

# **QNB FİNANSBANK ANONİM ŞİRKETİ**

## **INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT, UNCONSOLIDATED FINANCIAL STATEMENTS, NOTES AND INTERIM ACTIVITY REPORT AS OF AND FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020**

**(Convenience translation of unconsolidated financial statements and independent auditor's review report originally issued in Turkish, See Note I. of Section three)**

## **Interim Review Report on Interim Financial Information**

**To the General Assembly of QNB Finansbank A.Ş.**

### ***Introduction***

We have reviewed the unconsolidated balance sheet of QNB Finansbank A.Ş. (“the Bank”) at September 30, 2020 and the related unconsolidated statement of profit or loss, unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders’ equity, unconsolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the unconsolidated financial statements for the nine-month period then ended. The Bank Management is responsible for the preparation and fair presentation of these unconsolidated interim financial information in accordance with the “Banking Regulation and Supervision Agency (“BRSA”) Accounting and Reporting Legislation” which includes the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette No.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and the requirements of Turkish Accounting Standard 34 “Interim Financial Reporting” principles for those matters not regulated by the aforementioned legislations. Our responsibility is to express a conclusion on these unconsolidated interim financial information based on our review.

### ***Scope of Review***

We conducted our review in accordance with the Standard on Review Engagements (ISRE) 2410, “Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit performed in accordance with the Independent Auditing Standards of Turkey and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an opinion.

### ***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated financial statements do not give a true view of the financial position of QNB Finansbank A.Ş. at September 30, 2020 and of the results of its operations and its cash flows for the six-month period then ended in all aspects in accordance with the BRSA Accounting and Financial Reporting Legislation

***Report on other regulatory requirements arising from legislation***

Based on our review, nothing has come to our attention that causes us to believe that the financial information provided in the accompanying interim activity report in Section VII, are not consistent with the unconsolidated financial statements and disclosures in all material respects.

***Additional paragraph for convenience translation to English:***

As explained in detail in Note I of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with BRSA Accounting and Reporting Legislation) and Turkish Accounting Standard 34 “Interim Financial Reporting” except for the matters regulated by BRSA Legislation., accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member firm of Ernst&Young Global Limited

Hatice Dilek Çilingir Köstem  
Partner, SMMM

October 27, 2020  
Istanbul, Turkey

**THE UNCONSOLIDATED FINANCIAL REPORT OF QNB FINANSBANK A.Ş.  
FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**

The Bank's;  
Address of the head office : Esentepe Mahallesi Büyükdere Caddesi Kristal Kule Binası No:215 Şişli - İSTANBUL  
Phone number : (0 212) 318 50 00  
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E-mail adress : [investor.relations@qnbfinansbank.com](mailto:investor.relations@qnbfinansbank.com)

The unconsolidated financial report for the nine-month period then ended September 30, 2020, designed by the Banking Regulation and Supervision Agency in line with the Communiqué on Financial Statements to be Publicly Announced and the Related Policies and Disclosures consists of the sections listed below:

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON THE ACCOUNTING POLICIES OF THE BANK
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK
- FOOTNOTES AND EXPLANATIONS ON UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS
- INDEPENDENT AUDITOR'S LIMITED REVIEW
- INTERIM ACTIVITY REPORT

The accompanying unconsolidated financial statements and related disclosures and footnotes for the nine-month period ended September 30, 2020, are prepared and independently limited reviewed in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidances, and in compliance with the financial records of our Bank. Unless otherwise stated, the accompanying unconsolidated financial statements are presented in thousands of Turkish Lira (TL).

**Mehmet Ömer Arif Aras**  
Chairman of  
the Board of Directors

**Ali Teoman Kerman**  
Member of the Board of  
Directors and Chairman of the  
Audit Committee

**Ramzi T.A. Mari**  
Member of the Board of  
Directors and of the  
Audit Committee

**Noor Mohd. J. A. Al-Naimi**  
Members of the Board of  
Directors and of the Audit Committee

**Durmuş Ali Kuzu**  
Members of the Board of  
Directors and of the Audit Committee

**Temel Güzeloğlu**  
General Manager  
And Member of the  
Board of Directors

**Adnan Menderes Yayla**  
Executive Vice President  
Responsible for Financial Control  
and Planning

**Ercan Sakarya**  
Director of Financial, Statutory  
Reporting and Treasury Control

Information related to the responsible personnel to whom the questions about the financial report can be communicated:

Name-Surname/Title : Elif Akan / Financial Reporting Manager  
Phone Number : (0 212) 318 57 80  
Facsimile Number : (0 212) 318 55 78

## INDEX

	<b>Page No</b>
<b>SECTION ONE</b>	
<b>General Information</b>	
I. Explanatory Note on the Establishment Date, Nature of Activities and History of the Bank	1
II. Information About the Bank's Shareholding Structure, Shareholders who Individually or Jointly Have Power to Control the Management and Audit Directly or Indirectly, Changes Regarding These Subjects During the year, If Any, and Information About the Controlling Group of the Bank	1
III. Informations About the Chairman and Members of Board of Directors, Members of Audit Committee, Managing Directors and Executive Vice Presidents; Any Changes, and the Information about the Bank Shares They Hold and Their Responsibilities	2
IV. Information About the Persons and Institutions That Have Qualified Shares	2
V. Explanations on the Bank's Services and Activities	2
VI. A Short Explanation on the Differences Between Consolidation Practices as per the Regulation on Preparation of Consolidated Financial Statements of Banks and as per the Turkish Accounting Standards and Entities Subject to Full or Proportional Consolidation or Deducted from Equity or Not Subject to any of These Three Methods	3
VII. The Existing Current or Likely Actual or Legal Barriers to Immediate Transfer of Equity or Repaymetn of Debts Between the Bank and its Subsidiaries	3
<b>SECTION TWO</b>	
<b>Unconsolidated Financial Statements</b>	
I. Balance Sheet (Statement of Financial Position)	4
II. Statement of Off-Balance Sheet Commitments and Contingencies	6
III. Statement of Profit or Loss	7
IV. Statement of Profit or Loss and Other Comprehensive Income	8
V. Statement of Changes in Shareholders' Equity	9
VI. Statement of Cash Flow	10
<b>SECTION THREE</b>	
<b>Accounting Policies</b>	
I. Basis of presentation	11
II. Strategy For the Use of Financial Instruments and the Foreign Currency Transactions	12
III. Information on Associates and Subsidiaries and Entities Under Common Control	13
IV. Explanations on Derivative Financial Assets and Liabilities	13
V. Explanations on Interest Income and Expenses	15
VI. Explanations on Fees And Commission Income and Expenses	15
VII. Explanations and Disclosures on Financial Instruments	15
VIII. Explanations on Expected Credit Losses	18
IX. Explanations on Netting of Financial Instruments	21
X. Derecognition of Financial Instruments	21
XI. Explanations on Sales And Repurchase Agreements and Lending of Securities	23
XII. Explanations on Assets Held For Sale and Discontinued Operations	23
XIII. Explanations on Goodwill and Other Intangible Assets	24
XIV. Explanations on Tangible Assets	24
XV. Explanations on Leasing Transactions	24
XVI. Explanations on Provisions and Contingent Liabilities	26
XVII. Explanations on Obligations of the Bank Concerning Employee	26
XVIII. Explanations on Taxation	27
XIX. Explanations on Additional Explanations on Borrowings	28
XX. Explanations on Share Issues	28
XXI. Explanations on Confirmed Bills of Exchange and Acceptances	28
XXII. Explanations on Government Incentives	28
XXIII. Explanations on Segment Reporting	28
XXIV. Explanations on Profit Reserves and Profit Distribution	30
XXV. Earnings Per Share	30
XXVI. Explanations on Other Matter	30
<b>SECTION FOUR</b>	
<b>Information Related to Financial Position And Risk Management Of The Bank</b>	
I. Explanations on Equity	31
II. Explanations on Risk Management	36
III. Explanations on foreign currency exchange rate risk	37
IV. Explanations on interest rate risk	40
V. Explanations on position risk of equity securities in banking book	42
VI. Explanations on remarks regarding liquidity risk management and liquidity coverage ratio	43
VII. Information regarding leverage ratio	58
<b>SECTION FIVE</b>	
<b>Explanations And Disclosures On Unconsolidated Financial Statements</b>	
I. Explanations and Disclosures Related to Assets	49
II. Explanations and Disclosures Related to Liabilities	63
III. Explanations and Disclosures Related to Off-Balance Sheet Items	70
IV. Explanations and Disclosures Related to the Income Statement	76
V. Explanations and Disclosures Related to Statement of Changes in Shareholders' Equity	80
VI. Explanations and Disclosures Related to Cash Flows Statements	80
VII. Explanations and Disclosures Related to the Bank's Risk Group	81
VIII. Other Explanations and Disclosures Related to Bank's Operations	83
<b>SECTION SIX</b>	
<b>Independent Auditor's Limited Report</b>	
I. Explanations on the Independent Review Report	84
II. Explanations and Notes Prepared by Independent Auditors	84
<b>SECTION SEVEN</b>	
<b>Unconsolidated Interim Activity Report</b>	
I. Interim Unconsolidated Activity Report that Includes the Assessment of the Chairman of the Board of Directors and General Manager of Operations	85

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**SECTION ONE**  
**GENERAL INFORMATION**

**I. Explanatory Note on the Establishment Date, Nature of Activities and History of the Bank**

QNB Finansbank Anonim Şirketi (“the Bank”) was incorporated in Istanbul on September 23, 1987. The Bank’s shares have been listed on the Borsa Istanbul (“BIST”) (formerly known as Istanbul Stock Exchange (“ISE”) since 1990.

**II. Information About the Bank’s Shareholding Structure, Shareholders Who Individually or Jointly Have Power to Control The Management and Audit Directly or Indirectly, Changes Regarding These Subjects During the Year, If Any, And Information About the Controlling Group of The Bank**

A share sales agreement has been concluded between National Bank of Greece S.A. (NBG), principal shareholder of the Bank in previous periods, and Qatar National Bank Q.P.S.C. (“QNB”) regarding the direct or indirect sales of NBG’s shares, owned by affiliates and current associations of the Bank, at the rate of 99,81% to QNB at a price of EUR 2.750 million as of December 21, 2015. On April 7, 2016, BRSA permitted to transfer shares at ratios of 82,23%, 7,90%, 9,68% owned by National Bank of Greece S.A., NBGI Holdings B.V. and NBG Finance (Dollar) PLC respectively in the capital of the Bank to Qatar National Bank S.A.Q. in the framework of paragraph 1 of article 18 of Banking Law and dropping direct share of National Bank of Greece S.A. to 0% through the aforementioned share transfer. Necessary permissions related to share transfer have been completed on May 4, 2016 before the Competition Authority while permission transactions regarding direct/indirect share ownership which shall realize in related affiliates of the Bank (QNB Finans Yatırım Menkul Değerler A.Ş., QNB Finans Portföy Yönetimi A.Ş., QNB Finans Finansal Kiralama A.Ş. and Cigna Finans Emeklilik ve Hayat A.Ş.) Before the related official bodies on May 12, 2016 and share transfer of the Bank has been completed on June 15, 2016.

The Bank has decided to change the logo and the name of the company within the scope of the main shareholder change and brand strategies the new logo and the company name of The Bank has started to be used as "QNB FİNANSBANK" as of October 24, 2016 and the company name started to be used with the registration of the General Assembly Resolution dated November 24, 2016 on November 30, 2016. According to the decision dated January 17, 2018 which was taken by the General Assembly. The Bank's trade name is changed from “FİNANS BANK A.Ş” to “QNB FİNANSBANK A.Ş” as of January 19, 2018.

99,88% of shares of QNB Finansbank A.Ş. are controlled by Qatar National Bank as of September 30, 2020 and remaining 0,12% of related shares are public shares.

50% of QNB shares, which is the first commercial bank of Qatar founded in 1964 and has been traded at Qatar Stock Exchange since 1997, are owned by Qatar Investment Authority while 50% of related shares are public shares. QNB is operating over 30 countries mainly in Middle East and North Africa Regions as well as being the biggest bank of Qatar. Also with respect to total assets, total credits and total deposits QNB is the biggest bank of Middle East and North Africa.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**III. Information About the Chairman and Members of Board of Directors, Members of Audit Committee, Managing Directors and Executive Vice Presidents; Any Changes, and the Information About the Bank Shares They Hold and Their Responsibilities**

Name	Title	Date of Appointment	Education
Dr. Ömer A. Aras	Chairman	April 16, 2010	PhD
Sinan Şahinbaş	Deputy Chairman and Executive Member	April 16, 2010	Masters
Ali Teoman Kerman	Board Member and Chairman of the Audit Committee	April 16, 2013	Masters
Ramzi T. A. Mari	Board Member and Audit Committee Member	June 16, 2016	Masters
Fatma Abdulla S.S. Al-Suwaidi	Board Member	June 16, 2016	Masters
Durmuş Ali Kuzu	Board Member and Audit Committee Member	August 25, 2016	PhD
Temel Güzeloğlu	Board Member and General Manager	April 16, 2010	Masters
Yousef Mahmoud H. N. Al-Neama	Board Member	May 28, 2019	Graduate
Assoc. Prof. Dr. Osman Reha Yolalan	Board Member	June 16, 2016	PhD
Adel Ali M. A. Al-Malki	Board Member	May 28, 2019	Graduate
Noor Mohd J. A. Al-Naimi	Board Member and Audit Committee Member	June 22, 2017	Graduate
Adnan Menderes Yayla	Executive Vice President	May 20, 2008	Masters
Köksal Çoban	Executive Vice President	August 19, 2008	Masters
Dr. Mehmet Kürşad Demirkol	Executive Vice President	October 8, 2010	PhD
Erkin Aydın	Executive Vice President	May 16, 2011	Masters
Ömür Tan	Executive Vice President	October 28, 2011	Masters
Halim Ersun Bilgici	Executive Vice President	March 15, 2013	Masters
Enis Kurtoğlu	Executive Vice President	May 14, 2015	Masters
Murat Koraş	Executive Vice President	May 14, 2015	Masters
Engin Turhan	Executive Vice President	June 14, 2016	Masters
Cumhur Türkmen	Executive Vice President	June 11, 2018	Graduate
Cenk Akıncılar	Executive Vice President	January 21, 2019	Graduate
Burçin Dündar Tüzün	Executive Vice President	December 1, 2019	Masters
Zeynep Kulalar	Executive Vice President	December 1, 2019	Graduate
Derya Düner	Executive Vice President	January 1, 2020	Graduate
Ali Yılmaz	Executive Vice President	January 1, 2020	Masters
Ahmet Erzençin	Head of the Department of Internal Control and Compliance	September 12, 2012	Graduate
Ersin Emir	Head of Internal Audit	February 18, 2011	Masters
Zeynep Aydın Demirkıran	Head of Risk Management	September 16, 2011	Masters

The top level management listed above possesses immaterial number of shares of the Bank.

**IV. Information About the Persons And Institutions That Have Qualified Shares**

Name Surname/Trade Name	Amount of Shares	Percentage of Shares	Paid-up Shares	Unpaid Shares
Qatar National Bank Q.P.S.C. (“QNB”)	3.345.892	99,88%	3.345.892	-
Other	4.108	0,12%	4.108	-

**V. Explanations on The Bank’s Services and Activities**

The Bank’s activities include trade finance and corporate banking, private and retail banking, SME banking, currency, money markets and securities operations and credit card operations. In addition, the Bank carries out insurance agency activities on behalf of insurance companies through its branches. As of September 30, 2020, the Bank operates through 513 domestic (December 31, 2019 – 523), 1 abroad (December 31, 2019 - 1) and 1 Atatürk Airport Free Trade Zone (December 31, 2019 – 1) branches. As of September 30, 2020, the Bank has 11.643 employees (December 31, 2019 – 12.087 employees).

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**VI. A Short Explanation on the Differences Between Consolidation Practices as per the Regulation on Preparation of Consolidated Financial Statements of Banks and as per the Turkish Accounting Standards and Entities Subject to Full or Proportional Consolidation or Deducted from Equity or Not Subject to any of These Three Methods**

The Bank's joint venture Cigna Finans Emeklilik and Hayat Anonim Şirketi is consolidated using equity method as per the Regulation on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards.

Ibtech A.Ş and E-finans Elektronik Ticaret ve Bilişim Hizmetleri A.Ş. included in investments in associates and Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş. included in entities under common control are not consolidated to consolidated financial statements as per the Regulation on Preparation of Consolidated Financial Statements of Banks since they are nonfinancial investments. Bankalararası Kart Merkezi and Ulusal Derecelendirme A.Ş included in subsidiaries is carried at cost and not consolidated since the Bank does not have material control and presence over it.

All other subsidiaries are fully consolidated.

**VII. The Existing Current or Likely Actual or Legal Barriers to Immediate Transfer of Equity or Repaymetn of Debts Between the Bank and its Subsidiaries**

None.

## **SECTION TWO**

### **UNCONSOLIDATED FINANCIAL STATEMENTS**

- I. Balance Sheet (Statement of Financial Position)
- II. Statement of Off-Balance Sheet Commitments and Contingencies
- III. Statement of Profit or Loss
- IV. Statement of Profit or Loss and Other Comprehensive Income
- V. Statement of Changes in Shareholders' Equity
- VI. Statement of Cash Flow

Convenience Translation of the Independent Auditor's Report originally issued in Turkish (See Note 1.a of Section Three)

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET**  
**AS OF SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**I. BALANCE SHEET – ASSETS**

		Reviewed 30.09.2020			Audited 31.12.2019		
Section 5 Part I		TL	FC	Total	TL	FC	Total
<b>I.</b>	<b>FINANCIAL ASSETS (NET)</b>	<b>18.496.234</b>	<b>39.132.540</b>	<b>57.628.774</b>	<b>16.357.998</b>	<b>26.909.820</b>	<b>43.267.818</b>
<b>1.1</b>	<b>Cash and Cash Equivalents</b>	<b>1.884.247</b>	<b>27.728.739</b>	<b>29.612.986</b>	<b>4.561.447</b>	<b>18.081.828</b>	<b>22.643.275</b>
1.1.1	Cash and Balances with Central Bank						
		1.446.125	26.802.123	28.248.248	1.127.557	17.622.984	18.750.541
1.1.2	Banks	(3) 451.097	828.157	1.279.254	400.735	458.844	859.579
1.1.3	Money Markets	(4) -	98.459	98.459	3.040.962	-	3.040.962
1.1.4	Expected Credit Losses (-)	12.975	-	12.975	7.807	-	7.807
<b>1.2</b>	<b>Financial Assets at Fair Value Through Profit or Loss</b>	<b>(2) 222.284</b>	<b>148.073</b>	<b>370.357</b>	<b>231.713</b>	<b>103.236</b>	<b>334.949</b>
1.2.1	Government Debt Securities	194.250	28.267	222.517	207.149	16.398	223.547
1.2.2	Equity Securities	18.057	-	18.057	24.564	-	24.564
1.2.3	Other Financial Assets	9.977	119.806	129.783	-	86.838	86.838
<b>1.3</b>	<b>Financial Assets at Fair Value Through Other Comprehensive Income</b>	<b>(5) 5.722.087</b>	<b>8.522.758</b>	<b>14.244.845</b>	<b>4.784.881</b>	<b>7.558.560</b>	<b>12.343.441</b>
1.3.1	Government Debt Securities	5.714.413	8.169.455	13.883.868	4.777.207	7.352.489	12.129.696
1.3.2	Equity Securities	7.674	250.566	258.240	7.674	182.123	189.797
1.3.3	Other Financial Assets	-	102.737	102.737	-	23.948	23.948
<b>1.4</b>	<b>Derivative Financial Assets</b>	<b>(12) 10.667.616</b>	<b>2.732.970</b>	<b>13.400.586</b>	<b>6.779.957</b>	<b>1.166.196</b>	<b>7.946.153</b>
1.4.1	Derivative Financial Assets at Fair Value Through Profit/Loss	8.598.975	2.426.742	11.025.717	5.465.362	1.120.949	6.586.311
1.4.2	Derivative Financial Assets at Fair Value Through Other Comprehensive Income	2.068.641	306.228	2.374.869	1.314.595	45.247	1.359.842
<b>II.</b>	<b>FINANCIAL ASSETS MEASURED AT AMORTIZED COST (Net)</b>	<b>98.153.563</b>	<b>56.978.069</b>	<b>155.131.632</b>	<b>83.819.597</b>	<b>42.946.245</b>	<b>126.765.842</b>
<b>2.1</b>	<b>Loans</b>	<b>(6) 99.048.225</b>	<b>47.563.330</b>	<b>146.611.555</b>	<b>83.618.617</b>	<b>35.353.734</b>	<b>118.972.351</b>
<b>2.2</b>	<b>Lease Receivables</b>	<b>(11) -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2.3</b>	<b>Factoring Receivables</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2.4</b>	<b>Other Financial Assets Measured at Amortized Cost</b>	<b>(7) 9.242.207</b>	<b>9.414.739</b>	<b>18.656.946</b>	<b>8.588.791</b>	<b>7.592.511</b>	<b>16.181.302</b>
2.4.1	Public Sector Debt Securities	9.242.207	8.814.889	18.057.096	8.588.791	7.028.183	15.616.974
2.4.2	Other Financial Assets	-	599.850	599.850	-	564.328	564.328
<b>2.5</b>	<b>Expected Credit Losses (-)</b>	<b>10.136.869</b>	<b>-</b>	<b>10.136.869</b>	<b>8.387.811</b>	<b>-</b>	<b>8.387.811</b>
<b>III.</b>	<b>PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b>	<b>(15) -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
3.1	Held for Sale Purpose	-	-	-	-	-	-
3.2	Related to Discontinued Operations	-	-	-	-	-	-
<b>IV.</b>	<b>EQUITY INVESTMENTS</b>	<b>1.720.490</b>	<b>-</b>	<b>1.720.490</b>	<b>1.492.873</b>	<b>-</b>	<b>1.492.873</b>
<b>4.1</b>	<b>Investments in Associates (Net)</b>	<b>(8) 14.023</b>	<b>-</b>	<b>14.023</b>	<b>5.982</b>	<b>-</b>	<b>5.982</b>
4.1.1	Associates Valued Based on Equity Method	-	-	-	-	-	-
4.1.2	Unconsolidated Associates	14.023	-	14.023	5.982	-	5.982
<b>4.2</b>	<b>Subsidiaries (Net)</b>	<b>(9) 1.469.690</b>	<b>-</b>	<b>1.469.690</b>	<b>1.250.114</b>	<b>-</b>	<b>1.250.114</b>
4.2.1	Unconsolidated Financial Subsidiaries	1.431.644	-	1.431.644	1.212.068	-	1.212.068
4.2.2	Unconsolidated Non-Financial Subsidiaries	38.046	-	38.046	38.046	-	38.046
<b>4.3</b>	<b>Joint Ventures (Net)</b>	<b>(10) 236.777</b>	<b>-</b>	<b>236.777</b>	<b>236.777</b>	<b>-</b>	<b>236.777</b>
4.3.1	Joint Ventures Valued Based on Equity Method	-	-	-	-	-	-
4.3.2	Unconsolidated Joint Ventures	236.777	-	236.777	236.777	-	236.777
<b>V.</b>	<b>PROPERTY AND EQUIPMENT (Net)</b>	<b>3.274.491</b>	<b>52</b>	<b>3.274.543</b>	<b>3.376.309</b>	<b>40</b>	<b>3.376.349</b>
<b>VI.</b>	<b>INTANGIBLE ASSETS (Net)</b>	<b>487.172</b>	<b>-</b>	<b>487.172</b>	<b>438.280</b>	<b>-</b>	<b>438.280</b>
6.1	Goodwill	-	-	-	-	-	-
6.2	Other	487.172	-	487.172	438.280	-	438.280
<b>VII.</b>	<b>INVESTMENT PROPERTY (Net)</b>	<b>(13) -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VIII.</b>	<b>CURRENT TAX ASSET</b>	<b>(14) -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>IX.</b>	<b>DEFERRED TAX ASSET</b>	<b>(14) 178.819</b>	<b>-</b>	<b>178.819</b>	<b>348.688</b>	<b>-</b>	<b>348.688</b>
<b>X.</b>	<b>OTHER ASSETS (Net)</b>	<b>(16) 3.592.959</b>	<b>7.543.341</b>	<b>11.136.300</b>	<b>2.778.178</b>	<b>3.212.483</b>	<b>5.990.661</b>
<b>TOTAL ASSETS</b>		<b>125.903.728</b>	<b>103.654.002</b>	<b>229.557.730</b>	<b>108.611.923</b>	<b>73.068.588</b>	<b>181.680.511</b>

The accompanying notes are an integral part of these financial statements.

Convenience Translation of the Independent Auditor's Report originally issued in Turkish (See Note 1.a of Section Three)

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)**  
**AS OF SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**I. BALANCE SHEET – LIABILITIES AND EQUITY**

		Reviewed 30.09.2020			Audited 31.12.2019			
		Section 5 Part II	TL	FC	Total	TL	FC	Total
<b>I.</b>	<b>DEPOSITS</b>	(1)	49.142.448	85.404.245	134.546.693	46.797.181	58.828.602	105.625.783
<b>II.</b>	<b>FUNDS BORROWED</b>	(3)	483.990	19.879.472	20.363.462	380.249	14.929.160	15.309.409
<b>III.</b>	<b>MONEY MARKETS</b>	(4)	1.170.082	10.829.408	11.999.490	267.816	8.797.038	9.064.854
<b>IV.</b>	<b>SECURITIES ISSUED (Net)</b>	(5)	2.280.024	13.052.616	15.332.640	3.954.629	9.131.345	13.085.974
4.1	Bills		2.240.093	1.027.003	3.267.096	3.954.629	116.648	4.071.277
4.2	Asset Backed Securities		-	-	-	-	-	-
4.3	Bonds		39.931	12.025.613	12.065.544	-	9.014.697	9.014.697
<b>V.</b>	<b>FUNDS</b>		-	-	-	-	-	-
5.1	Borrower Funds		-	-	-	-	-	-
5.2	Other		-	-	-	-	-	-
<b>VI.</b>	<b>FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT &amp; LOSS</b>		-	-	-	-	-	-
<b>VII.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES</b>		3.848.449	4.131.680	7.980.129	3.453.855	1.525.079	4.978.934
7.1	Derivative Financial Liabilities at Fair Value Through Profit or Loss	(2)	3.827.228	3.067.969	6.895.197	2.966.468	1.292.986	4.259.454
7.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(8)	21.221	1.063.711	1.084.932	487.387	232.093	719.480
<b>VIII.</b>	<b>FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>IX.</b>	<b>LEASE PAYABLES (Net)</b>	(7)	373.130	3.895	377.025	432.658	15.072	447.730
<b>X.</b>	<b>PROVISIONS</b>	(9)	1.001.590	-	1.001.590	875.641	-	875.641
10.1	Restructuring Provisions		-	-	-	-	-	-
10.2	Reserve for Employee Benefits		507.291	-	507.291	529.565	-	529.565
10.3	Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4	Other Provisions		494.299	-	494.299	346.076	-	346.076
<b>XI.</b>	<b>CURRENT TAX LIABILITY</b>		14.771	-	14.771	205.582	-	205.582
<b>XII.</b>	<b>DEFERRED TAX LIABILITY</b>	(10)	-	-	-	-	-	-
<b>XIII.</b>	<b>LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>	(11)	-	-	-	-	-	-
13.1	Held for Sale		-	-	-	-	-	-
13.2	Discontinued Operations		-	-	-	-	-	-
<b>XIV.</b>	<b>SUBORDINATED DEBT INSTRUMENTS</b>	(12)	-	7.285.043	7.285.043	-	5.432.553	5.432.553
14.1	Subordinated Loans		-	7.285.043	7.285.043	-	5.432.553	5.432.553
14.2	Other Debt Instruments		-	-	-	-	-	-
<b>XV.</b>	<b>OTHER LIABILITIES</b>		6.841.644	6.095.916	12.937.560	5.482.130	4.486.862	9.968.992
<b>XVI.</b>	<b>SHAREHOLDERS' EQUITY</b>		19.749.613	(2.030.286)	17.719.327	17.318.226	(633.167)	16.685.059
16.1	Paid-in Capital	(13)	3.350.000	-	3.350.000	3.350.000	-	3.350.000
16.2	Capital Reserves		714	-	714	714	-	714
16.2.1	Share Premium	(14)	714	-	714	714	-	714
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Other Capital Reserves		-	-	-	-	-	-
16.3	Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss		1.039.407	143.671	1.183.078	872.251	101.267	973.518
16.4	Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss		324.477	(2.173.957)	(1.849.480)	(103.930)	(734.434)	(838.364)
16.5	Profit Reserves		13.199.191	-	13.199.191	10.577.034	-	10.577.034
16.5.1	Legal Reserves		670.000	-	670.000	670.000	-	670.000
16.5.2	Status Reserves		-	-	-	-	-	-
16.5.3	Extraordinary Reserves		12.529.191	-	12.529.191	9.907.034	-	9.907.034
16.5.4	Other Profit Reserves		-	-	-	-	-	-
16.6	Profit/Loss		1.835.824	-	1.835.824	2.622.157	-	2.622.157
16.6.1	Prior Periods' Profit/Loss		-	-	-	-	-	-
16.6.2	Current Period's Net Profit/Loss		1.835.824	-	1.835.824	2.622.157	-	2.622.157
16.7	Minority Interest		-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>			<b>84.905.741</b>	<b>144.651.989</b>	<b>229.557.730</b>	<b>79.167.967</b>	<b>102.512.544</b>	<b>181.680.511</b>

The accompanying notes are an integral part of these financial statements.

