



# QNB Finansbank Q1'23 Earnings Presentation

Based on BRSA Unconsolidated Financial Statements  
April 2023

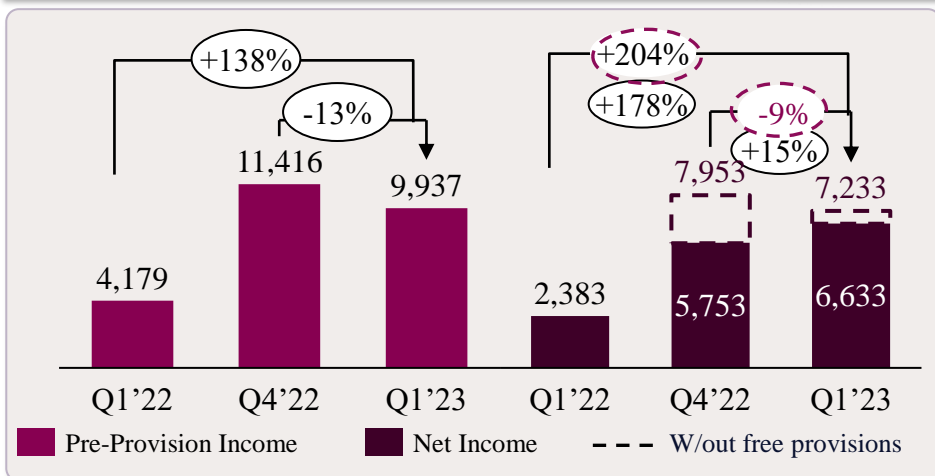
## Period Highlights

- ✓ Robust bottom line performance stood out even with TL 600 mn free provision recorded in Q1'23, which carried the free provision stock to TL 6.0 bn (1.5% of gross loans as of the end of Q1'23).
- ✓ Q1'23 net profit realized at TL 6,633 million (w/out free provision: TL 7,233), thanks to a top line at 2.3x of the prior year level, leading to a 178% YoY growth at bottom line level (w/out free provision: 204% YoY). Accordingly, Q1'23 ROE realized at 58% (w/out free provisions: 62%).
- ✓ Solid loan growth (11%<sup>(1)</sup> QoQ) was well ahead of private banks, further contributing to FY'22's market share gains. Customer Deposits being major source of funding fared relatively parallel to loans with a growth of 10%<sup>(1)</sup> QoQ in the same period.
- ✓ NPL ratio continued to improve on the back of strong collection performance, continuously muted NPL generation and resilient denominator growth, while prudent provisioning stance further prioritized after the devastating earthquake, reflected onto additional macro overlay for earthquake risks and boosted the coverages for all stages.
- ✓ Securities portfolio grew by 16% QoQ, mainly on the back of TL Securities, along with the increased securities maintenance requirements. As 74% of TL Securities are floating or indexed in nature, as CPI linkers, which offer hedge against inflation, accounted for 58% of the portfolio and were 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 and material TL depreciation, Cost/Income ratio came below the historical averages at 28% in Q1'23, on the back of solid income performance.
- ✓ CAR of 13.4% and Tier 1 of 10.8% point to comfortable buffers over minimum requirements, even with BRSA's forbearance measures largely unwound after revision of exchange rate used in RWA calculation.

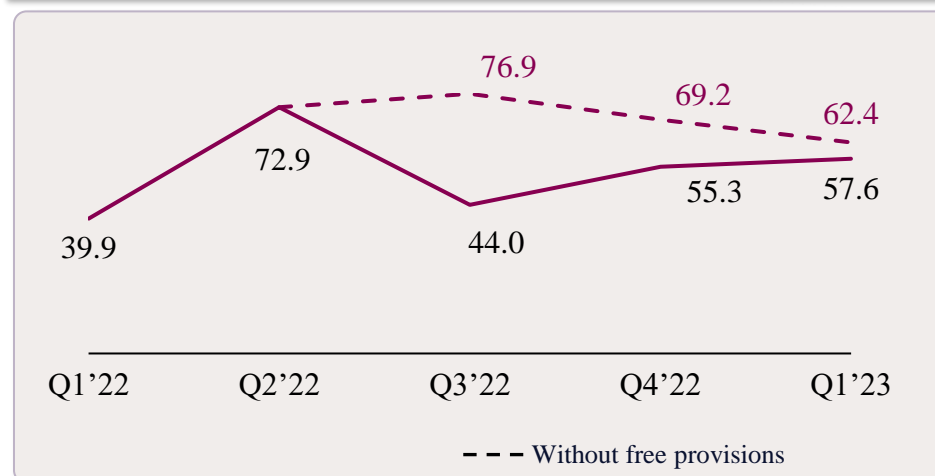
<sup>(1)</sup> BRSA Weekly Banking Sector data compared vis-a-vis QNBFB data as of 31 March 2023.

# Robust operating performance translated into outstanding ROE, even including TL 600 mn free provisions. Loan growth ahead of private peers further enhanced market position

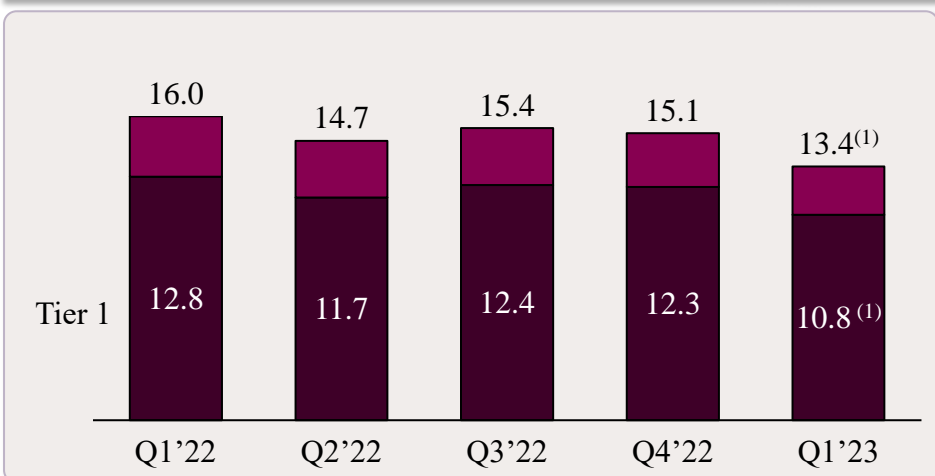
Pre-Provision Income & Net Income (TL mn.)



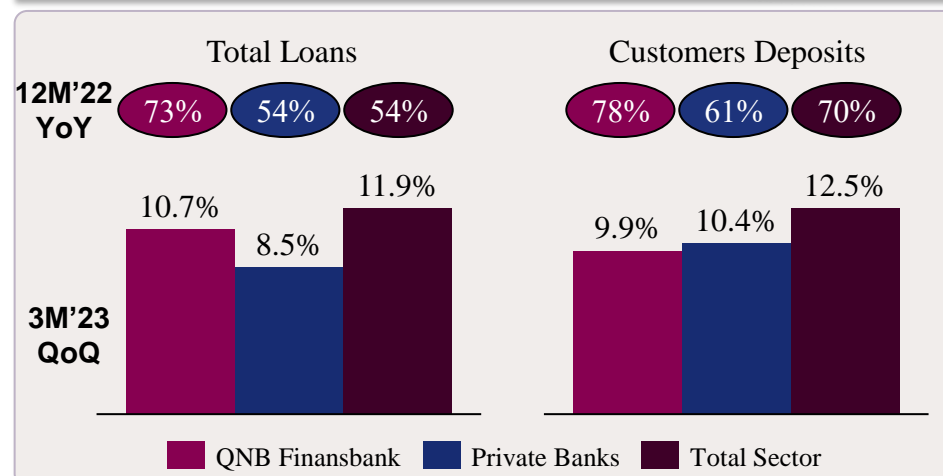
Quarterly RoAE (%)



CAR (%)

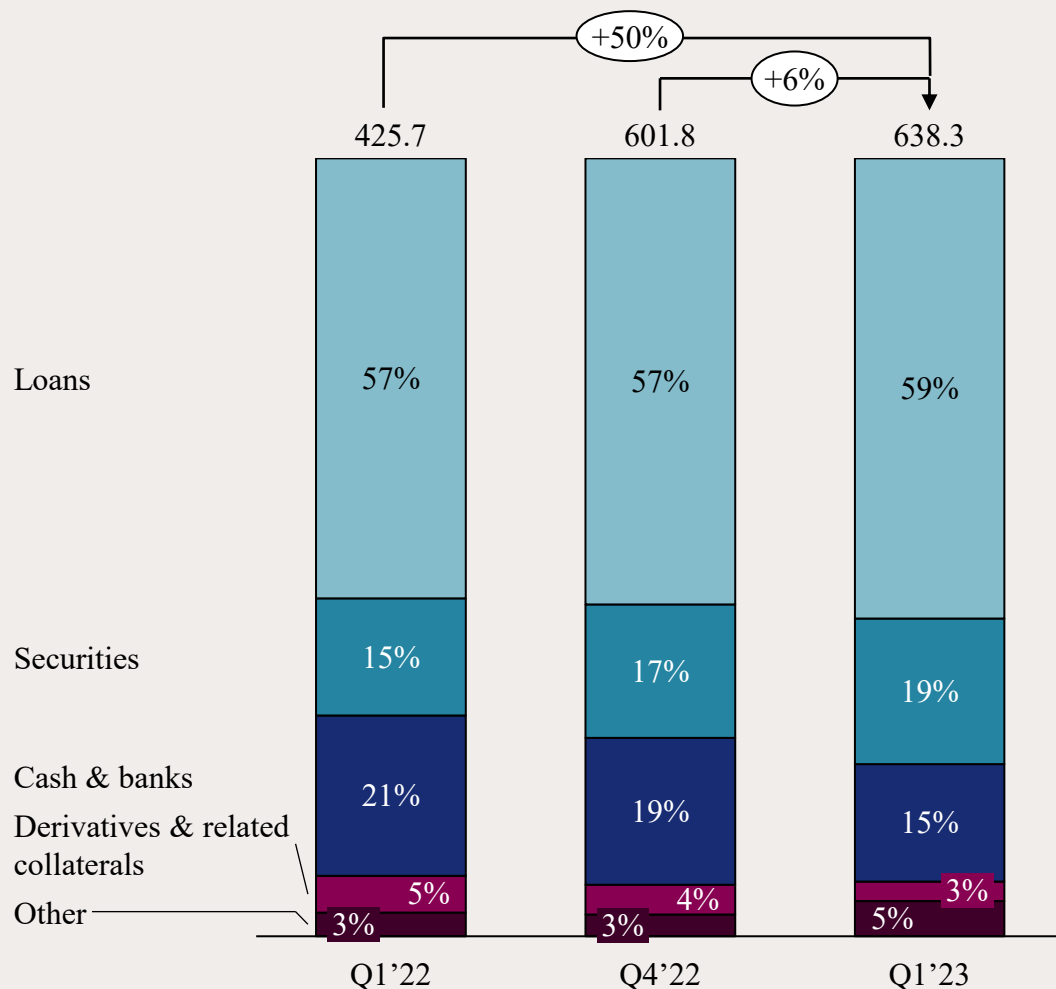


Total Loans & Deposits Growth<sup>(2)</sup> (%)

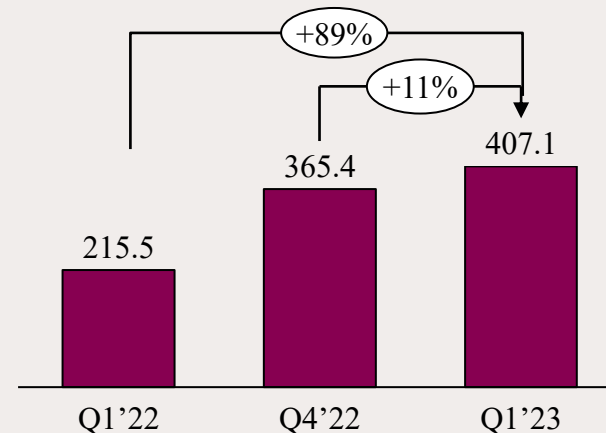


# Well-balanced asset base grew by 6% QoQ, reaching TL 638 bn, as net loans accounted for 59% of assets, reflecting Bank's commitment to support the economy

