QNB Finansbank Q3’22 Earnings Presentation

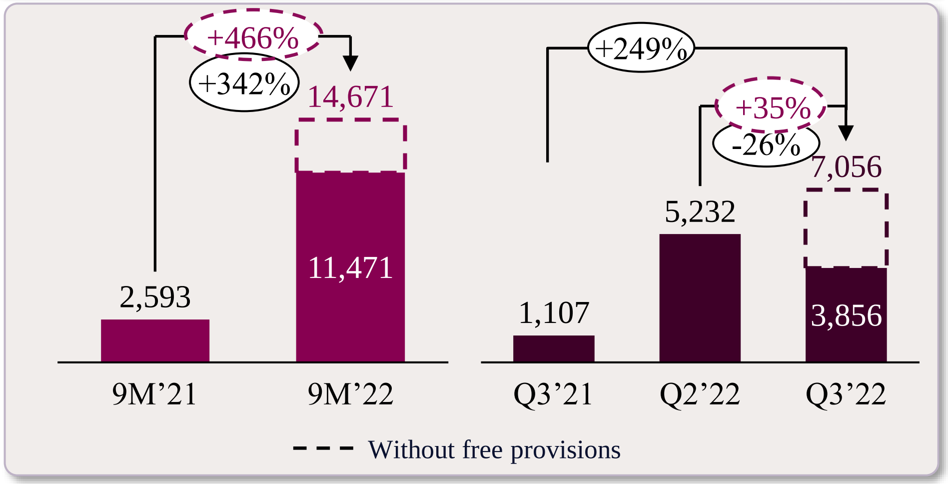
Based on BRSA Unconsolidated Financial Statements
October 2022

Period Highlights

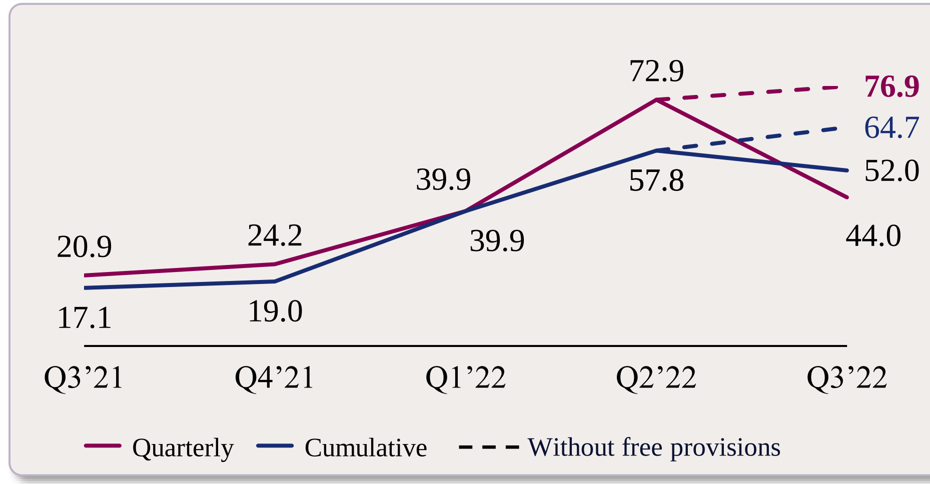
- ✓ Robust core revenue driven bottom line performance stood out even with TL 3.2 bn free provision recorded in Q3'22. 9M'22 net profit reached TL 11,471 million pointing to a 342% YoY growth.
- ✓ Accordingly, Q3'22 ROE realized at 44% (w/out free provisions: 77%), bringing 9M'22 ROE to 52% (w/out free provisions: 65%).
- ✓ Very strong loan growth (53% YtD) was well ahead of private banks and sector, leading to market share gains. Customer Deposits being major source of funding as well followed suit with a strong growth (59% 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 88% YtD, on the back of TL securities, of which 80% are floating or indexed in nature. Share of CPI linkers, which offer hedge against inflation, accounted for 61% of TL securities portfolio and was broadly in line with total shareholders' equity.
- ✓ Operating expenses remained main focus area given elevated inflation level, as continued shift to digitalization helped to contain expenses. Even with elevated inflation, Cost/Income ratio improved to record low level of 17.9%, on the back of stellar revenue growth.
- ✓ Robust solvency ratios retained with CAR at 15.4% and Tier 1 at 12.4%.

Outstanding operating performance translated into significant ROE uplift, even including TL 3.2 bn free provisions. Loan & deposits growth well ahead of sector, enhancing market shares

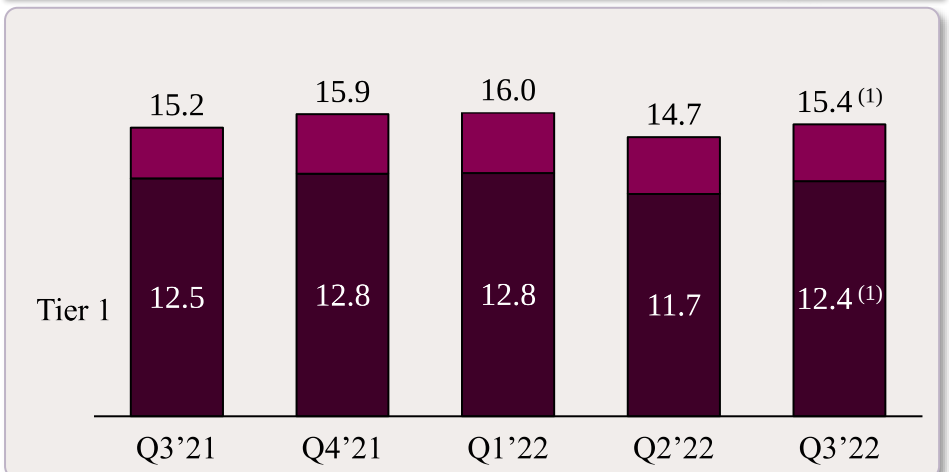
Net Income (TL mn.)



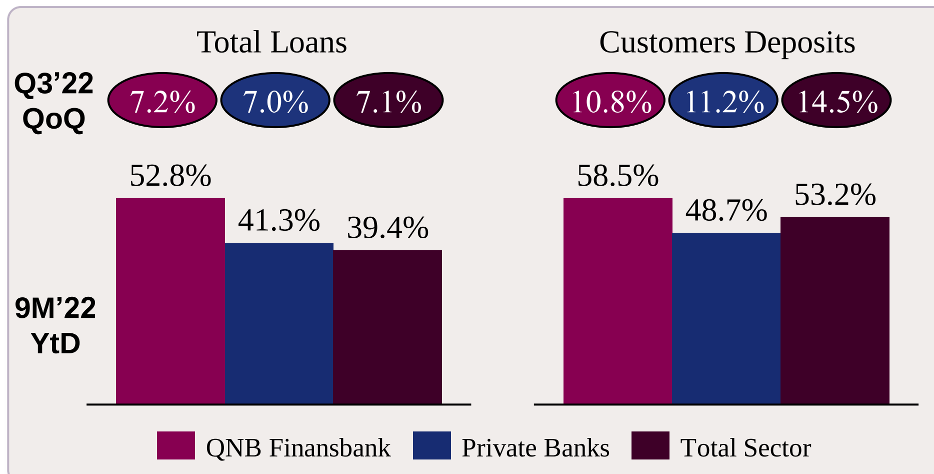
Quarterly and Cumulative RoAE (%)



CAR (%)



Total Loans & Deposits Growth[2] (%)



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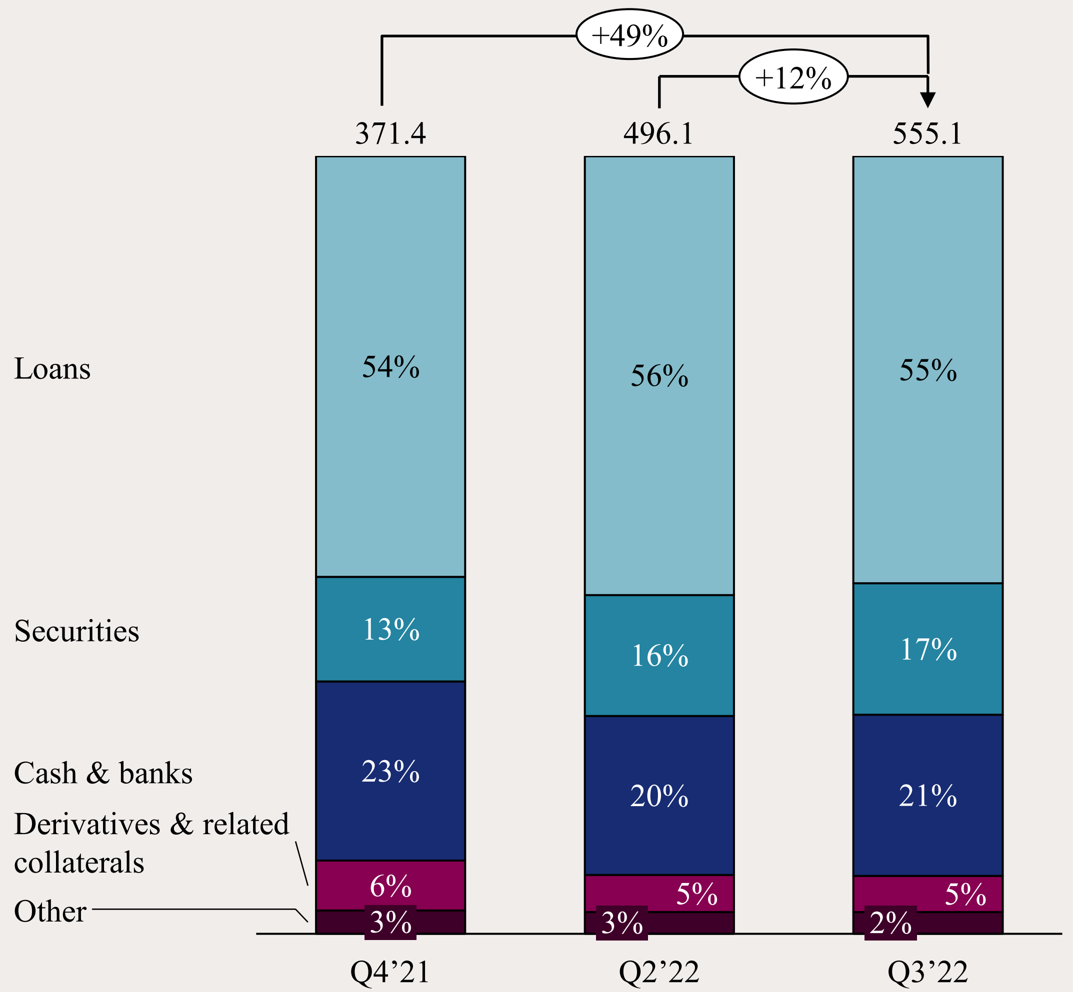
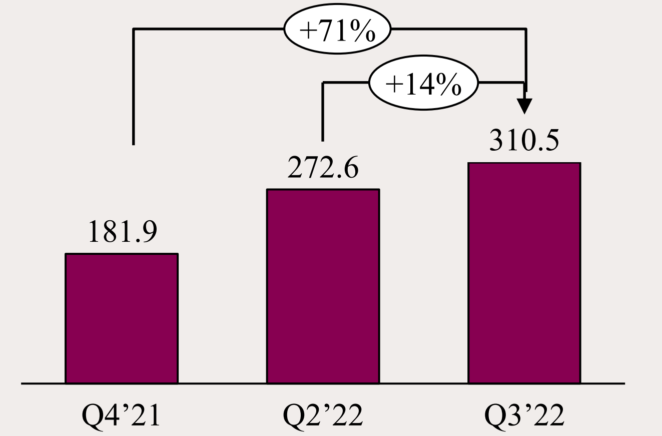
(1) Without BRSA's temporary forbearance measures: CAR: 13.8%, Tier 1: 11.0%
(2) BRSA Weekly Banking Sector data compared vis-a-vis QNBFB data as of 30 September 2022

Well-balanced asset base grew by 12% QoQ and 49% YtD, reaching TL 555 bn, as loans constituted 55% of assets, reflecting Bank's commitment to fund the economy

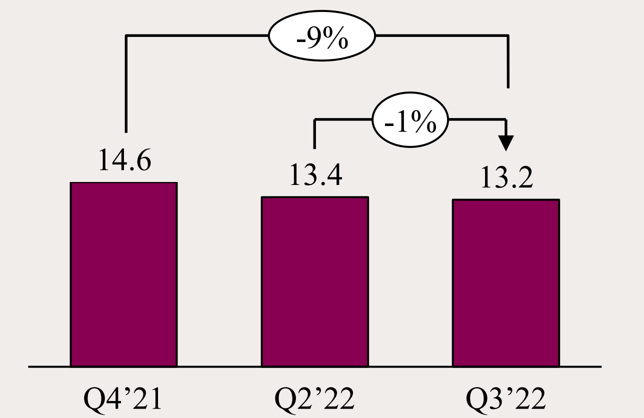
Total Assets (TL bn)



