QNB FİNANSBANK ANONİM ŞİRKETİ

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

(Convenience translation of consolidated financial statements and independent auditor's audit 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 Consolidated Financial Statements

1. Opinion

For the accounting period ending on the same date as the consolidated balance sheet of QNB Finansbank A.Ş. ("The Bank") and its subsidiaries subject to consolidation (collectively referred to as the "Group"); we have audited the consolidated financial statements, which consist of the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows, and the footnotes of the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated 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 Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group 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 consolidated 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 consolidated financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the consolidated 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*
Impairment of loans determined within the framework of TFRS 9 The Group has total expected credit losses for loans and receivables amounting to TL 12,685,795 thousand in respect to total loans and receivables amounting to TL 225,041,056 thousand which represent a significant portion of the Group's total assets in its consolidated 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 Footnotes 1.6 of Section Five of the accompanying consolidated financial statements as of 31 December 2021. 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 Group 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 includes management's best estimates and past loss experience as of the balance sheet date and is calculated collectively for similar loan portfolios. For important loans, it is evaluated on an individual basis.	With respect to stage classification of loans and receivables and calculation of expected credit losses in accordance with TFRS 9, we have assessed policy, procedure and management principles of the Group within the scope of our audit.We tested the design and the operating effectiveness of relevant controls implemented in accordance with these principles. We checked appropriateness of matters considered in methodology applied by the Group for staging of loans and receivables and calculation of the provision amount. For forward looking assumptions by the Group'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: • 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. • For a sample of exposures, we checked the accuracy of determining Exposure at Default, including the consideration of prepayments and repayments in the cash flowsand the resultant arithmetical calculations.

Key Audit Matter	*How the matter is addressed in our audit*
Impairment of loans determined within the framework of TFRS 9 (Continued) 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.	 • We checked the calculation of the Loss Given Default (LGD) used by the Group in the expected credit losses calculations, and tested collaterals, recovery and costs in addition to arithmetical calculations. • For a selected sample, we checked expected credit losses determined based on individual assessment per Group's policy by means of supporting data, and evaluated appropriateness via communications with management. • 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. • We checked accuracy of expected credit losses calculations. • To assess appropriateness of the Group'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. • We have reviewed disclosures made within the TFRS 9 framework in the financial statements of the Group with respect to loans and receivables and related impairment provision.

4. Other Matter

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

5. Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The Group management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

6. Auditor's Responsibilities for the Audit of the Consolidated 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 consolidated 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 consolidated 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 Group'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 Group 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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 consolidated 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.

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

Talar Gül, SMMM
Partner

Istanbul, 2 February 2022

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

The Parent 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
E-mail address	:	investor.relations@qnbfinansbank.com

The consolidated financial report for the year ended 31 December 2021, designed by the Banking Regulation and Supervision Agency in line with the Communiqué on Financial Statements to be Publicly Announced and the Related Policies and Disclosures consists of the sections listed below:

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

Within the context of this financial report for the year ended, the consolidated subsidiaries, entities under common control and structured entities are as follows. There are no associates included in the consolidation.

Subsidiaries

1. ONB Finans Finansal Kiralama Anonim Şirketi
2. QNB Finans Yatırım Menkul Değerler Anonim Şirketi
3. QNB Finans Portföy Yönetimi Anonim Şirketi
4. QNB Finans Faktoring Anonim Şirketi
5. QNB Finans Varlık Kiralama Şirketi Anonim Şirketi

Entities Under Common Control (Joint Ventures)

1. Cigna Sağlık, Hayat ve Emeklilik A.Ş.

Structured Entities

1. Bosphorus Financial Services Limited
2. QNBeyond Ventures B.V.
3. Finance Capital Finance Limited

The consolidated financial statements and related disclosures and footnotes for the year ended 31 December 2021, are prepared in accordance with the Regulation on Principles Related to Banks' Accounting Applications and Preserving the Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidance and in compliance with the financial records of our Bank. Unless stated otherwise, the accompanying consolidated 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
Member of the Board of
Directors and of the
Audit Committee

Durmuş Ali Kuzu
Member 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 of 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 statements 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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SECTION ONE

GENERAL INFORMATION ABOUT THE PARENT BANK

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

QNB Finansbank Anonim Şirketi (The Parent Bank and/or the Bank) was incorporated in Istanbul on 23 September 1987. The Parent Bank's shares have been listed on the Borsa Istanbul ("BIST") formerly known as Istanbul Stock Exchange ("ISE") since the first public offering on 1990.

II. Information About the Parent Bank's Shareholding Structure, Shareholders Who Individually or Jointly Have the 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 Parent Bank

A share sales agreement has been concluded between National Bank of Greece S.A. (NBG), principal shareholder of the Parent 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 Parent 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 Parent 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 Parent Bank has started to be used as "QNB FİNANSBANK" as of 20 October 2016 and the company name started to be used with the registration of the Genel 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 Parent 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 Parent Bank 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.

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

GENERAL INFORMATION ABOUT THE PARENT BANK (Continued)

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

Name	Title	Date of Appointment	Education
Dr. Ömer A. Aras	Chairman	16 April 2010	Phd
Sinan Şahinbaş	Deputy Chairman	16 April 2010	Masters
Ali Teoman Kerman	Board Member and Head of Audit Committee	16 April 2013	Masters
Ramzi T. A. Mari	Board Member and Member of the Audit Committee	16 June 2016	Masters
Fatma Abdulla S.S. Al-Suwaidi	Board Member	16 June 2016	Masters
Durmuş Ali Kuzu	Board Member and Member of the Audit Committee	25 August 2016	Phd
Temel Güzeloğlu(*)	Board Member and General Manager	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	28 May 2019	Graduate
Noor Mohd J. A. Al-Naimi	Board Member and Member of the Audit Committee	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	Graduate
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 Erzengin	Head of Department of Internal Systems	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 Parent 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 on the Parent Bank

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

V. Explanations on the Parent Bank’s Services and Activities

The Parent Bank’s activities include trade finance and corporate banking, private and retail banking, SME banking, currency, money markets, securities operations and credit card operations. In addition, the Parent Bank carries out insurance agency activities on behalf of insurance companies through its branches. As of 31 December 2021, the Parent Bank operates through 442 domestic (31 December 2020 - 473), 1 foreign (31 December 2020 - 1) and 1 Atatürk Airport Free Trade Zone (31 December 2020 - 1) branches. As of 31 December 2021, the Group has 12,345 employees (31 December 2020 – 11,555 employees).

VI. Current or Likely Actual or Legal Barriers to Immediate Transfer of Shareholders’ Equity or Repayment of Debts Between the Parent Bank and Its Subsidiaries

None.

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

QNB FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED 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.)

I. CONSOLIDATED BALANCE SHEET – ASSETS

			Audited 31.12.2021			Audited 31.12.2020		
		Section 5 Part I	TRY	FC	TOTAL	TRY	FC	TOTAL
I.	**FINANCIAL ASSETS (Net)**		**36,871,893**	**91,649,894**	**128,521,787**	**16,143,002**	**38,560,665**	**54,703,667**
1.1	**Cash and Cash Equivalents**		**7,519,867**	**78,743,431**	**86,263,298**	**3,190,476**	**26,470,545**	**29,661,021**
1.1.1	Cash and Balances with The Central Bank	(1)	7,436,280	62,858,291	70,294,571	2,505,744	24,900,717	27,406,461
1.1.2	Banks	(3)	94,349	15,725,779	15,820,128	38,518	1,477,238	1,515,756
1.1.3	Receivables From Money Market	(4)	-	159,508	159,508	659,782	92,610	752,392
1.1.4	Expected Credit Losses (-)		10,762	147	10,909	13,568	20	13,588
1.2	**Financial Assets Measured at Fair Value through Profit/Loss**	**(2)**	**275,004**	**499,454**	**774,458**	**290,302**	**333,073**	**623,375**
1.2.1	Public Sector Debt Securities		118,648	64,122	182,770	204,200	87,413	291,613
1.2.2	Equity Securities		156,356	-	156,356	86,102	-	86,102
1.2.3	Other Financial Assets		-	435,332	435,332	-	245,660	245,660
1.3	**Financial Assets Measured at Fair Value through Other Comprehensive Income**	**(5)**	**9,634,529**	**10,043,218**	**19,677,747**	**5,802,565**	**9,387,549**	**15,190,114**
1.3.1	Public Sector 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		9,194	35,141	44,335	9,392	7,307	16,699
1.3.3	Other Financial Assets		-	-	-	-	-	-
1.4	**Derivative Financial Assets**	**(12)**	**19,442,493**	**2,363,791**	**21,806,284**	**6,859,659**	**2,369,498**	**9,229,157**
1.4.1	Derivative Financial Assets at Fair Value Through Profit/Loss		16,227,512	2,219,309	18,446,821	5,716,649	2,111,822	7,828,471
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
II.	**FINANCIAL ASSETS MEASURED AT AMORTIZED COST(Net)**		**137,049,425**	**105,153,019**	**242,202,444**	**105,753,485**	**59,312,306**	**165,065,791**
2.1	**Loans**	**(6)**	**128,657,423**	**81,883,367**	**210,540,790**	**102,987,227**	**45,115,006**	**148,102,233**
2.2	**Lease Receivables**	**(11)**	**2,954,638**	**7,735,110**	**10,689,748**	**2,251,723**	**4,921,075**	**7,172,798**
2.3	**Factoring Receivables**	**(7)**	**2,889,195**	**921,323**	**3,810,518**	**1,872,281**	**338,166**	**2,210,447**
2.4	**Other Financial Assets Measured at Amortized Cost**	**(8)**	**14,876,060**	**14,980,916**	**29,856,976**	**9,559,633**	**9,183,723**	**18,743,356**
2.4.1	Government 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	**Expected Credit Losses (-)**		**12,327,891**	**367,697**	**12,695,588**	**10,917,379**	**245,664**	**11,163,043**
III.	**ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)**	**(15)**	**-**	**-**	**-**	**-**	**-**	**-**
3.1	Held for sale		-	-	-	-	-	-
3.2	Discontinued Operations		-	-	-	-	-	-
IV.	**INVESTMENTS**		**270,367**	**-**	**270,367**	**237,920**	**-**	**237,920**
4.1	**Investment in Associates (Net)**	**(9)**	**14,027**	**-**	**14,027**	**14,027**	**-**	**14,027**
4.1.1	Equity Method Associates		-	-	-	-	-	-
4.1.2	Unconsolidated		14,027	-	14,027	14,027	-	14,027
4.2	**Investment in Subsidiaries (Net)**		**38,046**	**-**	**38,046**	**38,038**	**-**	**38,038**
4.2.1	Unconsolidated Financial Investments		-	-	-	-	-	-
4.2.2	Unconsolidated Non-Financial Investments		38,046	-	38,046	38,038	-	38,038
4.3	**Equity Under Common Control (Joint Ventures) (Net)**	**(10)**	**218,294**	**-**	**218,294**	**185,855**	**-**	**185,855**
4.3.1	Equity method associates		215,494	-	215,494	183,055	-	183,055
4.3.2	Unconsolidated		2,800	-	2,800	2,800	-	2,800
V.	**TANGIBLE ASSETS (Net)**		**3,694,478**	**37**	**3,694,515**	**3,489,129**	**56**	**3,489,185**
VI.	**INTANGIBLE ASSETS (Net)**		**648,585**	**-**	**648,585**	**520,715**	**-**	**520,715**
6.1	Goodwill		-	-	-	-	-	-
6.2	Others		648,585	-	648,585	520,715	-	520,715
VII.	**INVESTMENT PROPERTIES (Net)**	**(13)**	**-**	**-**	**-**	**-**	**-**	**-**
VIII.	**CURRENT TAX ASSET**		**2,040**	**-**	**2,040**	**29,628**	**-**	**29,628**
IX.	**DEFERRED TAX ASSET**	**(14)**	**341,690**	**-**	**341,690**	**1,034,082**	**-**	**1,034,082**
X.	**OTHER ASSETS (Net)**	**(16)**	**7,206,046**	**961,538**	**8,167,584**	**4,589,905**	**5,348,828**	**9,938,733**
	TOTAL ASSETS		**186,084,524**	**197,764,488**	**383,849,012**	**131,797,866**	**103,221,855**	**235,019,721**

QNB FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED 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. CONSOLIDATED BALANCE SHEET – LIABILITIES AND EQUITY

				Audited 31.12.2021			Audited 31.12.2020	
		Section 5 Part II	TRY	FC	TOTAL	TRY	FC	TOTAL
I.	**DEPOSITS**	**(1)**	**79,231,701**	**146,644,878**	**225,876,579**	**48,284,133**	**81,990,723**	**130,274,856**
II.	**FUNDS BORROWED**	**(3)**	**3,904,586**	**33,347,681**	**37,252,267**	**2,855,756**	**23,041,134**	**25,896,890**
III.	**MONEY MARKET BORROWINGS**	**(4)**	**2,473,437**	**15,717,177**	**18,190,614**	**4,881,720**	**10,112,950**	**14,994,670**
IV.	**SECURITIES ISSUED (NET)**	**(5)**	**6,023,724**	**23,779,092**	**29,802,816**	**2,772,537**	**11,951,421**	**14,723,958**
4.1	Bills		6,023,724	2,154,632	8,178,356	2,561,286	829,044	3,390,330
4.2	Asset Backed Securities		-	-	-	-	-	-
4.3	Bonds		-	21,624,460	21,624,460	211,251	11,122,377	11,333,628
V.	**FUNDS**		-	-	-	-	-	-
5.1	Borrowers' Funds		-	-	-	-	-	-
5.2	Others		-	-	-	-	-	-
VI.	**FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT & LOSS (NET)**		-	-	-	-	-	-
VII.	**DERIVATIVE FINANCIAL LIABILITIES**		**9,160,015**	**3,623,875**	**12,783,890**	**4,766,374**	**3,390,090**	**8,156,464**
7.1	Derivative Financial Liabilities at Fair Value Through Profit & Loss (Net)	(2)	8,982,699	2,954,958	11,937,657	4,747,273	2,502,528	7,249,801
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
VIII.	**FACTORING PAYABLES**		-	-	-	-	-	-
IX.	**LEASE PAYABLES (Net)**	**(7)**	**486,716**	**546**	**487,262**	**428,999**	**3,076**	**432,075**
X.	**PROVISIONS**	**(9)**	**1,648,376**	**25**	**1,648,401**	**1,134,132**	**-**	**1,134,132**
10.1	Restructuring Provisions		-	-	-	-	-	-
10.2	Reserve for Employee Benefits		1,032,218	-	1,032,218	631,149	-	631,149
10.3	Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4	Other Provisions		616,158	25	616,183	502,983	-	502,983
XI.	**CURRENT TAX LIABILITY**	**(10)**	**167,723**	**-**	**167,723**	**1,077,742**	**-**	**1,077,742**
XII.	**DEFERRED TAX LIABILITY**		-	-	-	-	-	-
XIII.	**LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)**	**(11)**	-	-	-	-	-	-
13.1	Held for Sale		-	-	-	-	-	-
13.2	Discontinued Operations		-	-	-	-	-	-
XIV.	**SUBORDINATED DEBT INSTRUMENTS**	**(12)**	**-**	**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		-	-	-	-	-	-
XV.	**OTHER LIABILITIES**		**10,664,123**	**12,970,564**	**23,634,687**	**7,007,486**	**5,375,926**	**12,383,412**
XVI.	**SHAREHOLDERS' EQUITY**		**24,793,806**	**(2,641,597)**	**22,152,209**	**20,440,813**	**(1,199,585)**	**19,241,228**
16.1	Paid-in Capital	(13)	3,350,000	-	3,350,000	3,350,000	-	3,350,000
16.2	Capital Reserves		714	-	714	714	-	714
16.2.1	Share Premium	(14)	714	-	714	714	-	714
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Other Capital Reserves		-	-	-	-	-	-
16.3	Other Comprehensive Income/Expense Items not to be Reclassified to Profit or Loss		(223,943)	-	(223,943)	(111,564)	-	(111,564)
16.4	Other Comprehensive Income/Expense Items to be Reclassified to Profit or Loss		678,071	(2,641,597)	(1,963,526)	120,560	(1,199,585)	(1,079,025)
16.5	Profit Reserves		17,072,922	-	17,072,922	14,217,872	-	14,217,872
16.5.1	Legal Reserves		757,842	-	757,842	736,513	-	736,513
16.5.2	Status Reserves		-	-	-	-	-	-
16.5.3	Extraordinary Reserves		16,315,080	-	16,315,080	13,481,359	-	13,481,359
16.5.4	Other Profit Reserves		-	-	-	-	-	-
16.6	Profit/Loss		3,906,647	-	3,906,647	2,855,050	-	2,855,050
16.6.1	Prior Periods' Profit/Loss		-	-	-	101,267	-	101,267
16.6.2	Current Period's Net Profit/Loss		3,906,647	-	3,906,647	2,753,783	-	2,753,783
16.7	Minority Interest		9,395	-	9,395	8,181	-	8,181
	TOTAL LIABILITIES		**138,554,207**	**245,294,805**	**383,849,012**	**93,649,692**	**141,370,029**	**235,019,721**

QNB FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED 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. CONSOLIDATED STATEMENT OF OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES

			Audited 31.12.2021			Audited 31.12.2020		
		Section 5 Part III	**TRY**	**FC**	**TOTAL**	**TRY**	**FC**	**TOTAL**
A.	**OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)**		**251,760,151**	**433,120,870**	**684,881,021**	**175,404,906**	**281,234,421**	**456,639,327**
I.	**GUARANTEES**	**(1), (2), (3), (4)**	**13,136,090**	**34,332,017**	**47,468,107**	**11,604,589**	**21,520,352**	**33,124,941**
1.1.	Letters of guarantee		13,000,633	17,491,611	30,492,244	11,304,977	11,362,429	22,667,406
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		7,284,585	17,358,170	24,642,755	6,665,357	11,278,267	17,943,624
1.1.3.	Other letters of guarantee		5,162,671	-	5,162,671	4,164,773	-	4,164,773
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		-	-	-	-	-	-
II.	**COMMITMENTS**		**150,696,819**	**7,991,015**	**158,687,834**	**104,983,869**	**7,321,485**	**112,305,354**
2.1.	Irrevocable commitments	(1)	81,782,660	6,016,159	87,798,819	58,424,722	6,640,330	65,065,052
2.1.1.	Forward asset purchase commitments		1,145,232	2,908,352	4,053,584	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 garanting 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		68,914,159	1,974,856	70,889,015	46,559,147	681,155	47,240,302
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		539,304	1,974,856	2,514,160	469,140	681,155	1,150,295
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**	**(5), (6)**	**87,927,242**	**390,797,838**	**478,725,080**	**58,816,448**	**252,392,584**	**311,209,032**
3.1	Derivative financial instruments for hedging purposes		12,489,736	101,394,674	113,884,410	9,249,782	64,290,416	73,540,198
3.1.1	Fair value hedge		6,172,818	40,723,961	46,896,779	5,114,463	23,064,765	28,179,228
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	49,566,666	188,102,168	237,668,834
3.2.1	Forward foreign currency buy/sell transactions		7,288,292	16,053,812	23,342,104	2,110,184	8,853,435	10,963,619
3.2.1.1	Forward foreign currency transactions-buy		6,377,847	4,862,254	11,240,101	1,676,174	3,847,001	5,523,175
3.2.1.2	Forward foreign currency transactions-sell		910,445	11,191,558	12,102,003	434,010	5,006,434	5,440,444
3.2.2	Swap transactions related to foreign currency and interest rates		66,545,184	268,882,455	335,427,639	45,325,821	175,291,457	220,617,278
3.2.2.1	Foreign currency swap-buy		2,126,829	98,404,122	100,530,951	3,298,846	66,005,831	69,304,677
3.2.2.2	Foreign currency swap-sell		37,918,755	62,467,695	100,386,450	30,615,375	40,882,956	71,498,331
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.	**CUSTODY AND PLEDGED ITEMS (IV+V+VI)**		**1,389,205,116**	**499,735,768**	**1,888,940,884**	**1,239,470,065**	**271,678,813**	**1,511,148,878**
IV.	**ITEMS HELD IN CUSTODY**		**242,561,027**	**26,811,981**	**269,373,008**	**314,812,461**	**15,999,495**	**330,811,956**
4.1.	Assets under management		9,104,743	9,997	9,114,740	4,313,984	25,795	4,339,779
4.2.	Investment securities held in custody		153,604,458	11,510,543	165,115,001	255,806,221	8,043,418	263,849,639
4.3.	Checks received for collection		13,107,448	3,535,033	16,642,481	7,616,483	1,484,681	9,101,164
4.4.	Commercial notes received for collection		2,363,152	1,179,744	3,542,896	2,096,904	686,232	2,783,136
4.5.	Other assets received for collection		-	-	-	-	-	-
4.6.	Assets received for public offering		-	-	-	-	-	-
4.7.	Other items under custody		64,381,226	10,576,664	74,957,890	44,978,869	5,759,369	50,738,238
4.8.	Custodians		-	-	-	-	-	-
V.	**PLEDGED ITEMS**		**666,936,857**	**290,504,187**	**957,441,044**	**540,029,634**	**160,647,061**	**700,676,695**
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		-	-	-	-	-	-
VI.	**ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES**		**479,707,232**	**182,419,600**	**662,126,832**	**384,627,970**	**95,032,257**	**479,660,227**
	TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		**1,640,965,267**	**932,856,638**	**2,573,821,905**	**1,414,874,971**	**552,913,234**	**1,967,788,205**

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

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

III. CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Section 5 Part IV	Audited 01.01 - 31.12.2021	Audited 01.01 - 31.12.2020
I.	**INTEREST INCOME**	**(1)**	**26,917,067**	**17,715,908**
1.1	Interest income on loans		20,108,892	13,712,583
1.2	Interest income on reserve deposits		447,034	47,326
1.3	Interest income on banks		53,333	99,777
1.4	Interest income on money market transactions		70,409	198,918
1.5	Interest income on securities portfolio		4,752,529	2,817,952
1.5.1	Financial assets measured at FVTPL		26,533	28,916
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		853,316	595,737
1.7	Other interest income		631,554	243,615
II.	**INTEREST EXPENSE (-)**	**(2)**	**14,082,721**	**7,440,458**
2.1	Interest on deposits		8,895,044	4,207,905
2.2	Interest on funds borrowed		1,966,188	1,416,198
2.3	Interest on money market transactions		1,321,703	498,781
2.4	Interest on securities issued		1,790,883	1,091,416
2.5	Interest on leases		61,052	53,928
2.6	Other interest expenses		47,851	172,230
III.	**NET INTEREST INCOME/EXPENSE (I - II)**		**12,834,346**	**10,275,450**
IV.	**NET FEES AND COMMISSIONS INCOME/EXPENSES**		**3,681,746**	**2,601,042**
4.1	Fees and commissions received		4,767,706	3,172,963
4.1.1	Non-cash loans		268,526	196,578
4.1.2	Others		4,499,180	2,976,385
4.2	Fees and commissions paid (-)		1,085,960	571,921
4.2.1	Non-cash loans		3,693	2422
4.2.2	Others		1,082,267	569,499
V.	**DIVIDEND INCOME**	**(3)**	**1,305**	**5,257**
VI.	**NET TRADING INCOME/LOSS (Net)**	**(4)**	**(3,208,946)**	**(2,558,740)**
6.1	Trading account gain/losses		180,869	333,094
6.2	Gain/losses from derivative transactions		(6,500,905)	(3,210,586)
6.3	Foreign exchange gain/losses		3,111,090	318,752
VII.	**OTHER OPERATING INCOME**	**(5)**	**483,880**	**82,214**
VIII.	**TOTAL OPERATING GROSS PROFIT (III+IV+V+VI+VII+VIII)**		**13,792,331**	**10,405,223**
IX.	**EXPECTED CREDIT LOSSES (-)**	**(6)**	**3,311,372**	**2,529,981**
X.	**OTHER PROVISION EXPENSES (-)**		**175,967**	**142,299**
XI.	**PERSONEL EXPENSES**		**2,340,253**	**2,029,196**
XII.	**OTHER OPERATING EXPENSES**	**(7)**	**2,937,412**	**2,421,309**
XIII.	**NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)**		**5,027,327**	**3,282,438**
XIV.	**INCOME RESULTED FROM MERGERS**		**-**	**-**
XV.	**INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING**		**107,822**	**98,258**
XVI.	**GAIN/LOSS ON NET MONETARY POSITION**		**-**	**-**
XVII.	**OPERATING PROFIT/LOSS BEFORE TAXES (XII+…+XV)**	**(8)**	**5,135,149**	**3,380,696**
XVIII.	**PROVISION FOR TAXES OF CONTINUED OPERATIONS (±)**	**(9)**	**1,227,288**	**626,069**
18.1	Carrent tax charge		278,506	1,175,488
18.2	Deferred tax charge (+)		1,617,451	21,708
18.3	Deferred tax credit (-)		(668,669)	(571,127)
XIX.	**NET OPERATING PROFIT/LOSS AFTER TAXES (XVI±XVII)**	**(10)**	**3,907,861**	**2,754,627**
XX.	**INCOME FROM DISCONTINUED OPERATIONS**		**-**	**-**
20.1	Income from assets held for sale		-	-
20.2	Income from sale of associates, subsidiaries and joint-ventures		-	-
20.3	Others		-	-
XXI.	**EXPENSES FROM DISCONTINUED OPERATIONS (-)**		**-**	**-**
21.1	Expenses on assets held for sale		-	-
21.2	Expenses on sale of associates, subsidiaries and joint-ventures		-	-
21.3	Others		-	-
XXII.	**PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XIX+XX)**		**-**	**-**
XXIII.	**PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)**		**-**	**-**
23.1	Current tax charge		-	-
23.2	Deferred tax charge (+)		-	-
23.3	Deferred tax credit (-)		-	-
XXIV.	**NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XXI±XXII)**		**-**	**-**
XXV.	**NET PROFIT/LOSS (XVIII+XXIII)**	**(11)**	**3,907,861**	**2,754,627**
25.1	Group’s profit/loss		3,906,647	2,753,783
25.2	Minority interest		1,214	844
	Earnings Per Share		0.11662	0.08220

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

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

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

		Audited **01.01 - 31.12.2021**	**Audited** **01.01 - 31.12.2020**
I.	**CURRENT PERIOD PROFIT/LOSS**	**3,907,861**	**2,754,627**
II.	**OTHER COMPREHENSIVE INCOME**	**(996,880)**	**(278,707)**
2.1	**Other Income/Expense Items not to be Reclassified to Profit or Loss**	**(112,379)**	**(35,224)**
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	(140,736)	(42,130)
2.1.4	Other Income/Expense Items not to be Reclassified to Profit or Loss	-	-
2.1.5	Deferred Taxes on Other Comprehensive Income not to be Reclassified to Profit or Loss	28,357	6,906
2.2	**Other Income/Expense Items to be Reclassified to Profit or Loss**	**(884,501)**	**(243,483)**
2.2.1	Translation Differences	-	-
2.2.2	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	(1,392,805)	(245,822)
2.2.3	Gains/losses from Cash Flow Hedges	280,271	(30,174)
2.2.4	Gains/Losses on Hedges of Net Investments in Foreign Operations	-	-
2.2.5	Other Income/Expense Items to be Reclassified to Profit or Loss	-	-
2.2.6	Deferred Taxes on Other Comprehensive Income to be Reclassified to Profit or Loss	228,033	32,513
III.	**TOTAL COMPREHENSIVE INCOME (I+II)**	**2,910,981**	**2,475,920**

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

QNB FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021
(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

							Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss			Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss								
		Section 5 Part V	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Revaluation surplus on tangible and intangible assets	Defined Benefit Plans' Actuarial Gains/Losses	Others (*)	Translation Differences	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	Others(**)	Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Shareholders' Equity Before Minority Interest	Minority Interest	Total Shareholders' Equity
	Prior Period- 01.01 – 31.12.2020																	
I.	**Balances at Beginning of Period**		**3,350,000**	**714**	**-**	**-**	**-**	**(76,340)**	**101,267**	**-**	**(269,687)**	**(565,855)**	**11,353,778**	**-**	**2,864,094**	**16,757,971**	**7,337**	**16,765,308**
II.	**Correction made as per TAS 8**		-	-	-	-	-	-	**(101,267)**	-	-	-	-	**101,267**	-	-	-	-
2.1	Effect of Corrections		-	-	-	-	-	-	(101,267)	-	-	-	-	101,267	-	-	-	-
2.2	Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**Adjusted Balances at Beginning of Period (I+II)**		**3,350,000**	**714**	**-**	**-**	**-**	**(76,340)**	**-**	**-**	**(269,687)**	**(565,855)**	**11,353,778**	**101,267**	**2,864,094**	**16,757,971**	**7,337**	**16,765,308**
IV.	**Total Comprehensive Income**		-	-	-	-	-	**(35,224)**	-	-	**(206,205)**	**(37,278)**	-	-	**2,753,783**	**2,475,076**	**844**	**2,475,920**
V.	**Capital Increase in Cash**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	**Capital Increase from Internal Sources**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Capital Reserves from Inflation Adjustments to Paid-in Capital**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	**Convertible Bonds**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	**Subordinated Liabilities**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Others Changes**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**Profit Distribution**		-	-	-	-	-	-	-	-	-	-	**2,864,094**	-	**(2,864,094)**	-	-	-
11.1	Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	2,864,094	-	(2,864,094)	-	-	-
11.3	Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at end of the period (III+IV+…...+X+XI)		**3,350,000**	**714**	**-**	**-**	**-**	**(111,564)**	**-**	**-**	**(475,892)**	**(603,133)**	**14,217,872**	**101,267**	**2,753,783**	**19,233,047**	**8,181**	**19,241,228**

							Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss			Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss								
		Section 5 Part V	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Revaluation surplus on tangible and intangible assets	Defined Benefit Plans' Actuarial Gains/Losses	Others (*)	Translation Differences	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	Others(**)	Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Shareholders' Equity Before Minority Interest	Minority Interest	Total Shareholders' Equity
	Current Period- 01.01 – 31.12.2021																	
I.	**Balances at Beginning of Period**		**3,350,000**	**714**	**-**	**-**	**-**	**(111,564)**	**-**	**-**	**(475,892)**	**(603,133)**	**14,217,872**	**101,267**	**2,753,783**	**19,233,047**	**8,181**	**19,241,228**
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**	**-**	**-**	**-**	**(111,564)**	**-**	**-**	**(475,892)**	**(603,133)**	**14,217,872**	**101,267**	**2,753,783**	**19,233,047**	**8,181**	**19,241,228**
IV.	**Total Comprehensive Income**		-	-	-	-	-	**(112,379)**	-	-	**(1,107,636)**	**223,135**	-	-	**3,906,647**	**2,909,767**	**1,214**	**2,910,981**
V.	**Capital Increase in Cash**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	**Capital Increase from Internal Sources**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Capital Reserves from Inflation Adjustments to Paid-in Capital**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	**Convertible Bonds**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	**Subordinated Liabilities**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Others Changes**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**Profit Distribution**		-	-	-	-	-	-	-	-	-	-	**2,855,050**	**(101,267)**	**(2,753,783)**	-	-	-
11.1	Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	2,855,050	(101,267)	(2,753,783)	-	-	-
11.3	Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at end of the period (III+IV+…...+X+XI)		**3,350,000**	**714**	**-**	**-**	**-**	**(223,943)**	**-**	**-**	**(1,583,528)**	**(379,998)**	**17,072,922**	**-**	**3,906,647**	**22,142,814**	**9,395**	**22,152,209**

(*) Accumulated amounts of share of investments accounted for by the equity method that can not be classified as profit/loss from other comprehensive income with other comprehensive income that will not be reclassified to other profit or loss.
(**) Accumulated amount of cash flow hedge gains/losses, equity attributable to equity holders of the Group for profit or loss from other comprehensive income and other comprehensive income to be reclassified to other profit or loss.

