



QNB Finansbank Q1'20 Earnings Presentation

Based on BRSA Unconsolidated Financial Statements
May 2020

Our COVID-19 responses ensure us collectively navigate this period

Our Employees

- ✓ As of beginning of March,
 - Have suspended all international travel, customer visits and face-to-face meetings, and limited domestic business travels
 - Have offered special or administrative leaves and preferential remote access for employees in the risk groups defined by Ministry of Health
- ✓ QNB Finansbank was one of the first banks to shift to remote working business model for all positions across the bank
 - 91% of employees at HQ
 - 67% of employees at Branches
 - 100% of call center operators
- ✓ Have proactively and swiftly adopted enhanced protective measures recommended by WHO and MoH for on-site employees
 - Branches have served between 12:00-17:00pm
 - Timely and adequate provision of health and sanitary materials to all locations were ensured
 - Number of customers served inside a branch at any given time were proactively limited
 - Plexiglass separators have been installed to the counters and workstations at all branches
 - Special compensations were offered for on-site colleagues
- ✓ Have tracked daily the health conditions of employees and their families; and expanded employee benefits (i.e. Insurance plan covers all COVID-related treatment)

Our Customers

- ✓ Thanks to our well-positioned balance sheet, we do continue to support our customers through this unprecedented period
- ✓ To protect health & safety of our customers, we have proactively promoted & incentivized digital channel usage when possible
 - Have increased daily commission-free withdrawal limits at ATMs and through mobile QR codes to TL 5,000
 - Have waived certain fees such as in money transfers for digital channels and increased services offered on digital channels
 - Have waived the fees for frequent cash transactions from other banks' ATMs (i.e. cash withdrawal)
 - Have increased our debit & credit cards' contactless payment limits to TL 250, so that our customers don't enter a PIN for their shopping unless necessary
- ✓ Our committed colleagues are working around the clock, to assess customers needs' and offer full scope financial services
 - Have structured loans of 313K customers and postponed loans of 336K customers amounting to TL 11.1 billion in March & April to assist them manage their cash flows
 - Have deferred principal, interest and installment payments for a minimum of three months upon request
 - Have assisted customers under the CGF schemes
 - Have decreased min payment requirement for retail credit cards to 20%

Society and Business Continuity

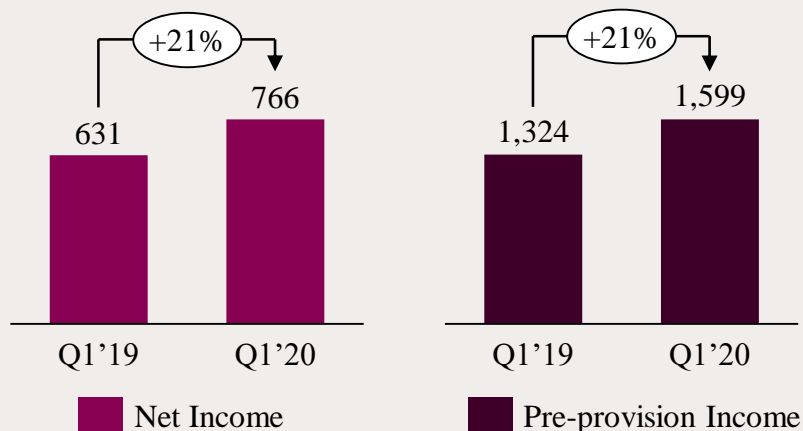
- ✓ Our dedicated investments in digitalization as well as work resiliency & business continuity plans proved to be very effective under these unprecedented conditions, enabling us to smoothly transit to the new normal, operate fully from remote locations, to stay connected with our customers and provide uninterrupted service to our society
 - Three-quarters of our 518 branches are open, as the remaining are held in stand-by as back-ups in case of need
 - In any case, vast majority of our c.2.9K ATMs (over 7.8K through ATM Sharing Program) remain accessible
- ✓ In addition to our core business activities, we help those immediately impacted through our philanthropic efforts. Our initial commitments include
 - 5 million TL donation to National Solidarity Campaign to support our society
 - 5 million TL worth of ventilators, patient tracking monitors and immediate medical materials were donated to Ministry of Health Public Hospitals
- ✓ We are working in tandem with government and regulatory bodies and support their efforts to act swiftly and proactively to mitigate the impacts of this situation

Period's Highlights

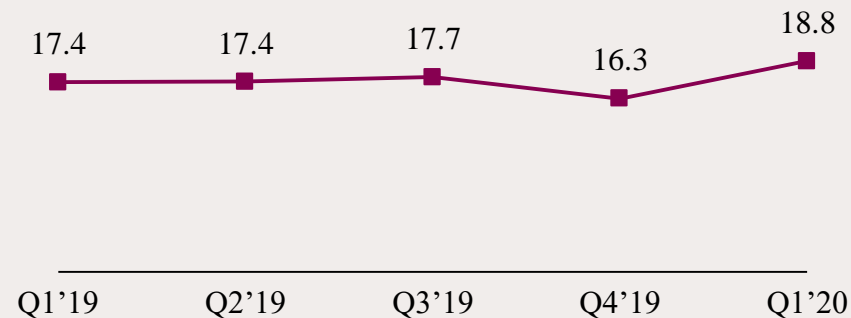
- ✓ Robust start to the year with Net Income at 766 million TL (+21% YoY, +16% QoQ) and RoAE at 18.8%
- ✓ Robust solvency ratios with CAR at 15.1% and Tier 1 at 12.5%
- ✓ Loan growth (+23% YoY, +10% QoQ) well above the sector and private banks with strong contribution from all segments
- ✓ Lower NPL inflow on the back of front-loaded NPL recognition in 2H'19 and partly benefiting from regulatory easing on NPL recognition rules
- ✓ IFRS 9 provisioning buffers further reinforced at all stages in anticipation of Covid outbreak
- ✓ Strong growth geared up in TL customer deposits (+15% YoY, +9% QoQ) with total LDR at 96.8%
- ✓ NIM (swap adj.) at 4.86% proved its resilience in volatile market conditions
- ✓ Strong focus and consistent investment in digital transformation led to increased share of transactions in non-branch channels and digitalization ratio

Robust profitability performance and comfortable capital position with strong volume growth both ahead of Private Banks and Total Sector

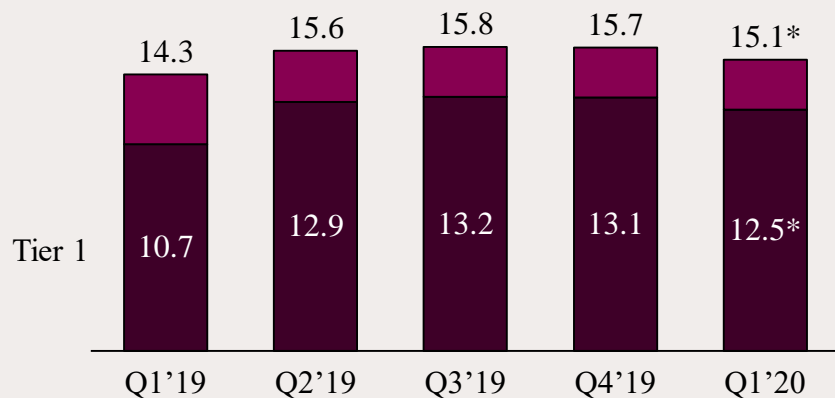
Net Income & Pre-Provision Income (TL mn.)



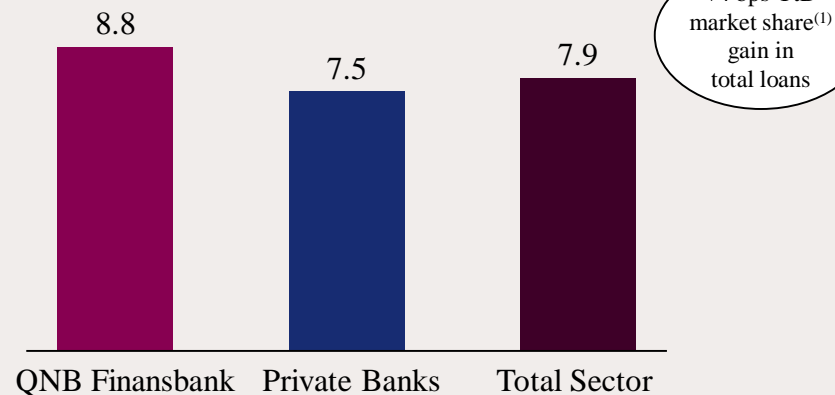
Quarterly RoAE (%)



CAR (%)



Total Loans Growth⁽¹⁾ (YtD, %)

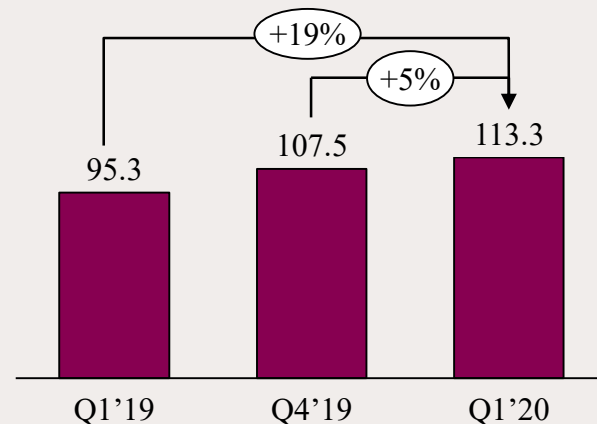


Optimized asset composition with 13% YtD growth in total despite strong base

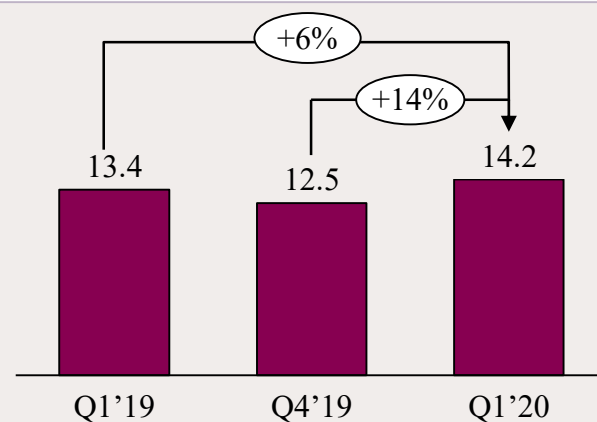
Total Assets (TL bn.)



TL Assets (TL bn.)

