

TEKSTILBANK

Earnings Presentation
December 31, 2014 / BRSA Bank-Only

Macroeconomic environment in 4Q 2014...

- Expectations converged towards a more dovish Fed, and a more intense monetary easing program from ECB
- Turkish Central Bank preserved its tight policy and kept its policy rate at 8.25%, O/N borrowing and lending rates respectively at 7.5% and 11.25%
- Growth was limited at 1.7% in 3Q2014, prompted by net external demand and partially public consumption, while private consumption and investments performed poorly
- Inflation declined to 8.2% at year-end, thanks to sharp fall in oil prices and decelerating food prices
- C/A deficit contracted further to US\$46bn in 2014 vs. US\$65bn in 2013
- Fiscal performance was strong enough, with a deficit of TL23bn, and a primary surplus of TL27bn

Conservative policies continued in 4Q

Highlights of 4Q 2014:

- Balance sheet contracted by 3.3%
- Securities portfolio declined to 6% of assets
- NPL increased modestly, despite higher collections
- OPEX increased in y/y terms, attributable 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 2015

Macroeconomy

- Timing and magnitude of Fed's rate hikes will be crucial for all emerging markets, in addition to ongoing geopolitical risks around Turkey, and general elections on June 7
- A modest growth rate of 3.5% is foreseen, following an expected rate of around 2.5% in 2014
- Further fall in inflation to 6.2%, due to lower oil prices and more benign food sector
- CB may ease monetary policy slightly, in line with falling inflation expectations, while TL's performance will be under close watch

Banking Sector

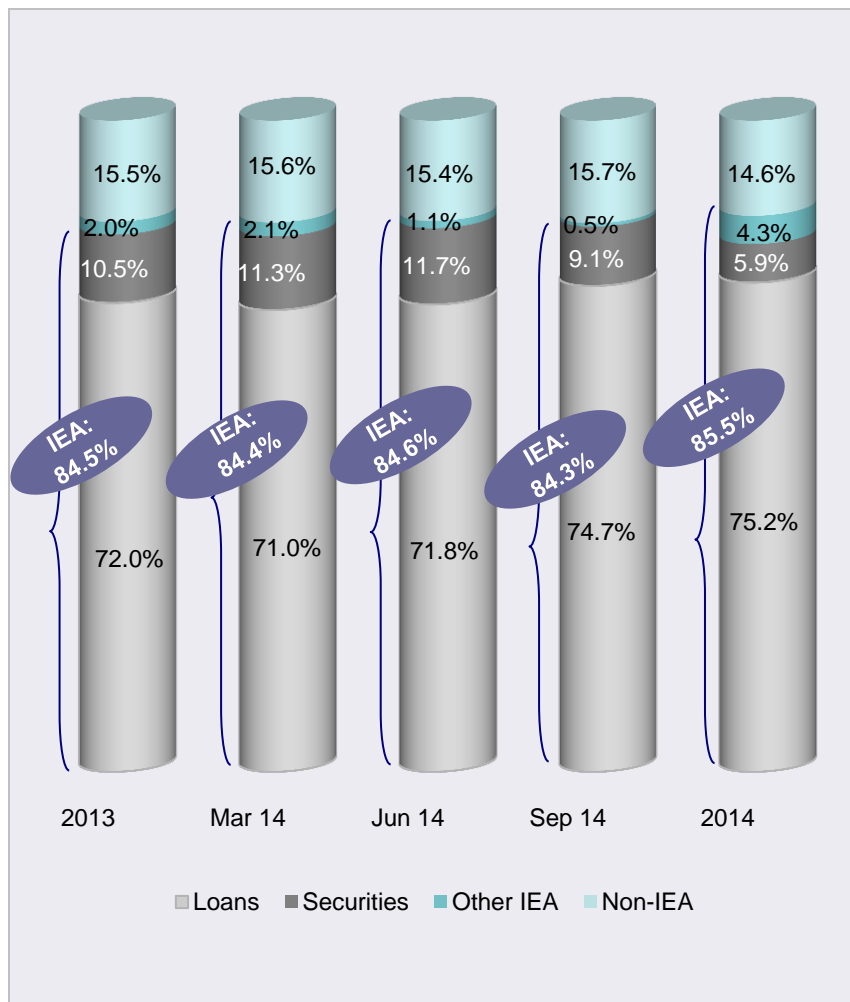
- Loan growth around 17%, under relatively better macroeconomic outlook
- Slightly higher NIM, thanks to more dovish CB
- Asset quality may weaken due to lack of a strong growth environment

Tekstilbank

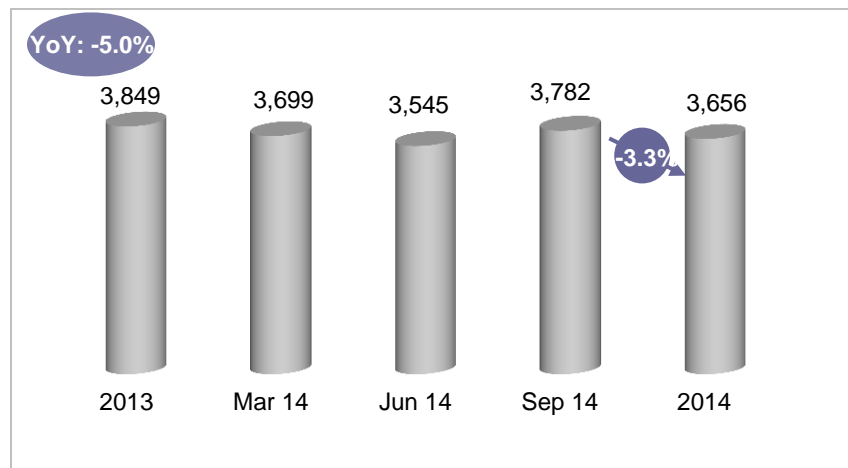
- Tekstilbank will continue to be in a transition period awaiting the finalization of ICBC's takeover process
- During that period conservative growth approach will prevail, as well as, extensive focus on collections
- High level of CAR will be preserved

Balance sheet contracted by 3.3% in q/q terms...

