



# QNB Finansbank Q2'21 Earnings Presentation

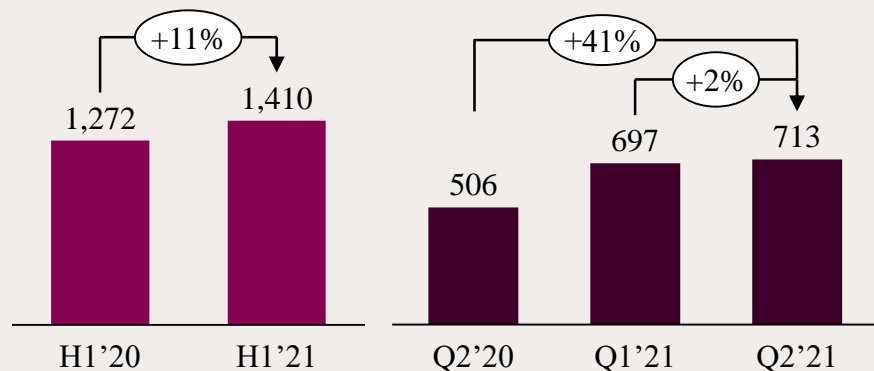
Based on BRSA Unconsolidated Financial Statements  
July 2021

## Period Highlights

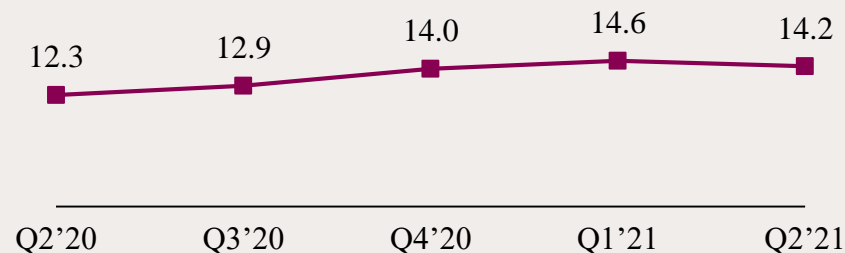
- ✓ Resilient operating performance despite the headwinds of materially high interest rates: Q2'21 net income realized at TL 713 million (41% higher than same quarter of prior year), bringing H1'21 net income to TL 1,410 mn (11% YoY)
- ✓ Accordingly, Q2'21 and H1'21 ROE realized at 14.2% and 14.3%, respectively, anticipated to be well ahead of private banks' and sector averages
- ✓ Steady loan growth during Q2'21 of 7% QoQ, bringing H1'21 growth towards 14% levels, again reflecting a growth performance well above private banks' and sector'.
- ✓ YtD deposits growth of 20% outpaced the sector and private banks' by a wide margin, resulting from the execution of the diversification strategy of funding base with client sources. Deposits stood as the major source of funding, accounting for 59% of the balance sheet.
- ✓ NPL ratio continued to improve on the back of strong collection performance as well as very low level of NPL inflow while provisioning stance remained very conservative reflected on high coverages more than covering risks.
- ✓ Effective cost management contained YtD OPEX growth at 10% YoY, despite materially high average inflation and substantial TL depreciation
- ✓ Robust solvency ratios retained with CAR at 15.9% and Tier 1 at 13.1%
- ✓ Strong focus and consistent investment in digital transformation not only facilitated quick adaptation of digital channels with the outbreak of COVID-19, but also enabled steady retention performance for digital channels after easing of the containment measures

# Resilient operating performance retained despite headwinds of high interest rates, while capital position remained solid despite negative exchange rate effects

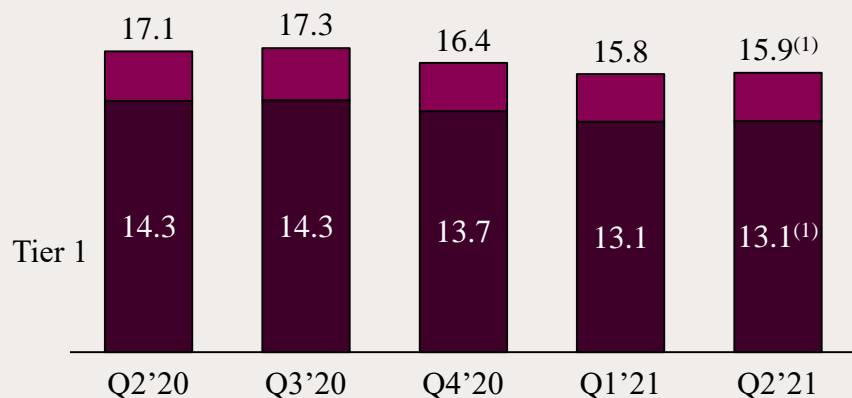
Net Income (TL mn.)



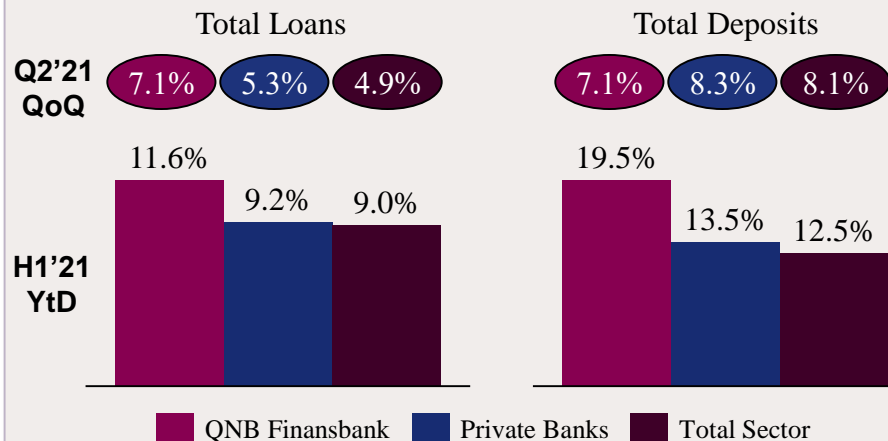
Quarterly RoAE (%)



CAR (%)

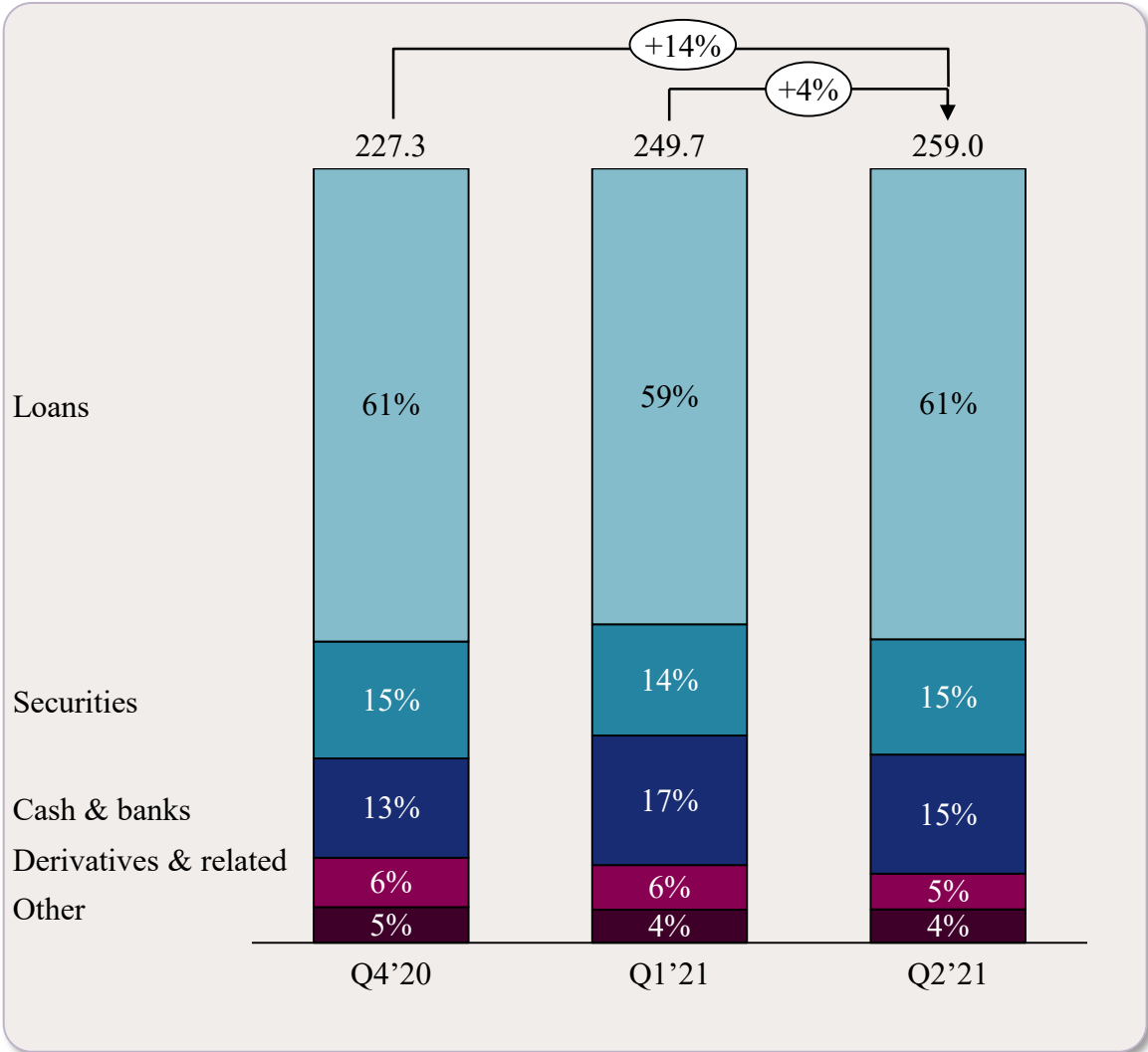


Total Loans & Deposits Growth<sup>(2)</sup> (%)

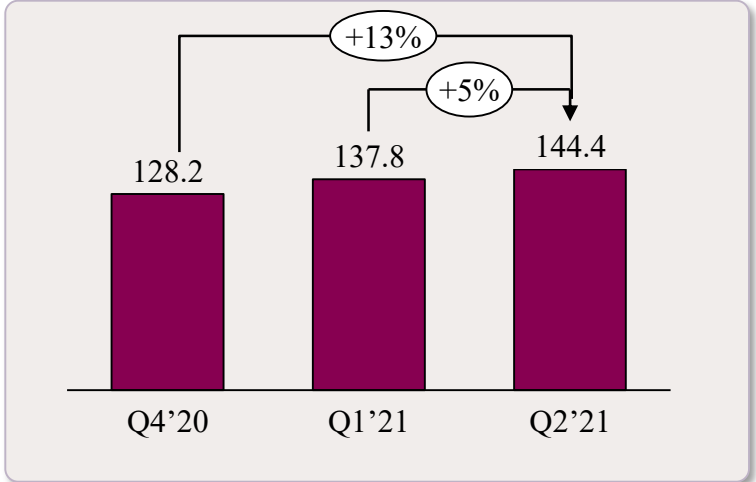


# Well-balanced asset base grew by 14% YtD reaching TL259 bn, as loans constitute 61% of assets reflecting Bank's commitment to fund the economy

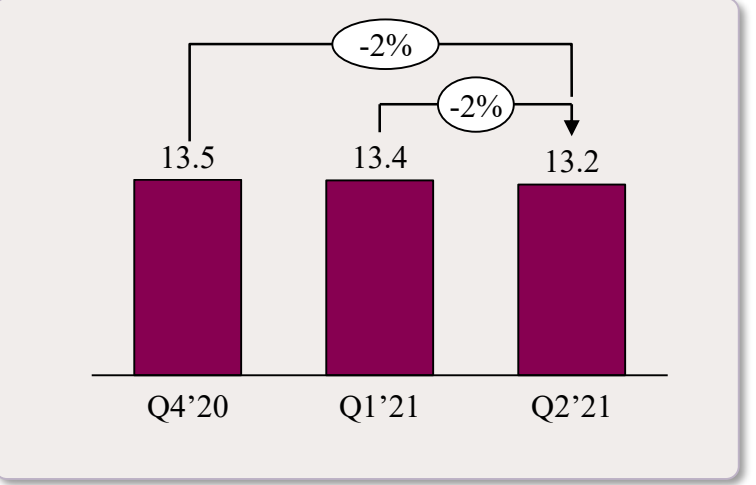
Total Assets (TL bn)



