



# QNB Finansbank Q1'21 Earnings Presentation

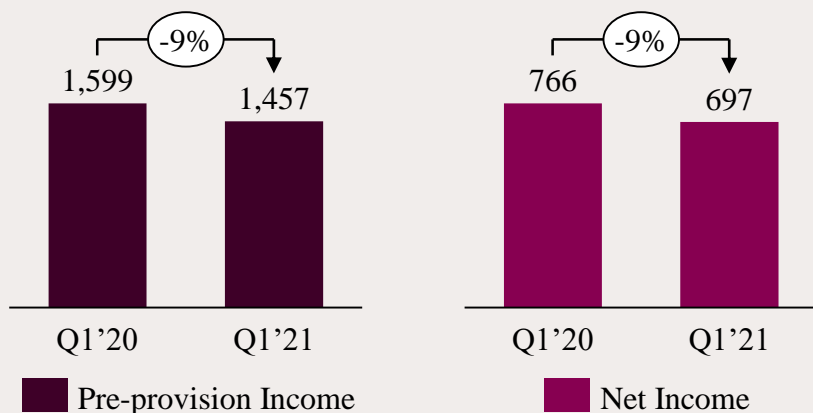
Based on BRSA Unconsolidated Financial Statements  
April 2021

## Period Highlights

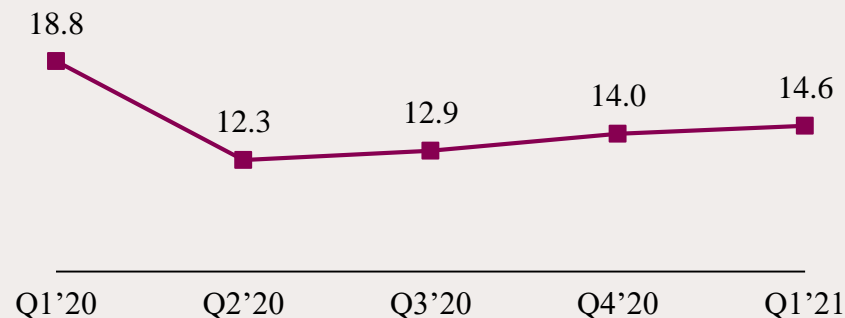
- ✓ Resilient operating performance despite the headwinds of materially high interest rates: Q1'21 net income realized at TL 697 million (-9% YoY)
- ✓ Accordingly, Q1'21 ROE realized at 14.6%, anticipated to be well ahead of sector and private banks as per February sector results
- ✓ Loan growth has geared up slightly, yielding 6% growth in the first quarter of 2021 partly helped by exchange rate evolution. When compared with sector as per March 26th sector information, Q1'21 loan growth realized well above sector and private banks for the third quarter in a row.
- ✓ Deposits growth of 15% QoQ outpaced the sector and private banks' by a wide margin, reinforcing liquidity buffers as well as reducing reliance on swaps. Deposits stood as the major source of funding, accounting for 59% of the balance sheet.
- ✓ Robust NPL collection performance and continued low level of NPL additions lead to improved NPL ratio while conservative provisioning stance further reinforced via macro scenario update
- ✓ Effective cost management contained cost growth at only at 2% YoY, despite materially high average inflation and substantial TL depreciation
- ✓ Robust solvency ratios retained with CAR at 15.8% and Tier 1 at 13.1%
- ✓ 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 retained despite headwinds of high interest rates: Robust capital buffers and decent profitability maintained

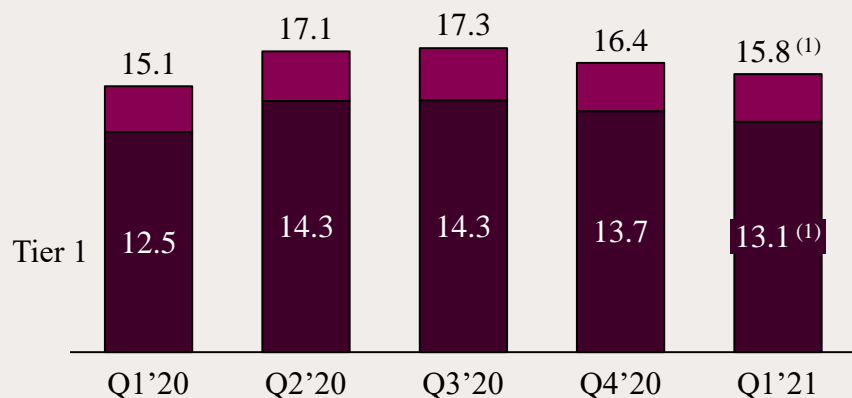
Net Income & Pre-Provision Income (TL mn.)



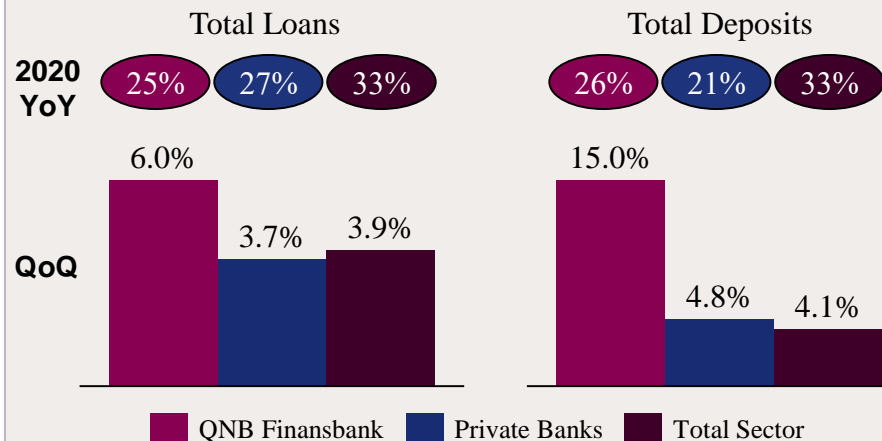
Quarterly RoAE (%)



CAR (%)

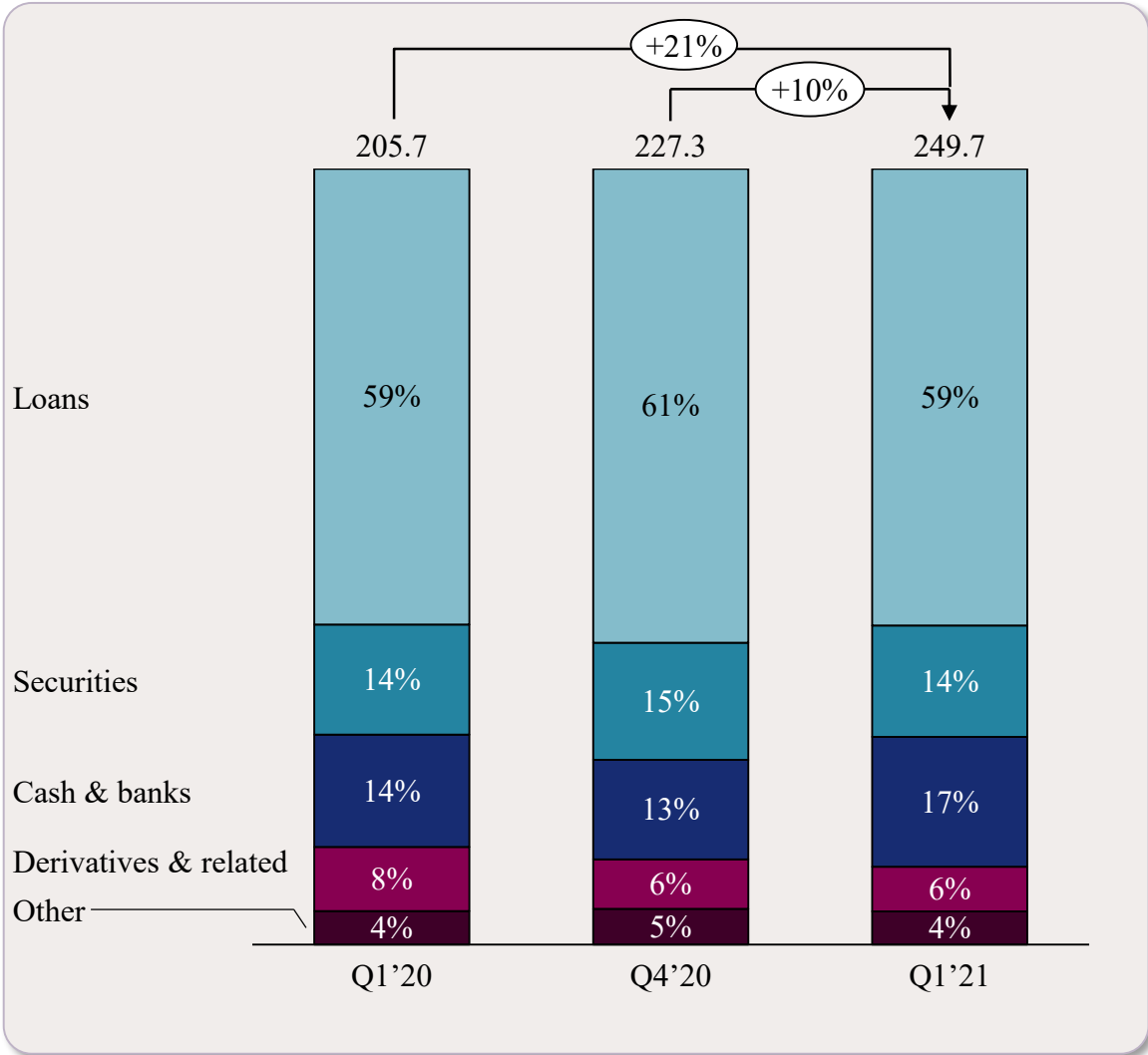


Total Loans & Deposits Growth<sup>(2)</sup> (QoQ, %)

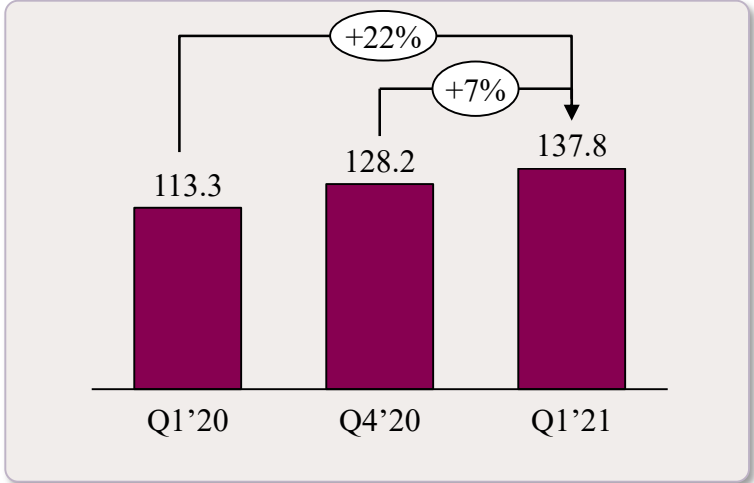


# Well-balanced asset base grew by 10% YtD reaching TL250 bn, as loans constitute 59% of assets reflecting Bank's commitment to fund the economy

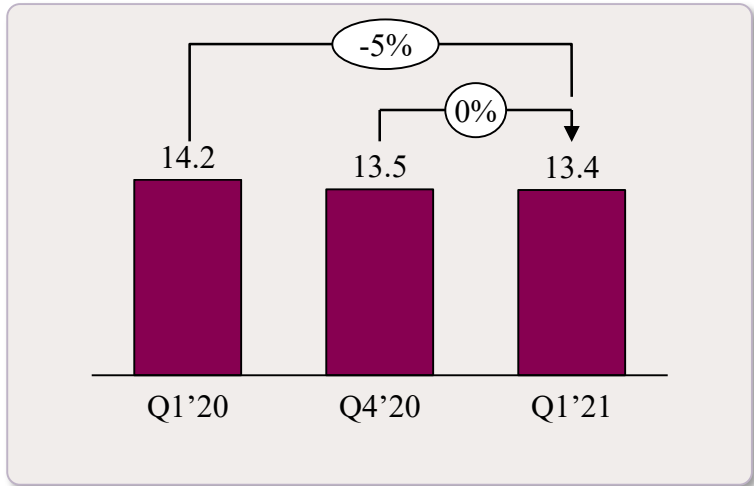
Total Assets (TL bn)



TL Assets (TL bn)



