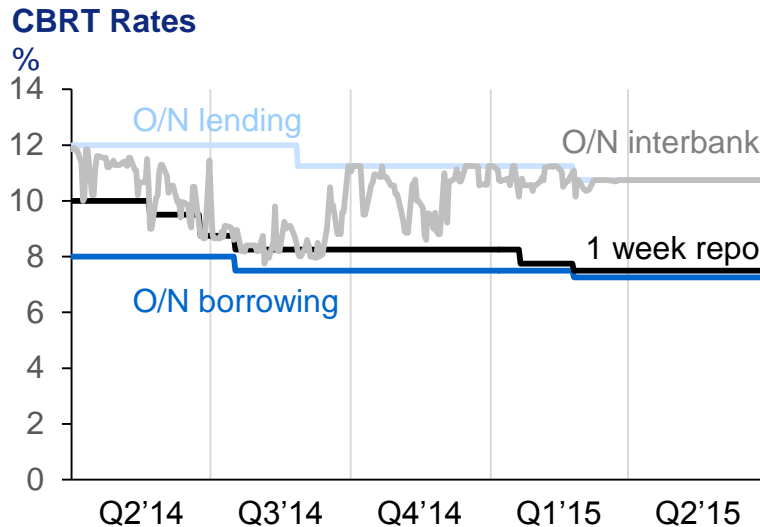


# Finansbank Q2'15 Earnings Presentation

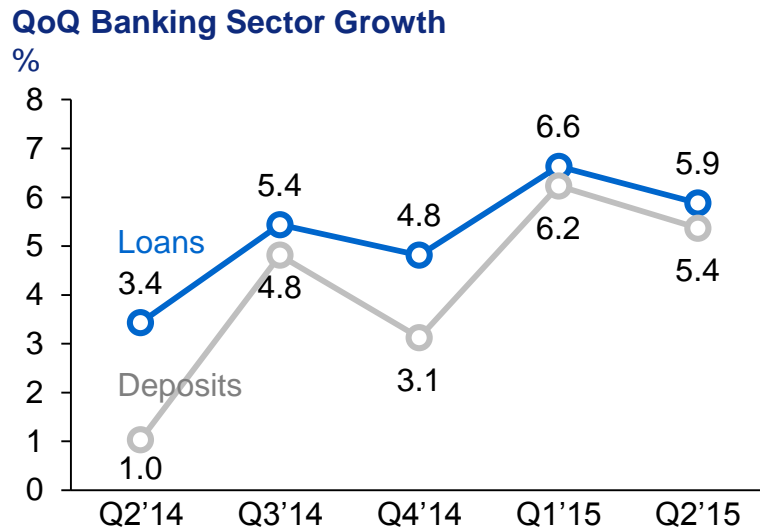
# Banking sector growth continued in Q2'15

## Macro Dynamics



- Uncertainties regarding Greece peaked in Q2'15 and this, coupled with impending Fed rate hikes, created volatility in **EM currencies**
- The end of the single party government era with **general elections** in June 7 and the outcome implying either a coalition or early elections contributed to volatility in TRY
- **Annual inflation** eased to 2-year low (7.2%) in June driven by the correction in food prices
- 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**
- **Asset quality** remained intact despite slight increase in NPL ratio

