

Finansbank Q4'14 Earnings Presentation

Declining oil prices pushed inflation lower, banking sector volumes slightly decelerated in Q4'14

Q4'14 trends

Macro dynamics

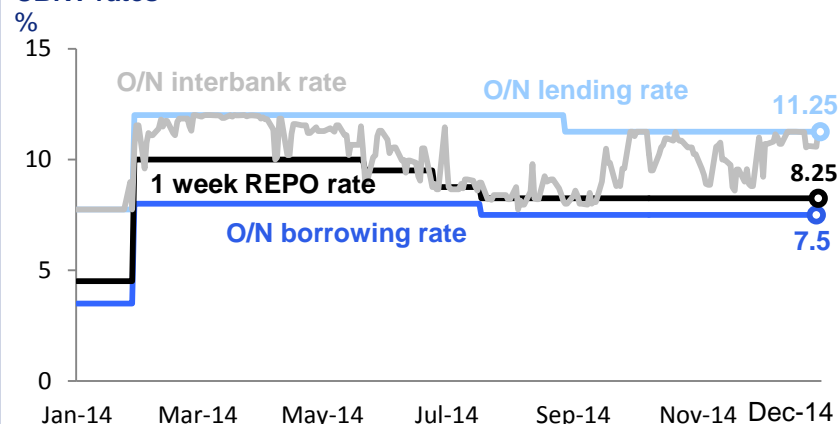
- ECB and FED related uncertainties created volatility in financial markets during Q4'14
- Oil prices declined by more than 50% since June, causing a downward trend in inflation. CPI eased to 8.2% in Dec'14 and is expected to decline further in H1'15.
- GDP growth decelerated to 1.7% in Q3'14 despite strong growth in exports
- CBRT kept policy rate at 8.25% after 50 bps cut in July, liquidity policy was used to manage short term interest rates towards ceiling of the interest rate corridor

Banking sector dynamics

- Growth in banking sector volumes slightly decelerated in Q4'14
- NIM remained flat during Q4'14 as the effects of the rate cut cycle on yields started to diminish
- Asset quality remained intact despite slight increase in NPL ratio

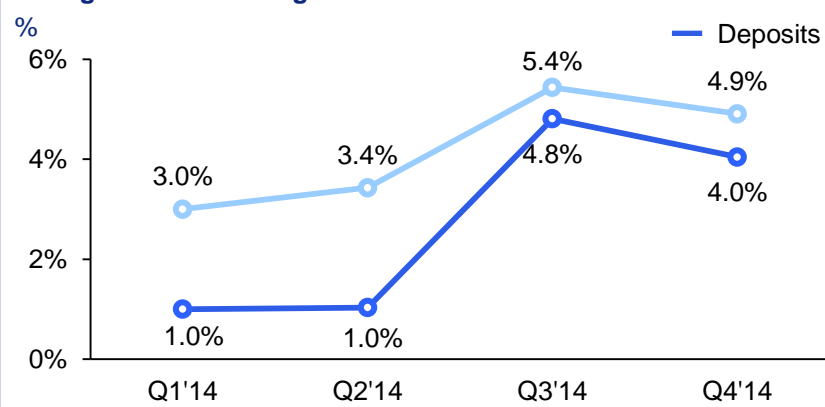
Policy rate remained flat at 8.25% after the last rate cut in July

CBRT rates



Loan and deposit growth decelerated in Q4'14 but still remained above H1'14 figures

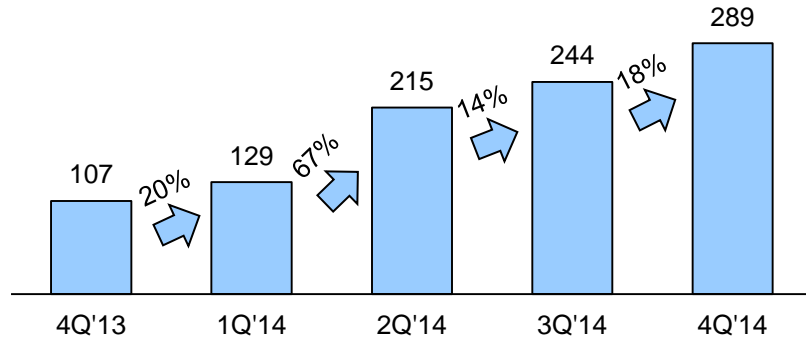
QoQ growth in banking sector volumes



Profitability climbs further while asset quality improved

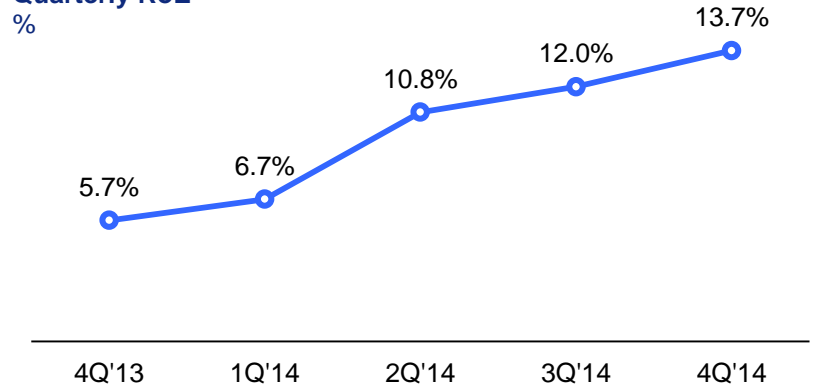
Net Income improved for the 4th consecutive quarter

