

**QNB FİNANSBANK ANONİM ŞİRKETİ**

**UNCONSOLIDATED FINANCIAL STATEMENTS AND  
RELATED DISCLOSURES AT JUNE 30, 2021  
TOGETHER WITH AUDITOR'S INTERIM REVIEW REPORT**

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



## AUDITOR'S REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

(Convenience translation of the independent auditor's review report originally issued in Turkish, See Note I of Section Three)

To the General Assembly of QNB Finansbank Anonim Şirketi;

### *Introduction*

We have reviewed the unconsolidated balance sheet of QNB Finansbank Anonim Şirketi ("the Bank") at 30 June 2021 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 six-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial information in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "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 Agency and circulars and interpretations published by BRSA and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by the aforementioned regulations. Our responsibility is to express a conclusion on these interim financial information based on our review.

### *Scope of Review*

We conducted our review in accordance with the Standard on Review Engagements (SRE) 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 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 information does not present fairly in all material respects the unconsolidated financial position of QNB Finansbank Anonim Şirketi at 30 June 2021 and its unconsolidated financial performance and its unconsolidated cash flows for the six-month-period then ended in accordance with the BRSA Accounting and Financial Reporting Legislation.

### *Other Matter*

The unconsolidated financial statements of the Bank as at 31 December 2020 were audited by another auditor whose report dated 28 January 2021 expressed an unqualified opinion.

### *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 Seven, is not consistent with the reviewed unconsolidated financial statements and disclosures in all material respects.

### *Additional Paragraph for Convenience Translation:*

The effects of differences between accounting principles and standards explained in detail in Section Three and 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.

PwC Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Talar Gül, SMMM  
Partner

Istanbul, 29 July 2021

**THE UNCONSOLIDATED FINANCIAL REPORT OF QNB FINANSBANK A.Ş.  
FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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  
Facsimile number : (0 212) 318 56 48  
Web page : [www.qnbfinansbank.com](http://www.qnbfinansbank.com)  
E-mail adress : [investor.relations@qnbfinansbank.com](mailto:investor.relations@qnbfinansbank.com)

The unconsolidated financial report for the six-month period then ended June 30, 2021, 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
- INTERIM REVIEW REPORT
- INTERIM ACTIVITY REPORT

The accompanying unconsolidated financial statements and related disclosures and footnotes for the six-month period ended June 30, 2021, are prepared and 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. The Existing Current or Likely Actual or Legal Barriers to Immediate Transfer of Equity or Repaymetn of Debts Between the Bank and its Subsidiaries	2
<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	16
VII. Explanations and Disclosures on Financial Instruments	16
VIII. Explanations on Expected Credit Losses	19
IX. Explanations on Netting of Financial Instruments	23
X. Derecognition of Financial Instruments	23
XI. Explanations on Sales And Repurchase Agreements and Lending of Securities	24
XII. Explanations on Assets Held For Sale and Discontinued Operations	25
XIII. Explanations on Goodwill and Other Intangible Assets	25
XIV. Explanations on Tangible Assets	25
XV. Explanations on Leasing Transactions	26
XVI. Explanations on Provisions and Contingent Liabilities	28
XVII. Explanations on Obligations of the Bank Concerning Employee	28
XVIII. Explanations on Taxation	29
XIX. Explanations on Additional Explanations on Borrowings	30
XX. Explanations on Share Issues	30
XXI. Explanations on Confirmed Bills of Exchange and Acceptances	30
XXII. Explanations on Government Incentives	30
XXIII. Explanations on Segment Reporting	30
XXIV. Explanations on Profit Reserves and Profit Distribution	32
XXV. Earnings Per Share	32
XXVI. Explanations on Other Matter	32
<b>SECTION FOUR</b>	
<b>Information Related to Financial Position And Risk Management Of The Bank</b>	
I. Explanations on Equity	33
II. Explanations on Risk Management	38
III. Explanations on Foreign Currency Exchange Rate Risk	46
IV. Explanations on Interest Rate Risk	48
V. Explanations on Position Risk of Equity Securities in Banking Book	50
VI. Explanations on Remarks Regarding Liquidity Risk Management and Liquidity Coverage Ratio	51
VII. Information Regarding Leverage Ratio	56
<b>SECTION FIVE</b>	
<b>Explanations And Disclosures On Unconsolidated Financial Statements</b>	
I. Explanations and Disclosures Related to Assets	57
II. Explanations and Disclosures Related to Liabilities	71
III. Explanations and Disclosures Related to Off-Balance Sheet Items	78
IV. Explanations and Disclosures Related to the Income Statement	84
V. Explanations and Disclosures Related to Statement of Changes in Shareholders' Equity	88
VI. Explanations and Disclosures Related to Cash Flows Statements	88
VII. Explanations and Disclosures Related to the Bank's Risk Group	89
VIII. Explanations and Disclosures Related to Subsequent Events	91
<b>SECTION SIX</b>	
<b>Auditor's Review Report</b>	
I. Explanations on the Auditor's Interim Review Report	92
II. Explanations and Notes Prepared by Independent Auditors	92
<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	93

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**  
(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 Sağlık, Hayat ve Emeklilik 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 June 30, 2021 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 SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

**GENERAL INFORMATION (Continued)**

**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 Kurtuluş	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 June 30, 2021, the Bank operates through 464 domestic (December 31, 2020 - 473), 1 abroad (December 31, 2020 - 1) and 1 Atatürk Airport Free Trade Zone (December 31, 2020 - 1) branches. As of June 30, 2021, the Bank has 10,898 employees (December 31, 2020 - 11,111 employees).

**VI. The Existing Current or Likely Actual or Legal Barriers to Immediate Transfer of Equity or Repayment 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 Auditor's Interim Review Report originally issued in Turkish (See Note 1 of Section Three)

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**UNCONSOLIDATED STATEMENT OF BALANCE SHEET**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**I. BALANCE SHEET - ASSETS**

	Section 5 Part I	Current Period 30.06.2021			Prior Period 31.12.2020		
		TL	FC	Total	TL	FC	Total
<b>I. FINANCIAL ASSETS (NET)</b>		<b>22,516,783</b>	<b>47,041,301</b>	<b>69,558,084</b>	<b>15,767,544</b>	<b>38,536,436</b>	<b>54,303,980</b>
<b>1.1 Cash and Cash Equivalents</b>		<b>4,478,694</b>	<b>35,368,307</b>	<b>39,847,001</b>	<b>2,743,414</b>	<b>26,458,913</b>	<b>29,202,327</b>
1.1.1 Cash and Balances with Central Bank	(1)	4,482,168	28,164,896	32,647,064	2,505,740	24,900,717	27,406,457
1.1.2 Banks	(3)	1,124	7,093,513	7,094,637	1,117	1,465,586	1,466,703
1.1.3 Money Markets	(4)	-	109,898	109,898	250,124	92,610	342,734
1.1.4 Expected Credit Losses (-)		4,598	-	4,598	13,567	-	13,567
<b>1.2 Financial Assets at Fair Value Through Profit or Loss</b>	<b>(2)</b>	<b>117,510</b>	<b>355,221</b>	<b>472,731</b>	<b>237,865</b>	<b>333,073</b>	<b>570,938</b>
1.2.1 Government Debt Securities		86,161	52,081	138,242	202,789	87,413	290,202
1.2.2 Equity Securities		21,372	-	21,372	25,099	-	25,099
1.2.3 Other Financial Assets		9,977	303,140	313,117	9,977	245,660	255,637
<b>1.3 Financial Assets at Fair Value Through Other Comprehensive Income</b>	<b>(5)</b>	<b>8,389,922</b>	<b>9,220,813</b>	<b>17,610,735</b>	<b>5,800,847</b>	<b>9,380,242</b>	<b>15,181,089</b>
1.3.1 Government Debt Securities		8,382,248	9,220,813	17,603,061	5,793,173	9,380,242	15,173,415
1.3.2 Equity Securities		7,674	-	7,674	7,674	-	7,674
1.3.3 Other Financial Assets		-	-	-	-	-	-
<b>1.4 Derivative Financial Assets</b>	<b>(12)</b>	<b>9,530,657</b>	<b>2,096,960</b>	<b>11,627,617</b>	<b>6,985,418</b>	<b>2,364,208</b>	<b>9,349,626</b>
1.4.1 Derivative Financial Assets at Fair Value Through Profit/Loss		7,768,057	1,887,613	9,655,670	5,842,408	2,106,532	7,948,940
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		1,762,600	209,347	1,971,947	1,143,010	257,676	1,400,686
<b>II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (Net)</b>		<b>110,970,241</b>	<b>66,991,108</b>	<b>177,961,349</b>	<b>102,376,171</b>	<b>54,959,411</b>	<b>157,335,582</b>
<b>2.1 Loans</b>	<b>(6)</b>	<b>111,976,611</b>	<b>56,702,648</b>	<b>168,679,259</b>	<b>103,582,764</b>	<b>45,775,688</b>	<b>149,358,452</b>
<b>2.2 Lease Receivables</b>	<b>(11)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2.3 Factoring Receivables</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2.4 Other Financial Assets Measured at Amortized Cost</b>	<b>(7)</b>	<b>10,404,400</b>	<b>10,288,460</b>	<b>20,692,860</b>	<b>9,559,633</b>	<b>9,183,723</b>	<b>18,743,356</b>
2.4.1 Public Sector Debt Securities		10,404,400	9,717,637	20,122,037	9,559,633	8,621,942	18,181,575
2.4.2 Other Financial Assets		-	570,823	570,823	-	561,781	561,781
<b>2.5 Expected Credit Losses (-)</b>		<b>11,410,770</b>	<b>-</b>	<b>11,410,770</b>	<b>10,766,226</b>	<b>-</b>	<b>10,766,226</b>
<b>III. 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>	<b>-</b>
3.1 Held for Sale Purpose		-	-	-	-	-	-
3.2 Related to Discontinued Operations		-	-	-	-	-	-
<b>IV. EQUITY INVESTMENTS</b>		<b>2,171,292</b>	<b>-</b>	<b>2,171,292</b>	<b>1,892,950</b>	<b>-</b>	<b>1,892,950</b>
<b>4.1 Investments in Associates (Net)</b>	<b>(8)</b>	<b>14,026</b>	<b>-</b>	<b>14,026</b>	<b>14,026</b>	<b>-</b>	<b>14,026</b>
4.1.1 Associates Valued Based on Equity Method		-	-	-	-	-	-
4.1.2 Unconsolidated Associates		14,026	-	14,026	14,026	-	14,026
<b>4.2 Subsidiaries (Net)</b>	<b>(9)</b>	<b>1,874,858</b>	<b>-</b>	<b>1,874,858</b>	<b>1,596,516</b>	<b>-</b>	<b>1,596,516</b>
4.2.1 Unconsolidated Financial Subsidiaries		1,836,812	-	1,836,812	1,558,470	-	1,558,470
4.2.2 Unconsolidated Non-Financial Subsidiaries		38,046	-	38,046	38,046	-	38,046
<b>4.3 Joint Ventures (Net)</b>	<b>(10)</b>	<b>282,408</b>	<b>-</b>	<b>282,408</b>	<b>282,408</b>	<b>-</b>	<b>282,408</b>
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2 Unconsolidated Joint Ventures		282,408	-	282,408	282,408	-	282,408
<b>V. PROPERTY AND EQUIPMENT (Net)</b>		<b>3,435,674</b>	<b>22</b>	<b>3,435,696</b>	<b>3,476,263</b>	<b>18</b>	<b>3,476,281</b>
<b>VI. INTANGIBLE ASSETS (Net)</b>		<b>563,908</b>	<b>-</b>	<b>563,908</b>	<b>504,698</b>	<b>-</b>	<b>504,698</b>
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		563,908	-	563,908	504,698	-	504,698
<b>VII. INVESTMENT PROPERTY (Net)</b>	<b>(13)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VIII. CURRENT TAX ASSET</b>	<b>(14)</b>	<b>1,865</b>	<b>-</b>	<b>1,865</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>IX. DEFERRED TAX ASSET</b>	<b>(14)</b>	<b>573,470</b>	<b>-</b>	<b>573,470</b>	<b>931,700</b>	<b>-</b>	<b>931,700</b>
<b>X. OTHER ASSETS (Net)</b>	<b>(16)</b>	<b>4,643,057</b>	<b>88,029</b>	<b>4,731,086</b>	<b>3,779,894</b>	<b>5,028,263</b>	<b>8,808,157</b>
<b>TOTAL ASSETS</b>		<b>144,876,290</b>	<b>114,120,460</b>	<b>258,996,750</b>	<b>128,729,220</b>	<b>98,524,128</b>	<b>227,253,348</b>

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

Convenience Translation of the Auditor's Interim Review Report originally issued in Turkish (See Note 1 of Section Three)

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**UNCONSOLIDATED STATEMENT OF BALANCE SHEET**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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

		Current Period 30.06.2021			Prior Period 31.12.2020			
		Section 5 Part II	TL	FC	Total	TL	FC	Total
<b>I.</b>	<b>DEPOSITS</b>	(1)	65,879,147	87,701,870	153,581,017	48,414,473	82,145,258	130,559,731
<b>II.</b>	<b>FUNDS BORROWED</b>	(3)	505,819	20,328,339	20,834,158	486,735	19,705,289	20,192,024
<b>III.</b>	<b>MONEY MARKETS</b>	(4)	3,516,674	10,278,109	13,794,783	4,376,444	10,112,950	14,489,394
<b>IV.</b>	<b>SECURITIES ISSUED (Net)</b>	(5)	3,332,179	15,238,594	18,570,773	1,554,964	11,951,421	13,506,385
4.1	Bills		3,332,179	1,749,093	5,081,272	1,502,745	829,044	2,331,789
4.2	Asset Backed Securities		-	-	-	-	-	-
4.3	Bonds		-	13,489,501	13,489,501	52,219	11,122,377	11,174,596
<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>		2,512,030	2,998,745	5,510,775	4,773,704	3,303,648	8,077,352
7.1	Derivative Financial Liabilities at Fair Value Through Profit or Loss	(2)	2,481,356	2,310,087	4,791,443	4,754,603	2,416,086	7,170,689
7.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(8)	30,674	688,658	719,332	19,101	887,562	906,663
<b>VIII.</b>	<b>FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>IX.</b>	<b>LEASE PAYABLES (Net)</b>	(7)	424,025	488	424,513	444,009	2,666	446,675
<b>X.</b>	<b>PROVISIONS</b>	(9)	1,063,560	-	1,063,560	1,064,819	-	1,064,819
10.1	Restructuring Provisions		-	-	-	-	-	-
10.2	Reserve for Employee Benefits		546,397	-	546,397	589,451	-	589,451
10.3	Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4	Other Provisions		517,163	-	517,163	475,368	-	475,368
<b>XI.</b>	<b>CURRENT TAX LIABILITY</b>	(10)	-	-	-	1,063,699	-	1,063,699
<b>XII.</b>	<b>DEFERRED TAX LIABILITY</b>		-	-	-	-	-	-
<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)	-	7,948,775	7,948,775	-	6,704,294	6,704,294
14.1	Subordinated Loans		-	7,948,775	7,948,775	-	6,704,294	6,704,294
14.2	Other Debt Instruments		-	-	-	-	-	-
<b>XV.</b>	<b>OTHER LIABILITIES</b>		8,994,590	7,576,463	16,571,053	6,916,521	5,010,033	11,926,554
<b>XVI.</b>	<b>SHAREHOLDERS' EQUITY</b>		22,216,863	(1,519,520)	20,697,343	20,422,006	(1,199,585)	19,222,421
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 Reclassified to Profit or Loss		1,347,401	-	1,347,401	1,163,907	-	1,163,907
16.4	Other Comprehensive Income/Expense Items Reclassified to Profit or Loss		321,222	(1,519,520)	(1,198,298)	119,918	(1,199,585)	(1,079,667)
16.5	Profit Reserves		15,787,467	-	15,787,467	13,199,191	-	13,199,191
16.5.1	Legal Reserves		670,000	-	670,000	670,000	-	670,000
16.5.2	Status Reserves		-	-	-	-	-	-
16.5.3	Extraordinary Reserves		15,117,467	-	15,117,467	12,529,191	-	12,529,191
16.5.4	Other Profit Reserves		-	-	-	-	-	-
16.6	Profit/Loss		1,410,059	-	1,410,059	2,588,276	-	2,588,276
16.6.1	Prior Periods' Profit/Loss		-	-	-	101,267	-	101,267
16.6.2	Current Period's Net Profit/Loss		1,410,059	-	1,410,059	2,487,009	-	2,487,009
16.7	Minority Interest		-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>			<b>108,444,887</b>	<b>150,551,863</b>	<b>258,996,750</b>	<b>89,517,374</b>	<b>137,735,974</b>	<b>227,253,348</b>

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

Convenience Translation of the Auditor's Interim Review Report originally issued in Turkish (See Note 1 of Section Three)

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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

	Section 5 Part III	Current Period 30.06.2021			Prior Period 31.12.2020		
		TL	FC	TOTAL	TL	FC	TOTAL
<b>A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I-II+III)</b>		<b>190,213,380</b>	<b>299,127,784</b>	<b>489,341,164</b>	<b>174,611,673</b>	<b>281,840,718</b>	<b>456,452,391</b>
<b>I. GUARANTEES</b>	(1), (2), (3), (4)	<b>11,892,348</b>	<b>25,422,814</b>	<b>37,315,162</b>	<b>11,627,187</b>	<b>21,520,352</b>	<b>33,147,539</b>
1.1. Letters of guarantee		11,743,638	13,434,527	25,178,165	11,327,575	11,362,429	22,690,004
1.1.1. Guarantees subject to State Tender Law		533,825	91,504	625,329	474,847	84,162	559,009
1.1.2. Guarantees given for foreign trade operations		6,775,630	13,343,023	20,118,653	6,666,383	11,278,267	17,944,650
1.1.3. Other letters of guarantee		4,434,183	-	4,434,183	4,186,345	-	4,186,345
1.2. Bank loans		70,610	6,923,328	6,993,938	198,490	6,640,108	6,838,598
1.2.1. Import letter of acceptance		70,610	6,923,328	6,993,938	198,490	6,640,108	6,838,598
1.2.2. Other bank acceptances		-	-	-	-	-	-
1.3. Letters of credit		78,100	5,064,959	5,143,059	101,122	3,517,815	3,618,937
1.3.1. Documentary letters of credit		78,100	4,748,370	4,826,470	101,122	3,315,757	3,416,879
1.3.2. Other letters of credit		-	316,589	316,589	-	202,058	202,058
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>	(1)	<b>125,566,975</b>	<b>9,093,573</b>	<b>134,660,548</b>	<b>104,514,729</b>	<b>6,640,330</b>	<b>111,155,059</b>
2.1. Irrevocable commitments		67,399,069	6,299,740	73,698,809	58,424,722	6,640,330	65,065,052
2.1.1. Forward asset purchase commitments		767,533	3,980,526	4,748,059	1,358,290	3,478,001	4,836,291
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		22,646,994	871	22,647,865	18,075,052	734	18,075,786
2.1.5. Securities underwriting commitments		-	-	-	-	-	-
2.1.6. Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7. Payment commitment for checks		2,877,633	-	2,877,633	2,423,033	-	2,423,033
2.1.8. Tax and fund liabilities from export commitments		33,096	-	33,096	27,046	-	27,046
2.1.9. Commitments for credit card expenditure limits		40,100,462	-	40,100,462	35,495,520	-	35,495,520
Commitments for promotions related with credit cards and banking activities		56,087	-	56,087	83,078	-	83,078
2.1.10. Receivables from short sale commitments		-	-	-	-	-	-
2.1.11. Payables for short sale commitments		-	-	-	-	-	-
2.1.12. Other irrevocable commitments		917,264	2,318,343	3,235,607	962,703	3,161,595	4,124,298
2.2. Revocable commitments		58,167,906	2,793,833	60,961,739	46,090,007	-	46,090,007
2.2.1. Revocable loan granting commitments		58,167,906	2,793,833	60,961,739	46,090,007	-	46,090,007
2.2.2. Other revocable commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	(5), (6)	<b>52,754,057</b>	<b>264,611,397</b>	<b>317,365,454</b>	<b>58,469,757</b>	<b>253,680,036</b>	<b>312,149,793</b>
3.1. Derivative financial instruments for hedging purposes		14,878,131	79,371,219	94,249,350	8,906,126	65,587,674	74,493,800
3.1.1. Fair value hedge		7,403,503	31,581,421	38,984,924	4,770,807	24,362,023	29,132,830
3.1.2. Cash flow hedge		7,474,628	47,789,798	55,264,426	4,135,319	41,225,651	45,360,970
3.1.3. Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2. Held for trading transactions		37,875,926	185,240,178	223,116,104	49,563,631	188,092,362	237,655,993
3.2.1. Forward foreign currency buy/sell transactions		3,760,749	10,038,677	13,799,426	2,107,149	8,850,539	10,957,688
3.2.1.1. Forward foreign currency transactions-buy		2,949,177	4,009,612	6,958,789	1,676,174	3,844,105	5,520,279
3.2.1.2. Forward foreign currency transactions-sell		811,572	6,029,065	6,840,637	430,975	5,006,434	5,437,409
3.2.2. Swap transactions related to foreign currency and interest rates		31,971,271	171,573,790	203,545,061	45,325,821	175,284,547	220,610,368
3.2.2.1. Foreign currency swap-buy		1,933,778	58,755,919	60,689,697	3,298,846	66,002,897	69,301,743
3.2.2.2. Foreign currency swap-sell		21,786,893	39,041,203	60,828,096	30,615,375	40,878,980	71,494,355
3.2.2.3. Interest rate swaps-buy		4,125,300	36,888,334	41,013,634	5,705,800	34,201,335	39,907,135
3.2.2.4. Interest rate swaps-sell		4,125,300	36,888,334	41,013,634	5,705,800	34,201,335	39,907,135
3.2.3. Foreign currency, interest rate and securities options		1,719,184	2,260,803	3,979,987	1,021,265	1,947,660	2,968,925
3.2.3.1. Foreign currency options-buy		894,177	1,158,059	2,052,236	491,416	1,047,539	1,538,955
3.2.3.2. Foreign currency options-sell		825,007	1,102,744	1,927,751	529,849	900,121	1,429,970
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		424,722	409,336	834,058	1,109,396	1,055,351	2,164,747
3.2.4.1. Foreign currency futures-buy		99,986	310,767	410,753	172	1,055,204	1,055,376
3.2.4.2. Foreign currency futures-sell		324,736	98,569	423,305	1,109,224	147	1,109,371
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		-	957,572	957,572	-	954,265	954,265
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>1,046,116,629</b>	<b>321,907,513</b>	<b>1,368,024,142</b>	<b>935,939,092</b>	<b>266,152,722</b>	<b>1,202,091,814</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>16,031,598</b>	<b>13,866,741</b>	<b>29,898,339</b>	<b>11,281,488</b>	<b>10,473,404</b>	<b>21,754,892</b>
4.1. Assets under management		5,558,360	-	5,558,360	2,159,679	-	2,159,679
4.2. Investment securities held in custody		758,787	10,867,441	11,626,228	511,150	8,043,418	8,554,568
4.3. Checks received for collection		7,756,265	1,631,738	9,388,003	6,632,644	1,314,634	7,947,278
4.4. Commercial notes received for collection		1,956,311	679,660	2,635,971	1,978,015	527,533	2,505,548
4.5. Other assets received for collection		-	-	-	-	-	-
4.6. Assets received for public offering		-	-	-	-	-	-
4.7. Other items under custody		1,875	687,902	689,777	-	587,819	587,819
4.8. Custodians		-	-	-	-	-	-
<b>V. PLEDGED ITEMS</b>		<b>595,983,646</b>	<b>189,807,655</b>	<b>785,791,301</b>	<b>540,029,634</b>	<b>160,647,061</b>	<b>700,676,695</b>
5.1. Marketable securities		4,045,752	11,226,429	15,272,181	4,117,442	9,531,425	13,648,867
5.2. Guarantee notes		438,286	675,313	1,113,599	380,407	590,933	971,340
5.3. Commodity		517,485	-	517,485	490,115	-	490,115
5.4. Warranty		-	-	-	-	-	-
5.5. Properties		114,741,415	96,614,149	211,355,564	106,976,494	82,931,319	189,907,813
5.6. Other pledged items		476,240,708	81,291,764	557,532,472	428,065,176	67,593,384	495,658,560
5.7. Pledged items-depository		-	-	-	-	-	-
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>434,101,385</b>	<b>118,233,117</b>	<b>552,334,502</b>	<b>384,627,970</b>	<b>95,032,257</b>	<b>479,660,227</b>
<b>TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)</b>		<b>1,236,330,009</b>	<b>621,035,297</b>	<b>1,857,365,306</b>	<b>1,110,550,765</b>	<b>547,993,440</b>	<b>1,658,544,205</b>

