

QNB FİNANSBANK ANONİM ŞİRKETİ

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



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 September 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 nine-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial information in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 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.



Basis for the Qualified Conclusion

As mentioned in Section Five Part II 9.4 of Explanations and Notes to the Consolidated Financial Statements; the accompanying consolidated financial statements as of September 30, 2022 include a free provision amounting to TRY 3,200,000 thousand which was provided in the current years by the Bank management which is not within the requirements of BRSA Accounting and Financial Reporting Legislation.

Qualified Conclusion

Based on our review, except for the effects of the matter on the consolidated financial statements described in the basis for the qualified conclusion paragraph above, nothing has come to our attention that causes us to believe that the accompanying consolidated financial information do not present fairly in all material respects the consolidated financial position of QNB Finansbank A.Ş. and its consolidated subsidiaries at September 30, 2022 and its consolidated operations and its consolidated cash flows for the nine-months 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 September 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, October 27, 2022

**THE CONSOLIDATED FINANCIAL REPORT OF QNB FINANSBANK A.Ş.
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022**

The Parent Bank's;
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Phone number : (0212) 318 50 00
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E-mail address : investor.relations@qnbfinansbank.com

The consolidated financial report for the nine months period ended September 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 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 Anonim Şirketi

Entities Under Common Control (Joint Ventures)

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

Structured Entities

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

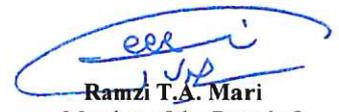
The accompanying consolidated financial statements and related disclosures and footnotes for the nine months period ended September 30, 2022, are prepared and reviewed in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish 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 financial statements are presented in **thousands of Turkish Lira (TL)**.



Mehmet Ömer Arif Aras
Chairman of
the Board of Directors



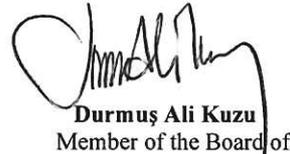
Ali Teoman Kerman
Member of the Board of
Directors and Chairman of the
Audit Committee



Ramzi T.A. Mari
Member of the Board of
Directors and of the
Audit Committee



Noor Mohd J. A. Al-Naimi
Member of the Board of
Directors and of the
Audit Committee



Durmuş Ali Kuzu
Member of the Board of
Directors and of the
Audit Committee



Osman Ömür Tan
General Manager
and Member of the
Board of Directors



Adnan Menderes Yayla
Executive Vice President
Responsible of Financial Control
and Planning



Ercan Sakarya
Director of Financial, Statutory
Reporting and
Treasury Control

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

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

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QNB FİNANSBANK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2022

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

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 20, 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 September 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.

Regarding the partnership share in Cigna Sağlık Hayat ve Emeklilik A.Ş., whose capital is 49%; The Bank's Board of Directors determined that TRY 1,000,000,000 of the 22,950,000 shares with a nominal value of TRY 22,950,000 which corresponds to 51% of the capital of Cigna Sağlık Hayat ve Emeklilik A.Ş., owned by Cigna Nederland Gamma BV In this context, a Share Purchase Agreement was signed with Cigna Nederland Gamma BV on October 21, 2022. The share transfer process will be completed after the necessary permissions are obtained.

QNB FİNANSBANK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2022

(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	Titles	Date of Appointment	Education
Dr. Ömer A. Aras	Chairman	April 16, 2010	PhD
Yousef Mahmoud H. N. Al-Neama	Deputy Chairman and Executive Member Board Member and Chairman of the Audit Committee	May 28, 2019	Masters
Ali Teoman Kerman	Board Member and Audit Committee Member	April 16, 2013	Masters
Ramzi T. A. Mari	Board 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
Esel Yıldız Çekin ^(*)	Board Member	September 2, 2022	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 Tüziin	Executive Vice President	December 1, 2019	Masters
Zeynep Kulalar	Executive Vice President	December 1, 2019	Graduate
Derya Düner	Executive Vice President	January 1, 2020	Graduate
Ali Yılmaz	Executive Vice President	January 1, 2020	Masters
Ahmet Erzençin	Head of the Department of Internal Control and Compliance	September 12, 2012	Graduate
Ersin Emir	Head of Internal Audit	February 18, 2011	Masters
Zeynep Aydın Demirkıran	Head of Risk Management	September 16, 2011	Masters

(*) Esel Yıldız Çekin was appointed as of September 2, 2022, and the oath process was completed on September 29, 2022.

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 September 30, 2022, the Parent Bank operates through 438 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 September 30 2022, the Group has 12,915 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

QNB FINANSBANK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF BALANCE SHEET FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2022

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

I. CONSOLIDATED BALANCE SHEET - ASSETS

	Section 5 Part I	Current Period 30.09.2022			Prior Period 31.12.2021		
		TRY	FC	TOTAL	TRY	FC	TOTAL
I. FINANCIAL ASSETS (Net)		61,802,612	120,977,700	182,780,312	36,871,893	91,649,894	128,521,787
1.1 Cash and Cash Equivalents		9,118,995	106,203,414	115,322,409	7,519,867	78,743,431	86,263,298
1.1.1 Cash and Balances with The Central Bank	(1)	8,924,953	70,516,688	79,441,641	7,436,280	62,858,291	70,294,571
1.1.2 Banks	(3)	209,129	35,280,532	35,489,661	94,349	15,725,779	15,820,128
1.1.3 Receivables From Money Market	(4)	-	419,489	419,489	-	159,508	159,508
1.1.4 Expected Credit Losses (-)		15,087	13,295	28,382	10,762	147	10,909
1.2 Financial Assets Measured at Fair Value through Profit/Loss	(2)	722,861	352,367	1,075,228	275,004	499,454	774,458
1.2.1 Public Sector Debt Securities		401,216	90,026	491,242	118,648	64,122	182,770
1.2.2 Equity Securities		258,157	-	258,157	156,356	-	156,356
1.2.3 Other Financial Assets		63,488	262,341	325,829	-	435,332	435,332
1.3 Financial Assets Measured at Fair Value through Other Comprehensive Income	(5)	30,928,380	9,922,521	40,850,901	9,634,529	10,043,218	19,677,747
1.3.1 Public Sector Debt Securities		30,919,188	9,824,838	40,744,026	9,625,335	10,008,077	19,633,412
1.3.2 Equity Securities		9,192	97,683	106,875	9,194	35,141	44,335
1.3.3 Other Financial Assets		-	-	-	-	-	-
1.4 Derivative Financial Assets	(12)	21,032,376	4,499,398	25,531,774	19,442,493	2,363,791	21,806,284
1.4.1 Derivative Financial Assets at Fair Value Through Profit/Loss		16,038,465	2,648,112	18,686,577	16,227,512	2,219,309	18,446,821
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		4,993,911	1,851,286	6,845,197	3,214,981	144,482	3,359,463
II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (Net)	(6)	241,187,437	131,096,208	372,283,645	137,049,425	105,153,019	242,202,444
2.1 Loans	(11)	210,894,138	105,852,764	316,746,902	128,657,423	81,883,367	210,540,790
2.2 Lease Receivables		3,741,573	9,006,489	12,748,062	2,954,638	7,735,110	10,689,748
2.3 Factoring Receivables	(7)	6,208,591	854,494	7,063,085	2,889,195	921,323	3,810,518
2.4 Other Financial Assets Measured at Amortized Cost	(8)	32,070,765	20,126,540	52,197,305	14,876,060	14,980,916	29,856,976
2.4.1 Public Sector Debt Securities		32,070,765	19,472,242	51,543,007	14,876,060	14,417,974	29,294,034
2.4.2 Other Financial Assets		-	654,298	654,298	-	562,942	562,942
2.5 Expected Credit Losses (-)		11,727,630	4,744,079	16,471,709	12,327,891	367,697	12,695,588
III. ASSETS HELD FOR SALE AND ASSETS OF DISCOUNTED OPERATIONS(Net)	(15)	-	-	-	-	-	-
3.1 Held for sale		-	-	-	-	-	-
3.2 Discontinued Operations		-	-	-	-	-	-
IV. INVESTMENTS (Net)		400,613	-	400,613	270,366	-	270,366
4.1 Investment in Associates (Net)	(9)	45,276	-	45,276	14,026	-	14,026
4.1.1 Equity Method Associates		-	-	-	-	-	-
4.1.2 Unconsolidated		45,276	-	45,276	14,026	-	14,026
4.2 Investment in Subsidiaries (Net)		128,046	-	128,046	38,046	-	38,046
4.2.1 Unconsolidated Financial Investments		-	-	-	-	-	-
4.2.2 Unconsolidated Non-Financial Investments		128,046	-	128,046	38,046	-	38,046
4.3 Equity Under Common Control (Joint Ventures) (Net)	(10)	227,291	-	227,291	218,294	-	218,294
4.3.1 Equity method associates		224,491	-	224,491	215,494	-	215,494
4.3.2 Unconsolidated		2,800	-	2,800	2,800	-	2,800
V. TANGIBLE ASSETS (Net)		3,952,886	97	3,952,983	3,694,478	37	3,694,515
VI. INTANGIBLE ASSETS (Net)		935,921	-	935,921	648,585	-	648,585
6.1 Goodwill		-	-	-	-	-	-
6.2 Others		935,921	-	935,921	648,585	-	648,585
VII. INVESTMENT PROPERTIES (Net)	(13)	-	-	-	-	-	-
VIII. CURRENT TAX ASSET		20,349	-	20,349	2,040	-	2,040
IX. DEFERRED TAX ASSET	(14)	413,524	-	413,524	341,690	-	341,690
X. OTHER ASSETS (Net)	(16)	9,220,377	1,185,516	10,405,893	7,206,047	961,538	8,167,585
TOTAL ASSETS		317,933,719	253,259,521	571,193,240	186,084,524	197,764,488	383,849,012

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

QNB FINANSBANK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF BALANCE SHEET FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2022

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

I. CONSOLIDATED BALANCE SHEET - LIABILITIES AND EQUITY

		Current Period 30.09.2022			Prior Period 31.12.2021			
		Section 5 Note II	TRY	FC	TOTAL	TRY	FC	TOTAL
I.	DEPOSITS	(1)	141,530,539	208,146,386	349,676,925	79,231,701	146,644,878	225,876,579
II.	FUNDS BORROWED	(3)	5,256,745	47,817,767	53,074,512	3,904,586	33,347,681	37,252,267
III.	MONEY MARKET BORROWINGS	(4)	15,277,153	15,257,984	30,535,137	2,473,437	15,717,177	18,190,614
IV.	SECURITIES ISSUED (NET)	(5)	7,842,931	20,763,801	28,606,732	6,023,724	23,779,092	29,802,816
4.1	Bills		7,751,980	2,527,021	10,279,001	6,023,724	2,154,632	8,178,356
4.2	Asset Backed Securities		90,951	-	90,951	-	-	-
4.3	Bonds		-	18,236,780	18,236,780	-	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		4,409,497	4,263,884	8,673,381	9,160,015	3,623,875	12,783,890
7.1	Derivative Financial Liabilities at Fair Value Through Profit & Loss (Net)	(2)	4,409,497	3,831,441	8,240,938	8,982,699	2,954,958	11,937,657
7.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(8)	-	432,443	432,443	177,316	668,917	846,233
VIII.	FACTORING PAYABLES	(7)	497,883	271	498,154	486,716	546	487,262
IX.	LEASE PAYABLES (Net)	(9)	5,207,676	273,518	5,481,194	1,648,376	25	1,648,401
X.	PROVISIONS		-	-	-	-	-	-
10.1	Restructuring Provisions		-	-	-	-	-	-
10.2	Reserve for Employee Benefits		1,323,418	-	1,323,418	1,032,218	-	1,032,218
10.3	Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4	Other Provisions		3,884,258	273,518	4,157,776	616,158	25	616,183
XI.	CURRENT TAX LIABILITY	(10)	2,872,346	-	2,872,346	167,723	-	167,723
XII.	DEFERRED TAX LIABILITY		-	-	-	-	-	-
XIII.	LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCOUNTED OPERATINS(NET)	(11)	-	-	-	-	-	-
13.1	Held for Sale		-	-	-	-	-	-
13.2	Discontinued Operations		-	-	-	-	-	-
XIV.	SUBORDINATED DEBT INSTRUMENTS	(12)	-	17,262,406	17,262,406	-	11,852,564	11,852,564
14.1	Subordinated Loans		-	17,262,406	17,262,406	-	11,852,564	11,852,564
14.2	Other Debt Instruments		-	-	-	-	-	-
XV.	OTHER LIABILITIES		19,574,740	16,606,963	36,181,703	10,664,123	12,970,564	23,634,687
XVI.	SHAREHOLDERS' EQUITY		40,272,550	(1,941,800)	38,330,750	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		(209,351)	-	(209,351)	(223,943)	-	(223,943)
16.4	Other Comprehensive Income/Expense Items to be Reclassified to Profit or Loss		4,669,305	(1,941,800)	2,727,505	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		11,471,208	-	11,471,208	3,906,647	-	3,906,647
16.6.1	Prior Periods' Profit/Loss		-	-	-	-	-	-
16.6.2	Current Period's Net Profit/Loss		11,471,208	-	11,471,208	3,906,647	-	3,906,647
16.7	Minority Interest		11,105	-	11,105	9,395	-	9,395
TOTAL LIABILITIES			242,742,060	328,451,180	571,193,240	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 NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2022