Quarterly net income
TRY million



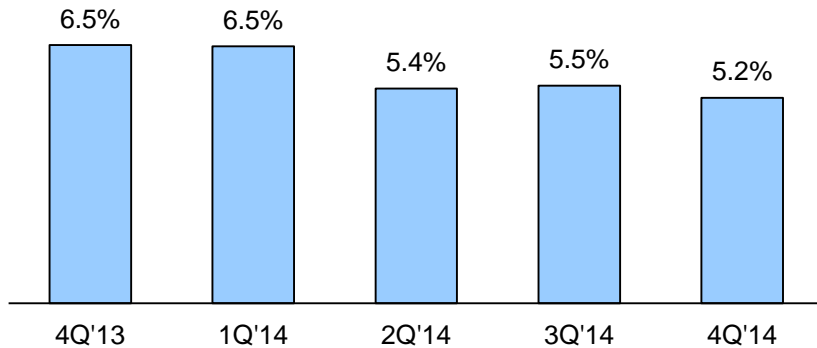
RoE is on an upward trend

Quarterly RoE
%



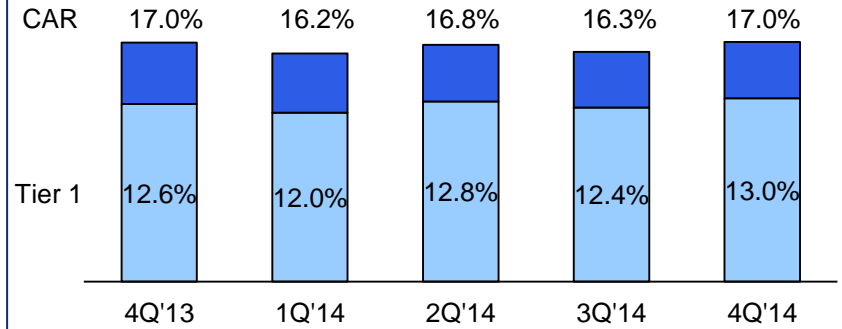
NPL ratio is well under control

NPL ratio
%

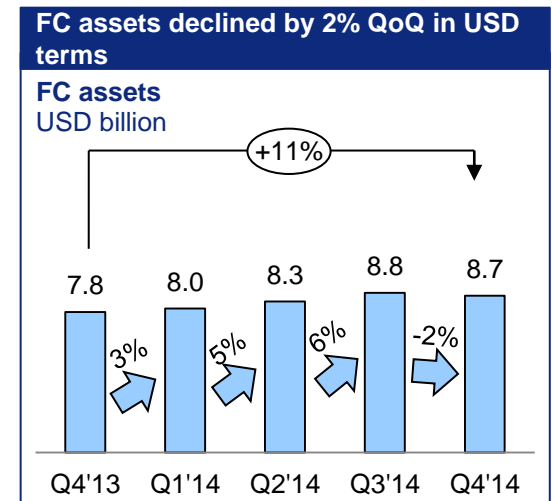
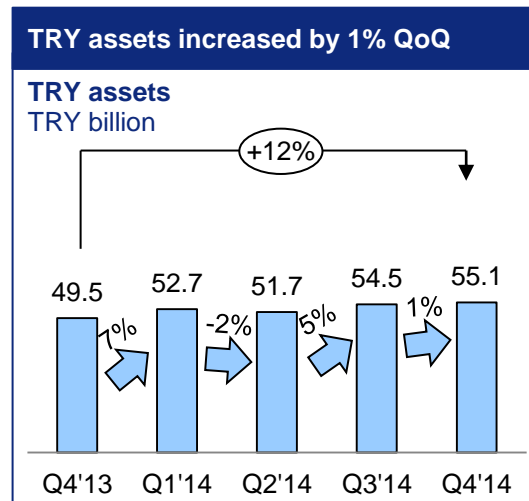
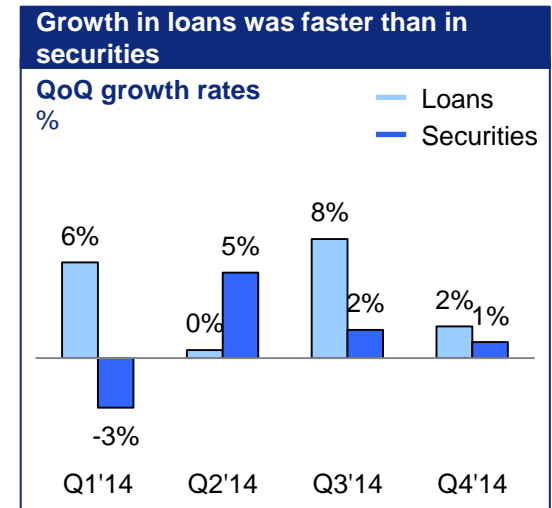
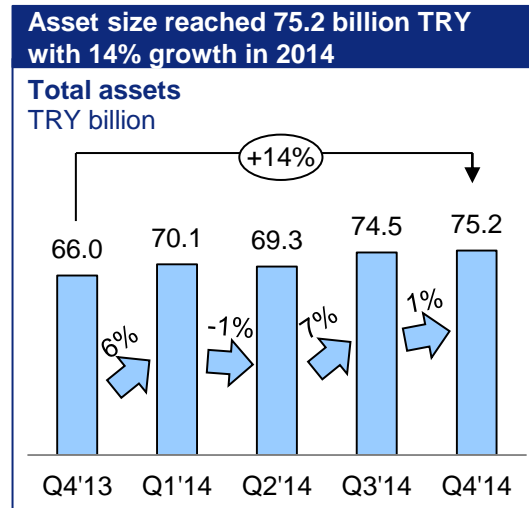
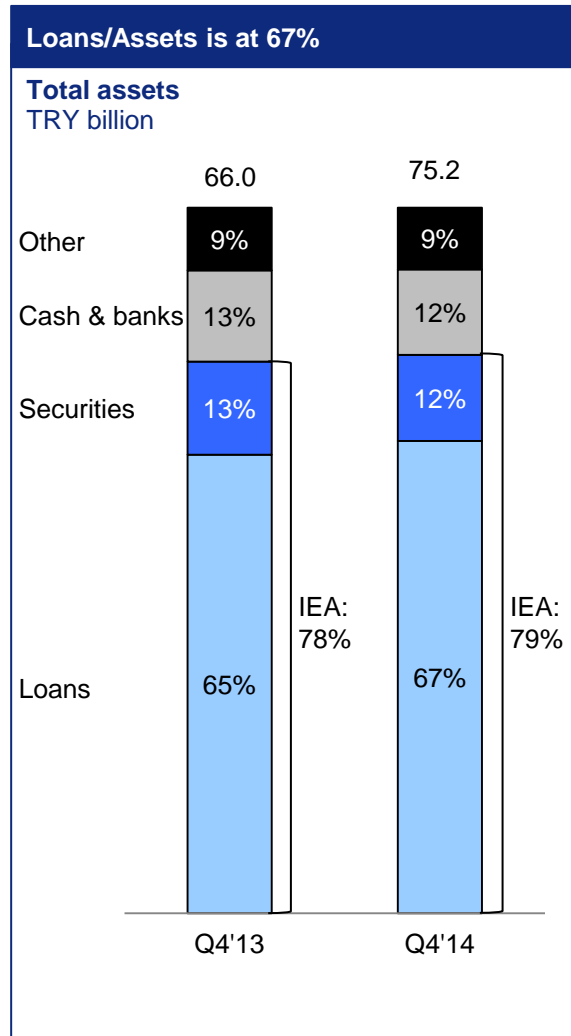


Best in class Tier 1 and CAR ratio improved further

CAR
%



Loan growth was faster than other asset segments, IEA grew to 79% of total assets as a result

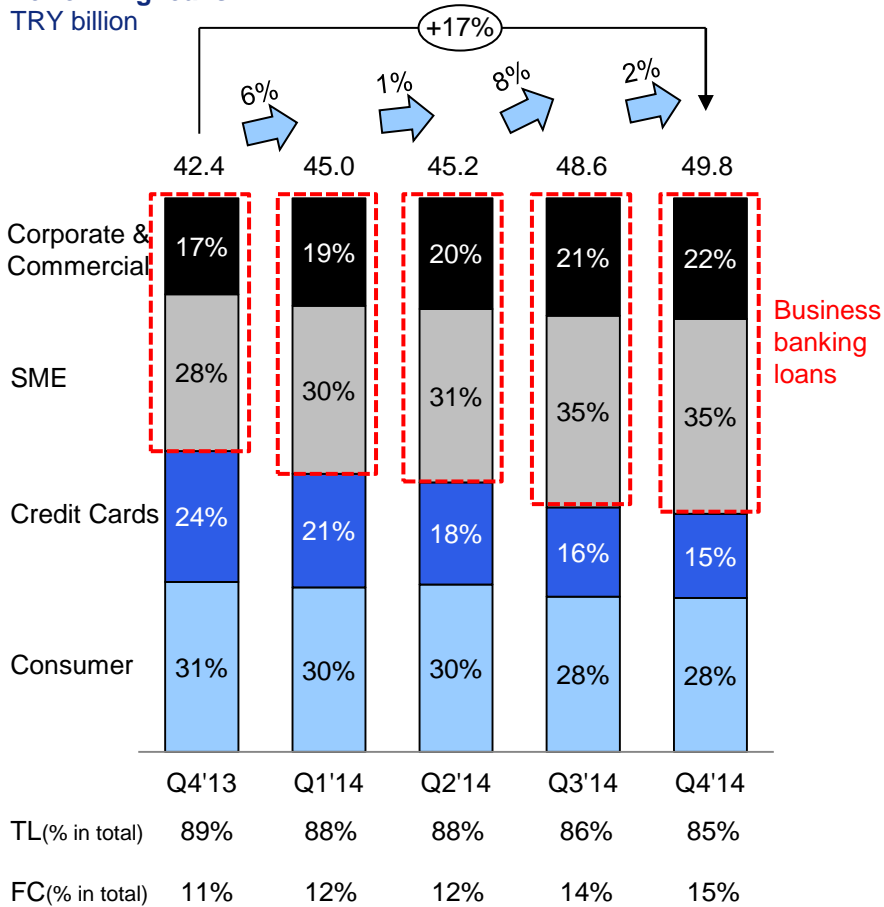


Sustainable and successful execution of the growth strategy...