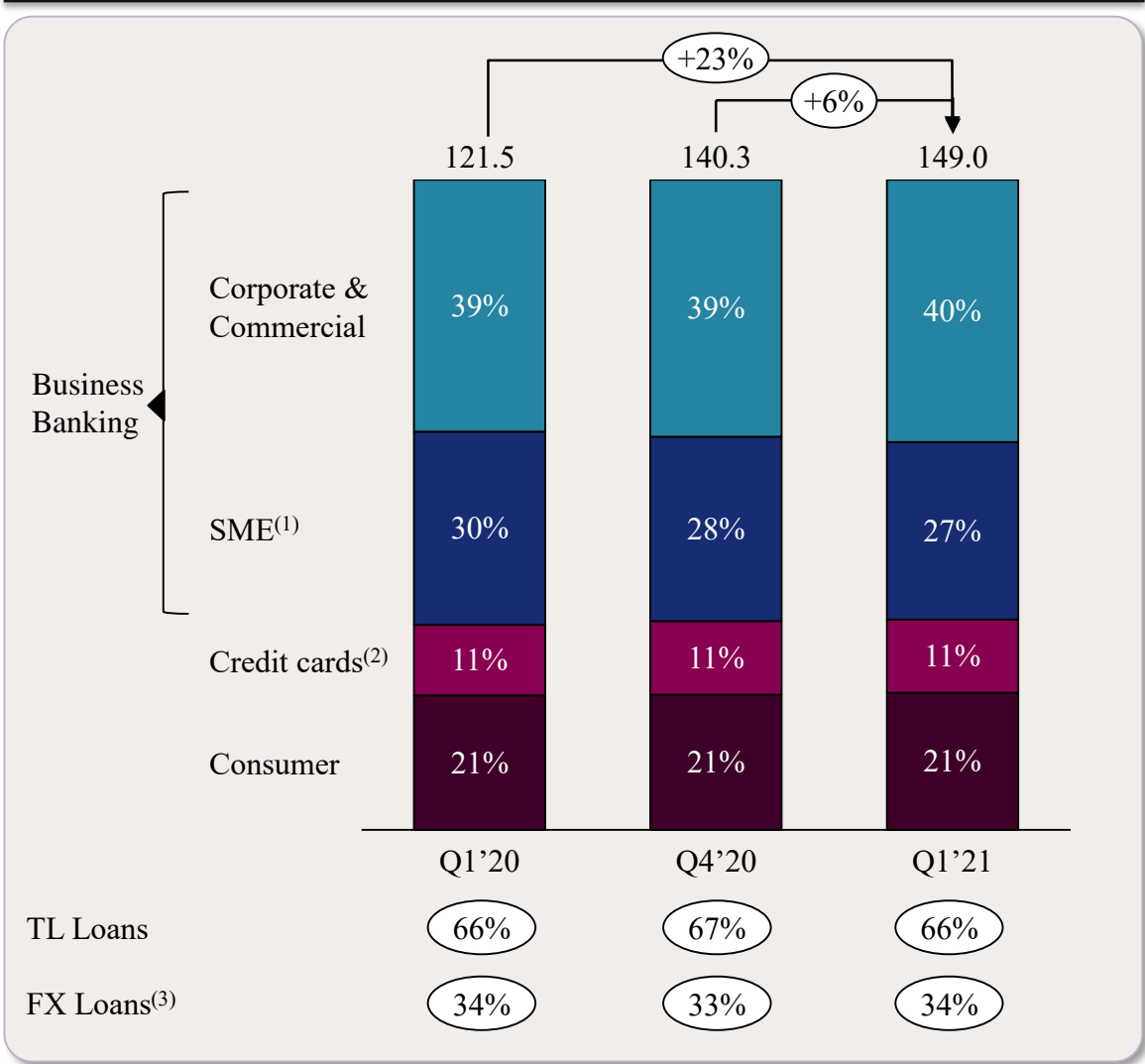
FX Assets<sup>(1)</sup> (USD bn)



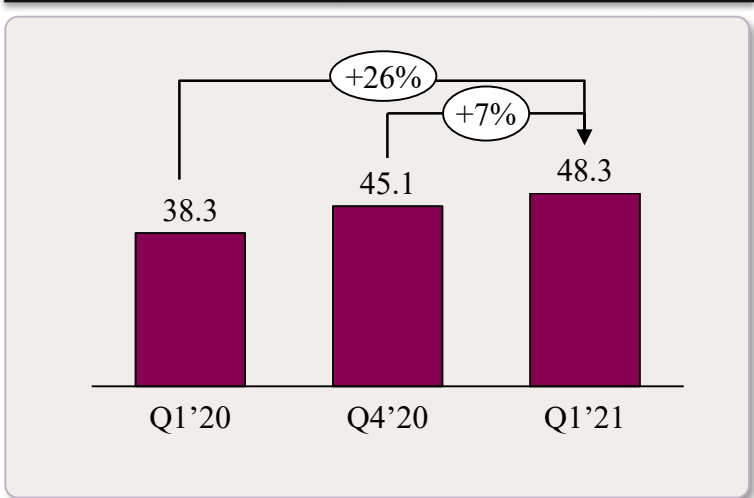
<sup>(1)</sup> FX-indexed TL loans are shown in FX assets

# Loan growth of 6% QoQ outpaced private peers for the third quarter in a row, equally supported by both Retail and Business segments

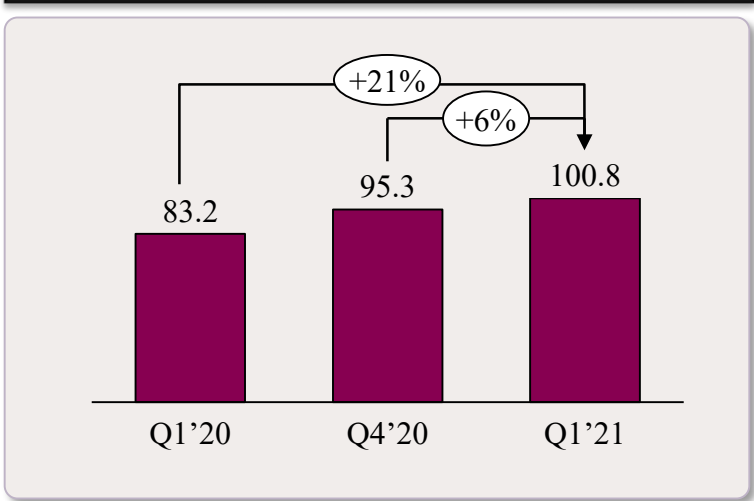
Performing Loans by Segment and Currency (TL bn)



Retail Loans (TL bn)



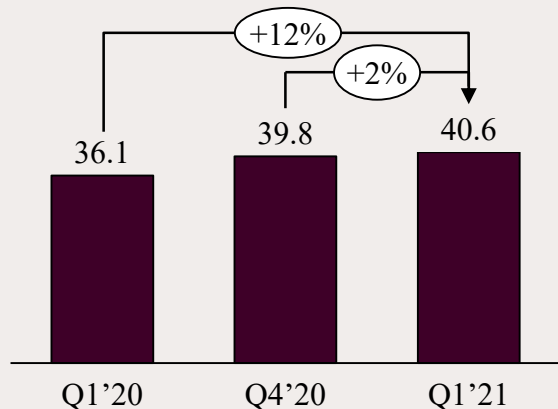
Business Loans (TL bn)



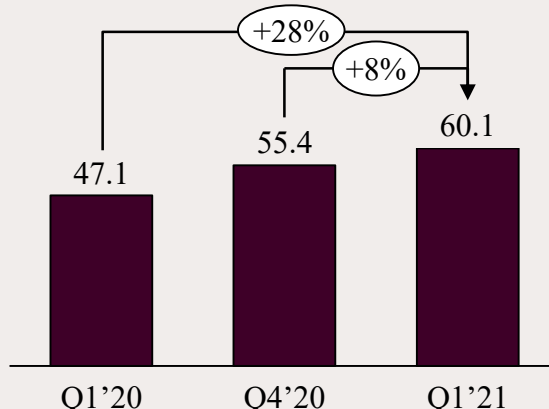
# Corporate & Commercial continued to lead the Business Banking, while General Purpose Loans and Credit Cards remained focus areas at Retail lending

■ Business banking  
■ Retail banking

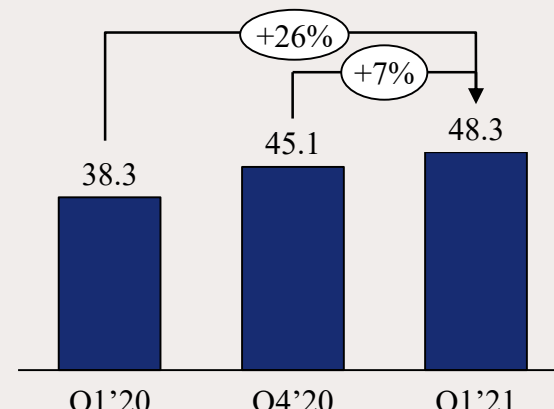
SME Loans<sup>(1)</sup> (TL bn)



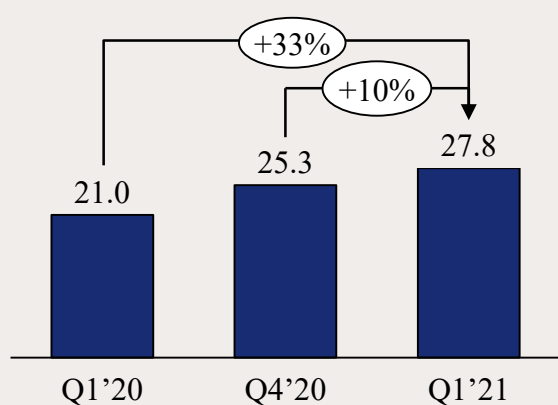
Corporate & Commercial Loans (TL bn)



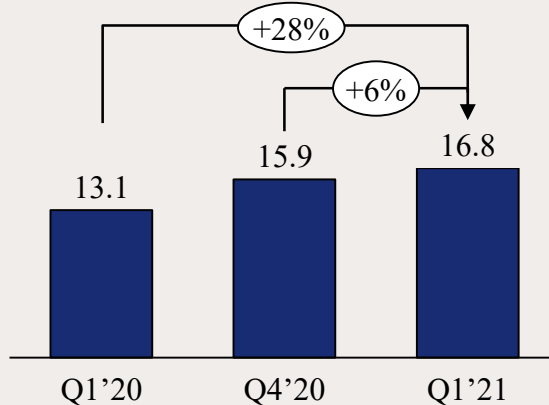
Retail Loans (TL bn)



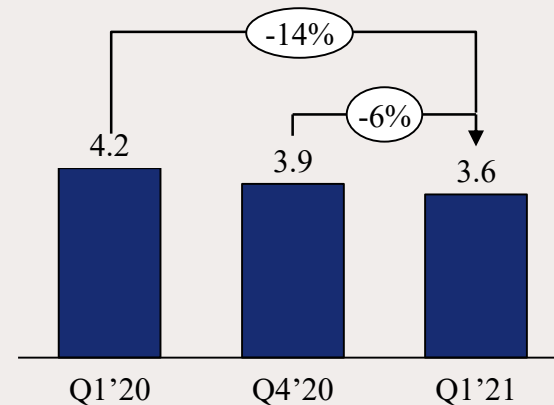
General Purpose Loans<sup>(2)</sup> (TL bn)



Credit Card Loans<sup>(3)</sup> (TL bn)



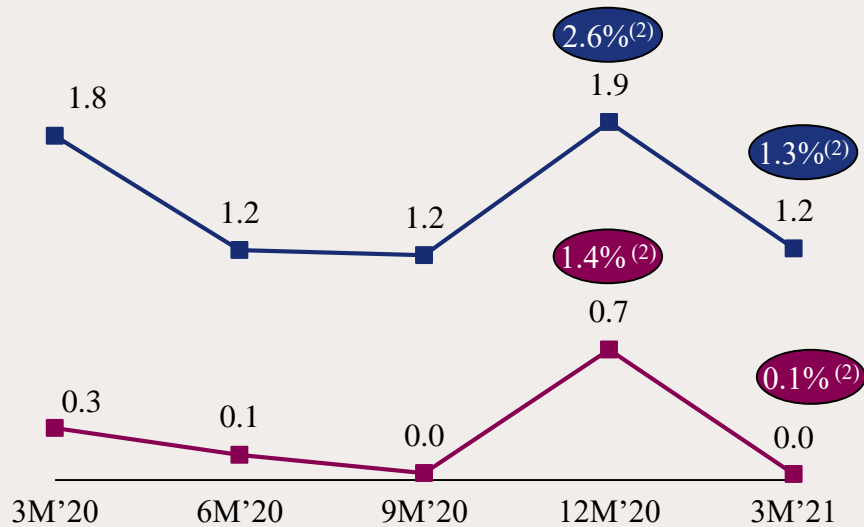
Mortgage Loans (TL bn)



