

QNB FİNANSBANK ANONİM ŞİRKETİ

**UNCONSOLIDATED FINANCIAL STATEMENTS AND RELATED
DISCLOSURES AT SEPTEMBER 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

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 September 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 nine-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 September 2021 and its unconsolidated financial performance and its unconsolidated cash flows for the nine-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

İstanbul, 27 October 2021

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

The Bank's;
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E-mail adress : investor.relations@qnbfinansbank.com

The unconsolidated financial report for the nine-month period 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 nine-month period 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 (TRY)**.

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
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QNB FİNANSBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2021

(Amounts expressed in Thousands of Turkish Lira (TRY) 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 September 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 NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2021

(Amounts expressed in Thousands of Turkish Lira (TRY) 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	Titles	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
Çenk 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 Döner	Executive Vice President	January 1, 2020	Graduate
Ali Yılmaz	Executive Vice President	January 1, 2020	Masters
Ahmet Erzençin	Head of the Department of Internal Control and Compliance	September 12, 2012	Graduate
Ersin Emir	Head of Internal Audit	February 18, 2011	Masters
Zeynep Aydın Demirkıran	Head of Risk Management	September 16, 2011	Masters

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

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

Name Surname/Trade Name	Amount of Shares	Percentage of Shares	Paid-up Shares	Unpaid Shares
Qatar National Bank Q.P.S.C. ("QNB")	3,345,892	%99.88	3,345,892	-
Other	4,108	%0.12	4,108	-

V. Explanations on The Bank's Services and Activities

The Bank's activities include trade finance and corporate banking, private and retail banking, SME banking, currency, money markets and securities operations and credit card operations. In addition, the Bank carries out insurance agency activities on behalf of insurance companies through its branches. As of September 30, 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 September 30, 2021, the Bank has 10,837 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
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- V. Statement of Changes in Shareholders' Equity
- VI. Statement of Cash Flow

(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)

QNB FİNANSBANK ANONİM ŞİRKETİ

**UNCONSOLIDATED STATEMENT OF BALANCE SHEET
FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2021**

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

I. BALANCE SHEET - ASSETS

		Current Period 30.09.2021			Prior Period 31.12.2020		
Section 5		TRY	FC	Total	TRY	FC	Total
Part I							
I.	FINANCIAL ASSETS (NET)	23,375,067	49,868,299	73,243,366	15,767,544	38,536,436	54,303,980
1.1	Cash and Cash Equivalents	4,739,542	38,477,816	43,217,358	2,743,414	26,458,913	29,202,327
1.1.1	Cash and Balances with Central Bank	(1) 4,127,102	31,389,007	35,516,109	2,505,740	24,900,717	27,406,457
1.1.2	Banks	(3) 481,190	6,981,321	7,462,511	1,117	1,465,586	1,466,703
1.1.3	Money Markets	(4) 136,070	107,488	243,558	250,124	92,610	342,734
1.1.4	Expected Credit Losses (-)	4,820	-	4,820	13,567	-	13,567
1.2	Financial Assets at Fair Value Through Profit or Loss	(2) 160,592	367,978	528,570	237,865	333,073	570,938
1.2.1	Government Debt Securities	113,186	67,225	180,411	202,789	87,413	290,202
1.2.2	Equity Securities	28,299	-	28,299	25,099	-	25,099
1.2.3	Other Financial Assets	19,107	300,753	319,860	9,977	245,660	255,637
1.3	Financial Assets at Fair Value Through Other Comprehensive Income	(5) 9,180,811	9,007,718	18,188,529	5,800,847	9,380,242	15,181,089
1.3.1	Government Debt Securities	9,173,137	9,007,718	18,180,855	5,793,173	9,380,242	15,173,415
1.3.2	Equity Securities	7,674	-	7,674	-	-	7,674
1.3.3	Other Financial Assets	-	-	-	-	-	-
1.4	Derivative Financial Assets	(12) 9,294,122	2,014,787	11,308,909	6,985,418	2,364,208	9,349,626
1.4.1	Derivative Financial Assets at Fair Value Through Profit/Loss	7,751,133	1,817,996	9,569,129	5,842,408	2,106,532	7,948,940
1.4.2	Derivative Financial Assets at Fair Value Through Other Comprehensive Income	1,542,989	196,791	1,739,780	1,143,010	257,676	1,400,686
II.	FINANCIAL ASSETS MEASURED AT AMORTIZED COST (Net)	120,362,033	67,964,596	188,326,629	102,376,171	54,959,411	157,335,582
2.1	Loans	(6) 118,964,759	57,567,795	176,532,554	103,582,764	45,775,688	149,358,452
2.2	Lease Receivables	(11) -	-	-	-	-	-
2.3	Factoring Receivables	-	-	-	-	-	-
2.4	Other Financial Assets Measured at Amortized Cost	(7) 12,250,934	10,396,801	22,647,735	9,559,633	9,183,723	18,743,356
2.4.1	Public Sector Debt Securities	12,250,934	9,814,835	22,065,769	9,559,633	8,621,942	18,181,575
2.4.2	Other Financial Assets	-	581,966	581,966	-	561,781	561,781
2.5	Expected Credit Losses (-)	10,853,660	-	10,853,660	10,766,226	-	10,766,226
III.	PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(15) -	-	-	-	-	-
3.1	Held for Sale Purpose	-	-	-	-	-	-
3.2	Related to Discontinued Operations	-	-	-	-	-	-
IV.	EQUITY INVESTMENTS	2,345,654	-	2,345,654	1,892,950	-	1,892,950
4.1	Investments in Associates (Net)	(8) 14,026	-	14,026	14,026	-	14,026
4.1.1	Associates Valued Based on Equity Method	-	-	-	-	-	-
4.1.2	Unconsolidated Associates	14,026	-	14,026	14,026	-	14,026
4.2	Subsidiaries (Net)	(9) 2,049,220	-	2,049,220	1,596,516	-	1,596,516
4.2.1	Unconsolidated Financial Subsidiaries	2,011,174	-	2,011,174	1,558,470	-	1,558,470
4.2.2	Unconsolidated Non-Financial Subsidiaries	38,046	-	38,046	38,046	-	38,046
4.3	Joint Ventures (Net)	(10) 282,408	-	282,408	282,408	-	282,408
4.3.1	Joint Ventures Valued Based on Equity Method	-	-	-	-	-	-
4.3.2	Unconsolidated Joint Ventures	282,408	-	282,408	282,408	-	282,408
V.	PROPERTY AND EQUIPMENT (Net)	3,423,723	22	3,423,745	3,476,263	18	3,476,281
VI.	INTANGIBLE ASSETS (Net)	591,991	-	591,991	504,698	-	504,698
6.1	Goodwill	-	-	-	-	-	-
6.2	Other	591,991	-	591,991	504,698	-	504,698
VII.	INVESTMENT PROPERTY (Net)	(13) -	-	-	-	-	-
VIII.	CURRENT TAX ASSET	(14) 1,867	-	1,867	-	-	-
IX.	DEFERRED TAX ASSET	(14) 279,760	-	279,760	931,700	-	931,700
X.	OTHER ASSETS (Net)	(16) 4,636,149	84,497	4,720,646	3,779,894	5,028,263	8,808,157
TOTAL ASSETS		155,016,244	117,917,414	272,933,658	128,729,220	98,524,128	227,253,348

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

(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)

QNB FİNANSBANK ANONİM ŞİRKETİ

**UNCONSOLIDATED STATEMENT OF BALANCE SHEET
FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2021**

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

I. BALANCE SHEET – LIABILITIES AND EQUITY

	Section 5 Part II	Current Period 30.09.2021			Prior Period 31.12.2020		
		TRY	FC	Total	TRY	FC	Total
I. DEPOSITS	(1)	71,436,846	91,556,288	162,993,134	48,414,473	82,145,258	130,559,731
II. FUNDS BORROWED	(3)	490,679	17,872,017	18,362,696	486,735	19,705,289	20,192,024
III. MONEY MARKETS	(4)	5,978,864	11,180,454	17,159,318	4,376,444	10,112,950	14,489,394
IV. SECURITIES ISSUED (Net)	(5)	5,281,669	14,791,560	20,073,229	1,554,964	11,951,421	13,506,385
4.1 Bills		5,281,669	1,141,640	6,423,309	1,502,745	829,044	2,331,789
4.2 Asset Backed Securities		-	-	-	-	-	-
4.3 Bonds		-	13,649,920	13,649,920	52,219	11,122,377	11,174,596
V. FUNDS		-	-	-	-	-	-
5.1 Borrower Funds		-	-	-	-	-	-
5.2 Other		-	-	-	-	-	-
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT & LOSS		-	-	-	-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES		2,805,906	2,797,898	5,603,804	4,773,704	3,303,648	8,077,352
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss	(2)	2,778,122	2,189,651	4,967,773	4,754,603	2,416,086	7,170,689
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(8)	27,784	608,247	636,031	19,101	887,562	906,663
VIII. FACTORING PAYABLES		-	-	-	-	-	-
IX. LEASE PAYABLES (Net)	(7)	407,426	264	407,690	444,009	2,666	446,675
X. PROVISIONS	(9)	1,091,823	-	1,091,823	1,064,819	-	1,064,819
10.1 Restructuring Provisions		-	-	-	-	-	-
10.2 Reserve for Employee Benefits		601,662	-	601,662	589,451	-	589,451
10.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4 Other Provisions		490,161	-	490,161	475,368	-	475,368
XI. CURRENT TAX LIABILITY	(10)	-	-	-	1,063,699	-	1,063,699
XII. DEFERRED TAX LIABILITY		-	-	-	-	-	-
XIII. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	(11)	-	-	-	-	-	-
13.1 Held for Sale		-	-	-	-	-	-
13.2 Discontinued Operations		-	-	-	-	-	-
XIV. SUBORDINATED DEBT INSTRUMENTS	(12)	-	8,226,044	8,226,044	-	6,704,294	6,704,294
14.1 Subordinated Loans		-	8,226,044	8,226,044	-	6,704,294	6,704,294
14.2 Other Debt Instruments		-	-	-	-	-	-
XV. OTHER LIABILITIES		10,166,301	7,105,577	17,271,878	6,916,521	5,010,033	11,926,554
XVI. SHAREHOLDERS' EQUITY		23,331,250	(1,587,208)	21,744,042	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		1,520,978	-	1,520,978	1,163,907	-	1,163,907
16.4 Other Comprehensive Income/Expense Items Reclassified to Profit or Loss		306,421	(1,587,208)	(1,280,787)	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		2,365,670	-	2,365,670	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		2,365,670	-	2,365,670	2,487,009	-	2,487,009
16.7 Minority Interest		-	-	-	-	-	-
TOTAL LIABILITIES		120,990,764	151,942,894	272,933,658	89,517,374	137,735,974	227,253,348

The accompanying notes are an integral part of these financial statements

(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)

QNB FİNANSBANK ANONİM ŞİRKETİ

**UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET
FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2021**

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

II. STATEMENT OF OFF-BALANCE COMMITMENTS AND CONTINGENCIES

	Section 5 Part III	Current Period 30.09.2021			Prior Period 31.12.2020		
		TRY	FC	TOTAL	TRY	FC	TOTAL
A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS							
(I+II+III)		208,966,713	306,942,734	515,909,447	174,611,673	281,840,718	456,452,391
I. GUARANTEES	(1), (2), (3), (4)	12,499,800	24,997,312	37,497,112	11,627,187	21,520,352	33,147,539
1.1. Letters of guarantee		12,376,129	13,033,622	25,409,751	11,327,575	11,362,429	22,690,004
1.1.1. Guarantees subject to State Tender Law		634,437	93,735	728,172	474,847	84,162	559,009
1.1.2. Guarantees given for foreign trade operations		7,190,952	12,939,887	20,130,839	6,666,383	11,278,267	17,944,650
1.1.3. Other letters of guarantee		4,550,740	-	4,550,740	4,186,345	-	4,186,345
1.2. Bank loans		53,247	6,174,191	6,227,438	198,490	6,640,108	6,838,598
1.2.1. Import letter of acceptance		53,247	6,174,191	6,227,438	198,490	6,640,108	6,838,598
1.2.2. Other bank acceptances		-	-	-	-	-	-
1.3. Letters of credit		70,424	5,789,499	5,859,923	101,122	3,517,815	3,618,937
1.3.1. Documentary letters of credit		70,424	5,416,000	5,486,424	101,122	3,315,757	3,416,879
1.3.2. Other letters of credit		-	373,499	373,499	-	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		-	-	-	-	-	-
II. COMMITMENTS		133,931,960	12,259,991	146,191,951	104,514,729	6,640,330	111,155,059
2.1. Irrevocable commitments	(1)	73,388,302	7,321,351	80,709,653	58,424,722	6,640,330	65,065,052
2.1.1. Forward asset purchase commitments		898,959	5,164,260	6,063,219	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		24,579,136	884	24,580,020	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		2,859,706	-	2,859,706	2,423,033	-	2,423,033
2.1.8. Tax and fund liabilities from export commitments		32,856	-	32,856	27,046	-	27,046
2.1.9. Commitments for credit card expenditure limits		44,060,911	-	44,060,911	35,495,520	-	35,495,520
2.1.10. Commitments for promotions related with credit cards and banking activities		67,548	-	67,548	83,078	-	83,078
2.1.11. Receivables from short sale commitments		-	-	-	-	-	-
2.1.12. Payables for short sale commitments		-	-	-	-	-	-
2.1.13. Other irrevocable commitments		889,186	2,156,207	3,045,393	962,703	3,161,595	4,124,298
2.2. Revocable commitments		60,543,658	4,938,640	65,482,298	46,090,007	-	46,090,007
2.2.1. Revocable loan granting commitments		60,543,658	4,938,640	65,482,298	46,090,007	-	46,090,007
2.2.2. Irrevocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(5), (6)	62,534,953	269,685,431	332,220,384	58,469,757	253,680,036	312,149,793
3.1. Derivative financial instruments for hedging purposes		13,389,573	74,550,447	87,940,020	8,906,126	65,587,674	74,493,800
3.1.1. Fair value hedge		6,636,515	30,902,503	37,539,018	4,770,807	24,362,023	29,132,830
3.1.2. Cash flow hedge		6,753,058	43,647,944	50,401,002	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		49,145,380	195,134,984	244,280,364	49,563,631	188,092,362	237,655,993
3.2.1. Forward foreign currency buy/sell transactions		5,249,398	12,942,835	18,192,233	2,107,149	8,850,539	10,957,688
3.2.1.1. Forward foreign currency transactions-buy		4,410,904	4,801,631	9,212,535	1,676,174	3,844,105	5,520,279
3.2.1.2. Forward foreign currency transactions-sell		838,494	8,141,204	8,979,698	430,975	5,006,434	5,437,409
3.2.2. Swap transactions related to foreign currency and interest rates		41,163,616	177,517,837	218,681,453	45,325,821	175,284,547	220,610,368
3.2.2.1. Foreign currency swap-buy		2,406,256	61,733,931	64,140,187	3,298,846	66,002,897	69,301,743
3.2.2.2. Foreign currency swap-sell		24,511,760	39,838,852	64,350,612	30,615,375	40,878,980	71,494,355
3.2.2.3. Interest rate swaps-buy		7,122,800	37,972,527	45,095,327	5,705,800	34,201,335	39,907,135
3.2.2.4. Interest rate swaps-sell		7,122,800	37,972,527	45,095,327	5,705,800	34,201,335	39,907,135
3.2.3. Foreign currency, interest rate and securities options		1,906,130	2,899,621	4,805,751	1,021,265	1,947,660	2,968,925
3.2.3.1. Foreign currency options-buy		1,039,405	1,409,552	2,448,957	491,416	1,047,539	1,538,955
3.2.3.2. Foreign currency options-sell		866,725	1,490,069	2,356,794	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		826,236	801,928	1,628,164	1,109,396	1,055,351	2,164,747
3.2.4.1. Foreign currency futures-buy		810,813	12,876	823,689	172	1,055,204	1,055,376
3.2.4.2. Foreign currency futures-sell		15,423	789,052	804,475	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		-	972,763	972,763	-	954,265	954,265
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		1,097,544,395	329,225,387	1,426,769,782	935,939,092	266,152,722	1,202,091,814
IV. ITEMS HELD IN CUSTODY		18,838,360	13,157,258	31,995,618	11,281,488	10,473,404	21,754,892
4.1. Assets under management		5,672,819	-	5,672,819	-	-	2,159,679
4.2. Investment securities held in custody		2,328,794	10,272,647	12,601,441	511,150	8,043,418	8,554,568
4.3. Checks received for collection		8,667,500	1,526,982	10,194,482	6,632,644	1,314,634	7,947,278
4.4. Commercial notes received for collection		2,168,258	665,046	2,833,304	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		989	692,583	693,572	-	587,819	587,819
4.8. Custodians		-	-	-	-	-	-
V. PLEDGED ITEMS		626,116,117	195,767,693	821,883,810	540,029,634	160,647,061	700,676,695
5.1. Marketable securities		4,974,018	11,337,395	16,311,413	4,117,442	9,531,425	13,648,867
5.2. Guarantee notes		460,006	762,215	1,222,221	380,407	590,933	971,340
5.3. Commodity		526,446	-	526,446	490,115	-	490,115
5.4. Warranty		-	-	-	-	-	-
5.5. Properties		124,389,130	99,736,108	224,125,238	106,976,494	82,931,319	189,907,813
5.6. Other pledged items		495,766,517	83,931,975	579,698,492	428,065,176	67,593,384	495,658,560
5.7. Pledged items-depository		-	-	-	-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		452,589,918	120,300,436	572,890,354	384,627,970	95,032,257	479,660,227
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		1,306,511,108	636,168,121	1,942,679,229	1,110,550,765	547,993,440	1,658,544,205

