

Finansbank Q2'16 Earnings Presentation

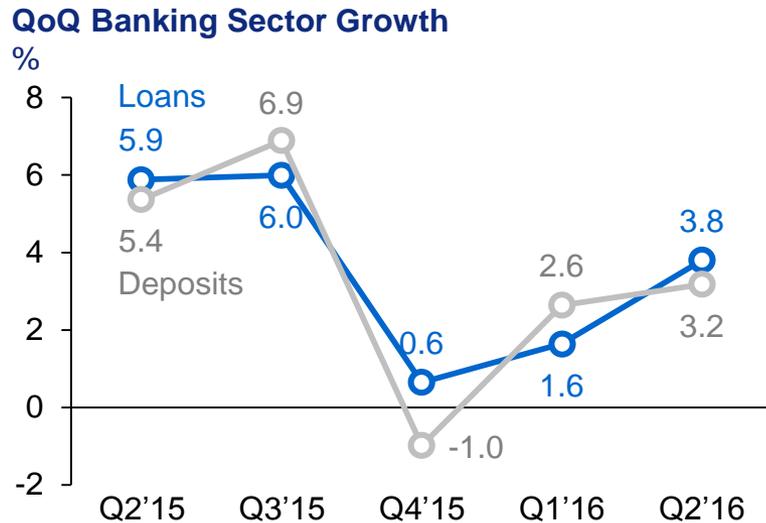
Favorable global and local sentiment continued in Q2'16, banking sector growth continued as a result

Macro Dynamics



- Following the first rate hike in December, **FED** remained on hold through H1'16; **ECB** continued accommodative policies by keeping negative deposit rates and continuing asset purchases
- Global volatility indicators remained low for the most of Q2, but the **volatility spiked up at quarter end** because of the Brexit referendum
- **Favorable global sentiment** supported TRY along with other EM currencies
- **CBRT** continued to **cut the O/N lending rate** through Q2'16 and **let the effective funding rate ease further**, on the back of the declining inflation and steady currency

Banking Sector Dynamics



- **Growth** continued in banking sector both on loans and deposits fronts
- Pressure on **funding costs** began to ease in line with CBRT's rate cutting policy
- **Asset quality** at comfortable level with NPL ratio almost unchanged from previous quarter

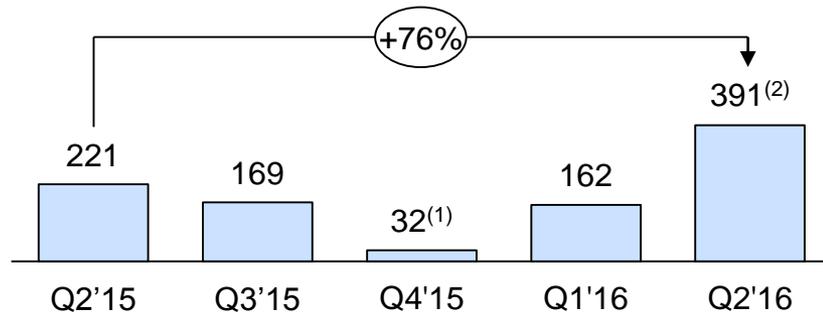
Source: CBRT; BRSA

Strong profitability resumed in second quarter with improving asset quality and comfortable capital position

Strong increase in net income

Quarterly Net Income

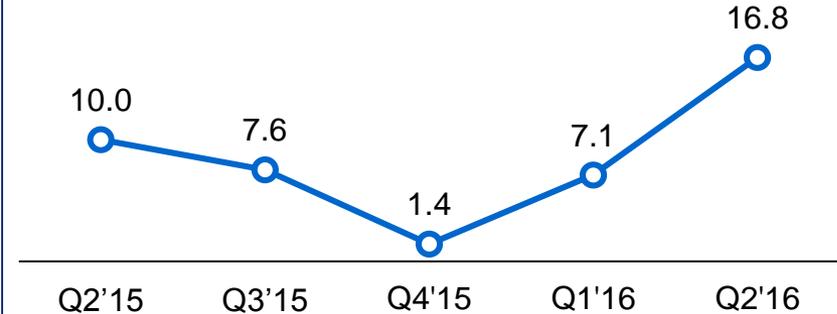
TRY, mn



Strong QoQ RoE recovery

Quarterly RoE

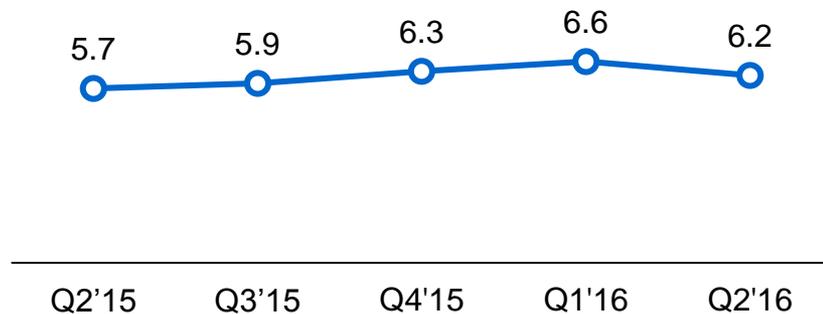
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QoQ improvement in asset quality

NPL Ratio

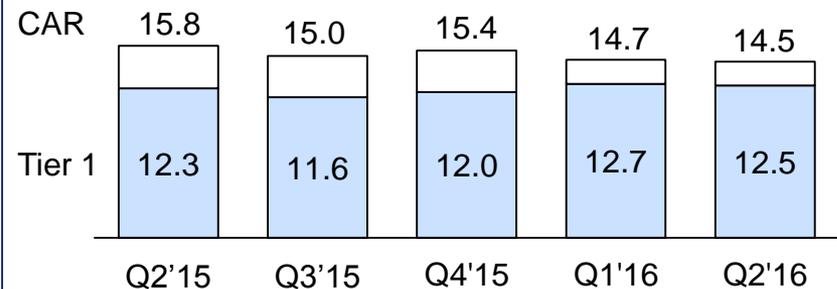
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Capital adequacy at comfortable level despite exchange rate effects that drive RWA higher

