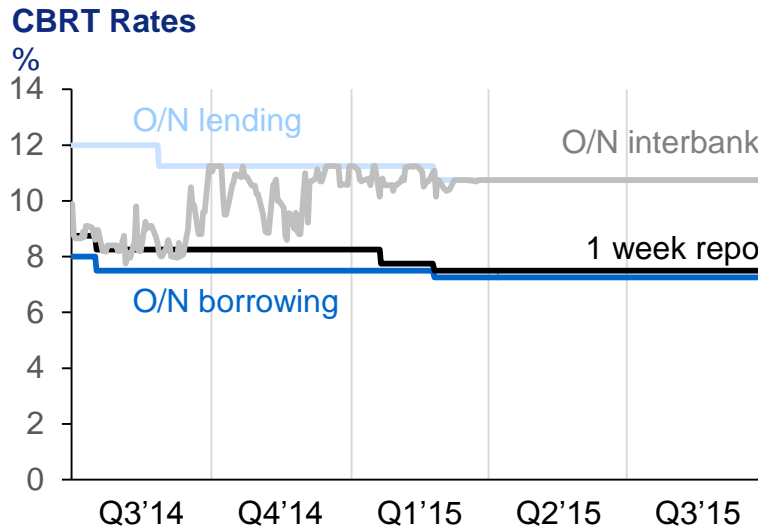


# Finansbank Q3'15 Earnings Presentation

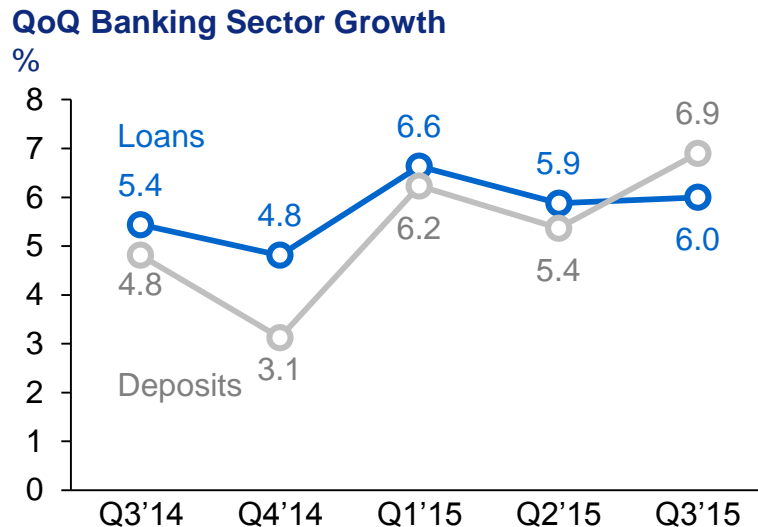
# Challenging macro environment characterized by political uncertainties, weaker TRY and higher market interest rates

## Macro Dynamics



- Signs of slower demand from China fed the **global growth concerns** and led to heightened volatility in international markets
- Domestic agenda was heavily driven by political uncertainties as failed coalition talks following June 7 elections paved the way for a **snap election** in November
- TRY remained pressurized by the distress in both domestic and global markets, pushing **inflation** to 8% handle in September
- CBRT kept **policy rates** stable while using liquidity policies to manage short-term interest rates at ceiling of the corridor

## Banking Sector Dynamics



- **Growth** continued in banking sector both on loans and deposits fronts
- Along with the growth, funding costs remained elevated. This heightened the pressure on **NIM** coupled with the CPI-linker impact due to temporary fall in inflation
- **Asset quality** remained intact despite slight increase in NPL ratio

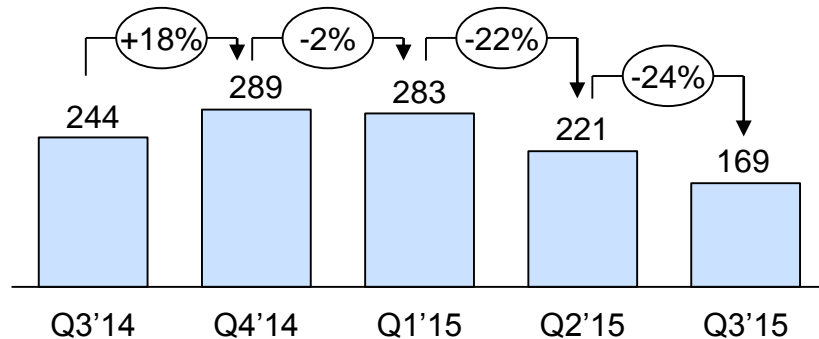
Source: CBRT; BRSA

# Profitability and capitalization resilient despite macro headwinds

Net income developments reflect the challenging macro backdrop, most notably higher funding costs

## Quarterly Net Income

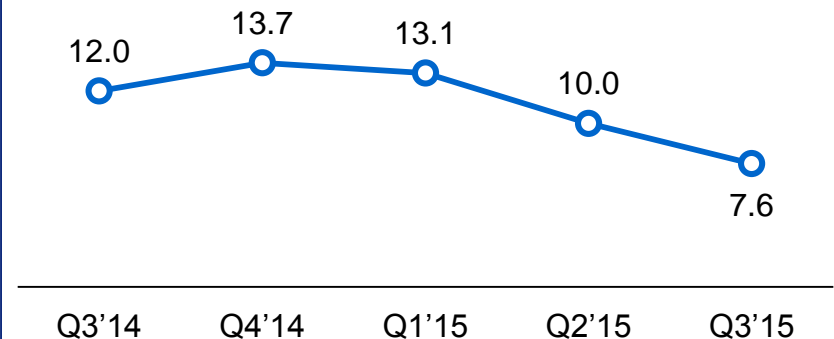
TRY, mn



RoE evolution follows that of the industry

## Quarterly RoE

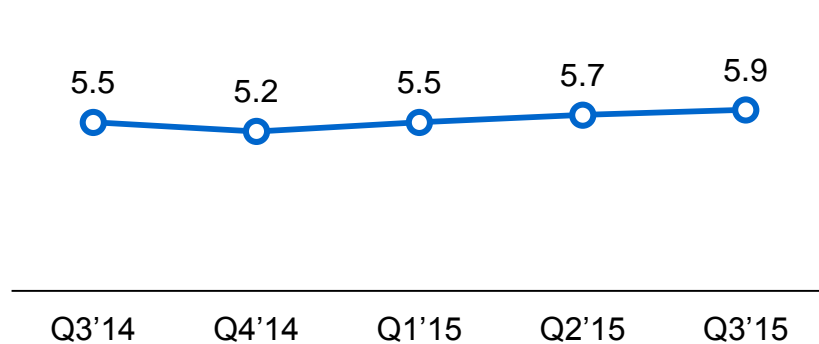
%



NPL ratio slightly deteriorated similar to the industry trend

## NPL Ratio

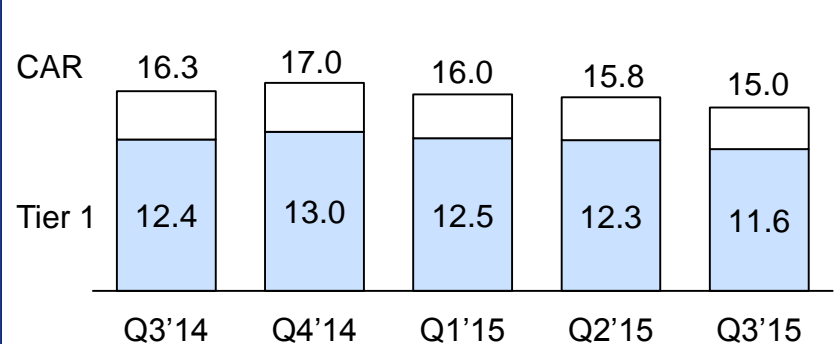
%



Capital adequacy at comfortable level despite exchange rate effects that drive RWA higher

