

# **QNB FİNANSBANK ANONİM ŞİRKETİ**

## **INDEPENDENT AUDITOR'S AUDIT REPORT, UNCONSOLIDATED FINANCIAL STATEMENTS AND NOTES FOR THE YEAR ENDED 31 DECEMBER 2021**

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



**CONVENIENCE TRANSLATION INTO ENGLISH OF  
INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH  
INDEPENDENT AUDITOR'S REPORT**

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

**A. Audit of the Unconsolidated Financial Statements**

**1. Opinion**

For the accounting period ending on the same date as the unconsolidated balance sheet of QNB Finansbank A.Ş. ("The Bank") as of 31 December 2021; we have audited the unconsolidated financial statements, which consist of the unconsolidated statement of profit or loss, the unconsolidated statement of profit or loss and other comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows, and the notes to the unconsolidated financial statements, including a summary of significant accounting policies.

In our opinion, the unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of the Bank as at 31 December 2021, and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended 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 Board and circulars and interpretations published by BRSA and Turkish Financial Reporting Standards ("TFRS") for those matters not regulated by the aforementioned regulations.

**2. Basis for Opinion**

Our audit was conducted in accordance with the "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements" section of our report. We hereby declare that we are independent of the Bank in accordance with the Ethical Rules for Independent Auditors (Including Independence Standards) (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the unconsolidated financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

**3. Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Key Audit Matter	How the matter is addressed in our audit
<p data-bbox="261 470 857 531"><b>Impairment of loans determined within the framework of TFRS 9</b></p> <p data-bbox="261 569 862 911">The Bank has total expected credit losses for loans amounting to TL 12,121,143 thousand in respect to total loans amounting to TL 212,743,754 thousand which represent a significant portion of the Bank’s total assets in its unconsolidated financial statements as at 31 December 2021. Explanations and footnotes regarding the provision for impairment of loans are included in Notes VIII of Section Three and 1.6 of Section Five of the accompanying unconsolidated financial statements as of 31 December 2021.</p> <p data-bbox="261 949 870 1640">In accordance with the “Regulation on the Procedures and Principles for Classification of Loans and Provisions to be Provided” published in the Official Gazette dated 22 June 2016 and numbered 29750, the Bank allocates provisions for impairment in accordance with the provisions of the “TFRS 9 Financial Instruments Standard”. TFRS 9 is a complex accounting standard that requires significant judgement and interpretation in practice. These judgements and interpretations are key in developing financial models applied to measure expected credit losses on loans measured at amortized cost. In addition, a large amount of data obtained from more than one system is needed to operate the models created, and the completeness and accuracy of this data is key in determining expected credit losses. The expected loss allowance for loans, including management’s best estimates and past loss experience as of the balance sheet date, collectively for similar loan portfolios; for important loans, they are evaluated on an individual basis.</p>	<p data-bbox="896 569 1521 785">With respect to stage classification of loans and calculation of expected credit losses in accordance with TFRS 9, we have assessed policy, procedure and management principles of the Bank within the scope of our audit. We tested the design and the operating effectiveness of relevant controls implemented in accordance with these principles.</p> <p data-bbox="896 823 1511 1388">We checked appropriateness of matters considered in methodology applied by the Bank for staging of loans and calculation of the provision amount. For forward looking assumptions by the Bank’s management in its expected credit losses calculations, we held discussions with management, evaluated the assumptions using publicly available information. Regarding expected credit losses methodology; we have assessed and tested appropriateness of model segmentation, lifetime probability of default model, exposure at default model, loss given default model, and approaches in relation to projection of macroeconomic expectations with our financial risk experts. We have assessed expert judgment utilized in interpretation of supportable forward looking expectations (including macroeconomic factors). Our procedures also included the following:</p> <ul data-bbox="896 1425 1468 1572" style="list-style-type: none"> <li>• Together with our financial risk experts, we evaluated and tested reasonableness of the changes in the expected credit loss allowance methodology and the performance of the impairment models used.</li> </ul>



Key Audit Matter	How the matter is addressed in our audit
<p data-bbox="261 470 857 531"><b>Impairment of loans determined within the framework of TFRS 9 (Continued)</b></p> <p data-bbox="261 567 870 974">Our audit was focused on this area due to existence of complex estimates and information used in the impairment assessment such as macro-economic expectations, current conditions, historical loss experiences; the significance of the loan balances; the classification of loans as per their characteristics (staging) and the importance of determination of the associated expected credit loss. Correct classification of the loans and level of judgements and estimations made by the management have significant impacts on the amount of impairment provisions for loans. Therefore, this area is considered as key audit matter.</p>	<ul data-bbox="899 470 1507 1505" style="list-style-type: none"> <li data-bbox="899 470 1487 625">• For a sample of exposures, we checked the accuracy of determining Exposure at Default, including the consideration of prepayments and repayments in the cash flows and the resultant arithmetical calculations.</li> <li data-bbox="899 632 1495 779">• We checked the calculation of the Loss Given Default (LGD) used by the Bank in the expected credit losses calculations, and tested collaterals, recovery and costs in addition to arithmetical calculations.</li> <li data-bbox="899 785 1479 968">• For a selected sample, we checked expected credit losses determined based on individual assessment per Bank's policy by means of supporting data, and evaluated appropriateness via communications with management.</li> <li data-bbox="899 974 1507 1129">• We checked key data sources for data used in expected credit losses calculations. We tested reliability and completeness of the data used in expected credit losses calculations with our information systems specialists.</li> <li data-bbox="899 1136 1495 1192">• We checked accuracy of expected credit losses calculations.</li> <li data-bbox="899 1199 1495 1381">• To assess appropriateness of the Bank's determination of staging for credit risk, identification of impairment and timely and appropriate provisioning for impairment we have performed loan review procedures based on a selected sample.</li> <li data-bbox="899 1388 1495 1505">• We have reviewed disclosures made within the TFRS 9 framework in the financial statements of the Bank with respect to loans and related impairment provisions.</li> </ul>



#### **4. Other Matters**

- 4.1** 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.
- 4.2** Within the scope of our independent audit of the unconsolidated financial statements for the accounting period ending on 31 December 2021, we also included the adjustments, which explained in Explanation on Other Matters in Note XXVI of the Third Section Accounting Policies, made to change the unconsolidated financial statements for the accounting period ending 31 December 2020. In our opinion, these corrections are appropriate and have been applied correctly. Apart from the aforementioned adjustments, we were not assigned to carry out the independent audit, limited independent audit or any procedure regarding the financial statements of the Bank for the accounting period ended 31 December 2020, as a whole, the unconsolidated financial statements for the year ended 31 December 2020. We do not express an audit opinion or other assurance on the statements.

#### **5. Responsibilities of Management and Those Charged with Governance for the Unconsolidated Financial Statements**

The Bank management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with the BRSA Accounting and Financial Reporting Legislation, and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

#### **6. Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements**

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.



As part of an independent audit conducted in accordance with “Regulation on Independent Audit of Banks” published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor’s report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



## **B. Other Responsibilities Arising From Regulatory Requirements**

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code (“TCC”) No. 6102 and that causes us to believe that the Bank’s bookkeeping activities concerning the period from 1 January to 31 December 2021 period are not in compliance with the TCC and provisions of the Bank’s articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

### **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, 2 February 2022

**THE UNCONSOLIDATED FINANCIAL REPORT OF QNB FINANSBANK A.Ş.  
FOR THE YEAR ENDED 31 DECEMBER 2021**

The Bank's;  
Address of the head office : Esentepe Mahallesi Büyükdere Caddesi Kristal Kule Binası No:215 Şişli - İSTANBUL  
Phone number : (0 212) 318 50 00  
Facsimile number : (0 212) 318 56 48  
Web page : [www.qnbfinansbank.com](http://www.qnbfinansbank.com)  
E-mail address : [investor.relations@qnbfinansbank.com](mailto:investor.relations@qnbfinansbank.com)

The unconsolidated financial report for the year ended, designed by the Banking Regulation and Supervision Agency in line with Communiqué on Financial Statements to be Publicly Announced and the Related Policies and Disclosures consists of the sections below:

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON ACCOUNTING POLICIES OF THE BANK
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK
- FOOTNOTES AND EXPLANATIONS ON UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDIT 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

**Osman Ömür Tan**  
General Manager  
And Member of the  
Board of Directors

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

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

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

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

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**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 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 23 September 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 EUR2,750 million as of 21 December 2015. On 7 April 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 4 May 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 12 May 2016 and share transfer of the Bank has been completed on 15 June 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 24 October 2016 and the company name started to be used with the registration of the General Assembly Resolution dated 24 November 2016 on 30 November 2016. According to the decision dated 17 January 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 19 January 2018.

99.88% of shares of QNB Finansbank A.Ş. are controlled by Qatar National Bank as of 31 December 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 YEAR ENDED 31 DECEMBER 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**

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

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

(\*) Ömür Tan, who became Executive Vice President on 31 December 2021, has been appointed as a Member of the Board of Directors and General Manager as of 1 January 2022. Temel Güzeloğlu, who was a Member of the Board of Directors and General Manager at the reporting date, has been serving as a member of the Board of Directors since 1 January 2022.

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

<b>Name Surname/Trade Name</b>	<b>Amount of Shares</b>	<b>Percentage of Shares</b>	<b>Paid-up Shares</b>	<b>Unpaid Shares</b>
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 31 December 2021, the Bank operates through 442 domestic (31 December 2020 - 473), 1 abroad (31 December 2020 - 1) and 1 Atatürk Airport Free Trade Zone (31 December 2020 - 1) branches. As of 31 December 2021, the Bank has 10,944 employees (31 December 2020 - 11,111 employees).

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

None.

## **SECTION TWO**

### **UNCONSOLIDATED FINANCIAL STATEMENTS**

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

# QNB FİNANSBANK ANONİM ŞİRKETİ

## UNCONSOLIDATED STATEMENTS OF BALANCE SHEET – ASSETS (STATEMENT OF FINANCIAL POSITION) FOR THE YEAR ENDED 31 DECEMBER 2021

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

		Current Period 31.12.2021			Audited Prior Period 31.12.2020			
		Section 5 Part I	TRY	FC	TOTAL	TRY	FC	TOTAL
<b>I.</b>	<b>FINANCIAL ASSETS (NET)</b>		<b>36,875,476</b>	<b>91,014,591</b>	<b>127,890,067</b>	<b>15,767,544</b>	<b>38,536,436</b>	<b>54,303,980</b>
1.1	<b>Cash and Cash Equivalents</b>		<b>7,426,349</b>	<b>78,137,381</b>	<b>85,563,730</b>	<b>2,743,414</b>	<b>26,458,913</b>	<b>29,202,327</b>
1.1.1	Cash and Balances with Central Bank	(1)	7,436,280	62,858,291	70,294,571	2,505,740	24,900,717	27,406,457
1.1.2	Banks	(3)	822	15,119,582	15,120,404	1,117	1,465,586	1,466,703
1.1.3	Money Markets	(4)	-	159,508	159,508	250,124	92,610	342,734
1.1.4	Expected Credit Losses (-)		10,753	-	10,753	13,567	-	13,567
1.2	<b>Financial Assets at Fair Value Through Profit or Loss</b>	(2)	<b>181,903</b>	<b>499,454</b>	<b>681,357</b>	<b>237,865</b>	<b>333,073</b>	<b>570,938</b>
1.2.1	Government Debt Securities		101,865	64,122	165,987	202,789	87,413	290,202
1.2.2	Equity Securities		47,353	-	47,353	25,099	-	25,099
1.2.3	Other Financial Assets		32,685	435,332	468,017	9,977	245,660	255,637
1.3	<b>Financial Assets at Fair Value Through Other Comprehensive Income</b>	(5)	<b>9,633,009</b>	<b>10,008,077</b>	<b>19,641,086</b>	<b>5,800,847</b>	<b>9,380,242</b>	<b>15,181,089</b>
1.3.1	Government Debt Securities		9,625,335	10,008,077	19,633,412	5,793,173	9,380,242	15,173,415
1.3.2	Equity Securities		7,674	-	7,674	7,674	-	7,674
1.3.3	Other Financial Assets		-	-	-	-	-	-
1.4	<b>Derivative Financial Assets</b>	(12)	<b>19,634,215</b>	<b>2,369,679</b>	<b>22,003,894</b>	<b>6,985,418</b>	<b>2,364,208</b>	<b>9,349,626</b>
1.4.1	Derivative Financial Assets at Fair Value Through Profit/Loss		16,419,234	2,225,197	18,644,431	5,842,408	2,106,532	7,948,940
1.4.2	Derivative Financial Assets at Fair Value Through Other Comprehensive Income		3,214,981	144,482	3,359,463	1,143,010	257,676	1,400,686
<b>II.</b>	<b>FINANCIAL ASSETS MEASURED AT AMORTIZED COST (Net)</b>		<b>132,561,876</b>	<b>97,907,918</b>	<b>230,469,794</b>	<b>102,376,171</b>	<b>54,959,411</b>	<b>157,335,582</b>
2.1	<b>Loans</b>	(6)	<b>129,816,752</b>	<b>82,927,002</b>	<b>212,743,754</b>	<b>103,582,764</b>	<b>45,775,688</b>	<b>149,358,452</b>
2.2	<b>Lease Receivables</b>	(11)	-	-	-	-	-	-
2.3	<b>Factoring Receivables</b>		-	-	-	-	-	-
2.4	<b>Other Financial Assets Measured at Amortized Cost</b>	(7)	<b>14,876,060</b>	<b>14,980,916</b>	<b>29,856,976</b>	<b>9,559,633</b>	<b>9,183,723</b>	<b>18,743,356</b>
2.4.1	Public Sector Debt Securities		14,876,060	14,417,974	29,294,034	9,559,633	8,621,942	18,181,575
2.4.2	Other Financial Assets		-	562,942	562,942	-	561,781	561,781
2.5	<b>Expected Credit Losses (-)</b>		<b>12,130,936</b>	-	<b>12,130,936</b>	<b>10,766,226</b>	-	<b>10,766,226</b>
<b>III.</b>	<b>PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b>	(15)	-	-	-	-	-	-
3.1	Held for Sale Purpose		-	-	-	-	-	-
3.2	Related to Discontinued Operations		-	-	-	-	-	-
<b>IV.</b>	<b>EQUITY INVESTMENTS</b>		<b>2,400,164</b>	-	<b>2,400,164</b>	<b>1,883,297</b>	-	<b>1,883,297</b>
4.1	<b>Investments in Associates (Net)</b>	(8)	<b>14,026</b>	-	<b>14,026</b>	<b>14,026</b>	-	<b>14,026</b>
4.1.1	Associates Valued Based on Equity Method		-	-	-	-	-	-
4.1.2	Unconsolidated Associates		14,026	-	14,026	14,026	-	14,026
4.2	<b>Subsidiaries (Net)</b>	(9)	<b>2,167,844</b>	-	<b>2,167,844</b>	<b>1,683,416</b>	-	<b>1,683,416</b>
4.2.1	Unconsolidated Financial Subsidiaries		2,129,798	-	2,129,798	1,645,370	-	1,645,370
4.2.2	Unconsolidated Non-Financial Subsidiaries		38,046	-	38,046	38,046	-	38,046
4.3	<b>Joint Ventures (Net)</b>	(10)	<b>218,294</b>	-	<b>218,294</b>	<b>185,855</b>	-	<b>185,855</b>
4.3.1	Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2	Unconsolidated Joint Ventures		218,294	-	218,294	185,855	-	185,855
<b>V.</b>	<b>PROPERTY AND EQUIPMENT (Net)</b>		<b>3,660,096</b>	<b>37</b>	<b>3,660,133</b>	<b>3,476,263</b>	<b>18</b>	<b>3,476,281</b>
<b>VI.</b>	<b>INTANGIBLE ASSETS (Net)</b>		<b>628,673</b>	-	<b>628,673</b>	<b>504,698</b>	-	<b>504,698</b>
6.1	Goodwill		-	-	-	-	-	-
6.2	Other		628,673	-	628,673	504,698	-	504,698
<b>VII.</b>	<b>INVESTMENT PROPERTY (Net)</b>	(13)	-	-	-	-	-	-
<b>VIII.</b>	<b>CURRENT TAX ASSET</b>	(14)	<b>2,040</b>	-	<b>2,040</b>	-	-	-
<b>IX.</b>	<b>DEFERRED TAX ASSET</b>	(14)	<b>133,892</b>	-	<b>133,892</b>	<b>931,700</b>	-	<b>931,700</b>
<b>X.</b>	<b>OTHER ASSETS (Net)</b>	(16)	<b>6,052,142</b>	<b>132,336</b>	<b>6,184,478</b>	<b>3,779,894</b>	<b>5,028,263</b>	<b>8,808,157</b>
<b>TOTAL ASSETS</b>			<b>182,314,359</b>	<b>189,054,882</b>	<b>371,369,241</b>	<b>128,719,567</b>	<b>98,524,128</b>	<b>227,243,695</b>

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

# QNB FİNANSBANK ANONİM ŞİRKETİ

## UNCONSOLIDATED STATEMENTS OF BALANCE SHEET – LIABILITIES (STATEMENT OF FINANCIAL POSITION) FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

		Current Period 31.12.2021			Audited Prior Period 31.12.2020			
		Section 5 Part II	TRY	FC	TOTAL	TRY	FC	TOTAL
<b>I.</b>	<b>DEPOSITS</b>	(1)	79,660,507	147,262,712	226,923,219	48,414,473	82,145,258	130,559,731
<b>II.</b>	<b>FUNDS BORROWED</b>	(3)	526,513	26,505,405	27,031,918	486,735	19,705,289	20,192,024
<b>III.</b>	<b>MONEY MARKETS</b>	(4)	2,302,812	15,717,177	18,019,989	4,376,444	10,112,950	14,489,394
<b>IV.</b>	<b>SECURITIES ISSUED (Net)</b>	(5)	4,609,660	23,779,092	28,388,752	1,554,964	11,951,421	13,506,385
4.1	Bills		4,609,660	2,154,632	6,764,292	1,502,745	829,044	2,331,789
4.2	Asset Backed Securities		-	-	-	-	-	-
4.3	Bonds		-	21,624,460	21,624,460	52,219	11,122,377	11,174,596
<b>V.</b>	<b>FUNDS</b>		-	-	-	-	-	-
5.1	Borrower Funds		-	-	-	-	-	-
5.2	Other		-	-	-	-	-	-
<b>VI.</b>	<b>FİNANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT &amp; LOSS</b>		-	-	-	-	-	-
<b>VII.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES</b>		9,160,015	3,292,413	12,452,428	4,773,704	3,303,648	8,077,352
7.1	Derivative Financial Liabilities at Fair Value Through Profit or Loss	(2)	8,982,699	2,623,496	11,606,195	4,754,603	2,416,086	7,170,689
7.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(8)	177,316	668,917	846,233	19,101	887,562	906,663
<b>VIII.</b>	<b>FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>IX.</b>	<b>LEASE PAYABLES (Net)</b>	(7)	491,912	777	492,689	444,009	2,666	446,675
<b>X.</b>	<b>PROVISIONS</b>	(9)	1,567,815	-	1,567,815	1,064,819	-	1,064,819
10.1	Restructuring Provisions		-	-	-	-	-	-
10.2	Reserve for Employee Benefits		977,114	-	977,114	589,451	-	589,451
10.3	Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4	Other Provisions		590,701	-	590,701	475,368	-	475,368
<b>XI.</b>	<b>CURRENT TAX LIABILITY</b>	(10)	-	-	-	1,063,699	-	1,063,699
<b>XII.</b>	<b>DEFERRED TAX LIABILITY</b>		-	-	-	-	-	-
<b>XIII.</b>	<b>LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>	(11)	-	-	-	-	-	-
13.1	Held for Sale		-	-	-	-	-	-
13.2	Discontinued Operations		-	-	-	-	-	-
<b>XIV.</b>	<b>SUBORDINATED DEBT INSTRUMENTS</b>	(12)	-	11,852,564	11,852,564	-	6,704,294	6,704,294
14.1	Subordinated Loans		-	11,852,564	11,852,564	-	6,704,294	6,704,294
14.2	Other Debt Instruments		-	-	-	-	-	-
<b>XV.</b>	<b>OTHER LIABILITIES</b>		10,570,280	11,925,527	22,495,807	6,916,521	5,010,033	11,926,554
<b>XVI.</b>	<b>SHAREHOLDERS' EQUITY</b>		24,785,657	(2,641,597)	22,144,060	20,412,353	(1,199,585)	19,212,768
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		(223,943)	-	(223,943)	(111,623)	-	(111,623)
16.4	Other Comprehensive Income/Expense Items Reclassified to Profit or Loss		678,070	(2,641,597)	(1,963,527)	120,560	(1,199,585)	(1,079,025)
16.5	Profit Reserves		17,052,702	-	17,052,702	14,204,536	-	14,204,536
16.5.1	Legal Reserves		757,842	-	757,842	736,513	-	736,513
16.5.2	Status Reserves		-	-	-	-	-	-
16.5.3	Extraordinary Reserves		16,294,860	-	16,294,860	13,468,023	-	13,468,023
16.5.4	Other Profit Reserves		-	-	-	-	-	-
16.6	Profit/Loss		3,928,114	-	3,928,114	2,848,166	-	2,848,166
16.6.1	Prior Periods' Profit/Loss		-	-	-	101,267	-	101,267
16.6.2	Current Period's Net Profit/Loss		3,928,114	-	3,928,114	2,746,899	-	2,746,899
16.7	Minority Interest		-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>			<b>133,675,171</b>	<b>237,694,070</b>	<b>371,369,241</b>	<b>89,507,721</b>	<b>137,735,974</b>	<b>227,243,695</b>

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

# QNB FİNANSBANK ANONİM ŞİRKETİ

## UNCONSOLIDATED STATEMENT OF OFF - BALANCE SHEET COMMITMENTS AND CONTINGENCIES FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

		Current Period 31.12.2021			Prior Period 31.12.2020		
Section 5 Part III		TRY	FC	TOTAL	TRY	FC	TOTAL
<b>A.</b>	<b>OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I-II+III)</b>	<b>250,865,291</b>	<b>432,479,100</b>	<b>683,344,391</b>	<b>174,611,673</b>	<b>281,840,718</b>	<b>456,452,391</b>
<b>I.</b>	<b>GUARANTEES (1), (2), (3), (4)</b>	<b>13,161,207</b>	<b>34,332,017</b>	<b>47,493,224</b>	<b>11,627,187</b>	<b>21,520,352</b>	<b>33,147,539</b>
1.1.	Letters of guarantee	13,025,750	17,491,611	30,517,361	11,327,575	11,362,429	22,690,004
1.1.1.	Guarantees subject to State Tender Law	553,377	133,441	686,818	474,847	84,162	559,009
1.1.2.	Guarantees given for foreign trade operations	7,285,611	17,358,170	24,643,781	6,666,383	11,278,267	17,944,650
1.1.3.	Other letters of guarantee	5,186,762	-	5,186,762	4,186,345	-	4,186,345
1.2.	Bank loans	71,783	8,635,893	8,707,676	198,490	6,640,108	6,838,598
1.2.1.	Import letter of acceptance	71,783	8,635,893	8,707,676	198,490	6,640,108	6,838,598
1.2.2.	Other bank acceptances	-	-	-	-	-	-
1.3.	Letters of credit	63,674	8,204,513	8,268,187	101,122	3,517,815	3,618,937
1.3.1.	Documentary letters of credit	63,674	7,424,841	7,488,515	101,122	3,315,757	3,416,879
1.3.2.	Other letters of credit	-	779,672	779,672	-	202,058	202,058
1.4.	Prefinancing given as guarantee	-	-	-	-	-	-
1.5.	Endorsements	-	-	-	-	-	-
1.5.1.	Endorsements to the Central Bank of Turkey	-	-	-	-	-	-
1.5.2.	Other endorsements	-	-	-	-	-	-
1.6.	Securities issue purchase guarantees	-	-	-	-	-	-
1.7.	Factoring guarantees	-	-	-	-	-	-
1.8.	Other guarantees	-	-	-	-	-	-
1.9.	Other collaterals	-	-	-	-	-	-
<b>II.</b>	<b>COMMITMENTS (1)</b>	<b>150,120,272</b>	<b>5,965,872</b>	<b>156,086,144</b>	<b>104,514,729</b>	<b>6,640,330</b>	<b>111,155,059</b>
2.1.	Irrevocable commitments	81,745,417	5,965,872	87,711,289	58,424,722	6,640,330	65,065,052
2.1.1.	Forward asset purchase commitments	1,107,989	2,858,065	3,966,054	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	27,050,703	793,507	27,844,210	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	2,885,779	-	2,885,779	2,423,033	-	2,423,033
2.1.8.	Tax and fund liabilities from export commitments	29,314	-	29,314	27,046	-	27,046
2.1.9.	Commitments for credit card expenditure limits	49,733,289	-	49,733,289	35,495,520	-	35,495,520
2.1.10.	Commitments for promotions related with credit cards and banking activities	71,498	-	71,498	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	866,845	2,314,300	3,181,145	962,703	3,161,595	4,124,298
2.2.	Revocable commitments	68,374,855	-	68,374,855	46,090,007	-	46,090,007
2.2.1.	Revocable loan granting commitments	68,374,855	-	68,374,855	46,090,007	-	46,090,007
2.2.2.	Other revocable commitments	-	-	-	-	-	-
<b>III.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS (5), (6)</b>	<b>87,583,812</b>	<b>392,181,211</b>	<b>479,765,023</b>	<b>58,469,757</b>	<b>253,680,036</b>	<b>312,149,793</b>
3.1	Derivative financial instruments for hedging purposes	12,146,306	102,778,047	114,924,353	8,906,126	65,587,674	74,493,800
3.1.1	Fair value hedge	5,829,388	42,107,334	47,936,722	4,770,807	24,362,023	29,132,830
3.1.2	Cash flow hedge	6,316,918	60,670,713	66,987,631	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	75,437,506	289,403,164	364,840,670	49,563,631	188,092,362	237,655,993
3.2.1	Forward foreign currency buy/sell transactions	7,288,292	16,053,812	23,342,104	2,107,149	8,850,539	10,957,688
3.2.1.1	Forward foreign currency transactions-buy	6,377,847	4,862,254	11,240,101	1,676,174	3,844,105	5,520,279
3.2.1.2	Forward foreign currency transactions-sell	910,445	11,191,558	12,102,003	430,975	5,006,434	5,437,409
3.2.2	Swap transactions related to foreign currency and interest rates	66,545,184	268,882,455	335,427,639	45,325,821	175,284,547	220,610,368
3.2.2.1	Foreign currency swap-buy	2,126,829	98,404,122	100,530,951	3,298,846	66,002,897	69,301,743
3.2.2.2	Foreign currency swap-sell	37,918,755	62,467,695	100,386,450	30,615,375	40,878,980	71,494,355
3.2.2.3	Interest rate swaps-buy	13,249,800	54,005,319	67,255,119	5,705,800	34,201,335	39,907,135
3.2.2.4	Interest rate swaps-sell	13,249,800	54,005,319	67,255,119	5,705,800	34,201,335	39,907,135
3.2.3	Foreign currency, interest rate and securities options	1,227,592	2,651,799	3,879,391	1,021,265	1,947,660	2,968,925
3.2.3.1	Foreign currency options-buy	821,817	1,131,799	1,953,616	491,416	1,047,539	1,538,955
3.2.3.2	Foreign currency options-sell	405,775	1,520,000	1,925,775	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	376,438	387,573	764,011	1,109,396	1,055,351	2,164,747
3.2.4.1	Foreign currency futures-buy	361,015	18,895	379,910	172	1,055,204	1,055,376
3.2.4.2	Foreign currency futures-sell	15,423	368,678	384,101	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	-	1,427,525	1,427,525	-	954,265	954,265
<b>B.</b>	<b>CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>	<b>1,168,863,151</b>	<b>489,419,290</b>	<b>1,658,282,441</b>	<b>935,939,092</b>	<b>266,152,722</b>	<b>1,202,091,814</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>	<b>22,219,062</b>	<b>16,495,503</b>	<b>38,714,565</b>	<b>11,281,488</b>	<b>10,473,404</b>	<b>21,754,892</b>
4.1.	Customer Fund and Portfolio Assets	7,427,814	-	7,427,814	2,159,679	-	2,159,679
4.2.	Investment securities held in custody	1,633,011	11,510,543	13,143,554	511,150	8,043,418	8,554,568
4.3.	Checks received for collection	10,923,733	3,061,613	13,985,346	6,632,644	1,314,634	7,947,278
4.4.	Commercial notes received for collection	2,233,879	920,079	3,153,958	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	625	1,003,268	1,003,893	-	587,819	587,819
4.8.	Custodians	-	-	-	-	-	-
<b>V.</b>	<b>PLEDGED ITEMS</b>	<b>666,936,857</b>	<b>290,504,187</b>	<b>957,441,044</b>	<b>540,029,634</b>	<b>160,647,061</b>	<b>700,676,695</b>
5.1.	Marketable securities	5,098,635	18,744,531	23,843,166	4,117,442	9,531,425	13,648,867
5.2.	Guarantee notes	538,348	602,312	1,140,660	380,407	590,933	971,340
5.3.	Commodity	521,666	-	521,666	490,115	-	490,115
5.4.	Warranty	-	-	-	-	-	-
5.5.	Properties	130,004,304	146,855,545	276,859,849	106,976,494	82,931,319	189,907,813
5.6.	Other pledged items	530,773,904	124,301,799	655,075,703	428,065,176	67,593,384	495,658,560
5.7.	Pledged items-depository	-	-	-	-	-	-
<b>VI.</b>	<b>ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>	<b>479,707,232</b>	<b>182,419,600</b>	<b>662,126,832</b>	<b>384,627,970</b>	<b>95,032,257</b>	<b>479,660,227</b>
<b>TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)</b>		<b>1,419,728,442</b>	<b>921,898,390</b>	<b>2,341,626,832</b>	<b>1,110,550,765</b>	<b>547,993,440</b>	<b>1,658,544,205</b>

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

# QNB FİNANSBANK ANONİM ŞİRKETİ

## UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2021

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

### III. STATEMENT OF PROFIT OR LOSS

	Section 5 Part IV	Audited 01.01 - 31.12.2021	Audited 01.01 - 31.12.2020
<b>I. INTEREST INCOME</b>	<b>(1)</b>	<b>25,556,086</b>	<b>16,870,680</b>
1.1 Interest income on loans		20,268,563	13,751,865
1.2 Interest income on reserve deposits		447,034	47,326
1.3 Interest income on banks		45,966	97,060
1.4 Interest income on money market transactions		13,518	159,304
1.5 Interest income on securities portfolio		4,748,068	2,801,681
1.5.1 Financial assets measured at FVTPL		22,072	12,645
1.5.2 Financial assets measured at FVOCI		1,899,478	1,118,543
1.5.3 Financial assets measured at amortized cost		2,826,518	1,670,493
1.6 Financial lease income		-	-
1.7 Other interest income		32,937	13,444
<b>II. INTEREST EXPENSE (-)</b>	<b>(2)</b>	<b>13,203,377</b>	<b>7,014,039</b>
2.1 Interest on deposits		8,904,130	4,217,082
2.2 Interest on funds borrowed		1,420,560	1,119,396
2.3 Interest on money market transactions		1,250,409	464,062
2.4 Interest on securities issued		1,523,672	990,211
2.5 Interests on leasings		62,259	57,946
2.6 Other interest expenses		42,347	165,342
<b>III. NET INTEREST INCOME (I - II)</b>		<b>12,352,709</b>	<b>9,856,641</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSES</b>		<b>3,391,172</b>	<b>2,362,819</b>
4.1 Fees and commissions received		4,424,035	2,891,111
4.1.1 Non-cash loans		268,558	196,665
4.1.2 Others		4,155,477	2,694,446
4.2 Fees and commissions paid (-)		1,032,863	528,292
4.2.1 Non-cash loans		2,602	2,146
4.2.2 Others		1,030,261	526,146
<b>V. DIVIDEND INCOME</b>	<b>(3)</b>	<b>518</b>	<b>5,258</b>
<b>VI. NET TRADING INCOME/LOSS (Net)</b>	<b>(4)</b>	<b>(3,572,838)</b>	<b>(2,725,385)</b>
6.1 Trading account gain/losses		150,375	268,407
6.2 Gain/losses from derivative transactions		(6,635,822)	(3,267,584)
6.3 Foreign exchange gain/losses		2,912,609	273,792
<b>VII. OTHER OPERATING INCOME</b>	<b>(5)</b>	<b>469,343</b>	<b>66,051</b>
<b>VIII. TOTAL OPERATING GROSS PROFIT (III+IV+V+VI+VII)</b>		<b>12,640,904</b>	<b>9,565,384</b>
<b>IX. EXPECTED CREDIT LOSSES (-)</b>	<b>(6)</b>	<b>3,063,770</b>	<b>2,405,135</b>
<b>X. OTHER PROVISION LOSSES (-)</b>		<b>177,687</b>	<b>138,791</b>
<b>XI. PERSONNEL EXPENSES (-)</b>		<b>2,185,729</b>	<b>1,893,888</b>
<b>XII. OTHER OPERATING EXPENSES (-)</b>	<b>(7)</b>	<b>2,816,932</b>	<b>2,315,226</b>
<b>XIII. NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)</b>		<b>4,396,786</b>	<b>2,812,344</b>
<b>XIV. INCOME RESULTED FROM MERGERS</b>		-	-
<b>XV. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING</b>		<b>593,155</b>	<b>446,975</b>
<b>XVI. GAIN/LOSS ON NET MONETARY POSITION</b>		-	-
<b>XVII. OPERATING PROFIT/LOSS BEFORE TAXES (XII+...+XV)</b>	<b>(8)</b>	<b>4,989,941</b>	<b>3,259,319</b>
<b>XVIII. PROVISION FOR TAXES OF CONTINUED OPERATIONS (±)</b>	<b>(9)</b>	<b>1,061,827</b>	<b>512,420</b>
18.1 Current tax charge		8,528	1,055,958
18.2 Deferred tax charge (+)		2,035,516	19,258
18.3 Deferred tax credit (-)		(982,217)	(562,796)
<b>XIX. NET OPERATING PROFIT/LOSS (XVII±XVIII)</b>	<b>(10)</b>	<b>3,928,114</b>	<b>2,746,899</b>
<b>XX. INCOME FROM DISCONTINUED OPERATIONS</b>		-	-
20.1 Income from assets held for sale		-	-
20.2 Income from sale of associates, subsidiaries and joint-ventures		-	-
20.3 Others		-	-
<b>XXI. EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-
21.1 Expenses on assets held for sale		-	-
21.2 Expenses on sale of associates, subsidiaries and joint-ventures		-	-
21.3 Others		-	-
<b>XXII. PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XX+XXI)</b>		-	-
<b>XXIII. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)</b>		-	-
23.1 Current tax charge		-	-
23.2 Deferred tax charge (+)		-	-
23.3 Deferred tax credit (-)		-	-
<b>XXIV. NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XXII±XXIII)</b>		-	-
<b>XXV. NET PROFIT/LOSS (XIX+XXIV)</b>	<b>(11)</b>	<b>3,928,114</b>	<b>2,746,899</b>
Earnings/Loss per Share		0.1173	0.0820

