Annual Report 2020

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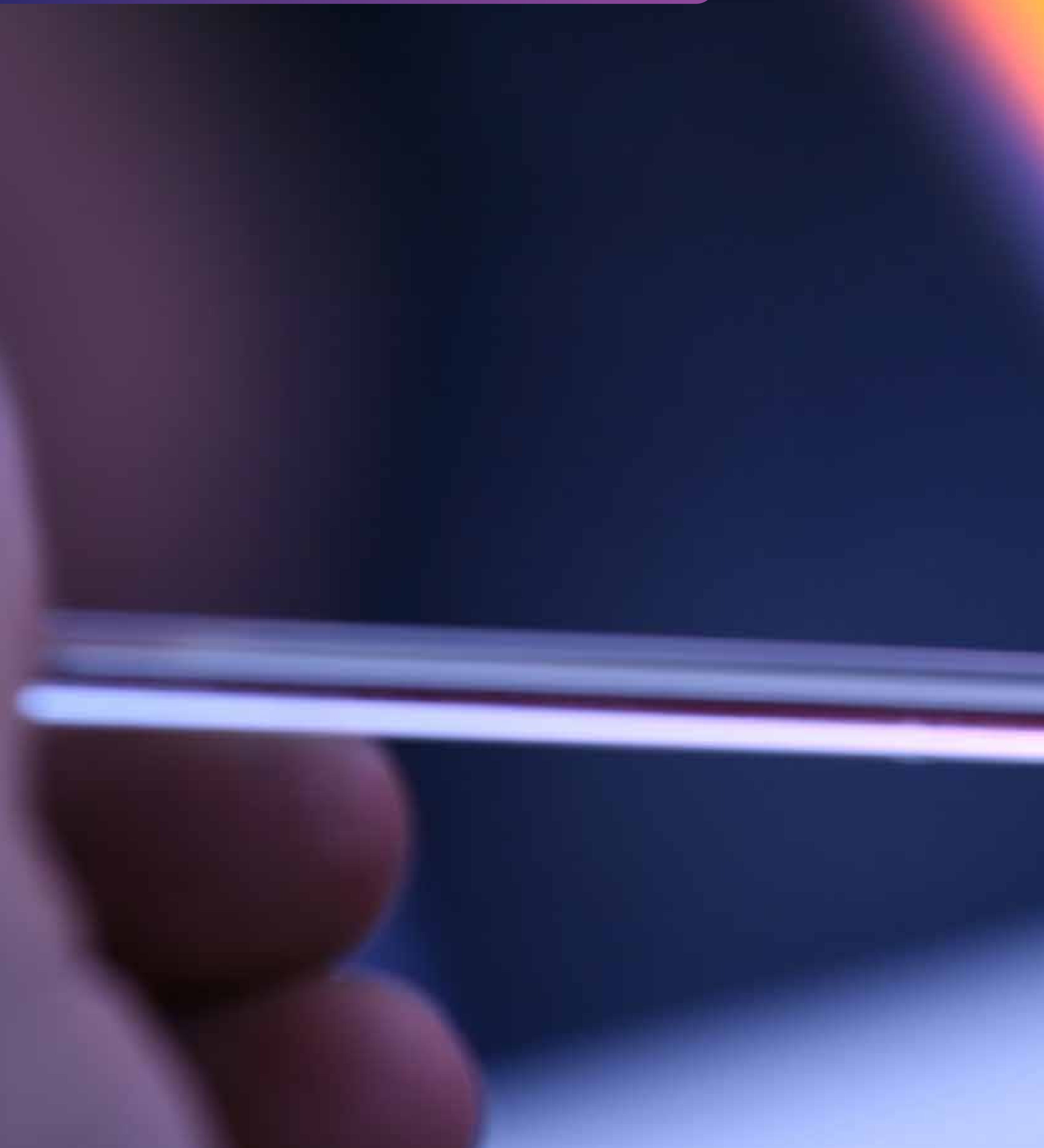

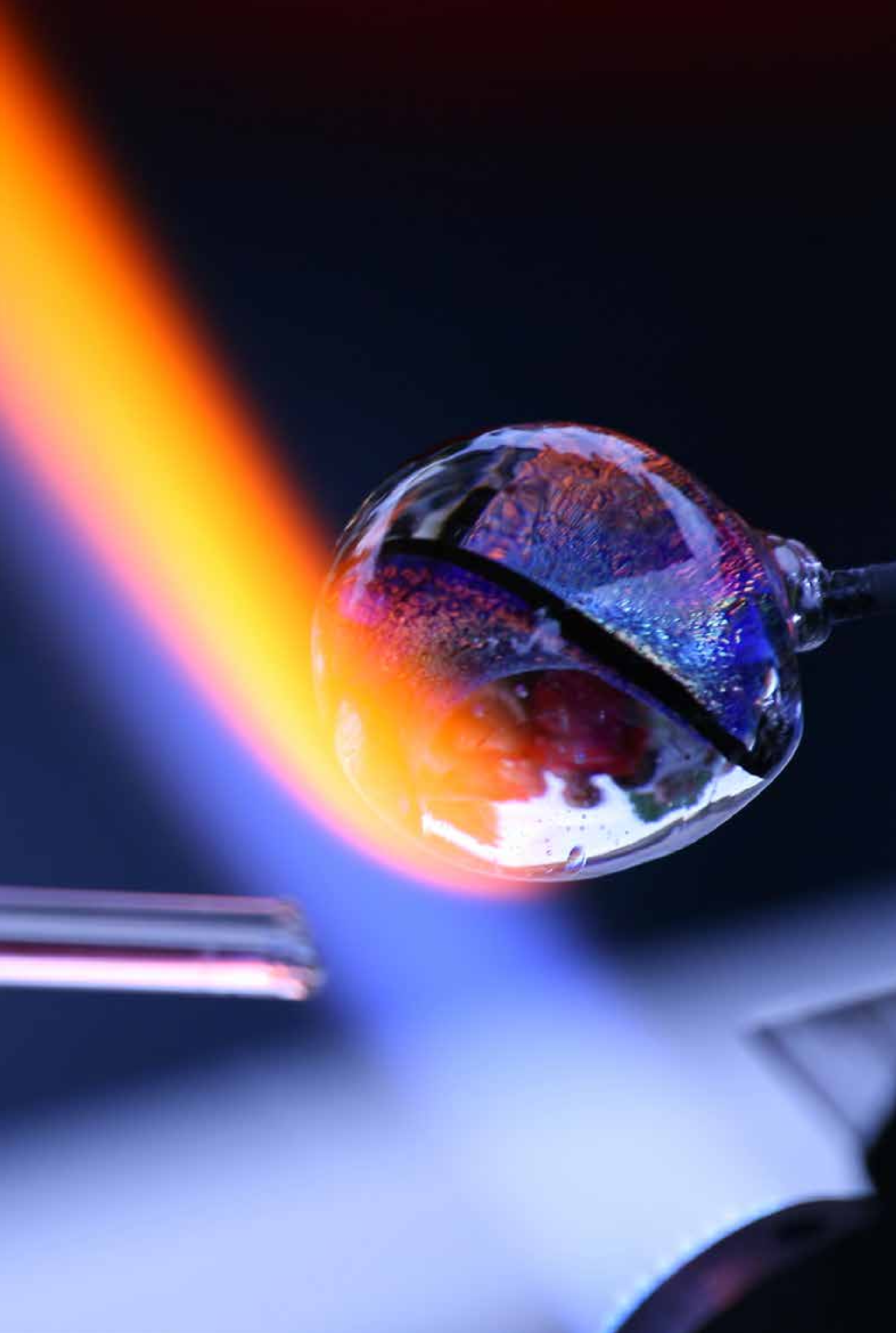

Message from the Chairperson

Ömer A. Aras
Chairperson

Dear Shareholders,

We left an extraordinary year behind us. The year 2020 disrupted all of our estimates and objectives set at the beginning of the year, making us prioritize human health above anything else.

The pandemic did not only affect health; it also caused us to expect the world's most significant economic recession since the Second World War. In its Global Economic Outlook for January 2021, The World Bank stated that they expected the global economy to contract by 4.3% due to the pandemic of COVID-19 in 2020.

In Turkey, thanks to measures taken especially for the survival of the real sector as well as the initiatives taken by the government and the banking industry on this issue, the economic crisis will be overcome more easily. As a result of these initiatives, Turkish economy grew by 1.8% in 2020.

The World Bank projects 5% GDP growth for Turkey in 2021. In a statement published in January, the IMF announced its growth projection for Turkey in 2021 as 6%, noting that recent monetary measures taken have increased the confidence in Turkish Lira.

The initiation of vaccinations gives us hope that we will be in a safer world especially in the second half of the year, compared to 2020. With indications that global commerce will be more vigorous in the second half of 2021, a growth of 4.0% and 3.8% is expected globally for 2021 and 2022, respectively.

All of us must be prepared for a much more important process after taking the pandemic under control and slowing down the economic crisis. Other key issues of this year will include global warming and the exhaustion of natural life sources of the globe, particularly water. All of us should strive for a more sustainable world with lower carbon emissions.

As a result of the pandemic, we cannot deny that digitalization will increase even more than we expected. During this crisis, the banking industry and QNB Finansbank quickly adapted to the process as institutions that were better able to digitalize their activities.

However, now, all components of the economy, from individuals to the smallest enterprises, will complete their digitalization process in the fastest manner. From now on, the economy will facilitate the rapid growth of entities adopting the fastest and state of art technologies.

QNB Finansbank will continue to lead the industry in the processes of digitalization and new technologies that have accelerated with the outbreak of the pandemic.

In this new world, we will maintain our growth with a new, more digital management structure that facilitates work from home and focuses on technology and people.

With projects conducted as part of our corporate social responsibility platform "Small Hands Big Dreams", we will continue to help children prepare for the future. We will commit to making the future more positive by embracing the principle of "sustainability for a more habitable world".

In 2020, we sustained our consistent growth despite these chaotic conditions. In spite of these challenges arising from COVID-19, slowed economic growth, containment measures, and intense competition of public banks, we reached the end of 2020 successfully. We managed to have a sound balance sheet by taking measured risks aligned with robust credit policies. By assessing the conditions created by the pandemic, we focused on developing innovative and creative solutions in many areas. We achieved significant productivity growth with new ways of doing business.

Our affiliates also showed a great performance this year. They cooperated effectively with the Bank and contributed positively to the financial performance of our group.

As of December 31, 2020, the total assets of our Bank amounted to TL227 billion 253 million, increasing by 25% compared to the year-end of 2019. In the same period, net loans increased by 25%, reaching TL138 billion 719 million, while customer deposits rose by 26%, reaching TL125 billion 976 million. Bank's net profit for the year 2020 realized at TL2 billion 487 million.

Once again, I would like to thank all of my colleagues, their families who have supported them during pandemic period, clients, and stakeholders for their contributions which helped the growth of QNB Finansbank under the extraordinary conditions of 2020.

Kind regards,

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

Message from the CEO

Temel Güzeloğlu
CEO

Dear Shareholders and Board Members,

QNB Finansbank reached the end of 2020, the year in which we experienced extraordinary conditions that made history, such as COVID-19, earthquakes, geopolitical risks, and downturn around the world, with a consistent growth once again.

As of December 31, 2020, the total assets of QNB Finansbank reached TL227 billion 253 million, increasing by 25% compared to the year-end of 2019. In the same period, net loans increased by 25%, reaching TL138 billion 719 million, while customer deposits rose by 26%, reaching TL125 billion 976 million. Bank's net profit for the year 2020 realized at TL2 billion 487 million.

The equity of the Bank increased by 15%, compared to the year-end of 2019, reaching TL19 billion 222 million, and the Bank's capital adequacy ratio was 16.4% as of December 31, 2020.

Since the beginning of the pandemic, QNB Finansbank has been among the banks taking action as quickly as possible both for ensuring the health of our employees and customers and providing solutions to the problems of the real sector. QNB Finansbank has become the first bank to limit the number of customers inside its branches, and to adopt remote working practices with its digital and technological infrastructure, and providing top-notch banking services.

In order to support the real sector, we continued to help all industries with opportunities such as debt relief for 3 months, KOSGEB loans, return-to-business credits, and loan support packages as well as our solutions for the digitalization of SMEs in line with our Digital Bridge project.

In Turkey, the turnover limit decreased to TL5 million for obligatory e-Invoice liability and to TL25 million for e-Waybill as of July 1, 2020; meanwhile, we committed to providing free e-Transformation services to enterprises with the Digital Bridge project until 2022.

In May 2020, when the pandemic, as well as the chaos in the world economy, reached its peak, we upsized our syndication loan and raised USD390 million in foreign funds with differing maturities from international banks and institutions. Thanks to these funds, we continued to increase our support to the Turkish economy.

In November 2020, we upsized our second syndication loan once again as a result of the high demand and great interest from investors. We entered into an agreement with 33 international banks from 19 countries to get a syndication loan amounting to USD350 million in total, consisting of USD113.5 million and EUR200.5 million with a maturity of 367 days.

Especially, our digital banking solutions created with our technological infrastructure showed once again the superiority of our insights under the conditions of the pandemic in 2020. With our digital solutions, we quickly performed all banking services and maintained to be a pioneer for smart banking.

As one of the first activities of QNB Finansbank's initiative facilitation program, QNBEYOND, our digital assistant Q gave a new direction to the lives of 3.5 million mobile branch customers in 2019. Brought to life by QNB Finansbank, the digital assistant Q helps banking to become even smarter and easier, providing a conversational environment with financial intelligence. Q makes regular payments on behalf of our customers, while also facilitating their banking activities with its conversational abilities.

We maintained our banking activities and quick and advanced digital solutions as well as works for achieving a better and more sustainable world. QNB Finansbank signed the "CEO Statement for Renewed Global Cooperation" which was issued by the UN Global Compact as part of the United Nations' 75th-anniversary commemoration. Attesting to its support to the United Nations and inclusive multilateralism with this Statement once again, QNB Finansbank also strengthened its commitment to the United Nations Global Compact (UNGC).

Standing by all enterprises with its comprehensive and exclusive export packages, our Bank made an agreement with the world's largest online B2B platform, AliExpress, and provided customized e-export opportunities for SMEs.

We are heading towards 2021 with our smart and efficient banking solutions shaped in line with the needs of the "new normal". With the impact of the pandemic, we witnessed the significance of our technological investments to date once again. As in other industries, the pandemic also facilitated the quick digitalization of our industry. While continuing to support our customers with banking services that provide security and speed simultaneously, we also aim to ensure human health in all processes with the developments in our digital channels.

We are leaving behind a year in which our Bank attained phenomenal successes and strong results despite all these challenges. With our applications of QNB First and QNB First Digital, we won four awards as part of the Stevie International Business Awards. Thanks to QNB First Digital, we won a Gold Stevie for "Best Use of Technology in Customer Services", a Silver Stevie for "Sales & Marketing Mobile Application", and a Bronze Stevie for "Innovative Use of Technology in Customer Services" while winning a Bronze Stevie for "Best Customer Satisfaction Strategy" with our QNB First. Still, QNB First Digital, our new Mobile Branch exclusively designed for the QNB First platform under the brand of QNB First, was awarded first place in the category of "Best Digital Strategy" at the European Customer Centricity Awards, one of the most important customer experience contests in Europe.

This year, another development making us proud was that we were named the Best Bank for SMEs in the Middle East and Eastern Europe in "2020 Awards for Excellence" by one of the world's most prominent and prestigious financial institutions and publishing groups, Euromoney.

Enpara.com was named the best website in Turkey in the Banking & Finance category at the 18th edition of the Golden Spider Web Awards this year.

The year 2020 has shown us that we can succeed in anything if we act from our commitments and beliefs. I believe that 2021 will be a year in which our Bank will renew itself and become stronger.

Our Human Resources practices also continued to be appreciated in the international arena. As part of "The Stevie Awards for Great Employers", QNB Finansbank's Human Resources department won five Stevie Awards in total, consisting of Gold Stevie Awards for "Best Youth Employment Strategy" and "Most Innovative Talent Acquisition Program", a Silver Stevie for "Achievement in Recruitment", and Bronze Stevie Awards for "Best Talent Acquisition Process", and "Recruiting and Talent Acquisition Team of the Year".

In the "Excellence Awards" organized by Brandon Hall Groups, which select companies with the best management processes and systems around the world, QNB Finansbank won four awards in total, consisting of Gold awards for "Best Unique or Innovative Talent Acquisition Program" and "Best Unique or Innovative Talent Management Program", a Silver award for "Best Advance in High Potential Development", and a Bronze award for "Best Sourcing & Assessment Strategy", thanks to its Talent Acquisition Programs.

We also continued our coding training as part of the "Small Hands Big Dreams" Platform during COVID-19. This project was awarded once again this year: finally, it won a special award for Social Value in the awards of Turkish Capital Markets Association (TCMA), thanks to its "Small Hands Are Coding" project.

With the projects of our volunteering bankers, we won the grand award for "Best In-House Volunteer Program" in the awards ceremony organized each year by the Private Sector Volunteers Association of Turkey.

We never forget our social responsibilities as a bank. In the 5th year of the Small Hands Big Dreams platform, we reprogrammed our coding training, which we pioneered as part of social responsibility activities in Turkey, for children who had to continue their education at home during the pandemic. Around Turkey, we provided free and unlimited online platform access to children. With the "Small Hands Are Coding" project, conducted in cooperation with Habitat Association, children aged 8-12 can receive their Scratch training online via www.minikellerkodyaziyor.com.

In 2021, QNB Finansbank will continue supporting children by creating online projects that they could access from home in key areas for their future, from coding to math.

I would like to thank our bankers, clients, all of our strategic business partners, and correspondent banks who reinforce our strength as we achieve our goals.

Kind regards,

Temel Güzeloğlu
General Manager
QNB Finansbank A.Ş.

Board of Directors

M. Ömer A. Aras
Chairperson

Aras, Chairperson of QNB Finansbank, is the founding executive of Finansbank. He served as Assistant General Manager until 1989, as General Manager (CEO) from 1989 to 1995, and as Executive Board Member between 1995 and 2006. During this period, he also served as Vice Chairperson of Fiba Holding; Board member of Finansbank's international subsidiaries in Switzerland, France, Holland, Romania and Russia; Chairperson of Marks&Spencer in Turkey; and Board member of Gima. In 2006, upon acquisition of Finansbank by the National Bank of Greece (NBG), Aras was appointed Vice Chairperson and Group CEO. In 2008, he joined the Executive Committee of NBG as member responsible for international subsidiaries (Serbia, Romania, Albania, Bulgaria and Macedonia). In 2010, he was appointed Chairperson of Finansbank. Aras has also been serving as Chairperson of Cigna Health, Life and Pension, Finansbank's partnership company in Turkey with Cigna Corporation, since 2012. Since the acquisition of Finansbank by QNB in 2016, Aras has been serving as Chairperson and Group CEO. Prior to his career at QNB Finansbank, Aras worked for Citibank (1984-1987) and Yapı Kredi Bank (1987) in Turkey. He also served on the Board of TUSIAD (Association of Turkish Businessmen) between 2003 and 2007. Currently, he is the Vice President of the High Advisory Council of TUSIAD, a member of the Higher Advisory Board of Darüşşafaka Cemiyeti and a member of the Board of Trustees of Boğaziçi University Foundation. Aras received his MBA and PhD (1981) degrees at Syracuse University School of Management, and was a lecturer at the Business Administration Faculty at the Ohio State University for 3 years (1981-1984).

Sinan Şahinbaş
Vice Chairperson

Şahinbaş graduated from Istanbul Technical University, Engineering Faculty in 1988. He received masters degrees in International Relations at Istanbul University and in Finance at Yeditepe University. Şahinbaş began his professional career at Finansbank A.Ş. in 1990, and held various positions in Treasury, Corporate Banking and Credit Departments. In 1997, he founded Finansbank A.Ş. (Suisse) SA and Finansbank A.Ş. (Holland) NV representative offices in Turkey. He transferred to Garanti Bank in 1997 as Department Head in charge of the design of a new risk management system for subsidiaries. In the same year, Şahinbaş was promoted to Executive Vice President of Garanti Bank (Holland) N.V.. After a year, Şahinbaş moved back to Finansbank A.Ş (Holland) N.V. as Executive Vice President, and became General Manager between 1999 and 2001. In 2001, Şahinbaş became Senior Executive Vice Chairperson at Finansbank A.Ş. and was promoted to General Manager in October 2003, and served as the General Manager until April 2010. Şahinbaş became Vice Chairperson in April 2010.

Adel Ali M A AL-Malki
Member of the Board of Directors

Al-Malki joined QNB in 2003. Prior to joining QNB, he served at MOI IT department from 1997 on. He received his bachelor's degree in Computer Information Technology in Qatar University in 2001, Doha, Qatar. He joined QNB and served in various positions in IT development team and e-Business department. Al-Malki has been QNB Group Information Technology General Manager since 2010. As of May 2019, he serves as a Member of QNB Finansbank Board of Directors.

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

Kerman received his graduate degree in Economics at Hacettepe University and post graduate degree in Project Planning and National Development at University of Bradford, UK, in 1982. He started his career at the Undersecretariat of Treasury in 1980 and served as Deputy Economic and Commercial Counsellor at Washington Embassy and Deputy and Assistant Board Member of Asian Development Bank, Philippines, for three years in each position. In 1997, he was appointed Executive Vice President at Turkish Eximbank. In the same year, he returned to the Undersecretariat of Treasury as Director General of Insurance Department. In July 1999, he was appointed Deputy Undersecretary of Treasury and in 2000 he became Vice President of the newly established Banking Regulation and Supervision Agency (BRSA). He simultaneously served as a Board Member of Savings Deposit Insurance Fund (TMSF). He was appointed Advisor to BRSA Chairperson in 2004. In addition, he served as Chairperson of the Board in Toprak, Ege and Generali Insurance Companies on behalf of SDIF. Kerman retired in April 2005 and became founding partner of KDM Financial Consultancy Company. He has been a Board Member of QNB Finansbank since April 2013 and the Chairperson of Audit Committee since April 2014. Kerman is also a Board Member of Bahcesehir University Board of Graduate School.

Durmuş Ali Kuzu
Member of the Board of Directors

Kuzu graduated from the Department of Business Management, Political Science School at Ankara University in 1996, received an MBA degree in 2008 from University of Illinois at Urbana-Champaign, and completed his PhD degree in the field of Accounting and Finance at Baskent University in 2018 with his thesis "Factors Determining Credit Volume: an Empirical Study on Turkish Banking Industry". He is a CPA and has an Independent Auditor Certificate. He worked at many national and international committees, represented Turkey as a member at BASEL and FSB Banking Committees, attended various seminars-conferences, published many articles and lectured at universities. He began his professional career in Vakıfbank in 1996 as an assistant loan analyst and went on to Türkiye Emlak Bankası, where he served as an internal auditor in 1997-1999. From 1999 to 2016, he worked as Vice President at the Undersecretariat of Treasury, Public Oversight Accounting and Auditing Standards Authority, and Banking Regulation and Supervision Agency (BRSA). He worked on teams for creating and developing banking legislation, participating in project development, implementation and leadership, and group presidency. He held various managerial positions as team leader, coordinator, head of department and vice president. Since August 2016, he has been serving as a member of the Board of Directors and Audit Committee at QNB Finansbank.

Fatma Abdulla S S Al-Suwaidi
Member of the Board of Directors

Al-Suwaidi joined QNB in 2000. With over 20 years' experience in banking, she currently serves as the Group Chief Risk Officer, having previously been Assistant General Manager of Credit Risk Management. In addition, she is also a Board Member of QNB Tunisia. She has a BSc in Accounting, a Master's Degree in Business Administration (Qatar University), a MSc in Risk Management (University of New York) and a Juris Doctor Degree (Hamad Bin Khalifa University). She holds a particular interest in banking innovation and is in the advanced stages of completing a Doctorate in Business Administration from Grenoble University, France, on the subject of 'Innovation in Banking and Financial Markets', focusing on crypto currencies.

Noor Mohd J A Al-Naimi
Member of the Board of Directors

She joined QNB in 2000 and has 20 years of banking experience. She received her bachelor's degree in Business Administration at the University of Qatar in 1999. She held various positions in the Treasury Operations and Control Division. The last was Assistant General Manager at Treasury Operations Trading & Investment until she was appointed General Manager Group Treasury. She has attended and participated in different courses, conferences and seminars locally and internationally, such as Legal of Aspects of Banking, leadership skills for Bankers, International cash & Treasury management, Clear Stream, Treasury documentation and IIF Future Leaders Program. Noor also completed the Qatar Executive Leaders Program 2017-2018. She currently serves as Member of the Board of Directors and Audit Committee Member of QNB Finansbank.

Osman Reha Yolalan
Independent Member of the Board of Directors

Yolalan holds a bachelors degree in Industrial Engineering at Istanbul Technical University, a Master's degree from Bogaziçi University in Industrial Engineering, and a PhD Degree in Management Sciences from Laval University, Quebec- Canada. In 2000, he received the title of University Associate Professor in the Department of Operations Research. He started his career as a specialist at Yapı Kredi in Strategic Planning Department in 1991. He worked as Head of Corporate and Economic Research Department from 1994 to 2000 and as Executive Vice President in charge of Financial Analysis and Credit Risk Management from 2000 to 2004. He was appointed CEO of Yapı Kredi and member of the Board of Directors from 2004 to 2005. Yolalan worked at Tekfen Holding as Vice President in charge of Corporate Affairs between 2006 and 2019. Since March 2019, he has been a Vice President of Financial Affairs. Besides, he has been a part-time lecturer at various universities in Turkey for 25 years, and has authored a number articles in banking management, published in international journals.

Ramzi Talat A Mari
Member of the Board of Directors

He joined QNB in 1997 and is the current Executive General Manager and Group Chief Financial Officer. He received the Certified Public Accountant Certificate in the State of California, USA in 1989 and holds a Master's Degree in Accounting. Currently, he is a Board Member at Housing Bank for Trade and Finance (Jordan) and QNB Capital LLC.

Temel Güzeloğlu
CEO and Member of the Board of Directors

Born in 1969, Güzeloğlu has BSc degrees from the Electrical and Electronics Engineering and Physics Departments of Bosphorus University. He received an MSc degree from Northeastern University Electrical and Computer Engineering and an MBA from Bilgi University. Güzeloğlu worked as the Executive Vice President of Finansbank responsible for consumer banking up until August 2008. He then served as Executive Vice President of Retail Banking and Member of Management Committee until April 2010. Güzeloğlu was appointed to his current role in April 2010. Before joining QNB Finansbank, he worked in various positions at McKinsey&Co., Citibank and Unilever.

Yousef Mahmoud H N Al-Neama
Member of the Board of Directors

Al-Neama joined QNB in 2005 and currently serves as Executive General Manager - Group Chief Business Officer. Prior to joining QNB, he held a variety of roles in financial institutions and Corporate within Qatar and abroad, and has more than 15 years of experience in financial institutions. Al-Neama holds a BS in Aviation Management from Florida Technology in the United States and a Diploma in Business Administration from Glamorgan University in Wales. He attended various seminars, workshops and advanced courses in International Banking, Marketing and Financial Analysis as well as others. Currently he serves as Vice Chairperson of Mansour Bank in Iraq and The Housing Bank For Trade&Finance in Jordan. He also serves as a Member of the Board of Directors at QNB Capital.

Senior Management

Adnan Menderes Yayla
Executive Vice President

Yayla graduated from the Economics Department, Faculty of Political Science, Ankara University in 1985, and completed his MBA at the University of Illinois at Urbana-Champaign between 1992 and 1994. He worked at the Ministry of Finance as Assistant Auditor and Auditor from 1985 to 1995; at the Privatization Administration as Project Valuation Division Chief from 1995 to 1996; at PriceWaterhouseCoopers Istanbul and London offices as Manager, Senior Manager and Partner from 1996 to 2000; and at Türk Dış Ticaret Bankası (Fortis) as the Executive Vice President in charge of the Financial Control Group, ALM and Risk Management from 2000 to 2008. As of May 2008, when he joined Finans Bank A.Ş., Yayla has been working as Executive Vice President of Financial Control and Planning and the Group CFO.

Ahmet Erzengin
Head of Internal Control and Compliance Division

Erzengin received his bachelor's degree at the Public Administration Department,Middle East Technical University. After working at Pamukbank from 1988 to 1993, Erzengin joined QNB Finansbank A.Ş. as Regulations Manager in 1993. In 1996, he was appointed as Head of Operations Group in charge of branch and HQ operations. With the establishment of the Operations Center in 2001, he managed the Operations Center until the end of 2005. In early 2006, he supervised the establishment of the Compliance Division and served as Head of Compliance until September 2012. By that date Erzengin has assumed the responsibility of Internal Control Department, and has been serving as Head of Internal Control and Compliance Division since 2012.

Av. Ali Yılmaz
Executive Vice President

Yılmaz graduated from İstanbul University, Faculty of Law in 1999. Active in business since 1996, Yılmaz received his finance education at University of Toronto between 2000-2002. With an MBA from Koç University, he started his banking career at Dışbank in 2003. Later, he served as Director of Legal Affairs at Fortisbank A.Ş. and as a member of the Board and Legal Counsel at Societe Generale Turkey. Yılmaz joined QNB Finansbank A.Ş. in 2016. Appointed as Chief Legal Counsel in May 2018, Yilmaz has been serving as Executive Vice President since January 2020.

Burçin Dündar Tüzün
Executive Vice President

Tüzün completed her undergraduate study in Civil Engineering at the Engineering Faculty, Middle East Technical University in 1997, and her MBA at Bilkent University Business Administration Faculty in 1999. She started her banking career as Assistant Auditor at Finansbank A.Ş. Internal Audit Department in 1999, joined the Corporate Credits Allocation Department in 2005, where she served as corporate credits manager, division manager and department manager. She was appointed as Corporate and Commercial Credits Director responsible for Corporate, Commercial and Structured Finance Credits Allocation in 2016. Tüzün has undertaken Credits Monitoring and Financial Institutions Credits Management responsibility in 2018, and has been serving as Executive Vice President since December 2019.

Cenk Akıncılar
Executive Vice President

Akıncılar graduated from the Mathematics Department,Faculty of Science and Literature at Eskişehir Anadolu/Osmangazi University in 1996. Akıncılar, who worked as a Mathematics teacher for three months, worked as the Senior Officer responsible for Salary and Industrial Relations at Human Resources Department of Pamukbank from 1998 to May 2003. He joined QNB Finansbank in May 2003. He worked as Human Resources Assistant Manager responsible for Recruitment, System Development and Projects; manager of Organizational Development, Performance, Strategic Reporting and Revenue Management, Employee Rights and Systemic Authorization Management. He was then appointed as division manager of Human Resources Management Systems and Revenue Management, Employee Rights and Systemic Authorization Management Department. Akıncılar was appointed as the Director of Human Resources in July 2018, and as Human Resources Executive Vice President in January 2019.

Cumhur Türkmen
Executive Vice President

Türkmen graduated from Yıldız Technical University with a BSc degree in Mathematics Engineering in 1997. He started his career as a Software Engineer with I-BİMSA in 1997 and joined QNB Finansbank Information Technologies Department in 2000. He served as Senior Software Engineer until 2005 and as Project/Program Manager until 2010 in QNB Finansbank IT department. He started to work as Vice President for QNB Finansbank Business Development and Strategy Office in January 2010. In August 2011, he joined Enpara.com project team in CEO Office. He became Director in charge of Enpara.com in July 2015. As of June 2015, he has become the Executive Vice President responsible for Enpara.com at QNB Finansbank.

Derya Düner
Executive Vice President

Düner graduated from the School of Engineering at Bogazici University with a Bachelor of Science degree in Industrial Engineering. Düner undertook several positions in the fields of marketing, project management and strategy at Mercedes Benz between 2003 and 2006, and at Pfizer between 2006 and 2007. In 2007, she joined QNB Finansbank as Retail Banking Manager. Following various responsibilities, she acted as one of the founding executives of Enpara.com. After Enpara.com's launch in October 2012, she worked as Director of Customer Management. In 2015, in addition to her existing responsibilities, she launched and ran the Customer Experience Management Office of QNB Finansbank. In January 2018, Düner founded QNBEYOND, the innovation center, and ran the department as Director Responsible for Innovation. Since January 2020, Düner continues her role as Executive Vice President responsible for QNBEYOND and QNBEYOND Ventures, the corporate venture capital arm of QNB Finansbank.

Engin Turhan
Executive Vice President

Turhan received his bachelor's degree in Economics at Faculty of Economics and Administrative Sciences in Marmara University, and obtained his master's degree in International Political Economy and Management. He began his banking career in the MT (Management Trainee) program at Finans Bank A.Ş. in 2003. After working in various sections in Credits Department, he went onto Project Finance and worked in specialist and managerial positions in Project Monitoring, Project Appraisal, Corporate Finance and Syndicated Loans Departments until 2005. After being appointed as Corporate Banking Structured Finance and Syndicated Loans Group Manager in 2012, he took over Derivative Products Sales and was appointed Director in 2014. Commercial Banking was added to his current duties in 2015 and he has been working as Executive Vice President in Commercial Banking and Project Finance since June 2016.

Enis Kurtoğlu
Executive Vice President

Kurtoğlu graduated from Bogazici University Electrical and Electronics Engineering Department in 1999, and completed his MBA in London Business School in 2006. He served in several managerial positions in marketing and sales at Citibank Turkey between 1999 and 2002, and in Citibank Europe, Middle East and Africa Region London Central Office between 2002 and 2006. He worked as Marketing Director in Citibank Turkey between 2006 and 2010.He joined Finansbank A.Ş. as Group Manager in charge of Retail Products in 2010. He served as Mass Banking Director between 2012 and 2014, and as Director of Mass Banking and Direct Sales from 2014 to May 2015. Between May 2015 and June 2016, he was the Executive Vice President in Consumer Banking. He has been working as Executive Vice President in charge of Consumer and Private Banking since June 2016.

Erkin Aydın
Executive Vice President

Aydın graduated from Bogazici University with a BS degree in Civil Engineering, and received his MBA degree from the University of Michigan, Faculty of Business Administration. Starting his professional career in the US with Clark Construction Group in construction management, he later joined McKinsey & Company where he provided consultancy to various Turkish and global financial institutions in the fields of strategy, marketing and mergers and acquisitions. He joined QNB Finans Bank A.Ş. in 2008, and was appointed as Executive Vice President of Consumer Banking in May 2011. In September 2017, Aydın was appointed as Executive Vice President of Retail and SME Banking.

Ersin Emir
Chief Audit Executive

Emir graduated from Department of Business Administration, Middle East Technical University in 1994, and received his Master of Science degree in Organizational Psychology at University of London in 2011. He started his banking career as Assistant Internal Auditor at İş Bankası in 1995. Joining Finans Bank in 1998, he was in charge of the duties of investigations, branch and head office audits as well as various administrative responsibilities in Internal Audit Department between 1998 and 2004. Emir was appointed as Deputy Chief Audit Executive in 2004, and continues his assignment as Chief Audit Executive since 2011. At the same time, he serves as a Board member in QNB Finans Asset Management.

Halim Ersun Bilgici
Executive Vice President

Bilgici graduated from the Faculty of Law, Ankara University in 1991, and completed his masters degree at Yeditepe University, Faculty of Economics in 2010. Bilgici embarked upon his career in 1992 at İktisat Bank, and served in Internal Audit, Retail Banking Marketing and Retail Credits. Then, Bilgici held the title of Consumer Marketing Coordinator at Şekerbank. After starting to work in Credits Department at Finans Bank A.Ş. in 2003, he was appointed Executive Vice President in Retail Credits in October 2013. Since July 2016, he has been working as the Executive Vice President in Retail and Medium Sized Enterprises Credits.

Köksal Çoban
Executive Vice President

Çoban received his bachelor's degree from the Business Administration Department, Middle East Technical University in 1990. He completed his MBA at Cass Business School in London. He worked at Türk Eximbank and Demirbank between 1990 and 1997. He joined Finansbank in 1997 and served as the International Markets Group Manager from 1998 to 2000. Assuming a number of managerial posts in the Treasury Department thereafter, he was appointed Executive Vice President of Treasury in August 2008. He assumed the responsibility of International Banking Division in April 2018, and has been the Executive Vice President of Treasury and International Banking Divisions since then. He also serves as a Board Director of QNB Finansinvest and QNB Finans Asset Leasing companies.

Mehmet Kürşad Demirkol
Executive Vice President

Graduating in 1995 from the Department of Electrical and Electronics Engineering, Bilkent University as valedictorian, Demirkol received his MSc. and PhD. degrees at Stanford University. He worked as Associate Application Engineer at Oracle - Redwood from 1996 to 1997 and Research Assistant at the Stanford University from 1997 to 1999. He served as Senior Associate at the Atlanta and Istanbul offices of McKinsey&Company between 1999 and 2003. He worked as the Group Head of Business Development and Strategy Department at Finans Bank A.Ş. between 2004 and 2005, and worked as Executive Vice President of IT and Card Operations at Finans Bank A.Ş. Russia in 2005. He served as Business Development and Marketing Director at Memorial Healthcare Group from 2005 to 2007, and as the Head of Information Technologies at Vakıfbank in 2007. He then was appointed as Chief Information Officer and became the Chief Operation Officer in 2008 at Vakıfbank. In the same year, Operations and ADC responsibilities were also assigned to his position. He started working as Executive Vice President at Finans Bank A.Ş. in August 2010, and since November 2011 Demirkol has been working as Executive Vice President in charge of Information Technologies, Operation and Channels & Business Development.

Murat Koraş
Executive Vice President

Koraş graduated from the Industrial Engineering Department, Bogazici University in 1999, and completed his MBA at Ozyegin University. He was assigned as a specialist at Finans Bank A.Ş. between 1999 and 2001. In 2004, he was assigned as Assistant Manager in Aviva. He took the tasks of Strategy Office Assistant Manager, Analytic Marketing Unit Manager and Portfolio Management and Analytics Group Manager at Finans Bank A.Ş. from September 2004 to 2012. Koraş took the Consumer Payment Systems Director position between 2012 and 2015. He has been working as Payment Systems Executive Vice President since May 2015.

Osman Ömür Tan
Executive Vice President

Tan is a graduate of the Statistics Department, Hacettepe University, and received his MBA Degree at Bilgi University. Tan began working at Yapı Kredi Bankası as a Management Trainee in 1995 and joined Finans Bank A.Ş. in 1998. He served as Corporate Branch Customer Representative, Corporate Branch Manager, Head Office Key Account Management Group Manager and Corporate Banking Group Manager. As of October 2011, he has acted as the Executive Vice President for Corporate Banking. Since 2013 he has been working as Executive Vice President for Corporate and Commercial Banking. He also serves as a Board Member at QNB Finansinvest, QNB Finansfactoring, QNB Finansleasing and QNB eFinans.

Zeynep Aydın Demirkıran
Head of Risk Management

Demirkıran completed her undergraduate study at the Economics Department, Bilkent University, and earned a master's degree in Economics at Georgetown University, Washington D.C. After having lectured at Georgetown University until December 1998, she worked as a specialist at the Risk Management Department İşbank between 1999 and 2002 before joining Finansbank A.Ş. in 2002. After working in various roles within the Risk Management Department, Demirkıran has been working as Head of Risk Management since September 2011. Demirkıran also serves as a Board Member in QNB Asset Management.

Zeynep Kulalar
Executive Vice President

Kulalar received her bachelor's degree from the Faculty of Economics and Administrative Sciences Department of Business Administration, Middle East Technical University in 1994. She served as Portfolio Assistant Manager at Yapı Kredi Bank from September 1994 to December 2002, and as Corporate Portfolio Assistant Manager at MNG Bank from January 2003 to July 2005. Kulalar joined QNB Finansbank as Corporate Marketing Team Assistant Manager in July 2005, whereby she acted as Key Customer Vice President, Corporate Banking Sales and Marketing Vice President, Performance & Foreign Trade and Portfolio Management Senior Vice President, Foreign Trade and Portfolio Management Division Manager and Corporate Banking Portfolio Management Division Manager at the bank, respectively. She was appointed as Corporate Banking Director in June 2016, and has been acting as Executive Vice President since December 2019.

About QNB Finansbank

Vision, Mission and Values

VISION

Being the architect of every individual and commercial financial plan that will catalyze Turkey's success

MISSION

Forging lifelong partnerships with all stakeholders by understanding their needs, finding right solutions and aiming for maximum customer satisfaction

VALUES

VALUES RESPECT AND COMMITMENT

- We do our job in the rightest way with dedication and genuine commitment.
- We make clear promises and we keep them by all means, not omitting to report the results.
- We constantly develop ourselves and our colleagues.
- We act with honesty, transparence, and consistency in all our relations, which allows us to build long-term relationships based on trust.

BEING “US”

- The primary and common objective of all of us is to keep our customers satisfied. We help each other to make this happen and we appreciate the help that is offered us.
- We uphold and support team performance and corporate performance as much as individual performance.
- In all of our dialogues, we listen first and try to understand what is needed.
- We trust each other and respect each other’s expertise.
- We make our decisions in consideration of the whole and of their possible impact on the whole.
- As QNB Finansbank and the staff of Finansbank, we watch over and support each other, our society, and the environment.

LEADERSHIP

- We embrace change; we realize that everyone including us must do what behooves them in order to make change happen in the fastest and smoothest way.
- We take initiatives inasmuch as we can learn from our mistakes and do not repeat them; and we encourage taking initiatives.
- We define performance in terms of objective and measurable criteria and we evaluate it fairly and consistently.
- We always recognize a job well done; we provide feedback in order to improve each other.
- We go all the way in rationally defending what we believe is right and we work constructively to bring them to life.

INNOVATION

- We do not elaborate on the reasons why something cannot be done; we think about and explain how it can be done with a new approach.
- When standard solutions fall short of meeting the requirements that differ from the routine, we promptly develop the most appropriate solutions by tapping the resources of our knowledge, experience, connections, and technology.
- We develop new ideas to make life easier for our customers and ourselves and we act in order to bring these ideas to life.

QNB Finansbank in Brief and Milestones

Date	Event
1987	• Finansbank A.Ş. was established
1988	• Finansbank A.Ş. became founding partner of Commercial Union's insurance company in Turkey.
1989	• Finansbank A.Ş. bought 90% shares of PBG Privatbank Geneve S.A., a subsidiary of UBS in Switzerland, and renamed it as Finansbank (Suisse) S.A.
1990	• Bank's shares quoted on Istanbul Stock Exchange (İMKB) • Stepped into the leasing sector by founding Finans Leasing
1993	• Finans Leasing shares quoted on Istanbul Stock Exchange
1995	• Stepped into factoring sector by founding Fiba Faktoring A.Ş.
1999	• Being among the 5 pilot banks selected, Finansbank became the first bank globally to put into force Reuters Mail System.
2000	• Started to serve investment banking services under newly established Finans Invest. • Launched its Call Center and Internet Branch.
2003	• Pursuant to resolution to conduct retail banking, new branches were opened between 1995-2003. The Bank's number of branches reached 150 and number of employees reached 3,928.
2004	• Moved its HQ to Esentepe, Istanbul.
2005	• Received ISO 9001 Quality Certificate. • Established IBtech at TÜBİTAK Marmara Research Center Technology Free Zone. • www.kobifinans.com.tr, the internet portal that serves as a service channel of QNB Finansbank SME Banking's project, namely, KobiFinans, was selected as the "Best Finance Site" in "Golden Web Awards"
2006	• Launched its phone banking services
2007	• CardFinans was selected as the Superbrand in Turkey in the Credit Cards Category by Superbrands, a British firm active in more than 70 countries around the globe. • ATM number reached 1,000. • QNB Finansbank Call Center won first place in "Best Call Center Recruitment Application" and "Best Customer Representative" Categories in the Call Center Turkey Competition.
2008	• Opened Erzurum Operation Center. • Established Finans Tüketici Finansmanı A.Ş. for consumer finance activities. • Bank took its place among the 3 "Most Favorite Firms in Turkey", a research conducted by the Capital Journal for the 8th time. • NBG Group became a 94.8% shareholder of Finansbank following their purchase of shares from Fiba Holding • QNB Finansbank Internet Branch ranked second in the Online Banking Category of the 7th Golden Web Awards. • QNB Finansbank Internet Branch was elected People's Favorite in the first ever People's Favorite Category at the Golden Web Awards. • QNB Finansbank's renewed website, www.qnbfinansbank.com, won the "Silver Award" in the Banking Category of Davey Awards. • QNB Finansbank Call Center was the recipient of two awards at the İstanbul Call Center Awards, ranking first in the Best Call Center Training Program Category, and receiving the "Distinction Award" in the Best Use of Technology Category.
2009	• Offered clients installments in purchases with CardFinans Cash (debit card) as a first-time practice worldwide. • CardFinans Cash, the first debit card worldwide that offers installments, was the recipient of an award in the Best Debit Card Launch Category in "Cards and Payments Europe 2010" in Madrid. • QNB Finansbank's corporate website was named as the"Best in Class", the first Turkish bank to be awarded in the banking category, at "Interactive Media Awards", a competition carried out every year in New York and deemed to be among the most significant of its kind.

Date	Event
2010	• Launched Finansbank Mobile Branch. • Issued Fix Card, a credit card without a membership fee and reached 300,000 sales in the first 6 months. • ClubFinans Doctors, a credit card targeting doctors in particular, reached approximately 1/3 of all doctors in Turkey with 47,000 customers in the first 8 months. • As a first-time facility from European Investment Fund (EIF) SMEs received significant support in overcoming their collateralization problem. • As a first-time practice in the sector, CardFinans Vadekart offered owners of enterprises opportunities which decreased the use of checks and bills. • QNB Finansbank received the “Employment Leader in the Sector” Award in “Yenibiriş Awards 2010” for being the firm offering the most number of jobs in the sector as well as being preferred the most by applicants . • QNB Finansbank was selected by popular vote as People’s Favorite in the Banking and Finance Category of the 9th Golden Web Awards.
2011	• Initiated “To Us It’s Possible” Training Program in June. • QNB Finansbank Call Center was the recipient of “Best Call Center with 500+ Seats” Award at the Istanbul Call Center Awards. • CardFinans Fix was awarded in the “Best Product” Category at the “Best Business Award”, one of the most prestigious awards in the United Kingdom. • QNB Finansbank was the recipient of five awards at International Business Awards, one of the most esteemed business awards globally. CardFinans Fix, holders of which are exempt from card fees, was awarded a Stevie. Furthermore, FinClub web site, Finarmoni Training Portal, and the animation video “Carrying QNB Finansbank into the Future” received “Distinguished Honoree” Honorary Award.
2012	• Opened a Call Center in Erzurum. • Fully renovated www.finansbank.com.tr internet banking site in line with changing needs of clients with a TL 12.5 million investment in technology. • Cigna, one of the biggest health and life insurance firms in the US, purchased 51% of shares of Finans Emeklilik. • Signed a 15-year agency contract with Sompo Japan Insurance, one of the biggest insurance companies worldwide. • As a first-time practice in Turkey, features of a debit card and a credit card were combined in Fix Card. • Established Enpara.com, the first digital banking platform in Turkey. • “To Us It’s Possible”, the training program developed in 2010 and activated in 2011, was awarded “Citation for Excellence” by American Society for Training & Development (ASTD), the authority figure in professional training and development. • “To Us It’s Possible” training program received the bronze Stevie in the International Banking Category.
2013	• Established eFinans. • Enpara.com won 7 awards at Stevie International Business Award. These include Gold Stevie Awards for Product Management Department, Marketing Campaign of the Year, and Internet Banking; Silver Stevie Award in the Best New Product/Service Category and Bronze Stevie for New Product/Service of the Year, Customer Service Team of the Year, and Best Web Design. • Digital Banking Department received a Bronze Stevie Award with the animation film “Ceren’s states” in the Service Sales Category at Stevie International Business Awards. • QNB Finansbank’s Career Club ,FinansUP, which supports youngsters move up the career ladder and join the ranks of business, was the first application in Turkey to win the Global Business Excellence Award at Awards Intelligence, the most significant business award program in the UK.

Date	Event
2014	• A syndicated loan with the highest amount in the history of the Bank was obtained from international markets. • “Basemap” project, geared towards increasing service quality, ranked second in sales efficiency innovation category in EFMA one of the most prestigious innovation competitions in the finance sector.
2015	• Established a social responsibility platform focused on children namely Tiny Hands Big Dreams (MEBH). • ATM number reached 3,000. • Finansbank won a total of 9 awards in 4 categories, 3 of which being first places, in Bonds and Loans Turkey which is considered to be the Oscars of the finance sector. • An agreement was signed for the sale of Finansbank by NBG to Qatar National Bank. • With the “Career Architecture”program HR Department was the recipient of two awards from Association Talent Development (ATD), the most important worldwide institution in talent development.
2016	• Purchase of Finansbank by Qatar National Bank was completed and the trade name of the Bank was changed to QNB Finansbank. • Following transfer of all shares of the consumer finance company to QNB Finansbank, name of the firm was changed to Hemenal Finansman, and the company started operations. • QNB Finansbank was granted an award by Talent Board in the Candidate Experience Survey, where the process of recruitment is evaluated by candidates in surveys. • Thanks to the “İstanbul Meetings” organized for customers, QNB Finansbank won silver Stevie for External Marketing Program of the Year, and bronze Stevie for Promotion, Reward and Awareness Raising category • QNB Finansbank was awarded the Special Award by Public Relations Association of Turkey in the 15th Golden Compass Awards, for the “Tiny Fingers Program the Future” project developed in cooperation with Microsoft Turkey and 0Habitat Association. • QNB Finansbank received the Education Award in the Sponsorship Communications category in the 15th Golden Compass Awards organized by Public Relations Association of Turkey (TUHID), for the “Wonderful Mathematics Exposition” . • QNB Finansbank was the first non-American firm to receive HRM Impact Awards. QNB Finansbank received the “Honorable Mention” award, as part of HRM Impact Awards given by Society for Human Resource Management (SHRM) since 2013.
2017	• QNB Finansbank celebrated its 30th anniversary. • As a first in the Turkish finance sector, 4 case studies (in 1994, 2006, 2015 and 2017) were made by Harvard Business School on QNB Finansbank’s successes. • QNB Finansbank was awarded the Grand Prize by Public Relations Association of Turkey in the 16th Golden Compass Awards, for the “Tiny Fingers Program the Future” project developed in cooperation with Microsoft Turkey and 0Habitat Association. • QNB Finansbank received the Education Award in the Sponsorship Communications category at the 16th Golden Compass Awards organized by Public Relations Association of Turkey (TUHID), for the “Wonderful Mathematics Exposition”. • QNB Finansbank won four awards, two of which are the first place, in three categories at Bonds&Loans Turkey, where project finance and private sector bond issuance transactions are awarded. “Transport Finance of the Year” award went to the Third Airport Project, and “Infrastructure Finance of the Year” to the Galataport Project. The very same project won second place in “Transport Finance of the Year” Category, and the Third Airport project won third place in “Project Finance of the Year” Category.

Date	Event
2018	• QNB Finansbank and Turkish Airlines signed a cooperation agreement for a five-year period, geared towards issuing of Miles&Smiles Credit Cards to Turkish Airlines (THY) members as a part of the Turkish Airlines' frequent flyer program. • IBtech launched its second technopark at DEPARK, the techno-park of Dokuz Eylul University, Tinaztepe Campus, İzmir. • IBtech obtained R&D Center Certificate from Ministry of Industry and Technology, and launched its R&D Center at Kristal Tower. • Fincube Incubation Center and Acceleration Program was initiated in order to develop future banking technologies and support innovation initiatives.
2019	• Through the syndication agreement signed in December 2019, QNB Finansbank became the first and only Turkish bank granted a three-year syndication facility since 2016. • QNB Finansbank Call Center, Telesales Unit and SME Cloud Branch were awarded in four categories at Stevie International Business Awards. • To prepare SMEs for digital transformation, QNB Finansbank launched the Digital Bridge Project with the SME e-Transformation Package. • Fincube, launched as an innovation lab by QNB Finansbank to reinforce entrepreneurs and creative projects, while creating the future-ready fintech applications, transformed into a global brand with a new title, QNBEYOND. • QNB Finansbank was named as "Best Employer" at Employee Loyalty Awards by AON Hewitt, as IBTech qualified for Achievement Award. • At Bonds&Loans Project Finance Awards, three projects financed by QNB Finansbank was awarded in 4 categories.
2020	• QNB First and QNB First Digital applications, developed for private banking customers, received four awards at "International Stevie Awards". • QNBEYOND Ventures was established. Aimed at investment in various initiatives, QNBEYOND Ventures will also participate in other venture capital funds. • Enpara.com received the award as the Best Website in Banking and Finance at the Golden Spider Awards. • QNB Finansbank was chosen by Euromoney the Best Bank in Middle and East Europe in SME Baking. • Thanks to its Human Resources programs, QNB Finansbank received five awards at Stevie Awards for Great Employers, one of the most prestigious awards programs, and four awards at Excellence Awards organized by Brandon Hall Groups. • "Tiny Fingers Code" Project, part of the Tiny Fingers Big Dreams Corporate Social Responsibility Platform, was the recipient of the special prize in the Social Value Category of Turkish Capital Markets Association (TSPB). • QNB Finansbank was a signatory of the CEO Manifesto for Renewed Global Cooperation, organized in commemoration of the 75th Anniversary of the UN. • QNB First Digital, offering exclusive services to private banking customers, won first place in the "Best Digital Strategy" Category of European Customer Centricity Awards, one of the most important competitions in Europe in terms of customer experience. • QNB Finansbank received "Internal Best Volunteer Program", the grand prize awarded annually by Turkish Private Sector Volunteers Association.

QNB Group at a Glance

We are proud to be a part of QNB Group, a strong and highly-rated bank with a growing international footprint. Established in 1964 as the first Qatari-owned bank, QNB is the leading financial institution in the Middle East and Africa (MEA). QNB Group today is present in more than 31 countries spanning across three continents, with more than 28 thousand employees serving 20 million customers. Proud of its Qatari heritage, QNB Group contributes substantially to the region and beyond.

Businesses of QNB Group

1. Wholesale and Commercial Banking

Offers a comprehensive suite of wholesale, commercial and SME banking products and services. These include structured finance, project finance, transaction banking, financial institutions, treasury, investment banking and advisory services.

2. Asset and Wealth Management

Provides a powerful collection of onshore and offshore private banking and asset management products, with a bespoke relationship-driven approach for its institutional, high and ultra high-net worth clients. These offerings are complemented by brokerage and custody services in its major presence markets.

3. Retail Banking

Offers a broad array of retail banking products and services across a multichannel network, with more than 1,045 branches and an ATM network of more than 4.3 thousand machines (including those of its subsidiaries and associates), and also premium banking services, designed for affluent clients, through QNB First and QNB First Plus.

4. International Banking

Focuses on connecting the network to the Head Office, expanding QNB's global presence and enabling international cooperation, consistency and unrivalled customer experience by providing oversight of and sharing best practice among its international operations.

Key Financial Indicators

Assets	USD 281.6 bn
Net Profit	USD 3.3 bn
Earnings per Share	USD 0.33 (QR 1.19)
Capital Adequacy Ratio	19.1%

Credit Ratings

Standard&Poor's	A (Outlook: Stable)
Moody's	Aa3 (Outlook: Stable)
Fitch	A+ (Outlook: Stable)

Subsiḍiaries and Associates

Name	Stake (%)
QNB Finansbank (Turkey)	99.88%
QNB ALAHLI (Egypt)	95.0%
QNB Indonesia	92.48%
QNB Tunisia	99.99%
QNB Syria	50.8%
QNB Suisse (Switzerland)	100%
QNB Capital LLC (Qatar)	100%
QNB Financial Services (Qatar)	100%
Mansour Bank (Iraq)	54%
Commercial Bank International (CBI) (UAE)	40%
Housing Bank for Trade and Finance (HBTF) (Jordan)	34.5%
Ecobank Transnational Incorporated (Ecobank) (Togo)	20.1%
Al Jazeera Finance Company(Qatar)	20%

Shareholder Structure
Key Financial Performance Indicators

Shareholder Structure

	Capital (TL, thousand)	Share (%)
Qatar National Bank (Q.P.S.C.)	3,345,892	99.88%
Others	4,108	0.12%
Total	**3,350,000**	**100.00%**

Key Financial Performance Indicators

(mn TL, unconsolidated)	2016	2017	2018	2019	2020
Net Loans	62,923	82,683	94,018	110,683	138,719
Deposits	53,939	67,641	87,090	105,626	130,560
Shareholders' Equity	10,126	12,155	14,572	16,685	19,222
Total Assets	101,503	125,857	157,416	181,681	227,253
Net Interest Income(*)	3,786	4,276	5,666	5,863	6,684
Net Fees and Commission Income	1,363	1,686	2,140	2,691	2,363
Net Profit	1,203	1,603	2,410	2,622	2,487
Return on Equity (%)	12.7%	14.3%	18.1%	17.1%	14.3%
Capital Adequacy Ratio (%)	14.5%	15.0%	15.4%	15.7%	16.4%

(mn TL, consolidated)	2016	2017	2018	2019	2020
Net Loans(**)	66,074	88,286	100,377	116,749	146,449
Deposits	53,865	67,543	86,826	105,500	130,275
Shareholders' Equity	10,304	12,428	14,603	16,765	19,241
Total Assets	104,326	131,195	163,500	187,526	235,020
Net Interest Income(*)	3,964	4,521	6,022	6,280	7,177
Net Fees and Commission Income	1,445	1,783	2,252	2,824	2,601
Net Profit	1,238	1,772	2,573	2,865	2,755
Return on Equity (%)	10.1%	10.1%	18.4%	18.4%	15.8%
Capital Adequacy Ratio (%)	14.3%	14.5%	14.8%	15.2%	15.8%

(*) After swap expenses.
(**) Includes leasing and factoring receivables

International Credit Ratings

Fitch Ratings

Long Term FC Issuer Default Rating	B+ (Outlook: Stable)
Long Term LC Issuer Default Rating	BB- (Outlook: Stable)
Short Term FC Issuer Default Rating	B
Short Term LC Issuer Default Rating	B
Long Term National Rating	AA (tur) (Outlook: Stable)
Viability Rating	b+
Support Rating	4
Long Term Senior Unsecured Debt Rating	B+
Short Term Senior Unsecured Debt Rating	B

Moody's

Long Term FC Deposit Rating	B2 (Outlook: Negative)
Long Term LC Deposit Rating	B1 (Outlook: Negative)
Short Term FC Deposit Rating	NP
Short Term LC Deposit Rating	NP
Baseline Credit Assessment	b3
Adjusted Baseline Credit Assessment	b1
Long Term FC Counterparty Risk Rating	B2 (cr)
Long Term TL Counterparty Risk Rating	Ba3 (cr)
Short Term FC Counterparty Risk Rating	NP (cr)
Short Term TL Counterparty Risk Rating	NP (cr)
Long Term FC Senior Unsecured Debt Rating	B2 (Outlook: Negative)
Long Term FC Senior Unsecured MTN	(P) B2
Long Term LC Senior Unsecured MTN	(P) B1
Other Short Term FC	NP
Other Short Term LC	NP

Assessment of Bank's Financial Position, Profitability and Solvency

QNB Finansbank continued to support the real sector throughout the year 2020, when the implications of the Covid-19 pandemic prevailed. In line with the Bank's plans regarding increasing the client base by focusing on banking activities, net loans increased to TL 138 billion 719 million. The total number of branches was 475 by December 31, 2020, with 473 domestic, one off-shore (one on December 31, 2019) and one airport branch (one on December 31, 2019) located at the Atatürk Airport Free Zone.

Assets

The Bank maintained its customer-oriented activities during year 2020 and continued to grow both in retail and non-retail loans. While total net loans realized at TL 138 billion 719 million with a rise of 25%, total assets increased by 25% and reached TL 227 billion 253 million. In 2020, the Bank also increased the securities portfolio by 19%, strengthening its net interest income and assets growth while further reinforcing its already robust liquidity buffers.

Liabilities

In line with this growth in assets, QNB Finansbank continued to increase its deposits in a balanced manner. Total customer deposits of the Bank increased by 26% and reached TL 125 billion 976 million and shareholders' equity increased by 15% and reached TL 19 billion 222 million.

Profitability

Net interest income including swap cost reached TL 6 billion 684 million with a limited increase despite rising TL funding costs and swap costs in 2020, also thanks to the contribution of CPI linker portfolio. Net fees and commission income decreased by 12% and reached TL 2 billion 363 million. Profit before tax of the Bank amounted to TL 2 billion 999 million and the net profit was TL 2 billion 487 million.

Solvency

Due to its strong capital structure and high shareholders' equity profitability, QNB Finansbank has a sound financial structure. Bank has utilized its capital efficiently for its banking activities and has maintained its profitability of shareholders' equity. When taking into consideration of its funding structure; beside large deposit base that QNB Finansbank has also funded its loans by using long-term external sources. The Bank utilized cost advantage due to benefiting from such various funding resources and at the same time minimized risks due to maturity mismatch of assets and liabilities.

Operations in Year 2020

Corporate and Commercial Banking

QNB Finansbank Corporate and Commercial Banking aims to create tailored product alternatives for customers based on its strategy of establishing long-term business partnerships with its solution-oriented approach, to make customers' workflows more efficient and to provide a holistic service for their needs.

QNB Finansbank Corporate and Commercial Banking consists of two main business lines: Corporate Banking, Commercial Banking and Project Finance, and is also responsible for the management of the Cash Management and Trade Finance, and Digital Transformation Departments. Companies with an annual turnover from TL60 million to TL300 million receive services under the umbrella of Commercial Banking, companies with an annual turnover of above TL300 million and Multinational Companies receive services from Corporate Banking.

QNB Finansbank Corporate and Commercial Banking works with the principle of providing the fastest and best services for all local and global banking transactions of its customers. With the understanding that puts its customers at the center, it provides services with 39 commercial branches, 3 corporate branches and 4 corporate representatives across the country. In addition, with the support of QNB Group, the leading bank of the Middle East and Africa Region, QNB Finansbank Corporate and Commercial Banking provides services to companies with commercial relations in the geographical locations where QNB Group operates herewith offering widespread correspondent banking services and the trust established by its strong financial structure.

As of December 2020, QNB Finansbank Corporate and Commercial Banking with its annual growth exceeding 34% in total cash loans, growing above the business enterprises loan market, increased its market share and continuing to strengthen its position in the sector. In addition to sustainable loan growth, it also increased its asset quality thanks to its effective risk and portfolio management approach.

On the Cash Management and Trade Finance products side, the Bank reached a cumulative market share of 7.48% in exports and 6.70% in total trade finance as of December 2020. In addition, the cumulative market share in collection cheques was 5.29% and in payment cheques was 5.26%.

QNB Finansbank Corporate and Commercial Banking contributed to the digitalization of its customers in line with changing conditions and increased the ownership and usage number of digital channels. With the help of digital solutions like e-Signature, Finance Star (Finans Yıldızı), order transmission via SFTP (Secure File Transfer Protocol), electronic statement, online bill of account, etc., customers were enabled to perform their transactions without visiting the branch during the pandemic. In this way, both customers' workflows were supported and banking transactions were carried out quickly and efficiently. Istanbul Meetings, which brought together Corporate and Commercial Banking customers and won 4 awards, was moved to the online platform this year, bringing customers together with various guests in a different organization and giving them a new experience.

Considering the pandemic period and in accordance with the market conditions, QNB Finansbank Corporate and Commercial Banking has offered products aiming to meet customer needs, with the objective of taking safer action and protecting from risks. Besides, aiming to be the main bank of customers in trade finance, QNB Finansbank Corporate and Commercial Banking has started to offer advantageous packages to SMEs, which export and/or aim to expand abroad by way of making an export-oriented cooperation with AliExpress, the e-commerce platform serving in 220 different countries and regions. QNB Finansbank became the first bank to give an opportunity of forming an Export Price Acceptance Certificate via internet branch, within the framework of the digitalization efforts carried out in order to facilitate the transactions of its customers.

QNB Finansbank Corporate and Commercial Banking also provided new products and services on the cash management side. Within the scope of the cooperation between QNB Finansbank and Kassa, the mobile wallet function was added to the mobile application, allowing Kassa users to open their e-money wallets belonging to QNB Finansbank to load and transfer money free of charge. Infrastructure improvements were implemented in which easy address information and bank account number can be matched. In addition, QNB Finansbank has taken its place among the limited number of member banks of the FAST system, which enables 24/7 money transfer.

The "Digital Bridge", which was implemented with the Digital Transformation Project of QNB Finansbank, has continued to contribute to the digital transformation processes of customers in the SME and Commercial segment with its Digital Bridge Platform and new solution providers via expanding its product and service scope.

QNB Finansbank Corporate and Commercial Banking has financed investment projects, supporting growth and development of Turkey's economy in 2020. Besides allocating limits to projects in different sectors in the Corporate and Commercial segment, projects financed by QNB Finansbank were awarded in 3 categories at Bonds & Loans Awards.

QNB Finansbank Corporate and Commercial Banking continued to provide value-added services by working in harmony with related business units and subsidiaries this year, and provided continuous service with its rapid adaptation to changing working conditions and needs. During this period, it aimed to increase customer satisfaction with quality service standing by its customers and to be the first choice of them.

SME and Agricultural Banking

Small and Medium Enterprise (SME) Banking

QNB Finansbank SME Banking is composed of three main service channels, namely, Medium sized Enterprises, Business Banking and Sectoral Banking. Enterprises with an annual turnover of TL6 million are served through the Business Banking channel, and enterprises with an annual turnover of TL6-60 million are served through the Medium-sized Enterprises Banking channel. All firms operating in tourism and agriculture, independent of their turnover levels, are served through Sectoral Banking.

QNB Finansbank SME Banking continued to support SMEs, seen as the lifeline of the economy, with approximately 1,200 employees at nearly 400 branches, thanks to projects it has brought to life and a high level of focus. SME loans comprise approximately 24% of total loans, and QNB Finansbank increased its share in the SME loans market by outgrowing the market.

QNB Finansbank takes pride in its customer-oriented management approach by receiving the "Best SME Bank in Central and Eastern Europe" award at the Euromoney 2020 Excellence Awards. QNB Finansbank stands out in the sector with its business model that is both profitable for the bank and attractive for customers. Customer-oriented services such as Digital Transformation, SME Easy Line, internet /mobile credit usage have been the key to success in the SME segment.

QNB Finansbank has grown five times in SME loans since 2012, and continued its growth in 2020 while successfully managing its risk by close monitoring.

SME Banking had a deposit-focused year in parallel with 2019, and in 2020 SME deposits grew by 33% on a year-on-year basis.

Investment in out-of-branch channels was a priority for QNB Finansbank in 2020 for clients to complete all banking transactions in a swift and efficient manner, without paying a visit to physical branches. Especially during the pandemic period, relationship managers who work from home with their tablets quickly met all the demands of Bank customers. SMEs were offered such ease and comfort through "SME Easy Line", serving SMEs only and offering instantaneous and professional support, allowing SMEs to carry on transactions on the phone. QNB Finansbank internet and mobile branches, specifically designed with SMEs in mind, continued to offer services with newly added functions. Particularly during the pandemic period, thanks to non-branch channels and "Business in Field" Project all the customer demands satisfied quickly and safely. In addition, at "Financier 360" Project, initiated in 2018 and planned to be carried out in regular intervals, QNB Finansbank SME Banking relationship managers have been extensively trained in providing 360-degree services and financial consultation. With the onset of pandemic, "Financier 360" contents were rebuilt according to global conditions and RMs continued to attend online trainings.

Dijital Transformation Project, which has satisfied customers not only for banking services but also out-of-banking service needs, has been one of the main focuses since September 2019. In 2020, QNB Finansbank SME Banking made a difference in the sector with approximately 27,000 active Digital Transformation customers. QNB Finansbank has offered SMEs privileged solutions with its Digital Transformation Project. This project provides free products such as E-Invoice, E-Ledger, E-Archive, E-Waybill as well as 3rd party services such as KolayIK providing human resources facilities, Stockmount helping customers in the sales area, KolayBi, Ekmob, KolayMutabakat, NeoVade, Kobaküs supporting for portfolio management for clients. Moreover, Digital Bridge Academy which has been launched in 2020, give opportunity to customers to manage their companies in line with new technologies. This platform allows customers to come together with experts in their business area and opportunity to get online training.

Aiming to bolster SME power by siding with clients in global competition, QNB Finansbank provides training and consultancy in foreign trade issues. By placing itself close to clients organizationally, QNB Finansbank provides its expertise in foreign trade. Allowing clients to carry out foreign trade transactions via the Internet branch leads QNB Finansbank clients swift and easy access through all channels.

By setting client comfort as a priority, QNB Finansbank has renewed its "Comfortable Deal" product within the scope of BRSA regulations and continues to offer its comfort advantage in the sector. With the renewed Comfortable Deal product, the management approach focused on customer satisfaction has been maintained in 2020. The increase in the number of such clients is a sure sign of the focus of being next to clients as "Financier" and increasing the number of customers whose main bank is QNB Finansbank. In addition, QNB Finansbank includes its customers with Comfortable Deal to the newly created "SME Lodge" segment, which offers them various advantages.

During the pandemic period, remote service was provided to SMEs thanks to the digital channel-oriented structure and the ability of RMs to work from home with tablets. It has also provided the management of close relations with customers, which is its most important focus, through customer calls and online meetings instead of physical visits. During this period, QNB Finansbank took the side of SMEs by quickly meeting the delay and loan requests of the customers. Prioritizing the satisfaction of RMs working at branches, SME Banking teams came together with RMs in online conversations, and appreciation practices such as Kristal Finansçı were realized through online award ceremonies.

SME Banking will continue to support SMEs financially in 2021 with a customer-oriented management approach.

Agricultural Banking

Firmly believing in the strategically significant agriculture sector, QNB Finansbank serves the sector with 800 portfolio managers and 400 branches. QNB Finansbank's 87 branches provide special services only to agricultural customer with 125 employees, most of whom are agriculture engineers.

With variable services depending on activity and location, and efficient service with wide range of products befitting sectoral dynamics, QNB Finansbank's number of clients reached 180,000 and agriculture loans realized above TL1.8 billion.

QNB Finansbank promotes certification-grade agricultural production for ensuring the producer as well as the consumers to access quality goods. It offers encouraging funding opportunities with favorable interest rates and payment schemes, directed toward organic agriculture and agriculture practices.

The features of CardFinans TarımKart, which was launched by QNB Finansbank in September 2018, also provide opportunities for farmers. The most important feature is that it is paid once a year. Farmers can meet all their input needs for year-round agricultural production from CardFinans TarımKart, and they can make the repayment once a year on the extract date determined in accordance with the harvest period of the product they produce. In addition, they can take the advantage of a non-interest period of up to 6 months for purchases they made at member businesses that have agreements with CardFinans TarımKart, and postpone their payments until the harvest date. Farmers holding CardFinans TarımKart can use installment loans with a maturity of up to 2 years from all QNB Finansbank ATMs 24/7. Whenever they need, they can access Overdraft Accounts from ATM and perform cash withdrawal transactions. In addition to all these, farmers who do not have a regular monthly income can place an automatic payment order with CardFinans TarımKart for SGK & BAĞ-KUR premium payments; they can repay their monthly premium debt once a year at the harvest date. All year long, farmer customers can make payments to their cards whenever they wish, and then reuse them for POS transactions or for the use of installment loan when needed. For the main companies they make regular payments, they can define a Direct Debiting System (DBS) limit, and they can make their payments with the TarımKart DBS limit specific to the company.

In addition, QNB Finansbank shall continue to bring services and products to clients in order to contribute to developments in agriculture in 2021, as well.

Real Estate Financing

QNB Finansbank realizes real estate financing with an expert team, with the aim of supporting the construction sector, a key sector in the economy. Project-based and customized financing models are provided to firms active in build-and-sell as well as urban transformation, additionally offering solution partnerships by closely monitoring market developments.

In addition to finance solutions for firms, individual clients interested in purchasing housing in these projects are also supported through campaigns and opportunities in customized payment plans.

QNB Finansbank has offered special terms and project-based finance models to more than 110 real estate firms in 2020.

In 2021, QNB Finansbank shall continue to closely monitor sectoral developments, follow up its innovative efforts and provide customized finance solutions, focused only on the build-and-sell sector.

Tourism Banking

Regarding the strategically important tourism sector, QNB Finansbank determines sectoral needs thanks to its customized organizational structure and provides services and products by sector-specific finance models.

In 2020, QNB Finansbank continues to provide loan support with special terms and guarantees, and financing models tailored to the company and project within the scope of Tourism Banking activities. Especially during the pandemic period, loan support was provided more than TL1 billion to the sector.

One of the sectors where the negative effects of the pandemic were felt the most in 2020 was the tourism sector. QNB Finansbank continues to support the sector by revising the additional maturity and / or grace period payment plans that companies need within the framework of their cash cycles, due to the fact that most of the hotels are closed, the mobility of both domestic and foreign tourism decreases and the number of tourists decreases.

QNB Finansbank, keen on providing the expert touch necessary in different sectors, brings customized solutions to the tourism sector.

Consumer, Affluent and Private Banking

Consumer and Private Banking

As QNB Finansbank Consumer and Private Banking, 2020 was a year in which QNB Finansbank aimed to develop new products and services in order to provide its customers with the most appropriate and fastest banking experience, consider the priorities of its customers and focus on producing solutions to meet their financial needs. During the course of the 2020 pandemic, the Bank's "QNB Finansbank is always there for you" saying was proved to be meaningful. Also, the Bank introduced precautions starting in March to protect the health of both its employees and customers. These Covid-19 precautions include; postponing and restructuring of credit card and loan payments, increased cash withdrawal limits from the ATM's, and free money transfers. Considering that the pandemic period also played a major role in the acceleration of digitalization, various solutions were focused on to come to a leading company in digital banking, and digital-focused organizational structures were implemented under the umbrella of Consumer and Private Banking. As QNB Finansbank has continued to stand by its customers with its reliable and fast banking services, it has adopted as its main principle to protect human health in all its processes through further development of its digital channels.

In 2020, QNB Finansbank continued to provide services at 475 branches. With the intention of saving time spent on operations at its branches and preserve the environment, the Bank has executed its "digital transformation" and "paperless banking" principles for a sustainable future. With the digital transformation, customer satisfaction and productivity have been further increased, while Bank customers are directed to digital channels due to the pandemic and it has been aimed to perform banking transactions with minimum risk. In 2020, more than %90 of the branch transactions was operated with the digital approval system, without the need of any documents. In 2020, the "Tek ATM" Platform, of which QNB Finansbank is a member continued. The Bank continued to provide free money transfers, balance inquiry, and credit card payments for its customers from other bank members' ATM's with this partnership.

In 2020, Bank's cooperation with Western Union continued to create alternatives for its customers' money transfers to other countries. QNB Finansbank continued to offer its customers with the Western Union money sending and receiving service, which enables fast, secure and easy money transfer to more than 200 countries through its branches and mobile branch.

Providing 24/7 service through the mobile branch for this product, which makes a significant contribution to the acquisition of new foreign customers and the increase of the activity of its existing customers, has made the lives of Bank's customers much easier during the pandemic period. In 2020, when maintaining social distance was the top priority, more than 70% of Bank's customers preferred the mobile branch to perform Western Union transactions. After Western Union transactions were transferred to the digital environment with the mobile branch, enhancing customer experience, permanence and volume were achieved and the bank's commission income increased significantly.

QNB Finansbank' support to Turkish sport continued in 2020. The Bank's partnerships with Trabzonspor as arm band sponsor, and also with Fenerbahçe Men's Basketball Team as backside sponsor deals continued. Regarding these partnerships, the Bank has introduced customer targeting and brand communication activities for both of these great communities and their fan base. The Bank's already existing, CardFinans Trabzonspor and CardFinans Fenerbahçe credit card products have been featured in the social media accounts and other channels owned by both the bank, and the clubs.

In 2020, the "Select" Program which requires qualifications of deposits between TL20 thousands and TL150 thousands and instructions of 2 automatic bill payments from the bank was eligible for special benefits that include benefits such as 3 free money transfers through digital channels per month and discounted grocery shopping.

In 2020, there were many improvements in non-branch channels so that QNB Finansbank customers can make loan applications, loan payments and other loan services more easily. During the pandemic period, the customers have been supported with restructure or postponement of their loan payments.

Moreover, new customer acquisitions have been improved by introducing new pricing models, improving the web channel infrastructure to be able to take overdraft applications and last but not least improving the entire consumer loan application processes. By improving and diversifying the marketing actions for different customer segments, customer retention has been improved. Furthermore, there have been many changes made in QNB Finansbank mobile branch to improve customer experience for consumer loans processes.

In 2020, while the Bank continued to offer its deposit products to its customers through all channels, actions have been taken to protect the health of Bank customers. Offering both time and demand product features together, the Bank's "Çift Sarılı Hesap" and "Kazandıran Günlük Hesap" products have made it easier for the customers to make transactions and earn on their savings during the pandemic period by offering easy transactions through digital channels. Regarding "Çift Sarılı Hesap" and "Kazandıran Günlük Hesap", the total balance increased by 13% in 2020 compared to the end of the previous year, and the total balance of these two products exceeded TL7 billion. Bank products such as "Çekici Hesap", which allows Bank customers, who want to take advantage of the withholding tax advantage in the last quarter of the year, to withdraw money without breaking the term, and "Maaşlı Hesap" that allows the customers to receive monthly interest income as long-term alternative products.

Due to the pandemic experience, the number of the customers managed by the central team increased by 96% in order to ensure that the customers can make transactions without leaving their homes. Thanks to this, in 2020, more of the Bank's customers were able to get information about Bank products via phone, manage their existing accounts and open new accounts.

In 2020, the interest in alternative investment products increased in Turkey due to the low interest rate environment around the world and the uncertainty created by the pandemic.

The investment products that QNB Finansbank serves are compatible with market conditions, customer returns, and risk preferences. Thanks to the expertise of QNB Finans Asset Management and QNB FinansInvest, QNB Finansbank has continued to serve its products; investment funds, Eurobond, private sector bond, commodity, domestic and foreign common stock and futures market products.

With the increasing interest in investment products, QNB Finansbank continued to expand the range of investment products offered to its customers in 2020. In May, QNB Finans Asset Management Third Hedge Fund was offered to customers who preferred to invest in eurobonds with their USD savings and in June QNB Finans Asset Management Short Term Hedge Fund was offered to customers who wanted to obtain short-term interest income for their TL savings. With the Digital Approval process in investment products which launched in November, investment product sales processes were redesigned in accordance with the pandemic in favor of the customer and the bank. With this new process, paper consumption has been reduced with the aims of both saving time and protecting the nature.

With the rise in XAU/USD and GAU/TL markets in 2020, gold has become one of the most preferred investment instruments. In order to respond to all customer needs regarding gold banking, gold collection processes ,in order to allow investments held outside the banking system to contribute value-added to the Turkish economy, physical gold delivery service to customers who have gold accounts and gold EFT via Takasbank system continued at full speed.

Global COVID-19 pandemic has led to significant changes in QNB Finansbank's approach to both banking and bancassurance services, and has created opportunities for developing new services and products. In this extent, Cigna's new product 7/24 Health that offers online medical doctor and online therapy appointments has been offered to QNB Finansbank customers. Another product of Cigna FX RoP, which was offered last year to QNB Finansbank's affluent and private banking customers, has become a significant alternative product for such customers due to its ability to offer fx return on premium, tax exempts and life and PA coverages.

2020 was a year, when everybody reevaluated their priorities and realized the importance of health. Hence, further to offering new products to its customers QNB Finansbank has made a new initiative in the field of health insurance. In this extent, a new agreement for health insurance between QNB Finansbank and Cigna has been signed and as a result of this agreement starting from 2021, QNB Finansbank offers health insurance products of Cigna to its customers.

The focus on salary customer acquisition continued in 2020. QNB Finansbank had an active role in payment of salaries and fulfilling banking needs of prominent Turkish and global companies. Customer programs that provide advantageous loans, attractive deposit rates and advantageous discounts for salary customers have continued to be carried out successfully as they do every year.

QNB Finansbank led the sector in retiree pension segment as it was the case in 2019. As a result of the promotion campaign, the number of retiree pension customers increased significantly compared to 2019. Thanks to Bank's digitalization efforts, segment customers have been offered faster and safer service throughout pandemic period.

Affluent Banking

QNB Finansbank's privileged products and services for affluent segment customers who prefer the bank for their savings continued in 2020 with QNB's global brand, QNB First. With a wide range of special products for their assets, discounted/free-of-charge banking services and specially designed life-style privileges for these customers, the Bank aimed to serve the best affluent banking experience.

Due to the pandemic experienced in 2020, the digital privileges been offered to the customers with the motto "Your health is important to us" have been made more prominent. QNB Finansbank continued to invest on QNB First Digital, the mobile interface specially designed for these customers in order to enhance affluent banking privileges "digitally". In addition to the existing privileges, offering special solutions to the financial needs of affluent customers, non-banking privileges such as "Free Dry Cleaning", privileged miles with free M&S credit cards, free books from the "QNB First Library" and the loyalty program with QNB First Digital, special discounts were offered to the customers on digital platforms such as Netflix etc. QNB First organized many online events with contents such as sports, health, nutrition and travel with the aim to stand by its customers during this period to encourage them to stay at home.

In 2020, QNB First and QNB First Digital achieved very important successes: At Stevie Awards, one of the most prestigious award programs of the international business world, in the field of Sales and Customer Services, QNB First brand and its mobile branch interface, QNB First Digital, were awarded with 1 Gold, 1 Silver and 2 Bronze Stevies.

Due to the pandemic, the importance of digitalization at all banking channels has been increasing. In this context, "Digital Bridge to the Future" service established, has offered solutions under one umbrella for the needs of the businesses of the Bank customers. With Digital Bridge, for the customers that want to benefit from the e-self-employment voucher (e-SMM) service from the bank and can work with the bank individually, this service is offered unlimitedly and completely free of charge through QNB eFinans until 2022.

As a result of customer acquisition initiatives for target groups taken in 2020, the number of Affluent Segment clients who bond the segment saving criteria which is between TL150,000 and TL1.5 million has increased by 7% on an annual basis.

Private Banking

QNB Finansbank continued to serve its "Private Banking" customers with assets above TL1.5 million in 2020, in line with the customer risk and return expectation and by offering customized solutions. While providing privileged and specially designed services in banking to the customers who are members of the Private Banking world, very special privileges and experiences for the daily lives of the customers continued.

At QNB Finansbank, with the motto of "Banking has never been so personal...", private banking customers can easily perform their transactions through private banking customer relations managers and 24/7 private banking service line, can make free EFT transactions via internet banking and mobile branch, and benefit from many banking services such as safe deposit box service with 50% discount.

In addition to the banking privileges offered to private banking customers, non-banking privileges and privileged miles with free Miles&Smiles credit card, "Discounted Private Driver and Vehicle Maintenance Service" by Alfred, MasterCard Lounge Key service, loyalty program and car rental with QNB First Digital services continued to be provided. Due to the pandemic, the digital privileges been offered to the customers with the motto "Your health is important to us" have been made more prominent and in addition to the existing privileges, new special discounts were offered to the customers on digital platforms such as Netflix etc. and online art courses by Masterpiece. QNB First have organized many online events with public figures, such as Saffet Emre Tonguç and Ateş Kara, on contents such as travel, health, nutrition and sports with the aim to stand by its customers during this period and to encourage them to stay at home.

In 2020, QNB Finansbank took actions to increase the number of customers with acquisition efforts for target customer groups. As an example of these efforts, with the Members Get Members campaign, Private Banking customers who bring their friends into the world of QNB First or Private Banking are given 5,000 Miles or QNB First Points offered as part of the Loyalty Program of QNB First Digital for each new customer they offer.

Throughout the year, QNB Finansbank Private Banking increased its customer acquisition significantly and improved the customer retention to higher levels with its projects and value propositions. As a result, the number of Private Banking segment customers increased by 12% on an annual basis.

Quartz Wealth Management

In 2020, Quartz Wealth Banking continued to offer private banking services to QNB Finansbank Quartz customers by the wealth banking managers who have extensive experience in banking and are well-equipped with both market and product knowledge. Quartz customers carry out their transactions regarding all banking and investment products with the wealth managers assigned to them. Online/video visits were paid to the customers in Turkey and all over the world by making the most of the technological opportunities during the pandemic. QNB Finansbank ensured that all banking services continued without any interruption by giving the sense of support to the customers, and the customer satisfaction score was 91% in 2020.

Quartz Wealth Banking tries to get to know the customer more by creating a mutual trust environment with Bank customers and offers exclusive financial solutions in parallel with their financial expectations and targets based on their risk groups with extensive investment options. Quartz Wealth Banking evaluates the market data received from Turkey and all over the world and provides necessary announcements regarding the possible risks and opportunities concerning the investments of its customers. Wealth managers manage the customer assets under the light of all data and in line with all the customer requests by taking the changes in policy and economy into consideration in a global perspective.

Quartz Wealth Banking continued its growth with the high customer satisfaction and customer sustainability in 2020. The number of Quartz customers increased by 36% and portfolio exceeded TL20 billion at the end of 2020 with high customer sustainability ratio.

Digital Banking

During the pandemic in 2020, QNB Finansbank customers were informed and guided accurately and effectively through real-time communications via QNB Finansbank and CardFinans social media channels. In addition, product/service/campaign, corporate social responsibility and sponsorship promotion/marketing activities and special day communications continued in order to increase brand awareness, value and reputation in digital channels.

Social listening and sentiment analysis were continued by monitoring all online channels in order to keep track of what, on which platform, when, how and why the customers mentioned. The messages shared by the customers were replied quickly and accurately in a solution-oriented manner. In this context, 75% of the messages sent during the year were replied within the first 15 minutes, 98% within the first 60 minutes and 100% within 120 minutes.

At Social Media Awards Turkey, Turkey's most comprehensive social media competition thanks to Marketing Turkey & BoomSonar collaboration and Deloitte expertise, QNB Finansbank was awarded with the bronze award in Data Analytics / Private Bank category, based on SocialBrands' social media brand index results. Data analytics award winners are determined based on the engagement performances of social media accounts of brands.

In the field of Digital Performance Marketing, the year 2020 was a year, when the Bank focused on increasing the utilization of Bank's digital channels and developing processes through which the customers can access to Bank products and services whenever and wherever they want. Especially starting with the onset of the pandemic, investments were further increased in the use of digital channels in order to leave traditional methods behind and provide instant solutions to customers' needs; thanks to those investments QNB Finansbank continued to offer customers a unique experience.

Marketing activities made through digital media owned and/or purchased by QNB Finansbank while increasing the application/sales performance on all websites and mobile applications of the bank and its products, implementing new projects and activities to improve user experience in order to achieve goals such as new customer acquisition, existing customer activation, new product sales and brand awareness.

In 2020, QNB Finansbank continued to provide digital banking services to its customers with the objectives of bringing the firsts to the sector in both banking and technology. The number of digital active consumer customers exceeded 3.1 million at the end of 2020 with many marketing activities carried out in order to bring new customers to mobile banking, increase the loyalty of existing customers and transform channel utilization into a long-term experience.

During the period when the pandemic reached its peak in Turkey, there was 80% decrease in the number of customers who made transactions in branches compared to pre COVID-19 period. Use of Digital Channels has been offered to the customers in order for them to receive continuous, smooth, instant and fast banking services. Communication activities have also been carried out to promote transition of customers to digital channels. For non-digital customers, information manuals and videos explaining how to get password and log in to channels were prepared and have been presented to customers through various channels with the aim to assist customers whenever they need us. Thanks to those initiatives, there has been a major increase in the use of digital channels, especially solutions aiming to reduce social contact are preferred heavily by customers. For example, making transactions through digital channels without going to branch, using chat function provided in the application and withdrawing money from ATM without contact are most preferred transactions. In addition, Q - the Financial Intelligence, which was launched in 2019 with the aim of enriching personal banking experiences of the clients, continued to serve mobile banking customers by reminding them their regular transactions during 2020.

