



QNB Finansbank Q4'22 Earnings Presentation

Based on BRSA Unconsolidated Financial Statements
January 2023

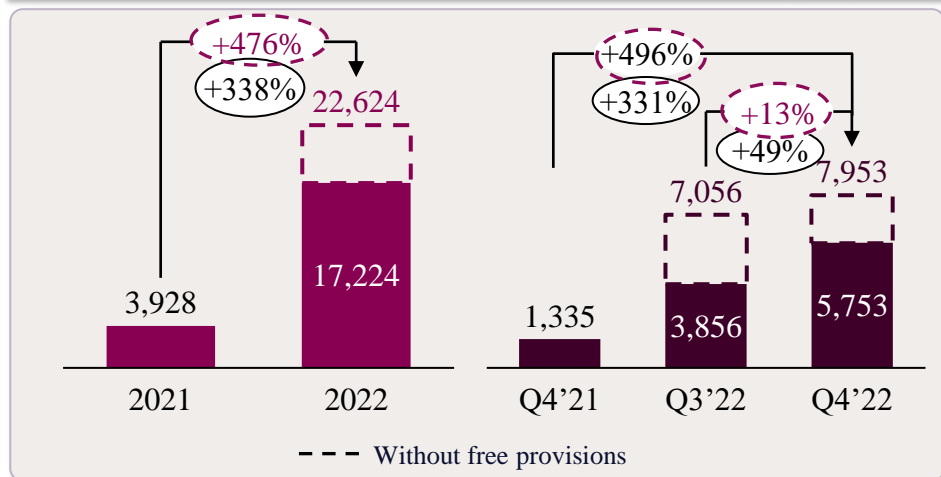
Period Highlights

- ✓ Exceptional core revenue driven bottom line performance stood out even with TL 5.4 bn free provision recorded in H2'22 (TL 3.2 bn in Q3'22; TL 2.2 bn in Q4'22). Q4'22 net profit realized at TL 5,753 million on the back of a 49% QoQ growth, and carried 12M'22 net profit to TL 17,224 million, pointing to a 338% YoY growth.
- ✓ Accordingly, Q4'22 ROE realized at 55% (w/out free provisions: 69%), bringing 12M'22 ROE to 53% (w/out free provisions: 66%).
- ✓ Very strong loan growth (73%⁽¹⁾ YoY) was well ahead of private banks and sector, bringing about market share gains. Customer Deposits being major source of funding fared even stronger than loans with a growth of 78%⁽¹⁾ YoY, 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 107% YoY, on the back of TL securities, of which 76% are floating or indexed in nature. Share of CPI linkers, which offer hedge against inflation, accounted for 60% 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 23.3% in 12M'22, on the back of stellar revenue growth.
- ✓ Robust solvency ratios retained with CAR at 15.1% and Tier 1 at 12.3%.

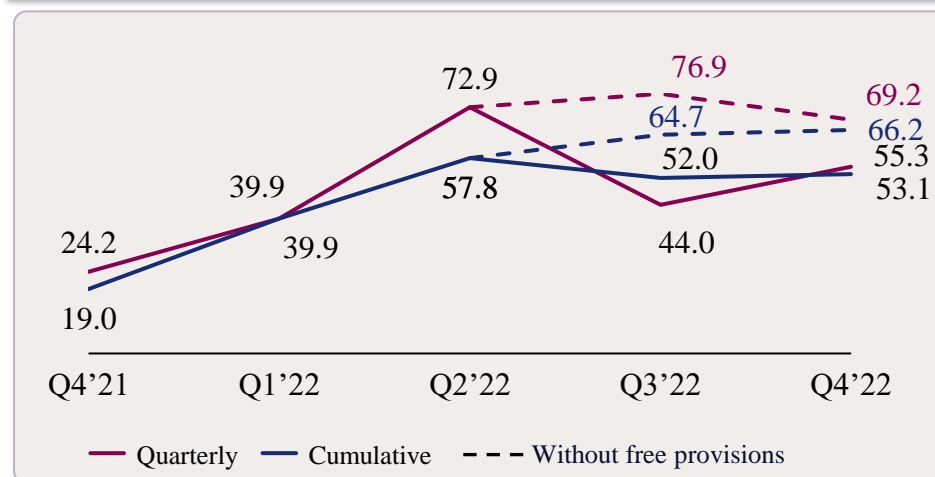
⁽¹⁾ BRSA Weekly Banking Sector data compared vis-a-vis QNBFB data as of 30 December 2022

Outstanding operating performance translated into significant ROE uplift, even including TL 5.4 bn free provisions. Loan & deposits growth well ahead of sector, enhancing market shares

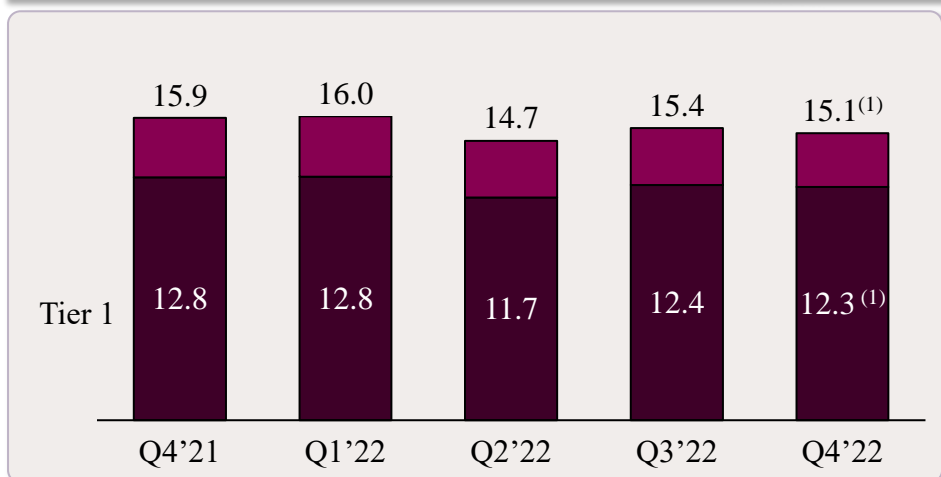
Net Income (TL mn.)



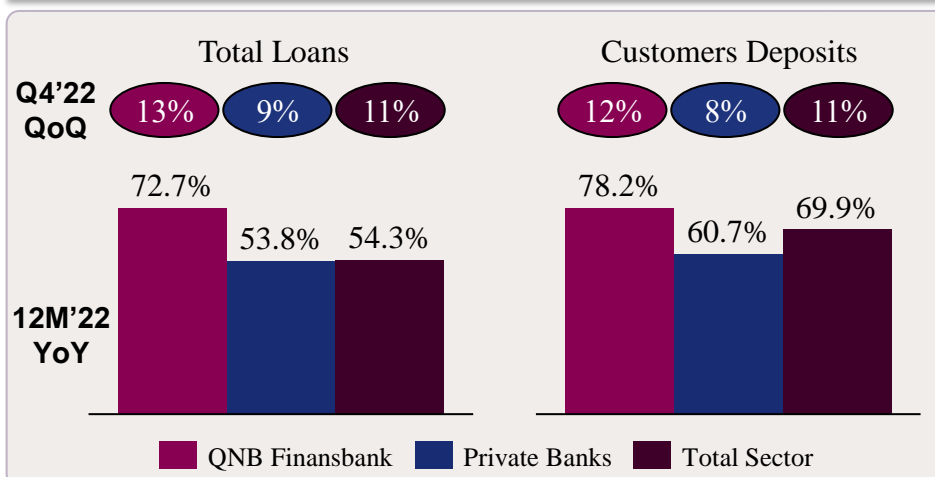
Quarterly and Cumulative RoAE (%)



CAR (%)

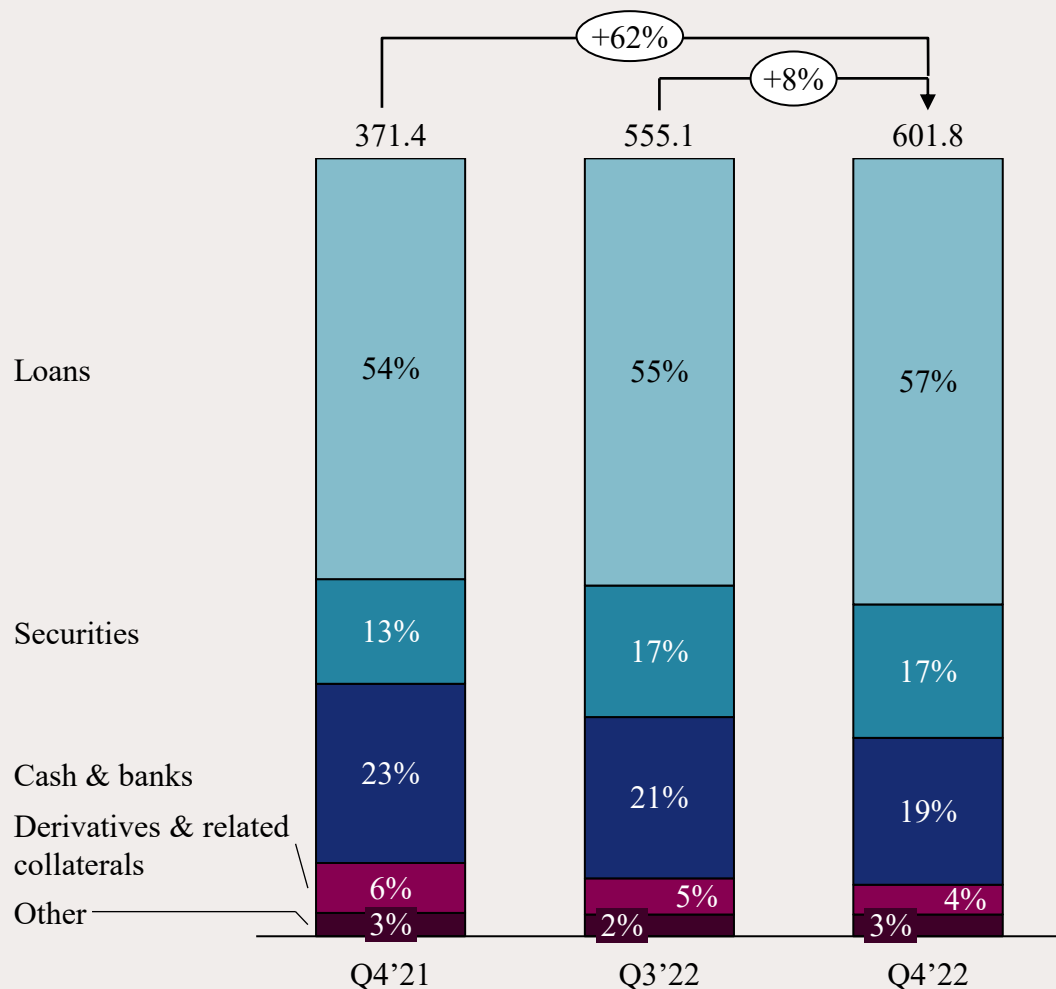


Total Loans & Deposits Growth⁽²⁾ (%)

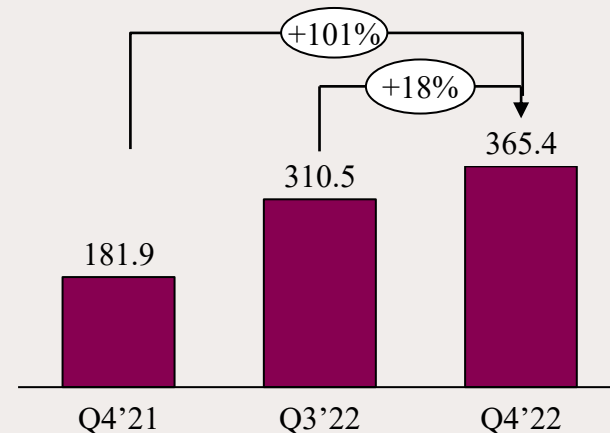


Well-balanced asset base grew by 8% QoQ and 62% YoY, reaching TL 602 bn, as net loans constituted 57% of assets, reflecting Bank's commitment to fund the economy

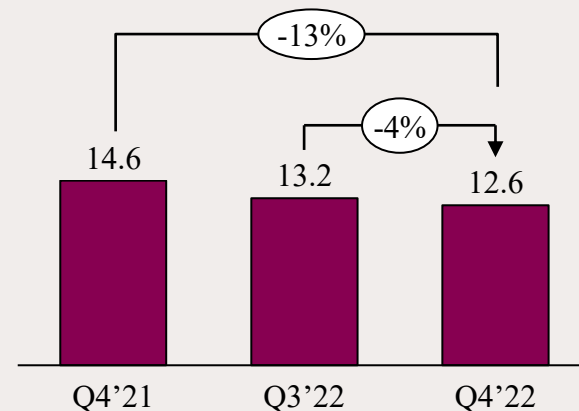
Total Assets (TL bn)



