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TSKB

Earnings Presentation

1H2012 –BRSA

Bank only Results

1H 2012 Macro Outlook

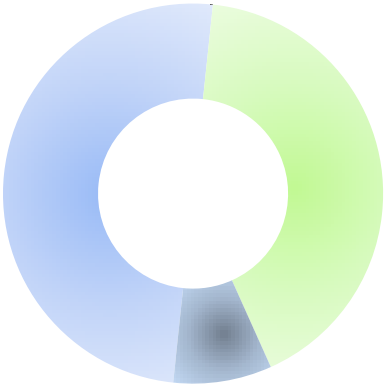
- In 1Q12, the GDP growth slowed down to 3.2%, from its 2011's 8.5%.
- As of June-end, inflation was down to 8.87% from its YE level of 10.5%, with the help of falling food and energy prices. The CBT lowered its YE estimate from 6.5% to 6.2%.
- Unemployment rate declined to 9% in April, from its YE level of 10.2%.
- CAD in May is posted as USD 5.8 bn. First 5 months total CAD is USD 10 bn lower than the same period last year.
- Foreign trade deficit, declined to USD 7.2 bn in June, mainly due to expansion in exports.
- 1H budget deficit was TRY 6.7 bn, corresponding to an annual figure of TRY 27 bn.
- Moody's upgraded Turkey's L/T FX rating by one notch to BA1, which had positive reflections on the domestic financial markets.
- BRSA's revision in the Basel II practice had a positive effect on ISE Bank index. BRSA's estimate Basel II effect on sector's CAR is -20 bps
- Benchmark bond rates have fallen due to foreigners' bond purchases, reaching USD 9 bn ytd.
- Cost of funding increased from 8.2% to 9.2% in Q2.
- CBT did not change its policy rate and corridor policy, however gives easing signals.
- Basket currency declined to TRY 2.03 in the 1H with a 6.3% decrease ytd.

Recent Developments

- No significant outcome came out from FED and ECB meetings.
- As of August, ISE ranked first with its ytd yield among the global stock exchanges.
- Turkey's CDS reached its lowest level (183) since July 2011.
- Our estimate YE CAD is USD 60 bn corresponding to 7.3% of GDP.
- July's inflation figure is 9.07% yoy.
- Funding costs fall in the Q3.
- Improved risk appetite led to an increased flow of foreign funds to Turkey. It is likely to continue in Q3.
- CBT introduced a new mechanism for fine tuning. This include the changing the coefficients which define the amount of foreign exchange or gold to be held per unit of TL reserve requirements. As soon as the new policy tool is applicable, the interest rate corridor is expected to be narrowed. This is estimated to take two months.
- According to BRSA's report;
  - Asset size of the sector reached TRY 1.3 tr, with a %4.6 ytd increase.
  - Loans expanded by 8% ytd, amounting to TRY 737.2 bn.
  - Sectors bottom-line posted a 11.4% yoy growth in 1H and reached TRY 11.5 bn.

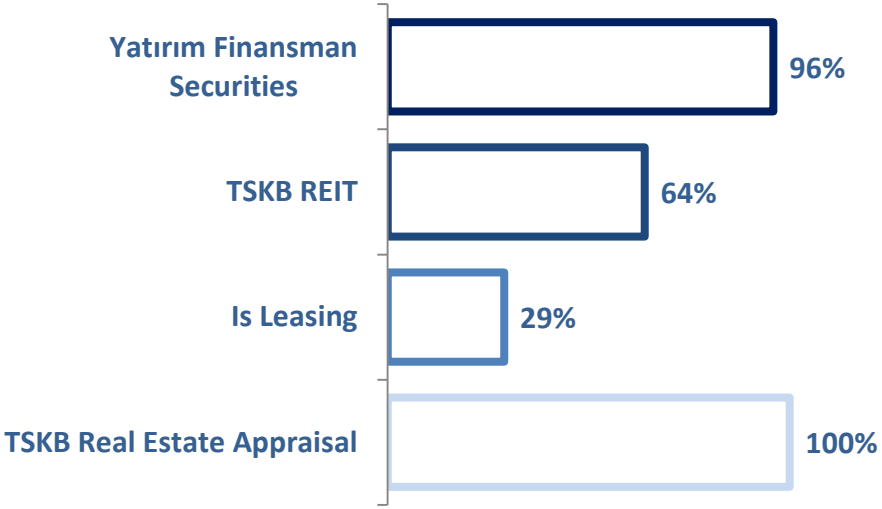
TSKB @ a Glance

Ownership Structure



- **TL 9.8 bn** asset size
- **334** employees, **3** branches
- **TL 2.2 bn** MCAP
- **%52** of free float belongs to **foreign funds**

Main Subsidiaries



TSKB Credit Ratings (July 2012)

	TSKB	Turkey
Fitch LTFC	BB +	BB+
Moody's LTIR	Baa3	Ba1

Corporate Governance Rating

SAHA	9.10/10

Snapshots

	1H-2012 (TL mn)	Change ytd (%)
Liquid Assets	2,976	8.9%
Loans	6,543	2.3%
Assets	9,814	3.8%
Funds Borrowed	6,738	-2.0%
Equity	1,501	10.0%
Net Profit	173	32.7%

Loan Growth

- **7.4%** in USD terms
- **9.2%** in Basket terms

LT Funds Borrowed Growth

- **4.6%** in USD terms
- **6.3%** in Basket terms

Snapshots

- Profitability higher than the last year and last quarter;
- Second quarter 2012 profit **TL 92 mn** with a qoq increase of **13%,**
- First half consolidated profit **TL 170 mn**
- RoE @ **24.1%**, higher than last year's 19.4%. 5-years average@ **19%**
- NIM@ **4.7%**, slightly higher than first quarter
- C/I ratio @ **13.5%**

