QNB Finansbank Q1'22 Earnings Presentation

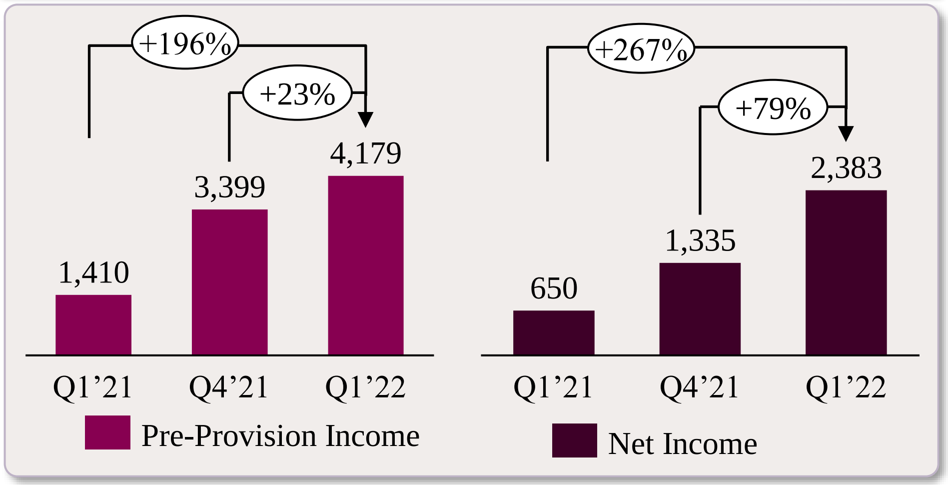
Based on BRSA Unconsolidated Financial Statements
April 2022

Period Highlights

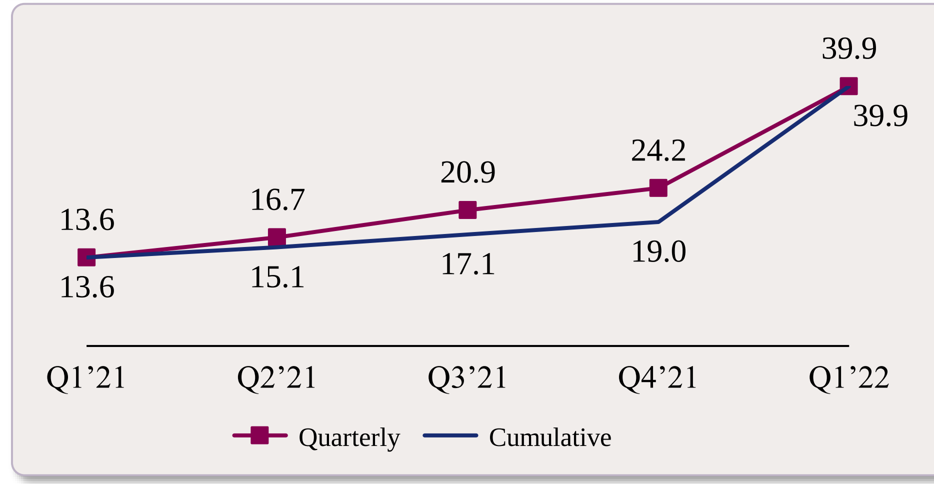
- ✓ Outstanding pre-provision profit supported by strong core revenue uplift more than compensating for cost pressure from rising inflation. Q1’22 net profit realized at TL 2,383 million reflecting significant jump over prior quarter and the same period of prior year.
- ✓ Accordingly, Q1’22 ROE realized at 39.9%, anticipated to be well ahead of private banks and sector averages
- ✓ Very strong loan growth (YTD 20%) well ahead of private banks and sector lead to market share gains especially via TL Corporate, Commercial and SME lending, supporting economy. Customer Deposits being major source of funding as well followed suit with a strong growth (YTD 16%) again ahead of private banks and sector.
- ✓ NPL ratio continued to improve on the back of strong collection performance, low NPL generation and robust denominator growth, while provisioning stance remained very conservative for all stages.
- ✓ Securities portfolio grew by 28% YtD, on the back of TL securities, of which 95% are floating or indexed in nature. Share of CPI linkers, which offer hedge against inflation, account for 69% of securities portfolio.
- ✓ Operating expenses remained main focus area following very high inflation, as continued shift to digitalization helped to contain expenses. Faster revenue growth also helped to improve Cost/Income ratio towards 30%.
- ✓ Robust solvency ratios retained with CAR at 16.0% and Tier 1 at 12.8%

Outstanding operating performance translated into significant ROE uplift, as capital position remained solid despite strong loan growth and adverse exchange rate effect

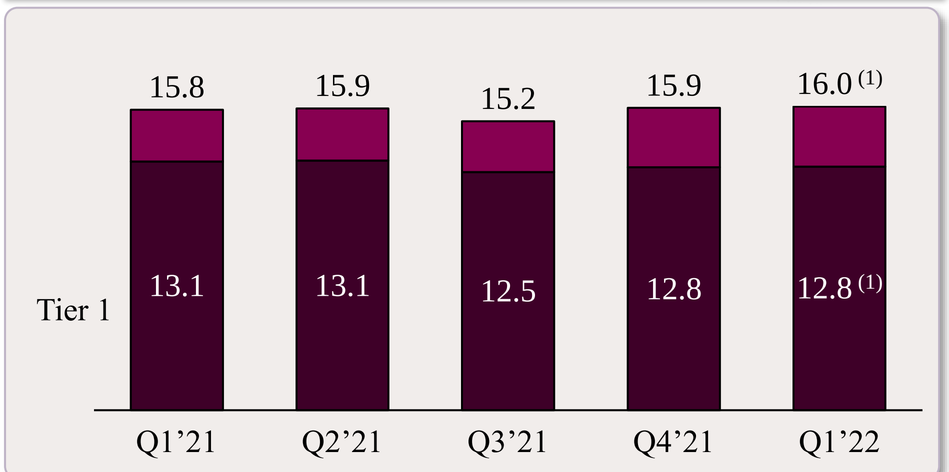
Pre-Provision Income & Net Income (TL mn.)



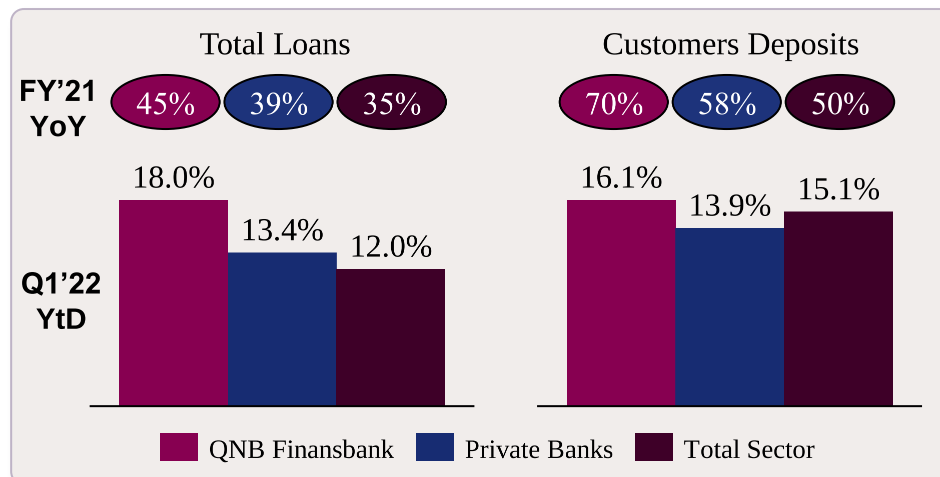
Quarterly and Cumulative RoAE (%)



CAR (%)



Total Loans & Deposits Growth[2] (%)

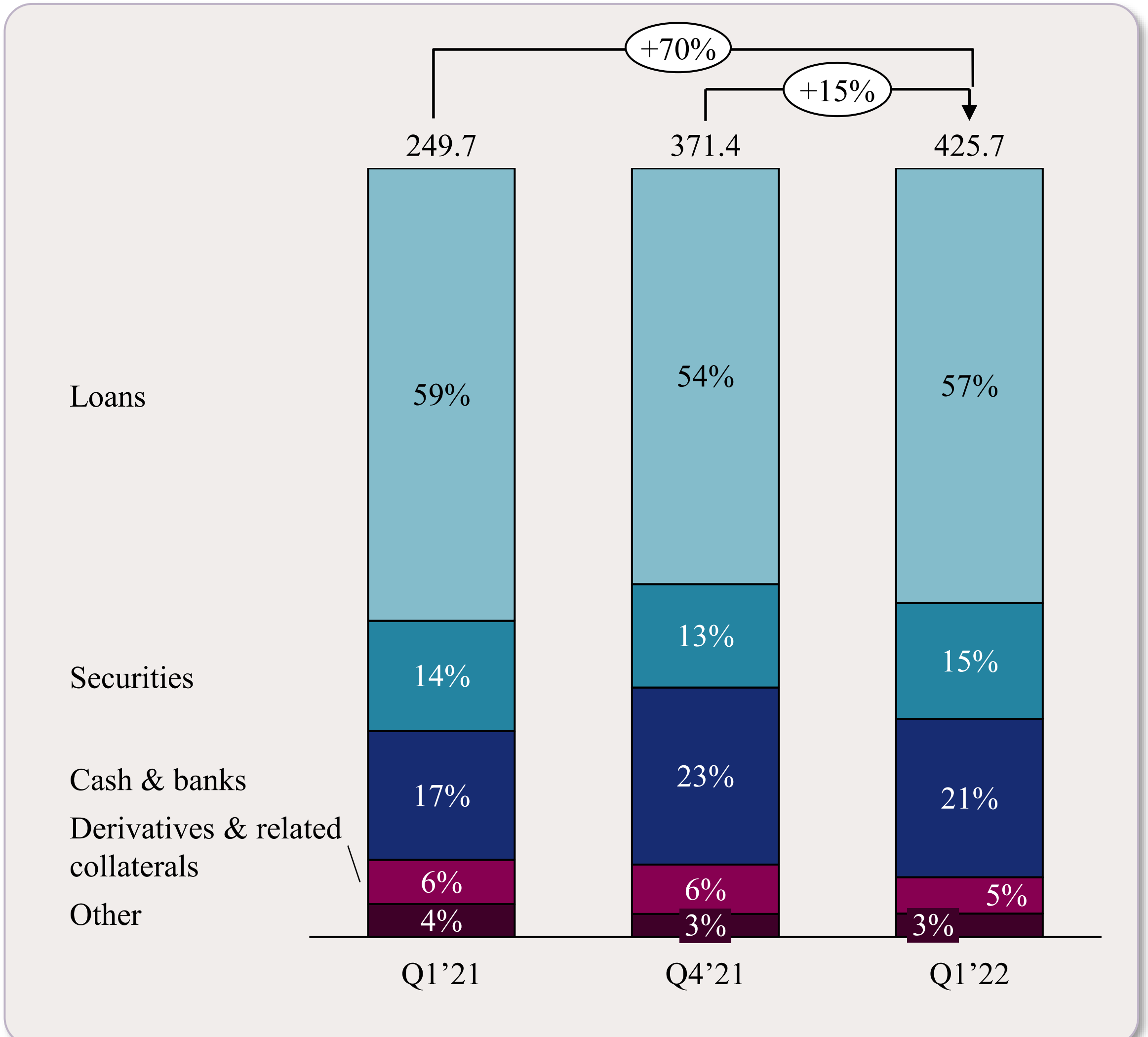


[1] Without BRSA's temporary forbearance measures: CAR: 13.4%, Tier 1: 10.5%

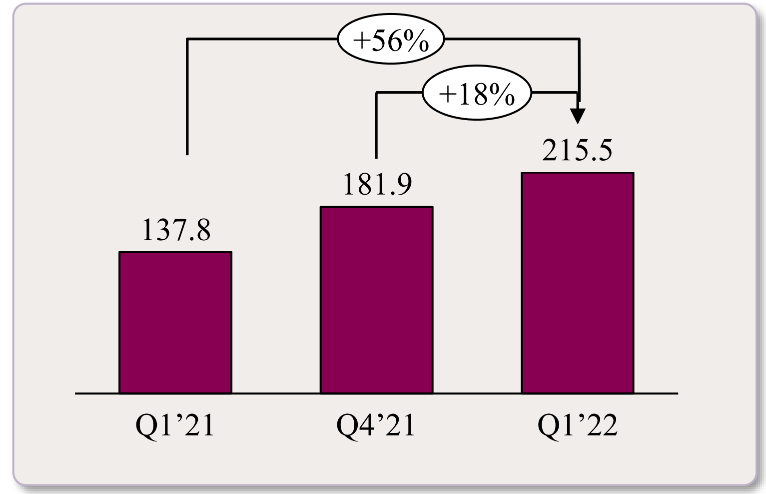
[2] BRSA Weekly Banking Sector data compared vis-a-vis QNBFB data as of 25 March 2022

