

Finansbank Q3'14 Earnings Presentation

Banking sector volumes on the rise thanks to more benign economic environment

Q3'14 trends

Macro dynamics

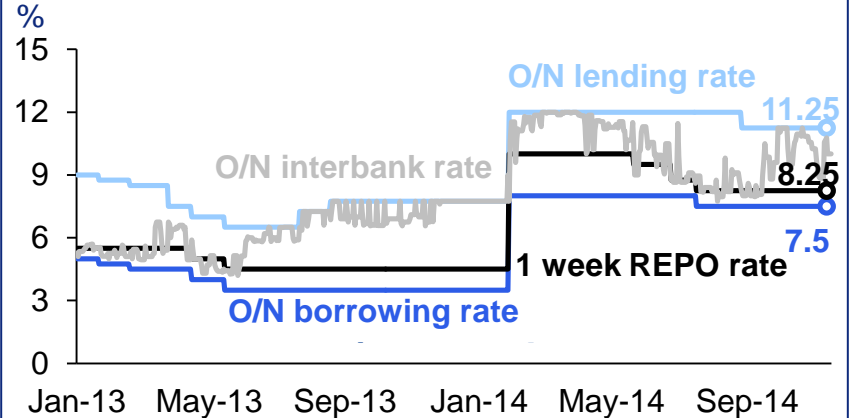
- Global interest rates and geopolitical risks remained as the main sources of uncertainty
- GDP growth slowed down to 2.1% in Q2'14, exports continued to be strong
- Inflation eased to 8.9% in Sep'14 but it is still higher than MTP targets
- CBRT kept policy rate at 8.25% after 50 bps cut in July, liquidity policy was used to manage short term interest rates

Banking sector dynamics

- Banking sector volumes slightly accelerated in Q3'14
- NIM improved as a result of easing cycle lowering cost of funding
- Asset quality remained intact despite slight increase in NPL ratio

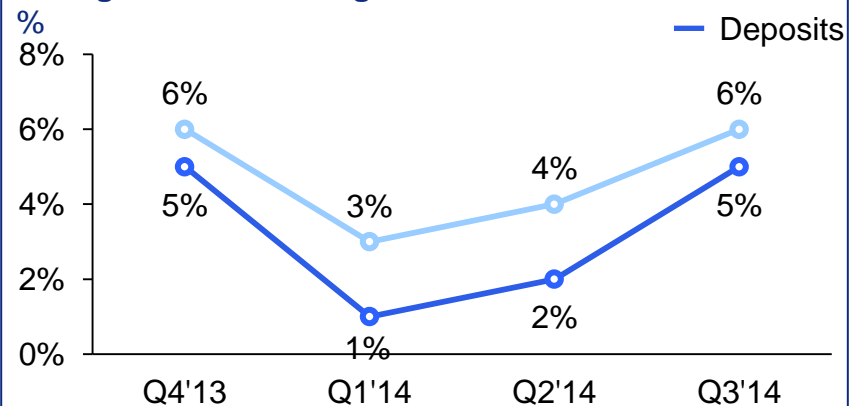
Policy rate is at 8.25% after 50 bps cut in July

CBRT rates



Loan and deposit growth accelerated in Q3'14

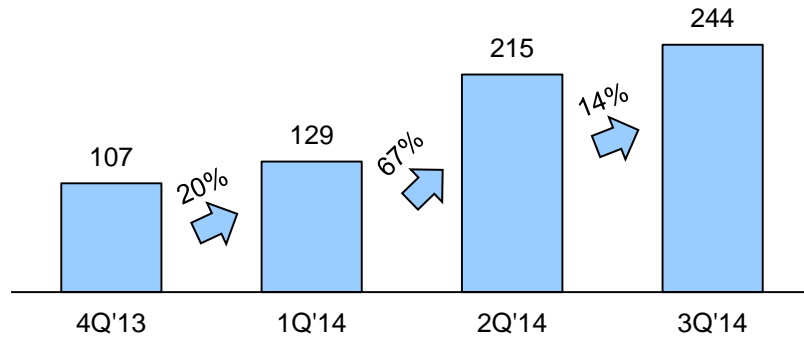
QoQ growth in banking sector volumes



Stellar performance drives acceleration in bottom line profitability

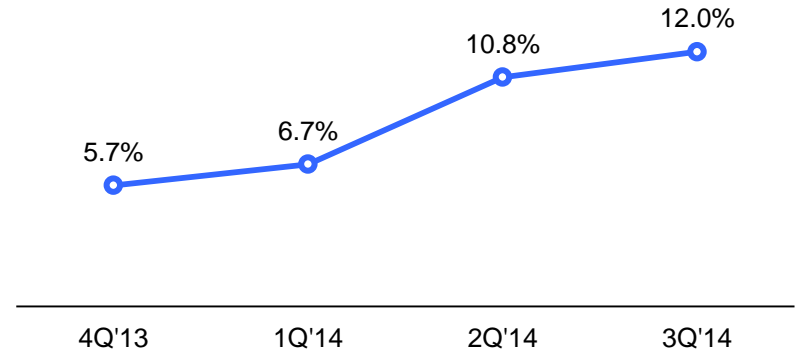
Net Income increased remarkably driven by core revenues