Business banking loans constitute 57% of total loan book, up from 45% in 2013

Performing loans

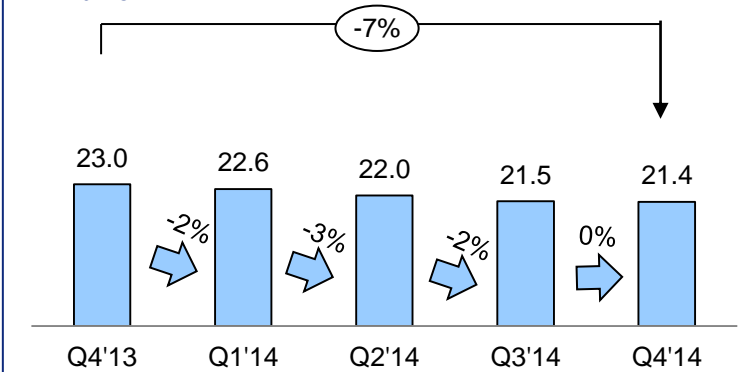
TRY billion



Retail loans remained flat QoQ after having declined in first 3 quarters of 2014

Retail loans

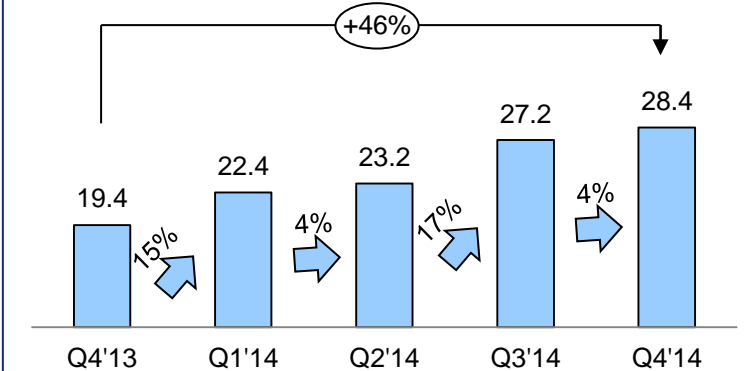
TRY billion



46% growth in business banking loans in 2014

Business loans

TRY billion

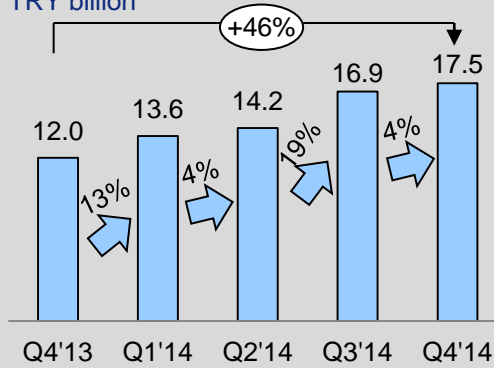


... focused on business banking loans and selective retail banking segments

Business banking segments
 Retail banking segments

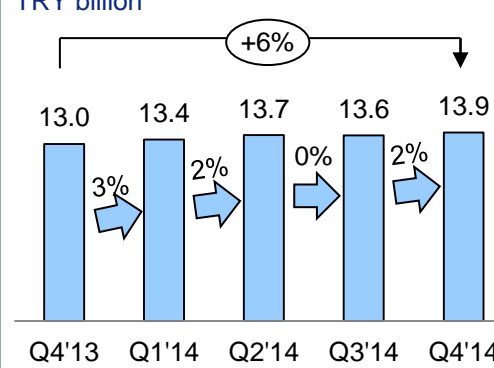
Above market growth in SME loans...

SME loans
TRY billion



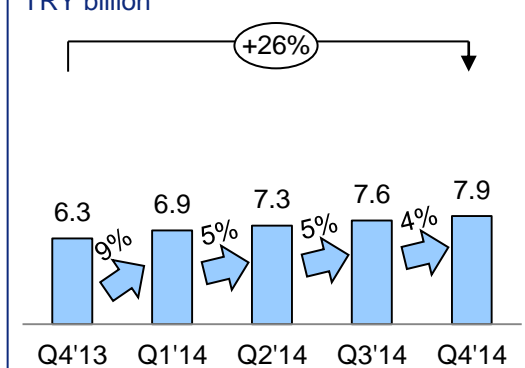
Selective growth in consumer loans

Consumer loans
TRY billion



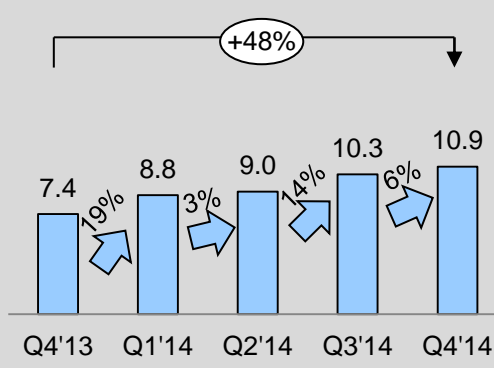
Continued focus on GPL

General purpose loans (1)
TRY billion



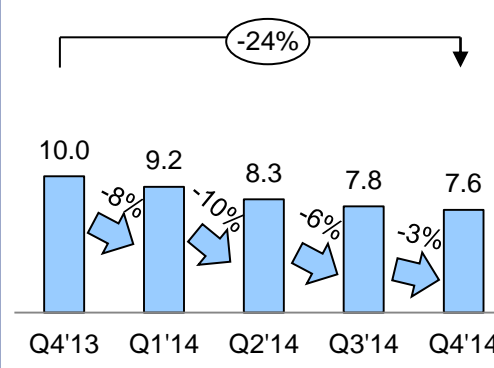
... and corporate & commercial loans

Corporate & commercial loans
TRY billion



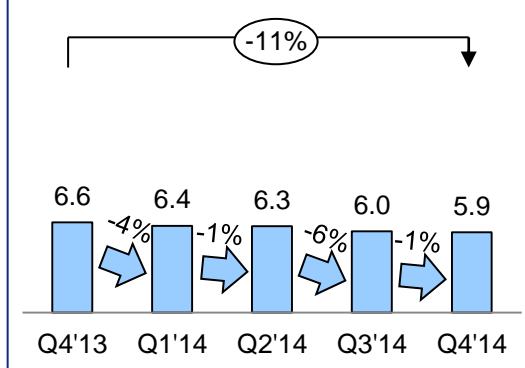
Credit cards loans declined by 24% YoY in 2014

