QNB Finansbank
Q4’23 Earnings Presentation

Based on BRSA Unconsolidated Financial Statements
January 2024

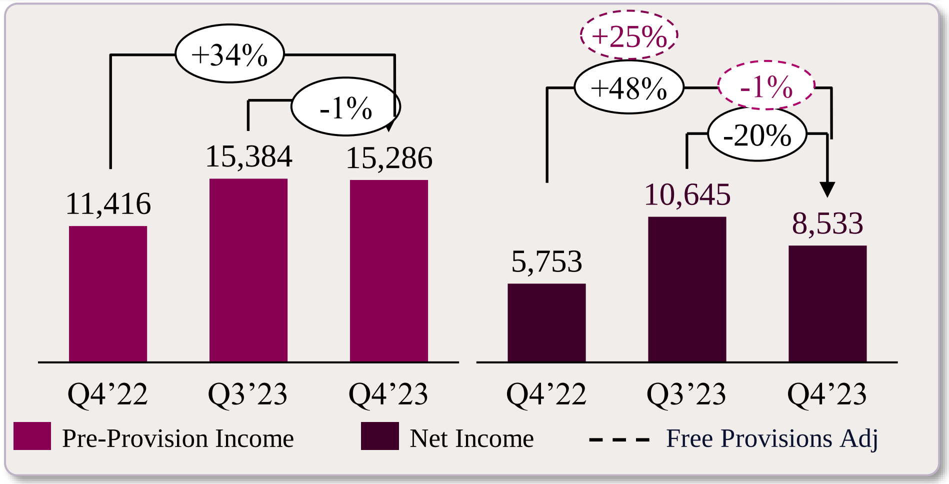
Period Highlights

- ✓ Q4’23 net profit realized at TL 8,533 million even with TL 1,400 free provisions set aside in the quarter, pointing to an exceptional Q4’23 ROE of 48.4% (adjusted for free provisions: 55.8%). Free provision stock reached TL 6.8 bn.
- ✓ Resilient NII was down by 5% QoQ at TL 9,515 mn mainly due to higher TL deposits costs on the back of rate hikes and accompanying macro prudential measures
- ✓ F&C once again recorded an eye-catching growth of 53% QoQ on the back of higher transactions volumes and prices in payment systems in line with higher policy rates.
- ✓ Loan growth remained relatively solid at 12%[1] QoQ and 64% YoY, while Customer Deposits, as the major source of funding, fared relatively parallel to loans with a growth of 11%[1] QoQ and 55% YtD in the same period.
- ✓ NPL ratio realized at 1.7%, on the back of strong collection performance, limited NPL additions and resilient denominator growth, while prudent provisioning stance were maintained across the board at all stages.
- ✓ Securities portfolio posted a robust growth of 15% in Q4’23, carrying YoY growth to 71%. As this growth was mainly boosted by TL securities, floating or indexed securities accounted for 80% of TL portfolio. On the other hand, CPI linkers, which have offered hedge against inflation, accounted for 52% 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 Q4’23, on the back of solid income performance. Fees alone more than covered OPEX in Q4’23.
- ✓ CAR of 16.7% and Tier 1 of 13.8% point to comfortable buffers over minimum requirements, while TL 6.8 bn free provision stock provides an additional buffer on all ratios.

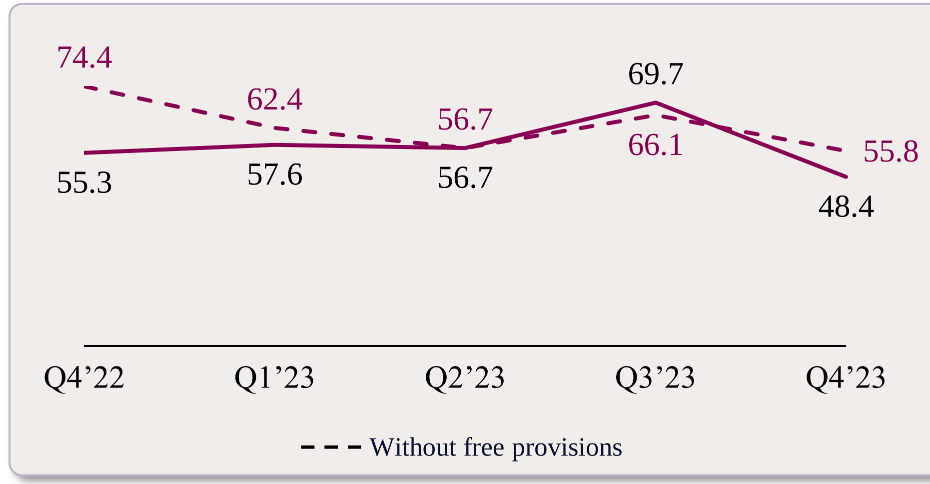
[1] BRSA Weekly Banking Sector data compared vis-a-vis QNBFB data as of 29 December 2023.

Robust ROE sustained thanks to resilient operating performance, which has been safeguarded with conservative buffers

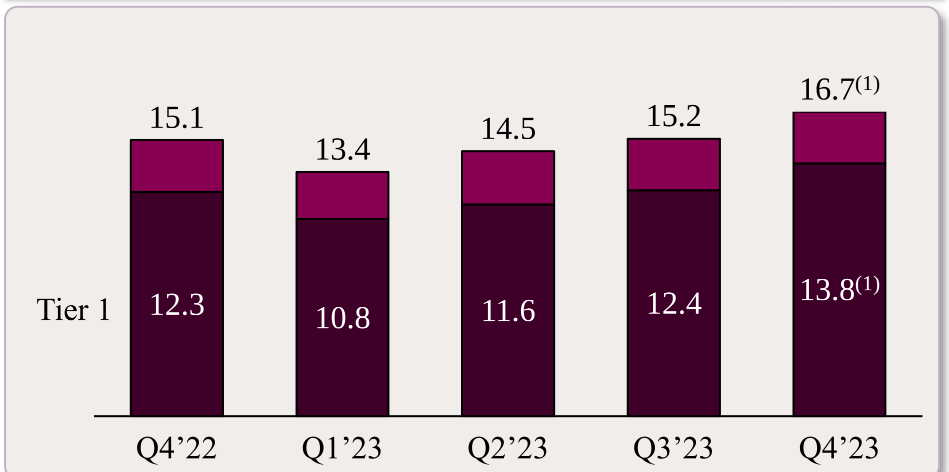
Pre-Provision Income & Net Income (TL mn)



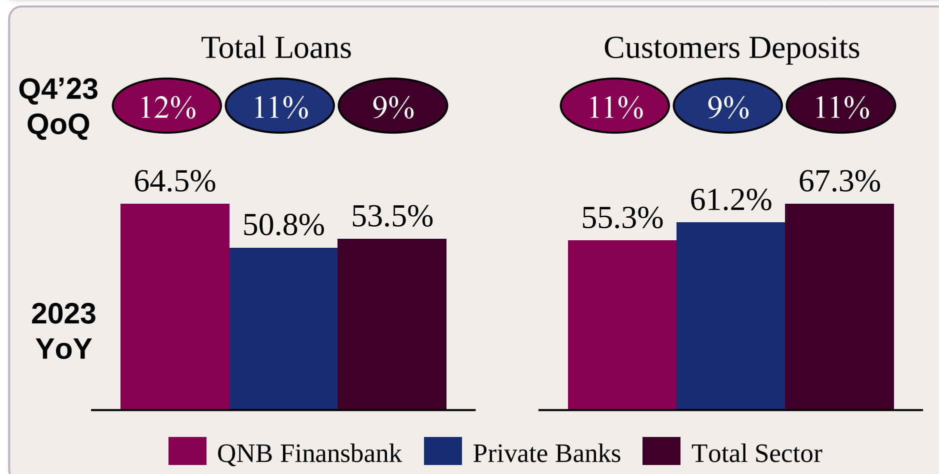
Quarterly RoAE (%)



CAR (%)



Total Loans & Deposits Growth[2] (%)



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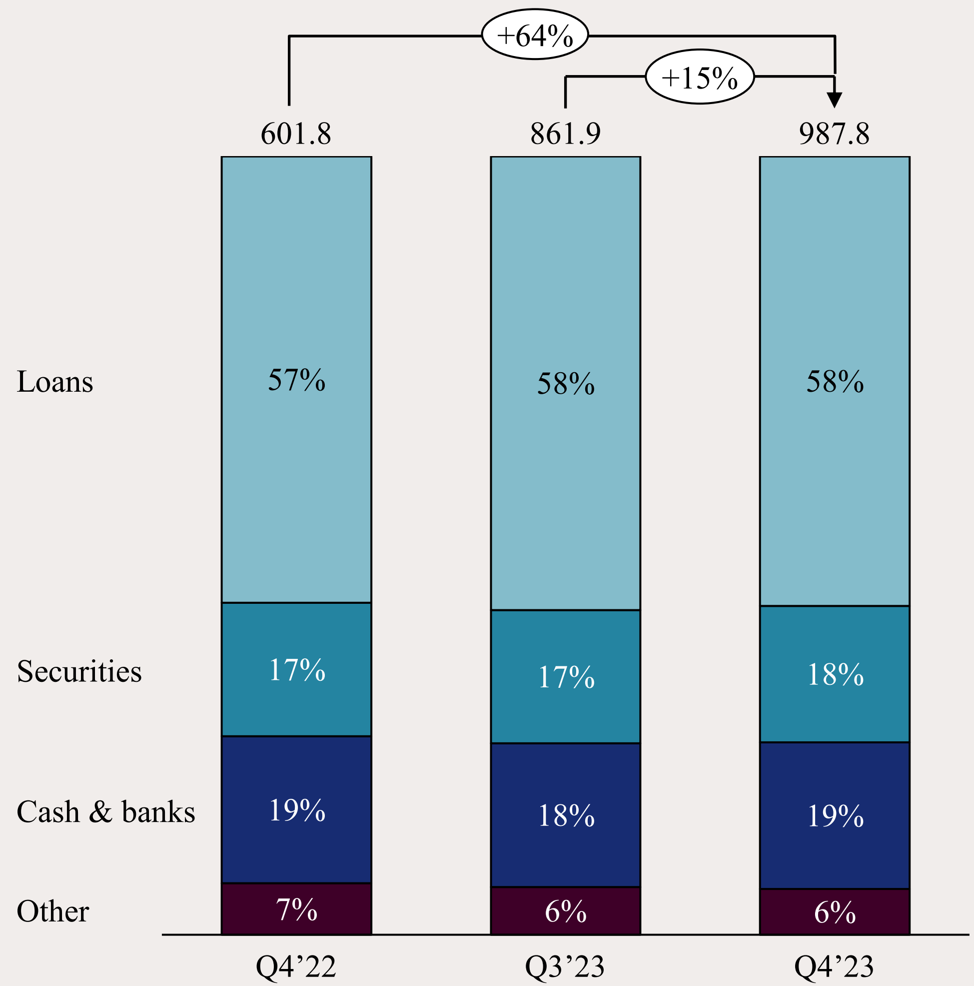
[1] Without BRSA's temporary forbearance measures: CAR: 15.0%, Tier 1: 12.3%.
Including free provision stock of TL 6.8 bn within capital as well: CAR: 15.9%, Tier 1: 13.2%

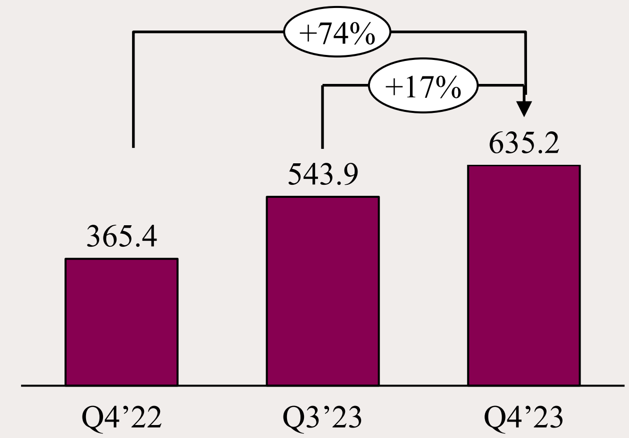
[2] BRSA Weekly Banking Sector data compared vis-a-vis QNBFB data as of 29 December 2023

Well-balanced asset base grew by 64% YoY, reaching TL 988 bn, as net loans accounted for 58% of assets, reflecting Bank's commitment to support the economy

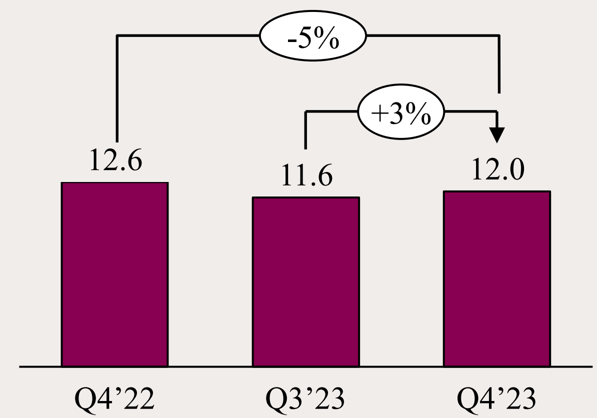
Total Assets (TL bn)



TL Assets (TL bn)



