

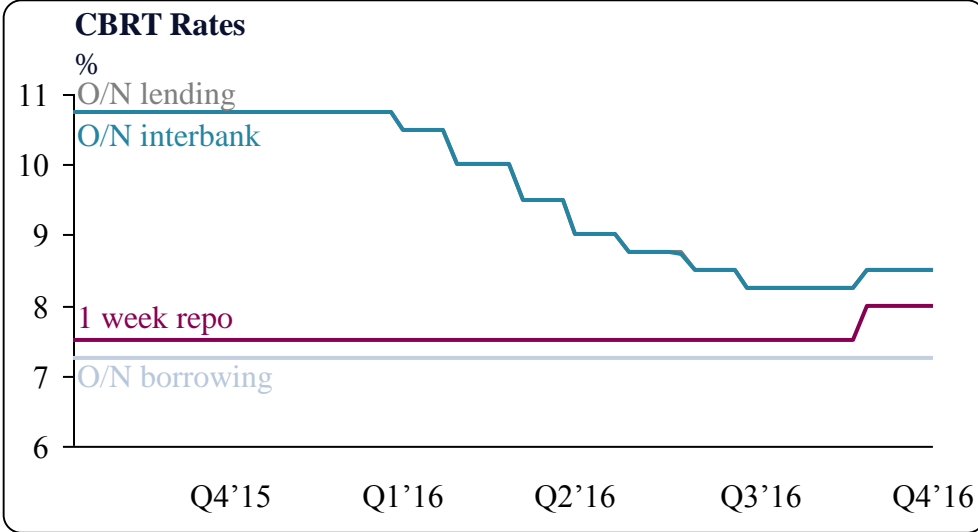


QNB Finansbank Q4'16 Earnings Presentation

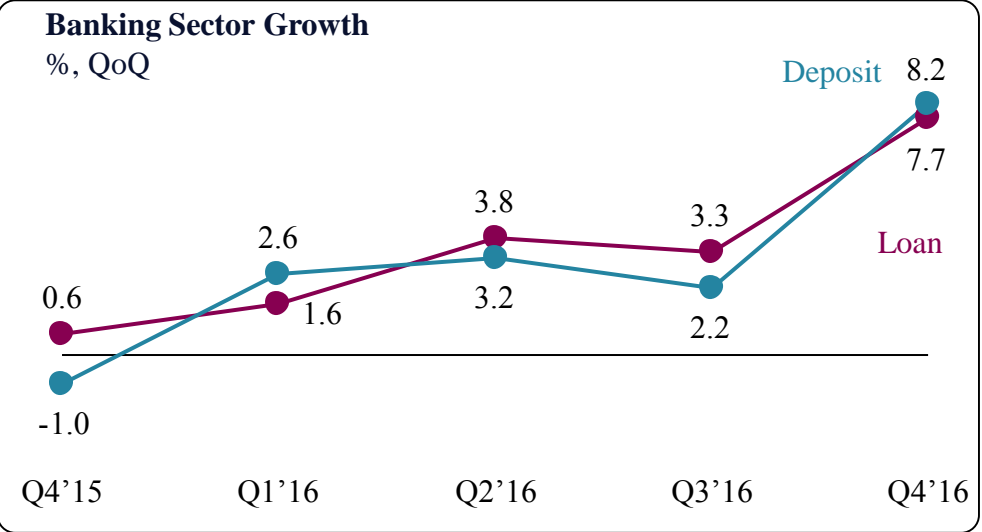
February 2016

Banking sector growth continued in Q4'16 despite adverse global and local developments

Macro Dynamics



Banking Sector Dynamics

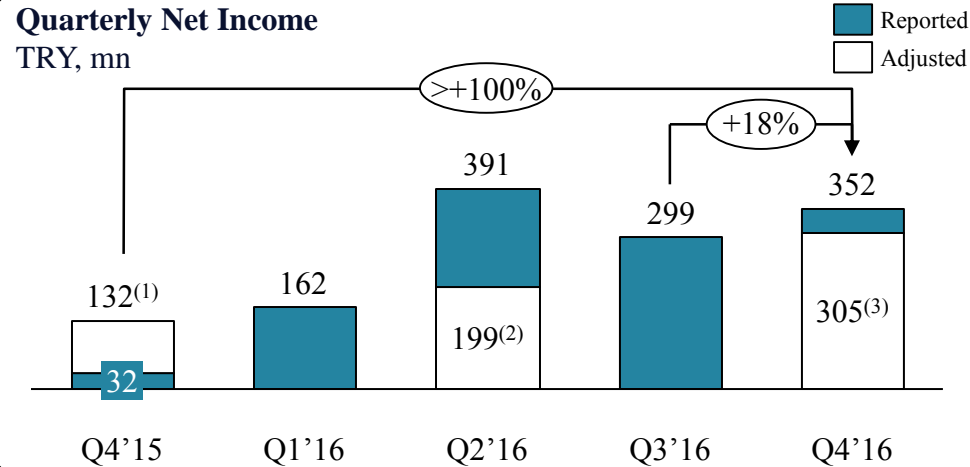


- FED raised interest rate in December after remaining on hold through the first three quarters of last year
- ECB continued accommodative policies by keeping negative deposit rates and continuing asset purchases
- Global volatility indicators heightened in Q4'16 as a result of the rising Fed rate hike expectations and the U.S. presidential elections
- Global sentiment turned negative for EMs. TRY continued to underperform its peers due to negative impacts of coup attempt in July and sovereign rating downgrades
- CBRT raised the O/N lending and one-week repo rates in November and steered the effective funding rate up, on account of the deteriorating inflation outlook

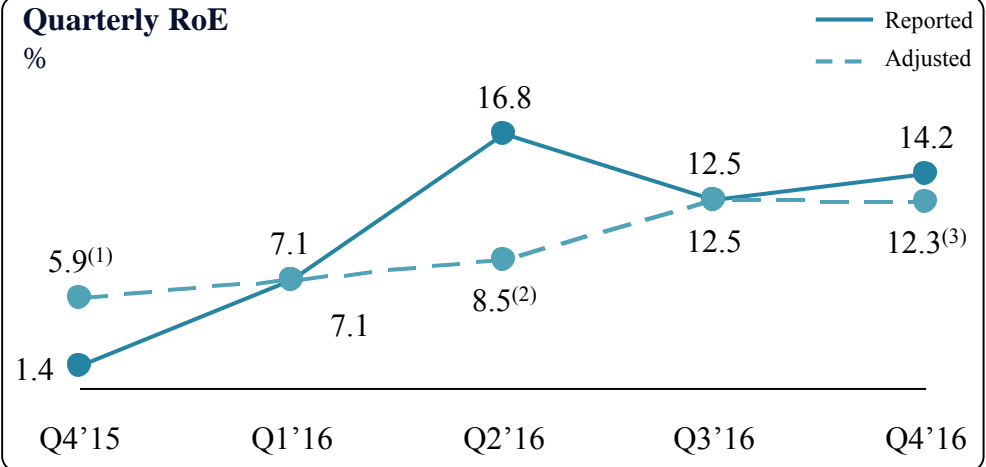
- Growth continued in banking sector both on loans and deposits fronts; accelerating in Q4 mostly due to FX appreciation impact
- Pressure on funding costs remained low thanks to slow down in lending growth
- Asset quality of sector remained intact through the period

Improvement in profitability continued with controlled asset quality and comfortable capital position

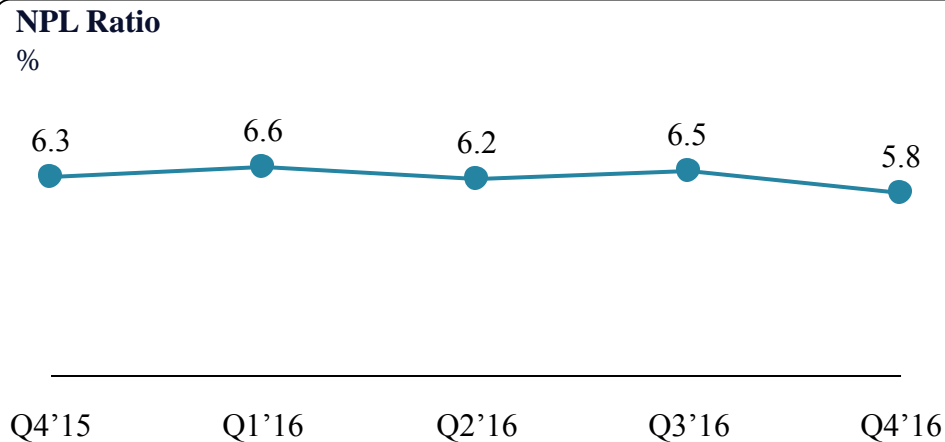
Strong increase in net income excluding one-offs in previous quarter



