QNB Finansbank Q4’21 Earnings Presentation

Based on BRSA Unconsolidated Financial Statements
February 2022

Period Highlights

- QNB Finansbank opted for IAS-27's equity method consolidation option for subsidiaries & associates, hence including subsidiaries' contribution in solo accounts. Prior periods are also restated for this change, therefore all evolutions in this presentation are based on a comparable set of financial statements.

- Outstanding operating performance attributable to rising core revenues and eye-catching cost management: Q4'21 net income realized at TL 1,335 million even with the sizable proactive provision build-up in the quarter, bringing 2021 net income to TL 3,928 mn (43% YoY)

- Accordingly, Q4'21 and FY'21 ROE realized at 24.2% and 19.0%, respectively, ahead of private banks' and sector averages

- Q4'21 loan growth of 21% was at par with private peers, yet yielded a cumulative growth of 45% well above private banks' and sector'

- FY'21 customer deposits growth of 70% not only outpaced the loan growth, improving the L/D, but also beat the sector and private banks' performance by a wide margin. Outstanding performance resulted from the execution of the diversification strategy of funding base with client sources. Deposits stood as the major source of funding, accounting for 61% of the balance sheet.

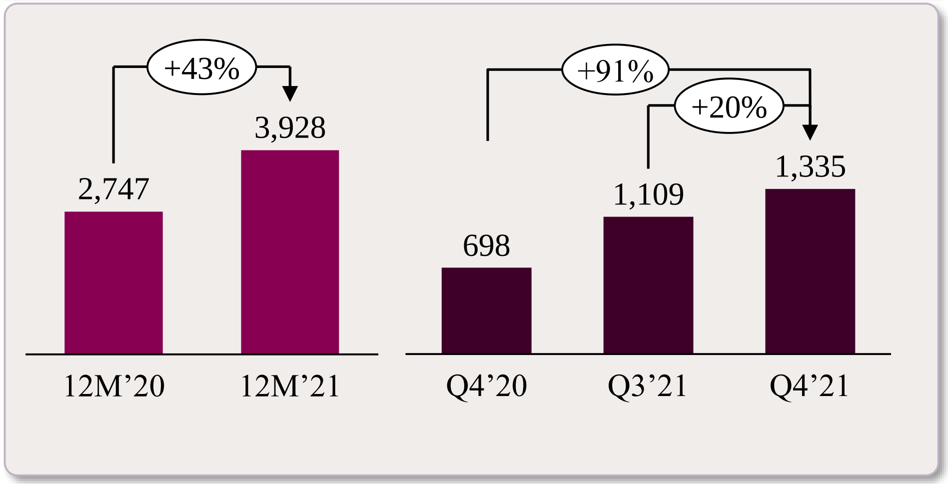
- NPL ratio continued to improve on the back of strong collection performance, very low level of NPL inflow and NPL sale during Q3'21, while provisioning stance remained very conservative in all stage groups.

- Effective cost management contained 2021 OPEX growth at 19% YoY, despite materially high average inflation and substantial TL depreciation

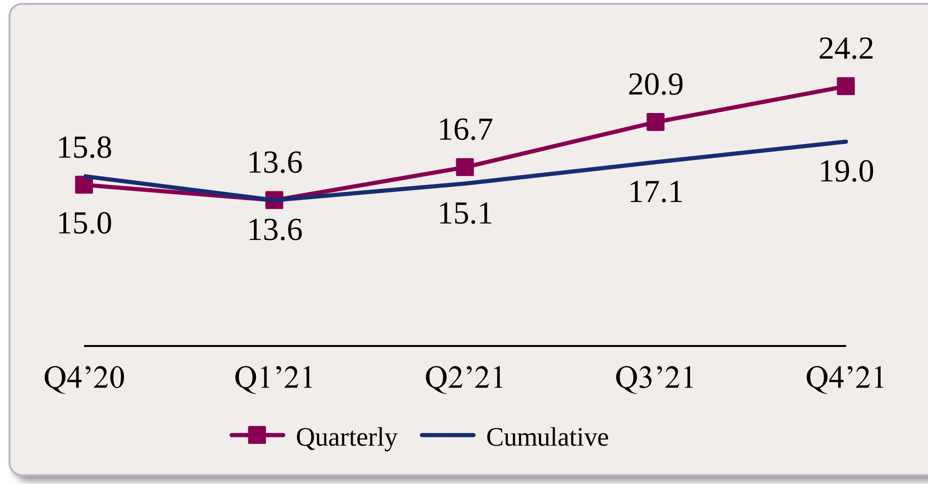
- Robust solvency ratios retained with CAR at 15.9% and Tier 1 at 12.8%

Outstanding operating performance translated into significant ROE uplift, as capital position remained solid even with adverse exchange rate shock and robust RWA growth

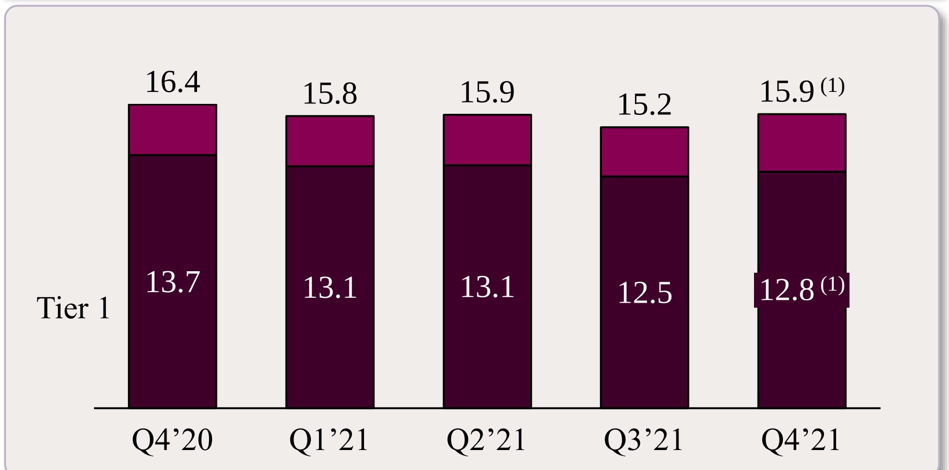
Net Income (TL mn.)



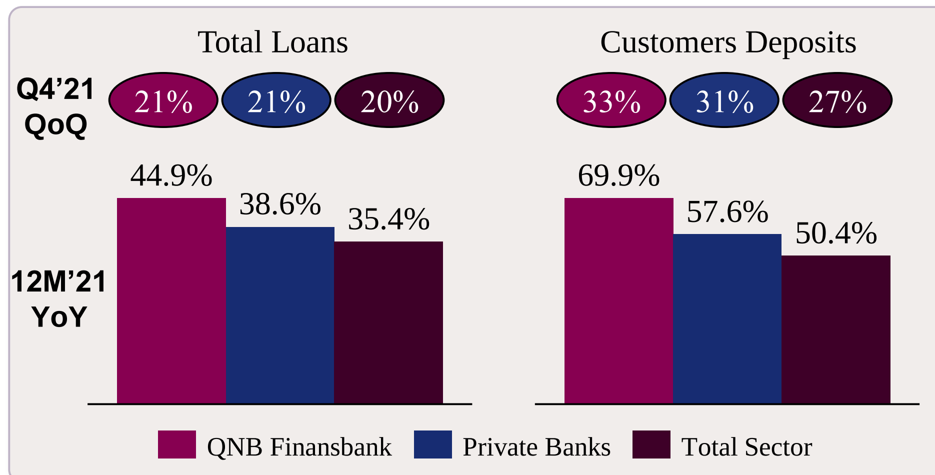
Quarterly and Cumulative RoAE (%)



CAR (%)



Total Loans & Deposits Growth[2] (%)

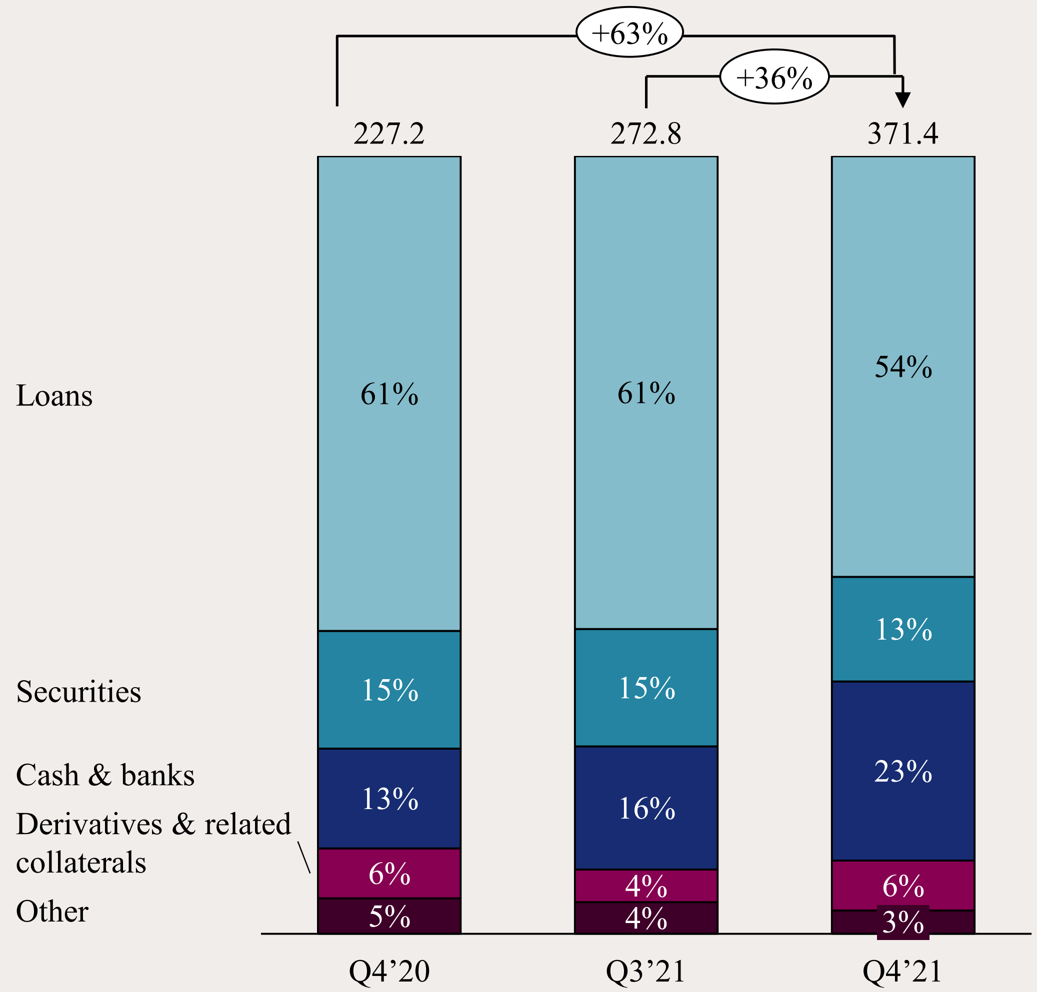


[1] Without BRSA’s temporary forbearance measures: CAR: 13.7%, Tier 1: 10.8%

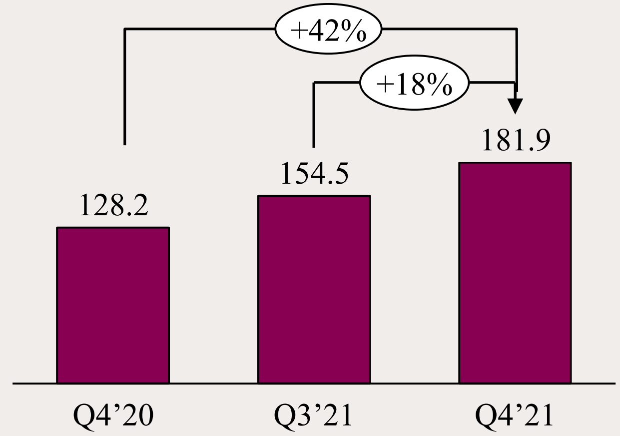
[2] BRSA Weekly Banking Sector data compared vis-a-vis QNBFB data as of Dec 31, 2021

Well-balanced asset base grew by 63% YoY reaching TL371 bn, as loans constitute 54% of assets reflecting Bank's commitment to fund the economy

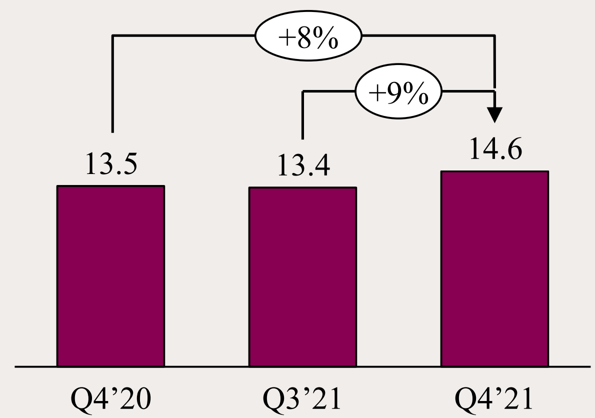
Total Assets (TL bn)



TL Assets (TL bn)