## CAR

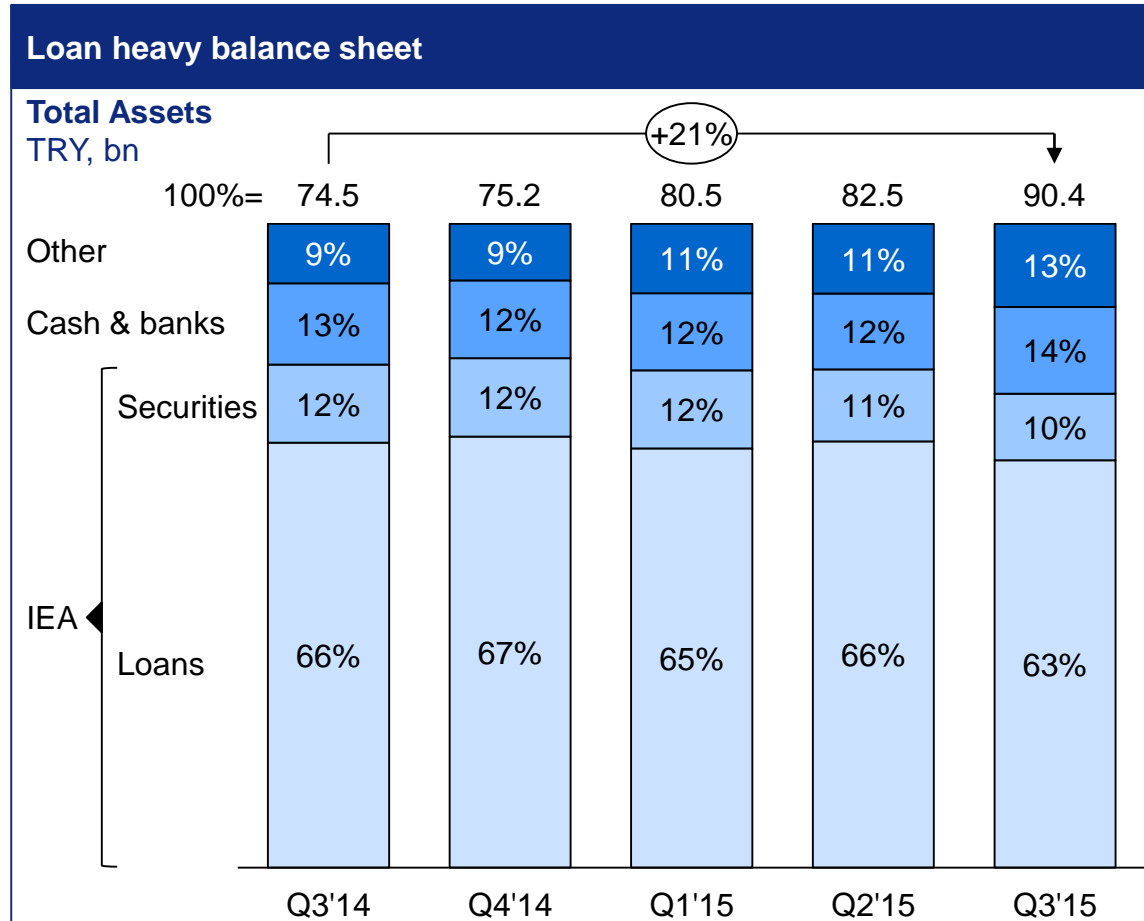
%



(1) Paid TRY 32.7 million fine from Ministry of Customs and Trade

(2) Q3'15 RoE is 9.0% excluding one-off fine

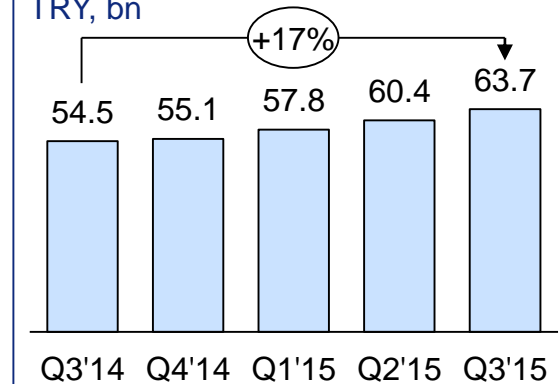
# Asset size exceeded TRY 90 billion in Q3'15 with 21% YoY growth



### TRY assets grew by 17% YoY

#### TRY Assets

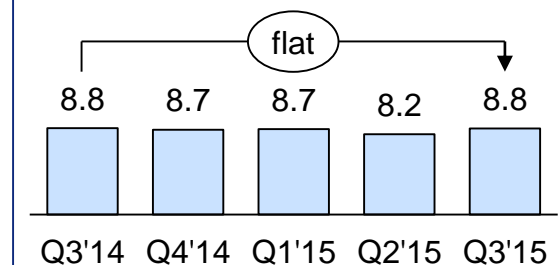
TRY, bn



### FX assets recovered in Q3'15

#### FX Assets<sup>(1)</sup>

USD, bn



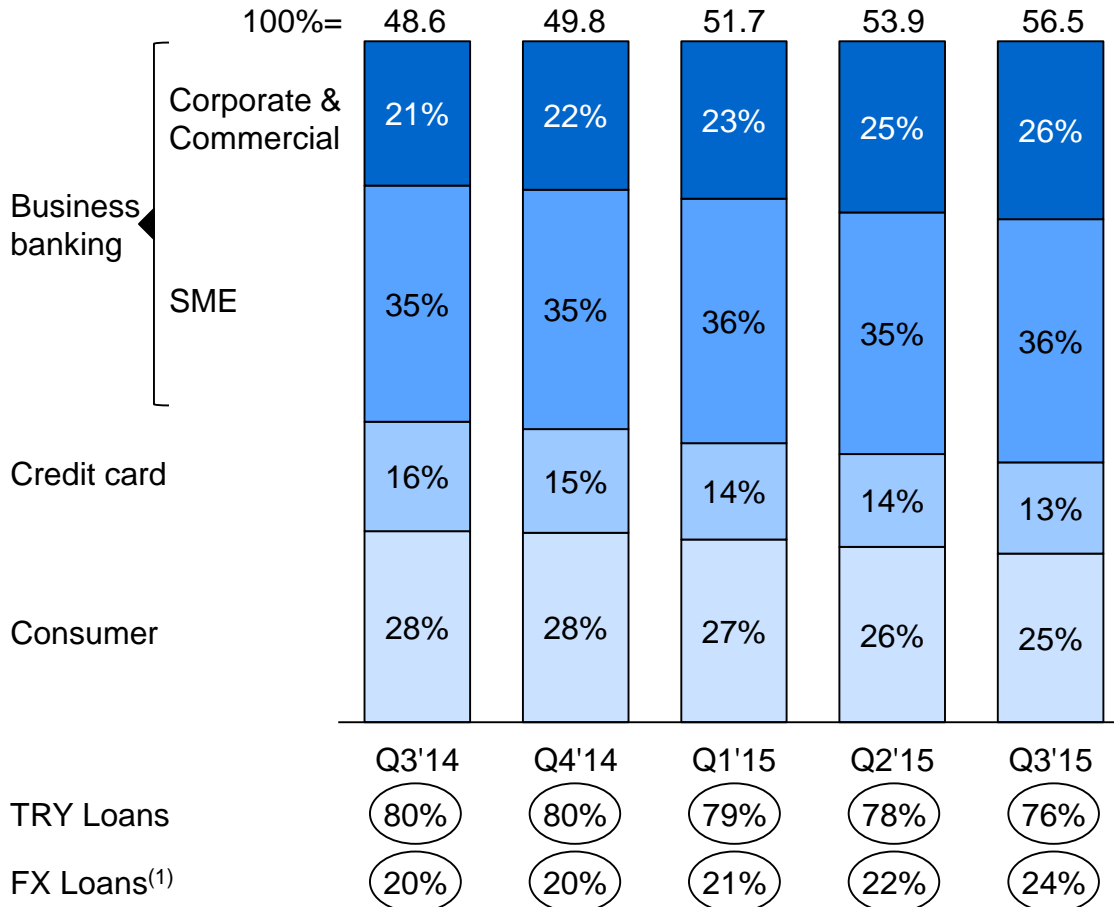
(1) FX-indexed TRY loans are shown in FX assets