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

VI. CONSOLIDATED CASH FLOW STATEMENT

		Section 5 Part VI	Audited 01.01 - 31.12.2021	Audited 01.01 - 31.12.2020
A.	**CASH FLOWS FROM/(TO) BANKING OPERATIONS**			
1.1	**Operating Profit Before Changes in Operating Assets and Liabilities (+)**		**9,986,046**	**11,616,021**
1.1.1	Interest received		25,054,667	16,125,355
1.1.2	Interest paid		(15,761,881)	(6,961,676)
1.1.3	Dividend received		1,305	5,257
1.1.4	Fees and commissions received		4,769,118	3,191,815
1.1.5	Other income		483,880	82,214
1.1.6	Collections from previously written off loans		2,119,294	1,581,512
1.1.7	Payments to personnel and service suppliers		(2,232,334)	(2,045,956)
1.1.8	Taxes paid		(2,334,344)	44,487
1.1.9	Other		(2,113,659)	(406,987)
1.2	**Changes in Assets and Liabilities**		**6,412,248**	**(8,659,897)**
1.2.1	Net (increase) decrease in financial assets measured at fair value through profit/loss		(854,483)	(243,915)
1.2.2	Net (increase) decrease in due from banks		(24,803,607)	(5,543,606)
1.2.3	Net (increase) decrease in loans		(32,516,803)	(19,678,277)
1.2.4	Net (increase) decrease in other assets		3,360,662	(3,508,168)
1.2.5	Net increase (decrease) in bank deposits		12,179,425	(864,560)
1.2.6	Net increase (decrease) in other deposits		39,949,184	12,514,739
1.2.7	Net (increase) decrease in financial liabilities measured at fair value through profit and loss		-	-
1.2.8	Net increase (decrease) in funds borrowed		(3,668,039)	1,254,850
1.2.9	Net increase (decrease) in matured payables		-	-
1.2.10	Net increase (decrease) in other liabilities		12,765,909	7,409,040
I.	**Net Cash Provided from Banking Operations (+/-)**		**16,398,294**	**2,956,124**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
II.	**Net Cash Provided from/(Used In) Investing Activities (+/-)**		**(4,031,648)**	**(1,471,636)**
2.1	Purchase of entities under common control, associates and subsidiaries		-	-
2.2	Sale of entities under common control, associates and subsidiaries		-	-
2.3	Fixed assets purchases		(790,676)	(644,336)
2.4	Fixed assets sales		129,974	139,188
2.5	Purchase of financial assets measured at fair value through other comprehensive income		(10,448,300)	(11,982,290)
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		(5,543,887)	(2,333,458)
2.8	Sale of Financial Assets Measured at Amortized Cost		2,609,710	2,260,925
2.9	Other		(306,045)	(219,055)
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
III.	**Net Cash Provided from/(Used In) Financing Activities**		**15,202,991**	**198,848**
3.1	Cash obtained from funds borrowed and securities issued		27,584,977	15,206,569
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		-	(59,040)
3.6	Other		(5,177)	-
IV.	**Effect of Foreign Currency Translation Differences on Cash and Cash Equivalents (+/-)**		**4,346,096**	**(615,145)**
V.	**Net Increase/(Decrease) in Cash and Cash Equivalents (I+II+III+IV)**		**31,915,733**	**1,068,191**
VI.	**Cash and Cash Equivalents at the Beginning Of The Period (+)**		**15,883,101**	**14,814,910**
VII.	**Cash and Cash Equivalents at End of the Period (V+VI)**		**47,798,834**	**15,883,101**

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

VII. CONSOLIDATED PROFIT APPROPRIATION STATEMENT (*)

		Audited Current Period 31.12.2021(**)	Audited Prior Period 31.12.2020
I.	**DISTRIBUTION OF CURRENT YEAR INCOME**		
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)
A.	**NET INCOME FOR THE YEAR (1,1-1,2)**	**3,928,114**	**2,487,009**
1.3	PRIOR YEAR LOSSES(-)	-	(101,267)
1.4	FIRST LEGAL RESERVES(-)	-	-
1.5	OTHER STATUTORY RESERVES (-)	-	-
B.	**NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1,3+1,4+1,5)]**	**3,928,114**	**2,588,276**
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 Oweners 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		-
II.	**DISTRIBUTION OF RESERVES**		
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 Oweners 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(-)	-	-
III.	**EARNINGS PER SHARE**		
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 (%)	-	-
IV.	**DIVIDEND PER SHARE**		
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 (%)	-	-

(*) Profit Appropriation Statement has been prepared according to unconsolidated financial statements of the Parent Bank.

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

SECTION THREE
ACCOUNTING POLICIES

I. Basis of Presentation

1. Preparation of the consolidated 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 Bank prepared the accompanying consolidated financial statements regarding to the Banking Law No,5411 "Regulation on Principles Related to Banks' Accounting Applications and Maintaining the Documents", dated 1 November 2006 which is published in the Official Gazette No: 26333, which refers to "Turkish Accounting Standards" ("TAS"), put into effect by Public Oversight Accounting and Auditing Standards Authority ("POA"), and "Turkish Financial Reporting Standards" ("TFRS") issued by the "Turkish Accounting Standards Board" ("TASB") and additional explanations and notes related to them and other decrees, notes and explanations related to accounting and financial reporting principles (all "Turkish Accounting Standards" or "TAS") published by the Banking Regulation and Supervision Agency ("BRSA") and in case where a specific regulation is not made by BRSA, the format and detail of the publicly announced consolidated 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". Consolidated 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 consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in these consolidated financial statements. Accordingly, these consolidated 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. Consolidated financial statements and the related disclosures and footnotes have been presented in thousands of Turkish Lira unless otherwise specified. The amounts expressed in foreign currency, is indicated by the full amount.

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

Accounting policies and valuation principles used in the preparation of the consolidated financial statements are determined and applied, in accordance with the regulations, communiques, 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.

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

Consolidated 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. In addition, carrying value of assets subject to fair value hedge but are carried at historical cost is adjusted to reflect fair value changes related to risks being hedged.

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

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

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

ACCOUNTING POLICIES (Contunied)

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

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. Also, COVID-19 effects of the following articles III "Information on Associates and Subsidiaries and Entities Under Common Control" and XV "Explanations on Leasing Transactions" disclosed in footnotes too.

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 Group 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 ("POA") 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 2023/June.

Considering the published standards and the Group'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	31,030,011
Hedge Accounting Instruments	64,743,012	-
Total	**183,829,174**	**31,030,011**

Prior Period	Derivative	Non-Derivative Financial Instruments
USD LIBOR	68,181,584	18,137,623
Hedge Accounting Instruments	37,931,698	-
Total	**106,113,282**	**18,137,623**

ACCOUNTING POLICIES (Contunied)

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 Parent Bank are customer deposits, bond issues and funds borrowed from international markets. The customer deposits bear a 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 3 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 Parent Bank diverts its placements to assets with high return and sufficient collaterals. The Parent 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 a higher return on long-term placements is aimed.

Besides customer deposits, the Parent 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 Parent Bank converts the foreign currency liquidity obtained from the international markets to TRY liquidity using long term swap transactions (fixed TRY interest rate and floating FC interest rate). Thus, the Parent Bank generates TRY denominated resources for funding long term loans with fixed interest rates.

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

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

2. Foreign currency transactions

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

The Group 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 2020 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 Parent Bank for the period end and the resulting exchange differences are recorded as foreign exchange gains and losses. Foreign currency nonmonetary items measured at fair value are converted with currency exchange rates at the time of fair value measurement.

2.2. Total exchange rate differences that are included in net profit or loss for the year

The foreign currency position of the Parent 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 TRY6,500,905 (31 December 2020 – TRY 3,210,586 derivative financial transactions loss) from the total foreign exchange profit amounting to TRY 3,111,090 (31 December 2020 – TRY 318,752 foreign exchange profit) Excluding the net interest expense amounting to TRY4,684,038 (31 December 2020 – TRY 3,172,200) arising from derivative transactions, the net profit on foreign exchange transactions is TRY 1,294,223 (31 December 2020 – TRY 280,366 net foreign currency transaction profit).

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

ACCOUNTING POLICIES (Contunied)

II. Strategy for the Use of Financial Instruments and the Foreign Currency Transaction (Contunied)

2.3. Foreign associates

None.

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

The accompanying consolidated financial statements are prepared in accordance with TFRS 10 “Turkish Financial Reporting Standard in regards to Consolidated Financial Statements” and BRSA’s “Regulation on Preparation of Consolidated Financial Statements of Banks” published on the Official Gazette numbered 26340 and dated 8 November 2006.

The corporations included in consolidation and their places of incorporation, nature of activities and shareholding percentages are as follows:

		Consolidation Method	Place of Establishment	Subject of Operations	Effective Share of the Group (%) 31 December 2021	31 December 2020
1.	QNB Finans Yatırım Menkul Değerler A.Ş. (Finans Yatırım)	Full consolidation	Turkey	Securities Intermediary Services	100.00	100.00
2.	QNB Finans Portföy Yönetimi A.Ş. (Finans Portföy)	Full consolidation	Turkey	Portfolio Management	100.00	100.00
3.	QNB Finans Finansal Kiralama A.Ş. (Finans Leasing)	Full consolidation	Turkey	Financial Leasing	99.40	99.40
4.	QNB Finans Faktoring A.Ş. (Finans Faktoring)	Full consolidation	Turkey	Factoring Services	100.00	100.00
5.	QNB Finans Varlık Kiralama Şirketi A.Ş.	Full consolidation	Turkey	Asset Lease	100.00	100.00
6.	Cigna Sağlık, Hayat ve Emeklilik A.Ş.	Equity Method	Turkey	Private Pension and Insurance	49.00	49.00

Subsidiaries maintain their books of accounts and prepare their financial statements in accordance with the regulations on accounting and reporting framework and accounting standards which are determined by the accounting standards promulgated by the Turkish Commercial Code, Financial Leasing Law and Turkish Capital Markets Board (“CMB”) regulations. Certain adjustments and reclassifications were made on the financial statements of the subsidiaries for the purpose of fair presentation in accordance with the prevailing regulations and accounting standards according to 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, in accordance with Turkish Accounting Standards (“TMS”) and Turkish Financial Reporting Standards (“TFRS”) and related additions and interpretations published by Public Accounting and Auditing Oversight Authority (“KGK”).

Differences between the accounting policies of subsidiaries and entities under common control and those of the Parent Bank are adjusted, if material. The financial statements of the subsidiaries and entities under common control are prepared as of 31 December 2021.

ACCOUNTING POLICIES (Contunied)

III. Information on Associates, Subsidiaries and Entities Under Common Control (Continued)

1. Subsidiaries

Subsidiaries are the entities controlled directly or indirectly by the Parent Bank.

Control is defined as the power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Parent Bank's returns.

Subsidiaries are consolidated using the full consolidation method based on the size of their asset equity, and result of operations. Financial statements of related subsidiaries are consolidated from the date when the control is transferred to the Parent Bank and are put out of consolidation's scope as soon as control is removed. Accounting policies applied by subsidiaries that are included in consolidated financial statements are not different from the Parent Bank's accounting policies.

According to full consolidation method, 100% of subsidiaries' asset, liability, income, expense and off balance sheet items are consolidated with the Parent Bank's asset, liability, income, expense and off balance sheet items. Book value of the Group's investment in each subsidiary is netted off with Group's equity shares. Unrealized gains and losses and balances that arise due to transactions between subsidiaries within consolidation scope, have been net off. Non-controlling interests are shown separately from earnings per share on consolidated balance sheet and income statement.

2. Associates and entities under common control

The Parent Bank does not have any financial associates that are consolidated in the accompanying financial statements. The joint venture is established locally, has its primary operations in private pension and insurance, is controlled jointly with another group with a partnership agreement, and is included in Parent Bank's capital. Subject joint venture is included in consolidated financial statements by using equity method.

Equity method is a method of accounting whereby the book value of the investor's share capital in the subsidiary or the joint venture is either added to or subtracted in proportion with investor's share from the change in the subsidiary's or joint venture's equity within the period. The method also foresees that profit will be deducted from the subsidiary's or joint venture's accordingly recalculated value.

IV. Explanations on Derivative Financial Assets and Liabilities

The Group 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 Group also carries out currency and interest options and credit default swap and futures agreements.

Besides customer deposits, the Parent 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 Parent Bank converts the foreign currency liquidity obtained from customer deposits and the international markets to TRY liquidity with long term swap transactions (fixed TRY interest rate and floating FC interest rate). Therefore, the Parent Bank not only funds its long term fixed interest rate loans with TRY but also hedges itself against interest rate risk.

The Parent 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/Loss "," Derivative Financial Liabilities at Fair Value Through Profit & Loss" or "Derivative Financial Assets at Fair Value Through Other Comprehensive Income" 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 foreign currency purchase and sales contracts, currency and interest rate swap transactions are calculated by using internal pricing models based on market data.

ACCOUNTING POLICIES (Continued)

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

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 Parent 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 Parent Bank's credit derivatives portfolio included in the off-balance sheet accounts composes of credit default swaps resulted from protection buying or selling.

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

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

In cash flow hedge accounting:

The Parent 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 loans with floating rate financial receivables which have floating interest payment. The Parent Bank implements effectiveness tests at the balance sheet dates for hedge accounting; the effective parts are accounted as defined in TAS 39, in financial statements under equity "Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss" whereas the amount concerning ineffective parts is associated with the income statement.

QNB Finans Finansal Kiralama AŞ., the subsidiary of the Parent Bank, applies cash flow hedge accounting through interest rate swaps to hedge itself against changes floating rate foreign currency borrowings and floating rates TRY securities.

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 Parent 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 Parent Bank applies fair value hedge accounting using FX swaps to hedge long term, fixed rate, foreign currency Eurobonds in financial assets measured at fair value through other comprehensive portfolio against interest rate fluctuations.

The Parent 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 measured at fair value through other comprehensive income portfolio using swap transactions as hedging instruments.

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

QNB Finans Finansal Kiralama AŞ., the subsidiary of the Parent bank, applies fair value hedge accounting to hedge itself against changes in interest rates related to fixed rate TRY securities issued.

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

ACCOUNTING POLICIES (Continued)

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

In fair value hedge accounting: (Continued)

QNB Finans Finansal Kiralama A.Ş., the subsidiary of the Parent bank, applies fair value hedge accounting through interest rate swaps to hedge itself against changes in interest rates related to TRY borrowings.

QNB Finans Finansal Kiralama A.Ş., the subsidiary of the Parent Bank issues securities, uses loan and financial through swaps, in order to hedge itself against changes in interest and exchange rates regarding lease receivables

Fair value hedge accounting effects are accounted under "Derivative Financial Transactions Profit/Loss from Derivative Financial Transactions" in the statement of profit or loss. QNB Finans Finansal Kiralama A.Ş., the subsidiary, conducts efficiency tests on every balance sheet date for transactions where fair value hedge accounting is applied.

QNB Finans Finansal Kiralama A.Ş., the subsidiary, conducts cash flow hedge accounting transactions effectiveness tests on every balance sheet date, the active segments are as defined in TAS 39 accounted in line with under Equity, "Reclassification of Accumulated Other Comprehensive Income and Expense in Profit or Loss" in financial statements and the amount related to the inactive part is associated with income statement.

At each balance sheet date the Parent Bank and QNB Finans Finansal Kiralama A.Ş., the subsidiary of the Parent Bank, apply 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. Fair value exchange difference adjustment amounting to TRY1,170,135 which is shown in tangible assets in the balance sheet, is amortized over the economic life of the property subject to hedging.

V. Explanations on Interest Income and Expenses

Interest income is recorded according to the effective interest rate method (Rate equal to net present value of future cash flows of financial assets or 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 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 Parent 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.

ACCOUNTING POLICIES (Continued)

V. Explanations on Interest Income and Expenses (Continued)

If the financial asset is impaired and classified as a non-performing receivable, the Parent 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 such calculated amount.

VI. Explanations on Fees and Commission Income and Expenses

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

VII. Explanations and Disclosures on Financial Instruments

Initial recognition of financial instruments

The Parent 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 Parent Bank measures financial asset or financial liabilities at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit/loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Classification of financial instruments

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

As per TFRS 9, the Parent 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 Parent Bank tested all financial assets within the scope of TFRS 9 whether their “contractual cash-flows solely represent payments of principal and interest” and assessed the asset classification within the business model.

ACCOUNTING POLICIES (Continued)

VII. Explanations and Disclosures on Financial Instruments (Continued)

Assessment of business model:

As per TFRS 9, the Parent 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 Parent Bank's business models are divided into three categories.

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

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

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

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

Other business models:

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

Measurement categories of financial assets and liabilities:

Financial assets are classified in three main categories as listed below in accordance with TFRS 9:

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

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 aims 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 if 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 Parent 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 Group' business model. In accordance with TFRS 9, the Parent 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 are accounted under the "Other comprehensive income/expense items to be recycled to profit/loss" under shareholders' equity. Equity securities, which are classified as financial assets at fair value through other comprehensive income, that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

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

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 fair value through other comprehensive income are designated as fair value hedged items, hedged against interest rate fluctuations, starting from March and April 2009, and some portion of the TRY government bonds are designated as fair value hedged items, hedged against interest rate fluctuations, starting from July 2011. 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 Gains/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 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 Parent Bank as explained in part IV, "Explanations on Derivative Financial Assets and Liabilities", enters into 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 Parent 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 could not 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 separately for each financial instrument. 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 Group 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 Group shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition. The Group considers the changes in the default risk of financial instrument, when making the assessment.

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 17 March 2020. This measure will be effective until 31 December 2020. In this manner, in the assessment of whether the debtor defaulted on the loan where the payment is overdue for more than 90 days, consideration is given to whether the debtor's condition is temporary due to COVID-19 pandemic and payment irregularities are related to temporary liquidity constraints. In this context,

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

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, in line with the accounting policies stated in the financial statements as of 31 December 2020. Loans and receivables with past due days exceeding 90 days and past due days less than 180 days are classified according to the Stage 2, but in accordance with their own risk models, the provisions have been calculated according to the Stage 3 rules.

The expected credit loss estimates are required to be unbiased, probability-weighted and include supportable information about past events, current conditions, and forecasts of future economic conditions. These financial assets are divided into three categories depending on 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 2020, minimum probability of default rate of Basel II is used in the expected credit loss calculation 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. Calculation approach is quite similar with approach mentioned above, but probability of default and loss amount in default ratios estimated for the lifetime of instruments.

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 Parent Bank accounts lifetime expected credit losses. In determining the impairment, the Parent Bank takes into consideration the following criteria:

- Delay of over 90 days and impairment of credit worthiness.
- Collateral and/or equity of debtor is inadequate cover the payment of receivables on the maturity.
- If it is convinced that will be delayed by more than 90 days for recovery of receivables due to macroeconomic, sector-specific or customer-specific reasons.

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 (base scenario, bad scenario, New Economic Plan) 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 loss 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 through the cycle (TTC) PDs 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 economic 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")

Temerrüt 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 (base scenario, bad scenario, New Economic Plan) are evaluated. Each of these scenarios was associated with the probability of different default and loss in default.

ACCOUNTING POLICIES (Continued)

VIII. Explanations on Expected Credit Losses (Continued)

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 year credit risk of Turkey,
- Real GDP growth,
- Unemployment rate,
- Inflation rate,
- Five year government bond interest rate of Turkey.

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

Stages were determined through the models created using internal information for the Bank and QNB Finans Finansal Kiralama A.Ş., the simplified method has been applied for other financial institutions. The Parent Bank reflected the possible effects of the COVID-19 outbreak as of 31 December 2021 to 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 Parent Bank revised its macroeconomic expectations and weights in the calculation of expected credit loss. Compared to 31 December 2020, the weight of the worst case scenario was increased by 4000 basis points, 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 the 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 Parent 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.

ACCOUNTING POLICIES (Continued)

VIII. Explanations on Expected Credit Losses (Continued)

Significant increase in credit risk (Continued)

The Parent 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 of the Bank,
- 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.

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 Group 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

ACCOUNTING POLICIES (Continued)

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 as ‘new’ financial asset. When the Parent 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 Parent Bank retains control of the asset, the Parent Bank continues to recognize the remaining portion of the asset and liabilities arising from such asset. When the Parent 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 Parent 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 when the obligation specified in the contract is discharged or cancelled or expires.

d) Reclassification of financial instruments

Based on TFRS 9, it shall be reclassified all affected financial assets at amortised 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.

ACCOUNTING POLICIES (Continued)

X. Derecognition of Financial Instruments (Continued)

e) Restructuring and refinancing of financial instruments

The Parent 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 can not be repaid or if a potential payment difficulty is encountered based on the new financing power and structure of the borrower.

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

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

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

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

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

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 Group's 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.

Securities that are subject to repurchase agreements as at the balance sheet date amounted to TRY22,990,663 31 December 2020– TRY18,700,773).

As of 31 December 2021 the Parent Bank has no securities that are subject to lending transactions (31 December 2020 – None).

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

XII. Explanations on Assets Held for Sale and Discontinued Operations

In accordance with IFRS 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 Group'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 Group has assets held for sale and discontinued operations explained in footnote I.15. of Section Five.

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

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

XIII. Explanations on Goodwill and Other Intangible Assets

The Group's intangible assets consist of software, intangible rights and goodwill.

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.

ACCOUNTING POLICIES (Continued)

XIV. Explanations on Tangible Assets

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:

Properties	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 the 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.

Depreciation is calculated on a pro-rata basis for the assets that have been placed in use for less than a year as of the balance sheet date.

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

Gains or losses resulting from disposals of the tangible assets are recorded in the income statement as the difference between the net proceeds and net book value of the asset.

Expenses for repairs are capitalized if the expenditure increases economic life of the asset; otherwise, they are expensed.

There are no changes in the accounting estimates in regards to amortization duration, which 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%.

ACCOUNTING POLICIES (Continued)

XV. Explanations on Leasing Transactions (Continued)

TFRS 16 Leases

TFRS 16 Leasing 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 financial leases (on balance sheet). For lessors, the accounting stays almost the same. The Group has started to apply “TFRS 16 Leases” Standard starting from 1 January 2019.

The accounting policies for the Group's application of TFRS 16 are as follows:

Right of use assets

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

The right use includes the presence of:

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

At the end of the lease term of the underlying asset's service, the transfer of the Group is reasonably finalized, and the Group 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 Group 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 Group under the residual value commitments
- The use price of this option and, if the Group is reasonably confident that it will use the purchase option;
- Fines for termination of the lease if the lease term indicates that the Group 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 Group 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 Group’s alternative borrowing interest rate at the date of the revaluation.

After the effective date of the lease, the Group 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.

ACCOUNTING POLICIES (Continued)

XV. Explanations on Leasing Transactions (Continued)

Short-Term Leases And Leases Of Low-Value Assets

The Group 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 recognized as expense on a straight-line basis over the lease term.

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

Due to the Group’s implementation of TFRS 16, assets classified under tangible assets as of 31 December 2021 amounted to TRY 491,054 (31 December 2020 – TRY 446,802), lease liability amounted to TRY 495,124 (31 December 2020 – TRY432,075), financing expense amounted to TRY 57,981 (31 December 2020 – TRY 52,777) and depreciation expense amounted to TRY 227,038 (31 December 2020 – TRY 229,554).

XVI. Explanations on Factoring Receivables

Factoring receivables are measured at amortized cost using the effective interest rate method after deducting unearned interest income and when specific provisions for impairment are recognized.

XVII. Explanations on Provisions and Contingent Liabilities

Provisions, other than specific and general provisions for loans and other receivables, and contingent liabilities are provided for in accordance with TAS 37 “Provisions, Contingent Liabilities and Contingent Assets”. Provisions are accounted for immediately when obligations arise as a result of past events and a reliable estimate of the obligation is made by the Group. Whenever the amount of such obligations cannot be measured, they are regarded as contingent. If the possibility of an outflow of resources embodying economic benefits becomes probable and the amount of the obligation can reliably be measured, a provision is provided.

XVIII. Explanations on Obligations of the Group for Employees Benefits

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

In accordance with the existing social legislation in Turkey, the Group 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 Group 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 Group. The Group has reflected the retirement pay liability amount, which was calculated by an independent actuary, in the accompanying financial statements. According to IAS 19, The Group recognizes all actuarial gains and losses immediately through other comprehensive income. The Group 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 IAS 19 and reflected to the financial statements.

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

ACCOUNTING POLICIES (Continued)

XIX. Explanations on Taxation

1. 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 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 Parent Bank and 75% of gain on disposal of subsidiary shares which are held for more than two years in the assets of the Parent 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 Parent 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.

ACCOUNTING POLICIES (Continued)

XIX. Explanations on Taxation (Continued)

2. Deferred Taxes

The Group 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 Group is recognized deferred tax for the Stage 1 and Stage 2 expected credit losses provisions.

According to TAS 12, deferred taxes and liabilities resulting from different subsidiaries subject to consolidation are not presented as net; rather they are presented separately as assets and liabilities in the financial statements.

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.

XX. Additional Explanations on Borrowings

The Parent Bank and consolidated Group companies generate 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 internal yield method

XXI. Explanations on Share Issues

There are no shares issued in 2021 (31 December 2020 - None).

ACCOUNTING POLICIES (Continued)

XXII. 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.

XXIII. Explanations on Government Incentives

As of 31 December 2021, the Group does not have any governmental incentives or support (31 December 2020 – None).

XXIV. Explanations on Segment Reporting

In addition to corporate banking, retail banking and commercial banking services, the Group also provides private banking, SME banking, treasury operations and credit card services through branches and alternative channels. The Group serves its retail banking clients with time, demand deposits, also overdraft services, automatic account services, consumer loans, vehicle loans, housing loans and investment fund services. The Group provides services including deposit and loans, foreign trade financing, forward and option agreements to its corporate clients. Other than those mentioned above, the Group also serves in trading financial instruments, treasury operations, and performs insurance, factoring, and domestic and abroad finance lease operations.

The calculations based on the income statement for retail banking (consumer banking and plastic cards), corporate and commercial banking that 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 Parent Bank’s senior management and which are updated periodically. In this pricing method, general market conditions and the Parent 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 Parent Bank and interest and foreign currency risks resulting from market conditions. This segment is in close relation with corporate, commercial, retail, SME and private banking units in order to increase the number of customers and the volume of transactions in treasury products of the Parent Bank.

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

ACCOUNTING POLICIES (Continued)

XXIV. Explanation on Segment Reporting (Continued)

Current Period (1 January – 31 December 2021)	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Group
Operating Income	**6,790,334**	**4,827,935**	**2,174,062**	**13,792,331**
Dividend Income	-	-	1,305	1,305
Gain/(Loss) on joint venture accounted for at equity method	-	-	107,822	107,822
Profit Before Taxes	**3,200,872**	**510,244**	**1,424,033**	**5,135,149**
Provision Tax (-)	**-**	**-**	**1,227,288**	**1,227,288**
Net Profit/Loss	**-**	**-**	**-**	**3,907,861**
Total Assets	**65,542,275**	**146,803,189**	**151,071,619**	**383,849,012**
Segment Assets	65,542,275	146,803,189	151,071,619	363,417,083
Associates, Subsidiaries and Entities Under Common Control	-	-	-	270,367
Undistributed Assets	-	-	-	20,161,562
Total Liabilities	**142,168,592**	**70,730,858**	**110,075,392**	**383,849,012**
Segment Liabilities	142,168,592	70,730,858	110,075,392	322,974,842
Undistributed Liabilities	-	-	-	38,721,961
Equity	-	-	-	22,152,209
Other Segment Accounts	**818,520**	**569,503**	**4,706**	**1,392,729**
Capital Expenditures	418,853	291,419	21,225	731,497
Depreciation and Amortization	399,667	278,084	(16,519)	661,232

(*) No tax provision has been distributed.

Prior Period (1 January – 31 December 2020)	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Group
Operating Income	**5,096,061**	**3,492,744**	**1,816,418**	**10,405,223**
Dividend Income	-	-	5,257	5,257
Gain/(Loss) on joint venture accounted for at equity method	-	-	98,258	98,258
Profit Before Taxes	**2,067,656**	**(3,014)**	**1,316,054**	**3,380,696**
Provision Tax (-)	**-**	**-**	**626,069**	**626,069**
Net Profit/Loss	**-**	**-**	**-**	**2,754,627**
Total Assets (*)	**47,855,623**	**98,466,811**	**71,220,907**	**235,019,721**
Segment Assets	47,855,623	98,466,811	71,220,907	217,543,341
Associates, Subsidiaries and Entities Under Common Control	-	-	-	237,920
Undistributed Assets	-	-	-	17,238,460
Total Liabilities	**88,937,401**	**36,754,071**	**66,903,198**	**235,019,721**
Segment Liabilities	88,937,401	36,754,071	66,903,198	192,594,670
Undistributed Liabilities	-	-	-	23,183,823
Equity	-	-	-	19,241,228
Other Segment Accounts	**955,982**	**704,979**	**(58,858)**	**1,602,103**
Capital Expenditures	615,635	453,994	(37,992)	1,031,637
Depreciation and Amortization	340,347	250,985	(20,866)	570,466

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

ACCOUNTING POLICIES (Continued)

XXV. Profit Reserves and Profit Distribution

The General Assembly Meeting of the Parent Bank was held on 25 March 2021. In the Board of Directors, it was decided that profit distribution 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

XXVI. 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**
Group's Net Profit for the Period	3,906,647	2,753,783
Weighted Average Amount of Shares Issued (Thousands)	33,500,000	33,500,000
Earnings per Share	**0.1166**	**0.08220**

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).

XXVII. Explanations on Other Matters

None.

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

SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP

I. Explanations on Consolidated 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, Group’s total capital has been calculated as TRY 37,540,811 (31 December 2020: TRY 28,315,865), capital adequacy ratio is 15.24% (31 December 2020: 15.78%) calculated pursuant to former regulations.