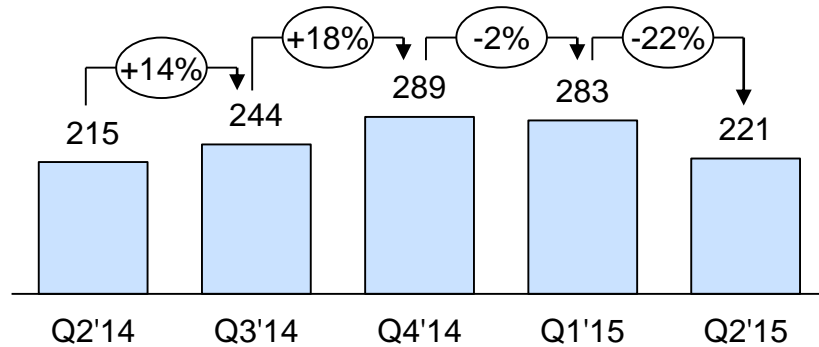
Source: CBRT; BRSA

# Profitability maintained with comfortable asset quality and capitalization

## Flat net income on YoY basis

### Quarterly Net Income

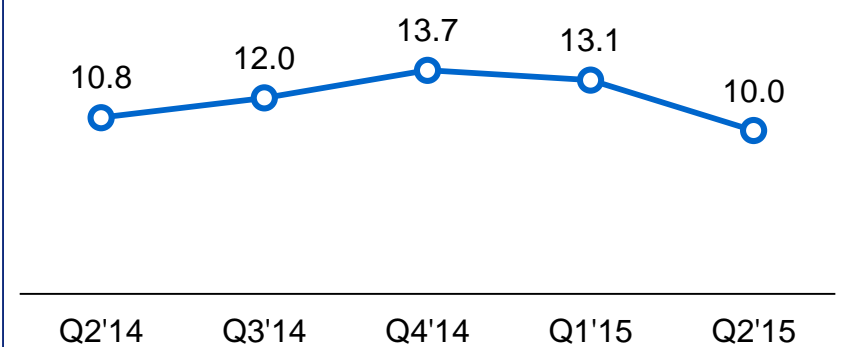
TRY, mn



## Profitability around the same level on YoY basis

### Quarterly RoE

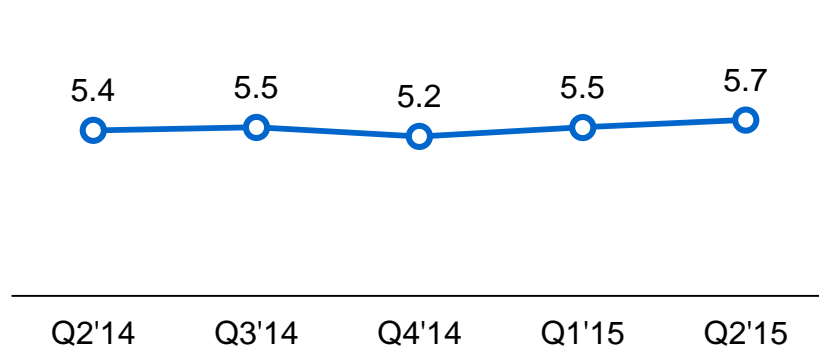
%



## NPL ratio slightly deteriorated as asset growth slowed down in Q2'14

### NPL Ratio

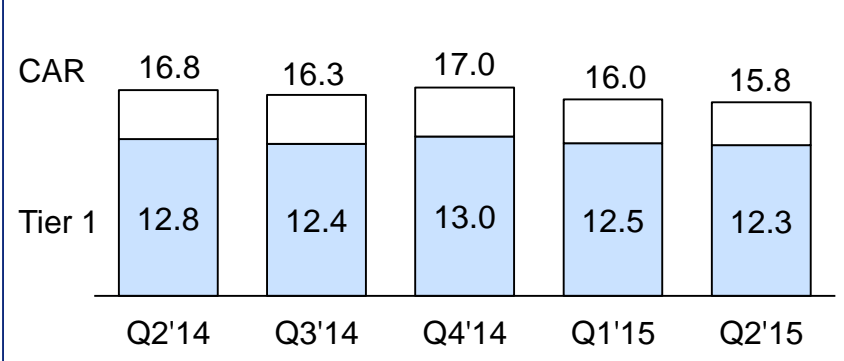
%



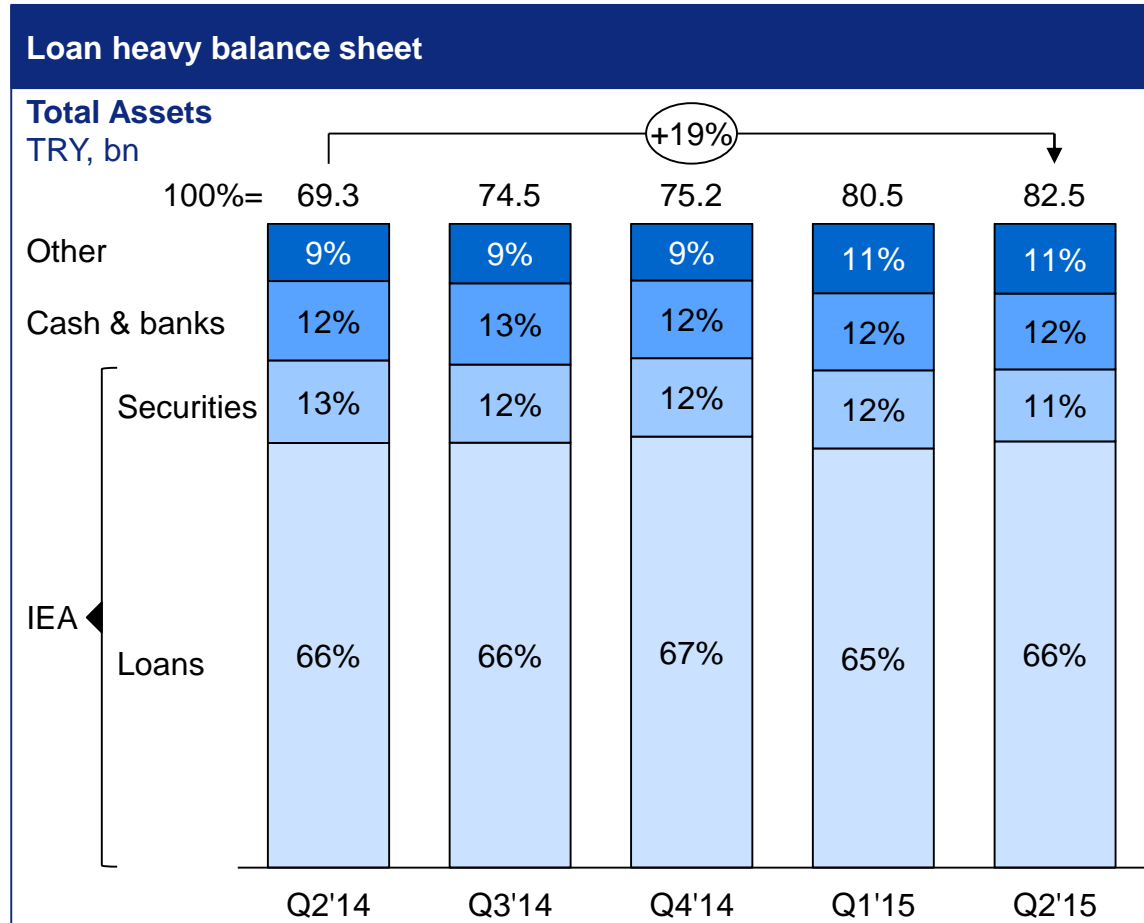
## Capital adequacy almost flat on QoQ basis

### CAR

%



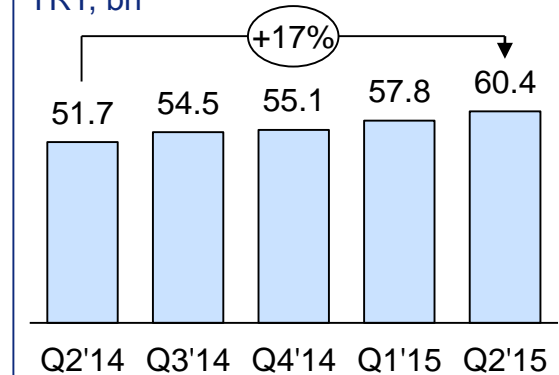
# Asset size exceeded TRY 82 billion in Q2'15 with 19% YoY growth



### TRY assets grew by 17% YoY

#### TRY Assets

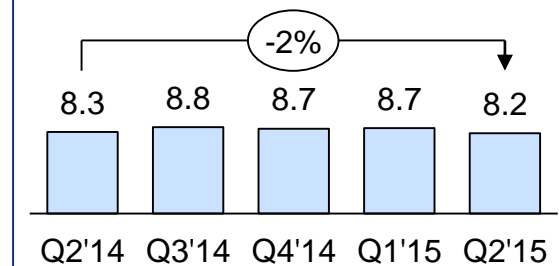
TRY, bn



### FX assets declined in Q2'15 as TRY depreciation curbed demand

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

USD, bn



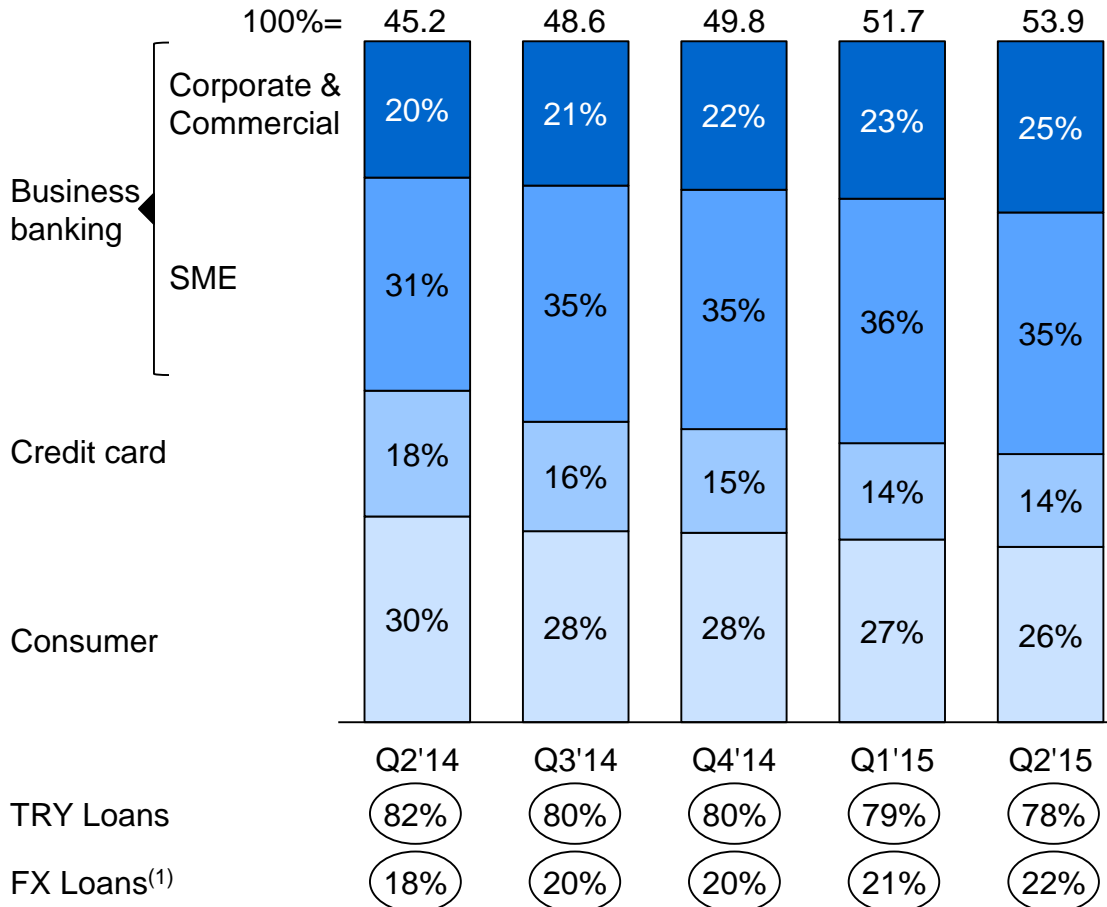
(1) FX-indexed TRY loans are shown in FX assets