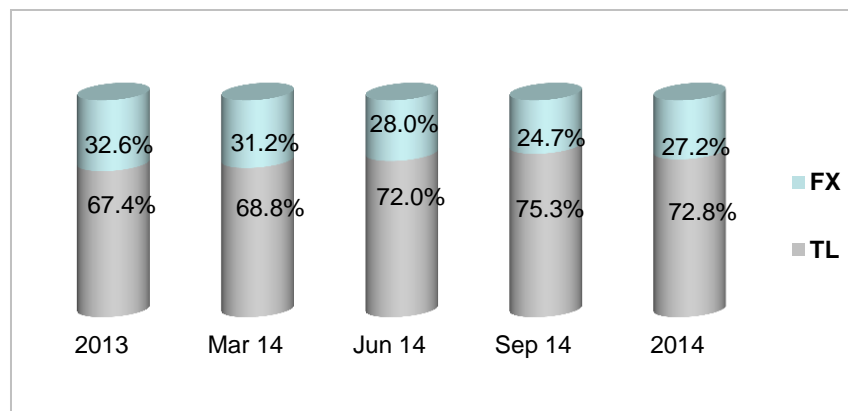
Composition of Assets



Total Assets (TLmn)



Currency Composition of Assets*

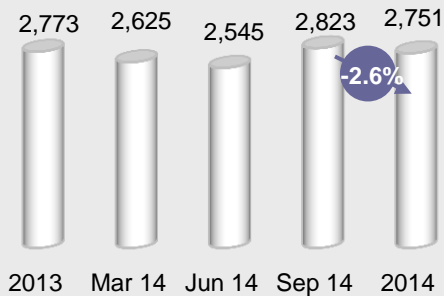


* FX-indexed cash loans are included in FX assets

TL loans declined by 5.3%

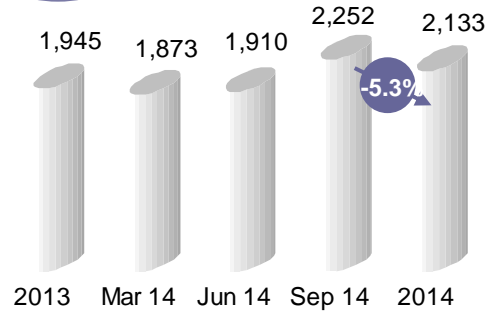
Total Cash Loans (TLmn)

YoY: -0.8%

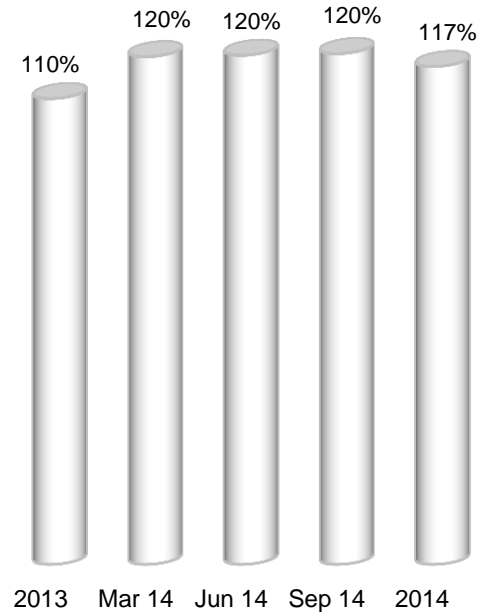


TL Cash Loans* (TLmn)

YoY: 9.7%

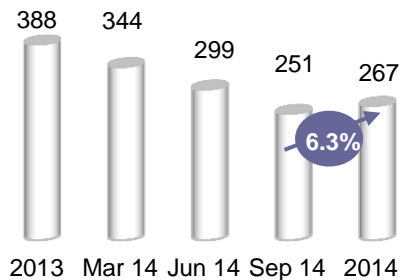


Loans / Customer Deposits

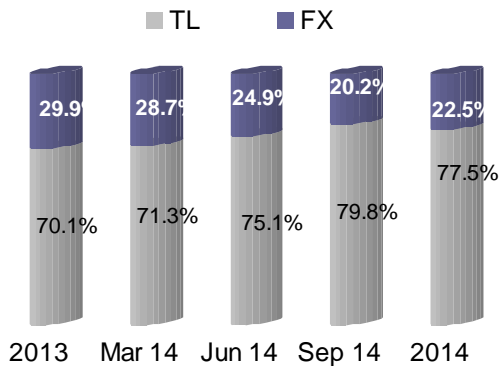


FX Cash Loans* (US\$m)

YoY: -31%



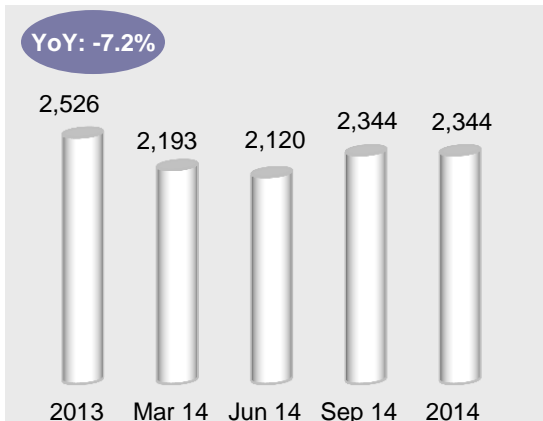
Currency Breakdown of Cash Loans*



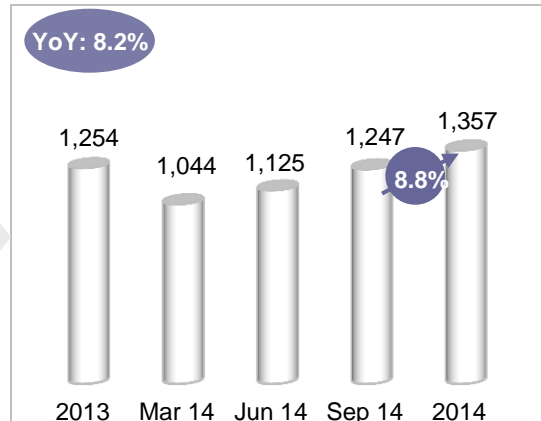
* FX-indexed cash loans are included in FX cash loans

Higher TL deposits were suppressed by lower F/X deposits, keeping the total amount intact