Credit card loans
TRY billion



Due to negative spreads, continuing retrenchment in mortgages

Mortgage loans
TRY billion

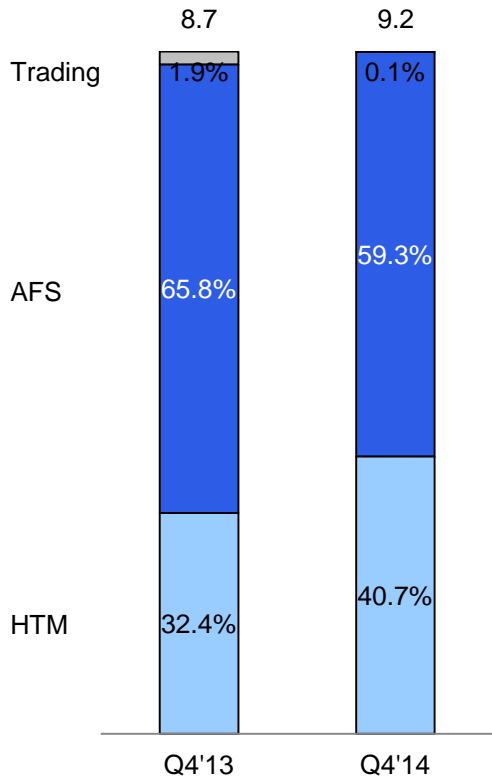


(1) Including overdraft

Securities constitute 12% of assets

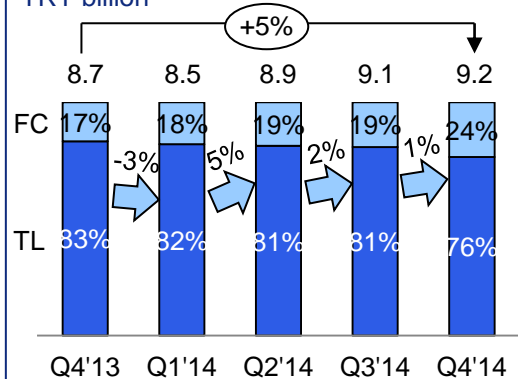
Size of security portfolio reached 9.2 billion TRY

Total securities
TRY billion



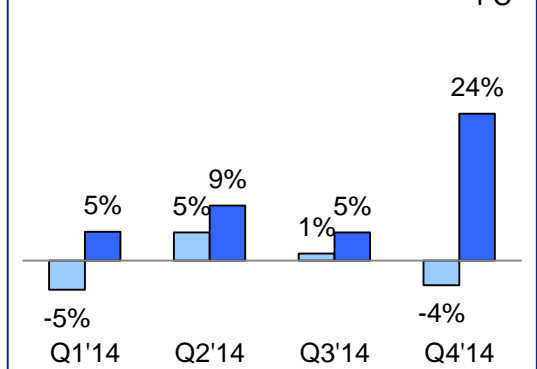
Securities constitute 12% of assets

Total securities
TRY billion



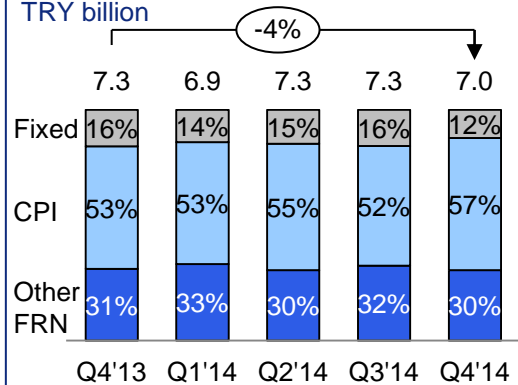
FC securities show steady growth QoQ

QoQ securities growth
%



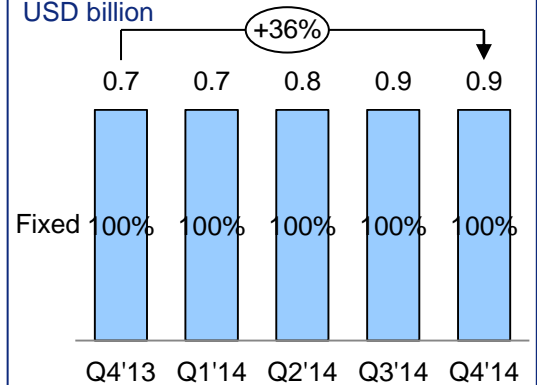
87% of TL securities are indexed / variable rate

TRY securities
TRY billion



FC securities are also growing in USD terms

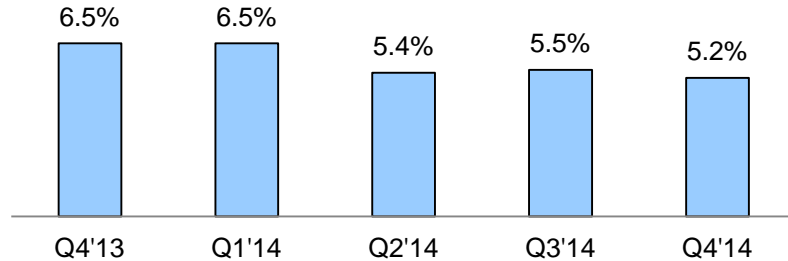
FC securities
USD billion



CoR continues to improve and NPL ratio is down to 5.2%

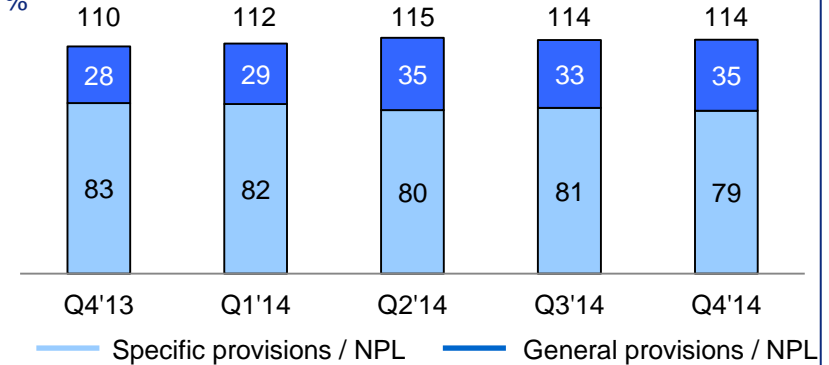
NPL ratio is well under control..