TL Assets (TL bn)

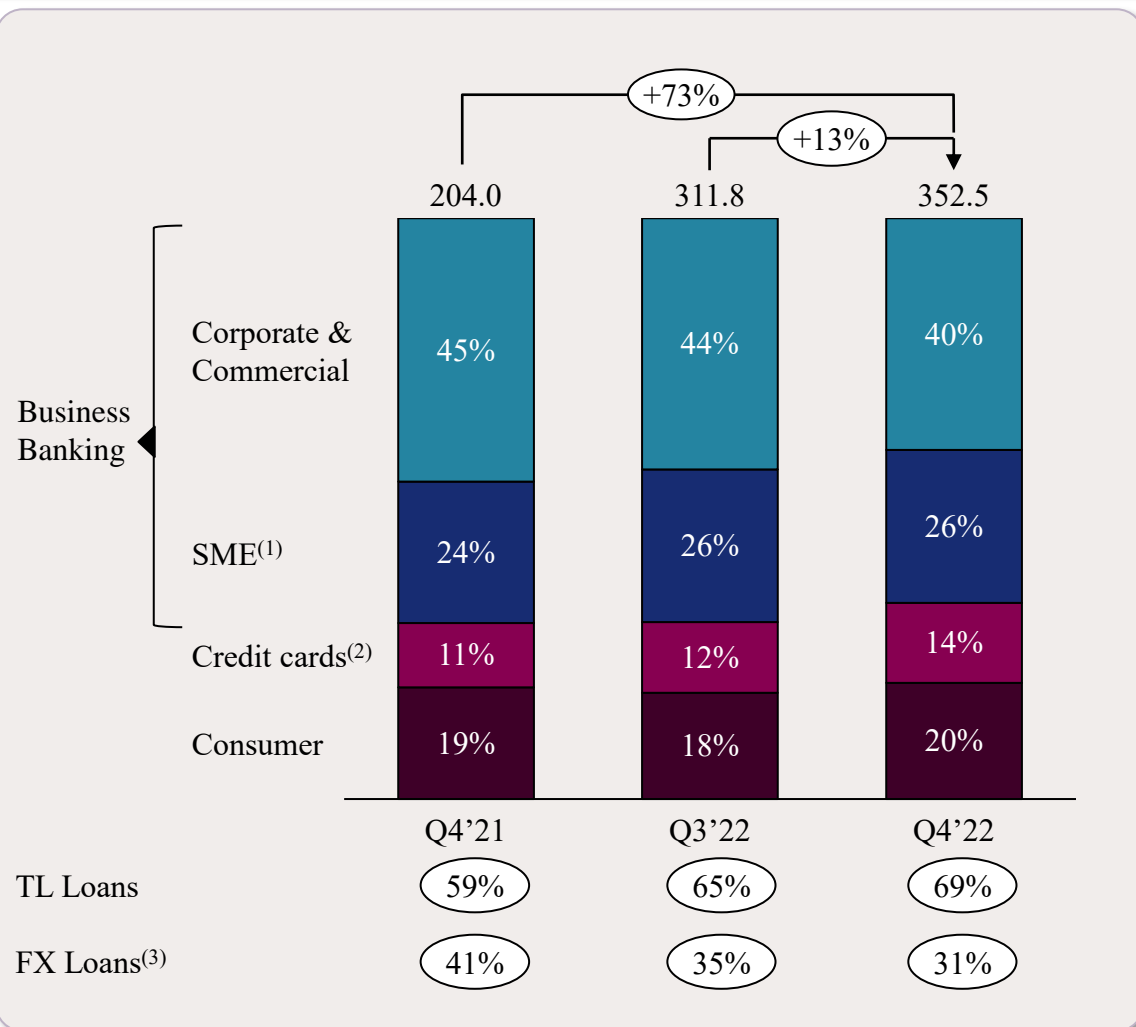


FX Assets⁽¹⁾ (USD bn)

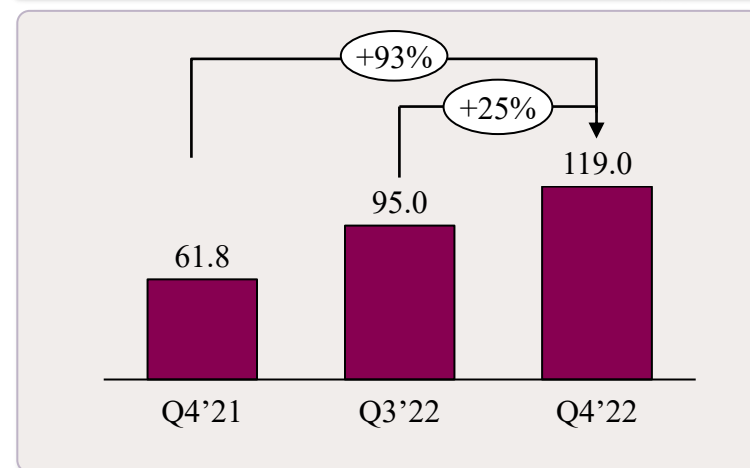


Both QoQ and YoY loan growth performance stood strong supported by all businesses. FX loans' share continued to decline thanks to focus on TL lending towards businesses

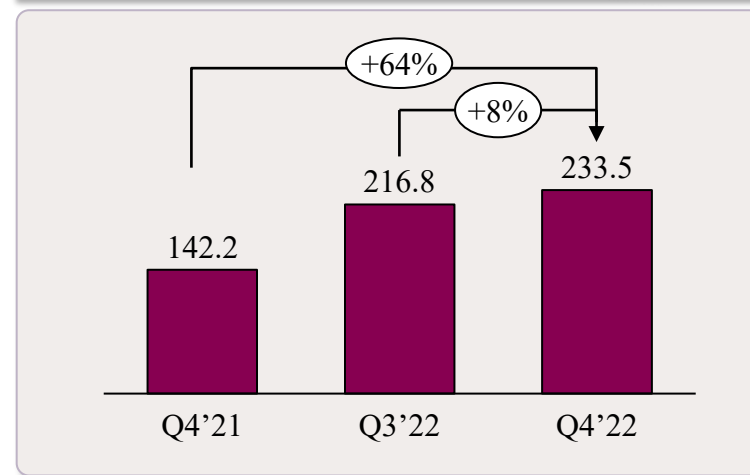
Performing Loans by Segment and Currency (TL bn)



Retail Loans (TL bn)

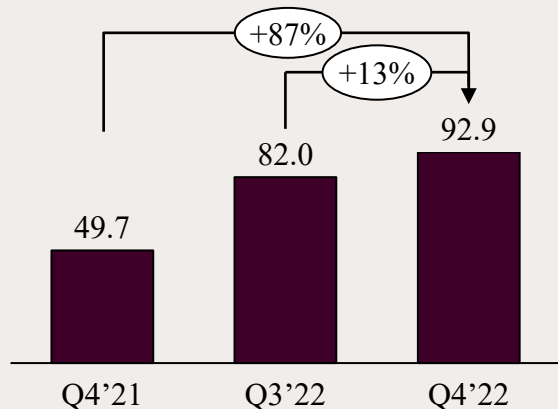


Business Loans (TL bn)

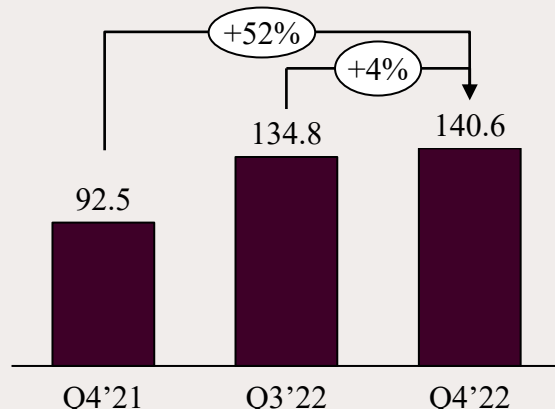


Business Banking growth was across the board, while Credit Cards and General Purpose Loans remained focus areas at Retail lending

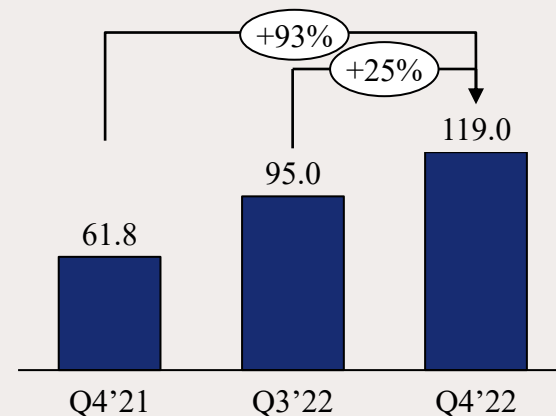
SME Loans⁽¹⁾ (TL bn)



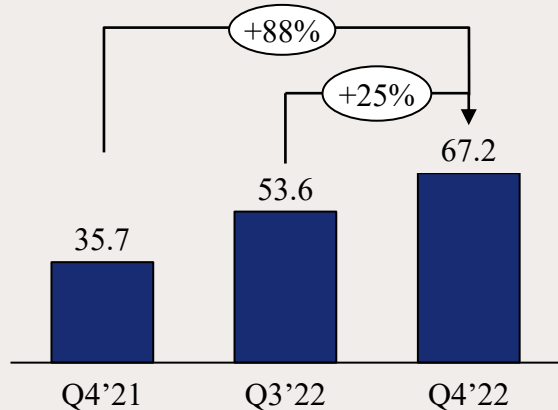
Corporate & Commercial Loans (TL bn)



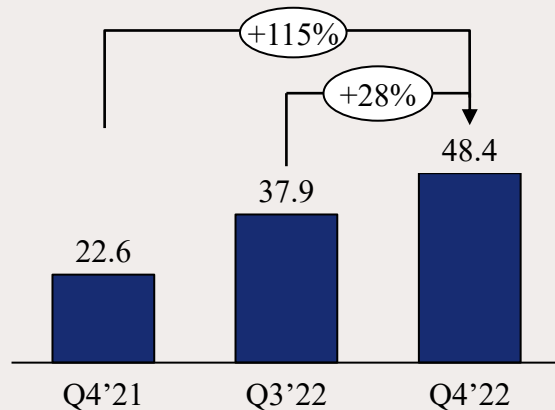
Retail Loans (TL bn)



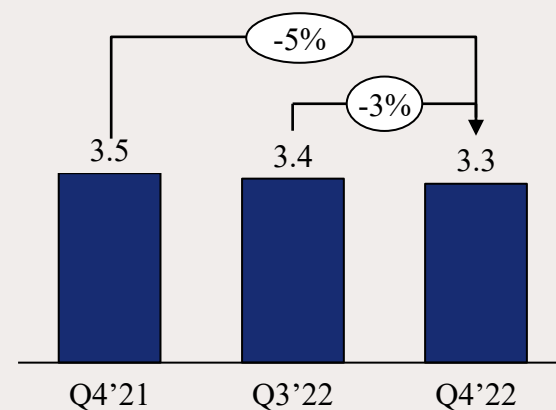
General Purpose Loans⁽²⁾ (TL bn)



Credit Card Loans⁽³⁾ (TL bn)