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

## Loan book continued to shift towards business banking

### Performing Loans by Segment and Currency

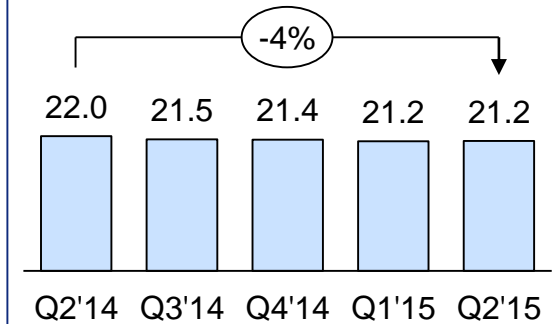
TRY, bn



## Retail loans remained flat QoQ

### Retail Loans

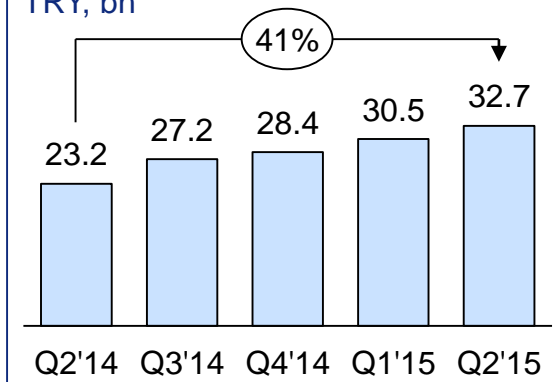
TRY, bn



## Business loans grew by 7% in the last quarter

### Business Loans

TRY, bn



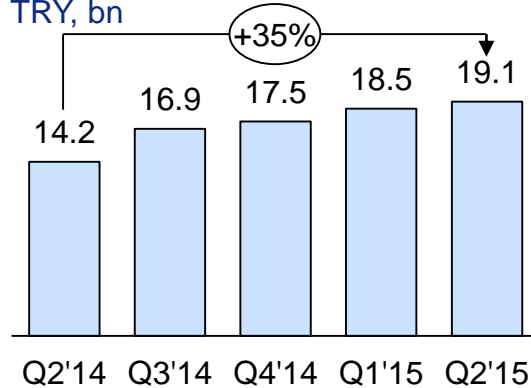
(1) FX-indexed TRY loans are shown in FX loans

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

■ Business banking  
■ Retail banking

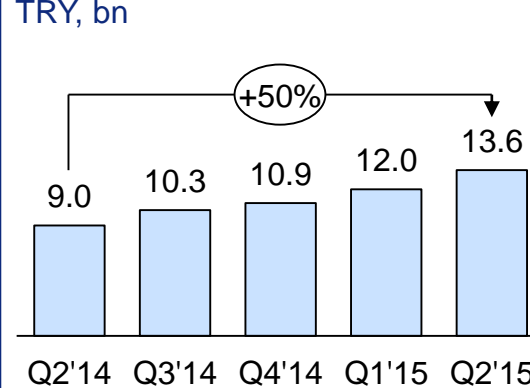
## Robust growth in SME loans continued...

**SME Loans**  
TRY, bn



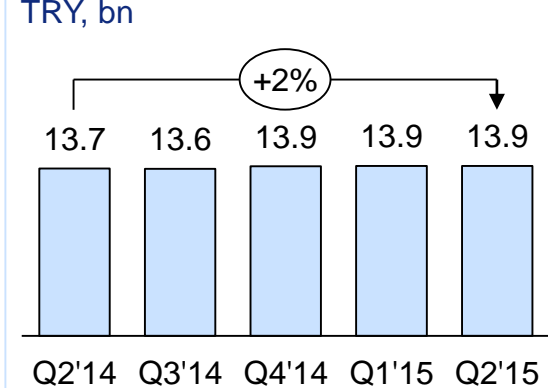
## ...as well as in corporate & commercial loans

**Corporate & Commercial Loans**  
TRY, bn



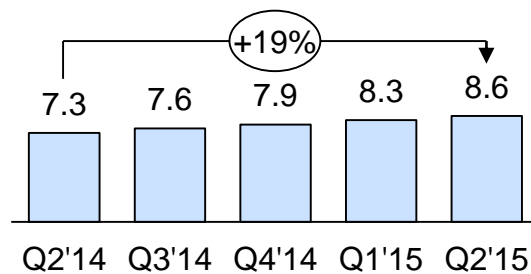
## Consumer loans are flat on QoQ basis

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



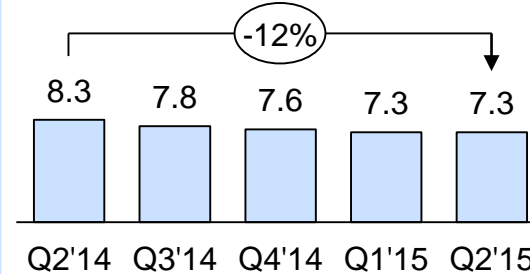
## Continued focus on GPL

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



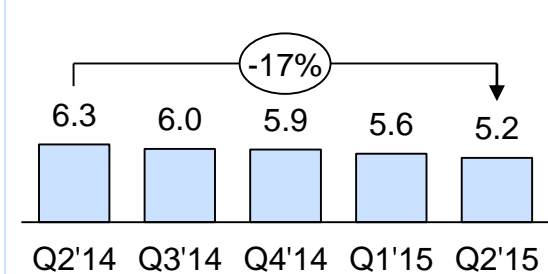
## Credit card loans are flat on QoQ basis

