QNB FİNANSBANK ANONİM ŞİRKETİ

CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AT JUNE 30, 2022 TOGETHER WITH AUDITOR'S INTERIM REVIEW REPORT

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

AUDITOR'S REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

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

To the General Assembly of QNB Finansbank Anonim Şirketi;

Introduction

We have reviewed the consolidated balance sheet of QNB Finansbank Anonim Şirketi ("the Bank") and its consolidated subsidiaries (collectively referred to as "the Group") at June 30, 2022 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the consolidated financial statements for the six-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial information in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated November 1, 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by the aforementioned regulations. Our responsibility is to express a conclusion on these interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying consolidated financial information does not present fairly in all material respects the consolidated financial position of QNB Finansbank Anonim Şirketi and its consolidated subsidiaries at June 30, 2022 and its consolidated financial performance and its consolidated cash flows for the six-month-period then ended in accordance with the BRSA Accounting and Financial Reporting Legislation.

Report on other regulatory requirements arising from legislation

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

Additional Paragraph for Convenience Translation:

BRSA Accounting and Financial Reporting Legislation explained in detail in Section Three differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board including the application of IAS 29 - Financial Reporting in Hyperinflationary Economies as of June 30, 2022. Accordingly, the accompanying consolidated financial statements are not intended to present fairly the consolidated financial position, results of operations, changes in equity and cash flows of the Group in accordance with IFRS.

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

Talar Gül, SMMM
Partner

Istanbul, September 5, 2022

THE CONSOLIDATED FINANCIAL REPORT OF QNB FINANSBANK A.Ş.
FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2022

The Parent Bank's;

Address of the Head Office	: Esentepe Mahallesi Büyükdere Caddesi Kristal Kule Binası No:215 Şişli - İSTANBUL
Phone number	: (0212) 318 50 00
Facsimile number	: (0212) 318 56 48
Web page	: www.qnbfinansbank.com
E-mail address	: investor.relations@qnbfinansbank.com

The consolidated financial report for the six month period ended June 30, 2022, 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 INTERIM FINANCIAL STATEMENTS
- INTERIM REVIEW REPORT
- INTERIM CONSOLIDATED ACTIVITY REPORT

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

Subsidiaries
1. QNB 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 A.Ş.

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 accompanying consolidated interim financial statements and related disclosures and footnotes for the six month period then ended June 30, 2022, are prepared and reviewed in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidance and in compliance with the financial records of our Bank. Unless otherwise stated, the accompanying consolidated interim 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

<u>**INDEX**</u>

SECTION ONE
General Information About The Parent Bank

SECTION TWO
Consolidated Financial Statements

SECTION THREE
Accounting Policies

SECTION FOUR
Information Related To Financial Position And Risk Management Of The Group

SECTION FIVE
Explanations And Disclosures On Consolidated Financial Statements

SECTION SIX
Auditor's Review Report

SECTION SEVEN
Consolidated Interim Activity Report

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 September 23, 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 EUR 2,750 million as of December 21, 2015. On April 7, 2016, BRSA permitted to transfer shares at ratios of 82.23%,7.90%,9.68% owned by National Bank of Greece S.A., NBGI Holdings B.V. and NBG Finance (Dollar) PLC respectively in the capital of the Bank to Qatar National Bank S.A.Q. in the framework of paragraph 1 of article 18 of Banking Law and dropping direct share of National Bank of Greece S.A. to 0% through the aforementioned share transfer. Necessary permissions related to share transfer have been completed on May 4, 2016 before the Competition Authority while permission transactions regarding direct/indirect share ownership which shall realize in related affiliates of the Bank (QNB Finans Yatırım Menkul Değerler A.Ş., QNB Finans Portföy Yönetimi A.Ş., QNB Finans Finansal Kiralama A.Ş. and Cigna Sağlık, Hayat ve Emeklilik A.Ş.) before the related official bodies on May 12, 2016 and share transfer of the Bank has been completed on June 15, 2016.

The 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 October 24, 2016 and the company name started to be used with the registration of the General Assembly Resolution dated November 24, 2016 on November 30, 2016. According to the decision dated January 17, 2018 which was taken by the General Assembly; The Parent Bank's trade name is changed from "FİNANS BANK A.Ş" to "QNB FİNANSBANK A.Ş" as of January 19, 2018.

99.88% of shares of Parent Bank are controlled by Qatar National Bank as of June 30, 2022 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	April 16, 2010	PhD
Sinan Şahinbaş	Deputy Chairman and Executive Member	April 16, 2010	Masters
Ali Teoman Kerman	Board Member and Chairman of the Audit Committee	April 16, 2013	Masters
Ramzi T. A. Mari	Board Member and Audit Committee Member	June 16, 2016	Masters
Fatma Abdulla S.S. Al-Suwaidi	Board Member	June 16, 2016	Masters
Durmuş Ali Kuzu	Board Member and Audit Committee Member	August 25, 2016	PhD
Osman Ömür Tan	Board Member and General Manager	January 1, 2022	Masters
Temel Güzeloğlu	Board Member	April 16, 2010	Masters
Yousef Mahmoud H. N. Al-Neama	Board Member	May 28, 2019	Graduate
Adel Ali M. A. Al-Malki	Board Member	May 28, 2019	Graduate
Noor Mohd J. A. Al-Naimi	Board Member and Audit Committee Member	June 22, 2017	Graduate
Adnan Menderes Yayla	Executive Vice President	May 20, 2008	Masters
Köksal Çoban	Executive Vice President	August 19, 2008	Masters
Dr. Mehmet Kürşad Demirkol	Executive Vice President	October 8, 2010	PhD
Enis Kurtoğlu	Executive Vice President	May 14, 2015	Masters
Murat Koraş	Executive Vice President	May 14, 2015	Masters
Engin Turhan	Executive Vice President	June 14, 2016	Masters
Cumhur Türkmen	Executive Vice President	June 11, 2018	Graduate
Cenk Akıncılar	Executive Vice President	January 21, 2019	Graduate
Burçin Dündar Tüzün	Executive Vice President	December 1, 2019	Masters
Zeynep Kulalar	Executive Vice President	December 1, 2019	Graduate
Derya Düner	Executive Vice President	January 1, 2020	Graduate
Ali Yılmaz	Executive Vice President	January 1, 2020	Masters
Ahmet Erzengin	Head of the Department of Internal Control and Compliance	September 12, 2012	Graduate
Ersin Emir	Head of Internal Audit	February 18, 2011	Masters
Zeynep Aydın Demirkıran	Head of Risk Management	September 16, 2011	Masters

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

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 June 30, 2022, the Parent Bank operates through 442 domestic (December 31, 2021 - 442), 1 foreign (December 31, 2021 - 1) and 1 Atatürk Airport Free Trade Zone (December 31, 2021 - 1) branches. As of June 30, 2022, the Group has 12,640 employees (December 31, 2021 – 12,345 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

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF BALANCE SHEET
FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2022

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

I. CONSOLIDATED BALANCE SHEET – ASSETS

			Current Period 30.06.2022			Prior Period 31.12.2021		
		Section 5 Part I	TRY	FC	TOTAL	TRY	FC	TOTAL
I.	**FINANCIAL ASSETS (Net)**		**50,164,747**	**105,390,240**	**155,554,987**	**36,871,893**	**91,649,894**	**128,521,787**
1.1	**Cash and Cash Equivalents**		**9,588,238**	**92,103,275**	**101,691,513**	**7,519,867**	**78,743,431**	**86,263,298**
1.1.1	Cash and Balances with The Central Bank	(1)	8,089,451	73,456,988	81,546,439	7,436,280	62,858,291	70,294,571
1.1.2	Banks	(3)	127,357	18,446,209	18,573,566	94,349	15,725,779	15,820,128
1.1.3	Receivables From Money Market	(4)	1,380,143	204,888	1,585,031	-	159,508	159,508
1.1.4	Expected Credit Losses (-)		8,713	4,810	13,523	10,762	147	10,909
1.2	**Financial Assets Measured at Fair Value through Profit/Loss**	**(2)**	**706,177**	**349,210**	**1,055,387**	**275,004**	**499,454**	**774,458**
1.2.1	Public Sector Debt Securities		490,924	87,288	578,212	118,648	64,122	182,770
1.2.2	Equity Securities		173,403	-	173,403	156,356	-	156,356
1.2.3	Other Financial Assets		41,850	261,922	303,772	-	435,332	435,332
1.3	**Financial Assets Measured at Fair Value through Other Comprehensive Income**	**(5)**	**19,174,705**	**10,385,728**	**29,560,433**	**9,634,529**	**10,043,218**	**19,677,747**
1.3.1	Public Sector Debt Securities		19,165,512	10,295,763	29,461,275	9,625,335	10,008,077	19,633,412
1.3.2	Equity Securities		9,193	89,965	99,158	9,194	35,141	44,335
1.3.3	Other Financial Assets		-	-	-	-	-	-
1.4	**Derivative Financial Assets**	**(12)**	**20,695,627**	**2,552,027**	**23,247,654**	**19,442,493**	**2,363,791**	**21,806,284**
1.4.1	Derivative Financial Assets at Fair Value Through Profit/Loss		15,636,337	1,689,153	17,325,490	16,227,512	2,219,309	18,446,821
1.4.2	Derivative Financial Assets at Fair Value Through Other Comprehensive Income		5,059,290	862,874	5,922,164	3,214,981	144,482	3,359,463
II.	**FINANCIAL ASSETS MEASURED AT AMORTIZED COST (Net)**		**215,020,290**	**125,735,410**	**340,755,700**	**137,049,425**	**105,153,019**	**242,202,444**
2.1	**Loans**	**(6)**	**189,212,065**	**101,447,627**	**290,659,692**	**128,657,423**	**81,883,367**	**210,540,790**
2.2	**Lease Receivables**	**(11)**	**3,566,976**	**9,123,203**	**12,690,179**	**2,954,638**	**7,735,110**	**10,689,748**
2.3	**Factoring Receivables**	**(7)**	**5,258,834**	**946,213**	**6,205,047**	**2,889,195**	**921,323**	**3,810,518**
2.4	**Other Financial Assets Measured at Amortized Cost**	**(8)**	**27,806,555**	**18,915,528**	**46,722,083**	**14,876,060**	**14,980,916**	**29,856,976**
2.4.1	Public Sector Debt Securities		27,806,555	18,276,272	46,082,827	14,876,060	14,417,974	29,294,034
2.4.2	Other Financial Assets		-	639,256	639,256	-	562,942	562,942
2.5	**Expected Credit Losses (-)**		**10,824,140**	**4,697,161**	**15,521,301**	**12,327,891**	**367,697**	**12,695,588**
III.	**ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)**	**(15)**	-	-	-	-	-	-
3.1	Held for sale		-	-	-	-	-	-
3.2	Discontinued Operations		-	-	-	-	-	-
IV.	**INVESTMENTS (Net)**		**229,985**	-	**229,985**	**270,366**	-	**270,366**
4.1	**Investment in Associates (Net)**	**(9)**	**14,855**	-	**14,855**	**14,026**	-	**14,026**
4.1.1	Equity Method Associates		-	-	-	-	-	-
4.1.2	Unconsolidated		14,855	-	14,855	14,026	-	14,026
4.2	**Investment in Subsidiaries (Net)**		**38,046**	-	**38,046**	**38,046**	-	**38,046**
4.2.1	Unconsolidated Financial Investments		-	-	-	-	-	-
4.2.2	Unconsolidated Non-Financial Investments		38,046	-	38,046	38,046	-	38,046
4.3	**Equity Under Common Control (Joint Ventures) (Net)**	**(10)**	**177,084**	-	**177,084**	**218,294**	-	**218,294**
4.3.1	Equity method associates		174,284	-	174,284	215,494	-	215,494
4.3.2	Unconsolidated		2,800	-	2,800	2,800	-	2,800
V.	**TANGIBLE ASSETS (Net)**		**3,819,848**	**50**	**3,819,898**	**3,694,478**	**37**	**3,694,515**
VI.	**INTANGIBLE ASSETS (Net)**		**837,126**	-	**837,126**	**648,585**	-	**648,585**
6.1	Goodwill		-	-	-	-	-	-
6.2	Others		837,126	-	837,126	648,585	-	648,585
VII.	**INVESTMENT PROPERTIES (Net)**	**(13)**	-	-	-	-	-	-
VIII.	**CURRENT TAX ASSET**		**20,325**	-	**20,325**	**2,040**	-	**2,040**
IX.	**DEFERRED TAX ASSET**	**(14)**	**1,014,450**	-	**1,014,450**	**341,690**	-	**341,690**
X.	**OTHER ASSETS (Net)**	**(16)**	**7,859,994**	**1,299,254**	**9,159,248**	**7,206,047**	**961,538**	**8,167,585**
	TOTAL ASSETS		**278,966,765**	**232,424,954**	**511,391,719**	**186,084,524**	**197,764,488**	**383,849,012**

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

QNB FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF BALANCE SHEET
FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2022

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

I. CONSOLIDATED BALANCE SHEET – LIABILITIES AND EQUITY

			Current Period 30.06.2022			Prior Period 31.12.2021		
		Section 5 Note II	TRY	FC	TOTAL	TRY	FC	TOTAL
I.	**DEPOSITS**	**(1)**	**113,877,125**	**189,530,526**	**303,407,651**	**79,231,701**	**146,644,878**	**225,876,579**
II.	**FUNDS BORROWED**	**(3)**	**4,566,350**	**43,086,498**	**47,652,848**	**3,904,586**	**33,347,681**	**37,252,267**
III.	**MONEY MARKET BORROWINGS**	**(4)**	**26,182,993**	**16,992,381**	**43,175,374**	**2,473,437**	**15,717,177**	**18,190,614**
IV.	**SECURITIES ISSUED (NET)**	**(5)**	**6,104,865**	**19,723,876**	**25,828,741**	**6,023,724**	**23,779,092**	**29,802,816**
4.1	Bills		5,719,865	3,083,468	8,803,333	6,023,724	2,154,632	8,178,356
4.2	Asset Backed Securities		385,000	-	385,000	-	-	-
4.3	Bonds		-	16,640,408	16,640,408	-	21,624,460	21,624,460
V.	**FUNDS**		-	-	-	-	-	-
5.1	Borrowers' Funds		-	-	-	-	-	-
5.2	Others		-	-	-	-	-	-
VI.	**FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT & LOSS (NET)**		-	-	-	-	-	-
VII.	**DERIVATIVE FINANCIAL LIABILITIES**		**6,471,455**	**2,568,637**	**9,040,092**	**9,160,015**	**3,623,875**	**12,783,890**
7.1	Derivative Financial Liabilities at Fair Value Through Profit & Loss (Net)	(2)	6,100,847	2,307,159	8,408,006	8,982,699	2,954,958	11,937,657
7.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(8)	370,608	261,478	632,086	177,316	668,917	846,233
VIII.	**FACTORING PAYABLES**		-	-	-	-	-	-
IX.	**LEASE PAYABLES (Net)**	**(7)**	**500,301**	**-**	**500,301**	**486,716**	**546**	**487,262**
X.	**PROVISIONS**	**(9)**	**1,696,445**	**263,651**	**1,960,096**	**1,648,376**	**25**	**1,648,401**
10.1	Restructuring Provisions		-	-	-	-	-	-
10.2	Reserve for Employee Benefits		1,211,614	-	1,211,614	1,032,218	-	1,032,218
10.3	Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4	Other Provisions		484,831	263,651	748,482	616,158	25	616,183
XI.	**CURRENT TAX LIABILITY**	**(10)**	**1,101,068**	**-**	**1,101,068**	**167,723**	**-**	**167,723**
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)**	**-**	**15,238,072**	**15,238,072**	**-**	**11,852,564**	**11,852,564**
14.1	Subordinated Loans		-	15,238,072	15,238,072	-	11,852,564	11,852,564
14.2	Other Debt Instruments		-	-	-	-	-	-
XV.	**OTHER LIABILITIES**		**16,845,590**	**15,369,923**	**32,215,513**	**10,664,123**	**12,970,564**	**23,634,687**
XVI.	**SHAREHOLDERS' EQUITY**		**34,035,917**	**(2,763,954)**	**31,271,963**	**24,793,806**	**(2,641,597)**	**22,152,209**
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		(207,833)	-	(207,833)	(223,943)	-	(223,943)
16.4	Other Comprehensive Income/Expense Items to be Reclassified to Profit or Loss		2,287,371	(2,763,954)	(476,583)	678,071	(2,641,597)	(1,963,526)
16.5	Profit Reserves		20,979,569	-	20,979,569	17,072,922	-	17,072,922
16.5.1	Legal Reserves		771,685	-	771,685	757,842	-	757,842
16.5.2	Status Reserves		-	-	-	-	-	-
16.5.3	Extraordinary Reserves		20,207,884	-	20,207,884	16,315,080	-	16,315,080
16.5.4	Other Profit Reserves		-	-	-	-	-	-
16.6	Profit/Loss		7,615,645	-	7,615,645	3,906,647	-	3,906,647
16.6.1	Prior Periods' Profit/Loss		-	-	-	-	-	-
16.6.2	Current Period's Net Profit/Loss		7,615,645	-	7,615,645	3,906,647	-	3,906,647
16.7	Minority Interest		10,451	-	10,451	9,395	-	9,395
	TOTAL LIABILITIES		**211,382,109**	**300,009,610**	**511,391,719**	**138,554,207**	**245,294,805**	**383,849,012**

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

QNB FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF OFF BALANCE SHEET
FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2022

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

II. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES

			Current Period 30.06.2022			Prior Period 31.12.2021		
		Section 5 Note III	TRY	FC	TOTAL	TRY	FC	TOTAL
A.	**OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)**		**366,833,982**	**566,300,950**	**933,134,932**	**251,760,151**	**433,120,870**	**684,881,021**
I.	**GUARANTEES**	**(1), (2), (3), (4)**	**20,581,590**	**37,823,526**	**58,405,116**	**13,136,090**	**34,332,017**	**47,468,107**
1.1.	Letters of guarantee		18,901,279	21,362,598	40,263,877	13,000,633	17,491,611	30,492,244
1.1.1.	Guarantees subject to State Tender Law		774,019	162,697	936,716	553,377	133,441	686,818
1.1.2.	Guarantees given for foreign trade operations		9,788,800	21,199,901	30,988,701	7,284,585	17,358,170	24,642,755
1.1.3.	Other letters of guarantee		8,338,460	-	8,338,460	5,162,671	-	5,162,671
1.2.	Bank loans		1,627,039	9,642,187	11,269,226	71,783	8,635,893	8,707,676
1.2.1.	Import letter of acceptance		1,627,039	9,642,187	11,269,226	71,783	8,635,893	8,707,676
1.2.2.	Other bank acceptances		-	-	-	-	-	-
1.3.	Letters of credit		53,272	6,818,741	6,872,013	63,674	8,204,513	8,268,187
1.3.1.	Documentary letters of credit		53,272	5,913,735	5,967,007	63,674	7,424,841	7,488,515
1.3.2.	Other letters of credit		-	905,006	905,006	-	779,672	779,672
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**		**203,740,048**	**76,073,448**	**279,813,496**	**150,696,819**	**7,991,015**	**158,687,834**
2.1.	Irrevocable commitments	(1)	128,099,784	29,635,415	157,735,199	81,782,660	6,016,159	87,798,819
2.1.1.	Forward asset purchase commitments		12,342,022	22,646,660	34,988,682	1,145,232	2,908,352	4,053,584
2.1.2.	Forward deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3.	Share capital commitment to associates and subsidiaries		-	-	-	-	-	-
2.1.4.	Loan granting commitments		36,633,000	687,862	37,320,862	27,050,703	793,507	27,844,210
2.1.5.	Securities underwriting commitments		-	-	-	-	-	-
2.1.6.	Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7.	Payment commitment for checks		3,775,368	-	3,775,368	2,885,779	-	2,885,779
2.1.8.	Tax and fund liabilities from export commitments		56,861	-	56,861	29,314	-	29,314
2.1.9.	Commitments for credit card expenditure limits		72,921,628	-	72,921,628	49,733,289	-	49,733,289
2.1.10.	Commitments for promotions related with credit cards and banking activities		161,544	-	161,544	71,498	-	71,498
2.1.11.	Receivables from short sale commitments		-	-	-	-	-	-
2.1.12.	Payables for short sale commitments		-	-	-	-	-	-
2.1.13.	Other irrevocable commitments		2,209,361	6,300,893	8,510,254	866,845	2,314,300	3,181,145
2.2.	Revocable commitments		75,640,264	46,438,033	122,078,297	68,914,159	1,974,856	70,889,015
2.2.1.	Revocable loan granting commitments		74,753,473	44,618,436	119,371,909	68,374,855	-	68,374,855
2.2.2.	Other revocable commitments		886,791	1,819,597	2,706,388	539,304	1,974,856	2,514,160
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**	**(5), (6)**	**142,512,344**	**452,403,976**	**594,916,320**	**87,927,242**	**390,797,838**	**478,725,080**
3.1	Derivative financial instruments for hedging purposes		25,394,654	121,918,196	147,312,850	12,489,736	101,394,674	113,884,410
3.1.1	Fair value hedge		8,818,786	39,702,334	48,521,120	6,172,818	40,723,961	46,896,779
3.1.2	Cash flow hedge		16,575,868	82,215,862	98,791,730	6,316,918	60,670,713	66,987,631
3.1.3	Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2	Held for trading transactions		117,117,690	330,485,780	447,603,470	75,437,506	289,403,164	364,840,670
3.2.1	Forward foreign currency buy/sell transactions		9,018,896	22,259,558	31,278,454	7,288,292	16,053,812	23,342,104
3.2.1.1	Forward foreign currency transactions-buy		8,527,901	7,093,689	15,621,590	6,377,847	4,862,254	11,240,101
3.2.1.2	Forward foreign currency transactions-sell		490,995	15,165,869	15,656,864	910,445	11,191,558	12,102,003
3.2.2	Swap transactions related to foreign currency and interest rates		102,527,461	299,487,285	402,014,746	66,545,184	268,882,455	335,427,639
3.2.2.1	Foreign currency swap-buy		1,354,554	119,647,811	121,002,365	2,126,829	98,404,122	100,530,951
3.2.2.2	Foreign currency swap-sell		68,288,109	53,993,034	122,281,143	37,918,755	62,467,695	100,386,450
3.2.2.3	Interest rate swaps-buy		16,442,399	62,923,220	79,365,619	13,249,800	54,005,319	67,255,119
3.2.2.4	Interest rate swaps-sell		16,442,399	62,923,220	79,365,619	13,249,800	54,005,319	67,255,119
3.2.3	Foreign currency, interest rate and **securities** options		4,883,676	6,223,919	11,107,595	1,227,592	2,651,799	3,879,391
3.2.3.1	Foreign currency options-buy		2,630,982	2,939,516	5,570,498	821,817	1,131,799	1,953,616
3.2.3.2	Foreign currency options-sell		2,252,694	3,284,403	5,537,097	405,775	1,520,000	1,925,775
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		687,657	681,428	1,369,085	376,438	387,573	764,011
3.2.4.1	Foreign currency futures-buy		687,657	-	687,657	361,015	18,895	379,910
3.2.4.2	Foreign currency futures-sell		-	681,428	681,428	15,423	368,678	384,101
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		-	1,833,590	1,833,590	-	1,427,525	1,427,525
B.	**CUSTODY AND PLEDGED ITEMS (IV+V+VI)**		**1,683,287,882**	**632,622,925**	**2,315,910,807**	**1,389,205,116**	**499,735,768**	**1,888,940,884**
IV.	**ITEMS HELD IN CUSTODY**		**257,515,337**	**38,287,153**	**295,802,490**	**242,561,027**	**26,811,981**	**269,373,008**
4.1.	Assets under management		10,340,067	25,795	10,365,862	9,104,743	9,997	9,114,740
4.2.	Investment securities held in custody		143,778,915	17,914,505	161,693,420	153,604,458	11,510,543	165,115,001
4.3.	Checks received for collection		17,039,428	4,289,892	21,329,320	13,107,448	3,535,033	16,642,481
4.4.	Commercial notes received for collection		3,030,003	1,406,149	4,436,152	2,363,152	1,179,744	3,542,896
4.5.	Other assets received for collection		-	-	-	-	-	-
4.6.	Assets received for public offering		-	-	-	-	-	-
4.7.	Other items under custody		83,326,924	14,650,812	97,977,736	64,381,226	10,576,664	74,957,890
4.8.	Custodians		-	-	-	-	-	-
V.	**PLEDGED ITEMS**		**821,347,534**	**344,826,159**	**1,166,173,693**	**666,936,857**	**290,504,187**	**957,441,044**
5.1.	Marketable securities		5,500,886	20,581,922	26,082,808	5,098,635	18,744,531	23,843,166
5.2.	Guarantee notes		679,760	740,182	1,419,942	538,348	602,312	1,140,660
5.3.	Commodity		604,235	-	604,235	521,666	-	521,666
5.4.	Warranty		-	-	-	-	-	-
5.5.	Properties		166,165,348	166,653,254	332,818,602	130,004,304	146,855,545	276,859,849
5.6.	Other pledged items		648,397,305	156,850,801	805,248,106	530,773,904	124,301,799	655,075,703
5.7.	Pledged items-depository		-	-	-	-	-	-
VI.	**ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES**		**604,425,011**	**249,509,613**	**853,934,624**	**479,707,232**	**182,419,600**	**662,126,832**
	TOTAL OFF-BALANCE SHEET ACCOUNTS (A+B)		**2,050,121,864**	**1,198,923,875**	**3,249,045,739**	**1,640,965,267**	**932,856,638**	**2,573,821,905**