Convenience Translation of the Independent Auditor's Report originally issued in Turkish (See Note 1.a of Section Three)

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET AND CONTINGENCIES**  
**AS OF SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**II. STATEMENT OF OFF-BALANCE COMMITMENTS AND CONTINGENCIES**

	Section 5 Part III	Reviewed 30.09.2020			Audited 31.12.2019		
		TL	FC	TOTAL	TL	FC	TOTAL
<b>OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS</b>							
<b>A. (I+II+III)</b>		<b>164.658.169</b>	<b>322.145.271</b>	<b>486.803.440</b>	<b>143.090.252</b>	<b>224.173.699</b>	<b>367.263.951</b>
<b>I. GUARANTEES</b>	(1), (2), (3), (4)	<b>11.487.943</b>	<b>23.174.013</b>	<b>34.661.956</b>	<b>10.270.332</b>	<b>18.246.772</b>	<b>28.517.104</b>
1.1. Letters of guarantee		11.249.254	12.597.087	23.846.341	10.179.767	9.847.498	20.027.265
1.1.1. Guarantees subject to State Tender Law		407.850	82.866	490.716	419.645	66.525	486.170
1.1.2. Guarantees given for foreign trade operations		6.619.887	12.514.221	19.134.108	5.339.495	9.780.973	15.120.468
1.1.3. Other letters of guarantee		4.221.517	-	4.221.517	4.420.627	-	4.420.627
1.2. Bank loans		165.625	6.782.561	6.948.186	22.742	5.799.601	5.822.343
1.2.1. Import letter of acceptance		165.625	6.782.561	6.948.186	22.742	5.799.601	5.822.343
1.2.2. Other bank acceptances		-	-	-	-	-	-
1.3. Letters of credit		73.064	3.794.365	3.867.429	67.823	2.599.673	2.667.496
1.3.1. Documentary letters of credit		73.064	3.383.412	3.456.476	67.823	2.000.767	2.068.590
1.3.2. Other letters of credit		-	410.953	410.953	-	598.906	598.906
1.4. Prefinancing given as guarantee		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2. Other endorsements		-	-	-	-	-	-
1.6. Securities issue purchase guarantees		-	-	-	-	-	-
1.7. Factoring guarantees		-	-	-	-	-	-
1.8. Other guarantees		-	-	-	-	-	-
1.9. Other collaterals		-	-	-	-	-	-
<b>II. COMMITMENTS</b>		<b>91.288.035</b>	<b>14.699.783</b>	<b>105.987.818</b>	<b>82.440.328</b>	<b>5.993.806</b>	<b>88.434.134</b>
2.1. Irrevocable commitments	(1)	55.446.183	14.699.783	70.145.966	47.699.180	5.245.759	52.944.939
2.1.1. Forward asset purchase commitments		1.488.679	11.763.257	13.251.936	1.326.013	4.004.529	5.330.542
2.1.2. Forward deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3. Share capital commitment to associates and subsidiaries		-	-	-	-	-	-
2.1.4. Loan granting commitments		17.163.205	781	17.163.986	14.309.356	594	14.309.950
2.1.5. Securities underwriting commitments		-	-	-	-	-	-
2.1.6. Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7. Payment commitment for checks		2.417.850	-	2.417.850	2.377.515	-	2.377.515
2.1.8. Tax and fund liabilities from export commitments		30.679	-	30.679	29.197	-	29.197
2.1.9. Commitments for credit card expenditure limits		33.381.216	-	33.381.216	28.781.240	-	28.781.240
2.1.10. Commitments for promotions related with credit cards and banking activities		71.846	-	71.846	71.447	-	71.447
2.1.11. Receivables from short sale commitments		-	-	-	-	-	-
2.1.12. Payables for short sale commitments		-	-	-	-	-	-
2.1.13. Other irrevocable commitments		892.708	2.935.745	3.828.453	804.412	1.240.636	2.045.048
2.2. Revocable commitments		35.841.852	-	35.841.852	34.741.148	748.047	35.489.195
2.2.1. Revocable loan granting commitments		35.841.852	-	35.841.852	34.741.148	748.047	35.489.195
2.2.2. Other revocable commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	(5), (6)	<b>61.882.191</b>	<b>184.271.475</b>	<b>346.153.666</b>	<b>50.379.592</b>	<b>199.933.121</b>	<b>250.312.713</b>
3.1. Derivative financial instruments for hedging purposes		10.986.739	74.970.223	85.956.962	16.210.514	64.039.377	80.249.891
3.1.1. Fair value hedge		5.466.810	28.710.530	34.177.340	6.608.353	24.539.687	31.148.040
3.1.2. Cash flow hedge		5.519.929	46.259.693	51.779.622	9.602.161	39.499.690	49.101.851
3.1.3. Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2. Held for trading transactions		50.895.452	209.301.252	260.196.704	34.169.078	135.893.744	170.062.822
3.2.1. Forward foreign currency buy/sell transactions		2.099.489	7.321.084	9.420.573	2.837.603	5.229.023	8.066.626
3.2.1.1. Forward foreign currency transactions-buy		1.698.178	2.902.460	4.600.638	2.234.775	1.792.466	4.027.241
3.2.1.2. Forward foreign currency transactions-sell		401.311	4.418.624	4.819.935	602.828	3.436.557	4.039.385
3.2.2. Swap transactions related to foreign currency and interest rates		46.329.138	196.730.552	243.059.690	25.526.874	121.811.614	147.338.488
3.2.2.1. Foreign currency swap-buy		3.490.975	72.207.974	75.698.949	7.167.491	37.145.803	44.313.294
3.2.2.2. Foreign currency swap-sell		27.006.563	48.098.560	75.105.123	18.259.383	25.893.831	44.153.214
3.2.2.3. Interest rate swaps-buy		7.915.800	38.212.009	46.127.809	50.000	29.385.990	29.435.990
3.2.2.4. Interest rate swaps-sell		7.915.800	38.212.009	46.127.809	50.000	29.385.990	29.435.990
3.2.3. Foreign currency, interest rate and securities options		1.292.685	2.941.931	4.234.616	5.705.403	7.537.454	13.242.857
3.2.3.1. Foreign currency options-buy		613.892	1.580.210	2.194.102	1.385.083	5.219.625	6.604.708
3.2.3.2. Foreign currency options-sell		678.793	1.361.721	2.040.514	4.320.320	2.317.829	6.638.149
3.2.3.3. Interest rate options-buy		-	-	-	-	-	-
3.2.3.4. Interest rate options-sell		-	-	-	-	-	-
3.2.3.5. Securities options-buy		-	-	-	-	-	-
3.2.3.6. Securities options-sell		-	-	-	-	-	-
3.2.4. Foreign currency futures		1.174.140	1.214.565	2.388.705	99.198	97.912	197.110
3.2.4.1. Foreign currency futures-buy		525.624	671.144	1.196.768	99.198	-	99.198
3.2.4.2. Foreign currency futures-sell		648.516	543.421	1.191.937	-	97.912	97.912
3.2.5. Interest rate futures		-	-	-	-	-	-
3.2.5.1. Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2. Interest rate futures-sell		-	-	-	-	-	-
3.2.6. Other		-	1.093.120	1.093.120	-	1.217.741	1.217.741
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>870.734.456</b>	<b>172.599.477</b>	<b>1.143.333.933</b>	<b>747.368.398</b>	<b>195.481.762</b>	<b>942.850.160</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>15.053.788</b>	<b>8.600.375</b>	<b>23.654.163</b>	<b>12.140.889</b>	<b>6.466.621</b>	<b>18.607.510</b>
4.1. Assets under management		7.846.249	-	7.846.249	3.522.838	-	3.522.838
4.2. Investment securities held in custody		573.363	6.469.540	7.042.903	2.192.710	4.607.369	6.800.079
4.3. Checks received for collection		4.775.131	1.056.159	5.831.290	4.722.228	1.059.298	5.781.526
4.4. Commercial notes received for collection		1.859.045	462.538	2.321.583	1.703.113	342.751	2.045.864
4.5. Other assets received for collection		-	-	-	-	-	-
4.6. Assets received for public offering		-	-	-	-	-	-
4.7. Other items under custody		-	612.138	612.138	-	457.203	457.203
4.8. Custodians		-	-	-	-	-	-
<b>V. PLEDGED ITEMS</b>		<b>503.754.888</b>	<b>164.887.832</b>	<b>668.642.720</b>	<b>441.122.637</b>	<b>119.044.468</b>	<b>560.167.105</b>
5.1. Marketable securities		4.060.383	9.909.895	13.970.278	3.572.768	8.761.567	12.334.335
5.2. Guarantee notes		392.344	551.070	943.414	398.506	82.436	480.942
5.3. Commodity		495.795	-	495.795	476.476	-	476.476
5.4. Warranty		-	-	-	-	-	-
5.5. Properties		105.714.407	85.727.795	191.442.202	102.041.042	61.972.389	164.013.431
5.6. Other pledged items		393.091.959	68.699.072	461.791.031	334.633.845	48.228.076	382.861.921
5.7. Pledged items-depository		-	-	-	-	-	-
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>351.925.780</b>	<b>99.111.270</b>	<b>451.037.050</b>	<b>294.104.872</b>	<b>69.970.673</b>	<b>364.075.545</b>
<b>TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)</b>		<b>1.035.392.625</b>	<b>1.947.447.448</b>	<b>2.630.137.373</b>	<b>890.458.650</b>	<b>419.655.461</b>	<b>1.310.114.111</b>

The accompanying notes are an integral part of these financial statements.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**III. INCOME STATEMENT**

	Section 5 Part IV	Reviewed 01.01 - 30.09.2020	Reviewed 01.07 - 30.09.2020	Reviewed 01.01 - 30.09.2019	Reviewed 01.07 - 30.09.2019
<b>I. INTEREST INCOME</b>	<b>(1)</b>	<b>12.267.981</b>	<b>4.171.356</b>	<b>13.975.716</b>	<b>4.610.111</b>
1.1 Interest income on loans		10.115.939	3.398.626	11.598.623	3.857.752
1.2 Interest income on reserve deposits		23.700	10.132	185.223	54.854
1.3 Interest income on banks		75.386	17.315	190.038	85.481
1.4 Interest income on money market transactions		112.295	20.760	87.967	51.535
1.5 Interest income on securities portfolio		1.933.635	722.543	1.893.781	554.147
1.5.1 Financial assets measured at FVTPL		10.470	4.298	6.363	3.098
1.5.2 Financial assets measured at FVOCI		814.599	278.445	805.112	257.765
1.5.3 Financial assets measured at amortized cost		1.108.566	439.800	1.082.306	293.284
1.6 Financial lease income		-	-	-	-
1.7 Other interest income		7.026	1.980	20.084	6.342
<b>II. INTEREST EXPENSE (-)</b>	<b>(2)</b>	<b>5.021.346</b>	<b>1.618.032</b>	<b>8.732.837</b>	<b>2.709.077</b>
2.1 Interest on deposits		2.869.496	887.359	6.469.748	1.955.798
2.2 Interest on funds borrowed		858.882	303.107	902.890	295.808
2.3 Interest on money market transactions		348.481	111.094	307.889	107.726
2.4 Interest on securities issued		760.000	253.185	994.575	332.878
2.5 Interests on leasings		44.668	14.167	52.742	16.293
2.6 Other interest expenses		139.819	49.120	4.993	574
<b>III. NET INTEREST INCOME (I - II)</b>		<b>7.246.635</b>	<b>2.553.324</b>	<b>5.242.879</b>	<b>1.901.034</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSES</b>		<b>1.734.464</b>	<b>565.854</b>	<b>2.007.122</b>	<b>717.749</b>
4.1 Fees and commissions received		2.125.994	697.289	2.526.177	911.047
4.1.1 Non-cash loans		139.049	49.617	123.939	42.758
4.1.2 Others		1.986.945	647.672	2.402.238	868.289
4.2 Fees and commissions paid (-)		391.530	131.435	519.055	193.298
4.2.1 Non-cash loans		1.776	1.020	1.128	412
4.2.2 Others		389.754	130.415	517.927	192.886
<b>V. PERSONNEL EXPENSES (-)</b>	<b>(3)</b>	<b>133.299</b>	<b>5.258</b>	<b>51.187</b>	<b>-</b>
<b>VI. DIVIDEND INCOME</b>	<b>(4)</b>	<b>(1.790.602)</b>	<b>(745.514)</b>	<b>(847.061)</b>	<b>(480.461)</b>
6.1 Trading account gain/losses		171.901	15.077	28.773	16.178
6.2 Gain/losses from derivative transactions		(2.320.554)	(887.004)	(746.516)	(528.368)
6.3 Foreign exchange gain/losses		358.051	126.413	(129.318)	31.729
<b>VII. OTHER OPERATING INCOME</b>	<b>(5)</b>	<b>35.267</b>	<b>17.410</b>	<b>119.804</b>	<b>99.381</b>
<b>VIII. TOTAL OPERATING GROSS PROFIT (III+IV+V+VI+VII)</b>		<b>7.359.063</b>	<b>2.396.332</b>	<b>6.573.931</b>	<b>2.237.703</b>
<b>IX. EXPECTED CREDIT LOSSES (-)</b>	<b>(6)</b>	<b>1.882.283</b>	<b>583.899</b>	<b>1.359.675</b>	<b>334.539</b>
<b>X. OTHER PROVISION LOSSES (-)</b>		<b>126.826</b>	<b>50.534</b>	<b>49.987</b>	<b>37.848</b>
<b>XI. PERSONNEL EXPENSES (-)</b>		<b>1.364.078</b>	<b>455.449</b>	<b>1.264.189</b>	<b>430.508</b>
<b>XII. OTHER OPERATING EXPENSES (-)</b>	<b>(7)</b>	<b>1.697.317</b>	<b>583.611</b>	<b>1.569.945</b>	<b>562.118</b>
<b>XIII. NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)</b>		<b>2.288.559</b>	<b>722.839</b>	<b>2.330.135</b>	<b>872.690</b>
<b>XIV. INCOME RESULTED FROM MERGERS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XV. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XVI. GAIN/LOSS ON NET MONETARY POSITION</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XVII. OPERATING PROFIT/LOSS BEFORE TAXES (XII+...+XV)</b>	<b>(8)</b>	<b>2.288.559</b>	<b>722.839</b>	<b>2.330.135</b>	<b>872.690</b>
<b>XVIII. PROVISION FOR TAXES OF CONTINUED OPERATIONS (±)</b>	<b>(9)</b>	<b>(452.735)</b>	<b>(159.036)</b>	<b>(370.176)</b>	<b>(192.404)</b>
18.1 Current tax charge		-	19.864	56.265	(84.678)
18.2 Deferred tax charge (+)		912.178	576.792	138.762	(207.911)
18.3 Deferred tax credit (-)		(1.364.913)	(755.692)	(565.203)	100.185
<b>XIX. NET OPERATING PROFIT/LOSS AFTER TAXES (XVII±XVIII)</b>	<b>(10)</b>	<b>1.835.824</b>	<b>563.803</b>	<b>1.959.959</b>	<b>680.286</b>
<b>XX. INCOME FROM DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
20.1 Income from assets held for sale		-	-	-	-
20.2 Income from sale of associates, subsidiaries and joint-ventures		-	-	-	-
20.3 Others		-	-	-	-
<b>XXI. EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
21.1 Expenses on assets held for sale		-	-	-	-
21.2 Expenses on sale of associates, subsidiaries and joint-ventures		-	-	-	-
21.3 Others		-	-	-	-
<b>XXII. PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XX+XXI)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XXIII. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
23.1 Current tax charge		-	-	-	-
23.2 Deferred tax charge (+)		-	-	-	-
23.3 Deferred tax credit (-)		-	-	-	-
<b>XXIV. NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XXII±XXIII)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XXV. NET PROFIT/LOSS (XIX+XXIV)</b>	<b>(11)</b>	<b>1.835.824</b>	<b>563.803</b>	<b>1.959.959</b>	<b>680.286</b>
25.1 Group's profit/loss		1.835.824	563.803	1.959.959	680.286
25.2 Minority interest		-	-	-	-
Earnings Per Share		0,0548	0,0168	0,0585	0,0203

The accompanying notes are an integral part of these financial statements.

Convenience Translation of the Independent Auditor's Report originally issued in Turkish (See Note 1.a of Section Three)

**QNB FİNANSBANK ANONİM ŞİRKETİ**

**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**IV. STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY**

	Reviewed 01.01 – 30.09.2020	Reviewed 01.01 – 30.09.2019
<b>I. CURRENT PERIOD PROFIT/LOSS</b>	<b>1.835.824</b>	<b>1.959.959</b>
<b>II. OTHER COMPREHENSIVE INCOME</b>	<b>(801.556)</b>	<b>(1.057.008)</b>
<b>2.1 Other Income/Expense Items not to be Recycled to Profit or Loss</b>	<b>209.560</b>	<b>(125.218)</b>
2.1.1 Revaluation Surplus on Tangible Assets	-	-
2.1.2 Revaluation Surplus on Intangible Assets	-	-
2.1.3 Defined Benefit Plans' Actuarial Gains/Losses	(667)	(2.744)
2.1.4 Other Income/Expense Items not to be Recycled to Profit or Loss	212.547	(120.848)
2.1.5 Deferred Taxes on Other Comprehensive Income not to be Recycled to Profit or Loss	(2.320)	(1.626)
<b>2.2 Other Income/Expense Items to be Recycled to Profit or Loss</b>	<b>(1.011.116)</b>	<b>(931.790)</b>
2.2.1 Translation Differences	-	-
2.2.2 Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	(1.087.483)	(6.585)
2.2.3 Gains/losses from Cash Flow Hedges	(208.819)	(1.197.434)
2.2.4 Gains/Losses on Hedges of Net Investments in Foreign Operations	-	-
2.2.5 Other Income/Expense Items to be Recycled to Profit or Loss	-	-
2.2.6 Deferred Taxes on Other Comprehensive Income to be Recycled to Profit or Loss	285.186	272.229
<b>III. TOTAL PROFIT/LOSS ACCOUNTED FOR IN THE PERIOD (I+II)</b>	<b>1.034.268</b>	<b>902.951</b>

The accompanying notes are an integral part of these financial statements.

Convenience Translation of the Independent Auditor's Report originally issued in Turkish (See Note 1.a of Section Three)

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

Reviewed	Section 5 Part V	Paid-in Capital	Share Premium	Share Cancellati on Profits	Other Capital Reserves	Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss			Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss			Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Total Equity	
						Revaluation surplus on tangible and intangible assets	Defined Benefit Plans' Actuarial Gains/Losses	Other <sup>(*)</sup>	Translation Differences	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	Other <sup>(**)</sup>					
<b>Prior Period - 01.01 – 30.09.2019</b>																
I. Prior Period End Balance		3.350.000	714	-	-	-	-	(50.842)	795.709	-	(497.625)	397.059	8.167.205	2.409.829	-	14.572.049
II. Correction made as per TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Balances at Beginning of Period (I+II)		3.350.000	714	-	-	-	-	(50.842)	795.709	-	(497.625)	397.059	8.167.205	2.409.829	-	14.572.049
IV. Total Comprehensive Income		-	-	-	-	-	-	(2.140)	(123.078)	-	2.906	(934.696)	-	-	1.959.959	902.951
V. Capital Increase in Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase from Internal Sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Capital Reserves from Inflation Adjustments to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Liabilities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase/Decrease by Others Changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	-	2.409.829	(2.409.829)	-	-
11.1 Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	-	2.409.829	(2.409.829)	-	-
11.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balances at end of the period (III+IV...+X+XI)</b>		<b>3.350.000</b>	<b>714</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(52.982)</b>	<b>672.631</b>	<b>-</b>	<b>(494.719)</b>	<b>(537.637)</b>	<b>10.577.034</b>	<b>-</b>	<b>1.959.959</b>	<b>15.475.000</b>
<b>Current Period - 01.01 – 30.09.2020</b>																
I. Prior Period End Balance		3.350.000	714	-	-	-	-	(73.337)	1.046.855	-	(272.254)	(566.110)	10.577.034	2.622.157	-	16.685.059
II. Correction made as per TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Balances at Beginning of Period (I+II)		3.350.000	714	-	-	-	-	(73.337)	1.046.855	-	(272.254)	(566.110)	10.577.034	2.622.157	-	16.685.059
IV. Total Comprehensive Income		-	-	-	-	-	-	(520)	210.080	-	(848.234)	(162.882)	-	-	1.835.824	1.034.268
V. Capital Increase in Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase from Internal Sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Capital Reserves from Inflation Adjustments to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Liabilities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase/Decrease by Others Changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	-	2.622.157	(2.622.157)	-	-
11.1 Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	-	2.622.157	(2.622.157)	-	-
11.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balances at end of the period (III+IV...+X+XI)</b>		<b>3.350.000</b>	<b>714</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(73.857)</b>	<b>1.256.935</b>	<b>-</b>	<b>(1.120.488)</b>	<b>(728.992)</b>	<b>13.199.191</b>	<b>-</b>	<b>1.835.824</b>	<b>17.719.327</b>

<sup>(\*)</sup>Accumulated amounts of share of investments accounted for by the equity method that can not be classified as profit / loss from other comprehensive income with other comprehensive income that will not be reclassified to other profit or loss

<sup>(\*\*)</sup>Accumulated amount of cash flow hedge gains / losses, equity attributable to equity holders of the Bank for profit or loss from other comprehensive income and other comprehensive income to be reclassified to other profit or loss

The accompanying notes are an integral part of those financial statement

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**UNCONSOLIDATED STATEMENT OF CASH FLOW**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**VI. STATEMENT OF CASH FLOWS**

	Section 5 Part IV	Reviewed 01.01 – 30.09.2020	Reviewed 01.01 – 30.09.2019
<b>A. CASH FLOWS FROM / (TO) BANKING OPERATIONS</b>			
<b>1.1 Operating Profit Before Changes In Operating Assets and Liabilities</b>		<b>7.395.832</b>	<b>2.776.179</b>
1.1.1 Interest Received		11.315.165	12.725.919
1.1.2 Interest Paid		(4.204.815)	(9.142.277)
1.1.3 Dividend Received		74.693	51.187
1.1.4 Fees and Commissions Received		2.142.151	2.526.658
1.1.5 Other Income		35.267	119.804
1.1.6 Collections From Previously Written Off Loans		1.043.779	987.023
1.1.7 Payments To Personnel and Service Suppliers		(2.295.540)	(853.353)
1.1.8 Taxes Paid		(766.051)	(587.916)
1.1.9 Others		51.183	(3.050.866)
<b>1.2 Changes in Operating Assets and Liabilities</b>		<b>(7.881.145)</b>	<b>4.766.313</b>
1.2.1 Net (Increase) Decrease in Financial Assets Measured at Fair Value Through Profit/Loss		(35.391)	(177.422)
1.2.2 Net (Increase) Decrease in Due From Banks		(5.399.410)	1.718.244
1.2.3 Net (Increase) Decrease in Loans		(12.107.430)	(14.112.382)
1.2.4 Net (Increase) Decrease in Other Assets		(4.235.889)	(2.149.867)
1.2.5 Net Increase (Decrease) in Bank Deposits		(276.617)	1.044.109
1.2.6 Net Increase (Decrease) in Other Deposits		10.898.440	16.051.078
1.2.7 Net (Increase) Decrease in Financial Liabilities Measured at Fair Value Through Other Comprehensive Income		-	-
1.2.8 Net Increase (Decrease) in Funds Borrowed		(1.541.555)	1.700.860
1.2.9 Net Increase (Decrease) in Matured Payables		-	-
1.2.10 Net Increase (Decrease) in Other Liabilities		4.816.707	691.693
<b>I. Net Cash Provided From / (Used In) Banking Operations</b>		<b>(485.313)</b>	<b>7.542.492</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net Cash Provided From / (Used In) Investing Activities</b>		<b>(485.479)</b>	<b>(3.842.072)</b>
2.1 Purchase Of Entities Under Common Control, Associates and Subsidiaries		-	-
2.2 Sale of Entities Under Common Control, Associates and Subsidiaries		-	-
2.3 Fixed Assets Purchases		(306.031)	(103.835)
2.4 Fixed Assets Sales		110.279	16.224
2.5 Purchase of Financial Assets Measured at Fair Value Through Other Comprehensive Income		(10.851.054)	(4.332.251)
2.6 Sale of Financial Assets Measured at Fair Value Through Other Comprehensive Income		10.593.477	2.456.187
2.7 Purchase of Financial Assets Measured at Amortized Cost		(2.095.912)	(3.053.657)
2.8 Sale of Financial Assets Measured at Amortized Cost		2.221.000	1.303.075
2.9 Others		(157.238)	(127.815)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net Cash Provided From / (Used In) Financing Activities</b>		<b>1.750.154</b>	<b>2.213.068</b>
3.1 Cash Obtained From Funds Borrowed and Securities Issued		13.358.114	4.718.646
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		(11.497.599)	(2.293.410)
3.3 Capital Increase		-	-
3.4 Dividends Paid		-	-
3.5 Payments for Finance Leases		7.672	(212.168)
3.6 Other		(118.033)	-
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>		<b>799.855</b>	<b>(272.840)</b>
<b>V. Net Increase / (Decrease) in Cash and Cash Equivalents (I+II+III+IV)</b>		<b>1.579.217</b>	<b>5.640.648</b>
<b>VI. Cash and Cash Equivalents at Beginning of the Period</b>		<b>14.387.892</b>	<b>8.767.065</b>
<b>VII. Cash and Cash Equivalents at End of the Period (V+VI)</b>		<b>15.967.109</b>	<b>14.407.713</b>

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**SECTION THREE**  
**ACCOUNTING POLICIES**

**I. Basis of Presentation**

**1. Preparation of the financial statements and the accompanying footnotes in accordance with Turkish Accounting Standards and Regulation on Principles Related to Banks' Accounting Applications and Maintaining the Documents**

The unconsolidated financial statements are prepared within the scope of the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" related with Banking Law numbered 5411 published in the Official Gazette no.26333 dated 1 November 2006 and in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA") and and in case where a specific regulation is not made by BRSA and Turkish Accounting Standards published by the Public Oversight Accounting for the format and detail of the publicly announced unconsolidated financial statements and notes to these statements have been prepared in accordance with the "Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements", published in Official Gazette no. 28337, dated 28 June 2012, and amendments to this Communiqué dated February 1, 2019 which include Turkish Accounting Standard principles.

Financial statements and the related disclosures and footnotes have been presented in thousands of Turkish Lira unless otherwise specified. The amounts expressed in foreign currency is indicated by the full amount.

**2. Accounting policies and valuation principles used in the preparation of the financial statements**

Accounting policies and valuation principles used in the preparation of the financial statements are determined and applied, in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"), and are consistent with the accounting policies applied in the annual financial statements prepared for the year ended December 31, 2019, excluding re-arrangements mentioned in Note VIII.

The accounting policies and valuation principles related with current period are explained in Notes II to XXVI below.

Financial statements are prepared in TL accordance with the historical cost basis except for financial instruments measured at fair value through profit/loss, financial assets measured at fair value through other comprehensive income, derivative financial assets and liabilities . In addition, carrying value of assets subject to fair value hedge but are carried at historical cost is adjusted to reflect fair value changes related to risks being hedged.

The preparation of unconsolidated financial statements in conformity with TFRS requires the use of certain critical accounting estimates by the Bank management to exercise its judgment on the assets and liabilities of the balance sheet and contingent matters as of the balance sheet date. These estimates, which include the fair value calculations of financial instruments and impairments of financial assets are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are reflected to the income statement.

The ongoing COVID-19 pandemic, which has recently emerged in China, has spread to various countries in the world, causing potentially fatal respiratory infections, negatively affects both regional and global economic conditions, as well as it causes disruptions in operations, especially countries that are exposed to the epidemic. As a result of the spread of COVID-19 around the world, several measures have been taken in our country as well as in the world in order to prevent the spread of the virus and measures are still being taken. In addition to these measures, economic measures are also taken to minimize the economic impact of the virus outbreak on individuals and businesses in our country and worldwide.

Since it is aimed to update the most recent financial information in the interim financial statements prepared as of September 30, 2020, considering the magnitude of the economic changes due to COVID-19, the Bank made certain estimates in the calculation of expected credit losses and disclosed them in footnote numbered VIII "Explanations on Expected Provisions for Losses". In the upcoming periods, the Bank will update its relevant assumptions as necessary and revise the realizations of past estimates.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**II. Strategy for the Use of Financial Instruments and the Foreign Currency Transactions**

**1. Strategy for the use of financial instruments**

The major funding sources of the Bank are customer deposits, bond issues and funds borrowed from international markets. The customer deposits bear fixed interest rate and have an average maturity of 1-3 months in line with the sector. Domestic bond issues are realized within the maturity of 6 months and foreign bond issues are based on long maturities with fixed interests. Funds borrowed from abroad mostly bear floating rates and are reprised at an average period of 3-6 months. The Bank diverts its placements to assets with high return and sufficient collaterals. The Bank manages the liquidity structure to meet its liabilities when due by diversifying the funding sources and keeping sufficient cash and cash equivalents. The maturity of fund sources and maturity and yield of placements are considered to the extent possible within the current market conditions and higher return on long-term placements is aimed.

Besides customer deposits, the Bank funds its long term fixed interest rate TL loan portfolio with long term (up to 10 years) floating interest rate foreign currency funds obtained from international markets. The Bank converts the foreign currency liquidity obtained from customer deposit accounts and the international markets to TL liquidity using long term swap transactions (fixed TL interest rate and floating FC interest rate). Thus, the Bank generates TL denominated resources for funding long term loans with fixed interest rates.

The Bank has determined securities portfolio limits based on the market risk limitations for money, capital and commodity markets. Products included in the securities portfolio are subject to position and risk limits. Position limits restrict the maximum nominal position based on the product. Risk limits are expressed in terms of "Value at Risk (VAR)" by taking the risk tolerance as a cap. The maximum VAR amounts are determined by interest and currency risk factors, which affect the securities portfolio that is subject to market risk, as well as determining the risk tolerance based on the total value at risk. The above mentioned limits are revised annually.

The strategies for hedging exchange rate risk resulting from the Bank's foreign currency debt securities which are categorized as financial assets at fair value through other comprehensive income explained in foreign currency risk section and the applications regarding the cash flow hedging of interest rate cash flow risk resulting from deposits are explained in the Interest Rate Risk section in detail.

Hedging strategies for foreign exchange risk resulting from other foreign currency transactions are explained in the foreign currency risk section.

**2. Foreign currency transactions**

**2.1. Foreign currency exchange rates used in converting transactions denominated in foreign currencies and presentation of them in the financial statements**

The Bank accounts for the transactions denominated in foreign currencies in accordance with TAS 21 "The Effects of Changes in Foreign Exchange Rates". Foreign exchange gains and losses arising from transactions that are completed as of September 30, 2020 are translated to TL by using historical foreign currency exchange rates. Balances of the foreign currency denominated assets and liabilities except for non-monetary items are converted into TL by using foreign currency exchange rates of the Bank for the period end and the resulting exchange differences are recorded as foreign exchange gains and losses. Foreign currency nonmonetary items measured at fair value are converted with currency exchange rates at the time of fair value measurement. The Bank's foreign currency exchange rates for the related period ends are as follows:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>
US Dollar	TL 7,8080	TL 5,9402
Euro	TL 9,1281	TL 6,6506

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**2.2. Net profit or loss is included in the total foreign exchange differences for the period**

The foreign currency position of the Bank and the profit/loss from the foreign exchange transactions realized are included in the income statement of foreign exchange gains/losses and income/losses from derivative Financial instruments in the income statement. While gain/loss from spot foreign exchange transactions are included in the profit/loss item of foreign exchange gain/loss on balance sheet, profit/loss from derivative transactions (forward, option etc.) for the purpose of hedging related transactions are included in income/loss statement of derivative financial instruments. Therefore, in order to determine the net profit/loss effects of foreign exchange transactions, two balances should be assessed together. As of September 30, 2020, net foreign exchange transaction gain is TL 49.697 (September 30, 2019- TL 201.336 net foreign exchange transaction gain) when the net interest loss amounting to TL 2.012.200 (September 30, 2019 - TL 1.077.170) arising from derivative transactions is excluded from the derivative transactions loss amounting to TL 2.320.554 (September 30, 2019 - TL 746.516 derivative transactions loss) and foreign exchange profit amounting to TL 358.051 (September 30, 2019 - TL 129.318 net foreign exchange loss).

**III. Information on Associates and Subsidiaries and Entities Under Common Control**

Associates and Entities Under Common Control are recognized in the framework of TFRS 9 "Financial Instruments: Turkish Financial Reporting Standards" in accordance with TAS 27 "Individual Financial Statements" and TAS 28 "Investments in Subsidiaries and Associates" standards while subsidiaries are recognized based on cost principle. Due to the adverse effects of the Covid-19 outbreak, necessary updates were made by the Bank for making fair value calculations of the subsidiaries valued according to TFRS 9 'Financial Instruments' standard.

**IV. Explanations on Derivative Financial Assets and Liabilities**

The Bank enters into forward currency purchase/sale agreements and swap transactions to reduce the foreign currency risk and interest rate risk and manage foreign currency liquidity risk. The Bank also carries out currency and interest options, credit default swap and futures agreements.

Besides customer deposits, the Bank funds its long term fixed interest rate TL loan portfolio with long term (up to 10 years) floating interest rate foreign currency funds obtained from international markets. The Bank converts the foreign currency liquidity obtained from customer deposit accounts and the international markets to TL liquidity with long term swap transactions (fixed TL interest rate and floating FC interest rate). Therefore, the Bank not only funds its long term fixed interest rate loans with TL but also hedges itself against interest rate risk.

The Bank's derivative instruments held for trading and derivative instruments hedging purpose are classified, measured and accounted in accordance with "TFRS 9" and TAS 39 "Financial Instruments: Recognition and Measurement", respectively. Derivative instruments held for trading and derivative instruments hedging purpose are initially recognized at fair value and subsequently measured at fair value. Also, the liabilities and receivables arising from the derivative transactions are recorded as off-balance sheet items at their contractual values. The derivative transactions are accounted for at fair value subsequent to initial recognition and are presented in the "Derivative Financial Assets at Fair Value Through Profit or Loss", "Derivative Financial Assets at Fair Value Through Other Comprehensive Income" or "Derivative Financial Liabilities at Fair Value Through Profit or Loss" and "Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income" items of the balance sheet depending on the resulting positive or negative amounts of the computed value. These amounts of derivative transactions presented on the balance sheet, represent the fair value differences based on the valuation.

Fair values of forward foreign currency purchase and sales contracts, currency and interest rate swap transactions are calculated by using internal pricing models based on market data.

Fair values of option contracts are calculated with option pricing models.

Futures transactions are accounted for at settlement as of the balance sheet date.

The Bank does not have either any hybrid contract contains a host that is not an asset within the scope of this standard or a financial instrument which shall be separated from the host and accounted for as derivative under this standard.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Credit derivatives are capital market tools designed to transfer credit risk from one party to another. The Bank's credit derivatives portfolio included in the off-balance sheet accounts composes of credit default swaps resulted from protection buying or selling.

Credit default swap is a contract, in which the protection seller commits to pay the protection value to the protection buyer in case of certain credit risk events in return for the premium paid by the buyer for the contract. Credit default swaps are valued daily at their fair values.

Upon valuation of derivative instruments that are not subject to hedge accounting, differences in fair value, except for currency revaluation differences, are recorded in the income statement on Gains/Losses from Derivative transactions. These foreign currency valuation differences are accounted for under "Foreign Exchange Gains/Losses" account.

In cash flow hedge accounting:

The Bank applies cash flow hedge accounting using interest swap transactions to hedge its TL and FC customer deposits with short term cyclical basis and subordinated loans which have floating interest payment. The Bank implements effectiveness tests at the balance sheet dates for hedge accounting; the effective parts are accounted as defined in TAS 39, in financial statements under equity "Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss" whereas the amount concerning ineffective parts is associated with income statement. In cash flow hedge accounting, when the hedging instrument expires, is executed or sold and when the hedge relationship becomes ineffective or is discontinued as a result of the hedge relationship being revoked; the hedging gains and losses that were previously recognized under equity are transferred to profit or loss when the cash flows of the hedged item are realized.