**Credit Card Loans**  
TRY, bn



## Downward trend continues in mortgages

**Mortgage Loans**  
TRY, bn



(1) Including GPL and mortgage loans

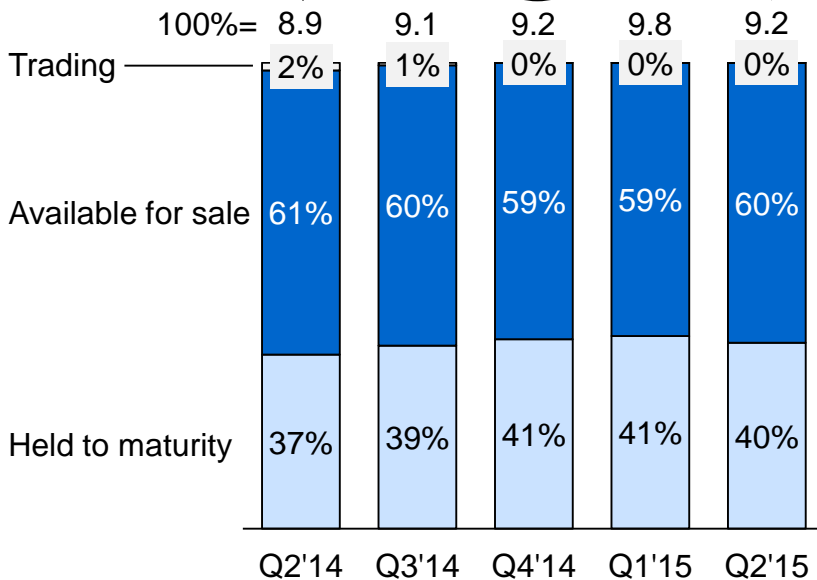
(2) Including overdraft

# Securities portfolio decreased to 11% of assets

## Slight increase in security portfolio on YoY basis

### Total Securities

TRY, bn



TRY Securities

81% 81% 76% 76% 72%

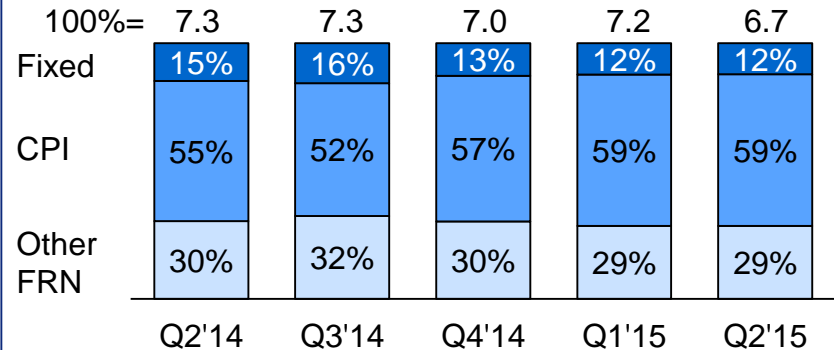
FX Securities

19% 19% 24% 24% 28%

## 88% of TRY securities are indexed / variable rate

### TRY Securities

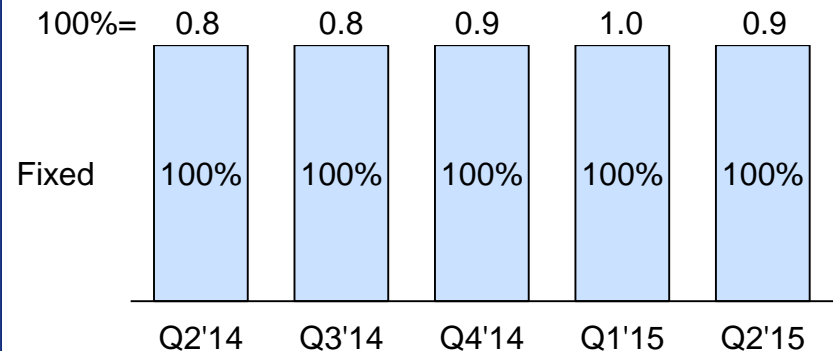
TRY, bn



## FX securities grew by 21% YoY

### FX Securities

USD, bn



# Comfortable asset quality with high coverage ratios

**NPL ratio slightly deteriorated as asset growth slowed in Q2'15...**

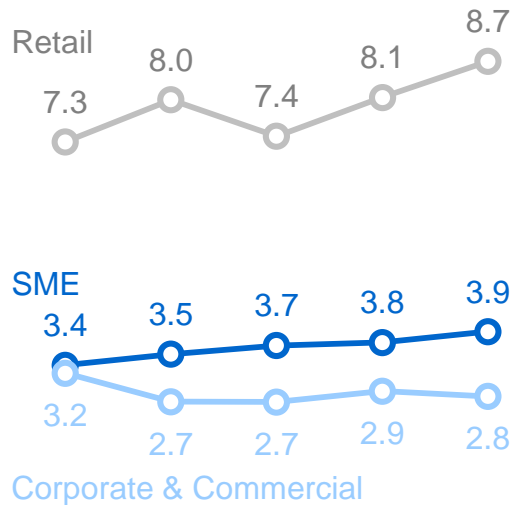
**NPL Ratio**  
%



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

**... mainly behind retail segment**

**NPL Ratio by Segments**  
%

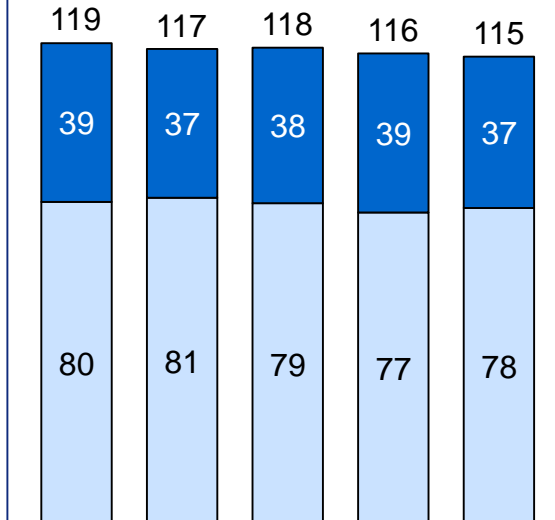


Q2'14 Q3'14 Q4'14 Q1'15 Q2'15