In accordance with the BRSA's Decision dated 21 December 2021 and numbered 9996, in the calculation of the amount subject to credit risk in accordance with the Regulation on the Measurement and Evaluation of Capital Adequacy due to the fluctuations in the financial markets as a result of the COVID-19 epidemic; The simple arithmetic average of the Central Bank's foreign exchange buying rates of the last 252 business days before the calculation date can be used when calculating the monetary and non-monetary assets, other than the items in foreign currency measured in historical cost, in accordance with Turkish Accounting Standards, and the related provision amounts. In case the net valuation differences in the portfolio of “Securities at Fair Value Through Other Comprehensive Income” are negative, these differences are not taken into account in the equity amount to be calculated and used for the capital adequacy ratio.

Components of consolidated shareholders’ equity items:

	Current Period 31 December 2021	Prior Period 31 December 2020
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	3,350,000	3,350,000
Share issue premiums	714	714
Reserves	17,072,922	14,217,872
Gains recognized in equity as per TAS	298,650	191,067
Profit	3,906,647	2,855,050
Current Period Profit	3,906,647	2,753,783
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	-	-
Minorities’ Share	9,395	8,181
Common Equity Tier 1 Capital Before Deductions	**24,638,328**	**20,622,884**
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	-
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	837,041	684,425
Improvement costs for operating leasing	79,130	68,148
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	593,242	471,285
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	-
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be defined by the BRSA	-	-
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	-
Total Deductions From Common Equity Tier 1 Capital	**1,509,413**	**1,223,858**
Positive difference between the amount of expected credit losses before implementation of TFRS 9 and expected credit losses from TFRS 9 adoption	142,258	284,516
Total Common Equity Tier 1 Capital	**23,271,173**	**19,683,542**

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

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

I. Explanations on Consolidated Equity (Continued)

	Current Period 31 December 2021	Prior Period 31 December 2020
ADDITIONAL TIER I CAPITAL		
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)	-	-
Third parties' share in the Additional Tier I capital	-	-
Third parties' share in the Additional Tier I capital (Temporary Article 3)	-	-
Additional Tier I Capital before Deductions	**6,813,188**	**3,853,763**
Deductions from Additional Tier I Capital	-	-
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other items to be defined by the BRSA	-	-
Transition from the Core Capital to Continue to deduce Components	-	-
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
Total Deductions From Additional Tier I Capital	-	-
Total Additional Tier I Capital	-	-
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	**30,084,361**	**23,537,305**
TIER II CAPITAL		
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
Third parties' share in the Tier II Capital	-	-
Third parties' share in the Tier II Capital (Temporary Article 3)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	2,783,169	2,000,260
Tier II Capital Before Deductions	**7,779,507**	**4,826,353**
Deductions From Tier II Capital	-	-
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank(-)	-	-
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	**7,779,507**	**4,826,353**
Total Capital (The sum of Tier I Capital and Tier II Capital)	**37,863,868**	**28,363,658**
Total Capital		
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
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components	-	
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank 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 common stock 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, 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	-	-

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

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

I. Explanations on Consolidated Equity (Continued)

	Current Period 31 December 2021	Prior Period 31 December 2020
TOTAL CAPITAL		
Total Capital	37,540,805	28,315,865
Total risk weighted amounts	246,313,414	179,427,043
Capital Adequacy Ratios		
CET1 Ratio (%)	9.45	10.97
Consolidated Tier 1 Ratio (%)	12.21	13.12
Consolidated Capital Adequacy Ratio (%)	15.24	15.78
BUFFERS		
Bank specific total common equity tier 1 ratio	3.51	3.51
a) Capital conservation buffer requirement (%)	2.50	2.50
b) Bank specific counter-cyclical buffer requirement (%)	0.01	0.01
c) Systemic significant bank buffer ratio (%)	1.00	1.00
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 (%)	3.80	4.97
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	218,293	185,854
Amount arising from mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before ten thousand twenty-five limitation)	5,782,122	4,184,843
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	2,783,169	2,000,260
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
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 expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

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

I. Explanations on Consolidated 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 (e.g. 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	Standalone - Consolidated	Standalone - Consolidated	Standalone - 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	01 April 2019	22 May 2017
Perpetual or dated	Perpetual	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	Interest will not be processed for the value reduced after the impairment date.	-	-
Fully discretionary, partially discretionary or mandatory	Discretionary	-	-

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

I. Explanations on Consolidated Equity (Continued)

Information on debt instruments included in the calculation of equity(Continued):

	1	2	3
Existence of step up or other 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	-	Discretionary	Discretionary
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)	Disappearance of non-existence and lower core capital ratio 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 the senior creditors, and TIER 2	After the senior creditors, before the TIER 1 sub debt, same with TIER 2	After the senior creditors, before the TIER 1 sub debt, same with TIER2
Incompliance with article number 7 and 8 of "Own fund regulation"	It fulfills the conditions within the Article 7 of the Regulation on the Equity of Banks.	It fulfills the conditions within the Article 8 of the Regulation on the Equity of Banks.	It fulfills the conditions within the Article 8 of 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.

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

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

I. Explanations on Consolidated Equity (Continued)

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

EQUITY ITEMS	T	T-1
Common Equity	23,271,173	23,271,173
Transition process not implemented Common Equity	23,128,921	23,128,921
Tier 1 Capital	30,084,361	30,084,361
Transition process not implemented Tier 1 Capital	29,942,109	29,942,109
Total Capital	37,540,805	37,540,805
Transition process not implemented Equity	37,398,553	37,398,553
TOTAL RISK WEIGHTED AMOUNTS		
Total Risk Weighted Amounts	246,313,414	246,313,414
Capital Adequacy Ratio		
Common Equity Adequacy Ratio (%)	9.45%	9.45%
Transition process not implemented Common Equity Adequacy Ratio (%)	9.39%	9.39%
CET1 Ratio (%)	12.21%	12.21%
Transition process not implemented CET1 Ratio (%)	12.16%	12.16%
Capital Adequacy Ratio (%)	15.24%	15.24%
Transition process not implemented Capital Adequacy Ratio (%)	15.18%	15.18%
LEVERAGE		
Leverage Ratio Total Risk Amount	487,214,617	487,214,617
Leverage (%)	5.80%	5.80%
Transition process not implemented Leverage Ratio (%)	6.15%	6.15%

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

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

II. Explanations on Consolidated Risk Management

1. Consolidated credit risk explanations

Credit Risk Explanations Credit risk represents the risk arising due to the counter party's not fulfilling its responsibilities stated in the agreement either partially or totally. Credit Risk Management Committee and Credit Department is responsible for managing credit risk.

Loan strategies and policies are determined by the Policy Committees. These policies and strategies are constituted in line with the applications of the Parent, 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 steps of the Group’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 Group’s loan limit revision procedures.

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

The Group 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.

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

II. Explanations on Consolidated Risk Management (Continued)

1. Consolidated credit risk explanations(Continued)

The Group 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 Group in line with the Group'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 Group's current internal rating system besides the follow up method determined in the related regulation.

The risk of banking operation abroad and credit transactions is acceptable and there is no significant credit risk density in 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 into consideration 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)

Pursuant to the Decision of the Banking Regulation and Supervision Agency dated 21 December 2021 and numbered 9996;

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.The receivables of the Group from its top 100 cash loan customers are 31% in the total cash loans (31 December 2020 – 27%).

The receivables of the Group from its top 200 cash loan customers are 36% in the total cash loans (31 December 2020 – 32%).

The receivables of the Group from its top 100 non-cash loan customers are 50% in the total non-cash loans (31 December 2020 – 50%).

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

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

II. Explanations on Consolidated Risk Management (Continued)

1. Consolidated credit risk explanations (Continued)

The receivables of the Group 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 Group from its top 100 loan customers in total cash and non-cash loans is 30% (31 December 2020 – 27%).

The share of cash and non-cash receivables of the Group from its top 200 loan customers in total cash and non-cash loans is 35% (31 December 2020 – 32%).

The Group general total provision is amounted to TRY 5,782,123 (31 December 2020 – TRY 4,184,843).

As of 31 December 2021 Provision for probable risks in the Group’s loan portfolio amount is not included (31 December 2020 – None).

	Current Period		Prior Period	
Exposure Categories	**Risk Amount(*)**	**Average Risk Amount (**)**	**Risk Amount (*)**	**Average Risk Amount (**)**
Conditional and unconditional receivables from central governments and Central Banks	91,520,203	72,790,121	60,832,299	52,092,423
Conditional and unconditional receivables from regional or local governments	178,915	110,503	98,192	98,027
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	215,816	245,180	378,860	304,032
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	51,409,418	38,801,593	28,674,841	31,466,812
Conditional and unconditional receivables from corporates	105,329,129	98,227,618	88,502,398	76,568,081
Conditional and unconditional receivables from retail portfolios	84,088,691	79,232,618	73,967,558	68,479,307
Conditional and unconditional receivables secured by mortgages	13,863,607	9,776,526	6,674,515	5,504,665
Past due receivables	2,067,694	1,807,059	1,994,613	1,974,693
Receivables defined in high risk category by BRSA	14,155,145	4,680,245	490,654	360,725
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-
Investments similar to collective investment Funds	-	-	-	-
Investment in equities	2,444,501	2,144,015	1,909,620	1,711,798
Other receivables	14,549,400	10,500,902	8,616,464	8,244,119

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

(**)The average risk amount was calculated by taking the arithmetic average of the values in the monthly reports prepared in balance sheet period in regards to “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (the “Regulation”).

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

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

II. Explanations on Consolidated Risk Management (Continued)

1. Consolidated credit risk explanations (Continued)

Profile of significant exposures in major regions:

	Exposure Categories (*)																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Current Period																		
1. Domestic	91,520,203	178,915	215,816	-	-	3,024,885	97,517,927	54,213,389	13,858,850	1,880,140	13,000,131	-	-	-	-	-	14,549,400	289,959,656
2. European Union Countries	-	-	-	-	-	36,956,155	445,689	1,254	29	11	1,348	-	-	-	-	-	-	37,404,486
3. OECD Countries (**)	-	-	-	-	-	1,472,322	13	-	-	-	-	-	-	-	-	-	-	1,472,335
4. Offshore Banking Areas	-	-	-	-	-	3,211,363	297,697	335	-	-	-	-	-	-	-	-	-	3,509,395
5. USA, Canada	-	-	-	-	-	4,262,094	-	5,165	19	-	-	-	-	-	-	-	-	4,267,278
6. Other Countries	-	-	-	-	-	2,482,599	7,067,803	29,868,548	4,709	187,543	1,153,666	-	-	-	-	2,444,501	-	43,209,369
7. Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8. Unallocated Assets/Liabilities (***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**91,520,203**	**178,915**	**215,816**	**-**	**-**	**51,409,418**	**105,329,129**	**84,088,691**	**13,863,607**	**2,067,694**	**14,155,145**	**-**	**-**	**-**	**-**	**2,444,501**	**14,549,400**	**379,822,519**

	Exposure Categories (*)																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Prior Period																		
1. Domestic	60,832,299	98,192	378,860	-	-	1,589,368	81,859,792	52,736,714	6,674,192	1,821,378	418,047	-	-	-	-	-	8,616,464	215,025,306
2. European Union Countries	-	-	-	-	-	22,275,219	485,438	230	89	11	63,104	-	-	-	-	-	-	22,824,091
3. OECD Countries (**)	-	-	-	-	-	423,189	11	-	-	3,760	7,761	-	-	-	-	-	-	434,721
4. Offshore Banking Areas	-	-	-	-	-	2,260,776	247,094	6	-	-	-	-	-	-	-	-	-	2,507,876
5. USA, Canada	-	-	-	-	-	1,687,202	22,465	164	62	-	-	-	-	-	-	-	-	1,709,893
6. Other Countries	-	-	-	-	-	439,087	5,887,598	21,230,444	172	169,464	1,742	-	-	-	-	1,909,620	-	29,638,127
7. Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8. Unallocated Assets/Liabilities (***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**60,832,299**	**98,192**	**378,860**	**-**	**-**	**28,674,841**	**88,502,398**	**73,967,558**	**6,674,515**	**1,994,613**	**490,654**	**-**	**-**	**-**	**-**	**1,909,620**	**8,616,464**	**272,140,014**

(*) Exposure categories based on “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks". Prior to the Credit Risk Reduction, the risk amounts after the credit conversion rate are given.
(**) 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 and Central Banks
2- Conditional and unconditional receivables from regional or local governments
3- Conditional and unconditional receivables from administrative bodies and noncommercial 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 receivables from retail portfolios
9- Conditional and unconditional receivables secured by mortgages
10- Past due receivables
11- Receivables defined under high risk category by BRSA
12- Securities collateralized by mortgages
13- Securitization positions
14- Short-term receivables from banks, brokerage houses and corporates
15- Investments similar to collective investment Funds
16- Investment in equities
17- Other receivables

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

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

II. Explanations on Consolidated Risk Management (Continued)

1. Consolidated credit risk explanations (Continued)

Risk profile regarding sectors or counter parties:

	Exposure Categories (*)																			
Current Period	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**TL**	**FC**	**Total**
Agriculture	-	-	**2,723**	-	-	-	**711,895**	**1,608,169**	**34,664**	**83,852**	**50,624**	-	-	-	-	-	-	**2,100,668**	**391,259**	**2,491,927**
Farming and Raising Livestock	-	-	2,723	-	-	-	366,971	1,554,423	30,295	83,679	50,624	-	-	-	-	-	-	1,962,678	126,037	2,088,715
Forestry	-	-	-	-	-	-	94	16,616	169	31	-	-	-	-	-	-	-	16,910	-	16,910
Fishing	-	-	-	-	-	-	344,830	37,130	4,200	142	-	-	-	-	-	-	-	121,080	265,222	386,302
Industrial	-	**116,496**	**94**	-	-	-	**43,181,146**	**7,478,925**	**1,720,921**	**223,451**	**43,937**	-	-	-	-	-	-	**22,237,061**	**30,527,909**	**52,764,970**
Mining and Quarrying	-	-	-	-	-	-	486,256	170,257	3,532	12,032	44	-	-	-	-	-	-	397,950	274,171	672,121
Production	-	-	94	-	-	-	35,584,160	7,163,433	1,713,814	211,376	43,893	-	-	-	-	-	-	21,010,315	23,706,455	44,716,770
Electricity, Gas, Water	-	116,496	-	-	-	-	7,110,730	145,235	3,575	43	-	-	-	-	-	-	-	828,796	6,547,283	7,376,079
Construction	-	-	-	-	-	-	**6,185,284**	**3,561,464**	**660,865**	**451,326**	**44,185**	-	-	-	-	-	-	**7,907,673**	**2,995,451**	**10,903,124**
Services	**50,098,746**	**33**	**3,530**	-	-	**46,439,591**	**47,509,479**	**15,605,962**	**9,338,943**	**836,566**	**117,072**	-	-	-	-	-	-	**54,396,490**	**115,553,432**	**169,949,922**
Wholesale and Retail Trade	-	-	2,276	-	-	-	14,192,645	12,193,986	1,249,005	364,274	77,931	-	-	-	-	-	-	22,000,335	6,079,782	28,080,117
Hotel, Food and Beverage	-	-	-	-	-	-	2,633,611	331,832	2,210,924	41,872	10,900	-	-	-	-	-	-	773,255	4,455,884	5,229,139
Transportation and Communication	-	-	-	-	-	-	17,615,731	1,147,303	464,727	19,231	2,794	-	-	-	-	-	-	1,959,087	17,290,699	19,249,786
Financial Institutions	50,098,746	33	-	-	-	46,439,591	2,811,383	134,488	23,443	1,087	-	-	-	-	-	-	-	25,598,825	73,909,946	99,508,771
Real Estate and Rent Services	-	-	-	-	-	-	4,439,707	264,010	4,944,735	373,898	1,067	-	-	-	-	-	-	1,247,865	8,775,552	10,023,417
Self-Employment Services	-	-	697	-	-	-	1,213,872	727,457	61,407	20,962	3,046	-	-	-	-	-	-	1,315,236	712,205	2,027,441
Educational Services	-	-	3	-	-	-	106,101	223,735	18,868	7,605	20,801	-	-	-	-	-	-	361,383	15,730	377,113
Health and Social Services	-	-	554	-	-	-	4,496,429	583,151	365,834	7,637	533	-	-	-	-	-	-	1,140,504	4,313,634	5,454,138
Other	**41,421,457**	**62,386**	**209,469**	-	-	**4,969,827**	**7,741,325**	**55,834,171**	**2,108,214**	**472,499**	**13,899,327**	-	-	-	-	**2,444,501**	**14,549,400**	**117,557,381**	**26,155,195**	**143,712,576**
Total	**91,520,203**	**178,915**	**215,816**	-	-	**51,409,418**	**105,329,129**	**84,088,691**	**13,863,607**	**2,067,694**	**14,155,145**	-	-	-	-	**2,444,501**	**14,549,400**	**204,199,273**	**175,623,246**	**379,822,519**

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

1- Conditional and unconditional receivables from central governments and Central Banks
2- Conditional and unconditional receivables from regional or local governments
3- Conditional and unconditional receivables from administrative bodies and noncommercial 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 receivables from retail portfolios
9- Conditional and unconditional receivables secured by mortgages
10- Past due receivables
11- Receivables defined under high risk category by BRSA
12- Securities collateralized by mortgages
13- Securitization positions
14- Short-term receivables from banks, brokerage houses and corporates
15- Investments similar to collective investment Funds
16-Investment in equities
17- Other receivables

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

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

II. Explanations on Consolidated Risk Management (Continued)

1. Consolidated credit risk explanations (Continued)

Risk profile regarding sectors or counter parties:

	Exposure Categories (*)																			
Prior Period	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**TL**	**FC**	**Total**
Agriculture	-	-	**107,256**	-	-	-	**437,904**	**1,982,031**	**36,420**	**95,173**	**36,519**	-	-	-	-	-	-	**2,465,210**	**230,093**	**2,695,303**
Farming and Raising Livestock	-	-	107,256	-	-	-	234,937	1,934,049	36,043	92,562	35,990	-	-	-	-	-	-	2,354,452	86,385	2,440,837
Forestry	-	-	-	-	-	-	1,382	7,553	-	10	-	-	-	-	-	-	-	8,945	-	8,945
Fishing	-	-	-	-	-	-	201,585	40,429	377	2,601	529	-	-	-	-	-	-	101,813	143,708	245,521
Industrial	-	**58,796**	**395**	-	-	-	**33,146,868**	**5,905,972**	**955,938**	**247,069**	**58,712**	-	-	-	-	-	-	**17,781,014**	**22,592,736**	**40,373,750**
Mining and Quarrying	-	-	-	-	-	-	343,378	128,925	30,689	5,104	585	-	-	-	-	-	-	358,586	150,095	508,681
Production	-	-	395	-	-	-	27,468,675	5,647,138	922,184	232,489	58,127	-	-	-	-	-	-	16,871,445	17,457,563	34,329,008
Electricity, Gas, Water	-	58,796	-	-	-	-	5,334,815	129,909	3,065	9,476	-	-	-	-	-	-	-	550,983	4,985,078	5,536,061
Construction	-	-	-	-	-	-	**6,069,416**	**3,245,564**	**437,719**	**286,324**	**127,057**	-	-	-	-	-	-	**7,566,183**	**2,599,897**	**10,166,080**
Services	**27,289,714**	**33**	**50,110**	-	-	**24,491,203**	**42,882,031**	**13,211,963**	**2,991,299**	**984,990**	**189,196**	-	-	-	-	-	-	**36,428,064**	**75,662,475**	**112,090,539**
Wholesale and Retail Trade	-	-	25,421	-	-	-	11,607,890	10,349,190	867,805	490,061	139,774	-	-	-	-	-	-	19,145,359	4,334,782	23,480,141
Hotel, Food and Beverage	-	-	-	-	-	-	3,744,974	296,049	262,719	24,640	7,052	-	-	-	-	-	-	756,056	3,579,378	4,335,434
Transportation and Communication	-	-	-	-	-	-	15,062,489	906,869	40,681	20,835	2,512	-	-	-	-	-	-	1,627,724	14,405,662	16,033,386
Financial Institutions	27,289,714	33	-	-	-	24,491,203	989,461	163,737	6,378	497	452	-	-	-	-	-	-	11,201,790	41,739,685	52,941,475
Real Estate and Rent Services	-	-	-	-	-	-	5,874,158	261,737	1,652,083	393,435	19,804	-	-	-	-	-	-	1,087,596	7,113,621	8,201,217
Self-Employment Services	-	-	23,979	-	-	-	1,178,288	597,081	38,959	21,275	7,661	-	-	-	-	-	-	1,147,158	720,085	1,867,243
Educational Services	-	-	2	-	-	-	200,859	211,849	6,639	26,152	8,368	-	-	-	-	-	-	415,815	38,054	453,869
Health and Social Services	-	-	708	-	-	-	4,223,912	425,451	116,035	8,095	3,573	-	-	-	-	-	-	1,046,566	3,731,208	4,777,774
Other	**33,542,585**	**39,363**	**221,099**	-	-	**4,183,638**	**5,966,179**	**49,622,028**	**2,253,139**	**381,057**	**79,170**	-	-	-	-	**1,909,620**	**8,616,464**	**82,887,914**	**23,926,428**	**106,814,342**
Total	**60,832,299**	**98,192**	**378,860**	-	-	**28,674,841**	**88,502,398**	**73,967,558**	**6,674,515**	**1,994,613**	**490,654**	-	-	-	-	**1,909,620**	**8,616,464**	**147,128,385**	**125,011,629**	**272,140,014**

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

1- Conditional and unconditional receivables from central governments and Central Banks
2- Conditional and unconditional receivables from regional or local governments
3- Conditional and unconditional receivables from administrative bodies and noncommercial 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 receivables from retail portfolios
9- Conditional and unconditional receivables secured by mortgages
10- Past due receivables
11- Receivables defined under high risk category by BRSA
12- Securities collateralized by mortgages
13- Securitization positions
14- Short-term receivables from banks, brokerage houses and corporates
15- Investments similar to collective investment Funds
16- Investment in equities
17- Other receivables

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

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

II. Explanations on Consolidated Risk Management (Continued)

1. Consolidated credit risk explanations (Continued)

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

Current Period Exposure Categories	Term To Maturity				
	Up to 1 month	1-3 month	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	9,746	6	195,413
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	8,992,416	9,209,816	782,541	6,024,921	4,959,909
Conditional and unconditional receivables from corporates	8,119,331	10,569,045	11,324,719	15,120,906	53,181,052
Conditional and unconditional receivables from retail portfolios	4,876,286	7,753,065	7,522,719	11,769,701	28,611,822
Conditional and unconditional receivables secured by mortgages	118,023	292,342	727,457	1,126,423	11,430,203
Past due receivables	-	-	-	-	-
Receivables defined in 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	-	-	-	-	-
Investment in equities	7,674	-	-	-	-
Other receivables	-	-	-	-	-
Generall Total	**24,673,563**	**30,077,357**	**20,693,627**	**35,849,632**	**149,574,732**

(*) Risk amounts prior to Loan Reduction, After the Loan conversion rates are given.

Prior Period Risk Classification	Term To Maturity				
	Up to 1 month	1-3 month	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	-	-	-	-	98,159
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	790	64,556	77,688	27,862	196,746
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	6,166,408	4,665,263	870,505	918,296	5,875,624
Conditional and unconditional receivables from corporates	8,801,043	6,542,981	9,273,487	11,861,432	46,282,400
Conditional and unconditional receivables from retail portfolios	3,574,906	5,402,415	6,026,649	8,328,782	34,209,274
Conditional and unconditional receivables secured by mortgages	60,566	284,686	209,111	429,146	5,609,722
Past due receivables	-	-	-	-	-
Receivables defined in 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	-	-	-	-	-
Investment in equities	7,674	-	-	-	-
Other receivables	-	-	-	-	-
General Total	**23,989,735**	**17,561,462**	**16,923,663**	**22,757,444**	**120,489,382**

(*) Risk amounts prior to Loan Reduction, After the Loan conversion rates are given.

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

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

II. Explanations on Consolidated Risk Management (Continued)

1. Consolidated credit risk explanations (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	96,792,187	-	13,795,968	-	35,922,633	80,409,985	138,720,007	14,155,145	-	-	26,594	995,430
2. Exposures After Credit Risk Mitigation	96,450,222	-	8,254,658	2,110,492	24,595,077	73,240,114	130,861,186	13,702,564	-	-	26,594	995,430

Prior Period

Risk Eight	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	2%	Deductions from Equity
1. Exposures Before Credit Risk Mitigation	62,868,160	-	5,891,050	-	21,915,704	77,273,176	103,627,147	490,654	-	-	74,123	587,226
2. Exposures After Credit Risk Mitigation	62,942,409	-	3,002,732	2,266,686	15,104,035	68,841,164	97,669,596	490,637	-	-	74,123	587,226

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 Section IV Part 2.

Current Period	Loans(*)			Provisions	
	Impaired Loans (TFRS 9)				
Major Sectors/Counterparties	Significant Increase of Credit Risk (Stage 2)	Default (Stage 3)	Non-Performing (Regulation of Provision)	Expected Credit Loss Provisions (TFRS 9)	(Regulation of Provision)
1. Agriculture	**251,454**	**451,157**	**-**	**289,430**	**-**
1.1. Farming and Livestock	248,085	370,225	-	255,233	-
1.2. Forestation	1,819	78,577	-	31,853	-
1.3. Fishing	1,550	2,355	-	2,344	-
2. Industrial	**1,944,161**	**1,572,015**	**-**	**1,717,924**	**-**
2.1. Mining and Quarrying	23,286	111,473	-	63,464	-
2.2. Manufacturing Industry	1,902,286	1,136,513	-	1,301,989	-
2.3. Electricity, Gas, Water	18,589	324,029	-	352,471	-
3. Construction	**1,013,482**	**1,329,720**	**-**	**1,034,844**	**-**
4. Services	**11,926,149**	**3,552,235**	**-**	**4,812,317**	**-**
4.1. Wholesale and Retail Commerce	1,602,091	1,928,118	-	1,805,898	-
4.2. Hotel and Restaurant Services	966,052	392,321	-	383,648	-
4.3. Transportation and Communication	276,018	140,079	-	151,353	-
4.4. Financial Corporations	7,916,880	825,439	-	1,967,628	-
4.5. Real Estate and Loan Services	94,351	27,810	-	43,251	-
4.6. Independent Business Services	598,745	122,167	-	284,680	-
4.7. Education Services	38,197	67,775	-	42,250	-
4.8. Health and Social Services	433,815	48,526	-	133,609	-
5. Other	4,057,337	2,611,020	-	2,694,362	-
6. Total	**19,192,583**	**9,516,147**	**-**	**10,548,877**	**-**

(*) Represents the distribution of cash loans.

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

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

II. Explanations on Consolidated Risk Management (Continued)

1. Consolidated credit risk explanations (Continued)

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

Prior Period	Loans(*)			Provisions	
	Impaired Loans (TFRS 9)				
Major Sectors/Counterparties	Significant Increase of Credit Risk (Stage 2)	Default (Stage 3)	Non-Performing (Regulation of Provision)	Expected Credit Loss Provisions (TFRS 9)	(Regulation of Provision)
1. Agriculture	**502,782**	**397,797**	**-**	**330,764**	**-**
1.1. Farming and Livestock	499,944	338,592	-	309,401	-
1.2. Forestation	1,026	48,137	-	12,561	-
1.3. Fishing	1,812	11,068	-	8,802	-
2. Industrial	**2,037,183**	**1,561,724**	**-**	**1,694,668**	**-**
2.1. Mining and Quarrying	51,022	60,630	-	40,659	-
2.2. Manufacturing Industry	1,977,375	1,146,456	-	1,292,515	-
2.3. Electricity, Gas, Water	8,786	354,638	-	361,494	-
3. Construction	**1,490,881**	**1,017,156**	**-**	**1,138,072**	**-**
4. Services	**7,609,441**	**3,735,467**	**-**	**3,893,844**	**-**
4.1. Wholesale and Retail Commerce	1,697,596	2,153,796	-	1,979,049	-
4.2. Hotel and Restaurant Services	660,514	273,120	-	322,911	-
4.3. Transportation and Communication	361,111	136,880	-	175,556	-
4.4. Financial Corporations	3,793,961	894,057	-	1,020,668	-
4.5. Real Estate and Loan Services	79,298	26,803	-	41,389	-
4.6. Independent Business Services	541,342	120,911	-	173,794	-
4.7. Education Services	47,468	82,940	-	58,198	-
4.8. Health and Social Services	428,151	46,960	-	122,279	-
5. Other	**3,230,384**	**2,811,222**	**-**	**3,041,626**	**-**
6. Total	**14,870,671**	**9,523,366**	**-**	**10,098,974**	**-**

(*) Represents the distribution of cash loans.

Movements in value adjustments and provisions

Current Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments(*)	Closing Balance
1. Stage 3 Provisions(**)	7,133,072	2,197,301	(973,373)	(1,224,843)	7,132,157
2. Stage 1 and 2 Provisions	4,184,843	2,416,564	(819,285)	-	5,782,122

(*) Represents the provision of loans written-off.

(**) Demonstrates provision movement of Stage 3 cash loans.

Prior Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments(*)	Closing Balance
1. Stage 3 Provisions(**)	6,180,327	1,752,117	(750,859)	(48,513)	7,133,072
2. Stage 1 and 2 Provisions	2,664,452	2,040,212	(519,821)	-	4,184,843

(*) Represents the provision of loans written-off.

(**) 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 no. 28812 dated 5 November 2013 is presented below:

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

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

II. Explanations on Consolidated Risk Management(Continued)

1. Consolidated credit risk explanations (Continued)

Information on private sector receivables:

Current Period **Country**	**RWAs of Banking Book for Private Sector Lending**	**RWAs of Trading Book**	**Total**
Turkey	238,366,466	-	238,366,466
Malta	621,516	-	621,516
Other	1,243,149	-	1,243,149
Total	**240,231,131**	**-**	**240,231,131**

Prior Period **Country**	**RWAs of Banking Book for Private Sector Lending**	**RWAs of Trading Book**	**Total**
Turkey	159,057,926	-	159,057,926
Malta	496,750	-	496,750
Other	684,090	-	684,090
Total	**160,238,766**	**-**	**160,238,766**

2. Risk Management and General Disclosures regarding Risk Weighted Amounts

2.1. GBA – Risk management approach of the group:

a) The way risk profile of the Group 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 Group is related to risk appetite approved by board of directors

Group acknowledges that business and strategy risks are material since the Group's growth oriented business plan is sensitive to changes in market conditions. From this point of view, Group classifies business and strategy risk as an important risk. Group 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 Group (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)

Group'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. Group'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 Group or its customers.

Risk management governance at the Group 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 ("ORC"), Reputation Risk Management Committee 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 Group.

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

II. Explanations on Consolidated Risk Management(Continued)

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

2.1. GBA – Risk management approach of the group: (Continued)

b) Risk management structure: Allocation of responsibilities in the Group (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 AC is responsible for supervising whether the Group 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 Group has the methods, instruments and procedures required for identifying, measuring, monitoring and controlling the risk exposures of the Group,

The ALCO, meeting monthly, is responsible for monitoring and managing the structural asset-liability mismatches of the Group, 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 Group'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 Group 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 Group 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 section 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. This includes in particular anti-money laundering and terrorist financing regulation. In doing so, the compliance function informs all Group 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 Group 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 Group has and controls relevant to them during audit works.

c) Channels which are used to extend and apply risk culture in the Group (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 Group 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 Group'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.

