



# QNB Finansbank Q2'23 Earnings Presentation

Based on BRSA Unconsolidated Financial Statements  
July 2023

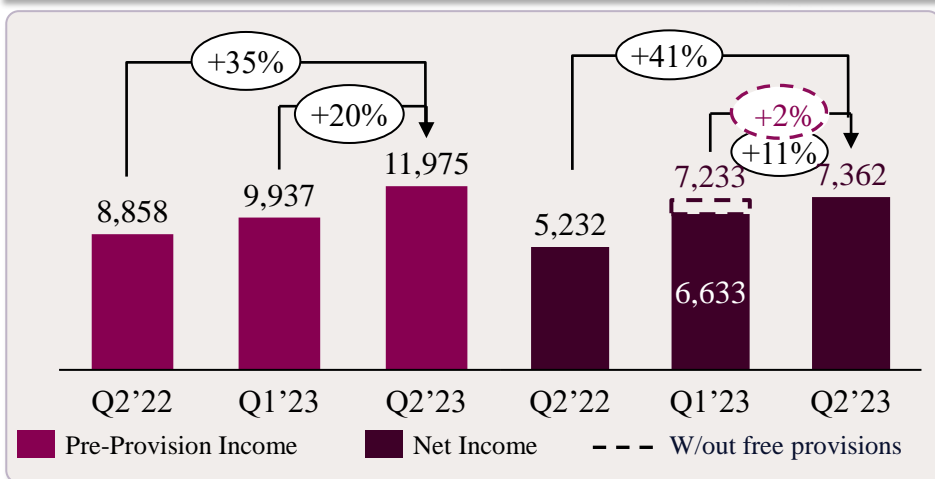
## Period Highlights

- ✓ Q2'23 net profit was up by 11% QoQ and 41% YoY at TL 7,362 million, pointing to an exceptional ROE of 56.7%. Decline in the NII due to regulation-induced TL spread contraction was compensated by robust performance in Fees&Commissions coupled with strong trading income.
- ✓ Solid loan growth (20%<sup>(1)</sup> QoQ & 33% YtD) maintained in the second quarter of the year, while Customer Deposits, as the major source of funding, fared relatively parallel to loans with a growth of 19%<sup>(1)</sup> QoQ and 31% YtD 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 a mere 1% QoQ and 17% YtD, while share of fixed TL retreated by a 6 pp within a quarter. Floating or indexed TL securities accounted for 80% of TL portfolio, as CPI linkers, which offer hedge against inflation, accounted for 61% of the portfolio.
- ✓ Operating expenses remained main focus area given elevated inflation level, as continued shift to digitalization helped to contain expenses. Even with soaring inflation and material TL depreciation, Cost/Income ratio came below the historical averages at 26% in Q2'23, on the back of solid income performance. Fee alone covered 68% of OPEX in Q2'23.
- ✓ CAR of 14.5% and Tier 1 of 11.6% point to comfortable buffers over minimum requirements, while TL 6 bn free provision stock provides an additional buffer on all ratios.

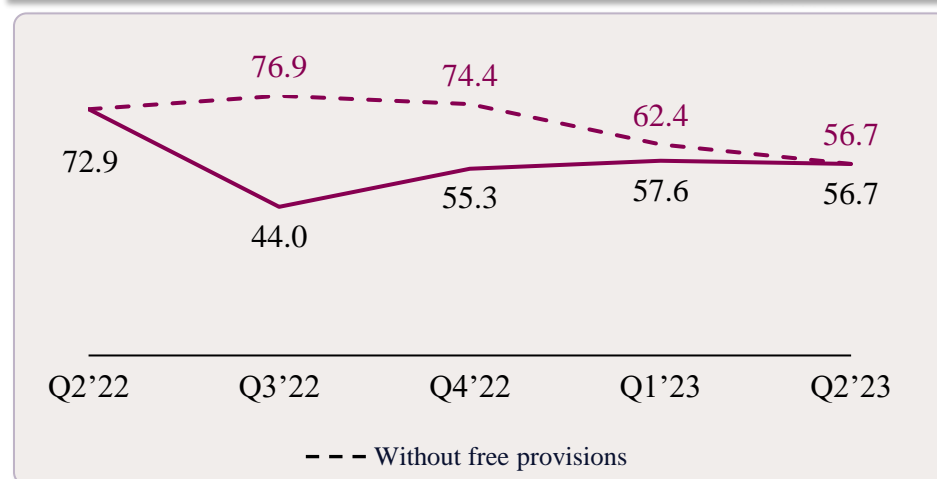
<sup>(1)</sup> BRSA Weekly Banking Sector data compared vis-a-vis QNBFB data as of 27 June 2023.

# Robust ROE sustained thanks to resilient operating performance, safeguarded with conservative buffers

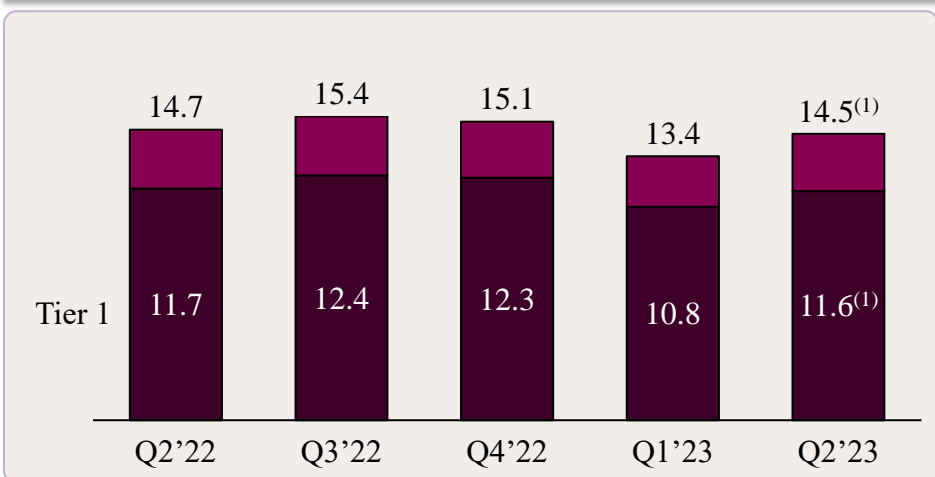
Pre-Provision Income & Net Income (TL mn.)



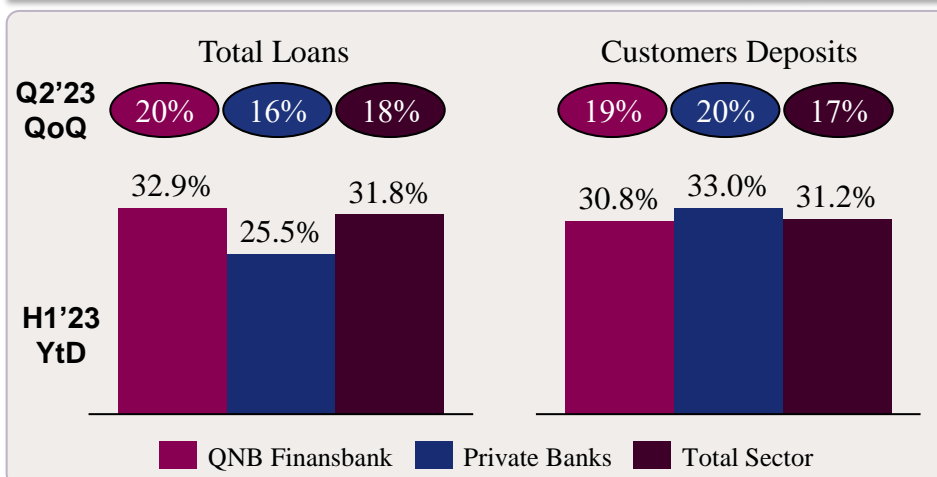
Quarterly RoAE (%)



CAR (%)

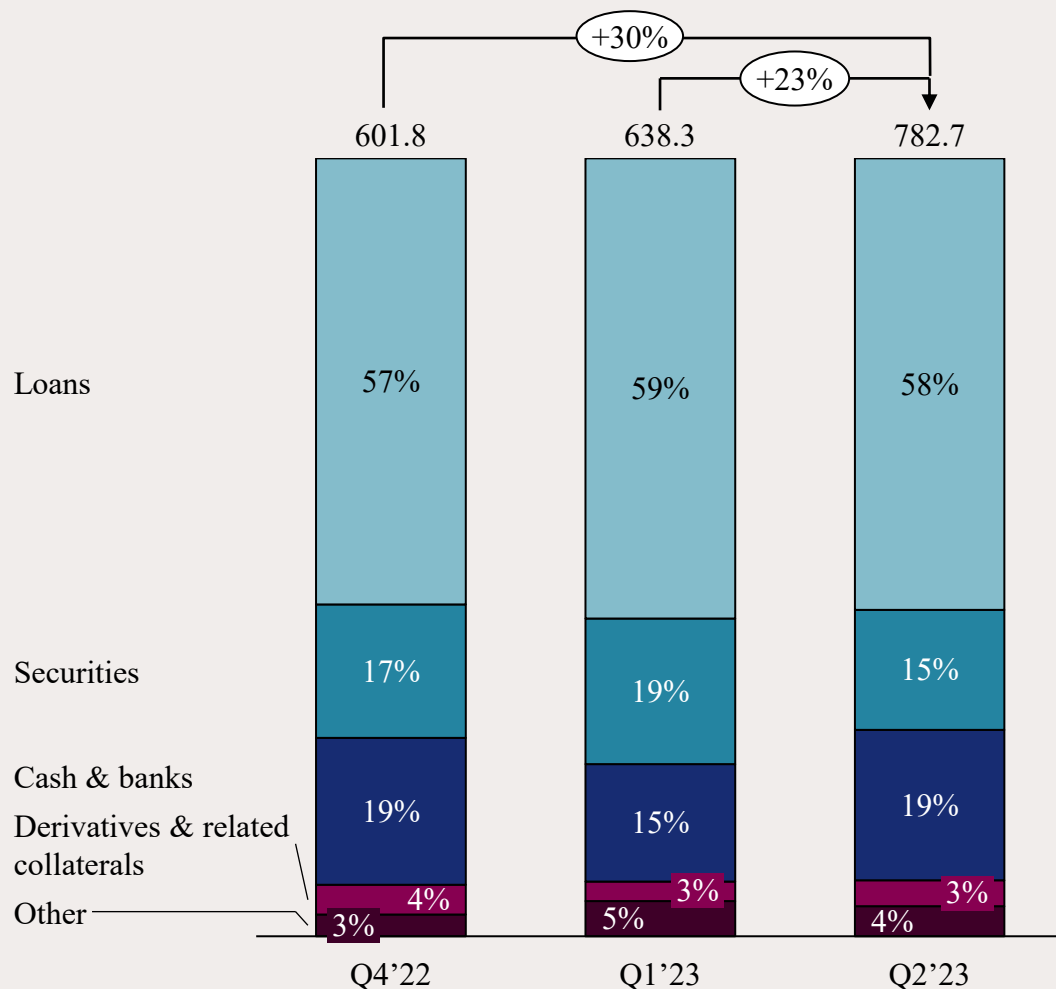


Total Loans & Deposits Growth<sup>(2)</sup> (%)

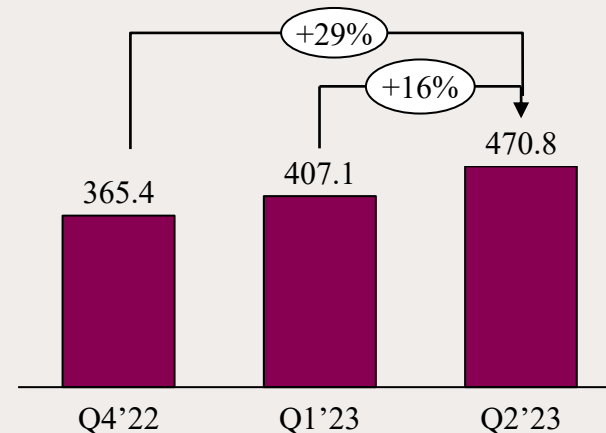


# Well-balanced asset base grew by 30% YtD, reaching TL 783 bn, as net loans accounted for 58% of assets, reflecting Bank's commitment to support the economy

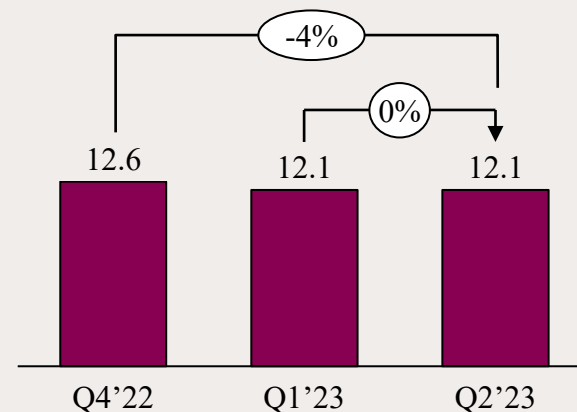
Total Assets (TL bn)