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2022 (STATEMENT OF INCOME/LOSS)
(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

III. CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Section 5 Part IV	Current Period 01.01-30.06.2022	Current Period 3 Months 01.04-30.06.2022	Prior Period 01.01-30.06.2021	Prior Period 3 Months 01.04-30.06.2021
I.	**INTEREST INCOME**	**(1)**	**25,098,360**	**15,155,212**	**11,548,466**	**6,162,304**
1.1	Interest income on loans		16,005,051	9,174,760	8,867,794	4,682,435
1.2	Interest income on reserve deposits		130,135	18,641	170,224	111,768
1.3	Interest income on banks		31,470	21,768	29,730	17,329
1.4	Interest income on money market transactions		37,572	19,948	42,856	16,726
1.5	Interest income on securities portfolio		7,652,461	5,226,365	1,785,290	991,934
1.5.1	Financial assets measured at FVTPL		38,215	23,210	12,647	3,173
1.5.2	Financial assets measured at FVOCI		2,001,900	1,261,807	758,289	431,423
1.5.3	Financial assets measured at amortized cost		5,612,346	3,941,348	1,014,354	557,338
1.6	Financial lease income		620,595	333,961	375,725	194,954
1.7	Other interest income		621,076	359,769	276,847	147,158
II.	**INTEREST EXPENSE (-)**	**(2)**	**10,654,194**	**5,969,938**	**6,248,872**	**3,446,574**
2.1	Interest on deposits		6,369,988	3,599,758	4,073,999	2,305,893
2.2	Interest on funds borrowed		1,580,055	873,603	855,078	439,850
2.3	Interest on money market transactions		1,365,926	937,244	583,297	307,702
2.4	Interest on securities issued		1,258,292	640,145	681,578	370,337
2.5	Interests on leasing		47,407	25,005	29,960	14,276
2.6	Other interest expenses		32,526	(105,817)	24,960	8,516
III.	**NET INTEREST INCOME/EXPENSE (I - II)**		**14,444,166**	**9,185,274**	**5,299,594**	**2,715,730**
IV.	**NET FEES AND COMMISSIONS INCOME/EXPENSES**		**2,788,773**	**1,616,029**	**1,660,615**	**886,772**
4.1	Fees and commissions received		3,702,408	2,130,764	2,079,866	1,124,729
4.1.1	Non-cash loans		178,714	94,639	127,687	65,946
4.1.2	Others		3,523,694	2,036,125	1,952,179	1,058,783
4.2	Fees and commissions paid (-)		913,635	514,735	419,251	237,957
4.2.1	Non-cash loans		2,108	807	1,620	774
4.2.2	Others		911,527	513,928	417,631	237,183
V.	**DIVIDEND INCOME**	**(3)**	**16,571**	**2,240**	**1,104**	**758**
VI.	**TRADING INCOME / LOSS (Net)**	**(4)**	**(115,160)**	**255,038**	**(1,862,112)**	**(947,038)**
6.1	Trading gains / losses on securities		186,467	130,104	61,546	57,351
6.2	Gain/losses from derivative transactions		(3,346,469)	(1,754,101)	(2,321,960)	(1,090,147)
6.3	Foreign exchange gain/losses		3,044,842	1,879,035	398,302	85,758
VII.	**OTHER OPERATING INCOME**	**(5)**	**196,381**	**133,810**	**185,858**	**30,635**
VIII.	**TOTAL OPERATING GROSS PROFIT (III+IV+V+VI+VII)**		**17,330,731**	**11,192,391**	**5,285,059**	**2,686,857**
IX.	**EXPECTED CREDIT LOSSES (-)**	**(6)**	**3,082,669**	**2,056,105**	**976,414**	**391,669**
X.	**OTHER PROVISION LOSSES (-)**		**146,977**	**57,686**	**62,514**	**21,564**
XI.	**PERSONNEL EXPENSES (-)**		**1,921,791**	**1,059,203**	**1,031,471**	**539,412**
XII.	**OTHER OPERATING EXPENSES (-)**	**(7)**	**2,249,367**	**1,215,937**	**1,333,012**	**684,107**
XIII.	**NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)**		**9,929,927**	**6,803,460**	**1,881,648**	**1,050,105**
XIV.	**EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER**		**-**	**-**	**-**	**-**
XV.	**INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING**		**90,999**	**57,735**	**57,996**	**28,228**
XVI.	**GAIN/LOSS ON NET MONETARY POSITION**		**-**	**-**	**-**	**-**
XVII.	**OPERATING PROFIT/LOSS BEFORE TAXES (XII+…+XV)**	**(8)**	**10,020,926**	**6,861,195**	**1,939,644**	**1,078,333**
XVIII.	**PROVISION FOR TAXES OF CONTINUED OPERATIONS (±)**	**(9)**	**2,404,225**	**1,627,872**	**450,682**	**240,967**
18.1	Current tax charge		3,384,356	1,145,922	81,848	31,215
18.2	Deferred tax charge (+)		501,872	54,046	1,042,918	(327,999)
18.3	Deferred tax credit (-)		(1,482,003)	427,904	(674,084)	537,751
XIX.	**NET OPERATING PROFIT/LOSS AFTER TAXES (XVII±XVIII)**	**(10)**	**7,616,701**	**5,233,323**	**1,488,962**	**837,366**
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 (-)**		**-**	**-**	**-**	**(275)**
21.1	Expenses on assets held for sale		-	-	-	(275)
21.2	Expenses on sale of associates, subsidiaries and joint-ventures		-	-	-	-
21.3	Others		-	-	-	-
XXII.	**PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XX+XXI)**		**-**	**-**	**-**	**275**
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 (XXII±XXIII)**		**-**	**-**	**-**	**275**
XXV.	**NET PROFIT/LOSS (XIX+XXIV)**	**(11)**	**7,616,701**	**5,233,323**	**1,488,962**	**837,641**
25.1	Group’s profit/loss		7,615,645	5,232,710	1,488,471	837,385
25.2	Minority interest		1,056	613	491	256
	Earnings Per Share		0.2273	0.1562	0.0444	0.0250

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

QNB FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2022
(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

IV. CONSOLIDATED STATEMENT OF PROFIT AND OTHER COMPREHENSIVE INCOME

		Current Period 01.01 – 30.06.2022	Prior Period 01.01 – 30.06.2021
I.	**CURRENT PERIOD PROFIT/LOSS**	**7,616,701**	**1,488,962**
II.	**OTHER COMPREHENSIVE INCOME**	**1,503,053**	**(115,659)**
2.1	**Other Income/Expense Items Not Reclassified Through Profit or Loss**	**16,110**	**918**
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	4,696	1,137
2.1.4	Other Income/Expense Items not Reclassified to Profit or Loss	829	-
2.1.5	Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	10,585	(219)
2.2	**Other Income/Expense Items Reclassified to Profit or Loss**	**1,486,943**	**(116,577)**
2.2.1	Translation Differences	-	-
2.2.2	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	408,264	(458,073)
2.2.3	Gains/losses from Cash Flow Hedges	1,396,635	311,709
2.2.4	Gains/Losses on Hedges of Net Investments in Foreign Operations	-	-
2.2.5	Other Income/Expense Items Reclassified to Profit or Loss	-	-
2.2.6	Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	(317,956)	29,787
III.	**TOTAL COMPREHENSIVE INCOME (I+II)**	**9,119,754**	**1,373,303**

QNB FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2022

(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 Reclassified to Profit or Loss			Other Comprehensive Income/Expense Items Reclassified to Profit or Loss								
	Prior Period	**Section 5 Part V**	**Paid-in Capital**	**Share Premium**	**Share Cancellations on 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 – 30.06.2021																	
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**		-	-	-	-	-	**918**	-	-	**(366,775)**	**250,198**	-	-	**1,488,471**	**1,372,812**	**491**	**1,373,303**
V.	**Capital Increase in Cash**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	**Capital Increase from Internal Sources**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Capital Reserves from Inflation Adjustments to Paid-in Capital**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	**Convertible Bonds**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	**Subordinated Debt Instruments**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Others Changes**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**Profit Distribution**		-	-	-	-	-	-	-	-	-	-	**2,855,050**	**(101,267)**	**(2,753,783)**	-	-	-
11.1	Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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**	**-**	**-**	**-**	**(110,646)**	**-**	**-**	**(842,667)**	**(352,935)**	**17,072,922**	**-**	**1,488,471**	**20,605,859**	**8,672**	**20,614,531**

								Other Comprehensive Income/Expense Items not Reclassified to Profit or Loss			Other Comprehensive Income/Expense Items Reclassified to Profit or Loss								
	Current Period	**Section 5 Part V**	**Paid-in Capital**	**Share Premium**	**Share Cancellations on 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 – 30.06.2022																	
I.	**Balances at Beginning of Period**		**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**
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**	**-**	**-**	**-**	**(223,943)**	**-**	**-**	**(1,583,528)**	**(379,998)**	**17,072,922**	**-**	**3,906,647**	**22,142,814**	**9,395**	**22,152,209**
IV.	**Total Comprehensive Income**		-	-	-	-	-	**15,281**	**829**	-	**352,305**	**1,134,638**	-	-	**7,615,645**	**9,118,698**	**1,056**	**9,119,754**
V.	**Capital Increase in Cash**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	**Capital Increase from Internal Sources**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Capital Reserves from Inflation Adjustments to Paid-in Capital**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	**Convertible Bonds**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	**Subordinated Debt Instruments**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Others Changes**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**Profit Distribution**		-	-	-	-	-	-	-	-	-	-	**3,906,647**	-	**(3,906,647)**	-	-	-
11.1	Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	3,906,647	-	(3,906,647)	-	-	-
11.3	Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at end of the period (III+IV…+X+XI)		**3,350,000**	**714**	**-**	**-**	**-**	**(208,662)**	**829**	**-**	**(1,231,223)**	**754,640**	**20,979,569**	**-**	**7,615,645**	**31,261,512**	**10,451**	**31,271,963**

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2022
(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

VI. CONSOLIDATED CASH FLOW STATEMENT

		Section 5 Part VI	Current Period 01.01 – 30.06.2022	Prior Period 01.01 – 30.06.2021
A.	**CASH FLOWS FROM / (TO) BANKING OPERATIONS**			
1.1	**Operating profit before changes in operating assets and liabilities**		**11,215,229**	**1,504,866**
1.1.1	Interest received		18,195,911	11,024,437
1.1.2	Interest paid		(11,076,542)	(5,611,638)
1.1.3	Dividend received		16,571	1,104
1.1.4	Fees and commissions received		3,737,817	2,080,352
1.1.5	Other income		196,381	185,858
1.1.6	Collections from previously written off loans		1,338,580	871,242
1.1.7	Payments to personnel and service suppliers		(1,809,862)	(1,098,991)
1.1.8	Taxes paid		(2,561,759)	(1,594,440)
1.1.9	Other		3,178,132	(4,353,058)
1.2	**Changes in operating assets and liabilities**		**17,281,733**	**376,244**
1.2.1	Net (increase) decrease in financial assets measured at fair value through profit/loss		(276,180)	(51,039)
1.2.2	Net (increase) decrease in due from banks		(2,945,306)	(1,365,852)
1.2.3	Net (increase) decrease in loans		(61,590,933)	(5,673,170)
1.2.4	Net (increase) decrease in other assets		(2,304,787)	294,638
1.2.5	Net increase (decrease) in bank deposits		(3,120,205)	(1,496,586)
1.2.6	Net increase (decrease) in other deposits		49,447,565	8,632,313
1.2.7	Net increase (decrease) in financial liabilities at fair value through profit or loss		-	-
1.2.8	Net increase (decrease) in funds borrowed		2,160,656	(5,124,953)
1.2.9	Net increase (decrease) in matured payables		-	-
1.2.10	Net increase (decrease) in other liabilities		35,910,923	5,160,893
I.	**Net cash provided from banking operations**		**28,496,962**	**1,881,110**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
II.	**Net cash provided from / (used in) investing activities**		**(14,875,767)**	**(1,549,155)**
2.1	Cash paid for purchase of entities under common control, associates and subsidiaries		-	-
2.2	Cash obtained from sale of entities under common control, associates and subsidiaries		-	-
2.3	Fixed assets purchases		(365,927)	(274,145)
2.4	Fixed assets sales		4,726	77,729
2.5	Cash paid for purchase of financial assets measured at fair value through other comprehensive income		(9,045,156)	(6,820,044)
2.6	Cash obtained from sale of financial assets measured at fair value through other comprehensive income		2,960,350	5,448,197
2.7	Cash paid for purchase of Financial Assets Measured at Amortized Cost		(9,038,407)	(1,700,744)
2.8	Cash obtained from sale of Financial Assets Measured at Amortized Cost		901,285	1,865,253
2.9	Other		(292,638)	(145,401)
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
III.	**Net cash provided from / (used in) financing activities**		**(3,318,775)**	**5,269,942**
3.1	Cash obtained from funds borrowed and securities issued		11,863,113	10,218,411
3.2	Cash used for repayment of funds borrowed and securities issued		(15,147,239)	(4,901,359)
3.3	Issued equity instruments		-	-
3.4	Dividends paid		-	-
3.5	Payments for finance leases		(34,649)	-
3.6	Other		-	(47,110)
IV.	**Effect of foreign currency translation differences on cash and cash equivalents**		**2,059,047**	**552,297**
V.	**Net increase / (decrease) in cash and cash equivalents (I+II+III+IV)**		**12,361,467**	**6,154,194**
VI.	**Cash and cash equivalents at the beginning of the period**		**47,798,834**	**15,883,101**
VII.	**Cash and cash equivalents at end of the period (V+VI)**		**60,160,301**	**22,037,295**

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

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

Consolidated financial statements are subject to the provisions of the Regulation on the Procedures and Principles Regarding the Accounting Practices of Banks and Retaining Documents published in the Official Gazette dated November 1, 2006 and numbered 26333 regarding the Banking Law No.5411 and the Banking Regulation and Supervision Agency ("BRSA") and other regulations, communiqués, explanations and circulars published regarding the principles of financial reporting and the issues not regulated by them, the Turkish Accounting Standard 34 ("TAS 34"), which was put into effect by the Public Oversight, Accounting and Auditing Standards Authority ("POA"). Standard and "Turkish Financial Reporting Standards" ("TFRS") (all of them "BRSA Accounting and Financial Reporting Legislation"). The format and content of the consolidated financial statements to be announced to the public and their explanations and footnotes are in accordance with the "Communiqué on Financial Statements to be Disclosed to the Public by Banks and the Related Disclosures and Footnotes" and "Communiqué on Public Disclosures on Risk Management by Banks" and the communiqués bringing additional and amendments to them. has been prepared.

Amounts in the consolidated financial statements and related explanations and footnotes are expressed in thousands of Turkish Lira unless otherwise specified. The amounts expressed in foreign currency are indicated with their full amounts.

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 interim financial statements are determined and applied, in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"), and are consistent with the accounting policies applied in the annual financial statements prepared for the year ended December 31, 2021.

The accounting policies and valuation principles related with current 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.

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 disclosed in reports and reflected to the statement of profit or loss and other comprehensive.

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

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

ACCOUNTING POLICIES (Continued)

I. Basis of Presentation (Continued)

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

Since it is aimed to update the most recent financial information in the interim financial statements prepared as of June 30, 2022, considering the magnitude of the economic changes due to COVID-19, the Parent 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 Parent Bank will update its relevant assumptions as necessary and revise the realizations of past estimates. In addition, explanations regarding the effects of COVID-19 were disclosed in footnotes numbered XV "Explanations on Leasing Transactions".

In TAS 29 Financial Reporting Standard in Hyperinflationary Economies, 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. On January 20, 2022, the Public Oversight Authority (‘’POA’’) made a statement on the Implementation of Financial Reporting in High Inflation Economies within the Scope of Turkish Financial Reporting Standards, Financial Reporting Standard for Large and Medium Sized Enterprises. Accordingly, it has been stated that businesses applying TFRS do not need to make any adjustments in their financial statements for 2021 within the scope of TAS 29 Financial Reporting in High Inflation Economies. As of June 30, 2022, no new announcement has been made by POA within the scope of TAS 29, and no inflation adjustment has been made according to TAS 29 while preparing the financial statements for June 30, 2022.

2.1. Changes in accounting policies and disclosures

In its unconsolidated financial statements, the Parent Bank has 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 POA in the Official Gazette dated December 14, 2019 and numbered 30978. has started to apply since January 1, 2022.

In 2020, the International Accounting Standards Board and POA published Phase 2 standards regarding the reform and related amendments to TFRS 9, TMS 39, TFRS 7, TFRS 4 and TFRS 16. In this context; As of January 1, 2022, the necessary changes/transitions regarding the reference interest rates have been completed.

Within the scope of the said reform; The Bank has transactions in the field of loans, securities, debt and derivative products and 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	148,106,239	32,619,876
Hedge Accounting Instruments	80,266,147	-
Total	**148,106,239**	**32,619,876**

Prior Period	**Derivative**	**Non-Derivative Financial Instruments**
USD LIBOR	119,086,162	31,030,011
Hedge Accounting Instruments	64,743,012	-
Total	**119,086,162**	**31,030,011**

ACCOUNTING POLICIES (Continued)

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 fixed interest rate and have an average maturity of up to 3 months in line with the sector. Domestic bond issues are realized within the maturity of 6 months and foreign bond issues are based on long maturities with fixed interests. Funds borrowed from abroad mostly bear floating rates and are reprised at an average period of 3-6 months. The 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 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 the risk tolerance as a cap. The maximum VAR amounts are determined by interest and currency risk factors, which affect the securities portfolio that is subject to market risk, as well as determining the risk tolerance based on the total value at risk. The above-mentioned limits are revised annually.

The strategies for hedging exchange rate risk resulting from the 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.

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 June 30, 2022 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 non-monetary 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 statement of profit or loss and other comprehensive of foreign exchange gains / losses and income/losses from derivative financial instruments in the statement of profit or loss and other comprehensive. While gain / loss from spot foreign exchange transactions are included in the profit / loss item of foreign exchange gain/loss on balance sheet, profit / loss from derivative transactions (forward, option etc.) for the purpose of hedging related transactions are included in income / loss statement of derivative financial instruments. Therefore, in order to determine the net profit / loss effects of foreign exchange transactions, two balances should be assessed together. As of June 30, 2022, derivative financial transactions loss of TRY 3,346,469 (June 30, 2021 – TRY 2,321,960 derivative financial transactions loss) and foreign exchange gain of TRY 3,044,842 (June 30, 2021 – TRY 398,302 net foreign exchange gain), net interest expense amounting to TRY 2,662,633 (June 30, 2021 – TRY 2,311,686 net interest expense) arising from derivative transactions, is TRY 2,361,006 net profit on foreign currency transactions (June 30, 2021 - TRY 388,028 net profit on foreign currency transactions).

2.3. Foreign Associates

None.

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

ACCOUNTING POLICIES (Continued)

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 regard 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 November 8, 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 (%) June 30, 2022	Effective Share of the Group (%) December 31, 2021
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.	Hemenal Finansman A.Ş. (Tüketici Finansman)	Full consolidation	Turkey	Consumer Financing	-	100.00
4.	QNB Finans Finansal Kiralama A.Ş. (Finans Leasing)	Full consolidation	Turkey	Financial Leasing	99.40	99.40
5.	QNB Finans Faktoring A.Ş. (Finans Faktoring)	Full consolidation	Turkey	Factoring Services	100.00	100.00
6.	QNB Finans Varlık Kiralama Şirketi A.Ş.	Full consolidation	Turkey	Asset Lease	100.00	100.00
7.	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 ("TAS") and Turkish Financial Reporting Standards ("TFRS") and related additions and interpretations published by Public Accounting and Auditing Oversight Authority ("POA").