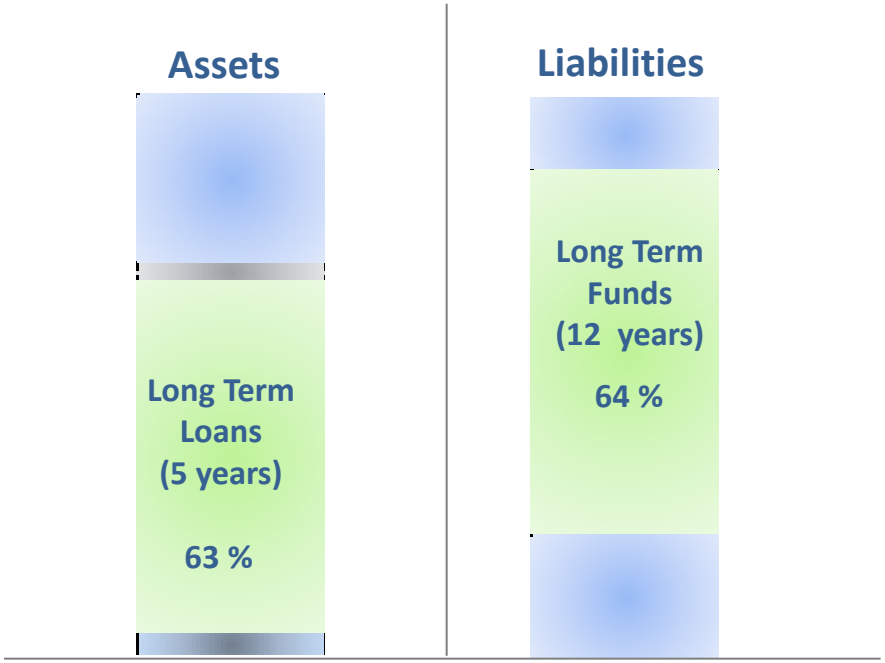
Robust Asset Quality; High Efficiency

- Loan volume totaling **USD 3.6 bn**; up by **7%** ytd, **6%** yoy
- NPL @ **0.3 %**
- Cost of risk is **43 bps**
- CAR @ **20.2%**; free capital @ **12.3%**
- Leverage ratio: **6.5X**