# Sustained and successful execution of the growth strategy...

## Loan book continued to shift towards business banking

### Performing Loans by Segment and Currency

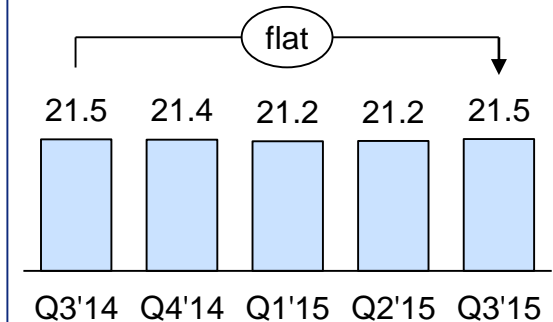
TRY, bn



## Retail loans remained flat YoY

### Retail Loans

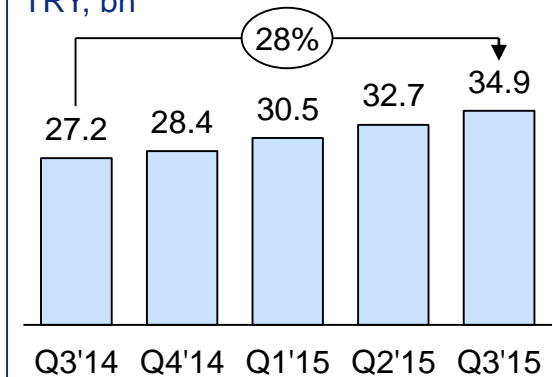
TRY, bn



## Business loans grew by 7% in the last quarter and 28% YoY

### Business Loans

TRY, bn



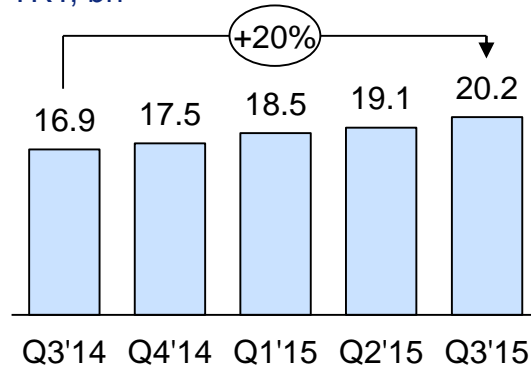
(1) FX-indexed TRY loans are shown in FX loans

# ...focused on business banking loans and selective retail banking segments

■ Business banking  
■ Retail banking

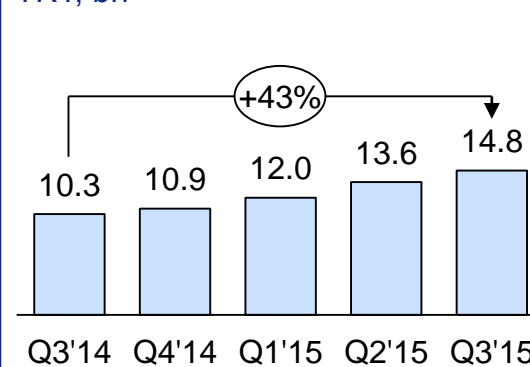
## Robust growth in SME loans continued...

### SME Loans TRY, bn



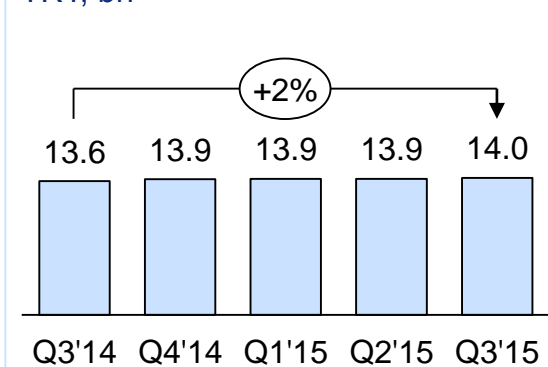
## ...as well as in corporate & commercial loans

### Corporate & Commercial Loans TRY, bn



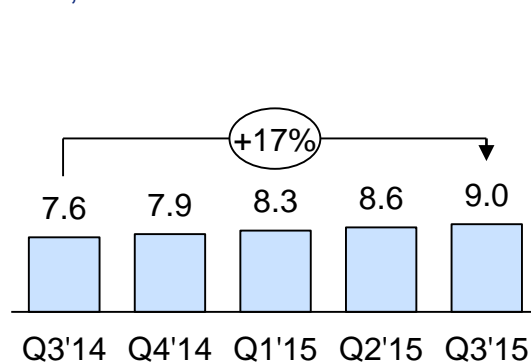
## Consumer loans are almost flat on QoQ basis

### Consumer Loans<sup>(1)</sup> TRY, bn



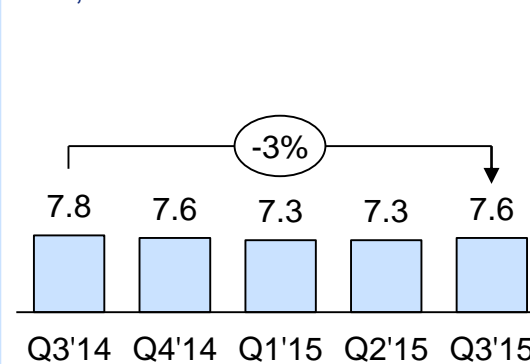
## Continued focus on GPL

### General Purpose Loans<sup>(2)</sup> TRY, bn



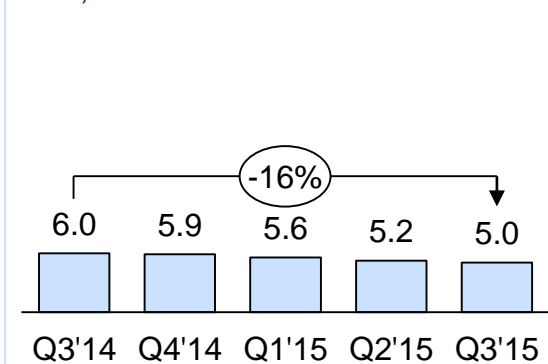
## Slight QoQ increase in credit card loans

