



QNB Finansbank

Q1'24 Earnings Presentation

Based on BRSA Unconsolidated Financial Statements
April 2024

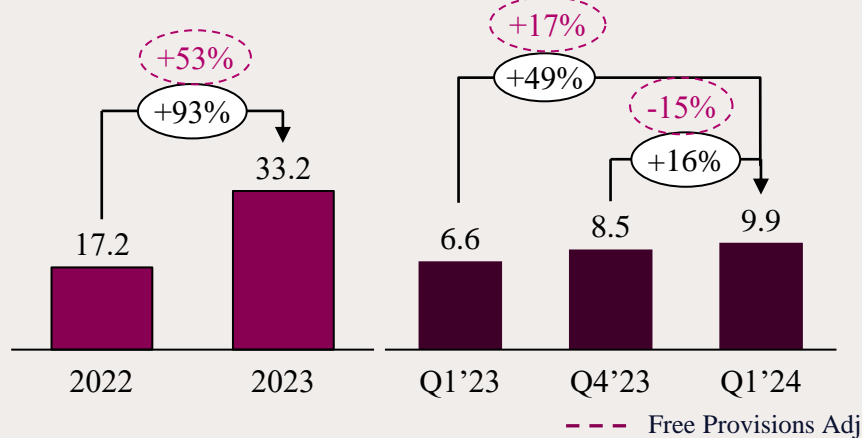
Period Highlights

- ✓ Q1'24 net profit realized at TL 9.9 billion with a QoQ growth of 16% and a YoY growth of 49%, and pointed to a outstanding ROE at 45.5% in a challenging quarter.
- ✓ NII was down by 49% QoQ at TL 4.8 billion, mainly due to higher TL deposits costs on the back of rate hikes, accompanying macro prudential measures and lower CPI linkers' contribution in line with lower CPI expectations (anticipated 2024 inflation stands at 40% vs 65% in 2023).
- ✓ F&C once again recorded an eye-catching growth of 18% QoQ, thanks to higher transactions volumes as well as higher prices in payment systems in line with higher policy rates. Robust F&C largely compensated for NII reduction, while trading income was also solid in the quarter.
- ✓ Quarterly loan growth was robust at 15%⁽¹⁾, well ahead of private peers and the sector, in conjunction with strategic market share gains in Business lending, particularly via uncapped FC lending. Customer Deposits recorded a robust 11%⁽¹⁾ growth in the same period, as wholesale funding increased its contribution in funding.
- ✓ NPL ratio essentially stable at 1.8%, showing initial signs of pick-up in NPL inflow mainly in Retail segments, while Business segments still benefit from benign credit environment. Provisioning stance remained prudent across the board at all stages, well positioned for anticipated asset quality erosion.
- ✓ Securities portfolio posted a robust growth of 15% in Q1'24, boosted by TL FRN investments. As floating or indexed securities accounted for 79% of TL portfolio, new FRN investments led to a lower CPI share at 49%.
- ✓ Operating expenses remained main focus area given elevated inflation and material TL depreciation, as continued shift to digitalization helped to contain expenses. OPEX grew by 39% QoQ and 89% YoY.
- ✓ CAR of 14.7% and Tier 1 of 12.2% point to comfortable buffers over minimum requirements, while TL 5.4 bn free provision stock reserves an additional buffer on all ratios.

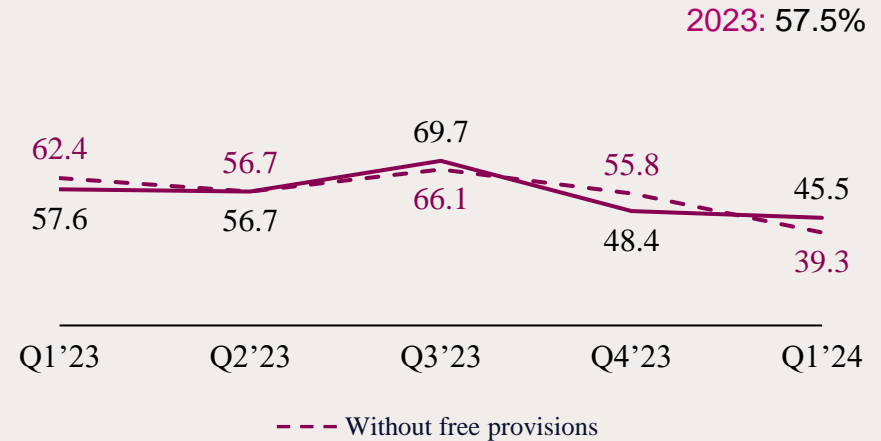
⁽¹⁾ BRSA Weekly Banking Sector data compared vis-a-vis QNBFB data as of 29 March 2024.

Outstanding ROE performance sustained in a challenging quarter, as agile ALM enabled Bank sail through volatile market backdrop and maintain conservative buffers

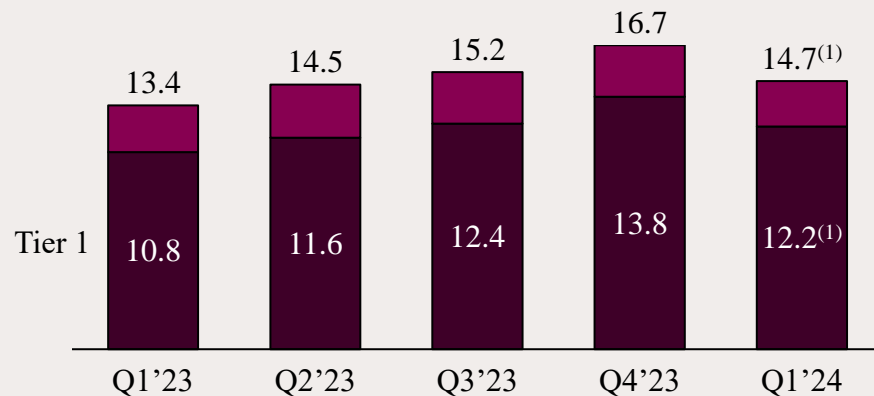
Net Income (TL bn)



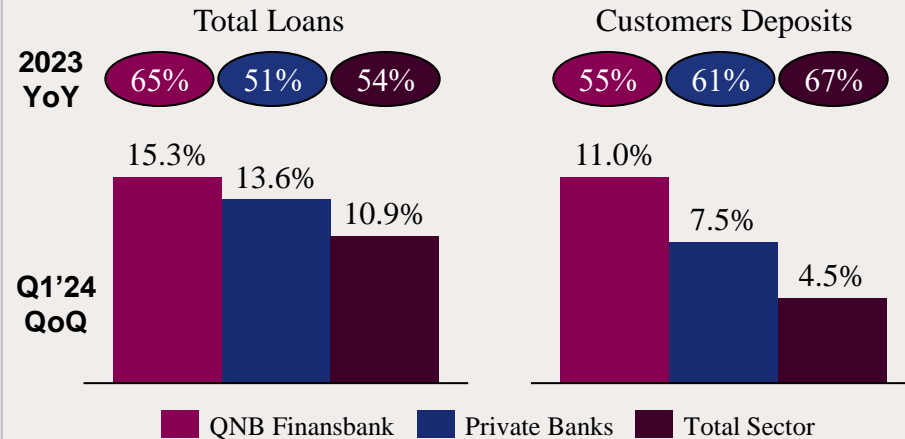
RoAE (%)



CAR (%)

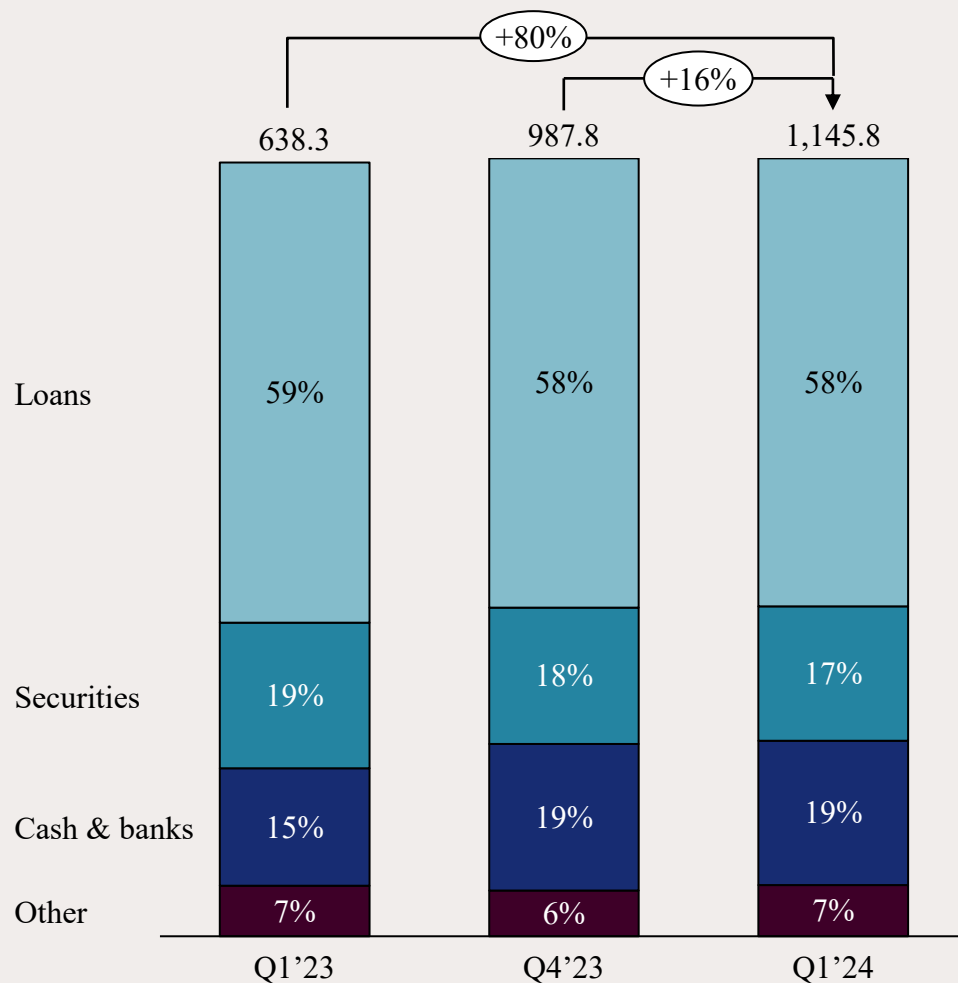


Total Loans & Deposits Growth⁽²⁾ (%)

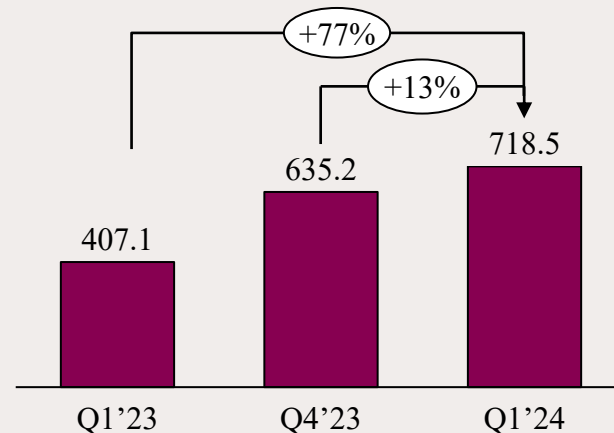


Well-balanced asset base grew by 16% QoQ, reaching TL 1,146 bn, as net loans accounted for 58% of assets, reflecting Bank's commitment to support the economy

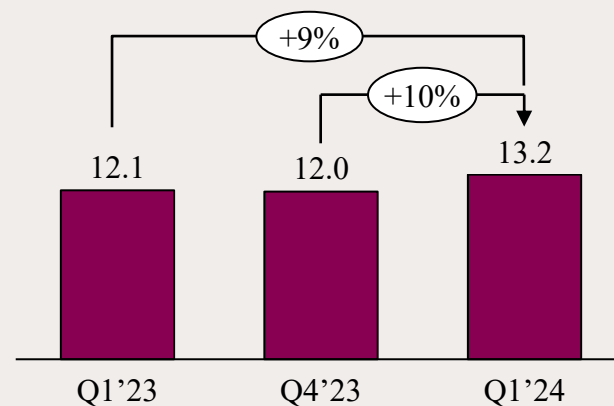
Total Assets (TL bn)



TL Assets (TL bn)