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

## QNB FİNANSBANK ANONİM ŞİRKETİ

### QNB FİNANSBANK ANONİM ŞİRKETİ

#### UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

#### IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Current Period 01.01 – 31.12.2021	Audited Prior Period 01.01 – 31.12.2020
<b>I. CURRENT PERIOD PROFIT/LOSS</b>	<b>3,928,114</b>	<b>2,746,899</b>
<b>II. OTHER COMPREHENSIVE INCOME</b>	<b>(996,822)</b>	<b>(278,766)</b>
<b>2.1 Not Reclassified to Profit or Loss</b>	<b>(112,320)</b>	<b>(35,283)</b>
2.1.1 Revaluation Surplus on Tangible Assets	-	-
2.1.2 Revaluation Surplus on Intangible Assets	-	-
2.1.3 Defined Benefit Plans' Actuarial Gains/Losses	(133,776)	(39,496)
2.1.4 Other Income/Expense Items not Reclassified to Profit or Loss	(6,905)	(1,806)
2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	28,361	6,019
<b>2.2 Other Income/Expense Items to Reclassified to Profit or Loss</b>	<b>(884,502)</b>	<b>(243,483)</b>
2.2.1 Foreign Currency Translation Differences	-	-
2.2.2 Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	(1,415,913)	(245,270)
2.2.3 Gains/losses from Cash Flow Hedges	280,269	(29,488)
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	24,012	(2,180)
2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	227,130	33,455
<b>III. TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>2,931,292</b>	<b>2,468,133</b>

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

# QNB FİNANSBANK ANONİM ŞİRKETİ

## UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

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

	Section 5 Part V	Paid in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Other Comprehensive Income/Expense Items not Reclassified to Profit or Loss			Other Comprehensive Income/Expense Items Reclassified to Profit or Loss			Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Total Equity	
						Revaluation surplus on tangible assets	Defined Benefit Plans' Actuarial Gains/Losses	Other <sup>(*)</sup>	Translation Differences	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	Other <sup>(**)</sup>					
<b>Audited Prior Period - 01.01 – 31.12.2020</b>																
I. Prior Period End Balance		3,350,000	714	-	-	-	(73,337)	1,046,855	-	(272,254)	(566,110)	10,577,034	2,622,157	-	16,685,059	
II. Correction made as per TAS 8		-	-	-	-	-	-	(1,049,858)	-	-	2,822	773,385	333,227	-	59,576	
2.1 Effect of Corrections		-	-	-	-	-	-	(101,267)	-	-	-	101,267	-	-	-	
2.2 Effect of Changes in Accounting Policies		-	-	-	-	-	-	(948,591)	-	-	2,822	773,385	231,960	-	59,576	
III. Adjusted Balances at Beginning of Period (I+II)		3,350,000	714	-	-	-	(73,337)	(3,003)	-	(272,254)	(563,288)	11,350,419	2,955,384	-	16,744,635	
IV. Total Comprehensive Income		-	-	-	-	-	(33,477)	(1,806)	-	(203,196)	(40,287)	-	-	2,746,899	2,468,133	
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		-	-	-	-	-	-	-	-	-	-	2,854,117	(2,854,117)	-	-	
11.1 Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	2,854,117	(2,854,117)	-	-	
11.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Balances at end of the period (III+IV...+X+XI)</b>		<b>3,350,000</b>	<b>714</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(106,814)</b>	<b>(4,809)</b>	<b>-</b>	<b>(475,450)</b>	<b>(603,575)</b>	<b>14,204,536</b>	<b>101,267</b>	<b>2,746,899</b>	<b>19,212,768</b>	

	Section 5 Part V	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Other Comprehensive Income/Expense Items not Reclassified to Profit or Loss			Other Comprehensive Income/Expense Items Reclassified to Profit or Loss			Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Total Equity	
						Revaluation surplus on tangible assets	Defined Benefit Plans' Actuarial Gains/Losses	Other <sup>(*)</sup>	Translation Differences	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	Other <sup>(**)</sup>					
<b>Current Period - 01.01 – 31.12.2021</b>																
I. Prior Period End Balance		3,350,000	714	-	-	-	(106,814)	(4,809)	-	(475,450)	(603,575)	14,204,536	2,848,166	-	19,212,768	
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)	(4,809)	-	(475,450)	(603,575)	14,204,536	2,848,166	-	19,212,768	
IV. Total Comprehensive Income		-	-	-	-	-	(107,021)	(5,299)	-	(1,132,732)	248,230	-	-	3,928,114	2,931,292	
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		-	-	-	-	-	-	-	-	-	-	2,848,166	(2,848,166)	-	-	
11.1 Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	2,848,166	(2,848,166)	-	-	
11.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Balances at end of the period (III+IV...+X+XI)</b>		<b>3,350,000</b>	<b>714</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(213,835)</b>	<b>(10,108)</b>	<b>-</b>	<b>(1,608,182)</b>	<b>(355,345)</b>	<b>17,052,702</b>	<b>-</b>	<b>3,928,114</b>	<b>22,144,060</b>	

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

(\*\*\*) The restatement of the prior period is related to the Bank's TAS 27 policy, and the details are explained in Note XXVI of Section Three.

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

# QNB FİNANSBANK ANONİM ŞİRKETİ

## UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

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

### VI. STATEMENT OF CASH FLOWS

	Current Period 01.01 – 31.12.2021	Prior Period 01.01 – 31.12.2020
<b>A. CASH FLOWS FROM/(TO) BANKING OPERATIONS</b>		
<b>1.1 Operating Profit Before Changes in Operating Assets and Liabilities</b>	<b>9,603,341</b>	<b>11,982,783</b>
1.1.1 Interest Received	22,978,517	15,323,293
1.1.2 Interest Paid	(14,963,414)	(6,482,929)
1.1.3 Dividend Received	191,284	133,298
1.1.4 Fees and Commissions Received	4,425,447	2,909,963
1.1.5 Other Income	469,343	66,051
1.1.6 Collections From Previously Written Off Loans	2,057,663	1,494,988
1.1.7 Payments To Personnel and Service Suppliers	(1,983,241)	(1,899,033)
1.1.8 Taxes Paid	(1,286,776)	690,396
1.1.9 Others	(2,285,482)	(253,244)
<b>1.2 Changes in Operating Assets and Liabilities</b>	<b>6,485,559</b>	<b>(8,999,035)</b>
1.2.1 Net (Increase) Decrease in Financial Assets Measured at Fair Value Through Profit/Loss	(108,418)	(236,765)
1.2.2 Net (Increase) Decrease in Due From Banks	(24,803,552)	(5,544,442)
1.2.3 Net (Increase) Decrease in Loans	(31,699,550)	(18,940,926)
1.2.4 Net (Increase) Decrease in Other Assets	4,289,681	(3,420,081)
1.2.5 Net Increase (Decrease) in Bank Deposits	12,179,425	(864,560)
1.2.6 Net Increase (Decrease) in Other Deposits	40,544,887	13,010,753
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	(5,681,113)	639,042
1.2.9 Net Increase (Decrease) in Matured Payables	-	-
1.2.10 Net Increase (Decrease) in Other Liabilities	11,764,199	6,357,944
<b>I. Net Cash Provided From/(Used in) Banking Operations</b>	<b>16,088,900</b>	<b>2,983,748</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>II. Net Cash Provided From/(Used in) Investing Activities</b>	<b>(3,755,838)</b>	<b>(1,432,747)</b>
2.1 Purchase Of Entities Under Common Control, Associates and Subsidiaries	-	-
2.2 Sale of Entities Under Common Control, Associates and Subsidiaries	25,651	-
2.3 Fixed Assets Purchases	(734,630)	(605,456)
2.4 Fixed Assets Sales	114,380	127,814
2.5 Purchase of Financial Assets Measured at Fair Value Through Other Comprehensive Income	(10,420,664)	(11,975,922)
2.6 Sale of Financial Assets Measured at Fair Value Through Other Comprehensive Income	10,317,576	11,307,390
2.7 Purchase of Financial Assets Measured at Amortized Cost	(5,543,888)	(2,333,458)
2.8 Sale of Financial Assets Measured at Amortized Cost	2,609,710	2,260,925
2.9 Others	(123,973)	(214,040)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>III. Net Cash Provided From/(Used in) Financing Activities</b>	<b>14,995,591</b>	<b>101,734</b>
3.1 Cash obtained from funds borrowed and securities issued	27,388,485	15,105,034
3.2 Cash used for repayment of funds borrowed and securities issued	(12,376,809)	(14,948,681)
3.3 Capital increase	-	-
3.4 Dividends paid	-	-
3.5 Payments for finance leases	(12,797)	3,797
3.6 Other	(3,288)	(58,416)
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>	<b>4,346,096</b>	<b>(615,145)</b>
<b>V. Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)</b>	<b>31,674,749</b>	<b>1,037,590</b>
<b>VI. Cash and cash equivalents at beginning of the period</b>	<b>15,425,482</b>	<b>14,387,892</b>
<b>VII. Cash and cash equivalents at end of the period (V+VI)</b>	<b>47,100,231</b>	<b>15,425,482</b>

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

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

### VII. STATEMENT OF UNCONSOLIDATED PROFIT APPROPRIATION

	Current Period 31.12.2021 <sup>(*)</sup>	Prior period 31.12.2020
<b>I. DISTRIBUTION OF CURRENT YEAR INCOME</b>		
1.1 CURRENT YEAR INCOME	4,989,941	2,999,429
1.2 TAXES AND DUTIES PAYABLE (-)	1,061,827	512,420
1.2.1 Corporate Tax (Income Tax)	8,528	1,055,958
1.2.2 Income Withholding Tax	-	-
1.2.3 Other Taxes And Duties(**)	1,053,299	(543,538)
<b>A. NET INCOME FOR THE YEAR (1.1-1.2)</b>	<b>3,928,114</b>	<b>2,487,009</b>
1.3 PRIOR YEAR LOSSES(-)	-	(101,267)
1.4 FIRST LEGAL RESERVES(-)	-	-
1.5 OTHER STATUTORY RESERVES (-)	-	-
<b>B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]</b>	<b>3,928,114</b>	<b>2,588,276</b>
1.6 FIRST DIVIDEND TO SHAREHOLDERS(-)	-	-
1.6.1 To Owners Of Ordinary Shares	-	-
1.6.2 To Owners Of Privileged Shares	-	-
1.6.3 To Owners Of Preferred Shares	-	-
1.6.4 To Profit Sharing Bonds	-	-
1.6.5 To Holders Of Profit And (Loss) Sharing Certificates	-	-
1.7 DIVIDENDS TO PERSONNEL (-)	-	-
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS(-)	-	-
1.9.1 To Owners Of Ordinary Shares	-	-
1.9.2 To Owners Of Privileged Shares	-	-
1.9.3 To Owners Of Preferred Shares	-	-
1.9.4 To Profit Sharing Bonds	-	-
1.9.5 To Holders Of Profit And (Loss) Sharing Certificates	-	-
1.10 SECOND LEGAL RESERVES (-)	-	-
1.11 STATUTORY RESERVES(-)	-	-
1.12 EXTRAORDINARY RESERVES	-	-
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	-
<b>II. DISTRIBUTION OF RESERVES</b>		
2.1 APPROPRIATED RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	-
2.3 DIVIDENDS TO SHAREHOLDERS(-)	-	-
2.3.1 To Owners Of Ordinary Shares	-	-
2.3.2 To Owners Of Privileged Shares	-	-
2.3.3 To Owners Of Preferred Shares	-	-
2.3.4 To Profit Sharing Bonds	-	-
2.3.5 To Holders Of Profit And (Loss) Sharing Certificates	-	-
2.4 DIVIDENDS TO PERSONNEL(-)	-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS(-)	-	-
<b>III. EARNINGS PER SHARE</b>		
3.1 TO OWNERS OF ORDINARY SHARES	0.1173	0.0742
3.2 TO OWNERS OF ORDINARY SHARES( % )	11.73%	7.42%
3.3 TO OWNERS OF PRIVILEGED SHARES	-	-
3.4 TO OWNERS OF PRIVILEGED SHARES ( % )	-	-
<b>IV. DIVIDEND PER SHARE</b>		
4.1 TO OWNERS OF ORDINARY SHARES	-	-
4.2 TO OWNERS OF ORDINARY SHARES( % )	-	-
4.3 TO OWNERS OF PRIVILEGED SHARES	-	-
4.4 TO OWNERS OF PRIVILEGED SHARES ( % )	-	-

(\*) Decision regarding the profit distribution for the 2021 will be taken at the General Meeting.

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

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 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 1 February 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 31 December 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.

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**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 31 December 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.

In TAS 29 Financial Reporting Standard in Hyperinflationary Economies ("TAS 29"), the threshold value to be taken as a basis for determining whether there is hyperinflation in an economy by considering the economies with high inflation and the financial statements of the enterprises whose functional currency is the currency of a hyperinflationary economy are related to inflation. explains how to fix it. In paragraph 3 of TAS 29, it is stated that there is high inflation in an economy when the cumulative inflation rate of the last three years approaches or exceeds 100%. However, it is stated in paragraph 37 of TAS 29 that a price index reflecting the changes in general purchasing power should be used in determining the threshold value. In international practices, the consumer price index is taken as the general price index reflecting the changes in purchasing power. In other words, according to the 37th paragraph of the relevant Standard, businesses that apply TFRS should also take the CPI ratios reflecting the changes in their general purchasing power as a basis in terms of whether they will apply TAS 29. According to the CPI rates announced by the Turkish Statistical Institute, the cumulative change in the general purchasing power of the last three years has been 74.41%. In this respect, the Public Oversight Authority, in its statement on the Application of Financial Reporting in High Inflation Economies within the Scope of Turkish Financial Reporting Standards, Financial Reporting Standard for Large and Medium Sized Enterprises on 20 January 2022, did not include any financial statements within the scope of TAS 29 for 2021 in the financial statements of companies applying TFRS. indicated that no correction was necessary.

**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 1 January 2020.

In 2020, the International Accounting Standards Board and KGK published Phase 2 standards regarding the reform and related amendments to TFRS 9, TMS 39, TFRS 7, TFRS 4 and TFRS 16. According to this; As of 01 January 2022, necessary changes/transitions regarding reference interest rates should be completed.

Within the scope of the said reform; The Bank has operations in the field of loans, securities, borrowing and derivative products, as well as hedge accounting applications. With this; A significant portion of bank transactions are indexed to EURIBOR and USD LIBOR reference interest rates, and EURIBOR continues to be used after the transition. And also; It is anticipated that USD LIBOR rates will continue to be published overnight in 1M, 3M, 6M and 1Y grades until June 2023.

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 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)

#### 2.1. Changes in accounting policies and disclosures (Continued)

Considering the published standards and the Bank's portfolio of products under the reform, the benchmark interest rate reform does not have a significant impact on financial reports.

Current Period	Derivative	Non-Derivative Financial Instruments
USD LIBOR	119,086,162	29,436,219
Hedge Accounting Instruments	64,743,012	-
<b>Total</b>	<b>183,829,174</b>	<b>29,436,219</b>

Prior Period	Derivative	Non-Derivative Financial Instruments
USD LIBOR	68,181,584	17,579,073
Hedge Accounting Instruments	37,931,698	-
<b>Total</b>	<b>106,113,282</b>	<b>17,579,073</b>

#### 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 YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 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 31 December 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 31 December 2021, derivative financial transactions loss amounting to TRY6,635,822 (31 December 2020 - TRY3,267,584 derivative financial transactions loss) and foreign exchange gain amounting to TRY2,912,609 (31 December 2020 - TRY273,792 net foreign exchange gain), excluding net interest expense amounting to TRY4,684,038 (31 December 2020 - TRY3,172,168 net interest expense) arising from derivative transactions, the net profit on foreign currency transactions is TRY960,825 (31 December 2020 - TRY178,376 net profit on foreign currency transactions).

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

The Communiqué Amending the “Communiqué on the Turkish Accounting Standard 27 (TAS 27) Concerning Individual Financial Statements” published in the Official Gazette dated 9 April 2015 and numbered 29321 came into effect for the accounting periods after 1 January 2016. While it is stated that a business that prepared its individual financial statements before the amendment can account for investments in its subsidiaries, joint ventures and associates at cost or in accordance with TFRS 9 Financial Instruments standard, with the amendment, while the business prepares its individual financial statements, its investments in subsidiaries, joint ventures and affiliates are accounted for using the equity method. also has the opportunity to be accounted for.

TAS 27, as the Bank considers that it is a more reliable and accurate value representation to present its financial subsidiaries in the unconsolidated financial statements of 31 December 2021 by means of the equity method instead of the fair value method, which is affected by the fluctuations in market conditions and for which it is not possible to make a sound calculation in terms of future projections. decided to account according to the equity method within the scope of the application and carried out the application retrospectively within the framework of TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The relevant amendment is explained in Note XXVI Other Disclosures.

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS  
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**ACCOUNTING POLICIES (Continued)**

**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.

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

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

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

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

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

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

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**ACCOUNTING POLICIES (Continued)**

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

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.

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.

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 30 September 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 31 December 2021, fair value exchange difference adjustment amounting to TRY1,170,135 which is shown tangible assets in the balance sheet, is amortized over the economic life of the property subject to hedging.

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**ACCOUNTING POLICIES (Continued)**

**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.

**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.

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**ACCOUNTING POLICIES (Continued)**

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

**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.

**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
- Financial assets measured at amortized cost.

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**ACCOUNTING POLICIES (Continued)**

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

**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 Principals regarding Classification of Loans and Allowances Allocated for Such Loans" effective from 1 January 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.

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**ACCOUNTING POLICIES (Continued)**

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

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 18 June 2021. This measure will be effective until 30 September 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,

- Temporarily, the practice of classifying the uncollectible receivables up to 180 days in the Second Group has occurred.
- • In restructured installment receivables, the practice of shifting installments without a contract breakdown, within the defined terms has started for customers who do not want to be late in their instalments
- In the process of completing the Pro-rata banks protocols, the time to be given to time-consuming operations was extended by a joint agreement
- Terminatively, this leads the Banks 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 31 December 2021, the Bank has not made any changes regarding the classification and measurement of financial assets and calculation of expected losses 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 relevant flexibility has been terminated in the year-end financial statements dated 31 December 2021.

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 31 December 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 below.

**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.

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**ACCOUNTING POLICIES (Continued)**

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

**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.

**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.

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**ACCOUNTING POLICIES (Continued)**

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

**Consideration of the Macroeconomic Factors (Continued)**

Stages were determined through the models created using internal information for the Bank.

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 31 December 2021. Compared to 31 December 2020, the weight of the worst-case scenario, the extreme negative scenario, was increased by 4000 basis points, and the weights of the relatively more optimistic negative and baseline scenarios were decreased by 1000 basis points and 3000 basis points, respectively. The calculation made taking into account the change in PD/LGD has been reflected in the financial statements as of 31 December 2021. Due to the nature of the model effects, events that cause changes and their effects occur at different times, reflected in the financial statements with a delay. For this reason, the Bank has made individual valuations in order to eliminate the timing difference and provided additional provisions for the sector and customers that are considered to have a high impact.

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

**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.

**Write-Off policy**

Receivables that are classified as non-performing loans are collected primarily within the framework of administrative contacts with the debtors, and if no results are obtained, through legal means. In accordance with the provisions of the "Regulation on the Amendment of the Regulation on the Classification of Loans and the Procedures and Principles Regarding the Classification of Loans and Provisions for These" published in the Official Gazette dated 6 July 2021 and numbered 31533, they are classified under the "Fifth Group-Loans with Loss Qualification" and are for life due to the default of the debtor. The portion of the loans for which there is no reasonable expectation of the recovery of the expected loan loss provision is deducted from the records within the period determined specifically for the situation of the borrower within the scope of TFRS 9, starting from the first reporting period (interim or year-end reporting period) following their classification in this Group. In this context, deducting the loans that cannot be collected from the records is an accounting practice and does not result in the waiver of the right to receivable.

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**ACCOUNTING POLICIES (Continued)**

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

**Write-Off Policy (Continued)**

The portion of the loan receivables that do not have reasonable expectations regarding the recovery of the following items is deducted from the records within the scope of accounting practice:

- Classified as "Fifth Group – Loans with a Loss Qualification" under the regulation,
- The number of days of delay is at least one year,
- Lifetime expected credit loss provision has been made due to the default of the borrower.

The portion of the loans that do not have reasonable expectations regarding the recovery of the loans is determined by the internal organs authorized by the Board of Directors. Within the scope of this article, deducting the loans from the records is an accounting practice. Receivables are followed up by the relevant credit and operation teams before the customer.

Within the scope of TFRS 9, the amount written off by the Parent Bank during the period is TRY 126,001 (31 December 2020: TRY 4,867) and the effect on the NPL ratio of the Parent Bank is 0.05% (31 December 2020: 0%). While the NPL ratio is 4.21% (31 December 2020: 6.10%) with the current period non-performing loan figures, the calculated rate including the loans written off during the year is 4.26% (31 December 2020: 6.10%).

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

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

**X. Derecognition of Financial Instruments**

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

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

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

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

**c) Derecognition of financial liabilities**

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

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**ACCOUNTING POLICIES (Continued)**

**X. Derecognition of Financial Instruments (Continued)**

**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.
- 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 and there is no doubt that future payments will be made on time.

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.

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".

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**ACCOUNTING POLICIES (Continued)**

**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 TRY22,990,663 (31 December 2020 TRY18,700,773).

As of 31 December 2021 the Bank has no securities that are subject to lending transactions (31 December 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 31 December 2021 the Bank has assets held for sale and discontinued operations and it is explained in footnote 1.15. of Section Five.

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

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

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

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

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

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

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

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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### ACCOUNTING POLICIES (Continued)

#### 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 10 January 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%.

##### **TFRS 16 Leases**

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

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

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**ACCOUNTING POLICIES (Continued)**

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

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

Due to the Bank’s implementation of TFRS 16, assets classified under tangible assets as of 31 December 2021 amounted to TRY478,814 (31 December 2020 - TRY440,596), lease liability amounted to TRY482,495 (31 December 2020 - TRY426,407), financing expense amounted to TRY59,517 (31 December 2020 - TRY52,122 ), and depreciation expense amounted to TRY 240,628 (31 December 2020 – TRY220,690)

**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.

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**ACCOUNTING POLICIES (Continued)**

**XVIII. Explanations on Taxation**

**1. Corporate Tax**

According to the Corporate Tax Law No. 5520 published in the Official Gazette No. 26205 dated 21 June 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. The Corporate Tax rate, which is 20% in accordance with the Temporary Article 13 added to the Corporate Tax Law with the 11th Article of the Law on the Collection of Public Claims and Amendments to Some Laws, published in the Official Gazette on 22 April 2021, numbered 7316. It will be applied as 25% for corporate earnings and 23% for 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.

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 3 February 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.

In accordance with the provisions of the Tax Procedure Law Reiterated Article 298/A, the financial statements should be subject to inflation if both of the following conditions are met:

- If the increase in the price index (D-PPI- Domestic Producer Price Index) is more than 100% in the last three accounting periods, including the current period, and
- More than 10% in the current accounting period.

The law on amending the Tax Procedure Law and the Corporate Tax Law was enacted on 20 January 2022, Law No. It has been enacted with the number 7532 and it has been decided that the financial statements will not be subject to inflation adjustment in the 2021 and 2022 accounting periods, including the temporary accounting periods, and in the provisional tax periods of the 2023 accounting period, regardless of whether the conditions for the inflation adjustment within the scope of the Repeated Article 298 are met. In line with the Law No. 7352, inflation adjustment will be applied to the financial statements dated 31 December 2023, and the profit/loss difference arising from the inflation adjustment will be shown in the previous years' profit/loss account and will not be taxed.

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS  
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**ACCOUNTING POLICIES (Continued)**

**XVIII. Explanations on Taxation (Continued)**

**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 22 April 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 18 November 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.

**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.

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

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### ACCOUNTING POLICIES (Continued)

#### 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 31 December 2021 the Bank does not have any government incentives or grants (31 December 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.

# QNB FİNANSBANK ANONİM ŞİRKETİ

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

### ACCOUNTING POLICIES (Continued)

#### XXIII. Explanations on Segment Reporting (Continued)

<b>Current Period (January 1 - 31 December 2021)</b>	<b>Retail Banking</b>	<b>Corporate and Commercial Banking</b>	<b>Treasury and Head Office</b>	<b>Total Operations of the Bank</b>
<b>Operating income</b>	<b>6,790,333</b>	<b>4,664,089</b>	<b>1,779,637</b>	<b>13,234,059</b>
Dividend Income	-	-	518	518
Gain/(Loss) on joint venture accounted for at equity method	-	-	593,155	593,155
<b>Profit Before Taxes</b>	<b>3,200,871</b>	<b>764,511</b>	<b>1,024,559</b>	<b>4,989,941</b>
<b>Provision Tax (-) (*)</b>	<b>-</b>	<b>-</b>	<b>1,061,827</b>	<b>1,061,827</b>
<b>Net Profit/Loss</b>	<b>3,200,871</b>	<b>764,511</b>	<b>(37,268)</b>	<b>3,928,114</b>
<b>Total Assets</b>	<b>67,745,239</b>	<b>132,877,373</b>	<b>150,430,105</b>	<b>371,369,241</b>
Segment Assets	67,745,239	132,877,373	150,430,105	351,052,717
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	2,400,164
Undistributed Assets	-	-	-	17,916,360
<b>Total Liabilities</b>	<b>142,168,592</b>	<b>71,777,517</b>	<b>110,722,761</b>	<b>371,369,241</b>
Segment Liabilities	142,168,592	71,777,517	110,722,761	324,668,870
Undistributed Liabilities	-	-	-	24,556,311
Equity	-	-	-	22,144,060
<b>Other Segment Accounts</b>	<b>804,831</b>	<b>559,965</b>	<b>(24,111)</b>	<b>1,340,685</b>
Capital Expenditures	418,853	291,419	(8,159)	702,113
Depreciation and Amortization	385,978	268,546	(15,952)	638,572

(\*) Provision tax is not distributed.

<b>Prior Period (1 January – 31 December 2020)</b>	<b>Retail Banking</b>	<b>Corporate and Commercial Banking</b>	<b>Treasury and Head Office</b>	<b>Total Operations of the Bank</b>
<b>Operating income</b>	<b>5,096,062</b>	<b>3,409,169</b>	<b>1,507,128</b>	<b>10,012,359</b>
Dividend Income	-	-	5,258	5,258
Gain/(Loss) on joint venture accounted for at equity method	-	-	446,975	446,975
<b>Profit Before Taxes</b>	<b>2,067,657</b>	<b>187,141</b>	<b>1,004,521</b>	<b>3,259,319</b>
<b>Provision Tax (-)</b>	<b>-</b>	<b>-</b>	<b>512,420</b>	<b>512,420</b>
<b>Net Profit/Loss</b>	<b>2,067,657</b>	<b>187,141</b>	<b>492,101</b>	<b>2,746,899</b>
<b>Total Assets</b>	<b>49,111,844</b>	<b>89,490,537</b>	<b>70,811,072</b>	<b>227,243,695</b>
Segment Assets	49,111,844	89,490,537	70,811,072	209,413,453
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	1,883,297
Undistributed Assets	-	-	-	15,946,945
<b>Total Liabilities</b>	<b>88,937,401</b>	<b>37,038,943</b>	<b>67,552,837</b>	<b>227,243,695</b>
Segment Liabilities	88,937,401	37,038,943	67,552,837	193,529,181
Undistributed Liabilities	-	-	-	14,501,747
Equity	-	-	-	19,212,768
<b>Other Segment Accounts</b>	<b>944,222</b>	<b>696,308</b>	<b>(68,711)</b>	<b>1,571,819</b>
Capital Expenditures	615,635	453,994	(48,566)	1,021,063
Depreciation and Amortization	328,587	242,314	(20,145)	550,756

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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### ACCOUNTING POLICIES (Continued)

#### XXIV. Profit Reserves and Profit Distribution

The General Assembly Meeting of the Bank was held on 25 March 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.

	Current Period	Prior Period
Net Profit for the Period	3,928,114	2,746,899
Weighted Average Amount of Shares Issued (Thousands)	33,500,000	33,500,000
<b>Earnings Per Share</b>	<b>0.1173</b>	<b>0.0820</b>

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

Amount of issued bonus shared in 2021 is none (Amount of issued bonus shared in 2020 is none).

#### XXVI. Explanations on Other Matters

TAS 27, as the Bank considers that it is a more reliable and accurate value representation to present its financial subsidiaries in the unconsolidated financial statements of 31 December 2021 by means of the equity method instead of the fair value method, which is affected by the fluctuations in market conditions and for which it is not possible to make a sound calculation in terms of future projections. decided to account according to the equity method within the scope of the application and carried out the application retrospectively within the framework of TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The effect of correction postings is summarized as follows.

31 December 2019	Published	Adjustments	Revised
<b>IV. PARTNERSHIP INVESTMENTS</b>	<b>1,492,873</b>	<b>59,576</b>	<b>1,552,449</b>
4.2 Subsidiaries (Net)	1,250,114	122,838	1,372,952
4.3 Jointly Controlled Partnerships (Business Partnerships) (Net)	236,777	(63,262)	173,515
<b>XVI. EQUITY</b>	<b>16,685,058</b>	<b>59,576</b>	<b>16,744,634</b>
16.3 Other Accumulated Comprehensive Income or Expenses Not to be Reclassified to Profit or Loss	973,518	(948,591)	24,927
16.4 Other Accumulated Comprehensive Income or Expenses to be Reclassified to Profit or Loss	(838,364)	2,822	(835,542)
16.5 Profit Reserves	10,577,034	773,385	11,350,419
16.6 Profit or Loss	2,622,157	231,960	2,854,117
<b>V. Dividend Income</b>	<b>51,187</b>	<b>(48,425)</b>	<b>2,762</b>
<b>XV. Profit/Loss from Partnerships Using Equity Method</b>	<b>-</b>	<b>280,223</b>	<b>280,223</b>

# QNB FİNANSBANK ANONİM ŞİRKETİ

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### ACCOUNTING POLICIES (Continued)

#### XXVI. Explanations on Other Matters (Continued)

31 December 2020	Published	Adjustments	Revised
<b>IV. PARTNERSHIP INVESTMENTS</b>	<b>1,892,950</b>	<b>(9,653)</b>	<b>1,883,297</b>
4.2 Subsidiaries (Net)	1,596,516	86,899	1,683,416
4.3 Jointly Controlled Partnerships (Business Partnerships) (Net)	282,408	(96,553)	185,855
<b>XVI. EQUITY</b>	<b>19,222,421</b>	<b>(9,653)</b>	<b>19,212,768</b>
16.3 Other Accumulated Comprehensive Income or Expenses Not to be Reclassified to Profit or Loss	1,163,907	(1,275,530)	(111,623)
16.4 Other Accumulated Comprehensive Income or Expenses to be Reclassified to Profit or Loss	(1,079,667)	642	(1,079,025)
16.5 Profit Reserves	13,199,190	1,005,346	14,204,536
16.6 Profit or Loss	2,588,276	259,890	2,848,166
<b>V. Dividend Income</b>	192,343	(187,085)	5,258
<b>XV. Profit/Loss from Partnerships Using Equity Method</b>	-	446,975	446,975

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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 31 December 2021 Bank’s total capital has been calculated as TRY37,423,424 (31 December 2020 – TRY28,207,198), capital adequacy ratio is 15.91% (31 December 2020 – 16.44%).

Based on the press release made by the BRSA on 21 December 2021; 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.