### Credit Card Loans TRY, bn



## Downward trend continues in mortgages

### Mortgage Loans TRY, bn



(1) Including GPL and mortgage loans

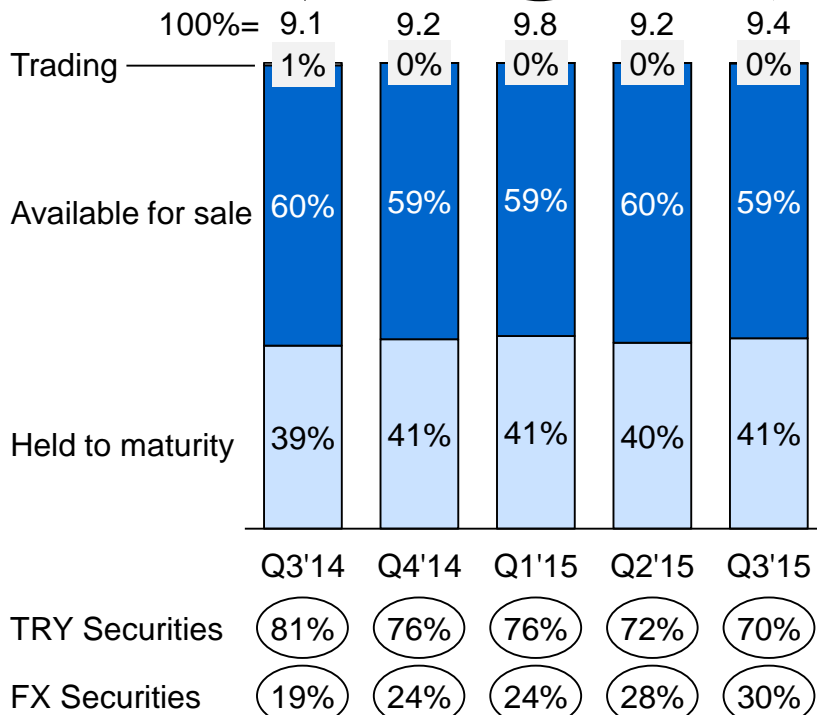
(2) Including overdraft

# Securities portfolio decreased to 10% of assets

## Slight increase in security portfolio on YoY basis

### Total Securities

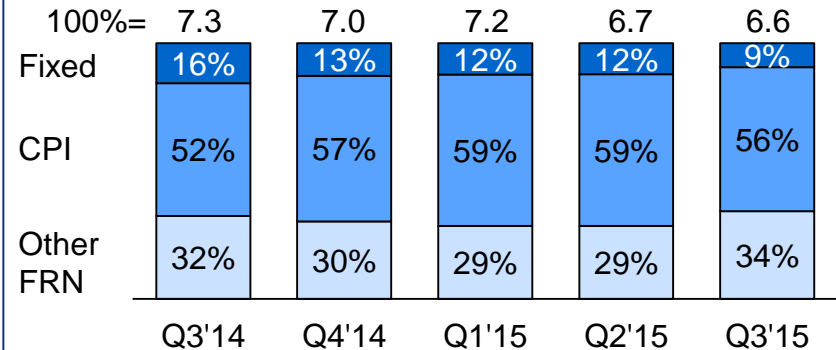
TRY, bn



## 91% of TRY securities are indexed / variable rate

### TRY Securities

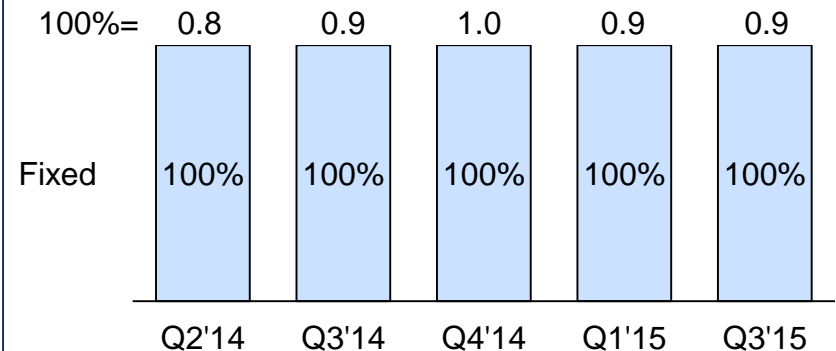
TRY, bn



## FX securities grew by 20% YoY

### FX Securities

USD, bn



# Controlled asset quality with high coverage ratios

**NPL ratio slightly deteriorated similar to the industry trend...**

**NPL Ratio**  
%



Q3'14 Q4'14 Q1'15 Q2'15 Q3'15

**... mainly behind the slow-down in retail loan growth**

**NPL Ratio by Segments**  
%

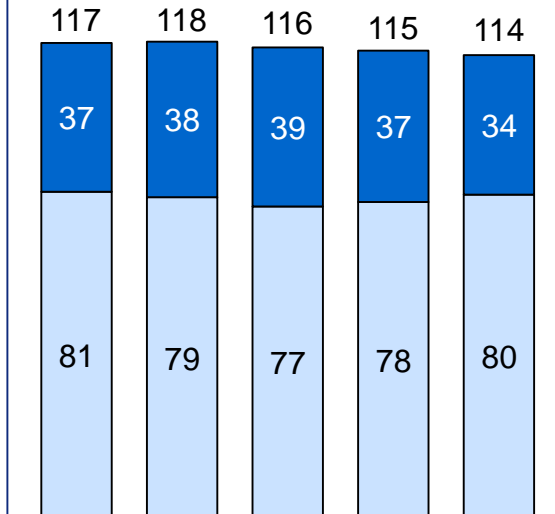


Q3'14 Q4'14 Q1'15 Q2'15 Q3'15

**NPLs are well covered through general and specific provisions**

**NPL Coverage<sup>(2)</sup>**  
%

