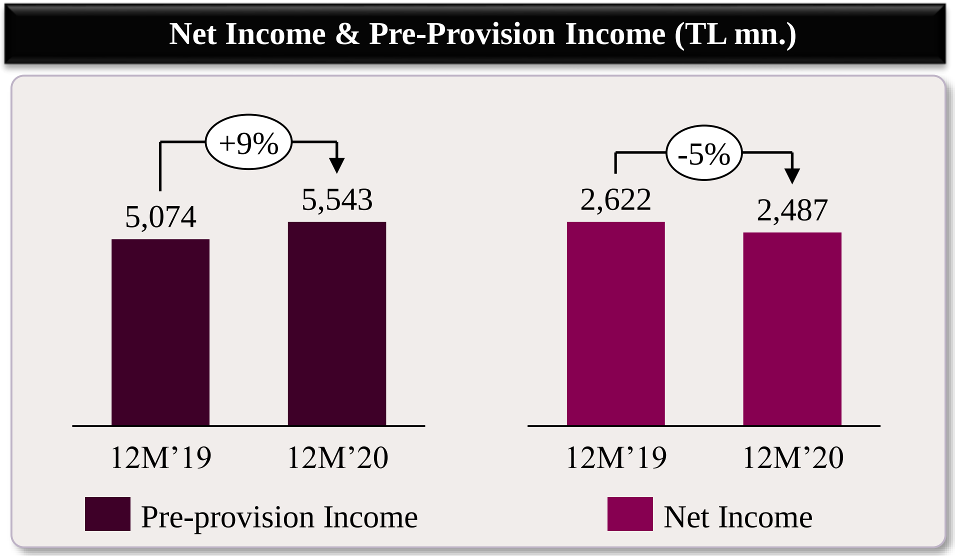
QNB Finansbank
FY'20 Earnings Presentation

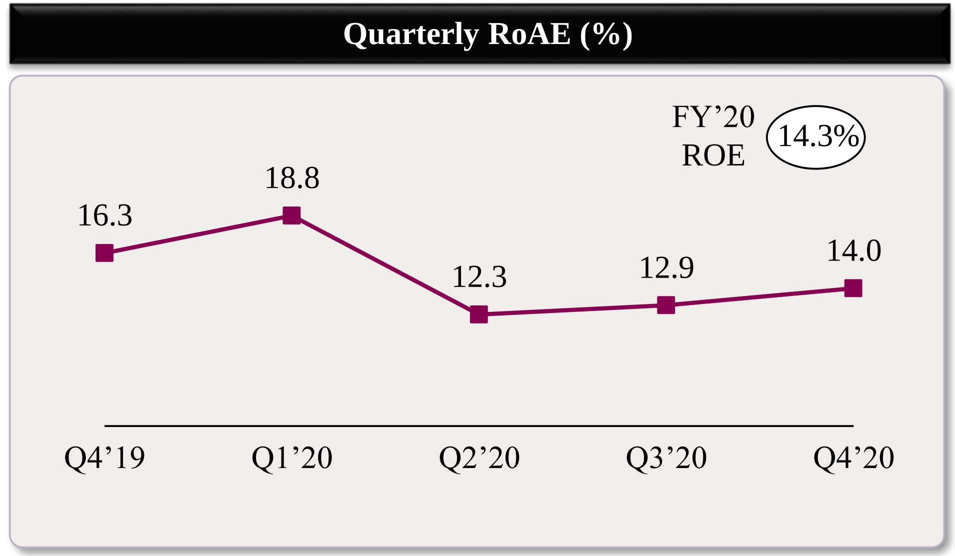
Based on BRSA Unconsolidated Financial Statements
January 2021

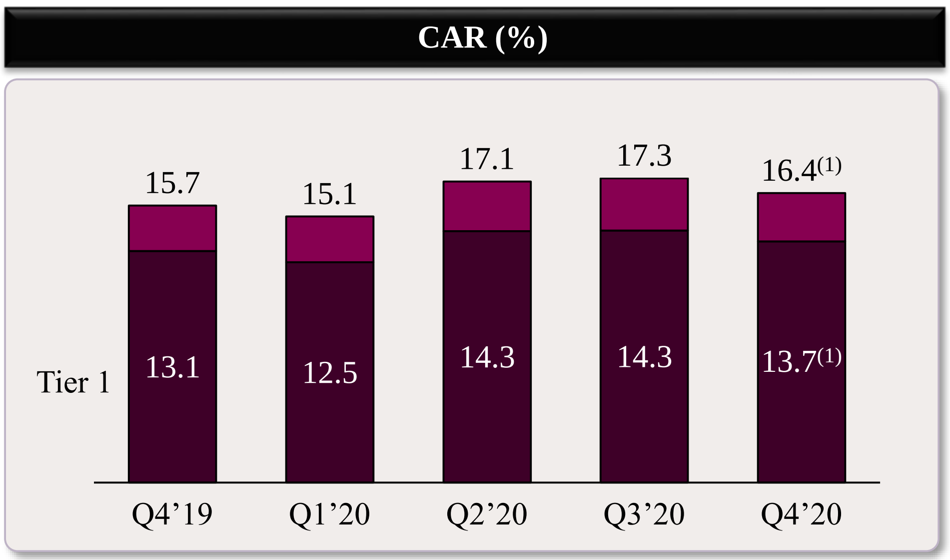
Period Highlights

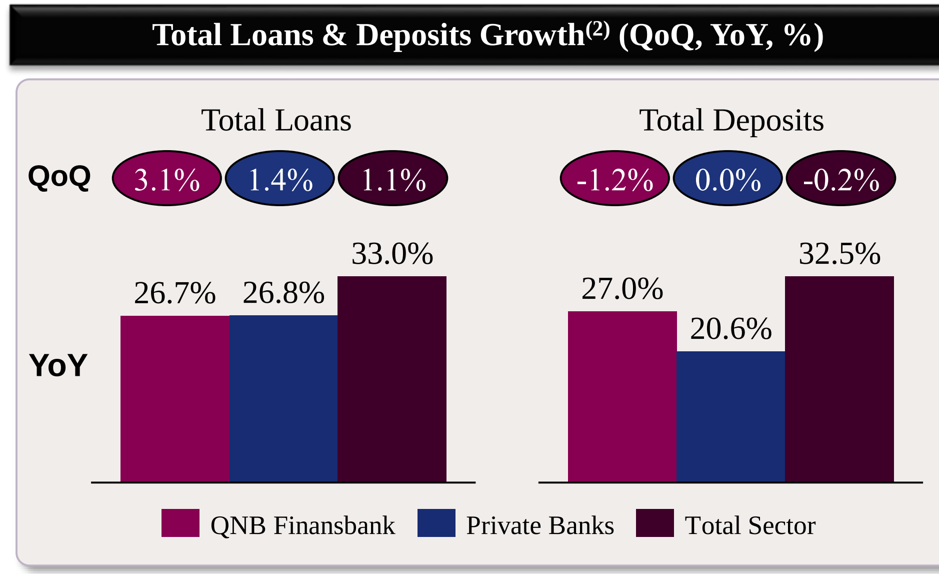
- Resilient core operating performance enabled deliberate provision reserve build up in a challenging backdrop: FY'20 pre-provision income was up by 9% YoY, and net income realized at TL 2,487 million (-5% YoY).
- Accordingly, 14.3% ROE was achieved in FY'20, well ahead of sector and private peers.
- Loan growth has decelerated along with rising interest rates. Yet, Q4'20 loan growth (+3% QoQ) realized well above sector and private banks for the second quarter in a row, yielding annual growth of 27% which is on par with Private Sector
- Deposits remained as the major source of funding, accounting for 57% of the balance sheet. Full-year customer deposits growth (+27% YtD, -1.2% QoQ) outpaced both sector and private banks'. Moreover, demand deposits almost doubled over 2020, accounting for 40% of customer deposits as of year-end
- As NPL inflows have come with a delay due to BRSA's temporary staging forbearance, prudent provisioning approach has ensured adequate coverages employing a conservative macro scenario and adhering to IFRS provisioning practices. Coverages were further reinforced throughout the year, though had already been above peers
- Effective cost management contained cost growth at only at 9% YoY, which is well below average inflation and absorbing material TL depreciation effects
- Robust solvency ratios retained with CAR at 16.4% and Tier 1 at 13.7%
- Strong focus and consistent investment in digital transformation not only facilitated quick adaptation of digital channels with the outbreak of COVID-19, but also enabled steady retention performance for digital channels after easing of the containment measures

Resilient operating performance enabled provision build-up, while robust capital buffers and decent profitability retained





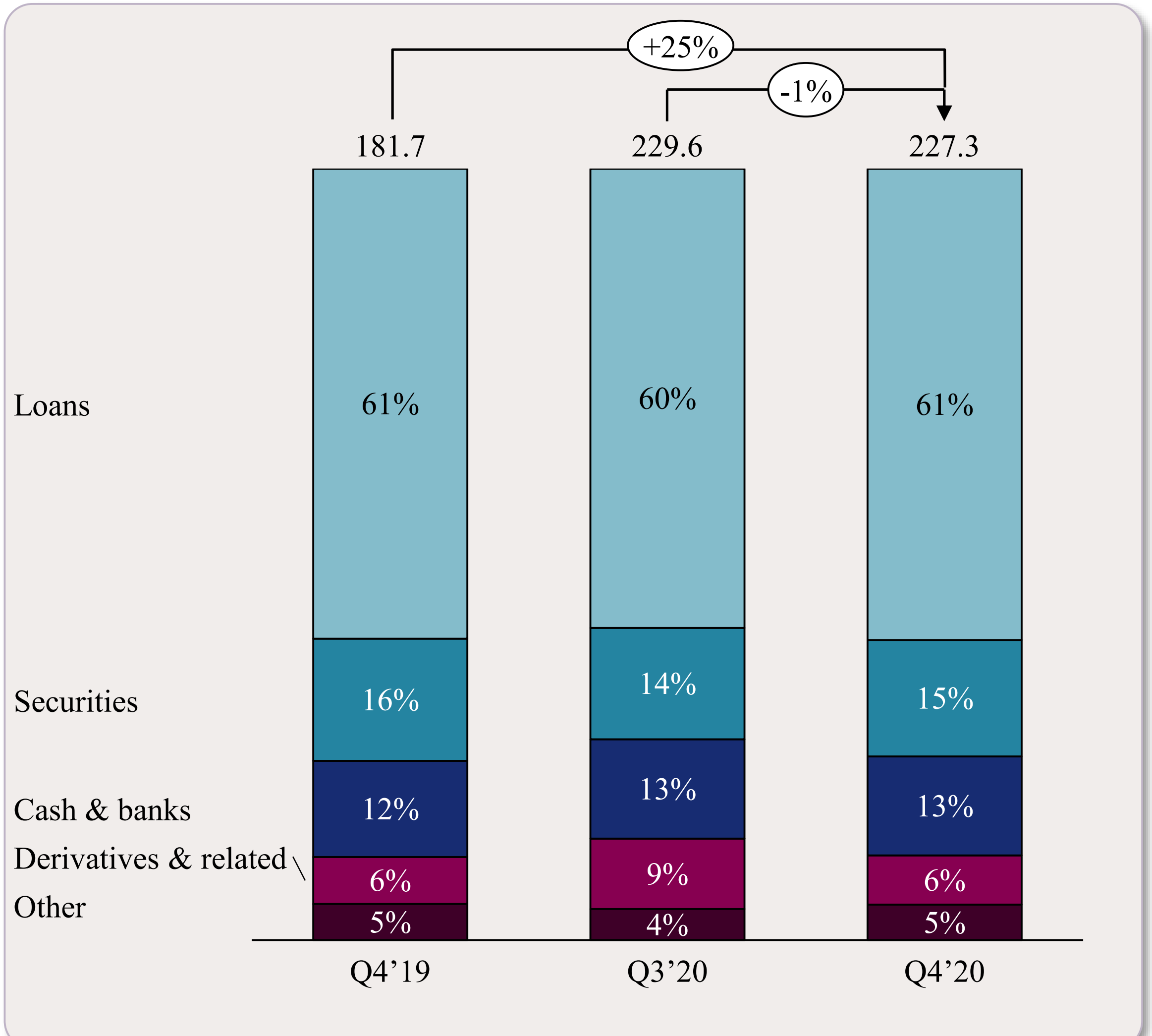




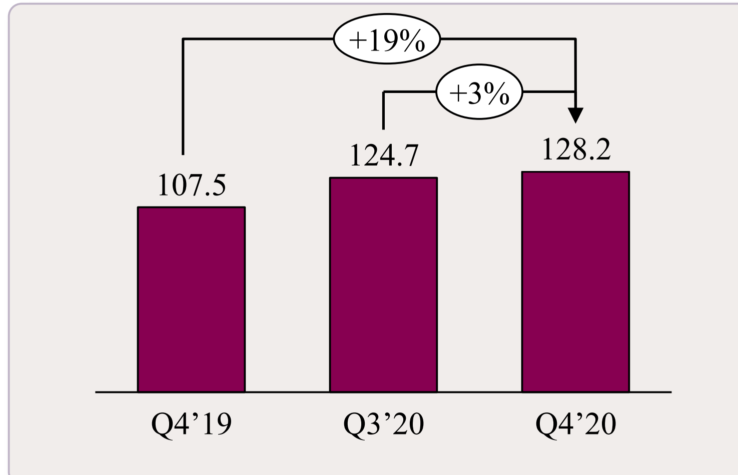
(1) Without BRSA's forbearance measures: CAR: 14.6%, Tier 1: 12.0%
(2) BRSA Weekly Banking Sector data as of December 31, 2020