TL Assets (TL bn)



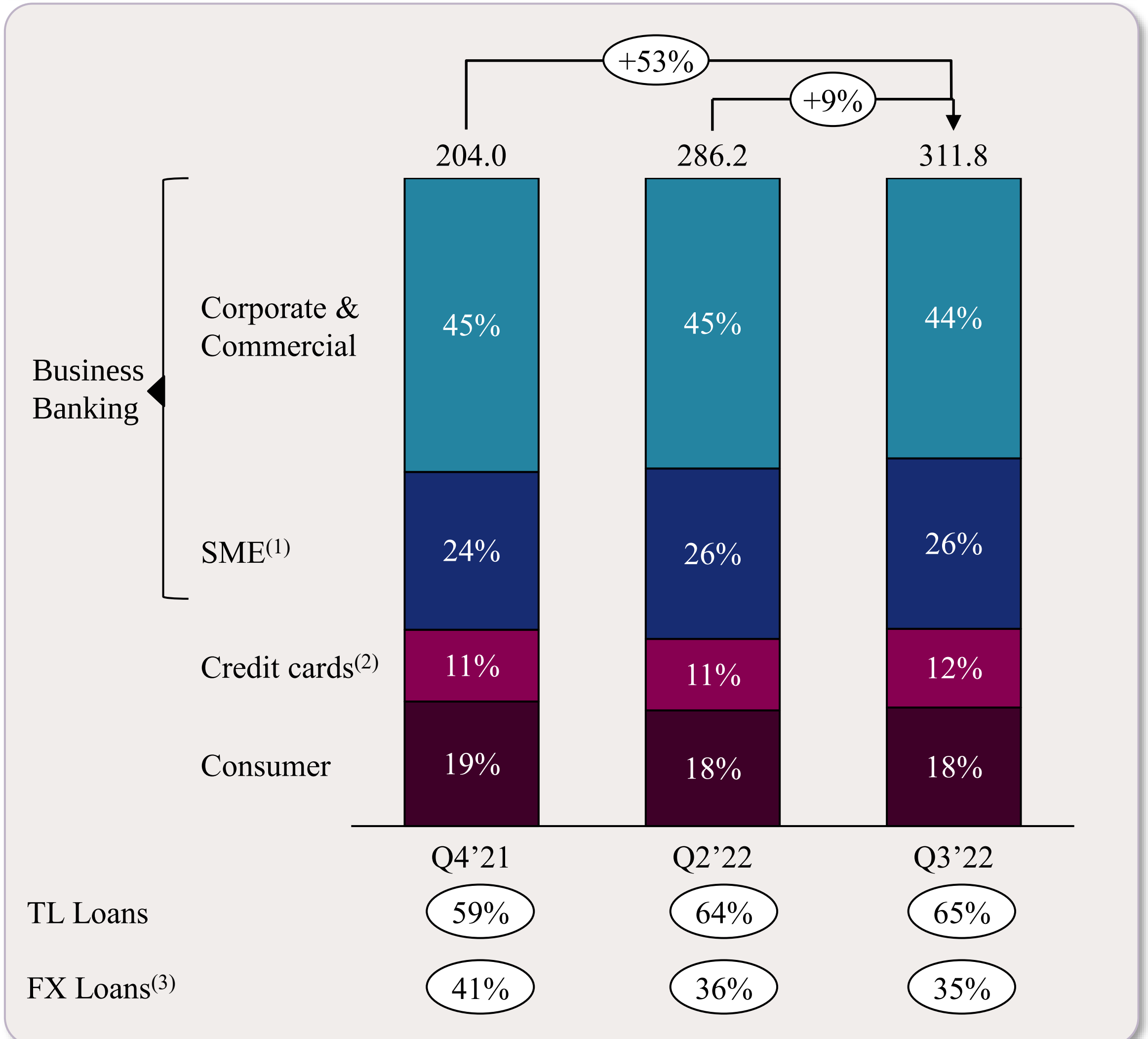
FX Assets[(1)] (USD bn)



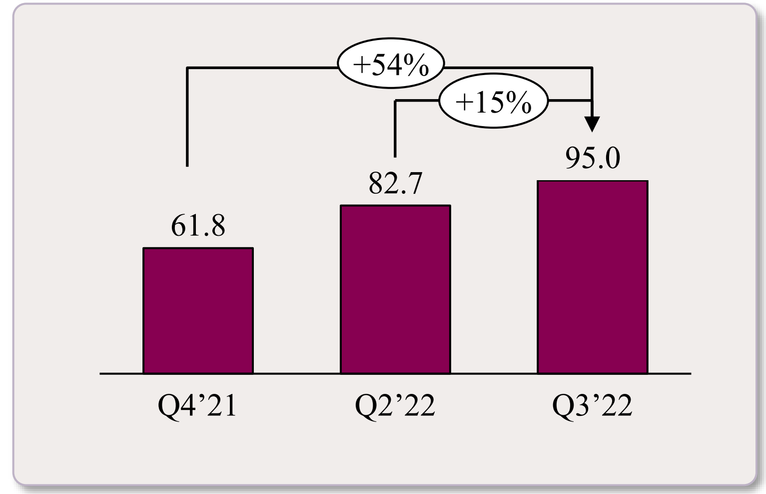
(1) FX-indexed TL loans are shown in FX assets

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

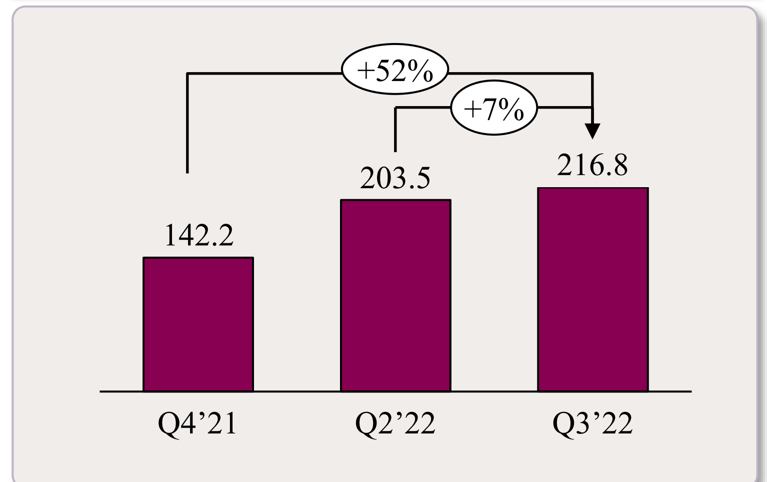
Performing Loans by Segment and Currency (TL bn)



Retail Loans (TL bn)



Business Loans (TL bn)



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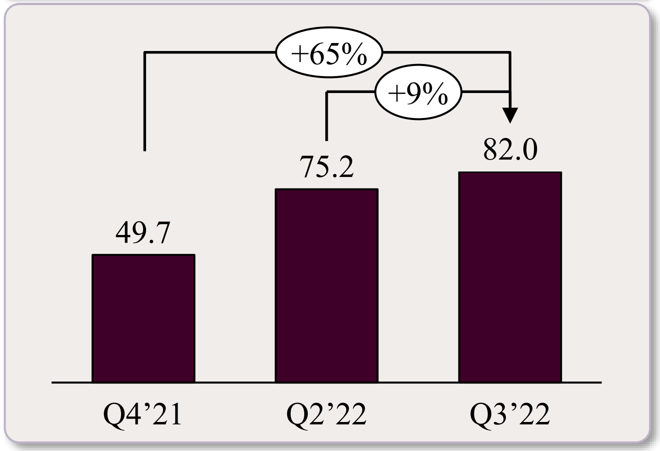
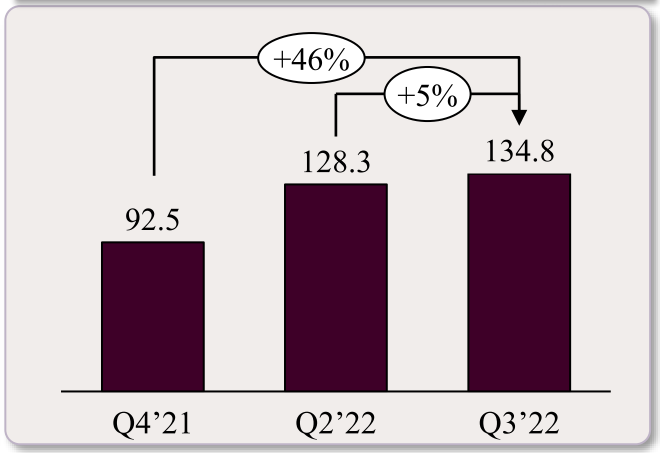
(1) Based on BRSA segment definition
(2) Excluding commercial credit cards
(3) FX-indexed TL loans are shown in FX loans

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

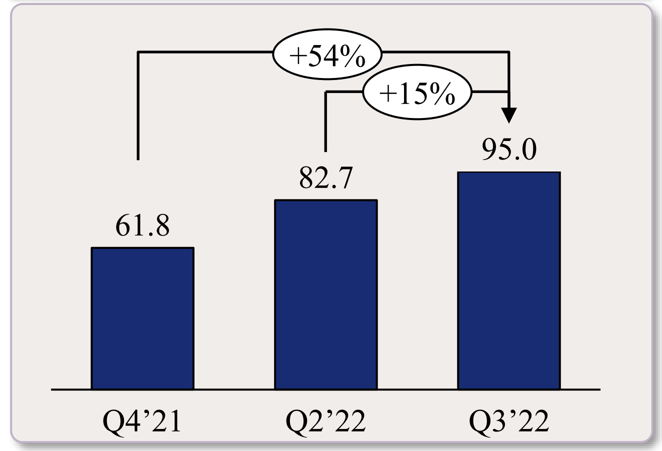
SME Loans[1] (TL bn)



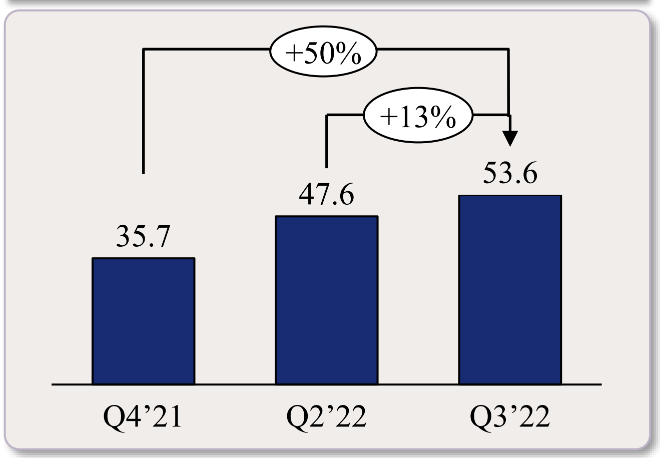
Corporate & Commercial Loans (TL bn)



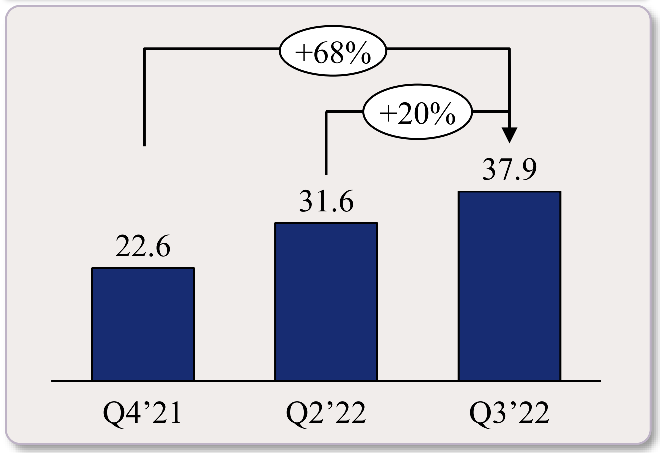
Retail Loans (TL bn)



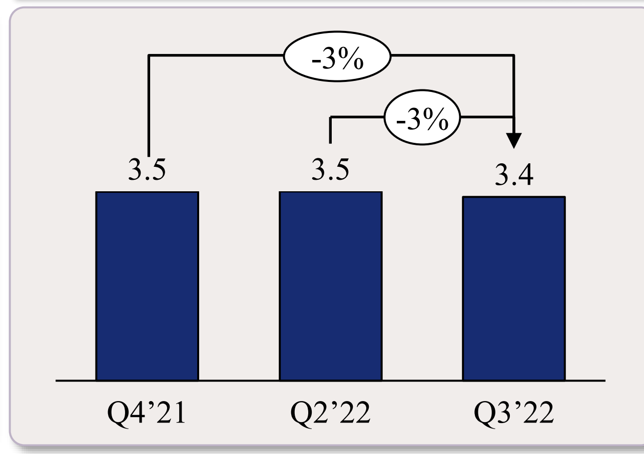
General Purpose Loans[2] (TL bn)



Credit Card Loans[3] (TL bn)



Mortgage Loans (TL bn)