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

(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)

QNB FİNANSBANK ANONİM ŞİRKETİ

**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2021**

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

III. INCOME STATEMENT

	Section 5 Part IV	Current Period 01.01 - 30.09.2021	Current Period 3 Months 01.07 - 30.09.2021	Prior Period 01.01 - 30.09.2020	Prior Period 3 Months 01.07 - 30.09.2020
I. INTEREST INCOME	(1)	17,425,923	6,483,442	12,267,981	4,171,356
1.1 Interest income on loans		14,105,458	5,167,688	10,115,939	3,398,626
1.2 Interest income on reserve deposits		303,571	133,347	23,700	10,132
1.3 Interest income on banks		34,220	6,936	75,386	17,315
1.4 Interest income on money market transactions		12,422	87	112,295	20,760
1.5 Interest income on securities portfolio		2,954,387	1,171,073	1,933,635	722,543
1.5.1 Financial assets measured at FVTPL		16,662	5,991	10,470	4,298
1.5.2 Financial assets measured at FVOCI		1,258,365	500,076	814,599	278,445
1.5.3 Financial assets measured at amortized cost		1,679,360	665,006	1,108,566	439,800
1.6 Financial lease income		-	-	-	-
1.7 Other interest income		15,865	4,311	7,026	1,980
II. INTEREST EXPENSE (-)	(2)	9,338,654	3,457,019	5,021,346	1,618,032
2.1 Interest on deposits		6,521,441	2,442,862	2,869,496	887,359
2.2 Interest on funds borrowed		941,951	303,946	858,882	303,107
2.3 Interest on money market transactions		836,628	291,653	348,481	111,094
2.4 Interest on securities issued		963,831	397,281	760,000	253,185
2.5 Interests on leasings		46,240	14,937	44,668	14,167
2.6 Other interest expenses		28,563	6,340	139,819	49,120
III. NET INTEREST INCOME (I - II)		8,087,269	3,026,423	7,246,635	2,553,324
IV. NET FEES AND COMMISSIONS INCOME/EXPENSES		2,415,106	879,547	1,734,464	565,854
4.1 Fees and commissions received		3,105,687	1,179,161	2,125,994	697,289
4.1.1 Non-cash loans		195,812	68,105	139,049	49,617
4.1.2 Others		2,909,875	1,111,056	1,986,945	647,672
4.2 Fees and commissions paid (-)		690,581	299,614	391,530	131,435
4.2.1 Non-cash loans		1,757	660	1,776	1,020
4.2.2 Others		688,824	298,954	389,754	130,415
V. DIVIDEND INCOME	(3)	191,284	-	133,299	5,258
VI. TRADING INCOME / LOSS (Net)	(4)	(3,052,426)	(1,072,256)	(1,790,602)	(745,514)
6.1 Trading gains / losses on securities		57,187	13,615	171,901	15,077
6.2 Gain/losses from derivative transactions		(3,680,316)	(1,301,027)	(2,320,554)	(887,004)
6.3 Foreign exchange gain / losses		570,703	215,156	358,051	126,413
VII. OTHER OPERATING INCOME	(5)	390,120	220,135	35,267	17,410
VIII. TOTAL OPERATING GROSS PROFIT (III+IV+V+VI+VII)		8,031,353	3,053,849	7,359,063	2,396,332
IX. EXPECTED CREDIT LOSSES (-)	(6)	1,444,765	563,861	1,882,283	583,899
X. OTHER PROVISION LOSSES (-)		82,481	20,164	126,826	50,534
XI. PERSONNEL EXPENSES (-)		1,466,917	511,922	1,364,078	455,449
XII. OTHER OPERATING EXPENSES (-)	(7)	1,959,198	687,813	1,697,317	583,611
XIII. NET OPERATING PROFIT / LOSS (VIII-IX-X-XI-XII)		3,077,992	1,270,089	2,288,559	722,839
XIV. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-	-	-	-
XV. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING		-	-	-	-
XVI. GAIN/LOSS ON NET MONETARY POSITION		-	-	-	-
XVII. OPERATING PROFIT/LOSS BEFORE TAXES (XII+...+XV)	(8)	3,077,992	1,270,089	2,288,559	722,839
XVIII. PROVISION FOR TAXES OF CONTINUED OPERATIONS (±)	(9)	712,322	314,478	452,735	159,036
18.1 Current tax charge		8,528	-	-	19,864
18.2 Deferred tax charge (+)		1,321,098	278,180	1,362,928	753,707
18.3 Deferred tax credit (-)		(617,304)	36,298	(910,193)	(574,807)
XIX. NET OPERATING PROFIT/LOSS AFTER TAXES (XVII±XVIII)	(10)	2,365,670	955,611	1,835,824	563,803
XX. INCOME FROM DISCONTINUED OPERATIONS		-	-	-	-
20.1 Income from assets held for sale		-	-	-	-
20.2 Income from sale of associates, subsidiaries and joint-ventures		-	-	-	-
20.3 Others		-	-	-	-
XXI. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-	-	-
21.1 Expenses on assets held for sale		-	-	-	-
21.2 Expenses on sale of associates, subsidiaries and joint-ventures		-	-	-	-
21.3 Others		-	-	-	-
PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XX+XXI)		-	-	-	-
XXIII. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)		-	-	-	-
23.1 Current tax charge		-	-	-	-
23.2 Deferred tax charge (+)		-	-	-	-
23.3 Deferred tax credit (-)		-	-	-	-
NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XXII±XXIII)		-	-	-	-
XXIV. NET PROFIT/LOSS (XIX+XXIV)	(11)	2,365,670	955,611	1,835,824	563,803
25.1 Group's profit/loss		2,365,670	955,611	1,835,824	563,803
25.2 Minority interest		-	-	-	-
Earnings Per Share		0,0706	0,0285	0,0548	0,0168

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

(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)

QNB FİNANSBANK ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2021

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

IV. STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY

	Current Period 01.01 – 30.09.2021	Prior Period 01.01 – 30.09.2020
I. CURRENT PERIOD PROFIT/LOSS	2,365,670	1,835,824
II. OTHER COMPREHENSIVE INCOME	155,950	(801,556)
2.1 Other Income/Expense Items not Reclassified to Profit or Loss	357,071	209,560
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	167	(667)
2.1.4 Other Income/Expense Items not Reclassified to Profit or Loss	355,330	212,547
2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	1,574	(2,320)
2.2 Other Income/Expense Items to Reclassified to Profit or Loss	(201,121)	(1,011,116)
2.2.1 Foreign Currency Translation Differences	-	-
2.2.2 Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	(648,471)	(1,087,483)
2.2.3 Gains/losses from Cash Flow Hedges	397,070	(208,819)
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	50,280	285,186
III. TOTAL COMPREHENSIVE INCOME (I+II)	2,521,620	1,034,268

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

(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES
ORIGINALLY ISSUED IN TURKISH)

QNB FİNANSBANK ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2021

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	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 Cancellation Profits	Other Capital Reserves	Revaluation surplus on tangible and intangible assets	Defined Benefit Plans' Actuarial Gains/Losses	Other ^(*)	Translation Differences	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	Other ^(**)	Prior Period	Section 5 Part V	Paid-in Capital	Share Premium
Prior Period - 01.01 – 30.09.2020															
I. Prior Period End Balance	3,350,000		714	-	-	-	(73,337)	1,046,855	-	(272,254)	(566,110)	10,577,034	2,622,157	-	16,685,059
II. Correction made as per TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Balances at Beginning of Period (I+II)	3,350,000		714	-	-	-	(73,337)	1,046,855	-	(272,254)	(566,110)	10,577,034	2,622,157	-	16,685,059
IV. Total Comprehensive Income	-	-	-	-	-	-	(520)	210,080	-	(848,234)	(162,882)	-	-	1,835,824	1,034,268
V. Capital Increase in Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase from Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Capital Reserves from Inflation Adjustments to Paid-in Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase/Decrease by Others Changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	-	2,622,157	(2,622,157)	-	-
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	-	2,622,157	(2,622,157)	-	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at end of the period (III+IV...+X+XI)	3,350,000		714	-	-	-	(73,857)	1,256,935	-	(1,120,488)	(728,992)	13,199,191	-	1,835,824	17,719,327
	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 Cancellation Profits	Other Capital Reserves	Revaluation surplus on tangible and intangible assets	Defined Benefit Plans' Actuarial Gains/Losses	Other ^(*)	Translation Differences	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	Other ^(**)	Current Period	Section 5 Part V	Paid-in Capital	Share Premium
Current Period - 01.01 – 30.09.2021															
I. Prior Period End Balance	3,350,000		714	-	-	-	(106,814)	1,270,721	-	(475,449)	(604,217)	13,199,191	2,588,276	-	19,222,422
II. Correction made as per TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Balances at Beginning of Period (I+II)	3,350,000		714	-	-	-	(106,814)	1,270,721	-	(475,449)	(604,217)	13,199,191	2,588,276	-	19,222,422
IV. Total Comprehensive Income	-	-	-	-	-	-	133	356,938	-	(518,778)	317,657	-	-	2,365,670	2,521,620
V. Capital Increase in Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase from Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Capital Reserves from Inflation Adjustments to Paid-in Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase/Decrease by Others Changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	-	2,588,276	(2,588,276)	-	-
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	-	2,588,276	(2,588,276)	-	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at end of the period (III+IV...+X+XI)	3,350,000		714	-	-	-	(106,681)	1,627,659	-	(994,227)	(286,560)	15,787,467	-	2,365,670	21,744,042

(*) 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.

(**) 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.

(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)

QNB FİNANSBANK ANONİM ŞİRKETİ

**UNCONSOLIDATED STATEMENT OF CASH FLOW
FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2021**

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

VI. STATEMENT OF CASH FLOWS

	Current Period	Prior Period
	01.01 –	01.01 –
	30.09.2021	30.09.2020
A. CASH FLOWS FROM / (TO) BANKING OPERATIONS		
1.1 Operating Profit Before Changes in Operating Assets and Liabilities	1,219,225	7,395,832
1.1.1 Interest Received	15,934,856	11,315,165
1.1.2 Interest Paid	(10,120,928)	(4,204,815)
1.1.3 Dividend Received	191,284	74,693
1.1.4 Fees and Commissions Received	3,105,125	2,142,151
1.1.5 Other Income	390,120	35,267
1.1.6 Collections From Previously Written Off Loans	1,592,271	1,043,779
1.1.7 Payments To Personnel and Service Suppliers	(1,502,084)	(2,295,540)
1.1.8 Taxes Paid	(1,222,295)	(766,051)
1.1.9 Others	(7,149,124)	51,183
1.2 Changes in Operating Assets and Liabilities	5,982,664	(7,881,145)
1.2.1 Net (Increase) Decrease in Financial Assets Measured at Fair Value Through Profit/Loss	42,250	(35,391)
1.2.2 Net (Increase) Decrease in Due From Banks	(3,224,817)	(5,399,410)
1.2.3 Net (Increase) Decrease in Loans	(23,005,409)	(12,107,430)
1.2.4 Net (Increase) Decrease in Other Assets	4,828,878	(4,235,889)
1.2.5 Net Increase (Decrease) in Bank Deposits	(2,814,238)	(276,617)
1.2.6 Net Increase (Decrease) in Other Deposits	26,396,121	10,898,440
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	(3,776,419)	(1,541,555)
1.2.9 Net Increase (Decrease) in Matured Payables	-	-
1.2.10 Net Increase (Decrease) in Other Liabilities	7,536,298	4,816,707
I. Net Cash Provided From / (Used in) Banking Operations	7,201,889	(485,313)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net Cash Provided From / (Used in) Investing Activities	(3,670,835)	(485,479)
2.1 Purchase Of Entities Under Common Control, Associates and Subsidiaries	(124,800)	-
2.2 Sale of Entities Under Common Control, Associates and Subsidiaries	25,650	-
2.3 Fixed Assets Purchases	(359,525)	(306,031)
2.4 Fixed Assets Sales	89,389	110,279
2.5 Purchase of Financial Assets Measured at Fair Value Through Other Comprehensive Income	(8,978,951)	(10,851,054)
2.6 Sale of Financial Assets Measured at Fair Value Through Other Comprehensive Income	7,026,427	10,593,477
2.7 Purchase of Financial Assets Measured at Amortized Cost	(3,666,627)	(2,095,912)
2.8 Sale of Financial Assets Measured at Amortized Cost	2,404,893	2,221,000
2.9 Others	(87,291)	(157,238)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net Cash Provided From / (Used in) Financing Activities	6,585,511	1,750,154
3.1 Cash Obtained From Funds Borrowed and Securities Issued	16,470,778	13,358,114
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued	(9,799,959)	(11,497,599)
3.3 Capital Increase	-	-
3.4 Dividends Paid	-	-
3.5 Payments for Finance Leases	(11,280)	7,672
3.6 Other	(74,028)	(118,033)
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents	774,811	799,855
V. Net Increase / (Decrease) in Cash and Cash Equivalents (I+II+III+IV)	10,891,376	1,579,217
VI. Cash and Cash Equivalents at Beginning of the Period	15,425,482	14,387,892
VII. Cash and Cash Equivalents at End of the Period (V+VI)	26,316,858	15,967,109

The accompanying notes are an integral part of those financial statement.

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2021**

(Amounts expressed in Thousands of Turkish Lira (TRY) 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 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 interim 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 TRY 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.

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2021**

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

ACCOUNTING POLICIES (Continued)

I. Basis of Presentation (Continued)

2. Accounting policies and valuation principles used in the preparation of the financial statements (Continued)

Since it is aimed to update the most recent financial information in the interim financial statements prepared as of September 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 September 30, 2021 the portfolio size is approximately TRY 135 billion (December 31, 2020 TRY 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 TRY 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 TRY liquidity using long term swap transactions (fixed TRY interest rate and floating FC interest rate). Thus, the Bank generates TRY 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.

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2021**

(Amounts expressed in Thousands of Turkish Lira (TRY) 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 September 30, 2021 are translated to TRY by using historical foreign currency exchange rates. Balances of the foreign currency denominated assets and liabilities except for non-monetary items are converted into TRY 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 September 31, 2021, net foreign exchange transaction gain is TRY 3,680,316 (September 30, 2020- TRY 2,320,554 TRY net foreign exchange transaction gain) when the net interest loss amounting to TRY 570,703 (September 30, 2020 - TRY 358,051 net interest loss) arising from derivative transactions is excluded from the derivative transactions loss amounting to TRY 3,497,081 (September 30, 2020 - TRY 2,012,200 derivative transactions loss) and foreign exchange profit amounting to TRY 387,468 (September 30, 2020 - TRY 49,697 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 TRY 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 TRY liquidity with long term swap transactions (fixed TRY interest rate and floating FC interest rate). Therefore, the Bank not only funds its long term fixed interest rate loans with TRY but also hedges itself against interest rate risk.