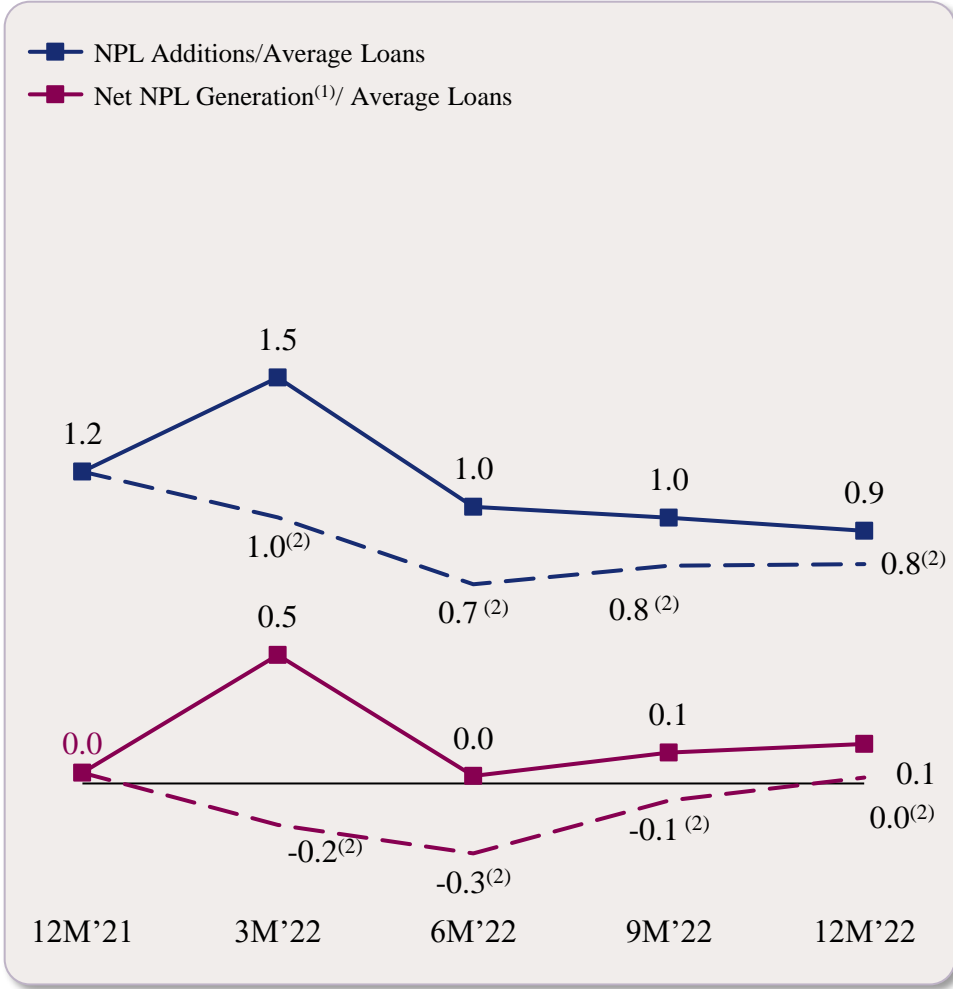


Mortgage Loans (TL bn)

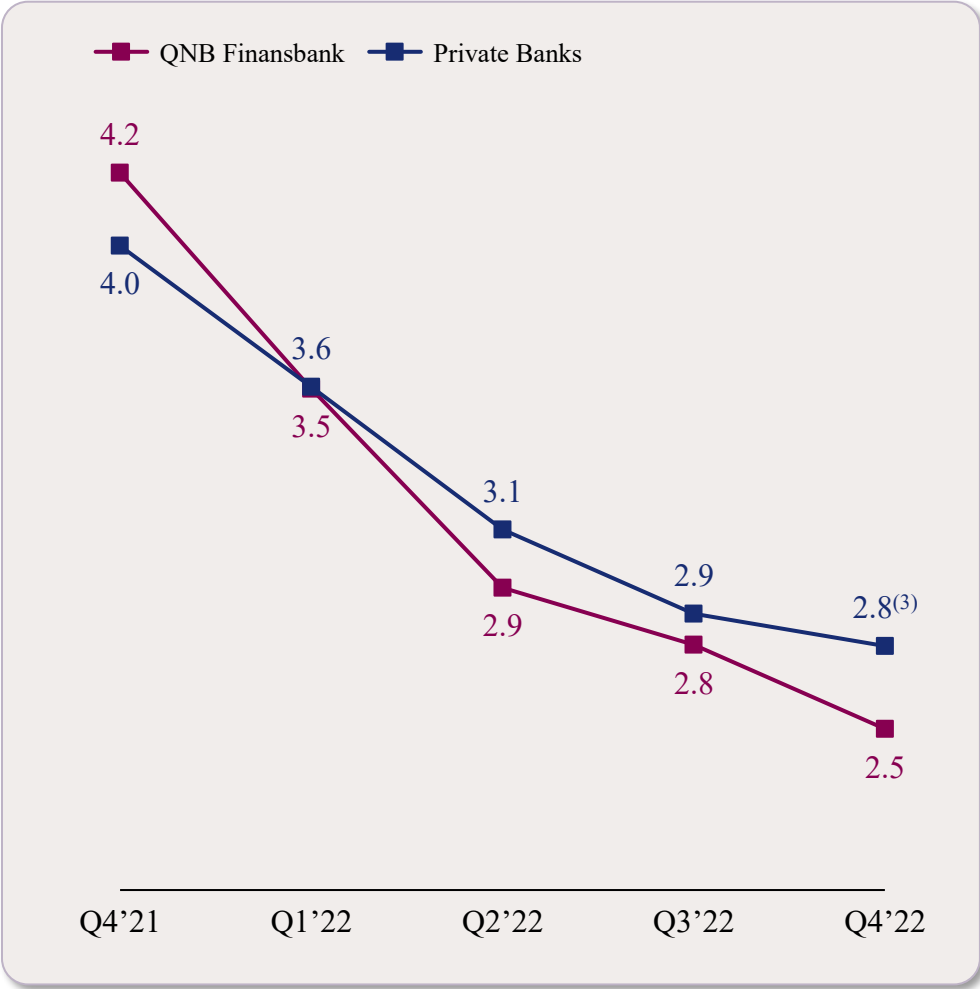


Muted net NPL generation for the fourth consecutive quarter in a row, thanks to strong collection performance and very low NPL inflow. NPL ratio continued to improve beyond private banks

NPL Additions / Average Loans (%)



NPL Ratio (%)

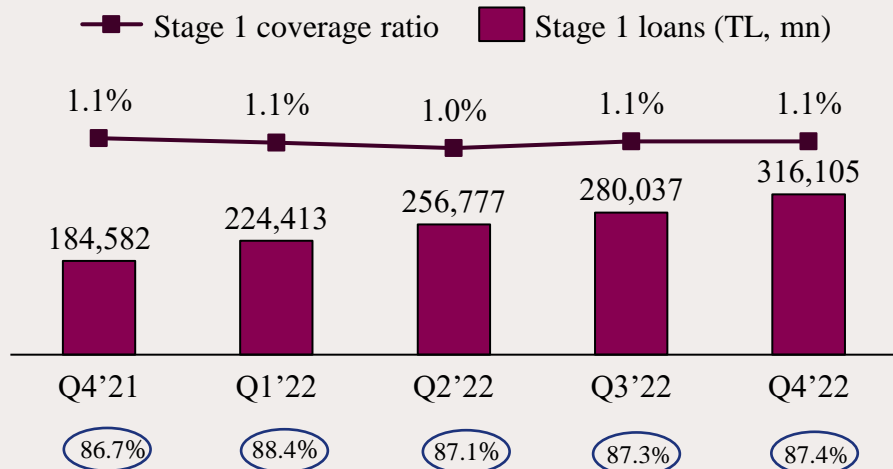


⁽¹⁾ Net NPL Generation = NPL Additions - NPL Collections
⁽²⁾ Adjusted for write-off of LYY loan following the sale of TTKOM shares to TWF
⁽³⁾ BRSA monthly banking sector data for private banks for November 2022

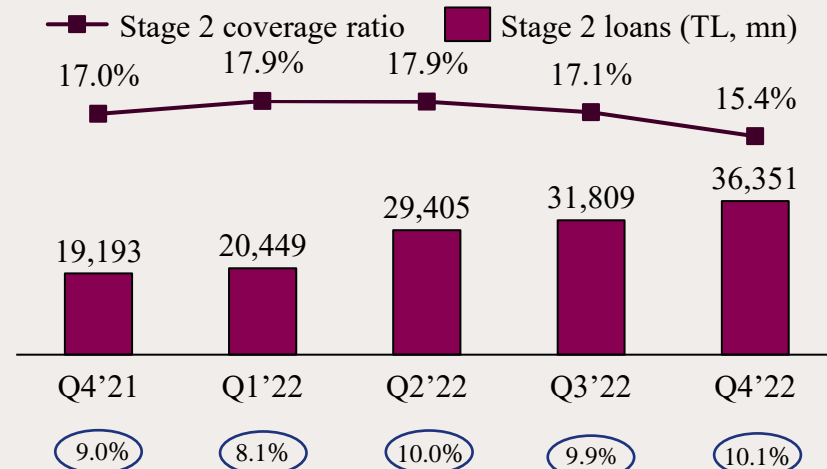
Robust provision buffers further reinforced with a conservative provisioning stance, even with strong loan growth