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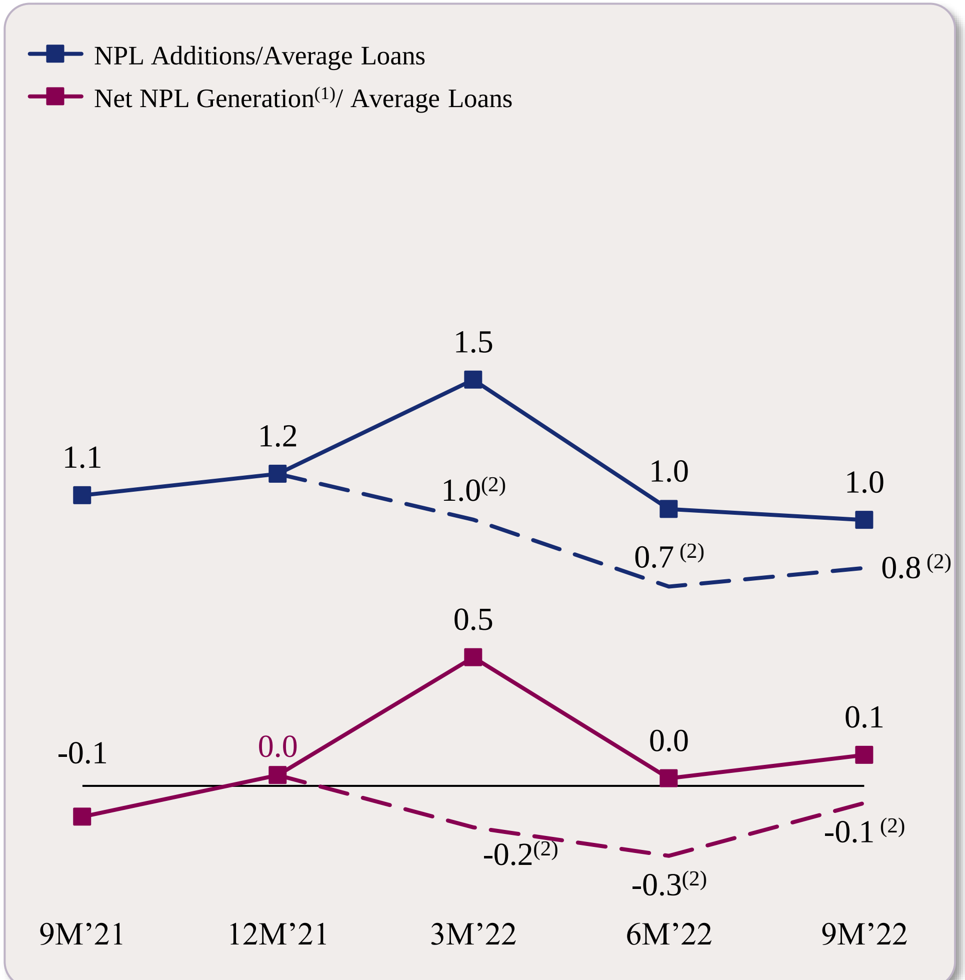
(1) Based on BRSA segment definition
(2) Including overdraft loans
(3) Solely represents credit cards by individuals

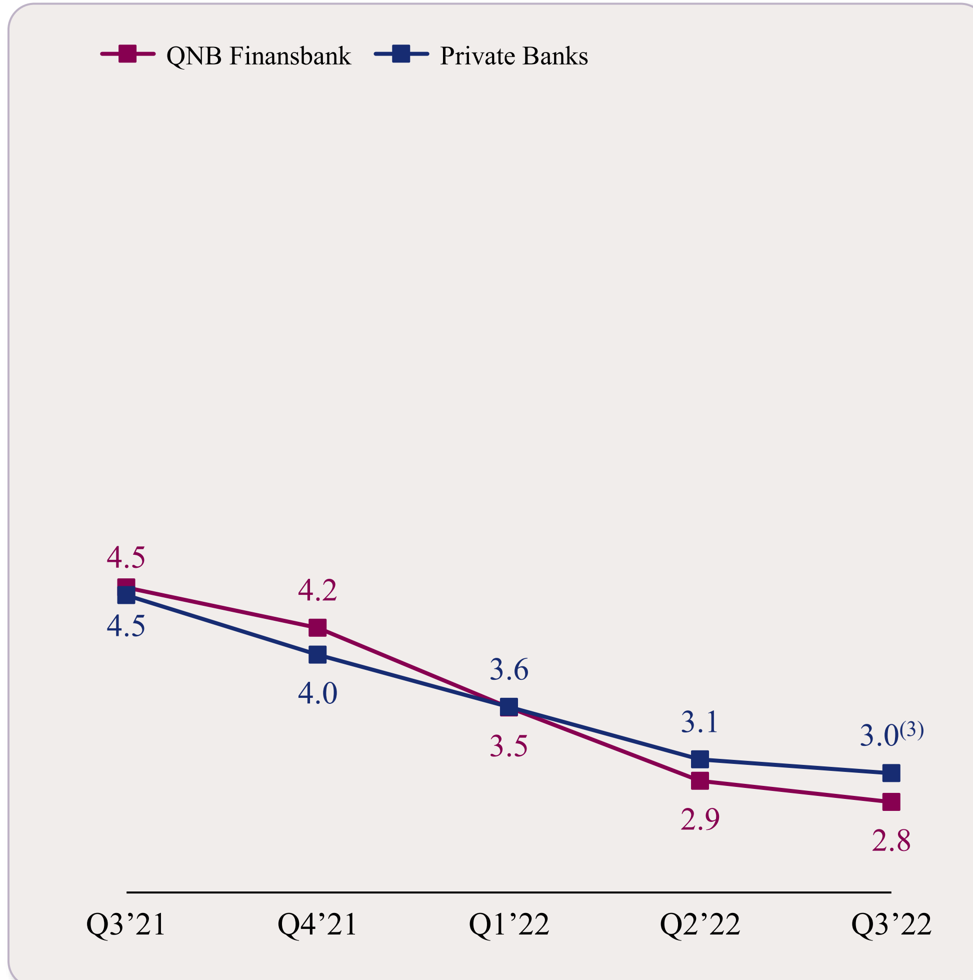
Business banking
Retail banking

Net NPL generation was negative for the third consecutive quarter in a row, on the back of strong collection performance and very low NPL inflow. NPL ratio continued to improve beyond private banks.

NPL Additions / Average Loans (%)



NPL Ratio (%)

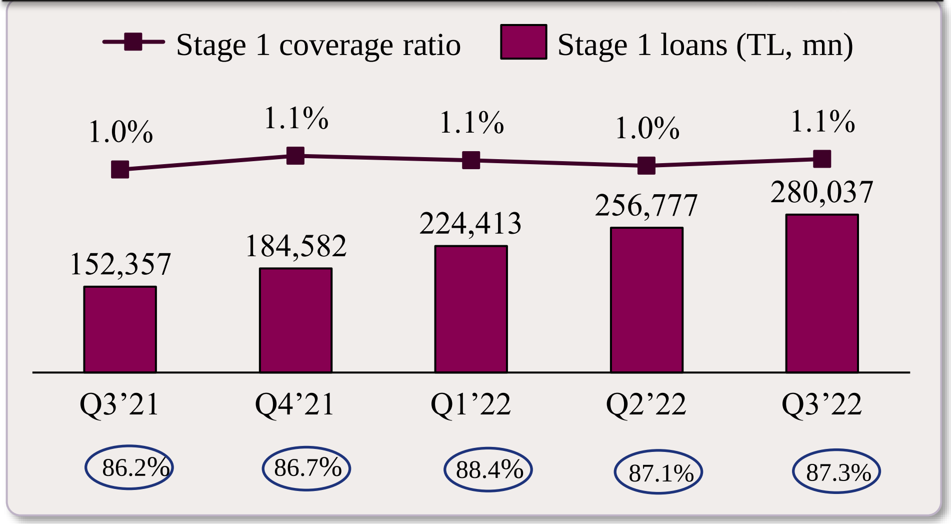


(1) Net NPL Generation = NPL Additions - NPL Collections
(2) Adjusted for write-off of LYY loan following the sale of TTKOM shares to TWF
(3) BRSA monthly banking sector data for private banks for August 2022

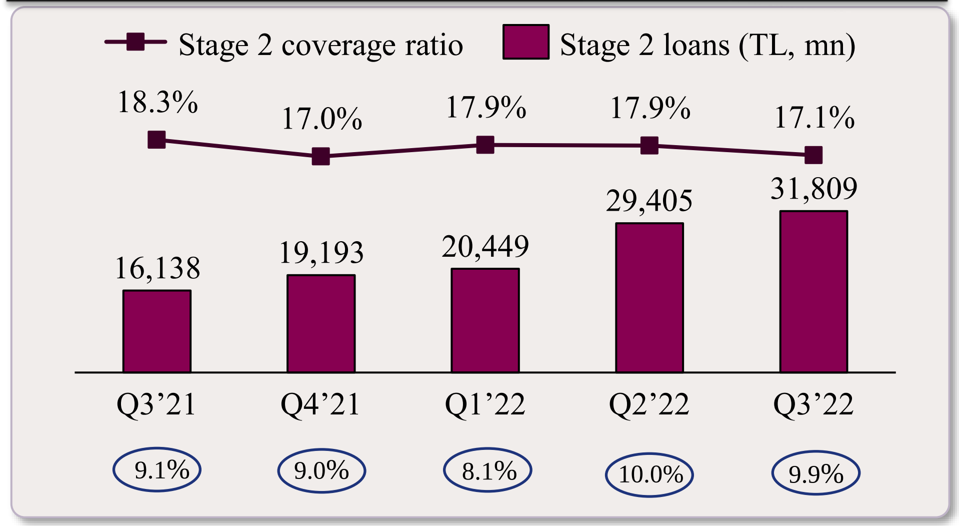
Robust provision buffers further reinforced with a conservative provisioning stance, even with robust loan growth