CAR

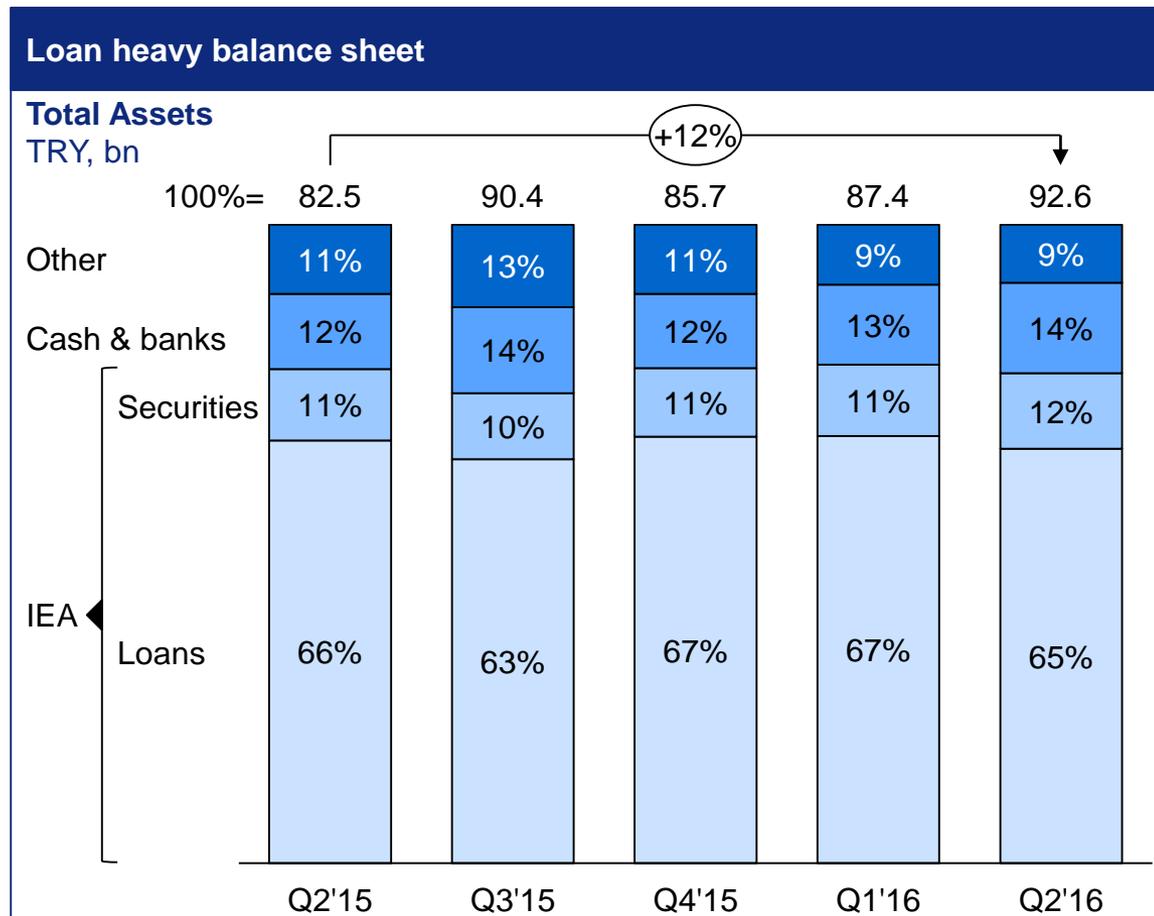
%



(1) Including TRY 100 mn free provisions and TRY 85 mn general loan loss provision in Q4'15

(2) Including TRY 152 mn Visa Inc. share sale and TRY 69 mn NPL sale (after tax impact of TRY 136 mn and TRY 56 mn NPL respectively)

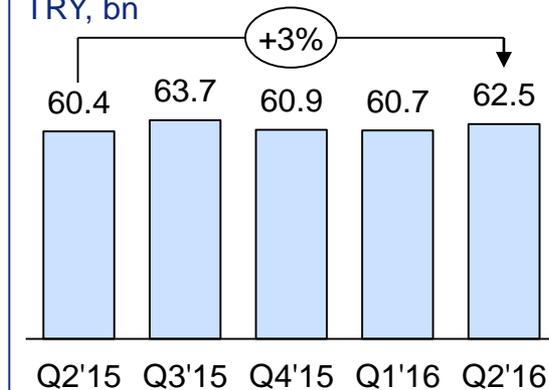
Asset size exceeded TRY 92 billion with 12% YoY growth



TRY assets grew by 3% YoY

TRY Assets

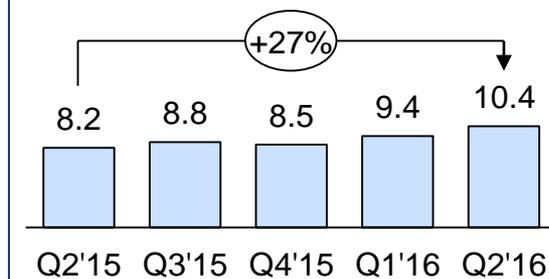
TRY, bn



FX assets grew by 27% YoY

FX Assets⁽¹⁾

USD, bn



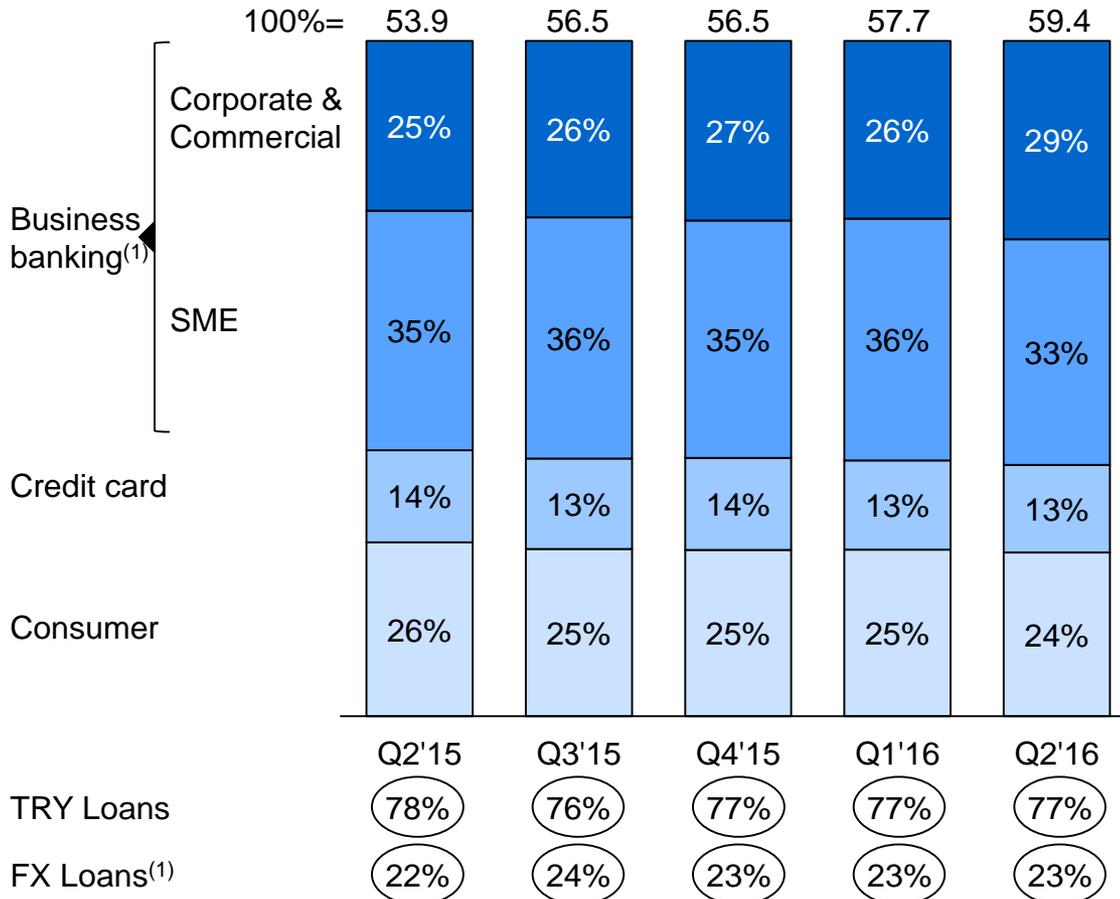
(1) FX-indexed TRY loans are shown in FX assets

Sustained and successful execution of the growth strategy...