Well-balanced asset base grew by 25% YoY reaching TL227 bn, as loans constitute 61% of assets reflecting Bank's commitment to fund the economy

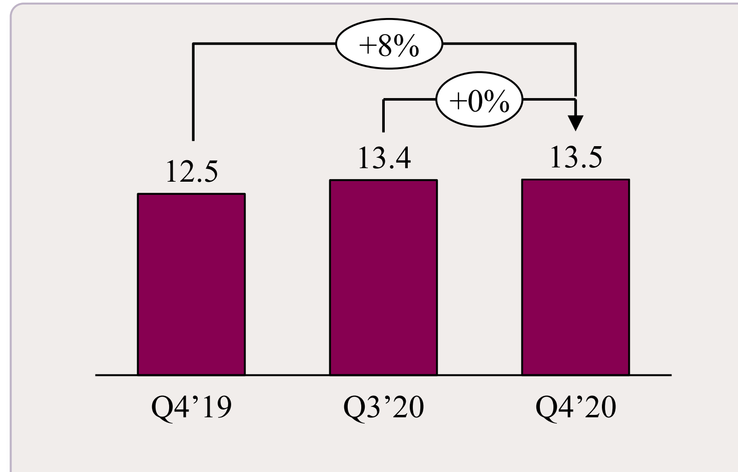
Total Assets (TL bn)



TL Assets (TL bn)



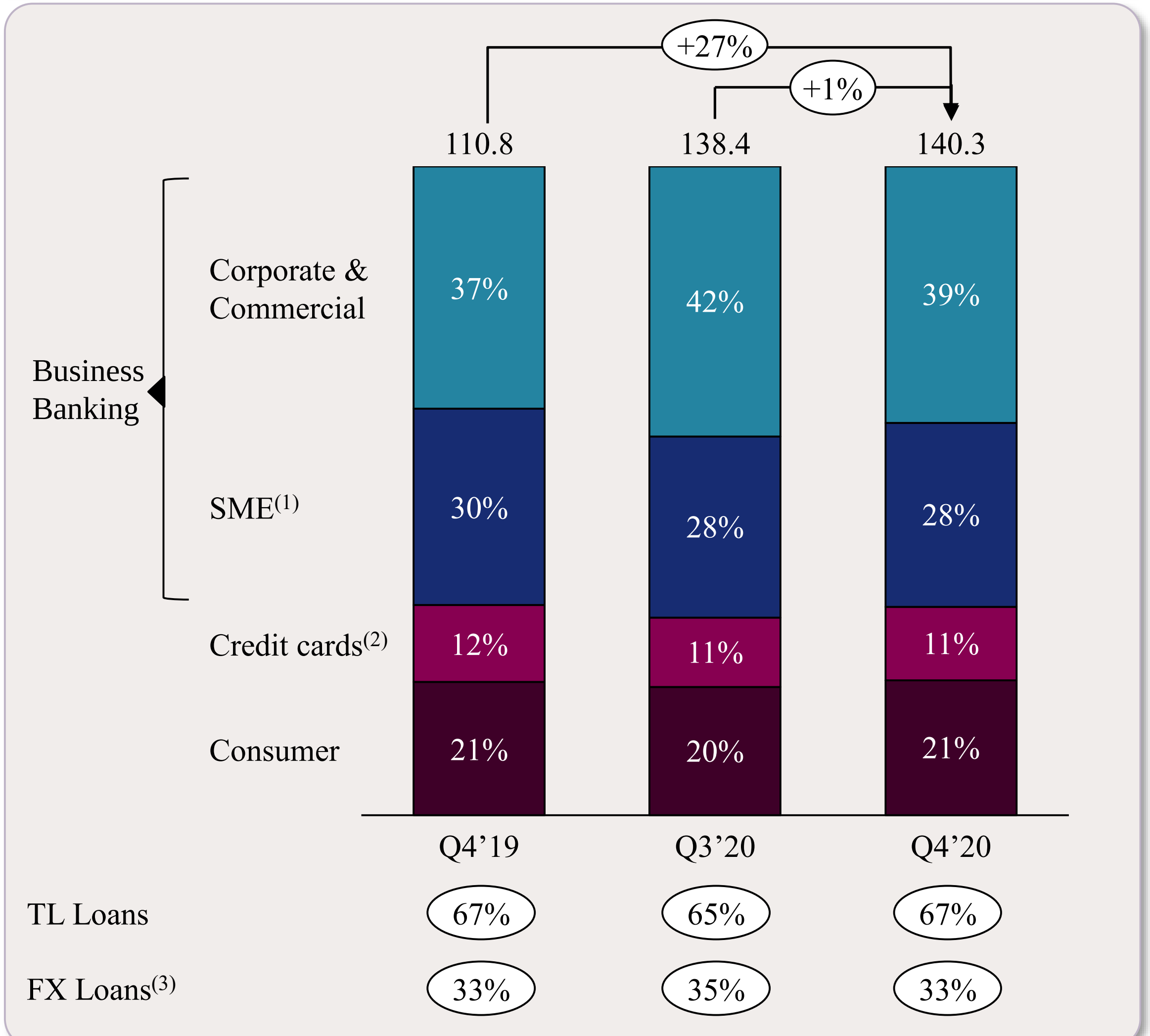
FX Assets[1] (USD bn)



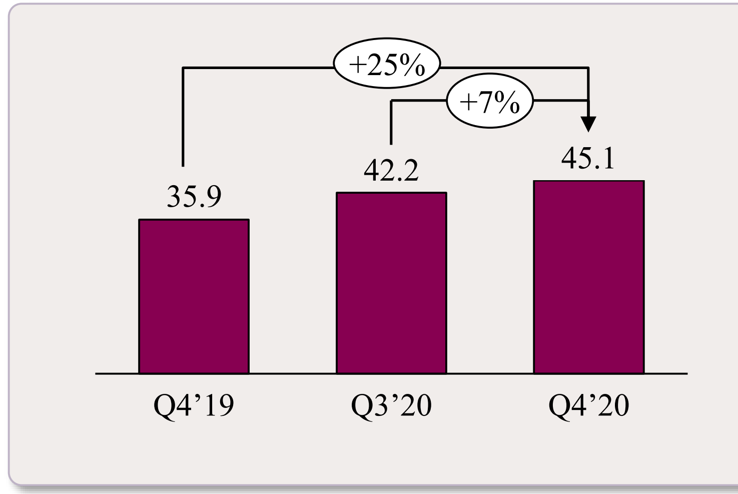
(1) FX-indexed TL loans are shown in FX assets

Loan growth reached 27% on an annual basis, in line with Private Sector, supported equally by both Retail and Business segments

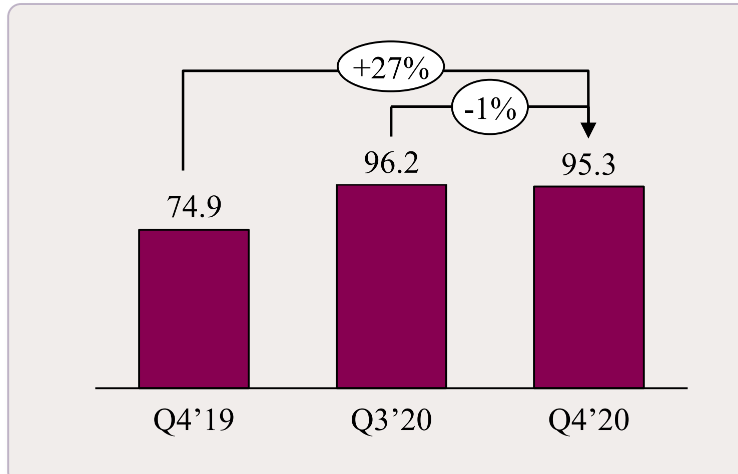
Performing Loans by Segment and Currency (TL bn)



Retail Loans (TL bn)



Business Loans (TL bn)

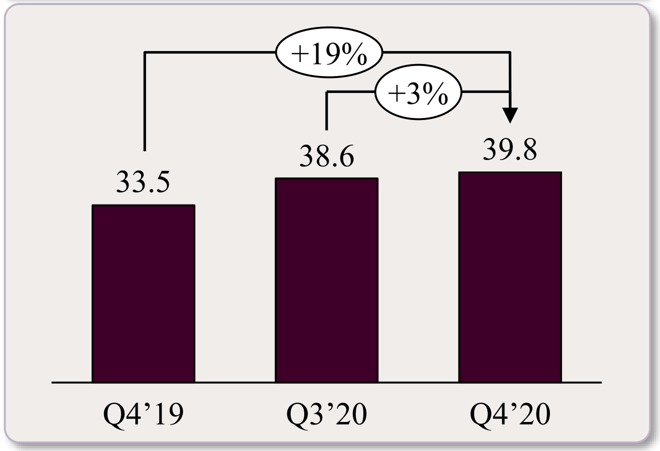


(1) Based on BRSA segment definition
(2) Excluding commercial credit cards
(3) FX-indexed TL loans are shown in FX loans

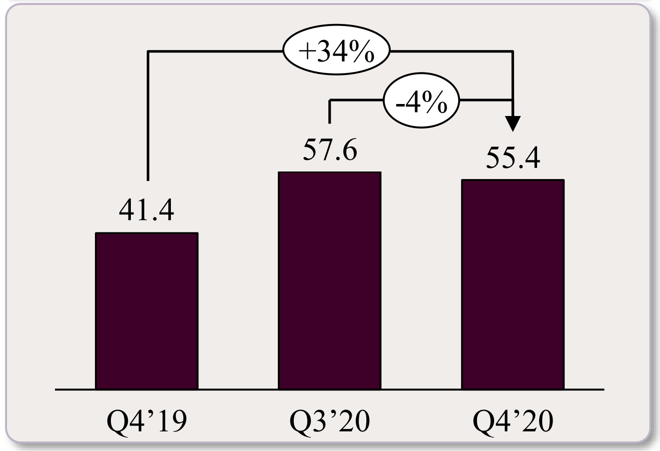
Corporate & Commercial took the lead in Business Banking growth, while General Purpose Loans and Credit Cards remained focus areas at Retail lending

Business banking
Retail banking

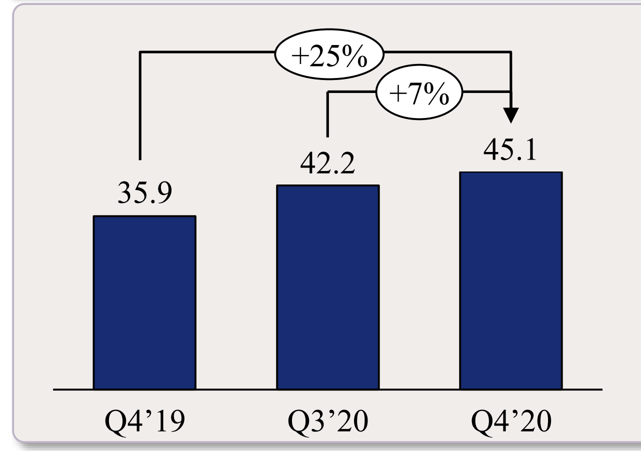
SME Loans[1] (TL bn)



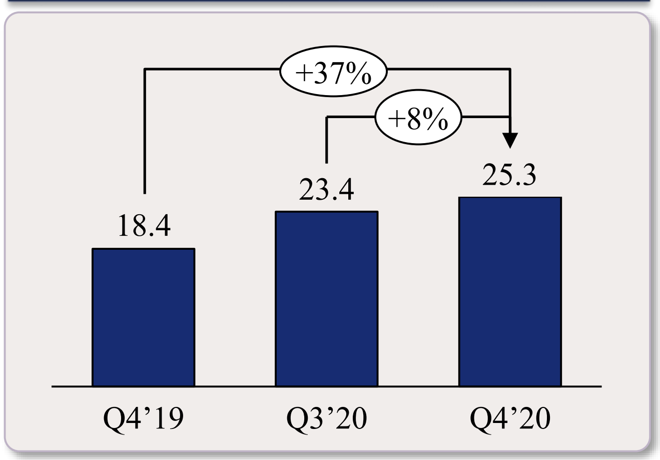
Corporate & Commercial Loans (TL bn)



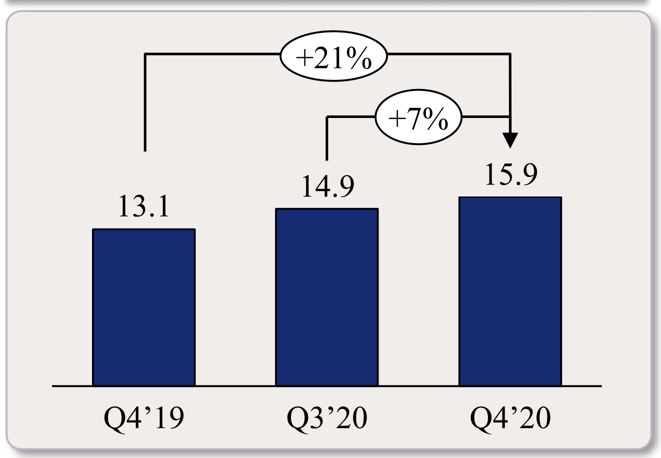
Retail Loans (TL bn)