TL Assets (TL bn)

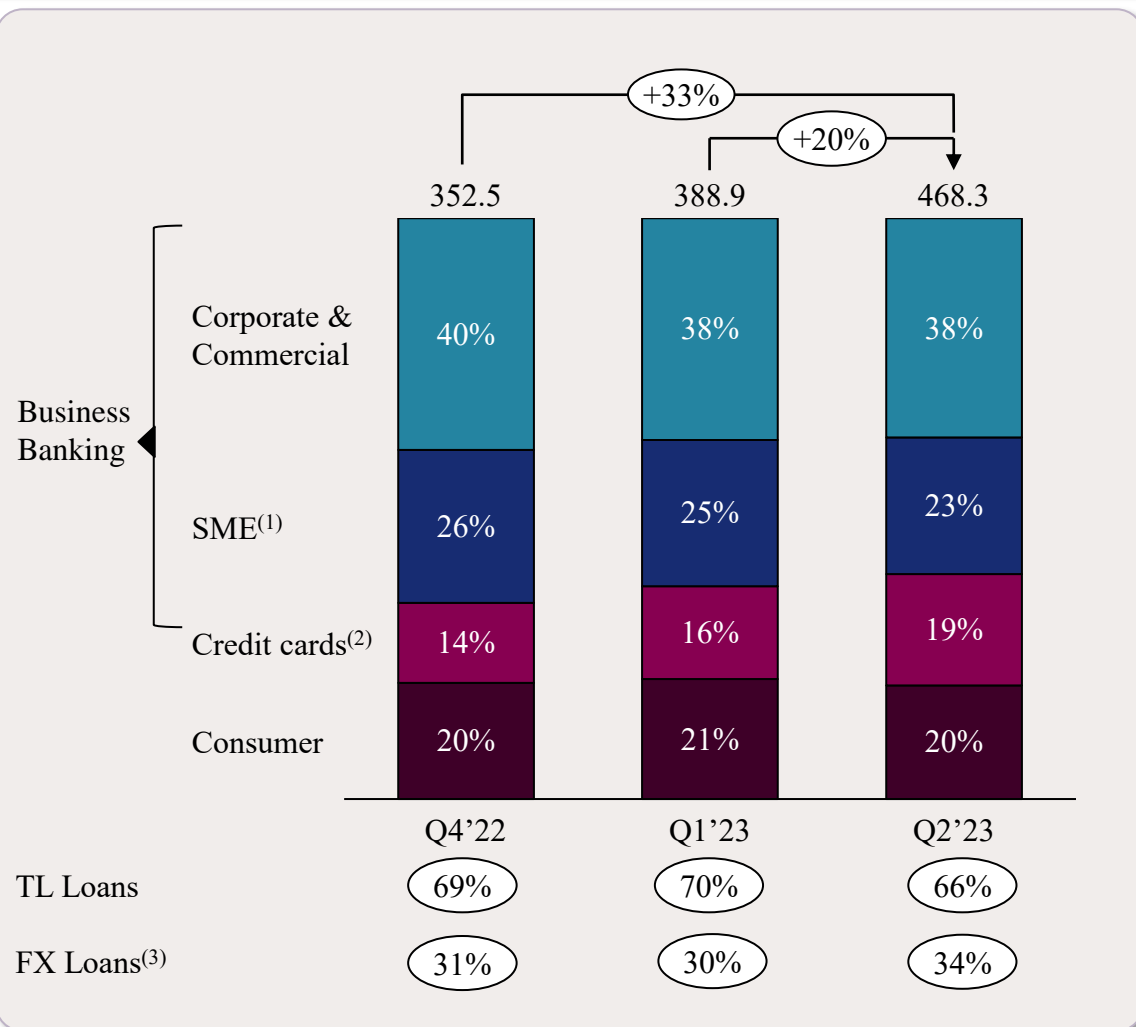


FX Assets<sup>(1)</sup> (USD bn)

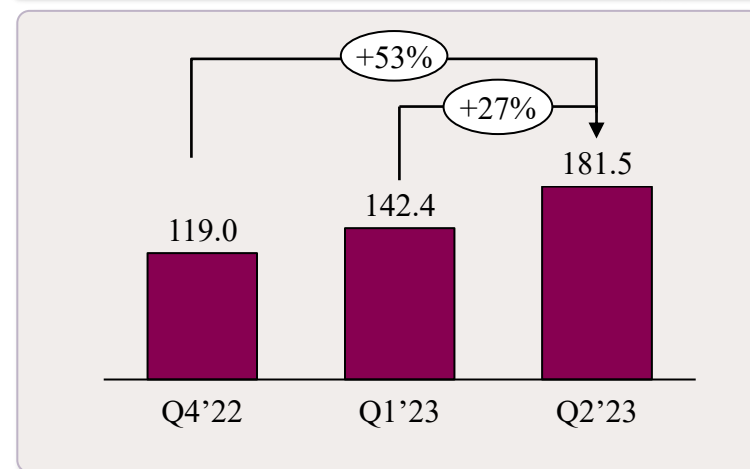


# Loan growth performance stood strong supported by all businesses. FX loans' share slightly inched up in Q2'23, mainly due to material TL devaluation in the quarter

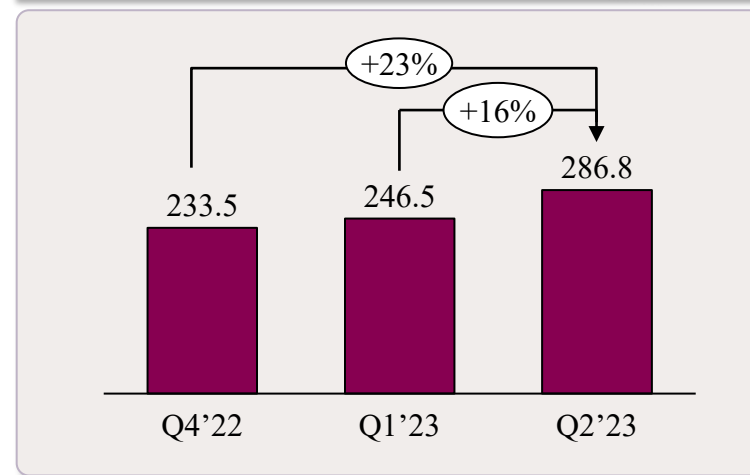
Performing Loans by Segment and Currency (TL bn)



Retail Loans (TL bn)

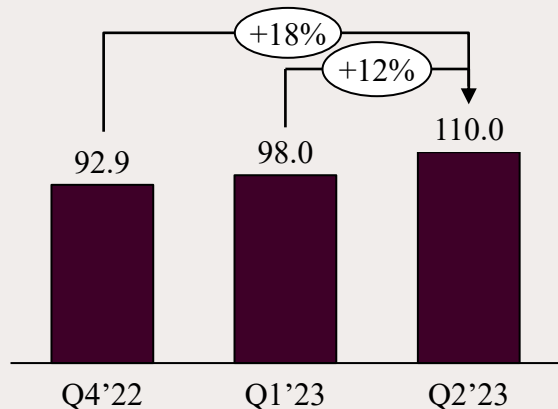


Business Loans (TL bn)

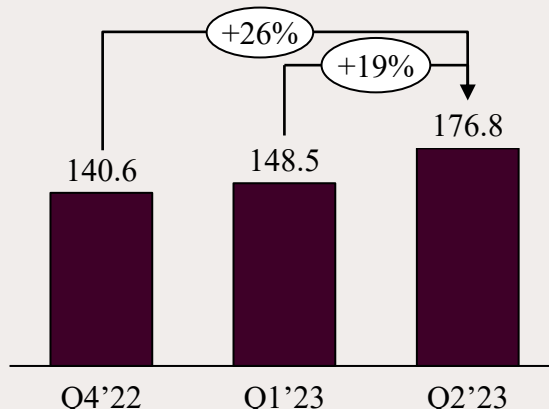


# Business Banking growth was across the board, while Credit Cards and General Purpose Loans remained focus areas at Retail Lending

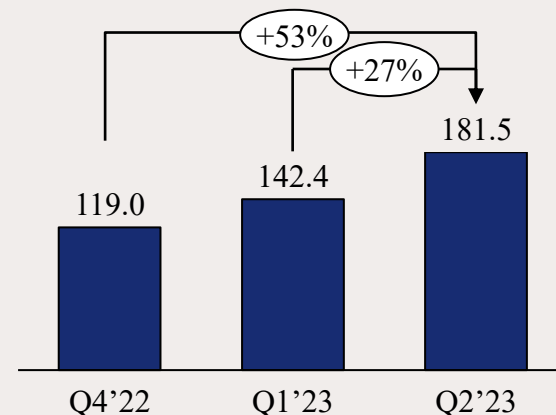
**SME Loans<sup>(1)</sup> (TL bn)**



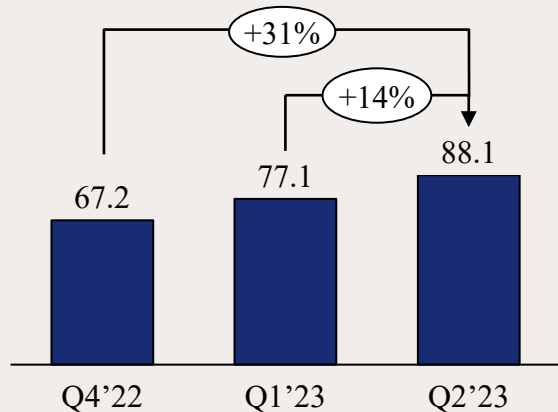
**Corporate & Commercial Loans (TL bn)**



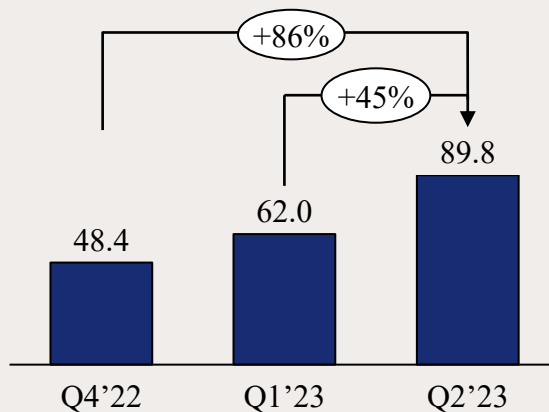
**Retail Loans (TL bn)**



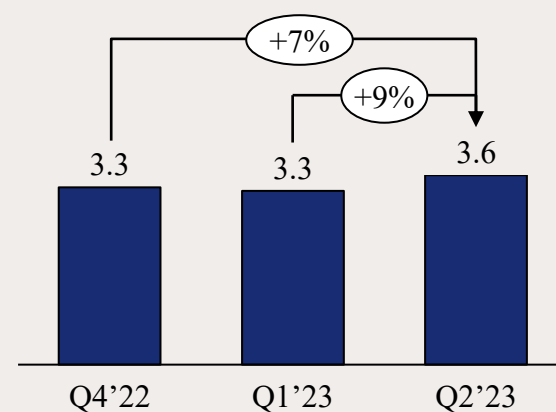
**General Purpose Loans<sup>(2)</sup> (TL bn)**