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

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

	Section 5 Note III	Current Period 30.09.2022			Prior Period 31.12.2021		
		TRY	FC	TOTAL	TRY	FC	TOTAL
A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS							
I. (+II+III) GUARANTEES	(1), (2), (3), (4)	403,034,200	613,089,438	1,016,123,638	251,760,151	433,120,870	684,881,021
1.1. Letters of guarantee		25,362,306	34,723,692	60,085,998	13,136,090	34,332,017	47,468,107
1.1.1. Guarantees subject to State Tender Law		22,827,244	20,075,580	42,902,824	13,000,633	17,491,611	30,492,244
1.1.2. Guarantees given for foreign trade operations		838,702	169,827	1,008,529	553,377	133,441	686,818
1.1.3. Other letters of guarantee		11,131,405	19,905,753	31,037,158	7,284,585	17,358,170	24,642,755
1.2. Bank loans		10,857,137	-	10,857,137	5,162,671	-	5,162,671
1.2.1. Import letter of acceptance		2,495,797	8,286,811	10,782,608	71,783	8,635,893	8,707,676
1.2.2. Other bank acceptances		2,495,797	8,286,811	10,782,608	71,783	8,635,893	8,707,676
1.3. Letters of credit		-	-	-	-	-	-
1.3.1. Documentary letters of credit		39,265	6,361,301	6,400,566	63,674	8,204,513	8,268,187
1.3.2. Other letters of credit		39,265	6,027,255	6,066,520	63,674	7,424,841	7,488,515
1.4. Prefinancing given as guarantee		-	334,046	334,046	-	779,672	779,672
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		212,952,619	87,695,679	300,648,298	150,696,819	7,991,015	158,687,834
2.1. Irrevocable commitments	(1)	138,756,381	35,873,972	174,630,353	81,782,660	6,016,159	87,798,819
2.1.1. Forward asset purchase commitments		6,037,865	24,640,754	30,678,619	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		40,375,499	404,076	40,779,575	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		3,737,474	-	3,737,474	2,885,779	-	2,885,779
2.1.8. Tax and fund liabilities from export commitments		86,529	-	86,529	29,314	-	29,314
2.1.9. Commitments for credit card expenditure limits		85,296,921	-	85,296,921	49,733,289	-	49,733,289
2.1.10. Commitments for promotions related with credit cards and banking activities		98,959	-	98,959	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		3,123,334	10,829,142	13,952,476	866,845	2,314,300	3,181,145
2.2. Revocable commitments		74,196,038	51,821,707	126,017,745	68,914,159	1,974,856	70,889,015
2.2.1. Revocable loan granting commitments		73,534,626	50,274,259	123,808,885	68,374,855	-	68,374,855
2.2.2. Other revocable commitments		661,412	1,547,448	2,208,860	539,304	1,974,856	2,514,160
III. DERIVATIVE FINANCIAL INSTRUMENTS	(5), (6)	164,719,275	490,670,067	655,389,342	87,927,242	390,797,838	478,725,080
3.1. Derivative financial instruments for hedging purposes		23,999,289	131,634,637	155,633,926	12,489,736	101,394,674	113,884,410
3.1.1. Fair value hedge		8,025,041	41,648,716	49,673,757	6,172,818	40,723,961	46,896,779
3.1.2. Cash flow hedge		15,974,248	89,985,921	105,960,169	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		140,719,986	359,035,430	499,755,416	75,437,506	289,403,164	364,840,670
3.2.1. Forward foreign currency buy/sell transactions		13,575,361	25,077,244	38,652,605	7,288,292	16,053,812	23,342,104
3.2.1.1. Forward foreign currency transactions-buy		13,313,219	6,101,048	19,414,267	6,377,847	4,862,254	11,240,101
3.2.1.2. Forward foreign currency transactions-sell		262,142	18,976,196	19,238,338	910,445	11,191,558	12,102,003
3.2.2. Swap transactions related to foreign currency and interest rates		112,541,629	315,804,822	428,346,451	66,545,184	268,882,455	335,427,639
3.2.2.1. Foreign currency swap-buy		1,206,881	130,779,977	131,986,858	2,126,829	98,404,122	100,530,951
3.2.2.2. Foreign currency swap-sell		77,899,950	54,196,191	132,096,141	37,918,755	62,467,695	100,386,450
3.2.2.3. Interest rate swaps-buy		16,717,399	65,414,327	82,131,726	13,249,800	54,005,319	67,255,119
3.2.2.4. Interest rate swaps-sell		16,717,399	65,414,327	82,131,726	13,249,800	54,005,319	67,255,119
3.2.3. Foreign currency, interest rate and securities options		12,935,519	14,528,025	27,463,544	1,227,592	2,651,799	3,879,391
3.2.3.1. Foreign currency options-buy		9,306,532	4,557,563	13,864,095	821,817	1,131,799	1,953,616
3.2.3.2. Foreign currency options-sell		3,628,987	9,970,462	13,599,449	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		1,667,477	1,589,921	3,257,398	376,438	387,573	764,011
3.2.4.1. Foreign currency futures-buy		878,809	762,320	1,641,129	361,015	18,895	379,910
3.2.4.2. Foreign currency futures-sell		788,668	827,601	1,616,269	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		-	2,035,418	2,035,418	-	1,427,525	1,427,525
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		1,833,402,651	675,572,452	2,508,975,103	1,389,205,116	499,735,768	1,888,940,884
IV. ITEMS HELD IN CUSTODY		294,784,090	36,355,393	331,139,483	242,561,027	26,811,981	269,373,008
4.1. Assets under management		11,401,352	25,795	11,427,147	9,104,743	9,997	9,114,740
4.2. Investment securities held in custody		166,677,526	17,611,916	184,289,442	153,604,458	11,510,543	165,115,001
4.3. Checks received for collection		19,581,158	1,725,817	21,306,975	13,107,448	3,535,033	16,642,481
4.4. Commercial notes received for collection		3,132,094	1,598,638	4,730,732	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		93,991,960	15,393,227	109,385,187	64,381,226	10,576,664	74,957,890
4.8. Custodians		-	-	-	-	-	-
V. PLEDGED ITEMS		888,402,578	363,989,248	1,252,391,826	666,936,857	290,504,187	957,441,044
5.1. Marketable securities		5,407,417	23,700,937	29,108,354	5,098,635	18,744,531	23,843,166
5.2. Guarantee notes		681,982	968,075	1,650,057	538,348	602,312	1,140,660
5.3. Commodity		946,607	-	946,607	521,666	-	521,666
5.4. Warranty		-	-	-	-	-	-
5.5. Properties		188,003,690	169,839,718	357,843,408	130,004,304	146,855,545	276,859,849
5.6. Other pledged items		693,362,882	169,480,518	862,843,400	530,773,904	124,301,799	655,075,703
5.7. Pledged items-depository		-	-	-	-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		650,215,983	275,227,811	925,443,794	479,707,232	182,419,600	662,126,832
TOTAL OFF-BALANCE SHEET ACCOUNTS (A+B)		2,236,436,851	1,288,661,890	3,525,098,741	1,640,965,267	932,856,638	2,573,821,905

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

QNB FINANSBANK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 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	Current	Prior	Prior
		Period 01.01 - 30.09.2022	Period 01.07 - 30.09.2022	Period 01.01 - 30.09.2021	Period 01.07 - 30.09.2021
I. INTEREST INCOME	(1)	44,139,120	19,040,760	18,372,340	6,823,874
1.1 Interest income on loans		27,642,073	11,637,022	13,999,517	5,131,723
1.2 Interest income on reserve deposits		130,135	-	303,571	133,347
1.3 Interest income on banks		158,388	126,918	37,894	8,164
1.4 Interest income on money market transactions		64,814	27,242	56,070	13,214
1.5 Interest income on securities portfolio		13,951,998	6,299,537	2,958,177	1,172,887
1.5.1 Financial assets measured at FVTPL		53,408	15,193	20,452	7,805
1.5.2 Financial assets measured at FVOCI		3,639,418	1,637,518	1,258,365	500,076
1.5.3 Financial assets measured at amortized cost		10,259,172	4,646,826	1,679,360	665,006
1.6 Financial lease income		992,234	371,639	583,348	207,623
1.7 Other interest income		1,199,478	578,402	433,763	156,916
II. INTEREST EXPENSE (-)	(2)	18,590,583	7,936,389	9,935,793	3,686,921
2.1 Interest on deposits		11,578,415	5,208,427	6,515,434	2,441,435
2.2 Interest on funds borrowed		2,668,650	1,088,595	1,296,498	441,420
2.3 Interest on money market transactions		2,139,659	773,733	891,441	308,144
2.4 Interest on securities issued		1,963,344	705,052	1,155,319	473,741
2.5 Interests on leasing		72,869	25,462	44,691	14,731
2.6 Other interest expenses		167,646	135,120	32,410	7,450
III. NET INTEREST INCOME/EXPENSE (I - II)		25,548,537	11,104,371	8,436,547	3,136,953
IV. NET FEES AND COMMISSIONS INCOME/EXPENSES		4,715,960	1,927,187	2,614,638	954,023
4.1 Fees and commissions received		6,223,706	2,521,298	3,340,681	1,260,815
4.1.1 Non-cash loans		303,209	124,495	195,785	68,098
4.1.2 Others		5,920,497	2,396,803	3,144,896	1,192,717
4.2 Fees and commissions paid (-)		1,507,746	594,111	726,043	306,792
4.2.1 Non-cash loans		4,177	2,069	2,548	928
4.2.2 Others		1,503,569	592,042	723,495	305,864
V. DIVIDEND INCOME	(3)	16,728	157	1,129	25
VI. TRADING GAINS/LOSSES (Net)	(4)	(37,067)	78,093	(2,875,843)	(1,013,731)
6.1 Trading gains/losses on securities		377,202	190,735	82,967	21,421
6.2 Gains/losses from derivative transactions		(5,790,514)	(2,444,045)	(3,569,677)	(1,247,717)
6.3 Foreign exchange gains/losses		5,376,245	2,331,403	610,867	212,565
VII. OTHER OPERATING INCOME	(5)	277,314	80,933	400,447	214,589
VIII. TOTAL OPERATING GROSS PROFIT (III+IV+V+VI+VII)		30,521,472	13,190,741	8,576,918	3,291,859
IX. EXPECTED CREDIT LOSSES (-)	(6)	4,198,778	1,116,109	1,565,595	589,181
X. OTHER PROVISION LOSSES (-)		3,595,143	3,448,166	80,661	18,147
XI. PERSONNEL EXPENSES (-)		3,067,914	1,146,123	1,581,046	549,575
XII. OTHER OPERATING EXPENSES (-)	(7)	3,561,882	1,312,515	2,043,158	710,146
XIII. NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)		16,097,755	6,167,828	3,306,458	1,424,810
XIV. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-	-	-	-
XV. GAINS/LOSSES FROM INVESTMENTS UNDER EQUITY ACCOUNTING		166,106	75,107	96,817	38,821
XVI. GAINS/LOSSES ON NET MONETARY POSITION		-	-	-	-
XVII. OPERATING PROFIT/LOSS BEFORE TAXES (XIII+...+XV)	(8)	16,263,861	6,242,935	3,403,275	1,463,631
XVIII. PROVISION FOR TAXES OF CONTINUED OPERATIONS (±)	(9)	4,790,943	2,386,718	802,165	351,482
18.1 Current tax charge		6,246,153	2,861,797	104,795	22,947
18.2 Deferred tax charge (+)		818,250	316,378	1,314,330	271,411
18.3 Deferred tax credit (-)		(2,273,460)	(791,457)	(616,960)	57,124
XIX. NET OPERATING PROFIT/LOSS AFTER TAXES (XVII±XVIII)	(10)	11,472,918	3,856,217	2,601,110	1,112,149
XX. INCOME FROM DISCONTINUED OPERATIONS		-	-	-	-
20.1 Income from assets held for sale		-	-	-	-
20.2 Income from sale of associates, subsidiaries and joint-ventures		-	-	-	-
20.3 Others		-	-	-	-
XXI. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-	-	-
21.1 Expenses on assets held for sale		-	-	-	-
21.2 Expenses on sale of associates, subsidiaries and joint-ventures		-	-	-	-
21.3 Others		-	-	-	-
XXII. PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XX+XXI)		-	-	-	-
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)		-	-	-	-
XXV. NET PROFIT/LOSS (XIX+XXIV)	(11)	11,472,918	3,856,217	2,601,110	1,112,149
25.1 Group's profit/loss		11,471,208	3,855,563	2,600,337	1,111,866
25.2 Minority interest		1,710	654	773	282
Earnings Per Share		0.34242	0.11509	0.0776	0.0332

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

QNB FINANSBANK ANONİM ŞİRKETİ

CONSOLIDATED OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 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 - 30.09.2022	Prior Period 01.01 - 30.09.2021
I. CURRENT PERIOD PROFIT/LOSS	11,472,918	2,601,110
II. OTHER COMPREHENSIVE INCOME	4,705,623	(199,310)
2.1 Other Income/Expense Items Not Reclassified Through Profit or Loss	14,592	175
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	2,672	208
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	11,091	(33)
2.2 Other Income/Expense Items Reclassified to Profit or Loss	4,691,031	(199,485)
2.2.1 Translation Differences	-	-
2.2.2 Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	3,360,678	(647,512)
2.2.3 Gains/losses from Cash Flow Hedges	2,724,820	397,823
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	(1,394,467)	50,204
III. TOTAL COMPREHENSIVE INCOME (I+II)	16,178,541	2,401,800

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

QNB FİNANSBANK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 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									
	Section 5 Part V	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Revaluation surplus on tangible and intangible assets	Defined Benefit Plans' Actuarial Gains/Losses	Others ^(*)	Translation Differences	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	Others ^(**)	Profit Reserves	Prior Periods' Profit/Loss	Section 5 Part V	Paid-in Capital	Share Premium	Share Cancellation Profits
Prior Period - 01.01 – 30.09.2021																	
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		-	-	-	-	-	175	-	-	(517,031)	317,546	-	-	2,600,337	2,401,027	773	2,401,800
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	-	-	-	(111,389)	-	-	(992,923)	(285,587)	17,072,922	-	2,600,337	21,634,074	8,954	21,643,028

	Other Comprehensive Income/Expense Items not Reclassified to Profit or Loss							Other Comprehensive Income/Expense Items Reclassified to Profit or Loss									
	Section 5 Part V	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Revaluation surplus on tangible and intangible assets	Defined Benefit Plans' Actuarial Gains/Losses	Others ^(*)	Translation Differences	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	Others ^(**)	Profit Reserves	Prior Periods' Profit/Loss	Section 5 Part V	Paid-in Capital	Share Premium	Share Cancellation Profits
Current Period - 01.01 – 30.09.2022																	
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		-	-	-	-	-	13,763	829	-	2,581,995	2,109,036	-	-	11,471,208	16,176,831	1,710	16,178,541
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	-	-	-	(210,180)	829	-	998,467	1,729,038	20,979,569	-	11,471,208	38,319,645	11,105	38,330,750

(*) 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 FINANSBANK ANONİM ŞİRKET

CONSOLIDATED CASH FLOW STATEMENT FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2022

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

VI. CONSOLIDATED CASH FLOW STATEMENT

	Seciton 5 Part VI	Current Period 01.01 - 30.09.2022	Prior Period 01.01 - 30.09.2021
A. CASH FLOWS FROM / (TO) BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities		15,770,078	(590,525)
1.1.1 Interest received		23,967,081	17,129,385
1.1.2 Interest paid		(21,556,747)	(12,107,122)
1.1.3 Dividend received		16,728	1,129
1.1.4 Fees and commissions received		6,270,505	3,340,119
1.1.5 Other income		277,314	400,447
1.1.6 Collections from previously written off loans		1,862,039	1,631,749
1.1.7 Payments to personnel and service suppliers		(2,852,775)	(1,608,082)
1.1.8 Taxes paid		(5,044,575)	(1,995,653)
1.1.9 Other		12,830,508	(7,382,497)
1.2 Changes in operating assets and liabilities		21,848,637	7,793,399
1.2.1 Net (increase) decrease in financial assets measured at fair value through profit/loss		(294,544)	(241,417)
1.2.2 Net (increase) decrease in due from banks		(3,502,792)	(3,228,467)
1.2.3 Net (increase) decrease in loans		(81,193,119)	(23,842,182)
1.2.4 Net (increase) decrease in other assets		(6,350,583)	4,600,138
1.2.5 Net increase (decrease) in bank deposits		(1,194,128)	(2,814,238)
1.2.6 Net increase (decrease) in other deposits		80,185,269	26,494,729
1.2.7 Net increase (decrease) in financial liabilities at fair value through profit or loss		-	-
1.2.8 Net increase (decrease) in funds borrowed		4,270,243	(2,716,213)
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities		29,928,291	9,541,049
I. Net cash provided from banking operations		37,618,715	7,202,874
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash provided from / (used in) investing activities		(13,740,959)	(3,747,780)
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		(810,595)	(394,996)
2.4 Fixed assets sales		164,278	90,794
2.5 Cash paid for purchase of financial assets measured at fair value through other comprehensive income		(19,520,849)	(8,989,779)
2.6 Cash obtained from sale of financial assets measured at fair value through other comprehensive income		14,311,486	7,026,427
2.7 Cash paid for purchase of Financial Assets Measured at Amortized Cost		(9,284,217)	(3,666,627)
2.8 Cash obtained from sale of Financial Assets Measured at Amortized Cost		1,853,381	2,404,893
2.9 Other		(454,443)	(218,492)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash provided from / (used in) financing activities		(760,732)	7,312,927
3.1 Cash obtained from funds borrowed and securities issued		16,358,284	17,188,202
3.2 Cash used for repayment of funds borrowed and securities issued		(17,056,752)	(9,799,959)
3.3 Issued equity instruments		-	-
3.4 Dividends paid		-	-
3.5 Payments for finance leases		(62,264)	-
3.6 Other		-	(75,316)
IV. Effect of foreign currency translation differences on cash and cash equivalents		2,315,434	774,811
V. Net increase / (decrease) in cash and cash equivalents (I+II+III+IV)		25,432,458	11,542,832
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)		73,231,292	27,425,933

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

QNB FİNANSBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2022

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

SECTION THREE ACCOUNTING POLICIES

I. Basis of Presentation

1. Preparation of the consolidated financial statements and the accompanying footnotes in accordance with Turkish Accounting Standards and Regulation on Principles Related to Banks' Accounting Applications and Maintaining the Documents

The Group presents its interim consolidated financial statements in accordance with the "Regulation on the Procedures and Principles Regarding the Accounting Practices of Banks and the Storage of Documents" published in the Official Gazette dated November 1, 2006 and numbered 26333 and other regulations published by the Banking Regulation and Supervision Agency regarding the accounts and recording order of banks. Turkish Accounting Standard 34 ("TAS 34") Interim Financial Reporting Standard, which was put into effect by the Public Oversight Accounting and Auditing Standards Authority ("POA"), regarding the circulars and disclosures of the Banking Regulation and Supervision Agency ("BRSA") and the issues not regulated by them; and Containing the provisions of "Turkish Financial Reporting Standards" ("TFRS"); It has been prepared in accordance with the "BRSA Accounting and Financial Reporting Legislation" and the amendments dated February 1, 2019 of the "Communiqué on Financial Statements to be Announced to the Public by Banks and Related Disclosures and Footnotes" published in the Official Gazette dated June 28, 2012 and numbered 28337.