TL Assets (TL bn)



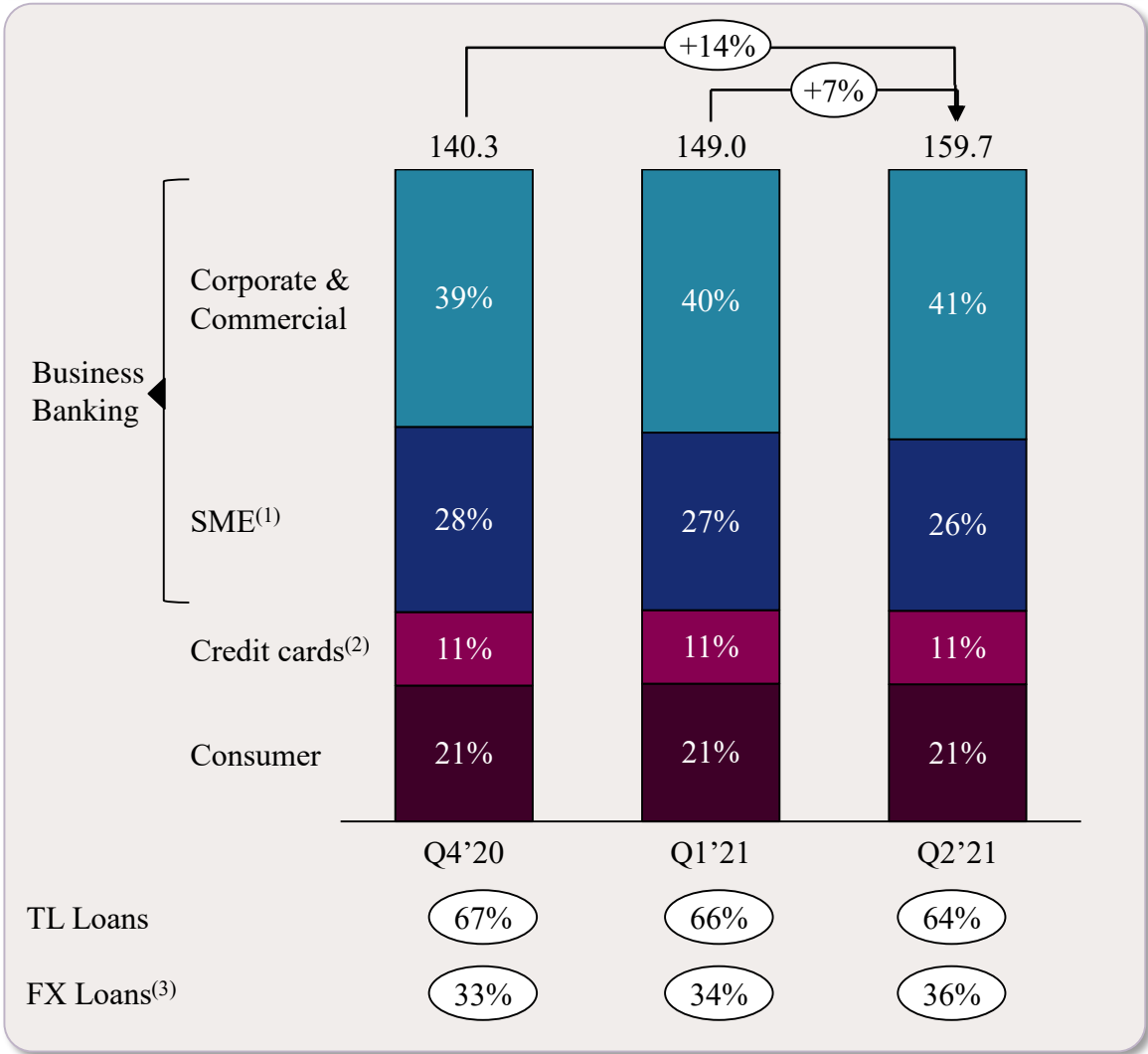
FX Assets<sup>(1)</sup> (USD bn)



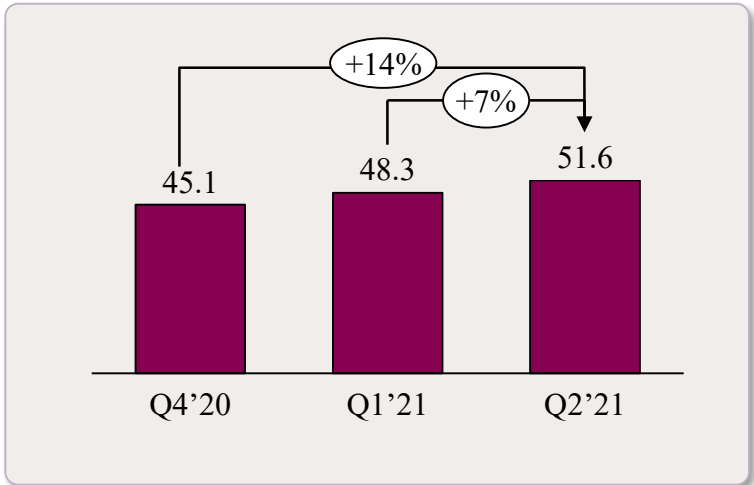
<sup>(1)</sup> FX-indexed TL loans are shown in FX assets

# Loan growth of 7% QoQ outpaced private banks for the fourth quarter in a row, equally supported by both Retail and Business segments

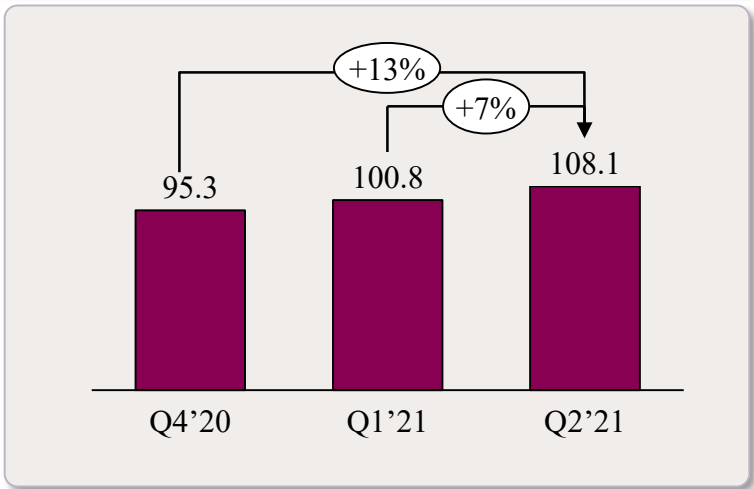
Performing Loans by Segment and Currency (TL bn)



Retail Loans (TL bn)



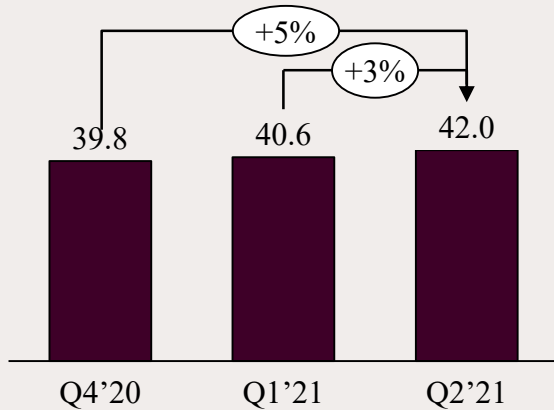
Business Loans (TL bn)



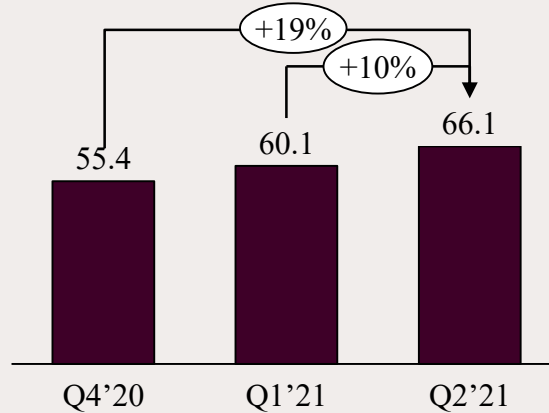
(1) Based on BRSA segment definition  
(2) Excluding commercial credit cards  
(3) FX-indexed TL loans are shown in FX loans

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

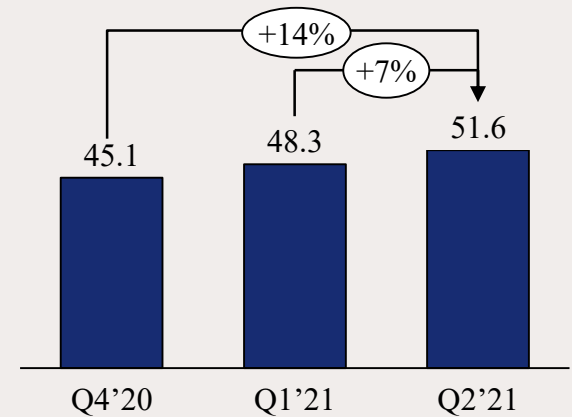
**SME Loans<sup>(1)</sup> (TL bn)**



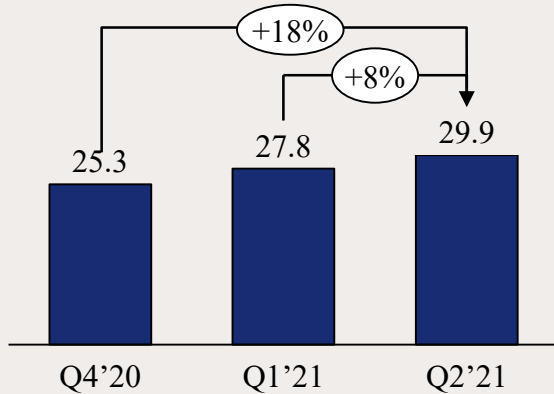
**Corporate & Commercial Loans (TL bn)**



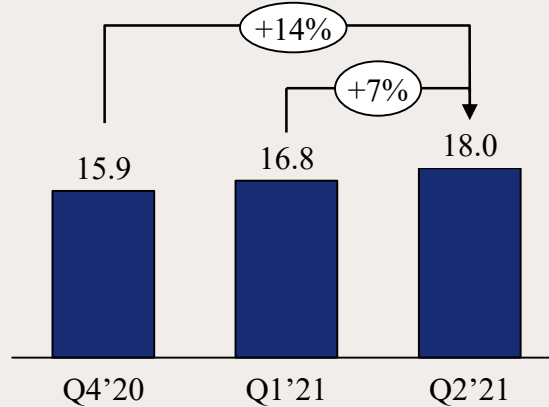
**Retail Loans (TL bn)**



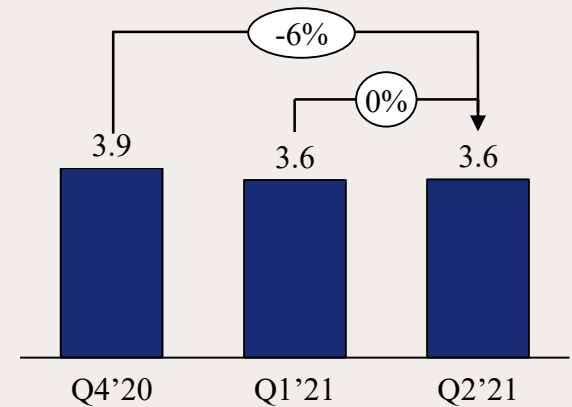
**General Purpose Loans<sup>(2)</sup> (TL bn)**