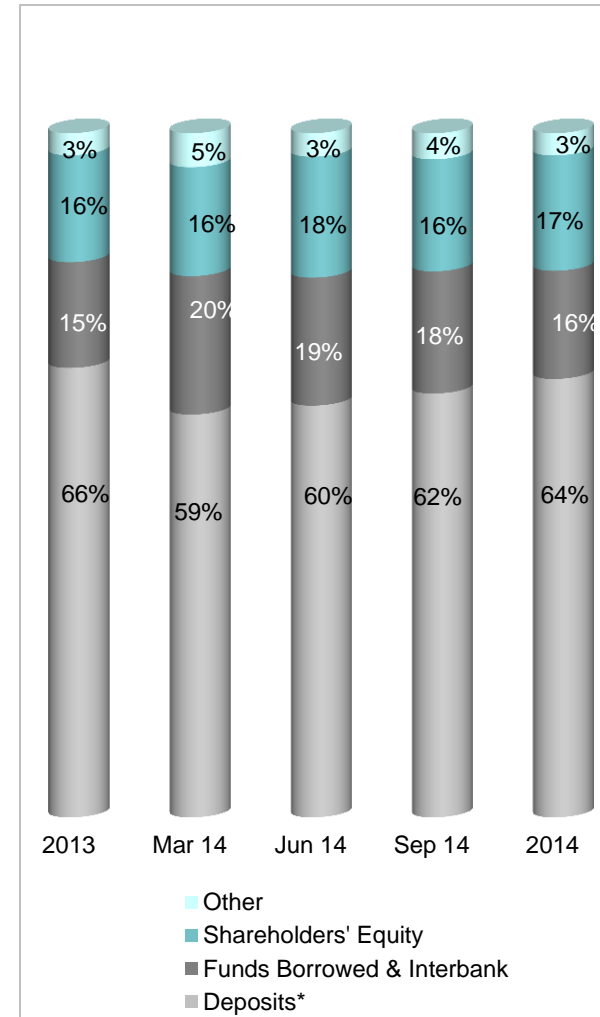
Total Deposits* (TLmn)



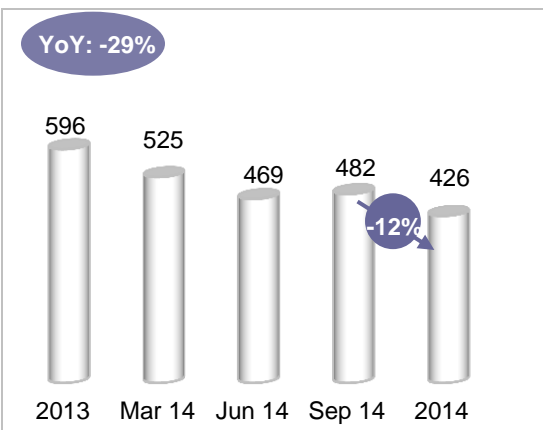
TL Deposits* (TLmn)



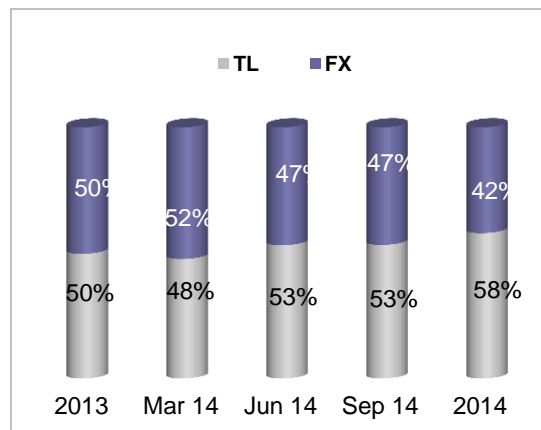
Composition of Liabilities & SHE



FX Deposits* (US\$mn)



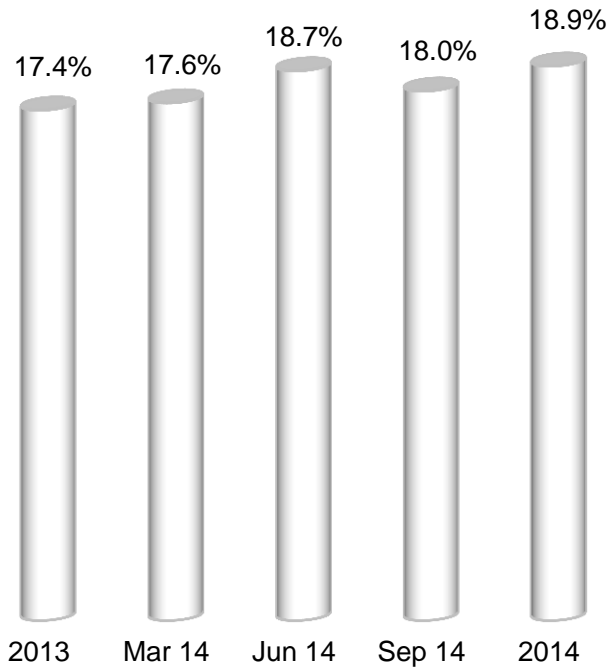
Currency Breakdown*



* Excluding bank deposits

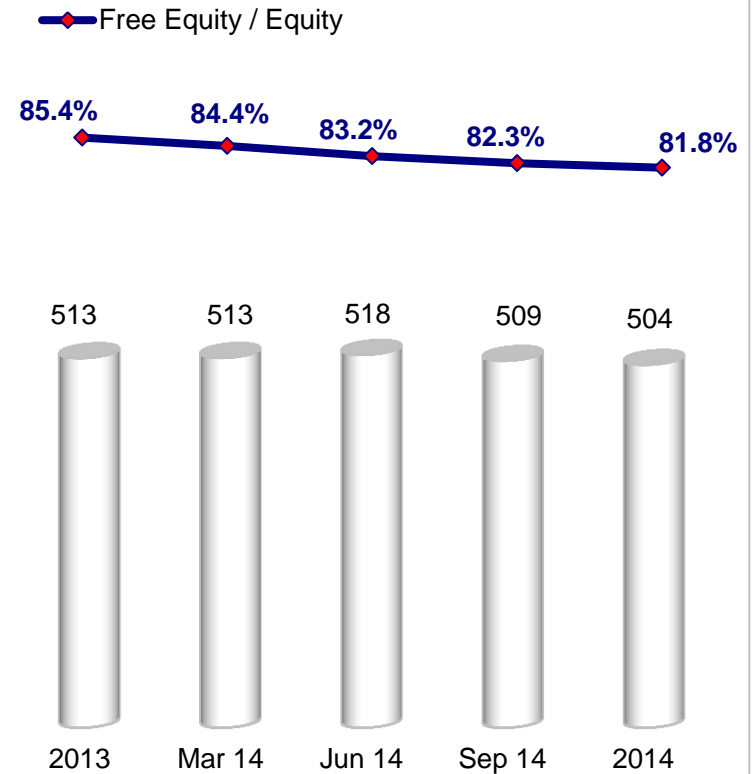
CAR advanced further to 19%

Capital Adequacy Ratio (CAR)



