



QNB Finansbank Q2'22 Earnings Presentation

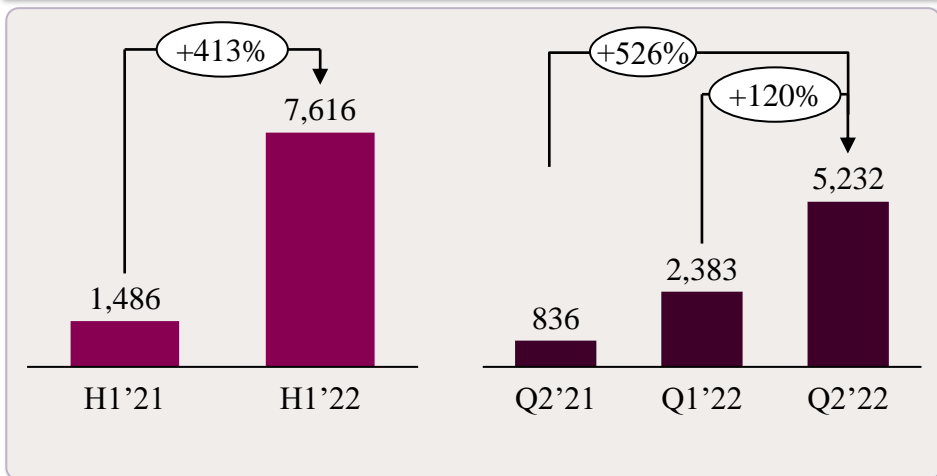
Based on BRSA Unconsolidated Financial Statements
July 2022

Period Highlights

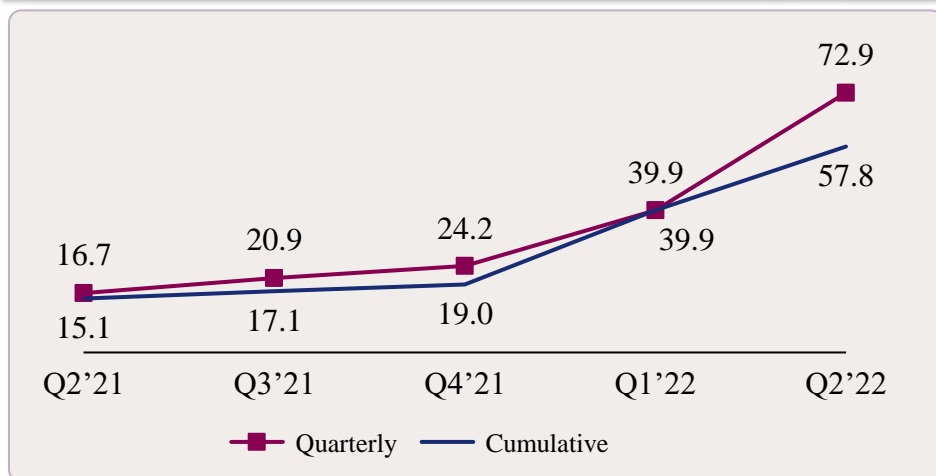
- ✓ Outstanding bottom line performance supported by strong core revenue uplift. H1 '22 net profit reached TL 7,616 million, reflecting 413% YoY growth.
- ✓ Accordingly, Q2'22 ROE realized at 72.9%, anticipated to be well ahead of private banks and sector averages, and brought cumulative ROE to 57.8%
- ✓ Very strong loan growth (39% YtD) 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 (39% YtD) 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 54% YtD, on the back of TL securities, of which %88 are floating or indexed in nature. Share of CPI linkers, which offer hedge against inflation, account for 66% of TL securities portfolio and almost match total shareholders' equity.
- ✓ Operating expenses remained main focus area following very high inflation, as continued shift to digitalization helped to contain expenses. Even with elevated inflation, Cost/Income ratio improved to record low level of 19.5%, on the back of stellar revenue growth,
- ✓ Robust solvency ratios retained with CAR at 14.7% and Tier 1 at 11.7%

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

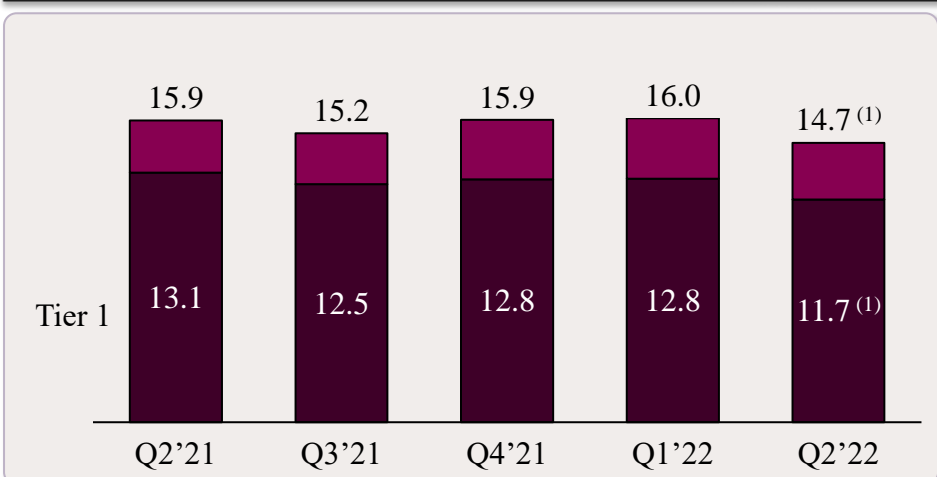
Net Income (TL mn.)



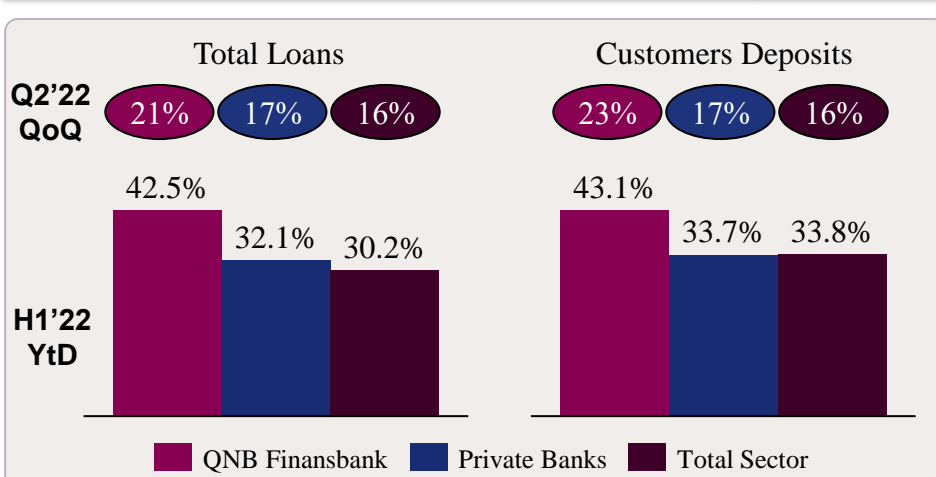
Quarterly and Cumulative RoAE (%)



CAR (%)



Total Loans & Deposits Growth⁽²⁾ (%)

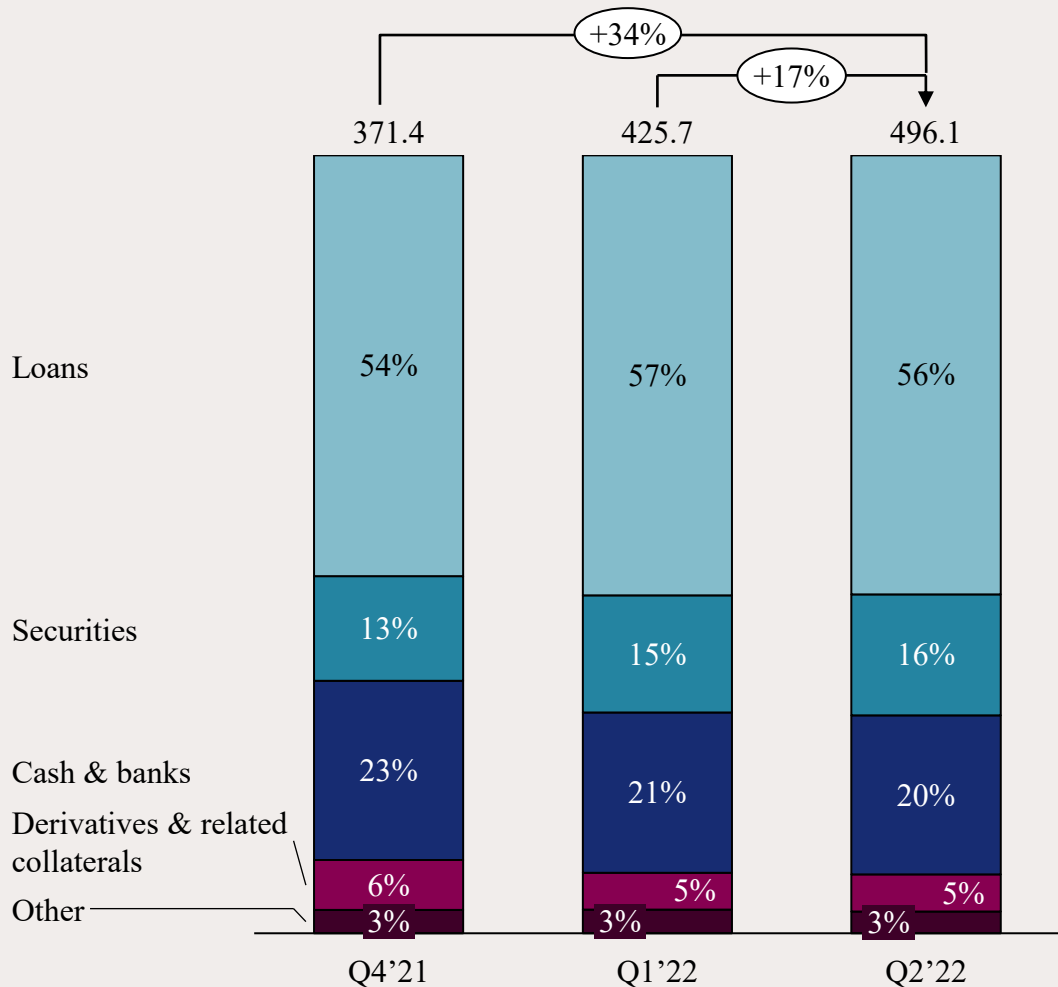


⁽¹⁾ Without BRSA's temporary forbearance measures: CAR: 13.3%, Tier 1: 10.4%

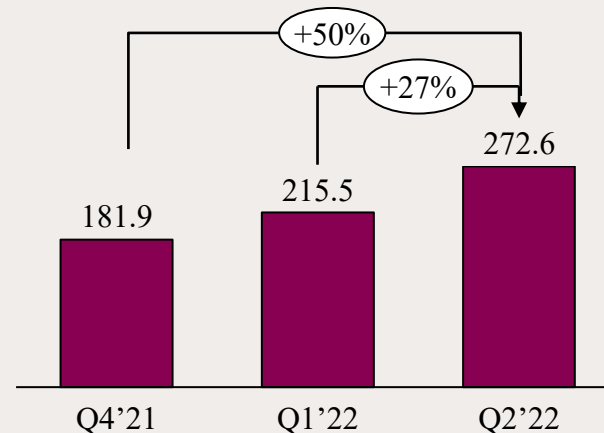
⁽²⁾ BRSA Weekly Banking Sector data compared vis-a-vis QNBFB data as of 24 June 2022

Well-balanced asset base grew by 17% QoQ and 34% YtD, reaching TL 496 bn, as loans constituted 56% of assets, reflecting Bank's commitment to fund the economy

