QNB Finansbank Q3'20 Earnings Presentation

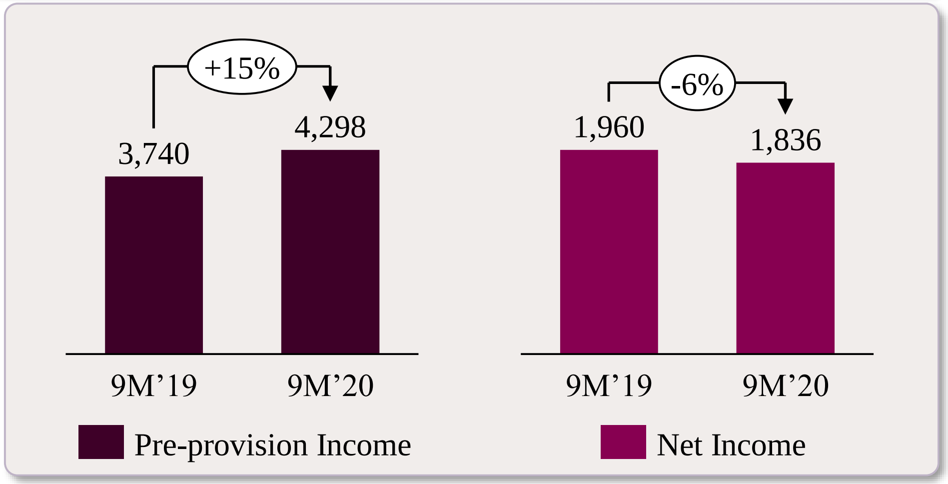
Based on BRSA Unconsolidated Financial Statements
October 2020

Period Highlights

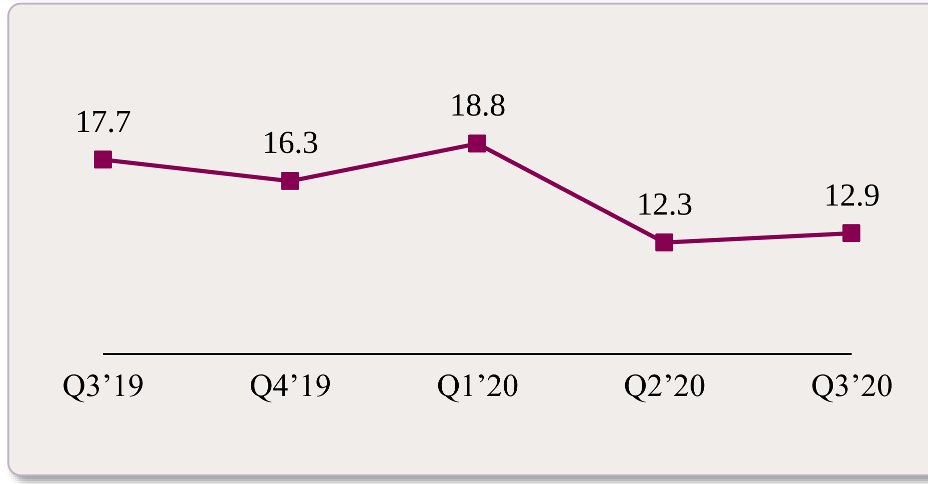
- ✓ Sound core operating performance enabled provision reserve build up in a challenging backdrop: 9M’20 pre-provision income was up by 15% YoY, as cumulative net income realized at TL 1,836 million (-6% YoY), pointing to a 14.5% 9M’20 ROE
- ✓ Robust Q3 loan growth (+11% QoQ, +23% YtD) realized well above sector and private banks, as competitive landscape rationalized supported by normalization phase
- ✓ Deposits maintained as the major source of funding, accounting for 59% of the balance sheet; as cumulative customer deposits growth (+28% YtD, +8% QoQ) continued to outpace private banks
- ✓ Robust solvency ratios retained with CAR at 17.3% and Tier 1 at 14.3%
- ✓ Lower NPL inflow in 9M’20 on the back of front-loaded NPL recognitions in H2’19 as well as temporary staging forbearance.
- ✓ Proactive IFRS 9 provisioning approach strengthened coverages across all stages
- ✓ Strong focus and consistent investment in digital transformation led to increased share of transactions in non-branch channels and digitalization ratio

Sound operating performance enabled robust provision reserve build-up, while strong capital buffers and decent profitability retained

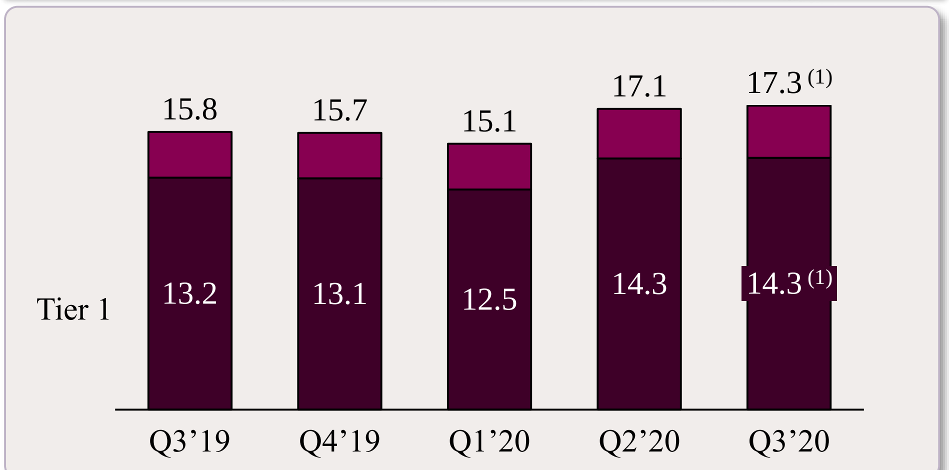
Net Income & Pre-Provision Income (TL mn.)



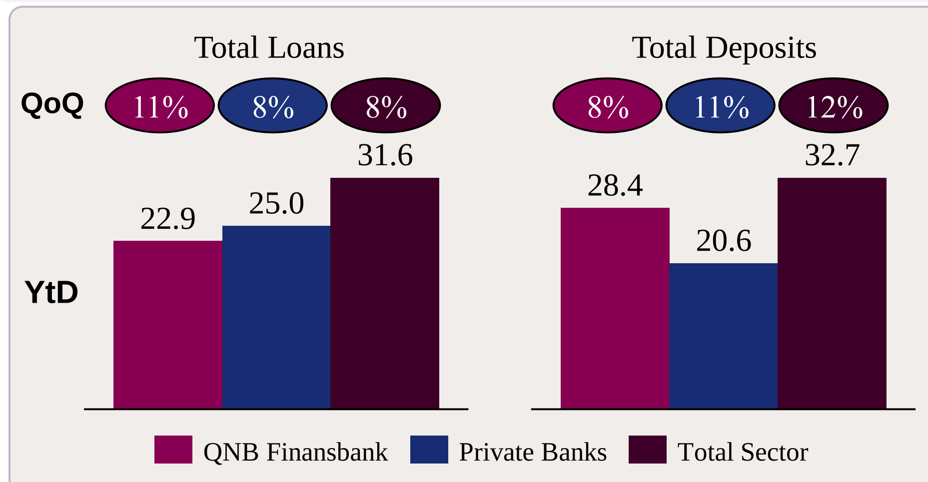
Quarterly RoAE (%)



CAR (%)



Total Loans & Deposits Growth(2) (QoQ, YtD, %)



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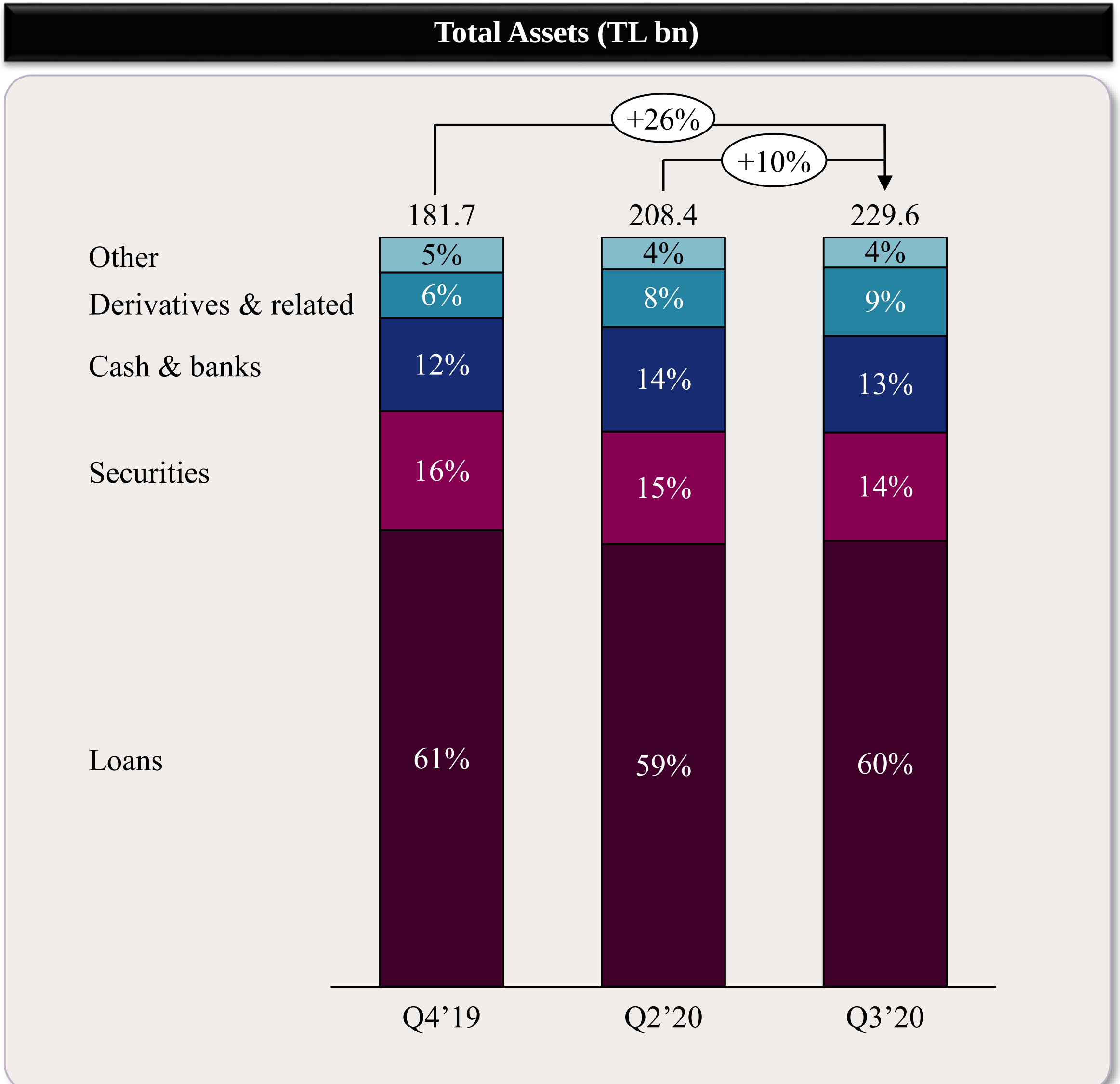
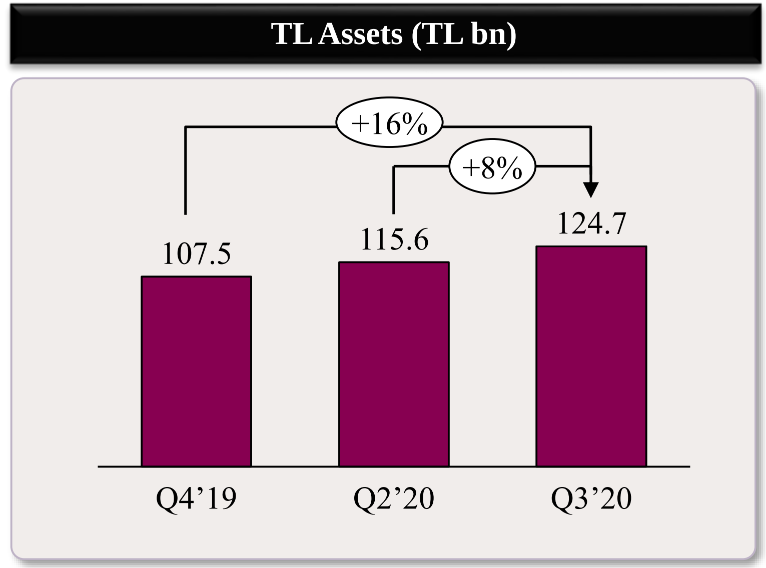
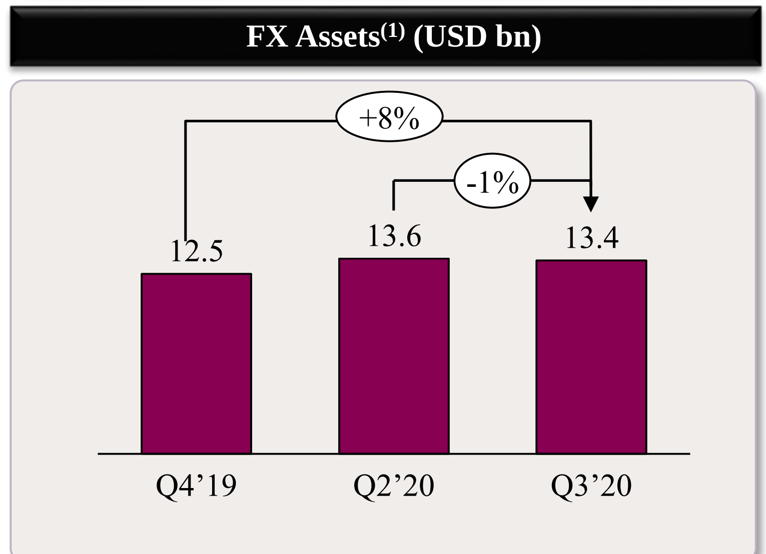
(1) Without BRSA's forbearance measures: CAR: 14.1%, Tier 1: 11.5%,
(2) BRSA Weekly Banking Sector data as of September 25th, 2020