**Credit Card Loans<sup>(3)</sup> (TL bn)**



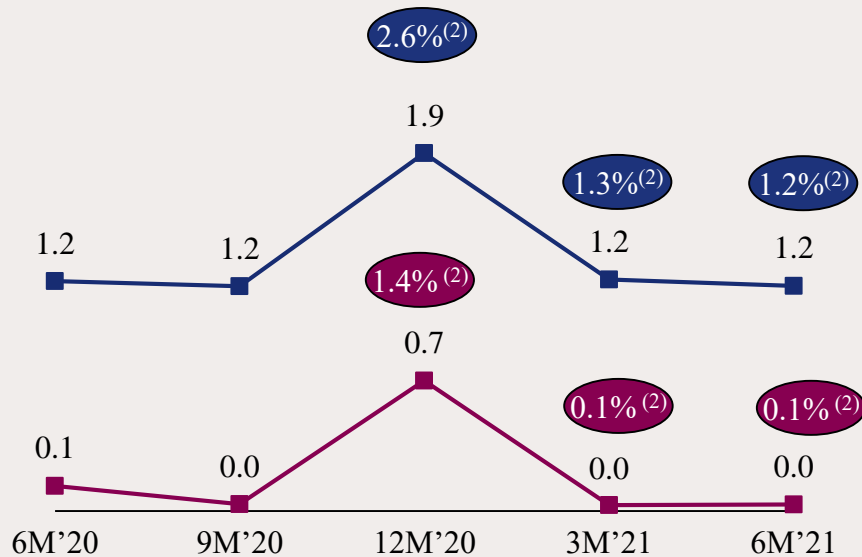
**Mortgage Loans (TL bn)**



# NPL inflows remained very low thanks to strong collection performance as well as very low level of NPL inflow, yielding continued improvement of NPL ratio

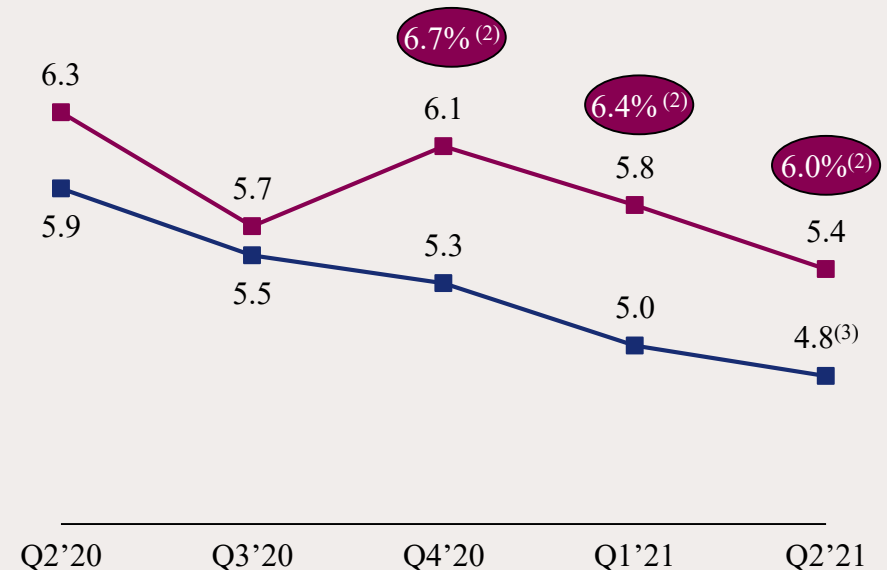
NPL Additions / Average Loans (%)

■ NPL Additions/Average Loans ■ Net NPL Generation<sup>(1)/ Average Loans</sup>



NPL Ratio (%)

■ QNB Finansbank ■ Private Banks

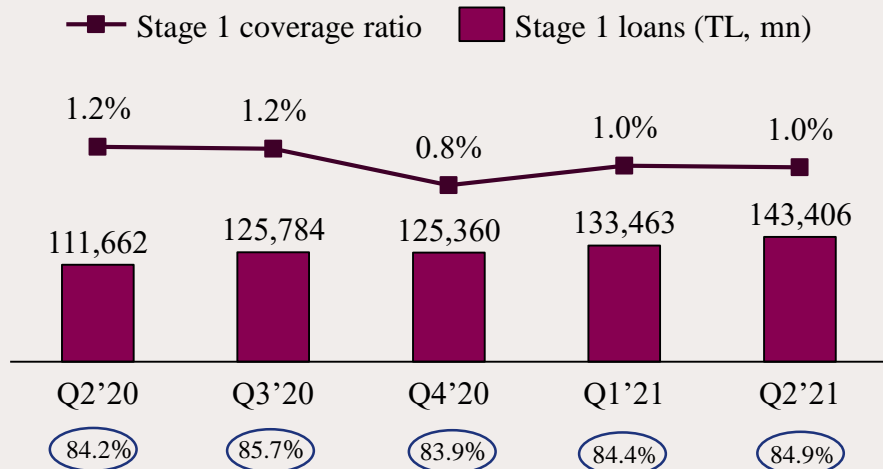




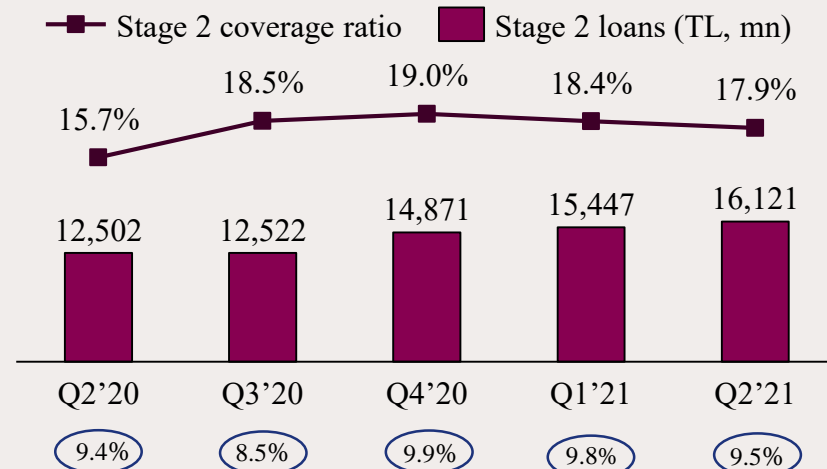
# Prudent provisioning stance & relatively high coverages maintained for all stage groups

○ as a % of gross loans<sup>(1)</sup>  
for the relevant period

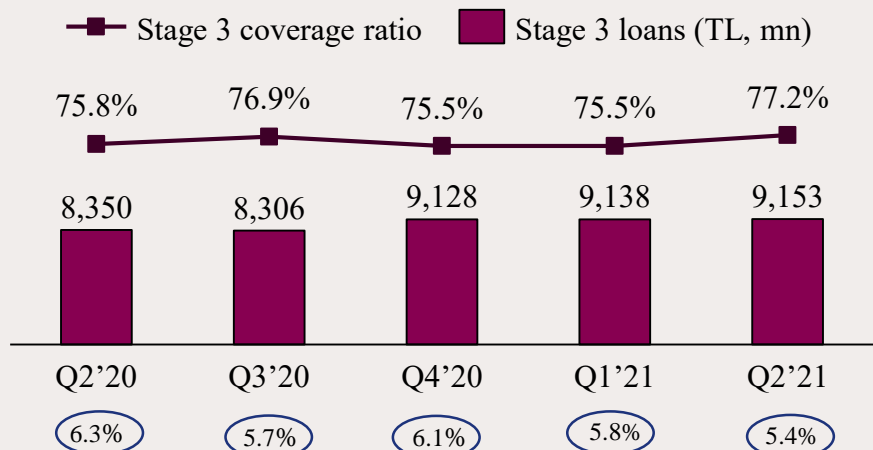
## Stage 1 Loans & Coverage



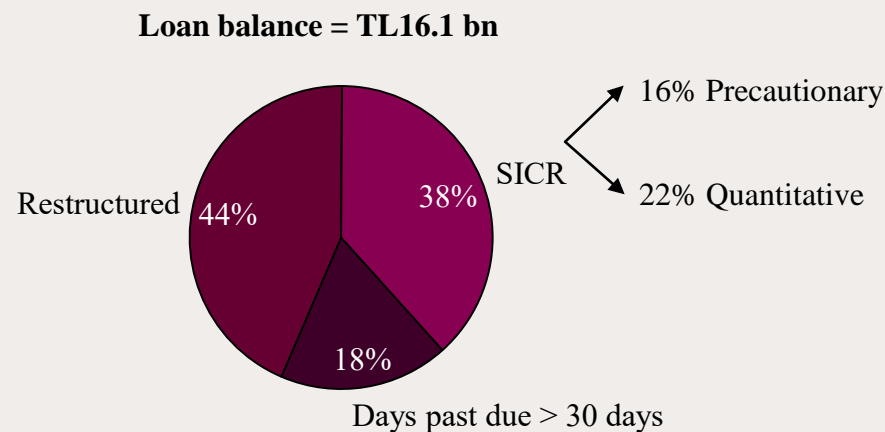
## Stage 2 Loans & Coverage



## Stage 3 Loans & Coverage



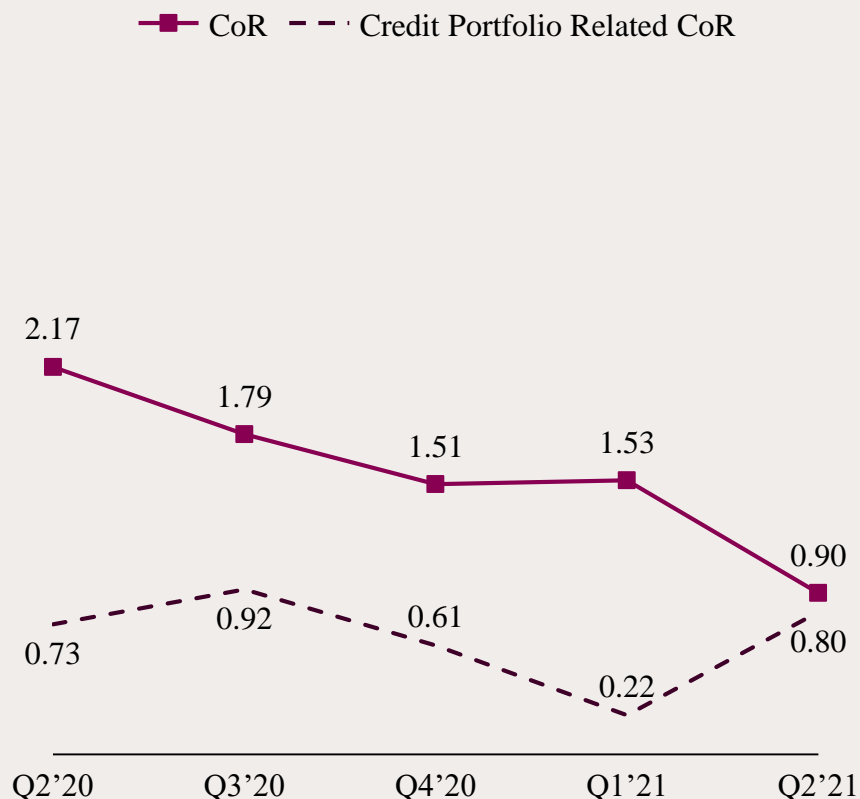
## Stage 2 Composition



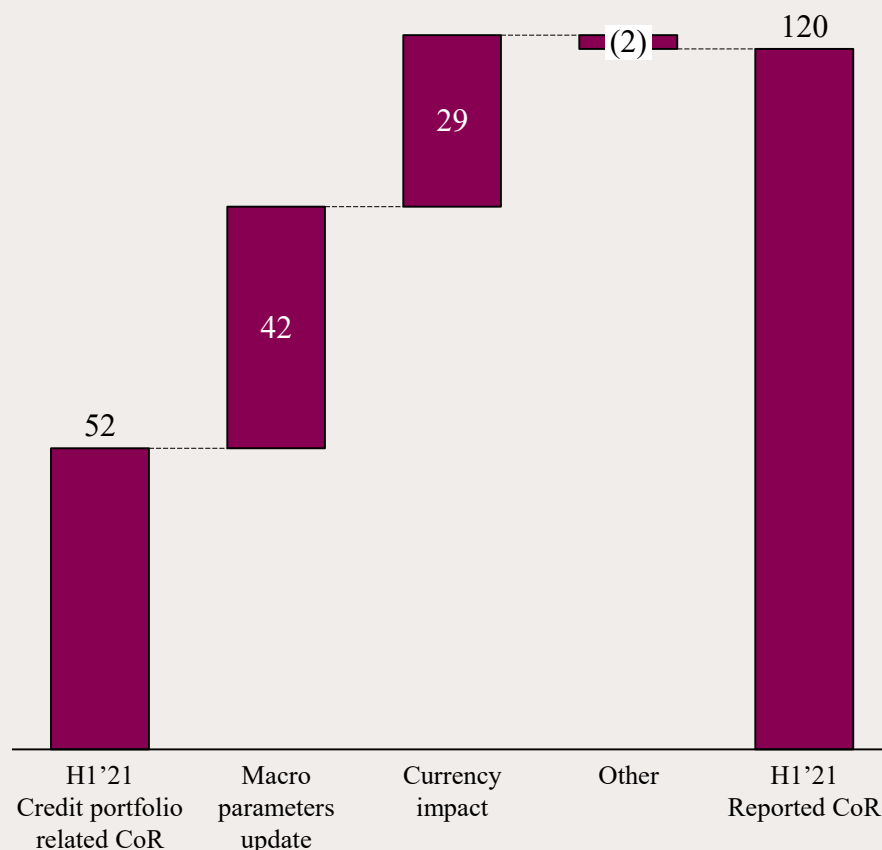


# Low credit portfolio related CoR maintained with robust collection performance and low NPL inflow, while conservative provisioning stance was upheld at Q1 macro scenario revisit