Quarterly net income
TRY million



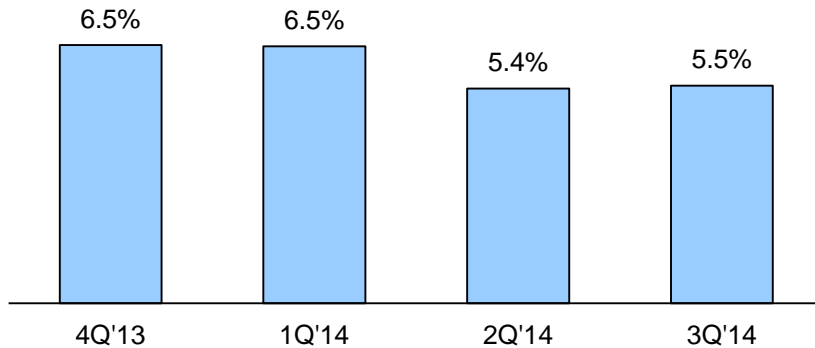
RoE is back on track

Quarterly RoE
%



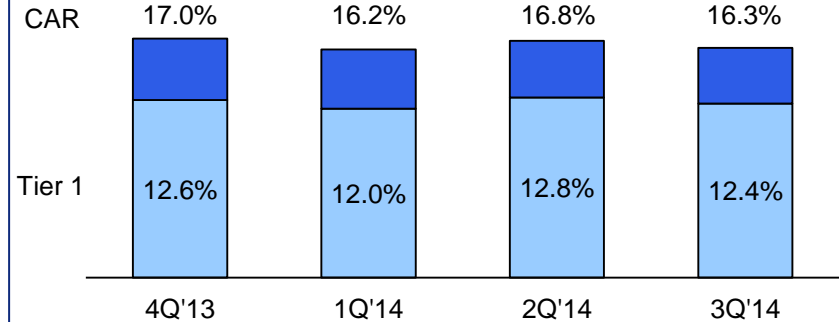
NPL ratio is well under control

NPL ratio
%

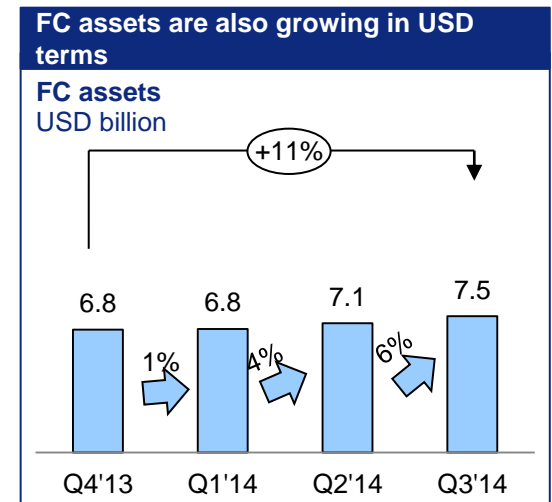
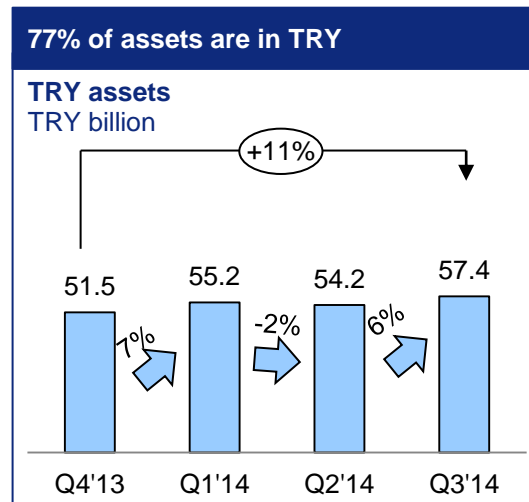
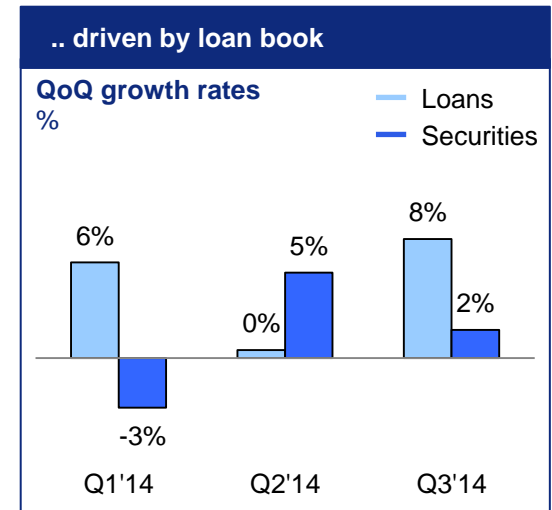
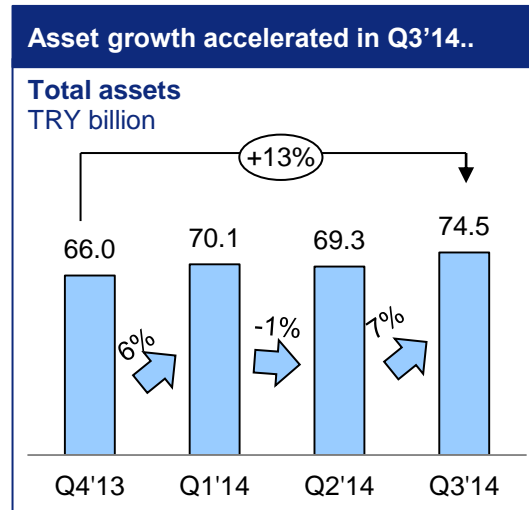
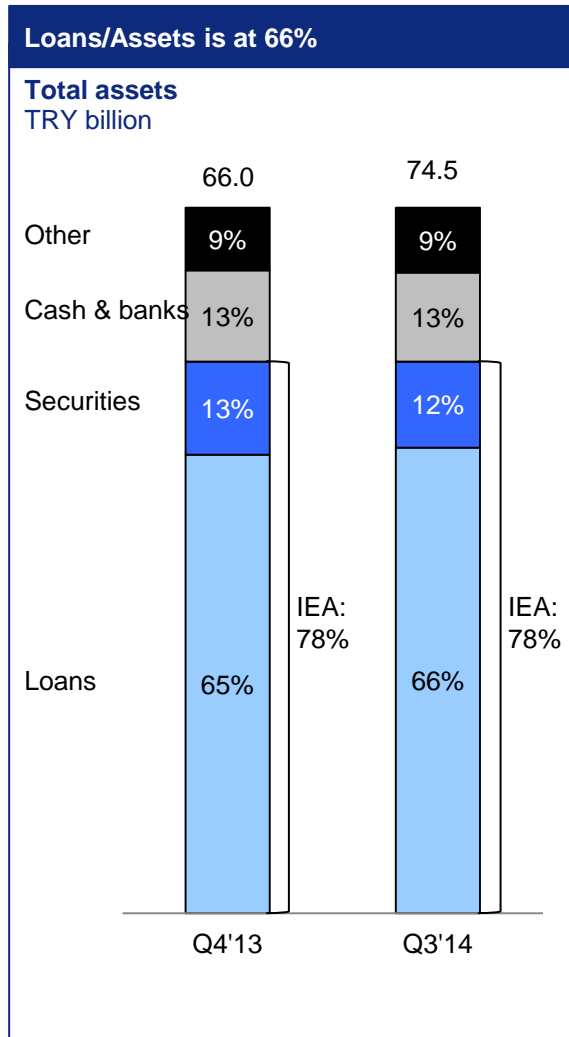