<b>Explanations on Equity:</b>	<b>Current Period</b>	<b>Prior Period</b>
	<b>31 December 2021</b>	<b>31 December 2020</b>
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	3,350,000	3,350,000
Share issue premiums	714	714
Reserves	17,052,702	13,199,191
Gains recognized in equity as per TAS	298,650	1,459,099
Profit	3,928,114	2,588,276
Current Period Profit	3,928,114	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
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>24,630,180</b>	<b>20,599,969</b>
<b>Deductions from Common Equity Tier 1 Capital</b>		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	-
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	837,044	679,619
Improvement costs for operating leasing	78,386	67,193
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	573,325	455,268
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	-
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be defined by the BRSA	-	-
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	-
<b>Total Deductions From Common Equity Tier 1 Capital</b>	<b>1,488,755</b>	<b>1,202,080</b>
The positive difference between the expected loan loss provisions under TFRS 9 and the total provision amount calculated before the application of TFRS 9	130,312	260,624
<b>Total Common Equity Tier 1 Capital</b>	<b>23,271,737</b>	<b>19,658,513</b>

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

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

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

	Current Period 31 December 2021	Prior Period 31 December 2020
<b>ADDITIONAL TIER I CAPITALu</b>		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA	6,813,188	3,853,763
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	-
<b>Additional Tier I Capital before Deductions</b>	<b>6,813,188</b>	<b>3,853,763</b>
<b>Deductions from Additional Tier I Capital</b>	<b>-</b>	<b>-</b>
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other items to be defined by the BRSA	-	-
<b>Transition from the Core Capital to Continue to deduce Components</b>	<b>-</b>	<b>-</b>
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
<b>Total Deductions From Additional Tier I Capital</b>	<b>-</b>	<b>-</b>
<b>Total Additional Tier I Capital</b>	<b>6,813,188</b>	<b>3,853,763</b>
<b>Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)</b>	<b>30,084,925</b>	<b>23,512,276</b>
<b>TIER II CAPITAL</b>		
Debt instruments and premiums deemed suitable by the BRSA	-	-
Debt instruments and premiums deemed suitable by BRSA (Temporary Article 4)	4,996,338	2,826,093
Provisions (Article 8 of the Regulation on the Equity of Banks)	2,665,224	1,916,622
<b>Tier II Capital Before Deductions</b>	<b>7,661,562</b>	<b>4,742,715</b>
<b>Deductions From Tier II Capital</b>	<b>-</b>	<b>-</b>
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	-
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Other items to be defined by the BRSA (-)	-	-
<b>Total Deductions from Tier II Capital</b>	<b>-</b>	<b>-</b>
<b>Total Tier II Capital</b>	<b>7,661,562</b>	<b>4,742,715</b>
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>37,746,487</b>	<b>28,254,991</b>
<b>Deductions from Total Capital</b>		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	8,140	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 (-)	314,923	40,393
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>	<b>-</b>	<b>-</b>
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank owns more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank owns more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

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

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

	Current Period 31 December 2021	Prior Period 31 December 2020
<b>TOTAL CAPITAL</b>		
Total Capital	37,423,424	28,207,198
Total Risk Weighted Amounts	235,207,150	171,587,620
<b>Capital Adequacy Ratios</b>		
CET1 Ratio (%)	9.89	11.46
Tier 1 Ratio (%)	12.79	13.70
Capital Adequacy Ratio (%)	15.91	16.44
<b>BUFFERS</b>		
Bank specific total common equity tier 1 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 (%)	3.89	5.46
<b>Amounts below the Excess Limits as per the Deduction Principles</b>		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier 1 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 1 capital	218,294	282,408
Amount arising from mortgage-servicing rights	-	-
Amount arising from deferred tax assets based on temporary differences	-	-
<b>Limits related to provisions considered in Tier II calculation</b>		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	5,588,842	4,031,306
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	2,665,224	1,916,622
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
<b>Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)</b>		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	6,813,188	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	4,996,338	2,826,093
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

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

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

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

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
Since 1.1.2015 10% reduction by being subject to the application	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)	6,813	1,622	3,374
Par value of instrument (Currency in million)	6,813	1,622	3,374
Accounting classification	Liability – Subordinated Loans- amortized cost	Liability – Subordinated Loans- amortized cost	Liability – Subordinated Loans- amortized cost
Original date of issuance	30 June 2019	1 April 2019	22 May 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	-	-

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

### OF INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT 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..

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

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

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

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

<b>EQUITY ITEMS</b>	<b>T</b>	<b>T-1</b>
Common Equity	23,271,737	23,271,737
Transition process not implemented Common Equity	23,141,425	23,141,425
Tier 1 Capital	30,084,925	30,084,925
Transition process not implemented Tier 1 Capital	29,954,613	29,954,613
Total Capital	37,423,424	37,423,424
Transition process not implemented Equity	37,293,112	37,293,112
<b>TOTAL RISK WEIGHTED AMOUNTS</b>		
Total Risk Weighted Amounts	235,207,150	235,207,150
<b>Capital Adequacy Ratio</b>		
Common Equity Adequacy Ratio (%)	9.89%	9.89%
Transition process not implemented Common Equity Adequacy Ratio (%)	9.84%	9.84%
Tier 1 Ratio (%)	12.79%	12.79%
Transition process not implemented Tier 1 Ratio (%)	12.74%	12.74%
Capital Adequacy Ratio (%)	15.91%	15.91%
Transition process not implemented Capital Adequacy Ratio (%)	15.86%	15.86%
<b>LEVERAGE</b>		
Leverage Ratio Total Risk Amount	476,635,281	476,635,281
Leverage (%)	5.96%	5.96%
Transition process not implemented Leverage Ratio (%) <sup>1</sup>	5.90%	5.90%

##### 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, losses 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

##### 1. Explanations on credit risk

Credit risk represents the risk arising due to the counter party's not fulfilling its responsibilities stated in the agreement either partially or totally.

Loan strategies and policies are determined by the Policy Committees. These policies and strategies are constituted in line with the applications of the Bank, and credit risk is managed according to these policies and strategies. The quality of loan portfolio is monitored regularly with the help of metrics which are in line with the Bank's risk appetite, as specified in Risk Management Strategies.

Credit Risk Management takes place in every step of the Bank's credit process from the beginning. Loan applications are evaluated by non-profit oriented independent loan granting departments. Loan limits are determined on a product basis and in the aggregate for every individual, corporate customer and risk group. Furthermore, concentration on product, industry, region, are monitored within the frame of loan limits in line with the regulation.

The credibility of the debtors is monitored periodically in accordance with the related regulation. The statements presenting the financial position of the borrowers are obtained in accordance with the related regulation

Loan limits of the loan customers are revised periodically in line with the Bank's loan limit revision procedures.

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021**

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

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

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

The Bank analyses the credibility of the loans within the framework of its loan policies and obtains collaterals for loans

The Bank has control limits over the positions of forward transactions, options and other similar agreements. The credit risk arising from these instruments are managed together with the risks resulting from market fluctuations.

The Bank monitors risks of forward transactions, options and other similar agreements and reduces the risk if necessary.

Indemnified non-cash loans are weighted in the same risk group with the past due but not impaired loans.

The restructured and rescheduled loans are monitored by the Bank in line with Bank's credit risk management procedures. The debtor's financial position and commercial activities are continuously analyzed and the principal and interest payments of rescheduled loans are monitored by the related departments.

The restructured and rescheduled loans are evaluated in the Bank's current internal rating system besides the follow up method determined in the related regulation.

The risk of banking operations abroad and credit transactions is acceptable and there is no significant credit risk density in the international banking market.

The policies implemented by the bank regarding the calculation of expected loss provisions are explained in note VIII of the third part. The bank has taken the general provision for overdue loans and special provision for impaired loans under the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables (the Provisioning Regulation) into consideration.

With the Decision No. 9996 dated 21 December 2021 of the Banking Regulation and Supervision Agency;

In accordance with the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks (Capital Adequacy Regulation) specified in the Board Decision dated 6 September 2021 and numbered 9795 and published in the Official Gazette dated 23 October 2015, monetary assets and non-monetary assets, in the calculation of the amount subject to credit risk; The application of using the simple arithmetic average of the Central Bank's foreign exchange buying rates of the last 252 business days before the calculation date, when calculating the amounts valued in accordance with Turkish Accounting Standards and the relevant provision amounts for items other than items in foreign currency measured in cost terms; until a Board Decision to the contrary is taken. To continue as of January 2022, by using the simple arithmetic average of the Central Bank's foreign exchange buying rates for the last 252 business days as of 31 December 2021, in the aforementioned calculation,

In case the net valuation differences of the securities held by the banks in the portfolio of "Securities at Fair Value Through Other Comprehensive Income" as of the date of this Decision are negative, these differences will be calculated in accordance with the Regulation on the Equity of Banks published in the Official Gazette dated 05 September 2013, and Allowing the opportunity not to be taken into account in the amount of equity to be used for the capital adequacy ratio, continuing to apply the existing provisions of the aforementioned Regulation for "Securities at Fair Value Reflected in Other Comprehensive Income" acquired after the date of this Decision,

Capital Adequacy Regulation;

The limit for the definition of small and medium-sized enterprises (SMEs) in subparagraph (vv) of the first paragraph of Article 3 is determined as 220,000,000 TRY for domestic residents in terms of SMEs,

It has been reported that it has been decided to set the retail credit limit as 10,000,000 TRY in the first sentence of subparagraph (c) of the second paragraph of Article 6, and to use the definition of SME, which is used by the banking authority of the country where the SME is located, in the calculation of capital adequacy for non-resident SMEs.

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

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

#### II. Explanations on Risk Management (Continued)

- The receivables of the Bank from its top 100 cash loan customers are 31% in the total cash loans (31 December 2020 – 27%).
- The receivables of the Bank from its top 200 cash loan customers are 36% in the total cash loans (31 December 2020 - 32%).
- The receivables of the Bank from its top 100 non-cash loan customers are 50% in the total non-cash loans (31 December 2020 – 50%).
- The receivables of the Bank from its top 200 non-cash loan customers are 61% in the total non-cash loans (31 December 2020 – 60%).
- The share of cash and non-cash receivables of the Bank from its top 100 loan customers in total cash and non -cash loans is 29% (31 December 2020 – 27%).
- The share of cash and non-cash receivables of the Bank from its top 200 loan customers in total cash and non -cash loans is 35% (31 December 2020 – 32%).
- The general loan loss provision taken by the Bank is TRY5,506,339 (31 December 2020 – TRY4,031,306).
- As of 31 December 2021, the Bank does not take any provision for probable risks in loan portfolio amounted (31 December 2020-None).

Exposure Categories	Current Period		Prior Period	
	Risk Amount(**)	Average Risk Amount(*)	Risk Amount(**)	Average Risk Amount(*)
Conditional and unconditional receivables from central governments and Central Banks	91,312,405	72,649,337	60,290,631	51,904,653
Conditional and unconditional receivables from regional or local governments	178,915	110,503	93,842	94,260
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	215,372	243,902	378,234	303,835
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	53,060,055	39,366,658	29,958,190	32,234,642
Conditional and unconditional receivables from corporates	96,914,428	91,000,839	82,079,206	71,315,082
Conditional and unconditional receivables from retail portfolios	80,562,759	76,539,422	71,619,493	66,410,977
Conditional and unconditional receivables secured by mortgages	13,832,407	9,748,513	6,660,262	5,480,412
Past due receivables	1,954,401	1,759,215	1,955,922	1,878,086
Receivables defined under high risk category by BRSA	14,126,240	4,565,077	340,547	227,538
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-
Investments similar to collective investment funds	-	-	-	-
Investment in equities	2,407,839	2,140,960	1,900,625	1,709,353
Other receivables	15,029,445	11,256,089	9,497,684	8,960,771

(\*) The average risk amount is determined by calculating the arithmetic average of the post-transformation risk amounts for the January 2021 - December 2021 periods.

(\*\*) The risk amounts are given after the loan conversion rate, and before Loan Risk Reduction.

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

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

#### II. Explanations on Risk Management (Continued)

##### Profile of significant exposures in major regions:

	Exposure Categories(*)																	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
<b>Current Period</b>																		
Domestic	91,312,405	178,915	215,372	-	-	4,793,157	91,307,223	52,022,667	13,828,240	1,766,996	12,971,486	-	-	-	-	-	15,029,445	283,425,906
EU countries	-	-	-	-	-	38,933,141	427,287	1,254	29	11	1,348	-	-	-	-	-	-	39,363,070
OECD countries (**)	-	-	-	-	-	1,472,322	13	-	-	-	-	-	-	-	-	-	-	1,472,335
Off-shore banking regions	-	-	-	-	-	3,211,363	297,697	335	-	-	-	-	-	-	-	-	-	3,509,395
USA, Canada	-	-	-	-	-	4,262,094	-	5,165	19	-	-	-	-	-	-	-	-	4,267,278
Other countries	-	-	-	-	-	387,978	4,882,208	28,533,338	4,119	187,394	1,153,406	-	-	-	-	2,407,839	-	37,556,282
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Undistributed Assets/Liabilities(***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>91,312,405</b>	<b>178,915</b>	<b>215,372</b>	<b>-</b>	<b>-</b>	<b>53,060,055</b>	<b>96,914,428</b>	<b>80,562,759</b>	<b>13,832,407</b>	<b>1,954,401</b>	<b>14,126,240</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,407,839</b>	<b>15,029,445</b>	<b>369,594,266</b>

	Exposure Categories(*)																	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
<b>Prior Period</b>																		
Domestic	60,290,631	93,842	378,234	-	-	2,917,570	76,903,932	51,191,709	6,659,939	1,782,988	269,682	-	-	-	-	-	9,497,684	209,986,211
EU countries	-	-	-	-	-	22,275,219	477,650	85	89	11	63,104	-	-	-	-	-	-	22,816,158
OECD countries (**)	-	-	-	-	-	423,189	11	-	-	3,760	7,761	-	-	-	-	-	-	434,721
Off-shore banking regions	-	-	-	-	-	2,260,776	247,094	6	-	-	-	-	-	-	-	-	-	2,507,876
USA, Canada	-	-	-	-	-	1,687,202	22,465	164	62	-	-	-	-	-	-	-	-	1,709,893
Other countries	-	-	-	-	-	394,234	4,428,054	20,427,529	172	169,163	-	-	-	-	-	1,900,625	-	27,319,777
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Undistributed Assets/Liabilities(***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>60,290,631</b>	<b>93,842</b>	<b>378,234</b>	<b>-</b>	<b>-</b>	<b>29,958,190</b>	<b>82,079,206</b>	<b>71,619,493</b>	<b>6,660,262</b>	<b>1,955,922</b>	<b>340,547</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,900,625</b>	<b>9,497,684</b>	<b>264,774,636</b>

(\*) Exposure categories based on "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks. The risk amounts are given after the loan conversion rate, and before Loan Risk Reduction.

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

(\*\*\*) Includes assets and liability items that cannot be allocated on a consistent basis

- 1-Conditional and unconditional receivables from central governments or central banks
- 2-Conditional and unconditional receivables from regional or local governments
- 3-Conditional and unconditional receivables from administrative units and non-commercial enterprises
- 4-Conditional and unconditional receivables from multilateral development banks
- 5-Conditional and unconditional receivables from international organizations
- 6-Conditional and unconditional receivables from banks and brokerage houses
- 7-Conditional and unconditional receivables from corporates
- 8-Conditional and unconditional retail receivables
- 9-Conditional and unconditional receivables secured by mortgages
- 10-Past due receivables
- 11-Receiveables defined as high risk category by the Regulator
- 12-Mortgage-backed Securities
- 13-Securitization Positions
- 14-Short-Term Receivables and Short-Term Corporate Receivables from banks and brokerage houses
- 15-Investments in the Nature of Collective Investment
- 16-Investment in equities
- 17-Other receivables

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

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

#### II. Explanations on Risk Management (Continued)

##### Risk profile by sectors or counterparties

Current Period	Exposure Categories <sup>(*)</sup>																	TRY	FC	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17			
<b>Agriculture</b>	-	-	2,723	-	-	-	686,012	1,533,443	31,494	83,721	50,326	-	-	-	-	-	-	2,055,798	331,921	2,387,719
Farming and Livestock	-	-	2,723	-	-	-	342,296	1,483,694	27,125	83,548	50,326	-	-	-	-	-	-	1,919,928	69,784	1,989,712
Forestation	-	-	-	-	-	-	94	16,032	169	31	-	-	-	-	-	-	-	16,326	-	16,326
Fishing Industry	-	-	-	-	-	-	343,622	33,717	4,200	142	-	-	-	-	-	-	-	119,544	262,137	381,681
<b>Industrial</b>	-	116,496	94	-	-	-	38,932,950	6,578,227	1,706,720	219,216	36,300	-	-	-	-	-	-	21,147,714	26,442,289	47,590,003
Mining and Quarrying	-	-	-	-	-	-	395,862	112,448	1,547	11,820	44	-	-	-	-	-	-	334,862	186,859	521,721
Manufacturing Industry	-	-	94	-	-	-	32,206,910	6,404,386	1,702,948	207,353	36,256	-	-	-	-	-	-	20,039,676	20,518,271	40,557,947
Electricity, Gas, Water	-	116,496	-	-	-	-	6,330,178	61,393	2,225	43	-	-	-	-	-	-	-	773,176	5,737,159	6,510,335
<b>Construction</b>	-	-	-	-	-	-	5,823,853	3,369,239	659,395	412,015	36,463	-	-	-	-	-	-	7,502,533	2,798,432	10,300,965
<b>Services</b>	50,098,746	33	3,086	-	-	48,207,415	46,118,720	14,951,260	9,330,907	768,754	106,997	-	-	-	-	-	-	54,513,384	115,072,534	169,585,918
Wholesale and Retail Trade	-	-	2,276	-	-	-	13,719,076	11,818,999	1,241,631	301,312	67,873	-	-	-	-	-	-	21,490,069	5,661,098	27,151,167
Hotels and Restaurants	-	-	-	-	-	-	2,557,216	320,021	2,210,924	41,872	10,900	-	-	-	-	-	-	757,153	4,383,780	5,140,933
Transportation and Communications	-	-	-	-	-	-	17,277,891	1,075,135	464,727	15,826	2,788	-	-	-	-	-	-	1,761,420	17,074,947	18,836,367
Financial Institutions	50,098,746	33	-	-	-	48,207,415	2,737,720	97,263	23,443	1,087	-	-	-	-	-	-	-	26,832,358	74,333,349	101,165,707
Real Estate and Rent Services	-	-	-	-	-	-	4,135,545	213,889	4,944,735	373,898	1,067	-	-	-	-	-	-	1,012,650	8,656,484	9,669,134
Independent Business Services	-	-	697	-	-	-	1,170,653	691,718	61,407	20,962	3,044	-	-	-	-	-	-	1,277,414	671,067	1,948,481
Education Services	-	-	3	-	-	-	101,475	216,608	18,868	7,605	20,800	-	-	-	-	-	-	354,527	10,832	365,359
Health and Social Services	-	-	110	-	-	-	4,419,144	517,627	365,172	6,192	525	-	-	-	-	-	-	1,027,793	4,280,977	5,308,770
<b>Other</b>	41,213,659	62,386	209,469	-	-	4,852,640	5,352,893	54,130,590	2,103,891	470,695	13,896,154	-	-	-	-	2,407,839	15,029,445	114,330,219	25,399,442	139,729,661
<b>Total</b>	<b>91,312,405</b>	<b>178,915</b>	<b>215,372</b>	<b>-</b>	<b>-</b>	<b>53,060,055</b>	<b>96,914,428</b>	<b>80,562,759</b>	<b>13,832,407</b>	<b>1,954,401</b>	<b>14,126,240</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,407,839</b>	<b>15,029,445</b>	<b>199,549,648</b>	<b>170,044,618</b>	<b>369,594,266</b>

(\*)Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

- 1-Conditional and unconditional receivables from central governments or central banks
- 2-Conditional and unconditional receivables from regional or local governments
- 3-Conditional and unconditional receivables from administrative units and non-commercial enterprises
- 4-Conditional and unconditional receivables from multilateral development banks
- 5-Conditional and unconditional receivables from international organizations
- 6-Conditional and unconditional receivables from banks and brokerage houses
- 7-Conditional and unconditional receivables from corporates
- 8-Conditional and unconditional retail receivables
- 9-Conditional and unconditional receivables secured by mortgages
- 10-Past due receivables
- 11-Receivables defined as high risk category by the Regulator
- 12-Mortgage-backed Securities
- 13-Securitization Positions
- 14-Short-Term Receivables and Short-Term Corporate Receivables from banks and brokerage houses
- 15-Investments in the Nature of Collective Investment
- 16-Investment in equities
- 17-Other receivable

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

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

#### II. Explanations on Risk Management (Continued)

##### Risk profile by sectors or counterparties (Continued)

Prior Period	Risk Categories(*)																	TRY	FC	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17			
<b>Agriculture</b>	-	-	107,256	-	-	-	435,251	1,937,651	35,530	94,863	29,852	-	-	-	-	-	-	2,430,613	209,790	2,640,403
Farming and Livestock	-	-	107,256	-	-	-	233,684	1,894,479	35,233	92,363	29,852	-	-	-	-	-	-	2,321,746	71,121	2,392,867
Forestation	-	-	-	-	-	-	1,382	7,143	-	10	-	-	-	-	-	-	-	8,535	-	8,535
Fishing Industry	-	-	-	-	-	-	200,185	36,029	297	2,490	-	-	-	-	-	-	-	100,332	138,669	239,001
<b>Industrial</b>	-	58,796	395	-	-	-	29,494,714	5,266,411	950,528	229,030	47,506	-	-	-	-	-	-	16,844,977	19,202,403	36,047,380
Mining and Quarrying	-	-	-	-	-	-	258,843	101,767	30,689	5,101	585	-	-	-	-	-	-	323,133	73,852	396,985
Manufacturing Industry	-	-	395	-	-	-	24,496,029	5,108,043	919,814	223,877	46,921	-	-	-	-	-	-	16,012,515	14,782,564	30,795,079
Electricity, Gas, Water	-	58,796	-	-	-	-	4,739,842	56,601	25	52	-	-	-	-	-	-	-	509,329	4,345,987	4,855,316
<b>Construction</b>	-	-	-	-	-	-	5,672,624	3,134,377	437,510	277,890	103,387	-	-	-	-	-	-	7,252,153	2,373,635	9,625,788
<b>Services</b>	27,289,714	33	49,485	-	-	26,549,810	41,508,390	12,820,978	2,986,712	974,582	89,885	-	-	-	-	-	-	36,922,232	75,347,357	112,269,589
Wholesale and Retail Trade	-	-	25,421	-	-	-	11,028,794	10,121,938	865,058	483,316	67,121	-	-	-	-	-	-	18,654,625	3,937,023	22,591,648
Hotels and Restaurants	-	-	-	-	-	-	3,667,770	294,520	262,719	24,640	7,052	-	-	-	-	-	-	749,287	3,507,414	4,256,701
Transportation and Communications	-	-	-	-	-	-	14,718,211	859,697	40,471	19,487	1,915	-	-	-	-	-	-	1,460,172	14,179,609	15,639,781
Financial Institutions	27,289,714	33	-	-	-	26,549,810	1,000,928	150,995	6,378	497	452	-	-	-	-	-	-	12,638,631	42,360,176	54,998,807
Real Estate and Rent Services	-	-	-	-	-	-	5,631,076	219,216	1,652,083	393,385	1,094	-	-	-	-	-	-	950,307	6,946,547	7,896,854
Independent Business Services	-	-	23,979	-	-	-	1,150,561	580,126	38,739	21,009	4,655	-	-	-	-	-	-	1,123,023	696,046	1,819,069
Education Services	-	-	2	-	-	-	193,568	205,974	6,639	26,152	7,529	-	-	-	-	-	-	406,008	33,856	439,864
Health and Social Services	-	-	83	-	-	-	4,117,482	388,512	114,625	6,096	67	-	-	-	-	-	-	940,179	3,686,686	4,626,865
<b>Other</b>	33,000,917	35,013	221,098	-	-	3,408,380	4,968,227	48,460,076	2,249,982	379,557	69,917	-	-	-	-	-	-	1,900,625	9,497,684	80,663,505
<b>Total</b>	60,290,631	93,842	378,234	-	-	29,958,190	82,079,206	71,619,493	6,660,262	1,955,922	340,547	-	-	-	-	-	-	1,900,625	9,497,684	144,113,480

(\*)Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

- 1-Conditional and unconditional receivables from central governments or central banks
- 2-Conditional and unconditional receivables from regional or local governments
- 3-Conditional and unconditional receivables from administrative units and non-commercial enterprises
- 4-Conditional and unconditional receivables from multilateral development banks
- 5-Conditional and unconditional receivables from international organizations
- 6-Conditional and unconditional receivables from banks and brokerage houses
- 7-Conditional and unconditional receivables from corporates
- 8-Conditional and unconditional retail receivables
- 9-Conditional and unconditional receivables secured by mortgages
- 10-Past due receivables
- 11-Receiveables defined as high risk category by the Regulator
- 12-Mortgage-backed Securities
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- 14-Short-Term Receivables and Short-Term Corporate Receivables from banks and brokerage houses
- 15-Investments in the Nature of Collective Investment
- 16-Investment in equities
- 17-Other receivable

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

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

#### II. Explanations on Risk Management (Continued)

##### Analysis of maturity-bearing exposures according to remaining maturities(\*):

Current Period Exposure Categories	Term to Maturity				
	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year
Conditional and unconditional receivables from central governments and Central Banks	2,559,232	2,252,336	322,789	1,807,675	38,301,974
Conditional and unconditional receivables from regional or local governments	-	-	3,656	-	175,226
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	601	753	9,740	-	194,981
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	6,958,067	9,444,693	1,227,883	6,250,355	5,748,586
Conditional and unconditional receivables from corporates	7,426,760	9,528,865	10,701,131	14,734,326	47,507,148
Conditional and unconditional receivables from retail portfolios	4,290,657	7,058,180	5,711,697	10,682,965	29,234,079
Conditional and unconditional receivables secured by mortgages	118,023	292,342	727,375	1,126,136	11,399,373
Past due receivables	-	-	-	-	-
Receivables defined under high risk category by BRSA	-	-	-	-	12,719,133
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-
Stock investments	7,674	-	-	-	-
Other receivables	-	-	-	-	-
<b>Total</b>	<b>21,361,014</b>	<b>28,577,169</b>	<b>18,704,271</b>	<b>34,601,457</b>	<b>145,280,500</b>

(\*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions and items with maturity items are taken into consideration.

Prior Period Exposure Categories	Term to Maturity				
	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year
Conditional and unconditional receivables from central governments and Central Banks	5,378,348	601,561	465,873	1,191,926	28,216,576
Conditional and unconditional receivables from regional or local governments	-	-	-	-	93,809
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	790	64,556	77,687	27,861	196,122
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	5,476,687	5,257,721	973,258	1,347,640	5,981,860
Conditional and unconditional receivables from corporates	8,174,090	5,979,785	8,939,981	11,681,043	40,987,825
Conditional and unconditional receivables from retail portfolios	3,228,752	5,064,628	4,859,473	7,533,092	34,580,470
Conditional and unconditional receivables secured by mortgages	60,566	284,686	209,111	428,832	5,595,784
Past due receivables	-	-	-	-	-
Receivables defined under high risk category by BRSA	-	-	350	-	881
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-
Stock investments	7,674	-	-	-	-
Other receivables	-	-	-	-	-
<b>Total</b>	<b>22,326,907</b>	<b>17,252,937</b>	<b>15,525,733</b>	<b>22,210,394</b>	<b>115,653,327</b>

(\*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions and items with maturity items are taken into consideration

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

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

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

##### Exposures by Risk Weights:

##### Current Period

Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	2%	Deductions from Equity
1. Exposures Before Credit Risk Mitigation	96,584,389	-	13,408,712	-	37,938,013	76,859,366	130,650,952	14,126,240	-	-	26,594	1,029,378
2. Exposures After Credit Risk Mitigation	96,242,424	-	7,867,434	2,110,492	26,573,924	69,976,791	123,004,153	13,673,659	-	-	26,594	1,029,378

##### Prior Period

Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	2%	Deductions from Equity
1. Exposures Before Credit Risk Mitigation	62,326,488	-	5,952,692	-	23,110,360	74,912,673	98,057,753	340,547	-	-	74,123	570,254
2. Exposures After Credit Risk Mitigation	62,400,737	-	3,064,374	2,266,686	16,279,682	66,654,276	92,243,299	340,530	-	-	74,123	570,254

##### Information by major sectors and type of counterparties:

Information about impaired credits and past due credits and value adjustments and provisioning methods are described in Part IV Footnote 2.

Current Period	Loans <sup>(*)</sup>			Provisions	
	Impaired Loans (IFRS 9)		Non-Performing (Regulation of Provision)	Provision For Expected Losses of Credit (IFRS 9)	(Regulation of Provision)
	Increase of Credit Risk (Stage 2)	Default (Stage 3)			
<b>1. Agriculture</b>	<b>251,454</b>	<b>358,868</b>	-	<b>246,384</b>	-
1.1. Farming and Livestock	248,085	356,345	-	243,614	-
1.2. Forestation	1,819	168	-	426	-
1.3. Fishing	1,550	2,355	-	2,344	-
<b>2. Industrial</b>	<b>1,944,161</b>	<b>1,437,538</b>	-	<b>1,590,491</b>	-
2.1. Mining and Quarrying	23,286	33,767	-	24,947	-
2.2. Manufacturing Industry	1,902,286	1,094,410	-	1,255,020	-
2.3. Electricity, Gas, Water	18,589	309,361	-	310,524	-
<b>3. Construction</b>	<b>1,013,482</b>	<b>1,185,864</b>	-	<b>888,299</b>	-
<b>4. Services</b>	<b>11,926,149</b>	<b>3,460,597</b>	-	<b>4,738,895</b>	-
4.1. Wholesale and Retail Commerce	1,602,091	1,905,076	-	1,771,944	-
4.2. Hotel and Restaurant Services	966,052	354,433	-	373,499	-
4.3. Transportation and Communication	276,018	132,388	-	143,646	-
4.4. Financial Corporations	7,916,880	825,426	-	1,967,587	-
4.5. Real Estate and Loan Services	94,351	15,656	-	31,055	-
4.6. Independent Business Services	598,745	122,167	-	284,680	-
4.7. Education Services	38,197	66,838	-	41,315	-
4.8. Health and Social Services	433,815	38,613	-	125,169	-
<b>5. Other</b>	<b>4,057,337</b>	<b>2,526,177</b>	-	<b>2,563,967</b>	-
<b>6. Total</b>	<b>19,192,583</b>	<b>8,969,044</b>	-	<b>10,028,036</b>	-

(\*) Represents the distribution of cash loans.

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

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

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

##### Information by major sectors and type of counterparties: (Continued)

Prior Period	Loans <sup>(*)</sup>			Provisions	
	Impaired Loans (IFRS 9)		Non-Performing (Regulation of Provision)	Provision For Expected Losses of Credit (IFRS 9)	(Regulation of Provision)
Major Sectors/Counterparties	Significant Increase of Credit Risk (Stage 2)	Default (Stage 3)			
<b>1. Agriculture</b>	<b>502,782</b>	<b>338,010</b>	-	<b>309,211</b>	-
1.1. Farming and Livestock	499,944	326,660	-	299,550	-
1.2. Forestation	1,026	298	-	862	-
1.3. Fishing	1,812	11,052	-	8,799	-
<b>2. Industrial</b>	<b>2,037,183</b>	<b>1,418,854</b>	-	<b>1,581,236</b>	-
2.1. Mining and Quarrying	51,022	16,852	-	24,793	-
2.2. Manufacturing Industry	1,977,375	1,092,735	-	1,246,622	-
2.3. Electricity, Gas, Water	8,786	309,267	-	309,821	-
<b>3. Construction</b>	<b>1,490,881</b>	<b>932,644</b>	-	<b>1,035,847</b>	-
<b>4. Services</b>	<b>7,609,441</b>	<b>3,691,399</b>	-	<b>3,842,309</b>	-
4.1. Wholesale and Retail Commerce	1,697,596	2,136,015	-	1,958,025	-
4.2. Hotel and Restaurant Services	660,514	271,829	-	314,696	-
4.3. Transportation and Communication	361,111	128,060	-	167,467	-
4.4. Financial Corporations	3,793,961	894,050	-	1,020,661	-
4.5. Real Estate and Loan Services	79,298	18,740	-	33,170	-
4.6. Independent Business Services	541,342	120,841	-	173,724	-
4.7. Education Services	47,468	82,938	-	58,136	-
4.8. Health and Social Services	428,151	38,926	-	116,430	-
<b>5. Other</b>	<b>3,230,384</b>	<b>2,746,686</b>	-	<b>2,949,472</b>	-
<b>6. Total</b>	<b>14,870,671</b>	<b>9,127,593</b>	-	<b>9,718,075</b>	-

<sup>(\*)</sup> Represents the distribution of cash loans.

#### Movements in value adjustments and provisions

Current Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments <sup>(*)</sup>	Closing Balance
1. Stage 3 Provisions(**)	6,889,770	1,932,355	(915,506)	(1,145,990)	6,760,629
2. Stage 1-2 Provisions	4,031,306	2,304,838	(747,302)	-	5,588,842

<sup>(\*)</sup> Represents the provision of loans written-off.

<sup>(\*\*)</sup> Demonstrates provision movement of Stage 3 cash loans.

Prior Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments <sup>(*)</sup>	Closing Balance
1. Stage 3 Provisions(**)	5,943,713	1,682,490	(731,566)	4,867	6,889,770
2. Stage 1-2 Provisions	2,571,026	1,915,938	(455,658)	-	4,031,306

<sup>(\*)</sup> Represents the provision of loans written-off.

<sup>(\*\*)</sup> Demonstrates provision movement of Stage 3 cash loans.

#### Exposures subject to countercyclical capital buffer:

The exposures subject to countercyclical capital buffer table prepared in accordance with the communiqué "Regulation on Capital Conservation and Countercyclical Capital buffers of Banks" published in the Official Gazette numbered 28812 dated 5 November 2013 is presented below:

# QNB FİNANSBANK ANONİM ŞİRKETİ

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

#### II Explanations On Risk Management (Continued)

##### Information on private sector receivables:

Current Period	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	225,671,049	-	225,671,049
Malta	621,516	-	621,516
Other	307,456	-	307,456
<b>Total</b>	<b>226,600,021</b>	<b>-</b>	<b>226,600,021</b>

  

Prior Period	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	149,725,713	-	149,725,713
Malta	496,750	-	496,750
Other	615,471	-	615,471
<b>Total</b>	<b>150,837,934</b>	<b>-</b>	<b>150,837,934</b>

#### 2. Risk Management and General Disclosures regarding Risk Weighted Amounts

##### 2.1 GBA – Risk management approach of the Bank:

- a) **The way risk profile of the Bank is determined by business model and the interaction between (e.g. key risks related to business model and in which way those risks are reflected to disclosures) and in which way the risk profile of the Bank is related to risk appetite approved by board of directors**

Bank acknowledges that business and strategy risks are material since the Bank's growth oriented business plan is sensitive to changes in market conditions. From this point of view, Bank classifies business and strategy risk as an important risk. Bank reviews its 5 year long term business plans once a year periodically. If the economic developments and market conditions require, then business plans are reviewed and revised more often..

- b) **Risk management structure: Allocation of responsibilities in the Bank (e.g. supervision and delegation of authorization; separation of responsibilities with respect to their risk type, business unit etc.; relations between structures included in risk management processes (e.g. board of directors, senior management, separate risk committee, risk management unit, legal compliance, internal audit function)**

Bank's risk measurement, monitoring, and control functions have clearly defined responsibilities that are sufficiently independent from position/risk taking functions. Risk exposures are directly reported to Senior Management and the Board of Directors/Board Risk Committee. Bank's internal control systems are designed to provide adequate segregation of duties, in order to prevent conflicts of interest with respect to the distinct functions of undertaking, approving, monitoring and controlling risks. In particular the functions that undertake transactions (front line) are administratively and operationally separate from the functions of, confirmation, accounting and settlement of transactions, as well as the safekeeping of the assets of the Bank or its customers.

Risk management governance at the Bank starts with the Board of Directors. The Board Risk Committee ("BRC"), Audit Committee (the "AC"), Assets and Liabilities Committee (the "ALCO"), Corporate and Retail Credit Policy Committee ("CPC"), Operational Risk Management Committee ("ORMC"), Reputation Risk Management and Risk Management Department are the important bodies of the risk management structure. The Board of Directors determines the general risk policy and the risk appetite of the Bank.

The Audit Committee is responsible for supervising whether the Bank complies with the provisions of applicable risk management legislation, and the internal risk management policies and procedures approved by the BoD. The AC reviewing whether the Bank has the methods, instruments and procedures required for identifying, measuring, monitoring and controlling the risk exposures of the Bank.

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

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

**2. Risk Management and General Disclosures regarding Risk Weighted Amounts (Continued)**

**2.1 GBA – Risk management approach of the Bank: (Continued)**

- b) **Risk management structure: Allocation of responsibilities in the Bank (e.g. supervision and delegation of authorization; separation of responsibilities with respect to their risk type, business unit etc.; relations between structures included in risk management processes (e.g. board of directors, senior management, separate risk committee, risk management unit, legal compliance, internal audit function) (Continued)**

The ALCO, meeting monthly, is responsible for monitoring and managing the structural asset-liability mismatches of the Bank, as well as monitoring and controlling liquidity risk and foreign currency exchange risk.

