



QNB Finansbank Q3'21 Earnings Presentation

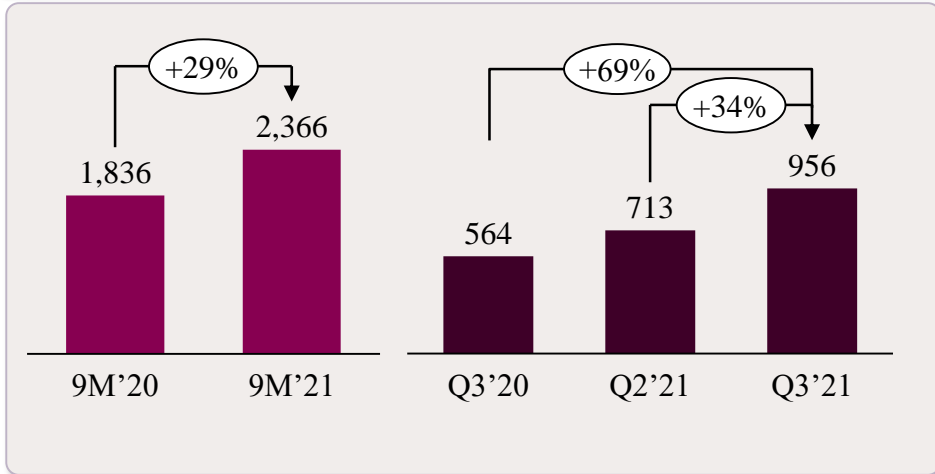
Based on BRSA Unconsolidated Financial Statements
October 2021

Period Highlights

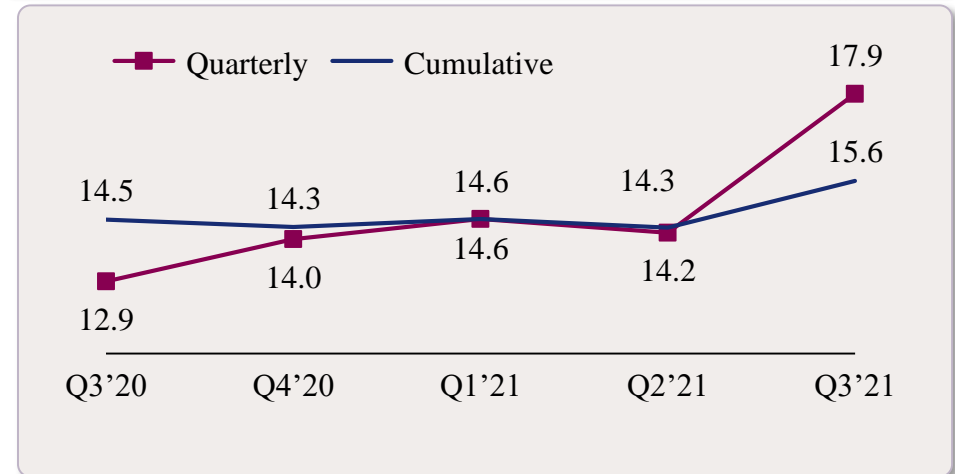
- ✓ Outstanding operating performance attributable to rising core revenues and excellent cost management: Q3'21 net income realized at TL 956 million (69% higher than same quarter of prior year), bringing 9M'21 net income to TL 2,366 mn (29% YoY)
- ✓ Accordingly, Q3'21 and 9M'21 ROE realized at 17.9% and 15.6%, respectively, anticipated to be ahead of private banks' and sector averages
- ✓ Steady loan growth during Q3'21 of 6% QoQ yielded a growth performance well above private banks' and sector' both on a quarterly and cumulative basis.
- ✓ YtD deposits growth of 28% outpaced the sector and private banks' by a wide margin, resulting from the execution of the diversification strategy of funding base with client sources. Deposits stood as the major source of funding, accounting for 60% of the balance sheet.
- ✓ NPL ratio continued to improve on the back of strong collection performance, very low level of NPL inflow and NPL sale during Q3'21, while provisioning stance remained very conservative reflected on high coverages more than covering risks.
- ✓ Effective cost management contained YtD OPEX growth at 12% YoY, despite materially high average inflation and substantial TL depreciation
- ✓ Robust solvency ratios retained with CAR at 15.2% and Tier 1 at 12.5%
- ✓ 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

Outstanding operating performance translated into significant ROE uplift, as capital position remained solid even with adverse exchange rate shock and robust RWA growth

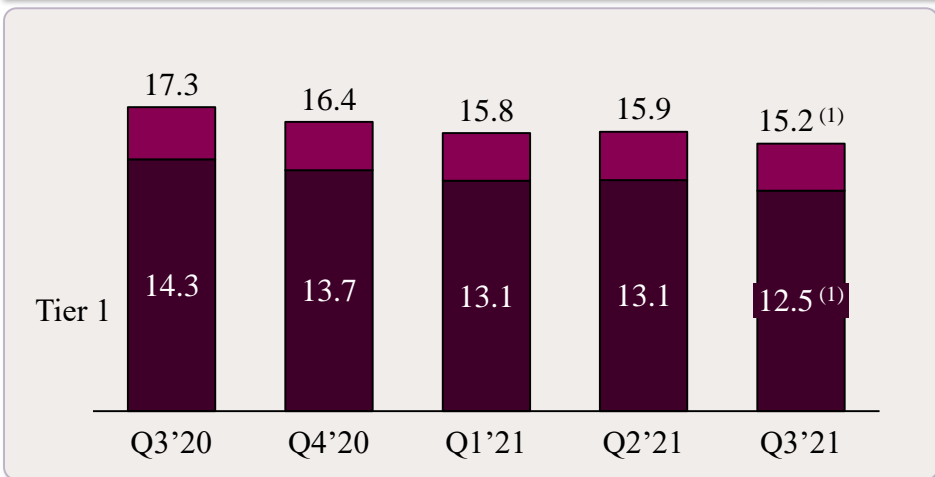
Net Income (TL mn.)



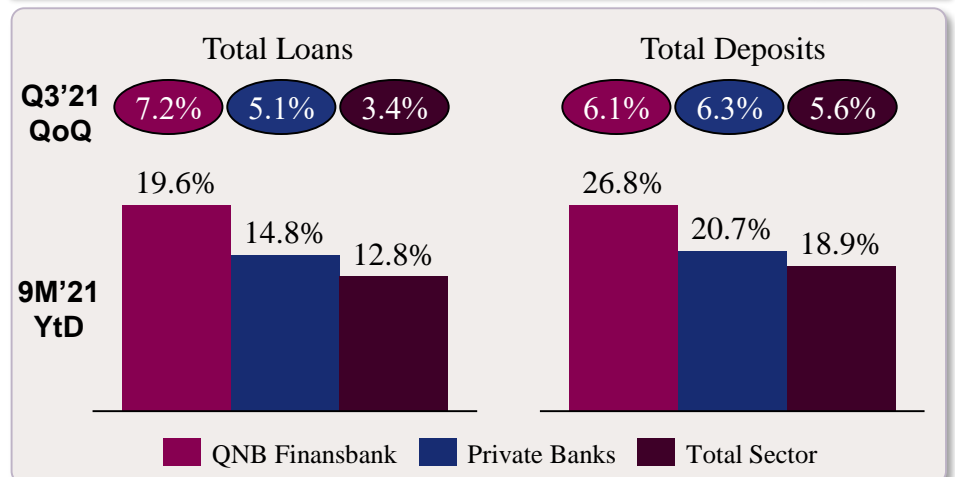
Quarterly and Cumulative RoAE (%)



CAR (%)



Total Loans & Deposits Growth⁽²⁾ (%)

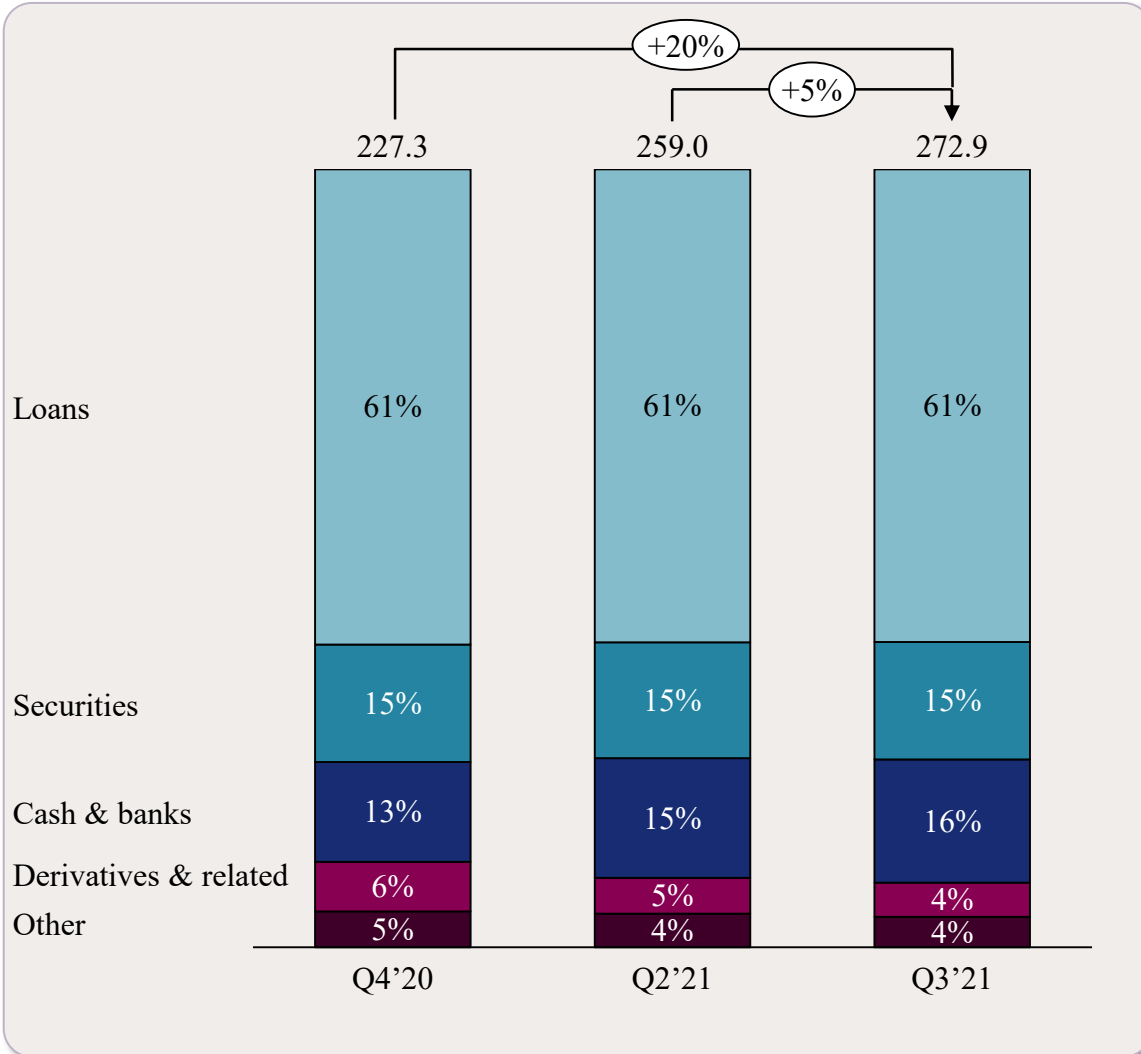


⁽¹⁾ Without BRSA's temporary forbearance measures: CAR: 14.8%, Tier 1: 12.2%

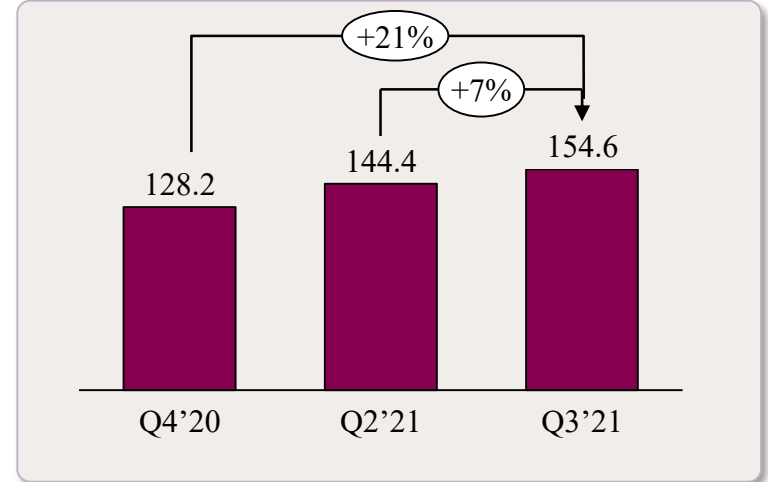
⁽²⁾ BRSA Weekly Banking Sector data compared vis-a-vis QNBFB data as of Oct 1, 2021

