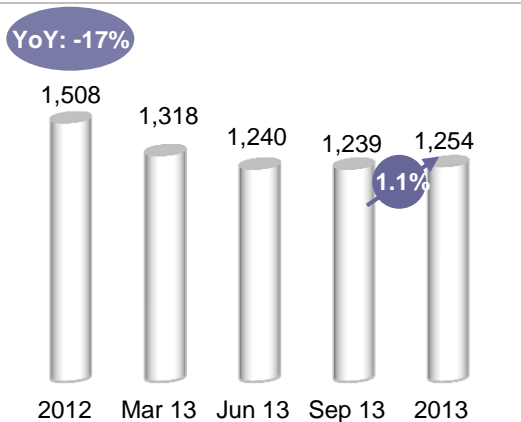
\* FX-indexed cash loans are included in FX cash loans

# F/X deposits recovered in the last quarter

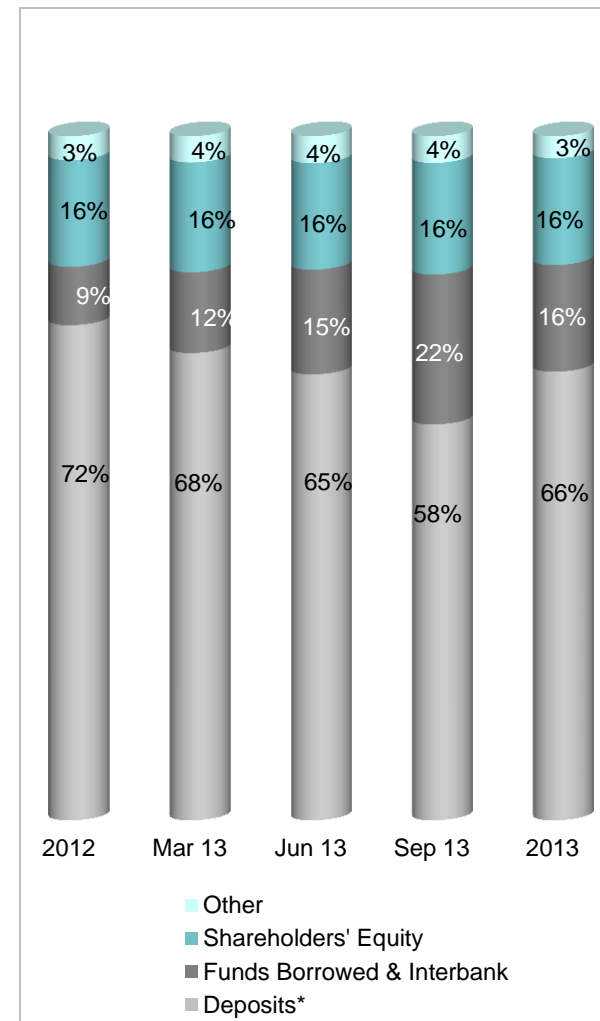
## Total Deposits\* (TLmn)



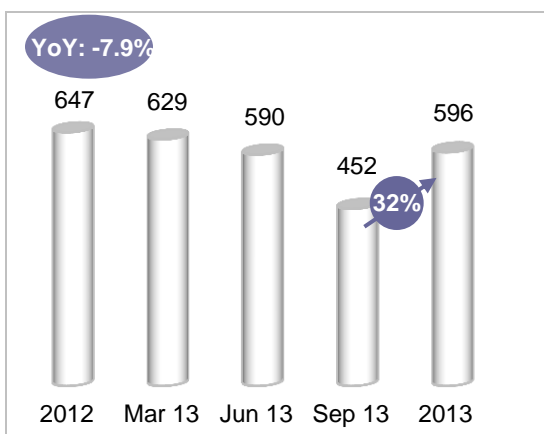
## TL Deposits\* (TLmn)