# Net NPL inflows realized better than initially budgeted on the back of robust collection performance, resulting in a retreat in NPL ratio to 5.8% along with robust denominator growth

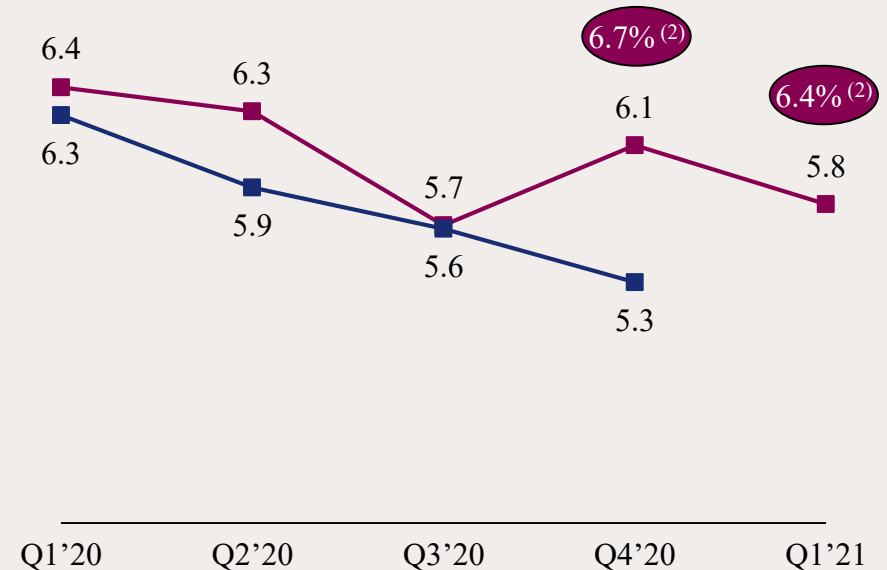
NPL Additions / Average Loans (%)

■ NPL Additions/Average Loans ■ Net NPL Generation<sup>(1)</sup>/ Average Loans



NPL Ratio (%)

■ QNB Finansbank ■ Private Banks

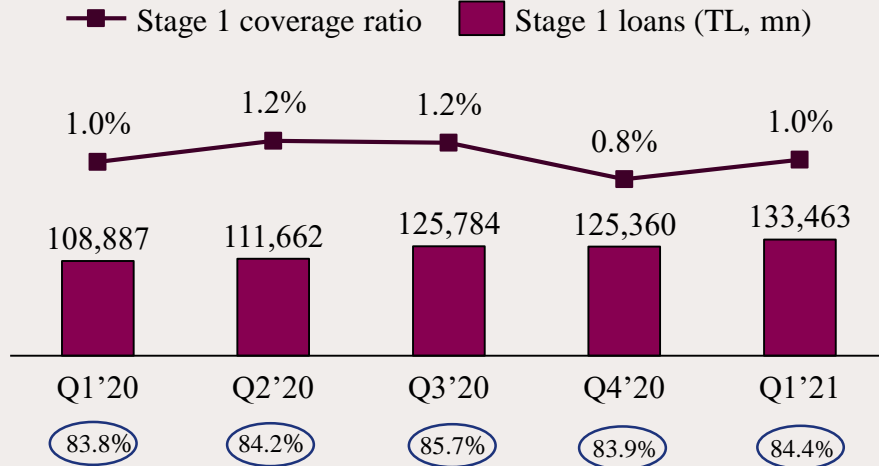




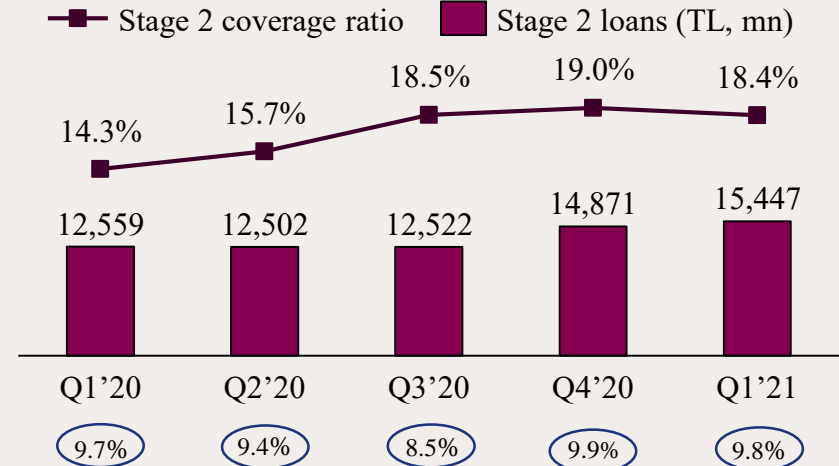
# Prudent provisioning stance & relatively high coverages further reinforced with macro scenario update

as a % of gross loans<sup>(1)</sup>  
for the relevant period

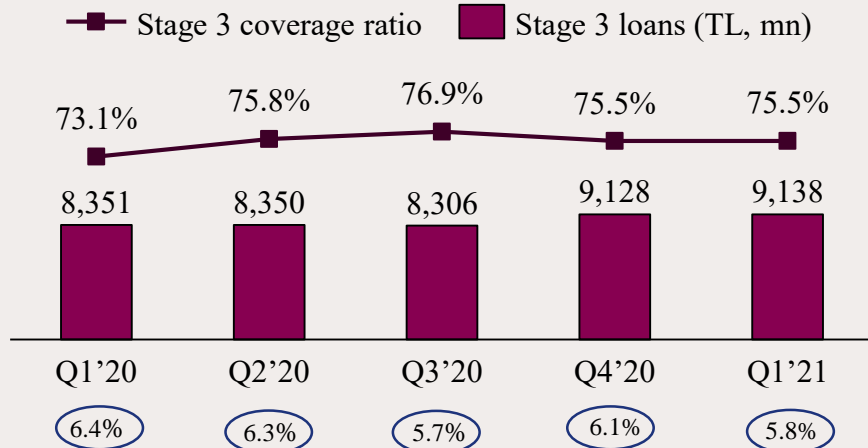
## Stage 1 Loans & Coverage



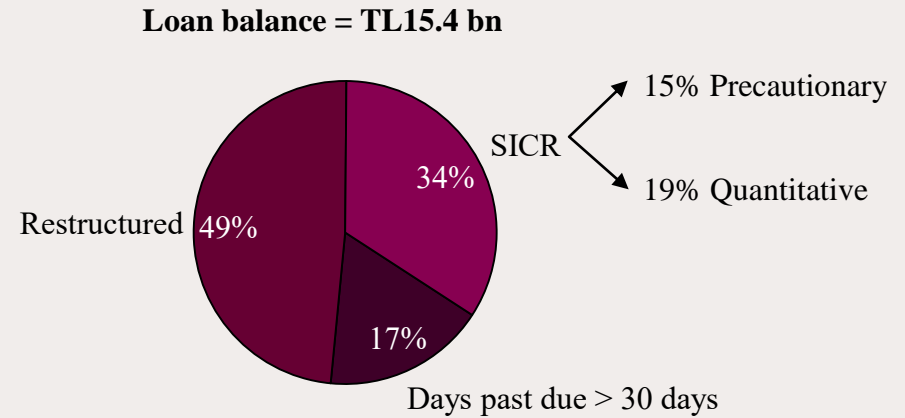
## Stage 2 Loans & Coverage



## Stage 3 Loans & Coverage



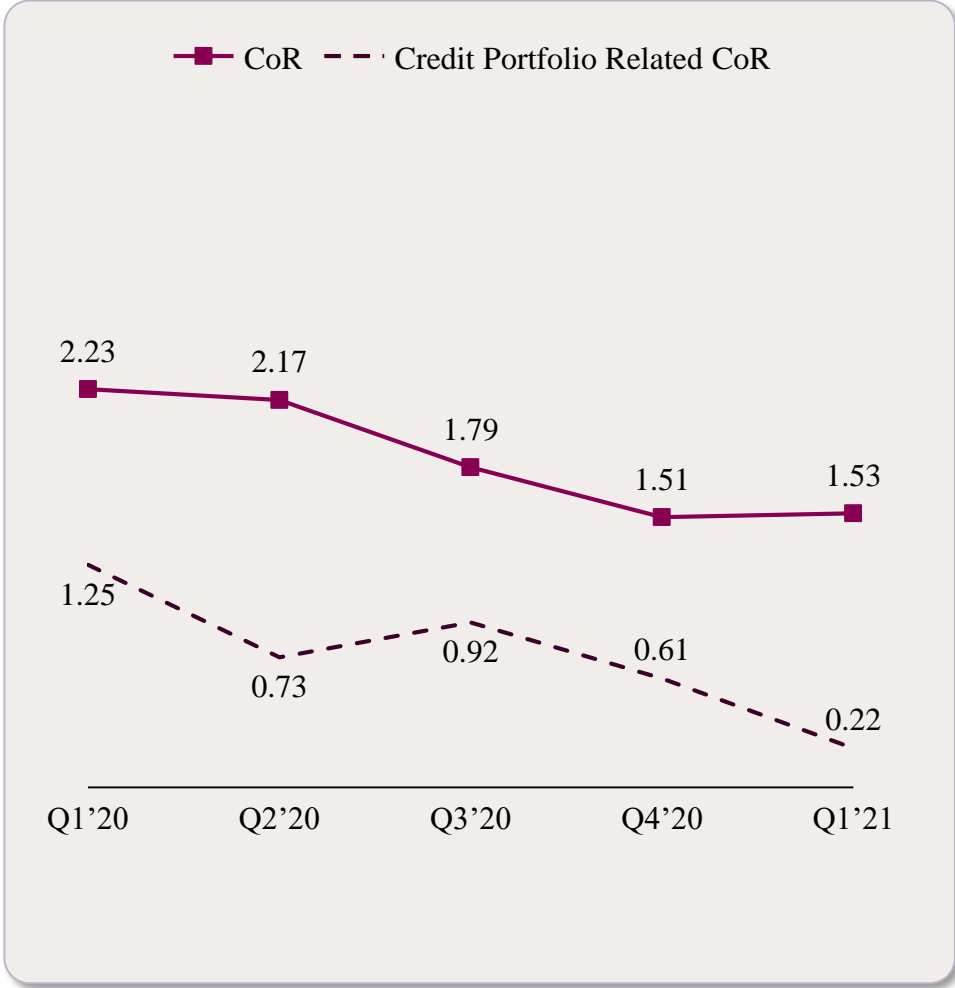
## Stage 2 Composition



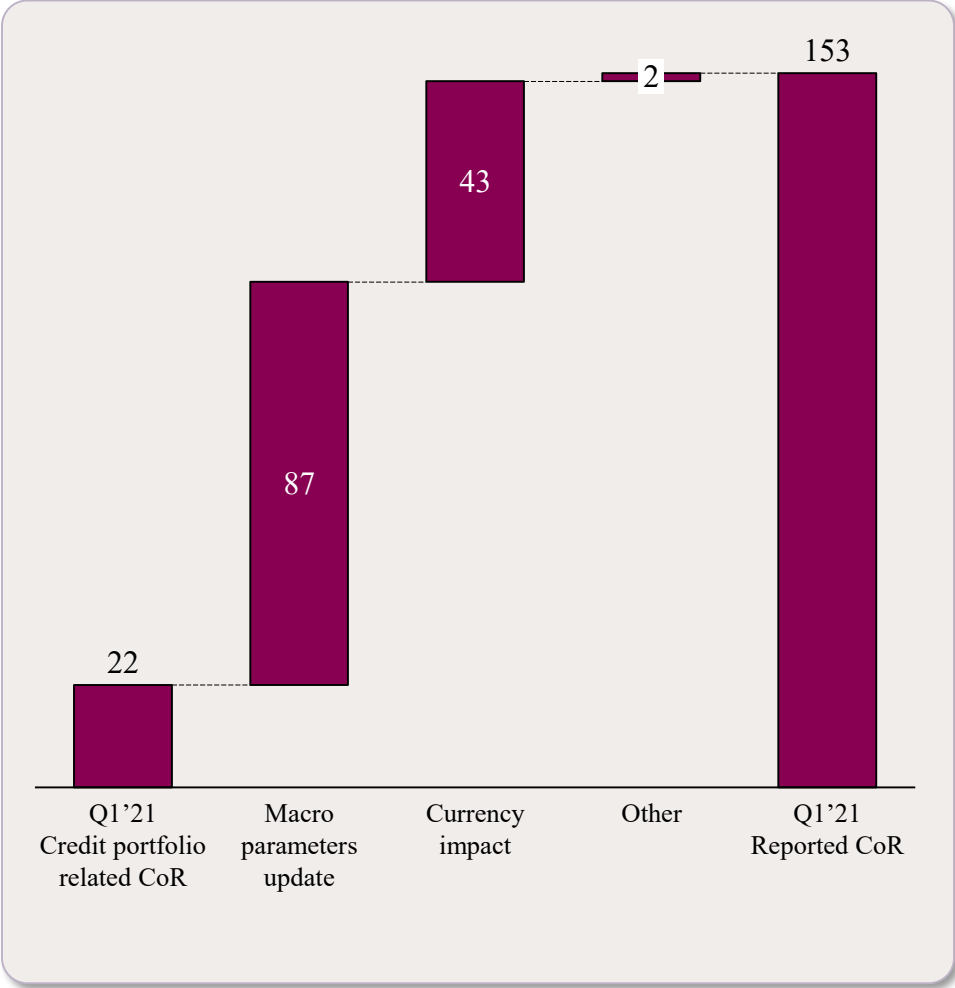


Low credit portfolio related CoR maintained with robust collection performance and low NPL inflow, while conservative provisioning stance was upheld at the macro scenario revisit