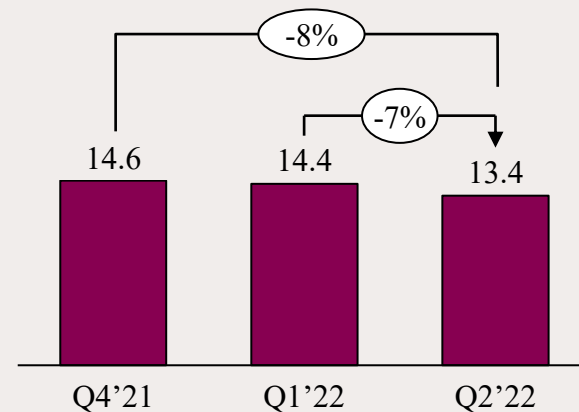
Total Assets (TL bn)



TL Assets (TL bn)

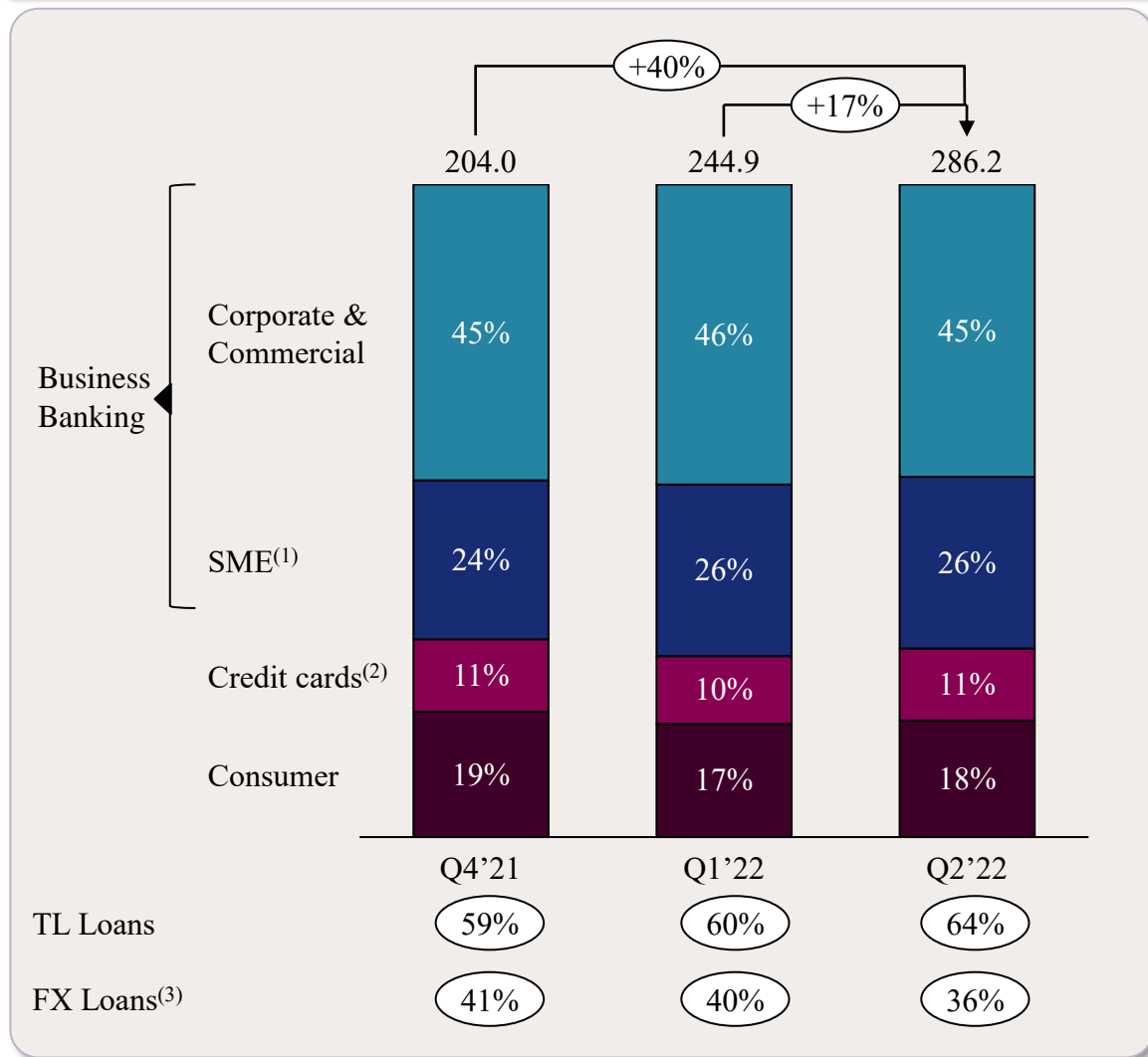


FX Assets⁽¹⁾ (USD bn)

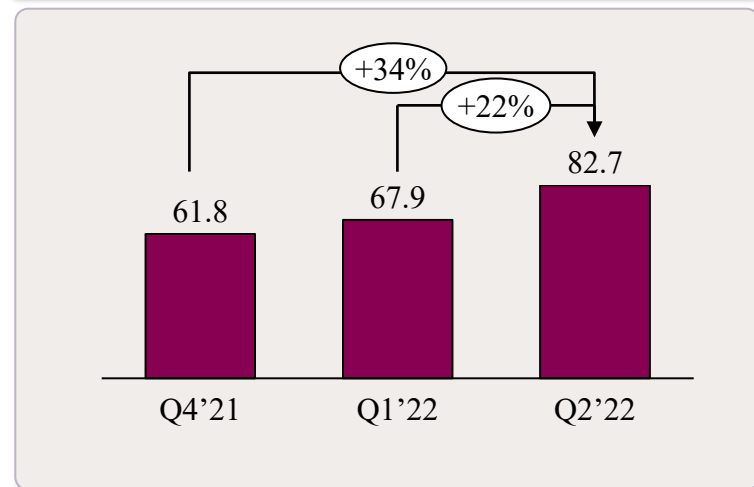


Both quarterly and YtD loan growth performance stood strong, outpacing private banks and sector, supported by all businesses

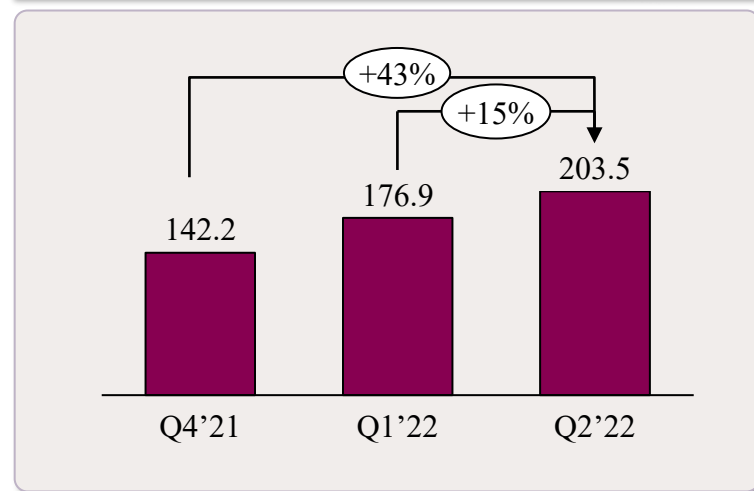
Performing Loans by Segment and Currency (TL bn)



Retail Loans (TL bn)

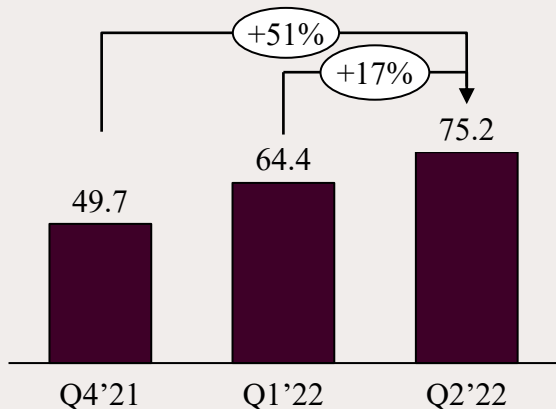


Business Loans (TL bn)

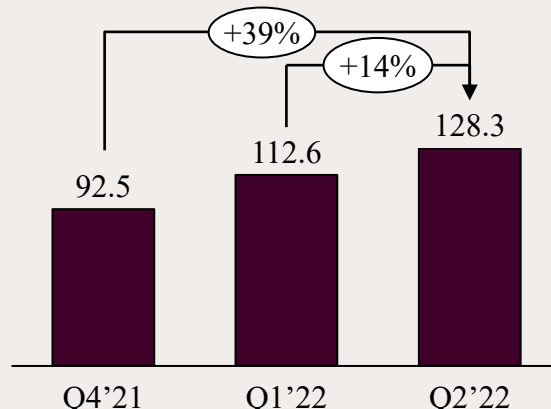


Business Banking growth was across the board, while Credit Cards and General Purpose Loans remained focus areas at Retail lending

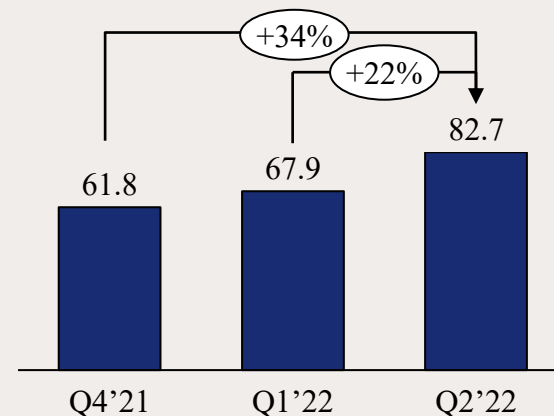
SME Loans⁽¹⁾ (TL bn)



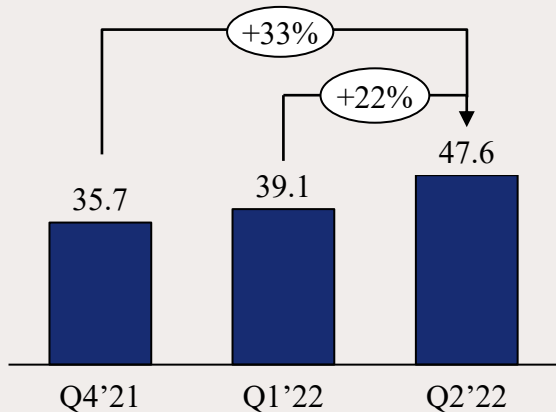
Corporate & Commercial Loans (TL bn)



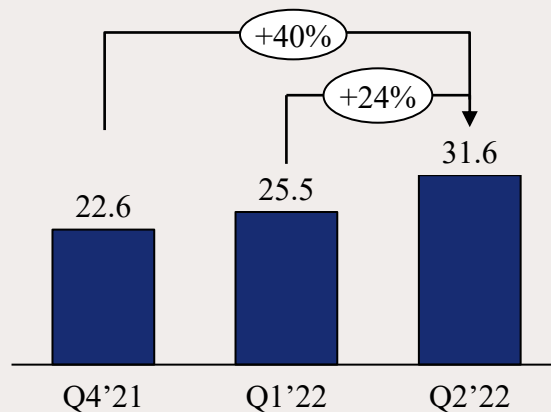
Retail Loans (TL bn)



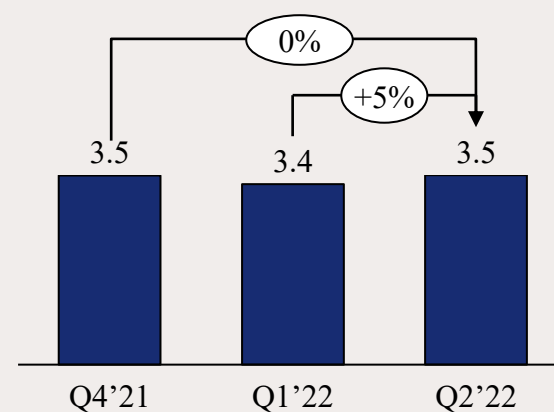
General Purpose Loans⁽²⁾ (TL bn)



Credit Card Loans⁽³⁾ (TL bn)