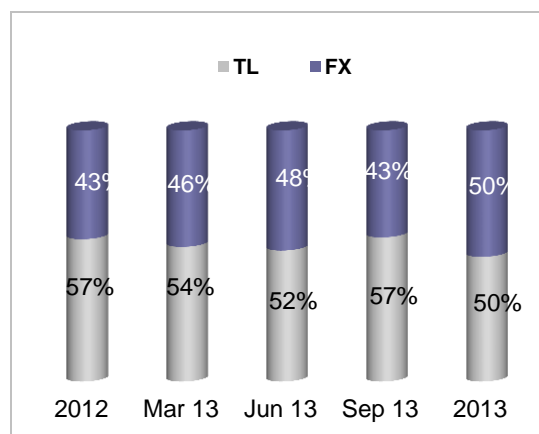
## Composition of Liabilities & SHE



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



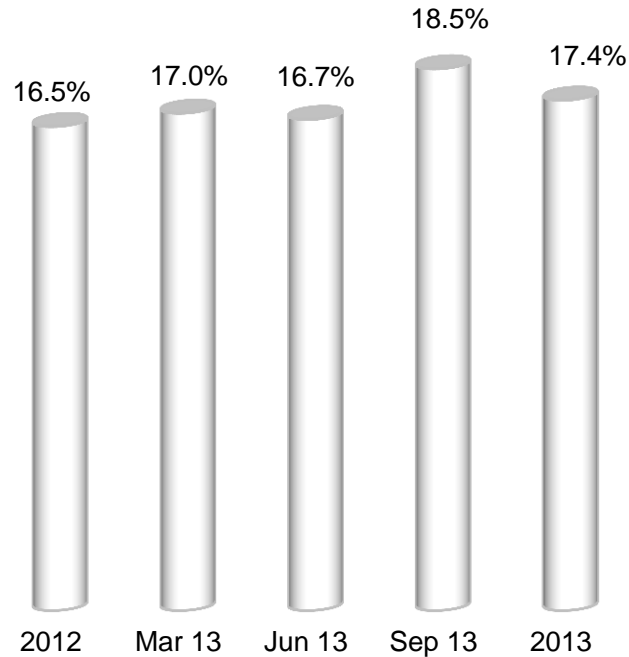
## Currency Breakdown\*



\* Excluding bank deposits

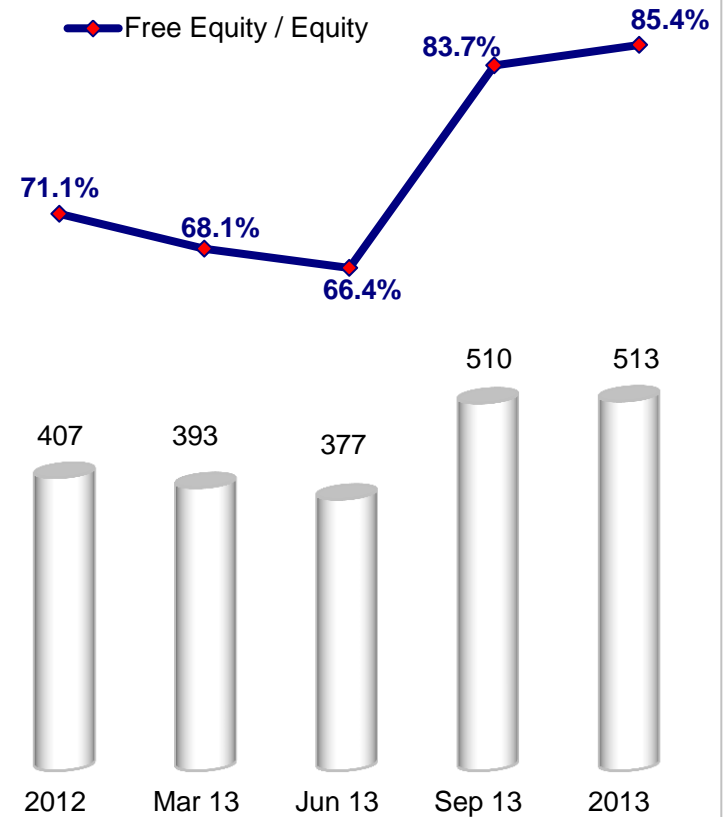
# CAR remained strong at 17.4%

## Capital Adequacy Ratio (CAR)



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

## Free Equity (TLmn)

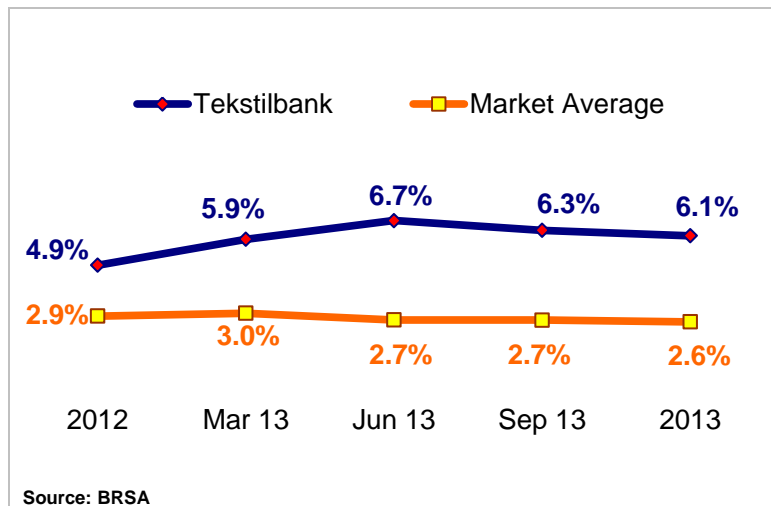


Free Equity: SHE-subsiaries-property & equipment-intangible assets-property & equipment held for sale-unprovisioned NPL