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 June 30, 2022.

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 statement of profit or loss and other comprehensive.

ACCOUNTING POLICIES (Continued)

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

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.

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 statement of profit or loss and other comprehensive on Gains/Losses from Derivative transactions. These foreign currency valuation differences are accounted for under "Foreign Exchange Gains/Losses" account.

ACCOUNTING POLICIES (Continued)

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

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 creditor loans 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 Accumulated Comprehensive Income/Expense Items Reclassified to Profit or Loss" whereas the amount concerning ineffective parts is associated with statement of profit or loss and other comprehensive.

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 income 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.

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.

QNB Finans Finansal Kiralama AŞ., 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 statement of profit or loss and other comprehensive.

At each balance sheet date, the Parent Bank and QNB Finans Finansal Kiralama AŞ., the subsidiary of the Parent Bank, apply effectiveness tests for fair value hedge accounting.

ACCOUNTING POLICIES (Continued)

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

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 statement of profit or loss and other comprehensive.

As of September 30, 2018, the Bank terminated the hedge accounting for the fair value hedge of the fair value risk arising from the changes in the exchange rates for the real estates purchased in previous periods in foreign currency and the fair value of which is in foreign currency in the market and as of June 30, 2022, fair value exchange difference adjustment amounting to TRY 1,156,406 which is shown intangible assets in the balance sheet, is amortized over the economic life of the property subject to hedging.

V. Explanations on Interest Income and Expenses

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

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 (“TFRS 15”). Except for certain fees related with certain banking transactions and recognized when the related service is given, fees and commissions received or paid, and other fees and commissions paid to financial institutions are accounted under accrual basis of accounting throughout the service period.

VII. Explanations and Disclosures on Financial Instruments

Initial recognition of financial instruments

The 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.

ACCOUNTING POLICIES (Continued)

VII. Explanations and Disclosures on Financial Instruments (Continued)

Initial measurement of financial instruments (Continued)

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, 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 instrument 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 whether their "contractual cash-flows solely represent payments of principal and interest" and assessed the asset classification within the business model.

Assessment of business model

As per TFRS 9, the 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 realize cash flows by collecting contractual payments over the life of the instrument. The financial assets that are held within the scope of this business model are measured at amortized cost when the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Receivables from the Central Bank, Banks, Money Market Placements, investments under financial assets measured at amortized cost, loans, leasing receivables, factoring receivables and other receivables are assessed within this business model.

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

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

Other business models:

Financial assets are measured at fair value through profit or loss 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 and derivative financial assets are assessed in this business model.

ACCOUNTING POLICIES (Continued)

VII. Explanations and Disclosures on Financial Instruments (Continued)

Measurement categories of financial assets and liabilities

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

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

Financial Assets at the Fair Value Through Profit or Loss:

Financial assets at fair value through profit/loss are financial assets other than the ones that are managed with business model that 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 statement of profit or loss and other comprehensive. 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 statement of profit or loss and other comprehensive.

"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 statement of profit or loss and other comprehensive 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 Accumulated Comprehensive Income or Expenses Reclassified to Profit or Loss" under shareholders' equity. When the aforementioned securities are collected or disposed, accumulated fair value differences which were reflected under equity, are reflected in the statement of profit or loss and other comprehensive. Equity securities, which are classified as financial assets at fair value through other comprehensive income, that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

The 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 Republic of Turkey Ministry of Treasury and Finance. As disclosed in 'Inflation Indexed Bonds Manual' published by Republic of Turkey Ministry of Treasury and Finance, reference index used for the real payments is determined based on the inflation rates of two months before. The Parent Bank determines the estimated inflation rates used for valuation of securities in line with this. The estimated inflation rate used is updated during the year when necessary.

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 statement of profit or loss and other comprehensive income.

In cases where fair value hedge operations cannot be effectively performed as described in TAS 39, fair value hedge accounting is ceased. After fair value accounting is ceased value differences, previously reflected to the statement of profit or loss and other comprehensive 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 statement of profit or loss and other comprehensive.

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 statement of profit or loss and other comprehensive.

The Parent Bank as explained in part IV, "Explanations on Derivative Financial Assets and Liabilities", performs FX swap transactions against TRY in order to hedge the possible losses which might arise due to the changes in the fair value of a certain portion of its long-term loans and applies fair value hedge accounting as per TAS 39. The 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 statement of profit or loss and other comprehensive.

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 statement of profit or loss and other comprehensive until the maturity of the hedged loans.

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 June 22, 2016 in connection with "Procedures and Principals regarding Classification of Loans and Allowances Allocated for Such Loans" effective from January 1, 2018. At each reporting date, the 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.

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 June 30, 2022, 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 above.

ACCOUNTING POLICIES (Continued)

VIII. Explanations on Expected Credit Losses (Continued)

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 the 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 creditworthiness.
- 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.

Calculation of expected credit losses

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

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

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

When measuring expected credit losses, it shall be considered the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low. Such assessment is made by reflecting the estimate of expected credit 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.

ACCOUNTING POLICIES (Continued)

VIII. Explanations on Expected Credit Losses (Continued)

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")

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

Consideration of the Macroeconomic Factors

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

- Five-year credit risk of Turkey (CDS Spread)
- 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.

The Parent Bank revised its macroeconomic expectations and weights in the calculation of expected credit losses on June 30, 2022. Compared to March 31, 2022, the weight of the worst case scenario was increased by 500 basis points, and the weight of the base case scenario was reduced by 500 basis points. The calculation made taking into account the change in PD / LGD has been reflected in the financial statements as of June 30, 2022. 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 was preferred for the provision calculations for the second quarter of 2022, will be reviewed in the following reporting periods by considering the effect of the pandemic, the current financial asset 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 Parent 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 Parent 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.

ACCOUNTING POLICIES (Continued)

VIII. Explanations on Expected Credit Losses (Continued)

Significant increase in credit risk

The Parent 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 whose default probability is above the absolute threshold value are evaluated in Stage 2 without considering the relative change.

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 July 2021 and numbered 31533, they are classified under the "Fifth Group-Loans with Losses" and are expected 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 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:

• Within the scope of the regulation “5. Classified under “Loans with Group-Loss Characteristics”,
• 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 debtor.

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 during the period is TRY 358,993 (December 31, 2021: TRY 126,001), and its effect on the NPL ratio is 0.12% (December 31, 2021: 0.05%). While the NPL ratio is 2.93% (December 31, 2021: 4.21%) with the current period non-performing loan figures, the calculated rate including the loans written off during the year is 3.05% (December 31, 2021: 4.26%).

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—i.e. when the obligation specified in the contract is discharged or cancelled or expires.

d) Reclassification of financial instruments

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

e) Restructuring and refinancing of financial instruments

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

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

ACCOUNTING POLICIES (Continued)

X. Derecognition of Financial Instruments (Continued)

e) Restructuring and refinancing of financial instruments (Continued)

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

- Subsequent to the thorough review of company's financial data and its owners' equity position, at circumstances when it is not anticipated that the owner of the company will face financial difficulties; and it is assessed the restructured debt will be paid on time (starting from the date when the debt is restructured all due principal and interest payments are made on time); and

- At least 1 year should pass over the date of restructuring (or if it 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 payment of all unpaid amounts (principal and interest) during the restructuring / refinancing.

On order to 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 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: and

- Collection of all overdue amounts, disappearance of the reasons for classification as nonperforming receivable (based on the conditions mentioned above) and having no overdue more than 30 days as of the date of reclassification.

During the follow-up period of at least two years 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 gain. The performing or non-performing retail loans being subject to restructuring shall be removed from watchlist only if the debt is paid in full.

In personnel loans, loans can be restructured in order to give liquidity power to the debtor and to ensure the collection of the receivables of the Parent 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".

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.

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

ACCOUNTING POLICIES (Continued)

XI. Explanations on Sales and Repurchase Agreements and Lending of Securities (Continued)

Securities that are subject to repurchase agreements as at the balance sheet date amounted to TRY 40,352,341 (December 31, 2021 – TRY 22,990,663).

As of June 30, 2022, the Parent Bank has no securities that are subject to lending transactions (December 31, 2021 – 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. Income rediscount is calculated for the part of the difference between the purchase and resale prices of securities purchased with reverse repo, in the corresponding period.

XII. Explanations on Assets Held for Sale and Discontinued Operations

In accordance with TFRS 5 ("Assets Held for Sale and Discontinued Operations"), assets classified as held for sale are measured at lower of carrying value or fair value less costs to sell. Amortization on subject asset is ended and these assets are presented separately on financial statements. An asset (or a disposal group) is regarded as "asset held for sale" only when the sale is highly probable and the asset (disposal group) is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset (or a disposal group) should be actively marketed at a price consistent with its fair value. Various events and conditions may prolong the sale procedures for more than one year. In case subject delay is caused by the events and conditions beyond the bank's control and there is enough evidence that plans to sell subject asset (or a disposal group) continue subject assets continue to be classified as assets held for sale. As of June 30, 2022, the Group has assets held for sale and discontinued operations and it is 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 statement of profit or loss and other comprehensive.

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. Software's have been classified as other intangible fixed assets. The useful life of software's 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.

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 January 10, 2011.

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

ACCOUNTING POLICIES (Continued)

XIV. Explanations on Tangible Assets (Continued)

Net book value of the property and leased assets under financial lease contracts are compared with the fair values determined by independent appraisers as of the year end and provision for impairment is recognized in "Other Operating Expenses" in the related period statement of profit or loss and other comprehensive when the fair value is below the net book value in accordance with TAS 36.

Gains or losses resulting from disposals of the tangible assets are recorded in the statement of profit or loss and other comprehensive 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 regard 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%.

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 January 1, 2019.

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

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 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.

ACCOUNTING POLICIES (Continued)

XV. Explanations on Leasing Transactions (Continued)

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.

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.

Due to the Group's implementation of TFRS 16, assets classified under tangible assets as of June 30, 2022 amounted to TRY 494,149 (December 31, 2021 – TRY 491,054), lease liability amounted to TRY 503,411 (December 31, 2021 – TRY 495,124), financing expense amounted to TRY 46,464 (June 30, 2021 – TRY 28,962) and depreciation expense amounted to TRY 124,375 (June 30, 2021 – TRY 110,068).

XVI. Explanations on Factoring Receivables

Factoring receivables are measured at amortized cost using the effective interest rate method after deducting unearned interest income and expected provisions for losses.

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 Parent Bank. In cases where reliable estimate cannot be made of the amount of the obligation, it is considered contingent liabilities. For contingent liabilities if the probability that the event will occur is greater than the probability that it will not and the amount of the obligation can be measured reliably, a provision is made.

ACCOUNTING POLICIES (Continued)

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 TAS 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 TAS 19 and reflected to the financial statements.

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

XIX. Explanations on Taxation

1. Corporate Tax

According to the Corporate Tax Law No. 5520 published in the Official Gazette dated June 21, 2006 and numbered 26205; While the corporate tax is calculated at the rate of 20% on the corporate income, the 20% rate is applied to the 2018, 2019 and 2020 taxation periods of the institutions (for the institutions designated as a special accounting period, the accounting periods that begin in the relevant year) pursuant to the Provisional Article 10 added to the Corporate Tax Law.) is applied as 22% for corporate earnings. Prepaid taxes are followed in "Current Tax Liability" or "Current Tax Asset" accounts to be deducted from the corporate tax liability of the relevant year. The corporate tax rate, which was 20% previously, will be applied as 25% for the taxation period of 2021 and this rate will be applied as 23% for the taxation period of 2022 in accordance with the Article 11 of the Law No. 7316 on the Procedure for the Collection of Public Receivables and the Law on Amendments to Certain Laws published in the Official Gazette dated April 22, 2021, and with the temporary Article 13 added to the Corporate Tax Law.

With the Law No. 7394 on the Evaluation of Immovable Property Owned by the Treasury and Amending the Value Added Tax Law, which was published in the Official Gazette dated April 15, 2022 and numbered 31810, and the Law No. With the paragraph added to the temporary article 13 of the Corporate Tax Law, the Corporate Tax rate for banks, companies within the scope of Law No. 6361, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies and pension companies is 2022. It will be applied as 25% for corporate earnings for the taxation period.

75% of the profits arising from the sale of participation shares held in the bank's assets for more than two years and the founder's shares, usufruct shares and preference rights held for the same period of time, and 50% of the profits arising from the sale of immovables that are in the assets for the same period of time are stated in the Corporate Tax Law. It is exempt from tax, provided that it is added to the capital or kept in a special fund account in liabilities for 5 years.

Companies calculate provisional tax at the rate of 22% for the taxation period of 2020 and 25% for the taxation periods of 2021 and 2022 (20% in the first temporary tax period of 2021) on their quarterly financial profits and it is declared and paid until the 17th day of the second month following that period. The temporary tax paid during the year belongs to that year and is deducted from the corporate tax to be calculated on the corporate tax return to be submitted in the following year. If the amount of temporary tax paid remains despite the deduction, this amount can be refunded in cash or deducted.

According to the Corporate Tax Law, financial losses shown on the declaration can be deducted from the corporate tax base of the period, provided that they do not exceed 5 years. According to the Tax Procedure Law, declarations and related accounting records can be examined by the tax office within five years. On the other hand, if the provisions of the documents subject to stamp duty, whose tax and penalty are time-barred, are used after the statute of limitations expires, the tax receivable of the aforementioned document arises.

The corporate and income tax provisions calculated over the profit for the period are recorded in the "Current Tax Provision" account in the statement of profit or loss and other comprehensive income, and the current tax effects of the transactions that are directly accounted for in equity are reflected in the shareholders' equity.

ACCOUNTING POLICIES (Continued)

XIX. Explanations on Taxation (Continued)

1. Corporate Tax (Continued)

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

The financial statements should be subject to inflation if both of the following conditions are met within the framework of the Tax Procedure Law's reiterated article 298/A:

- 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 January 20, 2022, Law No. It has been enacted with the number 7352 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 December 31, 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.

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 April 22, 2021, numbered 7316. It will be applied as 25% for corporate earnings and 25% for 2022.

With the Law No. 7394 on the Evaluation of Immovable Property Owned by the Treasury and Amending the Value Added Tax Law, which was published in the Official Gazette dated April 15, 2022 and numbered 31810, and the Law No. With the Law No. 7394 on Evaluation of Immovable Property Owned by the Treasury and Amending the Value Added Tax Law, which was published in the Official Gazette dated April 15, 2022, numbered 31810, and with the paragraph added to the temporary article 13 of the Corporate Tax Law No. 5520 with the 26th article of the Law, banks, companies within the scope of the Law No. 6361, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance Corporate tax rate for companies and pension companies will be applied as 25% on corporate earnings for the 2022 taxation period.

This amendment will be valid for the taxation of corporate earnings for the periods starting from January 1, 2022, starting with the declarations that must be submitted as of July 1, 2022.

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.

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

ACCOUNTING POLICIES (Continued)

XIX. Explanations on Taxation (Continued)

3. Transfer Pricing

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

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

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 effective interest rate method.

XXI. Explanations on Share Issues

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

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 June 30, 2022, the Group does not have any governmental incentives or support (December 31, 2021 – None).

XXIV. Explanation 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 statement of profit or loss and other comprehensive 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 1,5 billion or more, multinational companies operating in Turkey, and commercial firms with an annual turnover of TRY 125 million – 1,5 billion. 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.

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

ACCOUNTING POLICIES (Continued)

XXIV. Explanation on Segment Reporting (Continued)

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.

Current Period (January 1 – June 30, 2022)	**Retail Banking**	**Corporate and Commercial Banking**	**Treasury and Head Office**	**Total Operations of the Group**
Operating Income	**4,735,003**	**4,332,110**	**8,354,617**	**17,421,730**
Dividend Income	-	-	16,571	16,571
Gain/(Loss) on joint venture accounted for at equity method	-	-	90,999	90,999
Profit Before Taxes	**1,336,581**	**848,624**	**7,835,721**	**10,020,926**
Tax Provision (-)(*)	**-**	**-**	**2,404,225**	**2,404,225**
Net Profit/Loss	**1,336,581**	**848,624**	**5,431,496**	**7,616,701**
Total Assets	**88,031,345**	**206,002,269**	**193,498,663**	**511,391,719**
Segment Assets	88,031,345	206,002,269	193,498,663	487,532,277
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	229,985
Undistributed Assets	-	-	-	23,629,457
Total Liabilities	**188,694,757**	**106,677,881**	**148,970,140**	**511,391,719**
Segment Liabilities	188,694,757	106,677,881	148,970,140	444,342,778
Undistributed Liabilities	-	-	-	35,776,978
Equity	-	-	-	31,271,963
Other Segment Accounts	**674,830**	**461,610**	**(33,775)**	**1,102,665**
Capital Expenditures	435,323	297,737	(11,725)	721,335
Depreciation and Amortization	239,507	163,873	(22,050)	381,330

(*) Tax provision is not distributed.

Prior Period (January 1 – June 30, 2021)	**Retail Banking**	**Corporate and Commercial Banking**	**Treasury and Head Office**	**Total Operations of the Group**
Operating Income	**2,869,820**	**2,168,031**	**247,208**	**5,285,059**
Dividend Income	-	-	1,104	1,104
Gain/(Loss) on joint venture accounted for at equity method	-	-	57,996	57,996
Profit Before Taxes	**1,162,253**	**792,862**	**(15,471)**	**1,939,644**
Tax Provision (-)	**-**	**-**	**450,682**	**450,682**
Net Profit/Loss	**1,162,253**	**792,862**	**(466,153)**	**1,488,962**
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 (Joint Ventures)	-	-	-	270,366
Undistributed Assets	-	-	-	20,161,563
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

(*) Tax provision is not distributed.

(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 March 30, 2022. In the Board of Directors, it was decided that profit distribution 2021 operations to be distributed as follows.

2021 Profit Distribution Table:

Current Year Profit	**9,928,114**
A – First Legal Reserves (Turkish Commercial Code 519/A) 5%	**752,842**
C – Extraordinary Reserves	3,170,272

XXVI. Earnings Per Share

Earnings per share listed on statement of profit or loss and other comprehensive income 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	7,616,701	1,488,962
Weighted Average Amount of Shares Issued (Thousands)	33,500,000	33,500,000
Earnings per Share	**0.2273**	**0.0444**

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 2022 is none (Amount of issued bonus shared in 2021 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 June 30, 2022, Group's total capital has been calculated as TRY 51,482,329 (December 31, 2021 - TRY 37,540,811), capital adequacy ratio is 14.10% (December 31, 2021 - 15.24%) calculated pursuant to former regulations.

In accordance with the BRSA's Decision dated Dec 21, 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; Banks have the right to use the simple arithmetic average of the Central Bank's foreign exchange buying rates for the last 252 business days as of December 31, 2021, when calculating the monetary assets and non-monetary assets, other than the items in foreign currency measured in historical cost, in accordance with the Turkish Accounting Standards and the related provision amounts. In the event that the net valuation differences of the securities 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 June 30, 2022	Prior Period December 31, 2021
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	20,979,569	17,072,922
Gains recognized in equity as per TAS	1,448,423	298,650
Profit	7,615,645	3,906,647
Current Period Profit	7,615,645	3,906,647
Prior Period Profit	-	-
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	829	-
Minorities' Share	10,451	9,395
Common Equity Tier 1 Capital Before Deductions	**33,405,631**	**24,638,328**
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	416,024	837,041
Improvement costs for operating leasing	84,928	79,130
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	759,124	593,242
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	**1,260,076**	**1,509,413**
Positive difference between the amount of expected credit losses before implementation of TFRS 9 and expected credit losses from TFRS 9 adoption	-	142,258
Total Common Equity Tier 1 Capital	**32,145,555**	**23,271,173**

(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 June 30, 2022	Prior Period December 31, 2021
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA	8,751,225	6,813,188
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	**8,751,225**	**6,813,188**
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)	**40,896,780**	**30,084,361**
TIER II CAPITAL		
Debt instruments and premiums deemed suitable by the BRSA	-	-
Debt instruments and premiums deemed suitable by BRSA (Temporary Article 4)	6,417,565	4,996,338
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)	4,251,591	2,783,169
Tier II Capital Before Deductions	**10,669,156**	**7,779,507**
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	**10,669,156**	**7,779,507**
Total Capital (The sum of Tier I Capital and Tier II Capital)	**51,565,936**	**37,863,868**
Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	7,105	8,140
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 (-)	76,497	314,923
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 June 30, 2022	Prior Period December 31, 2021
TOTAL CAPITAL		
Total Capital	51,482,334	37,540,805
Total risk weighted amounts	365,039,243	246,313,414
Capital Adequacy Ratios		
Consolidated Core Capital Adequacy Ratio (%)	8.81	9.45
Consolidated Tier 1 Capital Adequacy Ratio (%)	11.20	12.21
Consolidated Capital Adequacy Ratio (%)	14.10	15.24
BUFFERS		
Bank specific total common equity tier 1 capital 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 (%)	2.81	3.80
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	177,084	218,293
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)	8,500,711	5,782,122
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	4,251,591	2,783,169
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	8,751,225	6,813,188
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	6,417,565	4,996,338

(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	Secondary Capital	Secondary 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)	8,755	2,122	4,361
Par value of instrument (Currency in million)	8,755	2,122	4,361
Accounting classification	Liability – Subordinated Loans- amortized cost	Liability – Subordinated Loans- amortized cost	Liability – Subordinated Loans- amortized cost
Original date of issuance	June 30, 2019	April 1, 2019	May 26, 2022
Perpetual or dated	Undated	Dated	Dated
Original maturity date	-	10 years	8 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	3 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 at MS + 7.08	6M LIBOR + 5.75 %	SOFR + %5,10
Existence of a dividend stopper	There would be any charges for the reduced value after depreciation date.	-	-
Fully discretionary, partially discretionary or mandatory	Optional	-	-

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)

II. Explanations on Consolidated Risk Management

Notes and explanations in this section have been prepared in accordance with the Communiqué on Disclosures about RWA flow statements of credit risk exposures under IRB Risk Management to Be Announced to Public by Banks that have been published in Official Gazette no. 29511 on October 23, 2015 and became effective as of March 31, 2016. The following tables, which must be disclosed quarterly in accordance with the relevant declaration, are not presented as of June 30, 2022, as the standard approach is used in the Bank's capital adequacy calculation:

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

1. GB1 - Overview of risk weighted assets:

		Risk Weighted Assets		Minimum Capital Requirements	
		30.06.2022	**31.12.2021**	**30.06.2022**	**31.12.2021**
1	Credit risk (excluding counterparty credit risk)	328,081,153	212,756,907	26,246,492	17,020,553
2	Standardized approach	328,081,153	212,756,907	26,246,492	17,020,553
3	Internal rating-based approach	-	-	-	-
4	Counterparty credit risk	12,046,109	9,896,598	963,689	791,728
5	Standardized approach for counterparty credit risk	12,046,109	9,896,598	963,689	791,728
6	Internal model method	-	-	-	-
7	Basic risk weight approach to internal model’s equity position in the banking account	-	-	-	-
8	Investments made in collective investment companies – look-through approach	-	-	-	-
9	Investments made in collective investment companies – mandate-based approach	-	-	-	-
10	Investments made in collective investment companies – 1250% weighted risk approach	-	-	-	-
11	Settlement risk	-	-	-	-
12	Securitization exposures in banking accounts	-	-	-	-
13	IRB ratings-based approach	-	-	-	-
14	IRB Supervisory Formula Approach	-	-	-	-
15	SA/simplified supervisory formula approach	-	-	-	-
16	Market risk	4,467,888	5,888,475	357,431	471,078
17	Standardized approach	4,467,888	5,888,475	357,431	471,078
18	Internal model approaches	-	-	-	-
19	Operational risk	20,444,093	17,771,434	1,635,527	1,421,714
20	Basic Indicator Approach	20,444,093	17,771,434	1,635,527	1,421,714
21	Standardized 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)**	**365,039,243**	**246,313,414**	**29,203,139**	**19,705,073**

(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. Credit Risk Disclosures

a) CR1 – Credit quality of assets:

		Gross carrying values of as per TAS			
	Current Period	**Defaulted exposures**	**Non-defaulted exposures**	**Allowances/impairments**	**Net values**
1	Loans	9,108,188	282,015,201	7,310,398	283,812,991
2	Debt Securities	-	76,183,358	-	76,183,358
3	Off-balance sheet exposures	53,307	181,098,326	56,239	181,095,394
4	**Total**	**9,161,495**	**539,296,885**	**7,366,637**	**541,091,743**

		Gross carrying values of as per TAS			
	Prior Period	**Defaulted exposures**	**Non-defaulted exposures**	**Allowances/impairments**	**Net values**
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**

(*) The period December 31, 2021 includes financial assets at fair value through profit or loss in accordance with TFRS 9 amounting to TRY 209,670.