Well-balanced asset base grew by 20% YtD reaching TL273 bn, as loans constitute 61% of assets reflecting Bank's commitment to fund the economy

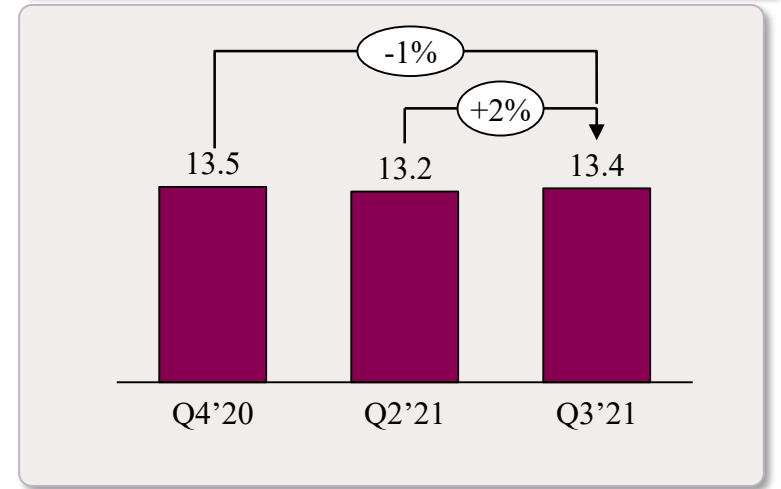
Total Assets (TL bn)



TL Assets (TL bn)



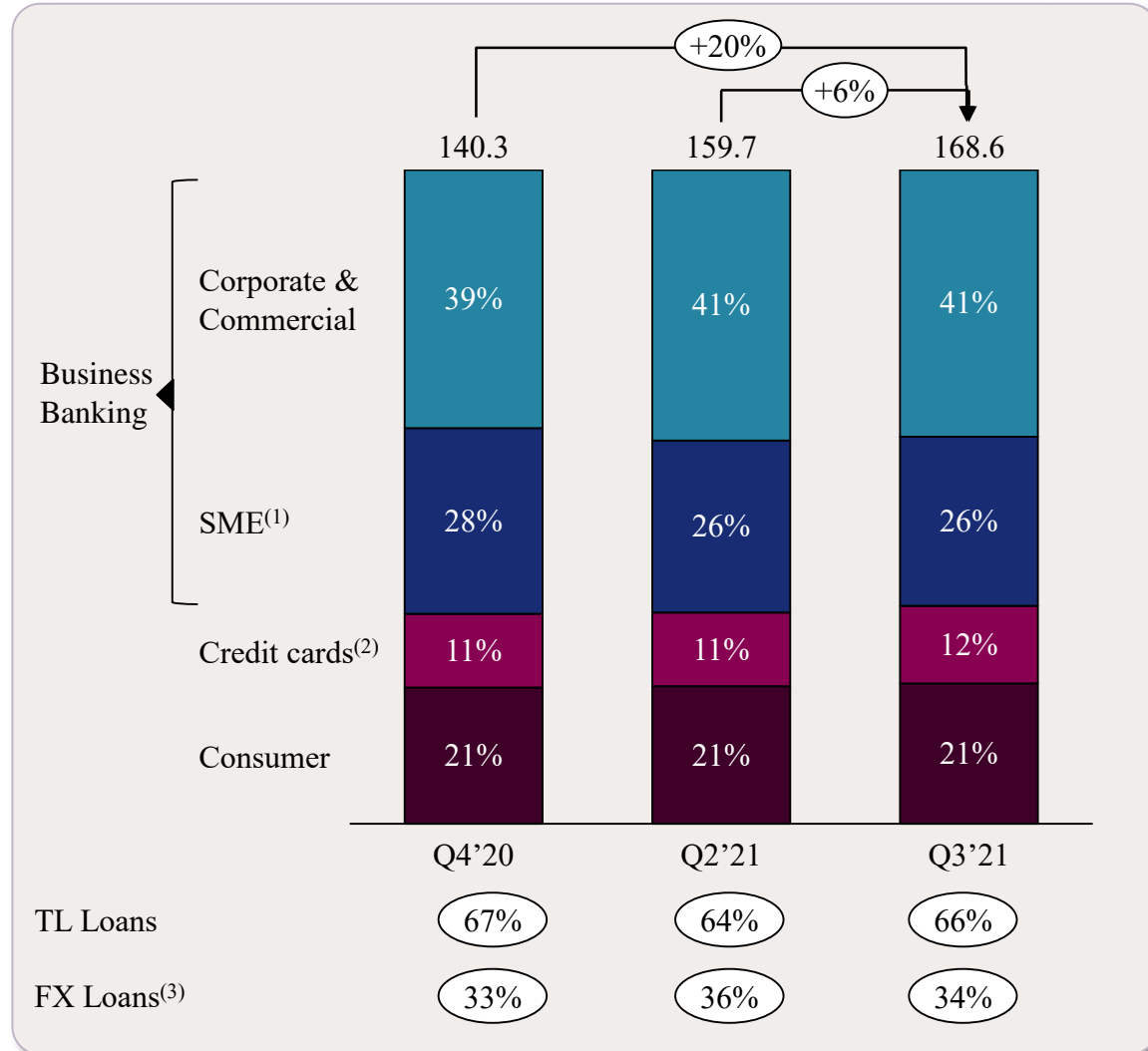
FX Assets⁽¹⁾ (USD bn)



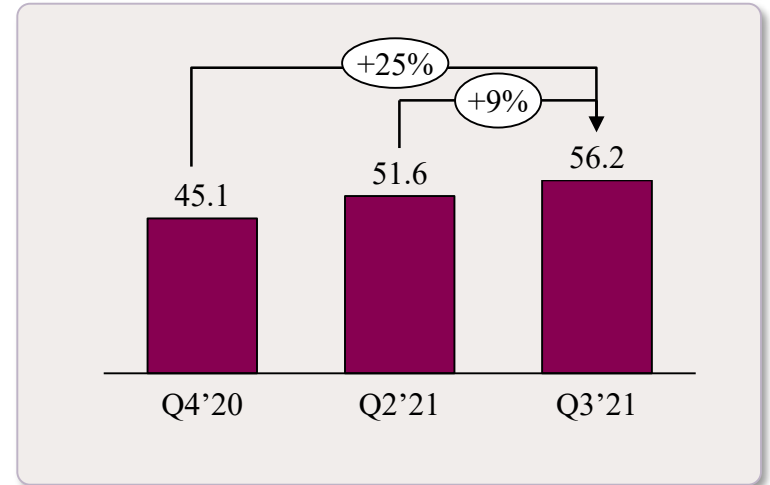
⁽¹⁾ FX-indexed TL loans are shown in FX assets

Loan growth outpaced peers both on QoQ and YtD bases supported by all businesses

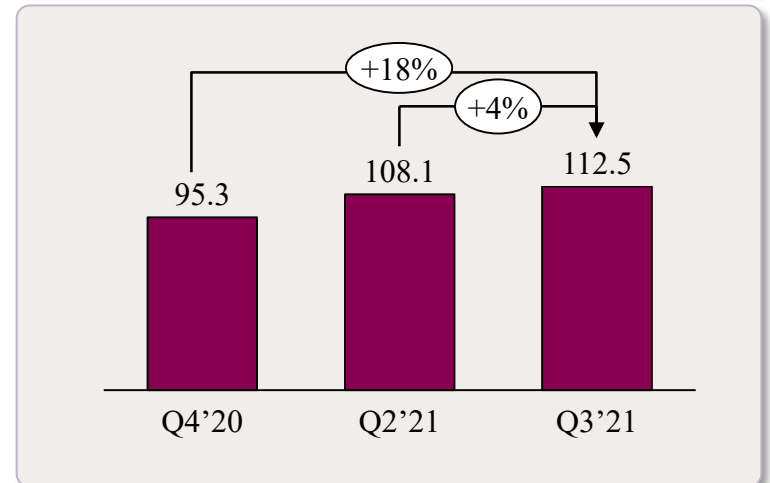
Performing Loans by Segment and Currency (TL bn)



Retail Loans (TL bn)

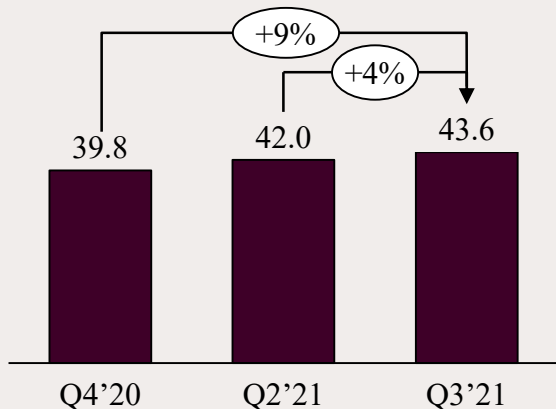


Business Loans (TL bn)

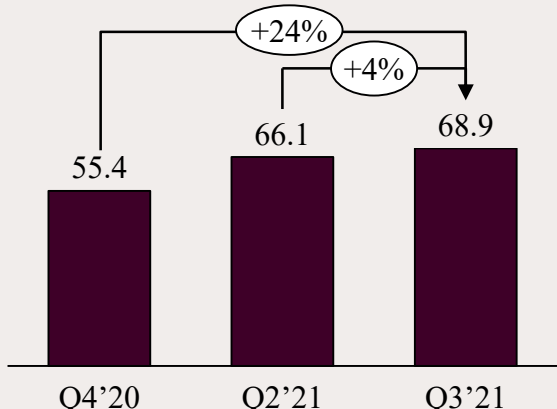


Corporate & Commercial continued to lead Business Banking growth, while General Purpose Loans and Credit Cards remained focus areas at Retail lending

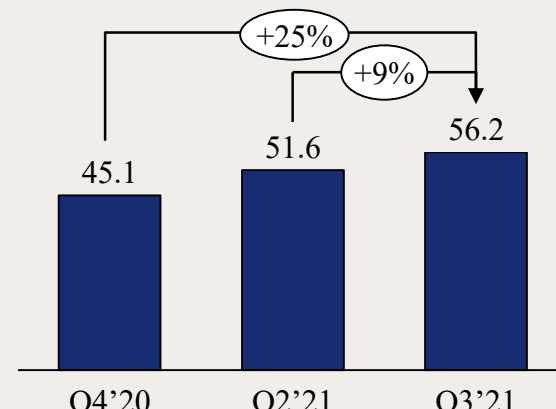
SME Loans⁽¹⁾ (TL bn)



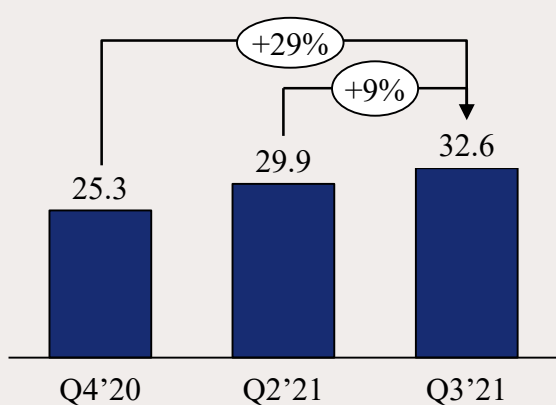
Corporate & Commercial Loans (TL bn)



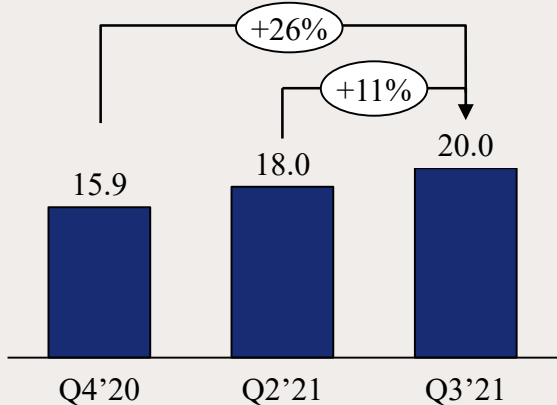
Retail Loans (TL bn)



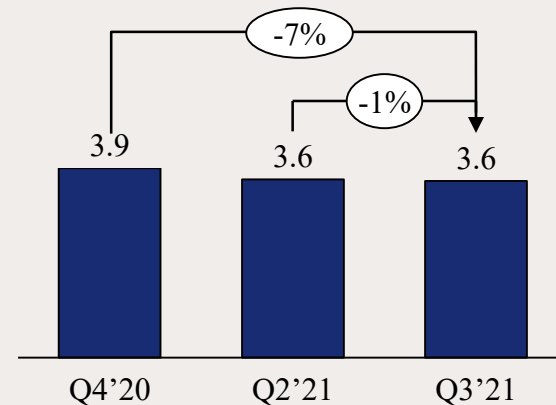
General Purpose Loans⁽²⁾ (TL bn)



Credit Card Loans⁽³⁾ (TL bn)