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

Convenience Translation of the Auditor's Interim Review Report originally issued in Turkish (See Note 1 of Section Three)

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**III. INCOME STATEMENT**

	Section 5 Part IV	Current Period 01.01 - 30.06.2021	Current Period 3 Months 01.04 - 30.06.2021	Prior Period 01.01 - 30.06.2020	Prior Period 3 Months 01.04 - 30.06.2020
<b>I. INTEREST INCOME</b>	(1)	<b>10,942,481</b>	<b>5,853,178</b>	<b>8,096,625</b>	<b>3,938,864</b>
1.1 Interest income on loans		8,937,770	4,725,947	6,717,313	3,246,237
1.2 Interest income on reserve deposits		170,224	111,768	13,568	6,807
1.3 Interest income on banks		27,284	16,008	58,071	23,896
1.4 Interest income on money market transactions		12,335	2,802	91,535	50,198
1.5 Interest income on securities portfolio		1,783,314	992,027	1,211,092	610,393
1.5.1 Financial assets measured at FVTPL		10,671	3,266	6,172	2,636
1.5.2 Financial assets measured at FVOCI					
		758,289	431,423	536,154	258,520
1.5.3 Financial assets measured at amortized cost		1,014,354	557,338	668,766	349,237
1.6 Financial lease income		-	-	-	-
1.7 Other interest income		11,554	4,626	5,046	1,333
<b>II. INTEREST EXPENSE (-)</b>	(2)	<b>5,881,635</b>	<b>3,255,824</b>	<b>3,403,314</b>	<b>1,647,839</b>
2.1 Interest on deposits		4,078,579	2,307,270	1,982,137	919,867
2.2 Interest on funds borrowed		638,005	332,130	555,775	283,866
2.3 Interest on money market transactions		544,975	285,979	237,387	126,177
2.4 Interest on securities issued		566,550	308,467	506,815	259,748
2.5 Interests on leasings		31,303	14,859	30,501	15,101
2.6 Other interest expenses		22,223	7,119	90,699	43,080
<b>III. NET INTEREST INCOME (I - II)</b>		<b>5,060,846</b>	<b>2,597,354</b>	<b>4,693,311</b>	<b>2,291,025</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSES</b>		<b>1,535,559</b>	<b>831,142</b>	<b>1,168,610</b>	<b>514,971</b>
4.1 Fees and commissions received		1,926,526	1,060,213	1,428,705	624,445
4.1.1 Non-cash loans		127,707	65,952	89,432	47,026
4.1.2 Others		1,798,819	994,261	1,339,273	577,419
4.2 Fees and commissions paid (-)		390,967	229,071	260,095	109,474
4.2.1 Non-cash loans		1,097	461	756	150
4.2.2 Others		389,870	228,610	259,339	109,324
<b>V. DIVIDEND INCOME</b>	(3)	<b>191,284</b>	<b>396</b>	<b>128,041</b>	<b>-</b>
<b>VI. TRADING INCOME / LOSS (Net)</b>	(4)	<b>(1,980,170)</b>	<b>(1,005,675)</b>	<b>(1,045,088)</b>	<b>(500,439)</b>
6.1 Trading gains / losses on securities		43,572	50,901	156,824	96,089
6.2 Gain/losses from derivative transactions		(2,379,289)	(1,118,426)	(1,433,550)	(658,150)
6.3 Foreign exchange gain / losses		355,547	61,850	231,638	61,622
<b>VII. OTHER OPERATING INCOME</b>	(5)	<b>169,985</b>	<b>22,870</b>	<b>17,857</b>	<b>8,670</b>
<b>VIII. TOTAL OPERATING GROSS PROFIT (III+IV+V+VI+VII)</b>		<b>4,977,504</b>	<b>2,446,087</b>	<b>4,962,731</b>	<b>2,314,227</b>
<b>IX. EXPECTED CREDIT LOSSES (-)</b>	(6)	<b>880,904</b>	<b>342,398</b>	<b>1,298,384</b>	<b>657,059</b>
<b>X. OTHER PROVISION LOSSES (-)</b>		<b>62,317</b>	<b>21,367</b>	<b>76,292</b>	<b>36,347</b>
<b>XI. PERSONNEL EXPENSES (-)</b>		<b>954,995</b>	<b>500,811</b>	<b>908,629</b>	<b>437,352</b>
<b>XII. OTHER OPERATING EXPENSES (-)</b>	(7)	<b>1,271,385</b>	<b>651,630</b>	<b>1,113,706</b>	<b>535,769</b>
<b>XIII. NET OPERATING PROFIT / LOSS (VIII-IX-X-XI-XII)</b>		<b>1,807,903</b>	<b>929,881</b>	<b>1,565,720</b>	<b>647,700</b>
<b>XIV. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER</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 (XIII+...+XV)</b>	(8)	<b>1,807,903</b>	<b>929,881</b>	<b>1,565,720</b>	<b>647,700</b>
<b>XVIII. PROVISION FOR TAXES OF CONTINUED OPERATIONS (±)</b>	(9)	<b>397,844</b>	<b>216,652</b>	<b>293,699</b>	<b>141,746</b>
18.1 Current tax charge		8,528	8,528	19,864	42,538
18.2 Deferred tax charge (+)		1,042,918	(327,998)	609,221	236,338
18.3 Deferred tax credit (-)		(653,602)	536,122	(335,386)	(137,130)
<b>XIX. NET OPERATING PROFIT/LOSS AFTER TAXES (XVII±XVIII)</b>	(10)	<b>1,410,059</b>	<b>713,229</b>	<b>1,272,021</b>	<b>505,954</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>	(11)	<b>1,410,059</b>	<b>713,229</b>	<b>1,272,021</b>	<b>505,954</b>
Earnings Per Share		0.0421	0.0213	0.0380	0.0151

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

Convenience Translation of the Auditor's Interim Review Report originally issued in Turkish (See Note 1 of Section Three)

**QNB FİNANSBANK ANONİM ŞİRKETİ**

**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

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

	Current Period 01.01 – 30.06.2021	Prior Period 01.01 – 30.06.2020
<b>I. CURRENT PERIOD PROFIT/LOSS</b>	<b>1,410,059</b>	<b>1,272,021</b>
<b>II. OTHER COMPREHENSIVE INCOME</b>	<b>64,862</b>	<b>(928,473)</b>
<b>2.1 Other Income/Expense Items not Reclassified to Profit or Loss</b>	<b>183,494</b>	<b>(111,826)</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	1,096	137
2.1.4 Other Income/Expense Items not Reclassified to Profit or Loss	180,969	(110,714)
2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	1,429	(1,249)
<b>2.2 Other Income/Expense Items to Reclassified to Profit or Loss</b>	<b>(118,632)</b>	<b>(816,647)</b>
2.2.1 Foreign Currency Translation Differences	-	-
2.2.2 Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	(460,583)	(751,732)
2.2.3 Gains/losses from Cash Flow Hedges	312,293	(295,251)
2.2.4 Gains/Losses on Hedges of Net Investments in Foreign Operations	-	-
2.2.5 Other Income/Expense Items to Reclassified to Profit or Loss	-	-
2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	29,658	230,336
<b>III. TOTAL PROFIT/LOSS ACCOUNTED FOR IN THE PERIOD (I+II)</b>	<b>1,474,921</b>	<b>343,548</b>

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

Convenience Translation of the Auditor's Interim Review Report originally issued in Turkish (See Note 1 of Section Three)

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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

Prior Period	Other Comprehensive Income/Expense Items not Reclassified to Profit or Loss							Other Comprehensive Income/Expense Items Reclassified to Profit or Loss							
	Section 5 Part V	Paid-in Capital	Share Premium	Share Cancellati on Profits	Other Capital Reserves	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>	Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Total Shareholders' Equity
<b>Prior Period - 01.01 – 30.06.2020</b>															
<b>I. Prior Period End Balance</b>		3,350,000	714	-	-	-	(73,337)	1,046,855	-	(272,254)	(566,110)	10,577,034	2,622,157	-	16,685,059
<b>II. Correction made as per TAS 8</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III. Adjusted Balances at Beginning of Period (I+II)</b>		3,350,000	714	-	-	-	(73,337)	1,046,855	-	(272,254)	(566,110)	10,577,034	2,622,157	-	16,685,059
<b>IV. Total Comprehensive Income</b>		-	-	-	-	-	107	(111,933)	-	(586,349)	(230,298)	-	-	1,272,021	343,548
<b>V. Capital Increase in Cash</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VI. Capital Increase from Internal Sources</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII. Capital Reserves from Inflation Adjustments to Paid-in Capital</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VIII. Convertible Bonds</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IX. Subordinated Debt Instruments</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X. Increase/Decrease by Others Changes</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI. Profit Distribution</b>		-	-	-	-	-	-	-	-	-	2,622,157	(2,622,157)	-	-	-
11.1 Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-
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>		3,350,000	714	-	-	-	(73,230)	934,922	-	(858,603)	(796,408)	13,199,191	-	1,272,021	17,028,607

  

Current Period	Other Comprehensive Income/Expense Items not Reclassified to Profit or Loss							Other Comprehensive Income/Expense Items Reclassified to Profit or Loss							
	Section 5 Part V	Paid-in Capital	Share Premium	Share Cancellati on Profits	Other Capital Reserves	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>	Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Total Shareholders' Equity
<b>Current Period - 01.01 – 30.06.2021</b>															
<b>I. Prior Period End Balance</b>		3,350,000	714	-	-	-	(106,814)	1,270,721	-	(475,449)	(604,217)	13,199,191	2,588,276	-	19,222,422
<b>II. Correction made as per TAS 8</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III. Adjusted Balances at Beginning of Period (I+II)</b>		3,350,000	714	-	-	-	(106,814)	1,270,721	-	(475,449)	(604,217)	13,199,191	2,588,276	-	19,222,422
<b>IV. Total Comprehensive Income</b>		-	-	-	-	-	876	182,618	-	(368,466)	249,834	-	-	1,410,059	1,474,921
<b>V. Capital Increase in Cash</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VI. Capital Increase from Internal Sources</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII. Capital Reserves from Inflation Adjustments to Paid-in Capital</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VIII. Convertible Bonds</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IX. Subordinated Debt Instruments</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X. Increase/Decrease by Others Changes</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI. Profit Distribution</b>		-	-	-	-	-	-	-	-	-	2,588,276	(2,588,276)	-	-	-
11.1 Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	2,588,276	(2,588,276)	-	-	-
11.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balances at end of the period (III+IV...+X+XI)</b>		3,350,000	714	-	-	-	(105,938)	1,453,339	-	(843,915)	(354,383)	15,787,467	-	1,410,059	20,697,343

<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 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 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 SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

**VI. STATEMENT OF CASH FLOWS**

	Section 5 Part IV	Current Period 01.01 – 30.06.2021	Prior Period 01.01 – 30.06.2020
<b>A. CASH FLOWS FROM / (TO) BANKING OPERATIONS</b>			
<b>1.1 Operating Profit Before Changes in Operating Assets and Liabilities</b>		<b>1,529,569</b>	<b>6,765,914</b>
1.1.1 Interest Received		10,312,222	7,524,956
1.1.2 Interest Paid		(5,291,518)	(2,869,889)
1.1.3 Dividend Received		191,284	69,435
1.1.4 Fees and Commissions Received		1,927,012	1,440,701
1.1.5 Other Income		169,985	17,857
1.1.6 Collections From Previously Written Off Loans		839,607	621,942
1.1.7 Payments To Personnel and Service Suppliers		(1,044,966)	(669,078)
1.1.8 Taxes Paid		(1,563,459)	(552,568)
1.1.9 Others		(4,010,598)	1,182,558
<b>1.2 Changes in Operating Assets and Liabilities</b>		<b>(91,232)</b>	<b>3,876,311</b>
1.2.1 Net (Increase) Decrease in Financial Assets Measured at Fair Value Through Profit/Loss		99,062	(81,399)
1.2.2 Net (Increase) Decrease in Due From Banks		(1,364,987)	3,540,895
1.2.3 Net (Increase) Decrease in Loans		(5,833,776)	(6,596,598)
1.2.4 Net (Increase) Decrease in Other Assets		396,037	(2,955,738)
1.2.5 Net Increase (Decrease) in Bank Deposits		(1,496,586)	(593,087)
1.2.6 Net Increase (Decrease) in Other Deposits		8,609,553	8,547,944
1.2.7 Net increase (Decrease) in financial liabilities at fair value through profit or loss		-	-
1.2.8 Net Increase (Decrease) in Funds Borrowed		(4,732,997)	(1,479,475)
1.2.9 Net Increase (Decrease) in Matured Payables		-	-
1.2.10 Net Increase (Decrease) in Other Liabilities		4,232,462	3,493,769
<b>I. Net Cash Provided From / (Used in) Banking Operations</b>		<b>1,438,337</b>	<b>10,642,225</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net Cash Provided From / (Used in) Investing Activities</b>		<b>(1,611,890)</b>	<b>(833,075)</b>
2.1 Purchase Of Entities Under Common Control, Associates and Subsidiaries		(124,800)	-
2.2 Sale of Entities Under Common Control, Associates and Subsidiaries		25,651	-
2.3 Fixed Assets Purchases		(246,305)	(116,101)
2.4 Fixed Assets Sales		76,745	2,035
2.5 Purchase of Financial Assets Measured at Fair Value Through Other Comprehensive Income		(6,813,829)	(9,051,056)
2.6 Sale of Financial Assets Measured at Fair Value Through Other Comprehensive Income		5,448,197	7,970,432
2.7 Purchase of Financial Assets Measured at Amortized Cost		(1,700,744)	(1,652,760)
2.8 Sale of Financial Assets Measured at Amortized Cost		1,865,253	2,119,388
2.9 Others		(142,058)	(105,013)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net Cash Provided From / (Used in) Financing Activities</b>		<b>4,912,697</b>	<b>(55,047)</b>
3.1 Cash Obtained From Funds Borrowed and Securities Issued		9,867,552	7,592,712
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		(4,901,359)	(7,576,395)
3.3 Capital Increase		-	-
3.4 Dividends Paid		-	-
3.5 Payments for Finance Leases		(7,558)	11,053
3.6 Other		(45,938)	(82,417)
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>		<b>552,297</b>	<b>219,290</b>
<b>V. Net Increase / (Decrease) in Cash and Cash Equivalents (I+II+III+IV)</b>		<b>5,291,441</b>	<b>9,973,393</b>
<b>VI. Cash and Cash Equivalents at Beginning of the Period</b>		<b>15,425,482</b>	<b>14,387,892</b>
<b>VII. Cash and Cash Equivalents at End of the Period (V+VI)</b>		<b>20,716,923</b>	<b>24,361,285</b>

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

(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.

**Explanation For Convenience Translation to English**

The differences between accounting principles, as described in these preceding paragraphs and accounting principles generally accepted in countries in which unconsolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in these unconsolidated financial statements. Accordingly, these 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.

**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, 2020, 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 .

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 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.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

**ACCOUNTING POLICIES (Continued)**

**I. Basis of Presentation (Continued)**

Since it is aimed to update the most recent financial information in the interim financial statements prepared as of June 30, 2021, 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. In addition, explanations regarding the effects of COVID-19 were disclosed in footnotes numbered III " Information on Associates and Subsidiaries and Entities Under Common Control" and No XV " Explanations on Leasing Transactions".

**2.1. Changes in accounting policies and disclosures**

In its accompanying unconsolidated financial statements, the Bank announced the Phase 1 amendments to TFRS 9, TAS 39 and TFRS 7 within the scope of the Indicative Interest Rate Reform published by the Public Oversight Authority ("KGK") in the Official Gazette dated 14 December 2019 and numbered 30978. It has been implemented since January 1, 2020. According to this; the Bank's portfolio that will be affected by this reform consists of loans, derivative financial instruments together with other borrowings received, and as of 30 June 2021, the portfolio size is approximately TL 133 billion (December 31, 2020 TL 107 billion). Within the scope of the reform, a committee is formed within the Bank to coordinate issues such as contract management, information technology, infrastructure development and product design regarding the transition process. It is foreseen that the necessary work is expected to be completed in 2021. These changes did not have a significant impact on the financial status or performance of the Bank.

**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.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

---

**ACCOUNTING POLICIES (Continued)**

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

**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 June 30, 2021 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 non-monetary items measured at fair value are converted with currency exchange rates at the time of fair value measurement.

**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 June 31, 2021, net foreign exchange transaction gain is TL 287,944 (June 30, 2020- TL 28,788 net foreign exchange transaction gain) when the net interest loss amounting to TL 2,311,686 (June 30, 2020 - TL 1,230,700 net interest loss) arising from derivative transactions is excluded from the derivative transactions loss amounting to TL 2,379,289 (June 30, 2020 - TL 1,433,550 derivative transactions loss) and foreign exchange profit amounting to TL 355,547 (June 30, 2020 - TL 231,638 net foreign exchange profit).

**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.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

---

**ACCOUNTING POLICIES (Continued)**

**IV. Explanations on Derivative Financial Assets and Liabilities (Continued)**

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.

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 and creditor 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 Accumulated Comprehensive Income/Expense Items Reclassified 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.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

---

**ACCOUNTING POLICIES (Continued)**

**IV. Explanations on Derivative Financial Assets and Liabilities (Continued)**

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.

As of September 30, 2018, the Bank terminated the hedge accounting for the fair value hedge of the fair value risk arising from the changes in the exchange rates for the real estates purchased in previous periods in foreign currency and the fair value of which is in foreign currency in the market and as of June 30, 2021, fair value exchange difference adjustment amounting to TL 1,176,979 which is shown intangible assets in the balance sheet, is amortized over the economic life of the property subject to hedging.

**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.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

---

**ACCOUNTING POLICIES (Continued)**

**V. Explanations on Interest Income and Expenses (Continued)**

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.

**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.

**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.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

---

**ACCOUNTING POLICIES (Continued)**

**VII. Explanations and Disclosures on Financial Instruments (Continued)**

**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. 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 and derivative financial assets 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

**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.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

---

**ACCOUNTING POLICIES (Continued)**

**VII. Explanations and Disclosures on Financial Instruments (Continued)**

**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 Accumulated Comprehensive Income or Expenses Reclassified to Profit or Loss” under shareholders’ equity. When the aforementioned securities are collected or disposed, accumulated fair value differences which were reflected under equity, are reflected in the income statement. 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.

The 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 Republic of Turkey Ministry of Treasury and Finance . As disclosed in 'Inflation Indexed Bonds Manual' published by Turkish Republic of Turkey Ministry of Treasury and Finance, reference index used for the real 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.

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 SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

**ACCOUNTING POLICIES (Continued)**

**VII. Explanations and Disclosures on Financial Instruments (Continued)**

**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”, performs 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.

**Equity Instruments Measured at Fair Value Through Other Comprehensive Income:**

At initial recognition, an irrevocable election can be made to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of TFRS 9. Such election is made on an instrument by instrument basis. Fair value differences recognized in other comprehensive income are not transferred to profit or loss in the following periods and transferred to prior years’ profit / loss. The equity instruments measured at fair value through other comprehensive income, are not subject to impairment calculation.

**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 Principals 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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

**ACCOUNTING POLICIES (Continued)**

**VIII. Explanations on Expected Credit Losses (Continued)**

As of June 30, 2021, the Bank has not made any changes regarding the classification and measurement of financial assets and calculation of expected losses, in line with the accounting policies stated in the financial statements as of December 31, 2020. Loans and receivables with past due days exceeding 90 days and past due days less than 180 days are classified according to the Stage 2, but in accordance with their own risk models, the provisions have been calculated according to the Stage 3 rules.

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:

**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 June 30, 2021, 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 the Bank accounts lifetime expected credit losses. In determining the impairment, the Bank takes into consideration the following criteria:

- Delay of over 90 days and 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 SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

---

**ACCOUNTING POLICIES (Continued)**

**VIII. Explanations on Expected Credit Losses (Continued)**

**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
- 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.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

---

**ACCOUNTING POLICIES (Continued)**

**VIII. Explanations on Expected Credit Losses (Continued)**

The Bank reflected the possible effects of the COVID-19 outbreak on the estimates and judgments used in the calculation of expected credit losses, using the data obtained with the principle of maximum effort. In the light of the aforementioned data, the Bank revised its macroeconomic expectations and weights in the calculation of expected credit loss on March 31, 2021. Compared to December 31, 2020, the weight of the worst case scenario was increased by 1000 basis points, and the weight of the base case scenario was reduced by 1000 basis points. The calculation made taking into account the change in PD / LGD has been reflected in the financial statements as of June 30, 2021. Due to the nature of the model effects, events that cause changes and their effects occur at different times, reflected in the financial statements with a delay. For this reason, the Bank has made individual valuations in order to eliminate the timing difference and provided additional provisions for the sector and customers that are considered to have a high impact.

This approach, which is preferred in reserve calculations for the second quarter of 2021, will be revised in the following reporting periods, taking into account the impact of the pandemic, portfolio and future expectations.