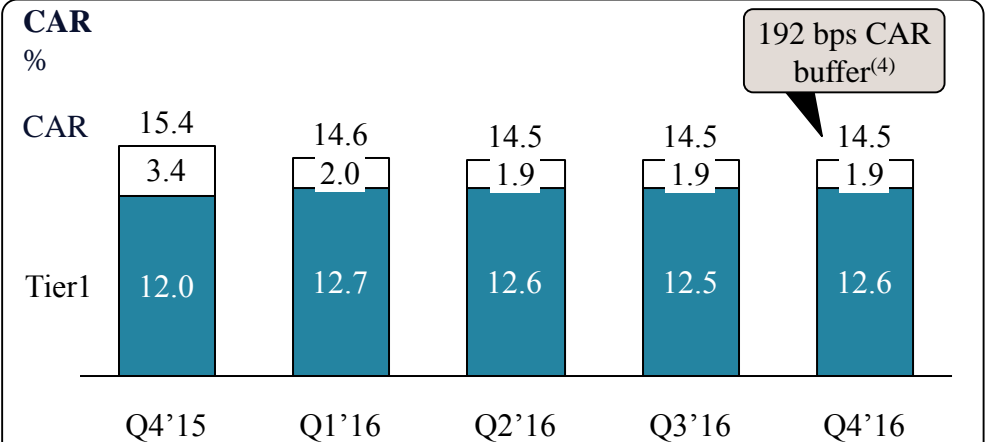
RoE on upwards trend



Asset quality improved in 2016 due to stringent risk measures and NPL sales



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



(1) Excluding TRY 100mn free provisions

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

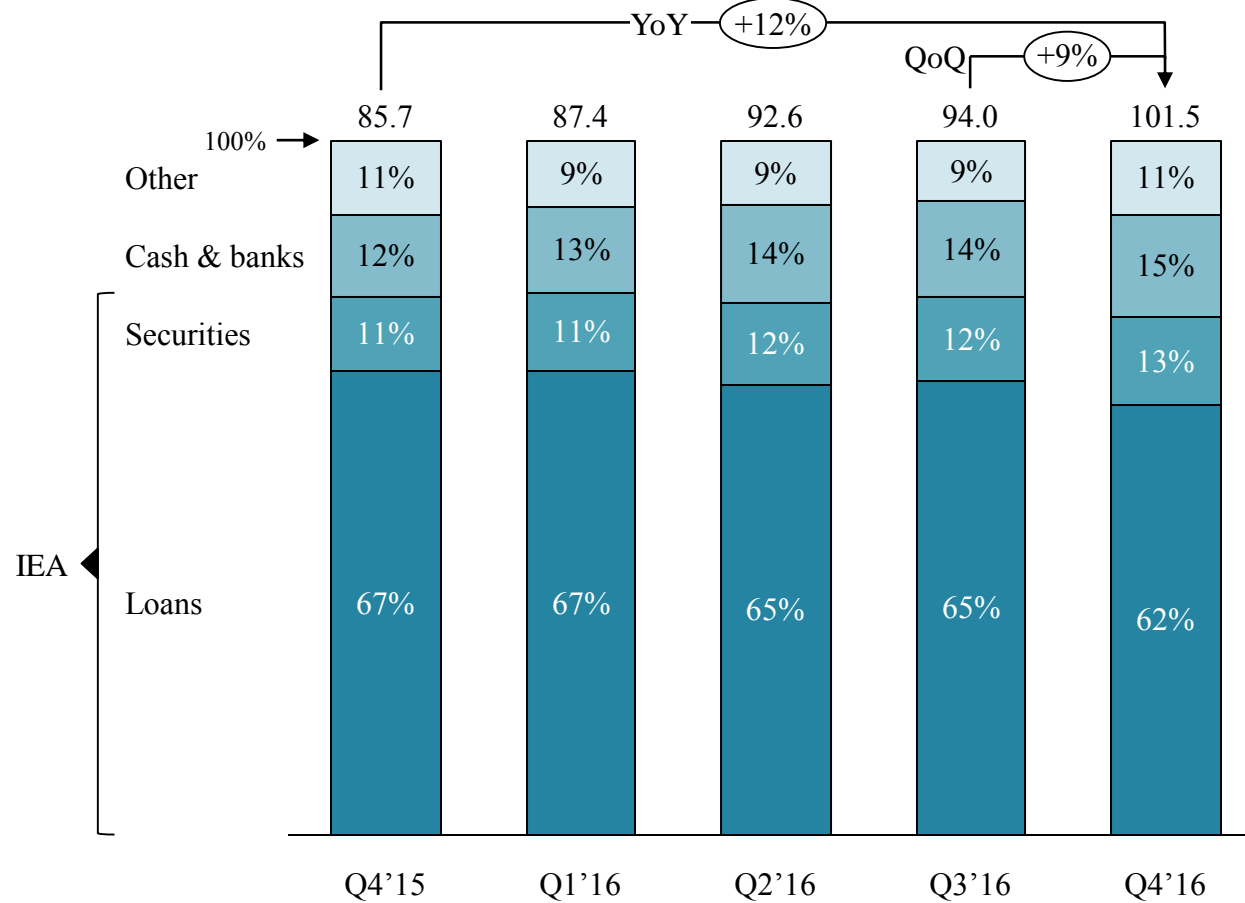
(3) Excluding TRY 94mn NPL sale and including TRY 30.8mn provision for RUSF penalty (after tax impact of TRY 75mn and TRY 28.1mn respectively)

(4) Unrealized capital buffers with 37 bps through reversal of general provisions as per new regulation and 292 bps through potential conversion of sub-loan to Basel III; offset partially by -137 bps of Fitch downgrade impact

Asset size exceeded TRY 101bn, accelerating in the last quarter

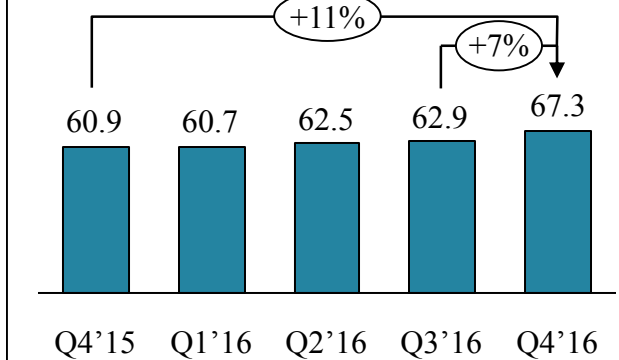
Loan heavy balance sheet

Total Assets
TRY, bn



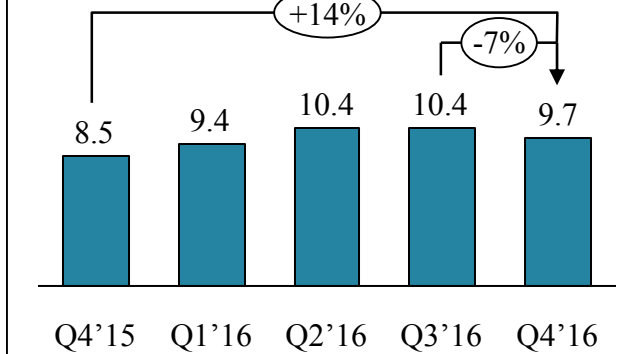
Faster TRY asset growth in the last quarter

TRY Assets
TRY, bn



FX asset growth temporarily reversed in the last quarter

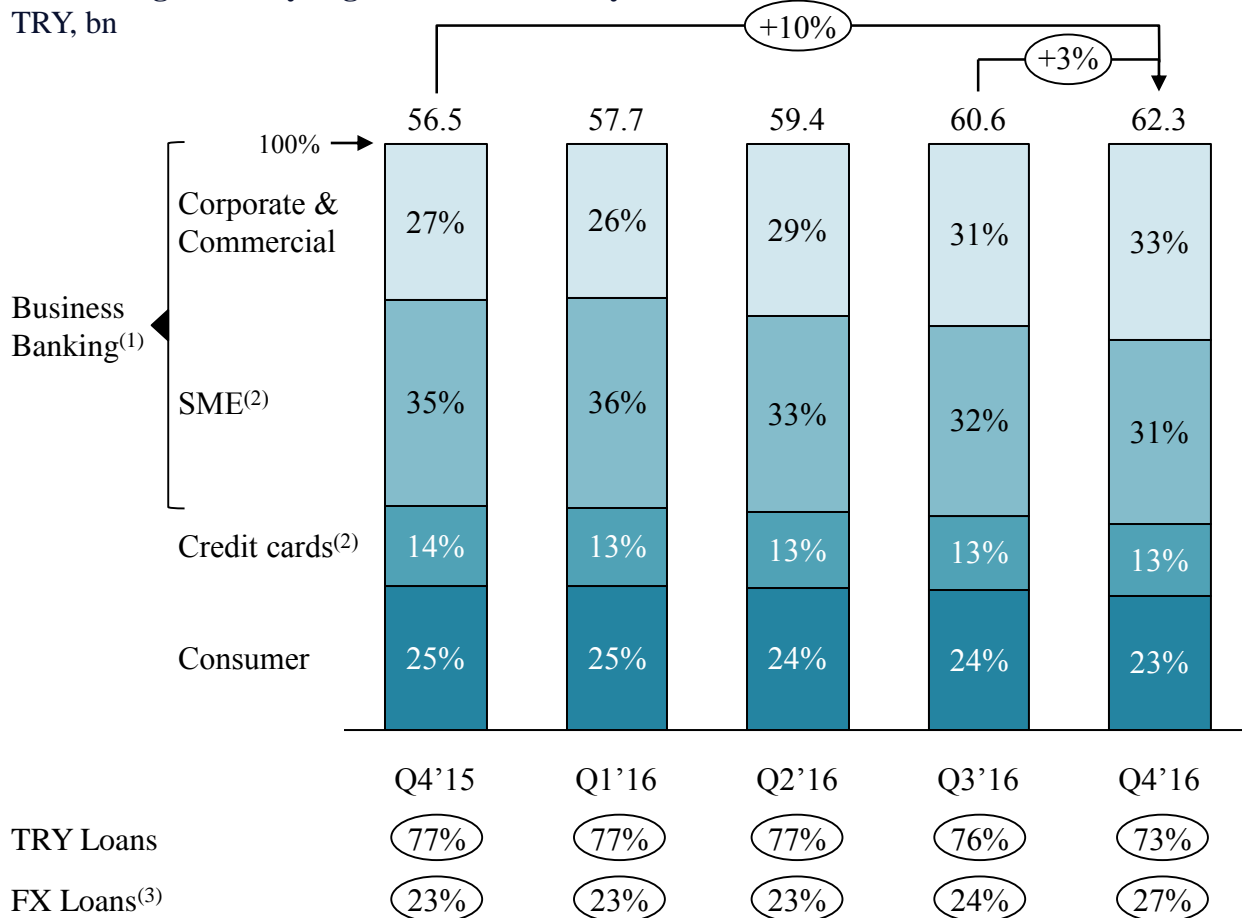
FX Assets⁽¹⁾
USD, bn



Sustained and successful execution of the growth strategy...

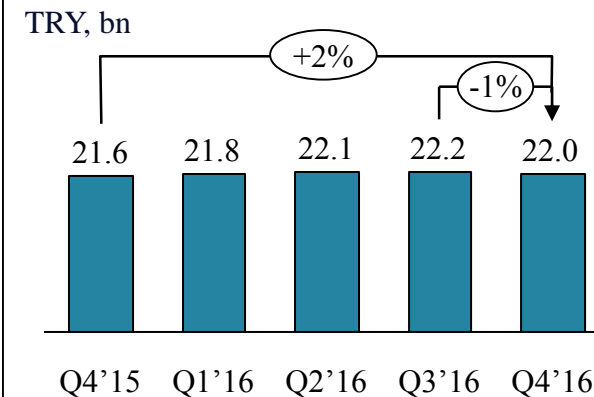
Loan book continued to shift towards business banking

Performing Loans by Segment and Currency



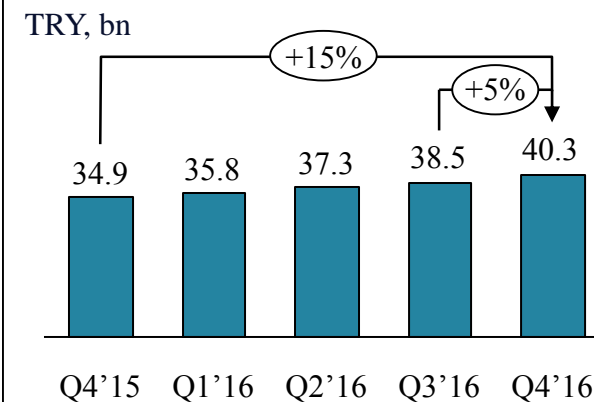
Retail loans are almost flat over the period