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

		Current Period	**Prior Period**
1	Defaulted loans and debt securities at the end of the previous reporting period	9,516,147	9,523,366
2	Loans and debt securities that have defaulted since the last reporting period	1,289,393	3,131,039
3	Returned to non-performing status	-	-
4	Amounts written-off (*)	358,993	1,224,842
5	Other changes (**)	1,338,359	1,913,416
6	**Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)**	**9,108,188**	**9,516,147**

(*) In current period, there is not any balance regarding sales of non-performing loans (December 31, 2021 – TRY 1,019,989).
(**) Includes collections from credits in default.

c) 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	271,655,015	12,157,976	7,987,449	-	-	-	-
2	Debt securities	76,183,358	-	-	-	-	-	-
3	**Total**	**347,838,373**	**12,157,976**	**7,987,449**	-	-	-	-
4	Of which defaulted	1,777,569	17,291	1,007	-	-	-	-

	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	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	-	-	-	-

(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. Credit Risk Disclosures (Continued)

d) CR4 – Standardized 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	131,551,376	-	132,648,661	-	-	-
2	Exposures to regional governments or local authorities	297,872	135	297,872	-	148,936	50%
3	Exposures to public sector entities	1,997,705	54,716	1,995,750	14,491	2,010,242	100%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to institutions	19,924,901	4,792,760	19,919,639	3,170,899	8,084,317	35%
7	Exposures to corporates	135,714,505	139,731,749	131,162,011	33,328,021	164,490,031	100%
8	Retail exposures	96,180,353	166,761,993	93,041,985	5,756,415	77,407,053	78%
9	Exposures secured by residential property	2,207,963	247,502	2,207,963	13,430	777,487	35%
10	Exposures secured by commercial real estate	12,208,976	1,263,640	12,208,976	596,716	9,442,044	74%
11	Past-due loans	1,667,300	-	1,666,293	-	1,160,500	70%
12	Higher-risk categories by the Agency Board	34,138,122	30,687	32,752,474	30,687	52,336,468	160%
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	16,515,020	1,055,461	16,515,020	-	9,322,671	56%
17	Investment in equities	2,901,404	-	2,901,404	-	2,901,404	100%
18	**Total**	**455,305,497**	**313,938,643**	**447,318,048**	**42,910,659**	**328,081,153**	**67%**

	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	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	Investment 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)

2. Credit Risk Disclosures (Continued)

e) CR5 – Standardized approach – Exposures by asset classes and risk weights:

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	132,648,661	-	-	-	-	-	-	-	-	132,648,661
2	Exposures to regional governments or local authorities	-	-	-	-	297,872	-	-	-	-	297,872
3	Exposures to public sector entities	-	-	-	-	-	-	2,010,241	-	-	2,010,241
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	-	-	12,014,484	-	10,789,269	-	286,785	-	-	23,090,538
7	Exposures to corporates	-	-	-	-	-	-	164,490,032	-	-	164,490,032
8	Retail exposures	-	-	-	-	-	85,565,383	13,233,017	-	-	98,798,400
9	Exposures secured by residential property	-	-	-	2,221,393	-	-	-	-	-	2,221,393
10	Exposures secured by commercial real estate	-	-	-	-	6,727,298	-	6,078,394	-	-	12,805,692
11	Past-due loans	-	-	-	-	1,011,585	-	654,708	-	-	1,666,293
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	26,459,712	6,323,449	32,783,161
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-
16	Investment in equities	-	-	-	-	-	-	2,901,404	-	-	2,901,404
17	Other Assets	7,191,078	-	1,589	-	-	-	9,322,353	-	-	16,515,020
18	**Total**	**139,839,739**	**-**	**12,016,073**	**2,221,393**	**18,826,024**	**85,565,383**	**198,976,934**	**26,459,712**	**6,323,449**	**490,228,707**

(*) Amount after Credit Conversion Rate ("CCR") and Credit Risk Mitigation ("CRM").

(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. Credit Risk Disclosures (Continued)

e) CR5 – Standardized approach – Exposures by asset classes and risk weights (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	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	Investment in equities	-	-	-	-	-	-	2,444,501	-	-	2,444,501
17	Other Assets	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)

3. Disclosures regarding counterparty credit risk

a) CCR1 – Assessment of Counterparty Credit Risk (CCR) according to the models of measurement:

	Current Period	Revaluation Cost	Potential credit risk exposure	EEPE	Alpha used for computing regulatory exposure at default	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standard approach - CCR (for derivatives)	19,576,827	3,015,887	-	1.4	12,906,098	6,561,443
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)	-	-	-	-	7,376,934	3,643,319
5	Repo transactions, marketable securities or commodity lending or borrowing transactions, transactions with a long settlement time, marketable security transactions with credit	-	-	-	-	-	-
6	**Total**	**-**	**-**	**-**	**-**	**-**	**10,204,762**

	Prior Period	Revaluation Cost	Potential credit risk exposure	EEPE	Alpha used for computing regulatory exposure at default	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standard approach - CCR (for derivatives)	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, marketable securities or commodity lending or borrowing transactions, transactions with a long settlement time, marketable security transactions with credit	-	-	-	-	-	-
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)

3. Disclosures regarding counterparty credit risk (Continued)

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

		Exposure (After credit risk mitigation methods)		Risk Weighted Amounts	
		Current Period	Prior Period	Current Period	Prior Period
	Total portfolio value with comprehensive approach CVA capital adequacy	-	-	-	-
1	(i) Value at risk component (3*multiplier included)	-	-	-	-
2	(ii) Stressed Value at Risk (3*multiplier included)	-	-	-	-
3	Total portfolio value with simplified approach CVA capital adequacy	12,906,098	10,900,526	1,841,347	1,620,713
4	**Total amount of CVA capital adequacy**	**12,906,098**	**10,900,526**	**1,841,347**	**1,620,713**

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

Current Period

	Exposure Categories/ Risk Weight	0%	10%	20%	50%	75%	100%	150%	Others	Total Credit Risk
1	Exposures from central governments or central banks	988,466	-	-	-	-	-	-	38,389	1,026,855
2	Exposures from regional or local governments	-	-	-	-	-	-	-	-	-
3	Exposures from administrative units and non-commercial enterprises	-	-	-	-	-	2	-	-	2
4	Exposures from multilateral development banks	-	-	-	-	-	-	-	-	-
5	Exposures from international organizations	-	-	-	-	-	-	-	-	-
6	Exposures from banks and brokerage houses	-	-	2,284,013	14,435,750	-	797,569	-	-	17,517,332
7	Exposures from corporates	-	-	-	-	-	1,710,458	-	-	1,710,458
8	Retail receivables	-	-	-	-	28,385	0	-	-	28,385
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**	**988,466**	**-**	**2,284,013**	**14,435,750**	**28,385**	**2,508,029**	**-**	**38,389**	**20,283,032**

(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. Disclosures regarding counterparty credit risk (Continued)

c) CCR3 – Standardized approach – CCR exposures by regulatory portfolio and risk weights (Continued)

Prior Period

	Exposure Categories/ Risk Weight	0%	10%	20%	50%	75%	100%	150%	Others	Total Credit Risk
1	Exposures from central governments or central banks	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**

d) CCR4 – Risk Class and Counterparty Credit Risk on the basis of Probability of Default:

Related table is not presented due to the standard method is used for calculation of capital adequacy (December 31, 2021 – None).

e) CCR5 – Composition of collateral for CCR exposure:

	Collaterals for Derivatives				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
Current Period	**Segregated**	**Unsegregated**	**Segregated**	**Unsegregated**		
Cash-Local Currency	-	-	-	-	24,489,649	-
Cash - Foreign Currency	-	10,347,525	-	9,348,632	16,736,219	-
Government bond/bill-domestic	-	-	-	-	-	-
Government bond/bill-other	-	-	-	-	-	-
Public institution bonds	-	-	-	-	-	-
Corporate bond	-	-	-	-	-	-
Equity share	-	-	-	-	-	-
Other collaterals	-	-	-	-	-	-
Total	**-**	**10,347,525**	**-**	**9,348,632**	**41,225,868**	**-**

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

II. Explanations on Consolidated Risk Management (Continued)

3. Disclosures regarding counterparty credit risk (Continued)

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

f) CCR6 – Credit derivatives

Related table is not presented due to the Bank has no risk arrived from derivative credit received or sold. (December 31, 2021 - None).

g) 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**	**38,389**	**768**	**26,594**	**532**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions) of which	-	-	-	-
3	(i) OTC Derivatives	-	-	-	-
4	(ii) Exchange-traded Derivatives	38,389	768	26,594	532
5	(iii) Securities financing transactions	-	-	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-	-	-
7	Segregated initial margin	-	-	-	-
8	Non-segregated initial margin	-	-	-	-
9	Pre-funded default fund contributions	-	-	-	-
10	Unfunded default fund contributions	-	-	-	-
11	Exposures to non-QCCPs (total)	-	-	-	-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-	-	-
13	(i) OTC Derivatives	-	-	-	-
14	(ii) Exchange-traded Derivatives	-	-	-	-
15	(iii) Securities financing transactions	-	-	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-	-	-
17	Segregated initial margin	-	-	-	-
18	Non-segregated initial margin	-	-	-	-
19	Pre-funded default fund contributions	-	-	-	-
20	Unfunded default fund contributions	-	-	-	-

(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. Securitization exposures:

The Bank has no securitization transactions (December 31, 2021).

5. Market risk under standardized approach

		RWA (**)	
		Current Period	**Prior Period**
	Outright products (*)	4,298,901	5,804,800
1	*Interest rate risk (general and specific)*	2,646,450	*2,370,687*
2	*Equity risk (general and specific)*	469,738	*248,863*
3	*Foreign exchange risk*	323,675	*2,905,000*
4	*Commodity risk*	859,038	*280,250*
	Options	168,988	83,675
5	*Simplified approach*	-	-
6	*Delta-plus method*	168,988	*83,675*
7	*Scenario approach*	-	-
8	*Securitization*	-	-
9	**Total**	**4,467,889**	**5,888,475**

(*) Outright Product refer to positioning products that are not optional.
(**) The Market risk represents the capital requirement multiplied by 12,5 times Risk Weighted Amount.

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 foreign currency types and table, and daily limit compliance control is performed by Risk Management.

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

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

(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)

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	TRY 16.6690
Euro purchase rate in the balance sheet date	TRY 17.5221

Date	US Dollar	Euro
June 23, 2022	17.3301	18.2142
June 24, 2022	17.3470	18.2455
June 27, 2022	17.3478	18.2753
June 28, 2022	16.6460	17.6057
June 29, 2022	16.6189	17.5858

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

With the simple arithmetic average of June 2022, the US Dollar foreign exchange buying rate is TRY 16.9647, and the Euro foreign exchange buying rate is TRY 17.9592.

(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)

5. Information on the consolidated foreign exchange risk of the Group (Thousands of TRY)

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)	28,568,925	39,282,890	5,605,173	73,456,988
Due From Banks(2)	4,639,826	13,390,118	411,455	18,441,399
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)(3)	824,200	902,753	45	1,726,998
Money Market Placements	-	204,888	-	204,888
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVTOCI)	1,002,183	9,380,505	3,040	10,385,728
Loans(4)	65,334,742	41,439,337	381,822	107,155,901
Investments in Assoc., Subsidiaries and Entities under Common Control	-	-	-	-
Investment Assets Measured at Amortized Cost	1,333,913	17,581,615	-	18,915,528
Derivative Financial Assets Hedging Purposes	29,644	918,074	-	947,718
Tangible Assets	-	-	50	50
Intangible Assets	-	-	-	-
Other Assets (5)	789,358	299,135	83,866	1,172,359
Total Assets	**102,522,791**	**123,399,315**	**6,485,451**	**232,407,557**
Liabilities				
Bank Deposits	3,642,535	4,241,961	135,075	8,019,571
Foreign Currency Deposits(6)	42,496,804	113,122,954	25,891,197	181,510,955
Money Market Borrowings	1,602,155	15,390,226	-	16,992,381
Funds Provided from Other Financial Institutions	19,133,667	39,169,563	21,340	58,324,570
Securities Issued	-	14,444,853	5,279,023	19,723,876
Miscellaneous Payables	7,810,170	6,122,030	126,389	14,058,589
Derivative Fin. Liabilities Hedging Purposes	69,782	1,120,715	-	1,190,497
Other Liabilities (7)	1,080,311	1,511,537	1,958	2,593,806
Total Liabilities	**75,835,424**	**195,123,839**	**31,454,982**	**302,414,245**
Net Balance Sheet Position	**26,687,367**	**(71,724,524)**	**(24,969,531)**	**(70,006,688)**
Net Off-Balance Sheet Position	**(26,796,830)**	**71,844,787**	**24,986,322**	**70,034,279**
Financial Derivative Assets	36,434,846	204,726,990	28,427,369	269,589,205
Financial Derivative Liabilities	63,231,676	132,882,203	3,441,047	199,554,926
Non-Cash Loans (8)	19,556,038	17,499,796	767,692	37,823,526
Prior Period				
Total Assets	94,224,027	98,444,556	5,406,494	198,075,077
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	18,384,626	15,231,819	715,572	34,332,017

(1) Cash and Balances with TR Central; Other FC include TRY 1,972,882 (December 31, 2021 – TRY 1,587,037) precious metal deposit account.
(2) There are foreign bank guarantees amounting to TRY 9,252,409 (December 31, 2021 – TRY 7,481,729).
(3) Does not include TRY 226,521 (December 31, 2021– 327,091) of currency income accruals arising from derivative transactions.
(4) Includes TRY 336,031 (December 31, 2021 – TRY 379,005) FC indexed loans. Does not include repealed financial leasing receivables amounting to TRY 12 (December 31, 2021 – TRY 1,301) accounted as FC in balance sheet. FX indexed factoring receivables accounted as TRY in balance sheet is none. (December 31, 2021 – None.)
(5) Does not include FC prepaid expenses amounting to TRY 126,895 (December 31, 2021 – TRY 67,969) as per BRSA's Communique published in Official Gazette no 26085 on February 19, 2006.
(6) Foreign currency deposits include TRY 22,742,704 (December 31, 2021 – TRY 21,599,519) of precious metal deposit account.
(7) Other Liabilities do not include the Foreign Currency Index Factoring payables amounting to TRY 9,178. (December 31, 2021 – TRY 3,885).
(7) Does not include currency expense accruals of derivative financial instruments kept in FC accounts amounting to TRY 246,532 (December 31, 2021 – TRY 193,977)
(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)

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 every month 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.

Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items
(Based on repricing dates)

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing [1]	Total
Current Period							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank [2]	37,647,826	-	-	-	-	43,889,473	81,537,299
Due From Banks [3]	1,841,582	-	-	-	-	16,728,605	18,570,187
Financial Assets at Fair Value Through Profit/Loss [4]	271,322	152,330	78,809	77,362	34,153	17,766,901	18,380,877
Money Market Placements	1,584,027	-	-	-	-	-	1,584,027
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVTOCI) [5]	3,413,605	6,337,005	4,475,934	6,224,070	9,224,137	5,807,846	35,482,597
Loans and Receivables	64,773,070	38,457,296	123,754,136	61,690,404	3,577,250	1,797,790	294,049,946
Financial Assets Measured at Amortized Cost [6]	7,562,071	7,139,267	10,334,879	12,781,609	5,049,535	3,838,393	46,705,754
Other Assets	-	-	-	-	-	15,081,032	15,081,032
Total Assets	**117,093,503**	**52,085,898**	**138,643,758**	**80,773,445**	**17,885,075**	**104,910,040**	**511,391,719**
Liabilities							
Bank Deposits	3,800,566	3,440,599	201,169	-	-	592,678	8,035,012
Other Deposits	116,445,060	53,994,434	12,890,727	390,747	675	111,650,996	295,372,639
Money Market Borrowings	27,778,765	9,148,823	6,247,786	-	-	-	43,175,374
Miscellaneous Payables	13,316,387	-	-	-	-	11,564,775	24,881,162
Securities Issued	4,093,026	6,543,714	4,235,346	10,956,655	-	-	25,828,741
Funds Borrowed	7,317,582	24,847,718	20,690,225	3,787,212	6,248,183	-	62,890,920
Other Liabilities [7]	306	469	14,874	479,627	-	50,712,595	51,207,871
Total Liabilities	**172,751,692**	**97,975,757**	**44,280,127**	**15,614,241**	**6,248,858**	**174,521,044**	**511,391,719**
On Balance Sheet Long Position	-	-	94,363,631	65,159,204	11,636,217	-	171,159,052
On Balance Sheet Short Position	(55,658,189)	(45,889,859)	-	-	-	(69,611,004)	(171,159,052)
Off-Balance Sheet Long Position	10,756,176	24,761,865	3,054,359	-	-	-	38,572,400
Off-Balance Sheet Short Position	-	-	(809,387)	(7,565,330)	(14,689,057)	-	(23,063,774)
Total Position	**(44,902,013)**	**(21,127,994)**	**96,608,603**	**57,593,874**	**(3,052,840)**	**(69,611,004)**	**15,508,626**

[1] Non-Interest-Bearing column includes accruals, provision for losses and derivative financial instruments' fair value valuation difference.
[2] Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank includes amount of TRY 9,140 expected loss provisions.
[3] Banks include balance of expected loss provisions amounting to TRY 3,379.
[4] Financial Assets at Fair Value Through Profit/Loss includes Derivative Financial Assets reflected to Profit/Loss amounting to TRY 17,325,490.
[5] Financial Assets at Fair Value through Other Comprehensive Income includes Derivative Financial Assets reflected to Other Comprehensive Income amounting to TRY 5,922,164.
[6] Financial Assets measured at amortized cost includes the balance of the expected loss provisions amounting to TRY 16,329.
[7] Other liabilities includes Derivative Financial Liabilities amounting to TRY 9,040,092.

(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

(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
Prior Period							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank [2]	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 Liabilities	**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 includes amount of TRY 7,084 expected loss provisions.
(3) Banks include balance of expected loss provisions amounting to TRY 3,825.
(4) Financial Assets at Fair Value Through Profit/Loss includes derivative financial assets reflected to Profit/Loss amounting to TRY 18,446,821.
(5) Financial Assets at Fair Value Through Other Comprehensive Income include TRY 3,359,463 derivative financial assets used for hedging purposes.
(6) Financial Assets measured at amortized cost includes the balance of the expected loss provisions amounting to TRY 9,793.
(7) Other Liabilities include derivative Financial Liabilities amounting to TRY 12,783,890.

(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)

Average interest rates applied to monetary financial instruments:

	EUR %	USD %	JPY %	TRY %
Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the T.R. Central Bank	-	-	-	-
Due from Banks	0.04	0.36	-	12.86
Financial Assets Measured at Fair Value through Profit/Loss	6.85	8.23	-	21.52
Money Market Placements	-	0.52	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	2.87	5.31	-	27.95
Loans and Receivables	4.17	5.89	1.66	22.14
Financial Assets Measured at Amortized Cost	4.60	5.62	-	56.99
Liabilities				
Bank Deposits	2.00	3.51	-	11.36
Other Deposits	1.70	2.91	1.27	16.84
Money Market Borrowings	(0.12)	2.24	-	14.59
Miscellaneous Payables	(0.33)	-	-	-
Securities Issued	-	5.93	-	21.09
Funds Borrowed	2.73	5.03	-	17.45

Average interest rates applied to monetary financial instruments:

	EUR %	USD %	JPY %	TRY %
Prior Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the T.R. Central Bank	-	-	-	8.50
Due from Banks	0.63	6.89	-	21.21
Financial Assets at Fair Value Through Profit/Loss	4.97	4.58	-	21.35
Money Market Placements	-	0.05	-	-
Financial Assets 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

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

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

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

	Comparison		
Equity Securities (shares)	**Carrying Value**	**Fair Value**	**Market Value**
1. Equity Investments Grade A	**81,783**	**-**	**81,783**
Quoted Securities	81,783	-	81,783
2. Equity Investments Grade B	**-**	**-**	**-**
Quoted Securities	-	-	-
3. Equity Investments Grade C	**-**	**-**	**-**
Quoted Securities	-	-	-
4. Equity Investments Grade Other (*)	**229,985**	**-**	**-**

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

		Revaluation Surpluses		Unrealized Gains and Losses		
Portfolio	**Gains/Losses in Current Period**	**Total**	**Amount under Supplementary Capital**	**Total**	**Amount under Core Capital**	**Amount under Supplementary Capital**
1. Private Equity Investments	-	-	-	-	-	-
2. Quoted Shares	50,815	-	-	4,495	-	4,495
3. Other Shares	-	-	-	-	-	-
4. Total	**50,815**	**-**	**-**	**4,495**	**-**	**4,495**

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. Liquidity position is evaluated and funding strategy is developed taking into consideration customer based concentration and maturity levels. While developing this strategy, it is aimed to fully utilize funding from long term and consistent resources.