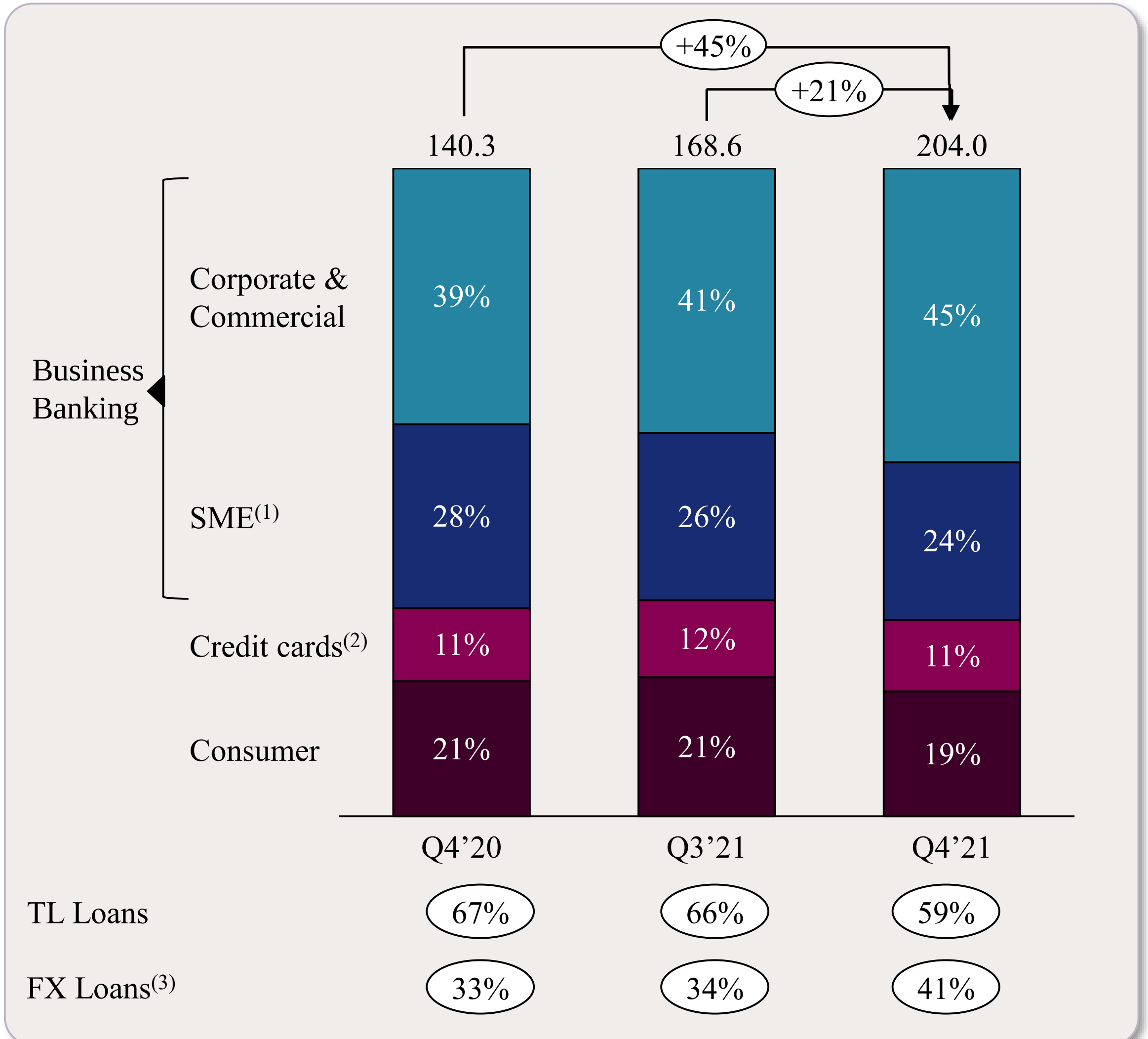
FX Assets(1) (USD bn)



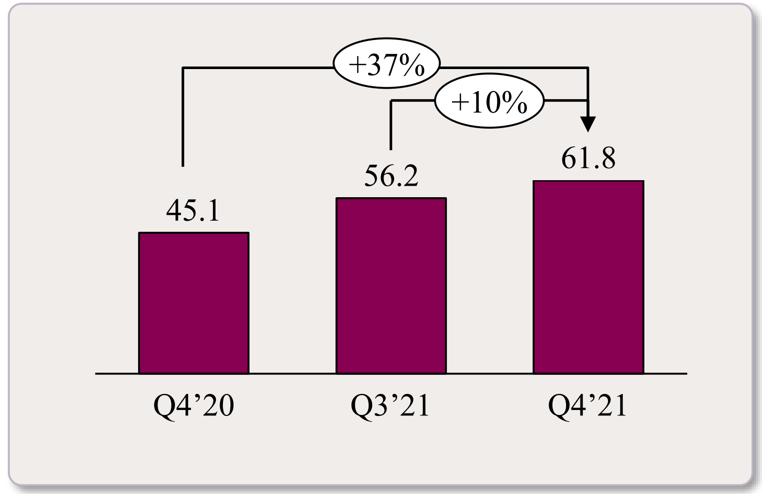
(1) FX-indexed TL loans are shown in FX assets

Full year loan growth performance outpaced both private peers and the sector, supported by all businesses

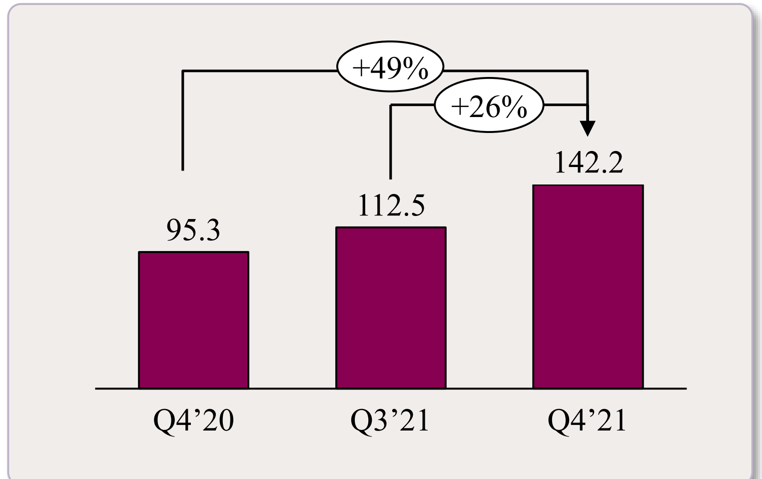
Performing Loans by Segment and Currency (TL bn)



Retail Loans (TL bn)



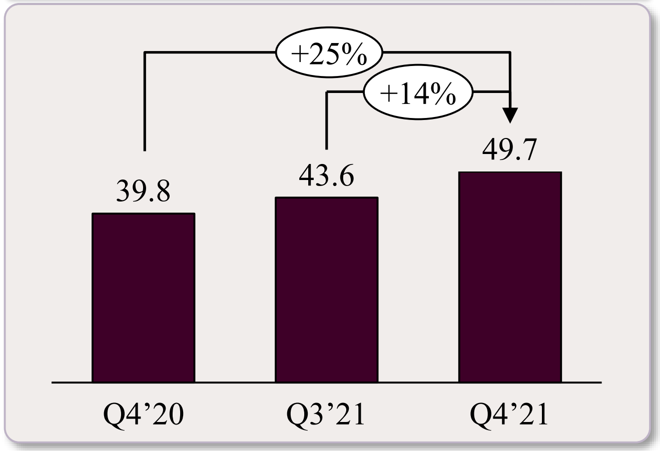
Business Loans (TL bn)



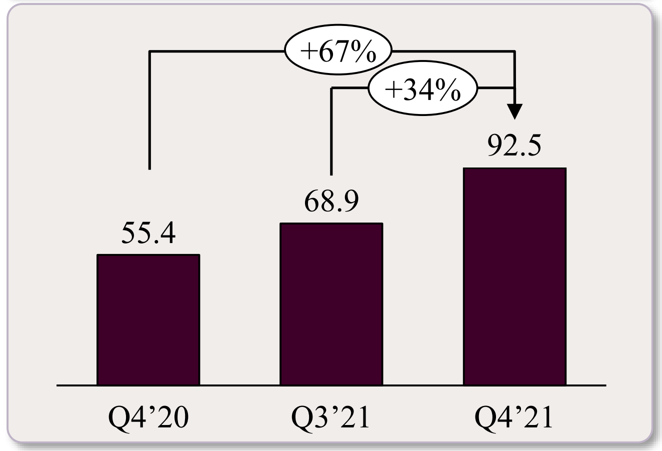
(1) Based on BRSA segment definition
(2) Excluding commercial credit cards
(3) FX-indexed TL loans are shown in FX loans

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

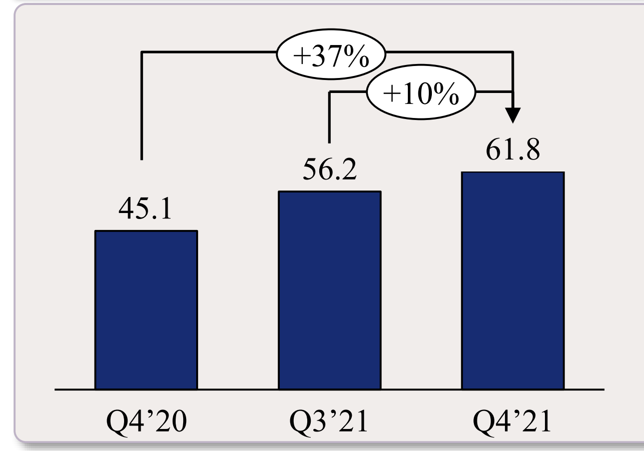
SME Loans[1] (TL bn)



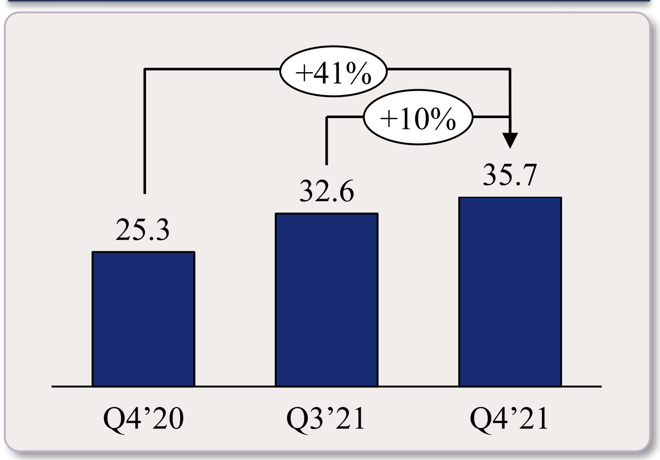
Corporate & Commercial Loans (TL bn)



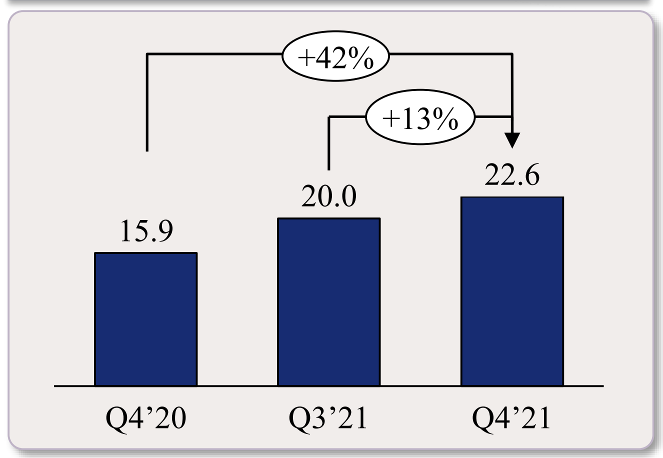
Retail Loans (TL bn)



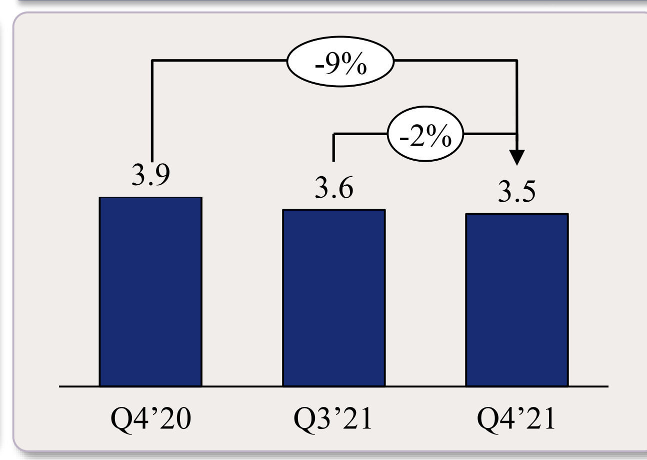
General Purpose Loans[2] (TL bn)



Credit Card Loans[3] (TL bn)



Mortgage Loans (TL bn)