■ General provisions / NPL  
■ Specific provisions / NPL



Q3'14 Q4'14 Q1'15 Q2'15 Q3'15

(1) After NPL sales during the periods

(2) General provisions include watch-list provisions

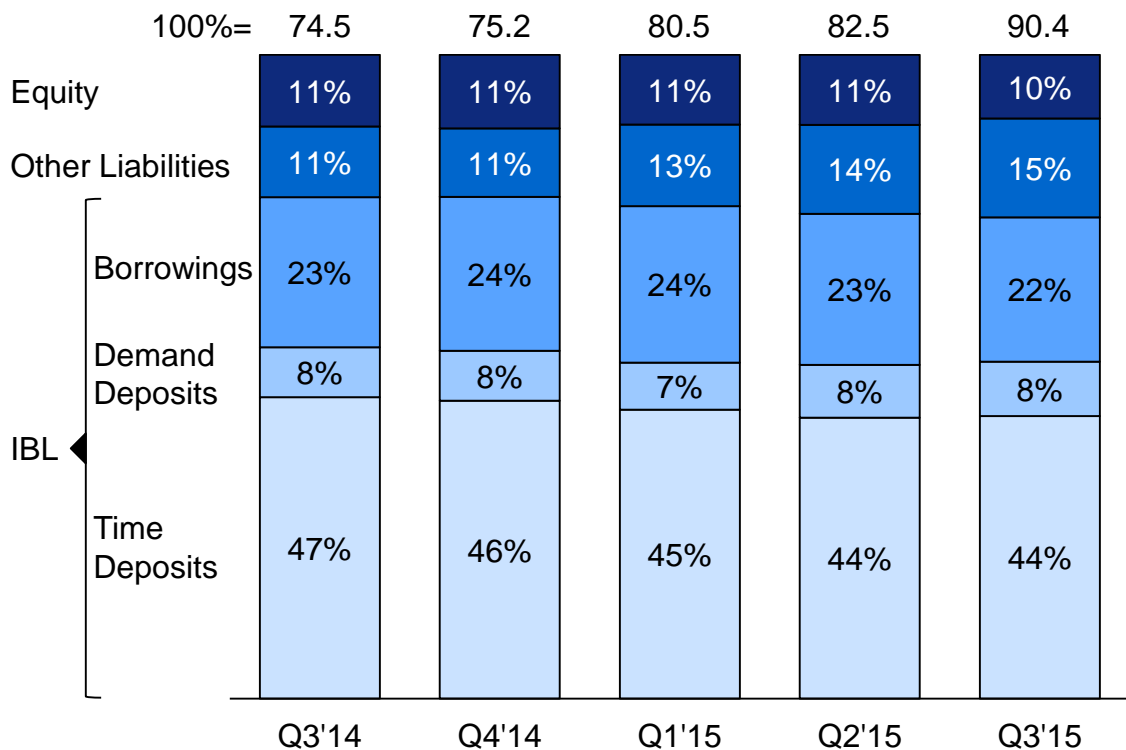


# Well-diversified funding structure underpinned by solid deposit base

## Increasing diversification of funding sources

### Total Liabilities

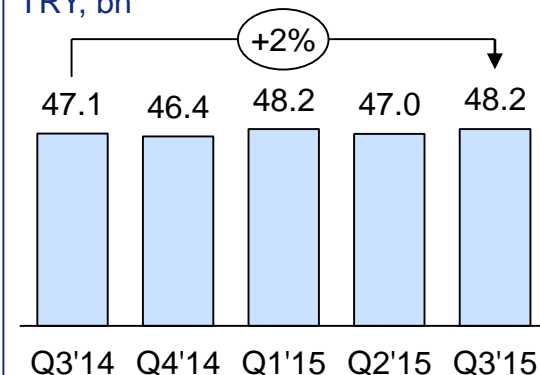
TRY, bn



## TRY liabilities grew by 2% YoY

### TRY Liabilities

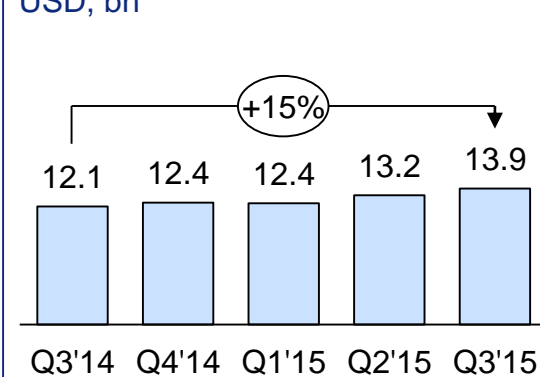
TRY, bn



## FX liabilities grew by 15% YoY

### FX Liabilities

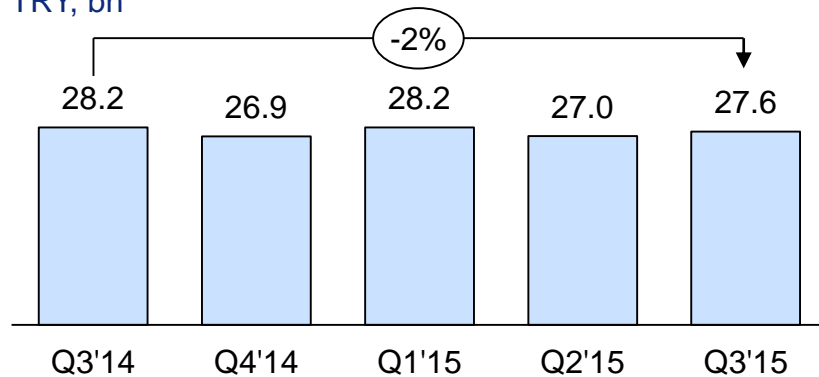
USD, bn



# Solid deposit base makes up 70% of IBL

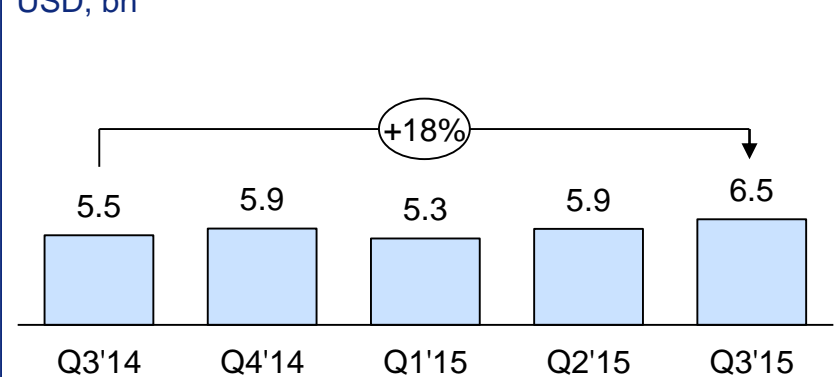
## 2% increase in TRY customer deposits on QoQ basis

**TRY Deposits**  
TRY, bn



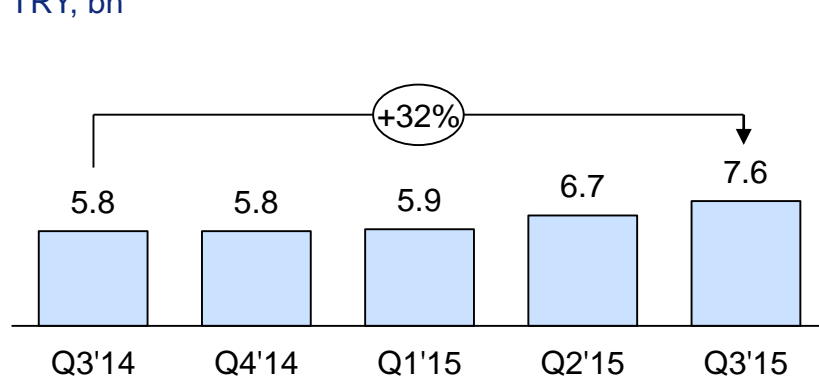
## 18% YoY increase in FX customer deposits

**FX Deposits**  
USD, bn



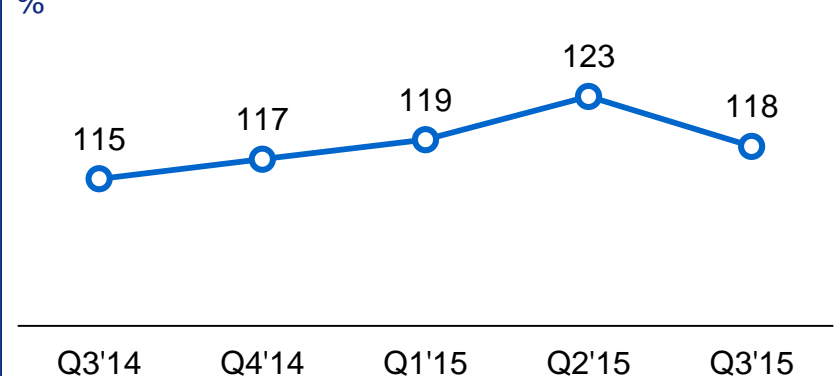
## Demand deposits stand at 16% of total deposits