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

II. Explanations on Consolidated Risk Management (Continued)

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

2.1. GBA – Risk management approach of the group (Continued):

c) Channels which are used to extend and apply risk culture in the Group (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)

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.

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.

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.

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

Banking Account Interest Rate Risk (BHFOR) Policy sets the basic principles for the management of interest rate risk related to banking activities other than trading accounts.
The liquidity policy outlines the Group'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 Group's stakeholders manage operational risk within a formalized 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 Group 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 Group's strategic aspirations and regulatory requirements. In particular, the Group'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 RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

II. Explanations on Consolidated Risk Management (Continued)

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

2.1. GBA – Risk management approach of the group (Continued)

d) Key elements and scope of risk measurement systems (Continued)

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 of the Group, including identification of any concentrations of risk.

The Market Risk Management Policy determines the key principles underlying the operations of the Group 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.

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, business Loans and retail Loans, and include;

- Basic risk appetite parameters in the Group Risk Management Strategy.
- 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 watch list 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.

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

II. Explanations on Consolidated Risk Management (Continued)

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

2.1. GBA – Risk management approach of the group (Continued)

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

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 Book and AFS portfolio
- Nominal values of bond portfolios
- A breakdown of the portfolio and the relevant limits utilization
- Utilization of limits on option Greeks
- Sensitivity of credit derivatives to credit spread changes

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

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 tests 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 the 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 Group’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 Group'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.

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

II. Explanations on Consolidated Risk Management (Continued)

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

2.1. GBA – Risk management approach of the group (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) (Continued)

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 Group's ability to meet its obligations during a funding crisis is tested. The Group 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 Group 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.

It is also possible to mention that a similar precautionary level is reflected to “Communique on Credit Risk Mitigation Techniques” over conditions and legal haircut ratios required to consider collaterals as risk mitigating element. However, the Group only considers cash and cash equivalent collaterals during the calculation of capital adequacy. Consideration types of cash and cash equivalent collaterals are relatively simple and values of such collaterals reflects current market prices as of reporting dates.

Operational requirements has been increased in order to consider such collaterals as well as Basel II with respect to risk weighted applications of credits secured with commercial and residential immovable property mortgage.

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

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

II. Explanations on Consolidated Risk Management (Continued)

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

2.1. GBA – Risk management approach of the group (Continued)

GB1 – Overview of risk weighted assets:

		Risk Weighted Assets		Minimum Capital Requirements	
		31.12.2021	**31.12.2020**	**31.12.2021**	**31.12.2020**
1	Credit risk (excluding counterparty credit risk)	212,756,907	154,414,869	17,020,553	12,353,189
2	Standardised approach	212,756,907	154,414,869	17,020,553	12,353,189
3	Internal rating-based approach	-	-	-	-
4	Counterparty credit risk	9,896,598	5,605,940	791,728	448,475
5	Standardised approach for counterparty credit risk	9,896,598	5,605,940	791,728	448,475
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	Securitisation exposures in banking accounts	-	-	-	-
13	IRB ratings-based approach	-	-	-	-
14	IRB Supervisory Formula Approach	-	-	-	-
15	SA/simplified supervisory formula approach	-	-	-	-
16	Market risk	5,888,475	3,907,213	471,078	312,577
17	Standardised approach	5,888,475	3,907,213	471,078	312,577
18	Internal model approaches	-	-	-	-
19	Operational risk	17,771,434	15,499,021	1,421,714	1,239,922
20	Basic Indicator Approach	17,771,434	15,499,021	1,421,714	1,239,922
21	Standardised Approach	-	-	-	-
22	Advanced Measurement Approach	-	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-	-
24	Floor adjustment	-	-	-	-
25	**TOTAL(1+4+7+8+9+10+11+12+16+19+23+24)**	**246,313,414**	**179,427,043**	**19,705,073**	**14,354,163**

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

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

II. Explanations on Consolidated Risk Management (Continued)

3. Linkages between financial statements and risk amounts

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 accodance with TAS			
Assets	**Carrying values in financial statements prepared as per TAS**	**Carrying values of items in accordance with TAS**	**Subject to credit risk**	**Subject to counterparty credit risk**	**Subject to the Securitization framework**	**Subject to market risk**
Cash and balances with the Central Bank	70,290,905	70,287,488	70,294,571	-	-	-
Trading Financial Assets(*)	9,842,852	9,842,852	-	9,839,432	-	5,227,730
Financial Assets at Fair Value Through Profit or Loss	562,736	774,458	537,617	-	-	339,126
Banks	17,684,194	15,816,302	15,819,972	-	-	-
Money Market Placements	159,508	159,508	-	159,508	-	-
Financial Assets Available-for-Sale (net)	19,691,782	19,677,747	19,677,747	8,052,567	-	-
Loans and Receivables	198,376,037	197,854,995	203,085,571	-	-	-
Factoring Receivables	3,727,952	3,810,518	3,810,518	-	-	-
Held-to-maturity investments (net)	29,847,182	29,847,183	29,856,976	14,938,096	-	-
Investment in Associates (net)	-	14,027	14,027	-	-	-
Investment in Subsidiaries (net)	-	38,046	38,046	-	-	-
Investment in Joint ventures (net)	210,971	218,294	218,294	-	-	-
Lease Receivables	11,401,832	10,689,748	10,689,748	-	-	-
Derivative Financial Assets Held For Hedging(*)	11,963,432	11,963,432	-	11,963,432	-	-
Property And Equipment (Net)	3,731,530	3,773,645	3,694,515	-	-	-
Intangible Assets (Net)	669,817	569,455	-	-	-	-
Investment Property (Net)	-	-	-	-	-	-
Tax Asset	346,969	343,730	343,730	-	-	-
Assets Held For Resale And Related To Discontinued Operations (Net)	-	-	-	-	-	-
Other Assets	4,602,348	8,167,584	8,176,087fv	-	-	-
Total Assets	**383,110,047**	**383,849,012**	**366,257,419**	**44,953,035**	**-**	**5,566,856**
Liabilities						
Deposits	236,219,701	225,876,579	-	-	-	-
Derivative Financial Liabilities Held for Trading(**)	10,784,969	10,784,969	-	-	-	-
Funds Borrowed	37,171,251	37,252,267	-	-	-	-
Money Markets	18,123,446	18,190,614	-	18,190,614	-	-
Marketable Securities Issued	29,800,057	29,802,816	-	-	-	-
Funds	-	-	-	-	-	-
Miscellaneous Payables(***)	8,499,110	18,846,635	-	-	-	-
Other Liabilities(***)	4,170,744	4,788,052	-	-	-	-
Factoring Payables	-	-	-	-	-	-
Lease Payables	487,262	487,262	-	-	-	-
Derivative Financial Liabilities Held For Hedging(**)	1,998,921	1,998,921	-	-	-	-
Provisions	1,651,362	1,648,401	-	-	-	-
Tax Liability	167,723	167,723	-	-	-	-
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (net)	-	-	-	-	-	-
Subordinated Loans	11,852,564	11,852,564	-	-	-	-
Shareholder's Equity	22,182,937	22,152,209	-	-	-	-
Total Liabilities	**383,110,047**	**383,849,012**	**-**	**18,190,614**	**-**	**-**

(*) 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.

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

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

II. Explanations on Consolidated Risk Management (Continued)

3. Linkages between financial statements and risk amounts (Continued)

Prior period			**Carrying values of items in accodance with TAS**			
Assets	**Carrying values in financial statements prepared as per TAS**	**Carrying values of items in accordance with TAS**	**Subject to credit risk**	**Current period Assets**	**Carrying values in financial statements prepared as per TAS**	**Carrying values of items in accordance with TAS**
Cash and balances with the Central Bank	27,404,662	27,403,062	27,406,461	-	-	-
Trading Financial Assets(*)	4,571,117	4,571,117	-	4,444,622	2,796,219	-
Financial Assets at Fair Value Through Profit or Loss	506,546	623,375	116,829	-	367,738	-
Banks	6,687,049	1,505,567	1,515,756	-	-	-
Money Market Placements	752,392	752,392	409,658	342,734	-	-
Financial Assets Available-for-Sale (net)	15,204,138	15,190,114	15,190,114	7,654,584	-	-
Loans and Receivables	137,336,827	136,949,345	140,921,369	-	-	47,793
Factoring Receivables	2,127,916	2,210,447	2,210,447	-	-	-
Held-to-maturity investments (net)	18,733,201	18,733,200	18,743,356	7,500,243	-	-
Investment in Associates (net)	-	14,027	14,027	-	-	-
Investment in Subsidiaries (net)	-	38,038	38,038	-	-	-
Investment in Joint ventures (net)	218,587	185,855	185,855	-	-	-
Lease Receivables	7,427,403	7,172,798	7,172,798	-	-	-
Derivative Financial Assets Held For Hedging(*)	4,658,040	4,658,040	-	4,658,040	-	-
Property And Equipment (Net)	3,525,049	3,489,185	3,421,037	-	-	68,148
Intangible Assets (Net)	540,458	520,715	-	-	-	471,285
Investment Property (Net)	-	-	-	-	-	-
Tax Asset	1,036,556	1,063,710	1,063,710	-	-	-
Assets Held For Resale And Related To Discontinued Operations (Net)	-	-	-	-	-	-
Other Assets	3,768,279	9,938,734	9,946,767	-	-	-
TOTAL ASSETS	**234,498,220**	**235,019,721**	**228,356,222**	**24,600,223**	**3,163,957**	**587,226**
Liabilities						
Deposits						
Derivative Financial Liabilities Held for Trading(**)	130,267,568	130,274,856	-	-	-	-
Funds Borrowed	6,485,477	6,485,477	-	-	2,727,329	-
Money Markets	25,836,830	25,896,890	-	-	-	-
Marketable Securities Issued	19,310,002	14,994,670	-	14,994,670	-	-
Funds	14,713,256	14,723,958	-	-	-	-
Miscellaneous Payables(***)	-	-	-	-	-	-
Other Liabilities(***)	4,906,988	9,243,606	-	-	-	-
Factoring Payables	2,697,251	3,139,806	-	-	-	-
Lease Payables	-	-	-	-	-	-
Derivative Financial Liabilities Held For Hedging(**)	432,075	432,075	-	-	-	-
Provisions	1,670,987	1,670,987	-	-	-	-
Tax Liability	1,126,937	1,134,132	-	-	-	-
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (net)	1,077,742	1,077,742	-	-	-	-
Subordinated Loans	-	-	-	-	-	-
Shareholder’s Equity	6,704,294	6,704,294	-	-	-	-
TOTAL LIABILITIES	19,268,813	19,241,228	-	-	-	-
Assets	**234,498,220**	**235,019,721**	**-**	**14,994,670**	**2,727,329**	**-**

(*) 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.

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

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

II. Explanations on Consolidated Risk Management (Continued)

3. Linkages between financial statements and risk amounts (Continued)

3.2. B2- Main sources of differences between regulatory exposure amounts and carrying values in financial statements:

	Current period	Total	Subject To Credit Risk	Subject to the Securitization	Subject to the Securitization	Subject To Market Risk
1	Asset carrying value amount under scope of regulatory consolidation (as in template B1)	416,777,310	366,257,419	-	44,953,035	5,566,856
2	Liabilities carrying value amount under regulatory scope of consolidation (as in template B1)	18,190,614	-	-	18,190,614	-
3	Total net amount under regulatory scope of consolidation	398,586,696	366,257,419	-	26,762,421	5,566,856
4	Off-Balance Sheet Amount	205,902,080	37,004,161	-	-	-
5	Differences due to different netting rules (except 2)	321,619	-	-	-	321,619
6	Repo transactions	1,470,527	-	-	1,470,527	-
7	Decrease in counterparty credit risk as a result of netting	2,310,393	-	-	2,310,393	-
8	Potential credit risk amount calculated for the counterparty	(19,636,270)	(6,594,164)	-	(13,042,106)	-
9	Differences due to credit risk reduction	-	(64,927,744)	-	-	-
10	Average exchange rate effect(*)	588,955,045	331,739,672	-	17,501,235	5,888,475
	Risk amounts		**366,257,419**	**-**	**44,953,035**	**5,566,856**

(*) 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 (as in template B1)	256,120,402	228,356,222	-	24,600,223	3,163,957
2	Liabilities carrying value amount under regulatory scope of consolidation (as in template B1)	17,721,999	-	-	14,994,670	2,727,329
3	Total net amount under regulatory scope of consolidation	238,398,403	228,356,222	-	9,605,553	436,628
4	Off-Balance Sheet Amount	145,382,011	27,362,975	-	-	-
5	Differences due to different netting rules (except 2)	3,470,584	-	-	-	3,470,584
6	Repo transactions	2,815,398	-	-	2,815,398	-
7	Decrease in counterparty credit risk as a result of netting	-	-	-	-	-
8	Potential credit risk amount calculated for the counterparty	1,528,451		-	1,528,451	-
9	Differences due to credit risk reduction	(10,276,610)	(4,203,035)	-	(6,073,575)	-
10	Average exchange rate effect(*)	(9,000,607)	(9,000,607)	-	-	-
	Risk amounts	**-**	**242,515,555**	**-**	**7,875,827**	**3,907,213**

(*) It shows the average exchange rate effect used in credit risk calculation within the scope of the BRSA's Resolution dated 08 December 2020.

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

a) None

b) 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.

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

II. Explanations on Consolidated Risk Management (Continued)

3. Linkages between financial statements and risk amounts (Continued)

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

c) 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 Group's trading accounts. In this framework, the following elements of the Group, 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 are subject to market risk. Classification of Trading Accounts are made in accordance with Appedix-3 of Regulation on Measurement and Evaluation of Bank’s Capital Adequacy.

The Parent Bank 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, option risk to 12.5.

The Group's market risk basis value is reached by determining the amounts related to market risk. The details of the 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 Group 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.

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

II. Explanations on Consolidated Risk Management (Continued)

3. Linkages between financial statements and risk amounts (Continued)

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

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

4. Credit Risk Disclosures

4.1. General Information on Credit Risk

4.1.1. CRD – general qualitative information on credit risk:

a) Conversion of The Parent Bank's business model to components of credit risk profile
The Parent Bank has forward-looking measurement and forecast instruments which are sensitive to risk and including appropriate information technology applications and management information systems in order to take expected or unexpected losses into account in all types of risk under both normal and also negative market conditions. The conversion of business model to components in risk profile is digitized through aforementioned instruments.

b) Criteria and approach used during the determination of credit risk policy and credit risk limits
Group 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 Group, Group Credit Policies and legal authorities. Pillars of credit risk management policy in Group are;

- Rules and Regulations of BRSA (Banking Regulation and Supervision Agency)
- Decisions of institutions auditing QNB Group
- 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 Management Strategy is the main risk management policy document in which the risks of the Group are identified, and its risk appetite and managements principles are determined. Credit risk limits are annually reviewed in line with 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 Group 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. Group'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 Group, Risk Management Strategy 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

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

II. Explanations on Consolidated Risk Management (Continued)

4. Credit Risk Disclosures (Continued)

4.1. General Information on Credit Risk (Continued)

4.1.1. CRD – general qualitative information on credit risk: (Continued)

Main responsibilities of Credit Risk Management Department are as follows:

- To establish risk management policies and strategies related to risks exposed by the Group 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 group 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 Group,
- To make periodic stress tests and scenario analysis and establish early warning systems,
- To support decision-making processes of the Group through providing reviews and risk point of view with respect to risk management,
- 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 calculations under TFRS 9, determination of credit risk measurement framework, development and implementation of relevant models/approaches.

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. In doing so, the compliance function informs all Group 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 Group 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 Group has and controls relevant to them during audit works.

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

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

II. Explanations on Consolidated Risk Management (Continued)

4. Credit Risk Disclosures (Continued)

4.1. General Information on Credit Risk (Continued)

4.1.1. CRD – general qualitative information on credit risk: (Continued)

f) 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 Operational 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 and Stage 2 rating and PD distributions, vintage analyses, collaterals, recoveries, restructurings. In addition to these monthly reports, a comparative analysis with 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			
		Defaulted exposures	Non-defaulted exposures	Allowances/impairments	Net value
1	Loans(*)	9,516,147	201,781,415	7,132,156	204,165,406
2	Debt Securities	-	49,490,388	-	49,490,388
3	Off-balance sheet exposures	410,472	130,802,870	54,581	131,158,761
4	**Total**	**9,926,619**	**382,074,673**	**7,186,737**	**384,814,555**

(*) Includes financial assets at fair value through profit or loss in line with TFRS 9 amounting to TRY209,671

	Prior Period	Gross carrying values of as per TAS			
		Defaulted exposures	Non-defaulted exposures	Allowances/impairments	Net value
1	Loans(*)	9,523,366	139,091,467	7,133,072	141,481,761
2	Debt Securities	-	33,916,771	-	33,916,771
3	Off-balance sheet exposures	353,323	93,000,379	48,284	93,305,418
4	**Total**	**9,876,689**	**266,008,617**	**7,181,356**	**268,703,950**

(*) Includes financial assets at fair value through profit or loss in line with TFRS 9 amounting to TRY116,829

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	9,523,366	8,731,496
2	Loans and debt securities that have defaulted since the last reporting period	3,131,039	2,421,720
3	Returned to non-defaulted status	-	-
4	Amounts written off	1,224,842	48,513
5	Other changes(**)	1,913,416	1,581,337
6	**Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)**	**9,516,147**	**9,523,366**

(*) Includes sales of non-performing loan receivables amounting to TRY1,019,989 in the current period (31 December 2020 - None).
(**) Includes collections from credits in default.

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

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

III. Explanations on Consolidated Risk Management (Continued)

4. Credit Risk Disclosures (Continued)

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

a) The criteria taken into consideration by the Parent Bank in determining the impairment are explained in footnote VIII of the third section.
b) There is no part of past due receivables which is not reviewed as “loans subject to provisioning”.
c) The Group's specific provision calculation is explained in footnote VIII of the third section.
d) 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”.

e) Exposures provisioned against by major regions, major sectors and remaining maturity

Exposures provisioned against by major regions:

Country	Current Period	Prior Period
Domestic	199,914,126	137,833,837
European Union (EU) Countries	632,806	499,318
USA, Canada	7,388	23,237
OECD Countries	1,532	187
Off-Shore Banking	591,399	321,970
Other Countries	634,165	412,919
Total	**201,781,416**	**139,091,468**

Includes Financial Assets at Fair Value Through Profit and Loss amounting to TRY209,671 in accordance with TFRS 9 (31 December 2020 TRY116,829).

Exposures provisioned against by major sectors:

	Current Period	Prior Period
1. Agricultural	**2,179,822**	**2,420,350**
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
2. Manufacturing	**45,082,115**	**27,779,424**
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
3. Construction	**6,882,725**	**6,364,791**
4. Services	**84,683,520**	**57,340,304**
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	16,125,432	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
5.Other	**62,953,234**	**45,186,599**
6. Total	**201,781,416**	**139,091,468**

Includes Financial Assets at Fair Value Through Profit and Loss amounting to TRY209,671 in accordance with TFRS 9 (31 December 2020 – TRY116,829).

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

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

II. Explanations on Consolidated Risk Management (Continued)

4. Credit Risk Disclosures (Continued)

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

Breakdown of Exposures 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 (*)	-	36,365,387	23,074,462	65,726,182	66,055,120	18,750,119	209,971,270

Prior Period	Demand	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Loans and Receivables	-	25,072,468	16,342,877	43,232,941	45,308,579	13,985,432	143,942,297

(*) The related provisions have been deducted from current period balances.

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

Exposures provisioned against by major regions and loans written off during the period an uncollectible

Current Period	Loans subject to provision	Provision	Written-off from Assets
Turkey	9,498,907	7,115,777	1,224,842
EU Countries	1,015	154	-
USD, Canada	-	-	-
OECD Countries(*)	-	-	-
Off-shore Banking Regions	16,225	16,225	-
Other Countries	-	-	-
Total	**9,516,147**	**7,132,156**	**1,224,842**

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

Prior Period	Loans subject to provision	Provision	Written-off from Assets
Turkey	9,486,784	7,113,153	48,513
EU Countries	20,338	3,674	-
USD, Canada	-	-	-
OECD Countries(*)	-	-	-
Off-shore Banking Regions	16,225	16,225	-
Other Countries	19	20	-
Total	**9,523,366**	**7,133,072**	**48,513**

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

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

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

II. Explanations on Consolidated Risk Management (Continued)

4. Credit Risk Disclosures (Continued)

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

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**
1. Agriculture	**451,157**	**290,968**	**22,542**	**397,797**	**231,856**	**1,761**
1.1. Farming and Raising Livestock	370,225	228,669	21,618	338,592	213,997	456
1.2. Forestry	78,577	31,559	788	48,137	9,332	1,305
1.3. Fishing	2,355	30,740	136	11,068	8,527	-
2. Industrial	**1,572,015**	**1,246,256**	**68,613**	**1,561,724**	**1,227,430**	**5,763**
2.1. Mining and Quarrying	111,473	35,665	2,052	60,630	23,533	2,377
2.2. Production	1,136,513	890,828	66,359	1,146,456	859,188	3,386
2.3. Electricity, Gas, Water	324,029	319,763	202	354,638	344,709	-
3. Construction	**1,329,720**	**753,557**	**39,176**	**1,017,156**	**603,888**	**18,369**
4. Services	**3,552,235**	**2,573,063**	**215,011**	**3,735,467**	**2,584,722**	**581**
4.1. Wholesale and Retail Trade	1,928,118	1,523,771	162,886	2,153,796	1,568,553	348
4.2. Hotel, Food and Beverage Services	392,321	254,098	22,955	273,120	200,091	43
4.3. Transportation and Communication	140,079	112,224	15,257	136,880	111,822	179
4.4. Financial Institutions	825,439	466,007	2,548	894,057	500,649	-
4.5. Real Estate and Renting Services	27,810	26,228	1,505	26,803	24,038	-
4.6. Self-Employment Services	122,167	96,859	5,754	120,911	94,036	11
4.7. Educational Services	67,775	52,353	1,192	82,940	48,827	-
4.8. Health and Social Services	48,526	41,523	2,914	46,960	36,706	-
5. Other	**2,611,020**	**2,268,312**	**879,500**	**2,811,222**	**2,485,176**	**22,039**
6. Total	**9,516,147**	**7,132,156**	**1,224,842**	**9,523,366**	**7,133,072**	**48,513**

g) Aging analysis

Overdue days	Current Period	Prior Period
0-30	212,448,268	137,506,111
31-60	1,226,744	1,252,025
61-90	563,834	660,146
90+	9,516,147	10,452,773
Total	**223,754,993**	**149,871,055**

5. Credit risk mitigation

5.1. CRM - 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 Parent 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.

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 Parent Bank.

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

5.1. CRM - Qualitative disclosure on credit risk mitigation techniques (Contunied)

The Parent 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:

	Current Period	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
1	Loans	196,398,968	7,766,438	4,754,458	-	-	-	-
2	Debt securities	49,490,388	-	-	-	-	-	-
3	**Total**	**245,889,356**	**7,766,438**	**4,754,458**	**-**	**-**	**-**	**-**
4	Of which defaulted	2,661,342	78,540	475	-	-	-	-

	Prior Period	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
1	Loans	134,818,019	6,663,742	4,062,342	-	-	-	-
2	Debt securities	33,916,771	-	-	-	-	-	-
3	**Total**	**168,734,790**	**6,663,742**	**4,062,342**	**-**	**-**	**-**	**-**
4	Of which defaulted	2,682,148	13,185	242	-	-	-	-

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:

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

6.2. CR4 – Standardised 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	
	Exposure Categories	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	87,342,881	-	88,539,233	-	-	-
2	Exposures to regional governments or local authorities	178,882	135	178,882	-	89,441	50%
3	Exposures to public sector entities	203,918	36,358	201,226	11,056	212,283	100%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to institutions	11,972,528	5,071,025	11,963,246	3,253,098	5,947,305	39%
7	Exposures to corporates	82,637,216	55,679,361	80,182,645	20,067,871	100,250,515	100%
8	Retail exposures	79,027,320	130,820,178	75,996,109	4,719,014	62,414,348	77%
9	Exposures secured by residential property	2,098,315	239,441	2,098,315	12,178	738,673	35%
10	Exposures secured by commercial real estate	10,670,907	1,657,490	10,670,907	1,082,208	9,391,174	80%
11	Past-due loans	2,067,694	-	2,067,219	-	1,464,000	71%
12	Higher-risk categories by the Agency Board	14,155,145	-	13,702,564	-	20,553,847	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	14,549,400	202,872	14,549,400	-	9,250,820	64%
17	Investments in equities	2,444,501	-	2,444,501	-	2,444,501	100%
18	**Total**	**307,348,707**	**193,706,860**	**302,594,247**	**29,145,425**	**212,756,907**	**64%**

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

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

II. Explanations on Consolidated Risk Management (Continued)

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

6.2. CR4 – Standardised approach - Credit risk exposure and credit risk mitigation (CRM) effects (Continued)

	Prior Period	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Exposure Categories	**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	56,898,988	-	60,546,907	-	-	-
2	Exposures to regional governments or local authorities	98,159	65	98,159	-	49,080	50%
3	Exposures to public sector entities	365,208	40,275	356,292	12,946	369,237	100%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to institutions	6,737,787	3,431,482	6,735,628	2,448,775	4,018,499	44%
7	Exposures to corporates	66,946,107	45,591,374	64,119,241	19,685,118	83,804,359	100%
8	Retail exposures	70,023,007	93,612,933	65,150,216	3,677,533	51,620,810	75%
9	Exposures secured by residential property	2,257,567	241,199	2,257,567	9,119	793,340	35%
10	Exposures secured by commercial real estate	4,196,417	449,658	4,196,416	211,412	3,240,526	74%
11	Past-due loans	1,994,613	-	1,994,387	-	1,369,236	69%
12	Higher-risk categories by the Agency Board	489,423	8,041	489,405	350	734,635	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	8,616,464	9,265	8,616,464	-	6,505,529	76%
17	Investments in equities	1,909,620	-	1,909,620	-	1,909,620	100%
18	**Total**	**220,533,360**	**143,384,292**	**216,470,302**	**26,045,253**	**154,414,871**	**64%**

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	88,539,233	-	-	-	-	-	-	-	-	88,539,233
2	Exposures to regional governments or local authorities	-	-	-	-	178,882	-	-	-	-	178,882
3	Exposures to public sector entities	-	-	-	-	-	-	212,282	-	-	212,282
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	-	-	6,085,616	-	8,801,092	-	329,636	-	-	15,216,344
7	Exposures to corporates	-	-	-	-	-	-	100,250,516	-	-	100,250,516
8	Retail exposures	-	-	-	-	-	73,203,098	7,512,025	-	-	80,715,123
9	Exposures secured by residential property	-	-	-	2,110,493	-	-	-	-	-	2,110,493
10	Exposures secured by commercial real estate	-	-	-	-	4,723,881	-	7,029,234	-	-	11,753,115
11	Past-due loans	-	-	-	-	1,206,437	-	860,782	-	-	2,067,219
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	13,702,564	-	13,702,564
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	-	-	-	-	-	-	2,444,501	-	-	2,444,501
17	Other Assetd	5,298,578	-	3	-	-	-	9,250,819	-	-	14,549,400
18	**Total**	**93,837,811**	**-**	**6,085,619**	**2,110,493**	**14,910,292**	**73,203,098**	**127,889,795**	**13,702,564**	**-**	**331,739,672**

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

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

II. Explanations on Consolidated Risk Management (Continued)

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

6.3. CR5 – Standard approach – exposures by asset classes and risk (Continued)

Prior 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	60,546,907	-	-	-	-	-	-	-	-	60,546,907
2	Exposures to regional governments or local authorities	-	-	-	-	98,159	-	-	-	-	98,159
3	Exposures to public sector entities	-	-	-	-	-	-	369,238	-	-	369,238
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	-	-	2,090,986	-	6,986,230	-	107,187	-	-	9,184,403
7	Exposures to corporates	-	-	-	-	-	-	83,804,359	-	-	83,804,359
8	Retail exposures	-	-	-	-	-	68,827,749	-	-	-	68,827,749
9	Exposures secured by residential property	-	-	-	2,266,686	-	-	-	-	-	2,266,686
10	Exposures secured by commercial real estate	-	-	-	-	2,334,604	-	2,073,224	-	-	4,407,828
11	Past-due loans	-	-	-	-	1,250,302	-	744,085	-	-	1,994,387
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	489,755	-	489,755
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	-	-	-	-	-	-	1,909,620	-	-	1,909,620
17	Other Assetd	2,109,984	-	1,189	-	-	-	6,505,291	-	-	8,616,464
18	**Total**	**62,656,891**	**-**	**2,092,175**	**2,266,686**	**10,669,295**	**68,827,749**	**95,513,004**	**489,755**	**-**	**242,515,555**

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 Parent 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.

The Parent Bank 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.

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

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

III. Explanations on Consolidated Risk Management (Continued)

7. Disclosures Regarding Counterparty Credit Risk (Continued)

7.1. Qualitative disclosures regarding DCCR – CCR table (Continued)

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, gamma 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 being tried to be reduced with various techniques. The Parent 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. Parent 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.