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2021**

(Amounts expressed in Thousands of Turkish Lira (TRY) 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 "IFRS 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 TRY 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.

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.

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2021**

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

ACCOUNTING POLICIES (Continued)

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

In fair value hedge accounting: (Continued)

The Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to long term TRY 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.

In fair value hedge accounting (Continued):

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 September 30, 2021, fair value exchange difference adjustment amounting to TRY 1,966,148 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.

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.

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2021**

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

ACCOUNTING POLICIES (Continued)

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.

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.

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ACCOUNTING POLICIES (Continued)

VII. Explanations and Disclosures on Financial Instruments (Continued)

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.

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.

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ACCOUNTING POLICIES (Continued)

VII. Explanations and Disclosures on Financial Instruments (Continued)

Financial Assets at Fair Value Through Other Comprehensive Income: (Continued)

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 TRY 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.

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 TRY 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 Principles regarding Classification of Loans and Allowances Allocated for Such Loans” effective from January 1, 2018. At each reporting date, the Bank shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition. The Bank considers the changes in the default risk of financial instrument, when making the assessment.

Within the scope of Article 4 and 5 of the Regulation On Procedures And Principles For Classification Of Loans And Provisions in accordance with the BRSA Decision numbered 9312 dated 8 December 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 June 18, 2021. This measure will be effective until September 30, 2021. 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.

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ACCOUNTING POLICIES (Continued)

VIII. Explanations on Expected Credit Losses (Continued)

- In the process of completing the Pro-rata banks protocols, the time to be given to time-consuming operations was extended by a joint agreement
- Terminatively, this leads the Banks to continue to set aside provisions for such receivables in accordance with their own risk models used in calculation of expected credit losses under TFRS 9.

As of September 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 September 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, internal 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.

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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, internal 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.

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 September 30, 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 September 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.

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ACCOUNTING POLICIES (Continued)

VIII. Explanations on Expected Credit Losses (Continued)

Consideration of the Macroeconomic Factors (Continued)

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

As of September 30, 2021, an additional provision of approximately 44% has been made on the second-stage model results, in line with the prudent approach, for the second-stage loan portfolio of TRY 858,463 with a delay of more than 90 days and less than 180 days due to COVID-19.

Calculating the Expected Loss Period

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

Significant increase in credit risk

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

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

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

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

IX. Explanations on Netting of Financial Instruments

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

X. Derecognition of Financial Instruments

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

Based on TFRS 9, the renegotiation or modification of the contractual cash flows of a financial asset could lead to the derecognition of the existing financial asset. When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a 'new' financial asset. When the Bank assesses the characteristics of the new contractual terms of the financial asset, it evaluates the contractual cash flows including foreign currency rate changes, conversion to equity, counterparty changes and solely principal and interest on principle. When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, it is recalculated the gross carrying amount of the financial asset and recognized a modification gain or loss in profit or loss.

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ACCOUNTING POLICIES (Continued)

X. Derecognition of Financial Instruments (Continued)

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

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.

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.

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ACCOUNTING POLICIES (Continued)

X. Derecognition of Financial Instruments (Continued)

e) Restructuring and refinancing of financial instruments (Continued)

- 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 TRY 21,027,887 (December 31, 2020 - TRY 18,700,773).

As of September 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.

XII. Explanations on Assets Held for Sale and Discontinued Operations

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

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ACCOUNTING POLICIES (Continued)

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.

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

With the TFRS 16 Leases Standard, the difference between operating leases and financial leases has disappeared, and 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%.

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ACCOUNTING POLICIES (Continued)

XV. Explanations on Leasing Transactions (Continued)

IFRS 16 Leases

IFRS 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 "IFRS 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 IFRS 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.

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.

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ACCOUNTING POLICIES (Continued)

XV. Explanations on Leasing Transactions (Continued)

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 June 5, 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 September 30, 2021 amounted to TRY 399,010 (December 31, 2020 - TRY 440,596) , lease liability amounted to TRY 396,275 (December 31, 2020 - TRY 426,407), financing expense amounted to TRY 43,851 (September 30, 2020 - TRY 40,106) and depreciation expense amounted to TRY 178,920 (September 30, 2020 - TRY 163,262).

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ACCOUNTING POLICIES (Continued)

XVI. Explanations on Provisions and Contingent Liabilities

Provisions, other than expected credit loss 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.

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. (The tax rate applied in the first advance tax period of 2021 is 20%.)

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% (20% in the first advance tax period of 2021) 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.

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ACCOUNTING POLICIES (Continued)

XVIII. Explanations on Taxation (Continued)

1. Corporate Tax (Continued)

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.

3. Transfer Pricing

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

As discussed under subject Communique’s 7.5 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.

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ACCOUNTING POLICIES (Continued)

XIX. Explanations on Additional Explanations on Borrowings

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

XX. Explanations on Share Issues

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

XXI. Explanations on Confirmed Bills of Exchange and Acceptances

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

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

XXII. Explanations on Government Incentives

As of September 30, 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 TRY 500,000 or more, multinational companies operating in Turkey, and commercial firms with an annual turnover of TRY 75,000 - 500,000. 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.

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.

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ACCOUNTING POLICIES (Continued)

XXIII. Explanations on Segment Reporting (Continued)

Current Period (January 1 - September 30, 2021)	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Bank
Net Interest Income	2,612,989	2,608,238	2,866,042	8,087,269
Net Fees and Commissions Income	1,914,845	581,490	(81,229)	2,415,106
Other Operating Income and Net Trading Income	213,181	63,750	(2,939,237)	(2,662,306)
Dividend Income	-	-	191,284	191,284
Operating Income	4,741,015	3,253,478	36,860	8,031,353
Expected Loss Provisions (-)	640,006	843,848	(39,089)	1,444,765
Other Loss Provisions (-)	-	-	82,481	82,481
Other Operating Expenses (-)	1,862,087	1,212,812	351,216	3,426,115
Profit Before Taxes	2,238,922	1,196,818	(357,748)	3,077,992
Provision Tax (-) (*)	-	-	712,322	712,322
Net Profit/Loss	-	-	-	2,365,670
Total Assets	61,143,413	104,541,822	92,177,965	272,933,658
Segment Assets	61,143,413	104,541,822	92,177,965	257,863,200
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	2,345,654
Undistributed Assets	-	-	-	12,724,804
Total Liabilities	110,854,717	50,413,854	71,149,652	272,933,658
Segment Liabilities	110,854,717	50,413,854	71,149,652	232,418,223
Undistributed Liabilities	-	-	-	18,771,393
Equity	-	-	-	21,744,042
Other Segment Accounts	648,748	452,002	(3,281)	1,097,469
Capital Expenditures	368,185	256,525	1,512	626,222
Depreciation and Amortization	280,563	195,477	(4,793)	471,247

(*) Provision tax is not distributed.

Prior Period (January 1 – September 30, 2020)	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Bank
Net Interest Income	2,514,310	1,962,509	2,769,816	7,246,635
Net Fees and Commissions Income	1,231,334	535,325	(32,195)	1,734,464
Other Operating Income and Net Trading Income	32,085	15,354	(1,802,774)	(1,755,335)
Dividend Income	-	-	133,299	133,299
Operating Income	3,777,729	2,513,188	1,068,146	7,359,063
Expected Loss Provisions (-)	685,001	1,215,992	(18,710)	1,882,283
Other Loss Provisions (-)	-	-	126,826	126,826
Other Operating Expenses (-)	1,674,799	1,147,529	239,067	3,061,395
Profit Before Taxes	1,417,929	149,667	720,963	2,288,559
Provision Tax (-)	-	-	452,735	452,735
Net Profit/Loss	-	-	-	1,835,824
Total Assets^(*)	49,111,844	89,490,537	70,811,072	227,253,348
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
Total Liabilities (*)	88,937,401	37,038,943	67,552,837	227,253,348
Segment Liabilities	88,937,401	37,038,943	67,552,837	193,529,181
Undistributed Liabilities	-	-	-	14,501,746
Equity	-	-	-	19,222,421
Other Segment Accounts	856,951	635,048	(65,032)	1,426,967
Capital Expenditures	615,635	453,994	(48,566)	1,021,063
Depreciation and Amortization	241,316	181,054	(16,466)	405,904

(*) Refers to year-end figures

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ACCOUNTING POLICIES (Continued)

XXIV. Explanations on Profit Reserves and Profit Distribution

The General Assembly Meeting of the Bank was held on March 25, 2021. In the Board of Directors meeting, it was decided that profit from 2020 operations to be distributed as follows.

2020 profit distribution table:

Current Year Profit	2,588,276
A – First Legal Reserves (Turkish Commercial Code 519/A) 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.

	<u>Current Period</u>	<u>Prior Period</u>
Net Profit for the Period	2,365,670	1,835,824
Weighted Average Amount of Shares Issued (Thousands)	33,500,000	33,500,000
Earnings Per Share	0,0706	0,0548

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.

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SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK

I. Explanations on Equity

Total capital and Capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”. As of September 30, 2021 Bank’s total capital has been calculated as TRY31,779,269 (December 31, 2020 – TRY28,207,198), capital adequacy ratio is % 15.21. (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.

Explanations on Equity:	Current Period September 30, 2021	Prior Period December 31, 2020
COMMON EQUITY TIER 1 CAPITAL		
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	1,710,716	1,459,099
Profit	2,365,670	2,588,276
Current Period Profit	2,365,670	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
Common Equity Tier 1 Capital Before Deductions	23,217,256	20,599,969
Deductions from Common Equity Tier 1 Capital		
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	1,186,656	679,619
Improvement costs for operating leasing	65,919	67,193
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	551,062	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	-	-
Total Deductions From Common Equity Tier 1 Capital	1,803,637	1,202,080
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
Total Common Equity Tier 1 Capital	21,543,931	19,658,513

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

I. Explanations on Equity (Continued)

	Current Period September 30, 2021	Prior Period December 31, 2020
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA	4,642,733	3,853,763
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	-
Additional Tier I Capital before Deductions	4,642,733	3,853,763
Deductions from Additional Tier I Capital	-	-
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	-	-
Transition from the Core Capital to Continue to deduce Components	-	-
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 (-)	-	-
Total Deductions From Additional Tier I Capital	-	-
Total Additional Tier I Capital	4,642,733	3,853,763
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	26,186,664	23,512,276
TIER II CAPITAL		
Debt instruments and premiums deemed suitable by the BRSA	-	-
Debt instruments and premiums deemed suitable by BRSA (Temporary Article 4)	3,404,671	2,826,093
Provisions (Article 8 of the Regulation on the Equity of Banks)	2,350,723	1,916,622
Tier II Capital Before Deductions	5,755,394	4,742,715
Deductions From Tier II Capital	-	-
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 (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	5,755,394	4,742,715
Total Capital (The sum of Tier I Capital and Tier II Capital)	31,942,058	28,254,991
Deductions from Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	9,046	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 (-)	153,743	40,393
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components	-	-
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	-	-

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

I. Explanations on Equity (Continued)

	Current Period September 30, 2021	Prior Period December 31, 2020
TOTAL CAPITAL		
Total Capital	31,779,269	28,207,198
Total Risk Weighted Amounts	208,983,159	171,587,620
Capital Adequacy Ratios		
Core Capital Adequacy Ratio (%)	10.31	11.46
Tier I Capital Adequacy Ratio (%)	12.53	13.70
Capital Adequacy Ratio (%)	15.21	16.44
BUFFERS		
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 (%)	4.31	5.46
Amounts below the Excess Limits as per the Deduction Principles		
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	-	-
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	4,653,645	4,031,306
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	2,350,723	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	-	-
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	4,642,733	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	3,404,671	2,826,093
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

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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:

Information on debt instruments included in the calculation of equity:			
	1	2	3
Issuer	Qatar National Bank Q.P.S.C.	Qatar National Bank Q.P.S.C.	Qatar National Bank Q.P.S.C.
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	-	-	-
Governing law(s) of the instrument	BRSA	BRSA	BRSA
Regulatory treatment	Additional Capital	Supplementary Capital	Supplementary Capital
Transitional Basel III rules	No	No	No
Eligible at stand-alone / consolidated	Stand alone - Consolidated	Stand alone - Consolidated	Stand alone - Consolidated
Instrument type (types to be specified by each jurisdiction)	Loan	Loan	Loan
Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	4,643	1,105	2,299
Par value of instrument (Currency in million)	4,643	1,105	2,299
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 the impairment	-	-
Fully discretionary, partially discretionary or mandatory	Optional	-	-

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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: (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.

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NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2021

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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:

EQUITY ITEMS	T	T-1
Common Equity	21,543,931	21,543,931
Transition process not implemented Common Equity	21,413,619	21,413,619
Tier 1 Capital	26,186,664	26,186,664
Transition process not implemented Tier 1 Capital	26,056,352	26,056,352
Total Capital	31,779,269	31,779,269
Transition process not implemented Equity	31,648,957	31,648,957
TOTAL RISK WEIGHTED AMOUNTS		
Total Risk Weighted Amounts	208,983,159	208,983,159
Capital Adequacy Ratio		
Common Equity Adequacy Ratio (%)	10.31	10.31
Transition process not implemented Common Equity Adequacy Ratio (%)	10.25	10.25
Tier 1 Capital Adequacy Ratio (%)	12.53	12.53
Transition process not implemented Tier 1 Capital Adequacy Ratio (%)	12.47	12.47
Capital Adequacy Ratio (%)	15.21	15.21
Transition process not implemented Capital Adequacy Ratio (%)	15.14	15.14
LEVERAGE		
Leverage Ratio Total Risk Amount	388,093,694	388,093,694
Leverage (%)	6.63	6.63
Transition process not implemented Leverage Ratio (%) ¹	6.60	6.60

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

There are differences between amounts in the explanation on equity items and amounts on the balance sheet. In this context; up to 1.25% of the amount of the first and second part of the expected loss provisions is taken into account as contribution capital, loses from cash flow hedges have not been taken into consideration in the information on the equity items and valuation adjustments calculated according to item (i) of the first paragraph of the ninth article of the "Regulation on Equity of Banks" have been taken into consideration in the explanations on equity items.

II. Explanations on Risk Management

Notes and explanations in this section have been prepared in accordance with the Communiqué on Disclosures about RWA flow statements of credit risk exposures under IRB Risk Management to Be Announced to Public by Banks that have been published in Official Gazette no. 29511 on October 23, 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 September 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.

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NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2021

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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	
	30.09.2021	31.12.2020	30.09.2021	31.12.2020
1 Credit Risk (Excluding Counterparty Credit Risk)	180,182,601	147,672,351	14,414,608	11,813,788
2 Standardized approach	180,182,601	147,672,351	14,414,608	11,813,788
3 Internal rating-based approach	-	-	-	-
4 Counterparty credit risk	7,875,243	5,657,395	630,019	452,592
5 Standardized approach for counterparty credit Risk	7,875,243	5,657,395	630,019	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	4,175,075	3,589,088	334,006	287,127
17 Standardized approach	4,175,075	3,589,088	334,006	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	-	-	-	-
25 TOTAL (1+4+7+8+9+10+11+12+16+19+23+24)	208,983,159	171,587,620	16,718,652	13,727,010

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. In addition, the maximum foreign currency position that can be taken is determined on the basis of foreign currency types and table, and daily limit compliance control is performed by Risk Management.

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.

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NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2021

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

III. Explanations on Foreign Currency Exchange Rate Risk (Continued)

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	TRY 8,8433
Euro purchase rate at the date of the balance sheet	TRY 10,3135

<u>Date</u>	<u>US Dollar</u>	<u>Euro</u>
September 30, 2021	8,8433	10,3135
September 29, 2021	8,8585	10,3486
September 28, 2021	8,8355	10,3364
September 27, 2021	8,8240	10,3526
September 24, 2021	8,6584	10,1456

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

The basic arithmetical average of the Bank's US Dollar and Euro purchase rates for September 2021 are TRY 8,5119 and TRY 10,0286 respectively.