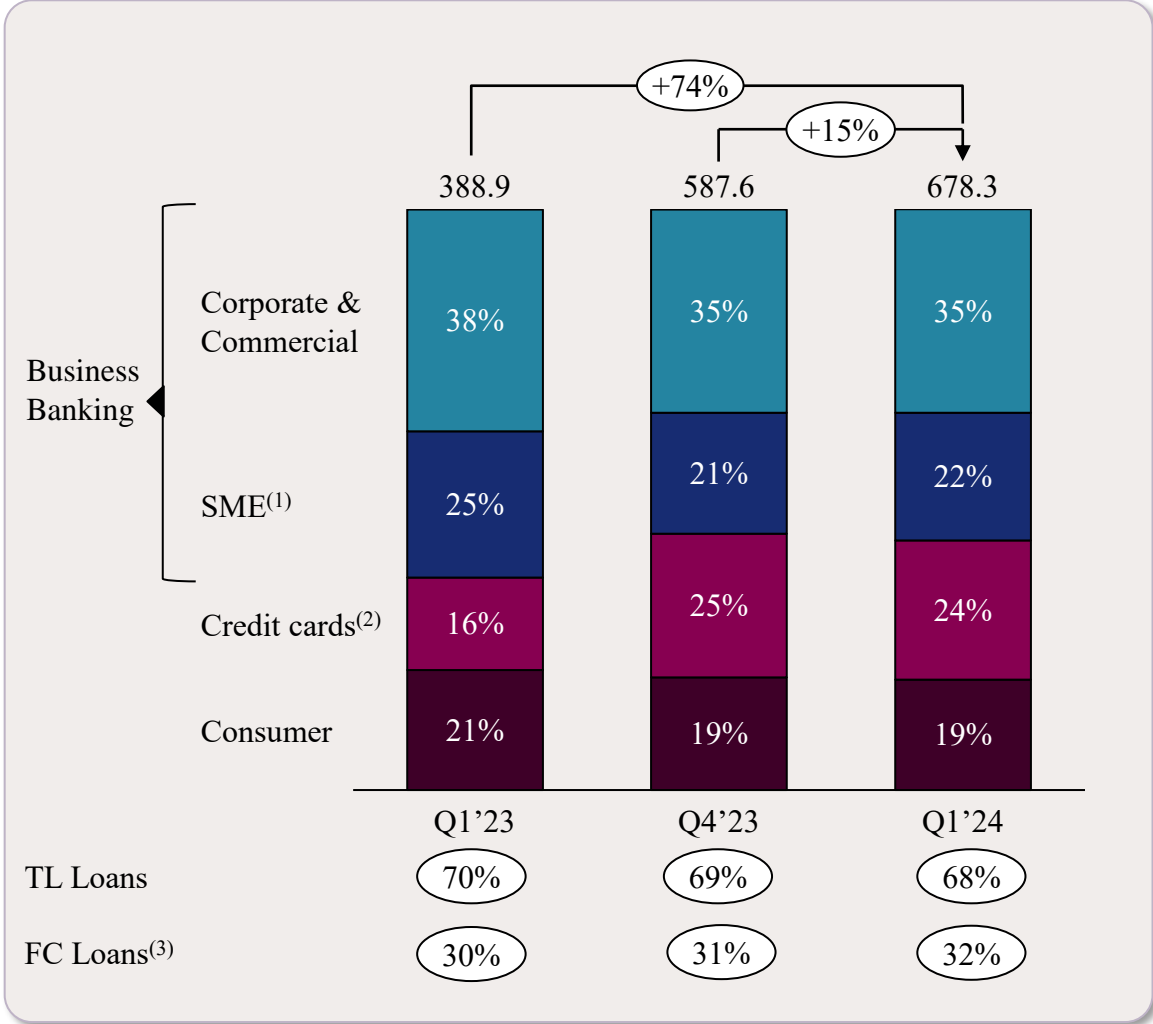


FC Assets⁽¹⁾ (USD bn)

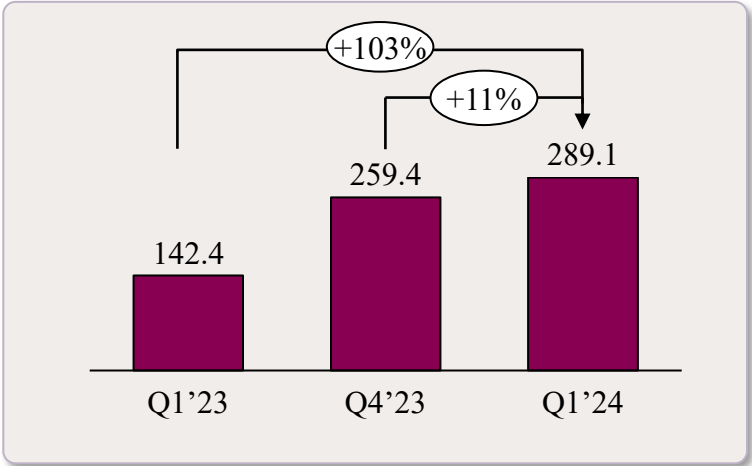


Loan growth remained relatively robust even with tight monetary policy, growth boosted by Business Banking market share gains via uncapped FC lending

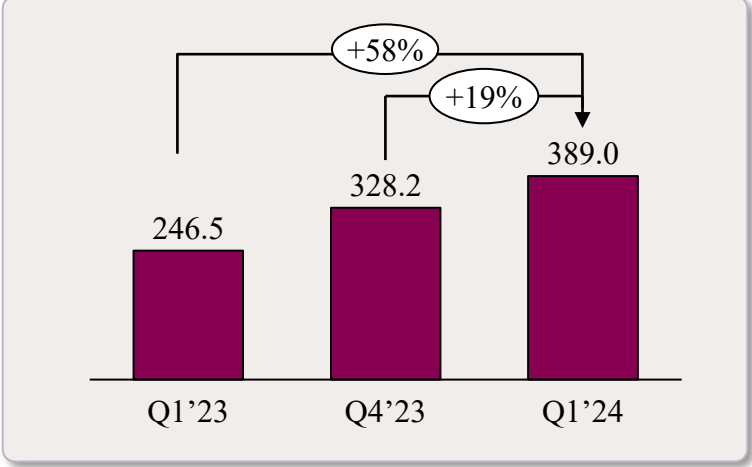
Performing Loans by Segment and Currency (TL bn)



Retail Loans (TL bn)



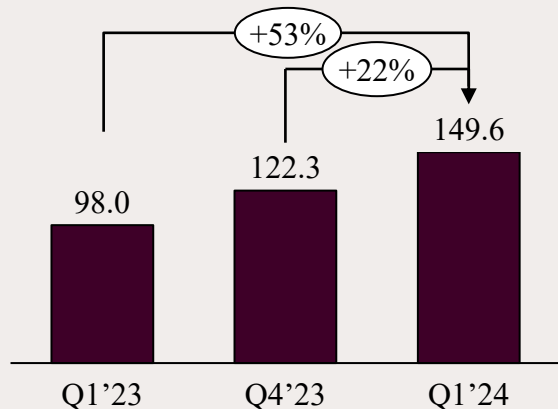
Business Loans (TL bn)



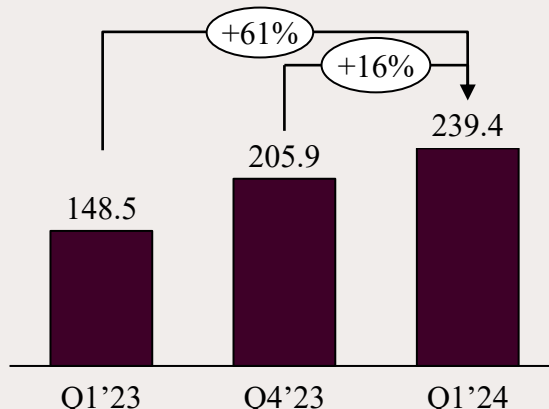
(1) Based on BRSA segment definition
(2) Excluding commercial credit cards
(3) FC-indexed TL loans are shown in FC loans

Business Banking outpaced Retail for the first time after a long time, while decelerating yet strong Retail performance continued to stem from Credit Cards and GPLs

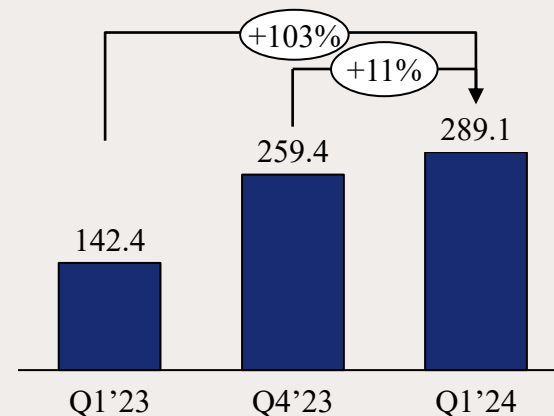
SME Loans⁽¹⁾ (TL bn)



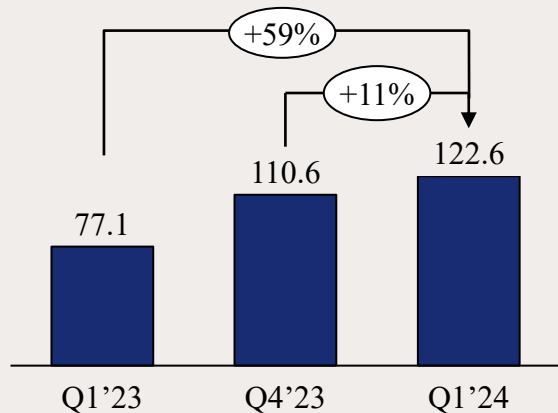
Corporate & Commercial Loans (TL bn)



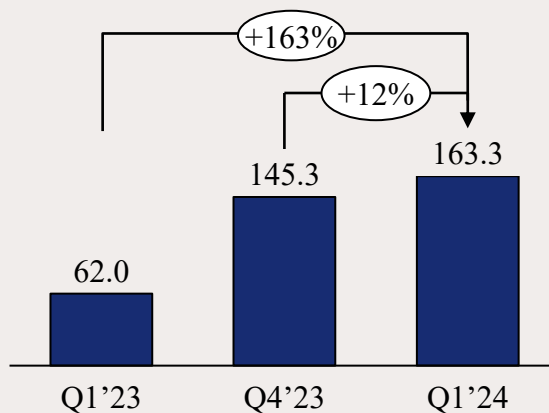
Retail Loans (TL bn)



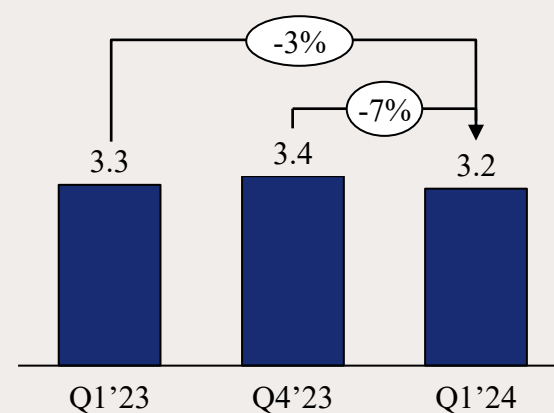
General Purpose Loans⁽²⁾ (TL bn)



Credit Card Loans⁽³⁾ (TL bn)