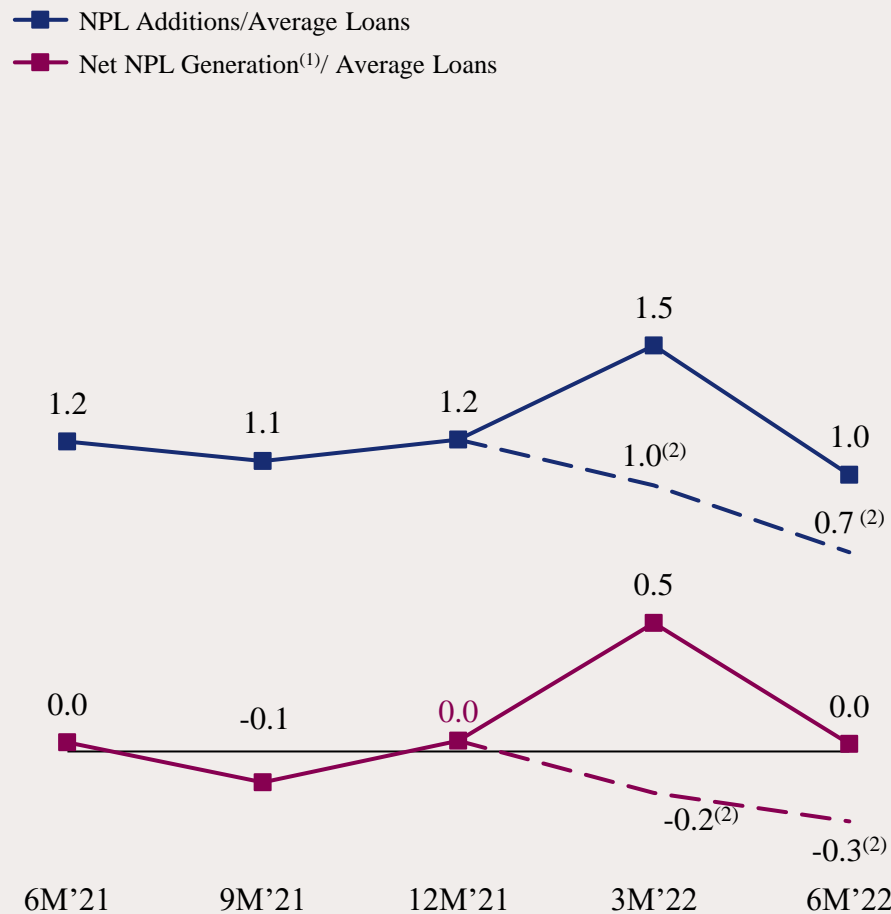


Mortgage Loans (TL bn)

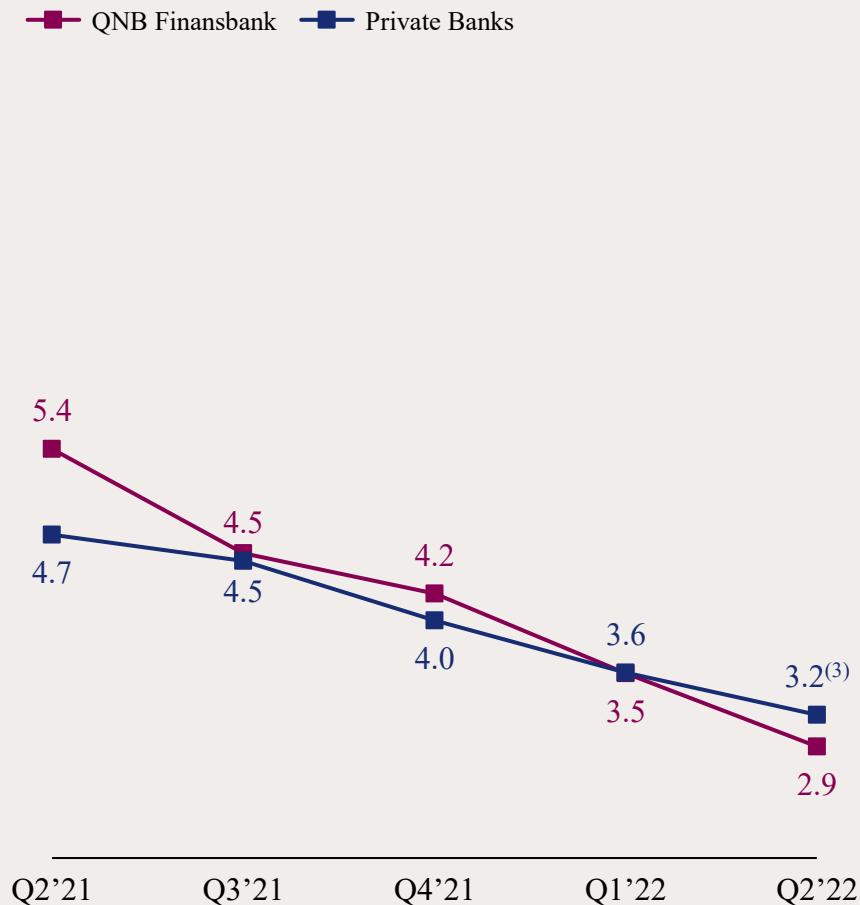


Net NPL generation was negative thanks to strong collection performance and very low NPL inflow. NPL ratio continued to improve beyond private banks.

NPL Additions / Average Loans (%)



NPL Ratio (%)



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

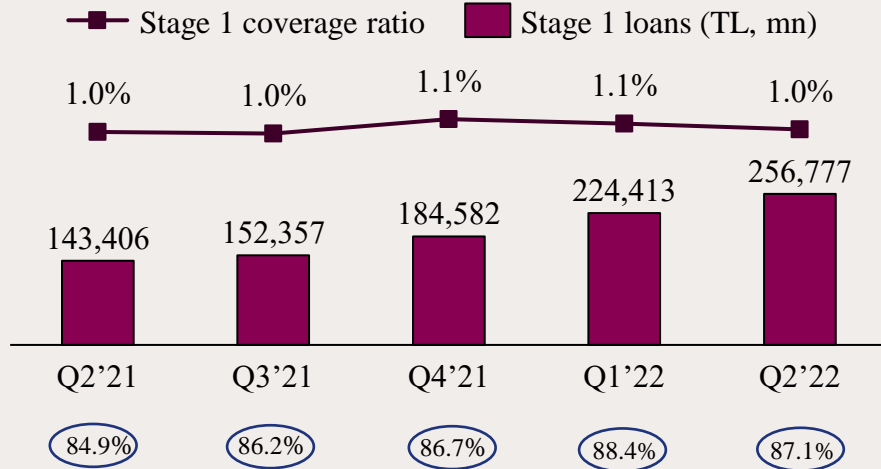
⁽²⁾ Adjusted for write-off of LYY loan following the sale of TTKOM shares to TWF

⁽³⁾ BRSA monthly banking sector data for private banks for May 2022

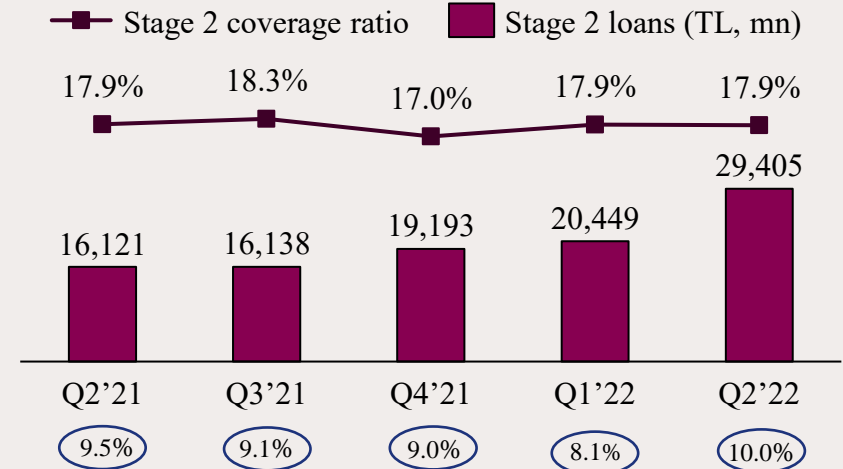
Even with strong growth, ample provision buffers retained thanks to conservative provisioning stance