Well-balanced asset base grew by 10% QoQ driven by accelerating lending growth, carrying balance sheet growth to 26% YtD despite the strong base in 2019







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

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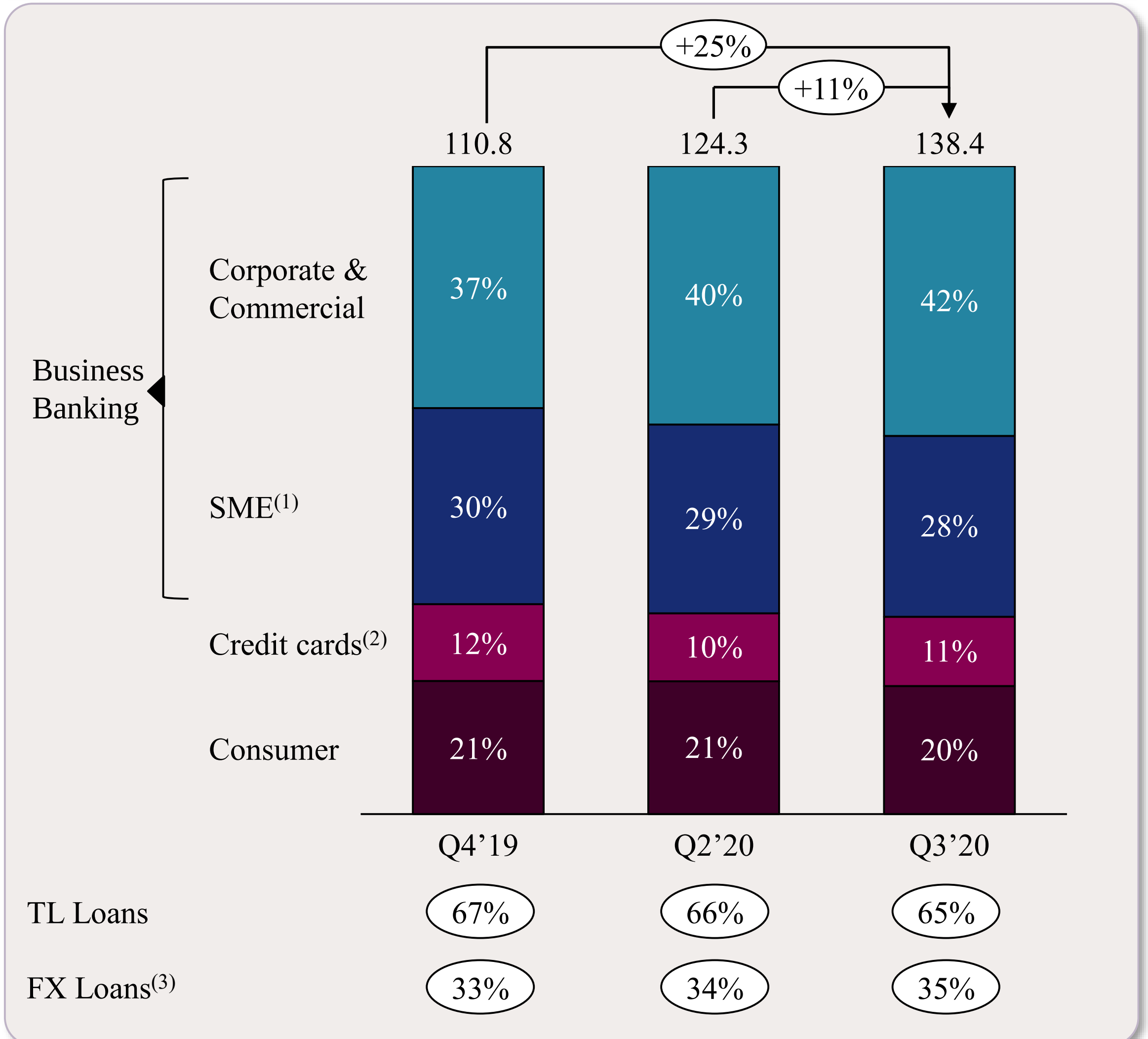
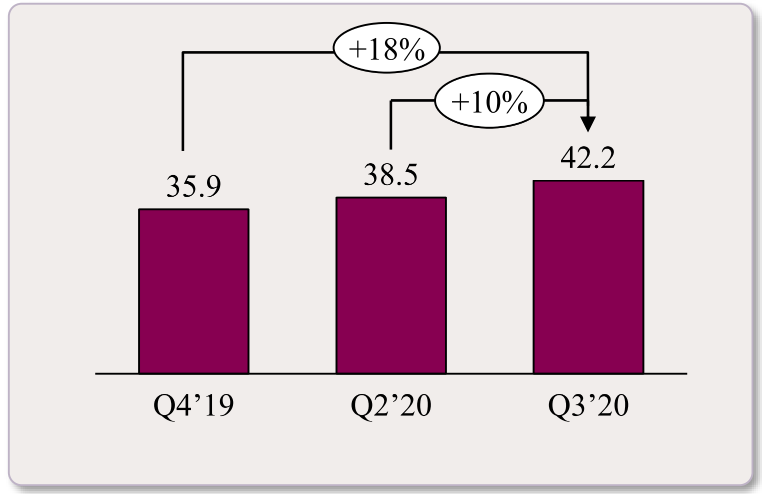
Lending activity picked-up in Q3 with rationalizing competitive landscape supported by normalization phase, as growth was rather balanced between Retail & Business

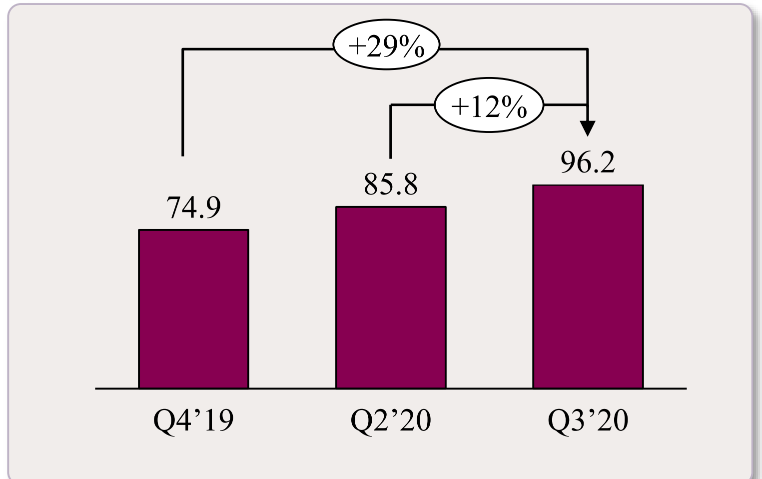
Performing Loans by Segment and Currency (TL bn)



Retail Loans (TL bn)



Business Loans (TL bn)



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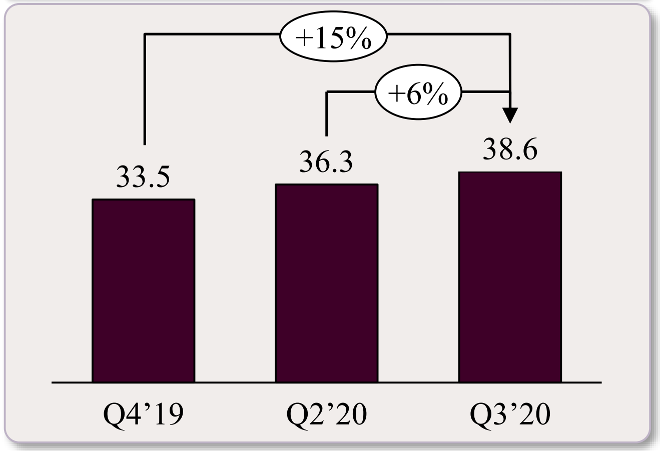
(1) Based on BRSA segment definition
(2) Excluding commercial credit cards
(3) FX-indexed TL loans are shown in FX loans

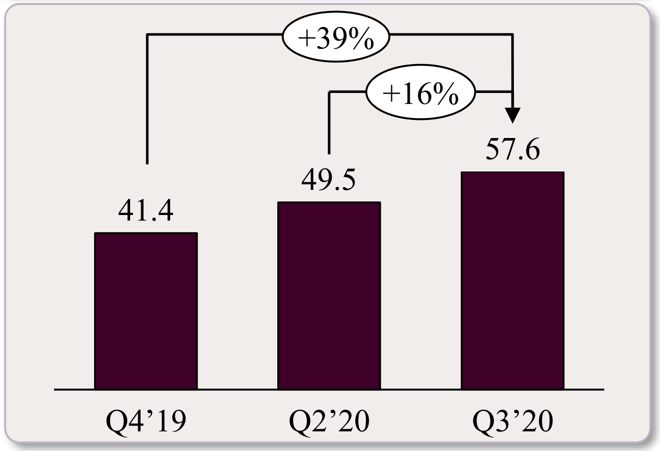
Corporate & Commercial lifted Business Banking growth, while General Purpose Loans and Credit Cards remained focus areas at Retail lending

Business banking
Retail banking

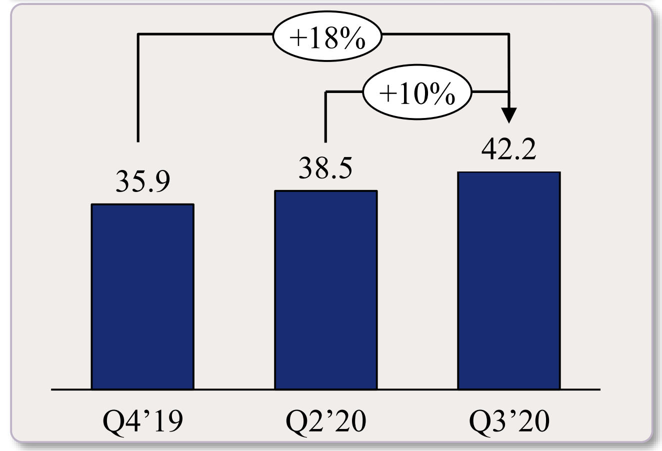
SME Loans[1] (TL bn)



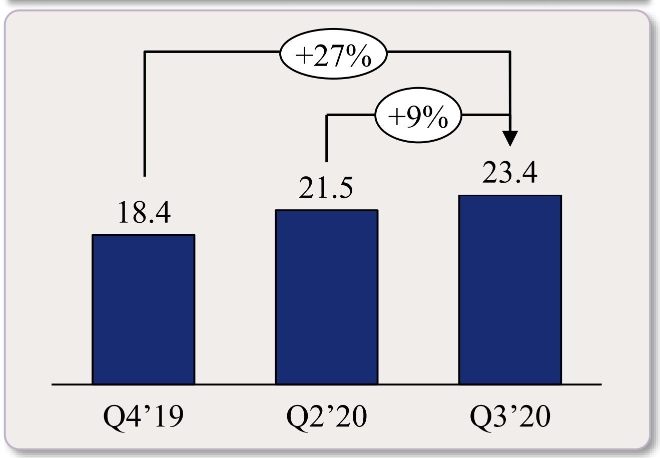
Corporate & Commercial Loans (TL bn)



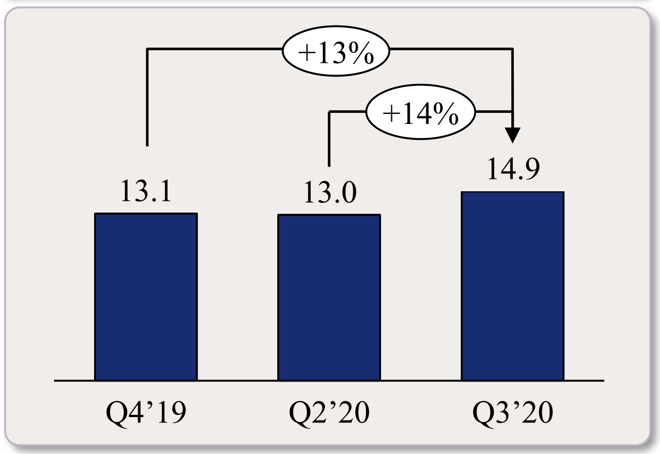
Retail Loans (TL bn)