7.2. CCR1 – Analysis of counterparty credit risk (CCR) exposure by approach:

	Current Period	Revaluation Cost	Potential credit risk exposure	EEPE	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standard approach - CCR (for derivatives)	16,452,623	2,310,393	-	1,4	10,900,526	5,186,233
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	-	-	-	-	-	-
6	**Total**	-	-	-	-	-	**8,275,885**

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

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

II. Explanations on Consolidated Risk Management (Continued)

7. Disclosures Regarding Counterparty Credit Risk (Continued)

7.2. CCR1 – Analysis of counterparty credit risk (CCR) exposure by approach:

	Current Period	Revaluation Cost	Potential credit risk exposure	EEPE	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standard approach - CCR (for derivatives)	5,610,327	1,528,451	-	1,4	3,859,390	2,586,704
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	-	-	-	-	-	-
6	**Total**	**-**	**-**	**-**	**-**	**-**	**4,568,939**

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	10,900,526	3,859,390	1,620,713	1,037,001
4	**Total amount of CVA capital adequacy**	**10,900,526**	**3,859,390**	**1,620,713**	**1,037,001**

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%	Other	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	-	-	2,169,039	9,684,785	-	698,616	-	-	12,552,440
7	Exposures from corporates	-	-	-	-	-	2,272,700	-	-	2,272,700
8	Retail receivables	-	-	-	-	37,016	-	-	-	37,016
9	Mortgage receivables	-	-	-	-	-	-	-	-	-
10	Non performing receivables	-	-	-	-	-	-	-	-	-
11	High risk defined receivables	-	-	-	-	-	-	-	-	-
12	Mortgage backed securities	-	-	-	-	-	-	-	-	-
13	Securitization Positions	-	-	-	-	-	-	-	-	-
14	Short term credit rated banks and Intermediary Institutions receivables	-	-	-	-	-	-	-	-	-
15	Collective investment undertaking investments	-	-	-	-	-	-	-	-	-
16	Equity Investments	-	-	-	-	-	-	-	-	-
17	Other Receivables	-	-	-	-	-	-	-	-	-
18	Other Assets	-	-	-	-	-	-	-	-	-
19	**Total**	**2,612,411**	**-**	**2,169,039**	**9,684,785**	**37,016**	**2,971,390**	**-**	**26,594**	**17,501,235**

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

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

II. Explanations on Consolidated Risk Management (Continued)

7. Disclosures Regarding Counterparty Credit Risk (Continued)

7.4. CCR3 – Standardised approach – CCR exposures by regulatory portfolio and risk weights: (Continued)

Prior Period

	Exposure Categories/Risk Weight	0%	10%	20%	50%	75%	100%	150%	Other	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	-	-	910,558	4,434,740	-	523,753	-	-	5,869,051
7	Exposures from corporates	-	-	-	-	-	1,632,826	-	-	1,632,826
8	Retail receivables	-	-	-	-	13,415	-	-	-	13,415
9	Mortgage receivables	-	-	-	-	-	-	-	-	-
10	Non performing receivables	-	-	-	-	-	-	-	-	-
11	High risk defined receivables	-	-	-	-	-	-	881	-	881
12	Mortgage backed securities	-	-	-	-	-	-	-	-	-
13	Securitization Positions	-	-	-	-	-	-	-	-	-
14	Short term credit rated banks and Intermediary Institutions receivables	-	-	-	-	-	-	-	-	-
15	Collective investment undertaking investments	-	-	-	-	-	-	-	-	-
16	Equity Investments	-	-	-	-	-	-	-	-	-
17	Other Receivables	-	-	-	-	-	-	-	-	-
18	Other Assets	-	-	-	-	-	-	-	-	-
19	**Total**	**285,518**	**-**	**910,558**	**4,434,740**	**13,415**	**2,156,592**	**881**	**74,123**	**7,875,827**

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.

CCR5 – Composition of collateral for CCR exposure:

	Collaterals for Derivatives				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken Segregated	Collaterals Given Unsegregated
Current Period	**Segregated**	**Unsegregated**	**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	-	-	-	-	-	-
Total	**-**	**10,347,525**	**-**	**9,348,632**	**17,386,506**	**-**

	Collaterals for Derivatives				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
Prior Peiod	**Segregated**	**Unsegregated**	**Segregated**	**Unsegregated**	**Segregated**	**Unsegregated**
Cash-Local Currency	-	-	-	-	3,727,929	-
Cash - Foreign Currency	-	4,063,783	-	5,932,247	9,991,880	-
Government bond-domestic	-	-	-	-	250,124	-
Government bond-other	-	-	-	-	-	-
Public institution bonds	-	-	-	-	-	-
Corporate bond	-	-	-	-	-	-
Equity share	-	-	-	-	-	-
Other collaterals	-	-	-	-	-	-
Total	**-**	**4,063,783**	**-**	**5,932,247**	**13,969,933**	**-**

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

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

II. Explanations on Consolidated Risk Management (Continued)

7. Disclosures Regarding Counterparty Credit Risk (Continued)

7.7. CCR6 – Credit derivatives

Related table is not presented due to the Parent 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 standard method is used for 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
1	**Exposure to Qualified Central Counterparties (QCCPs)(total)**	**26,594**	**532**	**74,123**	**1,482**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	-	-	-	-
3	(i) OTC Derivatives	-	-	-	-
4	(ii) Other derivative financial instruments	26,594	532	74,123	1,482
5	(iii) Repo-reverse repo transactions, overdraft transactions, and lending or borrowing of securities or commodities	-	-	-	-
6	(iv) Netting sets where cross-product netting has been approved Segregated initial margin	-	-	-	-
7	Segregated initial margin	-	-	-	-
8	Non-segregated initial margin	-	-	-	-
9	Pre-funded default fund contributions	-	-	-	-
10	Unfunded default fund contributions	-	-	-	-
11	Exposures ton on-QCCPs (total)	-	-	-	-
12	Exposures for trades at non- QCCPs (excluding initial margin and default fund contributions); of which	-	-	-	-
13	(i) OTC Derivatives	-	-	-	-
14	(ii) Other derivative financial instruments	-	-	-	-
15	(iii) Repo-reverse repo transactions, overdraft transactions, and lending or borrowing of securities or commodities	-	-	-	-
16	(iv) Netting sets where cross-product netting has been approved Segregated initial margin	-	-	-	-
17	Segregated initial margin	-	-	-	-
18	Non-segregated initial margin	-	-	-	-
19	Pre-funded default fund contributions	-	-	-	-
20	Unfunded default fund contributions	-	-	-	-

8. Securitization exposures:

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

9. Disclosures regarding Market Risk

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 at Fair Value through Profit/Loss, open exchange position and having hedging purposes.

The Parent 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.

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

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

II. Explanations on Consolidated Risk Management (Continued)

9. Disclosures regarding Market Risk (Continued)

9.1. MRD – Qualitative information which shall be disclosed to public related to market risk (Continued)

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 Parent 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 the Parent Bank.

c) The Parent Bank 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 Group 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 for both 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. MR1- Market risk under standardised approach:

		RWA (**)	
		Current Period	**Prior Period**
	Outright products (*)	5,804,800	3,895,138
1	*Interest rate risk (general and specific)*	*2,370,687*	*1,782,675*
2	*Equity risk (general and specific)*	*248,863*	*194,175*
3	*Foreign exchange risk*	*2,905,000*	*1,847,600*
4	*Commodity risk*	*280,250*	*70,688*
	Options	83,675	12,075
5	*Simplified approach*	-	-
6	*Delta-plus method*	*83,675*	*12,075*
7	*Scenario approach*	-	-
8	*Securitization*	-	-
9	**Total**	**5,888,475**	**3,907,213**

(*) 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.

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

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

II. Explanations on Consolidated Risk Management (Continued)

10. Explanations on Consolidated Operational Risk

The Parent Bank calculates the amount subject to operational risk based on "Basic Indicator Method" by using 2020, 2019 and 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 2020, the total amount subject to operational risk is TRY17,771,438 (31 December 2020 – TRY15,499,021)

Current Period Basic Indicator Method	2 Prior Period Value	1 Prior Period Value	Current Period value	Total/Total number of years for which gross income is positive	Rate (%)	Total
Gross Income (*)	8,960,553	9,332,623	10,141,119	9,478,099	15	1,421,715
Amount subject to operational risk (Total*12.5)						**17,771,438**
Prior Period Basic Indicator Method	**2 Prior Period Value**	**1 Prior Period Value**	**Current Period value**	**Total/Total number of years for which gross income is positive**	**Rate (%)**	**Total**
Gross Income (*)	6,505,256	8,960,553	9,332,624	8,266,144	15	1,239,922
Amount subject to operational risk (Total*12.5)						**15,499,021**

Annual gross income is calculated by deducting the profit/loss arising from the sale of securities followed up in the securities available for sale and held-to-maturity accounts, the extraordinary incomes and the amounts indemnified from insurance, from the sum of the net amounts of interest income and non-interest income.

III. Explanations on Consolidated Foreign Exchange Risk

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

The difference between the Parent 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 has determined 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 The Parent Bank strategy and updated as deemed necessary.

In measuring the exchange rate exposure of The Parent Bank, the "standard method" used in the legal reports and the internal method. 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 currency types and table, and daily limit compliance control is carried out 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 Group hedges foreign currency borrowings with derivative instruments. The Bank does not hedge net foreign currency investments with derivative instruments. (Details explaining Section Five Part three).

3. The spot foreign exchange bid rates of the Parent Bank as of the balance sheet date and for each of the five days prior to that date

US Dollars purchase rate in the balance sheet date	TRY12.9775
Euro purchase rate in the balance sheet date	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
25 December 2021	11.7278	13.2926

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

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

III. Explanations on Consolidated Foreign Exchange Risk (Continued)

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

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

5. Information on the consolidated foreign exchange risk

Current Period	EUR	USD	Other	Total
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R.Central Bank[1]	28,653,346	29,654,717	4,550,228	62,858,291
Due From Banks[3]	4,884,668	10,311,641	529,323	15,725,632
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)[3]	871,940	1,637,972	2,356	2,512,268
Money Market Placements	-	159,508	-	159,508
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	868,412	9,174,806	-	10,043,218
Loans[4]	57,130,523	33,095,989	323,295	90,549,807
Investments in Assoc., Subsidiaries and Entities under Common Control	-	-	-	-
Investment Assets Measured at Amortized Cost	1,145,588	13,835,328	-	14,980,916
Derivative Financial Assets Hedging Purposes	1,142	350,689	-	351,831
Tangible Assets	-	-	37	37
Intangible Assets	-	-	-	-
Other Assets [5]	668,408	223,906	1,255	893,569
Total Assets	**94,224,027**	**98,444,556**	**5,406,494**	**198,075,077**
Liabilities				
Bank Deposits	125,717	3,797,491	59,963	3,983,171
Foreign Currency Deposits[6]	31,034,353	87,197,116	24,430,238	142,661,707
Money Market Borrowings	1,574,310	14,142,867	-	15,717,177
Funds Provided from Other Financial Institutions	16,817,521	28,371,246	11,478	45,200,245
Securities Issued	-	20,124,404	3,654,688	23,779,092
Sundry Creditors	6,561,913	5,097,612	8,278	11,667,803
Derivative Fin. Liabilities Hedging Purposes	54,572	1,767,033	-	1,821,605
Other Liabilities [7]	1,330,260	1,575,968	1,514	2,907,742
Total Liabilities	**57,498,646**	**162,073,737**	**28,166,159**	**247,738,542**
Net Balance Sheet Position	**36,725,381**	**(63,629,181)**	**(22,759,665)**	**(49,663,465)**
Net Off-Balance Sheet Position	**(36,545,349)**	**60,908,043**	**22,811,068**	**47,173,762**
Financial Derivative Assets	31,112,576	164,392,409	23,228,937	218,733,922
Financial Derivative Liabilities	67,657,925	103,484,366	417,869	171,560,160
Non-Cash Loans [8]	18,384,626	15,231,819	715,572	34,332,017
Prior Period				
Total Assets	50,533,172	51,210,990	1,552,446	103,296,608
Total Liabilities	32,535,917	91,772,662	18,079,237	142,387,816
Net Balance Sheet Position	**17,997,255**	**(40,561,672)**	**(16,526,791)**	**(39,091,208)**
Net Off-Balance Sheet Position	**(18,063,554)**	**38,578,070**	**16,523,357**	**37,037,873**
Financial Derivative Assets	22,146,538	105,264,338	18,050,019	145,460,895
Financial Derivative Liabilities	40,210,092	66,686,268	1,526,662	108,423,022
Non-Cash Loans	9,935,011	11,239,630	345,711	21,520,352

(1) Cash and Balances with TR Central; Other FC include TRY1,587,037 (31 December 2020 – TRY1,160,921) precious metal deposit account.
(2) There are foreign bank guarantees amounting to TRY7,481,729 (31 December 2020 – None).
(3) Does not include TRY327,092 (31 December 2020 – TRY239,259) of currency income accruals arising from derivative transactions and derivative financial instruments amounting to TRY209,671 (31 December 2020 – TRY116,829) are not included under financial assets at fair value through profit and loss in accordance with TFRS 9.
(4) Includes TRY379,005 (31 December 2020 – TRY489,555) FC indexed loans. Does not include repealed financial leasing receivables amounting to TRY1,301 (31 December 2020 – TRY11,082) accounted as FC in balance sheet. Includes FC indexed factoring receivables is none (31 December 2020 – None) accounted as TRY in balance sheet.
(5) 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.
(6) Foreign currency deposits include TRY21,599,519 (31 December 2020 – TRY15,484,501) of precious metal deposit account.
(7) Other Liabilities do not include the Foreign Currency Index Factoring payables amounting to TRY3,885 (31 December 2020 – TRY761)
(7) Does not include currency expense accruals of derivative financial instruments kept in FC accounts amounting to TRY193,977 (31 December 2020 – TRY181,796)
(8) Does not have an effect on Net Off-balance Sheet Position.

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

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

III. Explanations on Consolidated Foreign Exchange Risk (Continued)

6. Sensitivity to foreign exchange risk

The Group is exposed to currency risk in Euro and US Dollars.
The Bank is subject to exchange rate risk mainly from Euro and USD. The table below shows the Bank's sensitivity to a 10% change in Euro and USD currencies. It is assumed that all other variables are constant.

	% change in the Foreign currency	Effect on Gain/Loss (After Tax)	Net Effect on Shareholders Equity (*)	Effect on Gain/Loss (After Tax)	Net Effect on Shareholders Equity (*)
		Current Period	**Current Period**	**Prior Period**	**Prior Period**
USD	10% increase	(24,502)	(231,759)	(10,787)	(115,883)
	10% decrease	24,502	231,759	10,787	115,883
EURO	10% increase	(4,941)	(9,011)	(1,887)	(4,807)
	10% decrease	4,941	9,011	1,887	4,807

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

IV. Explanations on Consolidated Interest Rate Risk

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

Interest rate sensitivity of assets, liabilities and off balance sheet items is analyzed by top management in the Asset/Liability Committee meetings held monthly by taking the market developments into consideration.The management of the Parent Bank follows the interest rates in the market on a daily basis and revises interest rates of the Parent Bank when necessary

Besides customer deposits, the Parent 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 Parent Bank changes the foreign currency liquidity obtained from the international markets to TRY liquidity with long term swap transactions (fixed TRY interest rate and floating FC interest rate). Therefore, the Parent Bank not only funds its long term fixed interest rate loans with TRY but also hedges itself from interest rate and maturity risk.

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

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

IV. Explanations on Consolidated 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 (1)	Total
End of Current Period							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank (2)	27,488,641	-	-	-	-	42,798,846	70,287,487
Due from Banks (3)	1,540,564	-	-	-	-	14,275,739	15,816,303
Financial Assets at Fair Value Through Profit/Loss (4)	38,546	294,213	27,438	53,814	10,637	18,796,631	19,221,279
Money Market Placements	159,508	-	-	-	-	-	159,508
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVTOCI) (5)	2,097,114	2,594,641	4,045,221	4,197,504	7,402,284	2,700,446	23,037,210
Loans and Receivables	43,837,351	34,690,610	76,529,573	50,368,968	4,544,768	2,383,991	212,355,261
Financial Assets Measured at Amortized Cost (6)	4,961,252	2,568,882	6,556,088	8,429,624	6,240,944	1,090,393	29,847,183
Other Assets	-	-	-	-	-	13,124,781	13,124,781
Total Assets	**80,122,976**	**40,148,346**	**87,158,320**	**63,049,910**	**18,198,633**	**95,170,827**	**383,849,012**
Liabilities							
Bank Deposits	11,644,754	688,474	74,420	-	-	569,447	12,977,095
Other Deposits	84,255,630	26,809,133	6,145,884	412,329	326	95,276,182	212,899,484
Money Market Borrowings	5,127,316	9,714,670	3,348,628	-	-	-	18,190,614
Miscellaneous Payables	10,917,333	-	-	-	-	7,929,302	18,846,635
Securities Issued	6,375,460	2,080,106	12,586,088	8,761,162	-	-	29,802,816
Funds Borrowed	4,643,709	24,737,911	9,846,587	4,950,493	4,926,131	-	49,104,831
Other Liabilities (7)	438	1,287	10,716	465,111	821	41,549,164	42,027,537
Total Liabalities	**122,964,640**	**64,031,581**	**32,012,323**	**14,589,095**	**4,927,278**	**145,324,095**	**383,849,012**
On Balance Sheet Long Position	-	-	55,145,997	48,460,815	13,271,355	-	116,878,167
On Balance Sheet Short Position	(42,841,664)	(23,883,235)	-	-	-	(50,153,268)	(116,878,167)
Off-Balance Sheet Long Position	8,089,258	18,467,702	-	435,415	-	-	26,992,375
Off-Balance Sheet Short Position	-	-	(2,473,907)	(855,891)	(13,500,760)	-	(16,830,558)
Total Position	**(34,752,406)**	**(5,415,533)**	**52,672,090**	**48,040,339**	**(229,405)**	**(50,153,268)**	**10,161,817**

(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 TRY7,084 expected loss provisions.

(3) Banks include balance of expected loss provisions amounting to TRY3,825.

(4) Financial Assets at Fair Value Through Profit/Loss includes Derivative Financial Assets at Fair Value Through Profit or Loss amounting to TRY18,446,821.

(5) Financial Assets Measured at Fair Value Through Other Comprehensive Income includes Derivative Financial Assets Through Other Comprehensive Income amounting to TRY3,359,463.

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

(7) Other Liabilities includes Derivative Financial Liabilities amounting to TRY12,783,890.

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

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

IV. Explanations on Consolidated Interest Rate Risk (Continued)

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

(Based on repricing dates)

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing [(1)]	Total
End of Prior Period							
Assets							
Cash (Cash in Vault, Foreign Currency, Cash in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank (2)	6,501,977	-	-	-	-	20,901,085	27,403,062
Due from Banks [(3)]	45,846	-	-	-	-	1,459,721	1,505,567
Financial Assets at Fair Value Through Profit/Loss [(4)]	1,358	284,489	20,010	78,520	22,847	8,044,622	8,451,846
Money Market Placements	752,392	-	-	-	-	-	752,392
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVTOCI) [(5)]	1,815,340	1,277,034	3,165,778	3,839,136	4,728,569	1,764,943	16,590,800
Loans and Receivables	30,556,723	21,657,972	52,208,465	35,918,478	3,600,659	2,390,294	146,332,591
Financial Assets Measured at Amortized Cost [(6)]	3,072,701	2,305,967	4,811,742	3,274,171	4,668,299	600,320	18,733,200
Other Assets	-	-	-	-	-	15,250,263	15,250,263
Total Assets	**42,746,337**	**25,525,462**	**60,205,995**	**43,110,305**	**13,020,374**	**50,411,248**	**235,019,721**
Liabilities							
Bank Deposits	3,436,159	1,006,656	17,509	-	-	123,020	4,583,344
Other Deposits	55,086,007	16,171,283	4,175,747	339,333	202	49,918,940	125,691,512
Money Market Borrowings	8,059,536	5,050,988	1,638,887	149,074	-	96,185	14,994,670
Miscellaneous Payables	4,589,351	-	-	-	-	4,654,255	9,243,606
Securities Issued	1,069,672	1,461,379	1,075,596	11,117,311	-	-	14,723,958
Funds Borrowed	2,387,990	16,569,149	10,021,246	3,621,308	-	1,491	32,601,184
Other Liabilities [(7)]	2,894	729	59,528	351,888	9,932	32,756,476	33,181,447
Total Liabalities	**74,631,609**	**40,260,184**	**16,988,513**	**15,578,914**	**10,134**	**87,550,367**	**235,019,721**
On Balance Sheet Long Position	-	-	43,217,482	27,531,391	13,010,240	-	83,759,113
On Balance Sheet Short Position	(31,885,272)	(14,734,722)	-	-	-	(37,139,119)	(83,759,113)
Off-Balance Sheet Long Position	4,654,568	10,976,595	-	-	-	-	15,631,163
Off-Balance Sheet Short Position	-	-	(362,930)	(2,137,413)	(9,188,319)	-	(11,688,662)
Total Position	**(27,230,704)**	**(3,758,127)**	**42,854,552**	**25,393,978**	**3,821,921**	**(37,139,119)**	**3,942,501**

(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 in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank include expected loss provisions amounting to TRY3,399.

(3) Banks include balance of expected loss provisions amounting to TRY10,189.

(4) Financial Assets at Fair Value Through Profit/Loss include Derivative Financial Assets at Fair Value Through Profit or Loss amounting to TRY7,828,472.

(5) Financial Assets Measured at Fair Value Through Other Comprehensive Income include Derivative Financial Assets Through Other Comprehensive Income amounting to TRY1,400,686.

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

(7) Other Liabilities includes Derivative Financial Liabilities amounting to TRY8,156,463.

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

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

IV. Explanations on Consolidated Interest Rate Risk (Continued)

Average interest rates applied to monetary financial instruments:

	EUR%	USD %	JPY %	TRY%
End of Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash in Transit, Cheques Purchased) and Balances with the T,R, Central Bank	-	-	-	8.50
Due from Banks	0.63	6.89	-	21.21
Financial Assets Measured at Fair Value through Profit/Loss	4.97	4.58	-	21.35
Money Market Placements	-	0.05	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	2.87	5.32	-	18.41
Loans and Receivables	3.61	4.52	1.49	18.03
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	-	13.43
Miscellaneous Payables	(0.39)	-	-	-
Securities Issued	-	5.51	-	12.82
Funds Borrowed	1.43	4.31	-	14.25

Average interest rates applied to monetary financial instruments:

	EUR%	USD %	JPY %	TRY%
End of Prior Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash in Transit, Cheques Purchased) and Balances with the T,R, Central Bank	-	-	-	12.00
Due from Banks	0.04	0.01	-	8.79
Financial Assets Measured at Fair Value through Profit/Loss	3.07	5.63	-	17.08
Money Market Placements	-	0.08	-	17.19
Financial Assets Measured at Fair Value through Other Comprehensive Income	2.87	5.30	-	14.29
Loans and Receivables	4.33	5.28	5.23	14.42
Financial Assets Measured at Amortized Cost	3.76	5.55	-	14.04
Liabilities				
Bank Deposits	0.64	1.51	-	16.74
Other Deposits	0.45	1.36	0.62	15.46
Money Market Borrowings	-	1.38	-	16.71
Miscellaneous Payables	(0.39)	-	-	-
Securities Issued	-	5.58	-	17.04
Funds Borrowed	2.35	4.42	-	16.49

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 Group analyzes all these risks periodically and manages all aspects of interest rate risk on banking book effectively in accordance with the bank strategy by considering market conditions. To ensure these, risks are measured, monitored and limited on a regular basis within the scope of "Asset Liability Management Policy".

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 a month, analysis of the standard economic value approach is supported by different scenarios. In addition, the sensitivity of net interest income is monitored and early repayment rates of loans are taken into account in interest rate risk management.

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.

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

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

IV. Explanations on Consolidated Interest Rate Risk (Continued)

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

Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) included in banking book are monitored daily. In this context, the risk level of this portfolio is managed considering the sensitivity of nominal interest rate and limits.

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.

Currency	Shocks Applied (+/- x basis points)	Gains/Losses	Gains/Equity-Losses/Equity
1. TRY	(+)500	(2,376,318)	(6.35)%
	(-)400	2,129,014	5.69%
2. EURO	(+)200	(168,857)	(0.45)%
	(-)200	288,204	0.77%
3. USD	(+)200	(675,921)	(1.81)%
	(-)200	799,423	2.14%
Total (of negative shocks)		**3,216,641**	**8.60%**
Total (of positive shocks)		**(3,221,096)**	**(8.61)%**

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

Equity Securities (shares)	Comparison		
	Carrying Value	Fair Value	Carrying Value
1. Equity Investments Group A	**76,318**	**-**	**76,318**
Quoted Securities	76,318	-	76,318
2. Equity Investments Group B	**-**	**-**	**-**
Quoted Securities	-	-	-
3. Equity Investments Group C	**-**	**-**	**-**
Quoted Securities	-	-	-
4. Equity Investments Group Other(*)	**270,365**	**-**	**-**

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

Portfolio	Gains/Losses in Current Period	Revaluation Surpluses		Unrealized Gains and Losses		
		Total	Amount under Supplementary Capital	Total	Amount under Core Capital	Amount under Supplementary Capital
1, Private Equity Investments	-	-	-	-	-	-
2, Quoted Shares	124,958			1,901		1,901
3, Other Shares	-	-	-	-	-	-
4, Total	**124,958**	**-**	**-**	**1,901**	**-**	**1,901**

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

VI. Explanations on Consolidated Liquidity Risk Management and Consolidated Liquidity Coverage Ratio

Liquidity Risk of the Parent 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 Parent 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 Parent Bank in order to monitor related limits. Senior management of The Parent Bank is informed periodically regarding current liquidity risk amount exposed in order to ensure being under the approved limits of the Parent 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 Parent Bank monthly in addition to aforementioned meetings and informs Board of Directors. The Parent 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 Parent Bank is decentralized; each partnership controlled by the Parent Bank is carried out independently from the Parent Bank by the authorities in charge of liquidity management. Each subsidiary subject to consolidation manages its own liquidity position separately from the Parent Bank. The amount of funds to be used by the subsidiaries from the Parent Bank is determined within the framework of the limits.

It is essential for the Parent Bank to monitor its liquidity position and funding strategy consistently. Funding management of the Parent 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 Parent Bank. While developing this strategy, it is aimed to provide funding from long-term and stable sources as much as possible.

A large part of the Parent Bank's liabilities consists 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 FX swap and FX forward.

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 Parent 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 Parent Bank regulates funding activities to be used in liquidity crisis periods specific to the Parent 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 Parent 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 Parent Bank. The Parent Bank manages LCR over the limit by keeping its high quality liquid assets at a sufficient level. The Parent Bank has created four different stress test scenarios that measure how long it can meet its cumulative cash outflows without providing any new funds from the market or by providing funds at very low levels. A new scenario was created by observing the financial movements during the coronavirus epidemic and it was observed that in all scenarios, the Parent Bank withstands stress over the minimum life expectancy of 30 days.

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

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

All of the Group'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 Turkish Treasury that have not been collateralized. Optional use of reserve levels and fluctuations in repo amount lead up to periodical variations in liquidity coverage ratio. Additionally syndication loans and large amount funds such as foreign bond issuances that have less than 1 month to maturity, lead up to short term fall in liquidity coverage ratios.

Funding sources of the Group mainly consist of deposits which constitute 59% of total liabilities of the Group (31 December 2020 – 55%) and also include repo, secured loans, syndication, securitization, bond/security issuance and other instruments including subordinated debts.

The Group 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 one 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 of repo and secured loan transactions. A large part of securities which are subjects of aforementioned guaranteed funding transactions consist of Sovereign Bonds issued by Treasury of the Republic of Turkey and transactions are carried out both in CBRT market and interbank market.

The Group 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 Group are included in liquidity coverage ratio tables below.

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

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

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

Liquidity Coverage Ratio

	Current Period – 31 December 2021	Unweighted Amounts(*)		Weighted Amounts(*)	
		TRY+FC	**FC**	**TRY+FC**	**FC**
	HIGH QUALITY LIQUID ASSETS			**60,105,592**	**41,728,573**
1	High Quality Liquid Assets			60,105,592	41,728,573
	CASH OUTFLOWS				
2	Retail and Small Business Customers Deposits	**141,515,493**	**84,898,033**	**13,012,189**	**8,489,803**
3	Stable deposits	22,787,215	-	1,139,361	-
4	Less stable deposits	118,728,278	84,898,033	11,872,828	8,489,803
5	Unsecured Funding other than Retail and Small Business Customers Deposits	**54,879,746**	**33,633,717**	**29,811,372**	**17,993,501**
6	Operational deposits	1,822,934	722,890	455,733	180,722
7	Non-Operational Deposits	42,113,548	28,893,102	20,722,509	14,249,724
8	Other Unsecured Funding	10,943,264	4,017,725	8,633,130	3,563,055
9	Secured funding	-	-	-	-
10	Other Cash Outflows	**22,265,401**	**5,501,550**	**22,265,401**	**5,501,550**
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	22,265,401	5,501,550	22,265,401	5,501,550
12	Debts related to the structured financial products	-	-	-	-
13	Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	66,317,841	3,640,360	3,315,892	182,018
15	Other irrevocable or conditionally revocable commitments	123,065,092	32,994,068	9,098,334	3,198,915
16	**TOTAL CASH OUTFLOWS**	**-**	**-**	**77,503,188**	**35,365,787**
	CASH INFLOWS				
17	Secured Lending Transactions	161,211	135,512	-	-
18	Unsecured Lending Transactions	18,740,027	10,456,304	13,483,740	9,177,360
19	Other contractual cash inflows	22,294,557	19,746,944	22,294,557	19,746,944
20	**TOTAL CASH INFLOWS**	**41,195,795**	**30,338,760**	**35,778,297**	**28,924,304**
				Upper Limit Applied Values	
21	**TOTAL HIGH QUALITY LIQUID ASSETS**			**60,105,592**	**41,728,573**
22	**TOTAL NET CASH OUTFLOWS**			**41,724,891**	**10,059,529**
23	**LIQUDITY COVERAGE RATIO (%)**			**144.05**	**414.82**

(*) Simple arithmetic average calculated for the last three month of values calculated by taking the monthly simple arithmetic average.

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

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

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

Prior Period – 31 December 2020		Unweighted Amounts(*)		Weighted Amounts(*)	
		TRY+FC	FC	TRY+FC	FC
HIGH QUALITY LIQUID ASSETS				**40,843,086**	**27,825,730**
1	High Quality Liquid Assets	40,843,086	27,825,730	40,843,086	27,825,730
CASH OUTFLOWS					
2	Retail and Small Business Customers Deposits	102,186,962	63,304,994	9,359,824	6,330,499
3	Stable deposits	17,177,444	-	858,872	-
4	Less stable deposits	85,009,518	63,304,994	8,500,952	6,330,499
5	Unsecured Funding other than Retail and Small Business Customers Deposits	38,420,138	23,838,871	21,866,203	13,428,405
6	Operational deposits	898,324	217,596	224,581	54,399
7	Non-Operational Deposits	31,106,175	21,385,242	16,677,209	11,384,804
8	Other Unsecured Funding	6,415,639	2,236,033	4,964,413	1,989,202
9	Secured funding	-	-	184,764	184,764
10	Other Cash Outflows	46,851,069	33,962,370	46,851,069	33,962,370
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	46,851,069	33,962,370	46,851,069	33,962,370
12	Debts related to the structured financial products	-	-	-	-
13	Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	40,250,022	161,642	2,012,501	8,082
15	Other irrevocable or conditionally revocable commitments	94,377,004	26,926,816	7,093,556	2,639,579
16	**TOTAL CASH OUTFLOWS**	**-**	**-**	**87,367,917**	**56,553,699**
CASH INFLOWS					
17	Secured Lending Transactions	1,372,203	99,215	-	-
18	Unsecured Lending Transactions	10,246,741	3,550,268	6,619,077	2,972,028
19	Other contractual cash inflows	44,973,632	43,355,658	44,973,633	43,355,659
20	**TOTAL CASH INFLOWS**	**56,592,576**	**47,005,141**	**51,592,710**	**46,327,687**
				Upper Limit Applied Values	
21	**TOTAL HIGH QUALITY LIQUID ASSETS**			**40,843,086**	**27,825,730**
22	**TOTAL NET CASH OUTFLOWS**			**35,775,207**	**14,147,213**
23	**LIQUDITY COVERAGE RATIO (%)**			**114.17**	**196.69**

(*) Simple arithmetic average calculated for the last three month of values calculated by taking the monthly simple arithmetic average.