Well-balanced asset base grew by 15% YtD reaching TL426 bn, as loans constitute 57% of assets reflecting Bank's commitment to fund the economy

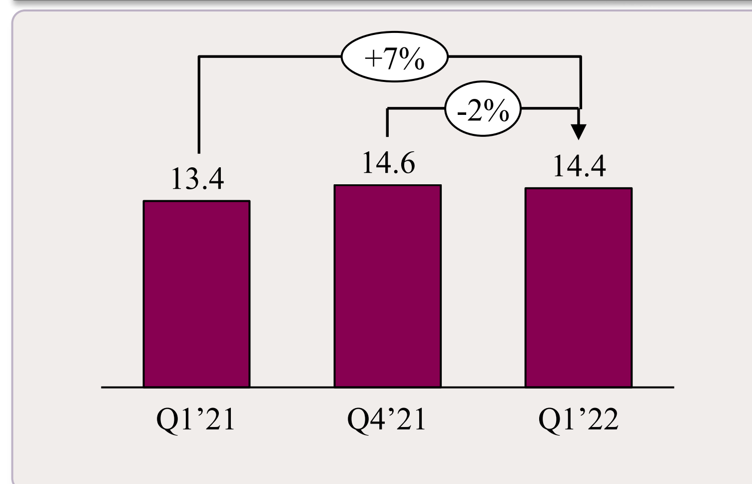
Total Assets (TL bn)



TL Assets (TL bn)



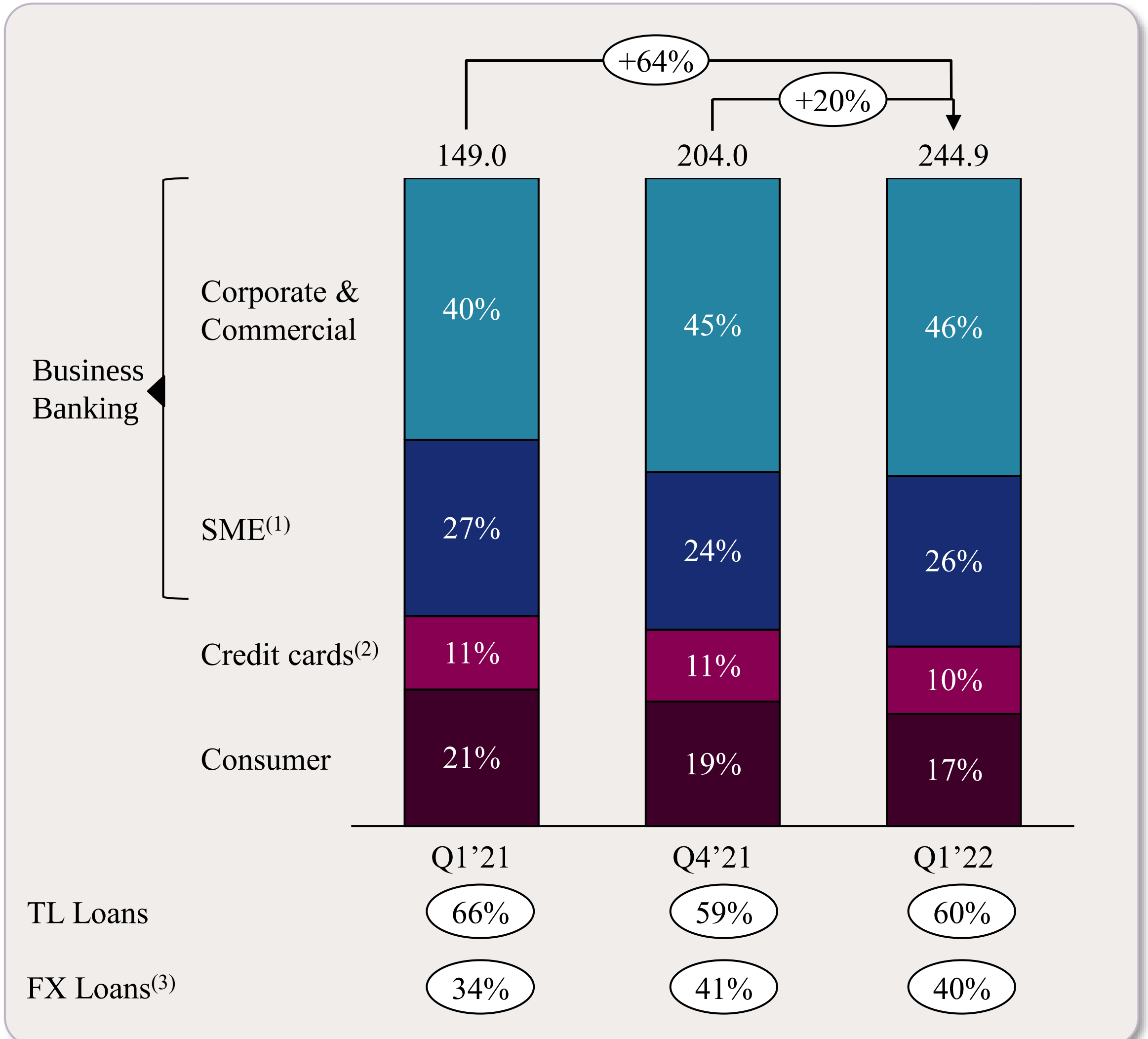
FX Assets[1] (USD bn)



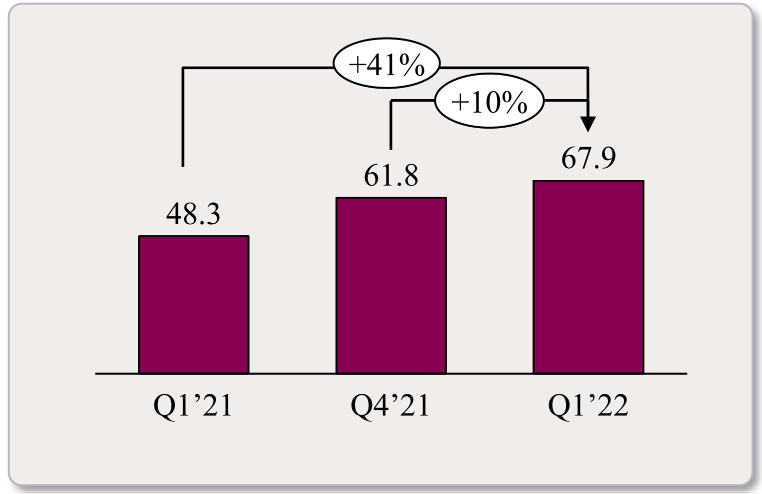
(1) FX-indexed TL loans are shown in FX assets

Both annual and quarterly loan growth performance were strong, outpacing private banks and sector, supported by all businesses

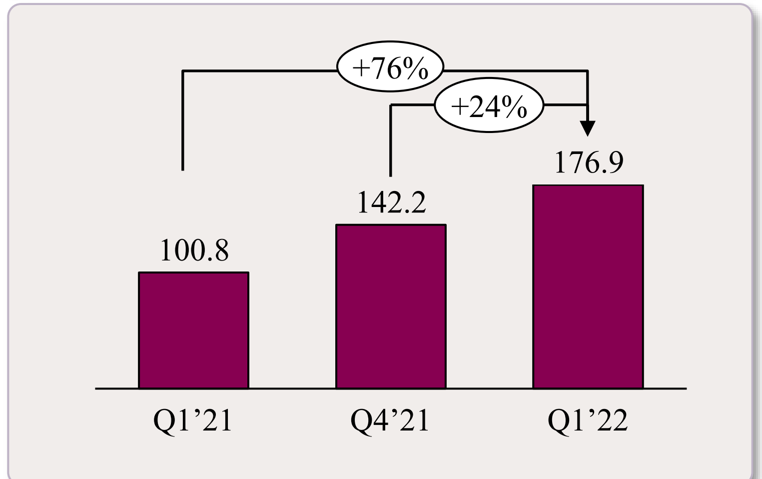
Performing Loans by Segment and Currency (TL bn)



Retail Loans (TL bn)



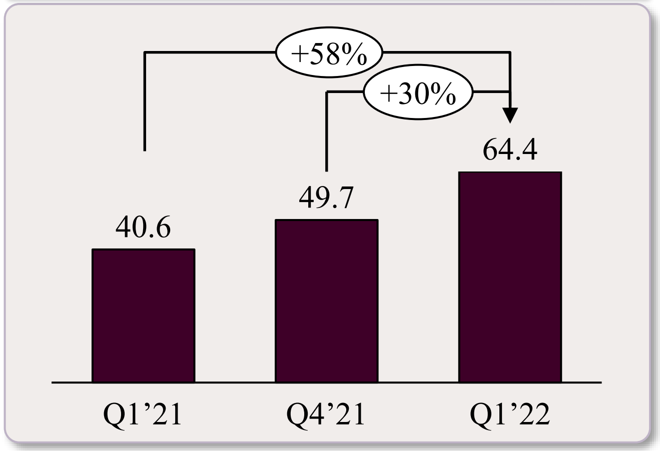
Business Loans (TL bn)



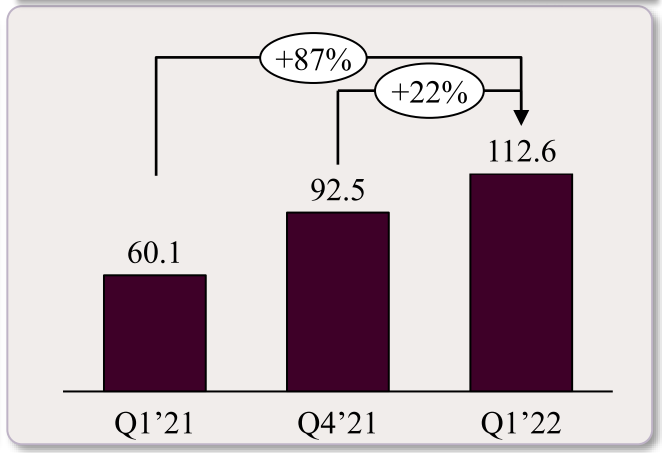
(1) Based on BRSA segment definition
(2) Excluding commercial credit cards
(3) FX-indexed TL loans are shown in FX loans

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

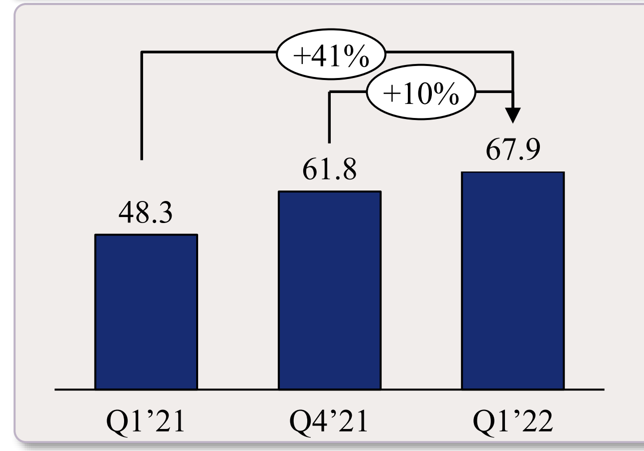
SME Loans[1] (TL bn)



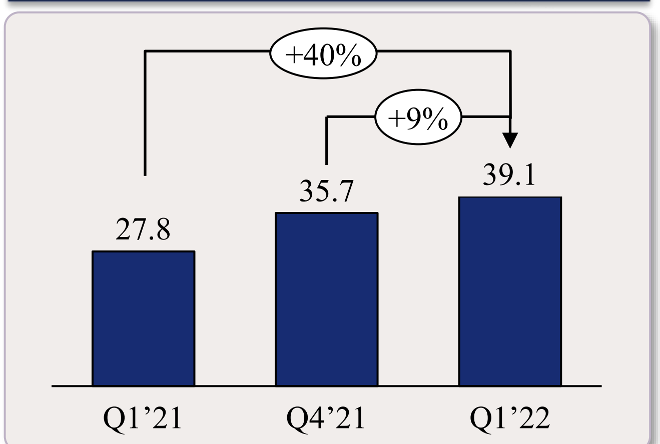
Corporate & Commercial Loans (TL bn)



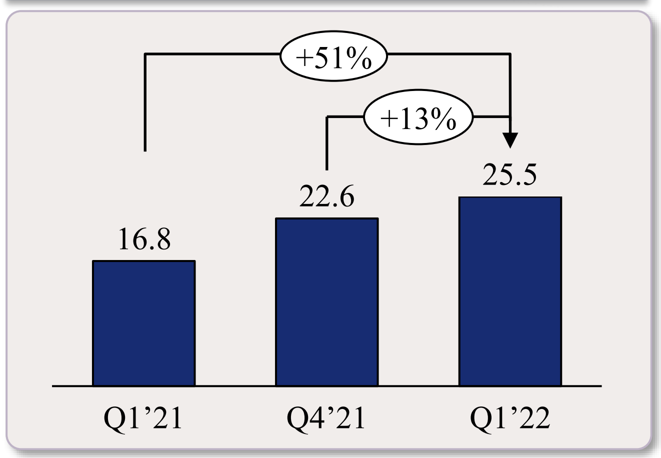
Retail Loans (TL bn)