Loan book continued to shift towards business banking

Performing Loans by Segment and Currency

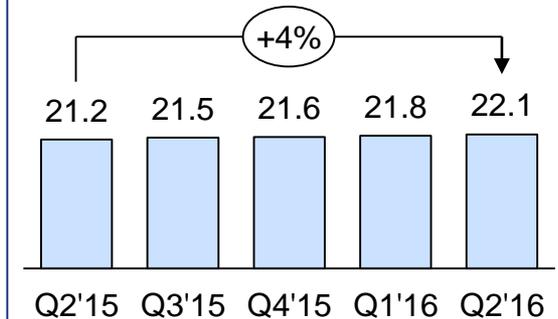
TRY, bn



Slight YoY growth in retail loans

Retail Loans

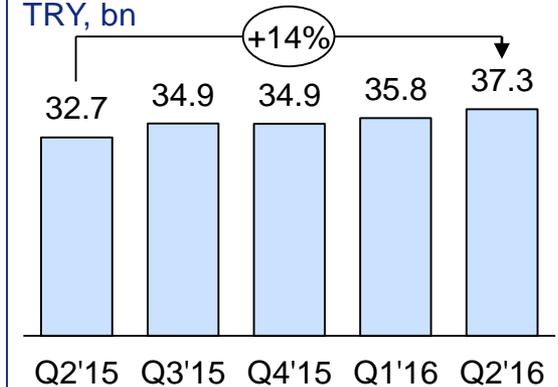
TRY, bn



Business loans grew by 14% YoY

Business Loans

TRY, bn



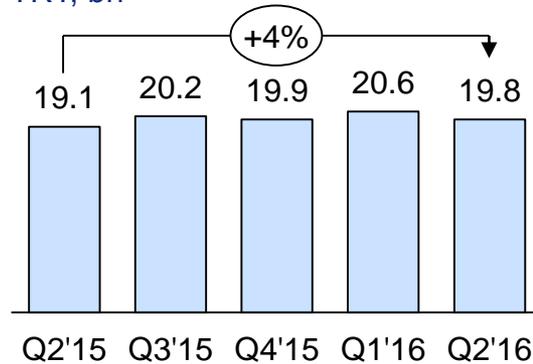
(1) Based on BRSA segment definition

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

■ Business banking
■ Retail banking

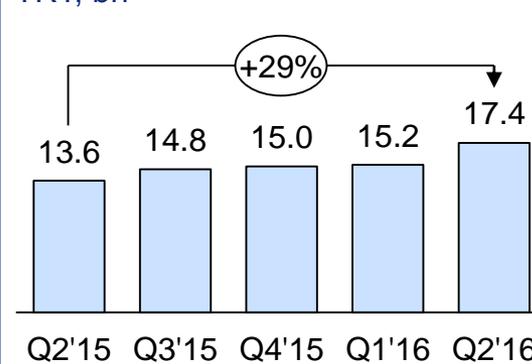
YOY growth in SME loans maintained...

SME Loans⁽¹⁾
TRY, bn



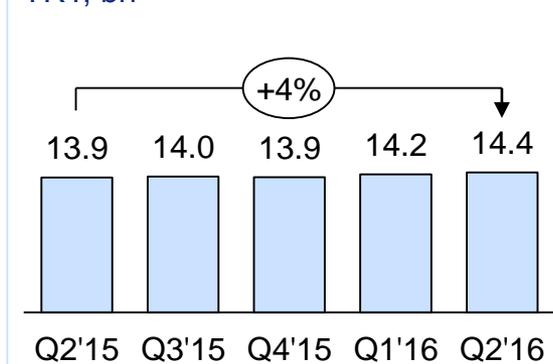
...also in corp. & comm. loans supported by exchange rate effect

Corp. & Comm. Loans⁽¹⁾
TRY, bn



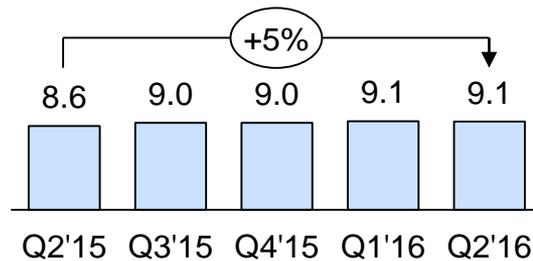
Slight expansion in consumer loans...

Consumer Loans⁽²⁾
TRY, bn



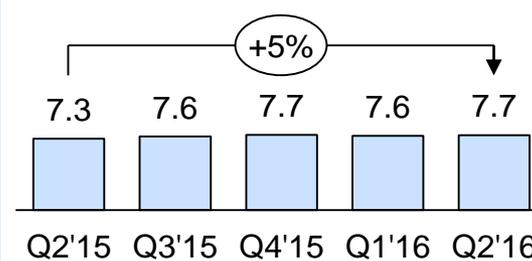
...with growth driven by GPLs...

General Purpose Loans⁽³⁾
TRY, bn



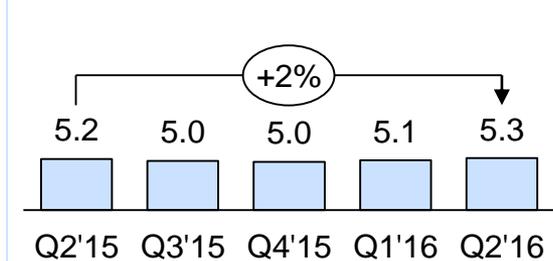
...and credit cards despite muted market growth

Credit Card Loans⁽⁴⁾
TRY, bn



Mortgage volumes back on growth path

Mortgage Loans
TRY, bn



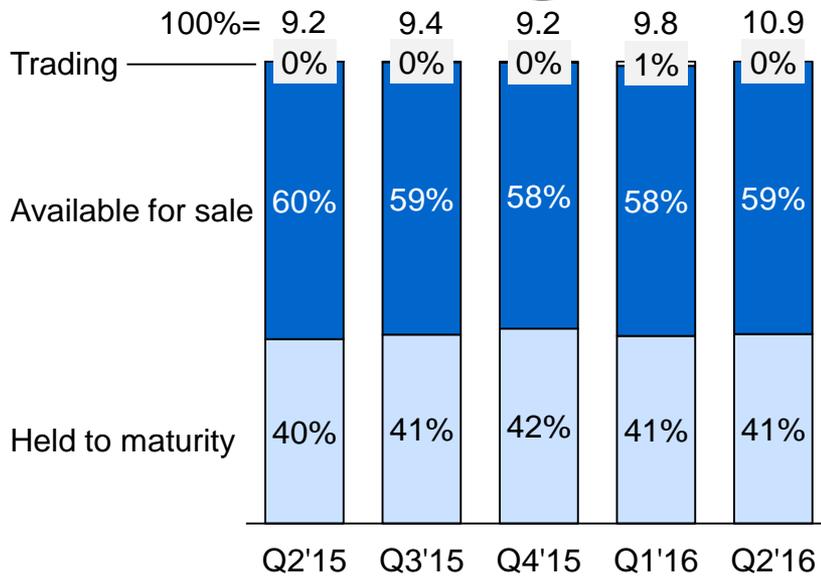
(1) Based on BRSA segment definition
 (2) Including GPL, overdraft and mortgage loans
 (3) Including overdraft
 (4) Credit card outstandings from individual clients

