



QNB Finansbank Q2'20 Earnings Presentation

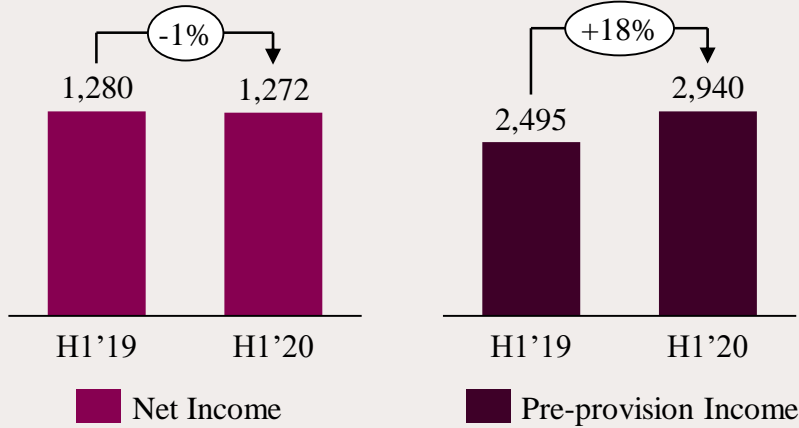
Based on BRSA Unconsolidated Financial Statements
July 2020

Period Highlights

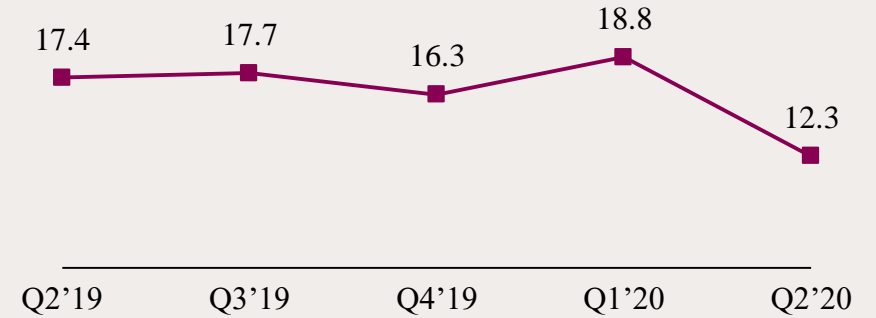
- ✓ Bank continued to support economy and restructured 496K customer loans and postponed 568K customer loans amounting to TL 19.1 billion in total to alleviate customers' cash flow burden during pandemic
- ✓ Robust loan growth (+12% YtD, +2% QoQ), however lagging behind private banks in Q2'20 as private 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

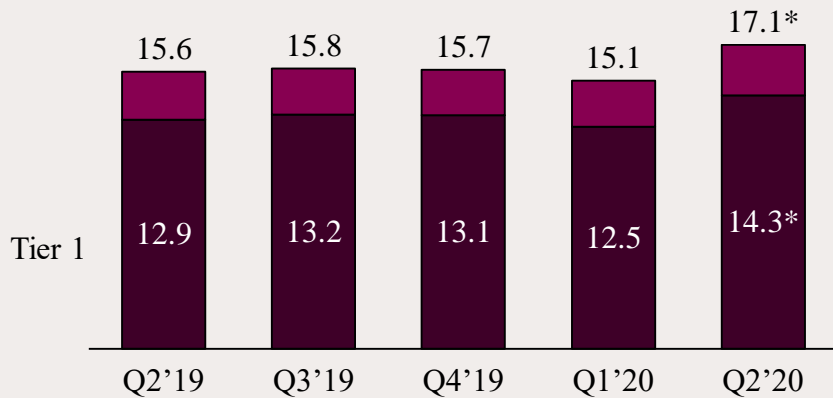
Net Income & Pre-Provision Income (TL mn.)



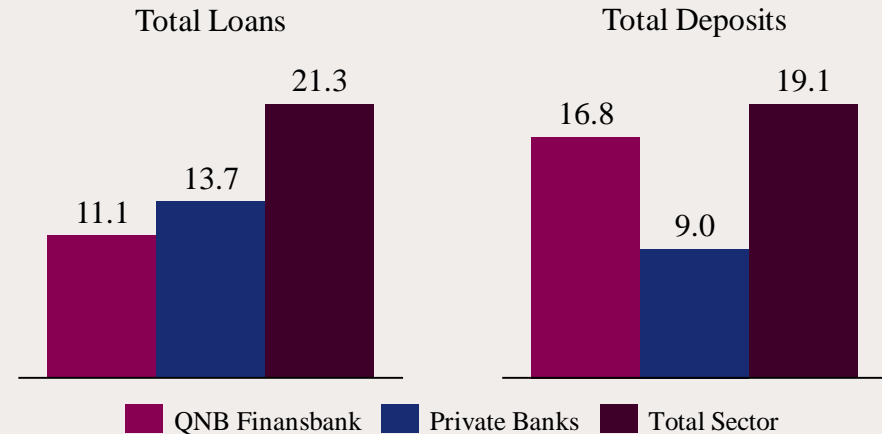
Quarterly RoAE (%)



CAR (%)

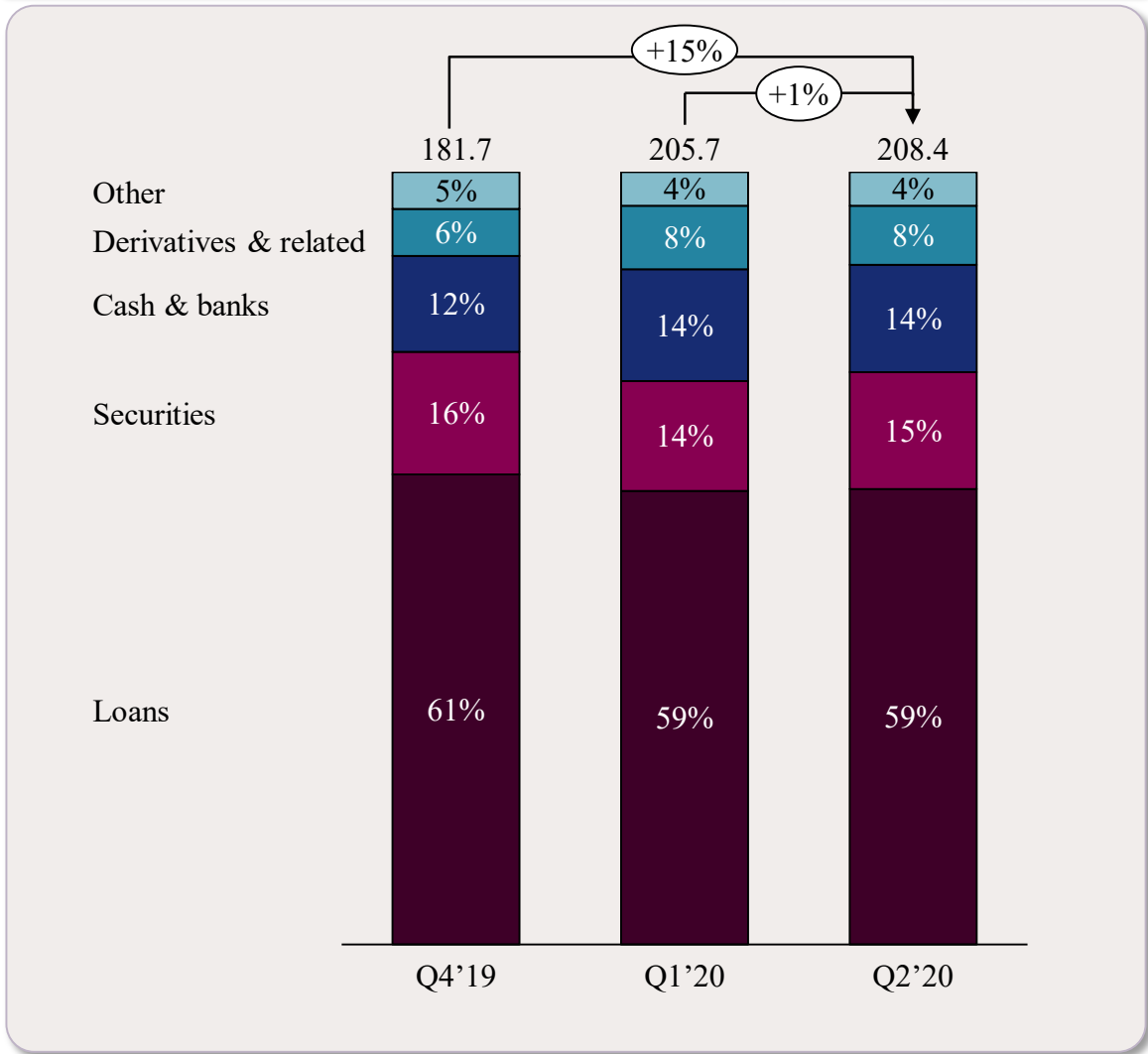


Total Loans & Deposits Growth⁽¹⁾ (YtD, %)

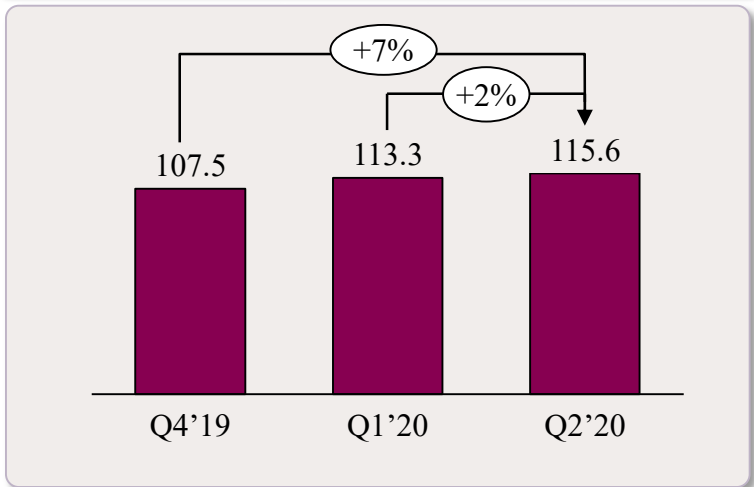


Optimized asset composition with 15% YtD growth in total despite strong base

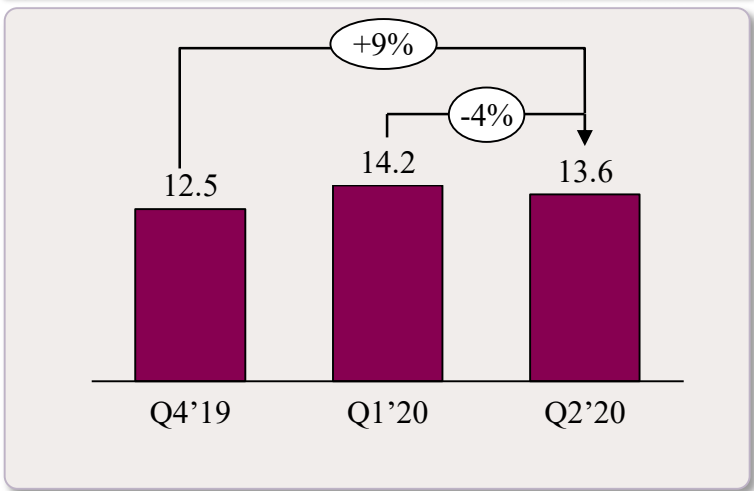
Total Assets (TL bn.)