The CPC meets monthly and is responsible for monitoring and evaluating the Bank's lending portfolio and determining principles and policies regarding the credit risk management processes such as loan approval, limit setting, rating, monitoring and problem management. The ORMC meets every three months and is responsible for reviewing operational risk issues of the Bank and defining the necessary actions to be taken to minimize these risks. The Reputation Risk Management Committee is established to identify, evaluate and monitor the reputational risks that the Bank is exposed to and to take necessary actions to prevent risks and meets quarterly.

The Risk Management Department, working independently from the executive functions and reporting to the Board of Directors, is organized under three main sections as market risk, credit risk, operational risk and model validation, each having responsibility for identifying, measuring, monitoring, controlling and managing the relevant risks as well as for model validation, assessing the predictive ability of risk estimates and the use of ratings in credit processes.

The Compliance function is ensuring, through proper procedures, that the requirements and deadlines provided for by the regulatory framework in force are observed. In doing so, the compliance function informs all Bank employees on the relevant changes to the regulatory framework and provides guidance on the required changes to internal rules and processes. Moreover, the Compliance function cooperates as appropriate with the Risk Management unit, as compliance risk is considered a subcategory of operational risk.

Internal audit function acts as one of the three lines of defense of Bank risk Management model and provides the independent review function. Risk assessments at internal audit are carried out by internal audit department by paying attention to exposures that Bank has and controls relevant to them during audit works.

- c) **Channels which are used to extend and apply risk culture in the Bank (e.g. behavior rules, manuals including operation limits or procedures which shall be applied when the risk limits are exceeded, procedures regarding sharing of risk matters between business units and risk units)**

The Risk Appetite Statement stands out as the basic risk management policy document in which the Bank defines its risks and determines its risk appetite and management principles. It also defines current and targeted risk profile and appetite, risk management organization, and core risk management capabilities.

Corporate and Retail Loan Policies and application directions also determines the Bank's credit risk management workflow and procedures.

TFRS 9 Impairment Policy is to define TFRS 9 Impairment and related activities to be performed in accordance with the requirements of TFRS 9 Implementation Guide. The policy is to determine the roles and responsibilities of the Group units within the framework of TFRS 9, to determine the changes specific to TFRS 9 apart from the existing credit policy guidelines, to establish guidelines for TFRS 9 risk monitoring, control and reporting activities, and to establish the TFRS 9 Impairment framework applied within the Group. aims to provide.

Corporate Rating Governance Policy regulates the internal governance framework for corporate and commercial segment risk rating system operations.

Capital Management Policy sets a framework for managing capital requirements and adequacy assessment, capital planning, capital measurement and monitoring, capital allocation, risk-adjusted aims to establish performance measurement and pricing principles.

Country Risk Policy is to set a consistent framework for the identification, management and reporting of country risk that QNB Finansbank is exposed to through its counterparties in different countries.

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

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

**2. Risk Management and General Disclosures regarding Risk Weighted Amounts (Continued)**

**2.1 GBA – Risk management approach of the Bank: (Continued)**

**c) Channels which are used to extend and apply risk culture in the Bank (e.g. behavior rules, manuals including operation limits or procedures which shall be applied when the risk limits are exceeded, procedures regarding sharing of risk matters between business units and risk units) (Continued)**

Counterparty Credit Risk Policy, the risk strategy determined by the Bank with risk policies and local legislation in comply with effective and sufficient counterparty credit risk management with caution, constant to establish based on the principles of applicability.

The Market Risk Management Policy determines the key principles underlying the operations of the Bank in money and capital markets including limit structure.

The IRRBB Management Policy defines the key principles of the management of interest rate risk arising from non-trading activities.

The liquidity policy outlines the Bank's view and identifies the guidelines for incurring, retaining and managing liquidity risk.

The Fair Value Policy aims to define the main principles, roles and responsibilities for measuring the fair value of financial instruments in accordance with accounting provisions and regulatory principles.

Investment Portfolio Risk Policy ensures that the activities related to the management of the Group's investment portfolio are carried out in accordance with generally accepted practices. This policy explains the objectives and targets of the investment portfolio, whose management is given to the Treasury Trading and Asset-Liability Management units by the Asset-Liability Committee (ALCO). It also defines the management and risk control framework for managing and maintaining the investment portfolio.

The Operational Risk Management Policy ensures that all the Bank's stakeholders manage operational risk within a formalised framework aligned to business objectives.

Reputation Risk Policy, identifies the rules and frame of managing the reputation risk.

The Environmental and Social Risk Policy (Policy) sets forth QNB Finansbank's approach to environmental and social issues in line with the sustainability policy, strategy and ESG (Environmental, Social, Governance) commitments of QNB Group and QNB Finansbank.

**d) Key elements and scope of risk measurement systems**

Consistent across the Bank internal risk rating systems appropriate to the nature, size and complexity of each activity and fully integrated in credit processes. The internal risk rating system employs appropriate credit risk rating models the scope and coverage of which are adequate to accommodate the Bank's strategic aspirations and regulatory requirements. In particular, the Bank's internal rating systems form the basis of capital assessment and allocation and constitute a key element of risk adjusted performance measurement, pricing and profitability measurement.

Information systems and analytical techniques that enable measurement of credit risk inherent in all relevant activities, providing adequate information on the composition of the credit portfolio, including identification of any concentrations of risk. The Market Risk Management Policy determines the key principles underlying the operations of the Bank in money and capital markets. Key principles of Market Risk Management Framework are:

The Board Risk Committee is responsible for ensuring that market risk strategy and policy are consistently implemented. This includes:

- Implementation of the market risk management policy.
- Designation of risk limits.
- Definition of responsibilities for every unit involved in market risk management.
- Ongoing market risk monitoring and control, ensuring that risk appetite remains within the approved limits.
- Setting up appropriate IT systems for evaluating and monitoring the risks taken.
- Setting up standard models for market risk positions valuation and performance evaluation.
- Setting up comprehensive reporting and internal control systems.
- Providing for the maintenance of an adequate level of regulatory capital against the market risk undertaken.
- Providing for the disclosure of information regarding the type and level of the market risk assumed and for the implementation of policies for the management thereof.

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

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

**2. Risk Management and General Disclosures regarding Risk Weighted Amounts (Continued)**

**2.1 GBA – Risk management approach of the Bank: (Continued)**

**e) Disclosures regarding risk reporting processes provided to Board of Directors and senior management (especially on the scope and main content of reporting)**

Monthly risk reports are submitted to the Board of Directors and Board Risk Committee. These executive reports include information related to capital adequacy, Market Risk, Credit Risk, Counterparty Credit Risk and Operation Risk.

Credit Risk section of the report consists of three main sub sections such as General Outlook to the Total Portfolio, Business Loans and Retail Loans, and include;

- Basic risk appetite parameters included in the Bank's Risk Appetite Statement document,
- Exposures by segments, monthly and annual changes, portfolio growth
- Sector concentration and risk metrics
- Delinquency amounts, product types and delinquencies by segments, new NPLs and recoveries from NPLS
- Detailed watchlist analyses for business segments
- Rating distributions, PD distributions, expected loss trend, collateral structure
- New NPLs, vintage analyses, recoveries by segments and products
- Restructured credits by segments
- Derivative products exposures by segments, stress testing
- Credit risk information regarding subsidiaries

The Risk Management Division is required to inform Senior Management and Board Member who is responsible from Internal Systems on Market Risk of Trading Book and AFS portfolio.

Reports are prepared daily and indicatively include the following:

- Estimation of the VaR on aggregate basis and by type of risk (interest rate, FX, equity).
- Estimation of stress VaR on aggregate basis and by type of risk (interest rate, FX, equity).
- Sensitivity of the trading and AFS portfolio.
- Nominal values of bond portfolios.
- Breakdowns of the portfolio and utilization of the relevant limits.
- Utilization of limits on option Greeks.
- Subsidiary VaR calculation.

In addition, Board of Directors Risk Committee Report is prepared monthly in a way covering abovementioned market risk metrics and stress tests in order to be presented to Board of Directors and Risk Committee.

Operational Risk segment reporting broadly covers the following:

- Operational risk loss events experienced in the group
- Key risk indicators and risk metrics
- Action tracking

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

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

**2. Risk Management and General Disclosures regarding Risk Weighted Amounts (Continued)**

**2.1 GBA – Risk management approach of the Bank: (Continued)**

**f) Disclosures regarding stress test (e.g. assets included in stress test, adapted scenarios and used methodologies and use of stress test in risk management)**

Stress test constitute the center of capital planning within the scope of the Group's APICA (Assessment Process of Internal Capital Adequacy). The bank's general principles on these stress testing framework can be summarized as follows:

- Comprehensive stress testing, aggregated per risk category, is conducted at least annually on year end data and business plan.
- Stress testing is integrated to the ICAAP document which is subject to Board of Directors approval.
- A historical scenario is selected as an anchor scenario to be used on the construct of base adverse scenario for the stress test use. However, final scenario is applied by enriching with hypothetical components as independent from anchor scenario.
- Bank's stress testing framework encompasses sensitivity tests.
- The impact of the stress testing on the Bank's financial strength and capital position are analyzed through some key ratios and key items including but not limited to the following: Non-performing Loan Ratio, Return of Equity, Return on Asset, Leverage Ratio, Core Tier I Ratio, Capital Adequacy Ratio, Loan Balances, Balance Sheet Items, Income Statement Items.
- Stress testing framework encompasses reverse stress testing.

In scenarios using stress testing, as a result of increase in non-performing loans due to significant deterioration in asset quality and a decrease in capital adequacy, The Bank's ability to meet capital-strengthening actions and cash outflows that may occur in case of a possible liquidity crisis were tested. In this context, when the potential risks created and to be created by Covid are evaluated, it is thought that the Bank has the power to be able to act at an adequate level.

Market Risk Management defines the stress test approaches as below;

- To move the risk factors parallel in one direction
- To move the risk factors non parallel.
- To perform tests to the existing portfolio based on past extreme situations.

Trading book consists of Financial Assets at Fair Value Through Profit or Loss securities, Financial Assets at Fair Value Through Profit or Loss derivatives and open currency positions which are clearly defined in Market Risk Management Policy.

Within the scope of liquidity stress test to identify possible sources of liquidity weaknesses, scenarios that are specific to the bank, related to the market in general and taking both situations into account have been defined. Thus, the Bank's ability to meet its obligations during a funding crisis is tested. The bank has had four different stress tests measuring how much it can meet its promises, without providing any new funds from the market or at very low levels of funds, cumulative cash outflows. During the coronavirus epidemic, the scenarios were reviewed by observing the financial movements and the minimum life expectancy of the Bank and it has been observed that it is resistant to stress over 30 days.

**g) Risk management, protection and mitigation strategies and process of the Bank sourcing from its business model and Monitoring processes of continuing effects of protection and mitigation**

Forecasts related to effectiveness of credit risk mitigation methods and collection ability of the Group associated with miscellaneous collateral types are stated with consideration ratios on the basis of collaterals. The aforementioned ratios are determined based on long term historical observations of the Group and judgement of expert business units and most importantly with precautionary principle.

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

#### II. Explanations on Risk Management (Continued)

Likewise, conservatism is also embedded in regulatory rules through respective haircuts, collateral eligibility requirements and so forth. Furthermore, the collaterals used as a risk mitigant in the Bank's capital adequacy calculations are predominantly cash or equivalent collaterals. The treatment of cash collaterals is straight forward, issues about recovery, and valuation are not relevant.

Regarding the exposure secured with mortgages, the new capital adequacy regime with Basel II increased the operational requirements for the recognition.

#### 2.2. GB1 – Overview of Risk Weighted Assets:

	Risk Weighted Amount		Minimum Capital Requirement	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
1 Credit Risk (excluding counterparty Credit Risk)	203,244,172	147,672,351	16,259,534	11,813,788
2 Standardized approach	203,244,172	147,672,351	16,259,534	11,813,788
3 Internal rating-based approach	-	-	-	-
4 Counterparty credit risk	9,973,738	5,657,395	797,899	452,592
5 Standardized approach for counterparty credit Risk	9,973,738	5,657,395	797,899	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	5,239,000	3,589,088	419,120	287,127
17 Standardized approach	5,239,000	3,589,088	419,120	287,127
18 Internal model approaches	-	-	-	-
19 Operational Risk	16,750,240	14,668,786	1,340,019	1,173,503
20 Basic Indicator Approach	16,750,240	14,668,786	1,340,019	1,173,503
21 Standard Approach	-	-	-	-
22 Advanced measurement approach	-	-	-	-
23 The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-	-
24 Floor adjustment	-	-	-	-
<b>25 TOTAL(1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>235,207,150</b>	<b>171,587,620</b>	<b>18,816,572</b>	<b>13,727,010</b>

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

#### II. Explanations on Risk Management (Continued)

#### 3. Linkages between financial statements and risk amount

#### 3.1. B1 - Differences and matching between asset and liabilities' carrying values in financial statements and risk amounts

Current Period	Carrying values of items in accordance with TAS				
	Financial statements prepared as per TAS	Subject to credit risk	Subject to counterparty credit risk	Subject to the Securitization framework	Not subject to capital requirements or subject to deduction from capital
<b>Assets</b>					
Cash and balances with the Central Bank	70,287,488	70,294,571	-	-	-
Trading Financial Assets <sup>(*)</sup>	10,050,007	-	10,037,042	-	5,627,985
Financial Assets at Fair Value Through Profit or Loss	681,357	537,617	-	-	213,340
Banks	15,116,734	15,120,404	-	-	-
Money Market Placements	159,508	-	159,508	-	-
Financial Assets Available-for-Sale (net)	19,641,086	19,641,086	8,052,567	-	-
Loans and Receivables	200,622,611	205,660,062	-	-	323,063
Factoring Receivables	-	-	-	-	-
Held-to-maturity investments (net)	29,847,184	29,856,976	14,938,096	-	-
Investment in Associates (net)	14,026	14,026	-	-	-
Investment in Subsidiaries (net)	2,167,844	2,167,844	-	-	-
Investment in Joint ventures (net)	218,294	218,294	-	-	-
Lease Receivables	-	-	-	-	-
Derivative Financial Assets Held For Hedging <sup>(*)</sup>	11,953,886	-	11,953,886	-	-
Property And Equipment (Net)	3,660,133	3,581,747	-	-	78,386
Intangible Assets (Net)	628,673	-	-	-	628,673
Investment Property (Net)	2,040	-	-	-	-
Tax Asset	133,892	133,892	-	-	-
Assets Held For Resale And Related To Discontinued Operations (Net)	-	-	-	-	-
Other Assets	6,184,478	6,192,980	-	-	-
<b>Cash and balances with the Central Bank</b>	<b>371,369,241</b>	<b>353,419,499</b>	<b>45,141,099</b>	<b>-</b>	<b>5,841,325</b>
<b>Liabilities</b>					
Deposits	226,923,219	-	-	-	-
Derivative Financial Liabilities Held for Trading <sup>(**)</sup>	10,784,969	-	-	-	5,940,715
Funds Borrowed	27,031,918	-	-	-	-
Money Markets	18,019,989	-	18,019,989	-	-
Marketable Securities Issued	28,388,752	-	-	-	-
Funds	-	-	-	-	-
Miscellaneous Payables <sup>(***)</sup>	17,919,881	-	-	-	-
Other Liabilities <sup>(***)</sup>	4,575,926	-	-	-	-
Factoring Payables	-	-	-	-	-
Lease Payables	492,689	-	-	-	-
Derivative Financial Liabilities Held For Hedging <sup>(**)</sup>	1,667,459	-	-	-	-
Provisions	1,567,815	-	-	-	-
Tax Liability	-	-	-	-	-
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (net)	-	-	-	-	-
Subordinated Loans	11,852,564	-	-	-	-
Shareholder's Equity	22,144,060	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>371,369,241</b>	<b>-</b>	<b>18,019,989</b>	<b>-</b>	<b>5,940,715</b>

(\*) Financial assets held for trading and derivative financial assets for hedging purposes are included in the "Derivative Financial Assets" item in the financial statements.

(\*\*) Financial liabilities held for trading and derivative financial liabilities for hedging purposes are included in the "Derivative Financial Liabilities" item in the financial statements.

(\*\*\*) Miscellaneous payables and other liabilities are presented under "Other Liabilities" items in the financial statements.

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

#### II. Explanations on Risk Management (Continued)

#### 3. Linkages between financial statements and risk amount (Continued)

#### 3.1. B1 - Differences and matching between asset and liabilities' carrying values in financial statements and risk amounts (Continued)

Prior Period	Financial statements prepared as per TAS	Carrying values of items in accordance with TAS				Not subject to capital requirements or subject to deduction from capital
		Subject to credit risk	Subject to counterparty credit risk	Subject to the Securitization framework	Subject to market risk	
<b>Assets</b>						
Cash and balances with the Central Bank	27,403,058	27,406,457	-	-	-	-
Trading Financial Assets	4,717,414	-	4,711,390	-	2,923,315	-
Financial Assets at Fair Value Through Profit or Loss	570,938	116,829	-	-	315,301	-
Banks	1,456,535	1,466,703	-	-	-	-
Money Market Placements	342,734	-	342,734	-	-	-
Financial Assets Available-for-Sale (net)	15,181,089	15,181,089	7,654,584	-	-	-
	138,602,338					
Loans and Receivables	2	142,420,889	-	-	-	47,793
Factoring Receivables	-	-	-	-	-	-
Held-to-maturity investments (net)	18,733,200	18,743,356	7,500,243	-	-	-
Investment in Associates (net)	14,026	14,026	-	-	-	-
Investment in Subsidiaries (net)	1,596,516	1,596,516	-	-	-	-
Investment in Joint ventures (net)	282,408	282,408	-	-	-	-
Lease Receivables	-	-	-	-	-	-
Derivative Financial Assets Held For Hedging	4,632,212	-	4,632,211	-	-	-
Property And Equipment (Net)	3,476,281	3,409,088	-	-	-	67,193
Intangible Assets (Net)	504,698	-	-	-	-	455,268
Investment Property (Net)	-	-	-	-	-	-
Tax Asset	931,700	931,700	-	-	-	-
Assets Held For Resale And Related To Discontinued Operations (Net)	-	-	-	-	-	-
Other Assets	8,808,157	8,816,190	-	-	-	-
<b>TOTAL ASSETS</b>	<b>227,253,348</b>	<b>220,385,251</b>	<b>24,841,162</b>	<b>-</b>	<b>3,238,616</b>	<b>570,254</b>
<b>Liabilities</b>						
Deposits	130,559,731	-	-	-	-	-
Derivative Financial Liabilities Held for Trading	6,494,380	-	-	-	2,843,562	-
Funds Borrowed	20,192,024	-	-	-	-	-
Money Markets	14,489,394	-	14,489,394	-	-	-
Marketable Securities Issued	13,506,385	-	-	-	-	-
Funds	-	-	-	-	-	-
Miscellaneous Payables	9,243,607	-	-	-	-	-
Other Liabilities	2,682,947	-	-	-	-	-
Factoring Payables	-	-	-	-	-	-
Lease Payables	446,675	-	-	-	-	-
Derivative Financial Liabilities Held For Hedging	1,582,972	-	-	-	-	-
Provisions	1,064,819	-	-	-	-	-
Tax Liability	1,063,699	-	-	-	-	-
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (net)	-	-	-	-	-	-
Subordinated Loans	6,704,294	-	-	-	-	-
Shareholder's Equity	19,222,421	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>227,253,348</b>	<b>-</b>	<b>14,489,394</b>	<b>-</b>	<b>2,843,562</b>	<b>-</b>

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

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

#### II. Explanations on Risk Management (Continued)

#### 3. Linkages between financial statements and risk amount (Continued)

#### 3.2. B2-The main sources of the differences between the risk amounts and the amounts assessed in accordance with TAS in the financial statements:

Current period	Total	Subject To Credit Risk	Subject to the Securitization	Subject To Counterparty Credit Risk	Subject To Market Risk
1 Asset carrying value amount under scope of regulatory consolidation	404,401,923	353,419,499	-	45,141,099	5,841,325
2 Liabilities carrying value amount under regulatory scope of consolidation	23,960,704	-	-	18,019,989	5,940,715
3 Total net amount under regulatory scope of consolidation	380,441,219	353,419,499	-	27,121,110	(99,390)
4 Off-Balance Sheet Amounts	203,325,508	37,004,161	-	-	-
5 Differences due to different netting rules	5,338,390	-	-	-	5,338,390
6 Repo transactions	1,470,527	-	-	1,470,527	-
7 Potential credit risk amount calculated for the counterparty	2,295,441	-	-	2,295,441	-
8 Differences due to credit risk reduction	(19,239,568)	(6,019,366)	-	(13,220,202)	-
9 Average exchange rate effect (*)	(62,595,699)	(62,595,699)	-	-	-
<b>Risk Amounts</b>	<b>-</b>	<b>321,808,596</b>	<b>-</b>	<b>17,666,876</b>	<b>5,239,000</b>

(\*) It shows the average exchange rate effect used in credit risk calculation within the scope of the BRSA's Resolution dated 21 December 2021

Prior period	Total	Subject To Credit Risk	Subject to the Securitization	Subject To Counterparty Credit Risk	Subject To Market Risk
1 Asset carrying value amount under scope of regulatory consolidation	248,465,029	220,385,251	-	24,841,162	3,238,616
2 Liabilities carrying value amount under regulatory scope of consolidation	17,332,956	-	-	14,489,394	2,843,562
3 Total net amount under regulatory scope of consolidation	231,132,073	220,385,251	-	10,351,768	395,054
4 Off-Balance Sheet Amounts	144,254,314	27,418,139	-	-	-
5 Differences due to different netting rules	3,194,034	-	-	-	3,194,034
6 Repo transactions	2,815,398	-	-	2,815,398	-
7 Potential credit risk amount calculated for the counterparty	1,520,171	-	-	1,520,171	-
8 Differences due to credit risk reduction	(10,611,083)	(3,904,385)	-	(6,706,698)	-
9 Average exchange rate effect (*)	(8,555,937)	(8,555,937)	-	-	-
<b>Risk Amounts</b>	<b>-</b>	<b>235,343,068</b>	<b>-</b>	<b>7,980,639</b>	<b>3,589,088</b>

(\*) It shows the average exchange rate effect used in credit risk calculation within the scope of the BRSA's Resolution dated 8 December 2020.

#### 3.3. BA- Disclosures regarding differences between amounts valued according to TAS and risk exposures

- None.
- There is no significant difference between amounts valued in accordance with TAS included in B2 and risk exposures except for "Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)". There is a significant difference between amounts valued according to TAS and risk exposures, since the securities which are subject to repurchase that include in Money Market Payables account item are subject to counter party risk.
- Valuation methodologies regarding the disclosure related to use of Market Value and Model Value:**

In general terms, market risk is the possibility of making loss as a result of changes occurring in the current market values of financial assets and positions in the bank's trading accounts. In this framework, the following elements of the Bank, which must be reflected on balance sheet over their current market values (market to market), are included in market risk.

- Equity shares included in trading, investment fund participation documents, securities such as bonds and bills.
- Open foreign exchange position with respect to each foreign currency.
- Derivative contracts (forwards) sensitive to interest changes and concluded for trading, future transactions, simple or complex options, swaps, credit derivatives.

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

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

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

**3. Linkages between financial statements and risk amount (Continued)**

**3.3. BA- Disclosures regarding differences between amounts valued according to TAS and risk exposures (Continued)**

Classification of Trading Accounts are made in accordance with Appedix-3 of Regulation on Measurement and Evaluation of Bank's Capital Adequacy.

QNB Finansbank calculates its value at market risk with standard method in the framework of "Regulation on Measurement and Evaluation of Bank's Capital Adequacy". Accordingly, capital requirement is reached through multiplying of total of general market risk, commodity risk, settlement risk, exchange risk option risk to 12.5.

Value at market risk of the Bank is reached through the determination of amounts related to market risk in scope of Basel 2 reporting set. Details of analysis are as follows:

- Commodity risk analysis: Simplified approach (Standard method).
- Interest rate risk analysis: General Market Risk Calculation (Standard method – maturity approach) – Specific risk calculation (standard method).
- Equity share risk analysis: Position risk in equity share investments (Standard method).
- Exchange rate exposure analysis (standard method).
- Option risk analysis: Weighting method with delta factor (standard method).

Securities such as equity share, bond and bills, whose market prices are monitored directly, and derivative products such as futures, which are traded in stock exchange, are reviewed over their transaction prices as of reporting date. If a security included in Financial Assets at Fair Value through Profit/Loss portfolio cannot be treated as of reporting date, it is evaluated over the price determined in scope of precautionary principles.

Market value of products, which are traded at over the counter markets such as forward foreign exchange, foreign exchange swaps and interest swaps, are calculated in line with discounting of cash flows over market interest rates. Market value of option transactions is performed based on softwares which are internationally accepted valuation methodologies

**Definition of independent price approval processes:**

There are four main price parameters which shall have an impact on current market value of financial assets and positions held by the Banks:

- Market interest rates (bond, bill and derivative prices),
- Share Prices,
- Exchange rates,
- Gold, other precious metals and commodity prices.

Total risk of loss sourcing from price movements (interest, equity share, exchange and commodity risk) related to financial assets and positions are called as "general market risk".

Independency of price process in ensured through the recording and management of prices to Bank systems by back office. In addition, the pricing and valuation systems in question are also reviewed and validated by Validation Unit. Details belonging to aforementioned valuation and accounting are strictly documented and monitored by Treasury Control Unit.

**Processes for valuation adjustments or differences (It includes definition of process and methodology definition for the valuation of trading positions according to type of financial instrument)**

TRY borrowing instruments included in securities portfolio of Financial Assets at Fair Value through Profit/Loss account consist of government securities. The aforementioned securities are evaluated based on weighted average price traded in BIST. Market price is calculated based on CBT prices for TRY securities not traded in BIST. Average of quotation of purchase and sell in the market are accepted as market price for Foreign Currency securities included in the same portfolio.

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021**

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

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

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

**4. Credit Risk Disclosures**

**4.1. General Information on Credit Risk**

**4.1.1. CRA – General Qualitative Information on Credit Risk:**

**a) Conversion of Bank’s business model to components of credit risk profile**

The Bank deploys forward looking, risk sensitive measurement systems and tools, including appropriate information technology applications and management information systems, to account for expected and unexpected losses in both normal and stress market conditions, for all types of risks as appropriate. The conversion of business model to components in risk profile is digitized through aforementioned instruments.

**b) Conversion of Bank’s business model to components of credit risk profile**

Bank credit policies have been established to form effective and satisfactory loan allocation processes based on prudence and applicability principles in a way that it is in line with the risk boundaries set by the Bank, Bank Credit Policies and legal authorities. Pillars of credit risk management policy in Bank are;

- Rules and Regulations of BRSA (Banking Regulation and Supervision Agency).
- Decisions of institutions auditing QNB Bank.
- Credit policies and procedures at Group level.
- Credit policies and procedures at Bank level.
- Risk Appetite Statement Document.
- Corporate, commercial and SME banking credit policies and corporate grading management documents.
- Individual credit and credit cards policies.

Risk Appetite Statement Document comes out as the main risk management policy document in which the Bank defines its risks, determines the risk appetite and the risk management principles. Credit risk limits are reviewed annually, consistent to risk strategy.

**c) Structure and organization of credit risk management and control function**

All of the process related to direct or indirect credit allocation, extension, monitoring and operation of the Bank in favour of individuals or legal entities are reviewed in scope of credit risk management. Activities related to capital management includes calculation of legal and economic capital requirement of annual and long term business plans of the Bank.

Activities related to Credit Risk and Capital Management are carried out by Credit Risk Analytic, Strategy and Capital Management unit. Bank’s Credit Risk organization, duties and responsibilities, related units and responsibilities of those units are identified in detail in the own Credit Policy documents of the Bank, Risk Appetite Statement Document and Risk Management Department operation instruction and also main principles, applications, limits and reporting processes, which are going to be adopted in Credit Risk Management, are included.

Main responsibilities of Credit Risk Management Department are as follows:

- To establish risk management policies and strategies related to risks exposed by the Bank and to submit those policies and strategies for the approval of Board of Directors Risk Committee,
- To ensure fulfilment of risk identification, measurement, analysis, monitoring, control and mitigation activities in accordance with risk management policies and processes approved by Board of Directors and to report all significant in balance and off balance risks which are undertaken at Bank level to senior management,
- To make internal capital adequacy review covering all risks and to make forecasts related to course of capital adequacy ratio in the framework of long term business plans of the Bank,
- To make periodic stress tests and scenario analysis and establish early warning systems,
- To support decision-making processes of the Bank through providing reviews and risk point of view with respect to risk management,
- To promote risk awareness and management culture at Bank level,
- To develop of forecasting models/approaches and the measurement monitoring of portfolio credit risk through Probability of Default (PD), Loss Given Default (LGD) and Exposure At Default (EAD),
- Implementation of risk based Credit Classification and Expected Credit Loss (ECL) calculations under TFRS 9, determination of credit risk measurement framework, development and implementation of relevant models/approaches.

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021**

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

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

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

**4. Credit Risk Disclosures (Continued)**

**4.1. General Information on Credit Risk (Continued)**

**4.1.1. CRA – General Qualitative Information on Credit Risk: (Continued)**

**d) Relationship between credit risk management, risk control, legal compliance and internal audit functions**

Risk governance model includes three lines of defense consisting of:

- The risk taking units (lines of business) at the first level, responsible for assessing and minimizing risks for a given level of return.
- Risk Management Unit, at the second level, identifies, monitors, controls, quantifies risk, provides appropriate tools and methodologies, provides coordination and assistance; measures risk adjusted performance across the business lines; reports to appropriate levels and proposes mitigation measures, being supported by business lines, where the risk is actually created, and specialized units.
- Internal Audit – provides the independent review function.

The Compliance function is ensuring, through proper procedures, that the requirements and deadlines provided for by the regulatory framework in force are observed. the compliance function informs all Bank employees on the relevant changes to the regulatory framework and provides guidance on the required changes to internal rules and processes. Moreover, the Compliance function cooperates as appropriate with the Risk Management unit, as compliance risk is considered a subcategory of operational risk.

Internal audit function acts as one of the three lines of defense of Bank risk Management model and provides the independent review function. Risk assessments at internal audit are carried out by internal audit department by paying attention to exposures that Bank has and controls relevant to them during audit works.

**e) Disclosures regarding risk reporting processes provided to Board of Directors and senior management (especially on the scope and main content of reporting)**

Monthly risk reports are submitted to the Board of Directors and Board Risk Committee. These executive reports include information related to capital adequacy, Market Risk, Credit Risk, Counterparty Credit Risk and Operation Risk. Report mainly consists of the following; changes in risk parameters, changes in exposures of segments, concentration and risk metrics, stress testing and results, delinquency amounts and ratios by segments, stage 3, stage 2, rating and PD distributions, vintage analyses, collaterals, recoveries, restructurings. In addition to these monthly reports, a comparative analysis with peer Banks, which is based on quarterly capital adequacy and credit risk metrics, is also reported to senior management and the board of directors.

**4.2. CR1 – Credit quality of assets:**

Current Period	Gross carrying values of as per TAS		Provision/ Allowances/ impairments	Net values
	Defaulted exposures	Non-defaulted exposures		
1 Loans <sup>(*)</sup>	8,969,044	203,984,380	6,760,629	206,192,795
2 Debt Securities	-	49,490,388	-	49,490,388
3 Off-balance sheet Exposures	410,472	130,827,987	54,581	131,183,878
<b>4 Total</b>	<b>9,379,516</b>	<b>384,302,755</b>	<b>6,815,210</b>	<b>386,867,061</b>

<sup>(\*)</sup> Includes financial assets at fair value through profit or loss in line with TFRS 9 amounting to TRY209,670 (31 December 2020: TRY116,829)

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

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

#### II. Explanations on Risk Management (Continued)

#### 4. Credit Risk Disclosures (Continued)

#### 4.2. CR1 – Credit quality of assets: (Continued)

Prior Period	Gross carrying values of as per TAS		Provision/ Allowances/ impairments	Net values
	Defaulted exposures	Non-defaulted exposures		
1 Loans <sup>(*)</sup>	9,127,593	140,347,688	6,889,770	142,585,511
2 Debt Securities	-	33,916,771	-	33,916,771
3 Off-balance sheet exposures	353,323	93,022,977	48,284	93,328,016
<b>4 Total</b>	<b>9,480,916</b>	<b>267,287,436</b>	<b>6,938,054</b>	<b>269,830,298</b>

(\*) Includes financial assets at fair value through profit or loss in line with TFRS 9 amounting to TRY116,829 (31 December 2020: TRY86,838)

#### 4.3. CR2 – Changes in stock of defaulted loans and debt securities:

	Current Period	Prior Period
1 Defaulted loans and debt securities at end of the previous reporting period	9,127,593	8,274,415
2 Loans and debt securities that have defaulted since the last reporting period	2,839,227	2,352,858
3 Returned to non-defaulted status	-	-
4 Amounts written off <sup>(*)</sup>	1,145,990	4,867
5 Other changes <sup>(**)</sup>	1,851,786	1,494,813
<b>6 Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)</b>	<b>8,969,044</b>	<b>9,127,593</b>

(\*) In current period, there is TRY1,019,989 balance regarding sales of non-performing loans (31 December 2020 : None)

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

#### 4.4. CRB – Additional disclosures related to credit quality of assets:

- The criteria taken into consideration by the Bank in determining the impairment are explained in footnote VIII of the third section.
- There is no part of past due receivables which is not reviewed as “loans subject to provisioning”.
- The Bank's specific provision calculation is explained in footnote VIII of the third section.
- In receivables of the customers having difficulties in payment of receivables to the Bank or expected to have possible difficulties in payments then receivables in aforementioned scope are identified as “restructured receivables”.
- Exposures provisioned according to major regions, major sectors and remaining maturity**

*Exposures provisioned against by major regions:*

Country	Current Period	Prior Period
Turkey	202,117,091	139,129,640
European Union (EU) Countries	632,806	499,318
USA,Canada	7,388	23,237
OECD Countries	1,532	187
Off-Shore Banking Regions	591,399	321,970
Other	634,164	373,336
<b>Total <sup>(*)</sup></b>	<b>203,984,380</b>	<b>140,347,688</b>

(\*) Includes Financial Assets Measured at fair value through profit or loss amounting to TRY209,670 in accordance with TFRS 9 (31 December 2020 - TRY116,829)

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

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

#### II. Explanations on Risk Management (Continued)

#### 4. Credit Risk Disclosures (Continued)

#### 4.4. CRB – Additional disclosures related to credit quality of assets: (Continued)

#### e) Exposures provisioned according to major regions, major sectors and remaining maturity (Continued)

*Exposures provisioned against by major sectors:*

	Current Period	Prior Period
<b>1. Agriculture</b>	<b>2,179,822</b>	<b>2,420,350</b>
1.1. Farming and Raising Livestock	1,868,450	2,242,051
1.2. Forestry	11,919	7,661
1.3. Fishing	299,453	170,638
<b>2. Manufacturing</b>	<b>45,082,115</b>	<b>27,779,424</b>
2.1. Mining and Quarrying	525,255	322,996
2.2. Production	35,897,055	22,666,499
2.3. Electricity, Gas, Water	8,659,805	4,789,929
<b>3. Construction</b>	<b>6,882,725</b>	<b>6,364,791</b>
<b>4. Services</b>	<b>86,886,485</b>	<b>57,340,304</b>
4.1. Wholesale and retail trade	27,027,716	20,158,777
4.2. Hotel, food and beverage services	7,605,536	5,289,989
4.3. Transportation and telecommunication	24,608,341	15,321,475
4.4. Financial institutions	18,328,396	9,718,334
4.5. Real estate and leasing services	431,966	360,950
4.6. Self-employment services	2,149,942	1,606,066
4.7. Education services	384,891	411,683
4.8. Health and social services	6,349,697	4,473,030
<b>5. Other</b>	<b>62,953,233</b>	<b>46,442,819</b>
<b>6. Total<sup>(*)</sup></b>	<b>203,984,380</b>	<b>140,347,688</b>

<sup>(\*)</sup> Includes Financial Assets Measured at fair value through profit or loss amounting to TRY209,670 in accordance with TFRS 9 (31 December 2020 – TRY116,829).

