



QNB Finansbank Q2'20 Earnings Presentation

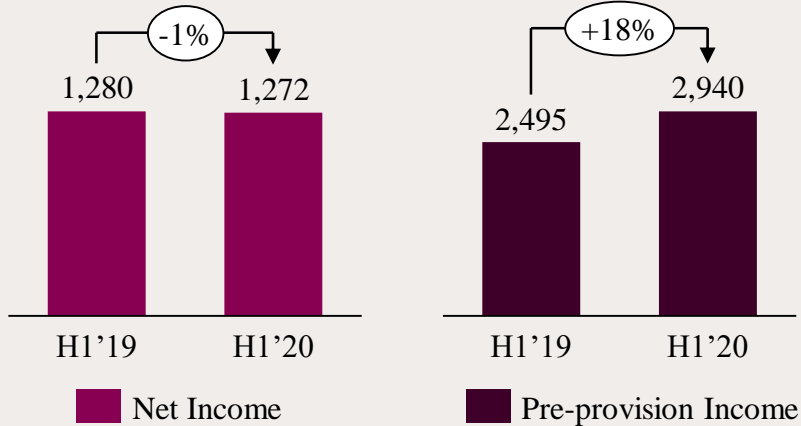
Based on BRSA Unconsolidated Financial Statements
July 2020

Period Highlights

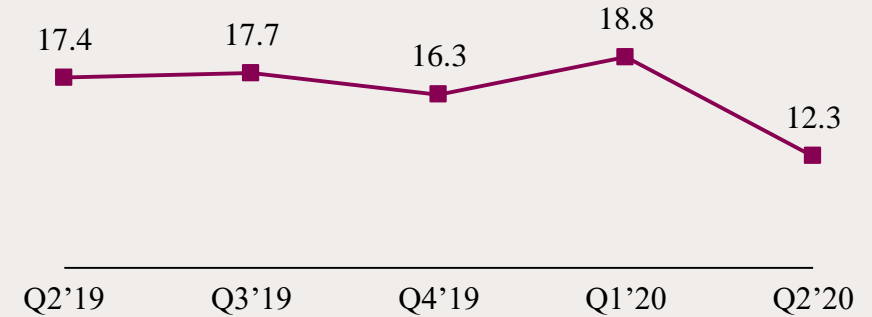
- ✓ Bank continued to support economy and restructured 496K customer loans and postponed 568K customer loans amounting to TL 19.1 billion in total to alleviate customers' cash flow burden during pandemic
- ✓ Robust loan growth (+12% YtD, +2% QoQ), however lagging behind private banks in Q2'20 as private banks rushed for new loans to meet the asset ratio requirements
- ✓ Customer deposits maintained major source of funding with decent growth (+17% YtD, +1% QoQ) ahead of private banks
- ✓ H1'20 net income reached TL 1,272 million (-1% YoY) with decent RoE at 15.4% despite Q2'20 results being pressured by pandemic lockdown period and fee regulations
- ✓ Robust solvency ratios with CAR at 17.1% and Tier 1 at 14.3%
- ✓ Lower NPL inflow in H1'20 on the back of front-loaded NPL recognition in H2'19 and benefiting from regulatory easing on NPL recognition rules
- ✓ IFRS 9 provisioning buffers further reinforced at all stages during Covid outbreak
- ✓ NIM (swap adj.) at 4.32% proved its resilience in volatile market conditions
- ✓ Strong focus and consistent investment in digital transformation led to increased share of transactions in non-branch channels and digitalization ratio

Comfortable capital position and RoE still ahead of private banks and total sector despite lower Q2'20 performance during pandemic

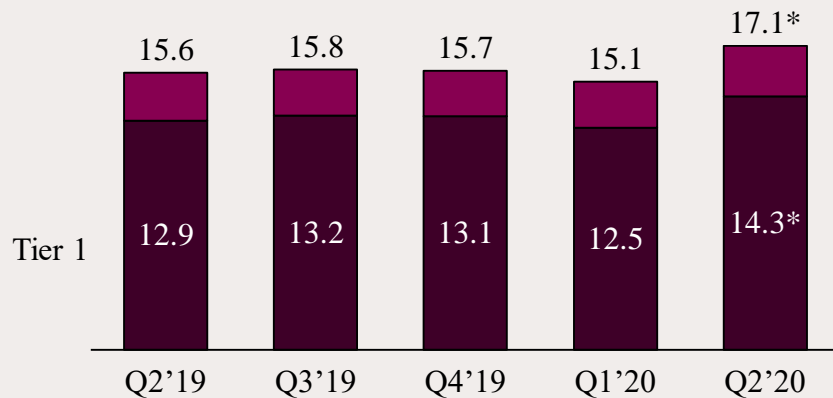
Net Income & Pre-Provision Income (TL mn.)



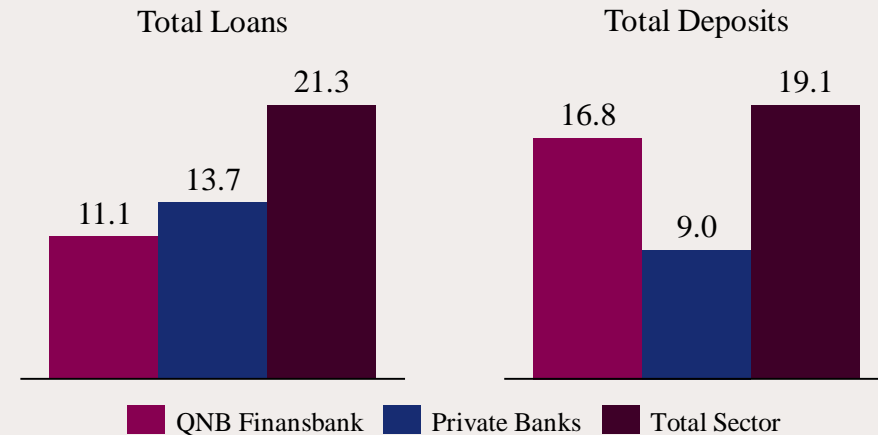
Quarterly RoAE (%)



CAR (%)

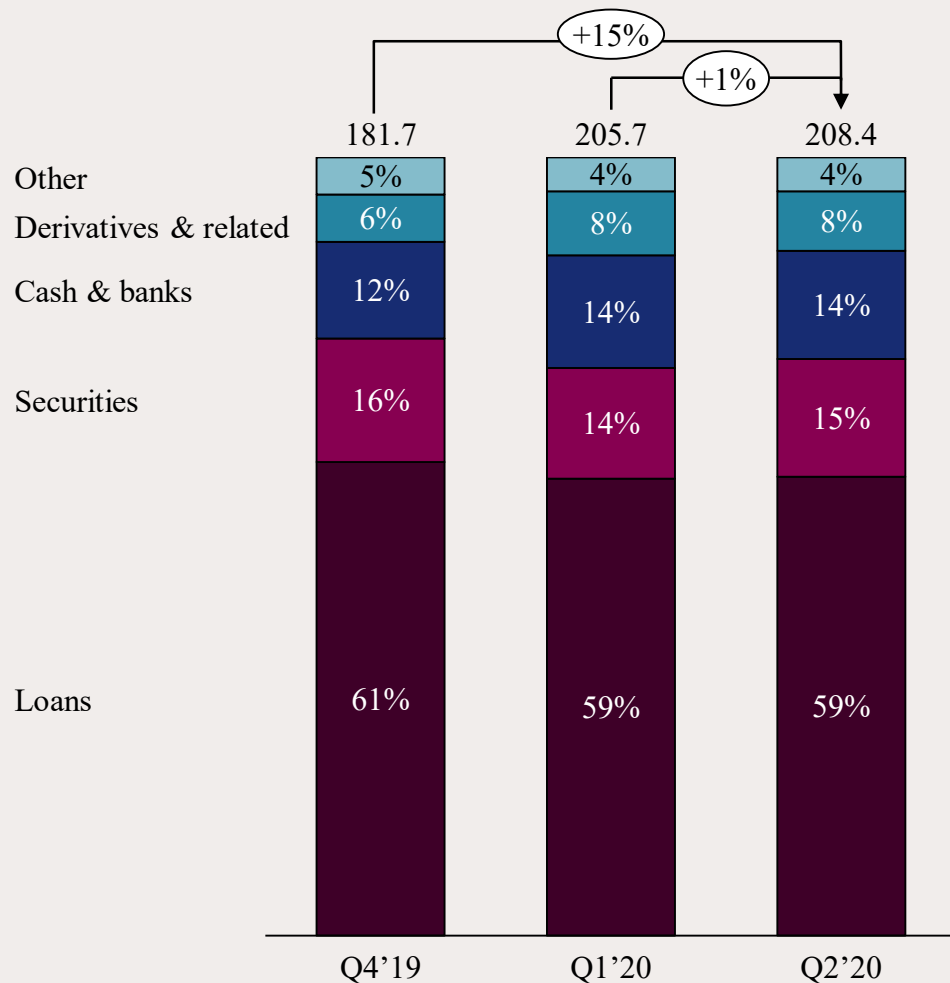


Total Loans & Deposits Growth⁽¹⁾ (YtD, %)

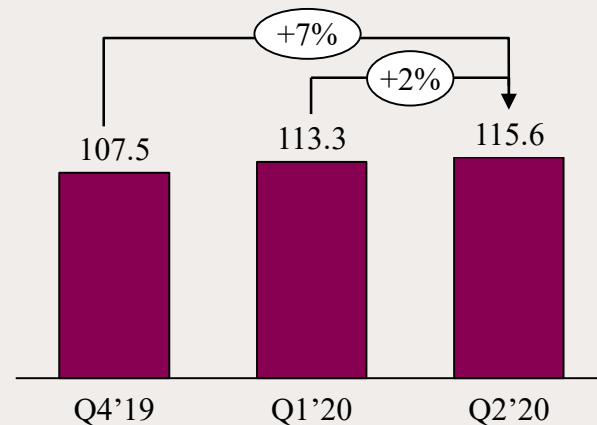


Optimized asset composition with 15% YtD growth in total despite strong base

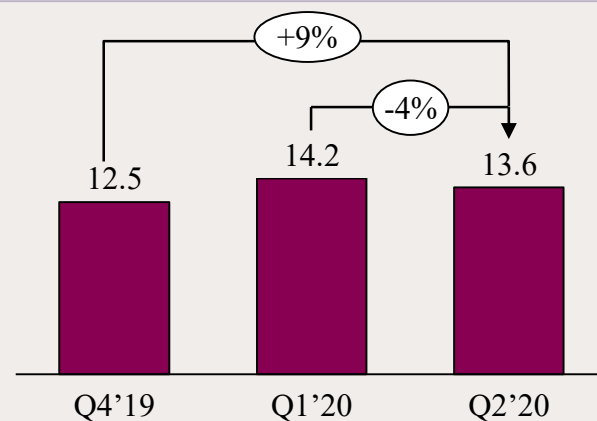
Total Assets (TL bn.)



TL Assets (TL bn.)