TL Assets (TL bn.)



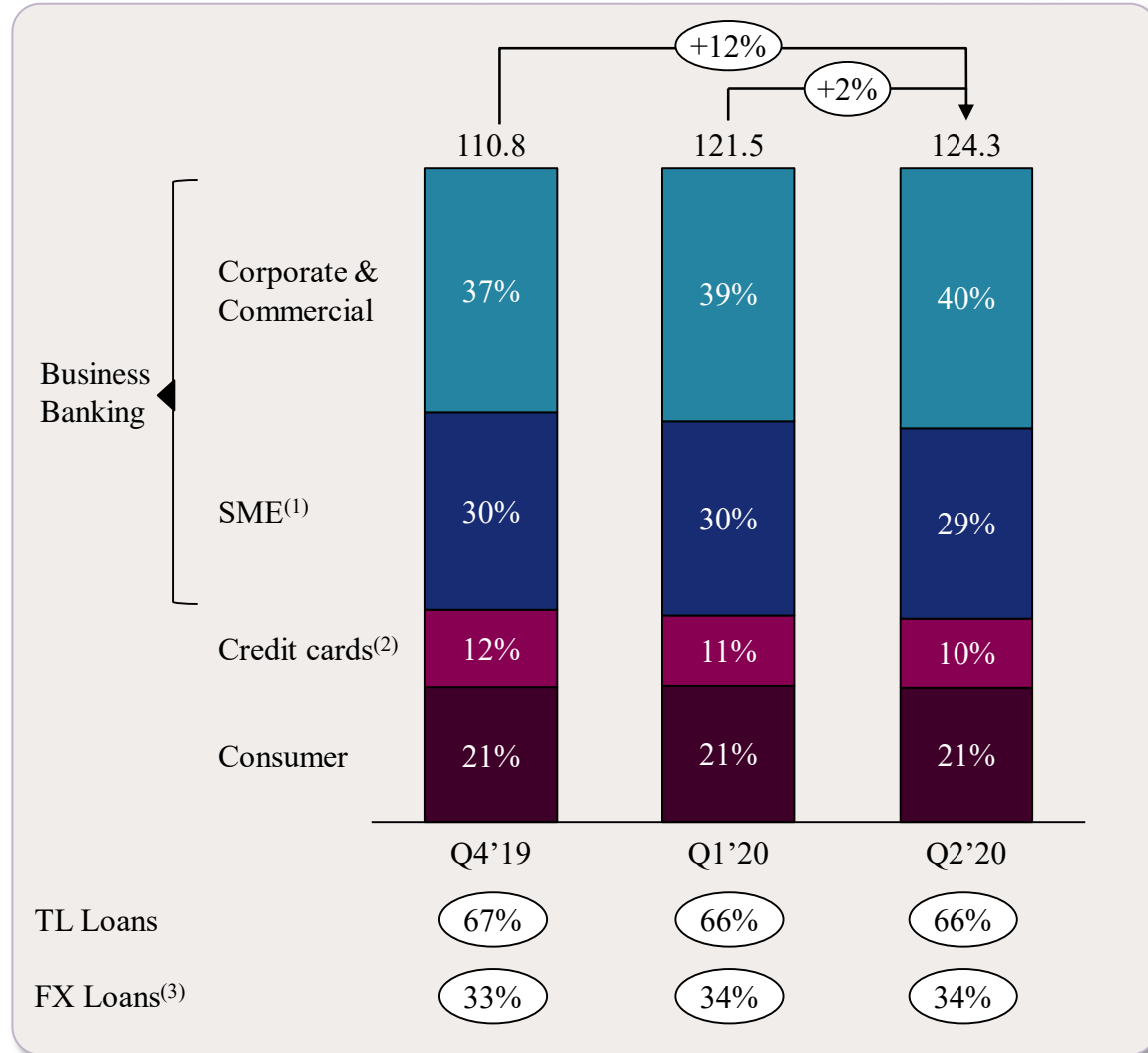
FX Assets⁽¹⁾ (USD bn.)



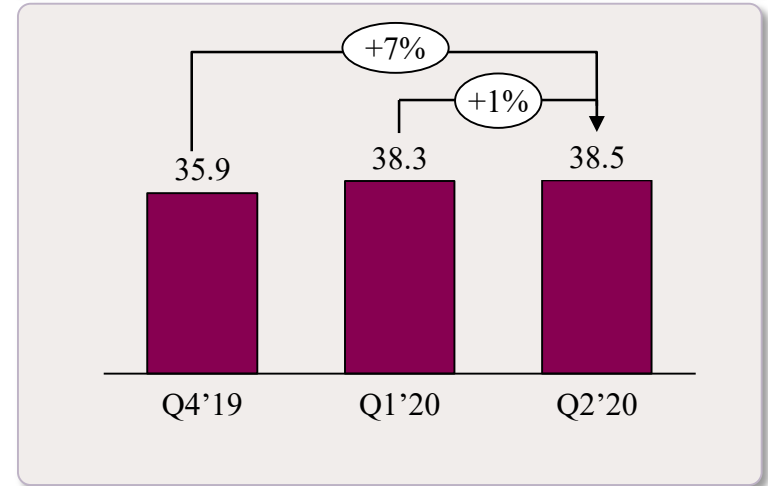
⁽¹⁾ FX-indexed TL loans are shown in FX assets

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

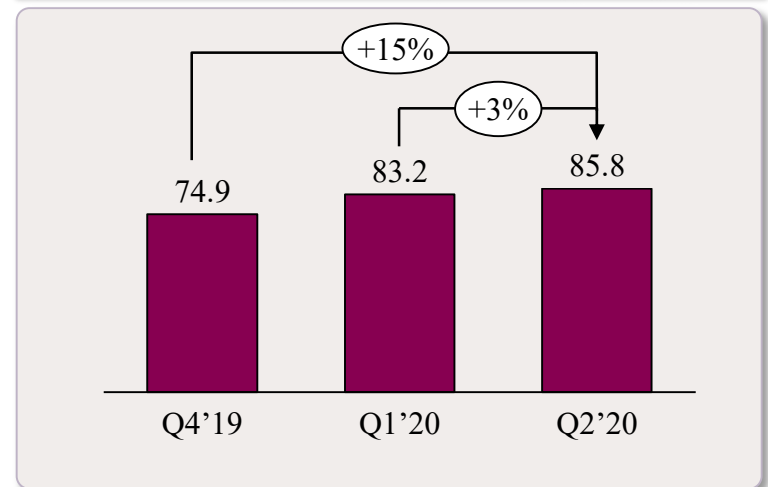
Performing Loans by Segment and Currency (TL bn.)



Retail Loans (TL bn.)



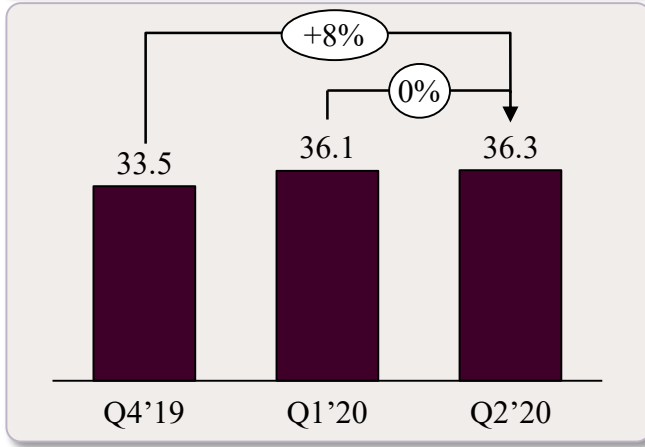
Business Loans (TL bn.)



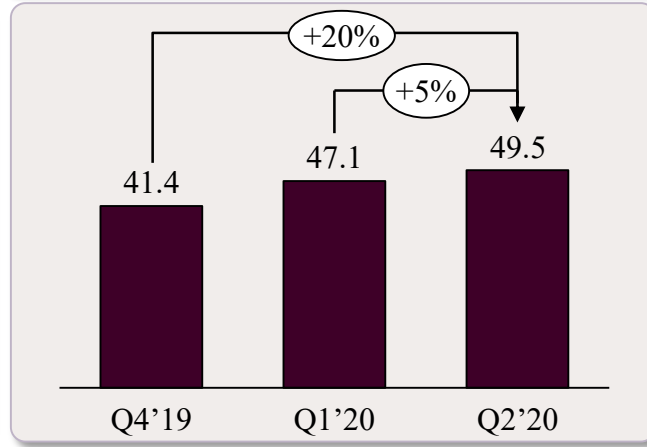
Growth in business banking was supported by corporate & commercial loans while retail banking grew via general purpose loans

■ Business banking
■ Retail banking

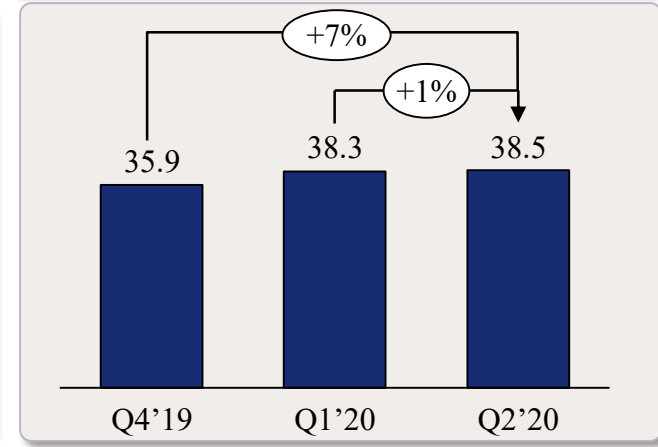
SME Loans⁽¹⁾ (TL bn.)