As of June 30, 2021, the normal risk cost of the loan portfolio purged from the COVID-19 effect was at 52 basis point, yet, in order to reflect the uncertainty originated from the COVID-19 to the financial asset portfolio of the Bank, the total risk cost has reached to 120 basis points incorporate 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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

---

**ACCOUNTING POLICIES (Continued)**

**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.

**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.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

**ACCOUNTING POLICIES (Continued)**

**X. Derecognition of Financial Instruments**

Changes to the original terms of a credit risk can be made in an existing contract or in a new contract. Corporate and commercial companies that are restructured and refinanced may be excluded from close monitoring, as a minimum, within the scope of the Regulation on the Determination of the Qualifications of Loans and Other Receivables by Banks and the Procedures and Principles Regarding the Provisions To Be Allocated These and 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 year 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.

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.

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 exclusion of customers from the scope of restructuring is carried out within the scope of the "Regulation on the Determination of the Qualifications of Loans and Other Receivables by Banks and the Procedures and Principles Regarding the Provisions To Be Allocated These".

**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 obtained in return for repo agreements are monitored in the "Funds From Repo Transactions" accounts under liabilities, and the expense rediscount is calculated according to the internal yield method for the part of the difference between the sales and repurchase prices determined by the repo agreements, which corresponds to the period.

As of the balance sheet date, securities subject to repo amounting to TL 17,482,283 (December 31, 2020 – TL 18,700,773).

As of June 30, 2021 the Bank has no securities that are subject to lending transactions (December 31, 2020 – 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. Income rediscount is calculated for the part of the difference between the purchase and resale prices of securities purchased with reverse repo, in the corresponding period.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

**ACCOUNTING POLICIES (Continued)**

**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 June 30, 2021 the Bank has assets held for sale and discontinued operations and it is 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.

**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.

As of the balance sheet date, with respect to assets which are monitored under tangible assets for less than one year, the projected depreciation amount for a full year, is allocated in proportion to the tangible asset's period of stay in the assets.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

---

**ACCOUNTING POLICIES (Continued)**

**XIV. Explanations on Tangible Assets (Continued)**

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%.

**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 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.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

---

**ACCOUNTING POLICIES (Continued)**

**XV. Explanations on Leasing Transactions (Continued))**

**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.

**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 KGK 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 June 30, 2021 amounted to TL 414,381 (December 31, 2020 – TL 440,596) , lease liability amounted to TL 409,944 (December 31, 2020 – TL 426,407), financing expense amounted to TL 29,482 (December 31, 2020 – TL 27,332) and depreciation expense amounted to TL 116,966 (December 31, 2020 – TL 108,457).

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

---

**ACCOUNTING POLICIES (Continued)**

**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 SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

**ACCOUNTING POLICIES (Continued)**

**XVIII. Explanations on Taxation**

**1. Corporate Tax**

According to the Corporate Tax Law No. 5520 published in the Official Gazette No. 26205 dated June 21, 2006; Corporate tax is calculated at a rate of 20% over the corporate income. However, in accordance with the Provisional Article 10 added to the Corporate Tax Law, the rate of 20% is applied as 22% for the corporate earnings of the institutions for the taxation periods of 2018, 2019 and 2020 (for the accounting periods starting in the relevant year for the institutions assigned a special fiscal period). Prepaid taxes are followed in "Current Tax Liability" or "Current Tax Asset" accounts to be offset against the corporate tax liability of the relevant year. In accordance with the Article 11 of the Law No. 7316 on the Procedure for the Collection of Public Receivables and the Law on Amendments to Certain Laws published in the Official Gazette dated April 22, 2021, and with the temporary Article 13 added to the Corporate Tax Law, the corporate tax rate is 25% for the taxation period of 2021 and this rate will be applied as 23% for the taxation period of 2022. In accordance with Article 14 of the Law, the rate to be applied for the year 2021 will start from the declarations to be submitted as of 1 July 2021 and will be valid for the taxation period starting from 1/1/2021.

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.

Corporations calculate a temporary tax of 22% for the 2020 taxation period and 25% for the 2021 taxation period over their quarterly financial profits, and declare and pay until the 17th day of the second month following that period. 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”). In the calculation of the Parent Bank’s deferred tax, the enacted tax rates that are valid in accordance with the current tax legislation are used in accordance with the tax period for the related items. The Corporate Tax rate, which is 20% in accordance with the Provisional Article 13 added to the Corporate Tax Law with the 11th Article of the Law on the Amendment of Certain Laws and the Law on the Collection of Public Claims, published in the Official Gazette on April 22, 2021, numbered 7316. It will be applied as 25% for corporate earnings and 23% for 2022. As of 31 December 2020, deferred tax has been calculated over 20% in accordance with the tax legislation in effect in the relevant period.

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 is recognized deferred tax for the 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.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

**ACCOUNTING POLICIES (Continued)**

**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 Communiqué on Disguised Profit Distribution by way of Transfer Pricing” published on November 18, 2007 explains the application related issues in detail. According to this Communiqué, 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 Communiqué’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 June 30, 2021 the Bank does not have any government incentives or grants (December 31, 2020 – 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.

Corporate and Commercial Banking serves corporate firms with an annual turnover of 300,000 TL or more, multinational companies operating in Turkey, and commercial firms with an annual turnover of 60,000 - 300,000 TL. In addition to the financing and investment needs of its customers, it offers products that will facilitate the payment and collection processes in both domestic and foreign trade. It produces solutions that will create added value for all the needs of its customers with its customer-oriented service approach, company-specific solution approach and strategy to establish long-term business partnerships.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

**ACCOUNTING POLICIES (Continued)**

**XXIII. Explanations on Segment Reporting (Continue)**

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.

<b>Current Period (January 1 – June 30, 2021)</b>	<b>Retail Banking</b>	<b>Corporate and Commercial Banking</b>	<b>Treasury and Head Office</b>	<b>Total Operations of the Bank</b>
Net Interest Income	1,652,622	1,731,530	1,676,694	5,060,846
Net Fees and Commissions Income	1,191,757	340,492	3,310	1,535,559
Other Operating Income and Net Trading Income	25,439	28,702	(1,864,326)	(1,810,185)
Dividend Income	-	-	191,284	191,284
<b>Operating Income</b>	<b>2,869,818</b>	<b>2,100,724</b>	<b>6,962</b>	<b>4,977,504</b>
Expected Loss Provisions (-)	500,280	411,823	(31,199)	880,904
Other Loss Provisions (-)	-	-	62,317	62,317
Other Operating Expenses (-)	1,207,287	783,700	235,393	2,226,380
<b>Profit Before Taxes</b>	<b>1,162,251</b>	<b>905,201</b>	<b>(259,549)</b>	<b>1,807,903</b>
Provision Tax (-) (*)	-	-	397,844	397,844
<b>Net Profit/Loss</b>	<b>1,162,251</b>	<b>905,201</b>	<b>(657,393)</b>	<b>1,410,059</b>
<b>Total Assets</b>	<b>56,116,867</b>	<b>101,157,889</b>	<b>86,517,090</b>	<b>258,996,750</b>
Segment Assets	56,116,867	101,157,889	86,517,090	243,791,846
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	2,171,292
Undistributed Assets	-	-	-	13,033,612
<b>Total Liabilities</b>	<b>106,442,486</b>	<b>44,472,415</b>	<b>69,325,369</b>	<b>258,996,750</b>
Segment Liabilities	106,442,486	44,472,415	69,325,369	220,240,270
Undistributed Liabilities	-	-	-	18,059,137
Equity	-	-	-	20,697,343
<b>Other Segment Accounts</b>	<b>492,351</b>	<b>343,285</b>	<b>(1,464)</b>	<b>834,172</b>
Capital Expenditures	310,592	216,555	300	527,447
Depreciation and Amortization	181,759	126,730	(1,764)	306,725

(\*) Provision tax is not distributed.

<b>Prior Period (January 1 – June 30, 2020)</b>	<b>Retail Banking</b>	<b>Corporate and Commercial Banking</b>	<b>Treasury and Head Office</b>	<b>Total Operations of the Bank</b>
Net Interest Income	1,628,877	1,249,631	1,814,803	4,693,311
Net Fees and Commissions Income	805,499	389,469	(26,358)	1,168,610
Other Operating Income and Net Trading Income	20,325	12,628	(1,060,184)	(1,027,231)
Dividend Income	-	-	128,041	128,041
<b>Operating Income</b>	<b>2,454,701</b>	<b>1,651,728</b>	<b>856,302</b>	<b>4,962,731</b>
Expected Loss Provisions (-)	581,293	726,330	(9,239)	1,298,384
Other Loss Provisions (-)	-	-	76,292	76,292
Other Operating Expenses (-)	1,106,628	758,057	157,650	2,022,335
<b>Profit Before Taxes</b>	<b>766,780</b>	<b>167,341</b>	<b>631,599</b>	<b>1,565,720</b>
Provision Tax (-)	-	-	293,699	293,699
<b>Net Profit/Loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,272,021</b>
<b>Total Assets(*)</b>	<b>49,111,844</b>	<b>89,490,537</b>	<b>70,811,072</b>	<b>227,253,348</b>
Segment Assets	49,111,844	89,490,537	70,811,072	209,413,453
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	1,892,950
Undistributed Assets	-	-	-	15,946,945
<b>Total Liabilities (*)</b>	<b>88,937,401</b>	<b>37,038,943</b>	<b>67,552,837</b>	<b>227,253,348</b>
Segment Liabilities	88,937,401	37,038,943	67,552,837	193,529,181
Undistributed Liabilities	-	-	-	14,501,746
Equity	-	-	-	19,222,421
<b>Other Segment Accounts</b>	<b>446,450</b>	<b>255,708</b>	<b>(142,274)</b>	<b>559,884</b>
Capital Expenditures	233,739	133,876	(74,583)	293,032
Depreciation and Amortization	212,711	121,832	(67,691)	266,852

(\*) Refers to year-end figures

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

**ACCOUNTING POLICIES (Continued)**

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

The General Assembly Meeting of the Bank was held on March 25, 2020. In the Board of Directors meeting, it was decided that profit from 2020 operations to be distributed as follows.

**2020 profit distribution table:**

<b>Current Year Profit</b>	<b>2,588,276</b>
A – I. Legal Reserve (Turkish Commercial Code 466/1) at 5%	670,000
C – Extraordinary Reserves	1,918,276

**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	1,410,059	1,272,021
Weighted Average Amount of Shares Issued (Thousands)	33,500,000	33,500,000
<b>Earnings Per Share</b>	<b>0.0421</b>	<b>0.0380</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 2021 is none (Amount of issued bonus shared in 2020 is none).

**XXVI. Explanations on Other Matters**

The Bank has sold the whole of Hemenal Finansman A.Ş. as at 31 May 2021, which was reported in the "Subsidiaries- Unconsolidated Financial Partnerships" line in the previous period's financial statements, in accordance with the Board of Directors decision on 19 October 2020.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

(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 June 30, 2021 Bank's total capital has been calculated as TL 30,766,272 (December 31, 2020 – TL 28,207,198), capital adequacy ratio is %15.88. (December 31, 2020 – %16.44).

Based on the press release made by the BRSA on December 8, 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 simple arithmetic average of the Central Bank foreign exchange buying rates for the last 252 business days before and until July 1, 2021 negative revaluation differences of the securities classified under "Financial Assets Measured at Fair Value through Other Comprehensive Income" which acquired before March 23, 2020 may not be included in capital calculation.

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

Explanations on Equity:	Current Period June 30, 2021	Prior Period December 31, 2020
<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	15,787,467	13,199,191
Gains recognized in equity as per TAS	1,572,201	1,459,099
Profit	1,410,059	2,588,276
Current Period Profit	1,410,059	2,487,009
Prior Period Profit	-	101,267
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>22,123,130</b>	<b>20,599,969</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	795,141	679,619
Improvement costs for operating leasing	62,658	67,193
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	517,824	455,268
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>1,375,623</b>	<b>1,202,080</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	130,312	260,624
<b>Total Common Equity Tier 1 Capital</b>	<b>20,877,819</b>	<b>19,658,513</b>

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

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

**I. Explanations on Equity (Continued)**

	Current Period June 30, 2021	Prior Period December 31, 2020
<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	4,570,230	3,853,763
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	-
<b>Additional Tier I Capital before Deductions</b>	<b>4,570,230</b>	<b>3,853,763</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 1 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>4,570,230</b>	<b>3,853,763</b>
<b>Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)</b>	<b>25,448,049</b>	<b>23,512,276</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)	3,351,502	2,826,093
Provisions (Article 8 of the Regulation on the Equity of Banks)	2,164,425	1,916,622
<b>Tier II Capital Before Deductions</b>	<b>5,515,927</b>	<b>4,742,715</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>5,515,927</b>	<b>4,742,715</b>
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>30,963,976</b>	<b>28,254,991</b>
<b>Deductions from Total Capital</b>		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	6,508	7,400
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 (-)	191,196	40,393
<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 SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

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

**I. Explanations on Equity (Continued)**

	Current Period June 30, 2021	Prior Period December 31, 2020
<b>TOTAL CAPITAL</b>		
Total Capital	30,766,272	28,207,198
Total Risk Weighted Amounts	193,735,613	171,587,620
<b>Capital Adequacy Ratios</b>		
Core Capital Adequacy Ratio (%)	10.78	11.46
Tier 1 Capital Adequacy Ratio (%)	13.14	13.70
Capital Adequacy Ratio (%)	15.88	16.44
<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 (%)	4.78	5.46
<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	282,408	282,408
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)	4,506,946	4,031,306
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	2,164,425	1,916,622
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	4,570,230	3,853,763
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	3,351,502	2,826,093
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

Convenience Translation of the Auditor's Interim Review Report originally issued in Turkish (See Note 1 of Section Three)

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

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

**I. Explanations on Equity (Continued)**

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

<b>Information on debt instruments included in the calculation of equity:</b>			
	<b>1</b>	<b>2</b>	<b>3</b>
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)	4,570	1,088	2,263
Par value of instrument (Currency in million)	4,570	1,088	2,263
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 + 3.88%
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 Auditor's Interim Review Report originally issued in Turkish (See Note 1 of Section Three)

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

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

**I. Explanations on Equity (Continued)**

	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.Ş.	QNB Finansbank A.Ş.
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"	It fulfills the conditions within the Article number 7 of "Own fund regulation"the Regulation on the Equity of Banks.	It fulfills the conditions within the Article number 8 of "Own fund regulation"the Regulation on the Equity of Banks.	It fulfills the conditions within the Article number 8 of "Own fund regulation"the Regulation on the Equity of Banks.
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 SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

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

**I. Explanations on Equity (Continued)**

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

<b>EQUITY ITEMS</b>	<b>T</b>	<b>T-1</b>
Common Equity	20,877,819	20,877,819
Transition process not implemented Common Equity	20,747,507	20,747,507
Tier 1 Capital	25,448,049	25,448,049
Transition process not implemented Tier 1 Capital	25,317,737	25,317,737
Total Capital	30,766,272	30,766,272
Transition process not implemented Equity	30,635,960	30,635,960
<b>TOTAL RISK WEIGHTED AMOUNTS</b>		
Total Risk Weighted Amounts	193,735,613	193,735,613
<b>Capital Adequacy Ratio</b>		
Common Equity Adequacy Ratio (%)	10.78	10.78
Transition process not implemented Common Equity Adequacy Ratio (%)	10.71	10.71
Tier 1 Capital Adequacy Ratio (%)	13.14	13.14
Transition process not implemented Tier 1 Capital Adequacy Ratio (%)	13.07	13.07
Capital Adequacy Ratio (%)	15.88	15.88
Transition process not implemented Capital Adequacy Ratio (%)	15.81	15.81
<b>LEVERAGE</b>		
Leverage Ratio Total Risk Amount	379,284,518	379,284,518
Leverage (%)	6.58	6.58
Transition process not implemented Leverage Ratio (%)	6.51	6.51

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

There are difference between amounts in the disclosure on explanation on equity items and amounts on the balance sheet. Within this context, in the calculation of Tier II capital, up to 1,25% of expected credit loss from stage 1 and stage 2 over the credit risk amount is taken into consideration while losses from cash flow hedging transactions and as of March 23, 2020 the net negative valuation differences of the securities included in the "Financial Assets Measured at Fair Value through Other Comprehensive Income " portfolio have not been taken into account in the disclosure on explanation 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. The following tables, which must be disclosed quarterly in accordance with the relevant declaration, are not presented as of June 30, 2021, as the standard approach is used in the Bank's capital adequacy calculation:

- 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 SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

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

**II. Explanations On Risk Management (Continued)**

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

	Risk Weighted Amount		Minimum Capital Requirement	
	30.06.2021	31.12.2020	30.06.2021	31.12.2020
1 Credit Risk (Excluding Counterparty Credit Risk)	166,472,880	147,672,351	13,317,830	11,813,788
2 Standardized approach	166,472,880	147,672,351	13,317,830	11,813,788
3 Internal rating-based approach	-	-	-	-
4 Counterparty credit risk	6,681,143	5,657,395	534,492	452,592
5 Standardized approach for counterparty credit Risk	6,681,143	5,657,395	534,492	452,592
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	3,831,350	3,589,088	306,508	287,127
17 Standardized approach	3,831,350	3,589,088	306,508	287,127
18 Internal model approaches	-	-	-	-
19 Operational Risk	16,750,240	14,668,786	1,340,019	1,173,503
20 Basic Indicator Approach	16,750,240	14,668,786	1,340,019	1,173,503
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>193,735,613</b>	<b>171,587,620</b>	<b>15,498,849</b>	<b>13,727,010</b>

**2) Credit Risk Disclosures**

**a) CR1 – Credit Quality of assets:**

Current Period	Gross carrying values of as per TAS		Allowances/impairments	Net values
	Defaulted exposures	Non-defaulted exposures		
1 Loans	9,152,829	159,666,247	7,063,193	161,755,883
2 Debt Securities	-	38,295,921	-	38,295,921
3 Off-balance sheet exposures	365,190	105,900,722	49,129	106,216,783
<b>4 Total</b>	<b>9,518,019</b>	<b>303,862,890</b>	<b>7,112,322</b>	<b>306,268,587</b>

Prior Period	Gross carrying values of as per TAS		Allowances/impairments	Net values
	Defaulted exposures	Non-defaulted exposures		
1 Loans	9,127,593	140,347,688	6,889,770	142,585,511
2 Debt Securities	-	33,916,772	-	33,916,772
3 Off-balance sheet exposures	353,323	93,022,977	48,284	93,328,016
<b>4 Total</b>	<b>9,480,916</b>	<b>267,287,437</b>	<b>6,938,054</b>	<b>269,830,299</b>

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

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

**II. Explanations On Risk Management (Continued)**

**b) CR2 – Changes in stock of defaulted loans and debt securities:**

	Current Period	Prior Period
1 Defaulted loans and debt securities at the end of the previous reporting period	9,127,593	8,274,415
2 Loans and debt securities that have defaulted since the last reporting period	865,079	2,352,858
3 Returned to non-performing status	-	-
4 Amounts written-off (*)	257	4,867
5 Other changes (**)	839,586	1,494,813
<b>6 Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)</b>	<b>9,152,829</b>	<b>9,127,593</b>

(\*) In current period, there is not any balance regarding sales of non-performing loans (December 31, 2020 – None).

(\*\*) Includes collections from credits in default.

**c) CR3 – Credit risk mitigation techniques – Overview:**

	Current Period		Collateralized amount of exposures secured by collateral		Collateralized amount of exposures secured by financial guarantees		Collateralized amount of exposures secured by credit derivatives	
	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by financial guarantees	Exposures secured by credit derivatives	Exposures secured by credit derivatives
1 Loans	155,092,080	6,663,803	4,435,409	-	-	-	-	-
2 Debt securities	38,295,921	-	-	-	-	-	-	-
<b>3 Total</b>	<b>193,388,001</b>	<b>6,663,803</b>	<b>4,435,409</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4 Of which defaulted	2,393,992	11,705	320	-	-	-	-	-

  

	Prior Period		Collateralized amount of exposures secured by collateral		Collateralized amount of exposures secured by financial guarantees		Collateralized amount of exposures secured by credit derivatives	
	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by financial guarantees	Exposures secured by credit derivatives	Exposures secured by credit derivatives
1 Loans	138,189,725	4,395,786	2,290,707	-	-	-	-	-
2 Debt securities	33,916,772	-	-	-	-	-	-	-
<b>3 Total</b>	<b>172,106,497</b>	<b>4,395,786</b>	<b>2,290,707</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4 Of which defaulted	2,526,504	16,358	311	-	-	-	-	-

**d) CR4 – Standart Approach – Credit risk exposure and credit risk mitigation (CRM) effects:**

Current Period	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount		RWA	RWA density
			On-balance sheet amount	Off-balance sheet amount		
1 Exposures to central governments or central banks	62,035,612	-	63,950,109	-	-	-
2 Exposures to regional governments or local authorities	88,854	135	88,854	-	44,427	%50
3 Exposures to public sector entities	215,875	38,502	211,107	12,144	223,251	%100
4 Exposures to multilateral development banks	-	-	-	-	-	-
5 Exposures to international organizations	-	-	-	-	-	-
6 Exposures to institutions	9,242,638	4,223,751	9,238,637	3,154,348	5,646,639	%46
7 Exposures to corporates	68,113,498	54,648,632	65,355,468	21,892,859	87,248,328	%100
8 Retail exposures	74,764,972	108,252,534	71,265,183	3,864,489	56,347,255	%75
9 Exposures secured by residential property	2,053,773	214,585	2,053,773	7,068	721,294	%35
10 Exposures secured by commercial real estate	5,851,013	644,681	5,851,014	262,470	4,374,125	%72
11 Past-due loans	1,969,346	-	1,969,031	-	1,412,251	%72
12 Higher-risk categories by the Agency Board	120,042	-	120,037	-	180,055	%150
13 Exposures in the form of covered bonds	-	-	-	-	-	-
14 Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15 Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-
16 Other assets	11,486,502	4,440	11,486,502	-	8,096,289	%71
17 Investment in equities	2,178,966	-	2,178,966	-	2,178,966	%100
<b>18 Total</b>	<b>238,121,091</b>	<b>168,027,260</b>	<b>233,768,681</b>	<b>29,193,378</b>	<b>166,472,880</b>	<b>%63</b>

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

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

**II. Explanations On Risk Management (Continued)**

Prior Period	Exposure Categories	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	56,357,320	-	60,005,239	-	-	-
2	Exposures to regional governments or local authorities	93,809	65	93,809	-	46,904	%50
3	Exposures to public sector entities	364,582	40,275	355,666	12,946	368,612	%100
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to institutions	7,892,948	3,469,991	7,886,787	2,463,501	4,580,241	%44
7	Exposures to corporates	60,492,470	44,416,693	57,806,882	19,723,459	77,530,341	%100
8	Retail exposures	67,674,942	93,616,360	62,963,328	3,677,533	49,980,645	%75
9	Exposures secured by residential property	2,257,567	241,199	2,257,566	9,120	793,340	%35
10	Exposures secured by commercial real estate	4,182,164	449,658	4,182,163	211,412	3,233,400	%74
11	Past-due loans	1,955,922	-	1,955,699	-	1,342,017	%69
12	Higher-risk categories by the Agency Board	339,316	8,041	339,299	350	509,473	%150
13	Exposures in the form of covered bonds	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-
16	Other assets	9,497,684	9,265	9,497,684	-	7,386,753	%78
17	Investment in equities	1,900,625	-	1,900,625	-	1,900,625	%100
<b>18</b>	<b>Total</b>	<b>213,009,349</b>	<b>142,251,547</b>	<b>209,244,747</b>	<b>26,098,321</b>	<b>147,672,351</b>	<b>%63</b>