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

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

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

Consolidated liquidity coverage ratios related to last three months of 2021 are calculated weekly and 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	Date	Minimum	Date	Average
TL+FC	182.40	20.12.2021	123.58	28.12.2021	144.12
FC	510.12	08.12.2021	243.24	01.10.2021	423.21

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

Funding sources of the Parent Bank mainly consist of deposits which constitute 57% of total liabilities of the Group (31 December 2020 – 57%) and also include repo, secured loans, syndication, securitization, bond/security issuance and other instruments including subordinated debts.

The Parent 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 one 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.

At The Parent Bank, Secured funding consists of repo and secured loan transactions. A large part of securities which are subjects of aforementioned guaranteed funding transactions consist of Sovereign Bonds issued by Treasury of the Republic of Turkey and transactions are carried out both in CBRT market and interbank market.

The Parent 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 Parent Bank are included in liquidity coverage ratio tables above.

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

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

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

Presentation of assets and liabilities according to their remaining maturities

Current Period	**Demand**	**Up to 1 Month**	**1-3 Months**	**3-12 Months**	**1-5 Years**	**5 Years and Over**	**Unallocated[1]**	**Total**
Assets								
Cash (Cash in Vault, Foreign Currency, Cash in Transit, Cheques Purchased, Precious Metal) and Balances with the T,R, Central Bank [2]	32,427,285	37,867,285	-	-	-	-	(7,083)	70,287,487
Due from Banks [3]	6,795,710	9,024,419	-	-	-	-	(3,826)	15,816,303
Financial Assets at Fair Value Through Profit/Loss [4]	346,590	2,074,286	3,741,114	4,658,140	7,131,075	1,270,074	-	19,221,279
Money Market Placements	-	159,508	-	-	-	-	-	159,508
Financial Assets Measured at Fair Value through Other Comprehensive Income [5]	44,138	3,407	353,810	2,228,255	11,353,041	9,054,559	-	23,037,210
Loans and Receivables [6]	-	36,365,387	23,074,462	65,726,182	66,055,120	18,750,119	2,383,991	212,355,261
Financial Assets Measured at Amortized Cost[7]	-	-	450,897	1,440,395	19,260,309	8,705,375	(9,793)	29,847,183
Other Assets	100	4,888,176	9,335	38,107	1,408,498	1,068	6,779,497	13,124,781
Total Assets	**39,613,823**	**90,382,468**	**27,629,618**	**74,091,079**	**105,208,043**	**37,781,195**	**9,142,786**	**383,849,012**
Liabilities								
Bank Deposits	569,447	11,644,754	688,474	74,420	-	-	-	12,977,095
Other Deposits	95,276,184	84,255,631	26,809,133	6,145,884	412,326	326	-	212,899,484
Funds Borrowed	-	3,872,718	2,602,067	19,097,318	6,553,112	10,162,943	6,816,673	49,104,831
Money Market Borrowings	-	5,127,316	5,429,700	4,387,644	2,409,064	836,890	-	18,190,614
Securities Issued	-	2,781,073	1,353,474	14,952,350	10,715,919	-	-	29,802,816
Miscellaneous Payables	-	18,044,842	-	-	-	-	801,793	18,846,635
Other Liabilities [8]	188,384	8,415,498	1,666,785	2,265,690	3,179,463	2,626,908	23,684,809	42,027,537
Total Liabilities	**96,034,015**	**134,141,832**	**38,549,633**	**46,923,306**	**23,269,884**	**13,627,067**	**31,303,275**	**383,849,012**
Liquidity Excess/Gap	**(56,420,192)**	**(43,759,364)**	**(10,920,015)**	**27,167,773**	**81,938,159**	**24,154,128**	**(22,160,489)**	**-**
Net Off- Balance Sheet Position [9]	**-**	**(1,902,436)**	**1,686,561**	**3,004,161**	**5,354,445**	**37**	**-**	**8,142,768**
Receivables from financial derivative instruments	-	72,196,159	33,952,450	41,342,421	46,772,646	49,170,248	-	243,433,924
Liabilities from derivative financial instruments	-	74,098,595	32,265,889	38,338,260	41,418,201	49,170,211	-	235,291,156
Non Cash Loans [10]	**-**	**1,534,846**	**5,201,610**	**10,797,060**	**3,857,735**	**337,993**	**25,738,863**	**47,468,107**
Prior period								
Total Assets	15,622,765	48,970,236	17,747,721	47,518,042	67,651,173	28,827,382	8,682,402	235,019,721
Total Liabilities	50,138,957	82,812,471	24,535,753	19,744,618	26,620,789	5,849,926	25,317,207	235,019,721
Liquidity Excess/Gap	**(34,516,192)**	**(33,842,235)**	**(6,788,032)**	**27,773,424**	**41,030,384**	**22,977,456**	**(16,634,805)**	**-**
Net Off- Balance Sheet Position [10]	**-**	**(1,156,689)**	**(915,308)**	**1,260,404**	**1,906,623**	**27,800**	**-**	**1,122,830**
Receivables from financial derivative instruments	-	42,886,011	26,710,279	14,308,819	40,026,017	32,234,805	-	156,165,931
Liabilities from derivative financial instruments	-	44,042,700	27,625,587	13,048,415	38,119,394	32,207,005	-	155,043,101
Non Cash Loans [11]	**-**	**2,300,896**	**3,178,517**	**14,212,232**	**4,524,946**	**565,058**	**8,343,292**	**33,124,941**

(1) The assets which are necessary to provide banking services and could not be liquidated in the short-term, such as fixed assets, investments in subsidiaries and associates, office stationery, and prepaid expenses are classified under "Unallocated" column. Unallocated other liabilities include equities amounting to TRY22,152,209, unallocated provisions amounting to TRY1,648,401 and deferred tax liabilities amounting to TRY278,506.

(2) Cash (Cash in Vault, Foreign Currency Cash, Cash in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank include expected loss provisions amounting to TRY7,084

(3) Banks include balance of expected loss provisions amounting to TRY3,825

(4) Financial assets at fair value through profit/loss include derivative financial assets through profit loss amounting to TRY18,446,821 (31 December 2020 – TRY7,828,472)

(5) Financial assets at fair value through other comprehensive income include derivative financial assets through other comprehensive income amounting to TRY3,359,463 (31 December 2020 - TRY1,400,686)

(6) Loans and receivables include leasing and factoring receivables.

(7) Financial assets measured at amortized cost include TRY9,793 of expected loss provisions.

(8) Other Liabilities also includes the portion of derivative financial liabilities at fair value through other comprehensive income amounting to TRY12,783,890.

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

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

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

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

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

Financial Liabilities according to the remaining maturities on the contract

The table below shows the maturity breakdown of the Bank's financial liabilities that are not classified as derivatives. These tables were prepared by taking the closest dates that the Bank will recognize its future cash flows. The interest payable through the said assets and liabilities are included in the tables below.

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and longer	Total	Balance Sheet Value
Bank Deposits	569,447	11,665,338	689,192	74,678	-	-	12,998,655	12,977,095
Other Deposits	95,276,184	84,444,331	26,951,157	6,183,110	415,350	532	213,271,664	212,899,484
Payables to Money Market	-	5,153,520	5,458,091	4,496,346	2,444,984	840,625	18,393,566	18,190,614
Funds from other Financial Institutions	-	3,873,911	2,613,665	19,406,734	6,612,442	16,981,665	49,488,417	49,104,831
Securities Issued	-	2,825,984	1,727,417	15,526,763	11,561,025	-	31,641,189	29,802,816
Noncash Loans(*)	25,738,862	1,534,846	5,201,610	10,797,060	3,857,735	337,994	47,468,107	47,468,107

Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and longer	Total	Balance Sheet Value
Bank Deposits	123,020	3,439,004	1,012,533	17,589	-	-	4,592,146	4,583,344
Other Deposits	49,918,940	55,257,083	16,316,357	4,220,636	342,026	365	126,055,407	125,691,512
Payables to Money Market	-	7,858,668	2,698,172	841,682	2,760,161	1,150,776	15,309,459	14,994,670
Funds from other Financial Institutions	-	1,901,236	1,886,529	12,981,992	10,225,274	5,819,570	32,814,601	32,601,184
Securities Issued	-	1,100,670	1,665,937	1,484,980	11,846,108	-	16,097,695	14,723,958
Noncash Loans(*)	8,343,292	2,300,899	3,178,517	14,212,233	4,524,946	565,054	33,124,941	33,124,941

(*) 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 maturity breakdown of the Bank's derivative 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 buying (**)	5,019,304	3,602,030	3,968,966	662,874	-	13,253,174
Forward contracts selling (**)	(5,237,730)	(3,795,385)	(4,477,040)	(632,360)	-	(14,142,515)
Swap contracts buying (*)	68,750,440	30,290,853	36,925,332	47,708,043	46,222,873	229,897,541
Swap contracts selling(*)	(70,393,221)	(28,105,947)	(33,460,598)	(40,876,290)	(46,578,452)	(219,414,508)
Futures buying	-	361,004	18,906	-	-	379,910
Futures selling	-	(368,665)	(15,436)	-	-	(384,101)
Options buying	527,020	418,336	993,552	14,708	-	1,953,616
Options selling	(595,686)	(426,748)	(888,633)	(14,708)	-	(1,925,775)
Other	-	-	-	1,427,525	-	1,427,525
Total	**(1,929,873)**	**1,975,478**	**3,065,049**	**8,289,792**	**(355,579)**	**11,044,867**

(*) Derivative financial assets held for hedges are included.
(**)Includes the Dated, Asset Value Buying and Selling obligations that are in Obligations.

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 years and Longer	Total
Forward contracts buying (**)	3,675,446	1,690,279	1,866,574	708,839	-	7,941,138
Forward contracts selling (**)	(3,672,565)	(1,653,033)	(1,785,519)	(747,655)	-	(7,858,772)
Swap contracts buying (*)	40,724,015	24,456,156	7,163,843	40,813,660	32,332,669	145,490,343
Swap contracts selling(*)	(41,867,501)	(25,325,611)	(11,108,379)	(38,060,766)	(32,304,876)	(148,667,133)
Futures buying	324,076	609,122	122,178	-	-	1,055,376
Futures selling	(345,798)	(630,696)	(132,877)	-	-	(1,109,371)
Options buying	812,899	353,367	372,689	-	-	1,538,955
Options selling	(789,738)	(332,023)	(308,209)	-	-	(1,429,970)
Other	-	-	146,810	807,455	-	954,265
Total	**(1,139,166)**	**(832,439)**	**(3,662,890)**	**3,521,533**	**27,793**	**(2,085,169)**

(*) Derivative financial assets held for hedges are included.
(**)Includes the Dated, Asset Value Buying and Selling obligations that are in Obligations.

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

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

VII. Explanations on Consolidated Leverage Ratio

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

The Group's leverage ratio, calculated in accordance with the "Regulation on Measurement and Evaluation of Bank's Leverage Levels" is 5.80% (31 December 2020: 6.60%). 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.

b) Summary comparative table for total asset and total risk amount in consolidated financial statements prepared in accordance with TFRS:

		Current Period(**)	Prior Period(**)
1	Total asset amount in consolidated financial statements prepared in accordance with TFRS (*)	349,460,469	239,576,091
2	Difference between total asset amount in consolidated financial statements prepared in accordance with TFRS and total asset amount in consolidated financial statements prepared in accordance with the Communique on the Preparation of Consolidated Financial Statements	685,946	539,424
3	Difference between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communique on the Preparation of Consolidated Financial Statements of derivative financial instruments and credit derivatives	2,119,562	1,708,901
4	Difference between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communique on the Preparation of Consolidated Financial Statements of investment securities or financial transaction that are commodity collateralized	454,669	11,722,092
5	Difference between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communique on the Preparation of Consolidated Financial Statements of off balance transactions	135,914,487	102,348,594
6	Other differences between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communique on the Preparation of Consolidated Financial Statements	(1,420,516)	(847,141)
7	**Total Risk Amount**	**487,214,617**	**355,047,961**

(*) Consolidated financial statements prepared in accordance with the 5th clause and 6th subclause of Communique on the Preparation of Consolidated Financial Statements.
(**) Amounts presented above represent the arithmetic average of the last three months.

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

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

VII. Explanations on Consolidated Leverage Ratio (Continued)

c) Leverage ratio public disclosure template:

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 (*)	**Prior Period (*)**
Assets on Balance sheet		
Assets on Balance sheet (except for derivative financial instruments and credit derivatives, including guarantees)	330,397,308	228,404,635
(Assets deducted from capital stock)	1,420,516	847,141
Total risk amount related to Assets on Balance sheet	**328,976,792**	**227,557,494**
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	19,749,107	11,710,880
Potential credit risk amount of derivative financial instruments and credit derivatives	2,119,562	1,708,901
Total risk amount related to derivative financial instruments and credit derivatives	**21,868,669**	**13,419,781**
Financial transactions having security or commodity collateral		
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
Total risk amount related to financial transactions having security or commodity collateral	**454,669**	**11,722,092**
Off-Balance sheet Transaction		
Gross nominal amount of off-balance sheet transactions	196,081,218	140,280,531
(Adjustment amount sourcing from multiplying to credit conversion rates)	60,166,731	37,931,937
Total risk amount related to off-balance sheet transactions	**135,914,487**	**102,348,594**
Capital and Total Risk		
Core Capital	28,238,011	23,421,166
Amount of total risk	487,214,617	355,047,961
Financial leverage ratio		
Financial leverage ratio	5.80%	6.60%

(*) Amounts stated in table shows the last 3 months' averages of the related period.

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

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

VIII. Explanations Related to Presentation of Consolidated 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; market prices or, where such price cannot be determined, interest is determined on the basis of quoted market prices for other securities subject to the same qualified amortization in terms of maturity and other similar conditions.

The estimated fair value of the demand deposit represents the amount payable at the time of demand. The fair value of floating rate placements and overnight deposits represents the book value. The estimated fair value of fixed rate deposits is calculated by finding the discounted cash flows using market interest rates applied to similar loans and other liabilities.

The estimated fair value of funds from banks, other financial institutions, is determined based on discounted cash flows using the current market interest rates.

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.

Current Period	Book value	Fair value
Financial Assets	**277,869,620**	**273,033,853**
Receivables from Money Market	159,508	159,508
Banks	15,820,128	15,816,458
Financial Assets Measured at Fair Value through Other Comprehensive Income	19,677,747	19,677,747
Financial Assets Measured at Amortized Cost	29,856,976	30,900,013
Credits Given	212,355,261	206,480,127
Financial Liabilities	**341,821,475**	**341,915,997**
Bank Deposits	12,977,093	12,982,717
Other Deposits	212,899,486	212,819,660
Funds from Other Financial Institutions	49,104,831	49,273,555
Payable to Money Market	18,190,614	18,190,614
Securities Issued	29,802,816	29,802,816
Other Debts	18,846,635	18,846,635

Prior Period	Book value	Fair value
Financial Assets	**182,534,209**	**179,696,660**
Receivables from Money Market	752,392	752,392
Banks	1,515,756	1,505,588
Financial Assets Measured at Fair Value through Other Comprehensive Income	15,190,114	15,190,114
Financial Assets Measured at Amortized Cost	18,743,356	19,214,463
Credits Given	146,332,591	143,034,103
Financial Liabilities	**201,838,274**	**201,964,825**
Bank Deposits	4,583,344	4,583,090
Other Deposits	125,691,512	125,646,294
Funds from Other Financial Institutions	32,601,184	32,773,207
Payable to Money Market	14,994,670	14,994,670
Securities Issued	14,723,958	14,723,958
Other Debts	9,243,606	9,243,606

TFRS 13, "Fair Value Measurement" requires classification of line items at fair value presented at the financial statements according to the defined levels. These levels depend on the observability of data used for fair value calculations.

Classification for fair value is generated as followed below:

a) Level 1: Assets or liabilities with prices recorded (unadjusted) in active markets (Exchange Value)

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

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

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

b) Level 2: Assets or liabilities that are excluded in the Level 1 of recorded prices directly observable by prices or indirectly observable derived through prices observable from similar assets or liabilities

c) Level 3: Assets and liabilities where no observable market data can be used for valuation (Valuation techniques cannot be measured in the market).

According to these classification principles stated, the Group's classification of financial assets and liabilities carried at their fair value are as follows:

Current Period	Level 1	Level 2	Level 3	Total
Financial Assets	**19,925,817**	**22,090,317**	**242,355**	**42,258,489**
Financial Assets at Fair Value through Profit/Loss(*)	306,441	225,662	242,355	774,458
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) (**)	19,619,376	58,371	-	19,677,747
Derivative Financial Assets	-	21,806,284	-	21,806,284
Financial Liabilities	**2,159**	**12,781,731**	**-**	**12,783,890**
Derivative Financial Liabilities	2,159	12,781,731	-	12,783,890

(*) Including the balance amounting to TRY209,671 under Financial Assets at Fair Value Through Profit and Loss, which is disclosed in Note 6.b.2 of Section Five.

(**) The fair value difference does not include balance of shares amounting to TRY7,674 which is included in Financial Assets at Fair Value through Other Comprehensive Income.

Prior Period	Level 1	Level 2	Level 3	Total
Financial Assets	**15,519,557**	**9,388,609**	**126,806**	**25,034,972**
Financial Assets at Fair Value through Profit/Loss(*)	367,738	128,831	126,806	623,375
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) (**)	15,151,717	30,723	-	15,182,440
Derivative Financial Assets	102	9,229,055	-	9,229,157
Financial Liabilities	**2,924**	**8,153,540**	**-**	**8,156,464**
Derivative Financial Liabilities	2,924	8,153,540	-	8,156,464

(*) Including the balance amounting to TRY126,806 under Financial Assets at Fair Value Through Profit and Loss, which is disclosed in Note 6.b.2 of Section Five.

(**) The fair value difference does not include balance of shares amounting to TRY7,674 which is included in Financial Assets at Fair Value through Other Comprehensive Income.

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

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

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

The Parent 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.

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

SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

I. Explanations And Disclosures Related To Consolidated Assets

1. a) Information on cash equivalents and the account of the CBRT:

	Current Period		Prior Period	
	TRY	**FC**	**TRY**	**FC**
Cash in TL/Foreign Currency	678,315	6,245,263	616,300	1,486,250
T.R. Central Bank	6,654,230	56,333,197	1,811,815	23,368,532
Others	103,735	279,831	77,629	45,935
Total	**7,436,280**	**62,858,291**	**2,505,744**	**24,900,717**

b) Information related to the account of the CBRT:

	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
Total	**6,654,230**	**56,333,197**	**1,811,815**	**23,368,532**

As of 31 December 2021, a provision amounting to TRY7,083 (31 December 2020 - TRY3,399) has been provided to the Central Bank account.

As of 31 December 2021, our bank has been appointed to C.B.R.T. 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, Gold deposit liabilities vary between 22% and 36% 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.

2. Further information on financial assets at fair value through profit/loss (net amounts are expressed):

a) Information on financial assets at fair value through profit or loss that are subject to repurchase agreements and given as collateral/blocked:

	Current Period		Prior Period	
	TRY	**FC**	**TRY**	**FC**
Given as Collateral/blocked	-	19,850	-	16,933
Subject to repurchase agreement	1,373	-	-	-
Total	**1,373**	**19,850**	**-**	**16,933**

b) 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	7,457,376	1,722,657	2,598,768	1,660,617
Futures	-	-	-	-
Options	-	289,303	102	161,465
Total	**7,830,892**	**2,011,960**	**2,749,035**	**1,822,082**

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

3. a) Information on banks:

	Current Period		Prior Period	
	TRY	**FC**	**TRY**	**FC**
Banks	94,349	15,725,779	38,518	1,477,238
Domestic	94,336	1,781,296	38,361	127,763
Foreign	13	13,944,483	157	1,349,475
Foreign Head Offices and Branches	-	-	-	-
Total	**94,349**	**15,725,779**	**38,518**	**1,477,238**

Amount of TRY3,826 provision is provided for banks account as of 31 December 2021 (31 December 2020 – TRY10,189).

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	1,267,901	604,462	7,479,468	4,423
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	-	-
Total	**6,461,784**	**1,345,209**	**7,482,712**	**4,423**

(*) Include OECD countries other than the EU countries, USA and Canada.
(**) No money is kept in blocked accounts in foreign banks for loans taken from foreign markets (31 December 2020 – None).

4. Information on receivables from reverse repurchase agreements:

	Current Period		Prior Period	
	TRY	**FC**	**TRY**	**FC**
Domestic Transactions	**-**	**-**	**250,154**	**-**
T.R. Central Bank	-	-	-	-
Banks	-	-	250,124	-
Intermediary Institutions	-	-	-	-
Other Financial Institutions	-	-	-	-
Other Institutions	-	-	30	-
Real Persons	-	-	-	-
Foreign Transactions	**-**	**159,508**	**-**	**92,610**
Central Banks	-	-	-	-
Banks	-	159,508	-	92,610
Intermediary Institutions	-	-	-	-
Other Financial Institutions	-	-	-	-
Other Institutions	-	-	-	-
Real Persons	-	-	-	-
Total	**-**	**159,508**	**250,154**	**92,610**

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Disclosures Related to Consolidated 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 subject to repurchase agreements and provided as Collateral/blocked

	Current Period		Prior Period	
	TRY	**FC**	**TRY**	**FC**
Given as Collateral/Blocked	3,204,419	2,244,960	920,138	303,114
Subject to repurchase agreements	500,257	7,553,683	27,227	7,627,357
Total	**3,704,676**	**9,798,643**	**947,365**	**7,930,471**

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

	Current Period	Prior Period
Debt Securties	**20,978,048**	**15,282,501**
Quoted on a stock exchange (*)	20,978,048	15,282,501
Unquoted on a stock exchange	-	-
Stocks	**44,443**	**16,806**
Quoted on a stock exchange	36,662	9,025
Unquoted on a stock exchange	7,781	7,781
Provision for Impairment (-)(**)	**(1,344,744)**	**(109,193)**
Total	**19,677,747**	**15,190,114**

(*) 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 Parent Bank:

	Current Period		Prior Period	
	Cash	**Non-Cash**	**Cash**	**Non-Cash**
Direct Loans Granted to Shareholders	**-**	**55,271**	**2,500**	**45,878**
Corporate Shareholders	-	55,271	2,500	45,878
Individual Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees (*)	170,379	-	149,520	-
Total	**170,379**	**55,271**	**152,020**	**45,878**

(*) Includes advances given to the bank personnel.

b) Information on first and second group loans, other receivables, 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(*)		
			Restructured Loans and Receivables	
		Loans and Receivables Not Subject to Restructuring	Loans and Receivables with Revised Contract Terms	Refinance
Non Specialized Loans	**182,379,162**	**9,880,936**	**1,273,729**	**8,037,918**
Enterprise Loans	3,794,049	7,261	-	-
Export Loans	10,210,672	47,381	-	-
Import Loans	6,326	-	-	-
Financial Sector Loans	4,705,939	30	-	-
Consumer Loans	36,850,259	1,364,396	275,845	756,903
Credit Cards	27,761,240	1,879,865	-	405,567
Other	99,050,676	6,582,003	997,884	6,875,448
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	**182,379,162**	**9,880,936**	**1,273,729**	**8,037,918**

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

6. Information related to loans: (Continued)

	Standard Loans	Loans Under Close Monitoring
Current Period		
12 Month Expected Credit Losses	2,136,918	-
Significant Increase in Credit Risk	-	3,416,721
Prior Period		
12 Month Expected Credit Losses	926,955	-
Significant Increase in Credit Risk	-	1,598,718

b.2) Loans at fair value through profit or loss:

As of 31 December 2021, The Parent Bank has classified the loan amounting to TRY209,671 (31 December 2020 – TRY116,829) under loans at fair value through profit or loss in accordance with TFRS 9.

c) Loans with amortized cost and other receivables according to their maturity structure:

Cash Loans	Standard Loans	Loans Under CloseMonitoring	
		Loans Not Subject to Restructuring	Restructured Loans
Short-term Loans	74,463,106	1,879,865	405,567
Medium and Long-term Loans	107,916,056	8,001,071	8,906,080
Total	**182,379,162**	**9,880,936**	**9,311,647**

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

	Short Term	Medium and Long Term	Total
Consumer Loans-TRY	**1,701,462**	**34,169,227**	**35,870,689**
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	-	-	-
Consumer Loans-FC Indexed	**-**	**1,563**	**1,563**
Housing Loans	-	1,397	1,397
Automobile Loans	-	-	-
Personal Need Loans	-	166	166
Other	-	-	-
Consumer Loans-FC	**-**	**-**	**-**
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TRY	**22,036,521**	**401,965**	**22,438,486**
Installment	8,061,856	279,539	8,341,395
Non- Installment	13,974,665	122,426	14,097,091
Individual Credit Cards-FC	**41,282**	**94**	**41,376**
Installment	-	-	-
Non- Installment	41,282	94	41,376
Personnel Loans-TRY	**7,514**	**89,142**	**96,656**
Housing Loans	-	48	48
Automobile Loans	-	-	-
Personal Need Loans	7,514	89,094	96,608
Other	-	-	-
Personnel Loans-FC Indexed	**-**	**-**	**-**
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	**-**	**-**	**-**
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TRY	**70,452**	**617**	**71,069**
Installment	24,138	211	24,349
Non-Installment	46,314	406	46,720
Personnel Credit Cards-FC	**152**	**-**	**152**
Installment	-	-	-
Non-Installment	152	-	152
Overdraft Accounts-TRY (Real Persons)	**3,140,408**	**138,087**	**3,278,495**
Overdraft Accounts-FC (Real Persons)	**-**	**-**	**-**
Total	**26,997,791**	**34,800,695**	**61,798,486**

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

6. Information related to loans: (Continued)

e) Information on commercial installment loans and corporate credit cards:

	Short Term	Medium and Long Term	Total
Commercial Loans with Installment Facility – TRY	**1,021,047**	**18,212,892**	**19,233,939**
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	-	-	-
Commercial Loans with Installment Facility - FC Indexed	**-**	**362,019**	**362,019**
Real Estate Loans	-	1,730	1,730
Automobile Loans	-	1,701	1,701
Personal Need Loans	-	358,588	358,588
Other	-	-	-
Commercial Loans with Installment Facility - FC	**-**	**-**	**-**
Real Estate Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Corporate Credit Cards –TRY	**7,372,818**	**119,208**	**7,492,026**
Installment	3,095,987	81,741	3,177,728
Non-Installment	4,276,831	37,467	4,314,298
Corporate Credit Cards –FC	**3,555**	**8**	**3,563**
Installment	-	-	-
Non-Installment	3,555	8	3,563
Overdraft Accounts-TRY (Legal Entities)	**1,211,149**	**6,422**	**1,217,571**
Overdraft Accounts-FC (Legal Entities)	**-**	**-**	**-**
Total	**9,608,569**	**18,700,549**	**28,309,118**

f) Allocation of loans by customers (*):

	Current Period	Prior Period
Public	127,577	-
Private	201,444,168	138,974,639
Total	**201,571,745**	**138,974,639**

(*)It does not include the non-performing loan amount.

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

	Current Period	Prior Period
Public	199,914,126	137,833,837
Private	1,657,619	1,140,802
Total	**201,571,745**	**138,974,639**

(*)It does not include the non-performing loan amount.

h) Loans to associates and subsidiaries:

	Current Period	Prior Period
Direct Loans Granted to Subsidiaries and Associates	2,202,964	1,256,220
Indirect Loans Granted to Subsidiaries and Associates	-	-
Total	**2,202,964**	**1,256,220**

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

6. Information related to loans: (Continued)

i) Specific provisions for loans (Third Stage)

	Current Period	Prior Period
Provisions		
Loans and Receivables with Limited Collectability	675,951	529,166
Loans and Receivables with Doubtful Collectability	486,017	313,178
Uncollectible Loans and Receivables	5,970,188	6,290,728
Total	**7,132,156**	**7,133,072**

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

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

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectibility	Loans and Other Receivables with Doubtful Collectibility	Uncollectible Loans and Other Receivables
Current Period			
Gross Amounts Before the Provisions	79,801	35,301	270,005
Restructured Loans	79,801	35,301	270,005
Prior Period			
Gross Amounts Before the Provisions	38,242	44,862	316,399
Restructured Loans	38,242	44,862	316,399

j.2) Movement of non-performing loans

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectibility	Loans and Other Receivables with Doubtful Collectibility	Uncollectible Loans and Other Receivables
Prior Period End Balance	**970,934**	**550,502**	**8,001,930**
Additions (+)	1,427,513	1,411,680	291,846
Transfers from Other Categories of Non-Performing Loans (+)	63,736	1,082,516	1,976,505
Transfers to Other Categories of Non-Performing Loans (-)	1,082,719	1,976,301	63,736
Collections (-)	112,886	300,448	1,500,083
Non-registered(-)	-	-	126,001
Write-offs (-)	**-**	**-**	**1,098,841**
Corporate and Commercial Loans	-	-	282,393
Consumer Loans	-	-	339,137
Credit Cards	-	-	440,076
Others	-	-	37,235
Current Period End Balance	**1,266,578**	**767,949**	**7,481,620**
Specific Provision (-)	675,951	486,017	5,970,188
Prior Period End Balance	**590,627**	**281,932**	**1,511,432**

(*) The bank has sold TRY1,019,989 of its non-performing loans portfolio to an asset management firm for TRY205,772.

j.3) Information on non-performing loans granted as foreign currency loans:

None (31 December 2020 – None).

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

6. Information related to loans: (Continued)

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

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectibility	**Loans and Other Receivables with Doubtful Collectibility**	**Uncollectible Loans and Other Receivables**
Current Period (Net)	**590,627**	**281,932**	**1,511,432**
Loans to Real Persons and Legal Entities (Gross)	1,266,578	767,949	7,337,381
Provision (-)	675,951	486,017	5,825,949
Loans to Real Persons and Legal Entities (Net)	590,627	281,932	1,511,432
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	144,239
Provision (-)	-	-	144,239
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	**441,768**	**237,324**	**1,711,202**
Loans to Real Persons and Legal Entities (Gross)	970,934	550,502	7,789,721
Provision (-)	529,166	313,178	6,078,519
Loans to Real Persons and Legal Entities (Net)	441,768	237,324	1,711,202
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	212,209
Provision (-)	-	-	212,209
Other Loans and Receivables (Net)	-	-	-

	III. Group Loans and Other Receivables with Limited Collectibility	IV. Group Loans and Other Receivables with Doubtful Collectibility	V. Group Uncollectible Loans and Other Receivables
Current Year (Net)			
Interest accruals and valuation differences	199,479	88,104	1,196,682
Provision Amount (-)	110,303	41,738	792,353
Prior Period (Net)			
Interest Accruals and Rediscounts and Valuation Differences	441,513	61,920	705,452
Provision Amount (-)	240,067	32,732	497,744

k) Explanation on liquidation policy for uncollectible loans and other receivables:

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

l) Explanations regarding the write-off policy:

The Parent Bank's general policy on write-off of NPLs is explained in Note VIII of Section Three.