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.

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.

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, TAS 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.

QNB FİNANSBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2022

(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)

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, 1M, 3M, 6M and 1Y grades until June, 2023.

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	162,517,951	36,227,787
Hedge Accounting Instruments	88,421,095	-
Total	162,517,951	36,227,787

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

2.2. Other

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.

Since it is aimed to update the most recent financial information in the interim financial statements prepared as of September 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 September 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 September 30, 2022.

QNB FİNANSBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2022

(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)

The tension between Russia and Ukraine since January, 2022 has subsequently turned into a crisis and a hot conflict, and the current situation continues as of the date of the report. The 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 Bank's operations are closely monitored.

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 September 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.

QNB FİNANSBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2022

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

ACCOUNTING POLICIES (Continued)

II. Foreign currency exchange rates used in converting transactions denominated in foreign currencies and presentation of them in the financial statements (Continued)

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/loss from derivative financial instruments in the statement of profit or loss and other comprehensive. While gains/losses from spot foreign exchange transactions are included in the profit/loss item of foreign exchange gains/losses on balance sheet, profit/loss from derivative transactions (forward, option etc.) for the purpose of hedging related transactions are included in income/loss statement of derivative financial instruments. Therefore, in order to determine the net profit/loss effects of foreign exchange transactions, two balances should be assessed together. As of September 30, 2022, derivative financial transactions loss of TRY 5,790,514 (September 30, 2021 – TRY 3,569,677 derivative financial transactions loss) and foreign exchange gain of TRY 5,376,245 (September 30, 2021 – TRY 610,867 net foreign exchange gain), net interest expense amounting to TRY 4,080,127 (September 30, 2021 – TRY 3,497,081 net interest expense) arising from derivative transactions, is TRY 3,665,858 net profit on foreign currency transactions (September 30, 2021 – TRY 538,271 net profit on foreign currency transactions).

2.3. Foreign Associates

None.

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

The accompanying consolidated financial statements are prepared in accordance with TFRS 10 “Turkish Financial Reporting Standard in 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 (%)		
				September 30, 2022	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.	QNB Finans Finansal Kiralama A.Ş. (Finans Leasing)	Full consolidation	Turkey	Financial Leasing	99.40	99.40
4.	QNB Finans Faktoring A.Ş. (Finans Faktoring)	Full consolidation	Turkey	Factoring Services	100.00	100.00
5.	QNB Finans Varlık Kiralama Şirketi A.Ş.	Full consolidation	Turkey	Asset Lease	100.00	100.00
6.	Cigna Sağlık, Hayat ve Emeklilik A.Ş.	Equity Method	Turkey	Private Pension and Insurance	49.00	49.00

Subsidiaries maintain their books of accounts and prepare their financial statements in accordance with the regulations on accounting and reporting framework and accounting standards which are determined by the accounting standards promulgated by the Turkish Commercial Code, Financial Leasing Law and Turkish Capital Markets Board (“CMB”) regulations. Certain adjustments and reclassifications were made on the financial statements of the subsidiaries for the purpose of fair presentation in accordance with the prevailing regulations and accounting standards according to regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency (“BRSA”), and in case where a specific regulation is not made by BRSA, in accordance with Turkish Accounting Standards (“TAS”) and Turkish Financial Reporting Standards (“TFRS”) and related additions and interpretations published by Public Accounting and Auditing Oversight Authority (“POA”).

QNB FİNANSBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2022

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

ACCOUNTING POLICIES (Continued)

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

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 September 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, one hundred percent 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.

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.

QNB FİNANSBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2022

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

ACCOUNTING POLICIES (Continued)

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 "IFRS 9" and TAS 39 "Financial Instruments: Recognition and Measurement", respectively. Derivative instruments held for trading and derivative instruments hedging purpose are initially recognized at fair value and subsequently measured at fair value. Also, the liabilities and receivables arising from the derivative transactions are recorded as off-balance sheet items at their contractual values. The derivative transactions are accounted for at fair value subsequent to initial recognition and are presented in the "Derivative Financial Assets at Fair Value Through Profit/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.

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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.

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 to hedge itself against changes in interest rates related to fixed rate TRY securities issued.

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.

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ACCOUNTING POLICIES (Continued)

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

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 “Gains/Losses 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 A.Ş., the subsidiary of the Parent Bank, apply effectiveness tests for fair value hedge accounting.

When the hedging instrument expires, is executed or sold and when the hedge relationship becomes ineffective or is discontinued as a result of the hedge relationship being revoked, adjustments made to the carrying amount of the hedged item are transferred to profit and loss with straight line method for portfolio hedges or with effective interest rate method for micro hedges. In case the hedged item is derecognized, hedge accounting is discontinued and within context of fair value hedge accounting, adjustments made to the value of the hedged item are accounted in 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 September 30, 2022, fair value exchange difference adjustment amounting to TRY 1,149,428 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..

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ACCOUNTING POLICIES (Continued)

V. Explanations on Interest Income and Expenses(Continued)

If the financial asset is impaired and classified as a non-performing receivable, the Parent Bank applies the effective interest rate on the amortized cost of the asset for subsequent reporting periods. Such interest income calculation is made on an individual contract basis for all financial assets subject to impairment calculation. It is used effective interest rate during calculation of loss given default rate in expected credit loss models and accordingly, the calculation of expected credit losses includes an interest amount. Therefore, a reclassification is made between the accounts of “Expected Credit Losses” and “Interest Income From Loans” for such calculated amount.

VI. Explanations on Fees and Commission Income and Expenses

Except for fees and commissions that are integral part of the effective interest rates of financial instruments measured at amortized costs, the fees and commissions are accounted for in accordance with TFRS 15 Revenue from Contracts with Customers (“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.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on the contractual conditions and the relevant business model. Except for the assets in the scope of TFRS 15, 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.

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ACCOUNTING POLICIES (Continued)

VII. Explanations and Disclosures on Financial Instruments (Continued)

Assessment of business model

As per TFRS 9, the Parent Bank's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

The Parent Bank's business models are divided into three categories.

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

This is a model whose objective is to hold assets in order to collect contractual cash flows are managed to 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.

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.

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ACCOUNTING POLICIES (Continued)

VII. Explanations and Disclosures on Financial Instruments (Continued)

Financial Assets at the Fair Value Through Profit or Loss:

Financial assets at fair value through profit/loss are financial assets other than the ones that are managed with business model that 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 gains/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 gains/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..

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ACCOUNTING POLICIES (Continued)

VII. Explanations and Disclosures on Financial Instruments (Continued)

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.

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.

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ACCOUNTING POLICIES (Continued)

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 September 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 twoscenarios explained above.

Stage 2:

As of the reporting date of the financial asset, in the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. Impairment for credit risk is determined on the basis of the instrument’s lifetime expected credit losses. 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.

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ACCOUNTING POLICIES (Continued)

VIII. Explanations on Expected Credit Losses (Continued)

Calculation of expected credit losses

The Group 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, two scenarios (internal bad, internal over bad) are evaluated. Each of these scenarios was associated with the different PD and LGD.

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

When measuring expected credit losses, it shall be considered the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low. Such assessment is made by reflecting the estimate of expected credit loss which is unbiased and probability-weighted determined by evaluating a range of possible outcomes.

Probability of Default ("PD")

The PD represents the likelihood of a default over a specified time period. A 12-month PD represents the likelihood of default determined for the next 12 months and a lifetime PD represents the probability of default over the remaining lifetime of the instrument. The lifetime PD calculation is based on a series of 12-month PIT PDs that are derived from through the cycle (TTC) PDs and scenario forecasts. It is used internal rating systems for both retail and commercial portfolios to measure risk level. The internal rating models used for the commercial portfolio include customer financial information and qualitative survey responses. Whereas behavioral and application scorecards used in the retail portfolio include; the behavioral data of the customer and the product in the Bank, the demographic information of the customer, and the behavioral data of the customer in the sector. Probability of default calculation has been carried out based on past information, current conditions and forward-looking macroeconomic parameters.

Loss Given Default ("LGD")

The LGD represents an estimate of the economic loss at the time of a potential default occurring during the life of a financial instrument. The LGD is calculated taking into account expected future cash flows from collateral and other credit enhancements by considering time value of money. LGD calculations are performed using historical data which best reflects current conditions, by formation of segments based on certain risk factors that are deemed important for each portfolio and inclusion of forward-looking information and macroeconomic expectations. LGD summarizes all cash flows from customers subsequent to default. It covers all costs and collections that occur during the collection cycle, including collections from collaterals. It also includes the "time value of money" calculated by means of deducting costs and additional losses from the present value of collections. The Bank bases its estimates on models for collateralized portfolios and on previous experience for unsecured parties, except for corporate loans that are assigned by the Basel Committee individually or as designated by the Basel Committee.

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ACCOUNTING POLICIES (Continued)

VIII. Explanations on Expected Credit Losses (Continued)

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, two scenarios (internal bad, internal over bad) 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 September 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 third 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.

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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 this context, in case the write-off of the uncollectible receivables comes to the agenda, one of the methods of destruction, sale of receivables and write-down can be applied.

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 "Fifth Group-Loans with Losses",
- 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 360,937 (December 31, 2021: TRY 126,001), and its effect on the NPL ratio is 0.11% (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 3.04% (December 31, 2021: 4.26%).

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ACCOUNTING POLICIES (Continued)

IX. Explanations on Netting of Financial Instruments

Financial assets and liabilities are offset and the net amount is reported on the balance sheet when the 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.

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.

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ACCOUNTING POLICIES (Continued)

X. Derecognition of Financial Instruments (Continued)

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.

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".

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ACCOUNTING POLICIES (Continued)

XI. Explanations on Sales and Repurchase Agreements and Lending of Securities

Securities sold under repurchase agreements are recorded on the balance in accordance with Uniform Chart of Accounts. Accordingly, government bonds and treasury bills sold to customers under repurchase agreements are classified as “Investments Subject to Repurchase Agreements” and valued based on the Group’s management’s future intentions, either at market prices or using discounting method with internal rate of return.

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

Securities that are subject to repurchase agreements as at the balance sheet date amounted to TRY 33,850,419 (December 31, 2021 – TRY 22,990,663).

As of September 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 September 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 group has no discontinued operations.

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

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ACCOUNTING POLICIES (Continued)

XIII. Explanations on Goodwill and Other Intangible Assets

The 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.

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.

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ACCOUNTING POLICIES (Continued)

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.

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.

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ACCOUNTING POLICIES (Continued)

XV. Explanations on Leasing Transactions (Continued)

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 September 30, 2022 amounted to TRY 495,729 (December 31, 2021 – TRY 491,054), lease liability amounted to TRY 498,595 (December 31, 2021 – TRY 495,124), financing expense amounted to TRY 71,642 (September 30, 2021 – TRY 43,070) and depreciation expense amounted to TRY 190,570 (September 30, 2021 – TRY 168,869).

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.

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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.

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ACCOUNTING POLICIES (Continued)

XIX. Explanations on Taxation (Continued)

1. Corporate Tax (Continued)

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.

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. This rate has been changed to 10% with the Presidential Decision published in the Official Gazette dated 22 December 2021 and numbered 31697. In the application of withholding tax rates for profit distributions to non-resident companies and real persons, the practices included in the relevant Double Taxation Agreements are also taken into consideration.

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.

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ACCOUNTING POLICIES (Continued)

XIX. Explanations on Taxation (Continued)

2. Deferred Taxes (Continued)

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. 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 Bank is recognized deferred tax for the Stage 1 and Stage 2 expected credit losses provisions. Deferred tax effect related to transactions for which the profit or loss effect is directly accounted in equity, is also reflected to equity.

3. Transfer Pricing

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

As discussed under subject Communique's 7.1 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.

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ACCOUNTING POLICIES (Continued)

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 September 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 (full TRY) or more, multinational companies operating in Turkey, and commercial firms with an annual turnover of TRY 125 million – 1,5 billion (full TRY). In addition to the financing and investment needs of its customers, it offers products that will facilitate the payment and collection processes in both domestic and foreign trade. It produces solutions that will create added value for all the needs of its customers with its customer-oriented service approach, company-specific solution approach and strategy to establish long-term business partnerships.

The Consumer Banking meets the needs and expectations of the retail banking customers. The Private Banking Unit has formed and started to operate to serve customers with high level income, in a more effective way. The installments, discounts and bonus advantages are provided to the users of Card Finans in the plastic cards line. The main function of Treasury Segment is managing the liquidity of the Parent Bank and interest and foreign currency risks resulting from market conditions. This segment is in close relation with corporate, commercial, retail, SME and private banking units in order to increase the number of customers and the volume of transactions in treasury products of the Parent Bank.