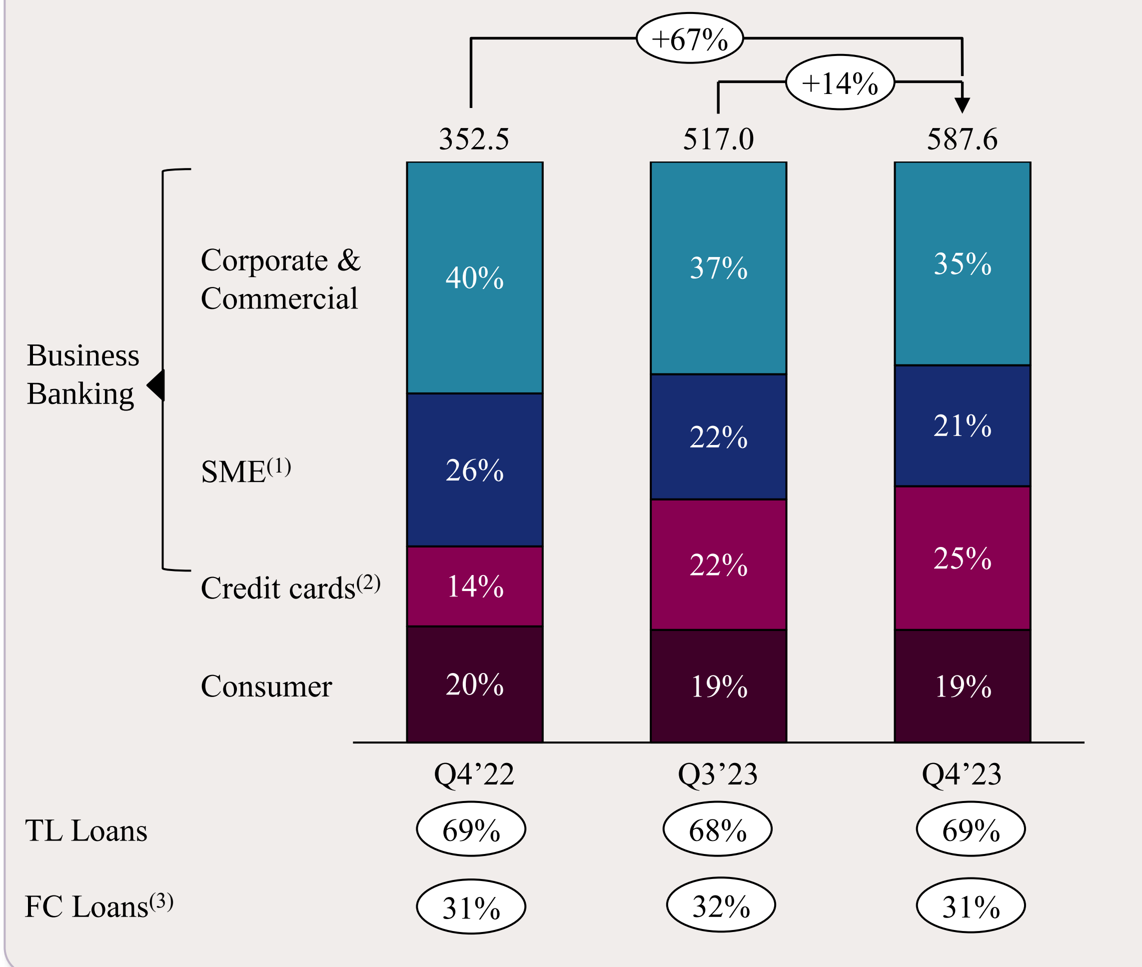
FC Assets[(1)] (USD bn)



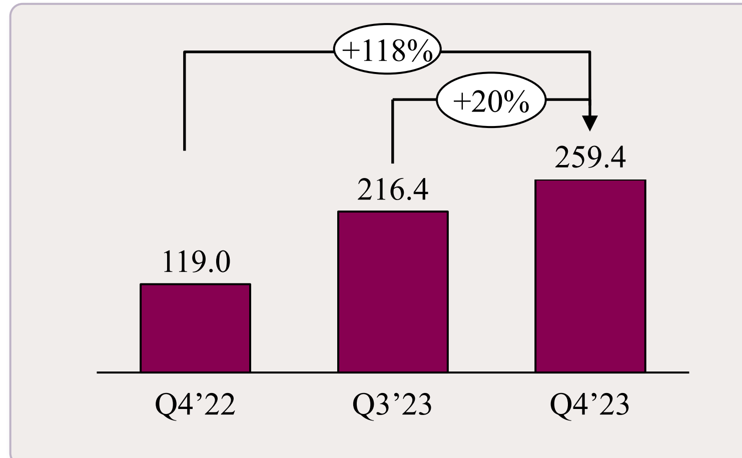
(1) FC-indexed TL loans are shown in FC assets

Loan growth decelerated parallel to tighter monetary policy, as Retail lending remained relatively stronger

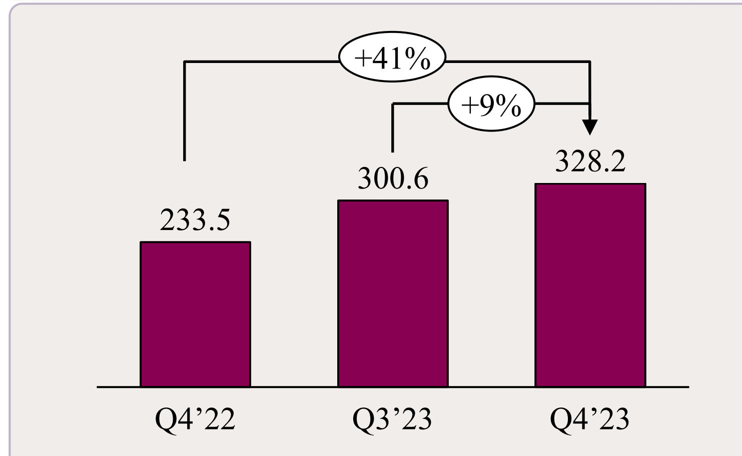
Performing Loans by Segment and Currency (TL bn)



Retail Loans (TL bn)



Business Loans (TL bn)



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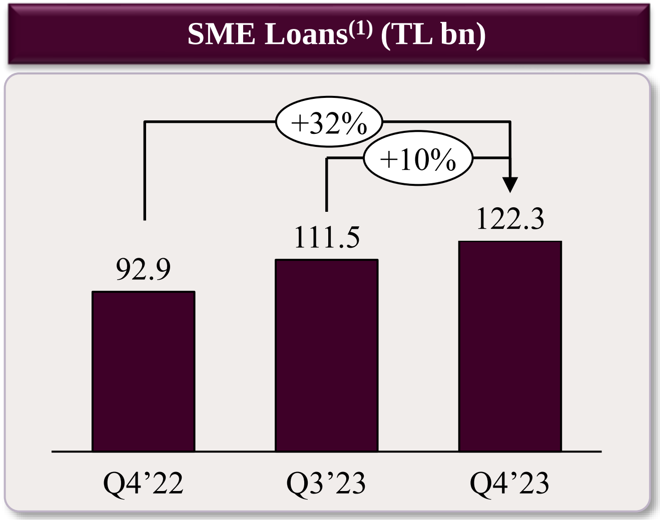
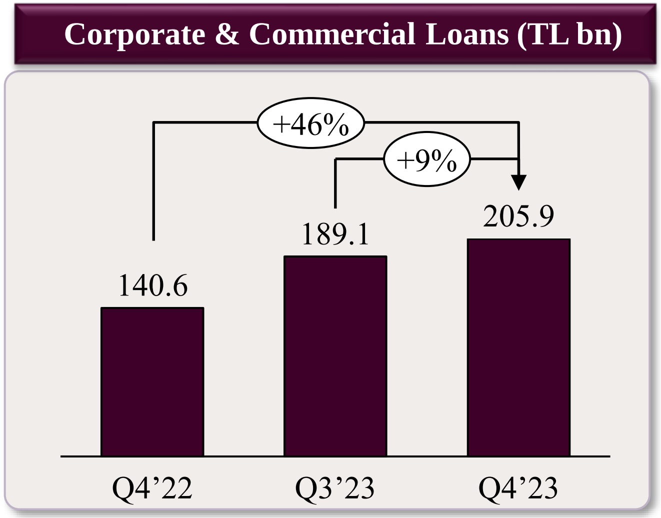
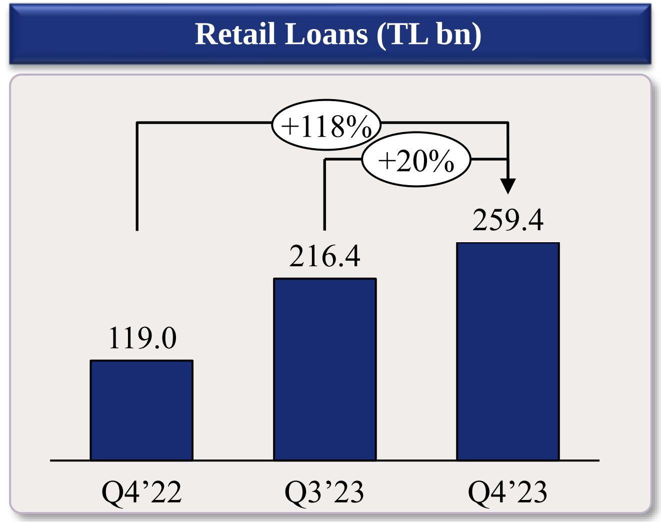
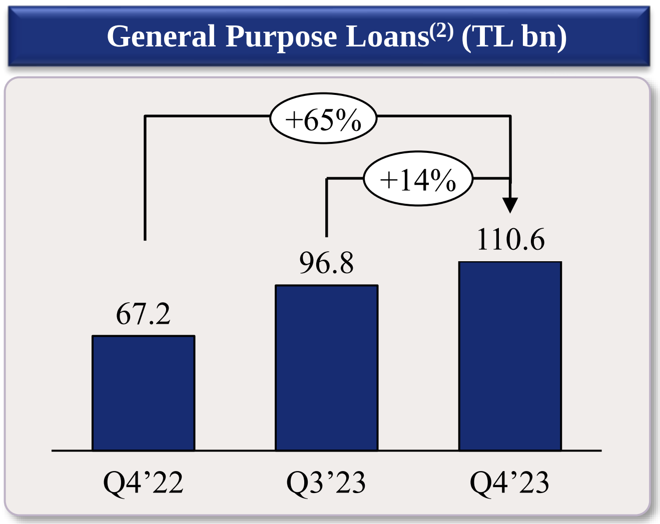
(1) Based on BRSA segment definition
(2) Excluding commercial credit cards
(3) FC-indexed TL loans are shown in FC loans

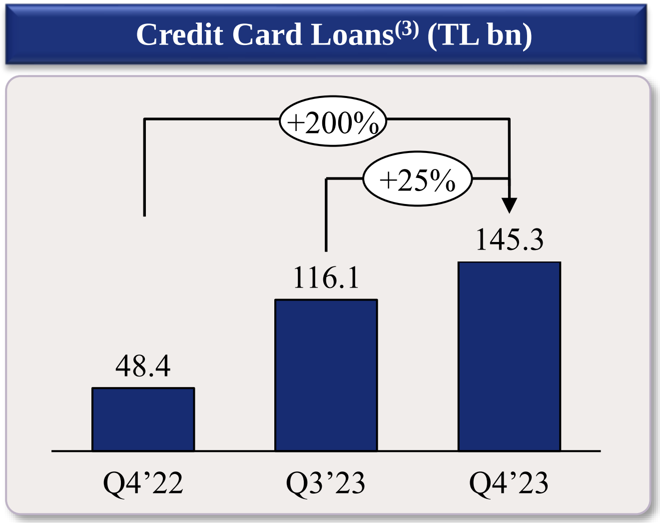
Growth in Business Banking was limited, while Retail Lending stemmed from Credit Cards and GPLs