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

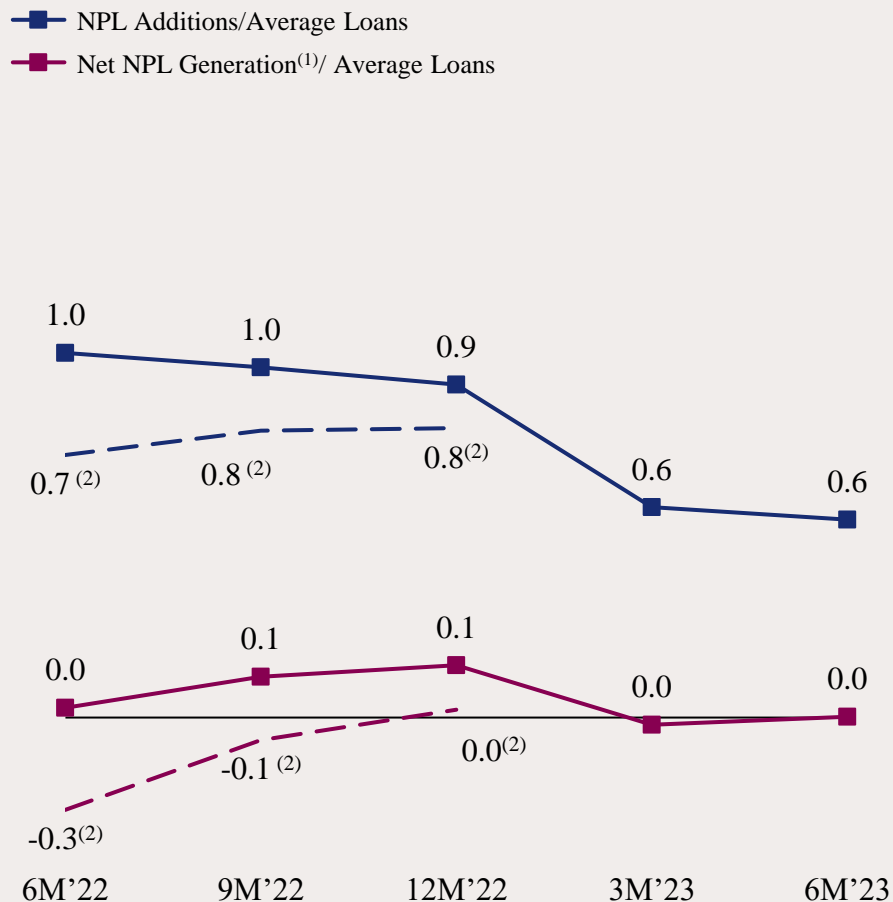


**Mortgage Loans (TL bn)**

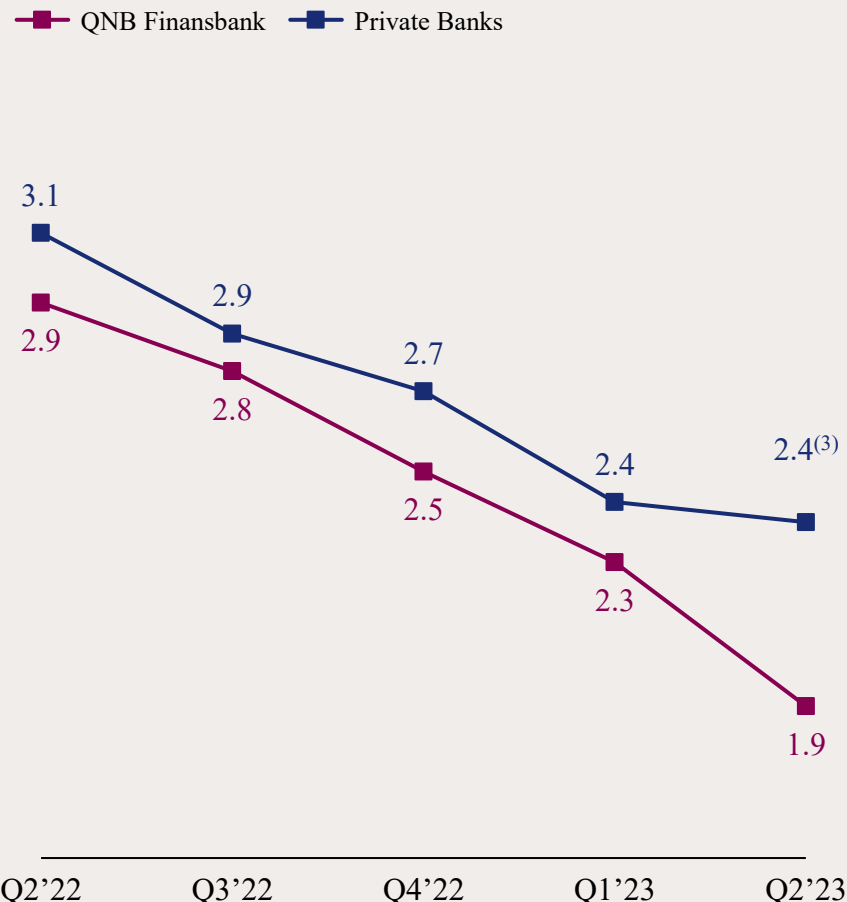


# Muted net NPL generation for the sixth consecutive quarter in a row. Along with strong collection performance and very low NPL inflow, NPL ratio continued to improve beyond private banks

NPL Additions / Average Loans (%)



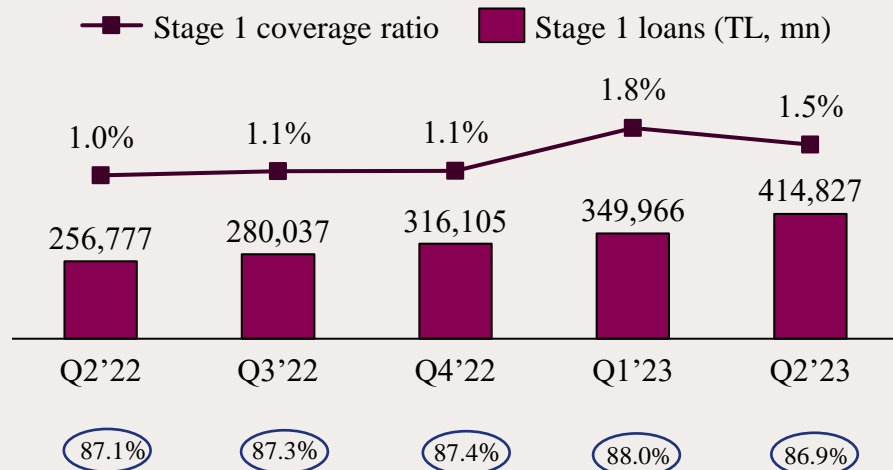
NPL Ratio (%)



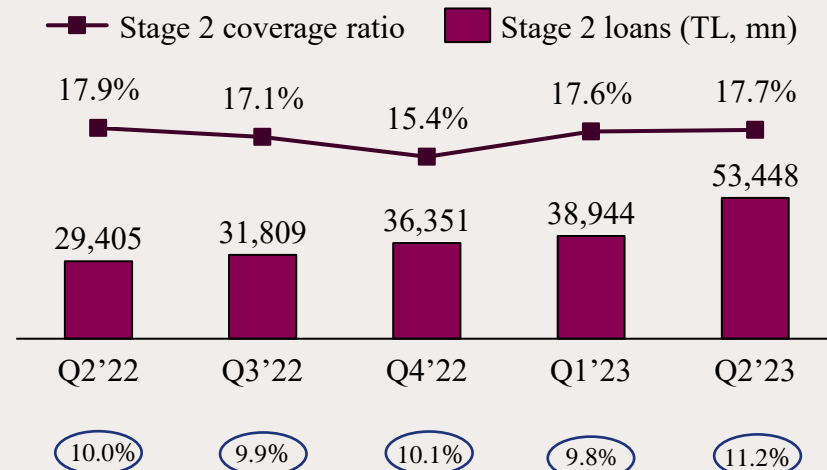


# Conservative provisioning stance geared up with additional macro overlay for potential earthquake risks, further reinforcing provision buffers even with strong loan growth