*Breakdown of Loans according to remaining maturity:*

Current period	Demand	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Loans and Receivables <sup>(*)</sup>	-	35,170,026	20,644,876	61,988,284	59,783,330	20,827,680	198,414,196

<sup>(\*)</sup> Provision amounts have been deducted from current period balances.

Prior period	Demand	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Loans and Receivables <sup>(*)</sup>	-	24,183,070	15,121,227	41,880,896	41,330,129	13,849,237	136,364,559

<sup>(\*)</sup> Provision amounts have been deducted from current period balances.

#### f) Exposures provisioned against by major regions and Loans written off during the period an uncollectible

*Loan Amounts provisioned on the basis of by geographical regions Loans written off during the assets*

Current Period	Loans Subject to Provision	Provision	Written-off from Assets
Turkey	8,951,804	6,744,250	1,145,990
European Union (EU) Countries	1,015	154	-
USA, Canada	-	-	-
OECD Countries <sup>(*)</sup>	-	-	-
Off-Shore Banking Regions	16,225	16,225	-
Other Countries	-	-	-
<b>Total</b>	<b>8,969,044</b>	<b>6,760,629</b>	<b>1,145,990</b>

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

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

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

#### II. Explanations on Risk Management (Continued)

#### 4. Credit Risk Disclosures (Continued)

#### 4.4. CRB – Additional disclosures related to credit quality of assets: (Continued)

#### f) Exposures provisioned against by major regions and Loans written off during the period an uncollectible (Continued)

*Loan Amounts provisioned on the basis of by geographical regions Loans written off during the assets (Continued)*

Prior Period	Loans Subject to Provision	Provision	Written-off from Assets
Turkey	9,091,011	6,869,852	4,867
European Union (EU) Countries	20,338	3,674	-
USA, Canada	-	-	-
OECD Countries(*)	-	-	-
Off-Shore Banking Regions	16,225	16,225	-
Other Countries	19	19	-
<b>Total</b>	<b>9,127,593</b>	<b>6,889,770</b>	<b>4,867</b>

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

*Exposures provisioned against by major sectors and Loans written off*

	Current Period			Prior Period		
	Loans subject to provision	Provision	Written-off from Assets	Loans subject to provision	Provision	Written-off from Assets
<b>1. Agriculture</b>	<b>358,868</b>	<b>224,624</b>	<b>20,478</b>	<b>338,010</b>	<b>213,087</b>	-
1.1. Farming and Raising Livestock	356,345	222,292	20,197	326,660	204,283	-
1.2. Forestry	168	134	145	298	280	-
1.3. Fishing	2,355	2,198	136	11,052	8,524	-
<b>2. Industrial</b>	<b>1,437,538</b>	<b>1,175,609</b>	<b>52,306</b>	<b>1,418,854</b>	<b>1,134,323</b>	<b>44</b>
2.1. Mining and Quarrying	33,767	21,795	104	16,852	11,050	-
2.2. Production	1,094,410	844,504	52,155	1,092,735	814,066	44
2.3. Electricity. Gas. Water	309,361	309,310	47	309,267	309,207	-
<b>3. Construction</b>	<b>1,185,864</b>	<b>733,651</b>	<b>10,636</b>	<b>932,644</b>	<b>546,530</b>	<b>35</b>
<b>4. Services</b>	<b>3,460,597</b>	<b>2,496,697</b>	<b>202,675</b>	<b>3,691,399</b>	<b>2,550,249</b>	<b>453</b>
4.1. Wholesale and Retail Trade	1,905,076	1,509,809	152,930	2,136,015	1,555,854	348
4.2. Hotel. Food and Beverage Services	354,433	244,881	22,540	271,829	198,801	43
4.3. Transportation and Communication	132,388	111,220	14,022	128,060	103,880	51
4.4. Financial Institutions	825,426	450,366	2,548	894,050	500,642	-
4.5. Real Estate and Renting Services	15,656	14,074	1,327	18,740	15,975	-
4.6. Self-Employment Services	122,167	96,859	5,754	120,841	93,966	11
4.7. Educational Services	66,838	38,087	1,192	82,938	48,826	-
4.8. Health and Social Services	38,613	31,401	2,362	38,926	32,305	-
<b>5. Other</b>	<b>2,525,860</b>	<b>2,130,048</b>	<b>859,895</b>	<b>2,746,686</b>	<b>2,445,581</b>	<b>4,335</b>
<b>6. Total</b>	<b>8,968,727</b>	<b>6,760,629</b>	<b>1,145,990</b>	<b>9,127,593</b>	<b>6,889,770</b>	<b>4,867</b>

#### g) Aging Analysis

Overdue Days	Current Period	Prior Period
0-30	202,318,030	137,506,110
31-60	1,129,060	1,252,025
61-90	537,291	660,146
90+	8,969,044	10,057,000
<b>Total</b>	<b>212,953,425</b>	<b>149,475,281</b>

#### 5. Credit risk mitigation

#### 5.1. CRC - Qualitative disclosure on credit risk mitigation techniques

Collateralization is used as main risk mitigation method. Tangible and intangible assets which can be accepted as collateral and their consideration rates are defined in detail in instructions. The Bank follows a conservative approach in collateral valuation. The value of the collateral is determined both with independent valuation and also internal valuation.

Legality and operational applicability is the precondition for the validity of collaterals. Legal teams should have performed sufficient legal examinations and confirmed all legal regulations related to collateral and validity of collateral before the receipt of the collateral. In addition, all contracts and other related documents should be obtained.

# QNB FİNANSBANK ANONİM ŞİRKETİ

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

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

#### III. Explanations on Risk Management (Continued)

##### 5. Credit risk mitigation (Continued)

##### 5.1. CRC - Qualitative disclosure on credit risk mitigation techniques (Continued)

Collateral value should not have a positive correlation with the credit worthiness of the debtor.

Monitoring of collateral values is important to maintain credit quality. Market value of the collateral is periodically reviewed in line with determined frequency in directives and necessary precautions are taken when there is a significant deterioration indication in market value of the collateral.

Insurance policies of the collaterals should be obtained.

Collateral value meets Debt-Collateral ratio determined for credit type or specific sectors legally or in internal application of the Bank.

The Bank takes netting agreements concluded with counterparties into account in the framework of rules mentioned in scope of Appendix-2 of Regulation on Measurement and Evaluation of Bank's Capital Adequacy during the counterparty risk measurement.

##### 5.2. CR3 Credit risk mitigation techniques – Overview:

	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
<b>Current Period</b>							
1 Loans	198,403,012	7,789,783	4,290,302	-	-	-	-
2 Debt securities	49,490,388	-	-	-	-	-	-
<b>3 Total</b>	<b>247,893,400</b>	<b>7,789,783</b>	<b>4,290,302</b>	-	-	-	-
4 Of which defaulted	2,485,767	78,540	473	-	-	-	-
	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
<b>Prior Period</b>							
1 Loans	138,189,725	4,395,786	2,290,707	-	-	-	-
2 Debt securities	33,916,772	-	-	-	-	-	-
<b>3 Total</b>	<b>172,106,497</b>	<b>4,395,786</b>	<b>2,290,707</b>	-	-	-	-
4 Of which defaulted	2,526,504	16,358	311	-	-	-	-

#### 6. Credit risk when standard approach is used

##### 6.1. CRA – Qualitative disclosures which shall be made related to grading marks used by the Banks while calculating credit risk with standard approach:

- Marks of Fitch credit rating institution are used in credit risk standard approach calculations.
- Centralized administrations and Banks take CRA marks into account for risk classes.
- Mark is assigned to a debtor by taking for all assets of the debtor into account.
- CRA, which is not included in twinning table of the institution, is not used.

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

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

#### II. Explanations on Risk Management (Continued)

#### 6. Credit risk when standard approach is used (Continued)

#### 6.2. CR4 – Standard Approach– Credit risk exposure and credit risk mitigation (CRM) effects

Current Period		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	87,135,083	-	88,331,435	-	-	-
2	Exposures to regional governments or local authorities	178,882	135	178,882	-	89,441	50%
3	Exposures to public sector entities	203,474	36,358	200,782	11,056	211,839	100%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to institutions	13,354,371	5,247,548	13,341,121	3,331,415	6,785,807	41%
7	Exposures to corporates	74,243,874	53,082,172	71,994,815	20,070,011	92,064,825	100%
8	Retail exposures	75,501,387	130,598,097	72,732,786	4,719,014	59,966,855	77%
9	Exposures secured by residential property	2,098,315	239,441	2,098,315	12,178	738,674	35%
10	Exposures secured by commercial real estate	10,639,706	1,657,491	10,639,707	1,082,208	9,375,574	80%
11	Past-due loans	1,954,401	-	1,953,928	-	1,361,964	70%
12	Higher-risk categories by the Agency Board	14,126,240	-	13,673,659	-	20,510,489	150%
13	Exposures in the form of covered bonds	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-
16	Other assets	15,029,445	202,872	15,029,445	-	9,730,865	65%
17	Investments in equities	2,407,839	-	2,407,839	-	2,407,839	100%
18	<b>Total</b>	<b>296,873,017</b>	<b>191,064,114</b>	<b>292,582,714</b>	<b>29,225,882</b>	<b>203,244,172</b>	<b>63%</b>

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

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

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

#### II. Explanations on Risk Management (Continued)

#### 6. Credit risk when standard approach is used (Continued)

#### 6.3. CR5 – Standard approach – exposures by asset classes and risk

Current Period										
Exposure Categories/Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total Credit Risk Exposure Amount
1 Exposures to central governments or central banks	88,331,435	-	-	-	-	-	-	-	-	88,331,435
2 Exposures to regional governments or local authorities	-	-	-	-	178,882	-	-	-	-	178,882
3 Exposures to public sector entities	-	-	-	-	-	-	211,838	-	-	211,838
4 Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5 Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6 Exposures to institutions	-	-	5,717,592	-	10,625,309	-	329,635	-	-	16,672,536
7 Exposures to corporates	-	-	-	-	-	-	92,064,826	-	-	92,064,826
8 Retail exposures	-	-	-	-	-	69,939,775	7,512,025	-	-	77,451,800
9 Exposures secured by residential property	-	-	-	2,110,493	-	-	-	-	-	2,110,493
10 Exposures secured by commercial real estate	-	-	-	-	4,692,682	-	7,029,233	-	-	11,721,915
11 Past-due loans	-	-	-	-	1,183,927	-	770,001	-	-	1,953,928
12 Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	13,673,659	-	13,673,659
13 Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-
14 Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-
15 Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-
16 Investments in equities	-	-	-	-	-	-	2,407,839	-	-	2,407,839
17 Other Assets	5,298,578	-	3	-	-	-	9,730,864	-	-	15,029,445
<b>18 Total</b>	<b>93,630,013</b>	<b>-</b>	<b>5,717,595</b>	<b>2,110,493</b>	<b>16,680,800</b>	<b>69,939,775</b>	<b>120,056,261</b>	<b>13,673,659</b>	<b>-</b>	<b>321,808,596</b>

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

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

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

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

**7. Disclosures regarding counterparty credit risk**

**7.1. Qualitative disclosures regarding DCCR – CCR table:**

- a) Counterparty credit risk (CCR) states default risk of counterparty, which is a party to a transaction imposing an obligation to both parties, going into default before the final payment included in cash flow of the transaction in question. CCR causes credit risk for banks carrying out money and capital market transactions. Derivative financial instruments, repo and reverse repo transactions, securities and commodities lending transactions, transactions having long clearing process and margin trading transactions are considered in the aforementioned scope.

The most significant part of CCR in the Bank is sourced from derivative financial instruments. Derivative transactions are made with financial institutions, individual and commercial customers for the purposes of trading, management of interest risk of banking accounts and meeting customer demands.

CCR is managed within the framework of the Counterparty Credit Policy approved by the Board of Directors. In this policy, the scope of the CCR, the risk calculation method, and the distribution of responsibility distribution were determined. The general lines determined in the CCR policy are detailed with the Derivative Products Application Instructions.

Main Bank does make a distinction between banks, non-bank financial institutions and individual customers with respect to counterparty credit risk. Transactions made with non-bank financial institutions are reviewed in the framework of corporate-commercial credit risk while banks are considered in the framework of financial institutions.

Derivative risk amount which can be carried by the customer is limited within the credit policies framework. Related risk and limit amounts are monitored on a daily basis and when a collateral shortfall exists, shortfall collateral amount is completed in line with given standards in Derivative Products Application Instruction.

- b) A clear definition of risk appetite and its approval by Board of Directors is the precondition to establish a consistent risk limit system. The Bank has determined the following limit structure in order to limit the risk carried over derivative transactions. Those limits are determined in Market Risk Policy and approved by Board of Directors.
- Limits on option sensitivity indexes basis: Maximum risk which can be taken in delta, gama and vega positions is limited.
  - Option nominal position limit: Maximum nominal position which can be taken on option type basis is limited.
  - Interest sensitivity limit of forward exchanges included in trading accounts: Interest risk which can be carried by swap and forward exchanges made for the purposes of trading.

Derivative limit on the basis of customer has been prepared in addition to abovementioned limit structure. The Bank has established required control mechanism in order to stay in the framework of determined limits.

- c) CCR is tried to be reduced with various techniques. The Bank uses daily exchange limits in addition to credit support and global repo agreements in order to reduce exchange risk. Limits, defined for financial institutions, are allocated according to creditability of counterparty and monitored as real time and online. Parties, having over the counter transactions with the Bank, are financial institutions which are well known and having a long term of business relationship.
- d) Countertrend risk states that probability of default of counterparty has a positive correlation with general market risk factors. Main Partner Bank monitors impacts of market risk factors such as interest and exchange on customer credit risk. Especially, in periods having sharp financial movements, required actions are taken in line with analysis performed.
- e) If there is a decline in credit rating grade, there is no additional collateral amount which must be provided by the Bank.

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

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

#### II. Explanations on Risk Management (Continued)

#### 7. Disclosures regarding counterparty credit risk (Continued)

#### 7.2. CCR1 – Assessment of Counterparty Credit Risk according to the models of measurement

Current Period	Revaluation Cost	Potential credit risk exposure	EEPE	The alpha used to calculate the legal risk amount	Exposure after credit risk mitigation	Risk Weighted Amounts
1 Standard approach - CCR (for derivatives)	16,634,553	2,295,441	-	1	11,066,167	5,263,064
2 Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)	-	-	-	-	-	-
3 The simple method used to mitigate credit risk - repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions.	-	-	-	-	-	-
4 Comprehensive method for reducing credit risk - (for repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)	-	-	-	-	6,600,709	3,089,652
5 Repo transactions, securities or commodity lending or borrowing transactions, long-term transactions with risk exposure value for credit securities transactions	-	-	-	-	-	-
<b>6 Total</b>	-	-	-	-	-	<b>8,352,716</b>

Prior Period	Revaluation Cost	Potential credit risk exposure	EEPE	The alpha used to calculate the legal risk amount	Exposure after credit risk mitigation	Risk Weighted Amounts
1 Standard approach - CCR (for derivatives)	5,724,175	1,520,171	-	1.4	3,964,202	2,637,752
2 Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)	-	-	-	-	-	-
3 The simple method used to mitigate credit risk - repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions.	-	-	-	-	-	-
4 Comprehensive method for reducing credit risk - (for repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)	-	-	-	-	4,016,437	1,982,235
5 Repo transactions, securities or commodity lending or borrowing transactions, long-term transactions with risk exposure value for credit securities transactions	-	-	-	-	-	-
<b>6 Total</b>	-	-	-	-	-	<b>4,619,987</b>

#### 7.3. CCR2 – Credit valuation adjustment (CVA) capital charge

	Exposure (After credit risk mitigation methods)		Risk Weighted Amounts	
	Current Period	Prior Period	Current Period	Prior Period
Total portfolio value with comprehensive approach CVA capital adequacy	-	-	-	-
1 (i) Value at risk component (3*multiplier included)	-	-	-	-
2 (ii) Stressed Value at Risk (3*multiplier included)	-	-	-	-
3 Total portfolio value with simplified approach CVA capital adequacy	11,066,167	3,964,202	1,621,022	1,037,408
<b>4 Total amount of CVA capital adequacy</b>	<b>11,066,167</b>	<b>3,964,202</b>	<b>1,621,022</b>	<b>1,037,408</b>

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

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

#### II. Explanations on Risk Management (Continued)

#### 7. Disclosures regarding counterparty credit risk (Continued)

#### 7.4. CCR3 – Standardised approach – CCR exposures by regulatory portfolio and risk weights:

Current Period									
Exposure Categories/Risk Weight	0%	10%	20%	50%	75%	100%	150%	Others	Total Credit Risk
1 Exposures from central governments or central banks	2,612,411	-	-	-	-	-	-	26,594	2,639,005
2 Exposures from regional or local governments	-	-	-	-	-	-	-	-	-
3 Exposures from administrative units and non-commercial enterprises	-	-	-	-	-	74	-	-	74
4 Exposures from multilateral development banks	-	-	-	-	-	-	-	-	-
5 Exposures from international organizations	-	-	-	-	-	-	-	-	-
6 Exposures from banks and brokerage houses	-	-	2,149,839	9,893,124	-	698,616	-	-	12,741,579
7 Exposures from corporates	-	-	-	-	-	2,249,202	-	-	2,249,202
8 Retail receivables	-	-	-	-	37,016	-	-	-	37,016
9 Mortgage receivables	-	-	-	-	-	-	-	-	-
10 Overdue receivables	-	-	-	-	-	-	-	-	-
11 High risk defined receivables	-	-	-	-	-	-	-	-	-
12 Mortgage backed securities	-	-	-	-	-	-	-	-	-
13 Securitization Positions	-	-	-	-	-	-	-	-	-
14 Short term credit rated banks and Intermediary Institutions receivables	-	-	-	-	-	-	-	-	-
15 Collective investment undertaking investments	-	-	-	-	-	-	-	-	-
16 Equity Investments	-	-	-	-	-	-	-	-	-
17 Other Receivables	-	-	-	-	-	-	-	-	-
18 Other Assets	-	-	-	-	-	-	-	-	-
<b>19 Total</b>	<b>2,612,411</b>	<b>-</b>	<b>2,149,839</b>	<b>9,893,124</b>	<b>37,016</b>	<b>2,947,892</b>	<b>-</b>	<b>26,594</b>	<b>17,666,876</b>

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

#### 7.5. CCR4 – Risk Class and Counterparty Credit Risk on the basis of Possibility of Default

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

#### 7.6. CCR5 – Composition of collateral for CCR exposure

Current Period	Collaterals for Derivatives				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-Local Currency	-	-	-	-	1,871,554	-
Cash - Foreign Currency	-	10,347,525	-	9,348,632	15,514,952	-
Government bond-domestic	-	-	-	-	-	-
Government bond-other	-	-	-	-	-	-
Public institution bonds	-	-	-	-	-	-
Corporate bond	-	-	-	-	-	-
Equity share	-	-	-	-	-	-
Other collaterals	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>10,347,525</b>	<b>-</b>	<b>9,348,632</b>	<b>17,386,506</b>	<b>-</b>

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

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

#### II. Explanations on Risk Management (Continued)

#### 7. Disclosures Regarding Counterparty Credit Risk (Continued)

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

#### 7.7. CCR6 – Credit derivatives

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

#### 7.8. CCR7 – RWA changes on CCR within the internal model method

Related table is not presented due to usage of standard approach for the calculation of capital adequacy (31 December 2020-None).

#### 7.9. CCR8 – Exposures to central counterparties

	Current Period		Prior Period	
	Exposure at Default ( Post – CRM)	RWA	Exposure at Default ( Post – CRM)	RWA
<b>1 Exposure to Qualified Central Counterparties (QCCPs) Total</b>	<b>26,594</b>	<b>532</b>	<b>74,123</b>	<b>1,482</b>
2 Exposures for trades at QCCPs (excluding initial margin and default fund contributions) of which	-	-	-	-
3 (i) OTC Derivatives	-	-	-	-
4 (ii) Exchange-traded Derivatives	26,594	532	74,123	1,482
5 (iii) Securities financing transactions	-	-	-	-
6 (iv) Netting sets where cross-product netting has been approved	-	-	-	-
7 Segregated initial margin	-	-	-	-
8 Non-segregated initial margin	-	-	-	-
9 Pre-funded default fund contributions	-	-	-	-
10 Unfunded default fund contributions	-	-	-	-
11 Exposures to non-QCCPs (total)	-	-	-	-
12 Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-	-	-
13 (i) OTC Derivatives	-	-	-	-
14 (ii) Exchange-traded Derivatives	-	-	-	-
15 (iii) Securities financing transactions	-	-	-	-
16 (iv) Netting sets where cross-product netting has been approved	-	-	-	-
17 Segregated initial margin	-	-	-	-
18 Non-segregated initial margin	-	-	-	-
19 Pre-funded default fund contributions	-	-	-	-
20 Unfunded default fund contributions	-	-	-	-

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021**

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

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

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

**8. Securitization exposures:**

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

**9. Disclosures regarding Market Risk (Continued)**

**9.1. MRD – Qualitative information which shall be disclosed to public related to market risk**

a) Market risk states the risk sourcing from change in market prices on positions held in order to make profit in trading accounts in line with short term expectations in market prices or interest rates. Financial Assets at Fair Value through Profit/Loss accounts covers all derivative products except for financial assets held for trading, open exchange position and having hedging purposes.

The Bank has established a structure to effectively define, monitor and manage the risk sourcing from changes in market prices including interest rates, stocks, bond prices, exchange rates and uncertainty of aforementioned prices in their volatility levels. The aforementioned structure is determined in Market Risk Policy of the Bank which is approved by the Board of Directors. This policy determines principles, measurement methods, processes and limits covering all transactions of the Bank sourcing from market risk.

Market risk is calculated and reported on a monthly basis with standard method for capital adequacy calculation in line with regulation on Measurement and Evaluation of Bank's Capital Adequacy published by BRSA.

Market risk also includes value at risk limits in line with internal policies based on internal model. Limits include value at risk limits, positions, limits on options sensitivity and loss cessation limits for each of the market risk types.

b) Risk Committee of the Bank is responsible to ensure implementation of market risk strategy and policies in a consistent manner. Market risk unit operates totally independent from risk carrying units and directly subject to Risk Committee of the Bank in given authorization and responsibilities framework.

Internal Control Department is responsible for the evaluation of internal control system related to market risk through periodical independent audits. Required system evaluation reports are shared with Board of Directors and other related authorities. Risk Committee of Board of Directors provides holding of sufficient capital against market risk carried by QNB Finansbank.

c) QNB Finansbank makes its capital calculation for market risk in accordance with standard method approach defined in Basel II first pillar. Capital calculation method for each risk category is made by BRSA in line with Basel standards as of month-ends as solo and consolidated.

The Bank calculates market risk with value at risk approach for the purpose of monitoring and management of risk at the Bank except for standard method. The aforementioned calculation is made both for the risk of trade portfolio and also total risk of trade portfolio and Securities Available for Sale portfolio. Value at risk calculation is made daily with historical simulation at 99% confidence interval through 252 working days observation period and exponential weighted moving average volatility assumption. Dynamic structure of the volatility is reached through giving weight to recent observations in exponential weighted moving average.

**9.2. PR1 – Standardized approach:**

		RWA <sup>(**)</sup>	
		Current Period	Prior Period
	Outright products <sup>(*)</sup>	5,162,026	3,579,050
1	Interest rate risk (general and specific)	2,316,388	1,784,175
2	Equity risk (general and specific)	94,700	50,200
3	Foreign exchange risk	2,493,438	1,684,063
4	Commodity risk	257,500	60,612
	Options	76,975	10,038
5	Simplified approach	-	-
6	Delta-plus method	76,975	10,038
7	Scenario approach	-	-
8	Securitization	-	-
<b>9</b>	<b>Total</b>	<b>5,239,001</b>	<b>3,589,088</b>

(\*) Outright products refer to position in products that are not optional.

(\*\*) The market Risk represents the capital requirement multiplied by 12.5 times Risk Weighted Amount.

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

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

#### II. Explanations on Risk Management (Continued)

##### 10. Explanations related to the operational risk

The Bank calculates the amount subject to operational risk based on “Basic Indicator Method” by using 2020, 2019, 2018 year-end gross income balances of the Bank, in accordance with Section 3 of the “Regulation Regarding Measurement and Evaluation of Banks’ Capital Adequacy Ratio”, published in the Official Gazette No. 28337 dated 28 June 2012, namely “The Calculation of the Amount Subject to Operational Risk. As of 31 December 2021, the total amount subject to operational risk is TRY16,750, 240 (31 December 2020 - TRY14,668,786).

Current Year Basic Indicator Method	2 PP Amount	1 PP Amount	CP Amount	Total/No. of Years of Positive Gross	Rate (%)	Total
Gross Income	8,506,036	8,805,867	9,488,481	8,933,461	15	1,340,019
<b>Value at operational risk (Total*12,5)</b>						<b>16,750,240</b>
Prior Year Basic Indicator Method	2 PP Amount	1 PP Amount	CP Amount	Total/No. of Years of Positive Gross	Rate (%)	Total
Gross Income	6,158,155	8,506,036	8,805,867	7,823,353	15	1,173,503
<b>Value at operational risk (Total*12,5)</b>						<b>14,668,786</b>

The annual gross income is composed of net interest income and net non-interest income after deducting realized gains/losses from the disposal of Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI), extraordinary income and income derived from insurance claims at year-end.

#### 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.

##### 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 TRY12.9775  
Euro purchase rate at the date of the balance sheet TRY14.6823

Date	US Dollar	Euro
31 December 2021	12.9775	14.6823
30 December 2021	12.2219	13.8011
29 December 2021	11.8302	13.4000
28 December 2021	11.3900	12.8903
27 December 2021	11.7278	13.2926

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

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

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

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

The arithmetical average of the Bank's US Dollar and Euro purchase rates for December 2021 are TRY13,5285 and TRY15,2896 respectively.

##### 5. Information on the foreign currency exchange rate risk

Current Period	EUR	USD	Other FC	Total
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank <sup>(1)</sup>	28,653,346	29,654,717	4,550,228	62,858,291
Due From Banks	4,316,919	10,240,894	561,769	15,119,582
Financial Assets at Fair Value through Profit/Loss <sup>(2)</sup>	878,969	1,637,972	2,358	2,519,299
Money Market Placements	-	159,508	-	159,508
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	848,120	9,159,957	-	10,008,077
Loans and Receivables <sup>(3)</sup>	52,076,382	30,920,296	309,329	83,306,007
Investments in Assoc., Subsidiaries and Entities under Common Control (Joint Vent.)	-	-	-	-
Financial Assets Measured at Amortized Cost	1,145,588	13,835,328	-	14,980,916
Derivative Financial Assets Hedging Purposes	-	350,689	-	350,689
Tangible Assets	-	-	37	37
Intangible Assets	-	-	-	-
Other Assets <sup>(4)</sup>	33,531	29,581	1,255	64,367
<b>Total Assets</b>	<b>87,952,855</b>	<b>95,988,942</b>	<b>5,424,976</b>	<b>189,366,773</b>
<b>Liabilities</b>				
Bank Deposits	125,717	3,797,491	59,963	3,983,171
Foreign Currency Deposits <sup>(5)</sup>	31,523,315	87,293,318	24,462,908	143,279,541
Money Market Borrowings	1,574,310	14,142,867	-	15,717,177
Funds Provided from Other Financial Institutions	11,225,742	27,132,227	-	38,357,969
Securities Issues	-	20,124,404	3,654,688	23,779,092
Sundry Creditors	5,960,343	4,950,079	6,910	10,917,332
Derivative Fin. Liabilities for Hedging Purposes	42,945	1,447,197	-	1,490,142
Other Liabilities <sup>(6)</sup>	1,144,945	1,470,732	1,591	2,617,268
<b>Total Liabilities</b>	<b>51,597,317</b>	<b>160,358,315</b>	<b>28,186,060</b>	<b>240,141,692</b>
<b>Net Balance Sheet Position</b>	<b>36,355,538</b>	<b>(64,369,373)</b>	<b>(22,761,084)</b>	<b>(50,774,919)</b>
<b>Net Off-Balance Sheet Position</b>	<b>(36,160,955)</b>	<b>62,063,449</b>	<b>22,811,068</b>	<b>48,713,562</b>
Financial Derivative Assets	32,278,439	164,612,702	23,228,937	220,120,078
Financial Derivative Liabilities	68,439,394	102,549,253	417,869	171,406,516
Non-Cash Loans <sup>(8)</sup>	18,384,626	15,231,819	715,572	34,332,017
<b>Prior Period</b>				
Total Assets	47,079,132	49,983,470	1,547,359	98,609,961
Total Liabilities	29,515,579	91,158,982	18,079,200	138,753,761
<b>Net Balance Sheet Position</b>	<b>17,563,553</b>	<b>(41,175,512)</b>	<b>(16,531,841)</b>	<b>(40,143,800)</b>
<b>Net Off-Balance Sheet Position</b>	<b>(17,612,330)</b>	<b>39,341,684</b>	<b>16,523,358</b>	<b>38,252,712</b>
Financial Derivative Assets	22,977,930	105,631,951	18,050,019	146,659,900
Financial Derivative Liabilities	40,590,260	66,290,267	1,526,661	108,407,188
Non-Cash Loans	9,935,011	11,239,630	345,711	21,520,352

<sup>(1)</sup> Cash and Balances with TR Central Bank; Other FC include TRY1,587,037 (31 December 2020 – TRY1,160,921) precious metal deposit account.

<sup>(2)</sup> There are foreign bank guarantees amounting to TRY 7,481,729 (31 December 2020 – None).

<sup>(3)</sup> Does not include TRY327,091 31 December 2020– TRY239,259) of currency income accruals arising from derivative transactions. In accordance with TFRS 9, TRY327,946 which is accounted under Financial Assets at Fair Value Through profit or Loss is not included.

<sup>(4)</sup> Includes TRY379,005 (31 December 2020 – TRY489,555) FC indexed loans..

<sup>(5)</sup> Does not include FC prepaid expenses amounting to TRY67,969 (31 December 2020 – TRY47,634) as per BRSA's Communique published in Official Gazette no 26085 on 19 February 2006.

<sup>(6)</sup> Other foreign currency includes TRY21,599,519 (31 December 2020 – TRY15,484,501) of precious metal deposit account.

<sup>(7)</sup> Does not include currency expense accruals of derivative financial instruments kept in FC accounts amounting to TRY193,975 (31 December 2020 – TRY181,798)

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

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

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

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

##### 6. Sensitivity to foreign exchange risk

The Bank is mainly exposed to EUR and USD currencies.

The following table details the Bank's sensitivity to a 10% increase and decrease in USD and EUR. Other variables are assumed to be unchanged.

	Change in Currency rate in %	Net Effect on Profit or Loss (After Tax)	Net Effect on Equity (*)	Net Effect on Profit or Loss (After Tax)	Net Effect on Equity (*)
		Current Period	Current Period	Prior Period	Prior Period
US					
Dollar	10% increase	8,716	(198,542)	1,195	(103,901)
	10% decrease	(8,716)	198,542	(1,195)	103,901
EURO	10% increase	(3,783)	(7,853)	(485)	(3,406)
	10% decrease	3,783	7,853	485	3,406

(\*) Effect on Shareholders Equity include the effect of the change of exchange rates on the income statement.

#### 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 the international markets and customer deposits 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.