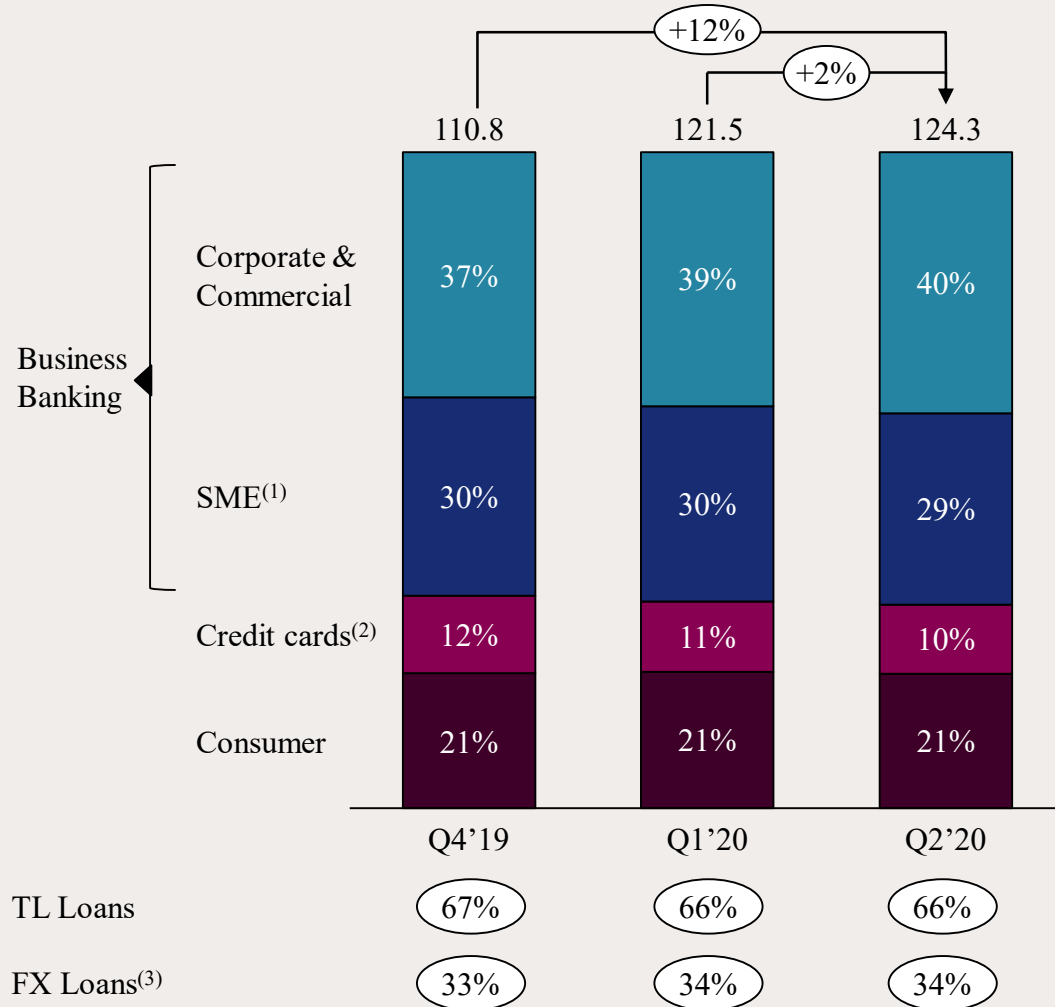


FX Assets⁽¹⁾ (USD bn.)

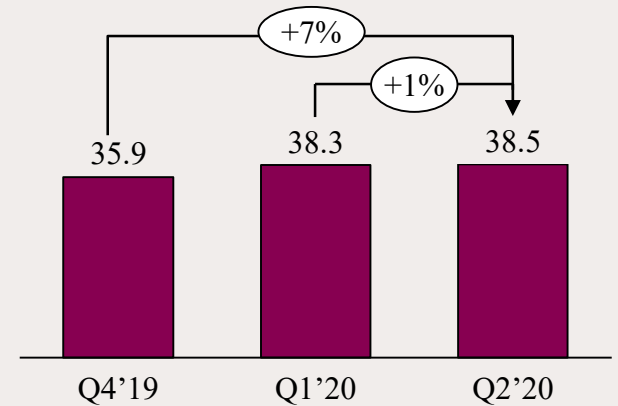


Despite slower loan growth in Q2'20, Bank continued to support economy via loan restructurings and postponements amounting to TL 19.1 billion during pandemic

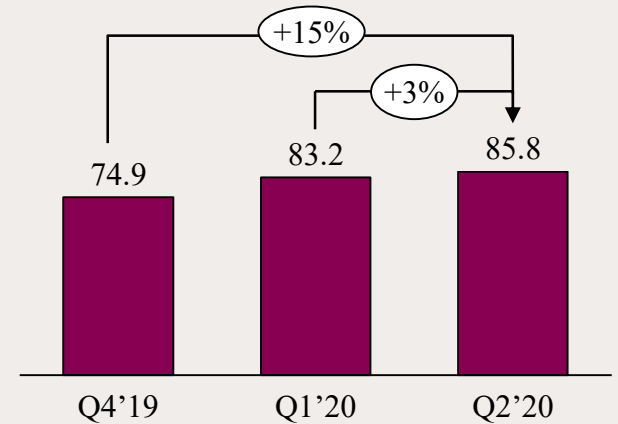
Performing Loans by Segment and Currency (TL bn.)



Retail Loans (TL bn.)



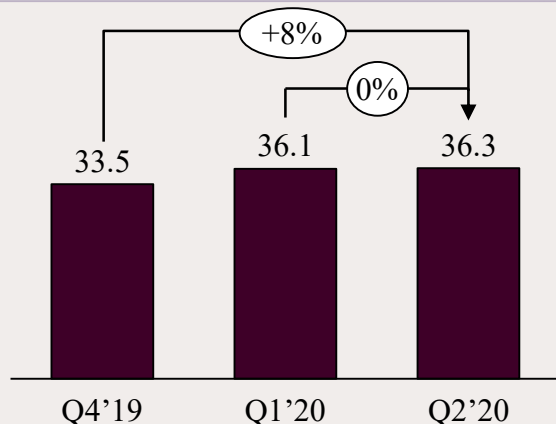
Business Loans (TL bn.)



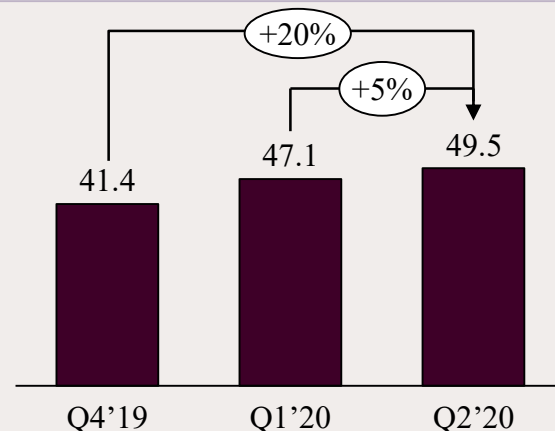
Growth in business banking was supported by corporate & commercial loans while retail banking grew via general purpose loans

■ Business banking
■ Retail banking

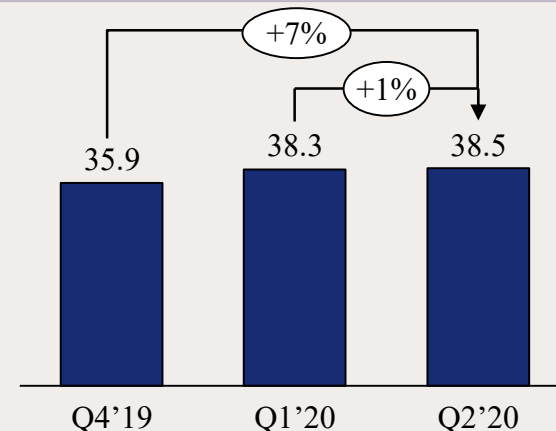
SME Loans⁽¹⁾ (TL bn.)



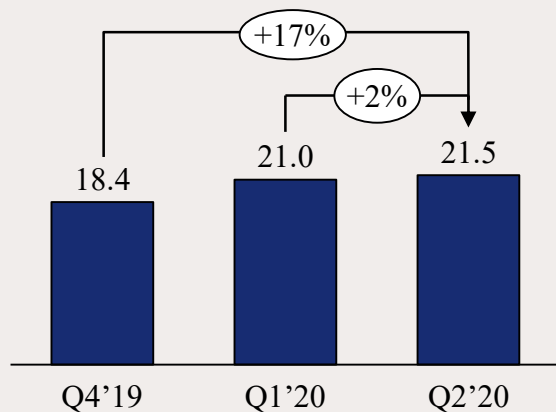
Corporate & Commercial Loans (TL bn.)



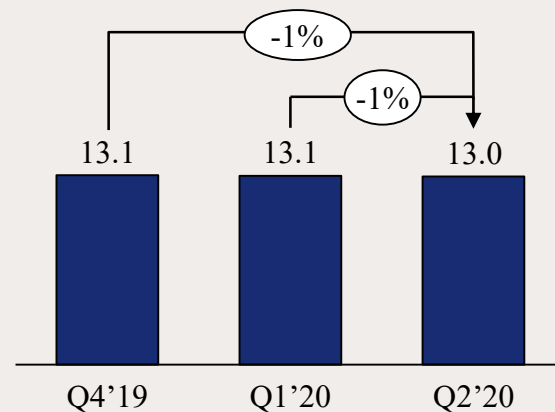
Retail Loans (TL bn.)



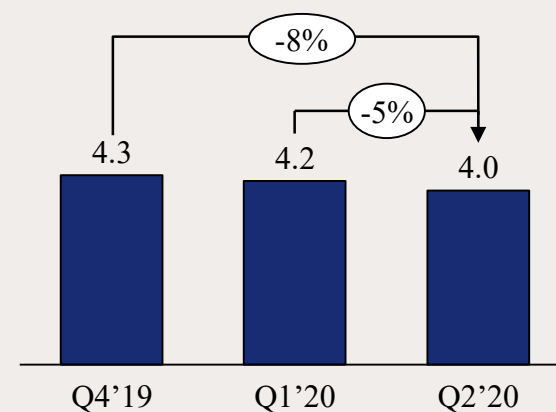
General Purpose Loans⁽²⁾ (TL bn.)



Credit Card Loans⁽³⁾ (TL bn.)



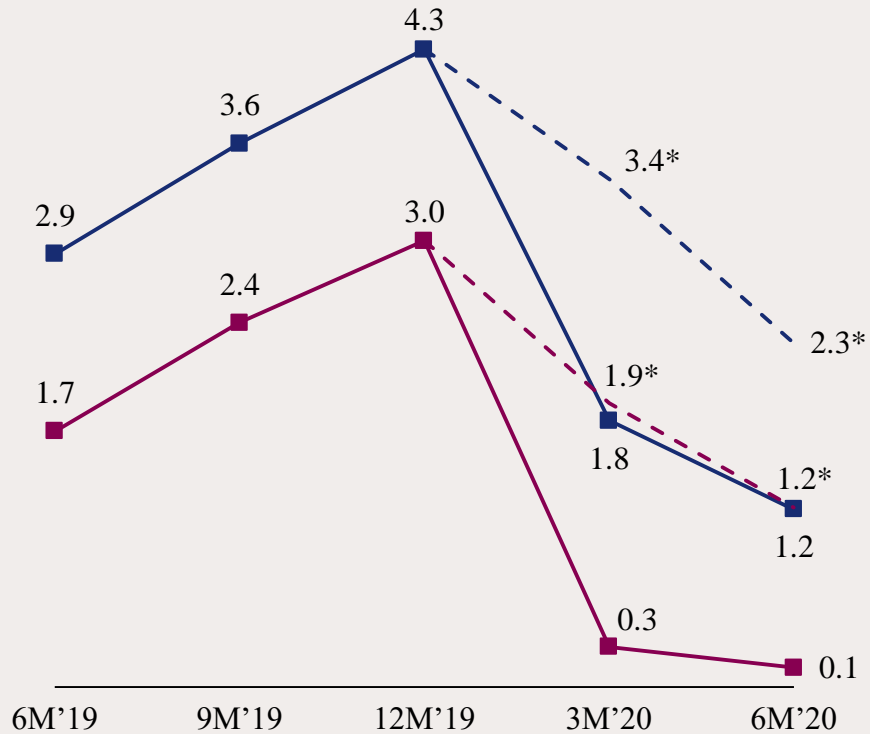
Mortgage Loans (TL bn.)