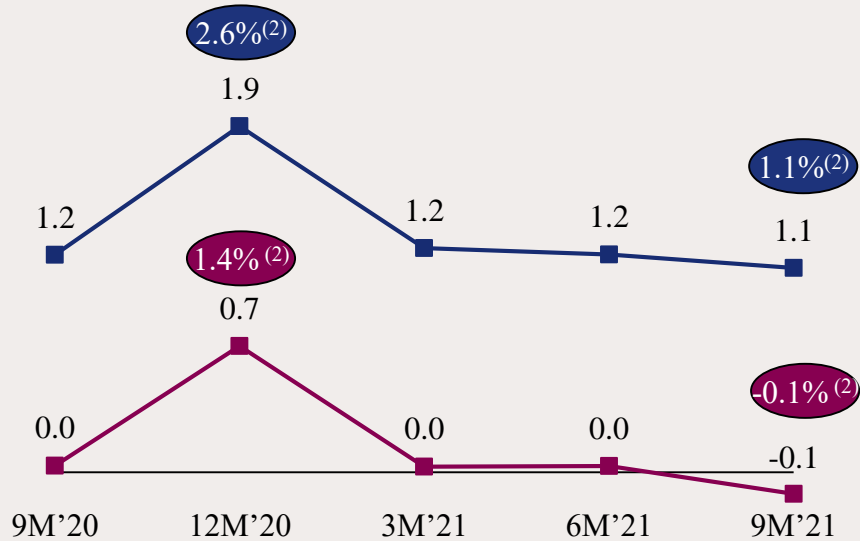
Mortgage Loans (TL bn)



Net new NPL generation turned into a net collection thanks to strong collection performance and very low level of NPL inflow, while NPL ratio further benefited from NPL sale

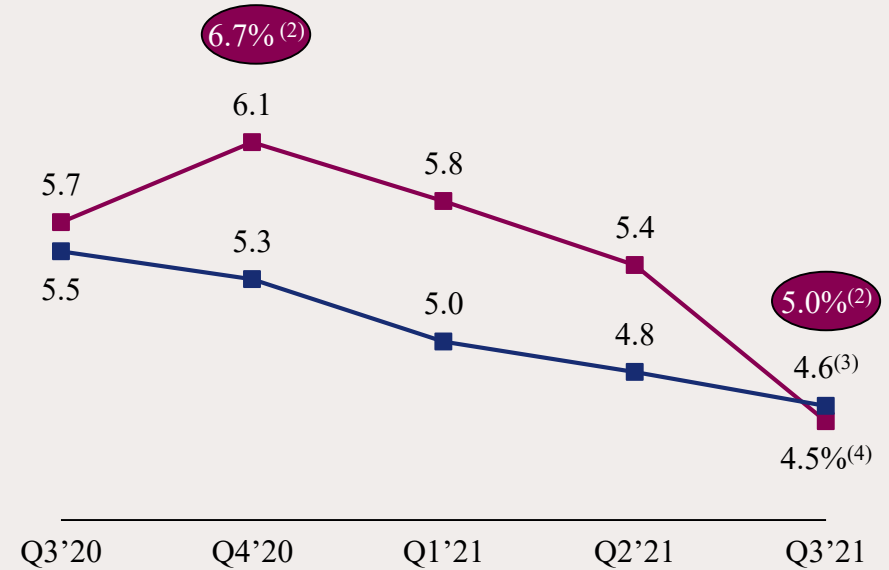
NPL Additions / Average Loans (%)

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



NPL Ratio (%)

■ QNB Finansbank ■ Private Banks



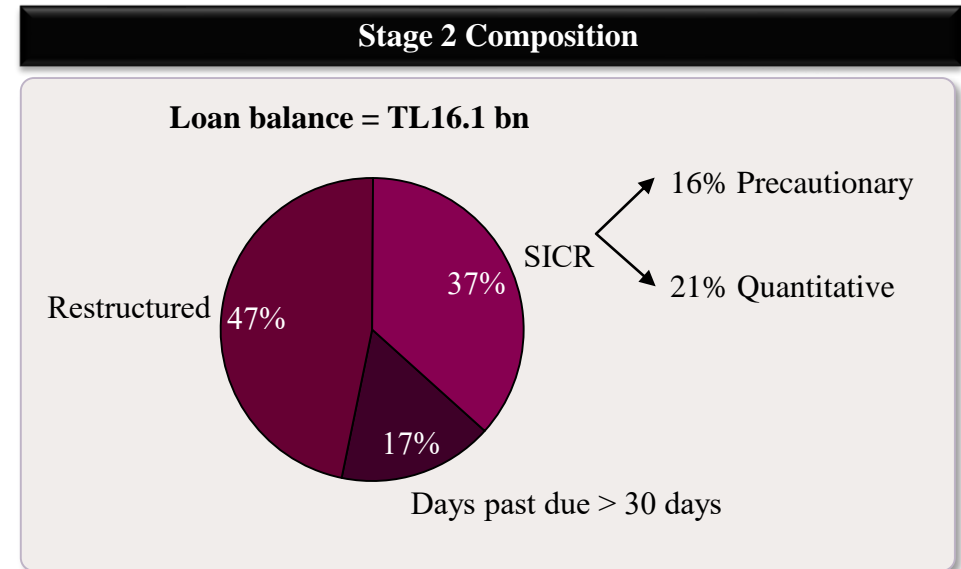
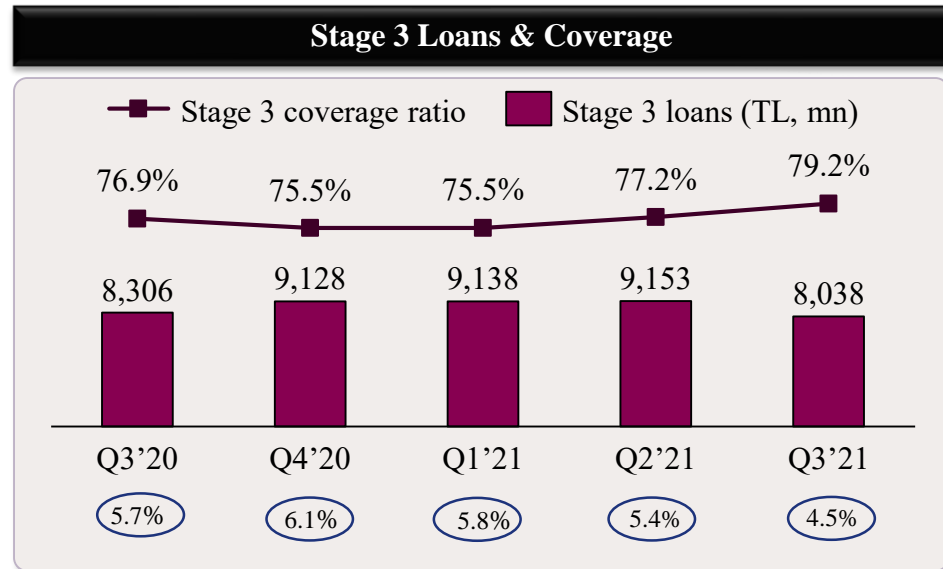
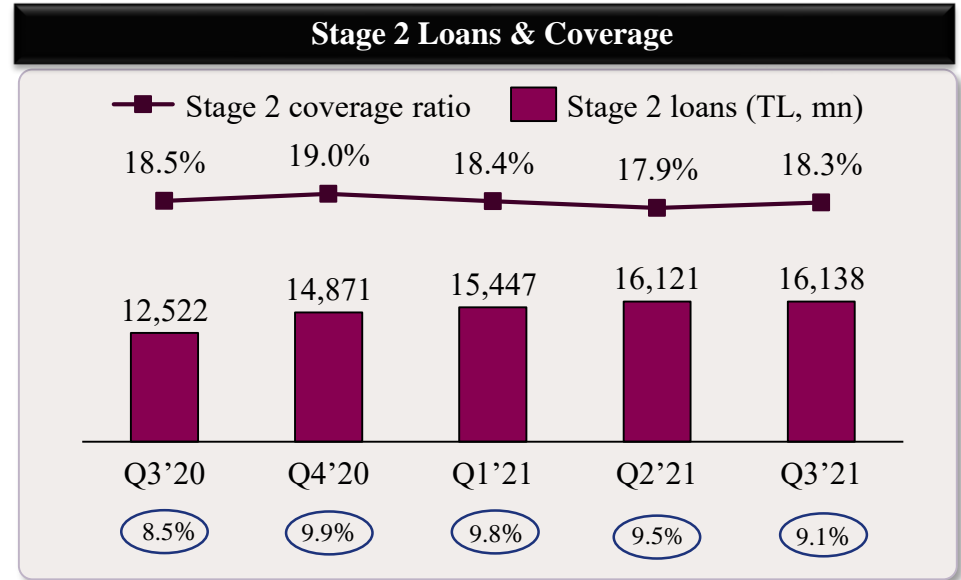
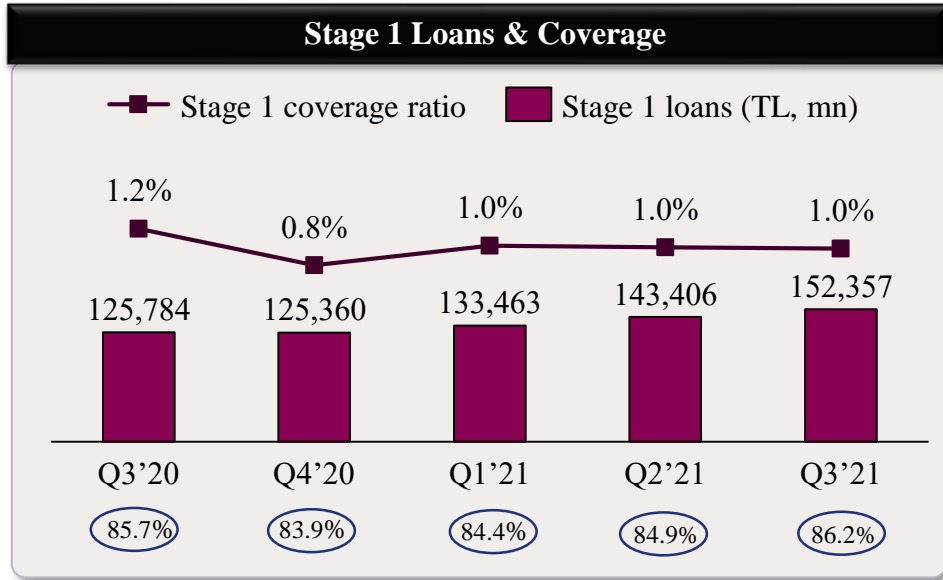
⁽¹⁾ Net NPL Generation = NPL Additions - NPL Collections

⁽²⁾ Without regulatory easing, which extended days past due criteria from 3 months to 6 months for NPL recognition

⁽³⁾ BRSA monthly banking sector data for private banks for August 2021

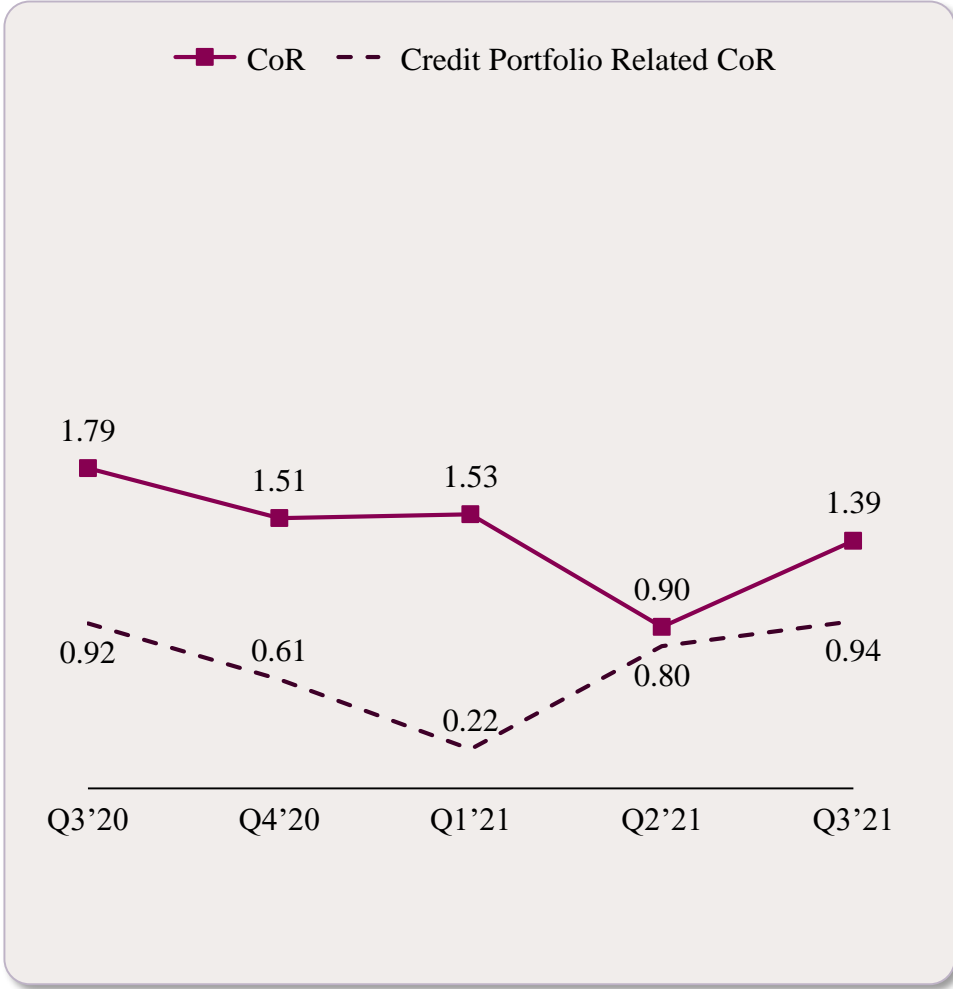
⁽⁴⁾ NPL portfolio of TL1.0 bn was sold for TL206 mn in Q3'21, leading to a 55-bp positive impact on NPL ratio