Securities portfolio increased to 10.9 bn TRY, making up 12% of assets

Growth in securities portfolio driven by FX securities

Total Securities

TRY, bn



TRY Securities

72% 70% 70% 70% 63%

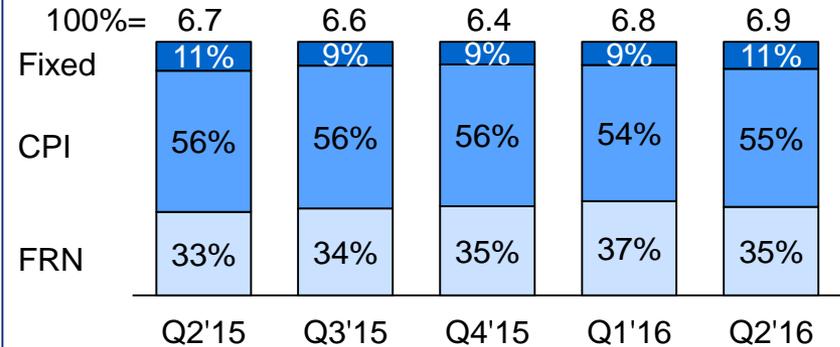
FX Securities

28% 30% 30% 30% 37%

89% of TRY securities are indexed / variable rate

TRY Securities

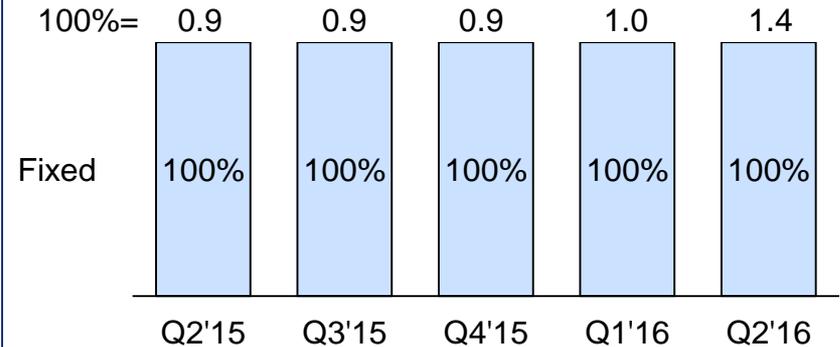
TRY, bn



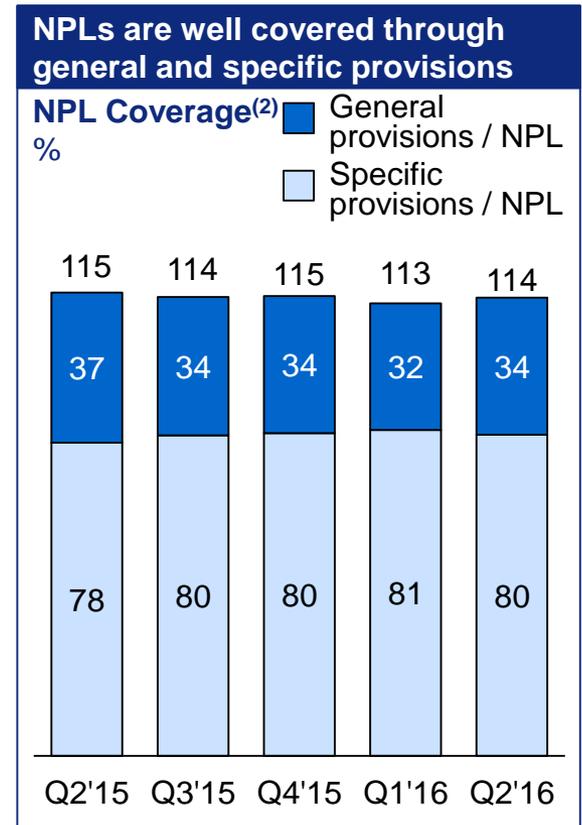
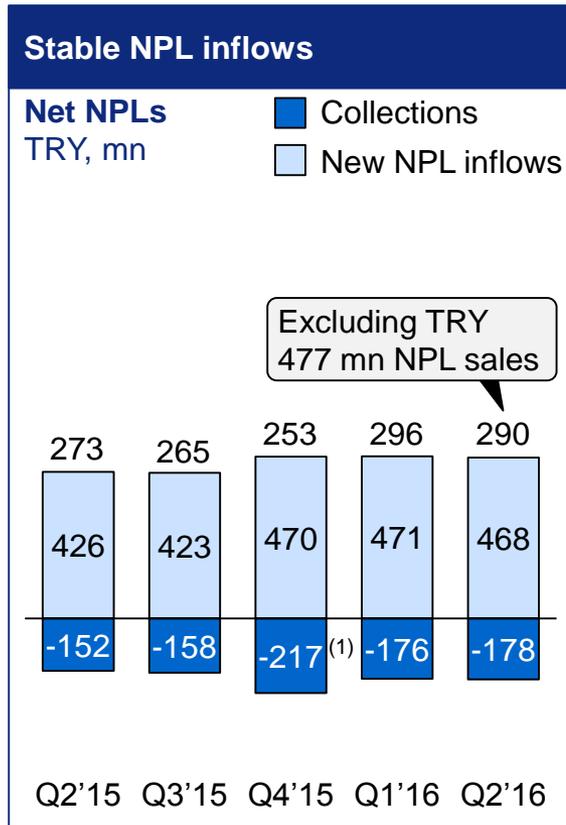
47% YoY growth in FX securities