QNB First Digital, which was first in its segment, continued to offer a brand new Mobile Banking experience to Affluent and Private Banking customers. With the launch of QNB First Digital, QNB Finansbank mobile branch started to serve segment customers with a different interface and achieved to increase customer satisfaction from the very first days. QNB First Digital offers the privileges of QNB First to Affluent and Private Banking customers through a digital environment. Also, in order to enable Bank customers to observe their earnings that they have gained from QNB Finansbank, "My Earnings with QNB Finansbank" screen was offered on QNB First Digital. With QNB First Digital, a new fully digital QNB First Loyalty Program was introduced to the customers, at which they could earn QNB First Points or Miles from banking transactions.

QNB First Digital won 3 awards, one of which is Gold Stevie, at the Stevie Awards 2020, one of the most prestigious awards programs in the business world. QNB First Digital proved to be one of the best in Sales and Customer Services Category and won Gold Stevie at "Best Use of Technology in Customer Service" Category, Silver Stevie at "Sales and Marketing Mobile Application" Category and Bronze Stevie at the "Innovation Customer Service" Category. QNB First Digital added one more to its achievements at European Customer Centricity awards, one of the most important customer experience competition in Europe, where it was awarded at Best Digital Strategy.

From consumer banking perspective, 2020 was a year when the Bank aimed to satisfy the changing needs of its customers. Especially, during the pandemic, QNB Finanbank aimed to successfully transform the bank to a more digital environment for the safety of both its employees and customers. QNB Finansbank has prioritized its customer's priorities and their satisfaction while fulfilling their wants and needs in the fastest way possible. The Bank aims to invest in the required infrastructure that is necessary to meet evolving future demands.

Enpara.com

Launched by QNB Finansbank in October 2012 as the first direct banking model in Turkey, Enpara.com offers retail and SME banking services through digital channels only (Internet, mobile, call center and ATMs), without utilizing physical bank branches as a service channel.

By attracting 580 thousand new retail customers, Enpara.com has reached a total of 2.4 million customers, achieving a 32% growth. Serving SME customers under the Enpara.com Şirketim brand,

Enpara.com reached 67,750 customers with an 84% increase.

Its deposits reached TL 21 billion, and on the loan side together with credit card receivables, balance reached TL 6.2 billion.

The “no annual fee” Enpara.com Credit Card, launched in December 2017, reached 632 thousand customers with a growth rate of 39%.

Enpara.com commenced to offer a fee free POS product to its SME customers in the second half of 2020 and reached 10,500 POS customers in six months.

Enpara.com started to present chat option as a new service channel for its users and the portion of chat sessions reached 55% among all incoming voice calls and chat sessions.

With its field team visiting customers all around Turkey, its contact center team answering calls in 30 seconds, and its focus on flawless user experience and customer friendly practices, Enpara.com received numerous notes of gratitude from its customers and for 2020 highest ever net promoter score received, which stood at 79%.

Payment Systems

Miles & Smiles QNB Finansbank Credit Cards

Within scope of the agreement signed with Turkey's flag carrier airline company Turkish Airlines, QNB Finansbank had launched three new credit cards namely "Miles&Smiles QNB Finansbank," "Miles&Smiles QNB First" and "Miles&Smiles QNB Private" in 2019 in collaboration with Turkish Airline's frequent flyer programme, Miles&Smiles. In 2020, Miles&Smiles QNB Finansbank credit card holders continued to earn miles with privileged rates from their flights with Turkish Airlines and program partner airlines, on their expenditures at Miles&Smiles programme partners, and on their spendings via using their Miles&Smiles QNB Finansbank credit cards and/or on the credit card campaigns been offered to them. Card holders can buy award tickets from Turkish Airlines both for themselves and for their loved-ones with miles they earn, shop at programme partners or on shopandmiles.com, and upgrade their flight classes free of charge. In addition, Miles&Smiles QNB Finansbank credit card holders can request advance miles from QNB Finansbank mobile application and call center without waiting for collecting enough Miles for their flights, and purchase their airline tickets from Turkish Airlines immediately using these advance miles. These advance miles are then paid with the miles the card holders earn on their future spendings via their Miles&Smiles QNB Finansbank credit cards. Miles&Smiles QNB Finansbank credit card holders have earned extra miles in various sectors and on special occasions throughout 2020, thanks to numerous campaigns offered to them, such as restaurant campaign, back to school campaign, market expenditures campaign, new year's campaign.

CardFinans

CardFinans ranked among the top six brands in the Turkish credit card market in 2020 with approximately 6.3 million cards issued and TL 8.5 billion turnover. In 2020, CardFinans ranked fifth in the market, with a market share of 10.10% and a total balance of credit card receivables amounting to TL 20.4 billion. CardFinans has aimed to infuse meaning into the lives of its customers, with its motto being "Life is more than what you buy". Customers have been offered with MoneyPoint campaigns up to TL 100 during Ramadan, back-to-school and new year's periods, including e-commerce offers suited to the needs of the pandemic period.

GiftMoney

GiftMoney program enables CardFinans credit cardholders to make free purchases in member stores from TL 150 up to TL 1,500. With spending commitment made by cardholders in exchange for the amount of Gift Money used, customers' usage of CardFinans in their purchases within 12 to 18-month timeframe is secured. The Program includes leading brands in various sectors in addition to making unprecedented offers and has been appreciated by CardFinans users in a short period of time.

CardFinans Fix

CardFinans Fix, one of the first no annual fee credit cards in the Turkish market, has become a preferred brand. In order to meet the increasing demand over hygiene due to the pandemic, "contactless payment" feature was added to this product as well.

CardFinans Retiree

Retirement payroll account holders at QNB Finansbank had been introduced with this credit card product, providing discounts and advantages in pharmacies and food stores, back in 2014. This product has become highly favored and the portfolio continued its rapid growth in 2020. In order to meet the increasing demand over hygiene due to the pandemic, "contactless payment" feature was added to this product as well.

New Customer Acquisition

Credit card portfolio has been expanded with the use of targeted campaign offers to new customers. Digital channels increased their market shares in customer acquisition, as spot delivery card practice, which has increased its market share, enhancing customer satisfaction and productivity.

QNB First

QNB First credit cards, under the rebranded affluent segment programme in 2019, continued to offer privileged services to its customers in 2020. Designed exclusively for QNB First banking customers, QNB First introduced special accommodation deals in global hotel chains in addition to its privileges such as QNB First Library, discounted car rental and dry cleaning and installments for Duty Free purchases.

QNB First Doctors

Designed exclusively to serve the needs of doctors, QNB First Doctors continued to provide privileged services to cardholders. In addition to privileged services of QNB First, Doctors card offers initiatives embracing the healthcare sector, such as access to "Medical Library".

CardFinans Nurse

QNB Finansbank had launched CardFinans Nurse, the first credit card in Turkey designed exclusively for nurses, midwives and medical assistants, in March 2013. CardFinans Nurse has offered ease of payment with Paypass features, in addition to wide scope CardFinans features and benefits.

CardFinans Debit

CardFinans Debit has continued to be the customers' card of choice, thanks to its wide range of campaigns, and ranked 7th in the Turkish debit card market, capturing a 5.58% market share in terms of POS sales in 2020.

CardFinans Commercial Cards

CardFinans commercial credit cards, designed for supporting cash management of business owners, represented 9.17% of the total Turkish commercial credit card market with 592,855 cards issued. CardFinans KOBİ had offered numerous advantages such as payment deferrals, after-sales installments, statement deferral and instant loans, making it possible for the card holders to earn while shopping.

POS

POS volume market share realized at 5.29% with 211,089 POS terminals and 167,279 member merchants.

Credits

Credits Department aims to manage the quality of the loan portfolio by expert teams in compliance with credit policies set by the Bank, while increasing credit assessment quality in every stage of the loan process via developed models, systems and designed workflows.

Experienced teams are responsible for carrying out lending work cycle operations in all stages from loan application and underwriting to close monitoring and legal proceedings. This structure is also supported by the Bank's strong analytical and portfolio management organization.

In line with the Bank's principle of decentralization in management, loan underwriting and monitoring activities are carried out by the Head Office and credit region teams in close cooperation with the field staff. Written credit policies, credit directives and procedures enable the Bank to perform effective risk management and preserve all loan records in the Bank's corporate organizational memory.

QNB Finansbank carries out the lending activities in line with the Sustainability Policy which is created to take into account the environmental and social risk assessments of the financed projects.

Retail Loans (Consumer and Small Business Segments)

Loan policies and strategies are determined according to analytically driven and rational methods. Loan evaluation and intelligence processes are designed using high technology in a highly automated manner to ensure efficiency and customer satisfaction. To reach targeted quality in the portfolio, efficient portfolio management is performed using application and behavioral scorecards with high filtering capability.

The Bank aims to provide appropriate limits to the right customers as quickly as possible using data obtained from internal and external data sources such as the Credit Bureau, the Risk Center etc. integrated in the Bank's Retail Credit Assessment System.

Collection processes are managed quickly and efficiently with different strategies and sources (internal external agent calls, sending letters, IVN, SMS, etc.) used for different customer segments. Experienced law firms located countrywide follow collection of loans transferred to prosecution. On the other hand, central collection teams are involved in the collection process. Collection performance is monitored by using analytical methods.

Corporate Credit

Corporate Credit Management is carried out in line with the segment division (Corporate, Commercial, Small and Medium-Sized Enterprises, Project/ Syndication, Agriculture, Real Estate Project Financing) by underwriting, monitoring, and legal prosecution teams who are experts in their respective fields.

The corporate credit assessment processes and credit analyses are carried out using credit rating models having high discriminatory power that are developed with analytical perspective, taking into account of size and sector of the debtor.

All customers in corporate segments are monitored closely through central information sources such as the Risk Center and the Credit Bureau, early warning systems, and behavioral scoring models. All early warning signals are evaluated on time and necessary actions are taken accordingly. The credit decision framework containing up-to-date customer financials as well as rules set supports underwriting and monitoring functions in a proper manner.

Project financing and syndication loan proposals are evaluated by specialized staff specific to the sectors, by examining the unique needs of each project and with the most appropriate financing model for each project, and the Bank has been involved in many project finance deals.

Financial Institutions Credit Management

In 2020, Financial Institutions Credit Management Division has continued to assess the risks of all domestic and international banks and to allocate limits within the framework of the Bank's credit and risk policies and by expert teams.

Treasury

Liquidity Management

The Liquidity Management Desk is responsible for managing the liquidity of the Bank while carrying out the responsibilities of the Bank vis-a-vis its customers, the CBRT and the BRSA. It aims to maintain the optimal liquidity composition in line with balance sheet evolution, growth expectations, business strategies and internal and regulatory requirements. The Desk fulfills the Bank's reserve requirement obligation and monitors the liquidity ratios enforced by the BRSA. It performs transactions in Money, Swap and Repo markets and is actively involved in deposit pricing processes.

Balance Sheet Management

Balance Sheet Analysis and Asset Liability Desks manage the risks of the Bank's balance sheet, executes funds transfer pricing, and evaluates the cost of funding. Balance Sheet Management monitors balance sheet items that have risk exposure potential, evaluates various developments in terms of risks, and executes the Bank's risk management strategies determined by the Asset and Liability Committee. The Desk uses hedging derivative instruments for the purpose of risk aversion. In order to better implement the Bank's balance sheet strategies with respect to risk appetite and market developments, desks carry out simulations regarding various ratios, net interest income and evaluates future risks' and expectations' impact on the balance sheet.

FX and Fixed-income

The FX and Fixed Income Markets Division carries out fixed-income securities, foreign exchange and derivatives transactions. Trading limits, limit utilization and profitability are closely monitored. In 2020, the Division scrupulously analyzed and successfully managed market volatility and accordingly incurred risks, contributing positively to the profitability of the Bank.

Treasury Sales

The Treasury Sales Desk, with its customized approach to customers' diverse requirements, targets continuous increase in the customer base and deal volume, while contributing to QNB Finansbank's leading position in capital markets.

The Treasury Sales Desk provides its customers with innovative derivative products as opposed to conventional products, ranging from risk management ideas to investment products including capital protected investment alternatives.

Structured Funding

The Structured Funding Division aimed at diversifying the base and extending the overall maturity profile of QNB Finansbank's wholesale funding within 2020.

The Division concluded a EUR 150 millon facility with the European Bank for Reconstruction and Development (EBRD) under its Solidarity Package. The EUR 50 million tranche of the funding was used to support the Bank's SME clients. This EUR 50 million bilateral, with its 2 years tenor, was the longest lending of the EBRD to any Turkish bank under its Solidarity Package within 2020. The other EUR 100 million tranche facility from the EBRD was received to support the trade finance business of the Bank.

The Division concluded a EUR 25 million facility with the Proparco, a subsidiary of the French Development Bank, with a maturity of 6 years. Funds are being allocated to agricultural needs of the Bank's SME customers with a commitment to energy efficiency.

The Division also focused to increasing the synergy with QNB Doha on the sustainability front. It explored various opportunities around green bond private placements which are yet to materalize within 2021. The amount of issuances under the Bank's MTN Program, which is run by the Division, increased by USD 88 million within 2020, reaching to USD 108 million year-end balance.

Correspondent Banking

Despite the challenging market conditions of 2020, Correspondent Banking Division continued to diversify its wide correspondent network by adding new regions to its portfolio and establishing new banking relations. While mediating the foreign trade transactions and international payments of our customers, The Division has significantly strengthened QNB Finansbank's market share in foreign trade. Our Bank's widespread network provided access to alternative funding sources and reinforced its operations in international payments, correspondent account management and treasury transactions.

QNB Finansbank signed two syndicated loan agreements in 2020 for an amount of USD 280 million in May 2020 with the participation of 9 international banks and for an amount of USD 350 million in November 2020 with the participation of 33 international banks from 19 countries. The total syndicated loan financing obtained by QNB Finansbank in 2020 amounted to USD 158.5 million and EUR 393.5 million for the 367 days tenor. Thanks to the high demand received from international financial institutions, which is an indicator of trust in the Turkish banking sector, both syndicated loan facilities were closed successfully with around 130% roll over ratios. In 2020, the Bank continued to support foreign trade with the most efficient cost and maturity compositions by raising a total volume of USD 1.3 billion funding under the post financing and other trade loan structures.

Information Technologies, Operations and Business Development

Information Technologies

In line with QNB Finansbank 2020 strategies, the core banking system, Core Finans, alternative distribution channels and card payment systems have been enriched in terms of products and functions, thus rendering operational procedures more efficient.

New products and services have been offered for Enpara.com and QNB Finansbank affiliates. In 2020, QNB Finansbank Information Technologies (IT) completed 105 projects, requested by QNB Finansbank and its affiliates, and spent 73,550 man-days in total for these projects, corresponding to 700 man-days per project. Besides, 9,064 software change requests and projects regarding Core Finans, alternative distribution channels and card payment systems and requiring less than 40 man-days were realized in 2020.

Since 2005, IBtech has provided services at TÜBİTAK Marmara Research Center Technology Free Zone, with more than 750 employees. From 2018 on, IBtech has actively provided products and services to QNB Finansbank and its affiliates at DEPARK, the techno-park of Dokuz Eylul University, Tinaztepe Campus, İzmir and IBTech R&D Center at Kristal Tower.

Through R&D projects regarding software infrastructure of Core Finans, QNB Finansbank has played a role in the Fintech ecosystem. POC projects on Data Analytics have been carried out.

Fund support was obtained from TUBITAK for the projects carried out within the scope of TEYDEB 1501 and 1509 programs.

In 2020, as in the previous years, more resources and time were spent on innovative work, such as AI, machine learning and big data analysis, that will serve the financial sector. Especially during the pandemic period, efforts were made to develop products and services that directly respond to needs and create added value for customers and the economy. Along with QNBeyond, innovation projects on different subjects such as Rich SMS and e-money were implemented in 2020 with important projects in all channels.

Digital Bridge ("Dijital Köprü"), which is the access point platform of the services offered to customers within the framework of the Corporate and SME Banking Digital Transformation Program, was launched. In this way, entrepreneurial companies also had the opportunity to create higher value-added services that could benefit the Bank's customers.

A number of projects have been implemented within the scope of harmonization studies of the Regulation on Banks' Information Systems and Electronic Banking Services.

DevOps is a series of applications that unite software development and IT processes aimed at shortening life cycle of system development and continuous delivery through high quality software. Devops studies initiated in previous years have been extended to all software bands in CoreFinans and Channels in 2020.

Projects within the scope of Foreign Trade Structuring were managed within a program, workflows were improved, and improvements were made in line with the bank's digitalization strategy.

In addition to the Spot FX product launched in 2019 at the Digital Treasury Platform "Digit", the Forward product went live in 2020.

Work regarding transfer from product and channel-based to customer-based fraud control has continued.

Projects for e-signature transformation and popularization were implemented.

Projects were carried out within the scope of compliance with the Turkish General Data Protection Regulations (KVKK).

The Virtual POS Inhouse development project was put into use and the companies' transition studies were carried out.

Credit cards end-of-day transactions were analyzed for resolution of problems, performance increase was achieved.

New projects were implemented on the hardware infrastructure of Core Finans, the Core Banking Application, and the entire bank's branch network. Webex Virtual Meeting Infrastructure was established especially for virtual meetings, which have increased importance with the pandemic. By establishing a VDI infrastructure, new technological uses were achieved in remote working possibilities, and within the scope of the Home Office work, it was ensured that all users work from home.

Infrastructure compliance studies regarding the BRSA communiqué were carried out. Data center server arrangements, consolidation, upgrades, storage system updates, Disaster Recovery Center capacity increases were carried out, and security infrastructure was developed. Additional layers were put into use in the attack prevention infrastructure. Active-active storage features were added to the bank's infrastructure. Active replication was achieved between primary and secondary data centers by introducing new technologies in the backup infrastructure. Efforts to upgrade critical databases' versions continued.

The use of products suitable for the bank in Open Source software were further expanded. Cloud Computing platform tests were made, the product park for the future was addressed, tests were performed and an architectural plan was created.

Arrangements, security improvements and standardization studies in Swift systems continued. Conversions were made in the Big Data / Hadoop environment in accordance with the requirements of the day.

Within the scope of Disaster Recovery Center Energy Saving, hot/cold aisle containment work was completed.

Transition of all end users to Windows 10 completed. 50% of the ATMs were switched to Windows 10 in 2020, and the rest will be transferred in 2021.

Branch Operation Management:

Bank archives were decided to kept at bank's own premises instead of procurement of this service from a third party. The new archive building is located in Eskişehir, the building area is 16.000 m2, total storage area is 7.800 m2 and storage capacity is 600.000 boxes.

All the archive boxes were transferred from third party's location to the bank's new archive building in 2020 and the entire archive process started to be monitored within the bank.

Erzurum General Banking Operations

Legal institutions' information requests and lien letter responses started to be sent digitally, if the institutions support digital channels in 2019. Digital response ratio increased from 80% at the end of 2019 to 95% by the end of 2020.

The letter responses send to insitution via registered e-mail (KEP-Kayıtlı Elektronik Posta). After the development, operation errors and operational loses were minimized and postage and stationary costs were reduced.

RPA (Robotic Process Automation) started to be used for notifications of Revenue Administration Office (Gelir İdaresi Başkanlığı-eTebligat) and it is in progress for lien letter process.

İstanbul General Banking Operations

A new team was established to check reports and work closely with legal institutions and legal authorities upon advice Revenue Administration Office (Gelir İdaresi Başkanlığı). This team also closely works with IT teams.

Foreign Trade and Loan Operations

FX project will continue in 2021. The projects, identified in 2020, related with improving customer satisfaction and end-to-end SLA (E2E-SLA) compliance are planned to be developed in 2021. Transfer of transactions not requiring expertise, to OSDEM will be completed in 2021.

Business Development and Strategy

QNB Finansbank Office of Business Development and Strategy (FİGS) follows up on business processes and workloads for increase of efficiency of sales and operation processes, and of channel use; offer peer-to-peer or local solutions depending on strategies, changing needs and technological innovations; and carries out projects to realize such solutions for unique customer experience.

In 2020 regarding digital approval, initiated in previous years with integration of customer product sales, new products and orders were added to the range, resulting in digital approval for 96% of all retail banking products offered at branches and 80% of banking services became available. Among retail customers, the rate of digital approval at applicable documents was close to 93%. In the corporate section, 80% of all products and services became subject to digital approval with the addition of Overdraft Account, Deposit Account and Insurance Cancellation, and rate of digital approval at these products and services reached 82%. Additionally, in order to improve the customer experience, digital approval processes were re-designed and simplified. In 2021, projects regarding digital approval of banking services provided at the branches will continue.

Easing and expediting the financial data entry processes of corporate customers was enhanced to a usage rate of around 94% as a result of uploading of financial data as provided on files by customers and improvements on automatic transfer cleaning. In addition, automatic transfer of financial data of customers who have allowed visualization of e-books on eFinans was realized. Further improvements shall be done in 2021.

Deep learning algorithms for faster handling of customer orders set by fax or emails were put in use which classify 85% of the customer order documents. Work started to establish an automated process of extracting relevant data from these orders with the help of Deep Learning algorithms and using them as inputs for providing the relevant service to the customers.

Automation of new processes were achieved in RPA studies geared toward zero-mistake, faster and higher-quality service to customers. The determined new processes shall be further developed in 2021.

In order the increase the efficiency of expertise operations, outsourced software were converted to the in-house core banking software. Further development of outsourced POS infrastructure conversion to the in-house system has been in progress.

In 2020, many regulations were implemented to increase efficiency and customer satisfaction in Central Operations processes. 90% of business flows of work between The Centralized Branch Operations Unit and other central operation units were simplified and approval steps reorganized along expertise levels. These developments reflected as 50-75% improvement in service times. Such works, to be continued in 2021, have aimed at reduction of workload of central operation teams to a great extent and more efficient use of workload by field operation teams.

Infrastructure for central e-signature for e-signing of documents requested by customers or legal authorities, were formed and the documents started to be produced with e-signature. New products will be added in 2021.

As a part of the digital transformation projects, e-letter of guarantee project allowed letters of guarantee addressed to private sector parties as well as Customs Offices continue to be issued electronically. KIK letters started to be given through EKAP. Efforts are ongoing to investigation and verification of the letter of attorney and the letter of dismissal information electronically via TNB. It is aimed to be deployed in the first quarter of 2021. Work on the e-mortgage project was completed and mortgage facility process started to be carried out electronically.

Work carried out and finalized during the year on processes at support units and affiliates, aimed at increased efficiency and service quality.

Work carried out and finalized during the year on mobile application for branch employees to track and manage their performance more efficiently.

Legal compliance to the changing rules and regulations regarding digital bank statement, message management system, information system, digital banking services and fees&commissions has been completed during the year.

Regarding sustainability, digital transformation of printed documents continued throughout the year. Further improvement opportunities will be assessed in 2021.

Work carried out and finalized during the year on enhancing push notifications about banking transactions, aimed at decreasing SMS notifications.

In 2020, QNB Finansbank implemented various projects focusing on digitalization in order to improve customer experience and increase the share of digital channels in its sales. In this context, the chatbot was launched to direct the customers who had questions or problems to the mobile branch or to the website, to answer them in a dialogue flow, to connect them to Call Center Customer Consultants when necessary. The chatbot was positioned under the digital assistant Q in early 2020 and its coverage was extended to all users. The aim for 2021 is to continue to invest in that area, to increase the transactions QNB Finansbank customers can make in chatbot and to develop Q into a more user-friendly platform.

Projects regarding payment transactions were implemented in QNB Finansbank mobile branch. In particular for Istanbulkart, the process of viewing card balance, topping up and giving topping-up order was added, thus enabling bank customers to make transactions on their mobile phones. Apart from this, further developments were made for a several payment institutions.

At QNB Finansbank internet and mobile branch, via the Easy Addressing System, personal information was matched with IBAN numbers, and 7/24 FAST EFT structure was implemented with the transfer of money to the Easy Address information. This project opened to pilot use of the personnel. Thanks to the new money transfer infrastructure that will be available to all users at the beginning of January, transferring money 24 hours a day, 7 days a week, without the need for an IBAN or account number will be possible.

Another innovation offered to individual customers was the payment with QR code. Thanks to Bank's QR payment function, Bank customers were able to make payments from all QNB Finansbank POS terminals which can receive payments with QR, even in the absence of their credit cards. In addition, QR payments can be made from POS terminals of other banks participating in the application through Interbank Card Center (BKM). Bank's NFC payment function, another feature that will be available to all customers in 2021, the necessity to carry credit cards will be greatly reduced.

With the QR code positioned on the ATM main screen in line with Bank's digitalization efforts and the requirements of the pandemic, customers were enabled to withdraw money with QR without touching the ATM. Whereas the rate of those who used QR codes to withdraw money in the first 3 months of the year was 6%, this rate increased to 12% in the last quarter of the year. In 2020, QNB Finansbank continued to renew its ATM user interfaces and in 2021 it will continue to increase the number of its ATMs and transaction diversity in line with the needs of Bank customers.

In the Call Center channel, the reasons for customers' calling were examined and various actions have been taken in order to resolve customer needs without the need to call the Call Center or talk to a representative. In order to effectively meet the incoming call traffic at the beginning of the pandemic, QNB Finansbank quickly implemented the infrastructure for its branch employees to receive customer calls. In this process, with the active support of 500+ branch employees, the Bank was able to manage the pandemic call traffic by satisfying the customers without increasing their waiting and transaction times. Furthermore, in this period, the demands of its customers were received through chatbot for the incoming loan and credit card debt restructuring requests, thus both the needs of the customers were quickly met and the call traffic on the Call Center regarding restructuring requests was reduced.

Multiple approval structure was implemented for corporate customers' bulk money transfers.

With new chat structure corporate customers were able to communicate their questions and problems with the customer representatives live on the internet and mobile banking channels, and able to perform banking transactions within their authorizations.

In addition to the aforementioned improvements, necessary infrastructure were implemented to onboard customers via the mobile branch without having to go to branches. Thanks to the same technology, it will be possible for Bank's existing customers to complete or update their information. In 2021, most of the transactions which had to be executed at the physical branches will be able to be completed by video calls through the mobile branch.

Necessary improvements were made in the channels within the scope of compliance to the Regulation on Information Systems and Electronic Banking Services of Banks, which entered into force in 2020. These improvements included sending single-use passwords to customers using mobile banking as a mobile notification instead of SMS for logging into the Internet Branch, removing information such as ID and Mother Maiden's Surname asked for identity verification on channels, and taking actions to direct digital trancaction records and statements to customers using digital channels. With this regulation, 2-factor verification has been started for access to Call Center. Additionally, depending on the nature and security levels of the transactions, it has become mandatory to enter the single-use password sent to the mobile phone as an SMS or via the mobile notification in addition to the use of the card password or FinansŞifre.

Within the scope of the banking philosophy, which aims to facilitate the lives of customers and to include personalized designs and priorities at every stage of services, important steps have been taken to renew the Bank's mobile branch. Mobile branch renovation project, concept studies of which started in 2019, gained momentum in 2020. In this context the Bank's application, which has stood out with its personalized contents and various product panels were renewed in line with a customer-oriented approach, was opened for pilot use within the bank. The Bank's new mobile app is planned to be launched in 2021 with its numerous new capabilities. The completely revamped QNB Finansbank mobile branch will add a new breath to the mobile banking services with its innovative design, much easier use and new generation features.

Direct Banking

In line with QNB Finansbank's strategic digitalization objectives, efforts towards the growth of direct banking channels (mobile banking, internet banking and ATM) continued in 2020. In order to increase number of channel users, boost customer satisfaction, reduce workload and service costs in branches, new channel services were launched in cooperation with relevant business units throughout the year. Services offered by channels were promoted via various campaigns and marketing activities in order to increase the usage of new services as well as existing ones.

At 2020 year-end, the number of active digital customers increased by 15% annually, exceeding 3.3 million; as the digital activity ratio reached 68%. As of 2020 year-end, 92% of the total digital customers preferred to receive service only from the mobile banking channel and did not use online banking channel at all. The ratio of most common cash transactions carried out in branches decreased to less than 5% as a result of targeted campaigns and ATM installations aiming to migrate branch users to ATMs and digital channels.

The number of ATMs reached 2,908 units with 1,914 ATMs at non-branch locations and 994 ATMs at branches at the end of 2020. QNB Finansbank customers enjoy the opportunity to make free transactions at nearly 7,600 ATMs with the project offering shared use of ATM platforms, launched together with DenizBank and TEB in 2019. QNB Finansbank customers can withdraw, deposit money or pay credit cards; free of charge for up to three transactions at the ATMs of the other member banks. Monthly free of charge transaction limit has been changed to unlimited during the pandemic period (April-July) to meet customers' expectations for easy access, geographical prevalence and uninterrupted service.

By the end of 2020, ATM device recyclable ratio reached 87%, resulting in renewal of the ATM park, providing uninterrupted service, increasing the variety of transactions with new functions and saving operational expenses.

Call Center and Telesales

QNB Finansbank Telephone Banking Department continued to provide fast, accessible and solution-oriented services to customers at first contact. QNB Finansbank Telephone Banking Department, with over 1,000 qualified employees in Erzurum, Istanbul Umraniye and Kristal Tower locations, received 27 million voice calls, 2.8 million chat calls in 2020, 61% of voice calls ended in Interactive Voice Response (IVR).

QNB Finansbank Call Center and Tele Sales Departments offered a wide range of products in line with both internal and external customer preference and expectations. 12.4 million outbound calls were made during the year, aiming to promote and sell products and services.

With speech analytics made via Call Steering (steering with voice in IVR) technology, variety of operations in Interactive Voice Response were increased and faster and more comfortable service was provided to customers. Efforts continue to increase customer satisfaction with Speech Analytics technology as well.

QNB Finansbank Call Center that aimed to provide faster service by improving the chat service in 2018, started to offer the ChatBot channel to its customers and improved the scope of the application and spread it to all its customers in 2020. 67% of the chat calls were completed on ChatBot. During the pandemic period, voice calls increased by 45% and chat calls surged by 3-3.5 times in March and April in 2020, and Bank customers were able to reach customer representative quickly and easily with the focus of uninterrupted service.

SME Cloud team, which serves SME Banking customers via telephone, made 2.3 million calls in 2020 with incoming and outgoing call types, including calls from corporate customers to branches. During these calls, customer submitted requests for a wide range of products and services.

Customer Solution Center

The Customer Solution Center ensures that the processes starting with recording the claims, complaints and objections of customers, which could not be met at first contact, up to being resolved and informed to the customers, are realized within the framework of identified quality standards.

In the process of incident solution, the potential of the same problem being experienced by other customers is evaluated, root causes, if any, creating the problem are identified, and necessary follow-up and coordination is provided until corrective actions with regard thereto are identified and implemented. In 2020, more than 70 corrective actions were implemented successfully. Improving customer satisfaction and service quality has absolute priority. For the incidents, realised that they could be met at first contact, necessary feedback and support are given to the front offices. By means of the analysis, flow changes and developments determined to improve the meeting ratio at first contact are ensured to be implemented.

Human Resources

Human Resources Policies

Aware of the fact that the most valuable asset is human resources, QNB Finansbank has shaped its human resources policy in line with the principle of centralizing humanitarian values in order to ensure sustainable development, and to increase performance by acquiring, developing and retaining new talents. In 2020, health was prioritized by means of Compassionate Leadership, and all relevant teams spent great effort in order to maintain company culture and loyalty. Main leadership principles of trust, compassion, persistence and hope, specifically significant in this period, were, and will be, sincerely sustained.

Processes were developed for the sake of health of QNB Finansbank employees, their families and QNB Finansbank customers. Thanks to new ways of working from home/office, work sustainability was ensured. QNB employees encountered many HR applications on online platforms, such as rituals regarding working from home period; Open Door (Açık Kapı), designed to conserve corporate culture; Ask What's On Your Mind (İstediğini Sor) meetings; training sessions carried out remotely on various platforms; online internship platforms; and online programs of manager candidates assessment center.

Processes such as Human Resources Planning and Recruitment, Performance Management, Talent Management, Loyalty and Rewarding, and Digitalization shall gain even more significance after 2020. Human-oriented approach shall be at the forefront. Different methods and processes of work, maintaining corporate culture, accessing and retaining talent will become more important. Focusing on competencies such as adaptation skill, managing uncertainty, agility, effective decision-making, openness for self-development, and agility in learning shall be more relevant than before.

To this end, QNB Finansbank HR practices focus on topics mentioned below:

- **Human Resources Planning and Recruitment:** Carrying out management of the brand as an employer and management of work force in parallel with the needs of the Bank, and supporting recruitment process through analysis and business development projects with the purpose of being an employer of choice and attracting talented people to work in the Bank;
- **Performance Management:** Ensuring assessment of success with solid and measurable criteria, and creating engaged employee climate with a fair and transparent system that serves performance increase of the QNB Finansbank in line with individual performances of employees;
- **Talent Management:** Determining employee potential for future and realizing the implementations to carry out manager assignments from the bank; and
- **Loyalty and Rewarding:** Developing policies for enhancing employee loyalty and thus increasing their contribution to the success of QNB Finansbank.,

To this end, QNB Finansbank HR practices focus on topics mentioned below:

Employer Brand Management and Recruitment

As 85% of its new hires are composed of new graduates, QNB Finansbank conducts analysis on career choices of university students, and in line with the results of such analysis, it carries out activities in universities and on social media.

Young people are supported to step up to their dreams with the help of Finans Up Career Club, Career, Finans Pro, Audit Pro and Finans 101 brands. Finans Up Career Club, selected as "The Most Popular Career Club" by university students in Most Popular Companies Survey of 2020 and as the first practice that brings Global Business Excellence Award to Turkey in 2013, has a distinctive feature: It offers both students and professionals from Finans Up Society, the opportunity to request consultancy in their professional and social lives through Up Society Process for Alumni. In addition, projects are carried out for raising awareness among university students along their career paths with Career; Finans 101 and Finans Pro offers opportunities of internship to students at branches and the Head Office for experience in management. Audit Pro provides employment opportunities for students interested in audit. All talent acquisition programs were re-designed to be compatible with digital environment. Finans Up and Career training sessions and events were held on online platforms. While Internship Program that provides support to Finans Pro Head Office employees 3 days a week continued, monthly project interns were recruited for Head Office employees with Finans Pro VIP brand. Finans 101 program was transformed into a 2-week program intended for all universities. Besides, QNB Finansbank continued to attend and sponsor online summits held by universities and other institutions. Additionally, Days@ QNB Finansbank Event enabled both managers and MT's to describe the Bank's units to students. The brand image contribution by activities held for talent acquisition is measured via the Most Favourite Companies Research conducted by Realta Company. While QNB Finansbank ranked eighth in 2009 with a preferability ratio of 4.8% among banks, it was second with a 17.56% ratio among banks and twenty third among all companies in 2020.

Performance Management

Performance management process in QNB Finansbank is a managerial means devoted to encouraging development with a perpetual feedback culture, guiding employees to increase their performance and make it sustainable, as well as to develop themselves personally in addition to increasing corporate performance through individual performance development. The semi-annual performance reviews are carried out in order to

- Determine employees with potential to achieve corporate targets, to create difference with their performance and affect the performance of the Bank;
- Generate technical performance results for each employee by means of business line and department targets set in line with the Bank's targets; and to generate the development performance results by evaluation in order to determine areas of development of employees;
- Assess strengths and areas of development for each employee with customized performance models. Individual development needs are determined with consideration of such areas.

- Create a road map with the purpose of determining and following up on actions pertaining to areas of development. Results are transparently shared with employees. A fair and transparent system with concrete and measurable criteria is used to evaluate individual performance in order to increase employee loyalty.

Talent Management

Talent Management processes are aimed at determining employees with high potentials. Various applications of the Assessment Center have helped with constructing the notion of "a QNB manager" and they contribute to the development of leadership culture by enabling a clear, measurable, rational and systematic method to select candidates eligible for managerial roles. Thanks to these applications, the possibility of internal assignment of managers increases.

Employee Loyalty

The employee loyalty survey, specific to QNB Finansbank, has been conducted every year since 2007. The survey aims to evaluate the effects of satisfaction factors shaping employee loyalty. Survey results are examined separately for each division, relevant analyses are made, and actions are identified exclusively for each division with the participation of senior management.

Career and Talent Management

QNB Finansbank aims at training managers internally and offers each of its employees the chance to determine his/her own career path, through "Career Architecture" and "Career Bulletin". In addition, QNB Finansbank performs one-to-one interviews concerning career objectives of employees through "Career Consulting". Within the scope of "Development Architecture", which aims at internal appointment of branch managers, assessment center and personalized development programs are applied, respectively.

Training and Development Management, and Organizational Development

QNB Finansbank embraces its employees with a development structure that accompanies them from the first step into banking throughout their career journey. Employees who are recently employed or reassigned attend certificate programs integrated with career and performance management systems. In line with the Bank's strategies, project training programs are designed for current employees of each segment, with the objective to contribute to the performance of employees.

All QNB Finansbank development journeys were transferred onto online platforms due to the conditions in 2020. They were re-designed in line with needs by means of special strategies for the bank and segment through the blended learning approach.

Priorities in the annual development agenda of QNB Finansbank have been suspended for ease of employee adaptation and information flow to employees. By including mental and physical activities and practices in its programs, QNB Finansbank aims at empowering its employees to be more resilient and motivated. In the past, development programs consisted of topics mostly related to finance sector, such as sales and risk. In this new period, Human Resources attaches great importance to personal development, resilience, motivation, crisis management, current economy, and home office. Two thousand training programs were planned on various topics such as personal development & leadership development, banking, economy-finance, sales/marketing, product, audit, loan analysis, and risk management.

Among training programs planned for 2020, 85% are to be carried out by remote access, implementing methods such as virtual classes, video e-learning, and e-book, with blended training approach as its focus. The aim of the blended training approach is for the participants to experience different training methods such as webinars, dramatizations, simulations and virtual classes. In addition, another further target is that participants reinforce the information they have been given and that information remain permanent for extended periods of time.

"Finansçı 360" training programs, for branch employees only, continued online in order for the on-site teams to act in compliance with the work methods determined in customer relations, sales, loan and risk management. Fast Contact webinars were held in order to accelerate employee adaptation to the current risky period, and improve their resilience. In addition to employees from all branches, Region Sales Managers and Branch Managers attended training programs. The program was revised with different study cases in line with the Bank's strategies. "Finansçı 360 Development Program" was nominated in three different categories in Brandon Hall Group Excellence Awards, which is considered to be among the most prestigious employer awards globally.

Bank employees are supported through many new programs in order to contribute to performance increase, proactively define development needs and create a training design to address such needs. With the support from international and domestic training companies, universities, internal and external trainers who are experts in their fields, QNB Finansbank provides its employees with programs compatible with the current age and leads the way to leadership in the sector.

Average time period of training programs provided in 2020 was 5.25 days per employee, whereas the rate of employees utilizing these programs was 98%.

QNB Finansbank aims at helping high-performing employees show their best, through organizational development processes as well as determining areas of development for each employee.

QNB Finansbank offers personalized development plans created as a result of evaluations of employee potential and various means of development, such as manager/MT training programs under "Finans Master"; training programs supporting "Coaching" approach in management; executive development program of "Leaders Club; "Asla Yalnız Yürümeyeceksin" (You Will Never Walk Alone) Director Development Program; coaching and mentoring processes; MBA programs and international/domestic conferences; improving English with the purpose of empowering leadership talent and managerial skills of employees who are already managers or have potential for future managerial roles.

QNB Finansbank can find suitable candidates for managerial roles both on-site and in Head Office positions thanks to the help of practices such as Executive Development Program and Head Office Assessment Center. Within this scope, candidates included in related pool undergo development programs.

Remuneration Management

The objective of remuneration management in QNB Finansbank is to acquire new talent and enhance employee loyalty, satisfaction, motivation and synergy. To this end, the Bank applies a fair and transparent remuneration methodology compliant with ethical values and internal equilibria, which maintain the level of competition. Preventing excessive risk-taking with an emphasis on individual and general performance, remuneration models are adopted in parallel with the value added. In this manner strategic targets of the Bank are supported and productivity is enhanced. In 2020, each employee received a bonus inline with performance, within the scope of the Bank's premium and bonus models, amounting to approximately two salaries. In addition to remuneration and recognition management, employees are provided with many benefits in various fields such as health, leave of absence, transportation, meal, communication and technological opportunities, allowance packages and employee support services.

Loyalty

In 2020, 17,143 QNB Finansbank employees met in 275 activities organized in different provinces and on online platforms by HR Loyalty Unit, which helps employees keep balance between their professional and private lives, and aims at increase in motivation by contributing to employee loyalty and satisfaction as well as the privileged feeling of being a QNB Finansbank employee. In addition to such activities, discount agreements were settled with 303 companies during the year, providing employees with advantages in shopping.

Another means to appreciate employees, “Thank you” (”Teşekkürler”) Platform reached 16 thousands appreciation messages. By thanking each other and showing appreciation, employees motivate each other and create synergy.

For celebrating employees’ respect and commitment to QNB Finansbank Employee Loyalty organizes seniority awards ceremony each year. An online award ceremony was held on December 15 with 762 employees who completed their 15th, 20th, 25th and 30th anniversaries at QNB Finansbank. Loyalty Unit sent plaques and badges to employees who completed their 5th and 10th years, and a total of 1,407 employees were sent plaques and badges to their work places and homes.

Legal Counseling

The divisional structure of Legal Counseling consists of Consulting, Litigation and Secretariat to the Board of Directors.

Consulting Division includes four main units namely, Consumer Banking, Corporate Products, Payment Systems, Project Finance and Competition Law.

Consulting teams provide legal opinion and analysis on all transactions, processes, new products, projects and campaigns of the Bank, prepare internal regulations, guidelines and procedures on legally relevant matters, amend the agreements in accordance with the regulatory changes and keep the documentation up to date. The legal support that headquarter units and branches require in daily workflow is provided by the Consulting Division via the Legal Request System.

Additionally, Consulting teams represent the Bank before public institutions and professional associations and contribute to the sector-specific regulations.

Litigation Division includes four units namely, Penal Lawsuits, Labour and Intellectual Property Lawsuits, Consumer and Administrative Lawsuits and Ankara Region. Division represents the Bank in all lawsuits and enforcement proceedings brought by the Bank or against the Bank, except for disputes arising from non-performing loans, as well as investigations by prosecution office, cooperates with other units of the Bank to work on matters of any potential litigation, follows criminal complaints and lawsuits filed by the Bank or against the Bank, engages with external lawyers in order to litigate across the country and represents the Bank before authorized public institutions and professional associations.

The Secretariat of the Board of Directors is tasked to organize the meetings of the Board of Directors and the meetings of the General Assembly, make material events disclosure as per the Communiqué on Material Events Disclosure and Internal Procedures of the Bank on Disclosure of Material Events and attend to all procedures regarding corporate governance.

Along with the effects of the outbreak of the pandemic in 2020 and the regulatory changes accelerated by it, works conducted by the Legal Counseling have been aligned with the current circumstances.

Subsidiaries and Affiliates

Cigna Health, Life and Pension (Cigna Sağlık Hayat ve Emeklilik A.Ş.)

Cigna Finans Pension and Life, a private pension and life insurance company, was established in 2007 as a 99.9% subsidiary of QNB Finansbank with the title Finans Emeklilik ve Hayat A.Ş..

In 2012, Cigna, one of the world's leading health and life insurance companies, entered into a partnership agreement with Finansbank A.Ş. to expand its operations in Turkey and the merger of Cigna and Finans Emeklilik became official.

At the extraordinary general assembly meeting on 15.10.2020, it was decided to change its commercial and business names: The commercial name was changed from "Cigna Finans Emeklilik ve Hayat A.Ş." to "Cigna Sağlık Hayat ve Emeklilik A.Ş.", and the business name was changed from "Cigna Finans" to "Cigna". This decision was registered at Istanbul Chamber of Commerce on 22.10.2020 and was published in the Turkey Trade Registry Gazette on 22.10.2020.

Cigna, growing stronger through the merger, and with its global experience, wide service network and innovative products and solutions that go beyond insurance, has taken the offering of a better quality of life to its customers as a mission. Cigna achieved 5.8% market share in life insurance through a premium production of TL836.4 million, and achieved 12.3% market share among life and pension companies with TL86.7 million premium production in personal accident insurance, according to data announced by the Insurance Association of Turkey (TSB) in 2020. As a result, Cigna grew by 25.4% in life and personal accident insurance combined.

According to official data announced by the Pension Monitoring Center published on 31.12.2020, funds of pension participants grew by 13.2% compared to 2019 year-end, reaching TL951 million in total net asset value.

QNB Finansleasing (QNB Finans Finansal Kiralama A.Ş.)

QNB Finansleasing is one of the first established companies in the leasing sector. Since its establishment in 1990, QNB Finansleasing has been playing an active role in financing investments. As one of the leading companies in the sector it has always followed a customer-oriented strategy, and developed tailor-made financing models. Having a widespread branch network across Anatolia, enabling it to analyze the needs of its clients on-site, QNB Finansleasing operates through a network of 14 branches, 1 being in the Free Trade Zone.

In 2020, leasing sector generated USD2,225 million new business volume and QNB Finansleasing's share reached 11.9% with USD268 mn. As leasing receivables amounted to TL6,610 million as of December 31, 2020, QNB Finansleasing's market share in terms of leasing receivables realized at 11.3%. QNB Finansleasing ranked second in the sector both in terms of leasing receivables and total assets. In 2020, QNB Finansleasing continued to finance business in textile, manufacturing, construction, chemistry and energy industries, as well as to undertake sale and lease back transactions.

At Kincentric Best Employers Research, covering the year 2019, QNB Finans Leasingwas named among the companies qualified for "Best Workplace" Award, providing the best employee experience for its employees.

QNB Finans Finansal Kiralama A.Ş. was among the highest Corporate Tax declarers in Istanbul Province for the year 2018 and was deemed worthy of thanks for the year of 2020.

QNB Finansfactoring (QNB Finans Faktoring A.Ş.)

QNB Finansfactoring has been operating since October 2009 through its Head Office in Istanbul, 20 branches across Turkey and digital channels.

QNB Finansfactoring, wholly-owned subsidiary of QNB Finansbank, aims to offer its customers effortless, fast and up-to-date financing solutions with its focused structure on continuous improvement. For this purpose, it develops new products and carries its technological infrastructure forward day by day.

At the end of 2020, the Company's turnover reached TL6 billion and factoring receivables amounted to TL2.1 billion.

As a result of the 'Kincentric Best Employers 2019' Research conducted by Kincentric, one of the world's leading companies in the field of Human Resources and Management Consultancy, QNB Finansfactoring was awarded the Employee Engagement Achievement Award.

QNB Finansfactoring aims to strengthen its already robust balance sheet structure with wide spreading risk management and to rank among the top three private companies in the sector.

The most important strategic goal of QNB Finansfactoring is to increase SME customer share in its balance sheet. Within this framework, QNB Finansfactoring has developed its model that enables it to evaluate clientele base through the scoring system, and implemented mobile, WEB applications and made all its operational processes suitable for these developments.

One of the most important developments in 2021 is to create a Direct Sales team for SMEs by expanding the organizational structure. The team's focus is to increase the number of SME customers and to facilitate their access to fast financing. In 2021, QNB Finansfactoring will continue to make a difference and continue to grow in the sector with its qualified and expert staff.

QNB Finansinvest (QNB Finans Yatırım Menkul Değerler A.Ş.)

QNB Finansinvest operates 14 branches in 12 cities with its specialized and experienced staff, in addition to QNB Finansbank branches across Turkey. QNB Finansinvest Retail and Asset Management offers a vast range of products such as fixed income instruments, mutual funds, stock certificates, derivative transactions and options markets, international markets, and leveraged purchase & sales transactions, while also providing individualized portfolio products and financial solutions and investment consultancy services complying with the risk understanding of our individual investors.

QNB Finansinvest also offers intermediary and research services for customers who perform transactions involving corporate sales, international intermediary institutions, domestic and foreign funds as well as algorithmic/

high frequency transactions. It serves in the fields of Investment Banking, acquisition and merger consultancy, primary and secondary public offering intermediation and issue of borrowing tools. QNB Finansinvest, as a broadly authorized intermediary, performs common and portfolio custody services for collective investment institutions.

Since 2014, it renders fund operation services to portfolio management companies in accordance with CMB legislation and other legal regulations. QNB Finansinvest owns 100% of QNB Finans Varlık Kiralama A.Ş., founded with a capital of TL200,000 in October 2018.

As at 2020 year-end, QNB Finansinvest has paid in capital of TL100 million, consolidated assets' of TL1.45 billion, consolidated shareholders equity of TL359 million. In 2020, it recorded a 125% rise in its net profit on a year-on-year basis.

It ranked 6th in BIST Istanbul A.Ş.'s trading volume with a market share of 4.92%, and 3rd in VIOP transaction volume with a market share of 6.79%.

QNB Finans Asset Management (QNB Finans Portföy Yönetimi A.Ş.)

QNB Finans Asset Management was founded in September 2000 with QNB Finansbank being its main shareholder with a 75.01% stake. Under the new legislation and compliant to the authorization dated April 17, 2015 of the Capital Markets Board, QNB Finans Asset Management was re-established as an asset management company, which has a paid-in capital of TL20 million.

In 2020, QNB Finans Asset Management played a leading role in the sector by managing 4 exchange traded funds (ETF), 7 mutual funds, 9 hedge funds, 1 venture capital mutual fund, 23 pension funds and private portfolios of high-income individuals and companies.

QNB Finans Asset Management, which has been sector leader for many years and the only leader with its 100% market share of the ETF market in 2019, ranked 1st in terms of return among the ETF market with its Silver Exchange Traded Fund in 2020. QNB Finans Asset Management is the first with its Variable Fund in terms of return among its peer funds of Turkey's leading asset management companies. QNB Finans Asset Management established its private hedge funds in order to meet the needs of high- income investors in 2020 too. QNB Finans Asset Management held a mutual fund market share of 3.06% as at the year-end 2020 by maintaining the stability of its AUM. QNB Finans Asset Management achieved its historical profit of TL12 million in 2020 with its assets under management of TL5.7 billion.

QNB eFinans (QNB eFinans Elektronik Ticaret ve Bilişim Hizmetleri A.Ş.)

QNB eFinans, established in 2013 to integrate e-Invoice into the financial sector, is a wholly-owned subsidiary of QNB Finansbank.

QNB eFinans has all the necessary licenses to serve in e-Invoice, e-Ledger, e-Archive Invoice, e-Waybill, Registered Electronic Mail (REM), e-Self-Employment Receipt and e-Producer Receipt products and services along with tied-in value-added products and services. Continuing its steady growth since its inception, QNB eFinans increased the number of customers by 132% on a year-on-year basis to 2020 year-end, serving more than 65,000 companies with more than 200,000 products. By the integration of renewed and expanding e-Transformation applications into the financial sector, QNB eFinans has naturally transformed into a fintech company.

In addition to being the first and most active Turkish member of the European e-Invoicing Service Providers Association (EESPA), QNB eFinans is the first service provider in Turkey to integrate e-Invoices with foreign trade by building strategic business partnerships with leading European e-document peers like Global Blue, Basware, Pagero and Tesisquare. CIO Applications Europe, published in the Silicon Valley, has recognized QNB eFinans as one of the top 10 e-Invoice solution providers of 2019 and 2020.

With its ERP independent structure, QNB eFinans is compatible with over 300 different local & international of ERP & Accounting software houses.

QNB eFinans, which digitalizes the documentation and sending processes of financial statements to banks with the "e-Ledger Financial Analysis" broke a new ground in cooperation with QNB Finansbank, in 2018. In addition, QNB Finansbank continues to provide its customers with eCredit, an alternative finance tool based on e-Invoice collateralization thanks to its integration with QNB eFinans.

With Finance Star, a cloud-based application of QNB Finansbank, created and serviced by QNB eFinans, the Bank's Direct Debiting Systems (DDS), Supplier Finance (SF) transactions and payment transactions of businesses are integrated into QNB eFinans infrastructure, hence enabling the Bank to provide unlimited cash management options to its customers.

QNB eFinans, the largest solution partner in the Digital Bridge project commissioned by QNB Finansbank in 2019, aims to be a brand that carries SMEs to the future and supports them in their digital transformation.

Developed together with QNB Finansbank, the Neovade product has been launched in 2020 to meet businesses' funding needs and offer an alternative solution to loans hence as an alternative financing model on the Digital Bridge platform.

QNB eFinans prioritizes giving its clients a better service via an impeccable digital experience. QNB eFinans offers its services with a full end-to-end client support center with its integrated Whatsapp, Webchat, Client Support call center with 7/24 availability and remote support solutions, rather than a plain call center. This business model, which provides an advantage against competition, has proven itself during the pandemic period. QNB eFinans, which continues to serve its customers without interruption, therefore has continued to increase the number of its customers.

Hemenal Finansman A.Ş.

Hemenal Finansman A.Ş. was established in 2008 for consumer finance transactions as a 100% Finansbank subsidiary under the business name of Finans Tüketici Finansmanı A.Ş. In 2012 the company shares were transferred to Banque PSA Finance, the bank of French automotive group PSA, and upon becoming a financing company in the auto sector its title was changed to PSA Finansman A.Ş. On December 14, 2015, 99.99% of the company with a paid-up capital of TL20 million, was transferred to QNB Finansbank. Title of the company was changed to Hemenal Finansman A.Ş. in April 2016, its IT infrastructure was completed in June 2016 with pilot sales, and the company became fully operational in October 2016. As at the year-end of 2020, Hemenal's total assets reached TL26.7 million.

IBTech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek San. ve Tic. A.Ş.

IBTech was established in 2005 and is located in İstanbul. IBTech's focus is to provide software design and enhancement, such as Core Banking (Core Finans), credit cards and internet banking, and to develop applications for the use of the Group. As of December 31, 2020, the total assets of IBTech reached TL50.0 million.

Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.

Established in 2009, Bantaş is owned by QNB Finansbank A.Ş., Denizbank A.Ş. and Türk Ekonomi Bankası A.Ş., each shareholder owning a 33.33% stake. Bantaş securely carries assets between branches and cash centers and gives ATM cash support. As of December 31, 2020, the Company's total assets were TL152.2 million and net profit was TL27.5 million.

Corporate Governance

Committees Under the Board of Directors

Audit Committee

On behalf of the Board of Directors, the Audit Committee is responsible for monitoring the effectiveness, efficiency and adequacy of the internal systems of the Bank, functioning of these systems together with accounting and reporting systems in accordance with Law and applicable regulations and the integrity and reliability of information generated by these systems. The Committee is also responsible for making necessary preliminary evaluations required for the selection of the independent auditors and rating, valuation and support service institutions by the Board of Directors; regularly monitoring the activities of the institutions selected and contracted; ensuring that the internal audit activities of subsidiaries subject to consolidation are carried out on a consolidated basis and in coordination with internal audit activities of the Bank.

Members of the Audit Committee are:

- Ali Teoman Kerman: Member of the Board of Directors (Chairperson of the Committee)
- Ramzi T. A. Mari: Member of the Board of Directors
- Durmuş Ali Kuzu: Member of the Board of Directors
- Noor Mohd Al-Naimi: Member of the Board of Directors

Risk Committee

The Risk Committee is responsible for defining the Bank's risk management policies and strategies, reviewing all types of risks that the Bank is exposed to, monitoring the implementation of risk management strategies and bringing important risk related issues to the attention of the Board.

Members of the Risk Committee are:

- Mehmet Ömer A. Aras: Chairperson of the Board of Directors
- Sinan Şahinbaş: Vice Chairperson of the Board of Directors
- Fatma Abdulla S.S. Al-Suwaidi: Member of the Board of Directors
- Adel Ali M A Al-Malki: Member of the Board of Directors
- Ali Teoman Kerman: Member of the Board of Directors and Chairperson of the Audit Committee

Credit Committee

The Credit Committee, within the scope of authorization granted by the Board of Directors as per the Banking Law numbered 5411, is responsible for evaluating and approving the loans and ensuring efficient credit risk management in accordance with the prevailing legislations.

Members of the Credit Committee are:

- Mehmet Ömer A. Aras: Chairperson of the Board of Directors
- Sinan Şahinbaş: Vice Chairperson of the Board of Directors
- Fatma Abdulla S.S. Al-Suwaidi: Member of the Board of Directors
- Yousef Mahmoud H. N. Al-Neama: Member of the Board of Directors
- Temel Güzeloğlu: General Manager & Member of the Board of Directors
- Alternate Members: Osman Reha Yolalan & Noor Mohd Al-Naimi

Corporate Governance Committee

Corporate Governance Committee has been established for the purpose of the bank's achievement to best practice standards of corporate governance, monitoring the bank's compliance with corporate governance principles set by Banking Law and capital markets legislation, ensuring that the Board of Directors composition, structure, working principles and procedures meet all relevant and regulatory requirements. The Bank has not established a separate Nomination Committee, and Corporate Governance Committee fulfills the duties of the Nomination Committee as per Article 4.5.1. of the CMB Communique on Corporate Governance (II.17.1).

Members of the Corporate Governance Committee are:

- Ramzi T.A. Mari: Member of the Board of Directors (Chairperson of the Committee)
- Sinan Şahinbaş: Vice Chairperson of the Board of Directors
- Ali Teoman Kerman: Member of the Board of Directors and Chairperson of the Audit Committee
- Osman Reha Yolalan: Member of the Board of Directors
- Burcu Günhar: Investor Relations Manager

Remuneration Committee

The Remuneration Committee has been established in order to define remuneration and incentive policies of all employees including Board members and senior management and to advise the Board of Directors on such matters in order to comply with the Bank's ethical values, implementations and targets.

Members of the Remuneration Committee are:

- Sinan Şahinbaş: Vice Chairperson of the Board of Directors
- Yousef Mahmoud H N Al-Neama: Member of the Board of Directors

Other Committees in the Bank

Business Loans Management Risk Committee

The primary purposes of the Business Loans Management Risk Committee of QNB Finansbank are effective management, risk monitoring and steering of activities of the Bank, as well as reviewing strategy and activity proposals for all business loans, i.e. micro, SME, agriculture, commercial and corporate portfolios. Members of the Corporate Credit Policies Committee are as follows:

- CEO
- Executive Vice President of Retail and SME Credits
- Executive Vice President of Retail and SME Banking
- Executive Vice President of Corporate and Commercial Credits
- Executive Vice President of Corporate and Commercial Banking
- Executive Vice President of Commercial Banking and Project Finance

Retail Loans Management Risk Committee

The primary purposes of the Retail Loans Management Risk Committee of QNB Finansbank are effective management, risk monitoring and steering of activities of the Bank, as well as reviewing strategy and activity proposals for all retail loans, i.e. credit cards, personal need loans, mortgage and overdraft portfolios. Members of the Retail Credit Management and Policies Committee are as follows:

- CEO
- Executive Vice President of Retail and SME Credits
- Executive Vice President of Retail and SME Banking
- Executive Vice President of Payment Systems
- Executive Vice President of Retail Banking
- Executive Vice President of Enpara.com

Operational Risk Management Committee

The Operational Risk Management Committee is responsible for determining operational risk policies, reviewing and discussing operational risk issues of the Bank and ensuring to minimize them by action planning. Members of the Operational Risk Management Committee are as follows:

- Head of Risk Management
- Head of Internal Control and Compliance
- Executive Vice President of IT, Operations, Channels and Business Development
- Executive Vice President of Payment Systems
- IBTech Information Security Director (CISO)
- Executive Vice President of Corporate and Commercial Banking
- Operational Risk and Business Continuity Division Manager

Reputational Risk Management Committee

Reputational Risk Committee is established in order to manage reputational risk of the Bank; adopt and implement related policies on reputational risk within the scope of the BRSA regulations. Committee members are as follows:

- Chief Legal Officer
- HR Management Systems Income Management, Compensation and System Authorization Division Manager
- Communications and Customer Experience Director
- Compliance Division Manager
- Customer Experience Management Division Manager
- Customer Solutions Center Division Manager
- Enpara.com Digital Banking Director
- Investor Relations Manager
- Operational Risk and Business Continuity Division Manager

Asset and Liability Committee

The primary purpose of Asset and Liability Committee is to monitor and manage the balance sheet structure and structural asset liability mismatch of the Bank, as well as to monitor, control and manage the liquidity risk within the limits set by the Board of Directors. The Committee evaluates monthly reports submitted by Risk Management and determines critical issues regarding risk. Members of the Asset and Liability Committee are as follows:

- Chairperson of the Board of Directors
- Vice Chairperson of the Board of Directors
- CEO
- Executive Vice President, Financial Control and Planning
- Executive Vice President, Treasury
- Asset Liability Management Division Manager

Sustainability Committee

The Sustainability Committee, in broad terms, is established to provide adequate, effective and strategic oversight for the Bank's overall sustainability initiatives, to monitor sustainability performance of the Bank and to provide support and guidance to ensure sustainability projects are on track. Members:

- CEO
- Executive Vice President, Information Technologies, Operations, Channels and Business Development
- Executive Vice President, Retail and SME Banking
- Executive Vice President, Enpara.com
- Executive Vice President, Treasury / International Banking
- Executive Vice President, Human Resources
- Executive Vice President, Corporate and Commercial Banking
- Executive Vice President, Corporate and Commercial Credits Allocation
- Executive Vice President, Financial Control and Planning / Procurement
- Executive Vice President, Retail and SME Credits
- Communications and Customer Experience Office Director
- Investor Relations

Information Security Committee

Information Security Committee is generally responsible for determining information security strategy, determining risk appetite on information security subjects and observation, following information security risks and measures taken, evaluating legal requirements and compliance, reviewing information security policy and standards regularly and ensuring efficiency in line with the needs of the Bank. QNB Finansbank Information Security Committee members are General Manager, Chief Information Security Officer and executive vice presidents or representatives of units stated below:

- CEO
- Information Technologies, Operations, Channels and Business Development
- Chief Information Security Officer
- Consumer Banking and Payment Systems
- Corporate and Commercial Banking
- Enpara
- Internal Audit Department
- Head of Internal Control and Compliance
- Risk Management
- Human Resources
- Legal Affairs

Information Systems Strategy Committee

Information Systems Strategy Committee is responsible for for managing Information Systems goals, strategies and investments in line with the business goals and strategies of the Bank on behalf of the The Board of Directors of the Bank. The Commitee members are defined as CEO/General Manager, Senior Manager Responsible for Information Systems and Senior Managers Responsible for Related Business Units.

Information Systems Steering Committee

Information Systems Steering Committee, which was established to assist the the Information Systems Strategy Committee and senior management in the fulfillment of its duties for the management of Information Systems strategy and risks delegated by Bank's Board of Directors to, consists of CEO/General Manager, Senior Manager Responsible for Information Systems, Information Systems Representatives, Human Resources Representative/Representatives, Representative/Representatives from the Bank's Related Business Units, Legal Compliance Representative/Representatives, Legal Affairs Representative/Representatives and Project Management Office.

Information Systems Continuity Committee

Information Systems Continuity Committee is responsible for ensuring the continuity of Information Systems Services used in carrying out banking activities. The Commitee Members are Information Systems Continuity Management Process Officer, Executive Vice President responsible for IT&Operations, Chief Risk Officer, Chief Information Security Officer, Operational Risk and Business Continuity Management, QNB Finansbank Human Resources, Related Business Units Representatives, Information Security Management Unit, Information Systems Department Representatives, Internal Control and Compliance Department, Construction and Purchasing and Legal Affairs.

Participation in Board and Board Commitee Meetings

In 2020, the Board of Directors held 6 meetings and all members were present at these meetings except when their attendance was prevented due to reasonable circumstances. Within the scope of Article 390 of the Turkish Commercial Code the Board of Directors adopted several Board resolutions without having meetings.

The Audit Committee held 13 meetings in 2020, and all members were present at these meetings except when their attendance was prevented due to reasonable circumstances.

The Risk Committee held 11 meetings in 2020, and other than in exceptional circumstances all members were present at all meetings.

The Corporate Governance committee held 5 meetings in 2020, and all members were present at these meetings except when their attendance was prevented due to reasonable circumstances.

In 2020, the Credit Committee held meetings as necessary.

The Remuneration Committee held 5 meetings in 2020.

Agenda of the Ordinary General Assembly

1. Opening & Constitution of the Presidential Board; authorization of the Presidential Board to sign the meeting minutes of the General Assembly of Shareholders;
2. Presentation of 2020 Annual Report of the Board of Directors to approval of the General Assembly upon reading and deliberations;
3. Presentation of 2020 Annual Report of the Auditor to approval of the General Assembly upon reading and deliberations;
4. Presentation of 2020 financials (balance sheet-profit&loss accounts) to approval of the General Assembly upon reading and deliberations;
5. Resolution regarding release of the members of the Board of Directors for their activities in 2020;
6. Resolution concerning the accrued profit of 2020 in accordance with the balance sheet and the contingency reserves of the past year;
7. Appointment of Board of Directors members; determination of number of the Board members and their term of offices;
8. Determination of the remuneration of the members of the Board of Directors;
9. Determination of the Auditor as per the Banking Law and Turkish Commercial Code;
10. Information regarding donations made in 2020;
11. Resolution on determination of upper limit of donations to be made in 2021 as the Capital Markets Law and related legislation;
12. Information regarding disclosure policy of the Bank;
13. Information of profit share distribution policies;
14. Resolution on granting permissions to the Board members within the scope of Articles 395. and 396. of the Turkish Commercial Code;
15. Information on transactions performed in 2020 within the scope of Article 1.3.6 of the Communiqué on Corporate Governance Principles of the Capital Markets Board numbered II-17.1;
16. Information regarding remuneration policies of the Board members and senior management;
17. Wishes and hopes.

Dividend Distribution Proposal

Board of Directors' Proposal to General Assembly with regard to dividend distribution

The Board of Directors resolved to allocate TL2,487,009,053.70 reported net profit after tax and TL101,266,916.66 prior year's profit, which have been resulting from a reclassification in accordance with the Presentation Standard ("TAS 32") following fair valuation differences on equity instruments being reallocated to profit and loss which were allocated under other comprehensive income in prior period's financial statements, therefore reaching to the total amount of TL2,588,275,973.36, wholly under general reserves as statutory reserves reached 20% of paid in capital in the frame of Article 591/1 of the Turkish Commercial Code, and to submit such allocation to the approval of the Ordinary General Assembly to be held on March 25, 2021.

Summary of Board Report Submitted to the General Assembly Meeting

Summary of Board Report Submitted to the General Assembly Meeting

We left an extraordinary year behind us. The year 2020 disrupted all of our estimates and objectives set at the beginning of the year, making us prioritize human health above anything else.

The pandemic did not only affect health; it also caused us to expect the world's most significant economic recession sincethe Second World War. In its Global Economic Outlook for January 2021, The World Bank stated that they expected the global economy to contract by 4.3% due to the pandemic of COVID-19 in 2020.

In Turkey, thanks to measures taken especially for the survival of the real sector as well as the initiatives taken by the government and the banking industry on this issue, the economic crisis will be overcome more easily. As a result of these initiatives, Turkish economy grew by 1.8% in 2020.

The World Bank projects 5% GDP growth for Turkey in 2021. In a statement published within this week, the IMF announced its growth projection for Turkey in 2021 as 6%, noting that recent monetary measures taken have increased the confidence in Turkish Lira. The initiation of vaccinations gives us hope that we will be in a safer world especially in the second half of the year, compared to 2020. With indications that global commerce will be more vigorous in the second half of 2021, a growth of 4.0% and 3.8% is expected globally for 2021 and 2022, respectively.

In 2020, we sustained our consistent growth despite these chaotic conditions. In spite of these challenges arising from COVID-19, slowed economic growth, containment measures, and intense competition of public banks, we reached the end of 2020 successfully. We managed to have a sound balance sheet by taking measured risks aligned with robust credit policies. By assessing the conditions created by the pandemic, we focused on developing innovative and creative solutions in many areas. We achieved significant productivity growth with new ways of doing business.

Our affiliates also showed a great performance this year. They cooperated effectively with the Bank and contributed positively to the financial performance of our group.

As of 31 December 2020, the total assets of our Bank amounted to TL 227 billion 253 million, increasing by 25% compared to the year-end of 2019. In the same period, net loans increased by 25%, reaching TL 138 billion 719 million, while customer deposits rose by 26%, reaching TL 125 billion 976 million. Bank's net profit for the year 2020 realized at TL 2 billion 487 million.

Once again, we would like to thank all of our colleagues, their families who have supported them during pandemic period, clients, and stakeholders for their contributions which helped the growth of QNB Finansbank under the extraordinary conditions of 2020.

QNB Finansbank Board of Directors

Building a better working world

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(Convenience translation of a report originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

To the Shareholders of QNB Finansbank A.Ş.

1) Opinion

We have audited the annual report of QNB Finansbank A.Ş.("the Bank") and its subsidiaries ("the Group") for the period of January 1, 2020 – December 31, 2020.

In our opinion, the consolidated and unconsolidated financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Group are presented fairly and consistent, in all material respects, with the audited full set consolidated and unconsolidated financial statements and the information we obtained during the audit.

2) Basis for Opinion

We conducted our audit in accordance with "Regulation on independent audit of the Banks" published in the Official Gazette no.29314 dated 2 April 2015 published by Banking Regulation and Supervision Agency (BRSA Independent Audit Regulation) and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Report section of our report. We are independent of the Group in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Our Auditor's Opinion on the Full Set Consolidated and Unconsolidated Financial Statements

We have expressed unqualified opinions in our auditor's reports dated January 28, 2021 on the full set consolidated and unconsolidated financial statements of the Group for the period of 1/1/2020-31/12/2020.

4) The Responsibility of the Board of Directors on the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC") and communique on 'Principles and procedures set out by the regulations on preparation and issuance of annual reports of Banks', the management of the Group is responsible for the following items:

a) Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.

b) Preparation and fair presentation of the annual report; reflecting the operations of the Group for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the consolidated and unconsolidated financial statements. The development of the Group and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.

c) The annual report also includes the matters below:

- Subsequent events occurred after the end of the fiscal year which have significance,
- The research and development activities of the Group,
- Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits.
- Other matters prescribed in the communique on 'Principles and procedures set out by the regulations on preparation and issuance of annual reports of Banks' published in official gazette no.26333 dated November 1, 2006.

When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Customs and Trade and related institutions.

Building a better working world

5) **Auditor's Responsibilities for the Audit of the Annual Report**

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code and the Communique on 'Principles and procedures set out by the regulations on preparation and issuance of annual reports of Banks' published in official gazette no.26333 dated November 1, 2006 , "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006 and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency (BRSA), circulars, interpretations published by BRSA and "BRSA Accounting and Financial Reporting Legislation" which includes the provisions of Turkish Financial Reporting Standards (TFRS) for the matters which are not regulated by these regulations, on whether the consolidated and unconsolidated financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Group's audited consolidated and unconsolidated financial statements and to prepare a report including our opinion.

The independent audit we have performed is conducted in accordance with InAS and BRSA Independent Audit Regulation. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the consolidated and unconsolidated financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the consolidated and unconsolidated financial statements.

The name of the engagement partner who supervised and concluded this audit is Hatice Dilek Çilingir Köstem.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Hatice Dilek Çilingir Köstem, SMMM
Partner

March 2, 2021
İstanbul, Türkiye

(2)

Statement of Responsibility on the Annual Report

2020 Annual Report Statement of Responsibility

QNB Finansbank's annual report is prepared and presented in accordance with the principles and regulations stated in the "Regulation on the Preparation and Publication of Annual Report for Banks" as appeared in the Official Gazette on November 1, 2006, with number 226333.

Mehmet Ömer Arif Aras
Chairman

Ali Teoman Kerman
Board Member and Chairman of the Audit Committee

Ramzi T.A. Mari
Yönetim Kurulu Üyesi ve
Denetim Komitesi Üyesi

Durmuş Ali Kuzu
Board Member and Audit Committee Member

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

Temel Güzeloğlu
CEO and Board Member

Adnan Menderes Yayla
Executive Vice President responsible for Financial Control (CFO)

Corporate Governance Compliance Report

	Company Compliance Status					
	Yes	Partial	No	Exempted	Not Applicable	Explanation
Corporate Governance Compliance Report						
1.1. FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS						
1.1.2 - Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.	X					
1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION						
1.2.1 - Management did not enter into any transaction that would complicate the conduct of special audit.	X					
1.3. GENERAL ASSEMBLY						
1.3.2 - The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.	X					
1.3.7- Insiders with privileged information have informed the board of directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Shareholders' Meeting.					X	There is no such transaction.
1.3.8 - Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	X					
1.3.10 - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.	X					
1.3.11 - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.		X				Within the scope of the Internal Directive on Working Principles and Procedures of the General Assembly approved at the General Assembly meeting of our Bank on 28.03.2013, the Bank's employees, guests, audio and video technicians can participate at the General Assembly unless otherwise decided by the Chairpersonship and except for those who are required to attend the meeting in accordance with the legislation
1.4. VOTING RIGHTS						
1.4.1 - There is no restriction preventing shareholders from exercising their shareholder rights.	X					
1.4.2 - The company does not have shares that carry privileged voting rights.	X					
1.4.3-The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.					X	
1.5. MINORITY RIGHTS						
1.5.1 - The company pays maximum diligence to the exercise of minority rights.	X					Minority rights are not specified as less than one twentieth of the Bank's capital in the Articles of Association of the Bank. However, utmost attention is paid to using minority rights in conformity with the Turkish Commercial Code (TTK) and Capital Markets Board (SPK) regulations.

	Company Compliance Status					
	Yes	Partial	No	Exempted	Not Applicable	Explanation
1.5.2 - The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of the minority rights.			X			Minority rights are not specified as less than one twentieth of the Bank's capital in the Articles of Association of the Bank. However, utmost attention is paid to using minority rights in conformity with the Turkish Commercial Code (TTK) and Capital Markets Board (SPK) regulations.
1.6. DIVIDEND RIGHT						
1.6.1 - The dividend policy approved by the General Shareholders' Meeting is posted on the company website.	X					
1.6.2 - The dividend distribution policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.	X					
1.6.3 - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.	X					
1.6.4 - The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	X					
1.7. TRANSFER OF SHARES						
1.7.1 - There are no restrictions preventing shares from being transferred.	X					
2.1. CORPORATE WEBSITE						
2.1.1. - The company website includes all elements listed in Corporate Governance Principle 2.1.1.	X					
2.1.2 - The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months.	X					
2.1.4 - The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.	X					
2.2. ANNUAL REPORT						
2.2.1 - The board of directors ensures that the annual report represents a true and complete view of the company's activities.	X					
2.2.2 - The annual report includes all elements listed in Corporate Governance Principle 2.2.2.	X					
3.1. CORPORATION'S POLICY ON STAKEHOLDERS						
3.1.1- The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	X					
3.1.3 - Policies or procedures addressing stakeholders' rights are published on the company's website.	X					
3.1.4 - A whistleblowing programme is in place for reporting legal and ethical issues.	X					
3.1.5 - The company addresses conflicts of interest among stakeholders in a balanced manner.	X					

	Yes	Partial	No	Exempted	Not Applicable	Explanation
	Company Compliance Status					
3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT						
3.2.1 - The Articles of Association, or the internal regulations (terms of reference/manuals), regulate the participation of employees in management.			X			A model has not been established for the participation of stakeholders in management. However, there are independent members in the Board of Directors in order to provide assurance that the rights of minority shareholders and other stakeholders are protected equally within the scope of taken decisions. Suggestions for improvement of work and working conditions are evaluated by taking Employee Satisfaction Surveys and employees' expectations about the Bank and Management. The Bank regularly monitors the level of customer satisfaction through periodical researches and social channels and plans the necessary actions meticulously in areas that are open for improvement and quickly put them into practice in accordance with opinions and suggestions of the customers.
3.2.2 - Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.	X					Surveys are conducted to ensure that employees and customers receive opinions and suggestions from stakeholders.
3.3. HUMAN RESOURCES POLICY						
3.3.1 - The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.	X					
3.3.2 - Recruitment criteria are documented.	X					
3.3.3 - The company has a policy on human resources development, and organises trainings for employees.	X					
3.3.4 - Meetings have been organised to inform employees on the financial status of the company, remuneration, career planning, education and health.	X					
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.		X				Decisions that may affect employees are reported to them.
3.3.6 - Job descriptions and performance criteria have been prepared for all employees, announced to them and taken into account to determine employee remuneration.	X					
3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.	X					

	Company Compliance Status					
	Yes	Partial	No	Exempted	Not Applicable	Explanation
3.3.8 - The company ensures freedom of association and supports the right for collective bargaining.	X					
3.3.9 - A safe working environment for employees is maintained.	X					
3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS						
3.4.1 - The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	X					
3.4.2 - Customers are notified of any delays in handling their requests.	X					
3.4.3 - The company complied with the quality standards with respect to its products and services.	X					
3.4.4 - The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X					
3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY						
3.5.1 - The board of the corporation has adopted a code of ethics, disclosed on the corporate website.	X					
3.5.2 - The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.	X					
4.1. ROLE OF THE BOARD OF DIRECTORS						
4.1.1 - The board of directors has ensured strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place.	X					
4.1.2 - The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategy, ensured resources were adequately allocated, and monitored company and management performance.	X					
4.2. ACTIVITIES OF THE BOARD OF DIRECTORS						
4.2.1 - The board of directors documented its meetings and reported its activities to the shareholders.	X					
4.2.2 - Duties and authorities of the members of the board of directors are disclosed in the annual report.	X					
4.2.3 - The board has ensured the company has an internal control framework adequate for its activities, size and complexity.	X					
4.2.4 - Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X					
4.2.5 - The roles of the Chairperson and Chief Executive Officer are separated and defined.	X					
4.2.7 - The board of directors ensures that the Investor Relations department and the corporate governance committee work effectively. The board works closely with them in cooperation with Investor Relations and Corporate Governance Committee when communicating and settling disputes with shareholders.	X					
4.2.8 - The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.		X				As any damages that may be caused during the duties of the members of the Board of Directors has been insured by professional liability insurance, the coverage is below 25% of the capital.
4.3. STRUCTURE OF THE BOARD OF DIRECTORS						
4.3.9 - The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy.			X			No target ratio has been set for the number of female members in the Board of Directors. There are two female members in the Board.

	Company Compliance Status					
	Yes	Partial	No	Exempted	Not Applicable	Explanation
4.3.10 - At least one member of the audit committee has 5 years of experience in audit/accounting and finance.	X					
4.4. BOARD MEETING PROCEDURES						
4.4.1 - Each board member attended the majority of the board meetings in person.		X				In order to facilitate the participation of all members to the Board of Directors' meetings, our Bank also offers remote access and participation to meetings electronically by video-conference.
4.4.2 - The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.	X					
4.4.3 - The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.	X					
4.4.4 - Each member of the board has one vote.	X					
4.4.5 - The board has a charter/written internal rules defining the meeting procedures of the board.	X					
4.4.6 - Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any.	X					
4.4.7 - There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.		X				Members of the Board of Directors can take duties outside the Bank under the conditions permitted by the legislation; these duties are included in the Annual Report.
4.5. BOARD COMMITTEES						
4.5.5 - Board members serve in only one of the Board's committees.			X			Board members serve in more than one committe, taking into account the number of Board Members, the number of Board Commitees and experiences of the Board members and in accordance with the banking legislation regulations. This situation plays a supportive role in matters that require information exchange and cooperation between the committees.
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.	X					
4.5.7 - If external consultancy services are used, the independence of the provider is stated in the annual report.					X	
4.5.8 - Minutes of all committee meetings are kept and reported to board members.	X					
4.6. FINANCIAL RIGHTS						
4.6.1 - The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.	X					
4.6.4 - The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favour of them.		X				Loans to be extended by the Bank to the Members of the Board of Directors and Managers are restricted by a certain limits in Article 50 of the Banking Law. No loans are granted to the Members of the Board of Directors and Managers outside this limits.
4.6.5 - The individual remuneration of board members and executives is disclosed in the annual report. Although remuneration paid to the Board of Directors and executives is disclosed collectively, the disclosure has not been on an individual basis.		X				Although remuneration paid to the Board of Directors and executives is disclosed collectively, the disclosure has not been on an individual basis.

I - STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

a) As detailed below and throughout the report, QNB Finansbank has complied with the imperative principles of the Corporate Governance Principles numbered 1.3.1- 1.3.5 - 1.3.6 - 1.3.9 - 4.2.6 - 4.3.1 - 4.3.2 - 4.3.3 - 4.3.5 - 4.3.6 - 4.3.7(*) - 4.3.8(*) - 4.5.1(**) - 4.5.2 - 4.5.3 - 4.5.4(***) - 4.5.10 - 4.5.11(****) 4.6.2 and 4.6.3 set out in of the Corporate Governance Communiqué No. II - 17.1, published by the Capital Markets Board (CMB), throughout the financial reporting year of 01.01.2020-31.12.2020.

Principles numbered 4.5.9 - 4.5.12 and 4.5.13 is not being applied to banks as per the Principle 4.5.1.

Principle 4.3.4 is an exemption for banks within the scope of Article 6 of the Corporate Governance Communiqué.

b) QNB Finansbank does not implement principles no. 1.5.2 - 2.1.3 - 3.2.1 - 4.3.9 - 4.5.5 which are advisory principles. However, the Bank has set up a Corporate Governance Committee responsible for monitoring whether the Corporate Governance Principles are complied with, describing the problems that may arise due to noncompliance and offering corrective actions to the Board of Directors. The Committee consists of Ramzi T.A. Mari, Sinan Şahinbaş, Ali Teoman Kerman, Osman Reha Yolalan and Burcu Günhar. During meetings held in 2020, work was done for improvement of the corporate governance practices in the Bank. The Corporate Governance Committee shall consider the said principles in its activities in 2021 and work towards the improvement of corporate governance practices. The Committee also coordinates the operations of the Investor Relations Division.

Corporate Governance Compliance Report and Corporate Governance Information Form for 2020 published on the Public Disclosure Platform are approved by the Board of Directors along with the Annual Report.

(*) Article three of the Principle numbered 4.37 and Article two of the Principle 4.3.8 shall not be implemented by banks, accordingly such Articles are not implemented.

(**) Article 4.5.1 includes exceptions for banks with regard to committees.

(***)The general manager should be appointed to the Credit Committee within the scope banking legislation, this Article is implemented with this exception.

(****) Corporate Governance Committee is responsible for this Article within the scope of organizational structure of the Bank

II - AUDIT COMMITTEE REPORT

The related report of the Audit Committee is included in the Risk Section of the Annual Report.

III - INVESTOR RELATIONS

Investor Relations Divison

QNB Finansbank established Investor Relations Division in 2005, for the purposes of overseeing the rights of shareholders and ensuring effective communication between the Board of Directors and shareholders. Activities of Investor Relations Division are carried out in line with the Corporate Governance Communique Part 4 Article 11, dated 03.01.2014 and published by the Capital Markets Board. Investor Relations Division is managed by Ms. Burcu Günhar and supervised by the Corporate Governance Committee. Ms. Burcu Günhar holds Capital Markets Activities Level 3 License, Derivatives License and Corporate Governance Rating License and appointed as Corporate Governance Committee Member as disclosed in the Public Disclosure Platform on 14.05.2018.

In 2020, all telephone and e-mail inquiries were answered within the scope of the relevant legislation. During the year representing the Bank, Investor Relations attended 3 investor conferences and participated in meetings with 92 international investors, rating agencies and analysts. Each quarter presentations based on financial results of the bank were prepared and uploaded on the Investor Relations website.

Shareholders' Right to Access Information

Within the scope of the Informational Policy of QNB Finansbank as approved at the General Assembly on March 27, 2014, all information in relation to shareholders' rights, such as capital increases, are sent to Borsa Istanbul (Istanbul Stock Exchange) and published in print and on the Public Disclosure Platform (www.kap.gov.tr) in Material Event Disclosure format. Shareholders are informed through emails, meetings and telephone calls, and through the Bank's website, regarding material financial and/or operational information that may affect the exercise of the rights of shareholders.

Appointment of a special auditor is not regulated by the Articles of Association of the Bank. The Bank is audited both by the auditors appointed by the Bank's General Assembly and by the Banking Regulation and Supervision Agency ("BRSA") in accordance with the Banking Law.

General Assembly

The Annual General Assembly was held on March, 26 2020 at the Head Office located at Esentepe Mahallesi, Büyükdere Caddesi Kristal Kule Binası No: 215 Şişli/ İstanbul with a meeting quorum of 99.8%. The Board of Directors invitation for the Assembly was published in the Turkish Trade Registry Gazette and two daily newspapers, namely, Akşam and Takvim. Shareholders were duly provided with the date, agenda and information form regarding the agenda of the Meeting through the website of the Bank, the Public Disclosure Platform as well as the electronic General Assembly System. At the Annual General Assembly held in 2020, none of the shareholders has been proposed any items to be included to the agenda. One of the shareholders, Mr. Gürsoy Hafızoğlu has been requested information on branch and employee numbers, non - performing loans and the agreement signed with the independent auditor and such questions have been replied by our Investor Relations Division in due course of time within the scope of related legislation. Besides, the question of Mr. Gürsoy Hafızoğlu whether our bank will come out of the stock market level or whether a secondary IPO is being considered, was answered by the Chairman of the meeting. Dissenting opinions given during the meeting have been attached to the meeting minutes and such minutes of the Annual General Assembly is presented to our shareholders' review in our website and Public Disclosure Platform. In the General Assembly, within the scope of item 11 shareholders were provided information regarding the total amount of donations made in 2020.

In addition, pursuant to Art. 1.3.6 of the Corporate Governance Communiqué No. II - 17.1, information was provided regarding transactions conducted in 2020. The General Assembly was informed that other than transactions conducted in 2020 within the limits allowed by the Banking Law and relevant legislation, no significant transactions of the nature to cause a conflict of interest with the Bank or its affiliated companies were carried out by shareholders in charge of management, members of the Board, members of upper management, and their spouses and kind of second degree by blood and marriage; that they did not conduct, in their own account or on behalf of third parties, any transactions of the type falling under the field of operation of the Bank or its affiliated companies; and that they did not join as a partner with unlimited liability another company carrying out similar commercial transactions.

Voting Rights and Minority Rights

No voting privilege is granted and no cumulative voting procedure is adopted by the Bank's Articles of Association. Minority rights is not determined as less than %5 (1/20) of the share capital by the Articles of Association.

Dividend Distribution Policy

Dividend distribution policy of the Bank is approved in the General Assembly dated 27.03.2014. The dividend is calculated under the provisions of the applicable regulations and provisions of the Bank's Articles of Association and determination and distribution of the annual profit are regulated by Article 25 and 26 of the Articles of Association of the Bank; there is no restriction on participation to the annual profit. Besides, distribution of the profit is included to the agenda.

Transfer of Shares

QNB Finansbank's Articles of Association do not restrict shareholders from transferring their shares. However, share transfer is subject to the BRSA approval pursuant to the relevant provisions of the Banking Law.

IV. STAKEHOLDERS

Informing Stakeholders

Bank employees are informed about the Bank's operations when deemed necessary via internal communications tools. In addition, managers at the Headquarters and branches are informed about developments via regularly held meetings. The tip-off hotline, set up for informing regarding transactions contrary to the Bank's procedures and instructions, and that are against legislation and improper ethically, is open to access by stakeholders through a number of channels.

Participation of Stakeholders in Management

The Bank does not have a model to ensure stakeholders' involvement in management.

V - BOARD OF DIRECTORS

Detailed information is dislosed in Board of Directors and Corporate Governance Information Form Sections of the Annual Report.