Best in class Tier 1 and CAR ratio

CAR
%



Loan book is the main driver of growth for asset side

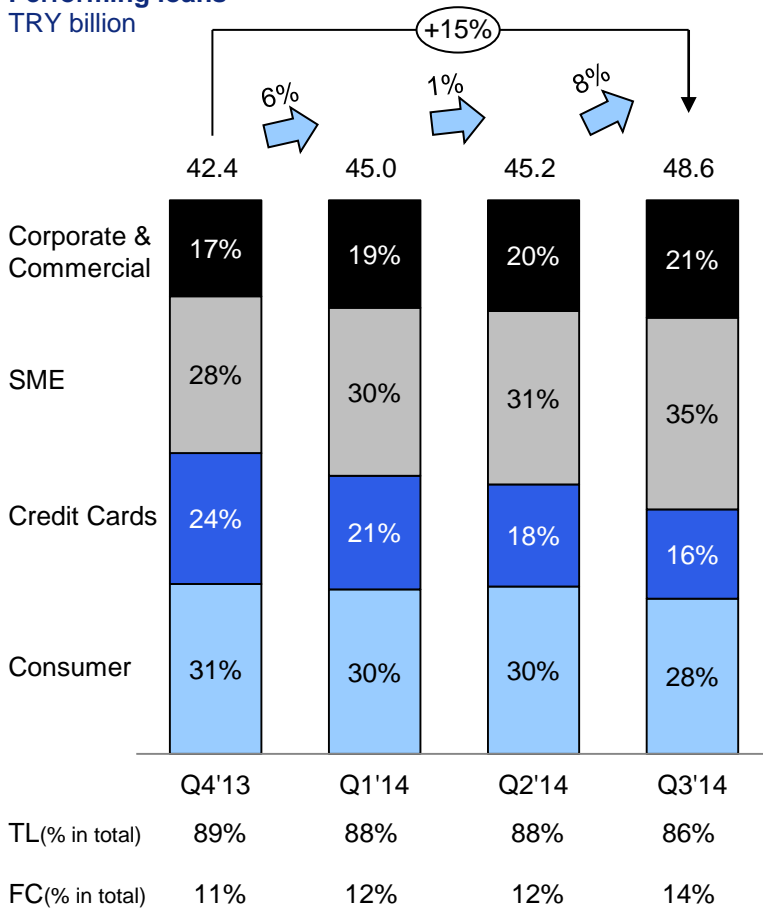


Growth strategy focused on business banking loans

Loan book shifted towards business banking

Performing loans

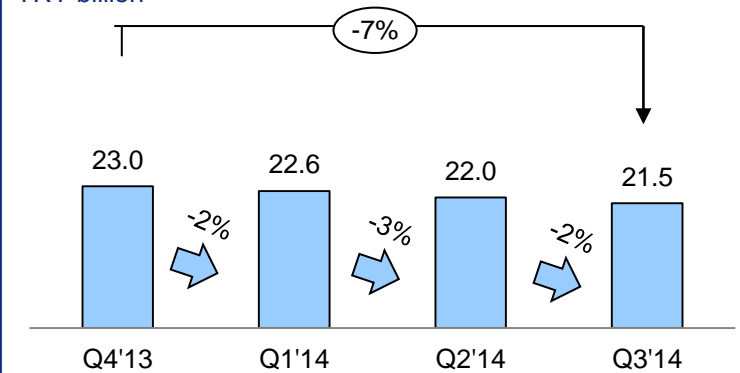
TRY billion



Retail loans shrank for the last 3 quarters

Retail loans

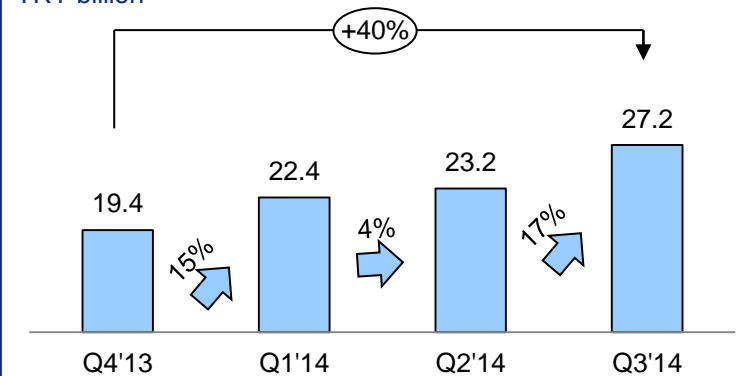
TRY billion



Business loans growth accelerated in Q3'14

Business loans

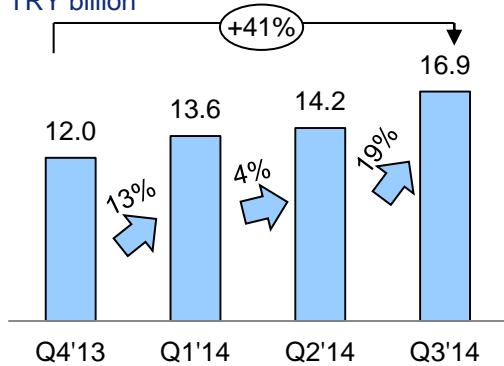
TRY billion



Successful and agile execution across the board

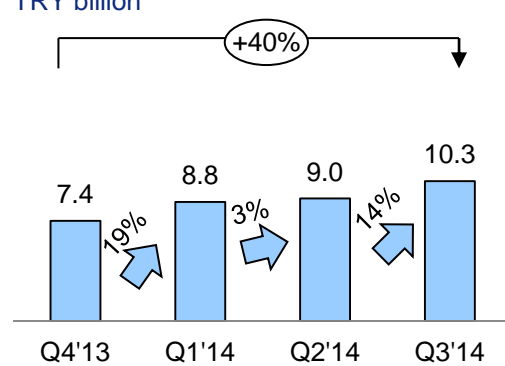
Above market growth in SME loans..

SME loans
TRY billion



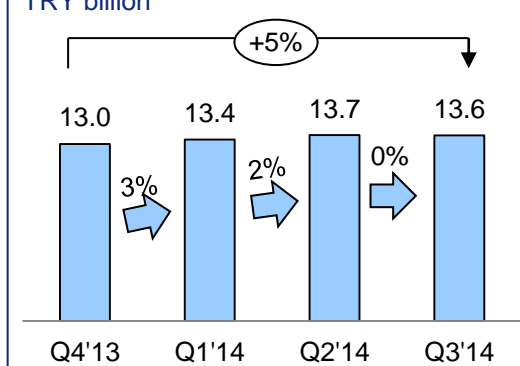
.. and corporate & commercial loans

Corporate & commercial loans
TRY billion



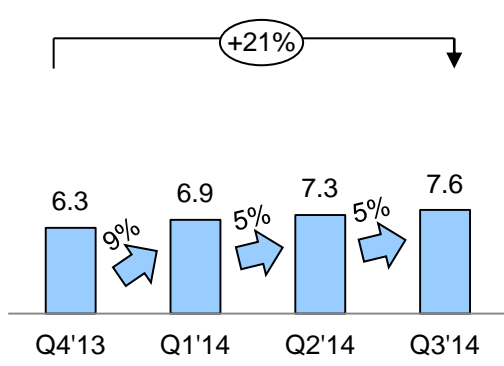
Selective growth in consumer loans

Consumer loans
TRY billion



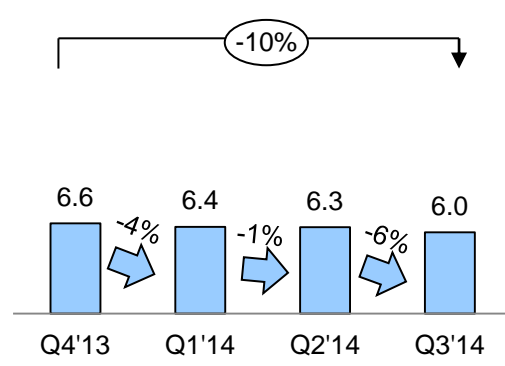
Continued focus on GPL

General purpose loans (1)
TRY billion



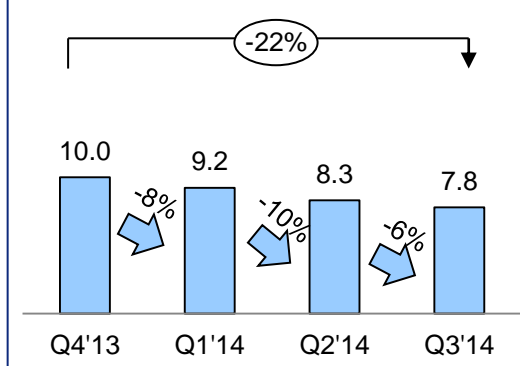
Due to negative spreads, continuing retrenchment in mortgages..