In fair value hedge accounting:

The Bank applies fair value hedge accounting within the framework of TAS 39 using swaps to hedge a portion of its long term, fixed rate mortgage and project finance loans against possible fair value change due to market interest rate fluctuations.

The Bank applies fair value hedge accounting using interest rate swap transactions to hedge long term, fixed rate, foreign currency Eurobonds in financial assets which is classified as fair value through Other Comprehensive Income portfolio against interest rate fluctuations.

The Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to long term TL government bonds with fixed coupon payment in financial assets which is classified as fair value through Other Comprehensive Income portfolio using swap transactions as hedging instruments.

The Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to the foreign currency bonds issued by the Bank using interest rate swap transactions as hedging instruments.

The Bank applies fair value hedge accounting through interest rate swaps to hedge itself against the changes in the interest rates related to the foreign currency borrowings.

At each balance sheet date the Bank applies effectiveness tests for fair value hedge accounting.

When the hedging instrument expires, is executed or sold and when the hedge relationship becomes ineffective or is discontinued as a result of the hedge relationship being revoked, adjustments made to the carrying amount of the hedged item are transferred to profit and loss with straight line method for portfolio hedges or with effective interest rate method for micro hedges. In case the hedged item is derecognized, hedge accounting is discontinued and within context of fair value hedge accounting, adjustments made to the value of the hedged item are accounted in income statement.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**V. Explanations on Interest Income and Expenses**

Interest income is recorded according to the effective interest rate method (rate equal to net present value of future cash flows or financial assets and liabilities) defined in the TFRS 9 "Financial Instruments" standard by applying the effective interest rate to the gross carrying amount of a financial asset except for: purchased or originated credit-impaired financial assets or financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. When applying the effective interest rate method, an entity identifies fees that are an integral part of the effective interest rate method of a financial instrument. Fees that are an integral part of the effective interest rate of a financial instrument are treated as an adjustment to the effective interest rate, unless the financial instrument is measured at fair value, with the change in fair value being recognized in profit or loss.

When applying the effective interest method, The Bank amortized any fees, transaction costs and other premiums or discounts that are included in the calculation of the effective interest rate over the expected life of the financial instrument. In case an interest was accrued on a security before its acquisition, the collected interest is divided into two parts as interest before and after the acquisition and only the interest of the period after the acquisition is recorded as interest income in the financial statements. If the expectation for the cash flows from financial asset is revised for reasons other than the credit risk, the change is reflected in the carrying amount of asset and in the related statement of profit or loss line and is amortized over the estimated life of financial asset.

If the financial asset is impaired and classified as a non-performing receivable, the Bank applies the effective interest rate on the amortized cost of the asset for subsequent reporting periods. Such interest income calculation is made on an individual contract basis for all financial assets subject to impairment calculation. It is used effective interest rate during calculation of loss given default rate in expected credit loss models and accordingly, the calculation of expected credit losses includes an interest amount. Therefore, a reclassification is made between the accounts of "Expected Credit Losses" and "Interest Income From Loans" for calculated amount.

**VI. Explanations on Fees and Commission Income and Expenses**

Except for fees and commissions that are integral part of the effective interest rates of financial instruments measured at amortized costs, the fees and commissions are accounted for in accordance with TFRS 15 Revenue from Contracts with Customers. Except for certain fees related with certain banking transactions and recognized when the related service is given, fees and commissions received or paid, and other fees and commissions paid to financial institutions are accounted under accrual basis of accounting throughout the service period. The income derived from agreements or asset purchases from real-person or corporate third parties are recognized as income when realized.

**VII. Explanations and Disclosures on Financial Instruments**

**Initial recognition of financial instruments**

The Bank shall recognize a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade date accounting or settlement date accounting. Purchase and sale transactions of securities are accounted at the settlement date.

**Initial measurement of financial instruments**

The classification of financial instruments at initial recognition depends on the contractual conditions and the relevant business model. Except for the assets in the scope of TFRS 15 Revenue from contracts with customers, at initial recognition, the Bank measures financial asset or financial liabilities at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit/loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**Classification of financial instruments**

On which category a financial instruments shall be classified at initial recognition depends on both the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

As per TFRS 9, the Bank classifies a financial asset on the basis of its contractual cash flow characteristics if the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. In order to assess whether the element provides consideration for only the passage of time, an entity applies judgement and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set. When the contractual conditions are exposed to the risks which are not consistent with the basic lending arrangement or variability of cash flows, the relevant financial asset is measured at fair value through profit or loss. The Bank tested all financial assets whether their "contractual cash-flows solely represent payments of principal and interest" and assessed the asset classification within the business model.

**Assessment of business model**

As per TFRS 9, the Bank's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

The Bank's business models are divided into three categories.

**Business model aimed to hold assets in order to collect contractual cash flows:**

This is a model whose objective is to hold assets in order to collect contractual cash flows are managed to realise cash flows by collecting contractual payments over the life of the instrument. The financial assets that are held within the scope of this business model are measured at amortized cost when the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Receivables from the Central Bank, Banks, Money Market Placements, investments under financial assets measured at amortized cost, loans, leasing receivables, factoring receivables and other receivables are assessed within this business model.

**Business model aimed to collect contractual cash flows and sell financial assets:**

This is a model whose objective is achieved by both collecting contractual cash flows and selling financial assets: the Bank may hold financial assets in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Fair value change of the financial assets that are held within the scope of this business model are accounted under other comprehensive income when the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial Assets Measured at Fair Value through Other Comprehensive Income are assessed in this business model.

**Other business models:**

Financial assets are measured at fair value through profit or loss in case they are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Financial assets measured at fair value through profit/loss are assessed in this business model.

**Measurement categories of financial assets and liabilities**

Within the scope of TFRS 9, financial assets are classified in three main categories as listed below: :

- Financial assets measured at fair value through profit/loss
- Financial assets measured at fair value through other comprehensive income and
- Financial assets measured at amortized cost

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**Financial Assets at the Fair Value Through Profit or Loss:**

Financial assets at fair value through profit/loss are financial assets other than the ones that are managed with business model that aimed to hold to collect contractual cash flows or business model that aims to collect both the contractual cash flows and cash flows arising from the sale of the assets; and in case of the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and interest at certain date; that are either acquired for generating a profit from short term fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making. Financial assets at the fair value through profit or loss are initially recognized at fair value and measured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement. According to uniform chart of accounts explanations interest income earned on financial asset and the difference between their acquisition costs and amortized costs are recorded as interest income in the statement of profit or loss. The differences between the amortized costs and the fair values of such assets are recorded under trading account income/losses in the statement of profit or loss. In cases where such assets are sold before their maturities, the gains/losses on such sales are recorded under trading account income/losses.

The Bank has stocks, bills and bonds in portfolios of financial assets at fair value through profit and loss that are accounted in accordance with the Bank's business model. In accordance with TFRS 9, the Bank has classified cash flows are solely payments of principal and interest at certain dates under financial assets at fair value through profit and loss related to private purpose loans as of December 2018.

**Financial Assets at Fair Value Through Other Comprehensive Income: :**

In addition to Financial assets within a business model that aims to hold to collect contractual cash flows and aims to hold to sell, financial asset with contractual terms that lead to cash flows are solely payments of principal and interest at certain dates, they are classified as fair value through other comprehensive income. Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are measured at fair value. Interest income calculated with effective interest rate method arising from financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to income statement.

“Unrealized gains and losses” arising from the difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income are not reflected in the income statement of the period until the acquisition of the asset, sale of the asset, the disposal of the asset, and impairment of the asset and they are accounted under the “Other comprehensive income/expense items to recycled to profit loss” under shareholders' equity. Equity securities, which are classified as financial assets at fair value through other comprehensive income, that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

Bank has inflation indexed (CPI) government bonds in its financial assets at fair value through other comprehensive income and measured at amortized cost portfolios. CPI government bonds that are constant throughout their lives and their real principal amounts are preserved from inflation. These marketable securities are valued and accounted by using effective interest rate method by considering the real coupon rates and reference inflation index at the issue date together with the index calculated by considering the estimated inflation rate as disclosed by the Turkish Treasury. As disclosed in 'Inflation Indexed Bonds Manual' published by Turkish Treasury, reference index used for the real payments is determined based on the inflation rates of two months before. The estimated inflation rate used is updated during the year when necessary.

Some portion of the Eurobond portfolio which has been recognized as financial assets at FV through OCI are designated as fair value hedged items, hedged against interest rate fluctuations, starting from March and April 2009, hedged against interest rate fluctuations. Those securities are disclosed under financial assets at FV through OCI in order to be in line with balance sheet presentation. The fair value differences of Eurobond and TL government bond hedged items are accounted for under “Trading Account Gain/ Losses” in the income statement.

In cases where fair value hedge operations cannot be effectively performed as described in TAS 39, fair value hedge accounting is ceased. After fair value accounting is ceased value differences, previously reflected to the income statement are amortized through the equity until the maturity of related hedged securities. The fair value differences of related portfolio securities sold prior to maturity are immediately recognized in the income statement.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**Financial Assets Measured at Amortized Cost:**

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets measured at amortized cost. Financial assets measured at amortized cost are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using effective interest rate method. Interest income obtained from financial assets measured at amortized cost is accounted in income statement.

The Bank as explained in part IV, "Explanations on Derivative Financial Assets and Liabilities", enters into fx swap transactions against TL in order to hedge the possible losses which might arise due to the changes in the fair value of a certain portion of its long-term loans and applies fair value hedge accounting as per TAS 39. The Bank accounts for the hedged loan portfolio at fair value related to hedged risk, the swap transactions used as the hedging instrument at fair value and reflects the related net gain or loss to respective period's income statement.

When the fair value hedge accounting cannot be effectively continued as stated in TAS 39, the fair value hedge accounting is ceased. The fair value differences of the hedged loans are amortized through income statement until the maturity of the hedged loans.

**VIII. Explanations on Expected Credit Losses**

The Bank recognizes a loss allowance for expected credit losses on financial assets and loans measured at amortized cost, financial assets measured at fair value through other comprehensive income, loan commitments and financial guarantee contracts not measured at fair value through profit/loss based on TFRS 9 and the regulation published in the Official Gazette no. 29750 dated 22 June 2016 in connection with "Procedures and Principles regarding Classification of Loans and Allowances Allocated for Such Loans" effective from January 1, 2018. At each reporting date, the Bank shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition. The Bank considers the changes in the default risk of financial instrument, when making the assessment.

Within the scope of Article 4 and 5 of the Regulation On Procedures And Principles For Classification Of Loans And Provisions in accordance with the BRSA Decision numbered 8948 dated 17 March 2020, due to the disruptions in economic and commercial activities resulting from the Covid-19 outbreak, the 90 days default period for loans to be classified as non-performing loans shall be applied as 180 days according to assembly's resolution dated on March 17, 2020. This measure will be effective until December 31, 2020. In this manner, in the assessment of whether the debtor defaulted on the loan where the payment is overdue for more than 90 days, consideration is given to whether the debtor's condition is temporary due to COVID-19 pandemic and payment irregularities are related to temporary liquidity constraints. In this context,

- The 90 days default period for loans to be classified as non-performing loans (NPL) is now 180 days
- In restructured installment receivables, the practice of shifting installments without a contract breakdown, within the defined terms has started for customers who do not want to be late in their instalments.
- In the process of completing the Pro-rata banks protocols, the time to be given to time-consuming operations was extended by a joint agreement

Terminatively, this leads the Banks continue to set aside provisions for such receivables in accordance with their own risk models used in the calculation of expected credit losses under TFRS 9.

The expected credit loss estimates are required to be unbiased, probability-weighted and include supportable information about past events, current conditions, and forecasts of future economic conditions. These financial assets are divided into three categories depending on the increase in credit risk observed since their initial recognition:

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**Stage 1:**

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded in the amount of expected credit losses on the 12-month default risk. It is calculated 12-month expected credit loss based on a probability of default realized within 12 months after the reporting date. Such expected 12-month probability of default is applied on an expected exposure at default, multiplied with loss given default rate and discounted with the original effective interest rate. As of September 30, 2020, minimum probability of default of Basel II is used in the calculation for the expected loss of receivables from public institutions and organizations. Such calculation is performed for each of three scenarios explained above.

**Stage 2:**

As of the reporting date of the financial asset, in the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. Impairment for credit risk is determined on the basis of the instrument's lifetime expected credit losses. The calculation method is similar to the one described in the above paragraph, but the probability of default and the loss rate in default are estimated throughout the life of the instrument.

**Stage 3:**

Financial assets considered as impaired at the reporting date are classified as stage 3. The probability of default is taken into account as 100% in the calculation of impairment provision and Bank accounts lifetime expected credit losses. In determining the impairment, the Bank takes into consideration the following criteria:

- Delay of over 90 days
- Impairment of creditworthiness
- Collateral and/or equity of debtor is inadequate cover the payment of receivables on the maturity.
- In case the management believes that collection of receivables will be delayed by more than 90 days due to the macroeconomic, sector-specific or customer-specific reasons.

**Calculation of expected credit losses**

The Bank measured expected credit losses with the reasonable, objective and supportable information based on a probability-weighted including estimations about time value of money, past events, current conditions and future economic conditions as of the reporting date, without undue cost or effort. The calculation of expected credit losses consists of three main parameters: probability of default (PD), loss given default (LGD) and exposure at default (EAD). PDs and LGDs used in the ECL calculation are point in time ("PIT")-based for key portfolios and consider both current conditions and expected cyclical changes.

While the expected credit loss is estimated, three scenarios (internal base, internal bad, BRSA adverse) are evaluated. Each of these scenarios was associated with the different PD and LGD.

In addition, a certain portion of commercial and corporate loans is assessed individually in accordance with the internal policies in the calculation of the expected credit losses based on TFRS 9. Such calculations are made by discounting the expected cash flows from the individual financial instrument to its present value using the effective interest rate.

When measuring expected credit losses, it shall be considered the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low. Such assessment is made by reflecting the estimate of expected credit losses which is unbiased and probability-weighted determined by evaluating a range of possible outcomes.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**Probability of Default (PD)**

The PD represents the likelihood of a default over a specified time period. A 12-month PD represents the likelihood of default determined for the next 12 months and a lifetime PD represents the probability of default over the remaining lifetime of the instrument. The lifetime PD calculation is based on a series of 12-month PIT PDs that are derived from TTC PDs (Through the Cycle Probability Defaults) and scenario forecasts. It is used internal rating systems for both retail and commercial portfolios to measure risk level. The internal rating models used for the commercial portfolio include customer financial information and qualitative survey responses. Whereas behavioral and application scorecards used in the retail portfolio include; the behavioral data of the customer and the product in the Bank, the demographic information of the customer, and the behavioral data of the customer in the sector. Probability of default calculation has been carried out based on past information, current conditions and forward looking macroeconomic parameters.

**Loss Given Default (LGD)**

The LGD represents an estimate of the loss at the time of a potential default occurring during the life of a financial instrument. The LGD is calculated taking into account expected future cash flows from collateral and other credit enhancements by considering time value of money. LGD calculations are performed using historical data which best reflects current conditions, by formation of segments based on certain risk factors that are deemed important for each portfolio and inclusion of forward-looking information and macroeconomic expectations. LGD summarizes all cash flows from customers subsequent to default. It covers all costs and collections that occur during the collection cycle, including collections from collaterals. It also includes the "time value of money" calculated by means of deducting costs and additional losses from the present value of collections. The Bank bases its estimates on models for collateralized portfolios and on previous experience for unsecured parties, except for corporate loans that are assigned by the Basel Committee individually or as designated by the Basel Committee.

**Exposure at Default (EAD):**

The EAD represents an estimate of the exposure to credit risk at the time of a potential default occurring during the life of a financial instrument. It represents the cash flows outstanding at the time of default, considering expected repayments, interest payments and accruals, discounted at the effective interest rate. Future drawdowns on facilities are considered through a credit conversion factor (CCF) that is reflective of historical drawdown and default patterns and the characteristics of the respective portfolios. While the expected credit loss is estimated, three scenarios (internal base, internal bad, BRSA adverse) are evaluated. Each of these scenarios was associated with the probability of different default and loss in default.

**Consideration of the Macroeconomic Factors**

Loss given default and probability of default parameters are determined by considering macroeconomic factors. The macroeconomic variables used in the calculation of the expected loss are as follows:

- Five years credit risk of Turkey
- Real GDP growth
- Unemployment rate
- European Region inflation rate
- Five years government bond interest rate of Turkey

Stages were determined through the models created using internal information for the Bank, the simplified method has been applied for other financial institutions.

As of September 30, 2020, the Bank has reflected the possible effects of the COVID-19 outbreak to the estimates and judgments used in the calculation of expected credit losses by using the data that is received with the maximum effort with the best estimation method. Within the light of the aforementioned data, the Bank revised its macroeconomic expectations and weights in the expected credit loss calculation and the calculation which is made by taking into consideration the changes in PD and LGD is reflected in the financial statements as of September 30, 2020. As of September 30, 2020, there is not any parameter updates made as the actual situation is reflected. The model effects are tardily reflected to the financial statements due to the nature of the events that cause change and the effects of the events occur at different times. Therefore, the Bank has booked additional provisions for the sector and customers who are considered to have a high impact by performing individual assessments to eliminate the timing difference.

This approach, which is preferred in reserve calculations for the third quarter of 2020, will be revised in the following reporting periods, taking into account the impact of the pandemic, portfolio and future expectations.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

As of September 30, 2020, the normal risk cost of the loan portfolio purged from the COVID-19 effect was at 96 basis point, yet, in order to reflect the uncertainty originated from the COVID-19 to the financial asset portfolio of the Parent Bank, the total risk cost has reached to 205 basis points in corporate into the effects arising from the aforementioned estimation changes, increase in the Stage 2 reserve ratios and additional exchange rate.

**Calculating the Expected Loss Period**

Lifetime ECL is calculated by taking into account maturity extensions, repayment options and the period during which the Bank will be exposed to credit risk. The time in financial guarantees and other irrevocable commitments represents the credit maturity for which the liabilities of the Bank. Behavioral maturity analysis has been performed on credit cards and overdraft accounts. With the exception of credit cards and other revolving facilities, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless there is the legal right to call it earlier.

**Significant increase in credit risk**

The Bank makes qualitative and quantitative assessments regarding assessment of significant increase in credit risk of financial assets to be classified as stage 2 (Significant Increase in Credit Risk).

Within the scope of quantitative assessment, the quantitative reason explaining the significant increase in the credit risk is based on a comparison of the probability of default calculated at the origination of the loan and the probability of default assigned for the same loan as of the reporting date. If there is a significant deterioration in PD, it is considered that there is a significant increase in credit risk and the financial asset is classified as stage 2. In this context, the Bank has calculated thresholds at which point the relative change is a significant deterioration. In the quantitative evaluation of the significant increase in credit risk, the Bank considers the absolute thresholds as well as the relative thresholds as an additional layer. Receivables below the absolute threshold value of default are not included in the relative threshold value comparison.

The Bank classifies the financial asset as Stage 2 (Significant Increase in Credit Risk) where any of the following conditions are satisfied as a result of a qualitative assessment:

- Loans overdue more than 30 days as of the reporting date
- Loans classified as watch-list
- When there is a change in the payment plan due to restructuring

**IX. Explanations on Netting of Financial Instruments**

Financial assets and liabilities are offset and the net amount is reported on the balance sheet when the Bank has a legally enforceable right to offset the recognized amounts, and the intention of collecting or paying the net amount of related assets and liabilities or to realize the asset and settle the liability simultaneously.

**X. Derecognition of Financial Instruments**

**a) Derecognition of financial assets due to change in contractual terms**

Based on TFRS 9, the renegotiation or modification of the contractual cash flows of a financial asset could lead to the derecognition of the existing financial asset. When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a 'new' financial asset. When the Bank assesses the characteristics of the new contractual terms of the financial asset, it evaluates the contractual cash flows including foreign currency rate changes, conversion to equity, counterparty changes and solely principal and interest on principle. When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, it is recalculated the gross carrying amount of the financial asset and recognized a modification gain or loss in profit or loss. Where all risks and rewards of ownership of the asset have not been transferred to another party and the Bank retains control of the asset, the Bank continues to recognize the remaining portion of the asset and liabilities arising from such asset. When the Bank retains substantially all the risks and rewards of ownership of the transferred asset, the transferred asset continues to be recognized in its entirety and the consideration received is recognized as a liability.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**b) Derecognition of financial assets without any change in contractual terms**

The Bank derecognizes the asset if the contractual rights to cash flows from the financial asset are expired or the related financial asset and all risks and rewards of ownership of the asset are transferred to another party. Except for equity instruments measured at fair value through other comprehensive income, the total amount consisting of the gain or loss arising from the difference between the book value and the amount obtained and any accumulated gain directly accounted in equity shall be recognized in profit/loss.

**c) Derecognition of financial liabilities**

It shall be removed a financial liability (or a part of a financial liability) from the statement of financial position when, and only when, it is extinguished—i.e. when the obligation specified in the contract is discharged or cancelled or expires.

**d) Reclassification of financial instruments**

Based on TFRS 9, it shall be reclassified all affected financial assets at amortized cost to financial assets measured at fair value through other comprehensive income and fair value through profit or loss in the subsequent accounting when, and only when, it is changed the business model for managing financial assets.

**e) Restructuring and refinancing of financial instruments**

The bank may be changed the original contractual terms of a loan (maturity, repayment structure, guarantees and sureties) which were previously signed, in case the loan cannot be repaid or if a potential payment difficulty is encountered based on the new financing power and structure of the borrower.

Restructuring is made for changing the financial terms of existing loans in order to facilitate the payment of debt. Refinancing is granting a new loan which will cover either the principal or the interest payment in whole or in part of one or a few existing loans due to the anticipated financial difficulty which the customer or group encounter currently or will encounter in the future.

Changes in the original terms of a credit risk can be made in the current contract or through a new contract. Corporate and commercial companies which have been restructured and refinanced can be removed from the watchlist when the following conditions are met:

- Subsequent to the thorough review of company's financial data and its owners' equity position, at circumstances when it is not anticipated that the owner of the company will face financial difficulties; and it is assessed that the restructured debt will be paid on time (starting from the date when the debt is restructured all due principal and interest payments are made on time).
- At least 1 years should pass over the date of restructuring (or if it is later), the date of removal from nonperforming loan category, at least 10% (or the ratio specified in the legislation) of the total principal amount at the time restructuring /refinancing shall be paid and no overdue amount (principal and interest) shall remain at the date of restructuring / refinancing.

In order for the restructured non-performing corporate and commercial loans to be classified to the watchlist category, the following conditions must be met:

- Recovery in debt service.
- At least 1 year should pass over the date of restructuring,
- Payment of all accrued and overdue amounts by debtor (interest and principal) since the date of restructuring /refinancing or the date when the debtor is classified as non-performing (earlier date to be considered) and fulfillment of the payment condition of all overdue amounts as of the date of restructuring /refinancing.
- Collection of all overdue amounts, disappearance of the reasons for classification as nonperforming receivable (based on the conditions mentioned above) and having no overdue as of the date of reclassification.

During the follow-up period of at least one year following the date of restructuring / refinancing, if there is a new restructuring / refinancing or a delay of more than 30 days, the transactions which were non-performing at the beginning of the follow-up period are classified as non-performing loans again. The performing or non-performing retail loans being subject to restructuring shall be removed from the watchlist only if the debt is paid in full.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

In personal loans, loans can be restructured in order to give liquidity power to the debtor and to ensure the collection of the receivables of the Bank in case of temporary liquidity problems due to the failure of the payment obligation to the Bank. The Bank removing customers from the restructuring scope in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables (the Provisioning Regulation).

**XI. Explanations on Sales and Repurchase Agreements and Lending of Securities**

Securities sold under repurchase agreements are recorded on the balance in accordance with Uniform Chart of Accounts. Accordingly, government bonds and treasury bills sold to customers under repurchase agreements are classified as "Investments Subject to Repurchase Agreements" and valued based on the Bank management's future intentions, either at market prices or using discounting method with internal rate of return.

Funds lent against securities purchased under agreements to resell ("Reverse repos") are accounted under "Receivables from reverse repurchase agreements" on the balance sheet. The difference between the purchase and resell price determined by these repurchase agreements is accrued over the life of repurchase agreements using the "Effective interest method".

As of the balance sheet date, securities subject to repo amounting to TL 15.659.384 (December 31, 2019 – 11.992.093)

As of September 30, 2020 the Bank has no securities that are subject to lending transactions (December 31, 2019 – None).

Securities purchased with a commitment to resell (reverse repurchase agreements) are recorded in a separate account under "Cash and Cash Equivalents" and on the line of "Money Market Placements" in the balance sheet. The difference resulting from purchase and resale prices is treated as interest income and accrued over the life of the agreement.

**XII. Explanations on Assets Held for Sale and Discontinued Operations**

In accordance with TFRS 5 ("Assets Held for Sale and Discontinued Operations"), assets classified as held for sale are measured at lower of carrying value or fair value less costs to sell. Amortization on subject asset is ended and these assets are presented separately on financial statements. An asset (or a disposal group) is regarded as "asset held for sale" only when the sale is highly probable and the asset (disposal group) is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset (or a disposal group) should be actively marketed at a price consistent with its fair value. Various events and conditions may prolong the sale procedures for more than one year. In case subject delay is caused by the events and conditions beyond the bank's control and there is enough evidence that plans to sell subject asset (or a disposal group) continue subject assets continue to be classified as assets held for sale. As of September 30, 2020 the Bank has assets held for sale and discontinued operations explained in footnote 1.15. of Section Five.

A discontinued operation is a part of the Bank's business classified as disposed or held-for-sale. The operating results of the discontinued operations are disclosed separately in the income statement. The Bank has no discontinuing operations.

The Bank classifies tangible assets which are acquired due to non-performing receivables as other assets.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**XIII. Explanations on Goodwill and Other Intangible Assets**

The Bank's intangible assets consist of softwares and intangible rights.

The intangible assets are recorded at their historical cost less accumulated amortization and provision for impairment, if any. Amortization is calculated on a straight-line basis.

Softwares have been classified as other intangible fixed assets. The useful life of softwares is determined as 3-5 years.

If there is objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the "Turkish Accounting Standard on Impairment of Assets" (TAS 36) and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is made. There is no goodwill regarding the associates, entities under common controls and subsidiaries in the accompanying unconsolidated financial statements.

**XIV. Explanations on Tangible Assets**

The tangible assets are recorded at their historical cost less accumulated depreciation and provision for impairment, if any.

Depreciation is calculated on a straight-line basis over the estimated useful life of tangible assets. The annual amortization rates used are as follows: :

Property	2%
Movables purchased and acquired under finance lease contracts	7% - 25%

The depreciation of leasehold improvements acquired before December 2009, under operating lease agreements, is calculated according to their useful lives. Depreciation of leasehold improvements acquired after this date is calculated over the lease period not exceeding 5 years where the lease duration is certain; or 5 years where the lease period is not certain in accordance with "Communiqué on the Amendment of Communiqué on Uniform Chart of Accounts and Explanatory Notes" dated January 10, 2011. Depreciation is calculated on a pro-rata basis for the assets that have been placed in use for less than a year as of the balance sheet date.

Net book value of the property and leased assets under financial lease contracts are compared with the fair values determined by independent appraisers as of the year end and provision for impairment is recognized in "Other Operating Expenses" in the related period income statement when the fair value is below the net book value in accordance with "Turkish Accounting Standard on Impairment of Assets" (TAS 36). Gains or losses resulting from disposals of the tangible assets are recorded in the income statement as the difference between the net proceeds and net book value of the asset.

Expenses for repairs are capitalized if the expenditure increases economic life of the asset; otherwise they are expensed. There are no changes in the accounting estimates in regards to amortization duration that could have a significant impact on the current and future financial statements. There are no pledges, mortgages or other restrictions on the tangible assets. There are no purchase commitments related to the fixed assets.

**XV. Explanations on Leasing Transactions**

Fixed assets acquired under finance lease contracts are presented under "Tangible Fixed Assets" on the asset side and under "Financial Lease Payables" on the liability side at the initial date of the lease. The basis for the determination of related balance sheet amounts is the lower of fair value of the leased asset and the present value of the lease payments. The direct costs incurred for a finance lease transaction are capitalized as additions to the cost of the leased asset. Lease payments include the financing costs incurred due to the leasing transaction and the principal amount of the leased asset for the current period. Depreciation is calculated on a straight-line basis over the estimated useful life of the leased assets at the rate of 20% except for the buildings which are depreciated at the rate of 2%.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**TFRS 16 Leases**

TFRS 16 Leases standard abolishes the dual accounting model currently applied for lessees through recognizing finance leases in the balance sheet whereas not recognizing operational lease. Instead, it is set forth a single model similar to the accounting of finance leases (on balance sheet). For lessors, the accounting stays almost the same. The bank has started to apply the "TFRS 16 Leases" Standard with using the modified retrospective approach from January 1, 2019.

Set out below are the accounting policies of the Bank upon application of TFRS 16:

**Right of use assets**

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

The right use includes the presence of:

- The initial measurement of the lease,
- The amount obtained by deducting all lease payments received from all lease payments made on or on the date of actual lease; and
- All initial direct costs incurred by the Bank,

At the end of the lease term of the underlying asset's service, the transfer of the Bank is reasonably finalized, and the Bank depreciates the asset until the end of the life of the underlying asset on which the lease actually began. Right-of-use assets are subject to impairment.

**Lease Liabilities**

The Bank measures the lease obligation at the present value of the unpaid lease payments on the date that the lease commences.

Lease payments included in the measurement of the lease obligation on the date that the lease actually commences, consists of the following payments to be made for the right of use of the underlying asset during the lease period and not paid on the date the lease actually starts:

- Fixed payments,
- Variable lease payments based on an index or rate, the first measurement made using an index or rate on the actual date of the lease ,
- Amounts expected to be paid by the Bank under the residual value commitments
- The use price of this option and, if the Bank is reasonably confident that it will use the purchase option;
- Fines for termination of the lease if the lease term indicates that the Bank will use an option to terminate the lease.

Variable lease payments that do not depend on an index or rate are recognized as an expense in the period in which the event or condition that triggered the payment occurred. The Bank revises the revised discount rate for the remainder of the lease term, if the implicit interest rate in the lease can be easily determined; the Bank's alternative borrowing interest rate at the date of the revaluation.

After the effective date of the lease, the Bank measures the lease obligation as follows:

- Increase the carrying amount to reflect the interest on the lease obligation; and
- Decreases the carrying amount to reflect the lease payments made.

In addition, in the event of a change in the lease term, in essence a change in fixed lease payments or a change in the assessment of the option to buy the underlying asset, the value of the lease obligations is remeasured.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**Short-term leases and leases of low-value assets**

The Bank applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

On 5 June 2020, the POA made amendments to TFRS 16 “Leases” standard by publishing “Concessions Regarding COVID-19” on Lease Payments - “TFRS 16 Leases”. With this change, tenants were granted an exemption from not being able to evaluate whether the privileges, which are recognized due to COVID-19 in the lease payments, have been made in the lease. The amendment does not have a significant impact on the financial situation or performance of the Bank.

Due to the Bank’s implementation of TFRS 16, assets classified under tangible assets as of September 30, 2020 amounted to TL 377.272 (December 31, 2019 – TL 458.369), lease liability amounted to TL 354.139 (December 31, 2019 – TL 431.753), financing expense amounted to TL 40.106 (September 30, 2019 – TL 48.138) and depreciation expense amounted to TL 163.262 (September 30, 2019 – TL 160.220).

**XVI. Explanations on Provisions and Contingent Liabilities**

Provisions, other than specific and general provisions for loans and other receivables, and contingent liabilities are provided for in accordance with TAS 37 “Provisions, Contingent Liabilities and Contingent Assets”. Provisions are accounted for immediately when obligations arise as a result of past events and a reliable estimate of the obligation is made by the Bank. Whenever the amount of such obligations cannot be measured, they are regarded as “contingent”. In the financial statements, a provision is made for an existing commitment resulted from past events if it is probable that the commitment will be settled, and a reliable estimate can be made of the amount obligation. If these criteria are not met, the Bank discloses these issues in the explanations and notes related to the financial statements. In cases where reliable estimate cannot be made of the amount of the obligation, it is considered contingent liabilities. For contingent liabilities if the probability that the event will occur is greater than the probability that it will not and the amount of the obligation can be measured reliably, a provision is made.

**XVII. Explanations on Obligations of the Bank Concerning Employee Benefits**

Provision for employee severance benefits has been accounted for in accordance with TAS 19 “Employee Benefits”.

In accordance with the existing social legislation in Turkey, the Bank is required to make lump-sum termination indemnities including retirement and notice payments to each employee whose employment is terminated due to resignation or for reasons other than misconduct. The retirement pay is calculated for every working year within the Bank over salary for 30 days or the official ceiling amount per year of employment and the notice pay is calculated for the relevant notice period time as determined based on the number of years worked for the Bank.