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)

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.

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

Liquidity life cycle approach is determined as the liquidity risk stress test methodology. This approach is a stress test to measure the period in which the 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 the cumulative cash outflows, without providing any new funds from the market or by providing very low levels of funding. A new scenario created by observing the financial movements that occurred during the coronavirus epidemic process, and it is observed that the Parent Bank's liquid assets can be converted into cash in order to meet its liquidity needs over 30 days, which is the minimum life span of all scenarios.

(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

	Unweighted Amounts(*)		Weighted Amounts(*)	
Current Period – June 30, 2022	**TRY+FC**	**FC**	**TRY+FC**	**FC**
HIGH QUALITY LIQUID ASSETS			**101,409,194**	**71,202,988**
1. High Quality Liquid Assets			101,409,194	71,202,988
CASH OUTFLOWS				
2. Retail and Small Business Customers Deposits	192,800,016	116,767,933	17,823,208	11,676,793
3. Stable deposits	29,135,871	-	1,456,794	-
4. Less stable deposits	163,664,145	116,767,933	16,366,414	11,676,793
5. Unsecured Funding other than Retail and Small Business Customers Deposits	87,458,818	62,562,310	50,175,641	35,264,512
6. Operational deposits	2,325,817	626,841	581,454	156,710
7. Non-Operational Deposits	65,897,440	52,947,598	34,069,752	26,845,539
8. Other Unsecured Funding	19,235,561	8,987,871	15,524,435	8,262,263
9. Secured funding	-	-	-	-
10. Other Cash Outflows	66,689,884	18,175,513	66,689,884	18,175,513
11. Liquidity needs related to derivatives and market valuation changes on derivatives transactions	66,689,884	18,175,513	66,689,884	18,175,513
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	105,206,172	28,961,631	5,260,309	1,448,082
15. Other irrevocable or conditionally revocable commitments	166,475,306	43,460,905	12,453,160	4,343,295
16. TOTAL CASH OUTFLOWS	**-**	**-**	**152,402,202**	**70,908,195**
CASH INFLOWS				
17. Secured Lending Transactions	208,234	192,926	-	-
18. Unsecured Lending Transactions	27,753,348	15,348,474	19,855,763	13,195,948
19. Other contractual cash inflows	66,038,586	55,218,073	66,038,586	55,218,073
20. TOTAL CASH INFLOWS	**94,000,168**	**70,759,473**	**85,894,349**	**68,414,021**
			Capped Amounts	
21. TOTAL HIGH-QUALITY LIQUID ASSETS			**101,409,194**	**71,202,988**
22. TOTAL NET CASH OUTFLOWS			**66,507,853**	**2,494,174**
23. LIQUDITY COVERAGE RATIO (%)			**152.48%**	**400.69%**

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

Liquidity Coverage Ratio (Continued)

	Unweighted Amounts(*)		Weighted Amounts(*)	
Prior Period- December 31, 2021	**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**

	Capped Amount	
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%**

(*) Basic arithmetic average calculated for the last three months of values calculated by taking the basic arithmetic average was used for calculating the average in last days of the related last three month.

(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 2022 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 March 21, 2014.

	Maximum	Week	Minimum	Week	Average
TRY+FC	189.24	05/04/2022	127.40	04/05/2022	153.77
FC	515.53	11/04/2022	311.52	01/05/2022	405.72

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 CBRT accounts and securities that are issued by the Republic of Turkey Ministry of Treasury and Finance that have not been collateralized. Optional use of reserve levels and fluctuations in repo amount lead up to periodical variations in liquidity coverage ratio. Additionally, syndication loans and large amount funds such as foreign bond issuances that have less than 1 month to maturity, lead up to short term fall in liquidity coverage ratios.

Funding sources of the Parent Bank mainly consist of deposits which constitute 58% of total liabilities of the Group (December 31, 2021 – 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.

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 Republic of Turkey Ministry of Treasury and Finance 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, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank (2)	40,596,979	40,949,460	-	-	-	-	(9,140)	81,537,299
Due from Banks (3)	7,477,964	11,095,603	-	-	-	-	(3,380)	18,570,187
Financial Assets at Fair Value Through Profit/Loss (FVTPL) 4)	477,175	879,678	1,490,743	10,810,947	3,360,168	1,362,166	-	18,380,877
Money Market Placements	-	1,585,031	-	-	-	-	(1,004)	1,584,027
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) (5)	99,441	-	2,134,969	2,925,530	18,043,876	12,278,781	-	35,482,597
Loans and Receivables (6)	-	53,658,931	32,540,688	105,021,988	82,211,321	18,819,228	1,797,790	294,049,946
Financial Assets Measured at Amortized Cost(7)	-	-	646,439	3,295,946	27,323,320	15,456,378	(16,329)	46,705,754
Other Assets	250	5,386,091	29,097	31,785	1,123,437	659	8,509,713	15,081,032
Total Assets	**48,651,809**	**113,554,794**	**36,841,936**	**122,086,196**	**132,062,122**	**47,917,212**	**10,277,650**	**511,391,719**
Liabilities								
Bank Deposits	592,678	3,800,566	3,440,599	201,169	-	-	-	8,035,012
Other Deposits	111,650,996	116,445,060	53,994,434	12,890,727	390,747	675	-	295,372,639
Funds Borrowed	-	5,077,028	5,350,791	28,415,623	17,915,257	6,132,221	-	62,890,920
Money Market Borrowings	-	27,778,765	6,885,675	4,361,165	3,653,447	496,322	-	43,175,374
Securities Issued	-	2,410,160	5,849,576	5,777,351	11,791,654	-	-	25,828,741
Miscellaneous Payables	-	23,547,058	-	-	-	-	1,334,104	24,881,162
Other Liabilities (8)	376,707	9,505,918	820,599	2,667,521	2,442,963	1,191,706	34,202,457	51,207,871
Total Liabilities	**112,620,381**	**188,564,555**	**76,341,674**	**54,313,556**	**36,194,068**	**7,820,924**	**35,536,561**	**511,391,719**
Liquidity Excess / (Gap)	**(63,968,572)**	**(75,009,761)**	**(39,499,738)**	**67,772,640**	**95,868,054**	**40,096,288**	**(25,258,911)**	**-**
Net Off- Balance Sheet Position (9)	**-**	**(1,376,963)**	**1,751,513**	**7,618,819**	**3,962,554**	**37**	**-**	**11,955,960**
Receivables from financial derivative instruments	-	105,378,983	29,592,058	48,657,665	63,604,406	56,203,028	-	303,436,140
Liabilities from derivative financial instruments	-	106,755,946	27,840,545	41,038,846	59,641,852	56,202,991	-	291,480,180
Non-Cash Loans (10)	**-**	**3,142,505**	**9,449,462**	**25,319,185**	**10,118,607**	**442,013**	**9,933,344**	**58,405,116**
Prior period								
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
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**

(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 equity amounting to TRY 31,271,963, unallocated provisions amounting to TRY 1,960,096 and current tax liability amounting to TRY 1,101,068

(2) Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank include expected loss provisions amounting to TRY 9,140.

(3) Banks include balance of expected loss provisions amounting to TRY 3,378.

(4) Financial assets at fair value through profit/loss includes fair value derivative financial assets through profit loss amounting to TRY 17,325,490 (December 31, 2021 – TRY 18,446,821).

(5) Financial assets at fair value through other comprehensive income includes fair value derivative financial assets through other comprehensive income amounting to TRY 5,922,164 (December 31, 2021 – TRY 3,359,463).

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

(7) Financial assets measured at amortized cost include TRY 16,329 of expected loss provisions.

(8) Other Liabilities include Derivative Financial Liabilities amounting to TRY 9,040,092 includes derivative financial liabilities reflected in FVOCI.

(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)

VII. Explanations on Consolidated Leverage Ratio

a) Information in regard 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 5.46% (December 31, 2021 - 5.80%). 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 (*)	486,110,374	349,460,469
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	815,966	685,946
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	2,983,933	2,119,562
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	7,390,225	454,669
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	220,578,349	135,914,487
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	(1,532,356)	(1,420,516)
7	**Total Risk Amount**	**716,346,491**	**487,214,617**

(*) 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 November 5, 2013 and numbered 28812 is below:

	Book Value	
	Current Period (*)	**Prior Period (*)**
Assets on Balance sheet		
Assets on Balance sheet (except for derivative financial instruments and credit derivatives, including guarantees)	464,159,678	330,397,308
(Assets deducted from capital stock)	1,532,356	1,420,516
Total risk amount related to Assets on Balance sheet	**462,627,322**	**328,976,792**
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	22,766,663	19,749,107
Potential credit risk amount of derivative financial instruments and credit derivatives	2,983,933	2,119,562
Total risk amount related to derivative financial instruments and credit derivatives	**25,750,596**	**21,868,669**
Financial transactions having security or commodity collateral		
Risk amount of financial transactions having security or commodity collateral	2,528	2,665
Risk amount sourcing from transactions mediated	7,387,697	452,004
Total risk amount related to financial transactions having security or commodity collateral	**7,390,225**	**454,669**
Off-Balance sheet Transaction		
Gross nominal amount of off-balance sheet transactions	322,181,797	196,081,218
(Adjustment amount sourcing from multiplying to credit conversion rates)	101,603,448	60,166,731
Total risk amount related to off-balance sheet transactions	**220,578,349**	**135,914,487**
Capital and Total Risk		
Core Capital	39,144,021	28,238,011
Amount of total risk	716,346,492	487,214,617
Financial leverage ratio		
Financial leverage ratio	5.46%	5.80%

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

(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 and balances with the Central Bank of Turkey:

	Current Period		Prior Period	
	TRY	**FC**	**TRY**	**FC**
Cash in TRY/Foreign Currency	1,119,483	6,911,109	678,315	6,245,263
T.R. Central Bank	6,783,155	65,984,873	6,654,230	56,333,197
Others	186,813	561,006	103,735	279,831
Total	**8,089,451**	**73,456,988**	**7,436,280**	**62,858,291**

b) Information related to the balances with the Central Bank of Turkey:

	Current Period		Prior Period	
	TRY	**FC**	**TRY**	**FC**
Unrestricted Demand Deposits	5,019,499	25,035,413	6,654,230	18,465,910
Restricted Time Deposits	1,763,656	40,949,460	-	37,867,287
Total	**6,783,155**	**65,984,873**	**6,654,230**	**56,333,197**

As of June 30, 2022, amount of TRY 5,083 (December 31, 2021 – TRY 7,083) provision provided for the account T.R. Central Bank.

As of June 30, 2022, our bank has been appointed to CBRT depending on the maturity structure, the required reserve rates for TRY liabilities vary between 3% and 8% for TRY deposits and other liabilities according to their maturities. The reserve rates for foreign currency liabilities vary between 5% and 25% for deposit and other foreign currency liabilities according to their maturities. Gold deposit liabilities vary between 22% and 26% for gold liabilities according to their maturities.

Required reserves can be kept in Turkish Lira, USD, EUR and standard gold in accordance with the “Communiqué on Required Reserves” at the Central Bank of the Republic of Turkey. 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 June 25, 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. Banks are no longer given interest in Turkish Lira.

Within the scope of the Communiqué No. 2021/14 on Supporting the Conversion of Turkish Lira Deposit and Participation Accounts, it has been decided to apply an annual commission of 5% over the amount up to the amount to be kept for its liabilities until the end of 2022 for the banks that have not reached the conversion rate from foreign currency deposit accounts in US dollars, Euros and British Pounds and participation fund accounts in foreign currency to time deposits and participation accounts in Turkish lira as of the liability date of April 15, 2022, 10% in individual accounts, 20% in legal accounts as of the liability date of July 8, 2022 and 20% separately for individual and legal accounts as of the liability date of September 2, 2022. No commission will be collected from banks that reach the conversion rates specified for real and legal persons as of the liability dates specified in the relevant article.

(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)

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/loss subject to repo agreements and given as collateral or blocked:

	Current Period		Prior Period	
	TRY	**FC**	**TRY**	**FC**
Given as Collateral/blocked	-	-	-	19,850
Subject to repurchase agreement	4,193	-	1,373	-
Total	**4,193**	**-**	**1,373**	**19,850**

b) Positive differences related to derivative financial assets held for trading:

	Current Period		Prior Period	
	TRY	**FC**	**TRY**	**FC**
Forward Transactions	432,505	-	373,516	-
Swap Transactions	4,162,853	1,016,222	7,457,376	1,722,657
Futures	-	-	-	-
Options	105	588,087	-	289,303
Total	**4,595,463**	**1,604,309**	**7,830,892**	**2,011,960**

3. a) Information on banks accounts:

	Current Period		Prior Period	
	TRY	**FC**	**TRY**	**FC**
Banks	127,357	18,446,209	94,349	15,725,779
Domestic	127,354	260,099	94,336	1,781,296
Foreign	3	18,186,110	13	13,944,483
Foreign Head Offices and Branches	-	-	-	-
Total	**127,357**	**18,446,209**	**94,349**	**15,725,779**

Amount of TRY 3,379 provision established for banks account as of June 30, 2022 (December 31, 2021 – TRY 3,826).

In accordance with the Uniform Chart of Accounts, which became effective as of January 1, 2021, foreign bank guarantees amounting to TRY 9,252,409 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	4,018,557	1,267,901	9,249,438	7,479,468
USA and Canada	4,752,814	5,046,277	4,167	3,244
OECD Countries (*)	7,330	8,567	-	-
Off-shore Banking Regions	-	-	-	-
Other	153,807	139,039	-	-
Total	**8,932,508**	**6,461,784**	**9,253,605**	**7,482,712**

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

(**) No money is kept in blocked accounts in foreign banks for loans used from foreign markets (December 31, 2021 – 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)

4. Information on receivables from Reverse Repurchase Agreements

	Current Period		Prior Period	
	TRY	FC	TRY	FC
From domestic transactions	**235,143**	-	-	-
T.R. Central Bank	-	-	-	-
Banks	235,143	-	-	-
Brokerage Houses	-	-	-	-
Financial institutions and organizations	-	-	-	-
Other institutions and organizations	-	-	-	-
Real persons	-	-	-	-
From foreign transactions	-	**204,888**	-	**159,508**
T.R. Central Bank	-	-	-	-
Banks	-	204,888	-	159,508
Brokerage Houses	-	-	-	-
Financial institutions and organizations	-	-	-	-
Other institutions and organizations	-	-	-	-
Real persons	-	-	-	-
Total	**235,143**	**204,888**	-	**159,508**

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	9,759,314	1,678,899	3,204,419	2,244,960
Subject to repurchase agreements	82,175	7,642,216	500,257	7,553,683
Total	**9,841,489**	**9,321,115**	**3,704,676**	**9,798,643**

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

	Current Period	Prior Period
Debt securities	**32,394,294**	**20,978,048**
Quoted on a stock exchange (*)	32,394,294	20,978,048
Unquoted on a stock exchange	-	-
Share certificates	**99,265**	**44,443**
Quoted on a stock exchange	91,485	36,662
Unquoted on a stock exchange	7,780	7,781
Impairment provision (-)(**)	**(2,933,126)**	**(1,344,744)**
Total	**29,560,433**	**19,677,747**

(*) The Eurobond Portfolio amounting to TRY 4,456,702 (December 31, 2021 - TRY 4,561,219) which is accounted for as financial assets measured at fair value through other comprehensive income were hedged under fair value hedge accounting starting from March and April 2009.
(**) As of June 30, 2022, amount of TRY 4,169 (December 31,2021 – TRY 2,815) 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	-	**104,181**	-	**55,271**
Corporate Shareholders	-	104,181	-	55,271
Individual Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees (*)	197,962	-	170,379	-
Total	**197,962**	**104,181**	**170,379**	**55,271**

(*) Includes advances given to the bank personnel.

(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)

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

b.1) Financial assets measured at amortized cost

Cash Loans	Standard Loans and Other Receivables	Loans Under Close Monitoring(*)		
		Loans and Receivables Not Subject to Restructuring	Restructured Loans and Receivables	
			Loans and Receivables with Revised Contract Terms	Refinance
Non-Specialized Loans	**252,609,958**	**19,399,599**	**229,554**	**9,776,089**
Enterprise Loans	22,668,751	185,302	-	-
Export Loans	22,823,539	447,682	-	-
Import Loans	-	-	-	-
Financial Sector Loans	3,012,550	4,848	-	-
Consumer Loans	46,341,687	3,816,944	39,291	897,264
Credit Cards	38,961,970	4,370,352	-	394,534
Other	118,801,461	10,574,471	190,263	8,484,291
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	**252,609,958**	**19,399,599**	**229,554**	**9,776,089**

	Standard Loans	Loans Under Close Monitoring
Current Period		
12 Month Expected Credit Losses	2,717,743	-
Significant Increase in Credit Risk	-	5,476,831
Prior Period		
12 Month Expected Credit Losses	2,136,918	-
Significant Increase in Credit Risk	-	3,416,721

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

In the current period, the Parent Bank has no loans followed under financial assets at fair value through profit or loss in accordance with TFRS 9 (December 31, 2021 - TRY 209.671). As of June 30, 2022, Türk Telekomünikasyon A.Ş., owned by LYY Telekomünikasyon A.Ş. 192.500.000.000 Group A registered shares representing 55% of its capital were sold to the Turkish Wealth Fund, and as a result of the collection made from the sale amount, the portion of the related loan corresponding to the Parent Bank's share was closed. LYY's Türk Telekom Telekomünikasyon A.Ş. Since it is no longer possible to make principal and interest payments to the Parent Bank after the transfer of its shares to the Turkey Wealth Fund, the loan (353 million TRY) was classified under loans with loss nature and subsequently, the receivable, which was fully provisioned, was written off from the asset.

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

Cash Loans	Standard Loans	Loans Under Close Monitoring	
		Loans Not Subject to Restructuring	Restructured Loans
Short-term Loans	121,097,615	4,370,352	394,534
Medium and Long-term Loans	131,512,343	15,029,247	9,611,109
Total	**252,609,958**	**19,399,599**	**10,005,643**

(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)

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

	Short Term	Medium and Long Term	Total
Consumer Loans-TRY	**3,499,891**	**43,655,439**	**47,155,330**
Housing Loans	1,469	3,528,524	3,529,993
Automobile Loans	367	17,739	18,106
Personal Need Loans	3,498,055	40,109,176	43,607,231
Other	-	-	-
Consumer Loans-FC Indexed	-	**1,351**	**1,351**
Housing Loans	-	1,204	1,204
Automobile Loans	-	-	-
Personal Need Loans	-	147	147
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TRY	**30,957,506**	**478,670**	**31,436,176**
Installment	11,004,361	325,225	11,329,586
Non- Installment	19,953,145	153,445	20,106,590
Individual Credit Cards-FC	**67,125**	**100**	**67,225**
Installment	-	-	-
Non- Installment	67,125	100	67,225
Personnel Loans-TRY	**14,703**	**98,977**	**113,680**
Housing Loans	-	38	38
Automobile Loans	-	-	-
Personal Need Loans	14,703	98,939	113,642
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	**80,004**	**616**	**80,620**
Installment	30,633	236	30,869
Non-Installment	49,371	380	49,751
Personnel Credit Cards-FC	**310**	-	**310**
Installment	-	-	-
Non-Installment	310	-	310
Overdraft Accounts-TRY (Real Persons)	**3,669,828**	**154,997**	**3,824,825**
Overdraft Accounts-FC (Real Persons)	-	-	-
Total	**38,289,367**	**44,390,150**	**82,679,517**

(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	**1,674,698**	**24,164,711**	**25,839,409**
Real Estate Loans	-	252,126	252,126
Automobile Loans	47,872	1,010,031	1,057,903
Personal Need Loans	1,626,826	22,902,554	24,529,380
Other	-	-	-
Commercial Loans with Installment Facility - FC Indexed	-	**318,767**	**318,767**
Real Estate Loans	-	1,904	1,904
Automobile Loans	-	-	-
Personal Need Loans	-	316,863	316,863
Other	-	-	-
Commercial Loans with Installment Facility - FC	-	-	-
Real Estate Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Corporate Credit Cards –TRY	**11,915,340**	**217,830**	**12,133,170**
Installment	5,233,936	166,448	5,400,384
Non-Installment	6,681,404	51,382	6,732,786
Corporate Credit Cards –FC	**9,341**	**14**	**9,355**
Installment	-	-	-
Non-Installment	9,341	14	9,355
Overdraft Accounts-TRY (Legal Entities)	**1,783,904**	**8,699**	**1,792,603**
Overdraft Accounts-FC (Legal Entities)	-	-	-
Total	**15,383,283**	**24,710,021**	**40,093,304**

f) Allocation of loans by customers(*)

	Current Period	Prior Period
Public	125,000	127,577
Private	281,890,200	201,444,168
Total	**282,015,200**	**201,571,745**

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

g) Allocation of domestic and foreign loans(*)

	Current Period	Prior Period
Domestic Loans	280,106,620	199,914,126
Foreign Loans	1,908,580	1,657,619
Total	**282,015,200**	**201,571,745**

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

h) Loans granted to subsidiaries and associates

	Current Period	Prior Period
Direct Loans Granted to Subsidiaries and Associates	4,166,901	2,202,964
Indirect Loans Granted to Subsidiaries and Associates	-	-
Total	**4,166,901**	**2,202,964**

(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

	Current Period	Prior Period
Provisions		
Loans and Receivables with Limited Collectability	238,832	675,951
Loans and Receivables with Doubtful Collectability	796,628	486,017
Uncollectible Loans and Receivables	6,274,938	5,970,188
Total	**7,310,398**	**7,132,156**