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

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

##### Interest rate sensitivity of assets, liabilities and off-balance sheet items

(Based on repricing dates)

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing <sup>(1)</sup>	Total
<b>End of Current Period</b>							
<b>Assets</b>							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank <sup>(2)</sup>	27,488,643	-	-	-	-	42,798,845	70,287,488
Due from Banks <sup>(3)</sup>	1,152,880	-	-	-	-	13,963,854	15,116,734
Financial Assets at Fair Value Through Profit/Loss <sup>(4)</sup>	1,015	291,123	22,665	46,998	10,637	18,953,350	19,325,788
Money Market Placements <sup>(5)</sup>	159,508	-	-	-	-	-	159,508
Financial Assets at Fair Value Through Other Comprehensive Income <sup>(5)</sup>	2,096,919	2,594,641	4,045,221	4,197,504	7,402,282	2,663,982	23,000,549
Loans and Receivables	42,630,390	32,261,945	72,795,492	44,112,402	6,613,966	2,208,416	200,622,611
Inv. Securities Held to Maturity <sup>(6)</sup>	4,961,252	2,568,882	6,556,088	8,429,626	6,240,942	1,090,393	29,847,183
Other Assets	-	-	-	-	-	13,009,380	13,009,380
<b>Total Assets</b>	<b>78,490,607</b>	<b>37,716,591</b>	<b>83,419,466</b>	<b>56,786,530</b>	<b>20,267,827</b>	<b>94,688,220</b>	<b>371,369,241</b>
<b>Liabilities</b>							
Bank Deposits	11,644,754	688,474	74,417	-	-	569,447	12,977,092
Other Deposits	85,091,893	26,809,133	6,145,884	412,329	326	95,486,562	213,946,127
Money Market Borrowings	5,087,867	9,583,496	3,348,626	-	-	-	18,019,989
Sundry Creditors	10,917,332	-	-	-	-	7,002,549	17,919,881
Securities Issued	5,602,803	1,499,034	12,525,753	8,761,162	-	-	28,388,752
Funds Borrowed	1,972,200	22,254,302	7,493,054	348,253	6,816,673	-	38,884,482
Other Liabilities <sup>(7)</sup>	438	2,051	17,519	472,681	-	40,740,229	41,232,918
<b>Total Liabilities</b>	<b>120,317,287</b>	<b>60,836,490</b>	<b>29,605,253</b>	<b>9,994,425</b>	<b>6,816,999</b>	<b>143,798,787</b>	<b>371,369,241</b>
On Balance Sheet Long Position	-	-	53,814,213	46,792,105	13,450,828	-	114,057,146
On Balance Sheet Short Position	(41,826,680)	(23,119,899)	-	-	-	(49,110,567)	(114,057,146)
Off-Balance Sheet Long Position	8,135,890	18,598,817	-	435,415	-	-	27,170,122
Off-Balance Sheet Short Position	-	-	(2,318,854)	-	(13,500,760)	-	(15,819,614)
<b>Total Position</b>	<b>(33,690,790)</b>	<b>(4,521,082)</b>	<b>51,495,359</b>	<b>47,227,520</b>	<b>(49,932)</b>	<b>(49,110,567)</b>	<b>11,350,508</b>

(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 include amount of TRY7,083 expected loss provisions.

(3) Banks include balance of expected loss provisions amounting to TRY3,670.

(4) Financial Assets at Fair Value Through Profit/Loss include TRY18,644,431 derivative financial assets used for hedging purposes.

(5) Financial Assets at Fair Value Through Other Comprehensive Income include TRY3,359,463 derivative financial assets used for hedging purposes.

(6) Financial Assets measured at amortized cost includes the balance of the expected loss provisions amounting to TRY9,793.

(7) Other Liabilities includes Derivative Financial Assets amounting to TRY12,452,428.

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

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

##### Interest rate sensitivity of assets, liabilities and off-balance sheet items (Continued)

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing <sup>(1)</sup>	Total
<b>End of Prior Period</b>							
<b>Assets</b>							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank <sup>(2)</sup>	6,501,977	-	-	-	-	20,901,081	27,403,058
Due from Banks <sup>(3)</sup>	72,063	-	-	-	-	1,384,472	1,456,535
Financial Assets at Fair Value Through Profit/Loss <sup>(4)</sup>	1,306	284,331	19,797	77,532	22,847	8,114,065	8,519,878
Money Market Placements <sup>(5)</sup>	342,734	-	-	-	-	-	342,734
Financial Assets at Fair Value Through Other Comprehensive Income <sup>(5)</sup>	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
Inv. Securities Held to Maturity <sup>(6)</sup>	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
<b>Total Assets</b>	<b>40,991,792</b>	<b>24,521,400</b>	<b>59,071,520</b>	<b>39,169,270</b>	<b>12,884,790</b>	<b>50,614,576</b>	<b>227,253,348</b>
<b>Liabilities</b>							
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
Sundry Creditors	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 <sup>(7)</sup>	3,921	2,379	69,607	360,836	9,932	32,111,238	32,557,913
<b>Total Liabilities</b>	<b>72,088,355</b>	<b>38,381,058</b>	<b>13,864,627</b>	<b>15,922,650</b>	<b>10,133</b>	<b>86,986,525</b>	<b>227,253,348</b>
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)
<b>Total Position</b>	<b>(26,420,940)</b>	<b>(2,854,675)</b>	<b>44,969,138</b>	<b>21,599,262</b>	<b>3,686,338</b>	<b>(36,371,949)</b>	<b>4,607,174</b>

(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 include amount of TRY3,399 expected loss provisions.

(3) Banks include balance of expected loss provisions amounting to TRY10,168.

(4) Financial Assets at Fair Value Through Profit/Loss include TRY7,948,940 derivative financial assets used for hedging purposes.

(5) Receivables from Money Markets does not have any balance of expected loss provisions .

(6) Financial Assets at Fair Value Through Other Comprehensive Income include TRY1,400,686 derivative financial assets used for hedging purposes.

(7) Financial Assets measured at amortized cost includes the balance of the expected loss provisions amounting to TRY10,156.

(8) Other Liabilities include derivative Financial Assets Measured at Fair Value through Other Comprehensive Income used for hedging purposes amounting to TRY8,077,352.

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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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
<b>End of Current Period</b>				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the T.R. Central Bank	-	-	-	8.50
Due from Banks	-	0.07	-	-
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	4.97	4.58	-	21.51
Money Market Placements	-	0.05	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	2.87	5.32	-	18.41
Loans and Receivables	4.02	4.86	1.49	18.81
Financial Assets Measured at Amortized Cost	4.60	5.61	-	22.41
Liabilities				
Bank Deposits	0.03	0.61	-	13.96
Other Deposits	0.22	0.81	0.27	18.22
Money Market Borrowings	(0.71)	1.17	-	13.91
Sundry Creditors	(0.39)	-	-	-
Securities Issued	-	5.51	-	16.62
Funds Borrowed	2.24	4.52	-	15.82
<b>End of Prior Period</b>				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the T.R. Central Bank	-	-	-	12.00
Due from Banks	0.05	-	-	-
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	3.07	5.63	-	17.13
Money Market Placements	-	0.01	-	18.16
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	2.87	5.30	-	14.29
Loans and Receivables	4.27	5.14	5.23	14.24
Financial Assets Measured at Amortized Cost	3.76	5.55	-	14.04
Liabilities				
Bank Deposits	0.64	1.51	-	16.74
Other Deposits	0.45	1.36	0.62	15.46
Money Market Borrowings	-	1.38	-	16.71
Sundry Creditors	(0.39)	-	-	-
Securities Issued	-	5.58	-	17.72
Funds Borrowed	2.25	4.43	-	11.59

#### Interest rate risk on banking book

The interest rate risk resulting from banking book comprises of maturity mismatch risk, yield-curve risk, base risk and option risk. Within the scope of the interest rate risk, the Bank analyzes all these risks periodically, and considering market conditions, manages all aspects of interest rate risk on banking book effectively in accordance with the bank strategy. In order to this, within the scope of “Banking Books Interest Rate Risk Management” risks are measured, monitored and limited on a regular basis.

In the calculation of the interest rate risk on banking book, income approach and the economic value approach are applied. The analysis of economic value, duration and gap analysis are calculated twice in a month, analysis of the standard economic value approach is supported by different scenarios. In addition, the sensitivity of the net interest income is monitored, the prepayment rates of loans are considered managing the interest rate risk.

In customer deposits, core deposits analyses are performed regularly on profit center base and the rate of core deposits in demand deposits are considered in economic value, gap and duration analyses. The interest rate risk of uncertain due credits is determined considering the nature of the credit and added to calculations.

All these analyses are reported to Asset and Liability Committee and Risk Committee and by considering market conditions and the bank strategy, the interest rate risk on banking book is managed within specified limits parallel to the Bank’s appetite of risk.

Portfolio’s risk of the financial assets at fair value to other comprehensive income included in banking accounts are managed and monitored by the interest sensitivity and limit compliance of assets.

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

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

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

##### Interest rate risk on banking book (Continued)

The interest rate risk on banking book is measured legally as per the “Regulation on Measurement and Evaluation of Interest Rate Risk Resulted from Banking Book as per Standard Shock Method” published in the Official Gazette No: 28034 dated 23 August 2011, and the legal limit as per this measurement is monitored and reported monthly to the Assets and Liability Committee, the Risk Committee and the Board of Directors.

Type of Currency	Shocks Applied		Gains/Losses	Gains/Equity-- Losses/Equity
	(+/- x basis points)			
1. TRY	(+)500	(-)400	(2,376,318)	-6.35%
2. EUR	(+)200	(-)200	(675,921)	-1.81%
3. USD	(+)200	(-)200	799,423	2.14%
			(168,857)	-0.45%
			288,204	0.77%
<b>Total (of negative shocks)</b>			<b>3,216,642</b>	<b>8.60%</b>
<b>Total (of positive shocks)</b>			<b>(3,221,097)</b>	<b>-8.61%</b>

#### V. Explanations on Position Risk of Equity Securities

Equity Securities (shares)	Comparison		
	Carrying Value	Fair Value	Market Value
<b>1. Investment in Shares- grade A</b>	-	-	-
Quoted Securities	-	-	-
<b>2. Investment in Shares- grade B</b>	-	-	-
Quoted Securities	-	-	-
<b>3. Investment in Shares- grade C</b>	<b>1,230,205</b>	<b>1,230,205</b>	-
Quoted Securities	1,230,205	1,230,205	-
<b>4. Investment in Shares- grade Other (*)</b>	<b>1,169,959</b>	<b>1,115,087</b>	-

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

Portfolio	Gains/Losses in Current Period	Revaluation Surpluses		Unrealized Gains and Losses		
		Total	Amount under Core Capital	Total	Amount under Core Capital	Amount under Supplementary Capital
1. Private Equity Investments	-	-	-	-	-	-
2. Quoted Shares	61,262	-	-	-	-	-
3. Other Shares	-	-	-	-	-	-
<b>4. Total</b>	<b>61,262</b>	-	-	-	-	-

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021**

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

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

**VI. Explanations on Remarks regarding Liquidity Risk Management and Liquidity Coverage Rate**

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.

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

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

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

##### Liquidity Coverage Ratio

Current Period – 31 December 2021	Consideration Rate Unweighted Amounts <sup>(*)</sup>		Consideration Rate Weighted Amounts <sup>(*)</sup>	
	TRY+FC	FC	TRY+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>			<b>60,813,146</b>	<b>42,159,807</b>
1 High Quality Liquid Assets	-	-	60,813,146	42,159,807
<b>CASH OUTFLOWS</b>				
2 Retail and Small Business Customers Deposits	142,445,916	85,890,876	13,107,912	8,589,088
3 Stable deposits	22,733,598	-	1,136,680	-
4 Less stable deposits	119,712,318	85,890,876	11,971,232	8,589,088
5 Unsecured Funding other than Retail and Small Business Customers Deposits	53,088,632	33,169,750	28,190,637	17,673,287
6 Operational deposits	1,835,716	724,319	458,929	181,080
7 Non-Operational Deposits	41,503,111	29,074,970	19,838,642	14,178,884
8 Other Unsecured Funding	9,749,805	3,370,461	7,893,066	3,313,323
9 Secured funding	-	-	-	-
10 Other Cash Outflows	22,697,893	5,332,054	22,697,893	5,332,054
11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions	22,697,893	5,332,054	22,697,893	5,332,054
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	66,378,356	3,516,584	3,318,918	175,829
15 Other irrevocable or conditionally revocable commitments	123,596,393	33,282,667	9,141,360	3,226,641
<b>16 TOTAL CASH OUTFLOWS</b>	-	-	<b>76,456,720</b>	<b>34,996,899</b>
<b>CASH INFLOWS</b>				
17 Secured Lending Transactions	162,765	273,898	-	-
18 Unsecured Lending Transactions	16,599,230	9,206,568	11,943,644	8,140,506
19 Other Cash Inflows	22,708,639	20,298,391	22,708,639	20,298,392
<b>20 TOTAL CASH INFLOWS</b>	<b>39,470,634</b>	<b>29,778,857</b>	<b>34,652,283</b>	<b>28,438,898</b>
<b>21 TOTAL HIGH QUALITY LIQUID ASSETS</b>	-	-	<b>60,813,146</b>	<b>42,159,807</b>
<b>22 TOTAL NET CASH OUTFLOWS</b>	-	-	<b>41,804,437</b>	<b>9,895,194</b>
<b>23 LIQUIDITY COVERAGE RATIO (%)</b>	-	-	<b>145.47</b>	<b>426.06</b>

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

# QNB FİNANSBANK ANONİM ŞİRKETİ

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

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

#### VI. Explanations on Remarks regarding Liquidity Risk Management and Liquidity Coverage Rate (Continued)

##### Liquidity Coverage Ratio (Continued)

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

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

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

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

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

##### 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 21 March 2014.

	Maximum	Week	Minimum	Week	Average
TRY+FC	179.40	17.12.2021	131.91	05.11.2021	145.51
FC	511.00	10.12.2021	274.32	08.10.2021	433.36

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 61% of total liabilities of the bank (31 December 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 securitized borrowing transactions. A large part of securities which are subjects of aforementioned guaranteed funding transactions consist of Sovereign Bonds issued by Republic of Turkey Ministry of Treasury and Finance and transactions are carried out both in CBRT market and interbank market.

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

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

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

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

#### VI. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio (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 <sup>(1)</sup>	Total
<b>Assets</b>								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R Central Bank <sup>(2)</sup>	32,427,285	37,867,286	-	-	-	-	(7,083)	70,287,488
Due from Banks <sup>(3)</sup>	6,483,668	8,636,736	-	-	-	-	(3,670)	15,116,734
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL) <sup>(4)</sup>	305,700	2,036,757	3,852,537	4,679,119	7,181,604	1,270,071	-	19,325,788
Money Markets Placements <sup>(5)</sup>	-	159,508	-	-	-	-	-	159,508
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) <sup>(6)</sup>	7,674	3,210	353,810	2,228,255	11,353,041	9,054,559	-	23,000,549
Loans and Receivables	-	35,170,026	20,644,876	61,988,284	59,783,330	20,827,680	2,208,415	200,622,611
Financial Assets Measured at Amortized Cost <sup>(7)</sup>	-	-	450,894	1,440,395	19,260,309	8,705,378	(9,793)	29,847,183
Other Assets	-	4,869,352	-	-	1,323,629	-	6,816,399	13,009,380
<b>Total Assets</b>	<b>39,224,327</b>	<b>88,742,875</b>	<b>25,302,117</b>	<b>70,336,053</b>	<b>98,901,913</b>	<b>39,857,688</b>	<b>9,004,268</b>	<b>371,369,241</b>
<b>Liabilities</b>								
Bank Deposits	569,447	11,644,754	688,474	74,417	-	-	-	12,977,092
Other Deposits	95,486,562	85,091,893	26,809,133	6,145,884	412,329	326	-	213,946,127
Funds Borrowed	-	1,280,045	357,661	16,820,538	1,596,122	12,013,443	6,816,673	38,884,482
Money Market Borrowings	-	5,087,867	5,298,524	4,387,644	2,409,064	836,890	-	18,019,989
Securities Issued	-	2,008,417	772,403	14,891,999	10,715,933	-	-	28,388,752
Miscellaneous Payables	-	17,919,881	-	-	-	-	-	17,919,881
Other Liabilities <sup>(8)</sup>	-	8,368,815	1,649,698	2,230,525	2,659,484	2,612,521	23,711,875	41,232,918
<b>Total Liabilities</b>	<b>96,056,009</b>	<b>131,401,672</b>	<b>35,575,893</b>	<b>44,551,007</b>	<b>17,792,932</b>	<b>15,463,180</b>	<b>30,528,548</b>	<b>371,369,241</b>
<b>Liquidity Excess/(Gap)</b>	<b>(56,831,682)</b>	<b>(42,658,797)</b>	<b>(10,273,776)</b>	<b>25,785,046</b>	<b>81,108,981</b>	<b>24,394,508</b>	<b>(21,524,280)</b>	<b>-</b>
<b>Net Off Balance Sheet Position <sup>(9)</sup></b>								
Receivables from Financial Derivative Instruments	-	(1,868,846)	2,132,681	3,220,098	5,587,225	37	-	9,071,195
Liabilities from Derivatives	-	72,095,490	34,346,603	41,123,550	47,682,217	49,170,249	-	244,418,109
Non-cash Loans <sup>(10)</sup>	-	73,964,336	32,213,922	37,903,452	42,094,992	49,170,212	-	235,346,914
<b>Non-cash Loans <sup>(10)</sup></b>	<b>-</b>	<b>1,534,845</b>	<b>5,201,610</b>	<b>10,822,178</b>	<b>3,857,735</b>	<b>337,993</b>	<b>25,738,863</b>	<b>47,493,224</b>
<b>Prior period</b>								
Total Assets	15,488,238	47,683,691	16,511,079	46,247,260	63,620,426	28,691,958	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
<b>Liquidity Excess/(Gap)</b>	<b>(34,635,119)</b>	<b>(32,601,192)</b>	<b>(6,242,360)</b>	<b>28,022,969</b>	<b>38,790,518</b>	<b>22,861,156</b>	<b>(16,195,972)</b>	<b>-</b>
<b>Net-Off Balance Sheet Position <sup>(9)</sup></b>								
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 <sup>(10)</sup>	-	43,942,805	27,362,056	12,656,281	39,125,821	32,207,008	-	155,293,971
<b>Non-cash Loans <sup>(10)</sup></b>	<b>-</b>	<b>2,300,899</b>	<b>3,178,517</b>	<b>14,234,830</b>	<b>4,524,946</b>	<b>565,055</b>	<b>8,343,292</b>	<b>33,147,539</b>

- 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 TRY22,144,060 (31 December 2020 : TRY19,222,421) and unallocated provisions amounting to TRY1,567,815 (31 December 2020: TRY1,064,819).
- 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 TRY7,083 (31 December 2020 TRY3,399).
- Banks include balance of expected loss provisions amounting to TRY3,670 (31 December 2020 TRY10,168).
- Financial Assets at Fair Value Through Profit/Loss include TRY18,644,431 (31 December 2020 TRY7,948,940) derivative financial assets used for hedging purposes.
- There is no balance at Receivables from Money Markets include the balance of expected loss provisions.
- Financial Assets at Fair Value Through Other Comprehensive Income include TRY3,359,463 (31 December 2020 TRY 1,400,686) derivative financial assets used for hedging purposes.
- Financial assets measured at amortized cost include TRY9,793 (31 December 2020 TRU 10,156) of expected loss provisions.
- Other Liabilities include Derivative Financial Assets amounting to TRY12,452,428 (31 December 2020 TRY 8,077,352).
- 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
- Amounts related to letter of guarantees represent contractual maturities and amounts included in aforementioned maturities and they have on demand and optionally withdrawable nature.

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

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

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

##### Analysis of financial liabilities by remaining contractual maturities

The table below shows the Bank's maturity distribution of certain financial liabilities other than derivatives. The tables below are prepared by considering the future cash flows expected on the earliest cash flow dates. The total interest that will be paid for these assets and liabilities is included in the table below.

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total	Carrying Amount
Bank Deposits	569,447	11,665,338	689,192	74,678	-	-	12,998,655	12,977,092
Other Deposits	95,486,562	85,280,953	26,951,157	6,183,110	415,350	532	214,317,664	213,946,127
Payables to Money Market	-	5,114,071	5,326,916	4,496,346	2,444,984	840,625	18,222,942	18,019,989
Funds from other Financial Institutions	-	1,281,237	369,259	17,129,954	1,655,452	18,832,165	39,268,067	38,884,482
Securities Issued	-	2,062,702	1,141,190	15,462,194	11,561,040	-	30,227,126	28,388,752
Noncash Loans <sup>(*)</sup>	25,738,862	1,534,846	5,201,610	10,822,178	3,857,735	337,993	47,493,224	47,493,224

  

Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total	Carrying Amount
Bank Deposits	123,019	3,439,005	1,012,533	17,588	-	-	4,592,145	4,583,344
Other Deposits	50,000,338	55,443,757	16,333,156	4,220,636	342,026	365	126,340,278	125,976,387
Payables to Money Market	-	7,365,999	2,602,524	841,682	2,760,161	1,150,776	14,721,142	14,489,394
Funds from other Financial Institutions	-	242,735	763,177	11,621,995	8,643,541	5,807,990	27,079,438	26,896,318
Securities Issued	-	613,680	1,088,843	1,325,948	11,846,108	-	14,874,579	13,506,385
Noncash Loans <sup>(*)</sup>	8,343,292	2,300,899	3,178,517	14,234,830	4,524,946	565,055	33,147,539	33,147,539

(\*) Amounts related to letters of guarantee represent maturities based on contract and amounts per these maturities and the amounts have the nature to be withdrawn on demand optionally.

The table below shows the remaining maturities of derivative financial assets and liabilities:

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 years and Longer	Total
Forward Contracts Buy <sup>(**)</sup>	5,019,304	3,564,787	3,968,966	662,874	-	13,215,931
Forward Contracts Sell <sup>(**)</sup>	(5,237,730)	(3,745,098)	(4,477,040)	(632,360)	-	(14,092,228)
Swap Contracts Buy <sup>(*)</sup>	68,524,997	30,002,476	36,142,126	47,004,635	49,170,248	230,844,482
Swap Contracts Sell <sup>(*)</sup>	(70,121,146)	(27,673,411)	(32,522,342)	(40,020,399)	(49,170,212)	(219,507,510)
Futures Buy	-	361,004	18,906	-	-	379,910
Futures Sell	-	(368,665)	(15,436)	-	-	(384,101)
Options Buy	527,020	418,336	993,552	14,708	-	1,953,616
Options Sell	(595,686)	(426,748)	(888,633)	(14,708)	-	(1,925,775)
Other	-	-	-	1,427,525	-	1,427,525
<b>Total</b>	<b>(1,883,241)</b>	<b>2,132,681</b>	<b>3,220,099</b>	<b>8,442,275</b>	<b>36</b>	<b>11,911,850</b>

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

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

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 years and Longer	Total
Forward Contracts Buy <sup>(**)</sup>	3,672,550	1,690,279	1,866,574	708,839	-	7,938,242
Forward Contracts Sell <sup>(**)</sup>	(3,669,530)	(1,653,033)	(1,785,519)	(747,655)	-	(7,855,737)
Swap Contracts Buy <sup>(*)</sup>	40,433,498	23,904,480	11,844,828	40,323,605	32,234,801	148,741,212
Swap Contracts Sell <sup>(*)</sup>	(41,556,068)	(24,746,304)	(10,282,865)	(37,570,711)	(32,207,008)	(146,362,956)
Futures Buy	324,076	609,122	122,178	-	-	1,055,376
Futures Sell	(345,798)	(630,696)	(132,877)	-	-	(1,109,371)
Options Buy	812,899	353,367	372,689	-	-	1,538,955
Options Sell	(789,738)	(332,023)	(308,209)	-	-	(1,429,970)
Other	-	-	146,810	807,455	-	954,265
<b>Total</b>	<b>(1,118,111)</b>	<b>(804,808)</b>	<b>1,843,609</b>	<b>3,521,533</b>	<b>27,793</b>	<b>3,470,016</b>

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

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

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

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

#### VII. Information Regarding Leverage Ratio

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

The Bank's leverage ratio, calculated in accordance with the "Regulation on Measurement and Evaluation of Bank's Leverage Levels" is 5.96% (31 December 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 5 November 2013 and numbered 28812 is below:

	Book Value	
	Current Period <sup>(*)</sup>	Prior Period <sup>(*)</sup>
<b>Assets on Balance sheet</b>		
Assets on Balance sheet (except for derivative financial instruments and credit (Assets deducted from capital stock)	319,780,825	220,618,150
	725,830	517,573
<b>Total risk amount related to Assets on Balance sheet</b>	<b>319,054,995</b>	<b>220,100,577</b>
<b>Derivative financial instruments and credit derivatives</b>		
Replacement cost of derivative financial instruments and credit derivatives	19,899,502	11,863,358
Potential credit risk amount of derivative financial instruments and credit derivatives	1,898,270	1,699,987
<b>Total risk amount related to derivative financial instruments and credit derivatives</b>	<b>21,797,772</b>	<b>13,563,345</b>
<b>Financial transactions having security or commodity collateral</b>		
Risk amount of financial transactions having security or commodity collateral	2,665	14,346
Risk amount sourcing from transactions mediated	452,004	11,707,746
<b>Total risk amount related to financial transactions having security or commodity Collateral</b>	<b>454,669</b>	<b>11,722,092</b>
<b>Off-Balance sheet Transaction</b>		
Gross nominal amount of off-balance sheet transactions	191,895,841	139,102,744
(Adjustment amount sourcing from multiplying to credit conversion rates)	56,567,997	36,851,418
<b>Total risk amount related to off-balance sheet transactions</b>	<b>135,327,844</b>	<b>102,251,326</b>
<b>Capital and Total Risk</b>		
Core Capital	28,265,345	23,284,168
Amount of total risk	<b>476,635,281</b>	<b>347,637,340</b>
<b>Financial leverage ratio</b>		
Financial leverage ratio	5.96%	6.70%

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

#### VIII. Explanations Related to Presentation of Financial Assets and Liabilities at Their Fair Value

The fair value of the fixed rate loans is determined based on discounted cash flows using the current market interest rates. Book value of floating rate loans represent their fair value.

The fair value of financial assets measured at amortized cost are determined through market rates. If market rates cannot be spotted, market rates of securities with similar interest, maturity and other characteristics are used instead.

Projected fair value of demand deposit represent the amount to be paid on demand. Fair value of floating rate placements and overnight deposits represents the book value. The estimated fair value of the deposits with fixed rates is determined by calculating discounted cash flows by using the market interest rates used for other liabilities with similar quality and maturities.

Banks the fair value of funds and of securities issued provided from other financial institutions, is determined based on discounted cash flows using the current market interest rates.

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

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

#### VIII. Explanations Related to Presentation of Financial Assets and Liabilities at Their Fair Value (Continued)

In the table below; the fair values and the carrying values of some of the financial assets and liabilities are presented. Book value represents the total of cost of subject asset and liabilities and accrued interest.

<b>Current Period</b>	<b>Book Value</b>	<b>Fair Value</b>
<b>Financial Assets</b>	<b>265,400,585</b>	<b>260,598,471</b>
Money Market Placements	159,508	159,508
Due from Banks	15,120,404	15,116,734
Fair Value through Other Comprehensive Income (FVOCI)	19,641,086	19,641,086
Financial Assets Measured at Amortized Cost	29,856,976	30,900,013
Loans Granted	200,622,611	194,781,130
<b>Financial Liabilities</b>	<b>330,136,323</b>	<b>330,132,840</b>
Bank Deposits	12,977,092	12,982,717
Other Deposits	213,946,127	213,866,300
Funds from Other Financial Institutions	38,884,482	38,955,201
Payables to Money Market	18,019,989	18,019,989
Securities Issued	28,388,752	28,388,752
Other Debts	17,919,881	17,919,881
<b>Prior Period</b>	<b>Book Value</b>	<b>Fair Value</b>
<b>Financial Assets</b>	<b>174,336,264</b>	<b>171,454,425</b>
Money Market Placements	342,734	342,734
Due from Banks	1,466,703	1,456,535
Fair Value through Other Comprehensive Income (FVOCI)	15,181,089	15,181,089
Financial Assets Measured at Amortized Cost	18,743,356	19,214,463
Loans Granted	138,602,382	135,259,604
<b>Financial Liabilities</b>	<b>194,695,435</b>	<b>194,781,532</b>
Bank Deposits	4,583,344	4,583,090
Other Deposits	125,976,387	125,931,169
Funds from Other Financial Institutions	26,896,318	27,027,887
Payables to Money Market	14,489,394	14,489,394
Securities Issued	13,506,385	13,506,385
Other Debts	9,243,607	9,243,607

In accordance with “IFRS 13, Fair Value Measurement” accounts represented at fair value in the face of financial statements are required to be leveled according to the observability of the data used for the calculation of fair value.

The classification of fair value calculation is as follows.

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities (market value);
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);
- Level 3: Inputs that are not observable for the asset and liability (Fair value calculations which are not observable).

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

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

#### VIII. Explanations Related to Presentation of Financial Assets and Liabilities at Their Fair Value (Continued)

In the table below, the fair value classification of the financial instruments that are recorded at fair value at the financial statements is presented:

Current Period	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>	<b>19,788,381</b>	<b>22,287,927</b>	<b>242,355</b>	<b>42,318,663</b>
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL) (*)	213,340	225,662	242,355	681,357
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) (**)	19,575,041	58,371	-	19,633,412
Derivative Financial Assets	-	22,003,894	-	22,003,894
<b>Financial Liabilities</b>	<b>2,159</b>	<b>12,450,269</b>	<b>-</b>	<b>12,452,428</b>
Derivative Financial Liabilities	2,159	12,450,269	-	12,452,428

(\*) The details of the balance are amounting to TRY209,670 under Financial Assets at Fair Value Through Profit or Loss, which is disclosed in Note 6.b.2 of Section Five.

(\*\*) The fair value difference does not include share balance amounting to TRY7,674 which is included in financial assets at financial assets at cost and reflected to other comprehensive income.

Prior Period	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>	<b>15,458,095</b>	<b>9,509,078</b>	<b>126,806</b>	<b>25,093,979</b>
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL) (*)	315,301	128,806	126,806	570,938
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) (**)	15,142,692	30,723	-	15,173,415
Derivative Financial Assets	102	9,349,524	-	9,349,626
<b>Financial Liabilities</b>	<b>2,924</b>	<b>8,074,428</b>	<b>-</b>	<b>8,077,352</b>
Derivative Financial Liabilities	2,924	8,074,428	-	8,077,352

(\*) The details of the balance are amounting to TRY116,829 under Financial Assets at Fair Value Through Profit or Loss, which is disclosed in Note 6.b.2 of Section Five.

(\*\*) The fair value difference does not include share balance amounting to TRY7,674 which is included in financial assets at financial assets at cost and reflected to other comprehensive income.

Confirmation for fair value of financial assets under Level 3 is as below:

	Current Period	Prior Period
<b>Opening Balance</b>	<b>126,806</b>	<b>86,838</b>
Change in total gain/loss	<b>92,368</b>	<b>29,991</b>
<i>Accounted in income statement</i>	92,368	29,991
<i>Accounted in other comprehensive income</i>	-	-
Purchases and Transfers	23,181	9,977
Disposals	-	-
Matured Loans(*)	-	-
Sales from Level 3	-	-
<b>Closing Balance</b>	<b>242,355</b>	<b>126,806</b>

#### IX. Explanations Related to Transactions Carried on Behalf of Others and Fiduciary Transactions

The Bank provides buying, selling and custody services and management and financial advisory services in the name of the third parties. Such transactions are followed under off-balance sheet accounts.

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021**

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

**SECTION FIVE**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS**

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

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Cash in TRY/Foreign Currency	678,315	6,245,263	616,296	1,486,250
T.R. Central Bank	6,654,230	56,333,197	1,811,815	23,368,532
Other	103,735	279,831	77,629	45,935
<b>Total</b>	<b>7,436,280</b>	<b>62,858,291</b>	<b>2,505,740</b>	<b>24,900,717</b>

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Unrestricted Demand Deposits	6,654,230	18,465,910	1,811,815	9,884,092
Restricted Time Deposits	-	37,867,287	-	13,484,440
<b>Total</b>	<b>6,654,230</b>	<b>56,333,197</b>	<b>1,811,815</b>	<b>23,368,532</b>

As of 31 December 2021 amount of TRY7,083 (31 December 2020: TRY3,399) provision provided for the account T.R. Central Bank.

As of 31 December 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 25% for deposit and other foreign currency liabilities according to their maturities. Gold deposit liabilities vary between 22% and 26% for gold liabilities according to their maturities.

In accordance with the “Communiqué Regarding the Reserve Requirements”, the reserve requirements can be maintained as TL, USD, EUR and standard gold. According to the required reserve communiqué, as long as the amount converted to Turkish lira deposits with a maturity of 1 month or longer, foreign currency deposits (including precious metals) existing on 25 June 2021, remain in the Turkish lira time deposit account, the "Turkish Lira Time Deposit Conversion Amount" and benefits from a separate interest rate on the amount. In the period of 31 December 2021, the Parent Bank benefited from 14% interest rate over the Turkish Lira Time Deposit Conversion Amount. For TRY required reserves, excluding the Turkish Lira Time Deposit Conversion Amount, interest was taken using the 8.5% interest rate.

Within the scope of the Communiqué No. 2021/14 on Supporting the Conversion of Turkish Lira Deposit and Participation Accounts, for banks whose conversion rate from US Dollar, Euro and British Pound FX deposit accounts and FX denominated participation fund accounts to TL time deposits and participation accounts has reached 10% as of the liability date of 15 April 2022 and to 20% as of the liability date of 8 July 2022, It has been decided not to apply an annual commission of 1.5% over the portion up to the amount to be kept for its liabilities until the end of the year.

**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 TRY19,850 (31 December 2020 – TRY16,933).

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

None (31 December 2020: None).

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

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

#### I. Explanations and Disclosures Related to Assets (Continued)

#### 2. Further information on financial assets at fair value through profit/loss (Continued)

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Forward Transactions	373,516	-	150,165	-
Swap Transactions	7,657,503	1,729,687	2,725,863	1,679,819
Futures Transactions	-	-	-	-
Options	-	289,303	102	161,465
<b>Total</b>	<b>8,031,019</b>	<b>2,018,990</b>	<b>2,876,130</b>	<b>1,841,284</b>

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Banks				
Domestic	822	1,203,335	965	127,042
Foreign	-	13,916,247	152	1,338,544
Foreign Head Offices and Branches	-	-	-	-
<b>Total</b>	<b>822</b>	<b>15,119,582</b>	<b>1,117</b>	<b>1,465,586</b>

As of 31 December 2021 amount of TRY3,670 provision provided for the Bank account (31 December 2020 - TRY10,168).

In accordance with the Uniform Chart of Accounts, which became effective as of 1 January 2021, foreign bank guarantees amounting to TRY7,481,729 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	1,240,635	597,949	7,478,485	-
USA and Canada	5,046,277	692,396	3,244	-
OECD Countries (*)	8,567	2,865	-	-
Off-shore Banking Regions	-	-	-	-
Other	139,039	45,486	-	-
<b>Total</b>	<b>6,434,518</b>	<b>1,338,696</b>	<b>7,481,729</b>	<b>-</b>

(\*) 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. (31 December 2020 – None).