Sustainable Profitability; Stable Net Interest Margin

Financial Highlights

Foreign Currency

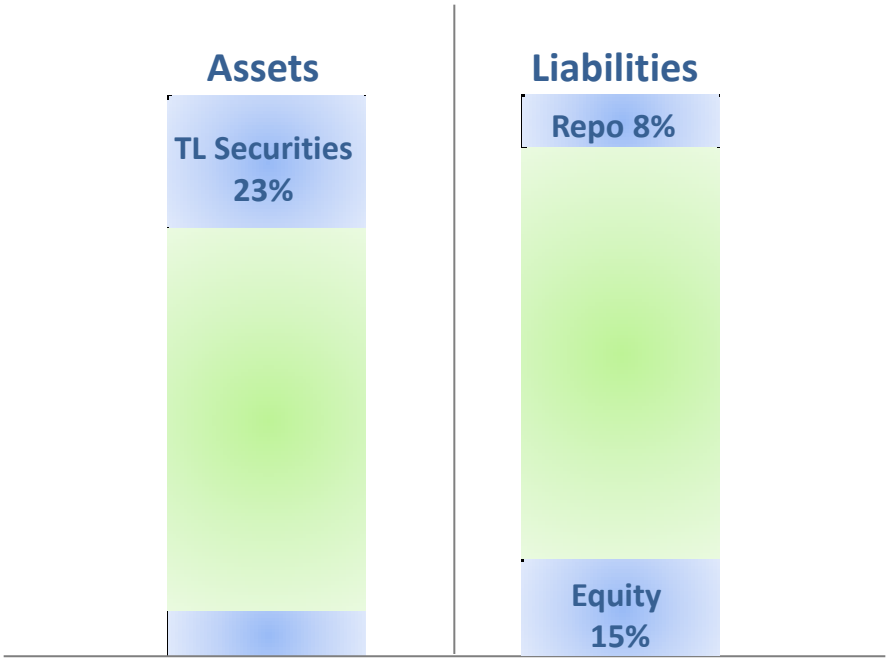


- 2.7 years of Loan Duration, 6.7 years of Funding Duration

TRY

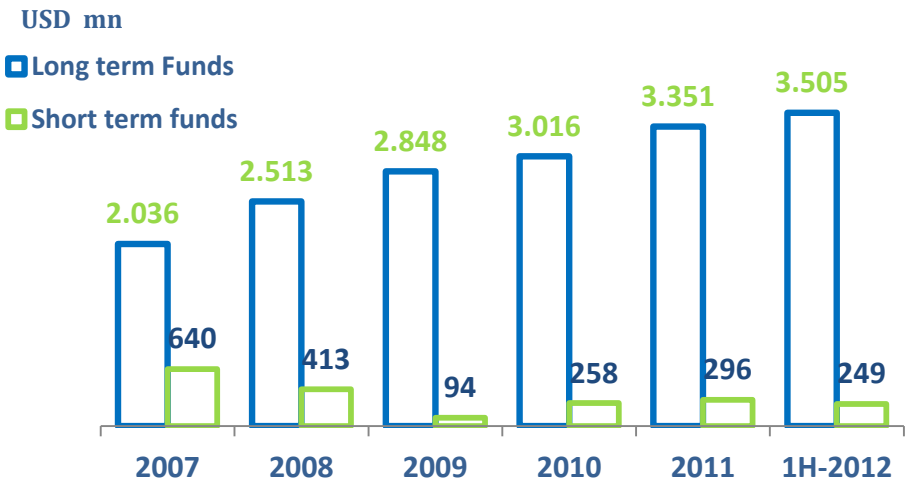
FX

Turkish Lira

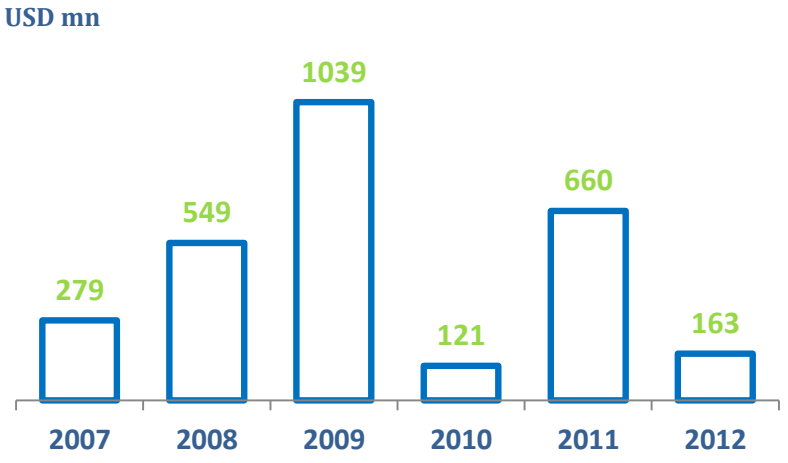


Funding Base

Outstanding Funding Base



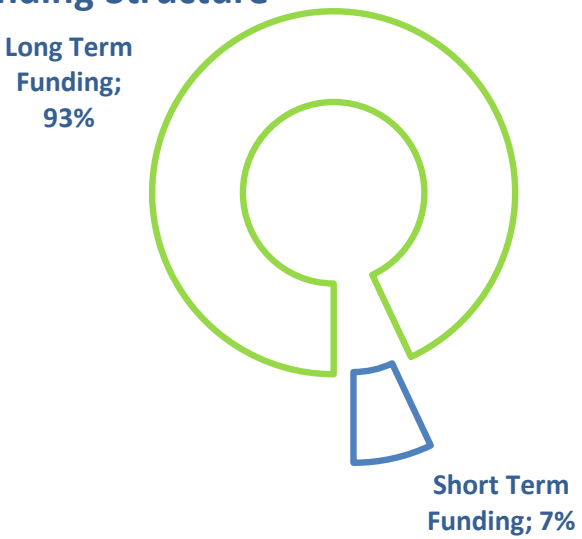
Multilateral Funding Agreements (Annually)



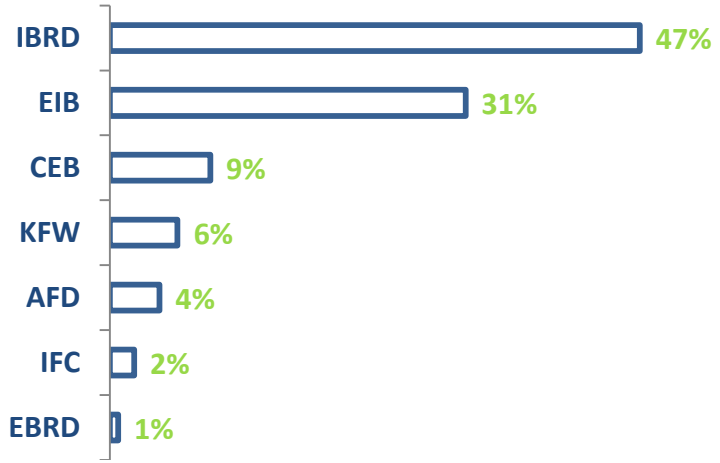
- World Bank (IBRD)
- European Investment Bank (EIB)
- Council of Europe Development Bank (CEB)
- Kreditanstalt für Wiederaufbau (KfW)
- Agence Française de Developpement (AFD)
- International Finance Corporation (IFC)
- European Bank for Reconstruction and Development (EBRD)

Liability Stucture and Funding Base

Funding Structure



Outstanding Long Term Funds

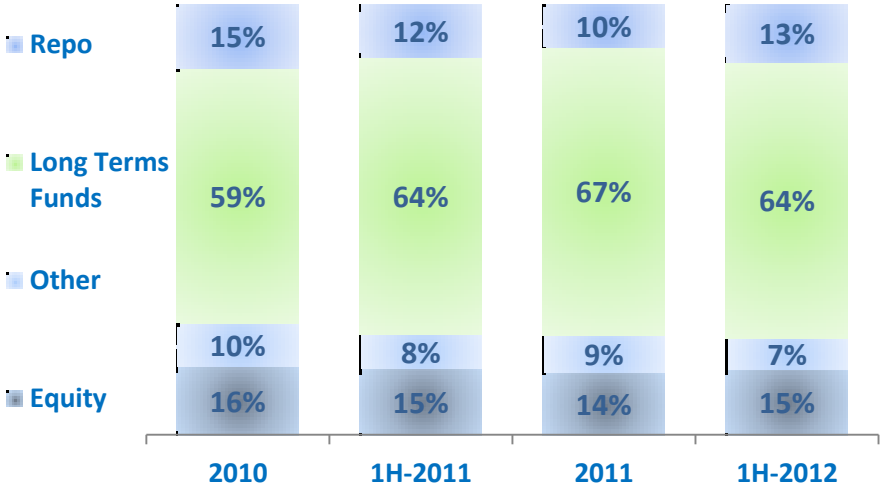


- Total LT outstanding funds : **USD 3,505 mn** ;