Calculated according to BRSA regulations, in line with Basel II

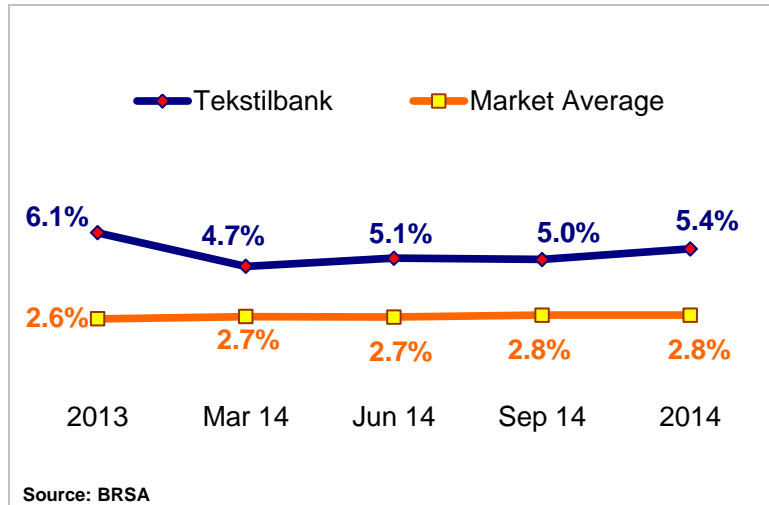
Free Equity (TLmn)



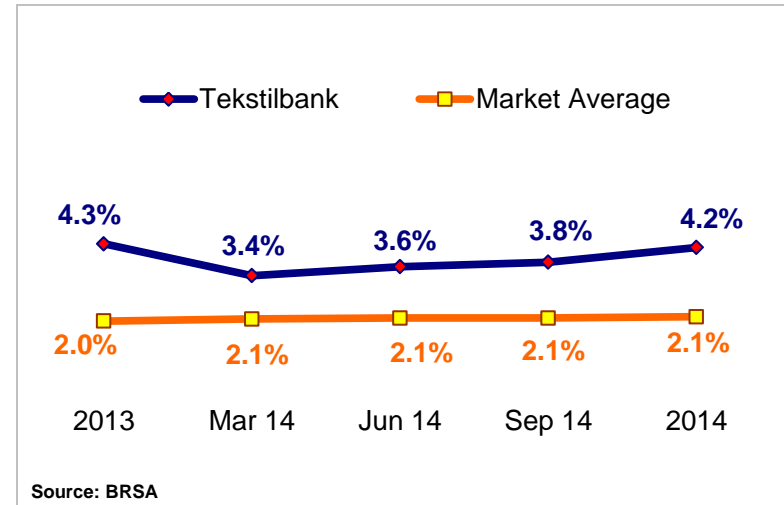
Free Equity: SHE-subsidaries-property & equipment-intangible assets-property & equipment held for sale-unprovisioned NPL

Cost of risk increased in the last quarter

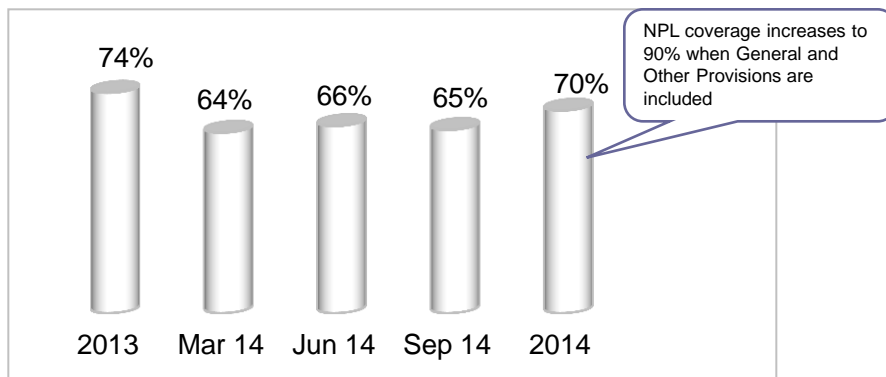
NPL Ratio



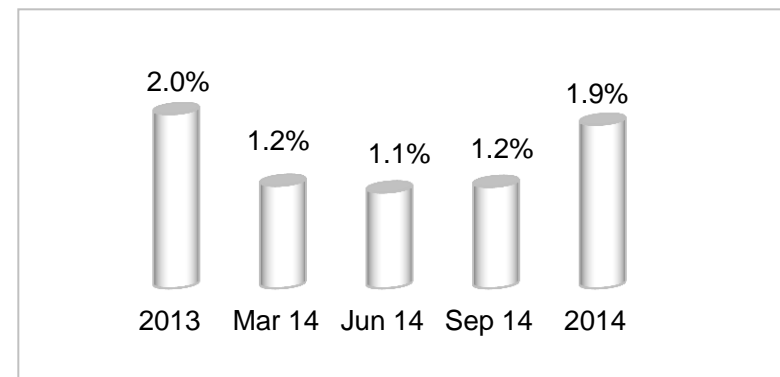
NPL Ratio (including non-cash loans)