Business banking
Retail banking

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

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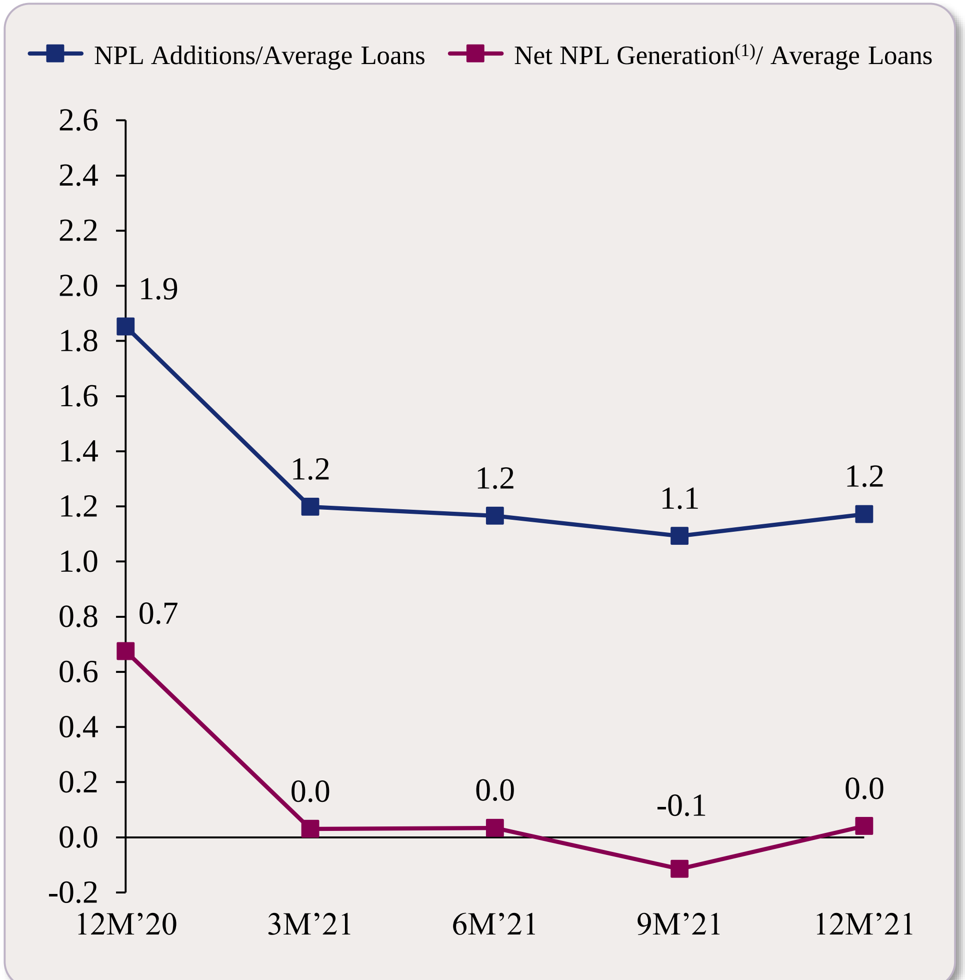
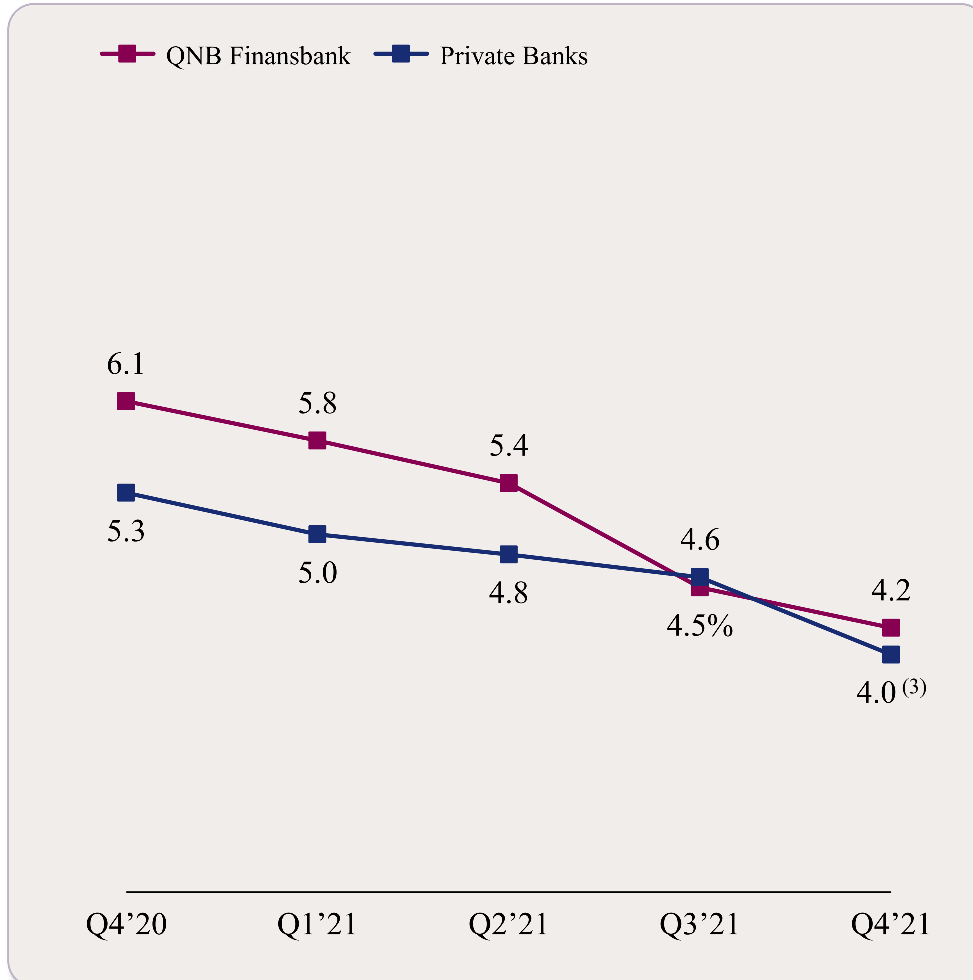
Net new NPL generation was nil thanks to strong collection performance and very low level of NPL inflow, while NPL ratio further benefited from NPL sale

NPL Additions / Average Loans (%)



NPL Ratio (%)

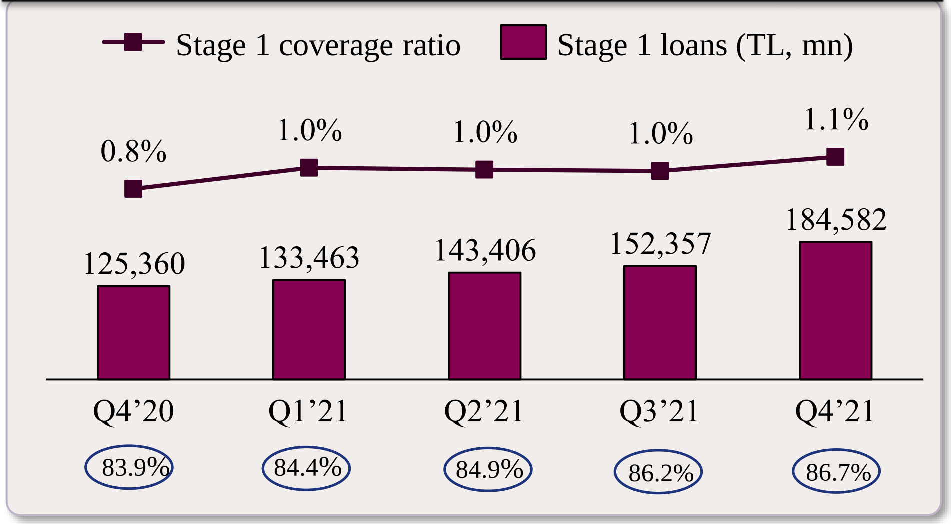


(1) Net NPL Generation = NPL Additions - NPL Collections
(2) NPL portfolio of TL1.0 bn was sold for TL206 mn in Q3'21, leading to a 47-bp positive impact on eop NPL ratio
(3) BRSA monthly banking sector data for private banks for December 2021

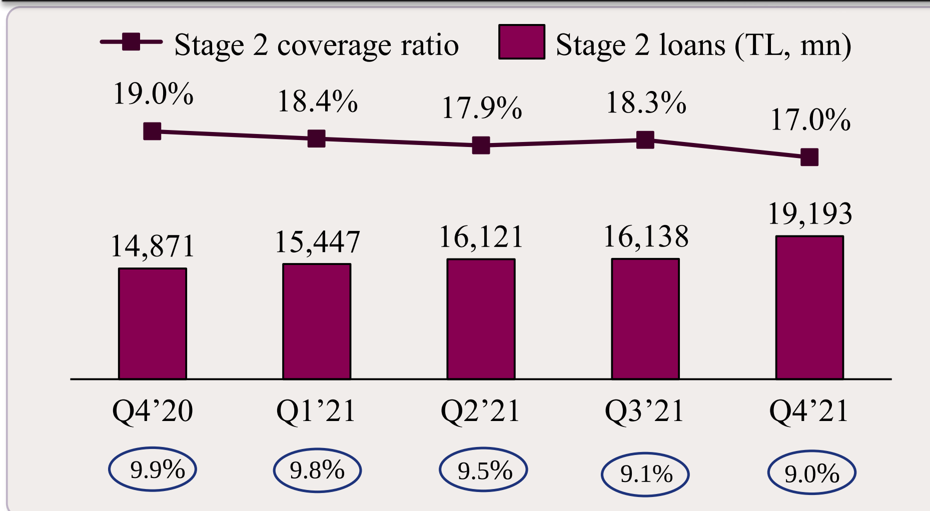
Provision buffers retained thanks to conservative provision build-up, even with the termination of BRSA's staging forbearance