Retail Loans



Significant growth in business loans

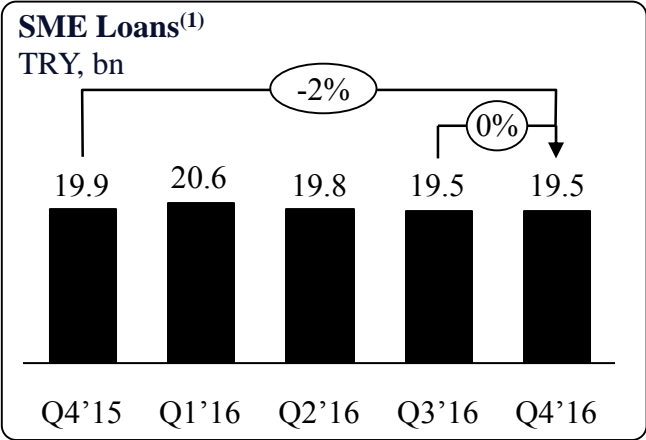
Business Loans



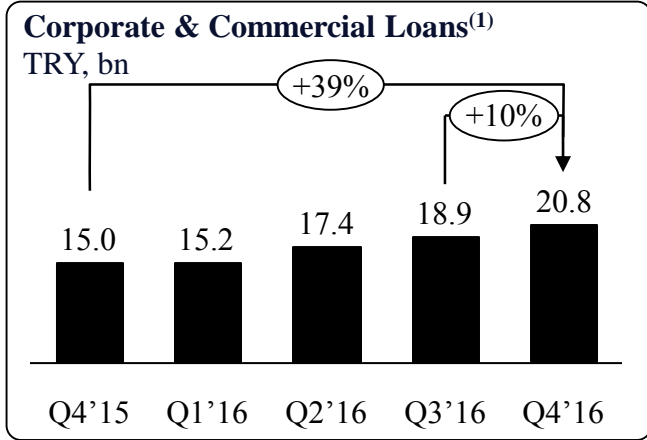
... focused on business banking loans and selective retail banking segments

Business banking
 Retail banking

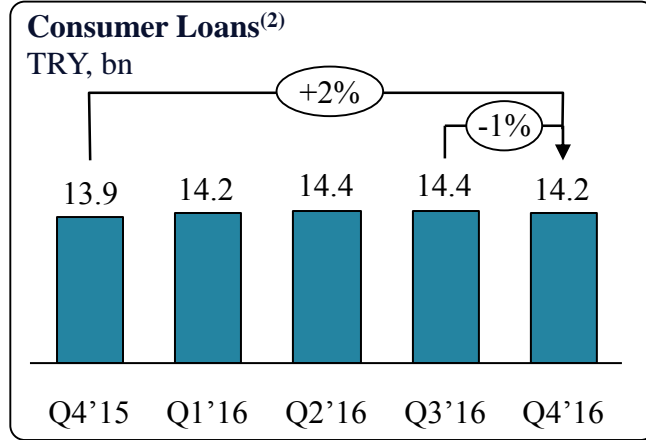
Caution in SME loans in 2016; growth to resume with market stability



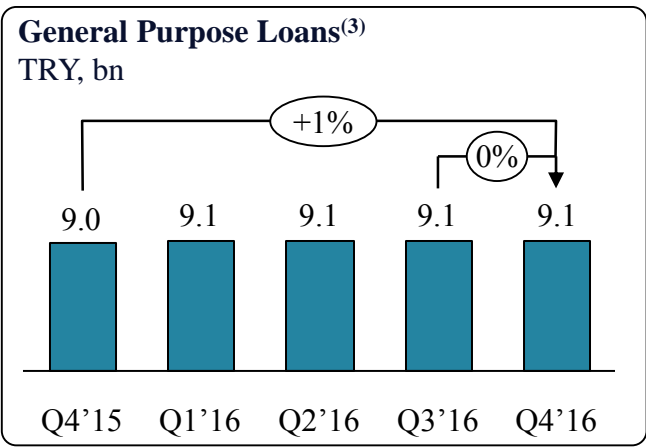
Strong growth in Corporate & Commercial loans supported also by FX rates



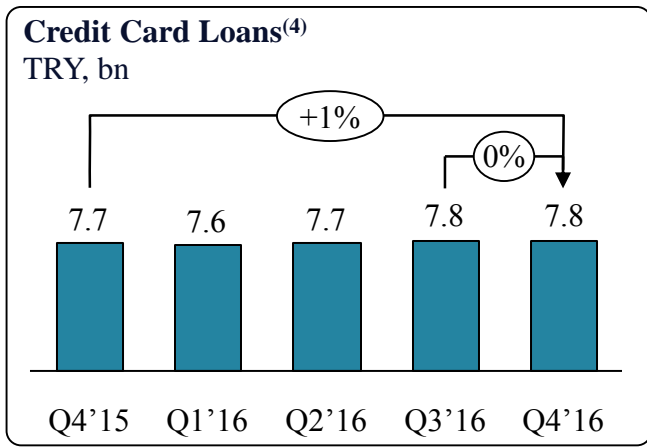
Stable consumer loans...



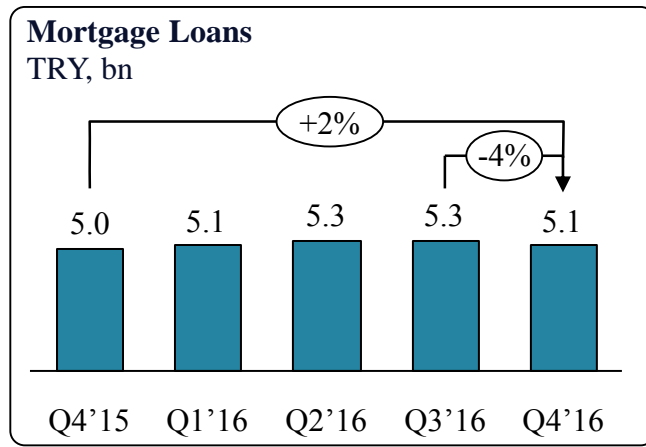
... including GPLs...



... credit cards...



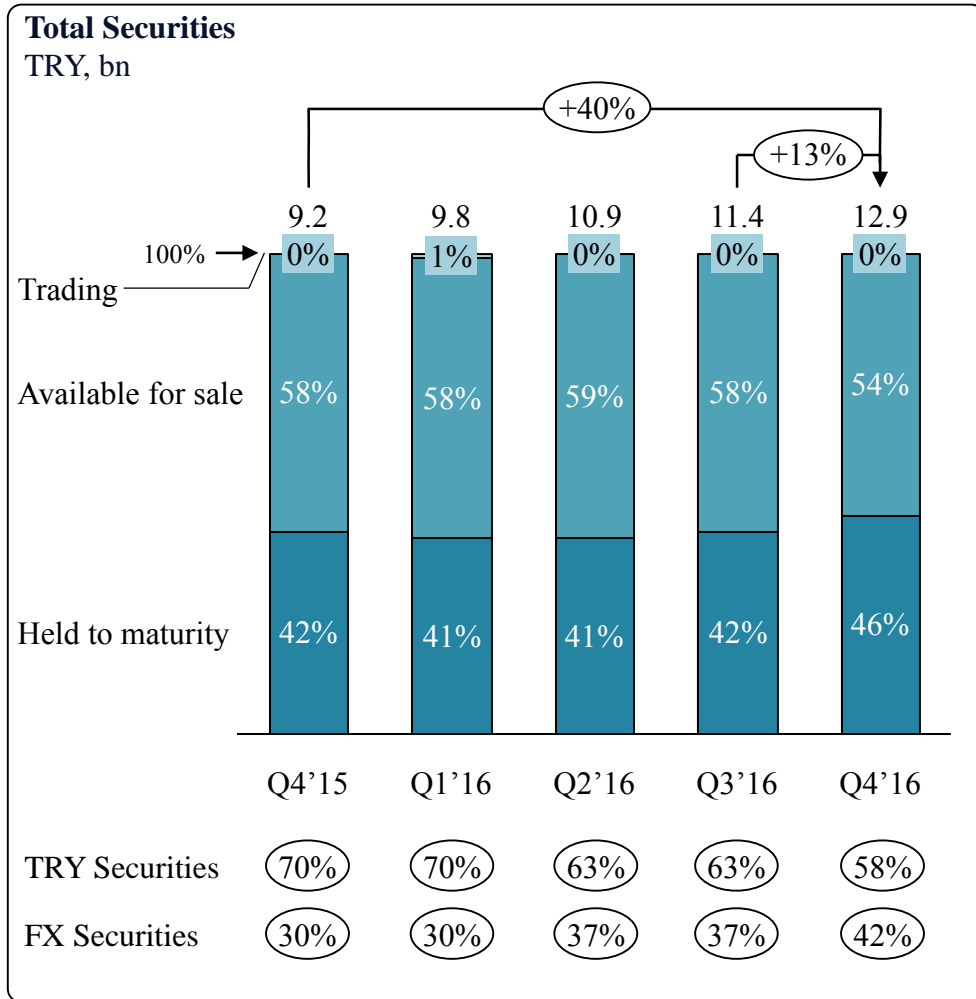
... as well as in mortgages



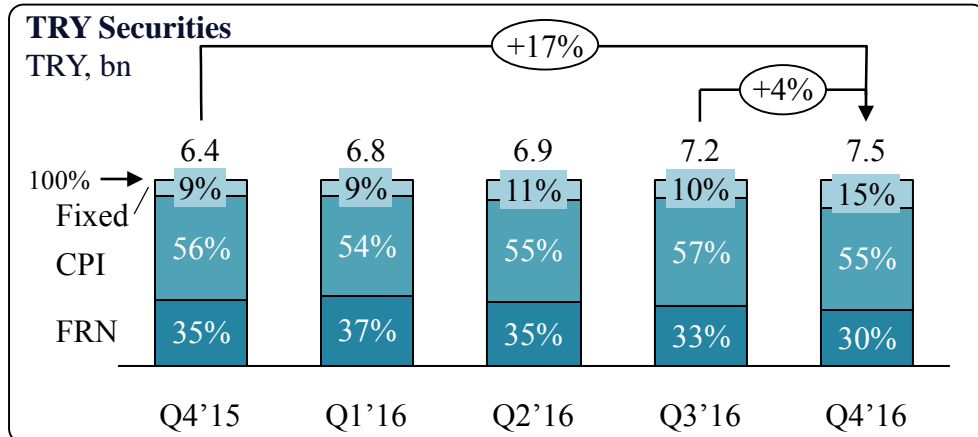
(1) Based on BRSA segment definition, excluding credit cards
 (2) Including GPL, overdraft and mortgage loans
 (3) Including overdraft
 (4) Credit card outstanding from individual clients