The Bank has reflected the retirement pay liability amount, which was calculated by an independent actuary, in the accompanying financial statements. According to TAS 19, The Bank recognizes all actuarial gains and losses immediately through other comprehensive income.

The Bank does not have any employees who work under limited period contracts with remaining terms longer than 12 months after the balance sheet date.

Provision for the employees’ unused vacations has been booked in accordance with TAS 19 and reflected to the financial statements.

There are no foundations, pension funds or similar associations of which the employees are members.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**XVIII. Explanations on Taxation**

**1. Corporate Tax**

In accordance with the Corporate Tax Law No. 5520 published in the Official Gazette No: 26205 dated June 21, 2006, statutory income is subject to corporate tax at 20%. However, according to temporary article 10 added to the Corporate Income Tax Law, the rate of 20% shall be applied as 22% for the corporate earnings of the taxation periods of the companies in 2018, 2019 and 2020 (accounting periods starting within the relevant year for companies appointed for the special accounting period). Advance corporate taxes paid are followed under "Current Tax Liability" or "Current Tax Asset" account and are deducted from the corporate taxes of the current year.

50% of gain from the sale of real estate which are held more than two years in the assets of the Bank and 75% of gain on disposal of subsidiary shares which are held for more than two years in the assets of the Bank are exemption from tax according to Corporate Tax Law in condition with adding these gains into equity or allocating into a specific fund account in the Bank's liabilities for five years.

Companies calculate their advance tax at the rate of 22% (for taxation periods of 2018, 2019 and 2020) on their quarterly financial profits, declare until the 14th day of the second month following that period and pay until the evening of the seventeenth day. The advance tax paid belongs that year and is offset from the corporation tax that will be calculated on the tax declaration of the companies to be given in the following year. If the advance tax paid amount remains after offsetting, this amount could be either returned as cash or offset.

According to the Corporate Tax Law, financial losses in the declaration can be deducted from the corporate tax base of the period not exceeding 5 years. Declarations and related accounting records can be examined within five years by the tax office. On the other hand, if document subjects to stamp duty and the statute of limitations of tax and penalty is used after the expiry of the time limit, the taxable income of document is regenerated.

The provision for corporate and income taxes for the period is recognized as "Current Tax Charge" in the income statement and current tax effect related to transactions directly recognized in equity are reflected to equity.

Undistributed profit for the period is not subject to withholding tax if it is added to capital or it is distributed to full-fledged taxpayer corporations. However, with the Council of Ministers' decisions numbered 2009/14593 and 2009/14594; published in the Official Gazette No: 27130 dated February 3, 2009 and based on Corporate Tax Law No: 5520, 15th and 30th Articles, profit distribution for the period is subject to withholding tax by 15%, for full-fledged real person taxpayers, for those who are not responsible for corporate tax and income tax, for those exempt from corporate and income tax (except for those taxed through their businesses or permanent representatives in Turkey) and for foreign based real person taxpayers.

**2. Deferred Taxes**

The Bank calculates and accounts for deferred income taxes for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with "Turkish Accounting Standard for Income Taxes" ("TAS 12") and the related decrees of the BRSA concerning income taxes. In calculating deferred tax, legalized tax rates effective as of balance sheet date are used as per tax legislations.

Deferred tax liabilities are recognized for all temporary differences whereas deferred tax assets calculated from deductible temporary differences are only recognized if it's highly probable that these will in the future create taxable profit.

The Bank has started to be recognized deferred tax from the expected credit losses of Stage 1 and Stage 2 expected credit losses provisions.

Deferred tax effect related to transactions for which the profit or loss effect is directly accounted in equity, is also reflected to equity.

Since the applicable tax rate has been changed to 22% for the 3 years beginning from January 1, 2018, 22% tax rate is used in the deferred tax calculation of September 30, 2020 for the temporary differences expected to be realized/closed for the year 2020 (for the years 2018, 2019 and 2020). However, since the corporate tax rate after 2020 is 20%, 20% (December 31, 2019: 20%) tax rate is used for the temporary differences expected to be realized/closed after 2020.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**3. Transfer Pricing**

The article no.13 of the Corporate Tax Law describes the issue of transfer pricing under the title of “disguised profit distribution” by way of transfer pricing. “The General Communique on Disguised Profit Distribution by way of Transfer Pricing” published on November 18, 2007 explains the application related issues in detail. According to this Communique, if the taxpayers conduct transactions like purchase and sale of goods or services with the related parties where the prices are not determined according to the arm's length principle, then it will be concluded that there is a disguised profit distribution by way of transfer pricing. Such disguised profit distributions will not be deducted from the corporate tax base for tax purposes. Disguised profit distribution amount will be recognized as share in net profit and stoppage tax will be calculated depending on whether the profit distributing institution is a real or corporate entity, full-fledged or foreign based taxpayer, is subject to or exempt from tax.

As discussed under subject Communique's 7.1 Annual Documentation section, taxpayers are required to fill out the “Transfer Pricing, Controlled Foreign Entities and Thin Capitalization” form for the purchase and sale of goods or services conducted with their related parties in a taxation period, attach these forms to their corporate tax returns and submit to the tax offices.

**XIX. Explanations on Additional Explanations on Borrowings**

The Bank generates funds from domestically and internationally resident people and institutions by using debt instruments such as syndication, securitization, collateralized debt and bond issuance. Aforementioned transactions are initially recorded at transaction cost plus acquisition cost, reflective of their fair value, and are subsequently measured at amortized cost by using effective interest rate method.

**XX. Explanations on Share Issues**

The Bank's paid in capital has not been changed for the current period. The Bank's paid in capital has not been changed for the prior period.

**XXI. Explanations on Confirmed Bills of Exchange and Acceptances**

Confirmed bills of Exchange and acceptances are realized simultaneously with the customer payments and recorded in off-balance sheet accounts as possible debt and commitment, if any.

There are no acceptances and confirmed bills of exchange presented as liabilities against any assets.

**XXII. Explanations on Government Incentives**

As of September 30, 2020 the Bank does not have any government incentives or grants (December 31, 2019 – None).

**XXIII. Explanations on Segment Reporting**

In addition to corporate banking, retail banking and commercial banking services, the Bank also provides private banking, SME banking, treasury operations and credit card services through branches and alternative channels. The Bank serves its retail banking clients with time and demand deposits, also overdraft services, automatic account services, consumer loans, vehicle loans, housing loans and investment fund services. The Bank provides services including deposit and loans, foreign trade financing, forward and option agreements to its corporate clients. The Bank also serves in trading financial instruments and treasury operations.

The calculations based on the income statement for retail banking (consumer banking and plastic cards), corporate and commercial banking have operational units designated as the main profit centers, have been made according to the product and customer types. During the profitability calculations, the pricing of transfers among these units and treasury unit are made by using cost/return ratios that are determined by the Bank's senior management and which are updated periodically. In this pricing method, general market conditions and the Bank's internal policies are considered.

The Corporate Marketing Unit provides services to firms that are institutional, big size, that have annual revenues of TL 300.000 and higher and multi-national firms operating in Turkey. The firms that have annual revenues between TL 60.000 and TL 300.000 are considered as “Commercial Enterprise”. The Bank gives importance to the commercial segmentation in order to hedge risk and decrease the concentration of income. Moreover; The Bank also offers sectoral solution packages to these small and medium-size firms.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

The Consumer Banking meets the needs and expectations of the retail banking customers. The Private Banking Unit has formed and started to operate to serve customers with high level income, in a more effective way. The installments, discounts and bonus advantages are provided to the users of Card Finans in the plastic cards line. The main function of Treasury Segment is managing the liquidity of the Bank and interest and foreign currency risks resulting from market conditions. This segment is in close relation with corporate, commercial, retail and private banking units in order to increase the number of customers and the volume of transactions in treasury products of the Bank.

Current Period (January 1 – September 30, 2020)	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Bank
Net Interest Income	2.514.310	1.962.509	2.769.816	7.246.635
Net Fees and Commissions Income	1.231.334	535.325	(32.195)	1.734.464
Other Operating Income and Net Trading Income	32.085	15.354	(1.802.774)	(1.755.335)
Dividend Income	-	-	133.299	133.299
<b>Operating Income</b>	<b>3.777.729</b>	<b>2.513.188</b>	<b>1.068.146</b>	<b>7.359.063</b>
Expected Loss Provisions (-)	685.001	1.215.992	(18.710)	1.882.283
Other Loss Provisions (-)	-	-	126.826	126.826
Personnel Expense (-)	327.499	375.116	661.463	1.364.078
Other Operating Expenses (-)	1.347.300	772.413	(422.396)	1.697.317
<b>Profit Before Taxes</b>	<b>1.417.929</b>	<b>149.667</b>	<b>720.963</b>	<b>2.288.559</b>
<b>Provision Tax (-)</b>	<b>-</b>	<b>-</b>	<b>(452.735)</b>	<b>(452.735)</b>
<b>Net Profit/Loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.835.824</b>
<b>Total Assets</b>	<b>45.901.873</b>	<b>90.582.835</b>	<b>73.141.538</b>	<b>229.557.730</b>
Segment Assets	45.901.873	90.582.835	73.141.538	209.626.246
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	1.720.490
Undistributed Assets	-	-	-	18.210.994
<b>Total Liabilities</b>	<b>88.185.465</b>	<b>41.324.315</b>	<b>67.997.677</b>	<b>229.557.730</b>
Segment Liabilities	88.185.465	41.324.315	67.997.677	197.507.457
Undistributed Liabilities	-	-	-	14.330.946
Equity	-	-	-	17.719.327
<b>Other Segment Accounts</b>	<b>613.085</b>	<b>459.983</b>	<b>(51.542)</b>	<b>1.021.526</b>
Capital Expenditures	371.769	278.929	(35.076)	615.622
Depreciation and Amortization	241.316	181.054	(16.466)	405.904
Prior Period (January 1 – September 30, 2019)	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Bank
Net Interest Income	1.811.490	2.085.515	1.345.874	5.242.879
Net Fees and Commissions Income	1.524.125	510.386	(27.389)	2.007.122
Other Operating Income and Net Trading Income	102.893	16.916	(847.066)	(727.257)
Dividend Income	-	-	51.187	51.187
<b>Operating Income</b>	<b>3.438.508</b>	<b>2.612.817</b>	<b>522.606</b>	<b>6.573.931</b>
Expected Loss Provisions (-)	327.176	1.160.444	(127.945)	1.359.675
Other Loss Provisions (-)	-	-	49.987	49.987
Personnel Expense (-)	303.616	355.929	604.644	1.264.189
Other Operating Expenses (-)	1.319.001	680.434	(429.490)	1.569.945
<b>Profit Before Taxes</b>	<b>1.488.715</b>	<b>416.010</b>	<b>425.410</b>	<b>2.330.135</b>
<b>Provision Tax (-)</b>	<b>-</b>	<b>-</b>	<b>(370.176)</b>	<b>(370.176)</b>
<b>Net Profit/Loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.959.959</b>
<b>Total Assets<sup>(*)</sup></b>	<b>39.730.429</b>	<b>70.865.962</b>	<b>57.792.723</b>	<b>181.680.511</b>
Segment Assets	39.730.429	70.865.962	57.792.723	168.389.114
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	1.492.873
Undistributed Assets	-	-	-	11.798.524
<b>Total Liabilities</b>	<b>68.846.852</b>	<b>31.372.536</b>	<b>53.278.117</b>	<b>181.680.511</b>
Segment Liabilities	68.846.852	31.372.536	53.278.117	153.497.505
Undistributed Liabilities	-	-	-	11.497.947
Equity	-	-	-	16.685.059
<b>Other Segment Accounts</b>	<b>580.285</b>	<b>463.165</b>	<b>(50.478)</b>	<b>992.972</b>
Capital Expenditures	365.601	291.811	(33.106)	624.306
Depreciation and Amortization	214.684	171.354	(17.372)	368.666

(\*) Refers to year-end figures

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**XXIV. Explanations on Profit Reserves and Profit Distribution**

The Ordinary General Assembly Meeting of the Bank was held on March 26, 2020. In the Board of Directors meeting, it was decided that profit from 2019 operations to be distributed as follows.

**2019 profit distribution table:**

<b>Current Year Profit</b>	<b>2.622.157</b>
A – I. Legal Reserve (Turkish Commercial Code 519/A) at 5%	670.000
C – Extraordinary Reserves	1.952.157

**XXV. Earnings Per Share**

Earnings per share listed on income statement is calculated by dividing net profit to weighted average amount of shares issued within respective year.

	<b>Current Period</b>	<b>Prior Period</b>
Net Profit for the Period	1.835.824	1.959.959
Weighted Average Amount of Shares Issued (Thousands)	33.500.000	33.500.000
<b>Earnings Per Share</b>	<b>0,0548</b>	<b>0,0585</b>

In Turkey, companies can increase capital through “bonus share” distributed from previous year earnings to current shareholders. Such “bonus share” distributions are accounted as issued shares while calculating earnings per share. Accordingly, weighted average amount of shares issued used in these calculations is found through taking into consideration retroactive effects of subject share distributions. In case, amount of shares issued increases after the balance sheet date but before the date of financial statement preparation due to distribution of “bonus share”, earnings per share is calculated taking into consideration the new amount of shares.

Amount of issued bonus shared in 2020 is none (Amount of issued bonus shared in 2019 is none).

**XXVI. Explanations on Other Matters**

None.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**SECTION FOUR**

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK**

**I. Explanations on Equity**

Total capital and Capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”. As of September 30, 2020 Bank’s total capital has been calculated as TL 27.579.691 (December 31, 2019 – TL 24.280.307), capital adequacy ratio is 17,29% (December 31, 2019 – 15,73%). This ratio is well above the minimum ratio required by the legislation.

Based on the press release made by the BRSA on 23 March, 2020; due to the fluctuations in the financial markets as a result of the COVID-19 outbreak; in the calculation of the amount subject to credit risk in accordance with the Regulation on Measurement and Evaluation of Capital Adequacy; with monetary assets and non-monetary assets excluding assets that are measured in terms of historical cost in a foreign currency valued amount of items in accordance with TAS and its special provision amounts, spot purchase exchange rate can be used in preparation of financial statements as of 31 December, 2019, may be considered in the calculation of Turkish Lira equivalent of credit risk exposures in foreign currencies, and negative revaluation differences of the securities classified under “Financial Assets Measured at Fair Value through Other Comprehensive Income” which acquired before 23 March, 2020 may not be included in capital calculation.

**Components of unconsolidated shareholders’ equity items:**

Explanations on Equity:	Current Period September 30, 2020	Prior Period December 31, 2019
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	3.350.000	3.350.000
Share issue premiums	714	714
Reserves	13.199.191	10.577.034
Gains recognized in equity as per TAS	1.331.036	1.224.356
Profit	1.835.824	2.622.157
Current Period Profit	1.835.824	2.622.157
Prior Period Profit	-	-
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	2.689	2.689
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>19.719.454</b>	<b>17.776.950</b>
<b>Deductions from Common Equity Tier 1 Capital</b>		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	-
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	731.315	525.783
Improvement costs for operating leasing	66.804	74.009
Goodwill (net of related tax liability)	442.270	396.779
Other intangibles other than mortgage-servicing rights (net of related tax liability)	-	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	-
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be defined by the BRSA	-	-
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	-
<b>Total Deductions From Common Equity Tier 1 Capital</b>	<b>1.240.389</b>	<b>996.571</b>
The positive difference between the expected loan loss provisions under TFRS 9 and the total provision amount calculated before the application of TFRS 9	260.624	390.936
<b>Total Common Equity Tier 1 Capital</b>	<b>18.739.689</b>	<b>17.171.315</b>

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

	Current Period September 30, 2020	Prior Period December 31, 2019
<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA	4.099.199	3.118.605
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	-
<b>Additional Tier I Capital before Deductions</b>	<b>4.099.199</b>	<b>3.118.605</b>
<b>Deductions from Additional Tier I Capital</b>		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other items to be defined by the BRSA	-	-
<b>Transition from the Core Capital to Continue to deduce Components</b>		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
<b>Total Deductions From Additional Tier I Capital</b>	<b>-</b>	<b>-</b>
<b>Total Additional Tier I Capital</b>	<b>4.099.199</b>	<b>3.118.605</b>
<b>Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)</b>	<b>22.838.888</b>	<b>20.289.920</b>
<b>TIER II CAPITAL</b>		
Debt instruments and premiums deemed suitable by the BRSA	-	-
Debt instruments and premiums deemed suitable by BRSA (Temporary Article 4)	3.006.080	2.286.977
Provisions (Article 8 of the Regulation on the Equity of Banks)	1.750.550	1.731.935
<b>Tier II Capital Before Deductions</b>	<b>4.756.630</b>	<b>4.018.912</b>
<b>Deductions From Tier II Capital</b>		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	-
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Other items to be defined by the BRSA (-)	-	-
<b>Total Deductions from Tier II Capital</b>	<b>-</b>	<b>-</b>
<b>Total Tier II Capital</b>	<b>4.756.630</b>	<b>4.018.912</b>
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>27.595.518</b>	<b>24.308.832</b>
<b>Deductions from Total Capital</b>		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	6.926	7.103
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	-
Other items to be defined by the BRSA (-)	8.901	21.422
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank owns more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank owns more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
 (Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

	<b>Current Period</b>	<b>Prior Period</b>
	<b>September 30, 2020</b>	<b>December 31, 2019</b>
<b>TOTAL CAPITAL</b>		
Total Capital	27.579.691	24.280.307
Total Risk Weighted Amounts	159.487.216	154.338.272
<b>Capital Adequacy Ratios</b>		
Core Capital Adequacy Ratio (%)	11,75	11,13
Tier I Capital Adequacy Ratio (%)	14,32	13,15
Capital Adequacy Ratio (%)	17,29	15,73
<b>BUFFERS</b>		
Bank specific total common equity tier 1 capital ratio	2,51	2,51
a) Capital conservation buffer requirement	2,50	2,50
b) Bank specific counter-cyclical buffer requirement	0,01	0,01
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	0,06	0,05
<b>Amounts below the Excess Limits as per the Deduction Principles</b>		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	236.777	236.777
Amount arising from mortgage-servicing rights	-	-
Amount arising from deferred tax assets based on temporary differences	-	-
<b>Limits related to provisions considered in Tier II calculation</b>		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	3.918.388	2.571.026
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	1.750.550	1.731.935
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to &0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
<b>Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)</b>		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	4.099.200	3.118.605
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temporary Article 4	3.006.080	2.286.977
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**Information on debt instruments included in the calculation of equity:**

Information od debt instruments included in the calculation of equity:			
	1	2	3
Issuer	QATAR NATIONAL BANK Q.P.S.C.	QATAR NATIONAL BANK Q.P.S.C.	QATAR NATIONAL BANK Q.P.S.C.
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	-	-	-
Governing law(s) of the instrument	BRSA	BRSA	BRSA
Regulatory treatment	Additional Capital	Supplementary Capital	Supplementary Capital
Transitional Basel III rules	No	No	No
Eligible at stand-alone / consolidated	Stand alone - Consolidated	Stand alone - Consolidated	Stand alone - Consolidated
Instrument type (types to be specified by each jurisdiction)	Loan	Loan	Loan
Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	4,099	976	2,030
Par value of instrument (Currency in million)	4,099	976	2,030
Accounting classification	Liability – Subordinated Loans- amortized cost	Liability – Subordinated Loans- amortized cost	Liability – Subordinated Loans- amortized cost
Original date of issuance	June 30, 2019	April 1, 2019	May 22, 2017
Perpetual or dated	Undated	Dated	Dated
Original maturity date	-	10 years	10 years
Issuer call subject to prior BRSA approval	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	Every 5 years	5 years	5 years
Subsequent call dates, if applicable	-	-	-
Coupons / dividends	-	-	-
Fixed or floating dividend/coupon	Fixed	Floating	Floating
Coupon rate and any related index	First 5 years fixed at 9,50%, next 5 years fixed at MS + 7,08%	6M LIBOR + 5,75%	6M LIBOR + 3,87%
Existence of a dividend stopper	There will be no interest on the deducted value after thr impairment	-	-
Fully discretionary, partially discretionary or mandatory	Optional	-	-

Convenience Translation of the Independent Auditor's Report originally issued in Turkish (See Note 1.a of Section Three)

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

	1	2	3
Existence of set-up or another incentive to redeem	-	-	-
Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative
Convertible or non-convertible	None	Yes	Yes
If convertible, conversion trigger(s)	-	Article number 7-2-i of "Own fund regulation"	Article number 7-2-i of "Own fund regulation"
If convertible, fully or partially	-	All of the remaining capital	All of the remaining capital
If convertible, conversion rate	-	(*)	(*)
If convertible, mandatory or optional conversion	-	Optional	Optional
If convertible, specify instrument type convertible into	-	Equity Share	Equity Share
If convertible, specify issuer of instrument it converts into	-	QNB Finansbank A.S.	QNB Finansbank A.S.
Write-down feature	Yes	None	None
If write-down, write-down trigger(s)	Non-existence of the core capital ratio is less than 5,125%	-	-
If write-down, full or partial	Full and partial	-	-
If write-down, permanent or temporary	Temporary	-	-
If temporary write-down, description of write-up mechanism	Disappearance of non-existence and higher core capital ratio than 5,125 %	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After borrowing and contribution capital	After borrowing, before additional capital, the same as other contribution capital	After borrowing, before additional capital, the same as other contribution capital
Incompliance with article number 7 and 8 of "Own fund regulation"	Article number 7&8 of "Own fund regulation"	Article number 7&8 of "Own fund regulation"	Article number 7&8 of "Own fund regulation"
Details of incompliances with article number 7 and 8 of "Own fund regulation"	-	-	-

(\*) The conversion rate/value will be calculated based on the market data available when the right is exercised.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**Information on Article 5 of the Regulation on Equities of Banks:**

<b>EQUITY ITEMS</b>	<b>T</b>	<b>T-1</b>	<b>T-2</b>
Common Equity	18.739.689	18.609.377	18.479.065
Transition process not implemented Common Equity	18.479.065	18.479.065	18.479.065
Tier 1 Capital	22.838.888	22.708.576	22.578.264
Transition process not implemented Tier 1 Capital	22.578.264	22.578.264	22.578.264
Total Capital	27.579.691	27.449.379	27.319.067
Transition process not implemented Equity	27.319.067	27.319.067	27.319.067
<b>TOTAL RISK WEIGHTED AMOUNTS</b>			
Total Risk Weighted Amounts	159.487.216	159.487.216	159.487.216
<b>Capital Adequacy Ratio</b>			
Common Equity Adequacy Ratio (%)	11,75	11,67	11,59
Transition process not implemented Common Equity Ratio (%)	11,59	11,59	11,59
Tier 1 Capital Adequacy Ratio (%)	14,32	14,24	14,16
Transition process not implemented Tier 1 Capital Adequacy Ratio (%)	14,16	14,16	14,16
Capital Adequacy Ratio (%)	17,29	17,21	17,13
Transition process not implemented Capital Adequacy Ratio (%)	17,13	17,13	17,13
<b>LEVERAGE</b>			
Leverage Ratio Total Risk Amount	323.278.904	323.278.904	323.278.904
Leverage (%)	6,88	6,88	6,88
Transition process not implemented Leverage Ratio (%)	6,80	6,80	6,80

**Explanations on the reconciliation of shareholders' equity items and balance sheet amounts:**

There are differences between amounts in the explanation on equity items and amounts on the balance sheet. In this context; up to 1,25% of the amount of the first and second part of the expected loss provisions is taken into account as contribution capital, loses from cash flow hedges have not been taken into consideration in the information on the equity items and valuation adjustments calculated according to item (i) of the first paragraph of the ninth article of the "Regulation on Equity of Banks" have been taken into consideration in the explanations on equity items.

**II. Explanations On Risk Management**

Notes and explanations in this section have been prepared in accordance with the Communiqué on Disclosures about RWA flow statements of credit risk exposures under IRB Risk Management to Be Announced to Public by Banks that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of March 31, 2016. According to Communiqué have to be presented on three-month basis. Due to usage of standard approach for the calculation of capital adequacy by the Bank, the following tables have not been presented as of September 30, 2020:

- RWA flow statements of credit risk exposures under IRB
- RWA flow statements of CCR exposures under the Internal Model Method (IMM)
- IRB (stock investment subject to specialized loans and simple risk weight approach)
- RWA flow statements of market risk exposures under an IMA
- Comparing VaR estimations with profit/loss

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**1) GB1 – Overview of risk weighted assets:**

	Risk Weighted Amount		Minimum Capital Requirement	
	30.09.2020	31.12.2019	30.09.2020	31.12.2019
1 Credit Risk (Excluding Counterparty Credit Risk)	133.210.307	133.737.010	10.656.825	10.698.961
2 Standardized approach	133.210.307	133.737.010	10.656.825	10.698.961
3 Internal rating-based approach	-	-	-	-
4 Counterparty credit risk	6.833.660	4.817.823	546.693	385.426
5 Standardized approach for counterparty credit Risk	6.833.660	4.817.823	546.693	385.426
6 Internal model method	-	-	-	-
7 Basic risk weight approach to internal models equity position in the banking account	-	-	-	-
8 Investments made in collective investment companies – look-through approach	-	-	-	-
9 Investments made in collective investment companies – mandate-based approach	-	-	-	-
10 Investments made in collective investment companies – 1250% weighted risk approach	-	-	-	-
11 Settlement risk	-	-	-	-
12 Securitization positions in banking accounts	-	-	-	-
13 IRB ratings-based approach	-	-	-	-
14 IRB Supervisory Formula Approach	-	-	-	-
15 SA/simplified supervisory formula approach	-	-	-	-
16 Market risk	4.774.463	3.347.613	381.957	267.809
17 Standardized approach	4.774.463	3.347.613	381.957	267.809
18 Internal model approaches	-	-	-	-
19 Operational Risk	14.668.786	12.435.826	1.173.503	994.866
20 Basic Indicator Approach	14.668.786	12.435.826	1.173.503	994.866
21 Standard Approach	-	-	-	-
22 Advanced measurement approach	-	-	-	-
23 The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-	-
24 Floor adjustment	-	-	-	-
<b>25 TOTAL (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>159.487.216</b>	<b>154.338.272</b>	<b>12.758.978</b>	<b>12.347.062</b>

**III. Explanations on Foreign Currency Exchange Rate Risk**

**1. Whether the Bank is exposed to foreign exchange risk, whether the effects of this situation are estimated, and whether the Board of Directors of the Bank sets limits for positions that are monitored daily**

The difference between the Bank's foreign currency denominated and foreign currency indexed assets and liabilities is defined as the "Net Foreign Currency Position" and is the basis of currency risk. Foreign currency denominated assets and liabilities, together with purchase and sale commitments, give rise to foreign exchange exposure ("cross currency risk").

Board of Directors determine the limits considering the consistency with the "Foreign Currency Net General Position." Positions are being followed daily and limits are reviewed at least once a year depending on economic conditions and Bank strategy and updated as deemed necessary.

In measuring the exchange rate exposure of the Bank, the "standard method" used in the legal reports and the internal method are used in the VaR. The measurements made within the scope of the standard method are carried out monthly and the measurements made within the scope of VaR calculations are carried out on a daily basis.

**2.The magnitude of hedging foreign currency debt instruments and net foreign currency investments by using derivatives**

The Bank hedges foreign currency borrowings with derivative instruments. The Bank does not hedge net foreign currency investments with derivative instruments (Details explaining Section Five Part Three).

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**3. Bank's spot foreign Exchange bid rates of the Bank as of the balance sheet date and for each of the five days prior to that date**

US Dollar purchase rate at the date of the balance sheet	TL 7,8080
Euro purchase rate at the date of the balance sheet	TL 9,1281

<b><u>Date</u></b>	<b><u>US Dollar</u></b>	<b><u>Euro</u></b>
September 30, 2020	7,8080	9,1281
September 29, 2020	7,7507	9,0268
September 28, 2020	7,5546	8,8050
September 25, 2020	7,6630	8,9277
September 24, 2020	7,6570	8,9590

**4. The basic arithmetical average of the Bank's foreign exchange bid rate for the last thirty days**

The basic arithmetical average of the Bank's US Dollar and Euro purchase rates for September 2020 are TL 7,5078 and TL 8,8608 respectively.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**5. Information on the foreign currency exchange rate risk of the Bank (Thousands of TL)**

<b>Current Period</b>	<b>EUR</b>	<b>USD</b>	<b>Other FC</b>	<b>Total</b>
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank <sup>(1)</sup>	11.762.009	14.007.193	1.032.921	26.802.123
Due From Banks	243.334	450.607	134.216	828.157
Financial Assets at Fair Value through Profit/Loss <sup>(2)</sup>	754.967	884.661	547	1.640.175
Money Market Placements	-	98.459	-	98.459
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	1.921.382	6.601.376	-	8.522.758
Loans and Receivables <sup>(3)</sup>	30.333.443	18.200.318	189.268	48.723.029
Investments in Assoc., Subsidiaries and Entities under Common Control (Joint Vent.)	-	-	-	-
Financial Assets Measured at Amortized Cost	1.624.216	7.790.523	-	9.414.739
Derivative Financial Assets Hedging Purposes	-	629.450	-	629.450
Tangible Assets	-	-	52	52
Intangible Assets	-	-	-	-
Other Assets <sup>(4)</sup>	3.160.644	4.335.781	668	7.497.093
<b>Total Assets</b>	<b>49.799.995</b>	<b>52.998.368</b>	<b>1.357.672</b>	<b>104.156.035</b>
<b>Liabilities</b>				
Bank Deposits	164.022	3.643.683	316.216	4.123.921
Foreign Currency Deposits <sup>(5)</sup>	15.975.637	49.263.709	16.040.978	81.280.324
Money Market Borrowings	1.061.095	9.768.313	-	10.829.408
Funds Provided from Other Financial Institutions	8.371.987	18.792.528	-	27.164.515
Securities Issues	-	12.101.347	951.269	13.052.616
Sundry Creditors	3.290.381	2.123.894	5.471	5.419.746
Derivative Fin. Liabilities for Hedging Purposes	50.706	1.808.606	-	1.859.312
Other Liabilities <sup>(6)</sup>	853.815	1.618.198	900	2.472.913
<b>Total Liabilities</b>	<b>29.767.643</b>	<b>99.120.278</b>	<b>17.314.834</b>	<b>146.202.755</b>
<b>Net Balance Sheet Position</b>	<b>20.032.352</b>	<b>(46.121.910)</b>	<b>(15.957.162)</b>	<b>(42.046.720)</b>
<b>Net Off-Balance Sheet Position</b>	<b>(20.085.386)</b>	<b>43.141.929</b>	<b>15.966.363</b>	<b>39.022.906</b>
Financial Derivative Assets	23.925.480	121.394.351	20.577.658	165.897.489
Financial Derivative Liabilities	44.010.866	78.252.422	4.611.295	126.874.583
Non-Cash Loans <sup>(7)</sup>	10.573.716	12.240.109	360.188	23.174.013
<b>Prior Period</b>				
Total Assets	34.267.167	38.569.548	1.023.236	73.859.951
Total Liabilities	24.574.639	72.790.345	5.677.136	103.042.120
<b>Net Balance Sheet Position</b>	<b>9.692.528</b>	<b>(34.220.797)</b>	<b>(4.653.900)</b>	<b>(29.182.169)</b>
<b>Net Off-Balance Sheet Position</b>	<b>(9.599.135)</b>	<b>33.099.527</b>	<b>4.660.214</b>	<b>28.160.606</b>
Financial Derivative Assets	18.473.411	89.357.689	4.984.700	112.815.800
Financial Derivative Liabilities	28.072.546	56.258.162	324.486	84.655.194
Non-Cash Loans	8.107.684	9.513.266	625.822	18.246.772

<sup>(1)</sup> Cash and Balances with TR Central Bank; Other FC include TL 885.923 (December 31, 2019 – TL 737.276) precious metal deposit account.

<sup>(2)</sup> Does not include TL 491.612 (December 31, 2019– TL 167.549) of currency income accruals arising from derivative transactions. In accordance with TFRS 9, TL 119.806 which is accounted under Financial Assets at Fair Value Through profit or Loss is not included.

<sup>(3)</sup> Includes TL 1.159.699 (December 31, 2019 – TL 1.083.065) FC indexed loans.

<sup>(4)</sup> Does not include FC prepaid expenses amounting to TL 46.248 (December 31, 2019 – TL 37.315) as per BRSA's Communique published in Official Gazette no 26085 on 19 February 2006.

<sup>(5)</sup> Other foreign currency includes TL 14.424.079 (December 31, 2019 – TL 3.700.363) of precious metal deposit account..

<sup>(6)</sup> Does not include currency expense accruals of derivative financial instruments kept in FC accounts amounting to TL 479.520 (December 31, 2019 – TL 103.590)

<sup>(7)</sup> Does not have an effect on Net Off-Balance Sheet Position.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
 (Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**IV. Explanations on Interest Rate Risk**

Interest rate risk that would arise from the changes in interest rates depending on the Bank's position is managed by the Asset/Liability Committee of the Bank.