**e) CR5 – Standart approach – exposures by asset classes and risk:**

Exposure Categories/Risk Weight	Current Period										Total Credit Risk Exposure Amount
	0%	10%	20%	35%	50%	75%	100%	150%	Others		
1 Exposures to central governments or central banks	63,950,109	-	-	-	-	-	-	-	-	-	63,950,109
2 Exposures to regional governments or local authorities	-	-	-	-	88,854	-	-	-	-	-	88,854
3 Exposures to public sector entities	-	-	-	-	-	-	223,251	-	-	-	223,251
4 Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
5 Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
6 Exposures to institutions	-	-	2,807,530	-	9,000,645	-	584,810	-	-	-	12,392,985
7 Exposures to corporates	-	-	-	-	-	-	87,248,327	-	-	-	87,248,327
8 Retail exposures	-	-	-	-	-	75,129,672	-	-	-	-	75,129,672
9 Exposures secured by residential property	-	-	-	2,060,841	-	-	-	-	-	-	2,060,841
10 Exposures secured by commercial real estate	-	-	-	-	3,478,718	-	2,634,766	-	-	-	6,113,484
11 Past-due loans	-	-	-	-	1,113,560	-	855,471	-	-	-	1,969,031
12 Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	120,037	-	-	120,037
13 Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-
14 Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-
15 Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	-
16 Investment in equities	-	-	-	-	-	-	2,178,966	-	-	-	2,178,966
17 Other Assets	3,390,187	-	32	-	-	-	8,096,283	-	-	-	11,486,502
<b>18 Total</b>	<b>67,340,296</b>	<b>-</b>	<b>2,807,562</b>	<b>2,060,841</b>	<b>13,681,777</b>	<b>75,129,672</b>	<b>101,821,874</b>	<b>120,037</b>	<b>-</b>	<b>-</b>	<b>262,962,059</b>

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

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

**II. Explanations On Risk Management (Continued)**

		Prior Period									Total Credit Risk Exposure Amount
Exposure Categories/Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	Others		
1	Exposures to central governments or central banks	60,005,239	-	-	-	-	-	-	-	-	60,005,239
2	Exposures to regional governments or local authorities	-	-	-	-	93,809	-	-	-	-	93,809
3	Exposures to public sector entities	-	-	-	-	-	368,612	-	-	-	368,612
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	-	-	2,161,262	-	8,082,077	-	106,949	-	-	10,350,288
7	Exposures to corporates	-	-	-	-	-	-	77,530,341	-	-	77,530,341
8	Retail exposures	-	-	-	-	-	-	66,640,861	-	-	66,640,861
9	Exposures secured by residential property	-	-	-	2,266,686	-	-	-	-	-	2,266,686
10	Exposures secured by commercial real estate	-	-	-	-	2,320,351	-	2,073,224	-	-	4,393,575
11	Past-due loans	-	-	-	-	1,227,363	-	728,336	-	-	1,955,699
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	339,649	-	339,649
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-
16	Investment in equities	-	-	-	-	-	-	1,900,625	-	-	1,900,625
17	Other Assets	2,109,980	-	1,189	-	-	-	7,386,515	-	-	9,497,684
18	<b>Total</b>	<b>62,115,219</b>	<b>-</b>	<b>2,162,451</b>	<b>2,266,686</b>	<b>11,723,600</b>	<b>66,640,861</b>	<b>90,094,602</b>	<b>339,649</b>	<b>-</b>	<b>235,343,068</b>

**3) Disclosures regarding counterparty credit risk**

**a) CCRI – Assessment of Counterparty Credit Risk according to the models of measurement:**

Current Period	Revaluation Cost	Potential credit risk exposure	EEPE	Alpha used for computing regulatory exposure at default	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standard approach - CCR (for derivatives)	8,329,681	1,681,173	-	1,4	3,199,815
2	Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)	-	-	-	-	-
3	The simple method used to mitigate credit risk - repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions.	-	-	-	-	-
4	Comprehensive method for reducing credit risk - (for repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)	-	-	-	-	-
5	Repo transactions, marketable securities or commodity lending or borrowing transactions, transactions with a long settlement time, marketable security transactions with credit	-	-	-	4,950,702	2,301,406
6	<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,501,221</b>

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

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

**II. Explanations On Risk Management (Continued)**

	Prior Period	Revaluation Cost	Potential credit risk exposure	EEPE	Alpha used for computing regulatory exposure at default	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standard approach - CCR (for derivatives)	5,724,175	1,520,171		1,4	3,964,202	2,637,752
2	Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)	-	-	-	-	-	-
3	The simple method used to mitigate credit risk - repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions.	-	-	-	-	-	-
4	Comprehensive method for reducing credit risk - (for repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)	-	-	-	-	4,016,437	1,982,235
5	Repo transactions, marketable securities or commodity lending or borrowing transactions, transactions with a long settlement time, marketable security transactions with credit	-	-	-	-	-	-
<b>6</b>	<b>Total</b>	-	-	-	-	-	<b>4,619,987</b>

**b) CCR2 – Credit Valuation Adjustment (CVA) capital charge:**

	Exposure (After credit risk mitigation methods)		Risk Weighted Amounts	
	Current Period	Prior Period	Current Period	Prior Period
Total portfolio value with comprehensive approach CVA capital adequacy	-	-	-	-
1 (i) Value at risk component (3*multiplier included)	-	-	-	-
2 (ii) Stressed Value at Risk (3*multiplier included)	-	-	-	-
3	-	-	-	-
Total portfolio value with simplified approach CVA capital adequacy	5,330,947	3,964,202	1,179,922	1,037,408
<b>4 Total amount of CVA capital adequacy</b>	<b>5,330,947</b>	<b>3,964,202</b>	<b>1,179,922</b>	<b>1,037,408</b>

**c) CCR3 – Standart approach – CCR exposures by regulatory portfolio and risk weights:**

Exposure Categories/ Risk Weight	Current Period									Total Credit Risk
	0%	10%	20%	50%	75%	100%	150%	Others		
1 Exposures from central governments or central banks	517,262	-	-	-	-	-	-	29,845	-	547,107
2 Exposures from regional or local governments	-	-	-	-	-	-	-	-	-	-
3 Exposures from administrative units and non-commercial enterprises	-	-	-	-	-	3	-	-	-	3
4 Exposures from multilateral development banks	-	-	-	-	-	-	-	-	-	-
5 Exposures from international organizations	-	-	-	-	-	-	-	-	-	-
6 Exposures from banks and brokerage houses	-	-	1,301,894	6,380,387	-	485,056	-	-	-	8,167,337
7 Exposures from corporates	-	-	-	-	-	1,558,369	-	-	-	1,558,369
8 Retail receivables	-	-	-	-	8,833	-	-	-	-	8,833
9 Mortgage receivables	-	-	-	-	-	-	-	-	-	-
10 Non performing receivables	-	-	-	-	-	-	-	-	-	-
11 High risk defined receivables	-	-	-	-	-	-	-	-	-	-
12 Mortgage backed securities	-	-	-	-	-	-	-	-	-	-
13 Securitization Positions	-	-	-	-	-	-	-	-	-	-
14 Short term credit rated banks and Intermediary Institutions receivables	-	-	-	-	-	-	-	-	-	-
15 Collective investment undertaking investments	-	-	-	-	-	-	-	-	-	-
16 Equity Investments	-	-	-	-	-	-	-	-	-	-
17 Other Receivables	-	-	-	-	-	-	-	-	-	-
18 Other Assets	-	-	-	-	-	-	-	-	-	-
<b>19 Total</b>	<b>517,262</b>	<b>-</b>	<b>1,301,894</b>	<b>6,380,387</b>	<b>8,833</b>	<b>2,043,428</b>	<b>-</b>	<b>29,845</b>	<b>-</b>	<b>10,281,649</b>

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

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

**II. Explanations On Risk Management (Continued)**

Exposure Categories/ Risk Weight	Prior Period									Total Credit Risk
	0%	10%	20%	50%	75%	100%	150%	Others		
1 Exposures from central governments or central banks	285,518	-	-	-	-	-	-	74,123	-	359,641
2 Exposures from regional or local governments	-	-	-	-	-	-	-	-	-	-
3 Exposures from administrative units and non-commercial enterprises	-	-	-	-	-	13	-	-	-	13
4 Exposures from multilateral development banks	-	-	-	-	-	-	-	-	-	-
5 Exposures from international organizations	-	-	-	-	-	-	-	-	-	-
6 Exposures from banks and brokerage houses	-	-	901,923	4,556,082	-	523,753	-	-	-	5,981,758
7 Exposures from corporates	-	-	-	-	-	1,624,931	-	-	-	1,624,931
8 Retail receivables	-	-	-	-	13,415	-	-	-	-	13,415
9 Mortgage receivables	-	-	-	-	-	-	-	-	-	-
10 Non performing receivables	-	-	-	-	-	-	-	-	-	-
11 High risk defined receivables	-	-	-	-	-	-	881	-	-	881
12 Mortgage backed securities	-	-	-	-	-	-	-	-	-	-
13 Securitization Positions	-	-	-	-	-	-	-	-	-	-
14 Short term credit rated banks and Intermediary Institutions receivables	-	-	-	-	-	-	-	-	-	-
15 Collective investment undertaking investments	-	-	-	-	-	-	-	-	-	-
16 Equity Investments	-	-	-	-	-	-	-	-	-	-
17 Other Receivables	-	-	-	-	-	-	-	-	-	-
18 Other Assets	-	-	-	-	-	-	-	-	-	-
<b>19 Total</b>	<b>285,518</b>	<b>-</b>	<b>901,923</b>	<b>4,556,082</b>	<b>13,415</b>	<b>2,148,697</b>	<b>881</b>	<b>74,123</b>	<b>-</b>	<b>7,980,639</b>

**d) CCR4 – Risk Class and Counterparty Credit Risk on the basis of Possibility of Default**

Related table is not presented due to the standard method is used for calculation of capital adequacy (December 31, 2020 – None).

**e) CCR5 – Composition of collateral for CCR exposure:**

Current Period	Collaterals for Derivatives				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-Local Currency	-	-	-	-	2,667,421	-
Cash - Foreign Currency	-	6,907,948	-	4,375,694	10,136,649	-
Government bond/bill-domestic	-	-	-	-	-	-
Government bond/bill-other	-	-	-	-	-	-
Public institution bonds	-	-	-	-	-	-
Corporate bond	-	-	-	-	-	-
Equity share	-	-	-	-	-	-
Other collaterals	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>6,907,948</b>	<b>-</b>	<b>4,375,694</b>	<b>12,804,070</b>	<b>-</b>

Prior Period	Collaterals for Derivatives				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-Local Currency	-	-	-	-	3,727,929	-
Cash - Foreign Currency	-	4,336,618	-	5,182,028	9,991,880	-
Government bond/bill-domestic	-	-	-	-	250,124	-
Government bond/bill-other	-	-	-	-	-	-
Public institution bonds	-	-	-	-	-	-
Corporate bond	-	-	-	-	-	-
Equity share	-	-	-	-	-	-
Other collaterals	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>4,336,618</b>	<b>-</b>	<b>5,182,028</b>	<b>13,969,933</b>	<b>-</b>

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

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

**II. Explanations On Risk Management (Continued)**

**f) CCR6 – Credit derivatives exposures**

Related table is not presented due to the Bank has no risk arrived from derivative credit received or sold. (December 31, 2020 -None).

**g) CCR8 – Exposures to central counterparties**

	Current Period		Prior Period	
	Exposure at Default ( Post – CRM)	RWA	Exposure at Default ( Post – CRM)	RWA
<b>1 Exposure to Qualified Central Counterparties (QCCPs) Total</b>	<b>29,845</b>	<b>597</b>	<b>74,123</b>	<b>1,482</b>
2 Exposures for trades at QCCPs (excluding initial margin and default fund contributions) of which	-	-	-	-
3 (i) OTC Derivatives	-	-	-	-
4 (ii) Exchange-traded Derivatives	29,845	597	74,123	1,482
5 (iii) Securities financing transactions	-	-	-	-
6 (iv) Netting sets where cross-product netting has been approved	-	-	-	-
7 Segregated initial margin	-	-	-	-
8 Non-segregated initial margin	-	-	-	-
9 Pre-funded default fund contributions	-	-	-	-
10 Unfunded default fund contributions	-	-	-	-
11 Exposures to non-QCCPs (total)	-	-	-	-
12 Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-	-	-
13 (i) OTC Derivatives	-	-	-	-
14 (ii) Exchange-traded Derivatives	-	-	-	-
15 (iii) Securities financing transactions	-	-	-	-
16 (iv) Netting sets where cross-product netting has been approved	-	-	-	-
17 Segregated initial margin	-	-	-	-
18 Non-segregated initial margin	-	-	-	-
19 Pre-funded default fund contributions	-	-	-	-
20 Unfunded default fund contributions	-	-	-	-

**4. Securitization exposures**

The Bank has no securitization transactions (December 31, 2020 None).

**5. Market risk under standardised approach**

	RWA <sup>(**)</sup>	
	Current Period	Prior Period
Outright products <sup>(*)</sup>	3,767,088	3,579,050
1 Interest rate risk (general and specific)	1,741,913	1,784,175
2 Equity risk (general and specific)	42,750	50,200
3 Foreign exchange risk	1,624,100	1,684,063
4 Commodity risk	358,325	60,612
Options	64,263	10,038
5 Simplified approach	-	-
6 Delta-plus method	64,263	10,038
7 Scenario approach	-	-
8 Securitization	-	-
<b>9 Total</b>	<b>3,831,351</b>	<b>3,589,088</b>

<sup>(\*)</sup> Outright Product refer to positioning products that are not optional.

<sup>(\*\*)</sup> The Market risk represents the capital requirement multiplied by 12,5 times Risk Weighted Amount.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

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

**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 Group hedges foreign currency borrowings with derivative instruments. The Group does not hedge net foreign currency investments with derivative instruments. The extent of the hedging of foreign currency debt instruments and net foreign currency investments by hedging derivative instruments is explained in Note III of Section Five.

**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 8,7052  
Euro purchase rate at the date of the balance sheet TL 10,3645

<u>Date</u>	<u>US Dollar</u>	<u>Euro</u>
June 30, 2021	8,7052	10,3645
June 29, 2021	8,7219	10,4077
June 26, 2021	8,6772	10,3646
June 25, 2021	8,6593	10,3356
June 24, 2021	8,6139	10,2828

**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 June 2021 are TL 8,5967 and TL 10,3712 respectively.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

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

**III. Explanations on Foreign Currency Exchange Rate Risk (Devamı)**

**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>	11,096,133	15,330,231	1,738,532	28,164,896
Due From Banks <sup>(2)</sup>	3,588,509	3,337,824	167,180	7,093,513
Financial Assets at Fair Value through Profit/Loss <sup>(3)</sup>	674,892	1,289,041	204	1,964,137
Money Market Placements	-	109,898	-	109,898
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	1,145,145	8,075,668	-	9,220,813
Loans and Receivables <sup>(4)</sup>	36,811,971	20,163,790	187,680	57,163,441
Investments in Assoc., Subsidiaries and Entities under Common Control (Joint Vent.)	-	-	-	-
Financial Assets Measured at Amortized Cost	790,571	9,497,889	-	10,288,460
Derivative Financial Assets Hedging Purposes	-	440,065	-	440,065
Tangible Assets	-	-	22	22
Intangible Assets	-	-	-	-
Other Assets <sup>(5)</sup>	16,598	15,387	1,345	33,330
<b>Total Assets</b>	<b>54,123,819</b>	<b>58,259,793</b>	<b>2,094,963</b>	<b>114,478,575</b>
<b>Liabilities</b>				
Bank Deposits	657,128	1,673,857	88,371	2,419,356
Foreign Currency Deposits <sup>(6)</sup>	19,573,745	47,993,891	17,714,878	85,282,514
Money Market Borrowings	1,061,188	9,216,921	-	10,278,109
Funds Provided from Other Financial Institutions	9,259,099	19,018,015	-	28,277,114
Securities Issues	-	13,656,433	1,582,161	15,238,594
Miscellaneous Payables	3,460,345	3,615,531	17,165	7,093,041
Derivative Fin. Liabilities for Hedging Purposes	40,781	1,261,865	-	1,302,646
Other Liabilities <sup>(7)</sup>	703,265	1,145,284	315	1,848,864
<b>Total Liabilities</b>	<b>34,755,551</b>	<b>97,581,797</b>	<b>19,402,890</b>	<b>151,740,238</b>
<b>Net Balance Sheet Position</b>	<b>19,368,268</b>	<b>(39,322,004)</b>	<b>(17,307,927)</b>	<b>(37,261,663)</b>
<b>Net Off-Balance Sheet Position</b>	<b>(19,202,056)</b>	<b>37,940,810</b>	<b>17,334,370</b>	<b>36,073,124</b>
Financial Derivative Assets	24,417,564	104,686,642	21,911,224	151,015,430
Financial Derivative Liabilities	43,619,620	66,745,832	4,576,854	114,942,306
Non-Cash Loans <sup>(8)</sup>	11,915,797	12,962,866	544,151	25,422,814
<b>Prior Period</b>				
Total Assets	47,079,132	49,983,470	1,547,359	98,609,961
Total Liabilities	29,515,579	91,158,982	18,079,200	138,753,761
<b>Net Balance Sheet Position</b>	<b>17,563,553</b>	<b>(41,175,512)</b>	<b>(16,531,841)</b>	<b>(40,143,800)</b>
<b>Net Off-Balance Sheet Position</b>	<b>(17,612,330)</b>	<b>39,341,684</b>	<b>16,523,358</b>	<b>38,252,712</b>
Financial Derivative Assets	22,977,930	105,631,951	18,050,019	146,659,900
Financial Derivative Liabilities	40,590,260	66,290,267	1,526,661	108,407,188
Non-Cash Loans	9,935,011	11,239,630	345,711	21,520,352

(1) Cash and Balances with TR Central Bank; Other FC include TL 1,672,847 (December 31, 2020 – TL 1,160,921) precious metal deposit account.

(2) There are foreign bank guarantees amounting to TL 4,067,296 (December 31, 2020 – None)

(3) Does not include TL 266,666 (December 31, 2020– 239,259) of currency income accruals arising from derivative transactions. In accordance with TFRS 9, TL 218,687 which is accounted under Financial Assets at Fair Value Through profit or Loss is not included.

(4) Includes TL 460,793 (December 31, 2020 – TL 489,555) FC indexed loans.

(5) Does not include FC prepaid expenses amounting to TL 54,699 (December 31, 2020 – TL 47,634) as per BRSA's Communique published in Official Gazette no 26085 on 19 February 2006.

(6) Other foreign currency includes TL 15,925,947 (December 31, 2020 – TL 15,484,501) of precious metal deposit account..

(7) Does not include currency expense accruals of derivative financial instruments kept in FC accounts amounting to TL 331,145 (December 31, 2020 – TL 181,798)

(8) Does not have an effect on Net Off-Balance Sheet Position.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

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

**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>							
<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>	15,066,309	-	-	-	-	17,576,851	32,643,160
Due From Banks <sup>(3)</sup>	-	-	-	-	-	7,093,943	7,093,943
Financial Assets at Fair Value Through Profit/Loss <sup>(4)</sup>	1,023	183,422	39,993	39,628	11,917	9,852,418	10,128,401
Money Market Placements	109,898	-	-	-	-	-	109,898
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) <sup>(5)</sup>	1,862,816	1,956,342	3,391,129	4,469,834	6,009,786	1,892,775	19,582,682
Loans and Receivables	36,683,130	16,950,025	59,098,432	37,198,940	5,254,593	2,089,636	157,274,756
Financial Assets Measured at Amortized Cost <sup>(6)</sup>	2,241,995	2,525,851	4,907,955	4,921,479	5,519,847	569,466	20,686,593
Other Assets	-	-	-	-	-	11,477,317	11,477,317
<b>Total Assets</b>	<b>55,965,171</b>	<b>21,615,640</b>	<b>67,437,509</b>	<b>46,629,881</b>	<b>16,796,143</b>	<b>50,552,406</b>	<b>258,996,750</b>
<b>Liabilities</b>							
Bank Deposits	1,651,130	656,631	11,032	-	-	347,300	2,666,093
Other Deposits	71,458,527	17,412,704	4,549,680	328,041	200	57,165,772	150,914,924
Money Market Borrowings	5,256,044	5,526,082	2,835,659	176,998	-	-	13,794,783
Miscellaneous Payables	7,093,041	-	-	-	-	5,469,578	12,562,619
Securities Issued	2,128,013	2,115,575	8,386,779	5,940,406	-	-	18,570,773
Funds Borrowed	1,489,789	15,972,777	6,513,469	234,712	4,571,398	788	28,782,933
Other Liabilities <sup>(7)</sup>	1,165	2,637	19,416	401,299	-	31,280,108	31,704,625
<b>Total Liabilities</b>	<b>89,077,709</b>	<b>41,686,406</b>	<b>22,316,035</b>	<b>7,081,456</b>	<b>4,571,598</b>	<b>94,263,546</b>	<b>258,996,750</b>
On Balance Sheet Long Position	-	-	45,121,474	39,548,425	12,224,545	-	96,894,444
On Balance Sheet Short Position	(33,112,538)	(20,070,766)	-	-	-	(43,711,140)	(96,894,444)
Off-Balance Sheet Long Position	7,494,942	13,451,855	-	-	-	-	20,946,797
Off-Balance Sheet Short Position	-	-	(732,808)	(2,710,992)	(10,437,577)	-	(13,881,377)
<b>Total Position</b>	<b>(25,617,596)</b>	<b>(6,618,911)</b>	<b>44,388,666</b>	<b>36,837,433</b>	<b>1,786,968</b>	<b>(43,711,140)</b>	<b>7,065,420</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 includes amount of TL 3,904 expected loss provisions.

<sup>(3)</sup> Banks include balance of expected loss provisions amounting to TL 694.

<sup>(4)</sup> Financial Assets at Fair Value Through Profit/Loss include TL 9,655,670 derivative financial assets used for hedging purposes.

<sup>(5)</sup> Financial Assets at Fair Value Through Other Comprehensive Income include TL 1,971,947 derivative financial assets used for hedging purposes.

<sup>(6)</sup> Financial Assets measured at amortized cost includes the balance of the expected loss provisions amounting to TL 6,267.