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

7. Information on factoring receivables

	Current Period		Prior Period	
	TRY	**FC**	**TRY**	**FC**
Short Term	2,882,199	921,323	1,858,719	338,166
Medium and Long Term	6,996	-	13,562	-
Total	**2,889,195**	**921,323**	**1,872,281**	**338,166**

Changes in provision for non-performing factoring receivables are as follows:

	Current Period	**Prior Period**
Prior Period End Balance	82,530	83,938
Provided Provision/(reversal), Net	53,781	11,779
Collections	(16,511)	(13,186)
Write-offs	(37,235)	-
Provision at the End of Period	**82,565**	**82,531**

8. Information on financial assets measured at amortized cost

a) Information on financial assets measured at amortized cost which are subject to repurchase agreements and given 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
Total	**2,767,628**	**14,067,436**	**5,489,527**	**7,500,243**

b) Information on government debt securities measured at amortized cost

	Current Period		Prior Period	
	TRY	**FC**	**TRY**	**FC**
Government Bond	14,876,060	14,162,999	9,559,633	8,413,913
Treasury Bill	-	-	-	-
Other Public Sector Debt Securities	-	254,975	-	208,029
Total	**14,876,060**	**14,417,974**	**9,559,633**	**8,621,942**

c) Information on investments securities measured at amortized cost

	Current Period		Prior Period	
	TRY	**FC**	**TRY**	**FC**
Debt Securities	**14,876,060**	**14,980,916**	**9,559,633**	**9,183,723**
Publicly-traded	14,876,060	14,980,916	9,559,633	9,183,723
Non-publicly traded	-	-	-	-
Provision for losses (-)	-	-	-	-
Total	**14,876,060**	**14,980,916**	**9,559,633**	**9,183,723**

d) Movement of investment measured at amortized cost within the period

	Current Period	**Prior Period**
Balance at the beginning of the period	**18,743,356**	**16,181,302**
Exchange differences on monetary assets	6,418,170	1,745,496
Acquisitions during the year	5,543,887	2,333,458
Disposals through sales and redemptions	(2,609,710)	(2,260,925)
Impairment provision (-)	-	-
Valuation Effect	1,761,273	744,025
Total	**29,856,976**	**18,743,356**

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.

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

9. Information on investments in associates (Net)

9.1. Information on unconsolidated associates:

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

Total Assets	Shareholder's Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio		Current Period Profit/Loss	Prior Period Profit/Loss
299,199	397,536	96,050	27,496	-	93,651	53,042	-
34,723	27,961	26,022	639	-	2,467	6,146	-

(*) Current year information is based on 30 September 2021 financials. Prior year profit and loss amounts are based on 31 December 2020 financials.

(**) Current year information is based on 31 December 2020 financials. Prior year profit and loss amounts are based on 31 December 2020 financials.

9.2. Movements of investments in associates:

	Current Period	Prior Period
Balance at the Beginning of Period	**14,027**	**5,982**
Movements During the Period	**-**	**8,045**
Acquisitions	-	-
Bonus Shares Received	-	8,045
Dividends From Current Year Profit	-	-
Sales	-	-
Reclassifications	-	-
Increase/Decrease in Market Values	-	-
Currency Differences on Foreign Associates	-	-
Impairment Losses (-)	-	-
Balance at the End of the Period	**14,027**	**14,027**
Capital Commitments	**-**	**-**
Share Percentage at the end of the Period (%)	**-**	**-**

9.3. Sectoral information on investment and associates, and the related carrying amounts:

	Current Period	Prior Period
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Associates	14,027	14,027
Total	**14,027**	**14,027**

9.4. Quoted Associates:

None (31 December 2020 - None).

9.5. Valuation methods of investments in associates:

	Current Period	Prior Period
Valued at Cost	14,027	14,027
Valued at Fair Value	-	-
Valued at Equity Method	-	-
Total	**14,027**	**14,027**

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

9.6. Investments in associates sold during the current period:

None (31 December 2020 - None).

9.7. Information on subsidiaries (Net):

a) Information on the Parent Bank's unconsolidated subsidiaries:

Subsidiaries below have not been consolidated since they are Non-financial investments, they are instead valued by cost method.

	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.	EFINANS Elektronik Ticaret ve Bilişim Hizmetleri A.Ş.	Istanbul/Turkey	100.00	100.00

	Total Assets	Shareholder's Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1.	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 planned on the basis of 31 December 2021, if previous profits and losses are applied, as of 31 December 2020.

b) Information on the Parent Bank's 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 as presented in the table above:

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value(*)
1.	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	-
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	-

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

9.7. Information on subsidiaries (Net)(Continued):

b.2) Movement schedule for consolidated subsidiaries:

	Current Period	Prior Period
Balance at the Beginning of the Period	**1,645,370**	**1,334,906**
Movements during the Period	**484,428**	**310,464**
Bonus Shares Received	-	-
Purchases	-	-
Dividends from Current Year Profit	-	-
Disposals (*)	(25,651)	-
Revaluation Difference (**)	510,079	310,464
Provisions for Impairment	-	-
Balance at the End of the Period	**2,129,798**	**1,645,370**
Capital Commitments	**-**	**-**
Share Percentage at the end of the Period (%)	**-**	**-**

(*) 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
Total	**2,129,798**	**1,645,370**

The balances of the subsidiaries have been eliminated as part of the consolidation principles.

b.4) Subsidiaries quoted to a stock exchange:

	Current Period	Prior Period
Quoted on Domestic Stock Exchanges	1,230,205	1,031,467
Quoted on International Stock Exchanges	-	-
Total	**1,230,205**	**1,031,467**

b.5) Information on shareholders' equity of the significant subsidiaries:

None.

10. Information on joint ventures:

	Title	Address (City/Country)	Bank's Share-If different, Voting Rights (%)	Bank' 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	Shareholders' 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 Parent 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 stated as of 30 November 2021, prior period profit and loss amounts are based on the financial statements prepared as of 31 December 2020.

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

11. Information on lease receivables (Net):

11.1 Maturity analysis of financial lease receivables:

	Current Period		Prior Period	
	Gross	**Net**	**Gross**	**Net**
Less than 1 year	4,865,238	4,074,767	2,895,127	2,422,825
Between 1-4 years	6,665,208	5,861,829	4,783,923	4,075,716
Over 4 years	872,077	753,152	715,169	674,257
Total	**12,402,523**	**10,689,748**	**8,394,219**	**7,172,798**

Finance lease receivables include non-performing finance lease receivables amounting to TRY444,536 (31 December 2020 – TRY315,965) and expected credit loss amounting to TRY298,510 (31 December 2020 – TRY 175,025).

Changes in non-performing finance lease receivables provisions are as follows

	Current Period	Prior Period
End of the prior period	175,025	147,827
Provided provision/(reversal), Net	181,665	75,531
Collections	(16,563)	(4,687)
Written-off	(41,617)	(43,646)
Provision at the end of the period	**298,510**	**175,025**

11.2. Information on net investments in finance leases

	Current Period	Prior Period
Gross Finance Lease Investments	12,393,269	8,376,480
Unearned Finance Income (-)	1,703,521	1,203,682
Cancelled Leasing Agreements (-)	-	-
Net Investment on Leases	**10,689,748**	**7,172,798**

11.3. Information of finance lease contracts of the Parent Bank

The leasing balances between the Parent Bank and the subsidiaries have been eliminated as part of the consolidation principles.

12. Information on the hedging derivative financial assets:

	Current Period(***)		Prior Period	
	TRY	**FC**	**TRY**	**FC**
Fair Value Hedge (*)	8,396,620	207,349	2,967,614	289,740
Cash Flow Hedge(**)	3,214,981	144,482	1,143,010	257,676
Net Investment Hedge	-	-	-	-
Total	**11,611,601**	**351,831**	**4,110,624**	**547,416**

(*) Derivative Financial Instruments at fair value consists swaps. As of 31 December 2021, TRY 8,388,215 (31 December 2020 – TRY 2,966,278) from loans, TRY 206,207 (31 December 2020 – TRY 265,248) from securities, 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 on investment properties:

None. (31 December 2020 - None).

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

14. Explanations on tangible assets:

	Land and Buildings	Fixed Assets from Finance Lease	Vehicles	Other Fixed Assets	Total
Prior Period End					
Cost	3,097,230	307,354	101,612	2,023,762	5,529,958
Accumulated Depreciation(-)	387,869	255,695	26,801	1,370,408	2,040,773
Net Book Value	**2,709,361**	**51,659**	**74,811**	**653,354**	**3,489,185**
Current Period End					
Cost at the Beginning of the Period	**3,097,230**	**307,354**	**101,612**	**2,023,762**	**5,529,958**
Costs regarding Subsidiaries	-	-	-	-	-
Additions(*)	232,164	164	117,621	347,484	697,433
Disposals (-)	73,780	10,745	18,425	25,554	128,504
Impairment (-)/(increase)	(3,972)	-	-	6	(3,966)
Current Period Cost	**3,251,642**	**296,773**	**200,808**	**2,345,698**	**6,094,921**
Accumulated Depreciation at the Beginning of the Period	**387,869**	**255,695**	**26,801**	**1,370,408**	**2,040,773**
Accumulated Depreciation regarding Subsidiaries	-	-	-	-	-
Disposals (-)	76,682	3,405	18,970	24,367	123,424
Transfer (-)	-	-	-	-	-
Depreciation amount	234,199	4,129	43,147	201,582	483,057
Accumulated Depreciation at the End of the Period (-)	**545,386**	**256,419**	**50,978**	**1,547,623**	**2,400,406**
Net Book Value at the End of the Period	**2,706,256**	**40,354**	**149,830**	**798,075**	**3,694,515**

(*)As mentioned in Section 3 footnote IV, the fair value currency difference income amounting to TRY 27,685 (the amortized) that belongs to the real estate, which is subjected to fair value hedge accounting by the Parent Bank, is shown in the "Additions" line of the Financial Fixed Assets movement table.

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 of TRY6,821 has been booked. (31 December 2020 - TRY2,337 impairment loss has been booked).

b) The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially effecting 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).

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations And Disclosures Related To Consolidated Assets (Continued)

15. Explanations on Intangible Assets:

	Rights	Goodwill	Total
Prior Period End			
Cost	1,598,000	-	1,598,000
Accumulated Amortization(-)	1,077,285	-	1,077,285
Net Book Value	**520,715**	**-**	**520,715**
Current Period End			
Cost at the Beginning of the Period	**1,598,000**	**-**	**1,598,000**
Costs related to acquisition of subsidiary			
Additions	306,106	-	306,106
Disposals (-)	72	-	72
Value Decrease (-)/(increase)	-	-	-
Current Period Cost	**1,904,034**	**-**	**1,904,034**
Acc, Amort, At the Beginning of the Period	**1,077,285**	**-**	**1,077,285**
Accrued amortization related to acquisition of subsidiary	-		
Disposals(-)	10	-	10
Amortization charge	178,175	-	178,175
Current Period Accumulated Amortization(-)	**1,255,449**	**-**	**1,255,449**
Net Book Value-End of the Period	**648,585**	**-**	**648,585**

a) 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).

b) Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition:

None (31 December 2020- None).

c) 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).

d) The book value of intangible fixed assets that are pledged or restricted for use:

None (31 December 2020- None)..

e) Amount of purchase commitments for intangible fixed assets:

None (31 December 2020- None).

f) Information on revalued intangible assets according to their types:

None (31 December 2020- None)

g) Amount of total research and development expenses recorded in income statement within the period if any:

Amount of total research expenses recorded in income statement within the period is TRY15,734 (31 December 2020– TRY14,774).

h) Positive or negative consolidation goodwill on entity basis:

None (31 December 2020- None)

i) Goodwill’s book value at beginning , during and end of period:

Explanation about balance sheet’s debit accounts and footnotes section specified in number 15 footnote.

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations And Disclosures Related To Consolidated Assets (Continued)

16. Information on deferred tax asset

As of 31 December 2021, the Parent Bank has deferred tax asset amounting to TRY341,690 under the related regulations.

According to TAS 12, deferred tax assets and liabilities are netted off in the financial statements. As of 31 December 2021, the carrying amount of the assets and liabilities in the balance sheet and the tax basis determined in accordance with the tax legislation and deferred tax asset amounting to TRY2,843,450 calculated over the amounts to be taken into consideration in the calculation of financial profit/loss in the following periods and deferred tax liability amounting to TRY2,501,760 which are calculated over the amounts to be taken into consideration in the calculation of financial profit/loss in the following periods.

In cases whereby deferred tax differences arising from the differences between the carrying amounts and the taxable amounts of the assets subjected to deferred tax that are related with certain items under the shareholders' equity accounts, the deferred tax benefits/charges are netted under these accounts. The deferred tax assets amounting to TRY256,390 are netted under equity. (31 December 2020 – TRY39,419 deferred tax assets).

	Temporary Differences		**Deferred Tax Assets/(Liabilities)**	
	31.12.2021	**31.12.2020**	**31.12.2021**	**31.12.2020**
Provision for Employee Rights	1,032,218	631,149	206,707	126,230
Difference Between the Book Value of Financial Assets and Tax Base	5,097,757	1,380,136	1,019,551	276,027
Other	8,085,958	5,156,827	1,617,192	1,034,795
Deferred Tax Assets			**2,843,450**	**1,437,052**
Differences Between Carrying Value and Tax Value of Tangible Fixed Assets	(450,917)	(381,463)	(90,183)	(76,293)
Differences Between Carrying Value and Tax Basis of Financial Assets	(10,879,235)	(1,265,063)	(2,175,847)	(253,012)
Other	(483,321)	(368,326)	(235,730)	(73,665)
Deferred Tax Liabilities			**(2,501,760)**	**(402,970)**
Deferred Tax Asset/(Debt), Net			**341,690**	**1,034,082**

(*) Includes accumulated temporary differences regarding expected loss provisions and other provisions.

	Current Period 01.01-31.12.2021	**Prior Period 01.01-31.12.2020**
Deferred Tax as of January 1 Asset/(Liability)- Net	1,034,082	445,244
Deferred Tax (Loss)/Gain	(948,782)	549,419
Deferred Tax that is Realized Under Shareholder's Equity	256,390	39,419
Deferred Tax Asset/(Liability) – Net	**341,690**	**1,034,082**

17. Information on assets held for sale and discontinued operations

	Current Period	**Prior Period**
Opening Balance Net Book Value	-	-
Additions (*)	-	-
Impairment (-)	-	-
Closing Net Book Value	-	-

(*) 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.

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

18. Information on other assets:

Other assets of the balance sheet do not exceed 10% of the balance sheet total, excluding off-balance sheet commitments.

As of 31 December 2021, the bank provisions for other assets to TRY8,503 (31 December 2020 – TRY8,033).

19. Information on accrued interest and income

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

	Current Period		Prior Period	
	TRY	**FC**	**TRY**	**FC**
Derivative Financial Assets	19,442,493	2,363,791	6,859,659	2,369,498
Loans	4,113,202	1,172,015	3,550,643	788,150
Securities Measured at Amortized Cost	858,545	241,641	464,532	145,944
Financial Assets Measured at Fair Value through Other Comprehensive Income	282,288	(984,469)	157,628	199,644
Central Bank	143,453	-	23,626	-
Leasing Receivables	-	-	-	-
Banks	87	11	183	1
Financial Assets Measured at Fair Value through Profit/Loss	3,139	81	37	1,182
Other Accruals	37,658	1,835	69,085	522
Total	**24,880,865**	**2,794,905**	**11,125,393**	**3,504,941**

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Disclosures Related to Consolidated Liabilities

1. Information on maturity structure of deposits

Current Period

Current Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulated Deposit Accounts	Total
Saving Deposits	**8,461,102**	**-**	**14,099,359**	**22,054,036**	**2,852,082**	**412,060**	**1,057,209**	**1,030**	**48,936,878**
Foreign Currency Deposits	**61,052,728**	**-**	**10,821,111**	**35,233,390**	**9,175,765**	**2,243,798**	**2,530,106**	**5,290**	**121,062,188**
Residents in Turkey	58,567,314	-	10,586,533	34,389,977	8,755,156	2,140,704	1,566,486	5,290	116,011,460
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	**4,968,742**	**-**	**7,699,926**	**7,118,381**	**51,125**	**12,203**	**15,122**	**-**	**19,865,499**
Other Ins, Deposits	**76,498**	**-**	**39,437**	**735,107**	**1,234**	**33,650**	**245**	**-**	**886,171**
Precious Metal Deposits	**20,194,048**	**-**	**-**	**129,327**	**48,272**	**29,318**	**1,198,554**	**-**	**21,599,519**
Bank Deposits	**569,447**	**-**	**11,644,754**	**688,474**	**74,420**	**-**	**-**	**-**	**12,977,095**
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	74,420	-	-	-	4,128,864
Participation Banks	4,470	-	-	-	-	-	-	-	4,470
Other	-	-	-	-	-	-	-	-	-
Total	**95,845,631**	**-**	**44,327,286**	**65,960,601**	**12,203,757**	**2,731,748**	**4,801,236**	**6,320**	**225,876,579**

Prior Period

Prior Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulated Deposit Accounts	Total
Saving Deposits	**5,796,641**	**-**	**8,108,215**	**17,597,011**	**1,513,801**	**780,673**	**1,205,634**	**921**	**35,002,896**
Foreign Currency Deposits	**25,240,385**	**-**	**5,436,916**	**26,109,923**	**3,260,457**	**714,797**	**1,577,949**	**3,652**	**62,344,079**
Residents in Turkey	24,144,299	-	5,378,006	25,593,977	3,059,338	680,693	1,159,552	3,652	60,019,517
Residents Abroad	1,096,086	-	58,910	515,946	201,119	34,104	418,397	-	2,324,562
Public Sector Deposits	**254,718**	**-**	**10,239**	**284**	**1,212**	**-**	**-**	**-**	**266,453**
Commercial Deposits	**3,790,736**	**-**	**3,177,846**	**4,803,343**	**158,876**	**99,557**	**7,175**	**-**	**12,037,533**
Other Ins, Deposits	**70,423**	**-**	**39,727**	**342,170**	**2,136**	**101,130**	**464**	**-**	**556,050**
Precious Metal Deposits	**14,766,037**	**-**	**634**	**65,986**	**14,492**	**4,545**	**632,807**	**-**	**15,484,501**
Bank Deposits	**123,020**	**-**	**3,436,159**	**1,006,657**	**17,508**	**-**	**-**	**-**	**4,583,344**
T,R, Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	3,432	-	146,810	-	-	-	-	-	150,242
Foreign Banks	115,234	-	3,289,349	1,006,657	17,508	-	-	-	4,428,748
Participation Banks	4,354	-	-	-	-	-	-	-	4,354
Other	-	-	-	-	-	-	-	-	-
Total	**50,041,960**	**-**	**20,209,736**	**49,925,374**	**4,968,482**	**1,700,702**	**3,424,029**	**4,573**	**130,274,856**

1.1. Information on savings deposits under the guarantee of the saving deposits insurance fund and exceeding the limit of deposit insurance fund:

	Covered by Deposit Insurance Fund		Exceeding the Deposit Insurance Limit	
	Current Period	**Prior Period**	**Current Period**	**Prior Period**
Saving Deposits	23,295,509	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	-	-	-	-
Total	**46,618,049**	**36,075,802**	**99,802,857**	**55,503,676**

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

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

1.3. Savings deposits which are not under the guarantee of saving 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 282nd Article of the 5237 numbered Turkish Criminal Code dated 26 September 2004.	-	-
Saving deposits in banks established in Turkey exclusively for off-shore banking Activities	-	-
Total	**413,161**	**236,622**

2. Information on trading derivative financial liabilities

a) Negative differences table for derivative financial liabilities held for trading:

	Current Period(*)		Prior Period	
	TRY	**FC**	**TRY**	**FC**
Forwards	1,622,423	-	113,425	296
Swaps	7,358,117	1,735,074	4,620,535	1,721,774
Futures	-	-	-	-
Options	2,159	67,196	2,924	26,523
Other	-	-	-	-
Total	**8,982,699**	**1,802,270**	**4,736,884**	**1,748,593**

(*) 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 borrowings:

a) Negative differences table for derivative financial liabilities held for trading:

	Current Period		Prior Period	
	TRY	**FC**	**TRY**	**FC**
T.R. Central Bank Loans	-	-	-	-
Domestic Banks and Institutions	3,826,595	2,332,481	2,428,930	1,857,327
Foreign Banks, Institutions and Funds	77,991	31,015,200	426,826	21,183,807
Total	**3,904,586**	**33,347,681**	**2,855,756**	**23,041,134**

b) Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TRY	**FC**	**TRY**	**FC**
Short-Term	3,112,462	3,208,836	2,167,283	6,390,760
Medium and Long-Term	792,124	30,138,845	688,473	16,650,374
Total	**3,904,586**	**33,347,681**	**2,855,756**	**23,041,134**

The Parent Bank's fund sources include deposits, funds borrowed, securities issued and money market borrowings. Deposit is the most significant fund source of the Parent 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 Parent Bank.

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

3. Information on borrowings (Continued)

c) Additional information on concentrations of the Group's liabilities:

As of 31 December 2021, the Group's liabilities comprise; 59% deposits (31 December 2020 – 55%), 10% funds borrowed (31 December 2020– 11%), 8% issued bonds (31 December 2020 – 6%) and 5% funds provided from money market borrowings (31 December 2020 – 6%)

4. Information on funds provided under repurchase agreements

	Current Period		Prior Period	
	TRY	**FC**	**TRY**	**FC**
From domestic transactions	**1,892,535**	**-**	**3,689,555**	**-**
Financial institutions and organizations	1,878,568	-	3,675,307	-
Other institutions and organizations	5,798	-	8,731	-
Real persons	8,169	-	5,517	-
From foreign transactions	**411,619**	**15,717,177**	**782,537**	**10,112,950**
Financial institutions and organizations	407,467	15,717,177	775,550	10,112,950
Other institutions and organizations	4,152	-	6,987	-
Real persons	-	-	-	-
Total	**2,304,154**	**15,717,177**	**4,472,092**	**10,112,950**

5. Information on marketable securities issued (Net):

	Current Period		Prior Period	
	TRY	**FC TRY**	**FC**	**TRY**
Bank Bonds	6,023,724	2,154,632	2,153,913	829,044
Asset backed securities (*)	-	-	-	-
Bills	-	21,624,460	618,624	11,122,377
Total	**6,023,724**	**23,779,092**	**2,772,537**	**11,951,421**

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

6. Information on the subaccounts of other liabilities account that exceeds 20% of the individual other liabilities account exceeding 10% of the total liabilities excluding the off-balance sheet items:

Other liabilities does 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 flows of the Group are the main criteria which are taken into consideration for the determination of payment plans in the leasing contracts.

7.1. Explanations of 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. Financial lease payables

The leasing balances between the Parent Bank and the subsidiaries have been eliminated as part of the consolidation principles.

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

7.3. Liabilities arising from operational lease

	Current Period		Prior Period	
	Gross	**Net**	**Gross**	**Net**
Less than 1 year	32,586	12,066	83,032	74,656
Between 1-4 years	592,466	475,089	388,365	357,258
More than 4 years	202	107	268	161
Total	**625,254**	**487,262**	**471,665**	**432,075**

7.4. Explanations and notes on operating lease:

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

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

The Parent Bank does non sale-and-lease back transactions in the current period (31 December 2020 None).

8. Information on the hedging derivative financial liabilities

	Current Period		Prior Period	
	TRY	**FC**	**TRY**	**FC**
Fair Value Hedge (*)	-	1,152,688	10,389	753,935
Cash Flow Hedge (**)	177,316	668,917	19,101	887,562
Net Investment Hedge	-	-	-	-
Total	**177,316**	**1,821,605**	**29,490**	**1,641,497**

(*) Derivative financial instruments for fair value hedge purposes consist of swaps. As of 31 December 2021, TRY1,152,688 (31 December 2020 – TRY753,935) represents the fair value of derivative financial instruments aimed at hedging the fair value risk of securities. Loans do not have value of fair value of the derivative financial instruments used in the fair value hedging transaction (31 December 2020 – TRY10,389).

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

9. Information on provisions:

9.1 Information on provision related with foreign currency difference of foreign 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 provisions for non-cash loans

	Current Period	Prior Period
Provisions for Loans and Receivables in Stage I	185,947	119,744
Provisions for Loans and Receivables in Stage II	13,332	13,505
Provisions for Loans and Receivables in Stage III	54,581	48,284
Total	**253,860**	**181,533**

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

9.3. Information on reserve for employee rights

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

As of 31 December 2021, the Group presented the provision for severance pay of TRY489,567 (31 December 2020 - TRY295,457) under the "Reserves for Employee Benefits " item in its financial statements.

As of 31 December 2021, the Group has shown a total vacation liability of TRY68,115 (31 December 2020 – TRY51,498) under the "Reserves for Employee Benefits" in its financial statements.

As of 31 December 2021, TRY474,536 (31 December 2020 - TRY284,194) provision for salaries, bonuses and premiums to be paid to the personnel has been presented under the "Reserves 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	295,458	240,182
Service cost	35,625	30,113
Interest Cost	37,723	28,986
Settlement/curtailment/termination loss	19,564	22,485
Actuarial differences	140,736	42,130
Paid during the period	(39,539)	(68,439)
Total	**489,567**	**295,457**

9.4. Information on other provisions

Except for those mentioned in note 9.2 above, there is a provision for lawsuits against the Group and tax lawsuits in the amount of TRY 362,323 (31 December 2020 – TRY 321,450) in other provisions. The Parent Bank has benefited from the relevant articles of the Law No. 7326 regarding various ongoing tax lawsuits.

10. Explanations on tax liabilities

10.1 Information on current tax liability

10.1.1 Information on tax provision

The current tax liability and the prepaid taxes of the consolidated subsidiaries have been offset separately in their financial statements. As of 31 December 2021, The Group's tax liability is amounting to TRY363,799 (31 December 2020 – TRY1,223,376). As of 31 December 2021, in the attached financial statements, The Group has current tax receivables to TRY2,040 (31 December 2020 – TRY29,628). The Group have a pre-paid tax amounting to TRY196,077 (31 December 2020 – TRY145,634).

10.1.2. Information on taxes payable

	Current Period	Prior Period
Corporate taxes payable	167,723	1,077,742
Banking and Insurance Transaction Tax (BITT)	219,877	100,762
Taxation on Securities Income	75,403	49,371
Taxation on Real Estates Income	3,466	1,726
VAT Payable	54	39
Other	61,502	39,325
Total	**528,025**	**1,268,965**

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

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

10.1.3. Information on premium payables

	Current Period	Prior Period
Social Security Premiums - Employee Share	15,417	13,027
Social Security Premiums - Employer Share	17,807	14,488
Pension Fund Fee and Provisions – Employee Share	31	22
Pension Fund Fee and Provisions – Employer Share	103	70
Unemployment Insurance - Employee Share	1,085	916
Unemployment Insurance - Employer Share	2,170	1,832
Other	81	57
Total	**36,694**	**30,412**

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
Debt Instruments subject to common equity	**-**	**6,816,673**	**-**	**3,855,730**
Subordinated Loans	-	6,816,673	-	3,855,730
Subordinated Debt Instruments	-	-	-	-
Debt Insturments subject to tier 2 common equity	**-**	**5,035,891**	**-**	**2,848,564**
Subordinated Loans	-	5,035,891	-	2,848,564
Subordinated Debt Instruments	-	-	-	-
Total	**-**	**11,852,564**	**-**	**6,704,294**

13. Information on shareholder’s equity

13.1. Presentation of paid-in capital

	Current Period	Prior Period
Common Stock	3,350,000	3,350,000
Preferred Stock	-	-

13.2. Amount of paid-in capital, explanations as to whether the registered share capital system is applied, if so the amount of registered share capital ceiling

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

13.3. Capital increases and sources in the current period and other information based on increased capital shares:

None (31 December 2020 – None).

13.4. Information on share capital increases from revaluation fund during the current period

None (31 December 2020 – None)

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

13.5. Information on capital commitments, the purpose and the sources until the end of the fiscal year and the subsequent interim period

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

13.6. Information on prior period's indicators on the Bank's income, profitability and liquidity, and possible effects of these future assumptions on the Bank's equity due to uncertainties of these indicators

None (31 December 2020 – None).

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

None (31 December 2020 - None).

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

	Current Period	Prior Period
Number of Stocks (Thousands)	33,500,000	33,500,000
Preferred Capital Stock	-	-
Common Stock Issue Premiums (*)	714	714
Common Stock Withdrawal Profits	-	-

(*) Due to the Parent Bank's capital increase at the prior periods, common stock issue premium accounted amounting to TRY714.

15. Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TRY	**FC**	**TRY**	**FC**
Associates, Subsidiaries and Entities under Common Control	**23,479**	**-**	**2,581**	**-**
Valuation Differences	6,990	-	4,123	-
Foreign Exchange Rate Differences	16,489	-	(1,542)	-
Securities Measured at FV Through Other Comprehensive Income	**348,334**	**(1,955,341)**	**121,632**	**(597,082)**
Valuation Differences	348,334	(1,955,341)	121,632	(597,082)
Foreign Exchange Rate Differences	-	-	-	-
Total	**371,813**	**(1,955,341)**	**124,213**	**(597,082)**

16. Information on accrued interest and expenses

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

	Current Period		Prior Period	
	TRY	**FC**	**TRY**	**FC**
Derivative Financial Liabilities	9,160,015	3,623,875	4,766,374	3,390,090
Deposits	347,690	61,807	226,006	47,573
Funds Borrowed	92,621	198,742	59,383	118,334
Money Market Borrowings	10,311	52,057	4,140	86,673
Issued Securities	19,163	436,439	15,002	402,770
Other Accruals	421,052	291,202	244,372	180,671
Total	**10,050,852**	**4,664,122**	**5,315,277**	**4,226,111**

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

1. Explanations on off-balance-sheet-commitments

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
Payment Commitments for Cheques	4,053,584	4,836,291
Forward Asset Purchase Commitments	3,181,145	4,124,298
Other Irrevocable Commitments	2,885,779	2,423,033
Commitments for Promotions Related with Credit Cards and Banking Activities	71,498	83,078
Tax and Fund Liabilities due to Export Commitments	29,314	27,046
Total	**87,798,819**	**65,065,052**

1.2. Type and amount of probable losses and obligations arising from off-balance sheet items

Specific provision is provided for the non-cash loans amounting to TRY253,860 (31 December 2020– TRY181,553) followed in the off-balance sheet accounts that are not indemnified and not liquidated yet.