Interest rate sensitivity of assets, liabilities and off balance sheet items is analyzed by top management in the Asset/Liability Committee meetings held every month by taking the market developments into consideration.

The management of the Bank follows the interest rates in the market on a daily basis and revises interest rates of the Bank when necessary.

Besides customer deposits, the Bank funds its long term fixed interest rate TL loan portfolio with long term (up to 10 years) floating interest rate foreign currency funds obtained from international markets. The Bank changes the foreign currency liquidity obtained from customer deposit accounts and the international markets to TL liquidity with long term swap transactions (fixed TL interest rate and floating FC interest rate). Therefore, the Bank not only funds its long term fixed interest rate loans with TL but also hedges itself from interest rate and maturity risk.

**Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items**

(Based on repricing dates)

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing <sup>(1)</sup>	Total
<b>Current Period</b>							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank <sup>(2)</sup>	7.663.477	-	-	-	-	20.581.566	28.245.043
Banks <sup>(3)</sup>	447.520	-	-	-	-	821.964	1.269.484
Financial Assets at Fair Value Through Profit/Loss <sup>(4)</sup>	191	119.823	170.000	25.300	24.998	11.055.762	11.396.074
Money Market Placements	98.459	-	-	-	-	-	98.459
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) <sup>(5)</sup>	221.423	3.565.074	2.123.541	3.856.736	4.647.486	2.205.454	16.619.714
Loans and Receivables	27.681.877	20.494.400	50.369.936	32.246.871	3.772.815	1.918.808	136.484.707
Financial Assets Measured at Amortized Cost <sup>(6)</sup>	712.909	3.342.908	5.846.357	3.402.513	4.937.297	404.941	18.646.925
Other Assets	-	-	-	-	-	16.797.324	16.797.324
<b>Total Assets</b>	<b>36.825.856</b>	<b>27.522.205</b>	<b>58.509.834</b>	<b>39.531.420</b>	<b>13.382.596</b>	<b>53.785.819</b>	<b>229.557.730</b>
Liabilities							
Bank Deposits	3.419.875	1.281.313	252.103	-	-	83.577	5.036.868
Other Deposits	62.659.269	14.904.386	2.771.346	368.055	133	48.806.636	129.509.825
Money Market Borrowings	3.789.485	1.772.776	6.198.004	158.567	-	80.658	11.999.490
Sundry Creditors	5.419.746	-	-	-	-	4.362.776	9.782.522
Securities Issued	1.732.779	1.073.330	503.438	12.023.093	-	-	15.332.640
Funds Borrowed	2.482.337	15.441.954	5.401.005	4.320.722	563	1.924	27.648.505
Other Liabilities <sup>(7)</sup>	1.006	2.979	20.111	341.791	11.139	29.870.854	30.247.880
<b>Total Liabilities</b>	<b>79.504.497</b>	<b>34.476.738</b>	<b>15.146.007</b>	<b>17.212.228</b>	<b>11.835</b>	<b>83.206.425</b>	<b>229.557.730</b>
On Balance Sheet Long Position	-	-	43.363.827	22.319.192	13.370.761	-	79.053.780
On Balance Sheet Short Position	(42.678.641)	(6.954.533)	-	-	-	(29.420.606)	(79.053.780)
Off-Balance Sheet Long Position	7.587.620	11.225.594	882.768	-	-	-	19.695.982
Off-Balance Sheet Short Position	-	-	-	(3.028.019)	(9.888.384)	-	(12.916.403)
<b>Total Position</b>	<b>(35.091.021)</b>	<b>4.271.061</b>	<b>44.246.595</b>	<b>19.291.173</b>	<b>3.482.377</b>	<b>(29.420.606)</b>	<b>6.779.579</b>

<sup>(1)</sup> Non Interest Bearing column includes accruals, provision for losses and derivative financial instruments' fair value valuation difference.

<sup>(2)</sup> Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank include amount of TL 3.205 expected loss provisions.

<sup>(3)</sup> Banks include balance of expected loss provisions amounting to TL 9.770.

<sup>(4)</sup> Financial Assets at Fair Value Through Profit/Loss include TL 11.025.717 derivative financial assets reflected as FVTPL.

<sup>(5)</sup> Financial Assets at Fair Value Through Other Comprehensive Income include TL 2.374.869 derivative financial assets reflected as FVTPL.

<sup>(6)</sup> Financial Assets measured at amortized cost includes the balance of the expected loss provisions amounting to TL 10.021.

<sup>(7)</sup> Other Liabilities includes Derivative Financial Liabilities amounting to TL 7.980.129.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing <sup>(1)</sup>	Total
<b>Prior Period</b>							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank <sup>(2)</sup>	5.273.824	-	-	-	-	13.474.408	18.748.232
Banks <sup>(3)</sup>	397.559	-	-	-	-	456.522	854.081
Financial Assets at Fair Value Through Profit/Loss <sup>(4)</sup>	105.443	7.324	100.830	83.906	10.890	6.612.867	6.921.260
Money Market Placements <sup>(5)</sup>	3.040.962	-	-	-	-	-	3.040.962
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) <sup>(6)</sup>	888.910	951.296	3.187.056	3.129.517	3.756.217	1.790.287	13.703.283
Loans and Receivables	26.662.304	13.675.068	39.329.793	25.677.719	2.920.806	2.330.702	110.596.392
Financial Assets Measured at Amortized Cost <sup>(7)</sup>	2.102.380	2.924.348	3.936.398	2.689.458	4.240.487	276.379	16.169.450
Other Assets	-	-	-	-	-	11.646.851	11.646.851
<b>Total Assets</b>	<b>38.471.382</b>	<b>17.558.036</b>	<b>46.554.077</b>	<b>31.580.600</b>	<b>10.928.400</b>	<b>36.588.016</b>	<b>181.680.511</b>
Liabilities							
Bank Deposits	3.244.393	1.864.410	103.274	-	-	194.282	5.406.359
Other Deposits	56.711.063	14.379.041	3.507.554	253.342	149	25.368.275	100.219.424
Money Market Borrowings	3.169.354	3.117.558	2.580.779	47.000	94.372	55.791	9.064.854
Sundry Creditors	3.943.415	-	-	-	-	3.652.793	7.596.208
Securities Issued	1.427.774	2.238.188	406.078	9.013.934	-	-	13.085.974
Funds Borrowed	2.594.108	9.297.887	5.662.540	63.315	3.121.810	2.302	20.741.962
Other Liabilities <sup>(8)</sup>	1.426	2.576	26.550	410.576	6.602	25.118.000	25.565.730
<b>Total Liabilities</b>	<b>71.091.533</b>	<b>30.899.660</b>	<b>12.286.775</b>	<b>9.788.167</b>	<b>3.222.933</b>	<b>54.391.443</b>	<b>181.680.511</b>
On Balance Sheet Long Position	-	-	34.267.302	21.792.433	7.705.467	-	63.765.202
On Balance Sheet Short Position	(32.620.151)	(13.341.624)	-	-	-	(17.803.427)	(63.765.202)
Off-Balance Sheet Long Position	2.860.494	15.346.143	-	-	-	-	18.206.637
Off-Balance Sheet Short Position	-	-	(16.962)	(9.826.412)	(3.490.092)	-	(13.333.466)
<b>Total Position</b>	<b>(29.759.657)</b>	<b>2.004.519</b>	<b>34.250.340</b>	<b>11.966.021</b>	<b>4.215.375</b>	<b>(17.803.427)</b>	<b>4.873.171</b>

<sup>(1)</sup> Non Interest Bearing column includes accruals, provision for losses and derivative financial instruments' fair value valuation difference.

<sup>(2)</sup> Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank include amount of TL 2.309 expected loss provisions.

<sup>(3)</sup> Banks include balance of expected loss provisions amounting to TL 5.498.

<sup>(4)</sup> Financial Assets at Fair Value Through Profit/Loss include TL 6.586.311 derivative financial assets reflected as FVTPL.

<sup>(5)</sup> There is no balance at Receivables from Money Markets include the balance of expected loss provisions.

<sup>(6)</sup> Financial Assets at Fair Value Through Other Comprehensive Income include TL 1.359.842 derivative financial assets used for hedging purposes.

<sup>(7)</sup> Financial Assets measured at amortized cost includes the balance of the expected loss provisions amounting to TL 11.852.

<sup>(8)</sup> Other Liabilities includes Derivative Financial Liabilities amounting to TL 4.978.934.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**Average interest rates applied to monetary financial instruments**

	EURO %	USD %	JPY %	TL %
<b>Current Period</b>				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the T.R. Central Bank	-	-	-	7,00
Due from Banks	-	-	-	11,88
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	3,60	6,06	-	10,68
Money Market Placements	-	0,07	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	2,87	5,29	-	11,25
Loans and Receivables	4,23	5,52	2,45	13,09
Financial Assets Measured at Amortized Cost	3,76	5,54	-	11,44
Liabilities				
Bank Deposits	0,99	1,73	-	11,50
Other Deposits	0,38	1,30	0,41	10,83
Money Market Borrowings	(0,08)	1,49	-	9,53
Sundry Creditors	(0,47)	-	-	-
Securities Issued	-	5,65	-	10,07
Funds Borrowed	2,22	4,87	-	9,90
	EURO %	USD %	JPY %	TL %
<b>Prior Period</b>				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the T.R. Central Bank	-	-	-	10,00
Due from Banks	-	-	-	11,40
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	2,94	8,64	-	11,82
Money Market Placements	-	-	-	11,55
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	2,92	5,27	-	18,00
Loans and Receivables	4,87	6,60	2,46	16,60
Financial Assets Measured at Amortized Cost	3,20	5,50	-	12,46
Liabilities				
Bank Deposits	0,33	2,39	-	10,95
Other Deposits	0,22	2,00	0,02	10,16
Money Market Borrowings	0,07	2,06	-	9,87
Sundry Creditors	(0,46)	1,55	-	-
Securities Issued	-	5,74	-	11,79
Funds Borrowed	2,19	5,92	-	12,04

**V. Explanations on Position Risk of Equity Securities in Banking Book**

Equity Securities (shares)	Comparison		
	Carrying Value	Fair Value	Market Value
<b>1. Investment in Shares- grade A</b>	-	-	-
Quoted Securities	-	-	-
<b>2. Investment in Shares- grade B</b>	-	-	-
Quoted Securities	-	-	-
<b>3. Investment in Shares- grade C</b>	<b>741.876</b>	-	<b>741.876</b>
Quoted Securities	741.876	-	741.876
<b>4. Investment in Shares- grade Other (*)</b>	<b>978.614</b>	<b>923.745</b>	-

(\*) Includes associates, subsidiaries and entities under common control not quoted to ISE and not classified as investment in shares by Capital market Board (CMB).

Portfolio	Gains/Losses in Current Period	Revaluation Surpluses		Unrealized Gains and Losses	
		Total	Amount under Supplementary Capital	Total	Amount under Core Capital
1. Private Equity Investments	-	1.110.575	1.110.575	-	-
2. Quoted Shares	(5.639)	-	-	-	-
3. Other Shares	-	-	-	-	-
<b>4. Total</b>	<b>(5.639)</b>	<b>1.110.575</b>	<b>1.110.575</b>	<b>-</b>	<b>-</b>

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**VI. Explanations on Remarks Regarding Liquidity Risk Management and Liquidity Coverage Ratio**

Liquidity Risk of the Bank is monitored and managed in accordance with Liquidity Risk Management Policy. According to this policy, Board of Directors is responsible to review and approve risk profile and appetite of the Bank periodically. Senior Management takes necessary measures to monitor aforementioned risk and controls liquidity risk in line with accepted strategies and policies.

Treasury Department is responsible to carry out liquidity strategy determined and approved by Board of Directors. Risk Management Department is responsible to define, measure, monitor and control liquidity risk besides developing internal and external methods and procedures which are in line with context and structure of applicable activities in the Bank in order to monitor related limits. Senior management of the Bank is informed periodically regarding current liquidity risk amount exposed in order to ensure being under the approved limits of Bank's liquidity risk profile. Assets and Liabilities Committee (ALC) meetings, which ensure the necessary monitoring for liquidity risk, are held monthly. Risk Committee reviews the liquidity risk of the Bank monthly in addition to aforementioned meetings and informs Board of Directors. The Bank reviews its liquidity position daily. Internal and legal reports related to liquidity positions are examined in ALC meetings monthly with the participation of senior management. Several decisions are taken related to management of short and long term liquidity in this scope. Internal metrics such as reserve liquidity and deposit concentration are monitored daily besides liquidity coverage rate related to measurement of liquidity coverage. Internal limit and warning level are periodically monitored and reported to related parties by the Board of Directors.

The Bank has no liquidity management center and each entity, which is under control of the Bank, performs its liquidity management separately from the Bank by an authority responsible for liquidity management. Fund amounts, which shall be used by associates from the Bank, are determined in the framework of limits.

It is essential for the Bank to monitor its liquidity position and funding strategy consistently. Funding management of the Bank is carried out in line with limits and internal warning systems within the framework of ALC decisions. Funding and placement strategies are developed through evaluating the liquidity of the Bank. Liquidity position is evaluated and funding strategy is developed taking into consideration customer based concentration and maturity levels. While developing this strategy, it is aimed to fully utilize funding from long term and consistent resources.

A large part of the Bank's liabilities consist of TL, USD and EUR. Gap reports issued based on the aforementioned three currencies are presented in ALC meetings. Maturity mismatches based on currencies are managed through FC swap and FC forward.

The Bank diversifies its funding sources as customer deposits, foreign loans and bond issuance in order to reduce its liquidity risk. Measures are taken through making investments to assets having higher capacity to generate cash against liquidity crisis. The Bank watches over reducing customer deposit concentration and controls concentration level daily in line with warning level approved by the Board of Directors.

Liquidity life cycle approach is determined as the liquidity risk stress test methodology. This approach is a stress test to measure the period in which the Bank can meet its cumulative cash outflows without providing a fund from the market. Liquidity life cycle is calculated according to various scenarios and simulated in line with possible scenarios in crisis situation and the results are reported to Risk Committee and Board of Directors.

Emergency Funding Plan (EMP) of the Bank regulates funding activities to be used in liquidity crisis periods specific to the Bank or in liquidity crisis at financial markets. EMP defines components triggering the crisis and early warning indicators which help to evaluate and manage the liquidity crisis and determine primary funding structure. EMP also defines actions of the Bank against cash and guarantee need. In addition to aforementioned issues, EMP determines duties and responsibilities in performing actions in a liquidity crisis included in risk management and emergency funding plan.

Due to the financial uncertainty caused by the coronavirus epidemic, undemonstrative liquidity management has been one of the top priorities of the Bank. Although a flexibility provided to comply with the minimum ratios of the Liquidity Coverage Ratio (LCR) according to the regulation published by the BRSA on March 26, 2020, the Bank manages LCR above the limit by keeping its high-quality liquid assets at a sufficient level. The Bank has created four different stress test scenarios that measure how long it can meet the cumulative cash outflows, without providing any new funds from the market or by providing very low levels of funding. A new scenario created by observing the financial movements that occurred during the coronavirus epidemic process, and it is observed that the Bank's liquid assets can be converted into cash in order to meet its liquidity needs over 30 days, which is the minimum life span of all scenarios.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**Liquidity Coverage Ratio**

Current Period – September 30, 2020	Unweighted Amounts (*)		Weighted Amounts (*)	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>			<b>40.557.555</b>	<b>27.335.777</b>
1 High Quality Liquid Assets	39.320.539	25.092.764	39.320.539	25.092.764
<b>CASH OUTFLOWS</b>				
2 Retail and Small Business Customers Deposits	94.772.896	55.359.072	8.572.846	5.535.907
3 Stable deposits	18.088.869	-	904.443	-
4 Less stable deposits	76.684.027	55.359.072	7.668.403	5.535.907
5 Unsecured Funding other than Retail and Small Business Customers Deposits	33.893.582	21.886.243	18.986.247	12.226.887
6 Operational deposits	874.736	219.751	218.684	54.938
7 Non-Operational Deposits	27.673.576	20.362.114	14.527.646	10.874.602
8 Other Unsecured Funding	5.345.270	1.304.378	4.239.917	1.297.347
9 Secured funding	-	-	181.218	181.218
10 Other Cash Outflows	48.949.207	38.568.794	48.949.207	38.568.794
11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions	48.949.207	38.568.794	48.949.207	38.568.794
12 Debts related to the structured financial products	-	-	-	-
13 Commitment related to debts to financial markets	-	-	-	-
14 Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	35.779.740	15.715	1.788.987	785
15 Other irrevocable or conditionally revocable commitments	87.829.093	23.585.602	6.522.883	2.326.000
<b>16 TOTAL CASH OUTFLOWS</b>			<b>85.001.388</b>	<b>58.839.591</b>
<b>CASH INFLOWS</b>				
17 Secured Lending Transactions	904.923	10.606	-	-
18 Unsecured Lending Transactions	7.618.622	2.297.092	4.888.652	1.912.914
19 Other contractual cash inflows	47.139.911	46.202.967	47.139.911	46.202.967
<b>20 TOTAL CASH INFLOWS</b>	<b>55.663.456</b>	<b>48.510.665</b>	<b>52.028.563</b>	<b>48.115.881</b>
			<b>Capped Amounts</b>	
<b>21 TOTAL HIGH QUALITY LIQUID ASSETS</b>			<b>39.320.539</b>	<b>25.092.764</b>
<b>22 TOTAL NET CASH OUTFLOWS</b>			<b>32.972.825</b>	<b>15.331.436</b>
<b>23 LIQUIDITY COVERAGE RATIO (%)</b>			<b>119,25%</b>	<b>163,67%</b>

(\*) In current period unconsolidated Liquidity Coverage Ratio table, the arithmetic average of the last three months weekly unconsolidated Liquidity Coverage Ratio's are used.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Prior Period – December 31, 2019	Unweighted Amounts (*)		Weighted Amounts (*)	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>			<b>34.400.477</b>	<b>18.771.048</b>
1 High Quality Liquid Assets	34.400.477	18.771.048	34.400.477	18.771.048
<b>CASH OUTFLOWS</b>				
2 Retail and Small Business Customers Deposits	77.257.406	40.168.545	6.967.418	4.016.855
3 Stable deposits	15.166.448	-	758.322	-
4 Less stable deposits	62.090.958	40.168.545	6.209.096	4.016.855
5 Unsecured Funding other than Retail and Small Business Customers Deposits	28.269.106	16.039.720	17.401.992	10.406.087
6 Operational deposits	749.482	114.334	187.371	28.584
7 Non-Operational Deposits	21.017.991	13.336.675	11.940.297	7.803.602
8 Other Unsecured Funding	6.501.633	2.588.711	5.274.324	2.573.901
9 Secured funding	-	-	77.702	77.702
10 Other Cash Outflows	27.051.006	18.854.927	27.051.006	18.854.927
11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions	27.051.006	18.854.927	27.051.006	18.854.927
12 Debts related to the structured financial products	-	-	-	-
13 Commitment related to debts to financial markets	-	-	-	-
14 Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	34.312.602	918.327	1.715.630	45.916
15 Other irrevocable or conditionally revocable commitments	72.972.627	17.233.455	5.279.507	1.500.041
<b>16 TOTAL CASH OUTFLOWS</b>	<b>-</b>	<b>-</b>	<b>58.493.255</b>	<b>34.901.528</b>
<b>CASH INFLOWS</b>				
17 Secured Lending Transactions	2.637.365	-	-	-
18 Unsecured Lending Transactions	7.935.435	1.506.084	4.936.985	1.231.233
19 Other contractual cash inflows	25.236.020	22.949.894	25.236.020	22.949.894
<b>20 TOTAL CASH INFLOWS</b>	<b>35.808.820</b>	<b>24.455.978</b>	<b>30.173.005</b>	<b>24.181.127</b>
			<b>Capped Amounts</b>	
<b>21 TOTAL HIGH QUALITY LIQUID ASSETS</b>			<b>34.400.477</b>	<b>18.771.048</b>
<b>22 TOTAL NET CASH OUTFLOWS</b>			<b>28.320.250</b>	<b>10.793.333</b>
<b>23 LIQUIDITY COVERAGE RATIO (%)</b>			<b>121,47%</b>	<b>173,91%</b>

(\*) In current period unconsolidated Liquidity Coverage Ratio table, the arithmetic average of the last three months weekly unconsolidated Liquidity Coverage Ratio's are used.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

The dates and values of minimum and maximum foreign currency and total liquidity coverage ratios calculated weekly related to the last three months of 2020 are explained in the table below. According to “Regulation on Liquidity Coverage Ratio Calculation” published in the Official Gazette numbered 28948, dated March 21, 2014.

	<b>Maximum</b>	<b>Week</b>	<b>Minimum</b>	<b>Week</b>	<b>Average</b>
<b>TL+FC</b>	126,64	10.07.2020	112,85	18.09.2020	119,43
<b>FC</b>	177,39	25.09.2020	146,67	21.08.2020	163,97

Liquidity coverage ratio is regulated by the BRSA to make sure that the Banks sustain high quality liquid asset stock to cover probable cash outflows in the short term.

All of Bank’s high quality liquid assets are comprised of first quality liquid assets, most of which are CBT accounts and securities that are issued by the Turkish Treasury that have not been collateralized. Optional use of reserve levels and fluctuations in repo amount lead up to periodical variations in liquidity coverage ratio. Additionally syndication loans and large amount funds such as foreign bond issuances that have less than 1 month to maturity, lead up to short term fall in liquidity coverage ratios.

Funding sources of the Bank mainly consist of deposits which constitute 59% of total liabilities of the bank (December 31, 2019 – 57%) and also include repo, syndication, securitization, securities issued and other instruments including subordinated debts.

The Bank effectively uses derivative transactions to manage interest and liquidity risk. Impact of derivative cash flows in terms of liquidity coverage ratio is limited. However, FX swaps used in short term foreign currency liquidity management cause liquidity coverage ratio to fluctuate due to changes in volume and 1-month maturity. In addition, possible cash outflow caused by margin call requirements of derivative transactions is taken into consideration in accordance with the respective regulations.

Secured funding consists repo securized borrowing transactions. A large part of securities which are subjects of aforementioned guaranteed funding transactions consist of Sovereign Bonds issued by Treasury of the Republic of Turkey and transactions are carried out both in CBRT market and interbank market.

The Bank manages all the transactions made before its foreign branches and partnership in the framework of central bank, markets and related legislation of the country in which the institutions are located. Legal lending limits and high limit transactions are closely monitored in this framework.

All cash inflow and outflow items related to liquidity profile of the Bank are included in liquidity coverage ratio tables above.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**Presentation of assets and liabilities according to their remaining maturities**

<b>Current Period</b>	<b>Demand</b>	<b>Up to 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Unallocated <sup>(1)</sup></b>	<b>Total</b>
<b>Assets</b>								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R Central Bank <sup>(2)</sup>	13.287.080	14.961.168	-	-	-	-	(3.205)	28.245.043
Due from Banks <sup>(3)</sup>	829.105	450.149	-	-	-	-	(9.770)	1.269.484
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL) <sup>(4)</sup>	18.057	960.796	1.080.495	2.534.553	5.184.548	1.617.625	-	11.396.074
Money Markets Placements <sup>(5)</sup>	-	98.459	-	-	-	-	-	98.459
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) <sup>(6)</sup>	258.241	112.185	464.367	2.422.360	7.398.006	5.964.555	-	16.619.714
Loans and Receivables	-	22.081.986	11.688.326	44.025.923	41.664.184	15.105.480	1.918.808	136.484.707
Financial Assets Measured at Amortized Cost <sup>(7)</sup>	-	-	-	2.112.397	9.792.367	6.752.182	(10.021)	18.646.925
Other Assets	-	9.669.882	-	-	1.474.410	-	5.653.032	16.797.324
<b>Total Assets</b>	<b>14.392.483</b>	<b>48.334.625</b>	<b>13.233.188</b>	<b>51.095.233</b>	<b>65.513.515</b>	<b>29.439.842</b>	<b>7.548.844</b>	<b>229.557.730</b>
<b>Liabilities</b>								
Bank Deposits	83.577	3.419.874	1.281.313	252.104	-	-	-	5.036.868
Other Deposits	48.806.636	62.659.269	14.904.386	2.771.346	368.055	133	-	129.509.825
Funds Borrowed	-	1.353.513	2.789.809	8.200.527	8.917.775	2.189.426	4.197.455	27.648.505
Money Market Borrowings	-	2.728.396	622	5.224.724	2.823.939	1.221.809	-	11.999.490
Securities Issued	-	1.732.779	1.073.330	503.438	12.023.093	-	-	15.332.640
Sundry Creditors	-	9.782.522	-	-	-	-	-	9.782.522
Other Liabilities <sup>(8)</sup>	-	3.774.951	432.355	1.552.580	2.512.681	3.239.624	18.735.689	30.247.880
<b>Total Liabilities</b>	<b>48.890.213</b>	<b>85.451.304</b>	<b>20.481.815</b>	<b>18.504.719</b>	<b>26.645.543</b>	<b>6.650.992</b>	<b>22.933.144</b>	<b>229.557.730</b>
<b>Liquidity Excess / Gap</b>	<b>(34.497.730)</b>	<b>(37.116.679)</b>	<b>(7.248.627)</b>	<b>32.590.514</b>	<b>38.867.972</b>	<b>22.788.850</b>	<b>(15.384.300)</b>	<b>-</b>
<b>Net Off Balance Sheet Position <sup>(9)</sup></b>	<b>-</b>	<b>367.054</b>	<b>1.109.144</b>	<b>1.095.420</b>	<b>3.616.529</b>	<b>55.709</b>	<b>-</b>	<b>6.243.856</b>
Receivables from Financial Derivative Instruments	-	53.739.683	22.475.025	19.392.536	47.755.399	32.836.118	-	176.198.761
Liabilities from Derivatives	-	53.372.629	21.365.881	18.297.116	44.138.870	32.780.409	-	169.954.905
<b>Non-cash Loans <sup>(10)</sup></b>	<b>-</b>	<b>1.277.404</b>	<b>3.379.805</b>	<b>13.407.400</b>	<b>7.845.512</b>	<b>501.828</b>	<b>8.250.007</b>	<b>34.661.956</b>
<b>Prior period</b>								
Total Assets	11.270.286	38.086.116	11.944.597	36.170.125	52.780.199	23.471.168	7.958.020	181.680.511
Total Liabilities	25.562.557	76.345.703	22.425.212	11.187.036	21.876.638	6.517.092	17.766.273	181.680.511
<b>Liquidity Gap</b>	<b>(14.292.271)</b>	<b>(38.259.587)</b>	<b>(10.480.615)</b>	<b>24.983.089</b>	<b>30.903.561</b>	<b>16.954.076</b>	<b>(9.808.253)</b>	<b>-</b>
<b>Net-Off Balance Sheet Position <sup>(9)</sup></b>	<b>-</b>	<b>126.237</b>	<b>689.273</b>	<b>1.614.544</b>	<b>1.234.531</b>	<b>73.886</b>	<b>-</b>	<b>3.738.471</b>
Receivables from Derivative Instruments	-	28.122.718	10.960.908	18.695.045	43.542.178	25.704.743	-	127.025.592
Liabilities from Derivative Instruments	-	27.996.481	10.271.635	17.080.501	42.307.647	25.630.857	-	123.287.121
<b>Non-cash Loans <sup>(10)</sup></b>	<b>-</b>	<b>1.444.446</b>	<b>3.429.954</b>	<b>10.412.022</b>	<b>5.527.961</b>	<b>574.047</b>	<b>7.128.674</b>	<b>28.517.104</b>

<sup>(1)</sup> The assets which are necessary to provide banking services and could not be liquidated in the short-term, such as fixed assets, investments in subsidiaries and associates, office stationery, and prepaid expenses are classified under this column. Unallocated other liabilities include shareholders' equity amounting to TL 17.719.327 (December, 31 2019 : TL 16.685.059), current tax liabilities amounting to TL 14.771 and unallocated provisions amounting to TL 1.001.590 (December 31, 2019: TL 875.641).

<sup>(2)</sup> Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R Central Bank includes expected loss provisions the amount of TL 3.205 (December 31, 2019 : TL 2.309).

<sup>(3)</sup> Banks include balance of expected loss provisions amounting to TL 9.770.

<sup>(4)</sup> Financial Assets at Fair Value Through Profit/Loss includes TL 11.025.717 (December 31, 2019 : TL 6.586.311) derivative financial assets used for Financial Assets at Fair Value Through Profit/Loss.

<sup>(5)</sup> There is no balance at Receivables from Money Markets include the balance of expected loss provisions (December 31, 2019 : None).

<sup>(6)</sup> Financial Assets at Fair Value Through Other Comprehensive Income include TL 2.374.869 (December 31, 2019: TL 1.359.842) derivative financial assets used for hedging purposes.

<sup>(7)</sup> Financial assets measured at amortized cost include TL 10.021 (December 31, 2019: TL 11.852) of expected loss provisions.

<sup>(8)</sup> Other Liabilities includes Derivative Financial Liabilities amounting to TL 7.980.129 (December 31, 2019 TL 4.978.934).

<sup>(9)</sup> Liquidity excess / (deficit) related to Derivative Financial Instruments constituting Net Off-Balance positions are included in Liquidity Excess / (deficit) through valuations of related transactions to balance sheet.

<sup>(10)</sup> Amounts related to letter of guarantees represent contractual maturities and amounts included in aforementioned maturities and they have on demand and optionally withdrawable nature.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**VII. Information Regarding Leverage Ratio**

**Information in regards to the differences between current period and prior period leverage ratio**

The Bank's leverage ratio, calculated in accordance with the "Regulation on Measurement and Evaluation of Bank's Leverage Levels" is 6,88% (December 31, 2019: 7,34%). Subject level is above the minimum requirement which is determined as 3% by the regulation. Difference between current period and prior period leverage ratios is mostly due to increase in risk amounts of balance sheet asset items.

The table related to leverage ratio calculated in accordance with the "Regulation on Measurement and Evaluation of Bank's Leverage Levels" published in Official Gazette dated November 5, 2013 and numbered 28812 is below:

	Book Value	
	Current Period (*)	Prior Period (*)
<b>Assets on Balance sheet</b>		
Assets on Balance sheet (except for derivative financial instruments and credit (Assets deducted from capital stock)	209.803.813	171.361.772
	505.439	470.352
<b>Total risk amount related to Assets on Balance sheet</b>	<b>209.298.374</b>	<b>170.891.420</b>
<b>Derivative financial instruments and credit derivatives</b>		
Replacement cost of derivative financial instruments and credit derivatives	12.465.581	8.793.072
Potential credit risk amount of derivative financial instruments and credit derivatives	1.731.040	268.312
<b>Total risk amount related to derivative financial instruments and credit derivatives</b>	<b>14.196.621</b>	<b>9.061.384</b>
<b>Financial transactions having security or commodity collateral</b>		
Risk amount of financial transactions having security or commodity collateral	20.418	110.193
Risk amount sourcing from transactions mediated	78.936	2.245
<b>Total risk amount related to financial transactions having security or commodity collateral</b>	<b>99.354</b>	<b>112.438</b>
<b>Off-Balance sheet Transaction</b>		
Gross nominal amount of off-balance sheet transactions	131.839.467	118.646.144
(Adjustment amount sourcing from multiplying to credit conversion rates)	32.154.912	30.571.236
<b>Total risk amount related to off-balance sheet transactions</b>	<b>99.684.555</b>	<b>88.074.908</b>
<b>Capital and Total Risk</b>		
Core Capital	22.231.046	19.678.486
Amount of total risk	323.278.904	268.140.150
<b>Financial leverage ratio</b>		
Financial leverage ratio	6,88%	7,34%

(\*) Amounts stated in table shows the last three months averages of related period.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**SECTION FIVE**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS**

**I. Explanations and Disclosures Related to Assets**

**1. a) Cash and balances with the Central Bank of Turkey**

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	704.774	2.340.245	681.485	944.326
T.R. Central Bank	665.365	24.448.724	446.072	16.659.924
Other	75.986	13.154	-	18.734
<b>Total</b>	<b>1.446.125</b>	<b>26.802.123</b>	<b>1.127.557</b>	<b>17.622.984</b>

**b) Balances with the Central Bank of Turkey**

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	665.365	10.856.770	446.072	8.505.856
Restricted Time Deposits	-	13.591.954	-	8.154.068
<b>Total</b>	<b>665.365</b>	<b>24.448.724</b>	<b>446.072</b>	<b>16.659.924</b>

As of September 30, 2020 amount of TL 3.205 (December 31, 2019: TL 2.309) provision provided for the account T.R. Central Bank.