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 Collectability	Loans and Other Receivables with Doubtful Collectability	Uncollectible Loans and Other Receivables
Current Period			
Gross Amounts Before the Provisions	84,818	186,157	393,991
Restructured Loans	84,818	186,157	393,991
Prior Period			
Gross Amounts Before the Provisions	79,801	35,301	270,005
Restructured Loans	79,801	35,301	270,005

j.2) Movement of non-performing loans

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectability	Loans and Other Receivables with Doubtful Collectability	Uncollectible Loans and Other Receivables
Prior Period End Balance	**1,266,578**	**767,949**	**7,481,620**
Additions (+)	833,627	22,902	432,864
Transfers from Other Categories of Non-Performing Loans (+)	-	1,400,142	797,513
Transfers to Other Categories of Non-Performing Loans (-)	1,518,254	679,401	-
Collections (-)	207,982	273,480	856,897
Non-registered (-)	-	-	358,993
Write-offs (-)	-	-	-
Debt Sells	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Others	-	-	-
Current Period End Balance	**373,969**	**1,238,112**	**7,496,107**
Specific Provision (-)	238,832	796,628	6,274,938
Net Balances on Balance Sheet	**135,137**	**441,484**	**1,221,169**

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

None (December 31, 2021 – 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) Non-performing loans (NPLs) (Net) (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 Collectability	Loans and Other Receivables with Doubtful Collectability	Uncollectible Loans and Other Receivables
Current Period (Net)	**135,137**	**441,484**	**1,221,169**
Loans to Real Persons and Legal Entities (Gross)	373,969	1,238,112	7,327,288
Provision (-)	238,832	796,628	6,106,119
Loans to Real Persons and Legal Entities (Net)	135,137	441,484	1,221,169
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	168,819
Provision (-)	-	-	168,819
Other Loans and Receivables (Net)	-	-	-
Prior 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
Specific 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)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	144,239
Specific provision (-)	-	-	144,239
Other Loans and Receivables (Net)	-	-	-

	III. Group Loans and Other Receivables with Limited Collectability	IV. Group Loans and Other Receivables with Doubtful Collectability	V. Group Uncollectible Loans and Other Receivables
Current Period (Net)			
Interest accruals and valuation differences	31,695	174,215	1,186,374
Provision amount (-)	14,505	93,165	844,008
Prior Period (Net)			
Interest accruals and valuation differences	199,479	88,104	1,196,682
Provision amount (-)	110,303	41,738	792,353

k) 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 on 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	5,258,834	946,213	2,882,199	921,323
Medium and Long Term	-	-	6,996	-
Total	**5,258,834**	**946,213**	**2,889,195**	**921,323**

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

	Current Period	Prior Period
Prior Period End Balance	82,565	82,530
Provided Provision / (reversal) Net	14,653	53,781
Collections	(24,385)	(16,511)
Write-offs	-	(37,235)
Provision at the End of Period	**72,833**	**82,565**

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 provided as collateral/blocked

	Current Period		Prior Period	
	TRY	**FC**	**TRY**	**FC**
Given as Collateral / Blocked	1,605,832	980,052	1,261,325	635,643
Subject to repurchase agreements	17,508,899	15,123,244	1,506,303	13,431,793
Total	**19,114,731**	**16,103,296**	**2,767,628**	**14,067,436**

b) Information on government debt securities measured at amortized cost

	Current Period		Prior Period	
	TRY	**FC**	**TRY**	**FC**
Government Bond	27,806,555	17,948,580	14,876,060	14,162,999
Treasury Bill	-	-	-	-
Other Public Sector Debt Securities	-	327,692	-	254,975
Total	**27,806,555**	**18,276,272**	**14,876,060**	**14,417,974**

c) Information on investments securities measured at amortized cost

	Current Period		Prior Period	
	TRY	**FC**	**TRY**	**FC**
Debt Securities	**27,806,555**	**18,915,528**	**14,876,060**	**14,980,916**
Publicly-traded	27,806,555	18,915,528	14,876,060	14,980,916
Non-publicly traded	-	-	-	-
Provision for losses (-)	-	-	-	-
Total	**27,806,555**	**18,915,528**	**14,876,060**	**14,980,916**

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

	Current Period	Prior Period
Balance at the beginning of the period	**29,856,976**	**18,743,356**
Exchange differences on monetary assets	4,059,033	6,418,170
Acquisitions during the year	9,038,407	5,543,887
Disposals through sales and redemptions	(901,285)	(2,609,710)
Impairment provision (-)	-	-
Valuation Effect	4,668,952	1,761,273
The sum of end of the period	**46,722,083**	**29,856,976**

As of June 30, 2022, a provision amounting to TRY 16,329 (December 31, 2021 – TRY 9,793) 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 Merkez (BKM) (*)	Istanbul/Turkey	4.52	4.52
Ulusal Derecelendirme A.Ş. (**)	Istanbul/Turkey	2.86	2.86

Total Assets	Shareholder's Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
532,295	425,003	102,640	12,822	-	53,059	27,999	-
104,324	86,888	31,509	4,629	-	58,825	2,467	-

(*) Current period information is based on March 31, 2022 financials. Prior period profit and loss amounts are based on March 31, 2021 financials.

(**) Current period information is based on March 31, 2022 financials. Prior period profit and loss amounts are based on March 31, 2021 financials.

9.2. Movements of investments in associates

	Current Period	Prior Period
Balance at the Beginning of Period	**14,026**	**14,026**
Movements During the Period	**829**	-
Purchases	-	-
Bonus Shares Received	829	-
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	**14,855**	**14,026**
Capital Commitments	-	-
Share Percentage at the end of the Period	-	-

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

	Current Period	Prior Period
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Associates	14,855	14,026
Total	**14,855**	**14,026**

9.4. Quoted Associates:

None (December 31, 2021 - 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)

9. Information on investments in associates (Net) (Continued)

9.5. Valuation of investments in associates:

	Current Period	Prior Period
Valued at Cost	14,855	14,026
Valued at Fair Value	-	-
Valued at Equity Method	-	-
Total	**14,855**	**14,026**

9.6. Investments in associates sold during the current period

None (December 31, 2021 - None).

9.7. Investments 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.	143,521	23,740	44,876	-	-	21,123	-	-
2.	67,893	36,747	6,313	3,057	-	14,009	4,180	-

(*) Current period information is based on June 30, 2022 financials. Prior period profit and loss amounts are based on June 30, 2021 financials.

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.	2,096,572	743,077	25,136	118,842	6,759	188,338	90,953	-
2.	14,714,228	1,413,216	27,837	624,104	-	175,270	81,782	-
3.	186,344	173,753	1,216	2,198	-	24,511	6,576	-
4.	6,671,871	368,849	20,478	507,084	-	108,081	31,566	-
5.	393,283	475	-	-	-	92	-	-

(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) (Continued)

9.7. Investments on subsidiaries (Net) (Continued)

b) Information on the Parent Bank's consolidated subsidiaries (Continued)

b.2) Movement schedule for consolidated subsidiaries

	Current Period	Prior Period
Balance at the Beginning of the Period	**2,129,798**	**1,645,370**
Movements during the Period	**533,947**	**484,428**
Bonus Shares Received	-	-
Purchases	-	-
Dividends from Current Year Profit	-	-
Disposals(*)	-	(25,651)
Revaluation Difference(**)	533,947	510,079
Impairment Provision	-	-
Balance at the End of the Period	**2,663,745**	**2,129,798**
Capital Commitments	-	-
Share Percentage at the end of the Period (%)	-	-

(*) It is the amount of the sale transaction realized pursuant to the decision of the Board of Directors taken on October 19, 2020 of Kendial Finansman A.Ş. As of the balance sheet date, the said sale transaction was completed on May 31, 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	368,849	260,648
Leasing Companies	1,404,735	1,230,205
Finance Companies	-	-
Other Subsidiaries	890,161	638,945
Total	**2,663,745**	**2,129,798**

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

b.4) Subsidiaries quoted on stock exchange

	Current Period	Prior Period
Quoted on Domestic Stock Exchanges	1,404,735	1,230,205
Quoted on International Stock Exchanges	-	-
Total	**1,404,735**	**1,230,205**

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

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)

10. Information on joint ventures

	Title	Address (City/Country)	Bank's Share-If different, Voting Rights (%)	Bank's Risk Group Share (%)
1.	Cigna Sağlık, Hayat ve Emeklilik A.Ş. (*) (**)	Istanbul/Turkey	49.00	49.00
2.	Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş. (**)	Istanbul/Turkey	33.33	33.33

	Total Assets	Shareholders' Equity	Total Fixed Asset	Interest Income	Securities Income	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1.	3,244,563	263,528	44,355	-	-	194,973	101,342	-
2.	190,347	114,999	57,059	-	-	9,746	11,195	-

(*) 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 May 31, 2022, and prior period profit and loss amounts are based on the financial statements prepared as of May 31, 2021.

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	5,570,127	4,644,199	4,865,238	4,074,767
Between 1-4 years	8,243,332	7,046,719	6,665,208	5,861,829
Over 4 years	1,145,864	999,261	872,077	753,152
Total	**14,959,323**	**12,690,179**	**12,402,523**	**10,689,748**

Finance lease receivables include non-performing finance lease receivables amounting to TRY 407,348 (December 31, 2021 – TRY 444,536) and specific provisions amounting to TRY 313,381 (December 31, 2021 – TRY 298,510).

Changes in non-performing finance lease receivables provision are as follows:

	Current Period	Prior Period
End of the prior period	298,510	175,025
Provided provision / (reversal), Net	28,883	181,665
Collections	(14,012)	(16,563)
Written-off	-	(41,617)
Provision at the end of the period	**313,381**	**298,510**

11.2 Information on net Investment on Financial Lease

	Current Period	Prior Period
Gross Finance Lease Investments	14,951,570	12,393,269
Unearned Finance Income (-)	2,261,391	1,703,521
Cancelled Leasing Agreements (-)	-	-
Net Investment on Leases	**12,690,179**	**10,689,748**

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.

(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)

12. Information on hedging derivative financial assets

	Current Period		Prior Period	
	TRY	**FC**	**TRY**	**FC**
Fair Value Hedge (*)	11,040,874	84,844	8,396,620	207,349
Cash Flow Hedge (**)	5,059,290	862,874	3,214,981	144,482
Net Investment Hedge	-	-	-	-
Total	**16,100,164**	**947,718**	**11,611,601**	**351,831**

(*) Derivative financial instruments for fair value hedging consist of swaps. As of June 30, 2022, TRY 11,040,874 (December 31, 2021 - TRY 8,396,620) of the said amount is derivatives used in the fair value hedge of the securities issued, TRY 84,844 (December 31, 2021 - TRY 207,349) represents the fair value of financial instruments.

(**) Represents the fair value of derivatives which are the hedging instruments of deposits and floating dividends' cash flow risk.

13. Information on the investment properties

None (December 31, 2021 - None).

14. Information on tax asset

As of June 30, 2022, the Parent Bank has TRY 1,014,450 deferred tax asset calculated under the related regulations.

According to TAS 12, the deferred tax assets and liabilities of the consolidated subsidiaries are netted off separately in their financial statements. As of June 30, 2022, the Parent Bank has deferred tax assets amounting to TRY 5,506,324 and deferred tax liabilities amounting to TRY 4,491,874, which arise between the carrying amount of the assets and liabilities in the balance sheet and the tax bases determined in accordance with tax legislation and calculated over the amounts to be taken into account in the calculation of financial profit / the tax liability is netted and recorded.

In 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 liability amounting to TRY 307,371 are netted under equity. (December 31, 2021 – TRY 256,390 deferred tax assets).

	Accumulated Temporary Differences		Deferred Tax Assets/(Liabilities)	
	June 30, 2022	**December 31, 2021**	**June 30, 2022**	**December 31, 2021**
Provision for Employee Rights	1,211,614	1,032,218	302,366	206,707
Difference Between the Book Value of Financial Assets and Tax Base	10,518,537	5,097,757	2,561,961	1,019,551
Other (*)	10,616,703	8,085,958	2,641,997	1,617,192
Deferred Tax Assets			**5,506,324**	**2,843,450**
Difference Between the Book Value Financial Assets and Tax Base	(489,885)	(450,917)	(122,143)	(90,183)
Difference Between the Book Value of Financial Assets and Tax Base	(14,850,642)	(10,879,235)	(3,705,299)	(2,175,847)
Other	(2,657,728)	(483,321)	(664,432)	(235,730)
Deferred Tax Liabilities			**(4,491,874)**	**(2,501,760)**
Deferred Tax Assets/(Liabilities), Net			**1,014,450**	**341,690**

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

	Current Period 01.01-30.06.2022	Prior Period 01.01-30.06.2021
Deferred Tax as of January 1 Asset/ (Liability)- Net	341,690	1,034,082
Deferred Tax (Loss) / Gain	980,131	(368,834)
Deferred Tax that is Realized Under Shareholder's Equity	(307,371)	29,568
Deferred Tax Asset/ (Liability) – Net	**1,014,450**	**694,816**

(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. Information on assets held for sale and discontinued operations

	Current period	Prior period
Net Book Value at the Beginning of the	-	-
Acquired	-	-
Impairment (-)	-	-
Net Book Value at the End of the	-	-

16. Information on other assets

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

As of June 30, 2022, provision allocated for other assets amounting to TRY 8,930 (December 31, 2021 – TRY 8,503).

17. 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	20,695,627	2,552,027	19,442,493	2,363,791
Loans	5,035,825	1,453,357	4,113,202	1,172,015
Securities Measured at Amortized Cost	3,584,618	270,103	858,545	241,641
Financial Assets Measured at Fair Value through Other Comprehensive Income	2,483,228	(2,701,162)	282,288	(984,469)
T.R Central Bank	18,641	-	143,453	-
Receivables from Leasing Transactions	-	-	-	-
Banks	746	107	87	11
Financial Assets Measured at Fair Value through Profit/Loss	10,325	(2,356)	3,139	81
Other Accruals	53,064	116,112	37,658	1,835
Total	**31,882,074**	**1,688,188**	**24,880,865**	**2,794,905**

(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

	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	**12,381,620**	**-**	**15,196,686**	**10,182,009**	**34,118,392**	**2,789,071**	**1,398,736**	**1,202**	**76,067,716**
Foreign Currency	**69,051,555**	**-**	**21,288,751**	**50,542,062**	**12,056,778**	**3,111,676**	**2,711,637**	**5,792**	**158,768,251**
Residents in Turkey	64,962,019	-	21,154,652	48,962,783	11,724,892	2,651,130	1,563,284	5,792	**151,024,552**
Residents Abroad	4,089,536	-	134,099	1,579,279	331,886	460,546	1,148,353	-	**7,743,699**
Public Sector Deposits	**802,437**	**-**	**71,939**	**3,646**	**29**	**772**	**-**	**-**	**878,823**
Commercial Deposits	**7,979,565**	**-**	**8,016,864**	**3,177,606**	**2,429,904**	**12,814,976**	**1,669,864**	**-**	**36,088,779**
Other Ins. Deposits	**105,430**	**-**	**111,830**	**474,296**	**29,189**	**105,583**	**38**	**-**	**826,366**
Precious Metal Deposits	**21,330,389**	**-**	**-**	**121,133**	**17,754**	**34,679**	**1,238,749**	**-**	**22,742,704**
Bank Deposits	**592,678**	**-**	**3,800,566**	**3,440,599**	**176,160**	**25,009**	**-**	**-**	**8,035,012**
T.R. Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	5,411	-	-	-	-	-	-	-	**5,411**
Foreign Banks	584,353	-	3,800,566	3,440,599	176,160	25,009	-	-	**8,026,687**
Participation Banks	2,914	-	-	-	-	-	-	-	**2,914**
Other	-	-	-	-	-	-	-	-	-
Total	**112,243,674**	**-**	**48,486,636**	**67,941,351**	**48,828,206**	**18,881,766**	**7,019,024**	**6,994**	**303,407,651**

(*) As of June 30, 2022, the balance of savings deposits includes the amounts of TRY 19.113.508 Treasury Currency Protected Deposits and TRY 34.186.092 CBRT Currency Protected Deposits.

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	**8,461,102**	**-**	**14,099,359**	**22,054,036**	**2,852,082**	**412,060**	**1,057,209**	**1,030**	**48,936,878**
Foreign Currency	**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**

(*) As of 31 December 2021, the balance of savings deposits includes the amounts related to TRY 2.442,291 Treasury Currency Protected Deposits and TRY 14,112 CBRT Currency Protected Deposits.

1.1. Information on savings deposits under the guarantee of the Saving Deposit Insurance Fund and the total amount of the deposits exceeding the insurance coverage limit

	Covered by Deposit Insurance Fund		Exceeding the Deposit Insurance Limit	
	Current Period	**Prior Period**	**Current Period**	**Prior Period**
Saving Deposits	33,823,971	23,295,512	42,243,745	25,641,369
Foreign Currency Savings Deposits	28,168,775	23,322,540	89,955,598	74,161,488
Other Saving Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
Total	**61,992,746**	**46,618,052**	**132,199,343**	**99,802,857**

(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. Information on maturity structure of deposits (Continued)

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

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

	Current Period	Prior Period
Deposits and accounts in branches abroad	8,096	3,014
Deposits of ultimate shareholders and their close family members	-	-
Deposits of chairman and members of the Board of Directors and their close family members	460,546	410,147
Deposits obtained through illegal acts defined in the 282nd Article of the 5237 numbered Turkish Criminal Code dated September 26, 2004.	-	-
Saving deposits in banks established in Turkey exclusively for off-shore banking activities	-	-
Total	**468,642**	**413,161**

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	939,621	-	1,622,423	-
Swaps	5,160,451	1,160,052	7,358,117	1,735,074
Futures	-	-	-	-
Options	775	218,088	2,159	67,196
Other	-	-	-	-
Total	**6,100,847**	**1,378,140**	**8,982,699**	**1,802,270**

3. Information on funds borrowed

a) Information on banks and other financial institutions

	Current Period		Prior Period	
	TRY	FC	TRY	FC
T.R. Central Bank Loans	-	-	-	-
Domestic Banks and Institutions	3,985,137	1,589,242	3,826,595	2,332,481
Foreign Banks, Institutions and Funds	581,213	41,497,256	77,991	31,015,200
Total	**4,566,350**	**43,086,498**	**3,904,586**	**33,347,681**

b) Information on maturity structure of funds borrowed

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Short-Term	3,867,946	11,991,462	3,112,462	3,208,836
Medium and Long-Term	698,404	31,095,036	792,124	30,138,845
Total	**4,566,350**	**43,086,498**	**3,904,586**	**33,347,681**

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 funds borrowed (Continued)

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

As of June 30, 2022, the Group's liabilities comprise; 59% deposits (December 31, 2021 – 59%), 9% funds borrowed (December 31, 2021 – 10%), 5% issued bonds (December 31, 2021 – 8%) and 8% funds provided from money market borrowings (December 31, 2021 – 5%).

4. Information on funds provided under repurchase agreements

	Current Period		Prior Period	
	TRY	FC	TRY	FC
From domestic transactions	**24,754,779**	**-**	**1,892,535**	**-**
Financial institutions and organizations	24,743,412	-	1,878,568	-
Other institutions and organizations	3,412	-	5,798	-
Real persons	7,955	-	8,169	-
From foreign transactions	**180,430**	**16,992,381**	**411,619**	**15,717,177**
Financial institutions and organizations	171,795	16,992,381	407,467	15,717,177
Other institutions and organizations	8,635	-	4,152	-
Real persons	-	-	-	-
Total	**24,935,209**	**16,992,381**	**2,304,154**	**15,717,177**

5. Information on marketable securities issued (Net)

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Bank Bonds	5,719,865	3,083,468	6,023,724	2,154,632
Asset-backed securities	385,000	-	-	-
Bills	-	16,640,408	-	21,624,460
Total	**6,104,865**	**19,723,876**	**6,023,724**	**23,779,092**

The Parent Bank has USD 4 Billion bond issuance program (Global Medium Term Note Program) and USD 1 Billion green and/or sustainable debt instrument issuance limit.

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 do not exceed 10% of total liabilities excluding the off-balance sheet items.

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

Interest rate and cash 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 (December 31, 2021 – None).

7.2. Information on liabilities arising from financial lease transactions

The balances of the financial leasing agreements to which the Parent Bank and its subsidiaries are a party are eliminated within the scope of consolidation.

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

7.3. Information on liabilities arising from operational lease transactions

	Current Period		Prior Period	
	Gross	**Net**	**Gross**	**Net**
Less than 1 year	28,243	12,699	32,586	12,066
Between 1 - 4 years	600,224	487,490	592,466	475,089
More than 4 years	215	112	202	107
Total	**628,682**	**500,301**	**625,254**	**487,262**

7.4. Explanations and notes on operational 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 (December 31, 2021 - None).

8. Information on liabilities arising from hedging purpose derivatives

	Current Period		Prior Period	
	TRY	**FC**	**TRY**	**FC**
Fair Value Hedge (*)	-	929,019	-	1,152,688
Cash Flow Hedge (**)	370,608	261,478	177,316	668,917
Net Investment Hedge	-	-	-	-
Total	**370,608**	**1,190,497**	**177,316**	**1,821,605**

(*) Derivative financial instruments for fair value hedging consist of swaps. As of June 30, 2022, TRY 330.234 (December 31, 2021 – TRY 821.225) of securities, TRY 80.823 (December 31, 2021 – None) of securities issued, TRY 517.962 of loans received (December 31, 2021 – TRY 331.463) It represents the fair value of derivative financial instruments for fair value hedging purposes.

(**) 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-loans

	Current Period	Prior Period
Stage 1	236,470	185,947
Stage 2	30,885	13,332
Stage 3	56,240	54,581
Total	**323,595**	**253,860**

(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. Information on provisions (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 June 30, 2022, the Group presented the provision for severance pay of TRY 537,196 (December 31, 2021 - TRY 489,567) under the “Reserves for Employee Benefits ” item in its financial statements.

As of June 30, 2022, the Group has shown a total vacation liability of TRY 141,884 (December 31, 2021 – TRY 68,115) under the “Reserves for Employee Benefits” in its financial statements.