Since 2009, signed agreements totaling: **USD 2,058 mn**

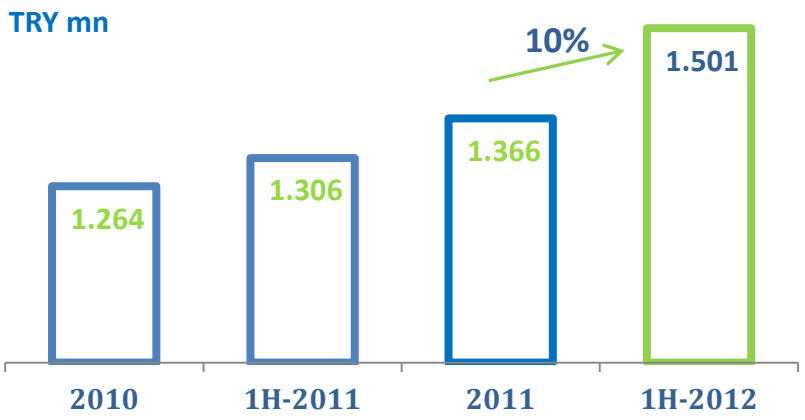
- LT funding average maturity: **12 years**
- **93%** of long term funds guaranteed by Turkish Treasury
- Short term funding: **7%**

Liabilities

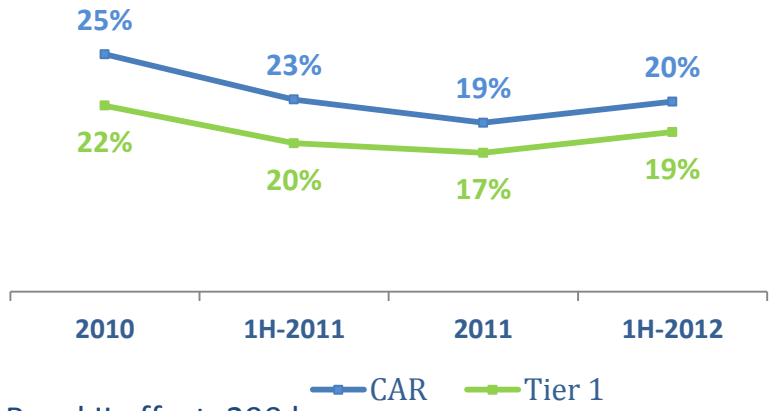


Shareholders' Equity

Equity

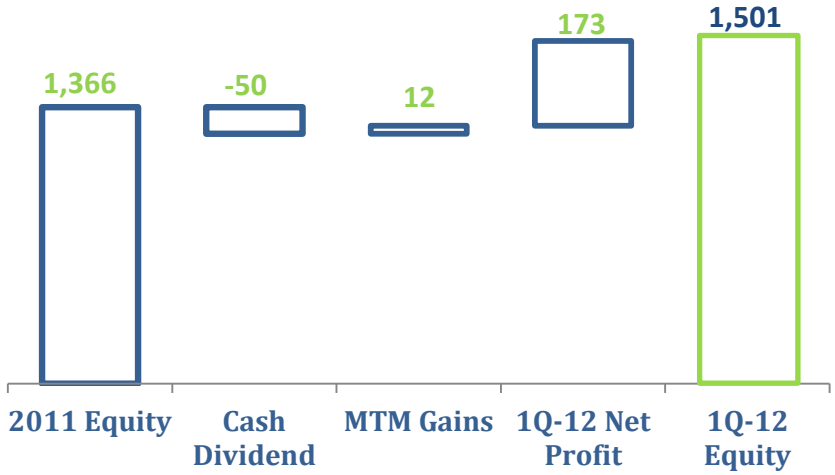


Capital Adequacy Ratio

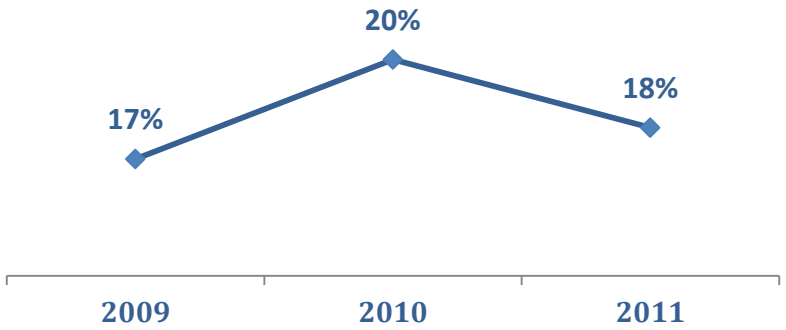


- Basel II effect: 290 bps.