<sup>(7)</sup> Other Liabilities includes Derivative Financial Liabilities amounting to TL 5,510,775.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

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

**IV. Explanations on Interest Rate Risk (Continued)**

	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>	6,501,977	-	-	-	-	20,901,081	27,403,058
Due From Banks <sup>(3)</sup>	72,063	-	-	-	-	1,384,472	1,456,535
Financial Assets at Fair Value Through Profit/Loss <sup>(4)</sup>	1,306	284,331	19,797	77,532	22,847	8,114,065	8,519,878
Money Market Placements <sup>(5)</sup>	342,734	-	-	-	-	-	342,734
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) Loans and Receivables	1,807,231	1,277,032	3,165,778	3,839,136	4,728,569	1,764,029	16,581,775
Financial Assets Measured at Amortized Cost <sup>(6)</sup>	29,193,780	20,654,070	51,074,203	31,978,431	3,465,075	2,236,823	138,602,382
Other Assets	3,072,701	2,305,967	4,811,742	3,274,171	4,668,299	600,320	18,733,200
	-	-	-	-	-	15,613,786	15,613,786
<b>Total Assets</b>	<b>40,991,792</b>	<b>24,521,400</b>	<b>59,071,520</b>	<b>39,169,270</b>	<b>12,884,790</b>	<b>50,614,576</b>	<b>227,253,348</b>
Liabilities							
Bank Deposits	3,436,160	1,006,656	17,509	-	-	123,019	4,583,344
Other Deposits	55,272,686	16,188,082	4,175,747	339,333	201	50,000,338	125,976,387
Money Market Borrowings	7,649,908	4,955,340	1,638,887	149,074	-	96,185	14,489,394
Miscellaneous Payables	4,589,352	-	-	-	-	4,654,255	9,243,607
Securities Issued	583,695	888,815	916,564	11,117,311	-	-	13,506,385
Funds Borrowed	552,633	15,339,786	7,046,313	100,366	3,855,730	1,490	26,896,318
Other Liabilities <sup>(7)</sup>	3,921	2,379	69,607	360,836	9,932	32,111,238	32,557,913
<b>Total Liabilities</b>	<b>72,088,355</b>	<b>38,381,058</b>	<b>13,864,627</b>	<b>12,066,920</b>	<b>3,865,863</b>	<b>86,986,525</b>	<b>227,253,348</b>
On Balance Sheet Long Position	-	-	45,206,893	27,102,350	9,018,927	-	81,328,170
On Balance Sheet Short Position	(31,096,563)	(13,859,658)	-	-	-	(36,371,949)	(81,328,170)
Off-Balance Sheet Long Position	4,675,623	11,004,983	-	-	-	-	15,680,606
Off-Balance Sheet Short Position	-	-	(237,755)	(1,647,358)	(9,188,319)	-	(11,073,432)
<b>Total Position</b>	<b>(26,420,940)</b>	<b>(2,854,675)</b>	<b>44,969,138</b>	<b>25,454,992</b>	<b>(169,392)</b>	<b>(36,371,949)</b>	<b>4,607,174</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 includes amount of TL 3,399 expected loss provisions.

<sup>(3)</sup> Banks include balance of expected loss provisions amounting to TL 10,168.

<sup>(4)</sup> Financial Assets at Fair Value Through Profit/Loss include TL 7,948,940 derivative financial assets used for hedging purposes.

<sup>(5)</sup> Financial Assets at Fair Value Through Other Comprehensive Income include TL 1,400,686 derivative financial assets used for hedging purposes.

<sup>(6)</sup> Financial Assets measured at amortized cost includes the balance of the expected loss provisions amounting to TL 10,156

<sup>(7)</sup> Other Liabilities includes Derivative Financial Liabilities amounting to TL 8,077,352.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

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

**IV. Explanations on Interest Rate Risk (Continued)**

**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	-	-	-	13.50
Due from Banks	-	-	-	-
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	3.46	5.65	-	19.61
Money Market Placements	-	0.04	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	2.58	5.35	-	17.81
Loans and Receivables	4.12	4.88	1.77	16.56
Financial Assets Measured at Amortized Cost	4.60	5.60	-	16.74
Liabilities				
Bank Deposits	0.07	0.79	-	17.78
Other Deposits	0.24	0.86	0.54	17.40
Money Market Borrowings	(0.20)	1.29	-	18.27
Miscellaneous Payables	(0.40)	-	-	-
Securities Issued	-	5.50	-	18.93
Funds Borrowed	2.28	4.50	-	13.97
	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	-	-	-	12.00
Due from Banks	0.05	-	-	-
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	3.07	5.63	-	17.13
Money Market Placements	-	0.01	-	18.16
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	2.87	5.30	-	14.29
Loans and Receivables	4.27	5.14	5.23	14.24
Financial Assets Measured at Amortized Cost	3.76	5.55	-	14.04
Liabilities				
Bank Deposits	0.64	1.51	-	16.74
Other Deposits	0.45	1.36	0.62	15.46
Money Market Borrowings	-	1.38	-	16.71
Miscellaneous Payables	(0.39)	-	-	-
Securities Issued	-	5.58	-	17.72
Funds Borrowed	2.25	4.43	-	11.59

**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>878,846</b>	<b>878,846</b>	-
Quoted Securities	878,846	878,846	-
<b>4. Investment in Shares- grade Other<sup>(*)</sup></b>	<b>1,292,446</b>	<b>1,237,572</b>	-

(\*) Includes associates, subsidiaries and entities under common control not quoted to BIST 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	-	1,450,650	1,450,650	-	-
2. Quoted Shares	25,881	-	-	-	-
3. Other Shares	-	-	-	-	-
<b>4. Total</b>	<b>25,881</b>	<b>1,450,650</b>	<b>1,450,650</b>	<b>-</b>	<b>-</b>

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

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

**VI. Explanations on 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 (ALCO) 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 ALCO 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 liquidity management of the Bank is decentralized; each partnership controlled by the Bank is carried out independently from the Bank by the authorities in charge of liquidity management. Each subsidiary subject to consolidation manages its own liquidity position separately from the Bank. The amount of funds to be used by the subsidiaries from the Bank is determined within the framework of the 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 ALCO 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 ALCO 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. 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 SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

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

**VI. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio (Devamı)**

**Liquidity Coverage Ratio**

Current Period – June 30, 2021	Unweighted Amounts <sup>(*)</sup>		Weighted Amounts <sup>(*)</sup>	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>				
1 High Quality Liquid Assets			46,936,543	31,997,404
<b>CASH OUTFLOWS</b>				
2 Retail and Small Business Customers Deposits	113,733,080	63,167,249	10,321,460	6,316,725
3 Stable deposits	21,036,961	-	1,051,848	-
4 Less stable deposits	92,696,119	63,167,249	9,269,612	6,316,725
5 Unsecured Funding other than Retail and Small Business Customers Deposits	39,495,551	24,495,821	21,441,524	13,401,428
6 Operational deposits	1,101,483	264,548	275,371	66,137
7 Non-Operational Deposits	31,455,401	21,588,838	15,416,762	10,714,500
8 Other Unsecured Funding	6,938,667	2,642,435	5,749,391	2,620,791
9 Secured funding	-	-	-	-
10 Other Cash Outflows	19,445,067	10,172,153	19,445,067	10,172,153
11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions	19,445,067	10,172,153	19,445,067	10,172,153
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	56,804,025	1,894,289	2,840,201	94,714
15 Other irrevocable or conditionally revocable commitments	105,182,354	28,095,318	7,794,591	2,700,429
<b>16 TOTAL CASH OUTFLOWS</b>			<b>61,842,843</b>	<b>32,685,449</b>
<b>CASH INFLOWS</b>				
17 Secured Lending Transactions	162,738	210,561	-	-
18 Unsecured Lending Transactions	13,837,079	6,570,595	9,419,357	5,565,363
19 Other contractual cash inflows	18,361,575	16,230,399	18,361,575	16,230,399
<b>20 TOTAL CASH INFLOWS</b>	<b>32,361,392</b>	<b>23,011,555</b>	<b>27,780,932</b>	<b>21,795,762</b>
			<b>Capped Amounts</b>	
<b>21 TOTAL HIGH QUALITY LIQUID ASSETS</b>			<b>46,936,543</b>	<b>31,997,404</b>
<b>22 TOTAL NET CASH OUTFLOWS</b>			<b>34,061,911</b>	<b>11,286,380</b>
<b>23 LIQUIDITY COVERAGE RATIO (%)</b>			<b>%137.80</b>	<b>%283.50</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 SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

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

**VI. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio (Devamı)**

Prior Period – December 31, 2020	Unweighted Amounts <sup>(*)</sup>		Weighted Amounts <sup>(*)</sup>	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>				
1 High Quality Liquid Assets			40,772,730	27,773,500
<b>CASH OUTFLOWS</b>				
2 Retail and Small Business Customers Deposits	102,017,179	63,135,291	9,342,828	6,313,529
3 Stable deposits	17,177,800	-	858,890	-
4 Less stable deposits	84,839,379	63,135,291	8,483,938	6,313,529
5 Unsecured Funding other than Retail and Small Business Customers Deposits	36,395,400	23,157,015	20,197,474	13,025,195
6 Operational deposits	909,730	216,517	227,432	54,130
7 Non-Operational Deposits	29,661,215	21,095,846	15,322,652	11,147,053
8 Other Unsecured Funding	5,824,455	1,844,652	4,647,390	1,824,012
9 Secured funding			183,579	183,579
10 Other Cash Outflows	46,983,608	33,960,349	46,983,608	33,960,349
11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions	46,983,608	33,960,349	46,983,608	33,960,349
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	40,300,958	156,391	2,015,048	7,820
15 Other irrevocable or conditionally revocable commitments	94,256,277	26,816,323	7,083,084	2,629,501
<b>16 TOTAL CASH OUTFLOWS</b>			<b>85,805,621</b>	<b>56,119,973</b>
<b>CASH INFLOWS</b>				
17 Secured Lending Transactions	1,301,667	197,899	-	-
18 Unsecured Lending Transactions	9,223,031	3,061,476	5,950,228	2,609,872
19 Other contractual cash inflows	45,115,134	43,598,765	45,115,134	43,598,765
<b>20 TOTAL CASH INFLOWS</b>	<b>55,639,832</b>	<b>46,858,140</b>	<b>51,065,362</b>	<b>46,208,637</b>
			<b>Capped Amounts</b>	
<b>21 TOTAL HIGH QUALITY LIQUID ASSETS</b>			<b>40,772,730</b>	<b>27,773,500</b>
<b>22 TOTAL NET CASH OUTFLOWS</b>			<b>34,740,259</b>	<b>14,033,946</b>
<b>23 LIQUIDITY COVERAGE RATIO (%)</b>			<b>%117.36</b>	<b>%197.90</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.

The dates and values of minimum and maximum foreign currency and total liquidity coverage ratios calculated weekly related to the last three months of 2021 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.

	Maximum	Week	Minimum	Week	Average
TL+FC	145.66	25/06/2021	128.25	30/04/2021	137.88
FC	432.07	28/05/2021	214.95	18/06/2021	296.79

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

---

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

**VI. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio (Devamı)**

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 CBRT accounts and securities that are issued by the Republic of Turkey Ministry of Treasury and Finance 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, 2020 – 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 Republic of Turkey Ministry of Treasury and Finance 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 SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

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

**VI. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio (Devamı)**

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

Current Period	Demand Up to 1 month	1-3 months	3-12 months	1-5 Years	5 Years and Over	Unallocated <sup>(1)</sup>	Total
<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>	17,691,066	14,955,998	-	-	-	(3,904)	32,643,160
Due from Banks <sup>(3)</sup>	3,106,559	3,988,078	-	-	-	(694)	7,093,943
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL) <sup>(4)</sup>	194,672	268,030	668,721	3,347,105	4,470,002	1,179,871	10,128,401
Money Markets Placements <sup>(5)</sup>	-	109,898	-	-	-	-	109,898
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) <sup>(6)</sup>	7,674	182,901	230,406	1,093,896	8,662,488	9,405,317	19,582,682
Loans and Receivables	-	29,608,844	12,712,379	48,828,718	47,583,443	16,451,736	157,274,756
Financial Assets Measured at Amortized Cost <sup>(7)</sup>	-	301,612	233,941	575,004	12,107,744	7,474,559	20,686,593
Other Assets	-	3,136,962	-	-	1,596,282	-	11,477,317
<b>Total Assets</b>	<b>20,999,971</b>	<b>52,552,323</b>	<b>13,845,447</b>	<b>53,844,723</b>	<b>74,419,959</b>	<b>34,511,483</b>	<b>258,996,750</b>
<b>Liabilities</b>							
Bank Deposits	347,300	1,651,130	656,631	11,032	-	-	2,666,093
Other Deposits	57,165,772	71,458,527	17,412,704	4,549,680	328,041	200	150,914,924
Funds Borrowed	-	1,026,021	1,753,295	9,679,000	2,890,832	8,861,600	28,782,933
Money Market Borrowings	-	4,823,837	2,651,660	1,806,743	3,284,497	1,228,046	13,794,783
Securities Issued	-	1,252,630	1,679,680	8,386,779	7,251,684	-	18,570,773
Miscellaneous Payables	-	12,562,619	-	-	-	-	12,562,619
Other Liabilities <sup>(8)</sup>	-	4,337,725	123,663	1,226,777	1,950,587	2,304,969	21,760,904
<b>Total Liabilities</b>	<b>57,513,072</b>	<b>97,112,489</b>	<b>24,277,633</b>	<b>25,660,011</b>	<b>15,705,641</b>	<b>12,394,815</b>	<b>258,996,750</b>
<b>Liquidity Excess / (Gap)</b>	<b>(36,513,101)</b>	<b>(44,560,166)</b>	<b>(10,432,186)</b>	<b>28,184,712</b>	<b>58,714,318</b>	<b>22,116,668</b>	<b>(17,510,245)</b>
<b>Net Off Balance Sheet Position <sup>(9)</sup></b>	<b>-</b>	<b>31,231</b>	<b>666,608</b>	<b>2,152,243</b>	<b>3,261,777</b>	<b>37</b>	<b>6,111,896</b>
Receivables from Financial Derivative Instruments	-	30,790,254	29,574,117	24,780,765	41,364,066	35,229,473	161,738,675
Liabilities from Derivatives	-	30,759,023	28,907,509	22,628,522	38,102,289	35,229,436	155,626,779
<b>Non-cash Loans <sup>(10)</sup></b>	<b>-</b>	<b>8,679,774</b>	<b>6,855,435</b>	<b>14,647,152</b>	<b>6,696,878</b>	<b>428,288</b>	<b>37,315,162</b>
<b>Prior period</b>							
Total Assets	15,488,238	47,683,691	16,511,079	46,247,260	63,620,426	28,691,958	227,253,348
Total Liabilities	50,123,357	80,284,883	22,753,439	18,224,291	24,829,908	5,830,802	227,253,348
<b>Liquidity Excess / (Gap)</b>	<b>(34,635,119)</b>	<b>(32,601,192)</b>	<b>(6,242,360)</b>	<b>28,022,969</b>	<b>38,790,518</b>	<b>22,861,156</b>	<b>(16,195,972)</b>
<b>Net-Off Balance Sheet Position <sup>(9)</sup></b>	<b>-</b>	<b>(1,117,746)</b>	<b>(804,808)</b>	<b>1,549,989</b>	<b>1,906,623</b>	<b>27,793</b>	<b>1,561,851</b>
Receivables from Derivative Instruments	-	42,825,059	26,557,248	14,206,270	41,032,444	32,234,801	156,855,822
Liabilities from Derivative Instruments	-	43,942,805	27,362,056	12,656,281	39,125,821	32,207,008	155,293,971
<b>Non-cash Loans <sup>(10)</sup></b>	<b>-</b>	<b>2,300,899</b>	<b>3,178,517</b>	<b>14,234,830</b>	<b>4,524,946</b>	<b>565,055</b>	<b>8,343,292</b>

- (1) 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 "Unallocated" column. Unallocated other liabilities include shareholders' equity amounting to TL 20,697,343 (December, 31 2020 : TL 19,222,421) and unallocated provisions amounting to TL 1,063,561 (December 31, 2020: TL 1,064,819)
- (2) 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 3,904 (December 31, 2020 : TL 3,399).
- (3) Banks include balance of expected loss provisions amounting to TL 694 (December 31, 2020 : TL 10,168).
- (4) Financial Assets at Fair Value Through Profit/Loss includes TL 9,655,670 (December 31, 2020 : TL 7,948,940) fair value derivative financial assets used for Financial Assets at Fair Value Through Profit/Loss.
- (5) There is no balance at Receivables from Money Markets include the balance of expected loss provisions.
- (6) Financial Assets at Fair Value Through Other Comprehensive Income includes TL1,971,947 (December 31, 2020: TL 1,400,686) fair value derivative financial assets used for hedging purposes.
- (7) Financial assets measured at amortized cost include TL 6,267 (December 31, 2020: TL 10,156) of expected loss provisions.
- (8) Other Liabilities includes Derivative Financial Liabilities amounting to TL5,510,775 (December 31, 2020 TL 8,077,352).
- (9) 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
- (10) 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 SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

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

**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 6.58% (December 31, 2020: 6.70%). 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:

	<b>Book Value</b>	
	<b>Current Period (*)</b>	<b>Prior Period (*)</b>
<b>Assets on Balance sheet</b>		
Assets on Balance sheet (except for derivative financial instruments and credit (Assets deducted from capital stock)	245,509,033	220,618,150
	551,002	517,573
<b>Total risk amount related to Assets on Balance sheet</b>	<b>244,958,031</b>	<b>220,100,577</b>
<b>Derivative financial instruments and credit derivatives</b>		
Replacement cost of derivative financial instruments and credit derivatives	12,236,408	11,863,358
Potential credit risk amount of derivative financial instruments and credit derivatives	1,700,352	1,699,987
<b>Total risk amount related to derivative financial instruments and credit derivatives</b>	<b>13,936,760</b>	<b>13,563,345</b>
<b>Financial transactions having security or commodity collateral</b>		
Risk amount of financial transactions having security or commodity collateral	13,682	14,346
Risk amount sourcing from transactions mediated	66,147	11,707,746
<b>Total risk amount related to financial transactions having security or commodity collateral</b>	<b>79,829</b>	<b>11,722,092</b>
<b>Off-Balance sheet Transaction</b>		
Gross nominal amount of off-balance sheet transactions	171,909,625	139,102,744
(Adjustment amount sourcing from multiplying to credit conversion rates)	51,599,727	36,851,418
<b>Total risk amount related to off-balance sheet transactions</b>	<b>120,309,898</b>	<b>102,251,326</b>
<b>Capital and Total Risk</b>		
Core Capital	24,947,145	23,284,168
Amount of total risk	379,284,518	347,637,340
<b>Financial leverage ratio</b>		
Financial leverage ratio	6.58%	%6.70

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

(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	558,818	2,875,316	616,296	1,486,250
T.R. Central Bank	3,812,514	25,106,965	1,811,815	23,368,532
Other	110,836	182,615	77,629	45,935
<b>Total</b>	<b>4,482,168</b>	<b>28,164,896</b>	<b>2,505,740</b>	<b>24,900,717</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	3,812,514	10,150,967	1,811,815	9,884,092
Restricted Time Deposits	-	14,955,998	-	13,484,440
<b>Total</b>	<b>3,812,514</b>	<b>25,106,965</b>	<b>1,811,815</b>	<b>23,368,532</b>

As of June 30, 2021 amount of TL 3,904 (December 31, 2020: TL 3,399) provision provided for the account T.R. Central Bank.

As of 30 June 2021, our bank has been appointed to CBRT depending on the maturity structure, the required reserve rates for TL liabilities vary between 3% and 8% 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 according to their maturities. Gold deposit liabilities vary between 18% and 22% for gold liabilities according to their maturities.

In accordance with the "Communiqué Regarding the Reserve Requirements" at CBRT, the reserve requirements can be maintained as TL, USD, EUR and standard gold. In the period of 30 June 2021, the Bank earned interest by using 13.5% interest rate for TL required reserves.

**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 7,470 (December 31, 2020 – TL 16,933).

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

None (December 31, 2020: None).

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Vadeli İşlemler	114,250	-	150,165	-
Swap İşlemleri	2,760,474	1,505,803	2,725,863	1,679,819
Futures İşlemleri	-	-	-	-
Opsiyonlar	679	151,092	102	161,465
<b>Total</b>	<b>2,875,403</b>	<b>1,656,895</b>	<b>2,876,130</b>	<b>1,841,284</b>

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	974	51,410	965	127,042
Foreign	150	7,042,103	152	1,338,544
Foreign Head Offices and Branches	-	-	-	-
<b>Total</b>	<b>1,124</b>	<b>7,093,513</b>	<b>1,117</b>	<b>1,465,586</b>

As of June 30, 2021 amount of TL 694 provision provided for the Bank account (December 31, 2020 - TL 10,168).

In accordance with the Uniform Chart of Accounts, which became effective as of January 1, 2021, foreign bank guarantees amounting to TL 4,067,296 as of the balance sheet date, which were among the other assets of the previous period, are reported in the line of foreign banks in the current period, the average maturity of these guarantees is 1 for months.

**b) Information on foreign bank accounts**

	Unrestricted Amount		Restricted Amount <sup>(**)</sup>	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	1,109,595	597,949	4,046,031	-
USA and Canada	1,781,959	692,396	2,176	-
OECD Countries <sup>(*)</sup>	10,661	2,865	-	-
Off-shore Banking Regions	-	-	-	-
Other	72,769	45,486	19,062	-
<b>Total</b>	<b>2,974,984</b>	<b>1,338,696</b>	<b>4,067,269</b>	<b>-</b>

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

<sup>(\*\*)</sup> No money is kept in blocked accounts in foreign banks for loans used from foreign markets.

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

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Domestic Transactions</b>	-	-	<b>250,124</b>	-
T.R Central Bank	-	-	-	-
Banks	-	-	250,124	-
Intermediary Institutions	-	-	-	-
Other Financial Institutions and Organizations	-	-	-	-
Other Institutions and Organization	-	-	-	-
Real Persons	-	-	-	-
<b>Foreign Transactions</b>	-	<b>109,898</b>	-	<b>92,610</b>
Central Banks	-	-	-	-
Banks	-	109,898	-	92,610
Intermediary Institutions	-	-	-	-
Other Financial Institutions and Organizations	-	-	-	-
Other Institutions and Organizations	-	-	-	-
Real Persons	-	-	-	-
<b>Total</b>	<b>-</b>	<b>109,898</b>	<b>250,124</b>	<b>92,610</b>

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**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	1,969,772	286,194	920,138	303,114
Subject to repurchase agreements	738,532	6,599,303	27,227	7,627,357
<b>Total</b>	<b>2,708,304</b>	<b>6,885,497</b>	<b>947,365</b>	<b>7,930,471</b>

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

	Current Period	Prior Period
<b>Debt securities</b>	<b>18,059,604</b>	<b>15,282,501</b>
Quoted on a stock exchange (*)	18,059,604	15,282,501
Unquoted on a stock exchange	-	-
<b>Share certificates</b>	<b>7,781</b>	<b>7,781</b>
Quoted on a stock exchange	-	-
Unquoted on a stock exchange	7,781	7,781
<b>Impairment provision(-)**</b>	<b>(456,650)</b>	<b>(109,193)</b>
<b>Total</b>	<b>17,610,735</b>	<b>15,181,089</b>

(\*) The Eurobond Portfolio amounting to TL 3,456,990 (December 31, 2020 - TL 3,176,047) 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.