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

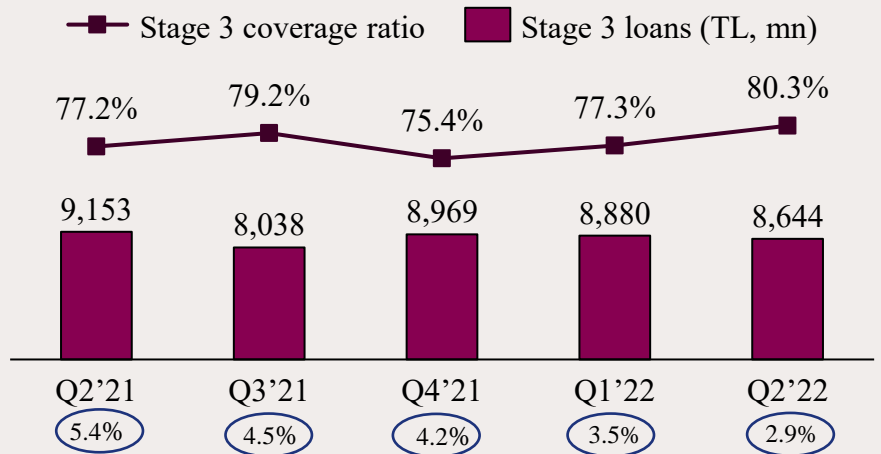
Stage 1 Loans & Coverage



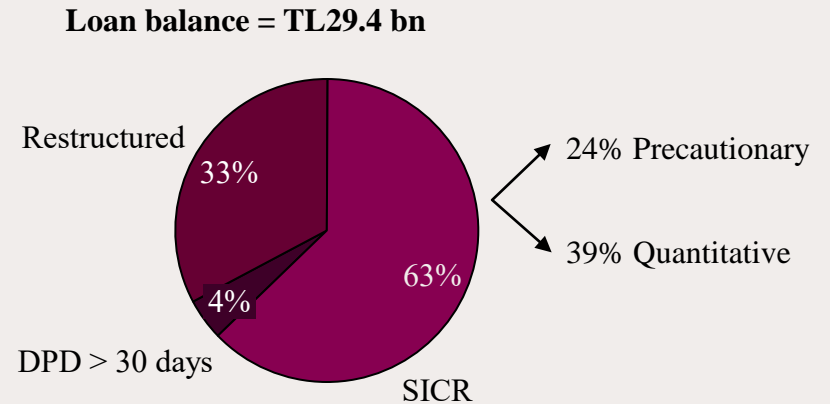
Stage 2 Loans & Coverage



Stage 3 Loans & Coverage

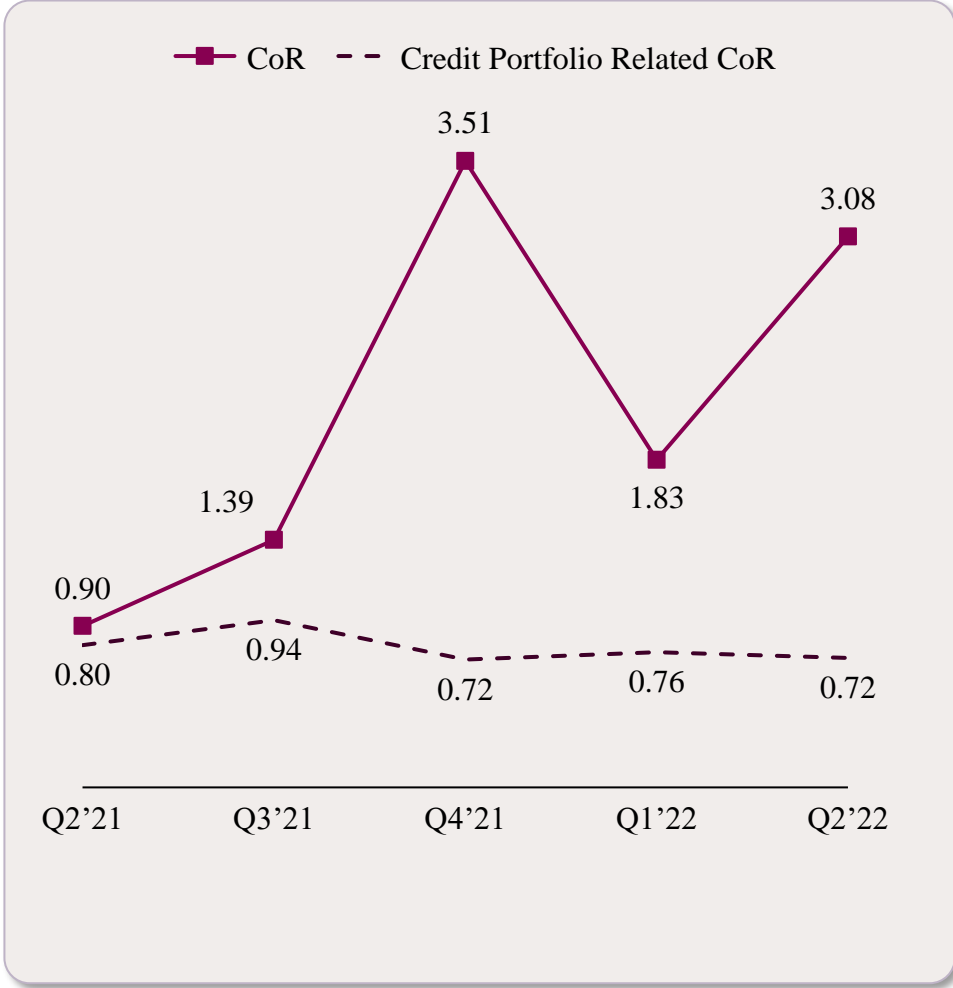


Stage 2 Composition

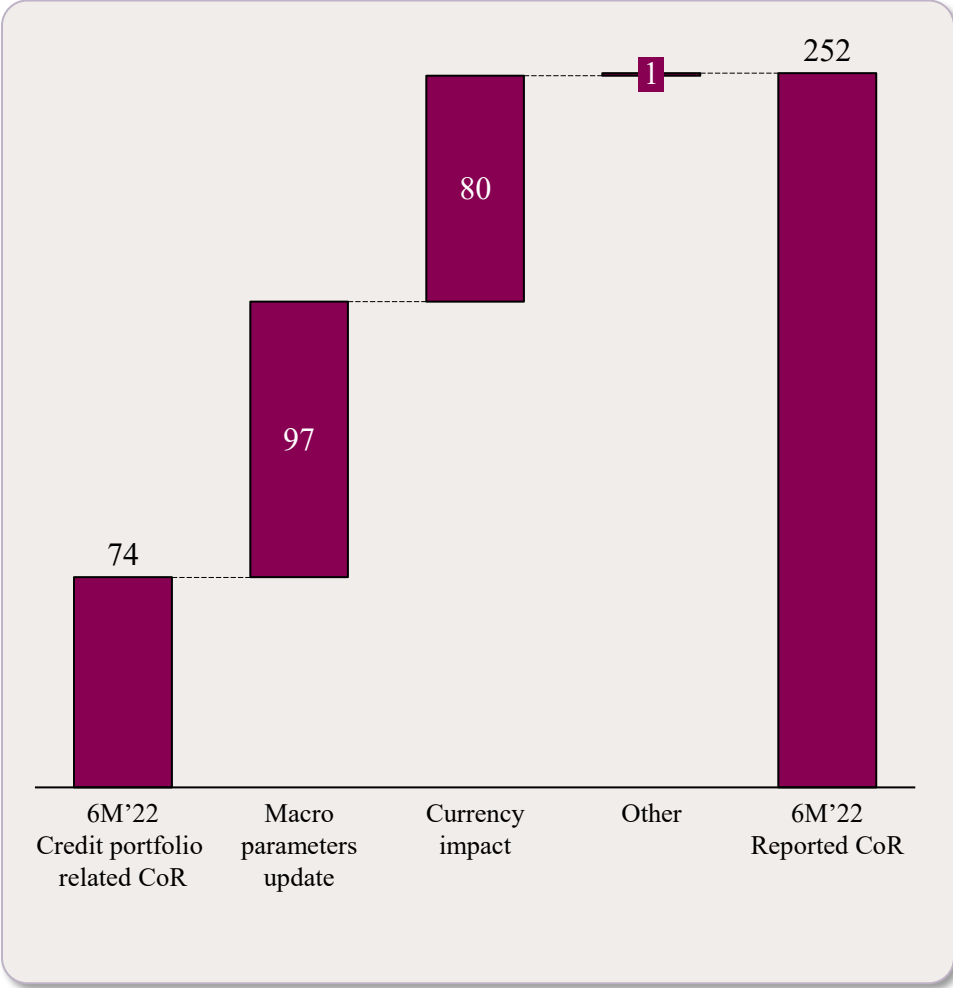


Low NPL generation and solid collection performance helped to maintain low level of credit portfolio related CoR, while reported CoR also included significant macro parameter update as well as currency impact

Quarterly Cost of Risk (%)

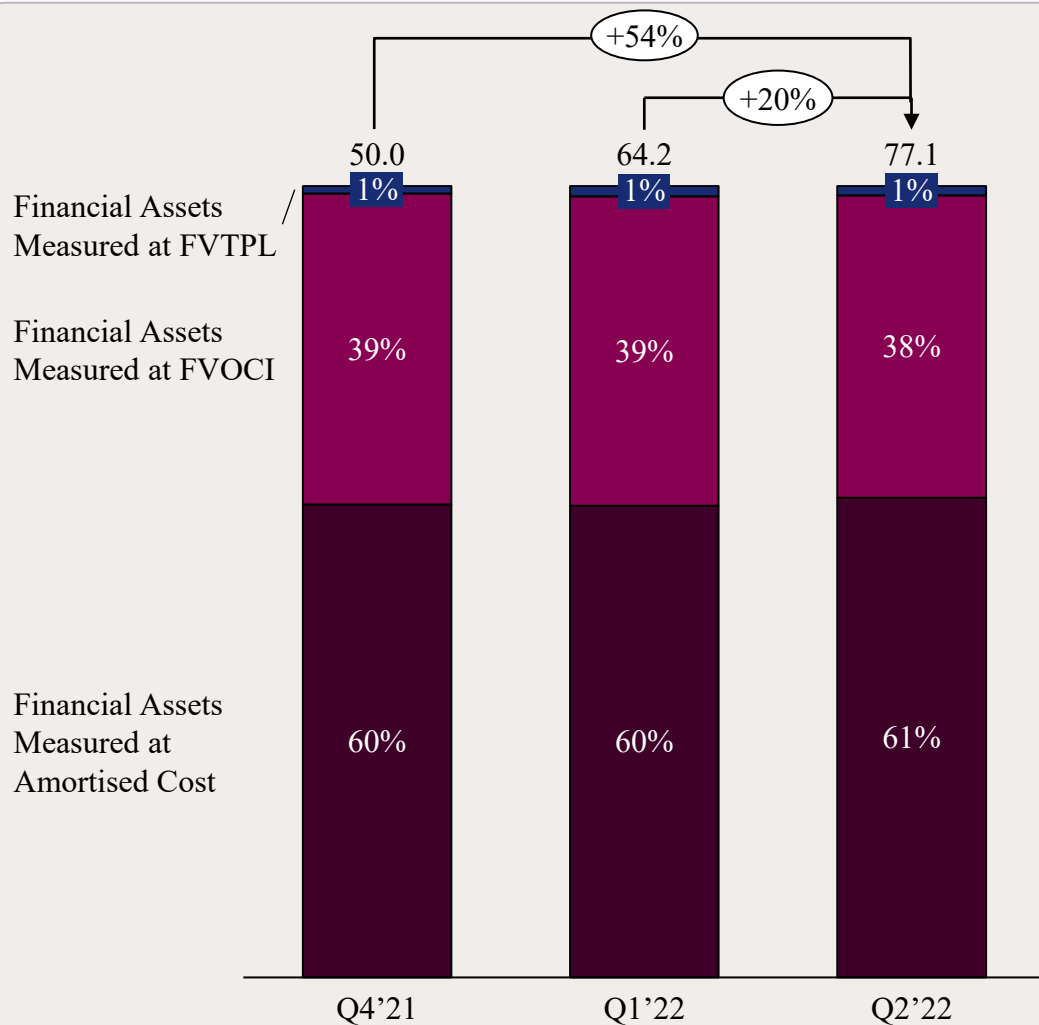


6M'22 CoR Breakdown (bps)

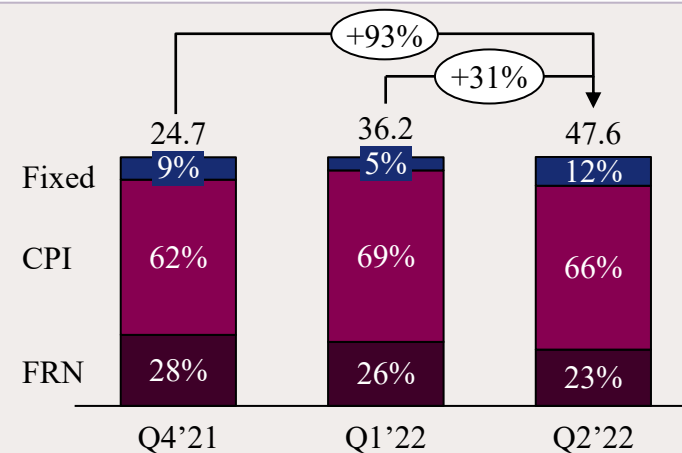


Securities portfolio recorded 20% QoQ and 54% YtD growth driven by TL securities, of which 88% are floating/indexed in nature

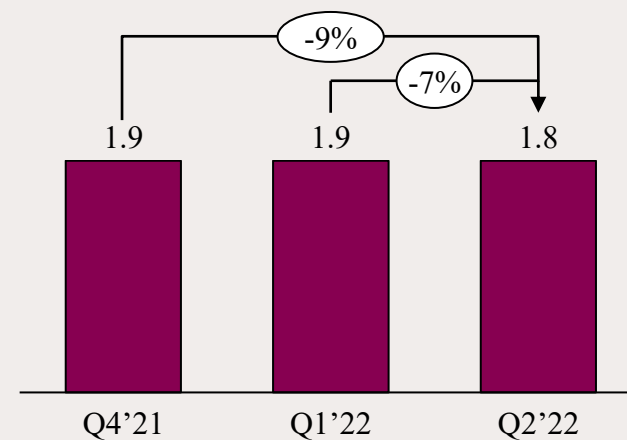
Total Securities (TL bn)



TL Securities (TL bn)