Quarterly Cost of Risk (%)

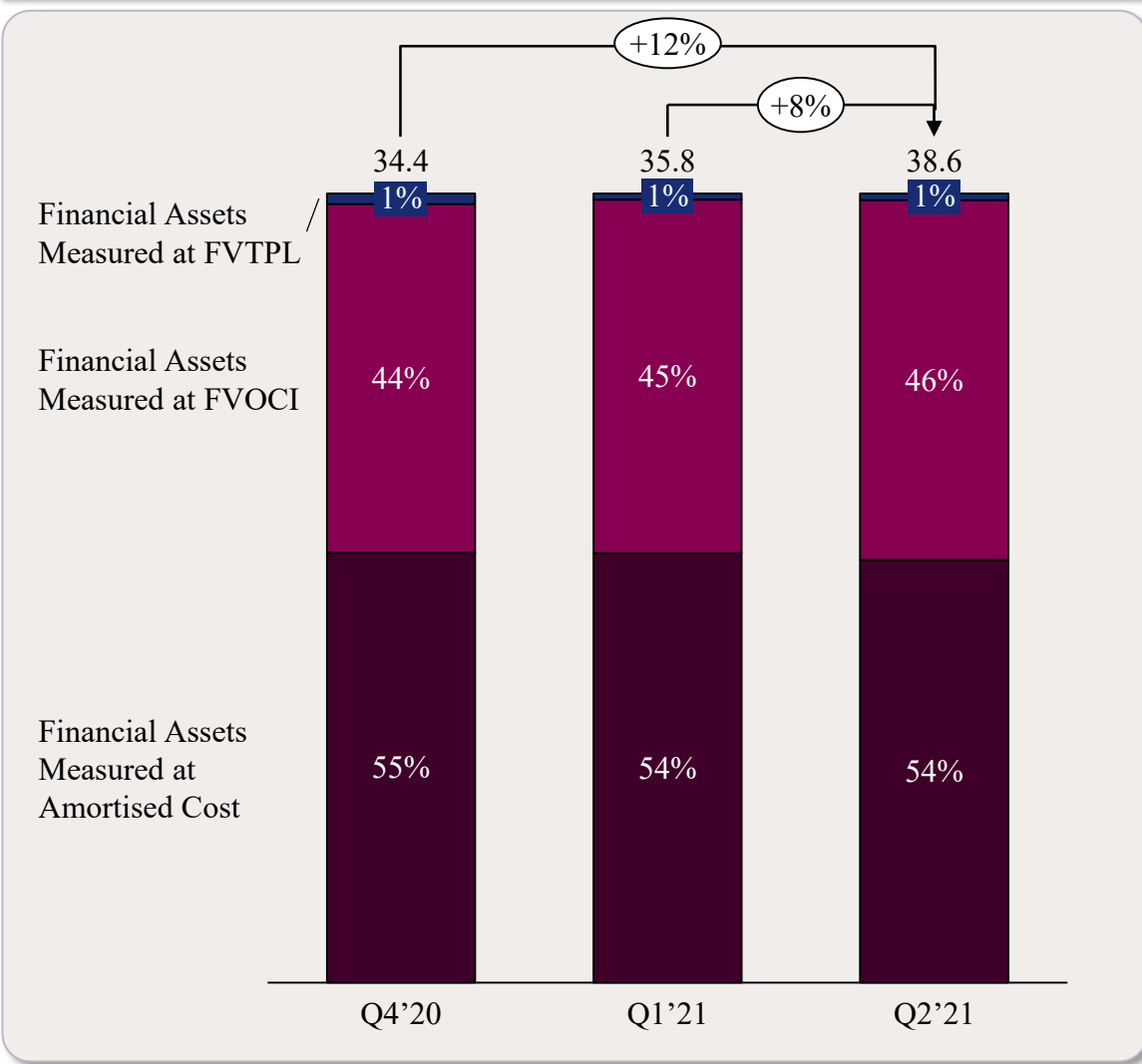


H1'21 CoR Breakdown (bps)

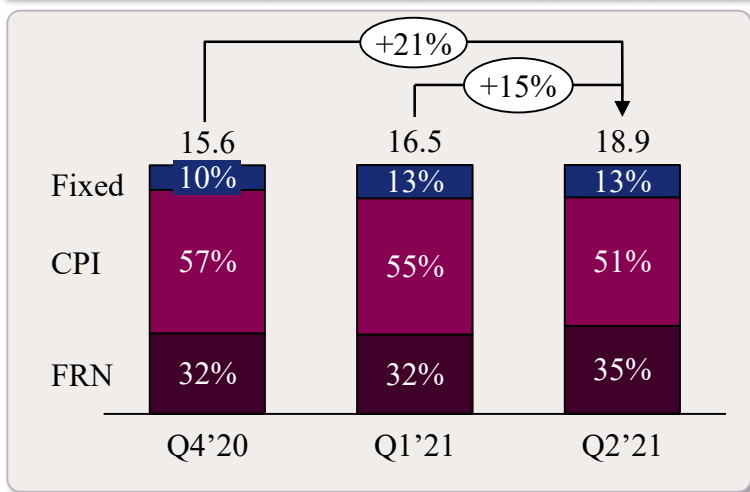


# Securities portfolio recorded 8% QoQ growth largely driven by TL securities, of which 86% are floating/indexed in nature

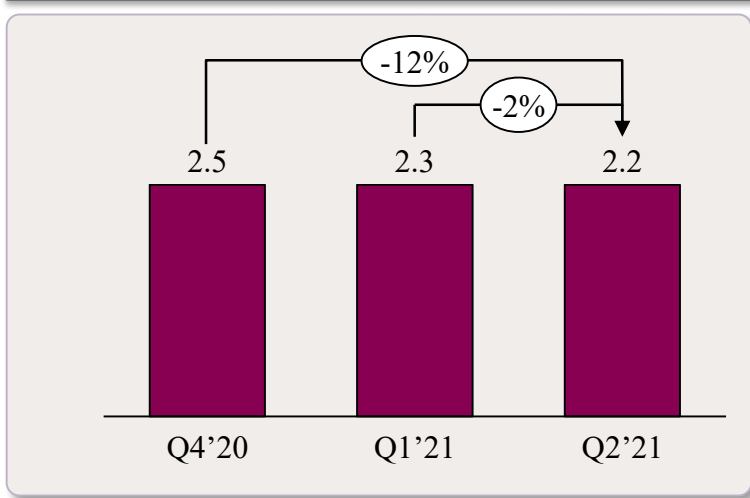
Total Securities (TL bn)



TL Securities (TL bn)

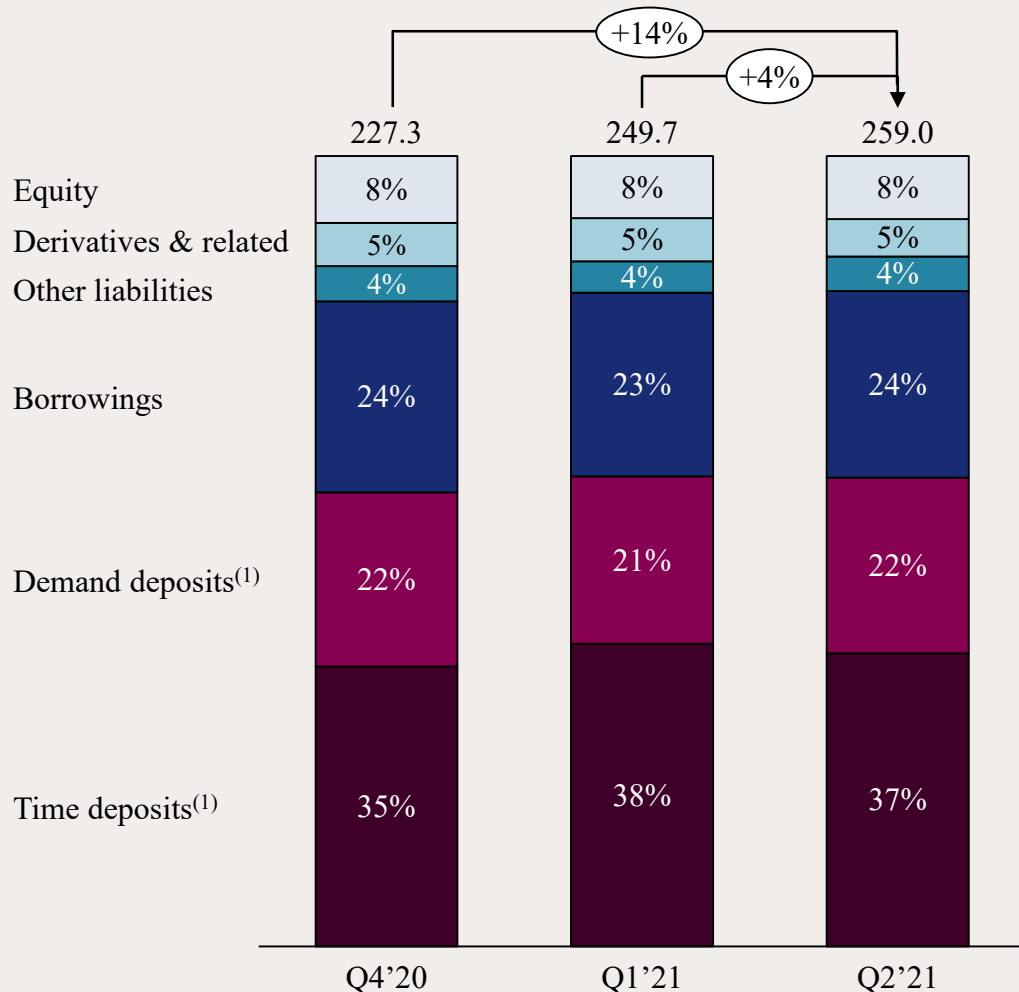


FX Securities (USD bn)

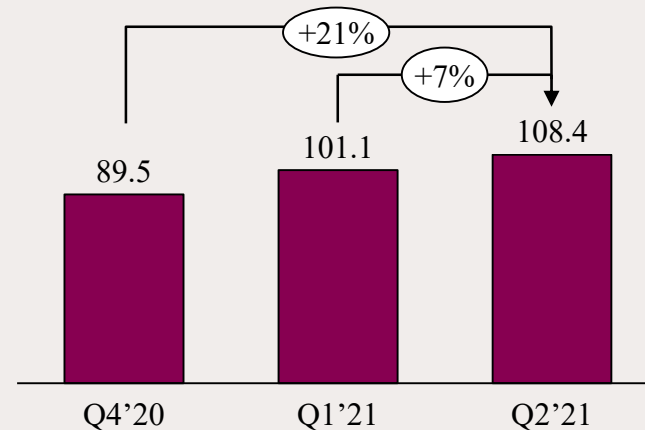


# Well-diversified & disciplined funding mix maintained with a tilt towards TL funding, as TL deposits gatherings and TL bond issuances recorded a robust growth