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

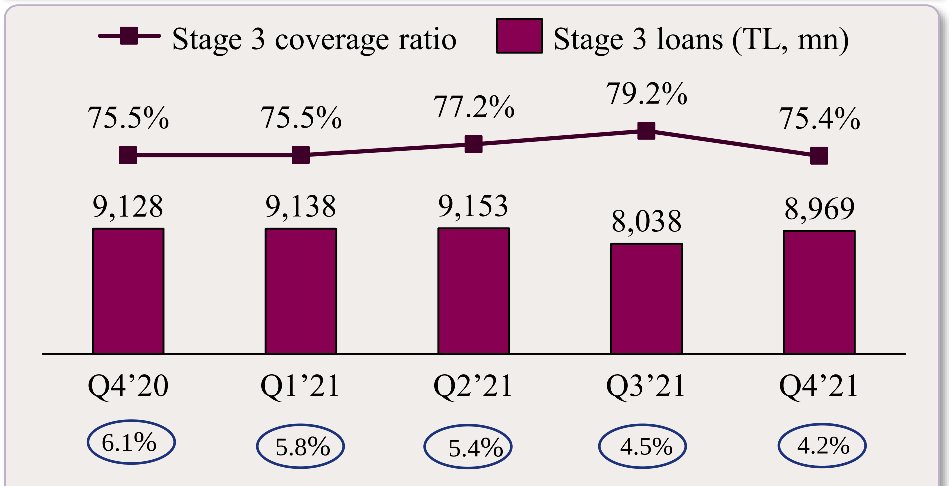
Stage 1 Loans & Coverage



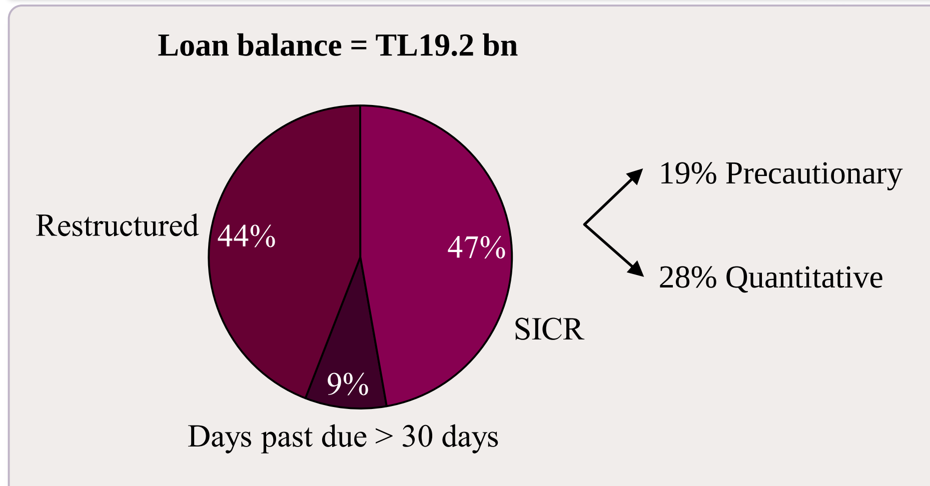
Stage 2 Loans & Coverage



Stage 3 Loans & Coverage



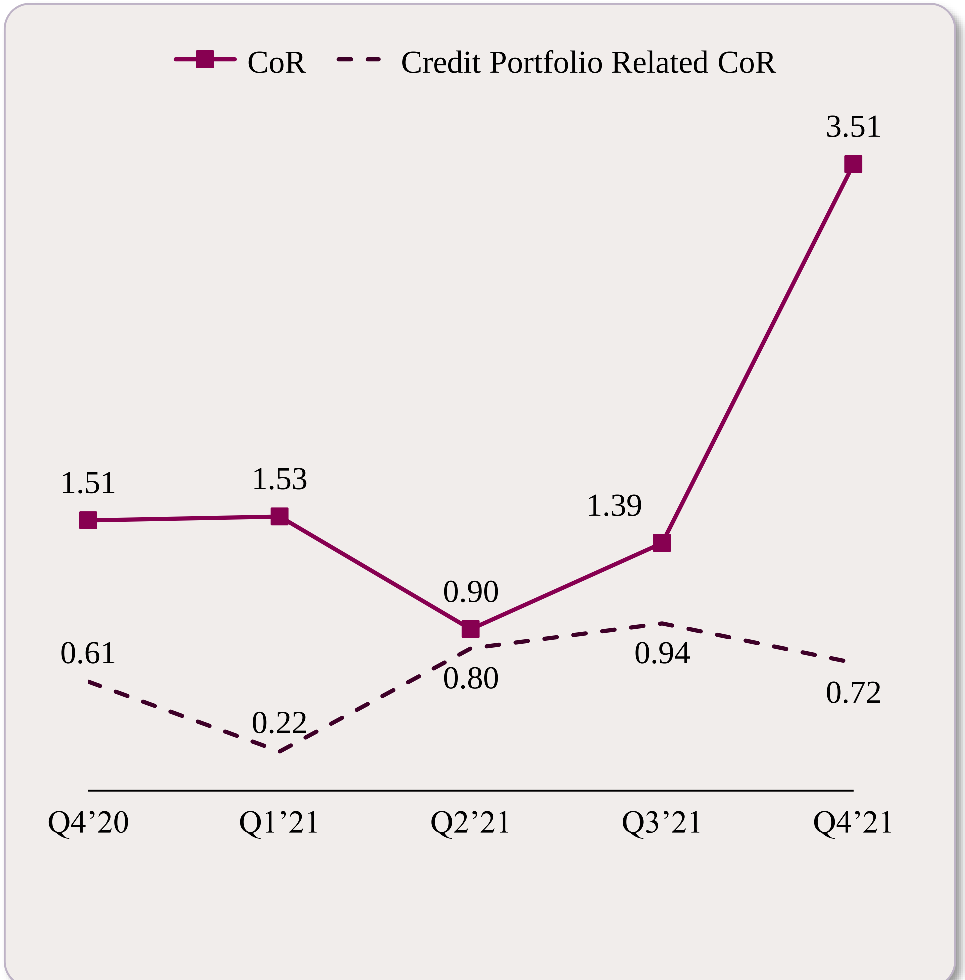
Stage 2 Composition



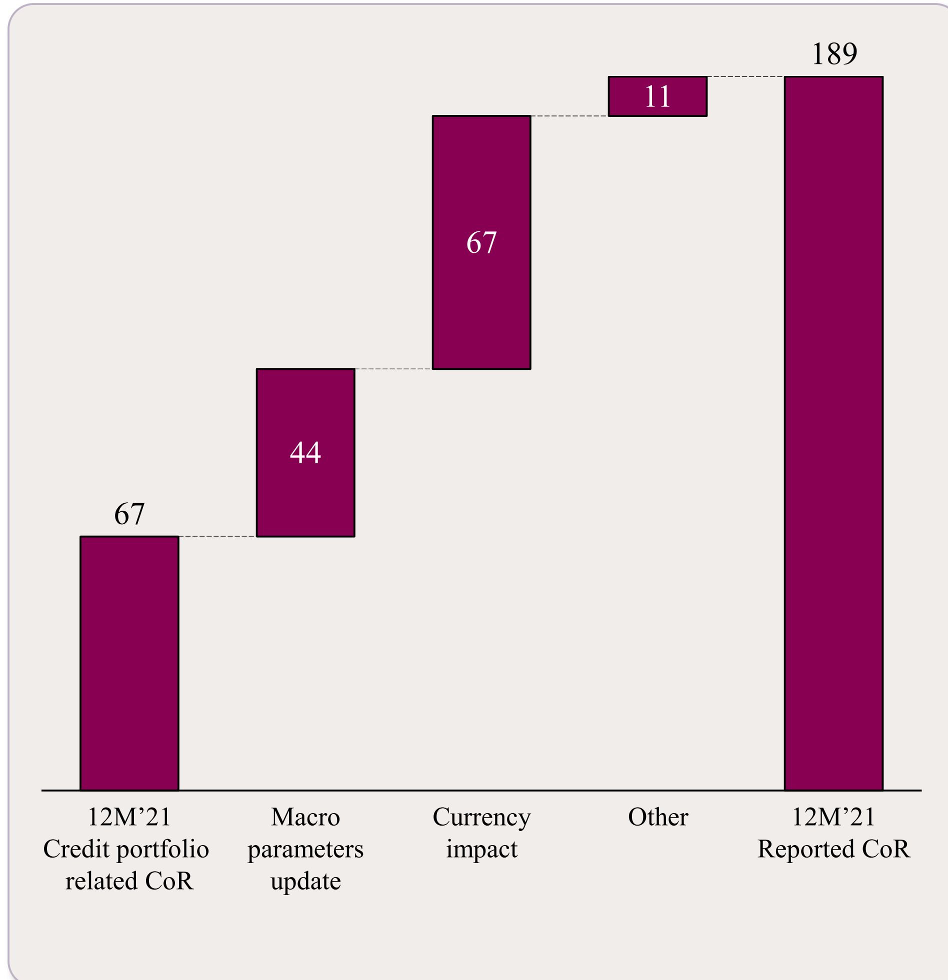
[(1)] Gross loans encompass the loans measured at FVTPL

Low level of new NPL generation and solid collection performance enabled the Bank to further build provision reserves via macro scenario updates and increased coverages while reported CoR also included significant currency impact

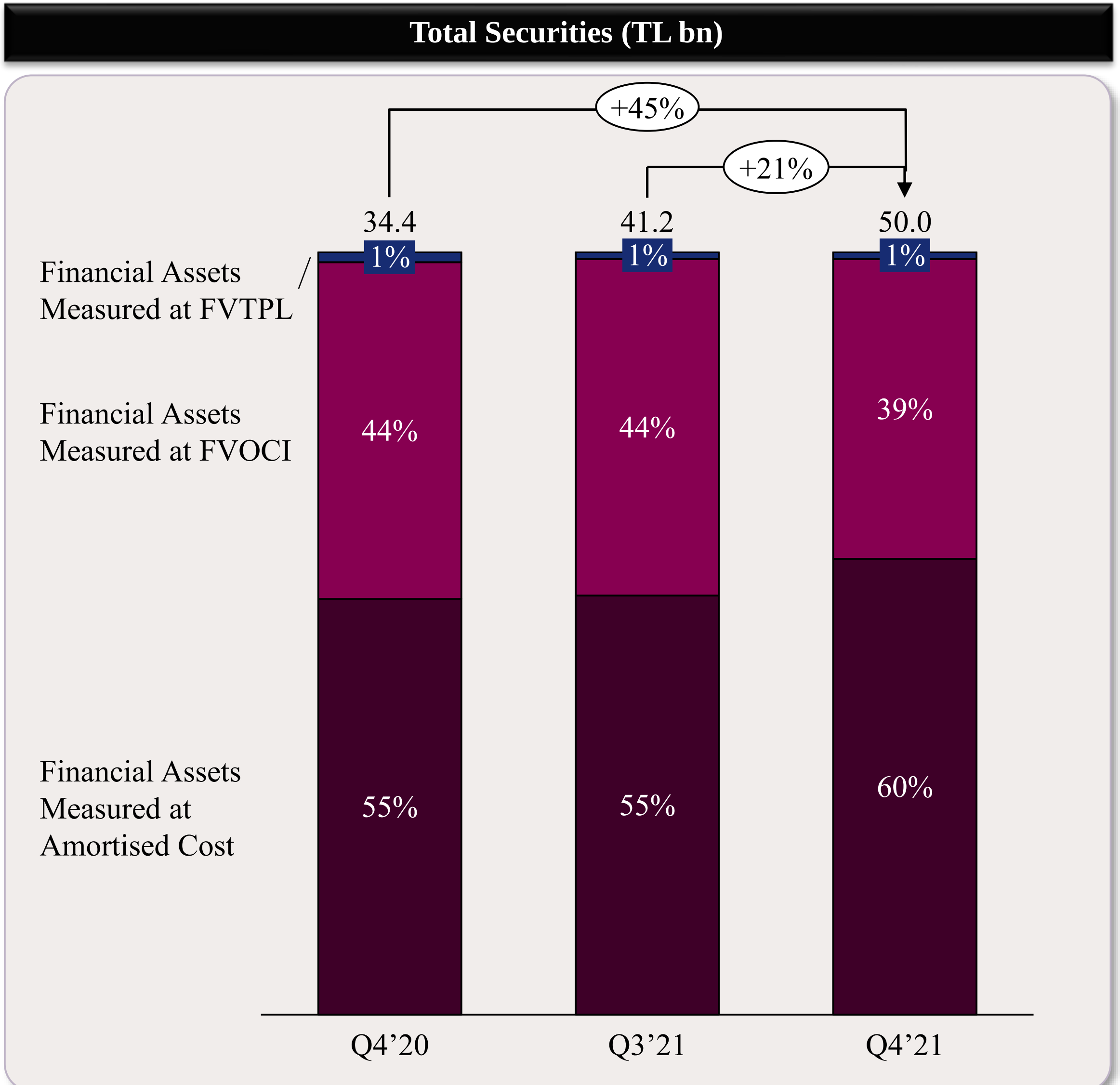
Quarterly Cost of Risk (%)

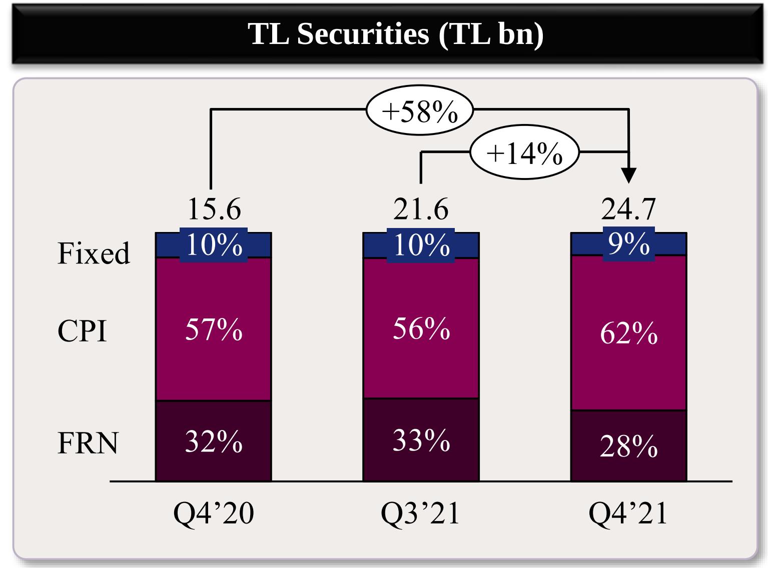


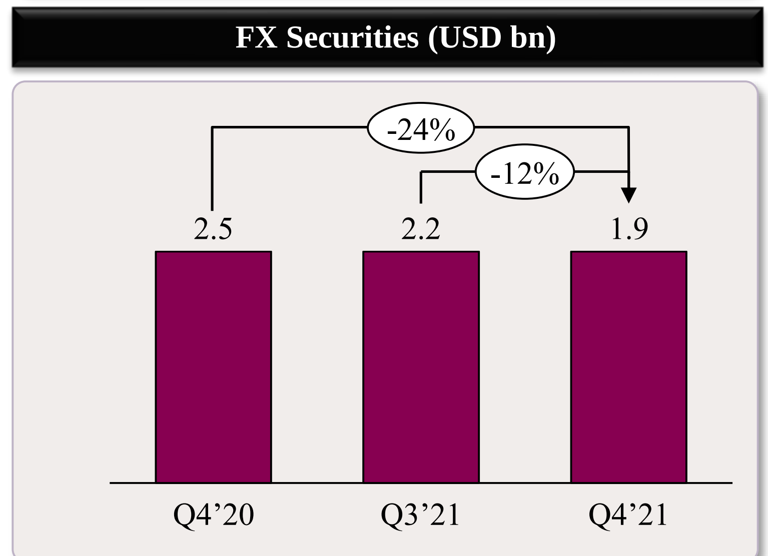
12M'21 CoR Breakdown (bps)



Securities portfolio recorded 21% QoQ and 45% YoY growth largely driven by TL securities, of which 91% are floating/indexed in nature