Corporate Governance Information Form

Summary Information

QNB Finansbank A.Ş. Corporate Governance Information Form

Related Companies

Related Funds

1. SHAREHOLDERS

1.1. Facilitating the Exercise of Shareholders Rights	
The number of investor meetings (conference, seminar/etc.) organised by the company during the year	In addition to one-on-one investor meetings, the Bank participated at three investor conferences with the attendance of Senior Management in 2020. At these organizations, 92 analyst and investor meetings are held in total. As regular meetings were carried out with three credit rating agencies, inquiries submitted by analysts and investors via telephone or e-mails were responded.
1.2. Right to Obtain and Examine Information	
The number of special audit request(s)	None.
The number of special audit requests that were accepted at the General Shareholders' Meeting	None.
1.3. General Assembly	
Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1. (a-d)	https://www.kap.org.tr/tr/Bildirim/914549
Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time	Provided both in Turkish and English at the same time Turkish: https://www.qnbfinansbank.com/yatirimci-iliskileri/kurumsal-yonetim/genel-kurul English: https://www.qnbfinansbank.com/en/investor-relations/corporate-governance/general-assembly
The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9	None.
The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communique on Corporate Governance (II-17.1)	None.
The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communique on Corporate Governance (II-17.1)	None.
The name of the section on the corporate website that demonstrates the donation policy of the company	None.
The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved	None.
The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting	Participation of Stakeholders to the General Assembly is not regulated in the Articles of Association.
Identified stakeholder groups that participated in the General Shareholders' Meeting, if any	As there are no provisions in the Articles of Association regarding the participation of the stakeholders, General Assembly Meetings are open to stakeholders and public (without right to speak). Shareholders and Bank employees attended the Ordinary General Assembly held in 2020.
1.4. Voting Rights	
Whether the shares of the company have differential voting rights	No
In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares.	No voting privileges
The percentage of ownership of the largest shareholder	99.88%
1.5. Minority Rights	
Whether the scope of minority rights enlarged (in terms of content or the ratio) in the articles of the association	No
If yes, specify the relevant provision of the articles of association.	-
1.6. Dividend Right	
The name of the section on the corporate website that describes the dividend distribution policy	Disclosed on Investor Relations Section of the Bank's Corporate Website under the title "Corporate Governance Policies and Rules": https://www.qnbfinansbank.com/en/investor-relations/corporate-governance/corporate-governance-policies-and-rules
Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend.	The motion regarding the 7th agenda item was read. The attendees were asked whether or not any attended would like to take the floor, whereupon it was established that any attendee would not like to do so. In accordance with the motion made; the matter of the distribution of year 2019's profit after tax amounting to TRY 2.622.156.605,87, wholly under general reserves as statutory reserves reached 20% of paid in capital in the frame of Article 591/1 of the Turkish Commercial Code and of the authorization of the Board of Directors for the utilization of the reserve funds was unanimously resolved to be adopted.
PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends	https://www.kap.org.tr/tr/Bildirim/832481

General Assembly Meetings

General Meeting Date	The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting	Shareholder participation rate to the General Shareholders' Meeting	Percentage of shares directly present at the GSM	Percentage of shares represented by proxy	Specify the name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates for each resolution the voting levels for or against	Specify the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them	The number of the relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions	The number of declarations by insiders received by the board of directors	The link to the related PDP general shareholder meeting notification
26.03.2020	0	99.88%	0%	99.88%	Disclosed at QNB Finansbank Corporate Website's Investor Relations Section under the Corporate Governance Subsection under the title "General Assembly" for each year specified (https://www.qnbfinansbank.com/en/investor-relations/corporate-governance/general-assembly)	Disclosed at QNB Finansbank Corporate Website's Investor Relations Section under the Corporate Governance Subsection under the title "General Assembly" for each year specified (https://www.qnbfinansbank.com/en/investor-relations/corporate-governance/general-assembly)	Article 15	586	https://www.kap.org.tr/tr/Bildirim/832481

2. DISCLOSURE AND TRANSPARENCY

2.1. Corporate Website	
Specify the name of the sections of the website providing the information requested by the Principle 2.1.1.	Listed at Bank's Corporate Website's Investor Relations Section: (https://www.qnbfinansbank.com/en/investor-relations)
If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares.	Listed at Bank's Corporate Website's Investor Relations Section under the Corporate Governance Subsection under the title 'Shareholder Structure' (https://www.qnbfinansbank.com/en/investor-relations/shareholder-structure)
List of languages for which the website is available	Turkish and English
2.2. Annual Report	
The page numbers and/or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2.	
a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the duties of the members of the board of directors and executives conducted out of the company and declarations on independence of board members	Information on duties of the Board members and Senior Management conducted outside of the Bank was given in Annual Report 2020 under sections "Board of Directors" and "Senior Management"
b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure	Annual Report 2020 - Committees under the Board of Directors
c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings	Annual Report 2020 - Participation in Board and Committee Meetings
ç) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in the legislation which may significantly affect the activities of the corporation	Annual Report 2020 - Additional Information on the Activities of the Bank
d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof	Annual Report 2020 - Additional Information on the Activities of the Bank
e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid from these conflicts of interest	None
f) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%	No cross ownership
g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that arises social and environmental results	Annual Report 2020 – Human Resources

3. STAKEHOLDERS

3.1. Corporation's Policy on Stakeholders	
The name of the section on the corporate website that demonstrates the employee remedy or severance policy	-
The number of definitive convictions the company was subject to in relation to breach of employee rights	84
The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	Ombudsman and Internal Audit
The contact detail of the company alert mechanism	Notifications can be submitted to Internal Audit via mail: ihbarhatti@ qnbfinansbank.com; Bank employees may also report their complaints and/or notices by contacting the ombudsman.
3.2. Supporting the Participation of the Stakeholders in the Corporation's Management	
Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies	As there are no written internal regulations, participation of employees is ensured in all projects and studies conducted in line with the strategic priorities of the Bank.
Corporate bodies where employees are actually represented	Employees are encouraged to take part in decision making through committee memberships of middle-and upper- level management and also intranet portals, which serve a means for employees to submit their opinions and suggestions.
3.3. Human Resources Policy	
The role of the board on developing and ensuring that the company has a succession plan for the key management positions	As there are succesion plans for the key management positions, these are regularly reviewed by the General Manager, who is at the same time a Executive Board Member and re-evaluated by the Board of Directors if needed.
The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy.	Although human resources policies are not available on the Bank's corporate website, the relevant regulations are summarized in the Human Resources Section of the Annual Report 2020.
Whether the company provides an employee stock ownership programme	There isn't an employee stock ownership programme.
The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy.	Although the human resources policy is not available on the corporate website, the relevant regulations are summarized in the Human Resources Section of the Annual Report 2020.
The number of definitive convictions the company is subject to in relation to health and safety measures	None
3.5. Ethical Rules and Social Responsibility	
The name of the section on the corporate website that demonstrates the code of ethics	Although there is no Ethical Rules Policy approved by the Board of Directors, there is an "Anti-Bribery and Anti-Corruption Policy" available on the Bank's corporate website. In addition, there are "QNB Finansbank Finance Professionals Code of Conduct Procedure" and "QNB Finansbank Employees Code of Conduct Procedure" published by the Board of Directors decision.
The name of the section on the company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide the information about any measures taken on environmental, social and corporate governance issues.	Although there is no corporate social responsibility report published on the corporate website,, Studies in this area can be accessed from the Corporate Social Responsibility and Sponsorships Section of the Bank's corporate website. The Social and Environmental Policy of the Bank is also available on the Bank's corporate website.
Any measures combating any kind of corruption including embezzlement and bribery	QNB Finansbank Anti-Bribery and Corruption Policy is published at the QNB Finansbank's corporate website (About QNB Finansbank- Policies - https://www.qnbfinansbank.com/en/about-qnb-finansbank/policies)

4. BOARD OF DIRECTORS-I

4.2. Activity of the Board of Directors	
Date of the last board evaluation conducted	The self-evaluation process of the Board of Directors for 2020 was made in February 2021.
Whether the board evaluation was externally facilitated	No
Whether all board members released from their duties at the GSM	Yes
ame(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	No delegated duties and/or authorities
Number of reports presented by internal auditors to the audit committee or any relevant committee to the board	The Internal Control Unit submitted 4 reports to the Audit Committee in 2020 (an activity report for each quarter)
Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	Annual Report 2020 -Evaluations of the Audit Committee on the activities of Internal Control, Internal Audit and Risk Management Systems and Information about their activities in the accounting period
Name of the Chairperson	Dr. Ömer Arif Aras
Name of the CEO	Temel Güzeloğlu
If the CEO and Chair functions are combined: provide the link to the relevant PDP annoucement providing the rationale for such combined roles	The roles of the Chairperson and CEO are undertaken by different individuals.
Link to the PDP notification stating that any damage that may be caused by the members of the board of directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital	As any damage that may be caused by the members of the board of directors during the discharge of their duties has been indured by professional liability insurance, the coverage amount is below 25% of the capital.
The name of the section on the corporate website that demonstrates current diversity policy targeting women directors	-
The number and ratio of female directors within the Board of Directors	The Board of Directors consists of 11 members, of which 2 are female.

Board Members

Name-Surname	Real Person Acting on Behalf of Legal Person Member	Independent Board Member or not	The First Election Date To Board	Link To PDP Notification That Includes The Independency Declaration	Whether the Independent Director Considered By The Nomination Committee	Whether She/He lost the Independence or Not	Whether the Director has at Least 5 Years' Experience on Audit, Accounting and/or Finance or not
Dr. Ömer Arif Aras	İcrada Görevli Değil (Non-executive)	Bağımsız üye değil (Not independent director)	16.04.2010	-	Değerlendirilmedi (Not considered)	Hayır (No)	Evet (Yes)
Sinan Şahinbaş	İcrada Görevli Değil (Non-executive)	Bağımsız üye değil (Not independent director)	16.04.2010	-	Değerlendirilmedi (Not considered)	Hayır (No)	Evet (Yes)
Yousef Mahmoud H N Al-Neama	İcrada Görevli Değil (Non-executive)	Bağımsız üye değil (Not independent director)	28.05.2019	-	Değerlendirilmedi (Not considered)	Hayır (No)	Evet (Yes)
Adel Ali M A Al-Malki	İcrada Görevli Değil (Non-executive)	Bağımsız üye değil (Not independent director)	28.05.2019	-	Değerlendirilmedi (Not considered)	Hayır (No)	Evet (Yes)
Ali Teoman Kerman	İcrada Görevli Değil (Non-executive)	Bağımsız üye (Independent director)	16.04.2013	Members of the Audit Committee are considered as independent members within the scope of Article 6 of the Corporate Governance Communiqué	Değerlendirilmedi (Not considered)	Hayır (No)	Evet (Yes)
Durmuş Ali Kuzu	İcrada Görevli Değil (Non-executive)	Bağımsız üye (Independent director)	25.08.2016	Members of the Audit Committee are considered as independent members within the scope of Article 6 of the Corporate Governance Communiqué	Değerlendirilmedi (Not considered)	Hayır (No)	Evet (Yes)
Fatma Abdulla S S Al Suwaidi	İcrada Görevli Değil (Non-executive)	Bağımsız üye değil (Not independent director)	16.06.2016	-	Değerlendirilmedi (Not considered)	Hayır (No)	Evet (Yes)
Noor Mohd J A Al-Naimi	İcrada Görevli Değil (Non-executive)	Bağımsız üye (Independent director)	22.06.2017	Members of the Audit Committee are considered as independent members within the scope of Article 6 of the Corporate Governance Communiqué	Değerlendirilmedi (Not considered)	Hayır (No)	Evet (Yes)
Osman Reha Yolalan	İcrada Görevli Değil (Non-executive)	Bağımsız üye (Independent director)	16.06.2016	-	Kurumsal Yönetim Komitesi tarafından değerlendirildi. Considered by the Corporate Governance Committee.	Hayır (No)	Evet (Yes)
Ramzi T. A. Mari	İcrada Görevli Değil (Non-executive)	Bağımsız üye (Independent director)	16.06.2016	Members of the Audit Committee are considered as independent members within the scope of Article 6 of the Corporate Governance Communiqué	Değerlendirilmedi (Not considered)	Hayır (No)	Evet (Yes)
Temel Güzeloğlu	İcrada görevli (Executive - CEO)	Bağımsız üye değil (Not independent director)	16.04.2010	-	Değerlendirilmedi (Not considered)	Hayır (No)	Evet (Yes)

4. BOARD OF DIRECTORS-II

4.4. Meeting Procedures of the Board of Directors	
Number of physical board meetings in the reporting period (meetings in person)	The Board of Directors held 6 meetings physically in 2020. In addition, the Board of Directors took various resolutions within the scope of Article 390 of the Turkish Commercial Code in 2020 without having a meeting.
Director average attendance rate at board meetings	96,96%
Whether the board uses an electronic portal to support its work or not	Evet (Yes)
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	Information and documents are submitted to the Board of Directors at least 5 days prior to the board meeting.
The name of the section on the corporate website that demonstrates information about the board charter	QNB Finansbank Corporate Website – Investor Relations – Corporate Governance (https://www.qnbfinansbank.com/en/investor-relations/corporate-governance)
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	Limits specified in the banking legislation are applied.
4.5. Board Committees	
Page numbers or section names of the annual report where information about the board committees are presented	Annual Report 2020 - Committees under the Board of Directors
Link(s) to the PDP announcement(s) with the board committee charters	As there is no PDP notification link, the working principles are summarized in the annual report. Annual Report 2020 - Committees under the Board of Directors

Composition of Board Committees-I

Names Of The Board Committees	Name Of Committees Defined As "Other" In The First Column	Name-Surname of Committee Members	Whether Committee Chair Or Not	Whether Board Member Or Not
Kurumsal Yönetim Komitesi (Corporate Governance Committee)	-	Ramzi T. A. Mari	Evet (Yes)	Yönetim kurulu üyesi (Board member)
Kurumsal Yönetim Komitesi (Corporate Governance Committee)	-	Sinan Şahinbaş	Hayır (No)	Yönetim kurulu üyesi (Board member)
Kurumsal Yönetim Komitesi (Corporate Governance Committee)	-	Ali Teoman Kerman	Hayır (No)	Yönetim kurulu üyesi (Board member)
Kurumsal Yönetim Komitesi (Corporate Governance Committee)	-	Osman Reha Yolalan	Hayır (No)	Yönetim kurulu üyesi (Board member)
Kurumsal Yönetim Komitesi (Corporate Governance Committee)	-	Burcu Günhar	Hayır (No)	Yönetim kurulu üyesi değil (Not board member)
Denetim Komitesi (Audit Committee)	-	Ali Teoman Kerman	Evet (Yes)	Yönetim kurulu üyesi (Board member)
Denetim Komitesi (Audit Committee)	-	Ramzi T. A. Mari	Hayır (No)	Yönetim kurulu üyesi (Board member)
Denetim Komitesi (Audit Committee)	-	Durmuş Ali Kuzu	Hayır (No)	Yönetim kurulu üyesi (Board member)
Denetim Komitesi (Audit Committee)	-	Noor Mohd J A Al-Naimi	Hayır (No)	Yönetim kurulu üyesi (Board member)
Riskin Erken Saptanması Komitesi (Committee of Early Detection of Risk)	-	Ömer Arif Aras	Hayır (No)	Yönetim kurulu üyesi (Board member)
Riskin Erken Saptanması Komitesi (Committee of Early Detection of Risk)	-	Sinan Şahinbaş	Hayır (No)	Yönetim kurulu üyesi (Board member)
Riskin Erken Saptanması Komitesi (Committee of Early Detection of Risk)	-	Fatma Abdulla S S Al-Suwaidi	Hayır (No)	Yönetim kurulu üyesi (Board member)
Riskin Erken Saptanması Komitesi (Committee of Early Detection of Risk)	-	Adel Ali M A Al-Malki	Hayır (No)	Yönetim kurulu üyesi (Board member)
Riskin Erken Saptanması Komitesi (Committee of Early Detection of Risk)	-	Ali Teoman Kerman	Hayır (No)	Yönetim kurulu üyesi (Board member)
Diğer (Other)	Credit Committee	Ömer Arif Aras	Hayır (No)	Yönetim kurulu üyesi (Board member)
Diğer (Other)	Credit Committee	Sinan Şahinbaş	Hayır (No)	Yönetim kurulu üyesi (Board member)
Diğer (Other)	Credit Committee	Fatma Abdulla S S Al-Suwaidi	Hayır (No)	Yönetim kurulu üyesi (Board member)
Diğer (Other)	Credit Committee	Yousef Mahmoud H N Al-Neama	Hayır (No)	Yönetim kurulu üyesi (Board member)
Diğer (Other)	Credit Committee	Temel Güzeloğlu	Hayır (No)	Yönetim kurulu üyesi (Board member)
Diğer (Other)	Credit Committee	Noor Mohd J A Al-Naimi	Hayır (No)	Yönetim kurulu üyesi (Board member)
Diğer (Other)	Credit Committee	Osman Reha Yolalan	Hayır (No)	Yönetim kurulu üyesi (Board member)
Ücret Komitesi (Remuneration Committee)	-	Sinan Şahinbaş	Hayır (No)	Yönetim kurulu üyesi (Board member)
Ücret Komitesi (Remuneration Committee)	-	Yousef Mahmoud H N Al-Neama	Hayır (No)	Yönetim kurulu üyesi (Board member)

4. BOARD OF DIRECTORS-III

4.5. Board Committees-II	
Specify where the activities of the audit committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report 2020 - Committees under the Board of Directors
Specify where the activities of the corporate governance committee are presented in your annual report or website (Page number or section name in the annual report/website	Annual Report 2020 - Committees under the Board of Directors
Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name in the annual report/ website)	Annual Report 2020 - Committees under the Board of Directors
Specify where the activities of the early detection of risk committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report 2020 - Committees under the Board of Directors
Specify where the activities of the remuneration committee are presented in your annual report or website (Page number or section name in the annual report/ website)	Annual Report 2020 - Committees under the Board of Directors
4.6. Financial Rights	
Specify where the operational and financial targets and their achievement are presented in your annual report (Page number or section name in the annual report)	Annual Report 2020 - Assessment of the Bank's Financial Position, Profitability and Solvency
Specify the section of website where remuneration policy for executive and non-executive directors are presented.	None
Specify where the individual remuneration for board members and senior executives are presented in your annual report (Page number or section name in the annual report)	Disclosed in the Annual Report 2020 under Financial Reports Section - Section Five Footnote VII.1.4. titled "Information regarding benefits provided to the top management"

Composition of Board Committees-II

Names Of The Board Committees	Name of committees defined as "Other" in the first column	The Percentage Of Non-executive Directors	The Percentage Of Independent Directors In The Committee	The Number Of Meetings Held In Person	The Number Of Reports On Its Activities Submitted To The Board
Denetim Komitesi (Audit Committee)	-	100%	100%	13	4
Kurumsal Yönetim Komitesi (Corporate Governance Committee)	-	80%	60%	5	1
Riskin Erken Saptanması Komitesi (Committee of Early Detection of Risk)	-	100%	20%	12	1
Diğer (Other)	Kredi Komitesi (Credit Committee)	83%	17%	as needed	-
Ücret Komitesi (Remuneration Committee)	-	100%	0%	5	1

Compliance Statement on Sustainability Principles

SUSTAINABILITY PRINCIPLES COMPLIANCE FRAMEWORK	Company Compliance Status					
	Yes	Partial	No	Exempt	Not applicable	Explanation
A. GENERAL PRINCIPLES						
A1. Strategy, Policies and Targets						
A1.1. Board of Directors (BoD) determines prioritized topics, risks and targets with respect to ESG and formulates corresponding policies. Corporate directives, work procedures etc. with regard to effective application of the said policies may be prepared. BoD is responsible for resolutions and public disclosure thereof.	x					Board of Directors (BoD) determines prioritized topics, risks and priorities with respect to ESG and formulates relevant ESG policies. The bank discloses its sustainability performance to the puclic within its sustainability report published on an annual basis. Sustainability Policy and other supporting ESG policies have been approved by the Board of Directors and are public on Sustainability Section of Bank's website.
A1.2 BoD determines Corporate Strategy in line with ESG policies, risks and opportunities. It sets short- and long-term targets in line with the corporate strategy and ESG policies and discloses thereof.	x					Bank's sustainability strategy, framework, short-term and long-term sustainability goals as well as priotities (material topics) are disclosed in its Sustainability Report and on the Sustainability Section of Bank's website.
A2. Practice/Monitoring						
A2.1. BoD determines committees/departments responsible for execution of ESG policies and makes a public disclosure thereof. The responsible parties report to the BoD annually and in any case in annual reports within the maximum time period set by the Board in relevant regulations for disclosure.	x					Sustainability Committee, which is responsible for the general oversight of the sustainability strategy and performance, is required to report to Corporate Governance Committee and Board of Directors as much as needed and at least once in a reporting year. Sustainability Team manages overall sustainability activities of the Banks and is also responsible for the alignment of Bank's sustainability strategy and policies to the Group's strategy and policies, as well as all sustainability related reportings. Sustainability Working Groups, composed of representatives from relevant divisions of the Bank, propose and execute sustainability projects and action plans.
A2.2. The Company formulates execution and action plans in line with short- and long -term targets and discloses thereof.		x				The Bank formulates projects and action plans in line with short- and long-term sustainability targets, and reports them to the Board of Directors and relevant Board Committees. Although these projects/action plans are not disclosed to public, the Bank discloses performance outputs and key performance indicators are disclosed to the public periodically and comparatively within the scope of the sustainability report.
A2.3. The Company determines Key Performance Indicators (KPI) and announces them annually on a comparative basis. If confirmable data is available, KPI are presented within a comparative basis in relation to local and international sectoral data.		x				Although KPIs are disclosed on an annual and comparative basis, they are not presented within a comparative basis with local and international sectoral data, as sector data are not available and confirmable.
A2.4. The Company states innovation activities geared towards improvement of sustainability performance of business processes or products and services.	x					Innovative activities geared towards improvement of sustainability performance of business processes or products and services, are disclosed in the relevant sections of annual report and sustainability report.
A3. Reporting						
A3.1. The Company reports and discloses at least annually, sustainability performance, targets and activites. It discloses data on sustainability activities within the scope of the annual report.	x					As compliance to CMB Sustainability Principles is reported within Annual Report, The Bank has reported its sustainability performance, goals, and acticities in a separate sustainability report on an annual basis.

SUSTAINABILITY PRINCIPLES COMPLIANCE FRAMEWORK	Company Compliance Status					
	Yes	Partial	No	Exempt	Not applicable	Explanation
A3.2. It is essential that material information regarding the state, performance and development of the corporate be shared in a direct and concise manner for the stakeholders. Detailed information and data may be additionally disclosed on the corporate website and separate report geared towards needs of different stakeholders may be prepared.	x					Detailed information and data on sustainability efforts and performance are provided in the sustainability report, and published on the Sustainability Section of the Bank's corporate website.
A3.3. The Company pays utmost attention in terms of transparency and credibility. It discloses objectively all developments in subjects with priority in reporting within the scope of a balanced approach.	x					The Bank provides data on its KPIs on a clear, complete and comparable manner in its sustaianbility report.
A3.4. The Company provides information on which of the UN 2030 Sustainable Development Goals its activities are related to.	x					In its sustainability report, the Bank provides information on which of the UN 2030 Sustainable Development Golas its activities and priorities are related to.
A3.5. The Company makes a statement regarding suits, in opposition, filed and/or concluded, in environmental, social and corporate matters.	x					The Bank makes public statements regarding suits, in opposition, filed and/or concluded, in environmental, social and corporate matters, in the relevant sections of its Annual Report and sustainability report.
A4. Verification						
A4.1. Upon verification by independent third parties (independent sustainability assurers) discloses publicly the measures of sustainability performance, and endeavors for increase of such verification efforts.			x			As the Bank reports its performance in compliance with GRI standards "Core Option" and Financial Services Sector disclosures, no verification has been obtained from an independent third party so far. The Bank evaluates to obtain third party verification in the upcoming periods.
B. ENVIRONMENTAL PRINCIPLES						
B1. The Company states its policies and practices, action plans and environmental management systems (also known as ISO 14001 standards) and programs in terms of environmental management.		x				QNB Finansbank seeks to increase operational efficiency and reduce environmental impacts of its operations by taking different measures. While it recognizes its greatest environmental impacts are 'indirect' through its financing activities, the Bank also needs to responsibly manage the 'direct' environmental footprint associated with its own operations. Hence, the Banks aims to reduce our environmental impact through various measures such as selecting environmentally friendly devices for electrical and mechanical projects, controlling its premises through automation systems and taking specific actions to reduce energy and paper consumption. The Bank, which takes necessary actions to operate an environmental management system up to international standards, aims to obtain ISO 14001 Environmental Management System certification.
B2. The Company complies with laws and other regulations regarding the environment and discloses thereto.	x					The Bank is determined to comply with relevant national regulations and legislation on environment, health, safety and social issues, together with IFC Exclusion List and IFC Performance Standards; and monitors the effectiveness of its social environmental management system on a regular basis. The Bank regularly reviews its EGS policies and performance in complying with all applicable laws and regulations. The bank ansures compliance to the standards contained in the relevant regulations, and when possible, aims to exceed these standards by taking the best practices. In cases where no regulations exist, the Bank shall set its own standards to minimize any adverse environmental effect caused as a result of its activities or operations.

SUSTAINABILITY PRINCIPLES COMPLIANCE FRAMEWORK	Company Compliance Status					
	Yes	Partial	No	Exempt	Not applicable	Explanation
B3. The Company discloses the scope of the environmental report, reporting period, reporting date, process of data collection and limitations regarding conditions of reporting, to be prepared within the scope of Sustainability Principles.	x					Scope of the report, reporting period and principles are detailed in the "About this Report" Section of the Sustainability Report.
B4. The Company discloses the top-level executive and relevant committees in charge, within the related corporate, and the duties thereof, on matters of environment and climate change.		x				Bank; aims to determine the climate change strategy, identify and manage the direct and indirect impacts of its operations within the scope of "Environmental Impact Management of Operations", one of the sustainability priorities. Sustainability Committtee is responsible for management and oversight of environmental and climate change efforts. In addition to contributing to the combat against climate change by reducing its environmental footprint, the Bank also aims to manage indirect environmental and social risks by evaluating the environmental and social impacts of the projects financed by the Bank, and creating a roadmap for limiting and/or eliminating the environmental and social impacts of the said projects. In 2020, the Bank completed the establishment of its environmental social risk management system in order to integrate environmental and social risk criteria in lending processes. As of 2021, the environmental and social risks of projects with a loan amount of more than USD10 million started to be evaluated within this scope.
B5. The Company discloses incentives it provides for management of environmental matters, including realization of targets.			x			Incentive mechanism are not in place, although they are evalutated.
B6. The Company states how environmental issues have been integrated into business targets and strategies.		x				The Bank has reported on how environmental risks arising from its own operations have been integrated to its business targets and operations in the relevant sections of its sustainability report. With the establishment of ESRM system in 2020, the Bank aims to integrate the management of its indirect environmental risks to its processes and stategies.
B7. The Company expresses sustainability performances with regard to business processes or products and services as well as activities geared towards improvement thereof.	x					KPI and action geared towards improvement are reported in relevant sections of sustainability report.
B8. The Company states how it manages environmental issues and integrates suppliers and customers to its strategies throughout the corporate value chain as well as the direct operations.		x				In addition to managing its own operation's environmental impact, the Bank pays utmost attention to integrate its suppliers and customers to its sustainability strategies. On the other hand, the Bank does not have a Sustainable Supply Chain Policy, approved by the BoD.
B9. The Company declares whether it participates in policy formation processes (at the sectoral, regional, national and international level); cooperative activities, and duties if any, it carries out within associations, institutions and NGOs it is a member of.		x				Bank's memberships and associations are disclosed within sustainability report.
B10. The Company reports periodically, in a comparative manner,data regarding environmental effects in light of environmental indicators (greenhouse gas emissions (Scope-1 (Direct), Scope-2 (Energy-related), Scope-3 (other direct)1), air quality, energy management, water and waste water management, waste management, and bio-diversity		x				Although reportings in the previous year's do not include the details specified within this principle, environmental indicators have been calculated on an annual and comparative basis. The Bank aims to report the relevant in dicators in the requested format as of 2020.

SUSTAINABILITY PRINCIPLES COMPLIANCE FRAMEWORK	Company Compliance Status					
	Yes	Partial	No	Exempt	Not applicable	Explanation
B11. The Company states details regarding standards, protocols, methodology and base year used in collection and calculation of data.		x				Although international standards and methodologies have been used in the collection and calculation of data, no reference has been to the details specified in the principle in the past years' reportings. As of 2020, the Bank aims to include the information specified in the principle.
B12. The Company declares the state of environmental indicators for the reporting year in comparison with previous years (increase or decrease).	x					Environmental indicators have been presented in a comparative manner in the sustainability reports.
B13. The Company determines and declares short- and long-term targets for reduction of environmental effects. It is advised that such targets be science based as proposed by United Nations Parties Conference on Climate Change. If, in the current year, improvement in terms of formerly determined targets has taken place, it shall be expressed.			x			Although the Bank has not disclosed science based short- and long-term targets in the previous years, it aims to provide science based targets in the upcoming period.
B14. The Company states its strategy and actions to confront climate crisis.			x			In its sustainability reportings, the Bank has not disclosed its strategy and actions to confront climate crisis, although the Bank has been working on these areas. The Bank aims to take actions in the upcoming years.
B15. The Company declares programs or procedures regarding prevention or minimization of potentially adverse effects of its products and/or services; states actions toward securing reduction of amounts of greenhouse gas emissions of third parties.			x			As the establishment of the ESRM system in 2020 and integration of environmental and social risks' into lending process as of 2021, the Bank has started to manage/minimize potential adverse impacts of third parties.
B16. The Company declares the number of projects and initiatives executed and actions undertaken toward reduction of environmental effects, and environmental benefits and cost savings thereof.			x			Although the results of the actions taken to reduce environmental impacts have been reported in the relevant parts of the sustainability report on a project basis, no reporting has been made in the details and scope specified in the principle. In the upcoming period, the Bank aims to report in the desired detail.
B17. The Company reports total energy consumption (excluding raw materials) and expresses energy consumption as Scope-1 and Scope-2.			x			Although total energy consumption data has been repoorted in the sustainability report, it has not included the breakdown specified in the principle. As of 2020, the Bank aims to provide the specified details in its reporting.
B18. The Company provides information on amount of electricity, heat, steam and refrigeration produced and consumed in the reporting year.	x					Main consumption items have been reported in the relevant section of the Sustainability Report.
B19. The Company carries out work on increase of renewable energy sources, and transition to zero or low-carbon electricity and expresses thereof.			x			Although it has been evaluated, there has been no renewable energy consumption and/or transition to zero or low-carbon electricity so far.
B20. The Company discloses data on renewable energy generation and consumption.					x	There is no renewable energy consumption at the moment.
B21. The Company carries out projects regarding energy productivity and discloses amount of reduction in energy consumption and emissions.		x				Actions geared to increase energy efficiency have been disclosed in relevant sections of the sustainability report on project basis, as no consolidated data has been reported so far. The Bank aims to integrate these information to its reportings in the upcoming years.
B22. The Company reports on amounts, sources and procedures of water drawn, used, recycled and discharged from and below surface (Total amount of water drawn per source, water sources affected by drawal, percentage and total volume of recycled and reused water).		x				Although the Bank has disclosed its total water consumption in its sustainability report, it has not included the details specified in the principle such as recycled water consumption.
B23. The Company discloses whether its operations or activities is part of any carbon pricing mechanism (Emission Trade System, Cap & Trade, or Carbon Tax).					x	There is no active emission trade systam in Turkey.
B24. The Company discloses data regarding carbon credit accumulated or bought in the reporting year.			x			Although there is no carbon credits bought within the reporting year, the Bank may decide to take action in the upcoming period.

SUSTAINABILITY PRINCIPLES COMPLIANCE FRAMEWORK	Company Compliance Status					Explanation
	Yes	Partial	No	Exempt	Not applicable	
B25. If applicable, states details of carbon pricing in the corporate.					x	Carbon pricing is not applicable.
B26. The Company announces all compulsory and voluntary platforms where it report its environmental data.		x				Although environmental data has been provided in the sustainability report, it has not been announced on compulsory or voluntary platforms so far. The Bank evaluates potential disclosure on various platforms.
C. SOCIAL PRINCIPLES						
C1. Human Rights and Employee Rights						
C1.1. The Company forms the Policy on Corporate Human Rights and Employee Rights, whereby total compliance with Universal Declaration of Human Rights, ILO agreements ratified by Turkey, and legal framework and legislation regulating human rights and business life in Turkey, is undertaken. Discloses publicly the said policy and roles and responsibilities regarding application thereof.			x			The Bank does not have Policy on Corporate Human Rights and Employees Rights, approved by the Board of Directors, formulation of this policy has been evaluated.
C1.2. The Company ensures equal opportunity in recruitment processes. Includes fair workforce, improvement of work standards, women employment and inclusion (such as no differentiation based on sex, religious belief, language, race, ethnic background, age, disability, immigration status) in its policies, taking into consideration supply and value chain effects.		x				QNB Finansbank respects the human rights of people impacted by its business and ensures dignity and equality for all, regardless of a persons' race, religion, gender, age or language. The Bank establishes a workplace in which employees are treated with fairness, equality and respect. This encompasses equal remuneration and development opportunities, grievance mechanisms, anti-discrimination, and ensuring the safety and security of its workforce. Moreover, the Bank expects its customers and suppliers to respect human rights. The Bank prohibits the use of child and forced labor in its workforce or throughout its Supply Chain. On the other hand, the Bank does not have Corporate Human Rights and Employee Rights Policy and Sustainable Supply Chain Policy, approved by the BoD.
C1.3. The Company states precautions taken along value chain regarding observation of certain parts of society sensitive to economic, environmental and social factors (such as low-income people, women, etc.) or minority rights/equality of opportunity.		x				The Bank works on precautions to cover the whole value chain and to formulate the relevant ESG policies.
C1.4. The Company reports developments regarding practices geared toward prevention and correction of discrimination, inequality, human rights violations and forced labor. It discloses regulations against child labor.	x					Actions action and prevetive measures adopted are disclosed in relevant ESG policies, sustainability report and/or on Sustainability Section of the Bank's corporate website.
C1.5. The Company declares policies regarding investment in employees (training, development policies), compensation, side benefits, right to unionize, solution regarding work/life balance and talent management. It forms mechanisms regarding resolution of employee complaints and conflicts, and determines conflict resolution processes. The corporate discloses on a regular basis actions taken to ensure employee satisfaction.	x					They are disclosed in the relevant sections of the annual report and the sustainability report.
C1.6. The Company sets and publicly discloses policies on occupational health and safety. It discloses measures taken for protection against occupational hazards and accident statistics.		x				Bank's relevant policies have not been publicly disclosed, as Bank discloses measures taken for protection against occupational hazards and accident statistics in its sustainability report.
C1.7. The Company builds and publicly discloses policies on protection and security of personal information.	x					Bank's relevant policies are publicly available on Bank's corporate website.
C1.8. The Company sets and publicly discloses an Ethics Policy (including internal operations ethics, compliance processes, ads and marketing ethics, open disclosure etc. efforts).		x				Although there are different policies/ procedures targeting the listed areas, there is no publicly available Ethics Policy covering all these areas.
C1.9. The Company discloses efforts regarding social investment, social responsibility, financial inclusion and access to financing.	x					They are disclosed in the relevant sections of the sustainability report.

SUSTAINABILITY PRINCIPLES COMPLIANCE FRAMEWORK	Company Compliance Status					
	Yes	Partial	No	Exempt	Not applicable	Explanation
C1.10. The Company organizes informative meetings and training programs for employees on ESG policies and applications.	x					In addition to general sustainability events and/or trainings to raise sustainability awareness, the Bank organizes informative meetings and trainings on specific ESG policies and applications and pays utmost care to incentivize participation of all relevant employees to these events.
C2. Stakeholders, International Standards and Initiatives						
C2.1. The Company carries out sustainability activities with a consideration of needs and priorities of all stakeholders (employees, customers, suppliers and service providers, public institutions, shareholders, society, and NGOs, etc.).	x					The Bank carries out its sustainability activities, taking into consideration of needs and priorities of all stakeholders.
C2.2. The Company builds and publicly discloses a customer satisfaction policy geared towards management and solution of customer complaints.		x				Summary of the Bank's procedure is publicly available on Bank's corporate website.
C2.3. The Company carries out communication with stakeholders in a constant and transparent manner; discloses which stakeholders it has communicated for what purpose and the frequency thereof, in addition developments in sustainability activities.		x				Although the Bank carries out communication with all of its stakeholders in a constant and transparent manner, its related disclosures dont comprise the details speficied in the principle.
C2.4. The Company discloses publicly international reporting standards (such as carbon disclosure project (CDP), Global Reporting Initiative (GRI), International Integrated Reporting Council (IIRC), Sustainability Accounting Standards Board (SASB), Task Force on Climate-related Financial Disclosures (TCFD), etc.) it adheres to.	x					The discloses the international reporting standards used in its sustainability report.
C2.5. The Company discloses publicly international institutions or principles it is a signatory or member of (Equator Principles, United Nations Environment Programme Finance Initiative (UNEP-FI), United Nations Gobal Compact (UNGC), United Nations Principles for Responsible Investment (UNPRI), etc.), and international principles it adheres to (such as International Capital Markets Association (ICMA) Green/Sustainable Bonds Principles).	x					International Institutions and principles, of which the Bank is a signatory or member are disclosed within sutainability report.
C2.6. The Company actively endeavors to participate in Borsa İstanbul Sustainability Index and international sustainability indices (such as Dow Jones Sustainability Index, FTSE4Good, MSCI ESG Indices etc.).			x			Participation to the indices has been evaluated.
D. Corporate Governance Principles						
D1. The Company shows maximum effort to comply with mandatory Corporate Governance Principles as per Capital Markets Board Communique on Corporate Governance no. II-17.1 as well as all Corporate Governance Principles.	x					The Bank shows maximum effrot to comply with all Corporate Governance Principles.
D2. The Company takes into consideration the matter of sustainability, environmental effects of its operations and relevant principles thereto, in determining its Corporate Governance strategy.	x					In determining its Corporate Governance Strategyi the Bank takes into account recent developments in sustainability, national&international best practices, Bank's sustainability priorities, goals and performance.
D3. The Company takes necessary precautions to comply with principles relating to stakeholders and to strengthen communication with stakeholders, as stated in Corporate Governance Principles, and consults with stakeholders in determining sustainability measures and strategies.		x				In determining its sustainability measures and strategies, the Bank consults with stakesholders, and incentivizes their contributions to processes and strategies. The Bank does not have a Stakeholders' Policy approved by its Board of Directors.
D4. The Company strives for social responsibility projects, and raising awareness of sustainability and its significance through activities and training.	x					Bank organizes events, projects, and/or trainings targeting internal and external stakeholders in order to raise sustainability awareness.

SUSTAINABILITY PRINCIPLES COMPLIANCE FRAMEWORK	Company Compliance Status					
	Yes	Partial	No	Exempt	Not applicable	Explanation
D5. The Company puts in effort to participate in and contribute to international standards and initiatives in sustainability.	x					The Bank prepares its sustainability report in accordance with GRI Standards: "Core Option" and Financial Services Sector disclosures. In 2019, the Bank joined The United Nations Global Compact (UNGC). The Bank's contribution to the United Nations Sustainable Development Goals (UN SDG's) is presented by its sustainability priorities being aligned with the UN's relevant Sustainable Development Goals. Bank's UN Communication on Progress (COP) Report is included its its Sustainability Report to publicly share its contribution and support to UNGC's ten principles.
D6. The Company discloses anti-bribery and anti-corruption policies and programs as well as principle of honesty in terms of taxation.	x					QNB Finansbank adopts a zero-tolerance approach to bribery and corruption and commits to the highest standards of professionalism and integrity in all business dealings and relationships. The Bank implements and enforces effective processes, measures and systems to counter any form of corruption, money laundering and financing of criminal activity. The Bank encourages reporting through QNB Finansbank's confidential whistleblowing mechanism, to protect the Bank's image and reputation. Relevant policies are publicly available on the Policies Section of the Bank's website (https://www.qnbfinansbank.com/en/about-qnb-finansbank/policies).

[1] *Scope 1: Direct Emissions*

Emissions from the activities of an organisation or under their control.
- Fuel Combustion (boilers, turbines, heaters, incinerators, engines, etc.)
- Mobile Combustion (automobiles, trucks, ships, planes, etc.)
- Process emissions (such as CO2 from calcination related to cement production, CO2 from process of catalytic cracking in petrochemicals industries, PFC (Perflorocarbon) emissions in aluminum melting)
- Fugitive emissions (leakages from equipment connections, waste water treatment facilities, cooling towers, and gas processing facilities, etc.)

Scope 2: Indirect Emissions from Energy

Indirect Emissions from electricity, heat or steam purchased and used by the organization

Scope 3: Other Indirect Emisssions

Other than energy driven ones, greenhouse gas emissions resulted from corporate's operations and stemmed from greenhouse gas sources owned or controlled by another corporates

Additional Information on the Activities of the Bank

The Bank does not have a share repurchase program and has not bought back its own shares from the marketplace. The Bank's quarterly financial statements are subject to a limited review, whereas the annual financial statements are audited by an independent auditor. Moreover, the Bank is subject to constant surveillance under the scope of banking regulation, and is subject to supervision of the Banking Regulation and Supervision Agency.

With regards to transactions carried out with the Bank's controlling main shareholder, namely Qatar National Bank Q.P.S.C. ("QNB"), and its related subsidiaries and affiliates, there exist no measures either taken in favour of the Bank or refrained from taken. Transactions and/or relevant legal deals among the group companies and related parties have been conducted on an arms-length principle and go through the regular procedures and principles, as if they are conducted with an independent third party. There have been no actions taken to the detriment of the Bank either by the controlling main shareholder or its affiliates.

With regards to the Competition Board investigation, which had been initiated on 02.11.2011 and completed on 11.03.2013, against several banks including QNB Finansbank A.Ş., the Bank had paid an administrative fine in the amount of TL 40.516 million. The annual action correspondingly filed by the Bank against the Competition Board resolution has finalized against the Bank. The Bank has applied to the Constitutional Court regarding such decision and the judicial process is still ongoing.

As per the inspection report by the Ministry of Customs and Commerce, the Bank had been imposed to an administrative fine in the amount of TL 43.569 million. The Bank had paid the fine as TL 32.676 million on August 28, 2015, pursuant to the early payment discount under Article 17 of Law of Misdemeanors numbered. 5326, reserving its legal right to appeal the decision and request the annulment. As the annulment action filed by the Bank against the Ministry resolution at the Administrative Court was concluded in favour of the Bank and the amount paid by the Bank has been refunded by the ministry. The prosecution process regarding the counter-appeal of the Ministry at the Council of State has been resolved and finalized against the Bank. The amount refunded by the Ministry has been repaid by the Bank accordingly.

All legal transactions realized with the controlling company and other affiliated companies thereof, details of which are provided in the Affiliation Reports, have, to the best of the Bank's knowledge of circumstances and market conditions, been done so against compatible counter actions. No measures have been taken or avoided to be taken, and the Bank has suffered no damages. As a result of an inspection of financial transactions the Bank had realized with the controlling company and other affiliated companies thereof, as per Art. 199 of the Turkish Commercial Code, all transactions conducted by the Bank were compatible with ensuing market conditions and precedents, performed on an arms-length basis.

Risk Management

Evaluations of the Audit Committee on the Activities of Internal Control, Internal Audit and Risk Management Systems and Information about their Activities in the Accounting Period

The Audit Committee is established pursuant to the provisions of Banking Law No. 5411 and Regulation on Banks' Internal Systems and Internal Capital Adequacy Assessment Process (Regulation). Internal Audit, Risk Management and Internal Control and Compliance Departments of the internal functions report to the Audit Committee. The Audit Committee Office assists the Committee in fulfilling its duties and responsibilities.

Audit Committee is authorized, on behalf of the BoD, to supervise the effectiveness and adequacy of the Bank's internal systems, functioning of these systems as well as accounting and reporting systems in accordance with the Banking Law and applicable regulations, to ensure reliability and integrity of the information generated, to make necessary preliminary evaluations in selection of independent audit institutions and rating, valuation, support service institutions by the BoD. Moreover, it is responsible for regularly monitoring the activities of these institutions selected and contracted by the BoD and ensuring that internal audit activities of subsidiaries subject to consolidation as per relevant regulations of the Law are carried out in a consolidated manner and that such activities are in coordination with those of the Bank.

The Audit Committee convened thirteen times in 2020. Based on its observations and evaluations, the Audit Committee identified that the internal systems of the Bank were efficient and functioning as planned and internal controls systems were effective.

Moreover, the Audit Committee reviewed all support services procured by the Bank, ensured that necessary actions were taken to effectively manage the risks caused by these services and that the Bank complied with the Regulation on Banks' Procurement of Support Services.

A summary of the activities performed by departments reporting to the Audit Committee is stated below.

Internal Audit Department

The Internal Audit Department has accomplished its mission to support the Board to protect the Bank's assets, reputation and the sustainability of its activities in 2020. In order to ensure objectivity and independence required when undertaking this mission, audit engagements were carried out and reported functionally and administratively through Audit Committee to the Banks' Board of Directors.

The Department maintains its activities with 77 personnel and its competent sources in terms of quality and quantity. 1 Chief Audit Executive and 2 Deputy Chief Audit Executive are assigned as the Department's management staff. Five specialized units in the Department are; "Credit Processes and Businessline Audits", "Financial, Operational, Risk Management and Model Audits (including Subsidiary and Treasury audits)", "Branch Audits and Methodology", "Fraud and Special Investigations" and "IT Audits". 33% of the personnel have a postgraduate degree.

Internal auditors are encouraged to acquire professional certifications available in their field, which is a prerequisite for promotion. After the results of the 2020 certification exams, total number of certified employees in CIA (Certified Internal Auditor) is 11, CISA (Certified Information Systems Auditor) is 12, CRMA (Certification in Risk Management Assurance) is 2, CFE (Certified Fraud Examiner) is 14, and SMMM (Certified Public Accountant) is 4. Total number of certifications held by the employees of the Internal Audit Department is 74 and total number of employees obtaining certification is 29.

According to the International Internal Audit Standards of the Institute of Internal Auditors (IIA), Internal Audit Department Activities should be subject to External Quality Assessment Reviews (QAR) once in every 5 years via an eligible and independent external organization. As it is required by the mentioned 5-year cycle, following the QAR received in 2013, another QAR was received in 2018 and Internal Audit Department compliance with Standards was certified by the independent audit company. Assurance provided by this certificate is continuously monitored.

QNB Finansbank Board of Directors are periodically informed about the activities of the department on a continuous basis via quarterly activity reports submitted through the Audit Committee. In the engagements carried out by the department in 2020, internal control system of audited areas were assessed under the framework of the annual audit plan which was prepared considering all risk exposures of the Bank.

The internal audit reports prepared as a result of the audit engagements carried out by the department are submitted to the Senior Management, Audit Committee and Board of Directors. The actions taken to remediate the identified findings are followed up and regularly reported by the department throughout the year.

Audit activities consist of Head Office units, branches, subsidiaries and information technologies processes audits. In addition to planned and unplanned audit engagements, 2020 activities covered incident-based investigations and inspections, participation in various projects and consultancy services.

In 2020, risk assessments of group affiliates and subsidiaries were considered and audits which should be carried out by the Internal Audit Department were determined and performed accordingly. In addition to engagements performed in coordination with the internal audit units of related companies, internal audit departments of group affiliates and subsidiaries conducted audits as well and the results were monitored by QNB Finansbank Internal Audit Department via quarterly activity reports, monthly monitoring forms and Governance, Risk and Control software system named RSA Archer. In addition, attention was paid in order to maintain that the audit methodology of these units remained in line with the audit methodology of QNB Finansbank Internal Audit Department.

In the Information Technologies area, threats, risks and the control environment over criteria such as confidentiality, integrity and accessibility of information are examined and evaluated and assurance has been given regarding adequacy of the control environment. In addition to the information technologies audit engagements at QNB Finansbank group affiliates and subsidiaries, the department also monitors closely the effectiveness, adequacy and independence of the internal audit control activities regarding information technologies and if required, provides necessary support to the units. The outsource companies, which provide services to information technologies are also audited. Internal Audit Department utilizes computer assisted audit technologies, with the use of these techniques various analytical queries can be run within the context of audit activities and if needed specific data or samples can be prepared for special use.

The Governance, Risk and Control software system RSA Archer, which was deployed as live by the beginning of 2018, was used effectively for audit/investigations entries, follow-up activities and report preparation throughout the year.

Similarly, system use was implemented by Internal Audit Departments of the subsidiaries and methodological integration is strengthened as a consequence. In branch audits, a web-based audit application named FAST, which was developed by theBank, continues to be used. Through the application, branch audit team members can create audit records, upload work papers, enter findings and track their current statuses via online and secure web connection and they can extract audit reports automatically from the system.

Following the activities completed in 2020, the Internal Audit Department accomplished its goals by providing independent and objective assurance and consultancy services as in the previous years and contributed to the regular, systematic and disciplined evaluation and improvement of the effectiveness of corporate governance, risk management and internal control environment in order to improve and add value to the Bank's activities.

Internal Control and Compliance Department

Reporting to the Audit Committee, the Internal Control and Compliance Department performed control activities for minimizing the Bank's exposure to operational, regulatory and financial risks. The total number of personnel is 95.

A- Internal Control Division

The internal control system of the bank is designed and constructed in a way that assets of the bank are safeguarded, daily transactions are handled in compliance with the rules, laws and regulations and the financial reporting systems are reliable, accurate and timely achievable.

As an important part of the internal control system, the Internal Control Division is responsible for carrying out control activities among the branches, subsidiaries and head-office units of the Bank. Remote and on-site control methods are used while performing second level controls.

Controllers are encouraged to acquire professional certifications from local and international institutions available in their field, which is a prerequisite for promotion. As of year-end 2020, total number of certifications in CIA (Certified Internal Auditor) is 1, CISA (Certified Information Systems Auditor) is 1, CRMA (Certification in Risk Management Assurance) is 6, CFE (Certified Fraud Examiner) is 2, CFSA (Certified Financial Services Auditor) is 1, SMMM (Certified Public Accountant) is 1, CMB-Level 3 (Capital Markets Board–Level 3) is 16, CMB–Derivatives (Capital Markets Board–Derivatives) is 5. With the others, total number of certifications held by the employees of the Internal Control Division is 48 and total number of employees obtaining certification is 30.

Periodic activity reports prepared as a result of the control engagements carried out by the Division are submitted to the Audit Committee quarterly. Besides, findings and related actions are followed continuously throughout the year and results are reported to the Senior Management and the Audit Committee of the Bank quarterly.

As of year-end 2020, the total staff number of Internal Control Division is 50. There are two sub-divisions within ICD and the responsibilities of these sub-units are explained as follows:

- **Branch & Subsidiary Controls Sub-Division:**

  All branches are visited at least once a year and on-site controls are made by reviewing the control points listed in a pre-defined checklist. The most recent samples are selected to see and evaluate the latest reflections of the changes and the operating scheme of the branch. Findings are communicated to relevant units monthly and quarterly. Moreover, findings are uploaded monthly to Branch Finding Follow-Up application in order to be completed by the relevant branches.

  In addition to branch controls, specifically defined controls are performed at OSDEMs (Operation Field Support Centers), which fulfill a significant part of operational processes in branches. Moreover, the unit conducts remote controls regarding some specific products and services among other branch activities.

  Similar to branch controls, all financial subsidiaries of the bank are visited and controlled throughout the year according to the checklist prepared in collaboration with subsidiary management.

  Moreover, every quarter, the action plans listed in the "periodic evaluation reports" of outsource companies are followed-up and results are reported to the Audit Committee Office.

- **Head Office, Information Technologies and Management Statement Controls Sub-Division:**

  Teams of controllers who are specialized in different areas of banking undertake the Head Office control points prepared with business units considering the compliance, operational and financial risks. Within this context, functions like accounting, financial control, loans and deposits, banking operations, treasury, cash management and credit card businesses are mainly controlled as a second level defense mechanism.

  Within the context of remote controls, some specific cases are being monitored daily, weekly or monthly via data derived from the system.

  In addition to these, in order to achieve full compliance with changing rules and regulations, the announcements made by the Compliance Division are followed-up by business units to identify whether necessary actions are taken or not.

  With respect to Information Technologies (IT); logical access rights to systems and physical access rights to Head Office and data center locations are reviewed, effectiveness of software development process is evaluated, and controls on data and system security are tested. Moreover, many periodic reviews are made regarding IT general controls.

  Apart from these, the division prepares the Management Statement report pursuant to relevant regulations. The methodology of this work is similar with the external auditors' methodology and the scope includes both Business and IT processes. The results are submitted to the External Auditor after the report is approved and signed by the Board of Directors.

RSA Archer software, which is a joint platform for Internal Systems departments, is used for report entries and follow-up activities regarding the Head Office, Information Technologies and Management Statement controls.

B- Compliance Division

The Compliance Division determines and manages the risks related to financial losses as a result of the Bank's loss of reputation caused by noncompliance with the laws, regulations, Bank's processes and instructions. As of the year-end 2020, 11 personnel are employed in the Compliance Division.

The Compliance Division closely follows regulatory changes and ensures that the Bank's practices are updated accordingly by providing guidance and making announcements regarding such regulatory changes. Compliance responds to the questions posed by branches and Head Office units related to regulatory issues, and plays an active role by providing opinions and recommendations in the process of developing the banking products to be offered to the customers. The Compliance Division also provides guidance to financial subsidiaries of the Bank regarding their own regulatory compliance engagements. Furthermore, the Compliance Division consults with regulatory and supervisory bodies, and works to establish social and environmental standards in loan extension processes.

Within the resolution process of the Board of Directors to launch new products and services, opinions and evaluations of Compliance are required in terms of complying with applicable regulations. The activities of Compliance in 2020 were performed within this broad area of responsibility.

Two units carry out compliance activities as stated below:

- **Banking Regulations Unit:**

  The Unit issues circulars and announcements on new regulations and laws concerning the banking sector. The Unit approves non-standard text of letters of guarantees, counter guarantees, standby letters of commitment and reference letters. The Unit provides written and verbal consultancy to branches and head office departments. The Manager of the Unit represents the bank as a member of the Foreign Exchange Regulations Working Group, established by the Banks Association of Turkey in order to analyze and provide solutions to any kind of sectoral problems related to foreign trade regulations. In addition, the Manager of the Unit is a member of the ICC Guarantees Task Force, which works on international guarantees.

- **Regulatory Compliance Unit:**

  The Unit reviews and approves new products and campaigns, adverts and advertising materials launched by related departments in accordance with related regulations in effect. Customer complaints received through regulatory authorities are reviewed and response letters are approved, and, if necessary, related departments are advised to take appropriate actions. This Unit also makes announcements to the Bank's relevant units about regulatory issues, including capital markets legislation, as well as to financial subsidiaries. Furthermore, regular monitoring activities are performed by the said unit within the scope of Capital Markets regulations with regards to insider trading and market manipulation. The Unit also states opinion on whether the outsource services procured by the Bank are "support services" and/or "external services" or not.

C- Financial Crime Compliance Department (FCC)

The main responsibilities of the FCC Department is to ensure compliance with national and international laws, regulations and international standards and to prevent the Bank from being an intermediary in the laundering of criminal proceeds and financing of terrorism and to carry out control activities within this scope in order to mitigate the risk of the Bank being used to facilitate financial crimes, and to conduct fraud-based scenario analysis to prevent/detect fraud and to assess fraud risks through newly established Fraud Control Unit. As of the end of 2020, 28 people are employed in the department.

Department activities are implemented by four units as stated below:

- **Anti-Money Laundering & Combating Financing of Terrorism (AML/CFT) Unit:**

  AML/CFT Unit is responsible for following up amendments in local and international regulations within the framework and informs employees regarding amendments on the AML/CFT and sanctions issues. In addition, this unit conducts face-to-face trainings and e-learning activities and reports suspicious transactions to Financial Crimes Investigation Board (MASAK).

- **Suspicious Transactions Monitoring & Analytics Unit:**

  The unit is responsible for monitoring activities, making assessments and implementing the systems, and conducting analytical engagements in order to detect suspicious transactions as required by the local and international regulations.

- **Sanctions & KYC Unit:**

  This unit is responsible for performing the blacklist and sanctions controls in financial activities as well as evaluating and managing customer due diligence operations.

- **Fraud Control Unit:**

  Fraud Control Unit, which was established in 2020 under the Financial Crime Compliance Division, maintains its activities with 5 personnel appointed from the Internal Audit Department.

  The main objectives of the unit are establishing a fraud control framework within the Bank and conducting efforts to manage and reduce fraud risk. To this end, process evaluation engagements related to the activities of the Bank's units are also carried out within the framework of fraud risk. In addition, conducting scenario analysis for the detection of internal fraud, adapting the policies of QNB within the framework of fraud risk to the Bank, making regular reporting to Senior Management and QNB, providing training to Bank personnel and raising fraud awareness are also among the responsibilities of the unit.

On the other hand, investigations regarding fraud incidents of certain criteria reported by the business units of the Bank can be conducted within the unit. Following the necessary investigations and analysis conducted by the unit, required actions and improvements that will prevent the repetition of similar fraud cases are followed up in coordination with the Internal Audit Department.

D- Data Protection Unit

The unit is responsible for ensuring that all activities and processes are in compliance with the Law on Protection of Personal Data No. 6698 and secondary regulations. Data Protection Unit has 4 employees as of the end of 2020, and 1 supervisor personnel works with temporary assignment. Requests/complaints regarding personal data transmitted to the Bank from official institutions and customers are examined and necessary actions are taken and answered. Verbis (Data Controllers Registry Information System) data entry was completed on 30.09.2020 and the Bank's data inventory update work is ongoing. Including the data inventory created in the process of protection of personal data within the scope of data governance in terms of technical and administrative measures, explicit consent and obligation to inform, data minimization, domestic and international data transfer, data destruction information, process and activity details, periodic deletions and IT studies are carried out to blackout the special quality personal data contained in the identity documents of the customers. Periodic deletions are carried out in 6-month periods. DLP (Data Leakage Prevention) examinations are carried out to detect data breaches in terms of personal data.

Risk Management

Risk Management is responsible for monitoring and managing all potential risks for the Bank in a centralized and efficiently coordinated manner. The primary goal of Risk Management is to provide appropriate capital allocation (economic capital) to business lines for risks they are exposed to and increase value-added by maximizing risk adjusted return on capital.

Organizational Structure

Risk management governance at the Bank starts with the Board of Directors. The Board's Risk Committee, Asset-Liability Committee (ALCO), Corporate and Retail Management Risk Committees (CPC), Operational Risk Management Committee (ORMC), Reputational Risk Management Committee (RRMC), Data Security Committee and the Risk Management Department are important bodies of the risk management structure at QNB Finansbank.

The Board of Directors is responsible for determining general risk policy and risk appetite of the Bank. The Risk Committee defines risk policies and strategies, reviews all types of risks the Bank is exposed to in its monthly meetings, monitors implementation of risk management strategies, and brings important risk issues to the attention of the Board.

The ALCO, meeting monthly, monitors and manages the structural asset liability mismatch of the Bank. It also monitors and controls liquidity risk and foreign currency exchange risk.

Credit Management Risk Committee meets monthly and is responsible for monitoring and evaluating the Bank's lending portfolio and determining principles and policies related to credit risk management processes, such as loan approval, limit setting, rating, monitoring and problem management. The ORMC, also meeting quarterly, reviews the operational risk issues of the Bank and defines the necessary actions to be taken to minimize these risks. Reputational Risk Management Committee (RRMC) is established in order to define, evaluate and monitor the reputational risk subjected by QNB Finansbank and to ensure that required actions are taken for prevention of such risks.

QNB Finansbank Risk Management Department works independently from executive management and reports to the Board of Directors through Audit Committee. Market Risk, Credit Risk Management, and Operational Risk Management Units are responsible for identification, monitoring and managing of all related risks. The Model Validation Unit is responsible for validation of risk measurement and credit rating/scoring models as well as assessment of performances.

Market Risk Management

Market Risk arises due to positions in the trading book, including trading securities, open currency position and all derivatives excluding transactions done for hedging purposes, taken by the Bank with the intention of benefiting in the short term from actual and/or expected differences between their buying and selling prices or interest rate variations.

Market risk stems from the uncertainty concerning changes in market prices and rates (including interest rates, equity and bond prices and foreign exchange rates), and their levels of volatility. QNB Finansbank seeks to identify, estimate, monitor and manage these risks effectively through a framework of principles, measurement processes and a valid set of limits that apply to all of QNB Finansbank's transactions.

A set of market risk limits are defined, based on Value at Risk (VaR), nominal position, present value basis point and option greeks, in order to manage market risk efficiently and to keep market risk within desired limits. In addition to these limits, the Bank defines warning levels for certain limit types, to allow a process of review, analysis, and consultation in order to take preventive actions, prevent limit breaches, and limit possible losses. The limits are monitored on a daily basis by the Risk Management Department. VaR results are supported by regular stress testing and scenario analyses.

QNB Finansbank calculates the regulatory capital requirement for market risk using the standardized method within the framework of BRSA guidelines on a monthly basis. The methodology used for the calculation of capital requirements for general market risk and specific risk is determined by the BRSA. In addition, parallel to best practices, VaR is measured daily. VaR, which is a measure of the maximum potential loss on the trading portfolio, is calculated using the historical simulation method with a 99% confidence level and one-day holding period.

While the VaR approach provides a forecast for possible losses in the last one-year market conditions, it cannot predict contingent losses under extreme conditions. Hence, the VaR approach is complemented by stress testing in order to incorporate possible extreme market movements. Stress tests simulate the impacts of crises, extreme market conditions and major changes in correlations and volatilities.

The Bank uses back testing to verify the predictive power of value-at risk calculations. In back testing, theoretical gains/losses calculated by VAR on positions at closure of each business day is compared with the actual gains/ losses arising on these positions on the next business day. The assumption of the VaR model is reviewed and revised if such a need occurs as a result of the back testing procedure.

Interest Rate Risk

The Bank is exposed to structural interest rate risk resulting from differences in the timing of rate changes and the timing of cash flows that occur in the pricing and maturity of a bank's assets and liabilities. The Bank defines Policy for the Management of Interest Rate Risk of Banking Book (IRRBB). According to the policy, interest rate risk is calculated for the banking book, which includes all portfolios excluding the trading book.

Even though the Bank is exposed to structural interest rate risk on its balance sheet due to the nature of its existing activities, the policy ensures that all positions are monitored effectively and the risk stays within the pre-defined limits.

The Asset-Liability Committee (ALCO) aims to protect the economic value of equity while sustaining a stable earnings profile. Duration GAP analyses, which rely on calculations of net discounted future cash flows of interest rate sensitive balance sheet items, are conducted to manage this risk. Moreover, the Bank runs net economic value sensitivity scenarios with changes in interest rates and interest rate margins, to calculate their impact on net economic value.

The Bank utilizes scenario analysis in order to evaluate the impact of interest rate change on net economic value. Standard interest shocks are determined in accordance with the Basel regulation. Moreover, various historical crisis financial turmoil scenarios including reverse stress test, are simulated in order to measure the Bank's sustainability against to severe interest rate shocks.

Liquidity Risk

Liquidity risk is defined as the current or prospective risk to earnings and capital arising from the Bank's inability to meet its liabilities -because of its balance sheet structure or market movements- when they are due. QNB Finansbank aims to control its 'cash and available funding sources/ deposits' ratio within limits. In addition to early warning indicators, survival horizon under different stress levels and actions planned under liquidity crises are defined in the Bank's "Liquidity Contingency Plan".

Within the scope of the Basel III accord, the "short-term liquidity coverage ratio" and the "net stable funding ratio," to measure long-term liquidity, are calculated. Liquidity coverage ratio and net stable funding ratio are monitored on a daily and monthly basis, respectively.

Credit Risk Management

Credit risk is defined as the current or prospective risk to earnings and capital arising from an obligor's failure to meet the terms of any contract with the institution or otherwise fail to perform as agreed. The aim of credit risk management is to maximize the Bank's risk adjusted rate of return by maintaining the credit risk exposure within acceptable limits defined by the risk strategy document.

Credit Risk Management is embedded into the end-to-end credit processes of the Bank. While the underwriting units are responsible for day-to-day management of the credit risk, the Board of Directors controls the complete lending process by approving the lending criteria, credit risk policies and delegating authorities depending on the type of the product through Credit Policy Committees. The responsibility of the Credit Risk Management Unit is the establishment of effective and efficient internal policy, procedure and methodologies for definition, quantification, measurement, control and reporting of the credit risks.

The Credit Risk Management Unit performs the internal and external reporting of credit risk in an appropriate way for different audiences. The Bank's Board Risk Committee monitors a comprehensive list of credit risk metrics and risk-based performance measures of the credit portfolios on a monthly basis. In case of any mismatch between risk profile and risk appetite of the Bank, necessary measures are taken immediately to make sure that the portfolio credit quality of the Bank complies with the defined risk appetite.

The Credit Risk Management Unit is also responsible for the capital management process, which includes compliance with regulatory capital requirements and establishment of the Bank's policies, processes, methods and systems relating to Internal Capital Adequacy Assessment Process (ICAAP). This process involves calculation, projection and analysis of legal and economic capital requirements necessitated by yearly and long-term business plans of the Bank.

The Bank has traditionally put great emphasis on the strength of its capital base to maintain investor, creditor and market confidence and to sustain future business development. In line with this point of view, the ICAAP framework is designed to ensure that the Bank has sufficient capital resources to meet the regulatory capital requirements, and that it has available capital in line with its own risk appetite and internal guidelines.

In addition, the unit develops credit risk parameter estimation models to be used for Expected Credit Loss calculations within the scope of IFRS 9, calculates and reports the provisions to be allocated for Expected Credit Loss.

Operational Risk and Business Continuity Management

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. The Operational Risk and Business Continuity Management Unit is responsible for identifying, measuring, monitoring and managing all risks under the scope of operational risk as well as Business Continuity Management. Activity-process based operational risks are identified through Risk Control Self-Assessment and classified by cause, event and effect categories as proposed by Basel II and actions are taken for severe risks. The Operational loss data collection process, which began in January 2005, continues. While loss data is accumulated to provide meaningful statistical data, business processes, where improvements are required, are defined based on the results and all necessary actions for improvement are taken. Key Risk Indicators are defined and monitored regularly for severe risks. A robust operational risk management process and methodology is implemented.

The Bank has also prepared and implemented a Business Continuity Management Plan, in order to minimize losses due to business disruption. In addition, the Bank performs the comprehensive annual test of the Disaster Recovery Center with the participation of business units and the IT Department.

Model Validation

QNB Finansbank's Model Validation Unit is responsible for the validation of the risk models before they are implemented on the Bank's scale. The validity of the models regarding credit risk, market risk, IFRS 9 and ICAAP are assessed by the Model Validation Unit through qualitative and quantitative tests in terms of data quality, methodology, performance, and the compatibility with legal requirements and best practices.

Once the above-mentioned models are implemented, their performances under changing macroeconomic conditions, Bank's portfolio and risk appetite are monitored and reported on an ongoing basis via performance and stability tests.

Audit Committee Office

Established in 2011, the Audit Committee Office provides the services required for the effective working of the Committee. The Office is responsible for reviewing and presenting to the Committee members reports concerning the Committee, monitoring Committee meetings, archiving all documents regarding work carried out, coordination and follow-up of the support service activities, obtaining resource adequacy and independence statements from Independent Audit and Valuation companies and independence statements from the Bank senior management regarding these companies, following up the implementation of the Committee decisions, reporting the Committee activities to the Board of Directors, and performing other duties assigned by the Committee.

Related Party Transactions

Regardless of the nature of transactions, relations with companies in the risk group of and controlled by the Bank, are conducted in the scope of a bank-client relationship and in compliance with the Banking Law and prevailing market conditions.

Type, amount and rate of transactions to total transactions as well as the structure, amount and rate of main items, pricing policy and other terms in the transactions with the risk group companies are set on an arms-length basis and based on prevailing market conditions. As of December 31, 2020, cash loans granted to risk group composed 0.8% of the Bank's total loans, deposits obtained from risk group composed 0.2% of the Bank's total deposits.

Transactions involving the purchase and sale of real- estate and other assets and services, agency contracts, leasing contracts, transfer of data obtained from research and development activities, license contracts, financing (including loans and cash or in-kind capital contributions), guarantees and collaterals, management contracts, and the like) are underwritten between the Bank and Finans Leasing (Finans Finansal Kiralama A.Ş.). Net leasing payables incurred from these contracts amounted to TL20.3 million as of December 31, 2020.

The Bank entered into a contract with IBTech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek Sanayi ve Ticaret A.Ş. for research, development, and consultancy services.

The Bank receives cash transfer services from its 33.3% subsidiary Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.

The Bank provides agency services to Cigna Finans Pension (Cigna Sağlık, Hayat ve Emeklilik A.Ş.), which is a joint venture of the Bank with a 49% stake.

Information on Outsourced Service Groups and the Institutions Supplying Outsourced Services

Support services were procured within the scope of Regulation on Banks’ Procurement of Support Services in 2020 under the following service groups.

Service Groups	Suppliers
Archive Service	Hobim Arşivleme ve Basım Hizmetleri A.Ş.
	Iron Mountain Arşivleme Hizmetleri A.Ş.
IT Services	Acerpro Bilişim Teknolojileri A.Ş.
	Atos Bilişim Danışmanlık A.Ş. (Subcontractor of Atos Müşteri Hizmetleri A.Ş.)
	Banksoft Bilişim Bilgisayar Hizmetleri Ltd. Şti.
	BGA Bilgi Güvenliği A.Ş.
	Defensein Siber Savunma ve Araştırma Ltd. Şti.
	eFinans Elektronik Ticaret ve Bilişim Hizmetleri A.Ş.
	Etcbase Yazılım ve Bil. Teknolojileri A.Ş.
	IBTech Uluslararası Bilişim ve İletişim Tekn. Ar-Ge Danışmanlık Destek San. ve Tic. A. Ş.
	Matriks Bilgi Dağıtım Hizmetleri A.Ş.
	Netaş Bilişim Teknolojileri A.Ş.
	Uzman Bilişim Danışmanlık A.Ş.
	Vega Bilgisayar Hizmetleri Ltd. Şti.
Security Service	MGS Merkezi Güvenlik Sistemleri San. Tic. A.Ş.
	Tepe Savunma ve Güvenlik Sistemleri Sanayi A.Ş.
Mortgage Service	Fu Gayrimenkul Yatırım Danışmanlık A.Ş.
Card Printing	Austria Card Turkey Kart Operasyonları A.Ş.
Courier	AGT Hızlı Kurye Hizmetleri A.Ş.
	Posta ve Telgraf Teşkilatı A.Ş. (PTT)
Cash and Valuables Transfer	Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.
	Brink’s Güvenlik Hizmetleri A.Ş.
Marketing, Sales, Operational Support	Atos Müşteri Hizmetleri A.Ş.
	Bilge Adam Bilgisayar ve Eğitim Hizmetleri San. A.Ş.
	Cigna Finans Emeklilik ve Hayat A.Ş.
	Webhelp Çağrı Merkezi ve Müşteri Hizmetleri A.Ş. (Subcontractor of eFinans Elektronik Ticaret ve Bilişim Hizmetleri A.Ş.)
Marketing, Sales, Operational Support / Collection Service	CMC İletişim ve Çağrı Merkezi Hizmetleri A.Ş.
	Webhelp Çağrı Merkezi ve Müşteri Hizmetleri A.Ş.
Personnel Selection and Temporary Personnel Employment	Adecco Hizmet ve Danışmanlık A.Ş.
POS Service	Banksoft Bilişim Bilgisayar Hizmetleri Ltd. Şti.
	Payten Teknoloji A.Ş.
	Verifone Elektronik ve Danışmanlık Ltd. Şti.
Collection Service	Global Bilgi Pazarlama Danışma ve Çağrı Servisi Hizmetleri A.Ş.
	RGN İletişim Hizmetleri A.Ş.

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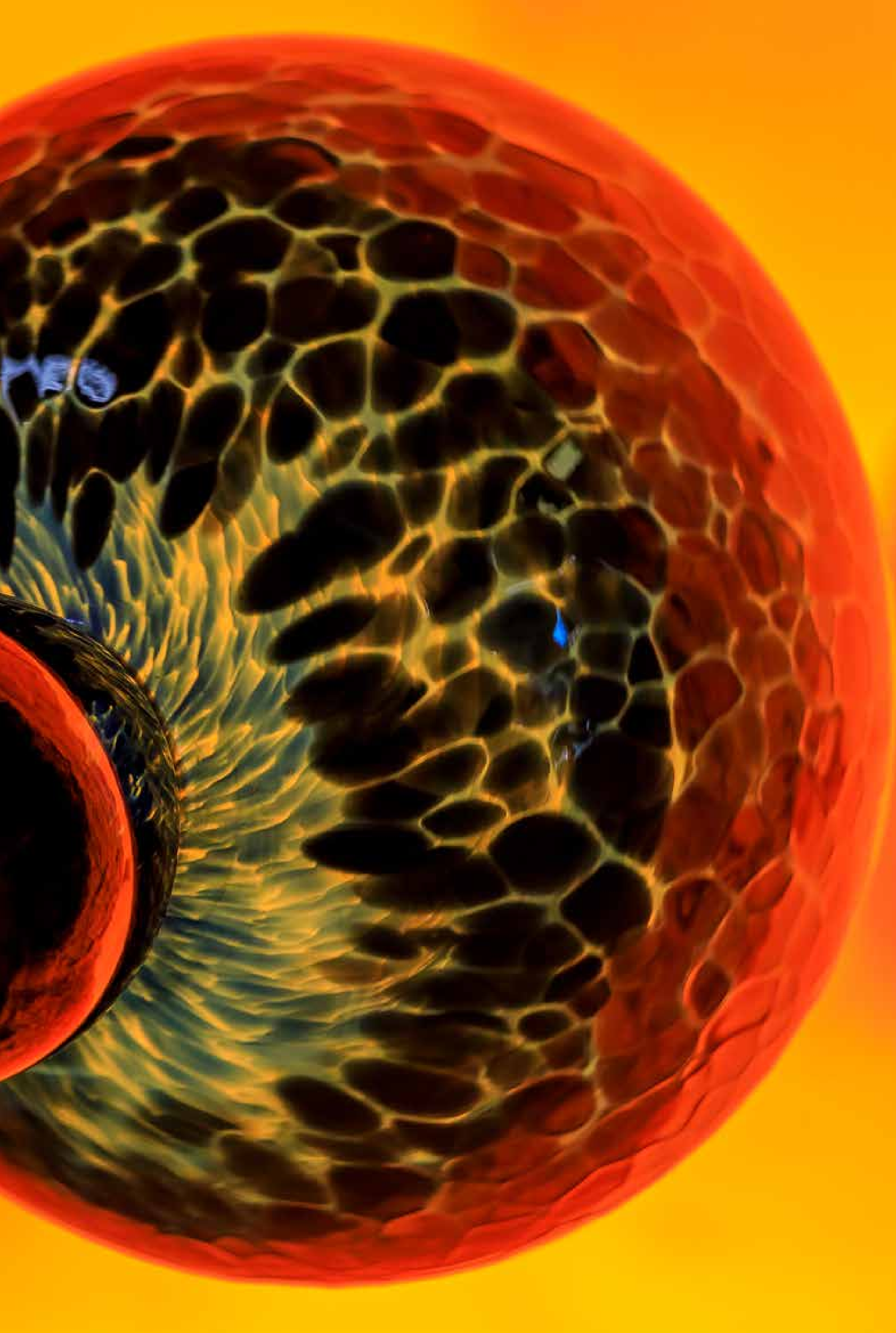

To the General Assembly of QNB Finansbank Anonim Şirketi

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of QNB Finansbank A.Ş (the Bank), which comprise the statement of unconsolidated financial position as at December 31, 2020, and the statement of unconsolidated profit or loss, statement of unconsolidated profit or loss and other comprehensive income, statement of unconsolidated changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the unconsolidated financial position of QNB Finansbank A.Ş. as at December 31, 2020 and financial performance and unconsolidated its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as in accordance with "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 (BRSA), circulars, interpretations published by BRSA and "BRSA Accounting and Financial Reporting Legislation" which includes the provisions of Turkish Financial Reporting Standards (TFRS) for the matters which are not regulated by these regulations.

Basis for Opinion

Our audit was conducted in accordance with "Regulation on independent audit of the Banks" published in the Official Gazette no.29314 dated April 2, 2015 by BRSA (BRSA Independent Audit Regulation) and Independent Auditing Standards ("ISA") which are the part of Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with of Code of Ethics for Independent Auditors (Code of Ethics) published by POA and have fulfilled our other responsibilities in accordance with the code of ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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Key Audit Matter	How the matter is addressed in our audit
Recognition of impairment on financial assets within the scope of TFRS 9 "Financial Instruments" Standard and related significant disclosures	
As presented in Section 3 disclosure VIII and Section 5 disclosure I.6, the Bank recognizes expected credit losses of financial assets in accordance with TFRS 9. We considered the impairment of financial assets as a key audit matter since: • Amount of on and off balance sheet items that are subject to expected credit loss calculation is material to the financial statements. • There are complex and comprehensive requirements of TFRS 9. • The classification of the financial assets is based on the Bank's business model and characteristics of the contractual cash flows in accordance with TFRS 9 and the Bank uses significant judgment on the assessment of the business model and identification of the complex contractual cash flow characteristics of financial instruments. • Policies implemented by the Bank management include compliance risk to the regulations and other practices. • Complex and intensive control environment in processes with TFRS 9. • Judgements and estimates used in expected credit loss calculation are complex and comprehensive. • Disclosure requirements of TFRS 9 are comprehensive and complex.	Our audit procedures included among others include: • Evaluating the appropriateness of accounting policies as to the requirements of TFRS 9, Bank's past experience, local and global practices. • Reviewing and testing of processes which are used to calculate expected credit losses by involving our Information technology and Process audit specialists. • Evaluating the reasonableness of management's key judgements, estimates and data sources used in expected credit loss calculations including responses to COVID and also considering the standard requirements, sectorial, local and global practices. • Reviewing the appropriateness of criteria in order to identify the financial assets having solely payments of principal and interest and checking the compliance to the Bank's Business model. • Assessing the appropriateness of definition of significant increase in credit risk, default criteria, modification, probability of default, loss given default, exposure at default and forward looking assumptions together with the significant judgements and estimates used in these calculations to regulations and bank's past performance. Evaluating the alignment of those forward looking parameters to Bank's internal processes where applicable. • Evaluating the impact of the Covid-19 outbreak on staging of loans and macroeconomic parameters used in expected credit losses together with forward-looking estimates and significant assumptions. • Assessing the completeness and the accuracy of the data used for expected credit loss calculation. • Testing the mathematical accuracy of expected credit loss calculation on sample basis. • Evaluating the judgments and estimates used for the individually assessed financial assets. • Evaluating the accuracy and the necessity of post-model adjustments. • Auditing of TFRS 9 disclosures.

Hedge Accounting

As explained in Section 5 Note I.12 and II.8, the Bank enters into hedging transactions and applies hedge accounting in order to manage the interest rate and foreign currency rate risks. The Bank uses derivative financial instruments and other hedging relationships to hedge its financial risks such as loans and receivables, financial assets at fair value through other comprehensive income, deposits, securities issued and borrowings. Hedge accounting is considered to be 'key audit matter' due to the potential risks on eligibility of hedge relationship in accordance with TAS 39 'Financial Instruments: Recognition and Measurement', effectiveness of the tests, fair value calculation of financial instruments, documentation and termination of hedge relationship including the effect of termination on the carrying amount of assets.	In addition to general audit procedures our audit procedures include the re-calculation of fair values of derivative financial instruments, assessment of the financial risk components, documentation of all hedging relationships, examination of the effectiveness tests, the review of hedge accounting records, evaluating the appropriateness of the carrying amount of the asset in accordance with the relevant standards in case of a termination.

Valuation of Derivative Financial Instruments

Foreign currency forward transactions, currency and interest rate swap transactions, money options, money futures transactions and all other derivative financial instruments are recorded at fair value on the balance sheet and their fair values are subject to continuous revaluation. Details of the related amounts are explained in Section 5 Note I.2.c and Note II.2. The fair value of derivative financial instruments is determined by selecting the most appropriate market data and applying valuation techniques for certain products. Due to the assumptions, estimates and subjectivity used in these applications, derivative financial instruments are considered as a key audit matter by us.	In addition to our auditing procedures, include reviewing the fair valuation policies as determined by the Bank Management, checking the fair value calculations of the derivative financial instruments chosen by the sample as valuation experts, evaluating the assumptions and estimates used, operational evaluation and testing.

Responsibilities of Management and Directors for the Unconsolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

In an independent audit, the responsibilities of us as independent auditors are:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with BRSA Independent Audit Regulation and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As part of an audit in accordance with BRSA Independent Audit Regulation and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

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

Report on Other Legal and Regulatory Requirements

1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") no 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities and financial statements for the period January 1 - December 31, 2020 are not in compliance with the laws and provisions of the Bank's articles of association in relation to financial reporting.

2) In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The engagement partner who supervised and concluded this independent auditor's report is Hatice Dilek Çilingir Köstem.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Hatice Dilek Çilingir Köstem, SMMM
Partner

January 28, 2021
İstanbul, Türkiye

QNB FİNANSBANK ANONİM ŞİRKETİ

THE UNCONSOLIDATED FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2020

The Bank's;

Address of the head office: Esentepe Mahallesi Büyükdere Caddesi Kristal Kule Binası No:215 Şişli - İSTANBUL

Phone number : (0 212) 318 50 00

Facsimile number : (0 212) 318 56 48

Web page : www.qnbfinansbank.com

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

The unconsolidated financial report for the year ended December 31, 2020, designed by the Banking Regulation and Supervision Agency in line with Communiqué on Financial Statements to be Publicly Announced and the Related Policies and Disclosures consists of the sections below:

- General Information about the Bank
- Unconsolidated Financial Statements of The Bank
- Explanations on The Unconsolidated Financial Statements of the Bank
- Information on Financial Structure and Risk Management of The Bank
- Footnotes and Explanations on Unconsolidated Financial Statements
- Other Explanations
- Independent Audit Report

The unconsolidated financial statements and related disclosures and footnotes for the year ended December 31, 2020, are prepared in accordance with the Regulation on Principles Related to Banks' Accounting Applications and Preserving the Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidance and in compliance with the financial records of our Bank. Unless stated otherwise, the accompanying unconsolidated financial statements are presented in **thousands of Turkish Lira (TL).**

Ömer A. 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

Temel Güzeloğlu
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 report can be communicated:

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

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SECTION ONE

General Information

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

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

II. Information about The Bank's Shareholding Structure, Shareholders Who Individually or Jointly Have Power to Control the Management and Audit Directly or Indirectly, Changes regarding These Subjects During the Year, If Any, and Information about The Controlling Group of The Bank

A share sales agreement has been concluded between National Bank of Greece S.A. (NBG), principal shareholder of the Bank in previous periods, and Qatar National Bank Q.P.S.C. ("QNB") regarding the direct or indirect sales of NBG's shares, owned by affiliates and current associations of the Bank, at the rate of 99.81% to QNB at a price of EUR2,750 million as of December 21, 2015. On April 7, 2016, BRSA permitted to transfer shares at ratios of 82.23%, 7.90%, 9.68% owned by National Bank of Greece S.A., NBGI Holdings B.V. and NBG Finance (Dollar) PLC respectively in the capital of the Bank to Qatar National Bank S.A.Q. in the framework of paragraph 1 of article 18 of Banking Law and dropping direct share of National Bank of Greece S.A. to 0% through the aforementioned share transfer. Necessary permissions related to share transfer have been completed on May 4, 2016 before the Competition Authority while permission transactions regarding direct/indirect share ownership which shall realize in related affiliates of the Bank (QNB Finans Yatırım Menkul Değerler A.Ş., QNB Finans Portföy Yönetimi A.Ş., QNB Finans Finansal Kiralama A.Ş. and Cigna Sağlık, Hayat ve Emeklilik A.Ş.) Before the related official bodies on May 12, 2016 and share transfer of the Bank has been completed on June 15, 2016.

The Bank has decided to change the logo and the name of the company within the scope of the main shareholder change and brand strategies the new logo and the company name of The Bank has started to be used as "QNB FİNANSBANK" as of October 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 Bank's trade name is changed from "FİNANS BANK A.Ş" to "QNB FİNANSBANK A.Ş" as of January 19, 2018.

99.88% of shares of QNB Finansbank A.Ş. are controlled by Qatar National Bank as of December 31, 2020 and remaining 0.12% of related shares are public shares.

50% of QNB shares, which is the first commercial bank of Qatar founded in 1964 and has been traded at Qatar Stock Exchange since 1997, are owned by Qatar Investment Authority while 50% of related shares are public shares. QNB is operating over 30 countries mainly in Middle East and North Africa Regions as well as being the biggest bank of Qatar. Also with respect to total assets, total credits and total deposits QNB is the biggest bank of Middle East and North Africa.

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

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

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

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

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

IV. Information about the Persons and Institutions that Have Qualified Shares

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

V. Explanations on the Bank’s Services and Activities

The Bank’s activities include trade finance and corporate banking, private and retail banking, SME banking, currency, money markets and securities operations and credit card operations. In addition, the Bank carries out insurance agency activities on behalf of insurance companies through its branches. As of December 31, 2020, the Bank operates through 473 domestic (December 31, 2019 - 523), 1 abroad (December 31, 2019 - 1) and 1 Atatürk Airport Free Trade Zone (December 31, 2019 - 1) branches. As of December 31, 2020, the Bank has 11,111 employees (December 31, 2019 - 12,087 employees).

VI. A Short Explanation on the Differences Between the Regulation on Preparation of Consolidated Financial Statements of Banks and the Consolidation Procedures Required by Turkish Accounting Standards and About Institutions That Are Subject to Full Consolidation, Proportional Consolidation, by Way of Deduction from Capital or Those That Are Subject to None

The Bank’s joint venture Cigna Sağlık, Hayat ve Emeklilik A.Ş. is consolidated using equity method as per the Regulation on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards.

Ibtech A.Ş and E-finans Elektronik Ticaret ve Bilişim Hizmetleri A.Ş. included in investments in associates and Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş. included in entities under common control are not consolidated to consolidated financial statements as per the Regulation on Preparation of Consolidated Financial Statements of Banks since they are nonfinancial investments. Bankalararası Kart Merkezi ve Ulusal Derecelendirme A.Ş. included in subsidiaries is carried at cost and not consolidated since the Bank does not have material control and presence over it.

All other subsidiaries are fully consolidated.

VII. The Existing or Potential, Actual or Legal Obstacles to the Immediate Transfer of Shareholders’ Equity Between the Bank and Its Subsidiaries and Repayment of Debts

None.