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

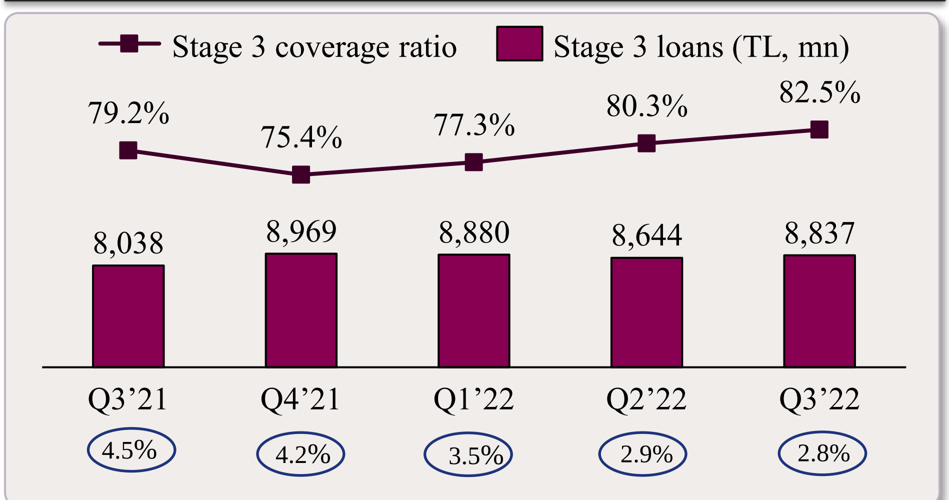
Stage 1 Loans & Coverage



Stage 2 Loans & Coverage

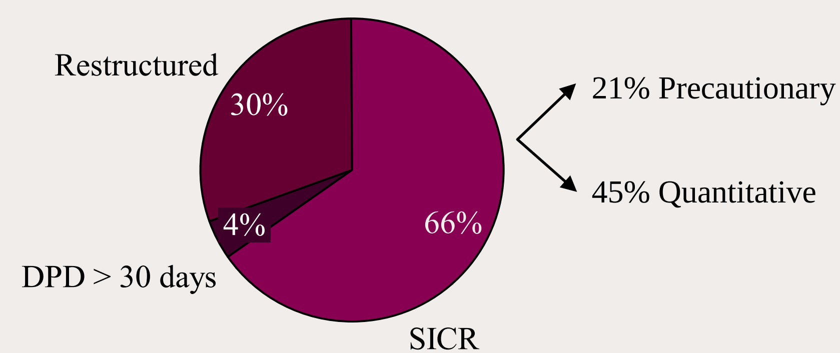


Stage 3 Loans & Coverage



Stage 2 Composition

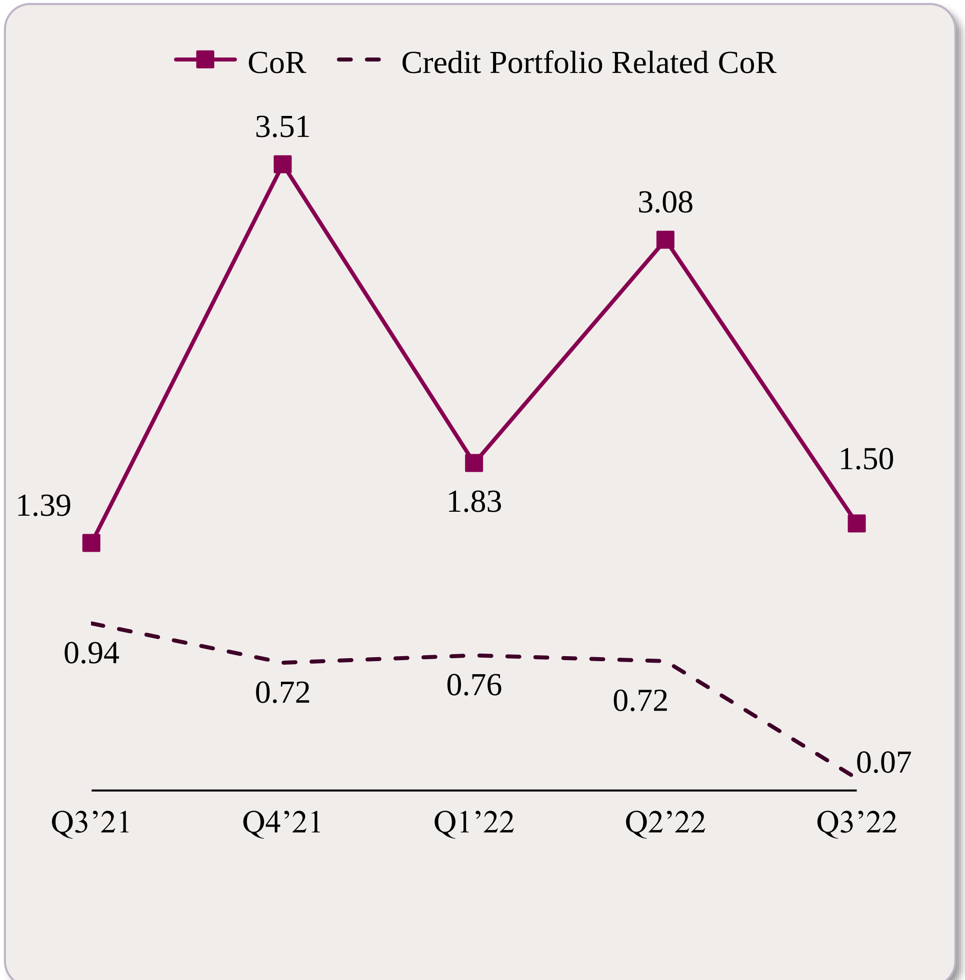
Loan balance = TL31.9 bn



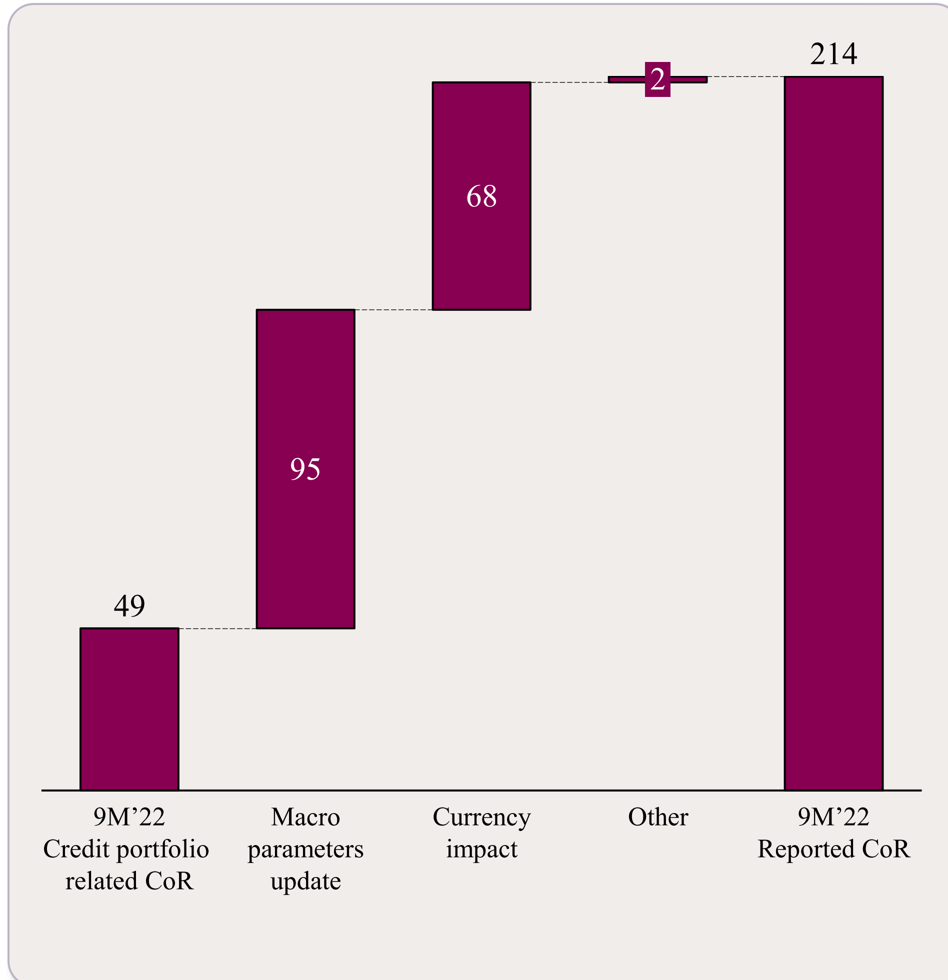
[1] Gross loans encompass the loans measured at FVTPL

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 (%)

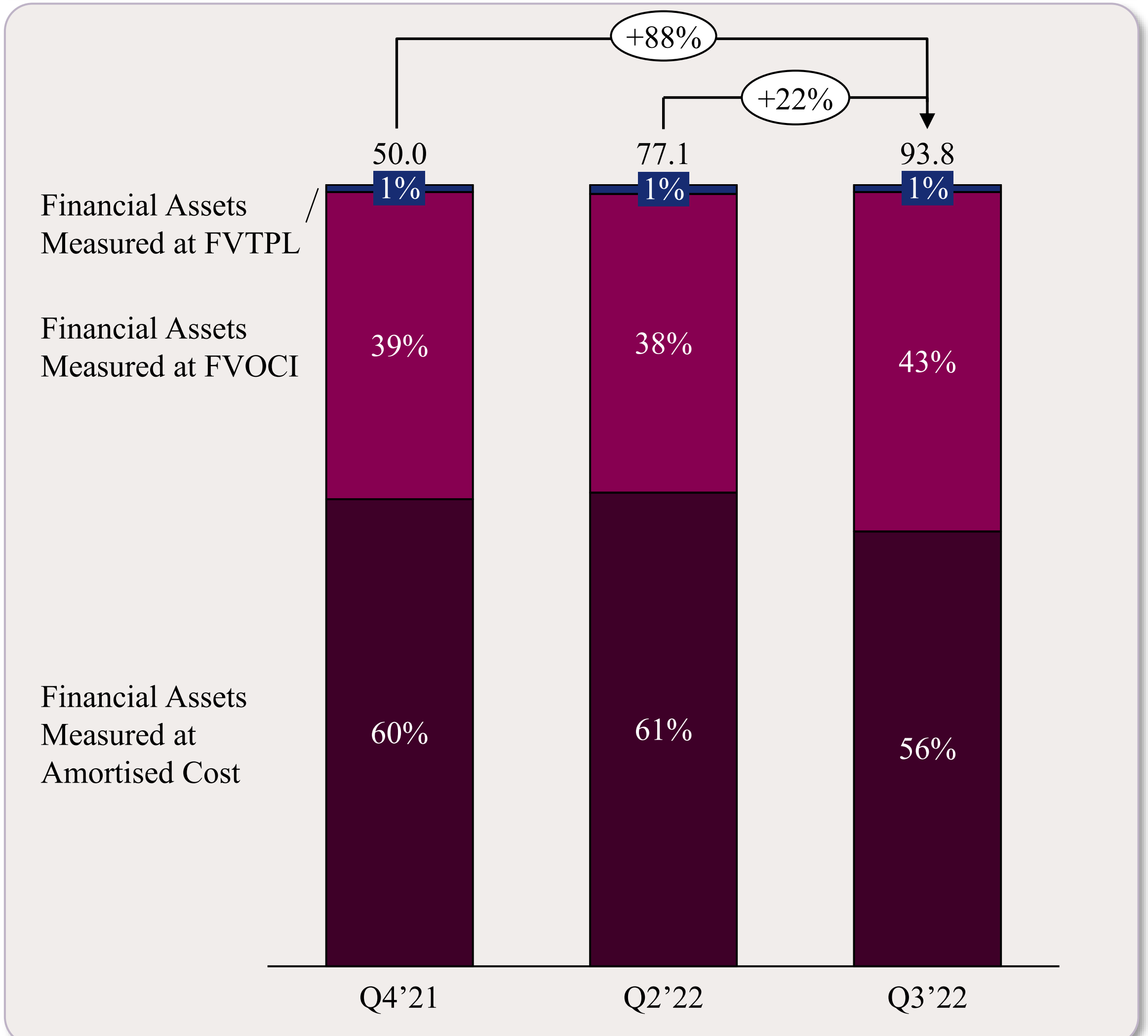


9M'22 CoR Breakdown (bps)

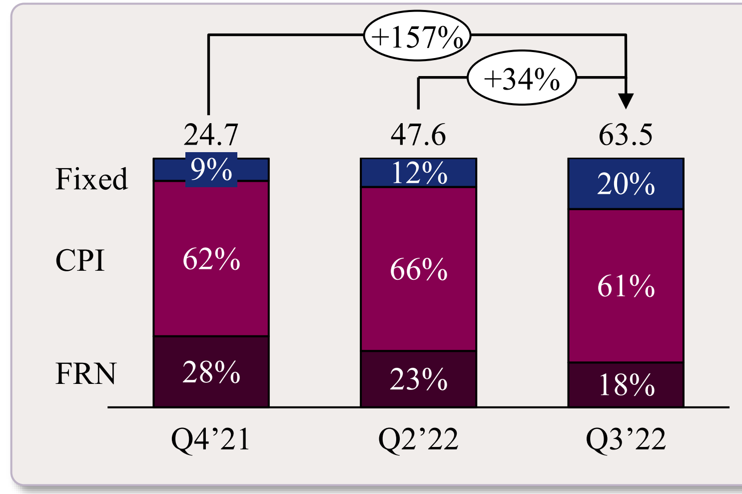


88% YtD growth in securities portfolio: Fixed TL securities rose on account of securities maintenance requirement, whilst CPI linkers & FRNs still accounted for 80% of TL portfolio

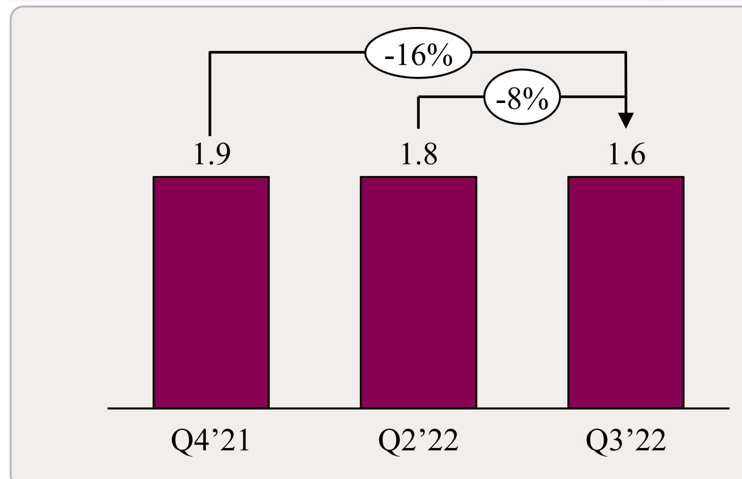
Total Securities (TL bn)



TL Securities (TL bn)



FX Securities (USD bn)