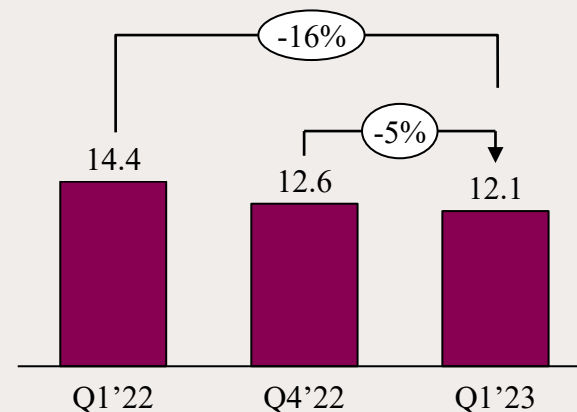
Total Assets (TL bn)



TL Assets (TL bn)

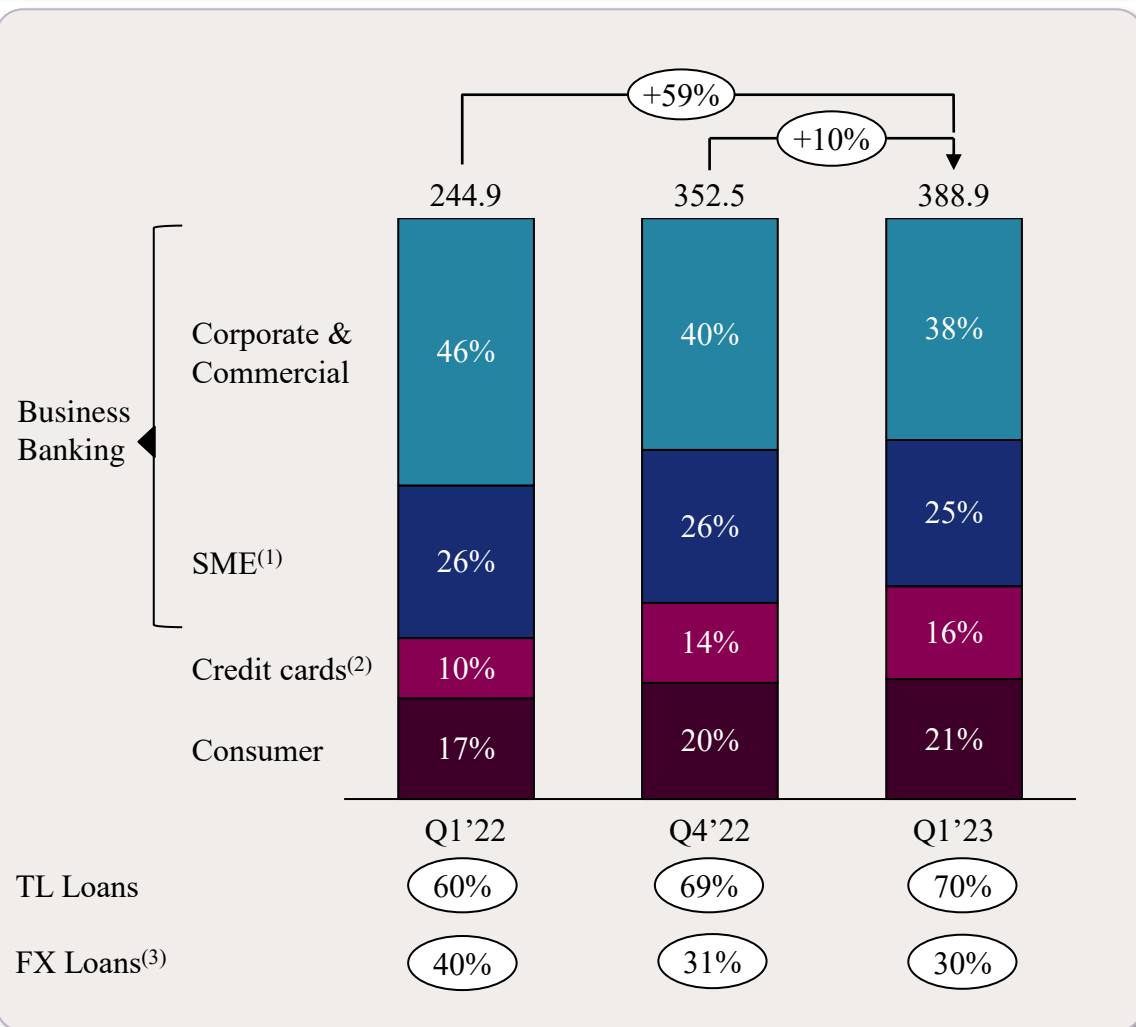


FX Assets<sup>(1)</sup> (USD bn)

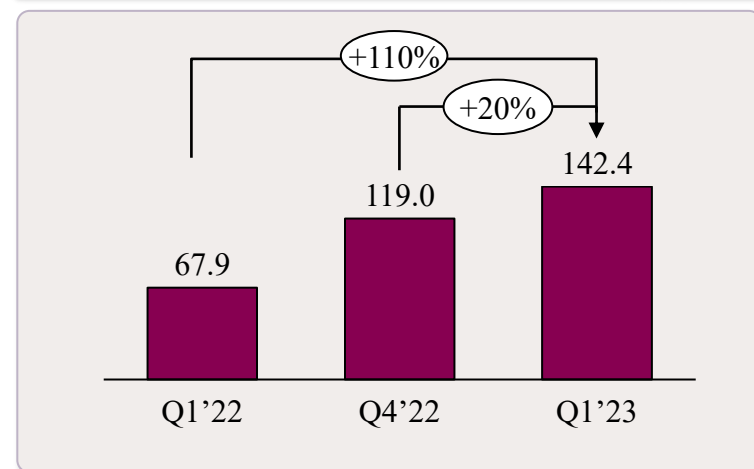


# Loan growth performance stood strong supported by all businesses. FX loans' share continued to decline thanks to increased focus on Liraization strategy

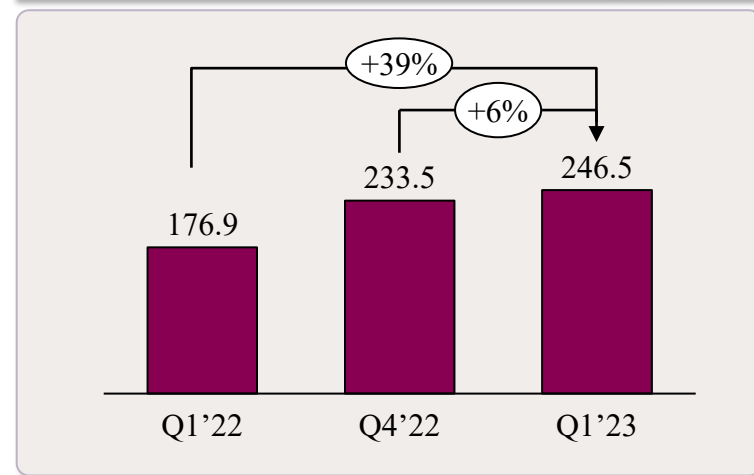
Performing Loans by Segment and Currency (TL bn)



Retail Loans (TL bn)

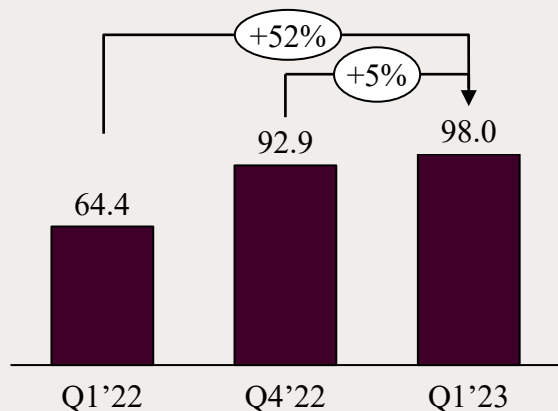


Business Loans (TL bn)

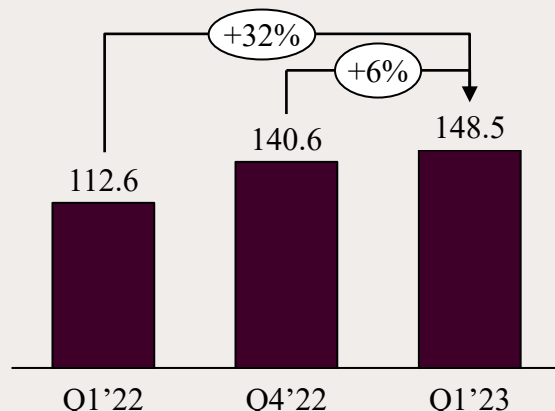


# Business Banking growth was across the board, while Credit Cards and General Purpose Loans remained focus areas at Retail Lending

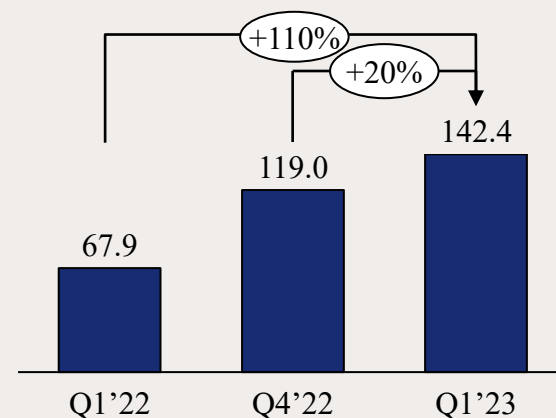
SME Loans<sup>(1)</sup> (TL bn)



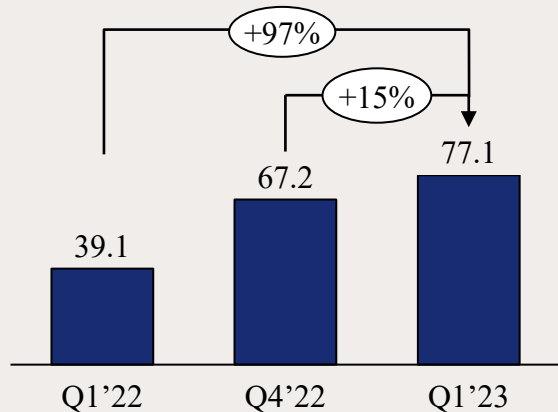
Corporate & Commercial Loans (TL bn)



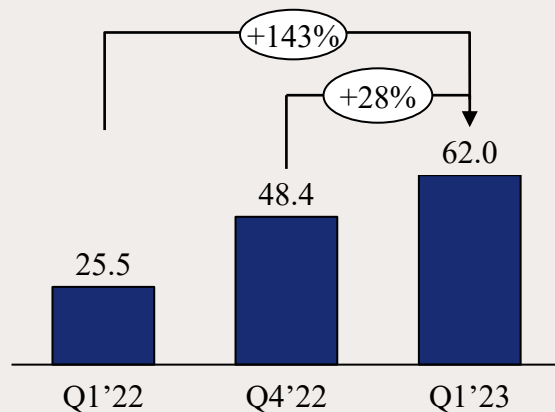
Retail Loans (TL bn)



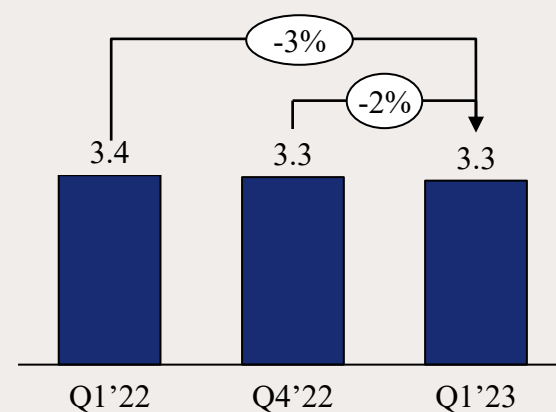
General Purpose Loans<sup>(2)</sup> (TL bn)