Provision buffers further reinforced extensively but most notably for Stage III loans, which posted 2% rise notwithstanding the dilutive impact of NPL sale in Q3 ○ as a % of gross loans⁽¹⁾ for the relevant period

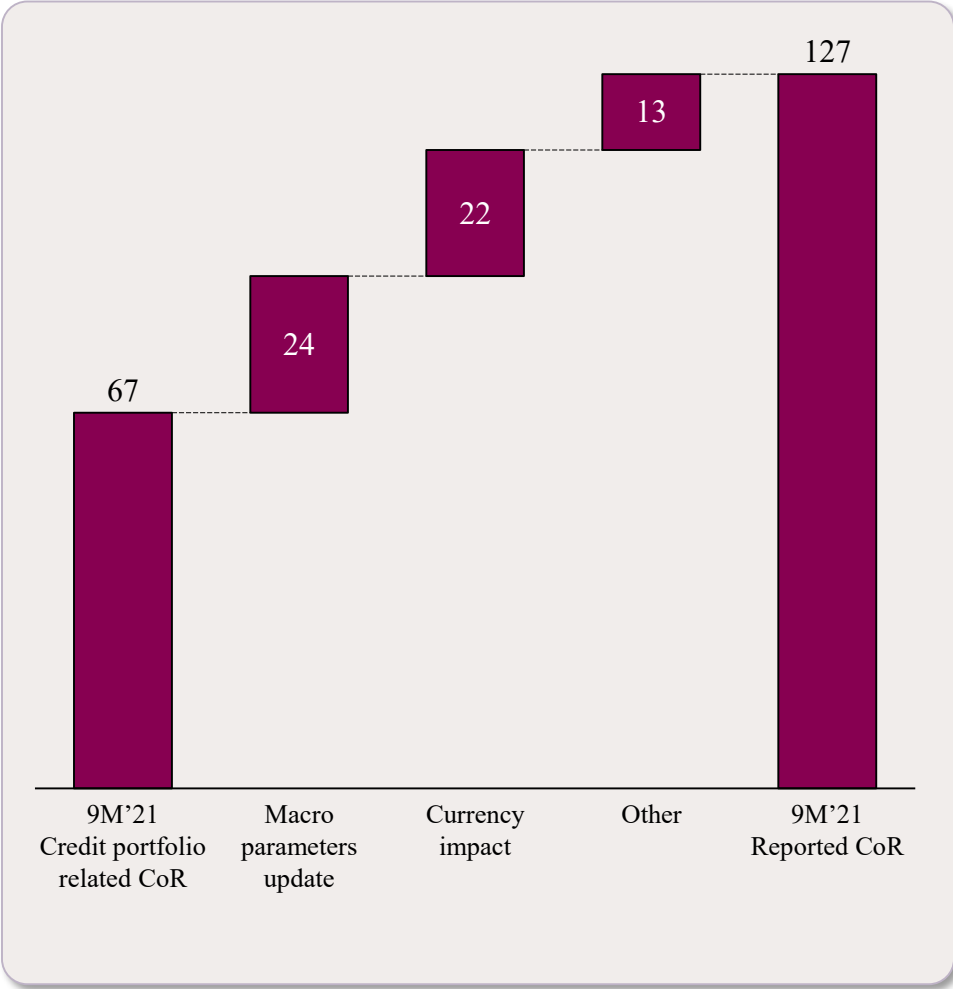


Prudent provisioning stance has been upheld even with steadily low new NPL generation and solid collection performance

Quarterly Cost of Risk (%)

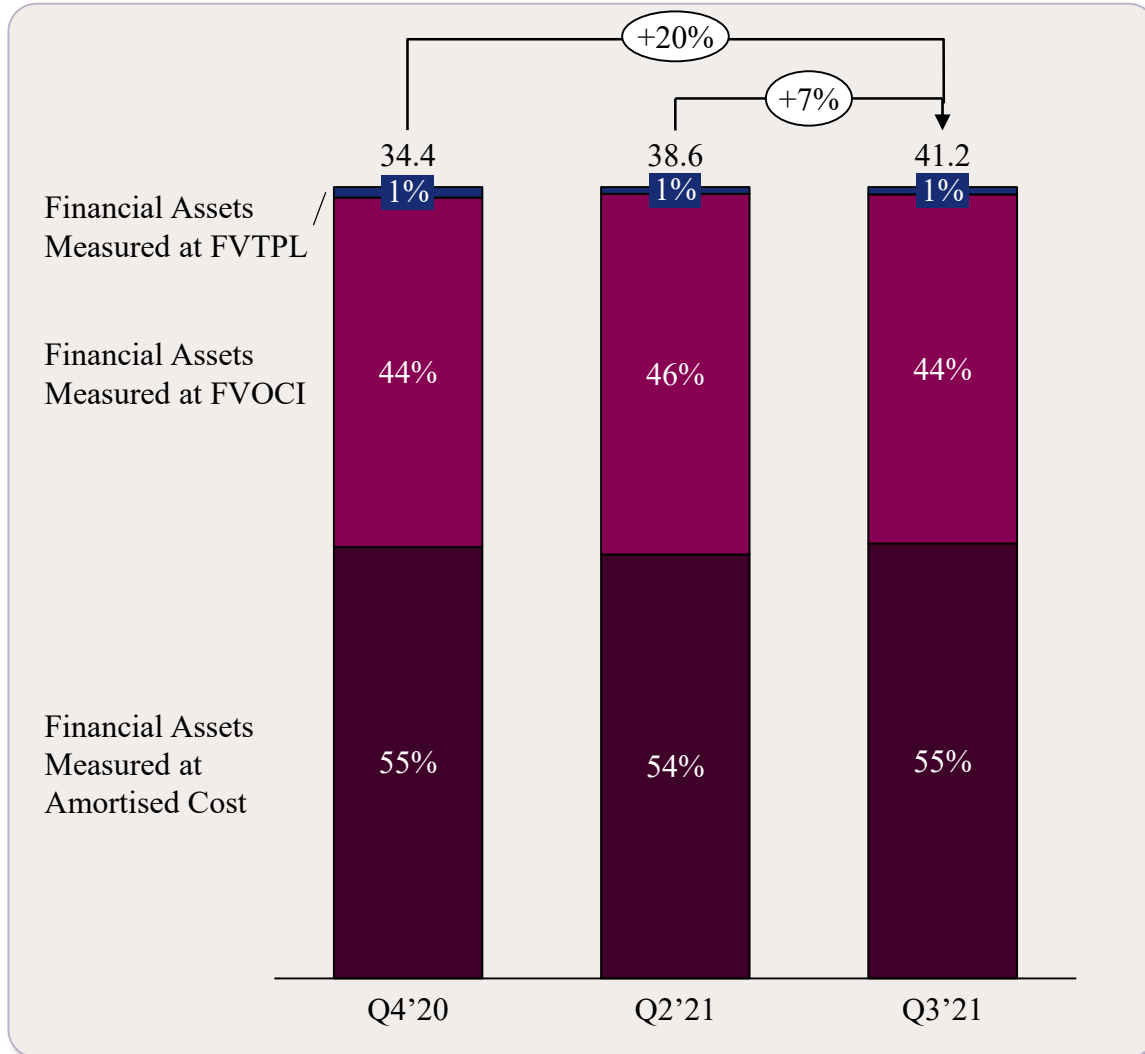


9M'21 CoR Breakdown (bps)

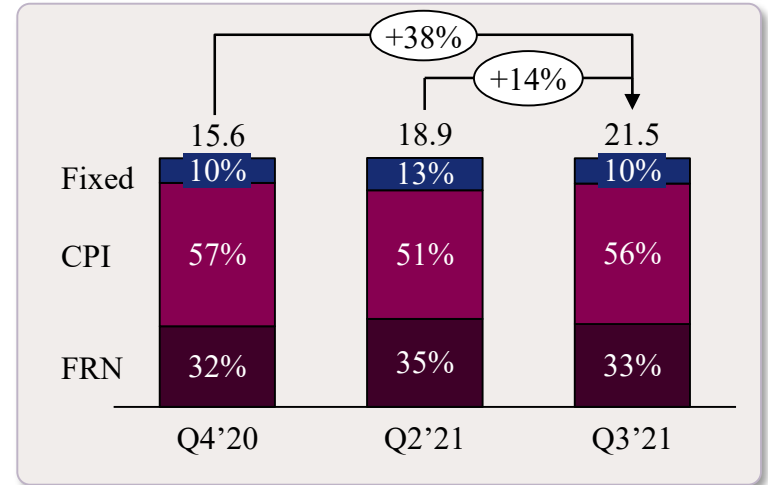


Securities portfolio recorded 7% QoQ and 20% YtD growth largely driven by TL securities, of which 89% are floating/indexed in nature

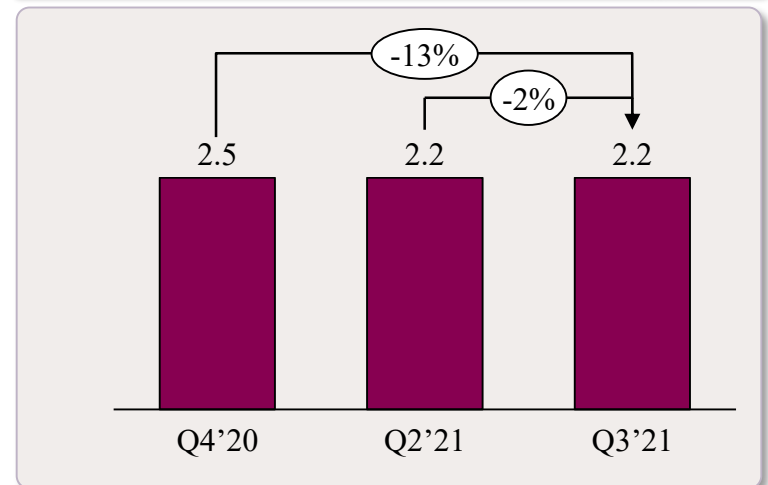
Total Securities (TL bn)



TL Securities (TL bn)

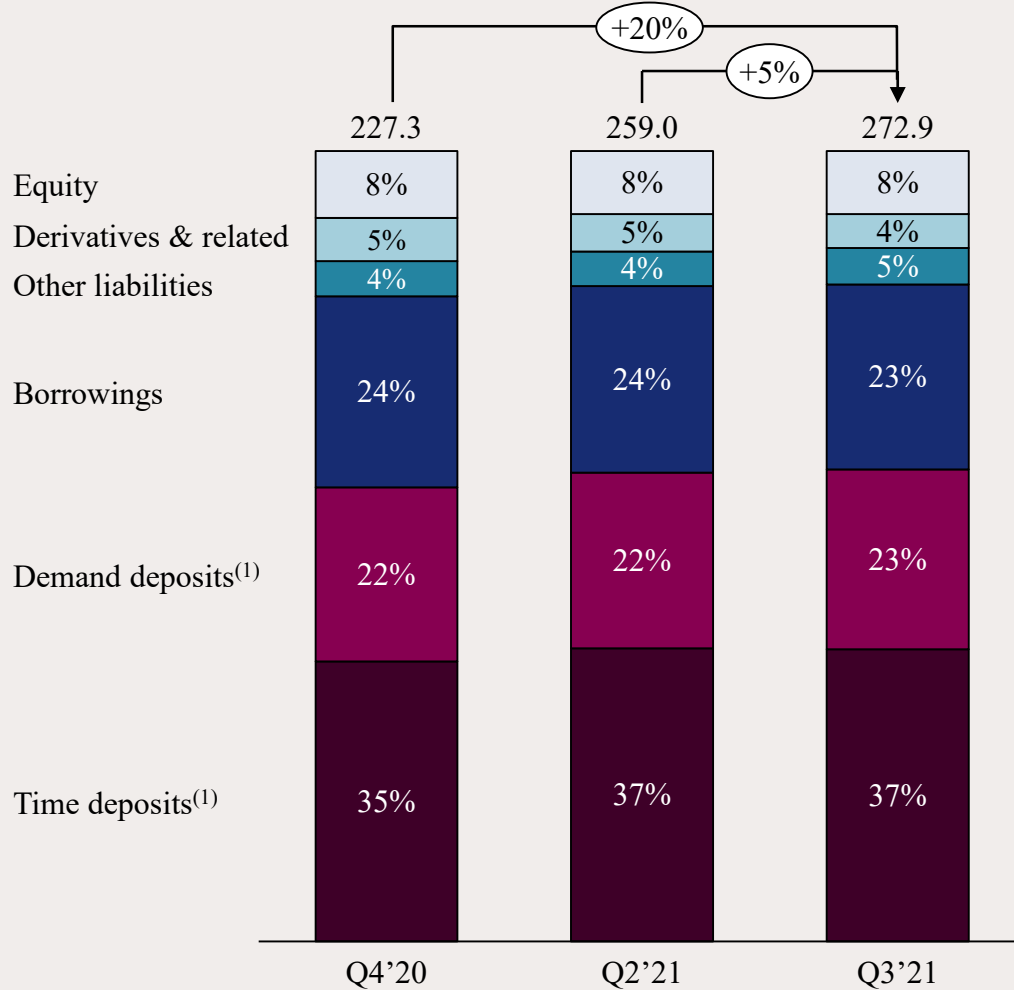


FX Securities (USD bn)