Securities portfolio increased to TRY 12.9bn, making up 13% of assets

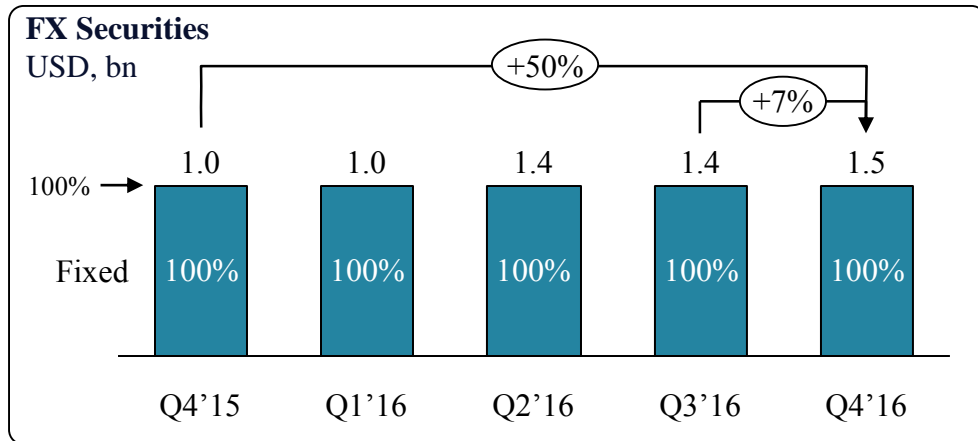
Growth in securities portfolio largely driven by FX securities



85% of TRY securities are indexed / variable rate

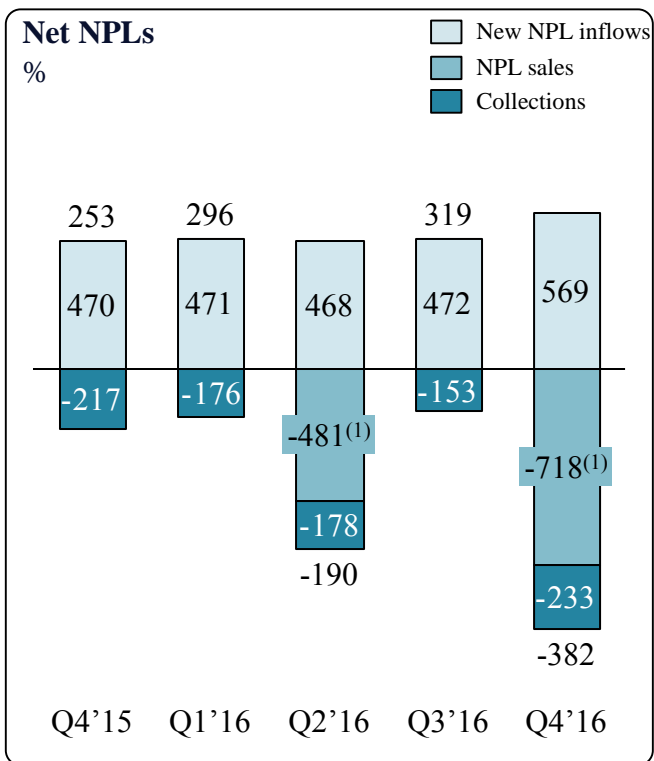


Strong growth in FX securities with investments in 2016

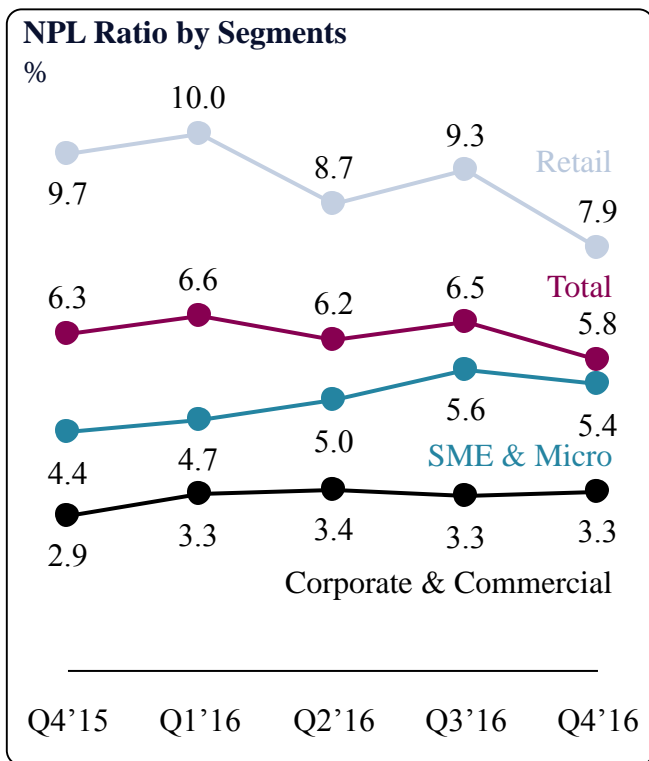


Controlled asset quality with high coverage ratios

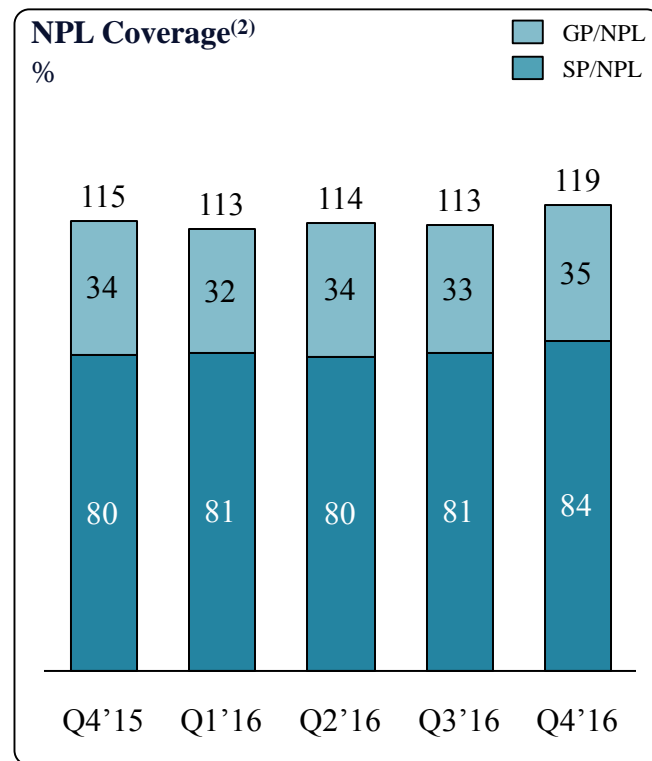
Stable NPL inflows



NPL ratios improved in 2016, thanks to stringent risk measures and NPL sales



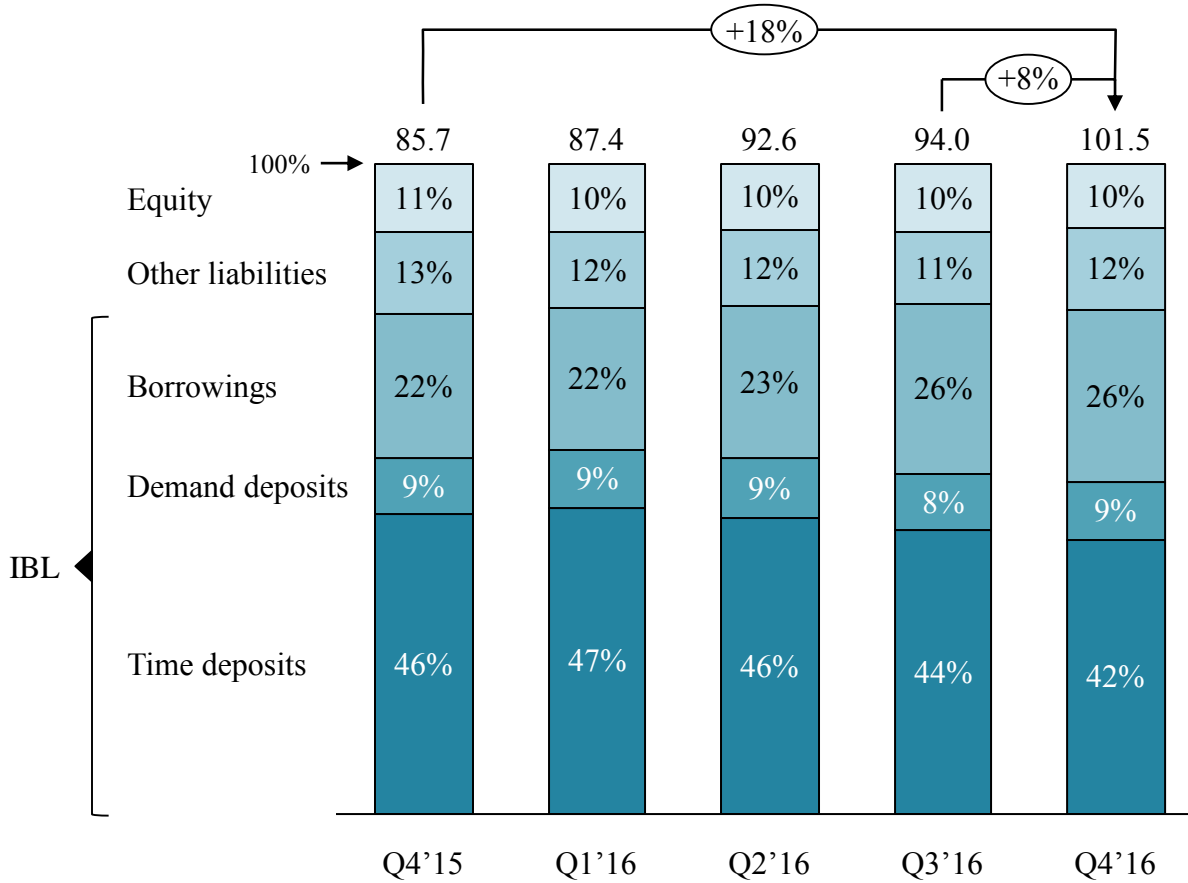
NPLs are well covered through general and specific provisions



Well-diversified funding structure underpinned by solid deposit base

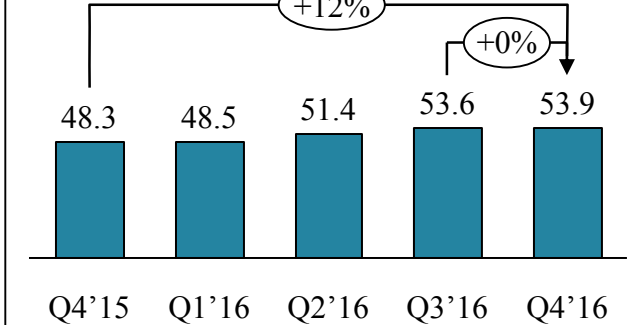
Use of diversified funding sources while increasingly leveraging new shareholder structure to refrain from deposit competition