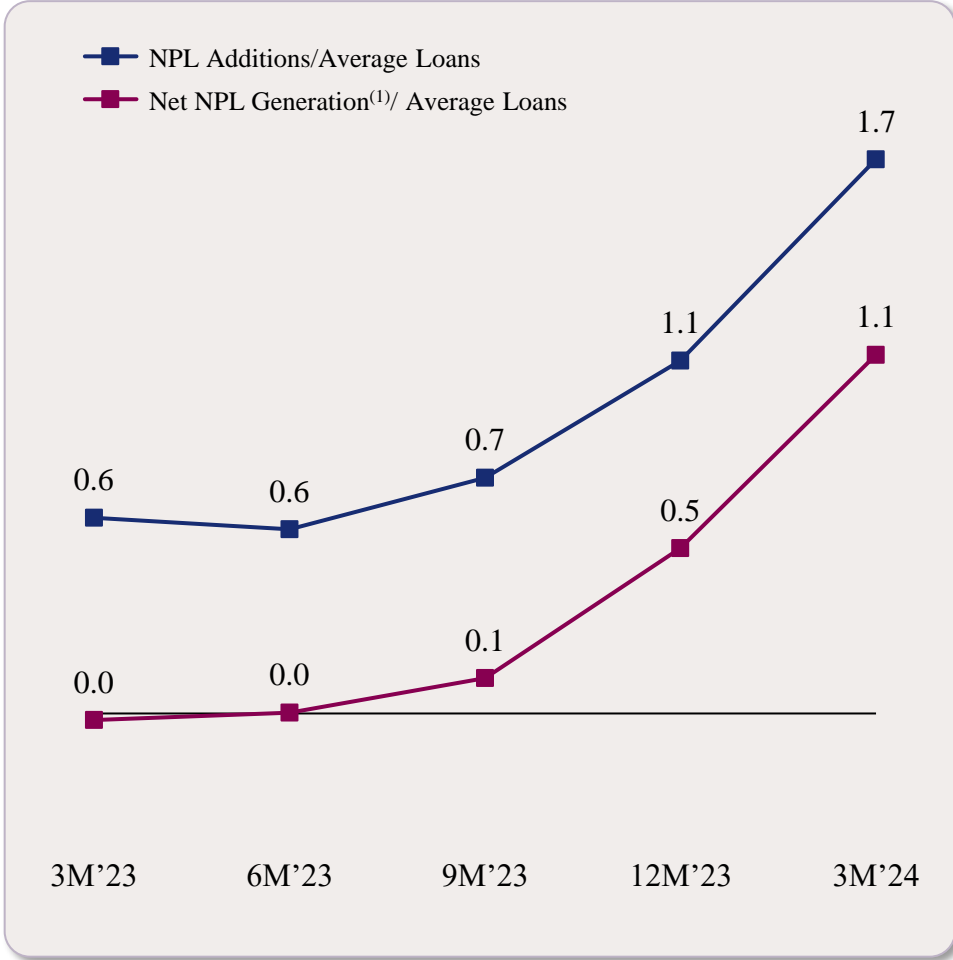


Mortgage Loans (TL bn)

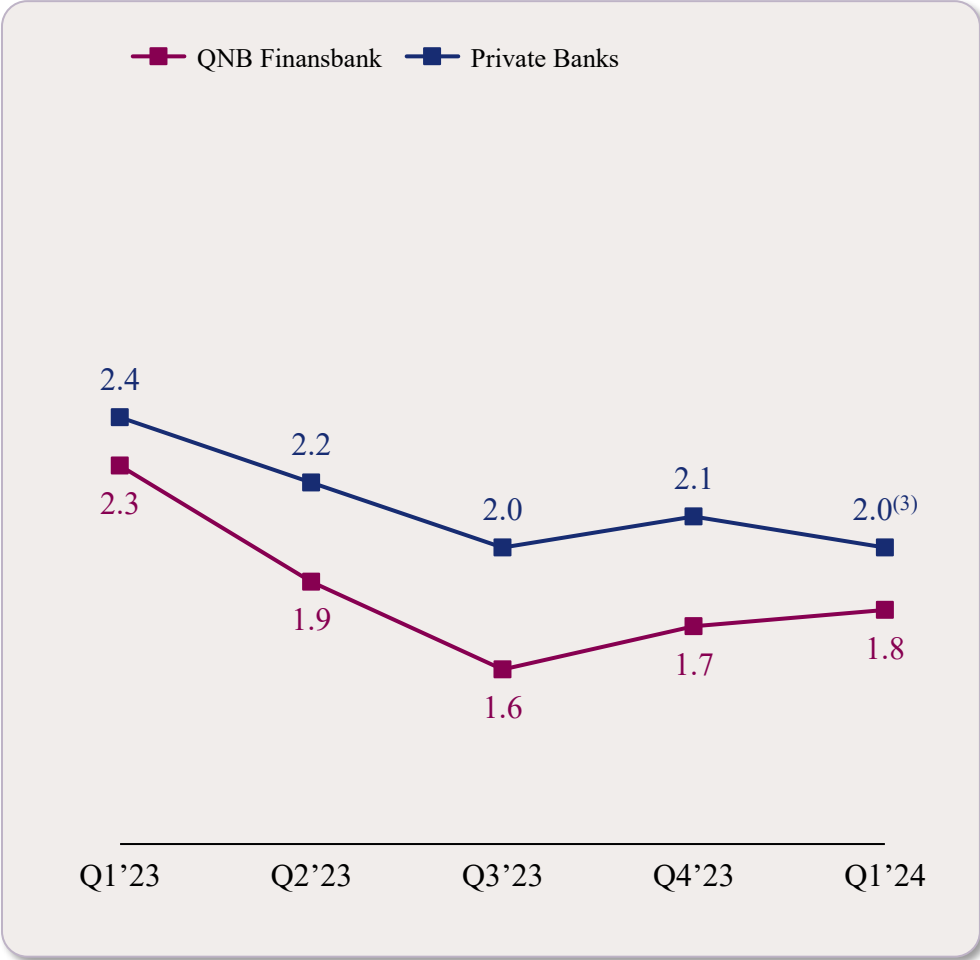


NPL inflow picked up mainly in retail segments, as risk metrics normalize in line with macro policy normalization. Business segments still benefit from benign credit environment. NPL ratio still fare well below private banks

NPL Additions / Average Loans (%)



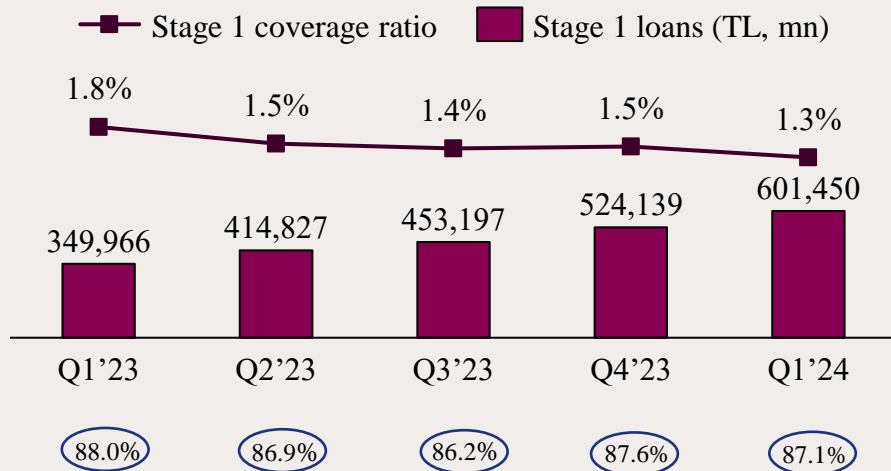
NPL Ratio (%)



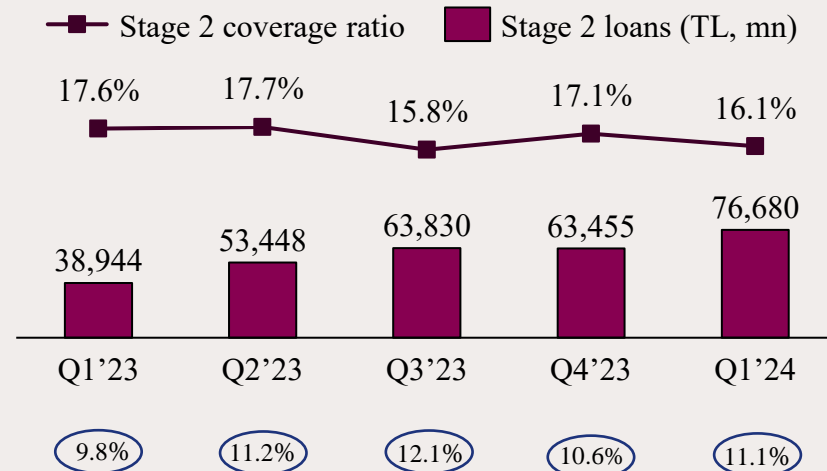
(1) Net NPL Generation = NPL Additions - NPL Collections
(2) Adjusted for write-off of LYY loan following the sale of TTKOM shares to TWF
(3) BRSA monthly banking sector data for private banks for March 2024