Quarterly Cost of Risk (%)

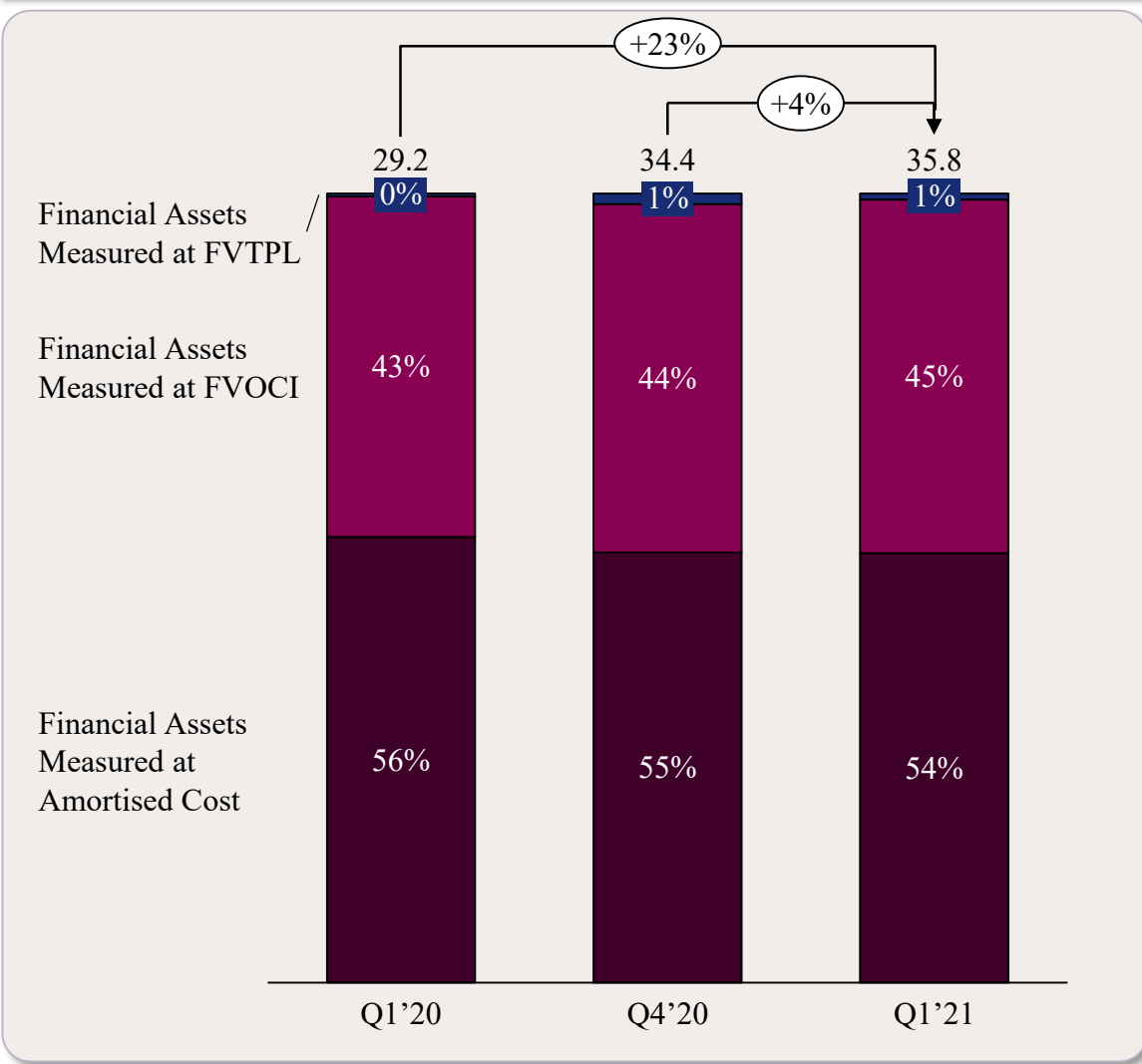


Q1'21 CoR Breakdown (bps)

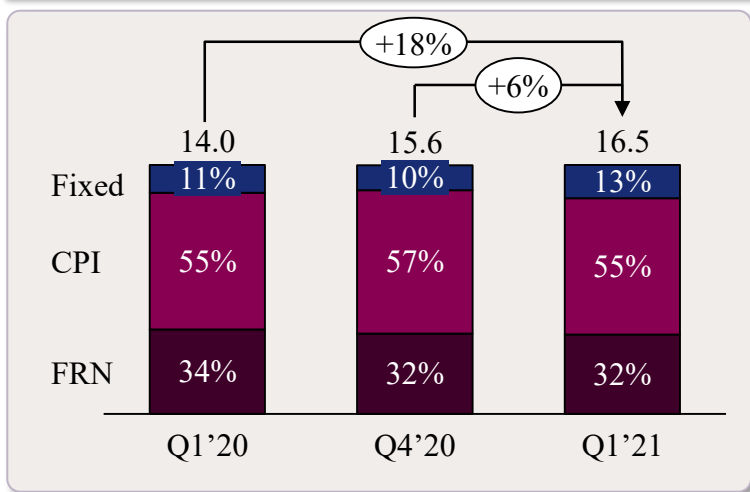


# Securities portfolio recorded 4% QoQ growth largely driven by TL securities, of which 87% are floating/indexed in nature

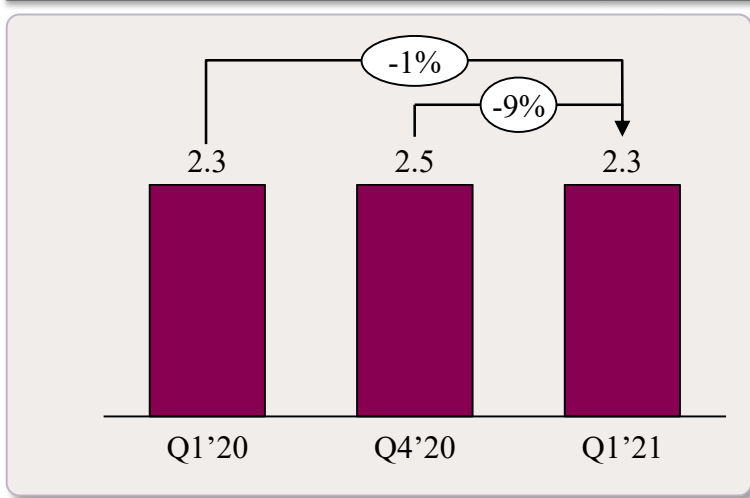
Total Securities (TL bn)



TL Securities (TL bn)

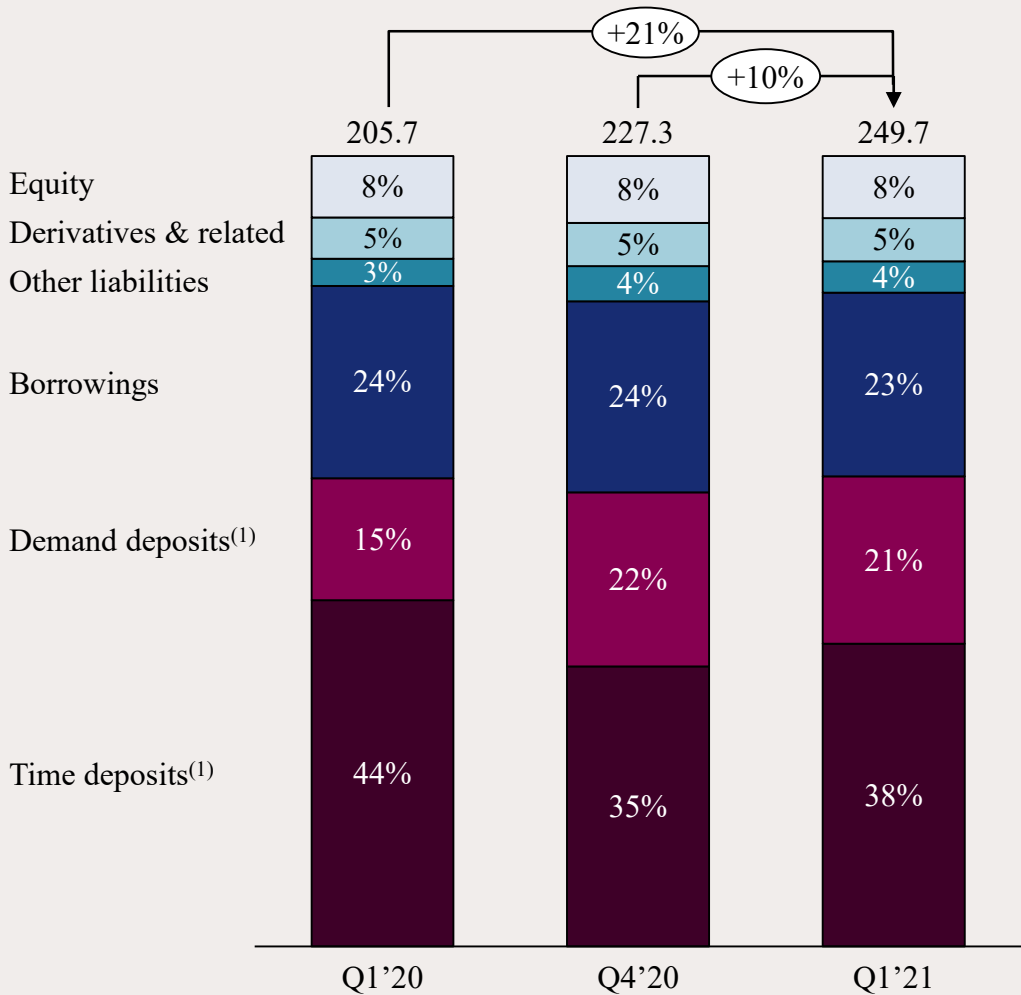


FX Securities (USD bn)

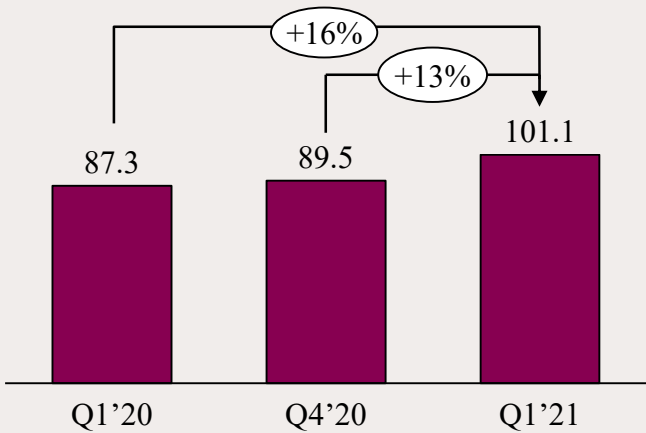


# Well-diversified & disciplined funding mix maintained, as deposits' contribution was further reinforced with TL deposits gatherings