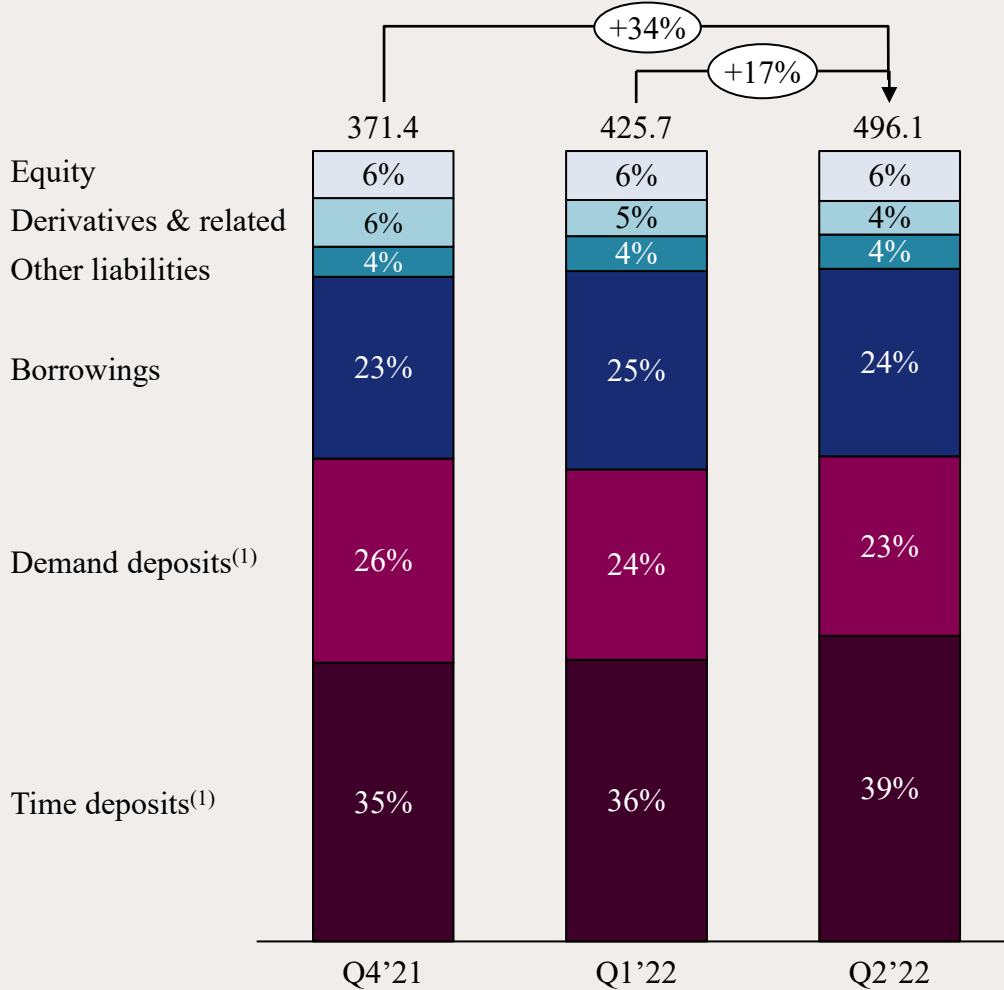


FX Securities (USD bn)

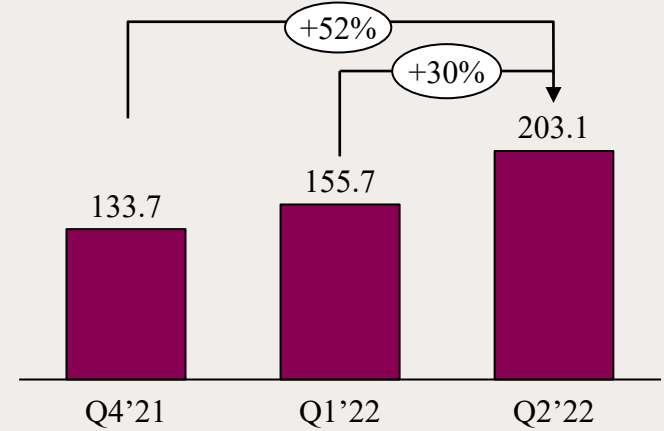


Well-diversified & disciplined funding mix maintained with a tilt towards TL funding, as fx-protected deposit scheme positively contributed to the trend

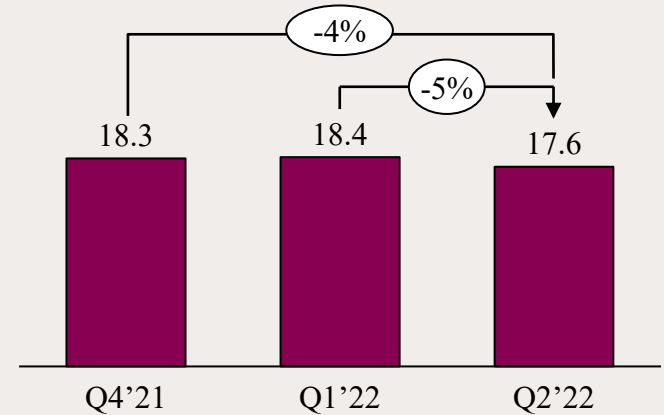
Total Liabilities (TL bn)



TL Liabilities (TL bn)

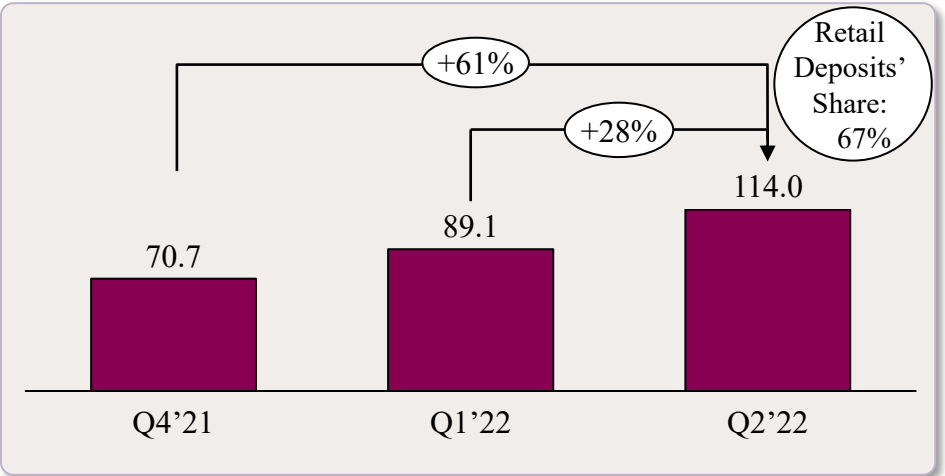


FX Liabilities (USD bn)

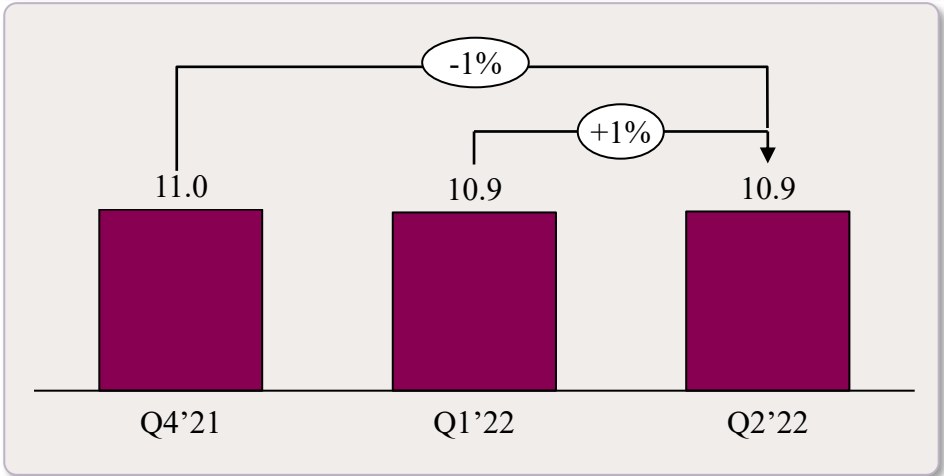


TL driven deposit gatherings, outpaced both the private peers and the sector, as well boosted by strong and healthy demand deposit contribution

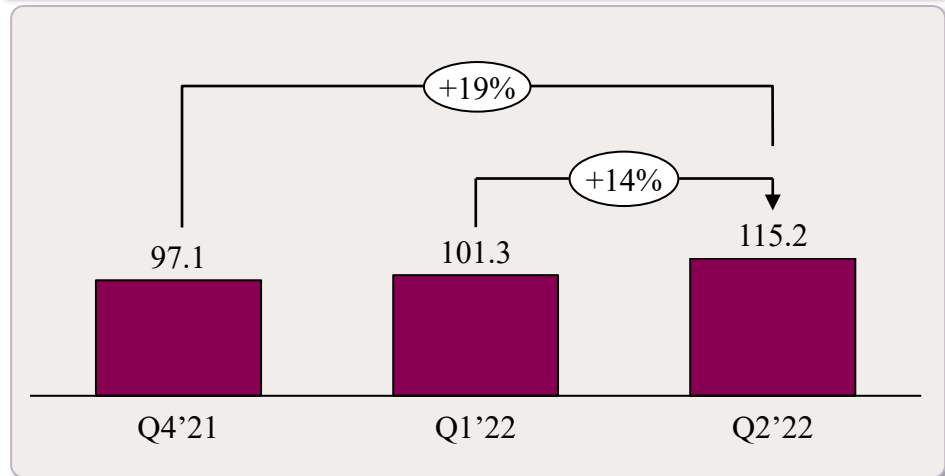
TL Customer Deposits (TL bn)



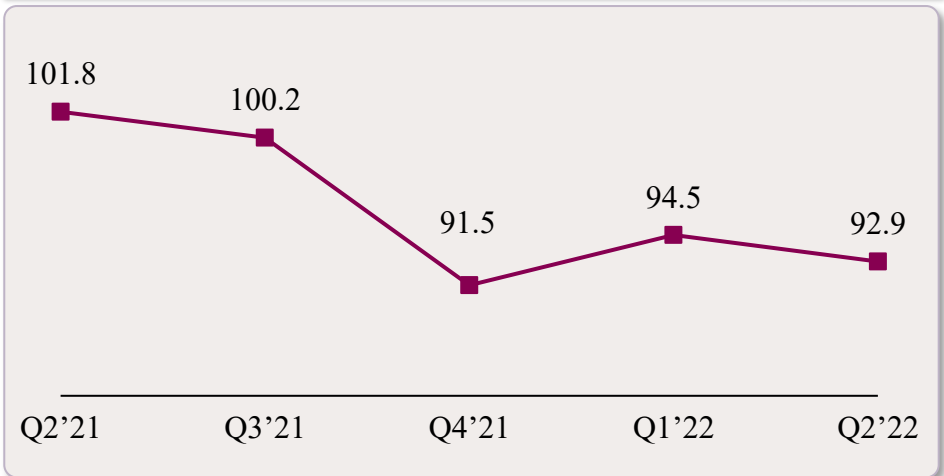
FX Customer Deposits (USD bn)



Customer Demand Deposits (TL bn, aop)



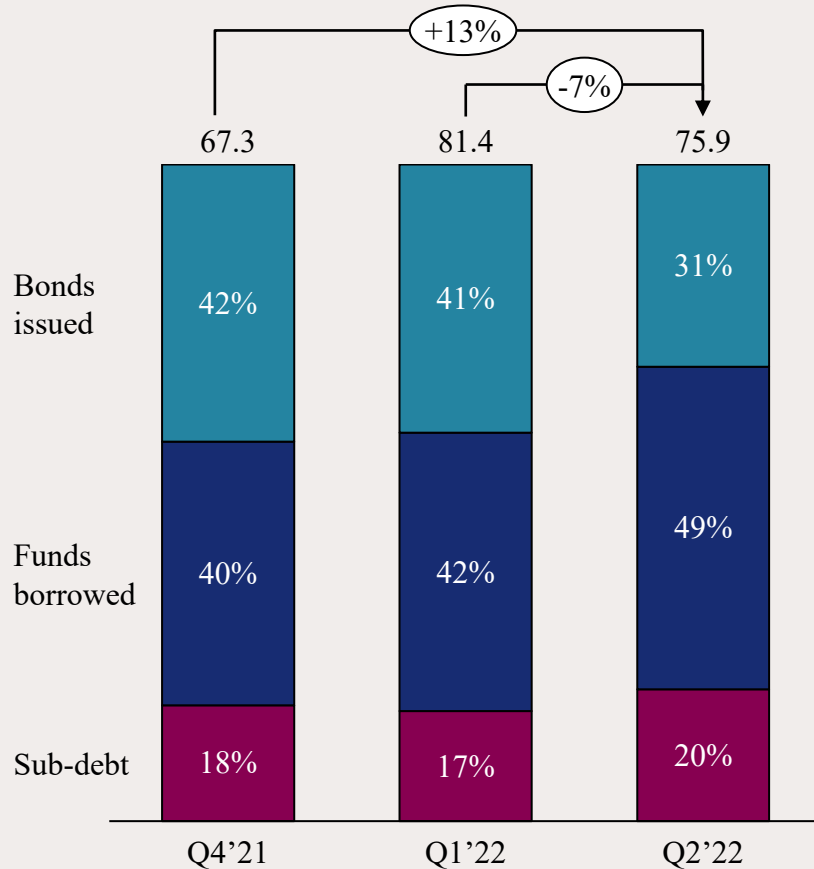
Loan-to-deposit-ratio⁽¹⁾ (%)