FX Securities

USD, bn

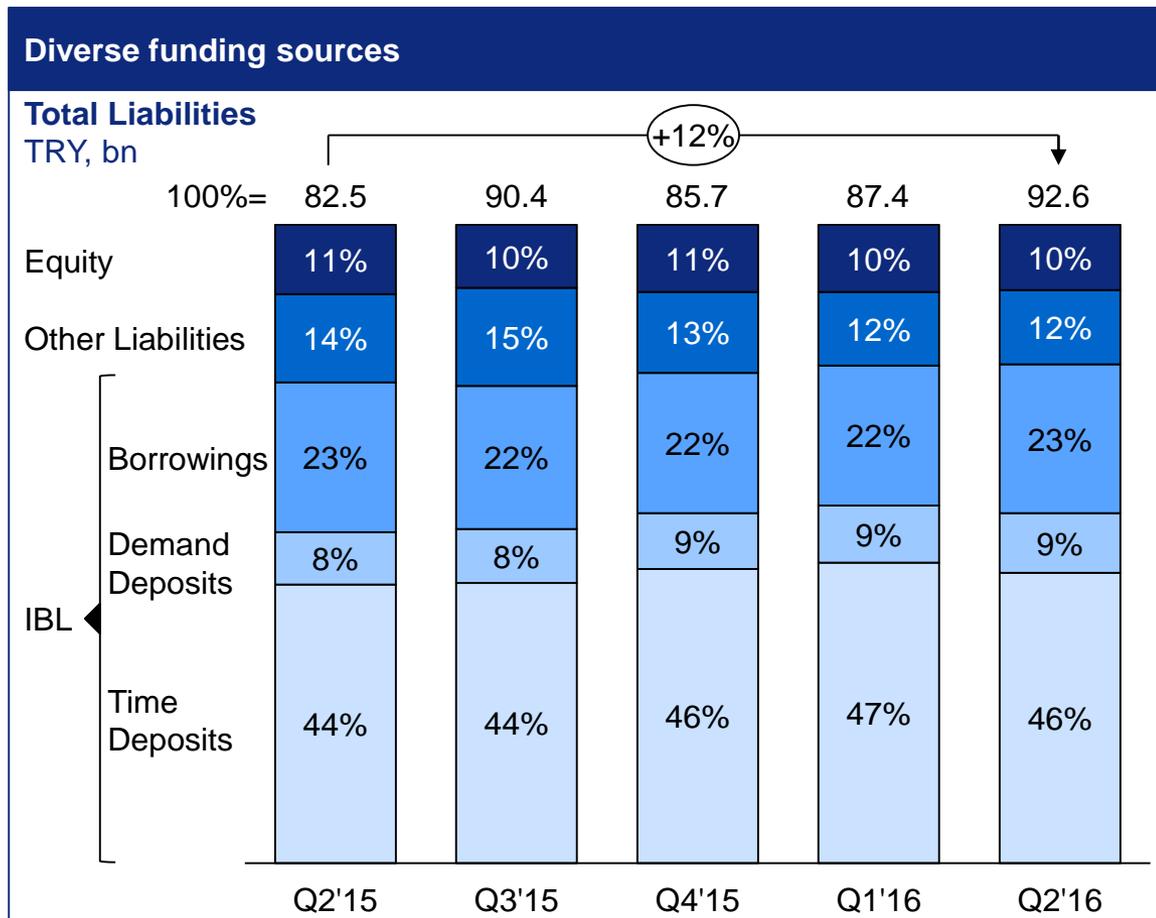


Controlled asset quality with high coverage ratios



(1) One-off collection from a large corporate NPL file
(2) General provisions include watch-list provisions

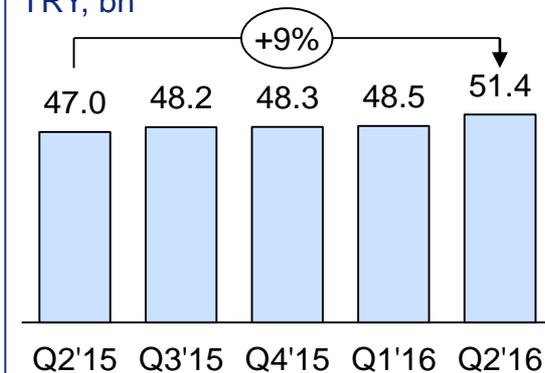
Well-diversified funding structure underpinned by solid deposit base



TRY liabilities grew by 9% YoY

TRY Liabilities

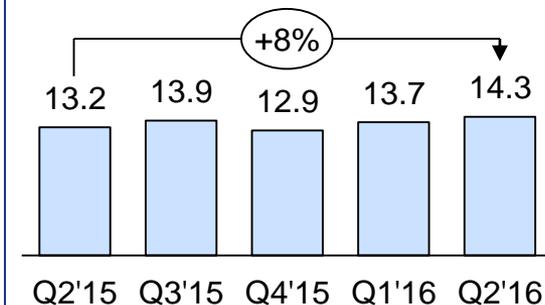
TRY, bn



FX liabilities are up by 8% YoY

FX Liabilities

USD, bn

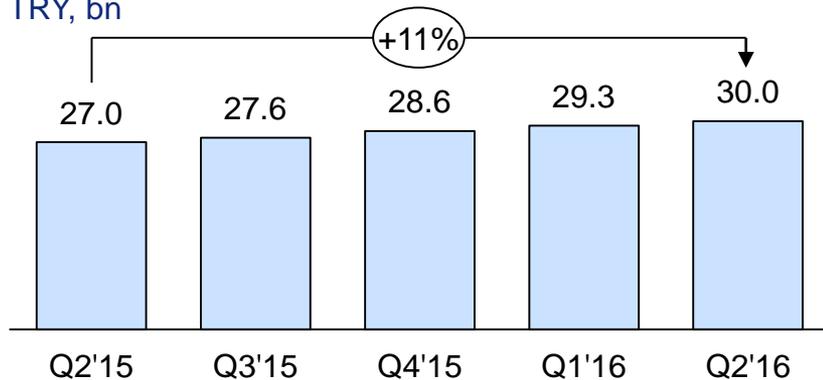


Solid deposit growth supported by strong demand deposit increase that helps maintain stable L/D ratio