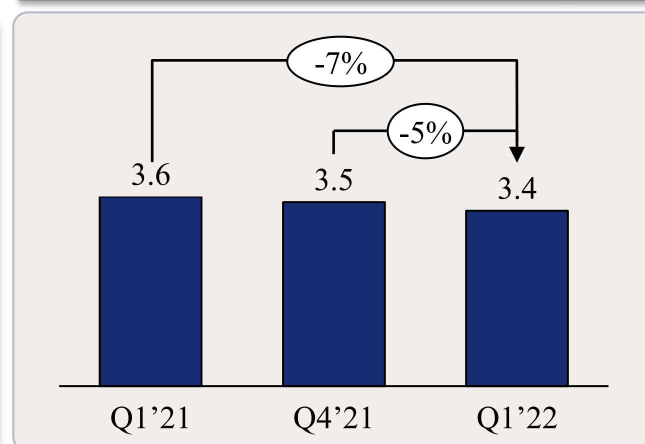
General Purpose Loans[2] (TL bn)



Credit Card Loans[3] (TL bn)



Mortgage Loans (TL bn)



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

Business banking
Retail banking

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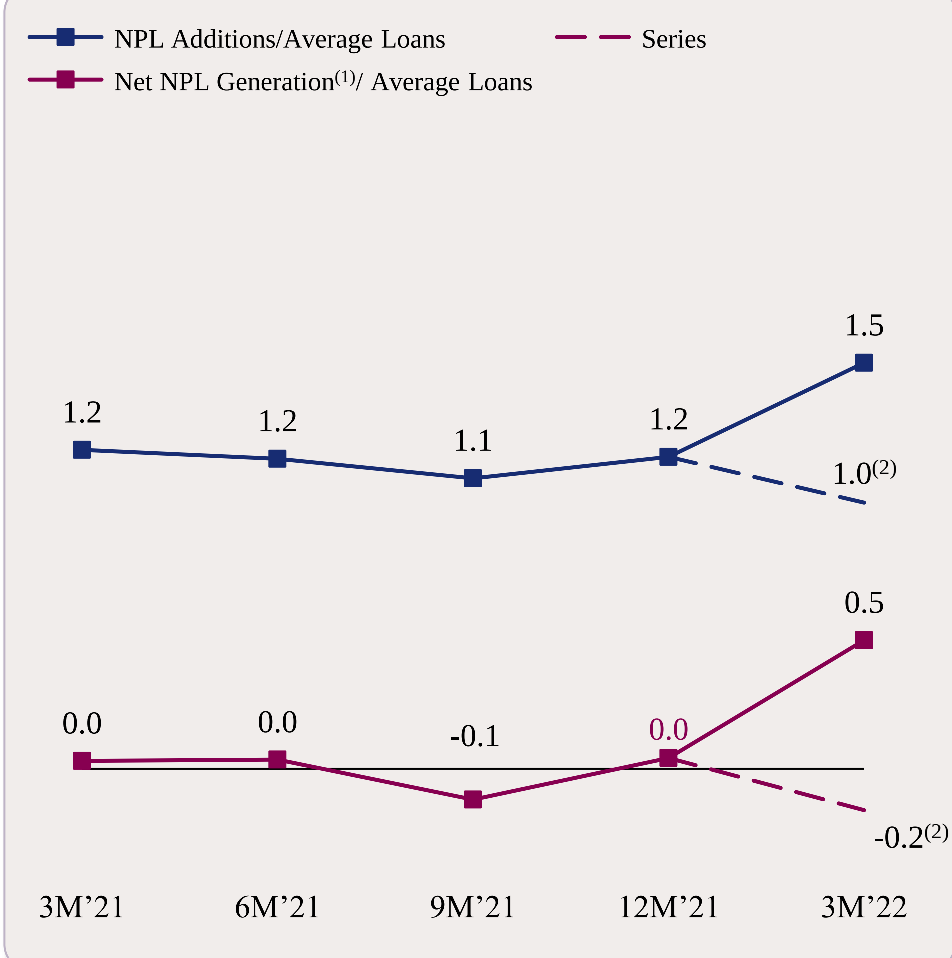
Negative net NPL generation on the back of strong collection performance and very low level of NPL inflow, as NPL ratio significantly improved on the back of strong loan growth

NPL Additions / Average Loans (%)



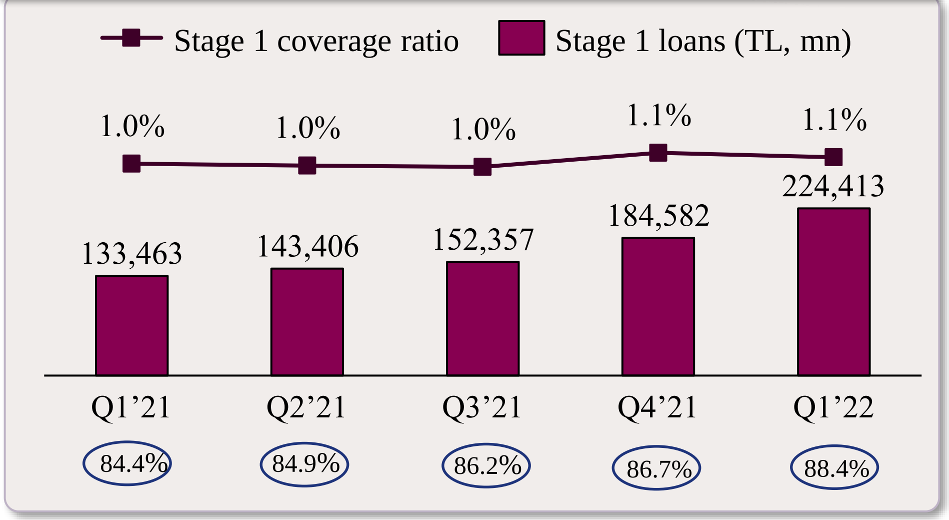
NPL Ratio (%)

(1) Net NPL Generation = NPL Additions - NPL Collections
(2) Adjusted for write-off of LYY loan following the sale of TTKOM shares to TWF
(3) BRSA monthly banking sector data for private banks for February 2022

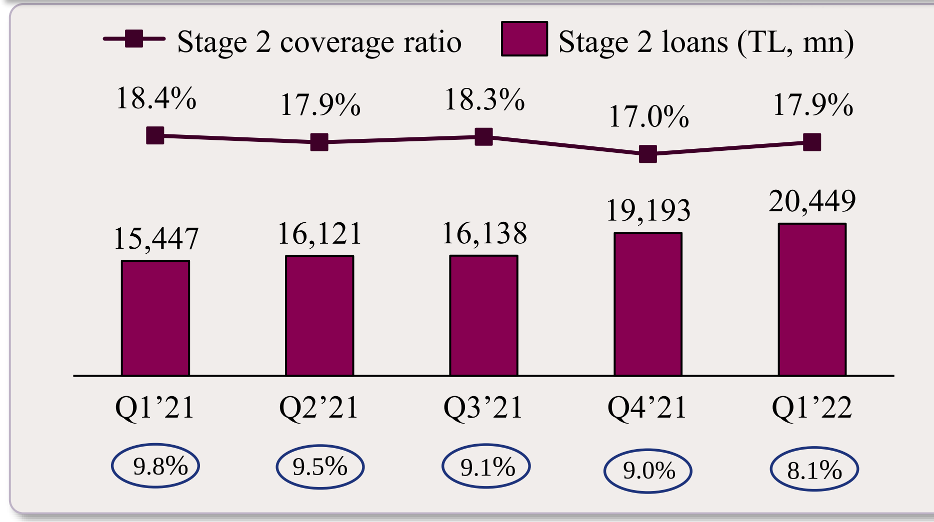
Provision buffers retained thanks to conservative provision build-up