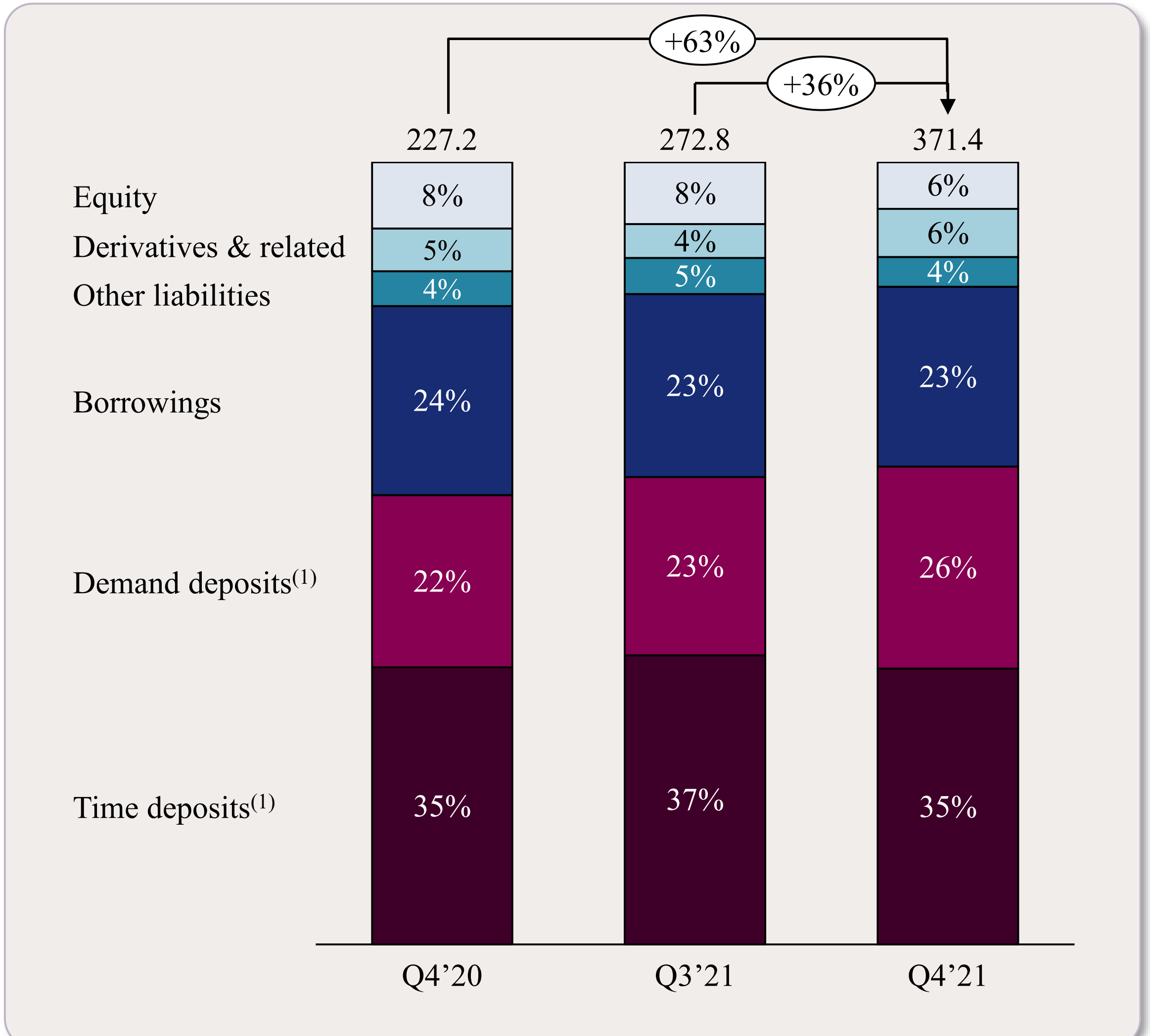




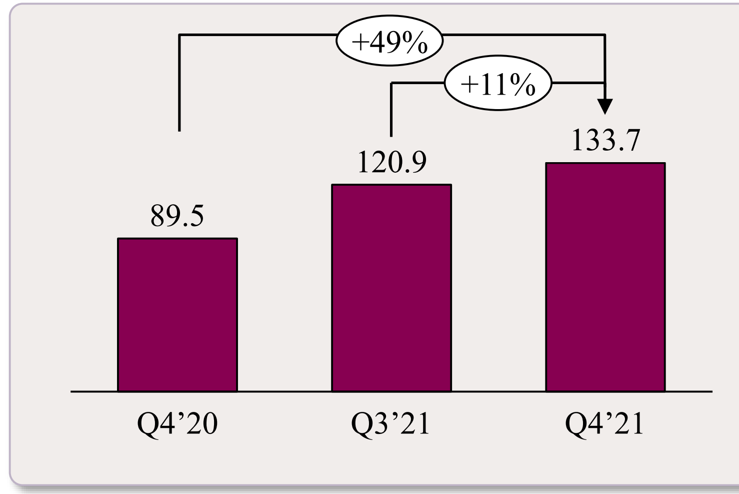


Well-diversified & disciplined funding mix maintained with a tilt towards TL funding, although sector-wide deposit dollarization reemerged in Q4 following the rate cuts

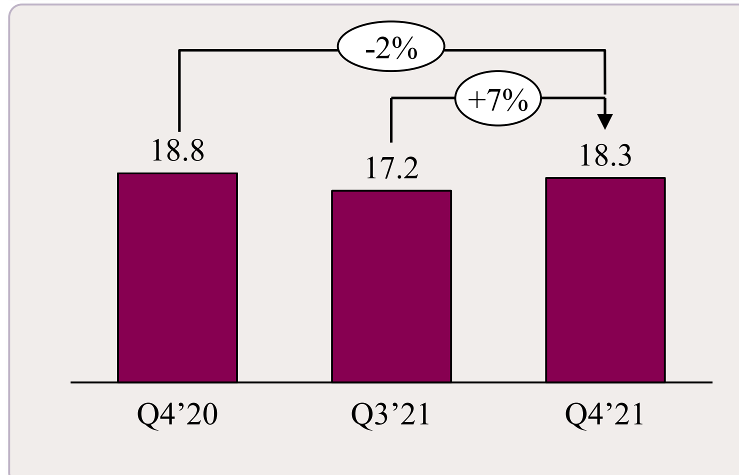
Total Liabilities (TL bn)



TL Liabilities (TL bn)



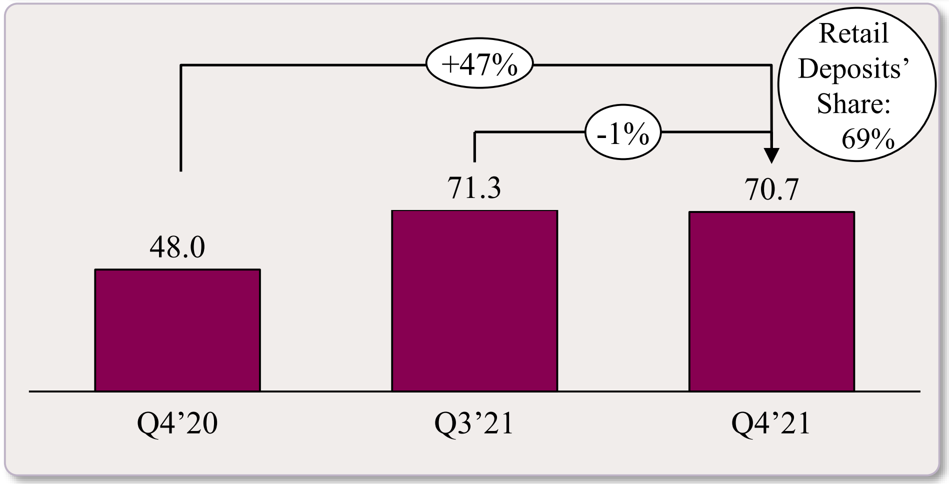
FX Liabilities (USD bn)



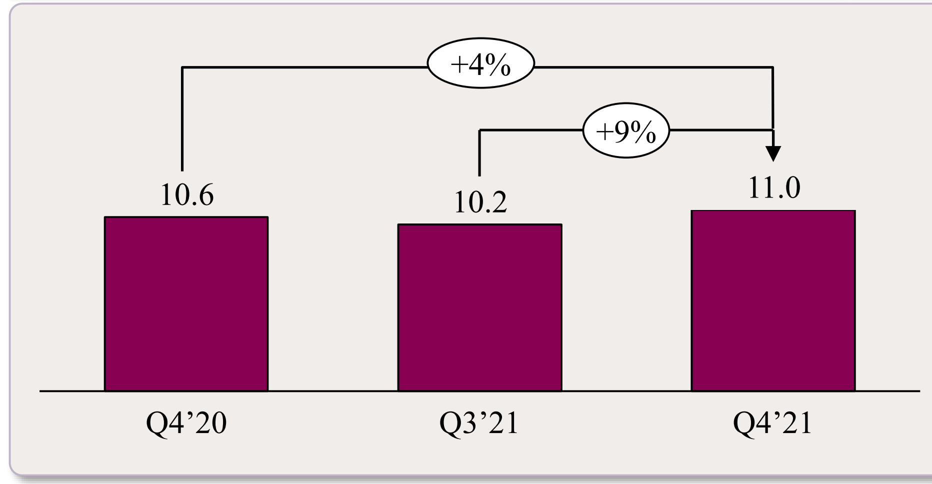
(1) Includes bank deposits

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

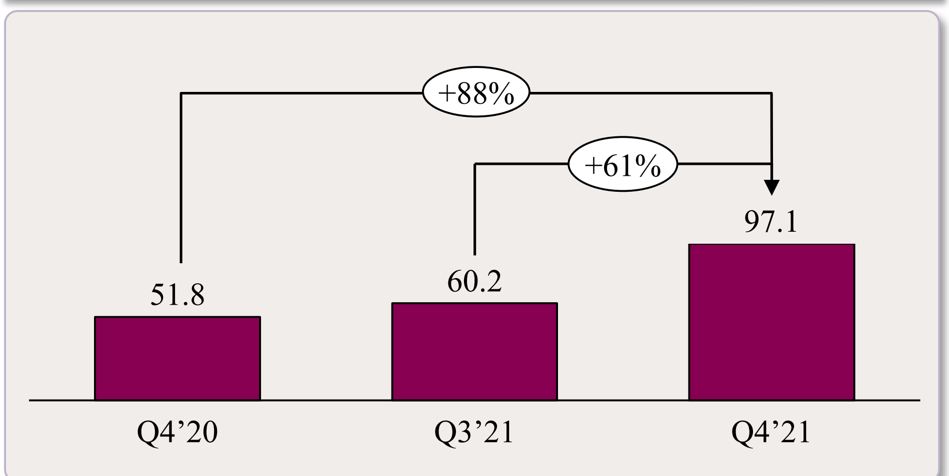
TL Customer Deposits (TL bn)



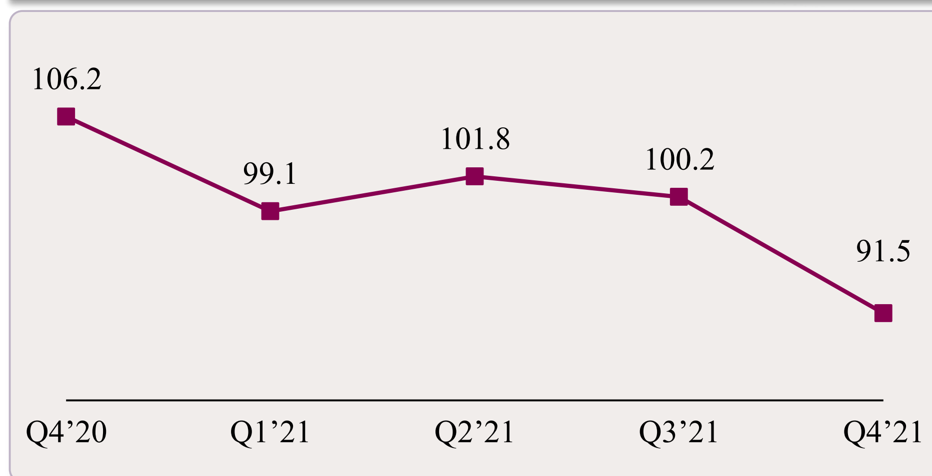
FX Customer Deposits (USD bn)



Customer Demand Deposits (TL bn, aop)



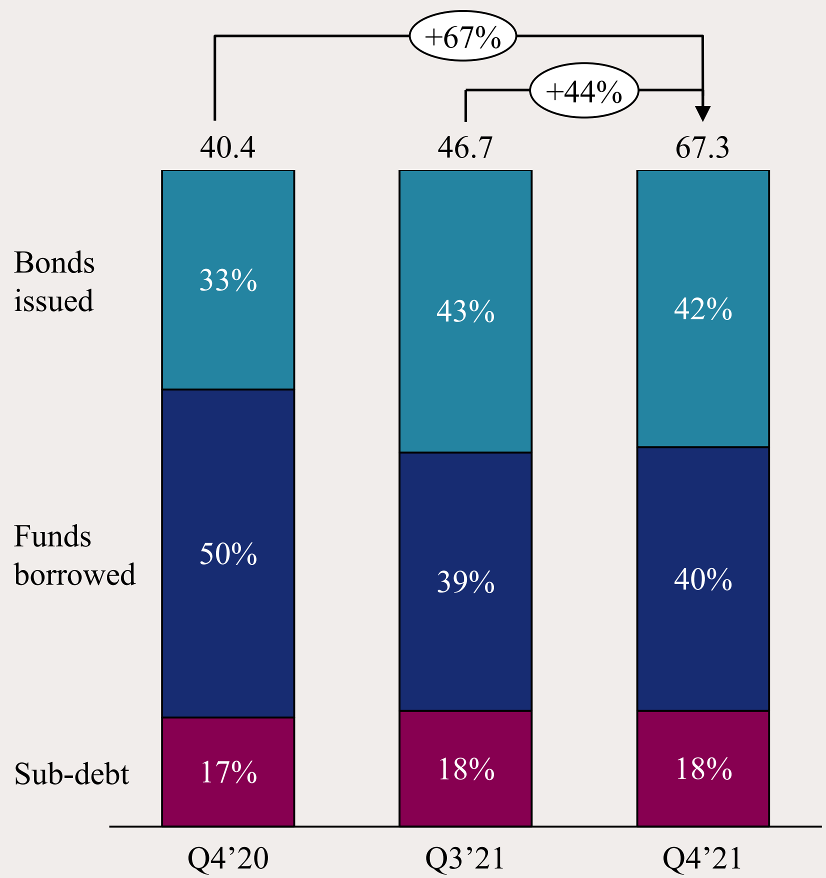
Loan-to-deposit-ratio[1] (%)