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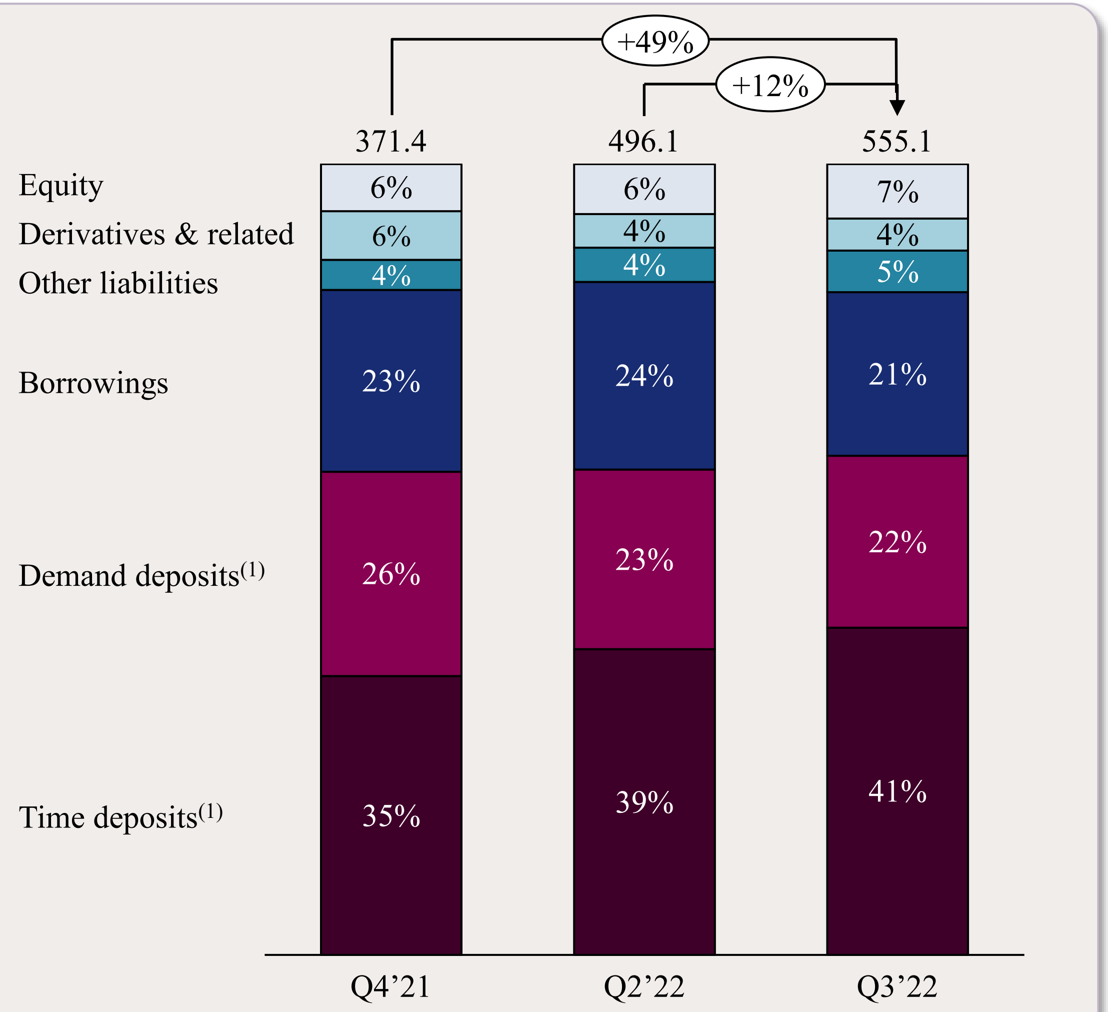
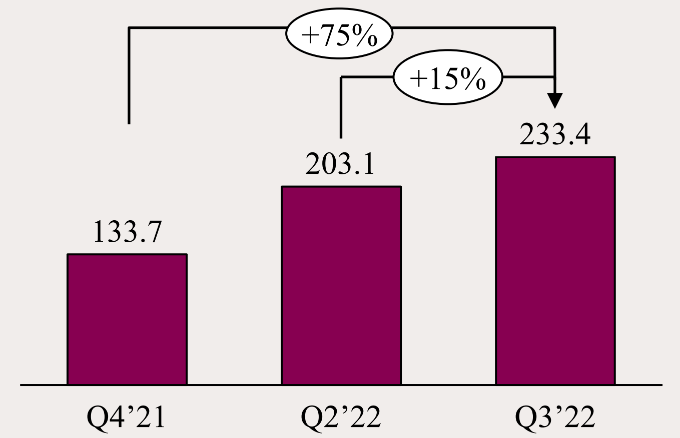
Well-diversified & disciplined funding mix maintained with a tilt towards TL funding, as fx-protected deposit scheme positively contributed to the trend

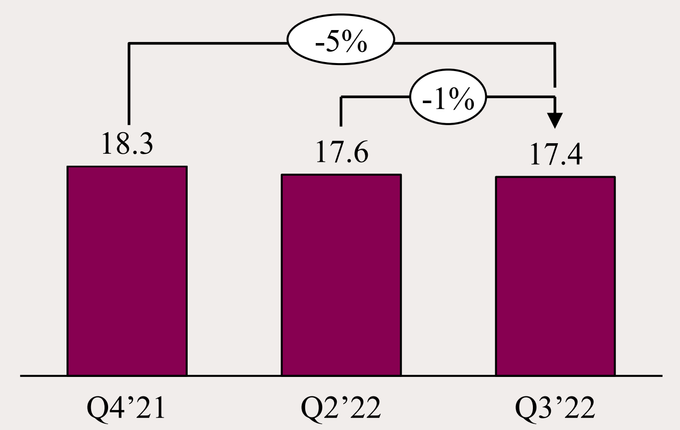
Total Liabilities (TL bn)



TL Liabilities (TL bn)



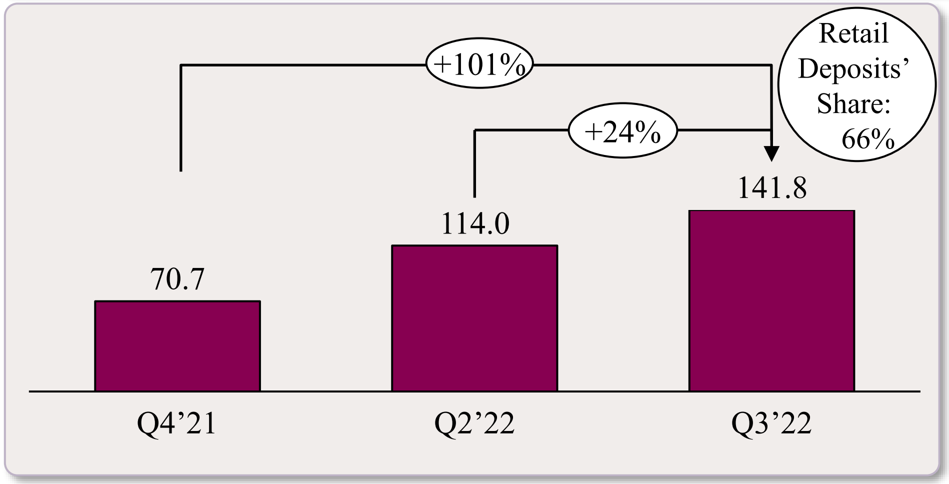
FX Liabilities (USD bn)



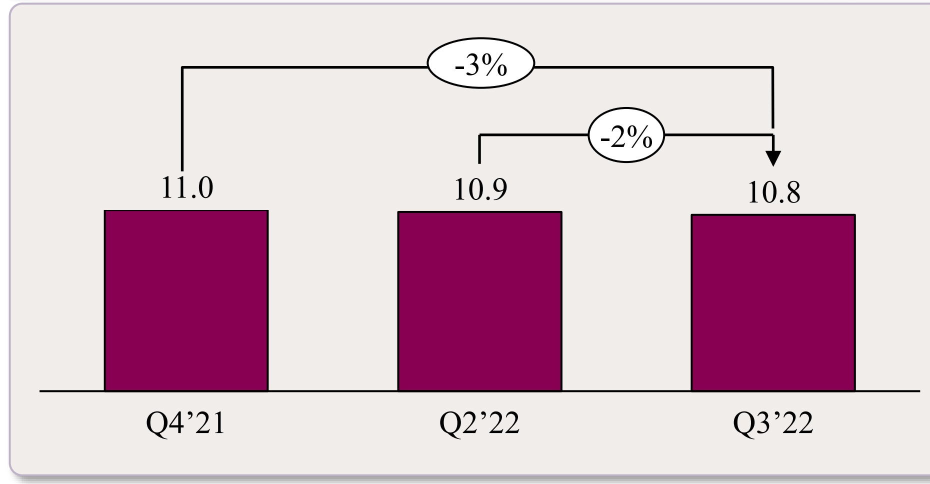
(1) Includes bank deposits

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

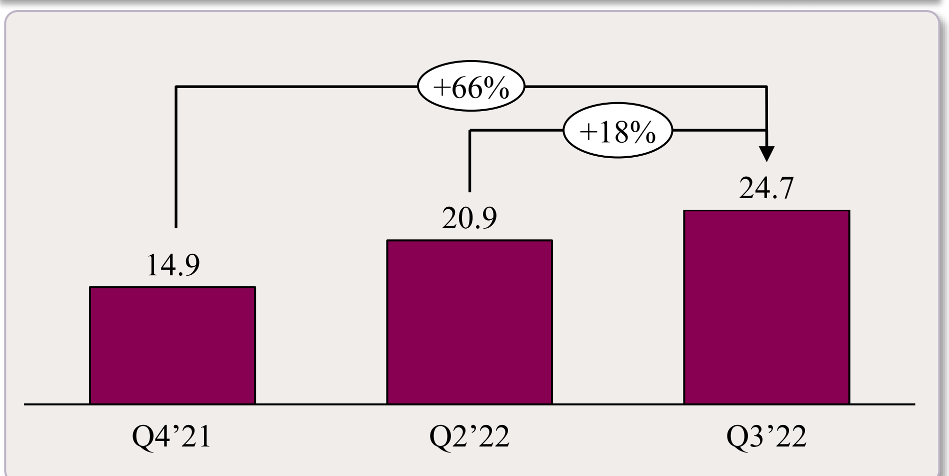
TL Customer Deposits (TL bn)



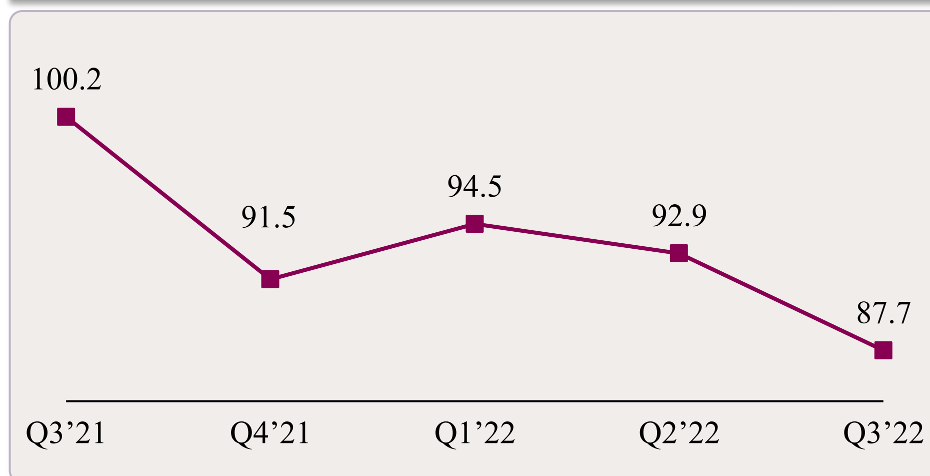
FX Customer Deposits (USD bn)



TL Customer Demand Deposits (TL bn, aop)



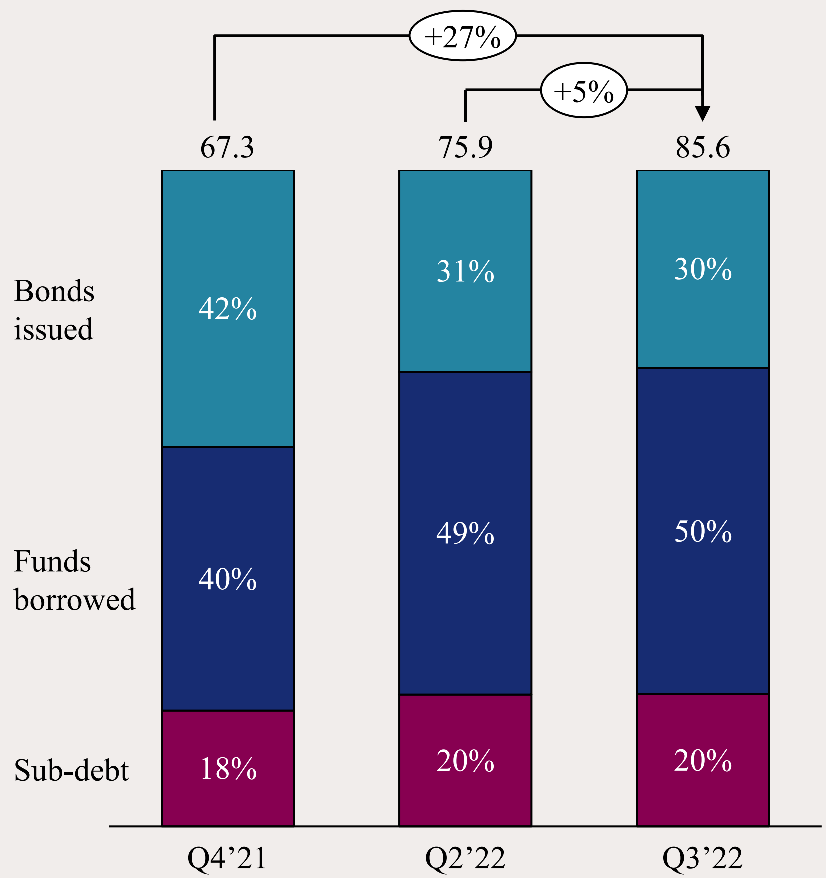
Loan-to-deposit-ratio[1] (%)