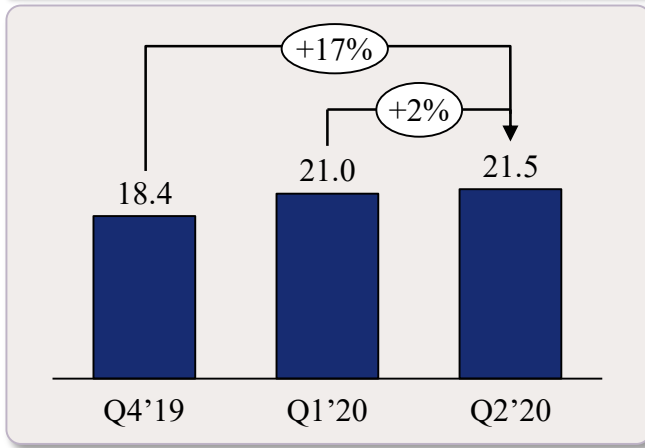
Corporate & Commercial Loans (TL bn.)



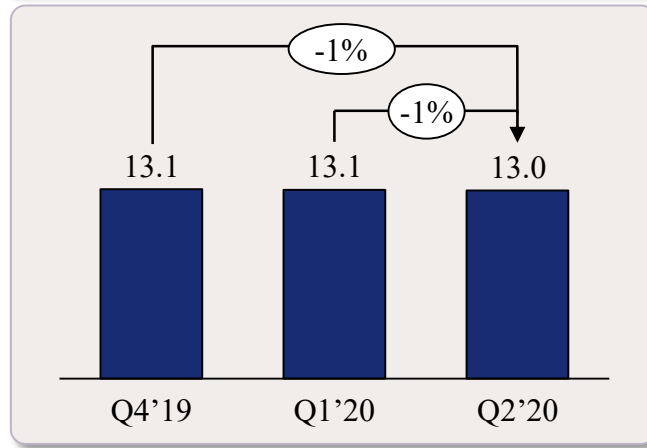
Retail Loans (TL bn.)



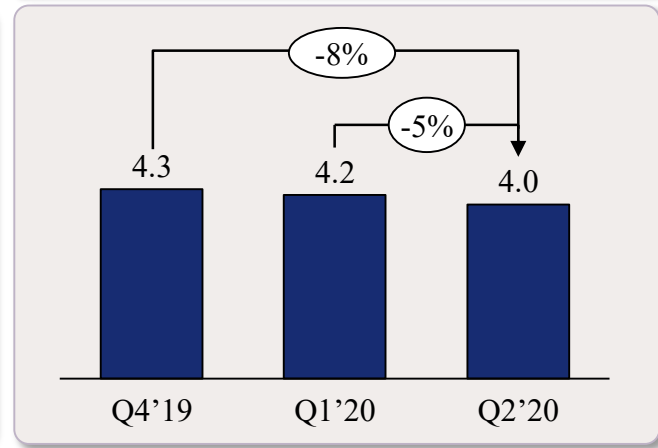
General Purpose Loans⁽²⁾ (TL bn.)



Credit Card Loans⁽³⁾ (TL bn.)



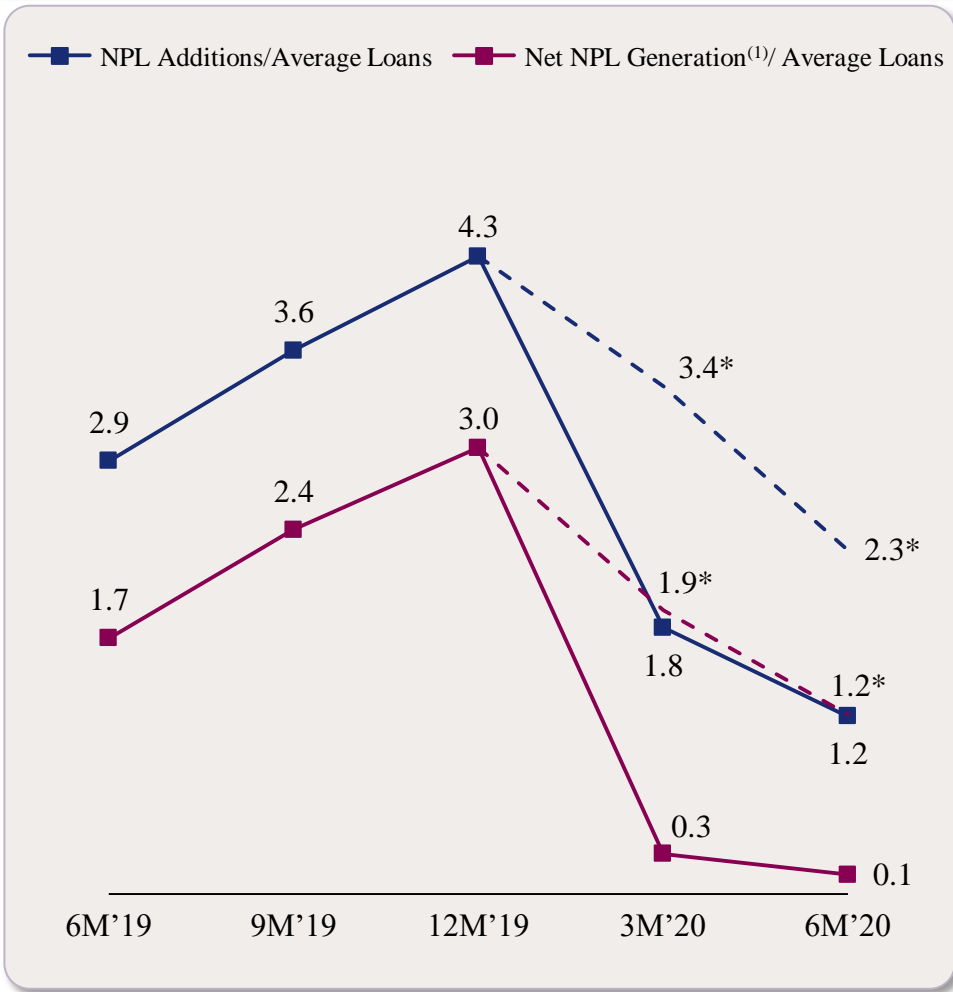
Mortgage Loans (TL bn.)



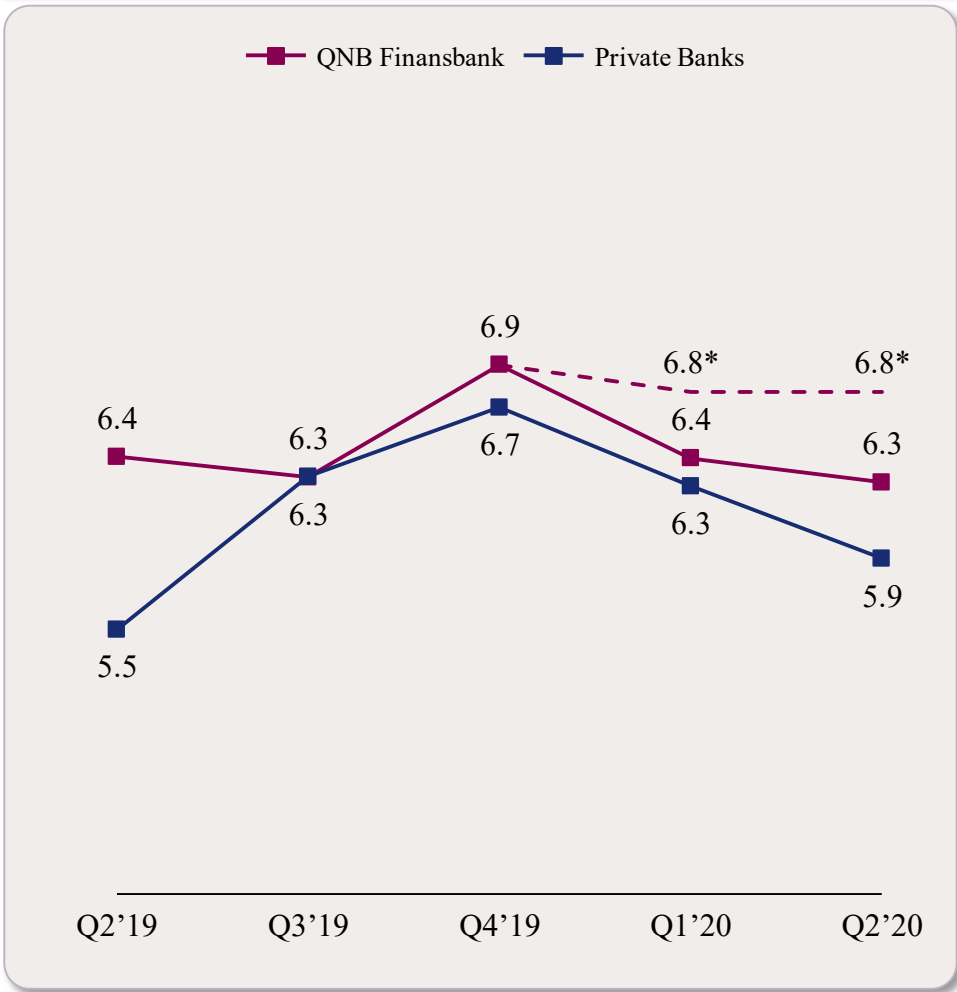
⁽¹⁾ Based on BRSA segment definition
⁽²⁾ Including overdraft loans
⁽³⁾ Solely represents credit cards by individuals

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 Ratio (%)

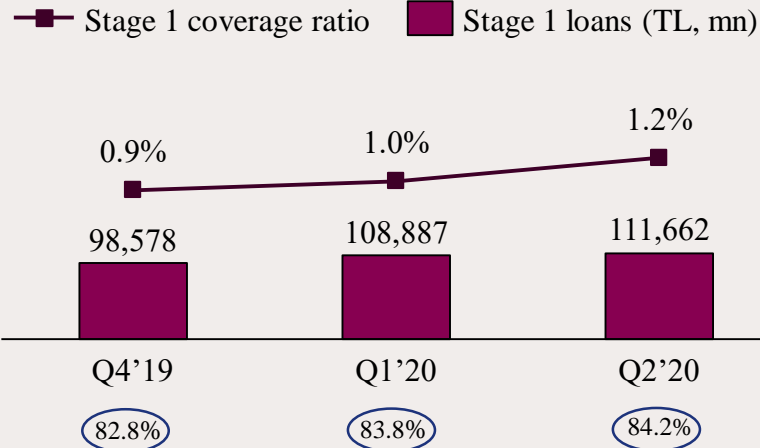


⁽¹⁾ Net NPL Generation = NPL Additions - NPL Collections
 *without regulatory easing: past due criteria for NPL recognition extended to six months from three months