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NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2021

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

III. Explanations on Foreign Currency Exchange Rate Risk (Continued)

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

Current Period	EUR	USD	Other FC	Total
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank ⁽¹⁾	13,387,564	16,180,658	1,820,785	31,389,007
Due From Banks ⁽²⁾	3,036,356	3,729,554	215,411	6,981,321
Financial Assets at Fair Value through Profit/Loss ⁽³⁾	647,370	1,284,511	258	1,932,139
Money Market Placements	-	107,488	-	107,488
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	1,092,011	7,915,707	-	9,007,718
Loans and Receivables ⁽⁴⁾	36,184,167	21,586,200	189,226	57,959,593
Investments in Assoc., Subsidiaries and Entities under Common Control (Joint Vent.)	-	-	-	-
Financial Assets Measured at Amortized Cost	795,645	9,601,156	-	10,396,801
Derivative Financial Assets Hedging Purposes	-	402,855	-	402,855
Tangible Assets	-	-	22	22
Intangible Assets	-	-	-	-
Other Assets ⁽⁵⁾	19,595	18,239	946	38,780
Total Assets	55,162,708	60,826,368	2,226,648	118,215,724
Liabilities				
Bank Deposits	101,869	1,460,928	56,472	1,619,269
Foreign Currency Deposits ⁽⁶⁾	21,736,520	50,920,617	17,279,882	89,937,019
Money Market Borrowings	1,055,416	10,125,038	-	11,180,454
Funds Provided from Other Financial Institutions	8,662,617	17,435,444	-	26,098,061
Securities Issues	-	13,816,698	974,862	14,791,560
Miscellaneous Payables	3,153,079	3,338,872	14,044	6,505,995
Derivative Fin. Liabilities for Hedging Purposes	39,941	1,135,780	-	1,175,721
Other Liabilities ⁽⁷⁾	675,541	1,133,115	96,853	1,905,509
Total Liabilities	35,424,983	99,366,492	18,422,113	153,213,588
Net Balance Sheet Position	19,737,725	(38,540,124)	(16,195,465)	(34,997,864)
Net Off-Balance Sheet Position	(19,540,934)	37,044,757	16,200,076	33,703,899
Financial Derivative Assets	24,544,886	110,696,675	17,584,055	152,825,616
Financial Derivative Liabilities	44,085,820	73,651,918	1,383,979	119,121,717
Non-Cash Loans ⁽⁸⁾	12,140,623	12,231,861	624,828	24,997,312
Prior Period				
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
Net Balance Sheet Position	17,563,553	(41,175,512)	(16,531,841)	(40,143,800)
Net Off-Balance Sheet Position	(17,612,330)	39,341,684	16,523,358	38,252,712
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 TRY 1,747,951 (December 31, 2020 – TRY 1,160,921) precious metal deposit account.

⁽²⁾ There are foreign bank guarantees amounting to TRY 3,942,989 (December 31, 2020 – None)

⁽³⁾ Does not include TRY 270,958 (December 31, 2020– 239,259) of currency income accruals arising from derivative transactions. In accordance with TFRS 9, TRY 223,187 which is accounted under Financial Assets at Fair Value Through Profit or Loss is not included.

⁽⁴⁾ Includes TRY 391,798 (December 31, 2020 – TRY 489,555) FC indexed loans.

⁽⁵⁾ Does not include FC prepaid expenses amounting to TRY 45,717 (December 31, 2020 – TRY 47,634) as per BRSA's Communique published in Official Gazette no 26085 on 19 February 2006.

⁽⁶⁾ Other foreign currency includes TRY 15,306,963 (December 31, 2020 – TRY 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 TRY 316,514 (December 31, 2020 – TRY 181,798)

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

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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 TRY 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 TRY liquidity with long term swap transactions (fixed TRY interest rate and floating FC interest rate). Therefore, the Bank not only funds its long term fixed interest rate loans with TRY 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 ⁽¹⁾	Total
Current Period							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank ⁽²⁾	16,371,456	-	-	-	-	19,140,359	35,511,815
Due From Banks ⁽³⁾	480,242	-	-	-	-	6,981,743	7,461,985
Financial Assets at Fair Value Through Profit/Loss ⁽⁴⁾	498	159,008	102,831	41,676	17,990	9,775,696	10,097,699
Money Market Placements	243,558	-	-	-	-	-	243,558
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) ⁽⁵⁾	835,702	5,490,396	2,243,902	3,754,804	6,081,922	1,521,583	19,928,309
Loans and Receivables	36,401,204	25,497,862	58,220,218	38,734,747	5,159,425	1,671,778	165,685,234
Financial Assets Measured at Amortized Cost ⁽⁶⁾	1,004,684	4,290,277	6,466,646	4,605,131	5,593,686	680,971	22,641,395
Other Assets	-	-	-	-	-	11,363,663	11,363,663
Total Assets	55,337,344	35,437,543	67,033,597	47,136,358	16,853,023	51,135,793	272,933,658
Liabilities							
Bank Deposits	774,271	646,239	165,625	-	-	138,406	1,724,541
Other Deposits	70,992,981	24,705,640	3,286,209	283,121	193	62,000,449	161,268,593
Money Market Borrowings	8,337,388	2,281,603	6,540,327	-	-	-	17,159,318
Miscellaneous Payables	6,505,995	-	-	-	-	6,052,126	12,558,121
Securities Issued	5,334,034	1,967,072	6,853,357	5,918,766	-	-	20,073,229
Funds Borrowed	2,047,715	17,090,031	2,398,949	297,438	4,754,291	316	26,588,740
Other Liabilities ⁽⁷⁾	1,265	2,833	18,827	384,766	-	33,153,425	33,561,116
Total Liabilities	93,993,649	46,693,418	19,263,294	6,884,091	4,754,484	101,344,722	272,933,658
On Balance Sheet Long Position	-	-	47,770,303	40,252,267	12,098,539	-	100,121,109
On Balance Sheet Short Position	(38,656,305)	(11,255,875)	-	-	-	(50,208,929)	(100,121,109)
Off-Balance Sheet Long Position	8,157,004	11,237,171	-	-	-	-	19,394,175
Off-Balance Sheet Short Position	-	-	(1,347,350)	(1,058,214)	(10,590,305)	-	(12,995,869)
Total Position	(30,499,301)	(18,704)	46,422,953	39,194,053	1,508,234	(50,208,929)	6,398,306

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

⁽²⁾ 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 TRY 4,294 expected loss provisions.

⁽³⁾ Banks include balance of expected loss provisions amounting to TRY 526.

⁽⁴⁾ Financial Assets at Fair Value Through Profit/Loss include TRY 9,569,129 derivative financial assets used for hedging purposes.

⁽⁵⁾ Financial Assets at Fair Value Through Other Comprehensive Income include TRY 1,739,780 derivative financial assets used for hedging purposes.

⁽⁶⁾ Financial Assets measured at amortized cost includes the balance of the expected loss provisions amounting to TRY 6,340.

⁽⁷⁾ Other Liabilities include Derivative Financial Liabilities amounting to TRY 5,603,804.

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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 ⁽¹⁾	Total
Prior Period							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank ⁽²⁾	6,501,977	-	-	-	-	20,901,081	27,403,058
Due From Banks ⁽³⁾	72,063	-	-	-	-	1,384,472	1,456,535
Financial Assets at Fair Value Through Profit/Loss ⁽⁴⁾	1,306	284,331	19,797	77,532	22,847	8,114,065	8,519,878
Money Market Placements ⁽⁵⁾	342,734	-	-	-	-	-	342,734
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	1,807,231	1,277,032	3,165,778	3,839,136	4,728,569	1,764,029	16,581,775
Loans and Receivables	29,193,780	20,654,070	51,074,203	31,978,431	3,465,075	2,236,823	138,602,382
Financial Assets Measured at Amortized Cost ⁽⁶⁾	3,072,701	2,305,967	4,811,742	3,274,171	4,668,299	600,320	18,733,200
Other Assets	-	-	-	-	-	15,613,786	15,613,786
Total Assets	40,991,792	24,521,400	59,071,520	39,169,270	12,884,790	50,614,576	227,253,348
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	3,956,096	-	1,490	26,896,318
Other Liabilities ⁽⁷⁾	3,921	2,379	69,607	360,836	9,932	32,111,238	32,557,913
Total Liabilities	72,088,355	38,381,058	13,864,627	15,922,650	10,133	86,986,525	227,253,348
On Balance Sheet Long Position	-	-	45,206,893	23,246,620	12,874,657	-	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)
Total Position	(26,420,940)	(2,854,675)	44,969,138	21,599,262	3,686,338	(36,371,949)	4,607,174

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

⁽²⁾ 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 TRY 3,399 expected loss provisions.

⁽³⁾ Banks include balance of expected loss provisions amounting to TRY 10,168.

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

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

⁽⁶⁾ Financial Assets measured at amortized cost includes the balance of the expected loss provisions amounting to TRY 10,156

⁽⁷⁾ Other Liabilities includes Derivative Financial Liabilities amounting to TRY 8,077,352.

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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 (%)	TRY (%)
Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the T.R. Central Bank	-	-	-	12.50
Due from Banks	-	-	-	18.24
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	2.05	5.68	-	19.00
Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	2.53	5.35	-	18.19
Loans and Receivables	4.06	4.83	1.38	17.26
Financial Assets Measured at Amortized Cost	4.60	5.60	-	18.82
Liabilities				
Bank Deposits	0.05	0.44	-	17.56
Other Deposits	0.08	0.53	0.18	17.22
Money Market Borrowings	(0.20)	1.18	-	17.91
Miscellaneous Payables	(0.38)	-	-	-
Securities Issued	-	5.77	-	19.21
Funds Borrowed	2.30	4.77	-	15.56
	EURO (%)	USD (%)	JPY (%)	TRY (%)
Prior Period				
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	Carrying Value
1. Investment in Shares- grade A	-	-	-
Quoted Securities	-	-	-
2. Investment in Shares- grade B	-	-	-
Quoted Securities	-	-	-
3. Investment in Shares- grade C	902,695	902,695	-
Quoted Securities	902,695	902,695	-
4. Investment in Shares- grade Other (*)	1,442,959	1,388,086	-

(*) 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	-	1,624,970	1,624,970	-	-
2. Quoted Shares	19,746	-	-	-	-
3. Other Shares	-	-	-	-	-
4. Total	19,746	1,624,970	1,624,970	-	-

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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 TRY, 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.

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

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

Liquidity Coverage Ratio

Current Period – September 30, 2021	Unweighted Amounts ^(*)		Weighted Amounts ^(*)	
	TRY+FC	FC	TRY+FC	FC
HIGH QUALITY LIQUID ASSETS				
1 High Quality Liquid Assets			49,444,974	33,099,770
CASH OUTFLOWS				
2 Retail and Small Business Customers Deposits	119,786,331	65,376,340	10,848,324	6,537,634
3 Stable deposits	22,606,176	-	1,130,308	-
4 Less stable deposits	97,180,155	65,376,340	9,718,016	6,537,634
5 Unsecured Funding other than Retail and Small Business Customers Deposits	39,594,324	22,385,128	20,614,787	11,486,364
6 Operational deposits	1,333,706	333,896	333,427	83,474
7 Non-Operational Deposits	31,206,159	20,367,601	14,751,394	9,795,606
8 Other Unsecured Funding	7,054,459	1,683,631	5,529,966	1,607,284
9 Secured funding	-	-	-	-
10 Other Cash Outflows	13,421,112	4,272,074	13,421,112	4,272,074
11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions	13,421,112	4,272,074	13,421,112	4,272,074
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	62,982,588	3,028,693	3,149,129	151,435
15 Other irrevocable or conditionally revocable commitments	108,690,370	26,668,476	8,000,904	2,594,642
16 TOTAL CASH OUTFLOWS			56,034,256	25,042,149
CASH INFLOWS				
17 Secured Lending Transactions	107,386	211,219	-	-
18 Unsecured Lending Transactions	11,473,832	4,509,849	7,377,856	3,762,211
19 Other contractual cash inflows	12,358,026	10,602,337	12,358,026	10,602,337
20 TOTAL CASH INFLOWS	23,939,244	15,323,405	19,735,882	14,364,548
			Capped Amounts	
21 TOTAL HIGH QUALITY LIQUID ASSETS			49,444,974	33,099,770
22 TOTAL NET CASH OUTFLOWS			36,298,374	10,683,004
23 LIQUIDITY COVERAGE RATIO (%)			136.22	309.84

(*) Basic arithmetic average calculated for the last three months of values calculated by taking the monthly basic arithmetic average.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK

(Continued)

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

Liquidity Coverage Ratio (Continued)

Prior Period – December 31, 2020	Unweighted Amounts (*)		Weighted Amounts (*)		
	TRY+FC	FC	TRY+FC	FC	
HIGH QUALITY LIQUID ASSETS					
1	High Quality Liquid Assets		40,772,730	27,773,500	
CASH OUTFLOWS					
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
16	TOTAL CASH OUTFLOWS			85,805,621	56,119,973
CASH INFLOWS					
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
20	TOTAL CASH INFLOWS	55,639,832	46,858,140	51,065,362	46,208,637
			Capped Amounts		
21	TOTAL HIGH QUALITY LIQUID ASSETS			40,772,730	27,773,500
22	TOTAL NET CASH OUTFLOWS			34,740,259	14,033,946
23	LIQUIDITY COVERAGE RATIO (%)			117.36	197.90

(*) Basic arithmetic average calculated for the last three months of values calculated by taking the monthly basic arithmetic average.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK

(Continued)

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

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
TRY+FC	144.26	16/07/2021	130.66	03/09/2021	136.30
FC	518.99	20/08/2021	227.62	24/09/2021	328.29

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 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 60% 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.

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

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

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 ⁽¹⁾	Total
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R Central Bank ⁽²⁾	19,276,602	16,239,507	-	-	-	-	(4,294)	35,511,815
Due from Banks ⁽³⁾	3,039,280	4,423,231	-	-	-	-	(526)	7,461,985
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL) ⁽⁴⁾	205,465	1,120,170	862,411	2,747,606	4,021,394	1,140,653	-	10,097,699
Money Markets Placements ⁽⁵⁾	-	243,558	-	-	-	-	-	243,558
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) ⁽⁶⁾	7,674	46,687	430,665	1,669,202	9,556,277	8,217,804	-	19,928,309
Loans and Receivables	-	31,461,724	13,539,600	53,398,069	49,517,088	16,096,975	1,671,778	165,685,234
Financial Assets Measured at Amortized Cost ⁽⁷⁾	-	199,640	-	749,514	13,621,280	8,077,301	(6,340)	22,641,395
Other Assets	-	3,150,947	-	-	1,570,705	-	6,642,011	11,363,663
Total Assets	22,529,021	56,885,464	14,832,676	58,564,391	78,286,744	33,532,733	8,302,629	272,933,658
Liabilities								
Bank Deposits	138,406	774,271	646,239	165,625	-	-	-	1,724,541
Other Deposits	62,000,449	70,992,981	24,705,640	3,286,209	283,121	193	-	161,268,593
Funds Borrowed	-	805,338	4,564,898	5,007,371	2,942,993	8,513,533	4,754,607	26,588,740
Money Market Borrowings	-	6,797,835	50	8,136,947	976,111	1,248,375	-	17,159,318
Securities Issued	-	2,926,681	1,524,251	8,371,527	7,250,770	-	-	20,073,229
Miscellaneous Payables	-	12,558,121	-	-	-	-	-	12,558,121
Other Liabilities ⁽⁸⁾	-	5,229,992	210,320	1,335,683	1,730,289	2,175,719	22,879,113	33,561,116
Total Liabilities	62,138,855	100,085,219	31,651,398	26,303,362	13,183,284	11,937,820	27,633,720	272,933,658
Liquidity Excess / (Gap)	(39,609,834)	(43,199,755)	(16,818,722)	32,261,029	65,103,460	21,594,914	(19,331,092)	-
Net Off Balance Sheet Position ⁽⁹⁾								
Receivables from Financial Derivative Instruments	-	666,219	503,291	1,633,574	2,755,194	36	-	5,558,314
Liabilities from Derivatives	-	43,419,172	24,324,082	26,641,696	35,267,526	39,236,873	-	168,889,349
Non-cash Loans ⁽¹⁰⁾	-	2,516,699	5,342,401	9,283,583	3,375,849	367,907	16,610,673	37,497,112
Prior period								
Total Assets	15,488,238	47,683,691	16,511,079	46,247,260	63,620,426	28,691,958	9,010,696	227,253,348
Total Liabilities	50,123,357	80,284,883	22,753,439	18,224,291	24,829,908	5,830,802	25,206,668	227,253,348
Liquidity Excess / (Gap)	(34,635,119)	(32,601,192)	(6,242,360)	28,022,969	38,790,518	22,861,156	(16,195,972)	-
Net-Off Balance Sheet Position ⁽⁹⁾								
Receivables from Derivative Instruments	-	(1,117,746)	(804,808)	1,549,989	1,906,623	27,793	-	1,561,851
Liabilities from Derivative Instruments	-	42,825,059	26,557,248	14,206,270	41,032,444	32,234,801	-	156,855,822
Non-cash Loans ⁽¹⁰⁾	-	43,942,805	27,362,056	12,656,281	39,125,821	32,207,008	-	155,293,971

⁽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 TRY21,744,040 (December, 31 2020 : TRY19,222,421) and unallocated provisions amounting to TRY1,135,073 (December 31, 2020: TRY1,064,819).