\*\* As of June 30, 2021 amount of TL 3,139 (December 31, 2020 - TL 2,083) 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>-</b>	<b>54,408</b>	<b>2,500</b>	<b>45,878</b>
Corporate Shareholders	-	54,408	2,500	45,878
Individual Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
<b>Loans Granted to Employees(*)</b>	<b>152,579</b>	<b>-</b>	<b>149,520</b>	<b>-</b>
<b>Total</b>	<b>152,579</b>	<b>54,408</b>	<b>152,020</b>	<b>45,878</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 and Receivables Not Subject to restructuring	Loans Under Close Monitoring	
			Restructured Loans and Receivables with Revised Contract Terms	Refinance
<b>Non-specialized Loans</b>	<b>143,405,558</b>	<b>7,557,425</b>	<b>320,008</b>	<b>8,243,439</b>
Discount Notes	2,663,735	11,208	-	-
Export Loans	6,767,320	45,861	-	-
Import Loans	7,062	-	-	-
Loans Given to Financial Sector	4,936,927	30	-	-
Retail Loans	31,492,836	1,311,189	188,603	578,277
Credit Cards	21,733,783	1,709,255	-	285,684
Other	75,803,895	4,479,882	131,405	7,379,478
<b>Specialized Loans</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other Receivables</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>143,405,558</b>	<b>7,557,425</b>	<b>320,008</b>	<b>8,243,439</b>

(\*) For the Loans and Receivables classified as Stage 2 whose past due days exceed 90 days but less than 180 days and which is disclosed in the third section footnote numbered VIII, TL 958,393 (31 December 2020 - TL 929,407) and TL 539,340 provision was allocated. (31 December 2020 - TL 549,594).

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**6. Information related to loans (Continued)**

	Standard Loans	Loans and other receivables under close monitoring
<b>Current Period</b>		
Provision for 12 Month Expected Credit Losses	1,451,393	-
Significant Increase in Credit Risk	-	2,889,918
<b>Prior Period</b>		
Provision for 12 Month Expected Credit Losses	1,037,995	-
Significant Increase in Credit Risk	-	2,828,305

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

In the current period, the Bank follows the loan amounting to TL 139,817 under financial assets at fair value through profit or loss in line with TFRS 9 (31 December 2020 - TL 116,829).

**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	56,284,496	1,709,255	285,684
Medium and Long-term Loans	87,121,062	5,848,170	8,277,763
<b>Total</b>	<b>143,405,558</b>	<b>7,557,425</b>	<b>8,563,447</b>

**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>1,193,254</b>	<b>29,722,676</b>	<b>30,915,930</b>
Housing Loans	2,107	3,640,670	3,642,777
Automobile Loans	1,227	26,096	27,323
Personal Need Loans	1,189,920	26,055,910	27,245,830
Other	-	-	-
<b>Consumer Loans-FC Indexed</b>	<b>-</b>	<b>1,428</b>	<b>1,428</b>
Housing Loans	-	1,272	1,272
Automobile Loans	-	-	-
Personal Need Loans	-	156	156
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>17,539,568</b>	<b>391,185</b>	<b>17,930,753</b>
Installment	5,977,744	273,466	6,251,210
Non- Installment	11,561,824	117,719	11,679,543
<b>Individual Credit Cards-FC</b>	<b>24,676</b>	<b>67</b>	<b>24,743</b>
Installment	-	-	-
Non- Installment	24,676	67	24,743
<b>Personnel Loans-TL</b>	<b>7,756</b>	<b>81,272</b>	<b>89,028</b>
Housing Loans	-	74	74
Automobile Loans	-	-	-
Personal Need Loans	7,756	81,198	88,954
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>57,861</b>	<b>589</b>	<b>58,450</b>
Installment	19,469	198	19,667
Non-Installment	38,392	391	38,783
<b>Personnel Credit Cards-FC</b>	<b>158</b>	<b>-</b>	<b>158</b>
Installment	-	-	-
Non-Installment	158	-	158
<b>Overdraft Accounts-TL (Real Persons)</b>	<b>2,436,932</b>	<b>127,587</b>	<b>2,564,519</b>
<b>Overdraft Accounts-FC (Real Persons)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>21,260,205</b>	<b>30,324,804</b>	<b>51,585,009</b>

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**6. Information related to loans (Continued)**

**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>1,171,537</b>	<b>18,409,243</b>	<b>19,580,780</b>
Real Estate Loans	315	234,887	235,202
Automobile Loans	10,300	516,095	526,395
Personal Need Loans	1,160,922	17,658,261	18,819,183
Other	-	-	-
<b>Commercial Loans with Installment Facility - FC Indexed</b>	<b>-</b>	<b>442,228</b>	<b>442,228</b>
Real Estate Loans	-	3,253	3,253
Automobile Loans	-	3,294	3,294
Personal Need Loans	-	435,681	435,681
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>5,606,664</b>	<b>105,589</b>	<b>5,712,253</b>
Installment	2,134,423	70,236	2,204,659
Non-Installment	3,472,241	35,353	3,507,594
<b>Corporate Credit Cards –FC</b>	<b>2,359</b>	<b>6</b>	<b>2,365</b>
Installment	-	-	-
Non-Installment	2,359	6	2,365
<b>Overdraft Accounts-TL (Legal Entities)</b>	<b>1,138,541</b>	<b>8,001</b>	<b>1,146,542</b>
<b>Overdraft Accounts-FC (Legal Entities)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>7,919,101</b>	<b>18,965,067</b>	<b>26,884,168</b>

**f) Allocation of loans to customers<sup>(\*)</sup>**

	Current Period	Prior Period
Public	-	-
Private	159,526,430	140,230,859
<b>Total</b>	<b>159,526,430</b>	<b>140,230,859</b>

(\*) The table does not include non-performing loan amount.

**g) Allocation of domestic and foreign loans<sup>(\*)</sup>**

	Current Period	Prior Period
Domestic Loans	158,379,784	139,129,640
Foreign Loans	1,146,646	1,101,219
<b>Total</b>	<b>159,526,430</b>	<b>140,230,859</b>

(\*) The table does not include non-performing loan amount.

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

	Current Period	Prior Period
Direct Loans Granted to Subsidiaries and Associates	1,880,299	1,256,220
Indirect Loans Granted to Subsidiaries and Associates	-	-
<b>Total</b>	<b>1,880,299</b>	<b>1,256,220</b>

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**6. Information related to loans (Continued)**

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

	Current Period	Prior Period
<b>Provisions</b>		
Loans and Receivables with Limited Collectability	28,452	501,358
Doubtful Loans and Other Receivables	917,782	311,173
Uncollectible Loans and Receivables	6,116,959	6,077,239
<b>Total</b>	<b>7,063,193</b>	<b>6,889,770</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	2,153	6,778	159,356
Restructured Loans	2,153	6,778	159,356
<b>Prior Period</b>			
Gross Amounts Before the Provisions	-	31,099	170,246
Restructured Loans	-	31,099	170,246

**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>932,487</b>	<b>535,729</b>	<b>7,659,377</b>
Additions (+)	107,052	677,635	80,392
Transfers from Other Categories of Non-Performing Loans (+)	-	974,246	484,577
Transfers to Other Categories of Non-Performing Loans (-)	974,246	484,577	-
Collections (-)	29,287	137,558	672,741
Write-offs (-)	-	-	257
<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>36,006</b>	<b>1,565,475</b>	<b>7,551,348</b>
Provision (-)	28,452	917,782	6,116,959
<b>Net Balances on Balance Sheet</b>	<b>7,554</b>	<b>647,693</b>	<b>1,434,389</b>

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

None (December 31, 2020- None).

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**6. Information related to loans (Continued)**

**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>7,554</b>	<b>647,693</b>	<b>1,434,389</b>
Loans to Real Persons and Legal Entities (Gross)	36,006	1,565,475	7,308,242
Provision (-)	28,452	917,782	5,873,853
Loans to Real Persons and Legal Entities (Net)	7,554	647,693	1,434,389
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	243,106
Provision (-)	-	-	243,106
Other Loans and Receivables (Net)	-	-	-
<b>Prior Period (Net)</b>	<b>431,129</b>	<b>224,556</b>	<b>1,582,138</b>
Loans to Real Persons and Legal Entities (Gross)	932,487	535,729	7,447,168
Specific provision (-)	501,358	311,173	5,865,030
Loans to Real Persons and Legal Entities (Net)	431,129	224,556	1,582,138
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	212,209
Specific provision (-)	-	-	212,209
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	3,242	520,061	733,359
Provision (-)	2,702	306,262	510,166
<b>Prior Period (Net)</b>			
Interest Accruals and Valuation Differences	438,835	61,708	704,083
Provision (-)	237,518	32,724	496,538

**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.

**l) 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 SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**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	620,042	118,107	1,943,581	-
Subject to repurchase agreements	2,821,112	7,323,336	3,545,946	7,500,243
<b>Total</b>	<b>3,441,154</b>	<b>7,441,443</b>	<b>5,489,527</b>	<b>7,500,243</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bond	10,404,400	9,546,791	9,559,633	8,413,914
Treasury Bill	-	-	-	-
Other Debt Securities	-	170,846	-	208,028
<b>Total</b>	<b>10,404,400</b>	<b>9,717,637</b>	<b>9,559,633</b>	<b>8,621,942</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Debt Securities</b>	<b>10,404,400</b>	<b>10,288,460</b>	<b>9,559,633</b>	<b>9,183,723</b>
Publicly-traded	10,404,400	10,288,460	9,559,633	9,183,723
Non-publicly traded	-	-	-	-
Provision for losses (-)	-	-	-	-
<b>Total</b>	<b>10,404,400</b>	<b>10,288,460</b>	<b>9,559,633</b>	<b>9,183,723</b>

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

	Current Period	Prior Period
<b>Value at the beginning of the period</b>	<b>18,743,356</b>	<b>16,181,302</b>
Exchange differences on monetary assets	1,602,024	1,745,497
Acquisitions during the year	1,700,744	2,333,458
Disposals through sales and redemptions	(1,865,253)	(2,260,925)
Provision for losses (-)	-	-
Valuation effect	511,989	744,024
<b>The sum of end of the period</b>	<b>20,692,860</b>	<b>18,743,356</b>

As of June 30, 2021, a provision amounting to TL 6,267 (December 31,2020 - TL 10,156) 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) <sup>(*)</sup>	Istanbul/Turkey	4.52	4.52				
Ulusal Derecelendirme A.Ş. <sup>(**)</sup>	Istanbul/Turkey	2.86	2.86				
Total Assets	Shareholder's Equity	Total Fixed Assets	Interest Income				
317,815	262,940	97,700	7,444				
34,723	27,961	26,022	639				
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
317,815	262,940	97,700	7,444	-	27,999	8,961	-
34,723	27,961	26,022	639	-	2,467	6,146	-

(\*) Current period information is based on March 31, 2021 financials. Prior period profit and loss amounts are based on March 31, 2020 financials.

(\*\*) Current period information is based on December 31, 2020 financials. Prior period profit and loss amounts are based on December 31, 2019 financials.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**b) Information on the consolidated subsidiaries**

None (December 31, 2020 – None).

**8.2. Movements of investments in associates**

	Current Period	Prior Period
<b>Balance at the Beginning of Period</b>	<b>14,026</b>	<b>5,982</b>
<b>Movements During the Period</b>	-	8,044
Purchases	-	-
Bonus Shares Received	-	8,044
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>14,026</b>	<b>14,026</b>
<b>Capital Commitments</b>	-	-
<b>Share Percentage at the End of the Period (%)</b>	-	-

**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	14,026	14,026
<b>Total</b>	<b>14,026</b>	<b>14,026</b>

**8.4 Quoted Associates**

None (December 31, 2020 - None)

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

	Current Period	Prior Period
Valued at Cost	14,026	14,026
Valued at Fair Value	-	-
Valued at Equity Method	-	-
<b>Total</b>	<b>14,026</b>	<b>14,026</b>

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**a) Information on the unconsolidated subsidiaries**

	<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.	Ibtech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek San. ve Tic. A.Ş.	Istanbul/Turkey	99.91	99.99
2.	EFİNANS Elektronik Ticaret ve Bilişim Hizmetleri A.Ş.	Istanbul/Turkey	100.00	100.00

  

	<b>Total Assets</b>	<b>Shareholder's Equity</b>	<b>Total Fixed Assets</b>	<b>Interest Income</b>	<b>Income on Securities Portfolio</b>	<b>Current Period Profit/Loss</b>	<b>Prior Period Profit/Loss</b>	<b>Company's Fair Value</b>
1.	68,322	11,752	37,699	-	-	-	(68)	-
2.	37,199	16,951	5,747	1,680	-	4,180	(4,473)	-

(\*) Current period information is presented as of 30 June 2021, and prior period profit and loss amounts are based on the financial statements prepared as of 30 June 2020.

**b) Information on the consolidated subsidiaries**

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

	<b>Subsidiary</b>	<b>Address (City/Country)</b>	<b>Bank's Share – If Different, Voting Rights (%)</b>	<b>Bank's Risk Group Share (%)</b>
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.	QNB Finans Portföy Yönetimi A.Ş.	Istanbul/Turkey	88.89	100.00
4.	QNB Finans Faktoring A.Ş.	Istanbul/Turkey	99.99	100.00
5.	QNB Finans Varlık Kiralama Şirketi A.Ş.	Istanbul/Turkey	-	100.00

Information on subsidiaries in the order presented in the table above

	<b>Total Assets</b>	<b>Shareholders' Equity</b>	<b>Total Fixed Assets</b>	<b>Interest Income</b>	<b>Income on Securities Portfolio</b>	<b>Current Period Profit/Loss</b>	<b>Prior Period Profit/Loss</b>	<b>Company's Fair Value(*)</b>
1.	1,836,564	445,735	18,069	90,194	3,546	90,953	74,342	583,999
2.	8,870,760	1,119,523	16,755	122,585	-	81,782	72,221	878,846
3.	78,067	71,252	1,267	1,084	-	6,576	5,004	58,610
4.	3,020,453	233,419	16,001	212,443	-	31,566	21,295	315,356
5.	396	383	-	-	-	-	182	-

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

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

	<b>Current Period</b>	<b>Prior Period</b>
<b>Balance at the beginning of the period</b>	<b>1,558,470</b>	<b>1,212,068</b>
<b>Movements during the period</b>	<b>278,342</b>	<b>346,402</b>
Bonus Shares Received	-	-
Purchases (*)	124,800	-
Dividends from Current Year Profit	-	-
Disposals (**)	(25,651)	-
Revaluation Increase	179,193	346,402
Impairment Provision	-	-
<b>Balance at the End of the Period</b>	<b>1,836,812</b>	<b>1,558,470</b>
<b>Capital Commitments</b>	<b>-</b>	<b>-</b>
<b>Share Percentage at the end of the Period (%)</b>	<b>-</b>	<b>-</b>

(\*) The capital increases of QNB Finans Yatırım Menkul Değerler A.Ş. and QNB Finans Portföy Yönetimi A.Ş. in related period.

(\*\*) The sale amount of the Hemenal Finansman A.Ş pursuant to the decision of the Board of Directors dated October 19,2020.

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

	<b>Current Period</b>	<b>Prior Period</b>
Factoring Companies	315,356	287,677
Leasing Companies	878,846	758,848
Finance Companies	-	25,650
Other Subsidiaries	642,610	486,295
<b>Total</b>	<b>1,836,812</b>	<b>1,558,470</b>

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

	<b>Current Period</b>	<b>Prior Period</b>
Quoted on Domestic Stock Exchanges	878,846	758,848
Quoted on International Stock Exchanges	-	-
<b>Total</b>	<b>878,846</b>	<b>758,848</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 SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**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 Sağlık, Hayat ve Emeklilik 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. (*)	1,960,541	201,042	34,829	-	-	101,342	80,717	279,608
2.	162,089	109,652	42,624	-	-	11,195	4,173	-

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

(\*\*) Current period information is presented as of 31 May 2021, and prior period profit and loss amounts are presented based on the financial statements prepared as of 30 June 2020.

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

None (December 31, 2020 - 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 (*)	4,892,654	230,718	2,966,278	265,248
Cash Flow Hedge (**)	1,762,600	209,347	1,143,010	257,676
Foreign Net Investment Hedges	-	-	-	-
<b>Total</b>	<b>6,655,254</b>	<b>440,065</b>	<b>4,109,288</b>	<b>522,924</b>

(\*) Derivative Financial Instruments at fair value consists swaps. As of June 30, 2021, TL 4,892,654 (December 31, 2020 - TL 2,966,278) from securities, TL 230,718 (December 31, 2020 - TL 265,248) 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, 2020 - None) and funds borrowed (December 31, 2020 - TL None) 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, 2020- None).

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**14. Information on Tax Asset**

As of June 30, 2021, the Bank has TL 1,865 current tax asset and TL 573,470 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 June 30, 2021, the Bank has deferred tax assets amounting to TL 2,024,819 and deferred tax liabilities amounting to 1,451,349, 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 31,087 has been netted under equity (December 31, 2020 - TL 39,474 deferred tax asset).

	Accumulated Temporary Differences		Deferred Tax Assets/(Liabilities)	
	30.06.2021	31.12.2020	30.06.2021	31.12.2020
Provision for Employee Rights	546,397	589,451	109,279	117,890
Difference Between the Book Value of Financial Assets and Tax Base	1,261,408	954,436	252,282	190,887
Other <sup>(*)</sup>	8,316,292	5,035,574	1,663,258	1,010,546
<b>Deferred Tax Assets</b>			<b>2,024,819</b>	<b>1,319,323</b>
Difference Between the Book Value Financial Assets and Tax Base	(374,100)	(378,548)	(74,820)	(75,710)
Difference Between the Book Value of Financial Assets and Tax Base	(6,312,369)	(1,191,243)	(1,262,474)	(238,248)
Other	(456,674)	(368,326)	(114,055)	(73,665)
<b>Deferred Tax Liabilities</b>			<b>(1,451,349)</b>	<b>(387,623)</b>
<b>Deferred Tax Assets/(Liabilities), Net</b>			<b>573,470</b>	<b>931,700</b>

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

	Current Period 01.01-30.06.2021	Prior Period 01.01-30.06.2020
Deferred Tax as of January 1 Active/ Passive – Net	931,700	348,688
Deferred Tax (Loss) / Gain	(389,317)	(273,835)
Deferred Tax that is Realized Under Shareholder's Equity	31,087	229,087
<b>Deferred Tax Active/ (Passive) – Net</b>	<b>573,470</b>	<b>303,940</b>

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

None (31 Aralık 2020 – None).

**16. Information on other assets**

**16.1. Information on prepaid expense, tax and similar items**

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

As of June 30, 2021, the bank provisions for other assets to TL 2,157 (December 31, 2020 – TL 8,033).

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**17. Accrued interest and income**

The details of interest and income accruals and discounts distributed on the related accounts and the details of the unrealized fair value increases (decreases) are presented in the table below:

	Current Period		Prior Period	
	TL	FC	TL	FC
Derivative Financial Instruments	9,530,657	2,096,960	6,985,418	2,364,208
Loans	3,915,035	745,295	3,565,838	788,150
Financial Assets measured at amortized cost	81,011	(167,963)	155,725	199,644
Financial Assets at Fair Value Through Other Comprehensive Income	429,228	146,506	464,532	145,944
Central Bank of Turkey	111,768	-	23,626	-
Financial Assets at Fair Value Through Profit or Loss	1,515	559	124	-
Banks	-	-	37	1,182
Other Accruals	33,624	687	69,085	522
<b>Total</b>	<b>14,102,838</b>	<b>2,822,044</b>	<b>11,264,385</b>	<b>3,499,650</b>

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**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
Saving Deposits	7,769,002	-	11,306,766	25,864,212	1,345,228	791,975	1,387,244	940	48,465,367
Foreign Currency	29,335,066	-	6,193,869	24,445,015	6,372,228	1,075,100	1,931,190	4,099	69,356,567
Residents in Turkey	27,758,510	-	5,953,303	23,894,561	6,256,527	1,041,594	1,338,584	4,099	66,247,178
Residents Abroad	1,576,556	-	240,566	550,454	115,701	33,506	592,606	-	3,109,389
Public Sector Deposits	536,524	-	22,081	258	1,265	67	-	-	560,195
Commercial Deposits	4,463,380	-	4,472,068	6,387,895	153,013	268,363	19,925	-	15,764,644
Other Ins. Deposits	84,234	-	39,221	510,975	28,931	178,510	333	-	842,204
Precious Metal Deposits	14,977,566	-	-	48,071	39,469	18,868	841,973	-	15,925,947
Bank Deposits	347,300	-	1,641,156	666,606	9,045	1,986	-	-	2,666,093
T.R Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	3,929	-	-	-	-	-	-	-	3,929
Foreign Banks	325,334	-	1,641,156	666,606	9,045	1,986	-	-	2,644,127
Participation Banks	18,037	-	-	-	-	-	-	-	18,037
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>57,513,072</b>	<b>-</b>	<b>23,675,161</b>	<b>57,923,032</b>	<b>7,949,179</b>	<b>2,334,869</b>	<b>4,180,665</b>	<b>5,039</b>	<b>153,581,017</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
Saving Deposits	5,796,641	-	8,238,554	17,597,011	1,513,801	780,673	1,205,634	921	35,133,235
Foreign Currency	25,321,783	-	5,493,253	26,126,722	3,260,457	714,797	1,577,949	3,652	62,498,613
Residents in Turkey	24,225,697	-	5,434,343	25,610,776	3,059,338	680,693	1,159,552	3,652	60,174,051
Residents Abroad	1,096,086	-	58,910	515,946	201,119	34,104	418,397	-	2,324,562
Public Sector Deposits	254,718	-	10,239	284	1,212	-	-	-	266,453
Commercial Deposits	3,790,736	-	3,177,846	4,803,343	158,876	99,557	7,175	-	12,037,533
Other Ins. Deposits	70,423	-	39,729	342,170	2,136	101,130	464	-	556,052
Precious Metal Deposits	14,766,037	-	634	65,986	14,492	4,545	632,807	-	15,484,501
Bank Deposits	123,019	-	3,436,160	1,006,657	17,508	-	-	-	4,583,344
T.R Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	3,432	-	146,810	-	-	-	-	-	150,242
Foreign Banks	115,234	-	3,289,350	1,006,657	17,508	-	-	-	4,428,749
Participation Banks	4,353	-	-	-	-	-	-	-	4,353
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>50,123,357</b>	<b>-</b>	<b>20,396,415</b>	<b>49,942,173</b>	<b>4,968,482</b>	<b>1,700,702</b>	<b>3,424,029</b>	<b>4,573</b>	<b>130,559,731</b>

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**II. Explanations and Disclosures Related to Liabilities (Continued)**

**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	24,385,370	18,829,545	24,079,997	16,297,157
Foreign Currency Savings Deposits	16,017,079	17,246,257	44,945,935	39,206,519
Other Saving Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
<b>Total</b>	<b>40,402,449</b>	<b>36,075,802</b>	<b>69,025,932</b>	<b>55,503,676</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	2,058	12,838
Deposits of ultimate shareholders and their close family members	-	-
Deposits of chairman and members of the Board of Directors and their close family members	315,023	223,784
Deposits obtained through illegal acts defined in the 282 <sup>nd</sup> Article of the 5237 numbered Turkish Criminal Code dated September 26, 2004	-	-
Saving deposits in banks established in Turkey exclusively for off-shore banking activities	-	-
<b>Total</b>	<b>317,081</b>	<b>236,622</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	226,001	-	113,317	-
Swaps	2,254,856	1,674,617	4,629,044	1,722,572
Futures	-	-	-	-
Options	499	21,482	2,924	26,523
Other	-	-	-	-
<b>Total</b>	<b>2,481,356</b>	<b>1,696,099</b>	<b>4,745,285</b>	<b>1,749,095</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 SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**II. Explanations and Disclosures Related to Liabilities (Continued)**

**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	505,819	490,856	486,735	393,343
Foreign Bank, Institutions and Funds	-	19,837,483	-	19,311,946
<b>Total</b>	<b>505,819</b>	<b>20,328,339</b>	<b>486,735</b>	<b>19,705,289</b>

**b) Maturity information on funds borrowed**

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	505,819	3,820,545	486,735	5,547,774
Medium and Long-Term	-	16,507,794	-	14,157,515
<b>Total</b>	<b>505,819</b>	<b>20,328,339</b>	<b>486,735</b>	<b>19,705,289</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 June 30, 2021 the Bank's liabilities comprise; 59% deposits (December 31, 2020 – 57%), 8% funds borrowed (December 31, 2020 – 9%), 7% issued bonds (December 31, 2020 – 6%) and 5% Money Market Debts (December 31, 2020 – 6%).