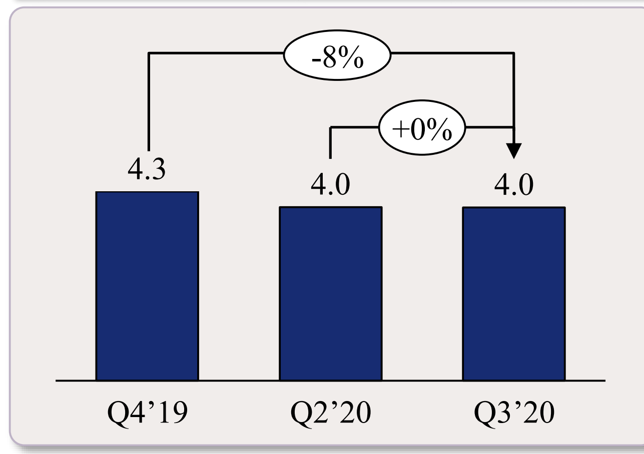
General Purpose Loans[2] (TL bn)



Credit Card Loans[3] (TL bn)



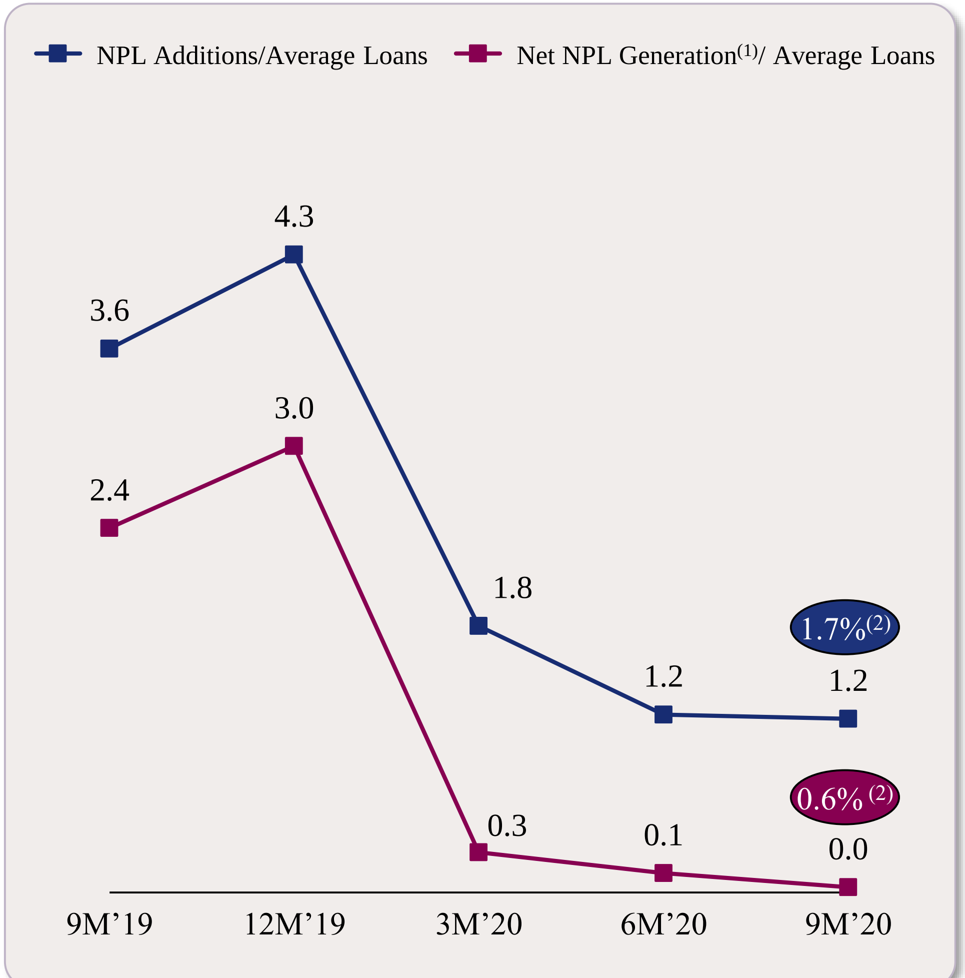
Mortgage Loans (TL bn)



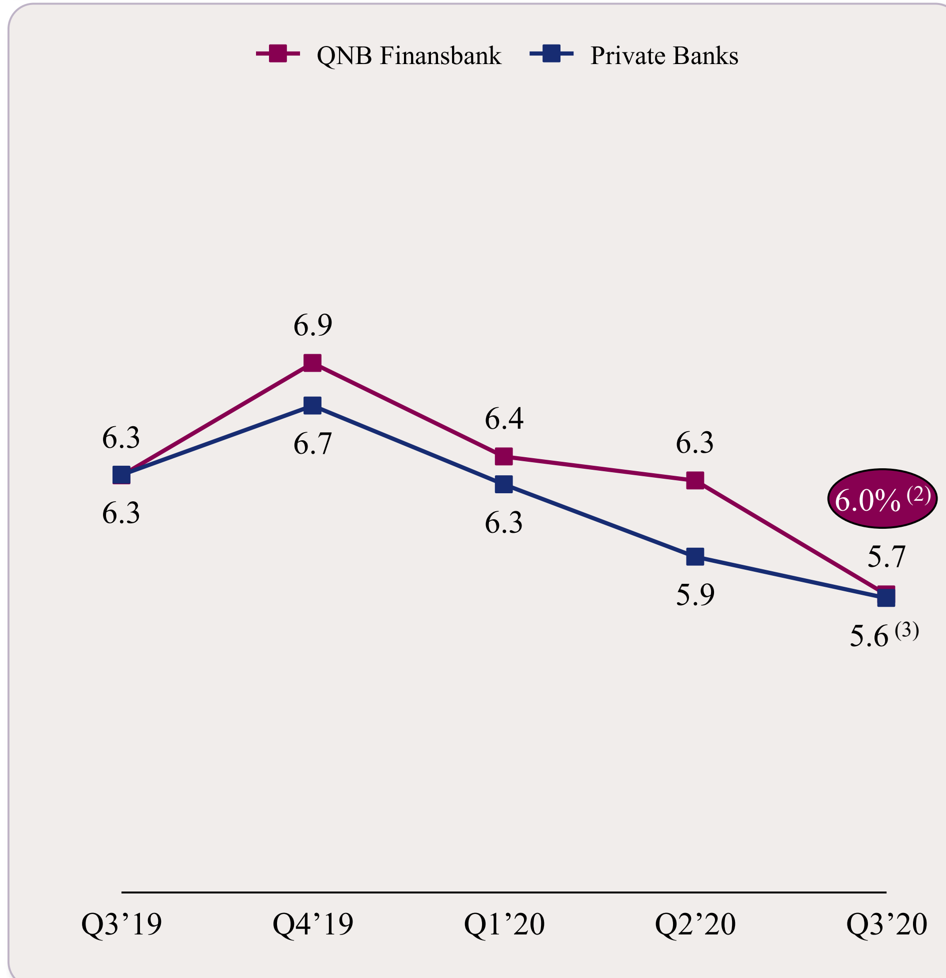
(1) Based on BRSA segment definition
(2) Including overdraft loans
(3) Solely represents credit cards by individuals

As front-loaded NPL recognitions in H2'19 and regulatory forbearance measures helped on lower NPL inflows, strong lending boost and liquidity in the market also supported the sector and QNBFB

NPL Additions / Average Loans (%)



NPL Ratio (%)



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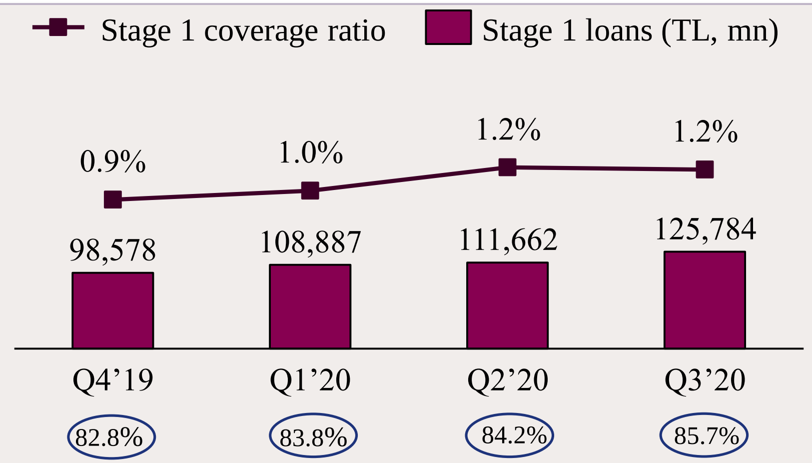
(1) Net NPL Generation = NPL Additions - NPL Collections
(2) Without regulatory easing: past due criteria for NPL recognition extended to six months from three months
(3) Banking sector data as of Sep'20

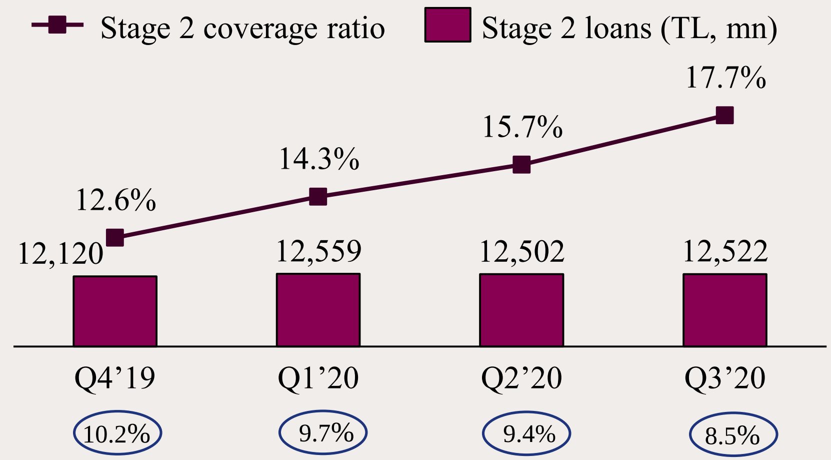
Prudent provisioning approach further reinforced already robust coverages across all stages