NPL ratio %



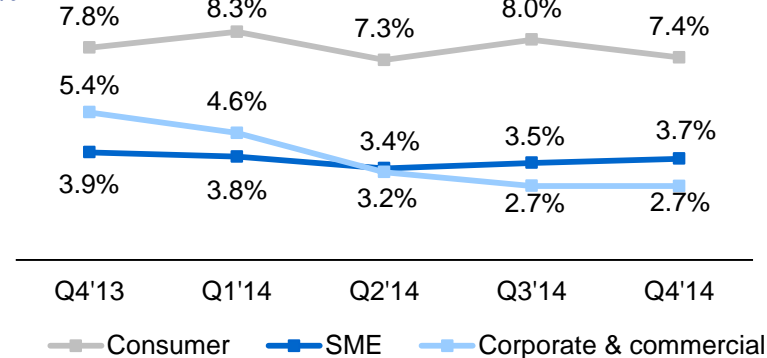
NPLs well covered through general and specific provisions

NPL coverage %



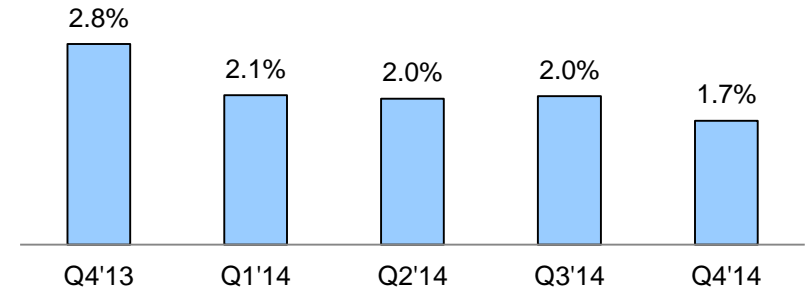
NPL sales of 327 million TRY contributed to the decline in NPL ratio

NPL ratio %



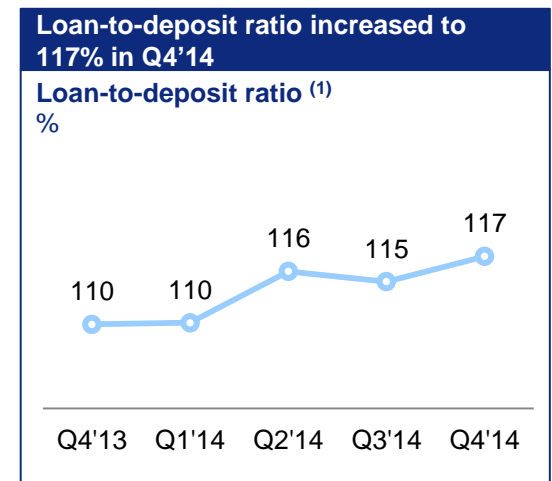
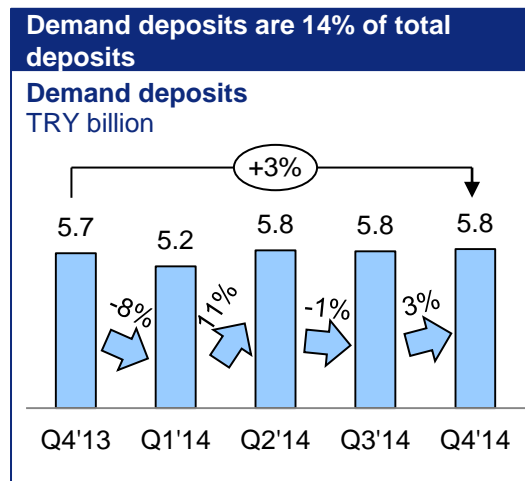
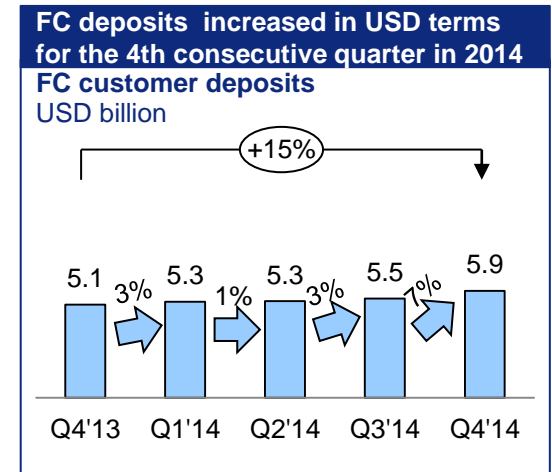
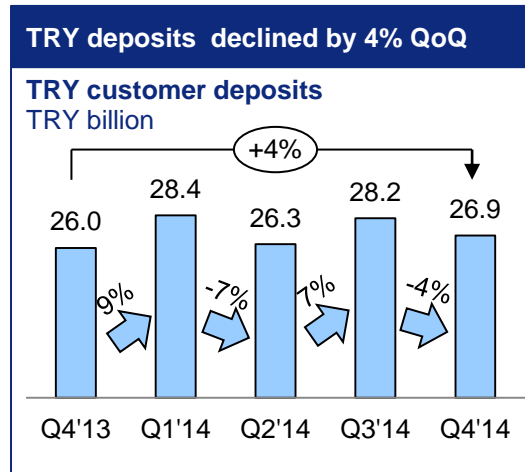
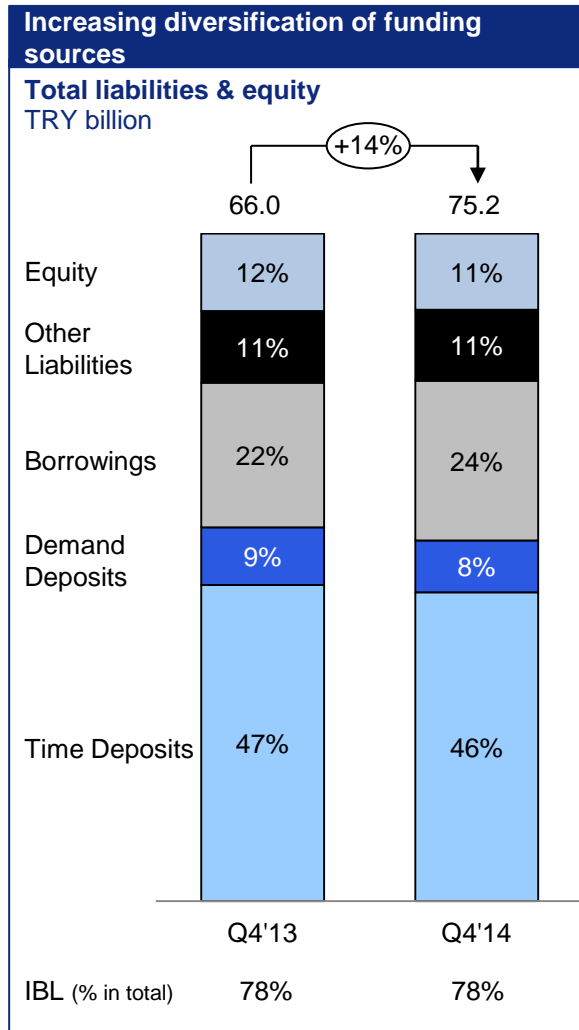
Cost of Risk declined to 1.7%

Cost of Risk ⁽¹⁾ %



(1) Additional TL 80 million specific provision in Q2'14, TL 45 million free provision in Q3'14 and TL 37 million free provision in Q4'14 are excluded. If not, CoR would be 2.7%, 2.4% and 2.0% in Q2'14, Q3'14 and Q4'14 respectively