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ACCOUNTING POLICIES (Continued)

XXIV. Explanation on Segment Reporting (Continued)

Current Period (January, 1–September 30, 2022)	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Group
Operating Income	8,316,115	7,798,444	14,573,019	30,687,578
Dividend Income	-	-	16,728	16,728
Gains/Losses on joint venture accounted for at equity method	-	-	166,106	166,106
Profit Before Taxes	2,739,930	3,027,340	10,496,591	16,263,861
Tax Provision (-)^(e)	-	-	4,790,943	4,790,943
Net Profit/Loss	2,739,930	3,035,604	5,697,384	11,472,918
Total Assets	101,354,712	218,731,626	226,879,878	571,193,240
Segment Assets	101,354,712	218,731,626	226,879,878	546,966,216
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	400,613
Undistributed Assets	-	-	-	23,826,411
Total Liabilities	219,793,176	120,190,992	147,844,928	571,193,240
Segment Liabilities	219,793,176	120,190,992	147,844,928	487,829,096
Undistributed Liabilities	-	-	-	45,033,394
Equity	-	-	-	38,330,750
Other Segment Accounts	821,444	561,001	(58,046)	1,324,399
Capital Expenditures	439,659	300,263	(18,870)	721,052
Depreciation and Amortization	381,785	260,738	(39,176)	603,347

^(e) Tax provision is not distributed

Prior Period (January, 1–September 30, 2022)	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Group
Operating Income	4,741,016	3,362,715	473,187	8,576,918
Dividend Income	-	-	1,129	1,129
Gains/Losses on joint venture accounted for at equity method	-	-	96,817	96,817
Profit Before Taxes	2,238,923	1,059,382	104,970	3,403,275
Tax Provision (-)^(e)	-	-	802,165	802,165
Net Profit/Loss	2,238,923	1,059,382	(697,195)	2,601,110
Total Assets	59,578,896	115,317,629	93,397,522	282,886,404
Segment Assets	59,578,896	115,317,629	93,397,522	268,294,047
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	235,870
Undistributed Assets	-	-	-	14,356,487
Total Liabilities	110,854,717	49,539,197	75,615,076	282,886,404
Segment Liabilities	110,854,717	49,539,197	75,615,076	236,008,990
Undistributed Liabilities	-	-	-	25,234,386
Equity	-	-	-	21,643,028
Other Segment Accounts	658,515	458,808	21,555	1,138,878
Capital Expenditures	368,185	256,525	26,515	651,225
Depreciation and Amortization	290,330	202,283	(4,960)	487,653

^(e) Tax provision is not distributed

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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	3,928,114
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	11,471,208	2,600,337
Weighted Average Amount of Shares Issued (Thousands)	33,500,000	33,500,000
Earnings per Share	0.34242	0.07762

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.

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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 September 30, 2022, Group’s total capital has been calculated as TRY 59,351,369 (December 31, 2021 – TRY 37,540,811), capital adequacy ratio is 14.84% (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 September 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	3,560,435	298,650
Profit	11,471,208	3,906,647
Current Period Profit	11,471,208	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	11,105	9,395
Common Equity Tier 1 Capital Before Deductions	39,373,860	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	348,172	837,041
Improvement costs for operating leasing	95,819	79,130
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	846,799	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	1,290,790	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	38,083,070	23,271,173

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

I. Explanations on Consolidated Equity (Continued)

	Current Period September 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	9,714,495	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	9,714,495	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 I 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 I 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)	47,797,565	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)	7,123,963	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)	4,663,524	2,783,169
Tier II Capital Before Deductions	11,787,487	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	11,787,487	7,779,507
Total Capital (The sum of Tier I Capital and Tier II Capital)	59,585,052	37,863,868
Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	7,619	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 (-)	46,064	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	-	-
I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-

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

I. Explanations on Consolidated Equity (Continued)

	Current Period September 30, 2022	Prior Period December 31, 2021
TOTAL CAPITAL		
Total Capital	59,531,369	37,540,805
Total risk weighted amounts	401,133,219	246,313,414
Capital Adequacy Ratios		
Consolidated Core Capital Adequacy Ratio (%)	9.49	9.45
Consolidated Tier I Capital Adequacy Ratio (%)	11.92	12.21
Consolidated Capital Adequacy Ratio (%)	14.84	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 (%)	3.49	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	227,291	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)	9,311,962	5,782,122
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	4,663,524	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	9,714,495	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	7,123,963	4,996,338

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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)	9,950	2,399	4,914
Par value of instrument (Currency in million)	9,950	2,399	4,914
Accounting classification	Liability – Subordinated Loans-amortized cost	Liability – Subordinated Loans-amortized cost	Liability – Subordinated Loans-amortized cost
Original date of issuance	30-June-19	01-April-19	26-May-22
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	-	-

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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.S.	QNB Finansbank A.S.
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.

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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 September 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

GB1 - Overview of risk weighted assets:

	Risk Weighted Assets		Minimum Capital Requirements	
	30.09.2022	31.12.2021	30.09.2022	31.12.2021
1 Credit risk (excluding counterparty credit risk)	357,073,573	212,756,907	28,565,886	17,020,553
2 Standardized approach	357,073,573	212,756,907	28,565,886	17,020,553
3 Internal rating-based approach	-	-	-	-
4 Counterparty credit risk	16,008,354	9,896,598	1,280,668	791,728
5 Standardized approach for counterparty credit risk	16,008,354	9,896,598	1,280,668	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	7,607,200	5,888,475	608,576	471,078
17 Standardized approach	7,607,200	5,888,475	608,576	471,078
18 Internal model approaches	-	-	-	-
19 Operational risk	20,444,092	17,771,434	1,635,528	1,421,714
20 Basic Indicator Approach	20,444,092	17,771,434	1,635,528	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)	401,133,219	246,313,414	32,090,658	19,705,073

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

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.

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 18.5038
Euro purchase rate in the balance sheet date	TRY 17.9232

<u>Date</u>	<u>US Dollar</u>	<u>Euro</u>
September 30, 2022	18.5038	17.9232
September 29, 2022	18.4862	17.6711
September 28, 2022	18.4509	17.7719
September 27, 2022	18.4266	17.7909
September 26, 2022	18.3702	17.9431

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 September 2022, the US Dollar foreign exchange buying rate is TRY 18.2814 and the Euro foreign exchange buying rate is TRY 18.1282.

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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

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⁾	23,139,131	45,103,625	2,273,932	70,516,688
Due From Banks ⁽²⁾	10,579,464	24,144,021	543,752	35,267,237
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL) ⁽³⁾	1,203,581	1,325,516	498	2,529,595
Money Market Placements	-	419,489	-	419,489
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVTOCI)	1,041,609	8,877,908	3,004	9,922,521
Loans ⁽⁴⁾	65,321,142	45,570,435	393,146	111,284,723
Investments in Assoc., Subsidiaries and Entities under Common Control	-	-	-	-
Investment Assets Measured at Amortized Cost	1,379,999	18,746,541	-	20,126,540
Derivative Financial Assets Hedging Purposes	91,104	1,954,855	-	2,045,959
Tangible Assets	-	-	97	97
Intangible Assets	-	-	-	-
Other Assets ⁽⁵⁾	563,101	327,105	101,912	992,118
Total Assets	103,319,131	146,469,495	3,316,341	253,104,967
Liabilities				
Bank Deposits	3,638,377	5,972,407	65,099	9,675,883
Foreign Currency Deposits ⁽⁶⁾	40,687,888	130,479,647	27,302,968	198,470,503
Money Market Borrowings	1,639,535	13,618,449	-	15,257,984
Funds Provided from Other Financial Institutions	18,682,128	46,394,484	3,561	65,080,173
Securities Issued	717,859	15,065,389	4,980,553	20,763,801
Miscellaneous Payables	8,557,304	6,658,985	234,043	15,450,332
Derivative Fin. Liabilities Hedging Purposes	4,854	1,384,004	-	1,388,858
Other Liabilities ⁽⁷⁾	1,343,102	1,941,227	2,254	3,286,583
Total Liabilities	75,271,047	221,514,592	32,588,478	329,374,117
Net Balance Sheet Position	28,048,084	(75,045,097)	(29,272,137)	(76,269,150)
Net Off-Balance Sheet Position	(27,378,102)	77,477,834	29,120,010	79,219,742
Financial Derivative Assets	38,461,510	220,469,366	32,284,230	291,215,106
Financial Derivative Liabilities	65,839,612	142,991,532	3,164,220	211,995,364
Non-Cash Loans ⁽⁸⁾	17,708,926	16,348,509	666,257	34,723,692
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 2,012,518 (December 31, 2021 – TRY 1,587,037) precious metal deposit account.

(2) There are foreign bank guarantees amounting to TRY 8,706,088 (December 31, 2021 – TRY 7,481,729).

(3) Does not include TRY 276,211 (December 31, 2021 – TRY 327,091) of currency income accruals arising from derivative transactions.

(4) Includes TRY 315,717 (December 31, 2021 – TRY 379,005) FC indexed loans. Does not include repealed financial leasing receivables amounting to TRY 662 (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 193,398 (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 23,661,198 (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 6,808. (December 31, 2021 – TRY 3,885).

(8) Does not include currency expense accruals of derivative financial instruments kept in FC accounts amounting to TRY 898,859 (December 31, 2021 – TRY 193,977)

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE 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⁾	41,489,233	-	-	-	-	37,942,945	79,432,178
Due From Banks ⁽³⁾	6,977,863	99,800	-	-	-	28,393,079	35,470,742
Financial Assets at Fair Value Through Profit/Loss ⁽⁴⁾	69,204	51,893	228,277	189,382	54,536	19,168,513	19,761,805
Money Market Placements	419,489	-	-	-	-	-	419,489
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) ⁽⁵⁾	1,929,561	7,546,488	7,392,225	9,311,516	11,829,597	9,686,711	47,696,098
Loans and Receivables	68,113,892	57,972,693	124,472,326	60,208,994	7,705,168	1,634,123	320,107,196
Financial Assets Measured at Amortized Cost ⁽⁶⁾	2,615,283	7,595,382	17,792,291	13,926,434	5,564,519	4,682,540	52,176,449
Other Assets	-	-	-	-	-	16,129,283	16,129,283
Total Assets	121,614,525	73,266,256	149,885,119	83,636,326	25,153,820	117,637,194	571,193,240
Liabilities							
Bank Deposits	2,962,148	5,289,412	404,874	-	-	1,036,322	9,692,756
Other Deposits	124,247,122	79,985,682	15,498,527	625,819	403	119,626,616	339,984,169
Money Market Borrowings	19,651,431	6,083,223	4,800,483	-	-	-	30,535,137
Miscellaneous Payables	14,839,084	-	-	-	-	13,025,504	27,864,588
Securities Issued	5,383,417	6,720,395	4,661,404	11,841,516	-	-	28,606,732
Funds Borrowed	7,325,947	31,349,830	17,811,581	3,501,767	10,347,793	-	70,336,918
Other Liabilities ⁽⁷⁾	597	1,534	7,327	486,274	-	63,677,208	64,172,940
Total Liabilities	174,409,746	129,430,076	43,184,196	16,455,376	10,348,196	197,365,650	571,193,240
On Balance Sheet Long Position	-	-	106,700,923	67,180,950	14,805,624	-	188,687,497
On Balance Sheet Short Position	(52,795,221)	(56,163,820)	-	-	-	(79,728,456)	(188,687,497)
Off-Balance Sheet Long Position	12,222,984	22,875,507	6,304,898	-	-	-	41,403,389
Off-Balance Sheet Short Position	-	-	(607,391)	(8,720,821)	(16,068,342)	-	(25,396,554)
Total Position	(40,572,237)	(33,288,313)	112,398,430	58,460,129	(1,262,718)	(79,728,456)	16,006,835

⁽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 9,463 expected loss provisions.

⁽³⁾ Banks include balance of expected loss provisions amounting to TRY 18,919.

⁽⁴⁾ Financial Assets at Fair Value Through Profit/Loss includes Derivative Financial Assets reflected to Profit/Loss amounting to TRY 18,686,577.

⁽⁵⁾ Financial Assets at Fair Value through Other Comprehensive Income includes Derivative Financial Assets reflected to Other Comprehensive Income amounting to TRY 6,845,197.

⁽⁶⁾ Financial Assets measured at amortized cost includes the balance of the expected loss provisions amounting to TRY 20,856.

⁽⁷⁾ Other liabilities includes Derivative Financial Liabilities amounting to TRY 8,673,382

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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 ⁽⁵⁾	159,508	-	-	-	-	-	159,508
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	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.

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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

	Euro %	US Dollar %	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	0.05	1.67	-	17.12
Financial Assets Measured at Fair Value through Profit/Loss	7.07	8.04	-	20.63
Money Market Placements	-	2.94	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	2.87	5.43	-	30.10
Loans and Receivables	4.89	6.76	1.66	24.16
Financial Assets Measured at Amortized Cost	4.60	5.65	-	68.83
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	1.91	3.90	-	11.30
Miscellaneous Payables	1.37	3.21	0.25	16.99
Securities Issued	0.60	3.37	-	16.35
Funds Borrowed	2.58	2.64	-	23.40
	Euro %	US Dollar %	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

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

Equity Securities (shares)	Comparison		
	Carrying Value	Fair Value	Market Value
1. Equity Investments Grade A	-	-	-
Quoted Securities	-	-	-
2. Equity Investments Grade B	-	-	-
Quoted Securities	-	-	-
3. Equity Investments Grade C	-	-	-
Quoted Securities	-	-	-
4. Equity Investments Grade Other (*)	404,829	-	-

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

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

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

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

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.

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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 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.

Liquidity Coverage Ratio

Current Period - September 30, 2022	Unweighted Amounts(*)		Weighted Amounts(*)	
	TRT+FC	FC	TRY+FC	FC
HIGH QUALITY LIQUID ASSETS			110,464,709	72,266,478
1 High Quality Liquid Assets			110,464,709	72,266,478
CASH OUTFLOWS				
2 Retail and Small Business Customers Deposits	229,157,641	134,446,395	21,232,161	13,444,639
3 Stable deposits	33,672,074	-	1,683,604	-
4 Less stable deposits	195,485,567	134,446,395	19,548,557	13,444,639
5 Unsecured Funding other than Retail and Small Business Customers Deposits	101,403,989	66,859,698	55,504,352	35,136,533
6 Operational deposits	2,925,861	744,744	731,465	186,186
7 Non-Operational Deposits	82,952,627	61,796,391	42,896,284	31,116,424
8 Other Unsecured Funding	15,525,501	4,318,563	11,876,603	3,833,923
9 Secured funding	-	-	-	-
10 Other Cash Outflows	82,689,615	19,864,924	82,689,615	19,864,924
11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions	82,689,615	19,864,924	82,689,615	19,864,924
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	117,150,789	39,901,764	5,857,539	1,995,088
15 Other irrevocable or conditionally revocable commitments	194,822,770	46,861,740	14,437,177	4,666,711
16 TOTAL CASH OUTFLOWS			179,720,844	75,107,895
CASH INFLOWS				
17 Secured Lending Transactions	307,704	295,833	-	-
18 Unsecured Lending Transactions	42,575,055	24,583,303	32,327,565	22,758,838
19 Other contractual cash inflows	80,570,039	67,693,235	80,570,039	67,693,235
20 TOTAL CASH INFLOWS	123,452,798	92,572,371	112,897,604	90,452,073
			Capped Amounts	
21 TOTAL HIGH-QUALITY LIQUID ASSETS	-	-	110,464,709	72,266,478
22 TOTAL NET CASH OUTFLOWS	-	-	66,823,240	18,776,974
23 LIQUIDITY COVERAGE RATIO (%)	-	-	165.31	384.87

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

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

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

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

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

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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	193.82	23/09/2022	140.93	24/07/2022	165.87
FC	470.86	01/07/2022	335.74	11/09/2022	386.46

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 61% 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.