Equity Movement

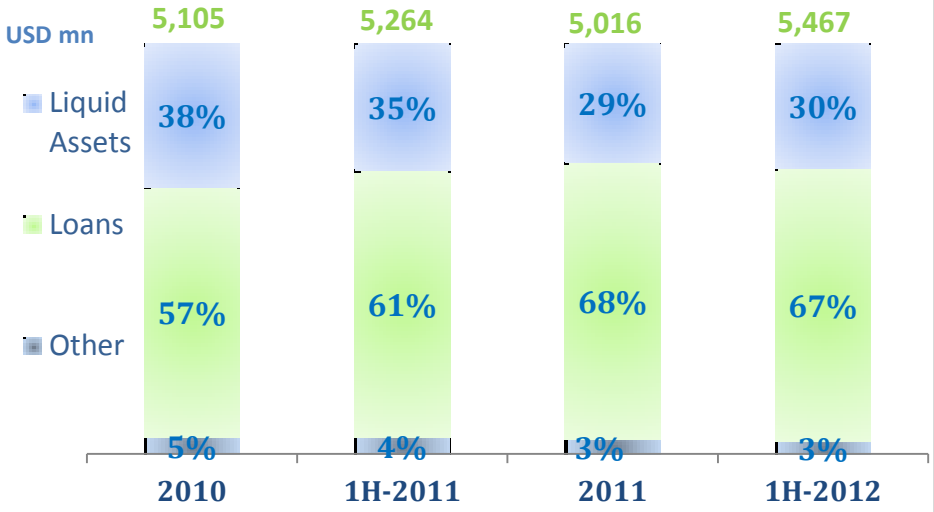


Dividend Payout Ratio

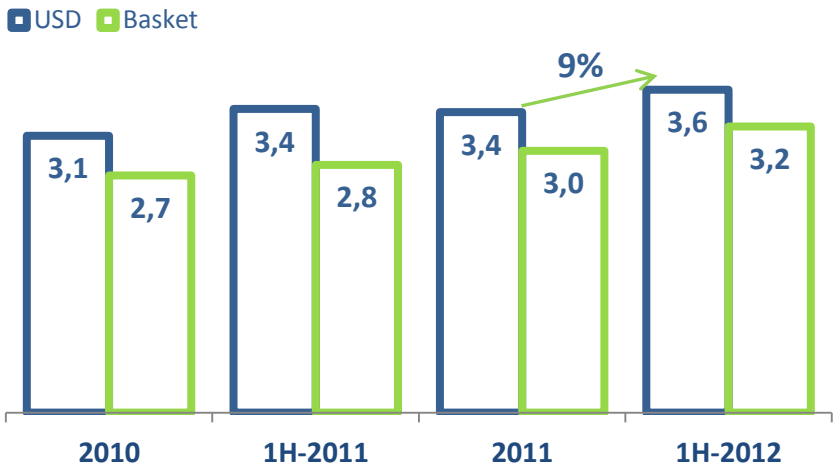


Healthy Loan Growth and Robust Asset Quality

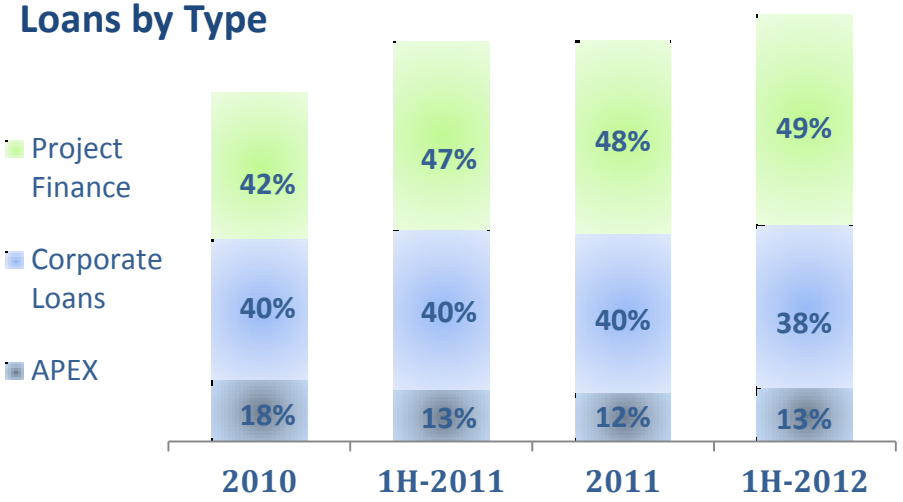
Assets



Loans (bn)



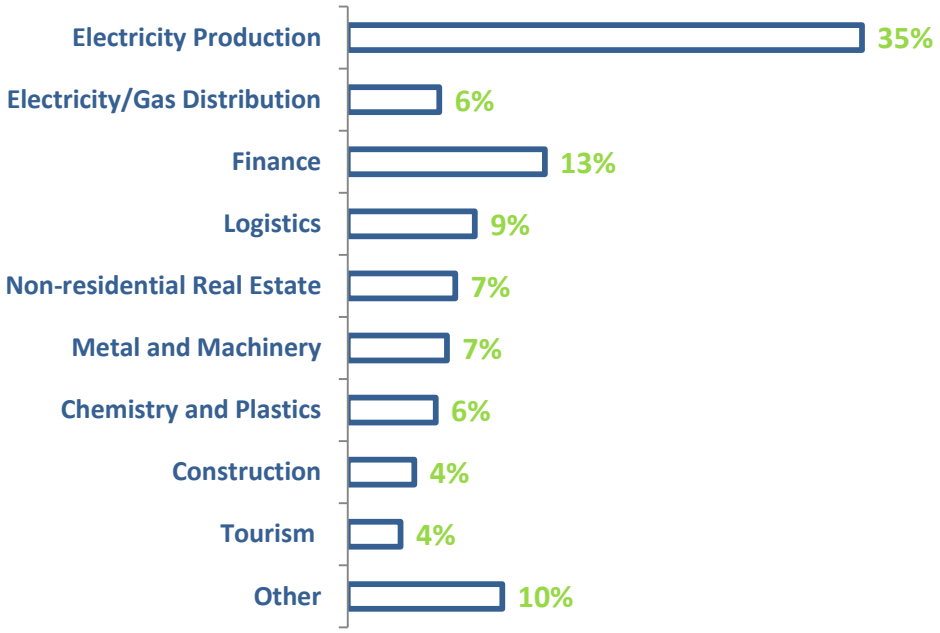
Loans by Type



- **97%** foreign currency denominated
- No currency mismatch
- **43%** in Euros, **54%** in USD
- **5 years** of average maturity

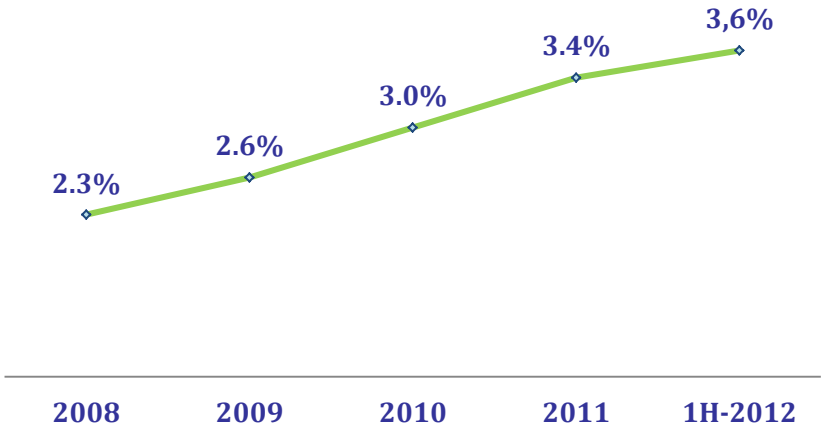
Healthy Loan Growth and Robust Asset Quality