As of June 30, 2022, TRY 532,534 (December 31, 2021 – TRY 474,536) 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 01.01-30.06.2022	Prior Period 01.01-30.06.2021
As of January, 1	489,568	295,457
Service cost	30,870	18,548
Interest Cost	46,465	19,309
Settlement / curtailment / termination loss	11,762	4,736
Actuarial differences	(4,696)	(1,137)
Paid during the period	(36,773)	(16,939)
Total	**537,196**	**319,974**

9.4. Information on other provisions

Except for those mentioned in note 9.3 above, there is a provision for lawsuits against the Group and tax lawsuits in the amount of TRY 424,885 (December 31, 2021 – TRY 362,323) 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 June 30, 2022, The Group’s tax liability is amounting to TRY 1,170,559 (December 31, 2021 – TRY 363,799). As of June 30, 2022, in the attached financial statements, The Group has current tax receivables amounting to TRY 20,325 (December 31, 2021 – TRY 2,040). The Group have a pre-paid tax amounting to TRY 69,491 (December 31, 2021 – TRY 196,077).

10.1.2 Information on taxes payable

	Current Period	Prior Period
Corporate taxes payable	1,101,068	167,723
Banking and Insurance Transaction Tax (BITT)	254,602	219,877
Taxation on Securities Income	106,252	75,403
Taxation on Real Estates Income	4,842	3,466
VAT Payable	48	54
Other	69,406	61,502
Total	**1,536,218**	**528,025**

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. Explanations on Tax Liabilities (Continued)

10.1. Information on current tax liability (Continued)

10.1.3. Information on premiums

	Current Period	Prior Period
Social Security Premiums - Employee Share	26,197	15,417
Social Security Premiums - Employer Share	29,836	17,807
Pension Fund Fee and Provisions – Employee Share	49	31
Pension Fund Fee and Provisions – Employer Share	162	103
Unemployment Insurance - Employee Share	1,897	1,085
Unemployment Insurance - Employer Share	3,635	2,170
Other	154	81
Total	**61,930**	**36,694**

11. Information on payables related to assets held for sale

None (December 31, 2021 - None).

12. Information on subordinated loans

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Debt Instruments subject to common equity	-	**8,754,693**	-	**6,816,673**
Subordinated Loans	-	8,754,693	-	6,816,673
Subordinated Debt Instruments	-	-	-	-
Debt Instruments subject to tier 2 common equity	-	**6,483,379**	-	**5,035,891**
Subordinated Loans	-	6,483,379	-	5,035,891
Subordinated Debt Instruments	-	-	-	-
Total	-	**15,238,072**	-	**11,852,564**

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 amount, explanation 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	20,000,000

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

None (December 31, 2021 – None).

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

None (December 31, 2021 - None).

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 (December 31, 2021 - 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. Information on shareholder's equity

13.7 Information on the privileges given to stocks representing the capital

None (December 31, 2021 - 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 TRY 714.

15. Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TRY	**FC**	**TRY**	**FC**
Associates, Subsidiaries and Entities under Common Control	**(1,902)**	-	**23,479**	-
Valuation Differences	(29,383)	-	6,990	-
Foreign Exchange Rate Differences	27,481	-	16,489	-
Securities Measured at FV Through Other Comprehensive Income	**1,888,902**	**(3,118,222)**	**348,334**	**(1,955,341)**
Valuation Differences	1,888,902	(3,118,222)	348,334	(1,955,341)
Foreign Exchange Rate Differences	-	-	-	-
Total	**1,887,000**	**(3,118,222)**	**371,813**	**(1,955,341)**

16. Information on accrued interest and expenses:

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

	Current Period		Prior Period	
	TRY	**FC**	**TRY**	**FC**
Derivative Financial Liabilities	6,471,455	2,568,637	9,160,015	3,623,875
Deposits	1,890,090	166,355	347,690	61,807
Funds Borrowed	106,691	260,837	92,621	198,742
Money Market Borrowings	37,040	74,652	10,311	52,057
Issued Securities	16,861	321,757	19,163	436,439
Other Accruals	800,426	301,386	421,052	291,202
Total	**9,322,563**	**3,693,624**	**10,050,852**	**4,664,122**

(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	72,921,628	49,733,289
Commitment For Use Guaranteed Credit Allocation	37,320,862	27,844,210
Forward Asset Purchase Commitments	34,988,682	4,053,584
Other Irrevocable Commitments	8,510,254	3,181,145
Payment Commitments for Cheques	3,775,368	2,885,779
Commitments for Promotions Related with Credit Cards and Banking Activities	161,544	71,498
Tax and Fund Liabilities due to Export Commitments	56,861	29,314
Total	**157,735,199**	**87,798,819**

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

Provision for the non-cash loans followed in the off-balance sheet accounts that are not compensated and not liquidated yet and expected credit loss provisions for non-cash loans amounts to TRY 323,595 (December 31, 2021 – TRY 253,860).

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	11,269,226	8,707,676
Letters of Credit	6,872,013	8,268,187
Total	**18,141,239**	**16,975,863**

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

	Current Period	Prior Period
Final Letters of Guarantee	14,067,928	11,143,617
Letters of Guarantee	6,988,263	4,679,152
Provisional Letters of Guarantee	1,186,096	989,132
Letters of Guarantee Given to Customs Offices	936,716	686,818
Other Letters of Guarantee	17,084,874	12,993,525
Total	**40,263,877**	**30,492,244**

2. Total amount of non-cash loans

	Current Period	Prior Period
Non-Cash Loans granted for Obtaining Cash Loans	**7,203,213**	**5,839,204**
Less Than or Equal to One Year with Original Maturity	6,640	1,088,390
More Than One Year with Original Maturity	7,196,573	4,750,814
Other Non-Cash Loans	**51,201,903**	**41,628,903**
Total	**58,405,116**	**47,468,107**

(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	**%**	**FC**	**%**	**TRY**	**%**	**FC**	**%**
Agricultural	**107,524**	**0.52**	**53,883**	**0.15**	**64,146**	**0.49**	**187,880**	**0.55**
Farming and Raising Livestock	51,858	0.25	2,193	0.01	48,540	0.37	3,788	0.01
Forestry	18,053	0.09	-	-	13,982	0.11	-	-
Fishing	37,613	0.18	51,690	0.14	1,624	0.01	184,092	0.54
Manufacturing	**6,161,043**	**29.94**	**19,192,630**	**50.75**	**2,694,667**	**20.52**	**16,869,155**	**49.13**
Mining and Quarrying	104,280	0.51	44,630	0.12	60,835	0.46	54,775	0.16
Production	5,693,910	27.67	18,918,975	50.02	2,419,032	18.42	16,439,294	47.88
Electricity, gas and water	362,853	1.76	229,025	0.61	214,800	1.64	375,086	1.09
Construction	**4,713,465**	**22.90**	**6,200,396**	**16.39**	**3,711,216**	**28.25**	**5,393,318**	**15.71**
Services	**9,261,325**	**45.00**	**12,025,426**	**31.79**	**6,341,918**	**48.28**	**11,592,111**	**33.78**
Wholesale and Retail Trade	6,347,178	30.84	4,318,673	11.42	4,009,451	30.52	3,844,435	11.20
Hotel, Food and Beverage Services	307,128	1.49	1,196,294	3.16	149,130	1.14	1,224,499	3.57
Transportation Communication	631,710	3.07	741,353	1.96	560,897	4.27	332,004	0.97
Financial Institutions	1,134,458	5.51	5,255,299	13.89	988,705	7.53	5,811,220	16.93
Real Estate and Renting Services	28,772	0.14	18,216	0.05	27,266	0.21	16,753	0.05
Self-Employment Services	455,584	2.21	340,225	0.90	296,136	2.25	262,665	0.77
Educational Services	27,978	0.14	788	0.00	17,433	0.13	-	-
Health and Social Services	328,517	1.60	154,578	0.41	292,900	2.23	100,535	0.29
Other	**338,233**	**1.64**	**351,191**	**0.92**	**324,143**	**2.46**	**289,553**	**0.83**
Total	**20,581,590**	**100.00**	**37,823,526**	**100.00**	**13,136,090**	**100.00**	**34,332,017**	**100.00**

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

Current Period(*)	**I. Group**		**II. Group**	
	TRY	**FC**	**TRY**	**FC**
Letters of Guarantee	18,477,139	21,074,096	367,901	288,502
Bill of Exchange and Acceptances	1,625,955	9,613,463	1,084	28,724
Letters of Credit	52,862	6,803,151	410	15,590
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Collaterals and Sureties	-	-	-	-
Non-cash Loans	**20,155,956**	**37,490,710**	**369,395**	**332,816**

(*) The expected loss provisions for non-cash loans amounting to TRY 56,239, which are not compensated, not converted into cash and followed up in off-balance sheet accounts, are excluded.

Prior Period(*)	**I. Group**		**II. Group**	
	TRY	**FC**	**TRY**	**FC**
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**

(*) The expected loss provisions for non-cash loans amounting to TRY 54,581, which are not compensated, not converted into cash and followed up in off-balance sheet accounts, are excluded.

(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)	**322,027,324**	**232,956,491**
Forward transactions (*)	66,267,136	27,395,688
Swap transactions	243,401,692	200,917,401
Futures transactions	1,250,901	764,011
Option transactions	11,107,595	3,879,391
Interest Related Derivative Transactions (II)	**158,731,238**	**134,510,238**
Forward rate transactions	-	-
Interest rate swap transactions	158,731,238	134,510,238
Interest option transactions	-	-
Futures interest transactions	-	-
Security option transactions	-	-
Other trading derivative transactions (III)	**1,833,590**	**1,427,525**
A. Total Trading Derivative Transactions (I+II+III)	**482,592,152**	**368,894,254**
Types of hedging transactions		
Fair value hedges	48,521,120	46,896,779
Cash flow hedges	98,791,730	66,987,631
Net investment hedges	-	-
B. Total Hedging Related Derivatives	**147,312,850**	**113,884,410**
Total Derivative Transactions (A+B)	**629,905,002**	**482,778,664**

(*) 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									
TRY	20,345,669	1,015,249	25,375,054	102,605,237	2,630,982	2,252,694	629,481	-	-
USD	5,989,817	27,048,115	198,167,166	104,378,936	1,854,269	2,674,670	-	621,420	1,833,590
Euro	5,201,261	2,602,227	30,590,090	60,528,353	1,068,403	604,704	-	-	-
Other	944,134	3,120,664	27,482,263	318,681	16,844	5,029	-	-	-
Total	**32,480,881**	**33,786,255**	**281,614,573**	**267,831,207**	**5,570,498**	**5,537,097**	**629,481**	**621,420**	**1,833,590**

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

	Forward Buy (**)	Forward Sell(**)	Swap Buy(*)	Swap Sell(*)	Option Buy	Option Sell	Futures Buy	Futures Sell	Other
Prior Period									
TRY	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 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. Information on derivative financial instruments (Continued)

5.1 Fair value hedge accounting

a) Loans

The Parent Bank applies fair value hedge accounting within the framework of TAS 39 by performing swap transactions in order to protect itself against changes that may occur in the fair value of a certain part of its long term fixed interest loans resulting from changes in market interest rates. As of the balance sheet date, the TRY installment loan amounting to TRY 8,556,335 (December 31, 2021 - TRY 7,277,481) was subject to hedge accounting with swaps with a nominal amount of TRY 7,029,008 (December 31, 2021 - TRY 5,829,388). On June 30, 2022, a net market valuation difference loss of TRY 59,438, arising from TRY 288,101 expense from the aforementioned loans (December 31, 2021 - TRY 750,813 as expense) and TRY 228,663 gain from swaps (December 31, 2021 - TRY 689,193 gain), is shown under “Gains / Losses From Derivative Transactions" account in the 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 domestic currency lease transactions. As of the balance sheet date, swaps amounting to TRY 58,092 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 loss amounting to TRY 137 before tax was recognized in the financial statements as “Profit / Loss from Derivative Financial Transactions”.

According to TAS 39, fair value hedge accounting definitions, some of the fair value hedge accounting applications ceased. The fair value differences of the hedged loans are amortized through statement of profit or loss and other comprehensive until the maturity of the hedged loans. The Bank has booked the valuation effect amounting to TRY 5,588 (December 31, 2021 – TRY 62,140 gain) related to the loans that are ineffective for hedge accounting under “Gain / (Loss) From Financial Derivatives Transactions” as expense during the current period.

Similarly; Subsidiary QNB Finans Finansal Kiralama A.Ş. charges the valuation effect of TRY 1,146 regarding the financial leasing transactions whose effectiveness from hedge accounting has deteriorated, in the current period (December 31, 2021 – None) as expense in the “Profit/Loss from Derivative Financial Transactions” account in the profit or loss statement.

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

The Parent Bank applies fair value hedge accounting through swaps in order to hedge long term fixed coupon foreign currency Eurobonds in its portfolio against interest rate fluctuations. As of the balance sheet date, Eurobonds with a nominal value of USD 263,517 Million and EUR 44 Million (December 31, 2021 – USD 299,952 Million and EUR 44 Million) were subject to hedge accounting by interest swaps of the same nominal value. On June 30, 2022, net market valuation difference income of TRY 8,973 arising from, TRY 535,244 expense from aforementioned Eurobonds (December 31, 2021 - TRY 131,060 income) and TRY 544,207 income from swaps (December 31, 2021 - TRY 130,504 expense), is shown under “Gains / Losses From Derivative Transactions" account in the financial statements.

The Parent Bank does not have a TRY denominated government bond portfolio subject to fair value hedge accounting in the current period (December 31, 2021 - None).

III. Explanations And Disclosures Related To Consolidated Off-Balance Sheet Items (Continued)

5. Information on derivative financial instruments (Continued)

5.1. Fair value hedge accounting (Continued)

c) Marketable securities issued

The Parent Bank applies fair value hedge accounting using interest rate swaps in order to hedge against changes in interest rate with regard to fixed rated, FC denominated securities issued . As of the balance sheet date, bonds with a nominal value of USD 330 Million (December 31, 2021 - USD 730 Million) are subject to hedge accounting with the same amount of swaps. As of June 30, 2022, a net market valuation difference income of TRY 4,692, consisting of TRY 280,269 income from the aforementioned securities (December 31, 2021 – TRY 76,228 income) and TRY 275,578 expense from swaps (December 31, 2021 – TRY 75,193 expense), is shown under "Gains / Losses From Derivative Transactions" account in the financial statements.
Subsidiary QNB Finans Finansal Kiralama A.Ş. applies fair value hedge accounting through swaps for the purpose of hedging the changes in interest rates regarding the fixed interest TRY securities it has issued. As of the balance sheet date, the securities issued amounting to TRY 524,640 were subject to hedge accounting with the same amount of swaps. As of June 30, 2022, TRY 5,868 expense from the securities issued and TRY 6,028 income from swaps, TRY 160 net market valuation difference income is accounted for in the "Profit/Loss from Derivative Financial Transactions" account in the accompanying consolidated financial statements.

d) Borrowings

Subsidiary QNB Finans Finansal Kiralama A.Ş. applies fair value hedge accounting by means of interest and currency swaps in order to hedge against the changes in interest rates regarding the fixed rate TRY loans it has used. As of the balance sheet date, swaps amounting to TRY 1,156,851 are subject to hedge accounting as hedging instrument. As a result of the mentioned hedge accounting, the net market valuation difference expense before tax amounting to TRY 81 has been recognized under "Profit/Loss from Derivative Financial Transactions".

Subsidiary QNB Finans Faktoring A.Ş. applies fair value hedge accounting through swaps for the purpose of hedging the changes in the interest rate regarding the fixed rate TRY loan it has used. As of the balance sheet date, a loan amounting to TRY 110,000 has been subject to hedge accounting with the same amount of swap. As of June 30, 2022, TRY 456 net market valuation difference expense, of which TRY 4,158 is income from said loans and TRY 4,614 expense from swaps, has been accounted for in the accompanying consolidated financial statements under "Profit/Loss from Derivative Financial Transactions".

Subsidiary QNB Finans Finansal Kiralama A.Ş. applies cash flow hedge accounting by means of interest and currency swaps in order to protect itself from the changes in interest rates regarding the floating rate foreign currency loans and floating rate securities. The Company 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 consolidated financial statements as defined in TAS 39 and the amount related to the ineffective part is associated with the profit or loss statement. As of the balance sheet date, there are no swaps subject to hedge accounting as hedging instrument (December 31, 2021 - None).

5.2 Cash flow hedge accounting

a) Floating Rate Loans

The Parent Bank subjects a certain portion of its floating rate TRY loans to cash flow hedge accounting using interest swaps in order to hedge against changes in market interest rates. The Bank applies efficiency tests for hedge accounting at every balance sheet date, the active parts are accounted under equity in the "Hedge Funds" account line in the financial statements as defined in TAS 39, and the amount related to the ineffective part is associated with the statement of profit or loss and other comprehensive income.

As of the balance sheet date, swaps with a nominal amount of USD 525 Million (December 31, 2021 – USD 675 million) are subject to hedge accounting as a hedging instrument. As a result of the mentioned hedge accounting, fair value expense before tax amounting to TRY 382,332 (December 31, 2021 – TRY 91,416) has been recognized under equity in the current period. There is no ineffective portion in the mentioned hedge accounting transaction. The expense amounting to TRY 5 related to the ineffective part is associated with the profit or loss statement.

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 (Continued)

5.2 Cash flow hedge accounting (Continued)

a) Floating Rate Loans (Continued)

As of the balance sheet date, swaps with a nominal amount of TRY 5,472 million (December 31, 2021 - of TRY 1,850 million) have been subject to hedging accounting as hedging instruments. As a result of the aforementioned hedging accounting, fair value loss before tax of TRY 371,759 (December 31, 2021 – TRY 165,120 gain) was accounted under equity in the current period. There is no ineffective portion in the mentioned hedge accounting transaction. The expense amounting to TRY 21 related to the ineffective part is associated with the profit or loss statement.

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 statement of profit or loss and other comprehensive as defined in TAS 39. As at the balance sheet date, swaps amounting to TRY 50,000 are subject to hedge accounting as hedging instruments (December 31, 2021 – TRY 150,000). As a result of the mentioned hedge accounting, fair value gain before taxes amounting to TRY 7,813 are accounted for under equity during the current period (December 31, 2021 – TRY 16,723 gain). There is no ineffective portion in the mentioned hedge accounting transaction (December 31, 2021 – None).

As of the balance sheet date, swaps with a nominal amount of USD 1,743 Million (December 31, 2021 – USD 1,328 Million) have been subject to hedge accounting with USD deposits and swaps with a nominal amount of EUR 74 million (December 31, 2021 – EUR 74 million) have been subject to hedge accounting with Euro deposits. As a result of above-mentioned hedge accounting, fair value income before taxes amounting to TRY 1,784,564 are accounted under equity during the current period (December 31, 2021 – TRY 526,927 gain). The loss amounting to TRY 1,275 (December 31, 2021 – TRY 3,875 loss) relating to the ineffective portion is accounted under at the statement of profit or loss and other comprehensive.

When the cash flow hedge accounting cannot be continued effectively as defined in TAS 39, the accounting application is terminated. Effective parts classified under equity due to hedge accounting are subtracted from equity and reclassified into profit or loss as a reclassification adjustment in the period or periods in which the hedged estimated cash flows affect profit or loss (such as the periods in which interest income or expense is recognized). Due to the swaps whose effectiveness was deteriorated or closed in the current period, a loss amounting to TRY 14,244 was transferred from equity to the statement of profit or loss and other comprehensive (December 31, 2021 – TRY 28,640 loss).

The measurements as of June 30, 2022, hedge of cash flow transactions stated above are determined as effective.

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 (Continued)

5.3 Cash flow hedge accounting (Continued)

c) Floating Rate Liabilities

The Parent Bank applies cash flow hedge accounting using interest rate swaps in order to hedge its subordinated loans which have floating interest payment. The Bank implements efficiency tests at the balance sheet dates for hedging purposes; the effective portions are accounted for under equity "Hedging Funds", whereas the ineffective portions are accounted for at statement of profit or loss and other comprehensive as defined in TAS 39. As at the balance sheet date, swaps amounting to USD 438 million are subject to hedge accounting as hedging instruments (December 31, 2021 – USD 454 million). As a result of the mentioned hedge accounting, fair value income before taxes amounting to TRY 145,623 are accounted for under equity during the current period (December 31, 2021 - TRY 48,015 gain). There is no ineffective portion in the mentioned hedge accounting transaction.

On the other hand, accounting application is terminated when cash flow hedge accounting is not effectively maintained as defined in TAS 39. According to this; The valuation effects classified under equity due to hedge accounting are reflected in the statement of profit or loss and other comprehensive throughout the life of the item subject to hedge accounting. In this context; due to hedge accounting practices terminated in the current year, a loss amounting to TRY 19,818 (December 31, 2021 - TRY 39,561 as gain) was transferred from the equity to the statement of profit or loss and other comprehensive.

6. Credit derivatives and risk exposures on credit derivatives

As of June 30, 2022, the Parent Bank has no commitments "Credit Linked Notes" (As of December 31, 2021 - None).

As of June 30, 2022, "Other Derivative Financial Instruments" with nominal amount of USD 110,000,000 (December 31, 2021: USD 110,000,000) are included in Parent 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 TRY 265,571 (December 31, 2021 - TRY 222,837) 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 Group 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.)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. Explanations And Disclosures Related To Consolidated Off-Balance Sheet Items (Continued)

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

MOODY'S December 2020		FITCH February 2022	
Long-Term Deposit Rating (FC)	B2	Long -Term Issuer Default Rating(FC)	B (Negative)
Long-Term Deposit Rating (TRY)	B1	Short-Term Issuer Default Rating(FC)	B
Short-Term Deposit Rating (FC)	NP	Long-Term Issuer Default Rating(TRY)	B+ (Negative)
Short-Term Deposit Rating (TRY)	NP	Short-Term Issuer Default Rating(TRY)	B
Main Credit Evaluation	b3	Long-Term National Appearance	AA(tur)(Stable)
Adjusted Main Credit Evaluation	b1	Support	b
Appearance	Negative	Financial Capacity Rating	b+ (Outlook Negative)
Long-Term Foreign Currency Denominated Debt Rating(FC)	B2		

IV. Explanations And Disclosures Related To Consolidated Statement of Profit or Loss and Other Comprehensive Income

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

	Current Period		Prior Period	
	TRY	**FC**	**TRY**	**FC**
Short-Term Loans	6,821,700	592,661	3,612,824	235,096
Medium and Long-Term Loans	6,334,235	1,953,130	3,739,565	1,048,732
Non-Performing Loans	303,325	-	231,577	-
Resource Utilization Support Fund Premiums	-	-	-	-
Total(*)	**13,459,260**	**2,545,791**	**7,583,966**	**1,283,828**

(*) Includes fees and commission income from cash loans.

b) Information on interest income received from banks:

	Current Period		Prior Period	
	TRY	**FC**	**TRY**	**FC**
T.R. Central Bank (*)	-	-	-	-
Domestic Banks	8,388	620	21,220	131
Foreign Banks	344	22,118	2,357	6,022
Foreign Headquarters and Branches	-	-	-	-
Total	**8,732**	**22,738**	**23,577**	**6,153**

(*) Interest received from Required Reserves amounting to TRY 130,135 is not included in the interest income received from banks (June 30, 2021 – 170,224 TRY).