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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⁾	37,948,021	41,493,620	-	-	-	-	(9,463)	79,432,178
Due from Banks ⁽³⁾	19,697,873	15,691,988	99,800	-	-	-	(18,919)	35,470,742
Financial Assets at Fair Value Through Profit/Loss (FVTPL) ⁽⁴⁾	541,173	1,841,650	2,088,124	10,250,656	2,338,162	2,675,539	26,501	19,761,805
Money Market Placements	-	419,489	-	-	-	-	-	419,489
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) ⁽⁵⁾	108,385	14,017	390,868	4,555,965	26,122,413	16,504,450	-	47,696,098
Loans and Receivables ⁽⁶⁾	-	59,836,896	38,072,163	115,029,080	81,897,616	23,637,318	1,634,123	320,107,196
Financial Assets Measured at Amortized Cost ⁽⁷⁾	-	1,416,140	-	4,281,550	29,019,599	17,480,016	(20,856)	52,176,449
Other Assets	128	6,502,301	22,753	150,917	975,348	1,148	8,476,688	16,129,283
Total Assets	58,295,580	127,216,101	40,673,708	134,268,168	140,353,138	60,298,471	10,088,074	571,193,240
Liabilities								
Bank Deposits	1,036,322	2,962,148	5,289,412	404,874	-	-	-	9,692,756
Other Deposits	119,626,616	124,247,122	79,985,682	15,498,526	625,819	404	-	339,984,169
Funds Borrowed	-	3,378,374	15,212,086	21,140,296	20,048,781	10,557,381	-	70,336,918
Money Market Borrowings	-	16,514,998	2,459,776	6,962,354	4,044,212	553,797	-	30,535,137
Securities Issued	-	3,513,402	6,812,169	5,511,925	12,769,236	-	-	28,606,732
Miscellaneous Payables	-	26,422,401	-	-	-	-	1,442,187	27,864,588
Other Liabilities ⁽⁸⁾	9,955	9,671,577	1,517,815	2,728,528	1,841,538	1,728,544	46,674,983	64,172,940
Total Liabilities	120,672,893	186,710,022	111,276,940	52,246,503	39,329,586	12,840,126	48,117,170	571,193,240
Liquidity Excess / (Gap)	(62,377,313)	(59,493,921)	(70,603,232)	82,021,665	101,023,552	47,458,345	(38,029,096)	-
Net Off-Balance Sheet Position⁽⁹⁾								
Receivables from financial derivative instruments	-	113,740,549	55,892,905	38,993,089	65,589,973	60,286,173	-	334,502,689
Liabilities from derivative financial instruments	-	113,202,684	54,954,116	30,863,421	61,580,299	60,286,133	-	320,886,653
Non-Cash Loans⁽¹⁰⁾	-	4,599,891	7,617,309	22,972,053	10,388,544	350,650	14,157,551	60,085,998
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⁾								
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 38,330,750, unallocated provisions amounting to TRY 5,481,194 and current tax liability amounting to TRY 2,872,346

(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 9,463.

(3) Banks include balance of expected loss provisions amounting to TRY 18,919.

(4) Financial assets at fair value through profit/loss includes fair value derivative financial assets through profit loss amounting to TRY 18,686,577 (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 6,845,197 (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 20,856 of expected loss provisions.

(8) Other Liabilities include Derivative Financial Liabilities amounting to TRY 8,673,381 includes derivative financial liabilities reflected in FVOCI. Liquidity excess / (deficit) related to Derivative Financial Instruments constituting Net Off-Balance positions are included in Liquidity Excess/(deficit) through valuations of related transactions to balance sheet.

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE 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 5.64% (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 ^(*)	552,269,397	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	1,068,873	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	6,240,257	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	239,351,490	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	(1,728,138)	(1,420,516)
7	Total Risk Amount	804,592,104	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.

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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) (Assets deducted from capital stock)	527,636,557 1,728,138	330,397,308 1,420,516
Total risk amount related to Assets on Balance sheet	525,908,419	328,976,792
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	25,701,713	19,749,107
Potential credit risk amount of derivative financial instruments and credit derivatives	6,240,257	2,119,562
Total risk amount related to derivative financial instruments and credit derivatives	31,941,970	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 (Adjustment amount sourcing from multiplying to credit conversion rates)	347,265,933 107,914,443	196,081,218 60,166,731
Total risk amount related to off-balance sheet transactions	239,351,490	135,914,487
Capital and Total Risk		
Core Capital	45,362,912	28,238,011
Amount of total risk	804,592,104	487,214,617
Financial leverage ratio		
Financial leverage ratio	5.64%	5.80%

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

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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	1,035,001	6,504,738	678,315	6,245,263
T.R. Central Bank	7,657,268	63,686,630	6,654,230	56,333,197
Others	232,684	325,320	103,735	279,831
Total	8,924,953	70,516,688	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	6,410,821	22,193,010	6,654,230	18,465,910
Restricted Time Deposits	1,246,447	41,493,620	-	37,867,287
Total	7,657,268	63,686,630	6,654,230	56,333,197

As of September 30, 2022, amount of TRY 9,463 (December 31, 2021 – TRY 7,083) provision provided for the account T.R. Central Bank.

As of September 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.

Excluding banks with a Turkish lira deposit/participation fund share of more than 50 percent in both real and legal person deposits, an annual commission of 3 percent will be applied over the required reserve amount for foreign currency deposit/participation fund (excluding foreign banks) liabilities as of September 2, 2022.

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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	5,699	-	1,373	-
Total	5,699	-	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	457,824	-	373,516	-
Swap Transactions	4,463,069	1,924,627	7,457,376	1,722,657
Futures	-	-	-	-
Options	-	528,812	-	289,303
Total	4,920,893	2,453,439	7,830,892	2,011,960

3. a) Information on banks accounts:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Banks	209,129	35,280,532	94,349	15,725,779
Domestic	209,125	114,996	94,336	1,781,296
Foreign	4	35,165,536	13	13,944,483
Foreign Head Offices and Branches	-	-	-	-
Total	209,129	35,280,532	94,349	15,725,779

Amount of TRY 18,919 provision established for banks account as of September 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 8,706,088 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	14,849,393	1,267,901	8,708,828	7,479,468
USA and Canada	11,451,608	5,046,277	-	3,244
OECD Countries (*)	23,153	8,567	-	-
Off-shore Banking Regions	-	-	-	-
Other	132,559	139,039	-	-
Total	26,456,713	6,461,784	8,708,828	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).

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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	-	-	-	-
T.R. Central Bank	-	-	-	-
Banks	-	-	-	-
Brokerage Houses	-	-	-	-
Financial institutions and organizations	-	-	-	-
Other institutions and organizations	-	-	-	-
Real persons	-	-	-	-
From foreign transactions	-	419,489	-	159,508
T.R. Central Bank	-	-	-	-
Banks	-	419,489	-	159,508
Brokerage Houses	-	-	-	-
Financial institutions and organizations	-	-	-	-
Other institutions and organizations	-	-	-	-
Real persons	-	-	-	-
Total	-	419,489	-	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	21,866,464	1,498,211	3,204,419	2,244,960
Subject to repurchase agreements	15,463	7,871,509	500,257	7,553,683
Total	21,881,927	9,369,720	3,704,676	9,798,643

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Debt securities	43,746,434		20,978,048	
Quoted on a stock exchange (*)	43,746,434		20,978,048	
Unquoted on a stock exchange	-		-	
Share certificates	106,983		44,443	
Quoted on a stock exchange	99,202		36,662	
Unquoted on a stock exchange	7,781		7,781	
Impairment provision (-)(**)	(3,002,516)		(1,344,744)	
Total	40,850,901		19,677,747	

(*) The Eurobond Portfolio amounting to TRY 4,728,752 (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 September 30, 2022, amount of TRY 5,323 (December 31, 2021 – TRY 2,815) provision provided for financial assets measured at fair value through other comprehensive income account.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2022

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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	-	115,649	-	55,271
Corporate Shareholders	-	115,649	-	55,271
Individual Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees (*)	222,255	-	170,379	-
Total	222,255	115,649	170,379	55,271

(*) Includes advances given to the bank personnel.

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

b.1) Financial assets measured at amortized cost

Cash Loans	Standard Loans and Other Receivables	Loans Under Close Monitoring(*)			
		Loans and Receivables Not Subject to Restructuring	Restructured Loans and Receivables		
			Loans and Receivables with Revised Contract Terms	Refinance	
Non-Specialized Loans	276,100,542	21,638,210	214,956	9,956,233	
Enterprise Loans	21,753,369	198,280	-	-	
Export Loans	28,145,574	596,358	-	-	
Import Loans	-	-	-	-	
Financial Sector Loans	3,060,516	857	-	-	
Consumer Loans	51,450,779	4,483,779	35,140	1,087,014	
Credit Cards	45,477,860	5,335,326	-	526,855	
Other	126,212,444	11,023,610	179,816	8,342,364	
Specialized Loans	-	-	-	-	
Other Receivables	-	-	-	-	
Total	276,100,542	21,638,210	214,956	9,956,233	

	Standard Loans	Loans Under Close Monitoring
Current Period		
12 Month Expected Credit Losses	3,146,718	-
Significant Increase in Credit Risk	-	5,653,970
Prior Period		
12 Month Expected Credit Losses	2,136,918	-
Significant Increase in Credit Risk	-	3,416,721

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

6. Information related to loans (Continued)

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 September 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 (TRY 353 million) 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	133,857,750	5,335,326	526,855
Medium and Long-term Loans	142,242,792	16,302,884	9,644,334
Total	276,100,542	21,638,210	10,171,189

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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	5,891,033	46,734,078	52,625,111
Housing Loans	2,641	3,427,592	3,430,233
Automobile Loans	980	20,719	21,699
Personal Need Loans	5,887,412	43,285,767	49,173,179
Other	-	-	-
Consumer Loans-FC Indexed	-	1,153	1,153
Housing Loans	-	1,140	1,140
Automobile Loans	-	-	-
Personal Need Loans	-	13	13
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TRY	37,126,655	611,616	37,738,271
Installment	13,879,622	436,595	14,316,217
Non- Installment	23,247,033	175,021	23,422,054
Individual Credit Cards-FC	85,257	142	85,399
Installment	-	-	-
Non- Installment	85,257	142	85,399
Personnel Loans-TRY	18,420	101,097	119,517
Housing Loans	-	71	71
Automobile Loans	-	-	-
Personal Need Loans	18,420	101,026	119,446
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	97,852	736	98,588
Installment	39,776	299	40,075
Non-Installment	58,076	437	58,513
Personnel Credit Cards-FC	339	1	340
Installment	-	-	-
Non-Installment	339	1	340
Overdraft Accounts-TRY (Real Persons)	4,135,209	175,722	4,310,931
Overdraft Accounts-FC (Real Persons)	-	-	-
Total	47,354,765	47,624,545	94,979,310

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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	2,064,147	26,704,653	28,768,800
Real Estate Loans	-	246,764	246,764
Automobile Loans	84,815	1,361,537	1,446,352
Personal Need Loans	1,979,332	25,096,352	27,075,684
Other	-	-	-
Commercial Loans with Installment Facility - FC Indexed	-	301,416	301,416
Real Estate Loans	-	1,542	1,542
Automobile Loans	-	-	-
Personal Need Loans	-	299,874	299,874
Other	-	-	-
Commercial Loans with Installment Facility - FC	-	-	-
Real Estate Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Corporate Credit Cards –TRY	13,265,883	142,062	13,407,945
Installment	5,583,028	84,220	5,667,248
Non-Installment	7,682,855	57,842	7,740,697
Corporate Credit Cards –FC	9,482	16	9,498
Installment	-	-	-
Non-Installment	9,482	16	9,498
Overdraft Accounts-TRY (Legal Entities)	2,079,258	8,757	2,088,015
Overdraft Accounts-FC (Legal Entities)	-	-	-
Total	17,418,770	27,156,904	44,575,674

f) Allocation of loans by customers(*)

	Current Period	Prior Period
Public	200,000	127,577
Private	307,709,941	201,444,168
Total	307,909,941	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	306,157,059	199,914,126
Foreign Loans	1,752,882	1,657,619
Total	307,909,941	201,571,745

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

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

6. Information related to loans (Continued)

h) Loans granted to subsidiaries and associates

	Current Period	Prior Period
Direct Loans Granted to Subsidiaries and Associates	3,936,391	2,202,964
Indirect Loans Granted to Subsidiaries and Associates	-	-
Total	3,936,391	2,202,964

i) Specific provisions for loans

	Current Period	Prior Period
Provisions		
Loans and Receivables with Limited Collectability	461,086	675,951
Loans and Receivables with Doubtful Collectability	758,923	486,017
Uncollectible Loans and Receivables	6,430,156	5,970,188
Total	7,650,165	7,132,156

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

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

	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			
Gross Amounts Before the Provisions	7,646	154,359	407,433
Restructured Loans	7,646	154,359	407,433
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 Loans and Other Receivables with Limited Collectability	IV. Group Loans and Other Receivables with Doubtful Collectability	V. Group Uncollectible Loans and Other Receivables
Prior Period End Balance	1,266,578	767,949	7,481,620
Additions (+)	1,492,221	31,895	499,002
Transfers from Other Categories of Non-Performing Loans (+)	6,643	1,741,666	1,134,005
Transfers to Other Categories of Non-Performing Loans (-)	1,862,684	1,019,630	-
Collections (-)	281,413	382,997	1,197,408
Non-registered (-)	-	-	393,159
Write-offs (-)	-	-	-
Debt Sells	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Others	-	-	-
Current Period End Balance	621,345	1,138,883	7,524,060
Specific Provision (-)	461,086	758,923	6,430,156
Net Balances on Balance Sheet	160,259	379,960	1,093,904

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

6. Information related to loans (Continued)

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

None (December 31, 2021 – None).

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)	160,259	379,960	1,093,904
Loans to Real Persons and Legal Entities (Gross)	621,345	1,138,883	7,348,995
Provision (-)	461,086	758,923	6,255,091
Loans to Real Persons and Legal Entities (Net)	160,259	379,960	1,093,904
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	175,065
Provision (-)	-	-	175,065
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	IV. Group	V. Group
	Loans with Limited Collectability	Loans with Doubtful Collectability	Uncollectible Loans
Current Period (Net)			
Interest accruals and valuation differences	93,986	148,287	1,193,030
Provision amount (-)	72,724	82,357	872,076
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.

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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	6,208,591	854,494	2,882,199	921,323
Medium and Long Term	-	-	6,996	-
Total	6,208,591	854,494	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	39,753	53,781
Collections	(29,395)	(16,511)
Write-offs	-	(37,235)
Dönem Sonundaki Karşılık	92,923	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	4,666,616	2,756,982	1,261,325	635,643
Subject to repurchase agreements	10,902,153	15,061,299	1,506,303	13,431,793
Total	15,568,769	17,818,281	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	32,070,765	19,109,666	14,876,060	14,162,999
Treasury Bill	-	-	-	-
Other Public Sector Debt Securities	-	362,576	-	254,975
Total	32,070,765	19,472,242	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	32,070,765	20,126,540	14,876,060	14,980,916
Publicly-traded	32,070,765	20,126,540	14,876,060	14,980,916
Non-publicly traded	-	-	-	-
Provision for losses (-)	-	-	-	-
Total	32,070,765	20,126,540	14,876,060	14,980,916

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

8. Information on Financial Assets Measured at Amortized Cost (Continued)

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	5,981,622	6,418,170
Acquisitions during the year	9,284,217	5,543,887
Disposals through sales and redemptions	(1,853,381)	(2,609,710)
Impairment provision (-)	-	-
Valuation Effect	8,927,871	1,761,273
The sum of end of the period	52,197,305	29,856,976

As of September 30, 2022, a provision amounting to TRY 20,856 (December 31, 2021 – TRY 9,793) is provided for the financial assets measured at amortized cost.