Lower NPL inflow in H1'20 on the back of front-loaded NPL recognition in H2'19 and benefiting from regulatory easing on NPL recognition rules

NPL Additions / Average Loans (%)

■ NPL Additions/Average Loans ■ Net NPL Generation⁽¹⁾/ Average Loans



NPL Ratio (%)

■ QNB Finansbank ■ Private Banks

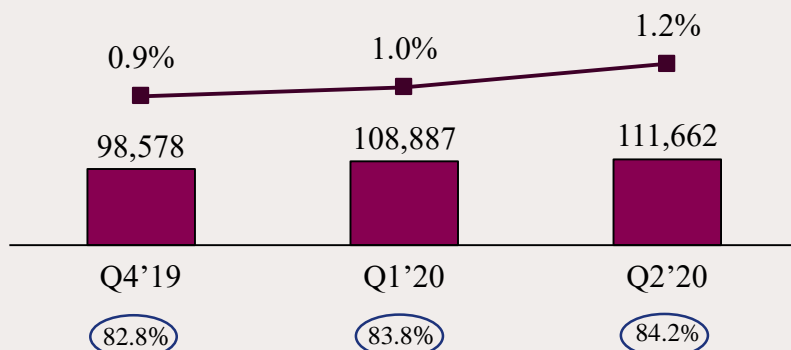


Prudent IFRS 9 staging & provisioning buffers further reinforced at all stages during Covid outbreak

○ as a % of gross loans⁽¹⁾
for the relevant period

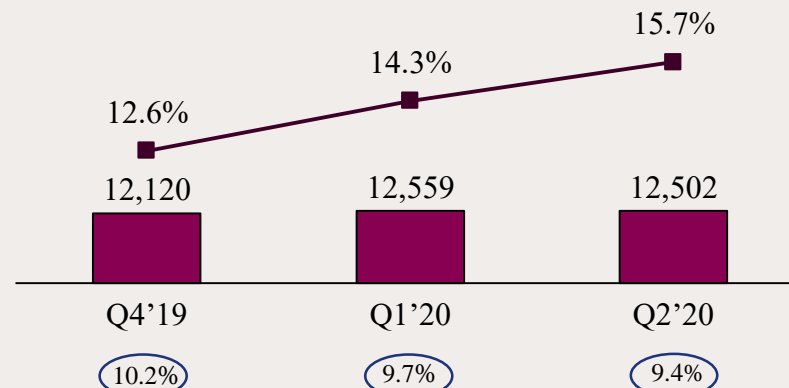
Stage 1 Loans & Coverage

■ Stage 1 coverage ratio ■ Stage 1 loans (TL, mn)



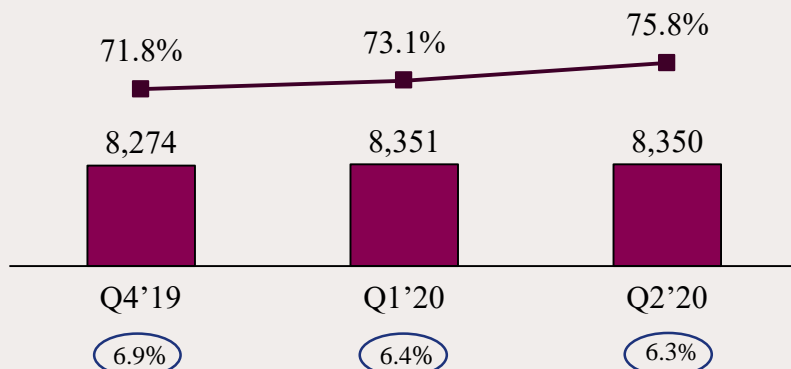
Stage 2 Loans & Coverage

■ Stage 2 coverage ratio ■ Stage 2 loans (TL, mn)



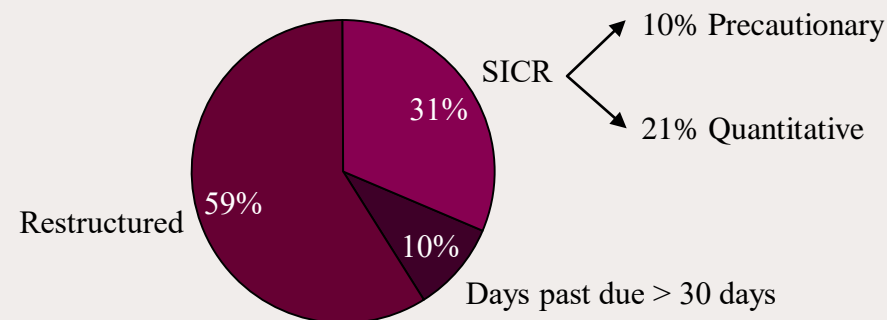
Stage 3 Loans & Coverage

■ Stage 3 coverage ratio ■ Stage 3 loans (TL, mn)



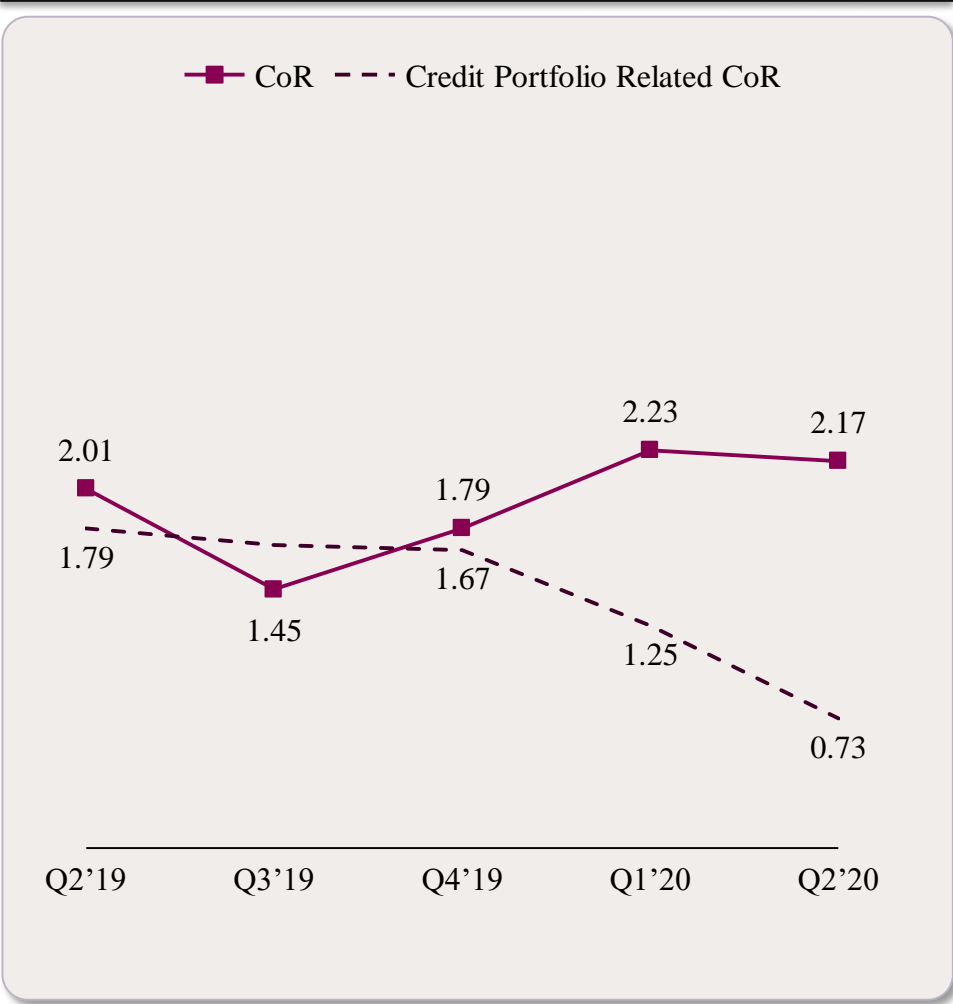
Stage 2 Composition

Loan balance = TL12.5 bn.

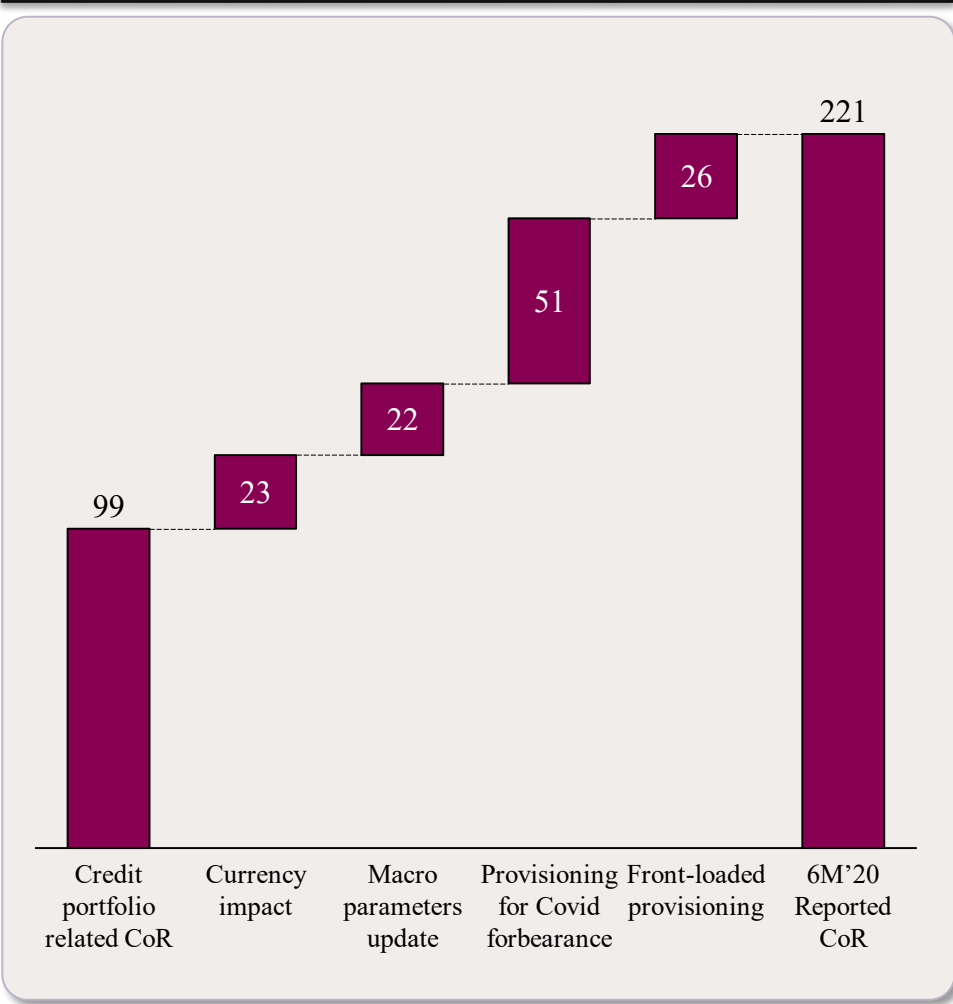


CoR realized well below private sector average thanks to continuous focus on prudent credit risk management