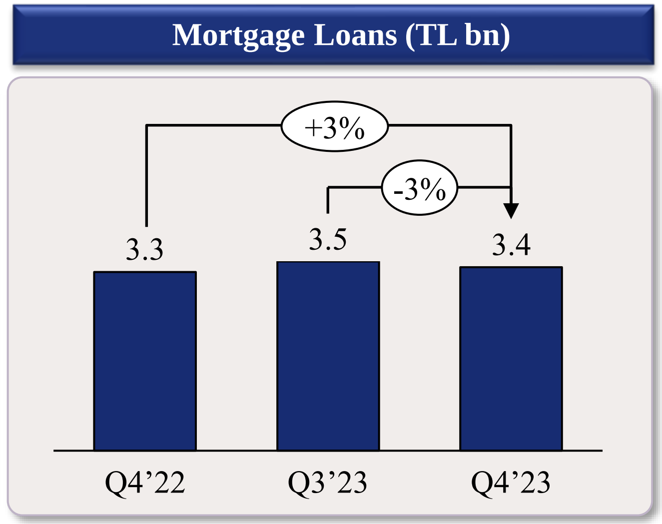










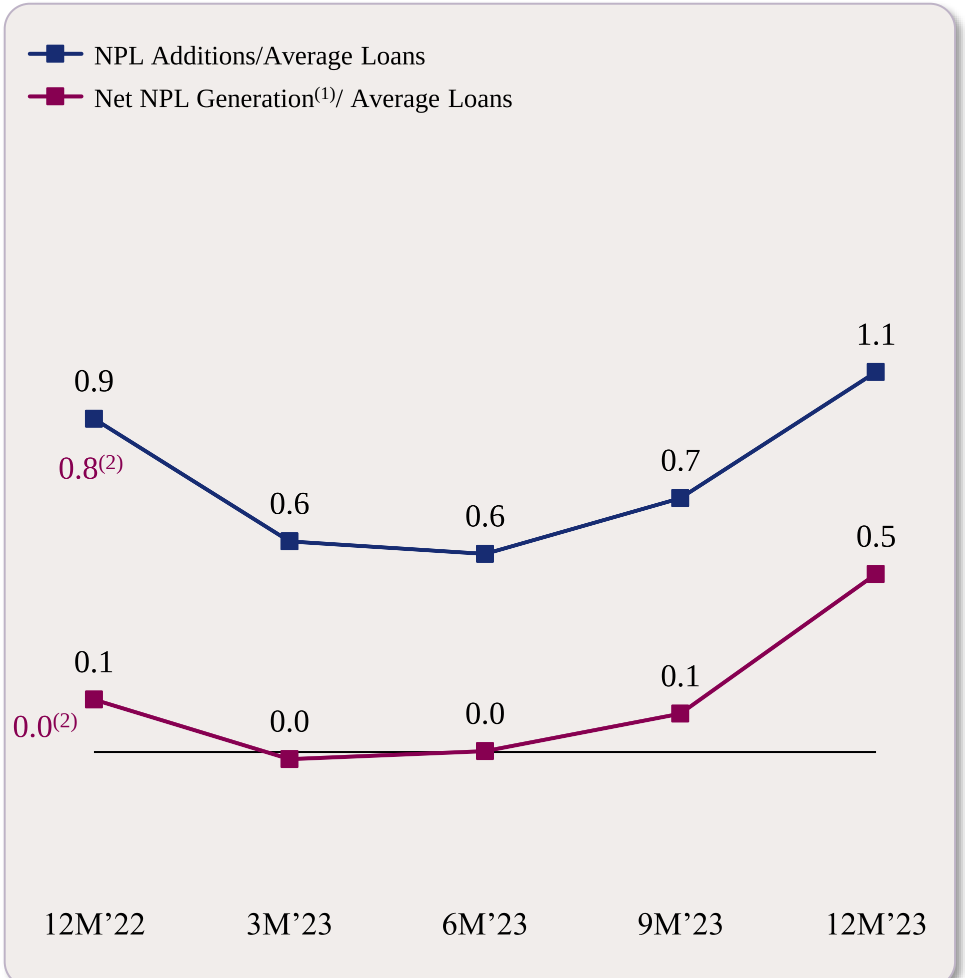


(1) Based on BRSA segment definition
(2) Including overdraft loans
(3) Solely represents credit cards by individuals

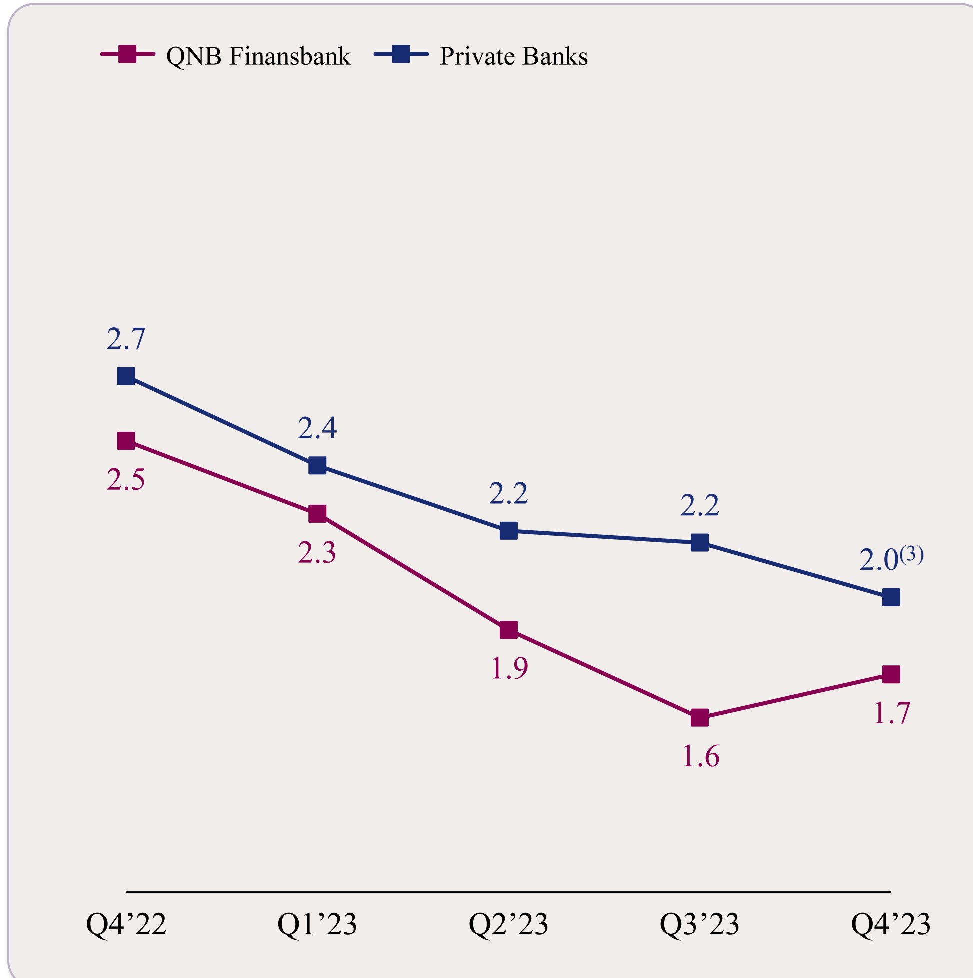
Business banking
Retail banking

Strong collections led to limited net NPL generation, as NPL ratio continued to fare below private banks

NPL Additions / Average Loans (%)



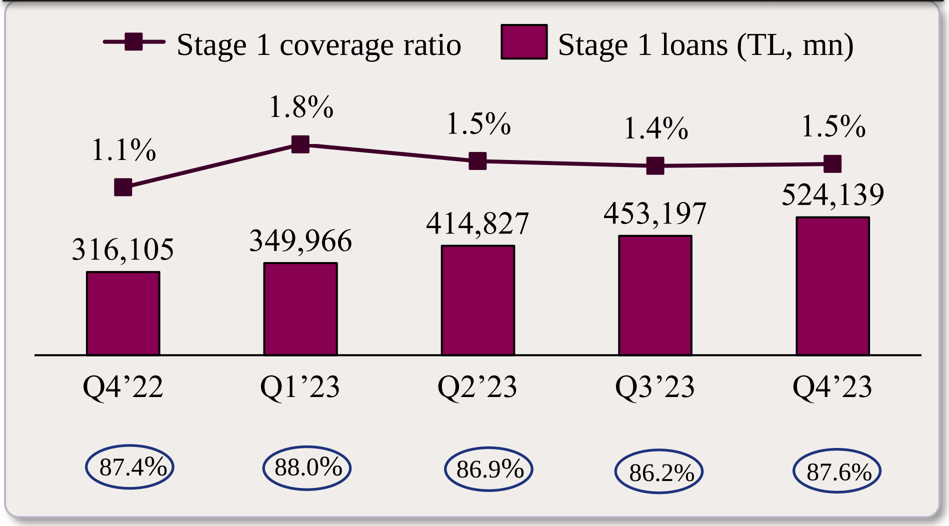
NPL Ratio (%)



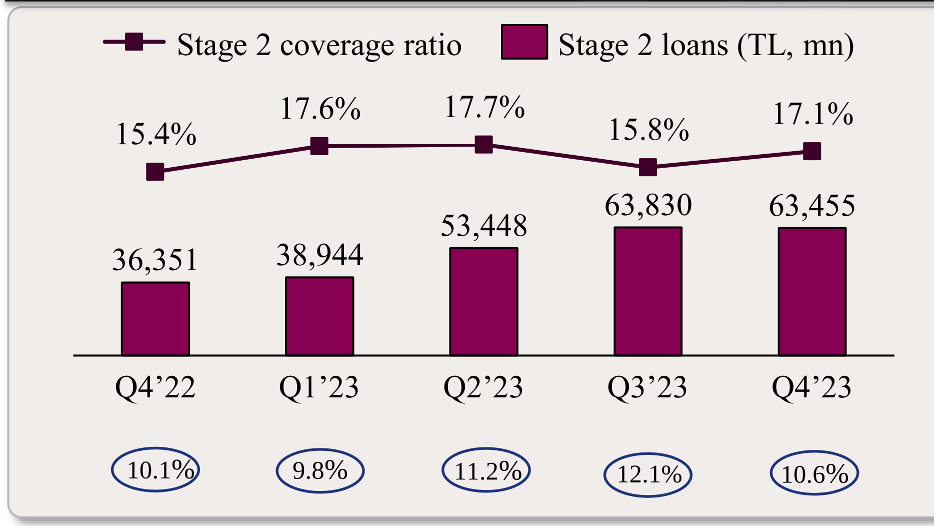
(1) Net NPL Generation = NPL Additions - NPL Collections
(2) Adjusted for write-off of LYY loan following the sale of TTKOM shares to TWF
(3) BRSA monthly banking sector data for private banks for November 2023