NPL Coverage

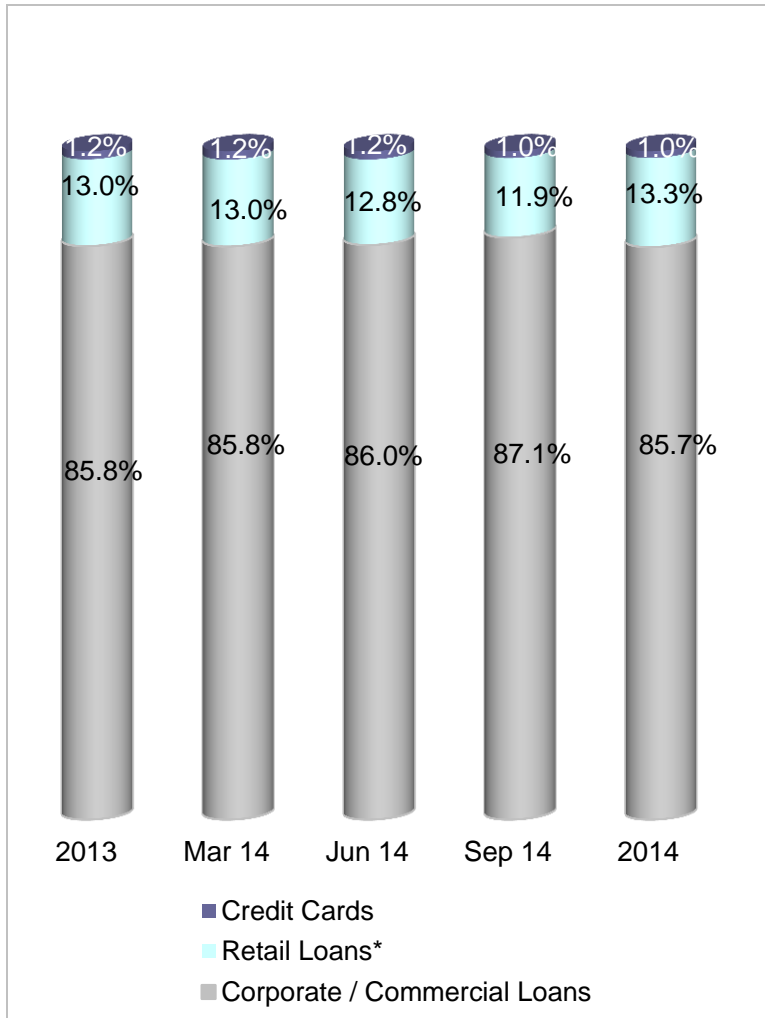


Cost of Risk (quarterly)

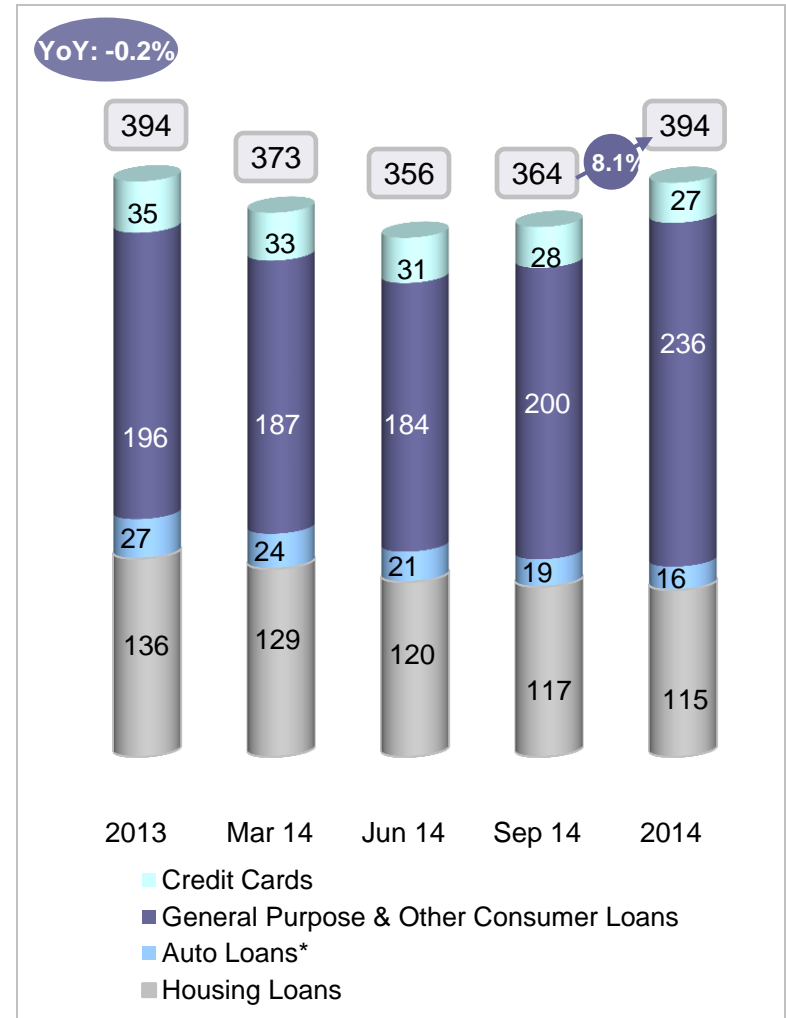


Corporate loans continued to be the main focus of Tekstilbank

Breakdown of Loan Portfolio



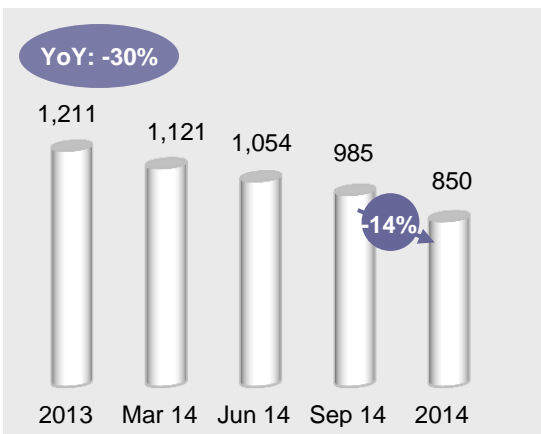
Breakdown of Retail Loans (TLmn)



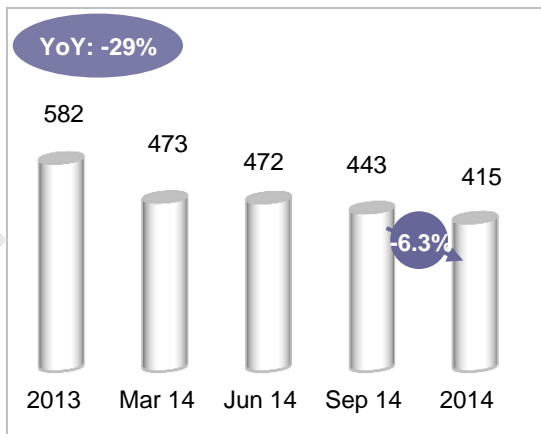
*Specialized loans granted to farmers for vehicle purchases are classified in retail loans