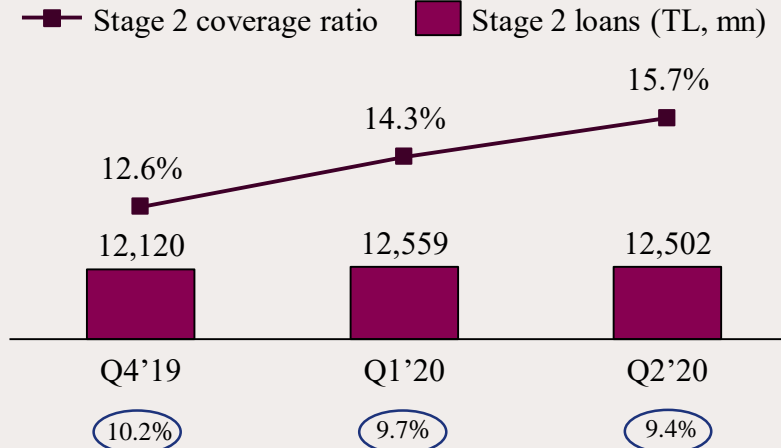
Prudent IFRS 9 staging & provisioning buffers further reinforced at all stages during Covid outbreak

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

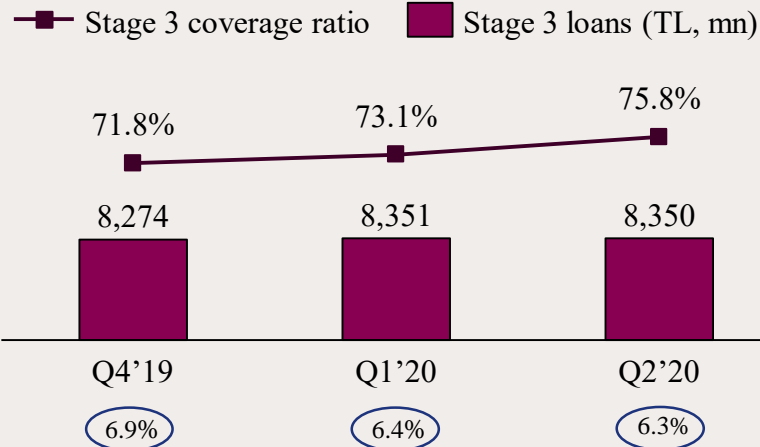
Stage 1 Loans & Coverage



Stage 2 Loans & Coverage

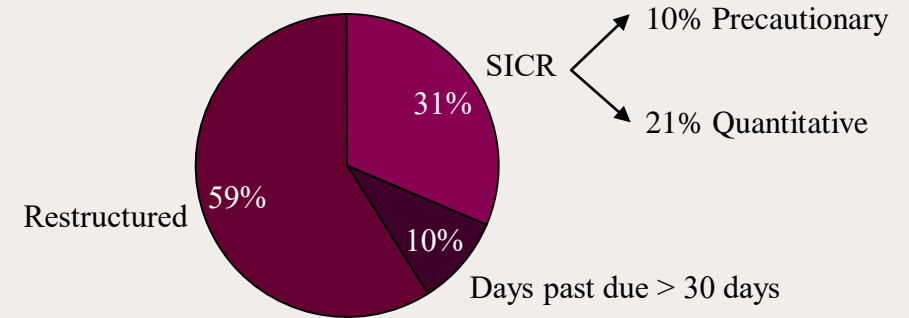


Stage 3 Loans & Coverage



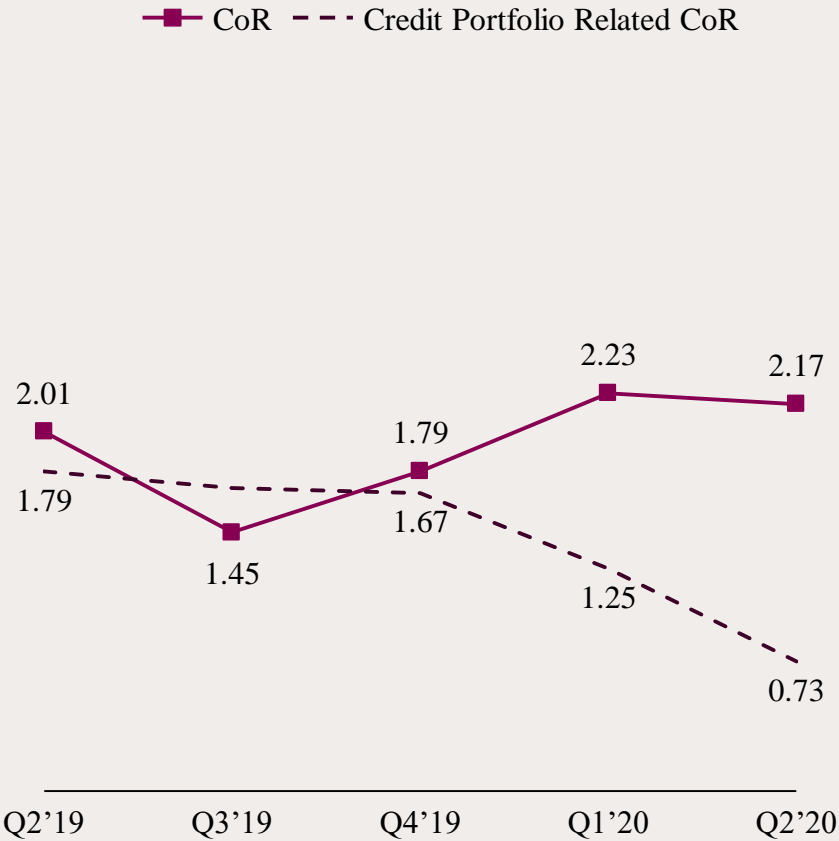
Stage 2 Composition

Loan balance = TL12.5 bn.

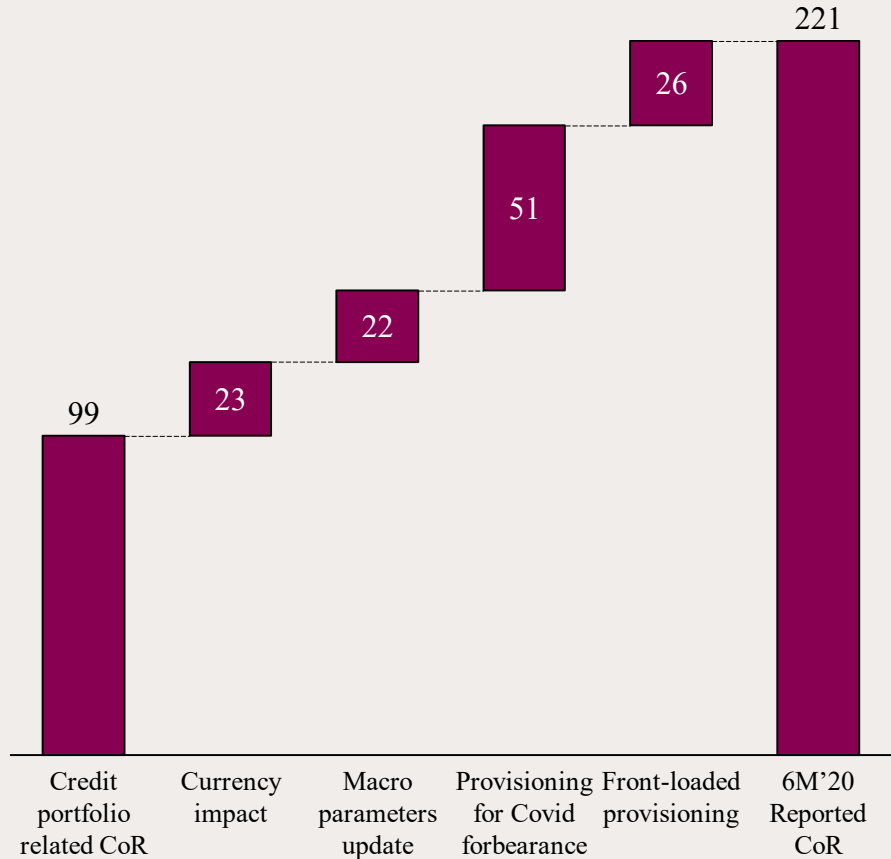


CoR realized well below private sector average thanks to continuous focus on prudent credit risk management

Quarterly Cost of Risk (%)

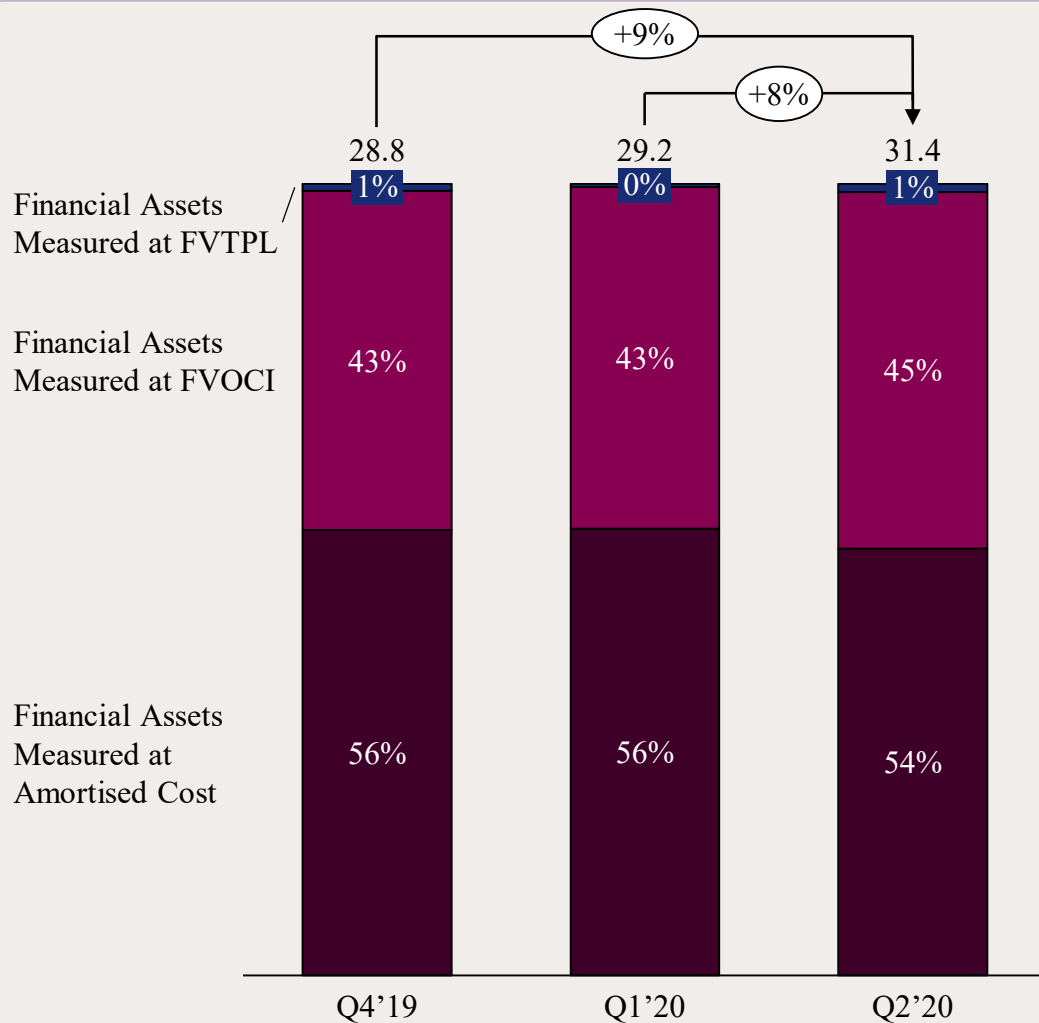


H1'20 CoR Breakdown (bps)