As of 30 September 2020, our bank has been appointed to C.B.R.T. depending on the maturity structure, the required reserve rates for TL liabilities vary between 1% and 4% for TL deposits and other liabilities according to their maturities. The reserve rates for foreign currency liabilities vary between 5% and 21% for deposit and other foreign currency liabilities, Gold deposit liabilities vary between 18% and 22% for gold liabilities according to their maturities.

In accordance with the "Communiqué Regarding the Reserve Requirements", the reserve requirements can be maintained as TL, USD, EUR and standard gold. As of September 30, 2020 the Bank received an interest rate since the Bank reaches to a credit growth rate of 7%.

**2. Further information on financial assets at fair value through profit/loss**

**a) Information on financial assets at fair value through profit/loss given as collateral or blocked**

As of balance sheet date, amount of financial assets at fair value through profit/loss which has given as collateral or blocked is TL 1.394 (December 31, 2019 – TL 6.227).

**b) Financial assets at fair value through profit/loss which subject to repurchase agreement**

None (December 31, 2019: None).

**c) Positive differences related to derivative financial assets held for trading**

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	87.042	-	65.165	-
Swap Transactions	4.596.833	1.922.680	2.705.538	889.149
Futures Transactions	-	-	-	-
Options	328	180.840	1.371	152.948
<b>Total</b>	<b>4.684.203</b>	<b>2.103.520</b>	<b>2.772.074</b>	<b>1.042.097</b>

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**3. a) Information on banks accounts**

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	451.095	87.606	400.733	5.806
Foreign	2	740.551	2	453.038
Foreign Head Offices and Branches	-	-	-	-
<b>Total</b>	<b>451.097</b>	<b>828.157</b>	<b>400.735</b>	<b>458.844</b>

As of September 30, 2020 amount of TL 9.770 provision provided for the Bank account (December 31, 2019 – TL 5.498).

**b) Information on foreign bank accounts**

	Unrestricted Amount		Restricted Amount (**)	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	327.112	133.118	31.498	23.958
USA and Canada	314.911	193.790	26.158	79.671
OECD Countries (*)	1.399	3.084	-	-
Off-shore Banking Regions	-	-	-	-
Other	39.475	19.419	-	-
<b>Total</b>	<b>682.897</b>	<b>349.411</b>	<b>57.656</b>	<b>103.629</b>

(\*) Includes OECD countries other than the EU countries, USA and Canada.

(\*\*) Includes blocked placements amounting to TL 57.656 at foreign banks (December 31, 2019 - TL 103.629) for the funds borrowed from foreign banks.

**4. Information on Receivables from Reverse Repurchase Agreements**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Domestic Transactions</b>	-	-	<b>3.040.962</b>	-
T.R Central Bank	-	-	-	-
Banks	-	-	3.040.962	-
Intermediary Institutions	-	-	-	-
Other Financial Institutions and Organizations	-	-	-	-
Other Institutions and Organization	-	-	-	-
Real Persons	-	-	-	-
<b>Foreign Transactions</b>	-	<b>98.459</b>	-	-
Central Banks	-	-	-	-
Banks	-	98.459	-	-
Intermediary Institutions	-	-	-	-
Other Financial Institutions and Organizations	-	-	-	-
Other Institutions and Organizations	-	-	-	-
Real Persons	-	-	-	-
<b>Total</b>	-	<b>98.459</b>	<b>3.040.962</b>	-

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**5. Information on Financial Assets Measured at Fair Value through Other Comprehensive Income**

**a) Information on financial assets measured at fair value through other comprehensive income that are subject to repurchase agreements and given as Collateral/blocked**

	Current Period		Prior Period	
	TL	FC	TL	FC
Given as Collateral/ Blocked	650.404	313.835	307.921	533.272
Subject to repurchase agreements	24.088	6.598.604	257.608	5.217.454
<b>Total</b>	<b>674.492</b>	<b>6.912.439</b>	<b>565.529</b>	<b>5.750.726</b>

**b) Information on financial assets at fair value through other comprehensive income**

	Current Period	Prior Period
<b>Debt securities</b>	<b>14.636.731</b>	<b>12.315.104</b>
Quoted on a stock exchange (*)	14.636.731	12.315.104
Unquoted on a stock exchange	-	-
<b>Share certificates</b>	<b>258.348</b>	<b>189.904</b>
Quoted on a stock exchange	125.283	-
Unquoted on a stock exchange	133.065	189.904
<b>Impairment provision(-)**</b>	<b>(650.234)</b>	<b>(161.567)</b>
<b>Total</b>	<b>14.244.845</b>	<b>12.343.441</b>

(\*) The Eurobond Portfolio amounting to TL 3.392.751 (December 31, 2019 - TL 2.788.968) which is accounted for as financial assets measured at fair value through other comprehensive income were hedged under fair value hedge accounting starting from March and April 2009. The mentioned financial assets are accounted for as financial assets measured at fair value through other comprehensive income in order to be in line with balance sheet presentation.

(\*\*) As of September 30, 2020 amount of TL 2.021 (December 31, 2019 - TL 1.958) provision provided for financial assets measured at fair value through other comprehensive income account.

**6. Information related to loans**

**a) Information on all types of loans and advances given to shareholders and employees of the Bank**

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
<b>Direct Loans Granted to Shareholders</b>	<b>8.898</b>	<b>48.800</b>	<b>3.192</b>	<b>37.126</b>
Corporate Shareholders	8.898	48.800	3.192	37.126
Individual Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
<b>Loans Granted to Employees(*)</b>	<b>160.024</b>	<b>-</b>	<b>127.384</b>	<b>-</b>
<b>Total</b>	<b>168.922</b>	<b>48.800</b>	<b>130.576</b>	<b>37.126</b>

(\*) Includes the advances given to the bank personnel.

**b) Performing loans and loans under follow-up including restructured or rescheduled loans, and other receivables**

**b.1) Financial assets measured at amortized cost**

Cash Loans	Standard Loans and Other Receivables	Loans Under Close Monitoring			
		Loans and Receivables Not Subject to restructuring	Restructured Loans and Receivables		
			Loans and Receivables with Revised Contract	Terms	Refinance
<b>Non-specialized Loans</b>	<b>125.783.301</b>	<b>4.185.284</b>	<b>341.829</b>	<b>7.994.789</b>	
Discount Notes	1.736.113	2.610	-	-	-
Export Loans	5.236.023	58.575	-	-	-
Import Loans	5.405	-	-	-	-
Loans Given to Financial Sector	2.238.249	-	-	-	-
Retail Loans	25.904.429	873.580	262.525	-	312.522
Credit Cards	17.451.794	1.037.449	-	-	455.453
Other	73.211.288	2.213.070	79.304	-	7.226.814
<b>Specialized Loans</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other Receivables</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>125.783.301</b>	<b>4.185.284</b>	<b>341.829</b>	<b>7.994.789</b>	

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

	Standard Loans	Loans and other receivables under close monitoring
<b>Current Period</b>		
Provision for 12 Month Expected Credit Losses	1.517.300	-
Significant Increase in Credit Risk	-	2.222.004
<b>Prior Period</b>		
Provision for 12 Month Expected Credit Losses	907.293	-
Significant Increase in Credit Risk	-	1.524.953

**b.2) Loans measured at fair value through profit/loss**

In the current period, the Bank follows the loan amounting to TL 119.806 under financial assets at fair value through profit or loss in line with TFRS 9 (31 December 2019 - TL 86.838).

**c) Loans measured at amortized cost and other receivables according to their maturity structure**

Cash Loans	Standard Loans	Loans Under Close Monitoring	
		Loans Not Subject to restructuring	Loans with Restructured Loans
Short-term Loans	47.232.452	1.037.449	455.453
Medium and Long-term Loans	78.550.849	3.147.835	7.881.165
<b>Total</b>	<b>125.783.301</b>	<b>4.185.284</b>	<b>8.336.618</b>

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**d) Information on consumer loans, individual credit cards, personnel loans and personnel credit cards**

	Short Term	Medium and Long Term	Total
<b>Consumer Loans-TL</b>	<b>839.882</b>	<b>24.641.921</b>	<b>25.481.803</b>
Housing Loans	554	3.983.013	3.983.567
Automobile Loans	332	21.837	22.169
Personal Need Loans	838.996	20.637.071	21.476.067
Other	-	-	-
<b>Consumer Loans-FC Indexed</b>	<b>-</b>	<b>3.184</b>	<b>3.184</b>
Housing Loans	-	2.859	2.859
Automobile Loans	-	-	-
Personal Need Loans	-	325	325
Other	-	-	-
<b>Consumer Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
<b>Individual Credit Cards-TL</b>	<b>14.354.969</b>	<b>437.251</b>	<b>14.792.220</b>
Installment	6.205.082	373.046	6.578.128
Non- Installment	8.149.887	64.205	8.214.092
<b>Individual Credit Cards-FC</b>	<b>12.881</b>	<b>35</b>	<b>12.916</b>
Installment	-	-	-
Non- Installment	12.881	35	12.916
<b>Personnel Loans-TL</b>	<b>11.779</b>	<b>90.028</b>	<b>101.807</b>
Housing Loans	-	102	102
Automobile Loans	-	-	-
Personal Need Loans	11.779	89.926	101.705
Other	-	-	-
<b>Personnel Loans-FC Indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>51.700</b>	<b>407</b>	<b>52.107</b>
Installment	20.678	163	20.841
Non-Installment	31.022	244	31.266
<b>Personnel Credit Cards-FC</b>	<b>62</b>	<b>-</b>	<b>62</b>
Installment	-	-	-
Non-Installment	62	-	62
<b>Overdraft Accounts-TL (Real Persons)</b>	<b>1.697.863</b>	<b>68.399</b>	<b>1.766.262</b>
<b>Overdraft Accounts-FC (Real Persons)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>16.969.136</b>	<b>25.241.225</b>	<b>42.210.361</b>

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**e) Information on commercial loans with installments and corporate credit cards**

	Short Term	Medium and Long Term	Total
<b>Commercial Loans with Installment Facility – TL</b>	<b>2.378.754</b>	<b>18.242.870</b>	<b>20.621.624</b>
Real Estate Loans	-	277.122	277.122
Automobile Loans	5.201	246.052	251.253
Personal Need Loans	2.373.553	17.719.696	20.093.249
Other	-	-	-
<b>Commercial Loans with Installment Facility - FC Indexed</b>	<b>-</b>	<b>578.646</b>	<b>578.646</b>
Real Estate Loans	-	9.972	9.972
Automobile Loans	-	8.343	8.343
Personal Need Loans	-	560.331	560.331
Other	-	-	-
<b>Commercial Loans with Installment Facility – FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Real Estate Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
<b>Corporate Credit Cards –TL</b>	<b>4.003.899</b>	<b>81.885</b>	<b>4.085.784</b>
Installment	1.788.761	64.434	1.853.195
Non-Installment	2.215.138	17.451	2.232.589
<b>Corporate Credit Cards –FC</b>	<b>1.603</b>	<b>4</b>	<b>1.607</b>
Installment	-	-	-
Non-Installment	1.603	4	1.607
<b>Overdraft Accounts-TL (Legal Entities)</b>	<b>900.582</b>	<b>5.991</b>	<b>906.573</b>
<b>Overdraft Accounts-FC (Legal Entities)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>7.284.838</b>	<b>18.909.396</b>	<b>26.194.234</b>

**f) Allocation of loans to customers**

	Current Period	Prior Period
Public	123.000	-
Private	138.182.203	110.697.936
<b>Total</b>	<b>138.305.203</b>	<b>110.697.936</b>

**g) Allocation of domestic and foreign loans**

	Current Period	Prior Period
Domestic Loans	137.142.385	109.998.461
Foreign Loans	1.162.818	699.475
<b>Total</b>	<b>138.305.203</b>	<b>110.697.936</b>

**h) Loans granted to subsidiaries and associates**

	Current Period	Prior Period
Direct Loans Granted to Subsidiaries and Associates	1.345.309	1.015.749
Indirect Loans Granted to Subsidiaries and Associates	-	-
<b>Total</b>	<b>1.345.309</b>	<b>1.015.749</b>

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**i) Specific provisions for loans (Stage III/Specific Provision)**

	Current Period	Prior Period
<b>Provisions</b>		
Loans and Receivables with Limited Collectability	31.747	1.093.928
Doubtful Loans and Other Receivables	604.848	892.639
Uncollectible Loans and Receivables	5.750.949	3.957.146
<b>Total</b>	<b>6.387.544</b>	<b>5.943.713</b>

**j) Non-performing loans (NPLs) (Net)**

**j.1) Non-performing loans and other receivables restructured or rescheduled**

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and other receivables
<b>Current Period</b>			
Gross Amounts Before the Provisions	-	5.140	104.296
Restructured Loans	-	5.140	104.296
<b>Prior Period</b>			
Gross Amounts Before the Provisions	264	3.091	67.342
Restructured Loans	264	3.091	67.342

**j.2) Movement of total non-performing loans**

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and other receivables
<b>Prior Period End Balance</b>	<b>1.914.374</b>	<b>1.437.367</b>	<b>4.922.674</b>
Additions (+)	573.226	397.874	105.777
Transfers from Other Categories of Non-Performing Loans (+)	-	2.310.916	2.911.297
Transfers to Other Categories of Non-Performing Loans (-)	2.310.916	2.911.297	-
Collections (-)	122.777	189.600	731.233
Write-offs (-)	-	-	1.330
<b>Debt Sales (-)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Others	-	-	-
<b>Current Period End Balance</b>	<b>53.907</b>	<b>1.045.260</b>	<b>7.207.185</b>
Provision (-)	31.747	604.848	5.750.949
<b>Net Balances on Balance Sheet</b>	<b>22.160</b>	<b>440.412</b>	<b>1.456.236</b>

**j.3) Information on foreign currency non-performing loans and other receivables**

None (December 31, 2019- None).

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**j.4) Breakdown of non-performing loans according to their gross and net values**

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and other receivables
<b>Current Period (Net)</b>	<b>22.160</b>	<b>440.412</b>	<b>1.456.236</b>
Loans to Real Persons and Legal Entities (Gross)	53.907	1.045.260	7.002.641
Provision (-)	31.747	604.848	5.546.405
Loans to Real Persons and Legal Entities (Net)	22.160	440.412	1.456.236
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	204.544
Provision (-)	-	-	204.544
Other Loans and Receivables (Net)	-	-	-
<b>Prior Period (Net)</b>	<b>820.446</b>	<b>544.728</b>	<b>965.528</b>
Loans to Real Persons and Legal Entities (Gross)	1.914.374	1.437.367	4.796.556
Specific provision (-)	1.093.928	892.639	3.831.028
Loans to Real Persons and Legal Entities (Net)	820.446	544.728	965.528
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	126.118
Specific provision (-)	-	-	126.118
Other Loans and Receivables (Net)	-	-	-

  

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and other receivables
<b>Current Period (Net)</b>			
Interest Accruals and Valuation Differences	7.805	110.198	643.240
Provision (-)	4.845	59.416	459.904
<b>Prior Period (Net)</b>			
Interest Accruals and Valuation Differences	214.810	149.201	332.194
Provision (-)	137.580	96.472	250.993

**k) Liquidation policies for uncollectible loans and other receivables**

For the unrecoverable non-performing loans under legal follow-up, the loan quality, collateral quality, bona fide of the debtor and assessment of the emergency of legal follow-up are considered, before applying the best practice for unrecoverable non-performing loans under legal follow up. The bank prefers to liquidate the risk through negotiations with the debtors. If this cannot be possible, then the Bank starts the legal procedures for the liquidation of the risk. Ongoing legal follow-up procedures do not prevent negotiations with the debtors. An agreement is made with the debtor at all stage of the negotiations for the liquidation of the risk.

**1) Write-off policy**

The Bank's general policy for write-offs of loans and receivables under follow-up is to write of taking over such loans and receivables that are proven to be uncollectible in legal follow-up process.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**7. Information on Financial Assets Measured at Amortized Cost**

**a) Information on financial assets measured at amortized cost subject to repurchase agreements and provided as collateral/blocked**

	Current Period		Prior Period	
	TL	FC	TL	FC
Given as Collateral / Blocked	1.636.760	-	364.213	116.736
Subject to repurchase agreements	1.140.741	7.895.951	-	6.517.031
<b>Total</b>	<b>2.777.501</b>	<b>7.895.951</b>	<b>364.213</b>	<b>6.633.767</b>

**b) Information on government debt securities measured at amortized cost**

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bond	9.242.207	8.595.085	8.588.791	6.727.311
Treasury Bill	-	-	-	-
Other Debt Securities	-	219.804	-	300.872
<b>Total</b>	<b>9.242.207</b>	<b>8.814.889</b>	<b>8.588.791</b>	<b>7.028.183</b>

**c) Information on investment securities measured at amortized cost**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Debt Securities</b>	<b>9.242.207</b>	<b>9.414.739</b>	<b>8.588.791</b>	<b>7.592.511</b>
Publicly-traded	9.242.207	9.414.739	8.588.791	7.592.511
Non-publicly traded	-	-	-	-
Provision for losses (-)	-	-	-	-
<b>Total</b>	<b>9.242.207</b>	<b>9.414.739</b>	<b>8.588.791</b>	<b>7.592.511</b>

**d) Movements of financial assets measured at amortized cost**

	Current Period	Prior Period
<b>Value at the beginning of the period</b>	<b>16.181.302</b>	<b>12.932.193</b>
Exchange differences on monetary assets	2.242.833	790.412
Acquisitions during the year	2.095.912	3.406.328
Disposals through sales and redemptions	(2.221.000)	(1.496.516)
Provision for losses (-)	-	-
Valuation effect	357.899	548.885
<b>The sum of end of the period</b>	<b>18.656.946</b>	<b>16.181.302</b>

As of September 30, 2020, a provision amounting to TL 10.021 (December 31, 2019 - TL 11.852) is provided for the financial assets measured at amortized cost.

**8. Investments in associates (Net)**

**8.1 Investments in associates**

**a) Information on the unconsolidated subsidiaries**

Title	Address (City/ Country)	Bank's Share-If Different, Voting Rights (%)	Bank's Risk Group Share (%)				
Bankalararası Kart Merkezi (BKM) (*)	Istanbul/Turkey	4,50	4,50				
Ulusal Derecelendirme A.Ş. (**)	Istanbul/Turkey	2,86	2,86				
				<b>Total</b>	<b>Income on</b>	<b>Current</b>	<b>Company's</b>
				<b>Shareholder's</b>	<b>Securities</b>	<b>Period</b>	<b>Fair Value</b>
				<b>Equity</b>	<b>Portfolio</b>	<b>Profit/Loss</b>	
<b>Total Assets</b>				<b>Total Assets</b>	<b>Income</b>	<b>Prior Period</b>	<b>Profit/Loss</b>
247.600	201.657	72.477	2.991	-	19.616	8.943	-
31.238	25.827	22.785	1.354	-	6.146	-	-

(\*) Current period information is based on June 30, 2020 financials. Prior period profit and loss amounts are based on June 30, 2019 financials.

(\*\*) Current period information is based on December 31, 2019 financials. Prior period profit and loss amounts are based on December 31, 2018 financials.

**b) Information on the consolidated subsidiaries**

None (December 31, 2019 – None).

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**8.2. Movements of investments in associates**

	Current Period	Prior Period
<b>Balance at the Beginning of Period</b>	<b>5.982</b>	<b>5.982</b>
<b>Movements During the Period</b>	<b>8.041</b>	<b>-</b>
Purchases	-	-
Bonus Shares Received	8.041	-
Dividends From Current Year Profit	-	-
Sales	-	-
Reclassifications	-	-
Increase/Decrease in Market Values	-	-
Currency Differences on Foreign Associates	-	-
Impairment Losses (-)	-	-
<b>Balance at the End of the Period</b>	<b>14.023</b>	<b>5.982</b>
<b>Capital Commitments</b>	<b>-</b>	<b>-</b>
<b>Share Percentage at the End of the Period (%)</b>	<b>-</b>	<b>-</b>

On January 17, 2020, the Bank registered to JCR Avrasya Rating Anonim Şirketi as a Non-Financial Subsidiary, by purchasing 28.599 shares with a nominal value of amounting to TL 28.599, based on the share transfer agreement.

As of July 20, 2020, the Bank's non-financial subsidiary The Interbank Card Center (BKM) has increased its capital by TL 5.258.

**8.3 Sectoral information on investments and associates, and the related carrying amounts**

	Current Period	Prior Period
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Associates	14.023	5.982
<b>Total</b>	<b>14.023</b>	<b>5.982</b>

**8.4 Quoted Associates**

None (December 31, 2019 - None)

**8.5. Valuation methods of investments in associates**

	Current Period	Prior Period
Valued at Cost	14.023	5.982
Valued at Fair Value	-	-
Valued at Equity Method	-	-
<b>Total</b>	<b>14.023</b>	<b>5.982</b>

**9. Investments in subsidiaries (Net)**

**a) Information on the unconsolidated subsidiaries**

Title	Address (City/Country)	Bank's Share-If different, Voting Rights (%)	Bank's Risk Group Share (%)
1. Ibtch Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek San. ve Tic. A.Ş.	Istanbul/Turkey	99,91	99,99
2. EFINANS Elektronik Ticaret ve Bilişim Hizmetleri A.Ş.	Istanbul/Turkey	100,00	100,00

	Total Assets	Shareholder's Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1.	45.418	13.945	31.445	-	-	385	1.355	-
2.	27.714	10.071	5.203	(288)	-	(4.914)	5.068	-

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**b) Information on the consolidated subsidiaries**

**b.1) Information on the consolidated subsidiaries**

Subsidiary	Address (City/Country)	Bank's Share – If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1. QNB Finans Yatırım Menkul Değerler A.Ş.	Istanbul/Turkey	99,80	100,00
2. QNB Finans Finansal Kiralama A.Ş. (*)	Istanbul/Turkey	99,40	99,40
3. Hemenal Finansman A.Ş.	Istanbul/Turkey	100,00	100,00
4. QNB Finans Portföy Yönetimi A.Ş.	Istanbul/Turkey	0,03	100,00
5. QNB Finans Faktoring A.Ş.	Istanbul/Turkey	99,99	100,00
6. QNB Finans Varlık Kiralama Şirketi A.Ş.	Istanbul/Turkey	-	100,00

Information on subsidiaries in the order presented in the table above

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value(*)
1.	895.422	376.483	9.924	65.442	2.401	127.360	55.726	413.000
2.	7.531.545	1.003.782	8.634	435.070	-	106.419	76.877	741.876
3.	41.581	26.346	611	3.136	-	6.881	(7.549)	-
4.	25.471	21.054	303	405	-	8.255	865	-
5.	1.874.118	198.027	9.891	144.393	-	27.361	36.604	250.422
6.	502	426	-	-	-	226	12	-

(\*) The fair value measurement method of the Subsidiary QNB Finans Finansal Kiralama A.Ş. has been amended, and measurement has been made on data not based on market data as of the balance sheet date.

**b.2) Movement schedule for consolidated subsidiaries:**

	Current Period	Prior Period
<b>Balance at the beginning of the period</b>	<b>1.212.068</b>	<b>1.103.202</b>
<b>Movements during the period</b>	<b>219.576</b>	<b>108.866</b>
Bonus Shares Received	-	-
Dividends from Current Year Profit	-	-
Disposals	-	-
Changes Due to Reclassification	-	-
Revaluation Increase	219.576	108.866
Impairment Provision	-	-
<b>Balance at the End of the Period</b>	<b>1.431.644</b>	<b>1.212.068</b>
<b>Capital Commitments</b>	-	-
<b>Share Percentage at the end of the Period (%)</b>	-	-

**b.3) Sectoral information on consolidated financial subsidiaries and the related carrying amounts**

	Current Period	Prior Period
Factoring Companies	250.422	266.769
Leasing Companies	741.876	624.551
Finance Companies	26.346	58.395
Other Subsidiaries	413.000	262.353
<b>Total</b>	<b>1.431.644</b>	<b>1.212.068</b>

**b.4) Subsidiaries quoted on stock exchange**

	Current Period	Prior Period
Quoted on Domestic Stock Exchanges	741.876	624.551
Quoted on International Stock Exchanges	-	-
<b>Total</b>	<b>741.876</b>	<b>624.551</b>

**b.5) Explanation to capital adequacy of the significant subsidiaries**

The Bank does not have any significant subsidiaries.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**10. Information on joint ventures**

	<b>Title</b>	<b>Address (City/Country)</b>	<b>Bank's Share-If different, Voting Rights (%)</b>	<b>Bank's Risk Group Share (%)</b>
1.	Cigna Finans Emeklilik ve Hayat A.Ş.	Istanbul/Turkey	49,00	49,00
2.	Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.	Istanbul/Turkey	33,33	33,33

	<b>Total Assets</b>	<b>Shareholders' Equity</b>	<b>Total Fixed Asset</b>	<b>Interest Income</b>	<b>Securities Income</b>	<b>Current Period Profit/Loss</b>	<b>Prior Period Profit/Loss</b>	<b>Company's Fair Value</b>
1. (*)	1.821.611	172.394	31.073	-	-	80.717	62.816	233.977
2.	147.225	95.349	45.663	-	-	15.664	25.248	-

(\*) Cigna Finans Emeklilik ve Hayat A.Ş., is accounted with fair value method as Communique on Bank's unconsolidated Financial Statement and Turkish Financial Reporting Standards.

**11. Information on lease receivables (Net)**

None (December 31, 2019 - None).

**12. Information on the hedging derivative financial assets**

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Fair Value Hedge (*)	3.914.772	323.222	2.693.288	78.852
Cash Flow Hedge (**)	2.068.641	306.228	1.314.595	45.247
Foreign Net Investment Hedges	-	-	-	-
<b>Total</b>	<b>5.983.413</b>	<b>629.450</b>	<b>4.007.883</b>	<b>124.099</b>

(\*) Derivative Financial Instruments at fair value consists swaps. As of September 30, 2020, TL 323.222 (December 31, 2019 - TL 74.535) from securities, TL 3.914.772 (December 31, 2019 - TL 2.693.288) from loans, represents the fair value of derivatives which are designated as hedging instruments to hedge the fair value. In current period, there is a not balance of securities (December 31, 2019 - TL 1.927) and funds borrowed (December 31, 2019 - TL 2.390) for the fair value of derivatives which are designated as hedging instruments to hedge the fair value.

(\*\*) Represents the fair value of derivative financial instruments for cash flow hedge of deposits and floating interest borrowings

**13. Explanations regarding the investment properties**

None (December 31, 2019- None).

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**14. Information on Tax Asset**

As of September 30, 2020, the Bank has TL 178.819 deferred tax asset calculated under the related regulations.

Deferred tax assets and liabilities are reflected to the financial statements by netting off according to TAS 12. As of September 30, 2020, the Bank has deferred tax assets amounting to TL 2.113.642 and deferred tax liabilities amounting to TL 1.934.823, which arise between the carrying amount of the assets and liabilities in the balance sheet and the tax bases determined in accordance with tax legislation and calculated over the amounts to be taken into account in the calculation of financial profit / the tax liability is netted and recorded in the records.

Deferred tax is offset against deferred tax assets or liabilities, if the differences between the carrying amount and the fair value of the related assets are related to the equity account group. The deferred tax asset amounting to TL 282.866 has been netted under equity (December 31, 2019 - TL 220.543 deferred tax asset).

	Accumulated Temporary Differences		Deferred Tax Assets/(Liabilities)	
	30.09.2020	31.12.2019	30.09.2020	31.12.2019
Provision for Employee Rights	507.291	529.565	111.604	116.504
Difference Between the Book Value of Financial Assets and Tax Base	1.842.769	663.646	405.410	146.002
Other (*)	7.257.398	3.179.775	1.596.628	699.551
<b>Deferred Tax Assets</b>			<b>2.113.642</b>	<b>962.057</b>
Difference Between the Book Value Financial Assets and Tax Base	(307.574)	(277.655)	(67.666)	(61.084)
Difference Between the Book Value of Financial Assets and Tax Base	(6.040.969)	(1.746.251)	(1.329.013)	(384.175)
Other	(2.446.109)	(764.133)	(538.144)	(168.110)
<b>Deferred Tax Liabilities</b>			<b>(1.934.823)</b>	<b>(613.369)</b>
<b>Deferred Tax Assets/(Liabilities), Net</b>			<b>178.819</b>	<b>348.688</b>

(\*) Includes expected loss provision and accumulated temporary differences for other provisions.

	Current Period 01.01-30.09.2020	Prior Period 01.01-30.09.2019
Deferred Tax as of January 1 Active/ Passive – Net	348.688	522.283
Deferred Tax (Loss) / Gain	(452.735)	(426.441)
Deferred Tax that is Realized Under Shareholder's Equity	282.866	270.603
<b>Deferred Tax Active/ (Passive) – Net</b>	<b>178.819</b>	<b>366.445</b>

**15. Information on assets held for sale and discontinued operations:**

	Current Period	Prior Period
<b>Opening Balance Net Book Value</b>	-	-
Additions (*)	-	47.455
Impairment (-)	-	47.455
<b>Closing Net Book Value</b>	-	-

(\*) In prior period, within the context of the existing loan agreements, all creditors including the Bank have reached an agreement on restructuring the loans granted to Ojer Telekomünikasyon A.Ş. (OTAŞ) who is the main shareholder of Türk Telekomünikasyon A.Ş. (Türk Telekom) and it is contemplated that Türk Telekom's number of 192,500,000,000 A group shares owned by OTAŞ, representing 55% of its issued share capital corresponding to A group shares have been pledged as a guarantee for the existing facilities would be taken over by a special purpose entity which is incorporated or will be incorporated in the Turkish Republic, and owned by directly or indirectly by all creditors. As per the agreed structure, it is agreed on the corresponding agreements, completed all required corporate and administrative permissions and the transaction is concluded by a transfer of the aforementioned shares to the special purpose entity incorporated in the Turkish Republic, and owned by directly or indirectly by all creditors. In this context, the Bank owned 1,19% of the founded special purpose entity and the related investment is considered within the scope of TFRS 5 "Assets Held for Sale and Discontinued Operation.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**16. Information on other assets**

Other assets item of the balance sheet does not exceed 10% of the total balance sheet excluding 10% of the balance sheet commitments.

As of September 30, 2020, the bank provisions for other assets to TL 7.992 (December 31, 2019 – TL 9.213).