Loans by Sector



- Well diversified sectoral breakdown
- **93** projects with total installed capacity of **3,319 MW** in **Hydro, Wind, Geothermal and Biomass**
- Infrastructure, non-residential real estate, tourism, PPP projects, energy efficiency sectors are on the agenda

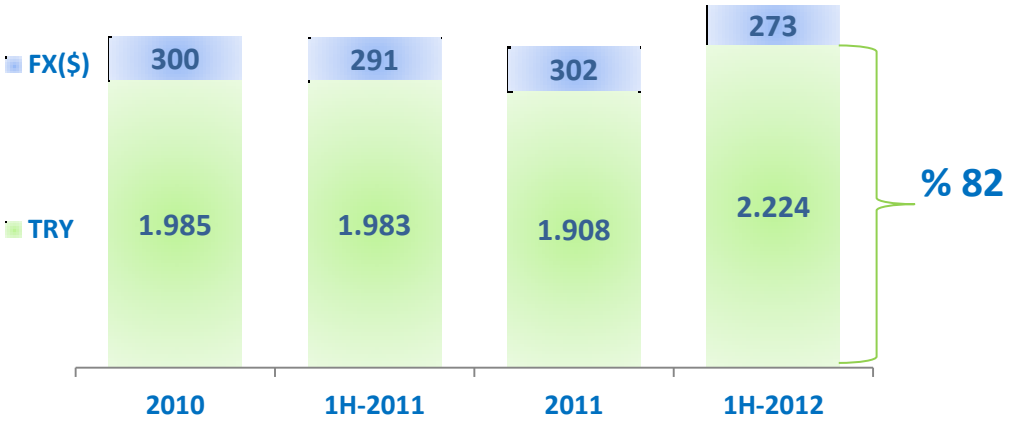
Net Loan Spread



- 2nd Group Loans: **TRY 37 mn** , **24%** ytd decrease
- NPL Ratio: **0.3%**
- Collection Ratio: **99%**

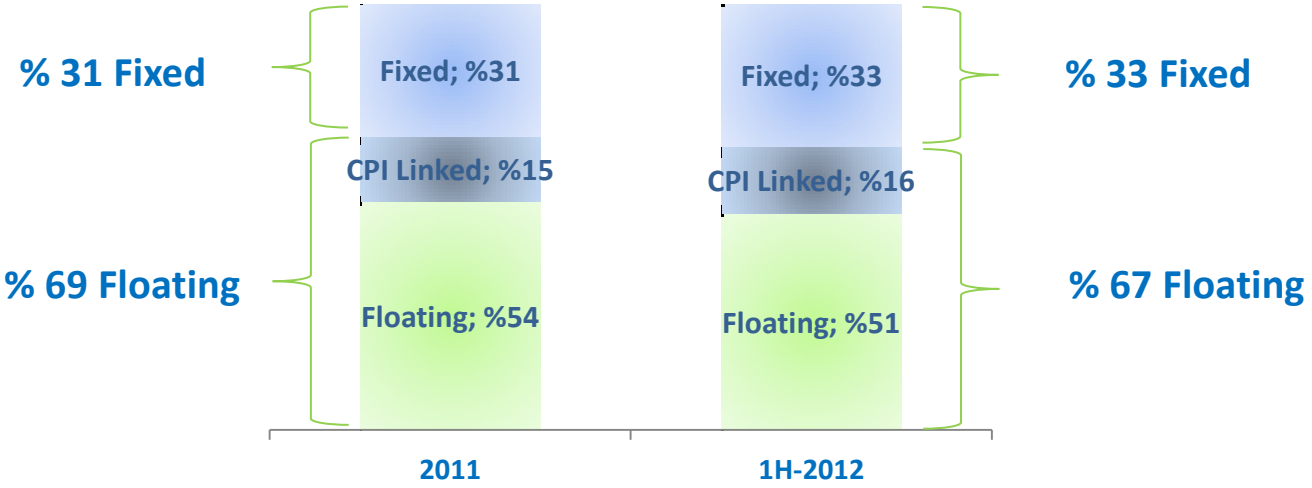
Securities Portfolio

Securities Portfolio



- Duration is **1.2 yrs** in Zero Coupon bonds, **3.4 yrs** in FRNs.
- **99%** is in AFS potfolio.
- **29%** of TRY portfolio funded by CBT repo auctions
- Private sector bonds: **14%** of total portfolio (**12%** in 2011)

TRY Securities Portfolio Breakdown



Income Breakdown

(TRY mn)	1H-2011	1H-2012	Change
Adj. Net Interest Income	160.0	215.8	35%
Net Commisions	6.8	6.0	-12%
Dividend Income	25.0	27.3	9%
Other Operating Income	13.0	14.1	8%
Net Banking Income	204.7	263.2	29%
Personnel Expenses	21.5	22.5	5%
Adm. Expenses	8.1	7.7	-6%
Other Op. Expenses	3.8	5.4	41%
Operating Profit	171.3	227.7	33%
Provisions(+/-)	-11.4	-14.2	24%
Profit Before Tax	159.9	213.5	34%
Tax Provisions	-29.5	-40.6	38%
Net Profit	130.3	172.9	33%