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

QNB FİNANSBANK ANONİM ŞİRKETİ

UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) – ASSETS AS AT DECEMBER 31, 2020

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

I. BALANCE SHEET - ASSETS

			Audited Current Period 31.12.2020			Audited Prior Period 31.12.2019		
		Section 5 Part I	TL	FC	Total	TL	FC	Total
I.	**FINANCIAL ASSETS (NET)**		**15,767,544**	**38,536,436**	**54,303,980**	**16,357,998**	**26,909,820**	**43,267,818**
1.1.	**Cash and Cash Equivalents**		**2,743,414**	**26,458,913**	**29,202,327**	**4,561,447**	**18,081,828**	**22,643,275**
1.1.1.	Cash and Balances with Central Bank	(1)	2,505,740	24,900,717	27,406,457	1,127,557	17,622,984	18,750,541
1.1.2.	Banks	(3)	1,117	1,465,586	1,466,703	400,735	458,844	859,579
1.1.3.	Money Markets	(4)	250,124	92,610	342,734	3,040,962	-	3,040,962
1.1.4.	Expected Credit Losses (-)		13,567	-	13,567	7,807	-	7,807
1.2.	**Financial Assets at Fair Value Through Profit or Loss**	**(2)**	**237,865**	**333,073**	**570,938**	**231,713**	**103,236**	**334,949**
1.2.1.	Government Debt Securities		202,789	87,413	290,202	207,149	16,398	223,547
1.2.2.	Equity Instruments		25,099	-	25,099	24,564	-	24,564
1.2.3.	Other Financial Assets		9,977	245,660	255,637	-	86,838	86,838
1.3.	**Financial Assets at Fair Value Through Other Comprehensive Income**	**(5)**	**5,800,847**	**9,380,242**	**15,181,089**	**4,784,881**	**7,558,560**	**12,343,441**
1.3.1.	Government Debt Securities		5,793,173	9,380,242	15,173,415	4,777,207	7,352,489	12,129,696
1.3.2.	Equity Securities		7,674	-	7,674	7,674	182,123	189,797
1.3.3.	Other Financial Assets		-	-	-	-	23,948	23,948
1.4.	**Derivative Financial Assets**	**(12)**	**6,985,418**	**2,364,208**	**9,349,626**	**6,779,957**	**1,166,196**	**7,946,153**
1.4.1.	Derivative Financial Assets at Fair Value Through Profit or Loss		5,842,408	2,106,532	7,948,940	5,465,362	1,120,949	6,586,311
1.4.2.	Derivative Financial Assets at Fair Value Through Other Comprehensive Income		1,143,010	257,676	1,400,686	1,314,595	45,247	1,359,842
II.	**FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)**		**102,376,171**	**54,959,411**	**157,335,582**	**83,819,597**	**42,946,245**	**126,765,842**
2.1.	**Loans**	**(6)**	**103,582,764**	**45,775,688**	**149,358,452**	**83,618,617**	**35,353,734**	**118,972,351**
2.2.	**Lease Receivables**	**(11)**	**-**	**-**	**-**	**-**	**-**	**-**
2.3.	**Factoring Receivables**		**-**	**-**	**-**	**-**	**-**	**-**
2.4.	**Other Financial Assets Measured at Amortized Cost**	**(7)**	**9,559,633**	**9,183,723**	**18,743,356**	**8,588,791**	**7,592,511**	**16,181,302**
2.4.1.	Government Debt Securities		9,559,633	8,621,942	18,181,575	8,588,791	7,028,183	15,616,974
2.4.2.	Other Financial Assets		-	561,781	561,781	-	564,328	564,328
2.5.	**Expected Credit Losses (-)**		**10,766,226**	**-**	**10,766,226**	**8,387,811**	**-**	**8,387,811**
III.	**PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)**	**(17)**	**-**	**-**	**-**	**-**	**-**	**-**
3.1.	Held for Sale Purpose		-	-	-	-	-	-
3.2.	Related to Discontinued Operations		-	-	-	-	-	-
IV.	**EQUITY INVESTMENTS**		**1,892,950**	**-**	**1,892,950**	**1,492,873**	**-**	**1,492,873**
4.1.	**Investments in Associates (Net)**	**(8)**	**14,026**	**-**	**14,026**	**5,982**	**-**	**5,982**
4.1.1.	Associates Valued Based on Equity Method		-	-	-	-	-	-
4.1.2.	Unconsolidated Associates		14,026	-	14,026	5,982	-	5,982
4.2.	**Subsidiaries (Net)**	**(9)**	**1,596,516**	**-**	**1,596,516**	**1,250,114**	**-**	**1,250,114**
4.2.1.	Unconsolidated Financial Subsidiaries		1,558,470	-	1,558,470	1,212,068	-	1,212,068
4.2.2.	Unconsolidated Non-Financial Subsidiaries		38,046	-	38,046	38,046	-	38,046
4.3.	**Entities under Common Control (Joint Venture) (Net)**	**(10)**	**282,408**	**-**	**282,408**	**236,777**	**-**	**236,777**
4.3.1.	Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2.	Unconsolidated Joint Ventures		282,408	-	282,408	236,777	-	236,777
V.	**TANGIBLE ASSETS (NET)**	**(13)**	**3,476,263**	**18**	**3,476,281**	**3,376,309**	**40**	**3,376,349**
VI.	**INTANGIBLE ASSETS (NET)**	**(14)**	**504,698**	**-**	**504,698**	**438,280**	**-**	**438,280**
6.1.	Goodwill		-	-	-	-	-	-
6.2.	Other		504,698	-	504,698	438,280	-	438,280
VII.	**INVESTMENT PROPERTY (NET)**	**(15)**	**-**	**-**	**-**	**-**	**-**	**-**
VIII.	**CURRENT TAX ASSET**		**-**	**-**	**-**	**-**	**-**	**-**
IX.	**DEFERRED TAX ASSET**	**(16)**	**931,700**	**-**	**931,700**	**348,688**	**-**	**348,688**
X.	**OTHER ASSETS (NET)**	**(18)**	**3,779,894**	**5,028,263**	**8,808,157**	**2,778,178**	**3,212,483**	**5,990,661**
	TOTAL ASSETS		128,729,220	98,524,128	227,253,348	108,611,923	73,068,588	181,680,511

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

QNB FİNANSBANK ANONİM ŞİRKETİ

UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) – LIABILITIES AS AT DECEMBER 31, 2020

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

I. BALANCE SHEET - LIABILITIES AND EQUITY		Section 5 Part II	Audited 31.12.2020			Audited 31.12.2019		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	**DEPOSITS**	(1)	**48,414,473**	**82,145,258**	**130,559,731**	**46,797,181**	**58,828,602**	**105,625,783**
II.	**FUNDS BORROWED**	(3)	**486,735**	**19,705,289**	**20,192,024**	**380,249**	**14,929,160**	**15,309,409**
III.	**MONEY MARKETS**	(4)	**4,376,444**	**10,112,950**	**14,489,394**	**267,816**	**8,797,038**	**9,064,854**
IV.	**SECURITIES ISSUED (NET)**	(5)	**1,554,964**	**11,951,421**	**13,506,385**	**3,954,629**	**9,131,345**	**13,085,974**
4.1.	Bills		1,502,745	829,044	2,331,789	3,954,629	116,648	4,071,277
4.2.	Asset Backed Securities		-	-	-	-	-	-
4.3.	Bonds		52,219	11,122,377	11,174,596	-	9,014,697	9,014,697
V.	**FUNDS**		**-**	**-**	**-**	**-**	**-**	**-**
5.1.	Borrower Funds		-	-	-	-	-	-
5.2.	Other		-	-	-	-	-	-
VI.	**FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS**		**-**	**-**	**-**	**-**	**-**	**-**
VII.	**DERIVATIVE FINANCIAL LIABILITIES**		**4,773,704**	**3,303,648**	**8,077,352**	**3,453,855**	**1,525,079**	**4,978,934**
7.1.	Derivative Financial Liabilities at Fair Value Through Profit or Loss	(2)	4,754,603	2,416,086	7,170,689	2,966,468	1,292,986	4,259,454
7.2.	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(8)	19,101	887,562	906,663	487,387	232,093	719,480
VIII.	**FACTORING PAYABLES**		**-**	**-**	**-**	**-**	**-**	**-**
IX.	**LEASE PAYABLES (NET)**	(7)	**444,009**	**2,666**	**446,675**	**432,658**	**15,072**	**447,730**
X.	**PROVISIONS**	(9)	**1,064,819**	**-**	**1,064,819**	**875,641**	**-**	**875,641**
10.1.	Restructuring Provisions		-	-	-	-	-	-
10.2.	Reserve for Employee Benefits		589,451	-	589,451	529,565	-	529,565
10.3.	Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4.	Other Provisions		475,368	-	475,368	346,076	-	346,076
XI.	**CURRENT TAX LIABILITY**	(10)	**1,063,699**	**-**	**1,063,699**	**205,582**	**-**	**205,582**
XII.	**DEFERRED TAX LIABILITY**		**-**	**-**	**-**	**-**	**-**	**-**
XIII.	**LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (NET)**	(11)	**-**	**-**	**-**	**-**	**-**	**-**
13.1.	Held for Sale		-	-	-	-	-	-
13.2.	Discontinued Operations		-	-	-	-	-	-
XIV.	**SUBORDINATED DEBT INSTRUMENTS**	(12)	**-**	**6,704,294**	**6,704,294**	**-**	**5,432,553**	**5,432,553**
14.1.	Subordinated Loans		-	6,704,294	6,704,294	-	5,432,553	5,432,553
14.2.	Other Debt Instruments		-	-	-	-	-	-
XV.	**OTHER LIABILITIES**		**6,916,521**	**5,010,033**	**11,926,554**	**5,482,130**	**4,486,862**	**9,968,992**
XVI.	**SHAREHOLDERS' EQUITY**		**20,422,006**	**(1,199,585)**	**19,222,421**	**17,318,226**	**(633,167)**	**16,685,059**
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 Recycled to Profit or Loss		1,163,907	-	1,163,907	872,251	101,267	973,518
16.4.	Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss		119,918	(1,199,585)	(1,079,667)	(103,930)	(734,434)	(838,364)
16.5.	Profit Reserves		13,199,191	-	13,199,191	10,577,034	-	10,577,034
16.5.1.	Legal Reserves		670,000	-	670,000	670,000	-	670,000
16.5.2.	Status Reserves		-	-	-	-	-	-
16.5.3.	Extraordinary Reserves		12,529,191	-	12,529,191	9,907,034	-	9,907,034
16.5.4.	Other Profit Reserves		-	-	-	-	-	-
16.6.	Profit/Loss		2,588,276	-	2,588,276	2,622,157	-	2,622,157
16.6.1.	Prior Periods' Profit/Loss		101,267	-	101,267	-	-	-
16.6.2.	Current Period's Net Profit/Loss		2,487,009	-	2,487,009	2,622,157	-	2,622,157
16.7.	Minority Interest		-	-	-	-	-	-
	TOTAL LIABILITIES		**89,517,374**	**137,735,974**	**227,253,348**	**79,167,967**	**102,512,544**	**181,680,511**

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

QNB FİNANSBANK ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENT OF OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES AS AT DECEMBER 31, 2020

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

II. STATEMENT OF OFF-BALANCE COMMITMENTS AND CONTINGENCIES

		Section 5 Part III	Audited 31.12.2020			Audited 31.12.2019		
			TL	FC	TOTAL	TL	FC	TOTAL
A.	**OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)**		**174,611,673**	**281,840,718**	**456,452,391**	**143,090,252**	**224,173,699**	**367,263,951**
I.	**GUARANTEES**	(1), (2), (3), (4)	**11,627,187**	**21,520,352**	**33,147,539**	**10,270,332**	**18,246,772**	**28,517,104**
1.1.	Letters of guarantee		11,327,575	11,362,429	22,690,004	10,179,767	9,847,498	20,027,265
1.1.1.	Guarantees subject to State Tender Law		474,847	84,162	559,009	419,645	66,525	486,170
1.1.2.	Guarantees given for foreign trade operations		6,666,383	11,278,267	17,944,650	5,339,495	9,780,973	15,120,468
1.1.3.	Other letters of guarantee		4,186,345	-	4,186,345	4,420,627	-	4,420,627
1.2.	Bank loans		198,490	6,640,108	6,838,598	22,742	5,799,601	5,822,343
1.2.1.	Import letter of acceptance		198,490	6,640,108	6,838,598	22,742	5,799,601	5,822,343
1.2.2.	Other bank acceptances		-	-	-	-	-	-
1.3.	Letters of credit		101,122	3,517,815	3,618,937	67,823	2,599,673	2,667,496
1.3.1.	Documentary letters of credit		101,122	3,315,757	3,416,879	67,823	2,000,767	2,068,590
1.3.2.	Other letters of credit		-	202,058	202,058	-	598,906	598,906
1.4.	Prefinancing given as guarantee		-	-	-	-	-	-
1.5.	Endorsements		-	-	-	-	-	-
1.5.1.	Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2.	Other endorsements		-	-	-	-	-	-
1.6.	Securities issue purchase guarantees		-	-	-	-	-	-
1.7.	Factoring guarantees		-	-	-	-	-	-
1.8.	Other guarantees		-	-	-	-	-	-
1.9.	Other collaterals		-	-	-	-	-	-
II.	**COMMITMENTS**		**104,514,729**	**6,640,330**	**111,155,059**	**82,440,328**	**5,993,806**	**88,434,134**
2.1.	Irrevocable commitments	(1)	58,424,722	6,640,330	65,065,052	47,699,180	5,245,759	52,944,939
2.1.1.	Forward asset purchase commitments		1,358,290	3,478,001	4,836,291	1,326,013	4,004,529	5,330,542
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		18,075,052	734	18,075,786	14,309,356	594	14,309,950
2.1.5.	Securities underwriting commitments		-	-	-	-	-	-
2.1.6.	Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7.	Payment commitment for checks		2,423,033	-	2,423,033	2,377,515	-	2,377,515
2.1.8.	Tax and fund liabilities from export commitments		27,046	-	27,046	29,197	-	29,197
2.1.9.	Commitments for credit card expenditure limits		35,495,520	-	35,495,520	28,781,240	-	28,781,240
2.1.10.	Commitments for promotions related with credit cards and banking activities		83,078	-	83,078	71,447	-	71,447
2.1.11.	Receivables from short sale commitments		-	-	-	-	-	-
2.1.12.	Payables for short sale commitments		-	-	-	-	-	-
2.1.13.	Other irrevocable commitments		962,703	3,161,595	4,124,298	804,412	1,240,636	2,045,048
2.2.	Revocable commitments		46,090,007	-	46,090,007	34,741,148	748,047	35,489,195
2.2.1.	Revocable loan granting commitments		46,090,007	-	46,090,007	34,741,148	748,047	35,489,195
2.2.2.	Other revocable commitments		-	-	-	-	-	-
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**	(5), (6)	**58,469,757**	**253,680,036**	**312,149,793**	**50,379,592**	**199,933,121**	**250,312,713**
3.1.	Derivative financial instruments for hedging purposes		8,906,126	65,587,674	74,493,800	16,210,514	64,039,377	80,249,891
3.1.1.	Fair value hedge		4,770,807	24,362,023	29,132,830	6,608,353	24,539,687	31,148,040
3.1.2.	Cash flow hedge		4,135,319	41,225,651	45,360,970	9,602,161	39,499,690	49,101,851
3.1.3.	Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2.	Held for trading transactions		49,563,631	188,092,362	237,655,993	34,169,078	135,893,744	170,062,822
3.2.1.	Forward foreign currency buy/sell transactions		2,107,149	8,850,539	10,957,688	2,837,603	5,229,023	8,066,626
3.2.1.1.	Forward foreign currency transactions-buy		1,676,174	3,844,105	5,520,279	2,234,775	1,792,466	4,027,241
3.2.1.2.	Forward foreign currency transactions-sell		430,975	5,006,434	5,437,409	602,828	3,436,557	4,039,385
3.2.2.	Swap transactions related to foreign currency and interest rates		45,325,821	175,284,547	220,610,368	25,526,874	121,811,614	147,338,488
3.2.2.1.	Foreign currency swap-buy		3,298,846	66,002,897	69,301,743	7,167,491	37,145,803	44,313,294
3.2.2.2.	Foreign currency swap-sell		30,615,375	40,878,980	71,494,355	18,259,383	25,893,831	44,153,214
3.2.2.3.	Interest rate swaps-buy		5,705,800	34,201,335	39,907,135	50,000	29,385,990	29,435,990
3.2.2.4.	Interest rate swaps-sell		5,705,800	34,201,335	39,907,135	50,000	29,385,990	29,435,990
3.2.3.	Foreign currency, interest rate and securities options		1,021,265	1,947,660	2,968,925	5,705,403	7,537,454	13,242,857
3.2.3.1.	Foreign currency options-buy		491,416	1,047,539	1,538,955	1,385,083	5,219,625	6,604,708
3.2.3.2.	Foreign currency options-sell		529,849	900,121	1,429,970	4,320,320	2,317,829	6,638,149
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		1,109,396	1,055,351	2,164,747	99,198	97,912	197,110
3.2.4.1.	Foreign currency futures-buy		172	1,055,204	1,055,376	99,198	-	99,198
3.2.4.2.	Foreign currency futures-sell		1,109,224	147	1,109,371	-	97,912	97,912
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		-	954,265	954,265	-	1,217,741	1,217,741
B.	**CUSTODY AND PLEDGED ITEMS (IV+V+VI)**		**935,939,092**	**266,152,722**	**1,202,091,814**	**747,368,398**	**195,481,762**	**942,850,160**
IV.	**ITEMS HELD IN CUSTODY**		**11,281,488**	**10,473,404**	**21,754,892**	**12,140,889**	**6,466,621**	**18,607,510**
4.1.	Assets under management		2,159,679	-	2,159,679	3,522,838	-	3,522,838
4.2.	Investment securities held in custody		511,150	8,043,418	8,554,568	2,192,710	4,607,369	6,800,079
4.3.	Checks received for collection		6,632,644	1,314,634	7,947,278	4,722,228	1,059,298	5,781,526
4.4.	Commercial notes received for collection		1,978,015	527,533	2,505,548	1,703,113	342,751	2,045,864
4.5.	Other assets received for collection		-	-	-	-	-	-
4.6.	Assets received for public offering		-	-	-	-	-	-
4.7.	Other items under custody		-	587,819	587,819	-	457,203	457,203
4.8.	Custodians		-	-	-	-	-	-
V.	**PLEDGED ITEMS**		**540,029,634**	**160,647,061**	**700,676,695**	**441,122,637**	**119,044,468**	**560,167,105**
5.1.	Marketable securities		4,117,442	9,531,425	13,648,867	3,572,768	8,761,567	12,334,335
5.2.	Guarantee notes		380,407	590,933	971,340	398,506	82,436	480,942
5.3.	Commodity		490,115	-	490,115	476,476	-	476,476
5.4.	Warranty		-	-	-	-	-	-
5.5.	Properties		106,976,494	82,931,319	189,907,813	102,041,042	61,972,389	164,013,431
5.6.	Other pledged items		428,065,176	67,593,384	495,658,560	334,633,845	48,228,076	382,861,921
5.7.	Pledged items-depository		-	-	-	-	-	-
VI.	**ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES**		**384,627,970**	**95,032,257**	**479,660,227**	**294,104,872**	**69,970,673**	**364,075,545**
	TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		**1,110,550,765**	**547,993,440**	**1,658,544,205**	**890,458,650**	**419,655,461**	**1,310,114,111**

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

QNB FİNANSBANK ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2020

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

III. STATEMENT OF PROFIT OR LOSS

		Section 5 Part IV	Audited Current Period 01.01-31.12.2020	Audited Prior Period 01.01-31.12.2019
I.	**INTEREST INCOME**	**(1)**	**16,870,680**	**18,353,137**
1.1.	Interest income on loans		13,751,865	15,304,037
1.2.	Interest income on reserve deposits		47,326	190,664
1.3.	Interest income on banks		97,060	235,137
1.4.	Interest income on money market transactions		159,304	182,410
1.5.	Interest income on securities portfolio		2,801,681	2,418,202
1.5.1.	Financial assets measured at FVTPL		12,645	11,247
1.5.2.	Financial assets measured at FVOCI		1,118,543	1,088,038
1.5.3.	Financial assets measured at amortized cost		1,670,493	1,318,917
1.6.	Financial lease income		-	-
1.7.	Other interest income		13,444	22,687
II.	**INTEREST EXPENSE (-)**	**(2)**	**7,014,039**	**10,770,916**
2.1.	Interest on deposits		4,217,082	7,838,246
2.2.	Interest on funds borrowed		1,119,396	1,212,384
2.3.	Interest on money market transactions		464,062	377,039
2.4.	Interest on securities issued		990,211	1,268,228
2.5.	Interests on leasings		57,946	67,865
2.6.	Other interest expenses		165,342	7,154
III.	**NET INTEREST INCOME (I - II)**		**9,856,641**	**7,582,221**
IV.	**NET FEES AND COMMISSIONS INCOME/EXPENSES**		**2,362,819**	**2,691,464**
4.1.	Fees and commissions received		2,891,111	3,387,228
4.1.1.	Non-cash loans		196,665	159,282
4.1.2.	Others		2,694,446	3,227,946
4.2.	Fees and commissions paid (-)		528,292	695,764
4.2.1.	Non-cash loans		2,146	1,690
4.2.2.	Others		526,146	694,074
V.	**DIVIDEND INCOME**	**(3)**	**192,343**	**51,187**
VI	**NET TRADING INCOME/LOSS (NET)**	**(4)**	**(2,725,385)**	**(1,516,452)**
6.1.	Trading account gain/losses		268,407	50,399
6.2.	Gain/losses from derivative transactions		(3,267,584)	(1,417,439)
6.3.	Foreign exchange gain/losses		273,792	(149,412)
VII.	**OTHER OPERATING INCOME**	**(5)**	**66,051**	**137,288**
VIII.	**TOTAL OPERATING GROSS PROFIT (III+IV+V+VI+VII)**		**9,752,469**	**8,945,708**
IX.	**EXPECTED CREDIT LOSSES (-)**	**(6)**	**2,405,135**	**1,819,590**
X.	**OTHER PROVISION LOSSES (-)**		**138,791**	**74,203**
XI.	**PERSONNEL EXPENSES (-)**		**1,893,888**	**1,716,360**
XII.	**OTHER OPERATING EXPENSES (-)**	**(7)**	**2,315,226**	**2,155,795**
XIII.	**NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)**		**2,999,429**	**3,179,760**
XIV.	**INCOME RESULTED FROM MERGERS**		**-**	**-**
XV.	**INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING**		**-**	**-**
XVI.	**GAIN/LOSS ON NET MONETARY POSITION**		**-**	**-**
XVII.	**OPERATING PROFIT/LOSS BEFORE TAXES (XII+...+XV)**	**(8)**	**2,999,429**	**3,179,760**
XVIII.	**PROVISION FOR TAXES OF CONTINUED OPERATIONS (±)**	**(9)**	**(512,420)**	**(557,603)**
18.1.	Current tax charge		(1,055,958)	(163,465)
18.2.	Deferred tax charge (+)		562,796	178,086
18.3.	Deferred tax credit (-)		(19,258)	(572,224)
XIX.	**NET OPERATING PROFIT/LOSS AFTER TAXES (XVII±XVIII)**	**(10)**	**2,487,009**	**2,622,157**
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)**	**2,487,009**	**2,622,157**
25.1.	Bank's profit/loss		2,487,009	2,622,157
25.2.	Minority interest		-	-
	Earnings Per Share		0.0742	0.0783

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

UNCONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2020

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

IV. STATEMENT OF OTHER COMPREHENSIVE INCOME

		Audited Current Period 01.01 - 31.12.2020	Audited Prior Period 01.01 - 31.12.2019
I.	**CURRENT PERIOD PROFIT/LOSS**	**2,487,009**	**2,622,157**
II.	**OTHER COMPREHENSIVE INCOME**	**50,353**	**(509,147)**
2.1.	**Other Income/Expense Items not to be Recycled to Profit or Loss**	**291,656**	**228,651**
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	(39,496)	(28,840)
2.1.4.	Other Income/Expense Items not to be Recycled to Profit or Loss	325,133	254,463
2.1.5.	Deferred Taxes on Other Comprehensive Income not to be Recycled to Profit or Loss	6,019	3,028
2.2.	**Other Income/Expense Items to be Recycled to Profit or Loss**	**(241,303)**	**(737,798)**
2.2.1.	Translation Differences	-	-
2.2.2.	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	(245,270)	278,627
2.2.3.	Gains/losses from Cash Flow Hedges	(29,488)	(1,233,940)
2.2.4.	Gains/Losses on Hedges of Net Investments in Foreign Operations	-	-
2.2.5.	Other Income/Expense Items to be Recycled to Profit or Loss	-	-
2.2.6.	Deferred Taxes on Other Comprehensive Income to be Recycled to Profit or Loss	33,455	217,515
III.	**TOTAL PROFIT/LOSS ACCOUNTED FOR IN THE PERIOD (I±II)**	**2,537,362**	**2,113,010**

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

QNB FİNANSBANK ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2020

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

							Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss			Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss						
	Audited	Section 5 Part V	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Revaluation surplus on tangible and intangible assets	Defined Benefit Plans' Actuarial Gains/ Losses	Others(*)	Translation Differences	Income/Expenses from Valuation and/ or Reclassification of Financial Assets Measured at FVOCI	Others(**)	Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/ Loss	Total Equity
	Prior Period - 01.01 - 31.12.2019															
I.	**Balances at Beginning of Period**		3,350,000	714	-	-	-	(50,842)	795,709	-	(497,625)	397,059	8,167,205	2,409,829	-	14,572,049
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	-	-	-	(50,842)	795,709	-	(497,625)	397,059	8,167,205	2,409,829	-	14,572,049
IV.	**Total Comprehensive Income**		-	-	-	-	-	(22,495)	251,146	-	225,371	(963,169)	-	-	2,622,157	2,113,010
V.	**Capital Increase in Cash**		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	**Capital Increase from Internal Sources**		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Capital Reserves from Inflation Adjustments to Paid-in Capital**		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	**Convertible Bonds**		-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	**Subordinated Liabilities**		-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Others Changes**		-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**Profit Distribution**		-	-	-	-	-	-	-	-	-	-	2,409,829	(2,409,829)	-	-
11.1.	Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2.	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	2,409,829	(2,409,829)	-	-
11.3.	Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at end of the period (III+IV...+X+XI)		3,350,000	714	-	-	-	(73,337)	1,046,855	-	(272,254)	(566,110)	10,577,034	-	2,622,157	16,685,059

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

QNB FİNANSBANK ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2020

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

							Other Comprehensive Income/ Expense Items not to be Recycled to Profit or Loss			Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss						
	Audited	Section 5 Part V	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Revaluation surplus on tangible and intangible assets	Defined Benefit Plans' Actuarial Gains/ Losses	Others(*)	Translation Differences	Income/Expenses from Valuation and/ or Reclassification of Financial Assets Measured at FVOCI	Others(**)	Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Total Equity
	Current Period - 01.01 - 31.12.2020															
I.	Balances at Beginning of Period		3,350,000	714	-	-	-	(73,337)	1,046,855	-	(272,254)	(566,110)	10,577,034	2,622,157	-	16,685,059
II.	Correction made as per TAS 8		-	-	-	-	-	-	(101,267)	-	-	-	-	101,267	-	-
2.1.	Effect of Corrections		-	-	-	-	-	-	(101,267)	-	-	-	-	101,267	-	-
2.2.	Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted Balances at Beginning of Period (I+II)		3,350,000	714	-	-	-	(73,337)	945,588	-	(272,254)	(566,110)	10,577,034	2,723,424	-	16,685,059
IV.	Total Comprehensive Income		-	-	-	-	-	(33,477)	325,133	-	(203,195)	(38,108)	-	-	2,487,009	2,537,362
V.	Capital Increase in Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Capital Increase from Internal Sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Capital Reserves from Inflation Adjustments to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated Liabilities		-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Others Changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Profit Distribution		-	-	-	-	-	-	-	-	-	-	2,622,157	(2,622,157)	-	-
11.1.	Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2.	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	2,622,157	(2,622,157)	-	-
11.3.	Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at end of the period (III+IV...+X+XI)		3,350,000	714	-	-	-	(106,814)	1,270,721	-	(475,449)	(604,218)	13,199,191	101,267	2,487,009	19,222,421

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2020

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

VI. STATEMENT OF CASH FLOWS

		Section 5 Part VI	Audited 01.01 - 31.12.2020	Audited 01.01 - 31.12.2019
A.	**CASH FLOWS FROM/(TO) BANKING OPERATIONS**			
1.1.	**Operating profit before changes in operating assets and liabilities**		**11,385,991**	**10,116,709**
1.1.1.	Interest received		15,323,293	17,225,113
1.1.2.	Interest paid		(6,482,929)	(12,613,589)
1.1.3.	Dividend received		133,298	51,187
1.1.4.	Fees and commissions received		2,909,963	3,393,213
1.1.5.	Other income		66,051	137,288
1.1.6.	Collections from previously written off loans		1,494,988	1,398,431
1.1.7.	Payments to personnel and service suppliers		(1,899,033)	(1,104,911)
1.1.8.	Taxes paid		177,976	(692,935)
1.1.9.	Others	(1)	(337,616)	2,322,912
1.2.	**Changes in operating assets and liabilities**		**(8,402,243)**	**(2,680,011)**
1.2.1.	Net (increase) decrease in financial assets measured at fair value through profit or loss		(236,765)	(194,601)
1.2.2.	Net (increase) decrease in due from banks		(5,544,442)	2,868,903
1.2.3.	Net (increase) decrease in loans		(18,856,554)	(14,535,962)
1.2.4.	Net (increase) decrease in other assets	(1)	(3,420,081)	(1,437,206)
1.2.5.	Net increase (decrease) in bank deposits		(864,560)	1,787,924
1.2.6.	Net increase (decrease) in other deposits		13,010,753	12,335,067
1.2.7.	Net increase (decrease) in financial liabilities measured at fair value through profit or loss		-	-
1.2.8.	Net increase (decrease) in funds borrowed		639,042	(4,536,880)
1.2.9.	Net increase (decrease) in matured payables		-	-
1.2.10.	Net increase (decrease) in other liabilities	(1)	6,870,364	1,032,744
I.	**Net cash provided from/(used in) banking operations**		**2,983,748**	**7,436,698**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
II.	**Net cash provided from/(used in) investing activities**		**(1,432,747)**	**(4,969,543)**
2.1.	Purchase of entities under common control, associates and subsidiaries		-	-
2.2.	Sale of entities under common control, associates and subsidiaries		-	-
2.3.	Fixed assets purchases		(605,456)	(229,459)
2.4.	Fixed assets sales		127,814	18,289
2.5.	Purchase of financial assets measured at fair value through other comprehensive income		(11,975,922)	(6,476,489)
2.6.	Sale of financial assets measured at fair value through other comprehensive income		11,307,390	3,797,849
2.7.	Purchase of financial assets measured at amortized cost		(2,333,458)	(3,406,328)
2.8.	Sale of financial assets measured at amortized cost		2,260,925	1,496,516
2.9.	Others	(1)	(214,040)	(169,921)
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
III.	**Net cash provided from/(used in) financing activities**		**101,734**	**2,797,253**
3.1.	Cash obtained from funds borrowed and securities issued		15,105,034	5,220,751
3.2.	Cash used for repayment of funds borrowed and securities issued		(14,948,681)	(2,293,410)
3.3.	Capital increase		-	-
3.4.	Dividends paid		-	-
3.5.	Payments for finance leases		3,797	(14,582)
3.6.	Other		(58,416)	(115,506)
IV.	**Effect of change in foreign exchange rate on cash and cash equivalents**		**(615,145)**	**356,419**
V.	**Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)**		**1,037,590**	**5,620,827**
VI.	**Cash and cash equivalents at beginning of the period**	**(2)**	**14,387,892**	**8,767,065**
VII.	**Cash and cash equivalents at end of the period (V+VI)**		**15,425,482**	**14,387,892**

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

STATEMENT OF PROFIT APPROPRIATION FOR THE YEAR ENDED DECEMBER 31, 2020

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

VII. STATEMENT OF PROFIT APPROPRIATION

		Audited Current Period 31.12.2020(*)	Audited Prior period 31.12.2019
I.	**DISTRIBUTION OF CURRENT YEAR INCOME**		
1.1.	Current Year Income	2,999,429	3,179,760
1.2.	Taxes and Duties Payable (-)	512,420	557,603
1.2.1.	Corporate Tax (Income Tax)	1,055,958	163,465
1.2.2.	Income Withholding Tax	-	-
1.2.3.	Other Taxes and Duties(**)	(543,538)	394,138
A.	**NET INCOME FOR THE YEAR (1.1-1.2)**	**2,487,009**	**2,622,157**
1.3.	Prior Year Losses (-)	(101,267)	-
1.4.	First Legal Reserves (-)	-	-
1.5.	Other Statutory Reserves (-)	-	-
B.	**NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]**	**2,588,276**	**2,622,157**
1.6.	First Dividend to Shareholders (-)	-	-
1.6.1.	To Owners of Ordinary Shares	-	-
1.6.2.	To Owners of Privileged Shares	-	-
1.6.3.	To Owners of Preferred Shares	-	-
1.6.4.	To Profit Sharing Bonds	-	-
1.6.5.	To Holders of Profit and (Loss) Sharing Certificates	-	-
1.7.	Dividends to Personnel (-)	-	-
1.8.	Dividends to Board of Directors (-)	-	-
1.9.	Second Dividend to Shareholders (-)	-	-
1.9.1.	To Owners of Ordinary Shares	-	-
1.9.2.	To Owners of Privileged Shares	-	-
1.9.3.	To Owners of Preferred Shares	-	-
1.9.4.	To Profit Sharing Bonds	-	-
1.9.5.	To Holders of Profit and (Loss) Sharing Certificates	-	-
1.10.	Second Legal Reserves (-)	-	-
1.11.	Statutory Reserves (-)	-	-
1.12.	Extraordinary Reserves	-	-
1.13.	Other Reserves	-	-
1.14.	Special Funds	-	-
II.	**DISTRIBUTION OF RESERVES**		
2.1.	Appropriated Reserves	-	-
2.2.	Second Legal Reserves (-)	-	-
2.3.	Dividends to Shareholders (-)	-	-
2.3.1.	To Owners of Ordinary Shares	-	-
2.3.2.	To Owners of Privileged Shares	-	-
2.3.3.	To Owners of Preferred Shares	-	-
2.3.4.	To Profit Sharing Bonds	-	-
2.3.5.	To Holders of Profit And (Loss) Sharing Certificates	-	-
2.4.	Dividends to Personnel (-)	-	-
2.5.	Dividends to Board Of Directors (-)	-	-
III.	**EARNINGS PER SHARE**		
3.1.	To Owners of Ordinary Shares	0.0742	0.0783
3.2.	To Owners of Ordinary Shares (%)	7.42%	7.83%
3.3.	To Owners of Privileged Shares	-	-
3.4.	To Owners of Privileged Shares (%)	-	-
IV.	**DIVIDEND PER SHARE**		
4.1.	To Owners of Ordinary Shares	-	-
4.2.	To Owners of Ordinary Shares (%)	-	-
4.3.	To Owners of Privileged Shares	-	-
4.4.	To Owners of Privileged Shares (%)	-	-

(*) Decision regarding the dividend distribution for the 2020 will be taken at the General Meeting.

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

SECTION THREE

ACCOUNTING POLICIES

I. Basis of Presentation

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

The unconsolidated financial statements are prepared within the scope of the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" related with Banking Law numbered 5411 published in the Official Gazette no.26333 dated November 1, 2006 and in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA") and in case where a specific regulation is not made by BRSA and Turkish Accounting Standards published by the Public Oversight Accounting for the format and detail of the publicly announced unconsolidated financial statements and notes to these statements have been prepared in accordance with the "Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements", published in Official Gazette no. 28337, dated June 28, 2012, and amendments to this Communiqué dated February 1, 2019 which include Turkish Accounting Standard principles.

Financial statements and the related disclosures and footnotes have been presented in thousands of Turkish Lira unless otherwise specified. The amounts expressed in foreign currency is indicated by the full amount.

Explanation for convenience translation to english

The differences between accounting principles, as described in these preceding paragraphs and accounting principles generally accepted in countries in which unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in these unconsolidated financial statements. Accordingly, these unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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

Accounting policies and valuation principles used in the preparation of the 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, 2019 with the exception of the application of new regulations, except for note VIII.

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

Financial statements are prepared in TL accordance with the historical cost basis except for financial instruments measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, derivative financial assets and liabilities. In addition, carrying value of assets subject to fair value hedge but are carried at historical cost is adjusted to reflect fair value changes related to risks being hedged.

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

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

Since it is aimed to update the most recent financial information in the year-end financial statements prepared as of December 31, 2020, considering the magnitude of the economic changes due to COVID-19, the Bank made certain estimates in the calculation of expected credit losses and disclosed them in footnote numbered VIII "Explanations on Expected Provisions for Losses". In the upcoming periods, the Bank will update its relevant assumptions as necessary and revise the realizations of past estimates. Also, COVID-19 effects of the following articles III "Information on Associates and Subsidiaries and Entities Under Common Control" and XV "Explanations on Leasing Transactions" disclosed in footnotes too.

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

2.1. Changes in accounting policies and disclosures

In its accompanying unconsolidated financial statements, the Bank announced the Phase 1 amendments to TFRS 9, TAS 39 and TFRS 7 within the scope of the Indicative Interest Rate Reform published by the Public Oversight Authority ("POA") in the Official Gazette dated December 14, 2019 and numbered 30978. It has been implemented since January 1, 2020. According to this; the Bank's portfolio that will be affected by this reform consists of loans, other financial assets measured at amortized cost and derivative financial instruments together with other borrowings received, and as of December 31, 2020, the portfolio size is approximately TL107 billion. Within the scope of the reform, a committee is formed within the Bank to coordinate issues such as contract management, information technology, infrastructure development and product design regarding the transition process. It is foreseen that the necessary studies will be completed in 2021. These changes did not have a significant impact on the financial status or performance of the Bank.

II. Strategy for the Use of Financial Instruments and the Foreign Currency Transactions

1. Strategy for the use of financial instruments

The major funding sources of the Bank are customer deposits, bond issues and funds borrowed from international markets. The customer deposits bear fixed interest rate and have an average maturity of 1-3 months in line with the sector. Domestic bond issues are realized within the maturity of 6 months and foreign bond issues are based on long maturities with fixed interests. Funds borrowed from abroad mostly bear floating rates and are reprised at an average period of 3-6 months. The Bank diverts its placements to assets with high return and sufficient collaterals. The Bank manages the liquidity structure to meet its liabilities when due by diversifying the funding sources and keeping sufficient cash and cash equivalents. The maturity of fund sources and maturity and yield of placements are considered to the extent possible within the current market conditions and higher return on long-term placements is aimed.

Besides customer deposits, the Bank funds its long term fixed interest rate TL loan portfolio alongside with long term (up to 10 years) floating interest rate foreign currency funds obtained from international markets.
The Bank converts the foreign currency liquidity obtained from customer deposit accounts and the international markets to TL liquidity using long term swap transactions (fixed TL interest rate and floating FC interest rate). Thus, the Bank generates TL denominated resources for funding long term loans with fixed interest rates.

The Bank has determined securities portfolio limits based on the market risk limitations for money, capital and commodity markets. Products included in the securities portfolio are subject to position and risk limits. Position limits restrict the maximum nominal position based on the product. Risk limits are expressed in terms of "Value at Risk (VAR)" by taking the risk tolerance as a cap. The maximum VAR amounts are determined by interest and currency risk factors, which affect the securities portfolio that is subject to market risk, as well as determining the risk tolerance based on the total value at risk. The above mentioned limits are revised annually.

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

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

2. Foreign currency transactions

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

The Bank accounts for the transactions denominated in foreign currencies in accordance with TAS 21
"The Effects of Changes in Foreign Exchange Rates". Foreign exchange gains and losses arising from transactions that are completed as of December 31, 2020 are translated to TL by using historical foreign currency exchange rates. Balances of the foreign currency denominated assets and liabilities except for non-monetary items are converted into TL by using foreign currency exchange rates of the Bank for the period end and the resulting exchange differences are recorded as foreign exchange gains and losses. Foreign currency nonmonetary items measured at fair value are converted with currency exchange rates at the time of fair value measurement. The Bank's foreign currency exchange rates for the related period ends are as follows:

	December 31, 2020	December 31, 2019
US Dollar	TL7.3405	TL5.9402
Euro	TL9.0079	TL6.6506

2.2. Net profit or loss is included in the total foreign exchange differences for the period

The foreign currency position of the Bank and the profit/loss from the foreign exchange transactions realized are included in the income statement of foreign exchange gains/losses and income/losses from derivative financial instruments in the income statement. While gain/loss from spot foreign exchange transactions are included in the profit/loss item of foreign exchange gain/loss on balance sheet, profit/loss from derivative transactions (forward, option etc.) for the purpose of hedging related transactions are included in income/loss statement of derivative financial instruments. Therefore, in order to determine the net profit/loss effects of foreign exchange transactions, two balances should be assessed together. As of December 31, 2020, net foreign exchange transaction income is TL178,376 (December 31, 2019 - TL152,549 net foreign exchange transaction income) when the net interest expense amounting to TL3,172,168 (December 31, 2019 - TL1,719,400) arising from derivative transactions is excluded from the derivative transactions loss amounting to TL3,267,584 (December 31, 2019 - TL1,417,439 derivative transactions loss) and foreign exchange income amounting to TL273,792 (December 31, 2019 - TL149,412 net foreign exchange loss).

III. Information on Associates and Subsidiaries and Entities under Common Control

Associates and Entities Under Common Control are recognized in the framework of TFRS 9 "Financial Instruments: Turkish Financial Reporting Standards" in accordance with TAS 27 "Individual Financial Statements" and TAS 28 "Investments in Subsidiaries and Associates" standards while subsidiaries are recognized based on cost principle. Due to the adverse effects of the Covid-19 outbreak, necessary updates were made by the Bank for making fair value calculations of the subsidiaries valued according to TFRS 9 'Financial Instruments' standard.

IV. Explanations on Derivative Financial Assets and Liabilities

The Bank enters into forward currency purchase/sale agreements and swap transactions to reduce the foreign currency risk and interest rate risk and manage foreign currency liquidity risk. The Bank also carries out currency and interest options, credit default swap and futures agreements.

Besides customer deposits, the Bank funds its long term fixed interest rate TL loan portfolio with long term (up to 10 years) floating interest rate foreign currency funds obtained from international markets. The Bank converts the foreign currency liquidity obtained from customer deposit accounts and the international markets to TL liquidity with long term swap transactions (fixed TL interest rate and floating FC interest rate). Therefore, the Bank not only funds its long term fixed interest rate loans with TL but also hedges itself against interest rate risk.

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

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

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

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

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

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

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

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

In cash flow hedge accounting:

The Bank applies cash flow hedge accounting using interest swap transactions to hedge its TL and FC customer deposits with short term cyclical basis and subordinated loans and loans with floating rate financial receivables which have floating interest payment. The Bank implements effectiveness tests at the balance sheet dates for hedge accounting; the effective parts are accounted as defined in TAS 39, in financial statements under equity "Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss" whereas the amount concerning ineffective parts is associated with the income statement. In cash flow hedge accounting, when the hedging instrument expires, is executed or sold and when the hedge relationship becomes ineffective or is discontinued as a result of the hedge relationship being revoked; the hedging gains and losses that were previously recognized under equity are transferred to profit or loss when the cash flows of the hedged item are realized.

In fair value hedge accounting:

The Bank applies fair value hedge accounting within the framework of TAS 39 using swaps to hedge a portion of its long term, fixed rate mortgage, commercial installment loans and project finance loans against possible fair value change due to market interest rate fluctuations.

The Bank applies fair value hedge accounting using interest rate swap transactions to hedge long term, fixed rate, foreign currency Eurobonds in financial assets which is classified as fair value through Other Comprehensive Income portfolio against interest rate fluctuations.

The Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to long term TL government bonds with fixed coupon payment in financial assets which is classified as fair value through Other Comprehensive Income portfolio using swap transactions as hedging instruments.

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

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

At each balance sheet date, the Bank applies effectiveness tests for fair value hedge accounting.

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

As of September 30, 2018, the Bank terminated the hedge accounting for the fair value hedge of the fair value risk arising from the changes in the exchange rates for the real estates purchased in previous periods in foreign currency and the fair value of which is in foreign currency in the market and as of December 31, 2020, fair value exchange difference adjustment amounting to TL1,945,441 which is shown intangible assets in the balance sheet, is amortized over the economic life of the property subject to hedging.

V. Explanations on Interest Income and Expenses

Interest income is recorded according to the effective interest rate method (rate equal to net present value of future cash flows or financial assets and liabilities) defined in the TFRS 9 "Financial Instruments" standard by applying the effective interest rate to the gross carrying amount of a financial asset except for: purchased or originated credit-impaired financial assets or financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. When applying the effective interest rate method, an entity identifies fees that are an integral part of the effective interest rate method of a financial instrument. Fees that are an integral part of the effective interest rate of a financial instrument are treated as an adjustment to the effective interest rate, unless the financial instrument is measured at fair value, with the change in fair value being recognized in profit or loss.

When applying the effective interest method, The Bank amortized any fees, transaction costs and other premiums or discounts that are included in the calculation of the effective interest rate over the expected life of the financial instrument. In case an interest was accrued on a security before its acquisition, the collected interest is divided into two parts as interest before and after the acquisition and only the interest of the period after the acquisition is recorded as interest income in the financial statements. If the expectation for the cash flows from financial asset is revised for reasons other than the credit risk, the change is reflected in the carrying amount of asset and in the related statement of profit or loss line and is amortized over the estimated life of financial asset.

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

VI. Explanations on Fees and Commission Income and Expenses

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

VII. Explanations and Disclosures on Financial Instruments

Initial recognition of financial instruments

The Bank shall recognize a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade date accounting or settlement date accounting. Purchase and sale transactions of securities are accounted at the settlement date.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on the contractual conditions and the relevant business model. Except for the assets in the scope of TFRS 15 Revenue from contracts with customers, at initial recognition, the Bank measures financial asset or financial liabilities at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Classification of financial instruments

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

As per TFRS 9, the Bank classifies a financial asset on the basis of its contractual cash flow characteristics if the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. In order to assess whether the element provides consideration for only the passage of time, an entity applies judgement and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set. When the contractual conditions are exposed to the risks which are not consistent with the basic lending arrangement or variability of cash flows, the relevant financial asset is measured at fair value through profit or loss. (The Bank tests all financial assets whether their "contractual cash-flows solely represent payments of principal and interest" and assess the asset classification within the business model.)

Assessment of business model

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

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

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

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

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

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

Other business models

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

Measurement categories of financial assets and liabilities

Financial assets are classified in three main categories as listed below:

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

Financial assets at the fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets other than the ones that are managed with business model that aimed to hold to collect contractual cash flows or business model that aims to collect both the contractual cash flows and cash flows arising from the sale of the assets; and in case of the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and interest at certain date; that are either acquired for generating a profit from short term fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making. Financial assets at the fair value through profit or loss are initially recognized at fair value and measured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement. According to uniform chart of accounts explanations interest income earned on financial asset and the difference between their acquisition costs and amortized costs are recorded as interest income in the statement of profit or loss. The differences between the amortized costs and the fair values of such assets are recorded under trading account income/losses in the statement of profit or loss. In cases where such assets are sold before their maturities, the gains/losses on such sales are recorded under trading account income/losses.

Financial assets at fair value through profit or loss ,which are recognized in accordance with the bank's business model, have stocks, bonds and bills. The Bank has classified the related loan to financial assets at fair value through profit or loss in accordance with TFRS 9, since the terms of the contract for a loan extended to the private purpose company in December 2018 have not resulted in cash flows that include interest payments due to principal and principal balance at certain dates.

Financial assets at fair value through other comprehensive income

In addition to Financial assets within a business model that aims to hold to collect contractual cash flows and aims to hold to sell, financial asset with contractual terms that lead to cash flows are solely payments of principal and interest at certain dates, they are classified as fair value through other comprehensive income. Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are measured at fair value. Interest income calculated with effective interest rate method arising from financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to income statement.

"Unrealized gains and losses" arising from the difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income are not reflected in the income statement of the period until the acquisition of the asset, sale of the asset, the disposal of the asset, and impairment of the asset and they are accounted under the "Other comprehensive income/expense items to recycled to profit loss" under shareholders' equity. Equity securities, which are classified as financial assets at fair value through other comprehensive income, that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

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

Some portion of the Eurobond portfolio which has been recognized as financial assets at FV through OCI are designated as fair value hedged items, hedged against interest rate fluctuations, starting from March and April 2009, and some portion of the TL 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 TL government bond hedged items are accounted for under "Trading Account Gain/Losses" in the income statement.

In cases where fair value hedge operations cannot be effectively performed as described in TAS 39, fair value hedge accounting is ceased. After fair value accounting is ceased value differences, previously reflected to the income statement are amortized through the equity until the maturity of related hedged securities. The fair value differences of related portfolio securities sold prior to maturity are immediately recognized in the income statement.

Financial assets measured at amortized cost:

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets measured at amortized cost. Financial assets measured at amortized cost are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using effective interest rate method. Interest income obtained from financial assets measured at amortized cost is accounted in income statement.

The Bank as explained in part IV, “Explanations on Derivative Financial Assets and Liabilities”, enters into fx swap transactions against TL in order to hedge the possible losses which might arise due to the changes in the fair value of a certain portion of its long-term loans and applies fair value hedge accounting as per TAS 39. The Bank accounts for the hedged loan portfolio at fair value related to hedged risk, the swap transactions used as the hedging instrument at fair value and reflects the related net gain or loss to respective period’s income statement.

When the fair value hedge accounting cannot be effectively continued as stated in TAS 39, the fair value hedge accounting is ceased. The fair value differences of the hedged loans are amortized through income statement until the maturity of the hedged loans.

VIII. Explanations on Expected Credit Losses

Bank recognizes a loss allowance for expected credit losses on financial assets and loans measured at amortized cost, financial assets measured at fair value through other comprehensive income, loan commitments and financial guarantee contracts not measured at fair value through profit or 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 Bank shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition. The Bank considers the changes in the default risk of financial instrument, while making the assessment.

Within the scope of Article 4 and 5 of the Regulation On Procedures And Principles For Classification Of Loans And Provisions in accordance with the BRSA Decision numbered 9312 dated December 8, 2020, due to the disruptions in economic and commercial activities resulting from the Covid-19 outbreak, the 90 days default period for loans to be classified as non-performing loans shall be applied as 180 days according to assembly’s resolution dated on March 17, 2020. This measure will be effective until December 31, 2020. In this manner, in the assessment of whether the debtor defaulted on the loan where the payment is overdue for more than 90 days, consideration is given to whether the debtor’s condition is temporary due to COVID-19 pandemic and payment irregularities are related to temporary liquidity constraints. In this context,

- The 90 days default period for loans to be classified as non-performing loans (NPL) is now 180 days.
- In restructured installment receivables, the practice of shifting installments without a contract breakdown, within the defined terms has started for customers who do not want to be late in their instalments.
- In the process of completing the Pro-rata banks protocols, the time to be given to time-consuming operations was extended by a joint agreement.
- Terminatively, this leads the Banks continue to set aside provisions for such receivables in accordance with their own risk models used in the calculation of expected credit losses under TFRS 9.

As of December 31, 2020, the Bank, in line with the accounting policies stated in the financial statements of December 31, 2019, has not made any changes about the classification and measurement of financial assets and calculation of expected losses. In the classification of loans and receivables with a delay of more than 30 days, and in the calculation of the provisions, the Stage 2 rules were applied, and the loans and receivables with delay days exceeding 90 days and less than 180 days were classified according to the Stage 2, but the provisions were calculated in accordance to the Stage 3 rules.

The expected credit loss estimates are required to be unbiased, probability-weighted and include supportable information about past events, current conditions, and forecasts of future economic conditions. These financial assets are divided into three categories depending on the increase in credit risk observed since their initial recognition;

Stage 1:

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded in the amount of expected credit losses on the 12-month default risk. It is calculated 12-month expected credit loss based on a probability of default realized within 12 months after the reporting date. Such expected 12-month probability of default is applied on an expected exposure at default, multiplied with loss given default rate and discounted with the original effective interest rate. As of December 31, 2020, minimum probability of default rate of Basel II is used in the expected credit loss calculation of receivables from public institutions and organizations. Such calculation is performed for each of three scenarios explained above. Such calculation is performed for each of three scenarios explained above.

Stage 2:

As of the reporting date of the financial asset, in the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. Impairment for credit risk is determined on the basis of the instrument's lifetime expected credit losses. The calculation method is similar to the one described in the above paragraph, but the probability of default and the loss rate in default are estimated throughout the life of the instrument.

Stage 3:

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

- Delay of over 90 days and impairment of creditworthiness;
- Collateral and/or equity of debtor is inadequate cover the payment of receivables on the maturity;
- In case the management believes that collection of receivables will be delayed by more than 90 days due to macroeconomic, sector-specific or customer-specific reasons.

Calculation of expected credit losses

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

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

In addition, a certain portion of commercial and corporate loans is are 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.

While measuring expected credit losses, 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 are shall be considered, 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 loss at the time of a potential default occurring during the life of a financial instrument. The LGD is calculated taking into account expected future cash flows from collateral and other credit enhancements by considering time value of money.

LGD calculations are performed using historical data which best reflects current conditions, by formation of segments based on certain risk factors that are deemed important for each portfolio and inclusion of forward-looking information and macroeconomic expectations. LGD summarizes all cash flows from customers subsequent to default. It covers all costs and collections that occur during the collection cycle, including collections from collaterals. It also includes the "time value of money" calculated by means of deducting costs and additional losses from the present value of collections. The Bank bases its estimates on models for collateralized portfolios and on previous experience for unsecured parties, except for corporate loans that are assigned by the Basel Committee individually or as designated by the Basel Committee.

Exposure at default (EAD):

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

Consideration of the macroeconomic factors

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

- Five year credit risk of Turkey;
- Real GDP growth;
- Unemployment rate;
- European Region inflation rate; and
- Five year government bond interest rate of Turkey.

Stages were determined through the models created using internal information for the Bank and QNB Finans Finansal Kiralama A.Ş., the simplified method has been applied for other financial institutions.

As of December 31, 2020, the Bank has reflected the possible effects of the COVID-19 outbreak to the estimates and judgments used in the calculation of expected credit losses by using the data that is received with the maximum effort with the best estimation method. Compared to December 31, 2019, the weight of the worst-case scenario was increased by 20 points, and the weight of the base case scenario was reduced by 20 points. Within the light of the aforementioned data, the Bank revised its macroeconomic expectations and weights in the expected credit loss calculation and the calculation which is made by taking into consideration the changes in PD and LGD is reflected in the financial statements as of December 31, 2020. As of December 31, 2020, there is not any parameter updates made as the actual situation is reflected. The model effects are tardily reflected to the financial statements due to the nature of the events that cause change and the effects of the events occur at different times. Therefore, the Bank has booked additional provisions for the sector and customers who are considered to have a high impact by performing individual assessments to eliminate the timing difference.

This approach, which is preferred in reserve calculations for the year end of 2020, will be revised in the following reporting periods, taking into account the impact of the pandemic, portfolio and future expectations.

As of December 31, 2020, the normal risk cost of the loan portfolio purged from the COVID-19 effect was at 96 basis point, yet, in order to reflect the uncertainty originated from the COVID-19 to the financial asset portfolio of the Parent Bank, the total risk cost has reached to 205 basis points in corporate into the effects arising from the aforementioned estimation changes, increase in the Stage 2 reserve ratios and additional exchange rate.

Calculating the expected loss period

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

Significant increase in credit risk

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

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

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

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

IX. Explanations on Netting of Financial Instruments

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

X. Derecognition of Financial Instruments

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

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

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

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

c) Derecognition of financial liabilities

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

d) Reclassification of financial instruments

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

e) Restructuring and refinancing of financial instruments

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

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

Changes to the original terms of a credit risk can be made in an existing contract or in a new contract. Corporate and commercial firms that are restructured and refinanced that are under the regulation of "Regulation on the Procedures and Principles Regarding the Classification of Loans and the Provisions To Be Set Aside" and can be excluded from close monitoring when the following conditions are met:

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

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

- Recovery in debt service;
- At least 1 year should pass over the date of restructuring;
- Payment of all accrued and overdue amounts by debtor (interest and principal) since the date of restructuring/refinancing or the date when the debtor is classified as non-performing (earlier date to be considered) and fulfillment of the payment condition of all overdue amounts as of the date of restructuring/refinancing; 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. Monitoring period subject to restart in case of a new restructuring/financing takes place or there is a delay more than 30 days.

During the follow-up period of at least one year following the date of restructuring/refinancing, if there is a new restructuring/refinancing or a delay of more than 30 days, the transactions which were non-performing at the beginning of the follow-up period are classified as non-performing loans again. The performing or non-performing retail loans being subject to restructuring shall be removed from the watchlist only if the debt is paid in full.

In personal loans, loans can be restructured in order to give liquidity power to the debtor and to ensure the collection of the receivables of the Bank in case of temporary liquidity problems due to the failure of the payment obligation to the Bank. The Bank removing customers from the restructuring scope in accordance with the Regulation on the Procedures and Principles Regarding the Classification of Loans and the Provisions To Be Set Aside.

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

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

Funds lended against securities purchased under agreements to resell (“Reverse repos”) are accounted under “Receivables from reverse repurchase agreements” on the balance sheet. The difference between the purchase and resell price determined by these repurchase agreements is accrued over the life of repurchase agreements using the “Effective interest method”.

Securities that are subject to repurchase agreements as at the balance sheet date amounted to TL18,700,773 (December 31, 2019 - TL11,992,093).

As of December 31, 2020 the Bank has no securities that are subject to lending transactions (December 31, 2019 - None).

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

XII. Explanations on Assets Held for Sale and Discontinued Operations

In accordance with IFRS 5 (“Assets Held for Sale and Discontinued Operations”), assets classified as held for sale are measured at lower of carrying value or fair value less costs to sell. Amortization on subject asset is ended and these assets are presented separately on financial statements. An asset (or a disposal group) is regarded as “asset held for sale” only when the sale is highly probable and the asset (disposal group) is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset (or a disposal group) should be actively marketed at a price consistent with its fair value. Various events and conditions may prolong the sale procedures for more than one year. In case subject delay is caused by the events and conditions beyond the 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 December 31, 2020 the Bank has assets held for sale and discontinued operations explained in footnote 15. of Section Five.

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

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

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

XIII. Explanations on Goodwill and Other Intangible Assets

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

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

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

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

XIV. Explanations on Tangible Assets

The tangible assets are recorded at their historical cost less accumulated depreciation and provision for impairment, if any.

Depreciation is calculated on a straight-line basis over the estimated useful life of tangible assets. The annual amortization rates used are as follows:

Property	2%
Movables purchased and acquired under finance lease contracts	7% - 25%

The depreciation of leasehold improvements acquired before December 2009, under operating lease agreements, is calculated according to their useful lives. Depreciation of leasehold improvements acquired after this date is calculated over the lease period not exceeding 5 years where the lease duration is certain; or 5 years where the lease period is not certain in accordance with "Communiqué on the Amendment of Communiqué on Uniform Chart of Accounts and Explanatory Notes" dated January 10, 2011.

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

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

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

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

There are no changes in the accounting estimates in regards to amortization duration that could have a significant impact on the current and future financial statements. There are no pledges, mortgages or other restrictions on the tangible assets. There are no purchase commitments related to the fixed assets.

XV. Explanations on Leasing Transactions

Fixed assets acquired under finance lease contracts are presented under "Tangible Fixed Assets" on the asset side and under "Financial Lease Payables" on the liability side at the initial date of the lease. The basis for the determination of related balance sheet amounts is the lower of fair value of the leased asset and the present value of the lease payments. The direct costs incurred for a finance lease transaction are capitalized as additions to the cost of the leased asset. Lease payments include the financing costs incurred due to the leasing transaction and the principal amount of the leased asset for the current period. Depreciation is calculated on a straight-line basis over the estimated useful life of the leased assets at the rate of 20% except for the buildings which are depreciated at the rate of 2%.

TFRS 16 leases

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

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

Right of use assets

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

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The right use includes the presence of:

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

At the end of the lease term of the underlying asset's service, the transfer of the Bank is reasonably finalized, and the Bank depreciates the asset until the end of the life of the underlying asset on which the lease actually began. Right-of-use assets are subject to impairment.

Lease liabilities

The Bank measures the lease obligation at the present value of the unpaid lease payments on the date that the lease commences.

Lease payments included in the measurement of the lease obligation on the date that the lease actually commences, consists of the following payments to be made for the right of use of the underlying asset during the lease period and not paid on the date the lease actually starts:

- Fixed payments;
- Variable lease payments based on an index or rate, the first measurement made using an index or rate on the actual date of the lease;
- Amounts expected to be paid by the Bank under the residual value commitments;
- The use price of this option and, if the Bank is reasonably confident that it will use the purchase option; and
- Fines for termination of the lease if the lease term indicates that the Bank will use an option to terminate the lease.

Variable lease payments that do not depend on an index or rate are recognized as an expense in the period in which the event or condition that triggered the payment occurred. The Bank revises the revised discount rate for the remainder of the lease term, if the implicit interest rate in the lease can be easily determined; the Bank's alternative borrowing interest rate at the date of the revaluation.

After the effective date of the lease, the Bank measures the lease obligation as follows:

- Increase the carrying amount to reflect the interest on the lease obligation; and
- Decreases the carrying amount to reflect the lease payments made.

In addition, in the event of a change in the lease term, in essence a change in fixed lease payments or a change in the assessment of the option to buy the underlying asset, the value of the lease obligations is remeasured.

Short-term leases and leases of low-value assets

The Bank applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

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

Due to the Bank's implementation of TFRS 16, assets classified under tangible assets as of December 31, 2020 amounted to TL440,596 (December 31, 2019 - TL458,369), lease liability amounted to TL426,407 (December 31, 2019 - TL431,753), financing expense amounted to TL 52,122 (December 31, 2019 - TL61,839) and depreciation expense amounted to TL220,690 (December 31, 2019 - TL215,641).

XVI. 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 immediately accounted when obligations arise as a result of past events and a reliable estimate of the obligation is made by the Bank. Whenever the amount of such obligations cannot be measured, they are regarded as "contingent". In the financial statements, a provision is made for an existing commitment resulted from past events if it is probable that the commitment will be settled, and a reliable estimate can be made of the amount obligation. If these criteria are not met, the Bank discloses these issues in the explanations and notes related to the financial statements.In cases where reliable estimate cannot be made of the amount of the obligation, it is considered contingent liabilities.For contingent liabilities if the probability that the event will occur is greater than the probability that it will not and the amount of the obligation can be measured reliably, a provision is made.

XVII. Explanations on Obligations of the Bank Concerning Employee Benefits

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

In accordance with the existing social legislation in Turkey, the Bank is required to make lump-sum termination indemnities including retirement and notice payments to each employee whose employment is terminated due to resignation or for reasons other than misconduct. The retirement pay is calculated for every working year within the Bank over salary for 30 days or the official ceiling amount per year of employment and the notice pay is calculated for the relevant notice period time as determined based on the number of years worked for the Bank.

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

The Bank does not have any employees who work under limited period contracts with remaining terms longer than 12 months after the balance sheet date.

Provision for the employees’ unused vacations has been booked in accordance with IAS 19 and reflected to the financial statements.

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

XVIII. Explanations on Taxation

1. Corporate tax

In accordance with the Corporate Tax Law No. 5520 published in the Official Gazette No: 26205 dated June 21, 2006, statutory income is subject to corporate tax at 20%. However, according to temporary article 10 added to the Corporate Income Tax Law, the rate of 20% shall be applied as 22% for the corporate earnings of the taxation periods of the companies in 2018, 2019 and 2020 (accounting periods starting within the relevant year for companies appointed for the special accounting period). Advance corporate taxes paid are followed under “Current Tax Liability” or “Current Tax Asset” account and are deducted from the corporate taxes of the current year.

50% of gain from the sale of real estate which are held more than two years in the assets of the Bank and 75% of gain on disposal of subsidiary shares which are held for more than two years in the assets of the Bank are exemption from tax according to Corporate Tax Law in condition with adding these gains into equity or allocating into a specific fund account in the Bank’s liabilities for five years.

Companies calculate their advance tax at the rate of 22% (for taxation periods of 2018, 2019 and 2020) on their quarterly financial profits, declare until the 14th day of the second month following that period and pay until the evening of the seventeenth day. The advance tax paid belongs that year and is offset from the corporation tax that will be calculated on the tax declaration of the companies to be given in the following year. If the advance tax paid amount remains after offsetting, this amount could be either returned as cash or offset.

According to the Corporate Tax Law, financial losses in the declaration can be deducted from the corporate tax base of the period not exceeding 5 years. Declarations and related accounting records can be examined within five years by the tax office. On the other hand, if document subjects to stamp duty and the statute of limitations of tax and penalty is used after the expiry of the time limit, the taxable income of document is regenerated.

The provision for corporate and income taxes for the period is recognized as “Current Tax Charge” in the income statement and current tax effect related to transactions directly recognized in equity are reflected to equity.

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

2. Deferred taxes

The Bank calculates and accounts for deferred income taxes for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with “Turkish Accounting Standard for Income Taxes” (“TAS 12”) and the related decrees of the BRSA concerning income taxes. In calculating deferred tax, legalized tax rates effective as of balance sheet date are used as per tax legislations.

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, deferred tax calculation has started to be measured over Stage 1 and Stage 2 expected credit loss provisions accorded.

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

Since the applicable tax rate has been changed to 22% for the 3 years beginning from January 1, 2018, 22% tax rate is used in the deferred tax calculation of December 31, 2020, 20% tax rate is used for the calculation of deferred tax (December 31, 2019 - 22%).

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.

XIX. Additional Explanations on Borrowings

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

XX. Explanations on Share Issues

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

XXI. Explanations on Confirmed Bills of Exchange and Acceptances

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

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

XXII. Explanations on Government Incentives

As of December 31, 2020 the Bank does not have any government incentives or grants (As of December 31, 2019 - None).

XXIII. Explanations on Segment Reporting

In addition to corporate banking, retail banking and commercial banking services, the Bank also provides private banking, SME banking, treasury operations and credit card services through branches and alternative channels. The Bank serves its retail banking clients with time and demand deposits, also overdraft services, automatic account services, consumer loans, vehicle loans, housing loans and investment fund services. The Bank provides services including deposit and loans, foreign trade financing, forward and option agreements to its corporate clients. The Bank also serves in trading financial instruments and treasury operations.

The calculations based on the income statement for retail banking (consumer banking and plastic cards), corporate and commercial banking have operational units designated as the main profit centers, have been made according to the product and customer types. During the profitability calculations, the pricing of transfers among these units and treasury unit are made by using cost/return ratios that are determined by the Bank's senior management and which are updated periodically. In this pricing method, general market conditions and the Bank's internal policies are considered.

Corporate and Commercial Banking serves corporate qualified companies with annual turnover of TL300,000 and above, multinational companies operating in Turkey and commercial firms with annual turnover of TL60,000-300,000. In addition to the financing and investment needs of customers, it offers products that facilitate payment and collection processes in both domestic and foreign trade. With its customer-focused service approach, firm-specific solution approach and long-term partnership building strategy, it produces solutions that will create added value for all customer needs.

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

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

Current Period (January 1 - December 31, 2020)	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Bank
Net Interest Income	3,328,959	2,716,689	3,810,993	9,856,641
Net Fees and Commissions Income	1,720,225	678,428	(35,834)	2,362,819
Other Operating Income and Net Trading Expense	46,878	14,052	(2,720,264)	(2,659,334)
Dividend Income	-	-	192,343	192,343
Operating Income	**5,096,062**	**3,409,169**	**1,247,238**	**9,752,469**
Provision for Expected Credit Losses (-)	761,235	1,636,544	7,356	2,405,135
Other Provision Expenses (-)	-	-	138,791	138,791
Personnel Expense (-)	436,022	494,022	963,844	1,893,888
Other Operating Expenses (-)	1,831,148	1,091,462	(607,384)	2,315,226
Profit Before Taxes	**2,067,657**	**187,141**	**744,631**	**2,999,429**
Provision Tax (-)	**-**	**-**	**(512,420)**	**(512,420)**
Net Profit/Loss	**-**	**-**	**-**	**2,487,009**
Total Assets	**49,111,844**	**89,490,537**	**70,811,072**	**227,253,348**
Segment Assets	49,111,844	89,490,537	70,811,072	209,413,453
Associates, Subsidiaries and Entities under Common Control (Joint Ventures)	-	-	-	1,892,950
Undistributed Assets	-	-	-	15,946,945
Total Liabilities	**88,937,401**	**37,038,943**	**67,552,837**	**227,253,348**
Segment Liabilities	88,937,401	37,038,943	67,552,837	193,529,181
Undistributed Liabilities	-	-	-	14,501,746
Equity	-	-	-	19,222,421
Other Segment Accounts	**944,222**	**696,308**	**(68,711)**	**1,571,819**
Capital Expenditures	615,635	453,994	(48,566)	1,021,063
Depreciation and Amortization	328,587	242,314	(20,145)	550,756

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

Prior Period (January 1 - December 31, 2019)	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Bank
Net Interest Income	2,547,694	2,672,303	2,362,224	7,582,221
Net Fees and Commissions Income	2,023,007	706,904	(38,447)	2,691,464
Other Operating Income and Net Trading Expense	115,515	8,193	(1,502,872)	(1,379,164)
Dividend Income	-	-	51,187	51,187
Operating Income	**4,686,216**	**3,387,400**	**872,092**	**8,945,708**
Provision for Expected Credit Losses (-)	397,012	1,485,040	(62,462)	1,819,590
Other Provision Expenses (-)			74,203	74,203
Personnel Expense (-)	411,636	479,835	824,889	1,716,360
Other Operating Expenses (-)	1,795,558	948,280	(588,043)	2,155,795
Profit Before Taxes	**2,082,010**	**474,245**	**623,505**	**3,179,760**
Provision Tax (-)	**-**	**-**	**-**	**(557,603)**
Net Profit/Loss	**-**	**-**	**-**	**2,622,157**
Total Assets	**39,730,429**	**70,865,962**	**57,792,723**	**181,680,511**
Segment Assets	39,730,429	70,865,962	57,792,723	168,389,114
Associates, Subsidiaries and Entities under Common Control (Joint Ventures)	-	-	-	1,492,873
Undistributed Assets	-	-	-	11,798,524
Total Liabilities	**68,846,852**	**31,372,536**	**53,278,117**	**181,680,511**
Segment Liabilities	68,846,852	31,372,536	53,278,117	153,497,505
Undistributed Liabilities	-	-	-	11,497,947
Equity	-	-	-	16,685,059
Other Segment Accounts	**1,337,089**	**706,151**	**(437,740)**	**1,605,500**
Capital Expenditures	921,353	486,590	(301,742)	1,106,201
Depreciation and Amortization	415,736	219,561	(135,998)	499,299

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

XXIV. Explanations on Profit Reserves and Profit Distribution

The Ordinary General Assembly Meeting of the Bank was held on March 26, 2020. In the Ordinary General Assembly, it was decided to pay dividend to the Bank's shareholders from net income of the Bank's 2019 operations.

2019 profit distribution table:

Current Year Profit	**2,622,157**
A - I. Legal Reserve (Turkish Commercial Code 519/A) at 5%	670,000
C - Extraordinary Reserves	1,952,157

XXV. Earnings Per Share

Earnings per share listed on income statement is calculated by dividing net profit to weighted average amount of shares issued within respective year.

	Current Period	Prior Period
Net Profit for the Period of Bank	2,487,009	2,622,157
Weighted Average Amount of Shares Issued (Thousands)	33,500,000	33,500,000
Earnings Per Share	**0.0742**	**0.0783**

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 2020 is none (Amount of issued bonus shared in 2019 is none).

XXVI. Explanations on Other Matters

1. Changes related to prior period accounting policies

The Bank includes other comprehensive income of investments valued by equity method in the previous period financial statements Accounting Policies, Changes in Accounting Estimates and Errors has been classified in accordance with Turkey Accounting Standard (“TAS 8”). Impact of the relevant corrections for December 31, 2020 has been presented in the second part of Statement of Changes in Equity. Related classification does not have any effect on the loss statement and its effects on the other comprehensive income statement are shown.

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

SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK

I. Explanations on Equity

Total capital and capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”. As of December 31, 2020 Bank’s total capital has been calculated as TL28,207,198 (December 31, 2019 - TL24,280,307), capital adequacy ratio is 16.44%. (December 31, 2019 - 15.73%). This ratio is well above the minimum ratio required by the legislation.

Based on the press release made by the BRSA on March 23, 2020; due to the fluctuations in the financial markets as a result of the COVID-19 outbreak; in the calculation of the amount subject to credit risk in accordance with the Regulation on Measurement and Evaluation of Capital Adequacy; with monetary assets and non-monetary assets excluding assets that are measured in terms of historical cost in a foreign currency valued amount of items in accordance with TAS and its special provision amounts, spot purchase exchange rate can be used in preparation of financial statements as of simple arithmetic average of the Central Bank foreign exchange buying rates for the last 252 business days before and negative revaluation differences of the securities classified under “Financial Assets Measured at Fair Value through Other Comprehensive Income” which acquired before March 23, 2020 may not be included in capital calculation.

Components of unconsolidated shareholders’ equity items:

	Current Period December 31, 2020	Prior Period December 31, 2019
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	13,199,191	10,577,034
Gains recognized in equity as per TAS	1,459,099	1,224,356
Profit	2,588,276	2,622,157
Current Period Profit	2,487,009	2,622,157
Prior Period Profit	101,267	-
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	2,689	2,689
Common Equity Tier 1 Capital Before Deductions	**20,599,969**	**17,776,950**
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	679,619	525,783
Improvement costs for operating leasing	67,193	74,009
Goodwill (Net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (Net of related tax liability)	455,268	396,779
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	**1,202,080**	**996,571**
The positive difference between the expected loan loss provisions under TFRS 9 and the total provision amount calculated before the application of TFRS 9	260,624	390,936
Total Common Equity Tier 1 Capital	**19,658,513**	**17,171,315**

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

ADDITIONAL TIER I CAPITAL	Current Period December 31, 2020	Prior Period December 31, 2019
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA	3,853,763	3,118,605
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	-
Additional Tier I Capital before Deductions	**3,853,763**	**3,118,605**
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other items to be defined by the BRSA	-	-
Transition from the Core Capital to Continue to deduce Components		-
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
Total Deductions From Additional Tier I Capital	**-**	**-**
Total Additional Tier I Capital	**3,853,763**	**3,118,605**
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	**23,512,276**	**20,289,920**
TIER II CAPITAL		
Debt instruments and premiums deemed suitable by the BRSA	-	-
Debt instruments and premiums deemed suitable by BRSA (Temporary Article 4)	2,826,093	2,286,977
Provisions (Article 8 of the Regulation on the Equity of Banks)	1,916,622	1,731,935
Tier II Capital Before Deductions	**4,742,715**	**4,018,912**
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	**4,742,715**	**4,018,912**
Total Capital (The sum of Tier I Capital and Tier II Capital)	**28,254,991**	**24,308,832**
Deductions from Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	7,400	7,103
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 (-)	40,393	21,422
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		**-**
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking,financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank owns more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank owns more than 10% of the issued common share capital of the entity,mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-

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

	Current Period December 31, 2020	Prior Period December 31, 2019
TOTAL CAPITAL		
Total Capital	28,207,198	24,280,307
Total risk weighted amounts	171,587,620	154,338,272
Capital Adequacy Ratios		
Core Capital Adequacy Ratio (%)	11.46	11.13
Tier 1 Capital Adequacy Ratio (%)	13.70	13.15
Capital Adequacy Ratio (%)	16.44	15.73
BUFFERS		
Bank specific total common equity tier 1 capital ratio	2.51	2.51
a) Capital conservation buffer requirement	2.50	2.50
b) Bank specific counter-cyclical buffer requirement	0.01	0.01
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	0.05	0.05
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	282,408	236,777
Amount arising from mortgage-servicing rights	-	-
Amount arising from deferred tax assets based on temporary differences	-	-
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	4,031,306	2,571,026
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	1,916,622	1,731,935
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	3,853,763	3,118,605
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	2,826,093	2,286,977
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

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

Information on debt instruments included in the calculation of equity:

Information on debt instruments included in the calculation of equity:			
	1	2	3
Issuer	QATAR NATIONAL BANK Q.P.S.C.	QATAR NATIONAL BANK Q.P.S.C.	QATAR NATIONAL BANK Q.P.S.C.
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	-	-	-
Governing law(s) of the instrument	BRSA	BRSA	BRSA
Regulatory treatment	Additional Capital	Supplementary Capital	Supplementary Capital
Transitional Basel III rules	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)	3,854	918	1,909
Par value of instrument (Currency in million)	3,854	918	1,909
Accounting classification	Liability - Subordinated Loans-amortized cost	Liability - Subordinated Loans-amortized cost	Liability - Subordinated Loans-amortized cost
Original date of issuance	June 30, 2019	April 1, 2019	May 22, 2017
Perpetual or dated	Perpetual	Dated	Dated
Original maturity date	-	10 years	10 years
Issuer call subject to prior BRSA approval	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	Every 5 years	5 years	5 years
Subsequent call dates, if applicable	-	-	-
Coupons/dividends	-	-	-
Fixed or floating dividend/coupon	Fixed	Floating	Floating
Coupon rate and any related index	First 5 years fixed at 9.50%, next 5 years fixed at MS + 7.08	6M LIBOR + 5.75%	6M LIBOR + 3.87%
Existence of a dividend stopper	There will be no interest on the deducted value after the impairment	-	-
Fully discretionary, partially discretionary or mandatory	Optional	-	-

	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	-	Optional	Optional
If convertible, specify instrument type convertible into	-	Equity Share	Equity Share
If convertible, specify issuer of instrument it converts into	-	QNB Finansbank A.Ş.	QNB Finansbank A.Ş.
Write-down feature	Yes	None	None
If write-down, write-down trigger(s)	Non-existence of the core capital ratio is less than 5.125%	-	-
If write-down, full or partial	Full and partial	-	-
If write-down, permanent or temporary	Temporary	-	-
If temporary write-down, description of write-up mechanism	Disappearance of non-existence and higher core capital ratio than 5.125%	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After borrowing and contribution capital	After borrowing, before additional capital, the same as other contribution capital	After borrowing, before additional capital, the same as other contribution capital
Incompliance with article number 7 and 8 of "Own fund regulation"	Article number 7 of "Own fund regulation"	Article number 8 of "Own fund regulation"	Article number 8 of "Own fund regulation"
Details of incompliances with article number 7 and 8 of "Own fund regulation"	-	-	-

(*) The conversion rate/value will be calculated based on the market data available when the right is exercised.

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

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

EQUITY ITEMS	T	T-1	T-2
Common Equity	19,658,513	19,528,202	19,397,889
Transition process not implemented Common Equity	19,397,889	19,397,889	19,397,889
Tier 1 Capital	23,512,276	23,381,964	23,251,652
Transition process not implemented Tier 1 Capital	23,251,652	23,251,652	23,251,652
Total Capital	28,207,198	28,076,886	27,946,574
Transition process not implemented Equity	27,946,574	27,946,574	27,946,574
TOTAL RISK WEIGHTED AMOUNTS			
Total Risk Weighted Amounts	171,587,620	171,587,620	171,587,620
CAPITAL ADEQUACY RATIO			
Common Equity Adequacy Ratio (%)	11.46	11.38	11.30
Transition process not implemented Common Equity Ratio (%)	11.30	11.30	11.30
Tier 1 Capital Adequacy Ratio (%)	13.70	13.63	13.55
Transition process not implemented Tier 1 Capital Adequacy Ratio (%)	13.55	13.55	13.55
Capital Adequacy Ratio (%)	16.44	16.36	16.29
Transition process not implemented Capital Adequacy Ratio (%)	16.29	16.29	16.29
LEVERAGE			
Leverage Ratio Total Risk Amount	347,637,340	347,637,340	347,637,340
Leverage (%)	6.70	6.70	6.70
Transition process not implemented Leverage Ratio (%)	6.62	6.62	6.62

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

There are differences between amounts in the explanation on equity items and amounts on the balance sheet. In this context; up to 1.25% of the amount of the first and second part of the expected loss provisions is taken into account as contribution capital, cash flow hedging and as of March 23, 2020 "Fair Value Difference Other Comprehensive The net negative valuation differences of the securities included in the "Securities Reflected in the Revenue" portfolio Information on items had not taken into account in the table.

II. Explanations On Risk Management

1. Explanations on credit risk

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

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

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

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

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

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

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

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

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

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

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

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

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

With the Decision No. 9312 dated December 8, 2020 of the Banking Regulation and Supervision Agency;

As a result of the re-evaluation of Board Resolutions and instructions taken in the past, which brought temporary regulations on banks' obligations, in order to support the real sector, bank customers and banks in a period when uncertainties and risks in global markets are high due to the pandemic, in the current period it would be appropriate to extend those regulations with the same purposes, thus within this framework until June 30, 2021.

- In accordance with the Regulation on Measurement and Assessment of Capital Adequacy of Banks, in calculation of amount subject to credit risk, to calculate the amount of the non-monetary and monetary assets, excluding the items in foreign currencies in accordance with Turkey Accounting Standards and the amount of related specific provisions, it is possible to use simple arithmetic mean of Central Bank's foreign currency buying rates belonging to the last 252 business days from the calculation date;
- If the net valuation differences of the securities owned by banks in the "Securities with Fair Value Differences Reflected in Other Comprehensive Income" portfolio are negative, these differences may not be taken into account in the amount of equity to be calculated in accordance with the Regulatıon On Own Funds Of Banks and used for the capital adequacy ratio;
- As stated in the Board Decision dated March 17, 2020 and numbered 8948, the 90-day delay period foreseen for the non-performing loan classification within the scope of Articles 4 and 5 of Regulation on Procedures and Principles for Classification of Loans and the Provisions to be Set Aside, for these loans it shall be applied as 180 days and continuing to allocate provisions for loans that are still classified in the Second Group despite the delay, according to the banks' own risk models in the calculation of expected credit losses within the scope of TFRS 9;
- As stated in the Board Decision dated March 19, 2020 and numbered 8950, the 90-day delay period specified in the sub-paragraph (a) of the first paragraph of Article 6 of the Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies and the sixth paragraph of the same article, will be applied as 180 days and 240 days for the financial leasing companies and for companies that allocate credit losses scope of TFRS 9, and the companies will continue to make provisions according to their own risk models for the receivables that are not transferred to the "Receivables to be Liquidated" account; and
- As stated in the Board Decision dated March 27, 2020 and numbered 8970, within the scope of Article 4 of the Regulation on the Procedures and Principles Regarding the Classification of Loans and the Provisions to be Set Aside, the 30 days delay period for the classification of the loans in the Second Group shall be applied as 90 days for the loans followed in the First Group and provisions for loans that continue to be classified in the First Group despite the 30-day delay, shall be continued to allocate according to the banks' own risk models in the calculation of expected credit losses within the scope of TFRS 9.

The receivables of the Bank from its top 100 cash loan customers are 27% in the total cash loans (December 31, 2019 - 26%).

The receivables of the Bank from its top 200 cash loan customers are 32% in the total cash loans (December 31, 2019 - 31%).

The receivables of the Bank from its top 100 non-cash loan customers are 50% in the total non-cash loans (December 31, 2019 - 55%).

The receivables of the Bank from its top 200 non-cash loan customers are 60% in the total non-cash loans (December 31, 2019 - 65%).

The share of cash and non-cash receivables of the Bank from its top 100 loan customers in total cash and non -cash loans is 27% (December 31, 2019 - 21%).

The share of cash and non-cash receivables of the Bank from its top 200 loan customers in total cash and non -cash loans is 32% (December 31, 2019 - 25%).

The general loan loss provision taken by the Bank is TL4,031,306. (December 31, 2019 - TL2,571,026).

As of December 31, 2020, the Bank does not take any provision for probable risks in loan portfolio amounted (December 31, 2019 - None).

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

	Current Period		Prior Period	
Exposure Categories	Risk Amount(*)	Average Risk Amount(**)	Risk Amount(*)	Average Risk Amount(**)
Conditional and unconditional receivables from central governments and Central Banks	60,290,631	51,904,653	45,141,846	44,291,062
Conditional and unconditional receivables from regional or local governments	93,842	94,260	83,191	78,753
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	378,234	303,835	227,552	217,109
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	29,958,190	32,234,642	26,735,151	26,560,790
Conditional and unconditional receivables from corporates	82,079,206	71,315,082	65,142,650	59,307,163
Conditional and unconditional receivables from retail portfolios	71,619,493	66,410,977	61,089,766	56,336,732
Conditional and unconditional receivables secured by mortgages	6,660,262	5,480,412	5,346,690	5,886,562
Past due receivables	1,955,922	1,878,086	2,094,857	1,527,541
Receivables defined under high risk category by BRSA	340,547	227,538	237,429	163,967
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-
Investments similar to collective investment funds	-	-	-	-
Investment in equities	1,900,625	1,709,353	1,682,670	1,485,137
Other receivables	9,497,684	8,960,771	7,829,811	7,248,431

(*) The risk amounts are given after the loan conversion rate, and before Loan Risk Reduction.
(**) The average risk amount was calculated by taking the arithmetic average of the values in the monthly reports prepared in balance sheet period in regards to “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (the “Regulation”).

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

Profile of significant exposures in major regions:

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

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

	Exposure Categories(*)																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Prior Period Period																		
Domestic	45,141,846	83,191	227,552	-	-	5,941,878	64,371,437	61,055,271	5,339,891	2,089,677	225,202	-	-	-	-	1,682,670	7,829,811	193,988,426
EU countries	-	-	-	-	-	15,454,668	438,249	117	154	5,173	-	-	-	-	-	-	-	15,898,361
OECD countries(**)	-	-	-	-	-	112,324	10	8	6,223	-	10,687	-	-	-	-	-	-	129,252
Off-shore banking regions	-	-	-	-	-	1,262,615	183,684	1	-	-	1,540	-	-	-	-	-	-	1,447,840
USA, Canada	-	-	-	-	-	880,170	18,726	164	81	-	-	-	-	-	-	-	-	899,141
Other countries	-	-	-	-	-	3,083,496	130,544	34,205	341	7	-	-	-	-	-	-	-	3,248,593
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Undistributed Assets/ Liabilities(***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**45,141,846**	**83,191**	**227,552**	**-**	**-**	**26,735,151**	**65,142,650**	**61,089,766**	**5,346,690**	**2,094,857**	**237,429**	**-**	**-**	**-**	**-**	**1,682,670**	**7,829,811**	**215,611,613**

(*) Exposure categories based on "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks.
(**) Includes OECD countries other than EU countries, USA and Canada.
(***) Includes assets and liability items that cannot be allocated on a consistent basis.