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

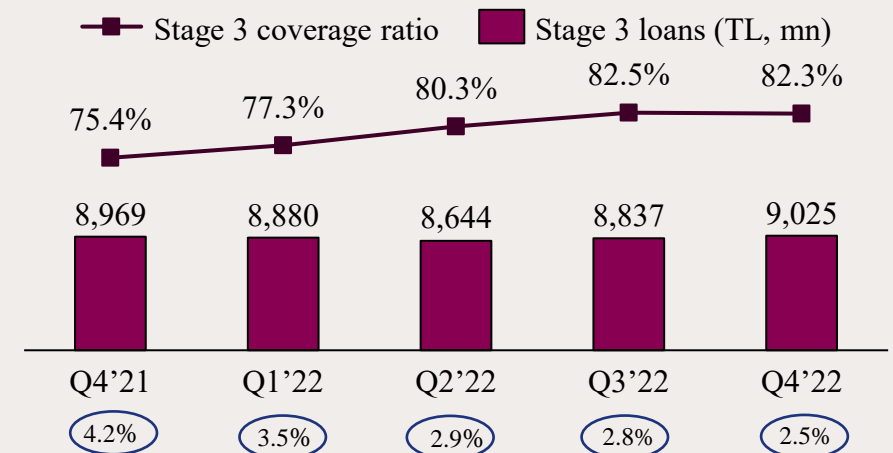
Stage 1 Loans & Coverage



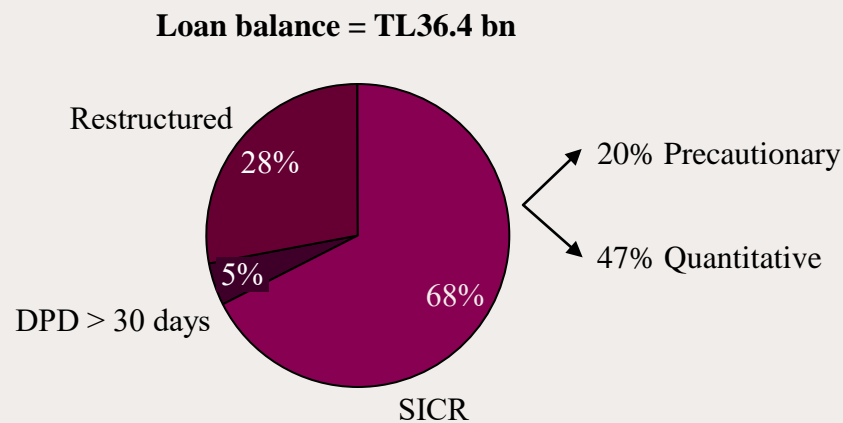
Stage 2 Loans & Coverage



Stage 3 Loans & Coverage

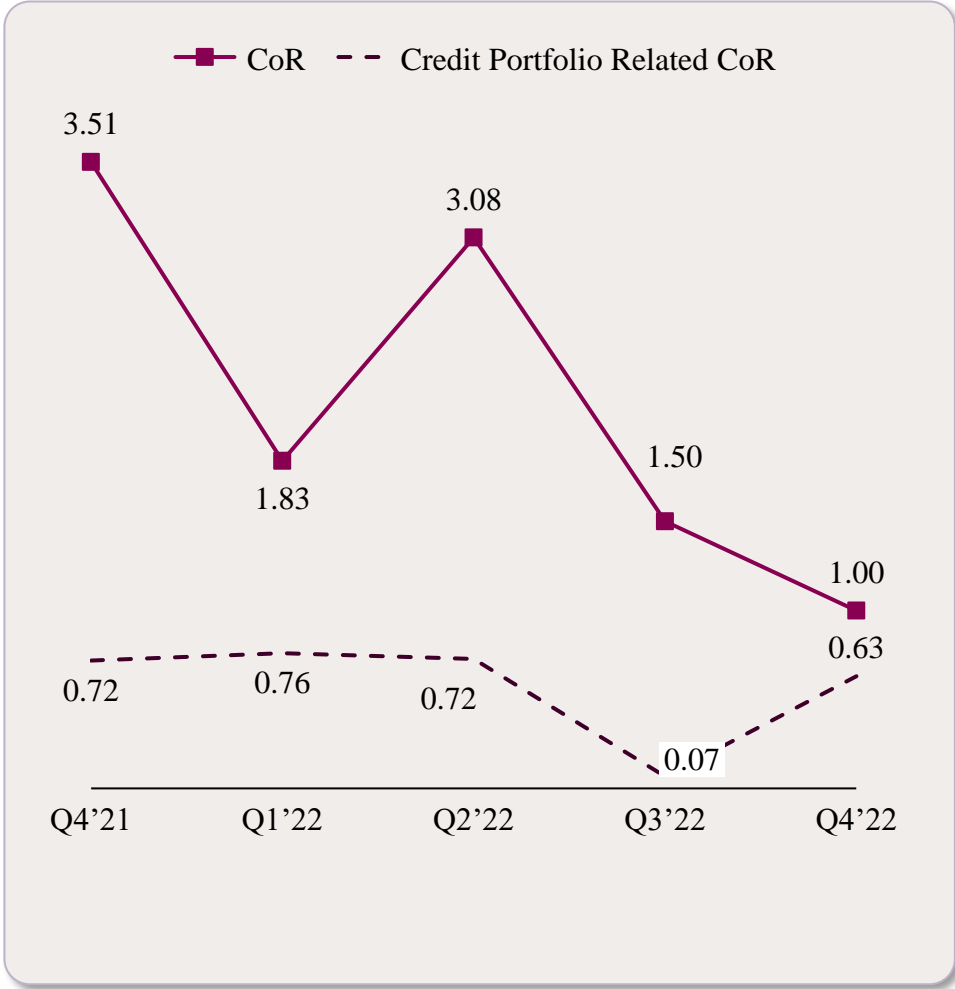


Stage 2 Composition

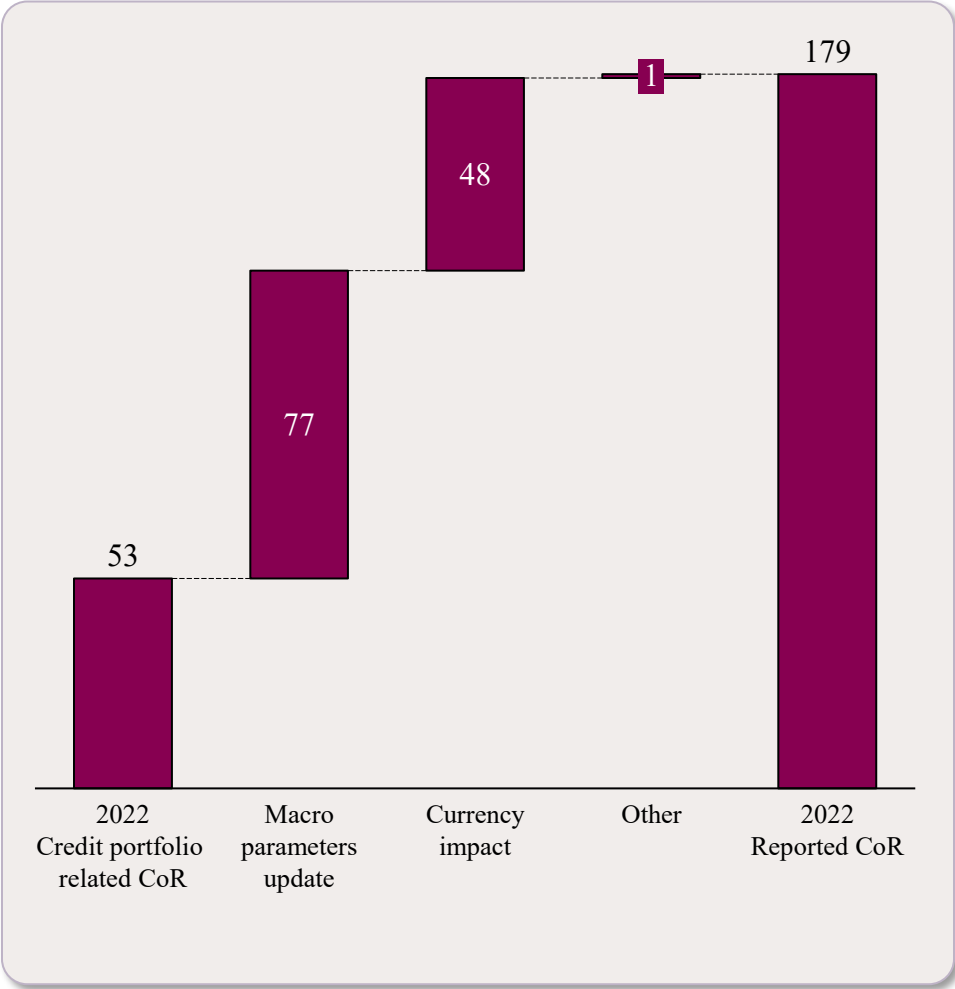


Low NPL generation and solid collection performance helped to maintain low level of credit portfolio related CoR, whereas reported CoR also included significant macro parameter update as well as currency impact

Quarterly Cost of Risk (%)

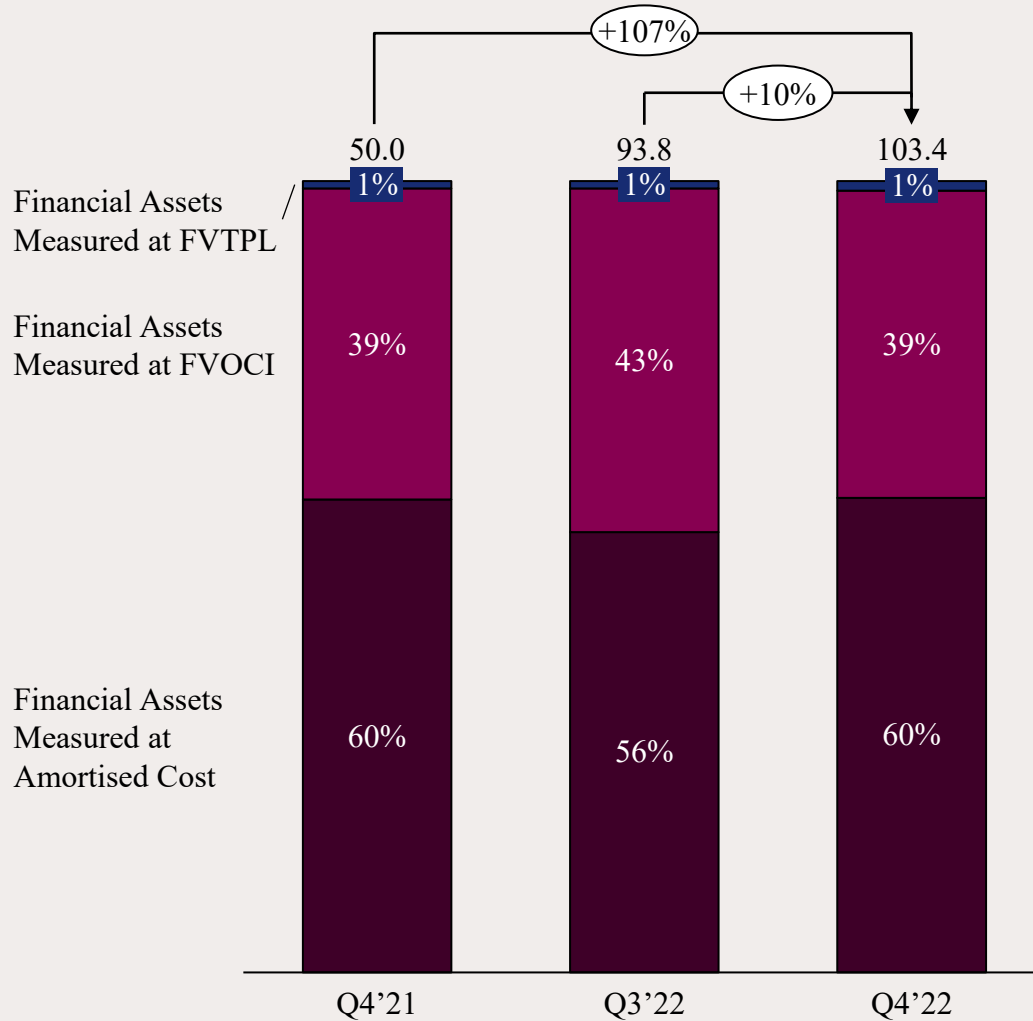


2022 CoR Breakdown (bps)

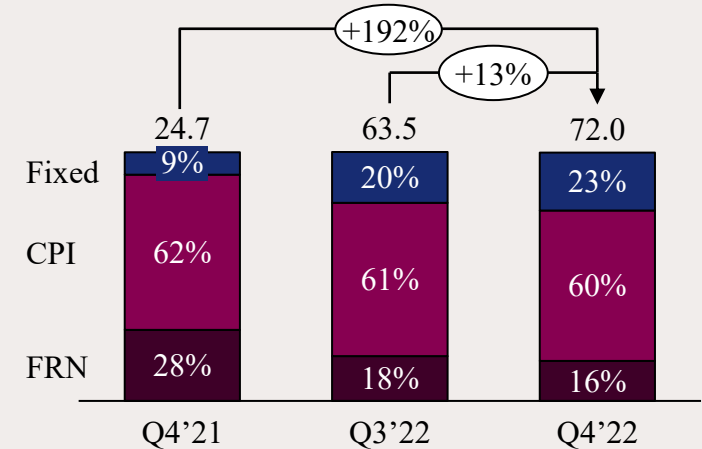


107% YoY growth in securities portfolio: Fixed TL securities rose on account of securities maintenance requirement, whilst CPI linkers & FRNs still accounted for 76% of TL portfolio

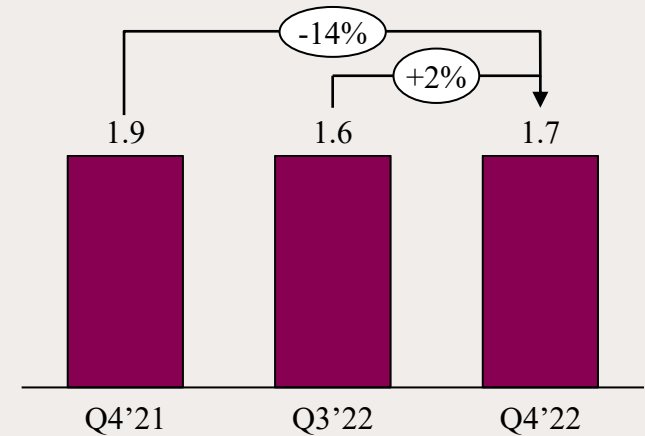
Total Securities (TL bn)



TL Securities (TL bn)

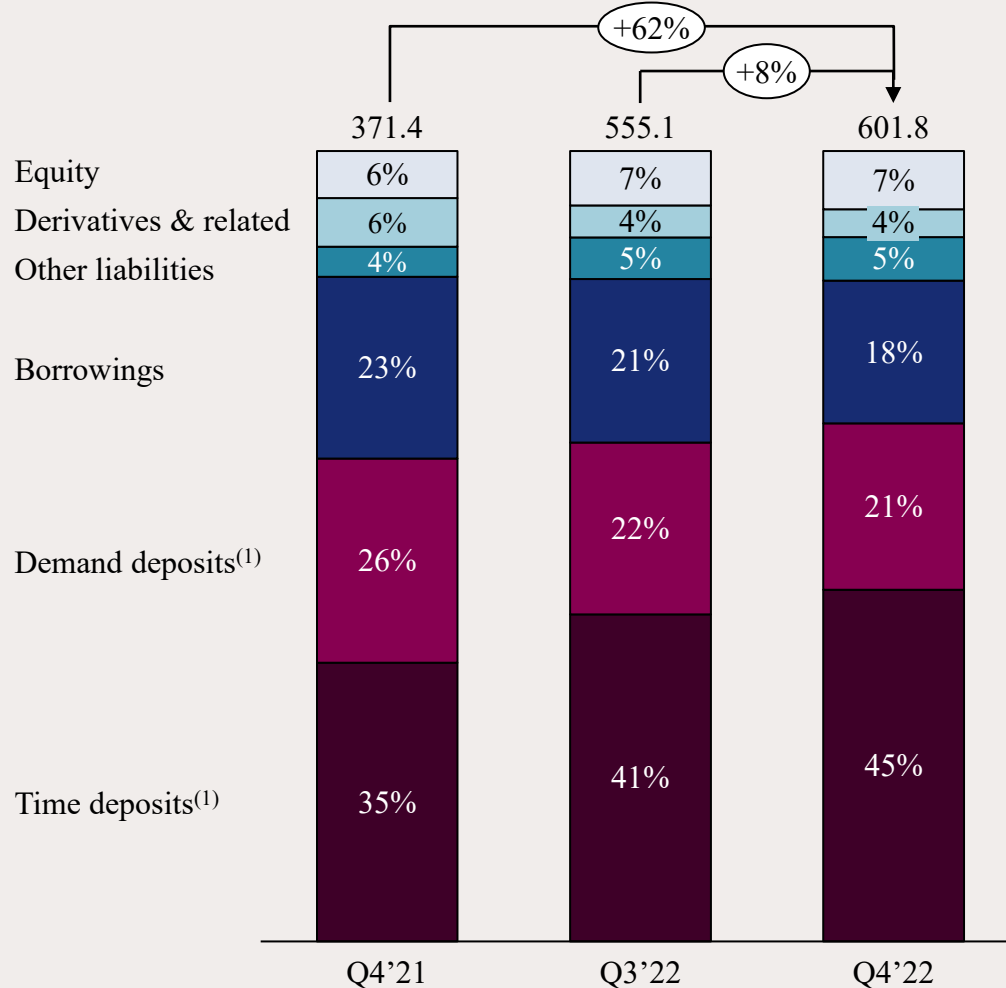


FX Securities (USD bn)