Conservative provisioning stance and staging policies maintained

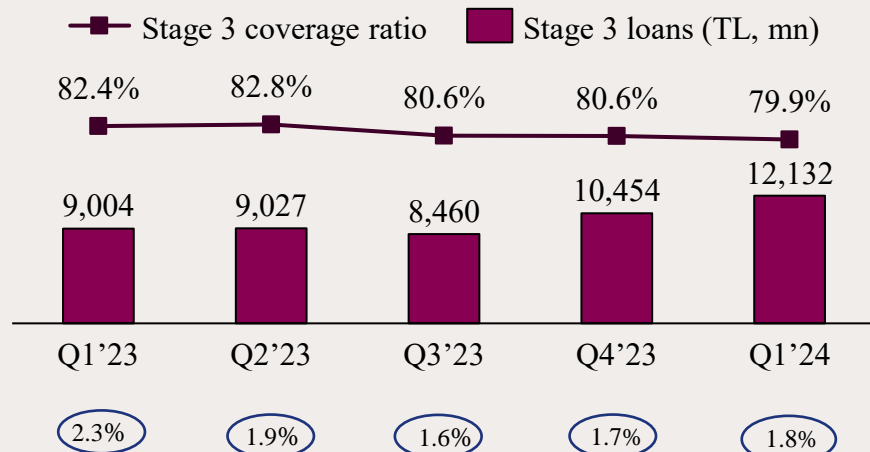
Stage 1 Loans & Coverage



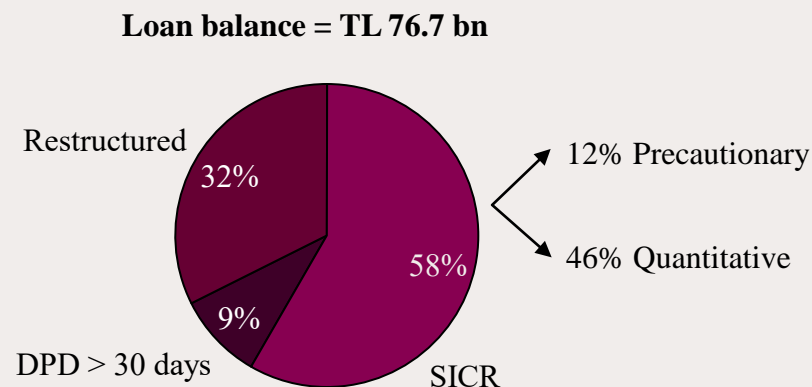
Stage 2 Loans & Coverage



Stage 3 Loans & Coverage

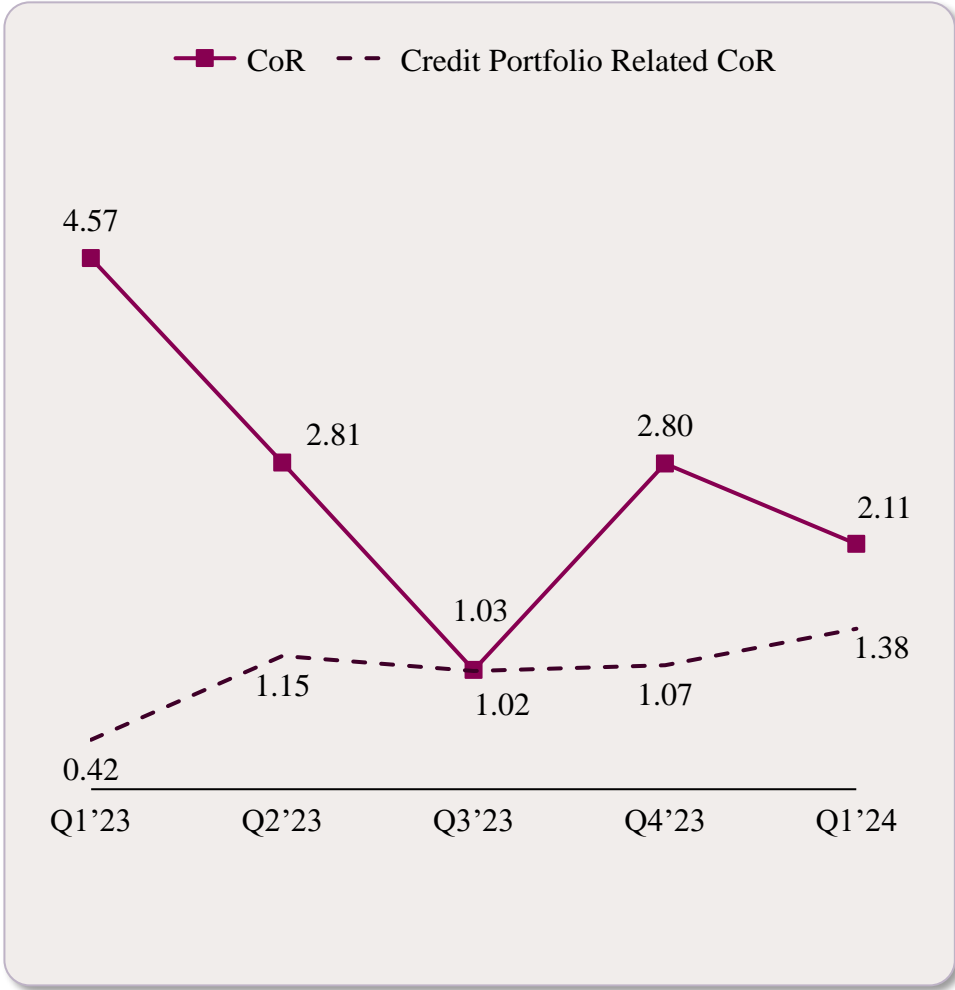


Stage 2 Composition

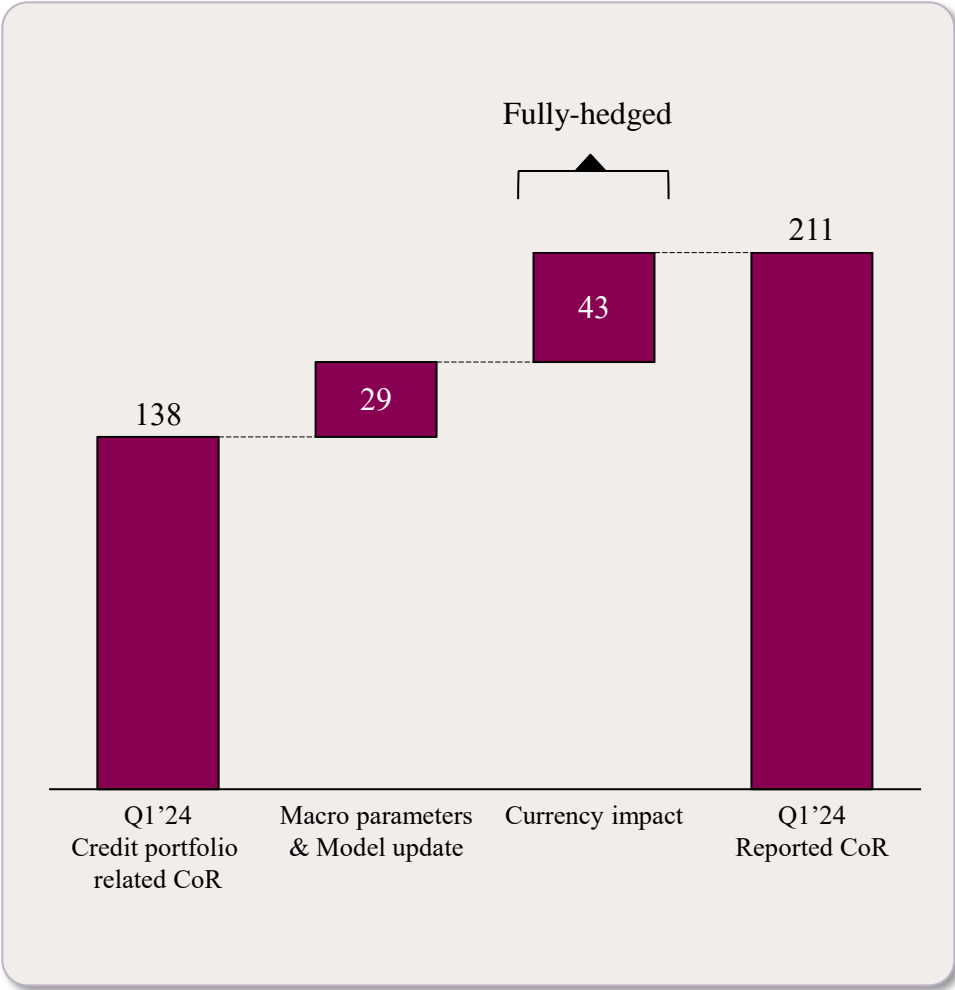


Reported CoR reflected prudent stance for potential future risks, as credit related CoR showed a pick-up following robust loan growth and increased NPL inflow in Retail segments

Quarterly Cost of Risk (%)

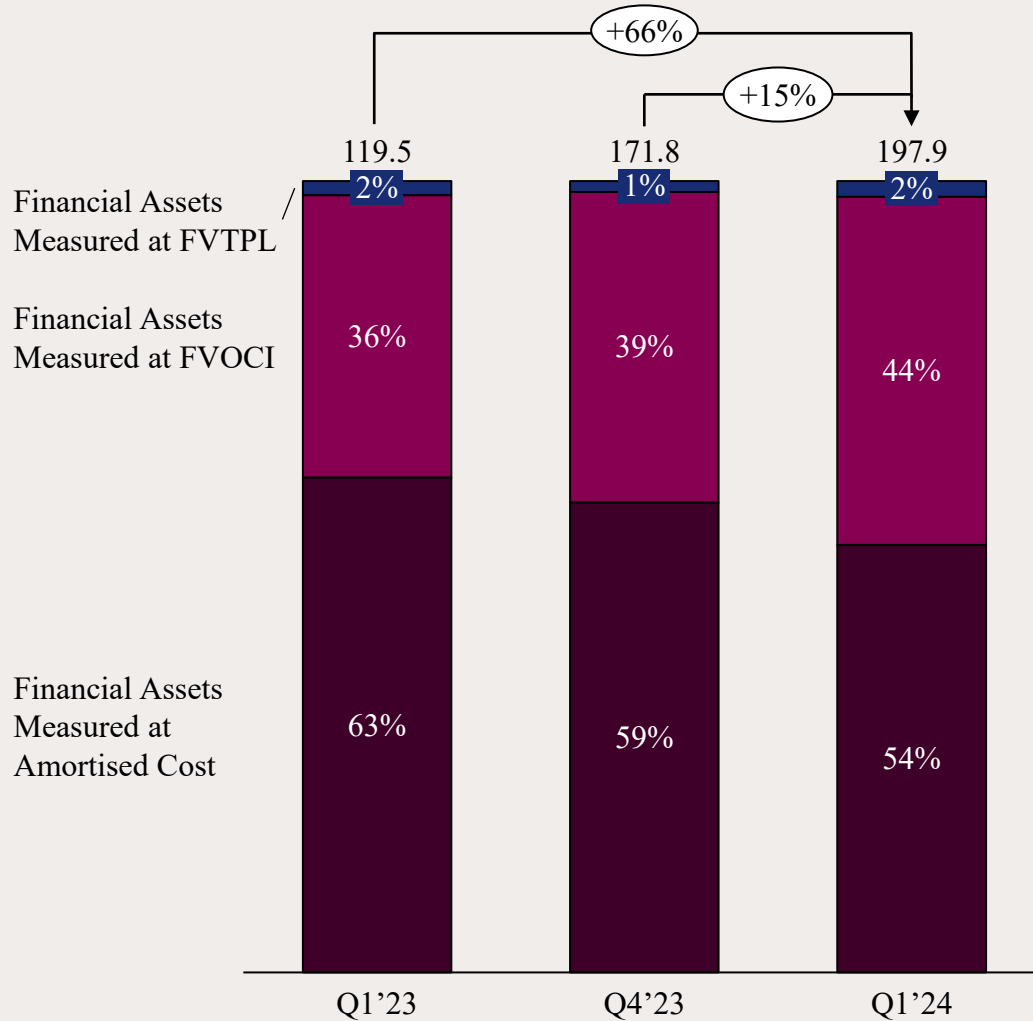


Q1'24 CoR Breakdown (bps)

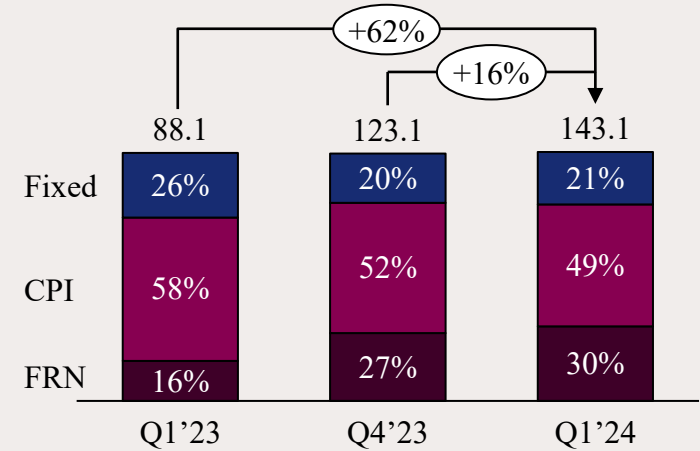


Strategic positioning in FRNs in line with rising rates: CPI linkers & FRNs collectively accounted for 79% of TL portfolio, as CPI linkers' share retreat in favour of FRNs

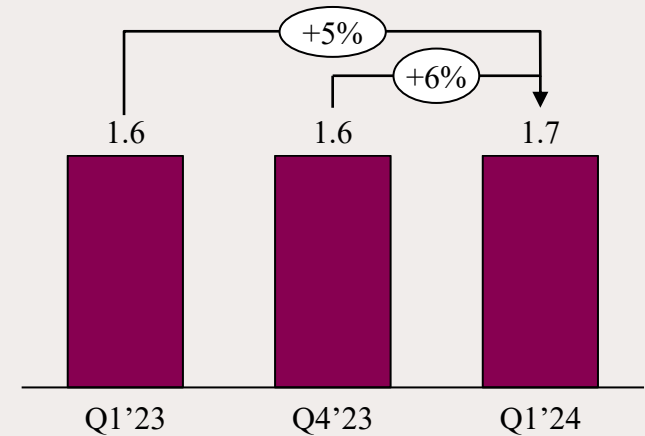
Total Securities (TL bn)



TL Securities (TL bn)

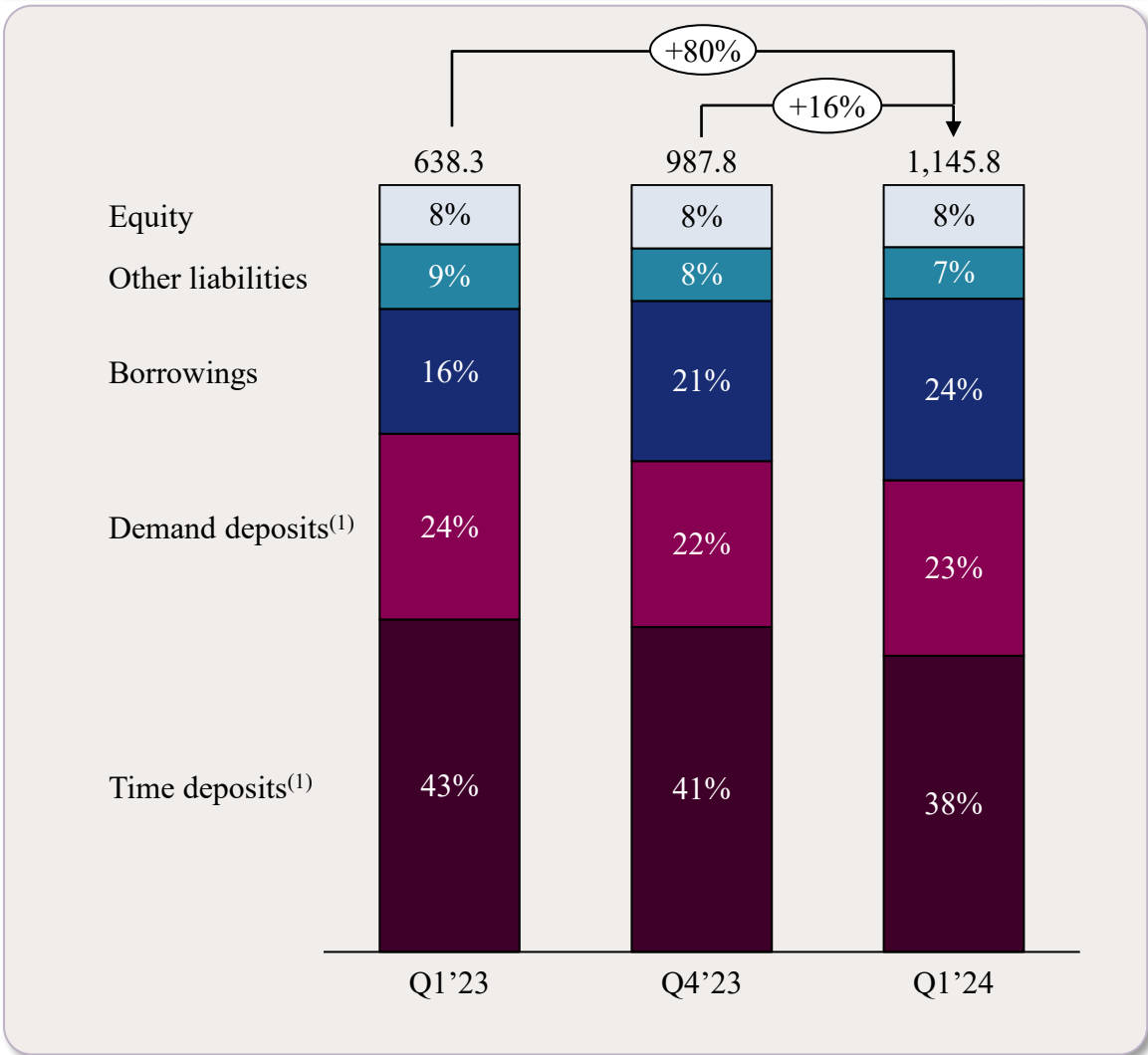


FC Securities (USD bn)