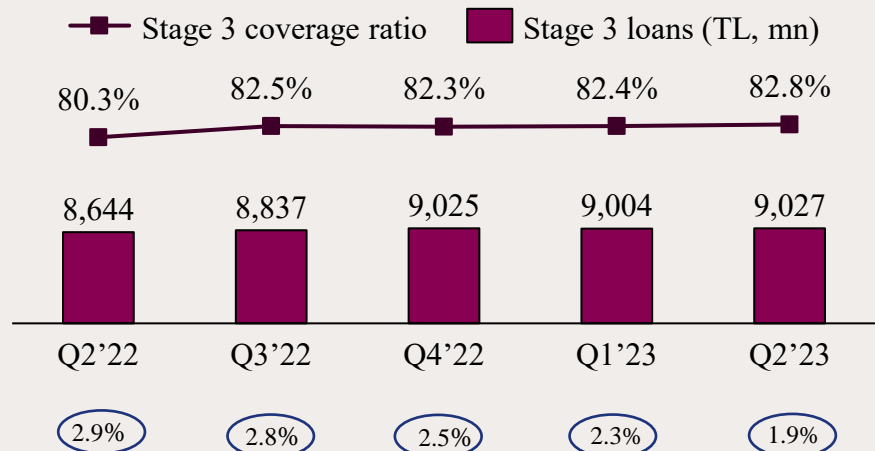
## Stage 1 Loans & Coverage



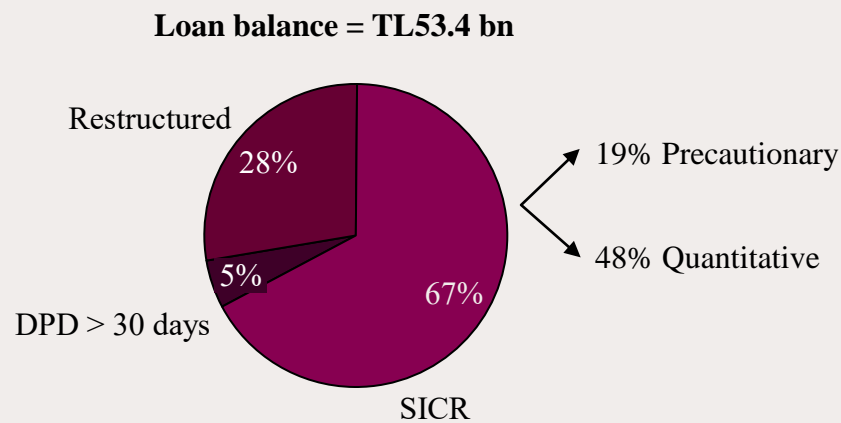
## Stage 2 Loans & Coverage



## Stage 3 Loans & Coverage



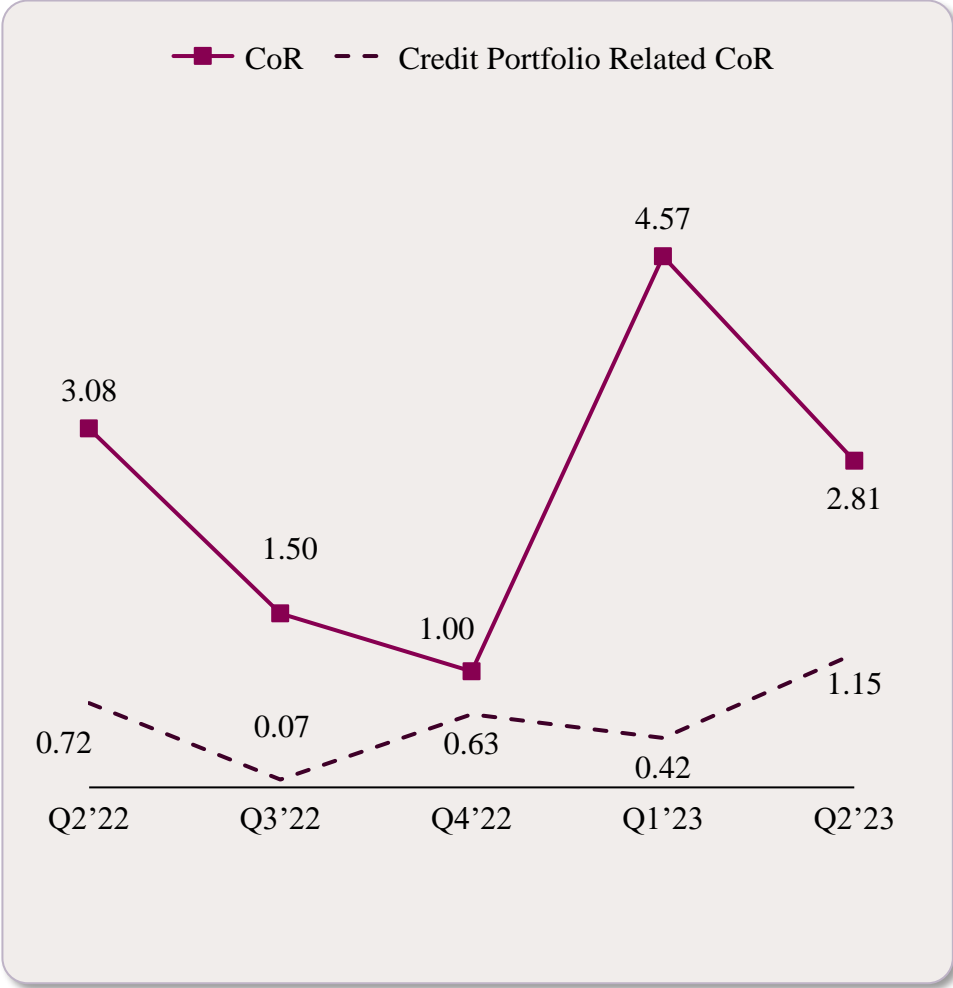
## Stage 2 Composition



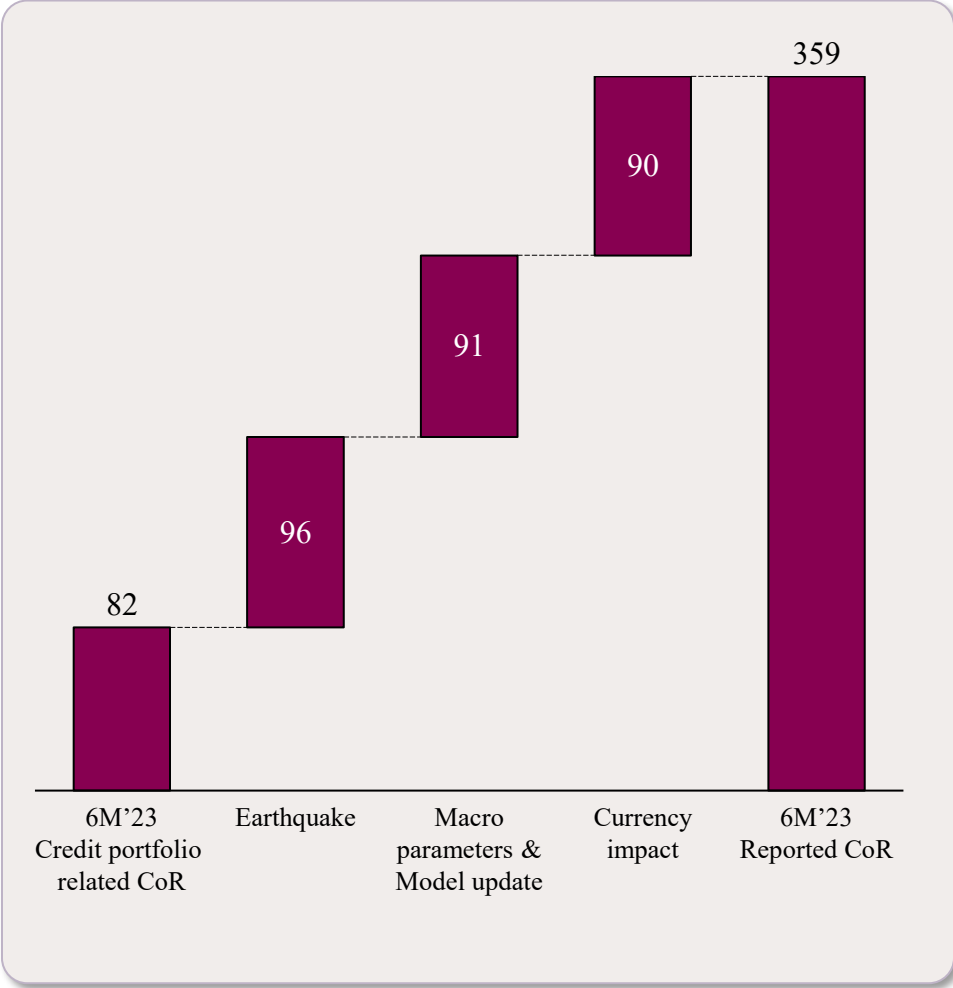


**Reported CoR incorporates prudent macro overlay for potential earthquake risk as well as macro risks, as credit related portion mainly increased on the back of loan growth.**

Quarterly Cost of Risk (%)

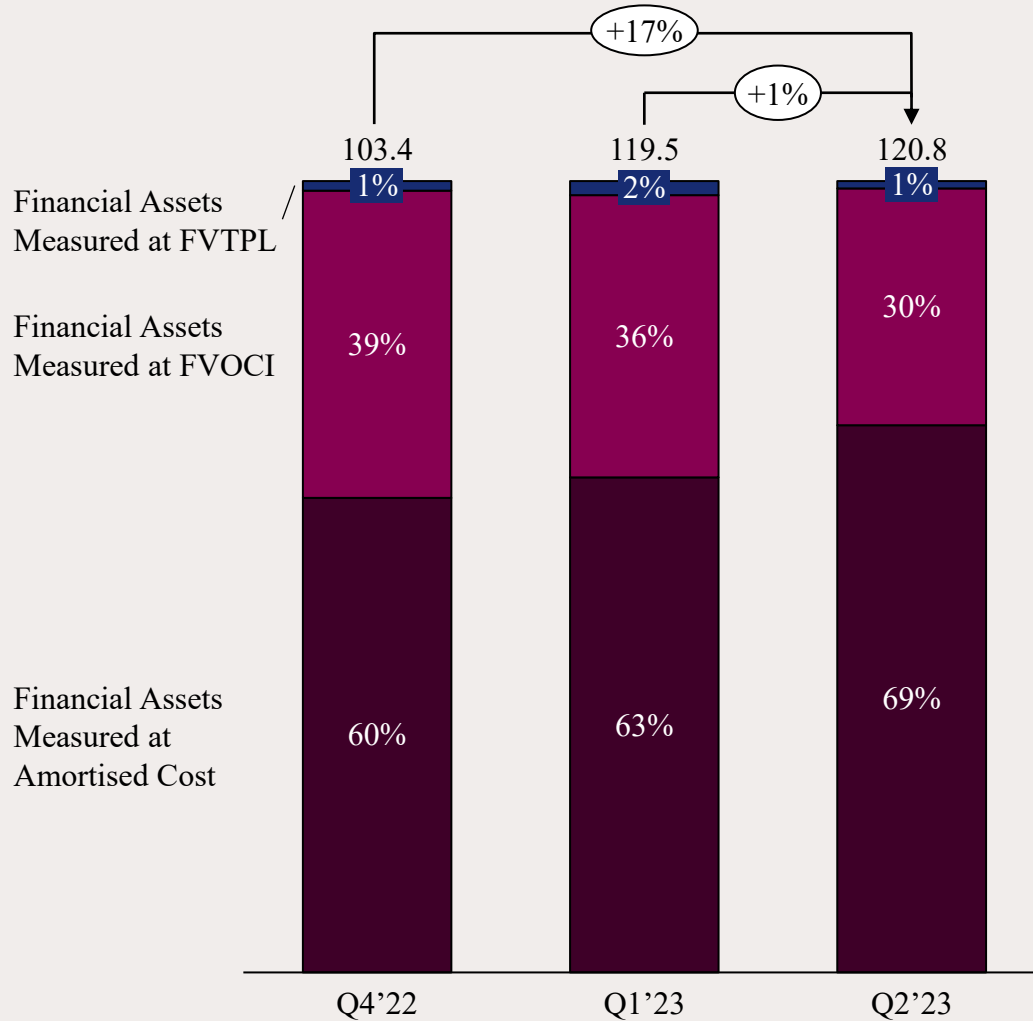


6M'23 CoR Breakdown (bps)

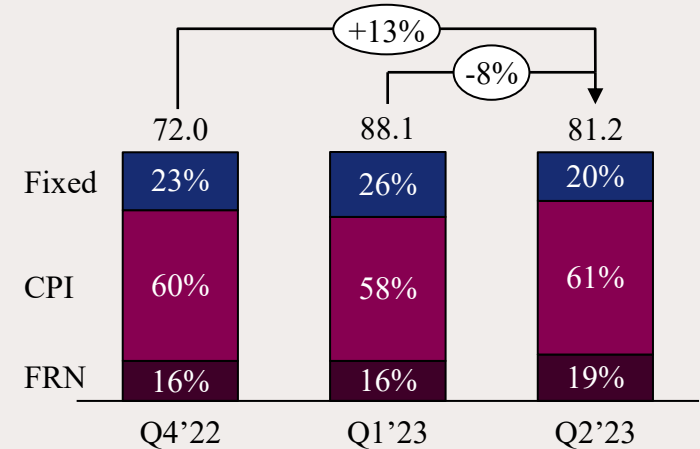


# 17% YtD growth in securities portfolio: CPI linkers & FRNs collectively accounted for 80% of TL portfolio, while fixed TL securities share retreated by 6 ppt to 20%

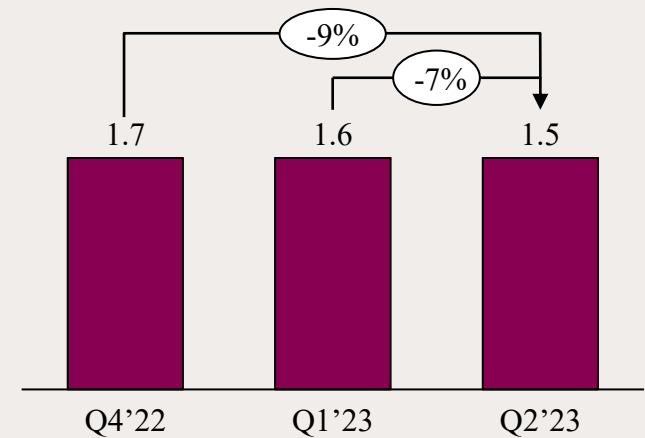
**Total Securities (TL bn)**



**TL Securities (TL bn)**

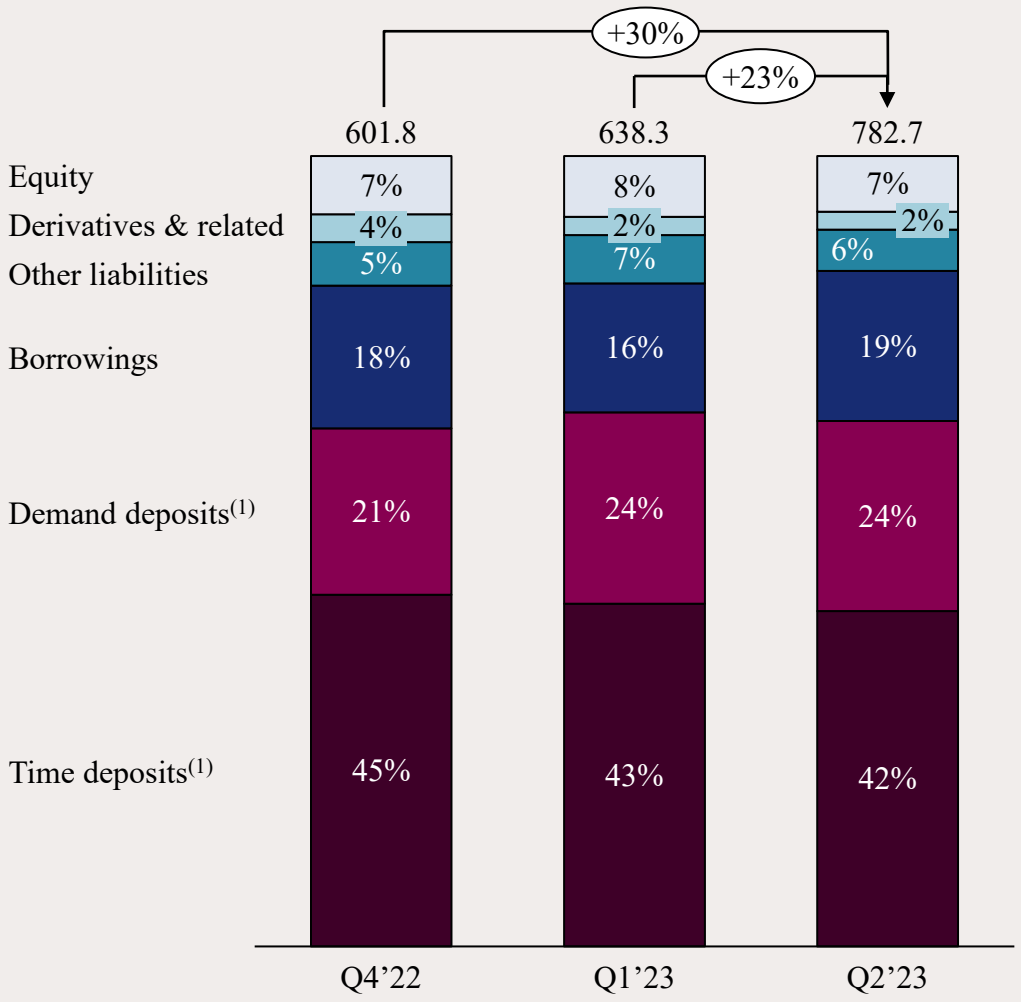


**FX Securities (USD bn)**

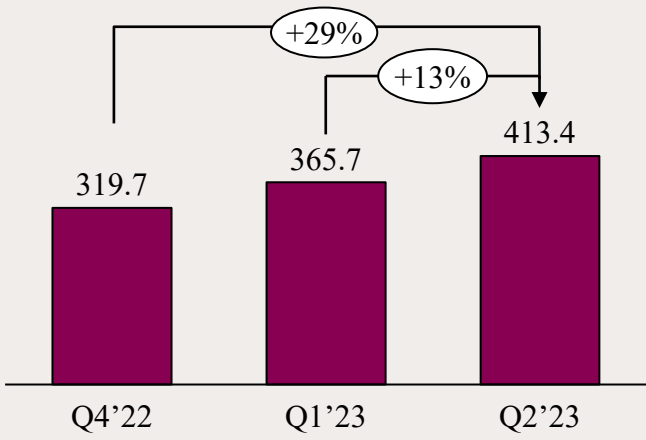


# Well-diversified & disciplined funding mix maintained with a continuous preference for TL funding

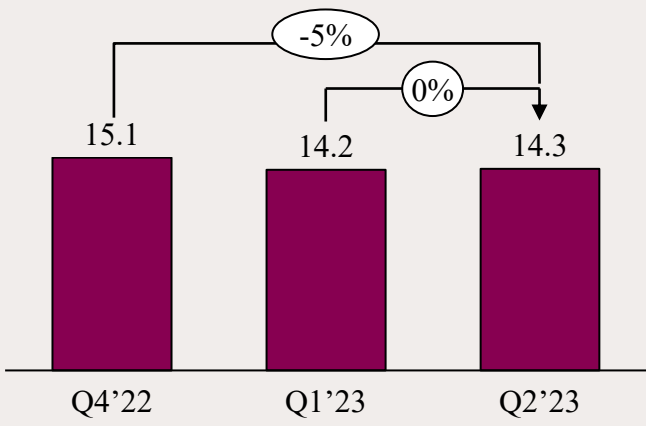
Total Liabilities (TL bn)