as a % of gross loans[1] for the relevant period

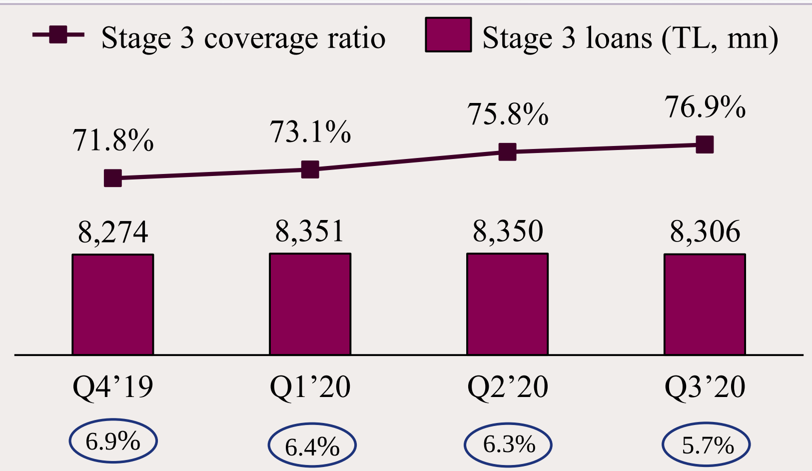
Stage 1 Loans & Coverage



Stage 2 Loans & Coverage

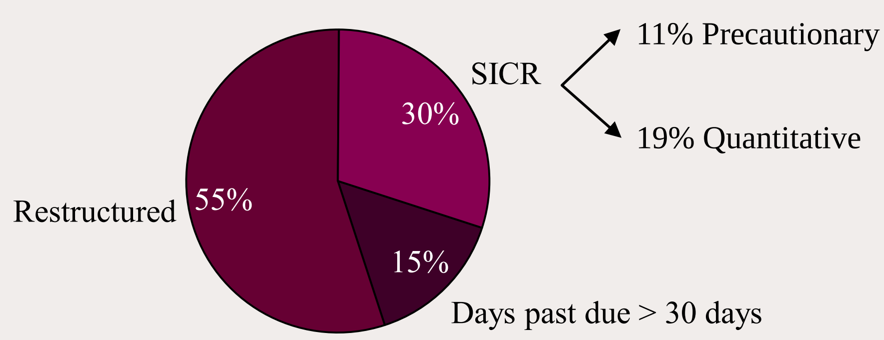


Stage 3 Loans & Coverage



Stage 2 Composition

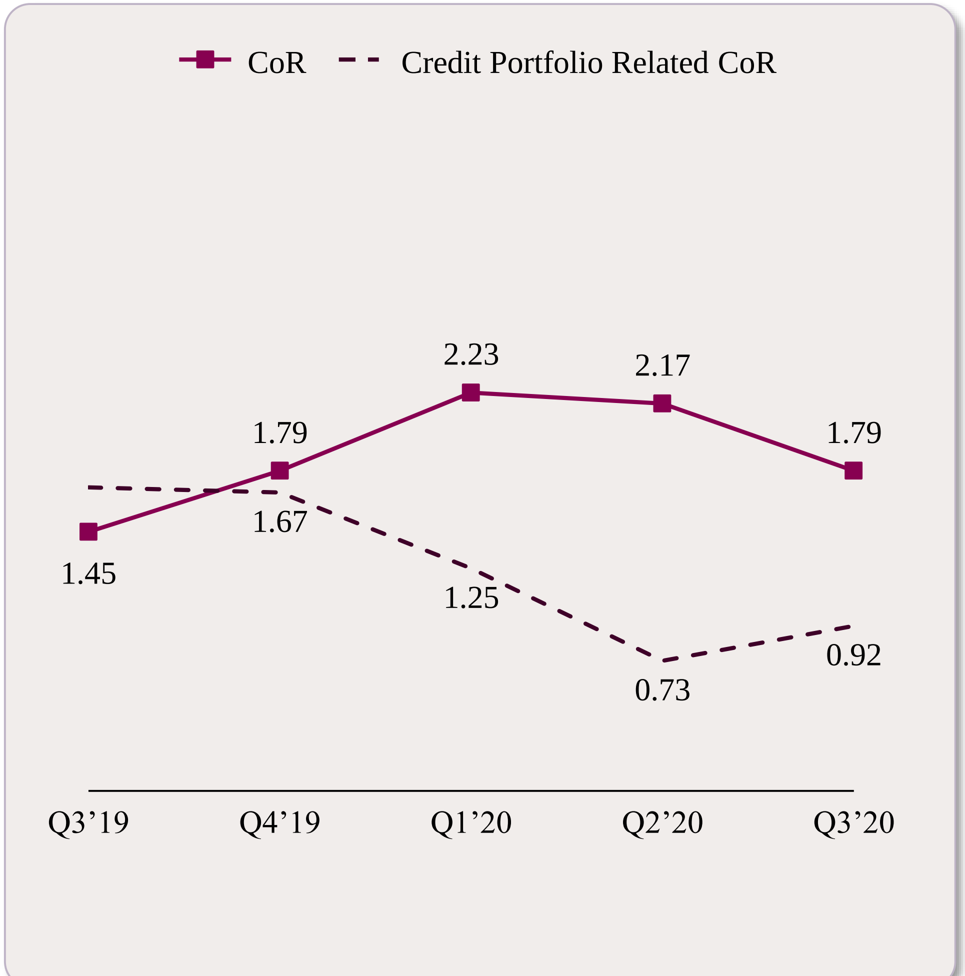
Loan balance = TL12.5 bn



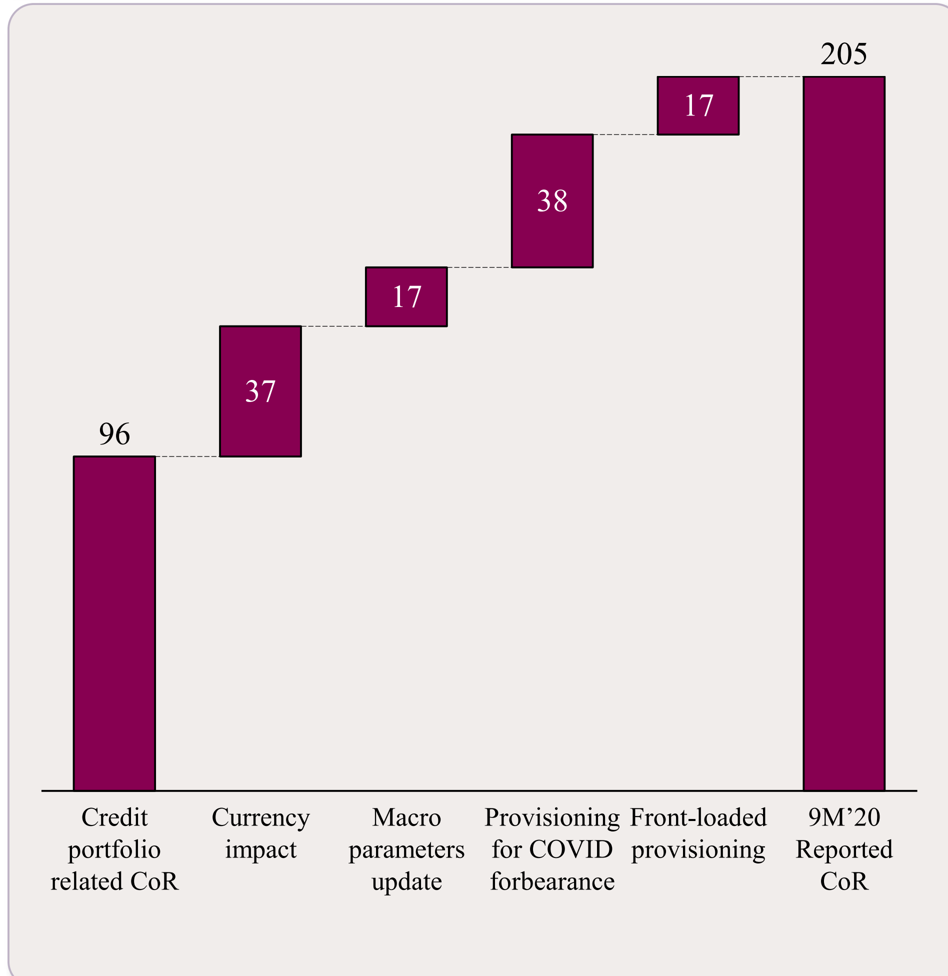
(1) Gross loans encompass the loans measured at FVTPL

Low credit portfolio related CoR maintained, while reported CoR includes significant provision buffers for potential asset quality erosion due to pandemic

Quarterly Cost of Risk (%)

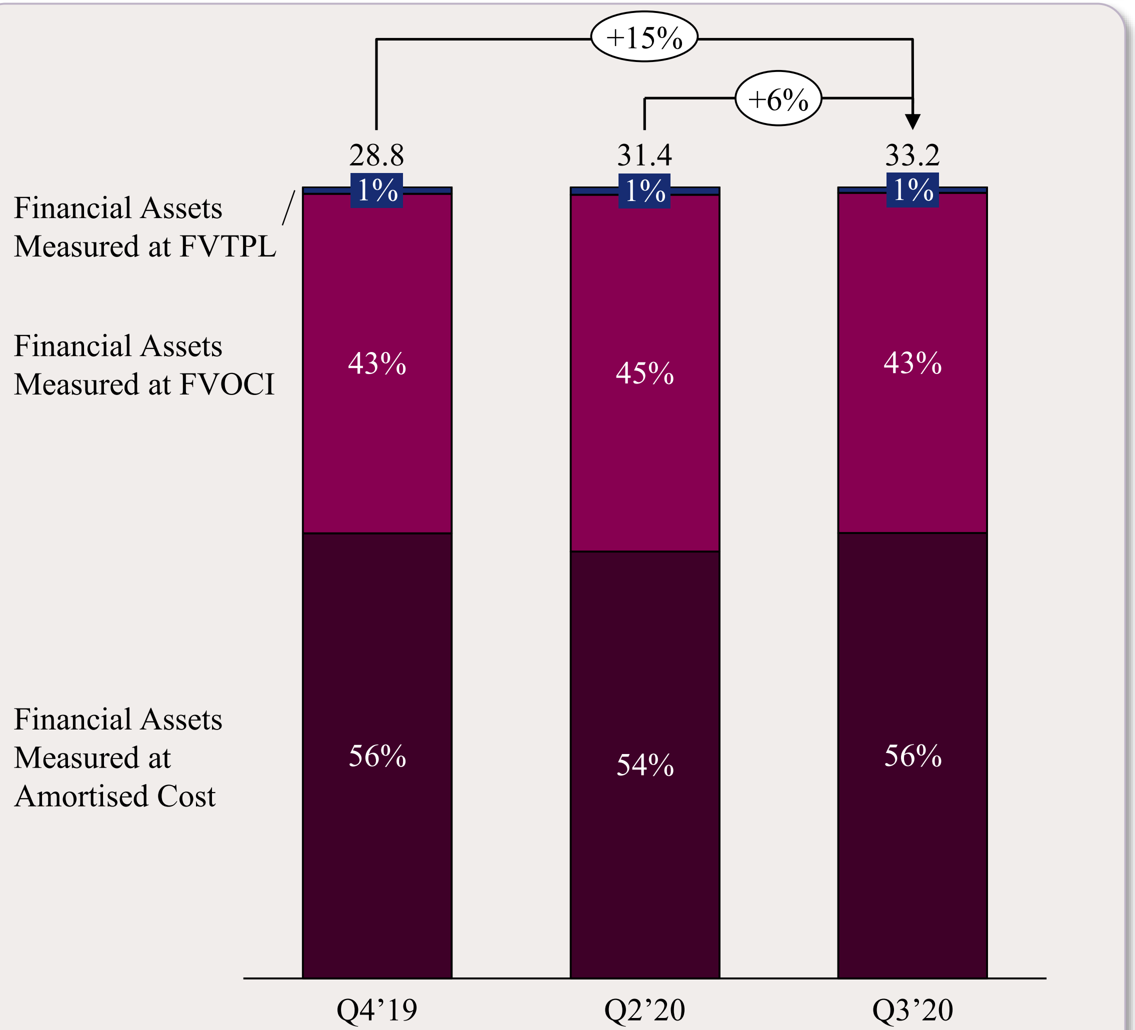


9M'20 CoR Breakdown (bps)

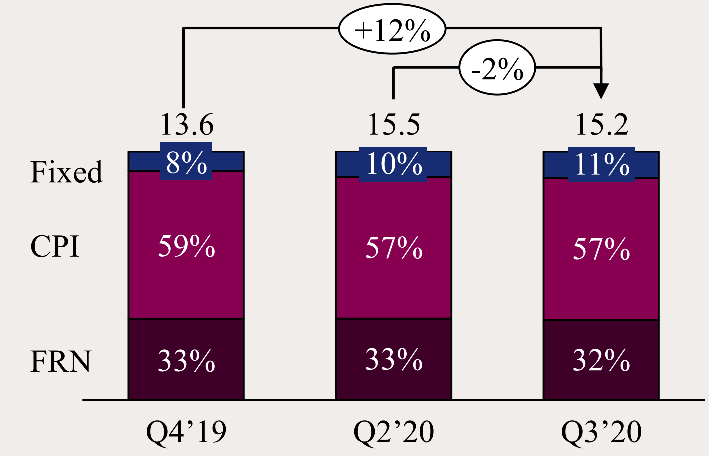


Securities portfolio growth impeded by fair value decline of FVOCI investments

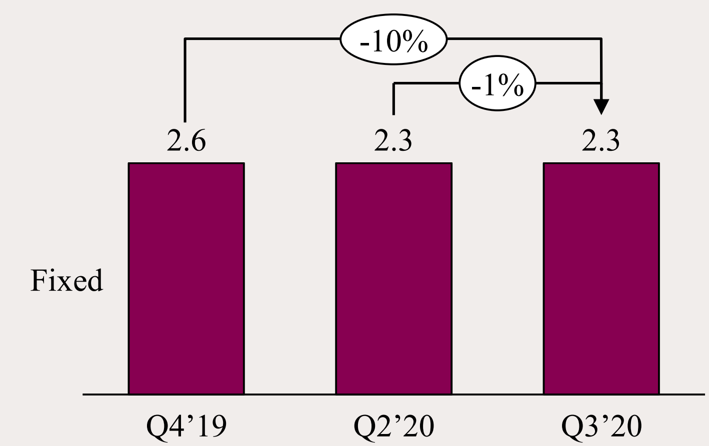
Total Securities (TL bn)



TL Securities (TL bn)



FX Securities (USD bn)



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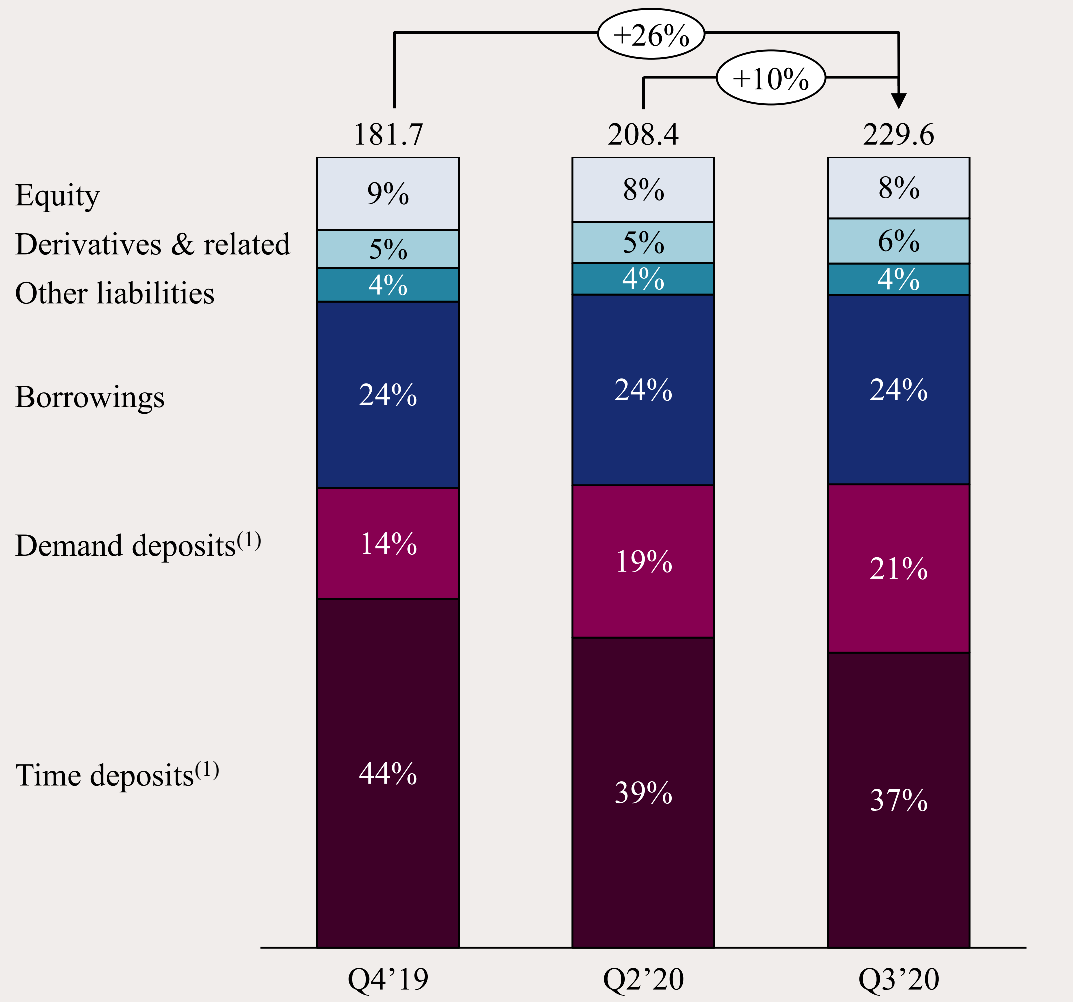
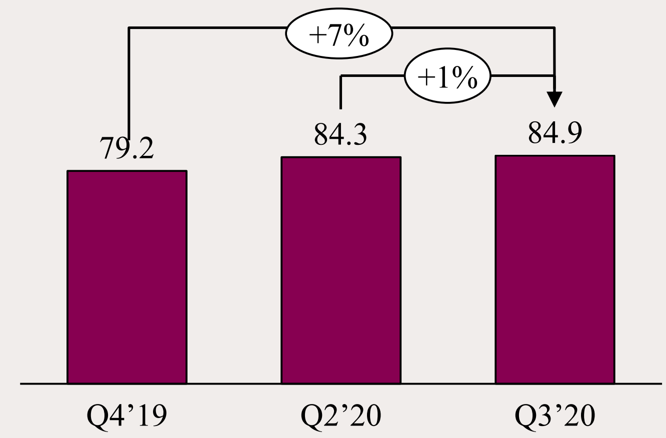
Well-diversified & disciplined funding mix maintained, alongside the surging contribution of demand deposits to solid deposit base