⁽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 TRY4,294 (December 31, 2020 : TRY3,399)..

⁽³⁾ Banks include balance of expected loss provisions amounting to TRY526 (December 31, 2020 : TRY10,168)..

⁽⁴⁾ Financial Assets at Fair Value Through Profit/Loss includes TRY9,569,129 (December 31, 2020 : TRY7,948,940) 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 TRY1,739,780 (December 31, 2020: TRY1,400,686) fair value derivative financial assets used for hedging purposes.

⁽⁷⁾ Financial assets measured at amortized cost include TRY6,340 (December 31, 2020: TRY10,156) of expected loss provisions.

⁽⁸⁾ Other Liabilities includes Derivative Financial Liabilities amounting to TRY5,603,804 (December 31, 2020 TRY8,077,352).

⁽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.

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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 6.63% (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:

	Book Value	
	Current Period (*)	Prior Period (*)
Assets on Balance sheet		
Assets on Balance sheet (except for derivative financial instruments and credit (Assets deducted from capital stock)	255,123,307	220,618,150
Total risk amount related to Assets on Balance sheet	254,520,663	220,100,577
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	10,686,828	11,863,358
Potential credit risk amount of derivative financial instruments and credit derivatives	1,637,948	1,699,987
Total risk amount related to derivative financial instruments and credit derivatives	12,324,776	13,563,345
Financial transactions having security or commodity collateral		
Risk amount of financial transactions having security or commodity collateral	1,426	14,346
Risk amount sourcing from transactions mediated	68,512	11,707,746
Total risk amount related to financial transactions having security or commodity collateral	69,938	11,722,092
Off-Balance sheet Transaction		
Gross nominal amount of off-balance sheet transactions	177,496,249	139,102,744
(Adjustment amount sourcing from multiplying to credit conversion rates)	56,317,932	36,851,418
Total risk amount related to off-balance sheet transactions	121,178,317	102,251,326
Capital and Total Risk		
Core Capital	25,733,165	23,284,168
Amount of total risk	388,093,694	347,637,340
Financial leverage ratio		
Financial leverage ratio	% 6.63	% 6.70

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

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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	
	TRY	FC	TRY	FC
Cash in TRY/Foreign Currency	634,838	2,880,392	616,296	1,486,250
T.R. Central Bank	3,385,541	28,423,774	1,811,815	23,368,532
Other	106,723	84,841	77,629	45,935
Total	4,127,102	31,389,007	2,505,740	24,900,717

b) Balances with the Central Bank of Turkey

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Unrestricted Demand Deposits	3,385,541	12,184,267	1,811,815	9,884,092
Restricted Time Deposits	-	16,239,507	-	13,484,440
Total	3,385,541	28,423,774	1,811,815	23,368,532

As of September 30, 2021 amount of TRY4,294 (December 31, 2020: TRY3,399) provision provided for the account T.R. Central Bank.

As of 30 September 2021, our bank has been appointed to CBRT depending on the maturity structure, the required reserve rates for TRY liabilities vary between 3% and 8% for TRY 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 TRY, USD, EUR and standard gold. In the period of 30 September 2021, the Bank earned interest by using 12.5% interest rate for TRY 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 TRY17,411 (December 31, 2020 – TRY16,933).

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	
	TRY	FC	TRY	FC
Forward Transactions	307,502	-	150,165	-
Swap Transactions	2,758,537	1,460,121	2,725,863	1,679,819
Futures Transactions	-	-	-	-
Options	394	151,811	102	161,465
Total	3,066,433	1,611,932	2,876,130	1,841,284

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NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2021

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Disclosures Related to Assets (Continued)

3. a) Information on banks accounts

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Banks				
Domestic	481,190	48,445	965	127,042
Foreign	-	6,932,876	152	1,338,544
Foreign Head Offices and Branches	-	-	-	-
Total	481,190	6,981,321	1,117	1,465,586

As of September 30, 2021 amount of TRY526 provision provided for the Bank account (December 31, 2020 - TRY10,168).

In accordance with the Uniform Chart of Accounts, which became effective as of January 1, 2021, foreign bank guarantees amounting to TRY3,942,989 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 (**)	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	828,334	597,949	3,869,690	-
USA and Canada	2,058,971	692,396	2,211	-
OECD Countries (*)	40,913	2,865	-	-
Off-shore Banking Regions	-	-	-	-
Other	61,877	45,486	70,880	-
Total	2,990,095	1,338,696	3,942,781	-

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

(**) No money is kept in blocked accounts in foreign banks for loans used from foreign markets. (December 31, 2020 – None).

4. Information on Receivables from Reverse Repurchase Agreements

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Domestic Transactions	136,070	-	250,124	-
T.R Central Bank	-	-	-	-
Banks	136,070	-	250,124	-
Intermediary Institutions	-	-	-	-
Other Financial Institutions and Organizations	-	-	-	-
Other Institutions and Organization	-	-	-	-
Real Persons	-	-	-	-
Foreign Transactions	-	107,488	-	92,610
Central Banks	-	-	-	-
Banks	-	107,488	-	92,610
Intermediary Institutions	-	-	-	-
Other Financial Institutions and Organizations	-	-	-	-
Other Institutions and Organizations	-	-	-	-
Real Persons	-	-	-	-
Total	136,070	107,488	250,124	92,610

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Disclosures Related to Assets (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	
	TRY	FC	TRY	FC
Given as Collateral/ Blocked	2,224,239	340,833	920,138	303,114
Subject to repurchase agreements	375,976	5,972,642	27,227	7,627,357
Total	2,600,215	6,313,475	947,365	7,930,471

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

	Current Period	Prior Period
Debt securities	18,812,373	15,282,501
Quoted on a stock exchange (*)	18,812,373	15,282,501
Unquoted on a stock exchange	-	-
Share certificates	7,781	7,781
Quoted on a stock exchange	-	-
Unquoted on a stock exchange	7,781	7,781
Impairment provision(-)**	(631,625)	(109,193)
Total	18,188,529	15,181,089

(*) The Eurobond Portfolio amounting to TRY3,394,468 (December 31, 2020 - TRY3,176,047) 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 September 30, 2021 amount of TRY3,198 (December 31, 2020 - TRY2,083) 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
Direct Loans Granted to Shareholders	-	55,271	2,500	45,878
Corporate Shareholders	-	55,271	2,500	45,878
Individual Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees(*)	160,409	-	149,520	-
Total	160,409	55,271	152,020	45,878

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

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

I. Explanations and Disclosures Related to Assets (Continued)

6. Information related to loans (Continued)

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

b.1) Financial assets measured at amortized cost

Cash Loans	Standard Loans and Other Receivables	Loans Under Close Monitoring			
		Loans and Receivables Not Subject to restructuring	Restructured Loans and Receivables		
			Loans and Receivables with Revised Contract Terms	Refinance	
Non-specialized Loans	152,356,446	7,146,404	376,506	8,615,478	
Enterprise Loans	2,536,457	13,866	-	-	
Export Loans	7,572,756	42,529	-	-	
Import Loans	8,932	-	-	-	
Loans Given to Financial Sector	4,470,399	30	-	-	
Retail Loans	33,822,262	1,371,400	261,771	766,560	
Credit Cards	23,975,454	1,815,408	-	390,008	
Other	79,970,186	3,903,171	114,735	7,458,910	
Specialized Loans	-	-	-	-	
Other Receivables	-	-	-	-	
Total	152,356,446	7,146,404	376,506	8,615,478	

(*) 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, TRY858,463 (31 December 2020 - TRY929,407) and TRY482,410 provision was allocated. (31 December 2020 - TRY549,594).

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Disclosures Related to Assets (Continued)

6. Information related to loans (Continued)

	Standard Loans	Loans Under Close Monitoring
Current Period		
Provision for 12 Month Expected Credit Losses	1,521,865	-
Significant Increase in Credit Risk	-	2,959,511
Prior Period		
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 TRY142,694 under financial assets at fair value through profit or loss in line with TFRS 9 (31 December 2020 - TRY116,829).

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 Not Subject to Restructuring
Short-term Loans	61,619,932	1,815,408	390,008
Medium and Long-term Loans	90,736,514	5,330,996	8,601,976
Total	152,356,446	7,146,404	8,991,984

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

I. Explanations and Disclosures Related to Assets (Continued)

6. Information related to loans (Continued)

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

	Short Term	Medium and Long Term	Total
Consumer Loans-TRY	1,293,518	31,831,659	33,125,177
Housing Loans	1,068	3,605,829	3,606,897
Automobile Loans	584	21,461	22,045
Personal Need Loans	1,291,866	28,204,369	29,496,235
Other	-	-	-
Consumer Loans-FC Indexed	-	1,309	1,309
Housing Loans	-	1,156	1,156
Automobile Loans	-	-	-
Personal Need Loans	-	153	153
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TRY	19,469,347	395,905	19,865,252
Installment	6,764,995	265,415	7,030,410
Non- Installment	12,704,352	130,490	12,834,842
Individual Credit Cards-FC	34,953	67	35,020
Installment	-	-	-
Non- Installment	34,953	67	35,020
Personnel Loans-TRY	7,774	85,467	93,241
Housing Loans	-	319	319
Automobile Loans	-	-	-
Personal Need Loans	7,774	85,148	92,922
Other	-	-	-
Personnel Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TRY	63,376	651	64,027
Installment	21,099	217	21,316
Non-Installment	42,277	434	42,711
Personnel Credit Cards-FC	224	-	224
Installment	-	-	-
Non-Installment	224	-	224
Overdraft Accounts-TRY (Real Persons)	2,859,294	142,972	3,002,266
Overdraft Accounts-FC (Real Persons)	-	-	-
Total	23,728,486	32,458,030	56,186,516

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

I. Explanations and Disclosures Related to Assets (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
Commercial Loans with Installment Facility – TRY	1,111,091	18,745,501	19,856,592
Real Estate Loans	161	227,884	228,045
Automobile Loans	15,029	619,893	634,922
Personal Need Loans	1,095,901	17,897,724	18,993,625
Other	-	-	-
Commercial Loans with Installment Facility - FC Indexed	-	375,393	375,393
Real Estate Loans	-	2,118	2,118
Automobile Loans	-	1,868	1,868
Personal Need Loans	-	371,407	371,407
Other	-	-	-
Commercial Loans with Installment Facility – FC	-	-	-
Real Estate Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Corporate Credit Cards –TRY	6,114,456	99,387	6,213,843
Installment	2,293,721	60,143	2,353,864
Non-Installment	3,820,735	39,244	3,859,979
Corporate Credit Cards –FC	2,499	5	2,504
Installment	-	-	-
Non-Installment	2,499	5	2,504
Overdraft Accounts-TRY (Legal Entities)	1,174,964	8,086	1,183,050
Overdraft Accounts-FC (Legal Entities)	-	-	-
Total	8,403,010	19,228,372	27,631,382

f) Allocation of loans to customers^(*)

	Current Period	Prior Period
Public	122,060	-
Private	168,372,774	140,230,859
Total	168,494,834	140,230,859

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

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

	Current Period	Prior Period
Domestic Loans	167,344,542	139,129,640
Foreign Loans	1,150,292	1,101,219
Total	168,494,834	140,230,859

(*) 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	1,564,516	1,256,220
Indirect Loans Granted to Subsidiaries and Associates	-	-
Total	1,564,516	1,256,220

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NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2021

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

I. Explanations and Disclosures Related to Assets (Continued)

6. Information related to loans (Continued)

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

	Current Period	Prior Period
Provisions		
Loans and Receivables with Limited Collectability	89,432	501,358
Doubtful Loans and Other Receivables	882,253	311,173
Uncollectible Loans and Receivables	5,394,258	6,077,239
Total	6,365,943	6,889,770

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
Current Period			
Gross Amounts Before the Provisions	-	219	199,117
Restructured Loans	-	219	199,117
Prior Period			
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
Prior Period End Balance	932,487	535,729	7,659,377
Additions (+)	206,867	1,004,162	105,916
Transfers from Other Categories of Non-Performing Loans (+)	-	998,954	898,247
Transfers to Other Categories of Non-Performing Loans (-)	998,954	898,247	-
Collections (-)	32,857	209,995	1,143,598
Write-offs (-)	-	-	379
Debt Sales (-)	-	-	1,019,989
Corporate and Commercial Loans	-	-	240,776
Consumer Loans	-	-	339,137
Credit Cards	-	-	440,076
Others	-	-	-
Current Period End Balance	107,543	1,430,603	6,499,574
Provision (-)	89,432	882,253	5,394,258
Net Balances on Balance Sheet	18,111	548,350	1,105,316

(*) The Bank sold TL 1,019,989 of its non-performing loans portfolio to the asset management firm for a consideration of TL 205,772.

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

None (December 31, 2020- None).

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT(Continued)

I. Explanations and Disclosures Related to Assets (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
Current Period (Net)	18,111	548,350	1,105,316
Loans to Real Persons and Legal Entities (Gross)	107,543	1,430,603	6,245,195
Provision (-)	89,432	882,253	5,139,879
Loans to Real Persons and Legal Entities (Net)	18,111	548,350	1,105,316
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	254,379
Provision (-)	-	-	254,379
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	431,129	224,556	1,581,138
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
Current Period (Net)			
Interest Accruals and Valuation Differences	9,817	471,612	779,028
Provision (-)	8,066	292,168	567,538
Prior Period (Net)			
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 off taking over such loans and receivables that are proven to be uncollectible in legal follow-up process. The bank also sells its non-performing loans portfolio to asset management firms.

QNB FİNANSBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2021

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

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT(Continued)

I. Explanations and Disclosures Related to Assets (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	
	TRY	FC	TRY	FC
Given as Collateral / Blocked	606,704	54,374	1,943,581	-
Subject to repurchase agreements	5,609,508	9,069,761	3,545,946	7,500,243
Total	6,216,212	9,124,135	5,489,527	7,500,243

b) Information on government debt securities measured at amortized cost

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Government Bond	12,250,934	9,641,847	9,559,633	8,413,914
Treasury Bill	-	-	-	-
Other Debt Securities	-	172,988	-	208,028
Total	12,250,934	9,814,835	9,559,633	8,621,942

c) Information on investment securities measured at amortized cost

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Debt Securities	12,250,934	10,396,801	9,559,633	9,183,723
Publicly-traded	12,250,934	10,396,801	9,559,633	9,183,723
Non-publicly traded	-	-	-	-
Provision for losses (-)	-	-	-	-
Total	12,250,934	10,396,801	9,559,633	9,183,723

d) Movement of investments measured at amortized cost within the period:

	Current Period	Prior Period
Value at the beginning of the period	18,743,356	16,181,302
Exchange differences on monetary assets	1,745,825	1,745,497
Acquisitions during the year	3,666,627	2,333,458
Disposals through sales and redemptions	(2,404,893)	(2,260,925)
Provision for losses (-)	-	-
Valuation effect	896,820	744,024
The sum of end of the period	22,647,735	18,743,356

As of September 30, 2021, a provision amounting to TRY6,340 (December 31,2020 - TRY10,156) is provided for the financial assets measured at amortized cost.