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

QNB FİNANSBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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

Risk profile by sectors or counterparties:

	Exposure Categories(*)																			
Current Period	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**TL**	**FC**	**Total**
Agriculture	-	-	107,256	-	-	-	435,251	1,937,651	35,530	94,863	29,852	-	-	-	-	-	-	2,430,613	209,790	2,640,403
Farming and Livestock	-	-	107,256	-	-	-	233,684	1,894,479	35,233	92,363	29,852	-	-	-	-	-	-	2,321,746	71,121	2,392,867
Forestation	-	-	-	-	-	-	1,382	7,143	-	10	-	-	-	-	-	-	-	8,535	-	8,535
Fishing Industry	-	-	-	-	-	-	200,185	36,029	297	2,490	-	-	-	-	-	-	-	100,332	138,669	239,001
Industrial	-	58,796	395	-	-	-	29,494,714	5,266,411	950,528	229,030	47,506	-	-	-	-	-	-	16,844,977	19,202,403	36,047,380
Mining and Quarrying	-	-	-	-	-	-	258,843	101,767	30,689	5,101	585	-	-	-	-	-	-	323,133	73,852	396,985
Manufacturing Industry	-	-	395	-	-	-	24,496,029	5,108,043	919,814	223,877	46,921	-	-	-	-	-	-	16,012,515	14,782,564	30,795,079
Electricity, Gas, Water	-	58,796	-	-	-	-	4,739,842	56,601	25	52	-	-	-	-	-	-	-	509,329	4,345,987	4,855,316
Construction	-	-	-	-	-	-	5,672,624	3,134,377	437,510	277,890	103,387	-	-	-	-	-	-	7,252,153	2,373,635	9,625,788
Services	27,289,714	33	49,485	-	-	26,549,810	41,508,390	12,820,978	2,986,712	974,582	89,885	-	-	-	-	-	-	36,922,232	75,347,357	112,269,589
Wholesale and Retail Trade	-	-	25,421	-	-	-	11,028,794	10,121,938	865,058	483,316	67,121	-	-	-	-	-	-	18,654,625	3,937,023	22,591,648
Hotels and Restaurants	-	-	-	-	-	-	3,667,770	294,520	262,719	24,640	7,052	-	-	-	-	-	-	749,287	3,507,414	4,256,701
Transportation and Communications	-	-	-	-	-	-	14,718,211	859,697	40,471	19,487	1,915	-	-	-	-	-	-	1,460,172	14,179,609	15,639,781
Financial Institutions	27,289,714	33	-	-	-	26,549,810	1,000,928	150,995	6,378	497	452	-	-	-	-	-	-	12,638,631	42,360,176	54,998,807
Real Estate and Rent Services	-	-	-	-	-	-	5,631,076	219,216	1,652,083	393,385	1,094	-	-	-	-	-	-	950,307	6,946,547	7,896,854
Independent Business Services	-	-	23,979	-	-	-	1,150,561	580,126	38,739	21,009	4,655	-	-	-	-	-	-	1,123,023	696,046	1,819,069
Education Services	-	-	2	-	-	-	193,568	205,974	6,639	26,152	7,529	-	-	-	-	-	-	406,008	33,856	439,864
Health and Social Services	-	-	83	-	-	-	4,117,482	388,512	114,625	6,096	67	-	-	-	-	-	-	940,179	3,686,686	4,626,865
Other	33,000,917	35,013	221,098	-	-	3,408,380	4,968,227	48,460,076	2,249,982	379,557	69,917	-	-	-	-	1,900,625	9,497,684	80,663,505	23,527,971	104,191,476
Total	60,290,631	93,842	378,234	-	-	29,958,190	82,079,206	71,619,493	6,660,262	1,955,922	340,547	-	-	-	-	1,900,625	9,497,684	144,113,480	120,661,156	264,774,636

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

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

	Exposure Categories(*)																			
Prior Period	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TL	FC	Total
Agriculture	-	-	785	-	-	-	408,037	2,031,409	18,021	129,138	6,933	-	-	-	-	-	-	2,384,817	209,506	2,594,323
Farming and Livestock	-	-	785	-	-	-	212,569	1,990,028	17,307	126,471	6,933	-	-	-	-	-	-	2,335,573	18,520	2,354,093
Forestation	-	-	-	-	-	-	1,022	6,664	627	27	-	-	-	-	-	-	-	8,340	-	8,340
Fishing Industry	-	-	-	-	-	-	194,446	34,717	87	2,640	-	-	-	-	-	-	-	40,904	190,986	231,890
Industrial	-	35,048	10	-	-	-	22,066,676	5,130,777	518,977	301,702	21,918	-	-	-	-	-	-	11,033,307	17,041,801	28,075,108
Mining and Quarrying	-	-	-	-	-	-	266,422	124,927	570	5,023	92	-	-	-	-	-	-	325,965	71,069	397,034
Manufacturing Industry	-	-	10	-	-	-	17,744,577	4,964,756	518,162	296,567	21,826	-	-	-	-	-	-	10,527,019	13,018,879	23,545,898
Electricity, Gas, Water	-	35,048	-	-	-	-	4,055,677	41,094	245	112	-	-	-	-	-	-	-	180,323	3,951,853	4,132,176
Construction	-	-	-	-	-	-	5,387,232	3,032,871	354,812	242,243	149,722	-	-	-	-	-	-	6,832,350	2,334,530	9,166,880
Services	17,338,120	33	30,945	-	-	24,445,719	34,766,341	12,136,169	1,939,170	851,262	41,023	-	-	-	-	-	-	30,905,396	60,643,386	91,548,782
Wholesale and Retail Trade	-	-	8,948	-	-	-	9,124,455	9,584,369	510,020	594,996	29,207	-	-	-	-	-	-	15,423,061	4,428,934	19,851,995
Hotels and Restaurants	-	-	-	-	-	-	3,518,507	331,578	190,756	27,082	1,773	-	-	-	-	-	-	750,039	3,319,657	4,069,696
Transportation and Communications	-	-	-	-	-	-	12,231,364	851,343	33,381	36,485	2,825	-	-	-	-	-	-	1,293,245	11,862,153	13,155,398
Financial Institutions	17,338,120	33	-	-	-	24,445,719	452,457	77,509	1,329	1,668	1,540	-	-	-	-	-	-	10,785,234	31,533,141	42,318,375
Real Estate and Rent Services	-	-	-	-	-	-	4,550,600	195,374	1,145,801	124,189	2,254	-	-	-	-	-	-	484,807	5,533,411	6,018,218
Independent Business Services	-	-	21,781	-	-	-	1,005,046	532,466	21,529	26,260	2,846	-	-	-	-	-	-	920,499	689,429	1,609,928
Education Services	-	-	133	-	-	-	171,977	219,634	12,665	32,798	1	-	-	-	-	-	-	401,233	35,975	437,208
Health and Social Services	-	-	83	-	-	-	3,711,935	343,896	23,689	7,784	577	-	-	-	-	-	-	847,278	3,240,686	4,087,964
Other	27,803,726	48,110	195,812	-	-	2,289,432	2,514,364	38,758,540	2,515,710	570,512	17,833	-	-	-	-	1,682,670	7,829,811	64,818,774	19,407,746	84,226,520
Total	45,141,846	83,191	227,552	-	-	26,735,151	65,142,650	61,089,766	5,346,690	2,094,857	237,429	-	-	-	-	1,682,670	7,829,811	115,974,644	99,636,969	215,611,613

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

1 - Conditional and unconditional receivables from central governments or central banks
2 - Conditional and unconditional receivables from regional or local governments
3 - Conditional and unconditional receivables from administrative units and non-commercial enterprises
4 - Conditional and unconditional receivables from multilateral development banks
5 - Conditional and unconditional receivables from international organizations
6 - Conditional and unconditional receivables from banks and brokerage houses
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8 - Conditional and unconditional retail receivables
9 - Conditional and unconditional receivables secured by mortgages
10 - Past due receivables
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15 - Investments in the Nature of Collective Investment
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17 - Other receivable

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

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

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

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

Prior Period Exposure Categories	Term to Maturity				
	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year
Conditional and unconditional receivables from central governments and Central Banks	320,559	1,360,426	915,790	703,827	24,377,078
Conditional and unconditional receivables from regional or local governments	-	-	-	-	83,158
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	15,346	5,003	71,560	7,436	120,099
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	7,121,518	4,176,394	1,940,433	696,513	3,985,502
Conditional and unconditional receivables from corporates	6,862,516	3,977,440	5,130,832	9,180,854	35,883,370
Conditional and unconditional receivables from retail portfolios	2,669,055	3,955,263	4,012,856	7,118,817	29,014,711
Conditional and unconditional receivables secured by mortgages	26,914	123,021	150,304	389,094	4,608,845
Past due receivables	-	-	-	-	-
Receivables defined under high risk category by BRSA	1,540	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-
Stock investments	189,797	-	-	-	-
Other receivables	-	-	-	-	-
Total	**17,207,245**	**13,597,547**	**12,221,775**	**18,096,541**	**98,072,763**

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

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

Exposures by risk weights:

Current Period

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

Prior Period

Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	2%	Deductions from Equity
1. Exposures Before Credit Risk Mitigation	32,669,119	-	6,159,238	-	20,608,157	64,499,745	91,428,444	237,429	-	-	9,481	499,313
2. Exposures After Credit Risk Mitigation	37,503,592	-	1,701,486	2,662,222	14,040,343	55,785,280	87,312,824	237,398	-	-	9,481	499,313

Information by major sectors and type of counterparties:

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

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

[(*)] Represents the distribution of cash loans.

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

Prior Period	Loans(*)			Provisions	
	Impaired Loans (TFRS 9)				
Major Sectors/Counterparties	Significant Increase of Credit Risk (Stage 2)	Default (Stage 3)	Non-Performing (Regulation of Provision)	Provision For Expected Losses of Credit (TFRS 9)	(Regulation of Provision)
1. Agriculture	**573,663**	**330,342**	**-**	**262,517**	**-**
1.1. Farming and Livestock	570,714	318,254	-	252,912	-
1.2. Forestation	1,109	294	-	366	-
1.3. Fishing	1,840	11,794	-	9,239	-
2. Industrial	**1,392,970**	**1,486,997**	**-**	**1,363,930**	**-**
2.1. Mining and Quarrying	48,857	18,438	-	16,867	-
2.2. Manufacturing Industry	1,328,606	1,159,220	-	1,037,056	-
2.3. Electricity, Gas, Water	15,507	309,339	-	310,007	-
3. Construction	**1,394,388**	**860,694**	-	**728,594**	**-**
4. Services	**5,326,163**	**2,962,883**	**-**	**2,734,384**	**-**
4.1. Wholesale and Retail Commerce	1,687,207	2,076,620	-	1,662,178	-
4.2. Hotel and Restaurant Services	446,618	210,944	-	203,787	-
4.3. Transportation and Communication	585,908	141,637	-	279,684	-
4.4. Financial Corporations	2,064,989	274,960	-	429,265	-
4.5. Real Estate and Loan Services	64,477	24,010	-	29,638	-
4.6. Independent Business Services	306,121	112,221	-	34,936	-
4.7. Education Services	58,703	81,995	-	55,240	-
4.8. Health and Social Services	112,140	40,496	-	39,656	-
5. Other	**3,432,539**	**2,633,499**	-	**2,379,241**	**-**
6. Total	**12,119,723**	**8,274,415**	**-**	**7,468,666**	**-**

(*) Represents the distribution of cash loans.

Movements in value adjustments and provisions

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

(*) Represents the provision of loans written-off.
(**) Demonstrates provision movement of Stage 3 cash loans

Prior Period	Opening Balance	TFRS 9 Transition Effect	Provision for Period	Provision Reversals	Other Adjustments(*)	Closing Balance
1. Stage 3 Provisions(**)	4,746,136	2,560,099	(433,276)	(929,246)	5,943,713	4,746,136
2. Stage 1-2 Provisions	2,853,495	431,035	(713,504)	-	2,571,026	2,853,495

(*) Represents the provision of loans written-off.
(**) Demonstrates provision movement of Stage 3 cash loans

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

Exposures subject to countercyclical capital buffer:

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

Information on private sector receivables:

Current Period

Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	149,725,713	-	149,725,713
Malta	496,750	-	496,750
Other	615,471	-	615,471
Total	**150,837,934**	**-**	**150,837,934**

Prior Period

Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	117,688,081	-	117,688,081
Malta	433,209	-	433,209
Other	125,512	-	125,512
Total	**118,246,802**	**-**	**118,246,802**

2. Risk Management and General Disclosures regarding risk weighted amounts

2.1. GBA - Risk management approach of the Bank:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

d) Key elements and scope of risk measurement systems

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

Information systems and analytical techniques that enable measurement of credit risk inherent in all relevant activities, providing adequate information on the composition of the credit portfolio, including identification of any concentrations of risk.

The Market Risk Management Policy determines the key principles underlying the operations of the Bank in money and capital markets. Key principles of Market Risk Management Framework are:

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

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

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

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

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

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

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

Reports are prepared daily and indicatively include the following:

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

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

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

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

Comprehensive stress testing, aggregated per risk category, is conducted at least annually on year end data and business plan.

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

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

Market Risk Management defines the stress test approaches as below

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

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

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

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

First, it is generally the case that internal expectations about the effectiveness of CRM are based on the internal experience of the Bank, incorporated in the respective credit risk control framework, including its lending processes, and are typically conservatively adjusted, using for example recognition rates per collateral type.

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

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

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

II.2 GB1 - Overview of Risk Weighted Assets:

		Risk Weighted Amount		Minimum Capital Requirement	
		31.12.2020	31.12.2019	31.12.2020	31.12.2019
1	Credit Risk (excluding counterparty Credit Risk)	147,672,351	133,737,010	11,813,788	10,698,961
2	Standardized approach	147,672,351	133,737,010	11,813,788	10,698,961
3	Internal rating-based approach	-	-	-	-
4	Counterparty credit risk	5,657,395	4,817,823	452,592	385,426
5	Standardized approach for counterparty credit Risk	5,657,395	4,817,823	452,592	385,426
6	Internal model method	-	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-	-
8	Investments made in collective investment companies - look-through approach	-	-	-	-
9	Investments made in collective investment companies - mandate-based approach	-	-	-	-
10	Investments made in collective investment companies - 1250% weighted risk approach	-	-	-	-
11	Settlement risk	-	-	-	-
12	Securitization positions in banking accounts	-	-	-	-
13	IRB ratings-based approach	-	-	-	-
14	IRB Supervisory Formula Approach	-	-	-	-
15	SA/simplified supervisory formula approach	-	-	-	-
16	Market risk	3,589,088	3,347,613	287,127	267,809
17	Standardized approach	3,589,088	3,347,613	287,127	267,809
18	Internal model approaches	-	-	-	-
19	Operational Risk	14,668,786	12,435,826	1,173,503	994,866
20	Basic Indicator Approach	14,668,786	12,435,826	1,173,503	994,866
21	Standard Approach	-	-	-	-
22	Advanced measurement approach	-	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-	-
24	Floor adjustment	-	-	-	-
25	**TOTAL(1+4+7+8+9+10+11+12+16+19+23+24)**	**171,587,620**	**154,338,272**	**13,727,010**	**12,347,062**

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

3. Linkages between financial statements and risk amount

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

	Carrying values of items in accordance with TAS					
Current Period	Financial statements prepared as per TAS	Subject to credit risk	Subject to counterparty credit risk	Subject to the Securitization framework	Subject to market risk	Not subject to capital requirements or subject to deduction from capital
Assets						
Cash and balances with the Central Bank	27,403,058	27,406,457	-	-	-	-
Trading Financial Assets(*)	4,717,414	-	4,711,390	-	2,923,315	-
Financial Assets at Fair Value Through Profit or Loss	570,938	116,829	-	-	315,301	-
Banks	1,456,535	1,466,703	-	-	-	-
Money Market Placements	342,734	-	342,734	-	-	-
Financial Assets Available-for-Sale (Net)	15,181,089	15,181,089	7,654,584	-	-	-
Loans and Receivables	138,602,382	142,420,889	-	-	-	47,793
Factoring Receivables	-	-	-	-	-	-
Held-to-maturity investments (Net)	18,733,200	18,743,356	7,500,243	-	-	-
Investment in Associates (Net)	14,026	14,026	-	-	-	-
Investment in Subsidiaries (Net)	1,596,516	1,596,516	-	-	-	-
Investment in Joint ventures (Net)	282,408	282,408	-	-	-	-
Lease Receivables	-	-	-	-	-	-
Derivative Financial Assets Held for Hedging(*)	4,632,212	-	4,632,211	-	-	-
Property and Equipment (Net)	3,476,281	3,409,088	-	-	-	67,193
Intangible Assets (Net)	504,698	-	-	-	-	455,268
Investment Property (Net)	-	-	-	-	-	-
Tax Asset	931,700	931,700	-	-	-	-
Assets Held for Resale and Related to Discontinued Operations (Net)	-	-	-	-	-	-
Other Assets	8,808,157	8,816,190	-	-	-	-
TOTAL ASSETS	**227,253,348**	**220,385,251**	**24,841,162**	**-**	**3,238,616**	**570,254**
Liabilities						
Deposits	130,559,731	-	-	-	-	-
Derivative Financial Liabilities Held for Trading(**)	6,494,380	-	-	-	2,843,562	-
Funds Borrowed	20,192,024	-	-	-	-	-
Money Markets	14,489,394	-	14,489,394	-	-	-
Marketable Securities Issued	13,506,385	-	-	-	-	-
Funds	-	-	-	-	-	-
Miscellaneous Payables(***)	9,243,607	-	-	-	-	-
Other Liabilities(***)	2,682,947	-	-	-	-	-
Factoring Payables	-	-	-	-	-	-
Lease Payables	446,675	-	-	-	-	-
Derivative Financial Liabilities Held for Hedging(**)	1,582,972	-	-	-	-	-
Provisions	1,064,819	-	-	-	-	-
Tax Liability	1,063,699	-	-	-	-	-
Liabilities for Property and Equipment Held for Sale and Related to Discontinued Operations (Net)	-	-	-	-	-	-
Subordinated Loans	6,704,294	-	-	-	-	-
Shareholder's Equity	19,222,421	-	-	-	-	-
TOTAL LIABILITIES	**227,253,348**	**-**	**14,489,394**	**-**	**2,843,562**	**-**

(*) Financial assets held for trading and derivative financial assets for hedging purposes are included in the "Derivative Financial Assets" item in the financial statements.
(**) Financial liabilities held for trading and derivative financial liabilities for hedging purposes are included in the "Derivative Financial Liabilities" item in the financial statements.
(***) Miscellaneous payables and other liabilities are presented under "Other Liabilities" items in the financial statements.

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

	Carrying values of items in accordance with TAS					
Prior Period	**Financial statements prepared as per TAS**	**Subject to credit risk**	**Subject to counterparty credit risk**	**Subject to the Securitization framework**	**Subject to market risk**	**Not subject to capital requirements or subject to deduction from capital**
Assets						
Cash and balances with the Central Bank	18,748,232	18,750,540	-	-	-	-
Trading Financial Assets	3,814,171	-	3,778,815	-	2,777,147	-
Financial Assets at Fair Value Through Profit or Loss	334,949	86,838	-	-	334,949	-
Banks	854,081	859,580	-	-	-	-
Money Market Placements	3,040,962	-	3,040,962	-	-	-
Financial Assets Available-for-Sale (Net)	12,343,441	12,343,441	5,475,062	-	-	-
Loans and Receivables	110,596,392	113,169,631	-	-	-	28,525
Factoring Receivables	-	-	-	-	-	-
Held-to-maturity investments (Net)	16,169,450	16,181,302	6,517,031	-	-	-
Investment in Associates (Net)	5,982	5,982	-	-	-	-
Investment in Subsidiaries (Net)	1,250,114	1,250,114	-	-	-	-
Investment in Joint ventures (Net)	236,777	236,777	-	-	-	-
Lease Receivables	-	-	-	-	-	-
Derivative Financial Assets Held for Hedging	4,131,982	-	4,131,982	-	-	-
Property And Equipment (Net)	3,376,349	3,302,340	-	-	-	74,009
Intangible Assets (Net)	438,280	-	-	-	-	396,779
Investment Property (Net)	-	-	-	-	-	-
Tax Asset	348,688	348,688	-	-	-	-
Assets Held for Resale and Related to Discontinued Operations (Net)	-	-	-	-	-	-
Other Assets	5,990,661	5,999,874	-	-	-	-
TOTAL ASSETS	**181,680,511**	**172,535,107**	**22,943,852**	**-**	**3,112,096**	**499,313**
Liabilities						
Deposits	105,625,783	-	-	-	-	105,625,783
Derivative Financial Liabilities Held for Trading	3,619,172	-	-	-	2,630,305	988,867
Funds Borrowed	15,309,409	-	-	-	-	15,309,409
Money Markets	9,064,854	-	9,064,854	-	-	-
Marketable Securities Issued	13,085,974	-	-	-	-	13,085,974
Funds	-	-	-	-	-	-
Miscellaneous Payables	7,596,208	-	-	-	-	7,596,209
Other Liabilities	2,372,784	-	-	-	-	2,372,783
Factoring Payables	-	-	-	-	-	-
Lease Payables	447,730	-	-	-	-	447,730
Derivative Financial Liabilities Held For Hedging	1,359,762	-	-	-	-	1,359,762
Provisions	875,641	-	-	-	-	875,641
Tax Liability	205,582	-	-	-	-	205,582
Liabilities for Property and Equipment Held for Sale and Related to Discontinued Operations (Net)	-	-	-	-	-	-
Subordinated Loans	5,432,553	-	-	-	-	5,432,553
Shareholder's Equity	16,685,059	-	-	-	-	16,685,059
TOTAL LIABILITIES	**181,680,511**	**-**	**9,064,854**	**-**	**2,630,305**	**169,985,352**

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

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

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

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

	Prior period	Total	Subject To Credit Risk	Subject to the Securitization	Subject To Counterparty Credit Risk	Subject To Market Risk
1	Asset carrying value amount under scope of regulatory consolidation	198,591,054	172,535,107	-	22,943,852	3,112,096
2	Liabilities carrying value amount under regulatory scope of consolidation	11,695,159	-	-	9,064,854	2,630,305
3	Total net amount under regulatory scope of consolidation	186,895,895	172,535,107	-	13,878,998	481,791
4	Off-Balance Sheet Amounts	116,905,624	21,647,562	-	-	-
5	Differences due to different netting rules	2,865,822	-	-	-	2,865,822
6	Repo transactions	2,848,164	-	-	2,848,164	-
7	Potential credit risk amount calculated for the counterparty	1,397,176	-	-	1,397,176	-
8	Differences due to credit risk reduction	(13,054,380)	(2,030,934)	-	(11,023,446)	-
	Risk Amounts	-	192,151,735	-	7,100,892	3,347,613

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

a) None.

b) There is no significant difference between amounts valued in accordance with TAS included in B2 and risk exposures except for "Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)". There is a significant difference between amounts valued according to TAS and risk exposures, since the securities which are subject to repurchase that include in Money Market Payables account item are subject to counter party risk.

c) Valuation methodologies regarding the disclosure related to use of Market Value and Model Value:

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

Market risk is the likelihood of loss of financial assets and positions in the bank's trading accounts in general terms as a result of changing the current market values.

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

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

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

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

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

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

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

Definition of independent price approval processes:

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

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

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

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

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

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

4. Credit Risk Disclosures

4.1 General information on credit risk

4.1.1. CRA - General qualitative information on credit risk

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

The Bank deploys forward looking, risk sensitive measurement systems and tools, including appropriate information technology (IT) applications and management information systems (MIS), to account for expected and unexpected losses in both normal and stress market conditions, for all types of risks as appropriate.

b) Criteria and approach used during the determination of credit risk policy and credit risk limits

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

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

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

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

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

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

Main responsibilities of Credit Risk Management Department are as follows:

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

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

Risk governance model includes three lines of defense consisting of:

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

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

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

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

Monthly risk reports are submitted to the Board of Directors and Board Risk Committee. These executive reports include information related to capital adequacy, Market Risk, Credit Risk, Counterparty Credit Risk and Operation Risk. Report mainly consists of the following; changes in risk parameters, changes in exposures of segments, concentration and risk metrics, stress testing and results, delinquency amounts and ratios by segments, stage 3, stage 2, rating and PD distributions, vintage analyses, collaterals, recoveries, restructurings.

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

In addition to these monthly reports, a comparative analysis with peer Banks, which is based on quarterly capital adequacy and credit risk metrics, is also reported to senior management and the board of directors.

4.2 CR1 - Credit quality of assets:

		Gross carrying values of as per TAS		Allowances/ impairments	Net values
	Current Period	Defaulted exposures	Non-defaulted exposures		
1	Loans(*)	9,127,593	140,347,688	6,889,770	**142,585,511**
2	Debt Securities	-	33,916,772	-	**33,916,772**
3	Off-balance sheet Exposures	353,323	93,022,977	48,284	**93,328,016**
4	**Total**	**9,480,916**	**267,287,437**	**6,938,054**	**269,830,299**

(*) Includes financial assets at fair value through profit or loss in line with TFRS 9 amounting to TL116,829 (December 31, 2019 - TL86,838)

		Gross carrying values of as per TAS		Allowances/ impairments	Net values
	Prior Period	Defaulted exposures	Non-defaulted exposures		
1	Loans(*)	8,274,415	110,784,773	5,943,713	**113,115,475**
2	Debt Securities	-	28,334,946	-	**28,334,946**
3	Off-balance sheet exposures	371,834	75,759,667	45,614	**76,085,887**
4	**Total**	**8,646,249**	**214,879,386**	**5,989,327**	**217,536,308**

(*) Includes financial assets at fair value through profit or loss in line with TFRS 9 amounting to TL86,838 (December 31, 2019 - TL110,032)

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

		Current Period	Prior Period
1	Defaulted loans and debt securities at end of the previous reporting period	8,274,415	6,155,252
2	Loans and debt securities that have defaulted since the last reporting period	2,352,858	4,357,917
3	Returned to non-defaulted status	-	-
4	Amounts written off(*)	4,867	929,246
5	Other changes(**)	1,494,813	1,309,508
6	**Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)**	**9,127,593**	**8,274,415**

(*) In current period, there is not any balance regarding sales of non-performing loans (December 31, 2019 : TL918,518)
(**) Includes collections from credits in default.

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

a) The criteria taken into consideration by the Bank in determining the impairment are explained in footnote VIII of the third section. Receivables having more than 90 days overdue are defined as “Past due receivables”. There is no difference between “past due receivables” and “loans subject to provisioning” since all loans with 90 days overdue are subject to specific provisioning.

b) There is no part of past due receivables which is not reviewed as “loans subject to provisioning”.

c) The Bank’s specific provision calculation is explained in footnote VIII of the third section.When specific provisions are determined, the minimum specific provision rates are used and the collaterals are not deducted from the risk bases in accordance with the “Regulation on the Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be Set Aside”.

d) In receivables of the customers having difficulties in payment of receivables to the Bank or expected to have possible difficulties in payments then receivables in aforementioned scope are identified as “restructured receivables”.

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

Exposures provisioned against by major regions:

Country	Current Period	Prior Period
Turkey	139,129,640	109,998,461
European Union (EU) Countries	499,318	449,498
USA,Canada	23,237	19,487
OECD Countries	187	2,493
Off-Shore Banking Regions	321,970	44,659
Other Countries	373,336	270,176
Total(*)	**140,347,688**	**110,784,774**

(*) Includes Financial Assets Measured at fair value through profit or loss amounting to TL116,829 in accordance with TFRS 9 (December 31, 2019 - TL86,838).

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

Exposures provisioned against by major sectors:

	Current Period	Prior Period
1. Agricultural	**2,420,350**	**2,342,906**
1.1. Farming and raising livestock	2,242,051	2,165,319
1.2. Forestry	7,661	7,463
1.3. Fishing	170,638	170,124
2. Manufacturing	**27,779,424**	**20,227,280**
2.1. Mining and Quarrying	322,996	320,642
2.2. Production	22,666,499	15,932,481
2.3. Electricity, Gas, Water	4,789,929	3,974,157
3. Construction	**6,364,791**	**5,842,486**
4. Services	**57,340,304**	**45,263,180**
4.1 Wholesale and retail trade	20,158,777	16,057,124
4.2 Hotel, food and beverage services	5,289,989	4,759,454
4.3 Transportation and telecommunication	15,321,475	11,837,609
4.4 Financial institutions	9,718,334	7,065,951
4.5 Real estate and leasing services	360,950	276,556
4.6 Self-employment services	1,606,066	1,333,270
4.7 Education services	411,683	402,373
4.8 Health and social services	4,473,030	3,530,843
5. Other	**46,442,819**	**37,108,922**
6. Total(*)	**140,347,688**	**110,784,774**

(*) Includes Financial Assets Measured at fair value through profit or loss amounting to TL116,829 in accordance with TFRS 9 (31 December 2019 - TL86,838).

Breakdown of Exposures according to remaining maturity:

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

(*) Provision amounts have been deducted from current period balances.

Prior period	Demand	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Loans and Receivables(*)	-	21.248.476	9.383.560	31.665.164	33.504.799	12.463.691	108.265.690

(*) Provision amounts have been deducted from current period balances.

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

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

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

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

Prior Period	Loans Subject to Provision	Provision	Written-off from Assets
Turkey	8,239,083	5,924,249	929,246
European Union (EU) Countries	18,903	3,043	-
USA,Canada	-	-	-
OECD Countries(*)	-	-	-
Off-Shore Banking Regions	16,410	16,403	-
Other Countries	19	18	-
Total	**8,274,415**	**5,943,713**	**929,246**

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

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

Exposures provisioned against by major sectors and Loans written off

	Current Period			Prior Period		
	Loans subject to provision	Provision	Written-off from Assets	Loans subject to provision	Provision	Written-off from Assets
1. Agriculture	**338,010**	**213,087**	**-**	**330,343**	**193,701**	**8,551**
1.1. Farming and Raising Livestock	326,660	204,283	-	318,254	184,370	8,361
1.2. Forestry	298	280	-	294	256	43
1.3. Fishing	11,052	8,524	-	11,795	9,075	147
2. Industrial	**1,418,854**	**1,134,323**	**44**	**1,486,996**	**1,150,456**	**82,271**
2.1. Mining and Quarrying	16,852	11,050	-	18,437	13,158	601
2.2. Production	1,092,735	814,066	44	1,159,220	828,090	81,453
2.3. Electricity. Gas. Water	309,267	309,207	-	309,339	309,208	217
3. Construction	**932,644**	**546,530**	**35**	**860,694**	**461,305**	**13,735**
4. Services	**3,691,399**	**2,550,249**	**453**	**2,962,884**	**1,974,398**	**288,858**
4.1. Wholesale and Retail Trade	2,136,015	1,555,854	348	2,076,620	1,407,994	217,195
4.2. Hotel. Food and Beverage Services	271,829	198,801	43	210,944	137,678	32,407
4.3. Transportation and Communication	128,060	103,880	51	141,637	97,716	17,865
4.4. Financial Institutions	894,050	500,642	-	274,960	151,576	3,761
4.5. Real Estate and Renting Services	18,740	15,975	-	24,010	17,860	2,386
4.6. Self-Employment Services	120,841	93,966	11	112,221	81,572	9,052
4.7. Educational Services	82,938	48,826	-	81,995	48,626	1,945
4.8. Health and Social Services	38,926	32,305	-	40,497	31,376	4,247
5. Other	**2,746,686**	**2,445,581**	**4,335**	**2,633,498**	**2,163,853**	**535,831**
6. Total	**9,127,593**	**6,889,770**	**4,867**	**8,274,415**	**5,943,713**	**929,246**

g) Aging analysis

Overdue Days	Current Period	Prior Period
0-30	137,506,110	108,487,649
31-60	1,252,025	1,334,197
61-90	660,146	962,928
90+	10,057,000	8,274,415
Total	**149,475,281**	**119,059,189**

5. Credit risk mitigation

5.1 CRC - Qualitative disclosure on credit risk mitigation techniques

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

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

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

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

Insurance policies of the collaterals should be obtained.

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

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

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

5.2 CR3 Credit risk mitigation techniques - Overview:

	Current Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	138,189,725	4,395,786	2,290,707	-	-	-	-
2	Debt securities	33,916,772	-	-	-	-	-	-
3	**TOTAL**	**172,106,497**	**4,395,786**	**2,290,707**	**-**	**-**	**-**	**-**
4	Of which defaulted	2,526,504	16,358	311	-	-	-	-

	Prior Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	108,894,571	4,220,904	2,032,650	-	-	-	-
2	Debt securities	28,334,946	-	-	-	-	-	-
3	**TOTAL**	**137,229,517**	**4,220,904**	**2,032,650**	**-**	**-**	**-**	**-**
4	Of which defaulted	2,319,740	10,962	321	-	-	-	-

6. Credit risk when standard approach is used

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

a) Marks of Fitch credit rating institution are used in credit risk standard approach calculations.

b) Centralized administrations and Banks take CRA marks into account for risk classes.

c) Mark is assigned to a debtor by taking for all assets of the debtor into account.

d) CRA, which is not included in twinning table of the institution, is not used.

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

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

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

	Prior Period	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Exposure Categories	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	44,900,241	-	49,934,775	-	14,079,559	28%
2	Exposures to regional governments or local authorities	83,158	65	83,158	-	41,579	50%
3	Exposures to public sector entities	179,878	105,385	179,289	47,232	226,523	100%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to institutions	6,210,450	2,284,548	6,209,132	1,510,750	4,157,233	54%
7	Exposures to corporates	47,584,523	34,947,988	45,587,561	16,440,757	62,028,317	100%
8	Retail exposures	56,504,241	79,033,922	51,436,247	3,531,696	41,225,957	75%
9	Exposures secured by residential property	2,649,968	342,574	2,649,968	12,254	931,778	35%
10	Exposures secured by commercial real estate	2,579,419	169,759	2,579,419	105,049	1,342,234	50%
11	Past-due loans	2,094,858	-	2,094,568	-	1,479,795	71%
12	Higher-risk categories by the Agency Board	235,889	1,540	235,858	1,540	356,096	150%
13	Exposures in the form of covered bonds	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-
16	Other assets	7,829,811	19,843	7,829,812	-	6,185,269	79%
17	Investments in equities	1,682,670	-	1,682,670	-	1,682,670	100%
18	**Total**	**172,535,106**	**116,905,624**	**170,502,457**	**21,649,278**	**133,737,010**	**70%**

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

6.3. CR5 - Standard approach - exposures by asset classes and risk

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

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

	Prior Period										
	Exposure Categories/Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total Credit Risk Exposure Amount(*)
1	Exposures to central governments or central banks	35,855,216	-	-	-	-	-	14,079,559	-	-	49,934,775
2	Exposures to regional governments or local authorities	-	-	-	-	83,158	-	-	-	-	83,158
3	Exposures to public sector entities	-	-	-	-	-	-	226,521	-	-	226,521
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	-	-	1,101,642	-	5,362,670	-	1,255,570	-	-	7,719,882
7	Exposures to corporates	-	-	-	-	-	-	62,028,318	-	-	62,028,318
8	Retail exposures	-	-	-	-	-	54,967,943	-	-	-	54,967,943
9	Exposures secured by residential property	-	-	-	2,662,222	-	-	-	-	-	2,662,222
10	Exposures secured by commercial real estate	-	-	-	-	2,684,468	-	-	-	-	2,684,468
11	Past-due loans	-	-	-	-	1,229,547	-	865,021	-	-	2,094,568
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	237,398	-	237,398
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-
16	Investments in equities	-	-	-	-	-	-	1,682,670	-	-	1,682,670
17	Other Assets	1,644,535	-	8	-	-	-	6,185,269	-	-	7,829,812
18	**Total**	**37,499,751**	**-**	**1,101,650**	**2,662,222**	**9,359,843**	**54,967,943**	**86,322,928**	**237,398**	**-**	**192,151,735**

7. Disclosures regarding counterparty credit risk

7.1 Qualitative disclosures regarding DCCR - CCR table:

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

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

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

Main Bank does not make a distinction between banks, non-bank financial institutions and individual customers with respect to counterparty credit risk. Transactions made with non-bank financial institutions are reviewed in the framework of corporate-commercial credit risk while banks are considered in the framework of financial institutions.

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

b) A clear definition of risk appetite and its approval by Board of Directors is the precondition to establish a consistent risk limit system. The Bank has determined the following limit structure in order to limit the risk carried over derivative transactions. Those limits are determined in Market Risk Policy and approved by Board of Directors.

- Limits on option sensitivity indexes basis: Maximum risk which can be taken in delta, gama and vega positions is limited.
- Option nominal position limit: Maximum nominal position which can be taken on option type basis is limited.
- Interest sensitivity limit of forward exchanges included in trading accounts: Interest risk which can be carried by swap and forward exchanges made for the purposes of trading.

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

c) CCR is tried to be reduced with various techniques. The Bank uses daily exchange limits in addition to credit support and global repo agreements in order to reduce exchange risk. Limits, defined for financial institutions, are allocated according to creditability of counterparty and monitored as real time and online. Parties, having over the counter transactions with the Bank, are financial institutions which are well known and having a long term of business relationship.

d) Countertrend risk states that probability of default of counterparty has a positive correlation with general market risk factors. Main Partner Bank monitors impacts of market risk factors such as interest and exchange on customer credit risk. Especially, in periods having sharp financial movements, required actions are taken in line with analysis performed.

e) If there is a decline in credit rating grade, there is no additional collateral amount which must be provided by the Bank.

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

7.2 CCR1 - Assessment of Counterparty Credit Risk according to the models of measurement

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

	Prior Period	Revaluation Cost	Potential credit risk exposure	EEPE	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standard approach - CCR (for derivatives)	4,846,796	1,397,176	-	1,4	3,134,602	2,040,809
2	Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)	-	-	-	-	-	-
3	The simple method used to mitigate credit risk - repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions.	-	-	-	-	-	-
4	Comprehensive method for reducing credit risk - (for repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)	-	-	-	-	3,966,290	2,022,498
5	Repo transactions, securities or commodity lending or borrowing transactions, long-term transactions with risk exposure value for credit securities transactions	-	-	-	-	-	-
6	**Total**	**-**	**-**	**-**	**-**	**-**	**4,063,307**

7.3 CCR2 - Credit valuation adjustment (CVA) capital charge

		Exposure (After credit risk mitigation methods)		Risk Weighted Amounts	
		Current Period	Prior Period	Current Period	Prior Period
	Total portfolio value with comprehensive approach CVA capital adequacy	-	-	-	-
1	(i) Value at risk component (3*multiplier included)	-	-	-	-
2	(ii) Stressed Value at Risk (3*multiplier included)	-	-	-	-
3	Total portfolio value with simplified approach CVA capital adequacy	3,964,202	3,134,602	1,037,408	754,518
4	**Total amount of CVA capital adequacy**	**3,964,202**	**3,134,602**	**1,037,408**	**754,518**

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

7.4 CCR3 - Standardised approach - CCR exposures by regulatory portfolio and risk weights

Prior Period

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

Prior Period

	Exposure Categories/Risk Weight	0%	10%	20%	50%	75%	100%	150%	Others	Total Credit Risk
1	Exposures from central governments or central banks	3,841	-	-	-	-	28,222	-	9,481	41,544
2	Exposures from regional or local governments	-	-	-	-	-	-	-	-	-
3	Exposures from administrative units and non-commercial enterprises	-	-	-	-	-	2	-	-	2
4	Exposures from multilateral development banks	-	-	-	-	-	-	-	-	-
5	Exposures from international organizations	-	-	-	-	-	-	-	-	-
6	Exposures from banks and brokerage houses	-	-	599,836	4,680,501	-	21,980	-	-	5,302,317
7	Exposures from corporates	-	-	-	-	-	939,693	-	-	939,693
8	Retail receivables	-	-	-	-	817,336	-	-	-	817,336
9	Mortgage receivables	-	-	-	-	-	-	-	-	-
10	Non performing receivables	-	-	-	-	-	-	-	-	-
11	High risk defined receivables	-	-	-	-	-	-	-	-	-
12	Mortgage backed securities	-	-	-	-	-	-	-	-	-
13	Securitization Positions	-	-	-	-	-	-	-	-	-
14	Short term credit rated banks and Intermediary Institutions receivables	-	-	-	-	-	-	-	-	-
15	Collective investment undertaking investments	-	-	-	-	-	-	-	-	-
16	Equity Investments	-	-	-	-	-	-	-	-	-
17	Other Receivables	-	-	-	-	-	-	-	-	-
18	Other Assets	-	-	-	-	-	-	-	-	-
19	**Total**	**3,841**	**-**	**599,836**	**4,680,501**	**817,336**	**989,897**	**-**	**9,481**	**7,100,892**

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

7.5 CCR4 - Risk Class and Counterparty Credit Risk on the basis of Possibility of Default

Related table is not presented due to standard method is used for calculation of capital adequacy (December 31, 2019 - None).

7.6 CCR5 - Composition of collateral for CCR exposure:

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

	Collaterals for Derivatives				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
Prior Period	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-Local Currency	-	-	-	-	256,811	-
Cash - Foreign Currency	-	3,792,115	-	3,124,158	7,636,052	-
Government bond-domestic	-	-	-	-	3,040,962	-
Government bond-other	-	-	-	-	-	-
Public institution bonds	-	-	-	-	-	-
Corporate bond	-	-	-	-	-	-
Equity share	-	-	-	-	-	-
Other collaterals	-	-	-	-	-	-
Total	**-**	**3,792,115**	**-**	**3,124,158**	**10,933,825**	**-**

7.7 CCR6 - Credit derivatives exposures

Related table is not presented due to the Bank has no risk arrived from derivative credit received or sold (December 31, 2019 - None).

7.8 CCR7 - RWA changes on CCR within the internal model method

Related table is not presented due to usage of standard approach for the calculation of capital adequacy by the Bank (December 31, 2019 - None).

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

7.9 CCR8 - Exposures to central counterparties

		Current Period		Prior Period	
		Exposure at Default (Post - CRM)	RWA	Exposure at Default (Post - CRM)	RWA
1	**Exposure to Qualified Central Counterparties (QCCPs) Total**	**74,123**	**1,482**	**9,481**	**190**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions) of which	-	-	-	-
3	(i) OTC Derivatives	-	-	-	-
4	(ii) Exchange-traded Derivatives	74,123	1,482	9,481	190
5	(iii) Securities financing transactions	-	-	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-	-	-
7	Segregated initial margin	-	-	-	-
8	Non-segregated initial margin	-	-	-	-
9	Pre-funded default fund contributions	-	-	-	-
10	Unfunded default fund contributions	-	-	-	-
11	Exposures to non-QCCPs (total)	-	-	-	-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-	-	-
13	(i) OTC Derivatives	-	-	-	-
14	(ii) Exchange-traded Derivatives	-	-	-	-
15	(iii) Securities financing transactions	-	-	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-	-	-
17	Segregated initial margin	-	-	-	-
18	Non-segregated initial margin	-	-	-	-
19	Pre-funded default fund contributions	-	-	-	-
20	Unfunded default fund contributions	-	-	-	-

8. Securitization exposures:

The Bank has no securitization transactions (December 31, 2019 - None).

9. Disclosures regarding consolidated market risk

9.1 MRD - Qualitative information which shall be disclosed to public related to market risk

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

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

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

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

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

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

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

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

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

9.2. PR1 - Market risk under standardized approach:

		RWA(**)	
		Current Period	Prior Period
	Outright products(*)	3,579,050	3,271,550
1	*Interest rate risk (general and specific)*	*1,784,175*	*2,125,287*
2	*Equity risk (general and specific)*	*50,200*	*49,125*
3	*Foreign exchange risk*	*1,684,063*	*923,788*
4	*Commodity risk*	*60,612*	*173,350*
	Options	10,038	76,063
5	*Simplified approach*	-	-
6	*Delta-plus method*	*10,038*	*76,063*
7	*Scenario approach*	-	-
8	Securitization	-	-
9	**Total**	**3,589,088**	**3,347,613**

10. Explanations related to the operational risk

The Bank calculates the amount subject to operational risk based on "Basic Indicator Method" by using 2019, 2018, 2017 year-end gross income balances of the Bank, in accordance with Section 3 of the "Regulation Regarding Measurement and Evaluation of Banks' Capital Adequacy Ratio", published in the Official Gazette No. 28337 dated June 28, 2012, namely "The Calculation of the Amount Subject to Operational Risk. As of December 31, 2020, the total amount subject to operational risk is TL14,668,786 (December 31, 2019 - TL12,435,825).

Current Year Basic Indicator Method	2 PP Amount	1 PP Amount	CP Amount	Total/No. of Years of Positive Gross	Rate (%)	Total
Gross Income	6,158,155	8,506,036	8,805,867	7,823,353	15	1,173,503
Value at operational risk (Total*12.5)						**14,668,786**

Prior Year Basic Indicator Method	2 PP Amount	1 PP Amount	CP Amount	Total/No, of Years of Positive Gross	Rate (%)	Total
Gross Income	5,233,130	6,158,155	8,506,036	6,632,440	15	994,866
Value at operational risk (Total*12.5)						**12,435,825**

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

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

III. Explanations on Foreign Currency Exchange Rate Risk

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

The difference between the Bank's foreign currency denominated and foreign currency indexed assets and liabilities is defined as the "Net Foreign Currency Position" and is the basis of currency risk. Foreign currency denominated assets and liabilities, together with purchase and sale commitments, give rise to foreign exchange exposure.

The Risk Management Department, which maintains its activities independently from the executive functions and reports to the Board of Directors; as of Credit Risk, Market Risk and Operational Risk each consists of three sub-divisions with responsibility for defining, measuring, controlling, managing and monitoring related risk types and Model Verification team responsible for monitoring the performance of models used in risk estimates.

In measuring the exchange rate exposure of the Bank, the "standard method" is used in the legal reports and the VaR is used in the internal method. The measurements made within the scope of the standard method are carried out monthly and the measurements made within the scope of VaR calculations are carried out on a daily basis. In addition, the maximum foreign currency position that can be taken is determined on the basis of currency types and table, and daily limit compliance control is carried out by Risk Management.

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

The Bank hedges foreign currency borrowings with derivative instruments. The Bank does not hedge net foreign currency investments with derivative instruments. (Details explaining Section Five Part three)

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

US Dollar purchase rate at the date of the balance sheet	TL7.3405
Euro purchase rate at the date of the balance sheet	TL9.0079

Date	US Dollar	Euro
December 31, 2020	7.3405	9.0079
December 30, 2020	7.4063	9.0697
December 29, 2020	7.4738	9.1370
December 28, 2020	7.5517	9.2037
December 25, 2020	7.6190	9.2948

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

The arithmetical average of the Bank's US Dollar and Euro purchase rates for December 2020 are TL7.7211 and TL9.3842 respectively.

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

5. Information on the foreign currency exchange rate risk of the bank (Thousands of TL)

Current Period	EUR	USD	Other FC	Total
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank[1]	10,655,063	13,011,260	1,234,394	24,900,717
Due From Banks	506,668	807,546	151,372	1,465,586
Financial Assets at Fair Value through Profit or Loss[2]	747,291	1,070,465	513	1,818,269
Money Market Placements	-	92,610	-	92,610
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	1,954,819	7,425,423	-	9,380,242
Loans and Receivables[3]	29,000,373	17,104,228	160,642	46,265,243
Investments in Assoc., Subsidiaries and Entities under Common Control (Joint Vent.)	-	-	-	-
Financial Assets Measured at Amortized Cost	1,617,836	7,565,887	-	9,183,723
Derivative Financial Assets Hedging Purposes	-	522,924	-	522,924
Tangible Assets	-	-	18	18
Intangible Assets	-	-	-	-
Other Assets[4]	2,597,082	2,383,127	420	4,980,629
Total Assets	**47,079,132**	**49,983,470**	**1,547,359**	**98,609,961**
Liabilities				
Bank Deposits	525,537	3,428,155	208,452	4,162,144
Foreign Currency Deposits[5]	16,233,899	44,608,617	17,140,598	77,983,114
Money Market Borrowings	1,147,403	8,965,547	-	10,112,950
Funds Provided from Other Financial Institutions	8,296,151	18,113,432	-	26,409,583
Securities Issues	-	11,228,075	723,346	11,951,421
Sundry Creditors	2,524,874	2,057,804	6,674	4,589,352
Derivative Fin. Liabilities for Hedging Purposes	47,786	1,506,767	-	1,554,553
Other Liabilities[6]	739,929	1,250,585	130	1,990,644
Total Liabilities	**29,515,579**	**91,158,982**	**18,079,200**	**138,753,761**
Net Balance Sheet Position	**17,563,553**	**(41,175,512)**	**(16,531,841)**	**(40,143,800)**
Net Off-Balance Sheet Position	**(17,612,330)**	**39,341,684**	**16,523,358**	**38,252,712**
Financial Derivative Assets	22,977,930	105,631,951	18,050,019	146,659,900
Financial Derivative Liabilities	40,590,260	66,290,267	1,526,661	108,407,188
Non-Cash Loans[7]	9,935,011	11,239,630	345,711	21,520,352
Prior Period				
Total Assets	34,267,167	38,569,548	1,023,236	73,859,951
Total Liabilities	24,574,639	72,790,345	5,677,136	103,042,120
Net Balance Sheet Position	**9,692,528**	**(34,220,797)**	**(4,653,900)**	**(29,182,169)**
Net Off-Balance Sheet Position	**(9,599,135)**	**33,099,527**	**4,660,214**	**28,160,606**
Financial Derivative Assets	18,473,411	89,357,689	4,984,700	112,815,800
Financial Derivative Liabilities	28,072,546	56,258,162	324,486	84,655,194
Non-Cash Loans[7]	8,107,684	9,513,266	625,822	18,246,772

[1] Cash and Balances with TR Central Bank; Other FC include TL1,160,921 (December 31, 2019 - TL737,276) precious metal deposit account.
[2] Does not include TL239,259 (December 31, 2019 - TL167,549) of currency income accruals arising from derivative transactions.In accordance with TFRS 9, TL116,829 which is accounted under Financial Assets at Fair Value Through profit or Loss is not included.
[3] Includes TL489,555 (December 31, 2019 - TL999,190) FC indexed loans.
[4] Does not include FC prepaid expenses amounting to TL47,634 (December 31, 2019 - TL37,315) as per BRSA's Communique published in Official Gazette no 26085 on February 19, 2006.
[5] Other foreign currency includes TL15,484,501 (December 31, 2019 - TL3,700,363) of precious metal deposit account.
[6] Does not include currency expense accruals of derivative financial instruments kept in FC accounts amounting to TL181,798 (December 31, 2019 - TL103,590)
[7] Does not have an effect on Net Off-Balance Sheet Position.

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

6. Sensitivity to foreign exchange risk

The Bank is mainly exposed to EUR and USD currencies.

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

	Change in Currency rate in %	Net Effect on Profit or Loss (After Tax)	Net Effect on Equity(*)	Net Effect on Profit or Loss (After Tax)	Net Effect on Equity(*)
		Current Period	Current Period	Prior Period	Prior Period
US Dollar	10% increase	1,195	(103,901)	(2,253)	(56,153)
	10% decrease	(1,195)	103,901	2,253	56,153
EURO	10% increase	(485)	(3,406)	748	177
	10% decrease	485	3,406	(748)	(177)

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

IV. Explanations on Interest Rate Risk

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

Interest rate sensitivity of assets, liabilities and off balance sheet items is analyzed by top management in the Asset/Liability Committee meetings held every month by taking the market developments into consideration.

The management of the Bank follows the interest rates in the market on a daily basis and revises interest rates of the Bank when necessary.

Besides customer deposits, the Bank funds its long term fixed interest rate TL loan portfolio with long term (up to 10 years) floating interest rate foreign currency funds obtained from international markets. The Bank changes the foreign currency liquidity obtained from the international markets and customer deposits to TL liquidity with long term swap transactions (fixed TL interest rate and floating FC interest rate). Therefore, the Bank not only funds its long term fixed interest rate loans with TL but also hedges itself from interest rate and maturity risk.

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

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

(Based on repricing dates)

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing[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]	6,501,977	-	-	-	-	20,901,081	27,403,058
Due from Banks[3]	72,063	-	-	-	-	1,384,472	1,456,535
Financial Assets at Fair Value Through Profit or Loss[4]	1,306	284,331	19,797	77,532	22,847	8,114,065	8,519,878
Money Market Placements[5]	342,734	-	-	-	-	-	342,734
Financial Assets at Fair Value Through Other Comprehensive Income[5]	1,807,231	1,277,032	3,165,778	3,839,136	4,728,569	1,764,029	16,581,775
Loans and Receivables	29,193,780	20,654,070	51,074,203	31,978,431	3,465,075	2,236,823	138,602,382
Inv. Securities Held to Maturity[6]	3,072,701	2,305,967	4,811,742	3,274,171	4,668,299	600,320	18,733,200
Other Assets	-	-	-	-	-	15,613,786	15,613,786
Total Assets	**40,991,792**	**24,521,400**	**59,071,520**	**39,169,270**	**12,884,790**	**50,614,576**	**227,253,348**
Liabilities							
Bank Deposits	3,436,160	1,006,656	17,509	-	-	123,019	4,583,344
Other Deposits	55,272,686	16,188,082	4,175,747	339,333	201	50,000,338	125,976,387
Money Market Borrowings	7,649,908	4,955,340	1,638,887	149,074	-	96,185	14,489,394
Sundry Creditors	4,589,352	-	-	-	-	4,654,255	9,243,607
Securities Issued	583,695	888,815	916,564	11,117,311	-	-	13,506,385
Funds Borrowed	552,633	15,339,786	7,046,313	3,956,096	-	1,490	26,896,318
Other Liabilities[7]	3,921	2,379	69,607	360,836	9,932	32,111,238	32,557,913
Total Liabilities	**72,088,355**	**38,381,058**	**13,864,627**	**15,922,650**	**10,133**	**86,986,525**	**227,253,348**
On Balance Sheet Long Position	-	-	45,206,893	23,246,620	12,874,657	-	81,328,170
On Balance Sheet Short Position	(31,096,563)	(13,859,658)	-	-	-	(36,371,949)	(81,328,170)
Off-Balance Sheet Long Position	4,675,623	11,004,983	-	-	-	-	15,680,606
Off-Balance Sheet Short Position	-	-	(237,755)	(1,647,358)	(9,188,319)	-	(11,073,432)
Total Position	**(26,420,940)**	**(2,854,675)**	**44,969,138**	**21,599,262**	**3,686,338**	**(36,371,949)**	**4,607,174**

[1] Non-Interest Bearing column includes accruals, provision for losses and derivative financial instruments' fair value valuation difference.
[2] Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank include amount of TL 3,399 expected loss provisions.
[3] Banks include balance of expected loss provisions amounting to TL10,168.
[4] Financial Assets at Fair Value ThroughProfit or Loss include TL7,948,940 derivative financial assets used for hedging purposes.
[5] Financial Assets at Fair Value Through Other Comprehensive Income include TL1,400,686 derivative financial assets used for hedging purposes.
[6] Financial Assets measured at amortized cost includes the balance of the expected loss provisions amounting to TL10,156.
[7] Other Liabilities includes Derivative Financial Assets amounting to TL8,077,352.

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

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

(Based on repricing dates)

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing[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]	5,273,824	-	-	-	-	13,474,408	18,748,232
Due from Banks[3]	397,559	-	-	-	-	456,522	854,081
Financial Assets at Fair Value Through Profit or Loss[4]	105,443	7,324	100,830	83,906	10,890	6,612,867	6,921,260
Money Market Placements[5]	3,040,962	-	-	-	-	-	3,040,962
Financial Assets at Fair Value Through Other Comprehensive Income[6]	888,910	951,296	3,187,056	3,129,517	3,756,217	1,790,287	13,703,283
Loans and Receivables	26,662,304	13,675,068	39,329,793	25,677,719	2,920,806	2,330,702	110,596,392
Inv. Securities Held to Maturity[7]	2,102,380	2,924,348	3,936,398	2,689,458	4,240,487	276,379	16,169,450
Other Assets	-	-	-	-	-	11,646,851	11,646,851
Total Assets	**38,471,382**	**17,558,036**	**46,554,077**	**31,580,600**	**10,928,400**	**36,588,016**	**181,680,511**
Liabilities							
Bank Deposits	3,244,393	1,864,410	103,274	-	-	194,282	5,406,359
Other Deposits	56,711,063	14,379,041	3,507,554	253,342	149	25,368,275	100,219,424
Money Market Borrowings	3,169,354	3,117,558	2,580,779	47,000	94,372	55,791	9,064,854
Sundry Creditors	3,943,415	-	-	-	-	3,652,793	7,596,208
Securities Issued	1,427,774	2,238,188	406,078	9,013,934	-	-	13,085,974
Funds Borrowed	2,594,108	9,297,887	5,662,540	63,315	3,121,810	2,302	20,741,962
Other Liabilities[8]	1,426	2,576	26,550	410,576	6,602	25,118,000	25,565,730
Total Liabilities	**71,091,533**	**30,899,660**	**12,286,775**	**9,788,167**	**3,222,933**	**54,391,443**	**181,680,511**
On Balance Sheet Long Position	-	-	34,267,302	21,792,433	7,705,467	-	63,765,202
On Balance Sheet Short Position	(32,620,151)	(13,341,624))	-	-	-	(17,803,427)	(63,765,202)
Off-Balance Sheet Long Position	2,860,494	15,346,143	-	-	-	-	18,206,637
Off-Balance Sheet Short Position	-	-	(16,962)	(9,826,412)	(3,490,092)	-	(13,333,466)
Total Position	**(29,759,657)**	**2,004,519**	**34,250,340**	**11,966,021**	**4,215,375**	**(17,803,427)**	**4,873,171**

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

(2) Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank include amount of TL2,309 expected loss provisions.

(3) Banks include balance of expected loss provisions amounting to TL5,498.

(4) Financial Assets at Fair Value Through Profit or Loss include TL6,586,311 derivative financial assets used for hedging purposes.

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

(6) Financial Assets at Fair Value Through Other Comprehensive Income include TL1,359,842 derivative financial assets used for hedging purposes.

(7) Financial Assets measured at amortized cost includes the balance of the expected loss provisions amounting to TL11,852.

(8) Other Liabilities include derivative Financial Assets Measured at Fair Value through Other Comprehensive Income used for hedging purposes amounting to TL4,978,934.

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Average interest rates applied to monetary financial instruments

Current Period	EURO %	USD %	JPY %	TL %
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the T.R. Central Bank	-	-	-	12.00
Due from Banks	0.05	-	-	-
Financial Assets Measured at Fair Value through Profit or Loss (FVTPL)	3.07	5.63	-	17.13
Money Market Placements	-	0.01	-	18.16
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	2.87	5.30	-	14.29
Loans and Receivables	4.27	5.14	5.23	14.24
Financial Assets Measured at Amortized Cost	3.76	5.55	-	14.04
Liabilities				
Bank Deposits	0.64	1.51	-	16.74
Other Deposits	0.45	1.36	0.62	15.46
Money Market Borrowings	-	1.38	-	16.71
Sundry Creditors	(0.39)	-	-	-
Securities Issued	-	5.58	-	17.72
Funds Borrowed	2.25	4.43	-	11.59

Prior Period	EURO %	USD %	JPY %	TL %
Assets				
Cash (Cash in Vault. Foreign Currency Cash. Money in Transit. Cheques Purchased) and Balances with the T.R. Central Bank	-	-	-	10.00
Due from Banks	-	-	-	11.40
Financial Assets Measured at Fair Value through Profit or Loss (FVTPL)	2.94	8.64	-	11.82
Money Market Placements	-	-	-	11.55
Investment Securities Available for Sale	2.92	5.27	-	18.00
Loans and Receivables	4.87	6.60	2.46	16.60
Investment Securities Held to Maturity	3.20	5.50	-	12.46
Liabilities				
Bank Deposits	0.33	2.39	-	10.95
Other Deposits	0.22	2.00	0.02	10.16
Money Market Borrowings	0.07	2.06	-	9.87
Sundry Creditors	(0.46)	1.55	-	-
Securities Issued	-	5.74	-	11.79
Funds Borrowed	2.19	5.92	-	12.04

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

Interest rate risk on banking book

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

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

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

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

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

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

Type of Currency	Shocks Applied (+/- x basis points)	Gains/Losses	Gains/Equity-Losses/Equity
1. TL	(+)500	(2,342,565)	(8.30)%
	(-)400	2,157,475	7.65%
2. EUR	(+)200	(213,528)	(0.76)%
	(-)200	263,348	0.93%
3. USD	(+)200	(14,062)	(0.05)%
	(-)200	63,239	0.22%
Total (of negative shocks)		**2,484,062**	**8.81%**
Total (of positive shocks)		**(2,570,155)**	**(9.11)%**

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

	Comparison		
Equity Securities (shares)	**Carrying Value**	**Fair Value**	**Market Value**
1. Investment in Shares - grade A	**-**	**-**	**-**
Quoted Securities	-	-	-
2. Investment in Shares - grade B	**-**	**-**	**-**
Quoted Securities	-	-	-
3. Investment in Shares - grade C	**758,848**	**758,848**	**-**
Quoted Securities	758,848	758,848	-
4. Investment in Shares - grade Other(*)	**1,134,102**	**1,079,230**	**-**

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

		Revaluation Surpluses		Unrealized Gains and Losses		
Portfolio	**Gains/Losses in Current Period**	**Total**	**Amount under Supplementary Capital**	**Total**	**Amount under Core Capital**	**Amount under Supplementary Capital**
1. Private Equity Investments	-	1,268,032	1,268,032	-	-	-
2. Quoted Shares	58,055	-	-	-	-	-
3. Other Shares	-	-	-	-	-	-
4. Total	**58,055**	**1,268,032**	**1,268,032**	**-**	**-**	**-**

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

Liquidity Risk of the Bank is monitored and managed in accordance with Liquidity Risk Management Policy. According to this policy, Board of Directors is responsible to review and approve risk profile and appetite of the Bank periodically. Senior Management takes necessary measures to monitor aforementioned risk and controls liquidity risk in line with accepted strategies and policies.

Treasury Department is responsible to carry out liquidity strategy determined and approved by Board of Directors. Risk Management Department is responsible to define, measure, monitor and control liquidity risk besides developing internal and external methods and procedures which are in line with context and structure of applicable activities in the Bank in order to monitor related limits. Senior management of the Bank is informed periodically regarding current liquidity risk amount exposed in order to ensure being under the approved limits of Bank's liquidity risk profile. Assets and Liabilities Committee (ALC) meetings, which ensure the necessary monitoring for liquidity risk, are held monthly. Risk Committee reviews the liquidity risk of the Bank monthly in addition to aforementioned meetings and informs Board of Directors. The Bank reviews its liquidity position daily. Internal and legal reports related to liquidity positions are examined in ALC 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 Bank has no liquidity management center and each entity, which is under control of the Bank, performs its liquidity management separately from the Bank by an authority responsible for liquidity management. Fund amounts, which shall be used by associates from the Bank, are determined in the framework of limits.

It is essential for the Bank to monitor its liquidity position and funding strategy consistently. Funding management of the Bank is carried out in line with limits and internal warning systems within the framework of ALC decisions. Funding and placement strategies are developed through evaluating the liquidity of the Bank. Liquidity position is evaluated and funding strategy is developed taking into consideration customer based concentration and maturity levels. While developing this strategy, it is aimed to fully utilize funding from long term and consistent resources.

A large part of the Bank's liabilities consist of TL, USD and EUR. Gap reports issued based on the aforementioned three currencies are presented in ALC meetings. Maturity mismatches based on currencies are managed through FC swap and FC forward.

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

Liquidity life cycle approach is determined as the liquidity risk stress test methodology. This approach is a stress test to measure the period in which the Bank can meet its cumulative cash outflows without providing a fund from the market. Liquidity life cycle is calculated according to various scenarios and simulated in line with possible scenarios in crisis situation and the results are reported to Risk Committee and Board of Directors.

Emergency Funding Plan (EMP) of the Bank regulates funding activities to be used in liquidity crisis periods specific to the Bank or in liquidity crisis at financial markets. EMP defines components triggering the crisis and early warning indicators which help to evaluate and manage the liquidity crisis and determine primary funding structure. EMP also defines actions of the Bank against cash and guarantee need. In addition to aforementioned issues, EMP determines duties and responsibilities in performing actions in a liquidity crisis included in risk management and emergency funding plan.

Due to the financial uncertainty caused by the coronavirus epidemic, undemonstrative liquidity management has been one of the top priorities of the Bank. Although a flexibility provided to comply with the minimum ratios of the Liquidity Coverage Ratio (LCR) according to the regulation published by the BRSA on March 26, 2020, the Bank manages LCR above the limit by keeping its high-quality liquid assets at a sufficient level. The Bank has created four different stress test scenarios that measure how long it can meet the cumulative cash outflows, without providing any new funds from the market or by providing very low levels of funding. A new scenario created by observing the financial movements that occurred during the coronavirus epidemic process, and it is observed that the Bank's liquid assets can be converted into cash in order to meet its liquidity needs over 30 days, which is the minimum life span of all scenarios.

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

Liquidity Coverage Ratio

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

(*) In current period unconsolidated Liquidity Coverage Ratio table, the arithmetic average of the last three months weekly unconsolidated Liquidity Coverage Ratios are used.

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

	Consideration Rate Unweighted Amounts(*)		Consideration Rate Weighted Amounts(*)	
Prior Period - December 31, 2019	**TL+FC**	**FC**	**TL+FC**	**FC**
HIGH QUALITY LIQUID ASSETS			**34,400,477**	**18,771,048**
1. High Quality Liquid Assets	34,400,477	18,771,048	34,400,477	18,771,048
CASH OUTFLOWS				
2. Retail and Small Business Customers Deposits	77,257,406	40,168,545	6,967,418	4,016,855
3. Stable deposits	15,166,448	-	758,322	-
4. Less stable deposits	62,090,958	40,168,545	6,209,096	4,016,855
5. Unsecured Funding other than Retail and Small Business Customers Deposits	28,269,106	16,039,720	17,401,992	10,406,087
6. Operational deposits	749,482	114,334	187,371	28,584
7. Non-Operational Deposits	21,017,991	13,336,675	11,940,297	7,803,602
8. Other Unsecured Funding	6,501,633	2,588,711	5,274,324	2,573,901
9. Secured funding	-	-	77,702	77,702
10. Other Cash Outflows	27,051,006	18,854,927	27,051,006	18,854,927
11. Liquidity needs related to derivatives and market valuation changes on derivatives transactions	27,051,006	18,854,927	27,051,006	18,854,927
12. Debts related to the structured financial products	-	-	-	-
13. Commitment related to debts to financial markets	-	-	-	-
14. Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	34,312,602	918,327	1,715,630	45,916
15. Other irrevocable or conditionally revocable commitments	72,972,627	17,233,455	5,279,507	1,500,041
16. TOTAL CASH OUTFLOWS	-	-	**58,493,255**	**34,901,528**
CASH INFLOWS				
17. Secured Lending Transactions	2,637,365	-	-	-
18. Unsecured Lending Transactions	7,935,435	1,506,084	4,936,985	1,231,233
19. Other contractual cash inflows	25,236,020	22,949,894	25,236,020	22,949,894
20. TOTAL CASH INFLOWS	**35,808,820**	**24,455,978**	**30,173,005**	**24,181,127**
			Capped Amounts	
21. TOTAL HIGH QUALITY LIQUID ASSETS			**34,400,477**	**18,771,048**
22. TOTAL NET CASH OUTFLOWS			**28,320,250**	**10,793,333**
23. LIQUIDITY COVERAGE RATIO (%)			**121.47%**	**173.91%**

(*) In prior period unconsolidated Liquidity Coverage Ratio table, the arithmetic average of the last three months weekly unconsolidated Liquidity Coverage Ratios are used

The dates and values of minimum and maximum foreign currency and total liquidity coverage ratios calculated weekly related to the last three months of 2020 are explained in the table below. According to "Regulation on Liquidity Coverage Ratio Calculation" published in the Official Gazette numbered 28948, dated March 21, 2014.

	Maximum	Week	Minimum	Week	Average
TL+FC	124.55	09.10.2020	110.53	30.10.2020	117.55
FC	223.53	11.12.2020	183.06	23.10.2020	199.54

Liquidity coverage ratio is regulated by the BRSA to make sure that the Banks sustain high quality liquid asset stock to cover probable cash outflows in the short term.

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

Funding sources of the Bank mainly consist of deposits which constitute 57% of total liabilities of the bank (December 31, 2019 - 57%) and also include repo, syndication, securitization, securities issued and other instruments including subordinated debts.

The Bank effectively uses derivative transactions to manage interest and liquidity risk. Impact of derivative cash flows in terms of liquidity coverage ratio is limited. However, FX swaps used in short term foreign currency liquidity management cause liquidity coverage ratio to fluctuate due to changes in volume and 1-month maturity. In addition, possible cash outflow caused by margin call requirements of derivative transactions is taken into consideration in accordance with the respective regulations.

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

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

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

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

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]	13,922,017	13,484,440	-	-	-	-	(3,399)	27,403,058
Due from Banks[3]	1,394,640	72,063	-	-	-	-	(10,168)	1,456,535
Financial Assets Measured at Fair Value through Profit or Loss (FVTPL)[4]	163,907	476,147	644,087	2,048,706	3,792,008	1,395,023	-	8,519,878
Money Markets Placements[5]	-	342,734	-	-	-	-	-	342,734
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)[6]	7,674	893,258	585,203	1,140,976	7,056,612	6,898,052	-	16,581,775
Loans and Receivables	-	24,183,070	15,121,227	41,880,896	41,330,129	13,850,237	2,236,823	138,602,382
Financial Assets Measured at Amortized Cost[7]	-	920,449	160,562	1,176,682	9,937,017	6,548,646	(10,156)	18,733,200
Other Assets	-	7,311,530	-	-	1,504,660	-	6,797,596	15,613,786
Total Assets	**15,488,238**	**47,683,691**	**16,511,079**	**46,247,260**	**63,620,426**	**28,691,958**	**9,010,696**	**227,253,348**
Liabilities								
Bank Deposits	123,019	3,436,160	1,006,656	17,509	-	-	-	4,583,344
Other Deposits	50,000,338	55,272,686	16,188,082	4,175,747	339,333	201	-	125,976,387
Funds Borrowed	-	242,232	751,737	11,551,952	8,560,850	1,933,817	3,855,730	26,896,318
Money Market Borrowings	-	7,332,089	2,572,677	768,574	2,672,117	1,143,937	-	14,489,394
Securities Issued	-	583,695	888,815	916,564	11,117,311	-	-	13,506,385
Sundry Creditors	-	9,243,607	-	-	-	-	-	9,243,607
Other Liabilities[8]	-	4,174,414	1,345,472	793,945	2,140,297	2,752,847	21,350,938	32,557,913
Total Liabilities	**50,123,357**	**80,284,883**	**22,753,439**	**18,224,291**	**24,829,908**	**5,830,802**	**25,206,668**	**227,253,348**
Liquidity Excess / Gap	**(34,635,119)**	**(32,601,192)**	**(6,242,360)**	**28,022,969**	**38,790,518**	**22,861,156**	**(16,195,972)**	**-**
Net Off Balance Sheet Position[9]	**-**	**(1,117,746)**	**(804,808)**	**1,549,989**	**1,906,623**	**27,793**	**-**	**1,561,851**
Receivables from Financial Derivative Instruments	-	42,825,059	26,557,248	14,206,270	41,032,444	32,234,801	-	156,855,822
Liabilities from Derivatives	-	43,942,805	27,362,056	12,656,281	39,125,821	32,207,008	-	155,293,971
Non-cash Loans[10]	**-**	**2,300,899**	**3,178,517**	**14,234,830**	**4,524,946**	**565,055**	**8,343,292**	**33,147,539**
Prior Period								
Total Assets	11,270,286	38,086,116	11,944,597	36,170,125	52,780,199	23,471,168	7,958,020	181,680,511
Total Liabilities	25,562,557	76,345,703	22,425,212	11,187,036	21,876,638	6,517,092	17,766,273	181,680,511
Liquidity Gap	**(14,292,271)**	**(38,259,587)**	**(10,480,615)**	**24,983,089**	**30,903,561**	**16,954,076**	**(9,808,253)**	**-**
Net-Off Balance Sheet Position[9]	**-**	**126,237**	**689,273**	**1,614,544**	**1,234,531**	**73,886**	**-**	**3,738,471**
Receivables from Derivative Instruments	-	28,122,718	10,960,908	18,695,045	43,542,178	25,704,743	-	127,025,592
Liabilities from Derivative Instruments	-	27,996,481	10,271,635	17,080,501	42,307,647	25,630,857	-	123,287,121
Non-cash Loans[10]	**-**	**1,444,446**	**3,429,954**	**10,412,022**	**5,527,961**	**574,047**	**7,128,674**	**28,517,104**

(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 this column. Unallocated other liabilities include shareholders' equity amounting to TL19,222,421 (December 31, 2019 - TL16,685,059) equity debt of TL1,063,699 (December 31, 2019 - TL205.582) and unallocated provisions amounting to TL1,064,819 (December 31, 2019 - TL875,641)

(2) Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R Central Bank includes expected loss provisions the amount of TL3,399 (December 31, 2019 - TL2,309).

(3) Banks include balance of expected loss provisions amounting to TL10,168 (December 31, 2019 - TL5,498).

(4) Financial Assets at Fair Value Through Profit or Loss include TL7,948,940 (December 31, 2019 - TL6,586,311) derivative financial assets used for hedging purposes.

(5) There is no balance at Receivables from Money Markets include the balance of expected loss provisions.

(6) Financial Assets at Fair Value Through Other Comprehensive Income include TL1,400,686 (December 31, 2019 - TL1,359,842) derivative financial assets used for hedging purposes.

(7) Financial assets measured at amortized cost include TL10,156 (December 31, 2019 - TL11,852) of expected loss provisions.

(8) Other Liabilities include Derivative Financial Assets amounting to TL8,077,352 (December 31, 2019 - TL4,978,934).

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

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

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

Analysis of financial liabilities by remaining contractual maturities

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

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

Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total	Carrying Amount
Bank Deposits	194,282	3,246,963	1,868,951	104,601	-	-	5,414,797	5,406,359
Other Deposits	25,368,275	56,722,858	14,395,382	3,599,000	279,039	181	100,364,735	100,219,424
Payables to Money Market	-	3,219,605	2,488,136	1,409,028	1,260,339	973,950	9,351,058	9,064,854
Funds from other Financial Institutions	-	1,644,340	1,140,613	4,990,327	8,859,897	4,324,269	20,959,446	20,741,962
Securities Issued	-	1,435,503	2,417,890	785,692	10,266,998	-	14,906,083	13,085,974
Noncash Loans(*)	7,128,674	1,444,447	3,429,954	10,412,022	5,527,961	574,046	28,517,104	28,517,104

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

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

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

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

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 years and Longer	Total
Forward Contracts Buy(**)	2,621,269	1,096,527	2,056,001	903,894	-	6,677,691
Forward Contracts Sell(**)	(2,617,388)	(1,110,410)	(1,973,468)	(1,018,211)	-	(6,719,477)
Swap Contracts Buy(*)	25,149,800	8,896,943	14,338,786	42,204,173	25,704,743	116,294,445
Swap Contracts Sell(*)	(25,002,280)	(8,092,781)	(12,484,916)	(40,083,100)	(25,630,857)	(111,293,934)
Futures Buy	-	94,641	4,557	-	-	99,198
Futures Sell	-	(93,475)	(4,437)	-	-	(97,912)
Options Buy	2,594,100	1,120,796	2,455,702	434,110	-	6,604,708
Options Sell	(2,619,785)	(1,123,475)	(2,460,779)	(434,110)	-	(6,638,149)
Other	-	118,804	326,711	772,226	-	1,217,741
Total	**125,716**	**907,570**	**2,258,157**	**2,778,982**	**73,886**	**6,144,311**

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

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

VII. Information Regarding Leverage Ratio

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

The Bank's leverage ratio, calculated in accordance with the "Regulation on Measurement and Evaluation of Bank's Leverage Levels" is 6.70% (December 31, 2019 - 7.34%). Subject level is above the minimum requirement which is determined as 3% by the regulation. Difference between current period and prior period leverage ratios is mostly due to increase in risk amounts of balance sheet asset items.

The table related to leverage ratio calculated in accordance with the "Regulation on Measurement and Evaluation of Bank's Leverage Levels" published in Official Gazette dated November 5, 2013 and numbered 28812 is below:

	Book Value	
	Current Period(*)	Prior Period(*)
Assets on Balance sheet		
Assets on Balance sheet (except for derivative financial instruments and credit	220,618,150	171,361,772
(Assets deducted from capital stock)	517,573	470,352
Total risk amount related to Assets on Balance sheet	**220,100,577**	**170,891,420**
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	11,863,358	8,793,072
Potential credit risk amount of derivative financial instruments and credit derivatives	1,699,987	268,312
Total risk amount related to derivative financial instruments and credit derivatives	**13,563,345**	**9,061,384**
Financial transactions having security or commodity collateral		
Risk amount of financial transactions having security or commodity collateral	14,346	110,193
Risk amount sourcing from transactions mediated	11,707,746	2,245
Total risk amount related to financial transactions having security or commodity collateral	**11,722,092**	**112,438**
Off-Balance sheet Transaction		
Gross nominal amount of off-balance sheet transactions	139,102,744	118,646,144
(Adjustment amount sourcing from multiplying to credit conversion rates)	36,851,418	30,571,236
Total risk amount related to off-balance sheet transactions	**102,251,326**	**88,074,908**
Capital and Total Risk		
Core Capital	23,284,168	19,678,486
Amount of total risk	347,637,340	268,140,150
Financial leverage ratio		
Financial leverage ratio	6.70%	7.34%

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

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

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

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

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

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

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

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

Current Period	Carrying Value	Fair Value
Financial Assets	**174,336,264**	**171,454,425**
Money Market Placements	342,734	342,734
Due from Banks	1,466,703	1,456,535
Fair Value through Other Comprehensive Income (FVOCI)	15,181,089	15,181,089
Financial Assets Measured at Amortized Cost	18,743,356	19,214,463
Loans Granted	138,602,382	135,259,604
Financial Liabilities	**194,695,435**	**194,781,532**
Bank Deposits	4,583,344	4,583,090
Other Deposits	125,976,387	125,931,169
Funds from Other Financial Institutions	26,896,318	27,027,887
Payables to Money Market	14,489,394	14,489,394
Securities Issued	13,506,385	13,506,385
Other Debts	9,243,607	9,243,607

Prior Period	Carrying Value	Fair Value
Financial Assets	**143,021,676**	**142,782,209**
Money Market Placements	3,040,962	3,040,962
Due from Banks	859,579	854,081
Loans and Receivables	12,343,441	12,343,441
Available for Sale Financial Assets	16,181,302	16,127,142
Securities Held to Maturity	110,596,392	110,416,583
Financial Liabilities	**156,114,782**	**155,870,674**
Bank Deposits	5,406,359	5,406,266
Other Deposits	100,219,424	100,170,401
Funds from Other Financial Institutions	20,741,962	20,702,769
Payables to Money Market	9,064,854	9,064,854
Securities Issued	13,085,974	12,930,175
Other Debts	7,596,209	7,596,209

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

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

The classification of fair value calculation is as follows.

a) Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities (market value);

b) Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);

c) Level 3: Inputs that are not observable for the asset and liability (Fair value calculations which are not observable).

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

Current Period	Level 1	Level 2	Level 3	Total
Financial Assets	**15,458,095**	**9,509,078**	**1,964,884**	**26,932,057**
Financial Assets Measured at Fair Value through Profit or Loss (FVTPL)(*)	315,301	128,831	126,806	570,938
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)(**)	15,142,692	30,723	-	15,173,415
Entities Under Common Control, Associates and Subsidiaries	-	-	1,838,078	1,838,078
Derivative Financial Assets	102	9,349,524	-	9,349,626
Financial Liabilities	**2,924**	**8,074,428**	**-**	**8,077,352**
Derivative Financial Liabilities	2,924	8,074,428	-	8,077,352

(*) The details of the balance are amounting to TL116,829 under Financial Assets at Fair Value Through Profit or Loss, which is disclosed in Note 6.b.2 of Section Five.
(**) The fair value difference does not include share balance amounting to TL7,674 which is included in financial assets at financial assets at cost and reflected to other comprehensive income.

Prior Period	Level 1	Level 2	Level 3	Total
Financial Assets	**12,204,492**	**8,325,539**	**1,532,883**	**22,062,914**
Financial Assets Measured at Fair Value through Profit or Loss (FVTPL)(*)	248,111	-	86,838	334,949
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)(**)	11,955,009	380,758	-	12,335,767
Entities Under Common Control, Associates and Subsidiaries	-	-	1,446,045	1,446,045
Derivative Financial Assets	1,372	7,944,781	-	7,946,153
Financial Liabilities	**212**	**4,978,722**	**-**	**4,978,934**
Derivative Financial Liabilities	212	4,978,722	-	4,978,934

(*) The details of the balance are amounting to TL86,838 under Financial Assets at Fair Value Through Profit or Loss, which is disclosed in Note 6.b.2 of Section Five.
(**) The fair value difference does not include share balance amounting to TL7,674 which is included in financial assets at financial assets at cost and reflected to other comprehensive income

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

	Current Period	Prior Period
Opening Balance	**1,532,883**	**584,599**
Change in total gain/loss	422,024	371,188
Accounted in income statement	*29,991*	*24,261*
Accounted in other comprehensive income	*392,033*	*346,927*
Purchases and Transfers	9,977	624,551
Disposals	-	-
Matured Loans(*)	-	-
Sales from Level 3	-	(47,455)
Closing Balance	**1,964,884**	**1,532,883**

IX. Explanations related to Transactions Carried out on behalf of Customers, Items Held in Trust

The Bank provides buying, selling and custody services and management and financial advisory services in the name of the third parties. The Bank does not involve in fiduciary activities.

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

SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and Disclosures Related to Assets

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	616,296	1,486,250	681,485	944,326
T.R. Central Bank	1,811,815	23,368,532	446,072	16,659,924
Other	77,629	45,935	-	18,734
Total	**2,505,740**	**24,900,717**	**1,127,557**	**17,622,984**

b) Balances with the Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	1,811,815	9,884,092	446,072	8,505,856
Restricted Time Deposits	-	13,484,440	-	8,154,068
Total	**1,811,815**	**23,368,532**	**446,072**	**16,659,924**

As of December 31, 2020 amount of TL3,399 provision provided for the account T.R. Central Bank (December 31, 2019 - TL2,309)

As of December 31, 2020 our bank has been appointed to C.B.R.T. depending on the maturity structure, the required reserve rates for TL liabilities vary between 1% and 6% for TL deposits and other liabilities according to their maturities. The reserve rates for foreign currency liabilities vary between 5% and 21% for deposit and other foreign currency liabilities, Gold deposit liabilities vary between 18% and 22% for gold liabilities according to their maturities.

In accordance with the "Communiqué Regarding the Reserve Requirements", the reserve requirements can be maintained as TL, USD, EUR and standard gold. As of December 31, 2021 the Bank received an interest rate since the Bank reaches to a credit growth rate of 12%.

2. Further information on financial assets at fair value through profit or loss

a) Information on financial assets at fair value through profit or loss given as collateral or blocked

As of December 31, 2020 amount of financial assets at fair value through profit or loss which has given as collateral or blocked is TL16,933 (December 31, 2019 - TL6,227).

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

None (December 31, 2019 - None).

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	150,165	-	65,165	-
Swap Transactions	2,725,863	1,679,819	2,705,538	889,149
Futures Transactions	-	-	-	-
Options	102	161,465	1,371	152,948
Total	**2,876,130**	**1,841,284**	**2,772,074**	**1,042,097**

3. a) Information on banks accounts

Banks	Current Period		Prior Period	
	TL	FC	TL	FC
Domestic	965	127,042	400,733	5,806
Foreign	152	1,338,544	2	453,038
Foreign Head Offices and Branches	-	-	-	-
Total	**1,117**	**1,465,586**	**400,735**	**458,844**

As of December 31, 2020 amount of TL10,168 provision provided for the Bank account (December 31, 2019 - TL5,498).

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

b) Information on foreign bank accounts

	Unrestricted Amount		Restricted Amount(**)	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	597,949	133,118	-	23,958
USA and Canada	692,396	193,790	-	79,671
OECD Countries(*)	2,865	3,084	-	-
Off-shore Banking Regions	-	-	-	-
Other	45,486	19,419	-	-
Total	**1,338,696**	**349,411**	**-**	**103,629**

(*) Includes OECD countries other than the EU countries, USA and Canada.
(**) Includes blocked placements amounting to TL none at foreign banks (December 31, 2019 - TL103,629) for the funds borrowed from foreign banks.

4. Information on receivables from reverse repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
Domestic Transactions	**250,124**	**-**	**3,040,962**	**-**
T.R Central Bank	-	-	-	-
Banks	250,124	-	3,040,962	-
Intermediary Institutions	-	-	-	-
Other Financial Institutions and Organizations	-	-	-	-
Other Institutions and Organization	-	-	-	-
Real Persons	-	-	-	-
Foreign Transactions	**-**	**92,610**	**-**	**-**
Central Banks	-	-	-	-
Banks	-	92,610	-	-
Intermediary Institutions	-	-	-	-
Other Financial Institutions and Organizations	-	-	-	-
Other Institutions and Organizations	-	-	-	-
Real Persons	-	-	-	-
Total	**250,124**	**92,610**	**3,040,962**	**-**

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 which are subject to repurchase agreements and given as collateral/blocked

	Current Period		Prior Period	
	TL	FC	TL	FC
Given as Collateral/Blocked	920,138	303,114	307,921	533,272
Subject to repurchase agreements	27,227	7,627,357	257,608	5,217,454
Total	**947,365**	**7,930,471**	**565,529**	**5,750,726**

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

	Current Period	Prior Period
Debt securities	**15,282,501**	**12,315,104**
Quoted on a stock exchange(*)	15,282,501	12,315,104
Unquoted on a stock exchange	-	-
Share certificates	**7,781**	**189,904**
Quoted on a stock exchange	-	-
Unquoted on a stock exchange	7,781	189,904
Impairment provision (-)(**)	**(109,193)**	**(161,567)**
Total	**15,181,089**	**12,343,441**

(*) The Eurobond Portfolio amounting to TL3,176,047 (December 31, 2019 - TL2,788,968) 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. The mentioned financial assets are accounted for as financial assets measured at fair value through other comprehensive income in order to be in line with balance sheet presentation.
(**) As of December 31, 2020 amount of TL2,083 provision provided for financial assets measured at fair value through other comprehensive income account. (December 31, 2019 - TL1,958).

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

6. Information related to loans

a) Information on all types of loans and advances given to shareholders and employees of the Bank

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	**2,500**	**45,878**	**3,192**	**37,126**
Corporate Shareholders	2,500	45,878	3,192	37,126
Individual Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees(*)	149,520	-	127,384	-
Total	**152,020**	**45,878**	**130,576**	**37,126**

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

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

b.1) Financial assets measured at amortized cost

		Loans under close monitoring		
			Restructured Loans	
Cash Loans(*)	Standard Loans	Loans Not Subject to Restructuring	Loans with Revised Contract Terms	Refinance
Non-specialized Loans	**125,360,188**	**6,920,933**	**277,925**	**7,671,813**
Discount Notes	1,887,945	7,532	-	-
Export Loans	5,442,346	22,118	-	-
Import Loans	4,502	-	-	-
Loans Given to Financial Sector	3,238,770	-	-	-
Retail Loans	27,318,862	1,134,360	28,516	727,348
Credit Cards	18,798,257	1,475,314	-	260,472
Other	68,669,506	4,281,609	249,409	6,683,993
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	**125,360,188**	**6,920,933**	**277,925**	**7,671,813**

	Standard Loans	Close Monitoring Loans
Current Period		
Expected loss provisions for 12 months	1,037,995	-
Significant increase at Credit Risk	-	2,828,305
Prior Period		
Expected loss provisions for 12 months	907,293	-
Significant increase at Credit Risk	-	1,524,953

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

In the current period, the Bank is monitoring TL116,829 loan under financial assets at fair value measured through profit and loss in accordance with TFRS 9. (December 31, 2019 - TL86,838).

c) Loans measured at amortized cost and other receivables according to their maturity structure

		Loans Under Close Monitoring	
Cash Loans	Standard Loans	Loans Not Subject to restructuring	Loans with Restructured Loans
Short-term Loans	49,544,711	1,475,314	260,472
Medium and Long-term Loans	75,815,477	5,445,619	7,689,266
Total	**125,360,188**	**6,920,933**	**7,949,738**

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

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

	Short Term	Medium and Long Term	Total
Consumer Loans - TL	**919,020**	**26,260,197**	**27,179,217**
Housing Loans	2,676	3,865,370	3,868,046
Automobile Loans	435	25,461	25,896
Personal Need Loans	915,909	22,369,366	23,285,275
Other	-	-	-
Consumer Loans - FC Indexed	**-**	**2,233**	**2,233**
Housing Loans	-	1,963	1,963
Automobile Loans	-	-	-
Personal Need Loans	-	270	270
Other	-	-	-
Consumer Loans - FC	**-**	**-**	**-**
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Individual Credit Cards - TL	**15,363,002**	**425,551**	**15,788,553**
Installment	6,004,428	344,709	6,349,137
Non- Installment	9,358,574	80,842	9,439,416
Individual Credit Cards - FC	**13,440**	**36**	**13,476**
Installment	-	-	-
Non- Installment	13,440	36	13,476
Personnel Loans - TL	**8,606**	**81,662**	**90,268**
Housing Loans	-	84	84
Automobile Loans	-	-	-
Personal Need Loans	8,606	81,578	90,184
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 - TL	**52,416**	**453**	**52,869**
Installment	19,471	168	19,639
Non-Installment	32,945	285	33,230
Personnel Credit Cards - FC	**92**	**-**	**92**
Installment	-	-	-
Non-Installment	92	-	92
Overdraft Accounts - TL (Real Persons)	**1,853,965**	**83,403**	**1,937,368**
Overdraft Accounts - FC (Real Persons)	**-**	**-**	**-**
Total	**18,210,541**	**26,853,535**	**45,064,076**

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

e) Information on commercial loans with installments and corporate credit cards

	Short Term	Medium and Long Term	Total
Commercial Loans with Installment Facility - TL	**2,021,139**	**17,925,969**	**19,947,108**
Real Estate Loans	1,860	253,012	254,872
Automobile Loans	9,440	333,023	342,463
Personal Need Loans	2,009,839	17,339,934	19,349,773
Other	-	-	-
Commercial Loans with Installment Facility - FC Indexed	**-**	**463,048**	**463,048**
Real Estate Loans	-	4,435	4,435
Automobile Loans	-	6,078	6,078
Personal Need Loans	-	452,535	452,535
Other	-	-	-
Commercial Loans with Installment Facility - FC	**-**	**-**	**-**
Real Estate Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Corporate Credit Cards - TL	**4,591,033**	**86,539**	**4,677,572**
Installment	1,948,612	63,713	2,012,325
Non-Installment	2,642,421	22,826	2,665,247
Corporate Credit Cards - FC	**1,477**	**4**	**1,481**
Installment	-	-	-
Non-Installment	1,477	4	1,481
Overdraft Accounts - TL (Legal Entities)	**974,449**	**4,823**	**979,272**
Overdraft Accounts - FC (Legal Entities)	**-**	**-**	**-**
Total	**7,588,098**	**18,480,383**	**26,068,481**

f) Allocation of loans by customers

	Current Period	Prior Period
Public	-	-
Private	140,230,859	110,697,936
Total	**140,230,859**	**110,697,936**

g) Allocation of domestic and foreign loans

	Current Period	Prior Period
Domestic Loans	139,129,640	109,998,461
Foreign Loans	1,101,219	699,475
Total	**140,230,859**	**110,697,936**

h) Loans granted to subsidiaries and associates

	Current Period	Prior Period
Direct Loans Granted to Subsidiaries and Associates	1,256,220	1,015,749
Indirect Loans Granted to Subsidiaries and Associates	-	-
Total	**1,256,220**	**1,015,749**

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

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

	Current Period	Prior Period
Provisions		
Loans and Receivables with Limited Collectability	501,358	1,093,928
Doubtful Loans and Other Receivables	311,173	892,639
Uncollectible Loans and Receivables	6,077,239	3,957,146
Total	**6,889,770**	**5,943,713**

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

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and other receivables
Current Period			
Gross Amounts Before the Provisions	-	31,099	170,246
Restructured Loans	-	31,099	170,246
Prior Period			
Gross Amounts Before the Provisions	264	3,091	67,342
Restructured Loans	264	3,091	67,342

j.2) Movement of total non-performing loans

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and other receivables
Prior Period End Balance	**1,914,374**	**1,437,367**	**4,922,674**
Additions (+)	1,535,957	609,460	207,441
Transfers from Other Categories of Non-Performing Loans (+)	-	2,379,593	3,635,807
Transfers to Other Categories of Non-Performing Loans (-)	2,379,593	3,635,807	-
Collections (-)	138,251	254,884	1,101,678
Write-offs (-)	-	-	4,867
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Others	-	-	-
Current Period End Balance	**932,487**	**535,729**	**7,659,377**
Provision (-)	501,358	311,173	6,077,239
Net Balances on Balance Sheet	**431,129**	**224,556**	**1,582,138**

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

None (December 31, 2019 - None).