Mortgage loans
TRY billion



.. and credit card loans

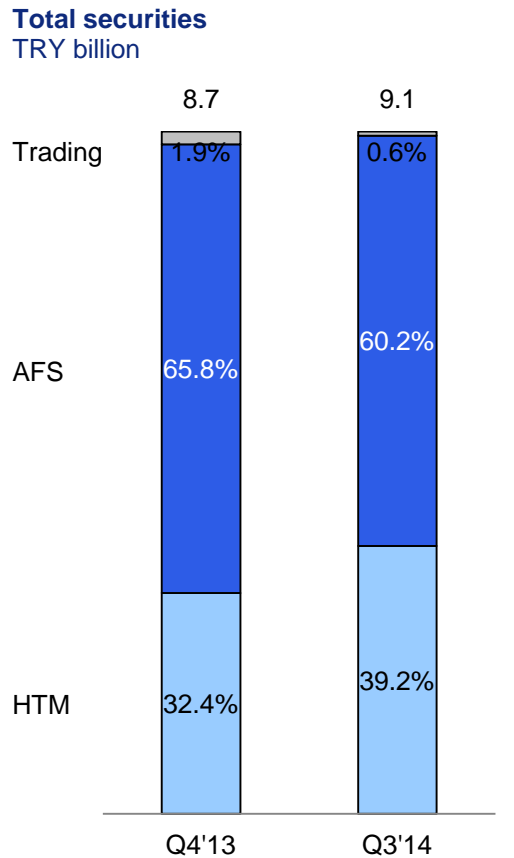
Credit card loans
TRY billion



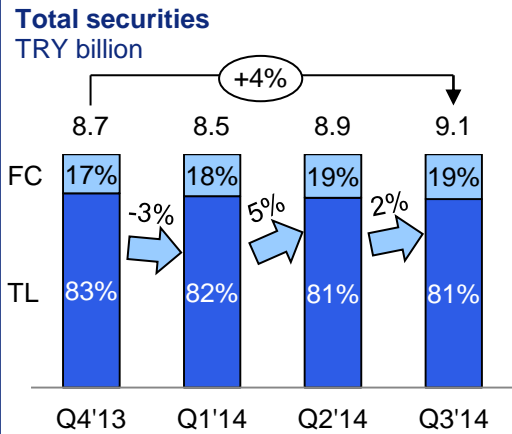
(1) Including overdraft

CPI-linker heavy securities portfolio serves as hedge against volatility

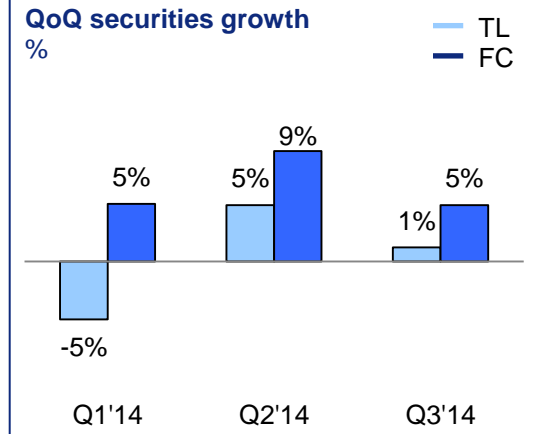
More than 60% of securities portfolio is in AFS



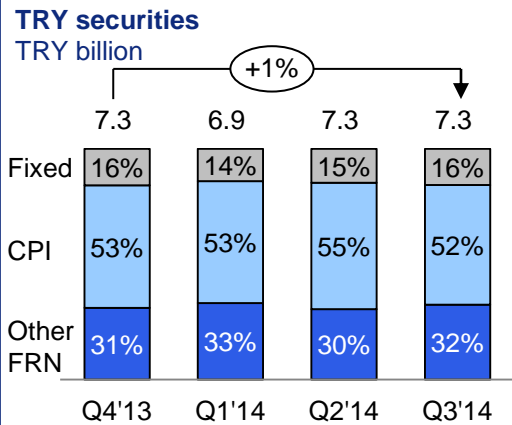
Securities constitute 12% of assets



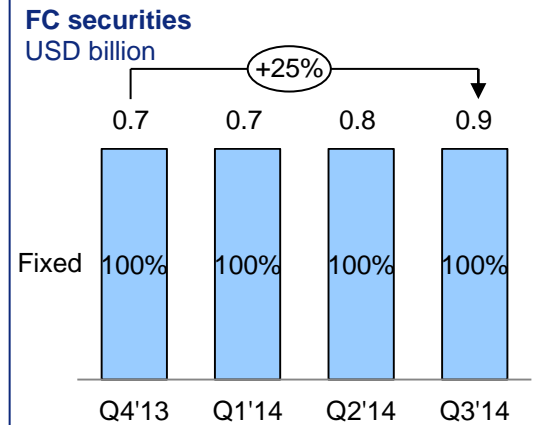
FC securities show steady growth QoQ



84% of TL securities are indexed / variable rate



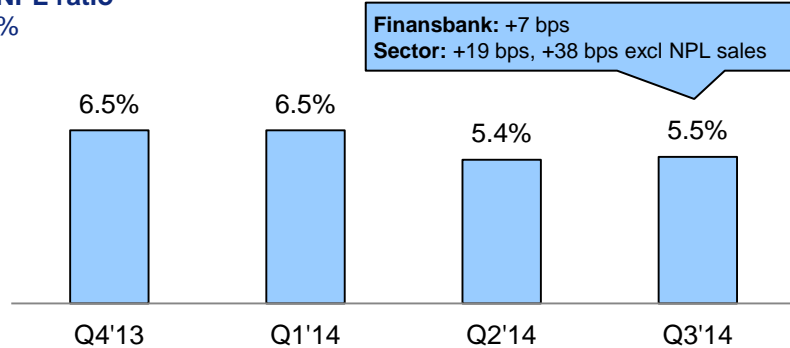
FC securities are also growing in USD terms



Controlled asset quality with high loan coverage

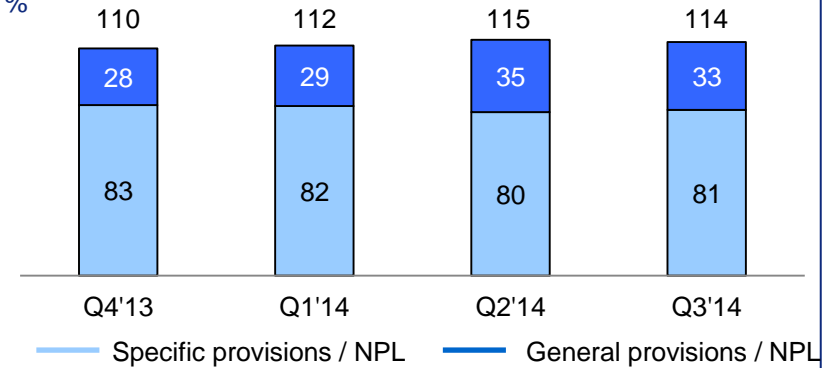
NPL ratio is well under control..