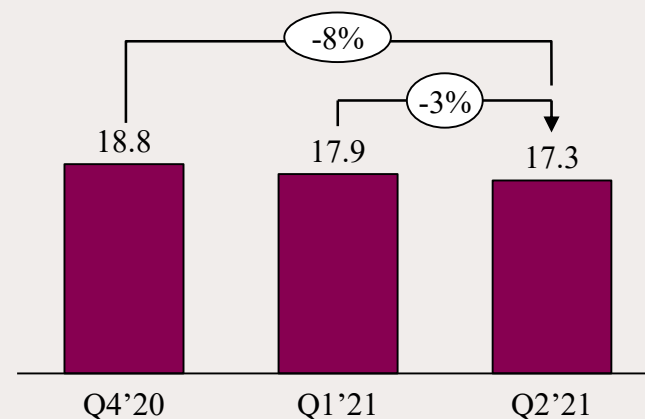
**Total Liabilities (TL bn)**



**TL Liabilities (TL bn)**

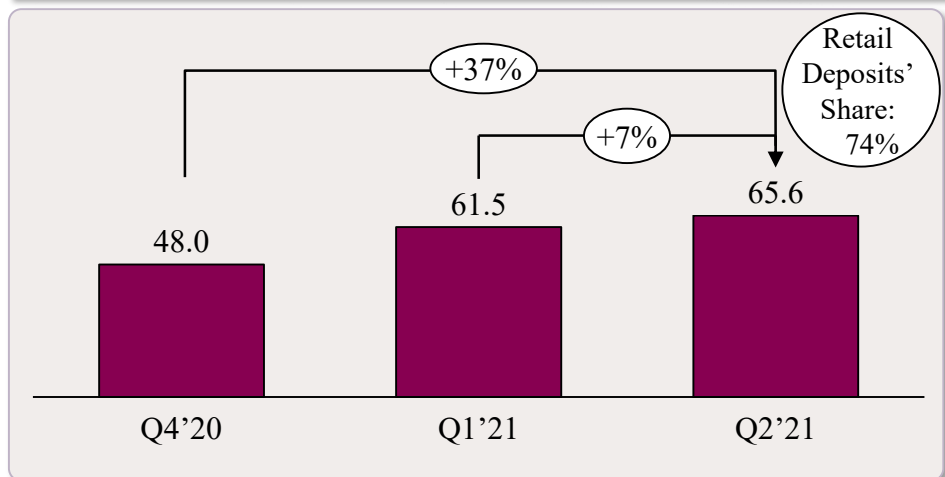


**FX Liabilities (USD bn)**

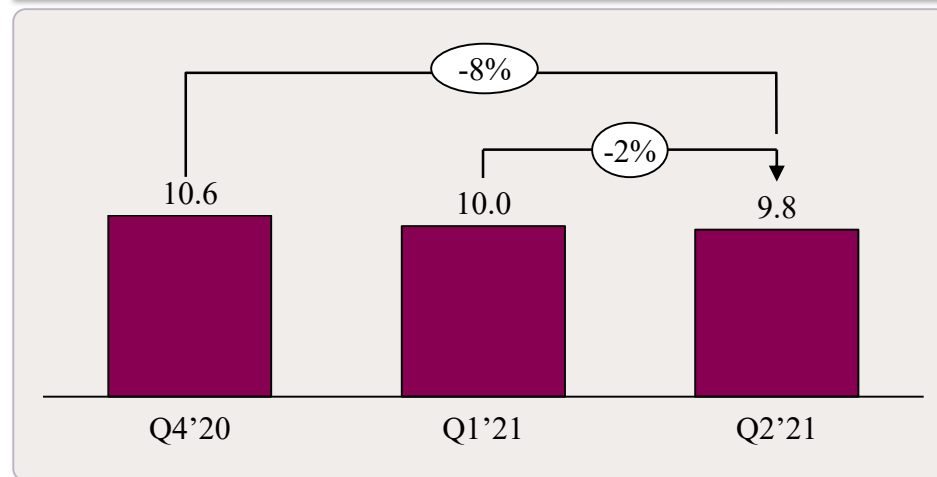


# TL driven deposit gatherings, outpacing both the private peers and the sector, as well boosted by strong and healthy demand deposit contribution

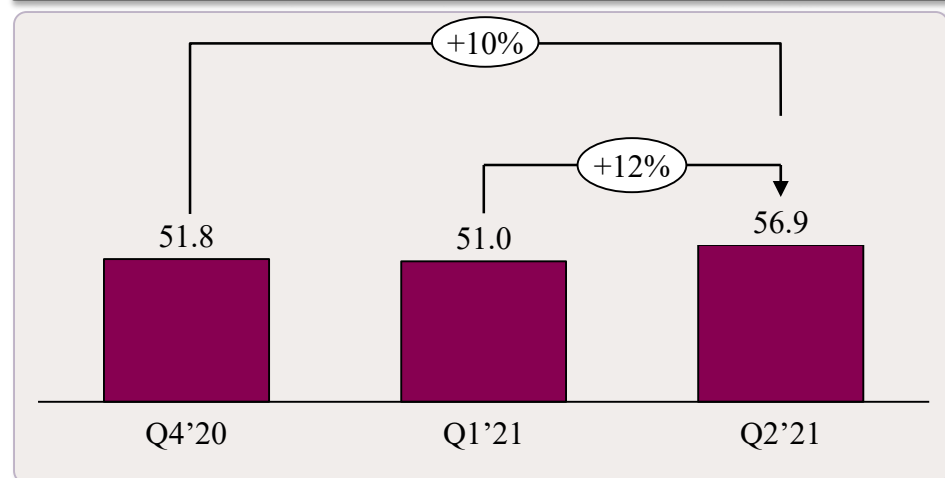
TL Customer Deposits (TL bn)



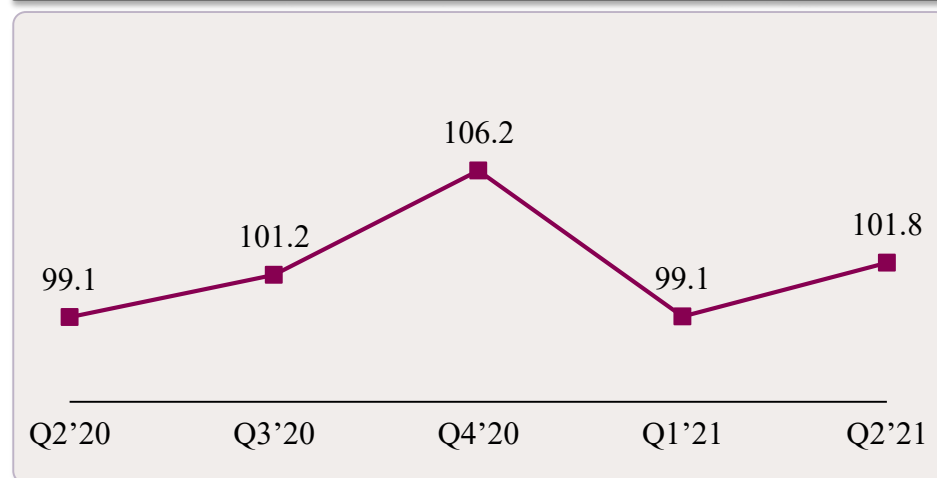
FX Customer Deposits (USD bn)



Customer Demand Deposits (TL bn, aop)

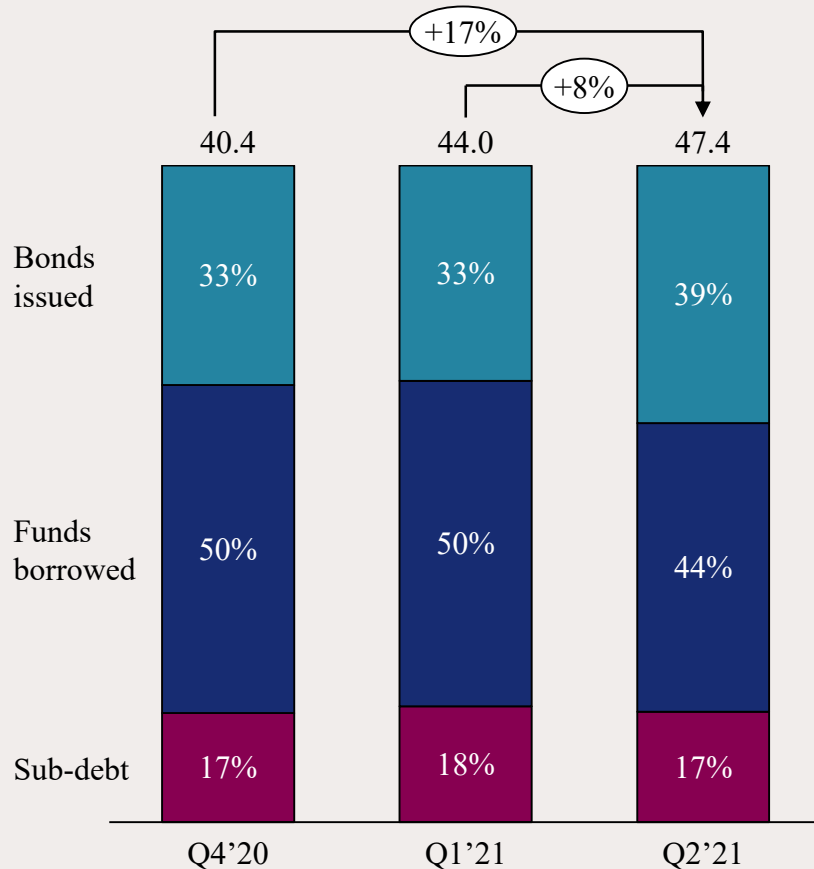


Loan-to-deposit-ratio<sup>(1)</sup> (%)

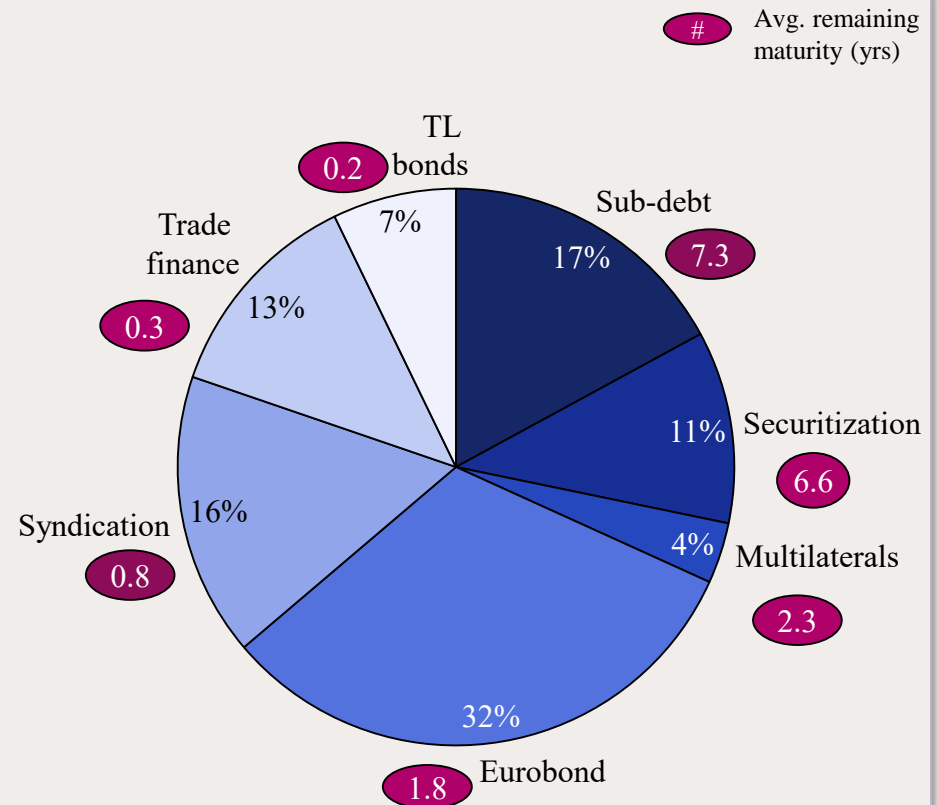


# Well-balanced wholesale borrowing mix been actively managed with a cost-oriented approach, majority of FX wholesale funding have remaining maturity above 1 year