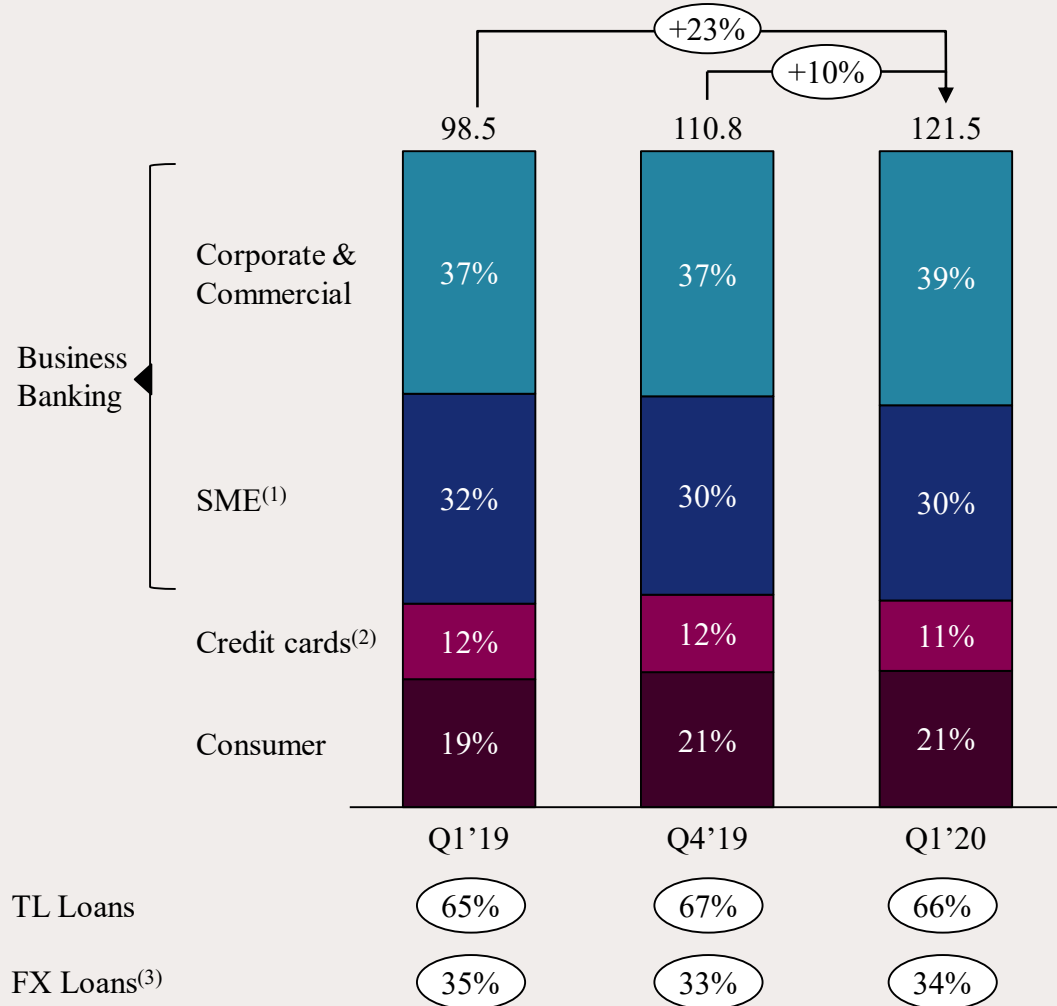


FX Assets⁽¹⁾ (USD bn.)

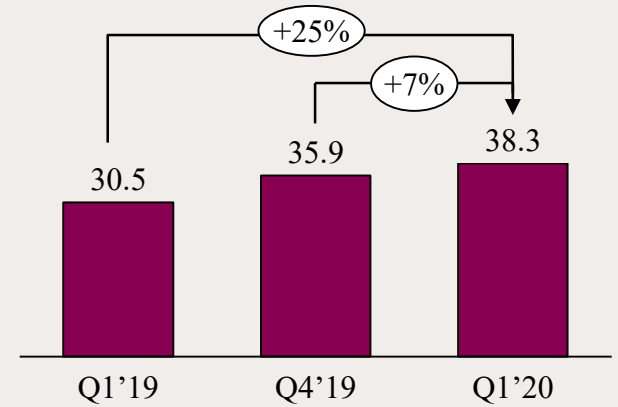


Loan growth well above the sector and private banks assisted by both retail and business loans

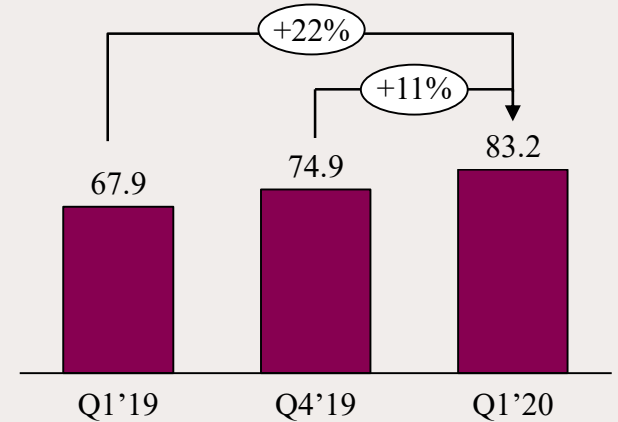
Performing Loans by Segment and Currency (TL bn.)



Retail Loans (TL bn.)

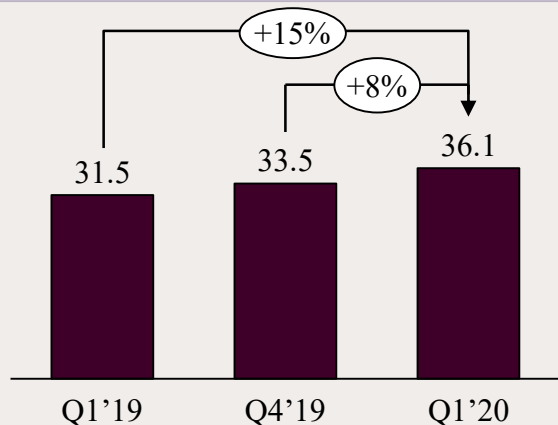


Business Loans (TL bn.)

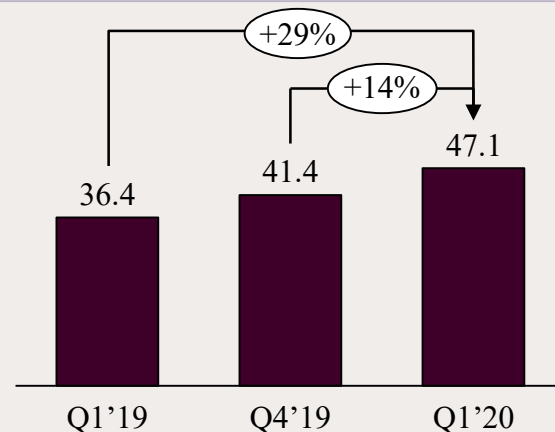


Strong loan growth across the board with contribution from all segments

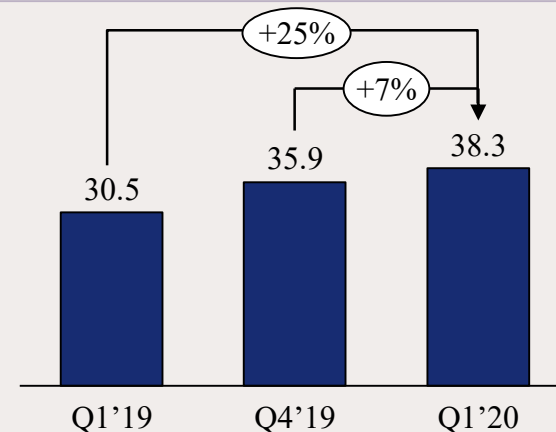
SME Loans⁽¹⁾ (TL bn.)



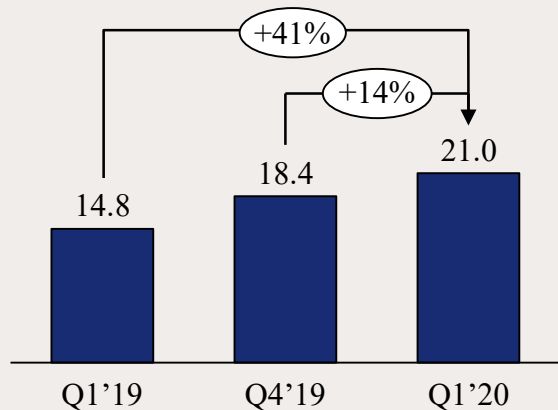
Corporate & Commercial Loans (TL bn.)



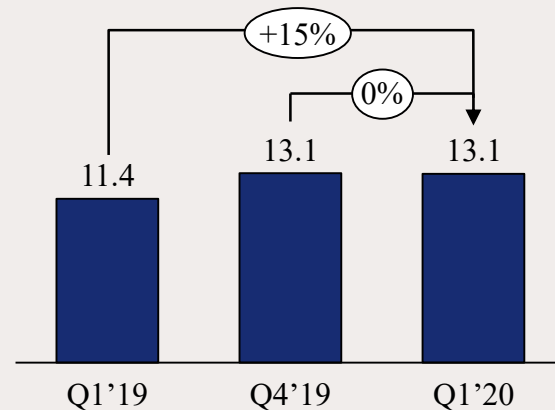
Retail Loans (TL bn.)



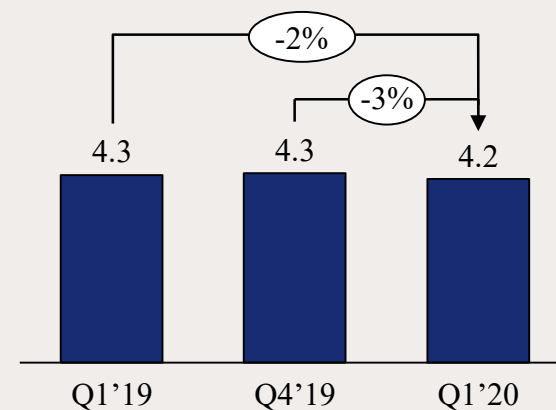
General Purpose Loans⁽²⁾ (TL bn.)



Credit Card Loans⁽³⁾ (TL bn.)



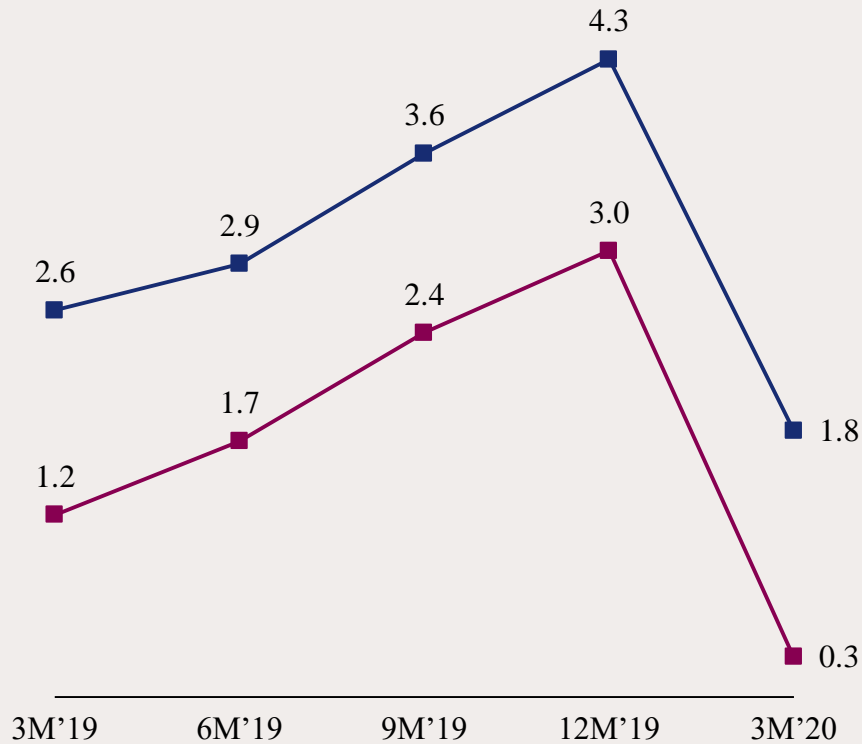
Mortgage Loans (TL bn.)