Conservative provisioning stance and staging policies maintained

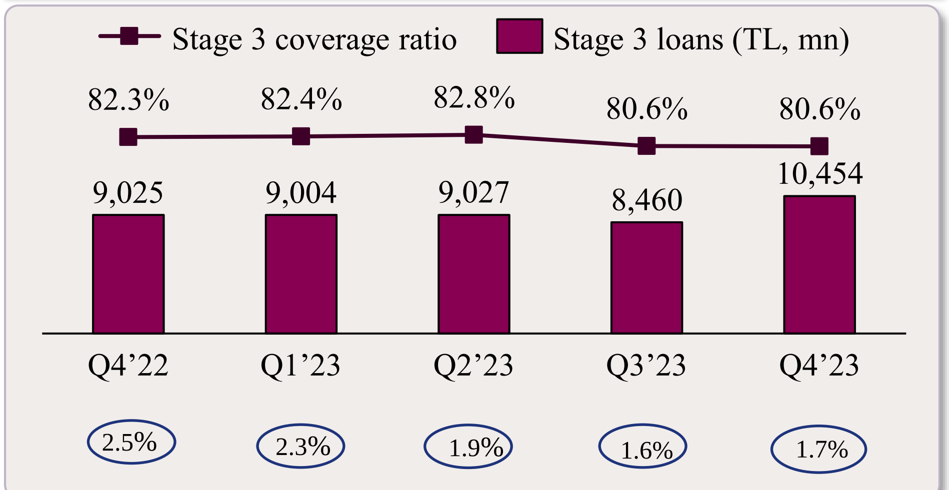
Stage 1 Loans & Coverage



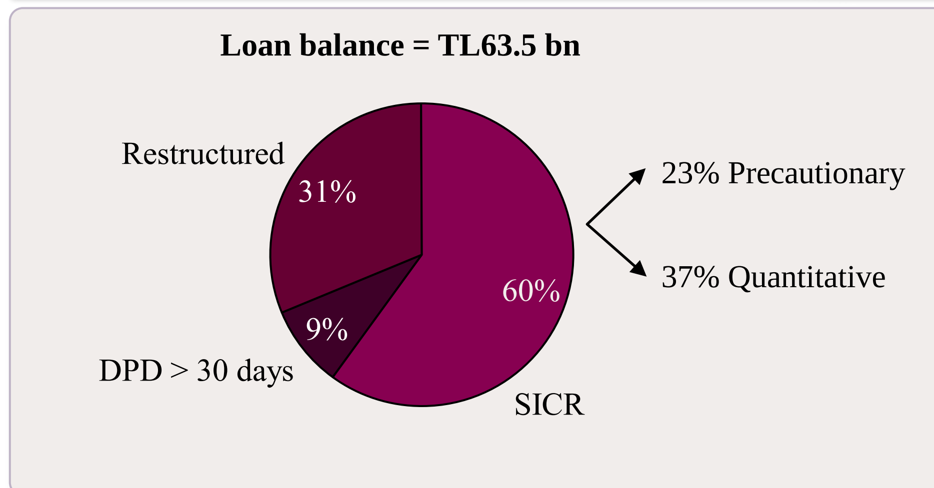
Stage 2 Loans & Coverage



Stage 3 Loans & Coverage

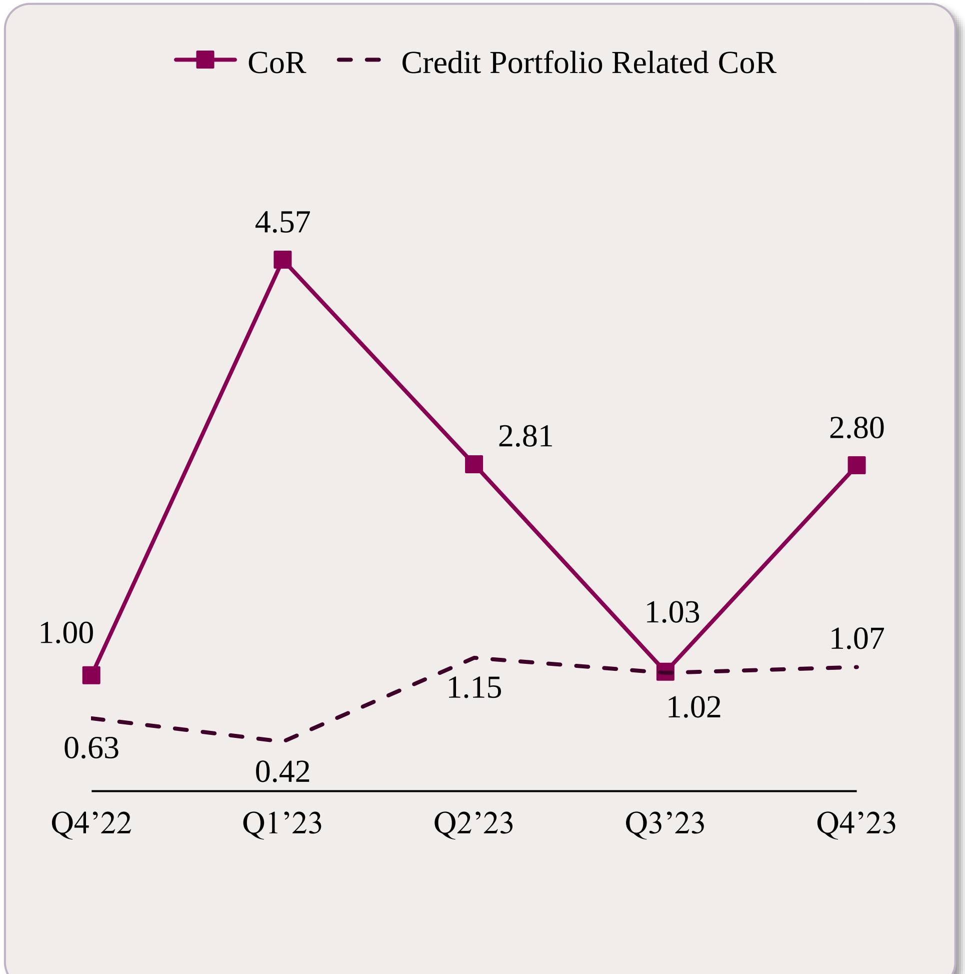


Stage 2 Composition

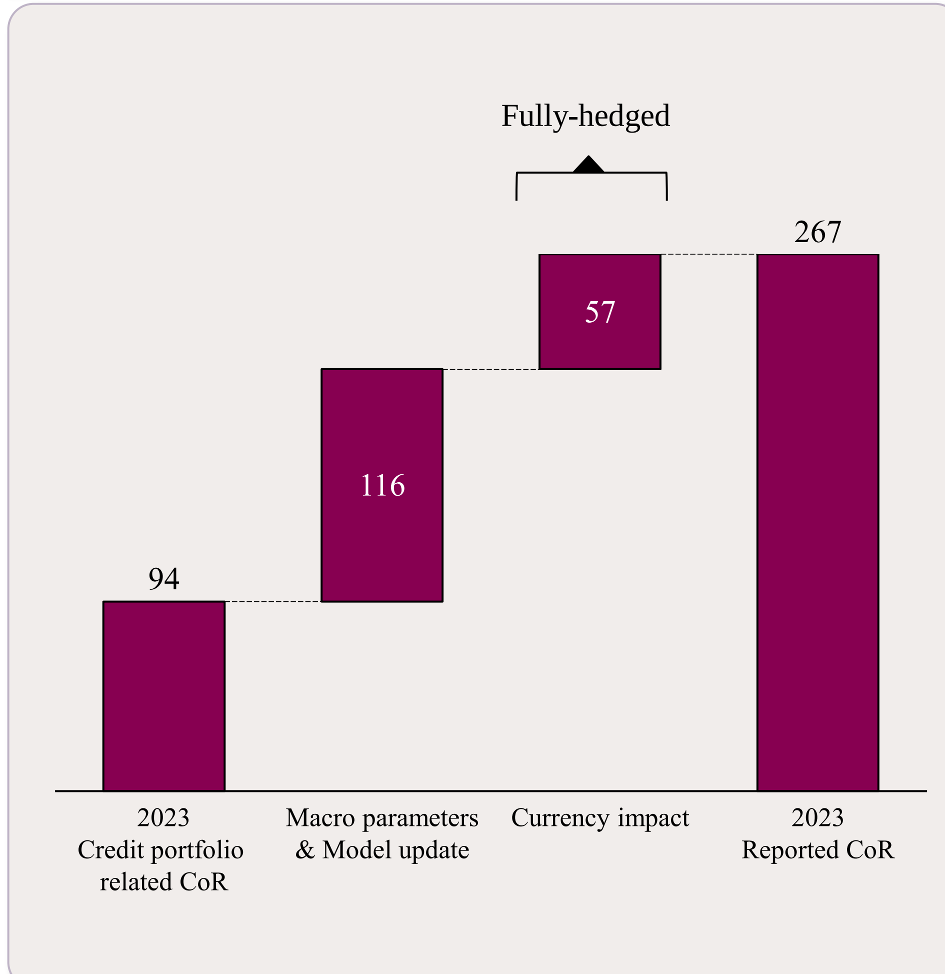


Reported CoR reflected prudent stance for potential macro risks, as credit related portion mainly increased on the back of loan growth and conservative coverages at all stages

Quarterly Cost of Risk (%)

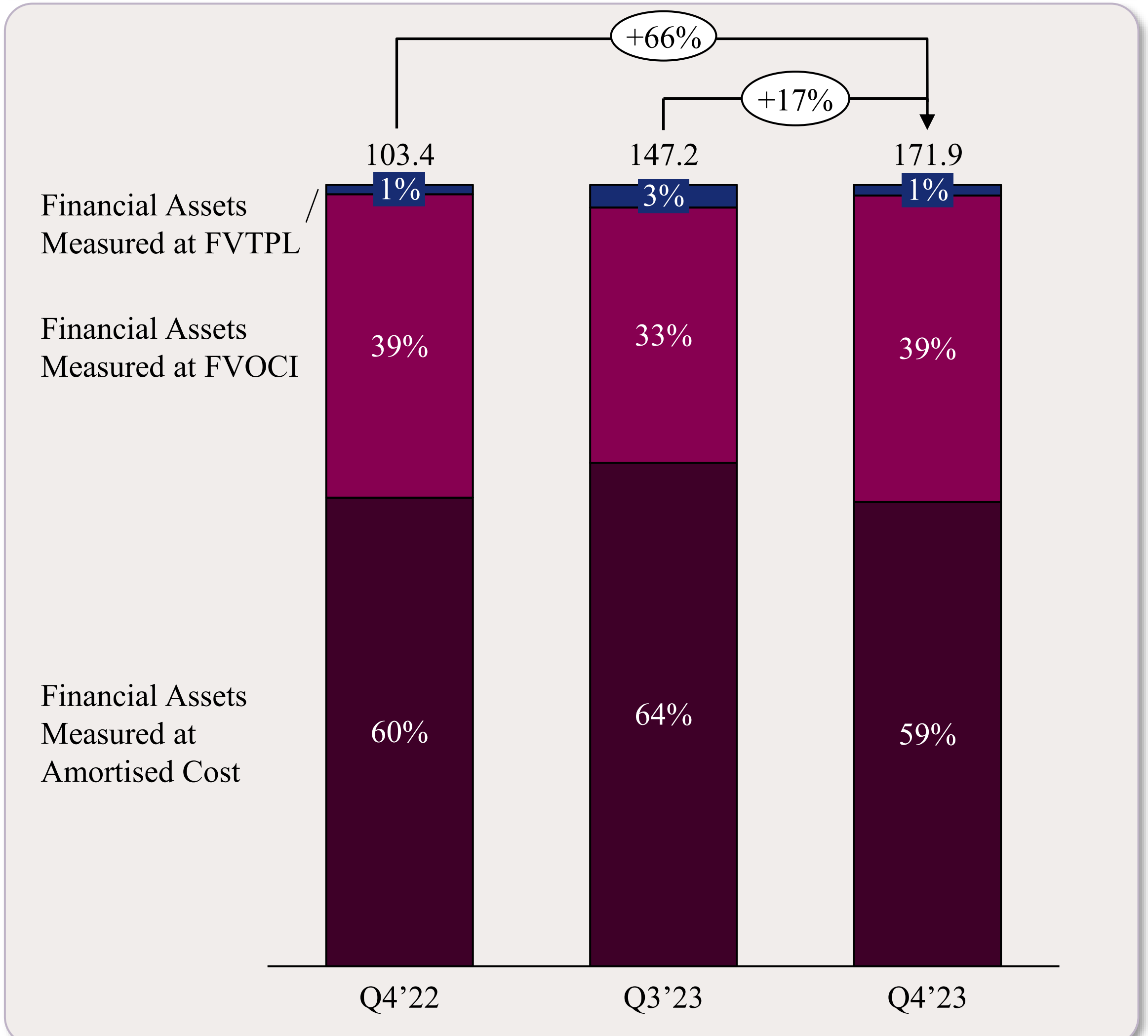


2023 CoR Breakdown (bps)

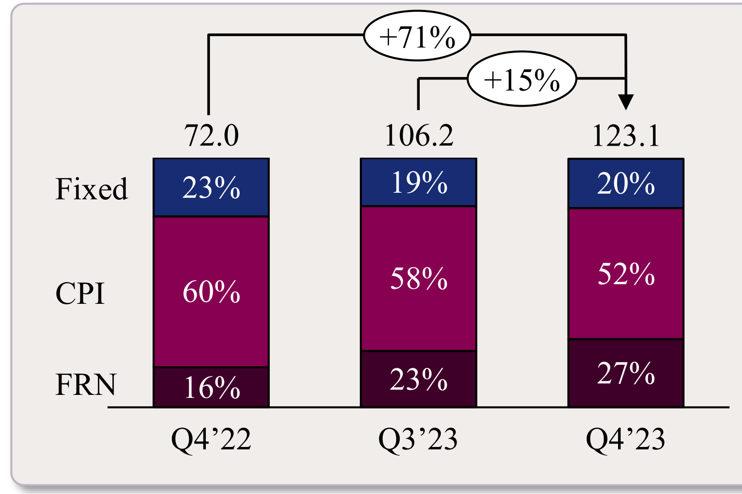


Strategic positioning in FRNs in line with rising rates: CPI linkers & FRNs collectively accounted for 80% of TL portfolio

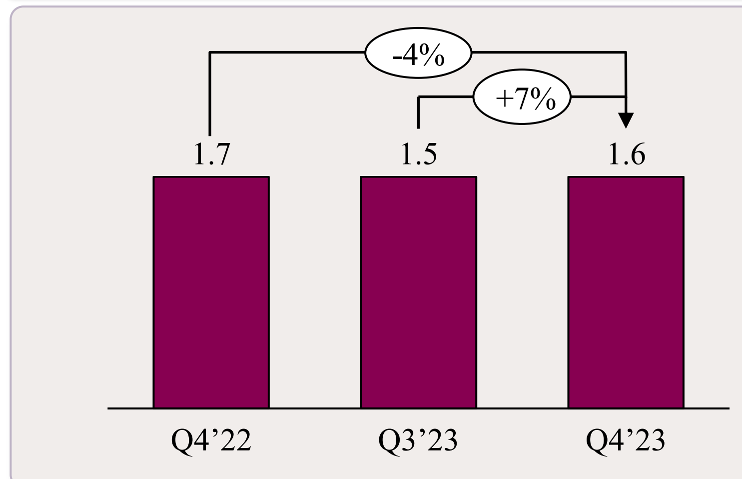
Total Securities (TL bn)



TL Securities (TL bn)

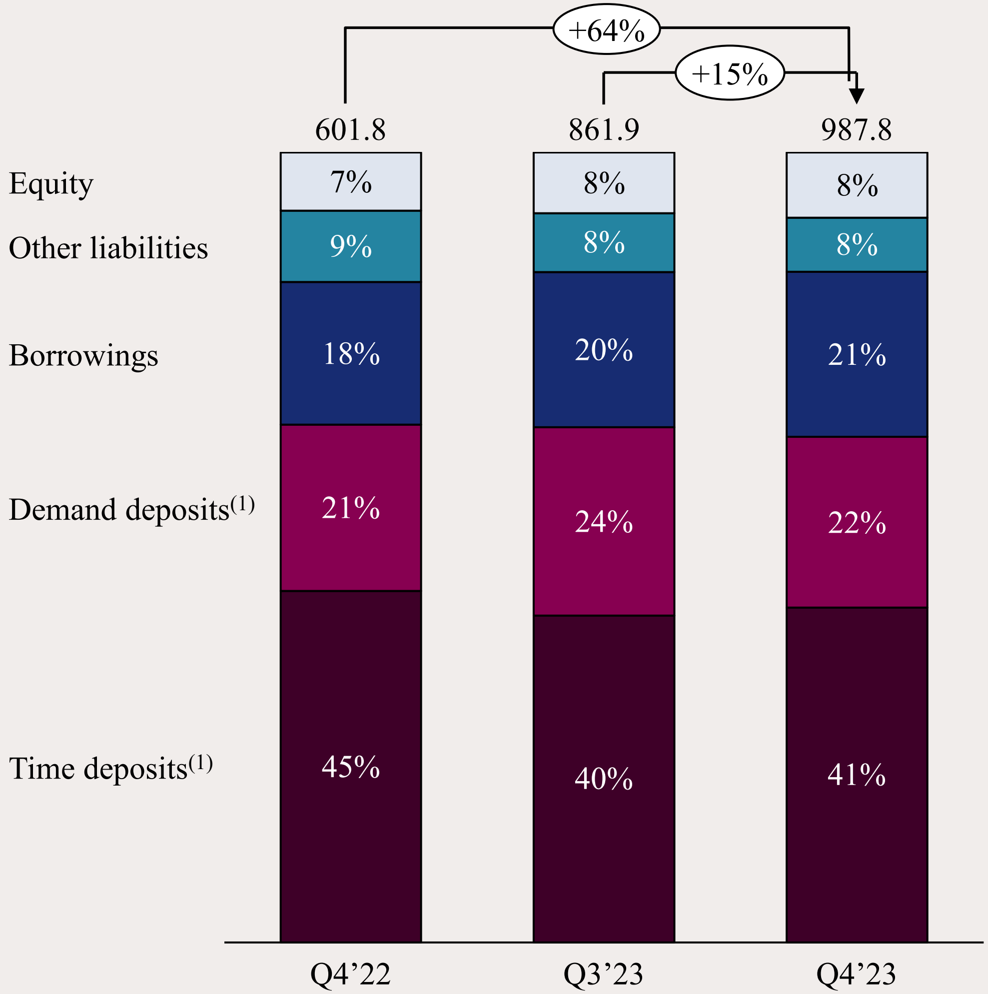


FC Securities (USD bn)