Quarterly Cost of Risk (%)

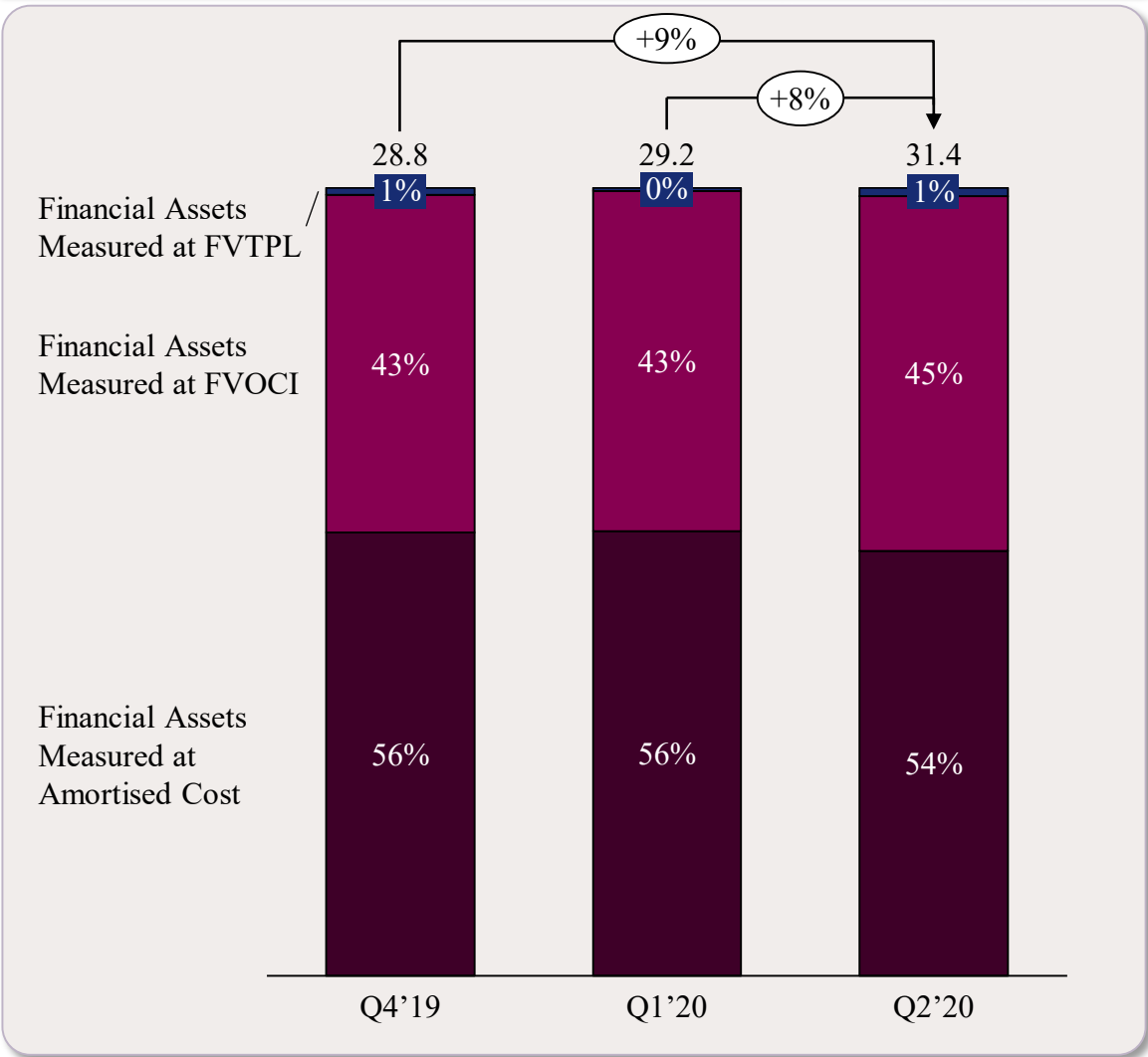


H1'20 CoR Breakdown (bps)

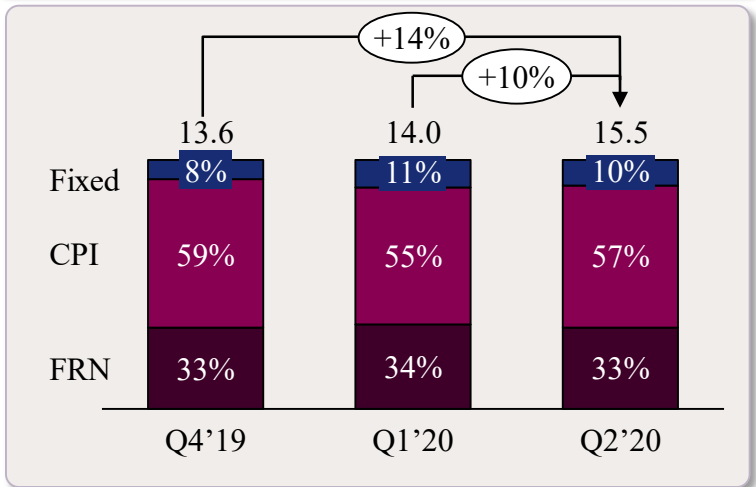


Well-positioned investment portfolio to benefit from favorable investment yields

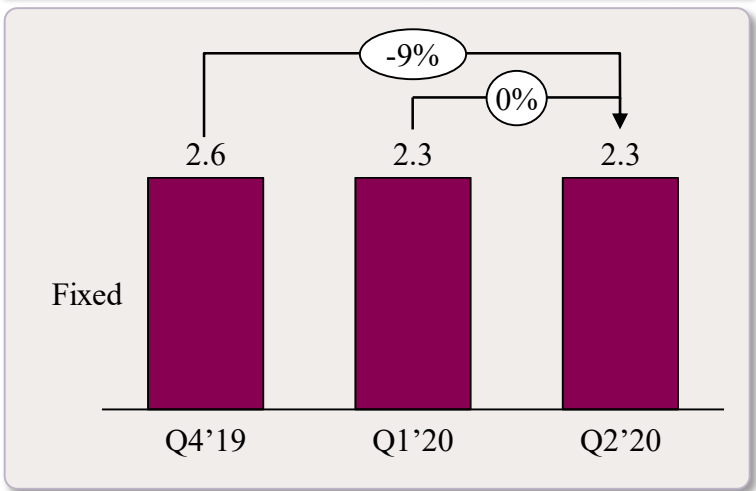
Total Securities (TL bn.)



TL Securities (TL bn.)

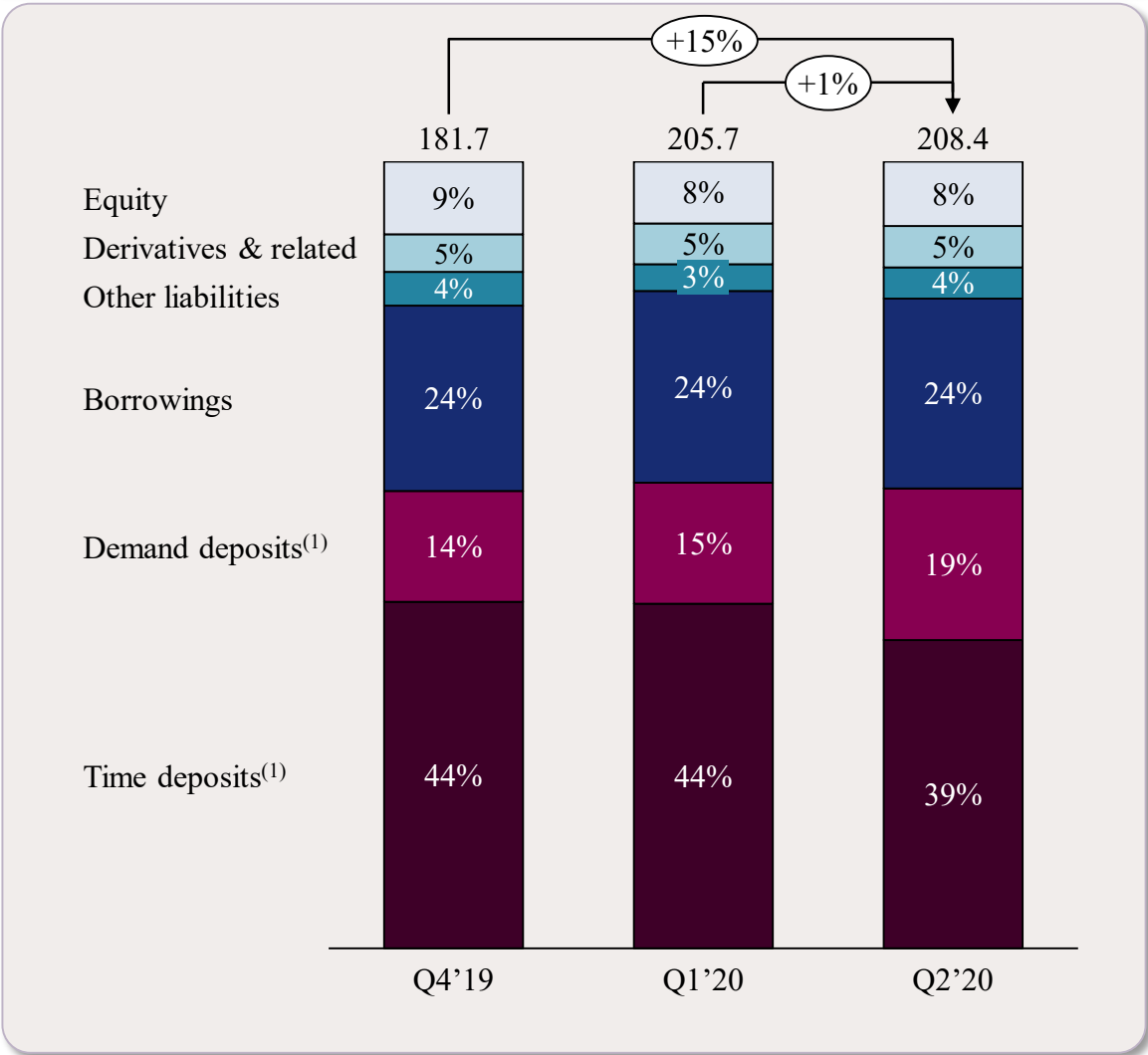


FX Securities (USD bn.)