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

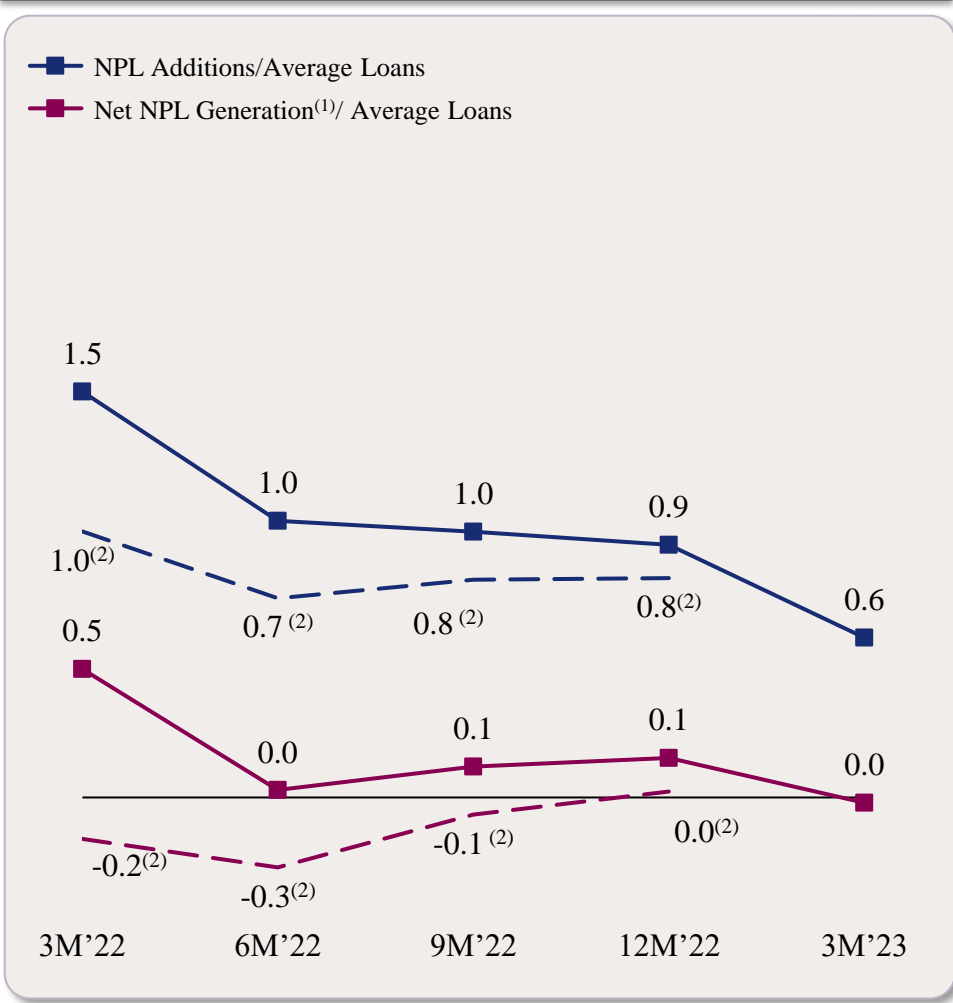


Mortgage Loans (TL bn)

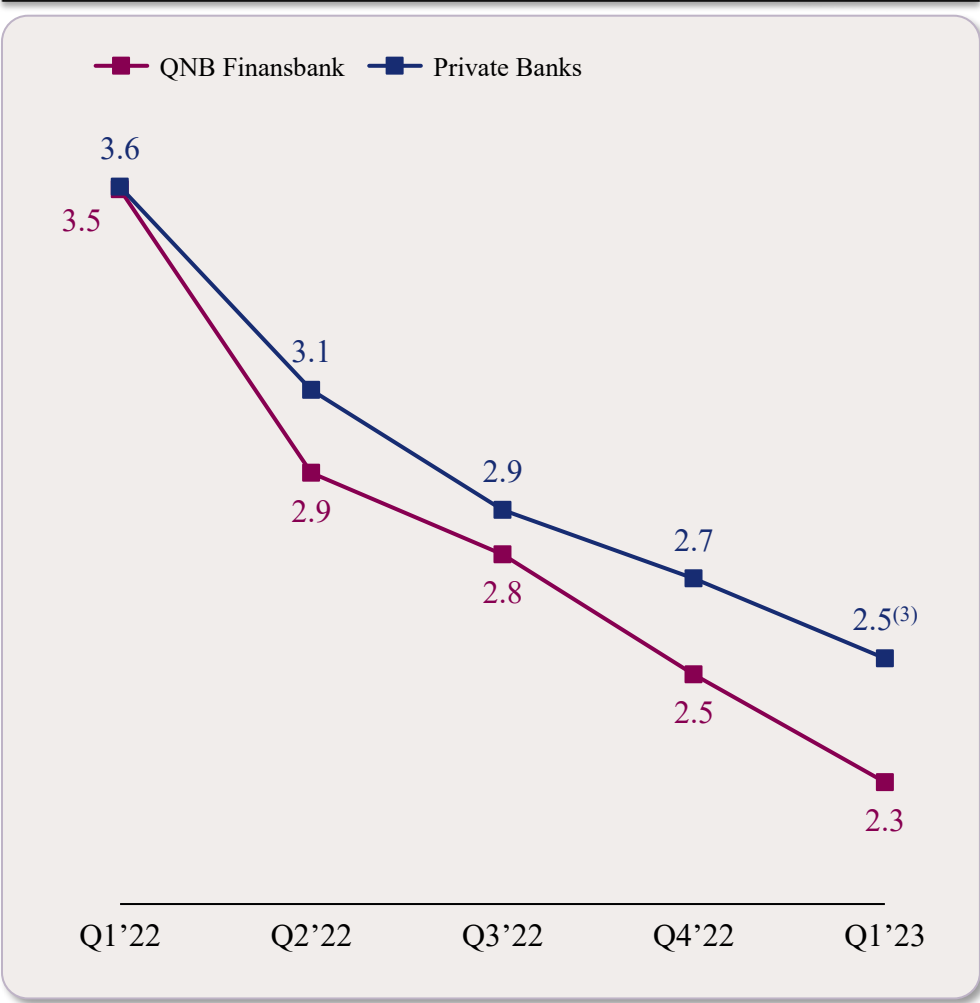


# Muted net NPL generation for the fifth consecutive quarter in a row. Along with strong collection performance and very low NPL inflow, NPL ratio continued to improve beyond private banks

NPL Additions / Average Loans (%)



NPL Ratio (%)

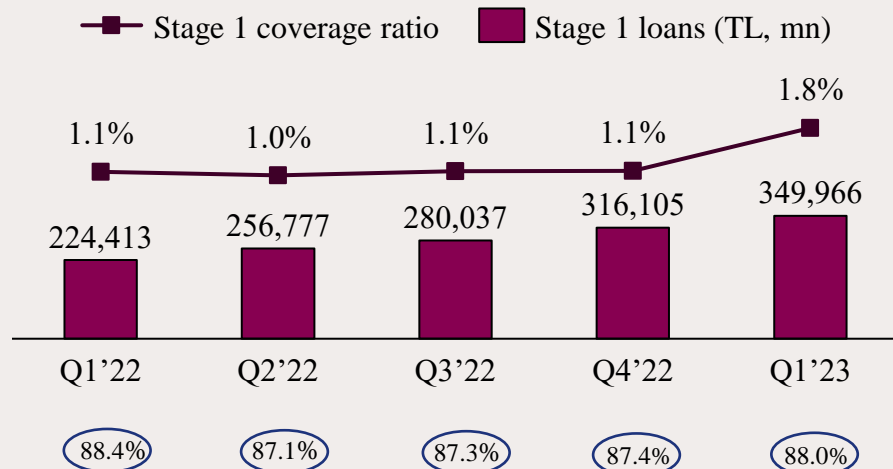


(1) Net NPL Generation = NPL Additions - NPL Collections  
(2) Adjusted for write-off of LYY loan following the sale of TTKOM shares to TWF  
(3) BRSA monthly banking sector data for private banks for February 2023

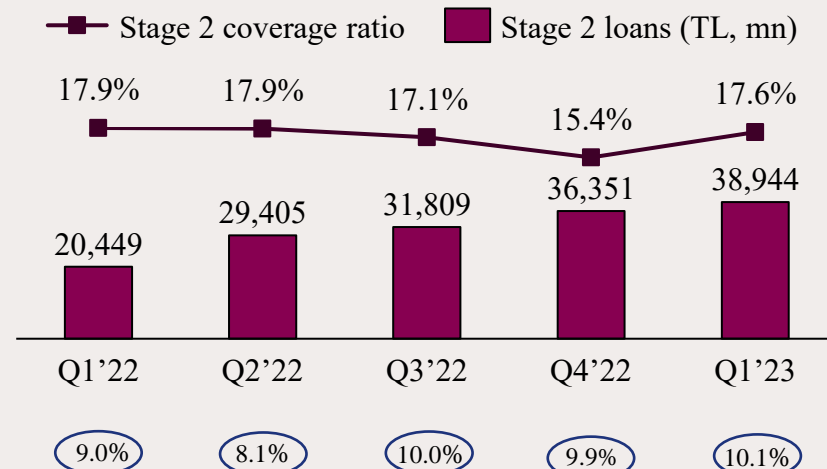


# Conservative provisioning stance geared up with additional macro overlay for potential earthquake risks, further reinforcing provision buffers even with strong loan growth