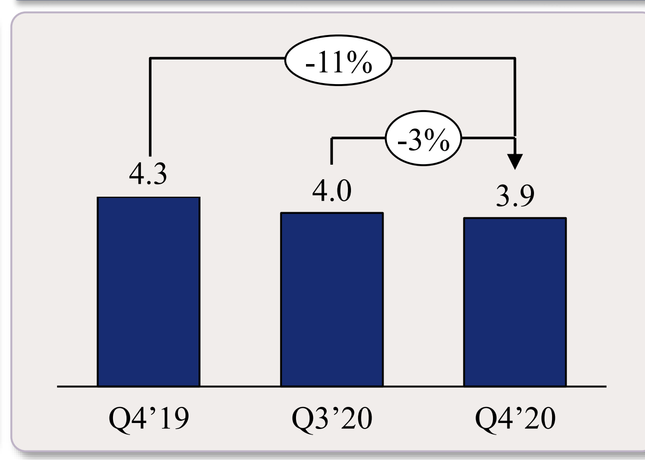
General Purpose Loans[2] (TL bn)



Credit Card Loans[3] (TL bn)



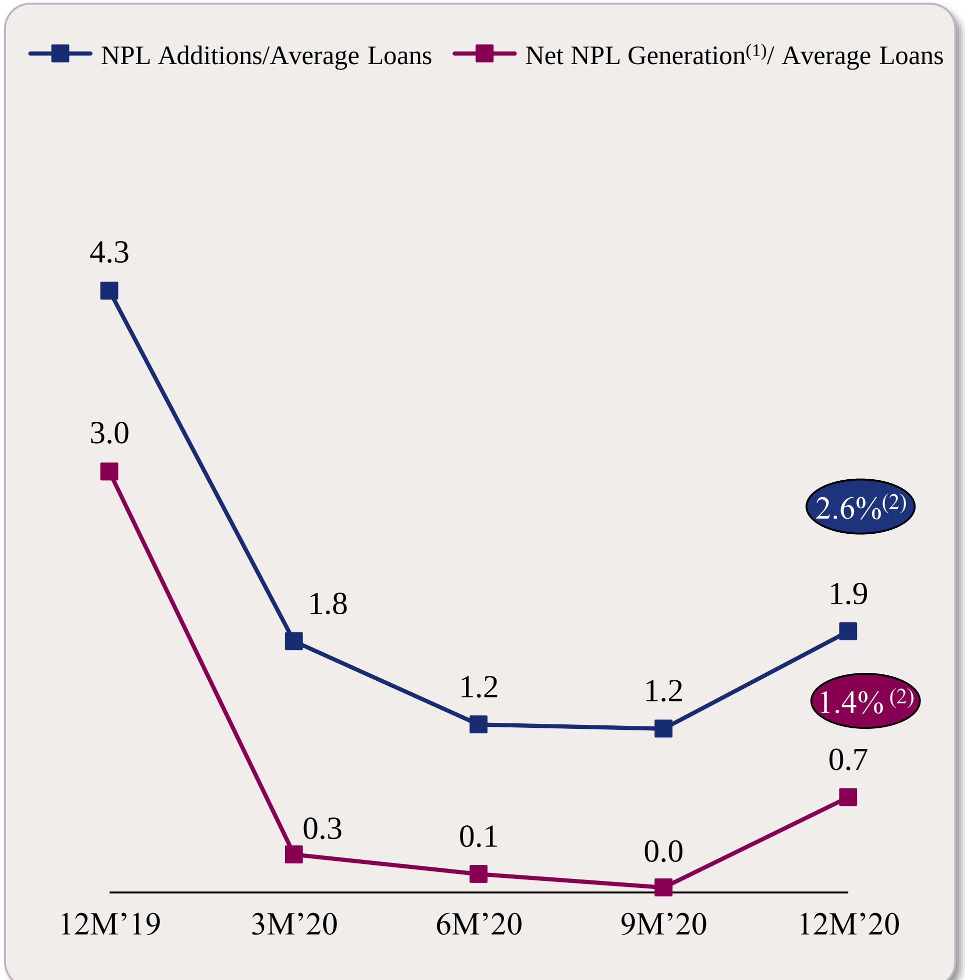
Mortgage Loans (TL bn)



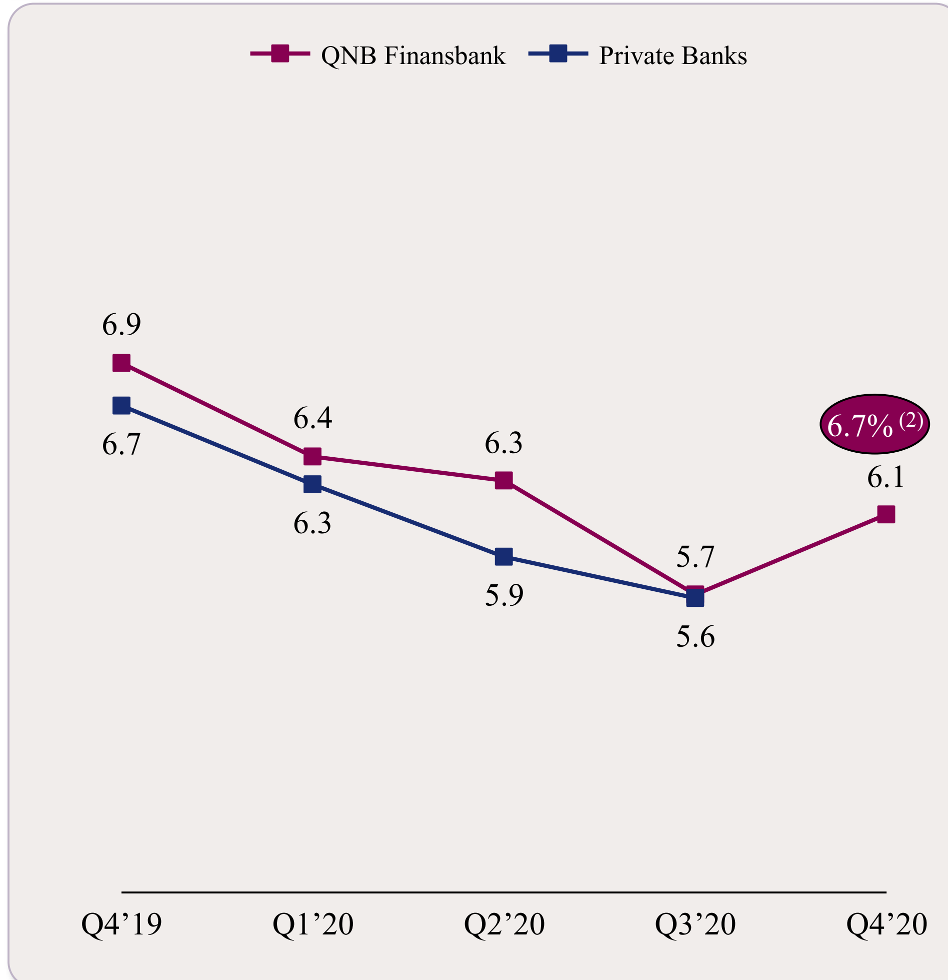
(1) Based on BRSA segment definition
(2) Including overdraft loans
(3) Solely represents credit cards by individuals

NPL inflows remained well below prior year even ignoring BRSA's staging forbearance measures, Q4'20 uptick in NPL ratio essentially due to a large legacy exposure transferred to NPL

NPL Additions / Average Loans (%)



NPL Ratio (%)



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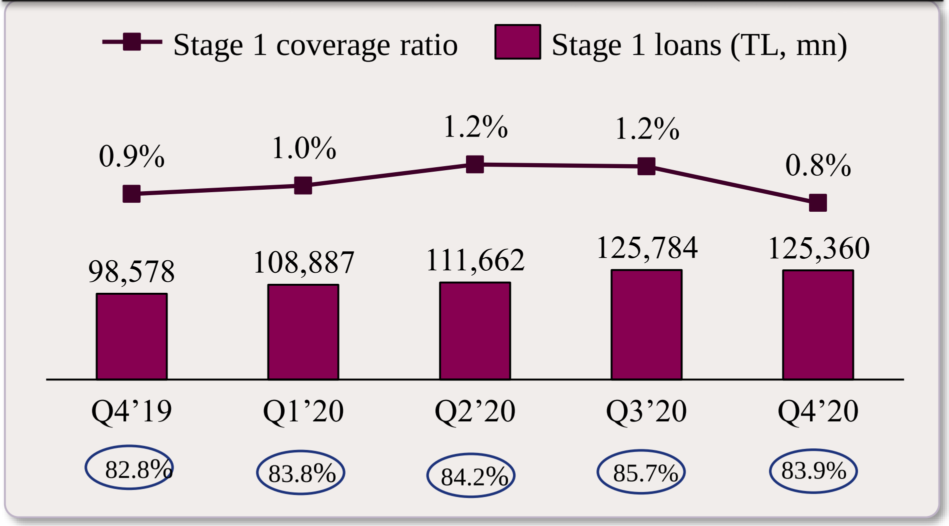
(1) Net NPL Generation = NPL Additions - NPL Collections
(2) Without regulatory easing: past due criteria for NPL recognition extended to six months from three months

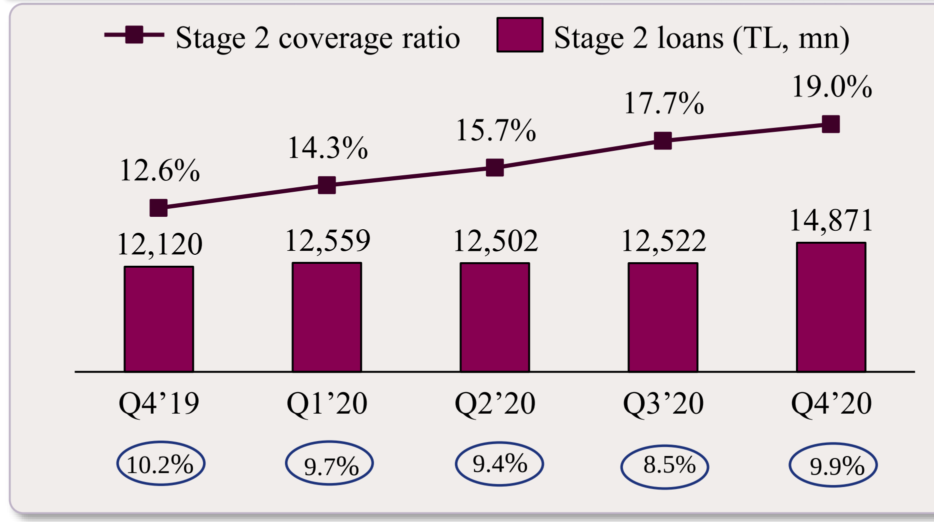
Prudent provisioning approach further reinforced already robust coverages across the board, as farsighted transfers into Stage II & III led to quarterly retreats