9. Information on investments in associates (Net)

9.1. Information on investments in associates (Net)

Description	Address (City/ Country)	Bank's Share-If Different, Voting Rights (%)	Bank's Risk Group Share (%)
Banklararası Kart Merkezi (BKM) (*)	Istanbul/Turkey	4.52	4.52
Ulusal Derecelendirme A.Ş. (**)	Istanbul/Turkey	2.86	2.86
İhracaatı Geliştirme A.Ş. (İGE) (***)	Istanbul/Turkey	0.82	0.82

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
601,847	494,145	102,593	28,736	-	122,202	53,975	-
104,324	86,888	31,176	4,486	-	58,825	2,467	-
-	-	-	-	-	-	-	-

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

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

(***) İhracaatı Geliştirme A.Ş. (İGE) period information has not been disclosed to the public yet, so no information can be given.

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	31,250	-
Purchases	-	-
Bonus Shares Received	31,250	-
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	45,276	14,026
Capital Commitments	-	-
Share Percentage at the end of the Period(%)	-	-

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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)

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

	Current Period	Prior Period
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Associates	45,276	14,026
Total	45,276	14,026

9.4. Quoted Associates

None (December 31, 2021 - None).

9.5. Valuation of investments in associates:

	Current Period	Prior Period
Valued at Cost	45,276	14,026
Valued at Fair Value	-	-
Valued at Equity Method	-	-
Total	45,276	14,026

9.6. Cari dönem içinde elden çıkarılan iştirakler

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.	EFİNANS Elektronik Ticaret ve Bilişim Hizmetleri A.Ş. ^(*)	Istanbul/Turkey	100.00	100.00

	Total Assets	Shareholder's Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1.	163,920	12,133	46,981	-	-	9,516	12,730	-
2.	168,306	129,416	7,999	5,481	-	16,679	6,614	-

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

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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)

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

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	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.	2,290,097	958,629	23,028	227,759	9,247	298,998	136,234	-
2.	14,333,666	1,522,390	26,740	998,770	-	283,674	128,124	1,513,259
3.	205,500	193,164	1,247	2,919	-	40,762	13,214	-
4.	7,345,596	453,815	18,833	987,098	-	193,047	50,380	-
5.	110,015	749	-	-	-	366	(57)	-

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	957,182	484,428
Bonus Shares Received	-	-
Purchases	-	-
Dividends from Current Year Profit	-	-
Disposals(*)	-	(25,651)
Revaluation Difference(**)	957,182	510,079
Impairment Provision	-	-
Balance at the End of the Period	3,086,980	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 Hemenal 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	453,815	260,648
Leasing Companies	1,513,259	1,230,205
Finance Companies	-	-
Other Subsidiaries	1,119,906	638,945
Total	3,086,980	2,129,798

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

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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)

b.4) Subsidiaries quoted on stock exchange

	Current Period	Prior Period
Quoted on Domestic Stock Exchanges	1,513,259	1,230,205
Quoted on International Stock Exchanges	-	-
Total	1,513,259	1,230,205

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

None.

10. Information on joint ventures

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

	Total Assets	Shareholder's Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1.	3,521,050	351,257	46,453	-	-	307,565	168,121	-
2.	234,633	142,003	59,464	-	-	36,750	28,151	-

^(*) 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 August 31, 2022 and prior period profit and loss amounts are based on the financial statements prepared as of August 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	6,043,241	4,937,750	4,865,238	4,074,767
Between 1-4 years	8,342,432	7,072,690	6,665,208	5,861,829
Over 4 years	811,884	737,622	872,077	753,152
Total	15,197,557	12,748,062	12,402,523	10,689,748

Finance lease receivables include non-performing finance lease receivables amounting to TRY 363,750 (December 31, 2021 – TRY 444,536) and specific provisions amounting to TRY 286,135 (December 31, 2021 – TRY 298,510).

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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	37,720	181,665
Collections	(17,872)	(16,563)
Written-off	(32,223)	(41,617)
Provision at the end of the period	286,135	298,510

11.2. Information on net Investment on Financial Lease

	Current Period	Prior Period
Gross Finance Lease Investments	15,190,301	12,393,269
Unearned Finance Income (-)	2,442,239	1,703,521
Cancelled Leasing Agreements (-)	-	-
Net Investment on Leases	12,748,062	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.

12. Information on hedging derivative financial assets

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Fair Value Hedge ^(*)	11,117,572	194,673	8,396,620	207,349
Cash Flow Hedge ^(**)	4,993,911	1,851,286	3,214,981	144,482
Net Investment Hedge	-	-	-	-
Total	16,111,483	2,045,959	11,611,601	351,831

^(*) Derivative financial instruments for fair value hedging consist of swaps. As of September 30, 2022, TRY 11,117,572 (December 31, 2021 – TRY 8,396,620) of the said amount is derivatives used in the fair value hedge of the securities issued, TRY 194,673 (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).

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

14. Information on tax asset

As of September 30, 2022, the Parent Bank has TRY 413,524 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 September 30, 2022, the Parent Bank has deferred tax assets amounting to TRY 5,757,896 and deferred tax liabilities amounting to TRY 5,344,372, 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 1,383,376 are netted under equity. (December 31, 2021 – TRY 256,390 deferred tax assets).

	Accumulated Temporary Differences		Deferred Tax Assets/(Liabilities)	
	September 30, 2022	December 31, 2021	September 30, 2022	December 31, 2021
Provision for Employee Rights	1,323,418	1,032,218	330,145	206,707
Difference Between the Book Value of Financial Assets and Tax Base	10,806,375	5,097,757	2,636,494	1,019,551
Other (*)	11,174,524	8,085,958	2,791,257	1,617,192
Deferred Tax Assets			5,757,896	2,843,450
Difference Between the Book Value Financial Assets and Tax Base	(556,276)	(450,917)	(138,745)	(90,183)
Difference Between the Book Value of Financial Assets and Tax Base	(17,209,084)	(10,879,235)	(4,295,748)	(2,175,847)
Other	(3,639,515)	(483,321)	(909,879)	(235,730)
Deferred Tax Liabilities			(5,344,372)	(2,501,760)
Deferred Tax Assets/(Liabilities), Net			413,524	341,690

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

	Current Period 01.01-30.09.2022	Prior Period 01.01-30.09.2021
Deferred Tax as of January 1 Asset/ (Liability)- Net	341,690	1,034,081
Deferred Tax (Loss) / Gain	1,455,210	(697,370)
Deferred Tax that is Realized Under Shareholder's Equity	(1,383,376)	50,171
Deferred Tax Asset/ (Liability) – Net	413,524	386,882

15. Information on assets held for sale and discontinued operations

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

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

16. Information on other assets

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

As of September 30, 2022, provision allocated for other assets amounting to TRY 11,216 (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	21,032,376	4,499,398	19,442,493	2,363,791
Loans	5,617,699	1,974,299	4,113,202	1,172,015
Securities Measured at Amortized Cost	4,437,866	265,531	858,545	241,641
Financial Assets Measured at Fair Value through Other Comprehensive Income	5,656,028	(2,926,915)	282,288	(984,469)
T.R Central Bank	-	-	143,453	-
Receivables from Leasing Transactions	-	-	-	-
Banks	1,610	608	87	11
Financial Assets Measured at Fair Value through Profit/Loss	9,507	(61)	3,139	81
Other Accruals	52,575	23,631	37,658	1,835
Total	36,807,661	3,836,491	24,880,865	2,794,905

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
Foreign Currency	72,054,512	-	20,053,929	56,885,181	19,655,953	3,464,378	2,690,152	5,200	174,809,305
Residents in Turkey	66,917,302	-	19,878,218	55,292,169	18,908,750	2,953,101	1,520,787	5,200	165,475,527
Residents Abroad	5,137,210	-	175,711	1,593,012	747,203	511,277	1,169,365	-	9,333,778
Public Sector Deposits	1,095,137	-	24,183	1,287	-	801	-	-	1,121,408
Commercial Deposits	10,040,683	-	11,004,279	6,003,073	10,744,922	4,615,981	2,561,982	-	44,970,920
Other Ins. Deposits	130,944	-	150,507	738,572	42,839	135,009	42	-	1,197,913
Precious Metal Deposits	22,153,788	-	21,846	78,840	52,929	34,683	1,319,112	-	23,661,198
Bank Deposits	1,036,322	-	2,962,148	5,261,368	420,407	12,511	-	-	9,692,756
T.R. Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	3,811	-	-	-	-	-	-	-	3,811
Foreign Banks	1,029,119	-	2,962,148	5,261,368	420,407	12,511	-	-	9,685,553
Participation Banks	3,392	-	-	-	-	-	-	-	3,392
Other	-	-	-	-	-	-	-	-	-
Total	120,662,938	-	51,448,407	78,622,494	80,352,138	10,073,732	8,510,847	6,369	349,676,925

(*) As of September 30, 2022, the balance of savings deposits includes the amounts of TRY 25,254,494 Treasury Currency Protected Deposits and TRY 43,318,678 CBRT Currency Protected Deposits.

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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)

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 December 31, 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	38,502,510	23,295,512	55,720,915	25,641,369
Foreign Currency Savings Deposits	29,328,637	23,322,540	103,176,496	74,161,488
Other Saving Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
Total	67,831,147	46,618,052	158,897,411	99,802,857

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	8,583	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	470,785	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	479,368	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	697,085	11,700	1,622,423	-
Swaps	3,695,492	2,615,060	7,358,117	1,735,074
Futures	-	-	-	-
Options	2,060	248,266	2,159	67,196
Other	-	-	-	-
Total	4,394,637	2,875,026	8,982,699	1,802,270

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations And Disclosures Related To Consolidated Liabilities (Continued)

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	5,056,274	1,486,657	3,826,595	2,332,481
Foreign Banks, Institutions and Funds	200,471	46,331,110	77,991	31,015,200
Total	5,256,745	47,817,767	3,904,586	33,347,681

b) Information on maturity structure of funds borrowed:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Short-Term	4,561,118	10,731,755	3,112,462	3,208,836
Medium and Long-Term	695,627	37,086,012	792,124	30,138,845
Total	5,256,745	47,817,767	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.

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

As of September 30, 2022, the Group's liabilities comprise; 61% deposits (December 31, 2021 – 59%), 9% funds borrowed (December 31, 2021 – 10%), 5% issued bonds (December 31, 2021 – 8%) and 5% 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	15,092,590	-	1,892,535	-
Financial institutions and organizations	15,076,929	-	1,878,568	-
Other institutions and organizations	5,654	-	5,798	-
Real persons	10,007	-	8,169	-
From foreign transactions	184,563	15,257,984	411,619	15,717,177
Financial institutions and organizations	174,797	15,257,984	407,467	15,717,177
Other institutions and organizations	9,766	-	4,152	-
Real persons	-	-	-	-
Total	15,277,153	15,257,984	2,304,154	15,717,177

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations And Disclosures Related To Consolidated Liabilities (Continued)

5. Information on marketable securities issued (Net)

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Bank Bonds	7,742,931	2,527,021	6,023,724	2,154,632
Asset-backed securities	100,000	-	-	-
Bills	-	18,236,780	-	21,624,460
Total	7,842,931	20,763,801	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.

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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	22,430	10,079	32,586	12,066
Between 1 - 4 years	588,586	487,972	592,466	475,089
More than 4 years	195	103	202	107
Total	611,211	498,154	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 (*)	14,860	956,415	-	1,152,688
Cash Flow Hedge (**)	-	432,443	177,316	668,917
Net Investment Hedge	-	-	-	-
Total	14,860	1,388,858	177,316	1,821,605

(*) Derivative financial instruments for fair value hedging consist of swaps. As of September 30, 2022, TRY 181,481 (December 31, 2021 – TRY 821.225) of securities, TRY 14,860 (December 31, 2021 – None) of securities issued, TRY 774,934 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.

(***) Derivative financial liabilities for Fair Value Hedge are shown in line 7.1 in the financial statements, and derivative financial liabilities for Cash Flow Hedges are shown in line 7.2 of financial statements.

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations And Disclosures Related To Consolidated Liabilities (Continued)

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	426,410	185,947
Stage 2	24,409	13,332
Stage 3	56,469	54,581
Total	507,288	253,860

9.3. Çal 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 September 30, 2022, the Group presented the provision for severance pay of TRY 561,314 (December 31, 2021 – TRY 489,567) under the "Reserves for Employee Benefits" item in its financial statements.

As of September 30, 2022, the Group has shown a total vacation liability of TRY 123,553 (December 31, 2021 – TRY 68,115) under the "Reserves for Employee Benefits" in its financial statements.

As of September 30, 2022, TRY 638,551 (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- 30.09.2022	Prior Period 01.01-30.09.2021
As of January, 1	489,568	295,457
Service cost	44,532	27,201
Interest Cost	67,775	28,503
Settlement / curtailment / termination loss	20,750	16,210
Actuarial differences	(2,672)	(208)
Paid during the period	(58,639)	(30,367)
Total	561,314	336,796

9.4. Information on other provisions

Except for those stated in footnote 9.3 above, other provisions amounting to TRY 418,151 (December 31, 2021 - TRY 336,841) are set aside for lawsuits and tax lawsuits against the Bank, taking into account the adverse situations that may arise from possible changes in the economy and market conditions, and all of them are set aside in accordance with the prudence principle. It includes free provision for possible risks amounting to TRY 3,200,000 (December 31, 2021– None) written off as expense in the period. The Bank has benefited from the relevant articles of the Law No. 7326 regarding various ongoing tax lawsuits.

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations And Disclosures Related To Consolidated Liabilities (Continued)

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 September 30, 2022, The Group's tax liability is amounting to TRY 3,109,454 (December 31, 2021 – TRY 363,799). As of September 30, 2022, in the attached financial statements, The Group has current tax receivables amounting to TRY 20,349 (December 31, 2021 – TRY 2,040). The Group have a pre-paid tax amounting to TRY 237,108 (December 31, 2021 – TRY 196,077).

10.1.2. Information on taxes payable

	Current Period	Prior Period
Corporate taxes payable	2,872,346	167,723
Banking and Insurance Transaction Tax (BITT)	364,367	219,877
Taxation on Securities Income	113,665	75,403
Taxation on Real Estates Income	5,558	3,466
VAT Payable	88,054	54
Other	403	61,502
Total	3,444,393	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.

10.1.3. Information on premiums

	Current Period	Prior Period
Social Security Premiums - Employee Share	31,452	15,417
Social Security Premiums - Employer Share	37,357	17,807
Pension Fund Fee and Provisions – Employee Share	63	31
Pension Fund Fee and Provisions – Employer Share	205	103
Unemployment Insurance - Employee Share	2,211	1,085
Unemployment Insurance - Employer Share	4,426	2,170
Other	194	81
Total	75,908	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	-	9,949,688	-	6,816,673
Subordinated Loans	-	9,949,688	-	6,816,673
Subordinated Debt Instruments	-	-	-	-
Debt Instruments subject to tier 2 common equity	-	7,312,718	-	5,035,891
Subordinated Loans	-	7,312,718	-	5,035,891
Subordinated Debt Instruments	-	-	-	-
Total	-	17,262,406	-	11,852,564

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations And Disclosures Related To Consolidated Liabilities (Continued)

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).

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.