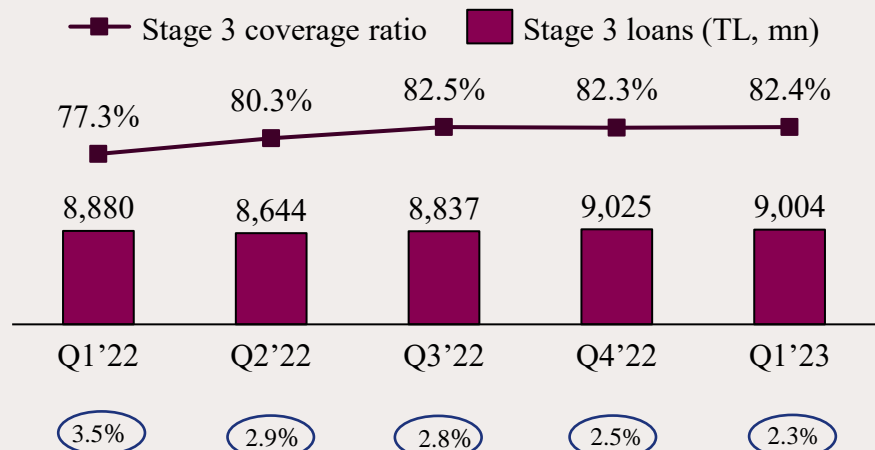
## Stage 1 Loans & Coverage



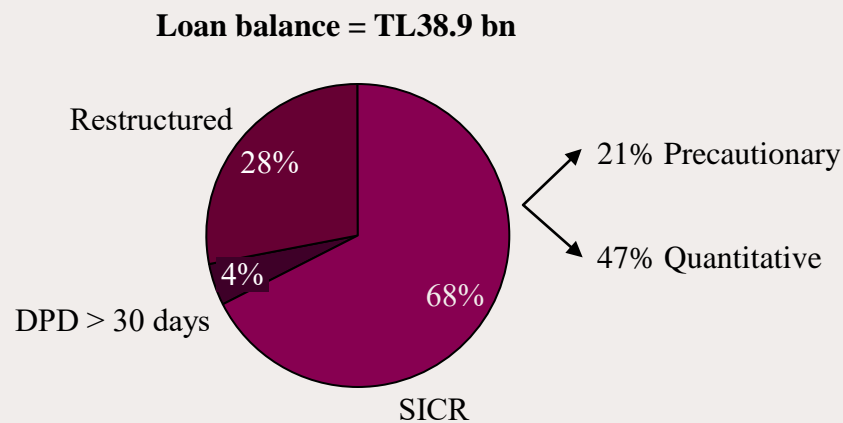
## Stage 2 Loans & Coverage



## Stage 3 Loans & Coverage



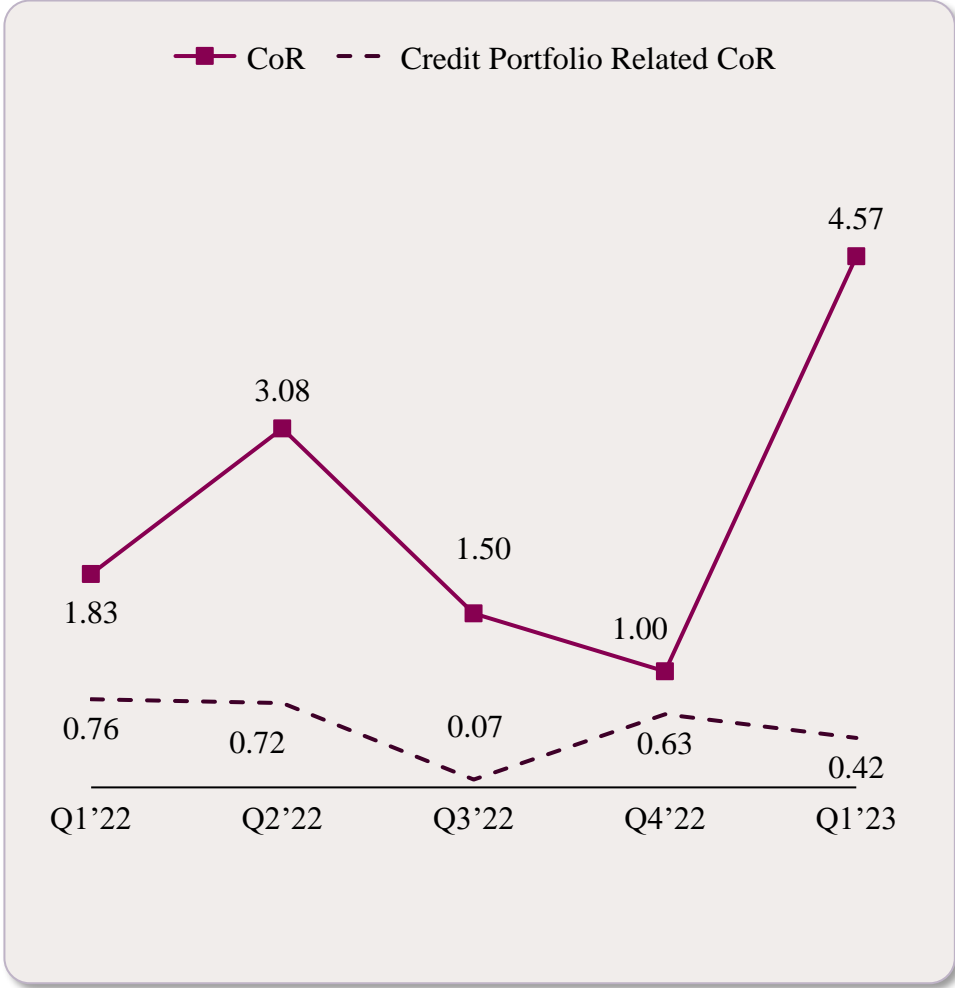
## Stage 2 Composition



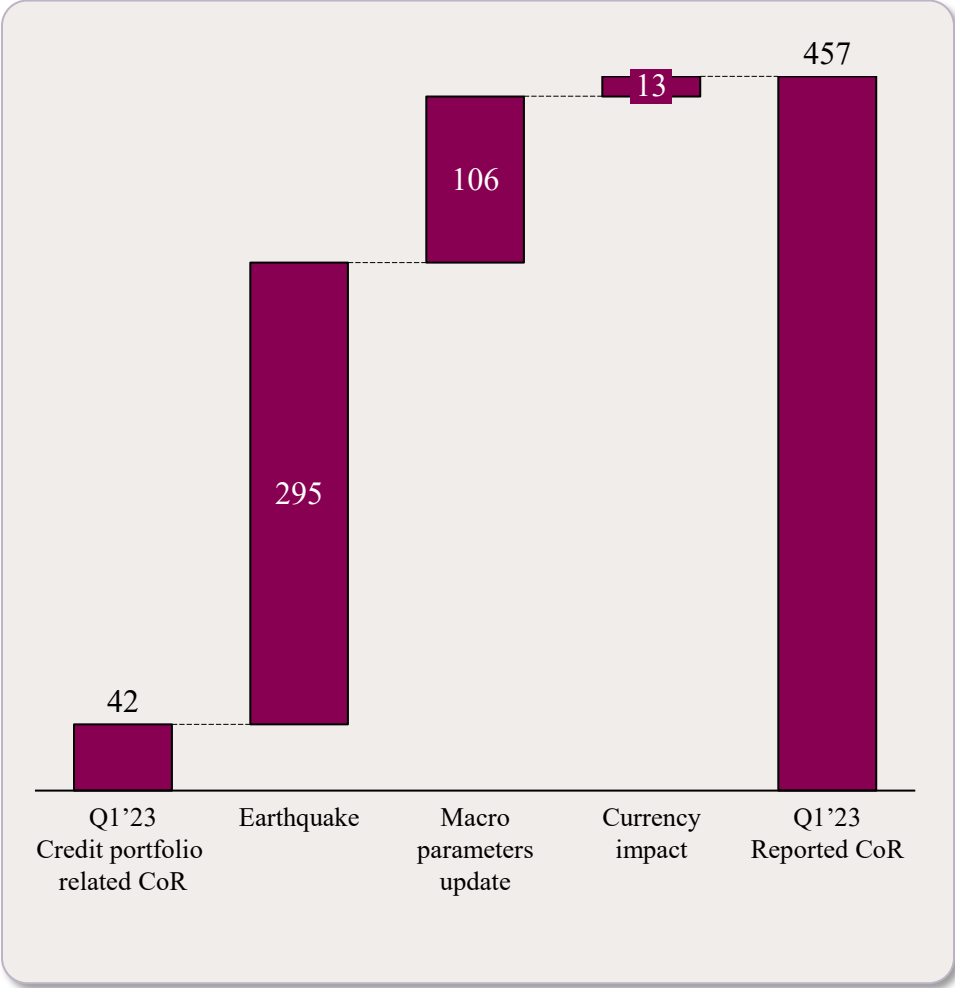


**Low NPL generation and solid collection performance helped to maintain low level of credit portfolio related CoR, whereas reported CoR also included significant macro overlay given potential earthquake-related risks as well as macro parameters update**

**Quarterly Cost of Risk (%)**

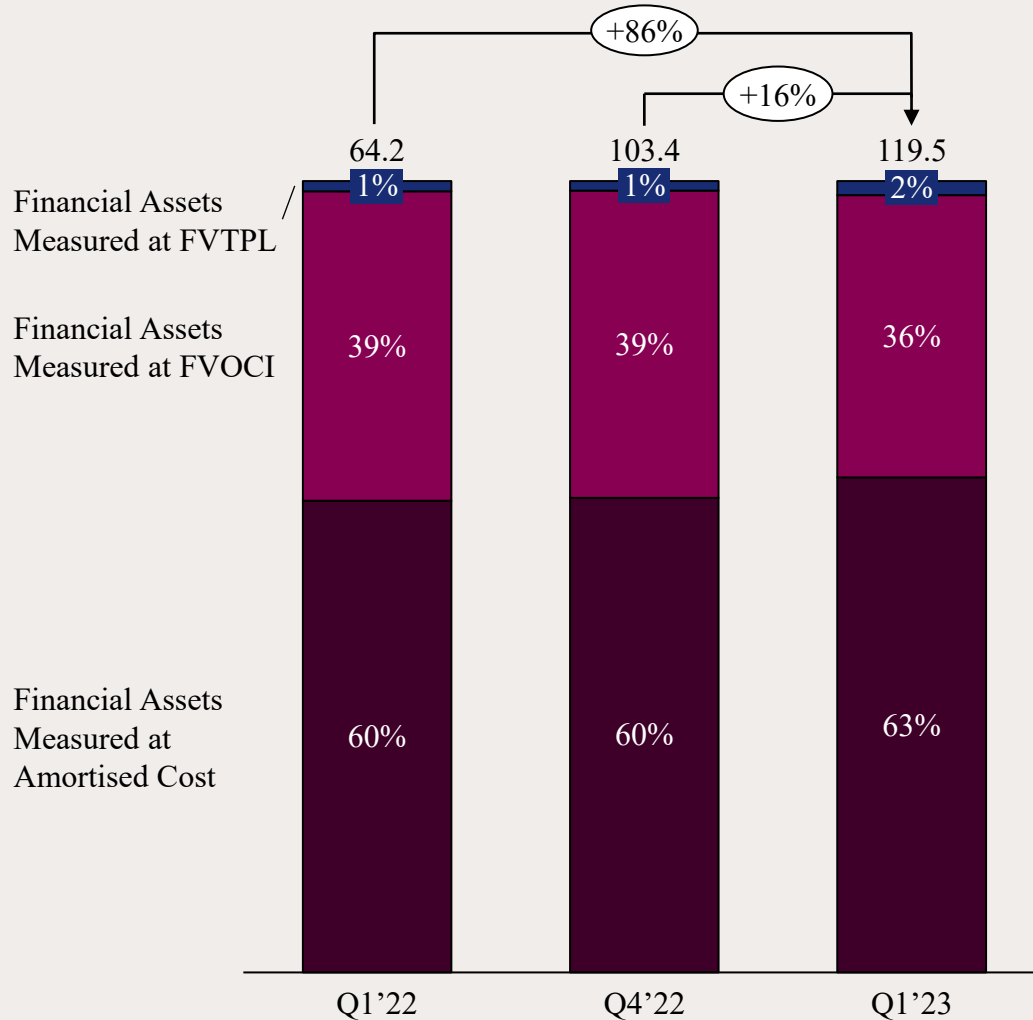


**Q1'23 CoR Breakdown (bps)**

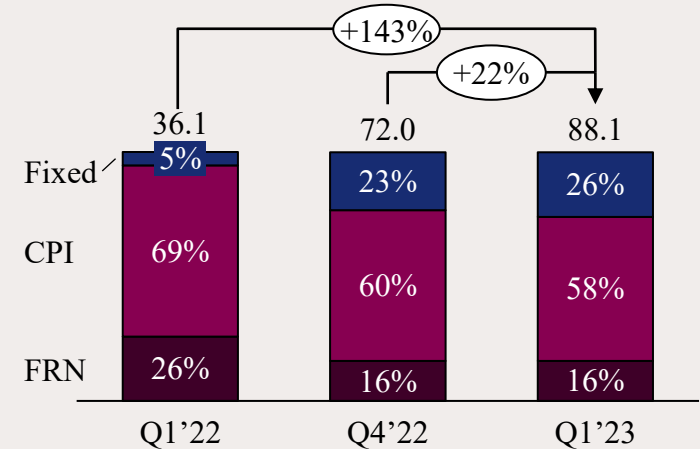


# 16% QoQ growth in securities portfolio: Fixed TL securities rose on account of increased maintenance requirements, as CPI linkers & FRNs accounted for 74% of TL portfolio