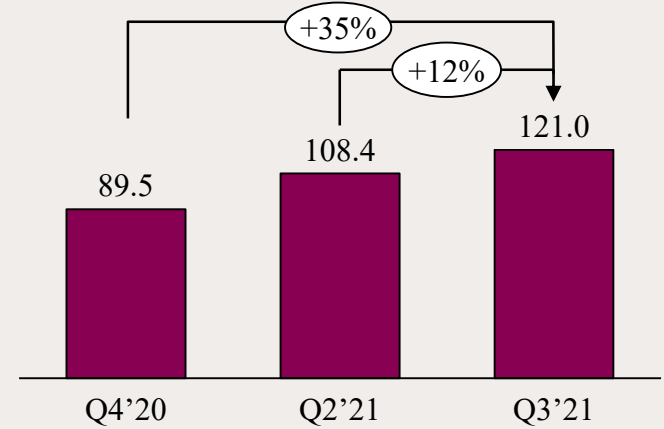


Well-diversified & disciplined funding mix maintained with a tilt towards TL funding, as TL deposits gatherings and TL bond issuances recorded a robust growth

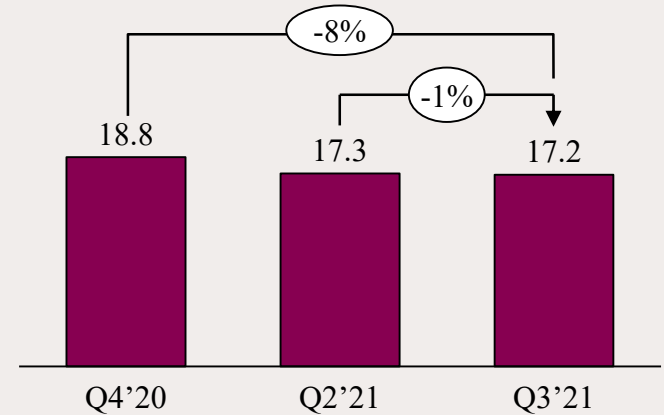
Total Liabilities (TL bn)



TL Liabilities (TL bn)

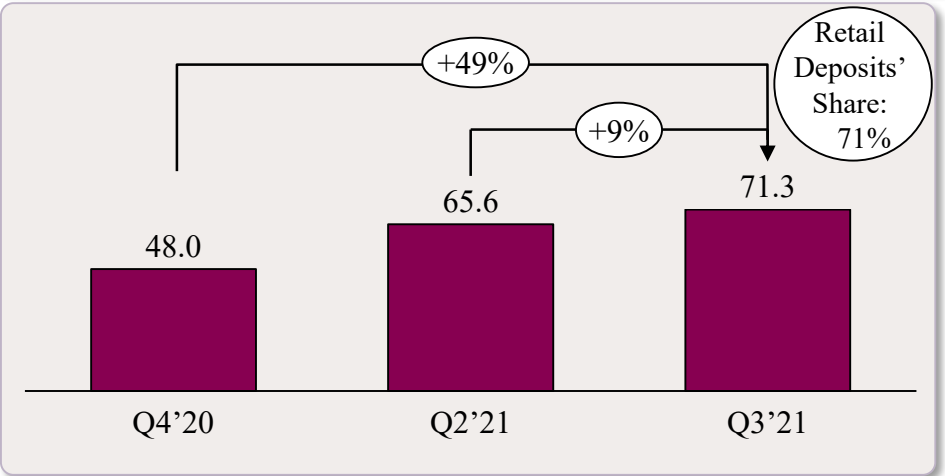


FX Liabilities (USD bn)

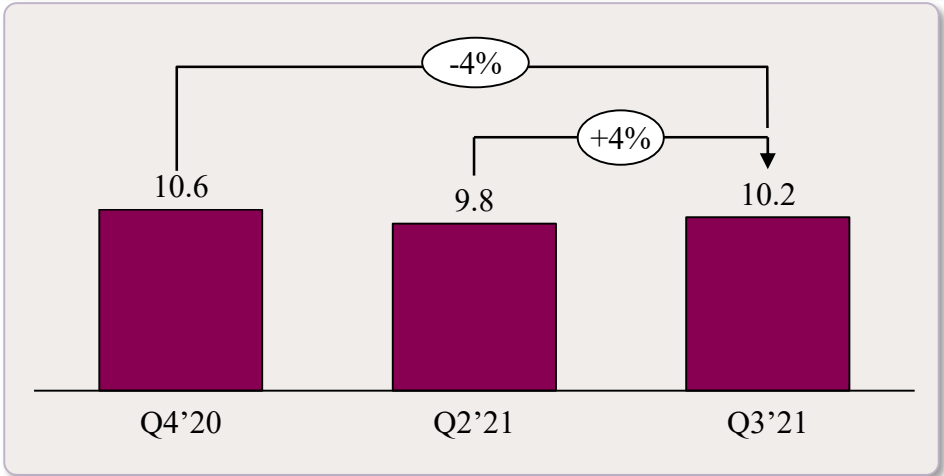


TL driven deposit gatherings, outpaced both the private peers and the sector, as well boosted by strong and healthy demand deposit contribution

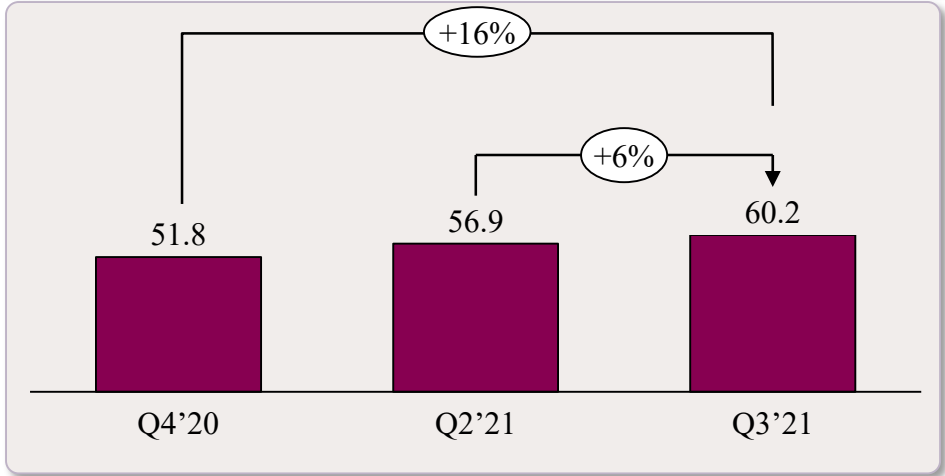
TL Customer Deposits (TL bn)



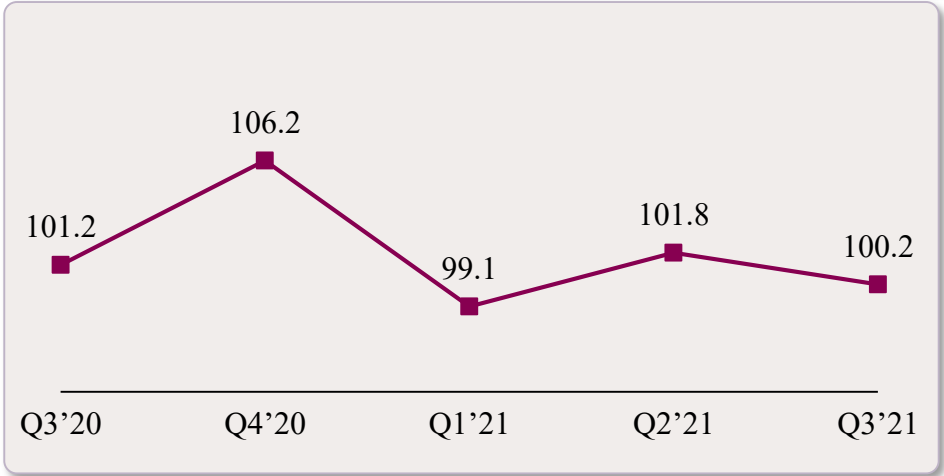
FX Customer Deposits (USD bn)



Customer Demand Deposits (TL bn, aop)



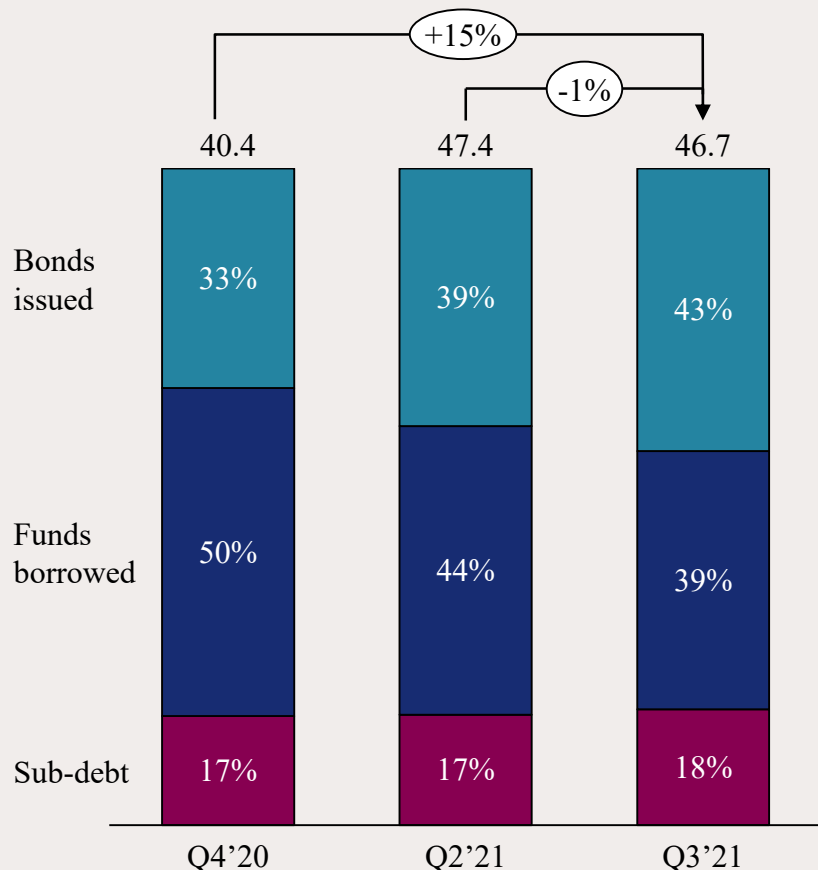
Loan-to-deposit-ratio⁽¹⁾ (%)