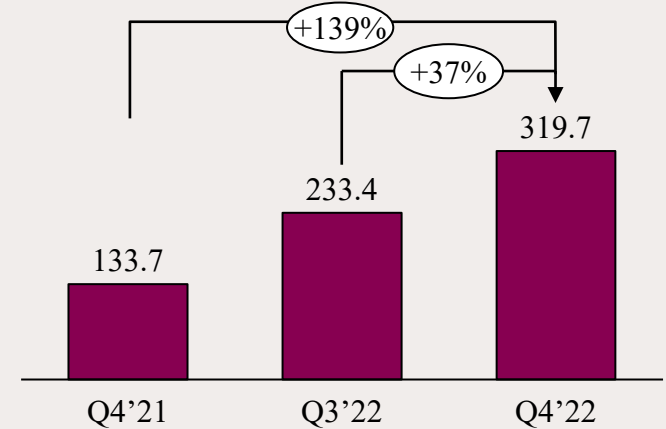


Well-diversified & disciplined funding mix maintained with a rising preference for TL funding

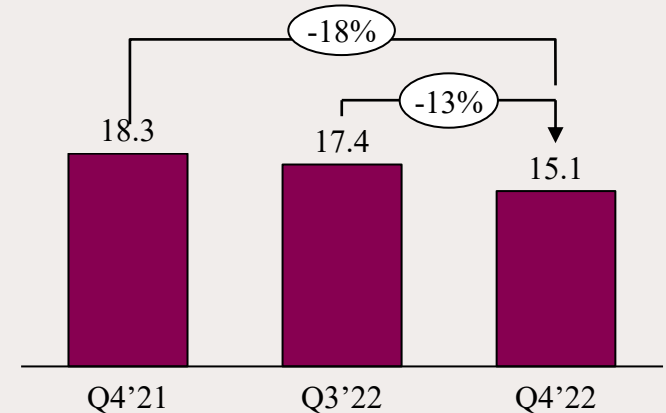
Total Liabilities (TL bn)



TL Liabilities (TL bn)

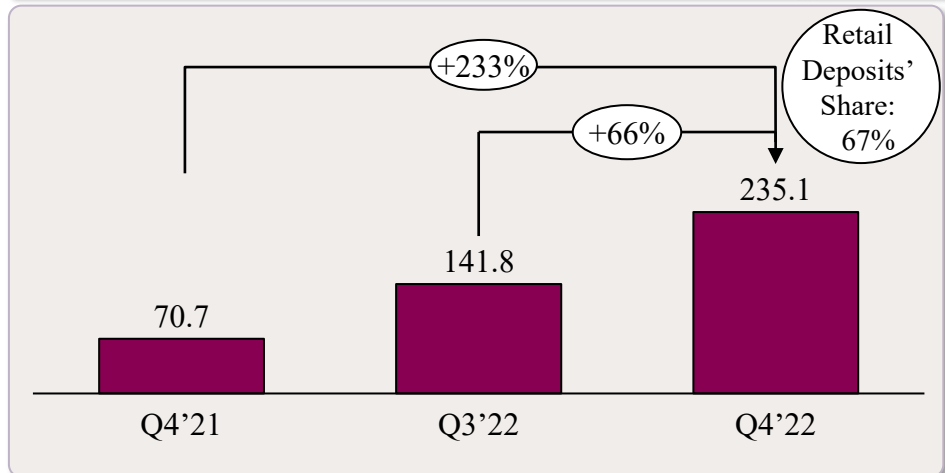


FX Liabilities (USD bn)

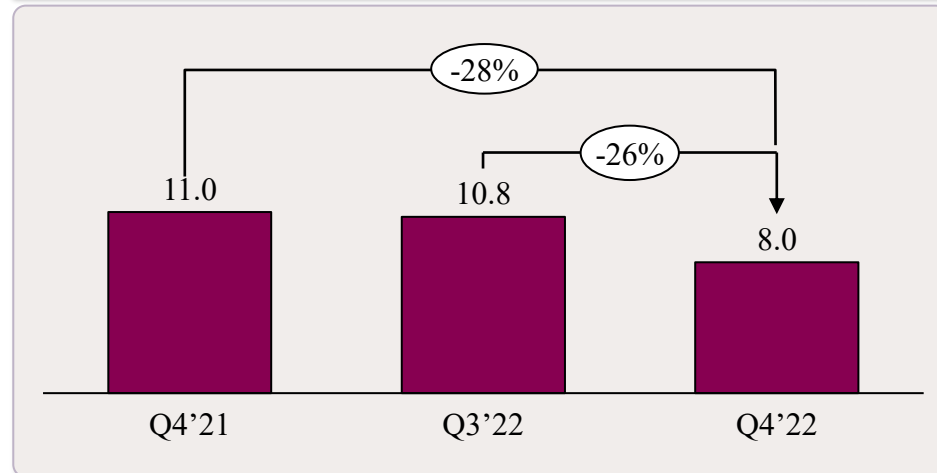


Healthy deposit base further strengthened by above the peers TL deposits gatherings on the back of FC-protected deposits scheme and higher demand deposits' contribution

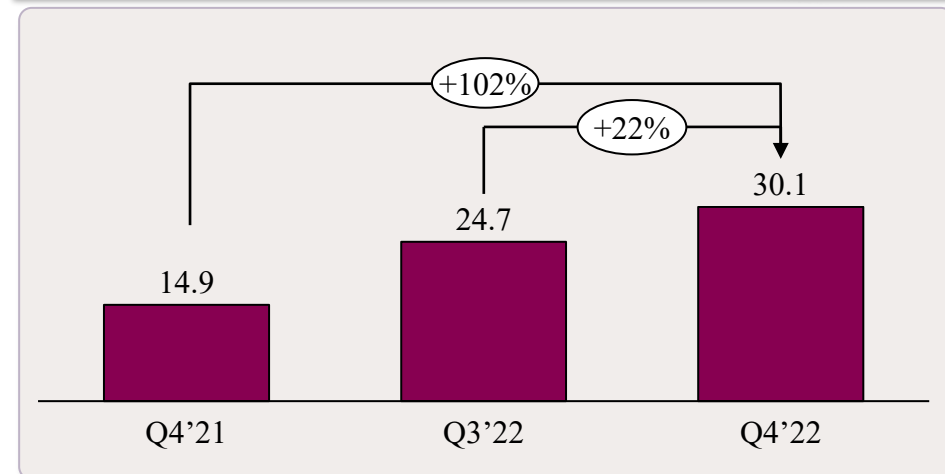
TL Customer Deposits (TL bn)



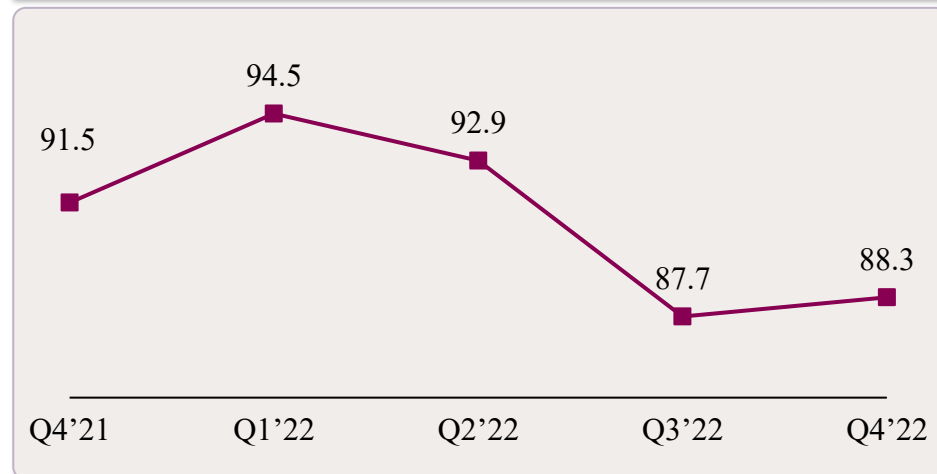
FX Customer Deposits (USD bn)



TL Customer Demand Deposits (TL bn, aop)

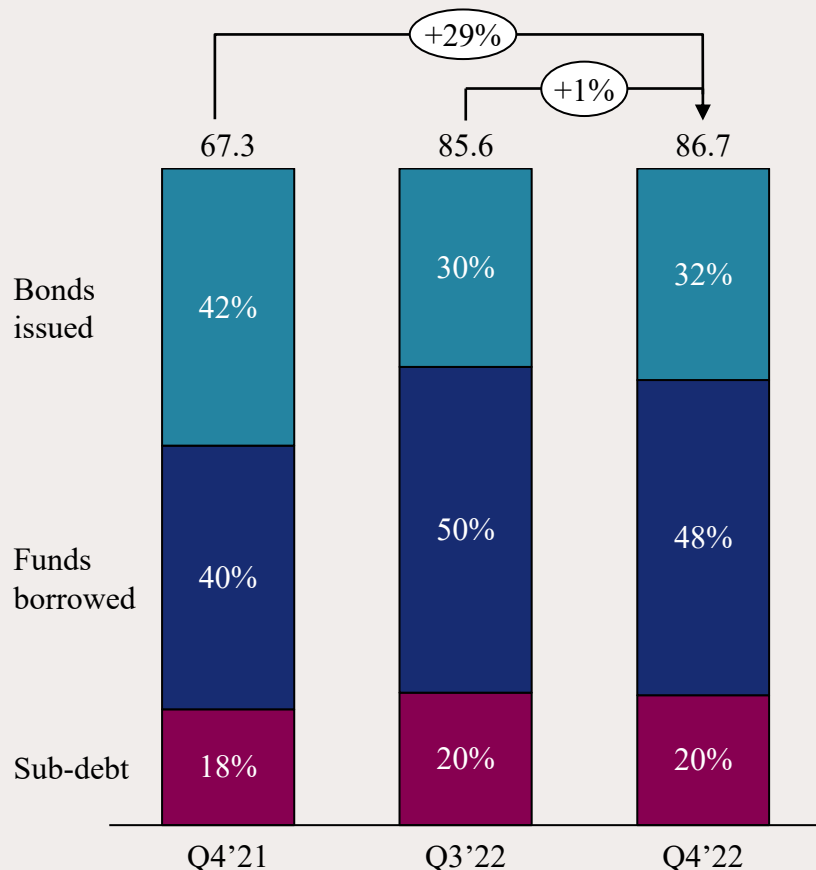


Loan-to-deposit-ratio⁽¹⁾ (%)

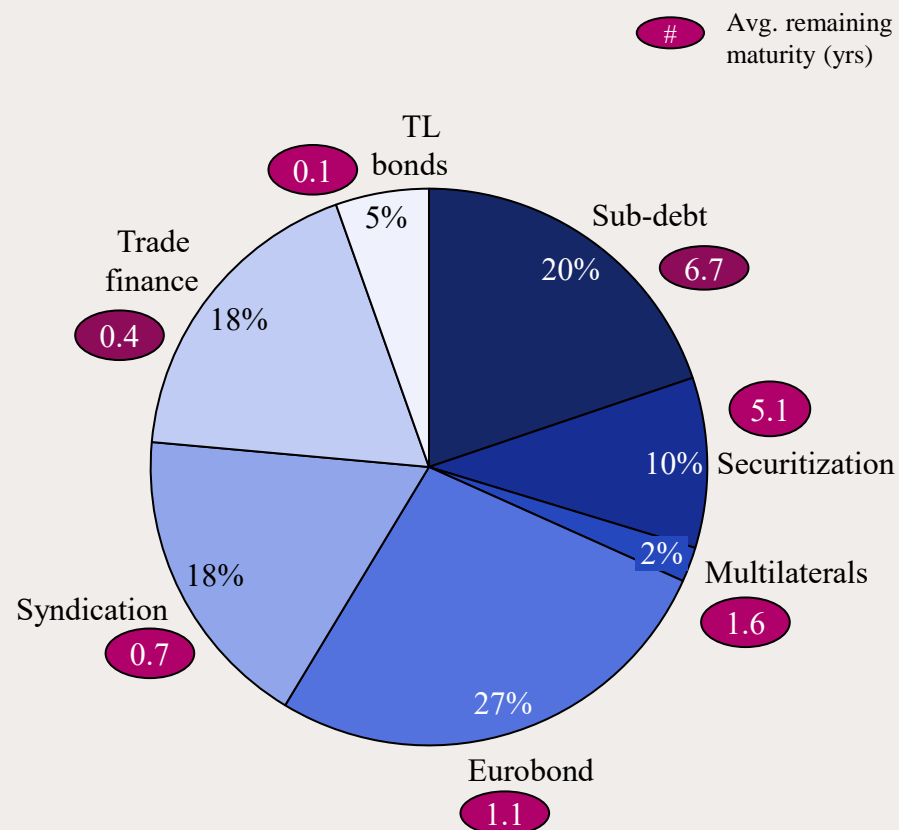


Well-balanced wholesale borrowing mix has been actively managed with a cost-oriented approach, majority of FX wholesale funding have remaining maturity above 1 year