Well-diversified funding structure underpinned by solid deposit base



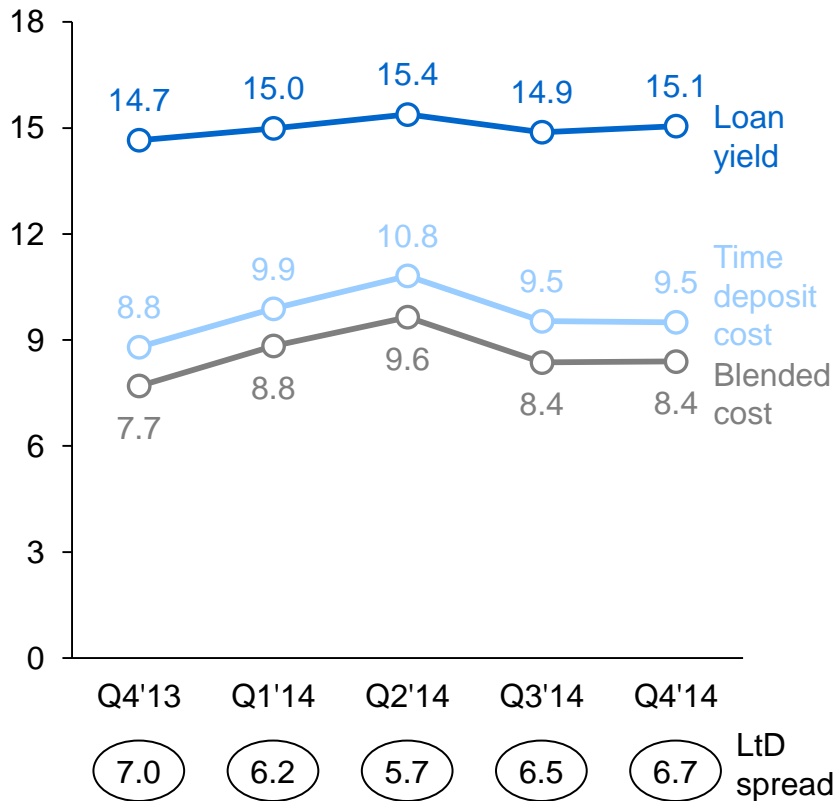
(1) Including TRY bonds

Improvement in loan-to-deposit spread continued

TRY loan-to-deposit spread increased by 14 bps QoQ

TRY spread

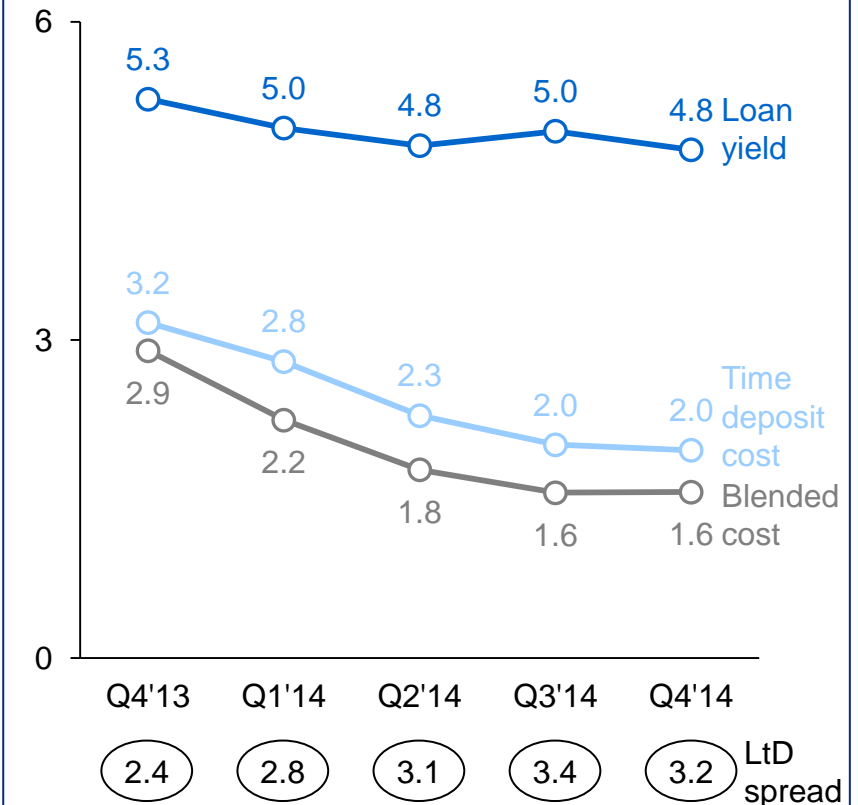
%, Quarterly average



FX loan-to-deposit spread decreased by 18 bps QoQ

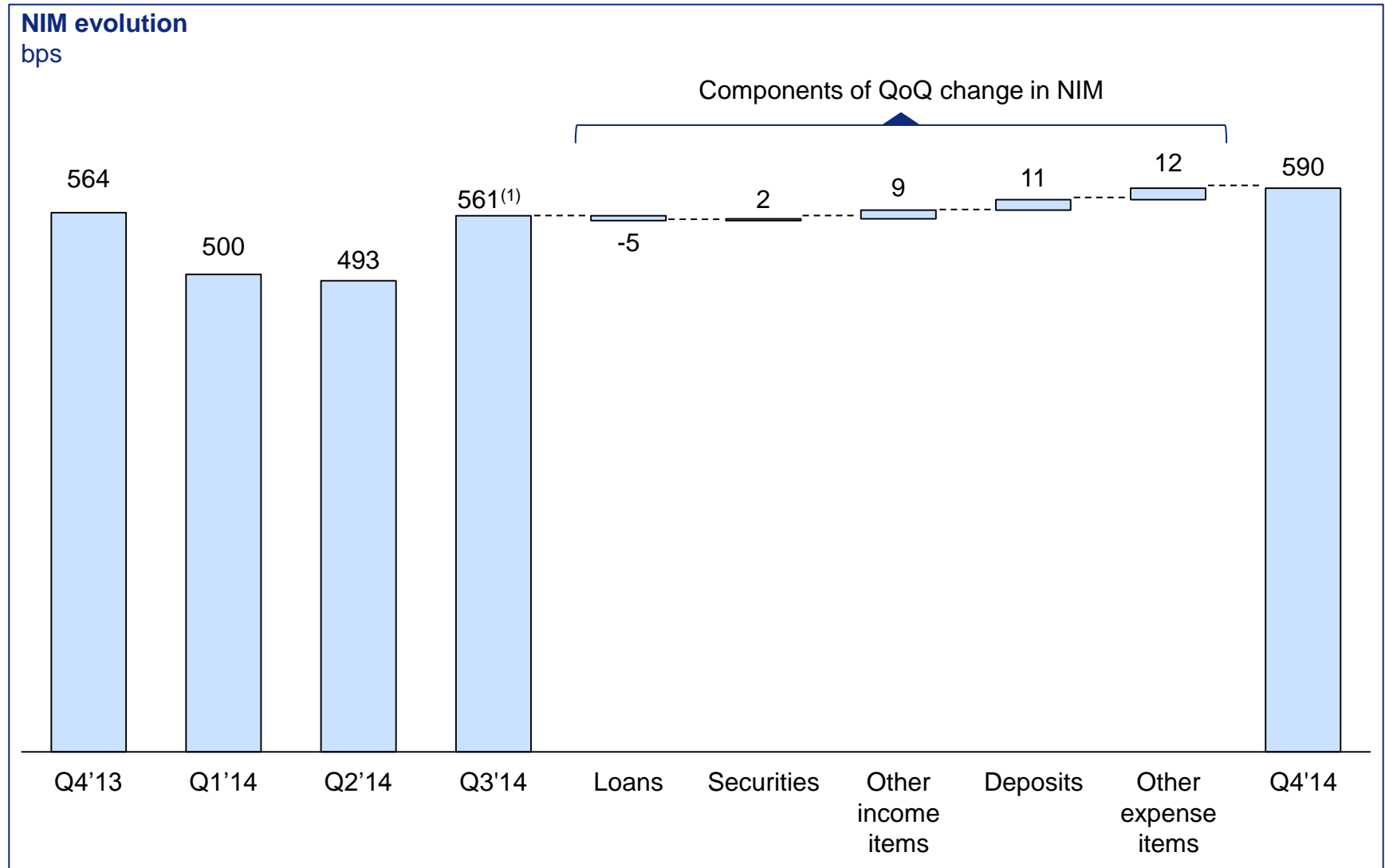
FX spread

%, Quarterly average