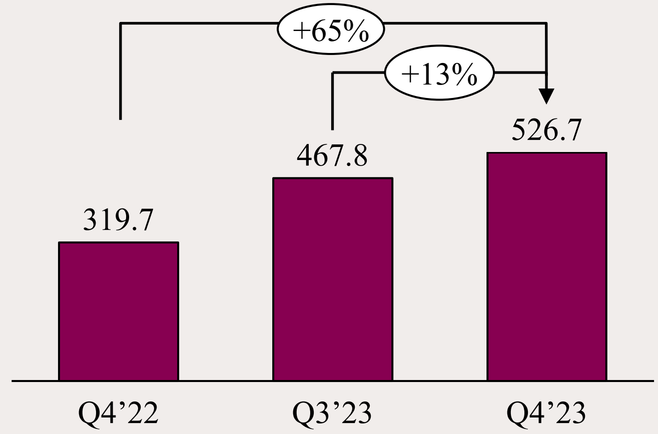


Well-diversified & disciplined funding mix maintained with a continuous preference for TL funding

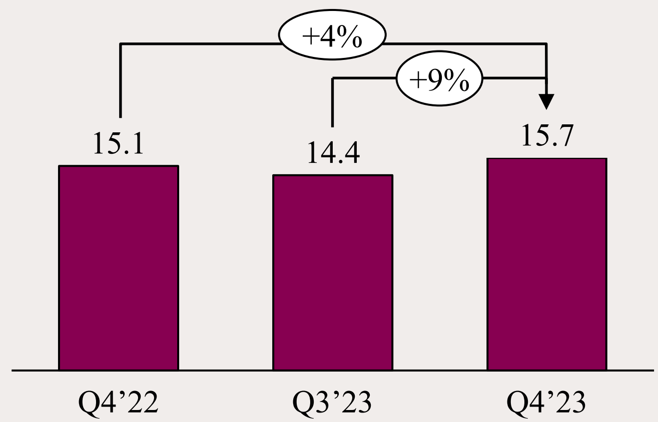
Total Liabilities (TL bn)



TL Liabilities (TL bn)



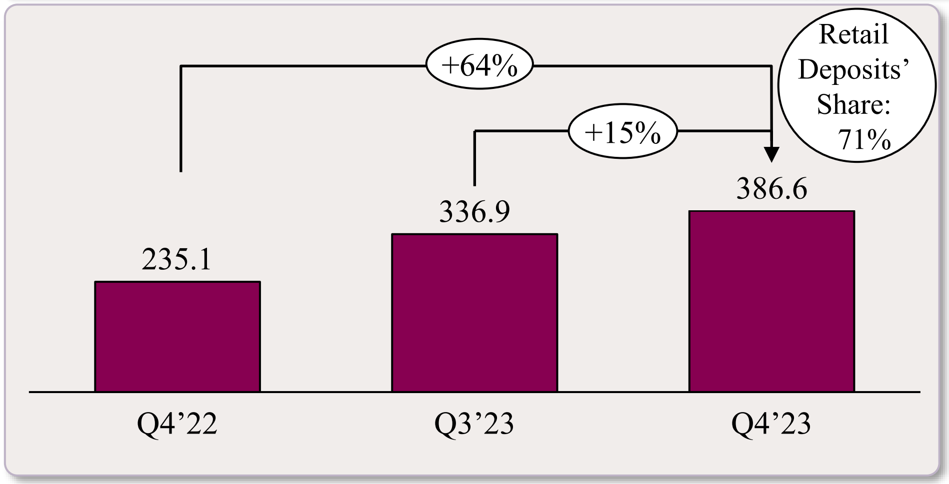
FC Liabilities (USD bn)



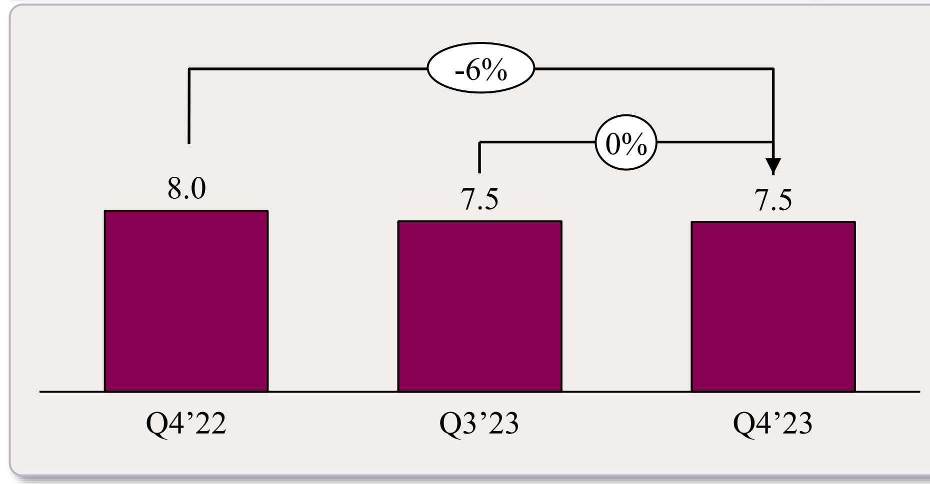
(1) Includes bank deposits

Early attainment of conversion targets from FC-protected deposits upheld TL growth, as high contribution from demand deposits in a high rate environment was eye-catching

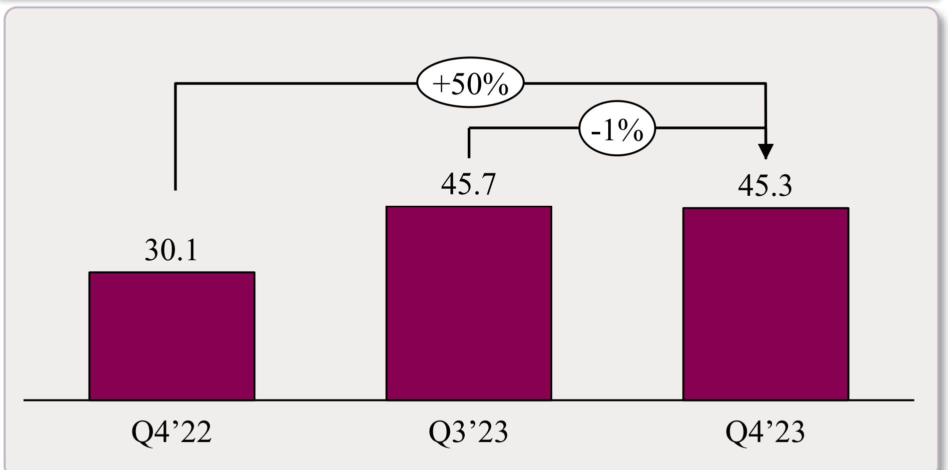
TL Customer Deposits (TL bn)



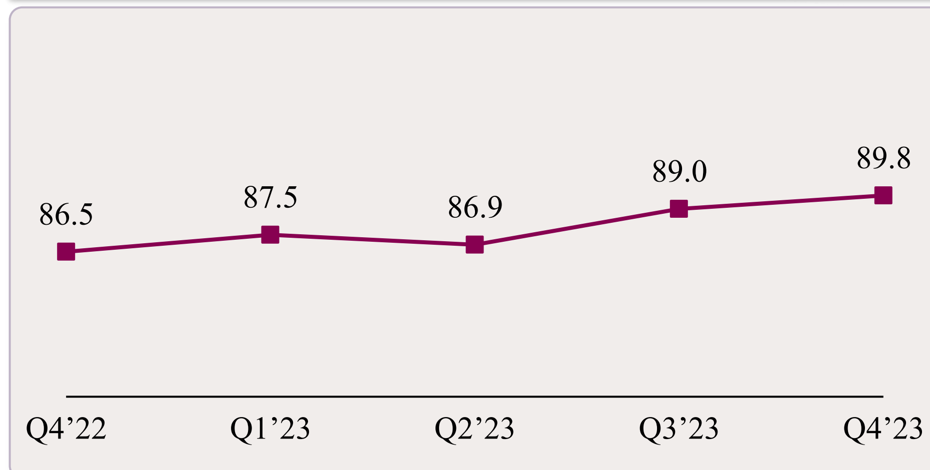
FC Customer Deposits (USD bn)



TL Customer Demand Deposits (TL bn, aop)



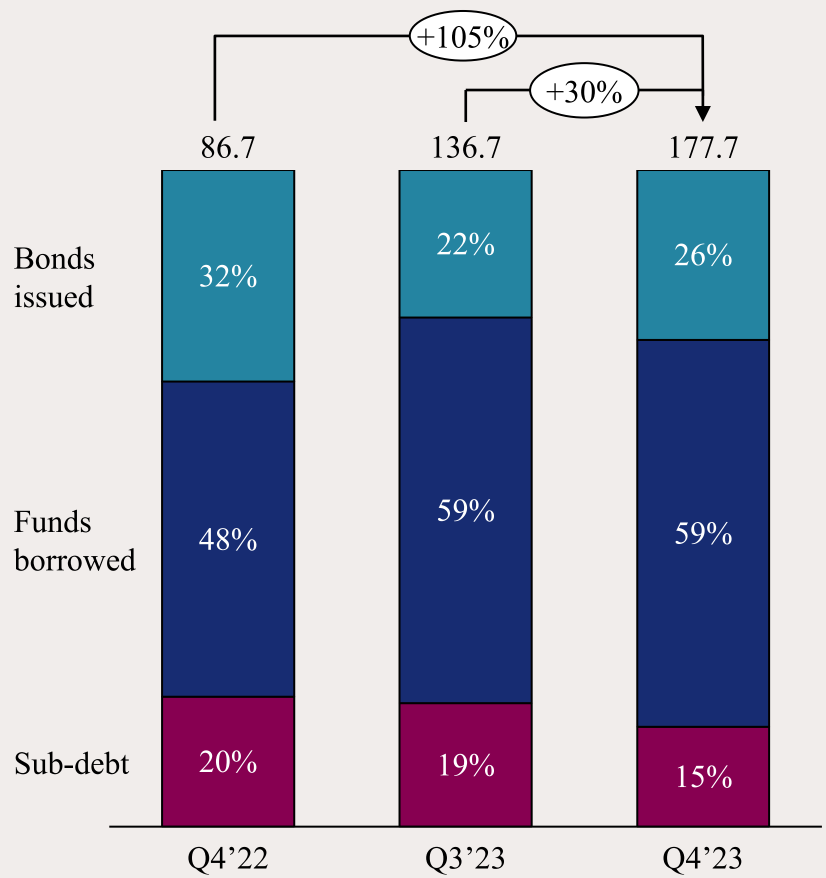
Loan-to-deposit-ratio[1] (%)



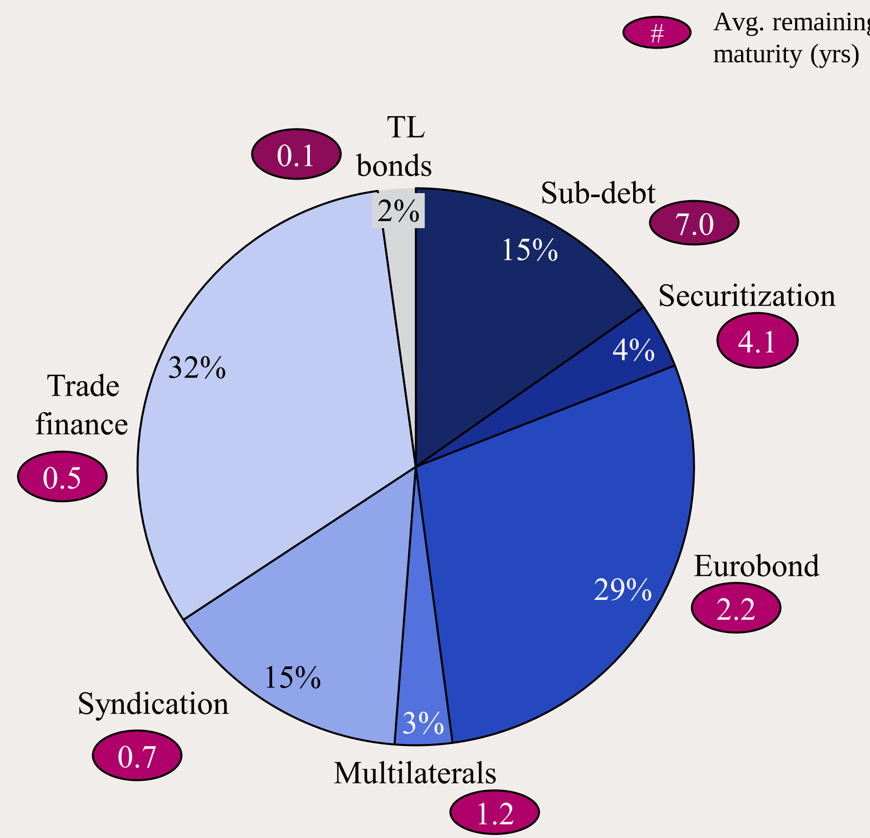
[1] Including TL issued bonds, bank deposits & fiduciary deposits

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

Wholesale Borrowings[1] by Type (TL bn)