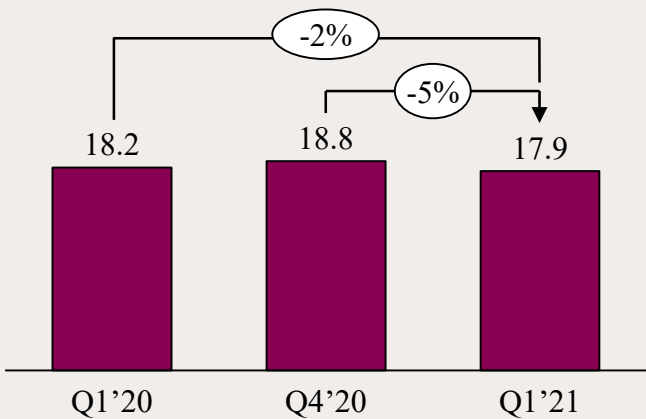
Total Liabilities (TL bn)



TL Liabilities (TL bn)



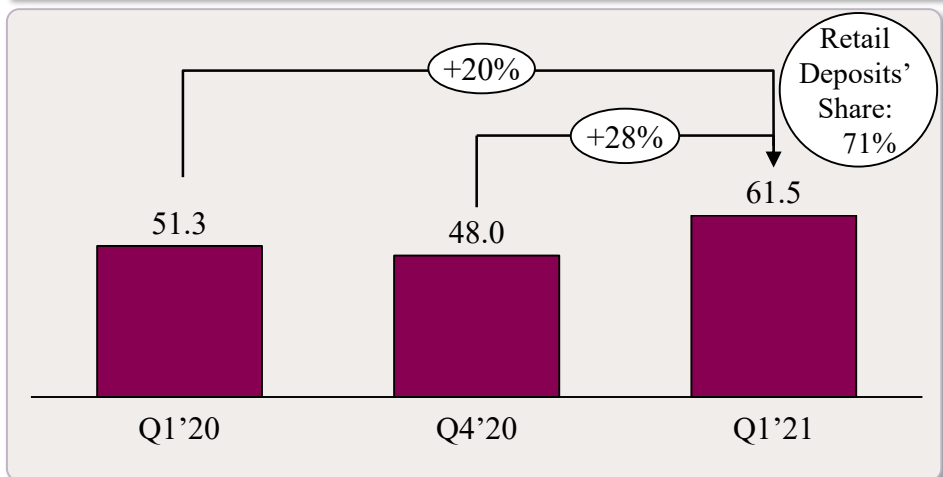
FX Liabilities (USD bn)



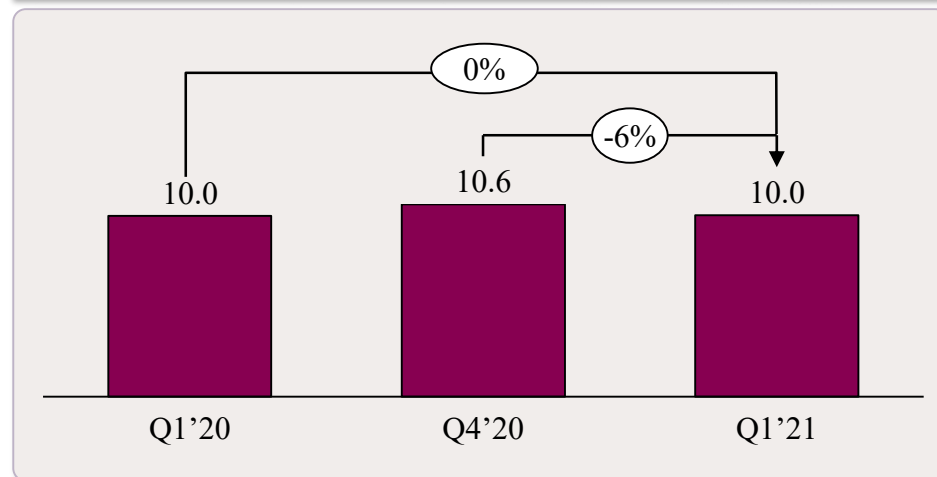
<sup>(1)</sup> Includes bank deposits

# TL driven deposit gatherings, outpacing both the private peers and the sector, boosted the liquidity buffers as well as reduced reliance to swaps

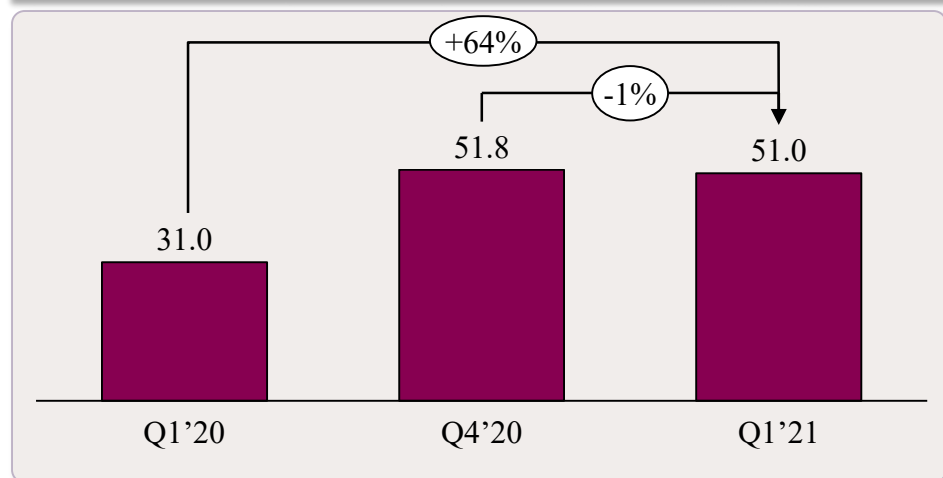
TL Customer Deposits (TL bn)



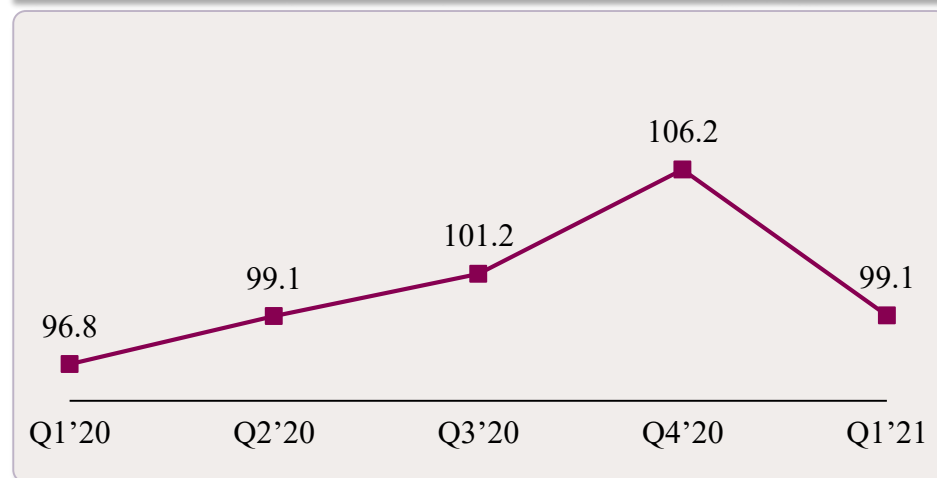
FX Customer Deposits (USD bn)



Customer Demand Deposits (TL bn, aop)

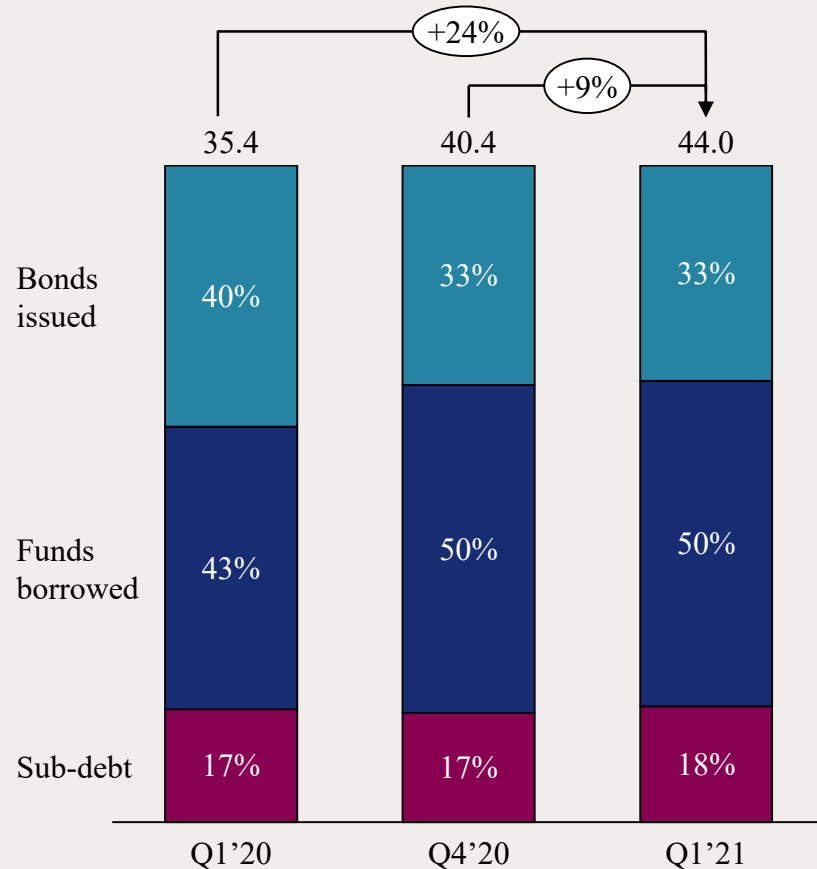


Loan-to-deposit-ratio<sup>(1)</sup> (%)

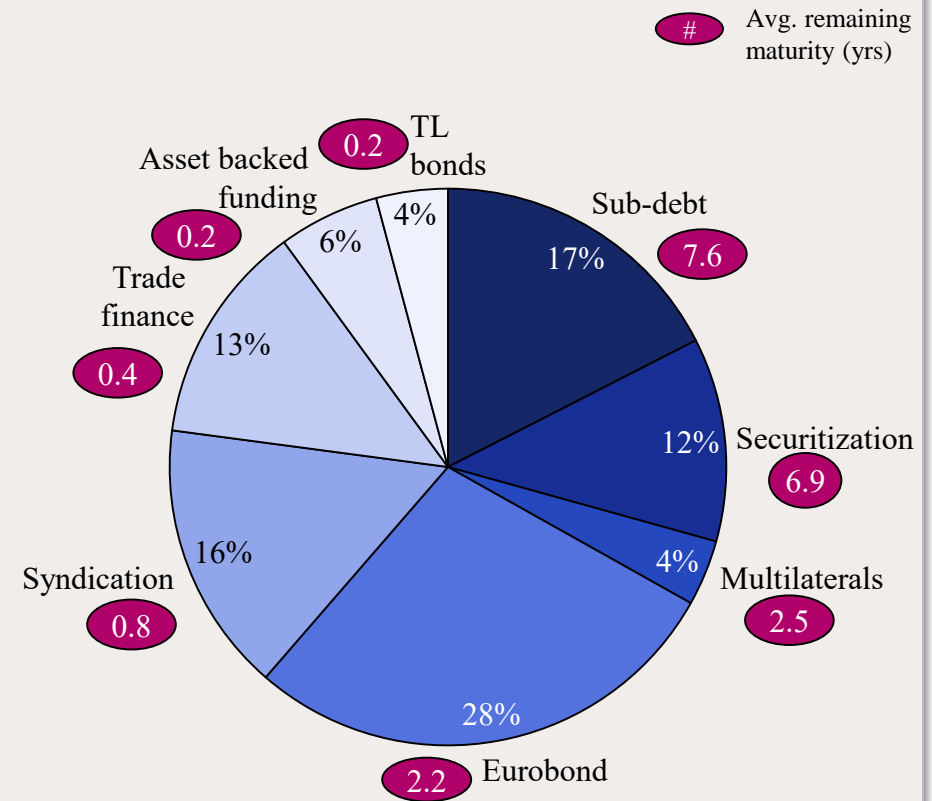


# Well-balanced wholesale borrowing mix been actively managed with a cost-oriented approach, majority of FX wholesale funding have remaining maturity above 1 year

Wholesale Borrowings<sup>(1)</sup> by Type (TL bn)