**Demand Deposits**  
TRY, bn



## Loan-to-deposit ratio improved to 118% in Q3'15

**Loan-to-deposit ratio<sup>(1)</sup>**  
%



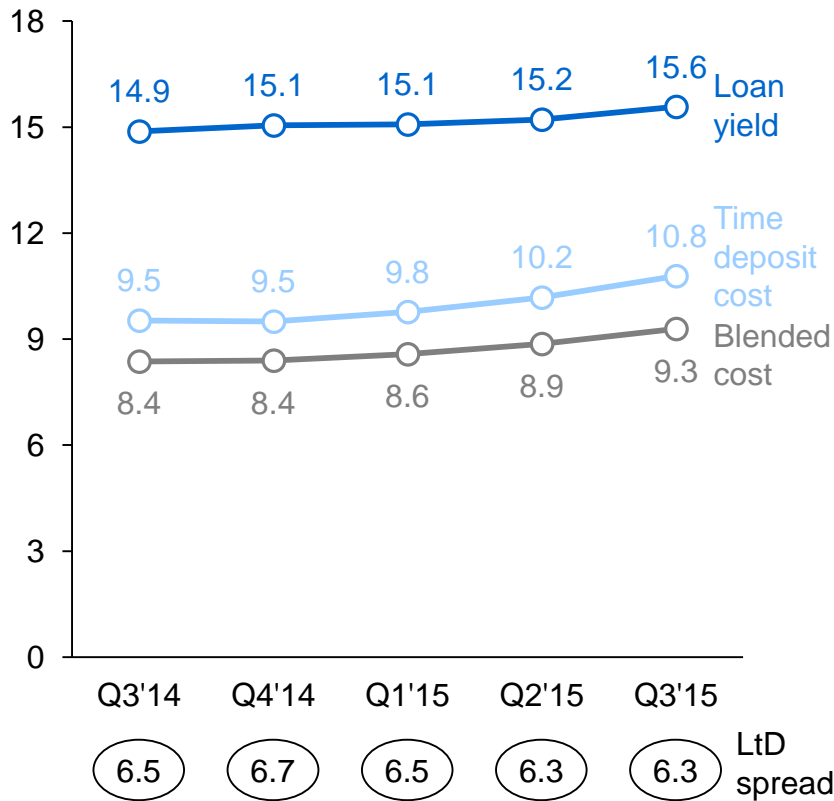
(1) Including TRY bonds

# Slight QoQ decrease in both TRY and FX loan-deposit spread due to sector-wide funding cost pressures

## TRY loan-deposit spread decreased by 6 bps QoQ

### TRY Spread

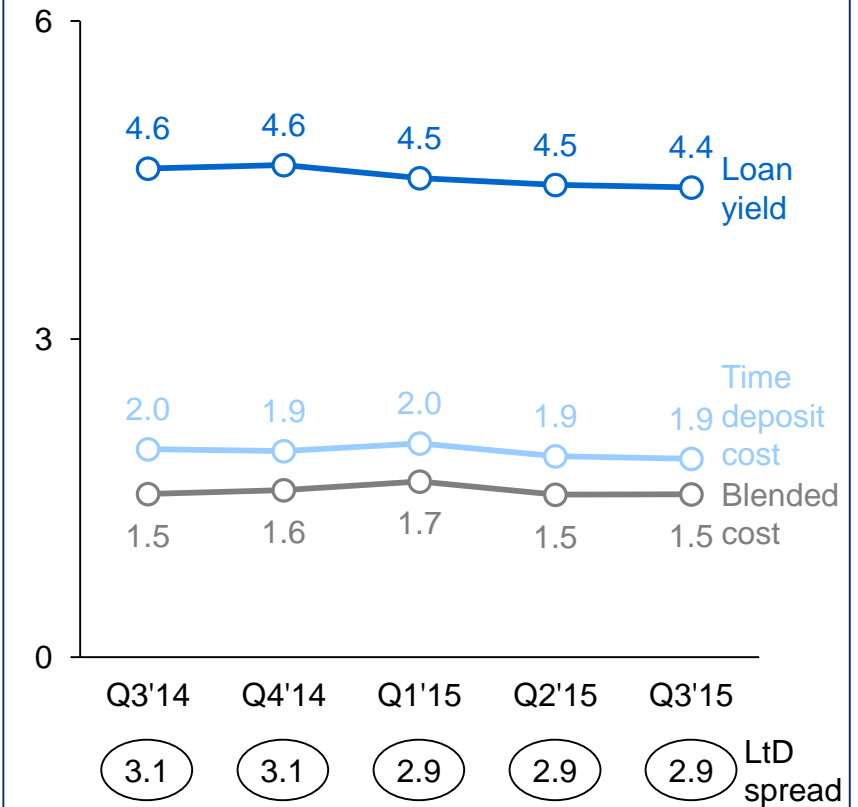
%, Quarterly average



## FX loan-deposit spread decreased by 3 bps QoQ

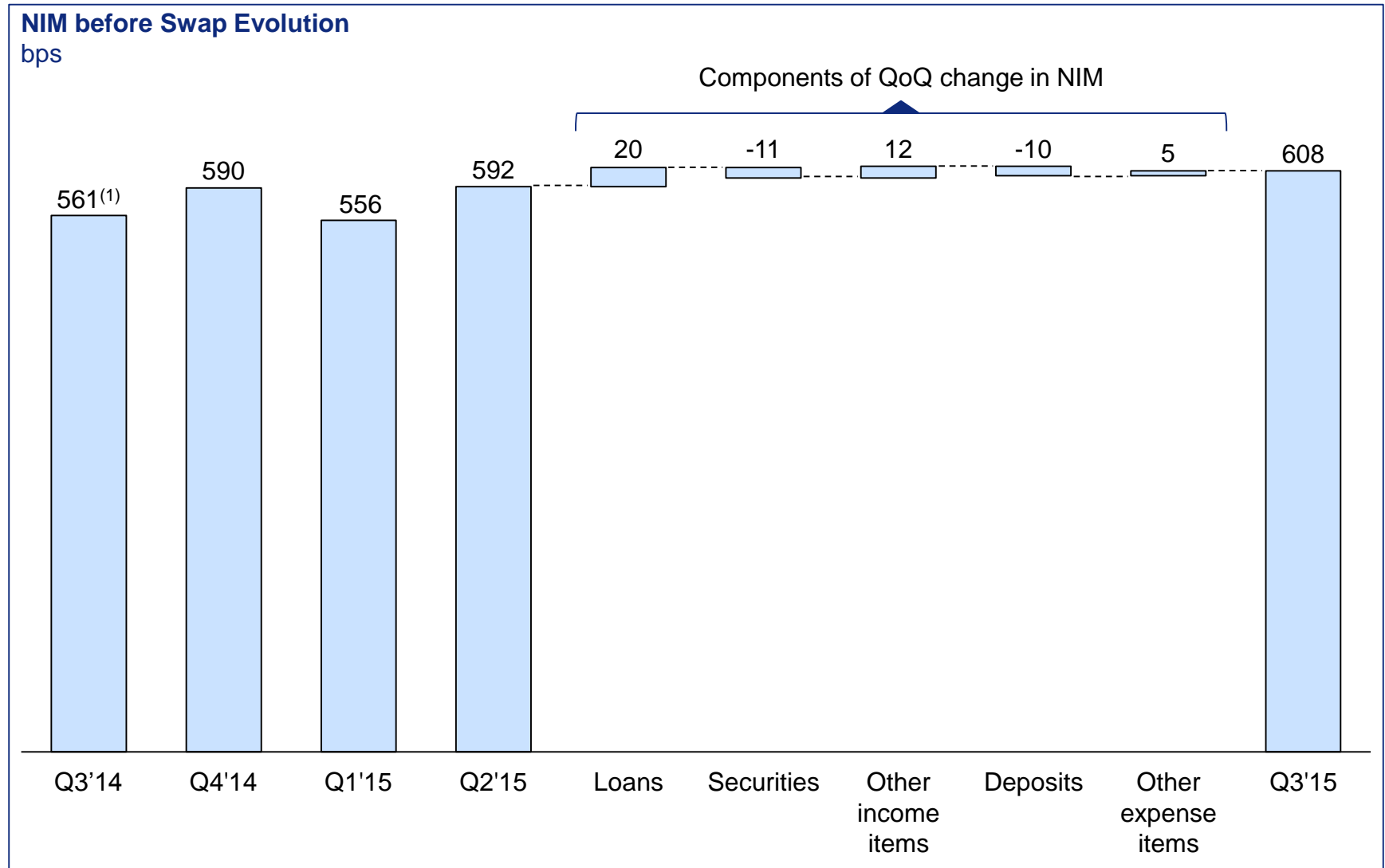
### FX Spread<sup>(1)</sup>

%, Quarterly average



(1) Adjusted for FX rate changes

# NIM expansion in Q3'15 mainly driven by loan repricing and exchange rate effects

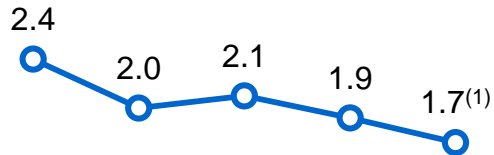


(1) Excludes the TRY 75mn effect of accounting methodology change for CPI-linked bonds. If included, Q3'14 NIM would be 6.1%