TL Liabilities (TL bn)



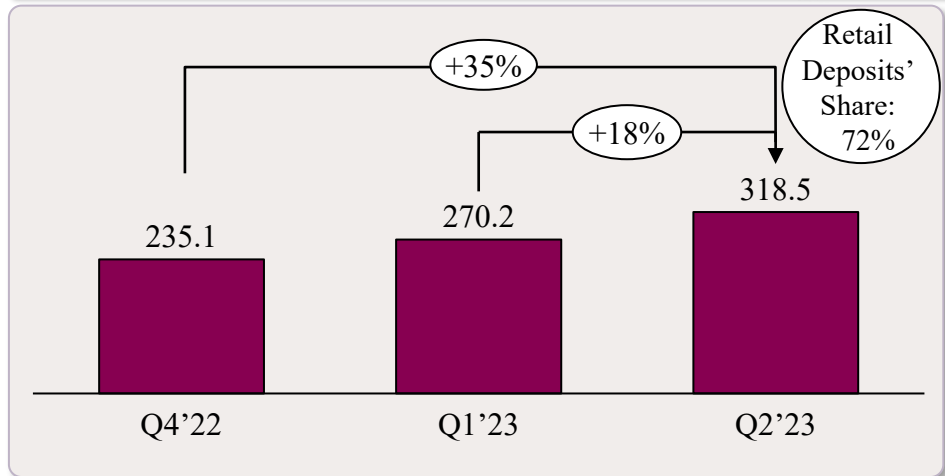
FX Liabilities (USD bn)



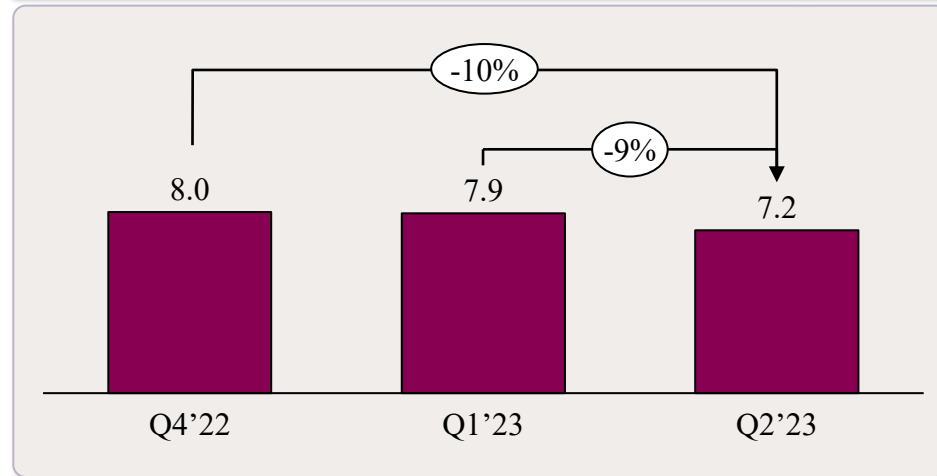
<sup>(1)</sup> Includes bank deposits

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

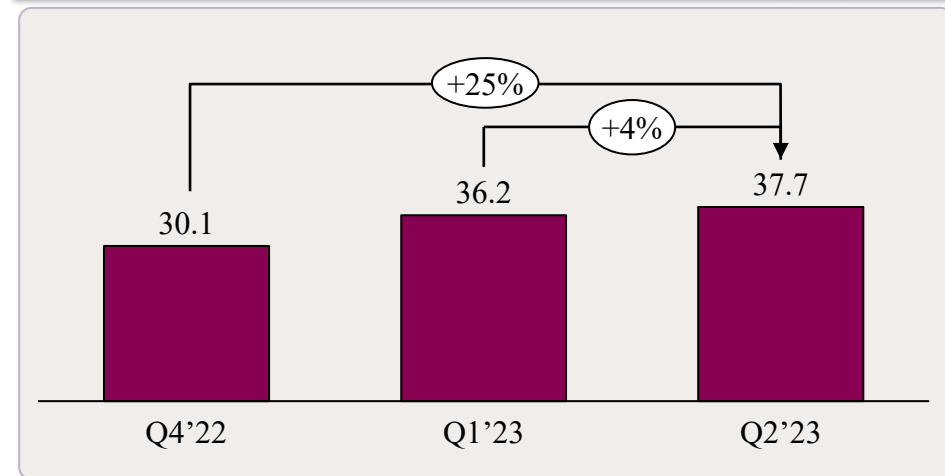
TL Customer Deposits (TL bn)



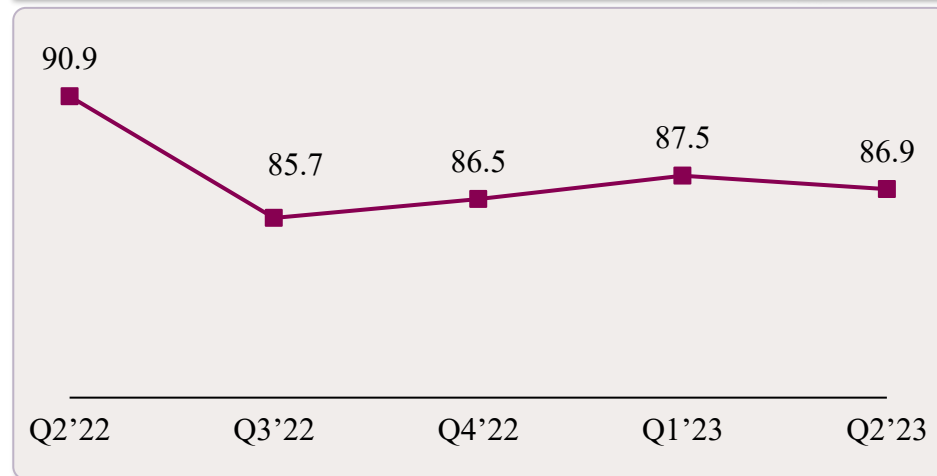
FX Customer Deposits (USD bn)



TL Customer Demand Deposits (TL bn, aop)

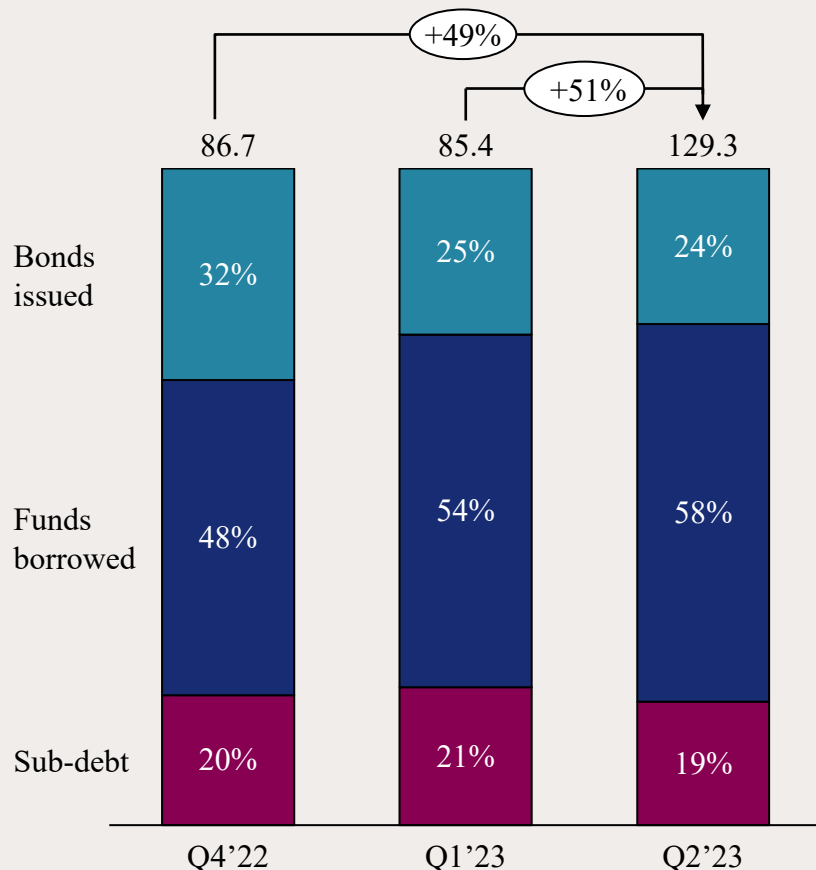


Loan-to-deposit-ratio<sup>(1)</sup> (%)