(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 Statement of Profit or Loss and Other Comprehensive Income (Continued)

c) Information on interest income received from marketable securities

	Current Period	
	TRY	**FC**
Financial Assets Measured at Fair Value through Profit/Loss	35,977	2,238
Financial Assets Measured at Fair Value through Other Comprehensive Income	1,649,958	351,942
Financial Assets Measured at Amortized Cost	5,104,518	507,828
Total	**6,790,453**	**862,008**

	Prior Period	
	TRY	**FC**
Financial Assets Measured at Fair Value through Profit/Loss	11,162	1,485
Financial Assets Measured at Fair Value through Other Comprehensive Income	512,641	245,648
Financial Assets Measured at Amortized Cost	746,763	267,591
Total	**1,270,566**	**514,724**

As stated in Section Three disclosure VII.2, the Bank has inflation indexed (CPI) government bonds in its Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) and Financial Assets Measured at Amortized Cost portfolios. As disclosed in 'Inflation Indexed Bonds Manual' published by Republic of Turkey Ministry of Treasury and Finance , reference index used for the actual payments is determined based on the inflation rates of two months before. The Bank determines the estimated inflation rates used for valuation of securities in line with this. The estimated inflation rate used is updated during the year when necessary. In this context, as of June 30, 2022, valuation of such assets is made according to estimated annual inflation rate of 60%. If valuation of these securities indexed to the CPI had been done by the reference index valid through June 30, 2022, the Group's marketable securities valuation differences would be decreased by TRY 530,000 and net profit would be increased by TRY 3,829,000 to TRY 11,445,701.

d) Information on interest income received from associates and subsidiaries

None (June 30, 2021 – None)

2. a) Information on interest expense paid to borrowings [(*)]

	Current Period		Prior Period	
	TRY	**FC**	**TRY**	**FC**
Banks	**348,983**	**1,231,072**	**188,191**	**666,887**
T.R. Central Bank	-	-	-	-
Domestic Banks	321,093	64,316	161,629	41,295
Foreign Banks	27,890	1,166,756	26,562	625,592
Foreign Headquarters and Branches	-	-	-	-
Other Institutions	-	-	-	-
Total	**348,983**	**1,231,072**	**188,191**	**666,887**

(*) Includes fees and commission 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	3,228	1,629

c) Information on interest expense paid to securities issued

As of June 30, 2022, the amount paid to securities issued is TRY 1,258,292 (June 30, 2021 – TRY 681,578).

(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 Statement of Profit or Loss and Other Comprehensive Income (Continued)

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	-	40,326	-	-	-	-	-	40,326
Saving Deposits	13	1,031,944	1,233,502	1,585,466	136,635	79,280	-	4,066,840
Public Sector Deposits	-	1,283	1,231	30	55	-	-	2,599
Commercial Deposits	2	495,713	325,856	56,671	738,759	36,049	-	1,653,050
Other Deposits	-	4,162	36,680	307	4,834	5	-	45,988
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	**15**	**1,573,428**	**1,597,269**	**1,642,474**	**880,283**	**115,334**	**-**	**5,808,803**
Foreign Currency	-	-	-	-	-	-	-	-
Deposits	3	63,877	321,382	77,793	14,748	26,837	-	504,640
Bank Deposits	95	26,103	23,660	1,212	172	-	-	51,242
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	5,303	-	-	-	-	-	5,303
Total	**98**	**95,283**	**345,042**	**79,005**	**14,920**	**26,837**	**-**	**561,185**
Grand Total	**113**	**1,668,711**	**1,942,311**	**1,721,479**	**895,203**	**142,171**	**-**	**6,369,988**

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	-	13,708	24,087	-	-	-	-	37,795
Saving Deposits	14	711,579	1,784,598	216,986	77,758	77,977	-	2,868,912
Public Sector Deposits	-	773	25	78	1	-	-	877
Commercial Deposits	1	357,093	485,926	46,113	17,429	1,021	-	907,583
Other Deposits	-	2,236	32,492	6,889	13,041	16	-	54,674
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	**15**	**1,085,389**	**2,327,128**	**270,066**	**108,229**	**79,014**	**-**	**3,869,841**
Foreign Currency	-	-	-	-	-	-	-	-
Deposits	3	8,154	130,262	22,506	5,641	15,270	-	181,836
Bank Deposits	109	14,433	4,644	83	18	-	-	19,287
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	3,035	-	-	-	-	-	3,035
Total	**112**	**25,622**	**134,906**	**22,589**	**5,659**	**15,270**	**-**	**204,158**
Grand Total	**127**	**1,111,011**	**2,462,034**	**292,655**	**113,888**	**94,284**	**-**	**4,073,999**

e) Information on interest expenses on repurchase agreements

	Current Period		**Prior Period**	
	TRY	**FC**	**TRY**	**FC**
Interest Expenses on Repurchase Agreements (*)	1,154,395	131,957	497,646	69,810

(*) Included in “Interest Paid to Money Market Transactions”.

f) Information on finance lease expenses

	Current Period	**Prior Period**
Leasing Expenses	47,407	29,960

g) Information on interest expenses on factoring payables

None (June 30, 2021 – 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 Statement of Profit or Loss and Other Comprehensive Income (Continued)

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	1,519	423
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-
Other	15,052	681
Total	**16,571**	**1,104**

4. Information on trading income/loss

	Current Period	Prior Period
Trading Gain	**18,105,664**	**10,166,351**
Gain on Capital Market Transactions	523,820	107,354
From Derivative Transactions	6,327,730	3,268,624
Foreign Exchange Gains	11,254,114	6,790,373
Trading Loss (-)	**18,220,824**	**12,028,463**
Losses on Capital Market Transactions	337,353	45,808
From Derivative Transactions	9,674,199	5,590,584
Foreign Exchange Losses	8,209,272	6,392,071
Net Trading Income/Loss	**(115,160)**	**(1,862,112)**

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	**3,081,316**	**975,736**
12 Month Expected Credit Loss (Stage 1)	563,152	402,869
Significant Increase in Credit Risk (Stage 2)	1,707,095	153,046
Lifetime ECL Impaired Credits (Stage 3)	811,069	419,821
Marketable Securities Impairment Provision	**1,353**	**678**
Financial Assets Measured at Fair Value Through Profit/Loss	-	-
Financial Assets Measured at Other Comprehensive Income	1,353	678
Provisions for Impairment of Associates, Subsidiaries and Joint Ventures	-	-
Investment in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other	**146,977**	**62,514**
Total	**3,229,646**	**1,038,928**

(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 Statement of Profit or Loss and Other Comprehensive Income (Continued)

7. Information on other operating expenses:

	Current Period	Prior Period
Severance Pay Provision Expense (*)	52,324	25,696
Tangible Fixed Asset Depreciation Expenses	277,232	232,877
Intangible Asset Depreciation Expenses	104,098	84,613
Other Operating Expenses	1,381,515	693,084
TFRS 16 Leasing expenses	*1,838*	*1,462*
Maintenance expenses	*440,634*	*185,149*
Advertisement expenses	*102,219*	*48,713*
Other expenses	*836,824*	*457,760*
Loss on sales of assets	46	402
Other	486,476	322,036
Total	**2,301,961**	**1,358,708**

(*)Included in the Personnel Expenses item in the financial statement.

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

For the period ended June 30, 2022 net interest income amounting to TRY 14,444,166 (June 30, 2021 – TRY 5,299,594), net fees and commission income amounting to TRY 2,788,773 (June 30, 2021 – TRY 1,660,615), and other operating income amounting to TRY 196,381 (June 30, 2021 – TRY 185,858) constitute an important part of the income in income items.

9. Explanations on tax provision for continued and discontinued operations

9.1. Current tax income or expense and deferred tax income or expense

As of June 30, 2022, the Group has recognized deferred tax expense amounting to TRY 980,131 (June 30, 2021 – TRY 368,834 deferred tax expense) and current tax expense amounting to TRY 3,384,356 (June 30, 2021 – TRY 81,848 current tax income) from its continuing operations.

9.2. Explanations on operating profit/loss after taxes

None (June 30, 2021 – None).

10. Explanations on current period profit/(loss) from continued and discontinued operations:

The profit generated by the Group from continuing operations is TRY 7,616,701 (June 30, 2021 – TRY 1,488,962), and the discontinued operation loss is none. (June 30, 2021 - None).

11. Explanations on net income/loss for the period

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

None (June 30, 2021 – None).

11.2. Any changes in the Group's accounting estimations that might have a material effect on statement of profit or loss and other comprehensive results.

None (June 30, 2021 – None).

11.3. Profit or loss attributable to minority shares

	Current Period	Prior Period
Profit / Loss Attributable to Minority Shares	1,056	491

11.4. 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.

(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 Statement of Profit or Loss and Other Comprehensive Income (Continued)

12. Information on the sub-accounts that make up at least 20% of the other items if the other items in the profit or loss statement exceed 10% of the total of the profit or loss statement

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

V. Explanations And Disclosures Related To Consolidated Change in Shareholders’ Equity

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

VI. Explanations And Disclosures Related To Consolidated Cash Flows Statement

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

VII. Explanations And Disclosures Related To The 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 June 30, 2022, the Bank’s risk group has deposits amounting to TRY 593,055 (December 31, 2021 – TRY 586,647), cash loans amounting to TRY 3,307 (December 31, 2021 – TRY 1,773) and non-cash loans amounting to TRY 110,491 (December 31, 2021 – TRY 60,889).

Current 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	-	730	-	55,271	1,773	4,888
Balance at the End of the Period	-	747	-	104,181	3,307	5,563
Interest and Commission Income	-	-	-	675	350	-

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	-	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 (**)	-	-	-	216	112	-

(*) As described in the Article 49 of Banking Law No 5411.
(**) Prior Period represents June 30, 2021 balance.

(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. The volume of transactions relating to the Bank's risk group, outstanding loan and deposit transactions and profit and loss of the period (Continued)

1.2. Information on deposits held by 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	60,887	19,218	-	-	525,760	293,470
Balance at the End of the Period	100,059	60,887	-	-	492,996	525,760
Interest on deposits (**)	3,228	1,629	-	-	13,149	16,187

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

(**) Prior Period represents June 30, 2021 balance.

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(**)	-	-	-	-	-	-
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 June 30, 2021 balance.

1.4 Information regarding benefits provided to the Top Management

As of June 30, 2022, the total amount of remuneration and bonuses paid to key management of the Group is TRY 234,294 (June 30, 2021 - TRY 152,300).

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 June 30, 2022, the rate of cash loans of the risk group divided by to total loans is 0%; (December 31, 2021 – 0%); the deposits represented 0.2% (December 31, 2021 – 0.3%), the ratio of total derivative transactions with derivatives risk is 0% (December 31, 2021 – 0%).

(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)

2. Disclosures of transactions with the Parent Bank's risk group (Continued)

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

The 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.

VIII. Explanations and Disclosures Related to Subsequent Events

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

The bond issues of the Bank after the balance sheet date are as follows:

Date	Currency	Nominal	Due Date
25/07/2022	GBP	20,278,000	91
26/07/2022	GBP	22,232,000	367

2. The effect of the changes in the exchange rates after the balance sheet date, which are not disclosed and which have a significant effect on the evaluation and decision-making of the users of the financial statements, on the foreign currency transactions, items and financial statements, and the effect of the bank on its activities abroad

There are no significant changes in the exchange rates that emerged after the balance sheet date and whose disclosures would affect the evaluation and decision-making of the financial statements users.

3. Credit ratings announced by Fitch Ratings

After the international credit rating agency Fitch Ratings reduced Turkey's country ratings on July 8, 2022, with its report dated July 26, 2022, Fitch Ratings has updated the credit ratings of QNB Finansbank A.Ş. similarly with the 25 Turkish banks and their subsidiaries:

FITCH July 2022	
Long-term foreign currency issuer default rating	B- (Negative)
Short-term foreign currency issuer default rating	B
Long-term TRY issuer default rating	B (Negative)
Short-term TRY issuer default rating	B
Long-term national rating	AA(tur) (Stable)
Shareholder Support Note	b-
Financial Capacity Note	b-

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VIII. Explanations and Disclosures Related to Subsequent Events (Continued)

4. Other matters

The tension between Russia and Ukraine since January 2022 turned into a crisis and a hot conflict as of the date of the report. The Parent Bank does not carry out any activities in the two countries that are subject to the crisis. However, since the course of the crisis is uncertain as of the report date, developments that may occur on a global scale and the effects of these developments on the global and regional economy on the Parent Bank's operations are closely monitored.

SECTION SIX

AUDITOR'S REVIEW REPORT

I. Explanations on Auditor's Review Report

The consolidated financial statements for the period ended June 30, 2022 have been reviewed by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. The auditor's report dated July 28, 2022 is presented preceding the consolidated financial statements.

II. Explanations and Notes Prepared by Independent Auditors

None (December 31, 2021 – None).

SECTION SEVEN
CONSOLIDATED INTERIM ACTIVITY REPORT

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

Message by the Chairman

Dear Shareholders,

With the addition of the Russia-Ukraine War in 2022 to the developments in health and economy in 2020-2021 due to the pandemic, we are faced with a much different and challenging agenda.

The impact of the Russia-Ukraine War on Europe's supply chain and inflation, developments affecting the world in food production, especially grain, and the crisis in Europe due to Russia's cut-off of natural gas flow are at the top of the world's agenda.

The developments in energy prices and supply chains, as well as the rising inflation in the USA and Europe, are resulting in troubles in the manufacturing systems. We are also facing political uncertainties in Europe. The resignation of government members in the UK and of the Prime Minister in Italy set examples of these uncertainties.

The IMF warned that the embargo on the Russian gas would cause a serious recession in Eastern Europe and Italy. The IMF stated that if Russia completely cuts off the natural gas flow, a severe recession may result in Eastern Europe and Italy.

The world economy is struggling with high inflation as a result of these developments. As the central banks of developed countries increase the interest rates rapidly, recession risks are also rising, and fund outflows are observed from developing countries. Turkey also witnesses high inflation and exchange rate fluctuations due to rising energy costs, supply chain constraints, monetary policy and deteriorated global risk appetite.

We see an intense production and export appetite in Turkish industrial sector and even in SMEs in order to close the production and supply gap in Europe. We attach importance to the Turkish economy's overcoming this period with fiscal discipline, measures to control fluctuations in market conditions, and an increase in export-oriented production.

In May, we rolled over our syndicated loan facility, and raised USD 360 million from international banks. QNB Finansbank once again proved its committed support to the Turkish economy and sustainable development with this transaction, which was carried out based on sustainability performance criteria.

In consequence of latest incidents in the world, we are in a period of increased awareness of the importance of working for a more sustainable world. As QNB Finansbank, we also signed an extremely important sustainability commitment. We officially announced to the public a concrete climate commitment in line with our policy of not lending to new coal-fired thermal power plants and new coal mining investments, which we have been pursuing since 2015.

Even with all these uncertainties, QNB Finansbank recorded a robust financial performance in the first six months of 2022 thanks to appropriate financing models and strategic decisions.

As of 30 June 2022, QNB Finansbank’s total assets increased by 33 percent, compared to the end of 2021, reaching TRY 511 billion 392 million. In the same period, net loans of the Parent Bank grew by 38 percent to TRY 294 billion 50 million, and customer deposits rose by 39 percent to TRY 295 billion 373 million. In the first six months of 2022, the Group's net profit realized at TRY 7 billion 617 million.

I would like to thank all our financiers, customers, and business partners who contributed to this success.

Message by the General Manager

Dear Shareholders and Board Members,

The year 2022, which started off on a positive note thanks to successful steps taken in the fight against the pandemic, witnessed numerous global struggles, particularly the Russia-Ukraine War in the first half of the year. While the energy and supply shortages deepening due to the war fueled an inflationary environment throughout the world, they also brought along the recession concerns about the upcoming period. In the recent months, we have also been faced with rising political uncertainties in Europe.

At a time when the global demand hit by the pandemic started to recover, financial markets especially in the US and Euro Zone encountered a rough time due to the supply chain problems and rising energy prices due to the war. In the same period, rising energy and commodity prices due to global outlook and deteriorating expectations caused an inflationary pressure on the Turkish economy. Even with the challenging financial backdrop, QNB Finansbank wrapped up the first six months of 2022 with a strong financial performance thanks to the timely actions taken to accommodate to financial conditions.

As of 30 June 2022, QNB Finansbank’s total assets increased by 33%, compared to the end of 2021, reaching TRY 511 billion 392 million. In the same period, net loans of the Parent Bank grew by 38 percent to TRY 294 billion 50 million, and customer deposits rose by 39 percent to TRY 295 billion 373 million. In the first six months of 2022, the Group's net profit realized at TRY 7 billion 617 million. As of 30 June 2022, total equity of the Group increased by 41%, compared to the end of 2021, reaching TRY 31 billion 272 million.

In the first six months of 2022, QNB Finansbank set strategies to protect its robust capital structure against the inflationary environment and fluctuations in the markets, and continued to take numerous groundbreaking actions with the aim to support its customers and the economy.

In addition to our Digital Bridge Platform, which has offered services that will meet the digitalization needs of SMEs in all management and production processes, we have incorporated a number of new technological structures with the aim to support the processes of the exporters.

The fluctuations in the markets and the supply constraints in Europe offered an important opportunity to the Turkish economy to focus more on exports. In this context, we have demonstrated our expertise in this area, especially with the support we have offered to SMEs to open up to the world through e-export. Additionally, we have offered tailored services and solutions to SMEs to assist them with their foreign trade transactions, particularly under the Step-by-Step Export Program. We have continued to take all necessary actions for a sustainable work in addition to the tailored funding alternatives offered to our customers in the banking sector.

In May, we rolled over our syndicated loan, and raised USD 360 million from international banks. QNB Finansbank proved its committed support to the Turkish economy and sustainable development with this transaction, which was carried out based on sustainability performance criteria.

We are in a period of increasing awareness of the importance of working for a more sustainable world. We also signed a very important sustainability commitment. We officially announced to the public a concrete climate commitment in line with our policy of not lending to new coal thermal power plant and new coal mining investments, which we have been pursuing since 2015.

In addition to our banking activities, we certainly maintain our goal of preparing children for the future, which is an important mission of our bank. Under our Small Hands Big Dreams Platform, we provide training to children in many fields, including coding, mathematics, and art.

This year, we added a new one to the projects under our platform. QNB Finansbank continues to work on sustainability and climate change combat with the 'Climate Protectors Are Growing Up' Project, carried out in collaboration with the Turkish Education Volunteers Foundation (TEGV) under the Small Hands Big Dreams Platform. Launched in Mardin as a pilot project in its first year, the 'Climate Protectors Are Growing Up' provided training to 500 children in 13 provinces. We aim to reach more children with this project in the coming years.

We would like to thank very much to our valued financiers, whose dedicated efforts lie behind these achievements, our customers, and shareholders who are behind all these achievements.

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

Summary Consolidated Financials Belonging to the Period of June 30, 2022

Principal Financial Indicators (Million TRY)	**June 30, 2022**	**December 31, 2021**
Total Loans	294,050	212,565
Securities	77,322	50,090
Total Assets	511,392	383,849
Customer Deposits	295,373	212,899
Equity	31,272	22,152

	June 30, 2022	**June 30, 2021**
Net Interest Income	14,444	5,300
Net Fee and Commission Income	2,789	1,661
Provision for Loans and Other Receivables (-)	3,230	1,039
Profit Before Tax	**10,021**	**1,940**
Tax Provision	2,404	451
Net Profit for the Period	**7,617**	**1,489**

As of June 30, 2022, compared to 2021 year-end assets of the Group increased by 33% and realized TRY 511 billion and 392 million. When compared with the end of year 2021, total loans increased by 38% and reached TRY 294 billion and 50 million while Customer Deposits increased by 39% and realized by TRY 295 billion and 373 million.

Net interest income of the first six-month of year 2022 compared to same period of the prior year, grew and reached TRY 14 billion 444 million. At the same period, net fees and commission income grew by 68% and reached TRY 2 billion 789 million. Consolidated profit of the Group before tax of the first six-month period reached TRY 10 billion 21 million and the consolidated net profit came in at TRY 7 billion 617 million.

As of June 30, 2022, total consolidated shareholders’ equity increased by 41% compared with the end of the year and reached to TRY 31 billion 272 million. The capital adequacy ratio of the Group has been realized as 14.10% as of 30 June 2022.

As of June 30,2022, the Group has operated with 444 branches and 12,640 employees.

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

Assets

As of June 30, 2022, total consolidated performing loans increased by 38% and reached TRY 294 billion 50 million in 2022 while total consolidated assets increased by 33% and reached TRY 511 billion and 393 million compared to the end of the previous year.

Liabilities

As of June 30, 2022, shareholders’ equity of the Group increased by 41% and reached TRY 31 billion and 272 million and total customer deposits of the Group increased by 39% and reached TRY 295 billion and 373 million compared to year-end of 2021.

Profitability

In the first six months period of 2022 compared to same period of prior year, the Group’s net interest income increased and reached TRY 14 billion and 444 million and net fees and commission income increased and reached TRY 2 billion 789 million. Profit before tax of the Parent Bank reached TRY 10 billion 21 million and the net profit for the period reached TRY 7 billion 617 million.

Solvency

Due to its strong capital structure and high shareholders' equity profitability, the Parent Bank has a sound financial structure. Parent Bank has been utilizing of its capital efficiently for it banking activities and it maintains its profitability of shareholders' equity. When taking into consideration of its funding structure; Parent Bank is funding its credit facilities both by its large basis of deposits as well as by utilization of long-term external sources. Parent Bank has a quite great cost advantage due to benefiting from such various funding resources and at the same time it is minimizing the risks probable to occur due to differences in the maturity dates.

As having a significant place in the Turkish financial markets; QNB Finansbank with its strong financial structure also proves its credibility by the high ratings it received from the independent rating firms.

General Grants realized during the Period

General grants realized as of June 30, 2022 was TRY 995.