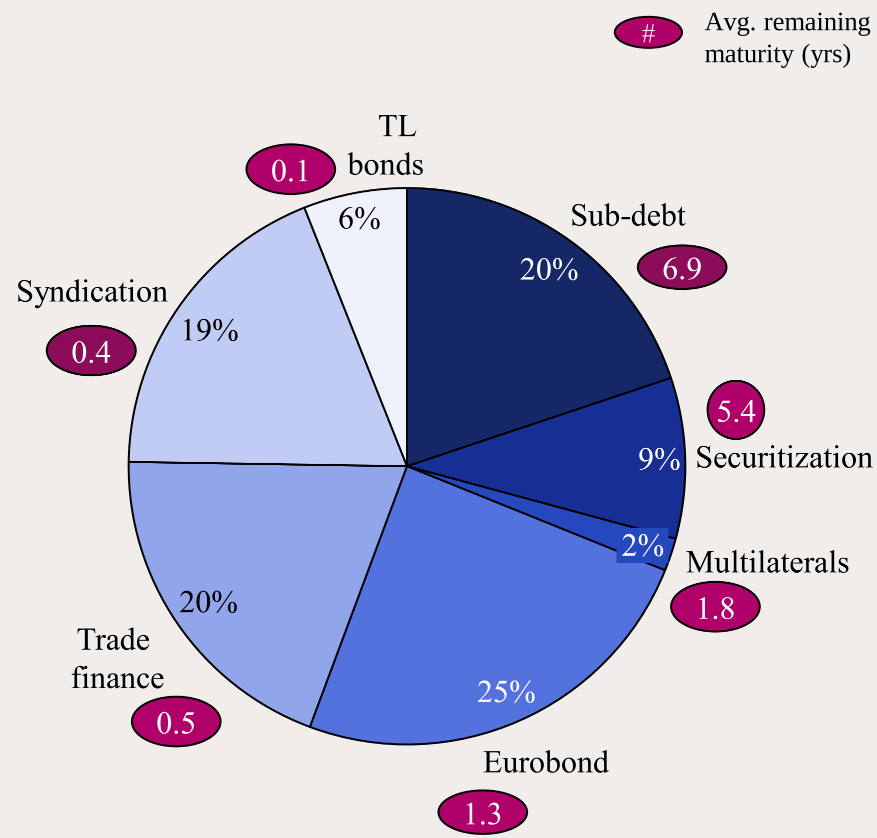
[1] Including TL issued bonds, bank deposits & fiduciary deposits

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)



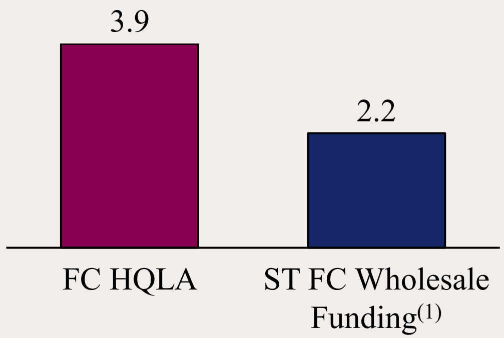
Wholesale Borrowings[1] Breakdown



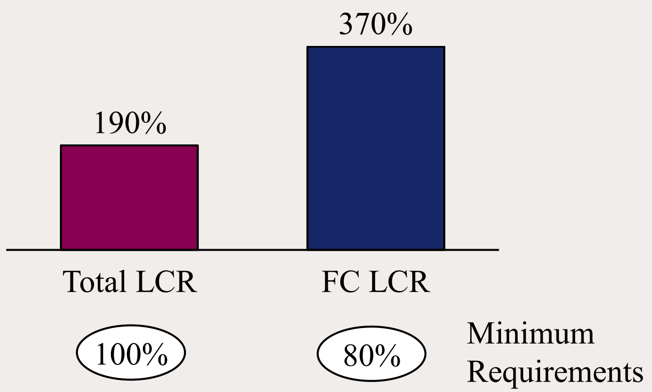
(1) Non-deposit funding except repo

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

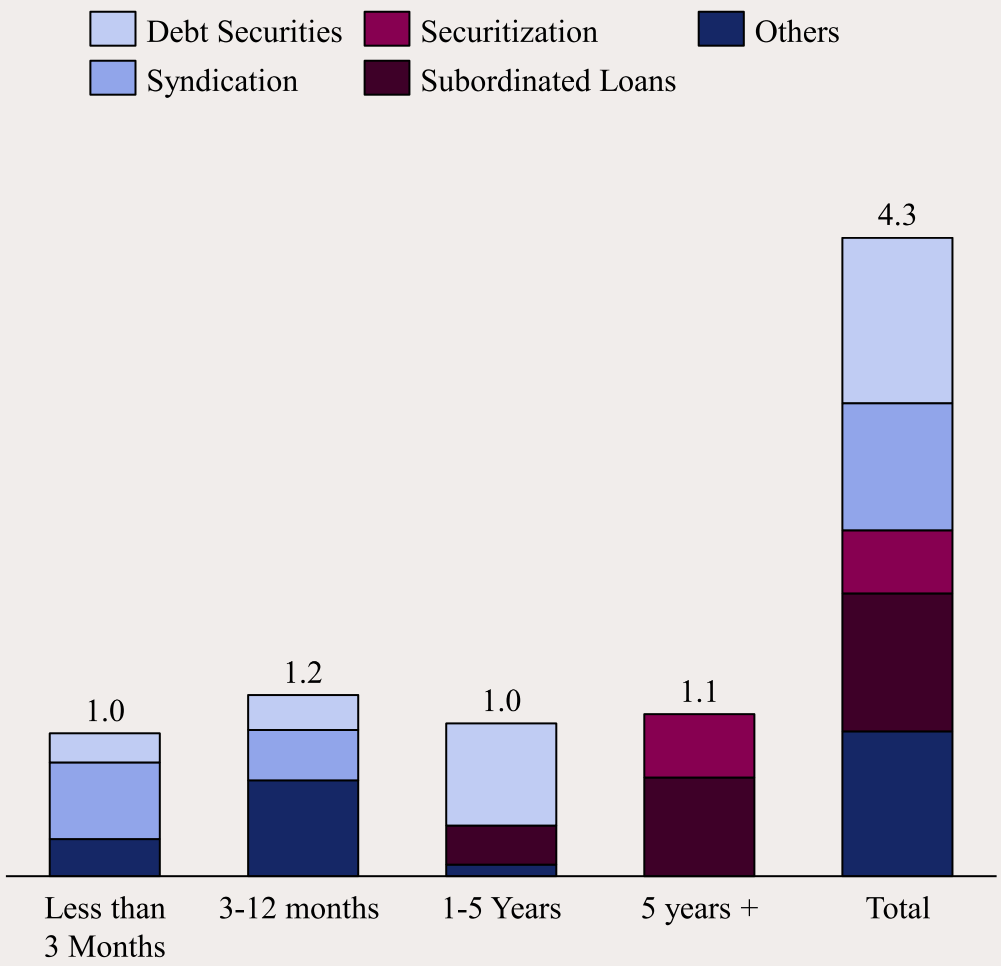
FC HQLA vs Short-term Dues (USD bn)



Liquidity Coverage Ratios (%, eop)



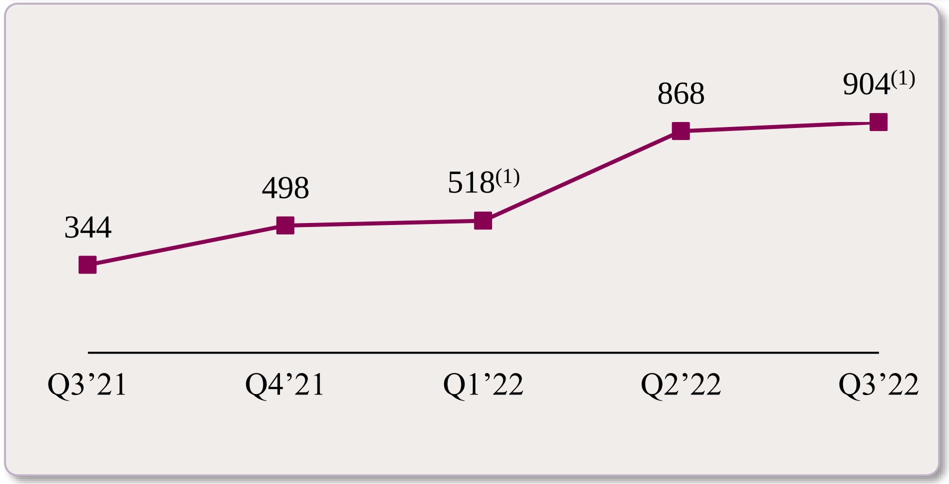
Maturity Profiles of FC Wholesale Funding (USD bn)



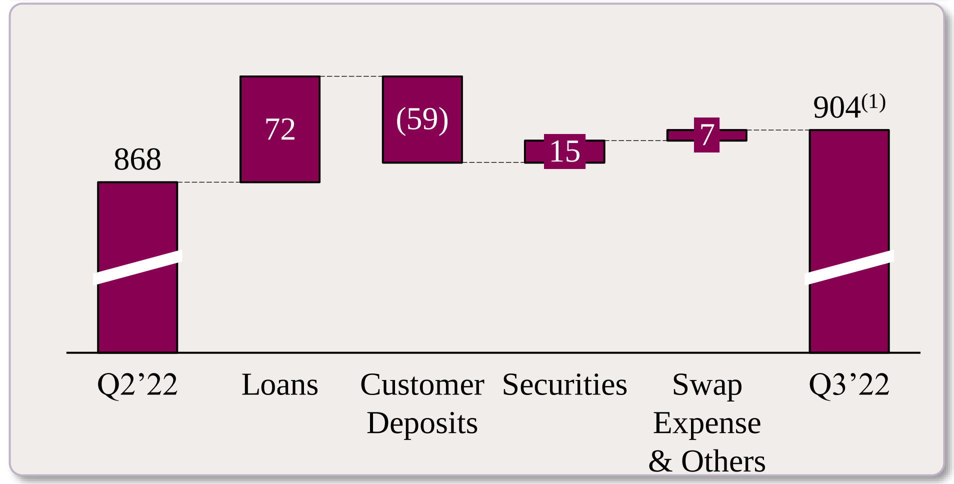
(1) FC wholesale funding due within 1 year

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

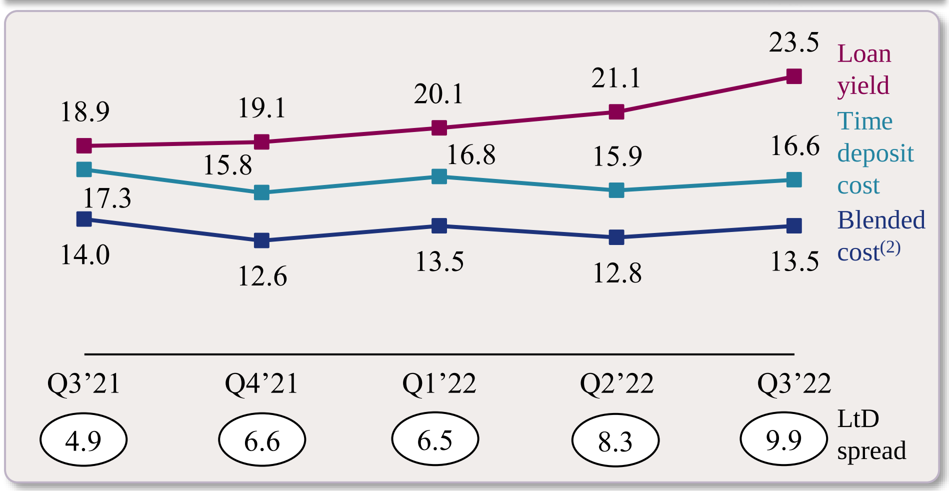
Quarterly NIM after Swap (bps)



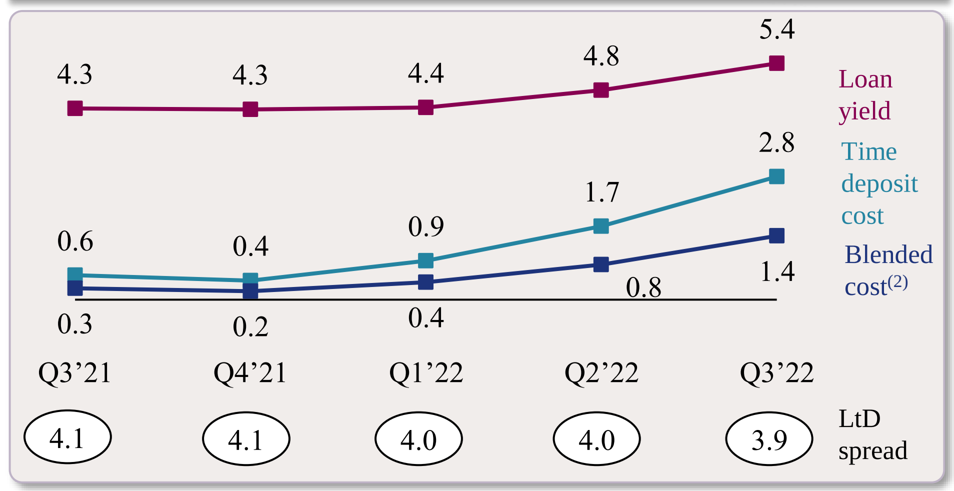
Quarterly NIM after Swap Evolution (bps)