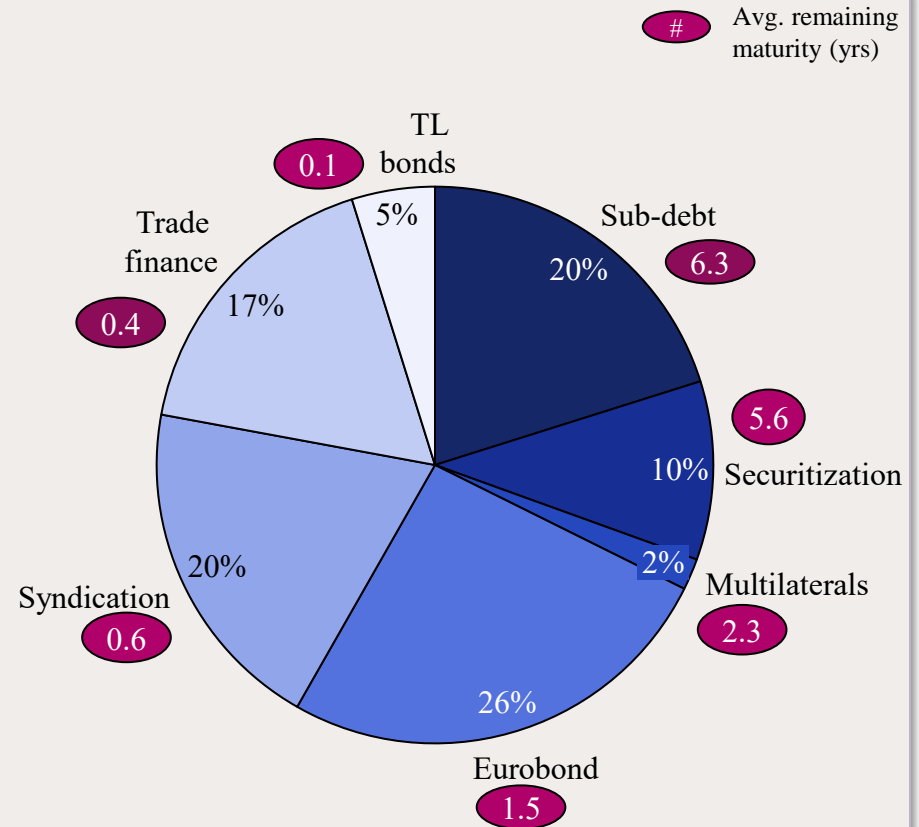
⁽¹⁾ Including TL issued bonds, bank deposits & fiduciary deposits

Well-balanced wholesale borrowing mix 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)

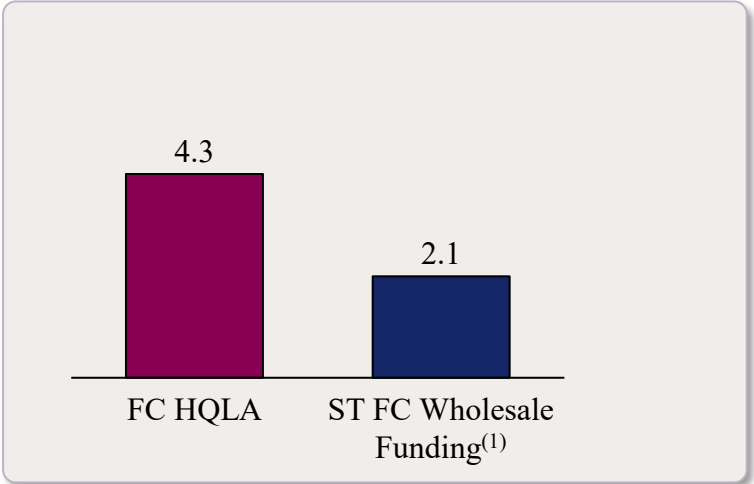


Wholesale Borrowings⁽¹⁾ Breakdown

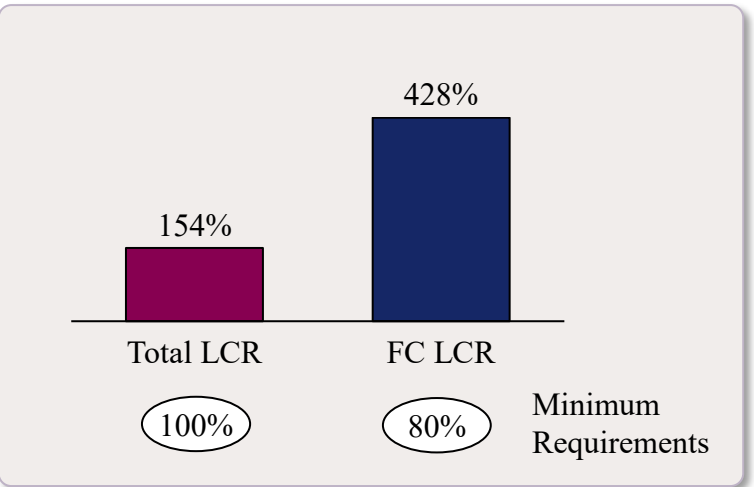


Manageable external borrowings led to ample FC liquidity vis-a-vis short-term dues

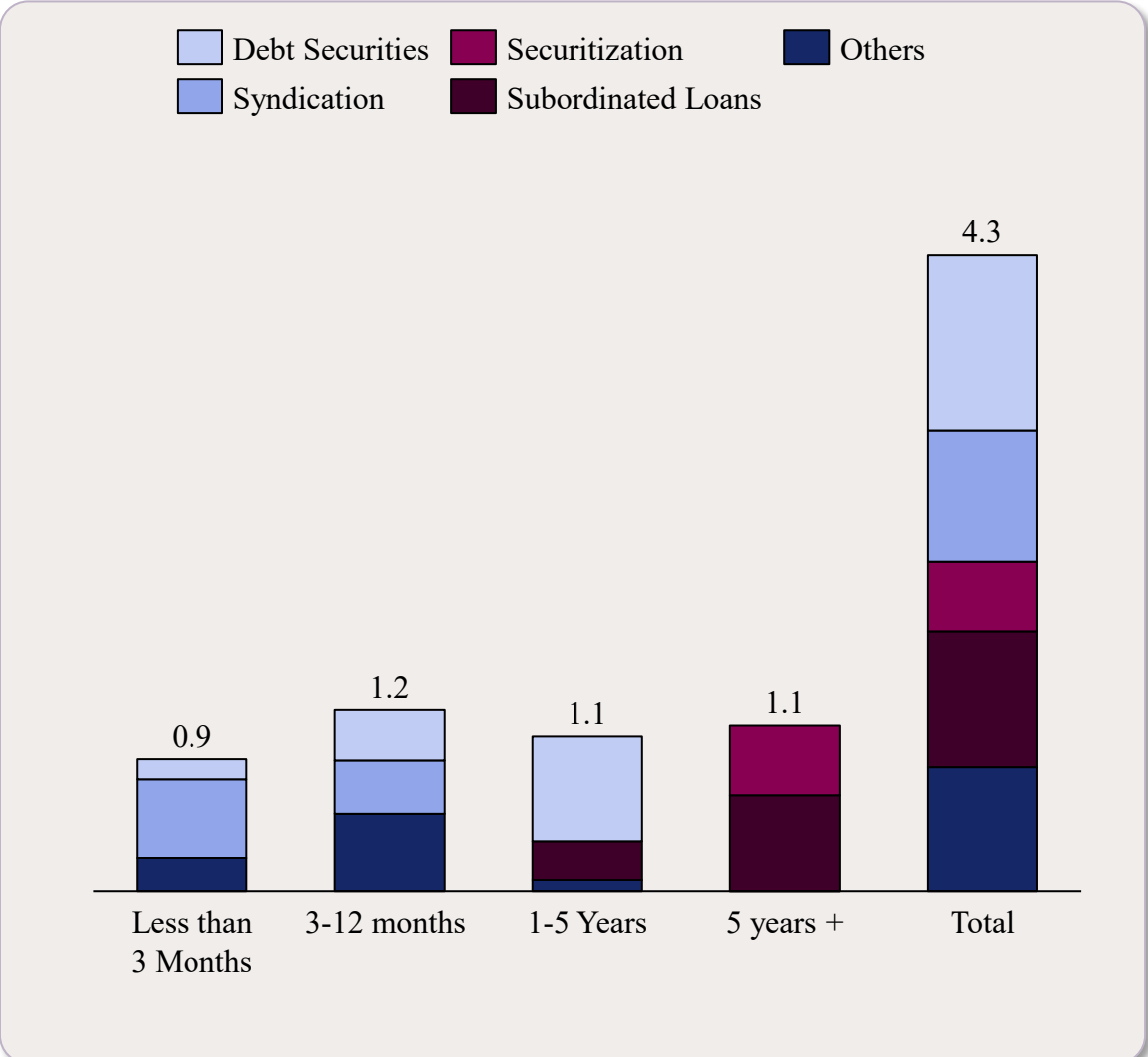
FC HQLA vs Short-term Dues (USD bn)



Liquidity Coverage Ratios (% eop)



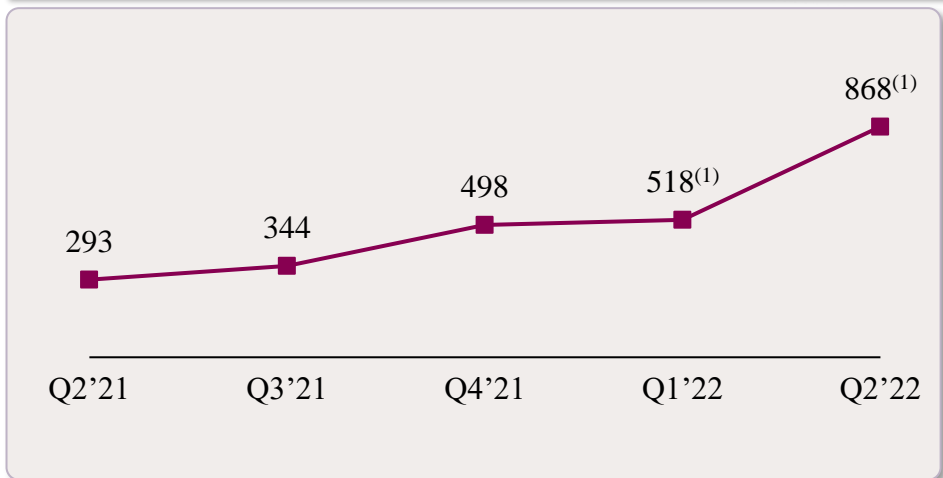
Maturity Profiles of FC Wholesale Funding (USD bn)



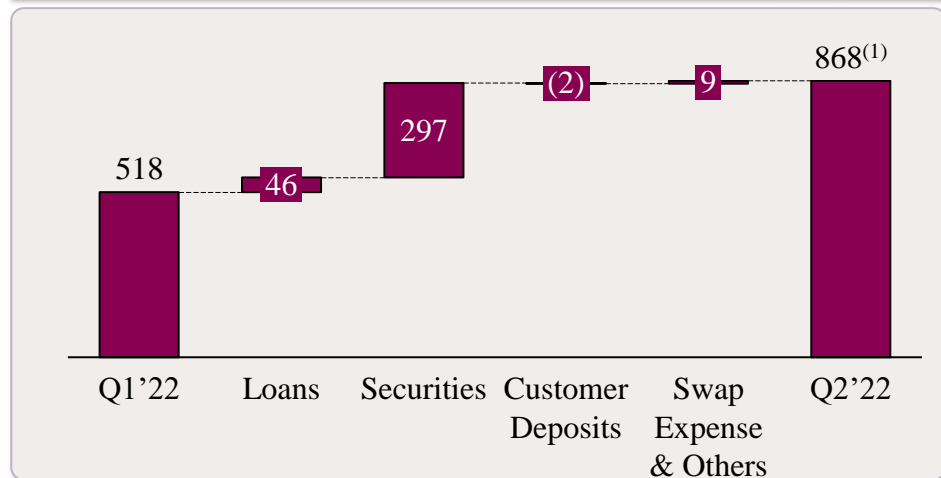
⁽¹⁾ FC wholesale funding due within 1 year