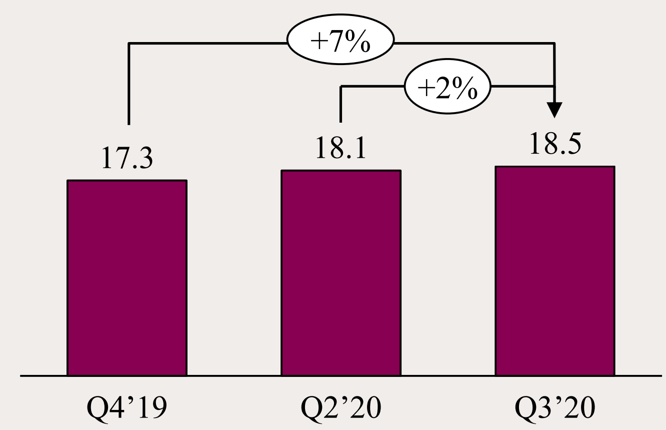
Total Liabilities (TL bn)



TL Liabilities (TL bn)



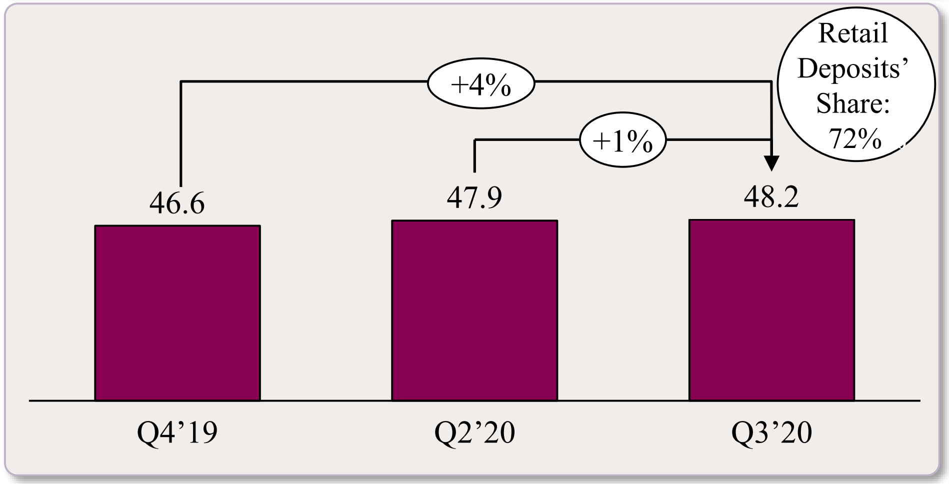
FX Liabilities (USD bn)



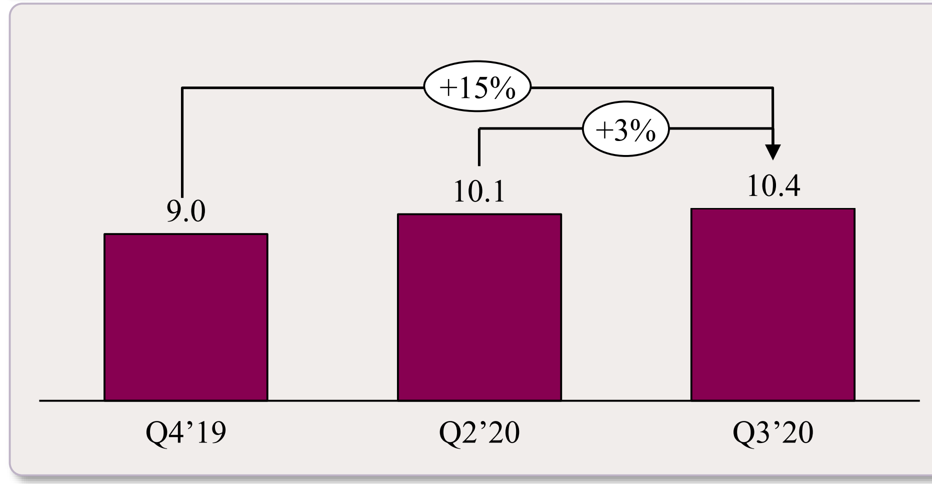
(1) Includes bank deposits

Sticky, low-cost retail deposits accounted for 72% TL customer deposits, while sustained impressive growth in demand deposits supported margins, lowering cost of funding

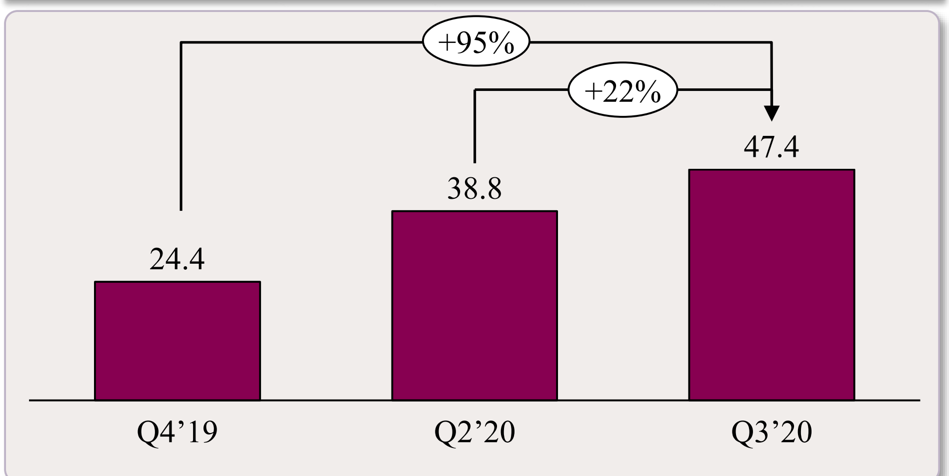
TL Customer Deposits (TL bn)



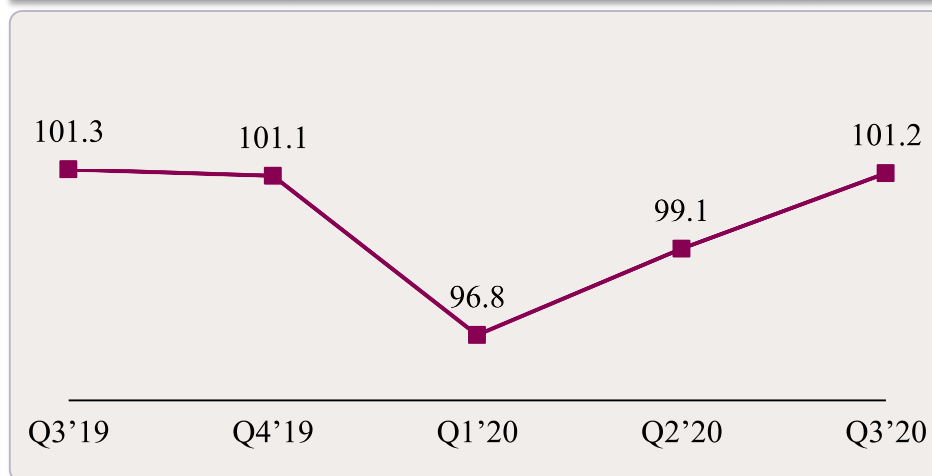
FX Customer Deposits (USD bn)



Customer Demand Deposits (TL bn, aop)



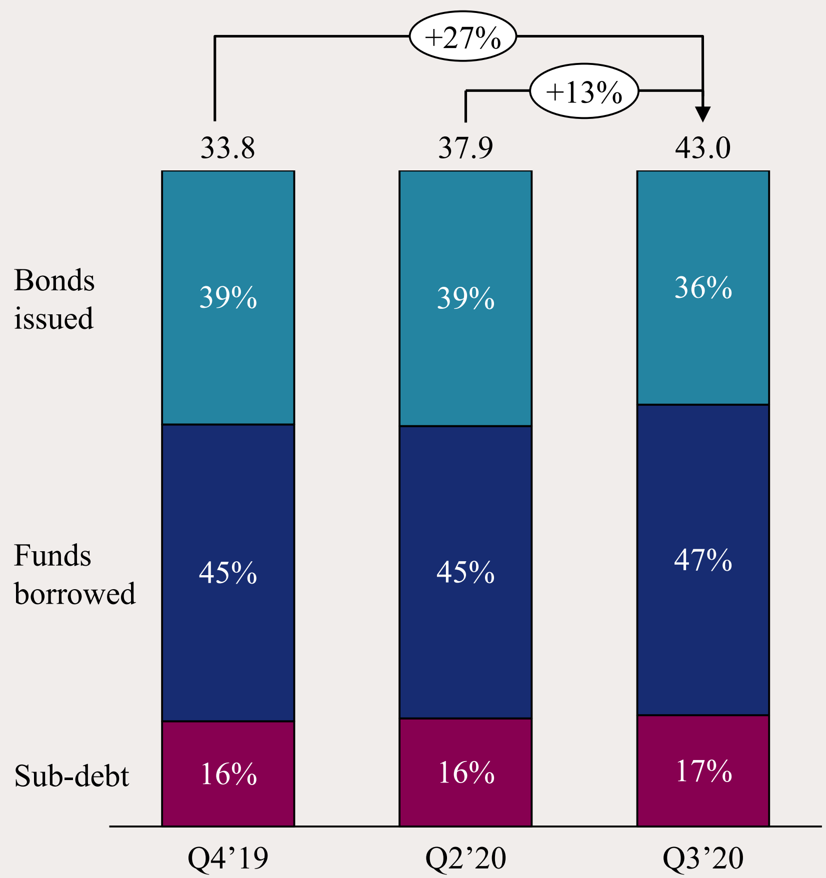
Loan-to-deposit-ratio[1] (%)



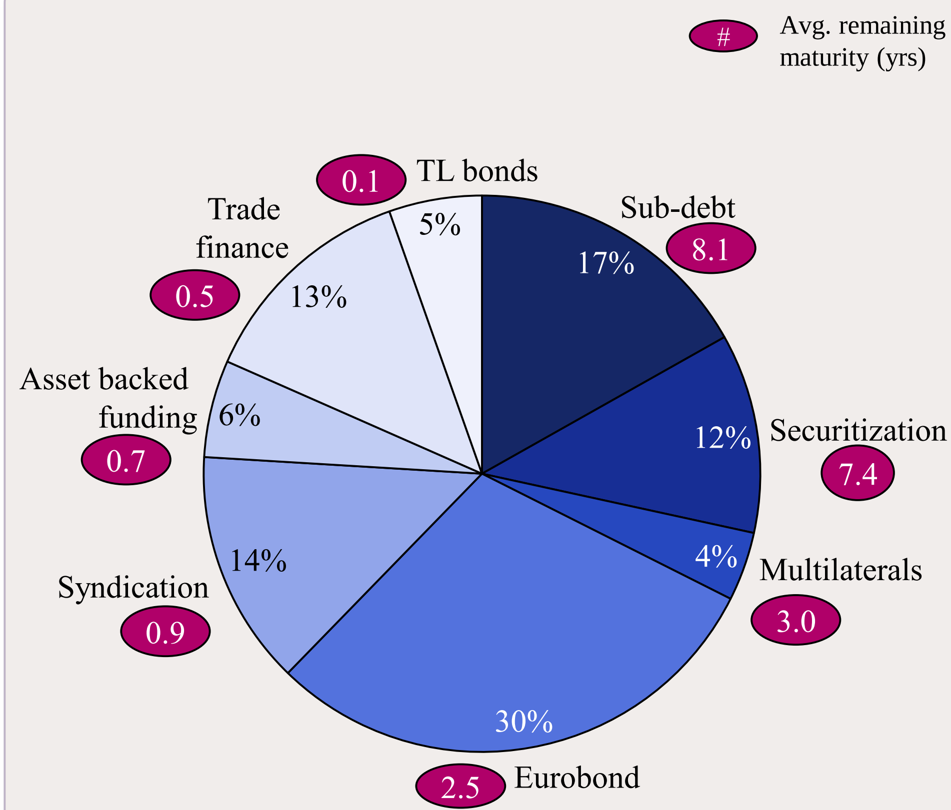
(1) Including TL issued bonds, bank deposits & fiduciary deposits