QNB FİNANSBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2021

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT(Continued)

I. Explanations and Disclosures Related to Assets (Continued)

8. Investments in associates (Net)

8.1 Investments in associates

a) Information on the unconsolidated subsidiaries

Title	Address (City/ Country)	Bank's Share-If Different, Voting Rights (%)	Bank's Risk Group Share (%)
Bankalararası Kart Merkezi (BKM) ^(*)	Istanbul/Turkey	4.52	4.52
Ulusal Derecelendirme A.Ş. ^(**)	Istanbul/Turkey	2.86	2.86

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
348,299	288,916	89,269	16,427	-	53,975	19,616	-
31,238	25,827	22,785	1,354	-	6,146	6,146	-

^(*) Current period information is based on September 30, 2021 financials. Prior period profit and loss amounts are based on September 30, 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.

b) Information on the consolidated subsidiaries

None (December 31, 2020 – None).

8.2. Movements of investments in associates

	Current Period	Prior Period
Balance at the Beginning of Period	14,026	5,982
Movements During the Period		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 (-)	-	-
Balance at the End of the Period	14,026	14,026
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

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
Total	14,026	14,026

8.4. Quoted Associates

None (December 31, 2020 - None).

QNB FİNANSBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2021

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT(Continued)

01. Explanations and Disclosures Related to Assets (Continued)

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	-	-
Total	14,026	14,026

9. Investments in subsidiaries (Net)

a) Information on the unconsolidated subsidiaries

Title	Address (City/Country)	Bank's Share-If different, Voting Rights (%)	Bank's Risk Group Share (%)	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
2. EFINANS Elektronik Ticaret ve Bilişim Hizmetleri A.Ş. (*)	Istanbul/Turkey	100.00	100.00	40,193	19,385	5,679	2,779	-	6,614	(4,914)	-

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

QNB FİNANSBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2021

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

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT(Continued)

I. Explanations and Disclosures Related to Assets (Continued)

9. Investments in subsidiaries (Net) (Continued)

b) Information on the consolidated subsidiaries

b.1) Information on the consolidated subsidiaries

Subsidiary	Address (City/Country)	Bank's Share If Different, Voting Rights Bank's Risk Group Share	
		(%)	(%)
1. QNB Finans Yatırım Menkul Değerler A.Ş.	Istanbul/Turkey	99.80	100.00
2. QNB Finans Finansal Kiralama A.Ş.	Istanbul/Turkey	99.40	99.40
3. 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

	Total Assets	Shareholder s' Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value ^(*)
1.	1,686,795	494,773	16,064	131,244	6,396	136,234	127,360	651,544
2.	9,666,535	1,165,972	18,719	589,267	-	128,124	106,419	902,695
3.	82,918	77,747	1,199	1,356	-	13,214	8,255	90,142
4.	3,109,945	252,233	14,554	341,107	-	50,380	27,361	366,793
5.	336	326	-	-	-	(57)	174	-

b.2) Movement xchange for consolidated subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	1,558,470	1,212,068
Movements during the period	452,704	346,402
Bonus Shares Received	-	-
Purchases ^(*)	124,800	-
Dividends from Current Year Profit	-	-
Disposals ^(**)	(25,650)	-
Revaluation Increase	353,554	346,402
Impairment Provision	-	-
Balance at the End of the Period	2,011,174	1,558,470
Capital Commitments	-	-
Share Percentage at the end of the Period (%)	-	-

^(*) 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

	Current Period	Prior Period
Factoring Companies	366,793	287,677
Leasing Companies	902,695	758,848
Finance Companies	-	25,650
Other Subsidiaries	741,686	486,295
Total	2,011,174	1,558,470

QNB FİNANSBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2021

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

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT(Continued)

I. Explanations and Disclosures Related to Assets (Continued)

9. Investments in subsidiaries (Net) (Continued)

b.4) Subsidiaries quoted on stock exchange

	Current Period	Prior Period
Quoted on Domestic Stock Exchanges	902,695	758,848
Quoted on International Stock Exchanges	-	-
Total	902,695	758,848

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

The Bank does not have any significant subsidiaries.

01. Information on joint ventures

Title	Address (City/Country)	Bank's Share-If different, Voting Rights (%)	Bank's Risk Group Share (%)
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

	Total Assets	Shareholder s' Equity	Total Fixed Asset	Interest Income	Securities Income	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1. (*)	2,076,406	270,262	36,382	-	-	168,121	135,108	279,608
2.	181,015	126,608	41,093	-	-	28,151	15,664	-

(*) 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 August 2021, and prior period profit and loss amounts are presented based on the financial statements prepared as of 30 September 2020.

01. Information on lease receivables (Net)

None (December 31, 2020 – None).

12. Information on the hedging derivative financial assets

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Fair Value Hedge (*)	4,684,700	206,064	2,966,278	265,248
Cash Flow Hedge (**)	1,542,989	196,791	1,143,010	257,676
Foreign Net Investment Hedges	-	-	-	-
Total	6,227,689	402,855	4,109,288	522,924

(*) Derivative Financial Instruments at fair value consists swaps. As of September 30, 2021, TRY4,684,700 (December 31, 2020 – TRY2,966,278) from securities, TRY206,064 (December 31, 2020 – TRY265,248) from loans, represents 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.

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT(Continued)

01. Explanations and Disclosures Related to Assets (Continued)

13. Explanations regarding the investment properties

None (December 31, 2020- None).

14. Information on Tax Asset

As of September 30, 2021, the Bank has TRY1,867 current tax asset and TRY279,760 deferred tax asset calculated under the related regulations.

Deferred tax assets and liabilities are reflected to the financial statements by netting off according to TAS 12. As of September 30, 2021, the Bank has deferred tax assets amounting to TRY1,795,504 and deferred tax liabilities amounting to 1,515,744 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 TRY51,854 has been netted under equity (December 31, 2020 – TRY39,474 deferred tax asset).

	Accumulated Temporary Differences		Deferred Tax Assets/(Liabilities)	
	30.09.2021	31.12.2020	30.09.2021	31.12.2020
Provision for Employee Rights	601,662	589,451	120,332	117,890
Difference Between the Book Value of Financial Assets and Tax Base	248,986	954,436	49,797	190,887
Other ^(*)	8,126,873	5,035,574	1,625,375	1,010,546
Deferred Tax Assets			1,795,504	1,319,323
Difference Between the Book Value Financial Assets and Tax Base	(400,010)	(378,548)	(80,002)	(75,710)
Difference Between the Book Value of Financial Assets and Tax Base	(5,799,634)	(1,191,243)	(1,159,927)	(238,248)
Other	(984,872)	(368,326)	(275,815)	(73,665)
Deferred Tax Liabilities			(1,515,744)	(387,623)
Deferred Tax Assets/(Liabilities), Net			279,760	931,700

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

	Current Period 01.01-30.09.2021	Prior Period 01.01-30.09.2020
Deferred Tax as of January 1 Active/ Passive – Net	931,700	348,688
Deferred Tax (Loss) / Gain	(703,794)	(452,735)
Deferred Tax that is Realized Under Shareholder's Equity	51,854	282,866
Deferred Tax Active/ (Passive) – Net	279,760	178,819

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

None (31 December 2020 – None).

QNB FİNANSBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2021

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT(Continued)

I. Explanations and Disclosures Related to Assets (Continued)

16. Information on other assets

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 September 30, 2021, the bank provisions for other assets to TRY1,006 (December 31, 2020 – TRY8,033).

17. Accrued interest and income

The details of interest and income 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	
	TRY	FC	TRY	FC
Derivative Financial Instruments	9,294,122	2,014,787	6,985,418	2,364,208
Loans	4,097,039	959,254	3,565,838	788,150
Financial Assets measured at amortized cost	150,943	(378,590)	155,725	199,644
Financial Assets at Fair Value Through Other Comprehensive Income	551,239	136,071	464,532	145,944
Central Bank of Turkey	133,347	-	23,626	-
Financial Assets at Fair Value Through Profit or Loss	313	-	124	-
Banks	1,083	18	37	1,182
Other Accruals	12,514	525	69,085	522
Total	14,240,600	2,732,065	11,264,385	3,499,650

QNB FİNANSBANK ANONİM ŞİRKETİ

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2021**

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT(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	7,946,088	-	11,853,510	27,920,193	1,330,379	477,915	1,470,547	940	50,999,572
Foreign Currency	34,228,688	-	8,065,307	22,618,377	6,881,751	1,048,177	1,784,062	3,694	74,630,056
Residents in Turkey	32,575,270	-	7,990,229	21,931,869	6,575,826	1,009,784	1,155,960	3,694	71,242,632
Residents Abroad	1,653,418	-	75,078	686,508	305,925	38,393	628,102	-	3,387,424
Public Sector Deposits	567,592	-	13,861	1,881	1,459	69	-	-	584,862
Commercial Deposits	4,774,342	-	6,045,359	7,511,668	79,962	251,712	20,834	-	18,683,877
Other Ins. Deposits	88,944	-	79,569	657,598	67,159	169,656	337	-	1,063,263
Precious Metal Deposits	14,394,795	-	4,784	31,687	13,075	17,748	844,874	-	15,306,963
Bank Deposits	138,406	-	774,270	646,241	165,624	-	-	-	1,724,541
T.R Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	4,233	-	60,029	-	-	-	-	-	64,262
Foreign Banks	129,861	-	714,241	646,241	165,624	-	-	-	1,655,967
Participation Banks	4,312	-	-	-	-	-	-	-	4,312
Other	-	-	-	-	-	-	-	-	-
Total	62,138,855	-	26,836,660	59,387,645	8,539,409	1,965,277	4,120,654	4,634	162,993,134

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	-	-	-	-	-	-	-	-	-
Total	50,123,357	-	20,396,415	49,942,173	4,968,482	1,700,702	3,424,029	4,573	130,559,731

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	24,663,729	18,829,545	26,335,843	16,297,157
Foreign Currency Savings Deposits	16,354,025	17,246,257	46,633,385	39,206,519
Other Saving Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
Total	41,017,754	36,075,802	72,969,228	55,503,676

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

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT(Continued)

II. Explanations and Disclosures Related to Liabilities (Continued)

1. Information on maturity structure of deposits (Continued)

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	2,075	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	292,527	223,784
Deposits obtained through illegal acts defined in the 282 nd Article of the 5237 numbered Turkish Criminal Code dated 26 September 2004	-	-
Saving deposits in banks established in Turkey exclusively for off-shore banking activities	-	-
Total	294,602	236,622

2. Information on trading derivative financial liabilities

Negative differences table for derivative financial liabilities held for trading

	Current Period ^(*)		Prior Period	
	TRY	FC	TRY	FC
Forwards transactions	409,734	-	113,317	-
Swaps transactions	2,365,174	1,596,422	4,629,044	1,722,572
Futures transactions	-	-	-	-
Options	3,214	25,755	2,924	26,523
Other	-	-	-	-
Total	2,778,122	1,622,177	4,745,285	1,749,095

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

3. Information on funds borrowed

a) Information on banks and other financial institutions

	Current Period		Prior Period	
	TRY	FC	TRY	FC
T.R. Central Bank Loans	-	-	-	-
Domestic Bank and Institutions	490,679	281,553	486,735	393,343
Foreign Bank, Institutions and Funds	-	17,590,464	-	19,311,946
Total	490,679	17,872,017	486,735	19,705,289

b) Maturity information on funds borrowed

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Short-Term	490,679	3,376,592	486,735	5,547,774
Medium and Long-Term	-	14,495,425	-	14,157,515
Total	490,679	17,872,017	486,735	19,705,289

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

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

As of September 30, 2021 the Bank's liabilities comprise; 60% deposits (December 31, 2020 – 57%), 7% funds borrowed (December 31, 2020 – 9%), 7% issued bonds (December 31, 2020 – 6%) and 6% Money Market Debts (December 31, 2020 – 6%).

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT(Continued)

II. Explanations and Disclosures Related to Liabilities (Continued)

4. Information on funds provided under repurchase agreements

	Current Period		Prior Period	
	TRY	FC	TRY	FC
From domestic transactions	5,668,925	-	3,593,907	-
Financial institutions and organizations	5,657,840	-	3,579,659	-
Other institutions and organizations	4,204	-	8,731	-
Real persons	6,881	-	5,517	-
From foreign transactions	309,939	11,180,454	782,537	10,112,950
Financial institutions and organizations	303,364	11,180,454	775,550	10,112,950
Other institutions and organizations	6,575	-	6,987	-
Real persons	-	-	-	-
Total	5,978,864	11,180,454	4,376,444	10,112,950

5. Information on securities issued (Net)

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Bank Bonds	5,281,669	1,141,640	1,502,745	829,044
Bills	-	13,649,920	52,219	11,122,377
Total	5,281,669	14,791,560	1,554,964	11,951,421

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

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 Liabilities

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	26,867	22,925	89,138	80,326
Between 1 - 4 years	444,614	384,765	399,531	366,087
More than 4 years	-	-	332	262
Total	471,481	407,690	489,001	446,675

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT(Continued)

II. Explanations and Disclosures Related to Liabilities (Continued)

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 (Continued)

7.3. 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.

7.4. 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	
	TRY	FC	TRY	FC
Fair Value Hedge ^(*)	-	567,474	9,318	666,991
Cash Flow Hedge ^(**)	27,784	608,247	19,101	887,562
Net Investment Hedge	-	-	-	-
Total	27,784	1,175,721	28,419	1,554,553

^(*) Derivative financial instruments for fair value hedge purposes consist of swaps. As of September 30, 2021, TRY567,474 from securities (December 31, 2020 – TRY666,991), 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 – TRY9,318).

^(**) 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.

9. Information on provisions

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

	Current Period	Prior Period
Foreign Exchange Provision for Foreign Currency Indexed Loans ^(*)	-	-

^(*) 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

	Current Period	Prior Period
Stage 1	146,969	119,744
Stage 2	13,133	13,505
Stage 3	48,265	48,284
Total	208,367	181,533

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT(Continued)

II. Explanations and Disclosures Related to Liabilities (Continued)

9. Information on provisions (Continued)

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 September 30, 2021 the Bank presented the provision for severance pay of TRY 321,613 (December 31, 2020 - TRY 282,700) under the “Reserves for Employee Benefits” item in its financial statements.

As of September 30, 2021, the Bank has shown a total vacation liability of TRY 59,992 (December 31, 2020 - TRY 47,661) under the “Reserves for Employee Benefits” in its financial statements.

As of September 30, 2021 TRY 220,057 (December 31, 2020 – TRY 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

	Current Period 01.01-30.09.2021	Prior Period 01.01-30.09.2020
As of January 1	282,700	230,436
Service Cost	26,188	22,133
Interest Cost	27,627	21,326
Settlement / curtailment / termination loss	16,210	6,144
Actuarial Difference	(167)	667
Paid during the period	(30,945)	(26,541)
Total	321,613	254,165

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 TRY 281,794 (December 31, 2020 – TRY 293,835) in other provisions. The Bank has benefited from the relevant articles of the Law No. 7326 regarding various ongoing tax lawsuits.

10. Taxation

10.1. Current Taxes

10.1.1. Current tax liability

As of September 30, 2021, the Bank’s current tax liability is none (December 31, 2020 – TRY 1,093,718). As of September 30, 2021, the Bank’s prepaid tax is amounting to TRY 1,867 (December 31, 2020 – TRY 30,019).