Net Interest Income

35%

Net Banking Income

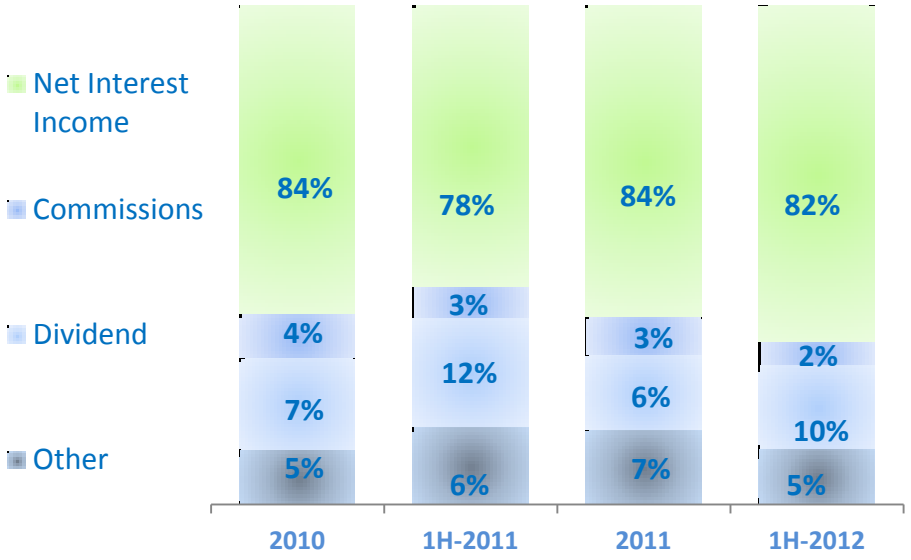
29%

Expenses

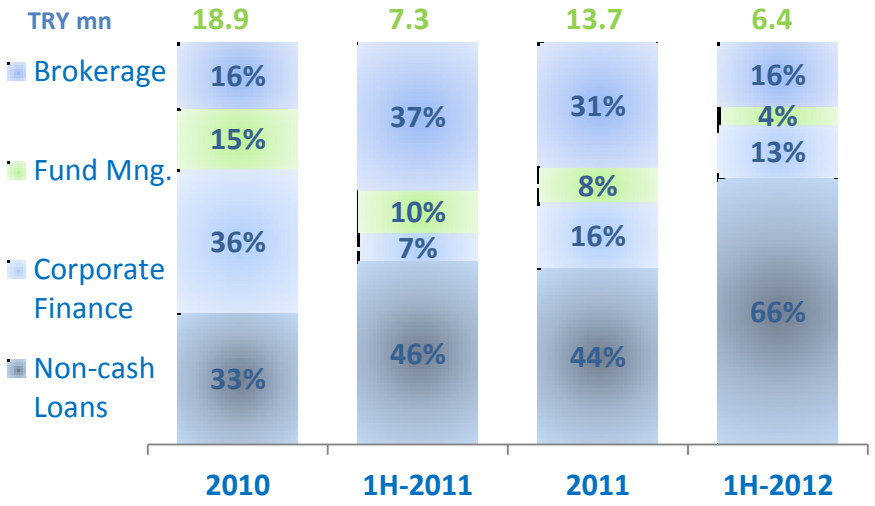
6%

Income Breakdown

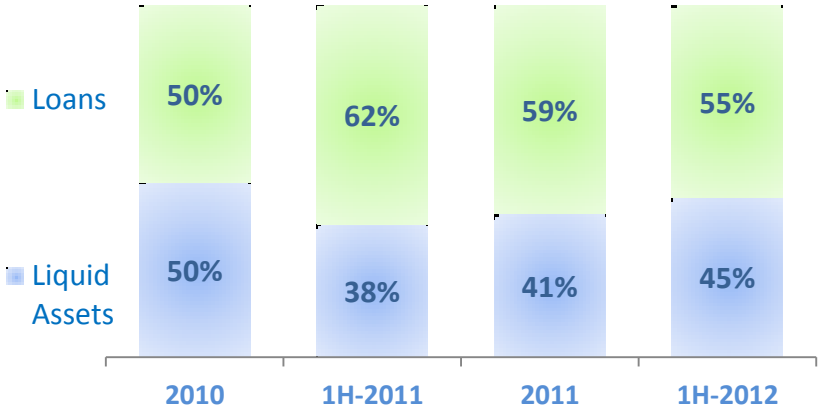
Income Breakdown



Commission Income Breakdown-Gross

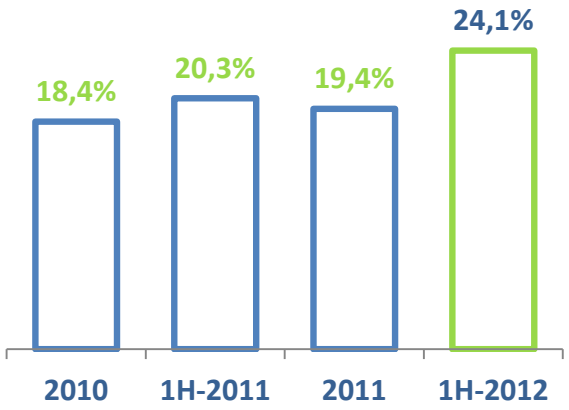


Net Interest Income Breakdown

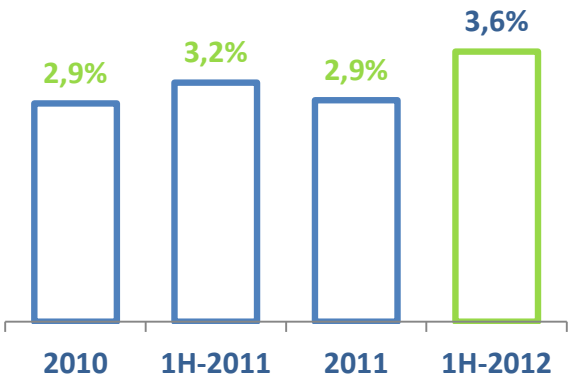


Key Performance Indicators

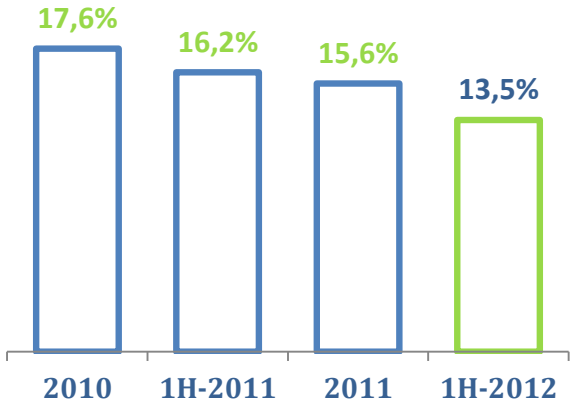
ROAE



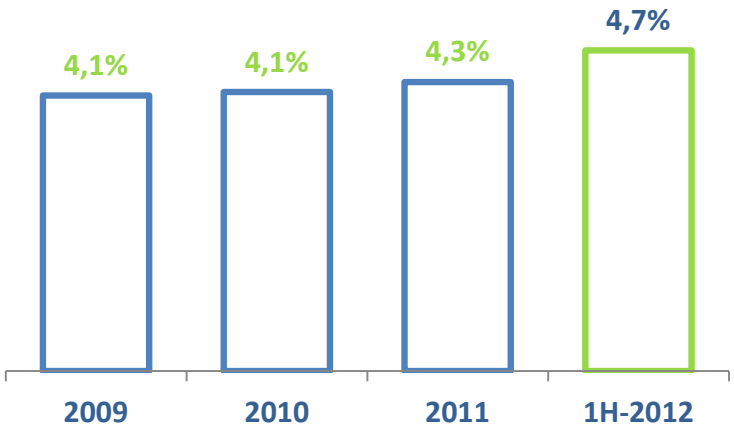
ROAA



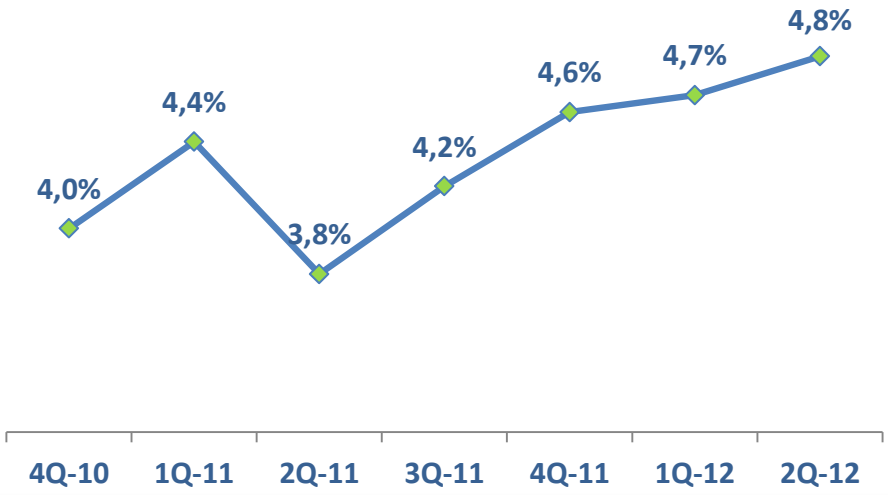
Cost to Income



NIM



Quarterly NIM



Quarterly Income Breakdown

(TRY mn)	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	Change QoQ	Change YoY
Adj. Net Interest Income	85	75	87	101	105	111	6%	48%
Net Commisions	4	3	4	2	3	3	13%	16%
Dividend Income	10	15	0	1	7	20	180%	38%
Other Operating Income	3	10	2	12	2	12	474%	17%
Net Banking Income	102	103	93	116	117	146	25%	43%
Personnel Expenses	10	12	8	14	10	13	28%	10%
Adm. Expenses	4	4	3	4	4	4	2%	-11%
Other Op. Expenses	3	1	1	2	2	3	40%	281%