Lower NPL inflow in Q1'20 on the back of front-loaded NPL recognition in 2H'19 and partly benefiting from regulatory easing on NPL recognition rules

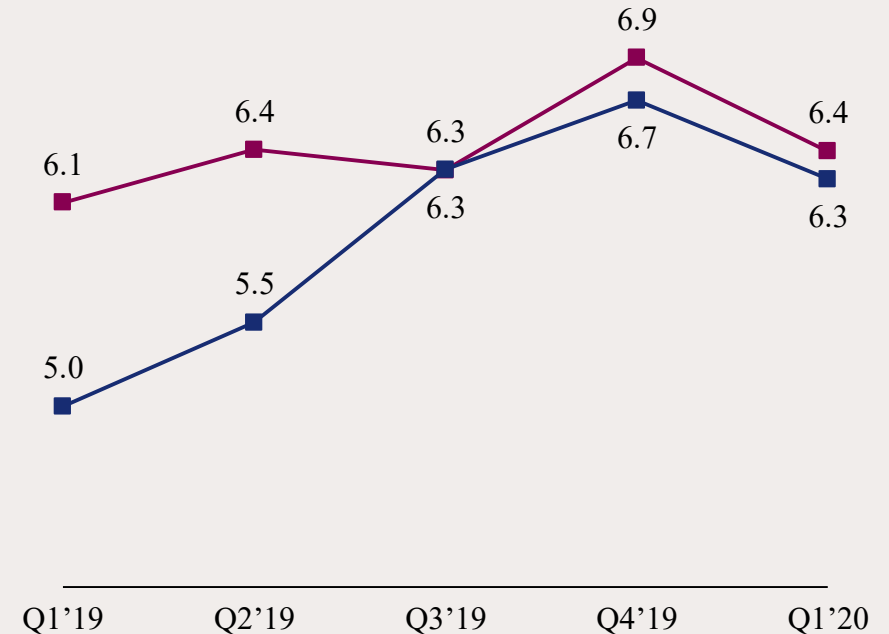
NPL Additions / Average Loans (%)

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



NPL Ratio (%)

■ QNB Finansbank ■ Private Banks

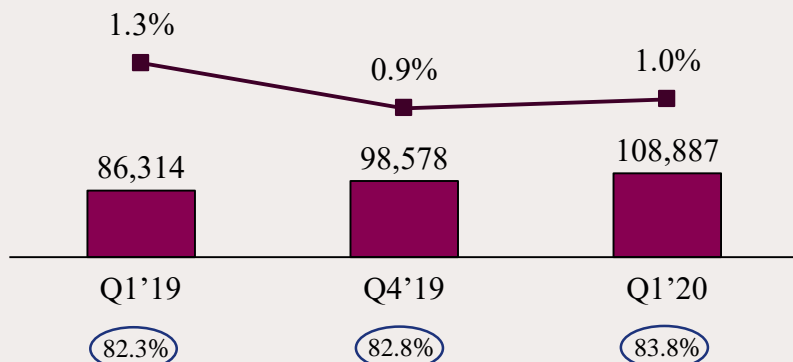


Prudent IFRS 9 staging & provisioning buffers further reinforced at all stages in anticipation of Covid outbreak

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

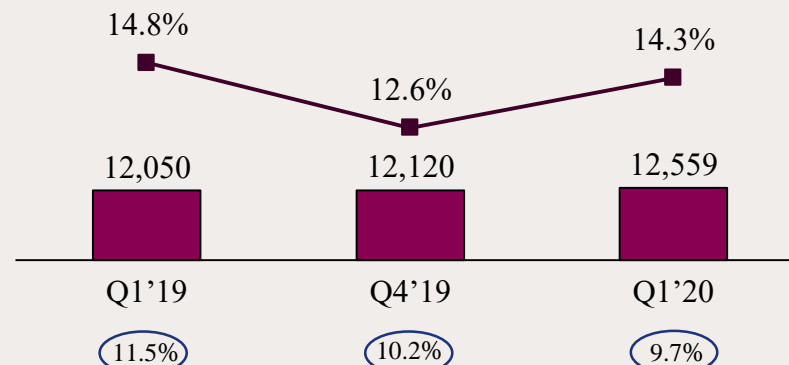
Stage 1 Loans & Coverage

■ Stage 1 coverage ratio ■ Stage 1 loans (TL, mn)



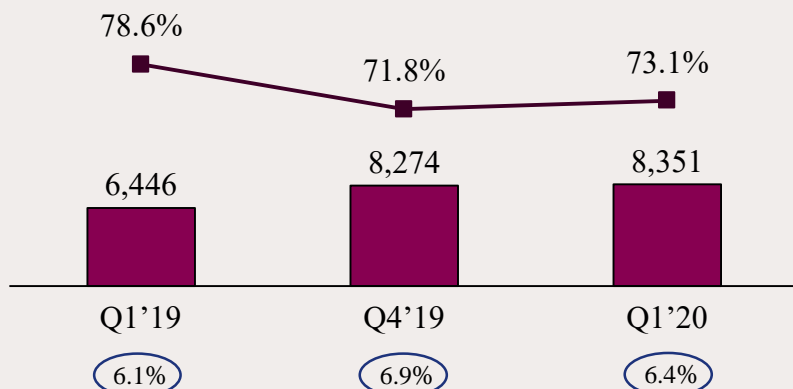
Stage 2 Loans & Coverage

■ Stage 2 coverage ratio ■ Stage 2 loans (TL, mn)



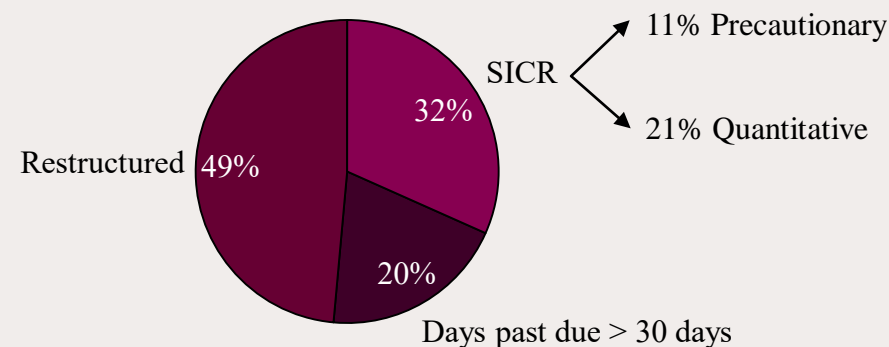
Stage 3 Loans & Coverage

■ Stage 3 coverage ratio ■ Stage 3 loans (TL, mn)



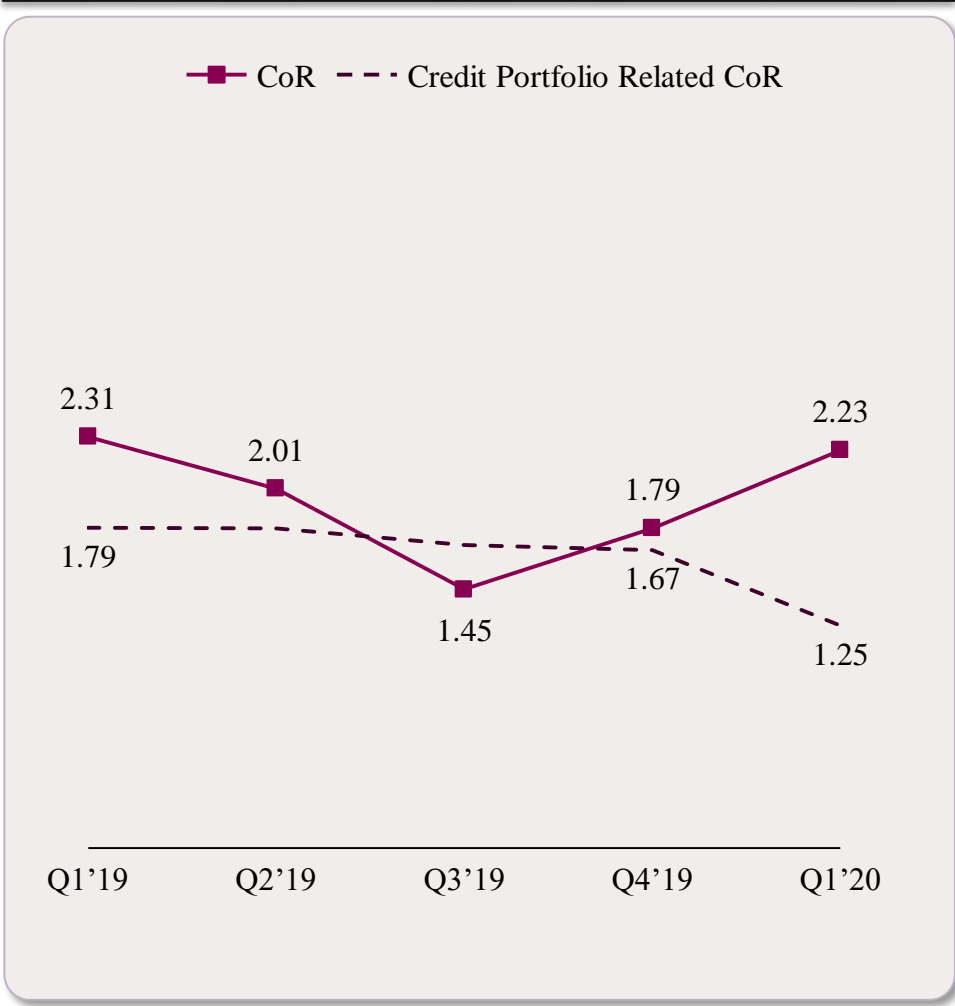
Stage 2 Composition

Loan balance = TL12.6 bn.