Total Liabilities
TRY, bn



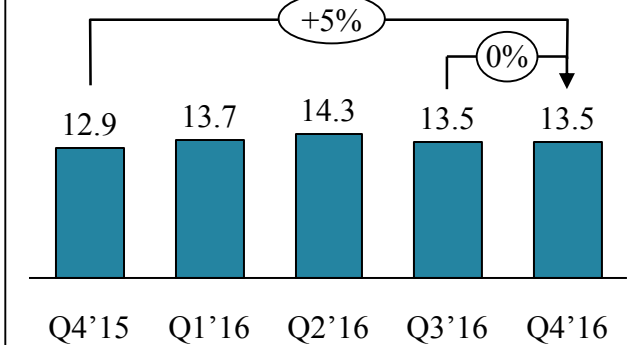
Modest growth in TRY liabilities

TRY Liabilities
TRY, bn



Recent slowdown in FX liabilities growth due to costly FX deposits release

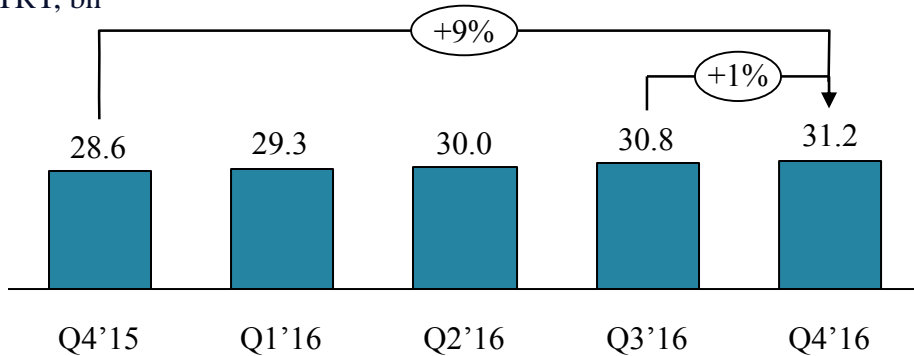
FX Liabilities
USD, bn



Slight decrease in L/D ratio and strong demand deposit growth

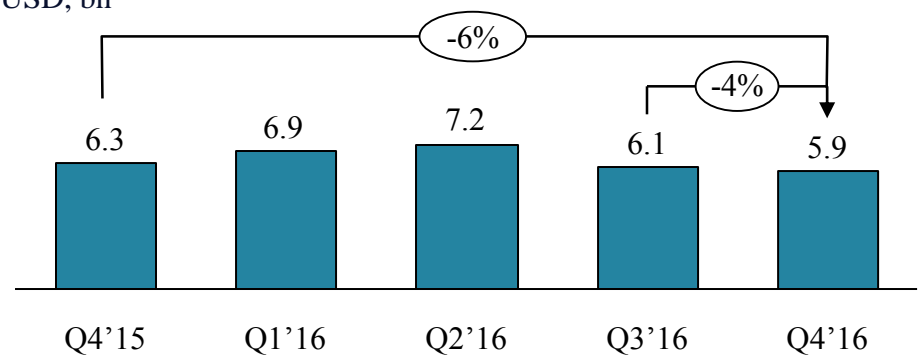
Stable TRY deposits growth

TRY Deposits
TRY, bn



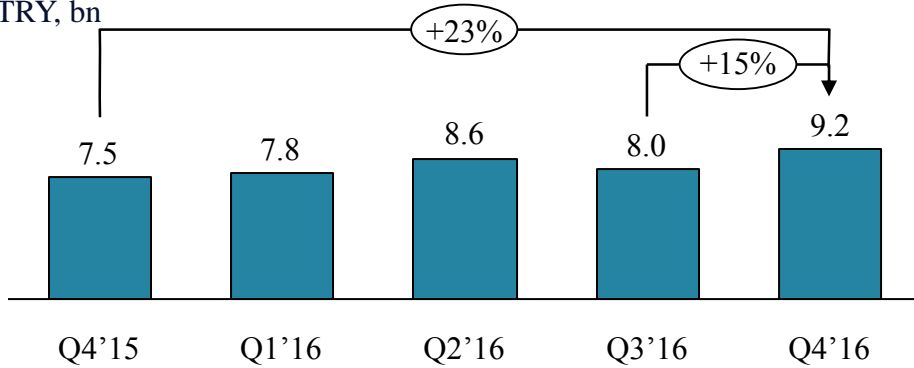
Recent contraction in FX deposits in line with the sector due to movement to TRY deposits in addition to cost optimization

FX Deposits
USD, bn



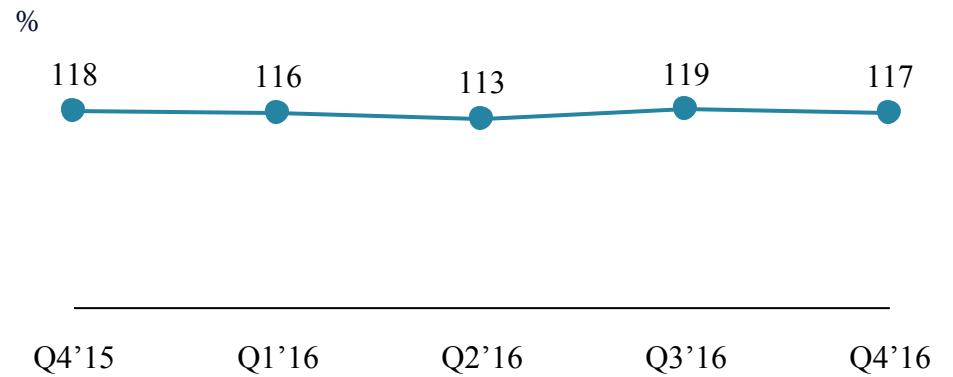
Impressive growth in demand deposits

Demand Deposits
TRY, bn



Loan-to-deposit ratio in line with the sector

Loan-to-deposit ratio⁽¹⁾

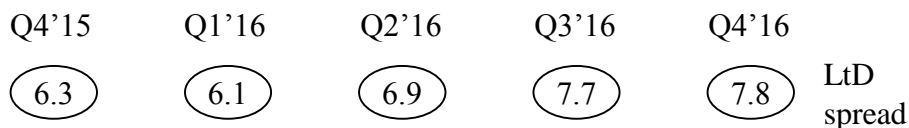
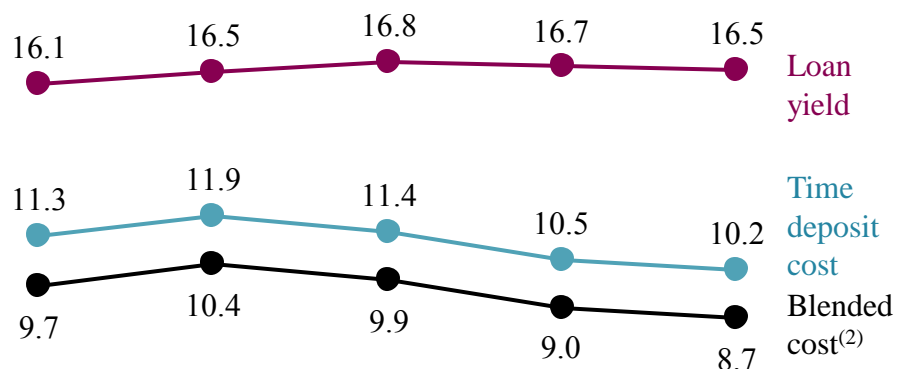


Exceptional spread management in both TRY and FX fronts

Loan-to-deposit spread expansion for TRY side throughout 2016

TRY Spread

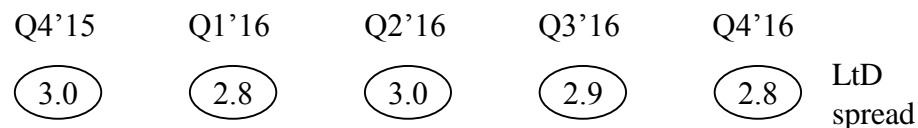
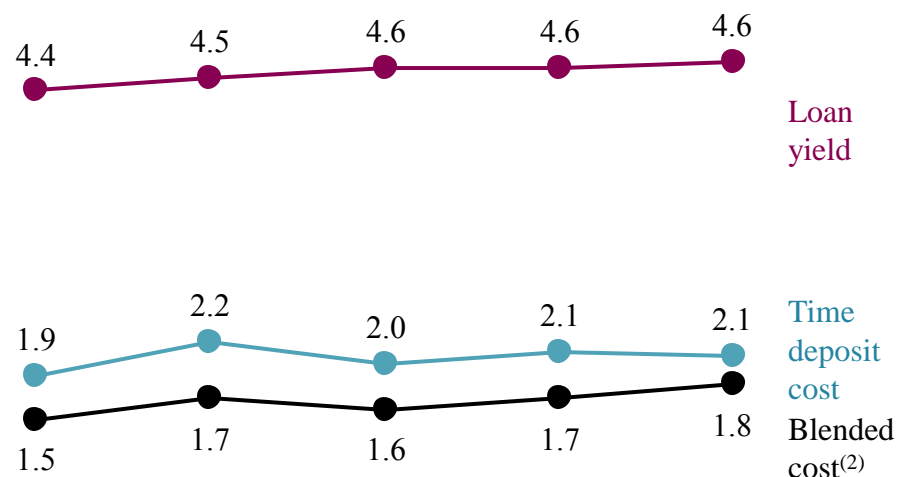
%, period average