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

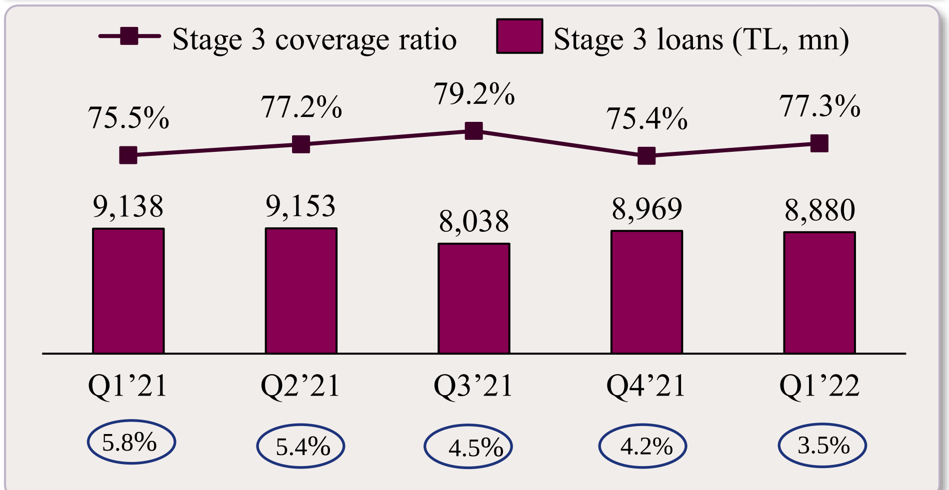
Stage 1 Loans & Coverage



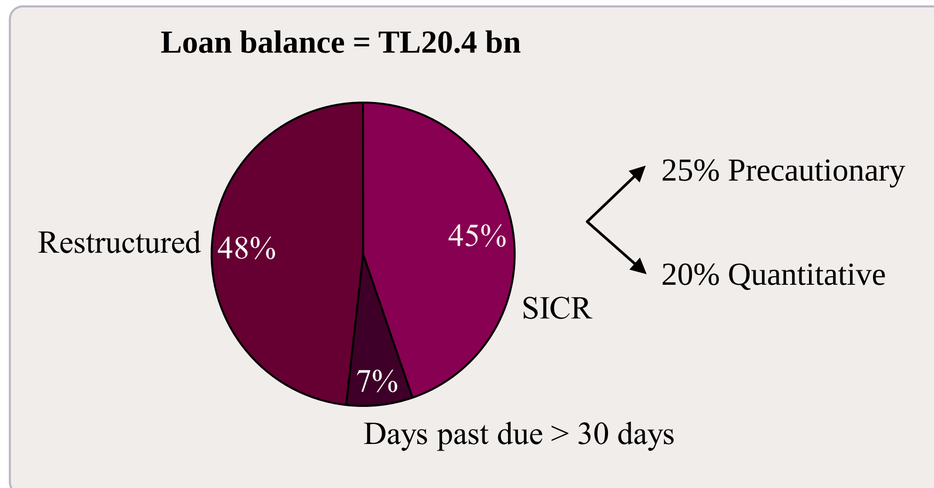
Stage 2 Loans & Coverage



Stage 3 Loans & Coverage



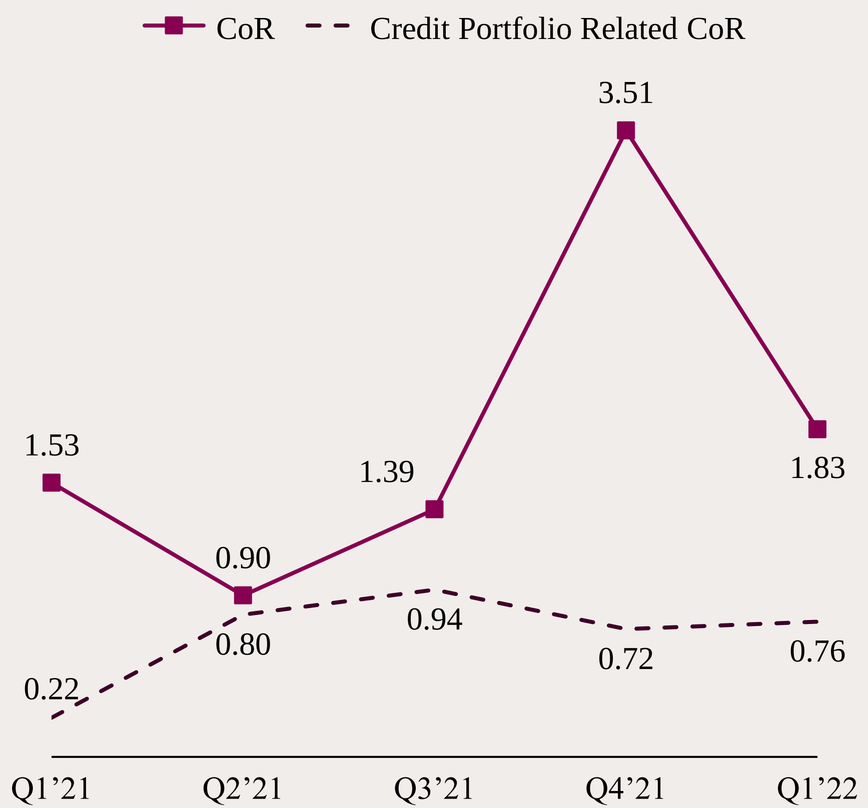
Stage 2 Composition



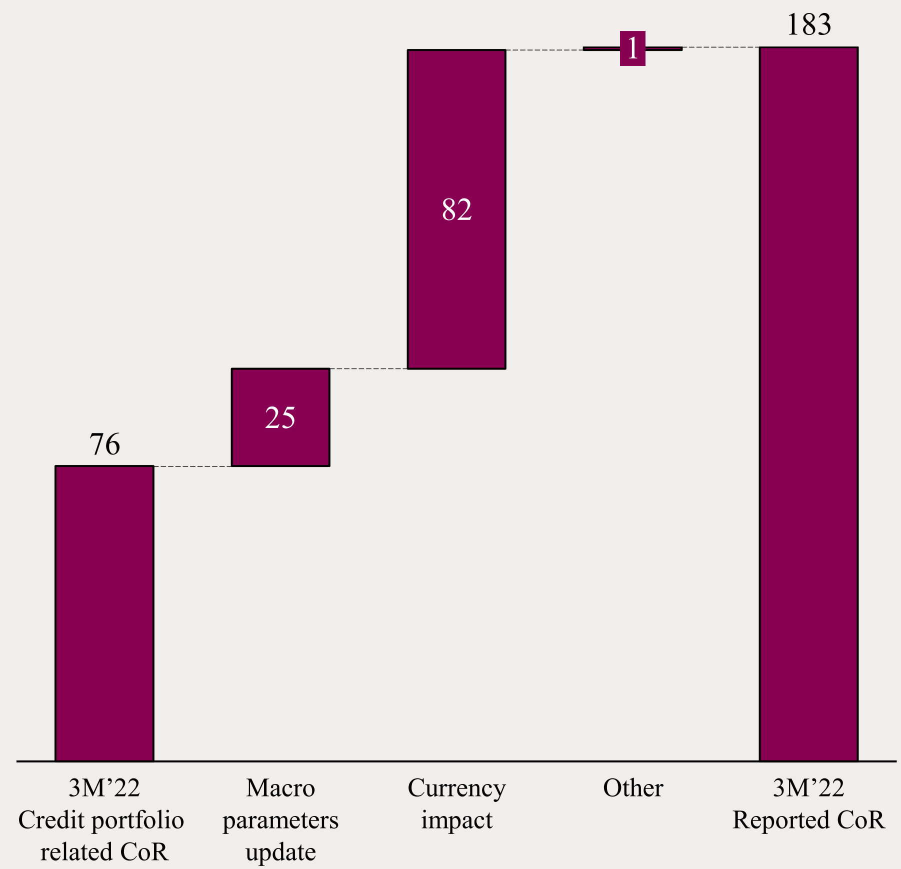
[1] Gross loans encompass the loans measured at FVTPL

Low NPL generation and solid collection performance enabled the Bank to further build provision buffers, increasing coverages across the board, while reported CoR also included significant currency impact

Quarterly Cost of Risk (%)



3M’22 CoR Breakdown (bps)



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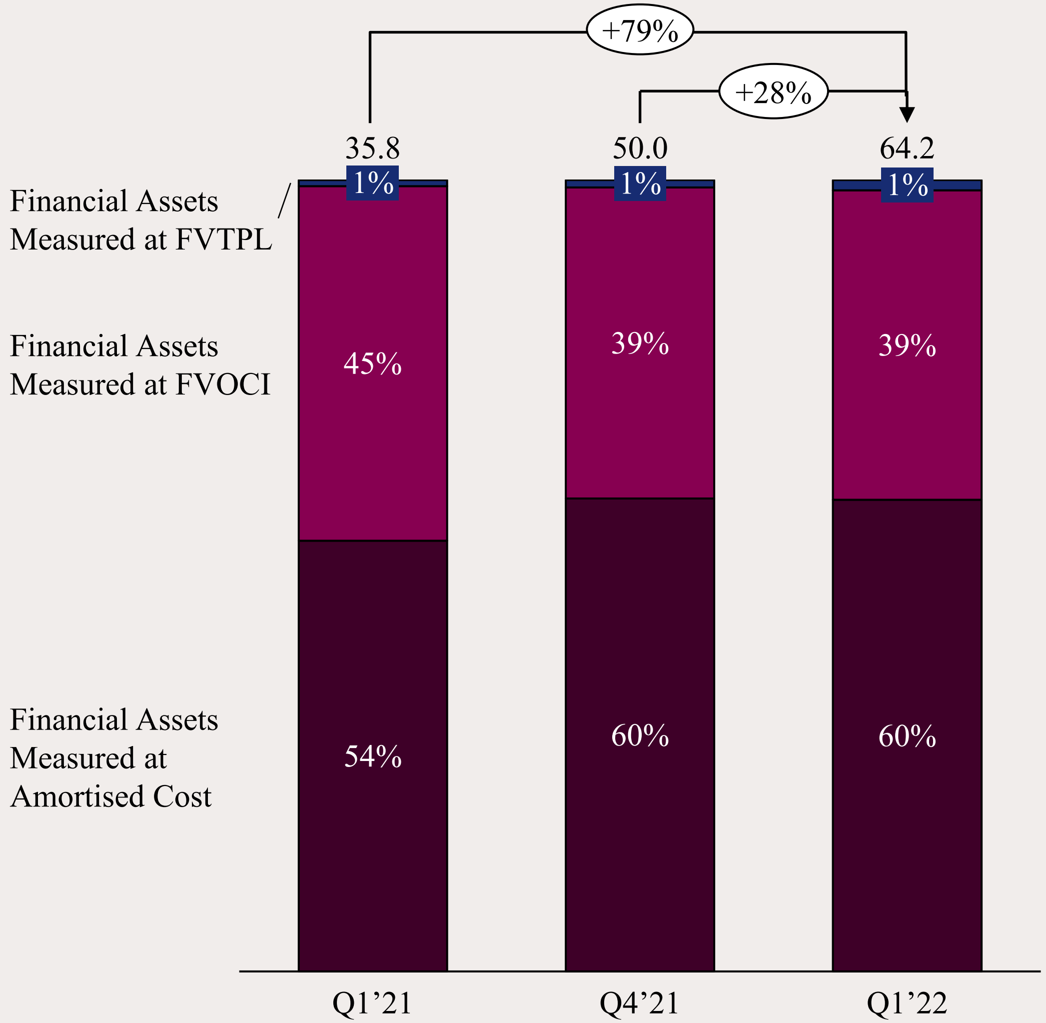
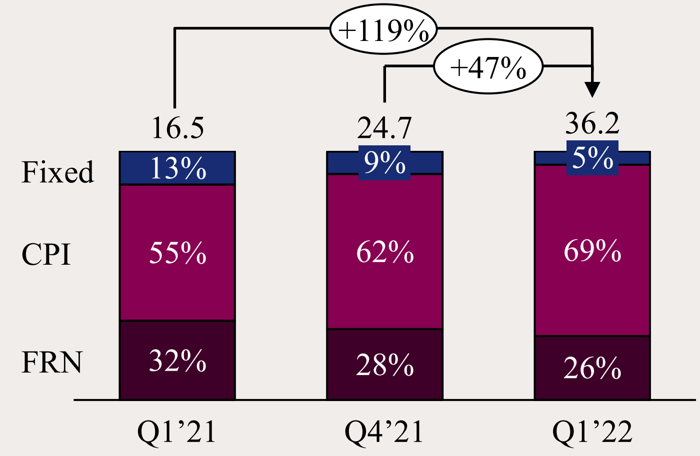
Securities portfolio recorded 28% YtD growth driven by TL securities, of which 95% are floating/indexed in nature

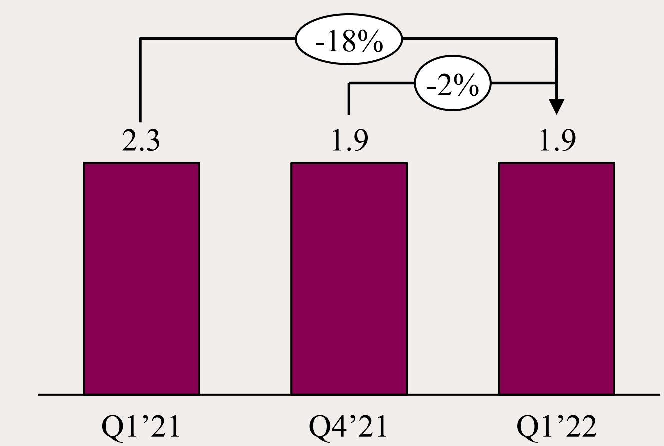
Total Securities (TL bn)



TL Securities (TL bn)



FX Securities (USD bn)



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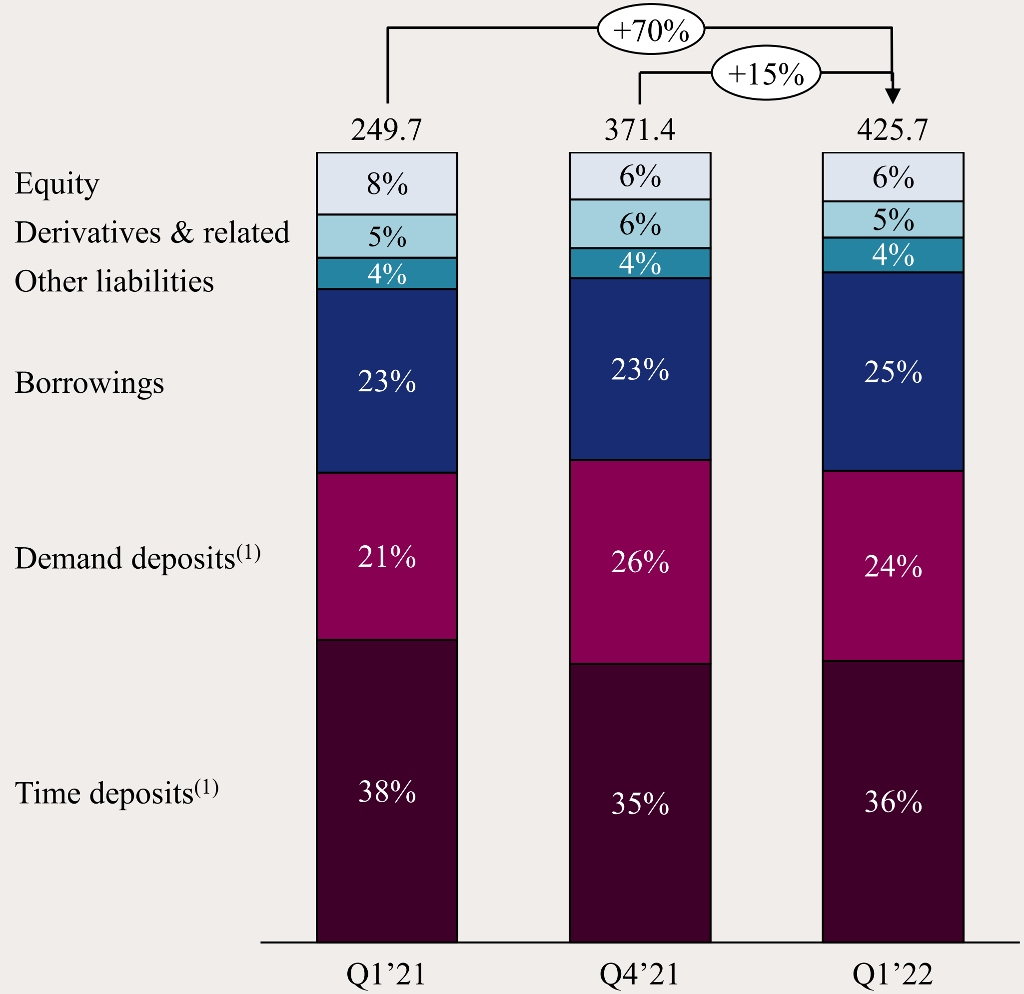
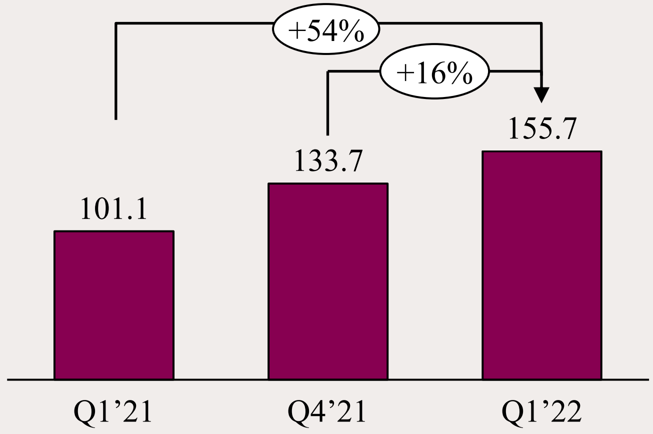
Well-diversified & disciplined funding mix maintained with a tilt towards TL funding, as fx-protected deposit scheme positively contributed to the trend