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

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period (Net)	**431,129**	**224,556**	**1,581,138**
Loans to Real Persons and Legal Entities (Gross)	932,487	535,729	7,447,168
Provision (-)	501,358	311,173	5,865,030
Loans to Real Persons and Legal Entities (Net)	431,129	224,556	1,582,138
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	212,209
Provision (-)	-	-	212,209
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	**820,446**	**544,728**	**965,528**
Loans to Real Persons and Legal Entities (Gross)	1,914,374	1,437,367	4,796,556
Specific provision (-)	1,093,928	892,639	3,831,028
Loans to Real Persons and Legal Entities (Net)	820,446	544,728	965,528
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	126,118
Specific provision (-)	-	-	126,118
Other Loans and Receivables (Net)	-	-	-

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period (Net)			
Interest Accruals and Valuation Differences	438,835	61,708	704,083
Provision (-)	237,518	32,724	496,538
Prior Period (Net)			
Interest Accruals and Valuation Differences	214,810	149,201	332,194
Provision (-)	137,580	96,472	250,993

k) Liquidation policies for uncollectible loans and other receivables

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

l) Write-off policy

The Bank's general policy for write-offs of loans and receivables under follow-up is to write of taking over such loans and receivables that are proven to be uncollectible in legal follow-up process.

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

7. Information on financial assets measured at amortized cost

a) Information on financial assets measured at amortized cost subject to repurchase agreements and provided as collateral/blocked

	Current Period		Prior Period	
	TL	FC	TL	FC
Given as Collateral/Blocked	1,943,581	-	364,213	116,736
Subject to repurchase agreements	3,545,946	7,500,243	-	6,517,031
Total	**5,489,527**	**7,500,243**	**364,213**	**6,633,767**

b) Information on government debt securities measured at amortized cost

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bond	9,559,633	8,413,914	8,588,791	6,727,311
Treasury Bill	-	-	-	-
Other Debt Securities	-	208,028	-	300,872
Total	**9,559,633**	**8,621,942**	**8,588,791**	**7,028,183**

c) Information on investment securities measured at amortized cost

	Current Period		Prior Period	
	TL	FC	TL	FC
Debt Securities	**9,559,633**	**9,183,723**	**8,588,791**	**7,592,511**
Publicly-traded	9,559,633	9,183,723	8,588,791	7,592,511
Non-publicly traded	-	-	-	-
Provision for losses (-)	**-**	**-**	**-**	**-**
Total	**9,559,633**	**9,183,723**	**8,588,791**	**7,592,511**

d) Movements of financial assets measured at amortized cost

	Current Period	Prior Period
Value at the beginning of the period	**16,181,302**	**12,932,193**
Exchange differences on monetary assets	1,745,497	790,412
Acquisitions during the year	2,333,458	3,406,328
Disposals through sales and redemptions	(2,260,925)	(1,496,516)
Provision for losses (-)	-	-
Valuation effect	744,024	548,885
The sum of end of the period	**18,743,356**	**16,181,302**

As of December 31, 2020, a provision amounting to TL10,156 is provided for the financial assets measured at amortized cost (December 31, 2019 - TL11,852)

8. Investments in associates (Net)

8.1. Investments in associates

a) Information on the unconsolidated associates

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

Total Assets	Shareholder's Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
272,800	217,454	79,380	6,665	-	35,413	17,418	-
31,238	25,827	22,785	1,354	-	6,146	-	-

(*) Current amounts stated in table are from September 30, 2020 and prior period profit & loss amounts are taken from the financials of September 30, 2019.
(**) Current amounts stated in table are from December 31, 2020 and prior period profit & loss amounts are taken from the financials of December 31, 2019.

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

b) Information on the consolidated associates

None (December 31, 2019 - None).

8.2. Movement of investments in associates:

	Current Period	Prior Period
Balance at the Beginning of Period	5,982	5,982
Movements During the Period	8,044	-
Purchases	-	-
Bonus Shares Received	8,044	-
Dividends From Current Year Profit	-	-
Sales	-	-
Reclassifications	-	-
Increase/Decrease in Market Values	-	-
Currency Differences on Foreign Associates	-	-
Impairment Losses (-)	-	-
Balance at the End of the Period	14,026	5,982
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

On January 17, 2020, the Bank registered to JCR Avrasya Rating Anonim Şirketi as a Non-Financial Subsidiary, by purchasing 28,559 shares with a nominal value of amounting to TL28,599 based on the share transfer agreement.

As of July 20, 2020, the Bank's non-financial subsidiary The Interbank Card Center (BKM) has increased its capital by TL5,258.

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

	Current Period	Prior Period
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Associates	14,026	5,982
Total	**14,026**	**5,982**

8.4. Quoted associates

None (December 31, 2019 - None).

8.5. Valuation methods of investments in associates

	Current Period	Prior Period
Valued at Cost	14,026	5,982
Valued at Fair Value	-	-
Valued at Equity Method	-	-
Total	**14,026**	**5,982**

9. Investments in subsidiaries (Net)

a) Information on the unconsolidated subsidiaries

	Title	Address (City/ Country)	Bank's Share-If different, Voting Rights (%)	Bank' Risk Group Share (%)
1.	Ibtech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek San. ve Tic. A.Ş.	İstanbul/Turkey	99.91	99.99
2.	EFINANS Elektronik Ticaret ve Bilişim Hizmetleri A.Ş.	İstanbul/Turkey	100.00	100.00

	Total Assets	Shareholders' Equity	Total Fixed Asset	Interest Income	Securities Income	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1.	48,995	11,752	31,367	-	-	104	(1,457)	-
2.	28,206	12,771	5,061	(110)		(4,128)	5,403	-

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

b) Information on the consolidated subsidiaries

b.1) Information on the consolidated subsidiaries

	Subsidiary	Address (City/Country)	Bank's Share - If Different, Voting Rights (%) (%)	Bank's Risk Group Share (%)
1.	QNB Finans Yatırım Menkul Değerler A.Ş.	Istanbul/Turkey	99.80	100.00
2.	QNB Finans Finansal Kiralama A.Ş.	Istanbul/Turkey	99.40	99.40
3.	Hemenal Finansman A.Ş.	Istanbul/Turkey	100.00	100.00
4.	QNB Finans Portföy Yönetimi A.Ş.	Istanbul/Turkey	75.01	100.00
5.	QNB Finans Faktoring Hizmetleri A.Ş.	Istanbul/Turkey	99.99	100.00
6.	QNB Finans Varlık Kiralama Şirketi A.Ş.	Istanbul/Turkey	-	100.00

Information on subsidiaries in the order presented in the table above

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value(*)
1.	1,101,463	358,748	12,925	102,608	3,477	166,706	75,146	454,858
2.	7,834,001	1,037,693	11,268	603,230	-	140,668	90,966	758,848
3.	26,706	25,651	-	4,091	-	6,189	(11,558)	25,650
4.	42,625	37,818	350	628	-	11,616	3,068	31,437
5.	2,195,256	201,852	11,872	218,027	-	31,445	43,808	287,677
6.	393	383	-	-	-	183	-	-

(*) The fair value measurement method of the Subsidiary QNB Finans Finansal Kiralama A.Ş. has been amended, and measurement has been made on data not based on market data as of the balance sheet date.

b.2) Movement of consolidated subsidiaries:

	Current Period	Prior Period
Balance at the Beginning of the Period	**1,212,068**	**1,103,202**
Movements during the period	**346,402**	**108,866**
Bonus Shares Received	-	-
Dividends from Current Year Profit	-	-
Disposals	-	-
Changes Due to Reclassification	-	-
Revaluation Increase	346,402	108,866
Impairment Provision	-	-
Balance at the End of the Period	**1,558,470**	**1,212,068**
Capital Commitments	**-**	**-**
Share Percentage at the end of the Period (%)	**-**	**-**

b.3) Sectoral information on consolidated financial subsidiaries and the related carrying amounts

	Current Period	Prior Period
Factoring Companies	287,677	266,769
Leasing Companies	758,848	624,551
Finance Companies	25,650	58,395
Other Subsidiaries	486,295	262,353
Total	**1,558,470**	**1,212,068**

b.4) Subsidiaries quoted on stock exchange

	Current Period	Prior Period
Quoted on Domestic Stock Exchanges	758,848	624,551
Quoted on International Stock Exchanges	-	-
Total	**758,848**	**624,551**

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

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

The Bank does not have any significant subsidiaries.

10. Information on joint ventures

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

	Total Assets	Shareholders' Equity	Total Fixed Asset	Interest Income	Securities Income	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1. (*)	2,059,719	280,100	32,126	-	-	185,501	154,255	279,608
2.	152,184	107,186	41,975	-	-	27,501	33,356	-

(*) Cigna Sağlık, Hayat ve Emeklilik A.Ş., is accounted with fair value method as Communique on Bank's unconsolidated Turkish Financial Reporting Statement.

11. Information on lease receivables (Net)

None (December 31, 2019 - None).

12. Information on the hedging derivative financial assets

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge(*)	2,966,278	265,248	2,693,288	78,852
Cash Flow Hedge(**)	1,143,010	257,676	1,314,595	45,247
Foreign Net Investment Hedges	-	-	-	-
Total	**4,109,288**	**522,924**	**4,007,883**	**124,099**

(*) Derivative Financial Instruments at fair value consists swaps. As of December 31, 2020, TL265,248 (December 31, 2019 - TL74,535) from securities, TL 2,966,278 (December 31, 2019 - TL2,693,288) from loans, represents the fair value of derivatives which are designated as hedging instruments to hedge the fair value. In current period, there is a not balance of securities (December 31, 2019 - TL1,927) and funds borrowed (December 31, 2019 - TL2,390) for the fair value of derivatives which are designated as hedging instruments to hedge the fair value.
(**) Represents the fair value of derivative financial instruments for cash flow hedge of deposits and floating interest borrowings.

13. Explanations regarding the investment properties

	Land and Buildings	Operational Fixed Assets Under Finance Lease	Vehicles	Other Tangible Fixed Assets	Total
Prior Year End					
Cost	3,018,868	288,593	63,121	1,753,747	5,124,329
Accumulated Depreciation (-)	260,688	249,151	30,759	1,207,382	1,747,980
Net Book Value	**2,758,180**	**39,442**	**32,362**	**546,365**	**3,376,349**
Current Year End					
Cost at the Beginning of the Period	**3,018,868**	**288,593**	**63,121**	**1,753,747**	**5,124,329**
Additions(*)	154,332	14,929	58,446	270,078	497,785
Disposals (-)	81,715	-	28,878	17,221	127,814
Impairment (-)/(increase)	(2,337)	-	-	-	(2,337)
Current Period Cost	**3,089,148**	**303,522**	**92,689**	**2,006,604**	**5,491,963**
Accumulated Depreciation at the Beginning of the Period	**260,688**	**249,151**	**30,759**	**1,207,382**	**1,747,980**
Disposals (-)	88,026	-	31,173	16,233	135,432
Depreciation Amount	212,157	2,415	21,821	166,741	403,134
Current Period Accumulated Depreciation (-)	**384,819**	**251,566**	**21,407**	**1,357,890**	**2,015,682**
Net Book Value-end of the Period	**2,704,329**	**51,956**	**71,282**	**648,714**	**3,476,281**

(*) As stated in footnote in Section III - Part 4, fair value exchange difference income amortized at an amount of TL27,761 belonging to immovable property subjected to fair value hedge accounting by the Bank is shown on "Disposals" line in Property, Plant and Equipment movement statement.

a) If impairment on individual asset recorded or reversed in the current period is material for the overall financial statements:

Events and conditions for recording or reversing impairment and amount of recorded or reversed impairment in the financial statements:

The fair values of the buildings are determined by the licensed expertise companies and as a result of the changes in the fair value of these buildings, the impairment loss reverse of TL2,337 has been booked (December 31, 2019 - TL294 impairment loss).

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

b) The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially effecting the overall financial statements, and the reason and conditions for this:

None (December 31, 2019 - None).

c) Pledges, mortgages and other restrictions (if any) on the tangible fixed assets, expenses arising from the construction for tangible fixed assets, commitments given for the purchases of tangible fixed assets:

None (December 31, 2019 - None).

14. Explanations on intangible assets

	Rights	Goodwill	Total
Prior Period End			
Cost	1,342,324	-	1,342,324
Accumulated Amortization (-)	904,044	-	904,044
Net Book Value	**438,280**	**-**	**438,280**
Current Period End			
Cost at the Beginning of the Period	**1,342,324**	**-**	**1,342,324**
Additions	214,040	-	214,040
Disposals (-)	-	-	-
Impairment (-)/(increase)	-	-	-
Current Period Cost	**1,556,364**	**-**	**1,556,364**
Accumulated Amortization at the Beginning of the Period	**904,044**	**-**	**904,044**
Disposals (-)	-	-	-
Amortization Charge (-)	147,622	-	147,622
Current Period Accumulated Amortization (-)	**1,051,666**	**-**	**1,051,666**
Net Book Value - End of the Period	**504,698**	**-**	**504,698**

a) Disclosures for book value, description and remaining life to be amortized for a specific intangible fixed asset that is material to the financial statements:

None (December 31, 2019 - None).

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

None (December 31, 2019 - None)

c) The method of subsequent measurement for intangible fixed assets that are acquired through government incentives and recorded at fair value at the initial recognition:

None (December 31, 2019 - None).

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

None (December 31, 2019 - None).

e) Amount of purchase commitments for intangible fixed assets:

None (December 31, 2019 - None).

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

None (December 31, 2019 - None).

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

Amount of total research and development expenses recorded in income statement within the current period TL 14,474 (December 31, 2019 - TL11,629).

h) Positive or negative consolidation goodwill on entity basis:

None (December 31, 2019 - None).

i) Information on goodwill:

None (December 31, 2019 - None).

j) Movements on goodwill in the current period:

None (December 31, 2019 - None).

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

15. Information on assets held for sale and discontinued operations

As of December 31, 2019 there is no tangible asset held for sale (December 31, 2019 - None).

16. Information on tax asset

As of December 31, 2020, the Bank has TL931,700 deferred tax asset calculated under the related regulations.

Deferred tax assets and liabilities are reflected to the financial statements by netting off according to TAS 12. As of December 31, 2020, the Bank has deferred tax assets amounting to TL1,319,323 and deferred tax liability amounting to TL 387,623, which arise between the carrying amount of the assets and liabilities in the balance sheet and the tax bases determined in accordance with tax legislation and calculated over the amounts to be taken into account in the calculation of financial profit/the tax liability is netted and recorded in the records.

Deferred tax is offset against deferred tax assets or liabilities, if the differences between the carrying amount and the fair value of the related assets are related to the equity account group. The deferred tax asset amounting to TL 39,474 has been netted under equity (December 31, 2019 - TL220,543 deferred tax asset).

	Accumulated Temporary Differences		Deferred Tax Assets/(Liabilities)	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Provision for Employee Rights	589,451	529,565	117,890	116,504
Difference Between the Book Value of Financial Assets and Tax Base	954,436	663,646	190,887	146,002
Other(*)	5,035,574	3,179,775	1,010,546	699,551
Deferred Tax Assets			**1,319,323**	**962,057**
Difference Between the Book Value Financial Assets and Tax Base	(378,548)	(277,655)	(75,710)	(61,084)
Difference Between the Book Value of Financial Assets and Tax Base	(1,191,243)	(1,746,251)	(238,248)	(384,175)
Other	(368,326)	(764,133)	(73,665)	(168,110)
Deferred Tax Liabilities			**(387,623)**	**(613,369)**
Deferred Tax Assets/(Liabilities) (Net)			**931,700**	**348,688**

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

	Current Period	Prior Period
	01.01-31.12.2020	01.01-31.12.2019
Deferred Tax as of January 1 Active/(Passive) (Net)	348,688	522,283
Deferred Tax (Loss)/Gain	543,538	(394,138)
Deferred Tax that is Realized Under Shareholder's Equity	39,474	220,543
Deferred Tax Active/(Passive) (Net)	**931,700**	**348,688**

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

17. Information on assets held for sale and discontinued operations

	Current Period	Prior Period
Opening Balance Net Book Value	-	-
Additions[*]	-	47,455
Impairment (-)	-	47,455
Closing Net Book Value	-	-

[*] In prior period, within the context of the existing loan agreements, all creditors including the Bank have reached an agreement on restructuring the loans granted to Ojer Telekomünikasyon A.Ş. (OTAŞ) who is the main shareholder of Türk Telekomünikasyon A.Ş. (Türk Telekom) and it is contemplated that Türk Telekom's number of 192,500,000,000 A group shares owned by OTAŞ, representing 55% of its issued share capital corresponding to A group shares have been pledged as a guarantee for the existing facilities would be taken over by a special purpose entity which is incorporated or will be incorporated in the Turkish Republic, and owned by directly or indirectly by all creditors. As per the agreed structure, it is agreed on the corresponding agreements, completed all required corporate and administrative permissions and the transaction is concluded by a transfer of the aforementioned shares to the special purpose entity incorporated in the Turkish Republic, and owned by directly or indirectly by all creditors. In this context, the Bank owned 1.19% of the founded special purpose entity and the related investment is considered within the scope of TFRS 5 "Assets Held for Sale and Discontinued Operation.

18. Information on other assets

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

As of December 31, 2020, the Bank is provided provisions for other assets to TL8,033 (December 31, 2019 - TL9,213).

19. Accrued interest and income

The details of accrued interest and income allocated to the related items on the assets side of the balance sheet are as follows:

	Current Period		Prior Period	
	TL	FC	TL	FC
Derivative Financial Instruments	6,985,418	2,364,208	6,779,957	1,1[illegible]
Loans	3,565,838	788,150	3,289,333	4[illegible]
Financial Assets at Fair Value Through Other Comprehensive Income	155,725	199,644	258,678	[illegible]
Financial Assets measured at amortized cost	464,532	145,944	175,593	112,638
Central Bank of Turkey	23,626	-	5,441	[illegible]
Financial Assets at Fair Value Through Profit or Loss	124	-	1,648	[illegible]
Banks	37	1,182	1,089	[illegible]
Other Accruals	69,085	522	2,544	[illegible]
Total	**11,264,385**	**3,499,650**	**10,514,283**	**1,8[illegible]**

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

SECTION FIVE

II. Explanations and Disclosures Related to Liabilities

1. Information on maturity structure of deposits

Current Period

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months l	1 Year and Over	Accumulated Deposit Accounts	Total
Saving Deposits	5,796,641	-	8,238,554	17,597,011	1,513,801	780,673	1,205,634	921	35,133,235
Foreign Currency	25,321,783	-	5,493,253	26,126,722	3,260,457	714,797	1,577,949	3,652	62,498,613
Residents in Turkey.	24,225,697	-	5,434,343	25,610,776	3,059,338	680,693	1,159,552	3,652	60,174,051
Residents Abroad	1,096,086	-	58,910	515,946	201,119	34,104	418,397	-	2,324,562
Public Sector Deposits	254,718	-	10,239	284	1,212	-	-	-	266,453
Commercial Deposits	3,790,736	-	3,177,846	4,803,343	158,876	99,557	7,175	-	12,037,533
Other Ins. Deposits	70,423	-	39,729	342,170	2,136	101,130	464	-	556,052
Precious Metal Deposits	14,766,037	-	634	65,986	14,492	4,545	632,807	-	15,484,501
Bank Deposits	123,019	-	3,436,160	1,006,657	17,508	-	-	-	4,583,344
T.R. Centeral Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	3,432	-	146,810	-	-	-	-	-	150,242
Foreign Banks	115,234	-	3,289,350	1,006,657	17,508	-	-	-	4,428,749
Participation Banks	4,353	-	-	-	-	-	-	-	4,353
Other	-	-	-	-	-	-	-	-	-
Total	50,123,357	-	20,396,415	49,942,173	4,968,482	1,700,702	3,424,029	4,573	130,559,731

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	4,749,725	-	8,337,031	18,244,106	214,359	247,901	1,113,219	910	32,907,251
Foreign Currency	13,163,632	-	5,467,902	24,282,951	3,533,737	2,032,562	1,474,559	2,998	49,958,341
Residents in Turkey.	12,648,241	-	5,400,228	23,964,674	3,492,160	1,913,436	1,106,457	2,998	48,528,194
Residents Abroad	515,391	-	67,674	318,277	41,577	119,126	368,102	-	1,430,147
Public Sector Deposits	403,375	-	2,296	9,734	569	19	-	-	415,993
Commercial Deposits	3,470,806	-	4,537,787	4,486,426	82,770	35,395	66,801	-	12,679,985
Other Ins. Deposits	63,232	-	31,454	418,746	1,441	40,772	1,847	-	557,492
Precious Metal Deposits	3,517,505	-	1,068	7,602	1,192	2,780	170,215	-	3,700,362
Bank Deposits	194,282	-	3,244,393	1,864,410	74,941	28,333	-	-	5,406,359
T.R. Centeral Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	5,128	-	-	-	-	-	-	-	5,128
Foreign Banks	183,471	-	3,244,393	1,864,410	74,941	28,333	-	-	5,395,548
Participation Banks	5,683	-	-	-	-	-	-	-	5,683
Other	-	-	-	-	-	-	-	-	-
Total	25,562,557	-	21,621,931	49,313,975	3,909,009	2,387,762	2,826,641	3,908	105,625,783

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

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

	Covered by Deposit Insurance Fund		Exceeding Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	18,829,545	18,451,527	16,297,157	14,447,019
Foreign Currency Savings Deposits	17,246,257	10,426,031	39,206,519	28,403,256
Other Saving Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
Total	**36,075,802**	**28,877,558**	**55,503,676**	**42,850,275**

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

1.3. Savings deposits which are not under the guarantee of saving deposit insurance fund

	Current Period	Prior Period
Deposits and accounts in branches abroad	12,838	25,886
Deposits of ultimate shareholders and their close family members	-	-
Deposits of Chairperson and members of the Board of Directors and their close family members	223,784	149,317
Deposits obtained through illegal acts defined in the 282nd Article of the 5237 numbered Turkish Criminal Code dated 26, 2004	-	-
Saving deposits in banks established in Turkey exclusively for off-shore banking activities	-	-
Total	**236,622**	**175,203**

2. Information on trading derivative financial liabilities

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

	Current Period(*)		Prior Period	
	TL	FC	TL	FC
Forwards	113,317	-	110,238	-
Swaps	4,629,044	1,722,572	2,570,815	903,344
Futures	-	-	-	-
Options	2,924	26,523	211	34,565
Other	-	-	-	-
Total	**4,745,285**	**1,749,095**	**2,681,264**	**937,909**

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

3. Information on funds borrowed

a) Information on banks and other financial institutions

	Current Period		Prior Period	
	TL	FC	TL	FC
T.R. Central Bank Loans	-	-	-	-
Domestic Bank and Institutions	486,735	393,343	380,249	216,059
Foreign Bank, Institutions and Funds	-	19,311,946	-	14,713,101
Total	**486,735**	**19,705,289**	**380,249**	**14,929,160**

b) Maturity information on funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	486,735	5,547,774	380,249	1,578,044
Medium and Long-Term	-	14,157,515	-	13,351,116
Total	**486,735**	**19,705,289**	**380,249**	**14,929,160**

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

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

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

As of December 31, 2020, the Bank's liabilities comprise; 57% deposits (December 31, 2019 - 58%), 9% funds borrowed (December 31, 2019 - 8%), 6% issued bonds (December 31, 2019 - 7%) and 6% Money Market Debts (December 31, 2019 - 5%).

4. Information on funds provided under repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
From domestic transactions	**3,593,907**	**-**	**255,279**	**-**
Financial institutions and organizations	3,579,659	-	232,383	-
Other institutions and organizations	8,731	-	11,123	-
Real persons	5,517	-	11,773	-
From foreign transactions	**782,537**	**10,112,950**	**2,393**	**8,797,038**
Financial institutions and organizations	775,550	10,112,950	-	8,797,038
Other institutions and organizations	6,987	-	2,393	-
Real persons	-	-	-	-
Total	**4,376,444**	**10,112,950**	**257,672**	**8,797,038**

5. Information on securities issued (Net)

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	1,502,745	829,044	3,954,629	116,648
Bills	52,219	11,122,377	-	9,014,697
Total	**1,554,964**	**11,951,421**	**3,954,629**	**9,131,345**

The Bank has government bond issue program (Global Medium Term Note Programme) amounting to USD5 Billion.

6. If other liabilities account exceeds 10% of total liabilities excluding the off-balance sheet items, information given about components of other liabilities account that exceeds 20% of the individual liability item in the unconsolidated balance sheet

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

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

Interest rate and cash flow of the Bank are the main criteria which are taken into consideration determination of payment plans in the leasing contracts.

7.1. Changes in agreements and further commitments arising

No changes have been made to the leasing agreements in the current period (December 31, 2019 - None).

7.2. Financial lease payables

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	13,086	10,336	12,827	9,373
Between 1-4 years	12,241	9,670	9,035	6,604
More than 4 years	332	262	-	-
Total	**25,659**	**20,268**	**21,862**	**15,977**

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

7.3. Information on liabilities arising from operational lease transactions

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	76,052	69,990	29,388	25,177
1-4 Years	387,290	356,417	474,585	406,576
More than 4 years	-	-	-	-
Total	**463,342**	**426,407**	**503,973**	**431,753**

7.4 Information and footnotes on operational lease

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

7.5. Information on “Sale -and- lease back” agreements

The Bank does not have any sale-and-lease back transactions in the current period (December 31, 2019 - None).

8. Information on liabilities arising from hedging purpose derivatives

	Current Period(***)		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge(*)	9,318	666,991	285,204	355,077
Cash Flow Hedge(**)	19,101	887,562	487,387	232,093
Net Investment Hedge	-	-	-	-
Total	**28,419**	**1,554,553**	**772,591**	**587,170**

(*) Derivative financial instruments designated for the fair value hedge purposes comprise of swaps. As of December 31, 2020, TL666,991 from securities (December 31, 2019 - TL355,077) and TL9,318 (December 31, 2019 - TL285,204) represents the fair value of derivative financial instruments for hedging the fair value risk of loans.
(**) Represents the fair value of derivative financial instruments of deposit for cash flow hedges of loans and FC borrowings that have floating rates.
(***) Derivative financial liabilities for the fair value hedge purposes in the current period are presented in line 7.1 of the financial statements and financial liabilities for the purpose of cash flow hedges are shown in line 7.

9. Information on provisions

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

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

(*) The foreign exchange provision for foreign currency indexed loans netted against “Loans and Receivables” in asset.

9.2. Specific provisions for non-cash loans that are not indemnified and converted into cash or expected loss provision for non-cash

	Current Period	Prior Period
Stage 1	119,744	92,437
Stage 2	13,505	17,471
Stage 3	48,284	45,614
Total	**181,533**	**155,522**

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

9.3. Information on employee termination benefits and unused vacation accrual

The Bank has calculated reserve for employee termination benefits by using actuarial valuations as set out in TAS 19 and reflected these accompanying financial statements.

As of December 31, 2020, TL282,700 (December 31, 2019 - TL230,438) reserve for employee termination benefits was provided in the accompanying financial statements.

As of December 31, 2020, the Bank accrued TL47,661 (December 31, 2019 - TL48,707) for the unused vacations under reserve for employee benefits account in the accompanying financial statements.

As of December 31, 2020 TL259,090 (December 31, 2019 - TL250,420) bonus and premium provisions have been provided under reserve for employee benefits account in the accompanying financial statements.

9.3.1. Movement of employee termination benefits

	Current Period 01.01-31.12.2020	Prior Period 01.01-31.12.2019
As of January 1	230,436	173,924
Service Cost	28,742	21,755
Interest Cost	27,810	27,469
Settlement/curtailment/termination loss	22,283	9,813
Actuarial Difference	39,496	28,840
Paid during the period	(66,067)	(31,363)
Total	**282,700**	**230,438**

9.4. Information on other provisions

Except for those mentioned in footnote 9.2, other provisions of the balance sheet amounting to TL293,835 (December 31, 2019 - TL190,554) consist of lawsuits against the Bank.

10. Taxation

10.1. Current taxes

10.1.1. Current tax liability

As of December 31, 2020, the Bank has TL1,093,718 current tax liability (December 31, 2019 - TL205,582). As of December 31, 2020, the Bank has prepaid tax is TL30,019 (December 31, 2019 - None) - None).

10.1.2. Information on taxes payable

	Current Period	Prior Period
Corporate Taxes Payable	1,063,699	205,582
Banking and Insurance Transaction Tax (BITT)	97,870	93,665
Taxation on Securities Income	49,371	84,849
Taxation on Real Estates Income	1,292	2,591
Other	39,159	34,904
Total	**1,251,391**	**421,591**

The “Corporate Taxes Payable” balance is presented in the “Current Tax Liability” account and other taxes are presented in the “Other Liabilities” account in the accompanying unconsolidated financial statements.

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

10.1.3. Information on premiums

	Current Period	Prior Period
Social Security Premiums - Employee Share	12,222	11,685
Social Security Premiums - Employer Share	13,522	12,914
Unemployment Insurance - Employee Share	859	820
Unemployment Insurance - Employer Share	1,718	1,640
Total	**28,321**	**27,059**

11. Information on payables related to assets held for sale

None (December 31, 2019 - None).

12. Information on subordinated loans

	Current Period		Prior Period	
	TL	FC	TL	FC
To be included in the calculation of additional capital	**-**	**3,855,730**	**-**	**3,120,203**
Subordinated Loans	-	3,855,730	-	3,120,203
Subordinated debt instruments	-	-	-	-
Debt instruments to be included in contribution capital calculation	**-**	**2,848,564**	**-**	**2,312,350**
Subordinated loans	-	2,848,564	-	2,312,350
Subordinated debt instruments	-	-	-	-
Total	**-**	**6,704,294**	**-**	**5,432,553**

On April 1, 2019, a subordinated loan amounting to USD125 million was renewed in accordance with Basel III and included in the calculation of contribution capital as 2029.

On June 30, 2019, subordinated loan amounting to USD525 million was renewed in compliance with the necessary amendments were made in the capital similar loan prospectus.

13. Information on shareholder’s equity

13.1. Paid-in capital

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

13.2. Paid-in capital amount, explanation as to whether the registered share capital system is applicable at bank; if so the amount of registered share capital

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

13.3. Information on share capital increases and their sources; other information on any increase in capital shares during the current period

None (December 31, 2019 - None).

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

13.4. Information on share capital increases from revaluation funds

None (December 31, 2019 - None).

13.5. Capital commitments in the last fiscal year and at the end of the following period, the general purpose of these commitments and projected resources required to meet these commitments

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

13.6. Prior periods' indicators related with the Bank's income, profit and liquidity and the possible effects of the uncertainties in these indicators on the Bank's equity

None (December 31, 2019 - None).

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

None (December 31, 2019 - 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	-	-
Other Capital Instruments	-	-

(*) Due to the Bank's capital increase at the prior periods, common stock issue premium accounted amounting to TL714.

15. Securities value increase fund

	Current Period		Prior Period	
	TL	FC	TL	FC
Associates, Subsidiaries and Entities under Common Control	**1,268,032**	**-**	**942,899**	**-**
Valuation Difference	1,268,032	-	942,899	-
Foreign Exchange Rate Difference	-	-	-	-
Securities Measured at Fair Value Through Other Comprehensive Income (FVOCI)	**121,632**	**(597,082)**	**210,214**	**(381,200)**
Valuation Difference	121,632	(597,082)	210,214	(381,200)
Foreign Exchange Rate Difference	-	-	-	-
Total	**1,389,664**	**(597,082)**	**1,153,113**	**(381,200)**

16. Accrued interest and expenses

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Derivative Financial Liabilities	4,773,704	3,303,648	3,453,855	1,525,079
Deposits	226,067	47,573	234,755	76,634
Funds Borrowed	4,140	86,673	74	55,717
Money Market Borrowings	15,442	402,770	2,100	188,376
Securities Issued	11,395	95,192	7,801	107,553
Other Accruals	244,331	180,671	175,722	159,239
Total	**5,275,079**	**4,116,527**	**3,874,307**	**2,112,598**

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

SECTION FIVE

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

1. Information related to off-balance sheet contingencies

1.1. Type and amount of irrevocable commitments

	Current Period	Prior Period
Credit Cards Limit Commitments	35,495,520	28,781,240
Commitment For Use Guaranteed Credit Allocation	18,075,786	14,309,950
Forward, Asset Purchase Commitments	4,836,291	5,330,542
Payment Commitments for Cheques	4,124,298	2,045,048
Other Irrevocable Commitments	2,423,033	2,377,515
Commitments for Promotions Related with Credit Cards and Banking Activities Prom. Uyg. Taah	83,078	71,447
Tax and Fund Liabilities due to Export Commitments	27,046	29,197
Total	**65,065,052**	**52,944,939**

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

Specific provision is provided for the non-cash loans amounting to TL181,533 (December 31, 2019 - TL155,522) followed in the off-balance sheet accounts that are not indemnified and liquidated yet.

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

	Current Period	Prior Period
Bank Loans	6,838,598	5,822,343
Letters of Credit	3,618,937	2,667,496
Total	**10,457,535**	**8,489,839**

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

	Current Period	Prior Period
Provisional Letters of Guarantee	8,674,056	9,374,933
Final Letters of Guarantee	2,969,287	2,421,977
Advance Letters of Guarantee	989,173	990,557
Letters of Guarantee Given to Customs Offices	559,009	486,170
Other Letters of Guarantee	9,498,479	6,753,628
Total	**22,690,004**	**20,027,265**

2. Total amount of non-cash loans

	Current Period	Prior Period
Non-Cash Loans granted for Obtaining Cash Loans	**4,036,779**	**2,009,076**
Less Than or Equal to One Year with Original Maturity	371,430	341,272
More Than One Year with Original Maturity	3,665,349	1,667,804
Other Non-Cash Loans	**29,110,760**	**26,508,028**
Total	**33,147,539**	**28,517,104**

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

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

	Current Period				Prior Period			
	TL	%	FC	%	TL	%	FC	%
Agricultural	**41,065**	**0.35**	**92,736**	**0.43**	**37,497**	**0.37**	**69,559**	**0.38**
Farming and Raising Livestock	31,852	0.27	16,889	0.08	32,555	0.32	9,636	0.05
Forestry	5,311	0.05	-	-	3,919	0.04	-	-
Fishing	3,902	0.03	75,847	0.35	1,023	0.01	59,923	0.33
Manufacturing	**2,224,235**	**19.13**	**10,205,325**	**47.42**	**1,645,765**	**16.03**	**8,248,440**	**45.21**
Mining and Quarrying	76,972	0.66	49,413	0.23	73,698	0.72	39,774	0.22
Production	1,948,468	16.76	9,938,395	46.18	1,429,199	13.92	8,147,353	44.65
Electricity, gas and water	198,795	1.71	217,517	1.01	142,868	1.39	61,313	0.34
Construction	**3,590,417**	**30.88**	**3,005,802**	**13.97**	**3,132,469**	**30.50**	**2,776,877**	**15.22**
Services	**5,532,156**	**47.58**	**7,944,905**	**36.92**	**5,271,352**	**51.33**	**7,068,110**	**38.73**
Wholesale and Retail Trade	3,601,179	30.97	2,388,624	11.10	3,305,446	32.18	2,917,959	15.99
Hotel, Food and Beverage Services	129,205	1.11	969,584	4.51	150,928	1.47	661,151	3.62
Transportation&Communication	508,543	4.37	860,884	4.00	411,693	4.01	901,782	4.94
Financial Institutions	822,433	7.07	3,453,939	16.0	1,014,605	9.88	2,028,298	11.12
Real Estate and Renting Services	12,160	0.10	1,351	0.01	13,138	0.13	665	-
Self Employment Services	216,990	1.87	126,209	0.59	213,365	2.08	98,682	0.54
Educational Services	8,959	0.08	18,080	0.12	7,721	0.08	13,334	0.07
Health and Social Services	232,687	2.00	126,234	0.59	154,456	1.50	446,239	2.45
Other	**239,314**	**2.06**	**271,584**	**1.26**	**183,249**	**1.77**	**83,786**	**0.46**
Total	**11,627,187**	**100.00**	**21,520,352**	**100.00**	**10,270,332**	**100.00**	**18,246,772**	**100.00**

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

	I. Group		II. Group	
Current Period(*)	TL	FC	TL	FC
Letters of Guarantee	11,139,793	11,274,727	139,498	87,702
Bills of Exchange and Acceptances	198,490	6,631,976	-	8,132
Letters of Credit	101,122	3,516,955	-	860
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Collaterals and Sureties	-	-	-	-
Non-cash Loans	**11,439,405**	**21,423,658**	**139,498**	**96,694**

(*) Does not include non-cash loans amounting to TL48,284, for which special provision is provided, but which are not indemnified and not liquidated yet.

	I. Group		II. Group	
Prior Period(*)	TL	FC	TL	FC
Letters of Guarantee	9,971,815	9,792,164	162,338	55,334
Bills of Exchange and Acceptances	22,742	5,782,178	-	17,423
Letters of Credit	67,823	2,563,908	-	35,765
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Collaterals and Sureties	-	-	-	-
Non-cash Loans	**10,062,380**	**18,138,250**	**162,338**	**108,522**

(*) Specific provision for non-cash loans that are not compensated and non converted into cash but recorded as provisions in the off-balance sheet accounts and the expected loss provisions for non-cash loans amounting to TL45,614 are excluded.

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

5. Information on derivative financial instruments

	Current Period	Prior Period
Types of trading transactions		
Foreign Currency Related Derivative Transactions (I)	**161,723,749**	**115,303,643**
Forward transactions(*)	15,793,979	13,397,168
Swap transactions	140,796,098	88,466,508
Futures transactions	2,164,747	197,110
Option transactions	2,968,925	13,242,857
Interest Related Derivative Transactions (II)	**79,814,270**	**58,871,980**
Forward rate transactions	-	-
Interest rate swap transactions	79,814,270	58,871,980
Interest option transactions	-	-
Futures interest transactions	-	-
Security option transactions	-	-
Other trading derivative transactions (III)	**954,265**	**1,217,741**
A. Total Trading Derivative Transactions (I+II+III)	**242,492,284**	**175,393,364**
Types of hedging transactions		
Fair value hedges	29,132,830	31,148,040
Cash flow hedges	45,360,970	49,101,851
Net investment hedges	-	-
B. Total Hedging Related Derivatives	**74,493,800**	**80,249,891**
Total Derivative Transactions (A+B)	**316,986,084**	**255,643,255**

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

As of December 31, 2020, breakdown of the Bank's foreign currency forward and swap and interest rate swap transactions based on currencies are disclosed below in their TL equivalents:

	Forward Buy(**)	Forward Sell(**)	Swap Buy(*)	Swap Sell(*)	Option Buy	Option Sell	Future Buy	Futures Sell	Other
Current Period									
TL	2,339,011	1,126,427	9,154,646	45,077,301	491,416	529,849	172	1,109,224	-
USD	2,184,240	4,547,796	102,180,567	61,466,996	668,171	683,083	1,055,204	147	954,265
EURO	2,204,382	928,009	20,580,625	39,546,312	364,602	158,473	-	-	-
Other	1,210,609	1,253,505	16,825,374	272,347	14,766	58,565	-	-	-
Total	**7,938,242**	**7,855,737**	**148,741,212**	**146,362,956**	**1,538,955**	**1,429,970**	**1,055,376**	**1,109,371**	**954,265**

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

	Forward Buy(**)	Forward Sell(**)	Swap Buy(*)	Swap Sell(*)	Option Buy	Option Sell	Future Buy	Futures Sell	Other
Prior Period									
TL	3,137,983	1,025,633	8,817,491	32,919,897	1,385,083	4,320,320	99,198	-	-
USD	1,386,439	4,949,705	86,440,853	50,819,911	4,580,793	1,983,433	-	97,912	1,217,741
EURO	1,716,257	475,852	16,495,263	27,499,905	625,884	287,800	-	-	-
Other	437,012	268,287	4,540,838	54,221	12,948	46,596	-	-	-
Total	**6,677,691**	**6,719,477**	**116,294,445**	**111,293,934**	**6,604,708**	**6,638,149**	**99,198**	**97,912**	**1,217,741**

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

5.1. Fair value hedge accounting

a) Loans

The Bank enters into swap transactions in order to hedge itself from the changes in the fair value due to the changes in market interest rates of a certain portion of its long-term loans and applies fair value hedge accounting as per TAS 39. As of balance sheet date; the mortgage loans amounting to TL4,324,987 (December 31, 2019 - TL8,122,097) were subject to hedge accounting by swaps with a nominal of TL4,770,807 (December 31, 2019 - TL6,608,353). Due to the loss from loans amounting to TL308,501 (December 31, 2019 - TL919,613 gain) and gain from swaps amounting to TL318,019 (December 31, 2019 - TL864,039 loss) is accounted for under “gains/(loss) from financial derivatives transactions” line in the accompanying financial statements.

When the fair value hedge accounting cannot be effectively continued as stated in TAS 39, the fair value hedge accounting is ceased. The fair value differences of the hedged loans are amortized through income statement until the maturity of the hedged loans. The Bank has booked the valuation effect amounting to TL77,019 (December 31, 2019 - TL136,590 gain) related to the loans that are ineffective for hedge accounting under “gains/(losses) from financial derivatives transactions” as gain during the current period.

b) Financial Assets Measured at Fair Value through Other Comprehensive Income

The Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to long term foreign currency Eurobonds with fixed coupon held by the Bank using swaps as hedging instruments. As of the balance sheet date; Eurobonds with a nominal of USD320,759 million and EUR49,8 million (December 31, 2019 - USD373,663 million and EUR49,8 million) were subject to hedge accounting by interest rate swaps with the same nominal value. On December 31, 2020, the net market valuation difference loss amounting to TL283 , due to gain from Eurobonds amounting to TL294,155 (December 31, 2019 - TL215,945 gain) and loss from swaps amounting to TL294.438 (December 31, 2019 - TL215,250 loss) is accounted for under “gains/(losses) from financial derivatives transactions” line in the accompanying financial statements.

The Bank does not apply fair value hedge on TL government bonds in the current period (As of December 31, 2019 - None).

c) Bonds issued

The Bank applies fair value hedge accounting to hedge against the changes in the interest rates related to the foreign currency bonds issued using interest rate swaps as hedging instruments. As of the balance sheet date, bonds with nominal amount of USD730 million (December 31, 2019 - USD780 Million) have been subject to hedge accounting with the same nominal amount of swaps. As of the balance sheet date, net of TL183,021 (December 31, 2019 - TL69,763 loss) loss from issued securities and TL180,605 (December 30, 2019 - TL69,801 gain) gain from swaps, has been recorded under “Gains/(Losses) from financial derivatives transactions” on accompanying financial statements.

d) Borrowings

The Bank; applies fair value hedge accounting through interest rate swaps in order to protect itself from changes in interest rates with respect to the fixed rate foreign currency loan it uses. According to this; on hedged loans The valuation effects created by the fair value hedge accounting applied are reflected in the income statement throughout the life of the loans. In this context; The Bank ended its fair value hedge accounting practice on January 1, 2020, which started on December 27, 2015, regarding the loan amounting to EUR30 million. In the current period, within the scope of application of deteriorated hedge accounting, the Bank accounted the valuation effect which is amounting to TL1,628 (December 31, 2019 - None) as an income in the income statement under “Gain/Losses from Derivative Transactions”.

5.2. Cash flow hedge accounting

a) Floating rate loans

The Bank is subject to cash flow risk protection accounting through interest rate swaps in order to protect a certain portion of its long-term variable rate loans from changes in market interest rates. At each balance sheet date, the Bank conducts efficiency tests for hedging accounting, and the active parts are accounted in “hedging funds” under equity in the financial statements as defined in TAS 39, while the amount related to the inactive part is associated with the income statement. As of the balance sheet date, swaps with a nominal amount of USD875 million (31 December, 2019 - USD875 million) have been subject to hedging accounting as hedging instruments. As a result of the said hedging accounting, fair value income before tax of TL222,484 (December 31, 2019 - TL20,790) was accounted under equity in the current period. The ineffective portion is none.

b) Deposit

The Bank applies cash flow hedge accounting using interest rate swaps in order to hedge itself from the interest rate changes of deposits that have an average maturity until 3 month, the Bank implements cash flow hedge accounting with interest rate swaps. The Bank implements efficiency tests at the balance sheet dates for hedging purposes; the effective portions are accounted for under equity “Hedging Funds”, whereas the ineffective portions are accounted for at income statement as defined in TAS 39. As at the balance sheet date, swaps amounting to TL150,000 are subject to hedge accounting as hedging instruments (December 31, 2019 - TL1,600,000). As a result of the mentioned hedge accounting, fair value gain before taxes amounting to TL61,956 are accounted for under equity during the current period (December 31, 2019 - TL243,972 loss). The ineffective portion is none (December 31, 2019 - TL182 gain).

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

As of the balance sheet date, swaps with a nominal amount of USD1,708 million (December 31, 2019 - USD2,529 Million) have been subject to hedge accounting with USD deposits and swaps with a nominal amount of EUR74 million (December 31, 2019 - EUR104 million) have been subject to hedge accounting with Euro deposits. As a result of above mentioned hedge accounting, fair value loss before taxes amounting to TL187,599 are accounted for under equity during the current period (December 31, 2019 - TL790,817 loss). The loss amounting to TL1,247 (December 31, 2019 - TL1,525 loss) relating to the ineffective portion is accounted for at the income statement.

When the fair value hedge accounting cannot be effectively continued as stated in TAS 39, the fair value hedge accounting is ceased. Effective parts classified under equity due to hedge accounting are amortized through income statement until the maturity of swaps in case of ineffectiveness. In the current period there is loss TL56,022 transferred amount from equity to gain statement due to ineffectiveness or matured swaps. (December 31, 2019 - TL20,045 income).

The measurements as of December 31, 2020, hedge of cash flow transactions stated above are determined as effective.

c) Floating rate liabilities

The Bank applies cash flow hedge accounting using interest rate swaps in order to hedge its subordinated loans which have floating interest payment. The Bank implements efficiency tests at the balance sheet dates for hedging purposes; the effective portions are accounted for under equity "Hedging Funds", whereas the ineffective portions are accounted for at income statement as defined in TAS 39. As at the balance sheet date, swaps amounting to USD485 million are subject to hedge accounting as hedging instruments (December 31, 2019 - USD485 million). As a result of the mentioned hedge accounting, fair value loss before taxes amounting to TL112,418 are accounted for under equity during the current period (December 31, 2019 - 94,034 loss). There is no ineffective portion in the mentioned hedge accounting transaction.

On the other hand; Accounting application is terminated when cash flow hedge accounting is not effectively maintained as defined in TAS 39. The effective amounts classified under equity due to hedge accounting are reclassified into profit or loss as the reclassification adjustments during periods or periods when the estimated cash flows subject to hedging in case of deterioration of the event affect profit or loss (such as the periods when interest income or expense is accounted for). In this context; In the current year, the Bank ended the hedge accounting practice of the USD325 million subordinated loan it used for the purpose of hedging cash flow due to the change in the contract conditions. Due to hedge accounting practices terminated in the current year, a gain amounting to TL14,038 (December 31, 2019 - TL4,568) was transferred from the equity to the income statement.

The measurements as of December 31, 2020, hedge of cash flow transactions stated above are determined as effective.

6. Credit derivatives and risk exposures on credit derivatives

As of December 31, 2020, the Bank has no commitments "Credit Linked Notes" (As of December 31, 2019 - None).

As of December 31, 2020, "Other Derivative Financial Instruments" with nominal amount of USD130,000,000 (December 31, 2019 - USD205,000,000) are included in Bank's "Swap Interest Sell Transactions." In aforementioned transaction, the Bank is the seller of the protection for USD130,000,000.

7. Information on contingent liabilities and assets

The Bank has recorded a provision of TL157,199 (December 31, 2019 - TL106,152) for litigation and has accounted for it in the accompanying financial statements under the "Other Provisions" account. Except for the claims where provisions are recorded, management considers as remote the probability of a negative result in ongoing litigations and therefore does not foresee cash outflow for such claims.

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

The Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts.

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

MOODY'S December 2020		FITCH September 2020	
Long-Term Deposit Rating (FC)	B3	Long -Term Foreign Curr.	B+ (Negative)
Long-Term Deposit Rating (TL)	B1	Short-Term Foreign Curr.	B
Short-Term Deposit Rating (FC)	NP	Long-Term TL	BB- (Negative)
Short-Term Deposit Rating (TL)	NP	Short-Term TL	B
Main Credit Evaluation	b3	Long-Term National	AA(tur) (Stable)
Adjusted Main Credit Evaluation	b1	Support	4
Appearance	Negative	Financial Capacity Rating	b+
Long-Term Foreign Currency Denominated Debt (FC)	B2		

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

SECTION FIVE

IV. Explanations and Disclosures Related to The Income Statement

1. a) Information on interest income received from loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term Loans	4,672,331	370,731	6,327,616	304,902
Medium and Long-Term Loans	6,684,471	1,952,453	6,871,108	1,726,087
Non-Performing Loans	71,879	-	74,324	-
Resource Utilization Support Fund Premiums	-	-	-	-
Total(*)	**11,428,681**	**2,323,184**	**13,273,048**	**2,030,989**

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

b) Information on interest income from banks

	Current Period		Prior Period	
	TL	FC	TL	FC
T.R. Central Bank(*)	-	-	-	-
Domestic Banks	73,949	112	154,632	257
Foreign Banks	1,854	21,145	2,080	78,168
Foreign Headquarters and Branches	-	-	-	-
Total	**75,803**	**21,257**	**156,712**	**78,425**

(*) The interest income on Required Reserve amounting TL47,326 is not included into interest income on Banks. (December 31, 2019 - TL190,664).

c) Information on interest income from securities portfolio

	Current Period	
	TL	FC
Financial Assets Measured at Fair Value through Profit or Loss (FVTPL)	11,271	1,374
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	712,400	406,143
Financial Assets Measured at Amortized Cost	1,217,111	453,382
Total	**1,940,782**	**860,899**

	Prior Period	
	TL	FC
Financial Assets Measured at Fair Value through Profit or Loss (FVTPL)	10,374	873
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	808,182	279,856
Financial Assets Measured at Amortized Cost	981,116	337,801
Total	**1,799,672**	**618,530**

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 Turkish Treasury, 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. The estimated inflation rate used in the valuation of these securities has been updated and updated according to the inflation rate of 11.89% as of December 31, 2020.

d) Information on interest income received from associates and subsidiaries

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	82,316	119,184

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	**42,454**	**1,076,942**	**34,528**	**1,177,856**
T.R. Central Bank	-	-	-	-
Domestic Banks	38,638	6,611	30,715	9,403
Foreign Banks	3,816	1,070,331	3,813	1,168,453
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	-	-	-
Total	**42,454**	**1,076,942**	**34,528**	**1,177,856**

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

b) Information on interest expense paid to associates and subsidiaries

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	9,177	21,438

c) Information on interest expense paid to securities issued

As of December 31, 2020 interest paid to securities issued is TL990,211 (December 31, 2019 - TL1,268,228).

d) Information on maturity structure of interest expenses on deposits (Current Period)

		Time Deposits						
Account	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year	Accumulated Deposit Account	Total
Turkish Lira								
Bank Deposits	-	12,360	19,468	-	-	-	-	31,828
Saving Deposits	455	733,858	1,729,366	59,948	29,993	119,404	-	2,673,024
Public Sector Deposits	-	348	471	83	-	-	-	902
Commercial Deposits	241	381,894	496,222	24,591	5,061	4,668	-	912,677
Other Deposits	-	3,752	41,816	1,631	6,657	175	-	54,031
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	**696**	**1,132,212**	**2,287,343**	**86,253**	**41,711**	**124,247**	**-**	**3,672,462**
Foreign Currency								
Deposits	185	27,125	308,722	55,740	19,774	34,916	-	446,462
Bank Deposits	33	76,490	17,618	407	-	-	-	94,548
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	3,610	-	-	-	-	-	3,610
Total	**218**	**107,225**	**326,340**	**56,147**	**19,774**	**34,916**	**-**	**544,620**
Grand Total	**914**	**1,239,437**	**2,613,683**	**142,400**	**61,485**	**159,163**	**-**	**4,217,082**

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

Information on maturity structure of interest expense on deposits (Prior Period)

		Time Deposit						
Account	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year	Accumulated Deposit Account	Total
Turkish Lira								
Bank Deposits	-	26,051	126	-	-	-	-	26,177
Saving Deposits	42	971,834	3,075,716	214,628	188,647	467,416	-	4,918,283
Public Sector Deposits	-	107	744	124	9	11	-	995
Commercial Deposits	617	796,185	889,521	84,479	30,566	45,345	-	1,846,713
Other Deposits	-	14,002	119,716	3,911	2,848	1,840	-	142,317
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	**659**	**1,808,179**	**4,085,823**	**303,142**	**222,070**	**514,612**	**-**	**6,934,485**
Foreign Currency								
Deposits	3	65,112	573,710	68,374	49,401	34,811	-	791,411
Bank Deposits	574	67,990	40,397	1,615	614	-	-	111,190
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	1,160	-	-	-	-	-	1,160
Total	**577**	**134,262**	**614,107**	**69,989**	**50,015**	**34,811**	**-**	**903,761**
Grand Total	**1,236**	**1,942,441**	**4,699,930**	**373,131**	**272,085**	**549,423**	**-**	**7,838,246**

e) Information on interest expense on repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Expense on Repurchase Agreements(*)	267,772	195,322	150,765	199,000

(*) Disclosed in "Interest on Money Market Transactions".

f) Information on finance lease expenses

	Current Period	Prior Period
Finance Lease Expenses	57,946	67,865

g) Information on interest expense on factoring payables

None (December 31, 2019 - None).

3. Information on dividend income

	Current Period	Prior Period
Financial Derivative Assets at Fair Value through Profit or Loss (FVTPL)	-	-
From Financial Assets at Fair Value through Profit or Loss	-	-
From Financial Assets at Fair Value through Other Comprehensive Income	-	-
Other	192,343	51,187
Total	**192,343**	**51,187**

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

4. Information on trading income/loss

	Current Period	Prior Period
Trading Income	**12,678,459**	**11,938,319**
Gains on Capital Market Operations	349,925	121,641
Derivative Financial Instruments	6,043,050	9,289,084
Foreign Exchange Gains	6,285,484	2,527,594
Trading Loss (-)	**15,403,844**	**13,454,771**
Losses on Capital Market Operations	81,518	71,242
Losses on Derivative Financial Instruments	9,310,634	10,706,523
Foreign Exchange Losses	6,011,692	2,677,006
Net Trading Income/Loss	**(2,725,385)**	**(1,516,452)**

5. Information on other operating income

The Bank recorded the current year collections from loans written off in the previous period, portfolio management fees and expense accrual cancelations in “Other Operating Income” account.

6. Expenses of Expected Credit Loss and Other Provision

	Current Period	Prior Period
Expected Credit Loss	**2,405,011**	**1,837,123**
12 month expected credit loss (stage 1)	133,528	(203,335)
Significant increase in credit risk (stage 2)	1,243,581	(72,400)
Non-performing loans (stage 3)	1,027,902	2,112,858
Marketable Securities Impairment Expense	**124**	**(17,533)**
Financial Assets at Fair Value through Profit or Loss	-	-
Financial Assets at Fair Value through Other Comprehensive Income	124	(17,533)
Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease	-	**47,455**
Investments in Associates	-	47,455
Subsidiaries	-	-
Joint Ventures	-	-
Other	**138,791**	**26,748**
Total	**2,543,926**	**1,893,793**

7. Information on other operating expenses

	Current Period	Prior Period
Reserve for Employee Termination Benefits(*)	12,768	27,674
Depreciation Expenses of Fixed Assets	403,134	370,479
Amortization Expenses of Intangible Assets	147,622	128,820
Other Operating Expenses	1,165,770	1,151,108
Leasing Expenses Related to TFRS 16 Exemptions	*1,895*	*4,811*
Maintenance Expenses	*263,072*	*245,729*
Advertisement Expenses	*99,951*	*111,000*
Other Expenses	*800,852*	*789,568*
Loss on Sales of Assets	959	491
Other(**)	597,741	504,897
Total	**2,327,994**	**2,183,469**

(*) Includes “Personnel Expenses” that not exist in the income statement “Other Operating Expenses” line
(**) Comprising repayments amounting to TL3,153 (December 31, 2019 - TL5,806) in respect of Consumer Arbitration Committee and courts’ decision, which was fees and commissions recognized in previous year as income. Also, SDIF premium amount and financial operation fees are included.

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

For the period ended December 31, 2020, net interest income in regards to continued operations of TL9,856.641 (December 31, 2019 - TL7,582,221), net fees and commission income of TL2,362,819 (December 31, 2019 - TL2,691,464) and other operating income of TL66,051 (December, 2019 - TL137,288) constitute an important part of the income.

9. Explanations on tax provision for continued and discontinued operations

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

As of December 31, 2020, the Bank has recorded tax charge TL1,055,958 (December 31, 2019 - TL163,465 loss) and a deferred tax loss of TL19,258 (December 31, 2019 - TL572,224 deferred tax loss) and a deferred tax income of TL562,796 (December 31, 2019 - TL178,086 deferred tax income) from its continuing operations.

9.2. Explanations on operating profit/loss after taxes

None (December 31, 2019 - None).

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

Net profit of the Bank from continued operations is TL2,487,009 (December 31, 2019 - TL2,622,157).

11. Explanations on net income/loss for the period

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

None (December 31, 2019 - None).

11.2. Effect of changes in accounting estimates on income statement for the current and for subsequent periods.

None.

11.3. There is no profit or loss attributable to minority shares.

11.4. There are no changes in the nature and amount of accounting estimates, which have a material effect on current period or expected to have a material effect on subsequent periods.

12. Information on the components of other items in the income statement exceeding 10% of the total, or items that comprise at least 20% of the income statement

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

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

SECTION FIVE

V. Explanations and Disclosures Related to Statement of Changes in Shareholder's Equity

1. Changes resulting from valuation of financial assets measured at fair value through other comprehensive income

Net decrease of TL304,464 (December 31, 2019 - TL282,347 net increase) after tax effect resulting from valuation of at financial assets measured at fair value through other comprehensive income is included in "accumulated other comprehensive income or loss reclassified through profit or loss" account under shareholders' equity.

2. Explanations on foreign exchange differences

None.

3. Explanations on dividend

3.1. Dividends declared subsequent to the balance sheet date, but before the announcement of the financial statements

There is no dividend notified before the promulgation of financial statements. It was decided to distribute the year 2019profit as stated below at the Ordinary General Assembly held on March 26, 2020.

2019 dividend distribution table:

Current Year Profit	2,622,157
A - I. Legal Reserve (Turkish Commercial Code 466/1) at 5%	-
B - The First Dividend for Shareholders	-
C - Profit from Disposal of Associates	-
D - II. Legal Reserves	-
E - Gains on Real estate Sales Fund	-
F - Extraordinary Reserves	(2,622,157)

3.2. Dividends per share proposed subsequent to the balance sheet date

No decision is taken concerning the dividend distribution by the General Assembly as of the balance sheet date.

3.3. Transfers to legal reserves

	Current Period	Prior Period
Amount Transferred to Reserved from Retained Earnings	-	85,130

3. Information on issuance of share certificates

1.1 The rights, priorities and restrictions regarding the share capital including distribution of income and repayment of the capital

None (December 31, 2019 - None).

4. Information on the other capital increase items in the statement of changes in shareholders' equity

There was no capital increase in 2020 (December 31, 2019 - None).

SECTION FIVE

VI. Explanations and Disclosures Related to Cash Flows Statement

1. The effects of the other items stated in the cash flow statement and the changes in foreign currency exchange rates on cash and cash equivalents

“Other items” amounting to TL337,616 (December 31, 2019 - TL2,322,912) in “Operating profit before changes in operating assets and liabilities” consist of commissions paid amounting to TL528,292 (December 31, 2019 - TL695,764), net trading income/loss by TL2,669,734 (December 31, 2019 - TL5,719,001 net trading income/loss) and other operating expenses amounting to TL2,479,058 (December 31, 2019 - TL2,700,325).

“Other items” in changes in operating assets amounting to TL3,420,081 (December 31, 2019 - TL1,437,206) consist collaterals amounting TL2,057,862 (December 31, 2019 - TL976,455) and other assets amounting to TL1,362,219 (December 31, 2019 - TL460,751).

“Other items” in changes in operating liabilities amounting to TL6,870,364 (December 31, 2019 - TL1,032,744) consist money market borrowings amounting to TL5,389,518 (December 31, 2019 - TL4,318,053), other liabilities amounting to TL1,830,571 (December 31, 2019 - TL2,582,308) and other capital reserves amounting TL349,725 (December 31, 2019 - TL702,998).

“Other items” in changes in operating assets amounting to TL3,420,081 (December 31, 2019 - TL3,726,562) consist of the increase in collaterals given by TL976,455 (December 31, 2019 - TL1,769,189 decrease) and the decrease in other assets by TL460,751 (December 31, 2019 - TL1,957,373).

“Other items” in changes in operating liabilities amounting to TL1,032,744 (December 31, 2019 - TL3,914,640) consist of the decrease in money market borrowings by TL4,318,053 (December 31, 2019 - TL1,780,605), the increase in sundry debtors and other liabilities by TL2,582,308 (December 31, 2019 - TL5,929,429 increase) and the decrease in other capital reserves by TL702,998 (December 31, 2019 - TL234,182).

“Other items” in changes in net cash provided from banking operations amounting to TL214,040 (December 31, 2019 - TL169,921) includes the increase in intangible assets.

Effect of change in foreign currency on cash and cash equivalents is calculated as the difference between monthly average balances converted to TL using the currency rate at the beginning and at the end of the period and is TL615,145 (December 31, 2019 - TL356,419) as of December 31, 2020.

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

2. Information regarding the balances of cash and cash equivalents at the beginning of the period

	Prior Period
	December 31, 2019
Cash	**1,644,545**
Cash in TL	681,485
Cash in Foreign Currencies	944,326
Other	18,734
Cash Equivalents	**12,743,347**
Balances with the T.R. Central Bank	8,951,928
Banks	755,951
Money Market Placements	3,041,480
Less: Accruals	(6,012)
Cash and Cash Equivalents	**14,387,892**

3. Information regarding the balances of cash and cash equivalents at the end of the period

	Current Period
	December 31, 2020
Cash	**2,226,110**
Cash in TL	616,296
Cash in Foreign Currencies	1,486,250
Other	123,564
Cash Equivalents	**13,199,372**
Balances with the T.R. Central Bank	11,695,907
Banks	1,183,963
Money Market Placements	342,734
Less: Accruals	(23,232)
Cash and Cash Equivalents	**15,425,482**

4. Restricted cash and cash equivalents due to legal requirements or other reasons

A portion of foreign bank accounts amounting to TL283,258 (December 31, 2019 - TL103,628) includes blocked cash for foreign money and capital market transactions and for borrowings from foreign markets.

5. Additional information

5.1. Restrictions on the Bank's potential borrowings that can be used for ordinary operations or capital commitment

None (December 31, 2019 - None).

5.2. The sum of cash flows that show the increases in banking activity capacity, apart from the cash flows needed to maintain current banking activity capacity

None (December 31, 2019 - None).

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

SECTION FIVE

VII. Explanations and Disclosures Related to The Bank's Risk Group

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

1.1. As of December 31, 2020, the Bank's risk group has deposits, cash and non-cash loans at the Bank amounting to TL578,345 (December 31, 2019 - TL333,718) deposit and TL1,259,351 (December 31, 2019 - TL1,018,962) cash loans and TL73,688 (December 31, 2019 - TL56,511) non-cash loans respectively.

Current Period

Bank's Risk Group(*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group(**)	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	1,015,749	13,860	3,192	37,126	21	5,524
Balance at the End of the Period	1,256,220	22,598	2,500	45,878	631	5,212
Interest and Commission Income	82,316	167	-	9	32	1

Prior Period

Bank's Risk Group(*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group(**)	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	548,148	12,011	1,755	16,572	96	8,887
Balance at the End of the Period	1,015,749	13,860	3,192	37,126	21	5,524
Interest and Commission Income(***)	119,184	150	-	5	8	64

(*) As described in the Article 49 of Banking Law No 5411.
(**) Includes the loans given to the Bank's indirect subsidiaries.
(***) Prior Period Balance Represents December 31, 2019 balance

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

Bank's Risk Group(*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group(**)	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the Beginning of the Period	125,530	264,237	-	-	208,189	159,107
Balance at the End of the Period	284,875	125,530	-	-	293,470	208,189
Interest on deposits(***)	9,177	21,438	-	-	9,073	21,281

(*) As described in the Article 49 of Banking Law No 5411.
(**) Includes the derivative transactions between the Bank's indirect subsidiaries.
(***) Prior Period Balance Represents December 31, 2019 balance.

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

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

Bank's Risk Group(*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group(**)	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions for Trading Purposes						
Beginning of the Period	1,470,504	1,569,213	-	-	-	-
End of the Period	1,506,342	1,470,504	-	-	-	-
Total Income/Loss(***)	25,993	(102,810)	-	(191)	-	147
Transactions for Hedging Purposes						
Beginning of the Period	-	1,100,854	-	-	-	-
End of the Period	-	1,231,126	-	-	-	-
Total Income/Loss(***)	-	41,178	-	-	-	-

(*) As described in the Article 49 of Banking Law No 5411.
(**) Includes the derivative transactions between the Bank's indirect subsidiaries.
(***) Prior Period Balance Represents December 31, 2019 balance.

1.4. Information on benefits provided to top management

As of December 31, 2020, the total amount of remuneration and bonuses paid to top management of the Bank is TL146.728 (December 31, 2019 - TL117,794).

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

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

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

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

As of December 31, 2020, cash loans of the risk group represented 0.8% of the Bank's total cash loans (December 31, 2019 - 0.9%), the deposits represented 0.4% of the Bank's total deposits (December 31, 2019 - 0.3%) and derivative transactions represented 0.5% of the Bank's total derivative transactions (December 31, 2019 - 0.6%).

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

The Bank enters into finance lease agreements with QNB Finans Finansal Kiralama A.Ş. As of December 31, 2020, the Bank has net finance lease payables to QNB Finans Finansal Kiralama A.Ş. amounting to TL20,268 (December 31, 2019 - TL15,977) relating with finance lease agreements.

The Bank has signed an agreement with Ibtech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek Sanayi ve Ticaret A.Ş. regarding research, development, advisory and improvement services.

Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş., in which the Bank participated 33.33% shareholding, provides cash transfer services to the Bank.

Information about the Bank's subordinated loans is explained under Section 5, Part II. footnote 12. The Bank provides agency services to Cigna Sağlık, Hayat ve Emeklilik ve Hayat A.Ş., which is a jointly controlled entity with 49.00% shares held by the Bank.

VIII. Explanations on the Bank's Domestic, Foreign and Off-Shore Banking Branches and Foreign Representatives

1. Information relating to the bank's domestic and foreign branch and representatives

	Number	Employees	Country	Total Assets	Capital
Domestic Branch	474	11,103			
Foreign Representation	-	-	-		
Foreign Branch	1	8	1- Bahrain	20,619,107	-
Off-shore Banking and Region Branches	-	-	-	-	-

SECTION SIX

OTHER EXPLANATIONS

I. Other Explanations related to the Bank's Operations

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

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

Date	Currency	Nominal	Interest Rate (%)	Due Date
08.01.2021	TL	75,030	Variable	112
15.01.2021	TL	131,600	Variable	126

2. Information about effects of significant changes in foreign exchange rates after balance sheet date that would affect decision making process of users and foreign operations of the Bank

There are no significant fluctuations in the currency exchange rates after the balance sheet date that would affect the analysis and decision making process of the readers of the financial statements.

3. Other matters

None.

SECTION SEVEN

INDEPENDENT AUDITOR'S REPORT

I. Explanations on the Independent Auditor's Report

The unconsolidated financial statements for the period ended December 31, 2020 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst & Young Global Limited). The auditor's report dated January 28, 2021 is presented preceding the unconsolidated financial statements.

II. Explanations and Notes Prepared by Independent Auditors

None (December 31, 2019 - None).

To the General Assembly of QNB Finansbank Anonim Şirketi

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of QNB Finansbank A.Ş (the Bank), which comprise the statement of financial position as at December 31, 2020, and the consolidated statement of profit or loss, consolidated statement of profit or loss and consolidated other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of QNB Finansbank A.Ş. as at December 31, 2020 and consolidated financial performance and consolidated its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as in accordance with "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 (BRSA), circulars, interpretations published by BRSA and "BRSA Accounting and Financial Reporting Legislation" which includes the provisions of Turkish Financial Reporting Standards (TFRS) for the matters which are not regulated by these regulations.

Basis for Opinion

Our audit was conducted in accordance with "Regulation on independent audit of the Banks" published in the Official Gazette no.29314 dated April 2, 2015 by BRSA (BRSA Independent Audit Regulation) and Independent Auditing Standards ("ISA") which are the part of Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with of Code of Ethics for Independent Auditors (Code of Ethics) published by POA and have fulfilled our other responsibilities in accordance with the code of ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key Audit Matter	How the matter is addressed in our audit
Recognition of impairment on financial assets within the scope of TFRS 9 "Financial Instruments" Standard and related significant disclosures	
As presented in Section 3 disclosure VIII and Section 5, as the Group recognizes expected credit losses of financial assets in accordance with TFRS 9. We considered the impairment of financial assets as a key audit matter since: • Amount of on and off balance sheet items that are subject to expected credit loss calculation is material to the financial statements; • There are complex and comprehensive requirements of TFRS 9; • The classification of the financial assets is based on the Group's business model and characteristics of the contractual cash flows in accordance with TFRS 9 and the Group uses significant judgment on the assessment of the business model and identification of the complex contractual cash flow characteristics of financial instruments; • Policies implemented by the Group management include compliance risk to the regulations and other practices; • Structured processes of TFRS 9 are advanced and complex; • Judgements and estimates used in expected credit loss calculation are complex and comprehensive; and • Disclosure requirements of TFRS 9 are comprehensive and complex.	Our audit procedures included among others include: • Evaluating the appropriateness of accounting policies as to the requirements of TFRS 9, Group's past experience, local and global practices; • Reviewing and testing of structured processes which are used to calculate expected credit losses by involving our Information technology and Process audit specialists; • Evaluating the reasonableness of management's key judgements, estimates and data sources used in expected credit loss calculations including responses to COVID and also considering the standard requirements, sectorial, local and global practices; • Reviewing the appropriateness of criteria in order to identify the financial assets having solely payments of principal and interest and checking the compliance to the Group's Business model; • Assessing the appropriateness of definition of significant increase in credit risk, default criteria, modification, probability of default, loss given default, exposure at default and forward looking assumptions together with the significant judgements and estimates used in these calculations to regulations and group's past performance. Evaluating the alignment of those forward looking parameters to Group's internal processes where applicable; • Evaluation of the impact of the Covid-19 outbreak on macroeconomic variables used in credit staging and expected loan loss provision calculations, together with important forward-looking estimates and assumptions; Assessing the completeness and the accuracy of the data used for expected credit loss calculation. • Testing the mathematical accuracy of expected credit loss calculation on sample basis, • Evaluating the judgments and estimates used for the individually assessed financial assets; • Evaluating the accuracy and the necessity of post-model adjustments; and • Auditing of TFRS 9 disclosures.

Responsibilities of Management and Directors for the Consolidated Financial Statements

Hedge Accounting

As explained in Section 5 Note I.12 and II.8, the Group enters into hedging transactions and applies hedge accounting in order to manage the interest rate and foreign currency rate risks. The Group uses derivative financial instruments and other hedging relationships to hedge its financial risks such as loans and receivables, financial assets measured at fair value through other comprehensive income, lease receivables, deposits, securities issued and borrowings. Hedge accounting is considered to be 'key audit matter' due to the potential risks on eligibility of hedge relationship in accordance with TAS 39 'Financial Instruments: Recognition and Measurement', effectiveness of the tests, fair value calculation of financial instruments, documentation and termination of hedge relationship including the effect of termination on the carrying amount of assets.	In addition to general audit procedures our audit procedures include the re-calculation of fair values of derivative financial instruments, assessment of the financial risk components, documentation of all hedging relationships, examination of the effectiveness tests, the review of hedge accounting records, evaluating the appropriateness of the carrying amount of the asset in accordance with the relevant standards in case of a termination.

Valuation of Derivative Financial Instruments

Foreign currency forward transactions, currency and interest rate swap transactions, money options, money futures transactions and all other derivative financial instruments are recorded at fair value on the balance sheet and their fair values are subject to continuous revaluation. Details of the related amounts are explained in Section 5 Note I.2.b and Note II.2. The fair value of derivative financial instruments is determined by selecting the most appropriate market data and applying valuation techniques for certain products. Due to the assumptions, estimates and subjectivity used in these applications, derivative financial instruments are considered as a key audit matter by us.	In addition to our auditing procedures, include reviewing the fair valuation policies as determined by the Group Management, checking the fair value calculations of the derivative financial instruments chosen by the sample as valuation experts, evaluating the assumptions and estimates used, operational evaluation and testing.

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

In an independent audit, the responsibilities of us as independent auditors are:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with BRSA Independent Audit Regulation and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with BRSA Independent Audit Regulation and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

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

Report on Other Legal and Regulatory Requirements

1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") no 6102; no significant matter has come to our attention that causes us to believe that the Parent Bank's bookkeeping activities and consolidated financial statements for the period January 1 - December 31, 2020 are not in compliance with the laws and provisions of the Bank's articles of association in relation to financial reporting.
2) In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The engagement partner who supervised and concluded this independent auditor's report is Hatice Dilek Çilingir Köstem.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Hatice Dilek Çilingir Köstem, SMMM
Partner

January 28, 2021
Istanbul, Türkiye

QNB FİNANSBANK ANONİM ŞİRKETİ

THE CONSOLIDATED FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2020

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

The consolidated financial report for the year ended December 31, 2020, designed by the Banking Regulation and Supervision Agency in line with the Communiqué on Financial Statements to be Publicly Announced and the Related Policies and Disclosures consists of the sections listed below:

- General Information about the Parent Bank
- Consolidated Financial Statements of the Parent Bank
- Explanations on the Accounting Policies of the Parent Bank
- Information on Consolidated Financial Structure and Risk Management of the Group
- Footnotes and Explanations on Consolidated Financial Statements
- Other Explanations
- Independent Audit Report

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

Subsidiaries
1. 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. Hemenal Finansman Anonim Şirketi
6. QNB Finans Varlık Kiralama Şirketi A.Ş

Entities Under Common Control (Joint Ventures)
1. Cigna Sağlık, Hayat ve Emeklilik Anonim Şirketi

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

The consolidated financial statements and related disclosures and footnotes for the year ended December 31, 2020, are prepared in accordance with the Regulation on Principles Related to Banks' Accounting Applications and Preserving the Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidance and in compliance with the financial records of our Bank. Unless stated otherwise, the accompanying consolidated financial statements are presented in thousands of Turkish Lira (TL).

Ömer A. 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

Temel Güzeloğlu
General Manager
and Member of the
Board of Directors

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

Ercan Sakarya
Director of Financial, Statutory
Reporting and
Treasury Control

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

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

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SECTION ONE

GENERAL INFORMATION ABOUT THE PARENT BANK

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

QNB Finansbank Anonim Şirketi (The Parent Bank and/or the Bank) was incorporated in Istanbul on 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 EUR2,750 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 Genel 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 December 31, 2020 and remaining 0.12% of related shares are public shares.

50% of QNB shares, which is the first commercial bank of Qatar founded in 1964 and has been traded at Qatar Stock Exchange since 1997, are owned by Qatar Investment Authority while 50% of related shares are public shares. QNB is operating over 30 countries mainly in Middle East and North Africa Regions as well as being the biggest bank of Qatar. Also with respect to total assets, total credits and total deposits QNB is the biggest bank of Middle East and North Africa.

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

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

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

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

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

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 December 31, 2020, the Parent Bank operates through 473 domestic (December 31, 2019 - 523), 1 foreign (December 31, 2019 - 1) and 1 Atatürk Airport Free Trade Zone (December 31, 2019 - 1) branches. As of December 31, 2020, the Group has 11,555 employees (December 31, 2019 - 12,538 employees).

VI. Information on Application Differences Between Consolidation Practices as per the Regulation on Preparation of Consolidated Financial Statements of Banks and the Turkish Accounting Standards, and Entities Subject to Full or Proportional Consolidation or Deducted from Equity or not Subject to any of These Three Methods

Parent Bank's joint venture Cigna Sağlık, Hayat ve Emeklilik Anonim Şirketi is consolidated using equity method as per the Regulation on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards.

Ibtech A.Ş and E-finans Elektronik Ticaret ve Bilişim Hizmetleri A.Ş. included in investments in associates and Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş. included in joint ventures are not consolidated to accompanying financial statements as per the Regulation on Preparation of Consolidated Financial Statements of Banks since they are nonfinancial investments. Bankalararası Kart Merkezi included in subsidiaries is carried at cost and not consolidated since the Parent Bank does not have material control and presence over it.

All other subsidiaries are fully consolidated.

Bosphorus Financial Services Limited and İstanbul Bond Company S.A., which are not subsidiaries of the Bank, but over which the Bank has 100% controlling power due to the reason that these companies are "Structured Entity", have been included in the scope of consolidation.