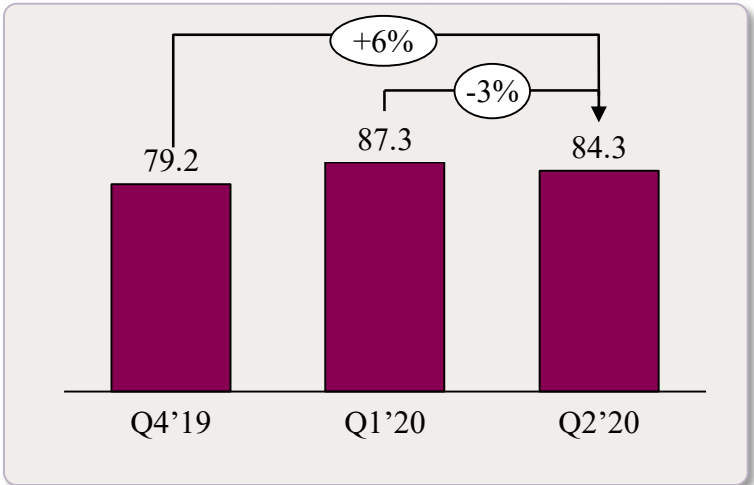


Well-diversified & disciplined funding structure underpinned by solid deposit base

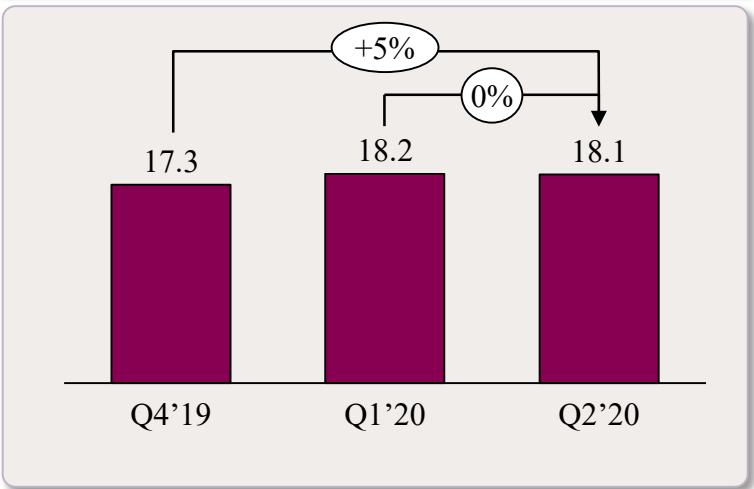
Total Liabilities (TL bn.)



TL Liabilities (TL bn.)



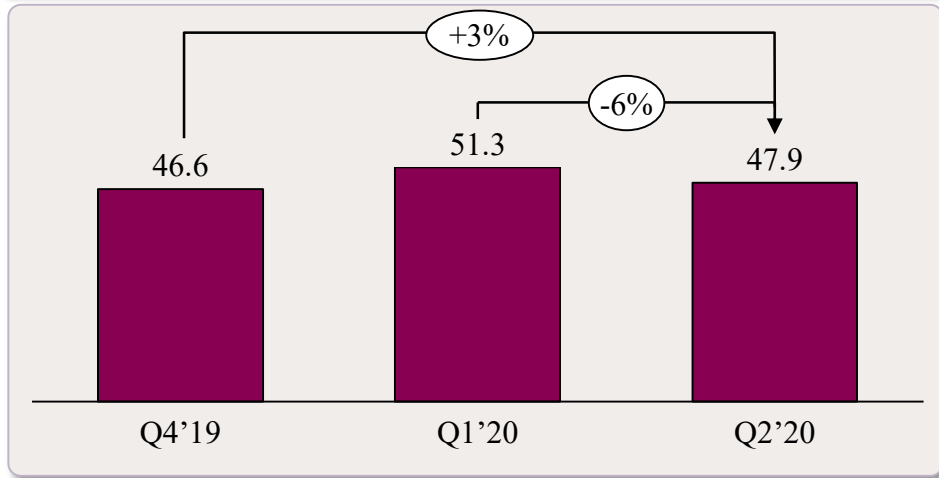
FX Liabilities (USD bn.)



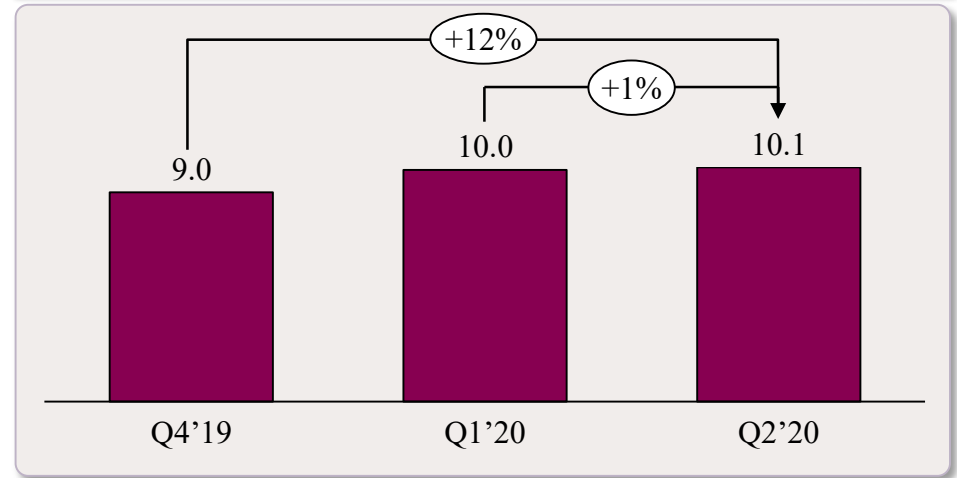
⁽¹⁾ Includes bank deposits

Sustained impressive growth in demand deposits enhancing NIM via lower cost of funding

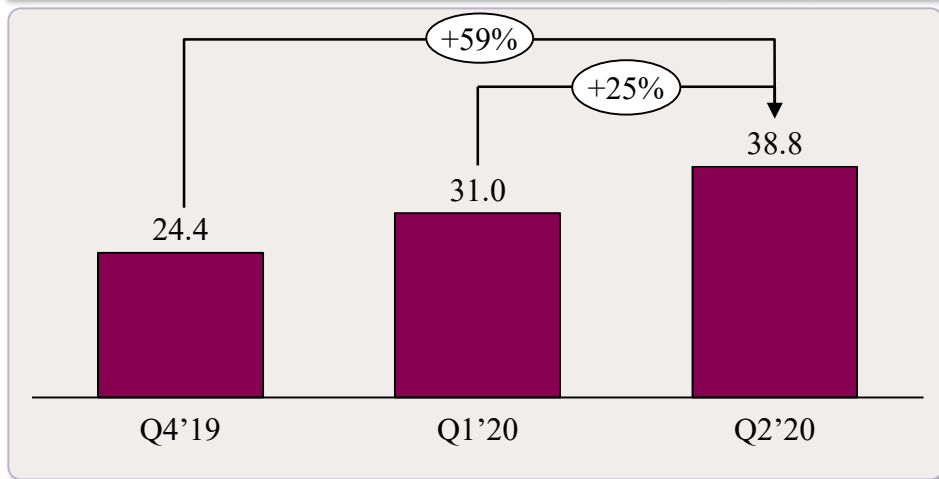
TL Customer Deposits (TL bn.)



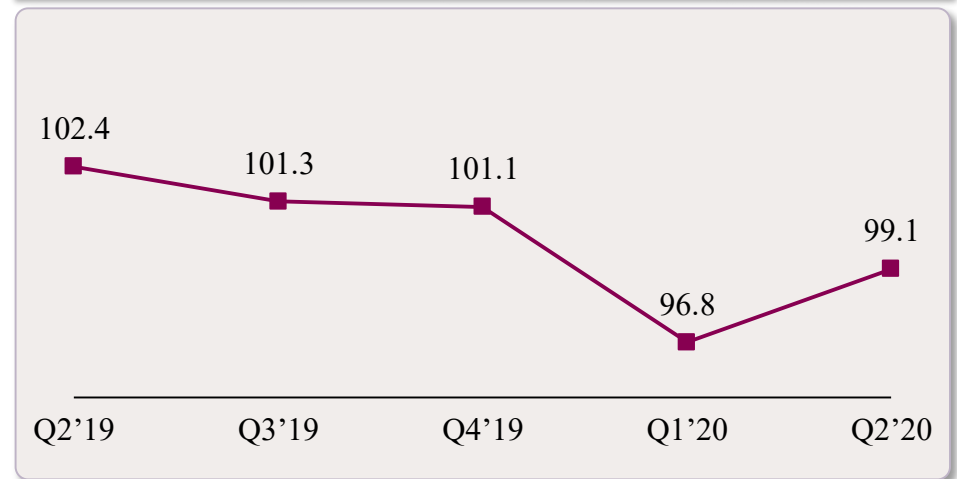
FX Customer Deposits (USD bn.)



Customer Demand Deposits (TL bn., aop)

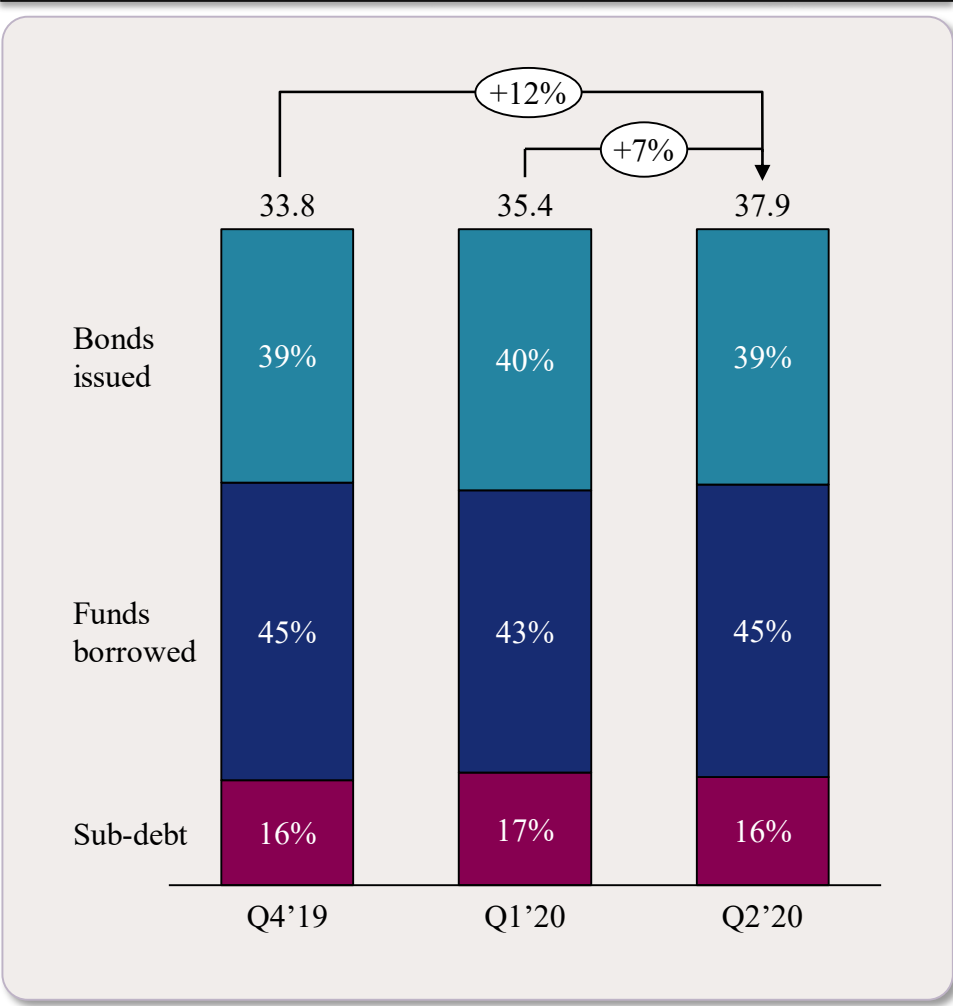


Loan-to-deposit-ratio⁽¹⁾ (%)