Sustained TL spread improvement, yet robust volume growth and generous contribution of CPI linkers led to outstanding NIM expansion

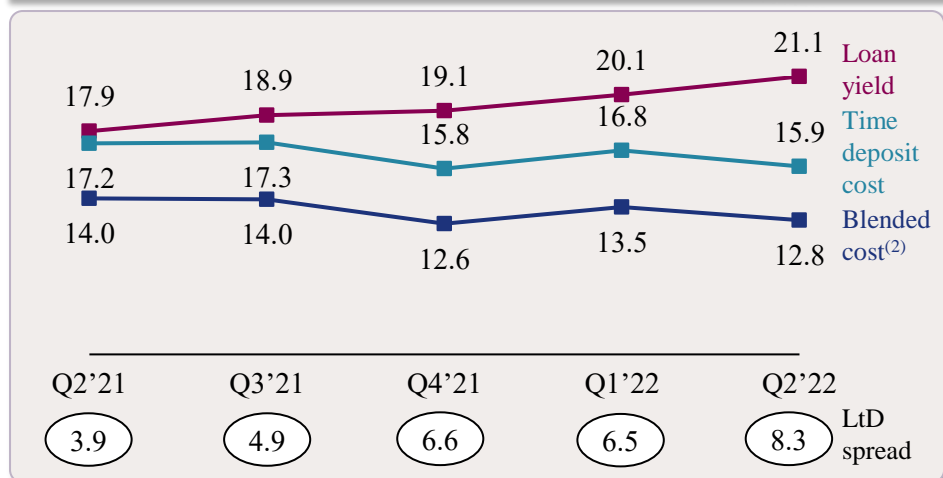
Quarterly NIM after Swap (bps)



Quarterly NIM after Swap Evolution (bps)



TL Spread (% , quarterly)



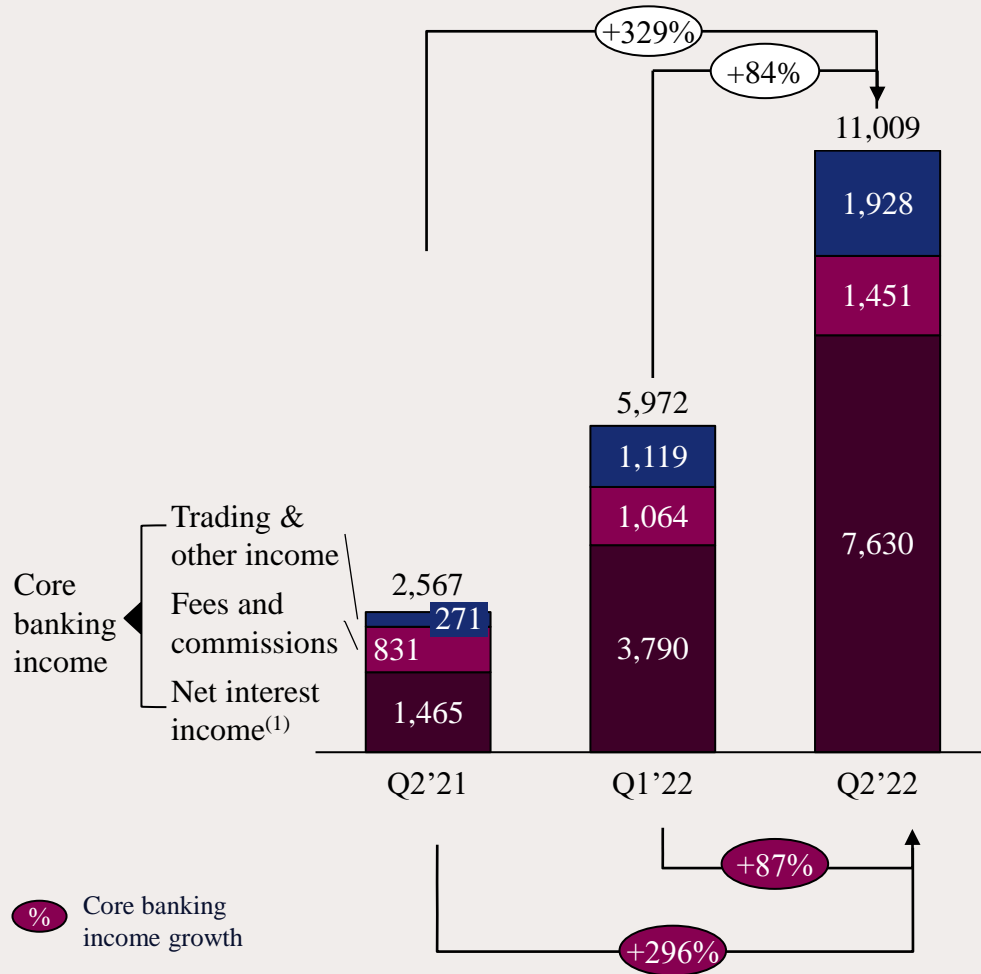
FX Spread (% , quarterly)



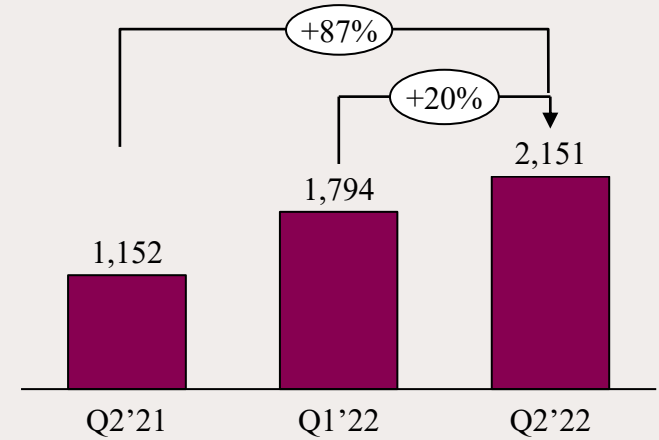
⁽¹⁾ October-October inflation projection used in the valuation of CPI linkers was 35% and 60% as of the end of and Q1'22 and Q2'22, respectively. An additional 100 bps increase in CPI projection contributes TL 245 mn/yr to NII and 6 bps to annual NIM.
⁽²⁾ Blended of time and demand deposits.

Strong core banking income generation coupled with effective cost containment: Stunning NII and revenue uplift lead to record low cost/income figure

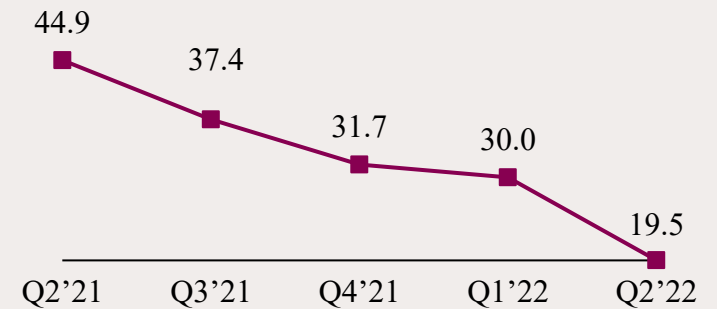
Total Operating Income (TL mn.)



OpEx (TL mn.)

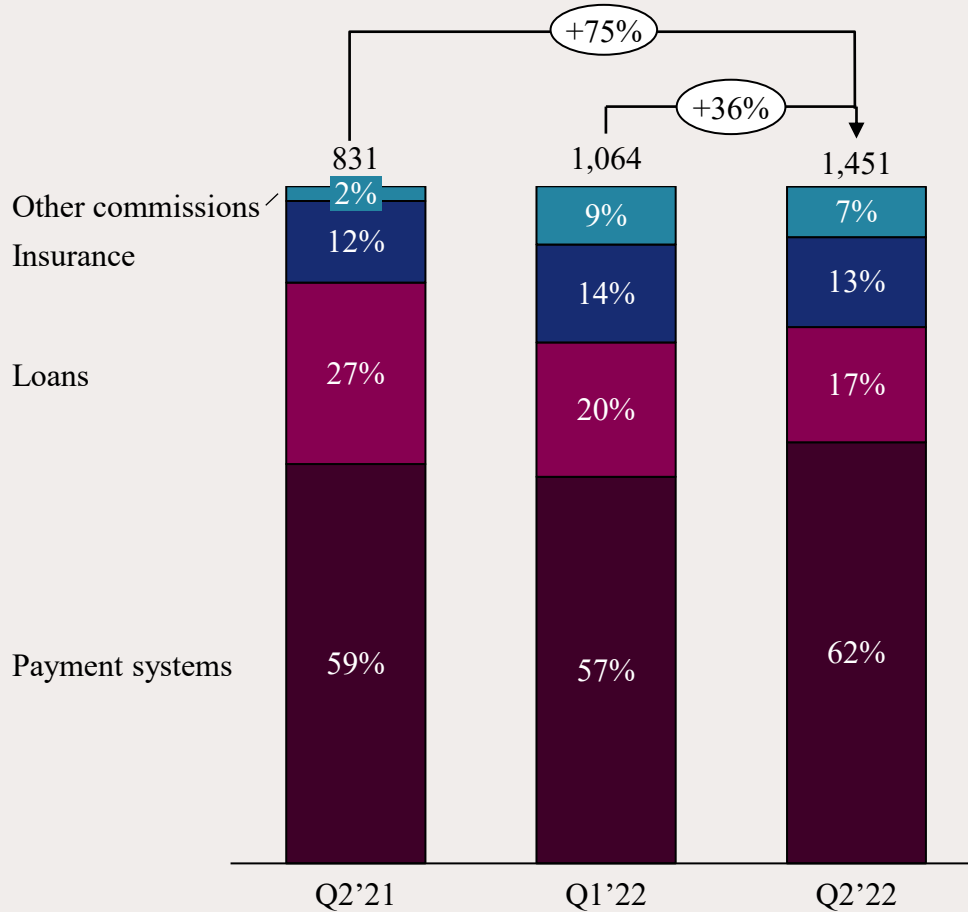


Cost / Income (%)

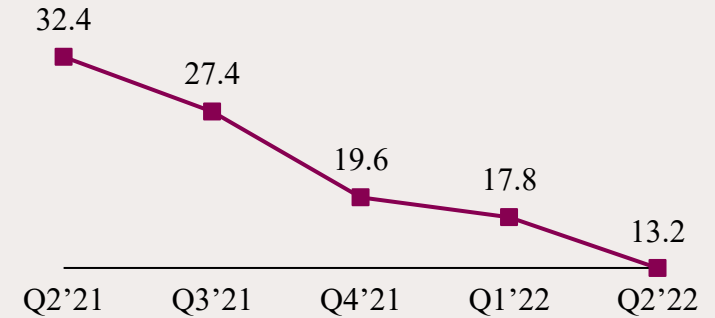


Fees once again outperformed the expectations across the board, but particularly on the back of stellar payment systems performance and yet strong loan growth

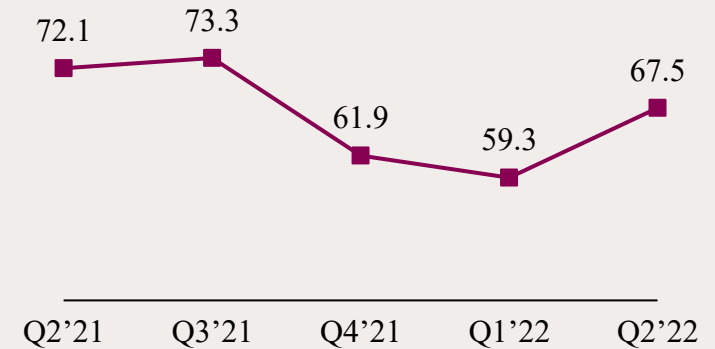
Net Fees and Commissions⁽¹⁾ (TL mn)



Fees / Total Income (%)