NPL ratio
%



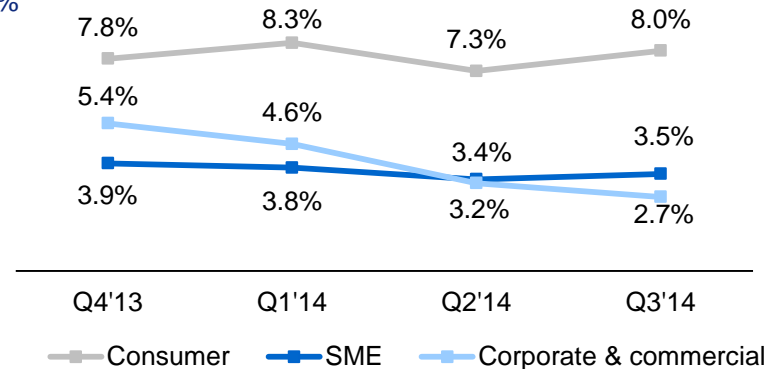
NPLs well covered through general and specific provisions

NPL coverage
%



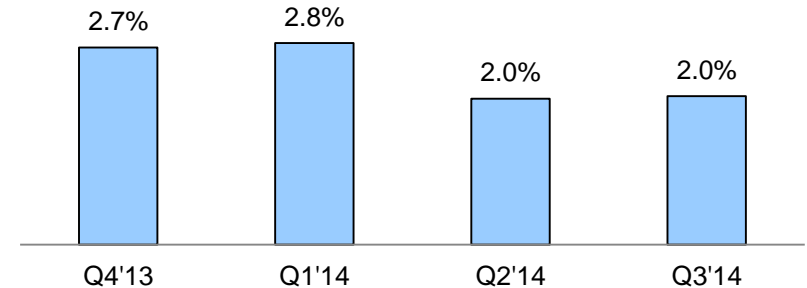
.. as a result of focus on business banking segments with lower NPL generation

NPL ratio
%



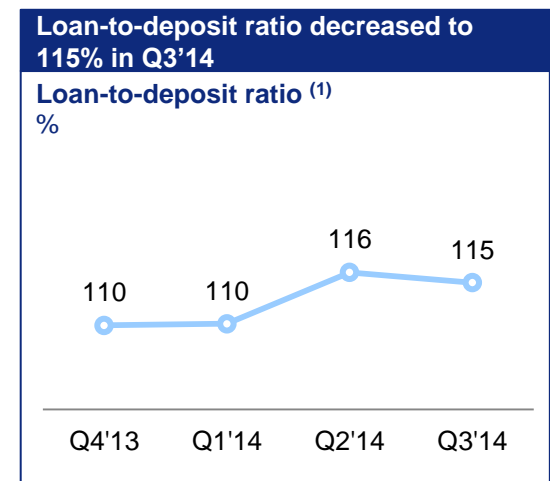
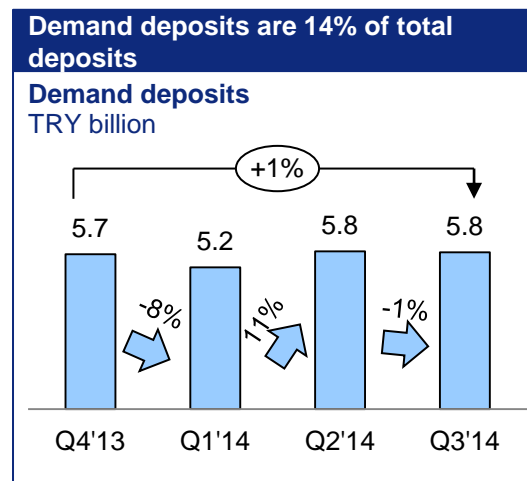
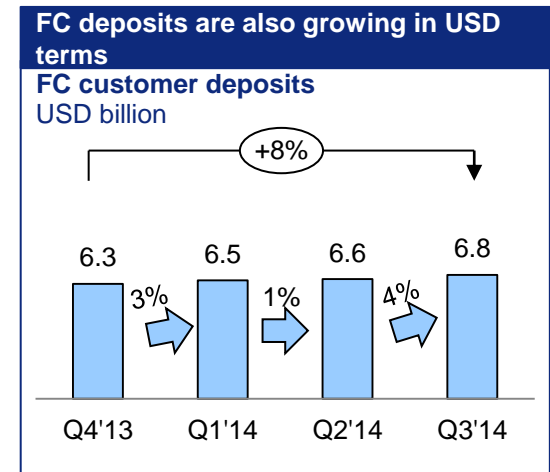
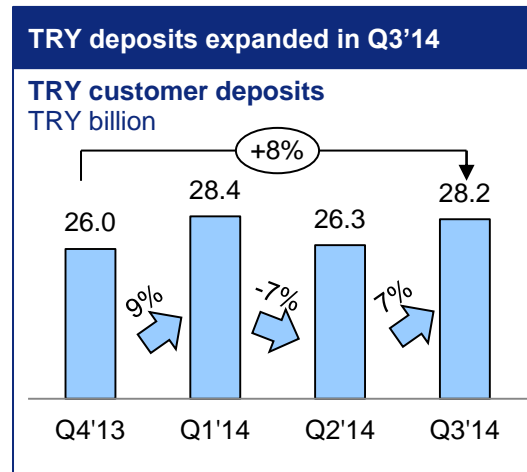
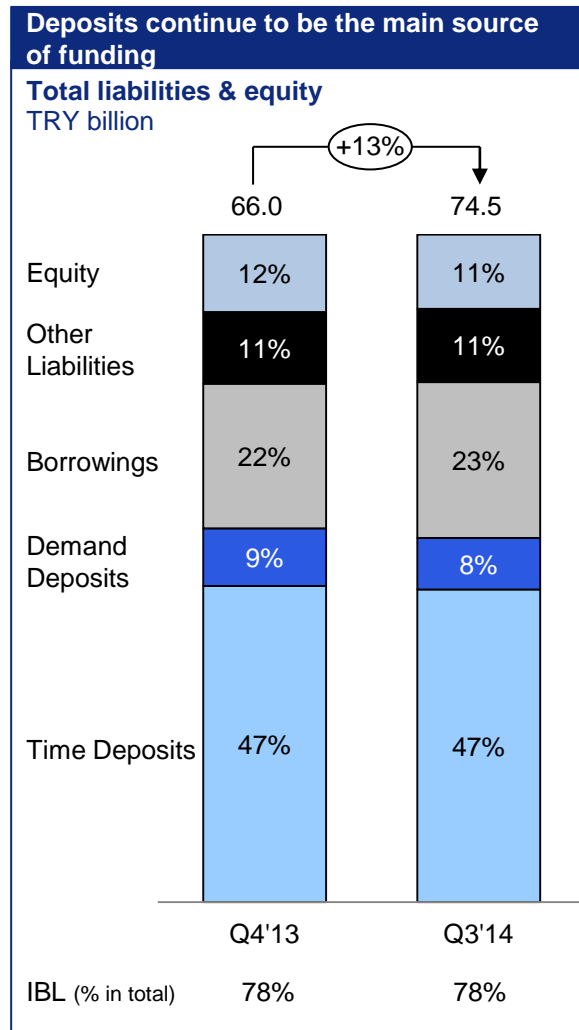
Cost of Risk declined remained stable at 2.0% in Q3'14

Cost of Risk ⁽¹⁾
%



(1) Additional TRY 80mn specific provision in Q2'14 and additional TRY 45mn free provision in Q3'14 are excluded. If not, COR would be 2.7% in Q2'14 and 2.4% in Q3'14.