Downtrend in non-cash loans prevailed in 4Q

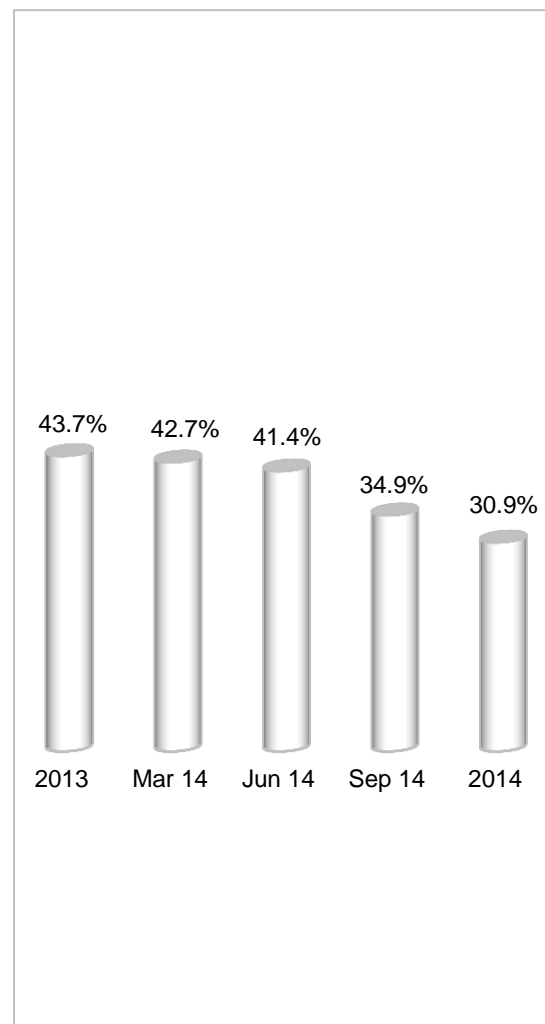
Total Non-Cash Loans (TLmn)



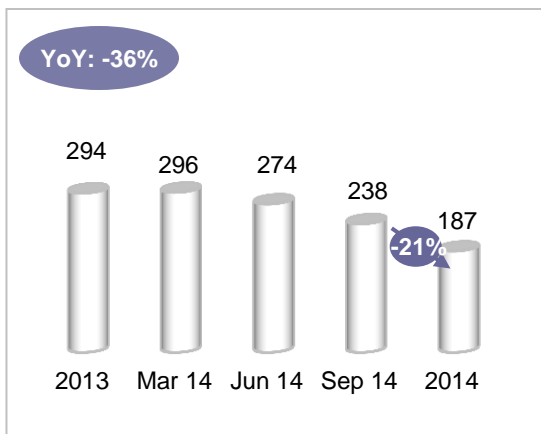
TL Non-Cash Loans (TLmn)



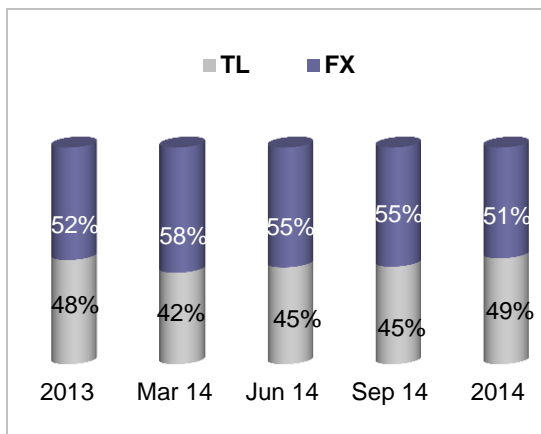
Non-Cash / Cash Loans



FX Non-Cash Loans (US\$m)

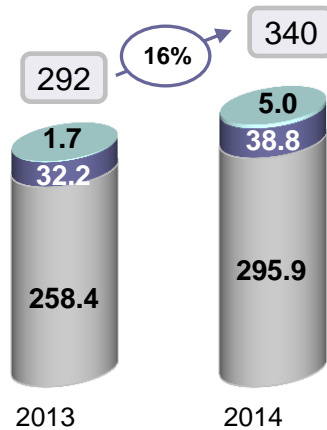


Currency Breakdown of Non-Cash Loans

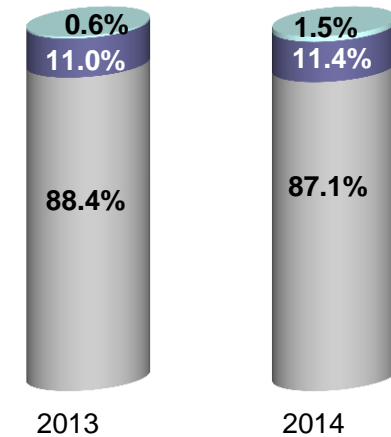


Higher swap costs increased interest expense

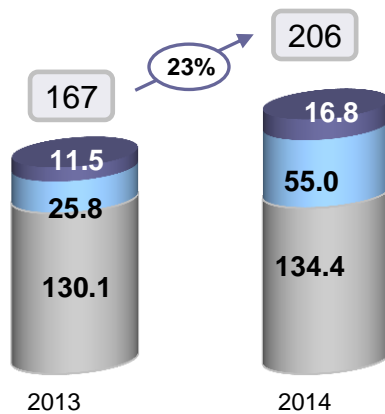
Interest Income (TLmn)



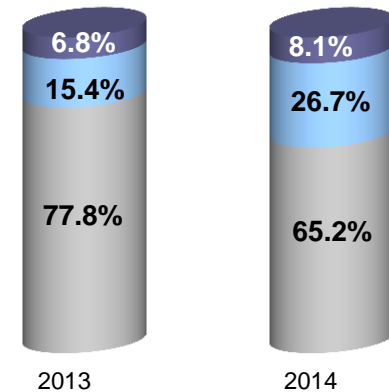
Composition of Interest Income



Interest Expense (TLmn)