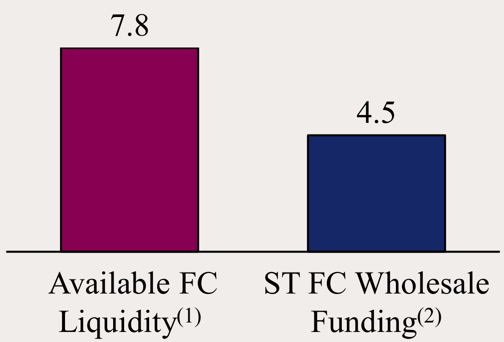
Wholesale Borrowings[1] Breakdown



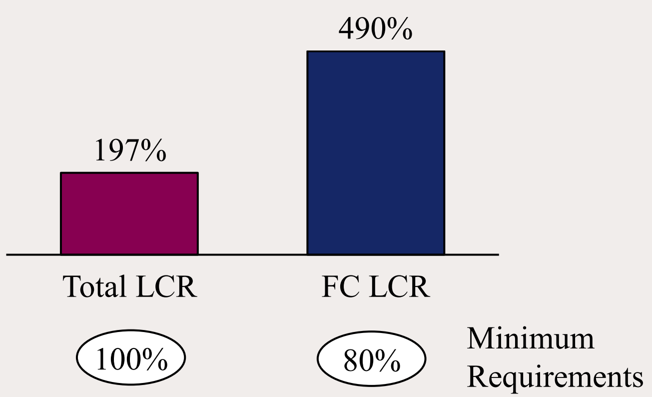
[1] Non-deposit funding except repo

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

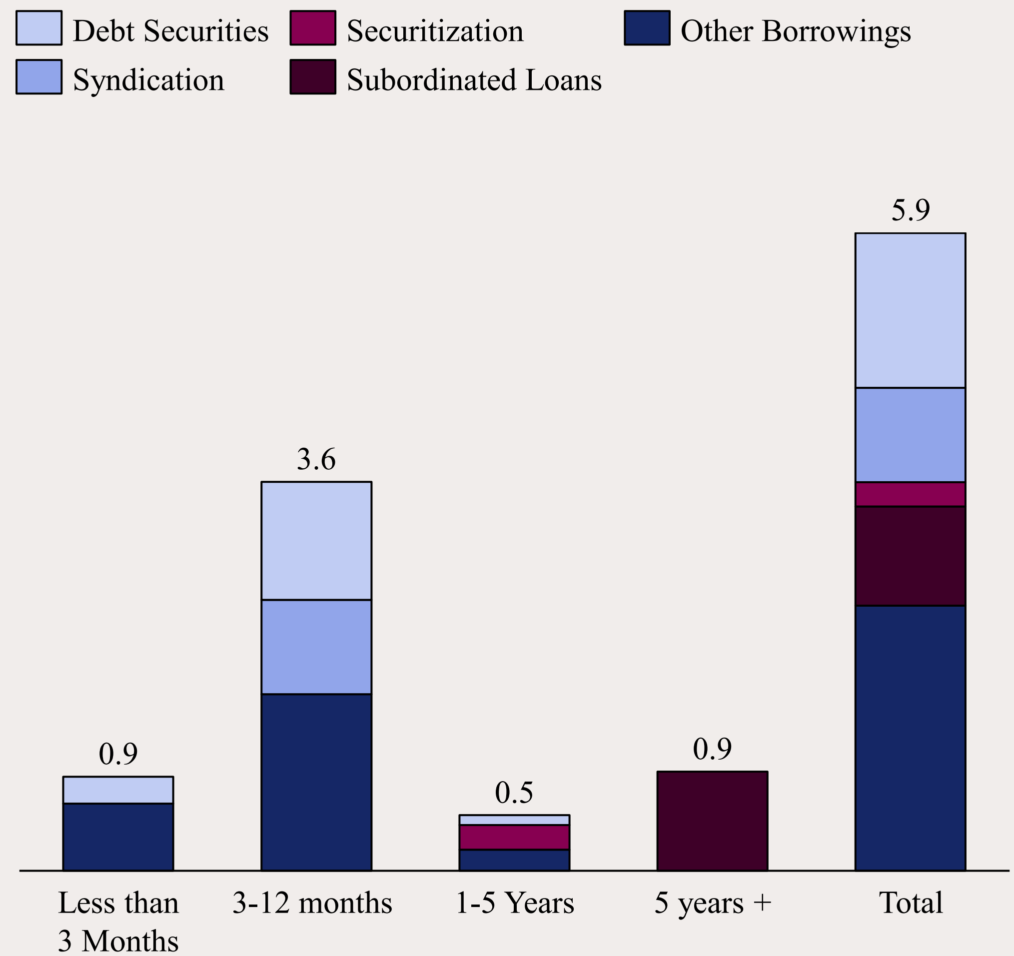
Available FC Liquidity vs Short-term Dues (USD bn)



Liquidity Coverage Ratios (%, eop)



Maturity Profiles of FC Wholesale Funding (USD bn)



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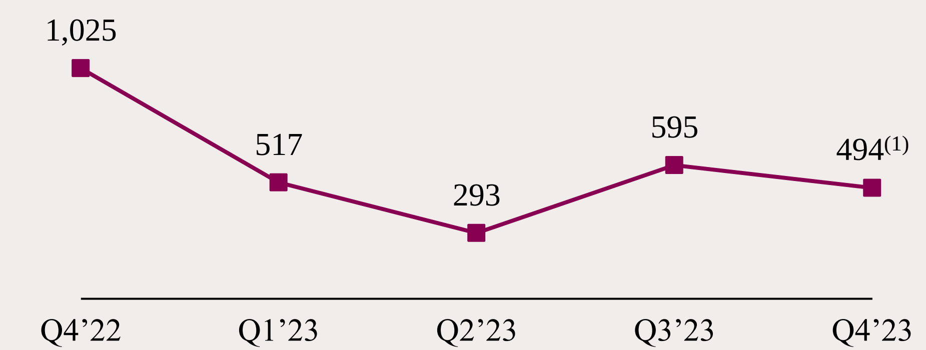
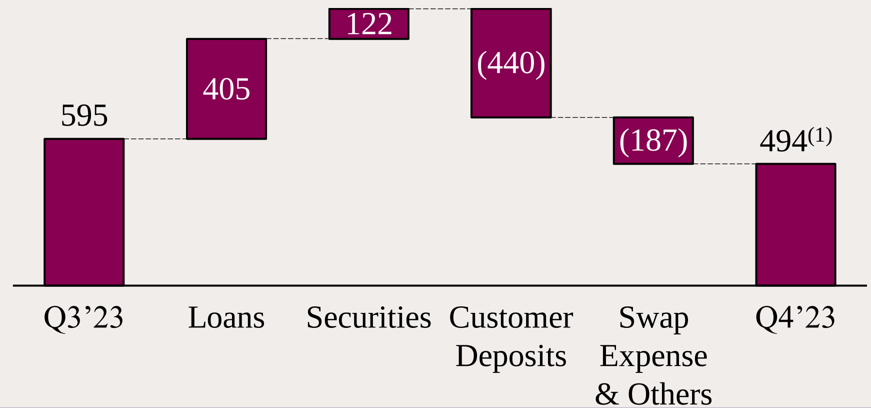
(1) Incorporates FC HQLA and FC swaps
(2) FC wholesale funding due within 1 year

Resilient NIM upheld by Bank's prudent maturity mismatch and CPI linkers, while rising deposits and swap costs pressured overall spreads

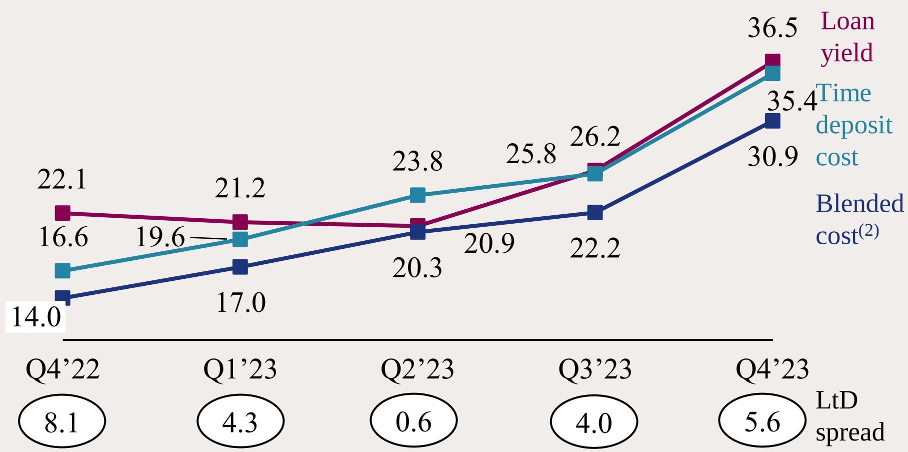
Quarterly NIM after Swap (bps)



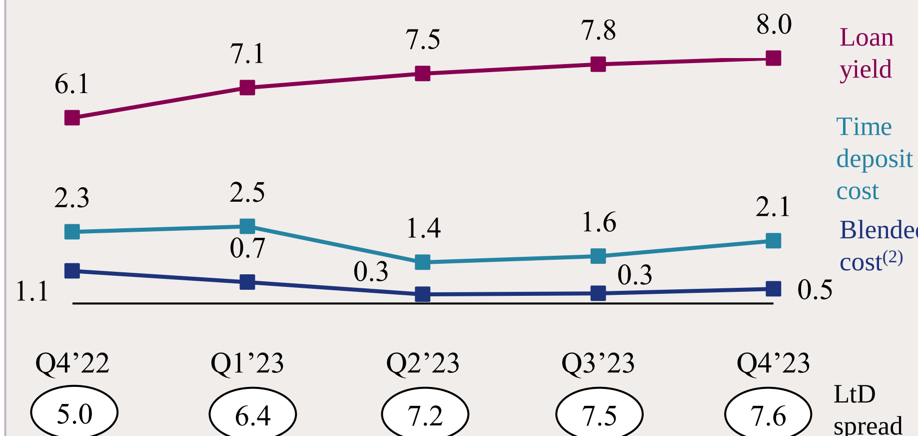
Quarterly NIM after Swap Evolution (bps)



TL Spread (%, quarterly)



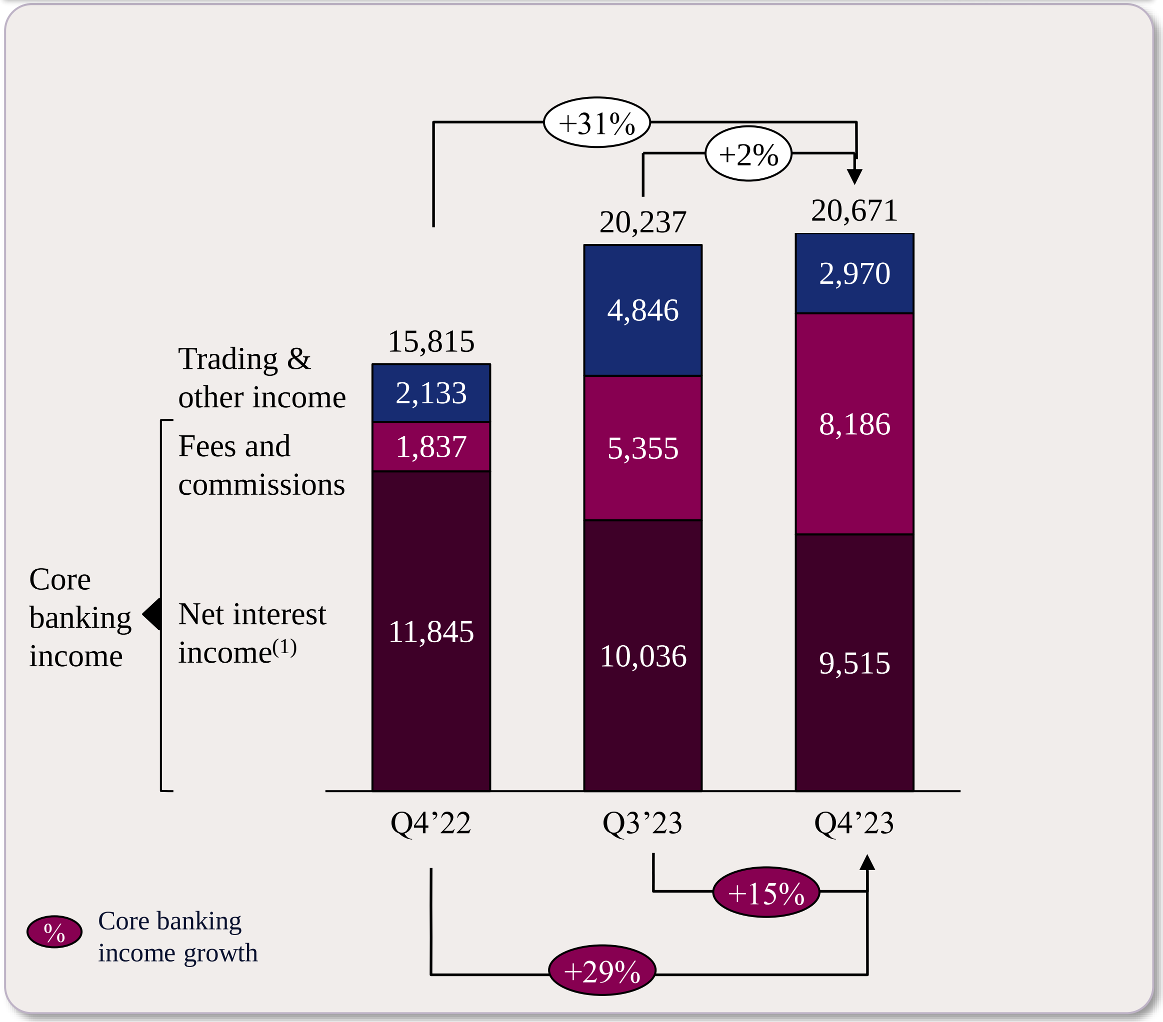
FC Spread (%, quarterly)



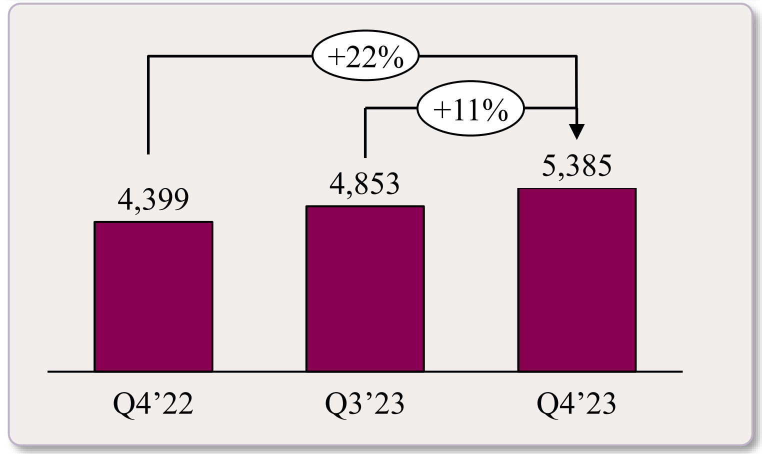
(1) October-October inflation projection realized at 61.4%.
An additional 100 bps increase in CPI projection would contribute TL 615 mn/yr to NII and 7 bps to annual NIM.
(2) Blended of time and demand deposits.