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
<b>Domestic Transactions</b>	-	-	<b>250,124</b>	-
T.R Central Bank	-	-	-	-
Banks	-	-	250,124	-
Intermediary Institutions	-	-	-	-
Other Financial Institutions and Organizations	-	-	-	-
Other Institutions and Organization	-	-	-	-
Real Persons	-	-	-	-
<b>Foreign Transactions</b>	-	<b>159,508</b>	-	<b>92,610</b>
Central Banks	-	-	-	-
Banks	-	159,508	-	92,610
Intermediary Institutions	-	-	-	-
Other Financial Institutions and Organizations	-	-	-	-
Other Institutions and Organizations	-	-	-	-
Real Persons	-	-	-	-
<b>Total</b>	<b>-</b>	<b>159,508</b>	<b>250,124</b>	<b>92,610</b>

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

### 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	3,200,224	2,244,960	920,138	303,114
Subject to repurchase agreements	498,884	7,553,683	27,227	7,627,357
<b>Total</b>	<b>3,699,108</b>	<b>9,798,643</b>	<b>947,365</b>	<b>7,930,471</b>

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

	Current Period	Prior Period
<b>Debt securities</b>	<b>20,978,048</b>	<b>15,282,501</b>
Quoted on a stock exchange (*)	20,978,048	15,282,501
Unquoted on a stock exchange	-	-
<b>Share certificates</b>	<b>7,781</b>	<b>7,781</b>
Quoted on a stock exchange	-	-
Unquoted on a stock exchange	7,781	7,781
<b>Impairment provision(-)**</b>	<b>(1,344,743)</b>	<b>(109,193)</b>
<b>Total</b>	<b>19,641,086</b>	<b>15,181,089</b>

(\*) The Eurobond Portfolio amounting to TRY4,561,219 (31 December 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 31 December 2021 amount of TRY2,815 (31 December 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
<b>Direct Loans Granted to Shareholders</b>	<b>-</b>	<b>55,271</b>	<b>2,500</b>	<b>45,878</b>
Corporate Shareholders	-	55,271	2,500	45,878
Individual Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
<b>Loans Granted to Employees(*)</b>	<b>170,379</b>	<b>-</b>	<b>149,520</b>	<b>-</b>
<b>Total</b>	<b>170,379</b>	<b>55,271</b>	<b>152,020</b>	<b>45,878</b>

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

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

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

Cash Loans	Standard Loans and Other Receivables	Loans Under Close Monitoring (*)		
		Loans and Receivables Not Subject to restructuring	Restructured Loans and Receivables	
			Loans and Receivables with Revised Contract Terms	Refinance
<b>Non-specialized Loans</b>	<b>184,582,127</b>	<b>9,880,936</b>	<b>1,273,729</b>	<b>8,037,918</b>
Enterprise Loans	3,794,049	7,261	-	-
Export Loans	10,210,672	47,381	-	-
Import Loans	6,326	-	-	-
Loans Given to Financial Sector	6,908,903	30	-	-
Retail Loans	36,850,259	1,364,396	275,845	756,903
Credit Cards	27,761,240	1,879,865	-	405,567
Other	99,050,678	6,582,003	997,884	6,875,448
<b>Specialized Loans</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other Receivables</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>184,582,127</b>	<b>9,880,936</b>	<b>1,273,729</b>	<b>8,037,918</b>

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

### 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 (Continued)

#### b.1) Financial assets measured at amortized cost (Continued)

	Standard Loans	Loans Under Close Monitoring
<b>Current Period</b>		
Provision for 12 Month Expected Credit Losses	2,093,107	-
Significant Increase in Credit Risk	-	3,267,407
<b>Prior Period</b>		
Provision for 12 Month Expected Credit Losses	1,037,995	-
Significant Increase in Credit Risk	-	2,828,305

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

In the current period, the Bank follows the loan amounting to TRY209,670 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 with Restructured Loans
Short-term Loans	74,464,342	1,879,865	405,567
Medium and Long-term Loans	110,117,785	8,001,071	8,906,080
<b>Total</b>	<b>184,582,127</b>	<b>9,880,936</b>	<b>9,311,647</b>

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

### 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
<b>Consumer Loans-TRY</b>	<b>1,701,462</b>	<b>34,169,227</b>	<b>35,870,689</b>
Housing Loans	778	3,526,423	3,527,201
Automobile Loans	561	19,188	19,749
Personal Need Loans	1,700,123	30,623,616	32,323,739
Other	-	-	-
<b>Consumer Loans-FC Indexed</b>	<b>-</b>	<b>1,563</b>	<b>1,563</b>
Housing Loans	-	1,397	1,397
Automobile Loans	-	-	-
Personal Need Loans	-	166	166
Other	-	-	-
<b>Consumer Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
<b>Individual Credit Cards-TRY</b>	<b>22,036,521</b>	<b>401,965</b>	<b>22,438,486</b>
Installment	8,061,856	279,539	8,341,395
Non- Installment	13,974,665	122,426	14,097,091
<b>Individual Credit Cards-FC</b>	<b>41,282</b>	<b>94</b>	<b>41,376</b>
Installment	-	-	-
Non- Installment	41,282	94	41,376
<b>Personnel Loans-TRY</b>	<b>7,514</b>	<b>89,142</b>	<b>96,656</b>
Housing Loans	-	48	48
Automobile Loans	-	-	-
Personal Need Loans	7,514	89,094	96,608
Other	-	-	-
<b>Personnel Loans-FC Indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TRY</b>	<b>70,452</b>	<b>617</b>	<b>71,069</b>
Installment	24,138	211	24,349
Non-Installment	46,314	406	46,720
<b>Personnel Credit Cards-FC</b>	<b>152</b>	<b>-</b>	<b>152</b>
Installment	-	-	-
Non-Installment	152	-	152
<b>Overdraft Accounts-TRY (Real Persons)</b>	<b>3,140,408</b>	<b>138,087</b>	<b>3,278,495</b>
<b>Overdraft Accounts-FC (Real Persons)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>26,997,791</b>	<b>34,800,695</b>	<b>61,798,486</b>

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

### 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
<b>Commercial Loans with Installment Facility – TRY</b>	<b>1,021,047</b>	<b>18,212,892</b>	<b>19,233,939</b>
Real Estate Loans	-	215,253	215,253
Automobile Loans	22,431	646,336	668,767
Personal Need Loans	998,616	17,351,303	18,349,919
Other	-	-	-
<b>Commercial Loans with Installment Facility - FC Indexed</b>	<b>-</b>	<b>362,019</b>	<b>362,019</b>
Real Estate Loans	-	1,730	1,730
Automobile Loans	-	1,701	1,701
Personal Need Loans	-	358,588	358,588
Other	-	-	-
<b>Commercial Loans with Installment Facility – FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Real Estate Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
<b>Corporate Credit Cards –TRY</b>	<b>7,372,818</b>	<b>119,208</b>	<b>7,492,026</b>
Installment	3,095,987	81,741	3,177,728
Non-Installment	4,276,831	37,467	4,314,298
<b>Corporate Credit Cards –FC</b>	<b>3,555</b>	<b>8</b>	<b>3,563</b>
Installment	-	-	-
Non-Installment	3,555	8	3,563
<b>Overdraft Accounts-TRY (Legal Entities)</b>	<b>1,211,149</b>	<b>6,422</b>	<b>1,217,571</b>
<b>Overdraft Accounts-FC (Legal Entities)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>9,608,569</b>	<b>18,700,549</b>	<b>28,309,118</b>

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

	Current Period	Prior Period
Public	127,577	-
Private	203,647,133	140,230,859
<b>Total</b>	<b>203,774,710</b>	<b>140,230,859</b>

<sup>(\*)</sup> The table does not include non-performing loan amount.

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

	Current Period	Prior Period
Domestic Loans	202,117,091	139,129,640
Foreign Loans	1,657,619	1,101,219
<b>Total</b>	<b>203,774,710</b>	<b>140,230,859</b>

<sup>(\*)</sup> 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	2,202,964	1,256,220
Indirect Loans Granted to Subsidiaries and Associates	-	-
<b>Total</b>	<b>2,202,964</b>	<b>1,256,220</b>

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 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)

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

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

	Current Period	Prior Period
<b>Provisions</b>		
Loans and Receivables with Limited Collectability	608,541	501,358
Doubtful Loans and Other Receivables	440,090	311,173
Uncollectible Loans and Receivables	5,711,998	6,077,239
<b>Total</b>	<b>6,760,629</b>	<b>6,889,770</b>

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

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and other receivables
<b>Current Period</b>			
Gross Amounts Before the Provisions	580	592	191,581
Restructured Loans	580	592	191,581
<b>Prior Period</b>			
Gross Amounts Before the Provisions	-	31,099	170,246
Restructured Loans	-	31,099	170,246

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and other receivables
<b>Prior Period End Balance</b>	<b>932,487</b>	<b>535,729</b>	<b>7,659,377</b>
Additions (+)	1,323,225	1,360,556	155,446
Transfers from Other Categories of Non-Performing Loans (+)	-	1,081,472	1,965,510
Transfers to Other Categories of Non-Performing Loans (-)	1,081,472	1,965,510	-
Collections (-)	75,687	295,963	1,480,136
Write-offs (-)	-	-	126,001
<b>Debt Sales (-)</b>	<b>-</b>	<b>-</b>	<b>1,019,989</b>
Corporate and Commercial Loans	-	-	240,776
Consumer Loans	-	-	339,137
Credit Cards	-	-	440,076
Others	-	-	-
<b>Current Period End Balance</b>	<b>1,098,553</b>	<b>716,284</b>	<b>7,154,207</b>
Provision (-)	608,541	440,090	5,711,998
<b>Net Balances on Balance Sheet</b>	<b>490,012</b>	<b>276,194</b>	<b>1,442,209</b>

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

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

None (31 December 2020- None).



# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 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	1,261,325	635,643	1,943,581	-
Subject to repurchase agreements	1,506,303	13,431,793	3,545,946	7,500,243
<b>Total</b>	<b>2,767,628</b>	<b>14,067,436</b>	<b>5,489,527</b>	<b>7,500,243</b>

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Government Bond	14,876,060	14,162,999	9,559,633	8,413,914
Treasury Bill	-	-	-	-
Other Debt Securities	-	254,975	-	208,028
<b>Total</b>	<b>14,876,060</b>	<b>14,417,974</b>	<b>9,559,633</b>	<b>8,621,942</b>

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
<b>Debt Securities</b>	<b>14,876,060</b>	<b>14,980,916</b>	<b>9,559,633</b>	<b>9,183,723</b>
Publicly-traded	14,876,060	14,980,916	9,559,633	9,183,723
Non-publicly traded	-	-	-	-
Provision for losses (-)	-	-	-	-
<b>Total</b>	<b>14,876,060</b>	<b>14,980,916</b>	<b>9,559,633</b>	<b>9,183,723</b>

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

	Current Period	Prior Period
<b>Value at the beginning of the period</b>	<b>18,743,356</b>	<b>16,181,302</b>
Exchange differences on monetary assets	6,418,170	1,745,497
Acquisitions during the year	5,543,888	2,333,458
Disposals through sales and redemptions	(2,609,710)	(2,260,925)
Provision for losses (-)	-	-
Valuation effect	1,761,272	744,024
<b>The sum of end of the period</b>	<b>29,856,976</b>	<b>18,743,356</b>

As of 31 December 2021, a provision amounting to TRY9,793 (31 December 2020 - TRY10,156) is provided for the financial assets measured at amortized cost.

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 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)

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

#### 8.1. Investments in associates

##### a) Information on the unconsolidated subsidiaries

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

Total Assets	Shareholder's Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
299,199	397,536	96,050	27,496	-	93,651	53,042	-
34,723	27,961	26,022	639	-	2,467	6,146	-

<sup>(\*)</sup> Current period information is based on 30 September 2021 financials. Prior period profit and loss amounts are based on 31 December 2020 financials.

<sup>(\*\*)</sup> Current period information is based on 31 December 2020 financials. Prior period profit and loss amounts are based on 31 December 2020 financials.

##### b) Information on the consolidated subsidiaries

None (31 December 2020 – None).

#### 8.2. Movements of investments in associates

	Current Period	Prior Period
<b>Balance at the Beginning of Period</b>	<b>14,026</b>	<b>5,982</b>
<b>Movements During the Period</b>	-	8,044
Purchases	-	-
Bonus Shares Received	-	8,044
Dividends From Current Year Profit	-	-
Sales	-	-
Reclassifications	-	-
Increase/Decrease in Market Values	-	-
Currency Differences on Foreign Associates	-	-
Impairment Losses (-)	-	-
<b>Balance at the End of the Period</b>	<b>14,026</b>	<b>14,026</b>
<b>Capital Commitments</b>	-	-
<b>Share Percentage at the End of the Period (%)</b>	-	-

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

	Current Period	Prior Period
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Associates	14,026	14,026
<b>Total</b>	<b>14,026</b>	<b>14,026</b>

#### 8.4. Quoted Associates

None (31 December 2020 - None).

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 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)

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

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

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

##### a) Information on the unconsolidated subsidiaries

Title	Address (City/Country)	Bank's Share-If different, Voting Rights (%)	Bank's Risk Group Share (%)
1. Ibtech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek San. ve Tic. A.Ş. (*)	Istanbul/Turkey	99.91	99.99
2. EFİNANS Elektronik Ticaret ve Bilişim Hizmetleri A.Ş. (*)	Istanbul/Turkey	100.00	100.00

	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.	83,232	14,540	33,294	-	-	11,873	104	-
2.	46,656	22,737	5,655	3,336	-	6,775	(4,128)	-

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

##### 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.	1,081,184	543,344	21,960	174,254	8,223	183,054	166,706	-
2.	12,896,248	1,237,631	22,508	863,535	-	201,536	140,668	1,230,205
3.	119,330	110,011	1,365	1,839	-	23,383	11,616	-
4.	4,050,086	260,648	17,035	496,189	-	59,826	31,445	-
5.	395	383	-	-	-	-	183	-

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 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 (Continued)

##### b.2) Movement of consolidated subsidiaries

	Current Period	Prior Period
<b>Balance at the beginning of the period</b>	<b>1,645,370</b>	<b>1,334,906</b>
<b>Movements during the period</b>	<b>484,428</b>	<b>310,464</b>
Bonus Shares Received	-	-
Purchases	-	-
Dividends from Current Year Profit	-	-
Disposals (*)	(25,651)	-
Revaluation Increase(**)	510,079	310,464
Impairment Provision	-	-
<b>Balance at the End of the Period</b>	<b>2,129,798</b>	<b>1,645,370</b>
<b>Capital Commitments</b>	-	-
<b>Share Percentage at the end of the Period (%)</b>	-	-

(\*) The sale amount of the Hemenal Finansman A.Ş pursuant to the decision of the Board of Directors dated 19 October 2020. As of the balance sheet date, the said sale transaction was completed on 31 May 2021.

(\*\*) Includes equity method accounting differences.

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

	Current Period	Prior Period
Factoring Companies	260,648	201,852
Leasing Companies	1,230,205	1,031,467
Finance Companies	-	25,651
Other Subsidiaries	638,945	386,400
<b>Total</b>	<b>2,129,798</b>	<b>1,645,370</b>

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

	Current Period	Prior Period
Quoted on Domestic Stock Exchanges	1,230,205	1,031,467
Quoted on International Stock Exchanges	-	-
<b>Total</b>	<b>1,230,205</b>	<b>1,031,467</b>

##### b.5) Information on shareholders' equity of the significant subsidiaries

The Bank does not have any significant subsidiaries.

#### 10. 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. (*)	2,398,283	348,448	36,364	-	-	259,843	185,501	-
2.	211,574	145,667	41,467	-	-	47,210	27,501	-

(\*) Cigna Sağlık, Hayat ve Emeklilik A.Ş., which is among the joint ventures of the Bank, is accounted by the fair value method in the unconsolidated financial statements in accordance with the Turkish Financial Reporting Standards.

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

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 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)

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

None (31 December 2020 – None).

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Fair Value Hedge (*)	8,388,215	206,207	2,966,278	265,248
Cash Flow Hedge (**)	3,214,981	144,482	1,143,010	257,676
Foreign Net Investment Hedges	-	-	-	-
<b>Total</b>	<b>11,603,196</b>	<b>350,689</b>	<b>4,109,288</b>	<b>522,924</b>

(\*) Derivative Financial Instruments at fair value consists swaps. As of 31 December 2021, TRY8,388,215 (31 December 2020 – TRY2,966,278) from securities, TRY206,207 (31 December 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.

##### 13. Explanations regarding the investment properties :

Prior Year End	Land and Buildings	Fixed Assets from Finance		Other Tangible Fixed Assets	Total
		Lease	Vehicles		
Cost	3,089,148	303,522	92,689	2,006,604	5,491,963
Accumulated Depreciation(-)	384,819	251,566	21,407	1,357,890	2,015,682
<b>Net Book Value</b>	<b>2,704,329</b>	<b>51,956</b>	<b>71,282</b>	<b>648,714</b>	<b>3,476,281</b>
<b>Current Year End</b>					
<b>Cost at the Beginning of the Period</b>	<b>3,089,148</b>	<b>303,522</b>	<b>92,689</b>	<b>2,006,604</b>	<b>5,491,963</b>
Additions (*)	214,767	163	94,995	344,703	654,628
Disposals (-)	58,249	10,745	18,425	25,490	112,909
Impairment (-)/(increase)	(3,972)	-	-	-	(3,972)
<b>Current Period Cost</b>	<b>3,241,694</b>	<b>292,940</b>	<b>169,259</b>	<b>2,325,817</b>	<b>6,029,710</b>
<b>Accumulated Depreciation at the Beginning of the Period</b>	<b>384,819</b>	<b>251,566</b>	<b>21,407</b>	<b>1,357,889</b>	<b>2,015,681</b>
Disposals (-)	63,496	3,405	18,965	24,321	110,187
Depreciation Amount	221,951	4,129	38,545	199,458	464,083
<b>Current Period Accumulated Depreciation (-)</b>	<b>543,274</b>	<b>252,290</b>	<b>40,987</b>	<b>1,533,026</b>	<b>2,369,577</b>
<b>Net Book Value-end of the Period</b>	<b>2,698,420</b>	<b>40,650</b>	<b>128,272</b>	<b>792,791</b>	<b>3,660,133</b>

(\*) As stated in footnote in Section III – Part 4, fair value exchange difference income amortized at an amount of TRY27,685 belonging to immovable property subjected to fair value hedge accounting by the Bank is shown on “Additions” line in Property, Plant and Equipment movement statement.

#### a) If impairment on individual asset recorded or reversed in the current period is material for the overall financial statements:

##### Events and conditions for recording or reversing impairment and amount of recorded or reversed impairment in the financial statements:

The fair values of the buildings are determined by the licensed expertise companies and as a result of the changes in the fair value of these buildings, the impairment loss reverse of TRY 3,972 has been canceled (31 December 2020 - TRY2,337 provisions for impairment).

#### b) The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially affecting the overall financial statements, and the reason and conditions for this:

None (31 December 2020- None).

#### c) Pledges, mortgages and other restrictions (if any) on the tangible fixed assets, expenses arising from the construction for tangible fixed assets, commitments given for the purchases of tangible fixed assets:

None (31 December 2020- None).

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 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)

#### 14. Explanations on intangible assets:

	Intangible Rights	Goodwill	Total
<b>Prior Period End</b>			
Cost	1,556,364	-	1,556,364
Accumulated Amortization (-)	1,051,666	-	1,051,666
<b>Net Book Value</b>	<b>504,698</b>	<b>-</b>	<b>504,698</b>
<b>Current Period End</b>			
<b>Cost at the Beginning of the Period</b>	<b>1,556,364</b>	<b>-</b>	<b>1,556,364</b>
Additions	298,464	-	298,464
Disposals(-)	-	-	-
Impairment (-)/(increase)	-	-	-
<b>Current Period Cost</b>	<b>1,854,828</b>	<b>-</b>	<b>1,854,828</b>
<b>Accumulated Amortization at the Beginning of the Period</b>	<b>1,051,666</b>	<b>-</b>	<b>1,051,666</b>
Disposals(-)	-	-	-
Amortization Charge (-)	174,489	-	174,489
<b>Current Period Accumulated Amortization (-)</b>	<b>1,226,155</b>	<b>-</b>	<b>1,226,155</b>
<b>Net Book Value-End of the Period</b>	<b>628,673</b>	<b>-</b>	<b>628,673</b>

- Disclosures for book value, description and remaining life to be amortized for a specific intangible fixed asset that is material to the financial statements**  
None (31 December 2020 – None).
- Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition**  
None (31 December 2020 – None).
- The method of subsequent measurement for intangible fixed assets that are acquired through government incentives and recorded at fair value at the initial recognition:**  
None (31 December 2020 – None).
- The book value of intangible fixed assets that are pledged or restricted for use:**  
None (31 December 2020 – None).
- Amount of purchase commitments for intangible fixed assets:**  
None (31 December 2020 – None).
- Information on revalued intangible assets according to their types:**  
None (31 December 2020 – None).
- Amount of total research and development expenses recorded in income statement within the period if any:**  
Amount of research expenses recorded in income statement within the current period TRY15,734 (31 December 2020 – TRY14,474).
- Positive or negative consolidation goodwill on entity basis:**  
None (31 December 2020 – None)
- Information on goodwill:**  
None (31 December 2020 – None)
- Movements on goodwill in the current period:**  
None (31 December 2020 – None)

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 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)

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

None (31 December 2020 – None).

##### 16. Information on Tax Asset

As of 31 December 2021, the Bank has TRY2,040 current tax asset and TRY133,892 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 31 December 2021, the Bank has deferred tax assets amounting to TRY2,611,625 and deferred tax liabilities amounting to 2,477,733 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 TRY255,491 has been netted under equity (31 December 2020 – TRY39,474 deferred tax asset).

	Accumulated Temporary Differences		Deferred Tax Assets/(Liabilities)	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Provision for Employee Rights	977,114	589,451	195,423	117,890
Difference Between the Book Value of Financial Assets and Tax Base	4,139,112	954,436	827,822	190,887
Other (*)	7,941,900	5,035,574	1,588,380	1,010,546
<b>Deferred Tax Assets</b>			<b>2,611,625</b>	<b>1,319,323</b>
Difference Between the Book Value Financial Assets and Tax Base	(446,957)	(378,548)	(89,391)	(75,710)
Difference Between the Book Value of Financial Assets and Tax Base	(10,772,225)	(1,191,243)	(2,154,445)	(238,248)
Other	(474,166)	(368,326)	(233,897)	(73,665)
<b>Deferred Tax Liabilities</b>			<b>(2,477,733)</b>	<b>(387,623)</b>
<b>Deferred Tax Assets/(Liabilities), Net</b>			<b>133,892</b>	<b>931,700</b>

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

	Current Period 01.01-31.12.2021	Prior Period 01.01-31.12.2020
Deferred Tax as of 1 January Active/Passive – Net	931,700	348,688
Deferred Tax (Loss)/Gain	(1,053,299)	543,538
Deferred Tax that is Realized Under Shareholder's Equity	255,491	39,474
<b>Deferred Tax Active/(Passive) – Net</b>	<b>133,892</b>	<b>931,700</b>

##### 17. Information on assets held for sale and discontinued operations

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

(\*) In prior period, within the context of the existing loan agreements, all creditors including the Bank have reached an agreement on restructuring the loans granted to Ojer Telekomünikasyon A.Ş. (OTAŞ) who is the main shareholder of Türk Telekomünikasyon A.Ş. (Türk Telekom) and it is contemplated that Türk Telekom's number of 192,500,000,000 A group shares owned by OTAŞ, representing 55% of its issued share capital corresponding to A group shares have been pledged as a guarantee for the existing facilities would be taken over by a special purpose entity which is incorporated or will be incorporated in the Turkish Republic, and owned by directly or indirectly by all creditors. As per the agreed structure, it is agreed on the corresponding agreements, completed all required corporate and administrative permissions and the transaction is concluded by a transfer of the aforementioned shares to the special purpose entity incorporated in the Turkish Republic, and owned by directly or indirectly by all creditors. In this context, the Bank owned 1.19% of the founded special purpose entity and the related investment is considered within the scope of TFRS 5 "Assets Held for Sale and Discontinued Operation."

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 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)

##### 18. Information on other assets

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

As of 31 December 2021, the Bank is provided provisions for other assets to TRY8,503 (31 December 2020 – TRY8,033).

##### 19. Accrued interest and income

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Derivative Financial Instruments	19,634,215	2,369,679	6,985,418	2,364,208
Loans	4,138,138	1,172,015	3,565,838	788,150
Financial Assets at Fair Value Through Other Comprehensive Income	280,503	(984,469)	155,725	199,644
Financial Assets measured at amortized cost	858,545	241,641	464,532	145,944
Central Bank of Turkey	143,453	-	23,626	-
Financial Assets at Fair Value Through Profit or Loss	-	10	124	-
Banks	3,139	81	37	1,182
Other Accruals	37,658	1,835	69,085	522
<b>Total</b>	<b>25,095,651</b>	<b>2,800,792</b>	<b>11,264,385</b>	<b>3,499,650</b>

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

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

###### Current Period

	Current Period							Accumulated Deposit Accounts	Total
	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over		
Saving Deposits	8,461,102	-	14,099,359	22,054,036	2,852,082	412,060	1,057,209	1,033	48,936,881
Foreign Currency	61,149,298	-	11,342,735	35,233,030	9,175,765	2,243,798	2,530,106	5,290	121,680,022
Residents in Turkey.	58,663,884	-	11,108,157	34,389,617	8,755,156	2,140,704	1,566,486	5,290	116,629,294
Residents Abroad	2,485,414	-	234,578	843,413	420,609	103,094	963,620	-	5,050,728
Public Sector Deposits	523,066	-	22,699	1,886	859	719	-	-	549,229
Commercial Deposits	5,082,550	-	8,014,924	7,118,381	51,125	12,203	15,122	-	20,294,305
Other Ins. Deposits	76,498	-	39,437	735,107	1,234	33,650	245	-	886,171
Precious Metal Deposit	20,194,048	-	-	129,327	48,272	29,318	1,198,554	-	21,599,519
Bank Deposits	569,447	-	11,644,754	688,474	74,417	-	-	-	12,977,092
T.R Central Bank.	-	-	8,629,829	-	-	-	-	-	8,629,829
Domestic Banks	3,857	-	210,075	-	-	-	-	-	213,932
Foreign Banks	561,120	-	2,804,850	688,474	74,417	-	-	-	4,128,861
Participation Banks	4,470	-	-	-	-	-	-	-	4,470
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>96,056,009</b>	<b>-</b>	<b>45,163,908</b>	<b>65,960,241</b>	<b>12,203,754</b>	<b>2,731,748</b>	<b>4,801,236</b>	<b>6,323</b>	<b>226,923,219</b>

(\*) As of 31 December 2021, the balance of savings deposits includes the amount of TRY2,442,291 Treasury Currency Protected Deposits and TRY14,112 CBRT Currency Protected Deposits.

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

(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)

###### Prior Period

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulated Deposit Accounts	Total
<b>Saving Deposits</b>	5,796,641	-	8,238,554	17,597,011	1,513,801	780,673	1,205,634	921	35,133,235
<b>Foreign Currency</b>	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
<b>Public Sector Deposits</b>	254,718	-	10,239	284	1,212	-	-	-	266,453
<b>Commercial Deposits</b>	3,790,736	-	3,177,846	4,803,343	158,876	99,557	7,175	-	12,037,533
<b>Other Ins. Deposits</b>	70,423	-	39,729	342,170	2,136	101,130	464	-	556,052
<b>Precious Metal Deposits</b>	14,766,037	-	634	65,986	14,492	4,545	632,807	-	15,484,501
<b>Bank Deposits</b>	123,019	-	3,436,160	1,006,657	17,508	-	-	-	4,583,344
T.R Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	3,432	-	146,810	-	-	-	-	-	150,242
Foreign Banks	115,234	-	3,289,350	1,006,657	17,508	-	-	-	4,428,749
Participation Banks	4,353	-	-	-	-	-	-	-	4,353
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>50,123,357</b>	<b>-</b>	<b>20,396,415</b>	<b>49,942,173</b>	<b>4,968,482</b>	<b>1,700,702</b>	<b>3,424,029</b>	<b>4,573</b>	<b>130,559,731</b>

##### 1.1. Information on savings deposits insured by Saving Deposit Insurance Fund and the total amount of the 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	23,295,512	18,829,545	25,641,369	16,297,157
Foreign Currency Savings Deposits	23,322,540	17,246,257	74,161,488	39,206,519
Other Saving Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
<b>Total</b>	<b>46,618,052</b>	<b>36,075,802</b>	<b>99,802,857</b>	<b>55,503,676</b>

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

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

	Current Period	Prior Period
Deposits and accounts in branches abroad	3,014	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	410,147	223,784
Deposits obtained through illegal acts defined in the 282 <sup>nd</sup> 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	-	-
<b>Total</b>	<b>413,161</b>	<b>236,622</b>

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

(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)

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

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

	Current Period <sup>(*)</sup>		Prior Period	
	TRY	FC	TRY	FC
Forwards transactions	1,622,423	-	113,317	-
Swaps transactions	7,358,117	1,735,075	4,629,044	1,722,572
Futures transactions	-	-	-	-
Options	2,159	67,196	2,924	26,523
Other	-	-	-	-
<b>Total</b>	<b>8,982,699</b>	<b>1,802,271</b>	<b>4,745,285</b>	<b>1,749,095</b>

(\*) 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	526,513	366,330	486,735	393,343
Foreign Bank, Institutions and Funds	-	26,139,075	-	19,311,946
<b>Total</b>	<b>526,513</b>	<b>26,505,405</b>	<b>486,735</b>	<b>19,705,289</b>

###### b) Maturity information on funds borrowed

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Short-Term	526,513	2,679,024	486,735	5,547,774
Medium and Long-Term	-	23,826,381	-	14,157,515
<b>Total</b>	<b>526,513</b>	<b>26,505,405</b>	<b>486,735</b>	<b>19,705,289</b>

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

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

As of 31 December 2021 the Bank's liabilities comprise; 61% deposits (31 December 2020 – 57%), 7% funds borrowed (31 December 2020 – 9%), 8% issued bonds (31 December 2020 – 6%) and 5% Money Market Debts (31 December 2020 – 6%).

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

(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)

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
<b>From domestic transactions</b>	<b>1,891,193</b>	-	<b>3,593,907</b>	-
Financial institutions and organizations	1,878,568	-	3,579,659	-
Other institutions and organizations	5,798	-	8,731	-
Real persons	6,827	-	5,517	-
<b>From foreign transactions</b>	<b>411,619</b>	<b>15,717,177</b>	<b>782,537</b>	<b>10,112,950</b>
Financial institutions and organizations	407,467	15,717,177	775,550	10,112,950
Other institutions and organizations	4,152	-	6,987	-
Real persons	-	-	-	-
<b>Total</b>	<b>2,302,812</b>	<b>15,717,177</b>	<b>4,376,444</b>	<b>10,112,950</b>

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Bank Bonds	4,609,660	2,154,632	1,502,745	829,044
Bills	-	21,624,460	52,219	11,122,377
<b>Total</b>	<b>4,609,660</b>	<b>23,779,092</b>	<b>1,554,964</b>	<b>11,951,421</b>

The Bank has government bond issue program (Global Medium Term Note Programme) amounting to USD5 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 (31 December 2020- None).

##### 7.2. Explanations on financial lease liabilities

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	25,058	20,008	89,138	80,326
Between 1 - 4 years	591,125	472,681	399,531	366,087
More than 4 years	-	-	332	262
<b>Total</b>	<b>616,183</b>	<b>492,689</b>	<b>489,001</b>	<b>446,675</b>

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

(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)

#### 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 (31 December 2020 None).

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

	Current Period (***)		Prior Period	
	TRY	FC	TRY	FC
Fair Value Hedge (*)	-	821,225	9,318	666,991
Cash Flow Hedge (**)	177,316	668,917	19,101	887,562
Net Investment Hedge	-	-	-	-
<b>Total</b>	<b>177,316</b>	<b>1,490,142</b>	<b>28,419</b>	<b>1,554,553</b>

(\*) Derivative financial instruments for fair value hedge purposes consist of swaps. As of 31 December 2021, TRY821,225 from securities (31 December 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 (31 December 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	185,947	119,744
Stage 2	13,332	13,505
Stage 3	54,581	48,284
<b>Total</b>	<b>253,860</b>	<b>181,533</b>

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

(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)

##### 9. Information on provisions (Continued)

##### 9.3. Information on employee termination benefits

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 31 December 2021 the Bank presented the provision for severance pay of TRY 469,457 (31 December 2020 -TRY 282,700) under the “Reserves for Employee Benefits” item in its financial statements.

As of 31 December 2021, the Bank has shown a total vacation liability of TRY 63,893 (31 December 2020 - TRY 47,661) under the “Reserves for Employee Benefits” in its financial statements.

As of 31 December 2021 TRY 443,764 (31 December 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 01.01-31.12.2021	Prior Period 01.01-31.12.2020
As of January 1	282,700	230,436
Service Cost	33,948	28,742
Interest Cost	36,104	27,810
Settlement/curtailment/termination loss	21,015	22,283
Actuarial Difference	133,776	39,496
Paid during the period	(38,086)	(66,067)
<b>Total</b>	<b>469,457</b>	<b>282,700</b>

##### 9.4. Information on other provisions

Except for those mentioned in note 9.3 above, there is a provision for lawsuits against the Bank and tax lawsuits in the amount of TRY 336,841 (31 December 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. Explanations on taxation

##### 10.1. Informations on current taxes

##### 10.1.1. Informations on current tax liability

As of 31 December 2021, the Bank’s current tax liability is none (31 December 2020 – TRY1,093,718). As of 31 December 2021, the Bank’s prepaid tax is amounting to TRY2,040 (31 December 2020 – TRY30,019).

##### 10.1.2. Information on taxes payable

	Current Period	Prior Period
Banking and Insurance Transaction Tax (BITT)	214,142	97,870
Taxation on Securities Income	75,403	49,371
Taxation on Real Estates Income	2,958	1,292
Other	61,269	39,159
Corporate taxes payable	-	1,063,699
<b>Total</b>	<b>353,772</b>	<b>1,251,391</b>

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

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

(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)

##### 10. Explanations on taxation (Continued)

##### 10.1. Informations on current taxes (Continued)

##### 10.1.3. Information on premiums

	Current Period	Prior Period
Social Security Premiums - Employee Share	14,388	12,222
Social Security Premiums - Employer Share	16,586	13,522
Unemployment Insurance - Employee Share	1,012	859
Unemployment Insurance - Employer Share	2,024	1,718
<b>Total</b>	<b>34,010</b>	<b>28,321</b>

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

None (31 December 2020 – None).

##### 12. Information on subordinated loans

	Current Period		Prior Period	
	TRY	FC	TRY	FC
<b>To be included in the calculation of additional capital</b>	-	<b>6,816,673</b>	-	<b>3,855,730</b>
Subordinated Loans	-	6,816,673	-	3,855,730
Subordinated debt instruments	-	-	-	-
<b>Debt instruments to be included in contribution capital calculation</b>	-	<b>5,035,891</b>	-	<b>2,848,564</b>
Subordinated loans	-	5,035,891	-	2,848,564
Subordinated debt instruments	-	-	-	-
<b>Total</b>	-	<b>11,852,564</b>	-	<b>6,704,294</b>

##### 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 (31 December 2020 – None).

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

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

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

(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)

#### 13. Information on shareholder's equity (Continued)

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

None (31 December 2020 – None).