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations And Disclosures Related To Consolidated Liabilities (Continued)

15. Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Associates, Subsidiaries and Entities under Common Control				
Valuation Differences	(2,672)	-	23,479	-
Foreign Exchange Rate Differences	(31,799)	-	6,990	-
	29,127	-	16,489	-
Securities Measured at FV Through Other Comprehensive Income				
Valuation Differences	4,080,801	(3,079,662)	348,334	(1,955,341)
Foreign Exchange Rate Differences	4,080,801	(3,079,662)	348,334	(1,955,341)
	-	-	-	-
Total	4,078,129	(3,079,662)	371,813	(1,955,341)

16. Information on accrued interest and expenses:

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Derivative Financial Liabilities	4,409,497	4,263,884	9,160,015	3,623,875
Deposits	1,877,749	283,133	347,690	61,807
Funds Borrowed	101,771	637,466	92,621	198,742
Money Market Borrowings	20,767	65,057	10,311	52,057
Issued Securities	13,782	172,305	19,163	436,439
Other Accruals	952,429	288,932	421,052	291,202
Total	7,375,995	5,710,777	10,050,852	4,664,122

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	85,296,921	49,733,289
Commitment For Use Guaranteed Credit Allocation	40,779,575	27,844,210
Forward Asset Purchase Commitments	30,678,619	4,053,584
Other Irrevocable Commitments	13,952,476	3,181,145
Payment Commitments for Cheques	3,737,474	2,885,779
Commitments for Promotions Related with Credit Cards and Banking Activities	98,959	71,498
Tax and Fund Liabilities due to Export Commitments	86,529	29,314
Total	174,630,553	87,798,819

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

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 507,288 (December 31, 2021 – TRY 253,860).

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

1. Explanations on off-balance-sheet-commitments (Continued)

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	10,782,608	8,707,676
Letters of Credit	6,400,566	8,268,187
Total	17,183,174	16,975,863

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

	Current Period	Prior Period
Final Letters of Guarantee	15,752,725	11,143,617
Letters of Guarantee	7,155,139	4,679,152
Provisional Letters of Guarantee	1,206,101	989,132
Letters of Guarantee Given to Customs Offices	1,008,529	686,818
Other Letters of Guarantee	17,780,330	12,993,525
Total	42,902,824	30,492,244

2. Total amount of non-cash loans

	Current Period	Prior Period
Non-Cash Loans granted for Obtaining Cash Loans	6,555,293	5,839,204
Less Than or Equal to One Year with Original Maturity	1,099,299	1,088,390
More Than One Year with Original Maturity	5,455,994	4,750,814
Other Non-Cash Loans	53,530,705	41,628,903
Total	60,085,998	47,468,107

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

	Current Period				Prior Period			
	TP	%	YP	%	TP	%	YP	%
Agricultural	140,084	0.56	5,019	0.01	64,146	0.49	187,880	0.55
Farming and Raising Livestock	62,255	0.25	538	-	48,540	0.37	3,788	0.01
Forestry	40,871	0.16	-	-	13,982	0.11	-	-
Fishing	36,958	0.15	4,481	0.01	1,624	0.01	184,092	0.54
Manufacturing	8,132,094	32.06	17,306,929	49.85	2,694,667	20.52	16,869,155	49.13
Mining and Quarrying	103,716	0.41	30,365	0.09	60,835	0.46	54,775	0.16
Production	7,608,695	30.00	17,042,086	49.08	2,419,032	18.42	16,439,294	47.88
Electricity, gas and water	419,683	1.65	234,478	0.68	214,800	1.64	375,086	1.09
Construction	5,541,942	21.85	6,408,273	18.46	3,711,216	28.25	5,393,318	15.71
Services	11,133,629	43.89	10,588,807	30.48	6,341,918	48.28	11,592,111	33.78
Wholesale and Retail Trade	7,721,892	30.45	3,063,706	8.82	4,009,451	30.52	3,844,435	11.20
Hotel, Food and Beverage Services	333,016	1.31	1,118,213	3.22	149,130	1.14	1,224,499	3.57
Transportation Communication	653,945	2.58	767,904	2.21	560,897	4.27	332,004	0.97
Financial Institutions	1,397,702	5.51	5,150,272	14.83	988,705	7.53	5,811,220	16.93
Real Estate and Renting Services	69,574	0.27	18,633	0.05	27,266	0.21	16,753	0.05
Self-Employment Services	546,541	2.15	302,304	0.87	296,136	2.25	262,665	0.77
Educational Services	31,058	0.12	-	-	17,433	0.13	-	-
Health and Social Services	379,901	1.50	167,775	0.48	292,900	2.23	100,535	0.29
Other	414,557	1.64	414,664	1.20	324,143	2.46	289,553	0.83
Total	25,362,306	100.00	34,723,692	100.00	13,136,090	100.00	34,332,017	100.00

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

Cari Dönem ^(*)	I. Group		II. Group	
	TRY	FC	TRY	FC
Letters of Guarantee	22,385,555	19,860,643	385,220	214,937
Bill of Exchange and Acceptances	2,494,713	8,258,430	1,084	28,381
Letters of Credit	38,971	6,360,776	294	525
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Collaterals and Sureties	-	-	-	-
Non-cash Loans	24,919,239	34,479,849	386,598	243,843

(*) The expected loss provisions for non-cash loans amounting to TRY 56,469, 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.

5. Information on derivative financial instruments

	Current Period	Prior Period
Types of trading transactions		
Foreign Currency Related Derivative Transactions (I)	364,135,165	232,956,491
Forward transactions (*)	69,331,224	27,395,688
Swap transactions	264,082,999	200,917,401
Futures transactions	3,257,398	764,011
Option transactions	27,463,544	3,879,391
Interest Related Derivative Transactions (II)	164,263,452	134,510,238
Forward rate transactions	-	-
Interest rate swap transactions	164,263,452	134,510,238
Interest option transactions	-	-
Futures interest transactions	-	-
Security option transactions	-	-
Other trading derivative transactions (III)	2,035,418	1,427,525
A. Total Trading Derivative Transactions (I+II+III)	530,434,035	368,894,254
Types of hedging transactions		
Fair value hedges	49,673,757	46,896,779
Cash flow hedges	105,960,169	66,987,631
Net investment hedges	-	-
B. Total Hedging Related Derivatives	155,633,926	113,884,410
Total Derivative Transactions (A+B)	686,067,961	482,778,664

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

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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)

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	19,054,305	558,921	25,246,160	111,294,758	9,306,532	3,628,987	878,809	788,668	-
USD	7,747,376	26,583,332	211,377,951	112,938,230	3,462,187	8,674,644	762,320	827,601	2,035,418
Euro	5,799,593	5,542,661	31,982,640	59,744,434	1,083,345	1,283,834	-	-	-
Other	1,306,541	2,738,495	30,976,445	419,759	12,030	11,985	-	-	-
Total	33,907,815	35,423,409	299,583,196	284,397,181	13,864,094	13,599,450	1,641,129	1,616,269	2,035,418

(*) 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.

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 installment loan amounting to TRY 7,140,846 (December 31, 2021 – TRY 7,277,481) is subject to hedge accounting with swaps with a nominal amount of TRY 6,439,313 (December 31, 2021 – TRY 5,829,388). As of September 30, 2022, TRY 91,145 net market valuation difference loss, of which TRY 156,354 loss (December 31, 2021 – TRY 750,813 loss) from the said loans (December 31, 2021 – TRY 750,813) gain, and TRY 65,209 gain (December 31, 2021 – TRY 689,193 gain) is included in the accompanying financial statements "Gains/Losses From Financial Derivatives Transactions" account item is accounted for.

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 52,086 are subject to hedge accounting as hedging instrument. As a result of the aforementioned hedge accounting, net market valuation difference expense before tax amounting to TRY 289 in the current period has been recognized in the "Gains/Losses From Financial Derivatives Transactions" account item in the consolidated financial statements.

According to TAS 39, fair value hedge accounting definitions, some of the fair value hedge accounting applications ceased. The fair value differences of the hedged loans are amortized through 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 24,042 (December 31, 2021 – TRY 62,140 gain) related to the loans that are ineffective for hedge accounting under "Gains/Losses From Financial Derivatives Transactions" as gain during the current period.

Similarly; Subsidiary QNB Finans Finansal Kiralama A.Ş. charges the valuation effect of TRY 451 regarding the financial leasing transactions whose effectiveness from hedge accounting has deteriorated, in the current period (December 31, 2021 – None) as expense in the "Gains/Losses From Financial Derivatives Transactions" account in the profit or loss statement.

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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)

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 259,315 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 September 30, 2022, net market valuation difference income of TRY 6,608 arising from, TRY 767,897 expense from aforementioned Eurobonds (December 31, 2021 - TRY 131,060 income) and TRY 774,504 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).

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 September 30, 2022, net market valuation income of TRY 5,892, consisting of TRY 406,530 income from the securities issued (December 31, 2021 – TRY 76,228 income) and TRY 400,638 expense from swaps (December 31, 2021 – TRY 75,193 expense) accounted for in the "Gains/Losses From Financial Derivatives Transactions account item in the tables.

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, swaps amounting to TRY 760,400 are subject to hedge accounting. As of September 30, 2022, TRY 4,671 expense from the securities issued and TRY 4,545 income from swaps, TRY 126 net market valuation difference expense is accounted for in the "Gains/Losses from Derivative Financial Transactions" account in the accompanying consolidated financial statements.

As of September 30, 2022, net market valuation income of TRY 126, consisting of TRY 4,671 expense from the securities issued and TRY 4,545 income from swaps accounted for in the "Gains/Losses From Financial Derivatives Transactions account item in the tables.

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 931,497 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 140 has been recognized under "Gains/Losses 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 September 30, 2022, TRY 371 net market valuation difference income, of which TRY 2,855 is expense from the said loans and TRY 3,227 income from swaps, has been accounted for under the "Gains/Losses from Derivative Financial Transactions" account item in the accompanying consolidated financial statements.

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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

a) Floating Rate Loans

The Parent Bank subjects a certain portion of its floating rate TRY and FX 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 535,790 (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 20 related to the ineffective part is associated with the profit or loss statement (December 31, 2021 - None).

As of the balance sheet date, swaps with a nominal amount of TRY 5,472 million (December 31, 2021 - of TRY1,850 million) have been subject to hedging accounting as hedging instruments. As a result of the said hedge accounting, the fair value income before tax amounting to TRY 295,763 (December 31, 2021 – TRY 165,120) has been accounted for under equity in the current period. Income amounting to TRY 47 related to the ineffective portion is associated with the profit or loss statement (December 31, 2021 - None).

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 5,685 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).

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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))

As of the balance sheet date, swaps with a nominal amount of USD 1,631 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 114 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 2,446,978 are accounted under equity during the current period (December 31, 2021 – TRY 526,927 gain). The income amounting to TRY 2,791 (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 9,597 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 September 30, 2022, hedge of cash flow transactions stated above are determined as effective.

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 431 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 402,433 are accounted for under equity during the current period (December 31, 2021 – TRY 48,015 gain). Income amounting to TRY 803 related to the ineffective portion of the related transaction has been associated with the profit or loss statement.

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 29,891 (December 31, 2021 – TRY 39,561) 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 September 30, 2022, the Parent Bank has no commitments “Credit Linked Notes” (As of December 31, 2021 – None).

As of September 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.

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

7. Information on contingent liabilities and assets

The Parent Bank has recorded a provision of TRY 270,445 (December 31, 2021 – TRY222,837) 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.

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

MOODY'S August 2022		FITCH July 2022	
Long-Term Deposit Rating (FC)	B3	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 Appearance	b1	Support	b-
Long-Term Foreign Currency	B3	Financial Capacity Rating	b-

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	12,092,505	1,048,403	5,788,047	358,799
Medium and Long-Term Loans	10,910,620	3,113,913	5,949,247	1,554,701
Non-Performing Loans	476,632	-	348,723	-
Resource Utilization Support Fund Premiums	-	-	-	-
Total^(*)	23,479,757	4,162,316	12,086,017	1,913,500

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

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(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)

b) Information on interest income received from banks:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
T.R. Central Bank ^(*)	-	-	-	-
Domestic Banks	13,519	786	26,046	485
Foreign Banks	785	143,298	2,382	8,981
Foreign Headquarters and Branches	-	-	-	-
Total	14,304	144,084	28,428	9,466

(*) Interest received from Required Reserves amounting to TRY 130,135 is not included in the interest income received from banks (September 30, 2021 – TRY 303,571).

c) Information on interest income received from marketable securities

	Current Period	
	TP	YP
Financial Assets Measured at Fair Value through Profit/Loss	49,399	4,009
Financial Assets Measured at Fair Value through Other Comprehensive Income	3,096,849	542,569
Financial Assets Measured at Amortized Cost	9,445,320	813,852
Total	12,591,568	1,360,430

	Prior Period	
	TP	YP
Financial Assets Measured at Fair Value through Profit/Loss	18,396	2,056
Financial Assets Measured at Fair Value through Other Comprehensive Income	895,687	362,678
Financial Assets Measured at Amortized Cost	1,271,916	407,444
Total	2,185,999	772,178

As stated in Section Three disclosure VII.2, the Bank has inflation indexed (CPI) government bonds in its Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) and Financial Assets Measured at Amortized Cost portfolios. As disclosed in 'Inflation Indexed Bonds Manual' published by Republic of Turkey Ministry of Treasury and Finance, reference index used for the actual payments is determined based on the inflation rates of two months before. The Bank determines the estimated inflation rates used for valuation of securities in line with this. The estimated inflation rate used is updated during the year when necessary. In this context, as of September 30, 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 September 30, 2022, the Group's marketable securities valuation differences would be decreased by TRY 410,000 and net profit would be increased by TRY 2,797,000 to TRY 14,269,918.

d) Information on interest income received from associates and subsidiaries

	Current Period	Prior Period
Interest Received from Affiliates and Subsidiaries	-	-

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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)

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Banks	617,726	2,050,924	314,882	981,616
T.R. Central Bank	-	-	-	-
Domestic Banks	567,370	103,072	274,858	60,670
Foreign Banks	50,356	1,947,852	40,024	920,946
Foreign Headquarters and Branches	-	-	-	-
Other Institutions	-	-	-	-
Total	617,726	2,050,924	314,882	981,616

^(*) 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	7,443	2,898

c) Information on interest expense paid to securities issued

As of September 30, 2022, the amount paid to securities issued is TRY 1,963,344 (September 30, 2021 – TRY 1,155,319).

d) Information on maturity structure of interest expenses on deposits

Account Name	Current Period							Accumulated Deposit Account	Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year	Time Deposits		
Turkish Lira									
Bank Deposits	-	46,240	-	-	-	-	-	-	46,240
Saving Deposits	23	1,725,449	1,698,280	3,299,944	217,976	139,898	-	-	7,081,570
Public Sector Deposits	-	2,833	1,349	30	85	-	-	-	4,297
Commercial Deposits	2	893,409	512,439	337,025	1,083,035	127,697	-	-	2,953,607
Other Deposits	-	8,850	66,464	1,760	9,746	6	-	-	86,826
7 Days Call Accounts	-	-	-	-	-	-	-	-	-
Total	25	2,676,781	2,278,532	3,638,759	1,310,842	267,601	-	-	10,172,540
Foreign Currency									
Deposits	4	150,926	769,778	254,119	33,199	42,201	-	-	1,250,227
Bank Deposits	109	49,914	89,242	6,624	211	-	-	-	146,100
7 Days Call Accounts	-	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	9,548	-	-	-	-	-	-	9,548
Total	113	210,388	859,020	260,743	33,410	42,201	-	-	1,405,875
Grand Total	138	2,887,169	3,137,552	3,899,502	1,344,252	309,802	-	-	11,578,415

Account Name	Prior Period							Accumulated Deposit Account	Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year	Time Deposits		
Turkish Lira									
Bank Deposits	-	49,031	-	-	-	-	-	-	49,031
Saving Deposits	31	1,168,994	2,967,457	273,651	106,271	128,025	-	-	4,644,429
Public Sector Deposits	-	1,221	48	129	3	-	-	-	1,401
Commercial Deposits	8	579,282	802,882	50,624	27,669	1,795	-	-	1,462,260
Other Deposits	-	4,312	60,152	8,964	20,135	23	-	-	93,586
7 Days Call Accounts	-	-	-	-	-	-	-	-	-
Total	39	1,802,840	3,830,539	333,368	154,078	129,843	-	-	6,250,707
Foreign Currency									
Deposits	3	10,352	158,859	37,858	8,188	21,563	-	-	236,823
Bank Deposits	119	10,687	10,181	2,610	-	-	-	-	23,597
7 Days Call Accounts	-	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	4,307	-	-	-	-	-	-	4,307
Total	122	25,346	169,040	40,468	8,188	21,563	-	-	264,727
Grand Total	161	1,828,186	3,999,579	373,836	162,266	151,406	-	-	6,515,434

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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)

e) Information on interest expenses on repurchase agreements

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Interest Expenses on Repurchase ^(*)	1,741,712	239,784	767,963	100,716

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

f) Information on finance lease expenses:

	Current Period	Prior Period
Leasing Expenses	72,869	44,691

g) Information on interest expenses on factoring payables

None (September 30, 2021 – None) -

3. Information on dividend income

	Current Period	Prior Period
Derivative Financial Assets at Fair Value Through Profit or Loss	-	-
Financial Assets at Fair Value Through Profit or Loss	1,676	448
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-
Other	15,052	681
Total	16,728	1,129

4. Information on trading gain/loss

	Current Period	Prior Period
Trading Gain	27,224,759	11,807,524
Gain on Capital Market Transactions	936,458	166,689
From Derivative Transactions	10,080,674	4,241,802
Foreign Exchange Gains	16,207,627	7,399,033
Trading Loss (-)	27,261,826	14,683,367
Losses on Capital Market Transactions	559,256	83,722
From Derivative Transactions	15,871,188	7,811,479
Foreign Exchange Losses	10,831,382	6,788,166
Net Trading Gain/Loss	(37,067)	(2,875,843)

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.