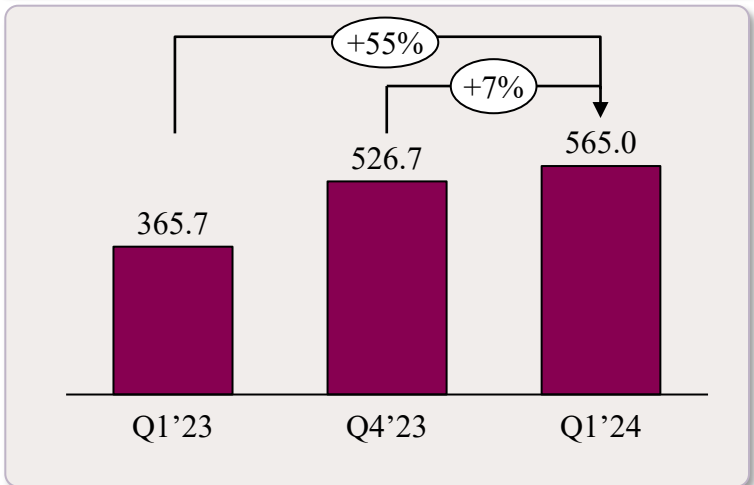


Well-diversified & disciplined funding mix maintained, as wholesale funding's contribution picked up in the quarter

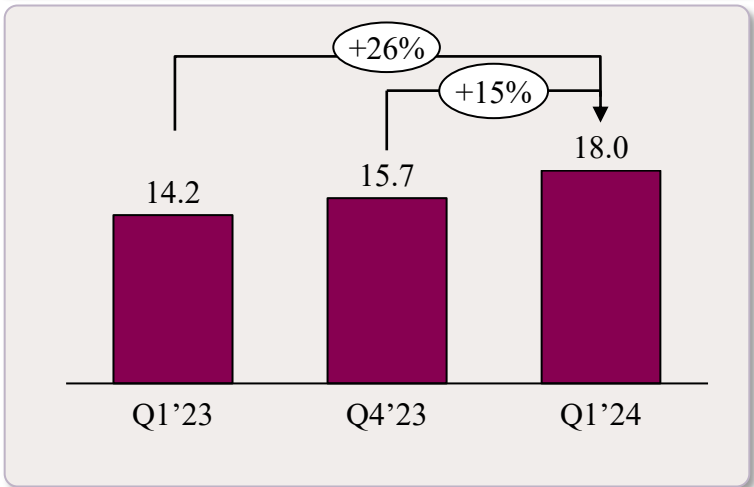
Total Liabilities (TL bn)



TL Liabilities (TL bn)



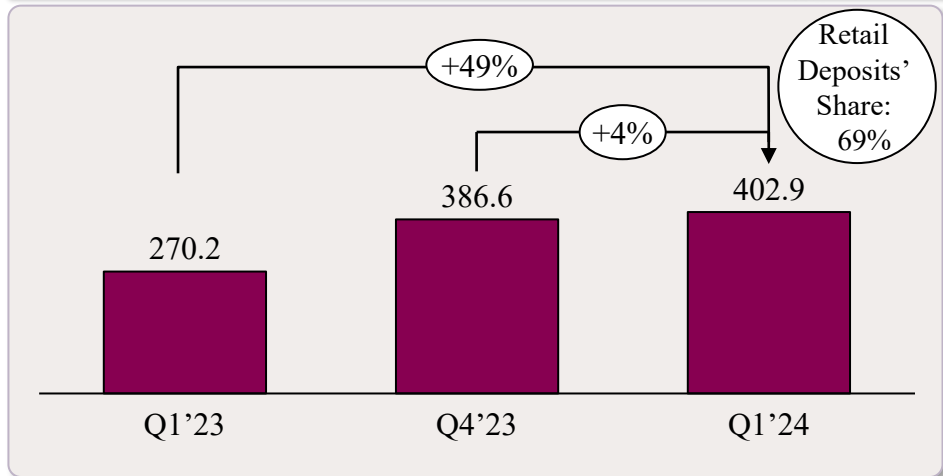
FC Liabilities (USD bn)



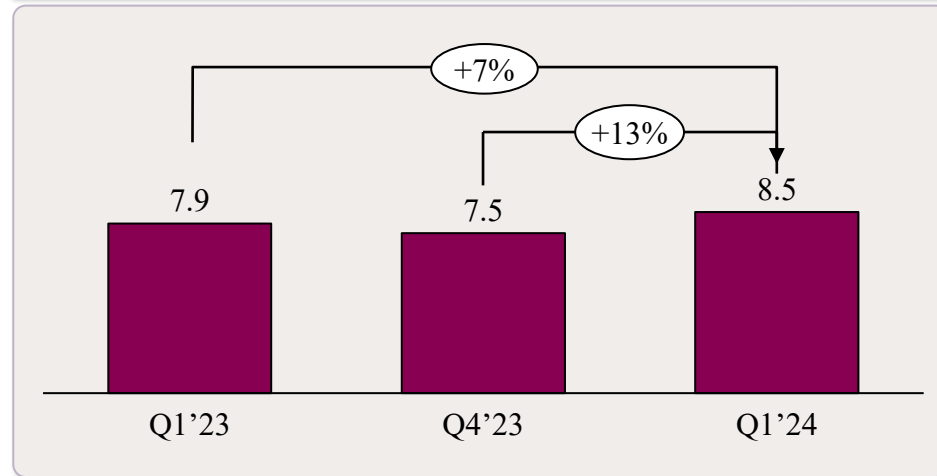
⁽¹⁾ Includes bank deposits

TL deposits remained main funding source with a solid TL demand deposit base, while FC deposits showed some recent increase in line with unwinding of FC-protected deposits

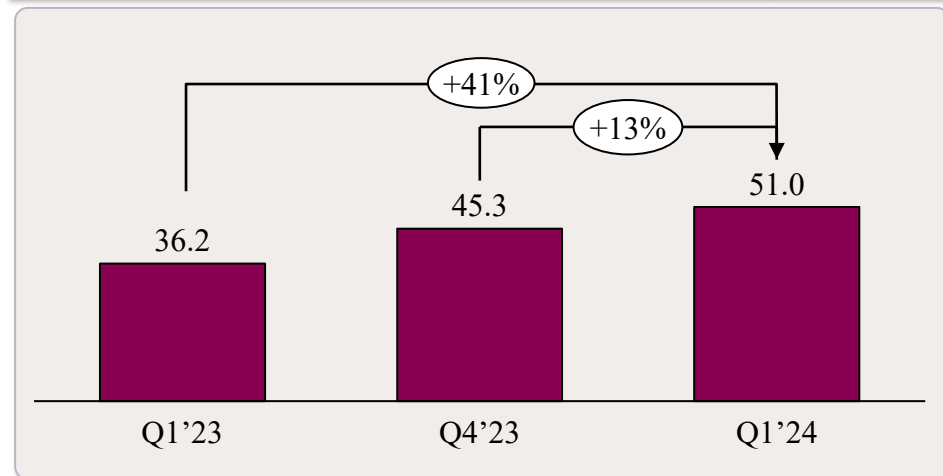
TL Customer Deposits (TL bn)



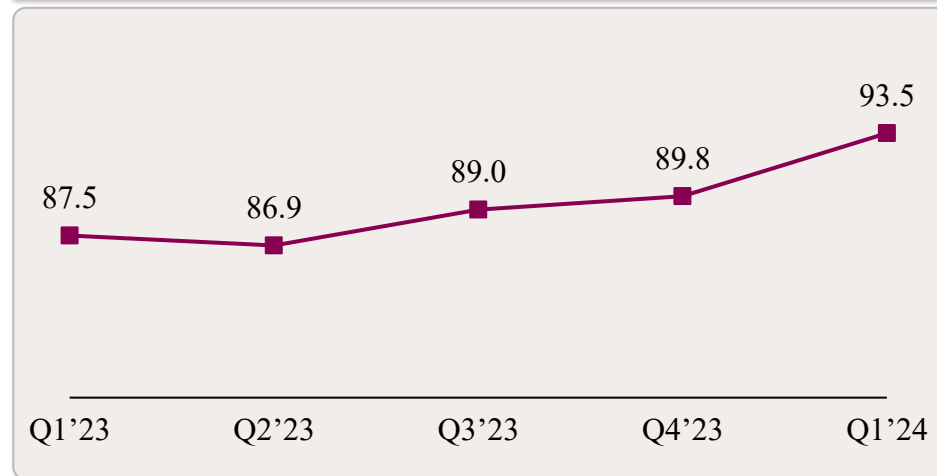
FC Customer Deposits (USD bn)



TL Customer Demand Deposits (TL bn, aop)

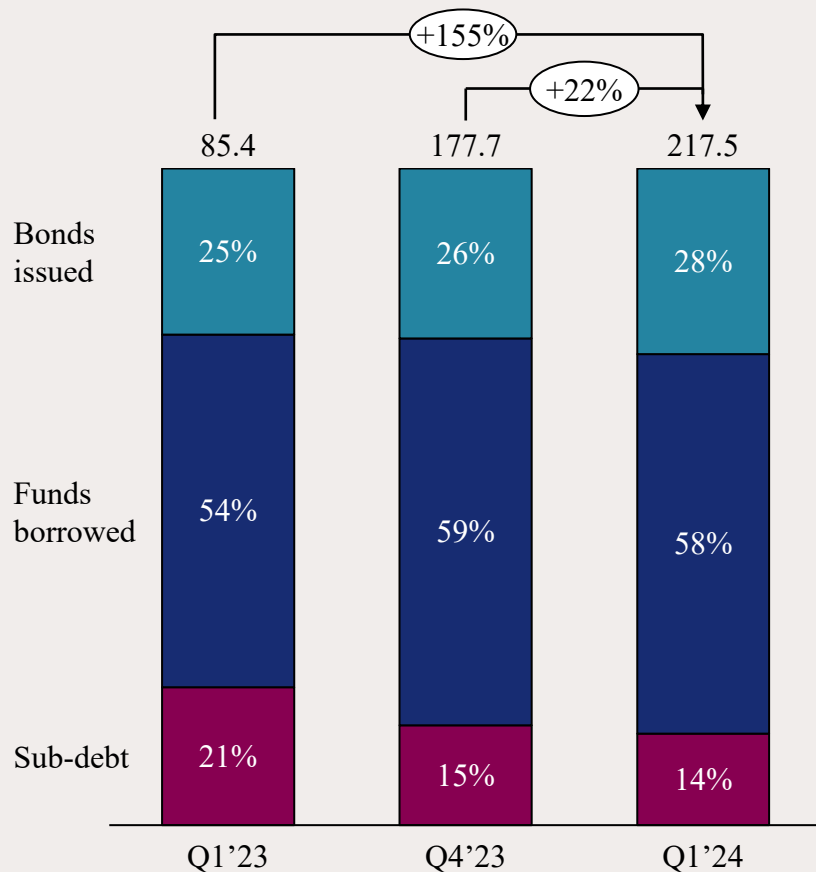


Loan-to-deposit-ratio⁽¹⁾ (%)