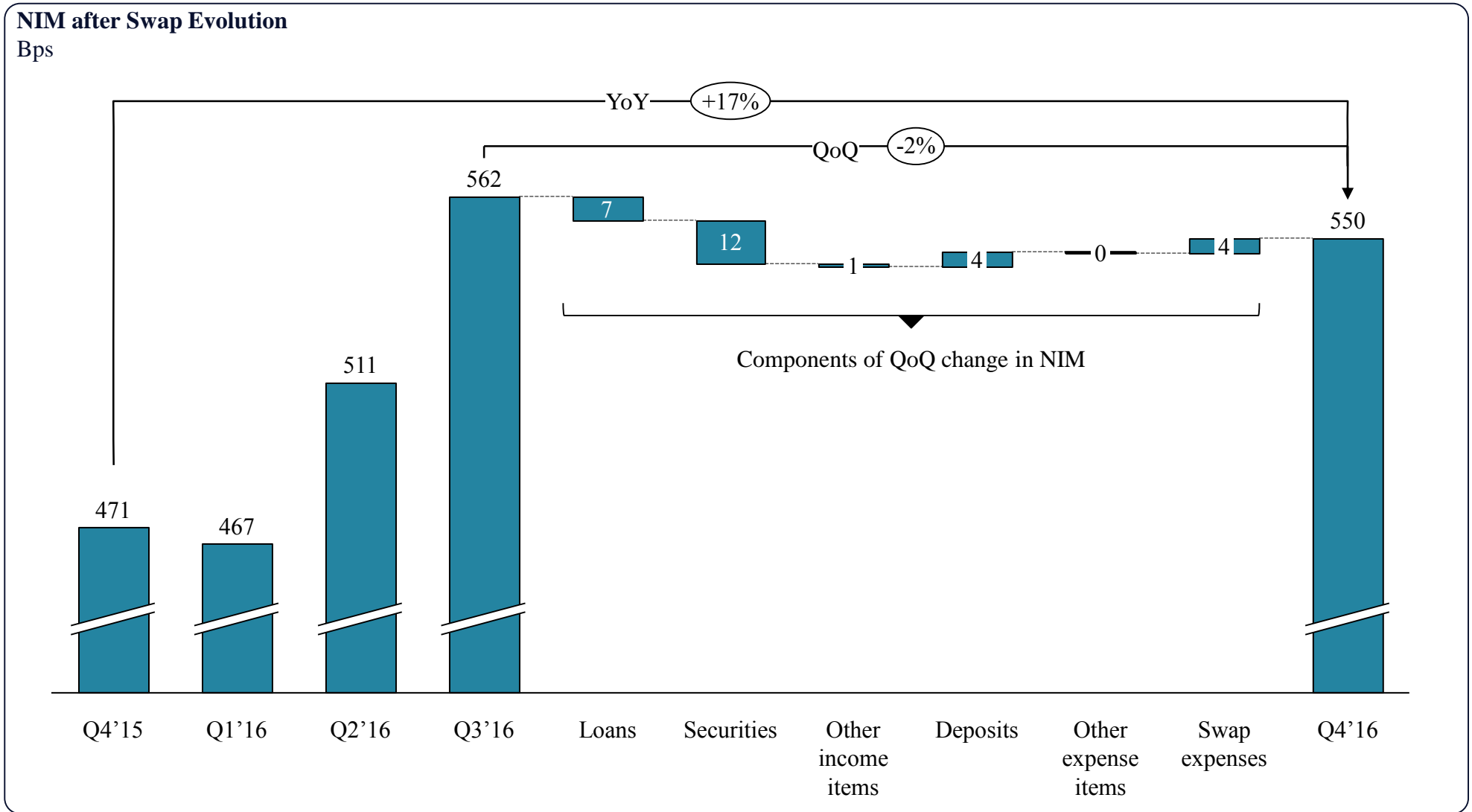
Consistent loan-to-deposit spreads for FX side

FX Spread⁽¹⁾

%, period average

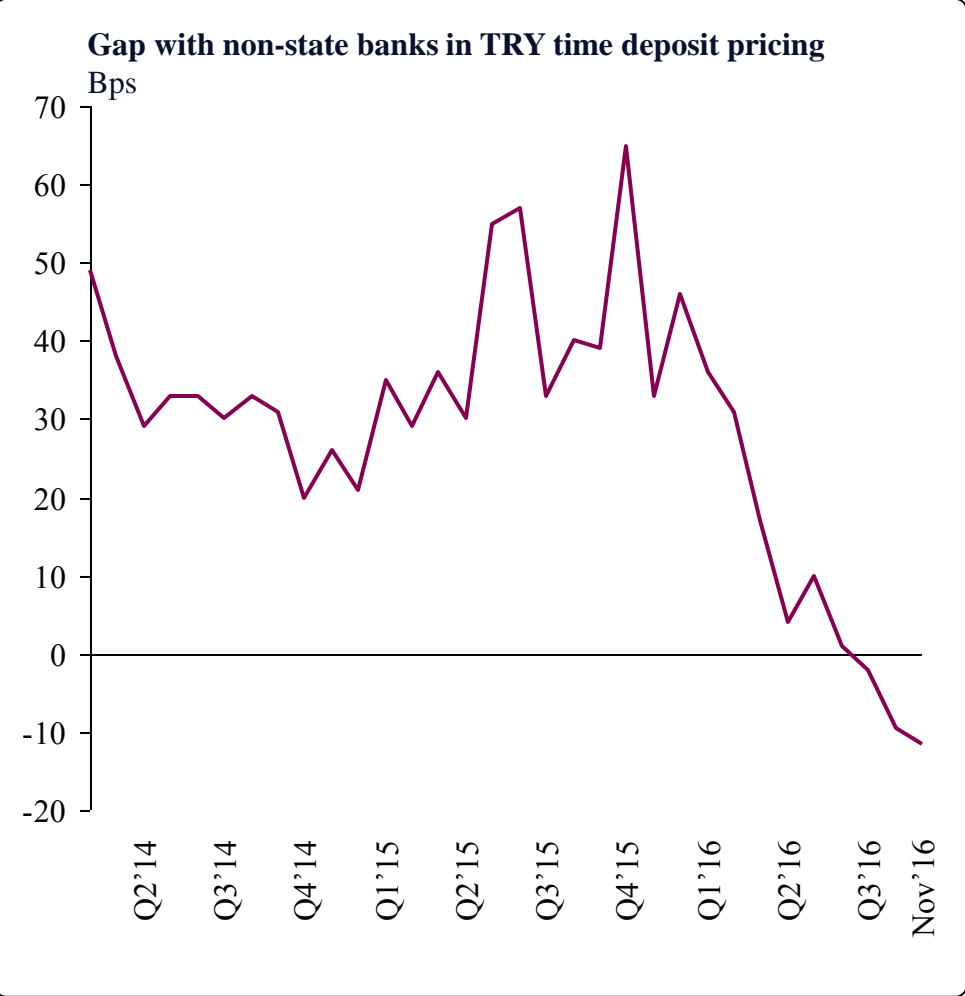


Strong NIM expansion throughout in 2016 slowed down in Q4 due to shift in loan mix

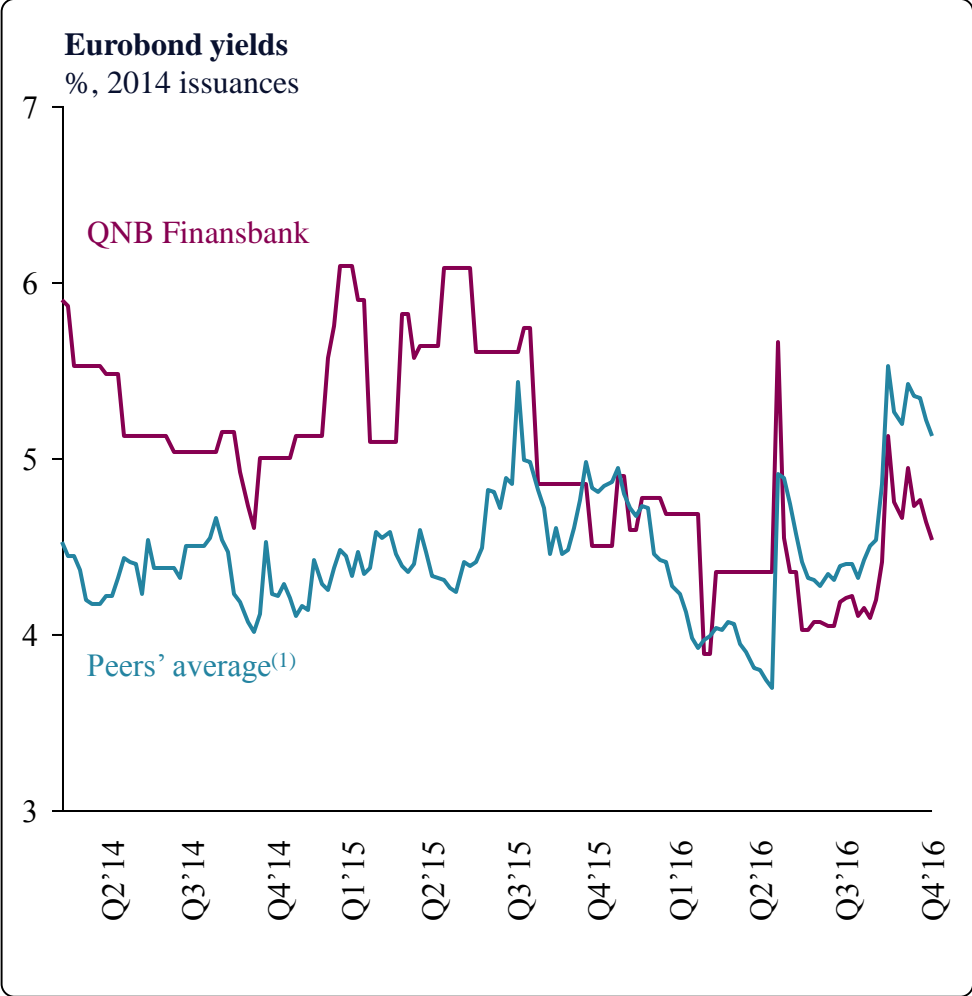


Change in shareholder delivering strong improvement in cost of funding

QNB Finansbank's deposit costs undercutting the sector...