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

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

■ General provisions / NPL  
■ Specific provisions / NPL



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

(1) After NPL sales during the periods

(2) General provisions include watch-list provisions

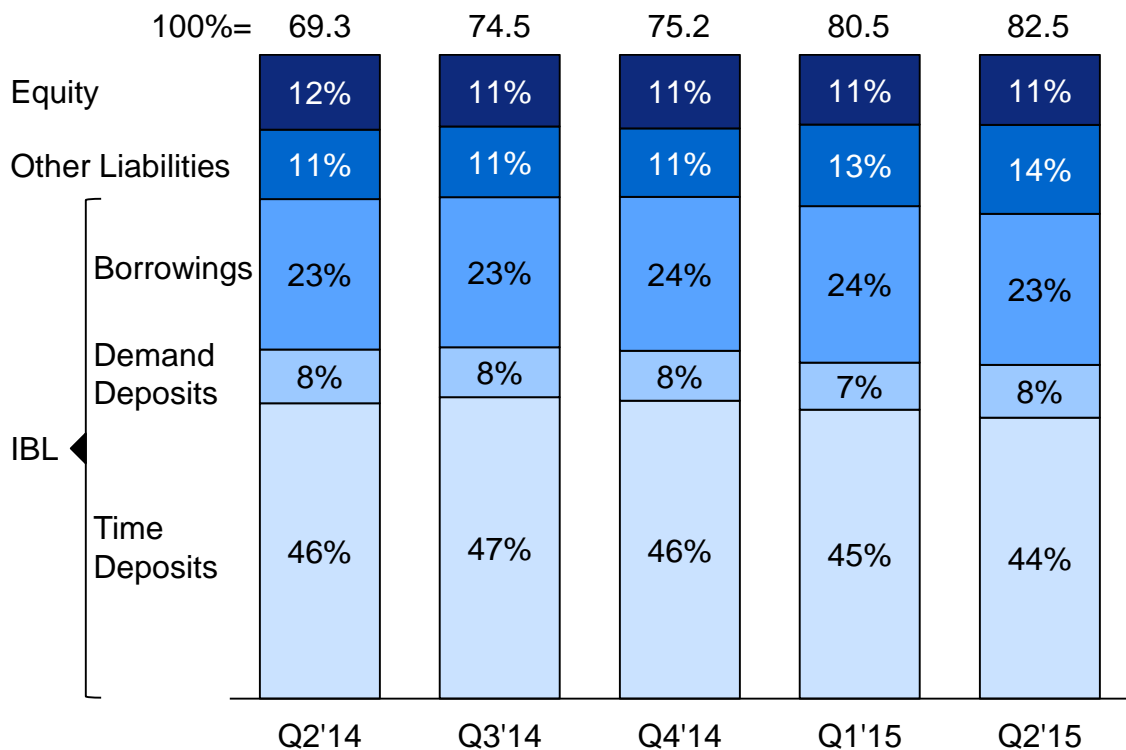


# Well-diversified funding structure underpinned by solid deposit base

## Increasing diversification of funding sources

### Total Liabilities

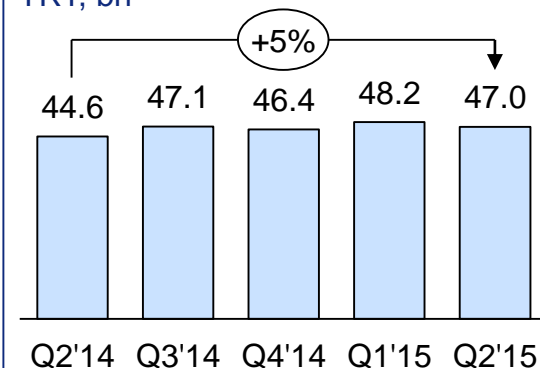
TRY, bn



## TRY liabilities grew by 5% YoY

### TRY Liabilities

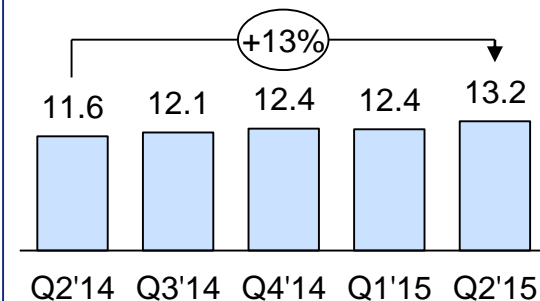
TRY, bn



## FX liabilities grew by 13% YoY

### FX Liabilities

USD, bn

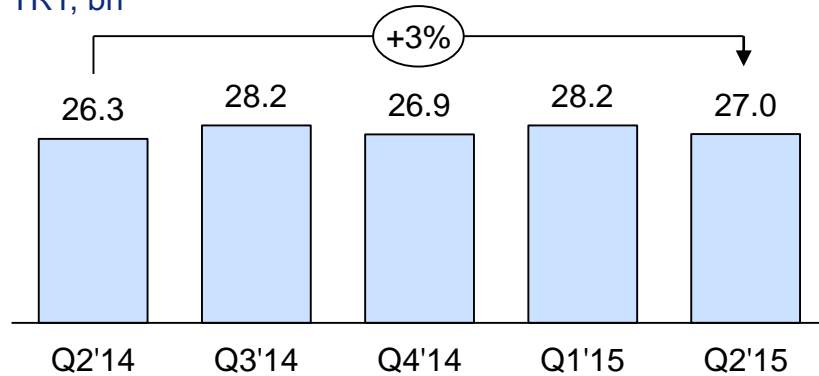


# Solid deposit base makes up 69% of IBL

## 3% increase in TRY customer deposits on YoY basis

### TRY Deposits

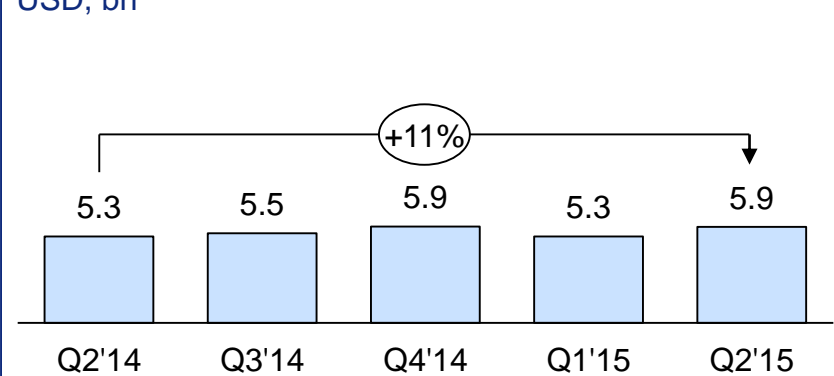
TRY, bn



## 11% increase in FX customer deposits on YoY basis

### FX Deposits

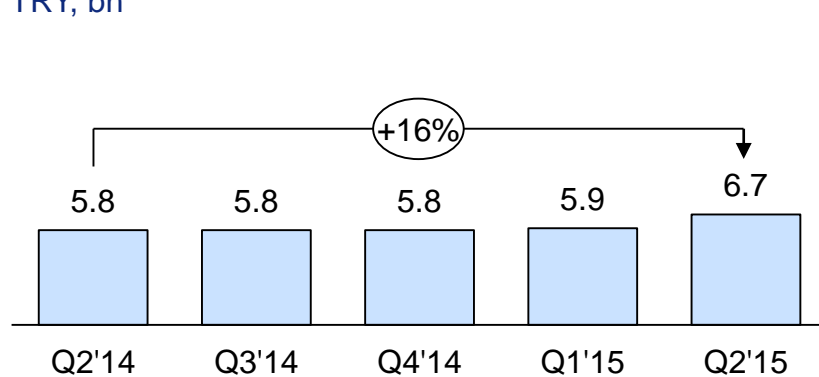