Wholesale Borrowings<sup>(1)</sup> by Type (TL bn)

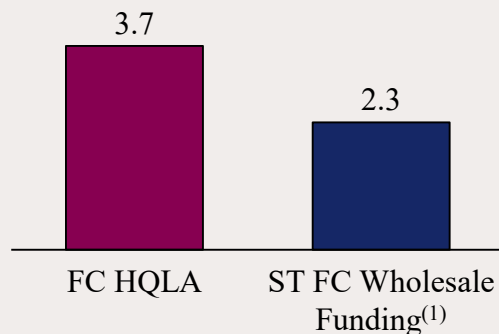


Wholesale Borrowings<sup>(1)</sup> Breakdown

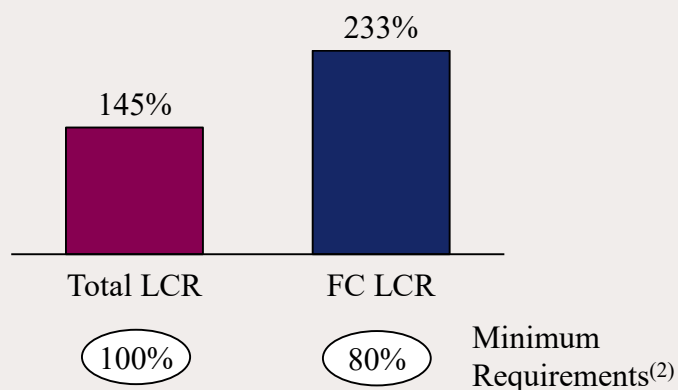


# Manageable external borrowings led to ample FC liquidity vis-a-vis short-term dues

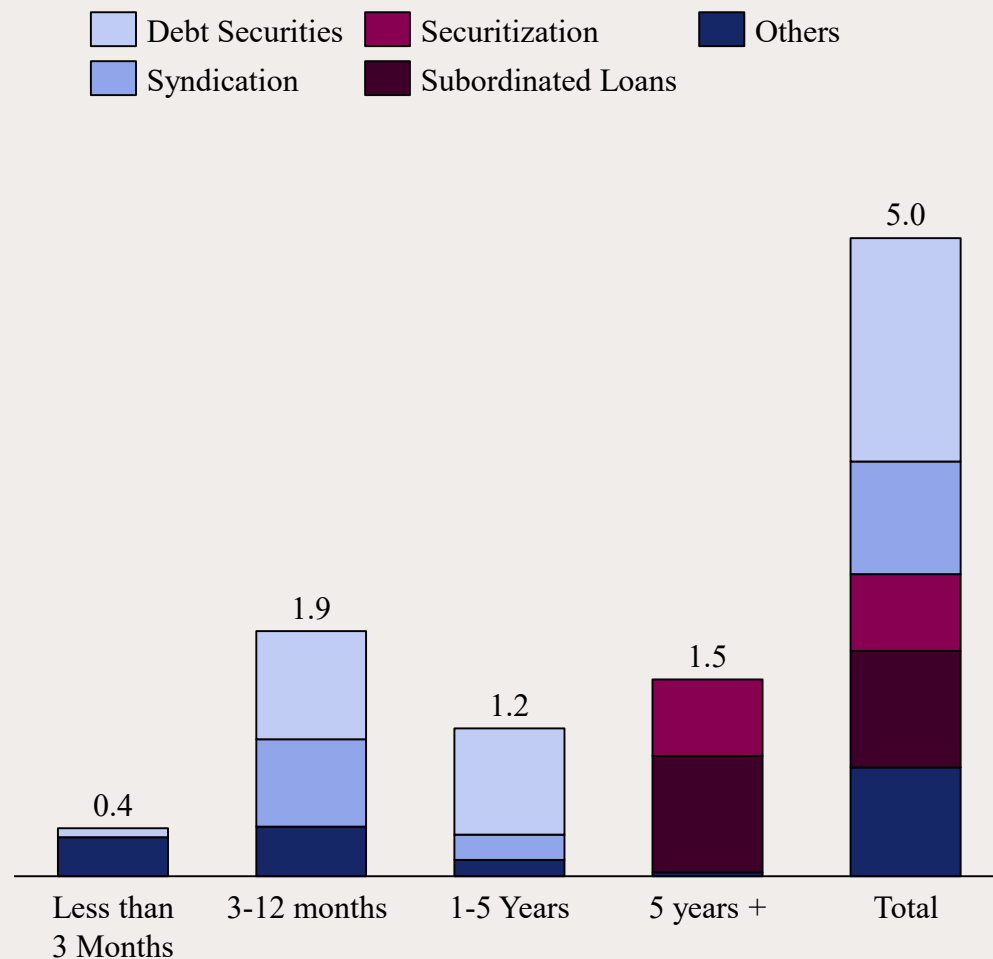
FC HQLA vs Short-term Dues (USD bn)



Liquidity Coverage Ratios (% eop)



Maturity Profiles of FC Wholesale Funding (USD bn)

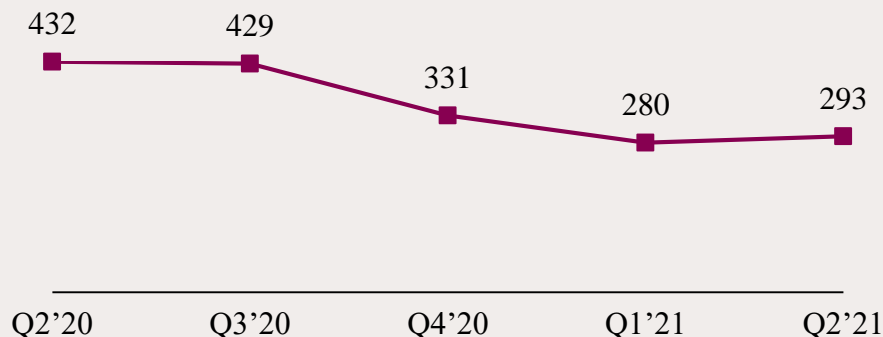


<sup>(1)</sup> FC wholesale funding due within 1 year

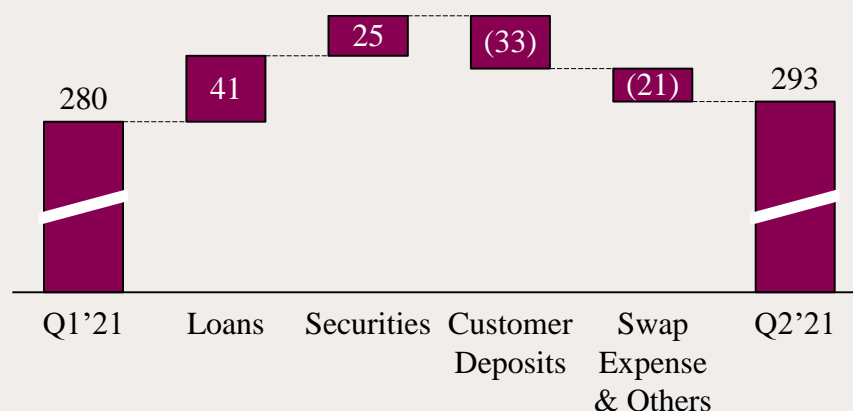
<sup>(2)</sup> Regulatory LCR requirements, which were temporarily lifted throughout 2020 within scope of the Covid-19 forbearance measures, are in force again as of the onset of 2021.

# NIM and spreads recovery kicked off in Q2 on the back of continued loan repricing and stabilized TL funding costs

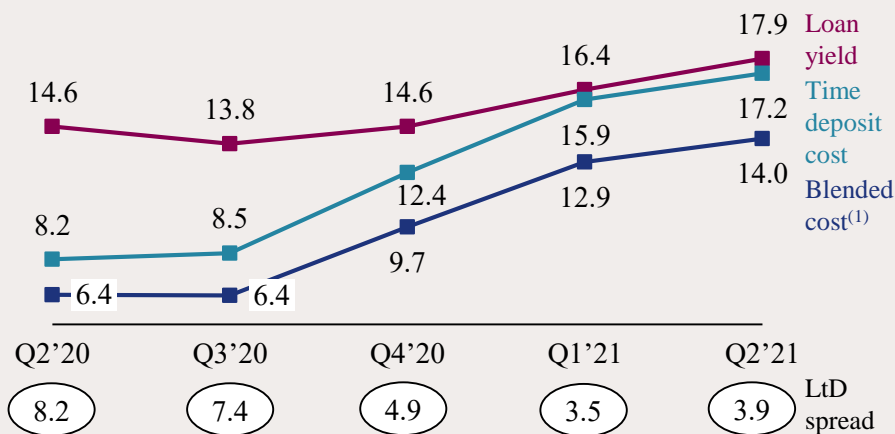
Quarterly NIM after Swap (bps)



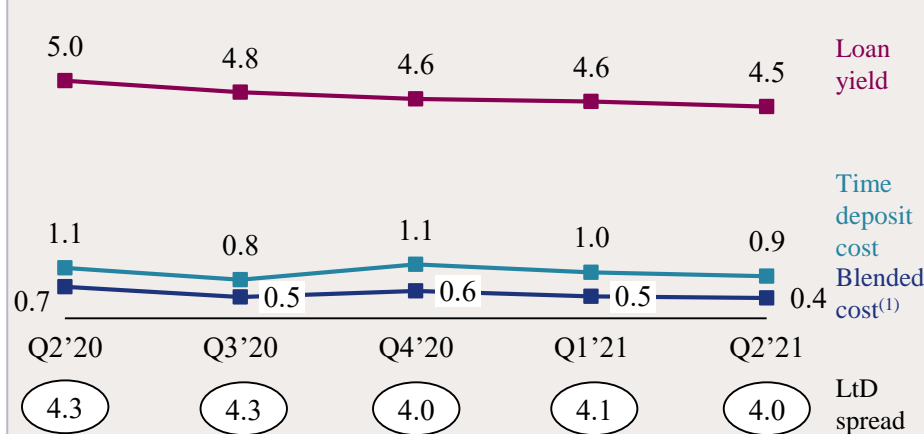
Quarterly NIM after Swap Evolution (bps)



TL Spread (% , quarterly)



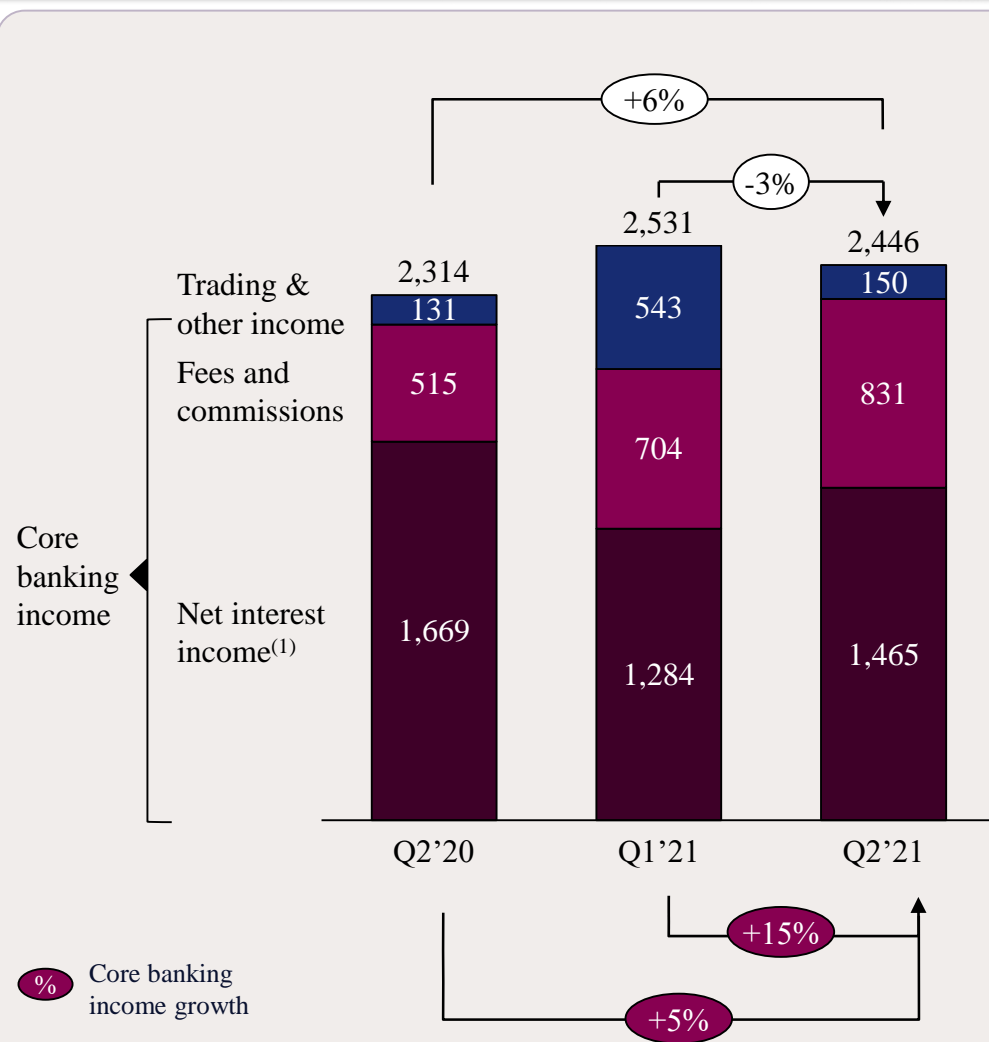
FX Spread (% , quarterly)