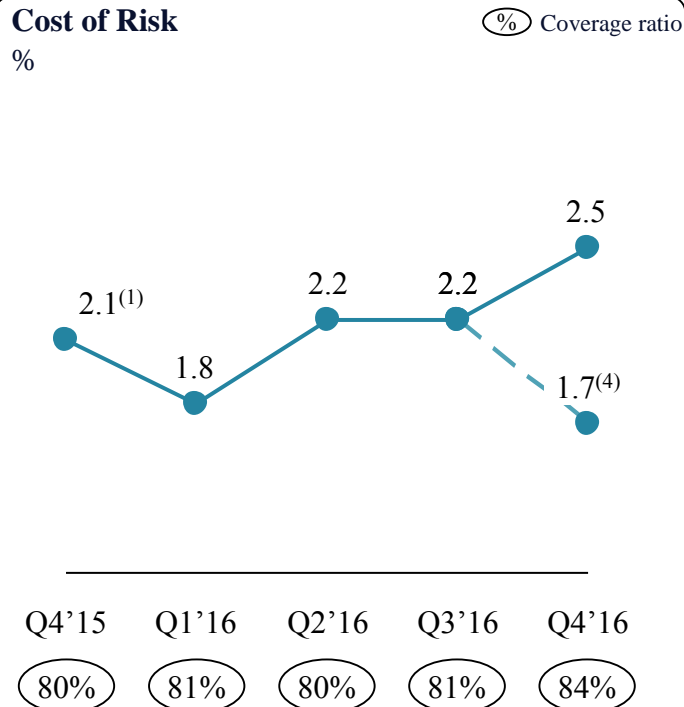
...while wholesale funding costs declined immediately following announcement of acquisition



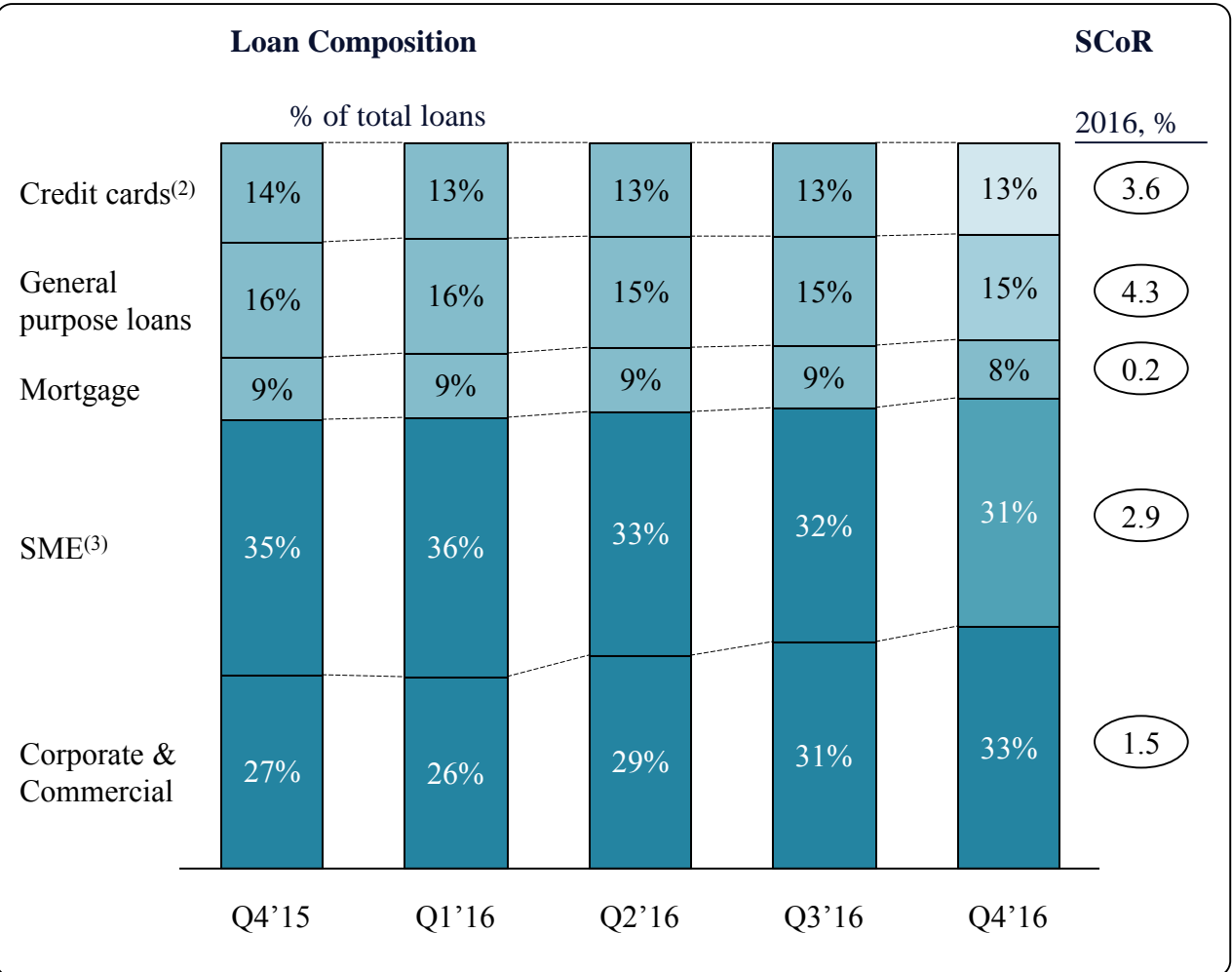
Source: BRSA; Bloomberg
 (1) Eurobonds of Garanti, Akbank, Isbank and Yapi Kredi issued around the same time as QNB Finansbank

Cost of risk at comfortable level with temporary deterioration in Q4 due to increased NPL coverage

CoR on a declining trend; temporarily offset by increased coverage ratio in Q4'16



Shift towards business banking helps improve cost of risk



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

(2) Excluding commercial credit cards

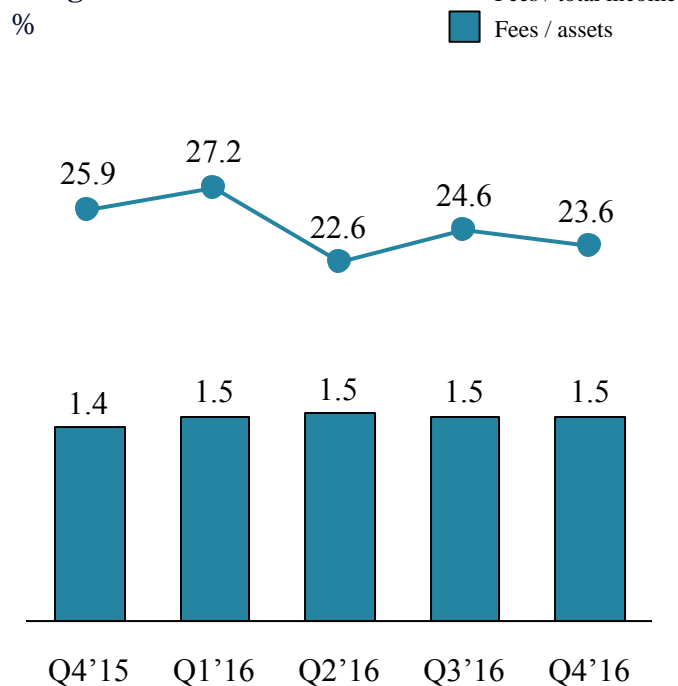
(3) Based on BRSA segment definition, excluding credit cards

(4) At Q3'16 coverage ratio levels

Sustained fee generation despite regulatory interventions with strong performance across diversified business segments

Fee generation at stable level despite regulations

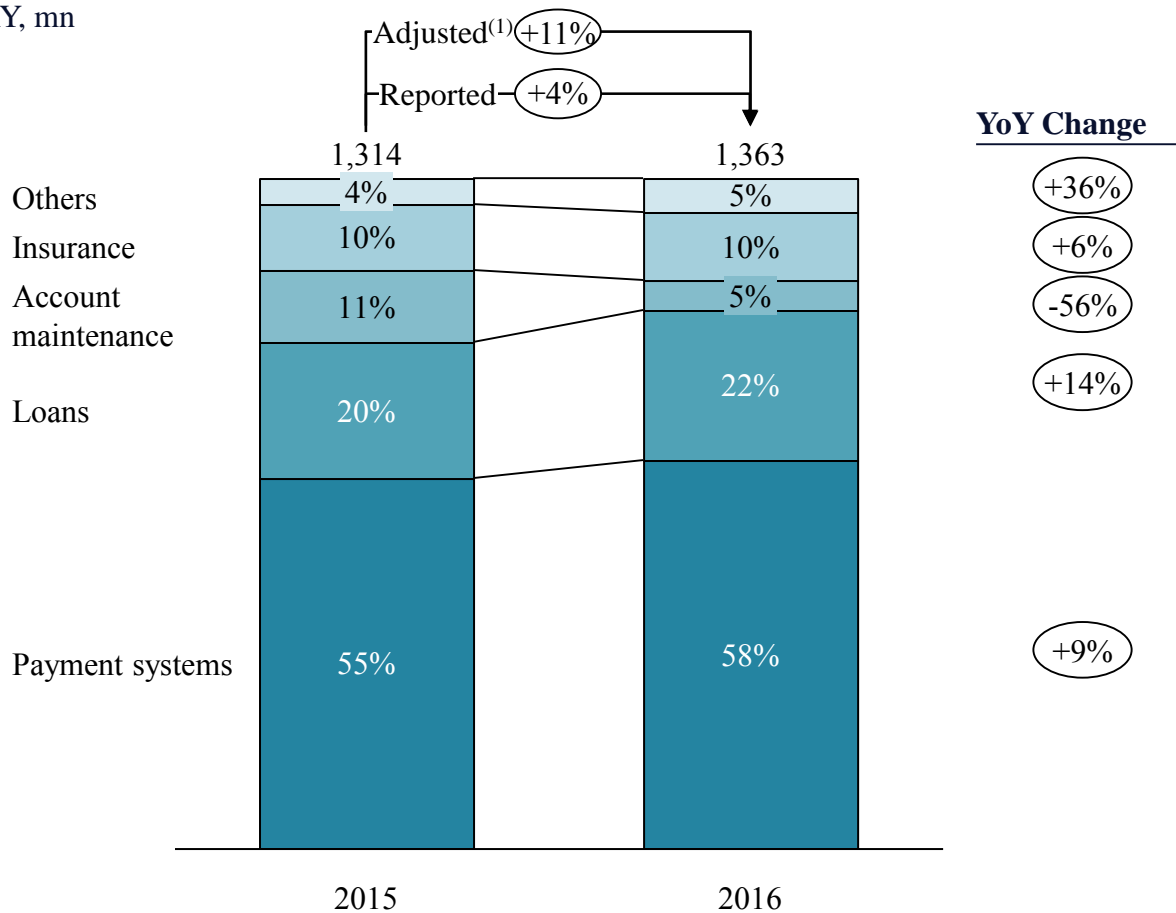
Fee generation



11% YoY growth in fee generation excluding impact of regulations on account maintenance fees