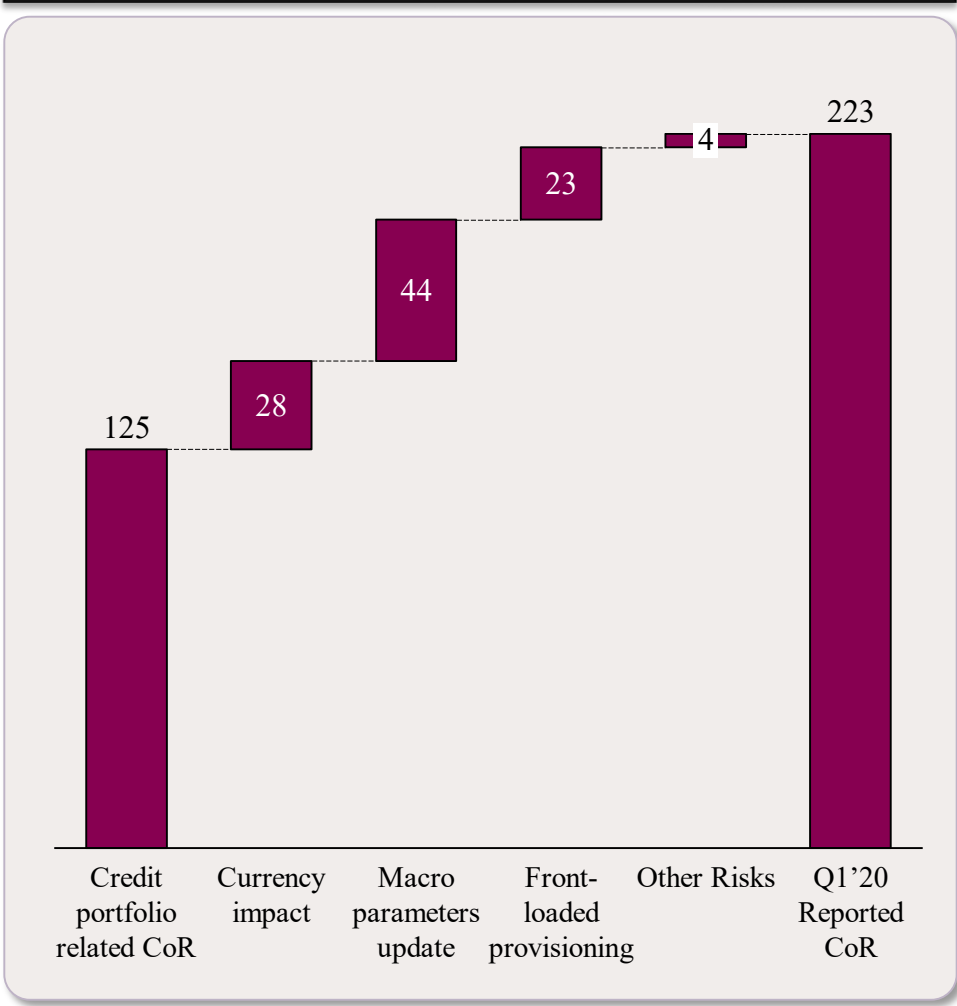


CoR realized well below private sector average on the back of prudent credit risk management

Quarterly Cost of Risk (%)

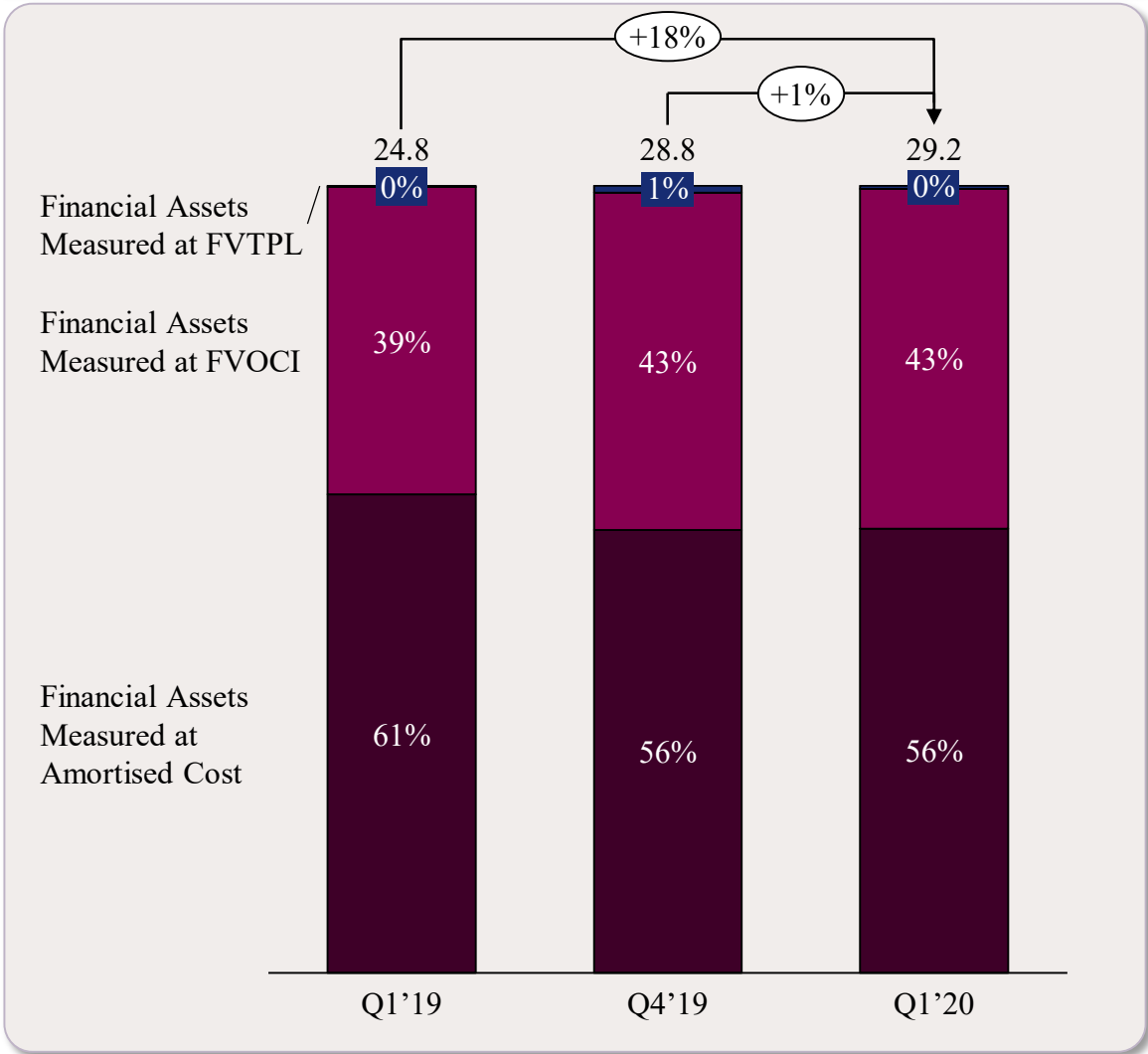


Q1'20 CoR Breakdown (bps)

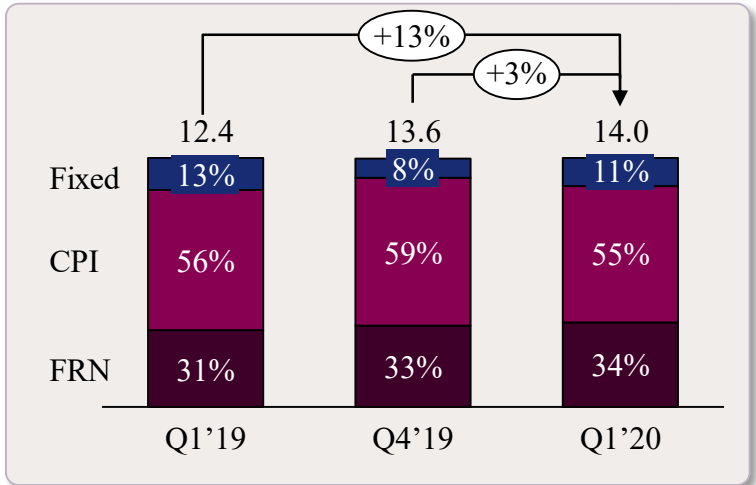


Dynamic securities management to benefit from favorable investment yields

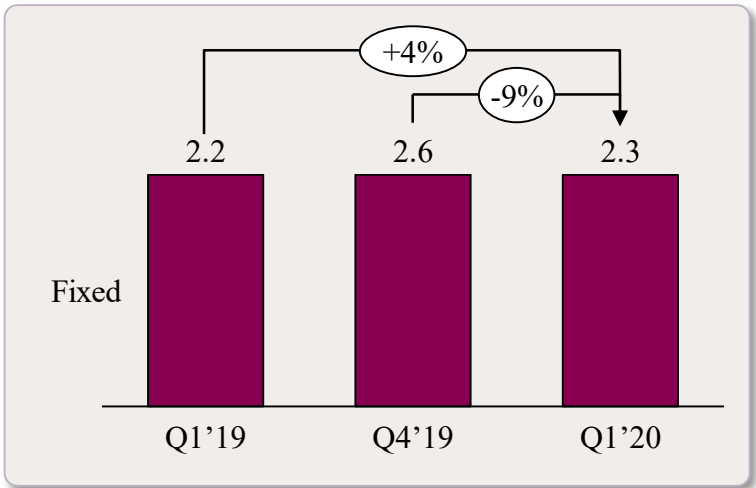
Total Securities (TL bn.)



TL Securities (TL bn.)

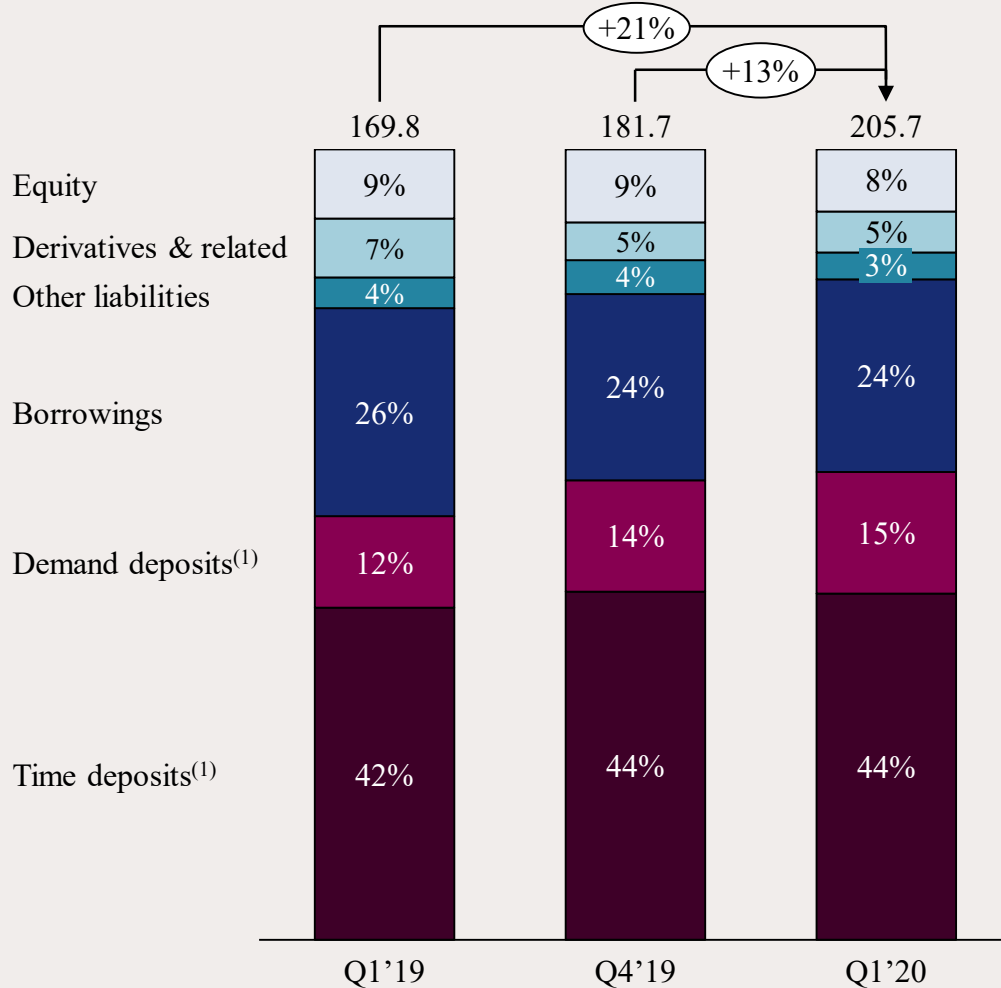


FX Securities (USD bn.)