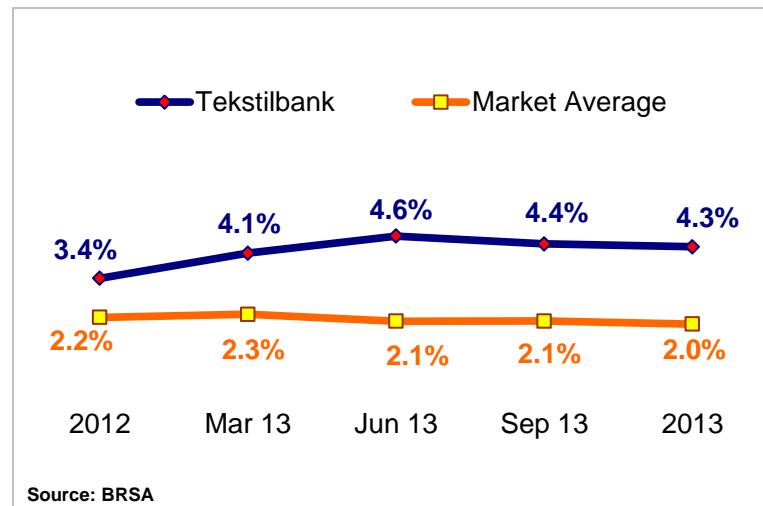


# NPL ratio retreated marginally

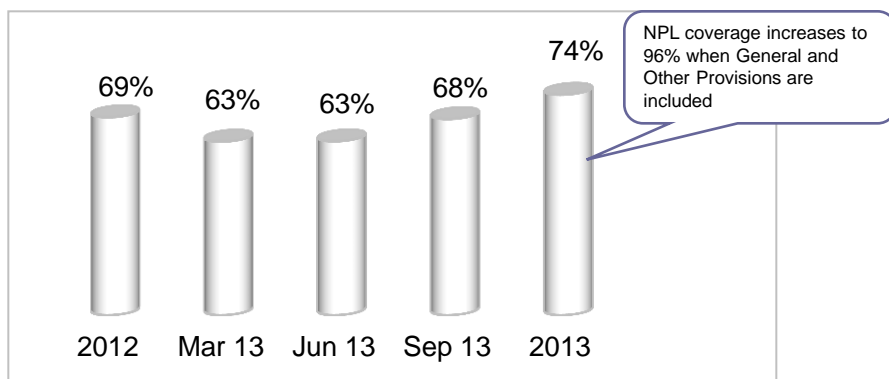
## NPL Ratio



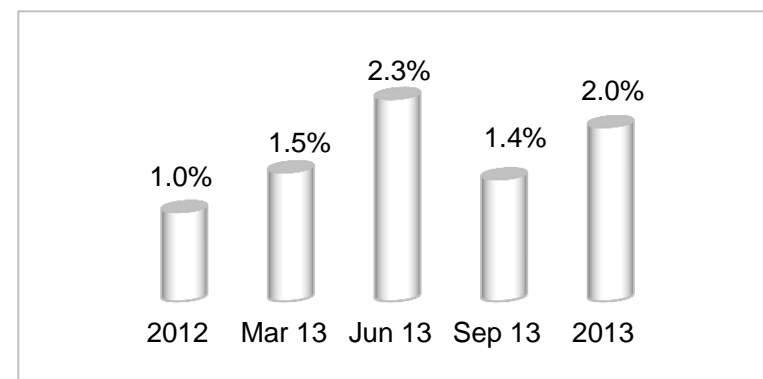
## NPL Ratio (including non-cash loans)