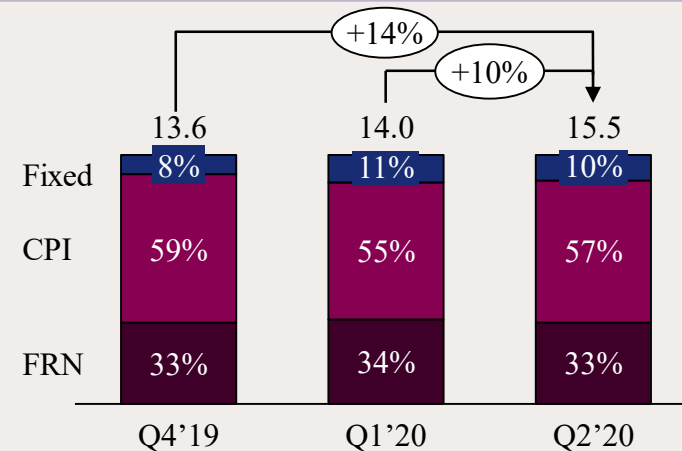


Well-positioned investment portfolio to benefit from favorable investment yields

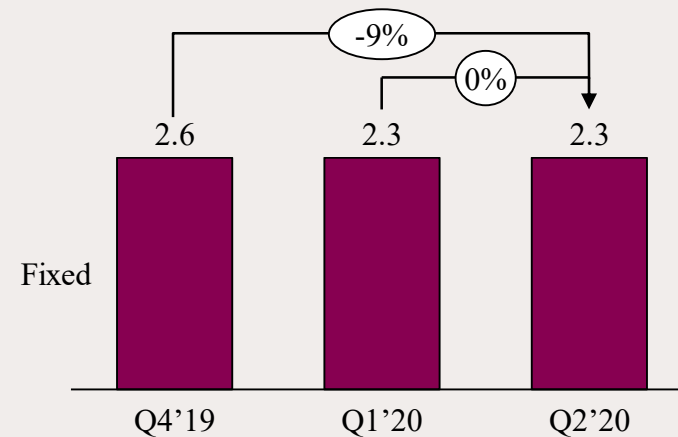
Total Securities (TL bn.)



TL Securities (TL bn.)

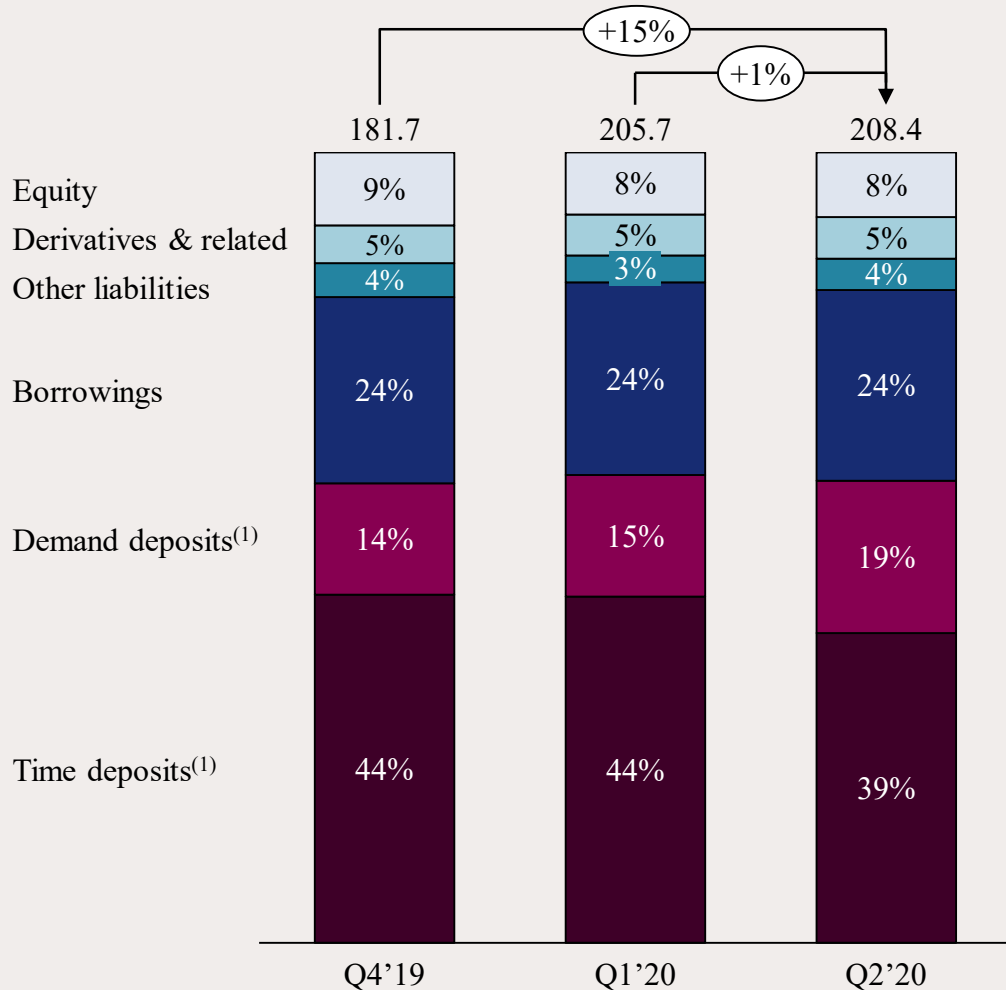


FX Securities (USD bn.)

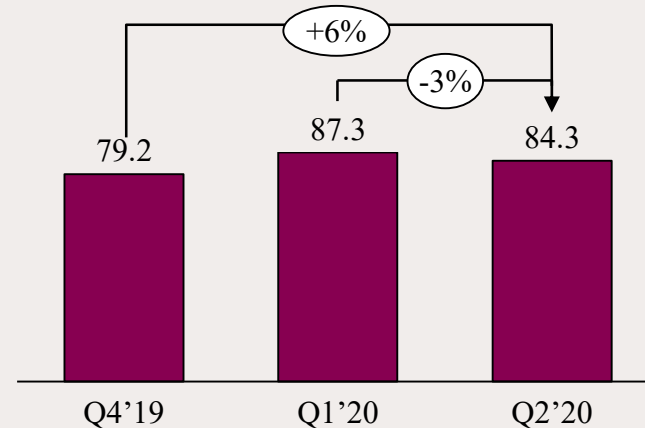


Well-diversified & disciplined funding structure underpinned by solid deposit base

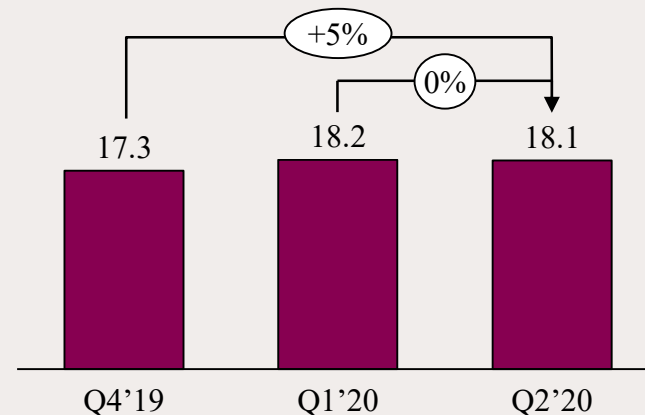
Total Liabilities (TL bn.)



TL Liabilities (TL bn.)

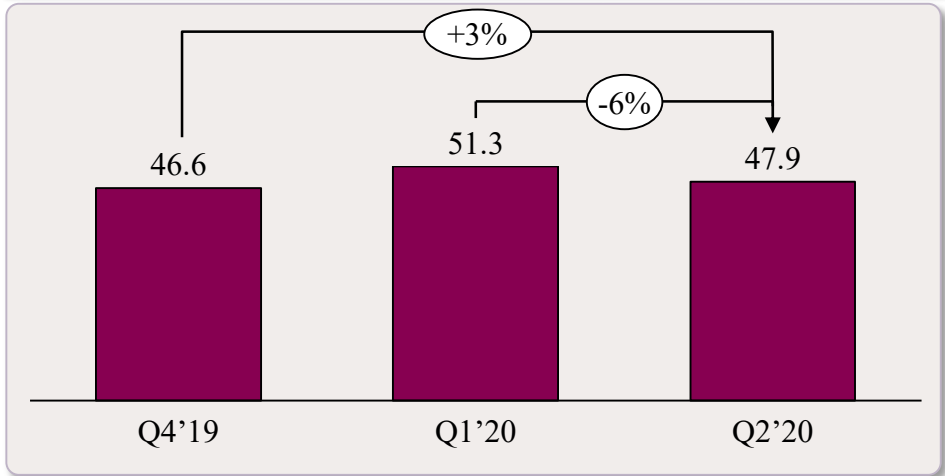


FX Liabilities (USD bn.)