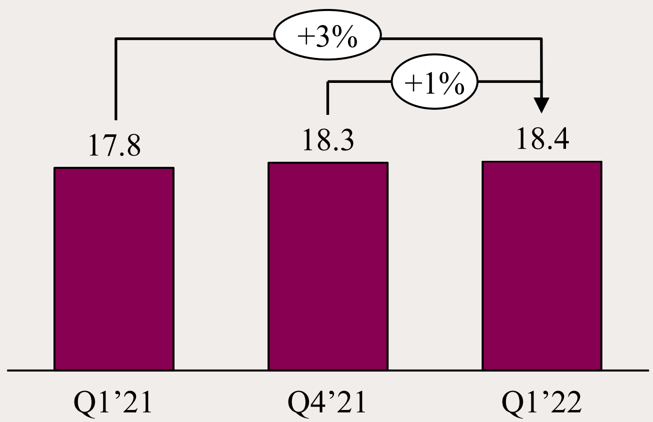
Total Liabilities (TL bn)



TL Liabilities (TL bn)



FX Liabilities (USD bn)



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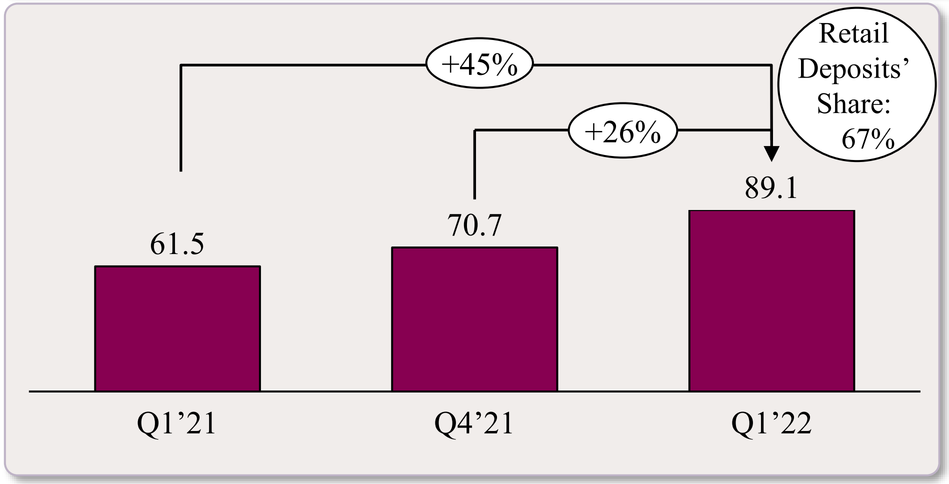
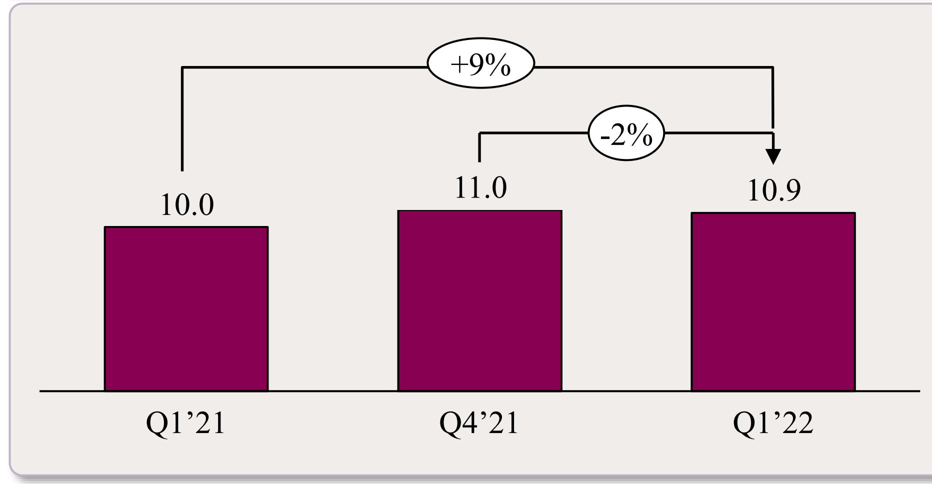
(1) Includes bank deposits

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

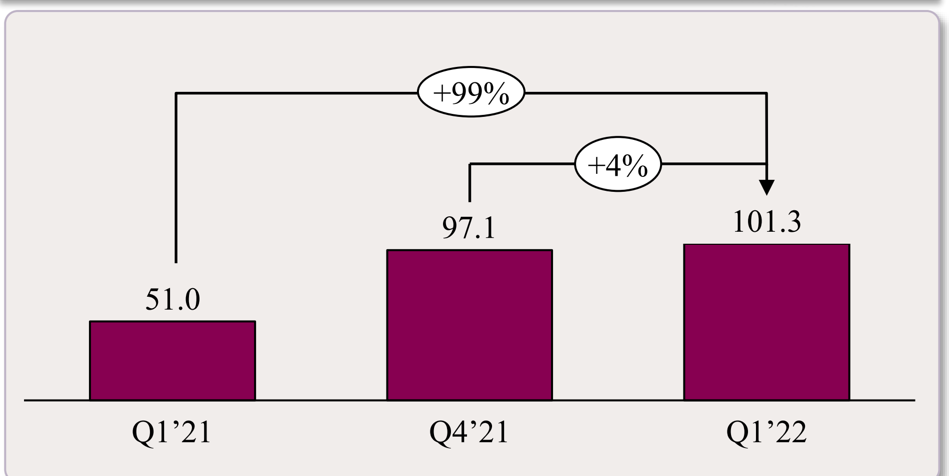
TL Customer Deposits (TL bn)



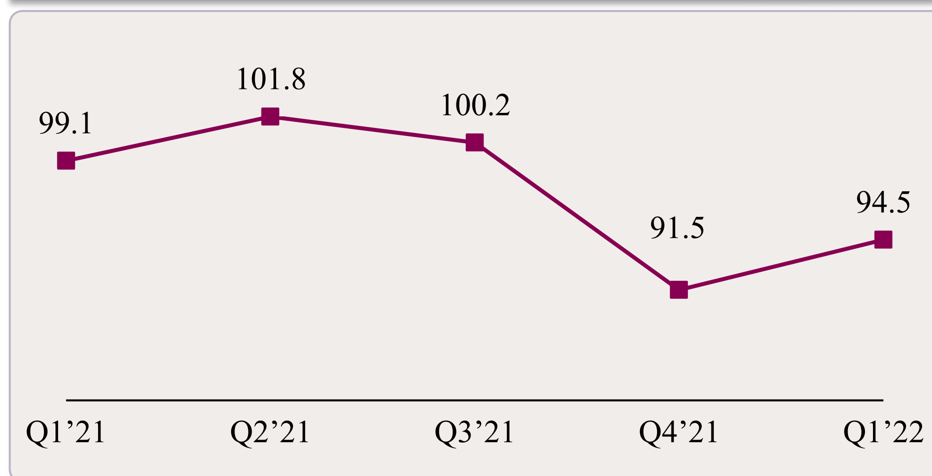
FX Customer Deposits (USD bn)



Customer Demand Deposits (TL bn, aop)



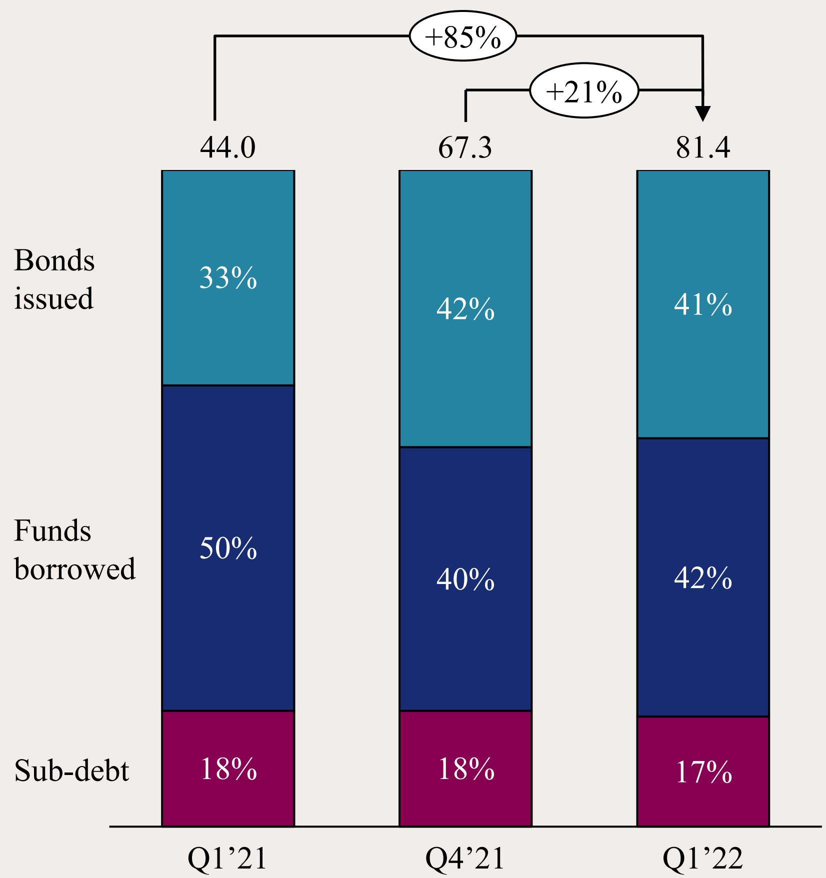
Loan-to-deposit-ratio[1] (%)



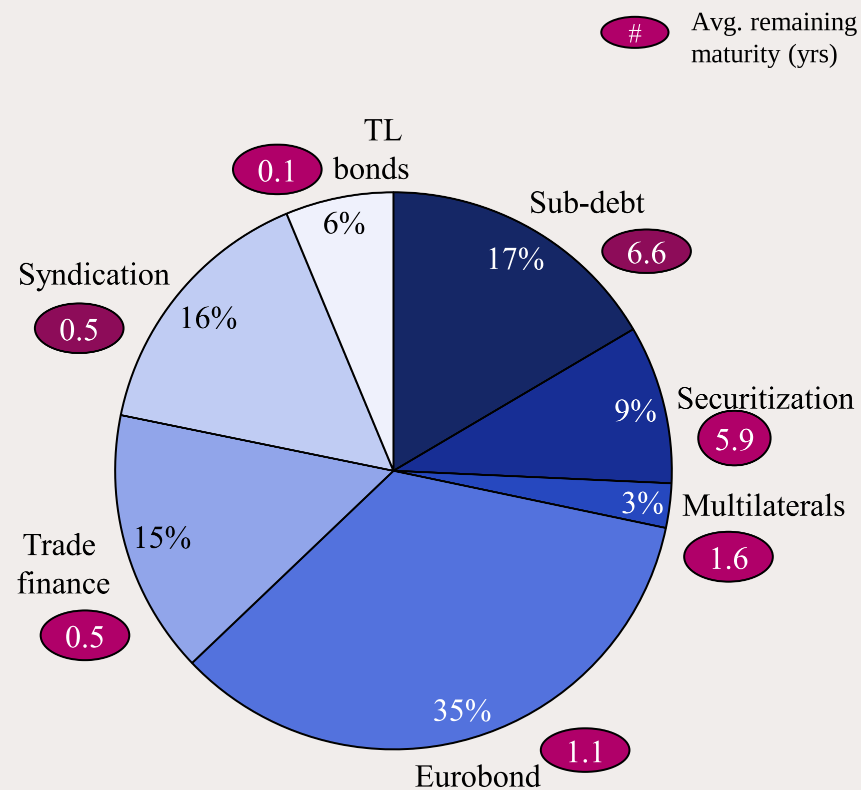
[1] Including TL issued bonds, bank deposits & fiduciary deposits

Well-balanced wholesale borrowing mix has 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)