10.1.2. Information on taxes payable

	Current Period	Prior Period
Banking and Insurance Transaction Tax (BITT)	126,013	97,870
Taxation on Securities Income	62,457	49,371
Taxation on Real Estates Income	2,869	1,292
Other	36,747	39,159
Corporate taxes payable	-	1,063,699
Total	228,086	1,251,391

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

	Current Period	Prior Period
Social Security Premiums - Employee Share	14,316	12,222
Social Security Premiums - Employer Share	16,228	13,522
Unemployment Insurance - Employee Share	1,007	859
Unemployment Insurance - Employer Share	2,014	1,718
Total	33,565	28,321

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT(Continued)

II. Explanations and Disclosures Related to Liabilities (Continued)

11. Information on payables related to assets held for sale

None (December 31, 2020 – None).

12. Information on subordinated loans

	Current Period		Prior Period	
	TRY	FC	TRY	FC
To be included in the calculation of additional capital	-	4,754,291	-	3,855,730
Subordinated Loans	-	4,754,291	-	3,855,730
Subordinated debt instruments	-	-	-	-
Debt instruments to be included in contribution capital calculation	-	3,471,753	-	2,848,564
Subordinated loans	-	3,471,753	-	2,848,564
Subordinated debt instruments	-	-	-	-
Total	-	8,226,044	-	6,704,294

13. Information on shareholder's equity

13.1. Paid-in capital

	Current Period	Prior Period
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

Capital System	Paid-in Capital	Ceiling
Registered Capital System	3,350,000	12,000,000

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).

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT(Continued)

II. Explanations and Disclosures Related to Liabilities (Continued)

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 TRY714.

15. Securities value increase fund

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Associates, Subsidiaries and Entities under Common Control	1,624,970	-	1,268,032	-
Valuation Difference	1,624,970	-	1,268,032	-
Foreign Exchange Rate Difference	-	-	-	-
Securities Measured at Fair Value Through Other Comprehensive Income (FVOCI)	56,419	(1,050,646)	121,632	(597,082)
Valuation Difference	56,419	(1,050,646)	121,632	(597,082)
Foreign Exchange Rate Difference	-	-	-	-
Total	1,681,389	(1,050,646)	1,389,664	(597,082)

16. Accrued interest and expenses

The details of interest and expense 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	
	TRY	FC	TRY	FC
Derivative Financial Liabilities	2,805,906	2,797,898	4,773,704	3,303,648
Deposits	583,727	47,475	226,067	47,573
Funds Borrowed	16,505	250,998	11,395	95,192
Money Market Borrowings	16,594	26,343	4,140	86,673
Securities Issued	23,393	346,108	15,442	402,770
Other Accruals	342,863	184,922	244,331	180,671
Total	3,788,988	3,653,744	5,275,079	4,116,527

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT(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

	Current Period	Prior Period
Credit Cards Limit Commitments	44,060,911	35,495,520
Commitment For Use Guaranteed Credit Allocation	24,580,020	18,075,786
Forward, Asset Purchase Commitments	6,063,219	4,836,291
Other Irrevocable Commitments	3,045,393	4,124,298
Payment Commitments for Cheques	2,859,706	2,423,033
Commitments for Promotions Related with Credit Cards and Banking	67,548	83,078
Tax and Fund Liabilities due to Export Commitments	32,856	27,046
Total	80,709,653	65,065,052

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

A provision of TRY208,367 (December 31, 2020 – TRY181,533) 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

	Current Period	Prior Period
Bank Loans	6,227,438	6,838,598
Letters of Credit	5,859,923	3,618,937
Total	12,087,361	10,457,535

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

	Current Period	Prior Period
Final Letters of Guarantee	9,389,293	8,674,056
Advance Letters of Guarantee	3,421,251	2,969,287
Provisional Letters of Guarantee	1,073,630	989,173
Letters of Guarantee Given to Customs Offices	728,172	559,009
Other Letters of Guarantee	10,797,405	9,498,479
Total	25,409,751	22,690,004

2. Total amount of non-cash loans

	Current Period	Prior Period
Non-Cash Loans granted for Obtaining Cash		
Loans	4,832,668	4,036,779
Less Than or Equal to One Year with Original Maturity	1,084,585	371,430
More Than One Year with Original Maturity	3,748,083	3,665,349
Other Non-Cash Loans	32,664,444	29,110,760
Total	37,497,112	33,147,539

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT(Continued)

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

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

	Current Period				Prior Period			
	TRY	%	FC	%	TRY	%	FC	%
Agricultural	59,982	0.48	140,791	0.56	41,065	0.35	92,736	0.43
Farming and Raising Livestock	44,069	0.35	11,504	0.05	31,852	0.27	16,889	0.08
Forestry	14,355	0.11	-	-	5,311	0.05	-	-
Fishing	1,558	0.01	129,287	0.52	3,902	0.03	75,847	0.35
Manufacturing	2,314,823	18.52	11,152,465	44.61	2,224,235	19.13	10,205,325	47.42
Mining and Quarrying	80,721	0.65	67,701	0.27	76,972	0.66	49,413	0.23
Production	2,023,354	16.19	10,820,843	43.29	1,948,468	16.76	9,938,395	46.18
Electricity, gas and water	210,748	1.69	263,921	1.06	198,795	1.71	217,517	1.01
Construction	4,039,340	32.32	3,916,848	15.67	3,590,417	30.88	3,005,802	13.97
Services	5,815,190	46.52	9,600,467	38.41	5,532,156	47.58	7,944,905	36.92
Wholesale and Retail Trade	3,692,408	29.54	2,870,080	11.48	3,601,179	30.97	2,388,624	11.10
Hotel, Food and Beverage	134,273	1.07	959,715	3.84	-	-	-	-
Services	-	-	-	-	129,205	1.11	969,584	4.51
Transportation&Communication	527,599	4.22	742,912	2.97	508,543	4.37	860,884	4.00
Financial Institutions	949,009	7.59	4,801,304	19.21	822,433	7.07	3,453,939	16.0
Real Estate and Renting Services	24,223	0.19	2,063	0.01	12,160	0.10	1,351	0.01
Self Employment Services	242,668	1.94	160,616	0.64	216,990	1.87	126,209	0.59
Educational Services	8,378	0.07	-	-	8,959	0.08	18,080	0.12
Health and Social Services	236,632	1.89	63,777	0.26	232,687	2.00	126,234	0.59
Other	270,465	2.16	186,741	0.75	239,314	2.06	271,584	1.26
Total	12,499,800	100.00	24,997,312	100.00	11,627,187	100.00	21,520,352	100.00

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

Current Period ^(*)	I. Group		II. Group	
	TRY	FC	TRY	FC
Letters of Guarantee	12,169,185	12,929,186	158,679	104,436
Bills of Exchange and Acceptances	53,247	6,165,980	-	8,211
Letters of Credit	70,424	5,782,329	-	7,170
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Collaterals and Sureties	-	-	-	-
Non-Cash Loans	12,292,856	24,877,495	158,679	119,817

^(*) The amount of TRY48,265 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 ^(*)	I. Group		II. Group	
	TRY	FC	TRY	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	-	-	-	-
Non-Cash Loans	11,439,405	21,423,658	139,498	96,694

^(*) The amount of TRY48,284 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.

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT(Continued)

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

5. Information on derivative financial instruments

	Current Period	Prior Period
Types of trading transactions		
Foreign Currency Related Derivative Transactions (I)	159,180,166	161,723,749
Forward transactions ^(*)	24,255,453	15,793,979
Swap transactions	128,490,799	140,796,098
Futures transactions	1,628,164	2,164,747
Option transactions	4,805,750	2,968,925
Interest Related Derivative Transactions (II)	90,190,654	79,814,270
Forward rate transactions	-	-
Interest rate swap transactions	90,190,654	79,814,270
Interest option transactions	-	-
Futures interest transactions	-	-
Security option transactions	-	-
Other trading derivative transactions (III)	972,763	954,265
A.Total Trading Derivative Transactions (I+II+III)	250,343,583	242,492,284
Types of hedging transactions		
Fair value hedges	37,539,018	29,132,830
Cash flow hedges	50,401,002	45,360,970
Net investment hedges	-	-
B.Total Hedging Related Derivatives	87,940,020	74,493,800
Total Derivative Transactions (A+B)	338,283,603	316,986,084

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

As of September 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 TRY equivalents:

	Forward Buy ^(**)	Forward Sell ^(**)	Swap Buy ^(*)	Swap Sell ^(*)	Option Buy	Option Sell	Futures Buy	Futures Sell	Other
Current Period									
TRY	4,846,588	1,301,769	11,529,056	43,024,132	1,039,405	866,725	810,813	15,423	-
USD	3,328,970	8,235,442	107,021,114	64,335,510	1,013,301	1,231,008	12,876	789,052	972,763
Euro	3,246,924	1,259,229	21,091,334	42,708,336	378,963	228,543	-	-	-
Other	818,534	1,217,997	16,762,664	149,327	17,287	30,518	-	-	-
Total	12,241,016	12,014,437	156,404,168	150,217,305	2,448,956	2,356,794	823,689	804,475	972,763

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

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

	Forward Buy ^(**)	Forward Sell ^(**)	Swap Buy ^(*)	Swap Sell ^(*)	Option Buy	Option Sell	Futures Buy	Futures Sell	Other
Prior Period									
TRY	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	-	-	-
Total	7,938,242	7,855,737	148,741,212	146,362,956	1,538,955	1,429,970	1,055,376	1,109,371	954,265

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

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

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT(Continued)

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

5. Information on derivative financial instruments (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 TRY installment loans amounting to TRY6,386,973 (31 December 2020 - TRY4,324,987) were subject to hedge accounting by swaps with a nominal amount of TRY6,636,515 (31 December 2020 - TRY4,770,807). On 30 September 2021, the net market valuation difference gain of TRY12,661 arising from TRY320,217 expense from the aforementioned loans (September 30, 2020 - TRY268,721 as expense) and TRY307,556 gain from swaps (September 30, 2020 - TRY266,464 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 TRY12,180 (September 30, 2020 – TRY140,302 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 September 2021, net market valuation difference income of TRY44, arising from, TRY94,410 expense from aforementioned eurobonds (September 30, 2020 - TRY430,524 income) and TRY94,366 income from swaps (September 31, 2020 - TRY430,152 expense), is shown under "Gains / Losses From Derivative Transactions" account in the financial statements.

The Bank does not have a TRY 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 September 30, 2021, a net market valuation difference income of TRY4,240, consisting of TRY70,818 income from the aforementioned securities (30 September 2020 – TRY233,449 expense) and TRY66,578 expense from swaps (30 September 2020 – TRY232,926 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 TRY1,390 (December 31, 2020- TRY1,628) as an income in the income statement under "Gain/Losses from Derivative Transactions".

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT(Continued)

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

5. Information on derivative financial instruments (Continued)

5.2. Cash flow hedge accounting

a) Floating Rate Loans

The Bank subjects a certain portion of its floating rate TRY 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 TRY 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 TRY 16,201 (31 December 2020 – TRY 222,484) 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 675 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 TRY 63,801 (30 September 2020 – TRY 256,670 gain) was accounted under equity in the current period. There is no ineffective portion in the mentioned hedge accounting transaction.

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 TRY 150,000 are subject to hedge accounting as hedging instruments (December 31, 2020 – TRY 150,000). As a result of the mentioned hedge accounting, fair value gain before taxes amounting to TRY 8,967 are accounted for under equity during the current period (September 30, 2020 – TRY 50,090 gain). There is no ineffective portion in the mentioned hedge accounting transaction. (December 31, 2020 - None.)

As of the balance sheet date, swaps with a nominal amount of USD 1,488 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 TRY 420,624 are accounted for under equity during the current period (September 30, 2020 – TRY 340,447 loss). The loss amounting to TRY 2,712 (September 30, 2020 – TRY 1,558 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 TRY 20,162 was transferred from equity to the income statement (September 30, 2020 – TRY 25,278 loss).

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

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT(Continued)

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

5. Information on derivative financial instruments (Continued)

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 462 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 TRY53,318 are accounted for under equity during the current period (September 30, 2020 – TRY144,395 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 TRY20,094 (30 September 2020 - TRY31,022) was transferred from the equity to the income statement.

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

6. Credit derivatives and risk exposures on credit derivatives

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

As of September 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 TRY183,100 (December 31, 2020 - TRY157,199) 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

MOODY’s December 2020		FITCH February 2021	
Long-Term Deposit Rating (FC)	B2	Long -Term Issuer Default Rating(FC)	B+ (Stable)
Long-Term Deposit Rating (TRY)	B1	Short-Term Issuer Default Rating(FC)	B
Short-Term Deposit Rating (FC)	NP	Long-Term Issuer Default Rating(TRY)	BB- (Stable)
Short-Term Deposit Rating (TRY)	NP	Short-Term Issuer Default Rating(TRY)	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	B2		
Denominated Debt Rating(FC)			

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT(Continued)

IV. Explanations and Disclosures Related to the Income Statement

1. a) Information on interest income received from loans

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Short-Term Loans	5,893,988	358,799	3,337,036	257,184
Medium and Long-Term Loans	5,949,247	1,554,701	4,946,169	1,526,057
Non-Performing Loans	348,723	-	49,493	-
Resource Utilization Support Fund Premiums	-	-	-	-
Total (*)	12,191,958	1,913,500	8,332,698	1,783,241

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

b) Information on interest income from banks

	Current Period		Prior Period	
	TRY	FC	TRY	FC
T.R. Central Bank (*)	-	-	-	-
Domestic Banks	22,844	13	56,822	107
Foreign Banks	2,382	8,981	1,289	17,168
Foreign Headquarters and Branches	-	-	-	-
Total	25,226	8,994	58,111	17,275

(*) The interest income on Required Reserve amounting TRY303,571 is not included into interest income on Banks (September 30, 2020: TRY23,700).

c) Information on interest income from securities portfolio

	Current Period	
	TRY	FC
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	14,606	2,056
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	895,687	362,678
Financial Assets Measured at Amortized Cost	1,271,916	407,444
Total	2,182,209	772,178

	Prior Period	
	TRY	FC
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	9,724	746
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	509,070	305,529
Financial Assets Measured at Amortized Cost	771,488	337,078
Total	1,290,282	643,353

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 September 30, 2021, valuation of such assets is made according to estimated annual inflation rate of 16%. If valuation of these securities indexed to the CPI had been done by the reference index valid through September 30, 2021, the Bank's marketable securities valuation differences would be decreased by TRY28,000 and net profit would be increased by TRY167,000 to TRY2,532,669.

d) Information on interest income received from associates and subsidiaries

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	105,940	56,379

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT(Continued)

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

2. a) Information on interest expense related to funds borrowed^(*)

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Banks	51,521	890,430	30,179	828,703
T.R. Central Bank	-	-	-	-
Domestic Banks	48,637	5,151	27,315	5,199
Foreign Banks	2,884	885,279	2,864	823,504
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	-	-	-
Total	51,521	890,430	30,179	828,703

(*) 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	6,007	8,270

c) İhraç edilen menkul kıymetlere verilen faizlere ilişkin bilgiler

As of September 30, 2021 interest paid to securities issued is TRY963,831 (September 30, 2020 – TRY760,000).