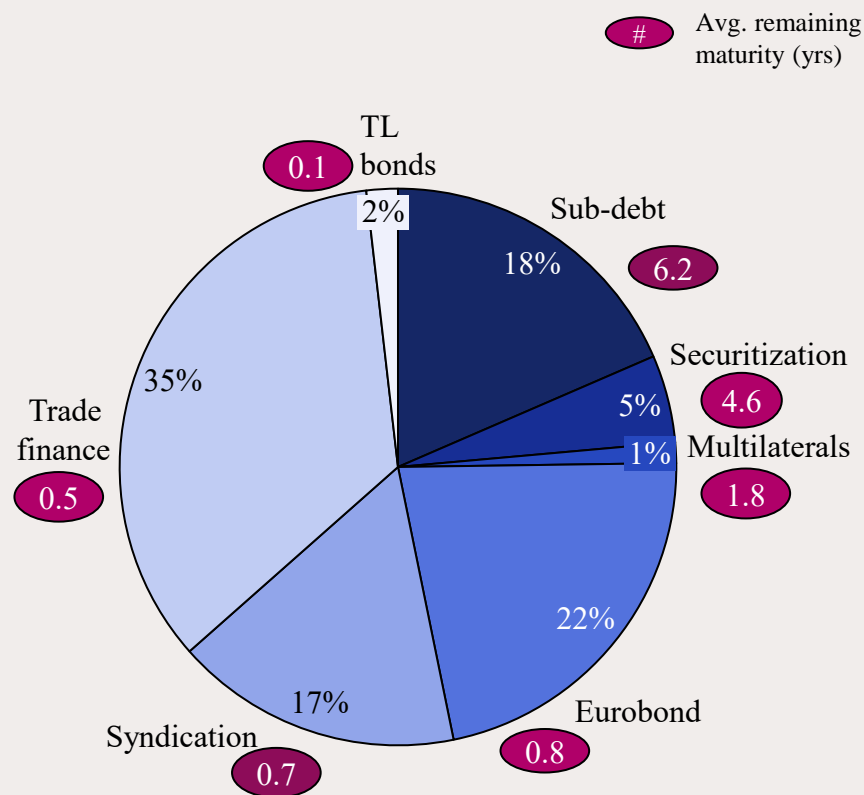


# Well-balanced wholesale borrowing mix has been actively managed with a cost-oriented approach

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

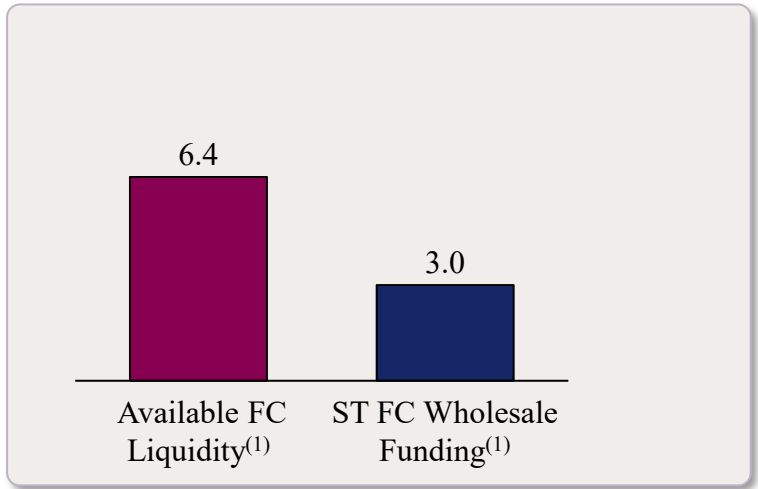


Wholesale Borrowings<sup>(1)</sup> Breakdown

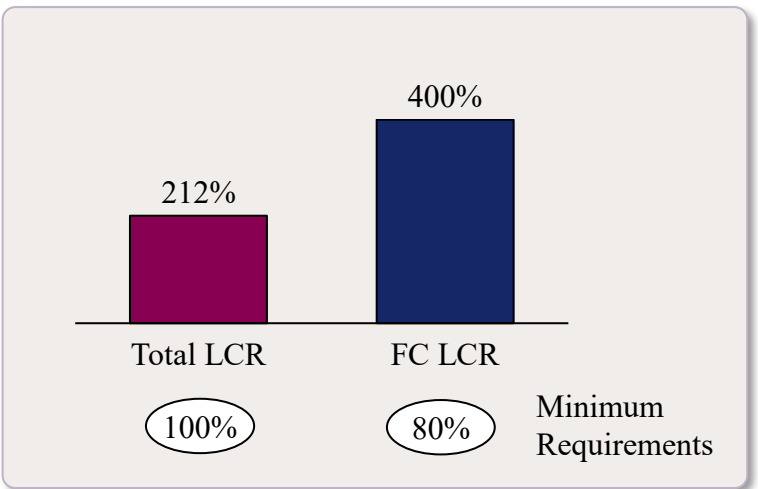


# Manageable external borrowings led to ample FC liquidity vis-a-vis short-term dues

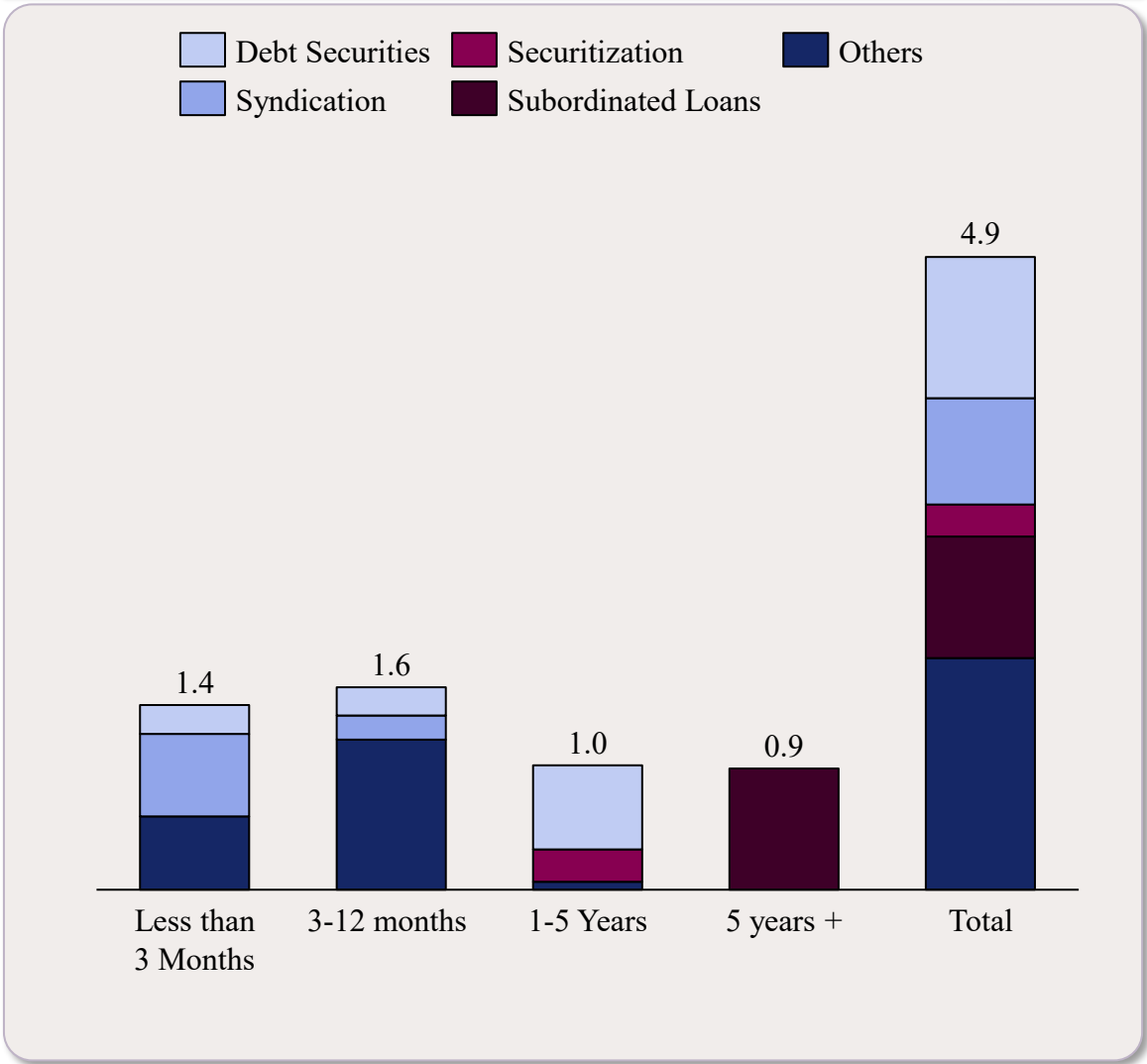
Available FC Liquidity vs Short-term Dues (USD bn)



Liquidity Coverage Ratios (% , eop)



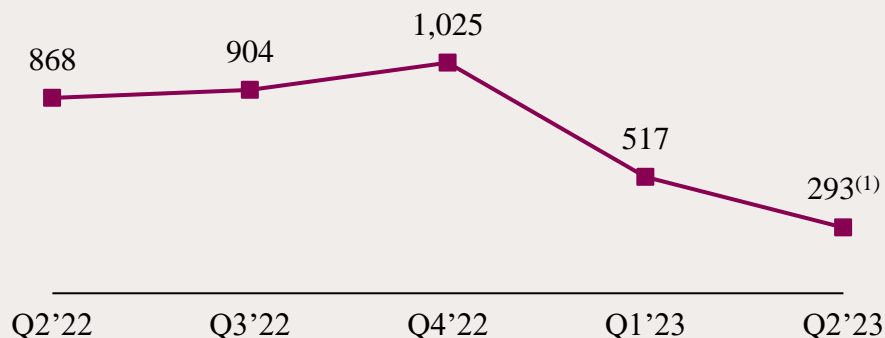
Maturity Profiles of FC Wholesale Funding (USD bn)



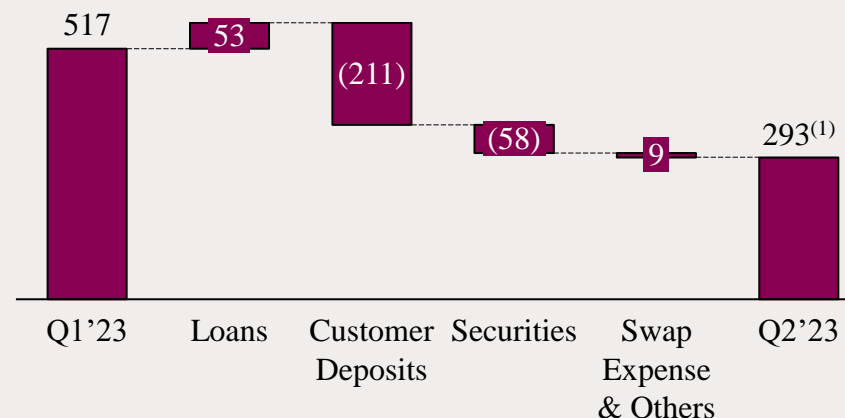
<sup>(1)</sup> Incorporates FC HQLA and FC swaps  
<sup>(2)</sup> FC wholesale funding due within 1 year

# TL spreads constrained by the prevailing interest rate caps and continuous increase in the deposits costs

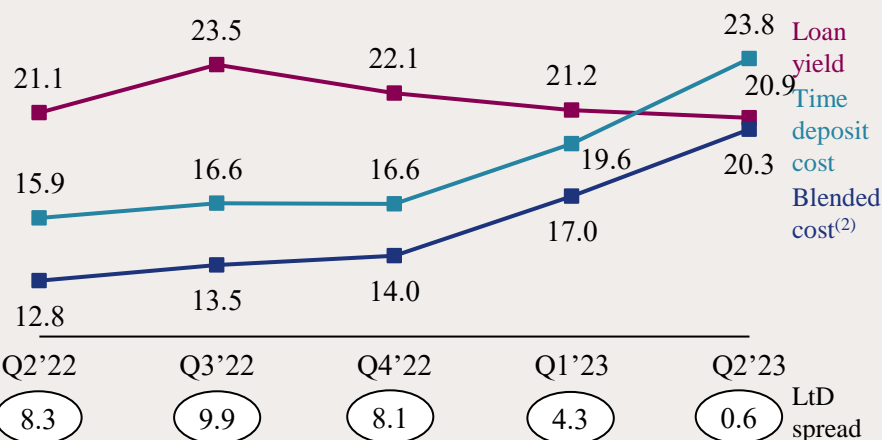
Quarterly NIM after Swap (bps)



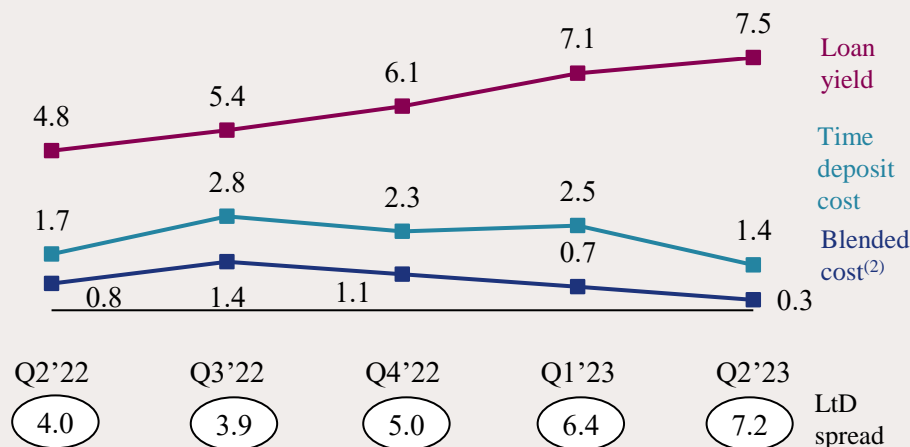
Quarterly NIM after Swap Evolution (bps)



TL Spread (% , quarterly)



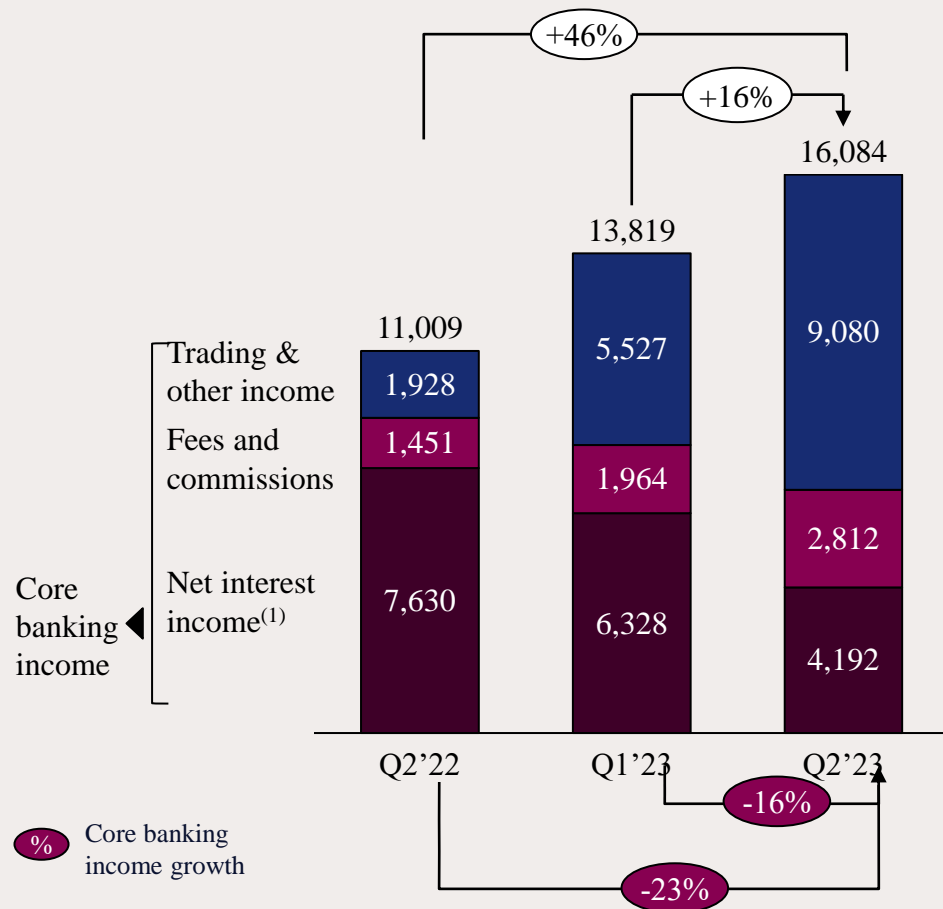
FX Spread (% , quarterly)