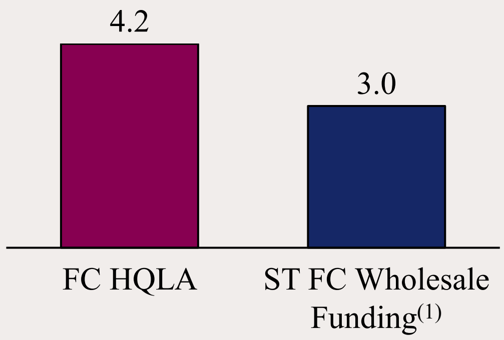
Wholesale Borrowings[1] Breakdown



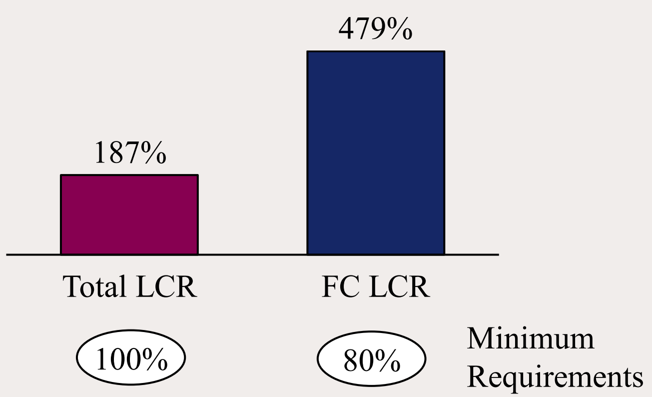
[1] Non-deposit funding except repo

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

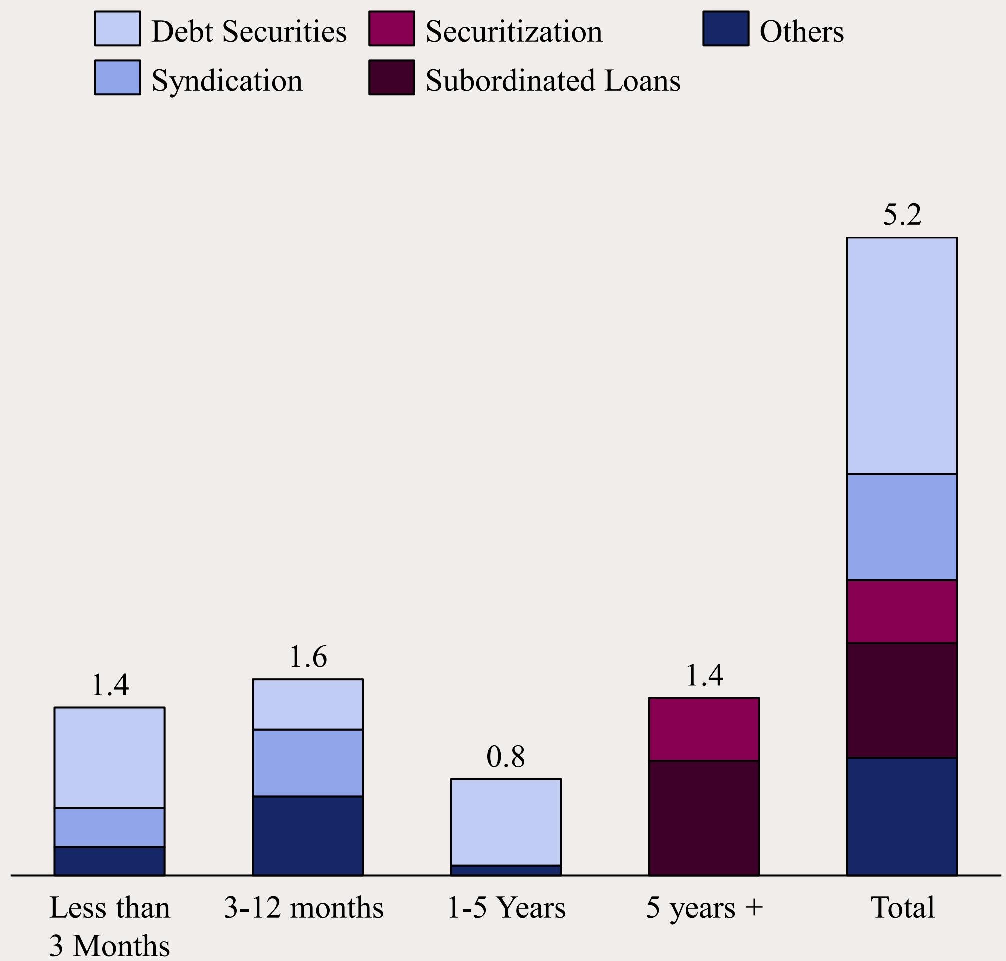
FC HQLA vs Short-term Dues (USD bn)



Liquidity Coverage Ratios (%, eop)



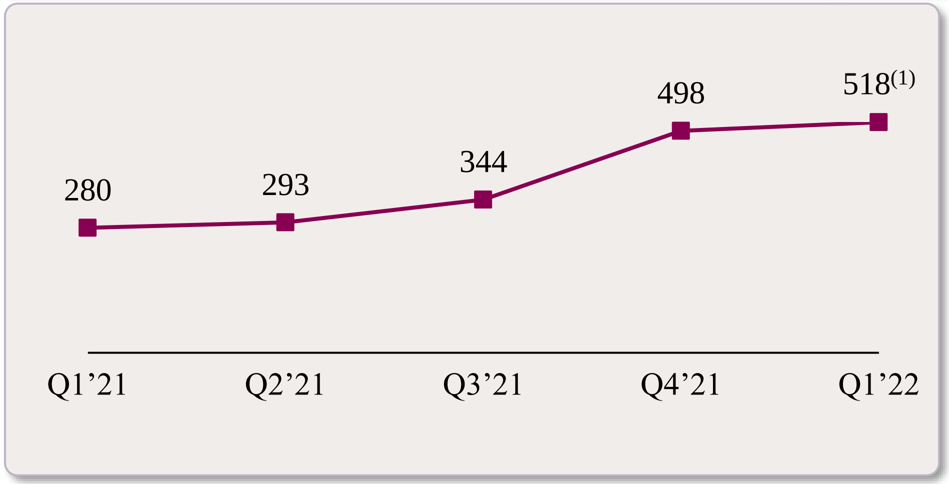
Maturity Profiles of FC Wholesale Funding (USD bn)



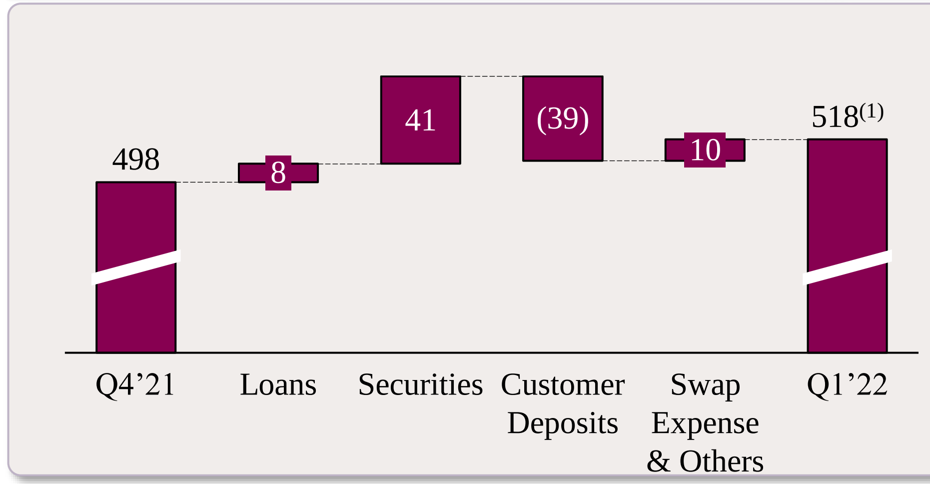
(1) FC wholesale funding due within 1 year

Improving loan/deposit spreads and NIM continued on the back of CBRT's rate cuts. NIM further get supported by higher CPI linkers contribution following higher inflation

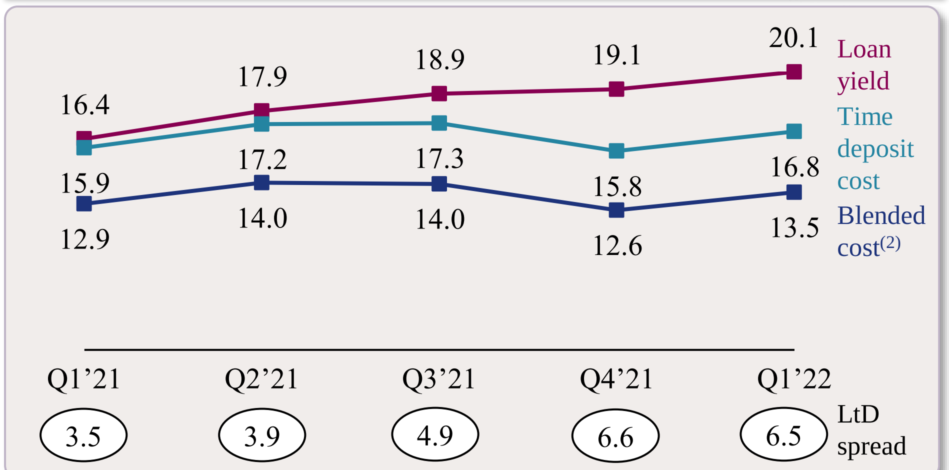
Quarterly NIM after Swap (bps)



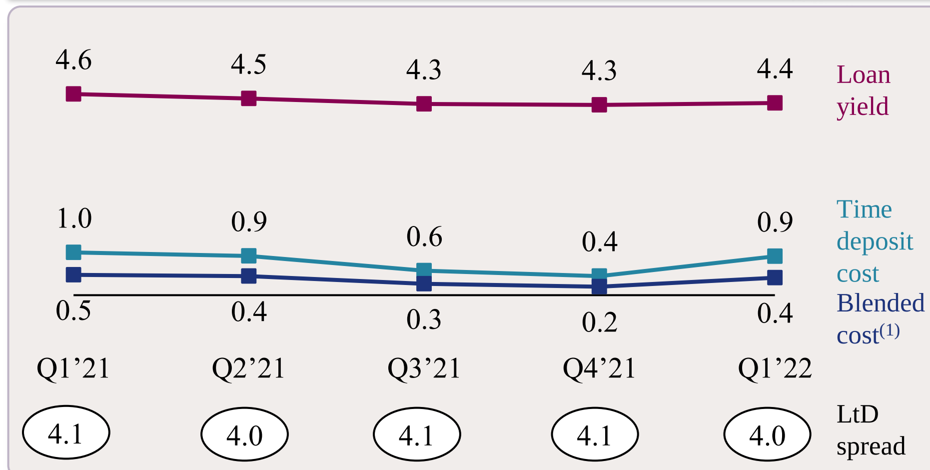
Quarterly NIM after Swap Evolution (bps)



TL Spread (%, quarterly)



FX Spread (%, quarterly)