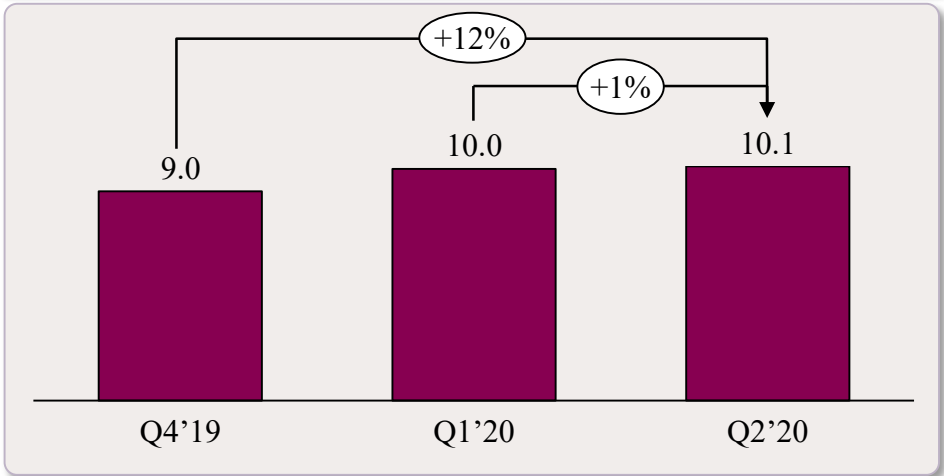


Sustained impressive growth in demand deposits enhancing NIM via lower cost of funding

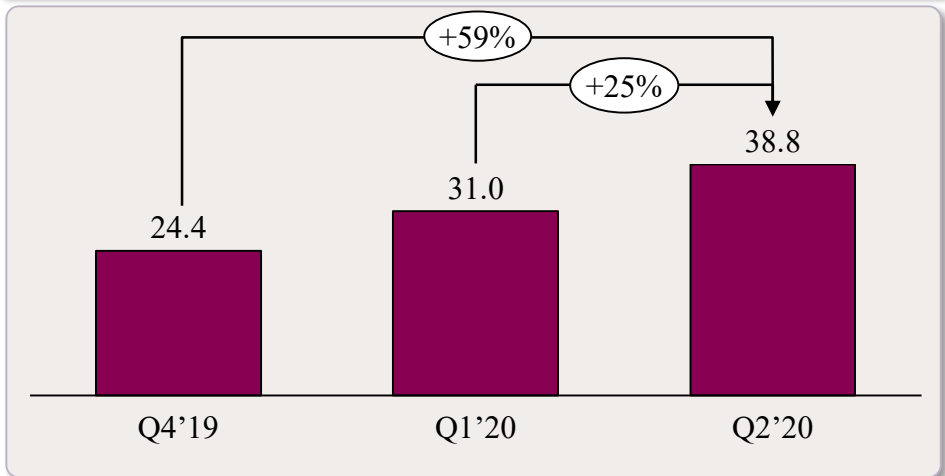
TL Customer Deposits (TL bn.)



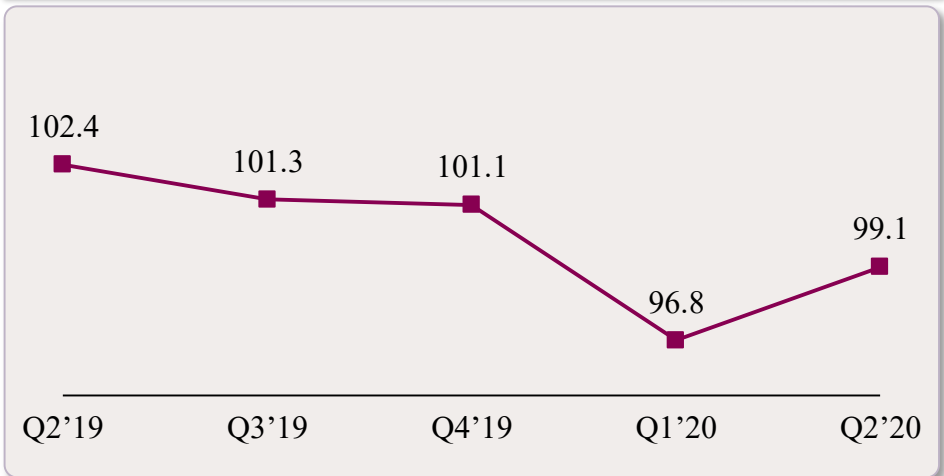
FX Customer Deposits (USD bn.)



Customer Demand Deposits (TL bn., aop)



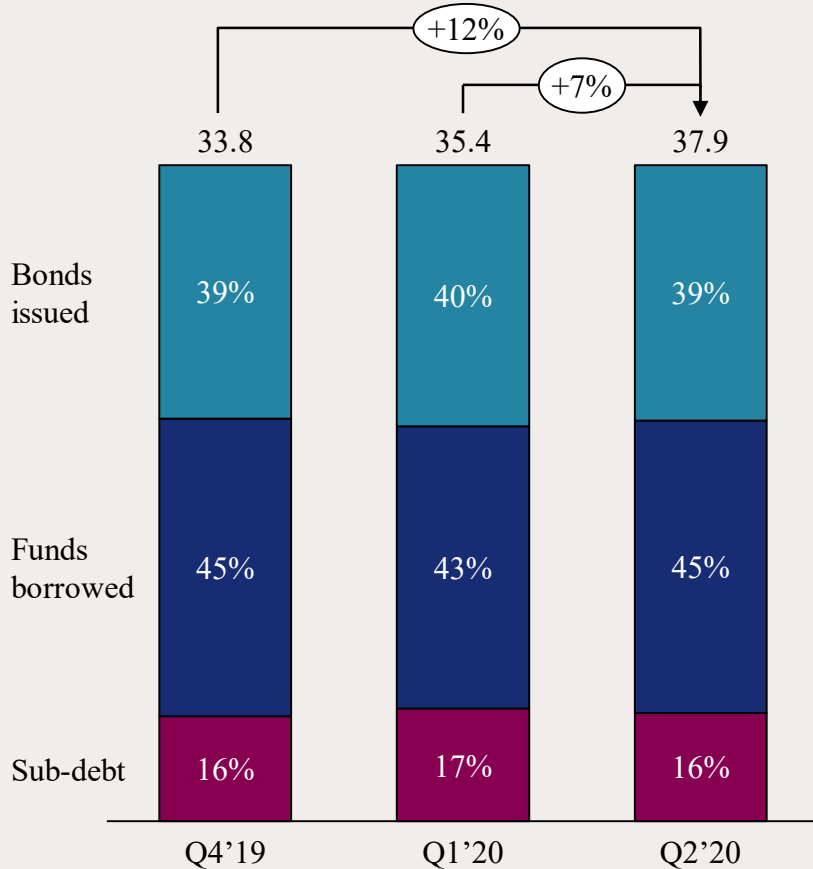
Loan-to-deposit-ratio⁽¹⁾ (%)



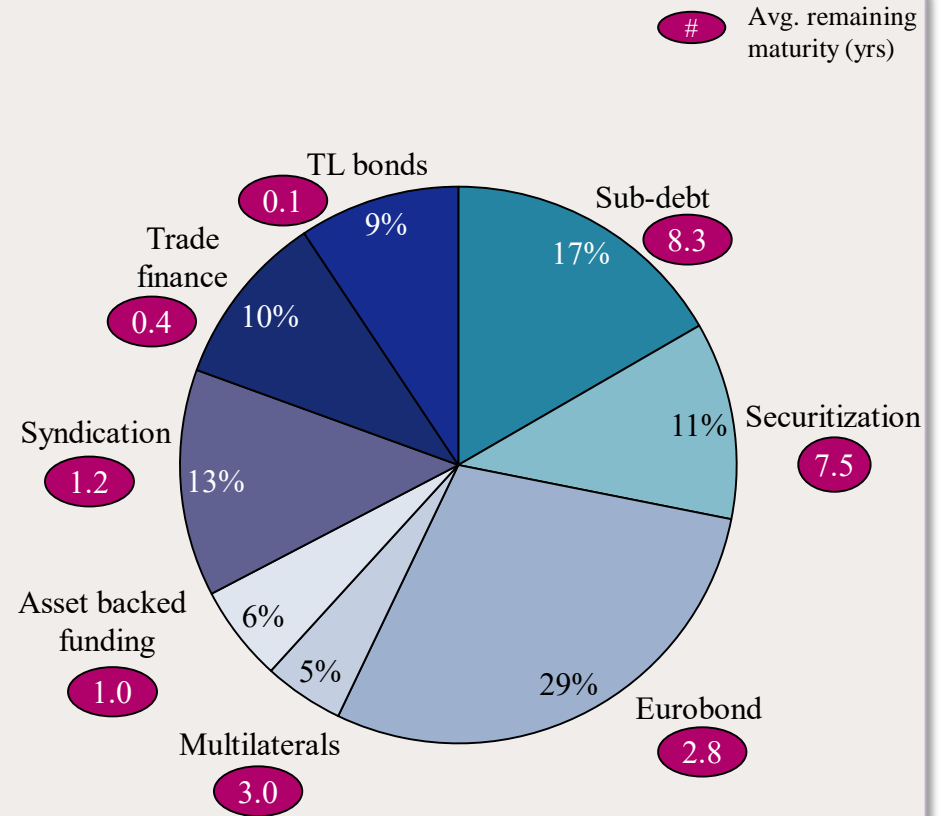
⁽¹⁾ Including TL issued bonds, bank deposits & fiduciary deposits