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

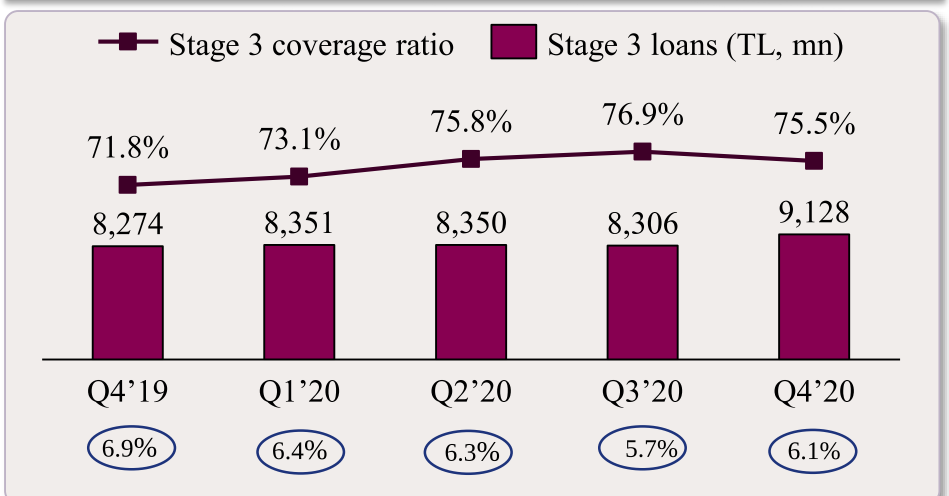
Stage 1 Loans & Coverage



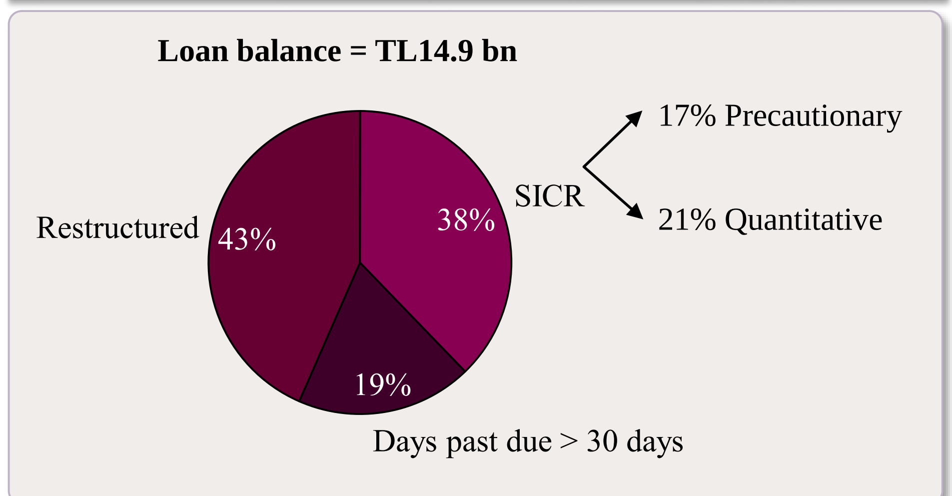
Stage 2 Loans & Coverage



Stage 3 Loans & Coverage



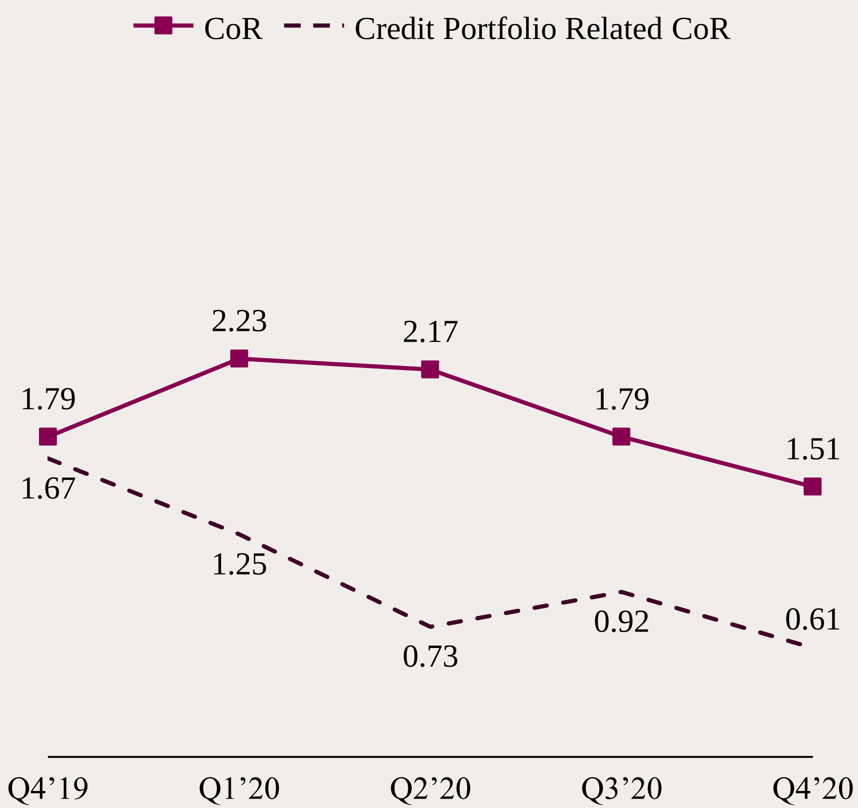
Stage 2 Composition



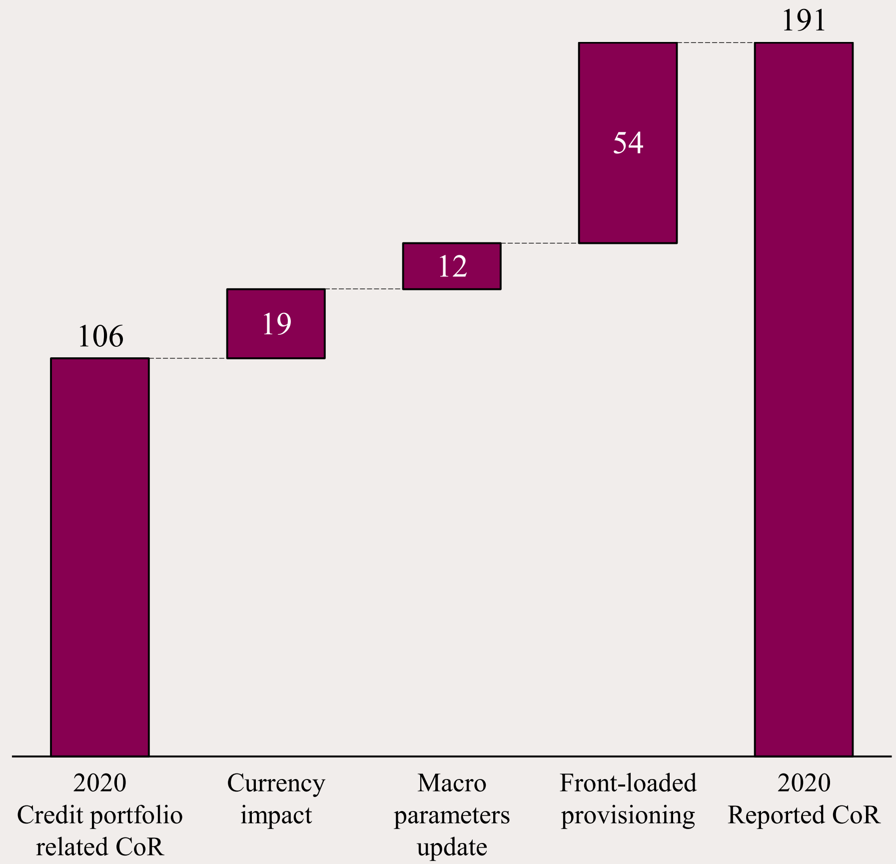
[(1)] Gross loans encompass the loans measured at FVTPL

Low credit portfolio related CoR maintained, while reported CoR includes proactive front-loaded provisioning and conservative macro parameters.

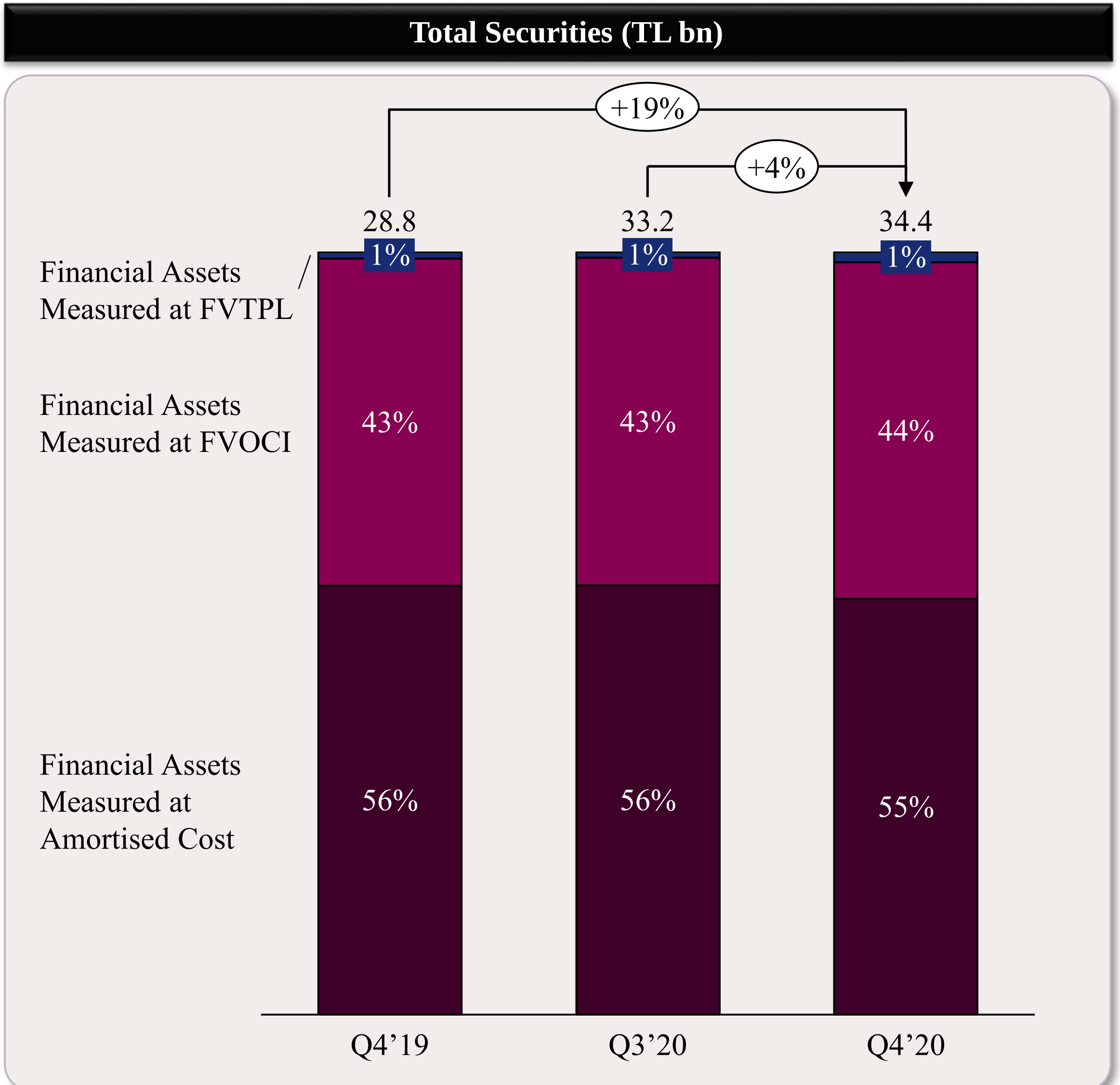
Quarterly Cost of Risk (%)

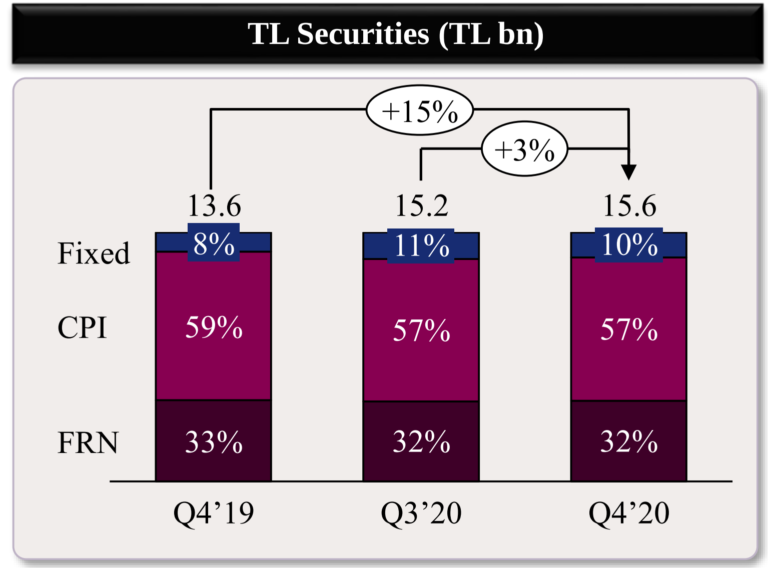


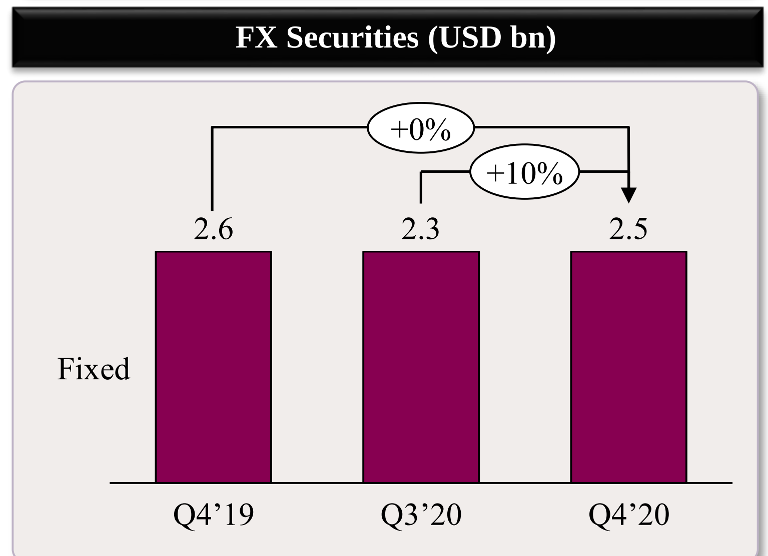
2020 CoR Breakdown (bps)



Securities portfolio growth supported by accrued interest on CPI linkers as well as currency impact of FC denominated securities