## NPL Coverage

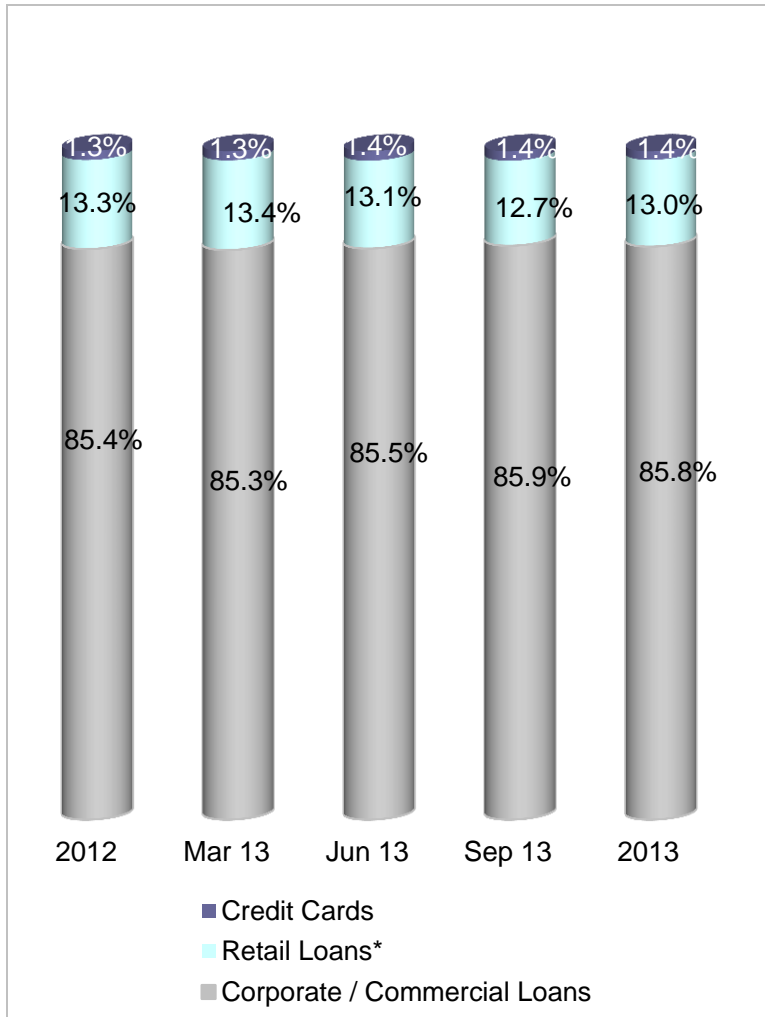


## Cost of Risk (quarterly)

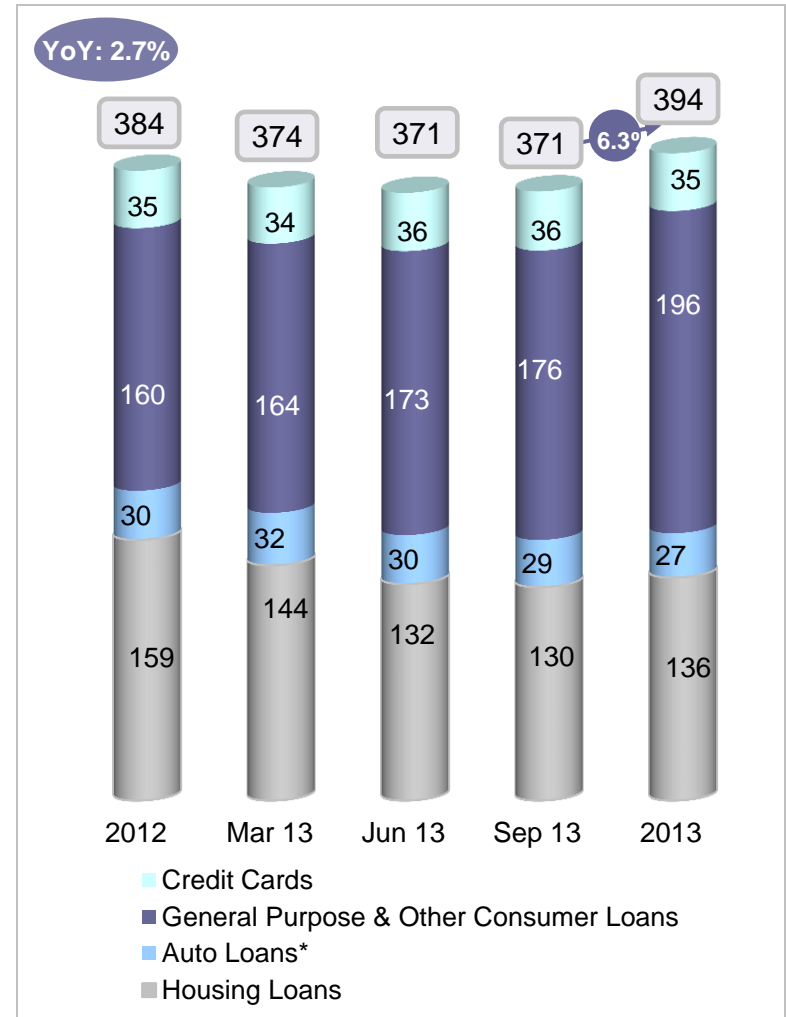


# Commercial loans continued to be the main focus of the bank

## Breakdown of Loan Portfolio



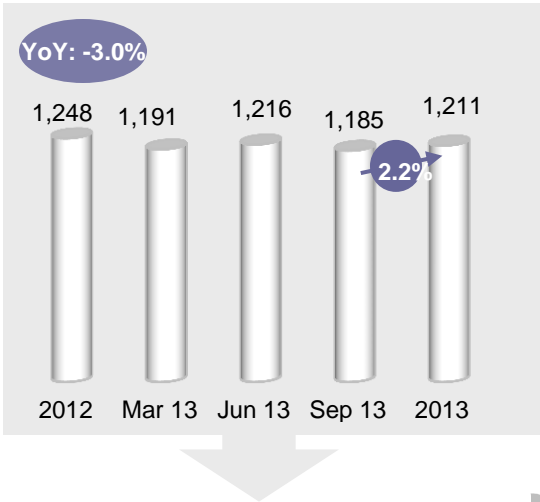
## Breakdown of Retail Loans (TLmn)



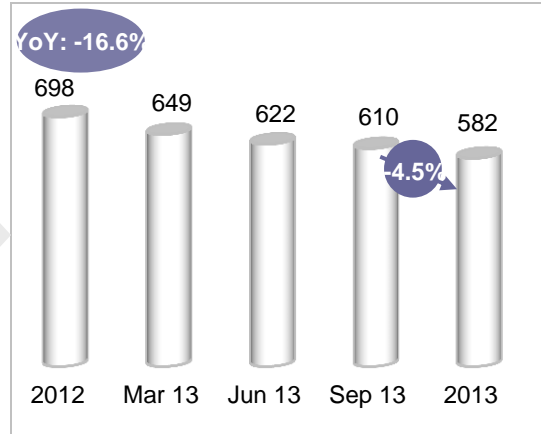
\*Specialized loans granted to farmers for vehicle purchases are classified in retail loans