Robust Fees&Commissions accompanied by resilient Net Interest Income led to a C/I ratio of 26%, despite the elevated inflation and TL depreciation reflected onto OPEX performance

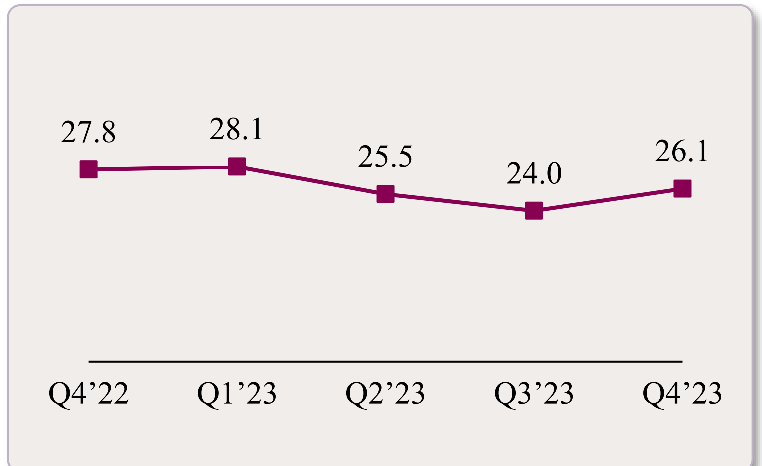
Total Operating Income (TL mn)



OpEx (TL mn)



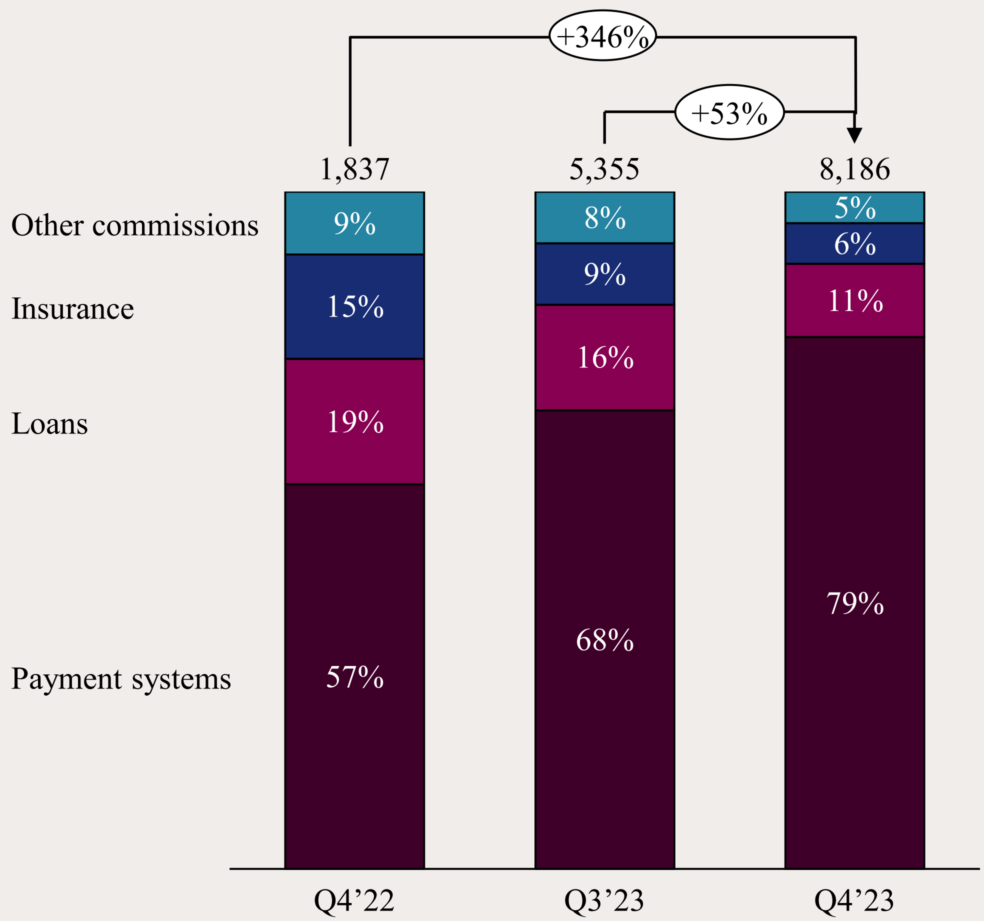
Cost / Income (%)



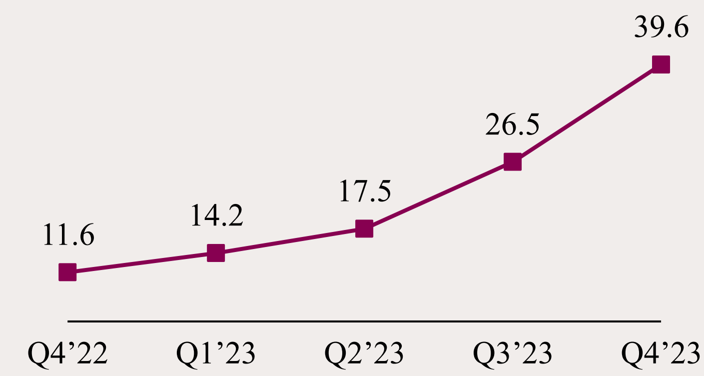
(1) Including swap expenses

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

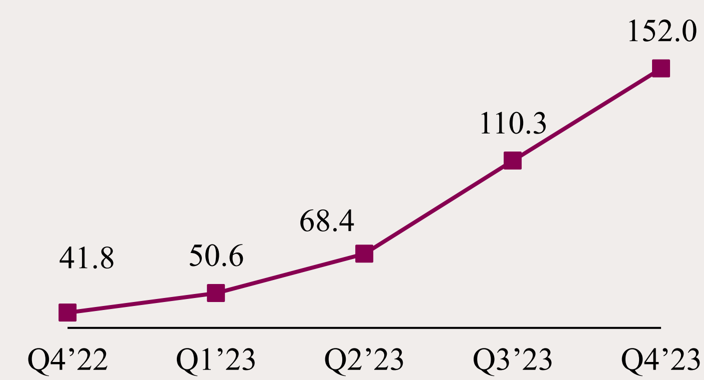
Net Fees and Commissions (TL mn)



Fees / Total Income (%)



Fees / OpEx (%)



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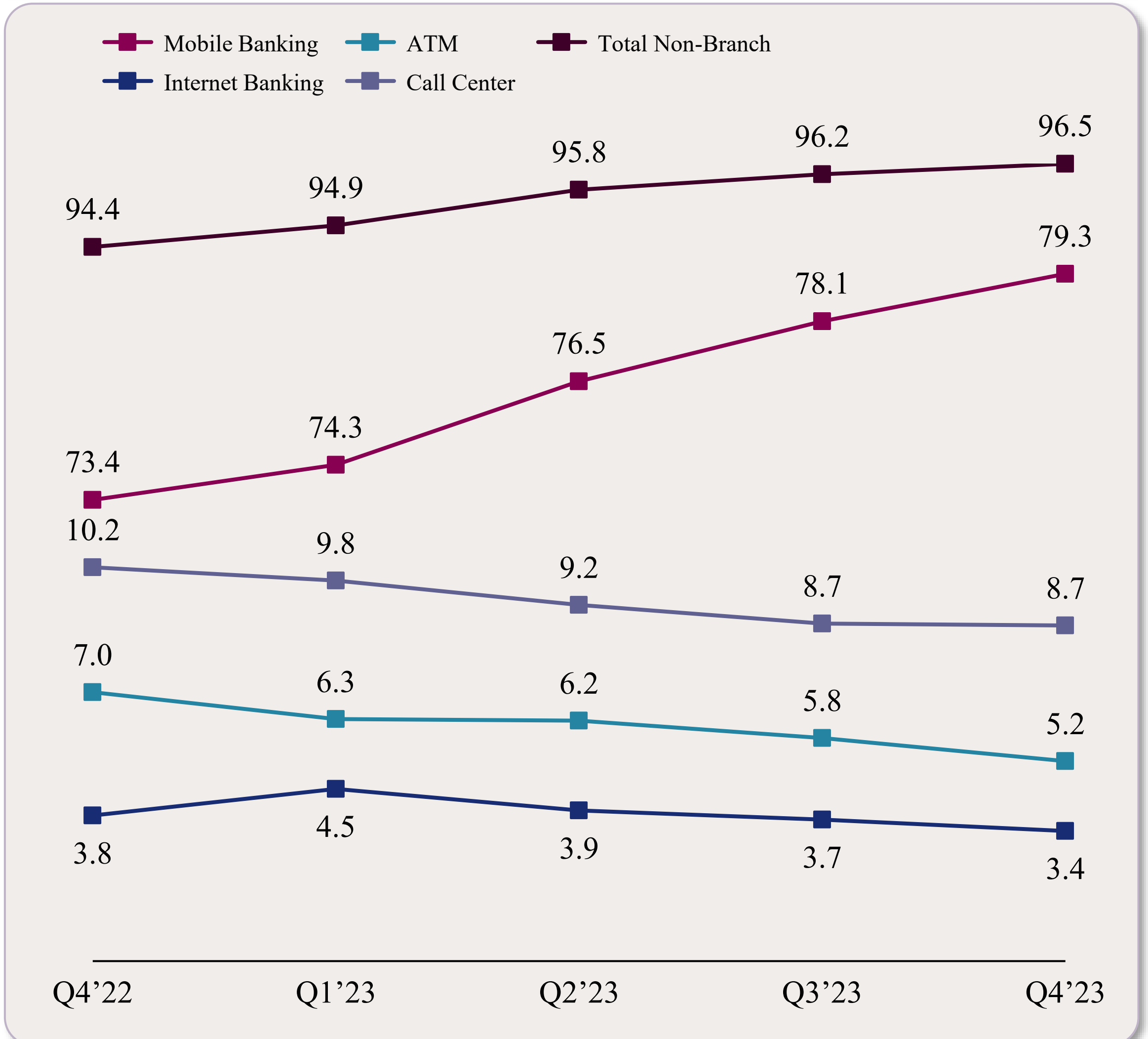
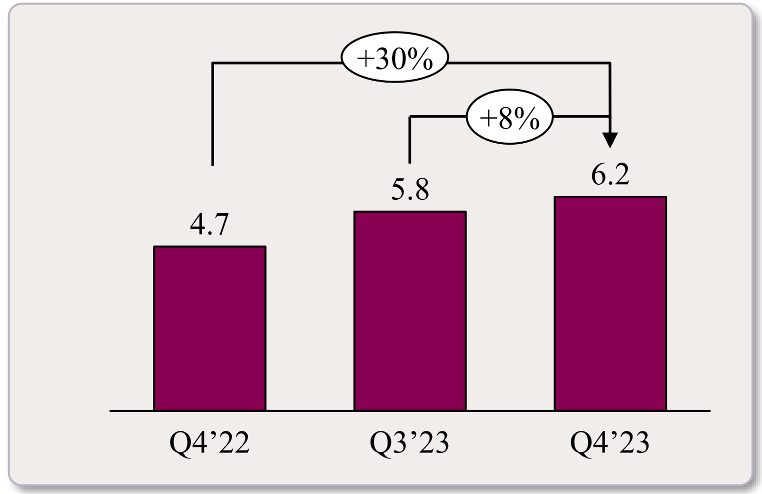
Investment in digital transformation paved the road to a smooth and persistent transition to digital channels

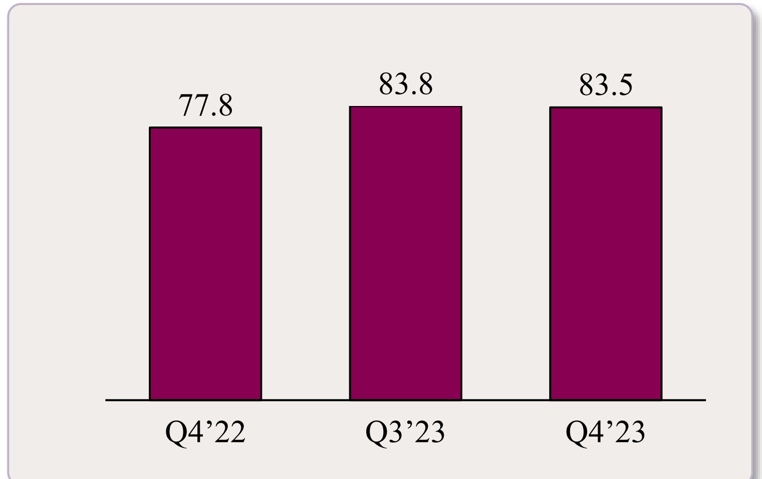
Share of Transactions Evolution in Non-Branch Channels (%)



Number of Digital Customers (mn)



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



(1) Customers logged into mobile or internet branches at least once within the last three months

Sustainability at QNB Finansbank

QNB Finansbank embraces the principle of «Becoming 1 with the World» while ensuring a more prosperous future for children

«Becoming 1 with the World»

- QNB Finansbank's sustainability roadmap is shaped by the critical factors of human well-being, societal progress, economic resilience, and environmental stewardship, which collectively encompass the interests of our most significant stakeholder, the World.