VII. 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 Statements of Off-Balance Sheet Commitments and Contingencies

III. Consolidated Statement of Profit or Loss

IV. Consolidated Statement of Other Comprehensive Income

V. Consolidated Statement of Changes in Shareholders' Equity

VI. Consolidated Statement of Cash Flows

VII. Consolidated Statement of Profit Appropriation

QNB FİNANSBANK ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) – ASSETS AS AT DECEMBER 31, 2020

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

I. CONSOLIDATED BALANCE SHEET - ASSETS		Section 5 Part I	Audited 31.12.2020			Audited 31.12.2019		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	**FINANCIAL ASSETS (NET)**		**16,143,002**	**38,560,665**	**54,703,667**	**16,549,802**	**27,187,638**	**43,737,440**
1.1	**Cash and Cash Equivalents**		**3,190,476**	**26,470,545**	**29,661,021**	**4,749,207**	**18,322,590**	**23,071,797**
1.1.1.	Cash and Balances with The Central Bank	(1)	2,505,744	24,900,717	27,406,461	1,127,558	17,622,984	18,750,542
1.1.2.	Banks	(3)	38,518	1,477,238	1,515,756	403,520	699,615	1,103,135
1.1.3.	Receivables From Money Market	(4)	659,782	92,610	752,392	3,225,937	-	3,225,937
1.1.4.	Expected Credit Losses (-)		13,568	20	13,588	7,808	9	7,817
1.2.	**Financial Assets Measured at Fair Value through Profit or Loss**	(2)	**290,302**	**333,073**	**623,375**	**276,304**	**103,932**	**380,236**
1.2.1.	Public Sector Debt Securities		204,200	87,413	291,613	209,766	16,398	226,164
1.2.2.	Equity Securities		86,102	-	86,102	24,564	-	24,564
1.2.3.	Other Financial Assets		-	245,660	245,660	41,974	87,534	129,508
1.3.	**Financial Assets Measured at Fair Value through Other Comprehensive Income**	(5)	**5,802,565**	**9,387,549**	**15,190,114**	**4,787,538**	**7,558,560**	**12,346,098**
1.3.1.	Public Sector Debt Securities		5,793,173	9,380,242	15,173,415	4,777,207	7,352,489	12,129,696
1.3.2.	Equity Securities		9,392	7,307	16,699	7,674	182,123	189,797
1.3.3.	Other Financial Assets		-	-	-	2,657	23,948	26,605
1.4.	**Derivative Financial Assets**	(12)	**6,859,659**	**2,369,498**	**9,229,157**	**6,736,753**	**1,202,556**	**7,939,309**
1.4.1.	Derivative Financial Assets at Fair Value Through Profit or Loss		5,716,649	2,111,822	7,828,471	5,422,158	1,157,309	6,579,467
1.4.2.	Derivative Financial Assets at Fair Value Through Other Comprehensive Income		1,143,010	257,676	1,400,686	1,314,595	45,247	1,359,842
II.	**FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)**		**105,753,485**	**59,312,306**	**165,065,791**	**85,772,166**	**47,059,324**	**132,831,490**
2.1.	**Loans**	(6)	**102,987,227**	**45,115,006**	**148,102,233**	**83,674,566**	**35,353,734**	**119,028,300**
2.2.	**Lease Receivables**	(11)	**2,251,723**	**4,921,075**	**7,172,798**	**751,652**	**4,036,505**	**4,788,157**
2.3.	**Factoring Receivables**	(7)	**1,872,281**	**338,166**	**2,210,447**	**1,330,012**	**221,571**	**1,551,583**
2.4.	**Other Financial Assets Measured at Amortized Cost**	(8)	**9,559,633**	**9,183,723**	**18,743,356**	**8,588,791**	**7,592,511**	**16,181,302**
2.4.1.	Government Debt Securities		9,559,633	8,621,942	18,181,575	8,588,791	7,028,183	15,616,974
2.4.2.	Other Financial Assets		-	561,781	561,781	-	564,328	564,328
2.5.	**Expected Credit Losses (-)**		**10,917,379**	**245,664**	**11,163,043**	**8,572,855**	**144,997**	**8,717,852**
III.	**ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (NET)**	(17)	**-**	**-**	**-**	**-**	**-**	**-**
3.1.	Held for sale		-	-	-	-	-	-
3.2.	Discontinued Operations		-	-	-	-	-	-
IV.	**INVESTMENTS**		**237,920**	**-**	**237,920**	**217,648**	**-**	**217,648**
4.1.	**Investment in Associates (NET)**	(9)	**14,027**	**-**	**14,027**	**5,982**	**-**	**5,982**
4.1.1.	Equity Method Associates		-	-	-	-	-	-
4.1.2.	Unconsolidated		14,027	-	14,027	5,982	-	5,982
4.2.	**Investment in Subsidiaries (NET)**		**38,038**	**-**	**38,038**	**38,038**	**-**	**38,038**
4.2.1.	Unconsolidated Financial Investments		-	-	-	-	-	-
4.2.2.	Unconsolidated Non-Financial Investments		38,038	-	38,038	38,038	-	38,038
4.3.	**Equity under Common Control (Joint Ventures) (NET)**	(10)	**185,855**	**-**	**185,855**	**173,628**	**-**	**173,628**
4.3.1.	Equity method associates		183,055	-	183,055	170,828	-	170,828
4.3.2.	Unconsolidated		2,800	-	2,800	2,800	-	2,800
V.	**TANGIBLE ASSETS (NET)**	(13)	**3,489,129**	**56**	**3,489,185**	**3,386,959**	**276**	**3,387,235**
VI.	**INTANGIBLE ASSETS (NET)**	(14)	**520,715**	**-**	**520,715**	**453,366**	**-**	**453,366**
6.1.	Goodwill		-	-	-	-	-	-
6.2.	Others		520,715	-	520,715	453,366	-	453,366
VII.	**INVESTMENT PROPERTIES (NET)**	(15)	**-**	**-**	**-**	**-**	**-**	**-**
VIII.	**CURRENT TAX ASSET**		**29,628**	**-**	**29,628**	**6,248**	**-**	**6,248**
IX.	**DEFERRED TAX ASSET**	(16)	**1,034,082**	**-**	**1,034,082**	**445,244**	**-**	**445,244**
X.	**OTHER ASSETS (NET)**	(18)	**4,589,905**	**5,348,828**	**9,938,733**	**3,091,466**	**3,356,049**	**6,447,515**
	TOTAL ASSETS		**131,797,866**	**103,221,855**	**235,019,721**	**109,922,899**	**77,603,287**	**187,526,186**

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

QNB FİNANSBANK ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) – LIABILITIES AS AT DECEMBER 31, 2020

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

I. CONSOLIDATED BALANCE SHEET - LIABILITIES AND EQUITY		Section 5 Part II	Audited 31.12.2020			Audited 31.12.2019		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	DEPOSITS	(1)	48,284,133	81,990,723	130,274,856	46,775,898	58,724,355	105,500,253
II.	FUNDS BORROWED	(3)	2,855,756	23,041,134	25,896,890	2,042,956	17,376,361	19,419,317
III.	MONEY MARKET BORROWINGS	(4)	4,881,720	10,112,950	14,994,670	351,897	8,797,038	9,148,935
IV.	SECURITIES ISSUED (NET)	(5)	2,772,537	11,951,421	14,723,958	5,070,667	9,280,880	14,351,547
4.1.	Bills		2,561,286	829,044	3,390,330	4,459,553	116,648	4,576,201
4.2.	Asset Backed Securities		-	-	-	442,887	-	442,887
4.3.	Bonds		211,251	11,122,377	11,333,628	168,227	9,164,232	9,332,459
V.	FUNDS		-	-	-	-	-	-
5.1.	Borrowers' Funds		-	-	-	-	-	-
5.2.	Others		-	-	-	-	-	-
VI.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (NET)		-	-	-	-	-	-
VII.	DERIVATIVE FINANCIAL LIABILITIES		4,766,374	3,390,090	8,156,464	3,448,115	1,687,378	5,135,493
7.1.	Derivative Financial Liabilities at Fair Value Through Profit or Loss (Net)	(2)	4,747,273	2,502,528	7,249,801	2,960,728	1,293,589	4,254,317
7.2.	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(8)	19,101	887,562	906,663	487,387	393,789	881,176
VIII.	FACTORING PAYABLES		-	-	-	-	-	-
IX.	LEASE PAYABLES (NET)	(7)	428,999	3,076	432,075	421,406	15,879	437,285
X.	PROVISIONS	(9)	1,134,132	-	1,134,132	921,907	-	921,907
10.1.	Restructuring Provisions		-	-	-	-	-	-
10.2.	Reserve for Employee Benefits		631,149	-	631,149	560,445	-	560,445
10.3.	Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4.	Other Provisions		502,983	-	502,983	361,462	-	361,462
XI.	CURRENT TAX LIABILITY	(10)	1,077,742	-	1,077,742	213,410	-	213,410
XII.	DEFERRED TAX LIABILITY		-	-	-	-	-	-
XIII.	LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (NET)	(11)	-	-	-	-	-	-
13.1.	Held for Sale		-	-	-	-	-	-
13.2.	Discontinued Operations		-	-	-	-	-	-
XIV.	SUBORDINATED DEBT INSTRUMENTS	(12)	-	6,704,294	6,704,294	-	5,432,553	5,432,553
14.1	Subordinated Loans		-	6,704,294	6,704,294	-	5,432,553	5,432,553
14.2	Other Debt Instruments		-	-	-	-	-	-
XV.	OTHER LIABILITIES		7,007,486	5,375,926	12,383,412	5,573,013	4,627,165	10,200,178
XVI.	SHAREHOLDERS' EQUITY		20,440,813	(1,199,585)	19,241,228	17,398,475	(633,167)	16,765,308
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 Recycled to Profit or Loss		(111,564)	-	(111,564)	(76,340)	101,267	24,927
16.4.	Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss		120,560	(1,199,585)	(1,079,025)	(101,108)	(734,434)	(835,542)
16.5.	Profit Reserves		14,217,872	-	14,217,872	11,353,778	-	11,353,778
16.5.1.	Legal Reserves		736,513	-	736,513	721,459	-	721,459
16.5.2.	Status Reserves		-	-	-	-	-	-
16.5.3.	Extraordinary Reserves		13,481,359	-	13,481,359	10,632,319	-	10,632,319
16.5.4.	Other Profit Reserves		-	-	-	-	-	-
16.6.	Profit/Loss		2,855,050	-	2,855,050	2,864,094	-	2,864,094
16.6.1.	Prior Periods' Profit/Loss		101,267	-	101,267	-	-	-
16.6.2.	Current Period's Net Profit/Loss		2,753,783	-	2,753,783	2,864,094	-	2,864,094
16.7.	Minority Interest		8,181	-	8,181	7,337	-	7,337
	TOTAL LIABILITIES		93,649,692	141,370,029	235,019,721	82,217,744	105,308,442	187,526,186

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

CONSOLIDATED STATEMENT OF OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES AS AT DECEMBER 31, 2020

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

II. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES		Section 5 Part III	Audited 31.12.2020			Audited 31.12.2019		
			TL	FC	TOTAL	TL	FC	TOTAL
A.	**OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)**		**175,404,906**	**281,234,421**	**456,639,327**	**143,685,259**	**223,417,578**	**367,102,837**
I.	**GUARANTEES**	(1), (2), (3), (4)	**11,604,589**	**21,520,352**	**33,124,941**	**10,257,777**	**18,245,467**	**28,503,244**
1.1.	Letters of guarantee		11,304,977	11,362,429	22,667,406	10,167,212	9,846,193	20,013,405
1.1.1.	Guarantees subject to State Tender Law		474,847	84,162	559,009	419,645	66,525	486,170
1.1.2.	Guarantees given for foreign trade operations		6,665,357	11,278,267	17,943,624	5,338,469	9,779,668	15,118,137
1.1.3.	Other letters of guarantee		4,164,773	-	4,164,773	4,409,098	-	4,409,098
1.2.	Bank loans		198,490	6,640,108	6,838,598	22,742	5,799,601	5,822,343
1.2.1.	Import letter of acceptance		198,490	6,640,108	6,838,598	22,742	5,799,601	5,822,343
1.2.2.	Other bank acceptances		-	-	-	-	-	-
1.3.	Letters of credit		101,122	3,517,815	3,618,937	67,823	2,599,673	2,667,496
1.3.1.	Documentary letters of credit		101,122	3,315,757	3,416,879	67,823	2,000,767	2,068,590
1.3.2.	Other letters of credit		-	202,058	202,058	-	598,906	598,906
1.4.	Prefinancing given as guarantee		-	-	-	-	-	-
1.5.	Endorsements		-	-	-	-	-	-
1.5.1.	Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2.	Other endorsements		-	-	-	-	-	-
1.6.	Securities issue purchase guarantees		-	-	-	-	-	-
1.7.	Factoring guarantees		-	-	-	-	-	-
1.8.	Other guarantees		-	-	-	-	-	-
1.9.	Other collaterals		-	-	-	-	-	-
II.	**COMMITMENTS**		**104,983,869**	**7,321,485**	**112,305,354**	**82,504,459**	**6,301,824**	**88,806,283**
2.1.	Irrevocable commitments	(1)	58,424,722	6,640,330	65,065,052	47,699,180	5,245,759	52,944,939
2.1.1.	Forward asset purchase commitments		1,358,290	3,478,001	4,836,291	1,326,013	4,004,529	5,330,542
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		18,075,052	734	18,075,786	14,309,356	594	14,309,950
2.1.5.	Securities underwriting commitments		-	-	-	-	-	-
2.1.6.	Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7.	Payment commitment for checks		2,423,033	-	2,423,033	2,377,515	-	2,377,515
2.1.8.	Tax and fund liabilities from export commitments		27,046	-	27,046	29,197	-	29,197
2.1.9.	Commitments for credit card expenditure limits		35,495,520	-	35,495,520	28,781,240	-	28,781,240
2.1.10.	Commitments for promotions related with credit cards and banking activities		83,078	-	83,078	71,447	-	71,447
2.1.11.	Receivables from short sale commitments		-	-	-	-	-	-
2.1.12.	Payables for short sale commitments		-	-	-	-	-	-
2.1.13.	Other irrevocable commitments		962,703	3,161,595	4,124,298	804,412	1,240,636	2,045,048
2.2.	Revocable commitments		46,559,147	681,155	47,240,302	34,805,279	1,056,065	35,861,344
2.2.1.	Revocable loan granting commitments		46,090,007	-	46,090,007	34,741,148	748,047	35,489,195
2.2.2.	Other revocable commitments		469,140	681,155	1,150,295	64,131	308,018	372,149
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**	(5), (6)	**58,816,448**	**252,392,584**	**311,209,032**	**50,923,023**	**198,870,287**	**249,793,310**
3.1.	Derivative financial instruments for hedging purposes		9,249,782	64,290,416	73,540,198	16,995,877	63,215,920	80,211,797
3.1.1.	Fair value hedge		5,114,463	23,064,765	28,179,228	6,993,716	23,111,386	30,105,102
3.1.2.	Cash flow hedge		4,135,319	41,225,651	45,360,970	10,002,161	40,104,534	50,106,695
3.1.3.	Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2.	Held for trading transactions		49,566,666	188,102,168	237,668,834	33,927,146	135,654,367	169,581,513
3.2.1.	Forward foreign currency buy/sell transactions		2,110,184	8,853,435	10,963,619	2,837,474	5,228,896	8,066,370
3.2.1.1.	Forward foreign currency transactions-buy		1,676,174	3,847,001	5,523,175	2,234,775	1,792,339	4,027,114
3.2.1.2.	Forward foreign currency transactions-sell		434,010	5,006,434	5,440,444	602,699	3,436,557	4,039,256
3.2.2.	Swap transactions related to foreign currency and interest rates		45,325,821	175,291,457	220,617,278	25,285,071	121,572,364	146,857,435
3.2.2.1.	Foreign currency swap-buy		3,298,846	66,005,831	69,304,677	7,167,491	36,906,553	44,074,044
3.2.2.2.	Foreign currency swap-sell		30,615,375	40,882,956	71,498,331	18,017,580	25,893,831	43,911,411
3.2.2.3.	Interest rate swaps-buy		5,705,800	34,201,335	39,907,135	50,000	29,385,990	29,435,990
3.2.2.4.	Interest rate swaps-sell		5,705,800	34,201,335	39,907,135	50,000	29,385,990	29,435,990
3.2.3.	Foreign currency, interest rate and securities options		1,021,265	1,947,660	2,968,925	5,705,403	7,537,454	13,242,857
3.2.3.1.	Foreign currency options-buy		491,416	1,047,539	1,538,955	1,385,083	5,219,625	6,604,708
3.2.3.2.	Foreign currency options-sell		529,849	900,121	1,429,970	4,320,320	2,317,829	6,638,149
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		1,109,396	1,055,351	2,164,747	99,198	97,912	197,110
3.2.4.1.	Foreign currency futures-buy		172	1,055,204	1,055,376	99,198	-	99,198
3.2.4.2.	Foreign currency futures-sell		1,109,224	147	1,109,371	-	97,912	97,912
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		-	954,265	954,265	-	1,217,741	1,217,741
B.	**CUSTODY AND PLEDGED ITEMS (IV+V+VI)**		**1,239,470,065**	**271,678,813**	**1,511,148,878**	**923,222,865**	**199,370,349**	**1,122,593,214**
IV.	**ITEMS HELD IN CUSTODY**		**314,812,461**	**15,999,495**	**330,811,956**	**187,995,356**	**10,355,208**	**198,350,564**
4.1.	Assets under management		4,313,984	25,795	4,339,779	4,535,551	7,095	4,542,646
4.2.	Investment securities held in custody		255,806,221	8,043,418	263,849,639	141,145,402	4,607,369	145,752,771
4.3.	Checks received for collection		7,616,483	1,484,681	9,101,164	5,587,773	1,187,437	6,775,210
4.4.	Commercial notes received for collection		2,096,904	686,232	2,783,136	1,748,473	419,279	2,167,752
4.5.	Other assets received for collection		-	-	-	-	-	-
4.6.	Assets received for public offering		-	-	-	-	-	-
4.7.	Other items under custody		44,978,869	5,759,369	50,738,238	34,978,157	4,134,028	39,112,185
4.8.	Custodians		-	-	-	-	-	-
V.	**PLEDGED ITEMS**		**540,029,634**	**160,647,061**	**700,676,695**	**441,122,637**	**119,044,468**	**560,167,105**
5.1.	Marketable securities		4,117,442	9,531,425	13,648,867	3,572,768	8,761,567	12,334,335
5.2.	Guarantee notes		380,407	590,933	971,340	398,506	82,436	480,942
5.3.	Commodity		490,115	-	490,115	476,476	-	476,476
5.4.	Warranty		-	-	-	-	-	-
5.5.	Properties		106,976,494	82,931,319	189,907,813	102,041,042	61,972,389	164,013,431
5.6.	Other pledged items		428,065,176	67,593,384	495,658,560	334,633,845	48,228,076	382,861,921
5.7.	Pledged items-depository		-	-	-	-	-	-
VI.	**ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES**		**384,627,970**	**95,032,257**	**479,660,227**	**294,104,872**	**69,970,673**	**364,075,545**
	TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		**1,414,874,971**	**552,913,234**	**1,967,788,205**	**1,066,908,124**	**422,787,927**	**1,489,696,051**

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

QNB FİNANSBANK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2020

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

III. CONSOLIDATED STATEMENT OF PROFIT OR LOSS		Section 5 Part IV	Audited Current Period 01.01-31.12.2020	Audited Prior Period 01.01-31.12.2019
I.	**INTEREST INCOME**	**(1)**	**17,715,908**	**19,151,624**
1.1.	Interest income on loans		13,712,583	15,209,881
1.2.	Interest income on reserve deposits		47,326	190,664
1.3.	Interest income on banks		99,777	258,594
1.4.	Interest income on money market transactions		198,918	243,478
1.5.	Interest income on securities portfolio		2,817,952	2,427,046
1.5.1.	Financial assets measured at FVTPL		28,916	20,091
1.5.2.	Financial assets measured at FVOCI		1,118,543	1,088,038
1.5.3.	Financial assets measured at amortized cost		1,670,493	1,318,917
1.6.	Financial lease income		595,737	531,030
1.7.	Other interest income		243,615	290,931
II.	**INTEREST EXPENSE (-)**	**(2)**	**7,440,458**	**11,311,525**
2.1.	Interest on deposits		4,207,905	7,816,808
2.2.	Interest on funds borrowed		1,416,198	1,494,179
2.3.	Interest on money market transactions		498,781	427,454
2.4.	Interest on securities issued		1,091,416	1,491,444
2.5.	Interest on leases		53,928	64,596
2.6.	Other interest expenses		172,230	17,044
III.	**NET INTEREST INCOME/EXPENSE (I - II)**		**10,275,450**	**7,840,099**
IV.	**NET FEES AND COMMISSIONS INCOME/EXPENSES**		**2,601,042**	**2,823,540**
4.1.	Fees and commissions received		3,172,963	3,508,712
4.1.1.	Non-cash loans		196,578	159,282
4.1.2.	Others		2,976,385	3,349,430
4.2.	Fees and commissions paid (-)		571,921	685,172
4.2.1.	Non-cash loans		2422	2,128
4.2.2.	Others		569,499	683,044
V.	**DIVIDEND INCOME**	**(3)**	**5,257**	**2,934**
VI.	**NET TRADING INCOME/LOSS (NET)**	**(4)**	**(2,558,740)**	**(1,340,686)**
6.1.	Trading account gain/losses		333,094	65,103
6.2.	Gain/losses from derivative transactions		(3,210,586)	(1,258,332)
6.3.	Foreign exchange gain/losses		318,752	(147,457)
VII.	**OTHER OPERATING INCOME**	**(5)**	**82,214**	**146,658**
VIII.	**TOTAL OPERATING GROSS PROFIT (III+IV+V+VI+VII+VIII)**		**10,405,223**	**9,472,545**
IX.	**EXPECTED CREDIT LOSSES (-)**	**(6)**	**2,529,981**	**1,918,759**
X.	**OTHER PROVISION EXPENSES (-)**		**142,299**	**74,919**
XI.	**PERSONEL EXPENSES**		**2,029,196**	**1,827,064**
XII.	**OTHER OPERATING EXPENSES**	**(7)**	**2,421,309**	**2,251,890**
XIII.	**NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)**		**3,282,438**	**3,399,913**
XIV.	**INCOME RESULTED FROM MERGERS**		**-**	**-**
XV.	**INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING**		**98,258**	**89,429**
XVI.	**GAIN/LOSS ON NET MONETARY POSITION**		**-**	**-**
XVII.	**OPERATING PROFIT/LOSS BEFORE TAXES (XII+...+XV)**	**(8)**	**3,380,696**	**3,489,342**
XVIII.	**PROVISION FOR TAXES OF CONTINUED OPERATIONS (±)**	**(9)**	**(626,069)**	**(624,702)**
18.1.	Current tax charge		(1,175,488)	(231,430)
18.2.	Deferred tax charge (+)		568,044	180,306
18.3.	Deferred tax credit (-)		(18,625)	(573,578)
XIX.	**NET OPERATING PROFIT/LOSS AFTER TAXES (XVI±XVII)**	**(10)**	**2,754,627**	**2,864,640**
XX.	**INCOME FROM DISCONTINUED OPERATIONS**		**-**	**-**
20.1.	Income from assets held for sale		-	-
20.2.	Income from sale of associates, subsidiaries and joint-ventures		-	-
20.3.	Others		-	-
XXI.	**EXPENSES FROM DISCONTINUED OPERATIONS (-)**		**-**	**-**
21.1.	Expenses on assets held for sale		-	-
21.2.	Expenses on sale of associates, subsidiaries and joint-ventures		-	-
21.3.	Others		-	-
XXII.	**PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XIX+XX)**		**-**	**-**
XXIII.	**PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)**		**-**	**-**
23.1.	Current tax charge		-	-
23.2.	Deferred tax charge (+)		-	-
23.3.	Deferred tax credit (-)		-	-
XXIV.	**NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XXI±XXII)**		**-**	**-**
XXV.	**NET PROFIT/LOSS (XVIII+XXIII)**	**(11)**	**2,754,627**	**2,864,640**
25.1.	Group's profit/loss		2,753,783	2,864,094
25.2.	Minority interest		844	546
	Earnings Per Share		0.08220	0.0855

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

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

IV. CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

		Audited Current Period 01.01 -31.12.2020	Audited Prior Period 01.01 -31.12.2019
I.	**CURRENT PERIOD PROFIT/LOSS**	**2,754,627**	**2,864,640**
II.	**OTHER COMPREHENSIVE INCOME**	**(278,707)**	**(702,775)**
2.1.	**Other Income/Expense Items not to be Recycled to Profit or Loss**	**(35,224)**	**33,589**
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	(42,130)	(29,985)
2.1.4.	Other Income/Expense Items not to be Recycled to Profit or Loss	-	60,293
2.1.5.	Deferred Taxes on Other Comprehensive Income not to be Recycled to Profit or Loss	6,906	3,281
2.2.	**Other Income/Expense Items to be Recycled to Profit or Loss**	**(243,483)**	**(736,364)**
2.2.1.	Translation Differences	-	-
2.2.2.	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	(245,822)	280,269
2.2.3.	Gains/losses from Cash Flow Hedges	(30,174)	(1,233,787)
2.2.4.	Gains/Losses on Hedges of Net Investments in Foreign Operations	-	-
2.2.5.	Other Income/Expense Items to be Recycled to Profit or Loss	-	-
2.2.6.	Deferred Taxes on Other Comprehensive Income to be Recycled to Profit or Loss	32,513	217,154
III.	**TOTAL COMPREHENSIVE INCOME (I+II)**	**2,475,920**	**2,161,865**

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

QNB FİNANSBANK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2020

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

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

							Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss			Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss								
	Audited	Section 5 Part V	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Revaluation surplus on tangible and intangible assets	Defined Benefit Plans' Actuarial Gains/Losses	Others(*)	Translation Differences	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	Others(**)	Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Shareholders' Equity Before Minority Interest	Minority Interest	Total Shareholders' Equity
	Prior Period- 01.01 - 31.12.2019																	
I.	**Balances at Beginning of Period**		3,350,000	714	-	-	-	(52,953)	44,291	-	(496,342)	397,164	8,781,070	-	2,572,708	14,596,652	6,791	14,603,443
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	-	-	-	(52,953)	44,291	-	(496,342)	397,164	8,781,070	-	2,572,708	14,596,652	6,791	14,603,443
IV.	**Total Comprehensive Income**		-	-	-	-	-	(23,387)	56,976	-	226,655	(963,019)	-	-	2,864,094	2,161,319	546	2,161,865
V.	**Capital Increase in Cash**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	**Capital Increase from Internal Sources**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Capital Reserves from Inflation Adjustments to Paid-in Capital**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	**Convertible Bonds**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	**Subordinated Liabilities**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Others Changes**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**Profit Distribution**		-	-	-	-	-	-	-	-	-	-	2,572,708	-	(2,572,708)	-	-	-
11.1.	Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2.	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	2,572,708	-	(2,572,708)	-	-	-
11.3.	Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at end of the period (III+IV…+X+XI)		3,350,000	714	-	-	-	(76,340)	101,267	-	(269,687)	(565,855)	11,353,778	-	2,864,094	16,757,971	7,337	16,765,308

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

QNB FİNANSBANK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2020

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

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

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

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

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

VI. CONSOLIDATED STATEMENT OF CASH FLOWS

		Section 5 Part VI	Audited 01.01 - 31.12.2020	Audited 01.01 - 31.12.2019
A.	**CASH FLOWS FROM / (TO) BANKING OPERATIONS**			
1.1.	**Operating profit before changes in operating assets and liabilities**		**11,616,021**	**10,184,799**
1.1.1.	Interest received		16,125,355	18,081,879
1.1.2.	Interest paid		(6,961,676)	(12,860,323)
1.1.3.	Dividend received		5,257	2,934
1.1.4.	Fees and commissions received		3,191,815	3,514,697
1.1.5.	Other income		82,214	146,658
1.1.6.	Collections from previously written off loans		1,581,512	1,503,939
1.1.7.	Payments to personnel and service suppliers		(2,045,956)	(1,236,844)
1.1.8.	Taxes paid		44,487	(768,255)
1.1.9.	Other		(406,987)	1,800,114
1.2.	**Changes in assets and liabilities**		**(8,659,897)**	**(1,894,003)**
1.2.1.	Net (increase) decrease in financial assets measured at fair value through profit or loss		(243,915)	(222,751)
1.2.2.	Net (increase) decrease in due from banks		(5,543,606)	2,867,541
1.2.3.	Net (increase) decrease in loans		(19,678,277)	(14,048,513)
1.2.4.	Net (increase) decrease in other assets		(3,508,168)	(1,718,085)
1.2.5.	Net increase (decrease) in bank deposits		(864,560)	1,787,924
1.2.6.	Net increase (decrease) in other deposits		12,514,739	12,329,077
1.2.7.	Net increase (decrease) in financial liabilities measured at fair value through profit or loss		-	-
1.2.8.	Net increase (decrease) in funds borrowed		1,254,850	(3,338,332)
1.2.9.	Net increase (decrease) in matured payables		-	-
1.2.10.	Net increase (decrease) in other liabilities		7,409,040	449,136
I.	**Net Cash Provided from Banking Operations (+/-)**		**2,956,124**	**8,290,796**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
II.	**Net cash provided from / (used in) investing activities (+/-)**		**(1,471,636)**	**(4,986,347)**
2.1.	Purchase of entities under common control, associates and subsidiaries		-	-
2.2.	Sale of entities under common control, associates and subsidiaries		-	-
2.3.	Fixed assets purchases		(644,336)	(246,657)
2.4.	Fixed assets sales		139,188	26,747
2.5.	Purchase of financial assets measured at fair value through other comprehensive income		(11,982,290)	(6,477,428)
2.6.	Sale of financial assets measured at fair value through other comprehensive income		11,307,390	3,797,849
2.7.	Purchase of Financial Assets Measured at Amortized Cost		(2,333,458)	(3,406,328)
2.8.	Sale of Financial Assets Measured at Amortized Cost		2,260,925	1,496,516
2.9.	Other		(219,055)	(177,046)
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
III.	**Net cash provided from / (used in) financing activities**		**198,848**	**1,969,590**
3.1.	Cash obtained from funds borrowed and securities issued		15,206,569	4,459,394
3.2.	Cash used for repayment of funds borrowed and securities issued		(14,948,681)	(2,293,410)
3.3.	Capital increase		-	-
3.4.	Dividends paid		-	-
3.5.	Payments for finance leases		(59,040)	-
3.6.	Other		-	(196,394)
IV.	**Effect of foreign currency translation differences on cash and cash equivalents (+/-)**		**(615,145)**	**356,419**
V.	**Net increase / (decrease) in cash and cash equivalents (I+II+III+IV)**		**1,068,191**	**5,630,458**
VI.	**Cash and cash equivalents at the beginning of the period (+)**		**14,814,910**	**9,184,452**
VII.	**Cash and cash equivalents at end of the period (V+VI)**		**15,883,101**	**14,814,910**

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

QNB FİNANSBANK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF PROFIT APPROPRIATION FOR THE YEAR ENDED DECEMBER 31, 2020

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

VII. CONSOLIDATED STATEMENT OF PROFIT APPROPRIATION(*)		Audited Current Period 31.12.2020(**)	Audited Prior Period 31.12.2019
I.	**DISTRIBUTION OF CURRENT YEAR INCOME**		
1.1.	Current Year Income	2,999,429	3,179,760
1.2.	Taxes and Duties Payable	512,420	557,603
1.2.1.	Corporate Tax (Income Tax)	1,055,958	163,465
1.2.2.	Income Withholding Tax	-	-
1.2.3.	Other Taxes and Duties	(543,538)	394,138
A.	**NET INCOME FOR THE YEAR (1.1-1.2)**	**2,487,009**	**2,622,157**
1.3.	Prior Year Losses (-)	(101,267)	-
1.4.	First Legal Reserves (-)	-	-
1.5.	Other Statutory Reserves (-)	-	-
B.	**NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]**	**2,588,276**	**2,622,157**
1.6.	First Dividend to Shareholders (-)	-	-
1.6.1.	To Owners of Ordinary Shares	-	-
1.6.2.	To Owners of Privileged Shares	-	-
1.6.3.	To Owners of Preferred Shares	-	-
1.6.4.	To Profit Sharing Bonds	-	-
1.6.5.	To Holders of Profit and (Loss) Sharing Certificates	-	-
1.7.	Dividends to Personnel (-)	-	-
1.8.	Dividends to Board Of Directors (-)	-	-
1.9.	Second Dividend to Shareholders (-)	-	-
1.9.1.	To Owners of Ordinary Shares	-	-
1.9.2.	To Owners of Privileged Shares	-	-
1.9.3.	To Owners of Preferred Shares	-	-
1.9.4.	To Profit Sharing Bonds	-	-
1.9.5.	To Holders of Profit and (Loss) Sharing Certificates	-	-
1.10.	Second Legal Reserves (-)	-	-
1.11.	Statutory Reserves (-)	-	-
1.12.	Extraordinary Reserves	-	-
1.13.	Other Reserves	-	-
1.14.	Special Funds	-	-
II.	**DISTRIBUTION OF RESERVES**		
2.1.	Appropriated Reserves	-	-
2.2.	Second Legal Reserves (-)	-	-
2.3.	Dividends to Shareholders (-)	-	-
2.3.1.	To Owners of Ordinary Shares	-	-
2.3.2.	To Owners of Privileged Shares	-	-
2.3.3.	To Owners of Preferred Shares	-	-
2.3.4.	To Profit Sharing Bonds	-	-
2.3.5.	To Holders of Profit and (Loss) Sharing Certificates	-	-
2.4.	Dividends to Personnel (-)	-	-
2.5.	Dividends to Board Of Directors (-)	-	-
III.	**EARNINGS PER SHARE**		
3.1.	To Owners of Ordinary Shares	0.0742	0.0783
3.2.	To Owners of Ordinary Shares (%)	7.42%	7.83%
3.3.	To Owners of Privileged Shares	-	-
3.4.	To Owners of Privileged Shares (%)	-	-
IV.	**DIVIDEND PER SHARE**		
4.1.	To Owners of Ordinary Shares	-	-
4.2.	To Owners of Ordinary Shares (%)	-	-
4.3.	To Owners of Privileged Shares	-	-
4.4.	To Owners of Privileged Shares (%)	-	-

(*) Profit Appropriation Statement has been prepared according to unconsolidated financial statements of the Parent Bank.
(**) Decision regarding the profit distribution for the 2020 will be taken at the General Meeting.
(*) Decision regarding the dividend distribution for the 2020 will be taken at the General Meeting.

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

SECTION THREE

ACCOUNTING POLICIES

I. Basis of Presentation

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

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

Explanation for convenience translation to English

The differences between accounting principles, as described in these preceding paragraphs and accounting principles generally accepted in countries in which consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in these consolidated financial statements. Accordingly, these consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS. Consolidated financial statements and the related disclosures and footnotes have been presented in thousands of Turkish Lira unless otherwise specified. The amounts expressed in foreign currency, is indicated by the full amount.

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

Accounting policies and valuation principles used in the preparation of the consolidated financial statements are determined and applied, in accordance with the regulations, communiques, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"), and are consistent with the accounting policies applied in the annual financial statements prepared for the year ended December 31, 2019 except for the application of TFRS 16.

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

Consolidated financial statements are prepared in TL accordance with the historical cost basis except for financial instruments measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, derivative financial assets and liabilities. In addition, carrying value of assets subject to fair value hedge but are carried at historical cost is adjusted to reflect fair value changes related to risks being hedged.

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

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

Since it is aimed to update the most recent financial information in the interim financial statements prepared as of December 31, 2020, considering the magnitude of the economic changes due to COVID-19, the Bank made certain estimates in the calculation of expected credit losses and disclosed them in footnote numbered VIII "Explanations on Expected Provisions for Losses". In the upcoming periods, the Bank will update its relevant assumptions as necessary and revise the realizations of past estimates. Also, COVID-19 effects of the following articles III "Information on Associates and Subsidiaries and Entities Under Common Control" and XV "Explanations on Leasing Transactions" disclosed in footnotes too.

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

2.1. Changes in accounting policies and disclosures

In its accompanying unconsolidated financial statements, the Group announced the Phase 1 amendments to TFRS 9, TAS 39 and TFRS 7 within the scope of the Indicative Interest Rate Reform published by the Public Oversight Authority ("POA") in the Official Gazette dated December 14, 2019 and numbered 30978. It has been implemented since January 1, 2020. According to this; the Group's portfolio that will be affected by this reform consists of loans, other financial assets measured at amortized cost and derivative financial instruments together with other borrowings received, and as of December 31, 2020, the portfolio size is approximately TL107 billion. Within the scope of the reform, a committee is formed within the Group to coordinate issues such as contract management, information technology, infrastructure development and product design regarding the transition process. It is foreseen that the necessary studies will be completed in 2021. These changes did not have a significant impact on the financial status or performance of the Group.

II. Strategy for the Use of Financial Instruments and the Foreign Currency Transactions

1. Strategy for the use of financial instruments

The major funding sources of the Parent Bank are customer deposits, bond issues and funds borrowed from international markets. The customer deposits bear a fixed interest rate and have an average maturity of 1-3 months in line with the sector. Domestic bond issues are realized within the maturity of 3 months and foreign bond issues are based on long maturities with fixed interests. Funds borrowed from abroad mostly bear floating rates and are reprised at an average period of 3-6 months. The Parent Bank diverts its placements to assets with high return and sufficient collaterals. The Parent Bank manages the liquidity structure to meet its liabilities when due by diversifying the funding sources and keeping sufficient cash and cash equivalents. The maturity of fund sources and maturity and yield of placements are considered to the extent possible within the current market conditions and a higher return on long-term placements is aimed.

Besides customer deposits, the Parent Bank funds its long term fixed interest rate TL 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 TL liquidity using long term swap transactions (fixed TL interest rate and floating FC interest rate). Thus, the Parent Bank generates TL denominated resources for funding long term loans with fixed interest rates.

The Parent Bank has determined securities portfolio limits based on the market risk limitations for money, capital and commodity markets. Products included in the securities portfolio are subject to position and risk limits. Position limits restrict the maximum nominal position based on the product. Risk limits are expressed in terms of "Value at Risk (VAR)" by taking risk tolerance as a cap. The maximum VAR amounts are determined by interest and currency risk factors, which affect the securities portfolio that is subject to market risk, as well as determining the risk tolerance based on the total value at risk. The above mentioned limits are revised annually.

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

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

2. Foreign currency transactions

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

The Group accounts for the transactions denominated in foreign currencies in accordance with TAS 21
"The Effects of Changes in Foreign Exchange Rates". Foreign exchange gains and losses arising from transactions that are completed,

As of December 31, 2020 are translated to TL by using historical foreign currency exchange rates. Balances of the foreign currency denominated assets and liabilities except for non-monetary items are converted into TL by using foreign currency exchange rates of the Parent Bank for the period end and the resulting exchange differences are recorded as foreign exchange gains and losses. Foreign currency nonmonetary items measured at fair value are converted with currency exchange rates at the time of fair value measurement. The Parent Bank's foreign currency exchange rates for the related period ends are as follows:

	December 31, 2020	December 31, 2019
US Dollar	TL7.3405	TL5.9402
Euro	TL9.0079	TL6.6506

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

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

The foreign currency position of the Parent Bank and the profit /loss from the foreign exchange transactions realized are included in the income statement of foreign exchange gains / losses and income/losses from derivative financial instruments in the income statement. While gain / loss from spot foreign exchange transactions are included in the profit / loss item of foreign exchange gain / loss on balance sheet, profit / loss from derivative transactions (forward, option etc.) for the purpose of hedging related transactions are included in income / loss statement of derivative financial instruments. Therefore, in order to determine the net profit / loss effects of foreign exchange transactions, two balances should be assessed together. As of December 31, 2020, derivative financial transaction loss amounting to TL3,210,586 (December 31, 2019 - TL1,258,332 derivative financial transaction loss) and excluding net interest expense amounting to TL3,172,200 (December 31, 2019 - TL1,719,400 net interest expense) arising from derivative transactions from the total foreign exchange loss amounting to TL318,752 (December 31, 2019 - TL147,457 net exchange loss), net foreign exchange operations gain is TL280,366 (December 31, 2019 - TL313,611 net foreign exchange gain).

2.3. Foreign associates

None.

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

The accompanying consolidated financial statements are prepared in accordance with TFRS 10 "Turkish Financial Reporting Standard in regards to Consolidated Financial Statements" and BRSA's "Regulation on Preparation of Consolidated Financial Statements of Banks" published on the Official Gazette numbered 26340 and dated 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 (%)	
					December 31, 2020	December 31, 2019
1.	QNB Finans Yatırım Menkul Değerler A.Ş. (Finans Yatırım)	Full consolidation	Turkey	Securities Intermediary Services	100.00	100.00
2.	QNB Finans Portföy Yönetimi A.Ş. (Finans Portföy)	Full consolidation	Turkey	Portfolio Management	100.00	100.00
3.	Hemenal Finansman A.Ş. (Tüketici Finansman)	Full consolidation	Turkey	Consumer Financing	100.00	100.00
4.	QNB Finans Finansal Kiralama A.Ş. (Finans Leasing)	Full consolidation	Turkey	Financial Leasing	99.40	99.40
5.	QNB Finans Faktoring A.Ş. (Finans Faktoring)	Full consolidation	Turkey	Factoring Services	100.00	100.00
6.	QNB Finans Varlık Kiralama Şirketi A.Ş.	Full consolidation	Turkey	Asset Lease	100.00	100.00
7.	Cigna Sağlık, Hayat ve Emeklilik A.Ş	Equity Method	Turkey	Private Pension and Insurance	49.00	49.00

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

Differences between the accounting policies of subsidiaries and entities under common control and those of the Parent Bank are adjusted, if material. The financial statements of the subsidiaries and entities under common control are prepared as of December 31, 2020.

1. Subsidiaries

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

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

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

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

2. Associates and entities under common control

The Parent Bank does not have any financial associates that are consolidated in the accompanying financial statements.

The joint venture is established locally, has its primary operations in private pension and insurance, is controlled jointly with another group with a partnership agreement, and is included in Parent Bank's capital. Subject joint venture is included in consolidated financial statements by using equity method.

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

IV. Explanations on Derivative Financial Assets and Liabilities

The Group enters into forward currency purchase/sale agreements and swap transactions to reduce the foreign currency risk and interest rate risk and manage foreign currency liquidity risk. The Group also carries out currency and interest options and credit default swap and futures agreements.

Besides customer deposits, the Parent Bank funds its long term fixed interest rate TL 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 TL liquidity with long term swap transactions (fixed TL interest rate and floating FC interest rate). Therefore, the Parent Bank not only funds its long term fixed interest rate loans with TL but also hedges itself against interest rate risk.

The Parent Bank's derivative instruments held for trading and derivative instruments hedging purpose are classified, measured and accounted in accordance with "TFRS 9" and TAS 39 "Financial Instruments: Recognition and Measurement", respectively. Derivative instruments held for trading and derivative instruments hedging purpose are initially recognized at fair value and subsequently measured at fair value. Also, the liabilities and receivables arising from the derivative transactions are recorded as off-balance sheet items at their contractual values. The derivative transactions are accounted for at fair value subsequent to initial recognition and are presented in the "Derivative Financial Assets at Fair Value Through Profit or Loss"," Derivative Financial Liabilities at Fair Value Through Profit or 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 income statement on Gains/Losses from Derivative transactions. These foreign currency valuation differences are accounted for under "Foreign Exchange Gains/Losses" account.

In cash flow hedge accounting

The Parent Bank applies cash flow hedge accounting using interest swap transactions to hedge its TL and FC customer deposits with short term cyclical basis and subordinated loans and loans with floating rate financial receivables which have floating interest payment. The Parent Bank implements effectiveness tests at the balance sheet dates for hedge accounting; the effective parts are accounted as defined in TAS 39, in financial statements under equity "Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss" whereas the amount concerning ineffective parts is associated with the income statement.

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

In cash flow hedge accounting, when the hedging instrument expires, is executed or sold and when the hedge relationship becomes ineffective or is discontinued as a result of the hedge relationship being revoked; the hedging gains and losses that were previously recognized under equity are transferred to profit or loss when the cash flows of the hedged item are realized.

In fair value hedge accounting

The Parent Bank applies fair value hedge accounting within the framework of TAS 39 using swaps to hedge a portion of its long term, fixed rate mortgage and project finance loans against possible fair value change due to market interest rate fluctuations.

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

The Parent Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to long term TL government bonds with fixed coupon payment in financial assets measured at fair value through other comprehensive income portfolio using swap transactions as hedging instruments.

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

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

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

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

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

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

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

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

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

As of 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. Fair value exchange difference adjustment amounting to TL1,945,441 which is shown in tangible assets in the balance sheet, is amortized over the economic life of the property subject to hedging.

V. Explanations on Interest Income and Expenses

Interest income is recorded according to the effective interest rate method (Rate equal to net present value of future cash flows of financial assets or liabilities) defined in the TFRS 9 "Financial Instruments" standard by applying the effective interest rate to the gross carrying amount of a financial asset except for purchased or originated credit-impaired financial assets or financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. When applying the effective interest rate method, an entity identifies fees that are an integral part of the effective interest rate of a financial instrument. Fees that are an integral part of the effective interest rate of a financial instrument are treated as an adjustment to the effective interest rate, unless the financial instrument is measured at fair value, with the change in fair value being recognized in profit or loss.

When applying the effective interest method, The Parent Bank amortized any fees, transaction costs and other premiums or discounts that are included in the calculation of the effective interest rate over the expected life of the financial instrument. In case an interest was accrued on a security before its acquisition, the collected interest is divided into two parts as interest before and after the acquisition and only the interest of the period after the acquisition is recorded as interest income in the financial statements. If the expectation for the cash flows from financial asset is revised for reasons other than the credit risk, the change is reflected in the carrying amount of asset and in the related statement of profit or loss line and is amortized over the estimated life of financial asset.

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

VI. Explanations on Fees and Commission Income and Expenses

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

VII. Explanations and Disclosures on Financial Instruments

Initial recognition of financial instruments

The Parent Bank shall recognize a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade date accounting or settlement date accounting. Purchase and sale transactions of securities are accounted at the settlement date.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on the contractual conditions and the relevant business model. Except for the assets in the scope of TFRS 15 Revenue from contracts with customers, at initial recognition, the Parent Bank measures financial asset or financial liabilities at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Classification of financial instruments

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

As per TFRS 9, the Parent Bank classifies a financial asset on the basis of its contractual cash flow characteristics if the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. In order to assess whether the element provides consideration for only the passage of time, an entity applies judgement and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set. When the contractual conditions are exposed to the risks which are not consistent with the basic lending arrangement or variability of cash flows, the relevant financial asset is measured at fair value through profit or loss. The Parent Bank tested all financial assets whether their "contractual cash-flows solely represent payments of principal and interest" and assessed the asset classification within the business model.

Assessment of business model

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

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

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

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

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

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

Other business models

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

Measurement categories of financial assets and liabilities

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

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

Financial assets at the fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets other than the ones that are managed with business model that aims to hold to collect contractual cash flows or business model that aims to collect both the contractual cash flows and cash flows arising from the sale of the assets; and if the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and interest at certain date; that are either acquired for generating a profit from short-term fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making. Financial assets at the fair value through profit or loss are initially recognized at fair value and measured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement. According to uniform chart of accounts explanations interest income earned on financial asset and the difference between their acquisition costs and amortized costs are recorded as interest income in the statement of profit or loss. The differences between the amortized costs and the fair values of such assets are recorded under trading account income/losses in the statement of profit or loss. In cases where such assets are sold before their maturities, the gains/losses on such sales are recorded under trading account income/losses.

The Parent Bank has stocks, bills and bonds in portfolios of financial assets at fair value through profit or 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 or loss related to private purpose loans as of December 2018.

Financial assets at fair value through other comprehensive income

In addition to financial assets within a business model that aims to hold to collect contractual cash flows and aims to hold to sell, financial asset with contractual terms that lead to cash flows are solely payments of principal and interest at certain dates, they are classified as fair value through other comprehensive income. Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are measured at fair value. Interest income calculated with effective interest rate method arising from financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to income statement.

"Unrealized gains and losses" arising from the difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income are not reflected in the income statement of the period until the acquisition of the asset, sale of the asset, the disposal of the asset, and impairment of the asset and are accounted under the "Other comprehensive income/expense items to be recycled to profit/loss" under shareholders' equity. Equity securities, which are classified as financial assets at fair value through other comprehensive income, that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

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

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 TL 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 TL government bond hedged items are accounted for under "Trading Account Gains/ Losses" in the income statement.

In cases where fair value hedge operations cannot be effectively performed as described in TAS 39, fair value hedge accounting is ceased. After fair value accounting is ceased value differences, previously reflected the income statement are amortized through the equity until the maturity of related hedged securities. The fair value differences of related portfolio securities sold prior to maturity are immediately recognized in the income statement.

Financial assets measured at amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets measured at amortized cost. Financial assets measured at amortized cost are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using effective interest rate method. Interest income obtained from financial assets measured at amortized cost is accounted in income statement.

The Parent Bank as explained in part IV, "Explanations on Derivative Financial Assets and Liabilities", enters into fx swap transactions against TL in order to hedge the possible losses which might arise due to the changes in the fair value of a certain portion of its long-term loans and applies fair value hedge accounting as per TAS 39. The Parent Bank accounts for the hedged loan portfolio at fair value related to hedged risk, the swap transactions used as the hedging instrument at fair value and reflects the related net gain or loss to respective period's income statement.

When the fair value hedge accounting could not be effectively continued as stated in TAS 39, the fair value hedge accounting is ceased. The fair value differences of the hedged loans are amortized through income statement until the maturity of the hedged loans.

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 or 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.

Within the scope of Article 4 and 5 of the Regulation On Procedures And Principles For Classification Of Loans And Provisions in accordance with the BRSA Decision numbered 9312 dated December 8, 2020, due to the disruptions in economic and commercial activities resulting from the Covid-19 outbreak, the 90 days default period for loans to be classified as non-performing loans shall be applied as 180 days according to assembly's resolution dated on March 17, 2020. This measure will be effective until December 31, 2020. In this manner, in the assessment of whether the debtor defaulted on the loan where the payment is overdue for more than 90 days, consideration is given to whether the debtor's condition is temporary due to COVID-19 pandemic and payment irregularities are related to temporary liquidity constraints. In this context,

- The 90 days default period for loans to be classified as non-performing loans (NPL) is now 180 days;
- In restructured installment receivables, the practice of shifting installments without a contract breakdown, within the defined terms has started for customers who do not want to be late in their instalments;

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

As of December 31, 2020, the Group, in line with the accounting policies stated in the financial statements of December 31, 2019, has not made any changes about the classification and measurement of financial assets and calculation of expected losses. In the classification of loans and receivables with a delay of more than 30 days, and in the calculation of the provisions, the Stage 2 rules were applied, and the loans and receivables with delay days exceeding 90 days and less than 180 days were classified according to the Stage 2, but the provisions were calculated in accordance to the Stage 3 rules.

The expected credit loss estimates are required to be unbiased, probability-weighted and include supportable information about past events, current conditions, and forecasts of future economic conditions. These financial assets are divided into three categories depending on increase in credit risk observed since their initial recognition:

Stage 1:

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded in the amount of expected credit losses on the 12-month default risk. It is calculated 12-month expected credit loss based on a probability of default realized within 12 months after the reporting date. Such expected 12-month probability of default is applied on an expected exposure at default, multiplied with loss given default rate and discounted with the original effective interest rate. As of December 31, 2020, minimum probability of default rate of Basel II is used in the expected credit loss calculation of receivables from public institutions and organizations. Such calculation is performed for each of three scenarios explained 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 Parent Bank accounts lifetime expected credit losses. In determining the impairment, the Parent Bank takes into consideration the following criteria:

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

Calculation of expected credit losses

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

While the expected credit loss is estimated, three scenarios (base scenario, bad scenario, New Economic Plan) are evaluated. Each of these scenarios was associated with the different PD and LGD.

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

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

Probability of default ("PD")

The PD represents the likelihood of a default over a specified time period. A 12-month PD represents the likelihood of default determined for the next 12 months and a lifetime PD represents the probability of default over the remaining lifetime of the instrument. The lifetime PD calculation is based on a series of 12-month PIT PDs that are derived from through the cycle (TTC) PDs and scenario forecasts.

It is used internal rating systems for both retail and commercial portfolios to measure risk level. The internal rating models used for the commercial portfolio include customer financial information and qualitative survey responses. Whereas behavioral and application scorecards used in the retail portfolio include; the behavioral data of the customer and the product in the Bank, the demographic information of the customer, and the behavioral data of the customer in the sector. Probability of default calculation has been carried out based on past information, current conditions and forward looking macroeconomic parameters.

Loss given default ("LGD")

The LGD represents an estimate of the economic loss at the time of a potential default occurring during the life of a financial instrument. The LGD is calculated taking into account expected future cash flows from collateral and other credit enhancements by considering time value of money.

LGD calculations are performed using historical data which best reflects current conditions, by formation of segments based on certain risk factors that are deemed important for each portfolio and inclusion of forward-looking information and macroeconomic expectations. LGD summarizes all cash flows from customers subsequent to default. It covers all costs and collections that occur during the collection cycle, including collections from collaterals. It also includes the "time value of money" calculated by means of deducting costs and additional losses from the present value of collections. The Bank bases its estimates on models for collateralized portfolios and on previous experience for unsecured parties, except for corporate loans that are assigned by the Basel Committee individually or as designated by the Basel Committee.

Exposure at default ("EAD")

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

Consideration of the macroeconomic factors

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

- Five year credit risk of Turkey;
- Real GDP growth;
- Unemployment rate;
- European Region inflation rate; and
- Five year government bond interest rate of Turkey.

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

Stages were determined through the models created using internal information for the Parent Bank and QNB Finans Finansal Kiralama A.Ş., the simplified method has been applied for other financial institutions.

As of December 31, 2020, the Group has reflected the possible effects of the COVID-19 outbreak to the estimates and judgments used in the calculation of expected credit losses by using the data that is received with the maximum effort with the best estimation method. Compared to December 31, 2019, the weight of the worst-case scenario was increased by 20 points, and the weight of the base case scenario was reduced by 20 points. Within the light of the aforementioned data, the Group revised its macroeconomic expectations and weights in the expected credit loss calculation and the calculation which is made by taking into consideration the changes in PD and LGD is reflected in the financial statements as of December 31, 2020. As of December 31, 2020, there is not any parameter updates made as the actual situation is reflected. The model effects are tardily reflected to the financial statements due to the nature of the events that cause change and the effects of the events occur at different times. Therefore, the Bank has booked additional provisions for the sector and customers who are considered to have a high impact by performing individual assessments to eliminate the timing difference.

This approach, which is preferred in reserve calculations for the third quarter of 2020, will be revised in the following reporting periods, taking into account the impact of the pandemic, portfolio and future expectations.

As of December 31, 2020, the normal risk cost of the loan portfolio purged from the COVID-19 effect was at 99 basis point, yet, in order to reflect the uncertainty originated from the COVID-19 to the financial asset portfolio of the Parent Bank, the total risk cost has reached to 221 basis points in corporate into the effects arising from the aforementioned estimation changes, increase in the Stage 2 reserve ratios and additional exchange rate.

Calculating the expected loss period

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

Significant increase in credit risk

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

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

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; and
- When there is a change in the payment plan due to restructuring.

IX. Explanations on Netting of Financial Instruments

Financial assets and liabilities are offset and the net amount is reported on the balance sheet when the 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 when the obligation specified in the contract is discharged or cancelled or expires.

d) Reclassification of financial instruments

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

e) Restructuring and refinancing of financial instruments

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

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

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

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

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

- Recovery in debt service;
- At least 1 year should pass over the date of restructuring;
- Payment of all accrued and overdue amounts by debtor (interest and principal) since the date of restructuring /refinancing or the date when the debtor is classified as non-performing (earlier date to be considered) and fulfillment of the payment condition of all overdue amounts as of the date of restructuring /refinancing; 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 one year following the date of restructuring / refinancing, if there is a new restructuring / refinancing or a delay of more than 30 days, the transactions which were non-performing at the beginning of the follow-up period are classified as non-performing loans again. The performing or non-performing retail loans being subject to restructuring shall be removed from the watchlist only if the debt is paid in full.

In personal loans, loans can be restructured in order to give liquidity power to the debtor and to ensure the collection of the receivables of the Bank in case of temporary liquidity problems due to the failure of the payment obligation to the Parent Bank. The Bank removing customers from the restructuring scope in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables (the Provisioning Regulation)

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 lent against securities purchased under agreements to resell ("Reverse repos") are accounted under "Receivables from reverse repurchase agreements" on the balance sheet. The difference between the purchase and resell price determined by these repurchase agreements is accrued over the life of repurchase agreements using the "Effective interest method".

Securities that are subject to repurchase agreements as at the balance sheet date amounted to TL18,700,773 (December 31, 2019 - TL11,992,093).

As of December 31, 2020 the Parent Bank has no securities that are subject to lending transactions (December 31, 2019 - None).

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

XII. Explanations on Assets Held for Sale and Discontinued Operations

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

As of September 30, 2020, the Group has assets held for sale and discontinued operations explained in footnote I.17. of Section Five

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

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

XIII. Explanations on Goodwill and Other Intangible Assets

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

The intangible assets are recorded at their historical cost less accumulated amortization and provision for impairment, if any. Amortization is calculated on a straight-line basis. Softwares have been classified as other intangible fixed assets. The useful life of softwares is determined as 3-5 years.

If there is objective evidence of impairment, the asset’s recoverable amount is estimated in accordance with the Turkish Accounting Standard on Impairment of Assets (TAS 36) and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is made.

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.

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

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

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

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

There are no changes in the accounting estimates in regards to amortization duration, which could have a significant impact on the current and future financial statements. There are no pledges, mortgages or other restrictions on the tangible assets. There are no purchase commitments related to the fixed assets.

XV. Explanations on Leasing Transactions

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%.

At the commencement date of a lease, the Group (lessee) measures the lease liability at the present value of the lease payments that are not paid at that date (i.e., the lease liability), at the same date recognizes an asset representing the right to use the underlying asset and depreciates it during the lease term. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee’s incremental borrowing rate. Lessees are required to recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset separately.

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 cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

The right use includes the presence of:

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

At the end of the lease term of the underlying asset’s service, the transfer of the Group is reasonably finalized, and the Group depreciates the asset until the end of the life of the underlying asset on which the lease actually began. Right-of-use assets are subject to impairment.

Lease Liabilities

The Group measures the lease obligation at the present value of the unpaid lease payments on the date that the lease commences.

Lease payments included in the measurement of the lease obligation on the date that the lease actually commences, consists of the following payments to be made for the right of use of the underlying asset during the lease period and not paid on the date the lease actually starts:

- Fixed payments;
- Variable lease payments based on an index or rate, the first measurement made using an index or rate on the actual date of the lease;
- Amounts expected to be paid by the Group under the residual value commitments;
- The use price of this option and, if the Group is reasonably confident that it will use the purchase option; and
- Fines for termination of the lease if the lease term indicates that the Group will use an option to terminate the lease.

Variable lease payments that do not depend on an index or rate are recognized as an expense in the period in which the event or condition that triggered the payment occurred. The Group revises the revised discount rate for the remainder of the lease term, if the implicit interest rate in the lease can be easily determined; the Group’s alternative borrowing interest rate at the date of the revaluation.

After the effective date of the lease, the Group measures the lease obligation as follows:

- Increase the carrying amount to reflect the interest on the lease obligation; and
- Decreases the carrying amount to reflect the lease payments made.

In addition, in the event of a change in the lease term, in essence a change in fixed lease payments or a change in the assessment of the option to buy the underlying asset, the value of the lease obligations is remeasured.

Short-Term Leases And Leases Of Low-Value Assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

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

Due to the Group’s implementation of TFRS 16, assets classified under tangible assets as of December 31, 2020 amounted to TL446,802 (December 31, 2019 - TL462,294), lease liability amounted to TL432,075 (December 31, 2019 - TL437,285), financing expense amounted to TL52,777 (December 31, 2019 - TL62,168) and depreciation expense amounted to TL229,554 (December 31, 2019 - TL219,526).

XVI. Explanations on Factoring Receivables

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

XVII. Explanations on Provisions and Contingent Liabilities

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

XVIII. Explanations on Obligations of the Group for Employees Benefits

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

In accordance with the existing social legislation in Turkey, the Group is required to make lump-sum termination indemnities including retirement and notice payments to each employee whose employment is terminated due to resignation or for reasons other than misconduct. The retirement pay is calculated for every working year within the Group over salary for 30 days or the official ceiling amount per year of employment and the notice pay is calculated for the relevant notice period time as determined based on the number of years worked for the Group.

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

The Group does not have any employees who work under limited period contracts with remaining terms longer than 12 months after the balance sheet date.

Provision for the employees’ unused vacations has been booked in accordance with IAS 19 and reflected to the financial statements.

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

XIX. Explanations on Taxation

1. Corporate tax

In accordance with the Corporate Tax Law No. 5520 published in the Official Gazette No: 26205 dated June 21, 2006, statutory income is subject to corporate tax at 20%. However, according to temporary article 10 added to the Corporate Income Tax Law, the rate of 20% shall be applied as 22% for the corporate earnings of the taxation periods of the companies in 2018, 2019 and 2020 (accounting periods starting within the relevant year for companies appointed for the special accounting period). Advance corporate taxes paid are followed under “Current Tax Liability” or “Current Tax Asset” account and are deducted from the corporate taxes of the current year.

50% of gain from the sale of real estate which are held more than two years in the assets of the Parent Bank and 75% of gain on disposal of subsidiary shares which are held for more than two years in the assets of the Parent Bank are exemption from tax according to Corporate Tax Law in condition with adding these gains into equity or allocating into a specific fund account in the Parent Bank’s liabilities for five years.

Companies calculate their advance tax at the rate of 20% (22% for taxation periods of 2018, 2019 and 2020) on their quarterly financial profits, declare until the 14th day of the second month following that period and pay until the evening of the seventeenth day. The advance tax paid belongs that year and is offset from the corporation tax that will be calculated on the tax declaration of the companies to be given in the following year. If the advance tax paid amount remains after offsetting, this amount could be either returned as cash or offset.

According to the Corporate Tax Law, financial losses in the declaration can be deducted from the corporate tax base of the period not exceeding 5 years. Declarations and related accounting records can be examined within five years by the tax office. On the other hand, if document subjects to stamp duty and the statute of limitations of tax and penalty is used after the expiry of the time limit, the taxable income of document is regenerated.

The provision for corporate and income taxes for the period is recognized as "Current Tax Charge" in the income statement and current tax effect related to transactions directly recognized in equity are reflected to equity.

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

2. Deferred taxes

The 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") and the related decrees of the BRSA concerning income taxes. In calculating deferred tax, legalized tax rates effective as of balance sheet date are used as per tax legislations.

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.

Deferred tax calculation has started to be measured over Stage 1 and Stage 2 for expected credit loss provisions.

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

Since the applicable tax rate has been changed to 22% for the 3 years beginning from January 1, 2018, 22% tax rate is used in the deferred tax calculation of December 31, 2020, 20% tax rate is used for the calculation of deferred tax (December 31, 2020 - 22%).

3. Transfer pricing

The article no.13 of the Corporate Tax Law describes the issue of transfer pricing under the title of "disguised profit distribution" by way of transfer pricing. "The General Communique on Disguised Profit Distribution by way of Transfer Pricing" published on November 18, 2007 explains the application related issues in detail. According to this Communique, if the taxpayers conduct transactions like purchase and sale of goods or services with the related parties where the prices are not determined according to the arm's length principle, then it will be concluded that there is a disguised profit distribution by way of transfer pricing.

Such disguised profit distributions will not be deducted from the corporate tax base for tax purposes. Disguised profit distribution amount will be recognized as share in net profit and stoppage tax will be calculated depending on whether the profit distributing institution is a real or corporate entity, full-fledged or foreign based taxpayer, is subject to or exempt from tax.

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

XX. Additional Explanations on Borrowings

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

XXI. Explanations on Share Issues

The Parent Bank's paid in capital has not been changed for the current period (There have been no changes to the Parent Bank's paid capital in the previous 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.

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XXIII. Explanations on Government Incentives

As of December 31, 2020, the Group does not have any governmental incentives or support (As of December 31, 2019 - 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 income statement for retail banking (consumer banking and plastic cards), corporate and commercial banking that have operational units designated as the main profit centers, have been made according to the product and customer types. During the profitability calculations, the pricing of transfers among these units and treasury unit are made by using cost/return ratios that are determined by the Parent Bank's senior management and which are updated periodically. In this pricing method, general market conditions and the Parent Bank's internal policies are considered.

The Corporate Marketing Unit provides services to firms that are institutional, big size, that have annual revenues of TL300,000 and higher and multi-national firms operating in Turkey. The firms that have annual revenues between TL60,000 - TL300,000 are considered as "Commercial Enterprise". The Parent Bank gives importance to the commercial segmentation in order to hedge risk and decrease the concentration of income. Moreover; The Parent Bank also offers sectoral solution packages to these small and medium-size firms.

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

Current Period (January 1 - December 31, 2020)	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Group
Net Interest Income	3,328,958	2,789,265	4,157,227	10,275,450
Net Fees and Commissions Income	1,720,225	687,318	193,499	2,601,042
Other Operating Income and Net Trading Gain/Loss	46,878	16,161	(2,539,565)	(2,476,526)
Dividend Income	-	-	5,257	5,257
Operating Income	**5,096,061**	**3,492,744**	**1,816,418**	**10,405,223**
Expected Loss Provisions (-)	761,235	1,761,390	7,356	2,529,981
Other Loss Provisions (-)	-	-	142,299	142,299
Personnel Expense (-)	436,022	629,330	963,844	2,029,196
Other Operating Expenses (-)	1,831,148	1,105,038	(514,877)	2,421,309
Gain / Loss on joint venture accounted for at equity method	-	-	98,258	98,258
Profit Before Taxes	**2,067,656**	**(3,014)**	**1,316,054**	**3,380,696**
Tax Provision (-)	**-**	**-**	**(626,069)**	**(626,069)**
Net Profit/Loss	**-**	**-**	**-**	**2,754,627**
Total Assets	**47,855,623**	**98,466,811**	**71,220,907**	**235,019,721**
Segment Assets	47,855,623	98,466,811	71,220,907	217,543,341
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	237,920
Undistributed Assets	-	-	-	17,238,460
Total Liabilities	**88,937,401**	**36,754,071**	**66,903,198**	**235,019,721**
Segment Liabilities	88,937,401	36,754,071	66,903,198	192,594,670
Undistributed Liabilities	-	-	-	23,183,823
Equity	-	-	-	19,241,228
Other Segment Accounts	**955,982**	**704,979**	**(58,858)**	**1,602,103**
Capital Expenditures	615,635	453,994	(37,992)	1,031,637
Depreciation and Amortization	340,347	250,985	(20,866)	570,466

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

Prior Period (January 1 - December 31, 2019)	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Group
Net Interest Income	2,547,694	2,765,721	2,526,684	7,840,099
Net Fees and Commissions Income	2,023,007	716,756	83,777	2,823,540
Other Operating Income and Net Trading Gain/Loss	115,515	9,950	(1,319,493)	(1,194,028)
Dividend Income	-	-	2,934	2,934
Operating Income	**4,686,216**	**3,492,427**	**1,293,902**	**9,472,545**
Expected Loss Provisions (-)	397,012	1,584,209	(62,462)	1,918,759
Other Loss Provisions (-)	-	-	74,919	74,919
Personnel Expense (-)	411,636	590,539	824,889	1,827,064
Other Operating Expenses (-)	1,795,558	962,109	(505,777)	2,251,890
Gain / Loss on joint venture accounted for at equity method	-	-	89,429	89,429
Profit Before Taxes	**2,082,010**	**355,570**	**1,051,762**	**3,489,342**
Tax Provision (-)	**-**	**-**	**-**	**624,702**
Net Profit/Loss	**-**	**-**	**-**	**2,864,640**
Total Assets	**39,764,608**	**76,885,580**	**58,274,195**	**187,526,186**
Segment Assets	39,764,608	76,885,580	58,274,195	174,924,383
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	217,648
Undistributed Assets	-	-	-	12,384,155
Total Liabilities	**68,846,852**	**31,246,986**	**53,749,223**	**187,526,186**
Segment Liabilities	68,846,852	31,246,986	53,749,223	153,843,061
Undistributed Liabilities	-	-	-	16,917,817
Equity	-	-	-	16,765,308
Other Segment Accounts	**1,354,291**	**715,224**	**(436,994)**	**1,632,521**
Capital Expenditures	921,353	486,590	(295,369)	1,112,574
Depreciation and Amortization	432,938	228,634	(141,625)	519,947

XXV. Explanations on Profit Reserves and Profit Distribution

The Ordinary General Assembly Meeting of the Parent Bank was held on March 26, 2020. It was decided net income from 2019 operations to be distributed as follows,

2019 Profit Distribution Table:

Current Year Profit	2,622,157
A - First Legal Reserves (Turkish Commercial Code 519/A) (5%)	670,000
C - Extraordinary Reserves	1,952,157

XXVI. Earnings Per Share

Earnings per share listed on income statement is calculated by dividing net profit to weighted average amount of shares issued within respective year.

	Current Period	Prior Period
Group's Net Profit for the Period	2,753,783	2,864,094
Weighted Average Amount of Shares Issued (Thousands)	33,500,000	33,500,000
Earnings per Share	**0.08220**	**0.08550**

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 2020 is none (Amount of issued bonus shared in 2019 is none).

XXVII. Explanations on Other Matters

The Parent Bank classified the amounts related to gains / losses on cash flow hedges and also the shares of investments valued by equity method recognized in other comprehensive income in the previous period financial statements, in accordance with Accounting Policies, Turkish Accounting Standards ("TAS 8") Regarding Changes and Errors in Accounting Estimates. The effect of the related adjustments is presented in the second section, Equity Change Table for the dates of December 31, 2020. The related classification has no effect on the consolidated statement of profit or loss and consolidated statement of other comprehensive income in current and previous periods.

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

SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP

I. Explanations on Consolidated Equity

Total capital and Capital adequacy ratio have been calculated in accordance with the "Regulation on Equity of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy of Banks." As of December 31, 2020 Group's total capital has been calculated as TL28,315,865 (December 31, 2019 - TL24,442,427), capital adequacy ratio is 15.78% (December 31, 2019 - 15.23%) calculated pursuant to former regulations. This ratio is well above the minimum ratio required by the legislation.

Based on the press release made by the BRSA on December 8, 2020; due to the fluctuations in the financial markets as a result of the COVID-19 outbreak; in the calculation of the amount subject to credit risk in accordance with the Regulation on Measurement and Evaluation of Capital Adequacy; with monetary assets and non-monetary assets excluding assets that are measured in terms of historical cost in a foreign currency valued amount of items in accordance with TAS and its special provision amounts, spot purchase exchange rate can be used in preparation of financial statements as of simple arithmetic average of the Central Bank foreign exchange buying rates for the last 252 business days before and negative revaluation differences of the securities classified under "Financial Assets Measured at Fair Value through Other Comprehensive Income" which acquired before March 23, 2020 may not be included in capital calculation.

Components of consolidated shareholders' equity items:

	Current Period December 31, 2020	Prior Period December 31, 2019
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	14,217,872	11,353,778
Gains recognized in equity as per TAS	191,067	281,457
Profit	2,855,050	2,864,094
Current Period Profit	2,753,783	2,864,094
Prior Period Profit	101,267	-
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	-
Minorities' Share	8,181	7,337
Common Equity Tier 1 Capital Before Deductions	**20,622,884**	**17,857,380**
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	684,425	530,371
Improvement costs for operating leasing	68,148	74,263
Goodwill (Net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (Net of related tax liability)	471,285	411,865
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	**1,223,858**	**1,016,499**
Positive difference between the amount of expected credit losses before implementation of TFRS 9 and expected credit losses from TFRS 9 adoption	284,516	426,774
Total Common Equity Tier 1 Capital	**19,683,542**	**17,267,655**

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

	Current Period December 31, 2020	Prior Period December 31, 2019
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA	3,853,763	3,118,605
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	**3,853,763**	**3,118,605**
Deductions from Additional Tier I Capital	**-**	**-**
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7,	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other items to be defined by the BRSA	-	-
Transition from the Core Capital to Continue to deduce Components	**-**	**-**
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
Total Deductions From Additional Tier I Capital	**-**	**-**
Total Additional Tier I Capital	**-**	**-**
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	**23,537,305**	**20,386,260**
TIER II CAPITAL		
Debt instruments and premiums deemed suitable by the BRSA	-	-
Debt instruments and premiums deemed suitable by BRSA (Temporary Article 4)	2,826,093	2,286,977
Third parties' share in the Tier II Capital	-	-
Third parties' share in the Tier II Capital (Temporary Article 3)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	2,000,260	1,797,715
Tier II Capital Before Deductions	**4,826,353**	**4,084,692**
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	**4,826,353**	**4,084,692**
Total Capital (The sum of Tier I Capital and Tier II Capital)	**28,363,658**	**24,470,952**
Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	7,400	7,103
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 (-)	40,393	21,422
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-

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

	Current Period December 31, 2020	Prior Period December 31, 2019
TOTAL CAPITAL		
Total Capital	28,315,865	24,442,427
Total risk weighted amounts	179,427,043	160,490,548
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	10.97	10.76
Tier 1 Capital Adequacy Ratio	13.12	12.70
Capital Adequacy Ratio	15.78	15.23
BUFFERS		
Bank specific total common equity tier 1 capital ratio	3.51	2.51
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	-
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	4.97	4.76
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	185,854	153,686
Amount arising from mortgage-servicing rights		-
Amount arising from deferred tax assets based on temporary differences		-
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	4,184,843	2,664,452
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	2,000,260	1,797,715
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	3,853,763	3,118,605
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	2,826,093	2,286,977

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

Information on debt instruments included in the calculation of equity:

	1	2	3
Issuer	QATAR NATIONAL BANK Q.P.S.C.	QATAR NATIONAL BANK Q.P.S.C.	QATAR NATIONAL BANK Q.P.S.C.
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	-	-	-
Governing law(s) of the instrument	BRSA	BRSA	BRSA
Regulatory treatment	Additional Capital	Supplementary Capital	Supplementary Capital
Since 1/1/2015 10% reduction by being subject to the application	No	No	No
Eligible at stand-alone / consolidated	Standalone - Consolidated	Standalone - Consolidated	Standalone - Consolidated
Instrument type (types to be specified by each jurisdiction)	Loan	Loan	Loan
Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	3,854	918	1,909
Par value of instrument (Currency in million)	3,854	918	1,909
Accounting classification	Liability – Subordinated Loans- amortized cost	Liability – Subordinated Loans- amortized cost	Liability – Subordinated Loans- amortized cost
Original date of issuance	June 30, 2019	April 1, 2019	May 22, 2017
Perpetual or dated	Perpetual	Dated	Dated
Original maturity date	-	10 years	10 years
Issuer call subject to prior BRSA approval	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	Every 5 years	5 years	5 years
Subsequent call dates, if applicable	-	-	-
Coupons / dividends	-	-	-
Fixed or floating dividend/coupon	Fixed	Floating	Floating
Coupon rate and any related index	First 5 years fixed at 9.50%, next 5 years fixed at MS + 7.08	6M LIBOR + 5.75%,	6M LIBOR + 3.87%,
Existence of a dividend stopper	Interest will not be processed for the value reduced after the impairment date.	-	-
Fully discretionary, partially discretionary or mandatory	Discretionary	-	-

	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	-	Optional	Optional
If convertible, specify instrument type convertible into	-	Equity Share	Equity Share
If convertible, specify issuer of instrument it converts into	-	QNB Finansbank A.Ş.	QNB Finansbank A.Ş.
Write-down feature	Yes	None	None
If write-down, write-down trigger(s)	Non-existence of the core capital ratio is less than 5.125%	-	-
If write-down, full or partial	Full and partial	-	-
If write-down, permanent or temporary	Temporary	-	-
If temporary write-down, description of write-up mechanism	Disappearance of non-existence and higher core capital ratio than 5.125%	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After borrowing and contribution capital	After borrowing, before additional capital, the same as other contribution capital	After borrowing, before additional capital, the same as other contribution capital
Incompliance with article number 7 and 8 of “Own fund regulation”	Article number 7&8 of “Own fund regulation”	Article number 7&8 of “Own fund regulation”	Article number 7&8 of “Own fund regulation”
Details of incompliances with article number 7 and 8 of “Own fund regulation”	-	-	-

(*) The conversion rate / value will be calculated based on the market data available when the right is exercised.

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

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

EQUITY ITEMS	T	T-1	T-2
Common Equity	19,683,542	19,541,284	19,399,026
Transition process not implemented Common Equity	19,399,026	19,399,026	19,399,026
Tier 1 Capital	23,537,305	23,395,047	23,252,789
Transition process not implemented Tier 1 Capital	23,252,789	23,252,789	23,252,789
Total Capital	28,315,865	28,173,607	28,031,349
Transition process not implemented Equity	28,031,349	28,031,349	28,031,349
TOTAL RISK WEIGHTED AMOUNTS			
Total Risk Weighted Amounts	179,427,043	179,427,043	179,427,043
CAPITAL ADEQUACY RATIO			
Common Equity Adequacy Ratio (%)	10.97	10.89	10.81
Transition process not implemented Common Equity Ratio (%)	10.81	10.81	10.81
Tier 1 Capital Adequacy Ratio (%)	13.12	13.04	12.96
Transition process not implemented Tier 1 Capital Adequacy Ratio (%)	12.96	12.96	12.96
Capital Adequacy Ratio (%)	15.78	15.70	15.62
Transition process not implemented Capital Adequacy Ratio (%)	15.62	15.62	15.62
LEVERAGE			
Leverage Ratio Total Risk Amount	355,047,961	355,047,961	355,047,961
Leverage (%)	6.60	6.60	6.60
Transition process not implemented Leverage Ratio (%)	6.52	6.52	6.52

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

There are differences between amounts in the explanation on equity items and amounts on the balance sheet. In this context; up to 1.25% of the amount of the first and second part of the expected loss provisions is taken into account as contribution capital, cash flow hedging and as of March 23, 2020 "Fair Value Difference Other Comprehensive The net negative valuation differences of the securities included in the "Securities Reflected in the Revenue" portfolio Information on items had not taken into account in the table.

II. Explanations on Consolidated Risk Management

1. Consolidated credit risk explanations

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

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

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

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

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

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

The Group has control limits over the positions of forward transactions, options and other similar agreements.

The credit risk arising from these instruments are managed together with the risks resulting from market fluctuations.

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

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

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

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

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

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

With the Decision No. 9312 dated December 8, 2020 of the Banking Regulation and Supervision Agency;

As a result of the re-evaluation of Board Resolutions and instructions taken in the past, which brought temporary regulations on banks' obligations, in order to support the real sector, bank customers and banks in a period when uncertainties and risks in global markets are high due to the pandemic, in the current period it would be appropriate to extend those regulations with the same purposes, thus within this framework until June 30, 2021,

- In accordance with the Regulation on Measurement and Assessment of Capital Adequacy of Banks, in calculation of amount subject to credit risk, to calculate the amount of the non-monetary and monetary assets, excluding the items in foreign currencies in accordance with Turkey Accounting Standards and the amount of related specific provisions, it is possible to use simple arithmetic mean of Central Bank's foreign currency buying rates belonging to the last 252 business days from the calculation date.
- If the net valuation differences of the securities owned by banks in the "Securities with Fair Value Differences Reflected in Other Comprehensive Income" portfolio are negative, these differences may not be taken into account in the amount of equity to be calculated in accordance with the Regulatıon On Own Funds Of Banks and used for the capital adequacy ratio.
- As stated in the Board Decision dated March 17, 2020 and numbered 8948, the 90-day delay period foreseen for the non-performing loan classification within the scope of Articles 4 and 5 of Regulation on Procedures and Principles for Classification of Loans and the Provisions to be Set Aside, for these loans it shall be applied as 180 days and continuing to allocate provisions for loans that are still classified in the Second Group despite the delay, according to the banks' own risk models in the calculation of expected credit losses within the scope of TFRS 9.
- As stated in the Board Decision dated March 19, 2020 and numbered 8950, the 90-day delay period specified in the sub-paragraph (a) of the first paragraph of Article 6 of the Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies and the sixth paragraph of the same article, will be applied as 180 days and 240 days for the financial leasing companies and for companies that allocate credit losses scope of TFRS 9, and the companies will continue to make provisions according to their own risk models for the receivables that are not transferred to the "Receivables to be Liquidated" account.
- As stated in the Board Decision dated March 27, 2020 and numbered 8970, within the scope of Article 4 of the Regulation on the Procedures and Principles Regarding the Classification of Loans and the Provisions to be Set Aside, the 30 days delay period for the classification of the loans in the Second Group shall be applied as 90 days for the loans followed in the First Group and provisions for loans that continue to be classified in the First Group despite the 30-day delay, shall be continued to allocate according to the banks' own risk models in the calculation of expected credit losses within the scope of TFRS 9.

The receivables of the Group from its top 100 cash loan customers are 27% in the total cash loans (December 31, 2019 - 26%).

The receivables of the Group from its top 200 cash loan customers are 32% in the total cash loans (December 31, 2019 - 31%).

The receivables of the Group from its top 100 non-cash loan customers are 50% in the total non-cash loans (December 31, 2019 - 55%).

The receivables of the Group from its top 200 non-cash loan customers are 60% in the total non-cash loans (December 31, 2019 - 65%).

The share of cash and non-cash receivables of the Group from its top 100 loan customers in total cash and non-cash loans is 27% (December 31, 2019 - 21%).

The share of cash and non-cash receivables of the Group from its top 200 loan customers in total cash and non-cash loans is 32% (December 31, 2019 - 25%).

The Group general total provision is amounted to TL4,184,843 (December 31, 2019 - TL2,664,452).

As of December 31, 2020 Provision for probable risks in the Group's loan portfolio amount is not included (December 31, 2019 - None).

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

Exposure Categories	Current Period		Prior Period	
	Current Period Risk Amount(*)	Average Risk Amount(**)	Prior Period Risk Amount(*)	Average Risk Amount(**)
Conditional and unconditional receivables from central governments and Central Banks	60,832,299	52,092,423	45,429,123	44,419,815
Conditional and unconditional receivables from regional or local governments	98,192	98,027	86,878	81,139
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	378,860	304,032	227,552	217,109
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	28,674,841	31,466,812	25,990,125	26,051,217
Conditional and unconditional receivables from corporates	88,502,398	76,568,081	70,172,004	63,502,655
Conditional and unconditional receivables from retail portfolios	73,967,558	68,479,307	63,078,981	58,164,401
Conditional and unconditional receivables secured by mortgages	6,674,515	5,504,665	5,373,508	5,904,697
Past due receivables	1,994,613	1,974,693	2,230,580	1,641,377
Receivables defined in high risk category by BRSA	490,654	360,725	320,224	283,103
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-
Investments similar to collective investment Funds	-	-	-	-
Investment in equities	1,909,620	1,711,798	1,698,328	1,508,511
Other receivables	8,616,464	8,244,119	6,892,199	6,667,874

(*) Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.
(**) The average risk amount was calculated by taking the arithmetic average of the values in the monthly reports prepared in balance sheet period in regards to "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (the "Regulation").

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

Profile of significant exposures in major regions:

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

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

	Exposure Categories(*)																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Prior Period																		
1. Domestic	45,429,123	86,878	227,552	-	-	5,196,579	69,351,442	63,041,950	5,366,709	2,225,400	307,997	-	-	-	-	1,698,328	6,892,199	199,824,157
2. European Union Countries	-	-	-	-	-	15,454,941	445,187	187	154	5,173	-	-	-	-	-	-	-	15,905,642
3. OECD Countries(**)	-	-	-	-	-	112,324	10	8	6,223	-	10,687	-	-	-	-	-	-	129,252
4. Offshore Banking Areas	-	-	-	-	-	1,262,615	183,684	1	-	-	1,540	-	-	-	-	-	-	1,447,840
5. USA, Canada	-	-	-	-	-	880,170	18,726	164	81	-	-	-	-	-	-	-	-	899,141
6. Other Countries	-	-	-	-	-	3,083,496	172,955	36,671	341	7	-	-	-	-	-	-	-	3,293,470
7. Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8. Unallocated Assets/Liabilities(***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**45,429,123**	**86,878**	**227,552**	**-**	**-**	**25,990,125**	**70,172,004**	**63,078,981**	**5,373,508**	**2,230,580**	**320,224**	**-**	**-**	**-**	**-**	**1,698,328**	**6,892,199**	**221,499,502**

(*) Exposure categories based on "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks". Prior to the Credit Risk Reduction, the risk amounts after the credit conversion rate are given.
(**) Includes OECD countries other than EU countries, USA and Canada.
(***) Includes assets and liability items that cannot be allocated on a consistent basis
1 - Conditional and unconditional receivables from central governments and Central Banks
2 - Conditional and unconditional receivables from regional or local governments
3 - Conditional and unconditional receivables from administrative bodies and noncommercial enterprises
4 - Conditional and unconditional receivables from multilateral development banks
5 - Conditional and unconditional receivables from international organizations
6 - Conditional and unconditional receivables from banks and brokerage houses
7 - Conditional and unconditional receivables from corporates
8 - Conditional and unconditional receivables from retail portfolios
9 - Conditional and unconditional receivables secured by mortgages
10 - Past due receivables
11 - Receivables defined under high risk category by BRSA
12 - Securities collateralized by mortgages
13 - Securitization positions
14 - Short-term receivables from banks, brokerage houses and corporates
15 - Investments similar to collective investment Funds
16 - Investment in equities
17 - Other receivables

QNB FİNANSBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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

Risk profile regarding sectors or counter parties:

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

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.
1 - Conditional and unconditional receivables from central governments and Central Banks
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(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Prior Period	Exposure Categories[*]																		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TL	FC	Total
Agriculture	-	-	785	-	-	-	413,649	2,064,550	18,628	129,430	13,302	-	-	-	-	-	-	2,413,354	226,990	2,640,344
Farming and Raising Livestock	-	-	785	-	-	-	215,647	2,023,105	17,914	126,763	12,821	-	-	-	-	-	-	2,364,110	32,925	2,397,035
Forestry	-	-	-	-	-	-	1,022	6,664	627	27	-	-	-	-	-	-	-	8,340	-	8,340
Fishing	-	-	-	-	-	-	196,980	34,781	87	2,640	481	-	-	-	-	-	-	40,904	194,065	234,969
Industrial	-	35,048	10	-	-	-	24,627,329	5,658,430	528,299	346,525	54,100	-	-	-	-	-	-	11,478,329	19,771,412	31,249,741
Mining and Quarrying	-	-	-	-	-	-	312,992	161,043	570	8,275	94	-	-	-	-	-	-	345,456	137,518	482,974
Production	-	-	10	-	-	-	19,758,530	5,406,404	523,300	321,458	53,968	-	-	-	-	-	-	10,943,136	15,120,534	26,063,670
Electricity, Gas, Water	-	35,048	-	-	-	-	4,555,807	90,983	4,429	16,792	38	-	-	-	-	-	-	189,737	4,513,360	4,703,097
Construction	-	-	-	-	-	-	5,795,307	3,161,813	358,381	272,840	162,621	-	-	-	-	-	-	7,138,752	2,612,210	9,750,962
Services	17,338,120	33	30,945	-	-	23,398,125	35,956,796	12,414,471	1,952,193	880,197	65,931	-	-	-	-	-	-	30,618,089	61,418,722	92,036,811
Wholesale and Retail Trade	-	-	8,948	-	-	-	9,671,696	9,739,306	510,020	613,286	46,185	-	-	-	-	-	-	15,740,562	4,848,879	20,589,441
Hotel, Food and Beverage	-	-	-	-	-	-	3,588,454	332,632	191,216	27,082	1,773	-	-	-	-	-	-	758,900	3,382,257	4,141,157
Transportation and Communication	-	-	-	-	-	-	12,488,464	887,272	37,457	43,716	6,675	-	-	-	-	-	-	1,419,320	12,044,264	13,463,584
Financial Institutions	17,338,120	33	-	-	-	23,398,125	453,175	83,223	1,329	1,668	1,540	-	-	-	-	-	-	9,893,952	31,383,261	41,277,213
Real Estate and Rent Services	-	-	-	-	-	-	4,685,765	213,954	1,153,291	124,190	2,576	-	-	-	-	-	-	512,808	5,666,968	6,179,776
Self-Employment Services	-	-	21,781	-	-	-	1,035,330	543,957	21,529	27,810	3,931	-	-	-	-	-	-	937,254	717,084	1,654,338
Educational Services	-	-	133	-	-	-	181,477	224,653	13,662	32,798	1,806	-	-	-	-	-	-	414,256	40,273	454,529
Health and Social Services	-	-	83	-	-	-	3,852,435	389,474	23,689	9,647	1,445	-	-	-	-	-	-	941,037	3,335,736	4,276,773
Other	28,091,003	51,797	195,812	-	-	2,592,000	3,378,923	39,779,717	2,516,007	601,588	24,270	-	-	-	-	1,698,328	6,892,199	65,907,126	19,914,518	85,821,644
Total	45,429,123	86,878	227,552	-	-	25,990,125	70,172,004	63,078,981	5,373,508	2,230,580	320,224	-	-	-	-	1,698,328	6,892,199	117,555,650	103,943,852	221,499,502

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.
1 - Conditional and unconditional receivables from central governments and Central Banks
2 - Conditional and unconditional receivables from regional or local governments
3 - Conditional and unconditional receivables from administrative bodies and noncommercial enterprises
4 - Conditional and unconditional receivables from multilateral development banks
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(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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

Current Period Exposure Categories	Term To Maturity				
	Up to 1 month	1-3 month	3-6 months	6-12 months	Over 1 year
Conditional and unconditional receivables from central governments and Central Banks	5,378,348	601,561	465,873	1,191,926	28,216,576
Conditional and unconditional receivables from regional or local governments	-	-	-	-	98,159
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	790	64,556	77,688	27,862	196,746
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	6,166,408	4,665,263	870,505	918,296	5,875,624
Conditional and unconditional receivables from corporates	8,801,043	6,542,981	9,273,487	11,861,432	46,282,400
Conditional and unconditional receivables from retail portfolios	3,574,906	5,402,415	6,026,649	8,328,782	34,209,274
Conditional and unconditional receivables secured by mortgages	60,566	284,686	209,111	429,146	5,609,722
Past due receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	350	-	881
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-
Investments similar to collective investment Funds	-	-	-	-	-
Investment in equities	7,674	-	-	-	-
Other receivables	-	-	-	-	-
General Total	**23,989,735**	**17,561,462**	**16,923,663**	**22,757,444**	**120,489,382**

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

Prior Period Risk Classification	Term To Maturity				
	Up to 1 month	1-3 month	3-6 months	6-12 months	Over 1 year
Conditional and unconditional receivables from central governments and Central Banks	320,559	1,360,426	915,790	703,827	24,377,078
Conditional and unconditional receivables from regional or local governments	-	-	-	-	86,845
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	15,346	5,003	71,561	7,436	120,098
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	7,219,249	3,722,778	1,875,722	508,557	3,854,494
Conditional and unconditional receivables from corporates	7,206,657	4,411,921	5,291,536	9,322,272	40,032,564
Conditional and unconditional receivables from retail portfolios	2,918,382	4,265,949	4,898,510	7,345,502	29,297,128
Conditional and unconditional receivables secured by mortgages	26,914	123,495	150,733	389,141	4,634,716
Past due receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	1,540	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-
Investments similar to collective investment Funds	-	-	-	-	-
Investment in equities	202,797	-	-	-	-
Other receivables	-	-	-	-	-
General Total	**17,911,444**	**13,889,572**	**13,203,852**	**18,276,735**	**102,402,923**

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

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

Exposures by risk weights:

Current Period

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

Prior Period

Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	2%	Deductions from Equity
1. Exposures Before Credit Risk Mitigation	32,956,397	-	6,402,641	-	19,757,787	66,501,599	95,551,373	320,224	-	-	9,481	514,653
2. Exposures After Credit Risk Mitigation	37,790,870	-	1,944,890	2,662,222	13,216,791	57,675,699	91,396,559	320,192	-	-	9,481	514,653

Information by major sectors and type of counterparties:

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

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

(*) Represents the distribution of cash loans.

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

Prior Period	Loans(*)			Provisions	
	Impaired Loans (TFRS 9)		Non-Performing (Regulation of Provision)	Non-Performing (Regulation of Provision)	(Regulation of Provision)
Major Sectors / Counterparties	Significant Increase of Credit Risk (Stage 2)	Default (Stage 3)			
1. Agriculture	**573,663**	**354,971**	**-**	**274,929**	**-**
1.1. Farming and Livestock	570,714	329,733	-	258,008	-
1.2. Forestation	1,109	13,443	-	7,681	-
1.3. Fishing	1,840	11,795	-	9,240	-
2. Industrial	**1,392,970**	**1,603,783**	**-**	**1,446,116**	**-**
2.1. Mining and Quarrying	48,857	43,782	-	25,583	-
2.2. Manufacturing Industry	1,328,606	1,211,857	-	1,077,814	-
2.3. Electricity. Gas. Water	15,507	348,144	-	342,719	-
3. Construction	**1,394,388**	**1,006,714**	**-**	**815,660**	**-**
4. Services	**5,326,162**	**3,013,375**	**-**	**2,782,684**	**-**
4.1. Wholesale and Retail Commerce	1,687,207	2,098,993	-	1,676,765	-
4.2. Hotel and Restaurant Services	446,618	212,194	-	211,070	-
4.3. Transportation and Communication	585,908	151,310	-	289,950	-
4.4. Financial Corporations	2,064,989	274,966	-	429,271	-
4.5. Real Estate and Loan Services	64,477	29,827	-	31,521	-
4.6. Independent Business Services	306,121	112,292	-	35,006	-
4.7. Education Services	58,703	83,815	-	55,349	-
4.8. Health and Social Services	112,139	49,978	-	53,752	-
5. Other	**3,435,280**	**2,752,653**	**-**	**2,459,656**	**-**
6. Total	**12,122,463**	**8,731,496**	**-**	**7,779,045**	**-**

(*) Represents the distribution of cash loans.

Movements in value adjustments and provisions

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

(*) Represents the provision of loans written-off.
(**) Demonstrates provision movement of Stage 3 cash loans

Prior Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments(*)	Closing Balance
1. Stage 3 Provisions(**)	4,937,172	2,658,110	(440,828)	(974,127)	6,180,327
2. Stage 1 and 2 Provisions	2,938,181	477,317	(751,046)	-	2,664,452

(*) Represents the provision of loans written-off.
(**) Demonstrates provision movement of Stage 3 cash loans.

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

Exposures subject to countercyclical capital buffer:

The exposures subject to countercyclical capital buffer table prepared in accordance with the communiqué "Regulation on Capital Conservation and Countercyclical Capital buffers of Banks" published in the Official Gazette no. 28812 dated November 5, 2013 is presented below:

Information on private sector receivables:

Current Period

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

Prior Period

Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	124,605,414	-	124,605,414
Malta	433,209	-	433,209
Other	132,449	-	132,449
Total	**125,171,072**	**-**	**125,171,072**

2. Risk Management and General Disclosures regarding Risk Weighted Amounts

2.1. GBA - Risk management approach of the group:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Corporate Rating System Management Policy aims to ensure that the processes and operations related to the debtor rating systems used by the Group in its corporate and commercial segments are in line with the best practices

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

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

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

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

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

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

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

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

d) Key elements and scope of risk measurement systems

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

Information systems and analytical techniques that enable measurement of credit risk inherent in all relevant activities, providing adequate information on the composition of the credit portfolio of the Group, including identification of any concentrations of risk.