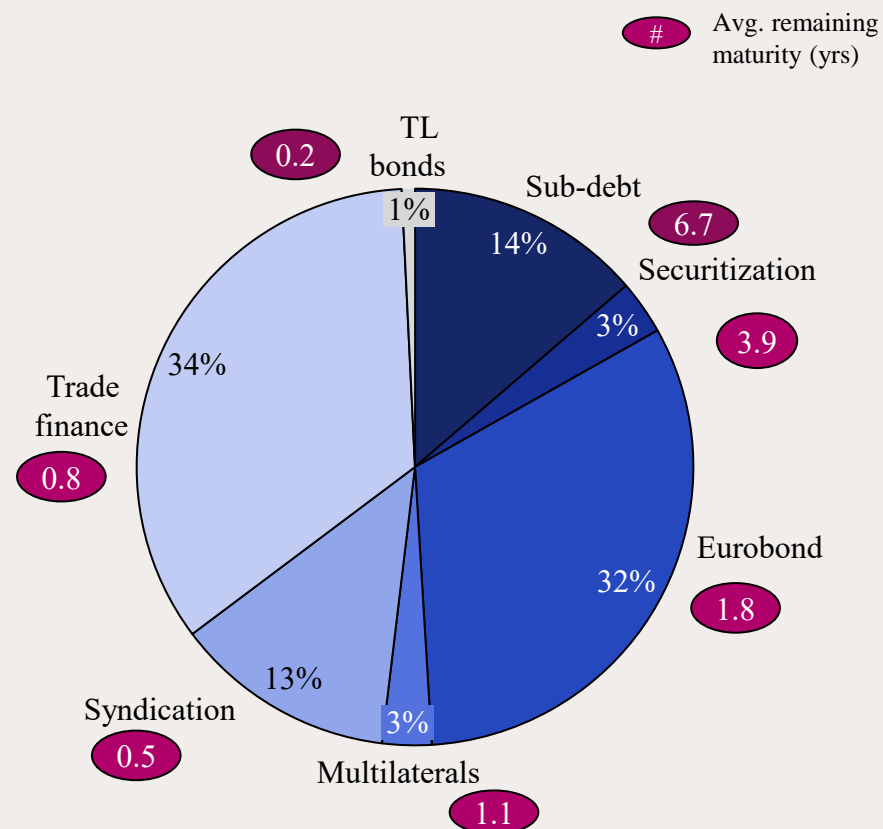


Well-balanced wholesale borrowing mix has been actively managed with a cost-oriented approach

Wholesale Borrowings⁽¹⁾ by Type (TL bn)

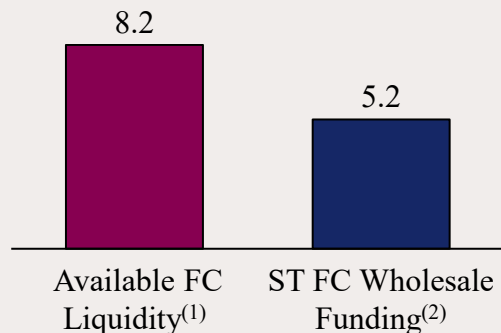


Wholesale Borrowings⁽¹⁾ Breakdown

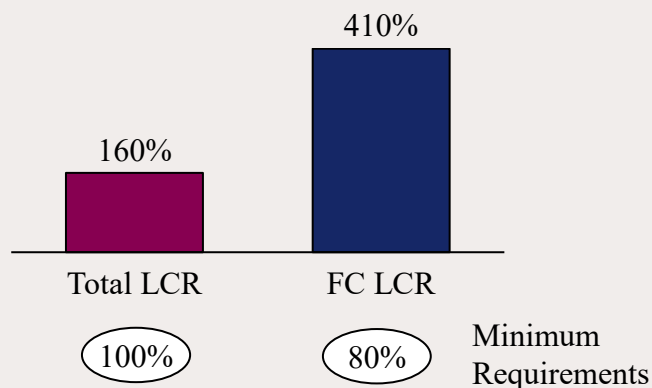


Manageable external borrowings led to ample FC liquidity vis-a-vis short-term dues

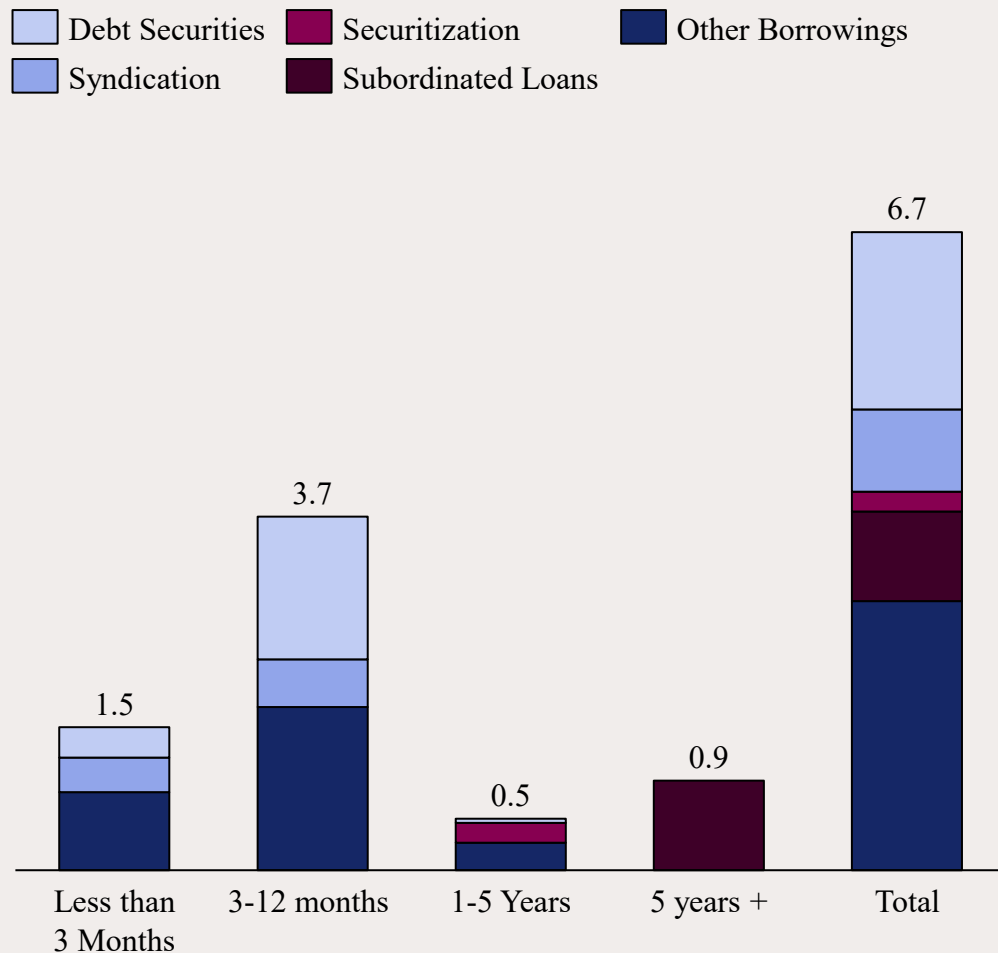
Available FC Liquidity vs Short-term Dues (USD bn)



Liquidity Coverage Ratios (% eop)

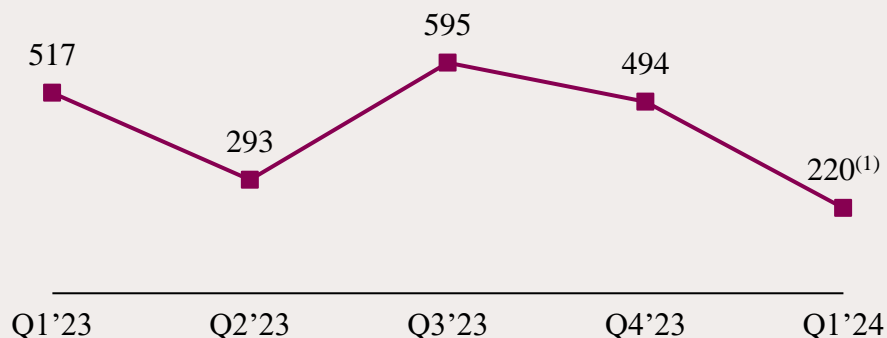


Maturity Profiles of FC Wholesale Funding (USD bn)

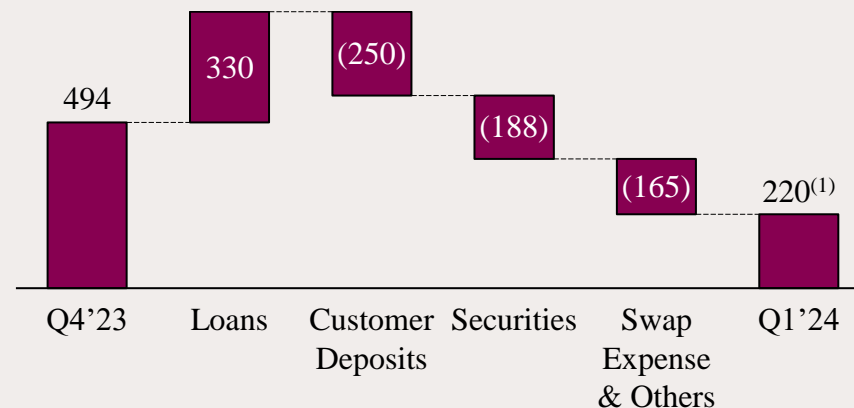


500-bps rate hike in Q1, macro prudential measures and surging swap costs pressured NIM, as lower CPI assumption contributed to QoQ contraction

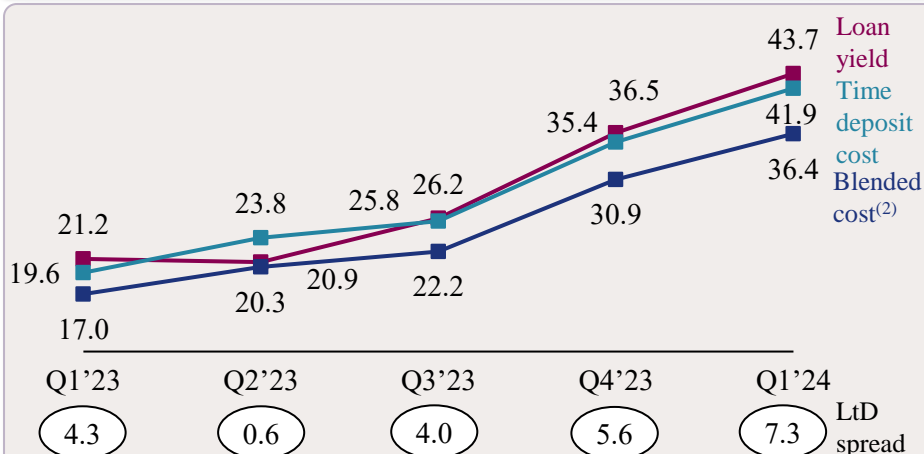
Quarterly NIM after Swap (bps)



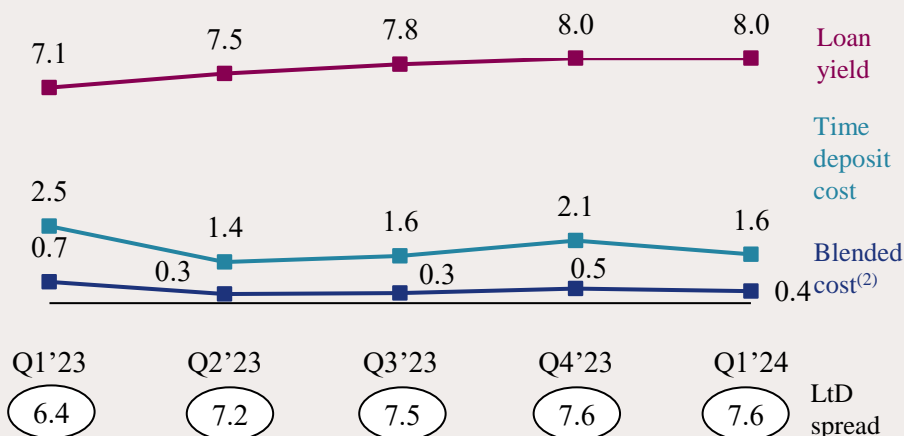
Quarterly NIM after Swap Evolution (bps)



TL Spread (% , quarterly)



FC Spread (% , quarterly)