**17. Accrued interest and income**

The details of accrued interest and income allocated to the related items on the assets side of the balance sheet are as follows:

	Current Period		Prior Period	
	TL	FC	TL	FC
Derivative Financial Instruments	10.667.616	2.732.970	6.779.957	1.166.196
Loans	3.383.622	863.053	3.289.333	477.119
Financial Assets at Fair Value Through Other Comprehensive Income	160.827	(438.649)	175.593	112.638
Financial Assets measured at amortized cost	299.451	115.510	258.678	89.025
Central Bank of Turkey	10.132	-	5.441	-
Financial Assets at Fair Value Through Profit or Loss	148	-	1.648	347
Banks	2.096	(84)	1.089	-
Other Accruals	68.769	488	2.544	1.814
<b>Total</b>	<b>14.592.661</b>	<b>3.273.288</b>	<b>10.514.283</b>	<b>1.847.139</b>

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**SECTION FIVE**

**II. Explanations and Disclosures Related to Liabilities**

**1. Information on maturity structure of deposits**

**Current Period**

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulated Deposit Accounts	Total
<b>Saving Deposits</b>	<b>6.573.533</b>	-	<b>8.753.563</b>	<b>17.437.766</b>	<b>683.739</b>	<b>177.855</b>	<b>893.529</b>	<b>909</b>	<b>34.520.894</b>
<b>Foreign Currency</b>	<b>24.437.269</b>	-	<b>5.150.583</b>	<b>29.841.097</b>	<b>4.409.383</b>	<b>1.234.380</b>	<b>1.779.586</b>	<b>3.947</b>	<b>66.856.245</b>
Residents in Turkey	23.446.450	-	5.085.351	29.319.755	4.359.601	1.038.003	1.367.904	3.947	64.621.011
Residents Abroad	990.819	-	65.232	521.342	49.782	196.377	411.682	-	2.235.234
<b>Public Sector Deposits</b>	<b>401.258</b>	-	<b>5.111</b>	<b>5.349</b>	<b>1.231</b>	-	-	-	<b>412.949</b>
<b>Commercial Deposits</b>	<b>4.005.314</b>	-	<b>4.250.640</b>	<b>4.265.219</b>	<b>190.148</b>	<b>43.508</b>	<b>13.032</b>	-	<b>12.767.861</b>
<b>Other Ins. Deposits</b>	<b>78.455</b>	-	<b>64.990</b>	<b>274.929</b>	<b>1.027</b>	<b>107.999</b>	<b>397</b>	-	<b>527.797</b>
<b>Precious Metal Deposits</b>	<b>13.310.807</b>	-	-	<b>537.557</b>	<b>22.420</b>	<b>4.456</b>	<b>548.839</b>	-	<b>14.424.079</b>
<b>Bank Deposits</b>	<b>83.577</b>	-	<b>3.419.875</b>	<b>1.281.313</b>	<b>249.891</b>	<b>2.212</b>	-	-	<b>5.036.868</b>
T.R Central Bank	-	-	750.145	-	-	-	-	-	750.145
Domestic Banks	3.564	-	87.027	-	-	-	-	-	90.591
Foreign Banks	76.270	-	2.582.703	1.281.313	249.891	2.212	-	-	4.192.389
Participation Banks	3.743	-	-	-	-	-	-	-	3.743
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>48.890.213</b>	-	<b>21.644.762</b>	<b>53.643.230</b>	<b>5.557.839</b>	<b>1.570.410</b>	<b>3.235.383</b>	<b>4.856</b>	<b>134.546.693</b>

**Prior Period**

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulated Deposit Accounts	Total
<b>Saving Deposits</b>	<b>4.749.725</b>	-	<b>8.337.031</b>	<b>18.244.106</b>	<b>214.359</b>	<b>247.901</b>	<b>1.113.219</b>	<b>910</b>	<b>32.907.251</b>
<b>Foreign Currency</b>	<b>13.163.632</b>	-	<b>5.467.902</b>	<b>24.282.951</b>	<b>3.533.737</b>	<b>2.032.562</b>	<b>1.474.559</b>	<b>2.998</b>	<b>49.958.341</b>
Residents in Turkey	12.648.241	-	5.400.228	23.964.674	3.492.160	1.913.436	1.106.457	2.998	48.528.194
Residents Abroad	515.391	-	67.674	318.277	41.577	119.126	368.102	-	1.430.147
<b>Public Sector Deposits</b>	<b>403.375</b>	-	<b>2.296</b>	<b>9.734</b>	<b>569</b>	<b>19</b>	-	-	<b>415.993</b>
<b>Commercial Deposits</b>	<b>3.470.806</b>	-	<b>4.537.787</b>	<b>4.486.426</b>	<b>82.770</b>	<b>35.395</b>	<b>66.801</b>	-	<b>12.679.985</b>
<b>Other Ins. Deposits</b>	<b>63.232</b>	-	<b>31.454</b>	<b>418.746</b>	<b>1.441</b>	<b>40.772</b>	<b>1.847</b>	-	<b>557.492</b>
<b>Precious Metal Deposits</b>	<b>3.517.505</b>	-	<b>1.068</b>	<b>7.602</b>	<b>1.192</b>	<b>2.780</b>	<b>170.215</b>	-	<b>3.700.362</b>
<b>Bank Deposits</b>	<b>194.282</b>	-	<b>3.244.393</b>	<b>1.864.410</b>	<b>74.941</b>	<b>28.333</b>	-	-	<b>5.406.359</b>
T.R Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	5.128	-	-	-	-	-	-	-	5.128
Foreign Banks	183.471	-	3.244.393	1.864.410	74.941	28.333	-	-	5.395.548
Participation Banks	5.683	-	-	-	-	-	-	-	5.683
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>25.562.557</b>	-	<b>21.621.931</b>	<b>49.313.975</b>	<b>3.909.009</b>	<b>2.387.762</b>	<b>2.826.641</b>	<b>3.908</b>	<b>105.625.783</b>

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**1.1. Information on savings deposits insured by Saving Deposit Insurance Fund and the total amount other deposits exceeding the insurance coverage limit**

	Covered by Deposit Insurance Fund		Exceeding Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	19.297.072	18.451.527	15.217.129	14.447.019
Foreign Currency Savings Deposits	15.112.630	10.426.031	41.768.132	28.403.256
Other Saving Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
<b>Total</b>	<b>34.409.702</b>	<b>28.877.558</b>	<b>56.985.261</b>	<b>42.850.275</b>

**1.2. Savings deposits in Turkey are not covered under insurance in another country since the headquarter of the Bank is not located abroad.**

**1.3. Savings deposits that are not covered under the guarantee of deposit insurance fund**

	Current Period	Prior Period
Deposits and accounts in branches abroad	12.910	25.886
Deposits of ultimate shareholders and their close family members	-	-
Deposits of chairman and members of the Board of Directors and their close family members	235.685	149.317
Deposits obtained through illegal acts defined in the 282 <sup>nd</sup> Article of the 5237 numbered Turkish Criminal Code dated 26, 2004	-	-
Saving deposits in banks established in Turkey exclusively for off-shore banking activities	-	-
<b>Total</b>	<b>248.595</b>	<b>175.203</b>

**2. Information on trading derivative financial liabilities**

**Negative differences table for derivative financial liabilities held for trading**

	Current Period <sup>(*)</sup>		Prior Period	
	TL	FC	TL	FC
Forwards	334.533	-	110.238	-
Swaps	3.489.860	2.245.193	2.570.815	903.344
Futures	-	-	-	-
Options	2.835	27.175	211	34.565
Other	-	-	-	-
<b>Total</b>	<b>3.827.228</b>	<b>2.272.368</b>	<b>2.681.264</b>	<b>937.909</b>

<sup>(\*)</sup> Derivative financial liabilities held for trading in the current period are shown on the financial statement in 7.1 Derivative Financial Liabilities line.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**3. Information on funds borrowed**

**a) Information on banks and other financial institutions**

	Current Period		Prior Period	
	TL	FC	TL	FC
T.R. Central Bank Loans	-	-	-	-
Domestic Bank and Institutions	483.990	416.371	380.249	216.059
Foreign Bank, Institutions and Funds	-	19.463.101	-	14.713.101
<b>Total</b>	<b>483.990</b>	<b>19.879.472</b>	<b>380.249</b>	<b>14.929.160</b>

**b) Maturity information on funds borrowed**

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	483.990	4.479.008	380.249	1.578.044
Medium and Long-Term	-	15.400.464	-	13.351.116
<b>Total</b>	<b>483.990</b>	<b>19.879.472</b>	<b>380.249</b>	<b>14.929.160</b>

The Bank's fund sources include deposits, funds borrowed, securities issued and money market borrowings. Deposit is the most significant fund source of the Bank and does not present any risk concentration with its consistent structure extended to a wide base. Funds borrowed mainly consist of funds provided by foreign financial institutions which have different characteristics and maturity-interest structure such as syndication, securitization, and post-financing. There isn't risk concentration on the fund sources of the Bank.

**c) Additional information on concentrations of the Bank's liabilities**

As of September 30, 2020 the Bank's liabilities comprise; 59% deposits (December 31, 2019 – 58%), 9% funds borrowed (December 31, 2019 – 8%), 7% issued bonds (December 31, 2019 – 7%) and 5% Money Market Debts (December 31, 2019 – 5%).

**4. Information on funds provided under repurchase agreements**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>From domestic transactions</b>	<b>1.166.224</b>	-	<b>255.279</b>	-
Financial institutions and organizations	1.146.174	-	232.383	-
Other institutions and organizations	9.430	-	11.123	-
Real persons	10.620	-	11.773	-
<b>From foreign transactions</b>	<b>3.858</b>	<b>10.829.408</b>	<b>2.393</b>	<b>8.797.038</b>
Financial institutions and organizations	-	10.829.408	-	8.797.038
Other institutions and organizations	3.848	-	2.393	-
Real persons	10	-	-	-
<b>Total</b>	<b>1.170.082</b>	<b>10.829.408</b>	<b>257.672</b>	<b>8.797.038</b>

**5. Information on securities issued (Net)**

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	2.240.093	1.027.003	3.954.629	116.648
Bills	39.931	12.025.613	-	9.014.697
<b>Total</b>	<b>2.280.024</b>	<b>13.052.616</b>	<b>3.954.629</b>	<b>9.131.345</b>

The Bank has government bond issue program (Global Medium Term Note Programme) amounting to USD 5 Billion.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**6. If other liabilities account exceeds 10% of total liabilities excluding the off-balance sheet items, information given about components of other liabilities account that exceeds 20% of the individual liability item in the unconsolidated balance sheet**

Other liabilities do not exceed 10% of total liabilities excluding the off-balance sheet items (December 31, 2019 - None).

**7. Criteria used in the determination of lease installments in the financial lease contracts, renewal and purchase options, restrictions, and significant burdens imposed on the bank on such contracts**

Interest rate and cash flow of the Bank are the main criteria which are taken into consideration determination of payment plans in the leasing contracts.

**7.1. Changes in agreements and further commitments arising**

No changes have been made to the leasing agreements in the current period (December 31, 2019- None)

**7.2. Financial Lease Payables**

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	15.159	11.746	12.827	9.373
Between 1 - 4 years	13.051	10.113	9.035	6.604
More than 4 years	1.325	1.027	-	-
<b>Total</b>	<b>29.535</b>	<b>22.886</b>	<b>21.862</b>	<b>15.977</b>

**7.3. Information on liabilities arising from operational lease transactions**

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	18.943	18.238	29.388	25.177
Between 1 - 4 years	348.873	335.901	474.585	406.576
More than 4 years	-	-	-	-
<b>Total</b>	<b>367.816</b>	<b>354.139</b>	<b>503.973</b>	<b>431.753</b>

**7.4. Information and footnotes on operational lease**

The Bank records lease payments made in accordance with its operating lease agreements during the lease period, in equal amounts. The bank makes operating lease agreements for some branches and ATM machines. The lease agreements are amortized during the lease period by measuring the lease obligation based on the present value of the lease payments (lease obligation) that has not been paid at that time (the lease obligation) as well as the relevant usage right as of the same date. Lease payments are discounted using this rate if the implicit interest rate in the lease can be easily determined. If the tenant cannot easily determine this rate, he uses the alternative borrowing interest rate. The tenant separately records the interest expense on the rental obligation and the depreciation expense of the right to use asset.

**7.5. Information on "Sale -and- lease back" agreements**

The Bank does not have any sale-and-lease back transactions in the current period (December 31, 2019 None).

**8. Information on liabilities arising from hedging purpose derivatives**

	Current Period (***)		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge (*)	-	795.601	285.204	355.077
Cash Flow Hedge (**)	21.221	1.063.711	487.387	232.093
Net Investment Hedge	-	-	-	-
<b>Total</b>	<b>21.221</b>	<b>1.859.312</b>	<b>772.591</b>	<b>587.170</b>

(\*) Derivative financial instruments designated for the fair value hedge purposes comprise of swaps. As of September 30, 2020, TL 795.601 from securities (December 31, 2019 – TL 355.077), represents the fair value of the derivative financial instruments used in the fair value hedging transaction. In the current period, loans do not have value of fair value of the derivative financial instruments used in the fair value hedging transaction (December 31, 2019 – TL 285.204).

(\*\*) Represents the fair value of derivative financial instruments of deposit for cash flow hedges of loans and borrowings that have floating rates.

(\*\*\*) Derivative financial liabilities for the fair value hedge purposes in the current period are presented in line 7.1 of the financial statements and financial liabilities for the purpose of cash flow hedges are shown in line 7.2.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**9. Information on provisions**

**9.1. Provision for currency exchange gain/loss on foreign currency indexed loans**

	<b>Current Period</b>	<b>Prior Period</b>
Foreign Exchange Provision for Foreign Currency Indexed Loans <sup>(*)</sup>	-	-

<sup>(\*)</sup> The foreign exchange provision for foreign currency indexed loans netted against "Loans and Receivables" in asset.

**9.2. Specific provisions for non-cash loans that are not indemnified and converted into cash or expected loss provision for non-cash**

	<b>Current Period</b>	<b>Prior Period</b>
Stage 1	138.612	92.437
Stage 2	9.485	17.471
Stage 3	54.101	45.614
<b>Total</b>	<b>202.198</b>	<b>155.522</b>

**9.3. Information on employee termination benefits and unused vacation accrual**

The Bank has calculated reserve for employee termination benefits by using actuarial valuations as set out in TAS 19 and reflected these accompanying financial statements.

As of September 30, 2020 TL 254.165 (December 31, 2019 - TL 230.438) reserve for employee termination benefits was provided in the accompanying financial statements.

As of September 30, 2020, the Bank accrued TL 44.408 (December 31, 2019 - TL 48.707) for the unused vacations under reserve for employee benefits account in the accompanying financial statements.

As of September 30, 2020 TL 208.718 (December 31, 2019 - TL 250.420) bonus and premium provisions have been provided under reserve for employee benefits account in the accompanying financial statements.

**9.3.1 Movement of employee termination benefits**

	<b>Current Period</b>	<b>Prior Period</b>
	<b>01.01-30.09.2020</b>	<b>01.01-30.09.2019</b>
As of January 1	230.436	173.924
Service Cost	22.133	16.757
Interest Cost	21.326	21.085
Settlement / curtailment / termination loss	6.144	10.395
Actuarial Difference	667	2.744
Paid during the period	(26.541)	(30.058)
<b>Total</b>	<b>254.165</b>	<b>194.847</b>

**9.4. Information on other provisions**

Except for those mentioned in footnote 9.2, other provisions of the balance sheet amounting to TL 292.101 (December 31, 2019 – TL 190.554) consist of lawsuits against the Bank.

**10. Taxation**

**10.1. Current Taxes**

**10.1.1. Current tax liability**

As of September 30, 2020, the Bank's current tax liability is TL 14.771 (December 31, 2019 - TL 205.582). As of September 30, 2020, the Bank's prepaid tax is amounting to TL 22.989 (December 31, 2019 - None).

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**10.1.2. Information on taxes payable**

	<b>Current Period</b>	<b>Prior Period</b>
Banking and Insurance Transaction Tax (BITT)	103.761	93.665
Taxation on Securities Income	65.167	84.849
Corporate taxes payable	14.771	205.582
Taxation on Real Estates Income	1.625	2.591
Other	28.362	34.904
<b>Total</b>	<b>213.686</b>	<b>421.591</b>

The "Corporate Taxes Payable" balance is presented in the "Current Tax Liability" account and other taxes are presented in the "Other Liabilities" account in the accompanying unconsolidated financial statements.

**10.1.3. Information on premiums**

	<b>Current Period</b>	<b>Prior Period</b>
Social Security Premiums - Employee Share	12.799	11.685
Social Security Premiums - Employer Share	14.192	12.914
Unemployment Insurance - Employee Share	898	820
Unemployment Insurance - Employer Share	1.796	1.640
<b>Total</b>	<b>29.685</b>	<b>27.059</b>

**11. Information on payables related to assets held for sale**

None (December 31, 2019 – None).

**12. Information on subordinated loans**

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
<b>To be included in the calculation of additional capital</b>	-	<b>4.197.455</b>	-	<b>3.120.203</b>
Subordinated Loans	-	4.197.455	-	3.120.203
Subordinated debt instruments	-	-	-	-
<b>Debt instruments to be included in contribution capital calculation</b>	-	<b>3.087.588</b>	-	<b>2.312.350</b>
Subordinated loans	-	3.087.588	-	2.312.350
Subordinated debt instruments	-	-	-	-
<b>Total</b>	-	<b>7.285.043</b>	-	<b>5.432.553</b>

On April 1, 2019, the current due date of subordinated loan of amounting to US \$ 125 million was renewed to 2029 in line with Basel III by incorporating calculation of supplementary capital.

On June 30, 2019, the current due date of subordinated loan of amounting to US \$ 525 million was renewed by applying required arrangements in line with loan prospectus.

**13. Information on shareholder's equity**

**13.1. Paid-in capital**

	<b>Current Period</b>	<b>Prior Period</b>
Common Stock	3.350.000	3.350.000
Preferred Stock	-	-

**13.2. Paid-in capital amount, explanation as to whether the registered share capital system is applicable at bank; if so the amount of registered share capital**

<b>Capital System</b>	<b>Paid-in Capital</b>	<b>Ceiling</b>
Registered Capital System	3.350.000	12.000.000

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**13.3. Information on share capital increases and their sources; other information on any increase in capital shares during the current period**

None (December 31, 2019 – None).

**13.4. Information on share capital increases from revaluation funds**

None (December 31, 2019 – None).

**13.5. Capital commitments in the last fiscal year and at the end of the following period, the general purpose of these commitments and projected resources required to meet these commitments**

The Bank does not have any capital commitments, all of the capital is fully paid-in.

**13.6. Prior periods' indicators related with the Bank's income, profit and liquidity and the possible effects of the uncertainties in these indicators on the Bank's equity**

None (December 31, 2019 – None).

**13.7. Information on the privileges given to stocks representing the capital**

None (December 31, 2019 – None).

**14. Common stock issue premiums, shares and equity instruments**

	Current Period	Prior Period
Number of Stocks (Thousands)	33.500.000	33.500.000
Preferred Capital Stock	-	-
Common Stock Issue Premiums (*)	714	714
Common Stock Withdrawal Profits	-	-
Other Capital Instruments	-	-

(\*) Due to the Bank's capital increase at the prior periods, common stock issue premium accounted amounting to TL 714.

**15. Securities value increase fund**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Associates, Subsidiaries and Entities under Common Control</b>	<b>1.110.575</b>	-	<b>942.899</b>	-
Valuation Difference	1.110.575	-	942.899	-
Foreign Exchange Rate Difference	-	-	-	-
<b>Securities Measured at Fair Value Through Other Comprehensive Income (FVOCI)</b>	<b>348.969</b>	<b>(1.325.786)</b>	<b>210.214</b>	<b>(381.200)</b>
Valuation Difference	348.969	(1.325.786)	210.214	(381.200)
Foreign Exchange Rate Difference	-	-	-	-
<b>Total</b>	<b>1.459.544</b>	<b>(1.325.786)</b>	<b>1.153.113</b>	<b>(381.200)</b>

**16. Accrued interest and expenses**

The details of accrued interest and expenses allocated to the related items on the liability side of the balance sheet are as follows:

	Current Period		Prior Period	
	TL	FC	TL	FC
Derivative Financial Liabilities	3.848.449	4.131.680	3.453.855	1.525.079
Deposits	199.534	54.219	234.755	76.634
Securities Issued	2.273	446.643	2.100	188.376
Funds Borrowed	11.612	249.810	7.801	107.553
Money Market Borrowings	6.335	74.322	74	55.717
Other Accruals	286.211	197.813	175.722	159.239
<b>Total</b>	<b>4.354.414</b>	<b>5.154.487</b>	<b>3.874.307</b>	<b>2.112.598</b>

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**SECTION FIVE**

**III. Explanations and Disclosures Related to Off-Balance Sheet Items**

**1. Information related to off-balance sheet contingencies**

**1.1. Type and amount of irrevocable commitments**

	<b>Current Period</b>	<b>Prior Period</b>
Credit Cards Limit Commitments	33.381.216	28.781.240
Commitment For Use Guaranteed Credit Allocation	17.163.986	14.309.950
Forward, Asset Purchase Commitments	13.251.936	5.330.542
Payment Commitments for Cheques	2.417.850	2.377.515
Other Irrevocable Commitments	3.828.453	2.045.048
Commitments for Promotions Related with Credit Cards and Banking Activities	71.846	71.447
Tax and Fund Liabilities due to Export Commitments	30.679	29.197
<b>Total</b>	<b>70.145.966</b>	<b>52.944.939</b>

**1.2. Type and amount of possible losses and commitments from off-balance sheet items**

Specific provision is provided for the non-cash loans amounting to TL 202.198 (December 31, 2019 - TL 155.522) followed in the off-balance sheet accounts that are not indemnified and liquidated yet.

**1.3. Final guarantees, provisional guarantees, sureties and similar transactions**

	<b>Current Period</b>	<b>Prior Period</b>
Bank Loans	6.948.186	5.822.343
Letters of Credit	3.867.429	2.667.496
<b>Total</b>	<b>10.815.615</b>	<b>8.489.839</b>

**1.4. Final guarantees, provisional guarantees, sureties and similar transactions**

	<b>Current Period</b>	<b>Prior Period</b>
Final Letters of Guarantee	9.107.978	9.374.933
Advance Letters of Guarantee	3.022.794	2.421.977
Provisional Letters of Guarantee	1.360.199	990.557
Letters of Guarantee Given to Customs Offices	490.716	486.170
Other Letters of Guarantee	9.864.654	6.753.628
<b>Total</b>	<b>23.846.341</b>	<b>20.027.265</b>

**2. Total amount of non-cash loans**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Non-Cash Loans granted for Obtaining Cash Loans</b>	<b>4.535.425</b>	<b>2.009.076</b>
Less Than or Equal to One Year with Original Maturity	725.815	341.272
More Than One Year with Original Maturity	3.809.610	1.667.804
<b>Other Non-Cash Loans</b>	<b>30.126.531</b>	<b>26.508.028</b>
<b>Total</b>	<b>34.661.956</b>	<b>28.517.104</b>

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**3. Information on risk concentration in sector terms in non-cash loans**

	Current Period				Prior Period			
	TP	%	YP	%	TP	%	YP	%
<b>Agricultural</b>	<b>34.821</b>	<b>0,30</b>	<b>87.434</b>	<b>0,38</b>	<b>37.497</b>	<b>0,37</b>	<b>69.559</b>	<b>0,38</b>
Farming and Raising Livestock	27.808	0,24	10.575	0,05	32.555	0,32	9.636	0,05
Forestry	3.764	0,03	-	-	3.919	0,04	-	-
Fishing	3.249	0,03	76.859	0,33	1.023	0,01	59.923	0,33
<b>Manufacturing</b>	<b>1.981.601</b>	<b>17,25</b>	<b>11.008.597</b>	<b>47,50</b>	<b>1.645.765</b>	<b>16,03</b>	<b>8.248.440</b>	<b>45,21</b>
Mining and Quarrying	83.112	0,72	30.714	0,13	73.698	0,72	39.774	0,22
Production	1.730.964	15,07	10.805.890	46,63	1.429.199	13,92	8.147.353	44,65
Electricity, gas and water	167.525	1,46	171.993	0,74	142.868	1,39	61.313	0,34
<b>Construction</b>	<b>3.972.665</b>	<b>34,58</b>	<b>3.175.351</b>	<b>13,70</b>	<b>3.132.469</b>	<b>30,50</b>	<b>2.776.877</b>	<b>15,21</b>
<b>Services</b>	<b>5.292.100</b>	<b>46,07</b>	<b>8.530.668</b>	<b>36,81</b>	<b>5.271.352</b>	<b>51,33</b>	<b>7.068.110</b>	<b>38,73</b>
Wholesale and Retail Trade	3.492.037	30,40	2.603.314	11,23	3.305.446	32,18	2.917.959	15,99
Hotel, Food and Beverage								
Services	126.495	1,10	1.011.024	4,36	150.928	1,47	661.151	3,62
Transportation&Communication	514.667	4,48	1.336.029	5,77	411.693	4,01	901.782	4,94
Financial Institutions	728.932	6,35	3.333.505	14,38	1.014.605	9,88	2.028.298	11,12
Real Estate and Renting Services	4.512	0,04	1.369	0,01	13.138	0,13	665	-
Self Employment Services	207.921	1,81	98.751	0,43	213.365	2,08	98.682	0,54
Educational Services	8.953	0,08	18.256	0,08	7.721	0,08	13.334	0,07
Health and Social Services	208.583	1,82	128.420	0,55	154.456	1,50	446.239	2,45
<b>Other</b>	<b>206.756</b>	<b>1,80</b>	<b>371.963</b>	<b>1,61</b>	<b>183.249</b>	<b>1,77</b>	<b>83.786</b>	<b>0,46</b>
<b>Total</b>	<b>11.487.943</b>	<b>100,00</b>	<b>23.174.013</b>	<b>100,00</b>	<b>10.270.332</b>	<b>100,00</b>	<b>18.246.772</b>	<b>100,00</b>

**4. Information on non-cash loans classified in first and second groups**

Current Period (*)	I. Group		II. Group	
	TL	FC	TL	FC
Letters of Guarantee	11.055.655	12.509.385	139.498	87.702
Bills of Exchange and Acceptances	165.625	6.774.429	-	8.132
Letters of Credit	73.064	3.793.505	-	860
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Collaterals and Sureties	-	-	-	-
<b>Non-Cash Loans</b>	<b>11.294.344</b>	<b>23.077.319</b>	<b>139.498</b>	<b>96.694</b>

(\*) Special provision and ECL provision of non-cash loans amounting to TL 54.101 excluded from provisions that are indemnified and liquidated under off-balance accounts.

Prior Period (*)	I. Group		II. Group	
	TL	FC	TL	FC
Letters of Guarantee	9.971.815	9.792.164	162.338	55.334
Bills of Exchange and Acceptances	22.742	5.782.178	-	17.423
Letters of Credit	67.823	2.563.908	-	35.765
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Collaterals and Sureties	-	-	-	-
<b>Non-Cash Loans</b>	<b>10.062.380</b>	<b>18.138.250</b>	<b>162.338</b>	<b>108.522</b>

(\*) Does not include non-cash loans amounting to TL 45.614, for which special provision is provided, but which are not indemnified and not liquidated yet.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**5. Information on derivative financial instruments**

	Current Period	Prior Period
<b>Types of trading transactions</b>		
<b>Foreign Currency Related Derivative Transactions (I)</b>	<b>180.099.902</b>	<b>115.303.643</b>
Forward transactions <sup>(*)</sup>	22.672.509	13.397.168
Swap transactions	150.804.072	88.466.508
Futures transactions	2.388.705	197.110
Option transactions	4.234.616	13.242.857
<b>Interest Related Derivative Transactions (II)</b>	<b>92.255.618</b>	<b>58.871.980</b>
Forward rate transactions	-	-
Interest rate swap transactions	92.255.618	58.871.980
Interest option transactions	-	-
Futures interest transactions	-	-
Security option transactions	-	-
<b>Other trading derivative transactions (III)</b>	<b>1.093.120</b>	<b>1.217.741</b>
<b>A.Total Trading Derivative Transactions (I+II+III)</b>	<b>273.448.640</b>	<b>175.393.364</b>
<b>Types of hedging transactions</b>		
Fair value hedges	34.177.340	31.148.040
Cash flow hedges	51.779.622	49.101.851
Net investment hedges	-	-
<b>B.Total Hedging Related Derivatives</b>		<b>80.249.891</b>
<b>Total Derivative Transactions (A+B)</b>	<b>85.956.962</b>	<b>255.643.255</b>

<sup>(\*)</sup> This line also includes Forward Asset Purchase Commitments accounted for under Commitments.

As of September 30, 2020, breakdown of the Bank's foreign currency forward and swap and interest rate swap transactions based on currencies are disclosed below in their TL equivalents:

	Forward Buy <sup>(**)</sup>	Forward Sell <sup>(**)</sup>	Swap Buy <sup>(*)</sup>	Swap Sell <sup>(*)</sup>	Option Buy	Option Sell	Futures Buy	Futures Sell	Other
<b>Current Period</b>									
TL	3.073.836	514.332	11.556.775	45.759.102	613.892	678.793	525.624	648.516	-
USD	5.235.470	5.704.078	115.273.646	71.737.168	1.137.474	1.156.956	671.144	543.421	1.093.120
Euro	2.366.766	670.407	21.356.453	43.270.586	422.909	142.878	-	-	-
Other	549.763	4.557.857	20.020.378	42.544	19.827	61.887	-	-	-
<b>Total</b>	<b>11.225.835</b>	<b>11.446.674</b>	<b>168.207.252</b>	<b>160.809.400</b>	<b>2.194.102</b>	<b>2.040.514</b>	<b>1.196.768</b>	<b>1.191.937</b>	<b>1.093.120</b>

<sup>(\*)</sup> This column also includes hedging purpose derivatives.

<sup>(\*\*)</sup> This column also includes Forward Asset Purchase Commitments and accounted for under Commitments.

	Forward Buy <sup>(**)</sup>	Forward Sell <sup>(**)</sup>	Swap Buy <sup>(*)</sup>	Swap Sell <sup>(*)</sup>	Option Buy	Option Sell	Futures Buy	Futures Sell	Other
<b>Prior Period</b>									
TL	3.137.983	1.025.633	8.817.491	32.919.897	1.385.083	4.320.320	99.198	-	-
USD	1.386.439	4.949.705	86.440.853	50.819.911	4.580.793	1.983.433	-	97.912	1.217.741
Euro	1.716.257	475.852	16.495.263	27.499.905	625.884	287.800	-	-	-
Other	437.012	268.287	4.540.838	54.221	12.948	46.596	-	-	-
<b>Total</b>	<b>6.677.691</b>	<b>6.719.477</b>	<b>116.294.445</b>	<b>111.293.934</b>	<b>6.604.708</b>	<b>6.638.149</b>	<b>99.198</b>	<b>97.912</b>	<b>1.217.741</b>

<sup>(\*)</sup> This column also includes hedging purpose derivatives.

<sup>(\*\*)</sup> This column also includes Forward Asset Purchase Commitments and accounted for under Commitments.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**5.1. Fair value hedge accounting**

**a) Loans**

The Bank enters into swap transactions in order to hedge itself from the changes in the fair value due to the changes in market interest rates of a certain portion of its long-term loans and applies fair value hedge accounting as per TAS 39. As of balance sheet date; the installment loans amounting to TL 7.620.950 (December 31, 2019 – TL 8.122.097) were subject to hedge accounting by swaps with a nominal amount of TL 5.466.810 (December 31, 2019 – TL 6.608.353). On September 30, 2020, net market valuation difference loss amounting to TL 2.257 consist; TL 268.721 (September 30, 2019 – TL 796.357 gain) loss from aforementioned loans, TL 266.464 (September 30, 2019 – TL 740.825 loss) gain from swaps, accounted under “gain / (loss) from financial derivatives transactions” line in the accompanying financial statements.

According to TAS 39, fair value hedge accounting definitions, some of the fair value hedge accounting applications ceased. The fair value differences of the hedged loans are amortized through income statement until the maturity of the hedged loans. The Bank has booked the valuation effect amounting to TL 140.302 (September 30, 2019 – TL 33.270 loss) related to the loans that are ineffective for hedge accounting under “gain / (loss) from financial derivatives transactions” as loss during the current period.

**b) Financial assets measured at fair value through other comprehensive income**

The Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to long term foreign currency Eurobonds with fixed coupon held by the Bank using swaps as hedging instruments. As at the balance sheet date; Eurobonds with a nominal of USD 372.759 million and EUR 49.8 million (December 31, 2019 – USD 373.663 million and EUR 49.8 million) were subject to hedge accounting by interest rate swaps with the same nominal value. On September 30, 2020, the net market valuation difference gain amounting to TL 371 due to gain from Eurobonds amounting to TL 430.524 (September 30, 2019 – TL 271.360 gain) and loss from swaps amounting to TL 430.152 (September 30, 2019 – TL 270.393 loss) is accounted for under “gain / (loss) from financial derivatives transactions” line in the accompanying financial statements.

The Bank does not apply fair value hedge on TL government bonds in the current period. (December 31, 2019 - none)

**c) Bonds issued**

The Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to the foreign currency bonds issued using interest rate swaps as hedging instruments. As of the balance sheet date, bonds with nominal amount of USD 780 million (December 31, 2019 – USD 780 Million) have been subject to hedge accounting with the same nominal amount of swaps. As of September 30, 2020, TL 524 net fair valuation difference loss, net of TL 233.449 (September 30, 2019 – TL 110.431 loss) loss from issued bonds and TL 232.926 (September 30, 2019 – TL 109.147 gain) gain from swaps, has been recorded under “Gain / (loss) from financial derivatives transactions” on accompanying financial statements.

**d) Borrowings**

The Bank; applies fair value hedge accounting through interest rate swaps in order to protect itself from changes in interest rates with respect to the fixed rate foreign currency loan it uses. In this context; The Bank ended its fair value hedge accounting practice on January 1, 2020, which started on December 27, 2015, regarding the loan amounting to EUR 30 million. In the current period, within the scope of application of deteriorated hedge accounting, the Bank accounted the valuation effect which is amounting to TL 1.235 (December 31, 2019- None) as an income in the income statement under “Gain/Losses from Derivative Transactions”.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**5.2. Cash flow hedge accounting**

**a) Floating Rate Loans**

The Bank is subject to cash flow risk protection accounting through interest rate swaps in order to protect a certain portion of its long-term variable rate loans from changes in market interest rates. At each balance sheet date, the Bank conducts efficiency tests for hedging accounting, and the active parts are accounted in “hedging funds” under equity in the financial statements as defined in TAS 39, while the amount related to the inactive part is associated with the income statement. As of the balance sheet date, swaps with a nominal amount of USD 875 million (31 December 2019 - of USD 875 million) have been subject to hedging accounting as hedging instruments. As a result of the said hedging accounting, fair value income before tax of TL 256.670 (31 December 2019 – TL 20.790) was accounted under equity in the current period. The gain amounting to TL 3 relating to the ineffective portion is accounted for at the income statement.

**b) Deposit**

The Bank applies cash flow hedge accounting using interest rate swaps in order to hedge itself from the interest rate changes of deposits that have an average maturity until 3 months, the Bank implements cash flow hedge accounting with interest rate swaps. The Bank implements efficiency tests at the balance sheet dates for hedging purposes; the effective portions are accounted for under equity “Hedging Funds”, whereas the ineffective portions are accounted for at income statement as defined in TAS 39. As at the balance sheet date, swaps amounting to TL 150.000 are subject to hedge accounting as hedging instruments (December 31, 2019 – TL 1.600.000). As a result of the mentioned hedge accounting, fair value gains before taxes amounting to TL 50.090 are accounted for under equity during the current period (September 30, 2019 – TL 226.883 loss). The ineffective portion is none (December 31, 2019 – TL 448 gain).