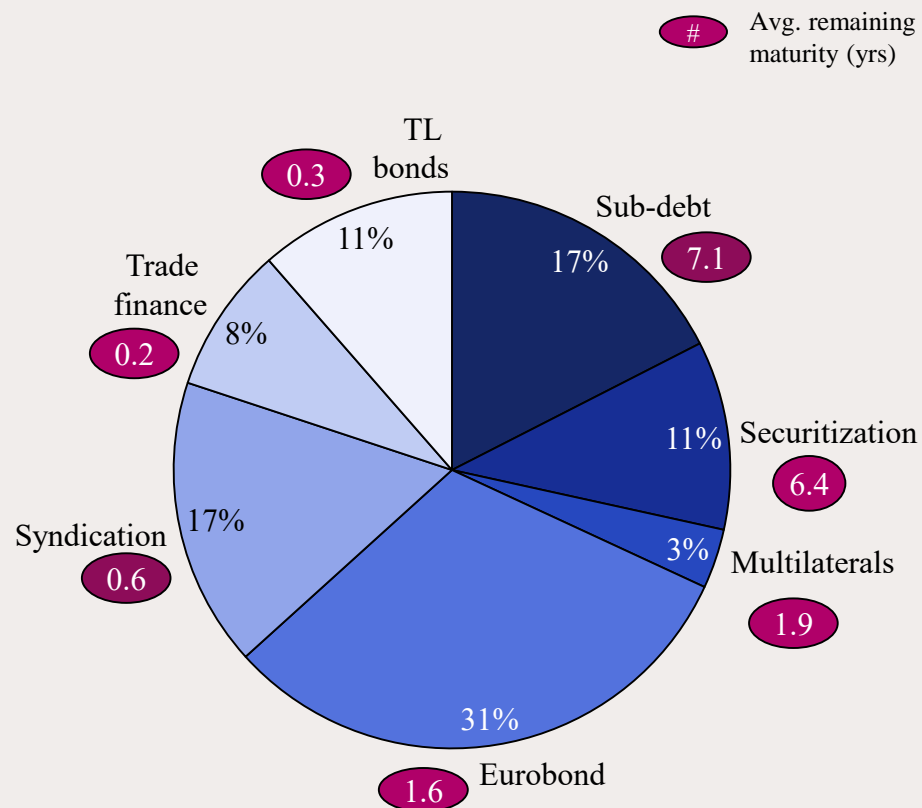
⁽¹⁾ Including TL issued bonds, bank deposits & fiduciary deposits

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)

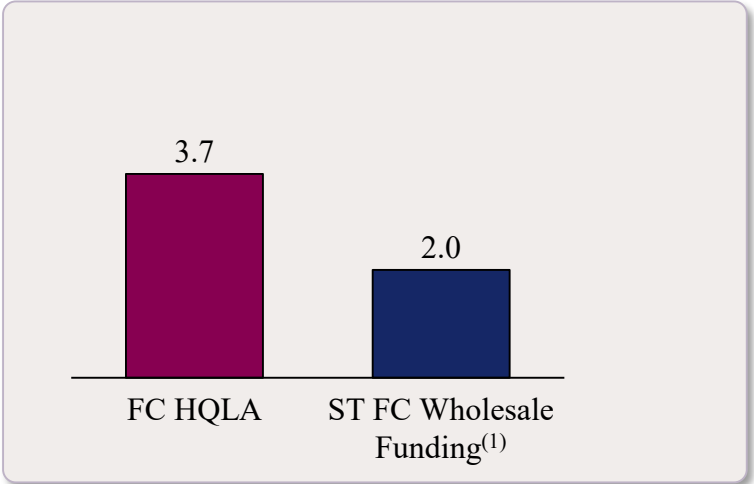


Wholesale Borrowings⁽¹⁾ Breakdown

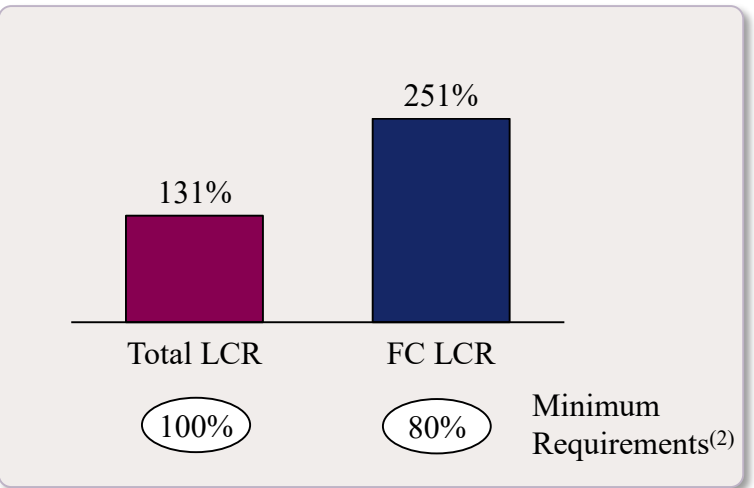


Manageable external borrowings led to ample FC liquidity vis-a-vis short-term dues

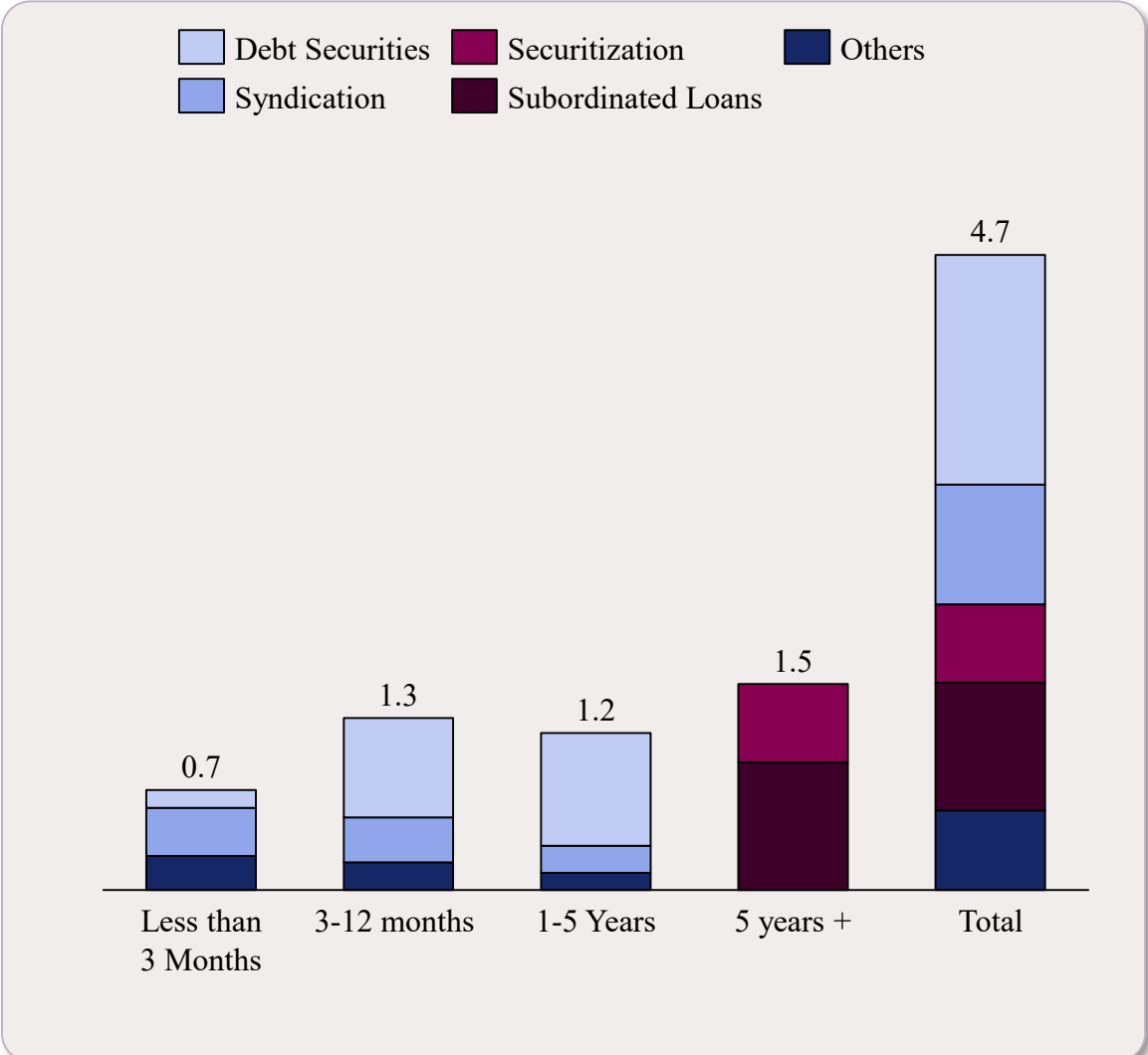
FC HQLA vs Short-term Dues (USD bn)



Liquidity Coverage Ratios (% , eop)



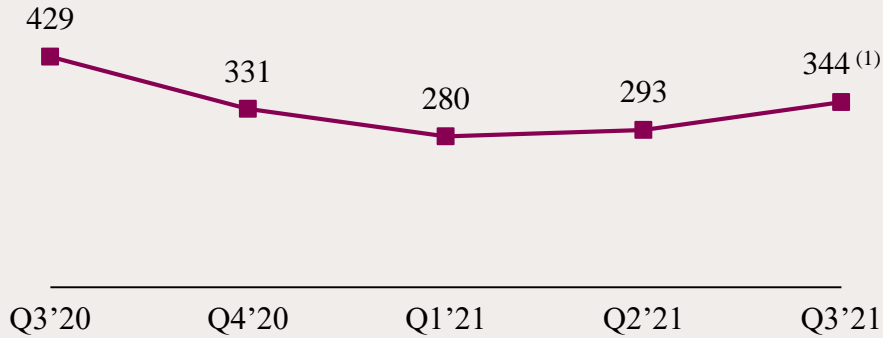
Maturity Profiles of FC Wholesale Funding (USD bn)



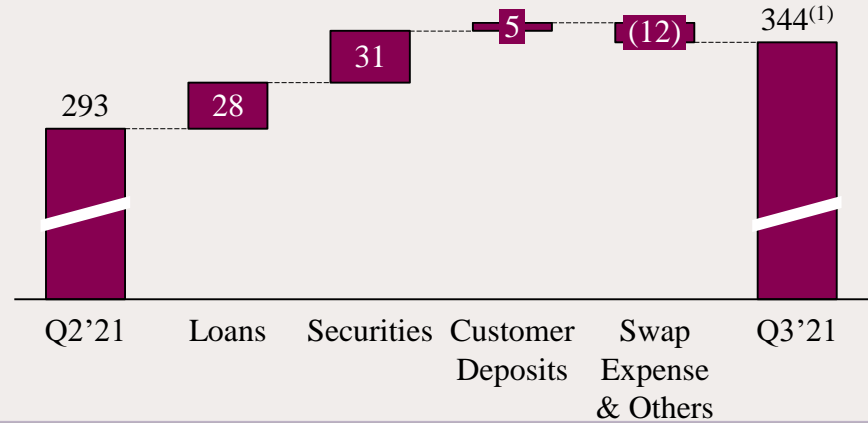
⁽¹⁾ FC wholesale funding due within 1 year
⁽²⁾ Regulatory LCR requirements, which were temporarily lifted throughout 2020 within scope of the Covid-19 forbearance measures, are in force again as of the onset of 2021.

Robust NIM and spread improvement, achieved in Q3'21 thanks to higher loan yields and CPI update, is expected to continue in Q4'21 fueled by recent rate cuts of CBRT

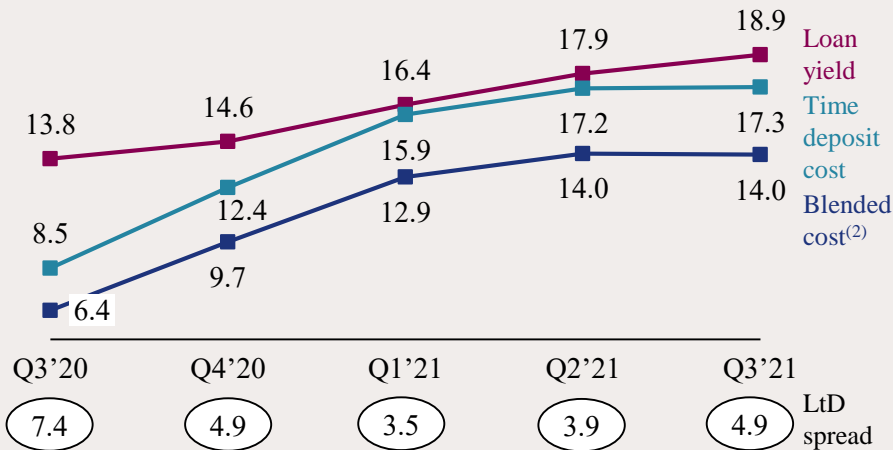
Quarterly NIM after Swap (bps)



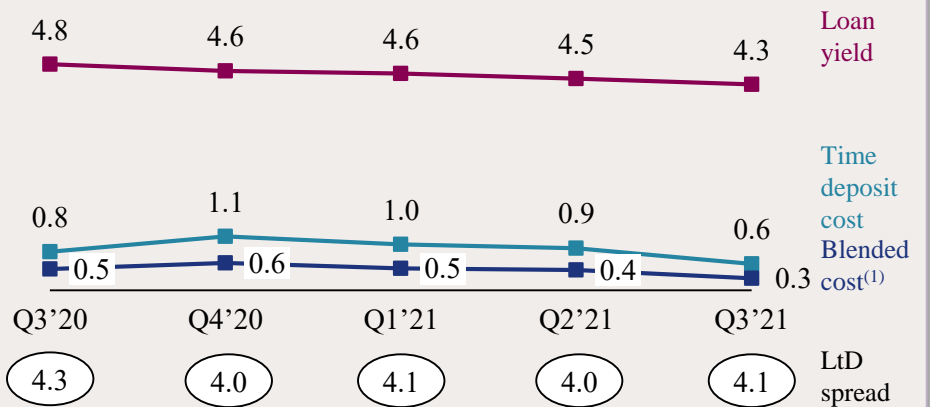
Quarterly NIM after Swap Evolution (bps)