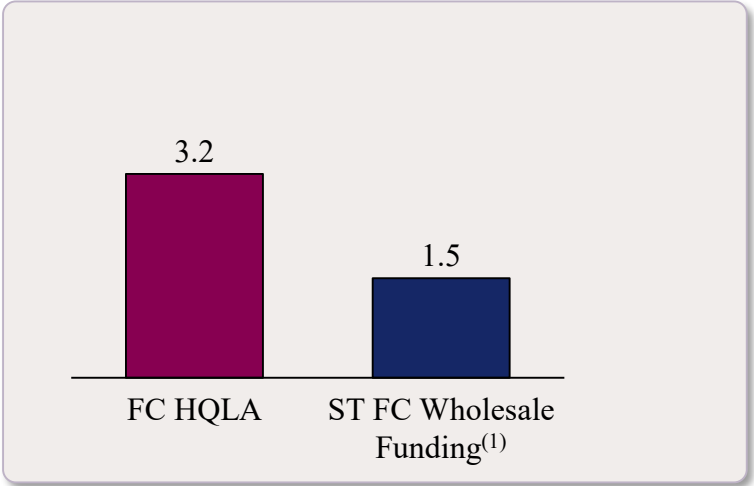


Wholesale Borrowings<sup>(1)</sup> Breakdown

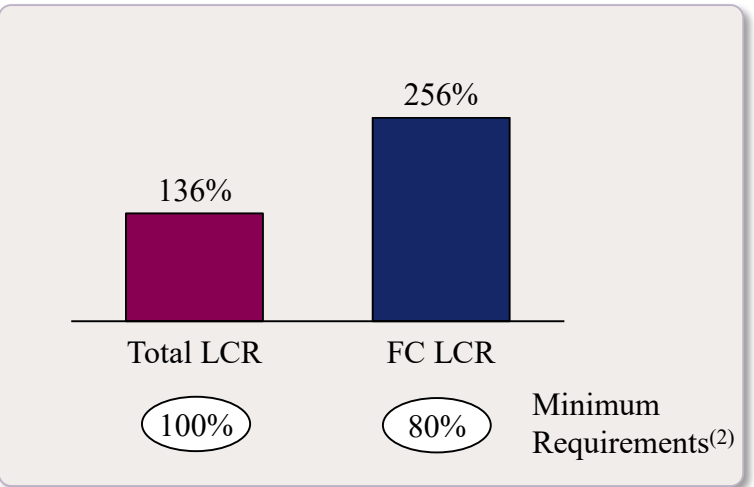


# Manageable external borrowings led to ample FC liquidity vis-a-vis short-term dues

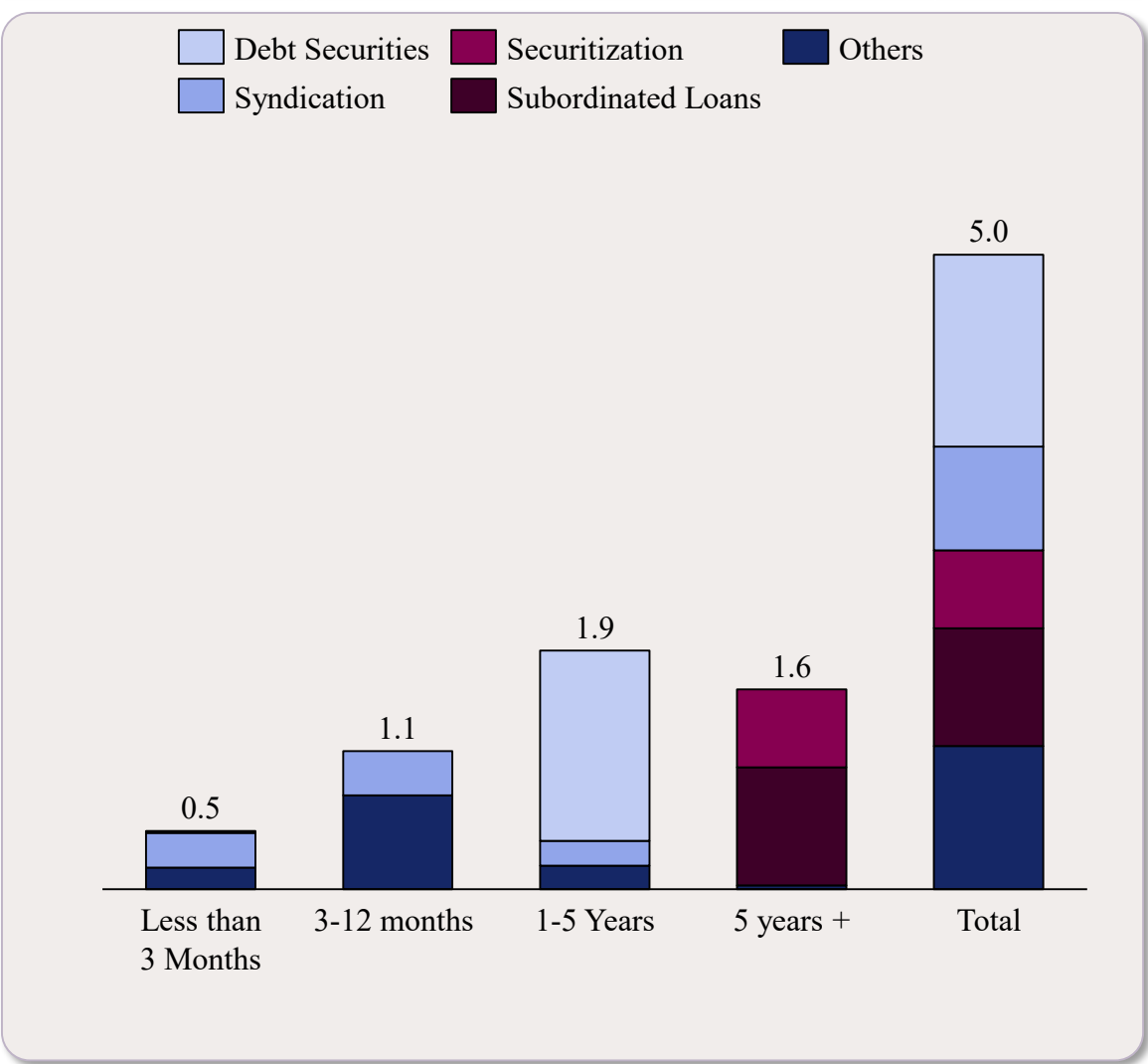
FC HQLA vs Short-term Dues (USD bn)



Liquidity Coverage Ratios (% , eop)



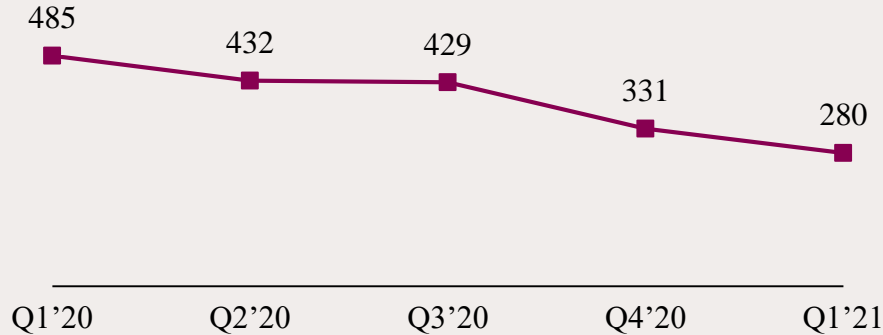
Maturity Profiles of FC Wholesale Funding (USD bn)



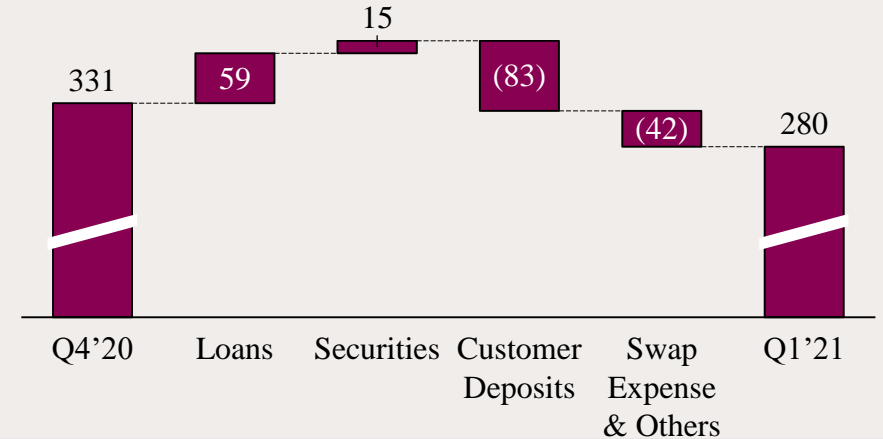
<sup>(1)</sup> FC wholesale funding due within 1 year  
<sup>(2)</sup> Regulatory LCR requirements, which were temporarily lifted throughout 2020 within scope of the Covid-19 forbearance measures, are in force again as of the onset of 2021.

# NIM and spreads weather extreme rate hike storm rather well, gradual recovery expected as low yielding loan book matures

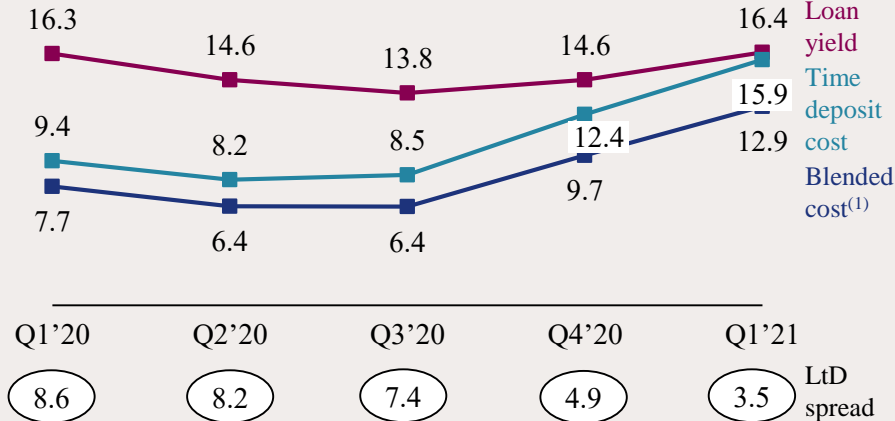
Quarterly NIM after Swap (bps)



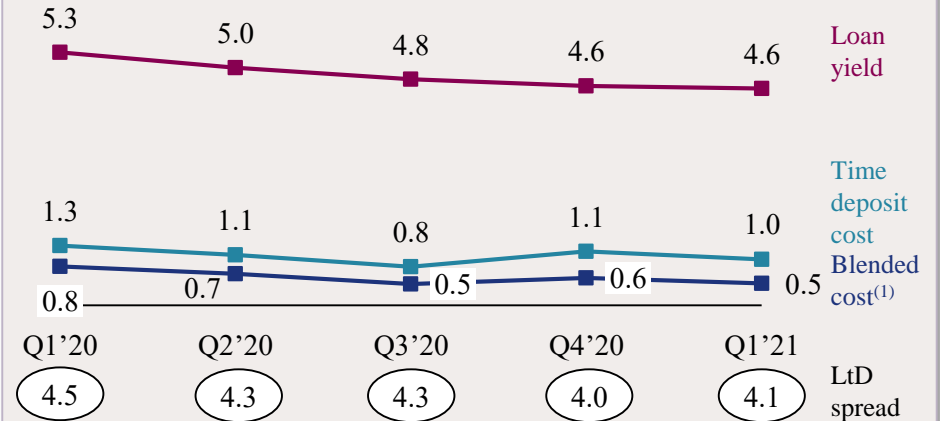
Quarterly NIM after Swap Evolution (bps)



TL Spread (% , quarterly)