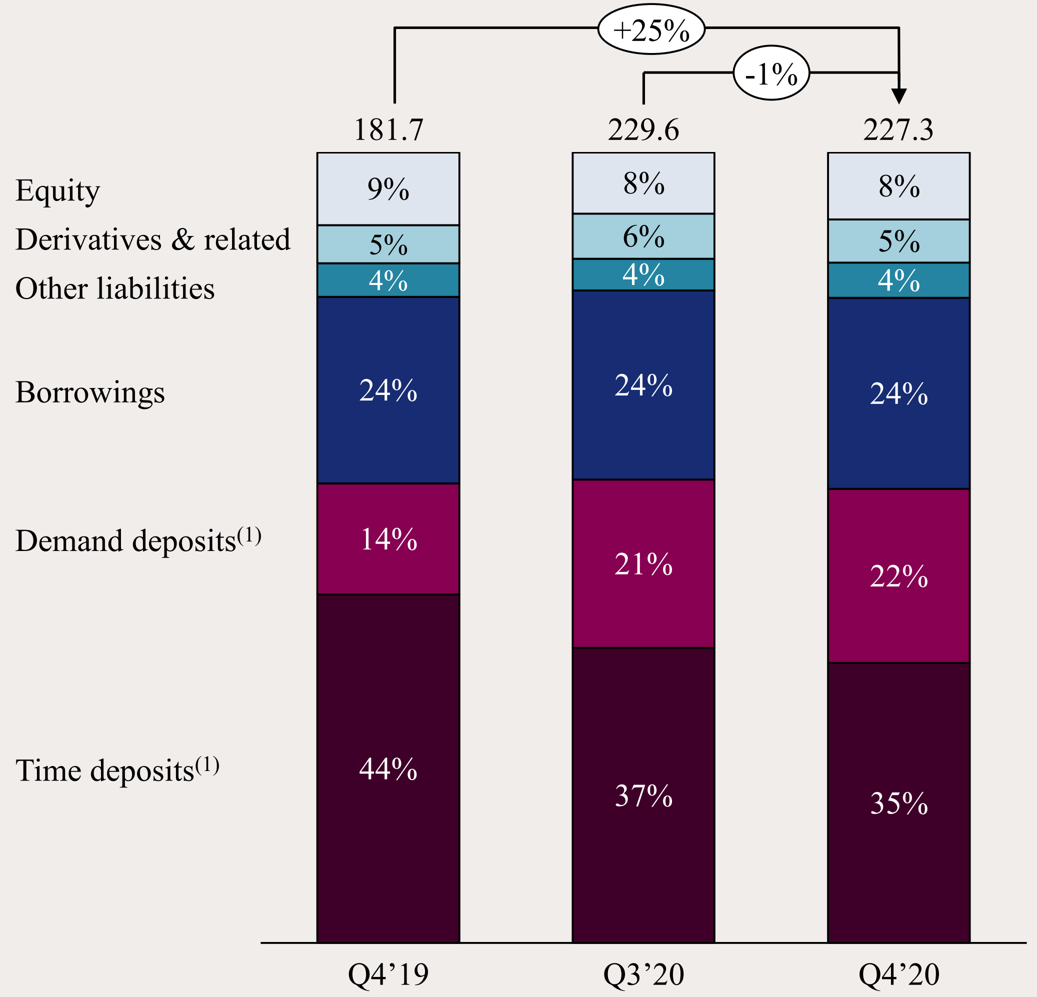




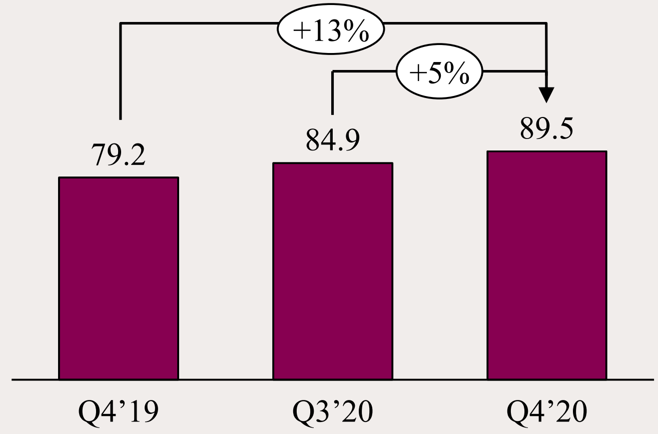


Well-diversified & disciplined funding mix maintained, alongside the surging contribution of demand deposits to solid deposit base

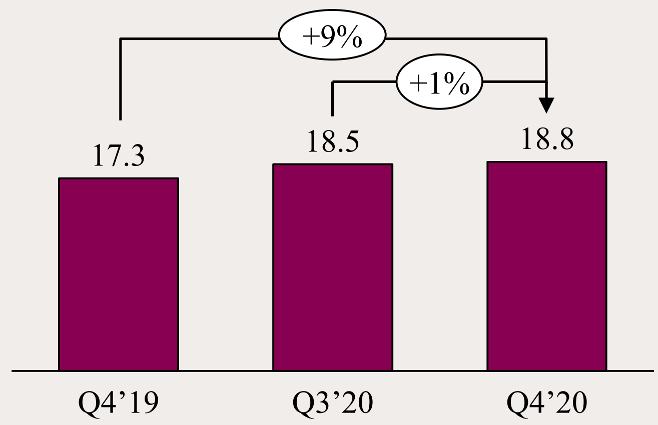
Total Liabilities (TL bn)



TL Liabilities (TL bn)



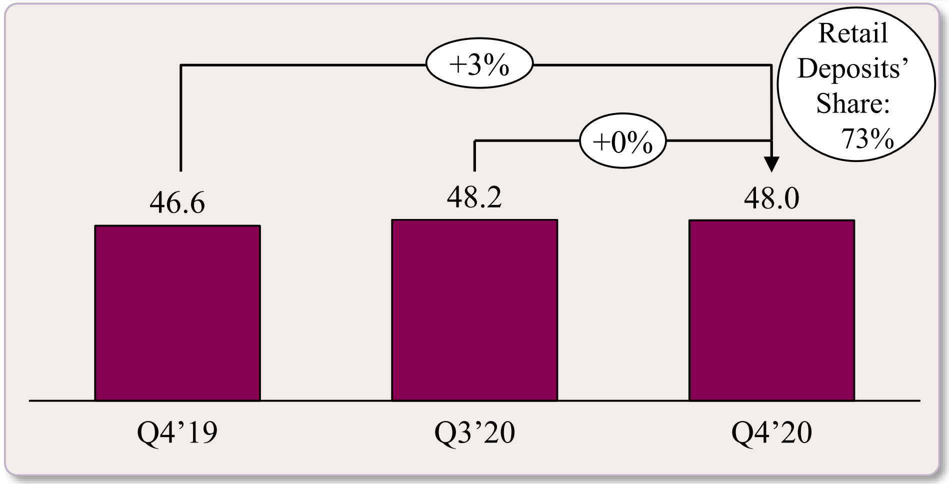
FX Liabilities (USD bn)



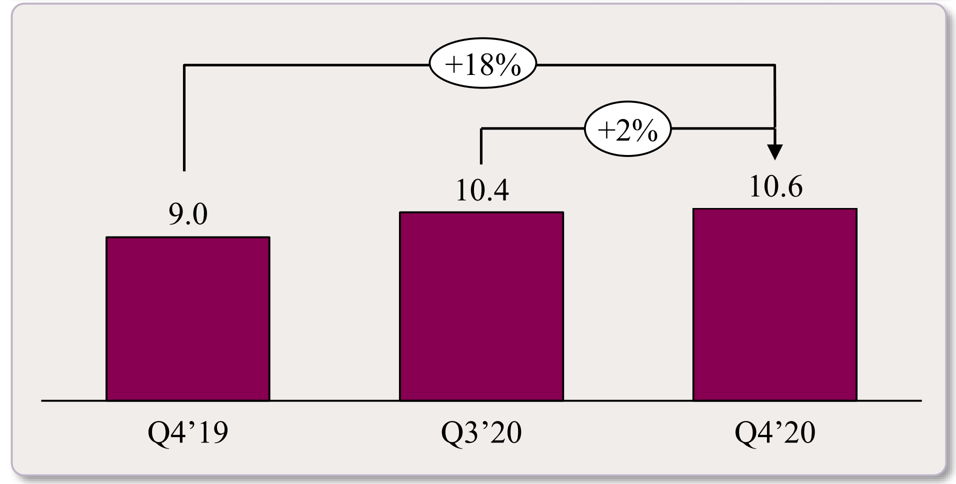
(1) Includes bank deposits

Sticky, low-cost retail deposits accounted for 73% TL customer deposits, as continued impressive growth in demand deposits supported margins, lowering cost of funding

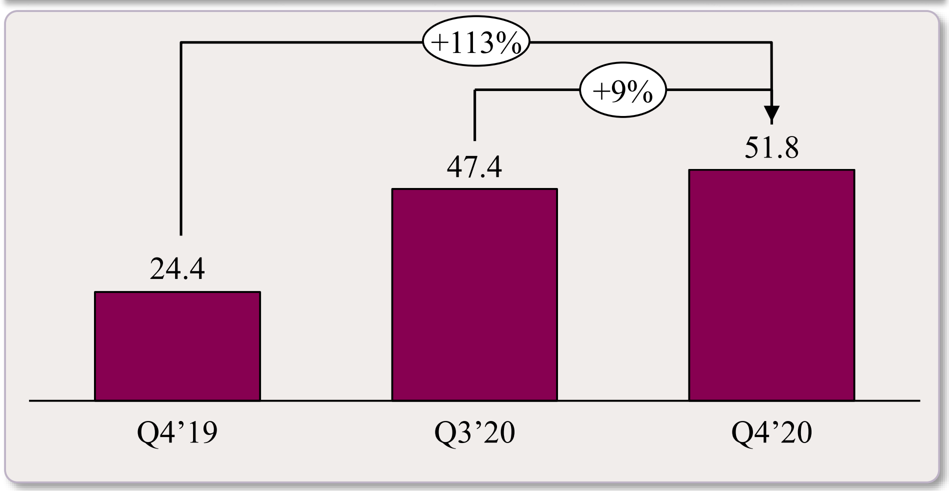
TL Customer Deposits (TL bn)



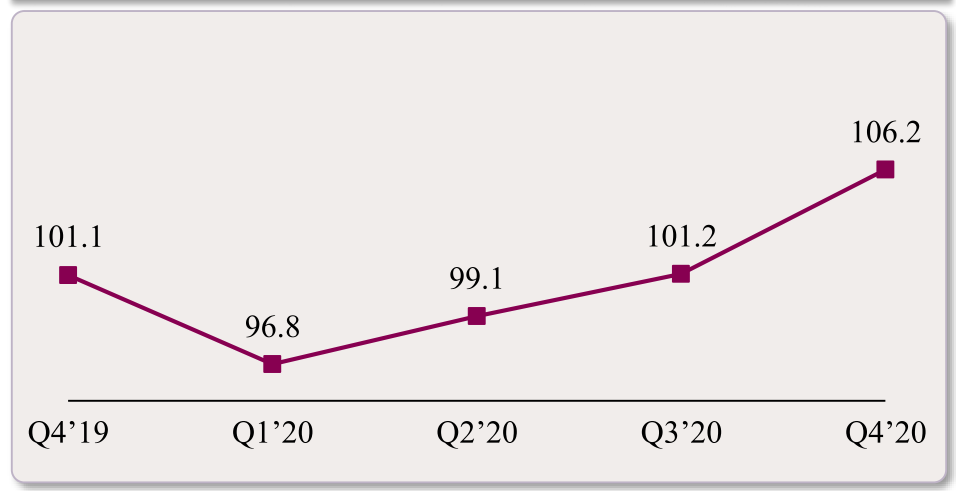
FX Customer Deposits (USD bn)



Customer Demand Deposits (TL bn, aop)



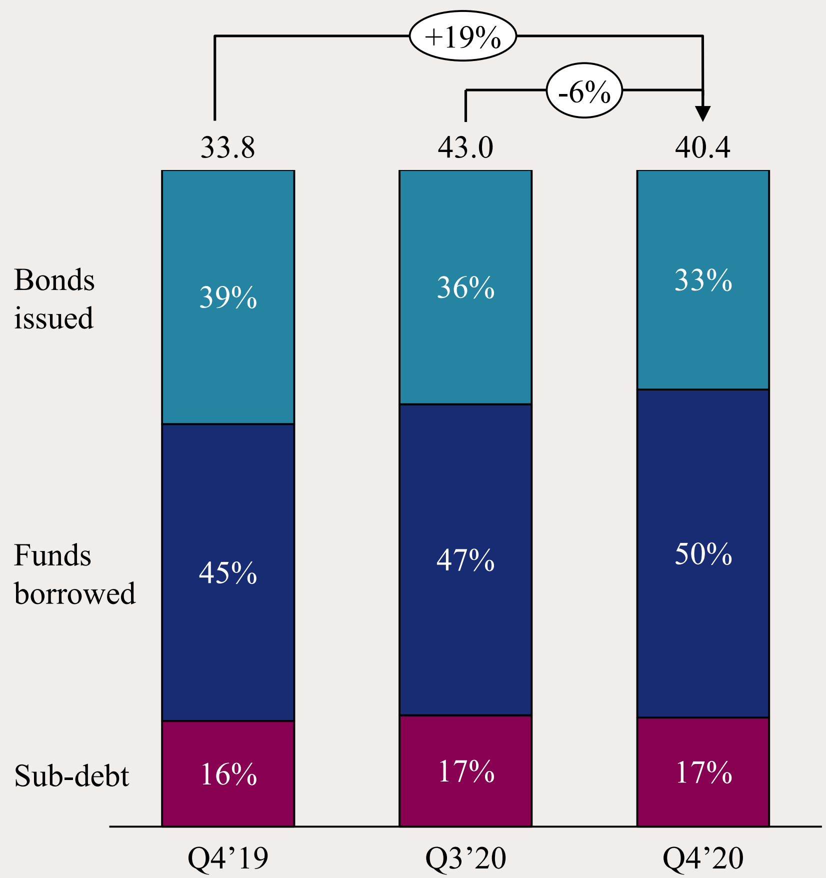
Loan-to-deposit-ratio[1] (%)