Wholesale Borrowings⁽¹⁾ by Type (TL bn)

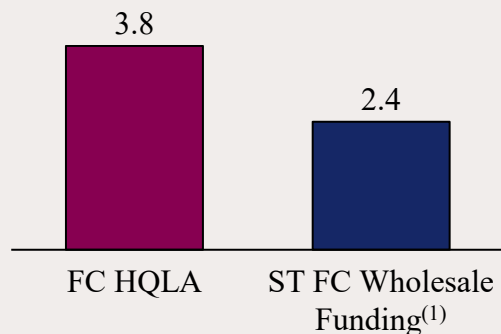


Wholesale Borrowings⁽¹⁾ Breakdown

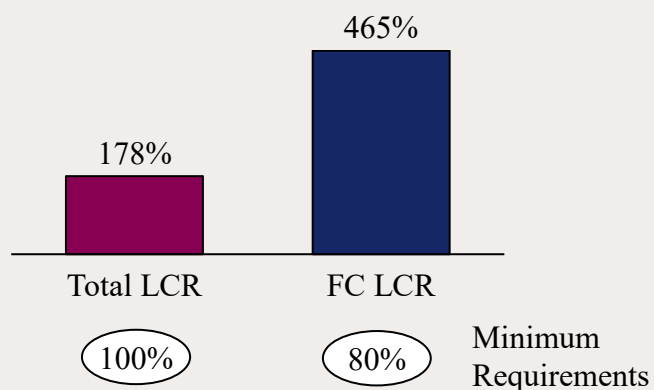


Manageable external borrowings led to ample FC liquidity vis-a-vis short-term dues

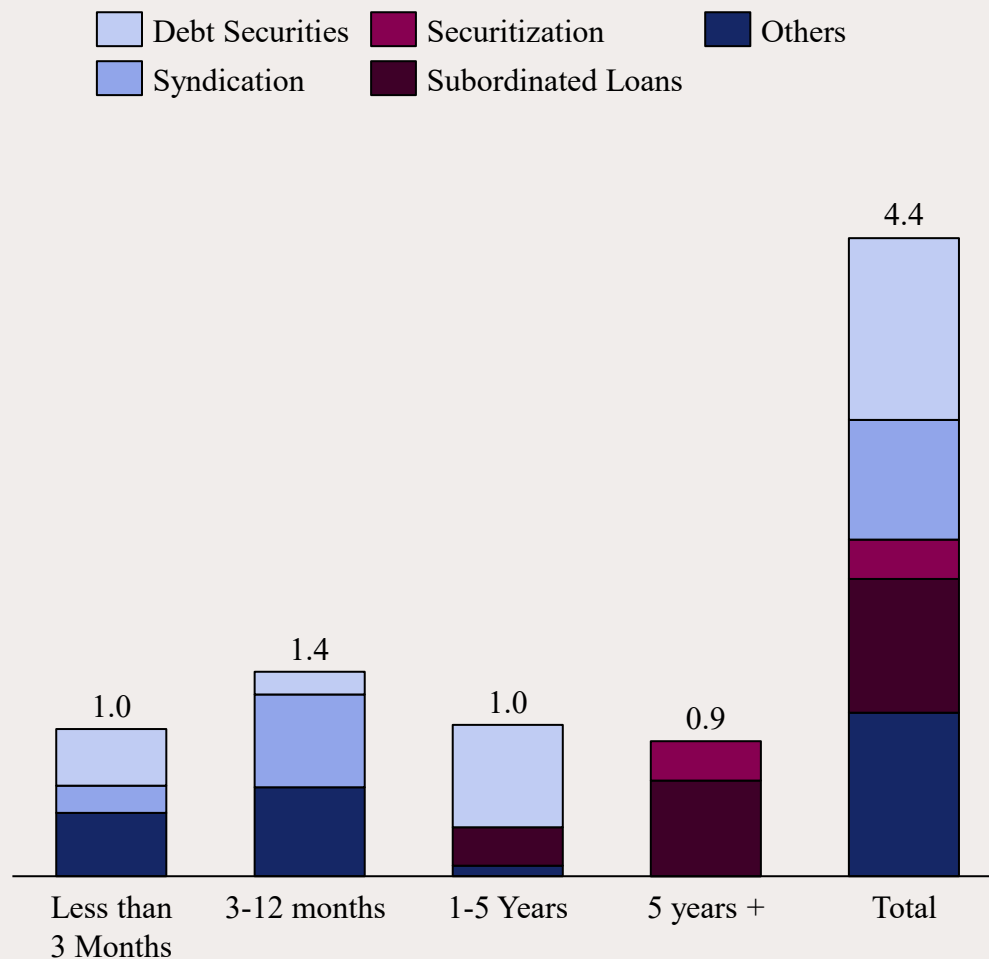
FC HQLA vs Short-term Dues (USD bn)



Liquidity Coverage Ratios (% eop)

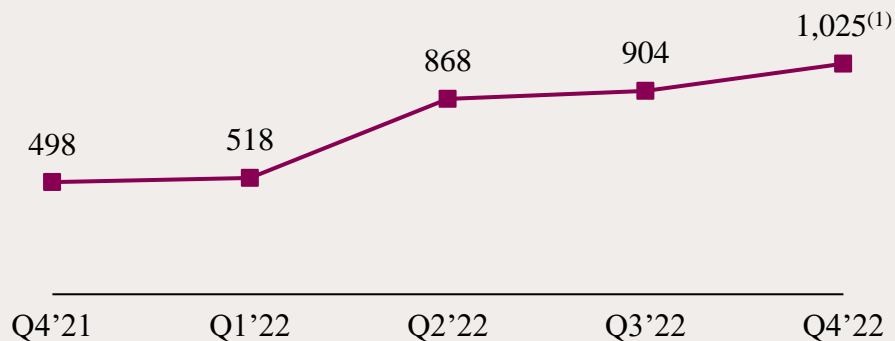


Maturity Profiles of FC Wholesale Funding (USD bn)

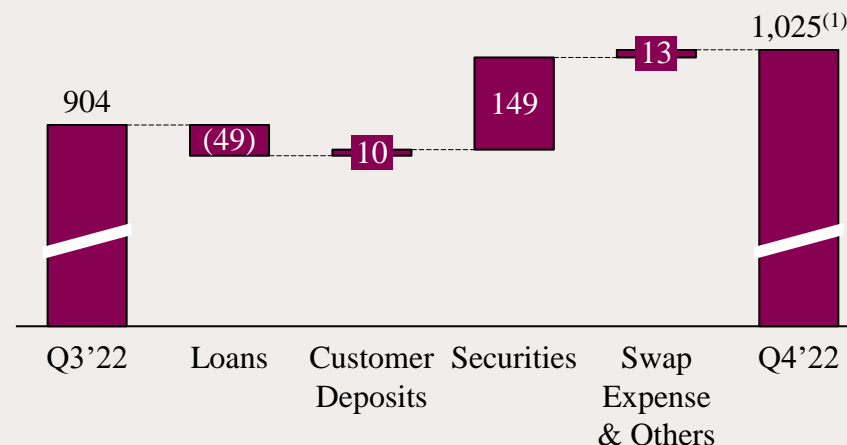


Sustained loan deposit spreads and extra contribution from CPI linkers led to outstanding NIM performance

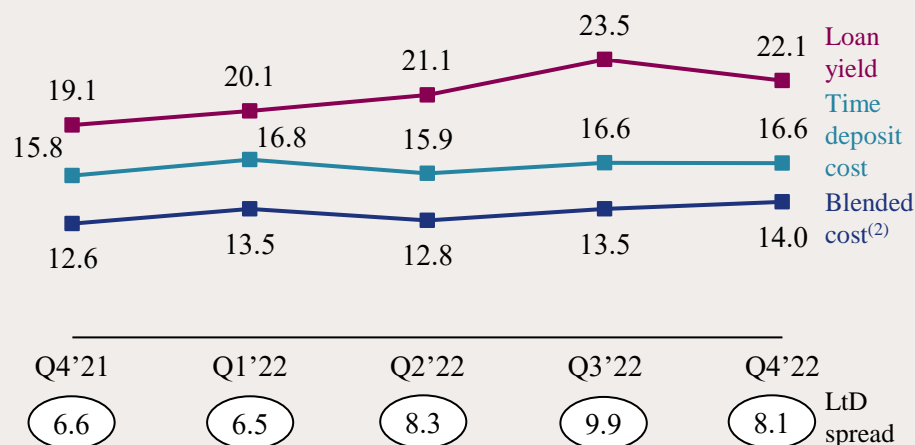
Quarterly NIM after Swap (bps)



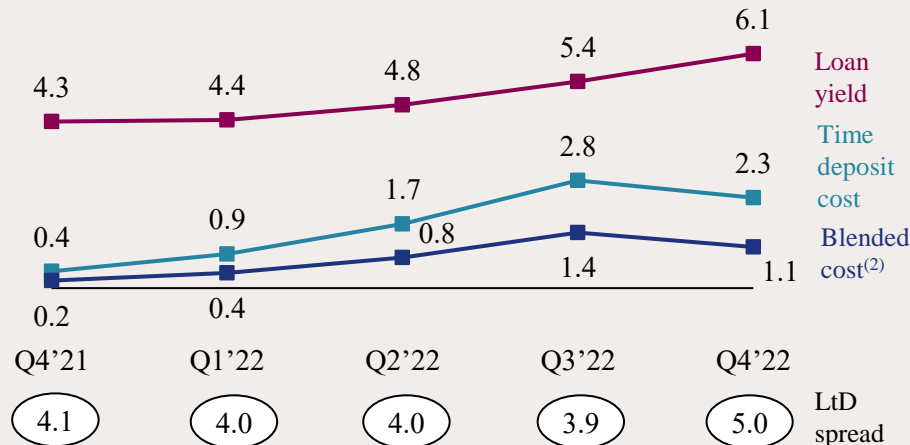
Quarterly NIM after Swap Evolution (bps)



TL Spread (% , quarterly)

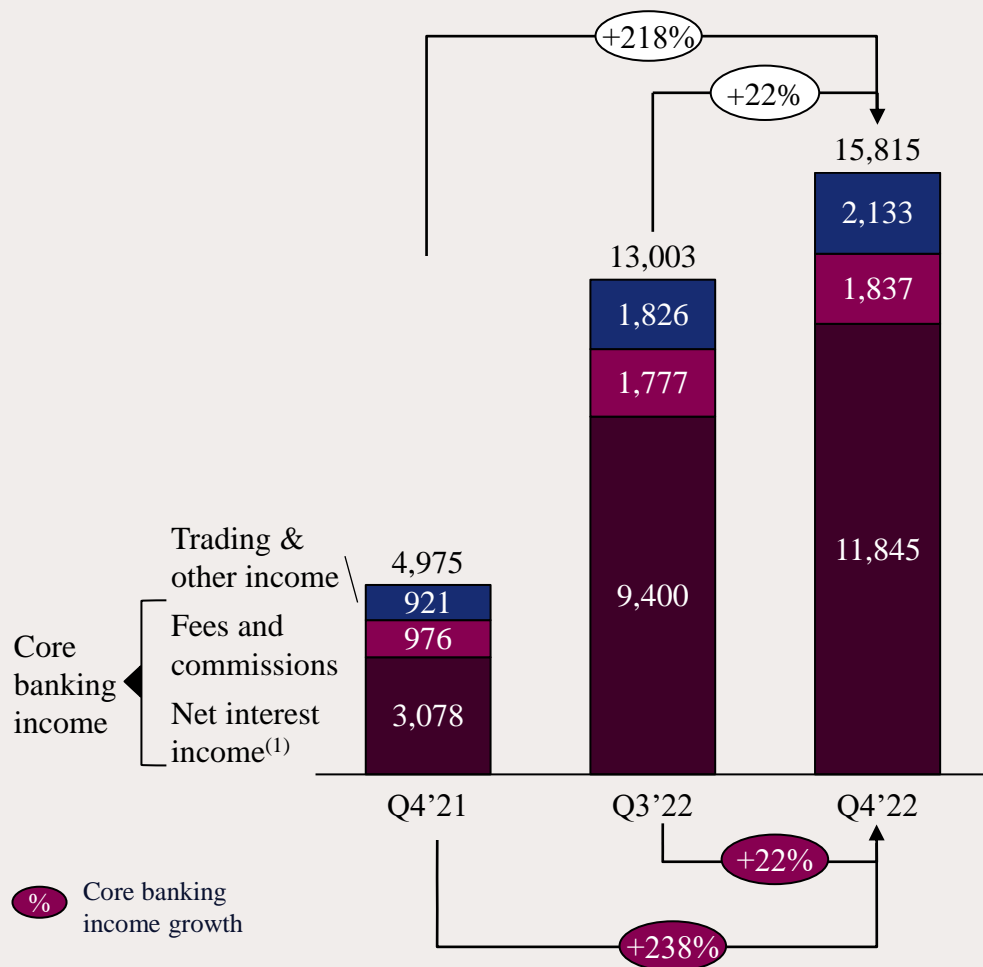


FX Spread (% , quarterly)