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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)

6. Provision for losses

	Current Period	Prior Period
Expected Credit Losses	4,196,270	1,564,557
12 Month Expected Credit Loss (Stage 1)	1,032,882	476,681
Significant Increase in Credit Risk (Stage 2)	1,884,492	211,570
Lifetime ECL Impaired Credits (Stage 3)	1,278,896	876,306
Marketable Securities Impairment Provision	2,508	1,038
Financial Assets Measured at Fair Value Through Profit/Loss	-	-
Financial Assets Measured at Other Comprehensive Income	2,508	1,038
Provisions for Impairment of Associates, Subsidiaries and Joint Ventures	-	-
Investment in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other^(*)	3,595,143	80,661
Total	7,793,921	1,646,256

(*) Includes free provision expense for possible risks amounting to TRY 3,200,000 allocated in the current period.

7. Information on other operating expenses:

	Current Period	Prior Period
Severance Pay Provision Expense ^(*)	74,418	41,547
Tangible Fixed Asset Depreciation Expenses	436,241	357,182
Intangible Asset Depreciation Expenses	167,106	130,471
Other Operating Expenses	2,198,860	1,084,144
TFRS 16 Leasing expenses	2,822	2,175
Maintenance expenses	697,012	295,556
Advertisement expenses	153,437	73,087
Other expenses	1,345,589	713,326
Loss on sales of assets	61	424
Other	759,614	470,937
Total	3,636,300	2,084,705

(*) 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 September 30, 2022, net interest income is TRY 25,548,537 (September 30, 2021 – TRY 8,436,547), net fee and commission income is TRY 4,715,960 (September 30, 2021 – TRY 2,614,638) and other operating income is TRY 277,314 (September 30, 2021 – TRY 400,447) has an important place.

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 September 30, 2022, the Group has recognized deferred tax expense amounting to TRY 1,455,210 (September 30, 2021 – TRY 697,370 deferred tax expense) and current tax expense amounting to TRY 6,246,153 (September 30, 2021 – TRY 104,795 current tax income) from its continuing operations.

9.2. Explanations on operating profit/loss after taxes

None (September 30, 2021 – None).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2022

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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)

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

The profit generated by the Group from continuing operations is TRY 11,472,918 (September 30, 2021 – TRY 2,601,110), and the discontinued operation loss is none. (September 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 (September 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 (September 30, 2021 – None).

11.3. Profit/Loss Attributable to Minority Shares

	Current Period	Prior Period
Profit/Loss Attributable to Minority Shares	1,710	773

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.

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2022

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VII. Explanations And Disclosures Related To The Parent Bank's Risk Group

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

1.1. As of September 30, 2022, the Bank's risk group has deposits amounting to TRY 680,109 (December 31, 2021 – TRY 586,647) , cash loans amounting to TRY 2,838 (December 31, 2021 – TRY 1,773) and non-cash loans amounting to TRY 121,887 (December 31, 2021 – TRY60,889).

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	-	748	-	115,649	2,838	5,490
Interest and Commission Income	-	-	-	1,705	646	-

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 ^(**)	-	-	-	267	678	-

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

^(**) Prior Period represents September 30, 2021 balance.

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	145,861	60,887	-	-	534,248	525,760
Interest and Commission Income ^(**)	7,443	2,898	-	-	22,617	18,133

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

^(**) Prior Period represents September 30, 2021 balance.

QNB FİNANSBANK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2022

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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)

1.3. 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(**)	-	-	59	198	382	-
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 September 30, 2021 balance.

1.4. Information regarding benefits provided to the Top Management

As of September 30, 2022, the total amount of remuneration and bonuses paid to key management of the Group is TRY 253,562 (September 30, 2021 – TRY 173,829).

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 September 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%).

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 Ibtch Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek Sanayi ve Ticaret A.Ş. regarding research, development, advisory and improvement services.

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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)

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
07/10/2022	TRY	850,290	91
14/10/2022	TRY	602,000	126
24/10/2022	GBP	9,600	91

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. Other matters

None.

QNB FİNANSBANK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2022

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

SECTION SIX

AUDITOR'S REVIEW REPORT

I. Explanations on Auditor's Review Report

The consolidated financial statements for the period ended September 30, 2022 have been reviewed by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. The auditor's report dated October 27, 2022 is presented preceding the consolidated financial statements.

II. Explanations and Notes Prepared by Independent Auditors

None (December 31, 2021 – None).

QNB FİNANSBANK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2022

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

SECTION SEVEN

CONSOLIDATED INTERIM ACTIVITY REPORT

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

Message by the Chairman

Dear Shareholders,

After the pandemic, we are in the fourth quarter of 2022, the year that the war in Ukraine, the energy crisis, and high inflation have dominated the agenda.

The inflation problem which took effect all over the world, and the trend of slowing down production, which comes with the energy shortage in Europe, affect our region adversely as well.

The International Monetary Fund (IMF) published the October 2022 issue of the World Economic Outlook Report with the title of "Countering the Cost-of-Living Crisis". While emphasizing that the world economy is experiencing a series of turbulent difficulties, it was noted that high inflation, tightening financial conditions in most regions, Russia's war in Ukraine, and the Covid-19 pandemic generate heavy pressure on the economic outlook.

In its report, the IMF maintained its 2022 growth forecast for the global economy at 3.2% and revised its growth forecast for 2023 from 2.9% to 2.7%. The IMF's 2022 and 2023 growth expectations for the Turkish economy were announced as 5% and 3%, respectively, while the 2023 inflation projection was announced as 50%.

In the face of all these conditions, while Türkiye is an essential producer in the critical supply chain in both Europe and the region, Türkiye is working to improve exports and current account balance and decrease inflation.

The statements of the Central Bank that it will stop the decreasing interest rate series also started to provide relief in the markets. The most important issue for Türkiye will be the efforts to provide the appropriate macro policies and fiscal discipline to reduce inflation.

Within the framework of all these conditions, the banking sector will continue its efforts to contribute to the real economy, support the balance in the markets and production and investments with the need for funding.

Türkiye has faced such important economic fluctuations several times. The robust banking sector emerged as the most important assurance in these periods. Today, I firmly believe that the banking sector will be the guarantee of the economy.

In a year prevailed by global cyclical uncertainties, the Turkish banking sector continues to sustain its robust structure. Our Group continues to support the Turkish economy with its strong capital structure, steady financial performance, and proactive risk management approach. As of September 30, 2022, the total assets of Parent Bank increased by 49%, compared to the year end of 2021, reaching TRY 571 billion 193 million. In the same period, net loans grew by 51% to TRY 320 billion 107 million, and customer deposits rose by 60% to TRY 339 billion 984 million. In the first nine months of 2022, our the Group's net profit for the period realized at TRY 11 billion 473 million.

As the banking sector, we manage the economic fluctuations in the world and Türkiye with the right and timely strategies, while catching up with the pace of digitalization and speeding up our sustainability efforts for a better future.

We continue to work on sustainability at full speed. While we carry out activities that will raise awareness among our financiers, our customers, and the public, we also continue to constantly review our credit policies from a sustainability perspective and take remedial actions.

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

Kind regards,

QNB FİNANSBANK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2022

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

SECTION SEVEN(Continued)

CONSOLIDATED INTERIM ACTIVITY REPORT(Continued)

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

Message by the General Manager

Dear Shareholders and Board Members,

The world is entering the fourth quarter of 2022 with struggling whilst the inflationary backdrop including the developed economies, the ongoing energy crisis in Europe, political uncertainties that have been going on for some time and slowing economic activity as a result of all these factors.

Along with the world, Türkiye continues to struggle with high inflation as well. The fight against inflation and markets functioning in a stable environment based on trust stands out as the most important matters in the economy.

Our focus is on the energy shortage experienced in Europe, where we export the most, and the effects of the decrease in production and demand, which will be experienced along with it. On the other hand, the production for Europe's needs and the importance of the supply chain provides an opportunity for Türkiye.

As the banking sector, we will continue to support the economy in this process for growth in both exports and production, by contributing to economic growth.

Amid all these uncertainties, the Group wrapped up the third quarter of 2022 with steady growth on the back of right strategies and successful management. As of September 30, 2022, the total assets of the Parent Bank increased by 49%, compared to the end of 2021, reaching TRY 571 billion 193 million. In the same period, the Parent Bank's net loans increased by 51% to TRY 320 billion 107 million, while customer deposits rose by 60% to TRY 339 billion 984 million. In the first 9 months of 2022, the Parent Bank's net profit for the period realized at TRY 11 billion 473 million. As of September 30, 2022, total equities increased by 73%, compared to the year-end of 2021, reaching TRY 38 billion 331 million.

While we launched many banking products and services supporting both our customers and economy in the third quarter of 2022, we continued to carry out important strategic studies with all our banks and subsidiaries regarding sustainability.

In this context, we will continue to offer e-Invoice and other e-Transformation Services free of charge to new customers until 2025, on the Digital Bridge Platform, which we have implemented to accelerate the digital transformation of SMEs and larger-scale companies, and which also contains very important services for the manufacturing and exports. On the other hand, we started to train foreign trade ambassadors with the Digital Bridge Step-by-Step Export Program. In this context, the "Foreign Trade Advanced Level Certificate Training Program", which we organized in-house under the "Digital Bridge Step-by-Step Export Program", had its first graduates.

We continued to introduce sustainability-related resources to our economy and increase our product range in this field. We have raised up to USD 50 million in funding from the EBRD to be used for women-led SMEs. We have agreed with Merrill Lynch International to perform swap transactions based on sustainability performance criteria. In addition, we provide all the electrical energy needed by our bank from renewable energy sources.

Furthermore, sustainability is now becoming an indispensable condition in supporting the economy. Our subsidiary, QNB Finansleasing, and the European Bank for Reconstruction and Development signed a new loan agreement of EUR 25 million. The funding raised will be used to finance investments that support the green economy, energy efficiency projects of SMEs, and green transformation-based investments of women entrepreneurs.

In the capital markets, our subsidiary, QNB Finansinvest broke a record with a total public offering of TRY 3.1 billion in the first 9 months of 2022. With the public offerings it led as a brokerage house during this period, QNB Finansinvest introduced important brands in the renewable energy, textile, iron-steel, and technology sectors to the capital markets.

QNB FİNANSBANK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2022

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

SECTION SEVEN(Continued)

CONSOLIDATED INTERIM ACTIVITY REPORT(Continued)

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

QNB Finansbank has taken its place among the best employer brands in the world by receiving two awards from the Stevie Awards for Great Employers Program with its human resources applications while being the winner of the 'Best Digital Transformation Bank of the Year' and 'Best Online Services Bank for Micro and SMEs' awards from Global Finance and Review magazine with its Digital Bridge solutions.

Under the umbrella of our Little Hands Big Dreams Platform, we continue our trainings with no decelerating, in the scope of many subjects, from coding to mathematics to art, to producing projects for a sustainable future for children.

Thank you very much to our esteemed financiers, customers and shareholders, who have been a part of the Parent Bank's growth within the framework of sustainability principles by contributing to all these achievements.

Kind regards,

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

Principal Financial Indicators (Million TRY)	September 30, 2022	December 31, 2021
Total Loans	320,107	212,565
Securities	94,103	50,090
Total Assets	571,193	383,849
Customer Deposits	339,984	212,899
Equity	38,331	22,152
	September 30, 2022	December 31, 2021
Net Interest Income	25,549	8,437
Net Fee and Commission Income	4,716	2,615
Provision for Loans and Other Receivables (-)	7,794	1,646
Profit Before Tax	16,264	3,403
Tax Provision	4,791	802
Net Profit for the Period	11,473	2,601

As of September 30, 2022, the Group's total assets increased by 49% compared to the end of 2021 and reached TRY 571 billion 193 million. In the same period, net loans increased by 51% and reached TRY 320 billion 107 million, while customer deposits increased by 60% and reached TRY 339 billion 984 million.

In the first nine months of 2022, the Group's net interest income has reached TRY 25 billion 549 million, while its net fee and commission income has been TRY 4 billion 716 million. The Group's profit before tax was TRY 16 billion 264 million and its net profit for the period was TR Y11 billion 473 million.

As of September 30, 2022, the Group's total shareholders' equity increased by 73% compared to the end of 2021 and reached TRY 38 billion 331 million; capital adequacy ratio was realized as 14.84%.

As of September 30,2022, the Group has operated with 440 branches and 12,915 employees.

QNB FİNANSBANK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2022

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

SECTION SEVEN(Continued)

CONSOLIDATED INTERIM ACTIVITY REPORT(Continued)

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

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

Assets

As of September 30, 2022, total consolidated performing loans increased by 51% and reached TRY 320 billion 107 million in 2022 while total consolidated assets increased by 49% and reached TRY 571 billion and 193 million compared to the end of the previous year.

Liabilities

As of September 30, 2022, shareholders' equity of the Group increased by 73% and reached TRY 38 billion and 331 million and total customer deposits of the Group increased by 60% and reached TRY 339 billion and 984 million compared to year-end of 2021.

Profitability

In the first nine months period of 2022 compared to same period of prior year, the Group's net interest income increased and reached TRY 25 billion and 549 million and net fees and commission income increased and reached TRY 4 billion 716 million. Profit before tax of the Parent Bank reached TRY 16 billion 264 million and the net profit for the period reached TRY 11 billion 473 million.

As of September 30, 2022, the Group operates with 12,915 employees.

Solvency

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

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

General Grants realized during the Period

General grants realized as of September 30, 2022 was TRY 1,007.

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