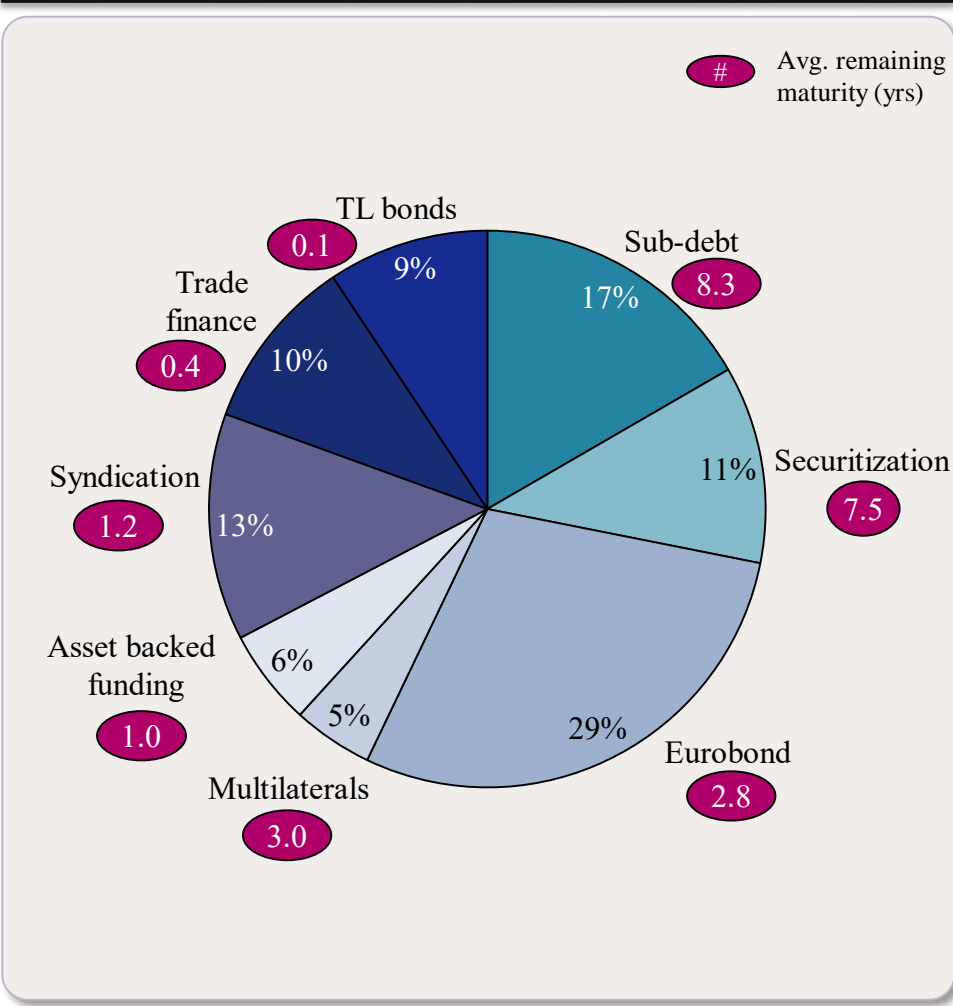


Well-diversified borrowing mix with comfortable remaining maturity profile

Wholesale Borrowings⁽¹⁾ by Type (TL bn.)



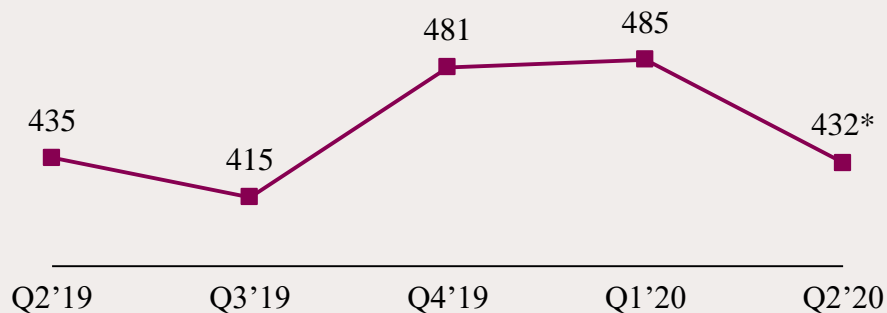
Wholesale Borrowings⁽¹⁾ Breakdown



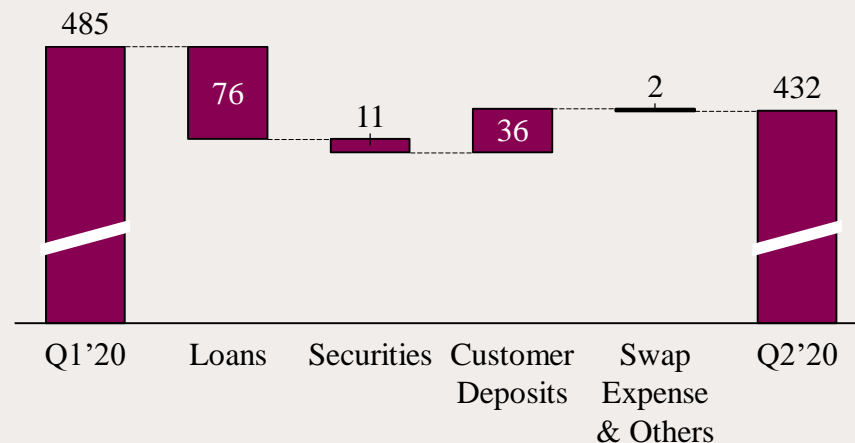
⁽¹⁾ Non-deposit funding except repo

NIM remained resilient despite material reduction of loan & deposit yields

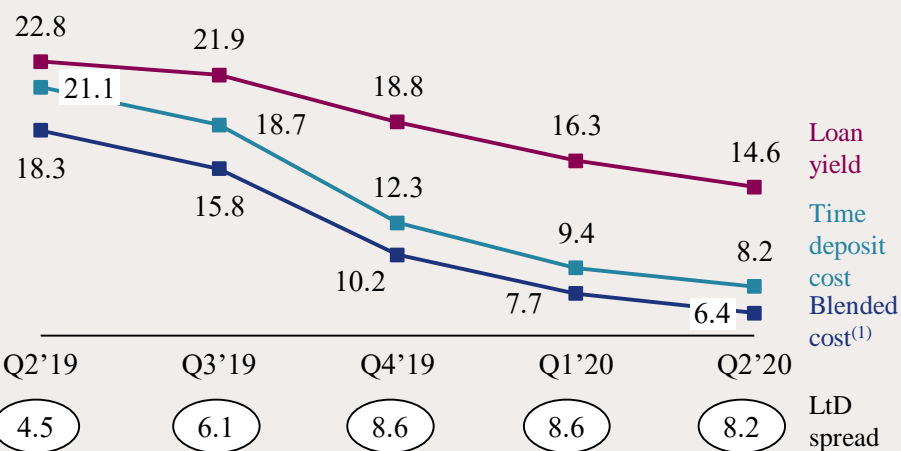
Quarterly NIM after Swap (bps)



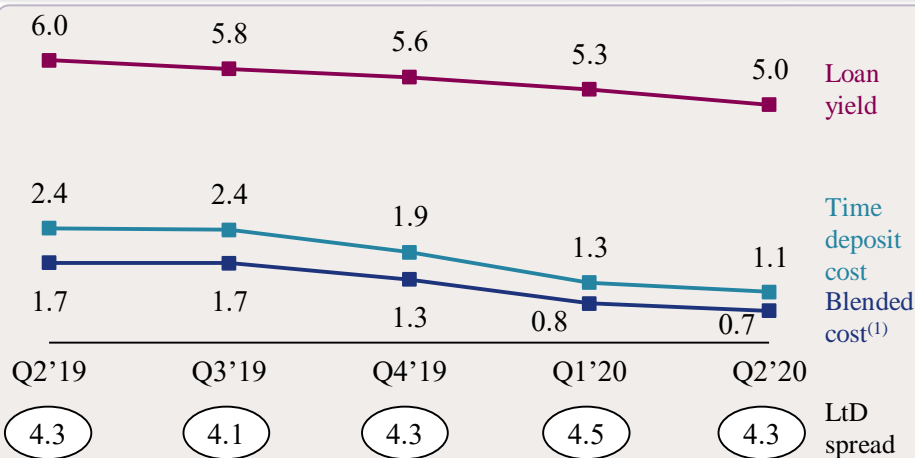
Quarterly NIM after Swap Evolution (bps)



TL Spread (% , quarterly)

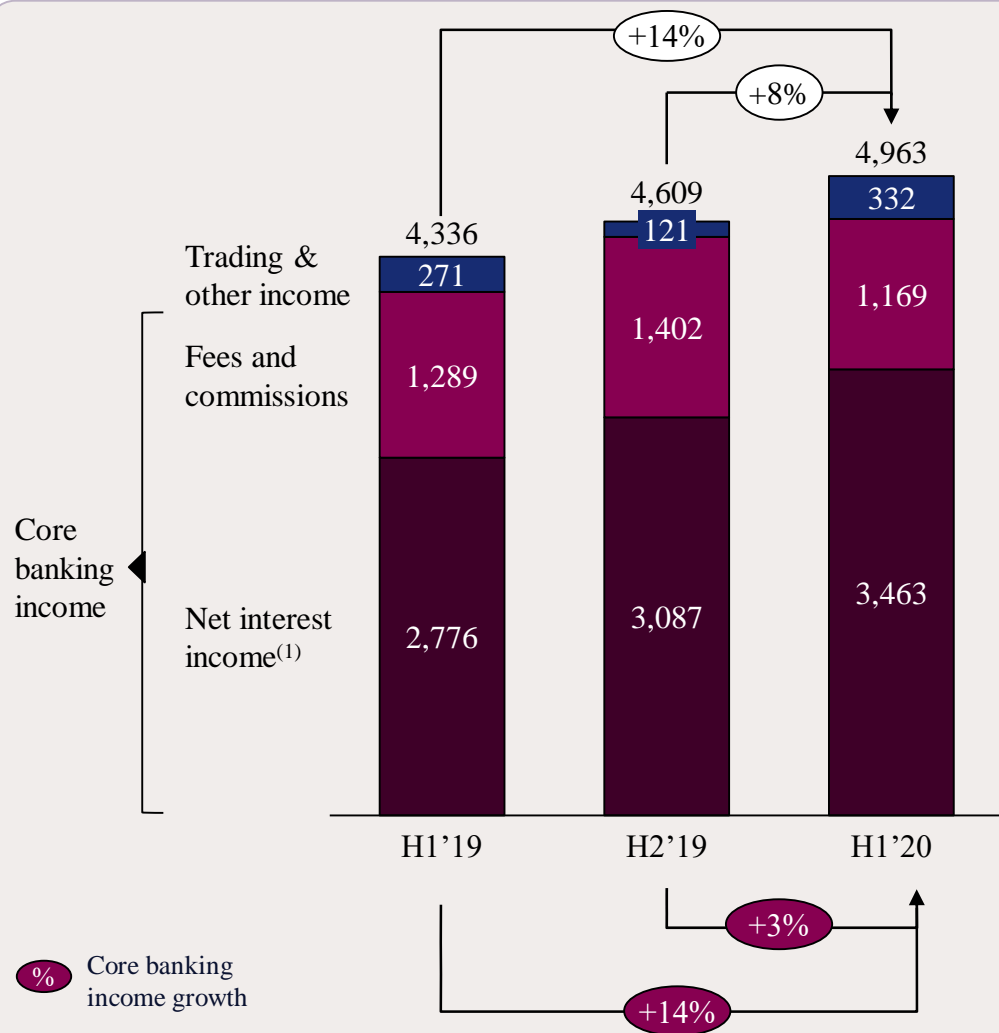


FX Spread (% , quarterly)