TL Spread (%, quarterly)



FX Spread (%, quarterly)



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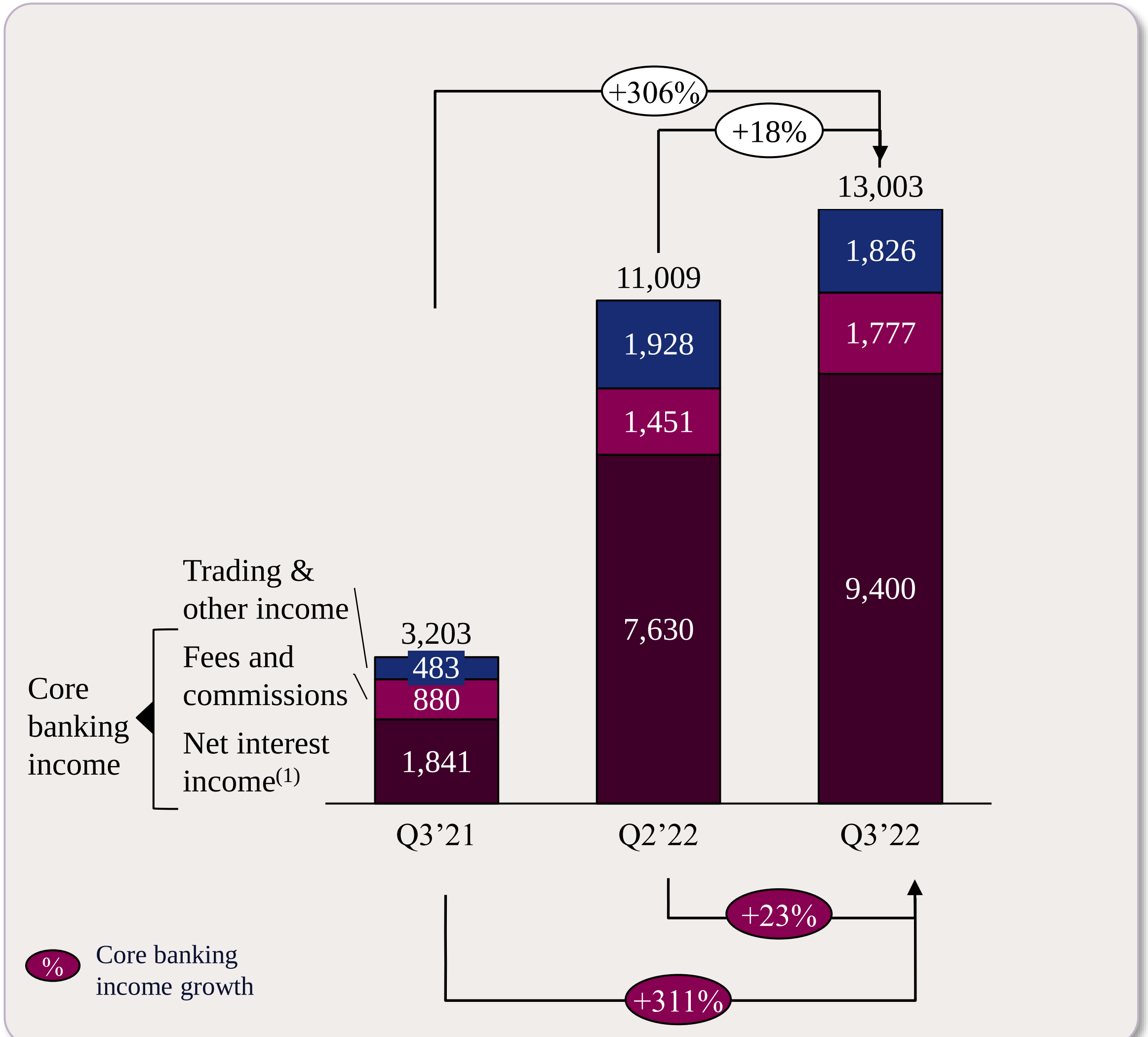
(1) October-October inflation projection used in the valuation of CPI linkers was 35%, 60% and 72% as of the end of Q1, Q2 and Q3’22, respectively. An additional 100 bps increase in CPI projection contributes TL 283 mn/yr to NII and 6 bps to annual NIM.

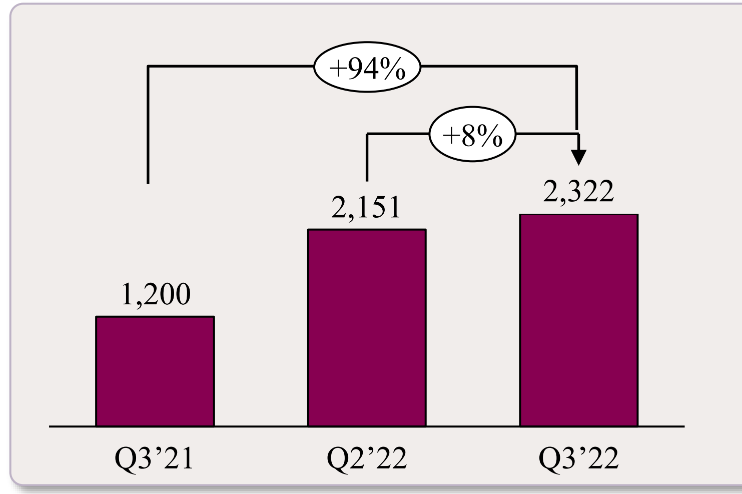
(2) Blended of time and demand deposits.

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

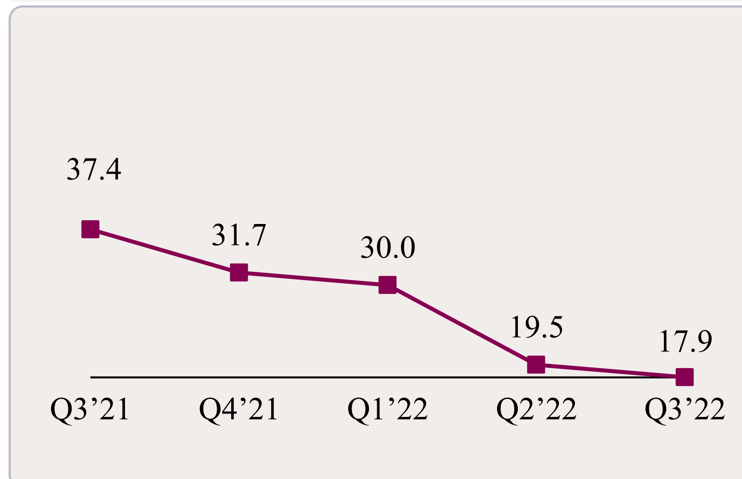
Total Operating Income (TL mn.)



OpEx (TL mn.)



Cost / Income (%)



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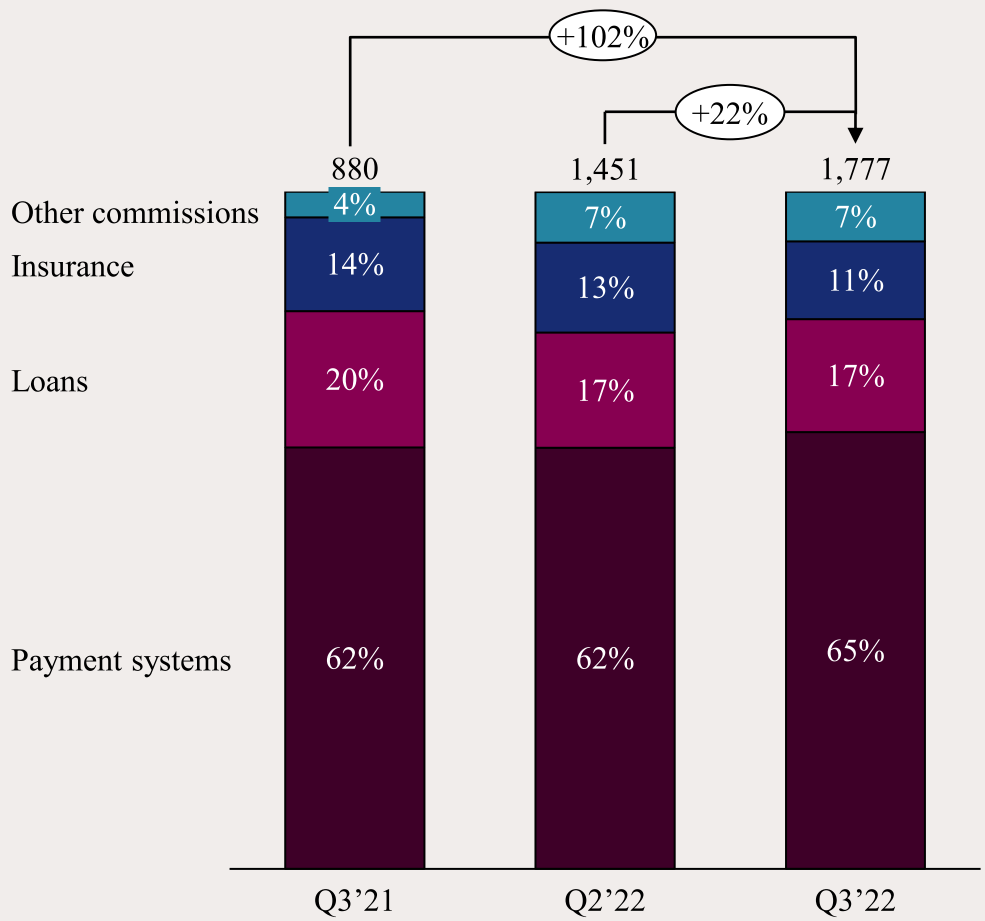
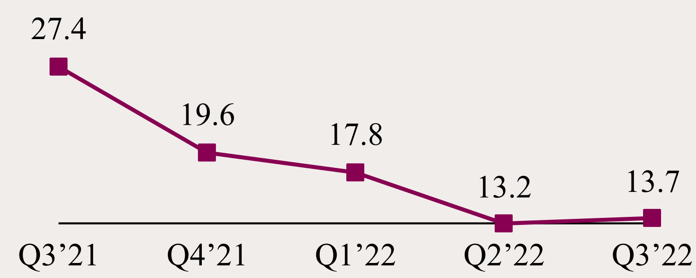
[1] Including swap expenses

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

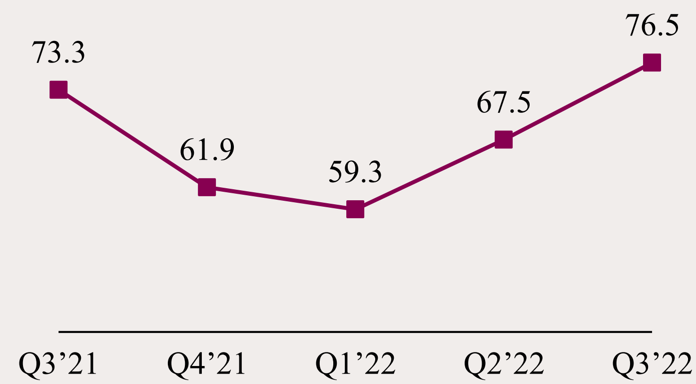
Net Fees and Commissions[1] (TL mn)



Fees / Total Income (%)



Fees / OpEx (%)