# Cost of risk at comfortable level in Q3'15

## CoR at comfortable level in Q3'15

Cost of Risk  
%



Q3'14 Q4'14 Q1'15 Q2'15 Q3'15

## Shift towards business banking helps improve cost of risk

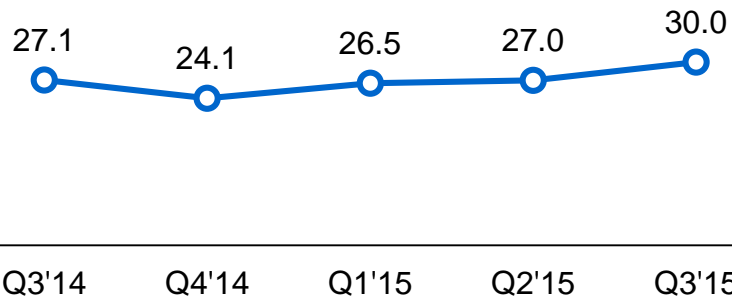
	Loan Composition					SCoR	General
	% of total loans					Q3'15, %	Prov. Rates %
Credit cards	16	15	14	14	13	4.3	4.0
General purpose loans	16	16	16	16	16	3.9	4.0
Mortgage	12	12	11	10	9	0.0	1.0
SME	35	35	36	35	36	2.0	0.5
Corporate & Commercial	21	22	23	25	26	0.5	1.0
	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15		

(1) Including reversal of TRY 46 million free provisions. If excluded, Q3'15 CoR would be 2.0%

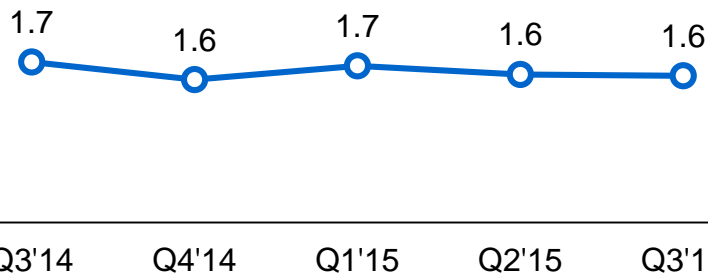
# Solid fee generation continues in Q3'15

## Share of fees in total income continues its upward trend

Fees / Total Income<sup>(1)</sup>  
%

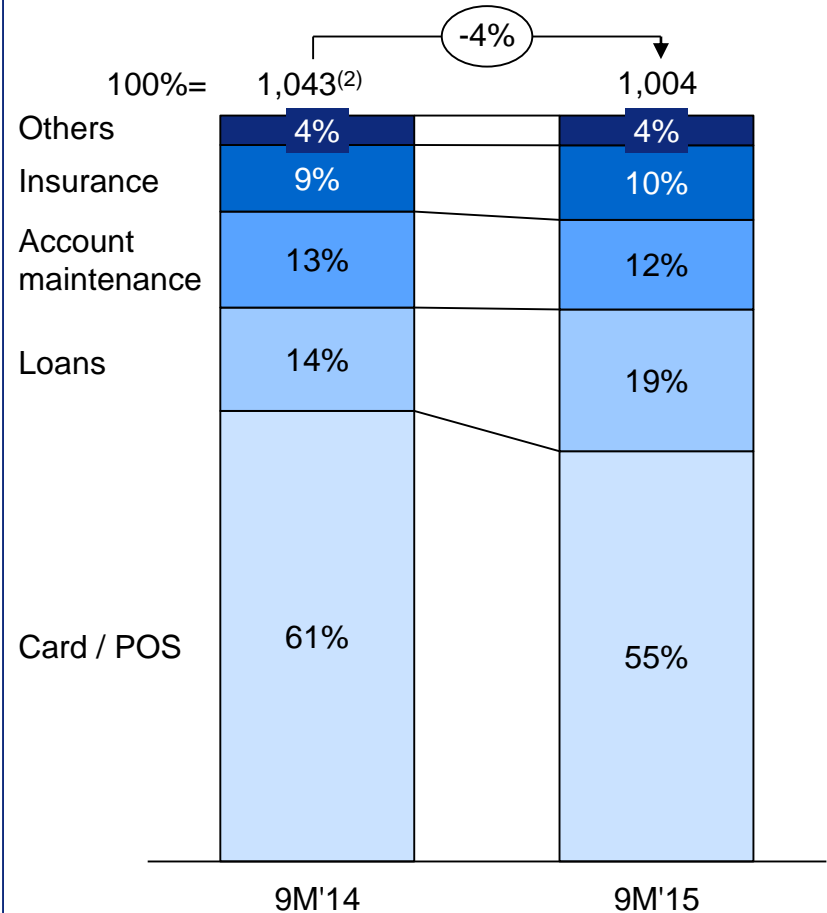


Fees / Assets<sup>(1)</sup>  
%



## Fee generation remains under pressure in annual comparison due to regulations

Cumulative Net Fees and Commissions  
TRY, mn



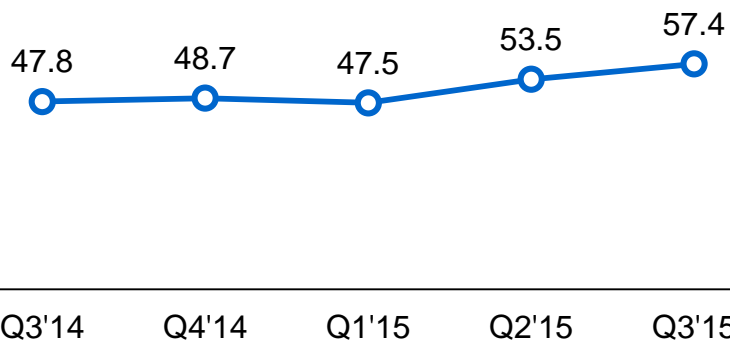
(1) Commission refunds are reported under fees income for Q3'14 and Q4'14

(2) Including commission refunds of TRY 61.5 million

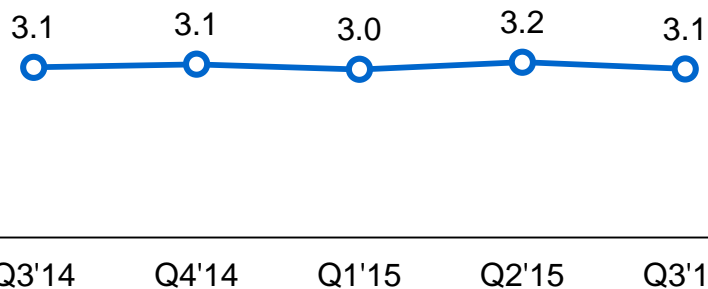
# Best in class cost management limits YoY OpEx increase