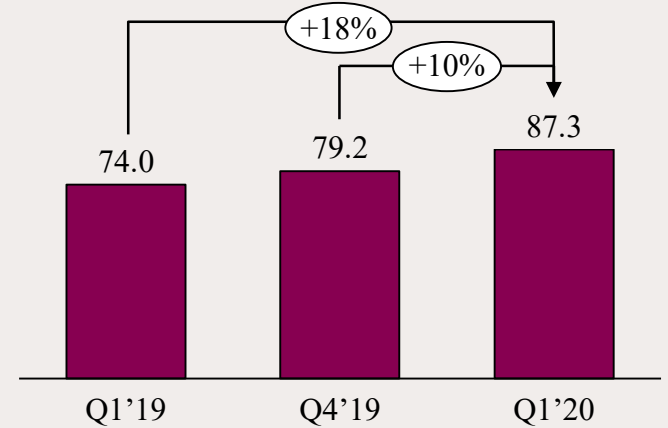


Well-diversified & disciplined funding structure underpinned by solid deposit base

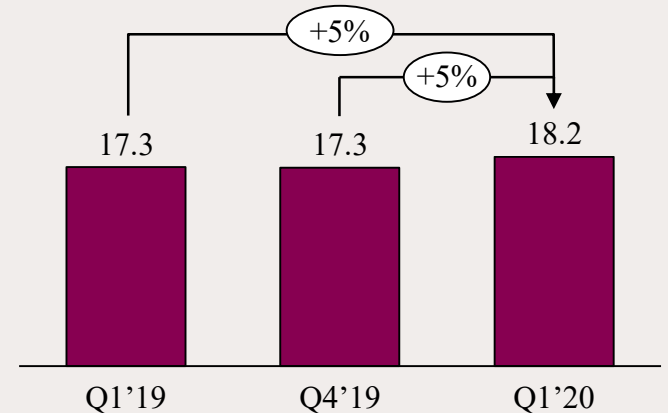
Total Liabilities (TL bn.)



TL Liabilities (TL bn.)

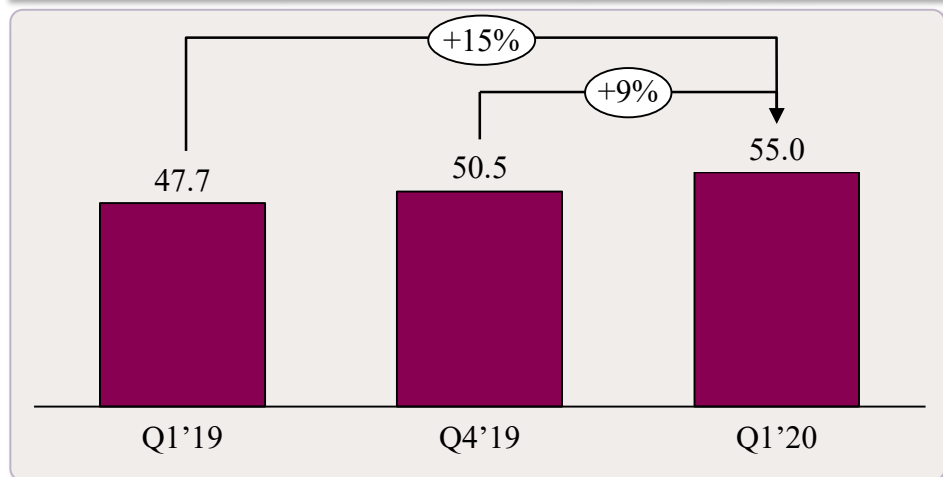


FX Liabilities (USD bn.)

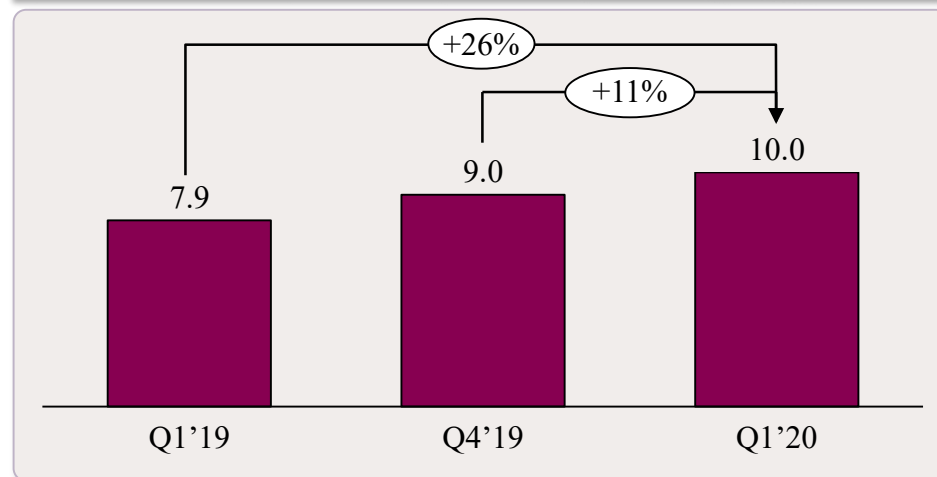


Improving L/D ratio thanks to robust deposit expansion to boost liquidity buffers in the frame of Covid outbreak

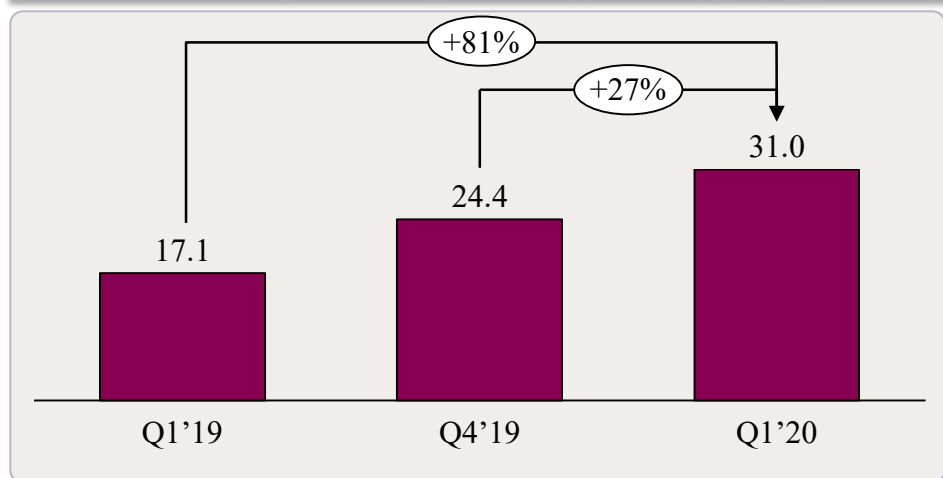
TL Customer Deposits⁽¹⁾ (TL bn.)



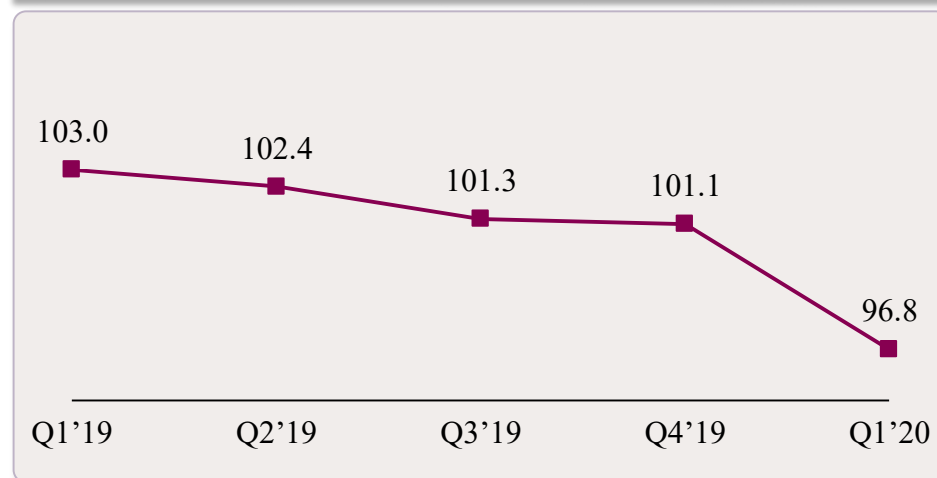
FX Customer Deposits (USD bn.)