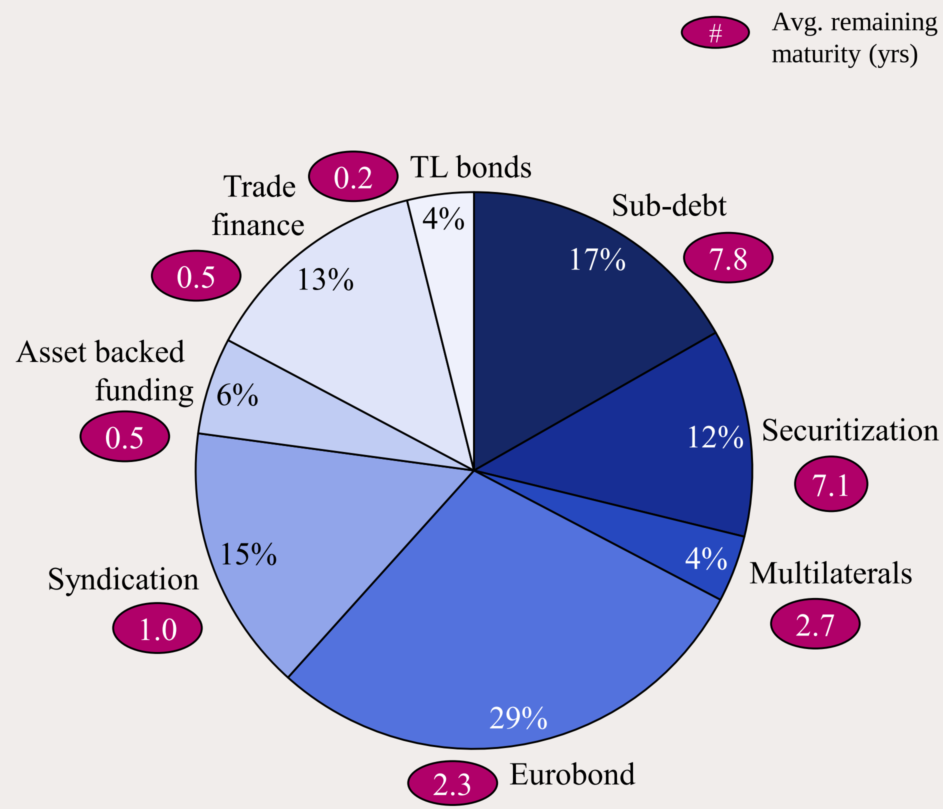
[1] Including TL issued bonds, bank deposits & fiduciary deposits

Well-balanced wholesale borrowing mix been actively managed with a cost-oriented approach, majority of FX wholesale funding have remaining maturity above 1 year'

Wholesale Borrowings[1] by Type (TL bn)



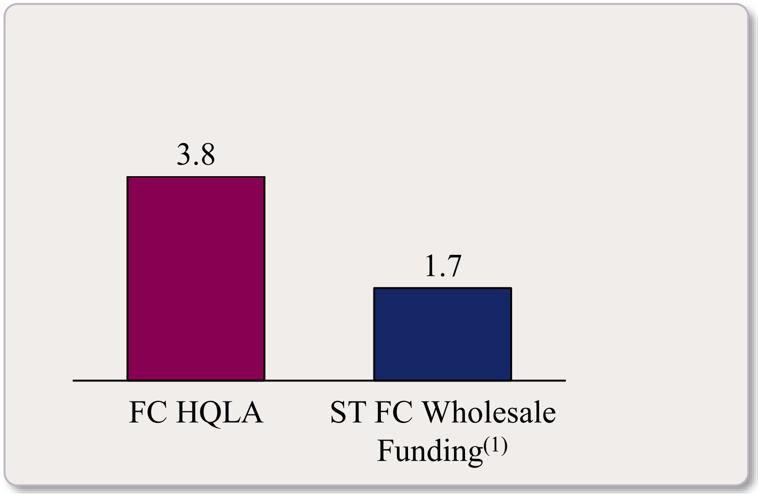
Wholesale Borrowings[1] Breakdown



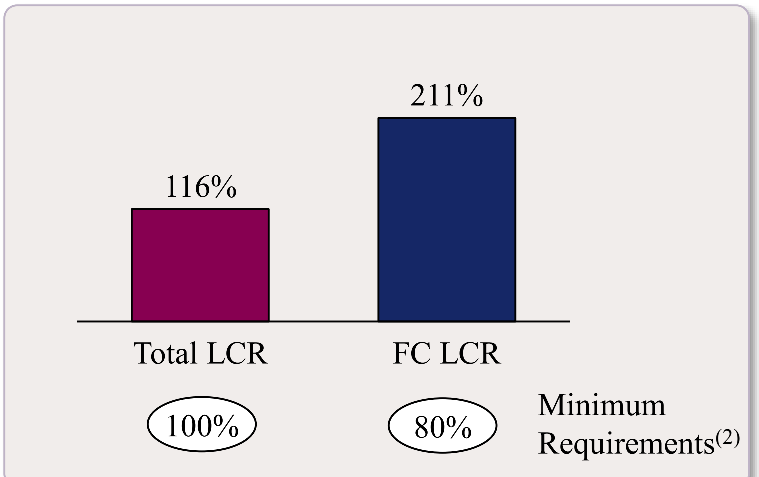
[1] Non-deposit funding except repo

Manageable external borrowings led to ample FC liquidity vis-a-vis short-term dues

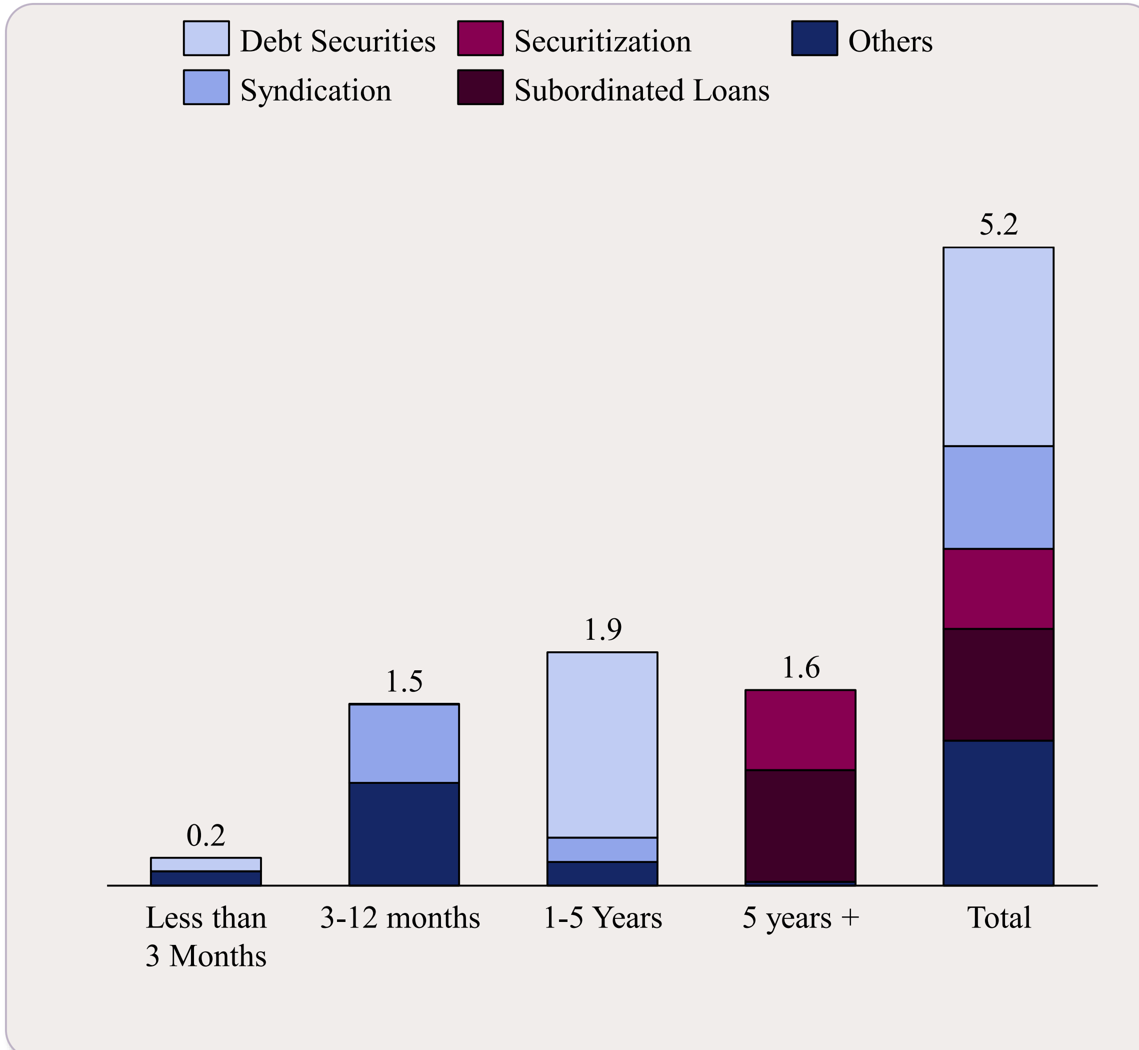
FC HQLA vs Short-term Dues (USD bn)



Liquidity Coverage Ratios (%, eop)



Maturity Profiles of FC Wholesale Funding (USD bn)

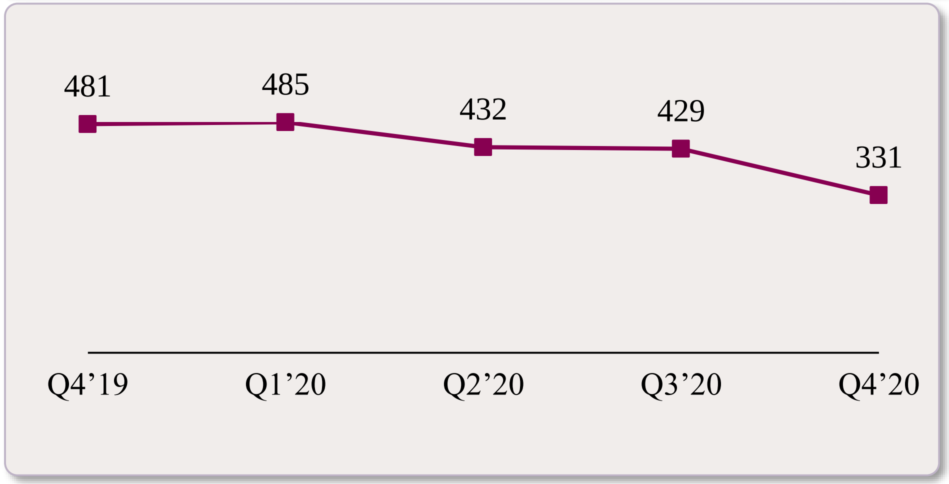


(1) FC wholesale funding due within 1 year

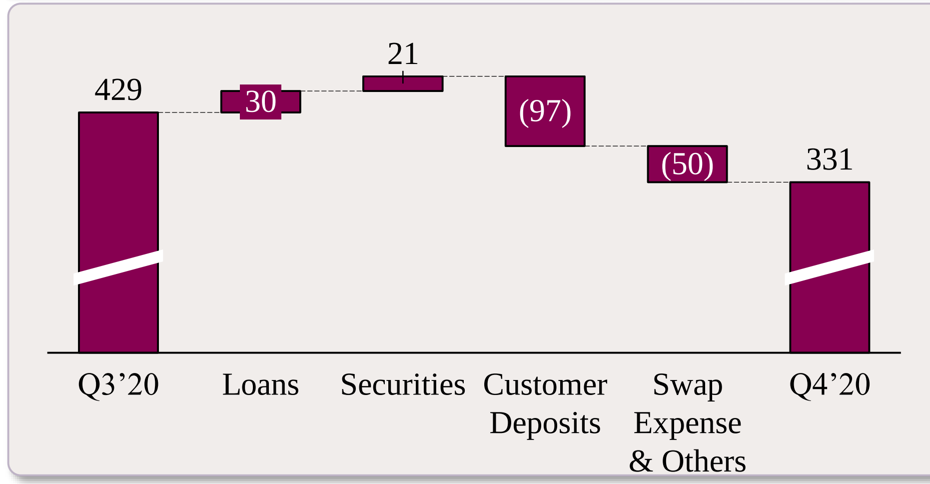
(3) Regulatory LCR requirements, which were temporarily lifted throughout 2020 within scope of the Covid-19 forbearance measures, are in force again as of the onset of 2021.