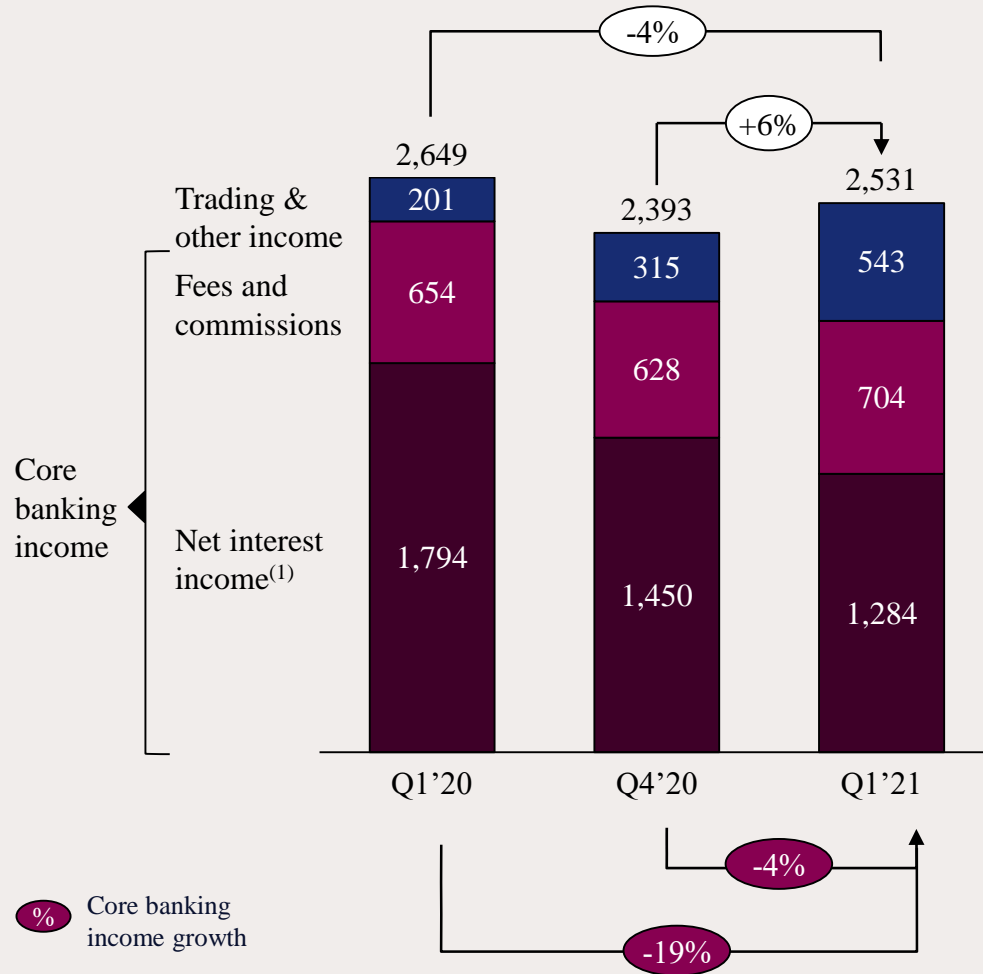
FX Spread (% , quarterly)



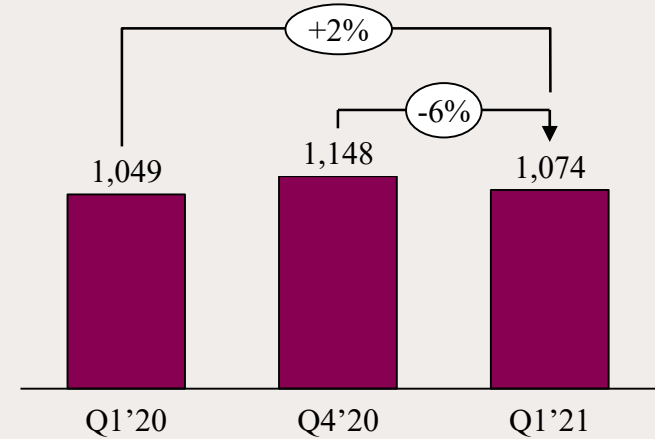


**Further NIM contraction in Q1'21, though partially offset by solid fees&commissions, took its toll on core banking revenues, while OPEX contained at a level well below inflation.**

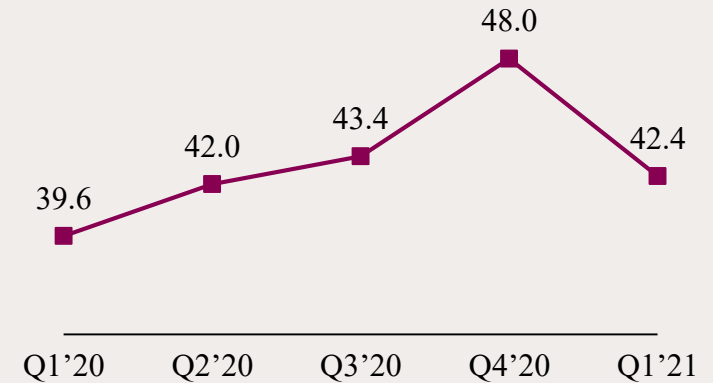
**Total Operating Income (TL mn.)**



**OpEx (TL mn.)**

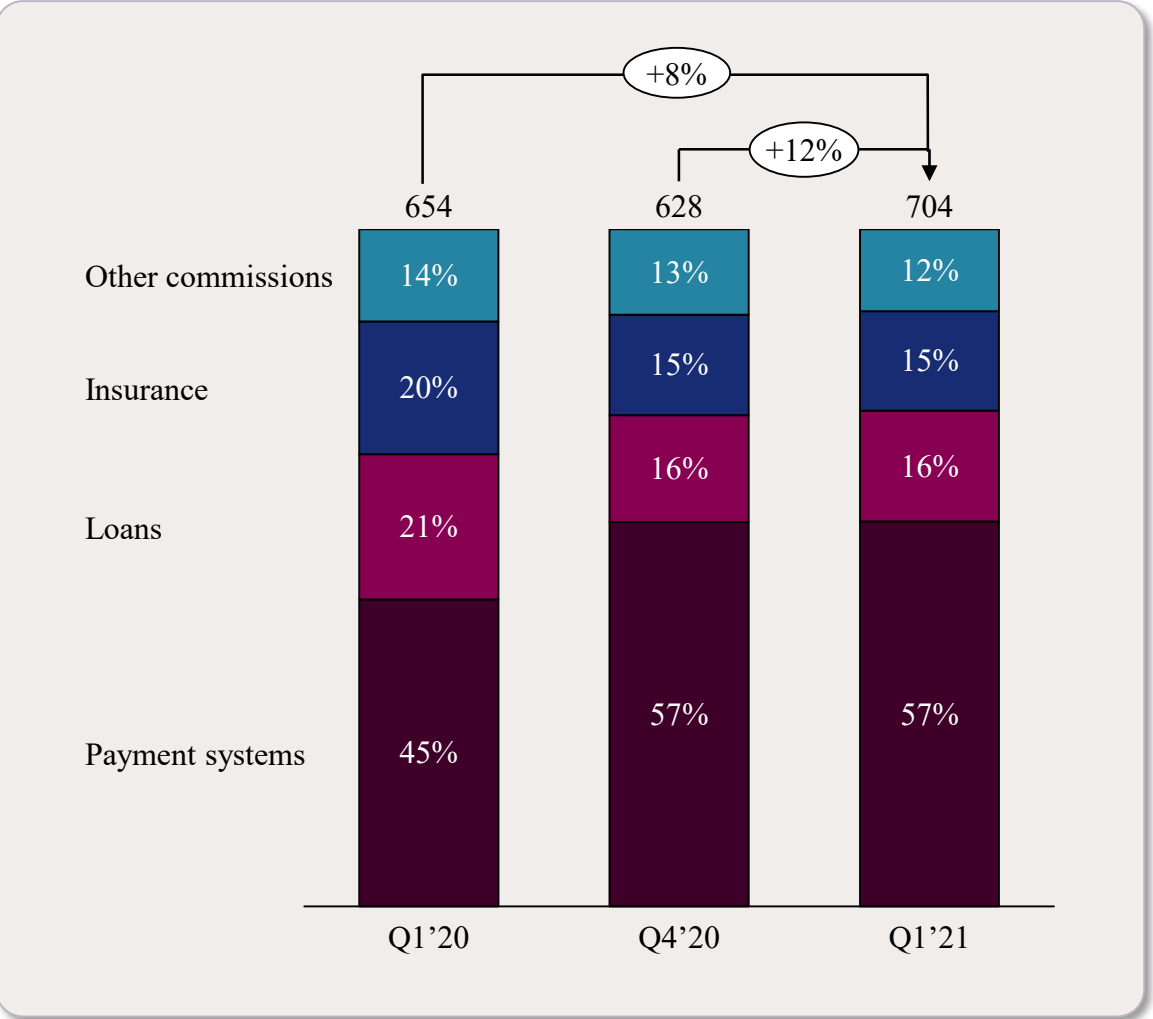


**Cost / Income (%)**

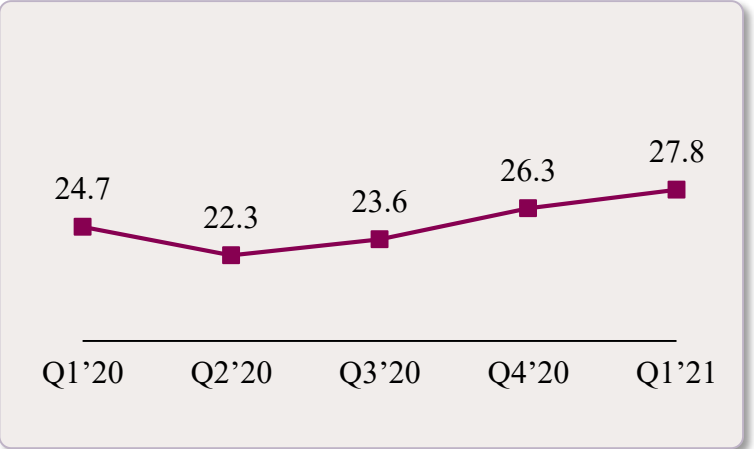


# Fees recovered for the third quarter in a row, boosted by higher contribution from payment systems along with higher interest rates and transaction volumes

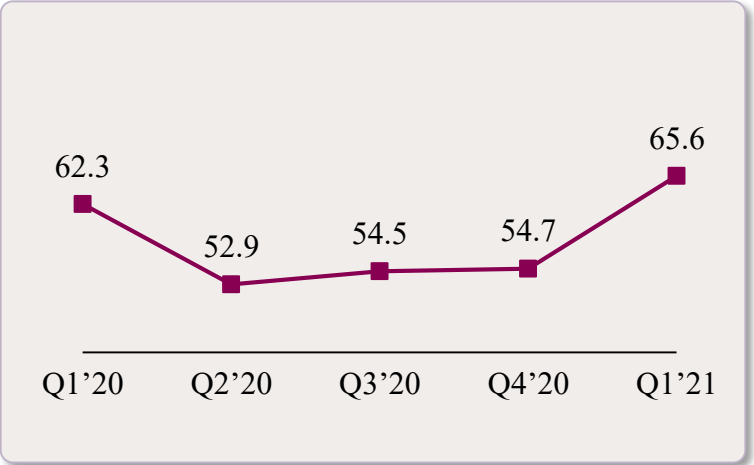
Net Fees and Commissions (TL mn)



Fees / Total Income (%)

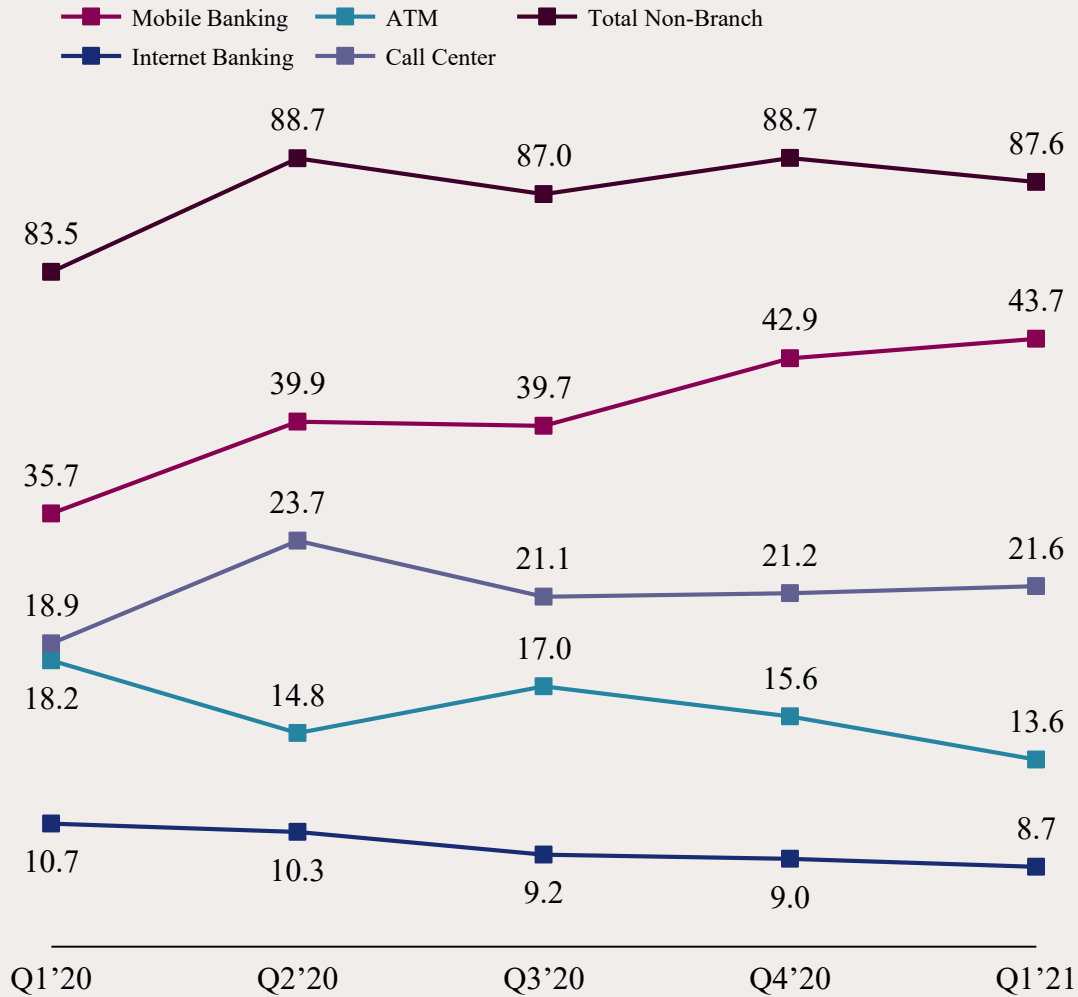


Fees / OpEx (%)