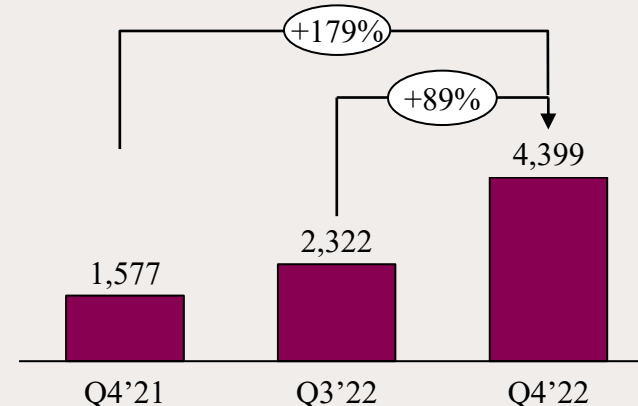


Strong core banking income generation more than compensated for the rise in OPEX, which showed a hike in Q4 mainly due to additional customer promotion spending related to new salary agreements

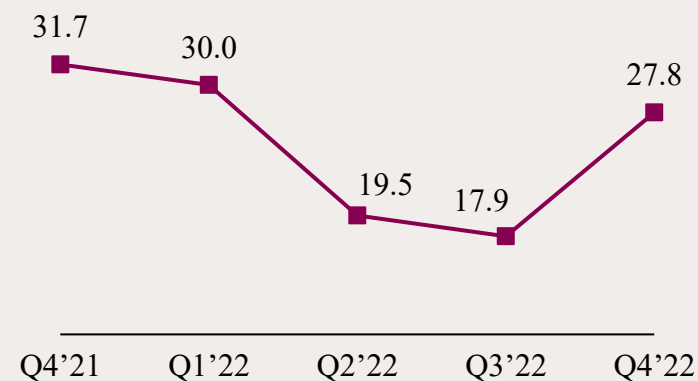
Total Operating Income (TL mn.)



OpEx (TL mn.)

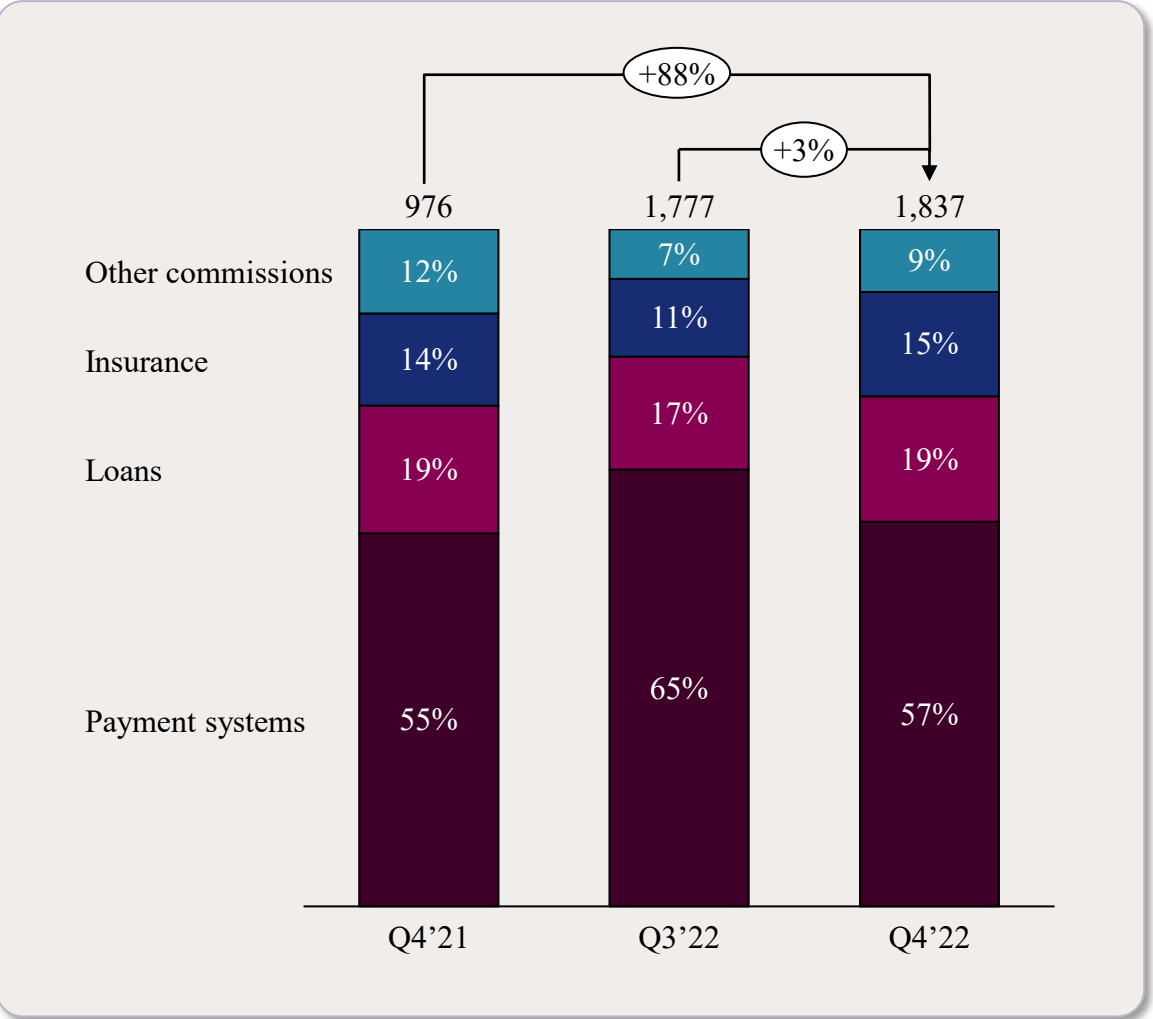


Cost / Income (%)

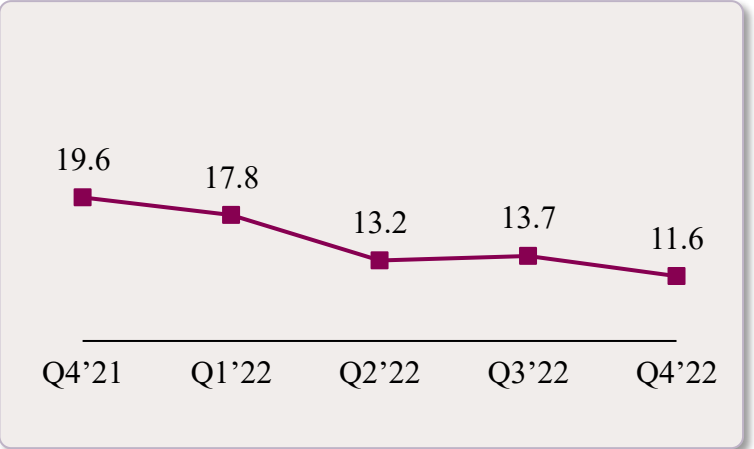


Fees once again outperformed across the board, but particularly on the back of stellar payment systems performance and yet strong loan growth

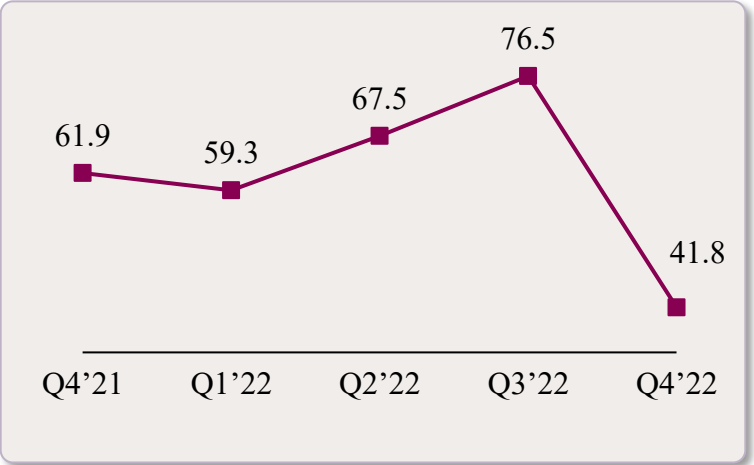
Net Fees and Commissions⁽¹⁾ (TL mn)



Fees / Total Income (%)



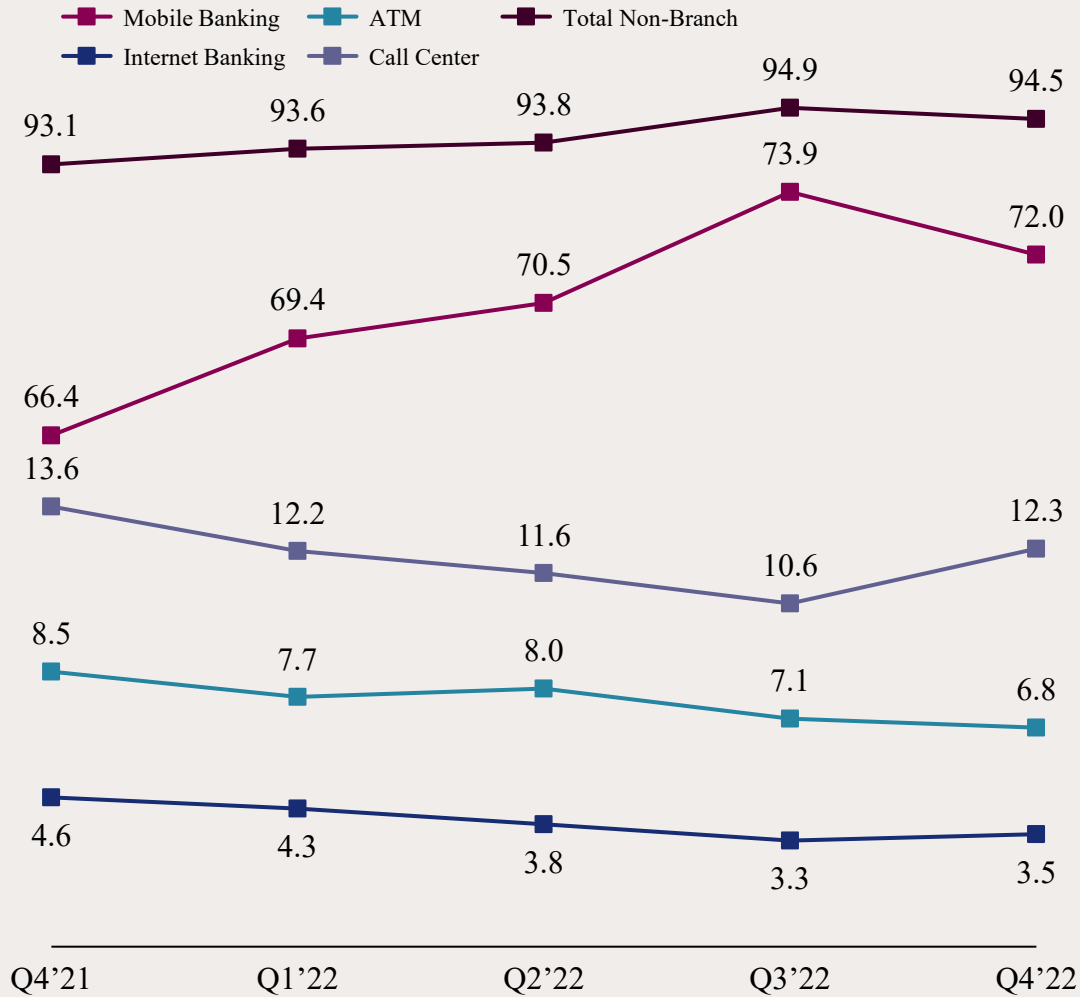
Fees / OpEx (%)