Well-balanced wholesale borrowing mix with comfortable remaining maturity profile

Wholesale Borrowings[1] by Type (TL bn)



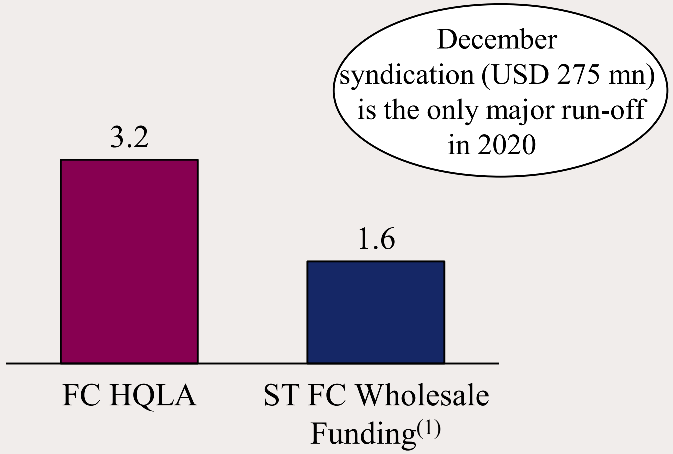
Wholesale Borrowings[1] Breakdown



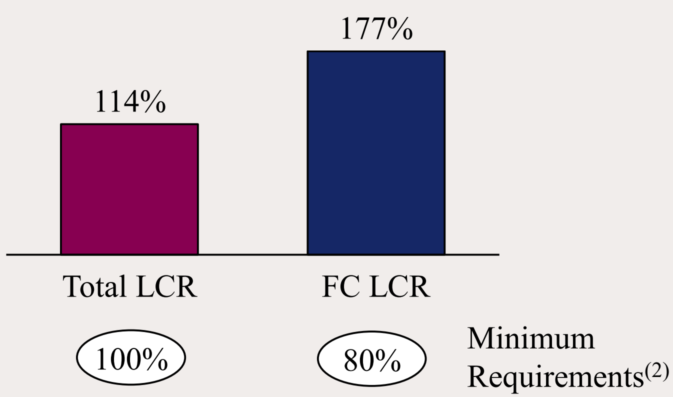
[1] Non-deposit funding except repo

High FC liquidity as compared to extended wholesale maturity profile maintained

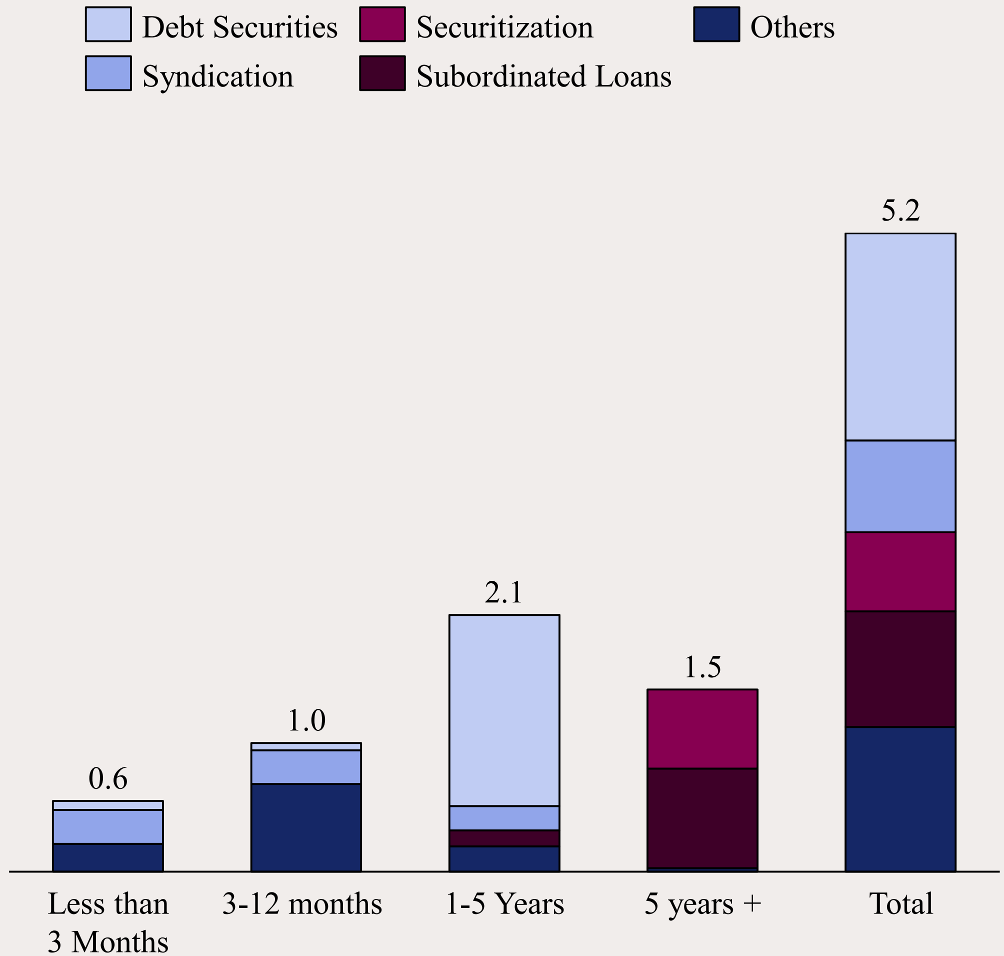
FC HQLA vs Short-term Dues (USD bn)



Liquidity Coverage Ratios (%, eop)



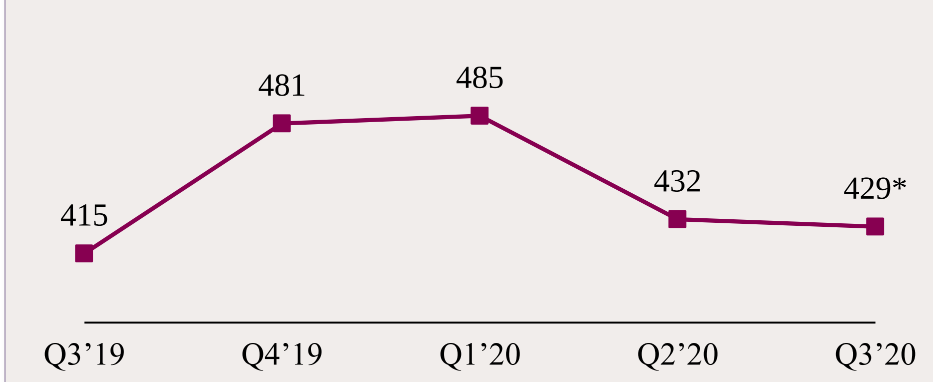
Maturity Profiles of FC Wholesale Funding (USD bn)



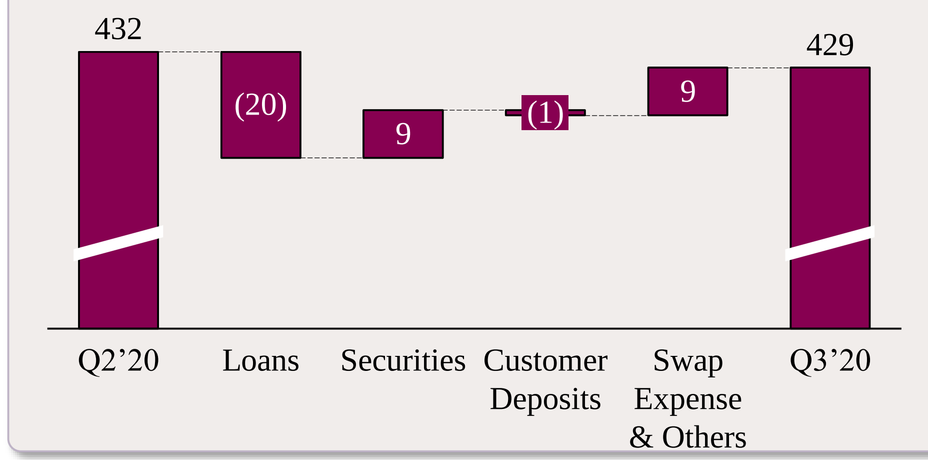
(1) FC wholesale funding due within 1 year
(3) BRSA temporarily lifted regulatory LCR requirements until 2020 year-end, within scope of the Covid-19 forbearance measures.

Resilient NIM despite downward trend in loan yields, while repricings gain pace

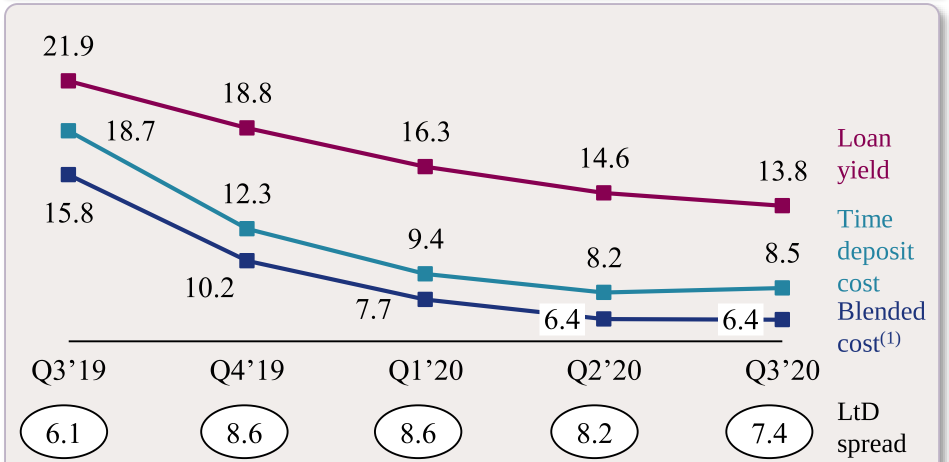
Quarterly NIM after Swap (bps)



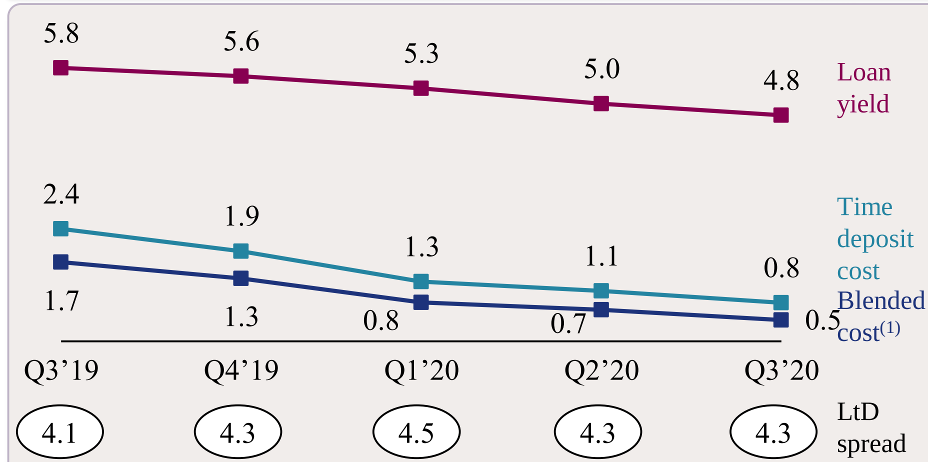
Quarterly NIM after Swap Evolution (bps)



TL Spread (%, quarterly)



FX Spread (%, quarterly)