11% increase in TRY customer deposits on YoY basis

TRY Deposits

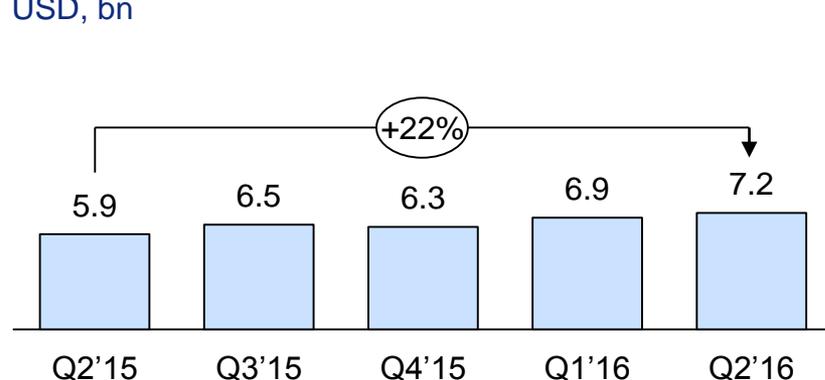
TRY, bn



22% YoY increase in FX customer deposits

FX Deposits

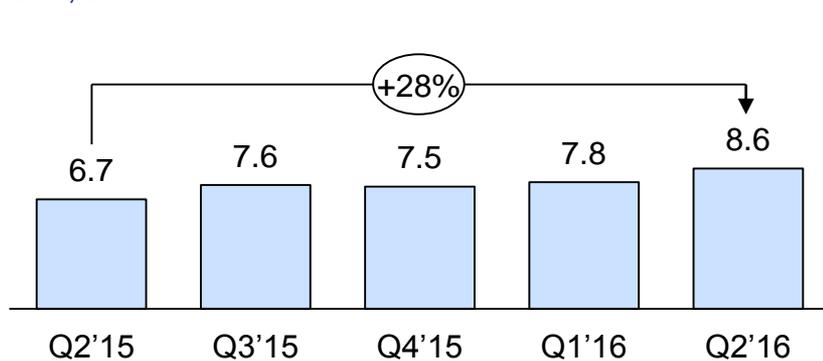
USD, bn



Demand deposits stand at 17% of total deposits

Demand Deposits

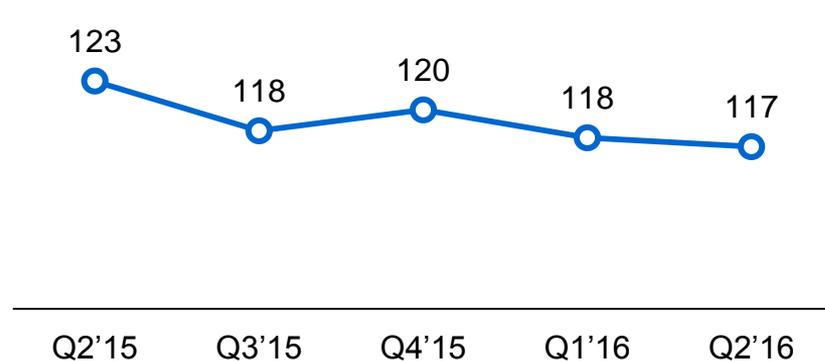
TRY, bn



Loan-to-deposit ratio in line with the sector

Loan-to-deposit ratio⁽¹⁾

%



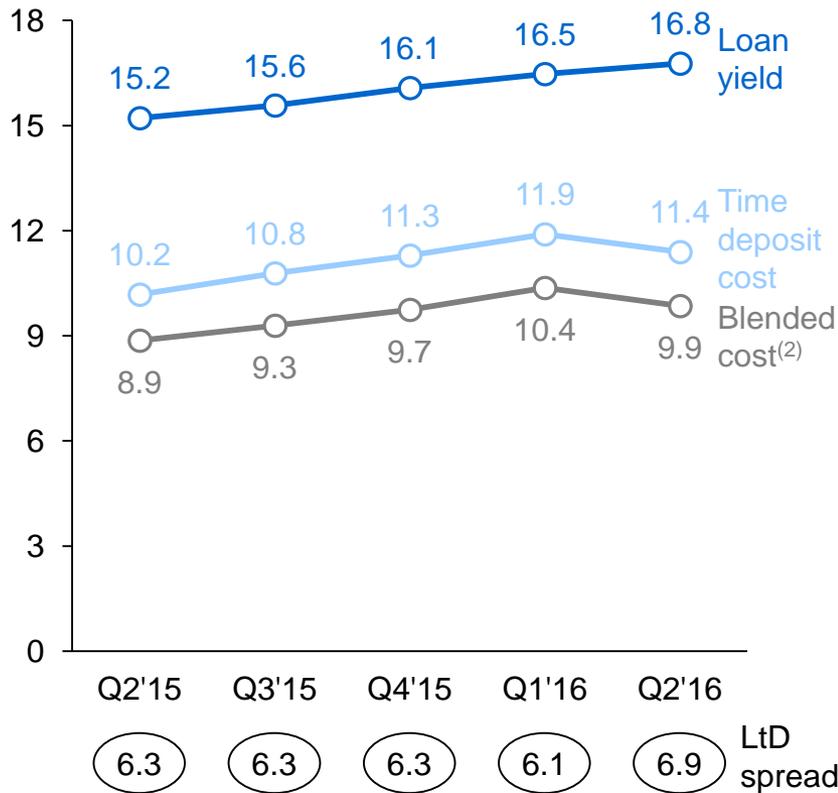
(1) Including TRY bonds

QoQ increase in loan-deposit spread in both TRY and FX

TRY loan-deposit spread increased by 81 bps QoQ

TRY Spread

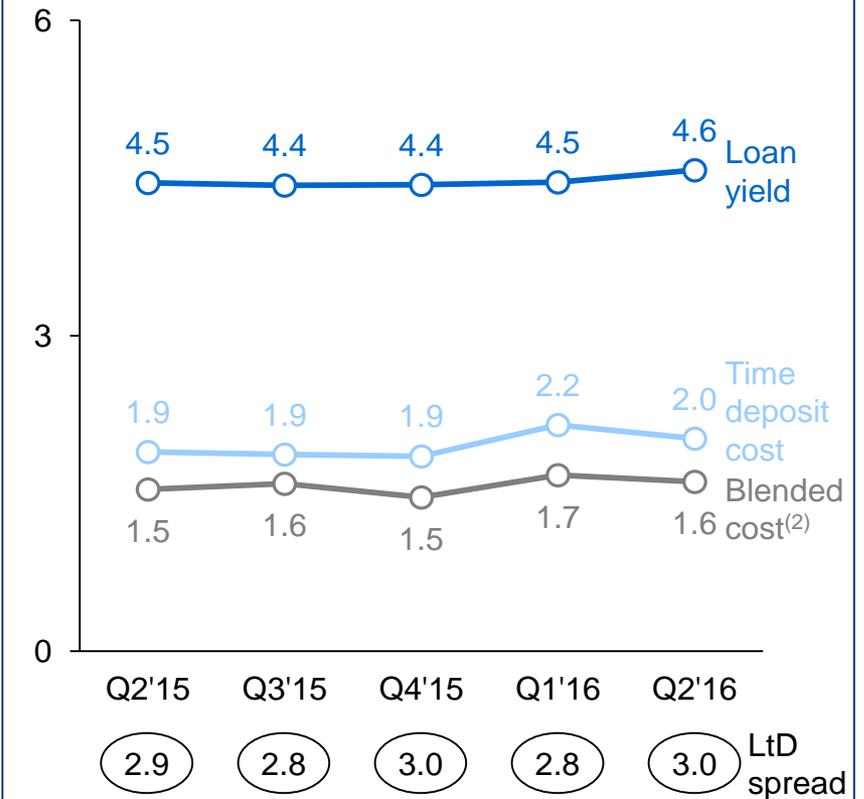
%, Quarterly average



FX loan-deposit spread increased by 18 bps QoQ

FX Spread⁽¹⁾

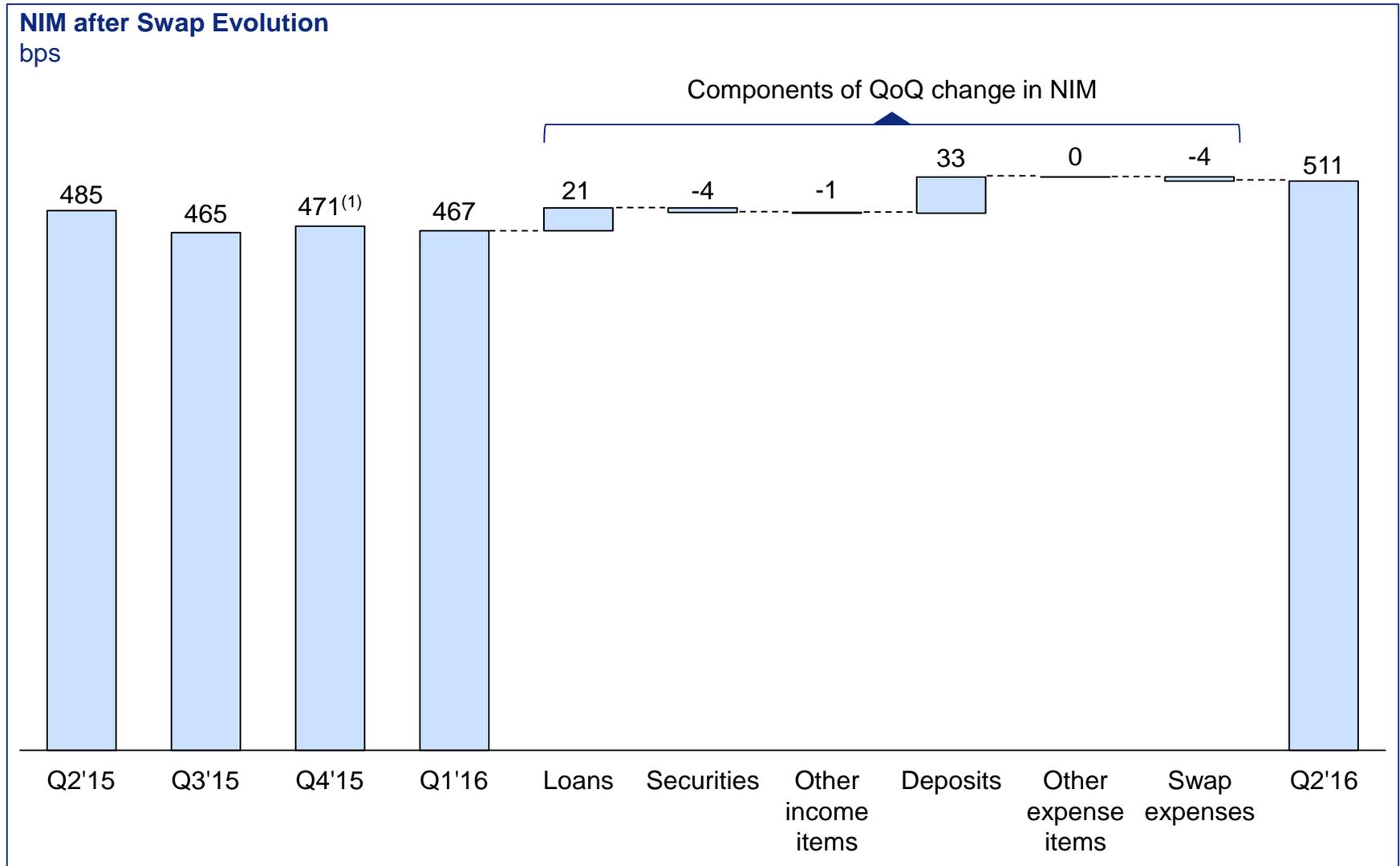
%, Quarterly average



(1) Adjusted for FX rate changes

(2) Blended of time and demand deposits

Both loans and deposits contributed to NIM expansion in Q2'16



(1) Excluding one-off collection from a large corporate NPL file. If included, Q4'15 NIM would be 5.0

CoR at comfortable level due to continuing focus on business banking