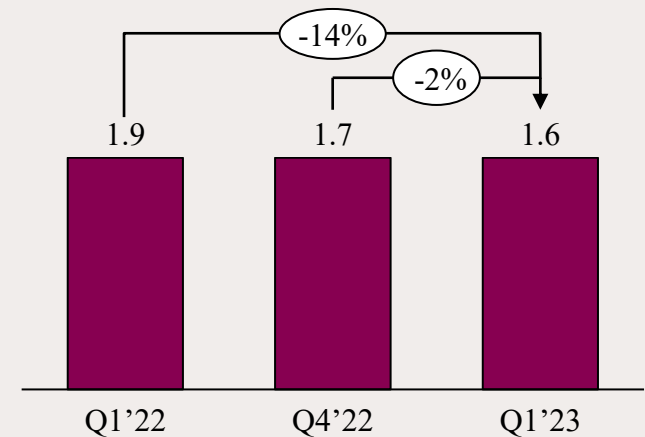
**Total Securities (TL bn)**



**TL Securities (TL bn)**

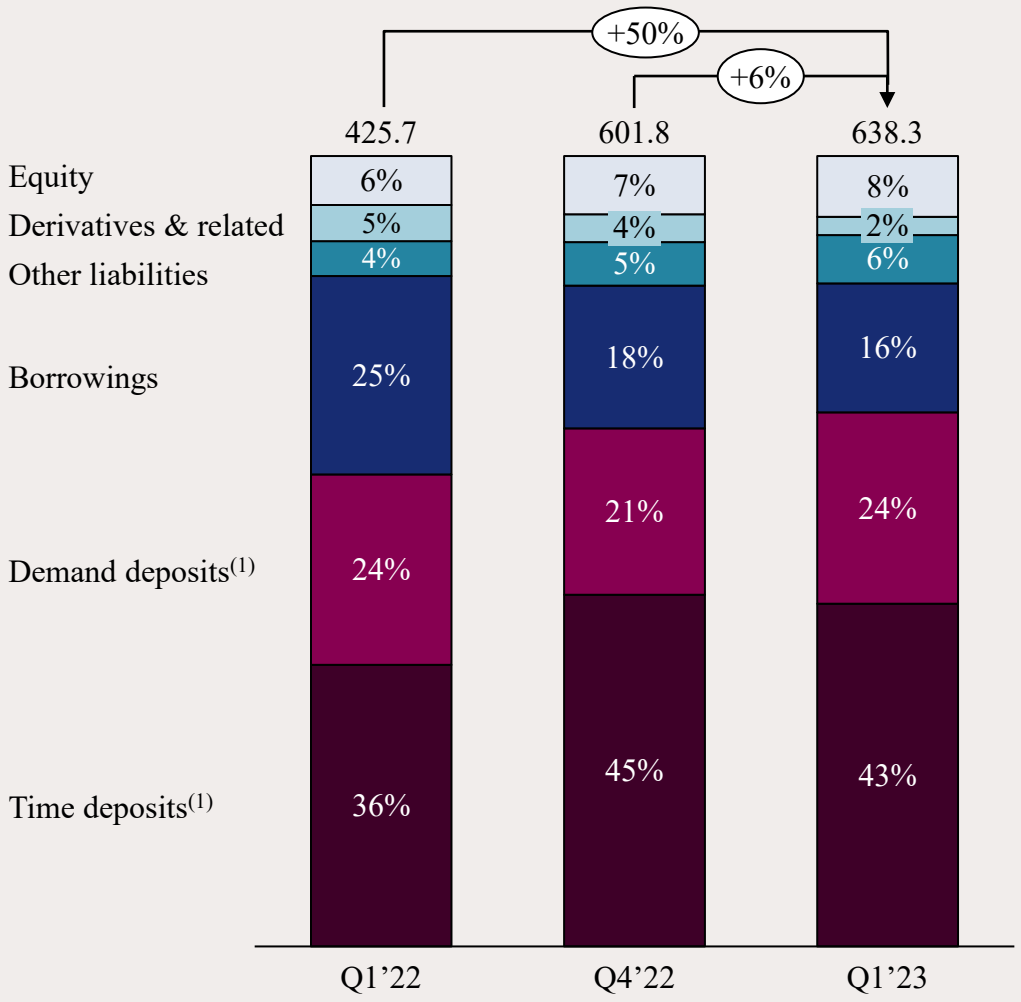


**FX Securities (USD bn)**

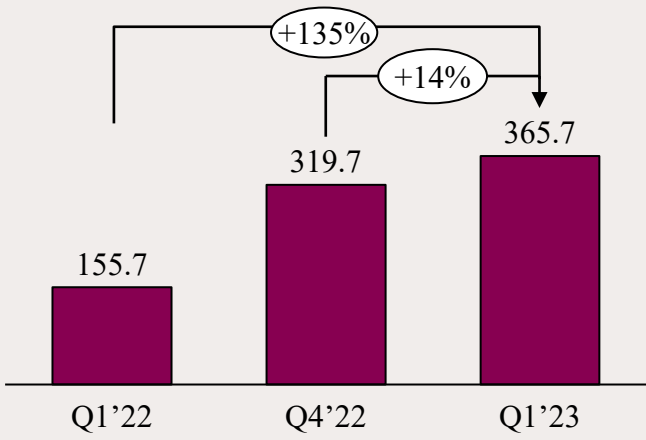


# Well-diversified & disciplined funding mix maintained with a continuous preference for TL funding

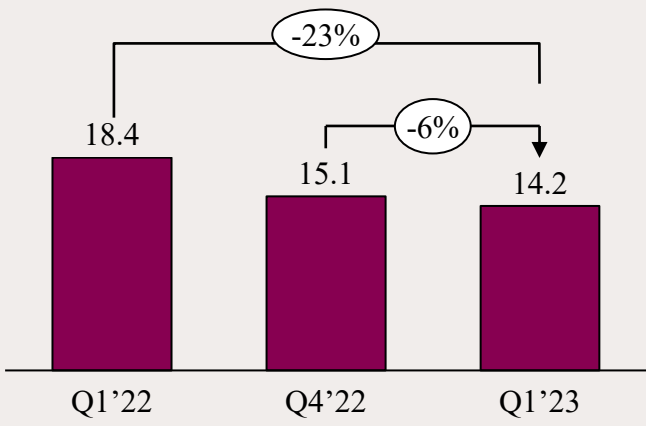
Total Liabilities (TL bn)



TL Liabilities (TL bn)



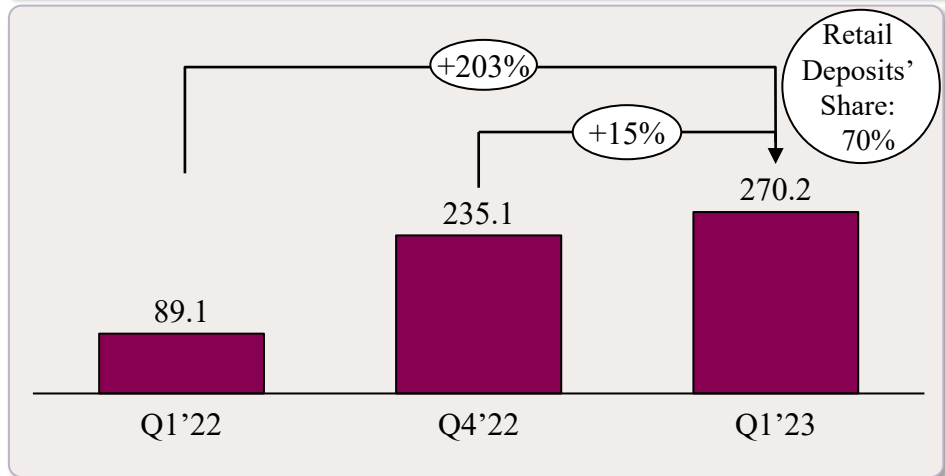
FX Liabilities (USD bn)



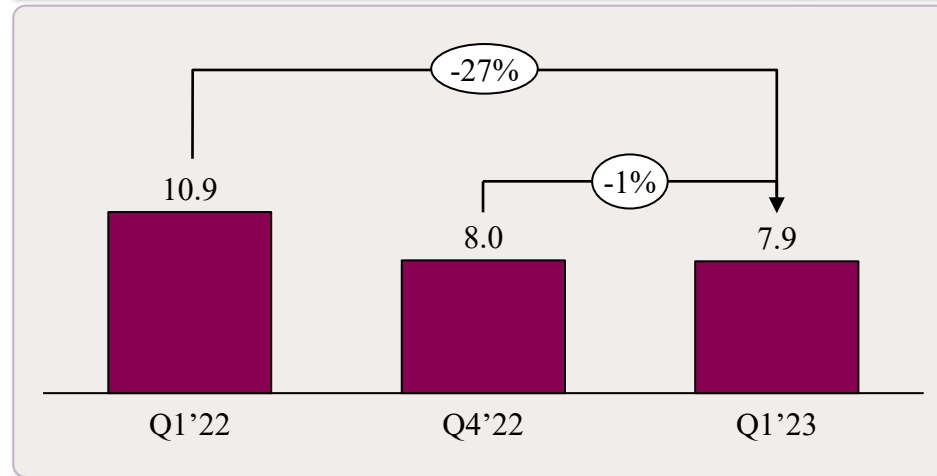
<sup>(1)</sup> Includes bank deposits

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

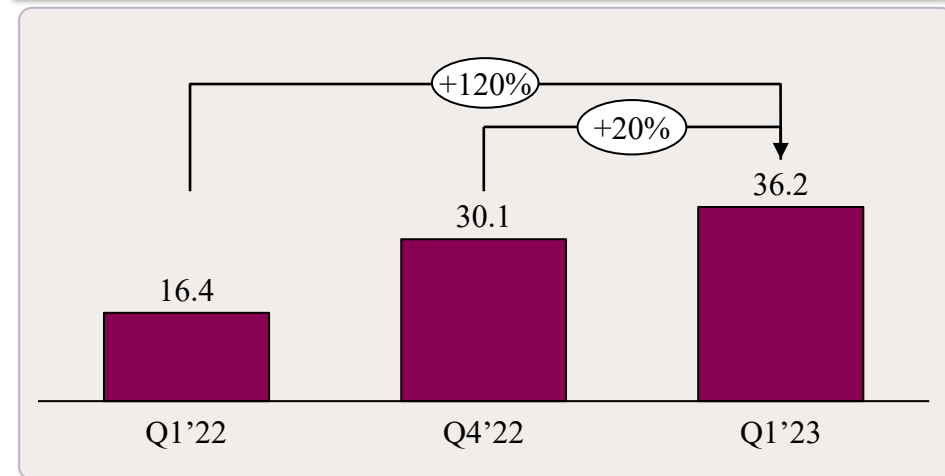
TL Customer Deposits (TL bn)



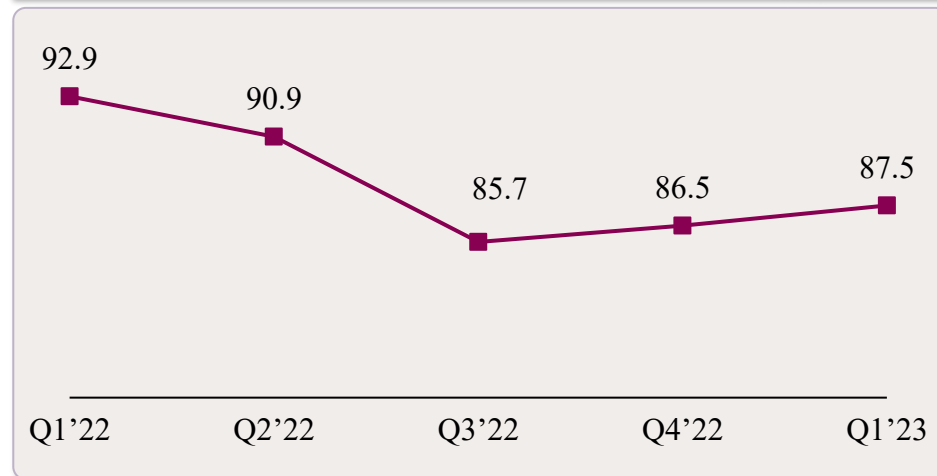
FX Customer Deposits (USD bn)



TL Customer Demand Deposits (TL bn, aop)

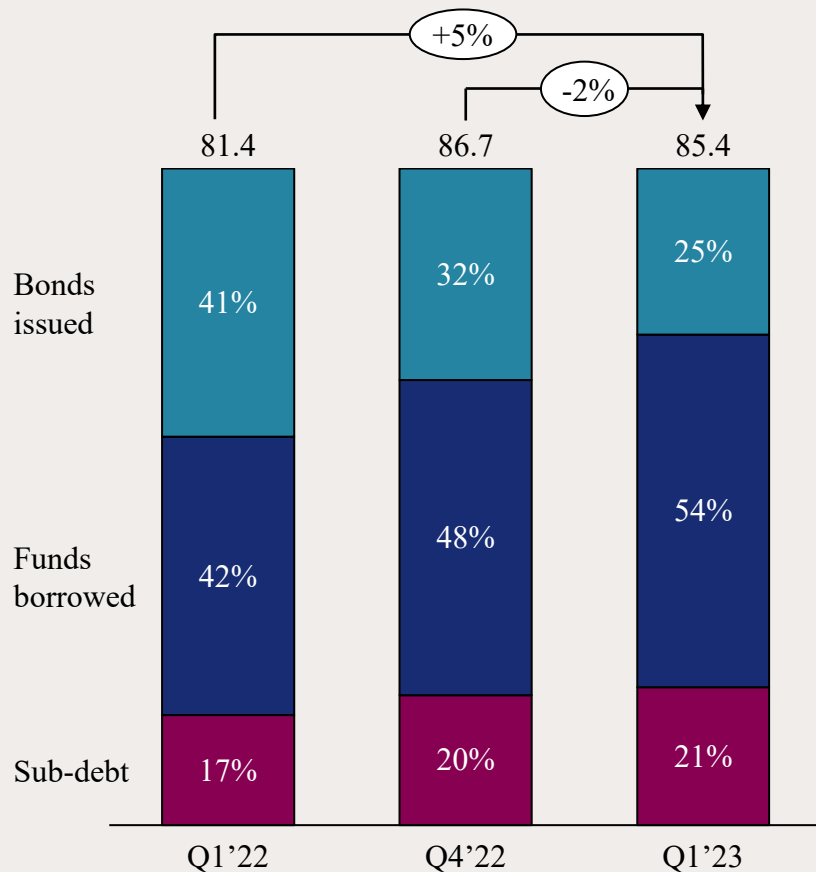


Loan-to-deposit-ratio<sup>(1)</sup> (%)