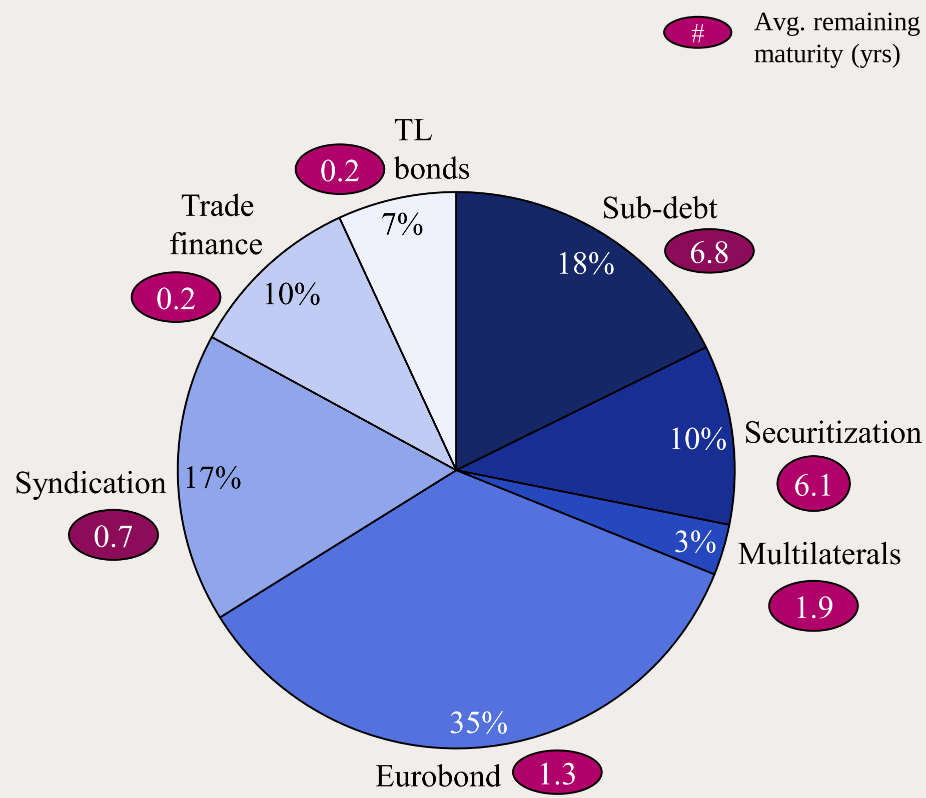
[1] Including TL issued bonds, bank deposits & fiduciary deposits

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

Wholesale Borrowings[1] by Type (TL bn)



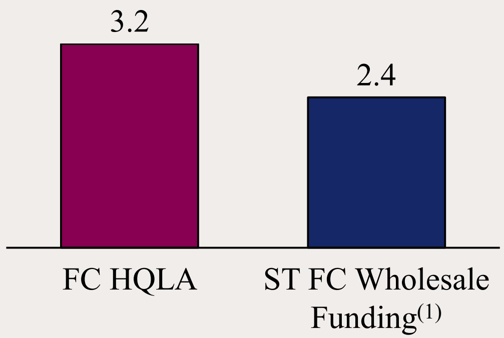
Wholesale Borrowings[1] Breakdown



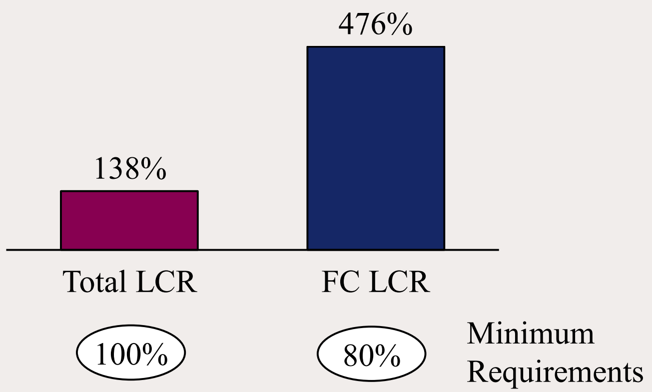
[1] Non-deposit funding except repo

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

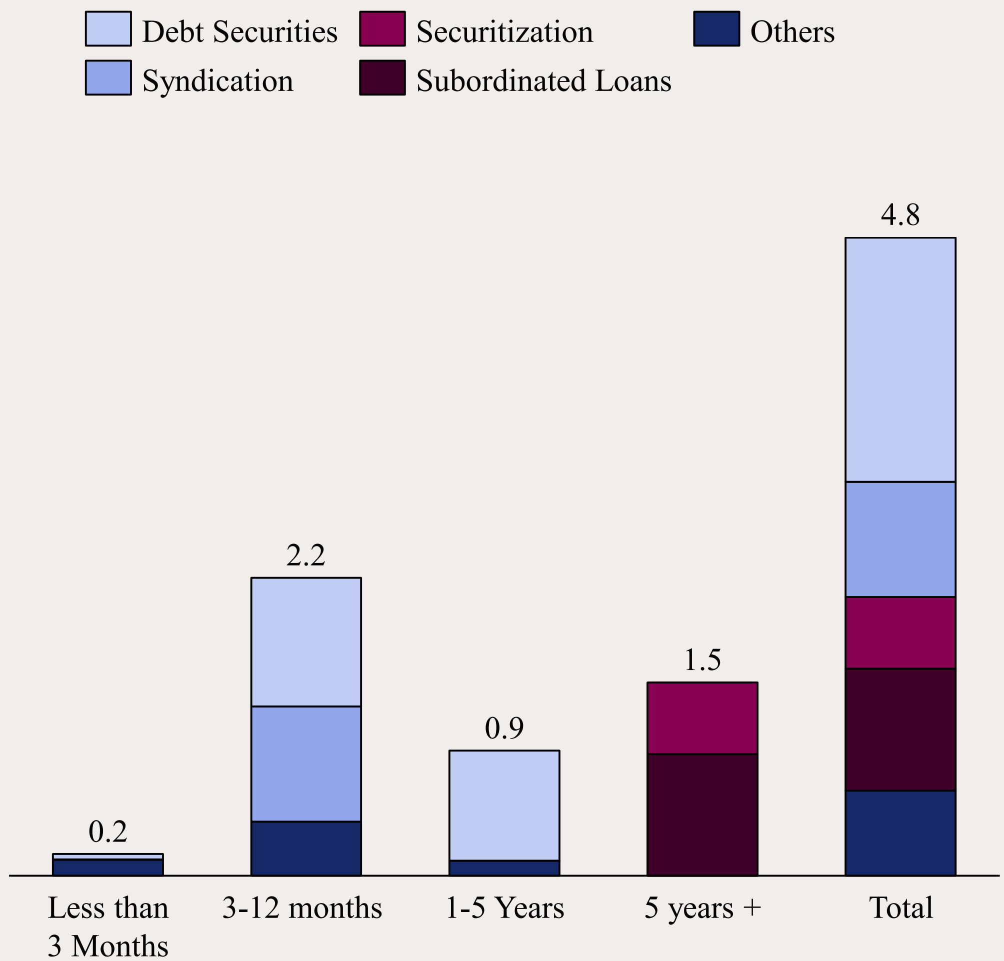
FC HQLA vs Short-term Dues (USD bn)



Liquidity Coverage Ratios (%, eop)



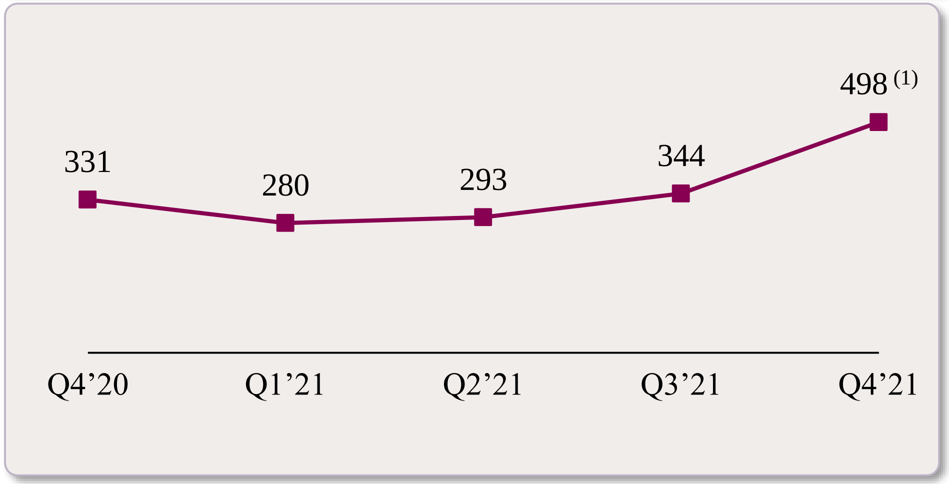
Maturity Profiles of FC Wholesale Funding (USD bn)



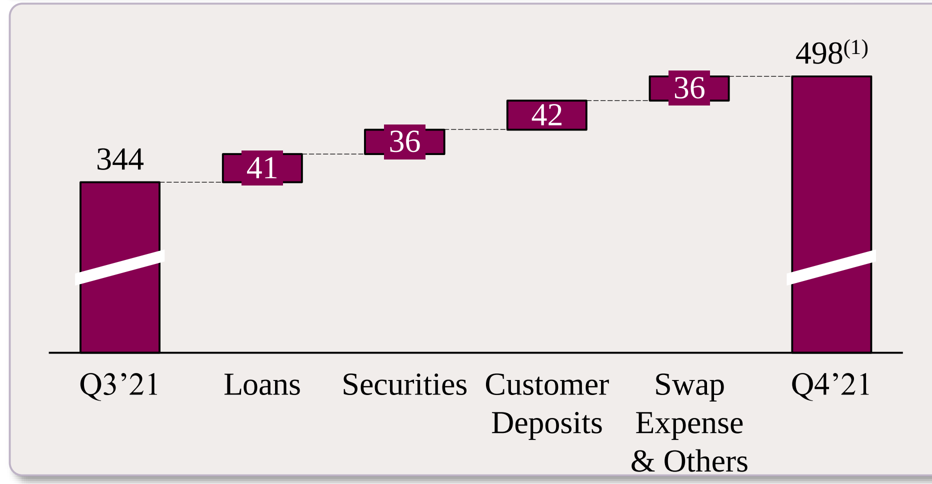
(1) FC wholesale funding due within 1 year

Loan/deposit spreads and NIM materially improved in Q4'21 on the back of CBRT's rate cuts and CPI revisions

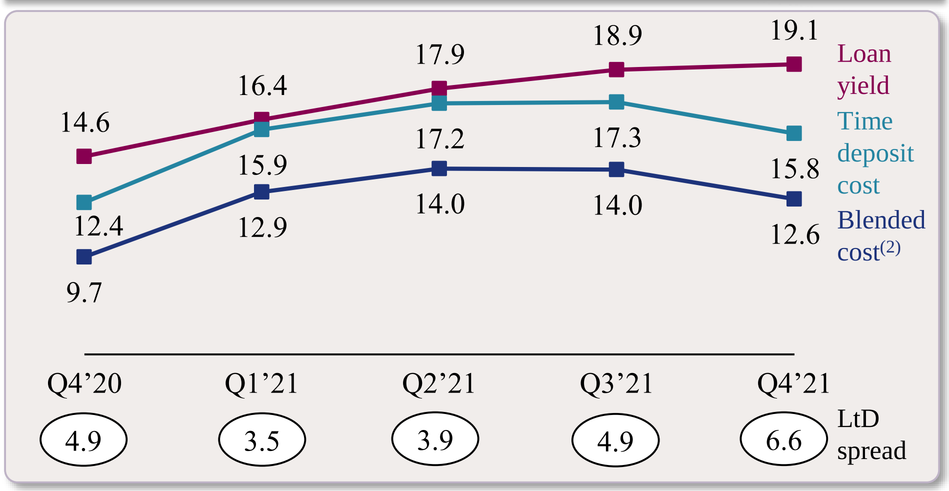
Quarterly NIM after Swap (bps)



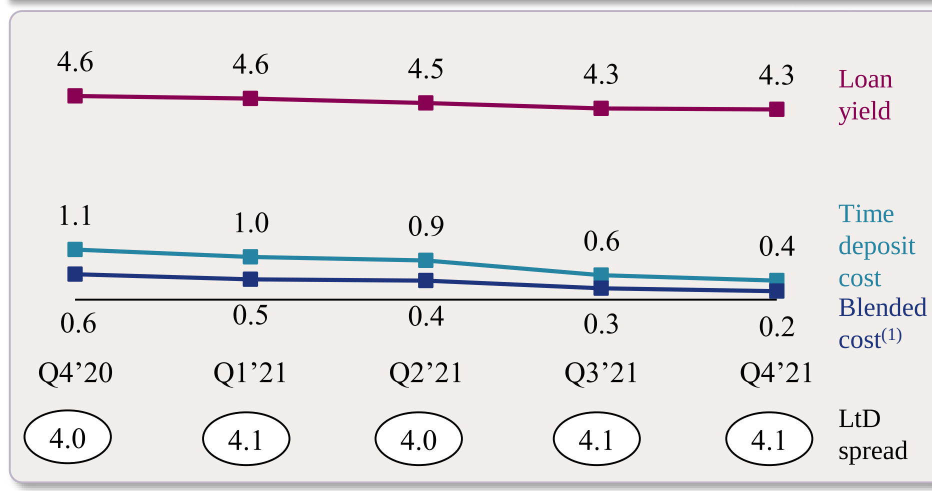
Quarterly NIM after Swap Evolution (bps)