1.3. Non-cash loans including guarantees, bank acceptance loans, collaterals that are accepted as financial guarantees and other letter of credits

	Current Period	Prior Period
Bank Loans	8,707,676	6,838,598
Other Letters of Guarantee	8,268,187	3,618,937
Total	**16,975,863**	**10,457,535**

1.4. Guarantees, suretyships and other similar transactions

	Current Period	Prior Period
Provisional Letters of Guarantee	11,143,617	8,674,056
Final Letters of Guarantee	4,679,152	2,969,287
Advance Letters of Guarantee	989,132	989,173
Letters of Guarantee Given to Customs Offices	686,818	559,009
Other Letters of Guarantee	12,993,525	9,475,881
Total	**30,492,244**	**22,667,406**

2. Total amount of non-cash loans

	Current Period	Prior Period
Non-Cash Loans granted for Obtaining Cash Loans	**5,839,204**	**4,036,779**
Less Than or Equal to One Year with Original Maturity	1,088,390	371,430
More Than One Year with Original Maturity	4,750,814	3,665,349
Other Non-Cash Loans	**41,628,903**	**29,088,162**
Total	**47,468,107**	**33,124,941**

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

	Current Period				Prior Period			
	TRY	%	TRY	%	TRY	%	TRY	%
Agricultural	**64,146**	**0.49**	**187,880**	**0.55**	**41,065**	**0.35**	**92,736**	**0.43**
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
Manufacturing	**2,694,667**	**20.52**	**16,869,155**	**49.13**	**2,224,235**	**19.17**	**10,205,325**	**47.42**
Mining and Quarrying	60,835	0.46	54,775	0.16	76,972	0.66	49,413	0.23
Production	2,419,032	18.42	16,439,294	47.88	1,948,468	16.80	9,938,395	46.18
Electricity, gas and water	214,800	1.64	375,086	1.09	198,795	1.71	217,517	1.01
Construction	**3,711,216**	**28.25**	**5,393,318**	**15.71**	**3,590,417**	**30.94**	**3,005,802**	**13.97**
Services	**6,341,918**	**48.28**	**11,592,111**	**33.78**	**5,532,156**	**47.67**	**7,944,905**	**36.92**
Wholesale and Retail Trade	4,009,451	30.52	3,844,435	11.20	3,601,179	31.03	2,388,624	11.10
Hotel, Food and Beverage Services	149,130	1.14	1,224,499	3.57	129,205	1.11	969,584	4.50
Transportation&Communication	560,897	4.27	332,004	0.97	508,543	4.38	860,884	4.00
Financial Institutions	988,705	7.53	5,811,220	16.93	822,433	7.09	3,453,939	16.05
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	0.08
Health and Social Services	292,900	2.23	100,535	0.29	232,687	2.01	126,234	0.59
Other	324,143	**2.46**	**289,553**	**0.83**	**216,716**	**1.87**	**271,584**	**1.26**
Total	**13,136,090**	**100.00**	**34,332,017**	**100.00**	**11,604,589**	**100.00**	**21,520,352**	**100.00**

4. Information on non-cash loans classified under group I and II

Current Period (*)	**I. Group**		**II. Group**	
	TP	**YP**	**TP**	**YP**
Letters of Guarantee	12,787,373	17,387,175	158,679	104,436
Bill 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	-	-	-	-
Non-cash Loans	**12,922,830**	**34,212,200**	**158,679**	**119,817**

(*) Special provision and ECL provision of non-cash loans amounting to TRY54,581 excluded from provisions that are indemnified and liquidated under off-balance accounts.

Prior Period (*)	**I. Group**		**II. Group**	
	TRY	**FC**	**TRY**	**FC**
Letters of Guarantee	11,117,195	11,274,727	139,498	87,702
Bill of Exchange and Acceptances	198,490	6,631,976	-	8,132
Letters of Credit	101,122	3,516,955	-	860
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Collaterals and Sureties	-	-	-	-
Non-cash Loans	**11,416,807**	**21,423,658**	**139,498**	**96,694**

(*) Special provision and ECL provision of non-cash loans amounting to TRY48,284 excluded from provisions that are indemnified and liquidated under off-balance accounts.

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Information on derivative financial instruments:

	Current Period	Prior Period
Types of trading transactions		
Foreign Currency Related Derivative Transactions (I)	**232,956,491**	**161,736,590**
Forward transactions (*)	27,395,688	15,799,910
Swap transactions	200,917,401	140,803,008
Futures transactions	764,011	2,164,747
Option transactions	3,879,391	2,968,925
Interest Related Derivative Transactions (II)	**134,510,238**	**79,814,270**
Forward rate transactions	-	-
Interest rate swap transactions	134,510,238	79,814,270
Interest option transactions	-	-
Futures interest transactions	-	-
Security option transactions	-	-
Other trading derivative transactions (III)	**1,427,525**	**954,265**
A, Total Trading Derivative Transactions (I+II+III)	**368,894,254**	**242,505,125**
Types of hedging transactions		
Fair value hedges	46,896,779	28,179,228
Cash flow hedges	66,987,631	45,360,970
Net investment hedges	-	-
B, Total Hedging Related Derivatives	**113,884,410**	**73,540,198**
Total Derivative Transactions (A+B)	**482,778,664**	**316,045,323**

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

Breakdown of the Parent Bank's foreign currency forward and swap and interest rate swap transactions based on currencies are disclosed below in their TRY equivalents:

	Forward Buy (**)	Forward Sell(**)	Swap Buy (*)	Swap Sell(*)	Option Buy	Option Sell	Futures Buy	Futures Sell	Other
Current Period									
TL	6,892,543	1,540,982	18,472,655	60,562,264	821,817	405,775	361,015	15,423	-
USD	2,509,104	9,930,727	161,573,393	93,188,138	572,131	1,192,399	18,895	368,678	1,427,525
Euro	3,728,663	2,371,517	26,773,771	65,549,375	511,472	279,616	-	-	-
Other	122,863	299,289	23,077,722	114,731	48,196	47,985	-	-	-
Total	**13,253,173**	**14,142,515**	**229,897,541**	**219,414,508**	**1,953,616**	**1,925,775**	**379,910**	**384,101**	**1,427,525**

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

	Forward Buy (**)	Forward Sell(**)	Swap Buy (*)	Swap Sell(*)	Option Buy	Option Sell	Futures Buy	Futures Sell	Other
Prior Period									
TL	2,339,011	1,129,462	10,317,120	45,195,762	491,416	529,849	172	1,109,224	-
USD	2,187,136	4,547,796	102,180,567	62,319,044	668,171	683,083	1,055,204	147	954,265
Euro	2,204,382	928,009	16,137,908	40,909,354	364,602	158,473	-	-	-
Other	1,210,609	1,253,505	16,825,374	272,347	14,766	58,565	-	-	-
Total	**7,941,138**	**7,858,772**	**145,460,969**	**148,696,507**	**1,538,955**	**1,429,970**	**1,055,376**	**1,109,371**	**954,265**

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5.1. Fair value hedge accounting

a) Loans

The Parent Bank enters into swap transactions in order to hedge itself from the changes in the fair value due to the changes in market interest rates of a certain portion of its long-term loans and applies fair value hedge accounting as per TAS 39. As of balance sheet date; the mortgage loans amounting to TRY7,277,481 (31 December 2020– TRY4,324,987) were subject to hedge accounting by swaps with a nominal of TRY5,829,388 (31 December 2020 – TRY4,770,807). On 31 December 2021 the net market valuation difference gain amounting to TRY61,621 due to the gain from the loans amounting to TRY750,813 (31 December 2020 – TRY308,501 loss) and loss from swaps amounting to TRY689,193 (31 December 2020 – TRY318,019 gain) is accounted for under “gain/(loss) from financial derivatives transactions” line in the accompanying financial statements.

Subsidiary QNB Finans Finansal Kiralama A.Ş. applies fair value hedge accounting through interest rate swaps in order to protect itself from interest rate changes in relation to its fixed rate foreign currency lease transactions. As of the balance sheet date, swaps amounting to TRY88,866 have been subject to hedge accounting as hedging instruments. As a result of the mentioned hedge accounting, in the current period, the net market valuation difference expense amounting to TRY337 before tax was recognized in the financial statements as “Profit/Loss from Derivative Financial Transactions”.

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. 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 loss during the current period.

b) Financial assets at fair value through other comprehensive income

The Parent Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to long term foreign currency Eurobonds with fixed coupon held by the Parent Bank using swaps as hedging instruments. As at the balance sheet date; Eurobonds with a nominal of USD299,952 million and EUR44 million (31 December 2020 – USD 320,759 million and EUR 49,8 million) were subject to hedge accounting by interest rate swaps with the same nominal value. On 31 December 2021, the net market valuation difference loss amounting to TRY557 due to gain from Eurobonds amounting to TRY131,060 (31 December 2020 – TRY294,155 gain) and loss from swaps amounting to TRY130,504 (31 December 2020 – TRY294,438 loss) is accounted for under “gain/(loss) from financial derivatives transactions” line in the accompanying financial statements.

The Parent Bank does not apply fair value hedge on TRY government bonds in the current period (31 December 2020 – None).

c) Marketable securities issued

The Parent Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to the foreign currency bonds issued using interest rate swaps as hedging instruments. As of the balance sheet date, bonds with nominal amount of USD 730 million (31 December 2020– USD 730 Million) have been subject to hedge accounting with the same nominal amount of swaps. As of 31 December 2021, TRY1,035 net fair valuation difference gain, due to net of TRY76,228 (31 December 2020 – TRY183,021 loss) loss from issued bonds and TRY75,193 (31 December 2020 – TRY180,605 gain) gain from swaps, has been recorded under “Gain/(loss) from financial derivatives transactions” on accompanying financial statements.

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5.1. Fair value hedge accounting (Continued)

d) Borrowings

Subsidiary QNB Finans Finansal Kiralama A.Ş. applies fair value hedge accounting through interest and currency swaps in order to protect itself from changes in interest rates in relation to fixed interest rate TRY loans. As of the balance sheet date, swaps amounting to TRY351,850 were subject to hedge accounting as hedging instruments. As a result of the mentioned hedge accounting, in the current period, the net market valuation difference income amounting to TRY1 before tax was recognized in the financial statements as “Profit/Loss from Derivative Financial Transactions”.

Subsidiary QNB Finans Finansal Kiralama A.Ş. applies fair value hedge accounting through interest and currency swaps in order to protect itself from changes in interest rates in relation to fixed interest rate TRYloans. As of the balance sheet date, swaps amounting to TRY247,242 were subject to hedge accounting as hedging instruments. As of 30 December 2021, TRY1,855 income from the aforementioned loans and TRY1,786 loss from the swaps, TRY69 net market valuation difference loss was accounted in the “Profit/Loss from Derivative Financial Transactions” account in the attached financial statements.

Subsidiary QNB Finans Finansal Kiralama A.Ş. applies fair value hedge accounting through swaps in order to protect itself from changes in interest rates with respect to TRY and foreign currency loans and securities. At each balance sheet date, the Bank conducts efficiency tests for hedging accounting, and the active parts are accounted in “hedging funds” under equity in the financial statements as defined in TAS 39, while the amount related to the inactive part is associated with the income statement. As at the balance sheet date, there is not any swap transactions subject to hedge accounting as hedging instruments. (31 December 2020- None).

As of 31 December 2021, it is determined that the above mentioned cash flow hedging transactions are effective in the measurement..

5.2. Cash flow hedge accounting

a) Floating Rate Loans

The Parent Bank is subject to cash flow hedge accounting through interest swaps in order to protect a certain part of its long term floating interest rate loans from changes in market interest rates. The Bank conducts effectiveness tests for hedge accounting on every balance sheet date, the active segments are accounted in the “Hedge Funds” account item in the financial statements as defined in TAS 39, and the amount related to the inactive part is associated with the income statement. As of balance sheet date, swaps of nominal amount of USD 675 Million (31 December 2020 - USD 875 Million) have been subject to hedge accounting as hedging instruments. As a result of the mentioned hedge accounting, in the current period, fair value income amounting to TRY91,416 (31 December 2020 – TRY222,484) before tax was recognized under equity.

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.

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5.2. Cash flow hedge accounting (Continued)

b) Deposit

The Parent 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 of 3 months, the Bank implements cash flow hedge accounting with interest rate swaps. The Parent 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 TRY150,000 are subject to hedge accounting as hedging instruments (31 December 2020 – TRY150,000). As a result of the mentioned hedge accounting, fair value loss before taxes amounting to TRY16,723 are accounted for under equity during the current period (31 December 2020 – TRY61,956 gain). The ineffective portion is none (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 loss before taxes amounting to TRY526,927 are accounted under equity during the current period (31 December 2020 – TRY187,599 loss). The loss amounting to TRY3,875 (31 December 2020 – TRY1,247 loss) relating to the ineffective portion is accounted under at the income statement.

When the fair value hedge accounting cannot be effectively continued as stated in TAS 39, the fair value hedge accounting is ceased. Effective parts classified under equity due to hedge accounting are amortized through income statement until the maturity of swaps in case of ineffectiveness at periods when the expected cash flows subject to hedge accounting affect profit or loss (as in periods when interest income or expense is recognized). In the current period there is gain of TRY28,640 transferred amount from equity to income statement due to ineffectiveness or matured swaps (31 December 2020 – TRY56,022 loss).

As of 31 December 2021, it has been determined that the above-mentioned cash flow hedging transactions are effective.

c) Floating Rate Liabilities

The Parent Bank applies cash flow hedge accounting through interest rate swaps in order to protect its subordinated loans with variable interest payments from changes in interest rates. The Bank conducts effectiveness tests for hedge accounting on every balance sheet date, the active segments are accounted in the "Hedge Funds" account item in the financial statements as defined in TAS 39, and the amount related to the inactive part is associated with the income statement. As of the balance sheet date, the nominal amount of USD 454 Million (31 December 2020 - USD 485 Million) was subject to hedge accounting as hedging instrument. As a result of the mentioned hedge accounting, the fair value expense amounting to TRY48,015 (31 December 2020 – TRY112,418) before tax was recognized under equity.

On the other hand; accounting application is terminated when cash flow hedge accounting is not effectively maintained as defined in TAS 39. According to that the effective amounts classified under equity due to hedge accounting are reclassified into profit or loss as the reclassification adjustments during periods or periods when the estimated cash flows subject to hedging in case of deterioration of the event affect profit or loss (such as the periods when interest income or expense is accounted for). 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.

In the measurements made as of 31 December 2021, it has been determined that the above-mentioned cash flow hedging transactions are effective.

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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 31 December 2021, “Other Derivative Financial Instruments” with nominal amount of USD 110,000,000 (31 December 2020: USD 130,000,000) are included in Bank’s “Credit Default Swap”. In aforementioned transaction, The Bank is the seller of the protection for USD 110,000,000.

7. Information on contingent liabilities and assets

The Parent 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 Parent 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 Parent 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		

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and Disclosures Related to Consolidated Income Statement

1. a) Information on interest income on loans:

	Current Period		Prior Period	
	TRY	**FC**	**TRY**	**FC**
Short-Term Loans	8,122,776	625,051	4,629,975	370,731
Medium and Long-Term Loans	8,424,462	2,482,183	6,687,545	1,952,453
Non-Performing Loans	454,420	-	71,879	-
Resource Utilization Support Fund Premiums	-	-	-	-
Total(*)	**17,001,658**	**3,107,234**	**11,389,399**	**2,323,184**

(*) Includes fees and commissions income from cash loans.

b) Information on interest income from banks:

	Current Period		Prior Period	
	TRY	**FC**	**TRY**	**FC**
T,R, Central Bank (*)	-	-	-	-
Domestic Banks	34,190	927	76,089	689
Foreign Banks	2,964	15,252	1,854	21,145
Foreign Headquarters and Branches	-	-	-	-
Total	**37,154**	**16,179**	**77,943**	**21,834**

(*) The interest income on Required Reserve amounting TRY447,034 excluded from interest income on Banks. (31 December 2020: TRY47,326).

c) Information on interest income on marketable securities:

	Current Period	
	TRY	**FC**
Financial Assets Measured at Fair Value through Profit/Loss	23,431	3,102
Financial Assets Measured at Fair Value through Other Comprehensive Income	1,360,494	538,984
Financial Assets Measured at Amortized Cost	2,194,177	632,341
Total	**3,578,102**	**1,174,427**

	Prior Period	
	TRY	**FC**
Financial Assets Measured at Fair Value through Profit/Loss	27,542	1,374
Financial Assets Measured at Fair Value through Other Comprehensive Income	712,400	406,143
Financial Assets Measured at Amortized Cost	1,217,111	453,382
Total	**1,957,053**	**860,899**

As stated in Section Three disclosure VII, the Bank has inflation indexed (CPI) government bonds in its financial assets measured at fair value through other comprehensive income and financial assets measured at amortized cost portfolios. As disclosed in 'Inflation Indexed Bonds Manual' published by Turkish Treasury, reference index used for the actual payments is determined based on the inflation rates of two months before

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

	Current Period	Prior Period
Interest income received from associates and subsidiaries	-	-

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

2. a) Information on interest expense on borrowings (*):

	Current Period		Prior Period	
	TRY	**FC**	**TRY**	**FC**
Banks	**458,075**	**1,508,113**	**241,663**	**1,174,535**
T.R. Central Bank	-	-	-	-
Domestic Banks	406,149	93,509	176,531	58,089
Foreign Banks	51,926	1,414,604	65,132	1,116,446
Foreign Headquarters and Branches	-	-	-	-
Other Institutions	-	-	-	-
Total	**458,075**	**1,508,113**	**241,663**	**1,174,535**

(*) Includes fees and commissions expenses related to the cash loans.

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

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	4,374	1,203

c) Information on interest expense paid to securities issued:

As of 31 December 2021 the amount paid to securities issued is TRY1,790,883 (31 December 2020– TRY1,091,416).

d) Information on maturity structure of interest expenses on deposits:

Current Period		Time Deposits						
Account Name	**Demand Deposits**	**Up to 1 Month**	**Up to 3 Months**	**Up to 6 Months**	**Up to 1 Year**	**Over 1 Year**	**Accumulated Deposit Account**	**Total**
Turkish Lira								
Bank Deposits	-	110,875	35	-	-	-	-	110,910
Saving Deposits	43	1,652,477	4,024,068	315,809	120,525	171,976	-	6,284,898
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	-	-	-	-	-	-	-	-
Total	**53**	**2,593,399**	**5,226,327**	**380,149**	**175,436**	**173,990**	**-**	**8,549,354**
Foreign Currency	-	-	-	-	-	-	-	-
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
Total	**127**	**43,712**	**196,424**	**51,146**	**12,055**	**42,226**	**-**	**345,690**
Grand Total	**180**	**2,637,111**	**5,422,751**	**431,295**	**187,491**	**216,216**	**-**	**8,895,044**

Prior Period		Time Deposits						
Account Name	**Demand Deposits**	**Up to 1 Month**	**Up to 3 Months**	**Up to 6 Months**	**Up to 1 Year**	**Over 1 Year**	**Accumulated Deposit Account**	**Total**
Turkish Lira								
Bank Deposits	-	12,360	19,468	-	-	-	-	31,828
Saving Deposits	455	724,681	1,729,366	59,948	29,993	119,404	-	2,663,847
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	-	-	-	-	-	-	-	-
Total	**696**	**1,123,035**	**2,287,343**	**86,253**	**41,711**	**124,247**	**-**	**3,663,285**
Foreign Currency								
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
Total	**218**	**107,225**	**326,340**	**56,147**	**19,774**	**34,916**	**-**	**544,620**
Grand Total	**914**	**1,230,260**	**2,613,683**	**142,400**	**61,485**	**159,163**	**-**	**4,207,905**

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

e) Information on interest expenses on repurchase agreements

	Current Period		Prior Period	
	TRY	**FC**	**TRY**	**FC**
Interest Expenses on Repurchase Agreements (*)	1,141,299	149,522	295,142	195,322

(*) Disclosed in "Interest on Money Market Transactions".

f) Information on financial lease expenses

	Current Period	Prior Period
Lease expenses	61,052	53,928

g) Information on interest expenses on factoring payables

None (31 December 2020– None)

3. Information on dividend income:

	Current Period	Prior Period
Derivative Financial Assets at Fair Value Through Profit or Loss	-	-
Financial Assets at Fair Value Through Profit or Loss	624	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-
Other	681	5,257
Total	**1,305**	**5,257**

4. Information on trading income/loss:

	Current Period	Prior Period
Trading Gain	**22,021,051**	**15,144,221**
Gain on Capital Market Transactions	350,003	414,612
From Derivative Transactions	7,524,146	6,102,131
Foreign Exchange Gains	14,146,902	8,627,478
Trading Loss (-)	**25,229,997**	**17,702,961**
Losses on Capital Market Operations	169,134	81,518
From Derivative Transactions	14,025,051	9,312,717
Foreign Exchange Losses	11,035,812	8,308,726
Net Trading Income/Loss	**(3,208,946)**	**(2,558,740)**

5. Information on other operating income:

The Group recorded the current year collections from loans written off in the previous periods, portfolio management fees and expense accruals cancelations in "Other Operating Income" account.

6. Provision for losses

	Current Period	Prior Period
Expected Credit Losses Provisions	**3,310,641**	**2,529,857**
12 Month Expected Credit Loss (Stage I)	1,113,375	129,180
Significant Increase in Credit Risk (Stage 2)	635,663	1,306,583
Lifetime ECL Impaired Credits (Stage 3)	1,561,603	1,094,094
Marketable Securities Impairment Provision	**731**	**124**
Financial Assets Measured at Fair Value Through Profit/Loss	-	-
Financial Assets Measured at Other Comprehensive Income	731	124
Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease	-	-
Investment in Associates	-	-
Subsidiaires	-	-
Joint Ventures	-	-
Other	**175,967**	**142,299**
Total	**3,487,339**	**2,672,280**

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

7. Information on other operating expenses

	Current Period	**Prior Period**
Reserve for employee termination benefits(*)	53,373	13,145
Impairment expenses on tangible fixed asset	483,057	418,776
Goodwill impairment expenses	178,175	151,690
Other Operating Expenses	1,593,849	1,255,313
Leasing Expenses Related to TFRS 16 Exceptions	*2,934*	*3,072*
Maintenance expenses	*477,703*	*266,067*
Advertiesment expenses	*98,310*	*101,489*
Other expenses	*1,014,902*	*884,685*
Loss on sales of assets	838	959
Other (**)	681,493	594,571
Total	**2,990,785**	**2,434,454**

(*) Personnel Expenses", which is not included in "Other Operating Expenses" in the income statement as a separate item, is also included this table.

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

	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	-	-
Total	**3,905**	**3,421**

(*) Consolidated amounts are reported.

(**) VAT excluded.

9. Information on provision for taxes from continued and discontinued operations:

As of 31 December 2021, net interest income amounting to TRY12,834,346 (31 December 2020- TRY10,275,450), net fee and commission income amounting to TRY3,681,746 (31 December 2020 – TRY2,601,042) and other operating revenues amounting to TRY483,880 (31 December 2020 – TRY82,214) have important place among income items related to continuing operations.

10. Explanations on current period net profit and loss of continued and discontinued operations:

10.1. Explanations on net income/loss for the period

As of 31 December 2021, the Group recorded current tax expense of TRY278,506 (31 December 2020 - TRY1,175,488 current tax expense) and a deferred tax expense of TRY948,782 (31 December 2020 – TRY549,419 deferred tax expense) reflected.

10.2. Explanations on operating profit/loss after tax

None (31 December 2020 - None).

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

The profit generated by the Group from continuing operations is TRY3,907,861 (31 December 2020 – TRY2,754,627), and the discontinued operation loss is none. (31 December 2020, None).

12. Explanations on net profit and 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 Group's performance for the period

None (31 December 2020 - None).

12.2. Any changes in the Group's estimations that might have a material effect on current period results

None (31 December 2020 - None).

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

12.3. Profit or loss attributable to minority shares

	Current Period	Prior Period
Profit/Loss Attributable to Minority	1,214	844

12.4. There is no change in the accounting estimates, which have a material effect on current period or expected to have a material effect on subsequent periods

13. Information on the subaccounts of other items in the income statement account that exceeds 20% of the individual other item exceeding 10% of the income

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 Parent Bank.

V. Explanations and Disclosures Related to Statement of changes in Consolidated Shareholders' Equity

1. Changes arising from the revaluation of financial assets at fair value through other comprehensive income

Net decrease of TRY1,108,826 (31 December 2020– TRY307,727 net decrease) after tax effect resulting from fair value through profit or loss in "Securities Value Increase Fund" account under shareholders equity.

2. Explanations on foreign exchange differences

None.

3. Explanations on dividends

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	-
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 (31 December 2020- None).

3.3. Transfers to legal reserves

	Current Period	Prior Period
Amount Transferred to Reserved from Retained	-	-

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

V. Explanations and Disclosures Related to Statement of changes in Consolidated Shareholders' 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 (31 December 2020- None).

VI. Explanations and Disclosures Related to Consolidated 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 TRY2,113,659 (31 December 2020- TRY406,987) in "Operating profit before changes in operating assets and liabilities" consist of decrease in commissions paid amounting to TRY1,085,960 (31 December 2020 – TRY571,921), net trading income/loss decrease in amounting to TRY880,492 (31 December 2020 – TRY2,885,617 net trading income/loss) and other operating expenses amounting to TRY1,908,191 (31 December 2020 – TRY2,689,130).

"Other" item in the "Change in other assets of the field of banking" amounting to TRY3,560,662 (31 December 2020 – TRY3,508,168), guarantees given to TRY 1,257,284 (31 December 2020 - TRY 2,057,862), rental receivables from transactions amounting to TRY3,516,950 31 December 2020 – TRY2,384,641), factoring receivables amounting to TRY1,600,071 (31 December 2020 – TRY658,864) and other assets of TRY7,220,399 (31 December 2020 – TRY1,593,199).

The "Other" item amounting to TRY12,765,909 (31 December 2020 – TRY7,409.40) included in the "change in other debts subject to banking activity", TRY3,224,389 (31 December 2020 -TRY5,810,713) to money markets and TRY9,541,520 (31 December 2020- TRY1,581,162) includes other liabilities.

"Other" item amounting to TRY306,044 (31 December 2020 – TRY219,055) included in "Net cash flow from investment activities" includes TRY178,715 intangible assets (31 December 2020 – TRY151,960).

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).

2. Information regarding the balances of cash and cash equivalents at the beginning of the period

	31 December 2020
Cash	**2,226,114**
Cash in TL	616,300
Cash in Foreign Currencies	1,486,250
Other	123,564
Cash Equivalents	**13,656,987**
Balances with the T.R. Central Bank	11,695,907
Banks and Other Financial Institutions	1,232,498
Money Market Placements	752,393
Less: Accruals	(23,811)
Cash and Cash Equivalents	**15,883,101**

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS(Continued)

VI. Explanations and Disclosures Related to Consolidated Cash Flows Statement (Continued)

3. Information regarding the balances of cash and cash equivalents at the end of the period

	31 December 2021
Cash	**7,307,144**
Cash in TRY	678,315
Cash in Foreign Currencies	6,245,263
Other	383,566
Cash Equivalents	**40,491,690**
Balances with the T.R. Central Bank	25,120,140
Banks and Other Financial Institutions	15,355,593
Money Market Placements	159,508
Less: Accruals	(143,551)
Cash and Cash Equivalents	**47,798,834**

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- TRY283,528) includes blocked cash for foreign money and capital market transactions and for borrowings from foreign markets.

5. Additional information

5.1. Restrictions on the potential borrowings that can be used for banking 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).

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS(Continued)

VII. Explanations And Disclosures Related To The Parent Bank's Risk Group

1. The volume of transactions relating to the Bank's risk group, outstanding loan and deposit transactions and profit and loss of the period:

1.1. As of 31 December 2021, the Parent Bank's risk group has deposits amounting to TRY586,647 (31 December 2020 – TRY312,688), cash loans amounting to TRY1,773 (31 December 2020 – TRY3,131) and non-cash loans amounting to TRY60,889 (31 December 2020 – TRY51,145).

Current Period

Parent Bank's Risk Group (*)	Associates and Subsidiaries (Partnerships)		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group	
	Cash	Non- Cash	Cash	Non- Cash	Cash	Non- Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	-	55	2,500	45,878	631	5,212
Balance at the End of the Period	-	730	-	55,271	1,773	4,888
Interest and Commission Income	-	-	-	267	872	-

Prior Period

Parent Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	-	-	3,192	37,126	21	5,524
Balance at the End of the Period	-	55	2,500	45,878	631	5,212
Interest and Commission Income(**)	-	-	-	9	32	1

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

(**) Represents the balances of 31 December 2020.

1.2. Information on deposits of the Parent Bank's risk group

Parent 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
Deposits						
Balance at the Beginning of the Period	19,218	17,880	-	-	293,470	208,189
Balance at the End of the Period	60,887	19,218	-	-	525,760	293,470
Interest on deposits(**)	4,374	1,203	-	-	23,218	9,073

(*) As described in the Article 49 of Banking Law No 5411.
(**) Previous period's balances represent 31 December 2020 balances.

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS(Continued)

VII. Explanations and Disclosures Related to The Parent Bank's Risk Group (Continued)

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

Parent Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions for Trading Purposes						
Beginning of the Period	-	-	-	-	-	
End of the Period	-	-	-	-	-	
Total Income/Loss(**)	-	(56)	-	(20)	-	
Transactions for Hedging Purposes						
Beginning of the Period	-	-	-	-	-	
End of the Period	-	-	-	-	-	
Total Income/Loss(**)	-	-	-	-	-	

(*) As described in the Article 49 of Banking Law No 5411.
(**) Prior Period represents 31 December 2020 balance.

1.4. Information regarding benefits provided to the Top Management

As of 31 December 2021, the total amount of remuneration and bonuses paid to key management of the Group is TRY224,768 (31 December 2020 – TRY165,446).

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

2.1. Relations with entities in the risk group of/or controlled by the Parent 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 matters

As of 31 December 2021, the rate of cash loans of the risk group divided by to total loans is 0%; (31 December 2020 – 0%); the deposits represented 3% (31 December 2020 – 2%), the ratio of total derivative transactions with derivatives risk is 0% (31 December 2020 – 0%).

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 Parent Bank enters into finance lease agreements with QNB Finans Finansal Kiralama A.Ş.

The Parent 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 Parent Bank participated with 33.33% shareholding, provides cash transfer services to the Parent Bank.

Information in regard to subordinate loans the Parent Bank received from Parent's Bank is explained in Section 5 Note II. 12.

The Parent Bank offers agency services to Cigna Sağlık, Hayat ve Emeklilik A.Ş. that is 49.00% jointly controlled for its insurance services.

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VIII. Explanations on the Parent Bank's Domestic, Foreign and off-shore Banking Branches and Foreign Representatives of the Group

1. Information relating to the Parent Bank's domestic and foreign branch and representatives

	Number	Employees	Country	Total Assets	Capital
Domestic Branch	444	12,338			
Foreign Representation	-	-	-		
Foreign Branch	1	7	1- Bahreyn	28,372,637	-
			-	-	-

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

SECTION SIX

OTHER EXPLANATIONS

I. Other Explanations Related to The Parent 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 issuance of The Bank after the balance sheet date are as follows:

Issue Date	Currency	Nominal Amount	Maturity
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.

SECTION SEVEN

INDEPENDENT AUDIT REPORT

I. Explanations on Aduitor's Review Report

The consolidated 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 2021 is presented preceding the consolidated financial statements.

II. Explanations and Notes Prepared by Independent Auditors

None (31 December 2020 – None).

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