- We adapt **«Becoming 1 with the World»** as our Sustainability vision, where we commit to integrate humanely, environmentally, economically, and socially to the global community by acknowledging our responsibility to the unity of the world's ecosystem

QNB Finansbank Sustainability Strategy

- Our sustainability strategy, focuses on four core areas:
  - The Green Transformation and Responsible Transformation center upon the sustainability transformation of customers.
  - Operational Transformation and Transformation of Finansçı emphasize the sustainability of the Bank's operations.

QNB Finansbank Sustainability Roadmap

Sustainability at QNB Finansbank

DÜNYAYLA 1

Sustainability is defined at QNB Finansbank as the delivery of long-term value while addressing ESG topics

We are committed to combating climate change on the pathway to net zero

- **Coal Phase Out:** Not lending to new coal thermal power plant and new coal mining investments
- Green Social Eligible Loans/ Project Finance Portfolio[1] **38.9%**
- Renewable Energy Projects/ Total Energy Generation Projects **23.6%**
- Sustainability-linked Funding/ Wholesale Funding Portfolio[2] **27%**
- Supporting transitioning through products & services:
  - **Green/Sustainable Deposit**
  - **Green Transformatin Loan Programme**
  - **Renewable Energy & Energy Efficiency Loans**
  - **Eco-Friendly Vehicle Loan**
  - **Eco-Friendly Mortgage**
  - **Clean Energy and Water Fund**
- **Sustainable Finance and Product Framework** with SPO
- **Zero Waste Certificate, ISO 14001 & 50001 EnYS** obtained for HQ buildings

[1] Cash Risk [2] Excluding subloan

We are fostering financial inclusivity & promoting equal rights

- **Gender Equality Guideline** with Kadir Has University & **Gender Equality targets**
- Listed in **2023 Bloomberg Gender Equality Index**
- Partnership with WTECH **«100 Female Leaders in Technology on the Centennial of the Republic Project»**
- Partnership with EBRD, IFC, Proparco & EFSE - **$220 million loan** to individuals, businesses affected by the earthquake
- **TL 36 milyon donation** to support the education of children affected by the earthquake in collaboration with TEV, TED
- Enhancing the green transformation of SMEs through the Digital Bridge with **TOBB & Captanomy** partnership
- **Digital Bridge** is the only Platform that supports SMEs with **20** non-banking digital solutions
- **Digital Bridge Academy:** Supporting sustainability, digital & financial literacy for SMEs

Senior level leadership, overseeing sustainability governance

- **Sustainability Committee** co-chaired by the CEO and Head of Sustainability Committee
- Sustainability governance is reinforced by **Environmental and Social Policies** that are supported by the Board of Directors
- **The BoD Diversity and Effectiveness**:
  - The share of independent members: **45%**(*)
  - The share of women: **27%**
- **Climate Change Risk Management**
  - Risk & Opportunities Analysis
  - Stress Tests
- **Compliance** with International Standards

(*)Audit Committee members are deemed independent within the scope of the II-17.1 Corporate Governance Communiqué issued by the Capital Markets Board of Türkiye.

QNB FINANSBANK

Sustainability at QNB Finansbank

Collaboration with both national and international initiatives, coupled with contributions to social welfare in accordance with a responsible banking approach

Initiatives, Ratings & Cooperations

Signatory since 2019

Signatory since 2021

Listed since 2023

Climate Change Leadership Level «A-»

Signatory since 2022

ISO 14001 EMS certification
3 HQ Buildings

LEED certificated Kristal Kule

Signatory since 2023

Corporate Social Responsibility Projects

- **Tiny Hands Big Dreams** - Touching the lives of **700,000** children with more than **80+** projects & **4,000** "Volunteer Finansçı"
  - UNICEF - **TL 10M** donation - **100** School Renovations»
  - TEV & TED - **TL 36M** scholarship for **350** children
  - KAHEV - scholarship for **45 students**
  - TDSD **«+1 for the Future Academy»** Psychosocial support to children primarily who have down syndrome
  - WWF «Nature Pioneers Youth Program» **10,000** children & **1,000** teachers
  - TEGV «Social and Emotional Based Disaster Activities» Psychosocial support to **1,750** children
  - WTECH «**100 Female Leaders in Technology on the Centennial of the Republic Project**»
- **Sustainable art exhibition «Breaking Point:** Write the end of thestory» with Artkolik

Appendix

BRSA Bank-Only Key Financial Ratios

	All figures quarterly	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023
Profitability	RoAE	39.9%	72.9%	44.0%	55.3%	53.1%	57.6%	56.7%	69.7%	48.4%	57.5%
	RoAA	2.4%	4.6%	2.9%	3.9%	3.5%	4.3%	4.2%	5.1%	3.7%	4.3%
	Cost / Income	30.0%	19.5%	17.9%	27.8%	23.3%	28.1%	25.5%	24.0%	26.1%	25.7%
	NIM after swap expense	5.2%	8.7%	9.0%	10.3%	8.6%	5.2%	2.9%	5.9%	4.9%	4.8%
Liquidity	Loans / Deposits[1]	92.9%	90.9%	85.7%	86.5%	86.5%	87.5%	86.9%	89.0%	89.8%	89.8%
	LCR (aop)	181.0%	156.0%	174.2%	166.8%	166.8%	177.2%	167.1%	181.4%	173.7%	173.7%
Asset quality	NPL Ratio	3.5%	2.9%	2.8%	2.5%	2.5%	2.3%	1.9%	1.6%	1.7%	1.7%
	Cost of Risk	1.8%	3.1%	1.5%	1.0%	1.8%	4.6%	2.8%	1.0%	2.8%	2.7%
Solvency	CAR	16.0%	14.7%	15.4%	15.1%	15.1%	13.4%	14.5%	15.2%	16.7%	16.7%
	Tier I Ratio	12.8%	11.7%	12.4%	12.3%	12.3%	10.8%	11.6%	12.4%	13.8%	13.8%
	Liability/Equity	16.2x	15.9x	14.5x	13.6x	13.6x	13.0x	14.2x	13.0x	12.1x	12.1x

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

BRSA Bank-Only Summary Financials

Income Statement

TL, mn	Q3'23	Q4'23	ΔQoQ	2022	2023	ΔYoY
Net Interest Income (After Swap Expenses)	10,036	9,515	-5%	32,665	30,072	-8%
Net Fees & Commissions Income	5,355	8,186	53%	6,128	18,317	199%
Trading & Other Income	4,846	2,970	-39%	7,006	22,422	220%
Total Operating Income	**20,237**	**20,671**	**2%**	**45,799**	**70,811**	**55%**
Operating Expenses	(4,853)	(5,385)	11%	(10,666)	(18,230)	71%
Net Operating Income	**15,384**	**15,286**	**-1%**	**35,133**	**52,581**	**50%**
Provisions	(1,711)	(4,123)	141%	(5,450)	(13,449)	147%
Free Provisions	600	(1,400)	n.m.	(5,400)	(1,400)	-74%
Profit Before Tax	**14,273**	**9,763**	**-32%**	**24,283**	**37,732**	**55%**
Tax Expenses	(3,628)	(1,230)	-66%	(7,059)	(4,560)	-35%
Profit After Tax	**10,645**	**8,533**	**-20%**	**17,224**	**33,172**	**93%**

Balance Sheet

TL, mn	Q4'22	Q3'23	Q4'23	ΔQoQ	ΔYoY
Cash & Banks[1]	113,652	159,410	185,099	16%	63%
Securities	103,354	147,227	171,782	17%	66%
Net Loans	344,957	502,071	571,044	14%	66%
Fixed Asset and Investments[2]	9,710	16,250	26,648	64%	174%
Other Assets	30,082	36,964	33,244	-10%	11%
Total Assets	**601,755**	**861,923**	**987,817**	**15%**	**64%**
Deposits	394,284	562,167	632,050	12%	60%
Customer	384,058	541,975	606,467	12%	58%
Bank	10,226	20,192	25,583	27%	150%
Borrowings	108,650	169,278	206,558	22%	90%
Bonds Issued	27,940	30,683	45,949	50%	64%
Funds Borrowed	41,653	80,338	104,824	30%	152%
Sub-debt	17,128	25,719	26,949	5%	57%
Repo	21,929	32,538	28,836	-11%	31%
Other	54,555	64,289	67,591	5%	24%
Equity	44,266	66,189	81,618	23%	84%
Total Liabilities & Equity	**601,755**	**861,923**	**987,817**	**15%**	**64%**

[1] Includes CBRT, banks, interbank, other financial institutions
[2] Including subsidiaries

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BRSA Consolidated Key Financial Ratios

	All figures quarterly	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023
Profitability	RoAE	39.9%	72.9%	44.0%	55.3%	53.0%	57.6%	56.7%	69.7%	48.4%	57.5%
	RoAA	2.3%	4.4%	2.8%	3.8%	3.4%	4.2%	4.0%	5.0%	3.5%	4.1%
	Cost / Income	30.7%	20.2%	18.5%	28.2%	23.9%	30.3%	27.3%	25.6%	27.6%	27.5%
	NIM after swap expense	5.2%	8.7%	9.1%	10.5%	8.7%	5.5%	3.5%	6.5%	5.7%	5.3%
Liquidity	Loans / Deposits[1]	97.7%	95.0%	89.5%	90.4%	90.4%	91.6%	91.0%	93.7%	94.1%	94.1%
	LCR (aop)	175.1%	152.5%	165.3%	159.8%	159.8%	171.9%	158.2%	176.1%	168.2%	168.2%
Asset quality	NPL Ratio	3.5%	2.9%	2.8%	2.5%	2.5%	2.3%	1.9%	1.6%	1.7%	1.7%
	Cost of Risk	1.8%	3.0%	1.4%	1.0%	1.8%	4.3%	2.8%	0.9%	2.8%	2.6%
Solvency	CAR	15.3%	14.1%	14.8%	14.5%	14.5%	12.8%	13.9%	14.4%	15.9%	15.9%
	Tier I Ratio	12.2%	11.2%	11.9%	11.7%	11.7%	10.3%	11.1%	11.7%	13.2%	13.2%
	Liability/Equity	16.7x	16.4x	14.9x	14.0x	14.0x	13.4x	14.7x	13.5x	12.5x	12.5x

[1] Including TL issued bonds, bank deposits & fiduciary deposits excluding CBRT swap transactions

BRSA Consolidated Summary Financials

Income Statement

TL, mn	Q3'23	Q4'23	ΔQoQ	2022	2023	ΔYoY
Net Interest Income (After Swap Expenses)	11,142	10,635	-5%	33,836	33,848	0%
Net Fees & Commissions Income	5,965	8,819	48%	6,689	20,306	204%
Trading & Other Income	4,189	2,381	-43%	6,373	20,625	224%
Total Operating Income	**21,296**	**21,835**	**3%**	**46,898**	**74,779**	**59%**
Operating Expenses	(5,457)	(6,037)	11%	(11,207)	(20,558)	83%
Net Operating Income	**15,839**	**15,798**	**0%**	**35,690**	**54,222**	**52%**
Provisions	(1,603)	(4,269)	166%	(5,636)	(13,578)	141%
Free Provisions	600	(1,400)	n.m.	(5,400)	(1,400)	-74%
Profit Before Tax	**14,836**	**10,129**	**-32%**	**24,654**	**39,244**	**59%**
Tax Expenses	(4,190)	(1,591)	-62%	(7,428)	(6,066)	-18%
Profit After Tax	**10,646**	**8,537**	**-20%**	**17,226**	**33,178**	**93%**

Balance Sheet

TL, mn	Q4'22	Q3'23	Q4'23	ΔQoQ	ΔYoY
Cash & Banks[1]	114,128	160,934	186,098	16%	63%
Securities	103,820	151,303	177,162	17%	71%
Net Loans[2]	363,105	529,700	602,746	14%	66%
Fixed Asset and Investments	6,308	9,552	18,822	97%	198%
Other Assets	33,784	42,686	38,594	-10%	14%
Total Assets	**621,144**	**894,174**	**1,023,422**	**14%**	**65%**
Deposits	392,763	560,123	630,728	13%	61%
Customer	382,537	539,931	605,145	12%	58%
Bank	10,226	20,192	25,583	27%	150%
Borrowings	127,441	198,196	237,949	20%	87%
Bonds Issued	32,017	34,301	52,037	52%	63%
Funds Borrowed	55,217	103,134	127,865	24%	132%
Sub-debt	17,128	25,719	26,949	5%	57%
Repo	23,079	35,042	31,098	-11%	35%
Other	56,664	69,654	73,111	5%	29%
Equity	44,276	66,201	81,634	23%	84%
Total Liabilities & Equity	**621,144**	**894,174**	**1,023,422**	**14%**	**65%**

(1) Includes CBRT, banks, interbank, other financial institutions
(2) Including Leasing & Factoring receivables

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