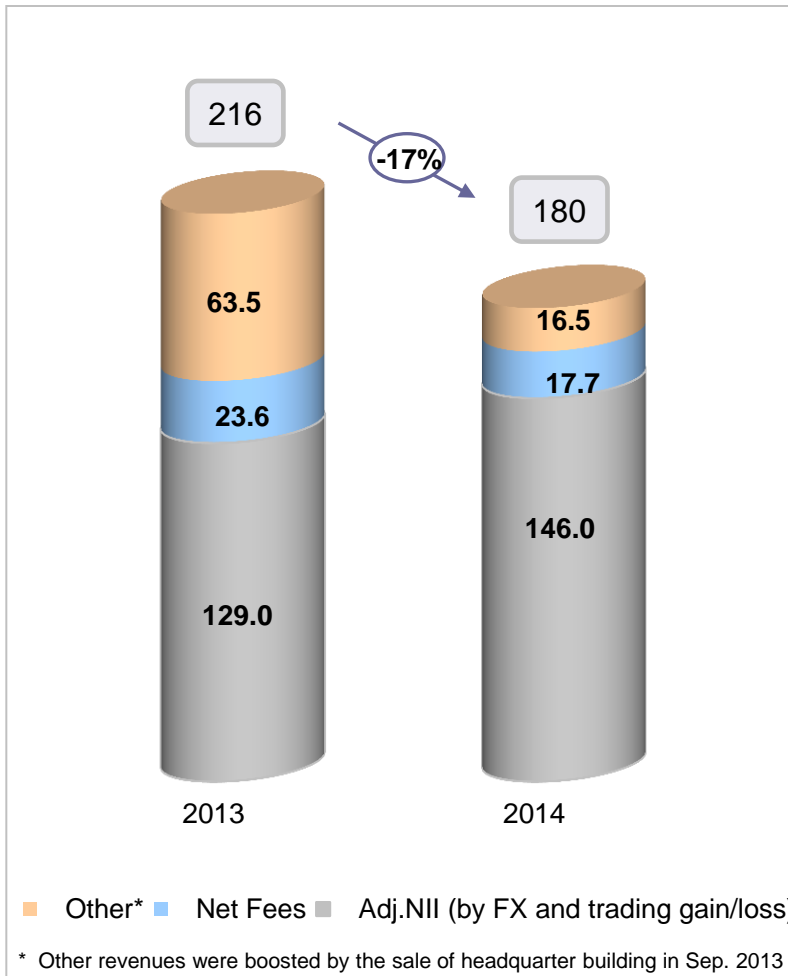


Composition of Interest Expense

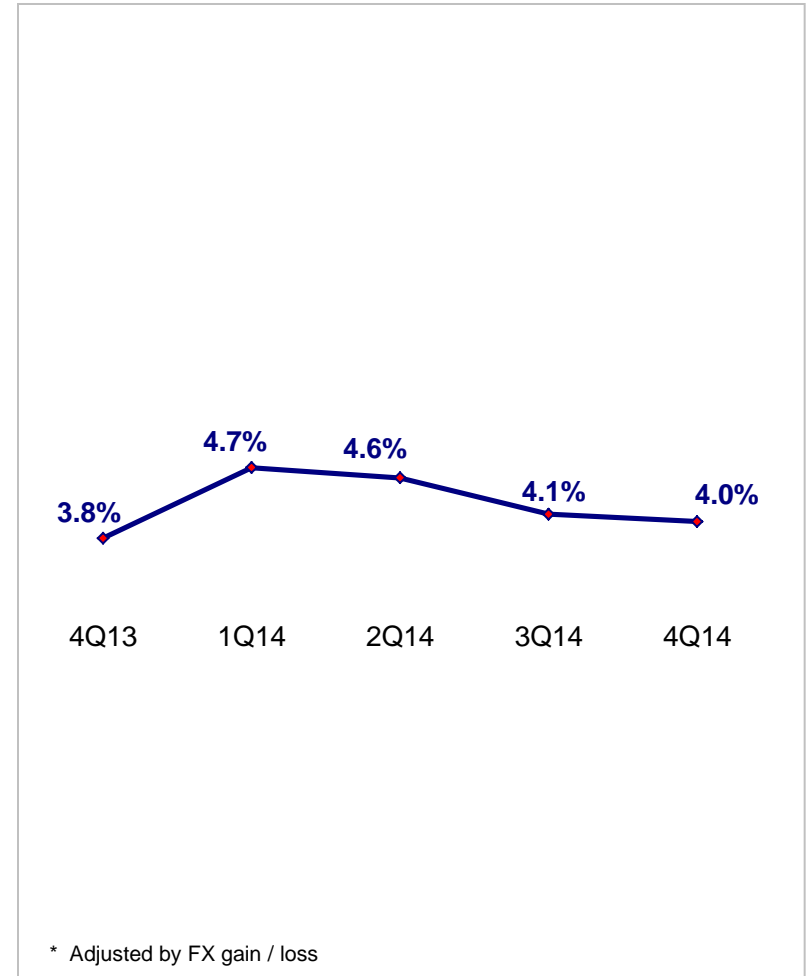


Banking income declined, hit by the high base period effect of headquarter building sale in 2013

Banking Income (TLmn)

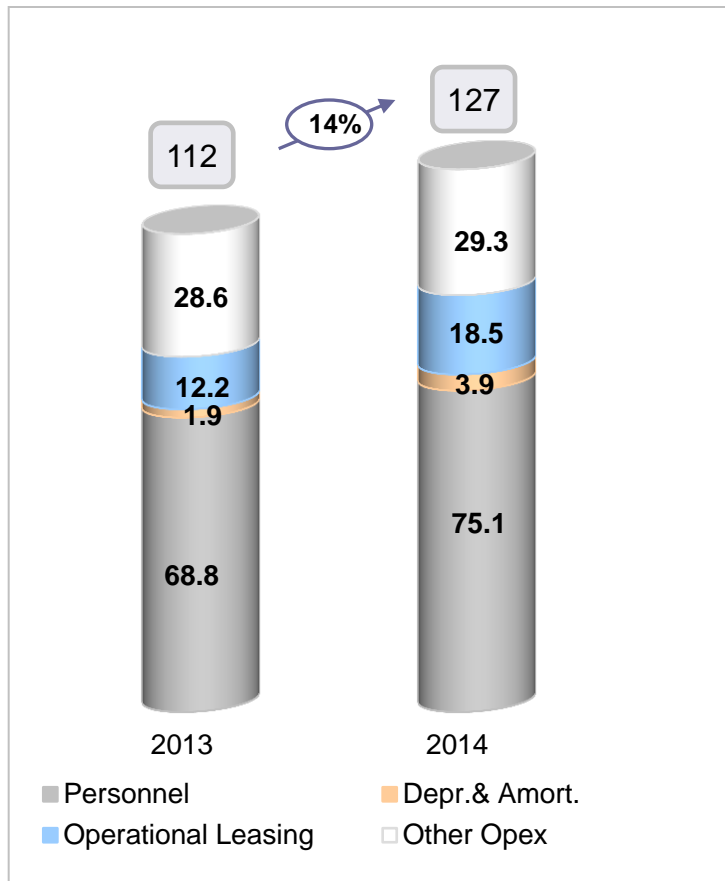


Adjusted Net Interest Margin* (Quarterly)