USD, bn



## Demand deposits stand at 16% of total deposits

### Demand Deposits

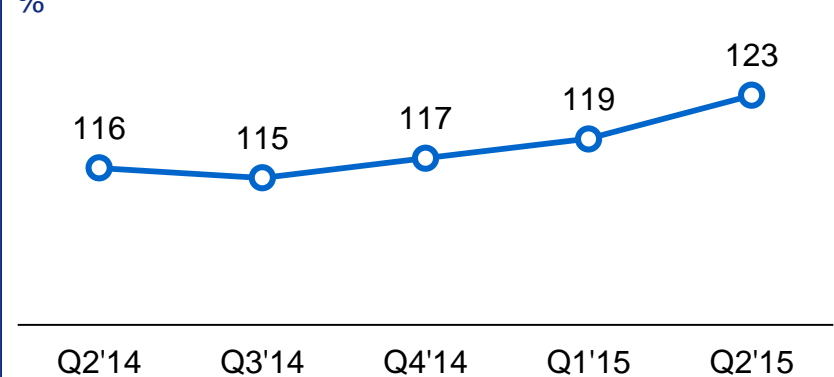
TRY, bn



## Loan-to-deposit ratio increased to 123% in Q2'15

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

%



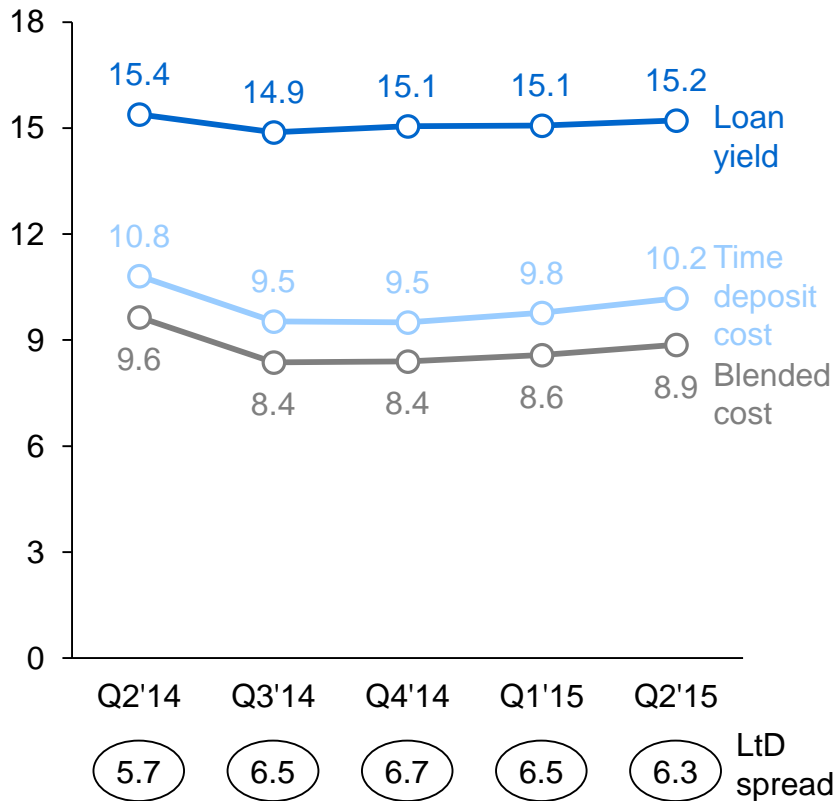
(1) Including TRY bonds

# Loan-deposit spread expanded by 16 bps QoQ as a result of change in TRY-FX mix

## TRY loan-deposit spread decreased by 16 bps QoQ

### TRY Spread

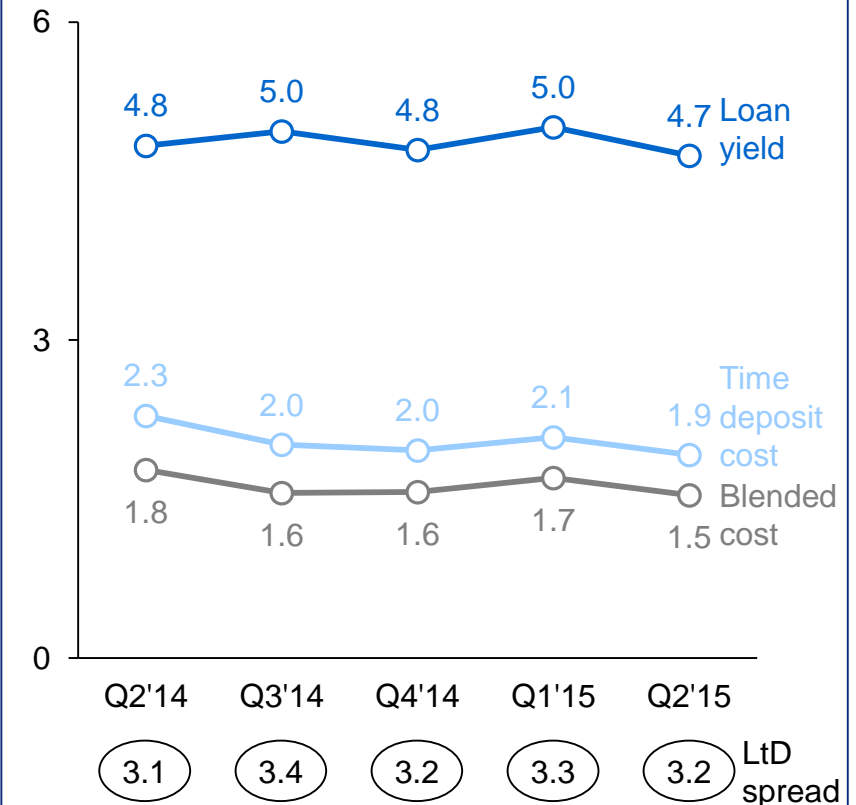
%, Quarterly average



## FX loan-deposit spread decreased by 11 bps QoQ

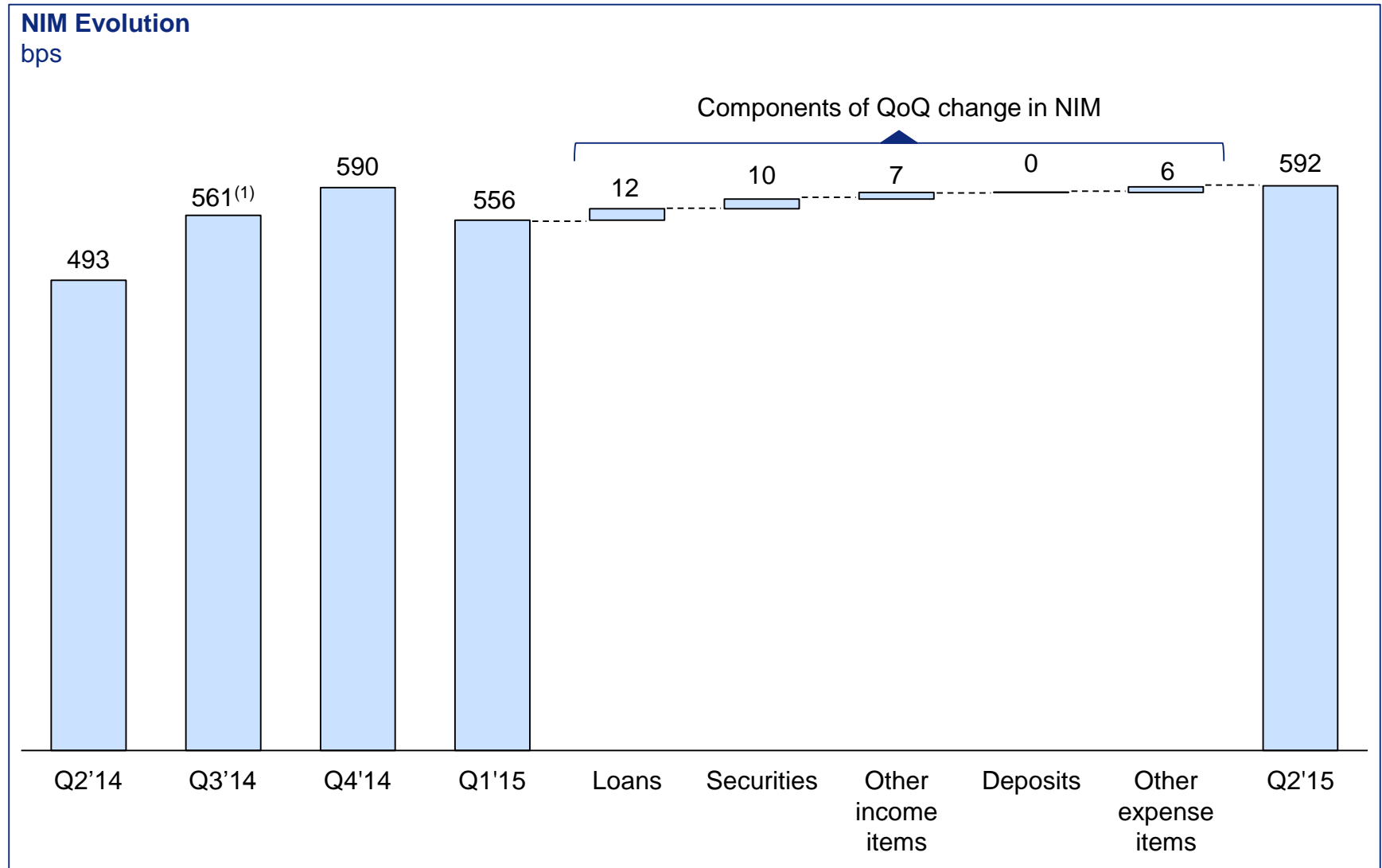
### FX Spread

%, Quarterly average



**16 bps QoQ increase** in blended loan-deposit spread as a result of change in TRY-FX mix on both loan and deposit side

# NIM expansion in Q2'15 driven by higher yields in loans and securities

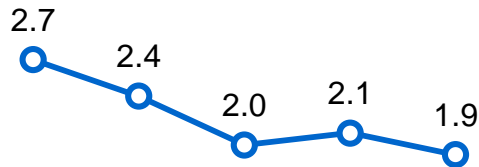


(1) Excludes the TRY 75mn effect of accounting methodology change for CPI-linked bonds. If included, Q3'14 NIM would be 6.1%