# F/X non-cash loans expanded

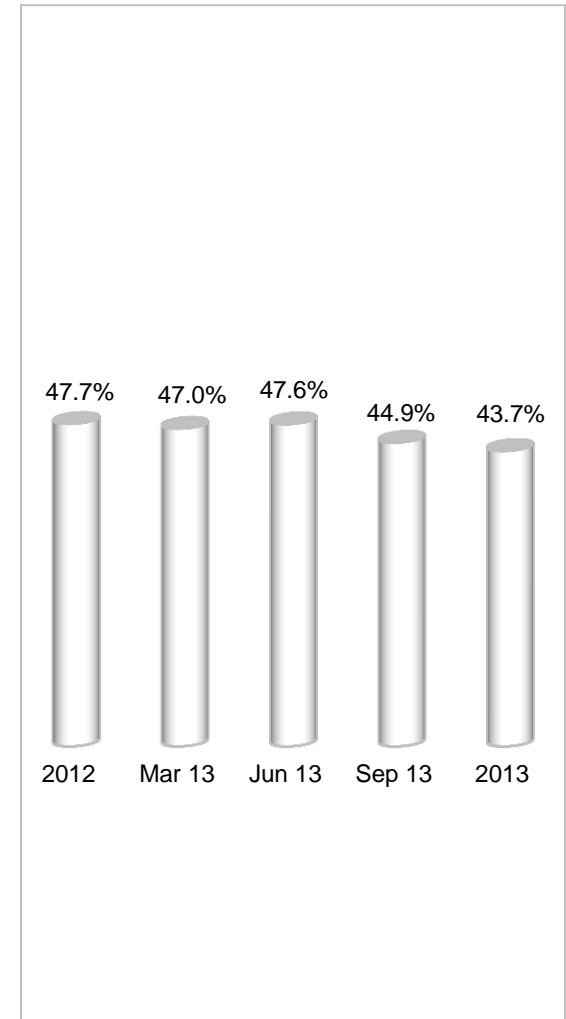
## Total Non-Cash Loans (TLmn)



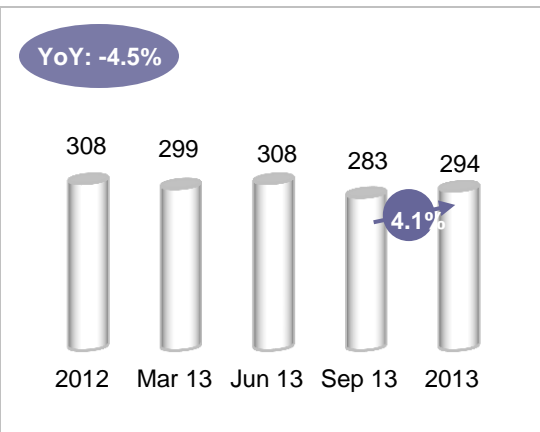
## TL Non-Cash Loans (TLmn)



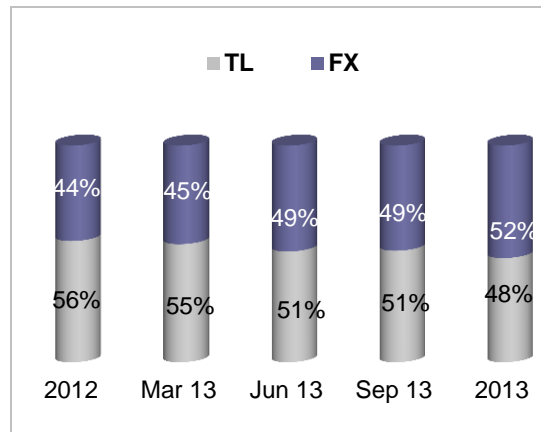
## Non-Cash / Cash Loans



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

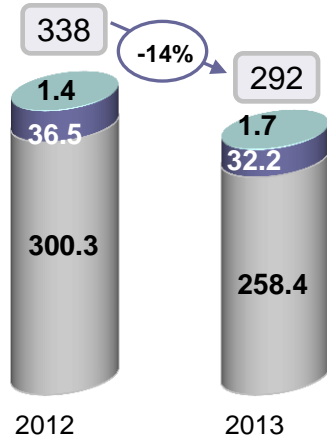


## Currency Breakdown of Non-Cash Loans

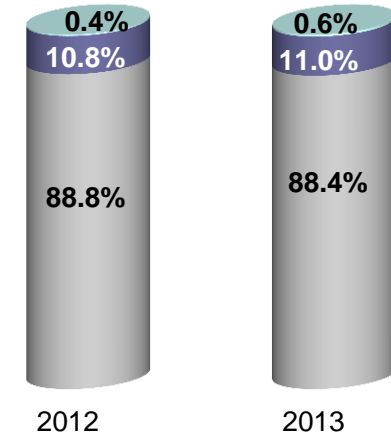


# Both interest income, and interest expense declined in y/y terms...

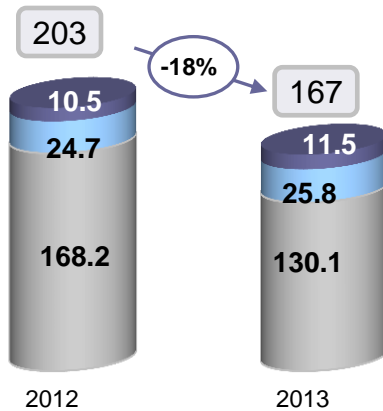
## Interest Income (TLmn)