Well-diversified borrowing mix with comfortable remaining maturity profile

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

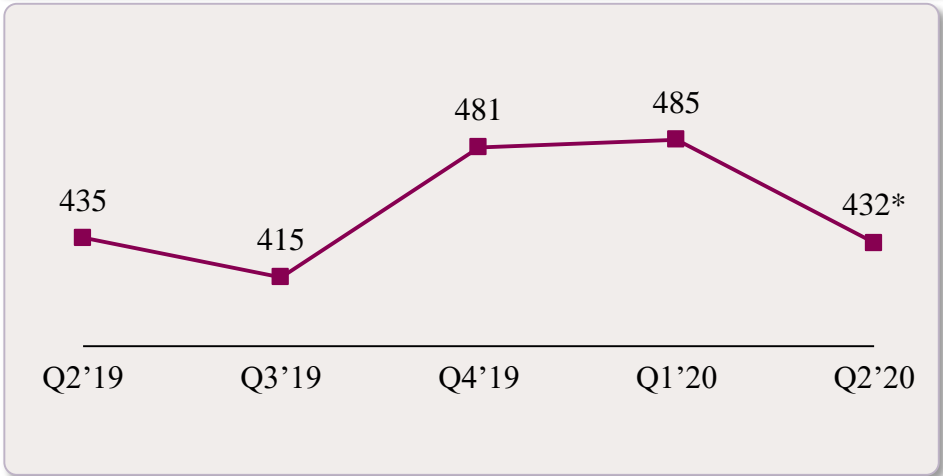


Wholesale Borrowings⁽¹⁾ Breakdown

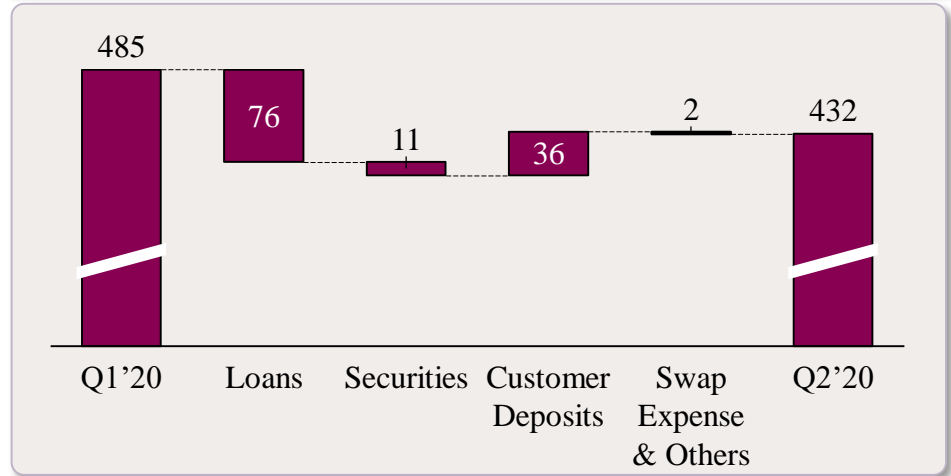


NIM remained resilient despite material reduction of loan & deposit yields

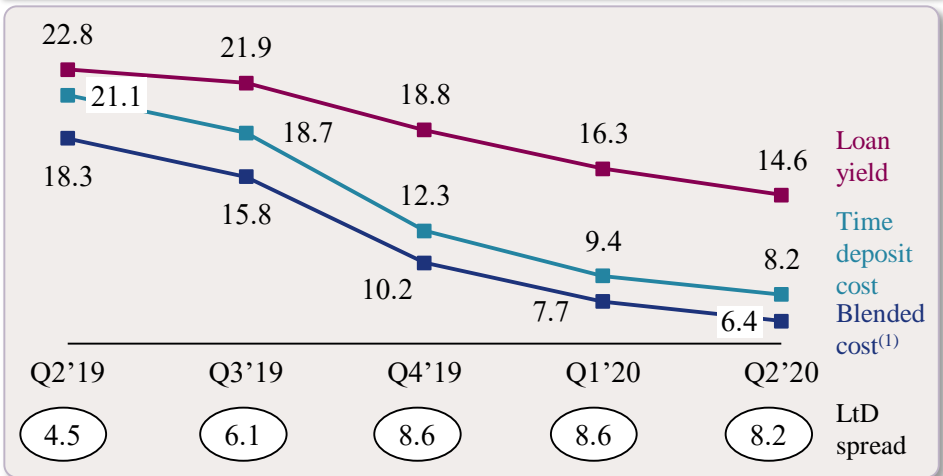
Quarterly NIM after Swap (bps)



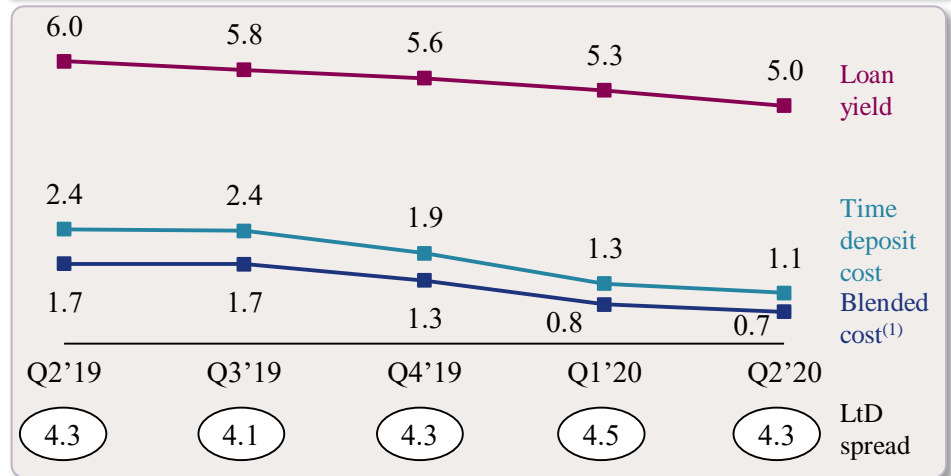
Quarterly NIM after Swap Evolution (bps)



TL Spread (% , quarterly)



FX Spread (% , quarterly)

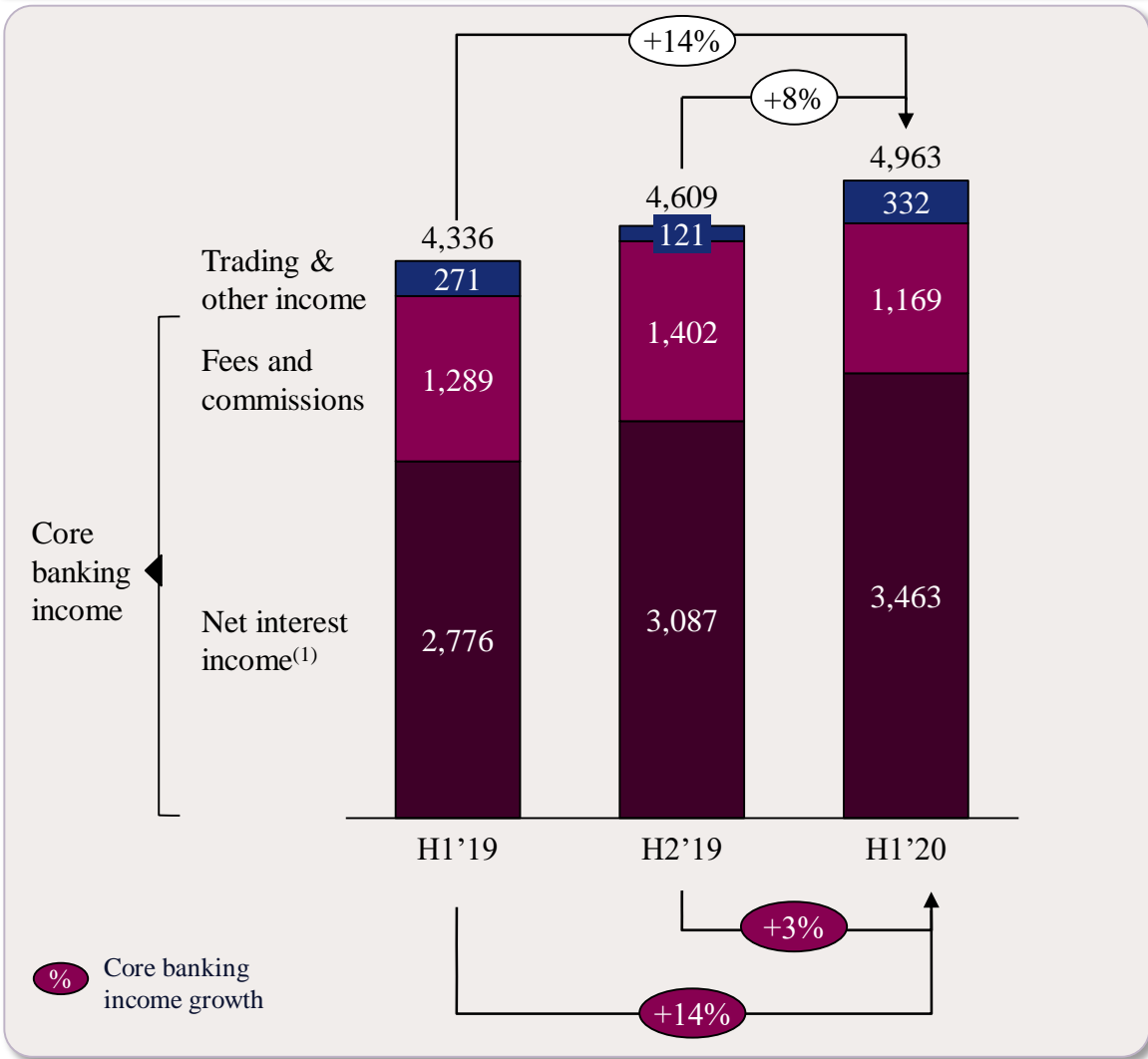


⁽¹⁾ Blended of time and demand deposits

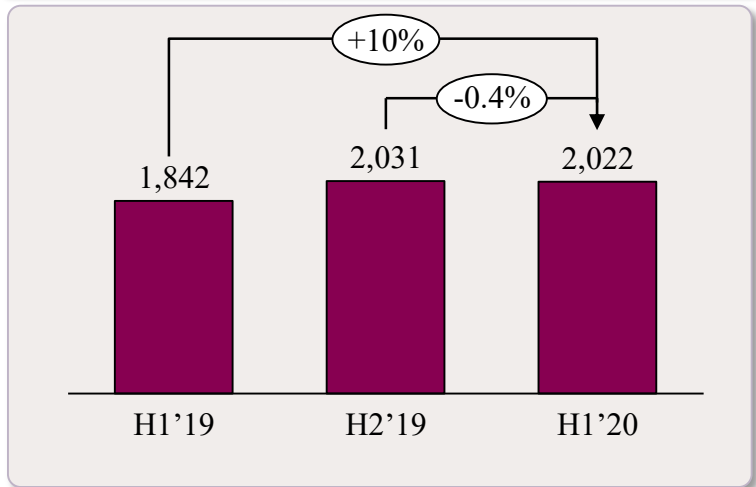
* CPI assumption used for CPI linkers valuation stands at 7.0%. A 100 bps increase in CPI projection would contribute TL 88 mn/yr to NII and 6 bps to NIM

Strong focus on core banking income generation and effective cost management

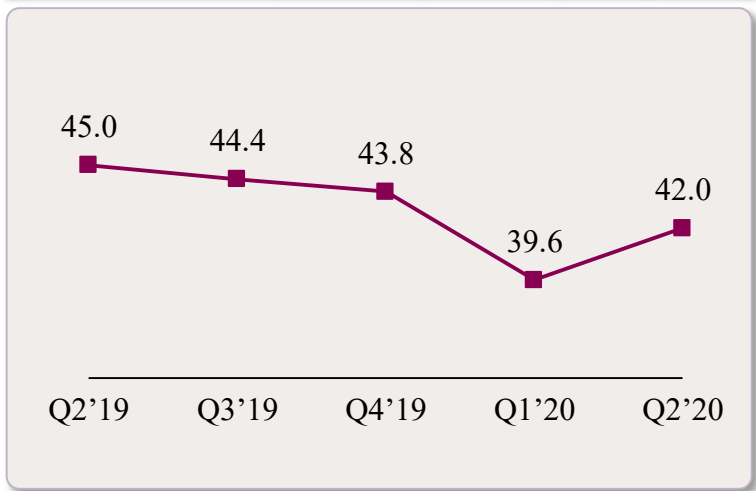
Total Operating Income (TL mn.)



OpEx (TL mn.)