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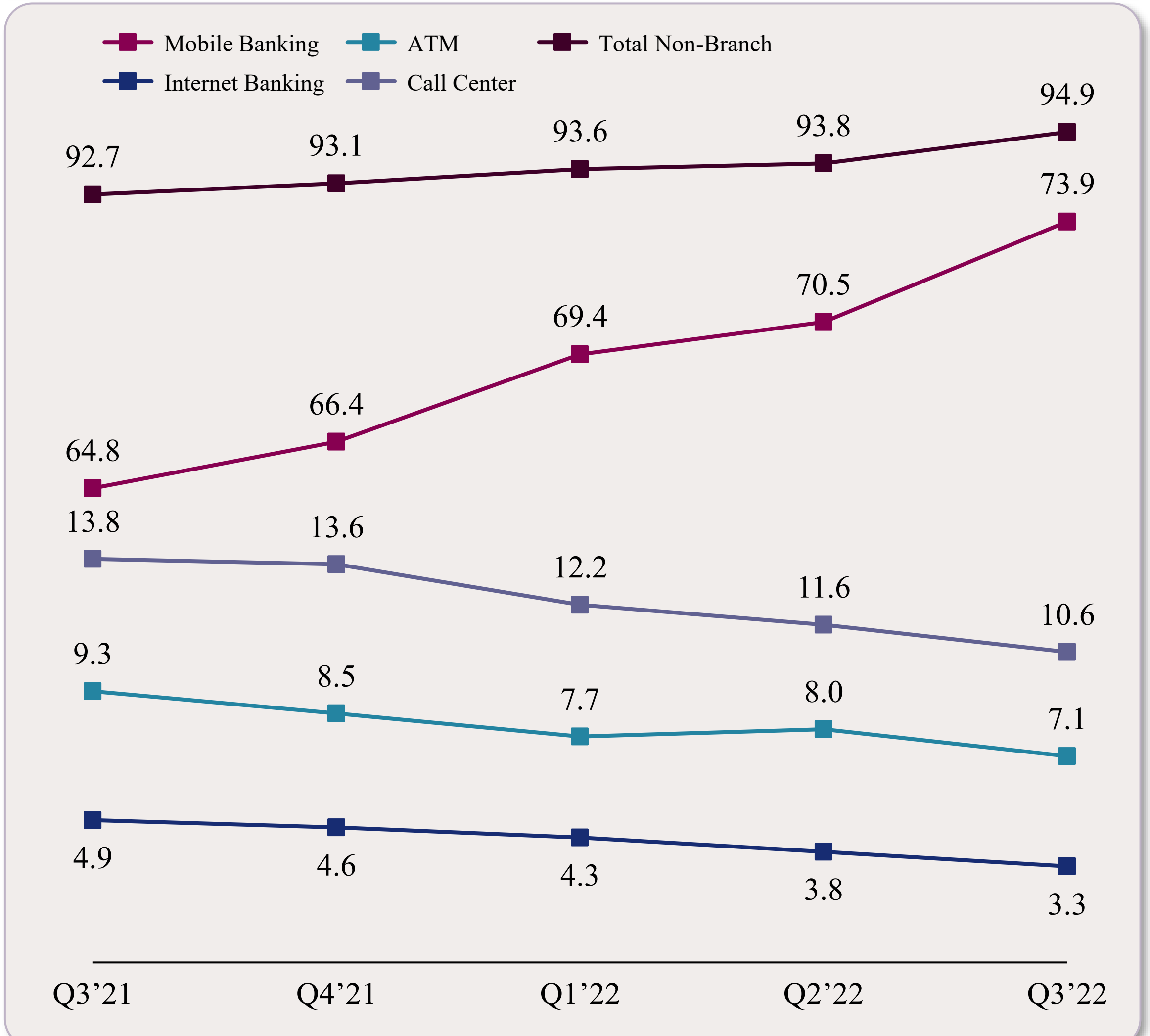
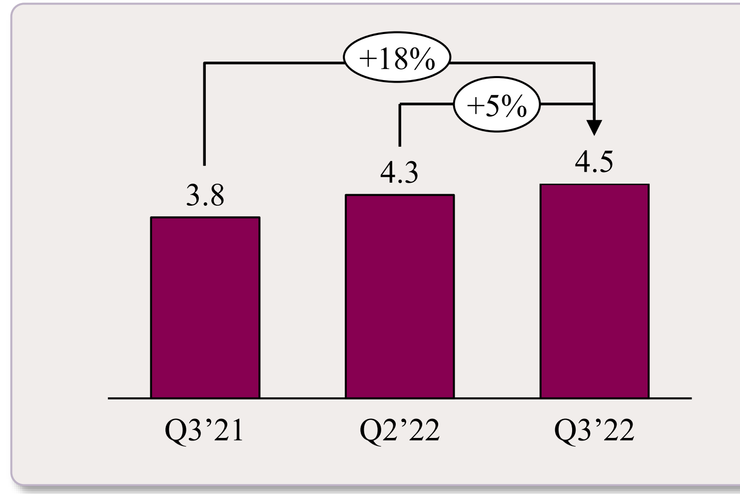
(1) Classification change in Q2'22 was applied retrospectively with the aim of interperiod comparability and consistency

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

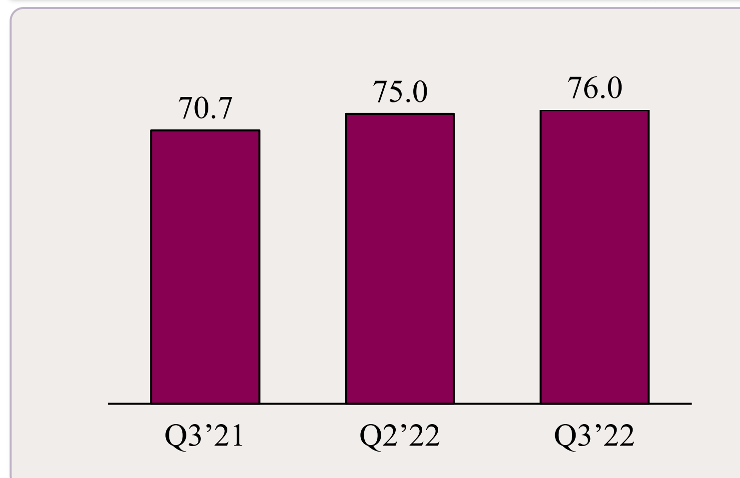
Share of Transactions Evolution in Non-Branch Channels (%)



Number of Digital Customers (mn.)



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



(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	Q1'21	Q2'21	Q3'21	9M'21	Q1'22	Q2'22	Q3'22	9M'22
Profitability	RoAE	13.6%	16.7%	20.9%	17.2%	39.9%	72.9%	44.0%	52.0%
	RoAA	1.1%	1.3%	1.7%	1.4%	2.4%	4.6%	2.9%	3.3%
	Cost / Income	43.2%	44.9%	37.4%	41.5%	30.0%	19.5%	17.9%	20.9%
	NIM after swap expense	2.8%	2.9%	3.4%	3.1%	5.2%	8.7%	9.0%	7.8%
Liquidity	Loans / Deposits[2]	99.1%	101.8%	100.2%	100.2%	94.5%	92.9%	87.7%	87.7%
	LCR (aop)	120.1%	137.8%	136.2%	136.2%	181.0%	156.0%	174.2%	174.2%
Asset quality	NPL Ratio	5.8%	5.4%	4.5%	4.5%	3.5%	2.9%	2.8%	2.8%
	Cost of Risk	1.5%	0.9%	1.4%	1.3%	1.8%	3.1%	1.5%	2.1%
Solvency	CAR	15.8%	15.9%	15.2%	15.2%	16.0%	14.7%	15.4%	15.4%
	Tier I Ratio	13.1%	13.1%	12.5%	12.5%	12.8%	11.7%	12.4%	12.4%
	Liability/Equity	12.8x	12.6x	12.6x	12.6x	16.2x	15.9x	14.5x	14.5x

(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	Q2'22	Q3'22	ΔQoQ	9M'21	9M'22	ΔYoY
Net Interest Income (After Swap Expenses)	7,630	9,400	23%	4,592	20,820	353%
Net Fees & Commissions Income	1,451	1,777	22%	2,415	4,291	78%
Trading & Other Income	1,928	1,826	-5%	1,251	4,873	290%
Total Operating Income	**11,009**	**13,003**	**18%**	**8,258**	**29,984**	**263%**
Operating Expenses	(2,151)	(2,322)	8%	(3,426)	(6,267)	83%
Net Operating Income	**8,858**	**10,680**	**21%**	**4,832**	**23,717**	**391%**
Provisions	(2,060)	(1,352)	-34%	(1,527)	(4,498)	195%
Free Provisions	-	(3,200)	n.m	-	(3,200)	n.m.
Profit Before Tax	**6,799**	**6,128**	**-10%**	**3,305**	**16,019**	**385%**
Tax Expenses	(1,566)	(2,273)	45%	(712)	(4,548)	539%
Profit After Tax	**5,232**	**3,856**	**-26%**	**2,593**	**11,471**	**342%**

Balance Sheet

TL, mn	Q4'21	Q2'22	Q3'22	ΔQoQ	ΔYtD
Cash & Banks[2]	85,564	101,532	115.081	13%	34%
Securities	49,960	77,095	93,793	22%	88%
Net Loans	200,833	279,969	304,862	9%	52%
Fixed Asset and Investments[3]	6,689	7,480	8,308	11%	24%
Other Assets	28,324	30,012	33,100	10%	17%
Total Assets	**371,369**	**496,088**	**555,144**	**12%**	**49%**
Deposits	226,923	304,396	350,447	15%	54%
Customer	213,946	296,361	340,754	15%	59%
Bank	12,977	8,035	9,693	21%	-25%
Borrowings	85,293	117,785	114,669	-3%	34%
Bonds Issued	28,389	23,363	25,861	11%	-9%
Funds Borrowed	27,032	37,260	42,453	14%	57%
Sub-debt	11,853	15,238	17,262	13%	46%
Repo	18,020	41,924	29,093	-31%	61%
Other	37,009	42,644	51,707	21%	40%
Equity	22,144	31,263	38,321	23%	73%
Total Liabilities & Equity	**371,369**	**496,088**	**555,144**	**12%**	**49%**

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

BRSA Consolidated Key Financial Ratios

	All figures quarterly	Q1'21	Q2'21	Q3'21	9M'21	Q1'22	Q2'22	Q3'22	9M'22
Profitability	RoAE	13.6%	16.7%	20.9%	17.2%	39.9%	72.9%	44.0%	52.0%
	RoAA	1.1%	1.3%	1.6%	1.3%	2.3%	4.4%	2.8%	3.2%
	Cost / Income	43.4%	45.1%	37.8%	41.8%	30.7%	20.2%	18.5%	21.6%
	NIM after swap expense	3.0%	3.1%	3.5%	3.2%	5.2%	8.7%	9.1%	7.9%
Liquidity	Loans / Deposits[1]	102.6%	104.9%	103.4%	103.4%	97.7%	95.0%	89.5%	89.5%
	LCR (aop)	116.9%	136.0%	133.8%	133.8%	175.1%	152.5%	165.3%	165.3%
Asset quality	NPL Ratio	5.7%	5.4%	4.5%	4.5%	3.5%	2.9%	2.8%	2.8%
	Cost of Risk	1.6%	1.0%	1.4%	1.3%	1.8%	3.0%	1.4%	2.1%
Solvency	CAR	15.2%	15.2%	14.5%	14.5%	15.3%	14.1%	14.8%	14.8%
	Tier I Ratio	12.6%	12.5%	11.9%	11.9%	12.2%	11.2%	11.9%	11.9%
	Liability/Equity	13.1x	13.0x	13.1x	13.1x	16.7x	16.4x	14.9x	14.9x

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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	Q2'22	Q3'22	ΔQoQ	9M'21	9M'22	ΔYoY
Net Interest Income (After Swap Expenses)	7,823	9,687	24%	4,939	21,469	335%
Net Fees & Commissions Income	1,616	1,927	19%	2,615	4,716	80%
Trading & Other Income	1,811	1,651	-9%	1,120	4,503	302%
Total Operating Income	**11,250**	**13,266**	**18%**	**8,674**	**30,688**	**254%**
Operating Expenses	(2,275)	(2,459)	8%	(3,624)	(6,630)	83%
Net Operating Income	**8,975**	**10,807**	**20%**	**5,050**	**24,058**	**376%**
Provisions	(2,114)	(1,364)	-35%	(1,646)	(4,594)	179%
Free Provisions	-	(3,200)	n.m	-	(3,200)	n.m.
Profit Before Tax	**6,861**	**6,243**	**-9%**	**3,403**	**16,264**	**378%**
Tax Expenses	(1,628)	(2,387)	47%	(802)	(4,791)	497%
Profit After Tax	**5,233**	**3,856**	**-26%**	**2,601**	**11,473**	**341%**

Balance Sheet

TL, mn	Q4'21	Q2'22	Q3'22	ΔQoQ	ΔYtD
Cash & Banks[1]	86,263	101,692	115,322	13%	34%
Securities	50,090	77,322	94,103	22%	88%
Net Loans[2]	212,565	294,050	320,107	9%	51%
Fixed Asset and Investments	4,613	4,887	5,290	8%	15%
Other Assets	30,318	33,442	36,372	9%	20%
Total Assets	**383,849**	**511,392**	**571,193**	**12%**	**49%**
Deposits	225,877	303,408	349,677	15%	55%
Customer	212,899	295,373	339,984	15%	60%
Bank	12,977	8,035	9,693	21%	-25%
Borrowings	97,098	131,895	129,479	-2%	33%
Bonds Issued	29,803	25,829	28,607	11%	-4%
Funds Borrowed	37,252	47,653	53,075	11%	42%
Sub-debt	11,853	15,238	17,262	13%	46%
Repo	18,191	43,175	30,535	-29%	68%
Other	38,722	44,817	53,707	20%	39%
Equity	22,152	31,272	38,331	23%	73%
Total Liabilities & Equity	**383,849**	**511,392**	**571,193**	**12%**	**49%**

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

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