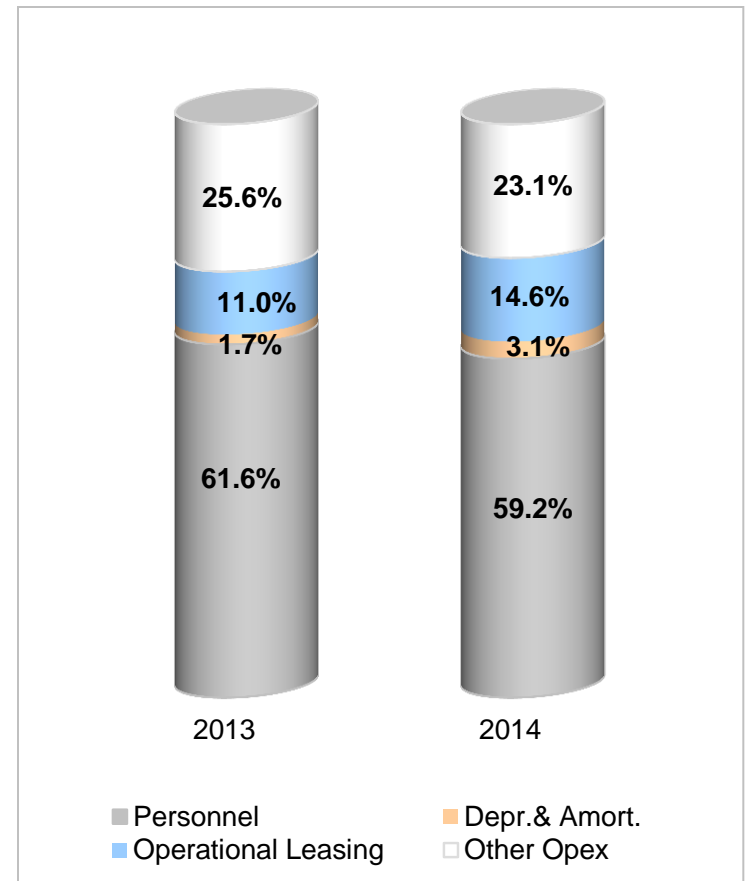


OPEX was elevated by rent expense, while personnel spending was broadly in line with inflation

Operating Expenses (TLmn)



Composition of Operating Expenses



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

Summary Balance Sheet...

TL million	Dec 2013	Mar 2014	Jun 2014	Sep 2014	Dec 2014
Cash & Banks	526	476	400	432	507
Total Securities	403	417	416	344	216
Total Cash Loans	2,773	2,625	2,545	2,823	2,751
Fixed Assets & Subsidiaries	41	49	59	58	65
Other	106	132	125	125	117
Total Assets	3,849	3,699	3,545	3,782	3,656
Deposits*	2,526	2,193	2,120	2,344	2,344
Interbank Money Market*	259	380	285	272	229
Borrowings	341	373	373	403	348
Other	123	145	145	144	119
SHE	600	608	622	619	616
Total Liabilities & SHE	3,849	3,699	3,545	3,782	3,656

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

Summary Income Statement...

TL million	1Q 2014	2Q 2014	3Q 2014	4Q 2014	2013	2014
Interest Income	89.6	89.3	81.1	79.7	292.4	339.6
Loans	74.2	75.4	72.7	73.5	258.4	295.9
Securities	11.7	13.6	7.9	5.5	32.2	38.8
Other	3.7	0.3	0.5	0.6	1.7	5.0
Interest Expense	53.6	54.6	49.7	48.3	167.3	206.2
Deposits	34.9	36.0	31.7	31.8	130.1	134.4
Funds Borrowed	13.4	13.1	13.4	15.0	25.8	55.0
Other Borrowings	5.3	5.5	4.6	1.5	11.5	16.8
Net Interest Income	36.0	34.7	31.4	31.4	125.1	133.5
Net FX Gain (Loss)*	1.8	0.6	0.6	0.6	2.4	3.6
Adj. Net Interest Income	37.8	35.3	32.0	32.0	127.5	137.0
Net Trading Income (Loss)*	0.0	0.0	5.0	4.0	1.4	9.0
Net Fees & Commissions	4.3	5.0	4.3	4.0	23.6	17.7
Other Operating Income	9.5	3.2	-0.6	4.4	63.5	16.5
Total Operating Income	51.6	43.5	40.7	44.4	216.1	180.2
Provisions	8.6	8.1	8.8	14.0	57.3	39.5
Opex	32.0	32.4	30.5	31.9	111.6	126.8
Profit from Subsidiaries	0.0	1.3	0.0	0.0	0.0	1.3
Profit Before Tax	11.0	4.3	1.4	-1.6	47.2	15.1
Tax	1.6	0.7	0.7	-0.4	3.4	2.6
Net Income	9.4	3.6	0.7	-1.2	43.8	12.5

* 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	4Q 2014	2013	2014
Interest Income	90.4	90.2	82.2	80.8	295.4	343.6
<i>Loans</i>	74.8	75.9	73.4	74.2	260.8	298.3
<i>Securities</i>	11.7	13.7	7.9	5.6	32.2	38.9
<i>Other</i>	3.9	0.6	0.9	1.0	2.3	6,3
Interest Expense	53.6	54.5	49.7	48.3	167.3	206.1
<i>Deposits</i>	34.9	35.9	31.7	31.8	130.1	134.3
<i>Funds Borrowed</i>	13.4	13.1	13.4	15.0	25.8	55.0
<i>Other Borrowings</i>	5.3	5.5	4.6	1.5	11.5	16.9
Net Interest Income	36.8	35.7	32.5	32.5	128.1	137.4
<i>Net FX Gain (Loss)*</i>	1.8	0.6	0.6	0.6	2.5	3.6
Adj. Net Interest Income	38.6	36.3	33.1	33.1	130.6	141.1
<i>Net Trading Income (Loss)*</i>	1.2	1.4	6.4	5.7	6.7	14.7
<i>Net Fees & Commissions</i>	4.6	5.2	4.5	4.2	24.0	18.5
<i>Other Operating Income</i>	9.4	3.2	-0.7	4.2	63.4	16.2
Total Operating Income	53.8	46.1	43.3	47.2	224.8	190.4
<i>Provisions</i>	8.5	8.2	8.8	14.1	57.4	39.6
<i>Opex</i>	33.9	34.5	32.6	34.0	118.4	134.9
<i>Profit from Subsidiaries</i>	0.0	0.0	0.0	0.0	0.0	0.0
Profit Before Tax	11.4	3.4	1.9	-0.9	49.1	15.8
<i>Tax</i>	1.7	0.8	0.8	0.2	-3.8	-3.1
Net Income	9.7	2.6	1.1	-0.7	45.3	12.8

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

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