TL Spread (% , quarterly)



FX Spread (% , quarterly)



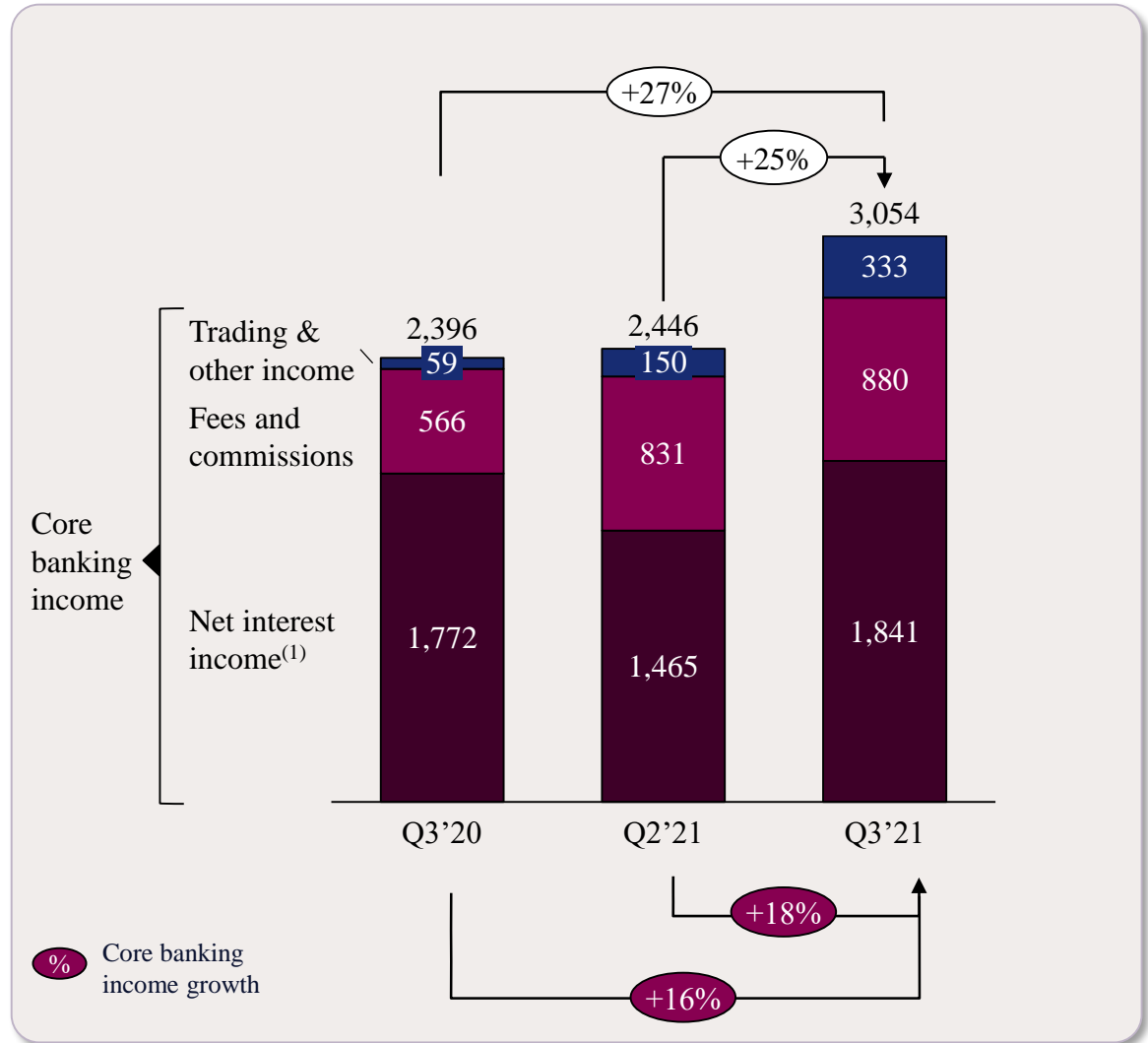
⁽¹⁾ October-October inflation projection used in the valuation of CPI linkers was 16% as of the end of 9M'21.

A 100 bps increase in CPI projection would contribute TL 122 mn/yr to NII and 6 bps to annual NIM.

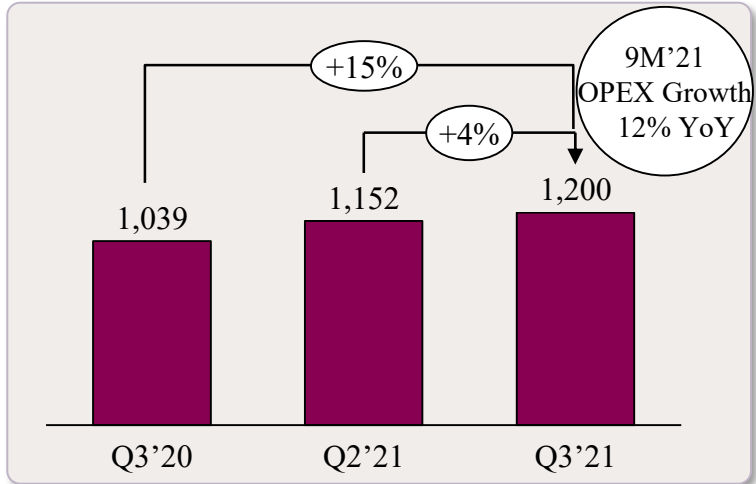
⁽²⁾ Blended of time and demand deposits.

Strong core banking income generation coupled with effective cost management: Eye-catching NII recovery thru thriving asset repricing & 9M'21 OPEX contained at 12% YoY, well below inflation.

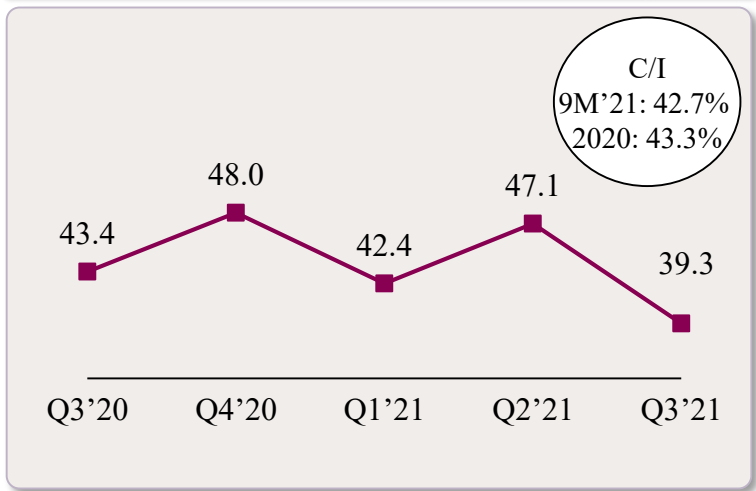
Total Operating Income (TL mn.)



OpEx (TL mn.)



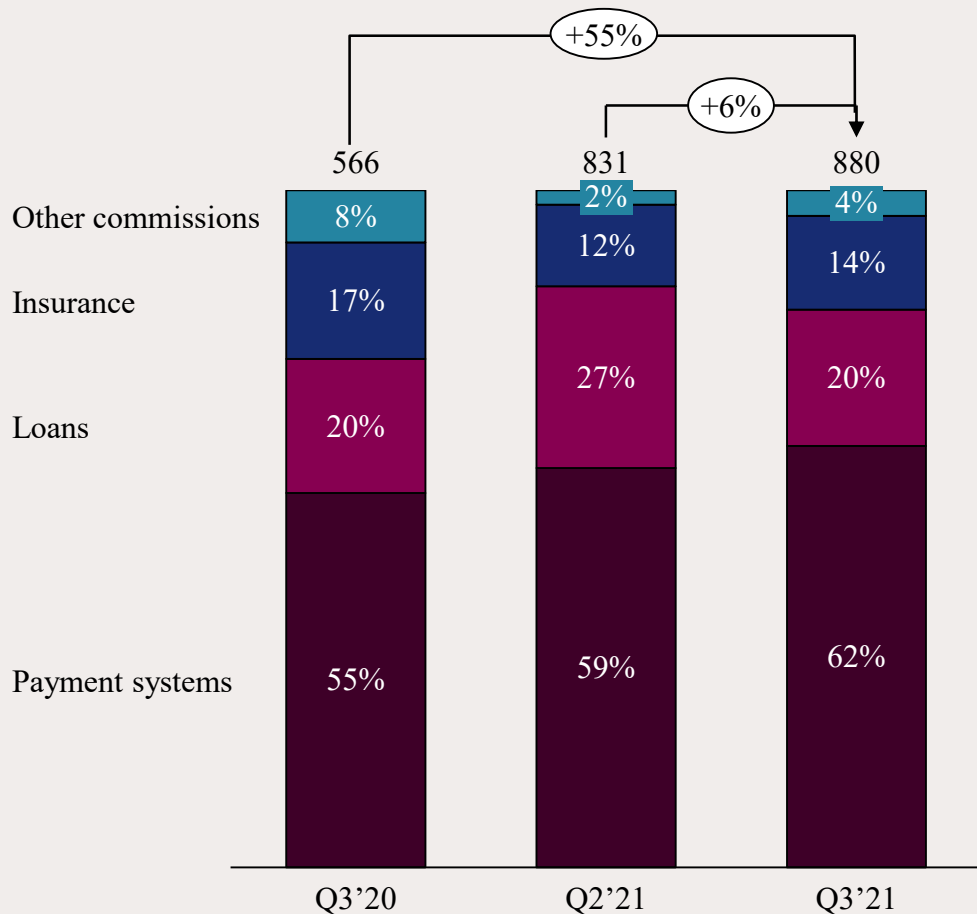
Cost / Income (%)



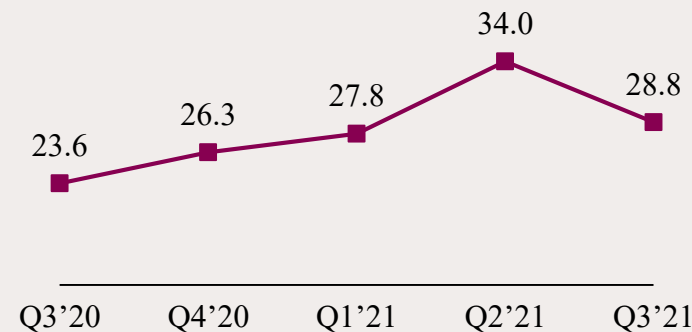
⁽¹⁾ Including swap expenses

Fees once again outperformed the expectations mainly on the back of stellar payment systems performance thanks to higher volumes and rates

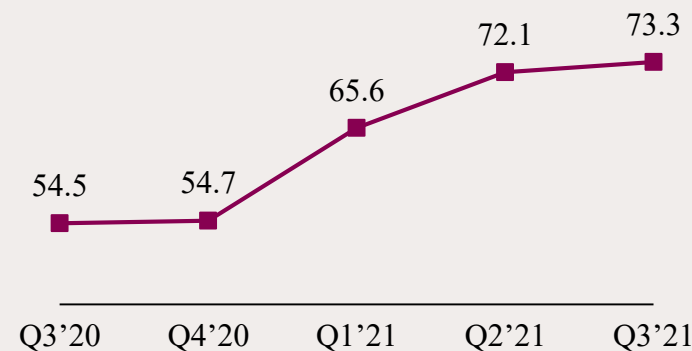
Net Fees and Commissions⁽¹⁾ (TL mn)



Fees / Total Income (%)