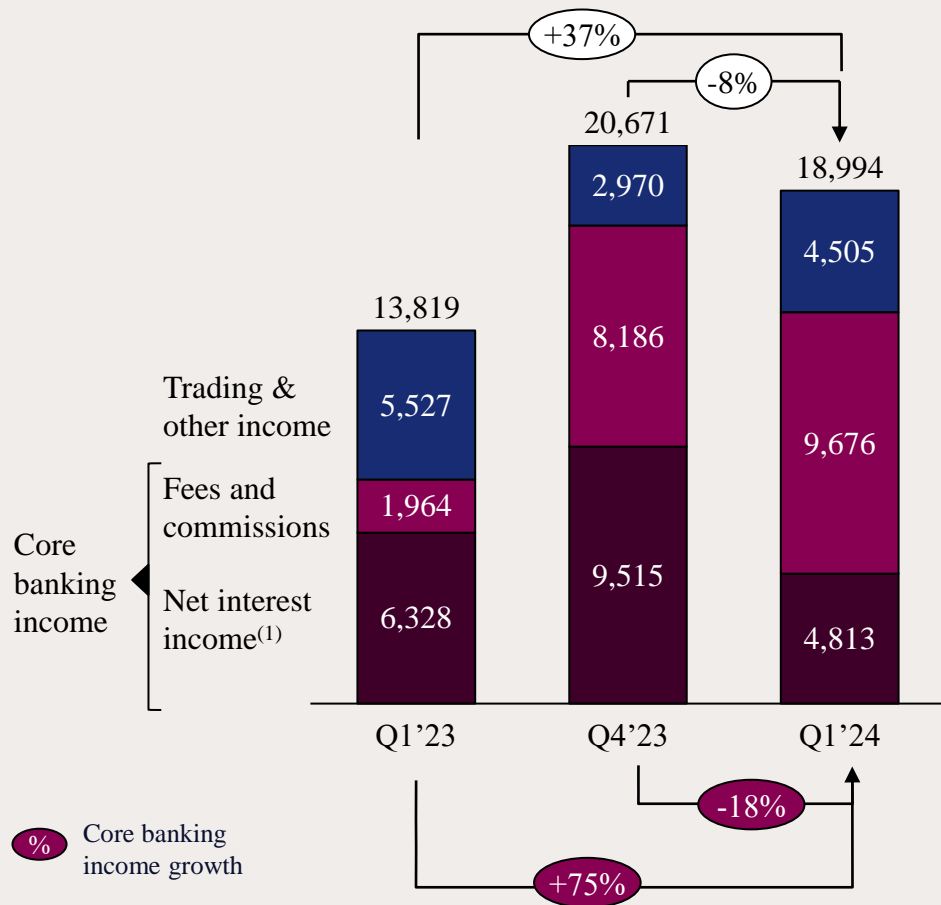


⁽¹⁾ October-October inflation projection used in the valuation of CPI linkers was 40% as of the end of Q1'24.
An additional 100 bps increase in CPI projection would contribute TL 652 mn/yr to NII and 7 bps to annual NIM.

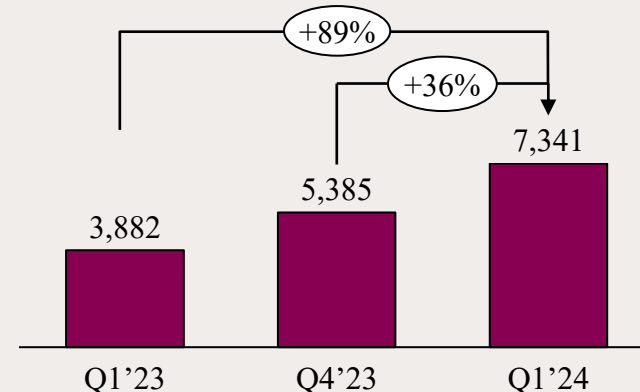
⁽²⁾ Blended of time and demand deposits.

Eye-catching Fees&Commissions accompanied by strong trading income partially compensated for Net Interest Income reduction, leading to a resilient C/I ratio of 39%

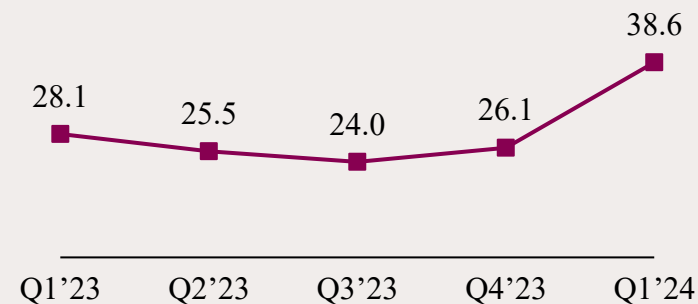
Total Operating Income (TL mn)



OpEx (TL mn)

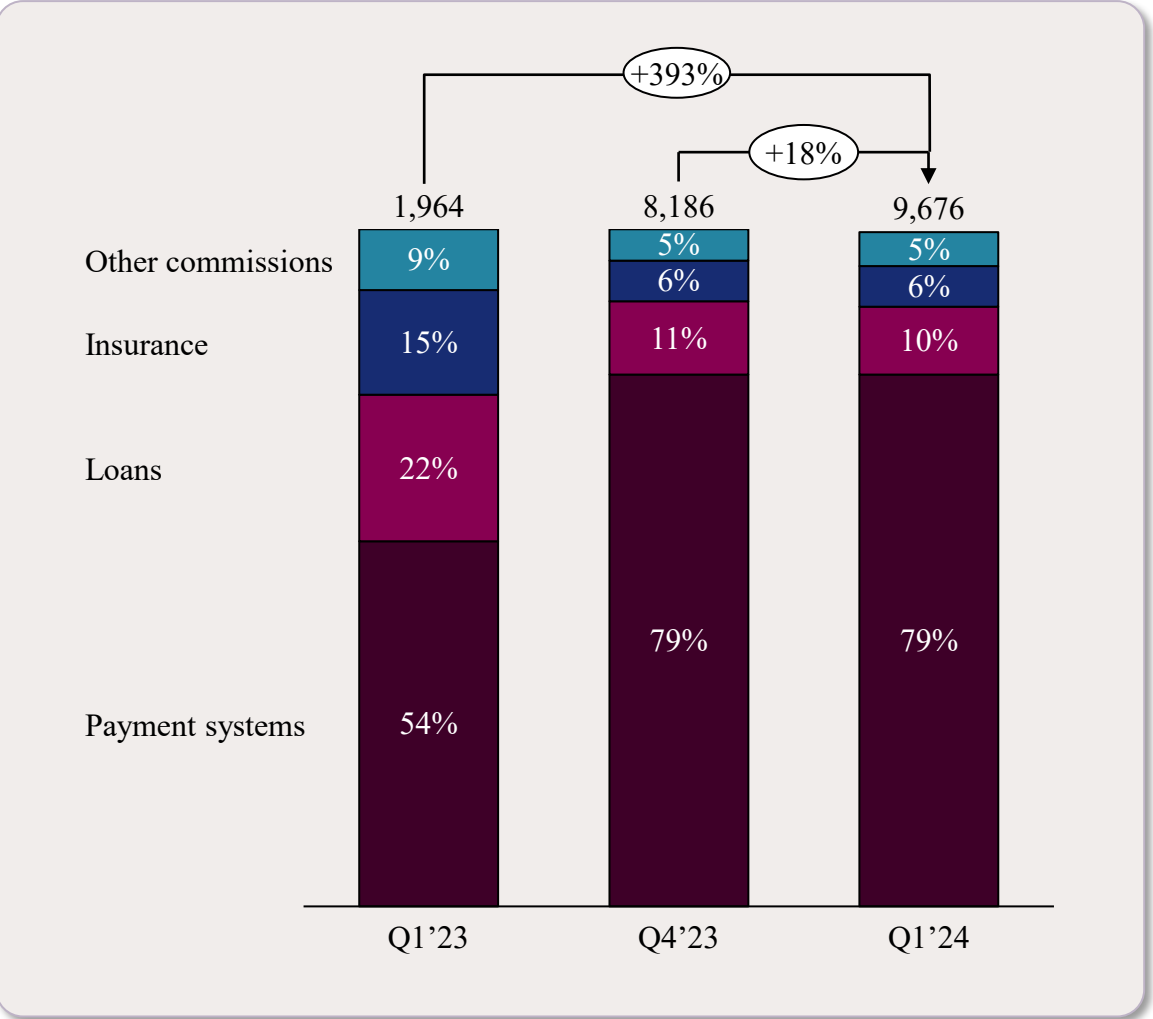


Cost / Income (%)

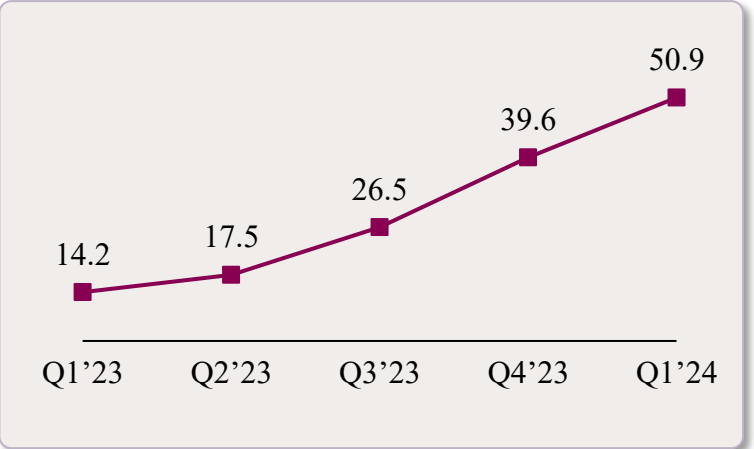


Fees once again outperformed across the board, as commissions led the growth on the back of higher transaction volumes and prices in banking and payment systems

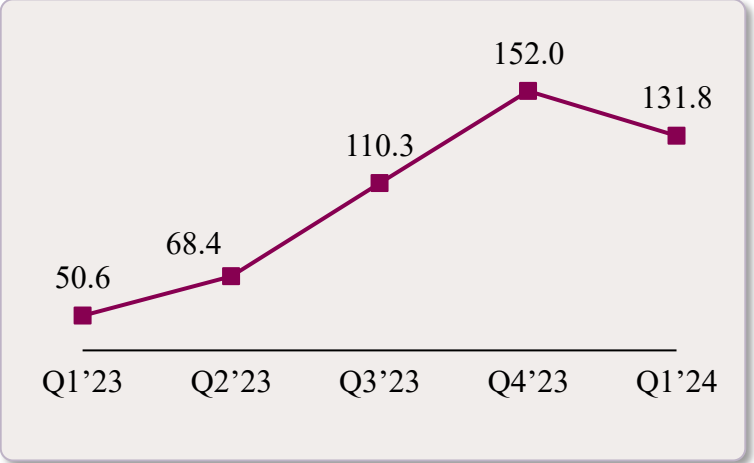
Net Fees and Commissions (TL mn)



Fees / Total Income (%)

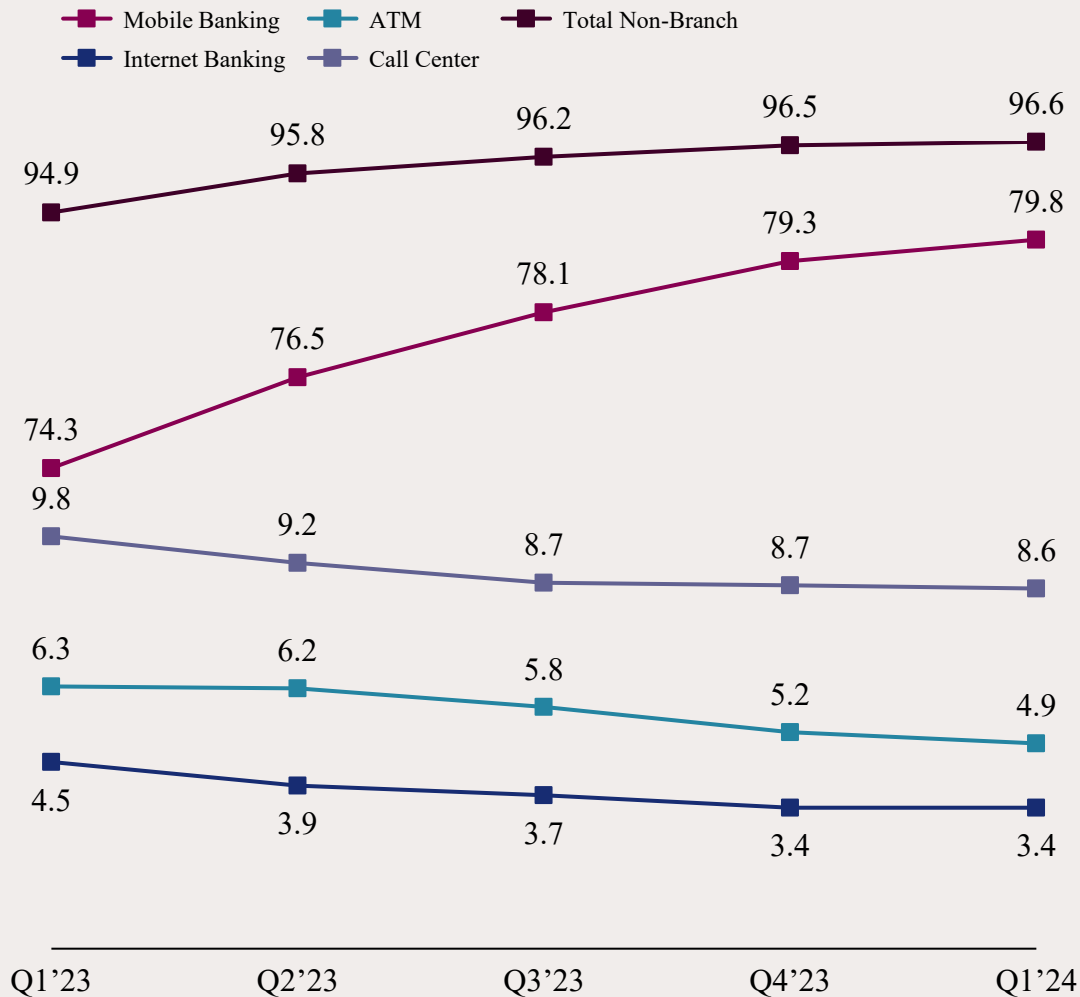


Fees / OpEx (%)