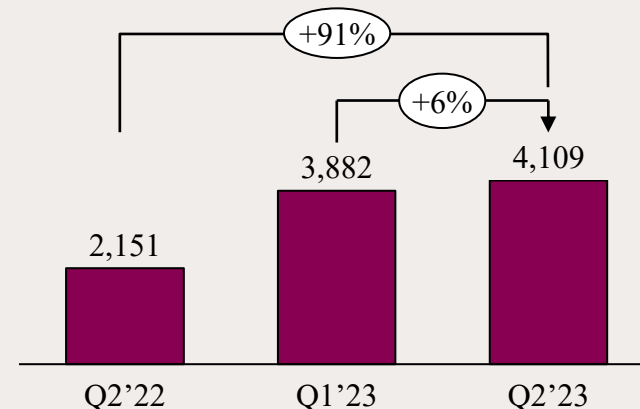


# Robust Fees&Commissions and exceptional trading income more than compensated the contraction in NII, leading to a C/I ratio of 26% even with the elevated inflation and TL depreciation reflected onto OPEX performance

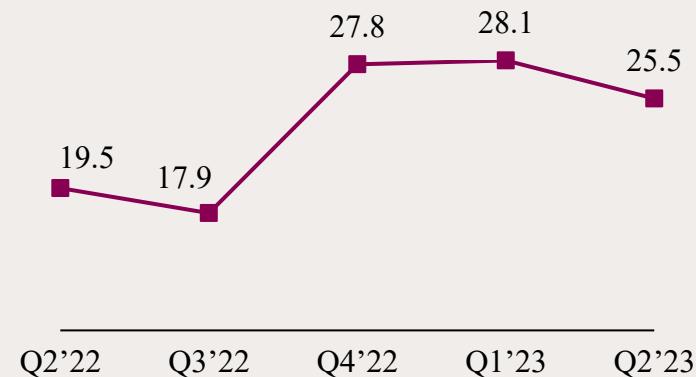
Total Operating Income (TL mn.)



OpEx (TL mn.)

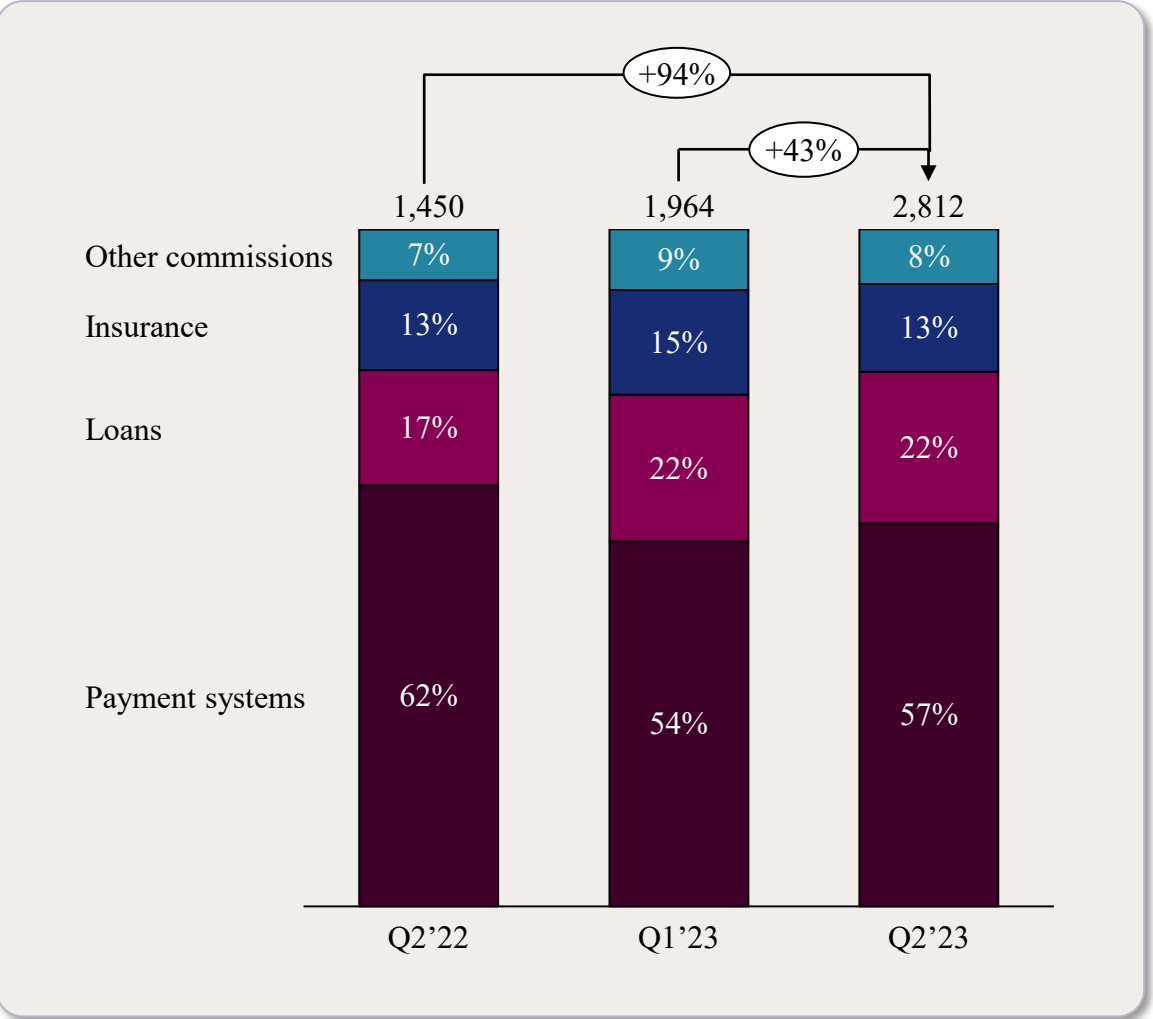


Cost / Income (%)

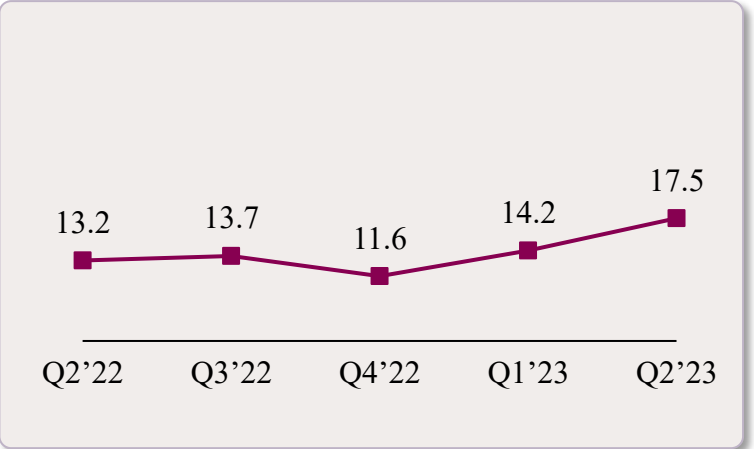


# Fees once again outperformed across the board, as commissions grew on the back of higher transaction volumes in banking and payment systems

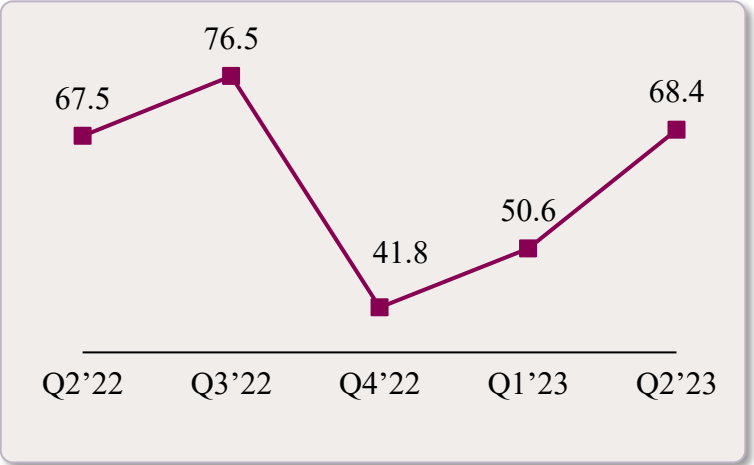
Net Fees and Commissions (TL mn)



Fees / Total Income (%)

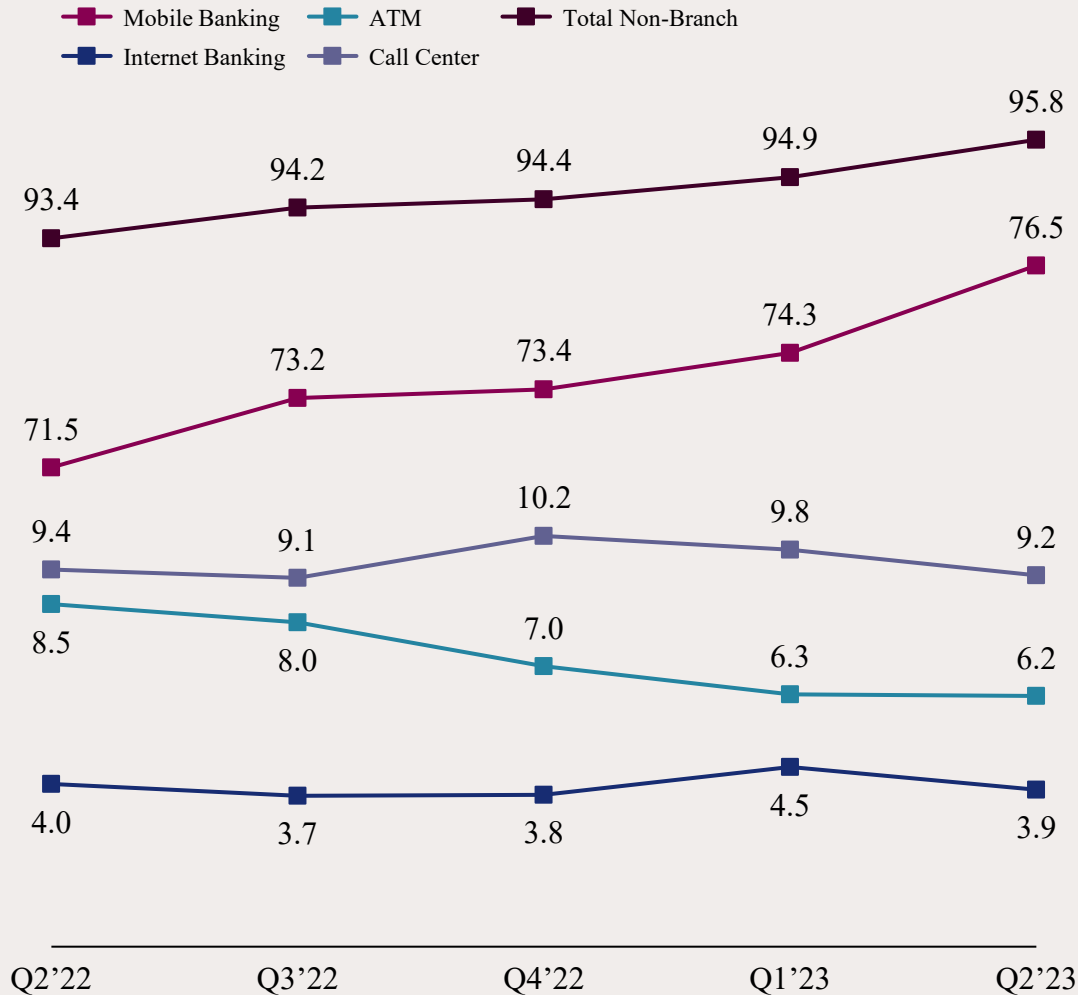


Fees / OpEx (%)