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

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>From domestic transactions</b>	<b>2,664,076</b>	-	<b>3,593,907</b>	-
Financial institutions and organizations	2,651,666	-	3,579,659	-
Other institutions and organizations	7,512	-	8,731	-
Real persons	4,898	-	5,517	-
<b>From foreign transactions</b>	<b>852,598</b>	<b>10,278,109</b>	<b>782,537</b>	<b>10,112,950</b>
Financial institutions and organizations	849,253	10,278,109	775,550	10,112,950
Other institutions and organizations	3,185	-	6,987	-
Real persons	160	-	-	-
<b>Total</b>	<b>3,516,674</b>	<b>10,278,109</b>	<b>4,376,444</b>	<b>10,112,950</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	3,332,179	1,749,093	1,502,745	829,044
Bills	-	13,489,501	52,219	11,122,377
<b>Total</b>	<b>3,332,179</b>	<b>15,238,594</b>	<b>1,554,964</b>	<b>11,951,421</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 SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**II. Explanations and Disclosures Related to Liabilities (Continued)**

**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.

**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, 2020- None)

**7.2. Financial Lease Payables**

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	7,693	6,192	13,086	10,336
Between 1 - 4 years	10,408	8,377	12,241	9,670
More than 4 years	-	-	332	262
<b>Total</b>	<b>18,101</b>	<b>14,569</b>	<b>25,659</b>	<b>20,268</b>

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

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	19,939	17,027	76,052	69,990
Between 1 - 4 years	460,126	392,917	387,290	356,417
More than 4 years	-	-	-	-
<b>Total</b>	<b>480,065</b>	<b>409,944</b>	<b>463,342</b>	<b>426,407</b>

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

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 non sale-and-lease back transactions in the current period (December 31, 2020 None).

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

	Current Period (***)		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge (*)	-	613,988	9,318	666,991
Cash Flow Hedge (**)	30,674	688,658	19,101	887,562
Net Investment Hedge	-	-	-	-
<b>Total</b>	<b>30,674</b>	<b>1,302,646</b>	<b>28,419</b>	<b>1,554,553</b>

(\*) Derivative financial instruments for fair value hedge purposes consist of swaps. As of June 30, 2021, TL 613,988 from securities (December 31, 2020 – TL 666,991), represents the fair value of the derivative financial instruments used in the fair value hedging transaction. Loans do not have value of fair value of the derivative financial instruments used in the fair value hedging transaction (December 31, 2020 – TL 9,318).

(\*\*) It represents the fair value of deposits, floating rate loans extended as FC and derivative financial instruments for cash flow hedging of floating rate borrowings.

(\*\*\*) Derivative financial liabilities for the fair value hedge purposes in the 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 SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**II. Explanations and Disclosures Related to Liabilities (Continued)**

**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	139,964	119,744
Stage 2	12,649	13,505
Stage 3	49,129	48,284
<b>Total</b>	<b>201,742</b>	<b>181,533</b>

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

The Bank calculated the provision for employee benefits using the actuarial valuation method specified in Turkish Accounting Standards No. 19 and reflected it in its financial statements.

As of June 30, 2021 the Bank presented the provision for severance pay of TL 305,611 (December 31, 2020 - TL 282,700) under the “Reserves for Employee Benefits” item in its financial statements.

As of June 30, 2021, the Bank has shown a total vacation liability of TL 66,231 (December 31, 2020 - TL 47,661) under the “Reserves for Employee Benefits” in its financial statements.

As of June 30, 2021 TL 174,555 (December 31, 2020 - TL 259,090) provision for salaries, bonuses and premiums to be paid to the personnel has been presented under the “Reserve for Employee Benefits” in its financial statements.

**9.3.1 Movement of employee termination benefits**

	<b>Current Period</b>	<b>Prior Period</b>
	<b>01.01-30.06.2021</b>	<b>01.01-30.06.2020</b>
As of January 1	282,700	230,436
Service Cost	17,872	15,225
Interest Cost	18,725	14,620
Settlement / curtailment / termination loss	4,737	2,765
Actuarial Difference	(1,096)	(137)
Paid during the period	(17,327)	(17,624)
<b>Total</b>	<b>305,611</b>	<b>245,285</b>

**9.4. Information on other provisions**

Except for those mentioned in note 9.2 above, there is a provision for lawsuits against the Bank and tax lawsuits in the amount of TL 315,422 (December 31, 2020 – TL 293,835) in other provisions.

**10. Taxation**

**10.1. Current Taxes**

**10.1.1. Current tax liability**

As of June 30, 2021, the Bank’s current tax liability is none (December 31, 2020 - TL 1,093,718). As of June 30, 2021, the Bank’s prepaid tax is amounting to TL 1,865 (December 31, 2020 - 30,019).

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**II. Explanations and Disclosures Related to Liabilities (Continued)**

**10.1.2. Information on taxes payable**

	<b>Current Period</b>	<b>Prior Period</b>
Banking and Insurance Transaction Tax (BITT)	117,315	97,870
Taxation on Securities Income	58,442	49,371
Taxation on Real Estates Income	2,189	1,292
Other	34,397	39,159
Corporate taxes payable	-	1,063,699
<b>Total</b>	<b>212,343</b>	<b>1,251,391</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	13,745	12,222
Social Security Premiums - Employer Share	15,185	13,522
Unemployment Insurance - Employee Share	967	859
Unemployment Insurance - Employer Share	1,934	1,718
<b>Total</b>	<b>31,831</b>	<b>28,321</b>

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

None (December 31, 2020 – 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>4,571,397</b>	-	<b>3,855,730</b>
Subordinated Loans	-	4,571,397	-	3,855,730
Subordinated debt instruments	-	-	-	-
<b>Debt instruments to be included in contribution capital calculation</b>	-	<b>3,377,378</b>	-	<b>2,848,564</b>
Subordinated loans	-	3,377,378	-	2,848,564
Subordinated debt instruments	-	-	-	-
<b>Total</b>	-	<b>7,948,775</b>	-	<b>6,704,294</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 SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**II. Explanations and Disclosures Related to Liabilities (Continued)**

**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, 2020 – None).

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

None (December 31, 2020 – 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, 2020 – None).

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

None (December 31, 2020 – 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>1,450,650</b>	-	<b>1,268,032</b>	-
Valuation Difference	1,450,650	-	1,268,032	-
Foreign Exchange Rate Difference	-	-	-	-
<b>Securities Measured at Fair Value Through Other Comprehensive Income (FVOCI)</b>	<b>64,308</b>	<b>(908,223)</b>	<b>121,632</b>	<b>(597,082)</b>
Valuation Difference	64,308	(908,223)	121,632	(597,082)
Foreign Exchange Rate Difference	-	-	-	-
<b>Total</b>	<b>1,514,958</b>	<b>(908,223)</b>	<b>1,389,664</b>	<b>(597,082)</b>

**16. Accrued interest and expenses**

The details of interest and expense accruals and rediscounts distributed on the related accounts and the details of the unrealized fair value increases (decreases) are presented in the table below:

	Current Period		Prior Period	
	TL	FC	TL	FC
Derivative Financial Liabilities	2,512,030	2,998,745	4,773,704	3,303,648
Deposits	526,281	54,131	226,067	47,573
Funds Borrowed	16,615	122,864	11,395	95,192
Money Market Borrowings	6,040	28,772	4,140	86,673
Securities Issued	-	390,200	15,442	402,770
Other Accruals	288,291	182,954	244,331	180,671
<b>Total</b>	<b>3,349,257</b>	<b>3,777,666</b>	<b>5,275,079</b>	<b>4,116,527</b>

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**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	40,100,462	35,495,520
Commitment For Use Guaranteed Credit Allocation	22,647,865	18,075,786
Forward, Asset Purchase Commitments	4,748,059	4,836,291
Other Irrevocable Commitments	3,235,607	4,124,298
Payment Commitments for Cheques	2,877,633	2,423,033
Commitments for Promotions Related with Credit Cards and Banking Activities	56,087	83,078
Tax and Fund Liabilities due to Export Commitments	33,096	27,046
<b>Total</b>	<b>73,698,809</b>	<b>65,065,052</b>

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

A provision of TL 201,742 (December 31, 2020 – TL 181,533) has been made for non-compensated and non-cash loans or expected loan losses on off-balance sheet loans.

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

	<b>Current Period</b>	<b>Prior Period</b>
Bank Loans	6,993,938	6,838,598
Letters of Credit	5,143,059	3,618,937
<b>Total</b>	<b>12,136,997</b>	<b>10,457,535</b>

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

	<b>Current Period</b>	<b>Prior Period</b>
Final Letters of Guarantee	9,140,023	8,674,056
Advance Letters of Guarantee	3,691,935	2,969,287
Provisional Letters of Guarantee	876,220	989,173
Letters of Guarantee Given to Customs Offices	625,329	559,009
Other Letters of Guarantee	10,844,658	9,498,479
<b>Total</b>	<b>25,178,165</b>	<b>22,690,004</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>4,984,126</b>	<b>4,036,779</b>
Less Than or Equal to One Year with Original Maturity	933,610	371,430
More Than One Year with Original Maturity	4,050,516	3,665,349
<b>Other Non-Cash Loans</b>	<b>32,331,036</b>	<b>29,110,760</b>
<b>Total</b>	<b>37,315,162</b>	<b>33,147,539</b>

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

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

	Current Period				Prior Period			
	TP	%	YP	%	TP	%	YP	%
<b>Agricultural</b>	<b>53,361</b>	<b>0.45</b>	<b>151,317</b>	<b>0.60</b>	<b>41,065</b>	<b>0.35</b>	<b>92,736</b>	<b>0.43</b>
Farming and Raising Livestock	43,246	0.36	16,537	0.07	31,852	0.27	16,889	0.08
Forestry	6,645	0.06	-	-	5,311	0.05	-	-
Fishing	3,470	0.03	134,780	0.53	3,902	0.03	75,847	0.35
<b>Manufacturing</b>	<b>2,304,809</b>	<b>19.38</b>	<b>14,676,083</b>	<b>57.73</b>	<b>2,224,235</b>	<b>19.13</b>	<b>10,205,325</b>	<b>47.42</b>
Mining and Quarrying	50,651	0.43	46,339	0.18	76,972	0.66	49,413	0.23
Production	2,043,577	17.18	14,392,555	56.62	1,948,468	16.76	9,938,395	46.18
Electricity, gas and water	210,581	1.77	237,189	0.93	198,795	1.71	217,517	1.01
<b>Construction</b>	<b>3,624,474</b>	<b>30.48</b>	<b>2,840,133</b>	<b>11.17</b>	<b>3,590,417</b>	<b>30.88</b>	<b>3,005,802</b>	<b>13.97</b>
<b>Services</b>	<b>5,649,110</b>	<b>47.50</b>	<b>7,430,721</b>	<b>29.23</b>	<b>5,532,156</b>	<b>47.58</b>	<b>7,944,905</b>	<b>36.92</b>
Wholesale and Retail Trade	3,698,439	31.10	3,879,401	15.26	3,601,179	30.97	2,388,624	11.10
Hotel, Food and Beverage								
Services	130,508	1.10	1,073,284	4.22	129,205	1.11	969,584	4.51
Transportation&Communication	498,605	4.19	930,266	3.66	508,543	4.37	860,884	4.00
Financial Institutions	869,048	7.31	1,340,964	5.28	822,433	7.07	3,453,939	16.0
Real Estate and Renting Services	20,394	0.17	297	0.00	12,160	0.10	1,351	0.01
Self Employment Services	241,374	2.03	150,420	0.59	216,990	1.87	126,209	0.59
Educational Services	9,165	0.08	-	-	8,959	0.08	18,080	0.12
Health and Social Services	181,577	1.53	56,089	0.22	232,687	2.00	126,234	0.59
<b>Other</b>	<b>260,594</b>	<b>2.19</b>	<b>324,560</b>	<b>1.28</b>	<b>239,314</b>	<b>2.06</b>	<b>271,584</b>	<b>1.26</b>
<b>Total</b>	<b>11,892,348</b>	<b>100.00</b>	<b>25,422,814</b>	<b>100.00</b>	<b>11,627,187</b>	<b>100.00</b>	<b>21,520,352</b>	<b>100.00</b>

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

Current Period <sup>(*)</sup>	I. Group		II. Group	
	TL	FC	TL	FC
Letters of Guarantee	11,535,830	13,330,091	158,679	104,436
Bills of Exchange and Acceptances	70,610	6,915,117	-	8,211
Letters of Credit	78,100	5,057,789	-	7,170
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Collaterals and Sureties	-	-	-	-
<b>Non-Cash Loans</b>	<b>11,684,540</b>	<b>25,302,997</b>	<b>158,679</b>	<b>119,817</b>

<sup>(\*)</sup> The amount of TL 49,129 excluded for non-cash loans and ECL provision of non-cash loans which are under off-balance accounts and not indemnified and unliquidated but provisioned.

Prior Period <sup>(*)</sup>	I. Group		II. Group	
	TL	FC	TL	FC
Letters of Guarantee	11,139,793	11,274,727	139,498	87,702
Bills of Exchange and Acceptances	198,490	6,631,976	-	8,132
Letters of Credit	101,122	3,516,955	-	860
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Collaterals and Sureties	-	-	-	-
<b>Non-Cash Loans</b>	<b>11,439,405</b>	<b>21,423,658</b>	<b>139,498</b>	<b>96,694</b>

<sup>(\*)</sup> The amount of TL 48,284 excluded for non-cash loans and ECL provision of non-cash loans which are under off-balance accounts and not indemnified and unliquidated but provisioned.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**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>144,879,322</b>	<b>161,723,749</b>
Forward transactions <sup>(*)</sup>	18,547,484	15,793,979
Swap transactions	121,517,793	140,796,098
Futures transactions	834,058	2,164,747
Option transactions	3,979,987	2,968,925
<b>Interest Related Derivative Transactions (II)</b>	<b>82,027,268</b>	<b>79,814,270</b>
Forward rate transactions	-	-
Interest rate swap transactions	82,027,268	79,814,270
Interest option transactions	-	-
Futures interest transactions	-	-
Security option transactions	-	-
<b>Other trading derivative transactions (III)</b>	<b>957,572</b>	<b>954,265</b>
<b>A.Total Trading Derivative Transactions (I+II+III)</b>	<b>227,864,162</b>	<b>242,492,284</b>
<b>Types of hedging transactions</b>		
Fair value hedges	38,984,924	29,132,830
Cash flow hedges	55,264,426	45,360,970
Net investment hedges	-	-
<b>B.Total Hedging Related Derivatives</b>	<b>94,249,350</b>	<b>74,493,800</b>
<b>Total Derivative Transactions (A+B)</b>	<b>322,113,512</b>	<b>316,986,084</b>

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

As of June 30, 2021, 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	3,153,410	1,374,871	8,059,078	38,790,323	894,177	825,007	99,986	324,736	-
USD	2,902,762	5,651,434	105,049,007	64,483,088	851,601	939,750	310,767	98,569	957,572
Euro	2,923,641	1,449,983	21,367,204	42,093,292	294,785	143,985	-	-	-
Other	352,412	738,971	17,841,606	110,814	11,673	19,009	-	-	-
<b>Total</b>	<b>9,332,225</b>	<b>9,215,259</b>	<b>152,316,895</b>	<b>145,477,517</b>	<b>2,052,236</b>	<b>1,927,751</b>	<b>410,753</b>	<b>423,305</b>	<b>957,572</b>

(\*) This column also includes hedging purpose derivatives.

(\*\*) 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	2,339,011	1,126,427	9,154,646	45,077,301	491,416	529,849	172	1,109,224	-
USD	2,184,240	4,547,796	102,180,567	61,466,996	668,171	683,083	1,055,204	147	954,265
Euro	2,204,382	928,009	20,580,625	39,546,312	364,602	158,473	-	-	-
Other	1,210,609	1,253,505	16,825,374	272,347	14,766	58,565	-	-	-
<b>Total</b>	<b>7,938,242</b>	<b>7,855,737</b>	<b>148,741,212</b>	<b>146,362,956</b>	<b>1,538,955</b>	<b>1,429,970</b>	<b>1,055,376</b>	<b>1,109,371</b>	<b>954,265</b>

(\*) This column also includes hedging purpose derivatives.

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**5.1. Fair value hedge accounting**

**a) Loans**

The Bank applies fair value hedge accounting within the framework of TAS 39 by performing swap transactions in order to protect itself against changes that may occur in the fair value of a certain part of its long term fixed interest loans resulting from changes in market interest rates. As of the balance sheet date, the TL installment loans amounting to TL 6,047,261 (31 December 2020 - TL 4,324,987) were subject to hedge accounting by swaps with a nominal amount of TL 7,403,503 (31 December 2020 - TL 4,770,807). On 30 June 2021, the net market valuation difference gain of TL 2,617, arising from TL 318,810 expense from the aforementioned loans (December 31, 2020 - TL 308,501 as expense) and TL 321,427 gain from swaps (December 31, 2020 - TL 318,019 gain), is shown under "Gains / Losses From Derivative Transactions" account in the 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 33,975 (December 31, 2020 – TL 77,019 loss) related to the loans that are ineffective for hedge accounting under "Gain / (Loss) From Financial Derivatives Transactions" as gain during the current period.

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

The Bank applies fair value hedge accounting through swaps in order to hedge long term fixed coupon foreign currency eurobonds in its portfolio against interest rate fluctuations. As of the balance sheet date, eurobonds with a nominal value of USD 309,059 Million and EUR 49,8 Million (31 December 2020 – USD 320,759 Million and EUR 49,8 Million) were subject to hedge accounting by interest swaps of the same nominal value. On 30 June 2021, net market valuation difference income of TL 19, arising from, TL 54,171 expense from aforementioned eurobonds (December 31, 2020 - TL 294,155 income) and TL 54,190 income from swaps (December 31, 2020 - TL 294,438 expense), is shown under "Gains / Losses From Derivative Transactions" account in the financial statements.

The Bank does not have a TL denominated government bond portfolio subject to fair value hedge accounting in the current period (December 31, 2020 - None).

**c) Marketable Securities Issued**

The Bank applies fair value hedge accounting using interest rate swaps in order to hedge against changes in interest rate with regard to fixed rated, FC denominated securities issued. As of the balance sheet date, bonds with a nominal value of USD 730 Million (December 31, 2020 - USD 730 Million) are subject to hedge accounting with the same nominal amount of swaps. As of June 30, 2021, a net market valuation difference income of TL 2,379, consisting of TL 41,148 income from the aforementioned securities (31 December 2020 – TL 183,021 expense) and TL 38,769 expense from swaps (31 December 2020 – TL 180,605 income), is shown under "Gains / Losses From Derivative Transactions" account in the financial statements.

**d) Borrowings**

The Bank terminates the accounting practice when fair value hedge accounting cannot be effectively maintained as defined in TAS 39. According to this; The valuation effects created by the fair value hedge accounting applied on hedged loans are reflected in the income statement throughout the life of the loans. 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 926 (December 31, 2020- TL 1,628) as an income in the income statement under "Gain/Losses from Derivative Transactions".

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**5.2. Cash flow hedge accounting**

**a) Floating Rate Loans**

The Bank subjects a certain portion of its floating rate TL loans to cash flow hedge accounting using interest swaps in order to hedge against changes in market interest rates. The Bank applies efficiency tests for hedge accounting at every balance sheet date, the active parts are accounted under equity in the "Hedge Funds" account line in the financial statements as defined in TAS 39, and the amount related to the ineffective part is associated with the income statement. As of the balance sheet date, swaps with a nominal amount of TL 1,850 Million (31 December 2020 – None.) are subject to hedge accounting as a hedging instrument. As a result of the mentioned hedge accounting, fair value expense before tax amounting to TL 25,887 (31 December 2020 - None) has been recognized under equity in the current period. There is no ineffective portion in the mentioned hedge accounting transaction.

As of the balance sheet date, swaps with a nominal amount of USD 875 million (31 December 2020 - of USD 875 million) have been subject to hedging accounting as hedging instruments. As a result of the aforementioned hedging accounting, fair value loss before tax of TL 50,833 (31 December 2020 – TL 222,484 gain) was accounted under equity in the current period. The gain amounting to TL 2 regarding the ineffective part is associated with 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, 2020 – TL 150,000). As a result of the mentioned hedge accounting, fair value gain before taxes amounting to TL 8,990 are accounted for under equity during the current period (December 31, 2020 – TL 61,956 gain). There is no ineffective portion in the mentioned hedge accounting transaction.

As of the balance sheet date, swaps with a nominal amount of USD 1,623 million (December 31, 2020 – USD 1,708 Million) have been subject to hedge accounting with USD deposits and swaps with a nominal amount of EUR 74 million (December 31, 2020 – EUR 74 million) have been subject to hedge accounting with Euro deposits. As a result of above mentioned hedge accounting, fair value income before taxes amounting to TL 352,608 are accounted for under equity during the current period (December 31, 2020 – TL 187,599 loss). The loss amounting to TL 2,985 (December 31, 2020 – TL 1,247 loss) relating to the ineffective portion is accounted for at the income statement.