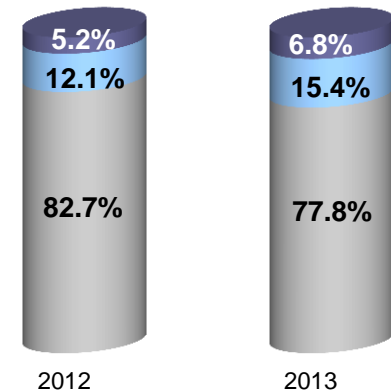
## Composition of Interest Income



## Interest Expense (TLmn)

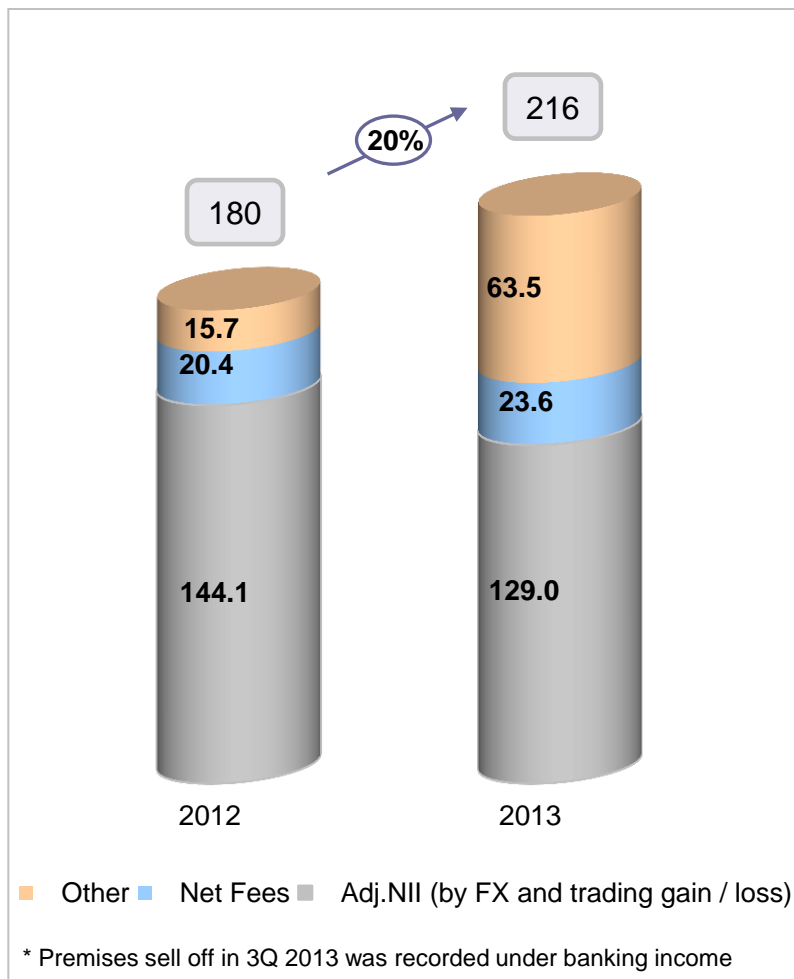


## Composition of Interest Expense

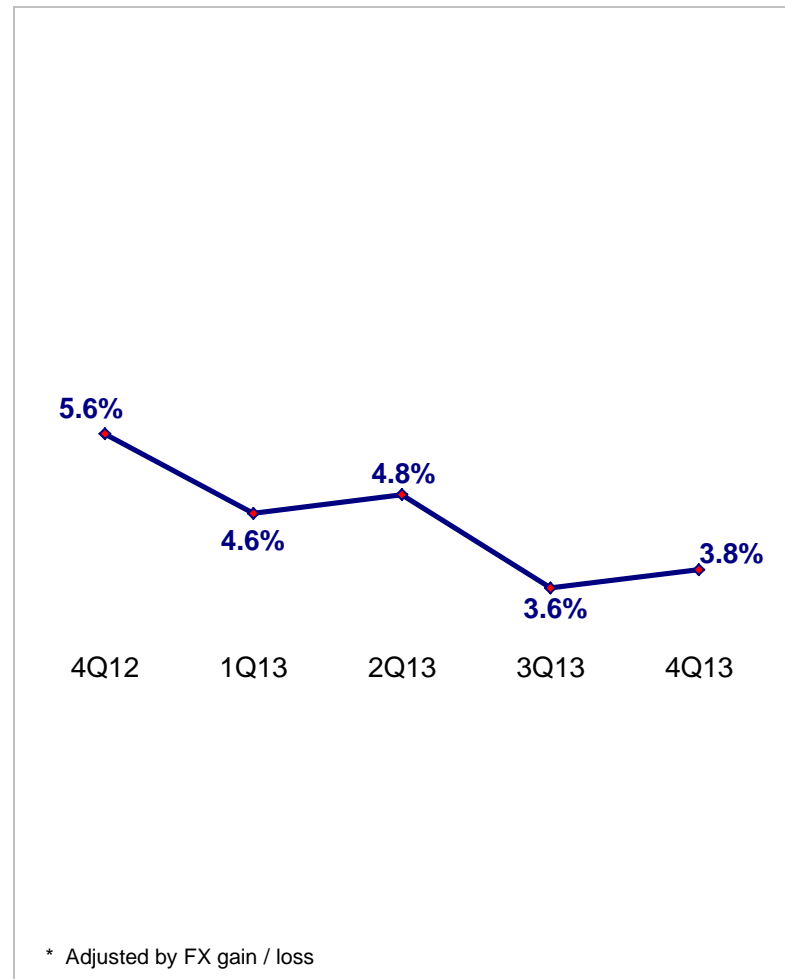


# ...ending up a better NIM

## Banking Income (TLmn)

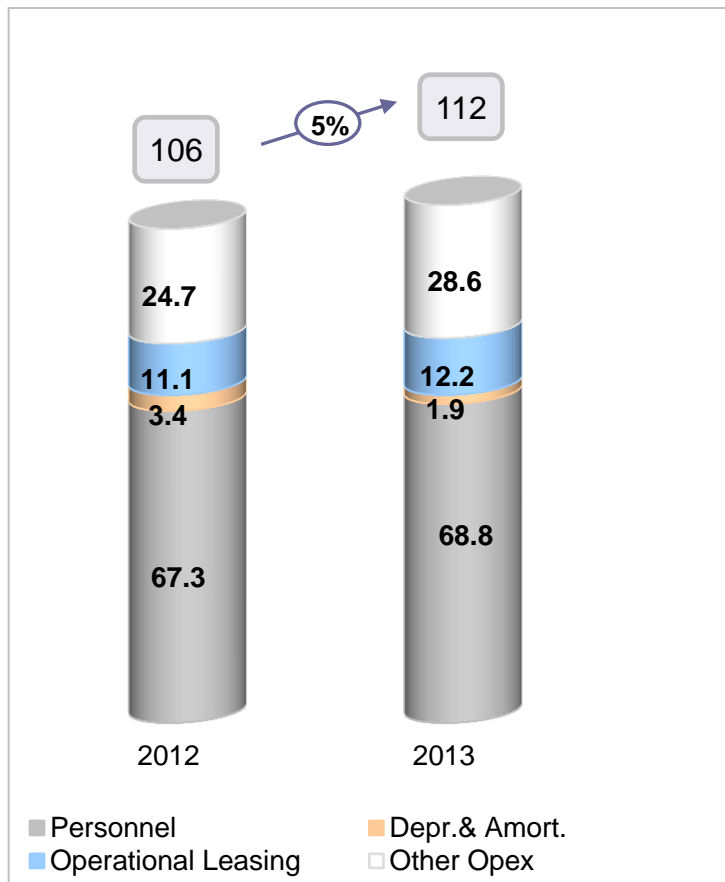


## Adjusted Net Interest Margin\* (Quarterly)

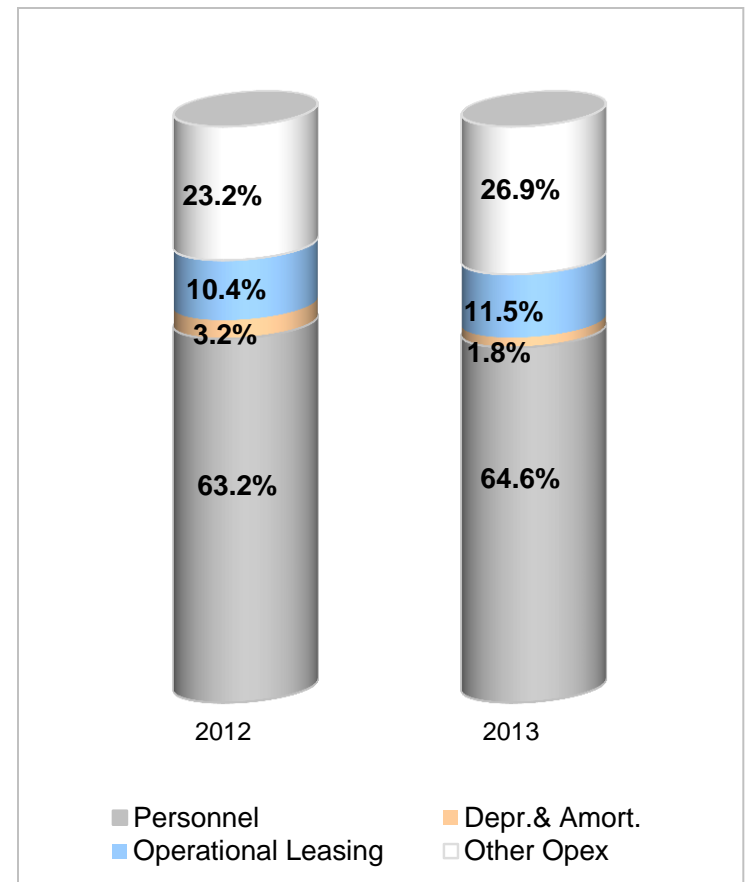


# OPEX contracted in real terms

## Operating Expenses (TLmn)



## Composition of Operating Expenses



# Summary Balance Sheet...

TL million	Dec 2012	Mar 2013	Jun 2013	Sep 2013	Dec 2013
<b>Cash &amp; Banks</b>	480	467	442	477	526
<b>Total Securities</b>	330	314	354	401	403
<b>Total Cash Loans</b>	2,618	2,537	2,554	2,641	2,773
<b>Fixed Assets &amp; Subsidiaries</b>	124	125	122	44	41
<b>Other</b>	125	155	173	167	105
<b>Total Assets</b>	<b>3,677</b>	<b>3,598</b>	<b>3,645</b>	<b>3,730</b>	<b>3,849</b>
<b>Deposits*</b>	2,662	2,459	2,377	2,158	2,526
<b>Interbank Money Market*</b>	65	146	173	367	259
<b>Borrowings</b>	249	278	385	449	341
<b>Other</b>	128	138	143	146	124
<b>SHE</b>	573	577	567	610	600
<b>Total Liabilities &amp; SHE</b>	<b>3,677</b>	<b>3,598</b>	<b>3,645</b>	<b>3,730</b>	<b>3,849</b>