Increase in cost / income ratio is due to one-off fine<sup>(1)</sup> in Q3'15

Cost / Income<sup>(2)</sup>  
%

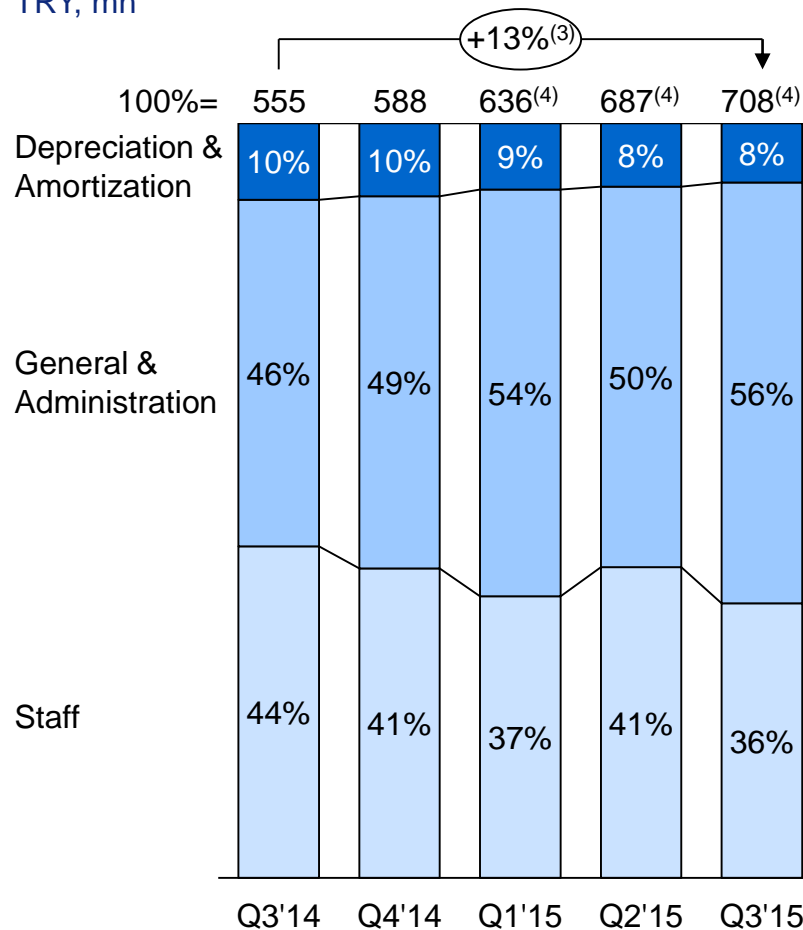


OpEx / Assets<sup>(2)</sup>  
%



OpEx is flat on QoQ basis excluding one-off fine<sup>(1)</sup>

OpEx  
TRY, mn



(1) Paid TRY 32.7 million fine from Ministry of Customs and Trade

(2) Excluding commission refunds in Q1'15, Q2'15 and Q3'15 for consistency

(3) Excluding commission refunds and one-off fine in Q3'15

(4) Including commission refunds of TRY 43 million in Q1'15, TRY 40 million in Q2'15 and TRY 47 million in Q3'15

## Quarterly net income decline attributable to one-offs

TRY, mn	Q3'14	Q2'15	Q3'15	ΔQoQ	ΔYoY
Net Interest Income after Derivatives Expenses	773	783	784	0%	1%
Net Interest Income	871	955	1,023	7%	17%
Derivatives expenses	-98	-172	-239	39%	144%
Net Fees & Commissions	314	327	345	5%	10%
Trading & Other Income <sup>(1)</sup>	74	101	22	-78%	-70%
<b>Total Operating Income</b>	<b>1,161</b>	<b>1,211</b>	<b>1,151</b>	<b>-5%</b>	<b>-1%</b>
Provisions	-287	-257	-240	-7%	-16%
OpEx	-555	-687	-708	3%	28%
<b>Net Operating Income</b>	<b>320</b>	<b>267</b>	<b>204</b>	<b>-24%</b>	<b>-36%</b>
Taxation	-75	-45	-35	-24%	-54%
<b>Net Income</b>	<b>244</b>	<b>221</b>	<b>169</b>	<b>-24%</b>	<b>-31%</b>

- **5% QoQ decrease in total operating income** as a result of macro backdrop, most notably higher funding costs
- **7% QoQ decrease in provisions** due to reversal of free provisions
- **3% QoQ increase in OpEx** due to one-off fine paid to Ministry of Customs and Trade
- **24% QoQ decrease in net income**, virtually flat when excluding headwinds in top and bottom lines

(1) Including dividend income from subsidiaries



# Appendix

Pg. 17 Key financial ratios

Pg. 18 Balance sheet summary

## Key financial ratios

	All figures quarterly	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	ΔQoQ	ΔYoY
<b>Profitability</b>	RoAE	12.0%	13.7%	13.1%	10.0%	7.6%	-2.5%	-4.4%
	RoAA	1.4%	1.5%	1.5%	1.1%	0.8%	-0.3%	-0.6%
	Cost / Income	47.8%	48.7%	50.9%	56.8%	61.5%	4.7%	13.7%
	NIM <sup>(1)</sup>	5.5%	5.3%	4.7%	4.9%	4.7%	-0.2%	-0.8%
<b>Liquidity</b>	Loans / Deposits	120.9%	123.8%	124.8%	127.7%	120.9%	-6.8%	0.0%
	Loans / (Dep. + TRY Bonds)	114.5%	117.4%	119.2%	123.4%	118.3%	-5.1%	3.8%
<b>Asset Quality</b>	NPL Ratio	5.5%	5.2%	5.5%	5.7%	5.9%	0.2%	0.4%
	Coverage	80.5%	79.2%	76.9%	78.1%	79.9%	1.8%	-0.6%
	Cost of Risk	2.4%	2.0%	2.1%	1.9%	1.7%	-0.2%	-0.7%
<b>Solvency</b>	CAR	16.3%	17.0%	16.0%	15.8%	15.0%	-0.8%	-1.3%
	Tier I Ratio	12.4%	13.0%	12.5%	12.3%	11.6%	-0.7%	-0.8%
	Leverage	9.0	8.8	9.2	9.2	10.1	0.9	1.1

(1) After derivatives expenses

## Balance sheet summary

	TRY, mn	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	ΔQoQ	ΔYoY
<b>Assets</b>	Cash & Banks <sup>(1)</sup>	9,400	9,108	9,668	9,720	12,209	26%	30%
	Securities	9,073	9,165	9,759	9,199	9,356	2%	3%
	Net Loans	49,199	50,344	52,412	54,603	57,194	5%	16%
	Fixed Assets & Subsidiaries	2,379	2,431	2,243	2,259	2,244	-1%	-6%
	Other	4,494	4,158	6,412	6,673	9,406	41%	109%
	<b>Total Assets</b>	<b>74,545</b>	<b>75,206</b>	<b>80,494</b>	<b>82,454</b>	<b>90,410</b>	<b>10%</b>	<b>21%</b>
<b>Liabilities &amp; Equity</b>	Customer Deposits	40,686	40,652	42,009	42,743	47,306	11%	16%
	Borrowings	17,387	17,964	19,581	19,358	20,296	5%	17%
	Bonds Issued	5,288	5,373	5,583	5,134	5,004	-3%	-5%
	Funds Borrowed	4,815	4,898	5,519	5,854	6,962	19%	45%
	Sub-debt	2,110	2,122	2,417	2,459	2,820	15%	34%
	Bank Deposit	1,534	1,423	1,561	1,450	1,466	1%	-4%
	Repo	3,640	4,147	4,501	4,461	4,044	-9%	11%
	Other	8,181	8,017	10,190	11,391	13,870	22%	70%
	Equity	8,291	8,574	8,714	8,961	8,937	0%	8%
	<b>Total Liabilities &amp; Equity</b>	<b>74,545</b>	<b>75,206</b>	<b>80,494</b>	<b>82,454</b>	<b>90,410</b>	<b>10%</b>	<b>21%</b>

(1) Includes banks, interbank, other financial institutions

## Disclaimer

Finansbank A.Ş. (the “Bank”) has prepared this Presentation for the sole purposes of providing information which include forward looking projections and statements relating to the Bank (the “Information”). No representation or warranty is made by the Bank for the accuracy or completeness of the Information contained herein. The Information is subject to change without any notice. Neither the Presentation nor the Information can construe any investment advise, or an offer to buy or sell the Bank’s shares. This Presentation and/or the Information cannot be copied, disclosed or distributed to any person other than the person to whom the Presentation and/or Information delivered or sent by the Bank or who required a copy of the same from the Bank. Finansbank A.Ş. expressly disclaims any and all liability for any statements including any forward looking projections and statements, expressed, implied, contained herein, or for any omissions from Information or any other written or oral communication transmitted or made available.