#### 14. Common stock issue premiums

	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
<b>Associates, Subsidiaries and Entities under Common Control</b>				
Valuation Difference	-	-	-	-
Foreign Exchange Rate Difference	-	-	-	-
<b>Securities Measured at Fair Value Through Other Comprehensive Income (FVOCI)</b>				
Valuation Difference	371,814	(1,955,341)	122,274	(597,082)
Foreign Exchange Rate Difference	-	-	-	-
<b>Total</b>	<b>371,814</b>	<b>(1,955,341)</b>	<b>122,274</b>	<b>(597,082)</b>

#### 16. Accrued interest and expenses

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Derivative Financial Liabilities	9,160,015	3,292,413	4,773,704	3,303,648
Deposits	347,788	61,807	226,067	47,573
Funds Borrowed	20,185	125,790	11,395	95,192
Money Market Borrowings	10,311	52,057	4,140	86,673
Securities Issued	17,839	436,439	15,442	402,770
Other Accruals	416,526	291,202	244,331	180,671
<b>Total</b>	<b>9,972,664</b>	<b>4,259,708</b>	<b>5,275,079</b>	<b>4,116,527</b>

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

### 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	49,733,289	35,495,520
Commitment For Use Guaranteed Credit Allocation	27,844,210	18,075,786
Forward, Asset Purchase Commitments	3,966,054	4,836,291
Other Irrevocable Commitments	3,181,145	4,124,298
Payment Commitments for Cheques	2,885,779	2,423,033
Commitments for Promotions Related with Credit Cards and Banking	71,498	83,078
Tax and Fund Liabilities due to Export Commitments	29,314	27,046
<b>Total</b>	<b>87,711,289</b>	<b>65,065,052</b>

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

A provision of TRY253,860 (31 December 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	8,707,676	6,838,598
Letters of Credit	8,268,187	3,618,937
<b>Total</b>	<b>16,975,863</b>	<b>10,457,535</b>

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

	Current Period	Prior Period
Final Letters of Guarantee	11,143,617	8,674,056
Advance Letters of Guarantee	4,679,152	2,969,287
Provisional Letters of Guarantee	989,132	989,173
Letters of Guarantee Given to Customs Offices	686,818	559,009
Other Letters of Guarantee	13,018,642	9,498,479
<b>Total</b>	<b>30,517,361</b>	<b>22,690,004</b>

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

	Current Period	Prior Period
<b>Non-Cash Loans granted for Obtaining Cash Loans</b>	<b>5,864,322</b>	<b>4,036,779</b>
Less Than or Equal to One Year with Original Maturity	1,113,508	371,430
More Than One Year with Original Maturity	4,750,814	3,665,349
<b>Other Non-Cash Loans</b>	<b>41,628,902</b>	<b>29,110,760</b>
<b>Total</b>	<b>47,493,224</b>	<b>33,147,539</b>

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT(Continued)

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

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

	Current Period				Prior Period			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
<b>Agricultural</b>	<b>64,146</b>	<b>0.49</b>	<b>187,880</b>	<b>0.55</b>	<b>41,065</b>	<b>0.35</b>	<b>92,736</b>	<b>0.43</b>
Farming and Raising Livestock	48,540	0.37	3,788	0.01	31,852	0.27	16,889	0.08
Forestry	13,982	0.11	-	-	5,311	0.05	-	-
Fishing	1,624	0.01	184,092	0.54	3,902	0.03	75,847	0.35
<b>Manufacturing</b>	<b>2,694,667</b>	<b>20.47</b>	<b>16,869,155</b>	<b>49.14</b>	<b>2,224,235</b>	<b>19.13</b>	<b>10,205,325</b>	<b>47.42</b>
Mining and Quarrying	60,835	0.46	54,775	0.16	76,972	0.66	49,413	0.23
Production	2,419,032	18.38	16,439,294	47.88	1,948,468	16.76	9,938,395	46.18
Electricity, gas and water	214,800	1.63	375,086	1.09	198,795	1.71	217,517	1.01
<b>Construction</b>	<b>3,711,216</b>	<b>28.20</b>	<b>5,393,318</b>	<b>15.71</b>	<b>3,590,417</b>	<b>30.88</b>	<b>3,005,802</b>	<b>13.97</b>
<b>Services</b>	<b>6,341,918</b>	<b>48.19</b>	<b>11,592,111</b>	<b>33.76</b>	<b>5,532,156</b>	<b>47.58</b>	<b>7,944,905</b>	<b>36.92</b>
Wholesale and Retail Trade	4,009,451	30.46	3,844,435	11.20	3,601,179	30.97	2,388,624	11.10
Hotel, Food and Beverage Services	149,130	1.13	1,224,499	3.57	129,205	1.11	969,584	4.51
Transportation&Communication	560,897	4.26	332,004	0.97	508,543	4.37	860,884	4.00
Financial Institutions	988,705	7.51	5,811,220	16.93	822,433	7.07	3,453,939	16.0
Real Estate and Renting Services	27,266	0.21	16,753	0.05	12,160	0.10	1,351	0.01
Self Employment Services	296,136	2.25	262,665	0.77	216,990	1.87	126,209	0.59
Educational Services	17,433	0.13	-	-	8,959	0.08	18,080	0.12
Health and Social Services	292,900	2.23	100,535	0.29	232,687	2.00	126,234	0.59
<b>Other</b>	<b>349,260</b>	<b>2.65</b>	<b>289,553</b>	<b>0.84</b>	<b>239,314</b>	<b>2.06</b>	<b>271,584</b>	<b>1.26</b>
<b>Total</b>	<b>13,161,207</b>	<b>100.00</b>	<b>34,332,017</b>	<b>100.00</b>	<b>11,627,187</b>	<b>100.00</b>	<b>21,520,352</b>	<b>100.00</b>

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

Current Period (*)	I. Group		II. Group	
	TRY	FC	TRY	FC
Letters of Guarantee	12,812,490	17,387,175	158,679	104,436
Bills of Exchange and Acceptances	71,783	8,627,682	-	8,211
Letters of Credit	63,674	8,197,343	-	7,170
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Collaterals and Sureties	-	-	-	-
<b>Non-Cash Loans</b>	<b>12,947,947</b>	<b>34,212,200</b>	<b>158,679</b>	<b>119,817</b>

(\*) The amount of TRY54,581 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	-	-	-	-
<b>Non-Cash Loans</b>	<b>11,439,405</b>	<b>21,423,658</b>	<b>139,498</b>	<b>96,694</b>

(\*) 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.

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

### 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

	Current Period	Prior Period
<b>Types of trading transactions</b>		
<b>Foreign Currency Related Derivative Transactions (I)</b>	<b>232,868,961</b>	<b>161,723,749</b>
Forward transactions <sup>(*)</sup>	27,308,158	15,793,979
Swap transactions	200,917,401	140,796,098
Futures transactions	764,011	2,164,747
Option transactions	3,879,391	2,968,925
<b>Interest Related Derivative Transactions (II)</b>	<b>134,510,238</b>	<b>79,814,270</b>
Forward rate transactions	-	-
Interest rate swap transactions	134,510,238	79,814,270
Interest option transactions	-	-
Futures interest transactions	-	-
Security option transactions	-	-
<b>Other trading derivative transactions (III)</b>	<b>1,427,525</b>	<b>954,265</b>
<b>A.Total Trading Derivative Transactions (I+II+III)</b>	<b>368,806,724</b>	<b>242,492,284</b>
<b>Types of hedging transactions</b>		
Fair value hedges	47,936,722	29,132,830
Cash flow hedges	66,987,631	45,360,970
Net investment hedges	-	-
<b>B.Total Hedging Related Derivatives</b>	<b>114,924,353</b>	<b>74,493,800</b>
<b>Total Derivative Transactions (A+B)</b>	<b>483,731,077</b>	<b>316,986,084</b>

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

As of 31 December 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 <sup>(**)</sup>	Forward Sell <sup>(**)</sup>	Swap Buy <sup>(*)</sup>	Swap Sell <sup>(*)</sup>	Option Buy	Option Sell	Futures Buy	Futures Sell	Other
<b>Current Period</b>									
TRY	6,855,300	1,540,982	17,376,629	61,314,860	821,817	405,775	361,015	15,423	-
USD	2,509,104	9,930,727	162,013,980	92,032,731	572,131	1,192,399	18,895	368,678	1,427,525
Euro	3,728,663	2,321,230	28,376,151	66,045,188	511,472	279,616	-	-	-
Other	122,863	299,289	23,077,722	114,731	48,196	47,985	-	-	-
<b>Total</b>	<b>13,215,930</b>	<b>14,092,228</b>	<b>230,844,482</b>	<b>219,507,510</b>	<b>1,953,616</b>	<b>1,925,775</b>	<b>379,910</b>	<b>384,101</b>	<b>1,427,525</b>

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

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

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

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

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

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021**

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

**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 TRY7,277,481 (31 December 2020 - TRY4,324,987) were subject to hedge accounting by swaps with a nominal amount of TRY5,829,388 (31 December 2020 - TRY4,770,807). On 31 December 2021, the net market valuation difference gain of TRY61,621 arising from TRY750,813 expense from the aforementioned loans (31 December 2020 – TRY318,019 as expense) and TRY689,193 gain from swaps (31 December 2020 – TRY318,019 gain), is shown under “Gains/Losses From Derivative Transactions” account in the financial statements.

According to TAS 39, fair value hedge accounting definitions, some of the fair value hedge accounting applications ceased. The fair value differences of the hedged loans are amortized through income statement until the maturity of the hedged loans. The Bank has booked the valuation effect amounting to TRY62,140 (31 December 2020 – TRY77,019 loss) related to the loans that are ineffective for hedge accounting under “Gain/(Loss) From Financial Derivatives Transactions” as gain during the current period.

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

The Bank applies fair value hedge accounting through swaps in order to hedge long term fixed coupon foreign currency eurobonds in its portfolio against interest rate fluctuations. As of the balance sheet date, eurobonds with a nominal value of USD 299,952 Million and EUR 44 Million (31 December 2020 – USD 320,759 Million and EUR49,8 Million) were subject to hedge accounting by interest swaps of the same nominal value. On 31 December 2021, net market valuation difference income of TRY557, arising from, TRY131,060 expense from aforementioned eurobonds (31 December 2020 – TRY294,155 gain) and TRY130,504 loss from swaps (31 December 2020 – TRY294,438 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 (31 December 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 (31 December 2020 - USD 730 Million) are subject to hedge accounting with the same nominal amount of swaps. As of 31 December 2021, a net market valuation difference income of TRY1,035, consisting of TRY76,228 income from the aforementioned securities (31 December 2020 – TRY183,021 expense) and TRY75,193 expense from swaps (31 December 2020 – TRY180,605 income), is shown under “Gains/Losses From Derivative Transactions” account in the financial statements.

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021**

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

**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 USD 675 million (31 December 2020 - of USD 875 million) have been subject to hedging accounting as hedging instruments and as a result of the mentioned hedge accounting, fair value expense before tax amounting to TRY 91,416 (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.

The Parent Bank is subject to cash flow hedge accounting through interest rate swaps in order to protect some of its long-term floating rate loans from changes in market interest rates. The Bank applies effectiveness tests for hedge accounting at each balance sheet date, the effective parts are accounted for in the "Hedging Funds" account item under equity 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 TRY1,850 million (31 December 2020- USD None.) have been subject to hedging accounting as hedging instruments. As a result of the mentioned hedging accounting, fair value loss before tax of TRY165,120 (31 December 2020 – None.) was accounted under equity in the current period.

**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 (31 December 2020 – TRY 150,000). As a result of the mentioned hedge accounting, fair value gain before taxes amounting to TRY 16,723 are accounted for under equity during the current period (31 December 2020 – TRY 61,956 gain). There is no ineffective portion in the mentioned hedge accounting transaction. (31 December 2020 - None.)

As of the balance sheet date, swaps with a nominal amount of USD 1,328 million (31 December 2020 – USD 1,708 Million) have been subject to hedge accounting with USD deposits and swaps with a nominal amount of EUR 74 million (31 December 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 526,927 are accounted for under equity during the current period (31 December 2020 – TRY 187,599 loss). The loss amounting to TL 3,875 (31 December 2020 – TL 1,247 loss) related to the ineffective portion is associated with 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 TRY28,640 was transferred from equity to the income statement (31 December 2020 – TRY 56,022 loss).

The measurements as of 31 December 2021, hedge of cash flow transactions stated above are determined as effective.

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

### 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 (Continued)

###### c) Floating Rate Liabilities

As at the balance sheet date, swaps amounting to USD 454 million are subject to hedge accounting as hedging instruments (31 December 2020 – USD 485 million). As a result of the mentioned hedge accounting, fair value income before taxes amounting to TRY48,015 are accounted for under equity during the current period (31 December 2020 – TRY112,418 loss). There is no ineffective portion in the mentioned hedge accounting transaction.

On the other hand, accounting application is terminated when cash flow hedge accounting is not effectively maintained as defined in TAS 39. According to this; The valuation effects classified under equity due to hedge accounting are reflected in the income statement throughout the life of the item subject to hedge accounting. Due to hedge accounting practices terminated in the current year, a gain amounting to TRY39,561 (31 December 2020 – TRY14,038) was transferred from the “Gain/losses from derivative transactions” to the income statement.

The measurements as of 31 December 2021 hedge of cash flow transactions stated above are determined as effective.

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

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

As of 30 September 2021, “Other Derivative Financial Assets” with nominal amount of USD110,000,000 (31 December 2020 - USD130,000,000) are included in Bank’s “Credit Default Swap.”. In aforementioned transaction, the Bank is the seller of the protection for USD110,000,000.

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

The Bank has recorded a provision of TRY222,837 (31 December 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 2021		FITCH December 2021	
Long Term FC Deposits Rating	B2	Long Term FC Issuer Default Rating	B+ (Negative)
Long Term TL Deposits Rating	B1	Short Term FC Issuer Default Rating	B
Short Term FC Deposits Rating	NP	Long Term TL Issuer Default Rating	BB- (Negative)
Short Term TL Deposits Rating	NP	Short Term TL Issuer Default Rating	B
Baseline Credit Assessment	b3	Long Term National Rating	AA(tur) (Stable)
Adjusted Baseline Credit Assessment	b1	Shareholder Support Rating	b+
Outlook	Negative	Viability Rating	b+
Long Term FC Senior Unsecured	B2		

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

### 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	8,282,448	625,051	4,672,331	370,731
Medium and Long-Term Loans	8,424,462	2,482,182	6,684,471	1,952,453
Non-Performing Loans	454,420	-	71,879	-
Resource Utilization Support Fund Premiums	-	-	-	-
<b>Total (*)</b>	<b>17,161,330</b>	<b>3,107,233</b>	<b>11,428,681</b>	<b>2,323,184</b>

(\*) 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	27,701	49	73,949	112
Foreign Banks	2,964	15,252	1,854	21,145
Foreign Headquarters and Branches	-	-	-	-
<b>Total</b>	<b>30,665</b>	<b>15,301</b>	<b>75,803</b>	<b>21,257</b>

(\*) The interest income on Required Reserve amounting TRY447,034 is not included into interest income on Banks (31 December 2020: TRY47,326).

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

	Current Period	
	TRY	FC
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	18,970	3,102
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	1,360,494	538,984
Financial Assets Measured at Amortized Cost	2,194,177	632,341
<b>Total</b>	<b>3,573,641</b>	<b>1,174,427</b>

  

	Prior Period	
	TRY	FC
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	11,271	1,374
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	712,400	406,143
Financial Assets Measured at Amortized Cost	1,217,111	453,382
<b>Total</b>	<b>1,940,782</b>	<b>860,899</b>

As stated in Section Three disclosure VII.2, the Bank has inflation indexed (CPI) government bonds in its Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) and Financial Assets Measured at Amortized Cost portfolios. As disclosed in 'Inflation Indexed Bonds Manual' published by Republic of Turkey Ministry of Treasury and Finance, reference index used for the actual payments is determined based on the inflation rates of two months before.

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

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	159,672	82,316

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

### 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
<b>Banks</b>	<b>72,441</b>	<b>1,348,119</b>	<b>42,454</b>	<b>1,076,942</b>
T.R. Central Bank	-	-	-	-
Domestic Banks	68,590	8,411	38,638	6,611
Foreign Banks	3,851	1,339,708	3,816	1,070,331
Foreign Head Offices and Branches	-	-	-	-
<b>Other Institutions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>72,441</b>	<b>1,348,119</b>	<b>42,454</b>	<b>1,076,942</b>

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

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

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	9,086	9,177

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

As of 31 December 2021 interest paid to securities issued is TRY1,523,672 (31 December 2020 – TRY990,211).

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

Account	Time Deposits						Accumulated Deposit Account	Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year		
<b>Turkish Lira</b>								
Bank Deposits	-	110,875	35	-	-	-	-	110,910
Saving Deposits	43	1,661,563	4,024,068	315,809	120,525	171,976	-	6,293,984
Public Sector Deposits	-	1,936	129	165	22	-	-	2,252
Commercial Deposits	10	820,542	1,112,130	53,834	31,986	1,984	-	2,020,486
Other Deposits	-	7,569	89,965	10,341	22,903	30	-	130,808
7 Days Call Accounts	-	-	-	-	-	-	-	-
<b>Total</b>	<b>53</b>	<b>2,602,485</b>	<b>5,226,327</b>	<b>380,149</b>	<b>175,436</b>	<b>173,990</b>	<b>-</b>	<b>8,558,440</b>
<b>Foreign Currency</b>								
Deposits	6	15,158	190,579	50,512	12,055	42,226	-	310,536
Bank Deposits	121	22,717	5,845	634	-	-	-	29,317
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	5,837	-	-	-	-	-	5,837
<b>Total</b>	<b>127</b>	<b>43,712</b>	<b>196,424</b>	<b>51,146</b>	<b>12,055</b>	<b>42,226</b>	<b>-</b>	<b>345,690</b>
<b>Grand Total</b>	<b>180</b>	<b>2,646,197</b>	<b>5,422,751</b>	<b>431,295</b>	<b>187,491</b>	<b>216,216</b>	<b>-</b>	<b>8,904,130</b>

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

Account	Time Deposits						Accumulated Deposit Account	Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year		
<b>Turkish Lira</b>								
Bank Deposits	-	12,360	19,468	-	-	-	-	31,828
Saving Deposits	455	733,858	1,729,366	59,948	29,993	119,404	-	2,673,024
Public Sector Deposits	-	348	471	83	-	-	-	902
Commercial Deposits	241	381,894	496,222	24,591	5,061	4,668	-	912,677
Other Deposits	-	3,752	41,816	1,631	6,657	175	-	54,031
7 Days Call Accounts	-	-	-	-	-	-	-	-
<b>Total</b>	<b>696</b>	<b>1,132,212</b>	<b>2,287,343</b>	<b>86,253</b>	<b>41,711</b>	<b>124,247</b>	<b>-</b>	<b>3,672,462</b>
<b>Foreign Currency</b>								
Deposits	185	27,125	308,722	55,740	19,774	34,916	-	446,462
Bank Deposits	33	76,490	17,618	407	-	-	-	94,548
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	3,610	-	-	-	-	-	3,610
<b>Total</b>	<b>218</b>	<b>107,225</b>	<b>326,340</b>	<b>56,147</b>	<b>19,774</b>	<b>34,916</b>	<b>-</b>	<b>544,620</b>
<b>Grand Total</b>	<b>914</b>	<b>1,239,437</b>	<b>2,613,683</b>	<b>142,400</b>	<b>61,485</b>	<b>159,163</b>	<b>-</b>	<b>4,217,082</b>

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

### 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 <sup>(*)</sup>	1,100,733	149,522	267,772	195,322

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

##### f) Information on lease expenses

	Current Period	Prior Period
Leasing Expenses	62,259	57,946

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

None (31 December 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	518	5,258
<b>Total</b>	<b>518</b>	<b>5,258</b>

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

	Current Period	Prior Period
<b>Trading Income</b>	<b>16,424,352</b>	<b>12,678,459</b>
Gains on Capital Market Transactions	266,889	349,925
From Derivative Financial Instruments	6,955,385	6,043,050
Foreign Exchange Gains	9,202,078	6,285,484
<b>Trading Loss (-)</b>	<b>19,997,190</b>	<b>15,403,844</b>
Losses on Capital Market Transactions	116,514	81,518
From Derivative Financial Instruments	13,591,207	9,310,634
Foreign Exchange Losses	6,289,469	6,011,692
<b>Net Trading Income/Loss</b>	<b>(3,572,838)</b>	<b>(2,725,385)</b>

#### 5. Information on other operating income

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

#### 6. Provision for losses and other provision expenses

	Current Period	Prior Period
<b>Expected Credit Loss</b>	<b>3,063,038</b>	<b>2,405,011</b>
12 month expected credit loss (stage 1)	1,052,406	133,528
Significant increase in credit risk (stage 2)	585,098	1,243,581
Non-performing loans (stage 3)	1,425,534	1,027,902
<b>Marketable Securities Impairment Expense</b>	<b>732</b>	<b>124</b>
Financial Assets at Fair Value through Profit or Loss	-	-
Financial Assets at Fair Value through Other Comprehensive Income	732	124
<b>Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease</b>	<b>-</b>	<b>-</b>
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
<b>Other</b>	<b>177,687</b>	<b>138,791</b>
<b>Total</b>	<b>3,241,457</b>	<b>2,543,926</b>

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

### 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(*)	52,981	12,768
Depreciation Expenses of Fixed Assets	464,083	403,134
Amortization Expenses of Intangible Assets	174,489	147,622
Other Operating Expenses	1,481,036	1,165,770
<i>Leasing Expenses Related to TFRS 16 Exemptions</i>	1,679	1,895
<i>Maintenance Expenses</i>	472,522	263,072
<i>Advertisement Expenses</i>	95,006	99,951
<i>Other Expenses</i>	911,829	800,852
Loss on Sales of Assets	838	959
Other	696,486	597,741
<b>Total</b>	<b>2,869,913</b>	<b>2,327,994</b>

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

##### 8. Fees for Services Obtained from Independent Auditor/Independent Audit Firm

	Current Period(*)(**)	Prior Period(*)(**)
Independent audit fee for the reporting period	3,302	2,259
Fees for tax advisory services	-	277
Fee for other assurance services	603	885
Fees for services other than independent auditing	-	-
<b>Total</b>	<b>3,905</b>	<b>3,421</b>

(\*) Consolidated amounts are reported.

(\*\*) VAT excluded.

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

For the period ended 31 December 2021 net interest income in income items amounting to TRY12,352,709 (31 December 2020– TRY9,856,641), net fees and commission income amounting to TRY3,391,172 (31 December 2020 – TRY2,362,819) and other operating income amounting to TRY469,343 (31 December 2020 – TRY66,051) constitute an important part of the income.

##### 10. Explanations on tax provision for continued and discontinued operations

###### 10.1. Current period taxation benefit or charge and deferred tax benefit or charge

As of 31 December 2020, the Bank has recorded tax charge TRY8,528 (31 December 2020 – TRY 1,055,958 loss) and a deferred tax loss of TRY982,217 (31 December 2020 – TRY19,258 deferred tax loss) and a deferred tax income of TRY2,035,516 (31 December 2020 – TRY562,796 deferred tax income) from its continuing operations.

###### 10.2. Explanations on operating profit/loss after taxes

None (31 December 2020 – None).

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

Net profit of the Bank from continued operations is TRY3,928,114 (31 December 2020 – TRY2,746,899.)

##### 12. Explanations on net income/loss for the period

###### 12.1. 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 (31 December 2020 – None).

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

None.

###### 12.3. There is no profit or loss attributable to minority shares.

###### 12.4. 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.

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

### 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 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 Shareholder’s 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.

##### 1. Changes resulting from valuation of financial assets measured at fair value through other comprehensive income

Net decrease of TRY 1,108,077 (31 December 2020 – TRY306,464 net increase) after tax effect resulting from valuation of at financial assets measured at fair value through other comprehensive income is included in “accumulated other comprehensive income or loss reclassified through profit or loss” account under shareholders’ equity.

##### 2. Explanations on foreign exchange differences

None.

##### 3. Explanations on dividend

##### 3.1. Dividends declared subsequent to the balance sheet date, but before the announcement of the financial statements

There is no dividend notified before the promulgation of financial statements. It was decided to distribute the year 2020 profit as stated below at the Ordinary General Assembly held on 25 March 2021.

##### 2020 profit distribution table:

Current Year Profit	2,588,276
A - I. Legal Reserve (Turkish Commercial Code 466/1) at 5%	-
B - The First Dividend for Shareholders	-
C – Profit from Disposal of Associates	-
D- II. Legal Reserves	-
E- Gains on Real estate Sales Fund	-
F - Extraordinary Reserves	(2,588,276)

##### 3.2. Dividends per share proposed subsequent to the balance sheet date

No decision is taken concerning the profit distribution by the General Assembly as of the balance sheet date.

##### 3.3. Transfers to legal reserves

	Current Period	Prior Period
Amount Transferred to Reserved from Retained Earnings	-	-

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT(Continued)

#### V. Explanations And Disclosures Related To Statement Of Changes In Shareholder's Equity (Continued)

##### 4. Information on issuance of share certificates

##### 4.1. The rights, priorities and restrictions regarding the share capital including distribution of income and repayment of the capital

None (31 December 2020 - None).

##### 5. Information on the other capital increase items in the statement of changes in shareholders' equity

There was no capital increase in 2021. None (31 December 2020 - None).

#### VI. Explanations And Disclosures Related To Cash Flows Statement

##### 1. The effects of the other items stated in the cash flow statement and the changes in foreign currency exchange rates on cash and cash equivalents

"Other items" amounting to TRY2,308,094 (31 December 2020- TRY337,616) in "Operating profit before changes in operating assets and liabilities" consist of decrease in commissions paid amounting to TRY1,032,863 (31 December 2020 – TRY528,292), net trading income/loss decrease in amounting to TRY305,351 (31 December 2020 – TRY2,669,734 net trading income/loss) and other operating expenses amounting to TRY1,508,582 (31 December 2020 – TRY2,479,058).

The "Other" item in the "change in other assets subject to banking activity" amounting to TRY4,289,681 (31 December 2020 – TRY3,420,081) includes collaterals amounting to TRY1,257,284 (31 December 2020 - TRY2,057,862) and other assets amounting to TRY3,032,397 (31 December 2020- TRY1,362,219).

"Other" item in the "Change in other liabilities of the field of banking" amounting to TRY11,384,422 (31 December 2020 – TRY6,870,364) includes debts to money markets amounting to TRY3,559,040 (31 December 2020 – TRY5,389,518), other liabilities amounting to TRY11,467,636 (31 December 2020 – TRY1,830,571), other capital reserves amounting to TRY1,539,340 (31 December 2020 – TRY349,725).

"Other" item amounting to TRY123,975 (31 December 2020 – TRY214,040) included in "Net cash flow from investment activities" includes increase in intangible assets.

The effect of change in foreign exchange rate on cash and cash equivalents is the sum of the foreign exchange differences arising from the conversion of the average balances of cash and cash equivalents in foreign currency to TRY at the beginning of the period and at the end of the period. As of 31 December 2021, TRY4,346,096 (31 December 2020 – TRY 615,145).

##### 3. Information regarding the balances of cash and cash equivalents at the beginning of the period

	<b>Prior Period 31 December 2020</b>
<b>Cash</b>	<b>2,226,110</b>
Cash in TRY	616,296
Cash in Foreign Currencies	1,486,250
Other	123,564
<b>Cash Equivalents</b>	<b>13,199,372</b>
Balances with the T.R. Central Bank	11,695,907
Banks	1,183,963
Money Market Placements	342,734
Less: Accruals	(23,232)
<b>Cash and Cash Equivalents</b>	<b>15,425,482</b>

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT(Continued)

#### VI. Explanations And Disclosures Related To Cash Flows Statement (Continued)

##### 3. Information regarding the balances of cash and cash equivalents at the end of the period

	Current Period 31 December 2021
<b>Cash</b>	<b>7,307,144</b>
Cash in TRY	678,315
Cash in Foreign Currencies	6,245,263
Other	383,566
<b>Cash Equivalents</b>	<b>39,793,087</b>
Balances with the T.R. Central Bank	25,120,140
Banks	14,656,385
Money Market Placements	159,508
Less: Accruals	(142,946)
<b>Cash and Cash Equivalents</b>	<b>47,100,231</b>

##### 4. Restricted cash and cash equivalents due to legal requirements or other reasons

A portion of foreign bank accounts amounting to TRY464,536 (31 December 2020- TRY283,258,628) includes blocked cash for foreign money and capital market transactions and for borrowings from foreign markets.

##### 5. Additional information

##### 5.1. Restrictions on the Bank's potential borrowings that can be used for ordinary operations or capital commitment

None (31 December 2020 - None).

##### 5.2. The sum of cash flows that show the increases in banking activity capacity, apart from the cash flows needed to maintain current banking activity capacity

None (31 December 2020 - None).

#### 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 31 December 2021, the Bank's risk group has deposits amounting to TRY1,572,400 (31 December 2020 – TRY578,345), cash loans amounting to TRY2,204,737 (31 December 2020 – TRY1,259,351) and non-cash loans amounting to TRY85,277 (31 December 2020 – TRY73,688).

##### Current Period

Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group (**)	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
<b>Loans and Other Receivables</b>						
Balance at the Beginning of the Period	1,256,220	22,598	2,500	45,878	631	5,212
Balance at the End of the Period	2,202,964	25,118	-	55,271	1,773	4,888
Interest and Commission Income	159,672	24	-	267	872	-

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT(Continued)

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

##### 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 (Continued)

Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group (**)	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
<b>Prior Period</b>						
<b>Loans and Other Receivables</b>						
Balance at the Beginning of the Period	1,015,749	13,860	3,192	37,126	21	5,524
Balance at the End of the Period	1,256,220	22,598	2,500	45,878	631	5,212
Interest and Commission Income (***)	82,316	167	-	9	32	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 31 December 2020 balance.

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

Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group (**)	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Deposit</b>						
Balance at the Beginning of the Period	284,875	125,530	-	-	293,470	208,189
Balance at the End of the Period	1,046,640	284,875	-	-	525,760	293,470
Interest on deposits (***)	9,086	9,177	-	-	23,218	9,073

(\*) 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 31 December 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
<b>Transactions for Trading Purposes</b>						
Beginning of the Period	1,506,342	1,470,504	-	-	-	-
End of the Period	1,473,687	1,506,342	-	-	-	-
Total Income/Loss (***)	38,790	25,993	(56)	-	(20)	-
<b>Transactions for Hedging Purposes</b>						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Income/Loss (***)	-	-	-	-	-	-

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

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

(\*\*\*) Prior Period Balance Represents 31 December 2020 balance.

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

As of 31 December 2021, the total amount of remuneration and bonuses paid to top management of the Bank is TRY203,352 (31 December 2020 - TRY146,728).

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT(Continued)

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

##### 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 31 December 2021, cash loans of the risk group represented 1.0% of the Bank's total cash loans (31 December 2020 – 0.8%), the deposits represented 0.7% of the Bank's total deposits (31 December 2020 – 0.4%) and derivative transactions represented 0.3% of the Bank's total derivative transactions (31 December 2020 – 0.5%).

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

The Bank enters into finance lease agreements with QNB Finans Finansal Kiralama A.Ş. As of 31 December 2021, the Bank has net finance lease payables to QNB Finans Finansal Kiralama A.Ş. amounting to TRY10.194 (31 December 2020 - TRY20,268) relating with finance lease agreements.

The Bank has signed an agreement with Ibtech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek Sanayi ve Ticaret A.Ş. regarding research, development, advisory and improvement services.

Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş., in which the Bank participated 33.33% shareholding, provides cash transfer services to the Bank.

Information about the Bank's subordinated loans is explained under Section 5, Part II. footnote 12.

Banka The Bank provides agency services to Cigna Sağlık, Hayat ve Emeklilik A.Ş., which is a jointly controlled entity with 49.00% shares held by the Bank.

#### VIII. Explanations on the Bank's Domestic, Foreign and Off-Shore Banking Branches and Foreign Representatives

##### 1. Information relating to the bank's domestic and foreign branch and representatives

	Number	Employees			
Domestic Branch	444	10,944			
				Country	
Foreign Representation	-	-	-		
				Total Assets	Capital
Foreign Branch	1	7	1- Bahreyn	28,372,637	-
Off-shore Banking and Region Branches				-	-

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

### SECTION SIX

#### OTHER EXPLANATIONS

#### I. Other Explanations Related to the Bank's Operations

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

The issuances of the Bank after the balance sheet date are as follows.

<u>Issue Date</u>	<u>Currency</u>	<u>Nominal</u>	<u>Due Date</u>
07.01.2022	TRY	210,800,000	77
14.01.2022	TRY	292,250,000	70
21.01.2022	GBP	21,898,000	276
21.01.2022	GBP	20,398,000	245
28.01.2022	TRY	504,500,000	84
28.01.2022	TRY	250,150,000	126

The Group's Board of Directors has decided to appoint Mr. Osman Ömür Tan to be effective as of 1 January 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 Güzeloğlu, effective 1 January 2022 and it was decided to carry out the necessary procedures within the framework of the relevant legislation.

The Parent Bank's Board of Directors decided to increase the current registered capital ceiling of the Bank from TRY12,000,000 valid for the years 2018-2022 to TRY20,000,000, to renew the validity period of the said registered capital ceiling to cover the years 2022-2026, and for this purpose, Article 7 of the Articles of Association. It has been decided to submit the issue of amendment to the approval of the first General Assembly to be held in 2022 and to authorize the General Directorate to make the necessary applications before the official institutions in order to obtain the necessary permissions in this regard.

#### 2. Information on the effects of significant changes in foreign exchange rates after balance sheet date on the items denominated in foreign currency and financial statements and the Group's operations abroad that would affect decision making process of users and foreign operations of the Bank

There are no significant fluctuations in the currency exchange rates after the balance sheet date that would affect the analysis and decision making process of the readers of the financial statements.

#### 3. Other matters

None.

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED PERIOD THEN ENDED 31 DECEMBER 2021

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

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### SECTION SEVEN

#### INDEPENDENT AUDITOR'S REPORT

##### **I. Explanations on the Independent Auditor's Report**

The unconsolidated financial statements for the period ended 31 December 2021 have been reviewed by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. The auditor's report dated 2 February 2022 is presented preceding the unconsolidated financial statements.

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

None (31 December 2020 - None).

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