NIM has contracted due to rising funding and swap costs, as it is expected to bottom-out in Q1’21 and remain relatively low in H1’21

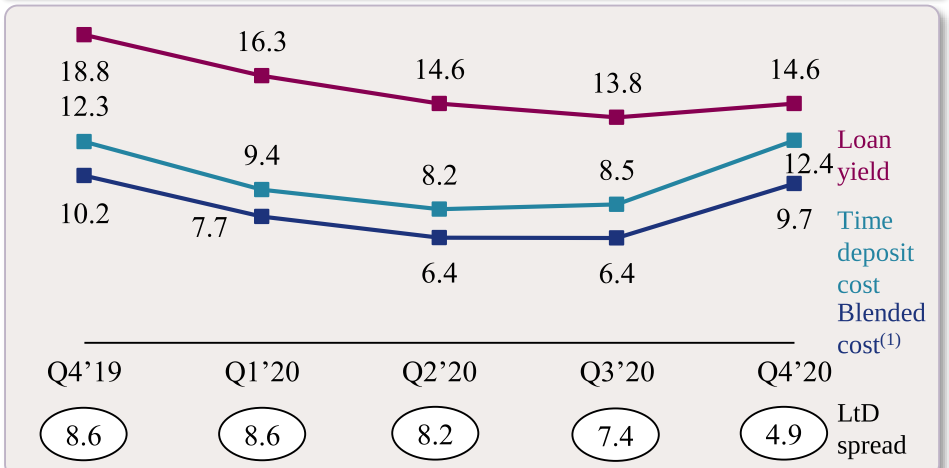
Quarterly NIM after Swap (bps)



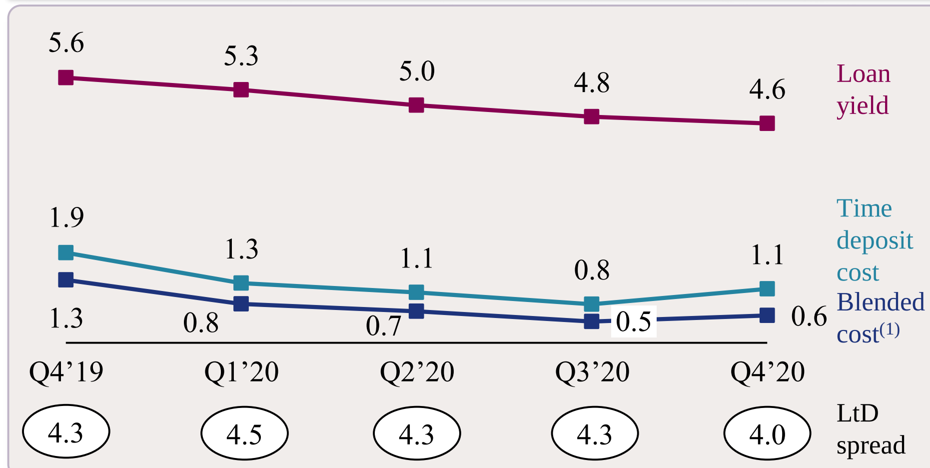
Quarterly NIM after Swap Evolution (bps)



TL Spread (%, quarterly)



FX Spread (%, quarterly)



(1) Blended of time and demand deposits.

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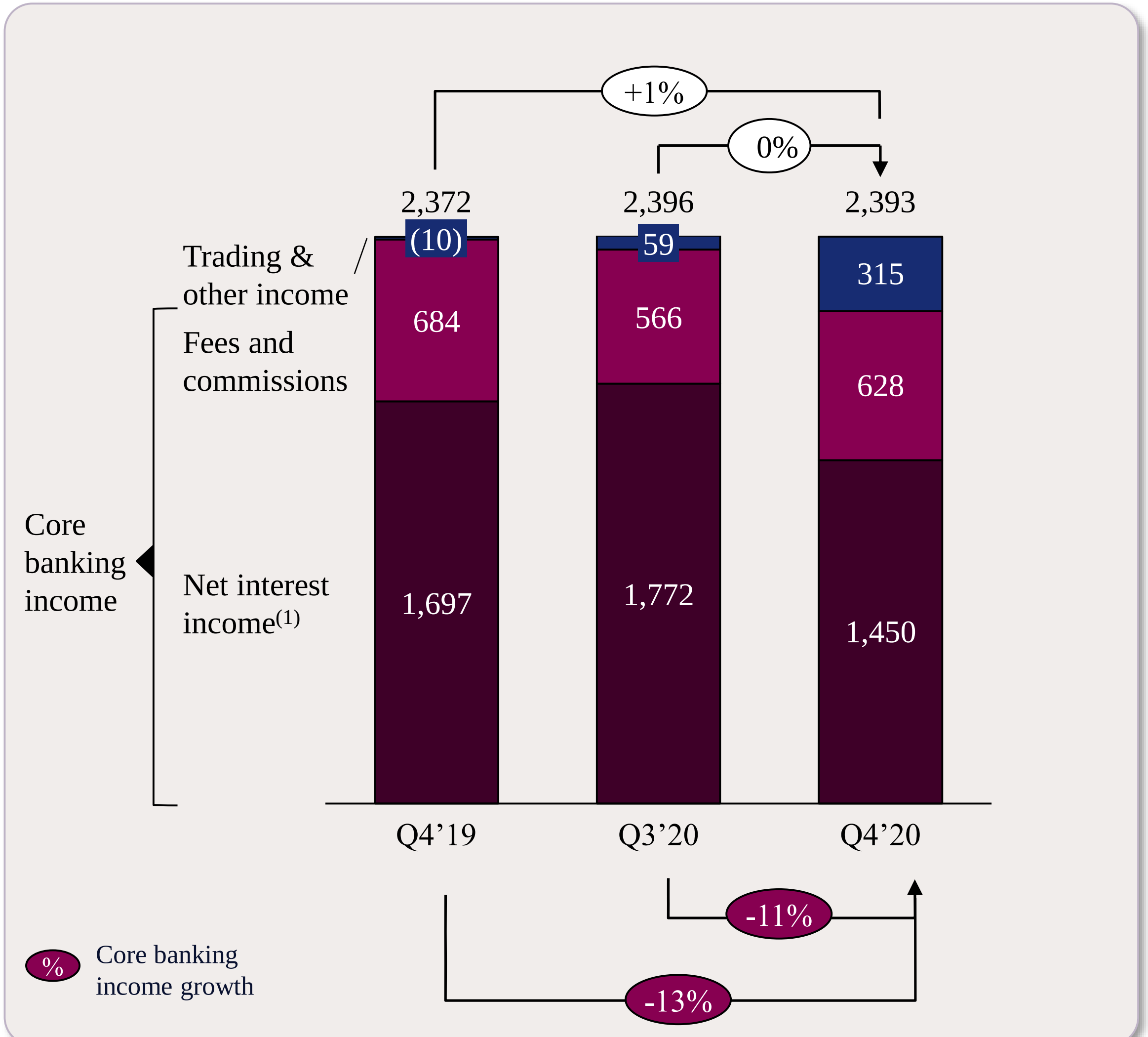
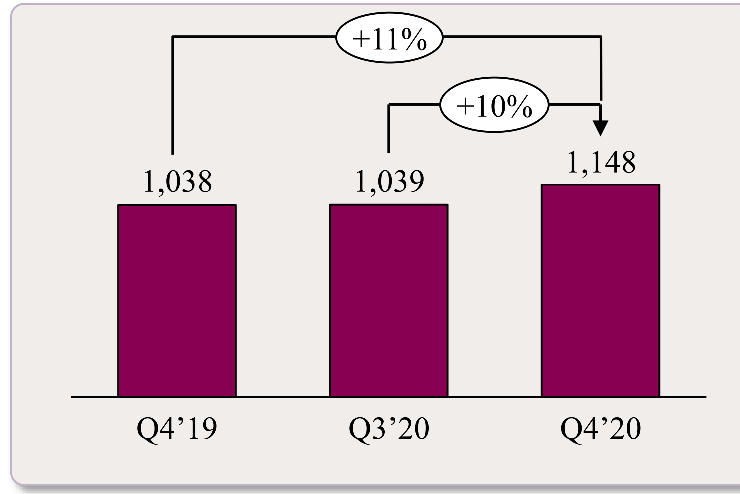
NIM contraction during Q4’20 following a sharp TL cost of funding increase took its toll on core banking revenues, while OPEX remained under control with an increase below inflation.

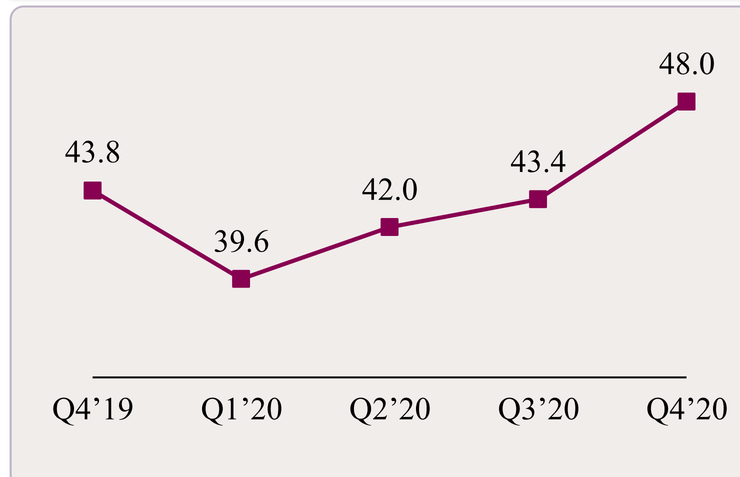
Total Operating Income (TL mn.)



OpEx (TL mn.)



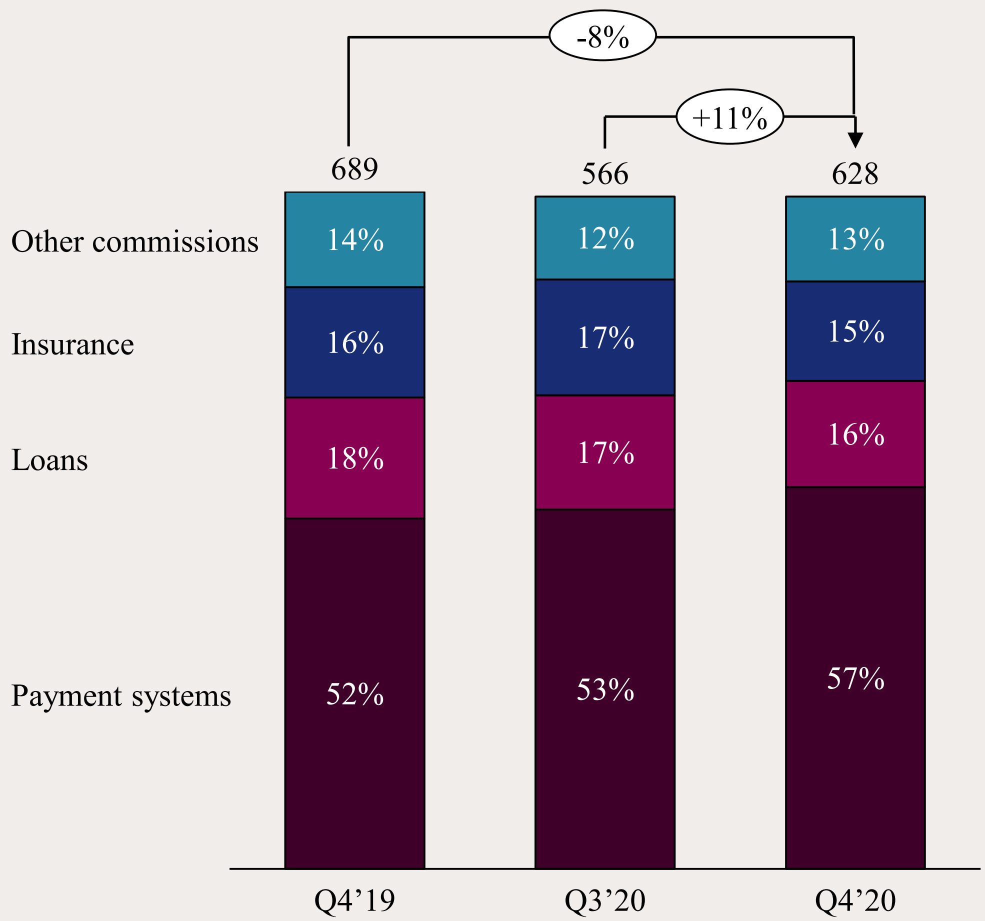
Cost / Income (%)



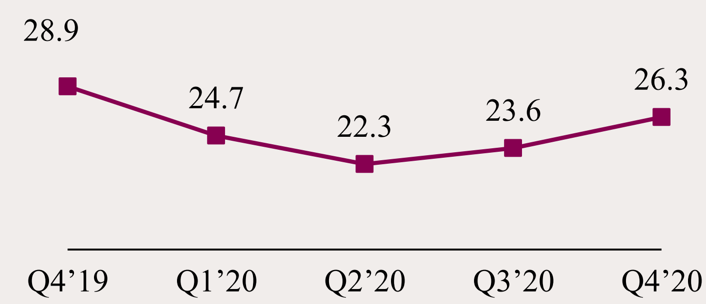
(1) Including swap expenses

Fees gradually recovered during Q4'20 helped by payment systems on increasing interest rates, however below prior year as fee regulation and pandemic lock-down period pressured 2020

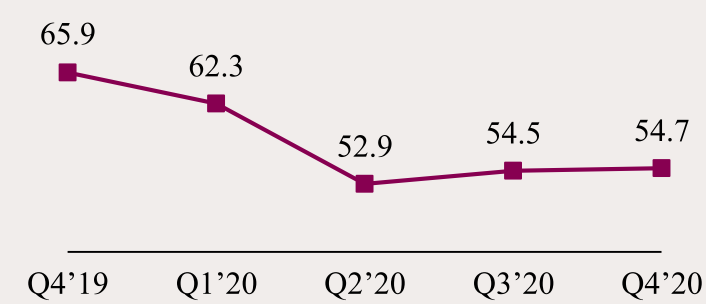
Net Fees and Commissions (TL mn)