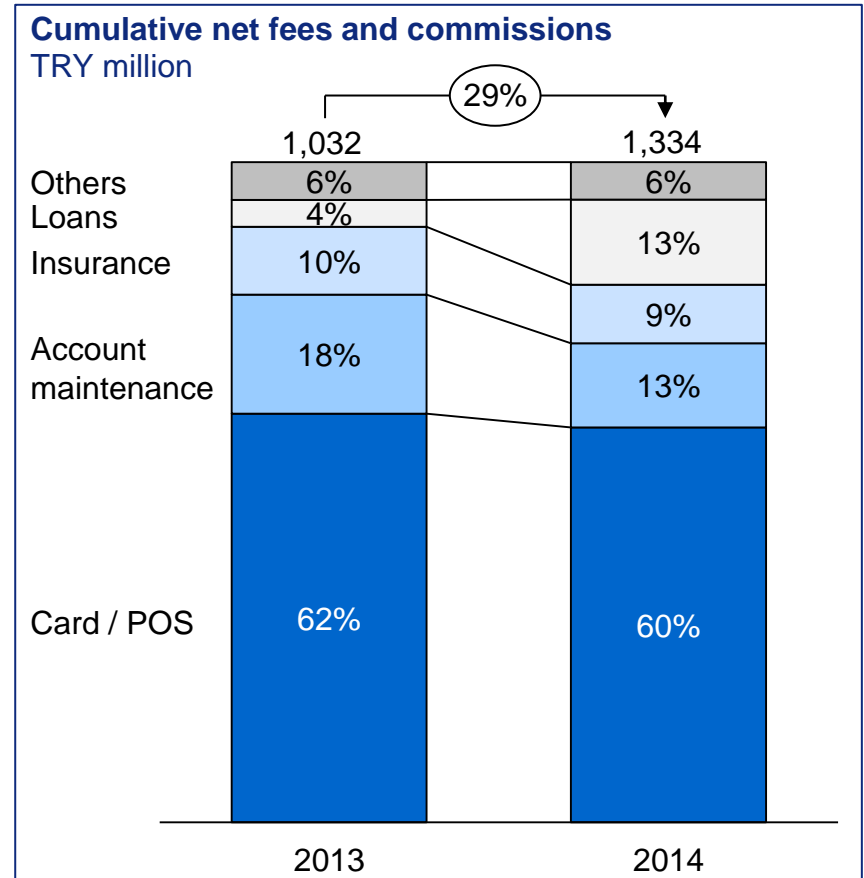
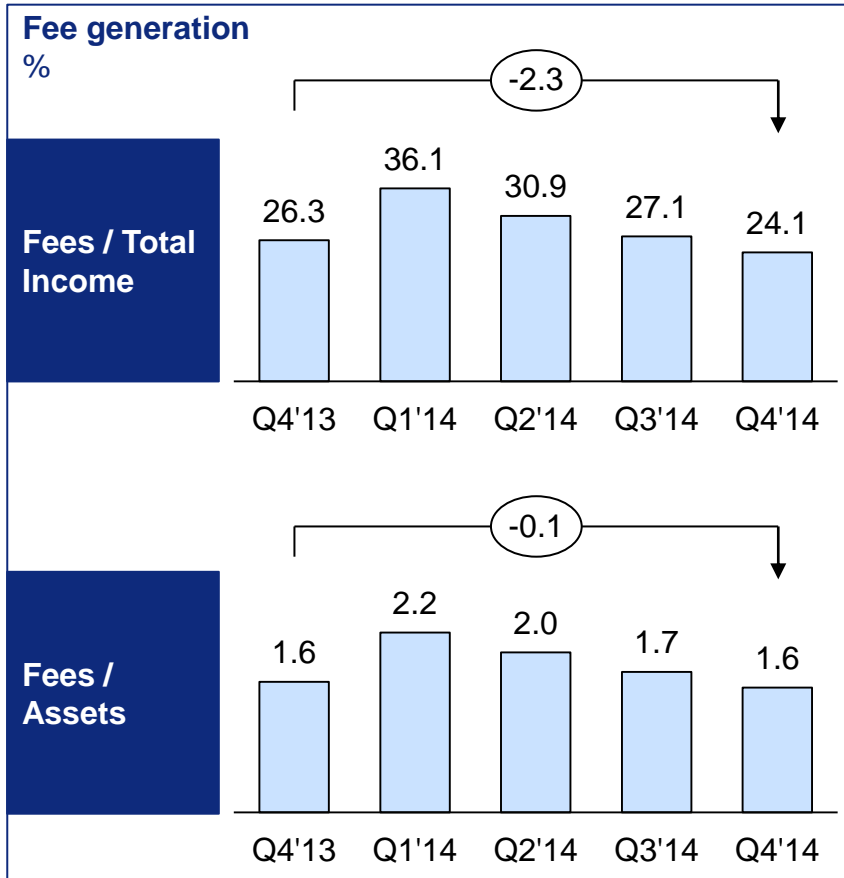
22 bps QoQ improvement in blended loan-to-deposit spread thanks to disciplined pricing and hands-on spread management

NIM improved for 2nd consecutive quarter after bottoming out in H1'14



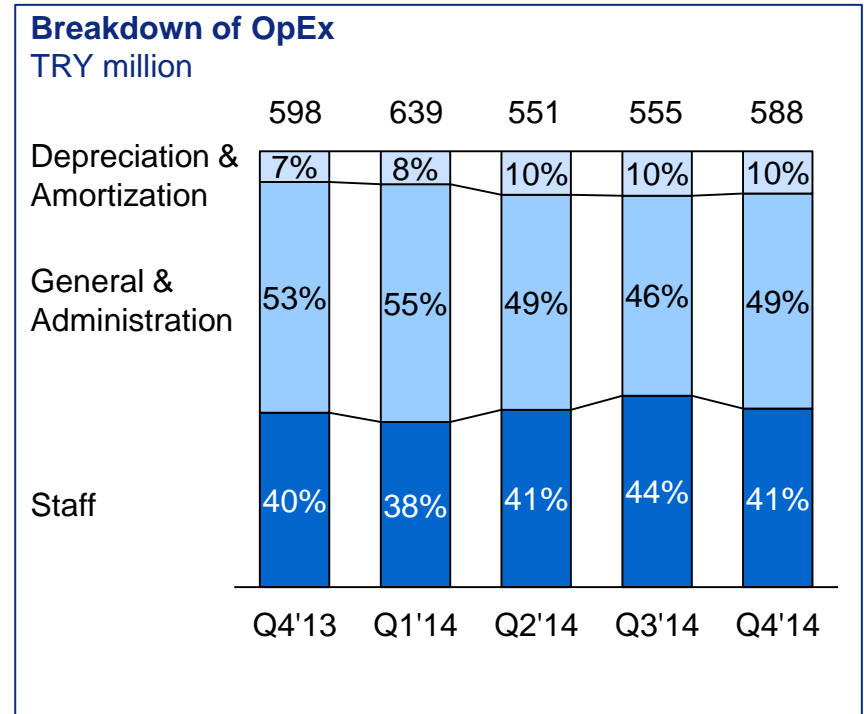
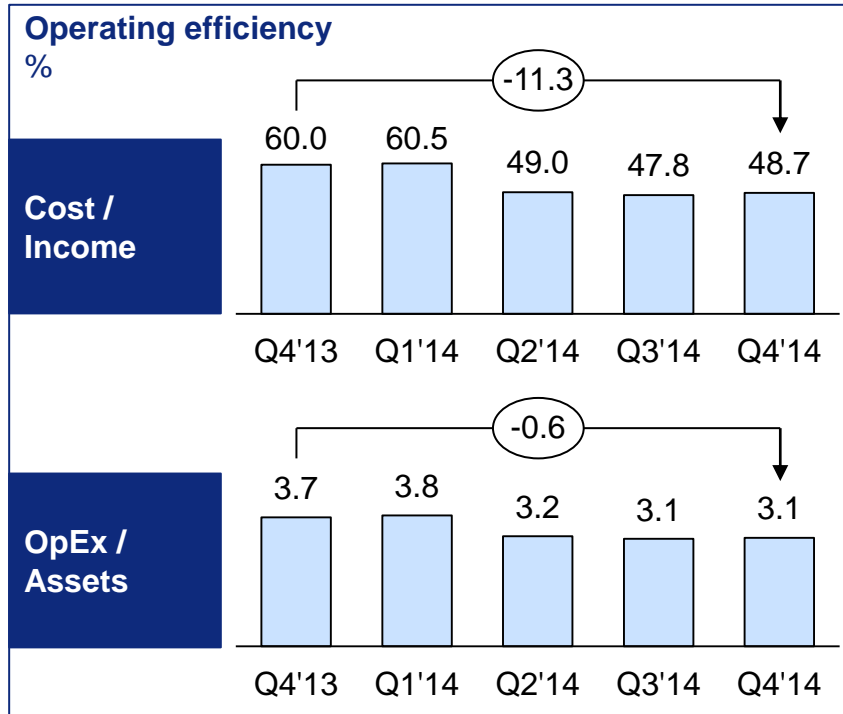
(1) Excludes the TRY 75mn effect of accounting methodology change for CPI-linked bonds. If included, Q3'14 NIM would be 6.1%