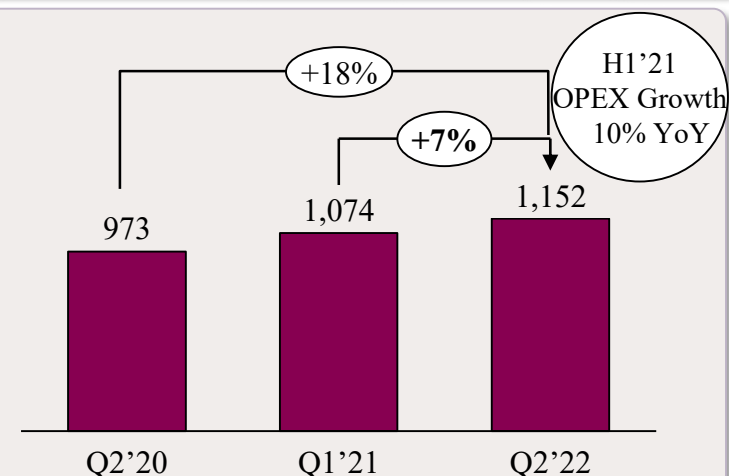


**Decent core banking income growth attained thanks to gradual NIM recovery in Q2 accompanied by solid fees&commissions, while H1'21 OPEX contained at 10% YoY, well below inflation.**

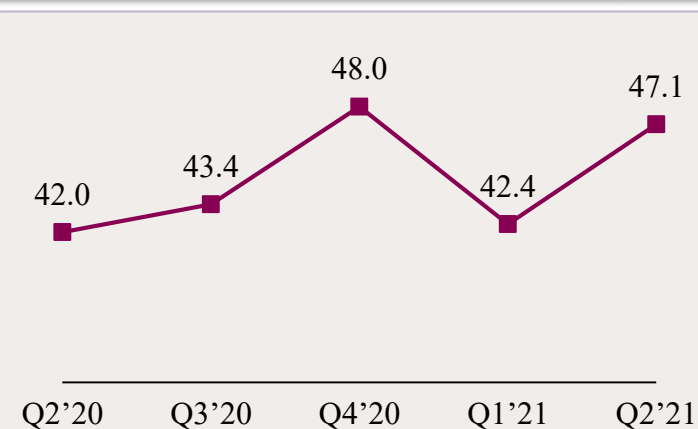
**Total Operating Income (TL mn.)**



**OpEx (TL mn.)**

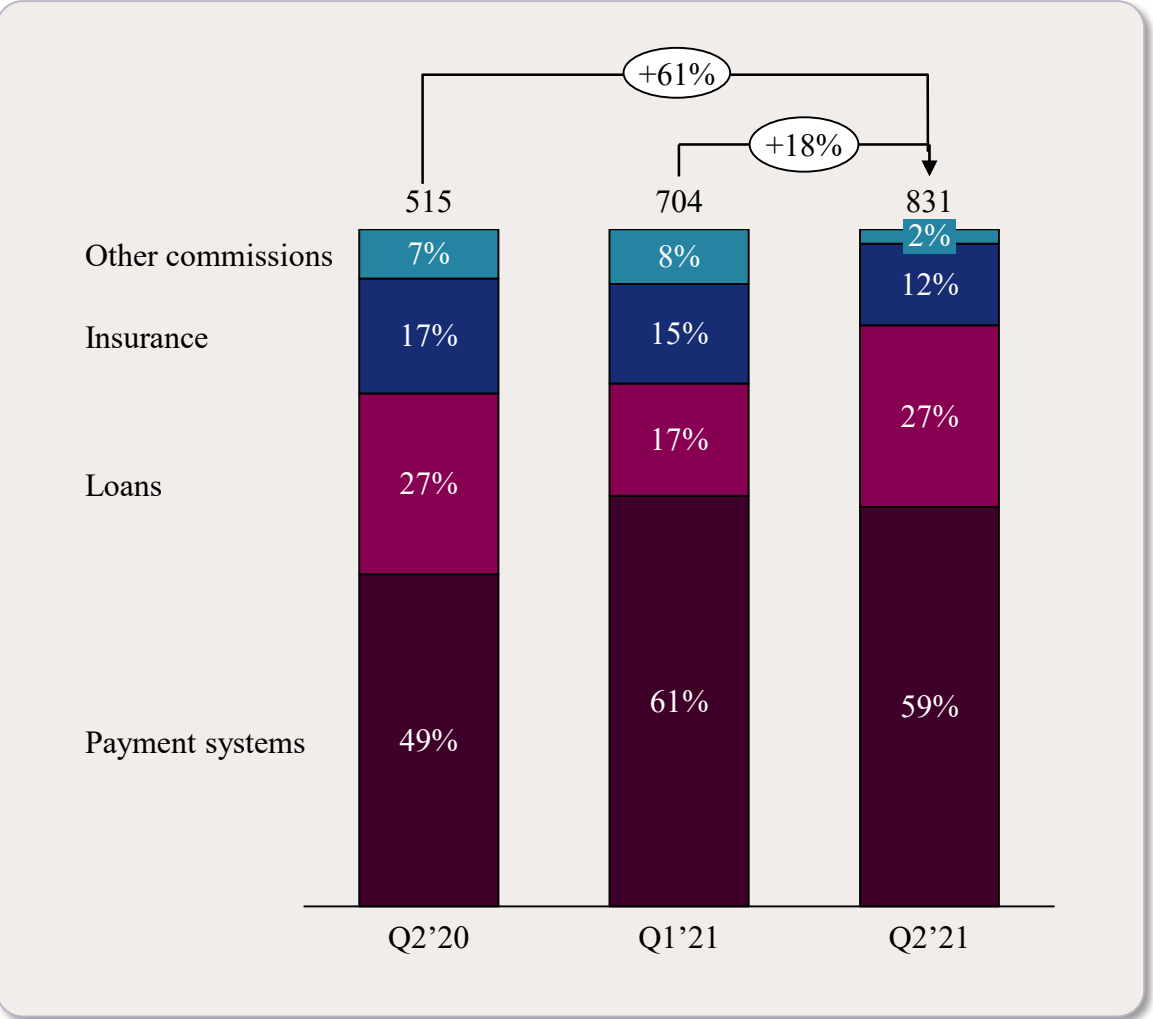


**Cost / Income (%)**

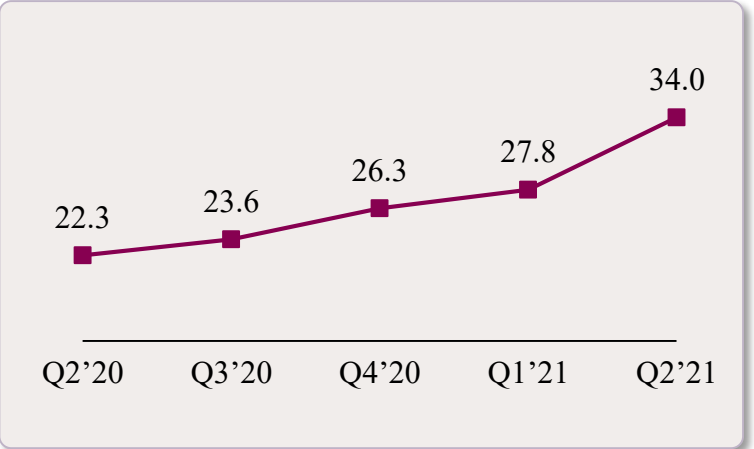


# Fees recovered for the fourth quarter in a row, boosted by higher contribution from payment systems along with higher interest rates and transaction volumes

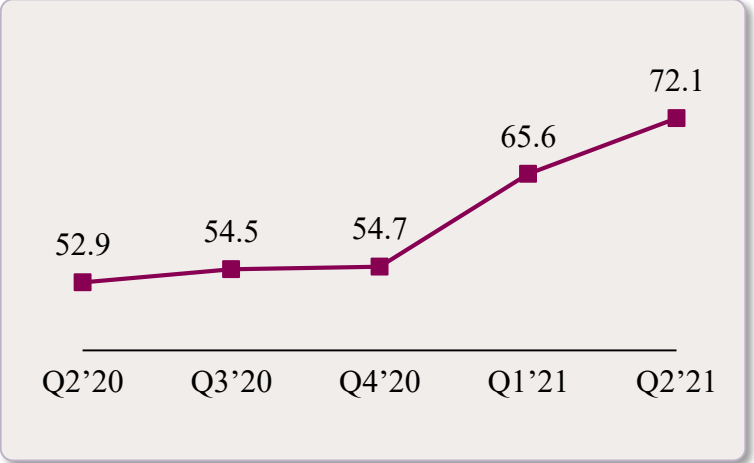
Net Fees and Commissions<sup>(1)</sup> (TL mn)



Fees / Total Income (%)



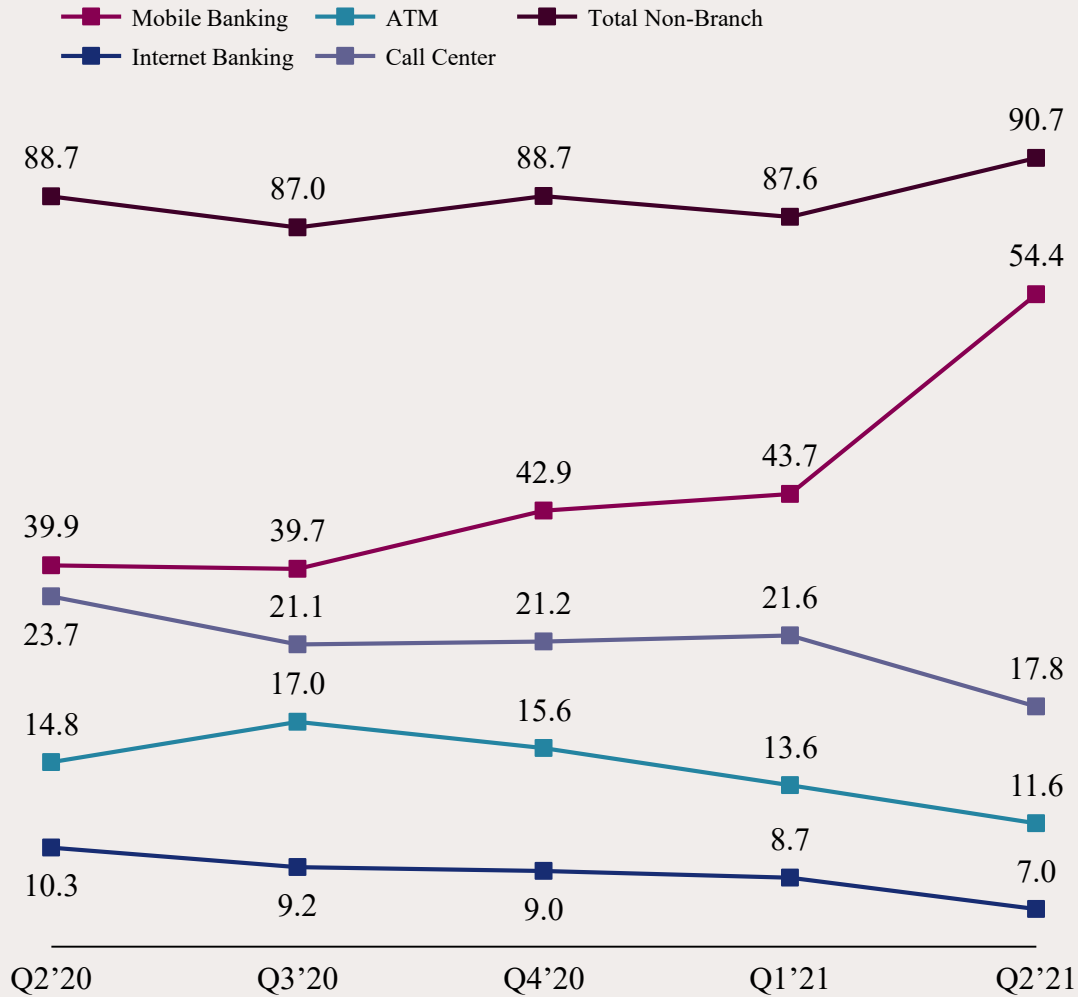
Fees / OpEx (%)