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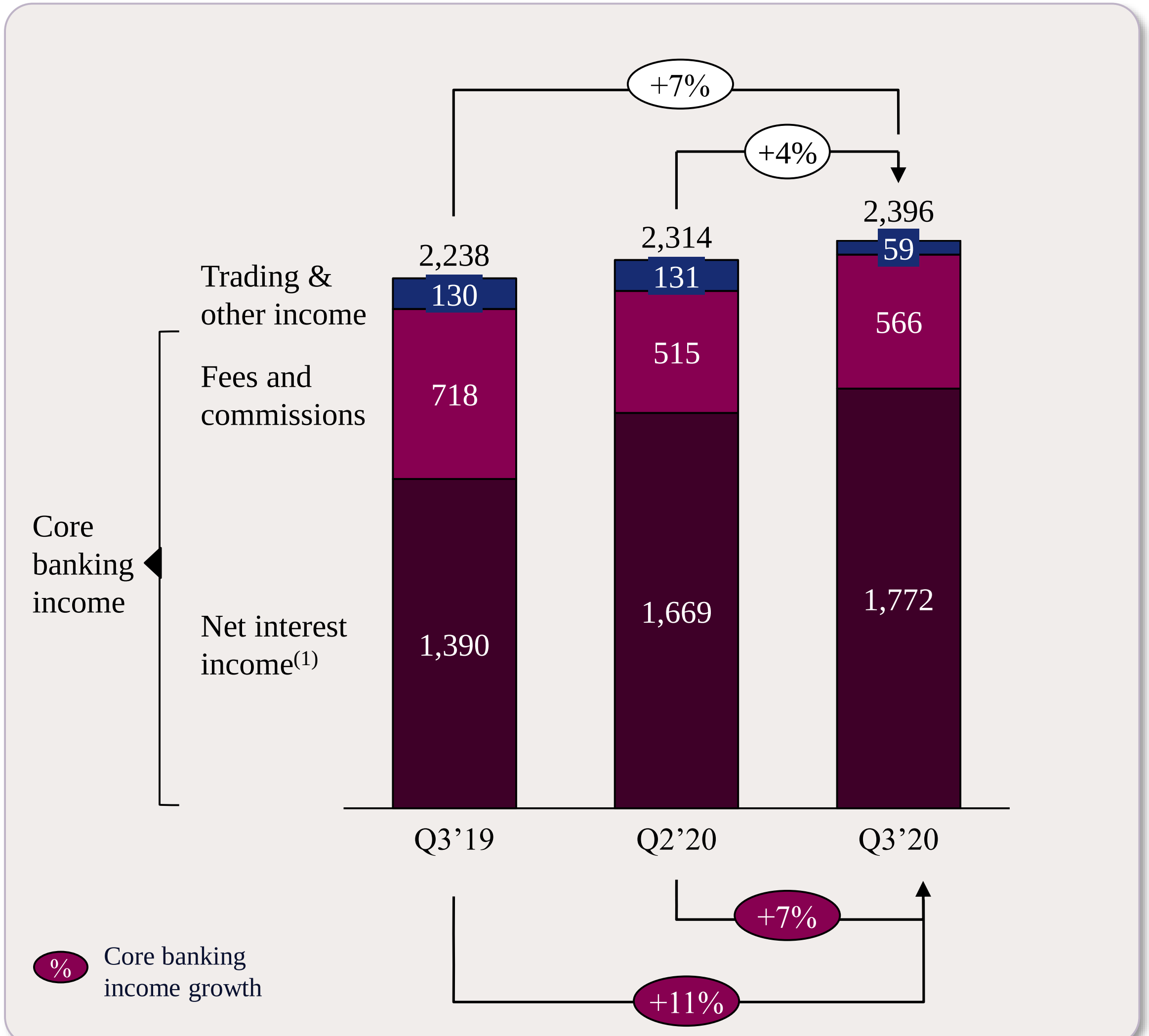
(1) Blended of time and demand deposits

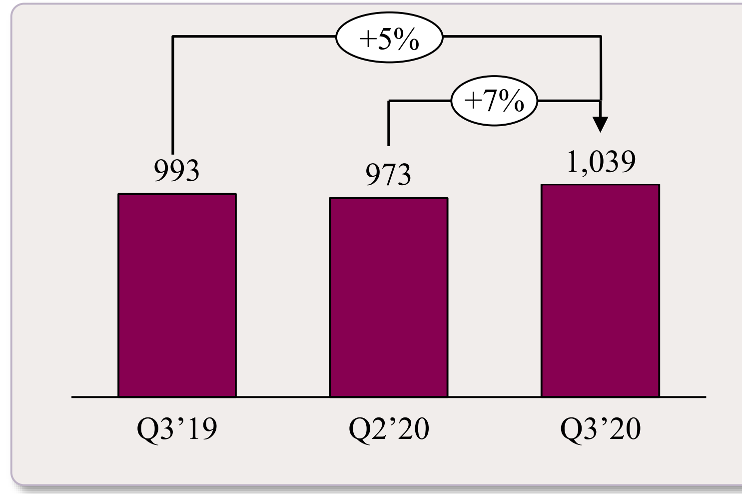
* CPI assumption used for CPI linkers valuation stands at 9.0%. A 100 bps increase in CPI projection would contribute TL 86 mn/yr to NII and 5 bps to NIM

Strong focus on core banking income generation and cost management

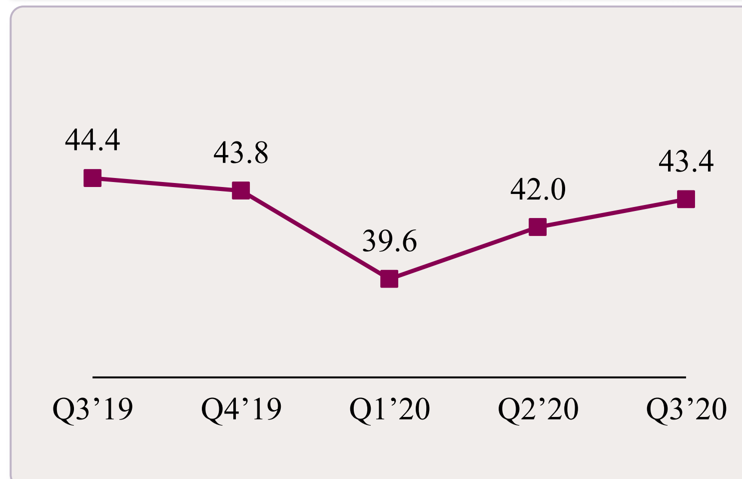
Total Operating Income (TL mn.)



OpEx (TL mn.)

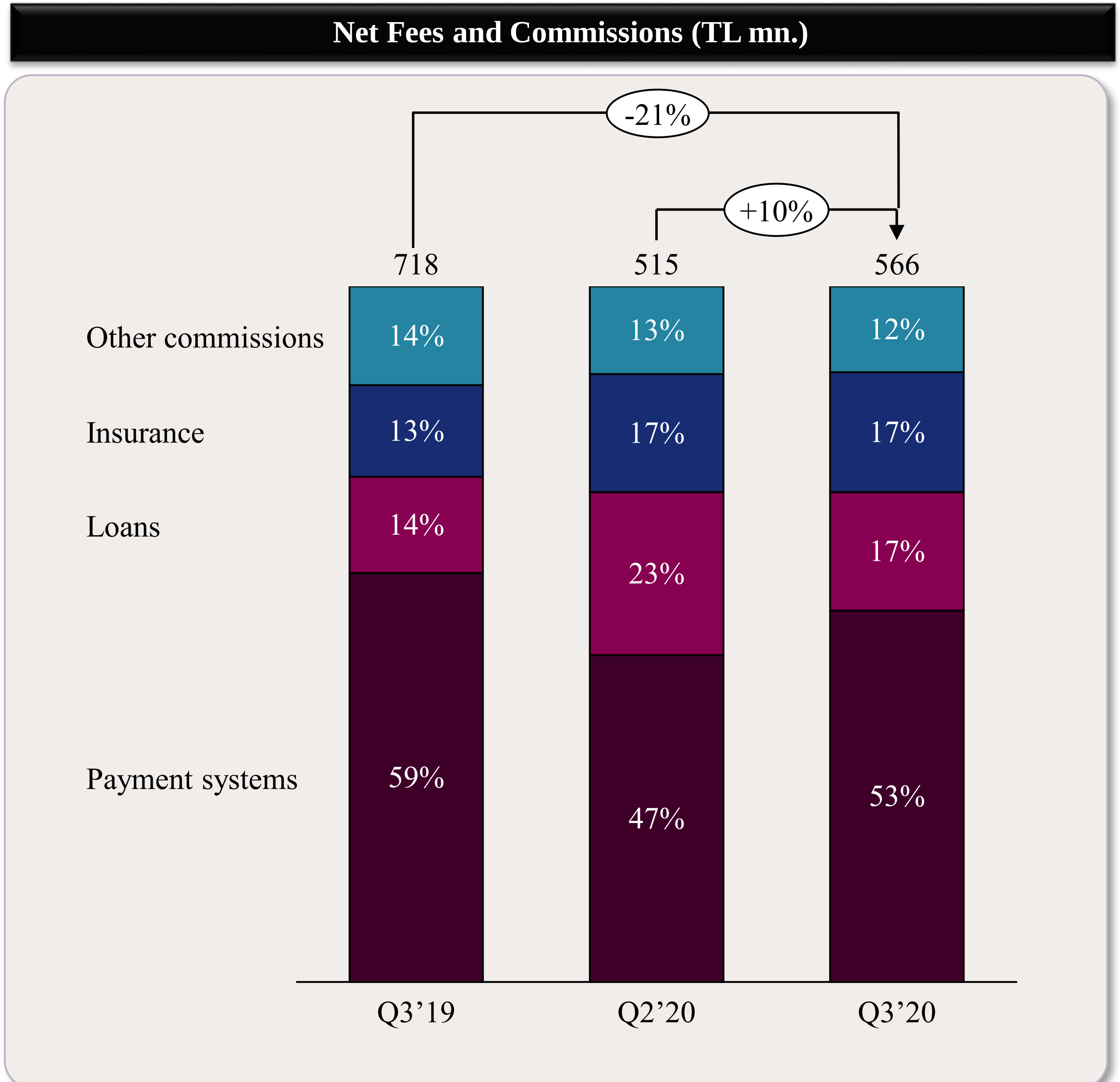


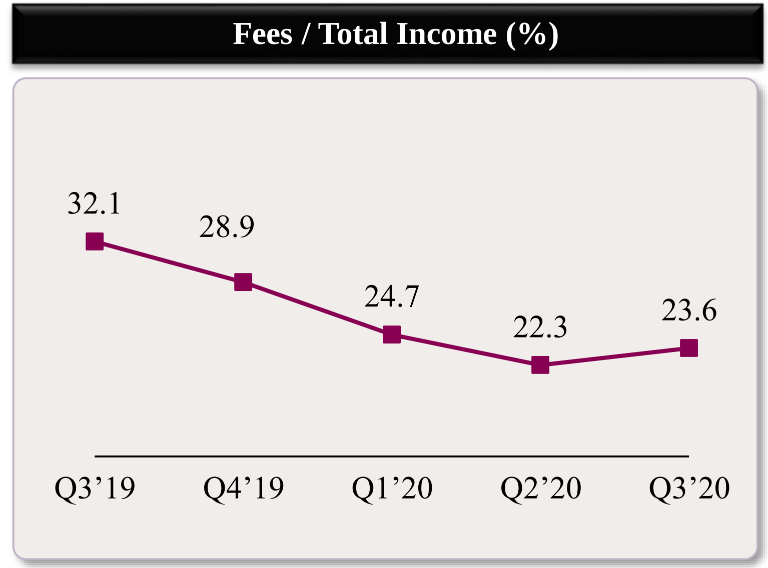
Cost / Income (%)

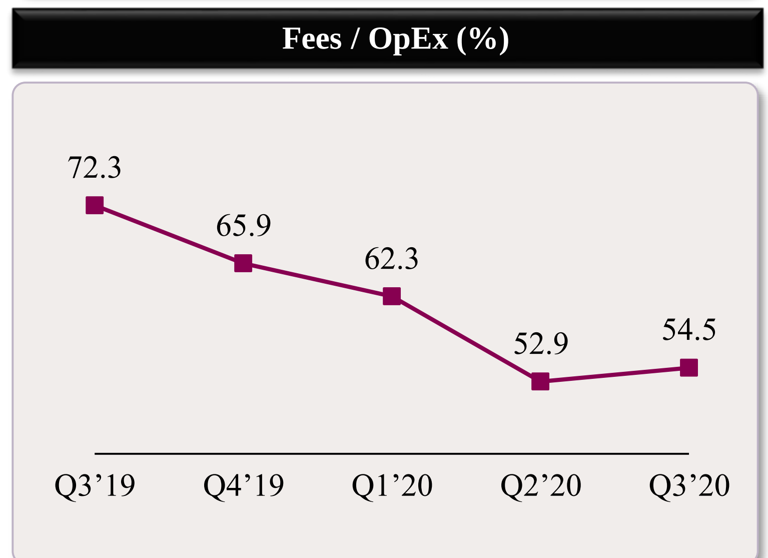


[1] Including swap expenses

Fees performance impacted negatively by the new fee regulations, lower transactions due to pandemic constraints and decreasing payment systems commissions due to lower interest rates