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		
Turkish Lira								
Bank Deposits	-	49,031	-	-	-	-	-	49,031
Saving Deposits	31	1,175,002	2,967,457	273,651	106,271	128,024	-	4,650,436
Public Sector Deposits	-	1,221	48	129	3	-	-	1,401
Commercial Deposits	8	579,282	802,882	50,624	27,669	1,795	-	1,462,260
Other Deposits	-	4,312	60,152	8,964	20,135	23	-	93,586
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	39	1,808,848	3,830,539	333,368	154,078	129,842	-	6,256,714
Foreign Currency								
Deposits	3	10,352	158,859	37,858	8,188	21,563	-	236,823
Bank Deposits	119	10,687	10,181	2,610	-	-	-	23,597
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	4,307	-	-	-	-	-	4,307
Total	122	25,346	169,040	40,468	8,188	21,563	-	264,727
Grand Total	161	1,834,194	3,999,579	373,836	162,266	151,405	-	6,521,441

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		
Turkish Lira								
Bank Deposits	-	14,021	160	-	-	-	-	14,181
Saving Deposits	126	476,797	1,181,024	33,638	16,370	91,591	-	1,799,546
Public Sector Deposits	-	217	427	58	-	-	-	702
Commercial Deposits	48	243,574	339,039	18,284	3,088	4,515	-	608,548
Other Deposits	-	2,206	31,974	1,583	4,483	168	-	40,414
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	174	736,815	1,552,624	53,563	23,941	96,274	-	2,463,391
Foreign Currency								
Deposits	161	19,837	216,292	45,015	17,874	30,289	-	329,468
Bank Deposits	32	46,396	23,329	4,594	40	-	-	74,391
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	2,246	-	-	-	-	-	2,246
Total	193	68,479	239,621	49,609	17,914	30,289	-	406,105
Grand Total	367	805,294	1,792,245	103,172	41,855	126,563	-	2,869,496

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT(Continued)

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

2. e) Information on interest expense on repurchase agreements

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Interest Expense on Repurchase Agreements ^(*)	735,758	100,716	192,345	155,171

^(*) Includes "Interest on Money Market Transactions".

f) Information on lease expenses

	Current Period	Prior Period
Leasing Expenses	46,240	41,249

g) Information on interest expense on factoring payables

None (September 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	133,299
Total	191,284	133,299

4. Information on trading income/loss

	Current Period	Prior Period
Trading Income	9,660,066	12,255,031
Gains on Capital Market Transactions	108,979	243,065
From Derivative Financial Instruments	3,936,893	5,324,149
Foreign Exchange Gains	5,614,194	6,687,817
Trading Loss (-)	12,712,492	14,045,633
Losses on Capital Market Transactions	51,792	71,164
From Derivative Financial Instruments	7,617,209	7,644,703
Foreign Exchange Losses	5,043,491	6,329,766
Net Trading Income/Loss	(3,052,426)	(1,790,602)

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.

6. Provision for losses and other provision expenses

	Current Period	Prior Period
Expected Credit Loss	1,443,727	1,882,221
12 month expected credit loss (stage 1)	464,358	612,124
Significant increase in credit risk (stage 2)	172,311	748,617
Non-performing loans (stage 3)	807,058	521,480
Marketable Securities Impairment Expense	1,038	62
Financial Assets at Fair Value through Profit or Loss	-	-
Financial Assets at Fair Value through Other Comprehensive Income	1,038	62
Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other	82,481	126,826
Total	1,527,246	2,009,109

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT(Continued)

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

7. Information on other operating expenses

	Current Period	Prior Period
Reserve for Employee Termination Benefits ^(*)	39,076	23,062
Depreciation Expenses of Fixed Assets	343,379	297,558
Amortization Expenses of Intangible Assets	127,868	108,346
Other Operating Expenses	1,005,412	885,459
<i>Leasing Expenses Related to TFRS 16 Exemptions</i>	1,230	1,586
<i>Maintenance Expenses</i>	292,243	191,751
<i>Advertisement Expenses</i>	71,250	71,540
<i>Other Expenses</i>	640,689	620,582
Loss on Sales of Assets	424	421
Other	482,115	405,533
Total	1,998,274	1,720,379

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

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

For the period ended September 30, 2021 net interest income in income items amounting to TRY8,087,269 (September 30, 2020– TRY7,246,635), net fees and commission income amounting to TRY2,415,106 (September 30, 2020 – TRY1,734,464) and other operating income amounting to TRY390,120 (September 30, 2020 – TRY35,267) constitute an important part of the income.

9. Explanations on tax provision for continued and discontinued operations

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

As of September 30, 2021, the Bank has tax expense amounting to TRY8,528 (September 30, 2020 – None). According to the Bank's records amount of TRY703,794 deferred tax expense (September 30, 2020 – TRY452,735 deferred tax expense) reflected.

9.2. Explanations on operating profit/loss after taxes

None (September 30, 2020 - None).

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

Net profit of the Bank from continued operations is TRY2,365,670 (September 30, 2020 – TRY1,835,824).

11. Explanations on net income/loss for the period

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

None (September 30, 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.

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT(Continued)

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

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.

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

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

1.1. As of September 30, 2021, the Bank’s risk group has deposits amounting to TRY1,165,470 (December 31, 2020 – TRY578,345), cash loans amounting to TRY1,566,769 (December 31, 2020 – TRY1,259,351) and non-cash loans amounting to TRY84,584 (December 31, 2020 – TRY73,688).

Current Period

Bank’s Risk Group ^(*)	Associates and Subsidiaries		Bank’s Direct and Other Legal and Real Persons Indirect Shareholders in Risk Group ^(**)			
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
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	1,564,516	23,729	-	55,271	2,253	5,584
Interest and Commission Income	105,940	26	-	267	678	-

Prior Period

Bank’s Risk Group ^(*)	Associates and Subsidiaries		Bank’s Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group ^(**)	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
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 ^(***)	56,379	24	-	3	18	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 September 30, 2020 balance.

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT(Continued)

IV. Explanations and Disclosures Related to the Bank's Risk Group (Continued)

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

Bank's Risk Group ^(*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group ^(**)	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposit						
Balance at the Beginning of the Period	284,875	125,530	-	-	293,470	208,189
Balance at the End of the Period	874,649	284,875	-	-	290,820	293,470
Interest on deposits ^(***)	6,007	8,270	-	-	18,133	5,273

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

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

^(***) Prior Period Balance Represents September 30, 2020 balance.

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

Bank's Risk Group ^(*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group ^(**)	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions for Trading Purposes						
Beginning of the Period	1,506,342	1,470,504	-	-	-	-
End of the Period	1,147,290	1,506,342	-	-	-	-
Total Income/Loss ^(***)	(122,946)	98,190	198	-	-	-
Transactions for Hedging Purposes						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Income/Loss ^(***)	-	-	-	-	-	-

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

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

^(***) Prior Period Balance Represents September 30, 2020 balance.

1.4. Information on benefits provided to top management

As of September 30, 2021, the total amount of remuneration and bonuses paid to top management of the Bank is TRY156,072 (September 30, 2020 - TRY131,898).

2. Disclosures of transactions with the Bank's risk group

2.1. Relations with entities in the risk group of / or controlled by the Bank regardless of the nature of relationship among the parties

Transactions with the risk group are made on an arms-length basis; terms are set according to the market conditions and in compliance with the Banking Law.

2.2. In addition to the structure of the relationship, type of transaction, amount, and share in total transaction volume, amount of significant items, and share in all items, pricing policy and other

As of September 30 2021, cash loans of the risk group represented 0,9% of the Bank's total cash loans (December 31, 2020 - 0,8%), the deposits represented 0,7% of the Bank's total deposits (December 31, 2020 - -0,4%) and derivative transactions represented 4% of the Bank's total derivative transactions (December 31, 2020 - 0,5%).

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT(Continued)

IV. Explanations and Disclosures Related to the Bank's Risk Group(Continued)

2.3. Explanations on purchase and sale of real estate and other assets, sales and purchases of services, agent contracts, financial lease agreements, transfer of data obtained from research and development, licensing agreements, financing (including loans and cash and in-kind capital support), guarantees and promissory notes, and management contracts

The Bank enters into finance lease agreements with QNB Finans Finansal Kiralama A.Ş. As of September 30, 2021, the Bank has net finance lease payables to QNB Finans Finansal Kiralama A.Ş. amounting to TRY11,415 (December 31, 2020 - TRY20,268) 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.

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>Due Date</u>
01/10/2021	TRY	513,000,000	71
01/10/2021	TRY	44,520,000	190
08/10/2021	TRY	349,000,000	197
14/10/2021	GBP	5,000,000	196
15/10/2021	TRY	105,820,000	225
15/10/2021	TRY	295,340,000	99
15/10/2021	GBP	32,730,000	195
15/10/2021	GBP	25,329,000	202
22/10/2021	GBP	30,728,000	113
26/10/2021	TRY	250,000,000	80
27/10/2021	TRY	236,484,200	48

The Bank's Board of Directors has decided to appoint Mr. Osman Ömür Tan to be effective as of January 1, 2022, following the completion of the necessary legal procedures for the position of General Manager to be vacated due to the resignation of General Manager, Mr. Temel Güzeloglu, effective January 1, 2022 and it was decided to carry out the necessary procedures within the framework of the relevant legislation.

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SECTION SIX

AUDITOR'S REVIEW REPORT

I. Explanations on the Auditor's Review Report

The unconsolidated financial statements for the period ended September 30, 2021 have been reviewed by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. The auditor's report dated October 27, 2021 is presented preceding the unconsolidated financial statements.

II. Explanations and Notes Prepared by Independent Auditors

None (December 31, 2020 - None).

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

Message by the Chairman

Dear Shareholders,

The first nine months of 2021 have ended with promising implications of extensive and accelerated vaccination efforts. We now hope to approach the end of the pandemic period, defined by unprecedented times, leaving its mark on history. Thanks to the extensive vaccination program, we are now approaching a hopeful and freer life again in Turkey.

The wheels of the economy have started to turn. Our children were reunited with the educational institutions that will prepare them for the future, face-to-face education has re-started. The real sector and life have started to recover. Both the world and Turkey have started to look to the future with hope again.

Along with the surge in consumption and production, the economy also posted rapid growth. A record GDP of 21.7% was seen in the second quarter of 2021, with the support of the base effect. The International Monetary Fund (IMF) has raised its 2021 growth forecast for Turkey from 5.8% to 9% in the October issue of the World Economic Outlook. In addition to the recovery in domestic demand, the rapid growth in sectors like export and tourism contributed significantly to the robust growth performance.

Sustainability matters as much as a strong growth performance. In the long term, ensuring the ecology-economy balance with the Paris Agreement, to which Turkey is a party, and in the short term, sustainability of economic growth, by ensuring that financial and monetary discipline is maintained, comes to the fore. In line with this perspective, policies need to be adopted to ensure that the rising inflation in both the world and Turkey will not be permanent, as energy and raw material prices go up.

The banking sector is also gradually returning to normal working order. This period has introduced us to a new world where different working models, technology and digitalization swiftly surround life.

In the new world, smart technology investments, as well as digital solutions, will enable organizations and individuals to make a difference. At QNB Finansbank, our continuous investments in technology and digitalization provided us with the opportunity to engage in rapid and solution-oriented banking during the pandemic as well.

Our Bank, which always stands by its customers with digital solutions supporting the real sector, posted robust financial results in the first nine months of 2021.

As of September 30, 2021, our Bank's total assets increased by 20%, compared to the end of 2020, reaching TL 272 billion 934 million, while net loans grew by 20%, reaching TL 165 billion 828 million, and customer deposits rose by 28%, reaching TL 161 billion 269 million. In the first nine months of 2021, the net profit of our Bank amounted to TL 2 billion 366 million, with an increase of 29% compared to the same period of last year.

Hence, I would like to thank all our colleagues for contributing to this growth under the challenging conditions of the pandemic, their families for supporting them, our customers, and all our stakeholders for their understanding and contributions as well.

Kind regards,

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

QNB FİNANSBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2021

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

CONSOLIDATED INTERIM ACTIVITY REPORT (Continued)

I. Interim Consolidated Activity Report that Includes the Assessment of the Chairman of the Board of Directors and General Manager of Operations (Continued)

Message by the General Manager

Dear Shareholders and Board Members,

We have wrapped up the third quarter of 2021 under relatively safer conditions marked by the rapid increase of vaccination, return to offices and recovery in the economy. While the production wheels are turning rapidly, the economy prepares for a new era.

During the first 9 months of 2021, when we experienced the transition process to this new period, our bank maintained its steady robust growth. As of September 30, 2021, total assets of QNB Finansbank increased by 20%, compared to the end of 2020, reaching TL 272 billion 934 million, while net loans grew by 20% to TL 165 billion 828 million and customer deposits rose by 28% to TL 161 billion 269 million within the same period.

In the first nine months of 2021, the Bank's net profit increased by 29% compared to the same period of the previous year, reaching TL 2 billion 366 million.

In the first 9 months of 2021, as a bank, we have supported the recovery in production particularly in the last quarter, while healthcare has continued to be our number one priority. We are continuing to contribute to the economy through our export-oriented efforts, as well as loans granted to the real sector.

We have been rapidly continuing our efforts to become a pioneer in the new banking model formed after the pandemic by furthering our digital solutions in the same period.

The Digital Bridge Platform was awarded in the category of "Europe's Best Innovative Bank" at World Finance 2021, which is one of Europe's most prestigious awards, while ranking the first in the "Best Digital Strategy" category at the "European Customer Centricity Awards", a major customer experience competition in Europe.

QNB First and QNB First Digital were granted the Bronze award for their products and services in the "Customer Satisfaction Achievement" category at the 18th International Stevie Business Awards, one of the USA's most prestigious organizations.

As QNB Finansbank, in addition to our banking activities and our contributions to the economy, we continue our efforts to contribute to the future of our children under the Small Hands Big Dreams Platform with the awareness of the responsibility that falls on the Banking sector for a sustainable world.

I would like to thank our devoted employees, our customers, with whom we walk side by side under all circumstances, all our strategic business partners and correspondent banks.

Kind regards,
Temel Güzeloğlu
General Manager
QNB Finansbank A.Ş.

QNB FİNANSBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2021

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

UNCONSOLIDATED INTERIM ACTIVITY REPORT

I. Interim Unconsolidated Activity Report that Includes the Assessment of the Chairman of the Board of Directors and General Manager of Operations (Continued)

Summary Financial Belonging to the Period of September 30, 2021

Principal Financial Indicators (Million TRY)	September 30, 2021	December 31, 2020
Total Loans	165,828	138,719
Securities	41,216	34,368
Total Assets	272,934	227,253
Customer Deposits	161,269	125,976
Equity	21,744	19,222

	September 30, 2021	September 30, 2020
Net interest income	8,087	7,247
Net fees and commission income	2,415	1,734
Provision loans and other Receivables(-)	1,527	2,009
Profit before tax	3,078	2,289
Tax Provision	712	453
Net profit for the period	2,366	1.836

As of September 30, 2021, compared to 2020 year-end assets of the Bank increased by 20% and realized TL 272 billion and 934 million. When compared with the end of year 2020, total loans increased by 20% and reached TL 165 billion and 828 million while Customer Deposits increased by 28% and realized by TL 161 billion and 269 million.

Net interest income of the first six-month of year 2021 compared to same period of the prior year, grew by 12% and reached TL 8 billion 87 million. At the same period, net fees and commission income grew by 39% and reached TL 2 billion 415 million. The Bank's profit before tax of the first nine-month period reached TL 3 billion 78 million and its net profit came in at TL 2 billion 366 million.

As of September 30, 2021, total consolidated shareholders' equity increased by 13% compared with the end of the year and reached to TL 21 billion 744 million. The capital adequacy ratio of the Bank has been realized as 15.21% as of 30 September 2021.

As of September 30, 2021 the Bank has 10,837 personnel and 466 branches.

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

Assets

As of September 30, 2021, total performing loans increased by 20% and reached TL 165 billion 828 million in 2021 while total consolidated assets increased by 20% and reached TL 272 billion and 934 million compared to the end of the previous year.

Liabilities

As of September 30, 2021, shareholders' equity of the Bank increased by 13% and reached TL 21 billion and 744 million and total customer deposits of the Bank increased by 28% and reached TL 161 billion and 269 million compared to year-end of 2020.

Profitability

In the first nine months period of 2021 compared to same period of prior year, the Bank's net interest income increased by 12% and reached TL 8 billion and 87 million and net fees and commission income reached TL 2 billion 415 million. Profit before tax of the Bank reached TL 3 billion 77 million and the net profit for the period reached TL 2 billion 366 million.

The bank operates with 10,837 employees.

QNB FİNANSBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2021

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

UNCONSOLIDATED INTERIM ACTIVITY REPORT (Continued)

Solvency

Due to its strong capital structure and high shareholders' equity profitability, the Parent Bank has a sound financial structure. Parent Bank has been utilizing of its capital efficiently for its banking activities and it maintains its profitability of shareholders' equity. When taking into consideration of its funding structure; Parent Bank is funding its credit facilities both by its large basis of deposits as well as by utilization of long-term external sources. Parent 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 probable to occur due to 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 it received from the independent rating firms.

General Grants realized during the Period

General grants realized as of September 30, 2021 was TL 770.

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