When the cash flow hedge accounting cannot be continued effectively as defined in TAS 39, the accounting application is terminated. Effective parts classified under equity due to hedge accounting are subtracted from equity and reclassified into profit or loss as a reclassification adjustment in the period or periods in which the hedged estimated cash flows affect profit or loss (such as the periods in which interest income or expense is recognized). Due to the swaps whose effectiveness was deteriorated or closed in the current period, a loss amounting to TL 14,218 was transferred from equity to the income statement (December 31, 2020 – TL 56,022 loss).

The measurements as of June 30, 2021, 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 477 million are subject to hedge accounting as hedging instruments (December 31, 2020 – USD 485 million). As a result of the mentioned hedge accounting, fair value income before taxes amounting to TL 32,868 are accounted for under equity during the current period (December 31, 2020 – 112,418 loss). There is no ineffective portion in the mentioned hedge accounting transaction.

On the other hand, accounting application is terminated when cash flow hedge accounting is not effectively maintained as defined in TAS 39. According to this; The valuation effects classified under equity due to hedge accounting are reflected in the income statement throughout the life of the item subject to hedge accounting. In this context; due to hedge accounting practices terminated in the current year, a loss amounting to TL 13,023 (31 December 2020 - TL 14,038) was transferred from the equity to the income statement.

The measurements as of June 30, 2021, hedge of cash flow transactions stated above are determined as effective.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

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

As of June 30, 2021, the Bank has no commitments "Credit Linked Notes" (As of December 31, 2020 - None).

As of June 30, 2021, "Other Derivative Financial Assets" with nominal amount of USD 110,000,000 (December 31, 2020 - USD 130,000,000) are included in Bank's "Credit Default Swap.". In aforementioned transaction, the Bank is the seller of the protection for USD 110,000,000.

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

The Bank has recorded a provision of TL 182,717 (December 31, 2020 - TL 157,199) for the lawsuits filed against the Bank with a high probability of occurrence, in accordance with Principle of Prudence. 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 December 2020</b>		<b>FITCH February 2021</b>	
Long-Term Deposit Rating (FC)	B2	Long -Term Issuer Default Rating(FC)	B+ (Stable)
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- (Stable)
Short-Term Deposit Rating (TL)	NP	Short-Term Issuer Default Rating(TL)	B
Main Credit Evaluation	b3	Long-Term National Appearance	AA(tur) (Stable)
Adjusted Main Credit Evaluation	b1	Support	4
Appearance	Negative	Financial Capacity Rating	b+
Long-Term Foreign Currency Denominated Debt Rating(FC)	B2		

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**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	3,682,800	235,096	2,249,210	154,795
Medium and Long-Term Loans	3,739,565	1,048,732	3,312,356	974,435
Non-Performing Loans	231,577	-	26,517	-
Resource Utilization Support Fund Premiums	-	-	-	-
<b>Total (*)</b>	<b>7,653,942</b>	<b>1,283,828</b>	<b>5,588,083</b>	<b>1,129,230</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	18,892	13	43,073	105
Foreign Banks	2,357	6,022	1,137	13,756
Foreign Headquarters and Branches	-	-	-	-
<b>Total</b>	<b>21,249</b>	<b>6,035</b>	<b>44,210</b>	<b>13,861</b>

(\*) The interest income on Required Reserve amounting TL 170,224 is not included into interest income on Banks (June 30, 2020: TL 13,568).

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

	Current Period	
	TL	FC
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	9,186	1,485
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	512,641	245,648
Financial Assets Measured at Amortized Cost	746,763	267,591
<b>Total</b>	<b>1,268,590</b>	<b>514,724</b>

  

	Prior Period	
	TL	FC
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	5,717	455
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	337,729	198,425
Financial Assets Measured at Amortized Cost	460,159	208,607
<b>Total</b>	<b>803,605</b>	<b>407,487</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 Republic of Turkey Ministry of Treasury and Finance, 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 June 30, 2021, valuation of such assets is made according to estimated annual inflation rate of 14%. If valuation of these securities indexed to the CPI had been done by the reference index valid through June 30, 2021, the Bank's marketable securities valuation differences would be decreased by TL 24,000 and net profit would be increased by TL 151,000 to TL 1,561,059.

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

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	69,976	51,152

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**IV. Explanations and Disclosures Related to the Income Statement (Continued)**

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

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Banks</b>	<b>32,391</b>	<b>605,614</b>	<b>20,723</b>	<b>535,052</b>
T.R. Central Bank	-	-	-	-
Domestic Banks	30,460	3,231	18,814	3,407
Foreign Banks	1,931	602,383	1,909	531,645
Foreign Head Offices and Branches	-	-	-	-
<b>Other Institutions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>32,391</b>	<b>605,614</b>	<b>20,723</b>	<b>535,052</b>

(\*) 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	4,580	7,770

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

As of June 30, 2021 interest paid to securities issued is TL 566,550 (June 30, 2020 – TL 506,815).

**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	-	13,708	24,087	-	-	-	-	37,795
Saving Deposits	14	716,159	1,784,598	216,986	77,758	77,977	-	2,873,492
Public Sector Deposits	-	773	25	78	1	-	-	877
Commercial Deposits	1	357,093	485,926	46,113	17,429	1,021	-	907,583
Other Deposits	-	2,236	32,492	6,889	13,041	16	-	54,674
7 Days Call Accounts	-	-	-	-	-	-	-	-
<b>Total</b>	<b>15</b>	<b>1,089,969</b>	<b>2,327,128</b>	<b>270,066</b>	<b>108,229</b>	<b>79,014</b>	<b>-</b>	<b>3,874,421</b>
<b>Foreign Currency</b>								
Deposits	3	8,154	130,262	22,506	5,641	15,270	-	181,836
Bank Deposits	109	14,433	4,644	83	18	-	-	19,287
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	3,035	-	-	-	-	-	3,035
<b>Total</b>	<b>112</b>	<b>25,622</b>	<b>134,906</b>	<b>22,589</b>	<b>5,659</b>	<b>15,270</b>	<b>-</b>	<b>204,158</b>
<b>Grand Total</b>	<b>127</b>	<b>1,115,591</b>	<b>2,462,034</b>	<b>292,655</b>	<b>113,888</b>	<b>94,284</b>	<b>-</b>	<b>4,078,579</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	-	4,624	50	-	-	-	-	4,674
Saving Deposits	22	308,345	814,106	18,296	12,087	66,492	-	1,219,348
Public Sector Deposits	-	116	297	36	-	-	-	449
Commercial Deposits	2	172,958	241,549	11,934	2,008	3,320	-	431,771
Other Deposits	-	1,520	26,037	1,125	2,249	124	-	31,055
7 Days Call Accounts	-	-	-	-	-	-	-	-
<b>Total</b>	<b>24</b>	<b>487,563</b>	<b>1,082,039</b>	<b>31,391</b>	<b>16,344</b>	<b>69,936</b>	<b>-</b>	<b>1,687,297</b>
<b>Foreign Currency</b>								
Deposits	51	15,516	155,288	32,935	15,038	20,950	-	239,778
Bank Deposits	25	34,152	13,187	6,524	32	-	-	53,920
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	1,142	-	-	-	-	-	1,142
<b>Total</b>	<b>76</b>	<b>50,810</b>	<b>168,475</b>	<b>39,459</b>	<b>15,070</b>	<b>20,950</b>	<b>-</b>	<b>294,840</b>
<b>Grand Total</b>	<b>100</b>	<b>538,373</b>	<b>1,250,514</b>	<b>70,850</b>	<b>31,414</b>	<b>90,886</b>	<b>-</b>	<b>1,982,137</b>

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**IV. Explanations and Disclosures Related to the Income Statement (Continued)**

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Expense on Repurchase Agreements <sup>(*)</sup>	475,010	69,810	135,334	101,088

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

**f) Information on lease expenses**

	Current Period	Prior Period
Leasing Expenses	31,303	30,501

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

None (June 30, 2020 – 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	191,284	128,041
<b>Total</b>	<b>191,284</b>	<b>128,041</b>

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

	Current Period	Prior Period
<b>Trading Income</b>	<b>8,886,727</b>	<b>9,337,738</b>
Gains on Capital Market Transactions	89,380	204,698
From Derivative Financial Instruments	3,169,982	4,429,014
Foreign Exchange Gains	5,627,365	4,704,026
<b>Trading Loss (-)</b>	<b>10,866,897</b>	<b>10,382,826</b>
Losses on Capital Market Transactions	45,808	47,874
From Derivative Financial Instruments	5,549,271	5,862,564
Foreign Exchange Losses	5,271,818	4,472,388
<b>Net Trading Income/Loss</b>	<b>(1,980,170)</b>	<b>(1,045,088)</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 SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**IV. Explanations and Disclosures Related to the Income Statement (Continued)**

**6. Provision for losses**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Expected Credit Loss</b>	<b>880,225</b>	<b>1,298,325</b>
12 month expected credit loss (stage 1)	395,041	462,737
Significant increase in credit risk (stage 2)	98,055	459,828
Non-performing loans (stage 3)	387,129	375,760
<b>Marketable Securities Impairment Expense</b>	<b>679</b>	<b>59</b>
Financial Assets at Fair Value through Profit or Loss	-	-
Financial Assets at Fair Value through Other Comprehensive Income	679	59
<b>Investments in Associates, Subsidiaries and Held-to-maturity Securities</b>	<b>-</b>	<b>-</b>
<b>Value Decrease</b>	<b>-</b>	<b>-</b>
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
<b>Other</b>	<b>62,317</b>	<b>76,292</b>
<b>Total</b>	<b>943,221</b>	<b>1,374,676</b>

**7. Information on other operating expenses**

	<b>Current Period</b>	<b>Prior Period</b>
Reserve for Employee Termination Benefits <sup>(*)</sup>	24,008	14,987
Depreciation Expenses of Fixed Assets	223,874	196,205
Amortization Expenses of Intangible Assets	82,851	70,647
Other Operating Expenses	642,500	578,981
Leasing Expenses Related to TFRS 16 Exemptions	851	1,195
Maintenance Expenses	182,916	120,813
Advertisement Expenses	47,500	43,000
Other Expenses	411,233	413,973
Loss on Sales of Assets	402	109
Other <sup>(**)</sup>	321,758	267,764
<b>Total</b>	<b>1,295,393</b>	<b>1,128,693</b>

(\*) Includes in the Personnel Expenses item in the financial statement.

(\*\*) Comprising repayments amounting to TL 1,354 (June 30, 2020: TL 1,504) 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 June 30, 2021 net interest income in income items amounting to TL 5,060,846 (June 30, 2020– TL 4,693,311), net fees and commission income amounting to TL 1,535,559 (June 30, 2020 – TL 1,168,610) and other operating income amounting to TL 169,985 (June 30, 2020 – TL 17,857) 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 June 30, 2021, the Bank has tax expense amounting to TL 8,528 (June 30, 2020 – TL 19,864 tax expense). According to the Bank's records amount of TL 1,042,918 deferred tax expense (June 30, 2020 – TL 609,221 deferred tax expense) reflected.

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

None (June 30, 2020 - None).

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

Net profit of the Bank from continued operations is TL 1,410,059 (June 30, 2020 – TL 1,272,021).

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

---

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**IV. Explanations and Disclosures Related to the Income Statement (Continued)**

**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 (June 30, 2020 - 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 commissions, accounts management fee 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 SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**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 June 30, 2021, the Bank's risk group has deposits amounting to TL 691,361 (December 31, 2020 – TL 578,345), cash loans amounting to TL 1,882,412 (December 31, 2020 – TL 1,259,351) and non-cash loans amounting to TL 83,428 (December 31, 2020 – TL 73,688).

**Current Period**

Bank's Risk Group <sup>(*)</sup>	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group <sup>(**)</sup>	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
<b>Loans and Other Receivables</b>						
Balance at the Beginning of the Period	1,256,220	22,598	2,500	45,878	631	5,212
Balance at the End of the Period	1,880,299	23,845	-	54,408	2,113	5,175
Interest and Commission Income	69,976	11	-	216	112	-

**Prior Period**

Bank's Risk Group <sup>(*)</sup>	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group <sup>(**)</sup>	
	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	1,256,220	22,598	2,500	45,878	631	5,212
Interest and Commission Income <sup>(***)</sup>	51,152	11	-	3	3	1

(\*) 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 June 30, 2020 balance.

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

Bank's Risk Group <sup>(*)</sup>	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group <sup>(**)</sup>	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Deposit</b>						
Balance at the Beginning of the Period	284,875	125,530	-	-	293,470	208,189
Balance at the End of the Period	311,802	284,875	-	-	379,476	293,470
Interest on deposits <sup>(***)</sup>	4,580	7,770	-	-	16,187	4,323

(\*) 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 June 30, 2020 balance.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

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

Bank's Risk Group <sup>(*)</sup>	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group <sup>(**)</sup>	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Transactions for Trading Purposes</b>						
Beginning of the Period	1,506,342	1,470,504	-	-	-	-
End of the Period	169,751	1,506,342	-	-	-	-
Total Income/Loss <sup>(***)</sup>	(97,472)	52,669	690	-	-	-
<b>Transactions for Hedging Purposes</b>						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Income/Loss <sup>(***)</sup>	-	-	-	-	-	-

(\*) 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 June 30, 2020 balance.

**1.4. Information on benefits provided to top management**

As of June 30, 2021, the total amount of remuneration and bonuses paid to top management of the Bank is TL 138,766 (December 31, 2020 - TL 116,957).

**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 June 30 2021, cash loans of the risk group represented 1,1% of the Bank's total cash loans (December 31, 2020 – 0,8%), the deposits represented 0,5% of the Bank's total deposits (December 31, 2020 – -0,4%) and derivative transactions represented 0.05% of the Bank's total derivative transactions (December 31, 2020 – 0,5%).

**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 June 30, 2021, the Bank has net finance lease payables to QNB Finans Finansal Kiralama A.Ş. amounting to TL 14,569 (December 31, 2020 - TL 20,268) relating with finance lease agreements.

The Bank has signed an agreement with Ibtch 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 Sağlık, Hayat ve Emeklilik 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 SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

---

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**VIII. Explanations and Disclosures Related to Subsequent Events**

**1. Disclosure related to subsequent events and transactions that have not been finalized yet, and their impact on the financial statements**

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>
02.07.2021	TRY	469,800	21.07%	273
02.07.2021	TRY	189,250	20.47%	98
09.07.2021	TRY	241,150	20.36%	119
14.07.2021	TRY	159,300	20.50%	93

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

---

**SECTION SIX**

**AUDITOR'S REVIEW REPORT**

**I. Explanations on the Auditor's Review Report**

The unconsolidated financial statements for the period ended June 30, 2021 have been reviewed by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. The auditor's report dated July 29, 2021 is presented preceding the unconsolidated financial statements.

**II. Explanations and Notes Prepared by Independent Auditors**

None (December 31, 2020 - None).

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

(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 come to the most important stage in the pandemic period, which we have been living with for about 18 months and left its mark on history. We are hopeful for the second half of the year with a rapid and intensive vaccination program.

In addition to the supportive fiscal and monetary policies, the global economy is following a very strong course this year thanks to the rapid vaccination. In Turkey, robust 7 percent growth rate attained in the first quarter of the year is expected to rise to double digits in the second quarter of 2021. We believe that economic growth will continue in the second half of the year on the back of the recovery in the service sector, especially in the tourism sector, and the momentum in the global economy.

As recovery in the economy is among our top priorities and it is necessary to make this sustainable. It is important that the vaccination continues quickly, so that a possible lockdown is not put into the agenda again. In addition, we believe that the developments in the markets should be closely monitored, and policies that will limit the impacts of possible fluctuations on the economy should be empowered and maintained. Struggling against inflation and maintaining tight fiscal policies are likely to be the most critical topics for the upcoming period.

In addition to these economic developments, we entered a new era in terms of working life and the way of doing business. The pandemic showed us the importance of digitalization and technological infrastructure. We are in a new era now. Institutions that have completed the digitalization process and kept their technological infrastructure strong will progress faster on this path. At QNB Finansbank, we have positioned ourselves among the most powerful banks in this period with our long-standing digitalization investments.

In addition to our banking services, we remember our social responsibility projects and our duties for sustainable development. In May, we increased and renewed our syndicated loan and obtained a total of USD 335 million financing from international banks. This funding was achieved through commitments to sustainable development. We issued our first green bond by EBRD in June. The Bank's first green bond issuance of USD 50 million is also the EBRD's first green bond investment in a bank in Turkey. We continue to work harder in order to prepare more children for the future under the Small Hands Big Dreams ("Minik Eller Büyük Hayaller") platform.

We maintained our steady growth in the fight against COVID, in the first 6 months of 2021. As of 30 June 2021, the total assets of QNB Finansbank increased by 14 percent, compared to the end of 2020, reaching TL 258 billion 997 million, while net loans grew by 13 percent to TL 157 billion 415 million, and customer deposits rose by 20 percent to TL 150 billion 915 million. Within the first 6 months of 2021, the Bank's net period profit realized at TL 1 billion 410 million.

I would like to thank once again all my colleagues for contributing to this growth with their support and dedication, despite the challenging conditions of the pandemic, their families for supporting them throughout the pandemic, our customers, and all our stakeholders for their contributions.

Kind regards,

Ömer A. Aras  
Chairman of the Board  
QNB Finansbank A.Ş.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

---

**Message by the General Manager**

Dear Shareholders and Board Members,

Although we spent the first half of 2021 with full lockdown under pandemic conditions, we closed this period with promising developments thanks to the studies on health and the start of the rapid vaccination program.

As of 1 July 2021, we entered a very fast recovery period with the implementation of vaccination to all our citizens over the age of 18 and the realization of economic and social opening. We continued to maintain our steady growth in the first 6 months of 2021.

As of 30 June 2021, the total assets of QNB Finansbank increased by 14 percent, compared to the end of 2020, reaching TL 258 billion 997 million. In the same period, net loans grew by 13 percent to TL 157 billion 415 million, while customer deposits increased by 20 percent to TL 150 billion 915 million. Within the first 6 months of 2021, the Bank's net profit increased by 11 percent compared to the same period of the last year, and reached TL 1 billion 410 million.

As had been the case for the last 18 months, we prioritized the protection of the health of our employees and customers in the first 6 months of 2021, and we accelerated our efforts aimed at supporting the economic growth and the real sector.

We continued our support to the real sector without slowing down, with KOSGEB loans, "back to work" loans with no principal payments for 9 months, and interest-free loan options worth TL 20 thousand. Thanks to the Digital Bridge, we enabled many services to support the technological infrastructure of SMEs to quickly adapt to the new digital age.

In this period, we launched the digital intelligence Q, which will be the future of the banking sector and will touch the entire financial life of retail customers by QNB Finansbank. Q enables the banking to reach a new technological dimension.

In May, we increased and renewed our syndicated loan and obtained a total of USD 335 million financing from international banks. With this transaction, which was carried out based on sustainability performance criteria, QNB Finansbank added a new one to its efforts for sustainable development. And in June, our Bank issued its first green bond by EBRD. The Bank's first green bond issuance of USD 50 million is also the EBRD's first green bond investment in a bank in Turkey.

At QNB Finansbank, we made a difference in the first half of 2021 with our digital investments and efforts. Our strength in this area now stands out both in corporate and personal banking.

Our Digital Bridge platform ranked among the top 10 banks worldwide under the "Top Innovations in Corporate Finance" category within the scope of Global Finance "The Innovators 2021". 'Mono' application, one of the first term winners of the idea camp of QNB Finansbank's in-house entrepreneurship program QNBeyond, was awarded the "Best Mobile Application of the Year" under "Software as a Service" category at the IDC Cloud Technologies summit by senior executives of the IT industry.

In addition to our banking activities and our contributions to the economy, we fulfill our responsibilities for a sustainable world. We continue our efforts to contribute to the future of our children under the Small Hands Big Dreams ("Minik Eller Büyük Hayaller") platform.

I would like to thank our devoted employees, supportive customers, and all our strategic business partners and correspondent banks for their efforts in these challenging period.

Kind regards,

Temel Güzeloğlu

General Manager  
QNB Finansbank A.Ş.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

**Summary Financial Belonging to the Period of June 30, 2021**

<b>Principal Financial Indicators (Million TL)</b>	<b>June 30, 2021</b>	<b>December 31, 2020</b>
Total Loans	157,415	138,719
Securities	38,630	34,368
Total Assets	258,997	227,253
Customer Deposits	150,915	125,976
Equity	20,697	19,222
	<b>June 30, 2021</b>	<b>June 30, 2020</b>
Net interest income	5,061	4,693
Net fees and commission income	1,536	1,169
Provision loans and other Receivables(-)	943	1,375
<b>Profit before tax</b>	<b>1,808</b>	<b>1,566</b>
Tax Provision	398	294
<b>Net profit for the period</b>	<b>1,410</b>	<b>1,272</b>

As of June 30, 2021 total assets of Bank increased by 14% compared with the end of the year 2020 and realized as TL 258 billion and 997 million. When compared with the end of year 2020, total loans increased by 13% and reached TL 157 billion and 415 million while Customer Deposits increased by 20% and reached up to TL 150 billion and 915 million.

In 2021, net interest income increased by 8% compared to the previous year and reached 5 billion 61 million TL, and net fee and commission income was 1 billion 536 million TL. The Bank's profit before tax was 1 billion 808 million TL, while its net profit for the period was 1 billion 410 million TL.

As of June 30, 2021, total unconsolidated shareholders' equity increased by 2% compared with the end of the year and reached to TL 20 billion and 697 million while capital adequacy ratio of the Bank was 15.88%.

As of June 30, 2021 the Bank has 10,898 personnel and 466 branches.

**Information Regarding the Financial Status, Profitability and Solvency of the Bank**

**Assets:**

The Bank maintained its customer-oriented activities during year 2021 and continued to grow mainly in corporate and commercial loans. As of June 30, 2021, total performing loans increased by 13% and reached TL 157 billion 415 million in 2021 while total assets increased by 14% and reached TL 258 billion and 997 million compared to the end of the year. In 2021, the Bank continued to grow corporate credits (Corporate, Commercial, SME and Working Capital Loans), which strategically emphasized, and realized a 13% increase in corporate loans compared to the end of 2020.

**Liabilities**

As of June 30, 2021 compared to year-end of 2020, total customer deposits of the Bank increased by 20% and reached to TL 150 billion and 915 million, while its shareholders' equity increased by 8% and reached to TL 20 billion and 697 million.

**Profitability**

In 2021, compared to prior period net interest income increased by 8% and reached TL 5 billion and 61 million and net fees and commission income amounts reached to TL 1 billion 536 million. Profit before tax of the Bank amounts to TL 1 billion 808 million and the net profit is TL 1 billion 410 million.

The bank operates with 10,898 employees.

**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 June 30, 2021 was TL 704.