Customer Demand Deposits (TL bn., aop)

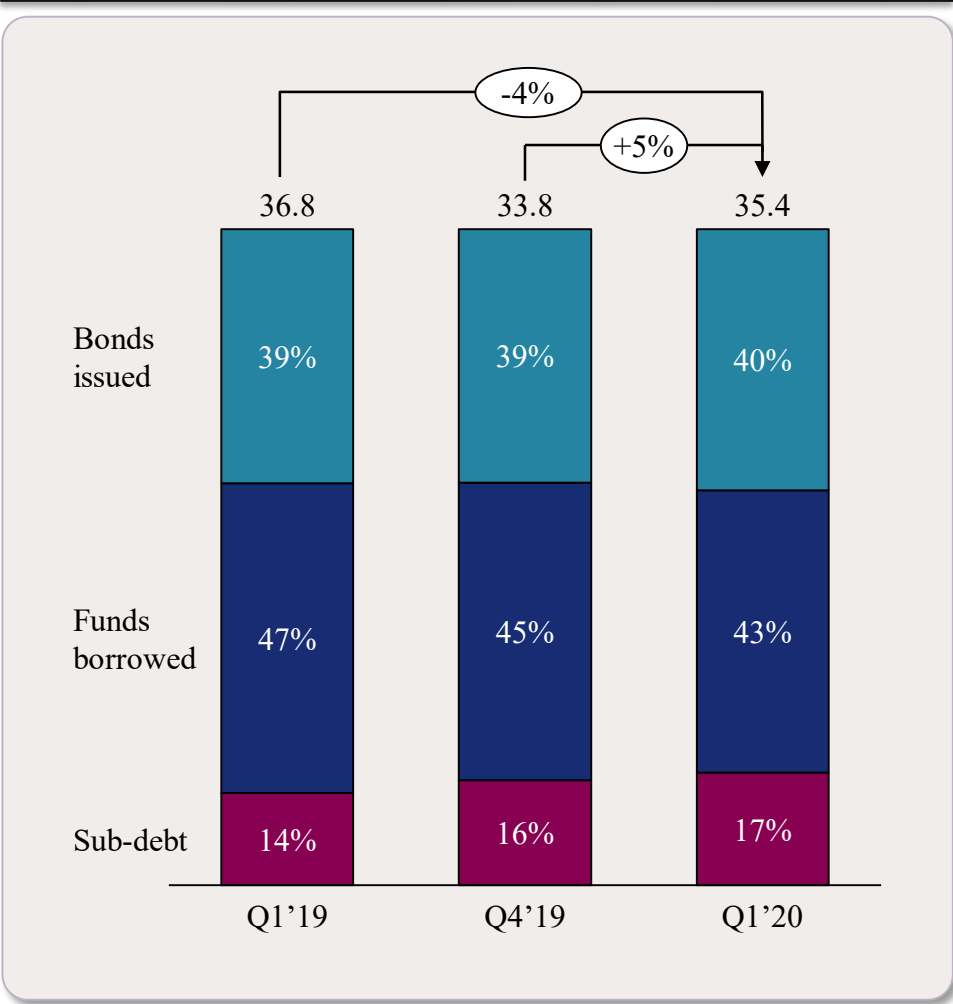


Loan-to-deposit-ratio⁽²⁾ (%)

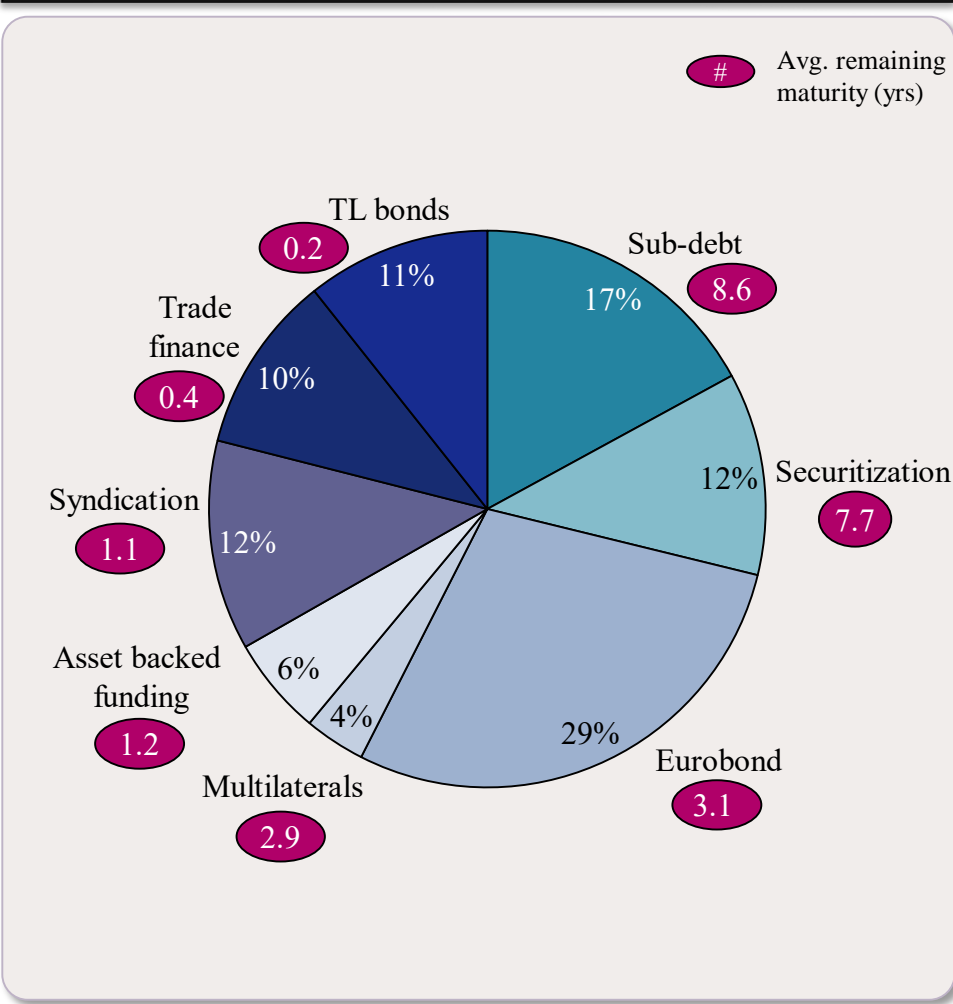


Well-diversified borrowing mix with comfortable remaining maturity profile

Wholesale Borrowings⁽¹⁾ by Type (TL bn.)



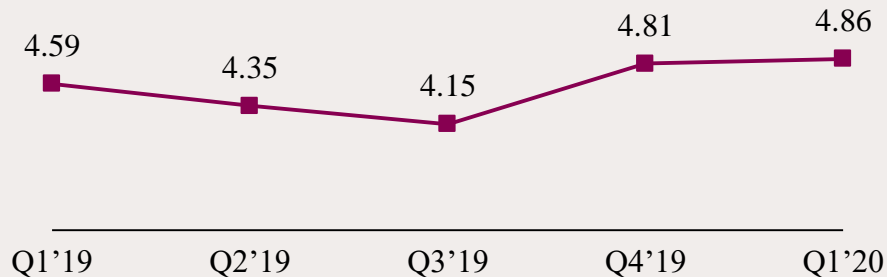
Wholesale Borrowings⁽¹⁾ Breakdown



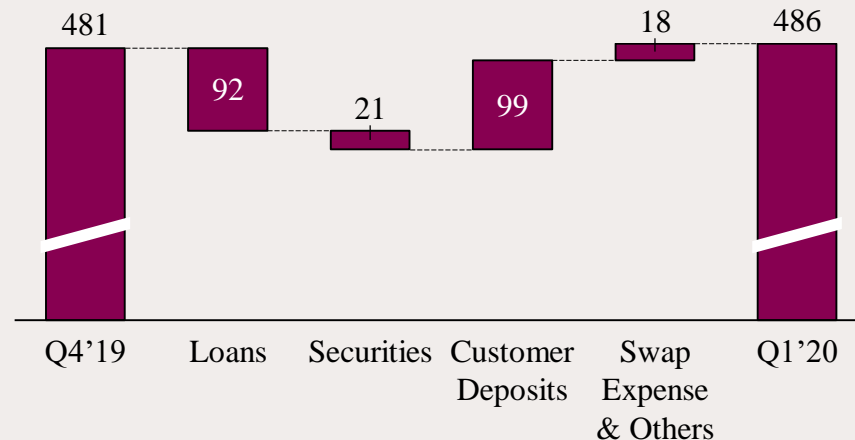
⁽¹⁾ Non-deposit funding except repo

NIM proved its resilience while easing of TL interest rates by CBRT after Q2'19 led to material reduction of loan & deposit yields

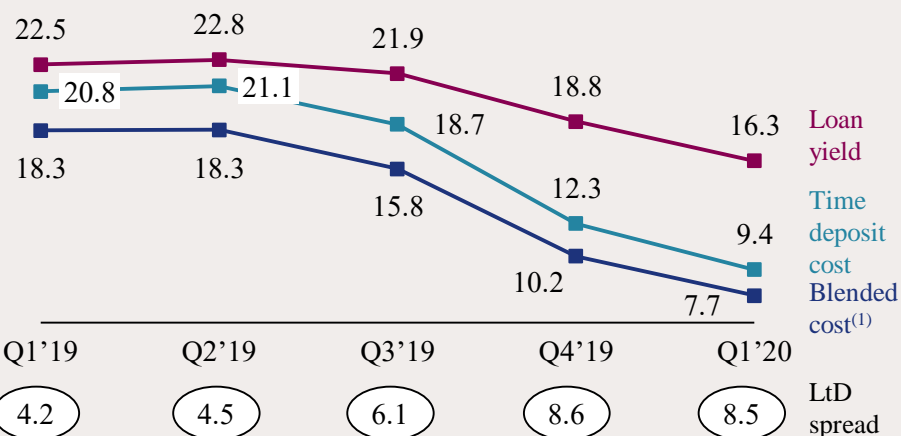
Quarterly NIM after Swap (%)



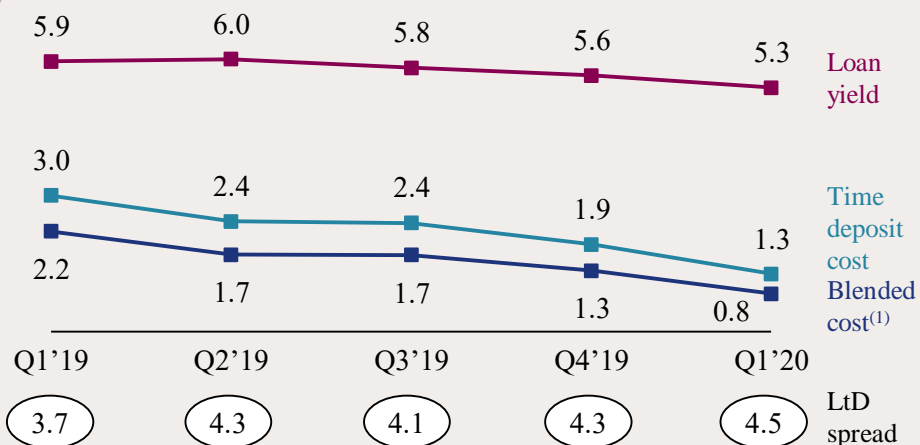
Quarterly NIM after Swap Evolution (bps)



TL Spread (% , quarterly)