CoR at historical levels despite slight QoQ increase

Cost of Risk
%



Q2'15 Q3'15 Q4'15 Q1'16 Q2'16

Shift towards business banking helps improve cost of risk

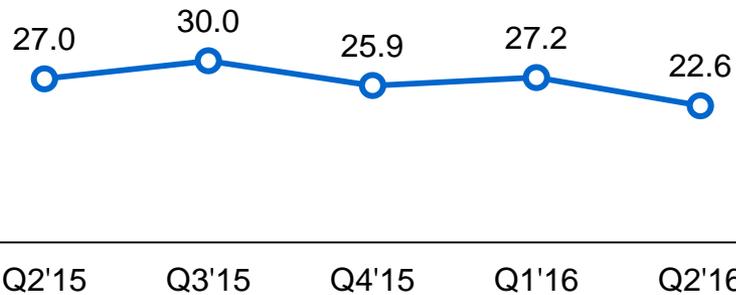
	Loan Composition					SCoR	General
	% of total loans					Q2'16, %	Prov. Rates %
Credit cards	14	13	14	13	13	3.4	4.0
General purpose loans	16	16	16	16	15	3.2	4.0
Mortgage	10	9	9	9	9	0.3	1.0
SME	35	36	35	36	33	2.2	0.5
Corporate & Commercial	25	26	27	26	29	1.0	1.0
	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16		

- (1) Excluding reversal of TRY 36 mn free provisions, if included Q2'15 CoR would be 1.9%
- (2) Excluding reversal of TRY 46 mn free provisions. If included, Q3'15 CoR would be 1.7%.
- (3) Excluding TRY 100 mn free provision. If included, Q4'15 CoR would be 2.8%

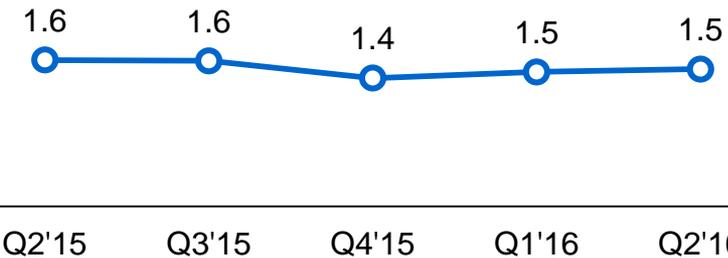
Sustained fee generation

Slight QoQ decrease in the share of fees in total income due to denominator effect

Fees / Total Income
%

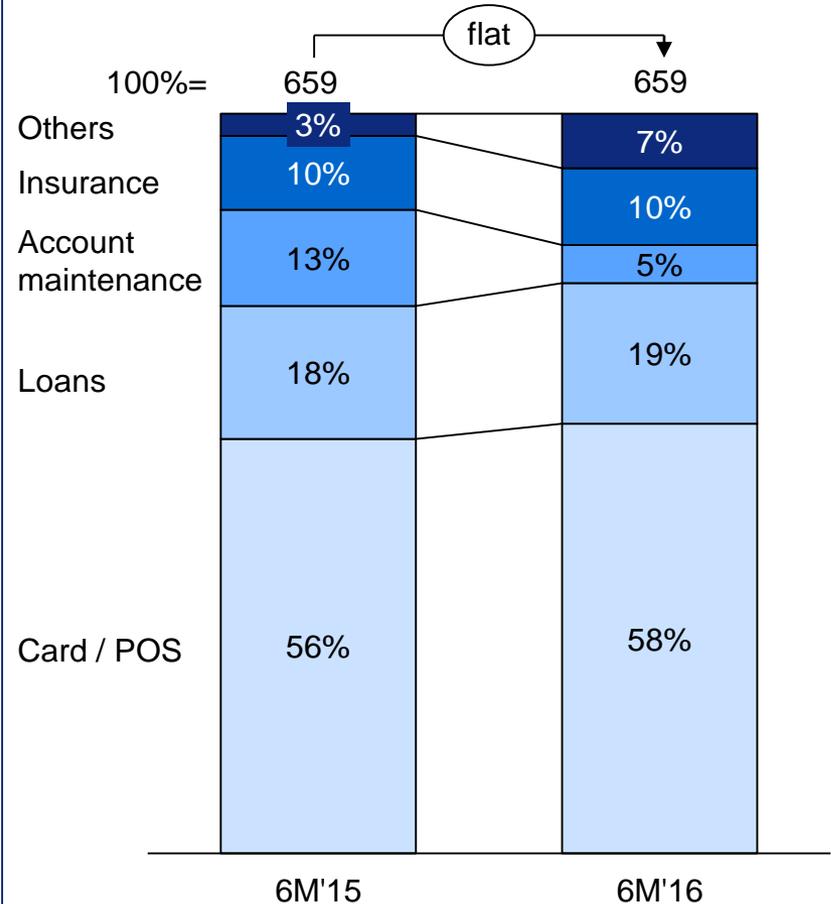


Fees / Assets
%



9% QoQ growth in fee generation excluding regulatory impact on account maintenance fees