Comfortable liquidity on the back of a solid deposit base and increasing diversification of funding sources



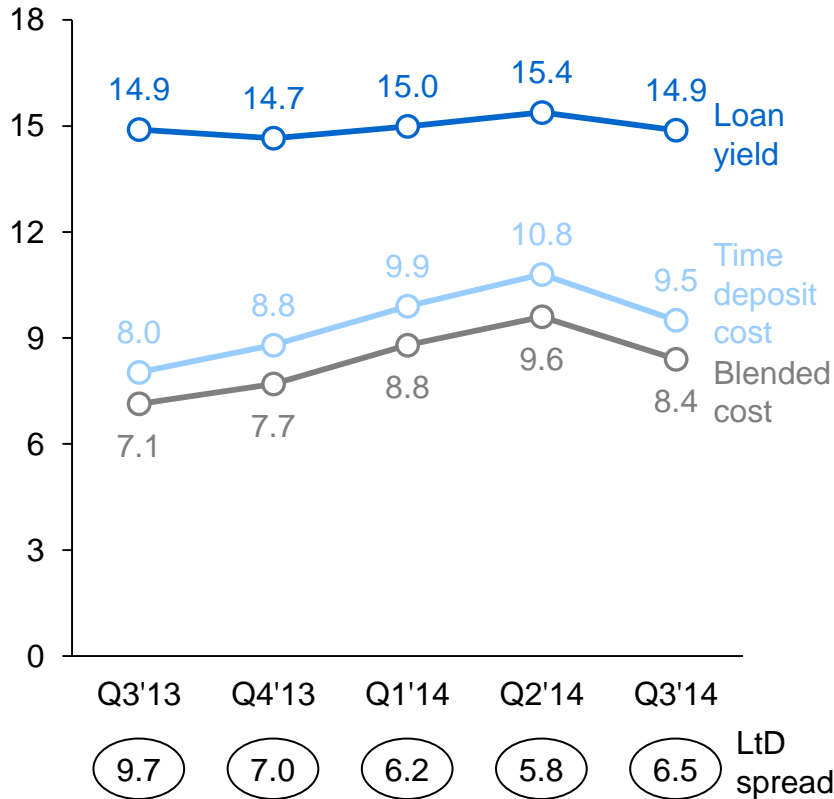
(1) Including TRY bonds

Improvement in loan-to-deposit spread as deposits repriced lower

TRY loan-to-deposit spread increased by 70 bps QoQ

TRY spread

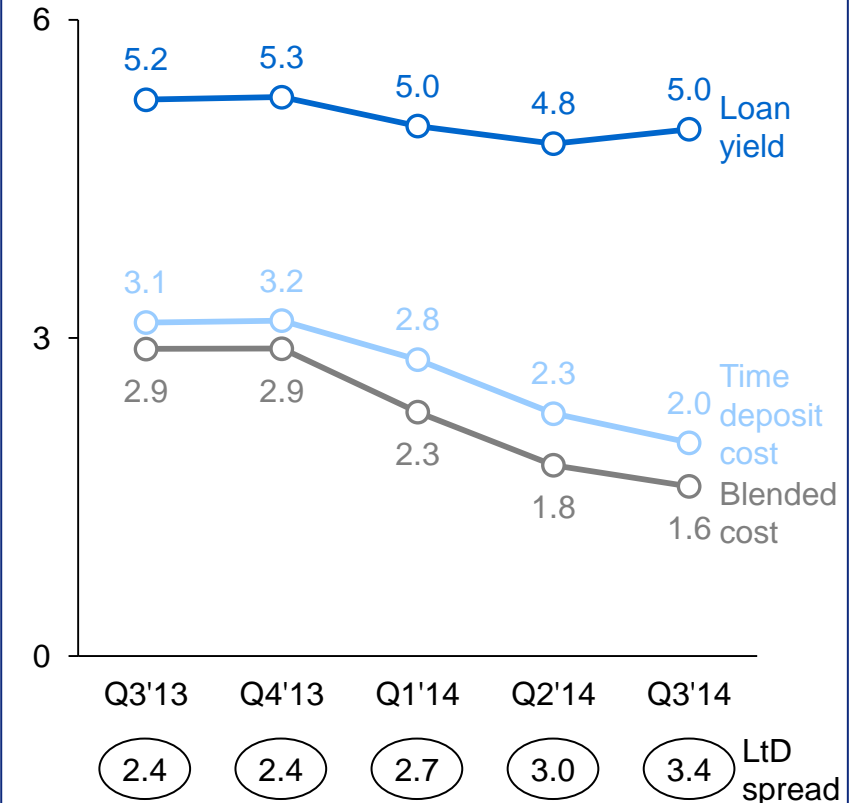
%, Quarterly average



FX loan-to-deposit spread increased by 34 bps QoQ