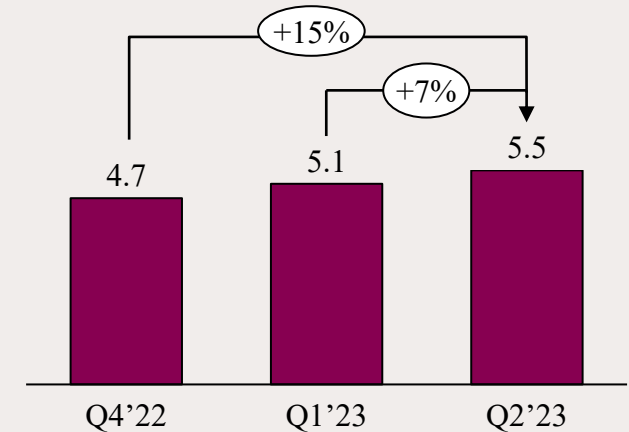


# Investment in digital transformation paved the road to a smooth, swift and persistent transition to digital channels

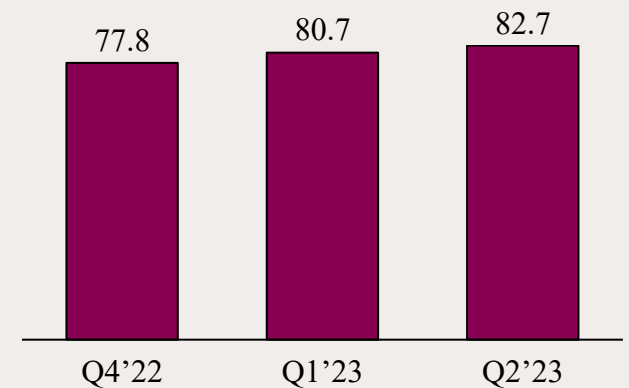
## Share of Transactions Evolution in Non-Branch Channels (%)



## 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		
Environmental	<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>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	



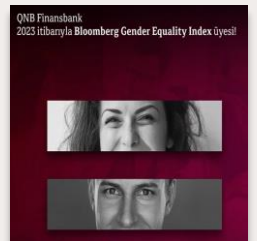
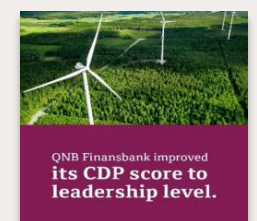
# Sustainability at QNB Finansbank

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

- Green Social Eligible Loans 39.2% of the Project Finance Portfolio<sup>(1)</sup>
- Sustainability linked Funding ~29% of the Wholesale Funding Portfolio<sup>(2)</sup>
- 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
- QNB Finans Portföy Clean Energy and Water Fund

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

- Listed in Bloomberg Gender Equality Index
- Gender Equality Guideline<sup>(3)</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



<sup>(1)</sup> Excluding subloan <sup>(2)</sup> Cash Risk <sup>(3)</sup> Gender Equality Guideline and targets are publicly released in April 2023

# Sustainability at QNB Finansbank

## 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 Eyebrand - Collaboration with BlindLook



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

- Tiny Hands Big Dreams
  - Touching the lives of 600,000 children with more than 65+ projects & 4,000 “Volunteer Finansçı”
  - “Climate Protectors are growing up” Project with TEGV
  - Nature Pioneers Youth Programme with WWF Türkiye
  - Tiny Hands Big Dreams Education Scholarship Project with TEV and TED.
  - “Success is Everywhere” Project with TED and Republic of Turkey Ministry of National Education
  - “Scratch Cup 2023, tiny hands coding environment friendly games



## We create Sustainability awareness by using the power of art

- Sustainable art exhibition «Breaking Point: Write the end of the story» with Artkolik



# Appendix

A decorative graphic on the right side of the page, resembling a folded book corner. It consists of a dark red background with a light gray diagonal line and a dark red curved line, creating a layered effect.



# BRSA Bank-Only Key Financial Ratios

	<i>All figures quarterly</i>	<b>Q1'22</b>	<b>Q2'22</b>	<b>H1'22</b>	<b>Q1'23</b>	<b>Q2'23</b>	<b>H1'23</b>
<b>Profitability</b>	RoAE	39.9%	72.9%	57.8%	57.6%	56.7%	57.0%
	RoAA	2.4%	4.6%	3.6%	4.3%	4.2%	4.2%
	Cost / Income	30.0%	19.5%	23.2%	28.1%	25.5%	26.7%
	NIM after swap expense	5.2%	8.7%	7.1%	5.2%	2.9%	3.9%
<b>Liquidity</b>	Loans / Deposits <sup>(1)</sup>	92.9%	90.9%	90.9%	87.5%	86.9%	89.6%
	LCR (aop)	181.0%	156.0%	156.0%	177.2%	167.1%	167.1%
<b>Asset quality</b>	NPL Ratio	3.5%	2.9%	2.9%	2.3%	1.9%	1.9%
	Cost of Risk	1.8%	3.1%	2.6%	4.6%	2.8%	3.6%
<b>Solvency</b>	CAR	16.0%	14.7%	14.7%	13.4%	14.5%	14.5%
	Tier I Ratio	12.8%	11.7%	11.7%	10.8%	11.6%	11.6%
	Liability/Equity	16.2x	15.9x	15.9x	13.0x	14.2x	14.2x

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

## Income Statement

TL, mn	Q1'23	Q2'23	ΔQoQ	H1'22	H1'23	ΔYoY
Net Interest Income (After Swap Expenses)	6,329	4,192	-34%	11,419	10,521	-8%
Net Fees & Commissions Income	1,964	2,812	43%	2,514	4,776	90%
Trading & Other Income	5,527	9,080	64%	3,047	14,606	379%
<b>Total Operating Income</b>	<b>13,819</b>	<b>16,084</b>	<b>16%</b>	<b>16,981</b>	<b>29,903</b>	<b>76%</b>
Operating Expenses	(3,882)	(4,109)	6%	(3,944)	(7,992)	103%
<b>Net Operating Income</b>	<b>9,937</b>	<b>11,975</b>	<b>20%</b>	<b>13,037</b>	<b>21,911</b>	<b>68%</b>
Provisions	(4,478)	(3,137)	-30%	(3,146)	(7,615)	142%
Free Provisions	(600)	-	n.m.	-	(600)	n.m.
<b>Profit Before Tax</b>	<b>4,859</b>	<b>8,838</b>	<b>82%</b>	<b>9,891</b>	<b>13,696</b>	<b>38%</b>
Tax Expenses	1,774	(1,476)	n.m.	(2,275)	298	-113%
<b>Profit After Tax</b>	<b>6,633</b>	<b>7,362</b>	<b>11%</b>	<b>7,616</b>	<b>13,994</b>	<b>84%</b>

## Balance Sheet

TL, mn	Q4'22	Q1'23	Q2'23	ΔQoQ	ΔYtD
Cash & Banks <sup>(1)</sup>	113,652	96,315	151,509	57%	33%
Securities	103,354	119,522	120,748	1%	17%
Net Loans	344,957	377,449	454,100	20%	32%
Fixed Asset and Investments <sup>(2)</sup>	9,710	13,011	14,635	12%	51%
Other Assets	30,082	31,997	41,665	30%	39%
<b>Total Assets</b>	<b>601,755</b>	<b>638,294</b>	<b>782,657</b>	<b>23%</b>	<b>30%</b>
Deposits	394,284	431,361	520,110	21%	32%
Customer	384,058	421,793	503,507	19%	31%
Bank	10,226	9,568	16,603	74%	62%
Borrowings	108,650	103,976	148,593	43%	37%
Bonds Issued	27,940	21,568	30,587	42%	9%
Funds Borrowed	41,653	45,887	74,425	62%	79%
Sub-debt	17,128	17,936	24,282	35%	42%
Repo	21,929	18,585	19,299	4%	-12%
Other	54,555	53,823	58,922	9%	8%
Equity	44,266	49,134	55,032	12%	24%
<b>Total Liabilities &amp; Equity</b>	<b>601,755</b>	<b>638,294</b>	<b>782,657</b>	<b>23%</b>	<b>30%</b>

# BRSA Consolidated Key Financial Ratios

	<i>All figures quarterly</i>	<b>Q1'22</b>	<b>Q2'22</b>	<b>H1'22</b>	<b>Q1'23</b>	<b>Q2'23</b>	<b>H1'23</b>
<b>Profitability</b>	RoAE	39.9%	72.9%	57.8%	57.6%	56.7%	57.0%
	RoAA	2.3%	4.4%	3.5%	4.2%	4.0%	4.1%
	Cost / Income	30.7%	20.2%	23.9%	30.3%	27.3%	28.6%
	NIM after swap expense	5.2%	8.7%	7.1%	5.5%	3.5%	4.4%
<b>Liquidity</b>	Loans / Deposits <sup>(1)</sup>	97.7%	95.0%	95.0%	91.6%	91.0%	91.0%
	LCR (aop)	175.1%	152.5%	152.5%	171.9%	158.2%	158.2%
<b>Asset quality</b>	NPL Ratio	3.5%	2.9%	2.9%	2.3%	1.9%	1.9%
	Cost of Risk	1.8%	3.0%	2.5%	4.3%	2.8%	3.5%
<b>Solvency</b>	CAR	15.3%	14.1%	14.1%	12.8%	13.9%	13.9%
	Tier I Ratio	12.2%	11.2%	11.2%	10.3%	11.1%	11.1%
	Liability/Equity	16.7x	16.4x	16.4x	13.4x	14.7x	14.7x

# BRSA Consolidated Summary Financials

## Income Statement

TL, mn	Q1'23	Q2'23	ΔQoQ	H1'22	H1'23	ΔYoY
Net Interest Income (After Swap Expenses)	6,937	5,134	-26%	11,781	12,071	2%
Net Fees & Commissions Income	2,400	3,122	30%	2,789	5,522	98%
Trading & Other Income	5,188	8,867	71%	2,852	14,055	393%
<b>Total Operating Income</b>	<b>14,525</b>	<b>17,123</b>	<b>18%</b>	<b>17,422</b>	<b>31,648</b>	<b>82%</b>
Operating Expenses	(4,395)	(4,668)	6%	(4,171)	(9,063)	117%
<b>Net Operating Income</b>	<b>10,129</b>	<b>12,455</b>	<b>23%</b>	<b>13,251</b>	<b>22,584</b>	<b>70%</b>
Provisions	(4,458)	(3,247)	-27%	(3,230)	(7,705)	139%
Free Provisions	(600)	-	n.m.	-	(600)	n.m.
<b>Profit Before Tax</b>	<b>5,071</b>	<b>9,208</b>	<b>82%</b>	<b>10,021</b>	<b>14,279</b>	<b>42%</b>
Tax Expenses	1,561	(1,846)	-218%	(2,404)	(285)	-88%
<b>Profit After Tax</b>	<b>6,633</b>	<b>7,362</b>	<b>11%</b>	<b>7,617</b>	<b>13,995</b>	<b>84%</b>

## Balance Sheet

TL, mn	Q4'22	Q1'23	Q2'23	ΔQoQ	ΔYtD
Cash & Banks <sup>(1)</sup>	114,128	98,352	153,847	56%	35%
Securities	103,820	120,774	122,595	2%	18%
Net Loans <sup>(2)</sup>	363,105	395,591	476,460	20%	31%
Fixed Asset and Investments	6,308	8,556	8,997	5%	43%
Other Assets	33,784	36,604	45,900	25%	36%
<b>Total Assets</b>	<b>621,144</b>	<b>659,877</b>	<b>807,799</b>	<b>22%</b>	<b>30%</b>
Deposits	392,763	429,396	518,371	21%	32%
Customer	382,537	419,828	501,768	20%	31%
Bank	10,226	9,568	16,603	74%	62%
Borrowings	127,441	123,585	171,029	38%	34%
Bonds Issued	32,017	23,917	33,631	41%	5%
Funds Borrowed	55,217	61,352	92,081	50%	67%
Sub-debt	17,128	17,936	24,282	35%	42%
Repo	23,079	20,381	21,035	3%	-9%
Other	56,664	57,751	63,356	10%	12%
Equity	44,276	49,145	55,043	12%	24%
<b>Total Liabilities &amp; Equity</b>	<b>621,144</b>	<b>659,877</b>	<b>807,799</b>	<b>22%</b>	<b>30%</b>

# Disclaimer

*QNB Finansbank (the “Bank”) has prepared this presentation (this “Presentation”) for the sole purposes of providing information that includes forward-looking projections and statements relating to the Bank (the “Information”). No representation or warranty is made by the Bank with respect to the accuracy or completeness of the Information contained herein. The Information is subject to change without any notice. Neither this Presentation nor the Information construes any investment advice or an offer to buy or sell the Bank’s shares or other securities. This Presentation and the Information cannot be copied, disclosed or distributed to any person other than the person to whom this Presentation is delivered or sent by the Bank. The Bank expressly disclaims any and all liability for any statements, including any forward-looking projections and statements, expressed, implied or contained herein, for any omission from the Information or for any other written or oral communication transmitted or made available.*