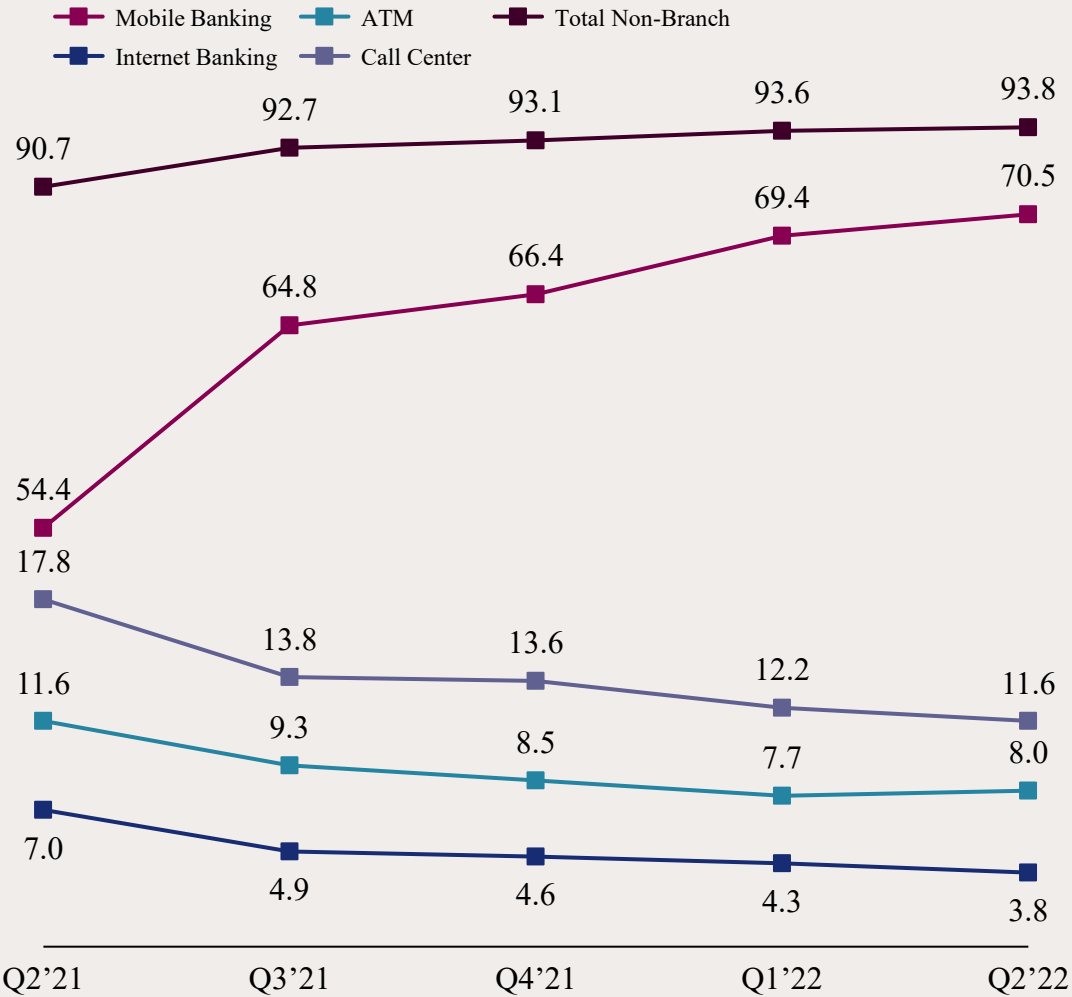


Fees / OpEx (%)

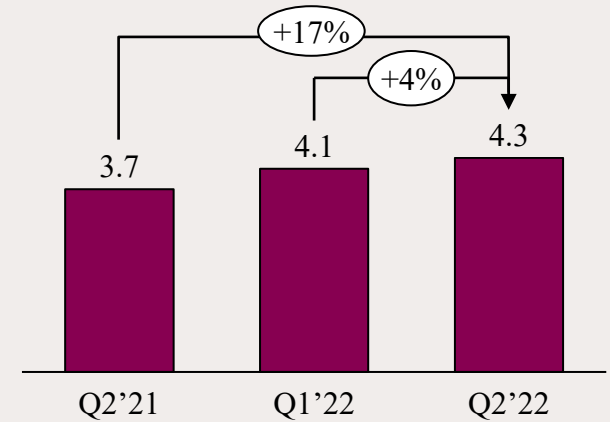


Investment in digital transformation paved the road to a smooth, swift and persistent transition to digital channels

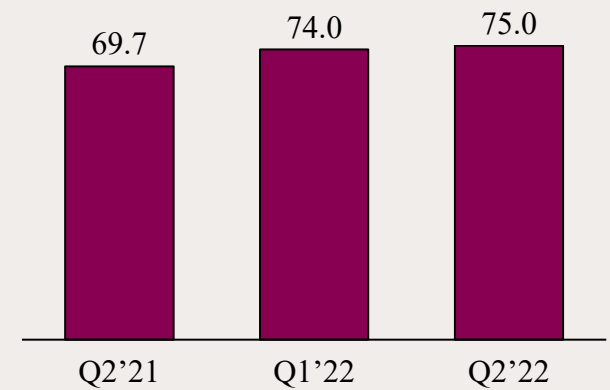
Share of Transactions Evolution in Non-Branch Channels (%)



Number of Digital Customers (mn.)



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



Appendix



BRSA Bank-Only Key Financial Ratios⁽¹⁾

	<i>All figures quarterly</i>	Q1'21	Q2'21	H1'21	Q1'22	Q2'22	H1'22
Profitability	RoAE	13.6%	16.7%	15.1%	39.9%	72.9%	57.8%
	RoAA	1.1%	1.3%	1.3%	2.4%	4.6%	3.6%
	Cost / Income	43.2%	44.9%	44.1%	30.0%	19.5%	23.2%
	NIM after swap expense	2.8%	2.9%	2.9%	5.2%	8.7%	7.1%
Liquidity	Loans / Deposits ⁽²⁾	99.1%	101.8%	101.8%	94.5%	92.9%	92.9%
	LCR (aop)	120.1%	137.8%	137.8%	181.0%	156.0%	156.0%
Asset quality	NPL Ratio	5.8%	5.4%	5.4%	3.5%	2.9%	2.9%
	Cost of Risk	1.5%	0.9%	1.2%	1.8%	3.1%	2.5%
Solvency	CAR	15.8%	15.9%	15.9%	16.0%	14.7%	14.7%
	Tier I Ratio	13.1%	13.1%	13.1%	12.8%	11.7%	11.7%
	Liability/Equity	12.8x	12.6x	12.6x	16.2x	15.9x	15.9x

BRSA Bank-Only Summary Financials⁽¹⁾

Income Statement

TL, mn	Q1'22	Q2'22	ΔQoQ	H1'21	H1'22	ΔYoY
Net Interest Income (After Swap Expenses)	3,790	7,630	101%	2,749	11,420	315%
Net Fees & Commissions Income	1,064	1,451	36%	1,536	2,514	64%
Trading & Other Income	1,119	1,928	72%	766	3,047	298%
Total Operating Income	5,972	11,009	84%	5,051	16,981	236%
Operating Expenses	(1,794)	(2,151)	20%	(2,226)	(3,944)	77%
Net Operating Income	4,179	8,858	112%	2,825	13,037	362%
Provisions	(1,087)	(2,060)	90%	(943)	(3,146)	234%
Profit Before Tax	3,092	6,799	120%	1,884	9,891	426%
Tax Expenses	(709)	(1,566)	121%	(398)	(2,275)	472%
Profit After Tax	2,383	5,232	120%	1,486	7,616	413%

Balance Sheet

TL, mn	Q4'21	Q1'22	Q2'22	ΔQoQ	ΔYtD
Cash & Banks ⁽²⁾	85,564	87,649	101,532	16%	19%
Securities	49,960	64,150	77,095	20%	54%
Net Loans	200,832	240,762	279,969	16%	39%
Fixed Asset and Investments ⁽³⁾	6,689	7,045	7,480	6%	12%
Other Assets	28,324	26,062	30,012	15%	6%
Total Assets	371,369	425,669	496,088	17%	34%
Deposits	226,923	254,098	304,396	20%	34%
Customer	213,946	248,263	296,361	19%	39%
Bank	12,977	5,835	8,035	38%	-38%
Borrowings	85,293	106,996	117,785	10%	38%
Bonds Issued	28,389	33,261	23,363	-30%	-18%
Funds Borrowed	27,032	34,549	37,260	8%	38%
Sub-debt	11,853	13,622	15,238	12%	29%
Repo	18,020	25,565	41,924	64%	133%
Other	37,009	38,252	42,644	11%	15%
Equity	22,144	26,322	31,263	19%	41%
Total Liabilities & Equity	371,369	425,669	496,088	17%	34%

BRSA Consolidated Key Financial Ratios

	<i>All figures quarterly</i>	Q1'21	Q2'21	H1'21	Q1'22	Q2'22	H1'22
Profitability	RoAE	13.6%	16.7%	15.1%	39.9%	72.9%	57.8%
	RoAA	1.1%	1.3%	1.2%	2.3%	4.4%	3.5%
	Cost / Income	43.4%	45.1%	44.3%	30.7%	20.2%	23.9%
	NIM after swap expense	3.0%	3.1%	3.0%	5.2%	8.7%	7.1%
Liquidity	Loans / Deposits ⁽¹⁾	102.6%	104.9%	104.9%	97.7%	95.0%	95.0%
	LCR (aop)	116.9%	136.0%	136.0%	175.1%	152.5%	152.5%
Asset quality	NPL Ratio	5.7%	5.4%	5.4%	3.5%	2.9%	2.9%
	Cost of Risk	1.6%	1.0%	1.3%	1.8%	3.0%	2.5%
Solvency	CAR	15.2%	15.2%	15.2%	15.3%	14.1%	14.1%
	Tier I Ratio	12.6%	12.5%	12.5%	12.2%	11.2%	11.2%
	Liability/Equity	13.1x	13.0x	13.0x	16.7x	16.4x	16.4x

BRSA Consolidated Summary Financials

Income Statement

TL, mn	Q1'22	Q2'22	ΔQoQ	H1'21	H1'22	ΔYoY
Net Interest Income (After Swap Expenses)	3,958	7,823	98%	2,988	11,781	294%
Net Fees & Commissions Income	1,173	1,616	38%	1,661	2,789	68%
Trading & Other Income	1,041	1,811	74%	695	2,852	311%
Total Operating Income	6,172	11,250	82%	5,343	17,422	226%
Operating Expenses	(1,896)	(2,275)	20%	(2,364)	(4,171)	76%
Net Operating Income	4,276	8,975	110%	2,979	13,251	345%
Provisions	(1,116)	(2,114)	89%	(1,039)	(3,230)	211%
Profit Before Tax	3,160	6,861	117%	1,940	10,021	417%
Tax Expenses	(776)	(1,628)	110%	(451)	(2,404)	433%
Profit After Tax	2,384	5,233	120%	1,489	7,617	412%

Balance Sheet

TL, mn	Q4'21	Q1'22	Q2'22	ΔQoQ	ΔYtD
Cash & Banks ⁽¹⁾	86,263	87,806	101,692	16%	18%
Securities	50,090	64,367	77,322	20%	54%
Net Loans ⁽²⁾	212,565	253,937	294,050	16%	38%
Fixed Asset and Investments	4,613	4,754	4,887	3%	6%
Other Assets	30,318	28,604	33,442	17%	10%
Total Assets	383,849	439,469	511,392	16%	33%
Deposits	225,877	253,368	303,408	20%	34%
Customer	212,899	247,533	295,373	19%	39%
Bank	12,977	5,835	8,035	38%	-38%
Borrowings	97,098	119,743	131,895	10%	36%
Bonds Issued	29,803	34,600	25,829	-25%	-13%
Funds Borrowed	37,252	45,161	47,653	6%	28%
Sub-debt	11,853	13,622	15,238	12%	29%
Repo	18,191	26,359	43,175	64%	137%
Other	38,722	40,027	44,817	12%	16%
Equity	22,152	26,331	31,272	19%	41%
Total Liabilities & Equity	383,849	439,469	511,392	16%	33%

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