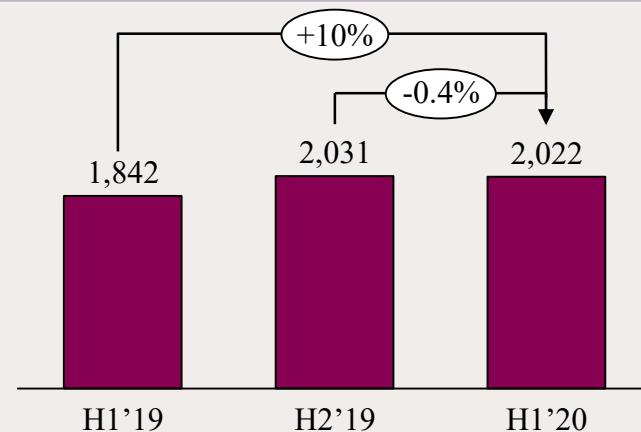


Strong focus on core banking income generation and effective cost management

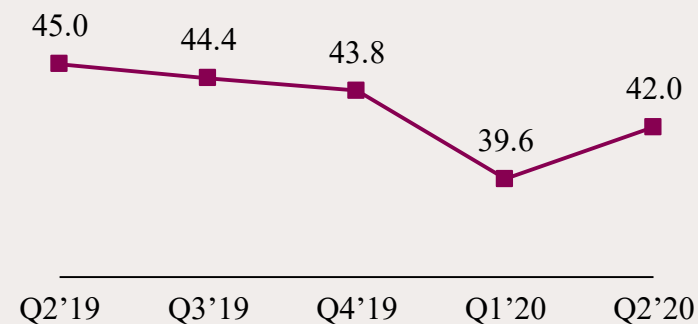
Total Operating Income (TL mn.)



OpEx (TL mn.)

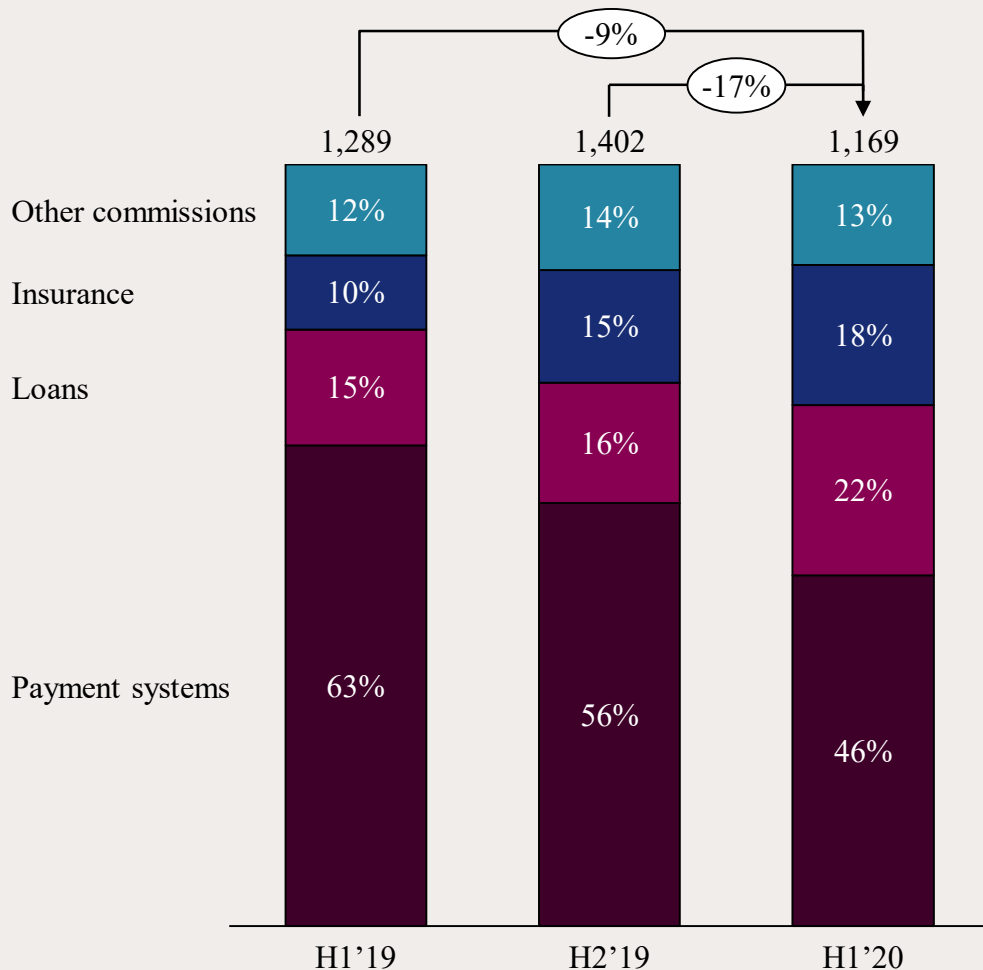


Cost / Income (%)

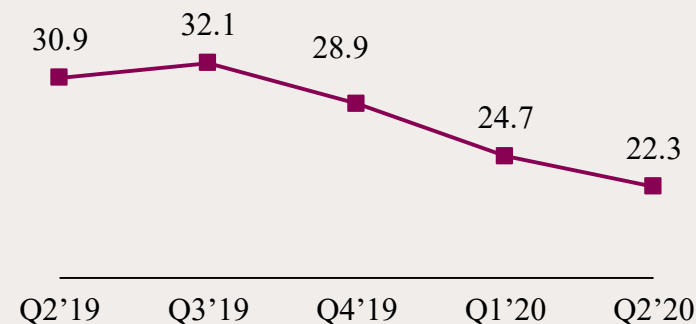


Fees performance impacted negatively by new regulations, lower transactions in Q2'20 due to pandemic lockdown and decreasing payment systems commissions in line with interest rates

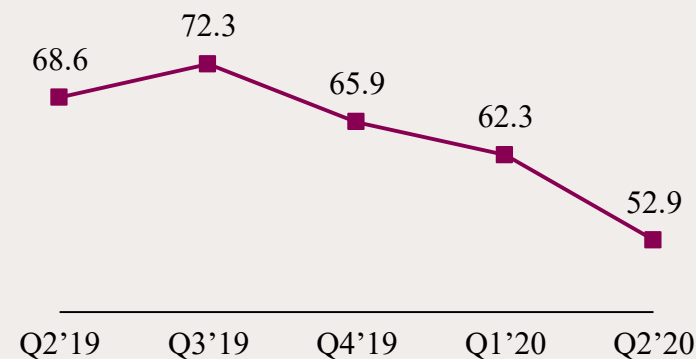
Net Fees and Commissions (TL mn.)



Fees / Total Income (%)

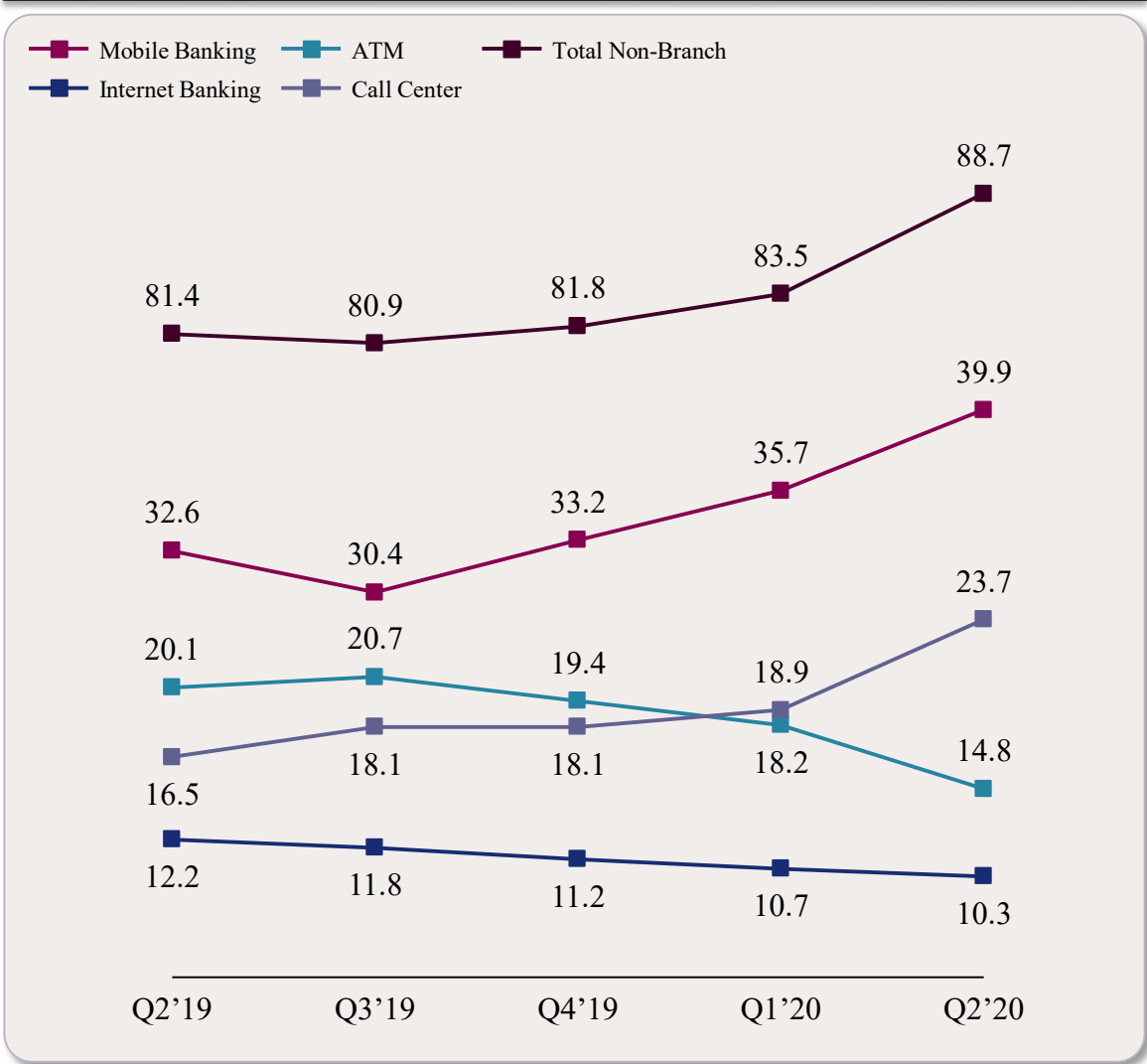


Fees / OpEx (%)