Cumulative Net Fees and Commissions
TRY, mn



Operating expenditures flat over previous quarter

Improvement in efficiency metrics even without impact of one-off income items

Cost / Income⁽¹⁾
%



Excluding one-offs Q2'16
C/I ratio would be 55.2%

Q2'15 Q3'15 Q4'15 Q1'16 Q2'16

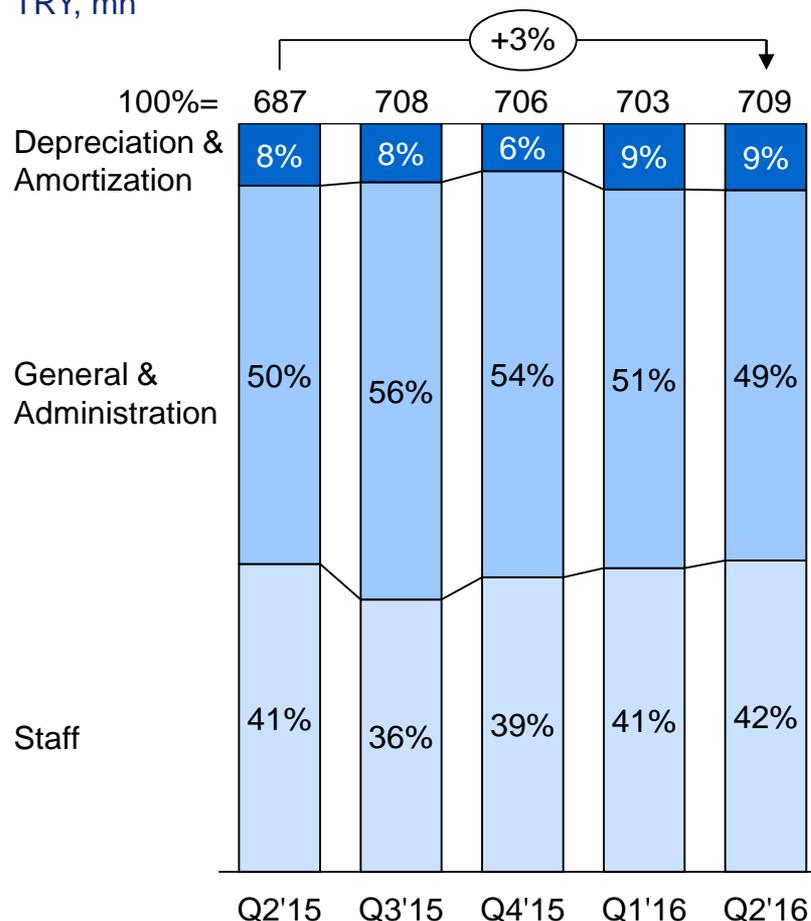
OpEx / Assets⁽¹⁾
%



Q2'15 Q3'15 Q4'15 Q1'16 Q2'16

Almost flat OpEx on QoQ basis

OpEx⁽¹⁾
TRY, mn



(1) Including commission refunds of TRY 40 mn in Q2'15, TRY 47 mn in Q3'15, TRY 37 mn in Q4'15, TRY 38 mn Q1'16 and TRY 30 mn in Q2'16

Bottom-line increase mainly attributable to NII growth and other income

TRY, mn	Q2'15	Q1'16	Q2'16	ΔQoQ	ΔYoY
Net Interest Income after Derivatives Expenses	813	820	904	10%	11%
Net Interest Income	955	994	1,110	12%	16%
Derivatives expenses	-142	-174	-206	19%	45%
Net Fees & Commissions	327	319	339	6%	4%
Trading & Other Income ⁽¹⁾	71	34	261	676%	269%
Total Operating Income	1,211	1,173	1,503	28%	24%
Provisions	-257	-266	-321	20%	25%
OpEx	-687	-703	-709	1%	3%
Net Operating Income	267	204	474	133%	78%
Taxation	-45	-42	-84	99%	85%
Net Income	221	162	391	141%	76%

- **Substantial increase in total operating income** driven by growth in NII and one-off other income items
- **Fees and commissions growth** kicked-in in Q2'15
- **Small YoY increase in provisions** excluding TRY 36 mn provision reversal in Q2'15
- **Almost flat OpEX on QoQ** basis

(1) Including dividend income from subsidiaries

Appendix

Pg. 17 Key financial ratios

Pg. 18 Balance sheet summary

Key financial ratios

	All figures quarterly	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	ΔQoQ	ΔYoY
Profitability	RoAE	10.0%	7.6%	1.4%	7.1%	16.8%	+9.7pps	+6.8pps
	RoAA	1.1%	0.8%	0.1%	0.7%	1.7%	+1.0pps	+0.6pps
	Cost / Income	56.8%	61.5%	58.9%	59.9%	47.1%	-12.8pps	-9.6pps
	NIM after swap expenses	4.8%	4.7%	4.7% ⁽¹⁾	4.7%	5.1%	+45bps	+26bps
Liquidity	Loans / Deposits	127.7%	120.9%	121.8%	119.5%	118.4%	-1.0pps	-9.3pps
	Loans / (Dep. + TRY Bonds)	123.4%	118.3%	120.5%	117.6%	116.7%	-0.9pps	-6.7pps
Asset Quality	NPL Ratio	5.7%	5.9%	6.3%	6.6%	6.2%	-0.5pps	+0.4pps
	Coverage	78.1%	79.9%	80.4%	81.2%	80.0%	-1.2pps	+2.0pps
	Cost of Risk	2.2% ⁽²⁾	2.0% ⁽³⁾	2.1% ⁽⁴⁾	1.8%	2.2%	+0.3pps	flat
Solvency	CAR	15.8%	15.0%	15.4%	14.7%	14.5%	-0.2pps	-1.3pps
	Tier I Ratio	12.3%	11.6%	12.0%	12.7%	12.5%	-0.1pps	+0.3pps
	Leverage	9.2	10.1	9.5	9.5	9.8	+0.3	+0.6

(1) Excluding TRY 43.7 mn interest income from NPL customer. If included, Q4'15 NIM would be 5.0

(2) Excluding reversal of TRY 36 mn free provisions, if included Q2'15 CoR would be 1.9%

(3) Excluding reversal of TRY 46 mn free provisions. If included, Q3'15 CoR would be 1.7%.

(4) Excluding TRY 100 mn free provision. If included, Q4'15 CoR would be 2.8%

Balance sheet summary

	TRY, mn	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	ΔQoQ	ΔYoY
Assets	Cash & Banks ⁽¹⁾	9,720	12,209	10,313	10,941	13,159	20%	35%
	Securities	9,199	9,356	9,197	9,765	10,938	12%	19%
	Net Loans	54,603	57,194	57,273	58,447	60,161	3%	10%
	Fixed Assets & Subsidiaries	2,259	2,244	2,283	2,398	2,467	3%	9%
	Other	6,673	9,406	6,661	5,802	5,922	2%	-11%
	Total Assets	82,454	90,410	85,727	87,354	92,647	6%	12%
Liabilities & Equity	Customer Deposits	42,743	47,306	47,009	48,920	50,800	4%	19%
	Borrowings	19,358	20,296	18,835	19,176	21,589	13%	12%
	Bonds Issued	5,134	5,004	4,336	4,725	3,379	-28%	-34%
	Funds Borrowed	5,854	6,962	5,640	5,922	7,164	21%	22%
	Sub-debt	2,459	2,820	2,662	2,627	2,650	1%	8%
	Bank Deposit	1,450	1,466	1,557	1,652	2,234	35%	54%
	Repo	4,461	4,044	4,639	4,250	6,162	45%	38%
	Other	11,391	13,870	10,860	10,090	10,813	7%	-5%
	Equity	8,961	8,937	9,024	9,166	9,445	3%	5%
Total Liabilities & Equity	82,454	90,410	85,727	87,354	92,647	6%	12%	

(1) Includes banks, interbank, other financial institutions

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