As of the balance sheet date, swaps with a nominal amount of USD 2.009 million (December 31, 2019 – USD 2.529 Million) have been subject to hedge accounting with USD deposits and swaps with a nominal amount of EUR 74 million (December 31, 2019 – EUR 104 million) have been subject to hedge accounting with Euro deposits. As a result of above mentioned hedge accounting, fair value loss before taxes amounting to TL 340.447 are accounted for under equity during the current period (September 30, 2019 – TL 783.948 loss). The loss amounting to TL 1.558 (September 30, 2019 – TL 2.522 loss) relating to the ineffective portion is accounted for at the income statement.

When the fair value hedge accounting cannot be effectively continued as stated in TAS 39, the fair value hedge accounting is ceased. Effective parts classified under equity due to hedge accounting are amortized through income statement until the maturity of swaps in case of ineffectiveness. In the current period there is loss TL 25.278 transferred amount from equity to income statement due to ineffectiveness or matured swaps. (September 30, 2019 – TL 10.786 gain).

The measurements as of September 30, 2020, hedge of cash flow transactions stated above are determined as effective.

**c) Floating Rate Liabilities**

The Bank applies cash flow hedge accounting using interest rate swaps in order to hedge its subordinated loans which have floating interest payment. The Bank implements efficiency tests at the balance sheet dates for hedging purposes; the effective portions are accounted for under equity “Hedging Funds”, whereas the ineffective portions are accounted for at income statement as defined in TAS 39. As at the balance sheet date, swaps amounting to USD 485 million are subject to hedge accounting as hedging instruments (December 31, 2019 – USD 485 million). As a result of the mentioned hedge accounting, fair value loss before taxes amounting to TL 144.395 are accounted for under equity during the current period (December 31, 2019 – 94.034 loss). Regarding the ineffective portion has not been associated with the income statement.

On the other hand, accounting application is terminated when cash flow hedge accounting is not effectively maintained as defined in TAS 39. The effective amounts classified under equity due to hedge accounting are reclassified into profit or loss as the reclassification adjustments during periods or periods when the estimated cash flows subject to hedging in case of deterioration of the event affect profit or loss (such as the periods when interest income or expense is accounted for). In this context; due to hedge accounting practices terminated in the current year, a gain amounting to TL 31.022 (31 December 2019 - TL 4.568) was transferred from the equity to the income statement.

The measurements as of September 30, 2020, hedge of cash flow transactions stated above are determined as effective.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**6. Credit derivatives and risk exposures on credit derivatives**

As of September 30, 2020, the Bank has no commitments "Credit Linked Notes" (As of December 31, 2019 - None).

As of September 30, 2020, "Other Derivative Financial Assets" with nominal amount of USD 140.000.000 (December 31, 2019 - USD 205.000.000) are included in Bank's "Credit Default Swap.". In aforementioned transaction, the Bank is the seller of the protection for USD 140.000.000.

**7. Information on contingent liabilities and assets**

The Bank has recorded a provision of TL 163.666 (December 31, 2019 - TL 106.152) Except for the claims where provisions are recorded, management considers as remote the probability of a negative result in ongoing litigations and therefore does not foresee cash outflow for such claims.

**8. Information on the services in the name and account of third parties**

The Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts.

**9. Information on the Bank's rating by international rating institutions**

<b>MOODY's September 2020</b>		<b>FITCH September 2020</b>	
Long-Term Deposit Rating (FC)	Ca1	Long -Term Issuer Default Rating(FC)	B+ (Negative)
Long-Term Deposit Rating (TL)	B1	Short-Term Issuer Default Rating(FC)	B
Short-Term Deposit Rating (FC)	NP	Long-Term Issuer Default Rating(TL)	BB- (Negative)
Short-Term Deposit Rating (TL)	NP	Short-Term Issuer Default Rating(TL)	B
Main Credit Evaluation	b3	Long-Term National	AA(tur)
Adjusted Main Credit Evaluation	b1	Appearance	Stable
Appearance	Negative	Support	4
Long-Term Foreign Currency	B2	Financial Capacity Rating	b+
Denominated Debt Rating(FC)			

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
 (Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**SECTION FIVE**

**IV. Explanations and Disclosures Related to the Income Statement**

**1. a) Information on interest income received from loans**

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term Loans	3.337.036	257.184	4.955.559	223.835
Medium and Long-Term Loans	4.946.169	1.526.057	5.080.489	1.283.624
Non-Performing Loans	49.493	-	55.116	-
Resource Utilization Support Fund Premiums	-	-	-	-
<b>Total (*)</b>	<b>8.332.698</b>	<b>1.783.241</b>	<b>10.091.164</b>	<b>1.507.459</b>

(\*) Includes fee and commission income related to cash loans.

**b) Information on interest income from banks**

	Current Period		Prior Period	
	TL	FC	TL	FC
T.R. Central Bank (*)	-	-	-	-
Domestic Banks	56.822	107	122.899	236
Foreign Banks	1.289	17.168	1.905	64.998
Foreign Headquarters and Branches	-	-	-	-
<b>Total</b>	<b>58.111</b>	<b>17.275</b>	<b>124.804</b>	<b>65.234</b>

(\*) The interest income on Required Reserve amounting TL 23.700 is not included into interest income on Banks (September 30, 2019: TL 185.223).

**c) Information on interest income from securities portfolio**

	Current Period	
	TL	FC
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	9.724	746
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	509.070	305.529
Financial Assets Measured at Amortized Cost	771.488	337.078
<b>Total</b>	<b>1.290.282</b>	<b>643.353</b>

  

	Prior Period	
	TL	FC
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	5.766	597
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	607.738	197.374
Financial Assets Measured at Amortized Cost	837.869	244.437
<b>Total</b>	<b>1.451.373</b>	<b>442.408</b>

As stated in Section Three disclosure VII.2, the Bank has inflation indexed (CPI) government bonds in its Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) and Financial Assets Measured at Amortized Cost portfolios. As disclosed in 'Inflation Indexed Bonds Manual' published by Turkish Treasury, reference index used for the actual payments is determined based on the inflation rates of two months before. The Bank determines the estimated inflation rates used for valuation of securities in line with this. The estimated inflation rate used is updated during the year when necessary. In this context, as of September 30, 2020, valuation of such assets is made according to estimated annual inflation rate of 9%. If valuation of these securities indexed to the CPI had been done by the reference index valid through September 30, 2020, the Bank's Marketable securities valuation differences would be decreased by TL 7.9 million and net profit would be increased by TL 53 million to TL 1.888 million.

**d) Information on interest income received from associates and subsidiaries**

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	56.379	71.555

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**2. a) Information on interest expense related to funds borrowed<sup>(\*)</sup>**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Banks</b>	<b>30.179</b>	<b>828.703</b>	<b>23.108</b>	<b>879.782</b>
T.R. Central Bank	-	-	-	-
Domestic Banks	27.315	5.199	20.248	7.334
Foreign Banks	2.864	823.504	2.860	872.448
Foreign Head Offices and Branches	-	-	-	-
<b>Other Institutions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>30.179</b>	<b>828.703</b>	<b>23.108</b>	<b>879.782</b>

<sup>(\*)</sup> Includes fee and commission expenses related to cash loans.

**b) Information on interest expense paid to associates and subsidiaries**

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	8.270	20.933

**c) Information on interest expense paid to securities issued**

As of September 30, 2020 interest paid to securities issued is TL 760.000 (September 30, 2019 – TL 994.575).

**d) Information on maturity structure of interest expenses on deposits (Current Period)**

Account	Time Deposits							Accumulated Deposit Account	Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year			
<b>Turkish Lira</b>									
Bank Deposits	-	14.021	160	-	-	-	-	14.181	
Saving Deposits	126	476.797	1.181.024	33.638	16.370	91.591	-	1.799.546	
Public Sector Deposits	-	217	427	58	-	-	-	702	
Commercial Deposits	48	243.574	339.039	18.284	3.088	4.515	-	608.548	
Other Deposits	-	2.206	31.974	1.583	4.483	168	-	40.414	
7 Days Call Accounts	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>174</b>	<b>736.815</b>	<b>1.552.624</b>	<b>53.563</b>	<b>23.941</b>	<b>96.274</b>	<b>-</b>	<b>2.463.391</b>	
<b>Foreign Currency</b>									
Deposits	161	19.837	216.292	45.015	17.874	30.289	-	329.468	
Bank Deposits	32	46.396	23.329	4.594	40	-	-	74.391	
7 Days Call Accounts	-	-	-	-	-	-	-	-	
Precious Metal Deposits	-	2.246	-	-	-	-	-	2.246	
<b>Total</b>	<b>193</b>	<b>68.479</b>	<b>239.621</b>	<b>49.609</b>	<b>17.914</b>	<b>30.289</b>	<b>-</b>	<b>406.105</b>	
<b>Grand Total</b>	<b>367</b>	<b>805.294</b>	<b>1.792.245</b>	<b>103.172</b>	<b>41.855</b>	<b>126.563</b>	<b>-</b>	<b>2.869.496</b>	

**Information on maturity structure of interest expense on deposits (Prior Period)**

Account	Time Deposits							Accumulated Deposit Account	Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year			
<b>Turkish Lira</b>									
Bank Deposits	-	16.812	4.177	-	-	-	-	20.989	
Saving Deposits	27	768.459	2.529.888	204.591	178.039	382.623	-	4.063.627	
Public Sector Deposits	-	81	403	109	8	10	-	611	
Commercial Deposits	576	682.261	730.249	79.206	29.005	38.135	-	1.559.432	
Other Deposits	-	12.364	104.441	3.363	1.843	1.523	-	123.534	
7 Days Call Accounts	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>603</b>	<b>1.479.977</b>	<b>3.369.158</b>	<b>287.269</b>	<b>208.895</b>	<b>422.291</b>	<b>-</b>	<b>5.768.193</b>	
<b>Foreign Currency</b>									
Deposits	2	49.605	461.929	43.933	35.040	25.123	-	615.632	
Bank Deposits	569	38.648	41.318	4.057	278	-	-	84.870	
7 Days Call Accounts	-	-	-	-	-	-	-	-	
Precious Metal Deposits	-	1.053	-	-	-	-	-	1.053	
<b>Total</b>	<b>571</b>	<b>89.306</b>	<b>503.247</b>	<b>47.990</b>	<b>35.318</b>	<b>25.123</b>	<b>-</b>	<b>701.555</b>	
<b>Grand Total</b>	<b>1.174</b>	<b>1.569.283</b>	<b>3.872.405</b>	<b>335.259</b>	<b>244.213</b>	<b>447.414</b>	<b>-</b>	<b>6.469.748</b>	

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**e) Information on interest expense on repurchase agreements**

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Expense on Repurchase Agreements <sup>(*)</sup>	192.345	155.171	130.600	150.048

<sup>(\*)</sup> Includes “Interest on Money Market Transactions”.

**f) Information on lease expenses**

	Current Period	Prior Period
Finance Lease Expenses	41.249	52.742

**g) Information on interest expense on factoring payables**

None (September 30, 2019 – None).

**3. Information on dividend income**

	Current Period	Prior Period
Financial Derivative Assets at Fair Value through Profit/Loss (FVTPL)	-	-
From Financial Assets at Fair Value through Profit and Loss	-	-
From Financial Assets at Fair Value through Other Comprehensive Income	-	-
Other	133.299	51.187
<b>Total</b>	<b>133.299</b>	<b>51.187</b>

**4. Information on trading income/loss**

	Current Period	Prior Period
<b>Trading Income</b>	<b>12.255.031</b>	<b>11.941.179</b>
Gains on Capital Market Operations	243.065	80.495
Derivative Financial Instruments	5.324.149	9.686.246
Foreign Exchange Gains	6.687.817	2.174.438
<b>Trading Loss (-)</b>	<b>14.045.633</b>	<b>12.788.240</b>
Losses on Capital Market Operations	71.164	51.722
Losses on Derivative Financial Instruments	7.644.703	10.432.762
Foreign Exchange Losses	6.329.766	2.303.756
<b>Net Trading Income/Loss</b>	<b>(1.790.602)</b>	<b>(847.061)</b>

**5. Information on other operating income**

The Bank recorded the current year collections from loans written off in the previous period, portfolio management fees and expense accrual cancelations in “Other Operating Income” account.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**6. Expenses of Expected Credit Loss and Other Provision**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Expected Credit Loss</b>	<b>1.882.221</b>	<b>1.377.373</b>
12 month expected credit loss (stage 1)	612.124	(178.953)
Significant increase in credit risk (stage 2)	748.617	135.103
Non-performing loans (stage 3)	521.480	1.421.223
<b>Marketable Securities Impairment Expense</b>	<b>62</b>	<b>(17.698)</b>
Financial Assets at Fair Value through Profit or Loss	-	-
Financial Assets at Fair Value through Other Comprehensive Income	62	(17.698)
<b>Investments in Associates, Subsidiaries and Held-to-maturity Securities</b>		
<b>Value Decrease</b>	<b>-</b>	<b>47.455</b>
Investments in Associates	-	47.455
Subsidiaries	-	-
Joint Ventures	-	-
<b>Other</b>	<b>126.826</b>	<b>2.532</b>
<b>Total</b>	<b>2.009.109</b>	<b>1.409.662</b>

**7. Information on other operating expenses**

	<b>Current Period</b>	<b>Prior Period</b>
Reserve for Employee Termination Benefits <sup>(*)</sup>	23.062	18.179
Depreciation Expenses of Fixed Assets	297.558	273.770
Amortization Expenses of Intangible Assets	108.346	94.896
Other Operating Expenses	885.459	837.448
<i>Leasing Expenses Related to TFRS 16 Exemptions</i>	<i>1.586</i>	<i>3.366</i>
<i>Maintenance Expenses</i>	<i>191.751</i>	<i>181.464</i>
<i>Advertisement Expenses</i>	<i>71.540</i>	<i>75.255</i>
<i>Other Expenses</i>	<i>620.582</i>	<i>577.363</i>
Loss on Sales of Assets	421	50
Other <sup>(**)</sup>	405.533	363.781
<b>Total</b>	<b>1.720.379</b>	<b>1.588.124</b>

(\*) Includes “Personnel Expenses” that not exist in the income statement “Other Operating Expenses” line.

(\*\*)Comprising repayments amounting to TL 2.505 (September 30, 2019: TL 4.351) in respect of Consumer Arbitration Committee and courts’ decision recognized in previous years as an income, which were fees and commissions recognized in previous year as income. Also, SDIF premium amount and financial operation fees are included.

**8. Information on profit/loss from continued and discontinued operations before taxes**

For the period ended September 30, 2020 net interest income in income items amounting to TL 7.246.635 (September 30, 2019– TL 5.242.879), net fees and commission income amounting to TL 1.734.464 (September 30, 2019 – TL 2.007.122) and other operating income amounting to TL 35.267 (September 30, 2019 – TL 119.804) constitute an important part of the income.

**9. Explanations on tax provision for continued and discontinued operations**

**9.1. Current period taxation benefit or charge and deferred tax benefit or charge**

As of September 30, 2020, the Bank has tax expense is none (September 30, 2019 – TL 56.265 tax income). According to the Bank’s records amount of TL 452.735 deferred tax expense (September 30, 2019 – TL 426.441 deferred tax expense), reflected.

**9.2. Explanations on operating profit/loss after taxes**

None (September 30, 2019 - None).

**10. Explanations on net profit/(loss) from continued and discontinued operations**

Net profit of the Bank from continued operations is TL 1.835.824 (September 30, 2019 – TL 1.959.959).

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**11. Explanations on net income/loss for the period**

**11.1. The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Bank's performance for the period**

None (September 30, 2019 - None).

**11.2. Effect of changes in accounting estimates on income statement for the current and for subsequent periods**

None.

**11.3. There is no profit or loss attributable to minority shares**

**11.4. There are no changes in the nature and amount of accounting estimates, which have a material effect on current period or expected to have a material effect on subsequent periods.**

**12. Information on the components of other items in the income statement exceeding 10% of the total, or items that comprise at least 20% of the income statement**

Fees and commissions from credit cards, transfers and insurance intermediaries are recorded in the "Others" line under "Fees and Commissions Received" account, while fees and commissions given to credit cards are recorded in the "Others" line under "Fees and Commissions Paid" account by the Bank.

**V. Explanations And Disclosures Related To Statement of Changes in Shareholders' Equity**

Have not been prepared in accordance with the 25th clause of Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements.

**VI. Explanations And Disclosures Related To Cash Flows Statements**

Have not been prepared in accordance with the 25th clause of Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**SECTION FIVE**

**VII. Explanations and Disclosures Related to the Bank's Risk Group**

**1. Information on the volume of transactions with the Bank's risk group, lending and deposits outstanding at period end and income and expenses in the current period**

**1.1.** As of September 30, 2020, the Bank's risk group has deposits amounting to TL 583.820 (December 31, 2019 – TL 333.718), cash loans amounting to TL 1.354.891 (December 31, 2019 – TL 1.018.962) and non-cash loans amounting to TL 69.857 (December 31, 2019 – TL 56.511).

**Current Period**

Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group (**)	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
<b>Loans and Other Receivables</b>						
Balance at the Beginning of the Period	1.015.749	13.860	3.192	37.126	21	5.524
Balance at the End of the Period	1.345.309	16.301	8.898	48.800	684	4.756
Interest and Commission Income	56.379	24	-	3	18	1

**Prior Period**

Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group (**)	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
<b>Loans and Other Receivables</b>						
Balance at the Beginning of the Period	548.148	12.011	1.755	16.572	96	8.887
Balance at the End of the Period	1.015.749	13.860	3.192	37.126	21	5.524
Interest and Commission Income (***)	71.555	131	-	1	7	56

(\*) As described in the Article 49 of Banking Law No 5411.

(\*\*) Includes the loans given to the Bank's indirect subsidiaries.

(\*\*\*) Prior Period Balance Represents September 30, 2019 balance.

**1.2. Information on deposits held by the Bank's risk group**

Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group (**)	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Deposit</b>						
Balance at the Beginning of the Period	125.530	264.237	-	-	208.189	159.107
Balance at the End of the Period	323.178	125.530	-	-	260.643	208.189
Interest on deposits (***)	8.270	20.933	-	-	5.273	17.306

(\*) As described in the Article 49 of Banking Law No 5411.

(\*\*) Includes the loans given to the Bank's indirect subsidiaries.

(\*\*\*) Prior Period Balance Represents September 30, 2019 balance.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**1.3. Information on forward and option agreements and similar agreements made with the Bank's risk group**

Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group (**)	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Transactions at Fair Value Through Profit/(Loss)</b>						
Beginning of the Period	1.470.504	1.569.213	-	-	-	-
End of the Period	1.506.342	1.470.504	-	-	-	-
Total Income/Loss (***)	98.190	(111.788)	-	-	-	147
<b>Transactions for Hedging Purposes</b>						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Income/Loss (***)	-	-	-	-	-	-

(\*) As described in the Article 49 of Banking Law No 5411.

(\*\*) Includes the loans given to the Bank's indirect subsidiaries.

(\*\*\*) Prior Period Balance Represents September 30, 2019 balance.

**1.4. Information on benefits provided to top management**

As of September 30, 2020, the total amount of remuneration and bonuses paid to top management of the Bank is TL 131.898 (December 31, 2019 - TL 117.794).

**2. Disclosures of transactions with the Bank's risk group**

**2.1. Relations with entities in the risk group of / or controlled by the Bank regardless of the nature of relationship among the parties**

Transactions with the risk group are made on an arms-length basis; terms are set according to the market conditions and in compliance with the Banking Law.

**2.2. In addition to the structure of the relationship, type of transaction, amount, and share in total transaction volume, amount of significant items, and share in all items, pricing policy and other**

As of September 30 2020, cash loans of the risk group represented 0,9% of the Bank's total cash loans (December 31, 2019 - 0,9%), the deposits represented 0,2% of the Bank's total deposits (December 31, 2019 - 0,3%) and derivative transactions represented 0,4% of the Bank's total derivative transactions (December 31, 2019 - 0,6%).

**2.3. Explanations on purchase and sale of real estate and other assets, sales and purchases of services, agent contracts, financial lease agreements, transfer of data obtained from research and development, licensing agreements, financing (including loans and cash and in-kind capital support), guarantees and promissory notes, and management contracts**

The Bank enters into finance lease agreements with QNB Finans Finansal Kiralama A.Ş. As of September 30, 2020, the Bank has net finance lease payables to QNB Finans Finansal Kiralama A.Ş. amounting to TL 22.886 (December 31, 2019 - TL 15.977) relating with finance lease agreements.

The Bank has signed an agreement with Ibtech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek Sanayi ve Ticaret A.Ş. regarding research, development, advisory and improvement services.

Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş., in which the Bank participated 33,33% shareholding, provides cash transfer services to the Bank.

Information about the Bank's subordinated loans is explained under Section 5, Part II. footnote 12.

Banka The Bank provides agency services to Cigna Finans Emeklilik ve Hayat A.Ş., which is a jointly controlled entity with 49,00% shares held by the Bank.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**SECTION FIVE**

**VIII. Other Explanations Related to the Bank's Operations**

**1. Disclosure related to subsequent events and transactions that have not been finalized yet, and their impact on the financial statements**

**1.1** The issuance of The Bank after the balance sheet date are as follows:

<u>Date</u>	<u>Currency</u>	<u>Nominal</u>	<u>Interest Rate (%)</u>	<u>Due Date</u>
01.10.2020	GBP	10.000	2,15	95
02.10.2020	GBP	14.000	2,15	94
02.10.2020	TRY	581.560	13,91	77
07.10.2020	GBP	10.000	2,15	92
09.10.2020	USD	5.000	2,27	182
09.10.2020	TRY	57.300	Floating	119
09.10.2020	TRY	76.000	13,69	75

As of October 22, 2020, the trade name of Cigna Finans Emeklilik ve Hayat A.Ş., which is among the jointly controlled partnerships of the Parent Bank has changed as Cigna Sağlık Hayat ve Emeklilik A.Ş.

According to the Board of Directors of the Parent Bank on October 19, 2020, it has been decided to sell shares of Hemenal Finansman A.Ş. which QNB Finansbank holds 100% of its capital together with group companies, with a total nominal value of TL 70.000.000 (full TL). In that context, share transfer agreement signed with OYAK Portföy Yönetimi A.Ş. Dördüncü Girişim Sermayesi Yatırım Fonu for the sale of shares amounting to total nominal value of TL 69.999.996 (full TL) which the Bank owns. The share transfer fee will be determined according to the equity amount in the balance sheet of the last month-end before the closing date. The transfer of the company shares will be recognized after obtaining the necessary permissions from the BRSA.

**2. Information about effects of significant changes in foreign exchange rates after balance sheet date that would affect decision making process of users and foreign operations of the bank**

There are no significant fluctuations in the currency exchange rates after the balance sheet date that would affect the analysis and decision making process of the readers of the financial statements.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**SECTION SIX**

**INDEPENDENT AUDITOR'S LIMITED REPORT**

**I. Explanations on the Independent Review Report**

The unconsolidated financial statements for the period ended September 30, 2020 have been reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst&Young Global Limited). The auditor's report dated October 27, 2020 is presented preceding the unconsolidated financial statements.

**II. Explanations and Notes Prepared by Independent Auditors**

None (December 31, 2019- None).

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**SECTION SEVEN**

**CONSOLIDATED INTERIM ACTIVITY REPORT**

**I. Interim Consolidated Activity Report that Includes the Assessment of the Chairman of the Board of Directors and General Manager of Operations**

**Message by the Chairman**

Dear Shareholders,

We have entered the last quarter of the year 2020 still under the ongoing implications of the COVID-19 pandemic, and the efforts to create the new normal. The whole world is working on developing a new model of life, in which the society's well-being would be maintained while the social and economic cycles are running. As the vaccine studies advance on another path, we are working to develop the banking system of the new world order.

The year 2020 and the COVID-19 pandemic will be recorded as a milestone in the world history, marking a change in human health and the world's economy, alongside social restructuring, and awareness of climate and sustainability issues.

The world has gradually adopted a new normal since June. However, concerns about the pandemic are still live in the last quarter of the year, where limited restrictions are under way in Europe, which take the economic factors into account.

Advance to the new normal has brought economic recovery with it, as well. As international trade resumes and the wheels start to turn for the real sector, IMF revised its projected contraction figure for the global economy from 5.2% to 4.4%.

As for Turkey, thanks to the successful economic precautions that were launched rapidly during the pandemic, the economy has entered a quick recovery phase as of the third quarter. The New Economy Program anticipates 0.3% growth for 2020, and 5.8% for 2021. This points to a growth performance that would positively differentiate Turkey from other developing countries.

The Banking sector has assumed significant roles in financing and supporting the economic activities during the pandemic. The sector will continue to do so in the coming days, to ensure that growth is sustained in line with the requirements of the new normal. The level of our support to the real sector will be higher, while our banking services will be enhanced with artificial intelligence and latest technologies that provide smart solutions to meet the customer requirements.

At this junction of critical importance, QNB Finansbank continued to work devotedly, responsibly and with maximum effort. With our pioneering technology and applications in digital banking, we have been one of the fastest adapting banks to the new normal. The priority of the Bank has been to stand by the real sector for all of their financial requirements, and as indicated by the loan growth performance in the third quarter, support to the real sector continues at higher levels. We will continue to emphasize on digitalization and supporting the real sector in the last quarter as well.

As of 30 September 2020, the total assets of our Bank grew by 26 percent compared to the year-end of 2019, reaching TL 229 billion 558 million. Net loans rose by 23 percent reaching TL 136 billion 605 million; and customer deposits by 29 percent, reaching TL 129 billion 510 million. In the same period, total equity came to TL 17 billion 719 million with a 6 percent increase compared to the year-end of 2019. In the first nine months of 2020, the Bank's net profit realized at TL 1 billion 836 million.

In these challenging times, QNB Finansbank has sustained its pioneering position in the industry, with its strong capital, and devoted human resources. I hereby thank to our bankers who work in devotion to ensure these achievements, as well as all of our customers and stakeholders.

Kind regards,  
Ömer A. Aras  
Chairman of the Board  
QNB Finansbank A.Ş

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**Message by the General Manager**

Dear Shareholders and Board Members,

The first 9 months of the year has been a period of extraordinary conditions brought by the COVID-19 pandemic. With its strong balance sheet, devoted human resources and prudent precautions, QNB Finansbank has been one of the most geared-up banks in coping with this challenging period. As a normalization process takes place, we have focused on striving against the adverse effects of the pandemic on the economy, without compromising the health precautions. We have launched many new packages and will launch many more, in order to meet all financial requirements of our customers, and to help the real sector, so that the wheels of the economy keep turning.

As of 30 September 2020, the total assets of QNB Finansbank grew by 26 percent compared to the year-end of 2019, reaching TL 229 billion 558 million. In the same period, net loans rose by 23 percent reaching TL 136 billion 605 million; and customer deposits by 29 percent, reaching TL 129 billion 510 million. In the first nine months of 2020, the Bank's profit before tax amounted to TL 2 billion 289 million, while net profit came to TL 1 billion 836 million. Thanks to the strong operating performance, total equity of QNB Finansbank reached TL 17 billion 719 million as of 30 September 2020, with a 6 percent increase compared to the year-end of 2019.

We are entering the last quarter of 2020 with smart and efficient banking solutions shaped according to the requirements of the new normal. As the banking industry is more digitalized these days, we continue to contribute to our customers and the industry accordingly. We continue to stand by our customers with our banking services that offer reliability together with speed, and take human health as our core objective in all of our processes, improving our digital channels.

In the human resources field, our priority has been to protect the health of our bankers. Prudence in our Human Resources applications continued to be recognized at international levels, as well. Within 'The Stevie Awards for Great Employers', QNB Finansbank Human Resources Department received the gold prize in the categories of 'Best Youth Recruitment Strategy' and 'Most Innovative Talent Acquisition Program', the silver prize in the category of 'Success in Recruitment', and the bronze prize in the categories of 'Best Talent Acquisition' and 'Best Recruitment and Talent Acquisition Team of the Year'.

Moreover, within the Excellence Awards organized by Brandon Hall Groups, which selects the companies all over the world that practice the best management processes and systems; QNB Finansbank Talent Acquisition Programs won the gold prize in the categories of 'Most Innovative Talent Acquisition Program' and 'Most Innovative Talent Management Program', silver prize in the category of 'Best Improvement in the Development of High Potential', and bronze prize in the category of 'Best Sourcing and Assessment Strategy'.

During the course of COVID-19, we have provided online access to users all over Turkey for the coding training programs that the Bank organized under the platform called "Small Hands-Big Dreams". This project also continues to be appreciated, with the awards received. Recently, 'Small Hands Coding' project was awarded a special prize within the Turkish Capital Markets Association (TCMA) Awards, in the category of Social Value. Another initiative aiming to move the children's coding success one step further, Scratch Cup Coding Contest also continues. This time, children will code to "find solutions for the World's problems", for the World that they dream of.

I hereby thank all of our stakeholders, especially our valuable bankers, customers and strategic business partners, who have made the Bank to advance in a strong and steady manner in these challenging times that we are passing through.

Kind regards,  
Temel Güzeloğlu  
General Manager  
QNB Finansbank A.Ş.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2020**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**Summary Financial Belonging to the Period of September 30, 2020**

<b>Principal Financial Indicators (Million TL)</b>	<b>September 30, 2020</b>	<b>December 31, 2019</b>
Total Loans	136.605	110.683
Securities	33.142	28.761
Total Assets	229.558	181.681
Customer Deposits	129.510	100.219
Equity	17.719	16.685
	<b>September 30, 2020</b>	<b>September 30, 2019</b>
Net interest income	7.247	5.243
Net fees and commission income	1.734	2.007
Provision loans and other Receivables(-)	(2.009)	(1.410)
<b>Profit before tax</b>	<b>2.289</b>	<b>2.330</b>
Tax Provision	(453)	(370)
<b>Net profit for the period</b>	<b>1.836</b>	<b>1.960</b>

As of September 30, 2020 total assets of Bank increased by 26% compared with the end of the year 2019 and realized as TL 229 billion and 558 million. When compared with the end of year 2019, total loans increased by 23% and reached TL 136 billion and 605 million while Customer Deposits increased by 29% and reached up to TL 129 billion and 510 million.

Net interest income increased by 38% and reached 7 billion and 247 million TL and net fees and commissions income increased to TL 1 billion 734 million in the first nine-month period of the year 2020 compared to same period of previous year. Unconsolidated profit of the Bank before tax reached TL 2 billion 289 million and the unconsolidated net profit realized as TL 1 billion 836 million.

As of September 30, 2020, total unconsolidated shareholders' equity reached up TL 17 billion and 719 million while capital adequacy ratio of the Bank was 17,29%.

As of September 30, 2020 QNB Finansbank has 11.643 personnel and 515 branches.

**Information Regarding the Financial Status, Profitability and Solvency of the Bank**

**Assets:**

The Bank maintained its customer-oriented activities during year 2020 and continued to grow mainly in corporate and commercial loans. As of September 30, 2020 compared to prior year's year-end total performing loans were realized as 136 billion 605 million TL with a rise of 23%, total assets increased by 26% and reached to 229 billion 558 million TL. In 2020, the Bank continued to grow corporate credits (Corporate, Commercial, SME and Working Capital Loans), which strategically emphasized, and realized a 26% increase in corporate loans compared to the end of 2019.

**Liabilities**

As of September 30, 2020 compared to year-end of 2019, total customer deposits of the Bank increased by 29% and reached to TL 129 billion and 510 million and shareholders' equity reached to 17 billion TL 719 million.

**Profitability**

In the first nine month periods of 2020 compared to same period of prior year, net interest income increased by 38% and reached TL 7 billion and 247 million and net fees and commission income amounts reached to TL 1 billion 734 million. Profit before tax of the Bank amounts to TL 2 billion 289 million and the net profit for the period is TL 1 billion 836 million.

**Solvency**

Due to its strong capital structure and high shareholders' equity profitability, QNB Finansbank has a sound financial structure. Bank has utilized its capital efficiently for its banking activities and has maintained its profitability of shareholders' equity. When taking into consideration of its funding structure; beside large deposit base that QNB Finansbank has, The Bank has also fund to its loans by using long-term external sources. Bank has a quite great cost advantage due to benefiting from such various funding resources and at the same time it is minimizing the risks arising from differences in the maturity dates. As having a significant place in the Turkish financial markets; QNB Finansbank with its strong financial structure also proves its credibility by the high ratings that received from the independent rating firms.

**General Grants realized during the Period:**

General grants realized as of September 30, 2020 was TL 9.065.