TL Spread (%, quarterly)



FX Spread (%, quarterly)



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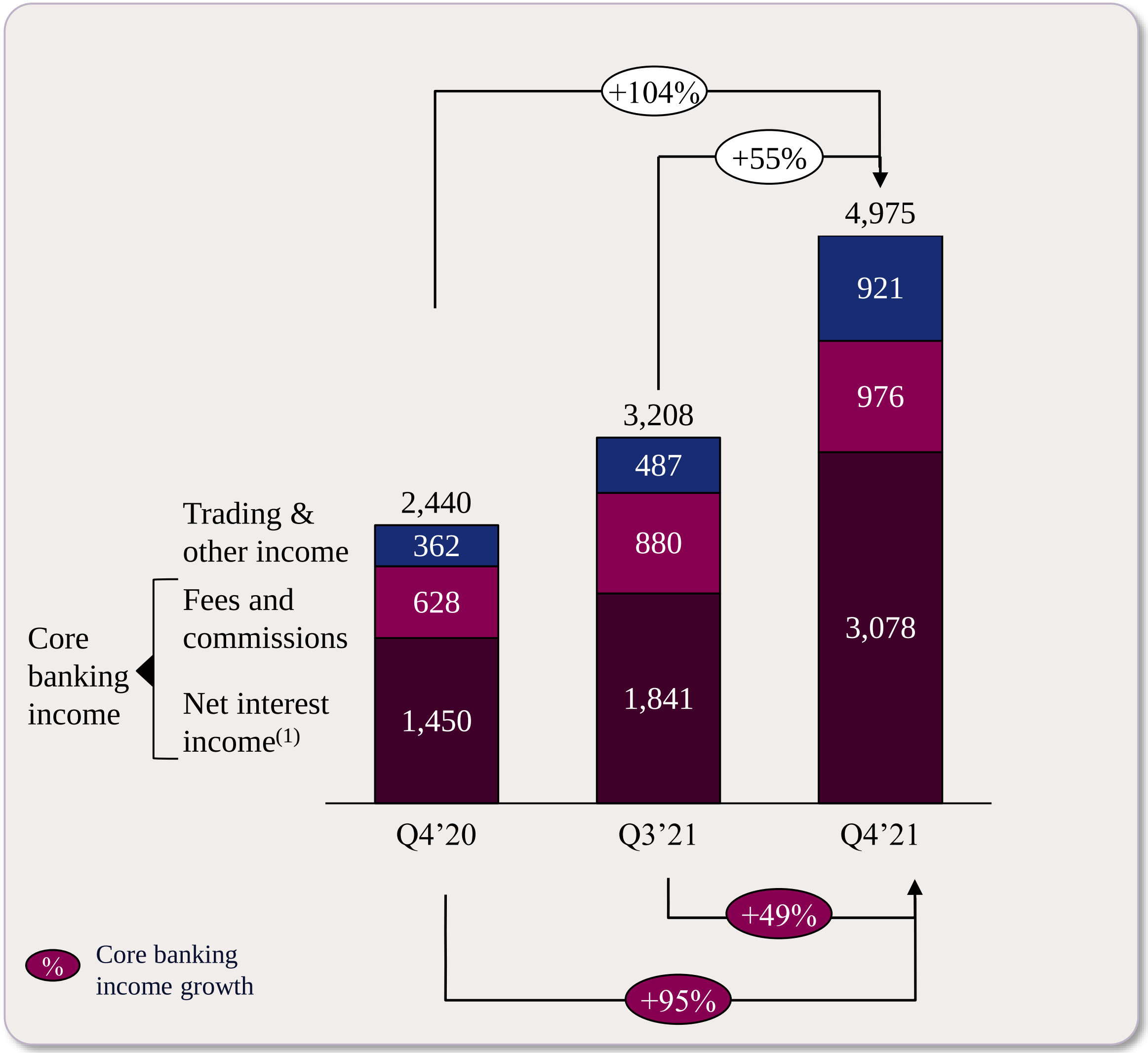
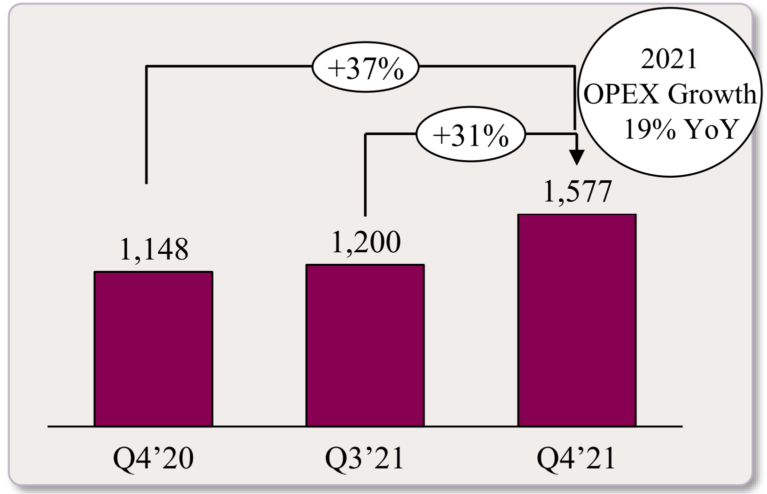
(1) October-October inflation used in the valuation of CPI linkers realized at 19.89%.
A 100 bps increase in CPI projection would contribute TL 154 mn/yr to NII and 7 bps to annual NIM.
(2) Blended of time and demand deposits.

Strong core banking income generation coupled with effective cost management: Eye-catching NII recovery & 2021 OPEX contained at 19% YoY, well below inflation

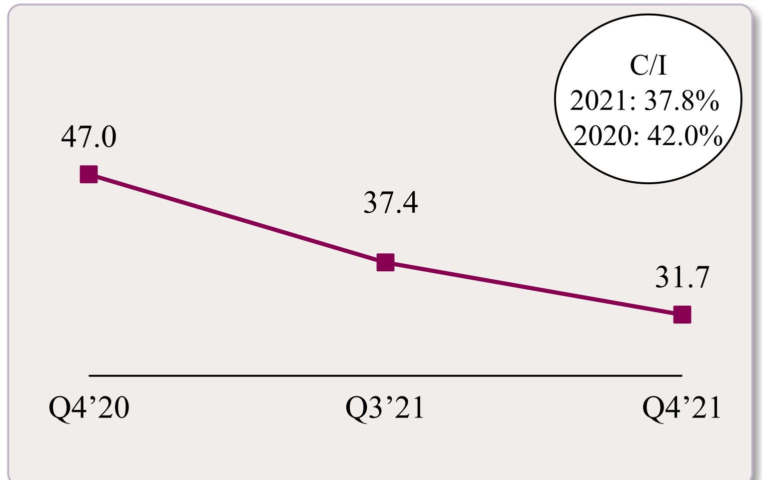
Total Operating Income (TL mn.)



OpEx (TL mn.)



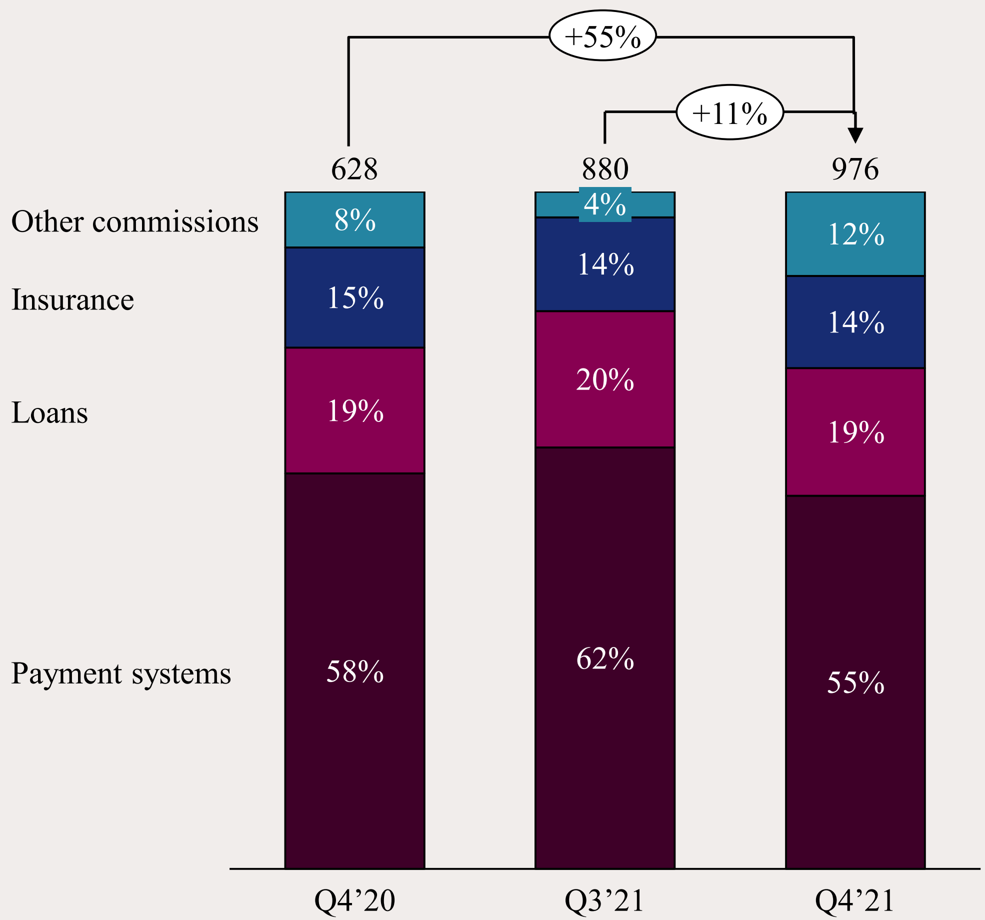
Cost / Income (%)



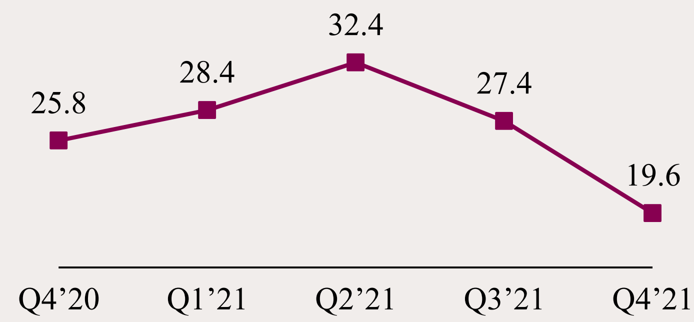
(1) Including swap expenses

Fees once again outperformed the expectations mainly on the back of stellar payment systems performance thanks to higher volumes and rates

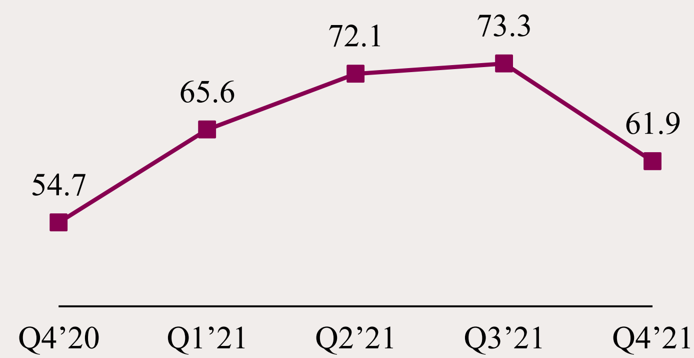
Net Fees and Commissions[1] (TL mn)



Fees / Total Income (%)