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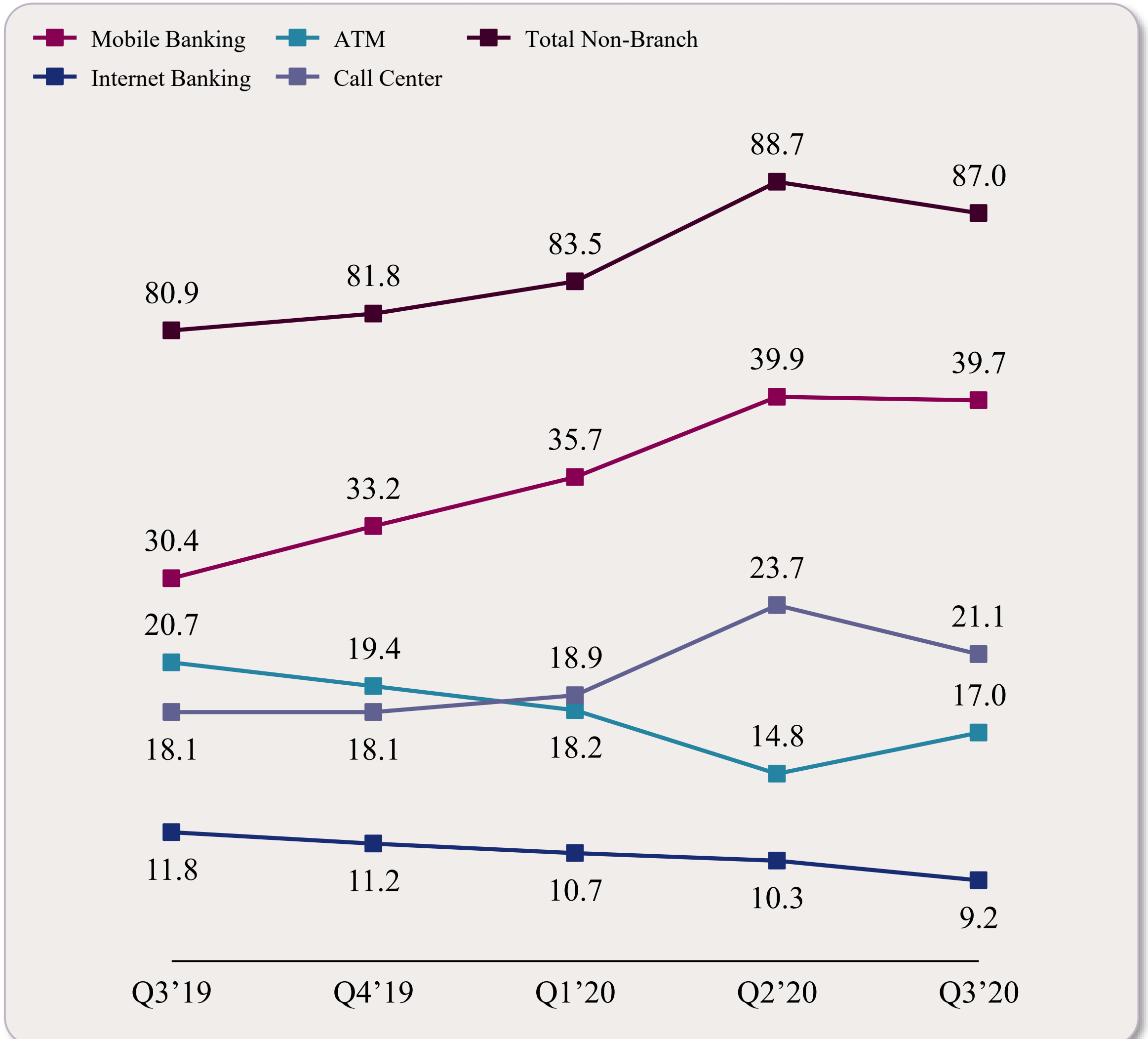
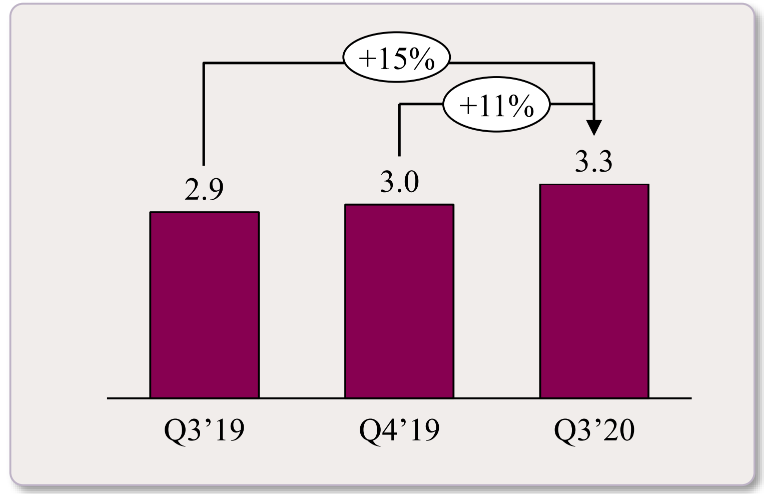
Strong focus and steady investment in digital transformation

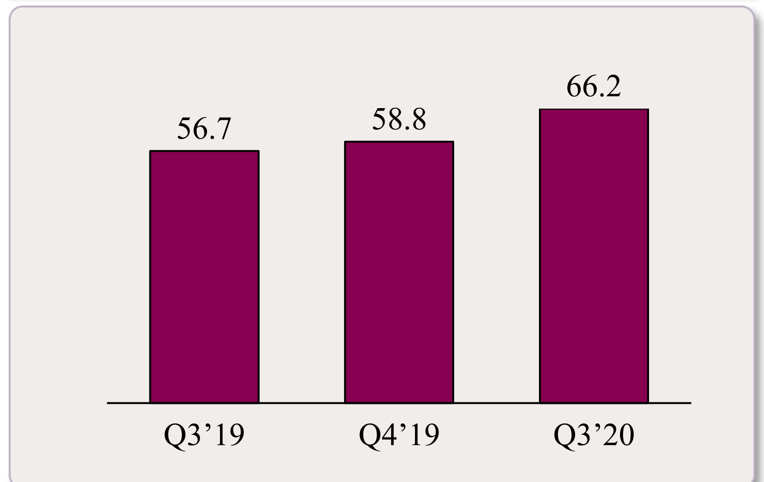
Share of Transactions Evolution in Non-Branch Channels (%)



Number of Digital Customers (mn.)



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



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

Appendix

BRSA Bank-Only Key Financial Ratios

	All figures quarterly	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	∆QoQ	∆YoY
Profitability	RoAE	17.7%	16.3%	18.8%	12.3%	12.9%	+0.6pps	-4.8pps
	RoAA	1.6%	1.5%	1.6%	1.0%	1.0%	+0.0pps	-0.5pps
	Cost / Income	44.4%	43.8%	39.6%	42.0%	43.4%	+1.3pps	-1.0pps
	NIM after swap expense	4.2%	4.8%	4.9%	4.3%	4.3%	+0.0pps	+0.1pps
Liquidity	Loans / Deposits[1]	101.3%	101.1%	96.8%	99.1%	101.2%	+2.1pps	-0.1pps
	LCR	128.1%	121.5%	118.1%	119.1%	119.3%	+0.2pps	-8.9pps
Asset quality	NPL Ratio	6.3%	6.9%	6.4%	6.3%	5.7%	-0.6pps	-0.7pps
	Cost of Risk	1.5%	1.8%	2.2%	2.2%	1.8%	-0.4pps	+0.3pps
Solvency	CAR	15.8%	15.7%	15.1%	17.1%	17.3%	+0.2pps	+1.5pps
	Tier I Ratio	13.2%	13.1%	12.5%	14.3%	14.3%	+0.0pps	+1.1pps
	Liability/Equity	11.3x	10.9x	12.8x	12.2x	13.0x	+0.7x	+1.7x

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

BRSA Bank-Only Summary Financials

Income Statement

TL, mn	Q2'20	Q3'20	ΔQoQ	9M'19	9M'20	ΔYoY
Net Interest Income (After Swap Expenses)	1,669	1,772	6%	4,166	5,234	26%
Net Fees & Commissions Income	515	566	10%	2,007	1,734	-14%
Trading & Other Income	131	59	-55%	401	390	-3%
Total Operating Income	**2,314**	**2,396**	**4%**	**6,574**	**7,359**	**12%**
Operating Expenses	(973)	(1,039)	7%	(2,834)	(3,061)	8%
Net Operating Income	**1,341**	**1,357**	**1%**	**3,740**	**4,298**	**15%**
Provisions	(693)	(634)	-9%	(1,410)	(2,009)	43%
Profit Before Tax	**648**	**723**	**12%**	**2,330**	**2,289**	**-2%**
Tax Expenses	(142)	(159)	12%	(370)	(453)	22%
Profit After Tax	**506**	**564**	**11%**	**1,960**	**1,836**	**-6%**

Balance Sheet

TL, mn	Q4'19	Q1'20	Q2'20	Q3'20	ΔQoQ	ΔYtD
Cash & Banks[(1)]	22,643	29,783	29,068	29,613	2%	31%
Securities	28,761	29,168	31,401	33,142	6%	15%
Net Loans	110,683	120,897	122,961	136,605	11%	23%
Fixed Asset and Investments[(2)]	5,308	5,219	5,181	5,482	6%	3%
Other Assets	14,286	20,668	19,748	24,716	25%	73%
Total Assets	**181,681**	**205,735**	**208,358**	**229,558**	**10%**	**26%**
Deposits	105,626	121,880	121,875	134,547	10%	27%
Customer	100,219	116,377	117,103	129,510	11%	29%
Bank	5,406	5,503	4,772	5,037	6%	-7%
Borrowings	42,893	50,064	50,317	54,981	9%	28%
Bonds Issued	13,086	14,074	14,771	15,333	4%	17%
Funds Borrowed	15,309	15,228	16,903	20,363	20%	33%
Sub-debt	5,433	6,079	6,255	7,285	16%	34%
Repo	9,065	14,683	12,388	11,999	-3%	32%
Other	16,477	17,764	19,138	22,311	17%	35%
Equity	16,685	16,028	17,029	17,719	4%	6%
Total Liabilities & Equity	**181,681**	**205,735**	**208,358**	**229,558**	**10%**	**26%**

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(1) Includes CBRT, banks, interbank, other financial institutions
(2) Including subsidiaries

BRSA Consolidated Key Financial Ratios

	All figures quarterly	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	ΔQoQ	ΔYoY
Profitability	RoAE	19.3%	17.6%	18.3%	14.8%	15.6%	+0.8pps	-3.7pps
	RoAA	1.7%	1.6%	1.5%	1.2%	1.2%	+0.1pps	-0.5pps
	Cost / Income	43.5%	42.3%	40.5%	40.6%	41.3%	+0.7pps	-2.2pps
	NIM after swap expense	4.2%	4.9%	4.9%	4.6%	4.4%	-0.2pps	+0.2pps
Liquidity	Loans / Deposits[1]	104.5%	105.6%	100.8%	103.2%	104.7%	+1.5pps	+0.1pps
	LCR	114.5%	119.5%	116.3%	119.0%	116.4%	-2.6pps	+1.9pps
Asset quality	NPL Ratio	6.5%	7.0%	6.5%	6.3%	5.7%	-0.6pps	-0.8pps
	Cost of Risk	1.5%	1.9%	2.3%	2.3%	2.0%	-0.3pps	+0.5pps
Solvency	CAR	15.5%	15.2%	14.7%	16.6%	16.7%	+0.1pps	+1.2pps
	Tier I Ratio	12.9%	12.7%	12.2%	13.9%	13.8%	-0.1pps	+0.9ps
	Liability/Equity	11.3x	11.2x	13.1x	12.4x	13.3x	+0.8x	+1.9x

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

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BRSA Consolidated Summary Financials

Income Statement

TL, mn	Q2'20	Q3'20	ΔQoQ	9M'19	9M'20	ΔYoY
Net Interest Income (After Swap Expenses)	1,787	1,874	5%	4,335	5,536	28%
Net Fees & Commissions Income	572	621	9%	2,097	1,899	-9%
Trading & Other Income	185	165	-11%	579	500	-14%
Total Operating Income	**2,544**	**2,661**	**5%**	**7,011**	**7,935**	**13%**
Operating Expenses	(1,032)	(1,099)	6%	(2,998)	(3,236)	8%
Net Operating Income	**1,512**	**1,562**	**3%**	**4,012**	**4,698**	**17%**
Provisions	(731)	(683)	-7%	(1,450)	(2,110)	46%
Profit Before Tax	**780**	**879**	**13%**	**2,562**	**2,588**	**1%**
Tax Expenses	(164)	(191)	17%	(421)	(535)	27%
Profit After Tax	**616**	**688**	**12%**	**2,141**	**2,053**	**-4%**

Balance Sheet

TL, mn	Q4'19	Q1'20	Q2'20	Q3'20	ΔQoQ	ΔYtD
Cash & Banks[1]	23,072	30,306	29,578	29,941	1%	30%
Securities	28,809	29,214	31,446	33,220	6%	15%
Net Loans[2]	116,749	127,274	129,817	143,675	11%	23%
Fixed Asset and Investments	4,058	4,054	4,038	4,062	1%	0%
Other Assets	14,838	21,114	20,277	25,662	27%	73%
Total Assets	**187,526**	**211,962**	**215,156**	**236,559**	**10%**	**26%**
Deposits	105,500	121,433	121,642	134,224	10%	27%
Customer	100,094	115,930	116,870	129,187	11%	29%
Bank	5,406	5,503	4,772	5,037	6%	-7%
Borrowings	48,352	56,129	56,580	61,569	9%	27%
Bonds Issued	14,352	15,241	15,453	16,087	4%	12%
Funds Borrowed	19,419	19,797	22,121	25,866	17%	33%
Sub-debt	5,433	6,079	6,255	7,285	16%	34%
Repo	9,149	15,013	12,751	12,331	-3%	35%
Other	16,908	18,198	19,600	22,918	17%	36%
Equity	16,765	16,202	17,334	17,848	3%	6%
Total Liabilities & Equity	**187,526**	**211,962**	**215,156**	**236,559**	**10%**	**26%**

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

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