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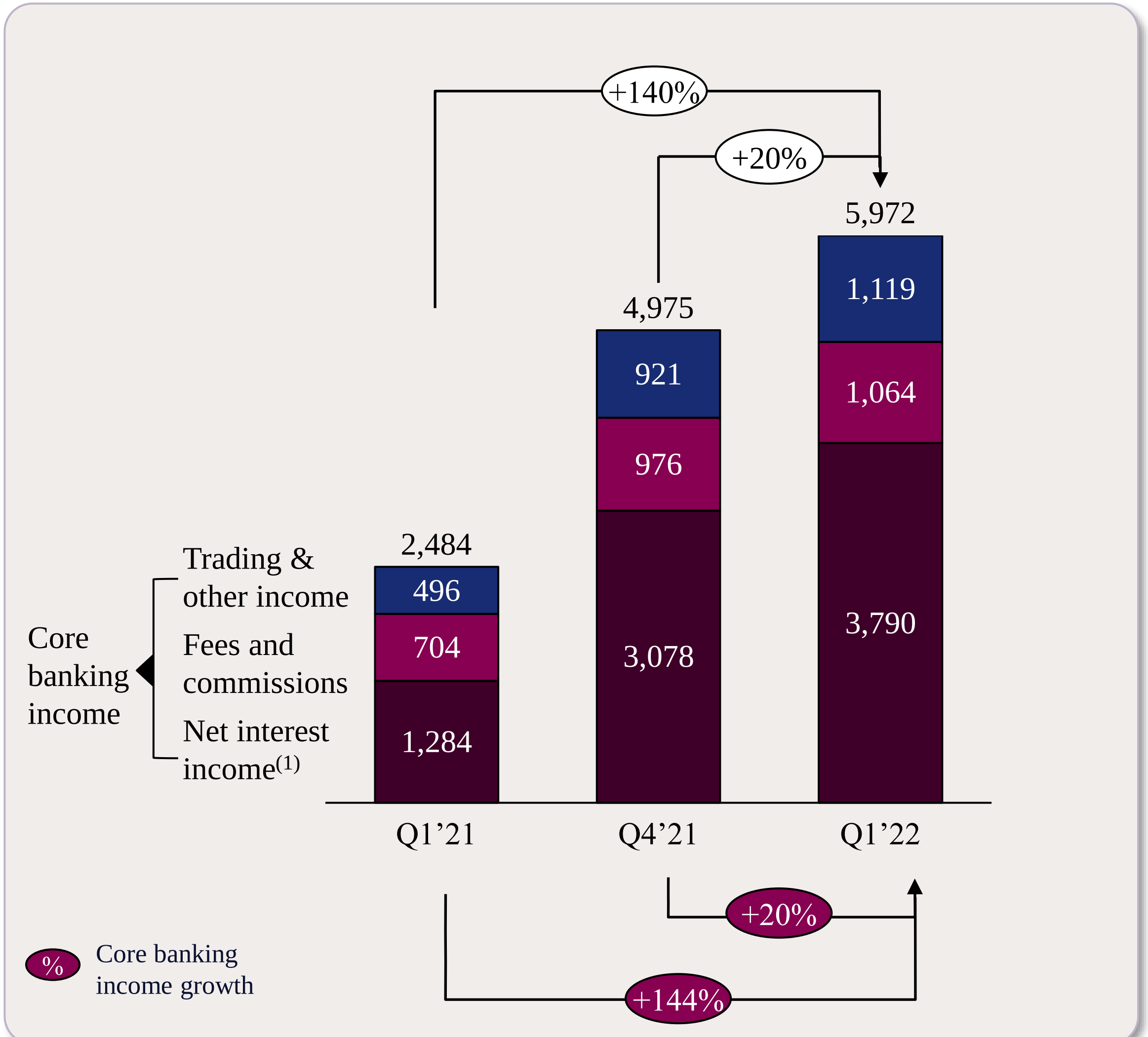
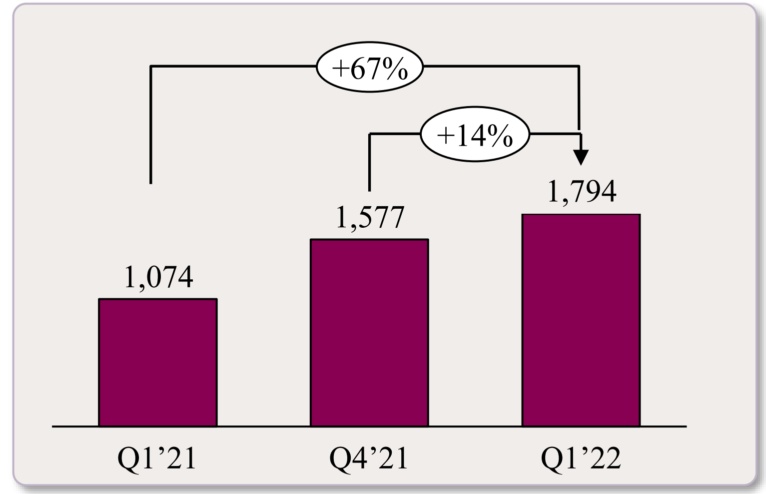
(1) October-October inflation projection used in the valuation of CPI linkers was 35% as of the end of Q1'22.
A 100 bps increase in CPI projection would contribute TL 249 mn/yr to NII and 8 bps to annual NIM.
(2) Blended of time and demand deposits.

Strong core banking income generation coupled with effective cost management: Eye-catching NII recovery and revenue uplit lead to strong cost/income improvement

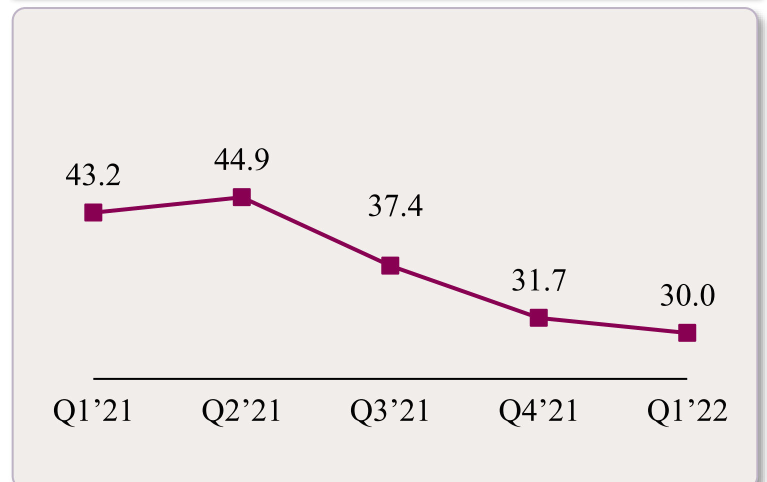
Total Operating Income (TL mn.)



OpEx (TL mn.)



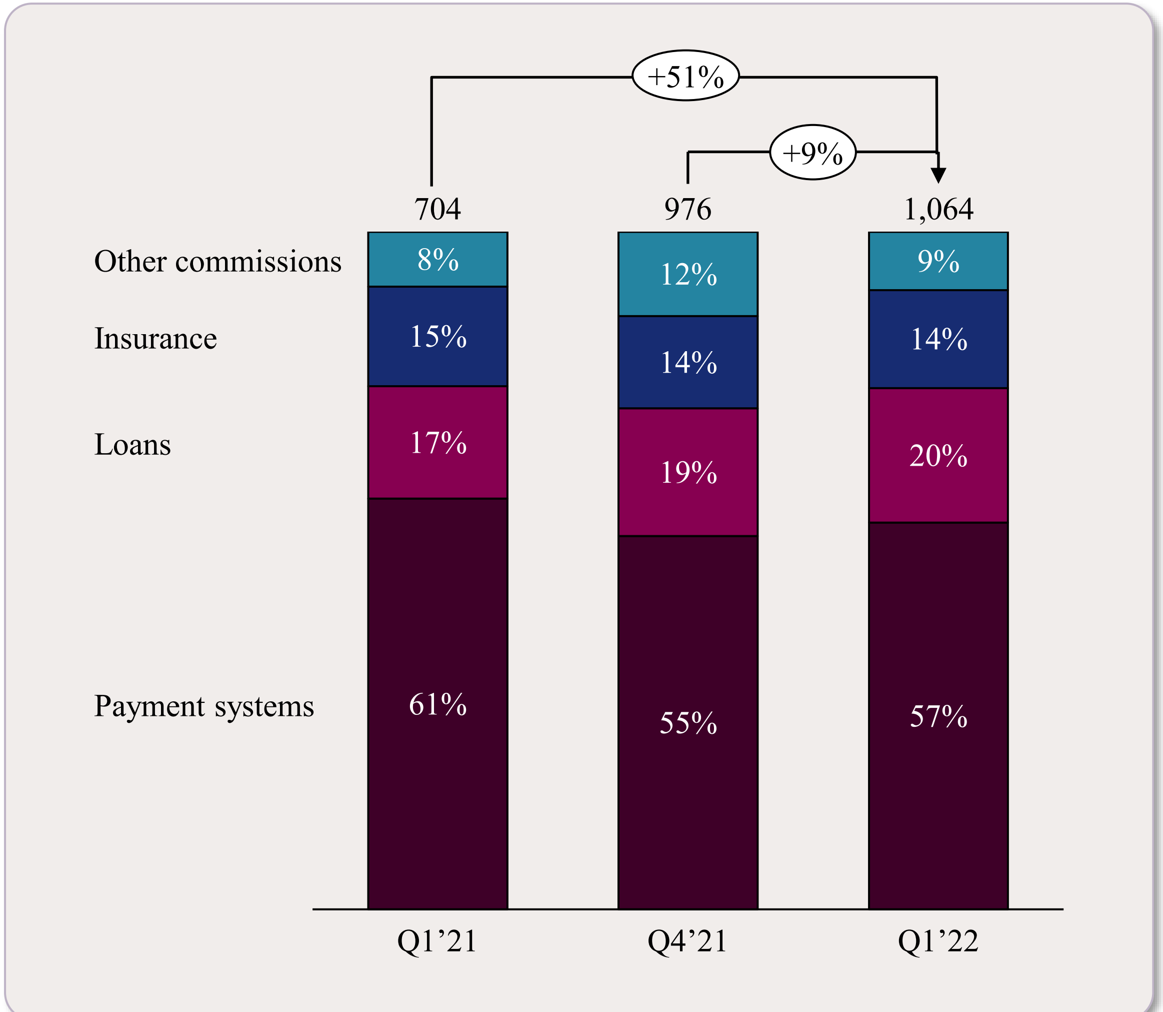
Cost / Income (%)



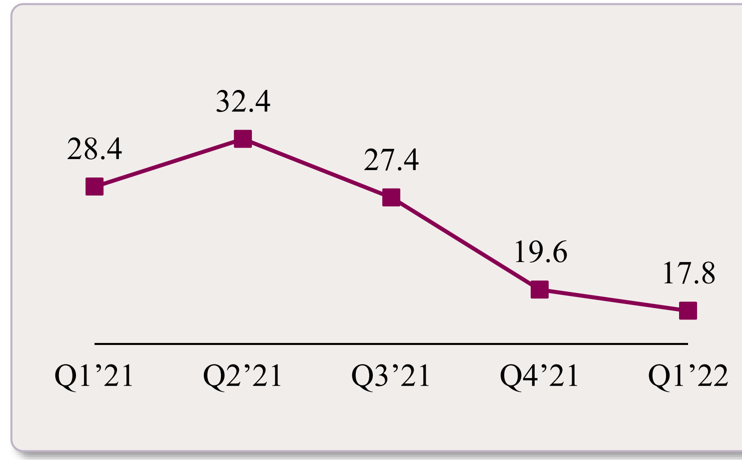
(1) Including swap expenses

Fees once again outperformed the expectations across the board, but particularly on robust loan growth and stellar payment systems performance

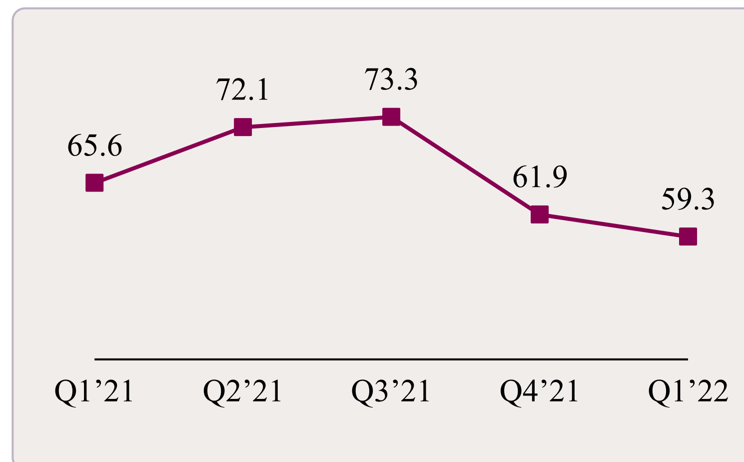
Net Fees and Commissions[1] (TL mn)



Fees / Total Income (%)



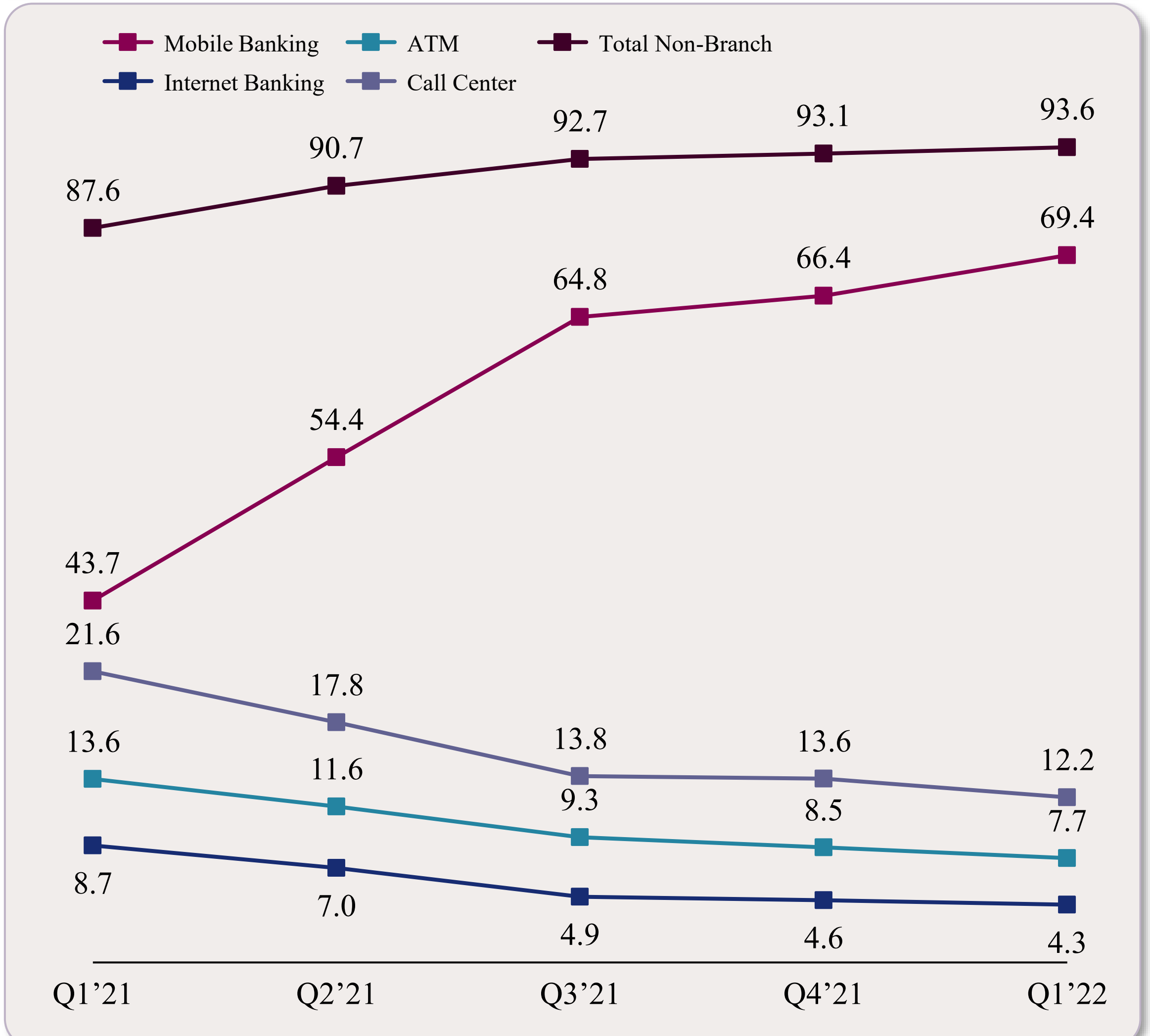
Fees / OpEx (%)