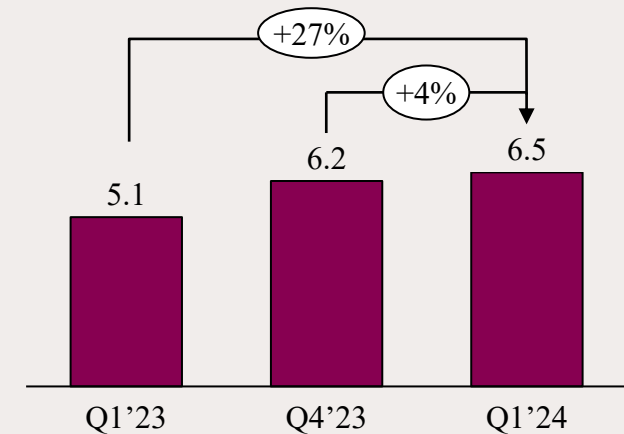


Investment in digital transformation paved the road to a smooth and persistent transition to digital channels

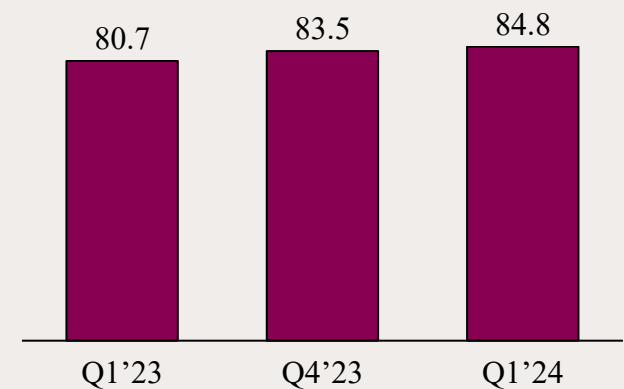
Share of Transactions Evolution in Non-Branch Channels (%)



Number of Digital Customers (mn)



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



18

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⁾⁽²⁾ **33.5%**
- Renewable Energy Projects/ Total Energy Generation Projects **23.5%**
- Sustainability-linked Funding/ Wholesale Funding Portfolio⁽³⁾ **23%**
- Supporting transitioning through products & services:
 - Green/Sustainable Deposit
 - Green Transformation Loan Programme
 - Renewable Energy & Energy Efficiency Loans
 - Eco-Friendly Vehicle & Mortgage Loan
 - Clean Energy and Water Fund
 - Eco-Friendly Personal Loan
 - Earthquake Region Supporting Loan
- Sustainable Finance & Product Framework with SPO
- Zero Waste Certificate, ISO 14001 & 50001 EnYS obtained for HQ buildings

⁽¹⁾ Cash Risk ⁽²⁾ Loans exceeding 10 mio USD ⁽³⁾ 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 million 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

³⁾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.



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
«Global A List»
Water Security Leadership
Level «A-»



Signatory
since 2022



Signatory
since 2023



ISO 14001 EMS
certification
3 HQ Buildings



LEED certified
Kristal Kule



ISO 50001 EnYS
certification
2 HQ Buildings



Zero Waste certification
3 HQ Buildings

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»
 - HABİTAT «Tiny Fingers Coding» reached over 4,344 children
- **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 outer layer and a lighter red inner layer, with a white diagonal line separating them. The layers are folded over each other, creating a three-dimensional effect.

BRSA Bank-Only Key Financial Ratios

	<i>All figures quarterly</i>	2022	2023	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24
Profitability	RoAE	53.1%	57.5%	57.6%	56.7%	69.7%	48.4%	45.5%
	RoAA	3.5%	4.3%	4.3%	4.2%	5.1%	3.7%	3.7%
	Cost / Income	23.3%	25.7%	28.1%	25.5%	24.0%	26.1%	38.6%
	NIM after swap expense	8.6%	4.8%	5.2%	2.9%	5.9%	4.9%	2.2%
Liquidity	Loans / Deposits ⁽¹⁾	86.5%	89.8%	87.5%	86.9%	89.0%	89.8%	93.5%
	LCR (aop)	166.8%	173.7%	177.2%	167.1%	181.4%	173.7%	175.8%
Asset quality	NPL Ratio	2.5%	1.7%	2.3%	1.9%	1.6%	1.7%	1.8%
	Cost of Risk	1.8%	2.7%	4.6%	2.8%	1.0%	2.8%	2.1%
Solvency	CAR	15.1%	16.7%	13.4%	14.5%	15.2%	16.7%	14.7%
	Tier I Ratio	12.3%	13.8%	10.8%	11.6%	12.4%	13.8%	12.2%
	Liability/Equity	13.6x	12.1x	13.0x	14.2x	13.0x	12.1x	12.3x

BRSA Bank-Only Summary Financials

Income Statement

TL, mn	2022	2023	ΔYoY	Q1'23	Q4'23	Q1'24	ΔQoQ	ΔYoY
Net Interest Income (After Swap Expenses)	32,665	30,072	-8%	6,329	9,515	4,813	-49%	-24%
Net Fees & Commissions Income	6,128	18,317	199%	1,964	8,186	9,676	18%	393%
Trading & Other Income	7,006	22,422	220%	5,526	2,970	4,505	52%	-18%
Total Operating Income	45,799	70,811	55%	13,819	20,671	18,994	-8%	37%
Operating Expenses	(10,666)	(18,230)	71%	(3,882)	(5,385)	(7,341)	36%	89%
Net Operating Income	35,133	52,581	50%	9,937	15,286	11,653	-24%	17%
Provisions	(5,450)	(13,449)	147%	(4,478)	(4,123)	(2,943)	-29%	-34%
Free Provisions	(5,400)	(1,400)	-74%	(600)	(1,400)	1,400	n.m.	n.m.
Profit Before Tax	24,283	37,732	55%	4,859	9,763	10,110	4%	108%
Tax Expenses	(7,059)	(4,560)	-35%	1,774	(1,230)	(247)	-80%	-114%
Profit After Tax	17,224	33,172	93%	6,633	8,533	9,864	16%	49%

Balance Sheet

TL, mn	Q1'23	Q4'23	Q1'24	ΔQoQ	ΔYoY
Cash & Banks ⁽¹⁾	96,315	185,099	213,020	15%	121%
Securities	119,522	171,782	197,939	15%	66%
Net Loans	377,449	571,044	660,297	16%	75%
Fixed Asset and Investments ⁽²⁾	13,011	26,648	29,991	13%	131%
Other Assets	31,997	33,244	44,599	34%	39%
Total Assets	638,294	987,817	1,145,846	16%	80%
Deposits	431,361	632,050	704,677	11%	63%
Customer	421,793	606,467	676,218	12%	60%
Bank	9,568	25,583	28,459	11%	197%
Borrowings	103,976	206,558	271,430	31%	161%
Bonds Issued	21,568	45,949	61,473	34%	185%
Funds Borrowed	45,887	104,824	125,787	20%	174%
Sub-debt	17,936	26,949	30,282	12%	69%
Repo	18,585	28,836	53,888	87%	190%
Other	53,823	67,591	76,874	14%	43%
Equity	49,134	81,618	92,865	14%	89%
Total Liabilities & Equity	638,294	987,817	1,145,846	16%	80%

BRSA Consolidated Key Financial Ratios

	<i>All figures quarterly</i>	2022	2023	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24
Profitability	RoAE	53.0%	57.5%	57.6%	56.7%	69.7%	48.4%	45.5%
	RoAA	3.4%	4.1%	4.2%	4.0%	5.0%	3.5%	3.6%
	Cost / Income	23.9%	27.5%	30.3%	27.3%	25.6%	27.6%	40.4%
	NIM after swap expense	8.7%	5.3%	5.5%	3.5%	6.5%	5.7%	2.8%
Liquidity	Loans / Deposits(1)	90.4%	94.1%	91.6%	91.0%	93.7%	94.1%	97.7%
	LCR (aop)	159.8%	168.2%	171.9%	158.2%	176.1%	168.2%	170.0%
Asset quality	NPL Ratio	2.5%	1.7%	2.3%	1.9%	1.6%	1.7%	1.8%
	Cost of Risk	1.8%	2.6%	4.3%	2.8%	0.9%	2.8%	2.0%
Solvency	CAR	14.5%	15.9%	12.8%	13.9%	14.4%	15.9%	14.4%
	Tier I Ratio	11.7%	13.2%	10.3%	11.1%	11.7%	13.2%	11.9%
	Liability/Equity	14.0x	12.5x	13.4x	14.7x	13.5x	12.5x	12.7x

BRSA Consolidated Summary Financials

Income Statement

TL, mn	2022	2023	ΔYoY	Q1'23	Q4'23	Q1'24	ΔQoQ	ΔYoY
Net Interest Income (After Swap Expenses)	33,836	33,848	0%	6,937	10,635	6,085	(43%)	(12%)
Net Fees & Commissions Income	6,689	20,306	204%	2,400	8,819	10,450	18%	335%
Trading & Other Income	6,373	20,625	224%	5,188	2,381	3,924	65%	(24%)
Total Operating Income	46,898	74,779	59%	14,525	21,835	20,460	(6%)	41%
Operating Expenses	(11,207)	(20,558)	83%	(4,395)	(6,037)	(8,272)	37%	88%
Net Operating Income	35,690	54,222	52%	10,129	15,798	12,188	(23%)	20%
Provisions	(5,636)	(13,578)	141%	(4,458)	(4,269)	(2,947)	(31%)	(34%)
Free Provisions	(5,400)	(1,400)	-74%	(600)	(1,400)	1,400	n.m.	n.m.
Profit Before Tax	24,654	39,244	59%	5,071	10,129	10,641	5%	110%
Tax Expenses	(7,428)	(6,066)	-18%	1,561	(1,591)	(776)	(51%)	(150%)
Profit After Tax	17,226	33,178	93%	6,633	8,537	9,865	16%	49%

Balance Sheet

TL, mn	Q1'23	Q4'23	Q1'24	ΔQoQ	ΔYoY
Cash & Banks ⁽¹⁾	98,352	186,098	217,364	17%	121%
Securities	120,774	177,162	202,562	14%	68%
Net Loans ⁽²⁾	395,591	602,746	692,687	15%	75%
Fixed Asset and Investments	8,556	18,822	19,924	6%	133%
Other Assets	36,604	38,594	50,773	32%	39%
Total Assets	659,877	1,023,422	1,183,311	16%	79%
Deposits	429,396	630,728	702,823	11%	64%
Customer	419,828	605,145	674,364	11%	61%
Bank	9,568	25,583	28,459	11%	197%
Borrowings	123,585	237,949	304,040	28%	146%
Bonds Issued	23,917	52,037	65,958	27%	176%
Funds Borrowed	61,352	127,865	151,428	18%	147%
Sub-debt	17,936	26,949	30,282	12%	69%
Repo	20,381	31,098	56,371	81%	177%
Other	57,751	73,111	83,565	14%	45%
Equity	49,145	81,634	92,882	14%	89%
Total Liabilities & Equity	659,877	1,023,422	1,183,311	16%	79%

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