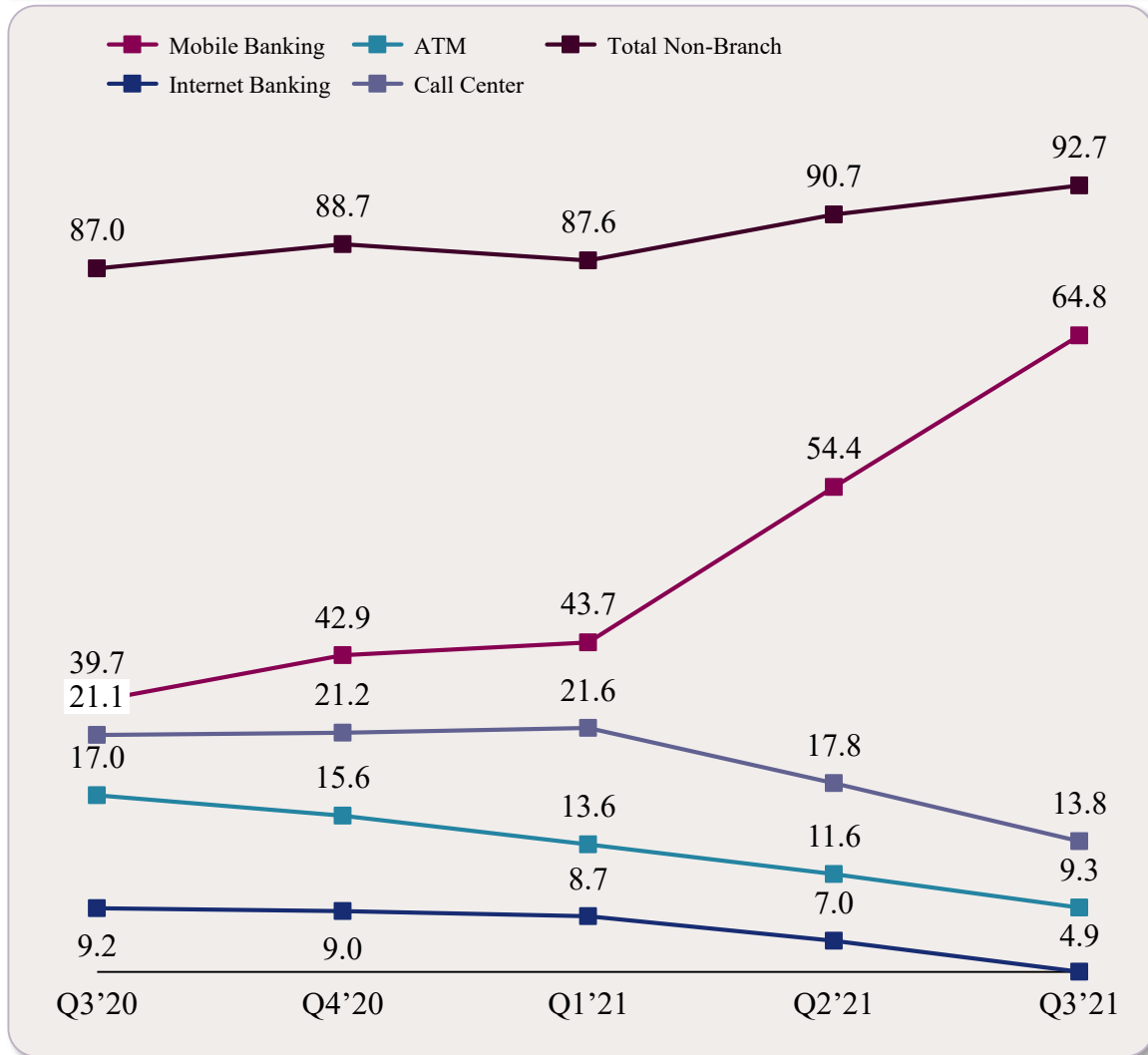


Fees / OpEx (%)

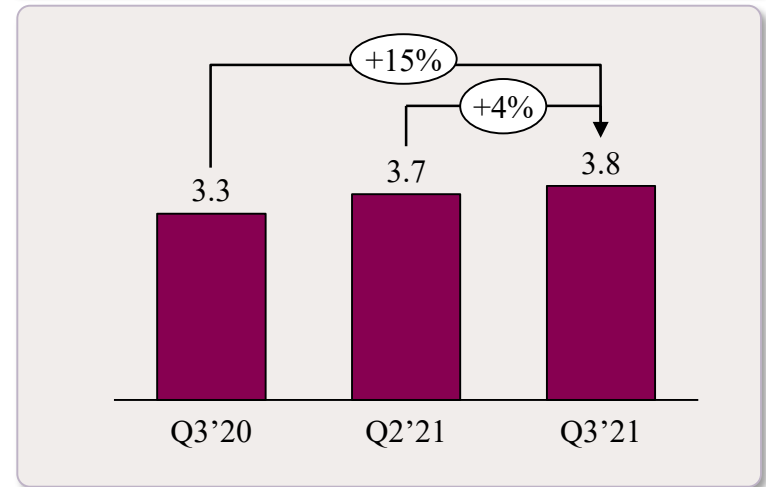


Investment in digital transformation paved the road to a smooth & swift transition to digital channels

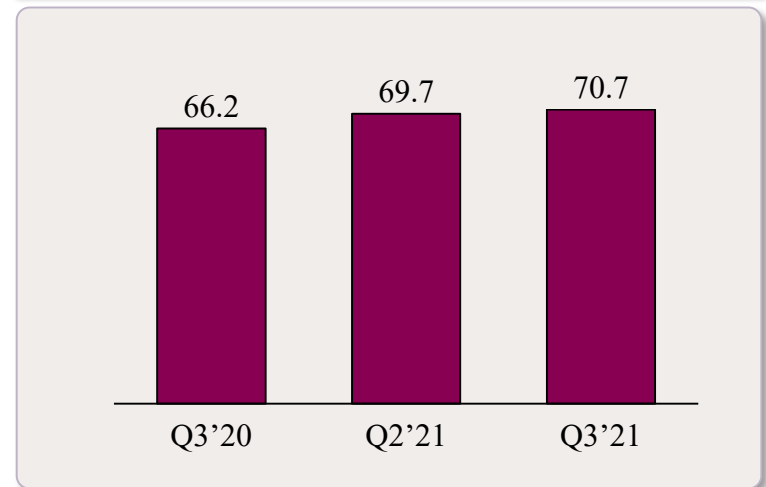
Share of Transactions Evolution in Non-Branch Channels (%)



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>	Q1'20	Q2'20	Q3'20	9M'20	Q1'21	Q2'21	Q3'21	9M'21
Profitability	RoAE	18.8%	12.3%	12.9%	14.5%	14.6%	14.2%	17.9%	15.6%
	RoAA	1.6%	1.0%	1.0%	1.2%	1.2%	1.1%	1.4%	1.3%
	Cost / Income	39.6%	42.0%	43.4%	41.6%	42.4%	47.1%	39.3%	42.7%
	NIM after swap expense	4.8%	4.3%	4.3%	4.5%	2.8%	2.9%	3.4%	3.1%
Liquidity	Loans / Deposits ⁽¹⁾	96.8%	99.1%	101.2%	101.2%	99.1%	101.8%	100.2%	100.2%
	LCR (aop)	118.1%	119.1%	119.3%	119.3%	120.1%	137.8%	136.2%	136.2%
Asset quality	NPL Ratio	6.4%	6.3%	5.7%	5.7%	5.8%	5.4%	4.5%	4.5%
	Cost of Risk	2.2%	2.2%	1.8%	2.0%	1.5%	0.9%	1.4%	1.3%
Solvency	CAR	15.1%	17.1%	17.3%	17.3%	15.8%	15.9%	15.2%	15.2%
	Tier I Ratio	12.5%	14.3%	14.3%	14.3%	13.1%	13.1%	12.5%	12.5%
	Liability/Equity	12.8x	12.2x	13.0%	13.0%	12.7x	12.5x	12.6%	12.6%

BRSA Bank-Only Summary Financials

Income Statement

TL, mn	Q2'21	Q3'21	ΔQoQ	9M'20	9M'21	ΔYoY
Net Interest Income (After Swap Expenses)	1,465	1,841	26%	5,234	4,590	-12%
Net Fees & Commissions Income	831	880	6%	1,734	2,415	39%
Trading & Other Income	150	333	122%	390	1,026	163%
Total Operating Income	2,446	3,054	25%	7,359	8,031	9%
Operating Expenses	(1,152)	(1,200)	4%	(3,061)	(3,426)	12%
Net Operating Income	1,294	1,854	43%	4,298	4,605	7%
Provisions	(364)	(584)	61%	(2,009)	(1,527)	-24%
Profit Before Tax	930	1,270	37%	2,289	3,078	34%
Tax Expenses	(217)	(314)	45%	(453)	(712)	57%
Profit After Tax	713	956	34%	1,836	2,366	29%

Balance Sheet

TL, mn	Q4'20	Q2'21	Q3'21	ΔQoQ	ΔYtD
Cash & Banks ⁽¹⁾	29,202	39,847	43,217	8%	48%
Securities	34,368	38,630	41,216	7%	20%
Net Loans	138,719	157,415	165,828	5%	20%
Fixed Asset and Investments ⁽²⁾	5,874	6,171	6,361	3%	8%
Other Assets	19,089	16,934	16,311	-4%	-15%
Total Assets	227,253	258,997	272,934	5%	20%
Deposits	130,560	153,581	162,993	6%	25%
Customer	125,976	150,915	161,269	7%	28%
Bank	4,583	2,666	1,725	-35%	-62%
Borrowings	54,892	61,148	63,821	4%	16%
Bonds Issued	13,506	18,571	20,073	8%	49%
Funds Borrowed	20,192	20,834	18,363	-12%	-9%
Sub-debt	6,704	7,949	8,226	3%	23%
Repo	14,489	13,795	17,159	24%	18%
Other	22,579	23,570	24,375	3%	8%
Equity	19,222	20,697	21,744	5%	13%
Total Liabilities & Equity	227,253	258,997	272,934	5%	20%

BRSA Consolidated Key Financial Ratios

	<i>All figures quarterly</i>	Q1'20	Q2'20	Q3'20	9M'20	Q1'21	Q2'21	Q3'21	9M'21
Profitability	RoAE	18.3%	14.8%	15.6%	16.1%	13.6%	16.7%	20.9%	17.2%
	RoAA	1.5%	1.2%	1.2%	1.3%	1.1%	1.3%	1.6%	1.3%
	Cost / Income	40.5%	40.6%	41.3%	40.8%	43.4%	45.1%	37.8%	41.8%
	NIM after swap expense	4.9%	4.6%	4.4%	4.5%	3.0%	3.1%	3.5%	3.2%
Liquidity	Loans / Deposits ⁽¹⁾	100.8%	103.2%	104.7%	104.7%	102.6%	104.9%	103.4%	103.4%
	LCR (aop)	116.3%	119.0%	116.4%	116.4%	116.9%	136.0%	133.8%	133.8%
Asset quality	NPL Ratio	6.5%	6.3%	5.7%	5.7%	5.7%	5.4%	4.5%	4.5%
	Cost of Risk	2.3%	2.3%	2.0%	2.0%	1.7%	1.0%	1.4%	1.3%
Solvency	CAR	14.7%	16.6%	16.7%	16.7%	15.2%	15.2%	14.5%	14.5%
	Tier I Ratio	12.2%	13.9%	13.8%	13.8%	12.6%	12.5%	11.9%	11.9%
	Liability/Equity	13.1x	12.4x	13.3x	13.3x	13.1x	13.0x	13.1x	13.1x

BRSA Consolidated Summary Financials

Income Statement

TL, mn	Q2'21	Q3'21	ΔQoQ	9M'20	9M'21	ΔYoY
Net Interest Income (After Swap Expenses)	1,583	1,952	23%	5,536	4,939	-11%
Net Fees & Commissions Income	887	954	8%	1,899	2,615	38%
Trading & Other Income	245	425	74%	500	1,120	124%
Total Operating Income	2,715	3,331	23%	7,935	8,674	9%
Operating Expenses	(1,223)	(1,260)	3%	(3,236)	(3,624)	12%
Net Operating Income	1,492	2,071	39%	4,698	5,050	7%
Provisions	(413)	(607)	47%	(2,110)	(1,646)	-22%
Profit Before Tax	1,079	1,464	36%	2,588	3,403	32%
Tax Expenses	(241)	(351)	46%	(535)	(802)	50%
Profit After Tax	838	1,112	33%	2,053	2,601	27%

Balance Sheet

TL, mn	Q4'20	Q2'21	Q3'21	ΔQoQ	ΔYtD
Cash & Banks ⁽¹⁾	29,661	41,169	44,329	8%	49%
Securities	34,430	38,759	41,344	7%	20%
Net Loans ⁽²⁾	146,449	165,989	175,046	5%	20%
Fixed Asset and Investments	4,248	4,340	4,302	-1%	1%
Other Assets	20,232	18,321	17,866	-2%	-12%
Total Assets	235,020	268,577	282,886	5%	20%
Deposits	130,275	153,269	162,118	6%	24%
Customer	125,692	150,603	160,394	7%	28%
Bank	4,583	2,666	1,725	-35%	-62%
Borrowings	62,320	70,323	73,891	5%	19%
Bonds Issued	14,724	20,139	22,008	9%	49%
Funds Borrowed	25,897	27,158	25,419	-6%	-2%
Sub-debt	6,704	7,949	8,226	3%	23%
Repo	14,995	15,077	18,238	21%	22%
Other	23,184	24,370	25,234	4%	9%
Equity	19,241	20,615	21,643	5%	12%
Total Liabilities & Equity	235,020	268,577	282,886	5%	20%

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