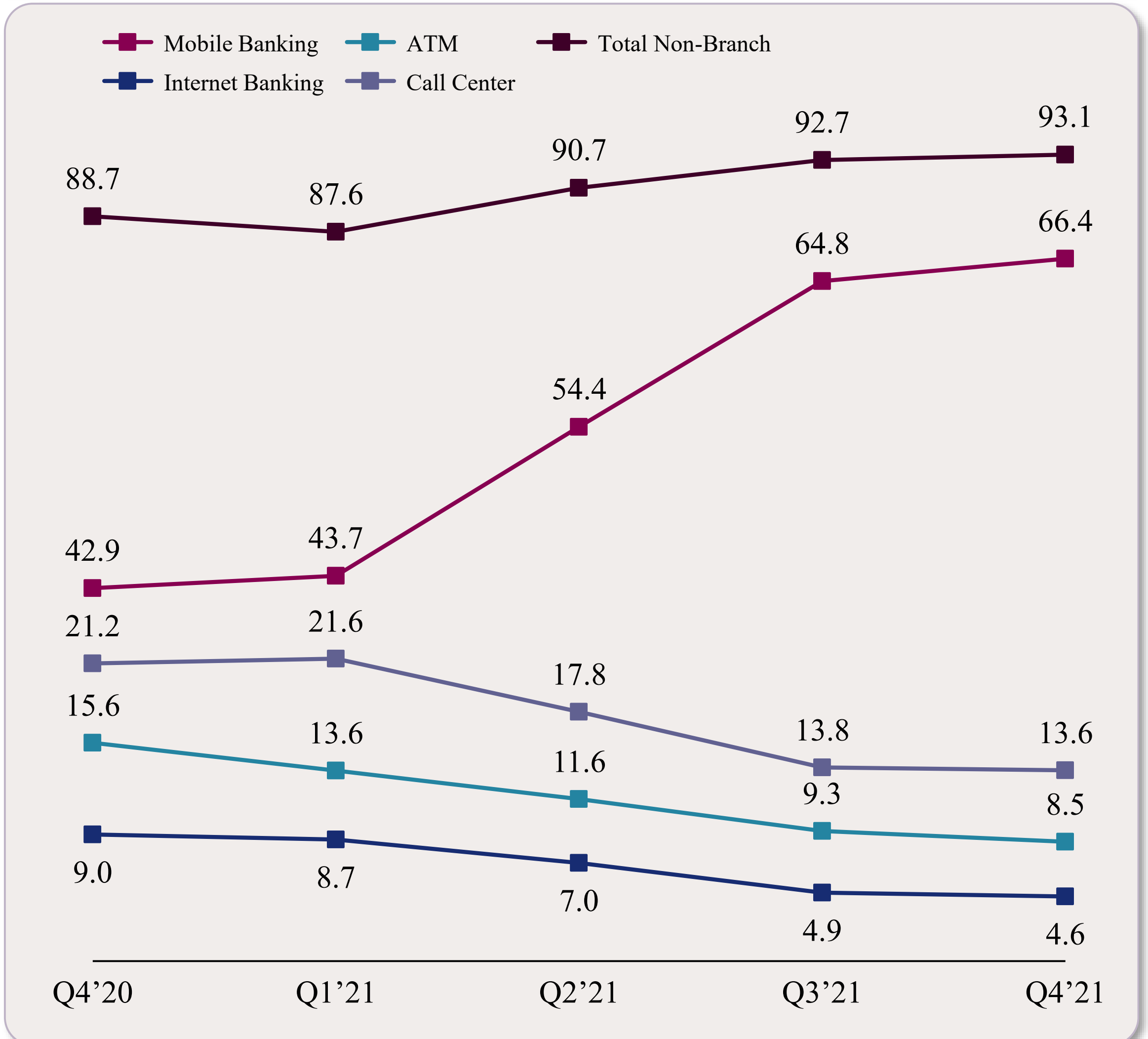
Fees / OpEx (%)



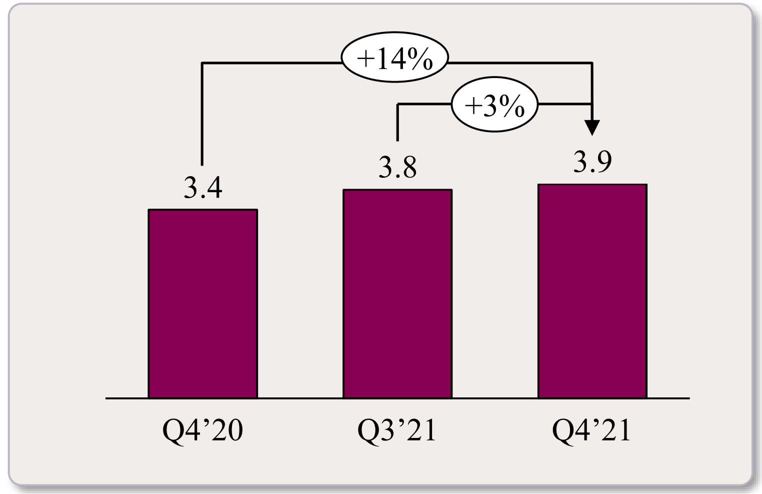
(1) Classification change in Q2 is applied retrospectively with the aim of interperiod comparability and consistency

Investment in digital transformation paved the road to a smooth & swift transition to digital channels

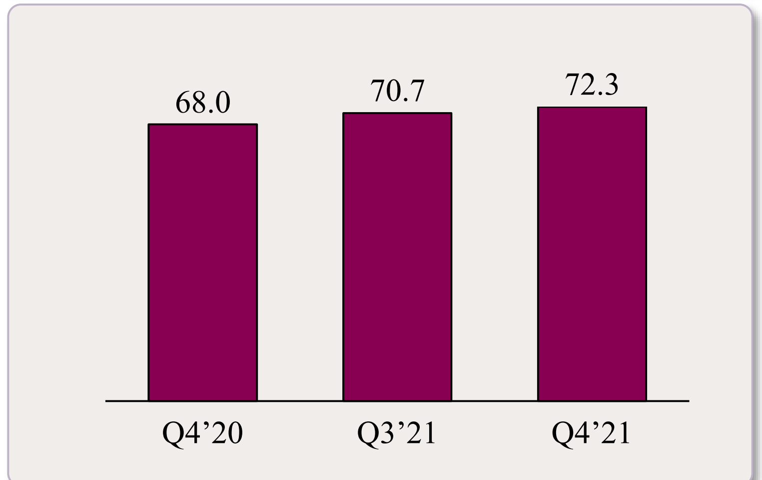
Share of Transactions Evolution in Non-Branch Channels (%)



Number of Digital Customers (mn.)



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



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

Appendix

BRSA Bank-Only Key Financial Ratios[1]

	All figures quarterly	Q1'20	Q2'20	Q3'20	Q4'20	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021
Profitability	RoAE	18.3%	14.9%	15.6%	15.0%	15.8%	13.6%	16.7%	20.9%	24.2%	19.0%
	RoAA	1.6%	1.2%	1.2%	1.2%	1.3%	1.1%	1.3%	1.7%	1.6%	1.4%
	Cost / Income	39.9%	40.1%	41.3%	47.0%	42.0%	43.2%	44.9%	37.4%	31.7%	37.8%
	NIM after swap expense	4.8%	4.3%	4.3%	3.3%	4.2%	2.8%	2.9%	3.4%	5.0%	3.6%
Liquidity	Loans / Deposits[2]	96.8%	99.1%	101.2%	106.2%	106.2%	99.1%	101.8%	100.2%	91.5%	91.5%
	LCR (aop)	118.1%	119.1%	119.3%	117.4%	117.4%	120.1%	137.8%	136.2%	145.5%	145.5%
Asset quality	NPL Ratio	6.4%	6.3%	5.7%	6.1%	6.1%	5.8%	5.4%	4.5%	4.2%	4.2%
	Cost of Risk	2.2%	2.2%	1.8%	1.5%	1.9%	1.5%	0.9%	1.4%	3.5%	1.9%
Solvency	CAR	15.1%	17.1%	17.3%	16.4%	16.4%	15.8%	15.9%	15.2%	15.9%	15.9%
	Tier I Ratio	12.5%	14.3%	14.3%	13.7%	13.7%	13.1%	13.1%	12.5%	12.8%	12.8%
	Liability/Equity	12.8x	12.1x	13.0%	11.8x	11.8x	12.8x	12.6x	12.6x	16.8x	16.8x

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(1) IAS-27 equity method consolidation has been implemented as of Q4'21, whereas the figures of the preceding periods have been restated accordingly
(2) Including TL issued bonds, bank deposits & fiduciary deposits excluding CBRT swap transactions

BRSA Bank-Only Summary Financials[1]

Income Statement

TL, mn	Q3'21	Q4'21	ΔQoQ	FY'20	FY'21	ΔYoY
Net Interest Income (After Swap Expenses)	1,841	3,078	67%	6,684	7,669	15%
Net Fees & Commissions Income	880	976	11%	2,363	3,391	44%
Trading & Other Income	487	921	89%	965	2,174	125%
Total Operating Income	**3,208**	**4,975**	**55%**	**10,012**	**13,234**	**32%**
Operating Expenses	(1,200)	(1,577)	31%	(4,209)	(5,003)	19%
Net Operating Income	**2,008**	**3,399**	**69%**	**5,803**	**8,231**	**42%**
Provisions	(584)	(1,714)	194%	(2,544)	(3,241)	27%
Profit Before Tax	**1,424**	**1,685**	**18%**	**3,259**	**4,990**	**53%**
Tax Expenses	(314)	(350)	11%	(512)	(1,062)	107%
Profit After Tax	**1,109**	**1,335**	**20%**	**2,747**	**3,928**	**43%**

Balance Sheet

TL, mn	Q4'20	Q3'21	Q4'21	ΔQoQ	ΔYoY
Cash & Banks[2]	29,202	43,217	85,564	98%	193%
Securities	34,368	41,216	49,960	21%	45%
Net Loans	138,719	165,828	200,832	21%	45%
Fixed Asset and Investments[3]	5,864	6,224	6,689	7%	14%
Other Assets	19,089	16,311	28,324	74%	48%
Total Assets	**227,243**	**272,796**	**371,369**	**36%**	**63%**
Deposits	130,560	162,993	226,923	39%	74%
Customer	125,976	161,269	213,946	33%	70%
Bank	4,583	1,725	12,977	652%	183%
Borrowings	54,892	63,821	85,293	34%	55%
Bonds Issued	13,506	20,073	28,389	41%	110%
Funds Borrowed	20,192	18,363	27,032	47%	34%
Sub-debt	6,704	8,226	11,853	44%	77%
Repo	14,489	17,159	18,020	5%	24%
Other	22,579	24,375	37,009	52%	64%
Equity	19,212	21,607	22,144	2%	15%
Total Liabilities & Equity	**227,243**	**272,796**	**371,369**	**36%**	**63%**

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(1) IAS-27 equity method consolidation has been implemented as of Q4'21, whereas the figures of the preceding periods have been restated accordingly
(2) Includes CBRT, banks, interbank, other financial institutions
(3) Including subsidiaries

BRSA Consolidated Key Financial Ratios

	All figures quarterly	Q1’20	Q2’20	Q3’20	Q4’20	2020	Q1’21	Q2’21	Q3’21	Q4’21	2021
Profitability	RoAE	18.3%	14.8%	15.6%	15.1%	15.8%	13.6%	16.7%	20.9%	23.7%	18.9%
	RoAA	1.5%	1.2%	1.2%	1.2%	1.3%	1.1%	1.3%	1.6%	1.6%	1.4%
	Cost / Income	40.5%	40.6%	41.3%	47.3%	42.4%	43.4%	45.1%	37.8%	31.6%	38.0%
	NIM after swap expense	4.9%	4.6%	4.4%	3.4%	4.3%	3.0%	3.1%	3.5%	5.1%	3.7%
Liquidity	Loans / Deposits[1]	100.8%	103.2%	104.7%	110.1%	110.1%	102.6%	104.9%	103.4%	91.7%	91.7%
	LCR (aop)	116.3%	119.0%	116.4%	114.2%	114.2%	116.9%	136.0%	133.8%	144.1%	144.1%
Asset quality	NPL Ratio	6.5%	6.3%	5.7%	6.0%	6.0%	5.7%	5.4%	4.5%	4.2%	4.2%
	Cost of Risk	2.3%	2.3%	2.0%	1.5%	1.9%	1.7%	1.0%	1.4%	3.6%	1.9%
Solvency	CAR	14.7%	16.6%	16.7%	15.8%	15.8%	15.2%	15.2%	14.5%	15.2%	15.2%
	Tier I Ratio	12.2%	13.9%	13.8%	13.1%	13.1%	12.6%	12.5%	11.9%	12.2%	12.2%
	Liability/Equity	13.1x	12.4x	13.3x	12.2x	12.2x	13.1x	13.0x	13.1x	17.3x	17.3x

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

BRSA Consolidated Summary Financials

Income Statement

TL, mn	Q3'21	Q4'21	ΔQoQ	FY'20	FY'21	ΔYoY
Net Interest Income (After Swap Expenses)	1,952	3,211	65%	7,103	8,150	15%
Net Fees & Commissions Income	954	1,067	12%	2,601	3,682	42%
Trading & Other Income	425	948	123%	799	2,068	159%
Total Operating Income	**3,331**	**5,226**	**57%**	**10,503**	**13,900**	**32%**
Operating Expenses	(1,260)	(1,653)	31%	(4,451)	(5,278)	19%
Net Operating Income	**2,071**	**3,573**	**73%**	**6,053**	**8,622**	**42%**
Provisions	(607)	(1,841)	203%	(2,672)	(3,487)	31%
Profit Before Tax	**1,464**	**1,732**	**18%**	**3,381**	**5,135**	**52%**
Tax Expenses	(351)	(425)	21%	(626)	(1,227)	96%
Profit After Tax	**1,112**	**1,307**	**17%**	**2,755**	**3,908**	**42%**

Balance Sheet

TL, mn	Q4'20	Q3'21	Q4'21	ΔQoQ	ΔYoY
Cash & Banks[1]	29,661	44,329	86,263	95%	191%
Securities	34,430	41,344	50,090	21%	45%
Net Loans[2]	146,449	175,046	212,565	21%	45%
Fixed Asset and Investments	4,248	4,302	4,613	7%	9%
Other Assets	20,232	17,866	30,318	70%	50%
Total Assets	**235,020**	**282,886**	**383,849**	**36%**	**63%**
Deposits	130,275	162,118	225,877	39%	73%
Customer	125,692	160,394	212,899	33%	69%
Bank	4,583	1,725	12,977	652%	183%
Borrowings	62,320	73,891	97,098	31%	56%
Bonds Issued	14,724	22,008	29,803	35%	102%
Funds Borrowed	25,897	25,419	37,252	47%	44%
Sub-debt	6,704	8,226	11,853	44%	77%
Repo	14,995	18,238	18,191	0%	21%
Other	23,184	25,234	38,722	53%	67%
Equity	19,241	21,643	22,152	2%	15%
Total Liabilities & Equity	**235,020**	**282,886**	**383,849**	**36%**	**63%**

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

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