# Cost of risk improved further in Q2'15

## CoR improved in Q2'15

Cost of Risk  
%



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

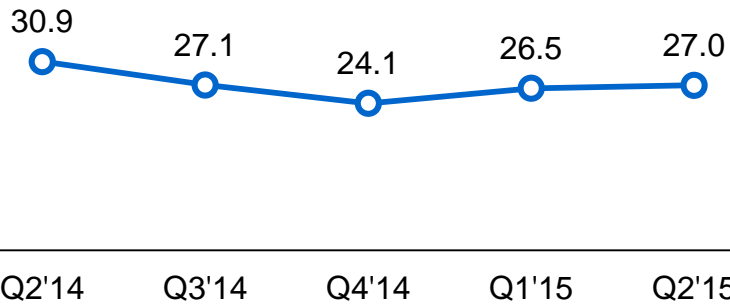
Cost of risk improvement is a natural result of loan book shift towards business banking

	Loan Composition					SCoR	General
	% of total loans					Q2'15, %	Prov. Rates %
Credit cards	18	16	15	14	14	4.2	4.0
General purpose loans	16	16	16	16	16	3.5	4.0
Mortgage	14	12	12	11	10	0.1	1.0
SME	31	35	35	36	35	1.6	0.5
Corporate & Commercial	20	21	22	23	25	0.7	1.0
	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15		

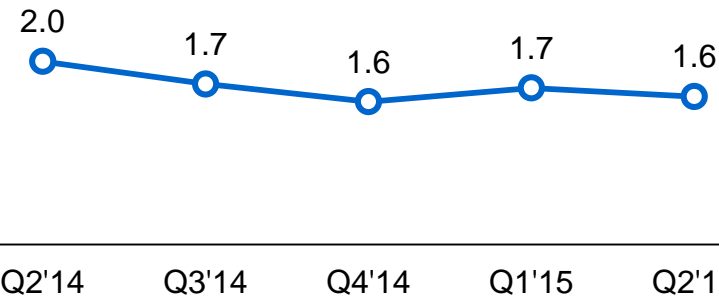
# Solid fee generation continues in Q2'15

## Fee generation is almost flat on QoQ basis

**Fees / Total Income**  
%

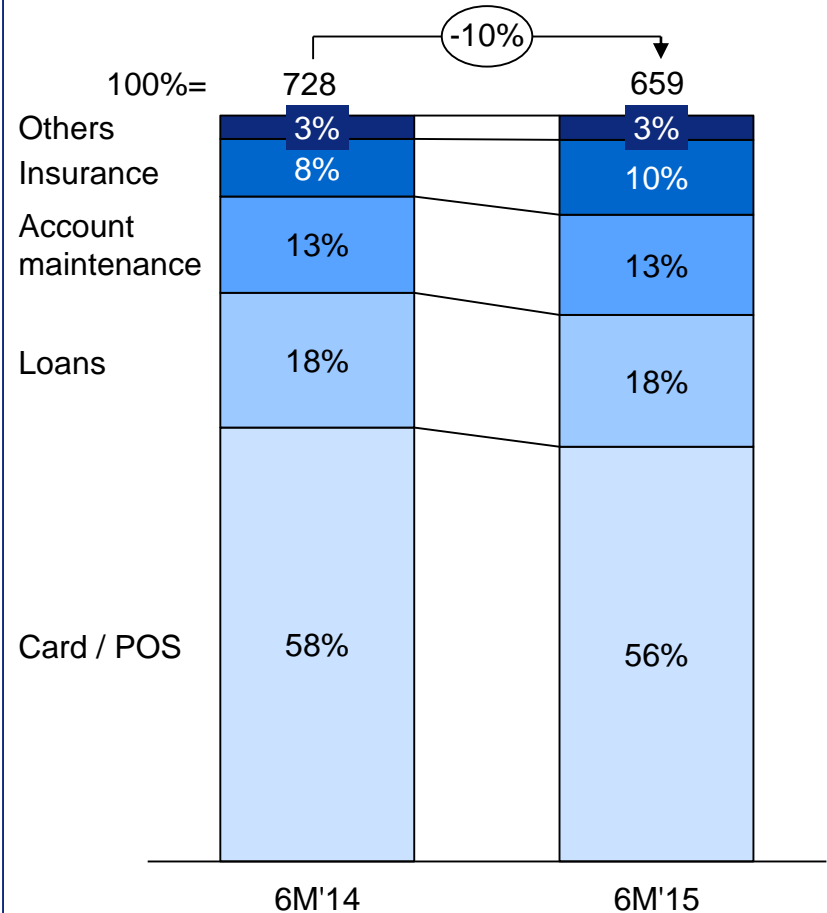


**Fees / Assets**  
%



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

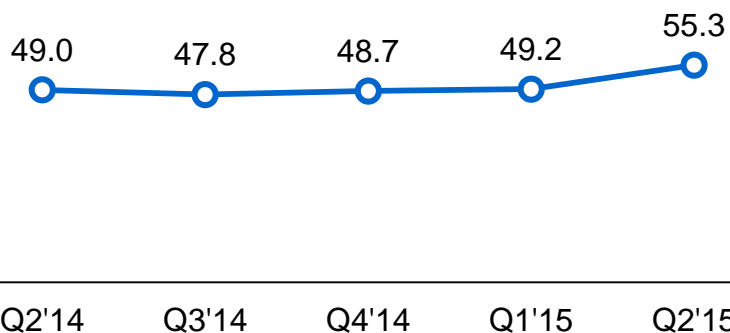
**Cumulative Net Fees and Commissions**  
TRY, mn



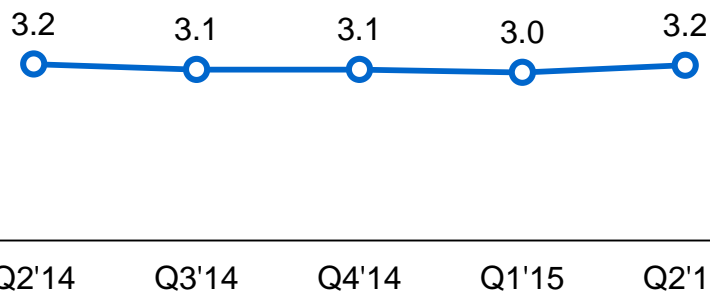
# Best in class cost management limits YoY OpEx increase

Salary increases and bonus payments were recorded in Q2'15, Cost / Income ratio increased as a result