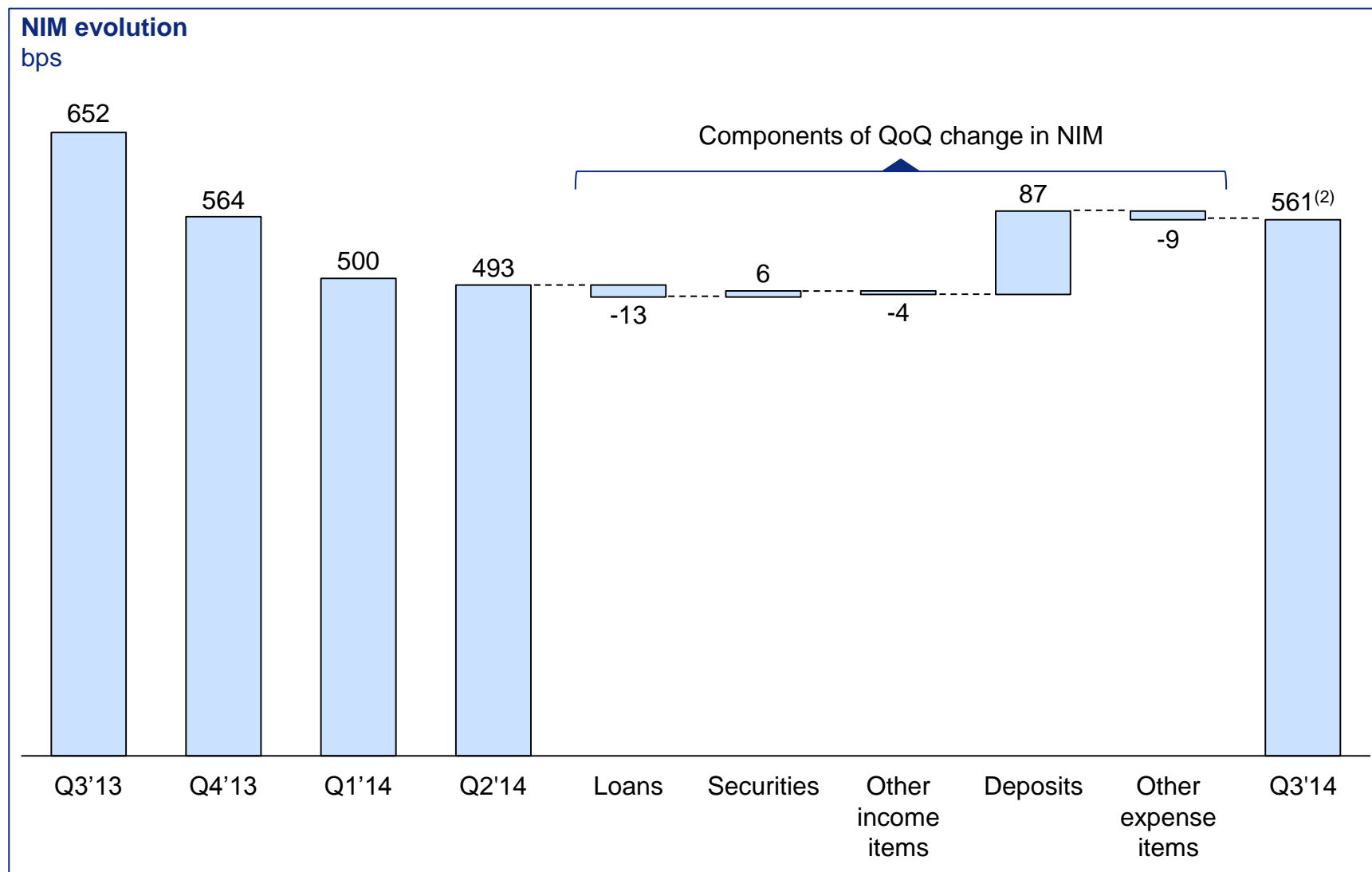
FX spread

%, Quarterly average



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

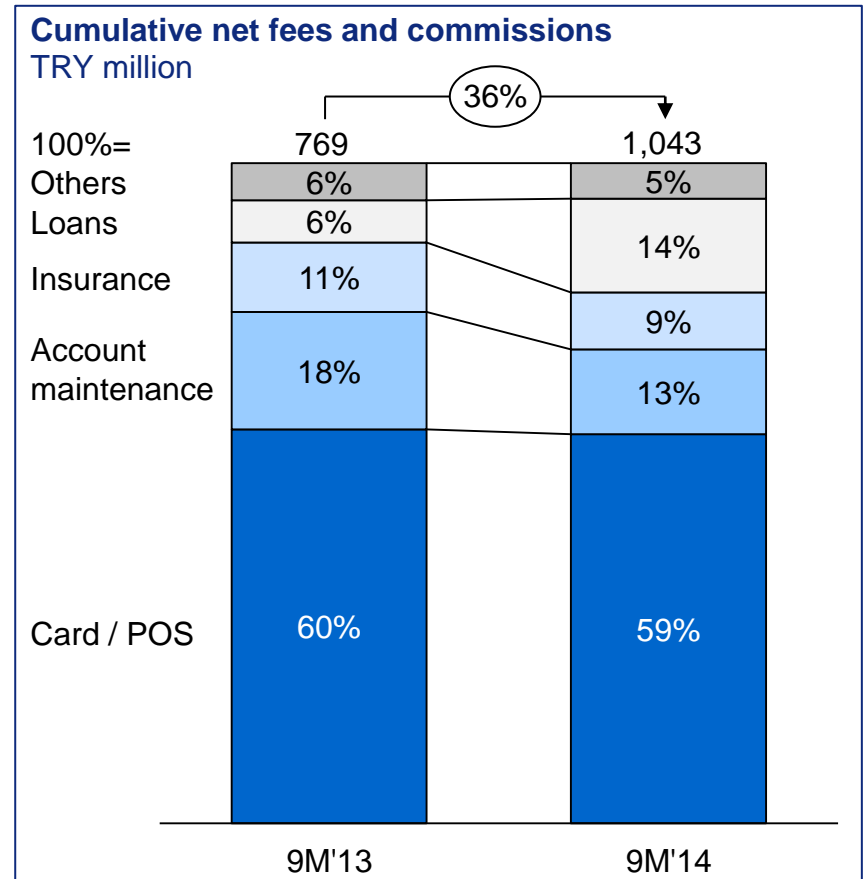
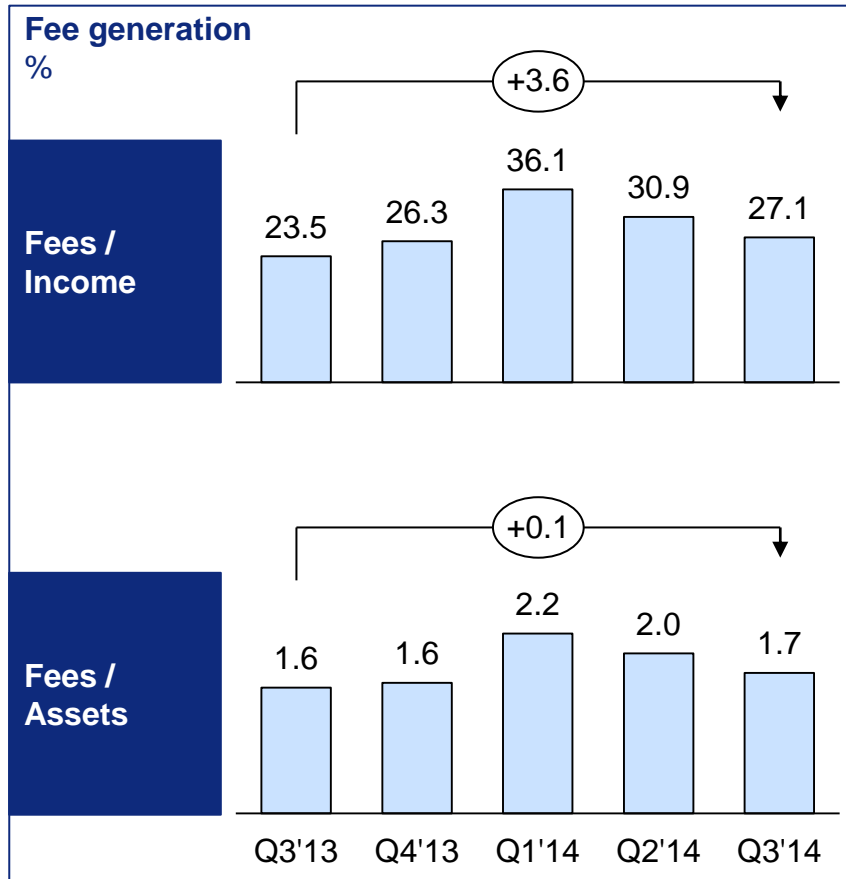
Quarterly NIM⁽¹⁾ back to 2013 levels



(1) $NIM = (Net\ Interest\ Income + Security\ Trading\ Gain\ \&\ Loss) / (Interest\ Earning\ Assets - Central\ Bank\ Reserves)$