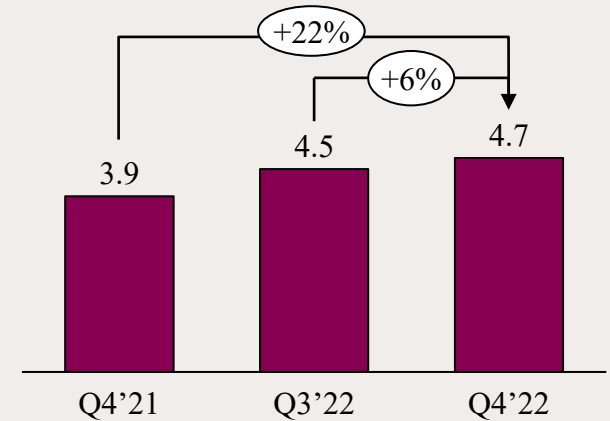
⁽¹⁾ Classification change in Q2'22 was applied retrospectively with the aim of interperiod comparability and consistency

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

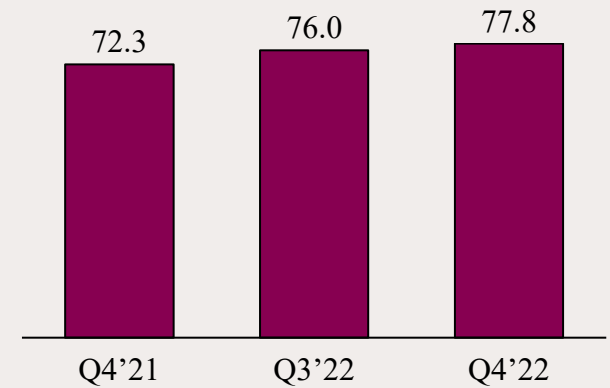
Share of Transactions Evolution in Non-Branch Channels (%)



Number of Digital Customers (mn.)



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



Sustainability at QNB Finansbank

At QNB Finansbank, we define sustainability as the delivery of long-term value in financial, environmental, social and ethical terms, for the benefit of our customers, shareholders, employees and community.

- We adapted QNB Group's sustainability framework and set our core pillars as sustainable finance, sustainable operations and beyond banking.
- We are committed to build a better future and be a responsible partner for all stakeholders.
- Our sustainability roadmap is designed as a transformation journey that we not only initiate but assist to our customers.
- The Sustainability Committee is co-chaired by the CEO and the Head of the Sustainability Committee.
- Sustainability Working Groups are established in order to increase synergies among internal teams toward utilization of diverse sustainability related projects.

QNB Finansbank Sustainable Transformation Roadmap

Clients' Transformation		QNB Finansbank's Transformation	
Environmental <i>Carbon Footprint</i>	Green Transformation Lending Portfolio Funding Regional Regulation International Regulation	Operational Transformation Energy Efficiency Environmental Management GHG Emission Calculation	
Social <i>Financial Health & Inclusion</i>	Responsible Transformation Digitalization Paperless Banking Financial Inclusion	Transformation of Finansçı Diversity and Inclusion Awareness Creation Stakeholder Engagement	



Sustainability at QNB Finansbank

Our sustainable financing activities focus to deliver value with a purpose:

- Green Social Bond Eligible Portfolio: ~43% of the Project Finance Portfolio
- Not lending to new coal thermal power plant and new coal mining investments
- Clean Energy Loans for environmental friendly buildings
- Loans for Electric Vehicles
- Sustainability-linked funding: ~24% of the Wholesale Funding Portfolio⁽¹⁾
- Loans to women-led SMEs under the EBRD's Women in Business Programme
- ESG-linked Syndicated Loan Facility
- ESG-linked Repo Agreement
- ESG-linked Rebate Transaction based off TRY Swap Transactions

We ensure climate friendly and responsible practices across all business operations:

- Sourcing electricity consumption from renewable generation
- Decarbonization of Digital Platforms via carbon offsetting
- CDP Reporting – Leadership level at global scale
- Head office building (Kristal Kule) - LEED Silver Certificate
- Scope 1,2&3 GHG operational emissions calculation based on GHG Protocol
- Compliance with ISO 14001 Environmental Management Standards
- Being an Eyebrand - Collaboration with BlindLook

⁽¹⁾ Excluding subloan



We invest to children, Sustainability leaders of tomorrow:

- Small Hands Big Dreams
 - Touching the lives of 570K children
 - More than 50 projects
 - 3,500 “Volunteer Finansçı”
 - “Climate Protectors are Raising” project with TEGV
 - Nature Pioneers Youth Programme with WWF Türkiye

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⁽¹⁾

	<i>All figures quarterly</i>	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022
Profitability	RoAE	13.6%	16.7%	20.9%	24.2%	19.0%	39.9%	72.9%	44.0%	55.3%	53.1%
	RoAA	1.1%	1.3%	1.7%	1.6%	1.4%	2.4%	4.6%	2.9%	3.9%	3.5%
	Cost / Income	43.2%	44.9%	37.4%	31.7%	37.8%	30.0%	19.5%	17.9%	27.8%	23.3%
	NIM after swap expense	2.8%	2.9%	3.4%	5.0%	3.6%	5.2%	8.7%	9.0%	10.3%	8.6%
Liquidity	Loans / Deposits ⁽²⁾	99.1%	101.8%	100.2%	91.5%	91.5%	94.5%	92.9%	87.7%	88.3%	88.3%
	LCR (aop)	120.1%	137.8%	136.2%	145.5%	145.5%	181.0%	156.0%	174.2%	166.8%	166.8%
Asset quality	NPL Ratio	5.8%	5.4%	4.5%	4.2%	4.2%	3.5%	2.9%	2.8%	2.5%	2.5%
	Cost of Risk	1.5%	0.9%	1.4%	3.5%	1.9%	1.8%	3.1%	1.5%	1.0%	1.8%
Solvency	CAR	15.8%	15.9%	15.2%	15.9%	15.9%	16.0%	14.7%	15.4%	15.1%	15.1%
	Tier I Ratio	13.1%	13.1%	12.5%	12.8%	12.8%	12.8%	11.7%	12.4%	12.3%	12.3%
	Liability/Equity	12.8x	12.6x	12.6x	16.8x	16.8x	16.2x	15.9x	14.5x	13.6x	13.6x

BRSA Bank-Only Summary Financials⁽¹⁾

Income Statement

TL, mn	Q3'22	Q4'22	ΔQoQ	2021	2022	ΔYoY
Net Interest Income (After Swap Expenses)	9,400	11,845	26%	7,669	32,665	326%
Net Fees & Commissions Income	1,777	1,837	3%	3,391	6,128	81%
Trading & Other Income	1,826	2,133	17%	2,174	7,006	222%
Total Operating Income	13,003	15,815	22%	13,234	45,799	246%
Operating Expenses	(2,322)	(4,399)	89%	(5,003)	(10,666)	113%
Net Operating Income	10,681	11,416	7%	8,231	35,133	327%
Provisions	(1,352)	(952)	-30%	(3,241)	(5,450)	68%
Free Provisions	(3,200)	(2,200)	-31%	-	(5,400)	n.m.
Profit Before Tax	6,128	8,264	35%	4,990	24,283	387%
Tax Expenses	(2,273)	(2,511)	10%	(1,062)	(7,059)	565%
Profit After Tax	3,856	5,753	49%	3,928	17,224	338%

Balance Sheet

TL, mn	Q4'21	Q3'22	Q4'22	ΔQoQ	ΔYoY
Cash & Banks ⁽²⁾	85,564	115,081	113,652	-1%	33%
Securities	49,960	93,793	103,354	10%	107%
Net Loans	200,832	304,862	344,957	13%	72%
Fixed Asset and Investments ⁽³⁾	6,689	8,308	9,710	17%	45%
Other Assets	28,324	33,100	30,082	-9%	6%
Total Assets	371,369	555,144	601,755	8%	62%
Deposits	226,923	350,447	394,284	13%	74%
Customer	213,946	340,754	384,058	13%	80%
Bank	12,977	9,693	10,226	5%	-21%
Borrowings	85,294	114,669	108,650	-5%	27%
Bonds Issued	28,389	25,861	27,940	8%	-2%
Funds Borrowed	27,032	42,453	41,653	-2%	54%
Sub-debt	11,853	17,262	17,128	-1%	45%
Repo	18,020	29,093	21,929	-25%	22%
Other	37,009	51,707	54,555	6%	47%
Equity	22,144	38,321	44,266	16%	100%
Total Liabilities & Equity	371,369	555,144	601,755	8%	62%

BRSA Consolidated Key Financial Ratios

	<i>All figures quarterly</i>	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022
Profitability	RoAE	13.6%	16.7%	20.9%	23.7%	18.9%	39.9%	72.9%	44.0%	55.3%	53.0%
	RoAA	1.1%	1.3%	1.6%	1.6%	1.4%	2.3%	4.4%	2.8%	3.8%	3.4%
	Cost / Income	43.4%	45.1%	37.8%	31.6%	38.0%	30.7%	20.2%	18.5%	28.2%	23.9%
	NIM after swap expense	3.0%	3.1%	3.5%	5.1%	3.7%	5.2%	8.7%	9.1%	10.5%	8.7%
Liquidity	Loans / Deposits ⁽¹⁾	102.6%	104.9%	103.4%	91.7%	91.7%	97.7%	95.0%	89.5%	90.4%	90.4%
	LCR (aop)	116.9%	136.0%	133.8%	144.1%	144.1%	175.1%	152.5%	165.3%	159.8%	159.8%
Asset quality	NPL Ratio	5.7%	5.4%	4.5%	4.2%	4.2%	3.5%	2.9%	2.8%	2.5%	2.5%
	Cost of Risk	1.6%	1.0%	1.4%	3.6%	1.9%	1.8%	3.0%	1.4%	1.0%	1.8%
Solvency	CAR	15.2%	15.2%	14.5%	15.2%	15.2%	15.3%	14.1%	14.8%	14.5%	14.5%
	Tier I Ratio	12.6%	12.5%	11.9%	12.2%	12.2%	12.2%	11.2%	11.9%	11.6%	11.6%
	Liability/Equity	13.1x	13.0x	13.1x	17.3x	17.3x	16.7x	16.4x	14.9x	14.0x	14.0x

BRSA Consolidated Summary Financials

Income Statement

TL, mn	Q3'22	Q4'22	ΔQoQ	2021	2022	ΔYoY
Net Interest Income (After Swap Expenses)	9,687	12,368	285%	8,150	33,836	315%
Net Fees & Commissions Income	1,927	1,973	2%	3,682	6,689	82%
Trading & Other Income	1,651	1,870	13%	2,068	6,373	208%
Total Operating Income	13,266	16,210	22%	13,900	46,898	237%
Operating Expenses	(2,459)	(4,578)	86%	(5,278)	(11,207)	112%
Net Operating Income	10,807	11,632	8%	8,622	35,690	314%
Provisions	(1,364)	(1,042)	-24%	(3,487)	(5,636)	62%
Free Provisions	(3,200)	(2,200)	-31%	-	(5,400)	n.m.
Profit Before Tax	6,243	8,390	34%	5,135	24,654	380%
Tax Expenses	(2,387)	(2,637)	10%	(1,227)	(7,428)	505%
Profit After Tax	3,856	5,753	49%	3,908	17,226	341%

Balance Sheet

TL, mn	Q4'21	Q3'22	Q4'22	ΔQoQ	ΔYoY
Cash & Banks ⁽¹⁾	86,263	115,322	114,128	-1%	32%
Securities	50,090	94,103	103,820	10%	107%
Net Loans ⁽²⁾	212,565	320,107	363,105	13%	71%
Fixed Asset and Investments	4,613	5,290	6,308	19%	37%
Other Assets	30,318	36,372	33,784	-7%	11%
Total Assets	383,849	571,193	621,144	9%	62%
Deposits	225,877	349,677	392,763	12%	74%
Customer	212,899	339,984	382,537	13%	80%
Bank	12,977	9,693	10,226	5%	-21%
Borrowings	97,098	129,479	127,441	-2%	31%
Bonds Issued	29,803	28,607	32,017	12%	7%
Funds Borrowed	37,252	53,075	55,217	4%	48%
Sub-debt	11,853	17,262	17,128	-1%	45%
Repo	18,191	30,535	23,079	-24%	27%
Other	38,722	53,707	56,664	6%	46%
Equity	22,152	38,331	44,276	16%	100%
Total Liabilities & Equity	383,849	571,193	621,144	9%	62%

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