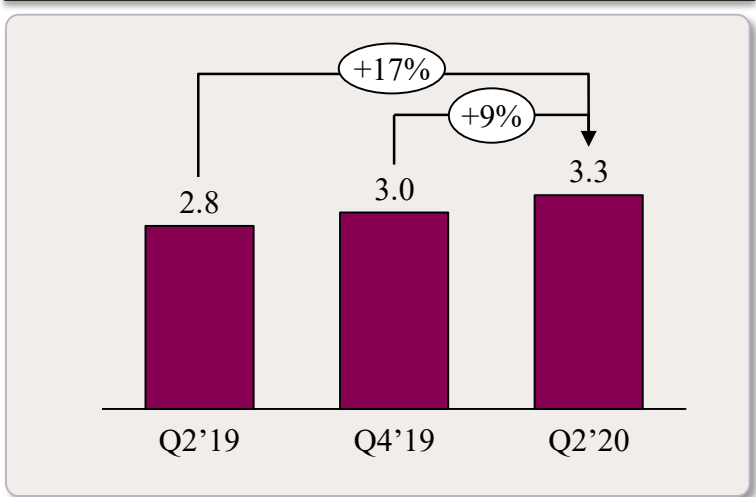


Strong focus and consistent investment in digital transformation

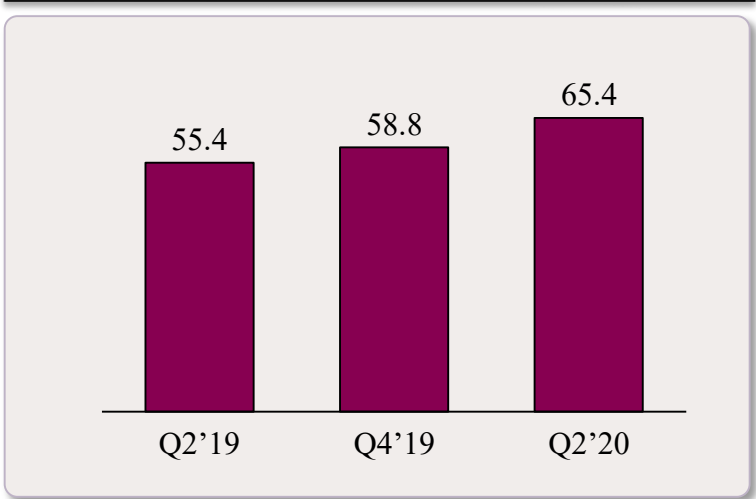
Share of Transactions Evolution in Non-Branch Channels (%)



Number of Digital Customers (mn.)



Active Digital⁽¹⁾ / Total Active Customers (%)



⁽¹⁾ Customers logged in to mobile or internet branches at least once within the last three months

Appendix

A decorative graphic on the right side of the page, resembling a folded book corner. It consists of a dark blue triangular shape with a lighter blue border, and a white triangular shape with a dark blue border, creating a layered effect.

BRSA Bank-Only Key Financial Ratios

| | <i>All figures quarterly</i> | Q2'19 | Q3'19 | Q4'19 | Q1'20 | Q2'20 | ΔQoQ | ΔYoY |
|----------------------|---------------------------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------|
| Profitability | RoAE | 17.4% | 17.7% | 16.3% | 18.8% | 12.3% | -6.5pps | -5.1pps |
| | RoAA | 1.5% | 1.6% | 1.5% | 1.6% | 1.0% | -0.6pps | -0.5pps |
| | Cost / Income | 45.0% | 44.4% | 43.8% | 39.6% | 42.0% | +2.4pps | -3.0pps |
| | NIM after swap expense | 4.3% | 4.2% | 4.8% | 4.9% | 4.3% | -0.5pps | -0.0pps |
| Liquidity | Loans / Deposits ⁽¹⁾ | 102.4% | 101.3% | 101.1% | 96.8% | 99.1% | +2.3pps | -3.3pps |
| | LCR | 127.8% | 128.1% | 121.5% | 118.1% | 119.1% | +1.0pps | -8.7pps |
| Asset quality | NPL Ratio | 6.4% | 6.3% | 6.9% | 6.4% | 6.3% | -0.1pps | -0.1pps |
| | Cost of Risk | 2.0% | 1.5% | 1.8% | 2.2% | 2.2% | -0.1pps | +0.2pps |
| Solvency | CAR | 15.6% | 15.8% | 15.7% | 15.1% | 17.1% | +2.0pps | +1.5pps |
| | Tier I Ratio | 12.9% | 13.2% | 13.1% | 12.5% | 14.3% | +1.8pps | +1.4pps |
| | Liability/Equity | 11.4x | 11.3x | 10.9x | 12.8x | 12.2x | -0.6x | +0.8x |

BRSA Bank-Only Summary Financials

Income Statement

| TL, mn | Q1'20 | Q2'20 | ΔQoQ | H1'19 | H1'20 | ΔYoY |
|--|--------------|--------------|-------------|--------------|--------------|------------|
| Net Interest Income (After Swap Expenses) | 1,794 | 1,669 | -7% | 2,776 | 3,463 | 25% |
| Net Fees & Commissions Income | 654 | 515 | -21% | 1,289 | 1,169 | -9% |
| Trading & Other Income | 201 | 131 | -35% | 271 | 332 | 22% |
| Total Operating Income | 2,649 | 2,314 | -13% | 4,336 | 4,963 | 14% |
| Operating Expenses | (1,049) | (973) | -7% | (1,842) | (2,022) | 10% |
| Net Operating Income | 1,599 | 1,341 | -16% | 2,495 | 2,940 | 18% |
| Provisions | (681) | (693) | 2% | (1,037) | (1,375) | 33% |
| Profit Before Tax | 918 | 648 | -29% | 1,457 | 1,566 | 7% |
| Tax Expenses | (152) | (142) | -7% | (178) | (294) | 65% |
| Profit After Tax | 766 | 506 | -34% | 1,280 | 1,272 | -1% |

Balance Sheet

| TL, mn | Q4'19 | Q1'20 | Q2'20 | ΔQoQ | ΔYtD |
|--|----------------|----------------|----------------|-----------|------------|
| Cash & Banks ⁽¹⁾ | 22,643 | 29,783 | 29,068 | -2% | 28% |
| Securities | 28,761 | 29,168 | 31,401 | 8% | 9% |
| Net Loans | 110,683 | 120,897 | 122,961 | 2% | 11% |
| Fixed Asset and Investments ⁽²⁾ | 5,308 | 5,219 | 5,181 | -1% | -2% |
| Other Assets | 14,286 | 20,668 | 19,748 | -4% | 38% |
| Total Assets | 181,681 | 205,735 | 208,358 | 1% | 15% |
| Deposits | 105,626 | 121,880 | 121,875 | 0% | 15% |
| Customer | 100,219 | 116,377 | 117,103 | 1% | 17% |
| Bank | 5,406 | 5,503 | 4,772 | -13% | -12% |
| Borrowings | 42,893 | 50,064 | 50,317 | 1% | 17% |
| Bonds Issued | 13,086 | 14,074 | 14,771 | 5% | 13% |
| Funds Borrowed | 15,309 | 15,228 | 16,903 | 11% | 10% |
| Sub-debt | 5,433 | 6,079 | 6,255 | 3% | 15% |
| Repo | 9,065 | 14,683 | 12,388 | -16% | 37% |
| Other | 16,477 | 17,764 | 19,138 | 8% | 16% |
| Equity | 16,685 | 16,028 | 17,029 | 6% | 2% |
| Total Liabilities & Equity | 181,681 | 205,735 | 208,358 | 1% | 15% |

BRSA Consolidated Key Financial Ratios

| | <i>All figures quarterly</i> | Q2'19 | Q3'19 | Q4'19 | Q1'20 | Q2'20 | ΔQoQ | ΔYoY |
|----------------------|---------------------------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------|
| Profitability | RoAE | 19.1% | 19.3% | 17.6% | 18.3% | 14.8% | -3.5pps | -4.3pps |
| | RoAA | 1.6% | 1.7% | 1.6% | 1.5% | 1.2% | -0.3pps | -0.5pps |
| | Cost / Income | 44.3% | 43.5% | 42.3% | 40.5% | 40.6% | +0.1pps | -3.8pps |
| | NIM after swap expense | 4.4% | 4.2% | 4.9% | 4.9% | 4.6% | -0.3pps | +0.2pps |
| Liquidity | Loans / Deposits ⁽¹⁾ | 105.9% | 104.5% | 105.6% | 100.8% | 103.2% | +2.4pps | -2.7pps |
| | LCR | 125.5% | 114.5% | 119.5% | 116.3% | 119.0% | +2.7pps | -6.5pps |
| Asset quality | NPL Ratio | 6.5% | 6.5% | 7.0% | 6.5% | 6.3% | -0.2pps | -0.2pps |
| | Cost of Risk | 1.9% | 1.5% | 1.9% | 2.3% | 2.3% | -0.0pps | +0.3pps |
| Solvency | CAR | 15.3% | 15.5% | 15.2% | 14.7% | 16.6% | +1.9pps | +1.4pps |
| | Tier I Ratio | 12.6% | 12.9% | 12.7% | 12.2% | 13.9% | +1.7pps | +1.2pps |
| | Liability/Equity | 11.5x | 11.3x | 11.2x | 13.1x | 12.4x | -0.7x | +0.9x |

BRSA Consolidated Summary Financials

Income Statement

| TL, mn | Q1'20 | Q2'20 | ΔQoQ | H1'19 | H1'20 | ΔYoY |
|--|--------------|--------------|-------------|--------------|--------------|------------|
| Net Interest Income (After Swap Expenses) | 1,875 | 1,787 | -5% | 2,884 | 3,662 | 27% |
| Net Fees & Commissions Income | 706 | 572 | -19% | 1,343 | 1,278 | -5% |
| Trading & Other Income | 149 | 185 | 24% | 366 | 334 | -9% |
| Total Operating Income | 2,730 | 2,544 | -7% | 4,593 | 5,274 | 15% |
| Operating Expenses | (1,106) | (1,032) | -7% | (1,948) | (2,138) | 10% |
| Net Operating Income | 1,625 | 1,512 | -7% | 2,645 | 3,136 | 19% |
| Provisions | (696) | (731) | 5% | (1,050) | (1,428) | 36% |
| Profit Before Tax | 928 | 780 | -16% | 1,595 | 1,709 | 7% |
| Tax Expenses | (180) | (164) | -9% | (214) | (344) | 61% |
| Profit After Tax | 749 | 616 | -18% | 1,381 | 1,365 | -1% |

Balance Sheet

| TL, mn | Q4'19 | Q1'20 | Q2'20 | ΔQoQ | ΔYtD |
|---------------------------------------|----------------|----------------|----------------|-----------|------------|
| Cash & Banks ⁽¹⁾ | 23,072 | 30,306 | 29,578 | -2% | 28% |
| Securities | 28,809 | 29,214 | 31,446 | 8% | 9% |
| Net Loans ⁽²⁾ | 116,749 | 127,274 | 129,817 | 2% | 11% |
| Fixed Asset and Investments | 4,058 | 4,054 | 4,038 | 0% | -1% |
| Other Assets | 14,838 | 21,114 | 20,277 | -4% | 37% |
| Total Assets | 187,526 | 211,962 | 215,156 | 2% | 15% |
| Deposits | 105,500 | 121,433 | 121,642 | 0% | 15% |
| Customer | 100,094 | 115,930 | 116,870 | 1% | 17% |
| Bank | 5,406 | 5,503 | 4,772 | -13% | -12% |
| Borrowings | 48,352 | 56,129 | 56,580 | 1% | 17% |
| Bonds Issued | 14,352 | 15,241 | 15,453 | 1% | 8% |
| Funds Borrowed | 19,419 | 19,797 | 22,121 | 12% | 14% |
| Sub-debt | 5,433 | 6,079 | 6,255 | 3% | 15% |
| Repo | 9,149 | 15,013 | 12,751 | -15% | 39% |
| Other | 16,908 | 18,198 | 19,600 | 8% | 16% |
| Equity | 16,765 | 16,202 | 17,334 | 7% | 3% |
| Total Liabilities & Equity | 187,526 | 211,962 | 215,156 | 2% | 15% |

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