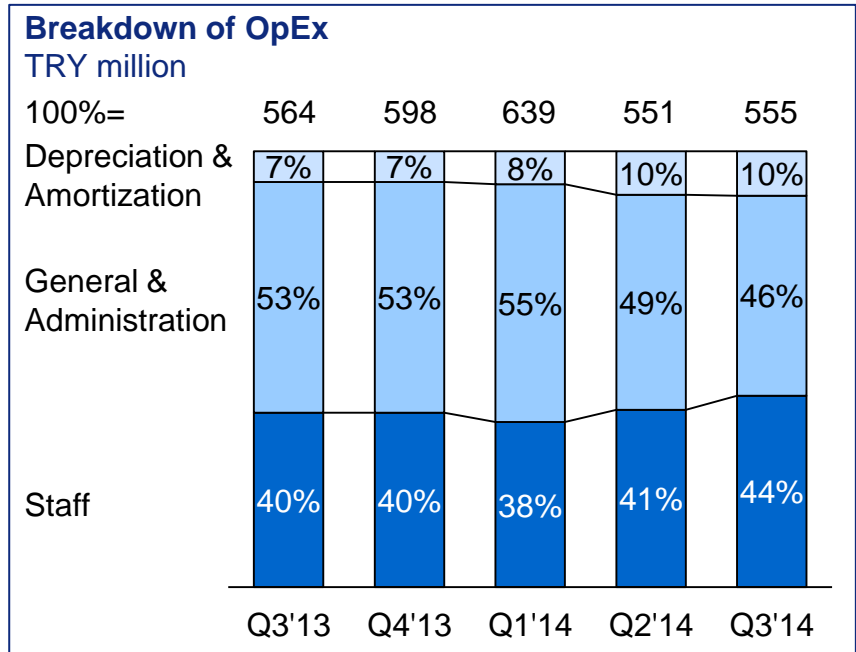
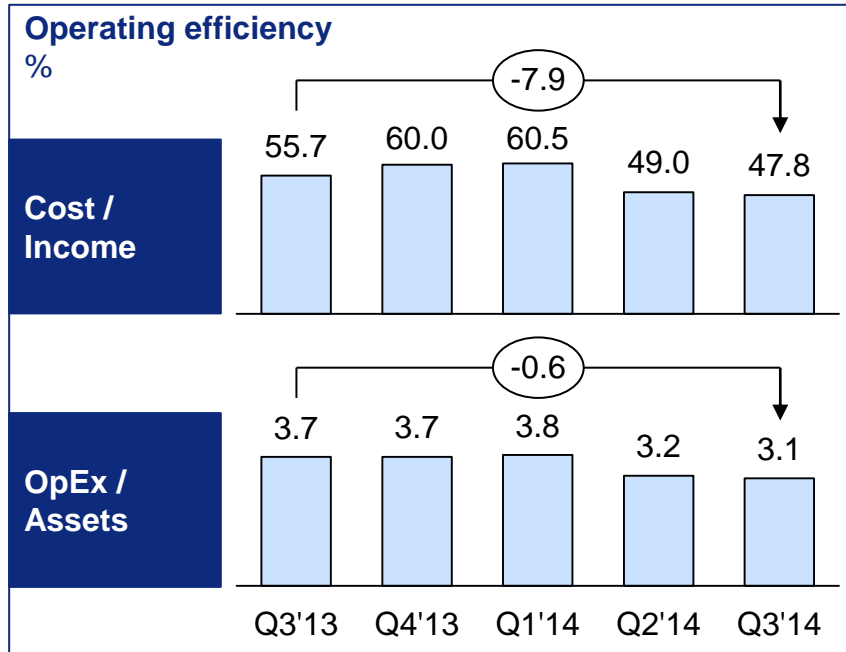
(2) Excludes the TRY 75mn effect of accounting methodology change for CPI-linked bonds. If included, Q3'14 NIM would be 6.1%

Substantial growth in fees from diversified sources



- Fees at **27% of total operating income** in Q3'14 from 23% in Q3'13
- **Substantial 36% YoY growth** of total fees & commissions income with contribution from a variety of fee sources in addition to **reclassification** of some fee items

OpEx flat thanks to stringent cost management



- Branch number decreased to 666 in Q3'14 from 673 Q2'14 due to **rationalization** and **relocation of existing network**
- Personnel number decreased to 13,036 in Q3'14 from 13,759 in Q2'14 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 Q3'14 and increased the total number to 2,878 from 2,797 in Q2'14

Strong delivery of results in Q3'14

(TRY million)	Q3'13	Q2'14	Q3'14	ΔQoQ	ΔYoY
Net Interest Income	789	673	871	29%	10%
Net Fees & Commissions	238	347	314	-10%	32%
Trading & Other Income	-14	96	-24	-125%	-67%
Total Operating Income	1,013	1,125	1,161	3%	15%
Provisions	-266	-308	-287	7%	-8%
OpEx	-564	-551	-555	-1%	2%
Net Operating Income	183	266	320	20%	75%
Taxation	-59	-51	-75	-49%	-28%
Net Income	124	215	244	14%	97%

- **15 % YoY increase in revenues** supported by superior fee and commission generation
- **7% 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
- **97% YoY unparalleled increase in net income**

Appendix

Pg. 17 Balance sheet summary

Pg. 18 Key financial ratios

Balance sheet summary

	(TRY million)	Q3'13	Q4'13	Q1'14	Q2'14	Q3'14	ΔQoQ	ΔYoY
Assets	Cash & Banks ⁽¹⁾	8,030	8,515	8,839	8,548	9,400	10%	17%
	Securities	8,016	8,731	8,456	8,913	9,073	2%	13%
	Net Loans	42,035	42,910	45,514	45,741	49,199	8%	17%
	Fixed Assets & Subsidiaries	1,281	1,344	2,318	2,313	2,276	-2%	78%
	Other	3,658	4,510	4,974	3,833	4,597	20%	26%
	Total Assets	63,018	66,010	70,101	69,348	74,545	7%	18%
Liabilities & Equity	Customer Deposits	36,671	36,980	40,022	37,615	40,686	8%	11%
	Borrowings	12,534	14,301	14,193	16,210	17,387	7%	39%
	Bonds Issued	3,229	3,955	3,266	4,673	5,288	13%	64%
	Funds Borrowed	3,161	3,351	4,107	4,726	4,815	2%	52%
	Sub-debt	1,879	1,951	2,025	1,942	2,110	9%	12%
	Bank Deposit	1,249	1,341	1,603	1,150	1,534	33%	23%
	Repo	3,016	3,703	3,191	3,719	3,640	-2%	21%
	Other	6,316	7,080	8,035	7,474	8,181	9%	30%
	Equity	7,497	7,648	7,851	8,049	8,291	3%	11%
Total Liabilities & Equity	63,018	66,010	70,101	69,348	74,545	7%	18%	

(1) Includes banks, interbank, other financial institutions

Key financial ratios

	All figures quarterly	Q3'13	Q4'13	Q1'14	Q2'14	Q3'14	ΔQoQ	ΔYoY
Profitability	RoAE	6.6%	5.7%	6.7%	10.8%	12.0%	1.1%	5.3%
	RoAA	0.8%	0.7%	0.8%	1.2%	1.4%	0.1%	0.5%
	Cost / Income	55.7%	60.0%	60.5%	49.0%	47.8%	-1.2%	-7.9%
	NIM	6.5%	5.6%	5.0%	4.9%	5.6%	1.2%	-0.4%
Liquidity	Loans / Deposits	114.6%	116.0%	113.7%	121.6%	120.9%	-0.7%	6.3%
	Loans / (Dep. + TRY Bonds)	110.5%	109.9%	110.1%	115.7%	114.5%	-1.2%	4.0%
Asset Quality	NPL Ratio	6.1%	6.5%	6.5%	5.4%	5.5%	0.1%	-0.6%
	Coverage	81.4%	82.8%	82.5%	79.5%	80.5%	1.0%	-0.9%
	Cost of Risk	2.6%	2.8%	2.1%	2.7%	2.4%	-0.3%	-0.2%
Solvency	CAR	17.7%	17.0%	16.2%	16.8%	16.3%	-0.5%	-1.4%
	Tier I Ratio	13.2%	12.6%	12.0%	12.8%	12.4%	-0.4%	-0.8%
	Leverage	8.4	8.6	8.9	8.6	9.0	0.4	0.6

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