Operating Profit	85	86	81	96	101	127	25%	47%
Provisions(+/-)	-3	-8	-14	-5	-1	-13	772%	61%
Profit Before Tax	82	78	67	91	100	114	14%	46%
Tax Provisions	-15	-14	-14	-19	-19	-22	22%	56%
Net Profit	67	64	53	72	81	92	13%	44%

Balance Sheet

(TRY mn)	30/06/2011			31/12/2011			30/06/2012		
	TRY	FX	TOTAL	TRY	FX	TOTAL	TRY	FX	TOTAL
Cash and Banks	194	98	293	12	168	181	44	163	207
Securities	1,703	544	2,248	1,908	568	2,476	2,224	491	2,715
Loans	148	5,385	5,533	117	6,279	6,395	170	6,373	6,543
Subsidiaries	319	3	322	276	3	279	278	3	281
Other	37	68	105	41	84	125	28	40	69
Total	**2,401**	**6,099**	**8,501**	**2,354**	**7,102**	**9,456**	**2,744**	**7,070**	**9,814**
ST Funds	-	396	396	24	534	558	-	447	447
LT Funds	-	5,462	5,462	-	6,317	6,317	-	6,291	6,291
Repo*	652	178	830	703	178	881	788	216	1,004
Other	460	47	507	273	62	335	532	39	571
Equity	1,277	30	1,306	1,346	20	1,366	1,460	41	1,501
Total	**2,389**	**6,112**	**8,501**	**2,345**	**7,111**	**9,456**	**2,780**	**7,034**	**9,814**

* TRY security funding only

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