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

# Summary Income Statement...

TL million	1Q 2013	2Q 2013	3Q 2013	4Q 2013	2012	2013
<b>Interest Income</b>	74.4	71.8	70.1	76.1	338.2	292.4
<i>Loans</i>	65.9	65.2	62.6	64.7	300.3	258.4
<i>Securities</i>	8.2	6.2	7.0	10.8	36.5	32.2
<i>Other</i>	0.3	0.4	0.5	0.6	1.4	1.7
<b>Interest Expense</b>	41.7	37.4	43.3	44.9	203.4	167.3
<i>Deposits</i>	34.4	29.5	32.1	34.1	168.2	130.1
<i>Funds Borrowed</i>	4.4	6.3	7.7	7.4	24.7	25.8
<i>Other Borrowings</i>	2.9	1.6	3.5	3.5	10.5	11.5
<b>Net Interest Income</b>	32.7	34.4	26.8	31.1	134.8	125.1
<i>Net FX Gain (Loss)*</i>	1.4	0.8	0.9	-0.7	4.4	2.4
<b>Adj. Net Interest Income</b>	34.1	35.2	27.7	30.5	139.2	127.5
<i>Net Trading Income (Loss)*</i>	1.2	0.2	0.0	0.0	4.9	1.4
<i>Net Fees &amp; Commissions</i>	6.2	6.8	5.8	4.8	20.4	23.6
<i>Other Operating Income</i>	3.8	4.2	52.4	3.2	15.6	63.5
<b>Total Operating Income</b>	45.3	46.4	85.9	38.5	180.1	216.1
<i>Provisions</i>	11.1	17.0	10.8	18.5	40.0	57.3
<i>Opex</i>	25.8	28.6	29.6	27.6	106.4	111.6
<i>Profit from Subsidiaries</i>	0.0	0.0	0.0	0.0	0.0	0.0
<b>Profit Before Tax</b>	8.4	0.8	45.5	-7.6	33.7	47.2
<i>Tax</i>	1.9	-0.1	2.7	-1.2	6.9	3.4