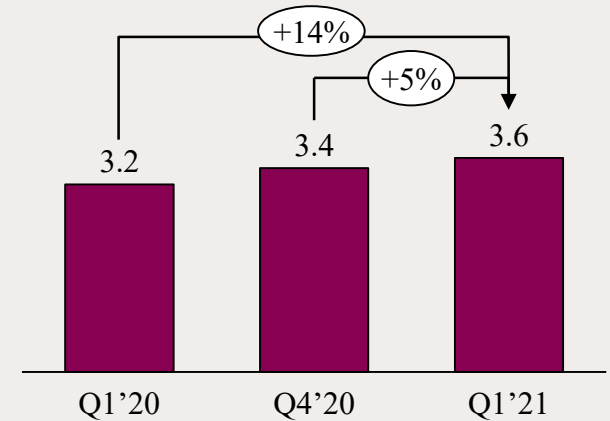


# Investment in digital transformation paid off in terms of quick adaptation to digital channels as well as steady retention performance after easing of containment measures

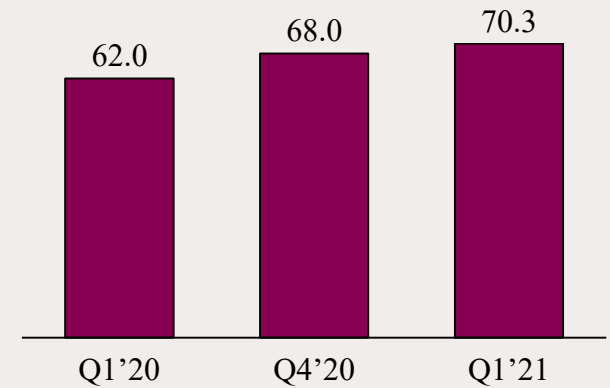
## Share of Transactions Evolution in Non-Branch Channels (%)



## Number of Digital Customers (mn.)



## Active Digital<sup>(1)</sup> / Total Active Customers (%)



# Appendix

A decorative graphic on the right side of the page, resembling a folded book corner. It consists of a dark red outer layer and a lighter red inner layer, with a white diagonal line separating them. The layers are folded over each other, creating a three-dimensional effect.

# BRSA Bank-Only Key Financial Ratios

	<i>All figures quarterly</i>	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	ΔQoQ	ΔYoY
Profitability	RoAE	18.8%	12.3%	12.9%	14.0%	14.6%	+0.5pps	-4.3pps
	RoAA	1.6%	1.0%	1.0%	1.1%	1.2%	+0.1pps	-0.4pps
	Cost / Income	39.6%	42.0%	43.4%	48.0%	42.4%	-5.5pps	+2.8pps
	NIM after swap expense	4.8%	4.3%	4.3%	3.3%	2.8%	-0.5pps	-2.0pps
Liquidity	Loans / Deposits <sup>(1)</sup>	96.8%	99.1%	101.2%	106.2%	99.1%	-7.1pps	%2.4pps
	LCR (aop)	118.1%	119.1%	119.3%	117.4%	120.1%	2.7pps	%2.0pps
Asset quality	NPL Ratio	6.4%	6.3%	5.7%	6.1%	5.8%	-0.3pps	-0.7pps
	Cost of Risk	2.2%	2.2%	1.8%	1.5%	1.5%	+0.0pps	-0.7pps
Solvency	CAR	15.1%	17.1%	17.3%	16.4%	15.8%	-0.6pps	+0.7pps
	Tier I Ratio	12.5%	14.3%	14.3%	13.7%	13.1%	-0.6pps	+0.6pps
	Liability/Equity	12.8x	12.2x	13.0x	11.8x	12.7x	+0.9x	-0.1x

# BRSA Bank-Only Summary Financials

## Income Statement

TL, mn	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	ΔQoQ	ΔYoY
Net Interest Income (After Swap Expenses)	1,794	1,669	1,772	1,450	1,284	-11%	-28%
Net Fees & Commissions Income	654	515	566	628	704	12%	8%
Trading & Other Income	201	131	59	315	543	72%	170%
<b>Total Operating Income</b>	<b>2,649</b>	<b>2,314</b>	<b>2,396</b>	<b>2,393</b>	<b>2,531</b>	<b>6%</b>	<b>-4%</b>
Operating Expenses	(1,049)	(973)	(1,039)	(1,148)	(1,074)	-6%	2%
<b>Net Operating Income</b>	<b>1,599</b>	<b>1,341</b>	<b>1,357</b>	<b>1,246</b>	<b>1,457</b>	<b>17%</b>	<b>-9%</b>
Provisions	(681)	(693)	(634)	(535)	(579)	8%	-15%
<b>Profit Before Tax</b>	<b>918</b>	<b>648</b>	<b>723</b>	<b>711</b>	<b>878</b>	<b>24%</b>	<b>-4%</b>
Tax Expenses	(152)	(142)	(159)	(60)	(181)	204%	19%
<b>Profit After Tax</b>	<b>766</b>	<b>506</b>	<b>564</b>	<b>651</b>	<b>697</b>	<b>7%</b>	<b>-9%</b>

## Balance Sheet

TL, mn	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	ΔQoQ	ΔYoY
Cash & Banks <sup>(1)</sup>	29,783	29,068	29,613	29,202	41,843	43%	40%
Securities	29,168	31,401	33,142	34,368	35,793	4%	23%
Net Loans	120,897	122,961	136,605	138,719	147,058	6%	22%
Fixed Asset and Investments <sup>(2)</sup>	5,219	5,181	5,482	5,874	5,882	0%	13%
Other Assets	20,668	19,748	24,716	19,089	19,149	0%	-7%
<b>Total Assets</b>	<b>205,735</b>	<b>208,358</b>	<b>229,558</b>	<b>227,253</b>	<b>249,727</b>	<b>10%</b>	<b>21%</b>
Deposits	121,880	121,875	134,547	130,560	148,510	14%	22%
Customer	116,377	117,103	129,510	125,976	144,861	15%	24%
Bank	5,503	4,772	5,037	4,583	3,650	-20%	-34%
Borrowings	50,064	50,317	54,981	54,892	58,047	6%	16%
Bonds Issued	14,074	14,771	15,333	13,506	14,420	7%	2%
Funds Borrowed	15,228	16,903	20,363	20,192	21,831	8%	43%
Sub-debt	6,079	6,255	7,285	6,704	7,744	16%	27%
Repo	14,683	12,388	11,999	14,489	14,051	-3%	-4%
Other	17,764	19,138	22,311	22,579	23,568	4%	33%
Equity	16,028	17,029	17,719	19,222	19,601	2%	22%
<b>Total Liabilities &amp; Equity</b>	<b>205,735</b>	<b>208,358</b>	<b>229,558</b>	<b>227,253</b>	<b>249,727</b>	<b>10%</b>	<b>21%</b>

# BRSA Consolidated Key Financial Ratios

<i>All figures quarterly</i>		Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	ΔQoQ	ΔYoY
<b>Profitability</b>	RoAE	18.3%	14.8%	15.6%	15.1%	13.6%	-1.5pps	-4.7pps
	RoAA	1.5%	1.2%	1.2%	1.2%	1.1%	-0.1pps	-0.4pps
	Cost / Income	40.5%	40.6%	41.3%	47.3%	43.4%	-3.8pps	+2.9pps
	NIM after swap expense	4.9%	4.6%	4.4%	3.4%	3.0%	-0.5pps	-1.9pps
<b>Liquidity</b>	Loans / Deposits <sup>(1)</sup>	100.8%	103.2%	104.7%	110.1%	102.6%	-7.5pps	+1.7pps
	LCR (aop)	116.3%	119.0%	116.4%	114.2%	116.9%	2.7pps	+0.6pps
<b>Asset quality</b>	NPL Ratio	6.5%	6.3%	5.7%	6.0%	5.7%	-0.3pps	-0.8pps
	Cost of Risk	2.3%	2.3%	2.0%	1.5%	1.7%	+0.1pps	-0.6pps
<b>Solvency</b>	CAR	14.7%	16.6%	16.7%	15.8%	15.2%	-0.5pps	+0.5pps
	Tier I Ratio	12.2%	13.9%	13.8%	13.1%	12.6%	-0.5pps	+0.4pps
	Liability/Equity	13.1x	12.4x	13.3x	12.2x	13.1x	+0.9x	+0.0x



# BRSA Consolidated Summary Financials

## Income Statement

TL, mn	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	ΔQoQ	ΔYoY
Net Interest Income (After Swap Expenses)	1,875	1,787	1,874	1,567	1,405	-10%	-25%
Net Fees & Commissions Income	706	572	621	702	774	10%	10%
Trading & Other Income	149	185	165	300	450	50%	201%
<b>Total Operating Income</b>	<b>2,730</b>	<b>2,544</b>	<b>2,661</b>	<b>2,569</b>	<b>2,628</b>	<b>2%</b>	<b>-4%</b>
Operating Expenses	(1,106)	(1,032)	(1,099)	(1,214)	(1,141)	-6%	3%
<b>Net Operating Income</b>	<b>1,625</b>	<b>1,512</b>	<b>1,562</b>	<b>1,355</b>	<b>1,487</b>	<b>10%</b>	<b>-8%</b>
Provisions	(696)	(731)	(683)	(562)	(626)	11%	-10%
<b>Profit Before Tax</b>	<b>928</b>	<b>780</b>	<b>879</b>	<b>793</b>	<b>861</b>	<b>9%</b>	<b>-7%</b>
Tax Expenses	(180)	(164)	(191)	(91)	(210)	130%	17%
<b>Profit After Tax</b>	<b>749</b>	<b>616</b>	<b>688</b>	<b>702</b>	<b>651</b>	<b>-7%</b>	<b>-13%</b>

## Balance Sheet

TL, mn	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	ΔQoQ	ΔYoY
Cash & Banks <sup>(1)</sup>	30,306	29,578	29,941	29,661	42,316	43%	40%
Securities	29,215	31,446	33,220	34,430	35,902	4%	23%
Net Loans <sup>(2)</sup>	127,274	129,817	143,675	146,449	155,083	6%	22%
Fixed Asset and Investments	4,053	4,038	4,062	4,248	4,283	1%	6%
Other Assets	21,114	20,277	25,662	20,232	20,160	0%	-5%
<b>Total Assets</b>	<b>211,962</b>	<b>215,156</b>	<b>236,559</b>	<b>235,020</b>	<b>257,744</b>	<b>10%</b>	<b>22%</b>
Deposits	121,433	121,642	134,224	130,275	148,161	14%	22%
Customer	115,930	116,870	129,187	125,692	144,511	15%	25%
Bank	5,503	4,772	5,037	4,583	3,650	-20%	-34%
Borrowings	56,129	56,580	61,569	62,320	65,731	5%	17%
Bonds Issued	15,241	15,453	16,087	14,724	15,642	6%	3%
Funds Borrowed	19,797	22,121	25,866	25,897	27,864	8%	41%
Sub-debt	6,079	6,255	7,285	6,704	7,744	16%	27%
Repo	15,013	12,751	12,331	14,995	14,481	-3%	-4%
Other	18,198	19,600	22,918	23,184	24,181	4%	33%
Equity	16,202	17,334	17,848	19,241	19,671	2%	21%
<b>Total Liabilities &amp; Equity</b>	<b>211,962</b>	<b>215,156</b>	<b>236,559</b>	<b>235,020</b>	<b>257,744</b>	<b>10%</b>	<b>22%</b>

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