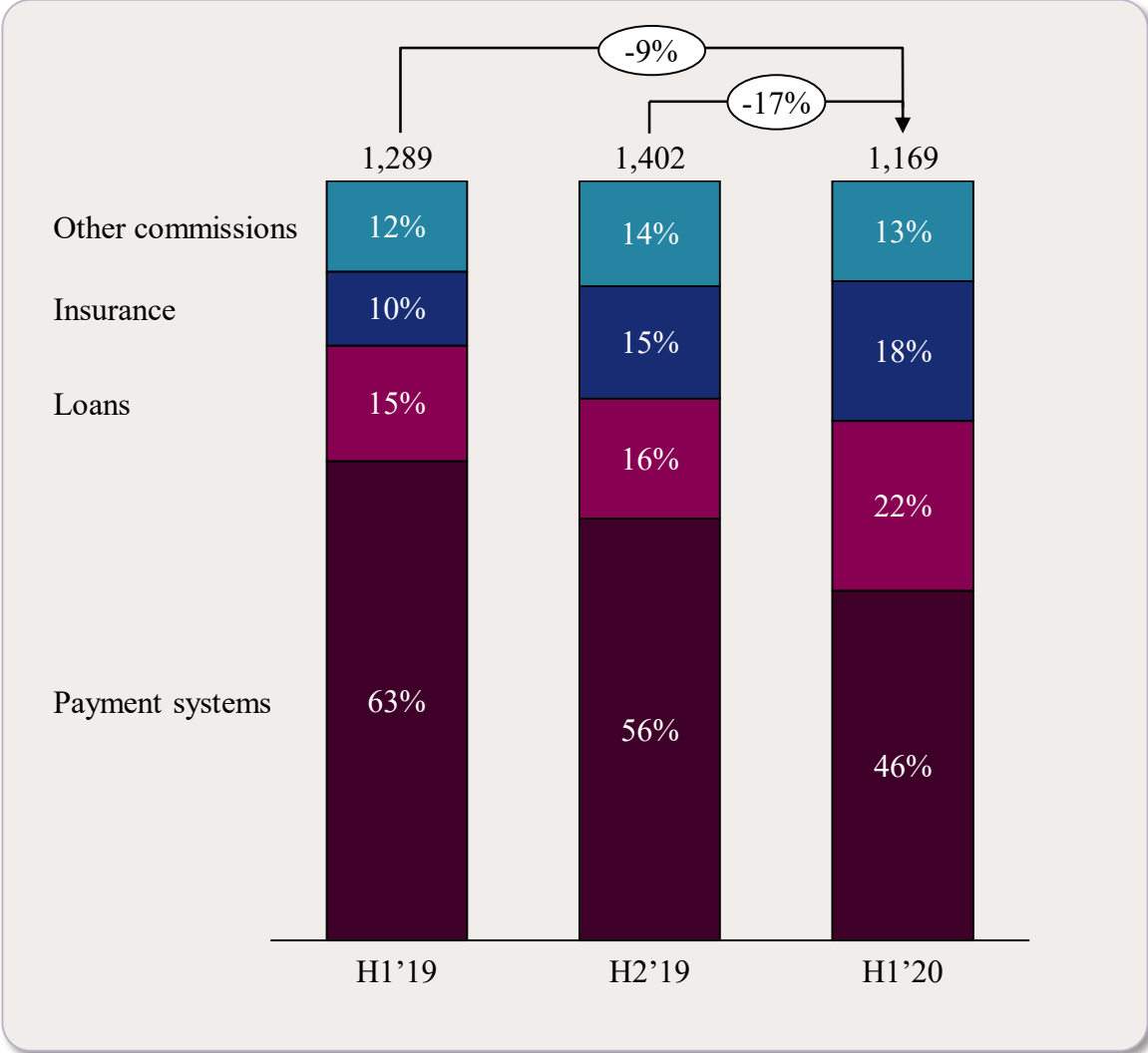
Cost / Income (%)



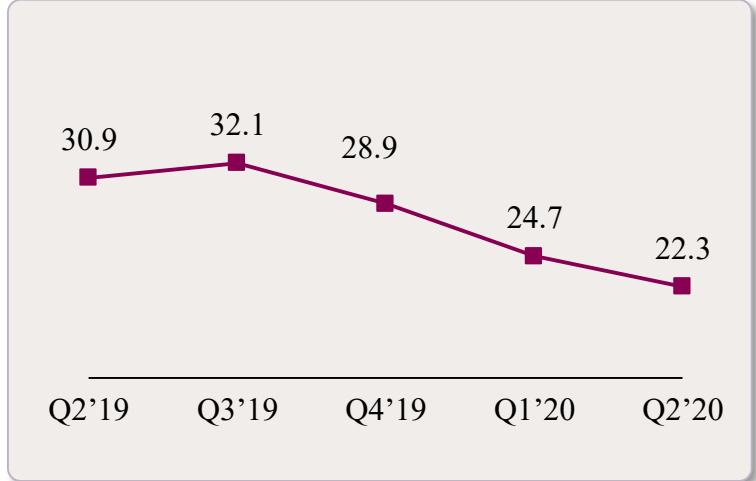
⁽¹⁾ Including swap expenses

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

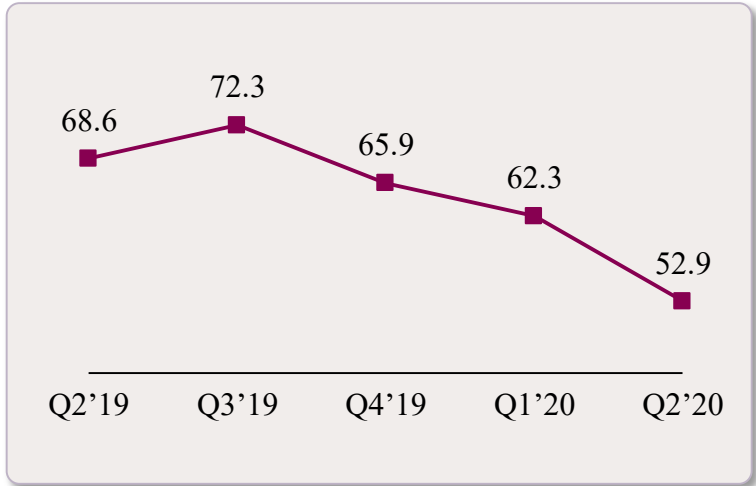
Net Fees and Commissions (TL mn.)



Fees / Total Income (%)

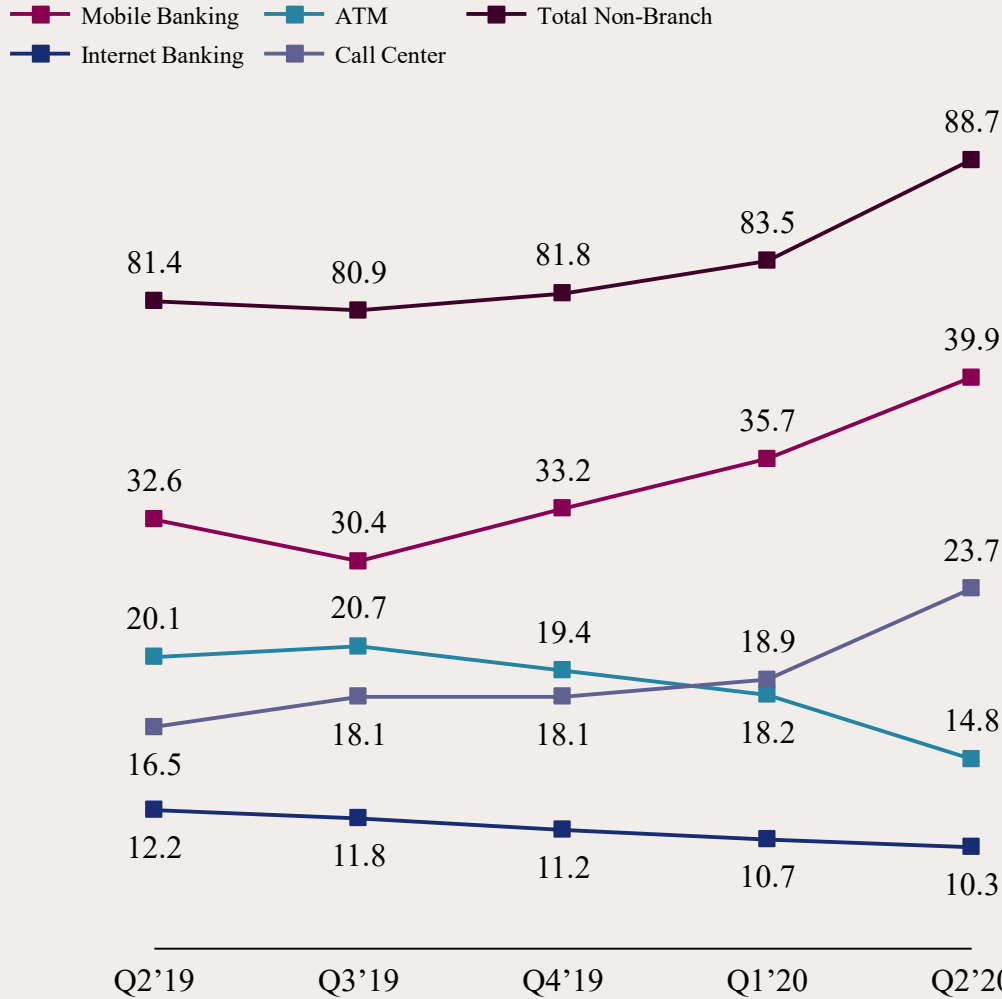


Fees / OpEx (%)

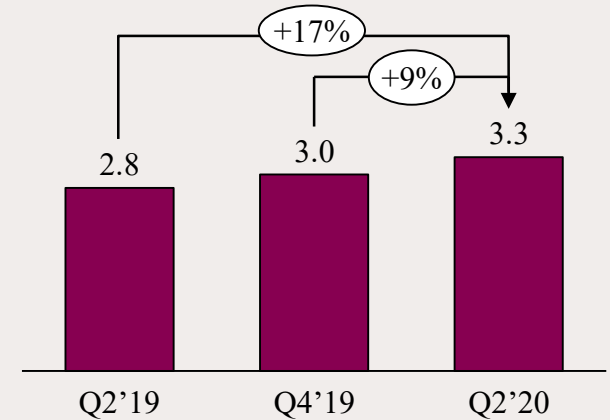


Strong focus and consistent investment in digital transformation

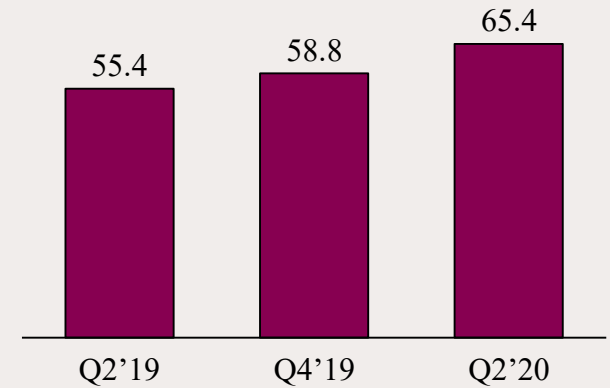
Share of Transactions Evolution in Non-Branch Channels (%)



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



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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