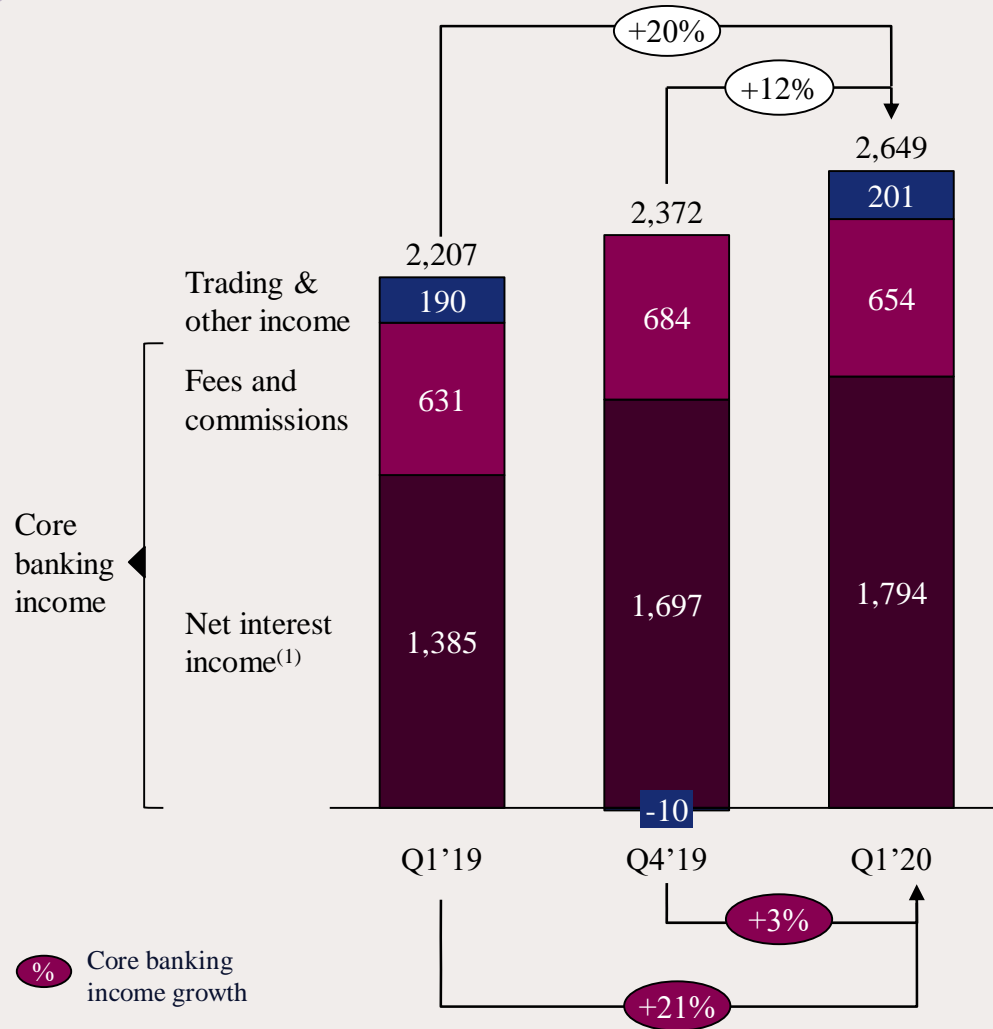


FX Spread (% , quarterly)

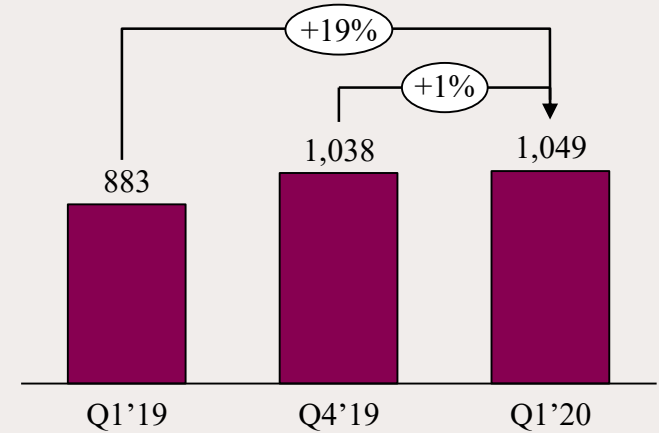


Strong core banking income generation with 21% YoY growth and diligent focus on efficiency

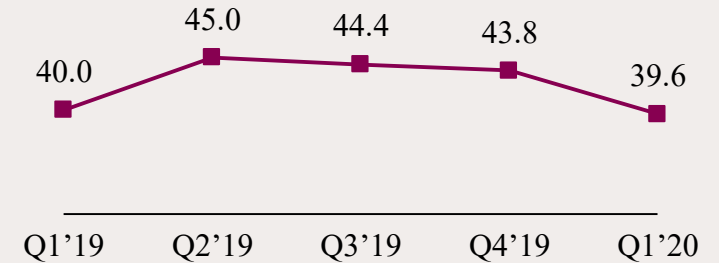
Total Operating Income (TL mn.)



OpEx (TL mn.)

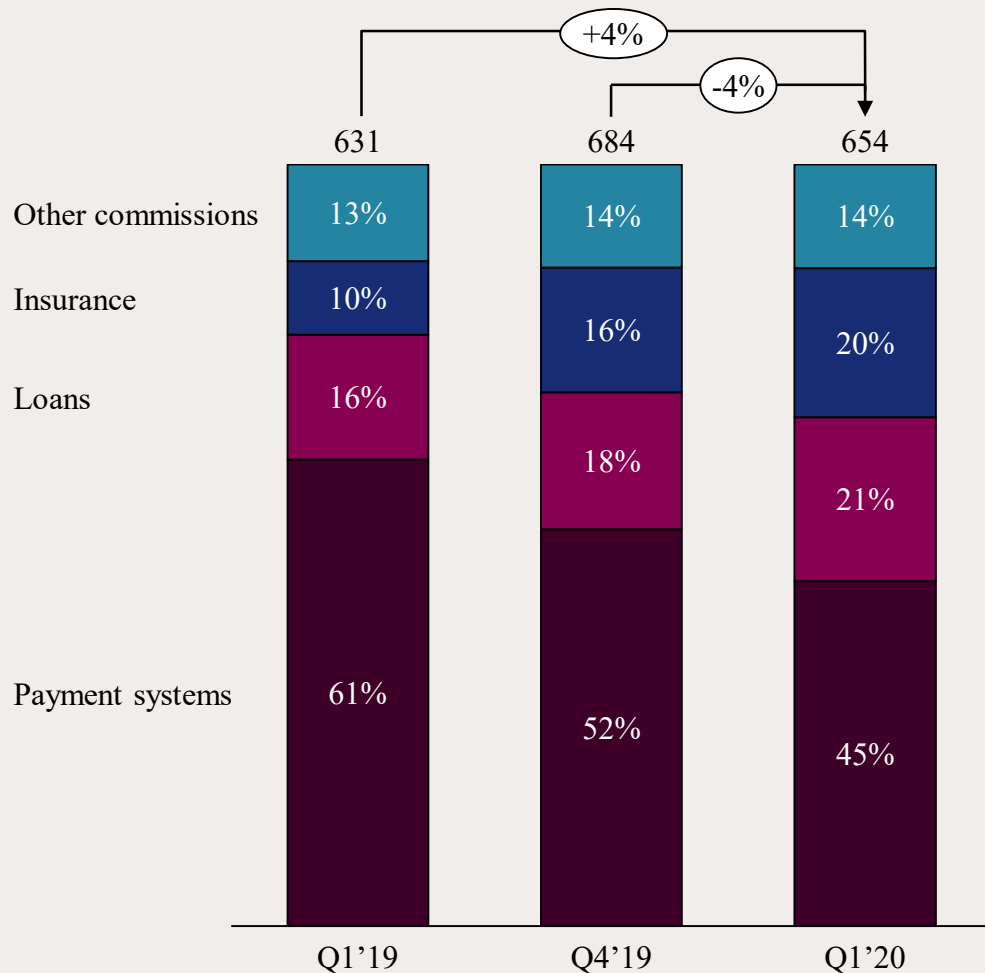


Cost / Income (%)

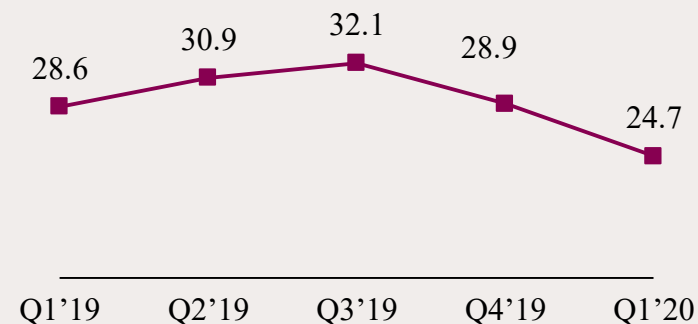


Limited YoY growth in fees due to decrease in payment systems commissions in line with decreasing interest rates

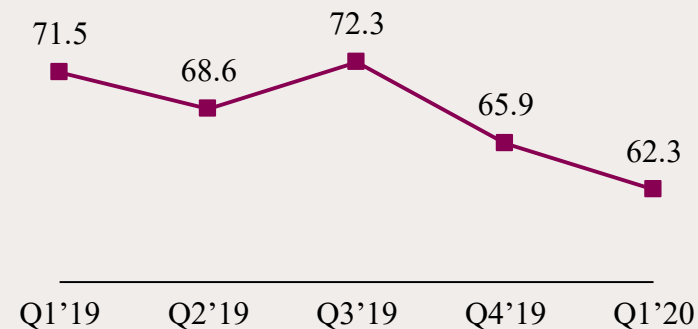
Net Fees and Commissions (TL mn.)



Fees / Total Income (%)

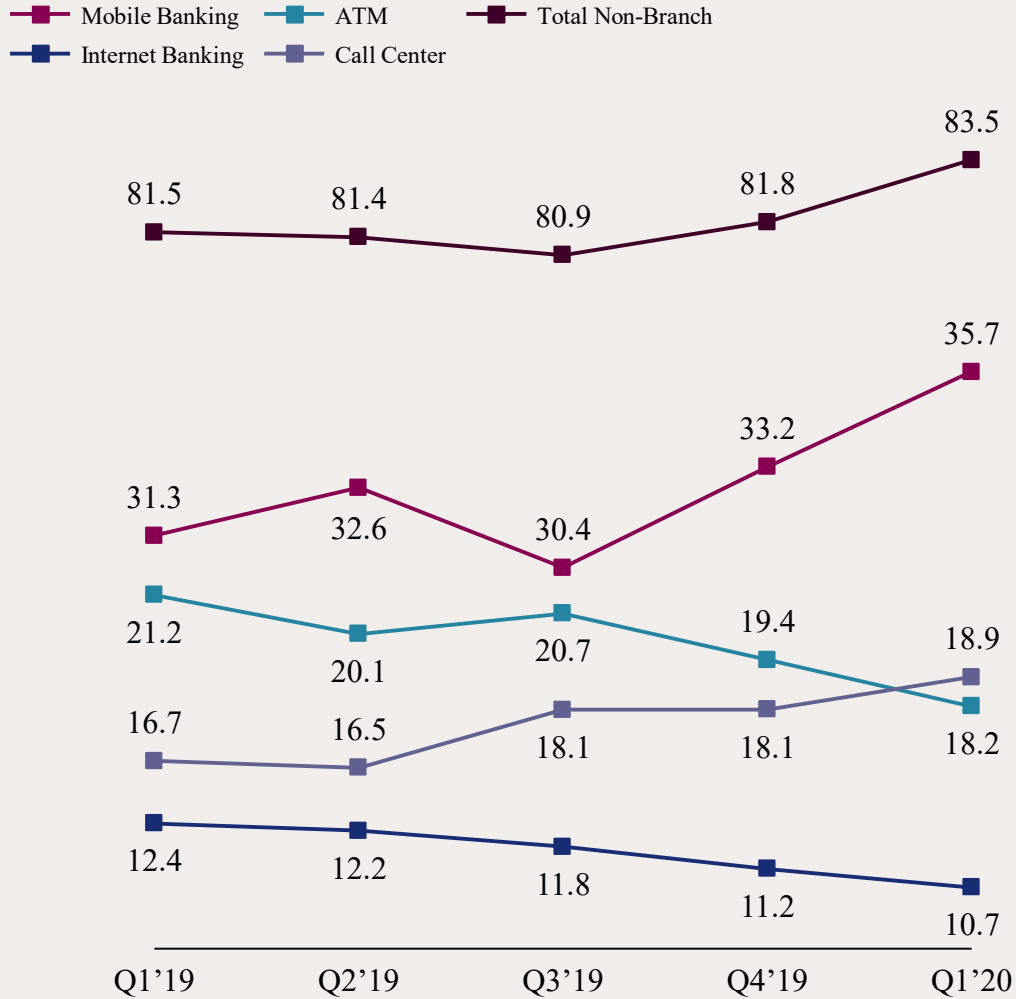


Fees / OpEx (%)