<b>Net Income</b>	6.5	0.9	42.8	-6.4	26.8	43.8

\* 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	4Q 2014	2012	2013
<b>Interest Income</b>	75.1	72.6	70.7	77.0	340.8	295.4
Loans	66.4	65.9	63.2	65.4	301.8	260.8
Securities	8.2	6.2	6.9	10.9	36.8	32.2
Other	0.5	0.5	0.6	0.7	2.2	2.3
<b>Interest Expense</b>	41.6	37.4	43.4	44.9	203.3	167.3
Deposits	34.3	29.6	32.2	34.1	168.1	130.1
Funds Borrowed	4.4	6.2	7.8	7.4	24.7	25.8
Other Borrowings	2.9	1.6	3.5	3.5	10.5	11.5
<b>Net Interest Income</b>	33.5	35.2	27.3	32.0	137.5	128.1
Net FX Gain (Loss)*	1.4	0.9	0.9	-0.7	4.3	2.5
<b>Adj. Net Interest Income</b>	34.9	36.1	28.2	31.4	141.8	130.6
Net Trading Income (Loss)*	2.7	1.5	1.3	1.2	10.6	6.7
Net Fees & Commissions	6.3	7.1	5.9	4.8	21.2	24.0
Other Operating Income	3.7	4.1	52.3	3.3	13.1	63.4
<b>Total Operating Income</b>	47.6	48.8	87.7	40.8	186.7	224.8
Provisions	11.1	17.0	10.8	18.5	40.0	57.4
Opex	27.4	30.3	31.4	29.3	113.3	118.4
Profit from Subsidiaries	0.0	0.0	0.0	0.0	0.0	0.0
<b>Profit Before Tax</b>	9.1	1.5	45.5	-7.0	33.4	49.1
Tax	2.0	0.0	-2.7	1.0	7.3	-3.8
<b>Net Income</b>	7.1	1.5	42.8	-6.1	26.1	45.3

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

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