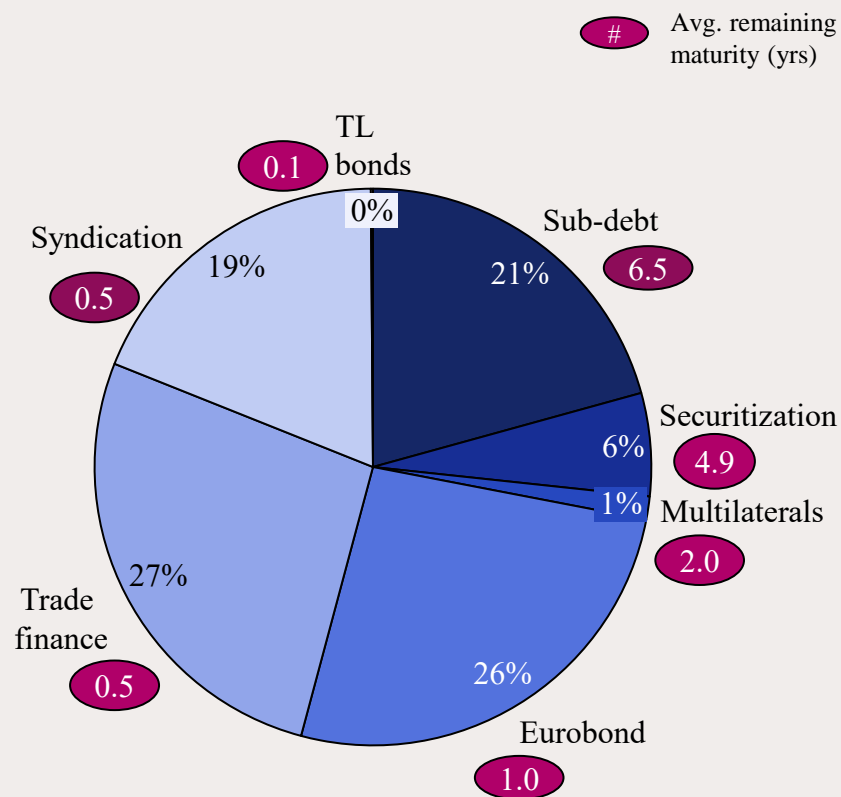


# Well-balanced wholesale borrowing mix has been actively managed with a cost-oriented approach, majority of FX wholesale funding have remaining maturity above 1 year

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

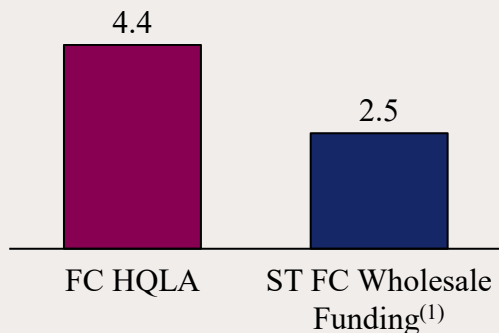


Wholesale Borrowings<sup>(1)</sup> Breakdown

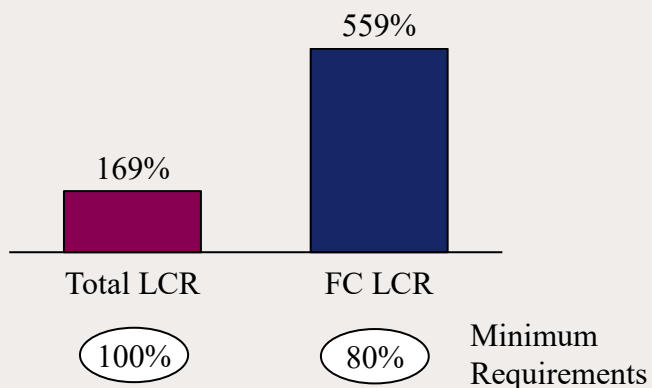


# Manageable external borrowings led to ample FC liquidity vis-a-vis short-term dues

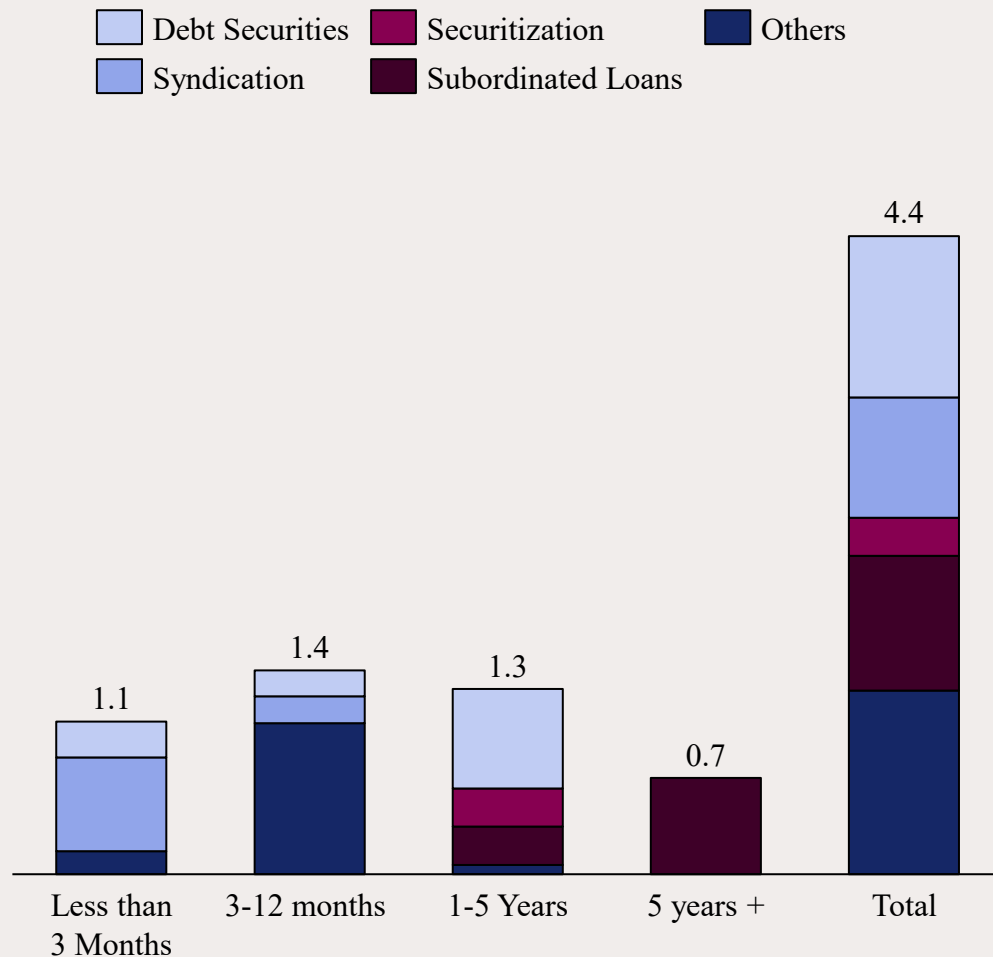
FC HQLA vs Short-term Dues (USD bn)



Liquidity Coverage Ratios (% eop)

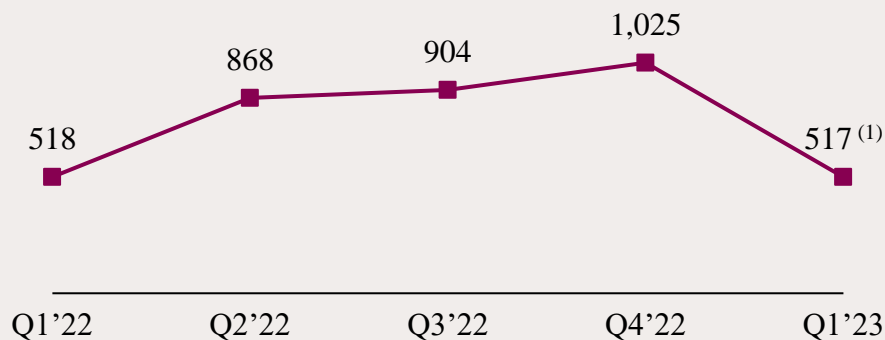


Maturity Profiles of FC Wholesale Funding (USD bn)

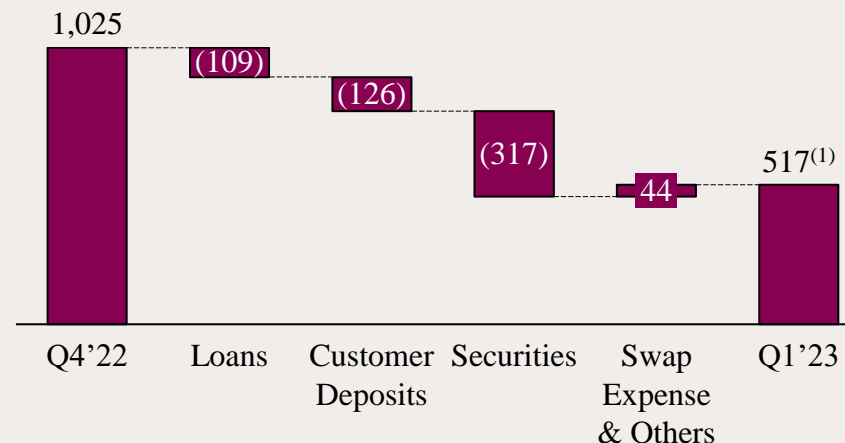


# TL spreads constrained by the prevailing interest rate caps and continuous increase in the deposits costs; as NIM further pressured by lower contribution from CPI linkers

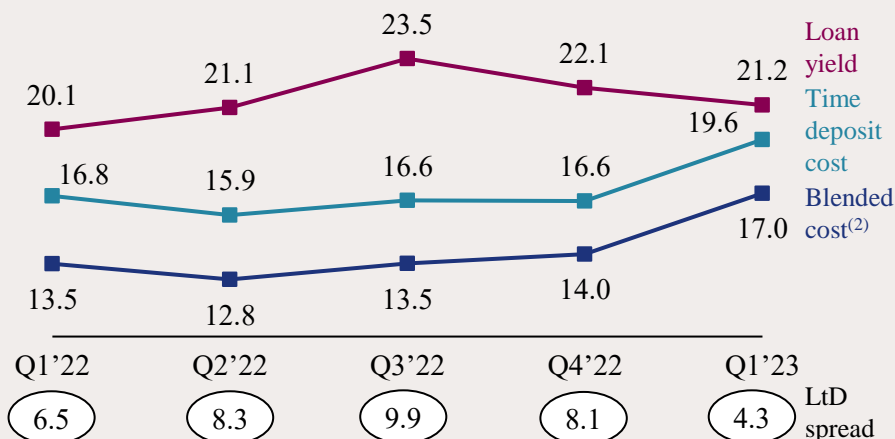
Quarterly NIM after Swap (bps)



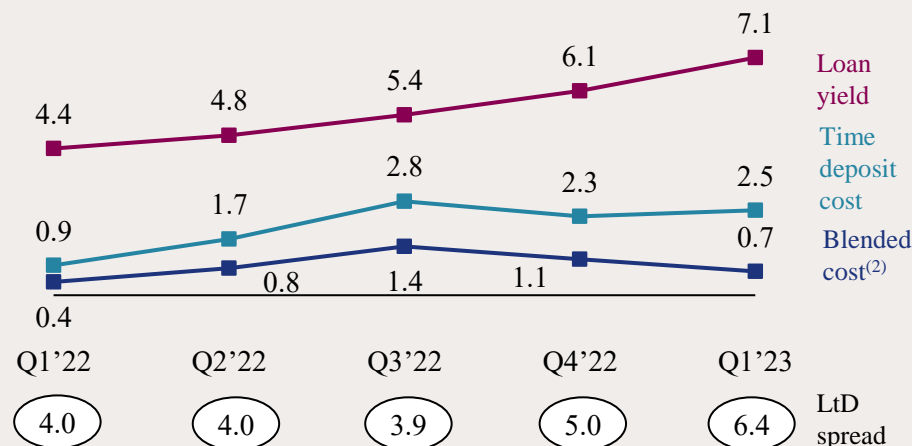
Quarterly NIM after Swap Evolution (bps)



TL Spread (% , quarterly)



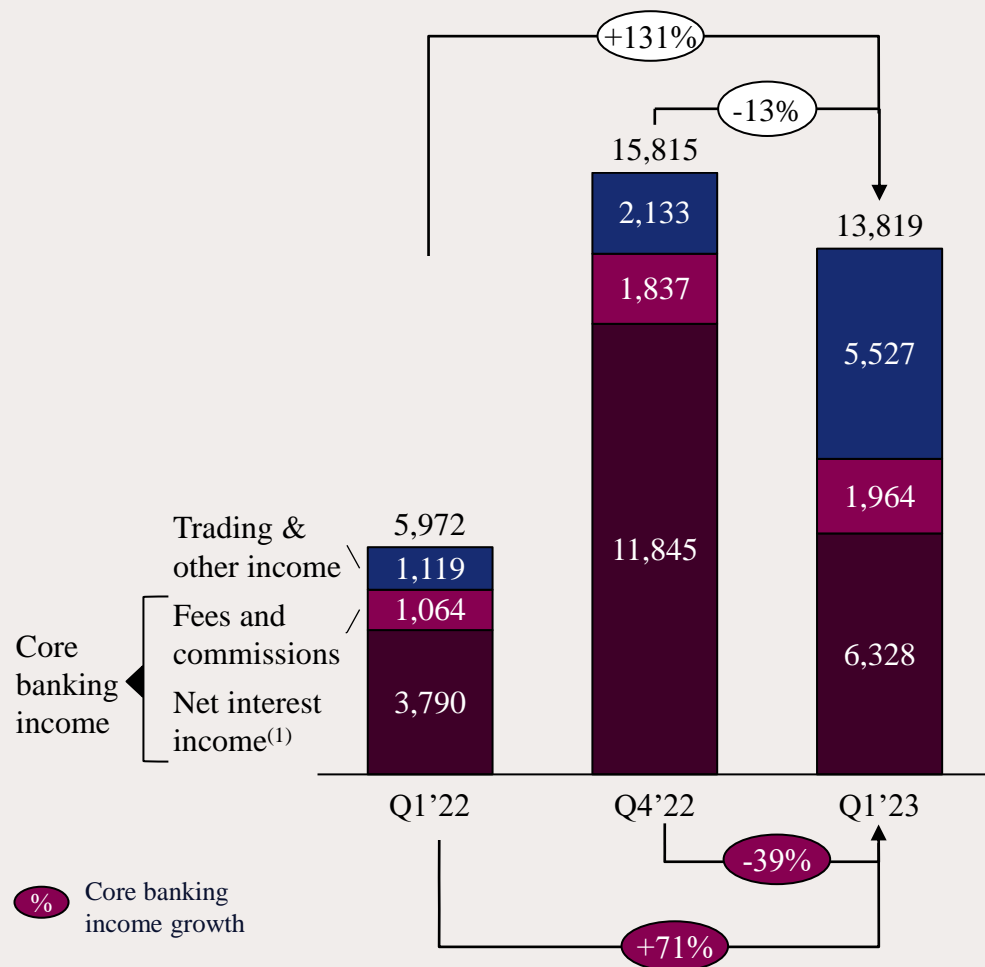
FX Spread (% , quarterly)