**Cost / Income<sup>(1)</sup>**  
%

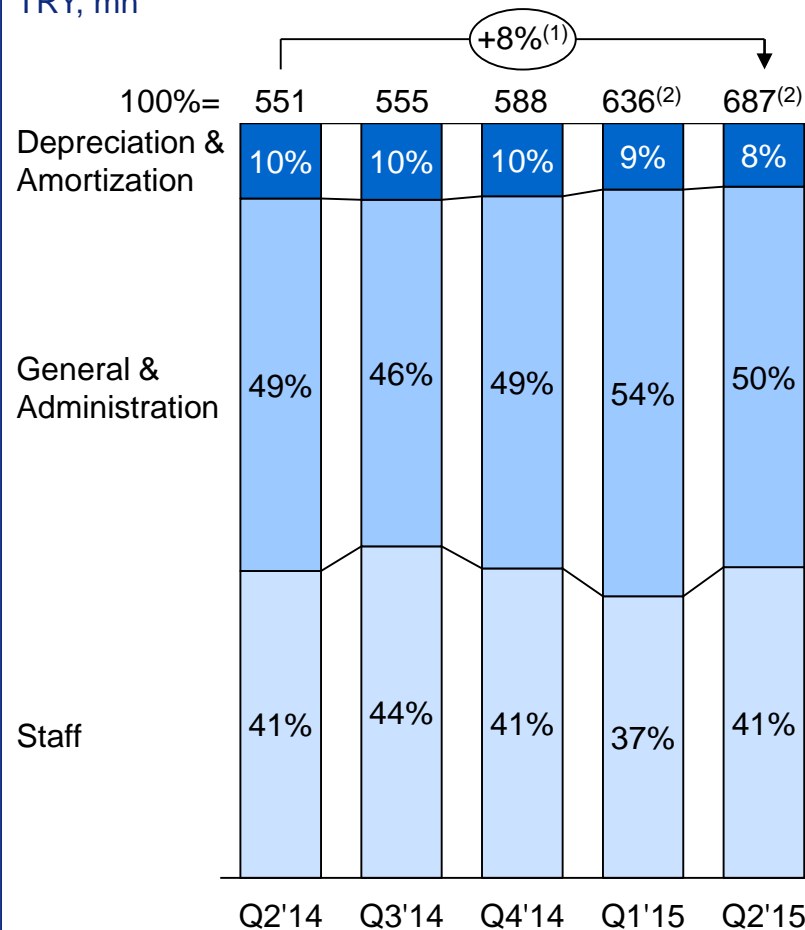


**OpEx / Assets<sup>(1)</sup>**  
%



YoY OpEx increase is in-line with inflation

**OpEx**  
TRY, mn



(1) Excluding commission refunds

(2) Including commission refunds of TRY 43 million in Q1'15 and TRY 40 million in Q2'15

## Quarterly net income decline attributable to one-offs

TRY, mn	Q2'14	Q1'15	Q2'15	ΔQoQ	ΔYoY
Net Interest Income	673	859	955	11%	42%
Net Fees & Commissions	347	332	327	-1%	-6%
Trading & Other Income <sup>(1)</sup>	96	60	-71	-219%	-174%
<b>Total Operating Income</b>	<b>1,125</b>	<b>1,250</b>	<b>1,211</b>	<b>-3%</b>	<b>8%</b>
Provisions	-308	-272	-257	-6%	-17%
OpEx	-551	-636	-687	8%	25%
<b>Net Operating Income</b>	<b>266</b>	<b>342</b>	<b>267</b>	<b>-22%</b>	<b>0%</b>
Taxation	-51	-59	-45	-23%	-11%
<b>Net Income</b>	<b>215</b>	<b>283</b>	<b>221</b>	<b>-22%</b>	<b>3%</b>

- **3% QoQ decrease in total operating income** as a result of the high base created by one-off dividend income in Q1'15
- **6% QoQ decrease in provisions** due to lower general provisions
- **8% QoQ increase in OpEx** as salary increases and bonus payments are recorded in Q2'15
- **22% QoQ decrease in net income**, virtually flat when dividend income in Q1'15 is excluded

(1) Including dividend income from subsidiaries



# Appendix

Pg. 17 Key financial ratios

Pg. 18 Balance sheet summary

## Key financial ratios

	All figures quarterly	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	ΔQoQ	ΔYoY
<b>Profitability</b>	RoAE	10.8%	12.0%	13.7%	13.1%	10.0%	-3.1%	-0.8%
	RoAA	1.2%	1.4%	1.5%	1.5%	1.1%	-0.4%	-0.1%
	Cost / Income	49.0%	47.8%	48.7%	50.9%	56.8%	5.9%	7.8%
	NIM	4.9%	5.6%	5.9%	5.6%	6.0%	0.4%	1.1%
<b>Liquidity</b>	Loans / Deposits	122%	121%	124%	125%	128%	3%	6%
	Loans / (Dep. + TRY Bonds)	116%	115%	117%	119%	123%	4%	8%
<b>Asset Quality</b>	NPL Ratio	5.4%	5.5%	5.2%	5.5%	5.7%	0.2%	0.3%
	Coverage	80%	81%	79%	77%	78%	1%	-1%
	Cost of Risk	2.7%	2.4%	2.0%	2.1%	1.9%	-0.2%	-0.8%
<b>Solvency</b>	CAR	16.8%	16.3%	17.0%	16.0%	15.8%	-0.2%	-1.0%
	Tier I Ratio	12.8%	12.4%	13.0%	12.5%	12.3%	-0.2%	-0.5%
	Leverage	8.6	9.0	8.8	9.2	9.2	0.0	0.6

## Balance sheet summary

	TRY, mn	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	ΔQoQ	ΔYoY
<b>Assets</b>	Cash & Banks <sup>(1)</sup>	8,548	9,400	9,108	9,668	9,720	1%	14%
	Securities	8,913	9,073	9,165	9,759	9,199	-6%	3%
	Net Loans	45,741	49,199	50,344	52,412	54,603	4%	19%
	Fixed Assets & Subsidiaries	2,313	2,327	2,380	2,232	2,259	1%	-2%
	Other	3,833	4,545	4,209	6,423	6,673	4%	74%
	<b>Total Assets</b>	<b>69,348</b>	<b>74,545</b>	<b>75,206</b>	<b>80,494</b>	<b>82,454</b>	<b>2%</b>	<b>19%</b>
<b>Liabilities &amp; Equity</b>	Customer Deposits	37,615	40,686	40,652	42,009	42,743	2%	14%
	Borrowings	16,210	17,387	17,964	19,581	19,358	-1%	19%
	Bonds Issued	4,673	5,288	5,373	5,583	5,134	-8%	10%
	Funds Borrowed	4,726	4,815	4,898	5,519	5,854	6%	24%
	Sub-debt	1,942	2,110	2,122	2,417	2,459	2%	27%
	Bank Deposit	1,150	1,534	1,423	1,561	1,450	-7%	26%
	Repo	3,719	3,640	4,147	4,501	4,461	-1%	20%
	Other	7,474	8,181	8,017	10,190	11,391	12%	52%
	Equity	8,049	8,291	8,574	8,714	8,961	3%	11%
	<b>Total Liabilities &amp; Equity</b>	<b>69,348</b>	<b>74,545</b>	<b>75,206</b>	<b>80,494</b>	<b>82,454</b>	<b>2%</b>	<b>19%</b>

(1) Includes banks, interbank, other financial institutions

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