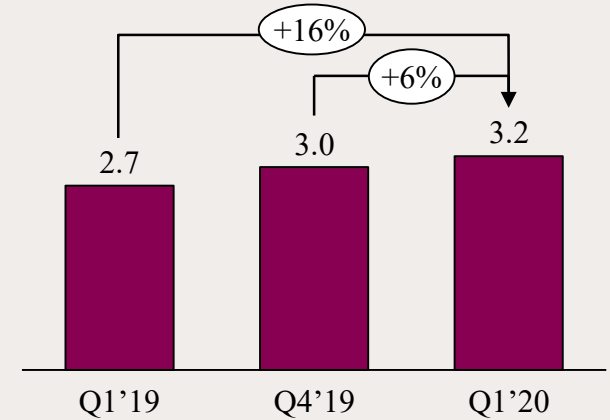


Strong focus and consistent investment in digital transformation

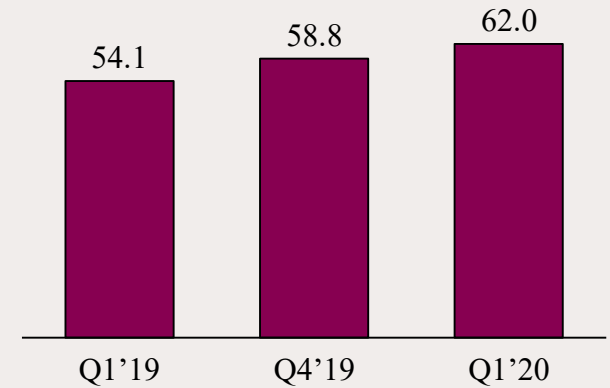
Share of Transactions Evolution in Non-Branch Channels (%)



Number of Digital Customers (mn.)



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



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 light gray inner layer, with a rounded top-right corner.

BRSA Bank-Only Key Financial Ratios

	<i>All figures quarterly</i>	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	ΔQoQ	ΔYoY
Profitability	RoAE	17.4%	17.4%	17.7%	16.3%	18.8%	+2.4pps	+1.4pps
	RoAA	1.6%	1.5%	1.6%	1.5%	1.6%	+0.1pps	+0.0pps
	Cost / Income	40.0%	45.0%	44.4%	43.8%	39.6%	-4.2pps	-0.4pps
	NIM after swap expense	4.6%	4.3%	4.2%	4.8%	4.9%	+0.1pps	+0.3pps
Liquidity	Loans / Deposits ⁽¹⁾	103.0%	102.4%	101.3%	101.1%	96.8%	-4.3pps	-6.2pps
	LCR	127.5%	127.8%	128.1%	121.5%	118.1%	-3.4pps	-9.4pps
Asset quality	NPL Ratio	6.1%	6.4%	6.3%	6.9%	6.4%	-0.5pps	+0.3pps
	Cost of Risk	2.3%	2.0%	1.5%	1.8%	2.2%	+0.4pps	-0.1pps
Solvency	CAR	14.3%	15.6%	15.8%	15.7%	15.1%	-0.6pps	+0.8pps
	Tier I Ratio	10.7%	12.9%	13.2%	13.1%	12.5%	-0.6pps	+1.8pps
	Liability/Equity	11.4x	11.4x	11.3x	10.9x	12.8x	+1.9x	+1.4x

BRSA Bank-Only Summary Financials

Income Statement

TL, mn	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	ΔQoQ	ΔYoY
Net Interest Income (After Swap Expenses)	1,385	1,390	1,390	1,697	1,794	6%	29%
Net Fees & Commissions Income	631	658	718	684	654	-4%	4%
Trading & Other Income	190	81	130	(10)	201	n.m	6%
Total Operating Income	2,207	2,130	2,238	2,372	2,649	12%	20%
Operating Expenses	(883)	(959)	(993)	(1,038)	(1,049)	1%	19%
Net Operating Income	1,324	1,171	1,245	1,334	1,599	20%	21%
Provisions	(543)	(495)	(372)	(484)	(681)	41%	26%
Profit Before Tax	781	676	873	850	918	8%	18%
Tax Expenses	(150)	(28)	(192)	(187)	(152)	-19%	1%
Profit After Tax	631	648	680	662	766	16%	21%

Balance Sheet

TL, mn	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	ΔQoQ	ΔYoY
Cash & Banks ⁽¹⁾	25,075	24,844	23,754	22,643	29,783	32%	19%
Securities	24,767	25,508	26,702	28,761	29,168	1%	18%
Net Loans	96,907	100,063	103,590	110,683	120,897	9%	25%
Fixed Asset and Investments ⁽²⁾	4,773	4,708	4,786	5,308	5,219	-2%	9%
Other Assets	18,280	16,081	15,359	14,286	20,668	45%	13%
Total Assets	169,802	171,203	174,192	181,681	205,735	13%	21%
Deposits	91,107	95,274	99,147	105,626	121,880	15%	34%
Customer	87,168	91,694	94,375	100,219	116,377	16%	34%
Bank	3,939	3,580	4,772	5,406	5,503	2%	40%
Borrowings	44,605	44,180	42,472	42,893	50,064	17%	12%
Bonds Issued	14,237	10,961	12,031	13,086	14,074	8%	-1%
Funds Borrowed	17,383	18,784	16,676	15,309	15,228	-1%	-12%
Sub-debt	5,167	5,274	5,285	5,433	6,079	12%	18%
Repo	7,818	9,162	8,480	9,065	14,683	62%	88%
Other	19,232	16,772	17,098	16,477	17,764	8%	-8%
Equity	14,858	14,977	15,475	16,685	16,028	-4%	8%
Total Liabilities & Equity	169,802	171,203	174,192	181,681	205,735	13%	21%

BRSA Consolidated Key Financial Ratios

	<i>All figures quarterly</i>	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	ΔQoQ	ΔYoY
Profitability	RoAE	17.9%	19.1%	19.3%	17.6%	18.3%	+0.7pps	+0.4pps
	RoAA	1.6%	1.6%	1.7%	1.6%	1.5%	-0.1pps	-0.1pps
	Cost / Income	40.5%	44.3%	43.5%	42.3%	40.5%	-1.9pps	+0.0pps
	NIM after swap expense	4.5%	4.4%	4.2%	4.9%	4.9%	+0.0pps	+0.4pps
Liquidity	Loans / Deposits ⁽¹⁾	106.0%	105.9%	104.5%	105.6%	100.8%	-4.7pps	-5.1pps
	LCR	125.0%	125.5%	114.5%	119.5%	116.3%	-3.2pps	-8.7pps
Asset quality	NPL Ratio	6.3%	6.5%	6.5%	7.0%	6.5%	-0.5pps	+0.1pps
	Cost of Risk	2.2%	1.9%	1.5%	1.9%	2.3%	+0.4pps	+0.1pps
Solvency	CAR	14.0%	15.3%	15.5%	15.2%	14.7%	-0.5pps	+0.7pps
	Tier I Ratio	10.5%	12.6%	12.9%	12.7%	12.2%	-0.5pps	+1.7pps
	Liability/Equity	11.6x	11.5x	11.3x	11.2x	13.1x	+1.9x	+1.5x

BRSA Consolidated Summary Financials

Income Statement

TL, mn	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	ΔQoQ	ΔYoY
Net Interest Income (After Swap Expenses)	1,419	1,466	1,450	1,786	1,875	5%	32%
Net Fees & Commissions Income	657	686	754	727	706	-3%	7%
Trading & Other Income	222	144	213	39	149	285%	-33%
Total Operating Income	2,298	2,295	2,418	2,551	2,730	7%	19%
Operating Expenses	(930)	(1,017)	(1,051)	(1,080)	(1,106)	2%	19%
Net Operating Income	1,368	1,277	1,367	1,471	1,625	10%	19%
Provisions	(544)	(505)	(400)	(544)	(696)	28%	28%
Profit Before Tax	823	772	967	927	928	0%	13%
Tax Expenses	(168)	(46)	(207)	(203)	(180)	-12%	7%
Profit After Tax	656	726	759	724	749	3%	14%

Balance Sheet

TL, mn	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	ΔQoQ	ΔYoY
Cash & Banks ⁽¹⁾	25,943	25,193	24,179	23,072	30,306	31%	17%
Securities	24,792	25,558	26,744	28,809	29,214	1%	18%
Net Loans ⁽²⁾	102,555	106,557	108,874	116,749	127,274	9%	24%
Fixed Asset and Investments	3,918	3,875	3,875	4,058	4,054	0%	3%
Other Assets	18,551	16,383	15,844	14,838	21,114	42%	14%
Total Assets	175,758	177,564	179,516	187,526	211,962	13%	21%
Deposits	90,641	95,074	99,043	105,500	121,433	15%	34%
Customer	86,701	91,495	94,271	100,094	115,930	16%	34%
Bank	3,939	3,580	4,772	5,406	5,503	2%	40%
Borrowings	50,371	49,893	47,180	48,352	56,129	16%	11%
Bonds Issued	16,834	13,473	13,293	14,352	15,241	6%	-9%
Funds Borrowed	20,268	21,857	19,916	19,419	19,797	2%	-2%
Sub-debt	5,167	5,274	5,285	5,433	6,079	12%	18%
Repo	8,103	9,288	8,686	9,149	15,013	64%	85%
Other	19,624	17,223	17,444	16,908	18,198	8%	-7%
Equity	15,122	15,375	15,849	16,765	16,202	-3%	7%
Total Liabilities & Equity	175,758	177,564	179,516	187,526	211,962	13%	21%

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