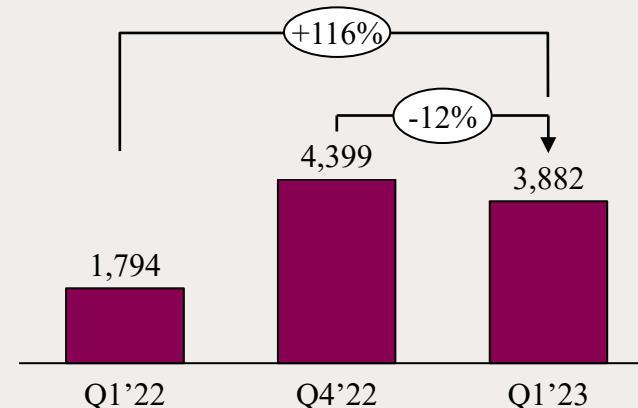


# Solid core banking income generation thanks to higher average volumes, boosting both NII and fees. Elevated inflation and TL depreciation reflected onto OPEX performance

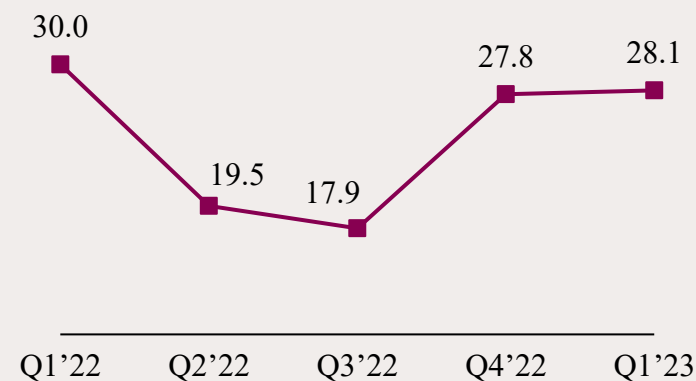
Total Operating Income (TL mn.)



OpEx (TL mn.)

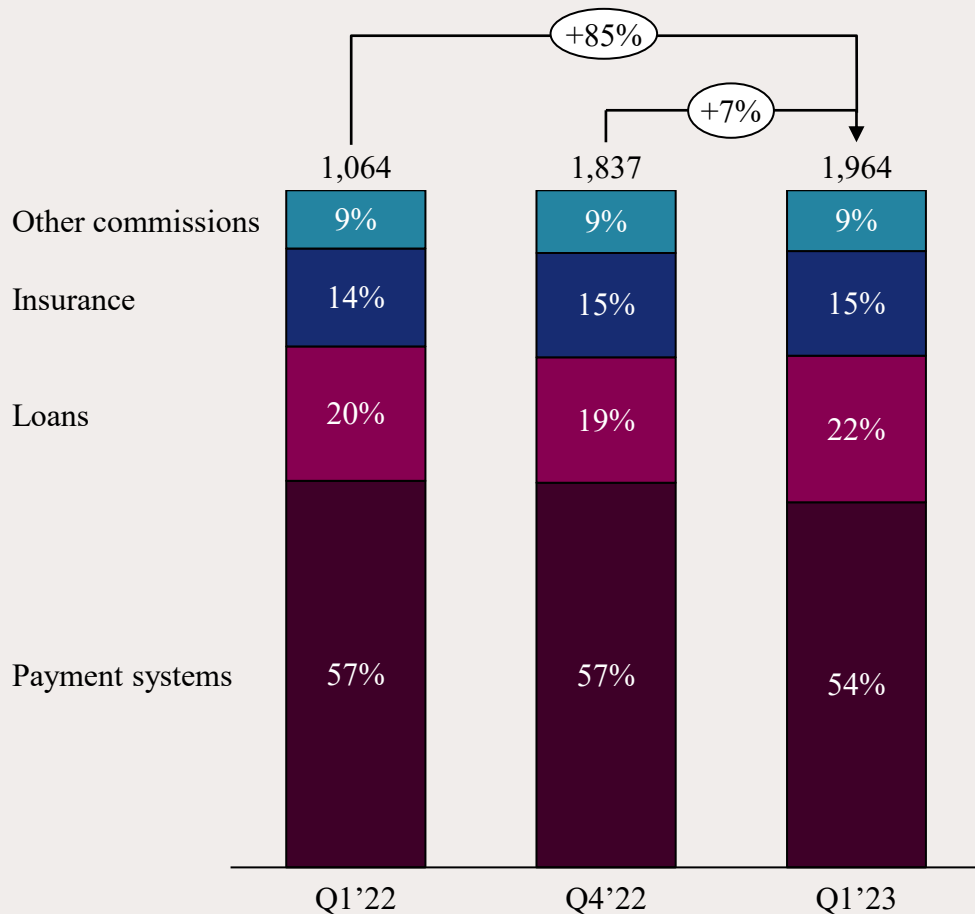


Cost / Income (%)

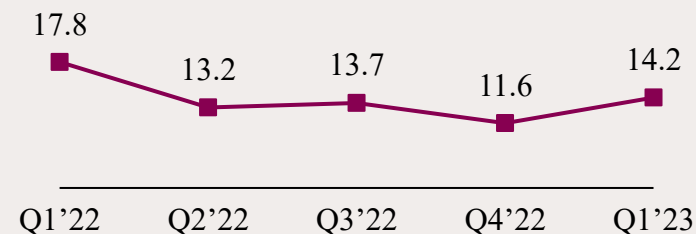


# Fees once again outperformed across the board, as commissions grew on the back of higher transaction volumes in banking and payment systems

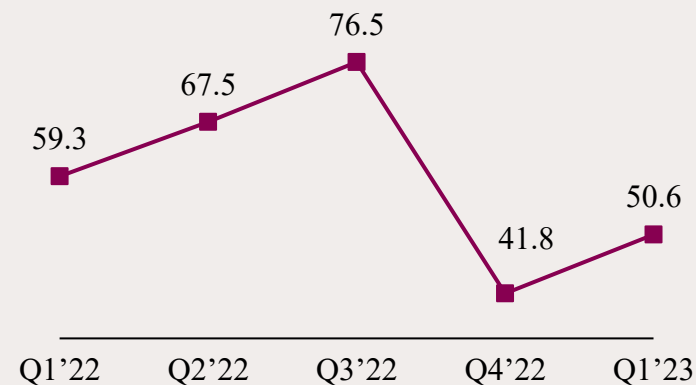
Net Fees and Commissions<sup>(1)</sup> (TL mn)



Fees / Total Income (%)

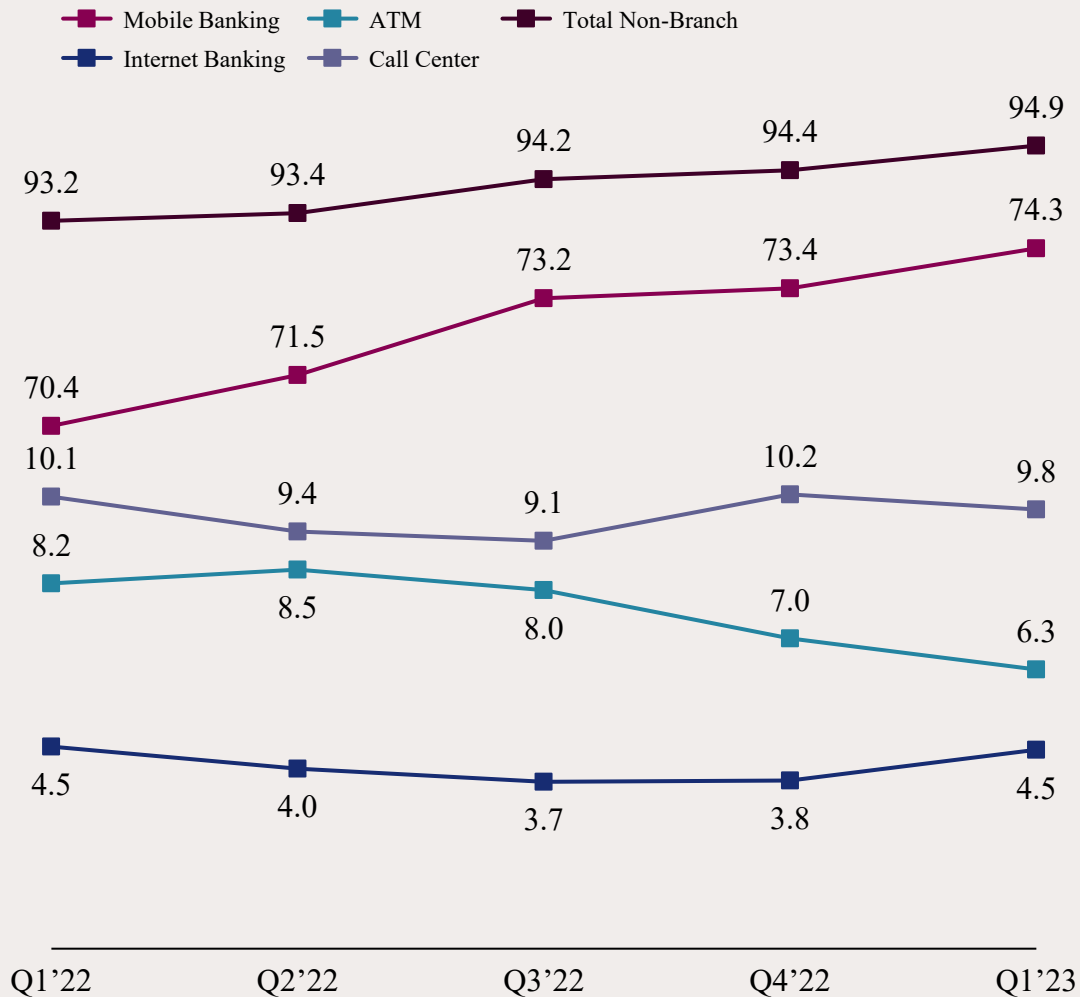


Fees / OpEx (%)

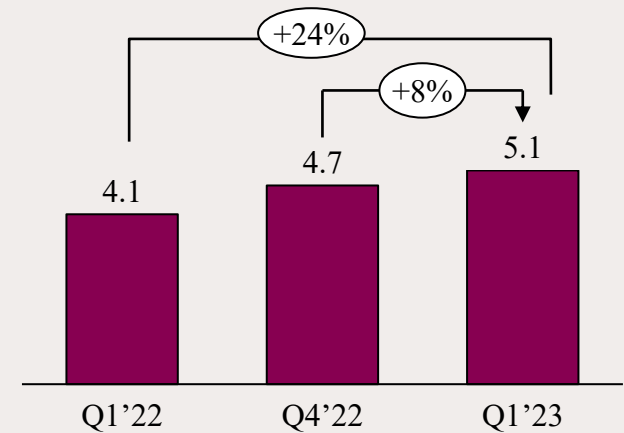


# Investment in digital transformation paved the road to a smooth, swift and persistent transition to digital channels

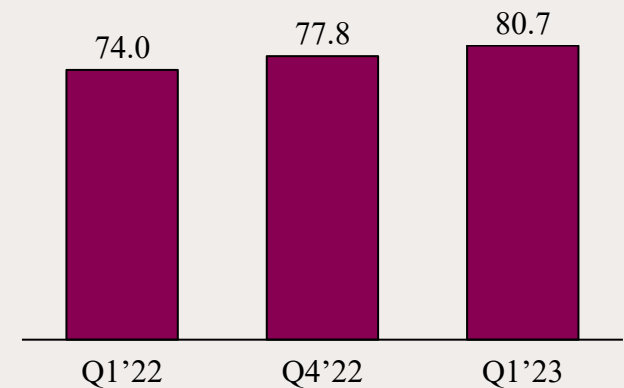
Share of Transactions Evolution in Non-Branch Channels (%)



Number of Digital Customers (mn.)