Fees / Total Income (%)

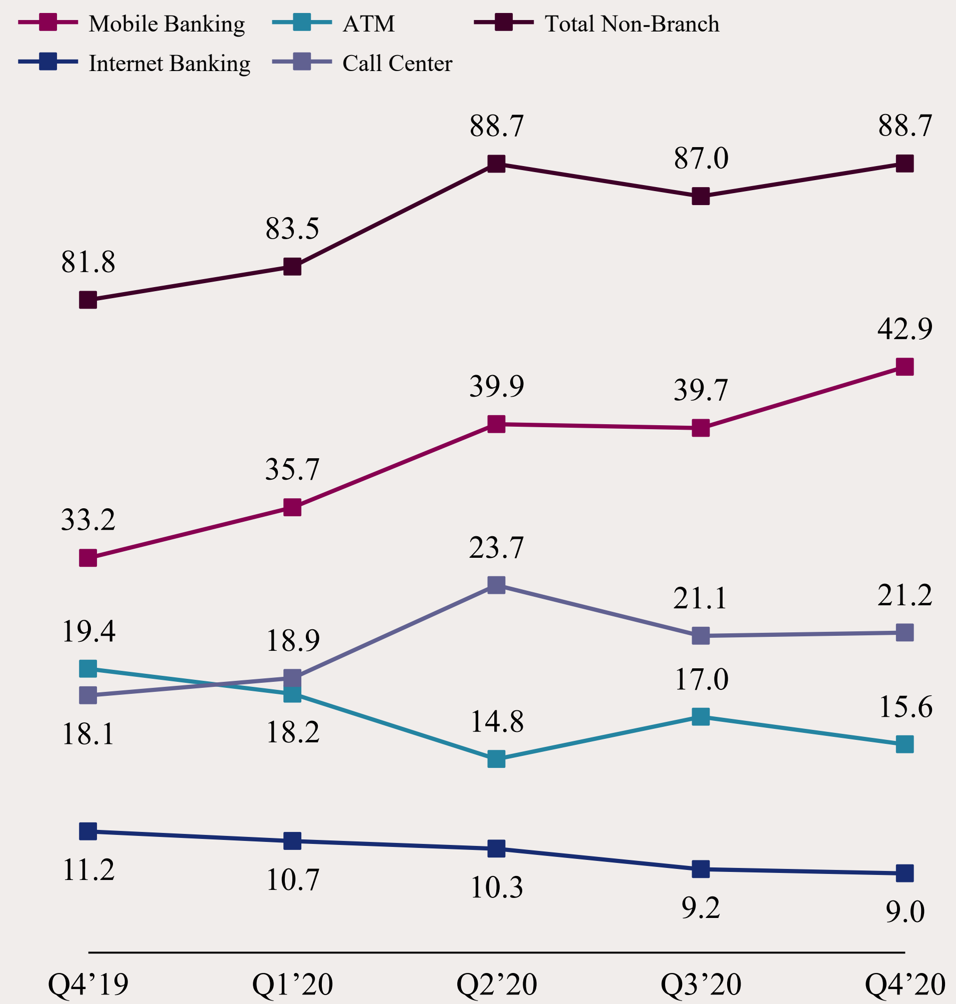


Fees / OpEx (%)

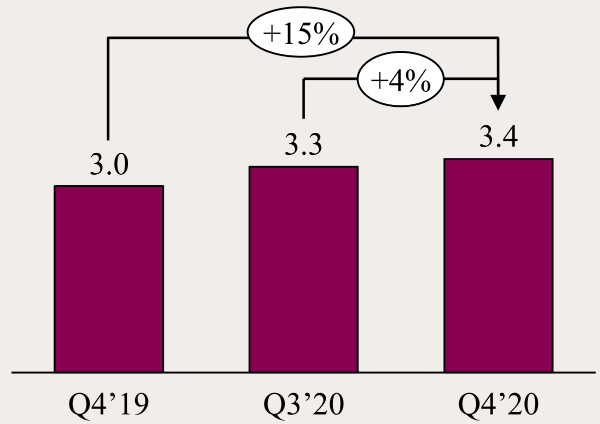


Investment in digital transformation payed off in terms of quick adaptation to digital channels as well as steady retention performance after easing of containment measures

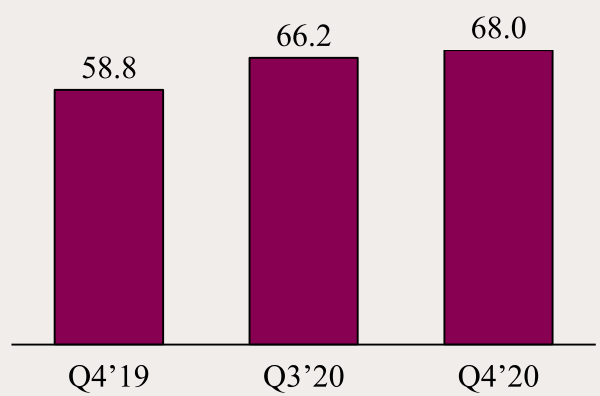
Share of Transactions Evolution in Non-Branch Channels (%)



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

	All figures quarterly	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	∆QoQ	∆YoY
Profitability	RoAE	16.3%	18.8%	12.3%	12.9%	14.0%	+1.1pps	-2.3pps
	RoAA	1.5%	1.6%	1.0%	1.0%	1.1%	+0.1pps	-0.3pps
	Cost / Income	43.8%	39.6%	42.0%	43.4%	48.0%	+4.6pps	+4.2pps
	NIM after swap expense	4.8%	4.9%	4.3%	4.3%	3.3%	-1.0pps	-1.5pps
Liquidity	Loans / Deposits[1]	101.1%	96.8%	99.1%	101.2%	106.2%	+5.1pps	%5.1pps
	LCR	121.5%	118.1%	119.1%	119.3%	117.4%	-1.9pps	-4.1pps
Asset quality	NPL Ratio	6.9%	6.4%	6.3%	5.7%	6.1%	+0.4pps	-0.8pps
	Cost of Risk	1.8%	2.2%	2.2%	1.8%	1.5%	-0.3pps	-0.3pps
Solvency	CAR	15.7%	15.1%	17.1%	17.3%	16.4%	-0.9pps	+0.7pps
	Tier I Ratio	13.1%	12.5%	14.3%	14.3%	13.7%	-0.6pps	+0.6pps
	Liability/Equity	10.9x	12.8x	12.2x	13.0x	11.8x	-1.1x	+0.9x

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(1) Including TL issued bonds, bank deposits & fiduciary deposits excluding CBRT swap transactions

BRSA Bank-Only Summary Financials

Income Statement

TL, mn	Q3'20	Q4'20	ΔQoQ	2019	2020	ΔYoY
Net Interest Income (After Swap Expenses)	1,772	1,450	-18%	5,863	6,684	14%
Net Fees & Commissions Income	566	628	11%	2,691	2,363	-12%
Trading & Other Income	59	315	438%	391	705	80%
Total Operating Income	**2,396**	**2,393**	**0%**	**8,946**	**9,752**	**9%**
Operating Expenses	(1,039)	(1,148)	10%	(3,872)	(4,209)	9%
Net Operating Income	**1,357**	**1,246**	**-8%**	**5,074**	**5,543**	**9%**
Provisions	(634)	(535)	-16%	(1,894)	(2,544)	34%
Profit Before Tax	**723**	**711**	**-2%**	**3,180**	**2,999**	**-6%**
Tax Expenses	(159)	(60)	-62%	(558)	(512)	-8%
Profit After Tax	**564**	**651**	**15%**	**2,622**	**2,487**	**-5%**

Balance Sheet

TL, mn	Q4'19	Q2'20	Q3'20	Q4'20	ΔQoQ	ΔYtD
Cash & Banks[1]	22,643	29,068	29,613	29,202	-1%	29%
Securities	28,761	31,401	33,142	34,368	4%	19%
Net Loans	110,683	122,961	136,605	138,719	2%	25%
Fixed Asset and Investments[2]	5,308	5,181	5,482	5,874	7%	11%
Other Assets	14,286	19,748	24,716	19,089	-23%	34%
Total Assets	**181,681**	**208,358**	**229,558**	**227,253**	**-1%**	**25%**
Deposits	105,626	121,875	134,547	130,560	-3%	24%
Customer	100,219	117,103	129,510	125,976	-3%	26%
Bank	5,406	4,772	5,037	4,583	-9%	-15%
Borrowings	42,893	50,317	54,981	54,892	0%	28%
Bonds Issued	13,086	14,771	15,333	13,506	-12%	3%
Funds Borrowed	15,309	16,903	20,363	20,192	-1%	32%
Sub-debt	5,433	6,255	7,285	6,704	-8%	23%
Repo	9,065	12,388	11,999	14,489	21%	60%
Other	16,477	19,138	22,311	22,579	1%	37%
Equity	16,685	17,029	17,719	19,222	8%	15%
Total Liabilities & Equity	**181,681**	**208,358**	**229,558**	**227,253**	**-1%**	**25%**

(1) Includes CBRT, banks, interbank, other financial institutions
(2) Including subsidiaries

BRSA Consolidated Key Financial Ratios

	All figures quarterly	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	ΔQoQ	ΔYoY
Profitability	RoAE	17.6%	18.3%	14.8%	15.6%	15.1%	-0.5pps	-2.6pps
	RoAA	1.6%	1.5%	1.2%	1.2%	1.2%	+0.0pps	-0.4pps
	Cost / Income	42.3%	40.5%	40.6%	41.3%	47.3%	+6.0pps	+4.9pps
	NIM after swap expense	4.9%	4.9%	4.6%	4.4%	3.4%	-0.9pps	-1.4pps
Liquidity	Loans / Deposits[1]	105.6%	100.8%	103.2%	104.7%	110.1%	+5.4pps	+4.5pps
	LCR	119.5%	116.3%	119.0%	116.4%	114.2%	-2.2pps	-5.3pps
Asset quality	NPL Ratio	7.0%	6.5%	6.3%	5.7%	6.0%	+0.4pps	-0.9pps
	Cost of Risk	1.9%	2.3%	2.3%	2.0%	1.5%	-0.4pps	-0.4pps
Solvency	CAR	15.2%	14.7%	16.6%	16.7%	15.8%	-0.9pps	+0.6pps
	Tier I Ratio	12.7%	12.2%	13.9%	13.8%	13.1%	-0.7pps	+0.4pps
	Liability/Equity	11.2x	13.1x	12.4x	13.3x	12.2x	-1.1x	+1.0x

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(1) Including TL issued bonds, bank deposits & fiduciary deposits excluding CBRT swap transactions

BRSA Consolidated Summary Financials

Income Statement

TL, mn	Q3'20	Q4'20	ΔQoQ	2019	2020	ΔYoY
Net Interest Income (After Swap Expenses)	1,874	1,567	-16%	6,121	7,103	16%
Net Fees & Commissions Income	621	702	13%	2,824	2,601	-8%
Trading & Other Income	165	300	81%	618	799	29%
Total Operating Income	**2,661**	**2,569**	**-3%**	**9,562**	**10,503**	**10%**
Operating Expenses	(1,099)	(1,214)	11%	(4,079)	(4,451)	9%
Net Operating Income	**1,562**	**1,355**	**-13%**	**5,483**	**6,053**	**10%**
Provisions	(683)	(562)	-18%	(1,994)	(2,672)	34%
Profit Before Tax	**879**	**793**	**-10%**	**3,489**	**3,381**	**-3%**
Tax Expenses	(191)	(91)	-52%	(625)	(626)	0%
Profit After Tax	**688**	**702**	**2%**	**2,865**	**2,755**	**-4%**

Balance Sheet

TL, mn	Q4'19	Q3'20	Q4'20	ΔQoQ	ΔYtD
Cash & Banks[(1)]	23,072	29,941	29,661	-1%	29%
Securities	28,809	33,220	34,430	4%	20%
Net Loans[(2)]	116,749	143,675	146,449	2%	25%
Fixed Asset and Investments	4,058	4,062	4,248	5%	5%
Other Assets	14,838	25,662	20,232	-21%	36%
Total Assets	**187,526**	**236,559**	**235,020**	**-1%**	**25%**
Deposits	105,500	134,224	130,275	-3%	23%
Customer	100,094	129,187	125,692	-3%	26%
Bank	5,406	5,037	4,583	-9%	-15%
Borrowings	48,352	61,569	62,320	1%	29%
Bonds Issued	14,352	16,087	14,724	-8%	3%
Funds Borrowed	19,419	25,866	25,897	0%	33%
Sub-debt	5,433	7,285	6,704	-8%	23%
Repo	9,149	12,331	14,995	22%	64%
Other	16,908	22,918	23,184	1%	37%
Equity	16,765	17,848	19,241	8%	15%
Total Liabilities & Equity	**187,526**	**236,559**	**235,020**	**-1%**	**25%**

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(1) Includes CBRT, banks, interbank, other financial institutions
(2) Including Leasing & Factoring receivables

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