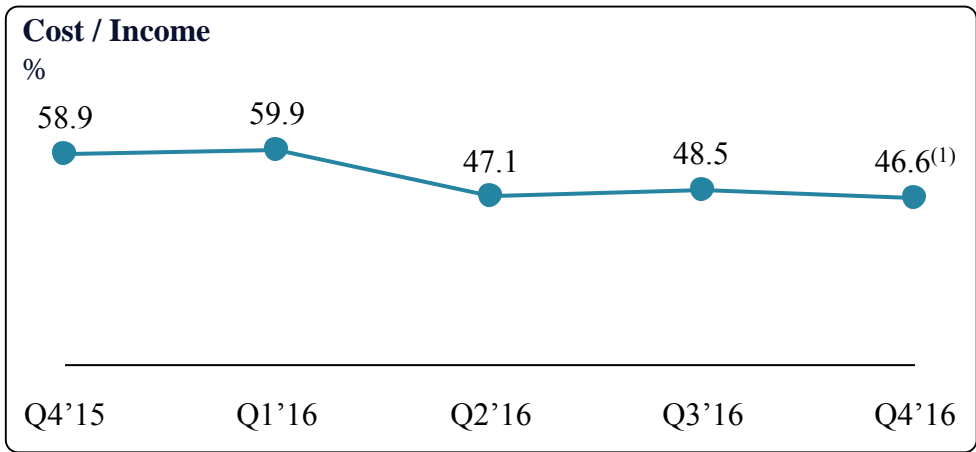
Cumulative Net Fees and Commissions

TRY, mn

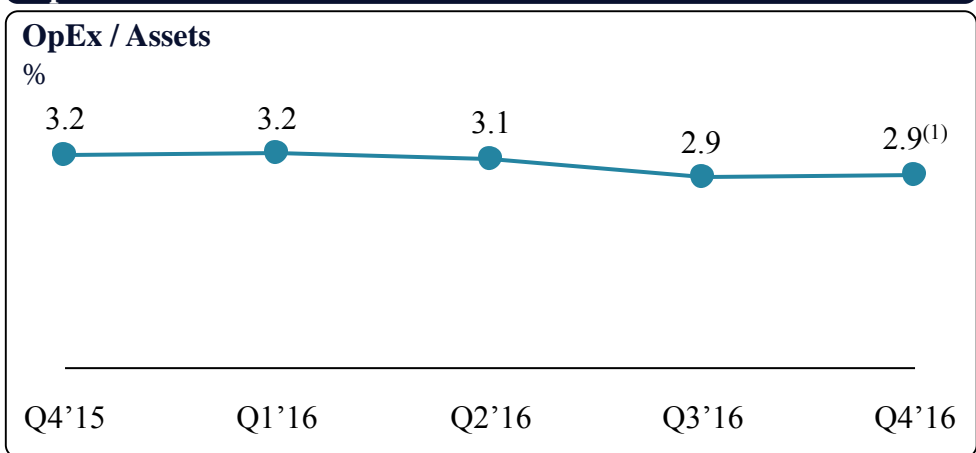


Controlled expenditures growth

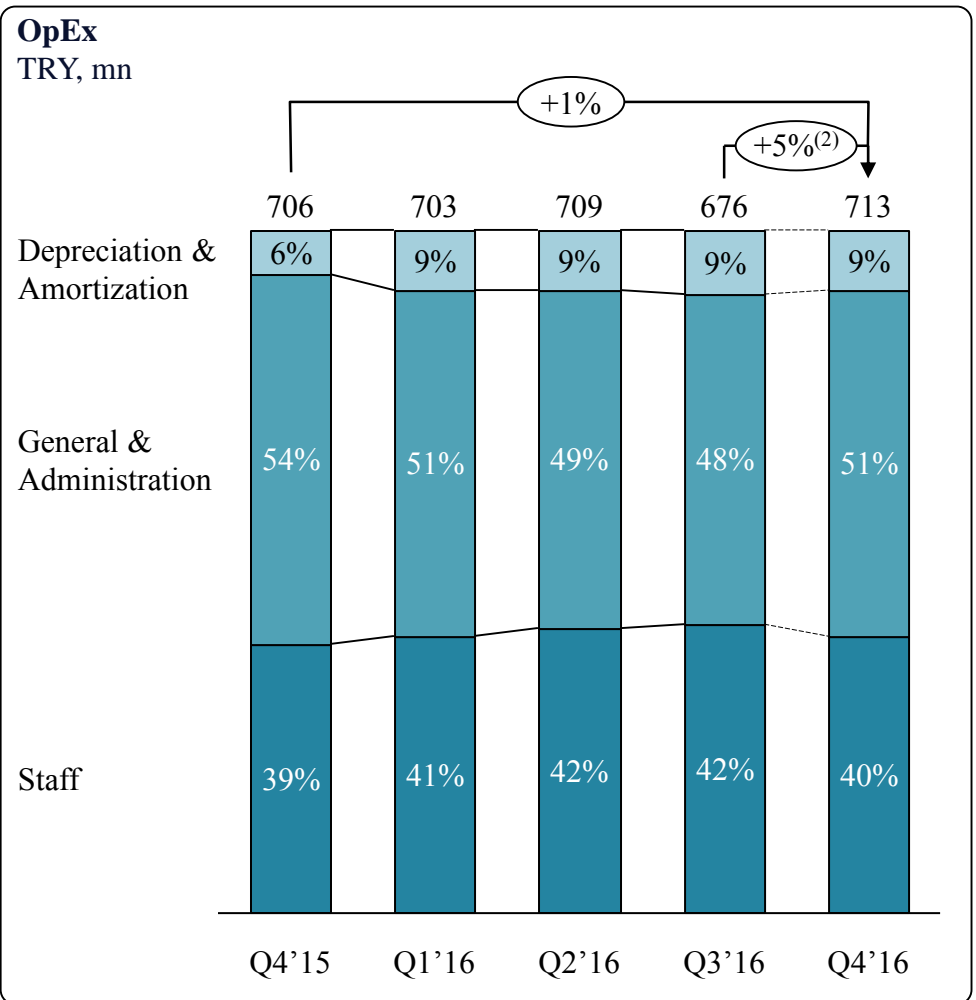
Improvement in cost / income ratio despite commission refunds



Strong efficiency improvement generating growth with limited OpEx increase



Controlled OpEx growth



Strong bottom-line increase throughout 2016; testament to successful execution of growth strategy and impact of shareholder change

TRY, mn	Q4'15	Q2'16	Q3'16	Q4'16	ΔQoQ	ΔYoY
Net Interest Income after Derivatives Expenses	847	902	1,029	1,054	2%	24%
Net Interest Income	1,110	1,110	1,188	1,212	2%	9%
Derivatives expenses	-264	-208	-159	-158	0%	-40%
Net Fees & Commissions	310	339	343	361	5%	16%
Trading & Other Income ⁽¹⁾	41	262 ⁽²⁾	23	114 ⁽³⁾	399%	178%
Total Operating Income	1,197	1,503	1,395	1,528	10%	28%
Provisions	-401	-321	-334	-395	18%	-2%
OpEx	-706	-709	-676	-713 ⁽⁴⁾	5% ⁽⁴⁾	1%
Net Operating Income	91	474	385	421	9%	362%
Taxation	-59	-84	-86	-69	-20%	17%
Net Income	32	391	299	352	18%	989%

- **Substantial increase in total operating income** on YoY and QoQ basis
- **NII increase** as the main source of total operating income growth due to improvement in deposit costs, favourable funding mix and resilient lending yields
- **Sustained fees and commissions generation** despite recent regulation on account maintenance fees
- **Stable provisioning expenses** despite challenging macro
- **Substantial efficiency improvement** leading stable OpEX both for YoY and QoQ terms

(1) Including dividend income from subsidiaries

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

(3) Including TRY 94mn NPL sale gain

(4) TRY 30.8mn provision for RUSF penalty is included if it is excluded QoQ growth would be 1%

Appendix

A decorative graphic on the right side of the page, consisting of overlapping white and purple shapes that resemble a stylized ribbon or a folded corner. The background is a solid dark purple color.

Key financial ratios

All figures quarterly		Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	ΔQoQ	ΔYoY
Profitability	RoAE	1.4%	7.1%	16.8%	12.5%	14.2%	+1.7pps	+12.8pps
	RoAA	0.1%	0.7%	1.7%	1.3%	1.4%	+0.2pps	+1.3pps
	Cost / Income	58.9%	59.9%	47.1%	48.5%	46.6%	-1.8pps	-12.3pps
	NIM after swap expenses	⁽¹⁾ 4.7%	4.7%	5.1%	5.6%	5.5%	-0.1pps	+0.8pps
Liquidity	Loans / Customer Deposits	121.8%	119.5%	118.4%	125.2%	121.1%	-4.1pps	-0.7pps
	Loans / Deposits (incl. bank deposits)	117.9%	115.6%	113.4%	119.3%	116.7%	-3.7pps	-1.9pps
Asset Quality	NPL Ratio	6.3%	6.6%	6.2%	6.5%	5.8%	-0.7pps	-0.5pps
	Coverage	80.4%	81.2%	80.0%	80.8%	84.0%	+3.3pps	+3.6pps
	Cost of Risk	2.8%	1.8%	2.2%	2.2%	2.5%	+0.3pps	+0.4pps
Solvency	CAR	15.4%	14.6%	14.5%	14.5%	14.5%	flat	-0.9pps
	Tier I Ratio	12.0%	12.7%	12.6%	12.5%	12.6%	+0.1	+0.6pps
	Leverage	9.5	9.5	9.8	9.7	10.0	+0.3	+0.5

Balance sheet summary

	TRY, mn	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	ΔQoQ	ΔYoY
Assets	Cash & Banks ⁽¹⁾	10,313	10,941	13,159	13,139	14,925	14%	45%
	Securities	9,197	9,765	10,938	11,357	12,950	14%	41%
	Net Loans	57,273	58,447	60,161	61,424	62,923	2%	10%
	Fixed Assets & Subsidiaries	2,283	2,398	2,467	2,517	2,912	16%	28%
	Other	6,661	5,802	5,922	5,551	7,792	40%	17%
	Total Assets	85,727	87,354	92,647	93,988	101,503	8%	18%
Liabilities & Equity	Customer Deposits	47,009	48,920	50,800	49,062	51,966	6%	11%
	Borrowings	18,835	19,176	21,589	24,602	26,794	9%	42%
	Bonds Issued	4,336	4,725	3,379	3,906	4,312	10%	-1%
	Funds Borrowed	5,640	5,922	7,164	8,755	10,758	23%	91%
	Sub-debt	2,662	2,627	2,650	2,780	3,236	16%	22%
	Bank Deposit	1,557	1,652	2,234	2,409	1,973	-18%	27%
	Repo	4,639	4,250	6,162	6,752	6,515	-4%	40%
	Other	10,860	10,090	10,813	10,620	12,617	19%	16%
	Equity	9,024	9,166	9,445	9,704	10,126	4%	12%
Total Liabilities & Equity	85,727	87,354	92,647	93,988	101,503	8%	18%	

Year to date income statement

TRY, mn	2015	2016	ΔYoY
Net Interest Income after Derivatives Expenses	3,145	3,786	20%
Net Interest Income	3,947	4,504	14%
Derivatives expenses	-802	-718	-10%
Net Fees & Commissions	1,314	1,363	4%
Trading & Other Income ⁽¹⁾	351	452	29%
Total Operating Income	4,810	5,600	16%
Provisions	-1,170	-1,316	12%
OpEx	-2,737	-2,800	2%
Net Operating Income	903	1,484	64%
Taxation	-197	-280	42%
Net Income	706	1,203	71%

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