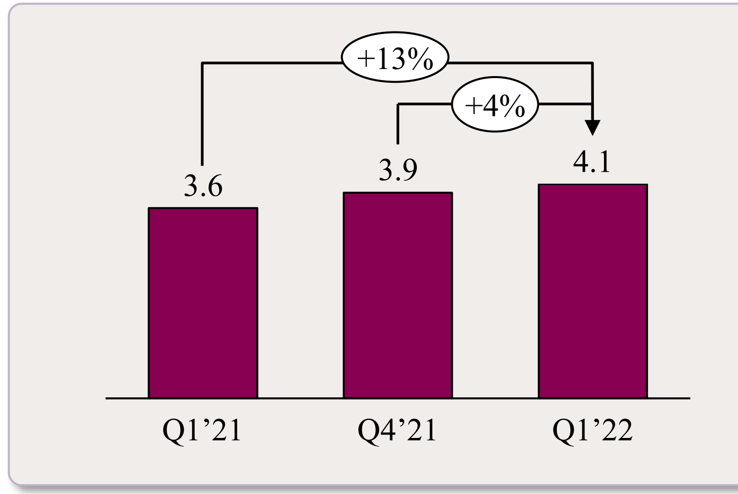
[1] Classification change in Q2 is applied retrospectively with the aim of interperiod comparability and consistency

Investment in digital transformation paved the road to a smooth, swift and persistent transition to digital channels

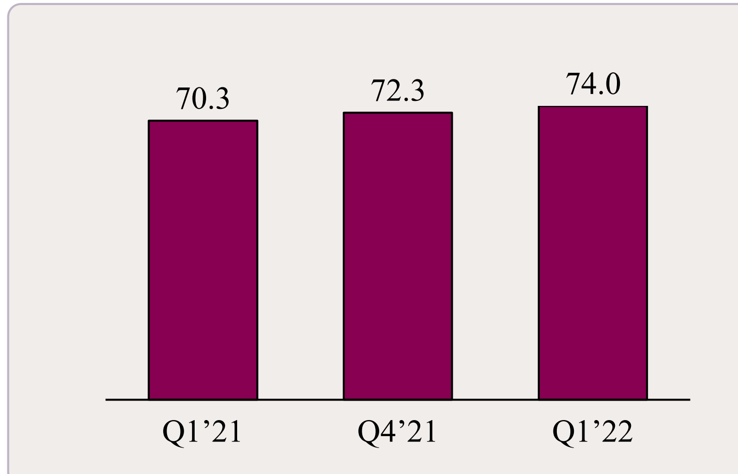
Share of Transactions Evolution in Non-Branch Channels (%)



Number of Digital Customers (mn.)



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



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

Appendix

BRSA Bank-Only Key Financial Ratios[1]

	All figures quarterly	2020	2021	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22
Profitability	RoAE	15.8%	19.0%	13.6%	16.7%	20.9%	24.2%	39.9%
	RoAA	1.3%	1.4%	1.1%	1.3%	1.7%	1.6%	2.4%
	Cost / Income	42.0%	37.8%	43.2%	44.9%	37.4%	31.7%	30.0%
	NIM after swap expense	4.2%	3.6%	2.8%	2.9%	3.4%	5.0%	5.2%
Liquidity	Loans / Deposits[2]	106.2%	91.5%	99.1%	101.8%	100.2%	91.5%	94.5%
	LCR (aop)	117.4%	145.5%	120.1%	137.8%	136.2%	145.5%	181.0%
Asset quality	NPL Ratio	6.1%	4.2%	5.8%	5.4%	4.5%	4.2%	3.5%
	Cost of Risk	1.9%	1.9%	1.5%	0.9%	1.4%	3.5%	1.8%
Solvency	CAR	16.4%	15.9%	15.8%	15.9%	15.2%	15.9%	16.0%
	Tier I Ratio	13.7%	12.8%	13.1%	13.1%	12.5%	12.8%	12.8%
	Liability/Equity	11.8x	16.8x	12.8x	12.6x	12.6x	16.8x	16.2x

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(1) IAS-27 equity method consolidation has been implemented as of Q4'21, whereas the figures of the preceding periods have been restated accordingly
(2) Including TL issued bonds, bank deposits & fiduciary deposits excluding CBRT swap transactions

BRSA Bank-Only Summary Financials[1]

Income Statement

TL, mn	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	ΔQoQ	ΔYoY
Net Interest Income (After Swap Expenses)	1,284	1,465	1,841	3,078	3,790	23%	195%
Net Fees & Commissions Income	704	831	880	976	1,064	9%	51%
Trading & Other Income	496	271	487	921	1,119	22%	126%
Total Operating Income	**2,484**	**2,567**	**3,208**	**4,975**	**5,972**	**20%**	**140%**
Operating Expenses	(1,074)	(1,152)	(1,200)	(1,577)	(1,794)	14%	67%
Net Operating Income	**1,410**	**1,414**	**2,008**	**3,399**	**4,179**	**23%**	**196%**
Provisions	(579)	(364)	(584)	(1,714)	(1,087)	-37%	88%
Profit Before Tax	**831**	**1,051**	**1,424**	**1,685**	**3,092**	**84%**	**272%**
Tax Expenses	(181)	(217)	(314)	(350)	(709)	103%	291%
Profit After Tax	**650**	**834**	**1,109**	**1,335**	**2,383**	**79%**	**267%**

Balance Sheet

TL, mn	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	ΔQoQ	ΔYoY
Cash & Banks[2]	41,843	39,847	43,217	85,564	87,649	2%	109%
Securities	35,793	38,630	41,216	49,960	64,150	28%	79%
Net Loans	147,058	157,415	165,828	200,832	240,762	20%	64%
Fixed Asset and Investments[3]	5,946	6,057	6,224	6,689	7,045	5%	18%
Other Assets	19,058	16,934	16,311	28,324	26,062	-8%	37%
Total Assets	**249,699**	**258,882**	**272,796**	**371,369**	**425,669**	**15%**	**70%**
Deposits	148,510	153,581	162,993	226,923	254,098	12%	71%
Customer	144,861	150,915	161,269	213,946	248,263	16%	71%
Bank	3,650	2,666	1,725	12,977	5,835	-55%	60%
Borrowings	58,047	61,148	63,821	85,293	106,996	25%	84%
Bonds Issued	14,420	18,571	20,073	28,389	33,261	17%	131%
Funds Borrowed	21,831	20,834	18,363	27,032	34,549	28%	58%
Sub-debt	7,744	7,949	8,226	11,853	13,622	15%	76%
Repo	14,051	13,795	17,159	18,020	25,565	42%	82%
Other	23,568	23,570	24,375	37,009	38,252	3%	62%
Equity	19,574	20,583	21,607	22,144	26,322	19%	34%
Total Liabilities & Equity	**249,699**	**258,882**	**272,796**	**371,369**	**425,669**	**15%**	**70%**

[1] IAS-27 equity method consolidation has been implemented as of Q4'21, whereas the figures of the preceding periods have been restated accordingly
[2] Includes CBRT, banks, interbank, other financial institutions
[3] Including subsidiaries

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BRSA Consolidated Key Financial Ratios

	All figures quarterly	2020	2021	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22
Profitability	RoAE	15.8%	18.9%	13.6%	16.7%	20.9%	23.7%	39.9%
	RoAA	1.3%	1.4%	1.1%	1.3%	1.6%	1.6%	2.3%
	Cost / Income	42.4%	38.0%	43.4%	45.1%	37.8%	31.6%	30.7%
	NIM after swap expense	4.3%	3.7%	3.0%	3.1%	3.5%	5.1%	5.2%
Liquidity	Loans / Deposits[1]	110.1%	91.7%	102.6%	104.9%	103.4%	91.7%	97.7%
	LCR (aop)	114.2%	144.1%	116.9%	136.0%	133.8%	144.1%	175.1%
Asset quality	NPL Ratio	6.0%	4.2%	5.7%	5.4%	4.5%	4.2%	3.5%
	Cost of Risk	1.9%	1.9%	1.7%	1.0%	1.4%	3.6%	1.8%
Solvency	CAR	15.8%	15.2%	15.2%	15.2%	14.5%	15.2%	15.3%
	Tier I Ratio	13.1%	12.2%	12.6%	12.5%	11.9%	12.2%	12.2%
	Liability/Equity	12.2x	17.3x	13.1x	13.0x	13.1x	17.3x	16.7x

[1] Including TL issued bonds, bank deposits & fiduciary deposits excluding CBRT swap transactions

BRSA Consolidated Summary Financials

Income Statement

TL, mn	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	ΔQoQ	ΔYoY
Net Interest Income (After Swap Expenses)	1,405	1,583	1,952	3,211	3,958	23%	182%
Net Fees & Commissions Income	774	887	954	1,067	1,173	10%	52%
Trading & Other Income	450	245	425	948	1,041	10%	132%
Total Operating Income	**2,628**	**2,715**	**3,331**	**5,226**	**6,172**	**18%**	**135%**
Operating Expenses	(1,141)	(1,223)	(1,260)	(1,653)	(1,896)	15%	66%
Net Operating Income	**1,487**	**1,492**	**2,071**	**3,573**	**4,276**	**20%**	**188%**
Provisions	(626)	(413)	(607)	(1,841)	(1,116)	-39%	78%
Profit Before Tax	**861**	**1,079**	**1,464**	**1,732**	**3,160**	**82%**	**267%**
Tax Expenses	(210)	(241)	(351)	(425)	(776)	83%	270%
Profit After Tax	**651**	**838**	**1,112**	**1,307**	**2,384**	**82%**	**266%**

Balance Sheet

TL, mn	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	ΔQoQ	ΔYoY
Cash & Banks[1]	42,316	41,169	44,329	86,263	87,806	2%	108%
Securities	35,902	38,759	41,344	50,090	64,367	29%	79%
Net Loans[2]	155,083	165,989	175,046	212,565	253,937	19%	64%
Fixed Asset and Investments	4,243	4,340	4,302	4,613	4,754	3%	12%
Other Assets	20,123	18,321	17,866	30,318	28,604	-6%	42%
Total Assets	**257,667**	**268,577**	**282,886**	**383,849**	**439,469**	**14%**	**71%**
Deposits	148,161	153,269	162,118	225,877	253,368	12%	71%
Customer	144,511	150,603	160,394	212,899	247,533	16%	71%
Bank	3,650	2,666	1,725	12,977	5,835	-55%	60%
Borrowings	65,731	70,323	73,891	97,098	119,743	23%	82%
Bonds Issued	15,642	20,139	22,008	29,803	34,600	16%	121%
Funds Borrowed	27,864	27,158	25,419	37,252	45,161	21%	62%
Sub-debt	7,744	7,949	8,226	11,853	13,622	15%	76%
Repo	14,481	15,077	18,238	18,191	26,359	45%	82%
Other	24,169	24,370	25,234	38,722	40,027	3%	66%
Equity	19,606	20,615	21,643	22,152	26,331	19%	34%
Total Liabilities & Equity	**257,667**	**268,577**	**282,886**	**383,849**	**439,469**	**14%**	**71%**

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

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