Active Digital<sup>(1)</sup> / 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 being 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

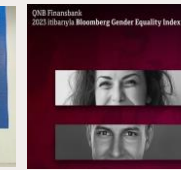
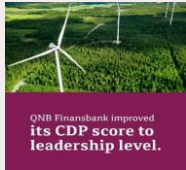
Clients' Transformation		QNB Finansbank Transformation	
<b>Environmental</b> <i>Carbon Footprint</i>	<b>Green Transformation</b> Climate Change Mitigation and Adaptation Responsible financing, products, services	<b>Operational Transformation</b> Business Continuity Digital Transformation Environmental Impact of Operations Responsible Procurement	
<b>Social</b> <i>Financial Health &amp; Inclusion</i>	<b>Responsible Transformation</b> Customer Experience and Satisfaction Financial Inclusion Financial Literacy	<b>Transformation of Finansçı</b> Talent Attraction Employee Engagement Equal Opportunity, Diversity Social and Community Investment	



# Sustainability at QNB Finansbank

## Our sustainable financing activities focus to deliver value with a purpose;

- Green Social Eligible Loans 47% of the Project Finance Portfolio
- Sustainability linked Funding ~28% of the Wholesale Funding 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
- Loans to women-led SMEs under the EBRD's Women in Business Programme
- ESG-Linked Syndicated Loan Facility
- ESG-Linked Repo Agreement & Swap Transaction
- QNB Finansbank Clean Energy Index launched at Borsa Istanbul



## We ensure climate friendly & responsible practices across all 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 Eyeband - Collaboration with BlindLook

## We support equal rights and opportunities for all genders;

- Listed in Bloomberg Gender Equality Index
- Gender Equality Guideline<sup>(1)</sup> with Kadir Has University
- QNB Finansbank's Gender Equality KPI's:
  - Reducing Gender Pay Gap
  - Training programs to promote equality in the workplace
  - Equal distribution of female and male candidates in the recruitment
  - Increasing Women Suppliers
  - Enhancing Child-care back-up Services
  - Increasing Women in Engineering & IT Roles

## We invest in children, Sustainability leaders of tomorrow;

- Tiny Hands Big Dreams
  - Touching the lives of 600,000 children
  - More than 60 projects
  - 4,000 "Volunteer Finansçı"
  - "Climate Protectors are Raising" Project with TEGV
  - Nature Pioneers Youth Programme with WWF Türkiye
  - "Don't Let Your Dreams Be Abandoned" scholarship project with TEV
  - "Success is Everywhere" Project with TED and Republic of Turkey Ministry of National Education

\* Excluding subloan <sup>(1)</sup>Gender Equality Guideline and targets are publicly released in April 2023

# 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

	<i>All figures quarterly</i>	<b>2021</b>	<b>2022</b>	<b>Q1'22</b>	<b>Q2'22</b>	<b>Q3'22</b>	<b>Q4'22</b>	<b>Q1'23</b>
<b>Profitability</b>	RoAE	19.0%	53.1%	39.9%	72.9%	44.0%	55.3%	57.6%
	RoAA	1.4%	3.5%	2.4%	4.6%	2.9%	3.9%	4.3%
	Cost / Income	37.8%	23.3%	30.0%	19.5%	17.9%	27.8%	28.1%
	NIM after swap expense	3.6%	8.6%	5.2%	8.7%	9.0%	10.3%	5.2%
<b>Liquidity</b>	Loans / Deposits <sup>(1)</sup>	90.1%	86.5%	92.9%	90.9%	85.7%	86.5%	87.5%
	LCR (aop)	145.5%	166.8%	181.0%	156.0%	174.2%	166.8%	177.2%
<b>Asset quality</b>	NPL Ratio	4.2%	2.5%	3.5%	2.9%	2.8%	2.5%	2.3%
	Cost of Risk	1.9%	1.8%	1.8%	3.1%	1.5%	1.0%	4.6%
<b>Solvency</b>	CAR	15.9%	15.1%	16.0%	14.7%	15.4%	15.1%	13.4%
	Tier I Ratio	12.8%	12.3%	12.8%	11.7%	12.4%	12.3%	10.8%
	Liability/Equity	16.8x	13.6x	16.2x	15.9x	14.5x	13.6x	13.0x



# BRSA Bank-Only Summary Financials<sup>(1)</sup>

## Income Statement

TL, mn	2021	2022	ΔYoY	Q1'22	Q1'23	ΔYoY
Net Interest Income (After Swap Expenses)	7,669	32,665	326%	3,790	6,328	67%
Net Fees & Commissions Income	3,391	6,128	81%	1,064	1,964	85%
Trading & Other Income	2,174	7,006	222%	1,119	5,527	394%
<b>Total Operating Income</b>	<b>13,234</b>	<b>45,799</b>	<b>246%</b>	<b>5,973</b>	<b>13,819</b>	<b>131%</b>
Operating Expenses	(5,003)	(10,666)	113%	(1,794)	(3,882)	116%
<b>Net Operating Income</b>	<b>8,231</b>	<b>35,133</b>	<b>327%</b>	<b>4,179</b>	<b>9,937</b>	<b>138%</b>
Provisions	(3,241)	(5,450)	68%	(1,087)	(4,478)	312%
Free Provisions	-	(5,400)	n.m.	-	(600)	n.m.
<b>Profit Before Tax</b>	<b>4,990</b>	<b>24,283</b>	<b>387%</b>	<b>3,092</b>	<b>4,859</b>	<b>57%</b>
Tax Expenses	(1,062)	(7,059)	565%	(709)	1,774	-350%
<b>Profit After Tax</b>	<b>3,928</b>	<b>17,224</b>	<b>338%</b>	<b>2,383</b>	<b>6,633</b>	<b>178%</b>

## Balance Sheet

TL, mn	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	ΔQoQ	ΔYoY
Cash & Banks <sup>(1)</sup>	87,806	101,692	115,081	113,652	96,315	-15%	10%
Securities	64,367	77,322	93,793	103,354	119,522	16%	86%
Net Loans	253,937	294,050	304,862	344,957	377,449	9%	57%
Fixed Asset and Investments <sup>(2)</sup>	4,754	4,887	8,308	9,710	13,011	34%	85%
Other Assets	28,604	33,442	33,100	30,082	31,997	6%	23%
<b>Total Assets</b>	<b>439,469</b>	<b>511,392</b>	<b>555,144</b>	<b>601,755</b>	<b>638,294</b>	<b>6%</b>	<b>50%</b>
Deposits	253,368	303,408	350,447	394,284	431,361	9%	70%
Customer	247,533	295,373	340,754	384,058	421,793	10%	70%
Bank	5,835	8,035	9,693	10,226	9,568	-6%	64%
Borrowings	119,743	131,895	114,669	108,650	103,976	-4%	-3%
Bonds Issued	34,600	25,829	25,861	27,940	21,568	-23%	-35%
Funds Borrowed	45,161	47,653	42,453	41,653	45,887	10%	33%
Sub-debt	13,622	15,238	17,262	17,128	17,936	5%	32%
Repo	26,359	43,175	29,093	21,929	18,585	-15%	-27%
Other	40,027	44,817	51,707	54,555	53,823	-1%	41%
Equity	26,331	31,272	38,321	44,266	49,134	11%	87%
<b>Total Liabilities &amp; Equity</b>	<b>439,469</b>	<b>511,392</b>	<b>555,144</b>	<b>601,755</b>	<b>638,294</b>	<b>6%</b>	<b>50%</b>

# BRSA Consolidated Key Financial Ratios

	<i>All figures quarterly</i>	2021	2022	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23
Profitability	RoAE	18.9%	53.0%	39.9%	72.9%	44.0%	55.3%	57.6%
	RoAA	1.4%	3.4%	2.3%	4.4%	2.8%	3.8%	4.2%
	Cost / Income	38.0%	23.9%	30.7%	20.2%	18.5%	28.2%	30.3%
	NIM after swap expense	3.7%	8.7%	5.2%	8.7%	9.1%	10.5%	5.5%
Liquidity	Loans / Deposits <sup>(1)</sup>	91.7%	91.6%	97.7%	95.0%	89.5%	90.4%	91.6%
	LCR (aop)	144.1%	159.8%	175.1%	152.5%	165.3%	159.8%	171.9%
Asset quality	NPL Ratio	4.2%	2.5%	3.5%	2.9%	2.8%	2.5%	2.3%
	Cost of Risk	1.9%	1.8%	1.8%	3.0%	1.4%	1.0%	4.3%
Solvency	CAR	15.2%	14.5%	15.3%	14.1%	14.8%	14.5%	12.8%
	Tier I Ratio	12.2%	11.6%	12.2%	11.2%	11.9%	11.6%	10.3%
	Liability/Equity	17.3x	14.0x	16.7x	16.4x	14.9x	14.0x	13.4x

# BRSA Consolidated Summary Financials

## Income Statement

TL, mn	2021	2022	ΔYoY	Q1'22	Q1'23	ΔYoY
Net Interest Income (After Swap Expenses)	8,150	33,836	315%	3,958	6,937	75%
Net Fees & Commissions Income	3,682	6,689	82%	1,173	2,400	105%
Trading & Other Income	2,068	6,373	208%	1,041	5,188	398%
<b>Total Operating Income</b>	<b>13,900</b>	<b>46,898</b>	<b>237%</b>	<b>6,172</b>	<b>14,525</b>	<b>135%</b>
Operating Expenses	(5,278)	(11,207)	112%	(1,896)	(4,395)	132%
<b>Net Operating Income</b>	<b>8,622</b>	<b>35,690</b>	<b>314%</b>	<b>4,276</b>	<b>10,129</b>	<b>137%</b>
Provisions	(3,487)	(5,636)	62%	(1,116)	(4,458)	300%
Free Provisions	-	(5,400)	n.m.	-	(600)	n.m.
<b>Profit Before Tax</b>	<b>5,135</b>	<b>24,654</b>	<b>380%</b>	<b>3,160</b>	<b>5,071</b>	<b>61%</b>
Tax Expenses	(1,227)	(7,428)	505%	(776)	1,561	-301%
<b>Profit After Tax</b>	<b>3,908</b>	<b>17,226</b>	<b>341%</b>	<b>2,384</b>	<b>6,633</b>	<b>178%</b>

## Balance Sheet

TL, mn	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	ΔQoQ	ΔYoY
Cash & Banks <sup>(1)</sup>	87,806	101,692	115,322	114,128	98,352	-14%	12%
Securities	64,367	77,322	94,103	103,820	120,774	16%	88%
Net Loans <sup>(2)</sup>	253,937	294,050	320,107	363,105	395,591	9%	56%
Fixed Asset and Investments	4,754	4,887	5,290	6,308	8,556	36%	80%
Other Assets	28,604	33,442	36,372	33,784	36,604	8%	28%
<b>Total Assets</b>	<b>439,469</b>	<b>511,392</b>	<b>571,193</b>	<b>621,144</b>	<b>659,877</b>	<b>6%</b>	<b>50%</b>
Deposits	253,368	303,408	349,677	392,763	429,396	9%	69%
Customer	247,533	295,373	339,984	382,537	419,828	10%	70%
Bank	5,835	8,035	9,693	10,226	9,568	-6%	64%
Borrowings	119,743	131,895	129,479	127,441	123,585	-3%	3%
Bonds Issued	34,600	25,829	28,607	32,017	23,917	-25%	-31%
Funds Borrowed	45,161	47,653	53,075	55,217	61,352	11%	36%
Sub-debt	13,622	15,238	17,262	17,128	17,936	5%	32%
Repo	26,359	43,175	30,535	23,079	20,381	-12%	-23%
Other	40,027	44,817	53,707	56,664	57,751	2%	44%
Equity	26,331	31,272	38,331	44,276	49,145	11%	87%
<b>Total Liabilities &amp; Equity</b>	<b>439,469</b>	<b>511,392</b>	<b>571,193</b>	<b>621,144</b>	<b>659,877</b>	<b>6%</b>	<b>50%</b>

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