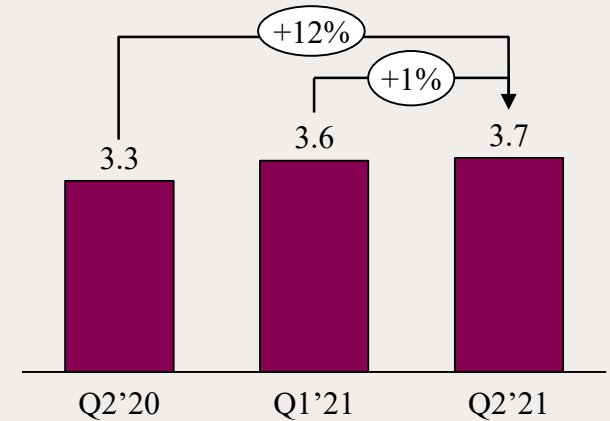
<sup>(1)</sup> Classification change in Q2 is applied retrospectively with the aim of interperiod comparability and consistency

# Investment in digital transformation payed off in terms of quick adaptation to digital channels as well as steady retention performance after easing of containment measures

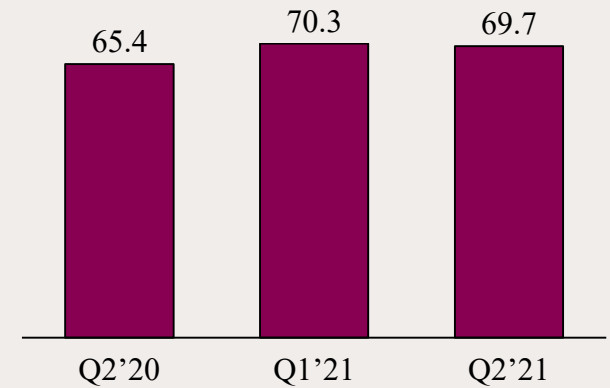
## Share of Transactions Evolution in Non-Branch Channels (%)



## Number of Digital Customers (mn.)



## Active Digital<sup>(1)</sup> / Total Active Customers (%)



# Appendix

A decorative graphic in the top right corner of the page, resembling a folded book corner. It consists of two overlapping triangular shapes: a larger, light gray one and a smaller, darker gray one on top of it, both pointing towards the top right corner.

# BRSA Bank-Only Key Financial Ratios

	<i>All figures quarterly</i>	<b>Q1'20</b>	<b>Q2'20</b>	<b>H1'20</b>	<b>Q1'21</b>	<b>Q2'21</b>	<b>H1'21</b>
<b>Profitability</b>	RoAE	18.8%	12.3%	15.4%	14.6%	14.2%	14.3%
	RoAA	1.6%	1.0%	1.3%	1.2%	1.1%	1.2%
	Cost / Income	39.6%	42.0%	40.8%	42.4%	47.1%	44.7%
	NIM after swap expense	4.8%	4.3%	4.6%	2.8%	2.9%	2.9%
<b>Liquidity</b>	Loans / Deposits <sup>(1)</sup>	96.8%	99.1%	99.1%	99.1%	101.8%	101.8%
	LCR (aop)	118.1%	119.1%	119.1%	120.1%	137.8%	137.8%
<b>Asset quality</b>	NPL Ratio	6.4%	6.3%	6.3%	5.8%	5.4%	5.4%
	Cost of Risk	2.2%	2.2%	2.2%	1.5%	0.9%	1.2%
<b>Solvency</b>	CAR	15.1%	17.1%	17.1%	15.8%	15.9%	15.9%
	Tier I Ratio	12.5%	14.3%	14.3%	13.1%	13.1%	13.1%
	Liability/Equity	12.8x	12.2x	12.2%	12.7x	12.5x	12.5%

<sup>(1)</sup> Including TL issued bonds, bank deposits & fiduciary deposits excluding CBRT swap transactions

# BRSA Bank-Only Summary Financials

## Income Statement

TL, mn	Q1'21	Q2'21	ΔQoQ	H1'20	H1'21	ΔYoY
Net Interest Income (After Swap Expenses)	1,284	1,465	14%	3,463	2,749	-21%
Net Fees & Commissions Income	704	831	18%	1,169	1,536	31%
Trading & Other Income	543	150	-72%	332	693	109%
<b>Total Operating Income</b>	<b>2,531</b>	<b>2,446</b>	<b>-3%</b>	<b>4,963</b>	<b>4,978</b>	<b>0%</b>
Operating Expenses	(1,074)	(1,152)	7%	(2,022)	(2,226)	10%
<b>Net Operating Income</b>	<b>1,457</b>	<b>1,294</b>	<b>-11%</b>	<b>2,940</b>	<b>2,751</b>	<b>-6%</b>
Provisions	(579)	(364)	-37%	(1,375)	(943)	-31%
<b>Profit Before Tax</b>	<b>878</b>	<b>930</b>	<b>6%</b>	<b>1,566</b>	<b>1,808</b>	<b>15%</b>
Tax Expenses	(181)	(217)	20%	(294)	(398)	35%
<b>Profit After Tax</b>	<b>697</b>	<b>713</b>	<b>2%</b>	<b>1,272</b>	<b>1,410</b>	<b>11%</b>

## Balance Sheet

TL, mn	Q4'20	Q1'21	Q2'21	ΔQoQ	ΔYtD
Cash & Banks <sup>(1)</sup>	29,202	41,843	39,847	-5%	36%
Securities	34,368	35,793	38,630	8%	12%
Net Loans	138,719	147,058	157,415	7%	13%
Fixed Asset and Investments <sup>(2)</sup>	5,874	5,882	6,171	5%	5%
Other Assets	19,089	19,149	16,934	-12%	-11%
<b>Total Assets</b>	<b>227,253</b>	<b>249,727</b>	<b>258,997</b>	<b>4%</b>	<b>14%</b>
Deposits	130,560	148,510	153,581	3%	18%
Customer	125,976	144,861	150,915	4%	20%
Bank	4,583	3,650	2,666	-27%	-42%
Borrowings	54,892	58,047	61,148	5%	11%
Bonds Issued	13,506	14,420	18,571	29%	37%
Funds Borrowed	20,192	21,831	20,834	-5%	3%
Sub-debt	6,704	7,744	7,949	3%	19%
Repo	14,489	14,051	13,795	-2%	-5%
Other	22,579	23,568	23,570	0%	4%
Equity	19,222	19,601	20,697	6%	8%
<b>Total Liabilities &amp; Equity</b>	<b>227,253</b>	<b>249,727</b>	<b>258,997</b>	<b>4%</b>	<b>14%</b>

# BRSA Consolidated Key Financial Ratios

	<i>All figures quarterly</i>	<b>Q1'20</b>	<b>Q2'20</b>	<b>H1'20</b>	<b>Q1'21</b>	<b>Q2'21</b>	<b>H1'21</b>
<b>Profitability</b>	RoAE	18.3%	14.8%	16.4%	13.6%	16.7%	15.1%
	RoAA	1.5%	1.2%	1.3%	1.1%	1.3%	1.2%
	Cost / Income	40.5%	40.6%	40.5%	43.4%	45.1%	44.3%
	NIM after swap expense	4.9%	4.6%	4.7%	3.0%	3.1%	3.0%
<b>Liquidity</b>	Loans / Deposits <sup>(1)</sup>	100.8%	103.2%	103.2%	102.6%	104.9%	104.9%
	LCR (aop)	116.3%	119.0%	119.0%	116.9%	136.0%	136.0%
<b>Asset quality</b>	NPL Ratio	6.5%	6.3%	6.3%	5.7%	5.4%	5.4%
	Cost of Risk	2.3%	2.3%	2.2%	1.7%	1.0%	1.3%
<b>Solvency</b>	CAR	14.7%	16.6%	16.6%	15.2%	15.2%	15.2%
	Tier I Ratio	12.2%	13.9%	13.9%	12.6%	12.5%	12.5%
	Liability/Equity	13.1x	12.4x	12.4x	13.1x	13.0x	13.0x



# BRSA Consolidated Summary Financials

## Income Statement

TL, mn	Q1'21	Q2'21	ΔQoQ	H1'20	H1'21	ΔYoY
Net Interest Income (After Swap Expenses)	1,405	1,583	13%	3,662	2,988	-18%
Net Fees & Commissions Income	774	887	15%	1,278	1,661	30%
Trading & Other Income	450	245	-45%	334	695	108%
<b>Total Operating Income</b>	<b>2,628</b>	<b>2,715</b>	<b>3%</b>	<b>5,274</b>	<b>5,343</b>	<b>1%</b>
Operating Expenses	(1,141)	(1,223)	7%	(2,138)	(2,364)	11%
<b>Net Operating Income</b>	<b>1,487</b>	<b>1,492</b>	<b>0%</b>	<b>3,136</b>	<b>2,979</b>	<b>-5%</b>
Provisions	(626)	(413)	-34%	(1,428)	(1,039)	-27%
<b>Profit Before Tax</b>	<b>861</b>	<b>1,079</b>	<b>25%</b>	<b>1,709</b>	<b>1,940</b>	<b>14%</b>
Tax Expenses	(210)	(241)	15%	(344)	(451)	31%
<b>Profit After Tax</b>	<b>651</b>	<b>838</b>	<b>29%</b>	<b>1,365</b>	<b>1,489</b>	<b>9%</b>

## Balance Sheet

TL, mn	Q4'20	Q1'21	Q2'21	ΔQoQ	ΔYtD
Cash & Banks <sup>(1)</sup>	29,661	42,316	41,169	-3%	39%
Securities	34,430	35,902	38,759	8%	13%
Net Loans <sup>(2)</sup>	146,449	155,083	165,989	7%	13%
Fixed Asset and Investments	4,248	4,243	4,340	2%	2%
Other Assets	20,232	20,123	18,321	-9%	-9%
<b>Total Assets</b>	<b>235,020</b>	<b>257,667</b>	<b>268,577</b>	<b>4%</b>	<b>14%</b>
Deposits	130,275	148,161	153,269	3%	18%
Customer	125,692	144,511	150,603	4%	20%
Bank	4,583	3,650	2,666	-27%	-42%
Borrowings	62,320	65,731	70,323	7%	13%
Bonds Issued	14,724	15,642	20,139	29%	37%
Funds Borrowed	25,897	27,864	27,158	-3%	5%
Sub-debt	6,704	7,744	7,949	3%	19%
Repo	14,995	14,481	15,077	4%	1%
Other	23,184	24,169	24,370	1%	5%
Equity	19,241	19,606	20,615	5%	7%
<b>Total Liabilities &amp; Equity</b>	<b>235,020</b>	<b>257,667</b>	<b>268,577</b>	<b>4%</b>	<b>14%</b>

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