Fees and commissions income growth was 29% in 2014



- Fees at **24% of total operating income** in Q4'14
- **Stellar 29% YoY growth** of total fees & commissions income

Cost/income declined to 48.7% with 11.3 pts improvement YoY



- Branch number decreased to 658 in Q4'14 from 666 in Q3'14 due to **rationalization** and **relocation of existing network**
- Personnel number decreased to 12,830 in Q4'14 from 13,036 in Q3'14 due to higher adoption of **automation in operations**, **rationalization of current personnel distribution** and **higher conversion to direct channels**, including Enpara.com
- **ATM investments continued** in Q4'14 and increased the total number to 2,955 from 2,878 in Q3'14

Continuous profit growth behind NII expansion supported by lower CoR and OpEx containment

(TRY million)	Q4'13	Q3'14	Q4'14	ΔQoQ	ΔYoY
Net Interest Income	728	871	885	2%	22%
Net Fees & Commissions	262	314	291	-7%	11%
Trading & Other Income	6	-24	32	-234%	437%
Total Operating Income	996	1,161	1,208	4%	21%
Provisions	-292	-287	-254	-12%	-13%
OpEx	-598	-555	-588	6%	-2%
Net Operating Income	106	320	366	15%	246%
Taxation	1	-75	-77	3%	-7807%
Net Income	107	244	289	19%	170%

- **4 % QoQ increase** in revenues supported by NIM expansion
- **12% QoQ decrease** in provisions thanks to shift in the business mix towards less risky segments
- **2% YoY decrease** in OpEx due to the effects of cost containment actions
- **19% QoQ increase** in net income

Appendix

Pg. 15 Key financial ratios

Pg. 16 Balance sheet summary

Pg. 17 Annual income statement

Key financial ratios

	All figures quarterly	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14	ΔQoQ	ΔYoY
Profitability	RoAE	5.7%	6.7%	10.8%	12.0%	13.7%	1.7%	8.0%
	RoAA	0.7%	0.8%	1.2%	1.4%	1.5%	0.1%	0.8%
	Cost / Income	60.0%	60.5%	49.0%	47.8%	48.7%	0.9%	-11.3%
	NIM	5.6%	5.0%	4.9%	5.6%	5.9%	0.3%	0.3%
Liquidity	Loans / Deposits	116.0%	113.7%	121.6%	120.9%	123.8%	2.9%	7.8%
	Loans / (Dep. + TRY Bonds)	109.9%	110.1%	115.7%	114.5%	117.4%	2.6%	6.9%
Asset Quality	NPL Ratio	6.5%	6.5%	5.4%	5.5%	5.2%	-0.3%	-1.3%
	Coverage	82.8%	82.5%	79.5%	80.5%	79.2%	-1.3%	-3.6%
	Cost of Risk ⁽¹⁾	2.8%	2.1%	2.0%	2.0%	1.7%	-0.3%	-1.1%
Solvency	CAR	17.0%	16.2%	16.8%	16.3%	17.0%	0.7%	0.0%
	Tier I Ratio	12.6%	12.0%	12.8%	12.4%	13.0%	0.6%	0.4%
	Leverage	8.6	8.9	8.6	9.0	8.8	-0.2	0.2

(1) Additional TL 80 million specific provision in 2Q'14, TL 45 million free provision in 3Q'14 and TL 37 million free provision in 4Q'14 are excluded. If not, CoR would be 2.7%, 2.4% and 2.0% in Q2'14, Q3'14 and Q4'14 respectively

Balance sheet summary

	(TRY million)	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14	ΔQoQ	ΔYoY
Assets	Cash & Banks ⁽¹⁾	8,515	8,839	8,548	9,400	9,108	-3%	7%
	Securities	8,731	8,456	8,913	9,073	9,165	1%	5%
	Net Loans	42,910	45,514	45,741	49,199	50,344	2%	17%
	Fixed Assets & Subsidiaries	1,344	2,318	2,313	2,276	2,329	2%	73%
	Other	4,510	4,974	3,833	4,597	4,260	-7%	-6%
	Total Assets	66,010	70,101	69,348	74,545	75,206	1%	14%
Liabilities & Equity	Customer Deposits	36,980	40,022	37,615	40,686	40,652	0%	10%
	Borrowings	14,301	14,193	16,210	17,387	17,964	3%	26%
	Bonds Issued	3,955	3,266	4,673	5,288	5,373	2%	36%
	Funds Borrowed	3,351	4,107	4,726	4,815	4,898	2%	46%
	Sub-debt	1,951	2,025	1,942	2,110	2,122	1%	9%
	Bank Deposit	1,341	1,603	1,150	1,534	1,423	-7%	6%
	Repo	3,703	3,191	3,719	3,640	4,147	14%	12%
	Other	7,080	8,035	7,474	8,181	8,017	-2%	13%
	Equity	7,648	7,851	8,049	8,291	8,574	3%	12%
Total Liabilities & Equity	66,010	70,101	69,348	74,545	75,206	1%	14%	

(1) Includes banks, interbank, other financial institutions

Annual income statement

(TRY million)	2013	2014	ΔYoY
Net Interest Income	3,163	3,088	-2%
Net Fees & Commissions	1,032	1,334	29%
Trading & Other Income	118	130	10%
Total Operating Income	4,313	4,551	6%
Provisions	-1,081	-1,076	0%
OpEx	-2,294	-2,334	2%
Net Operating Income	938	1,142	22%
Taxation	-203	-265	30%
Net Income	734	877	20%

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