The Market Risk Management Policy determines the key principles underlying the operations of the Group in money and capital markets. Key principles of Market Risk Management Framework are:

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

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

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

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

Credit Risk section of the report consists of three main sub sections such as general Outlook, business Loans and retail Loans, and include;

- Basic risk appetite parameters in the Group Risk Management Strategy;
- Exposures by segments, monthly and annual changes, portfolio growth;
- Sector concentration and risk metrics;
- Delinquency amounts, product types and delinquencies by segments, new NPLs and recoveries from NPLS;
- Detailed watch list analyses for business segments;
- Rating distributions, PD distributions, expected loss trend, collateral structure;
- New NPLs, vintage analyses, recoveries by segments and products;
- Restructured credits by segments;
- Derivative products exposures by segments, stress testing; and
- Credit risk information regarding subsidiaries.

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

Reports are prepared daily and indicatively include the following:

- Estimation of the VaR on aggregate basis and by type of risk (interest rate, FX, equity);
- Estimation of Stress VaR on aggregate basis and by type of risk (interest rate, FX, equity);
- Sensitivity of the Trading Book and AFS portfolio;
- Nominal values of bond portfolios;
- A breakdown of the portfolio and the relevant limits utilization;
- Utilization of limits on option Greeks; and
- Sensitivity of credit derivatives to credit spread changes.

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

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

- Stress tests constitute the center of capital planning within the scope of the Group's APICA (Assessment Process of Internal Capital Adequacy). The Bank's general principles on the stress testing framework can be summarized as follows:
- Comprehensive stress testing, aggregated per risk category, is conducted at least annually on year end data and business plan;
- Stress testing is integrated to the ICAAP document which is subject to Board of Directors approval;
- A historical scenario is selected as an anchor scenario to be used on the construct of base adverse scenario for the stress test use. However, final scenario is applied by enriching with hypothetical components as independent from anchor scenario;

- Bank's stress testing framework encompasses sensitivity tests;
- The impact of the stress testing on the Group's financial strength and capital position are analyzed through some key ratios and key items including but not limited to the following: Non-performing Loan Ratio, Return of Equity, Return on Asset, Leverage Ratio, Core Tier I Ratio, Capital Adequacy Ratio, Loan Balances, Balance Sheet Items, Income Statement Items; and
- Stress testing framework encompasses reverse stress testing.

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

Market Risk Management defines the stress test approaches as below:

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

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

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

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

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

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

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

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

2.2. GB1 - Overview of risk weighted assets:

		Risk Weighted Assets		Minimum Capital Requirements	
		31.12.2020	31.12.2019	31.12.2020	31.12.2019
1	Credit risk (excluding counterparty credit risk)	154,414,869	138,971,870	12,353,189	11,117,750
2	Standardised approach	154,414,869	138,971,870	12,353,189	11,117,750
3	Internal rating-based approach	-	-	-	-
4	Counterparty credit risk	5,605,940	4,845,334	448,475	387,627
5	Standardised approach for counterparty credit risk	5,605,940	4,845,334	448,475	387,627
6	Internal model method	-	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-	-
8	Investments made in collective investment companies - look-through approach	-	-	-	-
9	Investments made in collective investment companies - mandate-based approach	-	-	-	-
10	Investments made in collective investment companies - 1250% weighted risk approach	-	-	-	-
11	Settlement risk	-	-	-	-
12	Securitization exposures in banking accounts	-	-	-	-
13	IRB ratings-based approach	-	-	-	-
14	IRB Supervisory Formula Approach	-	-	-	-
15	SA/simplified supervisory formula approach	-	-	-	-
16	Market risk	3,907,213	3,584,213	312,577	286,737
17	Standardised approach	3,907,213	3,584,213	312,577	286,737
18	Internal model approaches	-	-	-	-
19	Operational risk	15,499,021	13,089,131	1,239,922	1,047,130
20	Basic Indicator Approach	15,499,021	13,089,131	1,239,922	1,047,130
21	Standardised Approach	-	-	-	-
22	Advanced Measurement Approach	-	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-	-
24	Floor adjustment	-	-	-	-
25	**TOTAL (1+4+7+8+9+10+11+12+16+19+23+24)**	**179,427,043**	**160,490,548**	**14,354,163**	**12,839,244**

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

3. Linkages between financial statements and risk amounts

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

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

(*) Financial assets held for trading and derivative financial assets for hedging purposes are included in the "Derivative Financial Assets" item in the financial statements.
(**) Financial liabilities held for trading and derivative financial liabilities for hedging purposes are included in the "Derivative Financial Liabilities" item in the financial statements.
(***) Miscellaneous payables and other liabilities are presented under "Other Liabilities" items in the financial statements.

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

Prior period	Carrying values in financial statements prepared as per TAS	Carrying values of items in accordance with TAS	Subject to credit risk	Subject to counterparty credit risk	Subject to the Securitization framework	Subject to market risk
Assets						
Cash and balances with the Central Bank	18,749,459	18,748,233	18,750,542	-	-	-
Trading Financial Assets	3,814,171	3,814,171	-	3,781,515	2,733,943	-
Financial Assets at Fair Value Through Profit or Loss	293,399	380,236	86,837	-	293,399	-
Banks	4,220,545	1,097,627	1,103,127	-	-	-
Money Market Placements	3,225,937	3,225,937	184,975	3,040,962	-	-
Financial Assets Available for Sale (Net)	12,352,278	12,346,098	12,346,098	5,475,062	-	-
Loans and Receivables	109,445,928	110,322,300	112,988,966	-	-	28,525
Factoring Receivables	1,630,527	1,551,583	1,551,583	-	-	-
Held to maturity investments (Net)	16,169,451	16,169,450	16,181,302	6,517,031	-	-
Investment in Associates (Net)	-	5,982	5,982	-	-	-
Investment in Subsidiaries (Net)	-	38,038	38,038	-	-	-
Investment in Joint ventures (Net)	199,384	173,628	173,628	-	-	-
Lease Receivables	5,583,145	4,788,157	4,788,157	-	-	-
Derivative Financial Assets Held For Hedging	4,125,138	4,125,138	-	4,125,138	-	-
Property And Equipment (Net)	3,412,974	3,387,235	3,312,971	-	-	74,263
Intangible Assets (Net)	474,813	453,366	-	-	-	411,865
Investment Property (Net)	-	-	-	-	-	-
Tax Asset	447,717	451,492	451,492	-	-	-
Assets Held For Resale And Related To Discontinued Operations (Net)	-	-	-	-	-	-
Other Assets	2,974,955	6,447,515	6,456,728	-	-	-
TOTAL ASSETS	**187,119,821**	**187,526,186**	**178,420,426**	**22,939,708**	**3,027,342**	**514,653**
Liabilities						
Deposits	105,507,978	105,500,253	-	-	-	105,507,978
Derivative Financial Liabilities Held for Trading	3,619,172	3,619,172	-	-	2,619,437	3,619,172
Funds Borrowed	19,366,554	19,419,317	-	-	-	19,366,554
Money Markets	12,915,760	9,148,935	-	9,148,935	-	12,915,760
Marketable Securities Issued	14,346,112	14,351,547	-	-	-	14,346,112
Funds	-	-	-	-	-	-
Miscellaneous Payables	3,804,182	7,596,297	-	-	-	3,965,458
Other Liabilities	2,252,514	2,603,881	-	-	-	2,091,238
Factoring Payables	-	-	-	-	-	-
Lease Payables	437,285	437,285	-	-	-	437,285
Derivative Financial Liabilities Held For Hedging	1,516,321	1,516,321	-	-	-	1,516,321
Provisions	925,224	921,907	-	-	-	925,224
Tax Liability	207,162	213,410	-	-	-	207,162
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (Net)	-	-	-	-	-	-
Subordinated Loans	5,432,553	5,432,553	-	-	-	5,432,553
Shareholder's Equity	16,789,004	16,765,308	-	-	-	16,789,004
TOTAL LIABILITIES	**187,119,821**	**187,526,186**	**-**	**9,148,935**	**2,619,437**	**187,119,821**

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

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

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

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

	Prior Period	Total	Subject To Credit Risk	Subject to the Securitization	Subject To Counterparty Credit Risk	Subject To Market Risk
1	Asset carrying value amount under scope of regulatory consolidation	204,397,020	178,420,426	-	22,939,708	3,027,342
2	Liabilities carrying value amount under regulatory scope of consolidation	11,768,372	-	-	9,148,935	2,619,437
3	Total net amount under regulatory scope of consolidation	192,628,648	178,420,426	-	13,790,773	407,905
4	Off-Balance Sheet Amounts	117,263,912	21,647,562	-	-	-
5	Differences due to different netting rules (except 2)	3,176,307	-	-	-	3,176,307
6	Repo transactions	2,848,164	-	-	2,848,164	-
7	Decrease in counterparty credit risk as a result of netting	-	-	-	-	-
8	Potential credit risk amount calculated for the counterparty	1,401,892	-	-	1,401,892	-
9	Differences due to credit risk reduction	(13,101,657)	(2,165,054)	-	(10,927,059)	-
	Risk Amounts	**-**	**197,902,934**	**-**	**7,113,770**	**3,584,213**

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

a) None.

b) There is no significant difference between amounts valued in accordance with TAS included in B2 and risk exposures except for "Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)". There is a significant difference between amounts valued according to TAS and risk exposures, since the securities which are subject to repurchase that include in Money Market Payables account item are subject to counter party risk.

c) Valuation methodologies regarding the disclosure related to use of Market Value and Model Value:

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

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

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

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

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

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

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

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

Definition of independent price approval processes:

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

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

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

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

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

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

4. Credit risk disclosures

4.1. General information on credit risk

4.1.1. CRD - general qualitative information on credit risk

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

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

b) Criteria and approach used during the determination of credit risk policy and credit risk limits

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

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

Risk Management Strategy is the main risk management policy document in which the risks of the Group are identified, and its risk appetite and managements principles are determined. Credit risk limits are annually reviewed in line with risk strategy

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

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

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

Main responsibilities of Credit Risk Management Department are as follows:

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

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

Risk governance model includes three lines of defense consisting of:

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

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

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

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

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

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

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4.2. CR1 Credit quality of assets:

	Current Period	Gross carrying values of as per TAS		Allowances/ impairments	Net value
		Defaulted exposures	Non-defaulted exposures		
1	Loans(*)	9,523,366	139,091,467	7,133,072	141,481,761
2	Debt Securities	-	33,916,772	-	33,916,772
3	Off-balance sheet exposures	353,323	93,000,379	48,284	93,305,418
4	**Total**	**9,876,689**	**266,008,618**	**7,181,356**	**268,703,951**

(*) Includes financial assets at fair value through profit or loss in line with TFRS 9 amounting to TL116,829 (December 31, 2019 - TL86,838).

	Prior Period	Gross carrying values of as per TAS		Allowances/ impairments	Net value
		Defaulted exposures	Non-defaulted exposures		
1	Loans(*)	8,731,496	110,715,821	6,180,327	113,266,990
2	Debt Securities	-	28,337,603	-	28,337,603
3	Off-balance sheet exposures	-	76,117,640	45,614	76,072,026
4	**Total**	**8,731,496**	**215,171,064**	**6,225,941**	**217,676,619**

(*) Includes financial assets at fair value through profit or loss in line with TFRS 9 amounting to TL86,838 (December 31, 2019 - TL110,032)

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

		Current Period	Prior Period
1	Defaulted loans and debt securities at end of the previous reporting period	8,731,496	6,614,263
2	Loans and debt securities that have defaulted since the last reporting period	2,421,720	4,506,376
3	Returned to non-defaulted status	-	-
4	Amounts written off	48,513	974,127
5	Other changes(**)	1,581,337	1,415,016
6	**Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)**	**9,523,366**	**8,731,496**

(*) Includes the sale of non performing loans is none (December 31, 2019 - TL918,518).
(**) Includes collections from credits in default.

4.4. KRB - Additional disclosures related to credit quality of assets:

(a) The criteria taken into consideration by the Parent Bank in determining the impairment are explained in footnote VIII of the third section.

(b) There is no part of past due receivables which is not reviewed as "loans subject to provisioning".

(c) The Bank's specific provision calculation is explained in footnote VIII of the third section.

(d) In receivables of the customers having difficulties in payment of receivables to the Bank or expected to have possible difficulties in payments then receivables in aforementioned scope are identified as "restructured receivables".

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

Exposures provisioned against by major regions:

Country	Current Period	Prior Period
Domestic	137,833,837	109,994,925
European Union (EU) Countries	499,318	449,498
USA, Canada	23,237	19,487
OECD Countries	187	2,493
Off-Shore Banking	321,970	44,659
Other Countries	412,919	291,596
Total	**139,091,468**	**110,802,658**

Includes Financial Assets at Fair Value Through Profit or Loss amounting to TL116,829 in accordance with TFRS 9 (December 31, 2019 - TL86,838).

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

Exposures provisioned against by major sectors:

	Current Period	Prior Period
1. Agricultural	**2,420,350**	**2,342,906**
1.1. Farming and raising livestock	2,242,051	2,165,319
1.2. Forestry	7,661	7,463
1.3. Fishing	170,638	170,124
2. Manufacturing	**27,779,424**	**20,227,280**
2.1. Mining and Quarrying	322,996	320,642
2.2. Production	22,666,499	15,932,481
2.3. Electricity. Gas. Water	4,789,929	3,974,157
3. Construction	**6,364,791**	**5,842,486**
4. Services	**57,340,304**	**45,263,180**
4.1 Wholesale and retail trade	20,158,777	16,057,124
4.2 Hotel. food and beverage services	5,289,989	4,759,454
4.3 Transportation and telecommunication	15,321,475	11,837,609
4.4 Financial institutions	9,718,334	7,065,951
4.5 Real estate and leasing services	360,950	276,556
4.6 Self-employment services	1,606,066	1,333,270
4.7 Education services	411,683	402,373
4.8 Health and social services	4,473,030	3,530,843
5. Other	**45,186,599**	**37,126,806**
6. Total	**139,091,468**	**110,802,658**

Includes Financial Assets at Fair Value Through Profit or Loss amounting to TL116,829 in accordance with TFRS 9 (December 31, 2019 - TL86,838).

Breakdown of Exposures according to remaining maturity:

Current Period	Demand	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Loans and Receivables(*)	-	25,072,468	16,342,877	43,232,941	45,308,579	13,985,432	143,942,297
Prior Period	**Demand**	**Up to 1 month**	**1-3 Months**	**3-12 Months**	**1-5 Years**	**5 Years and Over**	**Total**
Loans and Receivables	-	21,832,098	9,830,209	33,030,972	36,781,860	12,635,727	114,110,866

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

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

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

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

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

Prior Period	Loans subject to provision	Provision	Written-off from Assets
Turkey	8,696,168	6,160,863	974,127
EU Countries	18,903	3,043	-
USD, Canada	-	-	-
OECD Countries(*)	-	-	-
Off-shore Banking Regions	16,410	16,403	-
Other Countries	15	18	-
Total	**8,731,496**	**6,180,327**	**974,127**

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

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

Exposures provisioned against by major sectors and loans written off

	Current Period			Prior Period		
	Loans subject to provision	Provision	Written-off from Assets	Loans subject to provision	Provision	Written-off from Assets
1. Agriculture	**397,797**	**231,856**	**1,761**	**343,484**	**198,312**	**11,414**
1.1. Farming and Raising Livestock	338,592	213,997	456	328,982	188,975	11,224
1.2. Forestry	48,137	9,332	1,305	2,707	262	43
1.3. Fishing	11,068	8,527	-	11,795	9,075	147
2. Industrial	**1,561,724**	**1,227,430**	**5,763**	**1,597,327**	**1,218,312**	**88,359**
2.1. Mining and Quarrying	60,630	23,533	2,377	44,698	20,767	3,650
2.2. Production	1,146,456	859,188	3,386	1,204,288	882,025	84,429
2.3. Electricity. Gas. Water	354,638	344,709	-	348,341	315,520	280
3. Construction	**1,017,156**	**603,888**	**18,369**	**1,006,568**	**529,116**	30,981
4. Services	**3,735,467**	**2,584,722**	**581**	**3,017,688**	**2,003,232**	**292,276**
4.1. Wholesale and Retail Trade	2,153,796	1,568,553	348	2,099,067	1,421,758	217,239
4.2. Hotel. Food and Beverage Services	273,120	200,091	43	211,874	138,600	32,407
4.3. Transportation and Communication	136,880	111,822	179	151,374	102,281	20,094
4.4. Financial Institutions	894,057	500,649	-	274,968	151,580	3,761
4.5. Real Estate and Renting Services	26,803	24,038	-	30,053	19,800	2,386
4.6. Self-Employment Services	120,911	94,036	11	112,292	81,642	9,052
4.7. Educational Services	82,940	48,827	-	84,001	48,756	1,945
4.8. Health and Social Services	46,960	36,706	-	54,059	38,815	5,392
5. Other	**2,811,222**	**2,485,176**	**22,039**	**2,766,429**	**2,231,355**	**551,097**
6. Total	**9,523,366**	**7,133,072**	**48,513**	**8,731,496**	**6,180,327**	**974,127**

g) Aging analysis

Overdue days	Current Period	Prior Period
0-30	137,506,111	108,502,808
31-60	1,252,025	1,336,117
61-90	660,146	963,732
90+	10,452,773	8,731,496
Total	**149,871,055**	**119,534,153**

5. Credit risk mitigation

5.1. CRM - Qualitative disclosure on credit risk mitigation techniques

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

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

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

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

Insurance policies of the collaterals should be obtained.

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

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

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

5.2. CR3 - Credit risk mitigation techniques - Overview:

	Current Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	134,818,019	6,663,742	4,062,342	-	-	-	-
2	Debt securities	33,916,772	-	-	-	-	-	-
3	**Total**	**168,734,791**	**6,663,742**	**4,062,342**	**-**	**-**	**-**	**-**
4	Of which defaulted	2,682,148	13,185	242	-	-	-	-

	Prior Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	109,106,758	4,160,232	2,156,458	-	-	-	-
2	Debt securities	28,337,603	-	-	-	-	-	-
3	**Total**	**137,444,361**	**4,160,232**	**2,156,458**	**-**	**-**	**-**	**-**
4	Of which defaulted	2,540,207	10,962	324	-	-	-	-

6. Credit risk when standard approach is used

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

a) Marks of Fitch credit rating institution are used in credit risk standard approach calculations

b) Centralized administrations and Banks take CRA marks into account for risk classes.

c) Mark assigned to a debtor is taken into account for all assets of the debtor.

d) CRA, which is not included in twinning table of the institution, is not used.

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

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

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

	Prior Period	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Exposure Categories	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	45,187,518	-	50,222,051	-	14,079,559	28%
2	Exposures to regional governments or local authorities	86,845	65	86,845	-	43,422	50%
3	Exposures to public sector entities	179,878	105,385	179,289	47,234	226,523	100%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to institutions	5,455,399	2,270,880	5,455,399	1,503,979	3,634,384	52%
7	Exposures to corporates	52,621,334	35,320,798	50,598,044	16,437,216	67,035,259	100%
8	Retail exposures	58,493,456	79,033,068	53,326,668	3,531,695	42,643,773	75%
9	Exposures secured by residential property	2,649,968	342,574	2,649,968	12,254	931,778	35%
10	Exposures secured by commercial real estate	2,606,237	169,759	2,606,237	105,049	1,355,643	50%
11	Past-due loans	2,230,580	-	2,230,288	-	1,595,259	72%
12	Higher-risk categories by the Agency Board	318,684	1,540	318,651	1,540	480,286	150%
13	Exposures in the form of covered bonds	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-
16	Other assets	6,892,199	19,843	6,892,199	-	5,247,656	76%
17	Investments in equities	1,698,328	-	1,698,328	-	1,698,328	100%
18	**Total**	**178,420,426**	**117,263,912**	**176,263,967**	**21,638,967**	**138,971,870**	**70%**

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

6.3. CR5 - Standardised approach - exposures by asset classes and risk weights:

	Current Period										
	Exposure Categories/ Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total Credit Risk Exposure Amount
1	Exposures to central governments or central banks	60,546,907	-	-	-	-	-	-	-	-	60,546,907
2	Exposures to regional governments or local authorities	-	-	-	-	98,159	-	-	-	-	98,159
3	Exposures to public sector entities	-	-	-	-	-	-	369,238	-	-	369,238
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	-	-	2,090,986	-	6,986,230	-	107,187	-	-	9,184,403
7	Exposures to corporates	-	-	-	-	-	-	83,804,359	-	-	83,804,359
8	Retail exposures	-	-	-	-	-	68,827,749	-	-	-	68,827,749
9	Exposures secured by residential property	-	-	-	2,266,686	-	-	-	-	-	2,266,686
10	Exposures secured by commercial real estate	-	-	-	-	2,334,604	-	2,073,224	-	-	4,407,828
11	Past-due loans	-	-	-	-	1,250,302	-	744,085	-	-	1,994,387
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	489,755	-	489,755
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-
16	Investments in equities	-	-	-	-	-	-	1,909,620	-	-	1,909,620
17	Other assets	2,109,984	-	1,189	-	-	-	6,505,291	-	-	8,616,464
18	**Total**	**62,656,891**	**-**	**2,092,175**	**2,266,686**	**10,669,295**	**68,827,749**	**95,513,004**	**489,755**	**-**	**242,515,555**

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

	Prior Period										
	Exposure Categories/ Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total risk exposure
1	Exposures to central governments or central banks	36,142,493	-	-	-	-	-	14,079,559	-	-	50,222,052
2	Exposures to regional governments or local authorities	-	-	-	-	86,845	-	-	-	-	86,845
3	Exposures to public sector entities	-	-	-	-	-	-	226,523	-	-	226,523
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	-	-	1,339,958	-	4,506,056	-	1,113,364	-	-	6,959,378
7	Exposures to corporates	-	-	-	-	-	-	67,035,259	-	-	67,035,259
8	Retail exposures	-	-	-	-	-	56,858,362	-	-	-	56,858,362
9	Exposures secured by residential property	-	-	-	2,662,222	-	-	-	-	-	2,662,222
10	Exposures secured by commercial real estate	-	-	-	-	2,711,286	-	-	-	-	2,711,286
11	Past-due loans	-	-	-	-	1,270,058	-	960,230	-	-	2,230,288
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	320,192	-	320,192
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-
16	Investments in equities	-	-	-	-	-	-	1,698,328	-	-	1,698,328
17	Other Assets	1,644,536	-	9	-	-	-	5,247,654	-	-	6,892,199
18	**Total**	**37,787,029**	**-**	**1,339,967**	**2,662,222**	**8,574,245**	**56,858,362**	**90,360,917**	**320,192**	**-**	**197,902,934**

7. Disclosures regarding counterparty credit risk

7.1. Qualitative disclosures regarding DCCR - CCR table:

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

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

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

The Parent Bank does not make a distinction between banks, non-bank financial institutions and individual customers with respect to counterparty credit risk. Transactions made with non-bank financial institutions are reviewed in the framework of corporate-commercial credit risk while banks are considered in the framework of financial institutions.

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

b) A clear definition of risk appetite and its approval by Board of Directors is the precondition to establish a consistent risk limit system. The Bank has determined the following limit structure in order to limit the risk carried over derivative transactions. Those limits are determined in Market Risk Policy and approved by Board of Directors.

- Limits on option sensitivity indexes basis: Maximum risk which can be taken in delta, gamma and vega positions is limited;
- Option nominal position limit: Maximum nominal position which can be taken on option type basis is limited; and
- Interest sensitivity limit of forward exchanges included in trading accounts: Interest risk which can be carried by swap and forward exchanges made for the purposes of trading.

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

c) CCR is being tried to be reduced with various techniques. The Parent Bank uses daily exchange limits in addition to credit support and global repo agreements in order to reduce exchange risk. Limits, defined for financial institutions, are allocated according to creditability of counterparty and monitored as real time and online. Parties, having over the counter transactions with the Bank, are financial institutions which are well known and having a long term of business relationship.

d) Countertrend risk states that probability of default of counterparty has a positive correlation with general market risk factors. Parent Bank monitors impacts of market risk factors such as interest and exchange on customer credit risk. Especially, in periods having sharp financial movements, required actions are taken in line with analysis performed.

e) If there is a decline in credit rating grade, there is no additional collateral amount which must be provided by the Bank.

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

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

	Current Period	Revaluation Cost	Potential credit risk exposure	EEPE	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standard approach - CCR (for derivatives)	5,610,327	1,528,451		1,4	3,859,390	2,586,704
2	Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)	-	-	-	-	-	-
3	The simple method used to mitigate credit risk - repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions,	-	-	-	-	-	-
4	Comprehensive method for reducing credit risk - (for repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)					4,016,437	1,982,235
5	Repo transactions, securities or commodity lending or borrowing transactions, long-term transactions with risk exposure value for credit securities transactions	-	-	-	-	-	-
6	**Total**	**-**	**-**	**-**	**-**	**-**	**4,568,939**

	Prior Period	Revaluation Cost	Potential credit risk exposure	EEPE	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standard approach - CCR (for derivatives)	4,854,956	1,401,892	-	1,4	3,147,478	2,068,594
2	Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)	-	-	-	-	-	-
3	The simple method used to mitigate credit risk - repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions,	-	-	-	-	-	-
4	Comprehensive method for reducing credit risk - (for repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)	-	-	-	-	3,966,291	2,022,498
5	Repo transactions, securities or commodity lending or borrowing transactions, long-term transactions with risk exposure value for credit securities transactions	-	-	-	-	-	-
6	**Total**	**-**	**-**	**-**	**-**	**-**	**4,091,092**

7.3. CCR2 - Credit valuation adjustment (CVA) capital charge

		Exposure (After credit risk mitigation methods)		Risk Weighted Amounts	
		Current Period	Prior Period	Current Period	Prior Period
	Total portfolio value with comprehensive approach CVA capital adequacy	-	-	-	-
1	(i) Value at risk component (3*multiplier included)	-	-	-	-
2	(ii) Stressed Value at Risk (3*multiplier included)		-		-
3	Total portfolio value with simplified approach CVA capital adequacy	3,859,390	3,147,478	1,037,001	754,243
4	**Total amount of CVA capital adequacy**	**3,859,390**	**3,147,478**	**1,037,001**	**754,243**

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

7.4. CCR3 - Standardised approach - CCR exposures by regulatory portfolio and risk weights

Current Period

	Exposure Categories/ Risk Weight	0%	10%	20%	50%	75%	100%	150%	Others	Total Credit Risk
1	Exposures from central governments or central banks	285,518	-	-	-	-	-	-	74,123	359,641
2	Exposures from regional or local governments	-	-	-	-	-	-	-	-	-
3	Exposures from administrative units and non-commercial enterprises	-	-	-	-	-	13	-	-	13
4	Exposures from multilateral development banks	-	-	-	-	-	-	-	-	-
5	Exposures from international organizations	-	-	-	-	-	-	-	-	-
6	Exposures from banks and brokerage houses	-	-	910,558	4,434,740	-	523,753	-	-	5,869,051
7	Exposures from corporates	-	-	-	-	-	1,632,826	-	-	1,632,826
8	Retail receivables	-	-	-	-	13,415	-	-	-	13,415
9	Mortgage receivables	-	-	-	-	-	-	-	-	-
10	Non performing receivables	-	-	-	-	-	-	-	-	-
11	High risk defined receivables	-	-	-	-	-	-	881	-	881
12	Mortgage backed securities	-	-	-	-	-	-	-	-	-
13	Securitization Positions	-	-	-	-	-	-	-	-	-
14	Short term credit rated banks and Intermediary Institutions receivables	-	-	-	-	-	-	-	-	-
15	Collective investment undertaking investments	-	-	-	-	-	-	-	-	-
16	Equity Investments	-	-	-	-	-	-	-	-	-
17	Other Receivables	-	-	-	-	-	-	-	-	-
18	Other Assets	-	-	-	-	-	-	-	-	-
19	**Total**	**285,518**	**-**	**910,558**	**4,434,740**	**13,415**	**2,156,592**	**881**	**74,123**	**7,875,827**

Prior Period

	Exposure Categories/ Risk Weight	0%	10%	20%	50%	75%	100%	150%	Others	Total Credit Risk
1	Exposures from central governments or central banks	3,841	-	-	-	-	28,222	-	9,481	41,544
2	Exposures from regional or local governments	-	-	-	-	-	-	-	-	-
3	Exposures from administrative units and non-commercial enterprises	-	-	-	-	-	-	-	-	-
4	Exposures from multilateral development banks	-	-	-	-	-	-	-	-	-
5	Exposures from international organizations	-	-	-	-	-	-	-	-	-
6	Exposures from banks and brokerage houses	-	-	604,923	4,642,546	-	71,644	-	-	5,319,113
7	Exposures from corporates	-	-	-	-	-	935,775	-	-	935,775
8	Retail receivables	-	-	-	-	817,338	-	-	-	817,338
9	Mortgage receivables	-	-	-	-	-	-	-	-	-
10	Non performing receivables	-	-	-	-	-	-	-	-	-
11	High risk defined receivables	-	-	-	-	-	-	-	-	-
12	Mortgage backed securities	-	-	-	-	-	-	-	-	-
13	Securitization Positions	-	-	-	-	-	-	-	-	-
14	Short term credit rated banks and Intermediary Institutions receivables	-	-	-	-	-	-	-	-	-
15	Collective investment undertaking investments	-	-	-	-	-	-	-	-	-
16	Equity Investments	-	-	-	-	-	-	-	-	-
17	Other Receivables	-	-	-	-	-	-	-	-	-
18	Other Assets	-	-	-	-	-	-	-	-	-
19	**Total**	**3,841**	**-**	**604,923**	**4,642,546**	**817,338**	**1,035,641**	**-**	**9,481**	**7,113,770**

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

7.5. CCR4 - Risk class and counterparty credit risk on the basis of possibility of default

Related table is not presented due to standard method is used for calculation of capital adequacy.

7.6. CCR5 - Composition of collateral for CCR exposure:

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

	Collaterals for Derivatives				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
Prior Period	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
Cash-Local Currency	-	-	-	-	256,811	-
Cash - Foreign Currency	-	3,792,115	-	3,124,158	7,636,052	-
Government bond-domestic	-	-	-	-	3,040,962	-
Government bond-other	-	-	-	-	-	-
Public institution bonds	-	-	-	-	-	-
Corporate bond	-	-	-	-	-	-
Equity share	-	-	-	-	-	-
Other collaterals	-	-	-	-	-	-
Total	**-**	**3,792,115**	**-**	**3,124,158**	**10,933,825**	**-**

7.7. CCR6 - Credit derivatives

Related table is not presented due to the Parent Bank has no risk arrived from derivative credit received or sold (December 31, 2019 - None).

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

Related table is not presented due to standard method is used for calculation of capital adequacy (December 31, 2019 - None).

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

7.9. CCR8 - Exposures to central counterparties

		Current Period		Prior Period	
		Exposure at default (post-CRM)	RWA	Exposure at default (post-CRM)	RWA
1	**Exposure to Qualified Central Counterparties (QCCPs)(total)**	**74,123**	**1,482**	**9,481**	**190**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	-	-	-	-
3	(i) OTC Derivatives	-	-	-	-
4	(ii) Exchange-traded Derivatives	74,123	1,482	9,481	190
5	(iii) Securities financing transactions	-	-	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-	-	-
7	Segregated initial margin	-	-	-	-
8	Non-segregated initial margin	-	-	-	-
9	Pre-funded default fund contributions	-	-	-	-
10	Unfunded default fund contributions	-	-	-	-
11	Exposures ton on-QCCPs (total)	-	-	-	-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-	-	-
13	(i) OTC Derivatives	-	-	-	-
14	(ii) Exchange-traded Derivatives	-	-	-	-
15	(iii) Securities financing transactions	-	-	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-	-	-
17	Segregated initial margin	-	-	-	-
18	Non-segregated initial margin	-	-	-	-
19	Pre-funded default fund contributions	-	-	-	-
20	Unfunded default fund contributions	-	-	-	-

8. Securitization exposures:

The Parent Bank has no securitization transactions (December 31, 2019 - None).

9. Disclosures regarding Market Risk

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

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

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

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

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

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

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

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

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

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

1.2 MR1- Market risk under standardised approach:

		RWA(**)	
		Current Period	Prior Period
	Outright products(*)	3,895,138	3,508,150
1	Interest rate risk (general and specific)	1,782,675	2,129,700
2	Equity risk (general and specific)	194,175	132,013
3	Foreign exchange risk	1,847,600	1,070,325
4	Commodity risk	70,688	176,112
	Options	12,075	76,063
5	Simplified approach	-	-
6	Delta-plus method	12,075	76,063
7	Scenario approach	-	-
8	Securitization	-	-
9	**Total**	**3,907,213**	**3,584,213**

(*) Outright products refer to position in products that are not optional.
(**) The market Risk represents the capital requirement multiplied by 12.5 times Risk Weighted Amount.

10. Explanations on consolidated operational risk

The Parent Bank calculates the amount subject to operational risk based on “Basic Indicator Method” by using 2019, 2018 and 2017, year-end gross income balances of the Bank, in accordance with Section 3 of the “Regulation Regarding Measurement and Evaluation of Banks’ Capital Adequacy Ratio”, published in the Official Gazette No. 28337 dated June 28, 2012, namely “The Calculation of the Amount Subject to Operational Risk. As of December 31, 2020, the total amount subject to operational risk is TL15,499,021 (December 31, 2019 - TL13,089,131).

Current Period	2 Prior Period Value	1 Prior Period Value	Current Period value	Total / Total number of years for which gross income is positive	Rate (%)	Total
Gross Income	6,505,256	8,960,553	9,332,624	8,266,144	15	1,239,922
Amount subject to operational risk (Total*12.5)						**15,499,021**

Prior Period	2 Prior Period Value	1 Prior Period Value	Current Period value	Total / Total number of years for which gross income is positive	Rate (%)	Total
Gross Income	5,476,800	6,505,256	8,960,553	6,980,870	15	1,047,130
Amount subject to operational risk (Total*12.5)						**13,089,131**

The annual gross income is composed of net interest income and net non-interest income after deducting realized gains/losses from the disposal of securities available-for-sale and held-to-maturity, extraordinary income and income derived from insurance claims at year-end.

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

III. Explanations on Consolidated Foreign Exchange Risk

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

The difference between the Parent Bank's foreign currency denominated and foreign currency indexed assets and liabilities is defined as the "Net Foreign Currency Position" and is the basis of currency risk. Foreign currency denominated assets and liabilities, together with purchase and sale commitments, give rise to foreign exchange exposure ("cross currency risk").

Board of Directors has determined the limits considering the consistency with the "Foreign Currency Net General Position." Positions are being followed daily and limits are reviewed at least once a year depending on economic conditions and The Parent Bank strategy and updated as deemed necessary.

In measuring the exchange rate exposure of The Parent Bank, the "standard method" used in the legal reports and the internal method. The measurements made within the scope of the standard method are carried out monthly and the measurements made within the scope of VaR calculations are carried out on a daily basis. In addition, the maximum foreign currency position that can be taken is determined on the basis of currency types and table, and daily limit compliance control is carried out by Risk Management.

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

The Group hedges foreign currency borrowings with derivative instruments. The Group does not hedge net foreign currency investments with derivative instruments. The Group hedges foreign currency borrowings with derivative instruments. The Bank does not hedge net foreign currency investments with derivative instruments. (Details explaining Section Five Part three)

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

US Dollars purchase rate in the balance sheet date TL7.3405

Euro purchase rate in the balance sheet date TL9.0079

Date	US Dollar	Euro
December 31, 2020	7.3405	9.0079
December 30, 2020	7.4063	9.0697
December 29, 2020	7.4738	9.1370
December 28, 2020	7.5517	9.2037
December 25, 2020	7.6190	9.2948

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

The arithmetical average of the Parent Bank's US Dollar and Euro purchase rates for December 2020 are TL7.7211 and TL9.3842 respectively.

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

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

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]	10,655,063	13,011,260	1,234,394	24,900,717
Due From Banks	508,102	818,415	150,701	1,477,218
Financial Assets Measured at Fair Value through Profit or Loss (FVTPL)[2]	728,089	1,070,464	514	1,799,067
Money Market Placements	-	92,610	-	92,610
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	1,960,627	7,426,922	-	9,387,549
Loans[3]	32,200,132	18,240,554	166,372	50,607,058
Investments in Assoc., Subsidiaries and Entities under Common Control	-	-	-	-
Investment Assets Measured at Amortized Cost	1,617,836	7,565,887	-	9,183,723
Derivative Financial Assets Hedging Purposes	14,434	532,982	-	547,416
Tangible Assets	38	-	18	56
Intangible Assets	-	-	-	-
Other Assets[4]	2,848,851	2,451,896	447	5,301,194
Total Assets	**50,533,172**	**51,210,990**	**1,552,446**	**103,296,608**
Liabilities				
Bank Deposits	525,537	3,428,155	208,451	4,162,143
Foreign Currency Deposits[5]	16,133,583	44,555,559	17,139,438	77,828,580
Money Market Borrowings	1,147,403	8,965,547	-	10,112,950
Funds Provided from Other Financial Institutions	11,228,723	18,516,692	13	29,745,428
Securities Issued	-	11,228,075	723,346	11,951,421
Sundry Creditors	2,524,874	2,170,941	6,674	4,702,489
Derivative Fin. Liabilities Hedging Purposes	71,918	1,569,579	-	1,641,497
Other Liabilities[6]	903,879	1,338,114	1,315	2,243,308
Total Liabilities	**32,535,917**	**91,772,662**	**18,079,237**	**142,387,816**
Net Balance Sheet Position	**17,997,255**	**(40,561,672)**	**(16,526,791)**	**(39,091,208)**
Net Off-Balance Sheet Position	(18,063,554)	38,578,070	16,523,357	37,037,873
Financial Derivative Assets	22,146,538	105,264,338	18,050,019	145,460,895
Financial Derivative Liabilities	40,210,092	66,686,268	1,526,662	108,423,022
Non-Cash Loans[7]	9,935,011	11,239,630	345,711	21,520,352
Prior Period				
Total Assets	37,636,024	39,710,280	1,010,312	78,356,616
Total Liabilities	26,816,268	73,369,217	5,652,534	105,838,019
Net Balance Sheet Position	**10,819,756**	**(33,658,937)**	**(4,642,222)**	**(27,481,403)**
Net Off-Balance Sheet Position	**(10,492,971)**	**32,393,436**	**4,660,215**	**26,560,680**
Financial Derivative Assets	17,572,458	89,046,950	4,984,701	111,604,109
Financial Derivative Liabilities	28,065,429	56,653,514	324,486	85,043,429
Non-Cash Loans	8,106,409	9,513,236	625,822	18,245,467

(1) Cash and Balances with TR Central; Other FC include TL1,160,921 (December 31, 2019 - TL737,276) precious metal deposit account.
(2) Does not include TL239,.259 (December 31, 2019 - TL167,549) of currency income accruals arising from derivative transactions and derivative financial instruments amounting to TL116,829 (December 31, 2019 - TL86,838) are not included under financial assets at fair value through profit or loss in accordance with TFRS 9
(3) Includes TL489,555 (December 31, 2019 - TL999,190) FC indexed loans. Does not include repealed financial leasing receivables amounting to TL11,082 (December 31, 2019 - TL38,035) accounted as FC in balance sheet. Includes FC indexed (3.9 index) factoring receivables is none (December 31, 2019 - None) accounted as TL in balance sheet.
(4) Does not include FC prepaid expenses amounting to TL47,634 (December 31, 2019 - TL37,315) as per BRSA's Communique published in Official Gazette no 26085 on February 19, 2006.
(5) Foreign currency deposits include TL15,484,501 (December 31, 2019 - TL3,700,363) of precious metal deposit account.
(6) Other Liabilities do not include the Foreign Currency Index Factoring payables amounting to TL761
(6) Does not include currency expense accruals of derivative financial instruments kept in FC accounts amounting to TL181,796 (December 31, 2019 - TL103,590)
(7) Does not have an effect on Net Off-balance Sheet Position.

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

6. Sensitivity to foreign exchange risk

The Group is exposed to currency risk in Euro and US Dollars.

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

	% change in the Foreign currency	Effect on Gain/Loss (After Tax)	Net Effect on Shareholders Equity(*)	Effect on Gain/Loss (After Tax)	Net Effect on Shareholders Equity(*)
		Current Period	Current Period	Prior Period	Prior Period
USD	10% increase	(10,787)	(115,883)	(13,503)	(67,403)
	10% decrease	10,787	115,883	13,503	67,403
EURO	10% increase	(1,887)	(4,807)	92	(479)
	10% decrease	1,887	4,807	(92)	479

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

IV. Explanations on Consolidated Interest Rate Risk

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

Interest rate sensitivity of assets, liabilities and off balance sheet items is analyzed by top management in the Asset/Liability Committee meetings held every two weeks 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 TL 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 TL liquidity with long term swap transactions (fixed TL interest rate and floating FC interest rate). Therefore, the Parent Bank not only funds its long term fixed interest rate loans with TL but also hedges itself from interest rate and maturity risk.

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

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

[1] Non-Interest Bearing column includes accruals, provision for losses and derivative financial instruments' fair value valuation difference.
[2] Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank include amount of TL3,399 expected loss provisions.
[3] Banks include balance of expected loss provisions amounting to TL10,189.
[4] Financial Assets at Fair Value Through Profit or Loss include amount of TL7,828,472 derivative financial assets used for hedging purposes.
[5] Financial Assets Measured at Fair Value Through Other Comprehensive Income include amount of TL1,400,686 derivative financial assets through other comprehensive income.
[5] Financial Assets measured at amortized cost includes the balance of the expected loss provisions amounting to TL10,156
[7] Other Liabilities includes TL8,156,463 of the Reflected Financial Liabilities at the Fair Value Difference of Other Derivative Financial Liabilities.

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

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]	5,273,825	-	-	-	-	13,474,408	18,748,233
Due from Banks[3]	572,476	16,914	-	-	-	508,237	1,097,627
Financial Assets at Fair Value Through Profit or Loss[4]	114,900	7,350	100,830	86,489	10,889	6,639,245	6,959,703
Money Market Placements[5]	3,225,937	-	-	-	-	-	3,225,937
Inv, Securities Available for Sale[6]	891,037	951,296	3,187,056	3,129,517	3,756,217	1,790,817	13,705,940
Loans and Receivables	27,700,757	13,803,079	40,572,727	28,942,473	3,091,832	2,551,172	116,662,040
Inv, Securities Held to Maturity[7]	2,102,380	2,924,348	3,936,398	2,689,458	4,240,488	276,378	16,169,450
Other Assets	-	-	-	-	-	10,957,256	10,957,256
Total Assets	**39,881,312**	**17,702,987**	**47,797,011**	**34,847,937**	**11,099,426**	**36,197,513**	**187,526,186**
Liabilities							
Bank Deposits	3,244,393	1,864,410	103,276	-	-	194,282	5,406,361
Other Deposits	56,663,202	14,301,370	3,507,551	253,342	152	25,368,275	100,093,892
Money Market Borrowings	3,253,435	3,117,558	2,580,779	47,000	94,372	55,791	9,148,935
Sundry Creditors	3,943,414	-	-	-	-	3,652,883	7,596,297
Securities Issued	1,573,004	2,922,752	841,857	9,013,934	-	-	14,351,547
Funds Borrowed	3,670,059	9,627,167	8,206,998	223,973	3,121,371	2,302	24,851,870
Other Liabilities[8]	-	1,061	19,649	405,269	6,604	25,644,701	26,077,284
Total Liabilities	**72,347,507**	**31,834,318**	**15,260,110**	**9,943,518**	**3,222,499**	**54,918,234**	**187,526,186**
On Balance Sheet Long Position	-	-	32,536,901	24,904,419	7,876,927	-	65,318,247
On Balance Sheet Short Position	(32,466,195)	(14,131,331)	-	-	-	(18,720,721)	(65,318,247)
Off-Balance Sheet Long Position	3,660,119	15,498,899	-	-	-	-	19,159,018
Off-Balance Sheet Short Position	-	-	(297,505)	(11,030,706)	(3,103,007)	-	(14,431,218)
Total Position	**(28,806,076)**	**1,367,568**	**32,239,396**	**13,873,713**	**4,773,920**	**(18,720,721)**	**4,727,800**

(1) Non-Interest Bearing column includes accruals, provision for losses and derivative financial instruments' fair value valuation difference.
(2) Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank include amount of TL2,309 expected loss provisions.
(3) Banks include balance of expected loss provisions amounting to TL5,508.
(4) Financial Assets at Fair Value Through Profit or Loss include amount of TL6,579,467 derivative financial assets used for hedging purposes.
(5) Receivables from Money Markets does not have any balance of expected loss provisions.
(6) Financial Assets Measured at Fair Value Through Other Comprehensive Income include amount of TL1,359,842 derivative financial assets through other comprehensive income.
(7) Financial Assets measured at amortized cost includes the balance of the expected loss provisions amounting to TL11,852.
(8) Other Liabilities includes TL5,135,493 of the Reflected Financial Liabilities at the Fair Value Difference of Other Derivative Financial Liabilities.

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

Average interest rates applied to monetary financial instruments:

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

Average interest rates applied to monetary financial instruments:

	EUR %	USD %	JPY %	TL %
Prior Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the T,R, Central Bank	-	-	-	10.00
Due from Banks	0.01	2.02	-	11.25
Financial Assets at Fair Value Through Profit or Loss	2.94	8.64	-	11.82
Money Market Placements	-	-	-	11.55
Financial Assets Available for Sale (Net)	2.92	5.27	-	18.00
Loans and Receivables	4.90	6.66	2.46	16.68
Financial Assets to be held until maturity	3.20	5.50	-	12.46
Liabilities				
Bank Deposits	0.33	2.39	-	10.95
Other Deposits	0.22	2.00	0.02	10.16
Money Market Borrowings	0.07	2.06	-	9.87
Sundry Creditors	(0.46)	1.55	-	-
Securities Issued	-	5.74	-	12.98
Funds Borrowed	2.33	5.88	-	15.06

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

Interest rate risk on banking book

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

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

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

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

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

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

Type of Currency	Shocks Applied (+/- x basis points)	Gains/Losses	Gains/Equity-Losses/Equity
1. TL	(+)500	(2,342,565)	(8.30)%
	(-)400	2,157,475	7.65%
2. EURO	(+)200	(213,528)	(0.76)%
	(-)200	263,348	0.93%
3. USD	(+)200	(14,062)	(0.05)%
	(-)200	63,239	0.22%
Total (of negative shocks)		**2,484,062**	**8.81%**
Total (of positive shocks)		**(2,570,154)**	**(9.11)%**

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

Equity Securities (shares)	Comparison		
	Carrying Value	Fair Value	Carrying Value
1. Equity Investments Group A	**51,026**	**-**	**51,026**
Quoted Securities	51,026	-	51,026
2. Equity Investments Group B	**-**	**-**	**-**
Quoted Securities	-	-	-
3. Equity Investments Group C	**-**	**-**	**-**
Quoted Securities	-	-	-
4. Equity Investments Group Other(*)	**237,919**	**-**	**-**

(*) Associates and subsidiaries not quoted to BIST and not classified as investment in shares by Capital Market Board.

Portfolio	Gains/Losses in Current Period	Revaluation Surpluses		Unrealized Gains and Losses		
		Total	Amount under Core Capital	Total	Amount under Core Capital	Total
1. Private Equity Investments	-	-	-	-	-	-
2. Quoted Shares	81,811	-	-	1,920	-	1,920
3. Other Shares	-	-	-	-	-	-
4. Total	**81,811**	**-**	**-**	**1,920**	**-**	**1,920**

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 (ALC) 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 ALC 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 Parent Bank has no liquidity management center and each entity, which is under control of the Parent Bank, performs its liquidity management separately from the Parent Bank by an authority responsible for liquidity management. Fund amounts, which shall be used by associates from the Parent Bank, are determined in the framework of 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 ALC decisions. Funding and placement strategies are developed through evaluating the liquidity of the Parent Bank.

A large part of the Parent Bank's liabilities consist of TL, USD and EUR. Gap reports issued based on the aforementioned three currencies are presented in ALC meetings. Maturity mismatches based on currencies are managed through FX swap and FX forward.

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

Liquidity life cycle approach is determined as the liquidity risk stress test methodology. This approach is a stress test to measure the period in which the Parent Bank can meet its cumulative cash outflows without providing a fund from the market. Liquidity life cycle is calculated according to various scenarios and simulated in line with possible scenarios in crisis situation and the results are reported to Risk Committee and Board of Directors.

Emergency Funding Plan (EMP) of the Parent Bank regulates funding activities to be used in liquidity crisis periods specific to the Parent Bank or in liquidity crisis at financial markets. EMP defines components triggering the crisis and early warning indicators which help to evaluate and manage the liquidity crisis and determine primary funding structure. EMP also defines actions of the Parent Bank against cash and guarantee need. In addition to aforementioned issues, EMP determines duties and responsibilities in performing actions in a liquidity crisis included in risk management and emergency funding plan.

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

Funding sources of the Group mainly consist of deposits which constitute 57% of total liabilities of the Group (December 31, 2019 - 58%) and also include repo, secured loans, syndication, securitization, bond/security issuance and other instruments including subordinated debts.

The Group effectively uses derivative transactions to manage interest and liquidity risk. Impact of derivative cash flows in terms of liquidity coverage ratio is limited. However, FX swaps used in short term foreign currency liquidity management cause liquidity coverage ratio to fluctuate due to changes in volume and one month maturity. In addition, possible cash outflow caused by margin call requirements of derivative transactions is taken into consideration in accordance with the respective regulations.

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

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

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

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

Liquidity Coverage Ratio

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

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

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

Prior Period - December 31, 2019		Unweighted Amounts(*)		Weighted Amounts(*)	
		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				**34,537,663**	**18,786,744**
1	High Quality Liquid Assets	34,537,663	18,786,744	34,537,663	18,786,744
CASH OUTFLOWS					
2	Retail and Small Business Customers Deposits	77,324,958	40,212,082	6,971,835	4,021,208
3	Stable deposits	15,213,206	-	760,660	-
4	Less stable deposits	62,111,752	40,212,082	6,211,175	4,021,208
5	Unsecured Funding other than Retail and Small Business Customers Deposits	29,503,502	16,376,799	18,497,353	10,647,498
6	Operational deposits	754,342	114,237	188,585	28,559
7	Non-Operational Deposits	21,821,732	13,538,637	12,715,441	7,991,675
8	Other Unsecured Funding	6,927,428	2,723,925	5,593,327	2,627,264
9	Secured funding			79,316	79,316
10	Other Cash Outflows	27,177,794	18,901,582	27,177,794	18,901,582
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	27,177,794	18,901,582	27,177,794	18,901,582
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	34,356,331	924,733	1,717,817	46,237
15	Other irrevocable or conditionally revocable commitments	73,084,411	17,294,518	5,291,243	1,508,991
16	**TOTAL CASH OUTFLOWS**			**59,735,358**	**35,204,832**
CASH INFLOWS					
17	Secured Lending Transactions	2,636,541	-	-	-
18	Unsecured Lending Transactions	8,713,614	1,946,498	5,475,556	1,580,400
19	Other contractual cash inflows	25,358,044	23,068,744	25,358,045	23,068,744
20	**TOTAL CASH INFLOWS**	**36,708,199**	**25,015,242**	**30,833,601**	**24,649,144**
				Capped Amounts	
21	**TOTAL HIGH QUALITY LIQUID ASSETS**			**34,537,663**	**18,786,744**
22	**TOTAL NET CASH OUTFLOWS**			**28,901,757**	**10,654,273**
23	**LIQUDITY COVERAGE RATIO (%)**			**119.50%**	**176.33%**

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

Minimum, maximum and average liquidity coverage ratios calculated in accordance with the “Regulation on Liquidity Coverage Ratio Calculation” published in the Official Gazette numbered 28948, dated March 21, 2014 for the last three month are explained in the table below.

	Maximum	Date	Minimum	Date	Average
TL+FC	123,94	09.10.2020	102,91	29.10.2020	114,34
FC	232,48	27.11.2020	164,00	11.11.2020	198,18

Liquidity coverage ratio is regulated by the BRSA to make sure that the banks sustain high quality liquid asset stock to cover probable cash outflows in the short term.

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

Funding sources of the Parent Bank mainly consist of deposits which constitute 57% of total liabilities of the Group (December 31, 2019 - 58%) 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 Treasury of the Republic of Turkey and transactions are carried out both in CBRT market and interbank market.

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

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

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

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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]	13,922,022	13,484,439	-	-	-	-	(3,399)	27,403,062
Due from Banks[3]	1,469,910	45,846	-	-	-	-	(10,189)	1,505,567
Financial Assets at Fair Value Through Profit or Loss[4]	214,934	465,907	650,309	1,942,189	3,783,484	1,395,023	-	8,451,846
Money Market Placements	-	752,392	-	-	-	-	-	752,392
Financial Assets Measured at Fair Value through Other Comprehensive Income[5]	8,590	894,058	585,205	1,140,976	7,063,919	6,898,052	-	16,590,800
Loans and Receivables[6]	-	25,072,468	16,342,877	43,232,941	45,308,579	13,985,432	2,390,294	146,332,591
Financial Assets Measured at Amortized Cost[7]	-	920,449	160,562	1,176,682	9,937,017	6,548,646	(10,156)	18,733,200
Other Assets	7,309	7,334,677	8,768	25,254	1,558,174	229	6,315,852	15,250,263
Total Assets	**15,622,765**	**48,970,236**	**17,747,721**	**47,518,042**	**67,651,173**	**28,827,382**	**8,682,402**	**235,019,721**
Liabilities								
Bank Deposits	123,020	3,436,158	1,006,657	17,509	-	-	-	4,583,344
Other Deposits	49,918,940	55,086,008	16,171,283	4,175,747	339,333	201	-	125,691,512
Funds Borrowed	-	1,895,587	1,873,093	12,888,535	10,142,584	1,945,655	3,855,730	32,601,184
Money Market Borrowings	-	7,741,717	2,668,325	768,574	2,672,117	1,143,937	-	14,994,670
Securities Issued	-	1,069,701	1,461,350	1,075,596	11,117,311	-	-	14,723,958
Sundry Creditors	-	9,243,606	-	-	-	-	-	9,243,606
Other Liabilities[8]	96,997	4,339,694	1,355,045	818,657	2,349,444	2,760,133	21,461,477	33,181,447
Total Liabilities	**50,138,957**	**82,812,471**	**24,535,753**	**19,744,618**	**26,620,789**	**5,849,926**	**25,317,207**	**235,019,721**
Liquidity Excess / Gap	**(34,516,192)**	**(33,842,235)**	**(6,788,032)**	**27,773,424**	**41,030,384**	**22,977,456**	**(16,634,805)**	**-**
Net Off-Balance Sheet Position[9]	**-**	**(1,156,689)**	**(915,308)**	**1,260,404**	**1,906,623**	**27,800**	**-**	**1,122,830**
Receivables from financial derivative instruments	-	42,886,011	26,710,279	14,308,819	40,026,017	32,234,805	-	156,165,931
Liabilities from derivative financial instruments	-	44,042,700	27,625,587	13,048,415	38,119,394	32,207,005	-	155,043,101
Non Cash Loans [10]	**-**	**2,300,896**	**3,178,517**	**14,212,232**	**4,524,946**	**565,058**	**8,343,292**	**33,124,941**
Prior period								
Total Assets	11,333,569	39,042,490	12,454,211	37,567,003	56,063,148	23,641,924	7,423,841	187,526,186
Total Liabilities	25,623,207	77,603,774	23,124,519	12,382,846	24,204,377	6,637,953	17,949,510	187,526,186
Liquidity Gap	**(14,289,638)**	**(38,561,284)**	**(10,670,308)**	**25,184,157**	**31,858,771**	**17,003,971**	**(10,525,669)**	**-**
Net Off-Balance Sheet Position[9]	**-**	**128,075**	**660,565**	**1,577,261**	**1,094,394**	**73,885**	**-**	**3,534,180**
Receivables from financial derivative instruments	-	27,996,638	11,389,515	19,110,747	42,730,763	25,436,082	-	126,663,745
Liabilities from derivative financial instruments	-	27,868,563	10,728,950	17,533,486	41,636,369	25,362,197	-	123,129,565
Non Cash Loans[10]	**-**	**1,444,446**	**3,429,954**	**10,398,162**	**5,527,961**	**574,047**	**7,128,674**	**28,503,244**

[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 this column. Unallocated other liabilities include equities amount of TL19,241,228 and also include amount of TL1,134,132 unallocated provisions and deferred tax liabilities.
[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 TL3,399.
[3] Banks include balance of expected loss provisions amounting to TL10,189.
[4] Financial assets at fair value through profit or loss include derivative financial assets through profit loss amounting to TL7,828,472 (December 31, 2019 - TL6,579,467).
[5] Financial assets at fair value through other comprehensive income include derivative financial assets through other comprehensive income amounting to TL1,400,686 (December 31, 2019 - TL1,359,842).
[6] Loans and receivables include leasing and factoring receivables.
[7] Financial assets measured at amortized cost include TL10,156 of expected loss provisions.
[8] Other Liabilities includes TL8,156,464 of Derivative Financial Liabilities.
[9] Liquidity excess / (deficit) related to Derivative Financial Instruments constituting Net Off-Balance positions are included in Liquidity Excess / (deficit) through valuations of related transactions to balance sheet.
[10] Amounts related to letter of guarantees represent contractual maturities and amounts included in aforementioned maturities and they have on demand and optionally withdrawable nature.

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

Financial Liabilities according to the remaining maturities on the contract

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

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

Prior Period	Undated	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Longer	Total	Balance Sheet Value
Bank Deposits	194,282	3,246,962	1,868,951	104,601	-	-	5,414,796	5,406,361
Other Deposits	25,368,275	56,674,998	14,317,711	3,599,000	279,039	181	100,239,204	100,093,892
Payables to Money Market	-	3,325,065	2,488,136	1,409,028	1,260,339	973,950	9,456,518	9,148,935
Funds from other Financial Institutions	4,565	2,676,105	1,372,146	5,733,059	11,157,600	4,444,848	25,388,323	24,851,870
Securities Issued	-	1,580,733	2,876,258	1,330,969	10,441,452	-	16,229,412	14,351,547
Noncash Loans(*)	7,128,674	1,444,447	3,429,954	10,398,162	5,527,961	574,046	28,503,244	28,503,244

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

The table below shows the remaining maturity breakdown of the Bank's derivative assets and liabilities.

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

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

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 years and Longer	Total
Forward contracts buying(**)	2,621,190	1,096,480	2,056,001	903,893	-	6,677,564
Forward contracts selling(**)	(2,617,307)	(1,110,362)	(1,973,468)	(1,018,211)	-	(6,719,348)
Swap contracts buying(*)	24,641,301	9,641,592	14,820,993	41,392,757	25,436,083	115,932,726
Swap contracts selling(*)	(24,466,810)	(8,886,217)	(13,009,461)	(39,411,822)	(25,362,196)	(111,136,506)
Futures buying	-	94,641	4,557	-	-	99,198
Futures selling	-	(93,475)	(4,437)	-	-	(97,912)
Options buying	2,594,100	1,120,796	2,455,702	434,110	-	6,604,708
Options selling	(2,619,785)	(1,123,475)	(2,460,779)	(434,110)	-	(6,638,149)
Other	-	118,804	326,711	772,226	-	1,217,741
Total	**152,689**	**858,784**	**2,215,819**	**2,638,843**	**73,887**	**5,940,022**

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

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

VII. Explanations on Consolidated Leverage Ratio

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

The Group's leverage ratio, calculated in accordance with the "Regulation on Measurement and Evaluation of Bank's Leverage Levels" is 6.60% (December 31, 2019 - 7.32%). 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(*)	239,576,091	183,777,771
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	539,424	409,792
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	1,708,901	1,359,218
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	11,722,092	112,438
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	102,348,594	88,094,563
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	(847,141)	(762,528)
7	**Total Risk Amount**	**355,047,961**	**272,991,254**

(*) 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 month

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)	228,404,635	176,451,247
(Assets deducted from capital stock)	847,141	762,528
Total risk amount related to Assets on Balance sheet	**227,557,494**	**175,688,719**
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	11,710,880	7,736,316
Potential credit risk amount of derivative financial instruments and credit derivatives	1,708,901	1,359,218
Total risk amount related to derivative financial instruments and credit derivatives	**13,419,781**	**9,095,534**
Financial transactions having security or commodity collateral		
Risk amount of financial transactions having security or commodity collateral	14,346	110,193
Risk amount sourcing from transactions mediated	11,707,746	2,245
Total risk amount related to financial transactions having security or commodity collateral	**11,722,092**	**112,438**
Off-Balance sheet Transaction		
Gross nominal amount of off-balance sheet transactions	140,280,531	119,023,330
(Adjustment amount sourcing from multiplying to credit conversion rates)	37,931,937	30,928,767
Total risk amount related to off-balance sheet transactions	**102,348,594**	**88,094,563**
Capital and Total Risk		
Core Capital	23,421,166	19,993,423
Amount of total risk	355,047,961	272,991,254
Financial leverage ratio		
Financial leverage ratio	6.60%	7.32%

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

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

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

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

The fair value of financial assets measured at amortized cost; market prices or, where such price cannot be determined, interest is determined on the basis of quoted market prices for other securities subject to the same qualified amortization in terms of maturity and other similar conditions.

Fair value of held to maturity investments are determined through market rates. If market rates cannot be spotted, market rates of securities with similar interest, maturity and other characteristics are used instead.

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

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

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

Prior Period	Carrying value	Fair value
Financial Assets	**149,518,512**	**149,058,087**
Receivables from Money Market	3,225,937	3,225,937
Banks	1,103,135	1,097,637
Financial Assets Measured at Fair Value through Other Comprehensive Income	12,346,098	12,346,098
Financial Assets Measured at Amortized Cost	16,181,302	16,127,142
Loans and Receivables	116,662,040	116,261,273
Financial Liabilities	**161,448,902**	**161,199,643**
Bank Deposits	5,406,361	5,406,266
Other Deposits	100,093,892	100,044,871
Funds from Other Financial Institutions	24,851,870	24,807,526
Payable to Money Market	9,148,935	9,148,935
Securities Issued	14,351,547	14,195,748
Other Debts	7,596,297	7,596,297

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

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

Classification for fair value is generated as followed below:

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

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

c) Level 3: Assets and liabilities where no observable market data can be used for valuation

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

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

(*) The details of the balance are amounting to TL126,806 under Financial Assets at Fair Value Through Profit or Loss, which is disclosed in Note 6.b.2 of Section Five.
(**) The fair value difference does not include share balance amounting to TL7,674 which is included in financial assets at financial assets at cost and reflected to other comprehensive income.

Prior Period	Level 1	Level 2	Level 3	Total
Financial Assets	**12,252,436**	**8,318,695**	**86,838**	**20,657,969**
Financial Assets at Fair Value through Profit or Loss(*)	293,398	-	86,838	380,236
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	11,957,666	380,758	-	12,338,424
Derivative financial assets	1,372	7,937,937	-	7,939,309
Financial Liabilities	**212**	**5,135,281**	**-**	**5,135,493**
Derivative Financial Liabilities for Hedging Purposes	212	5,135,281	-	5,135,493

(*) The details of the balance are amounting to TL86,838 under Financial Assets at Fair Value Through Profit or Loss, which is disclosed in Note 6.b.2 of Section Five.
(**) The fair value difference does not include share balance amounting to TL7,674 which is included in financial assets at financial assets at cost and reflected to other comprehensive income.

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

	Current Period	Prior Period
Opening Balance	**86,838**	**110,032**
Change in total gain/loss	*29,991*	24,261
Accounted in income statement	*29,991*	*24,261*
Accounted in other comprehensive income	-	-
Purchases	9,977	-
Disposals	-	-
Matured Loans	-	-
Sales from Level 3	-	(47,455)
Closing Balance	**126,806**	**86,838**

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

The Parent Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts.

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

SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and Disclosures Related to Consolidated Assets

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	616,300	1,486,250	681,486	944,326
T.R. Central Bank	1,811,815	23,368,532	446,072	16,659,924
Others	77,629	45,935	-	18,734
Total	**2,505,744**	**24,900,717**	**1,127,558**	**17,622,984**

b) Information related to the account of the CBRT:

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	1,811,815	9,884,092	446,072	8,505,856
Restricted Time Deposits	-	13,484,440	-	8,154,068
Total	**1,811,815**	**23,368,532**	**446,072**	**16,659,924**

As of December 31, 2020, a provision amounting to TL3,399 December 31, 2019 - TL2,309) has been provided to the Central Bank account.

As of December 31, 2020, our bank has been appointed to C.B.R.T. depending on the maturity structure, the required reserve rates for TL liabilities vary between 1% and 6% for TL deposits and other liabilities according to their maturities. The reserve rates for foreign currency liabilities vary between 5% and 21% for deposit and other foreign currency liabilities, Gold deposit liabilities vary between 18% and 22% for gold liabilities according to their maturities.

In accordance with the "Communiqué Regarding the Reserve Requirements", the reserve requirements can be maintained as TL, USD, EUR and standard gold. As of December 31, 2020 the Bank received an interest rate since the Bank reaches to a credit growth rate of 12%.

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

a) Information on financial-assets-at fair value through profit or loss given as collateral /blocked:

	Current Period		Prior Period	
	TL	FC	TL	FC
Given as collateral/blocked	-	16,933	2,297	6,227
Subject to repurchase agreement	-	-	-	-
Total	**-**	**16,933**	**2,297**	**6,227**

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	150,165	-	65,165	-
Swap Transactions	2,598,768	1,660,617	2,662,334	870,620
Futures	-	-	-	-
Options	102	161,465	1,371	152,948
Total	**2,749,035**	**1,822,082**	**2,728,870**	**1,023,568**

3. a) Information on banks accounts:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	38,518	1,477,238	403,520	699,615
Domestic	38,361	127,763	403,517	245,357
Foreign	157	1,349,475	3	454,258
Foreign Head Offices and Branches	-	-	-	-
Total	**38,518**	**1,477,238**	**403,520**	**699,615**

Amount of TL10,189 provision is provided for banks account as of December 31, 2020 (December 31, 2019 - 5,508).

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

b) Information on foreign bank accounts:

	Unrestricted Amount		Restricted Amount(**)	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	604,462	133,694	4,423	24,603
USA and Canada	692,396	193,790	-	79,671
OECD Countries(*)	2,865	3,084	-	-
Off-shore Banking Regions	-	-	-	-
Other	45,486	19,419	-	-
Total	**1,345,209**	**349,987**	**4,423**	**104,274**

(*) Include OECD countries other than the EU countries, USA and Canada.
(**) Includes blocked placements amounting to TL349,987 at foreign banks (December 31, 2019 - TL104,274) for the funds borrowed from foreign banks.

4. Information on receivable-from-reverse-repurchase agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
Domestic Transactions	**250,154**	**-**	**3,128,856**	**-**
T.R. Central Bank	-	-	-	-
Banks	250,124	-	3,040,962	-
Intermediary Institutions	-	-	-	-
Other Financial Institutions	-	-	-	-
Other Institutions	30	-	87,894	-
Real Persons	-	-	-	-
Foreign Transactions	**-**	**92,610**	**-**	**-**
Central Banks	-	-	-	-
Banks	-	92,610	-	-
Intermediary Institutions	-	-	-	-
Other Financial Institutions	-	-	-	-
Other Institutions	-	-	-	-
Real Persons	-	-	-	-
Total	**250,154**	**92,610**	**3,128,856**	**-**

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	
	TL	FC	TL	FC
Given as Collateral / Blocked	920,138	303,114	307,921	533,272
Subject to repurchase agreements	27,227	7,627,357	257,608	5,217,454
Total	**947,365**	**7,930,471**	**565,529**	**5,750,726**

b) Information on financial assets at fair value through other comprehensive income:

	Current Period	Prior Period
Debt Securities	**15,282,501**	**12,315,104**
Traded on Stock Securities(*)	15,282,501	12,315,104
Not traded on Stock Exchange	-	-
Stocks	**16,806**	**192,561**
Traded on Stock Exchange	9,025	987
Not traded on Stock Exchange(*)	7,781	191,574
Provision for Impairment (-)(**)	**(109,193)**	**(161,567)**
Total	**15,190,114**	**12,346,098**

(*) The Eurobond Portfolio amounting to TL3,176,047 (December 31, 2019 - TL2,788,968) 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. The mentioned financial assets are accounted for as financial assets measured at fair value through other comprehensive income in order to be in line with balance sheet presentation.
(**) As of December 31, 2020 amount of TL2,083 (December 31, 2019 - TL1,958) provision provided for financial assets measured at fair value through other comprehensive income account.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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	**2,500**	**45,878**	**3,192**	**37,126**
Corporate Shareholders	2,500	45,878	3,192	37,126
Individual Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees(*)	149,520	-	127,384	-
Total	**152,020**	**45,878**	**130,576**	**37,126**

(*) Includes advances given to the bank personnel.

b) Performing loans and loans under follow up including restructured or rescheduled loans, and provisions allocated for such loans:

b.1) Information on financial assets at amortised cost:

Cash Loans	Standard Loans and Other Receivables	Loans and Other Receivables 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	**124,103,968**	**6,920,933**	**277,925**	**7,671,813**
Enterprise Loans	1,887,945	7,532	-	-
Export Loans	5,442,346	22,118	-	-
Import Loans	4,502	-	-	-
Financial Sector Loans	1,982,550	-	-	-
Consumer Loans	27,318,862	1,134,360	28,516	727,348
Credit Cards	18,798,257	1,475,314	-	260,472
Other	68,669,506	4,281,609	249,409	6,683,993
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	**124,103,968**	**6,920,933**	**277,925**	**7,671,813**

	Standard Loans	Loans Under Close Monitoring
Current Period 12 Month Expected Credit Losses	1,053,915	-
Significant Increase in Credit Risk	-	2,965,900
Prior Period 12 Month Expected Credit Losses	926,955	-
Significant Increase in Credit Risk	-	1,598,718

b.2) Loans at fair value through profit or loss:

As of December 31, 2020, The Bank has classified the loan amounted to TL116,829 (December 31, 2019 -86,838) under loans at fair value through profit or loss in accordance with TFRS 9.

c) Loans with amortized cost and other receivables according to their maturity structure:

Cash Loans	Standard Loans	Loans Under Close Monitoring	
		Loans without Revised Contract Terms	RestructuredLoans
Short-term Loans	48,665,101	1,475,314	260,472
Medium and Long-term Loans	75,438,867	5,445,619	7,689,266
Total	**124,103,968**	**6,920,933**	**7.949.738**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

d) Information on consumer loans, individual credit cards, personnel loans and personnel credit cards:

	Short Term	Medium and Long Term	Total
Consumer Loans - TL	**919,020**	**26,260,197**	**27,179,217**
Housing Loans	2,676	3,865,370	3,868,046
Automobile Loans	435	25,461	25,896
Personal Need Loans	915,909	22,369,366	23,285,275
Other	-	-	-
Consumer Loans - FC Indexed	**-**	**2,233**	**2,233**
Housing Loans	-	1,963	1,963
Automobile Loans	-	-	-
Personal Need Loans	-	270	270
Other	-	-	-
Consumer Loans - FC	**-**	**-**	**-**
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Individual Credit Cards - TL	**15,363,002**	**425,551**	**15,788,553**
Installment	6,004,428	344,709	6,349,137
Non-Installment	9,358,574	80,842	9,439,416
Individual Credit Cards - FC	**13,440**	**36**	**13,476**
Installment	-	-	-
Non-Installment	13,440	36	13,476
Personnel Loans - TL	**8,606**	**81,662**	**90,268**
Housing Loans	-	84	84
Automobile Loans	-	-	-
Personal Need Loans	8,606	81,578	90,184
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 - TL	**52,416**	**453**	**52,869**
Installment	19,471	168	19,639
Non-Installment	32,945	285	33,230
Personnel Credit Cards - FC	**92**	**-**	**92**
Installment	-	-	-
Non-Installment	92	-	92
Overdraft Accounts - TL (Real Persons)	**1,853,965**	**83,403**	**1,937,368**
Overdraft Accounts - FC (Real Persons)	**-**	**-**	**-**
Total	**18,210,541**	**26,853,535**	**45,064,076**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

e) Information on commercial installment loans and corporate credit cards:

	Short Term	Medium and Long Term	Total
Commercial Loans with Installment Facility - TL	**2,021,139**	**17,925,969**	**19,947,108**
Real Estate Loans	1,860	253,012	254,872
Automobile Loans	9,440	333,023	342,463
Personal Need Loans	2,009,839	17,339,934	19,349,773
Other	-	-	-
Commercial Loans with Installment Facility - FC Indexed	**-**	**463,048**	**463,048**
Real Estate Loans	-	4,435	4,435
Automobile Loans	-	6,078	6,078
Personal Need Loans	-	452,535	452,535
Other	-	-	-
Commercial Loans with Installment Facility - FC	**-**	**-**	**-**
Real Estate Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Corporate Credit Cards - TL	**4,591,033**	**86,539**	**4,677,572**
Installment	1,948,612	63,713	2,012,325
Non-Installment	2,642,421	22,826	2,665,247
Corporate Credit Cards - FC	**1,477**	**4**	**1,481**
Installment	-	-	-
Non-Installment	1,477	4	1,481
Overdraft Accounts - TL (Legal Entities)	**974,449**	**4,823**	**979,272**
Overdraft Accounts - FC (Legal Entities)	**-**	**-**	**-**
Total	**7,588,098**	**18,480,383**	**26,068,481**

f) Allocation of loans by customers:

	Current Period	Prior Period
Public	-	-
Private	138,974,639	110,715,820
Total	**138,974,639**	**110,715,820**

g) Allocation of domestic and foreign loans:

	Current Period	Prior Period
Domestic Loans	137,833,837	109,994,925
Foreign Loans	1,140,802	720,895
Total	**138,974,639**	**110,715,820**

h) Loans to associates and subsidiaries:

	Current Period	Prior Period
Loans granted to directly subsidiaries and associates	1,256,220	1,015,749
Loans granted to indirectly subsidiaries and associates	-	-
Total	**1,256,220**	**1,015,749**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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i) Specific provisions for loans

	Current Period	Prior Period
Provisions		
Loans and Receivables with Limited Collectability	529,166	1,101,109
Loans and Receivables with Doubtful Collectability	313,178	938,973
Uncollectible Loans and Receivables	6,290,728	4,140,245
Total	**7,133,072**	**6,180,327**

j) Non-performing loans (NPLs) (Net):

j.1) Non-performing loans restructured or rescheduled and other receivables:

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectability	Loans and Other Receivables with Doubtful Collectability	Uncollectible Loans and Other Receivables
Current Period			
Gross Amounts Before the Provisions	38,242	44,862	316,399
Restructured Loans	38,242	44,862	316,399
Prior Period			
Gross Amounts Before the Provisions	16,482	47,994	148,689
Restructured Loans	16,482	47,994	148,689

j.2) Movement of non-performing loans

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectibility	Loans and Other Receivables with Doubtful Collectibility	Uncollectible Loans and Other Receivables
Prior Period End Balance	**1,944,826**	**1,540,049**	**5,246,621**
Additions (+)	1,542,101	615,853	263,766
Transfers from Other Categories of Non-Performing Loans (+)	33,435	2,383,637	3,695,254
Transfers to Other Categories of Non-Performing Loans (-)	2,393,631	3,717,635	1,060
Collections (-)	155,797	271,402	1,154,138
Non-registered(-)	-	-	4,867
Write-offs (-)	**-**	**-**	**43,646**
Corporate and Commercial Loans	-	-	43,646
Consumer Loans	-	-	-
Credit Cards	-	-	-
Others	-	-	-
Current Period End Balance	**970,934**	**550,502**	**8,001,930**
Specific Provision (-)	529,166	313,178	6,290,728
Net Balances on Balance Sheet	**441,768**	**237,324**	**1,711,202**

j.3) Information on non-performing loans granted as foreign currency loans:

None (December 31, 2019 - None).

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

j.4) Breakdown of non-performing loans according to their gross and net values:

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectibility	Loans and Other Receivables with Doubtful Collectibility	Uncollectible Loans and Other Receivables
Current Period (Net)	**441,768**	**237,324**	**1,711,202**
Loans to Real Persons and Legal Entities (Gross)	970,934	550,502	7,789,721
Provision (-)	529,166	313,178	6,078,519
Loans to Real Persons and Legal Entities (Net)	441,768	237,324	1,711,202
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	212,209
Provision (-)	-	-	212,209
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	**843,717**	**601,076**	**1,106,376**
Loans to Real Persons and Legal Entities (Gross)	1,944,826	1,540,049	5,120,503
Specific provision (-)	1,101,109	938,973	4,014,127
Loans to Real Persons and Legal Entities (Net)	843,717	601,076	1,106,376
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	126,118
Specific provision (-)	-	-	126,118
Other Loans and Receivables (Net)	-	-	-

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectibility	Loans and Other Receivables with Doubtful Collectibility	Uncollectible Loans and Other Receivables
Current Year (Net)			
Interest accruals and valuation differences	441,513	61,920	705,452
Provision Amount (-)	240,067	32,732	497,744
Prior Period (Net)			
Interest Accruals and Rediscounts and Valuation Differences	215,934	152,408	332,642
Provision Amount (-)	137,941	98,762	251,187

k) Explanation on liquidation policy for uncollectible loans and other receivables:

For the unrecoverable non-performing loans under legal follow up, the loan quality, collateral quality, bona fide of the debtor and assessment of the emergency of legal follow up are considered, before applying the best practice for unrecoverable non-performing loans under legal follow up. The Parent Bank prefers to liquidate the risk through negotiations with the debtors as well as The Parent Bank starts the legal procedures for the liquidation of the risk. Ongoing legal follow up procedures do not prevent negotiations with the debtors. An agreement is made with the debtor at all stage of the negotiations for the liquidation of the risk.

l) Explanations on liquidation policy for uncollectible loans and other receivables:

The Parent Bank's general policy for write-offs of loans and receivables under follow-up is to write of such loans and receivables that are proven to be uncollectible in legal follow-up process.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

7. Information on factoring receivables

	Current Period		Prior Period	
	TL	FC	TL	FC
Short Term	1,858,719	338,166	1,297,791	221,571
Medium and Long Term	13,562	-	32,221	-
Total	**1,872,281**	**338,166**	**1,330,012**	**221,571**

Changes in the provision for receivables from non-performing factoring transactions are as follows:

	Current Period	Prior Period
Prior Period End Balance	83,938	67,464
Provided Provision/(Reversal) (Net)	11,779	17,428
Collections	(13,186)	(15,922)
Write-offs	-	-
Provision at the End of Period	**82,531**	**68,970**

8. Information on financial assets measured at amortized cost

a) Information on financial assets measured at amortized cost which are subject to repurchase agreements and given as Collateral/Blocked

	Current Period		Prior Period	
	TL	FC	TL	FC
Given as Collateral / Blocked	1,943,581	-	364,213	116,736
Subject to repurchase agreements	3,545,946	7,500,243	-	6,517,031
Total	**5,489,527**	**7,500,243**	**364,213**	**6,633,767**

b) Information on government securities measured at amortized cost

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bond	9,559,633	8,413,913	8,588,791	6,727,312
Treasury Bill	-	-	-	-
Other Public Sector Debt Securities	-	208,029	-	300,871
Total	**9,559,633**	**8,621,942**	**8,588,791**	**7,028,183**

c) Information on investments securities measured at amortized cost

	Current Period		Prior Period	
	TL	FC	TL	FC
Debt Securities	**9,559,633**	**9,183,723**	**8,588,791**	**7,592,511**
Publicly-traded	9,559,633	9,183,723	8,588,791	7,592,511
Non-publicly traded	-	-	-	-
Provision for losses (-)	**-**	**-**	**-**	**-**
Total	**9,559,633**	**9,183,723**	**8,588,791**	**7,592,511**

d) Movement of investment measured at amortized cost within the period

	Current Period	Prior Period
Balance at the beginning of the period	**16,181,302**	**12,932,193**
Exchange differences on monetary assets	1,745,496	790,412
Acquisitions during the year	2,333,458	3,406,328
Disposals through sales and redemptions	(2,260,925)	(1,496,516)
Impairment provision (-)	-	-
Valuation Effect	744,025	548,885
The sum of end of the period	**18,743,356**	**16,181,302**

As of December 31, 2020, a provision amounting to TL10,156 (December 31, 2019 - TL11,852) is provided for the financial assets measured at amortized cost.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

9. Information on investments in associates (Net)

9.1. Information on unconsolidated associates:

Description	Address (City/ Country)	Bank's Share-If Different, Voting Rights (%)	Bank's Risk Group Share (%)
Bankalararası Kart Merkezi (BKM)(*)	Istanbul/Turkey	4.52	4.52
Ulusal Derecelendirme A.Ş.(**)	Istanbul/Turkey	2.86	2.86

Total Assets	Shareholder's Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
272.800	217.454	79.380	6.665	-	35.413	17.418	-
31.238	25.827	22.785	1.354	-	6.146	-	-

(*) Current year information is based on September 30, 2020 financials. Prior year profit and loss amounts are based on September 30, 2019 financials.
(**) Current year information is based on December 31, 2020 financials. Prior year profit and loss amounts are based on December 31, 2019 financials.

9.2. Movements of investments in associates:

	Current Period	Prior Period
Balance at the Beginning of Period	**5.982**	**5.982**
Movements During the Period	**8.045**	**-**
Acquisitions	-	-
Bonus Shares Received	8.045	-
Dividends From Current Year Profit	-	-
Sales	-	-
Reclassifications	-	-
Increase/Decrease in Market Values	-	-
Currency Differences on Foreign Associates	-	-
Impairment Losses (-)	-	-
Balance at the End of the Period	**14.027**	**5.982**
Capital Commitments	**-**	**-**
Share Percentage at the end of the Period	**-**	**-**

On January 17, 2020, the Bank registered to JCR Avrasya Rating Anonim Şirketi as a Non-Financial Subsidiary, by purchasing 28,599 shares with a nominal value of amounting to TL28,599 based on the share transfer agreement. As of July 20, 2020, the Bank's non-financial subsidiary The Interbank Card Center (BKM) has increased its capital by TL5,258.

9.3. Sectoral information on investment and associates, and the related carrying amounts:

	Current Period	Prior Period
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Associates	14,027	5,982
Total	**14,027**	**5,982**

9.4. Quoted Associates:

None (December 31, 2019 - None).

9.5. Valuation methods of investments in associates:

	Current Period	Prior Period
Valued at Cost	14,027	5,982
Valued at Fair Value	-	-
Valued at Equity Method	-	-
Total	**14,027**	**5,982**

9.6. Investments in associates sold during the current period:

None (December 31, 2019 - None).

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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9.7. Information on subsidiaries (Net):

a) Information on the Parent Bank's unconsolidated subsidiaries:

Subsidiaries below have not been consolidated since they are non-financial investments, they are instead valued by cost method.

	Title	Address (City/Country)	Bank's Share - If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1.	Ibtech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek San. ve Tic. A.Ş.	Istanbul/Turkey	99.91	99.99
2.	EFINANS Elektronik Ticaret ve Bilişim Hizmetleri A.Ş.	Istanbul/Turkey	100.00	100.00

	Total Assets	Shareholder's Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1.	48,995	11,752	31,367	-	-	104	(1,457)	-
2.	28,206	12,771	5,061	(110)		(4,128)	5,403	-

b) Information on the Parent Bank's consolidated subsidiaries:

b.1) Information on the consolidated subsidiaries :

	Subsidiary	Address (City/Country)	Bank's Share - If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1.	QNB Finans Yatırım Menkul Değerler A.Ş.	Istanbul/Turkey	99.80	100.00
2.	QNB Finans Finansal Kiralama A.Ş.(*)	Istanbul/Turkey	99.40	99.40
3.	Hemenal Finansman A.Ş.	Istanbul/Turkey	100.00	100.00
4.	QNB Finans Portföy Yönetimi A.Ş.	Istanbul/Turkey	75.01	100.00
5.	QNB Finans Faktoring A.Ş.	Istanbul/Turkey	99.99	100.00
6.	QNB Finans Varlık Kiralama Şirketi A.Ş.	Istanbul/Turkey	-	100.00

Information on subsidiaries in the order as presented in the table above:

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value(*)
1.	1,101,463	358,748	12,925	102,608	3,477	166,706	75,146	454,858
2.	7,834,001	1,037,693	11,268	603,230	-	140,668	90,966	758,848
3.	26,706	25,651	-	4,091	-	6,189	(11,558)	25,650
4.	42,625	37,818	350	628	-	11,616	3,068	31,437
5.	2,195,256	201,852	11,872	218,027	-	31,445	43,808	287,677
6.	393	383	-	-	-	183	-	-

(*) The fair value measurement method of the Subsidiary QNB Finans Finansal Kiralama A.Ş. has been amended, and measurement has been made on data not based on market data as of the balance sheet date.

b.2) Movement schedule for consolidated subsidiaries:

	Current Period	Prior Period
Balance at the Beginning of the Period	**1,212,068**	**1,103,202**
Movements during the Period	**346,402**	**108,866**
Purchases	-	-
Bonus Shares Received	-	-
Dividends from Current Year Profit	-	-
Disposals	-	-
Changes Due to Reclassification	346,402	108,866
Revaluation Difference	-	-
Balance at the End of the Period	**1,558,470**	**1,212,068**
Capital Commitments	-	-
Share Percentage at the end of the Period (%)	-	-

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

b.3) Sectoral information on consolidated financial subsidiaries and the related carrying amounts:

	Current Period	Prior Period
Factoring Companies	287,677	266,769
Leasing Companies	758,848	624,551
Finance Companies	25,650	58,395
Other Subsidiaries	486,295	262,353
Total	**1,558,470**	**1,212,068**

The balances of the subsidiaries have been eliminated as part of the consolidation principles.

b.4) Subsidiaries quoted to a stock exchange:

	Current Period	Prior Period
Quoted on Domestic Stock Exchanges	758,848	624,551
Quoted on International Stock Exchanges	-	-
Total	**758,848**	**624,551**

b.5) Information on shareholders' equity of the significant subsidiaries:

None.

10. Information on joint ventures

	Title	Address (City/Country)	Bank's Share-If different, Voting Rights (%)	Bank' Risk Group Share (%)
1.	Cigna Sağlık, Hayat ve Emeklilik A.Ş.	Istanbul/Turkey	49.00%	49.00%
2.	Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.	Istanbul/Turkey	33.33%	33.33%

	Total Assets	Shareholders' Equity	Total Fixed Asset	Interest Income	Securities Income	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1.(*)	2,059,719	280,100	32,126	-	-	185,501	154,255	279,608
2.	152,184	107,186	41,975	-	-	27,501	33,356	-

(*) Cigna Sağlık, Hayat ve Emeklilik A.Ş., is accounted with fair value method as Communique on Bank's unconsolidated Financial Statement and Turkish Financial Reporting Standards.

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	2,895,127	2,422,825	2,365,178	1,115,307
Between 1 - 4 years	4,783,923	4,075,716	3,649,423	3,121,245
Over 4 years	715,169	674,257	597,375	551,605
Total	**8,394,219**	**7,172,798**	**6,611,976**	**4,788,157**

Finance lease receivables include non-performing finance lease receivables amounting to TL315,965 (December 31, 2019 - TL341,485) and specific provisions amounting to TL175,025 (December 31, 2019 - TL147,828).

Changes in non-performing finance lease receivables provisions are as follows

	Current Period	Prior Period
End of the prior period	147,827	110,677
Provided provision/(Reversal) (Net)	75,531	82,976
Collections	(4,687)	(944)
Written-off	(43,646)	(44,881)
Provision at the end of the period	**175,025**	**147,828**

11.2. Net financial lease receivables

	Current Period	Prior Period
Gross Finance Lease Investments	8,376,480	5,763,671
Unearned Finance Income (-)	1,203,682	975,514
Cancelled Leasing Agreements (-)	-	-
Net Investment on Leases	**7,172,798**	**4,788,157**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

11.3. Information of finance lease contracts of the Parent Bank

The leasing balances between the Parent Bank and the subsidiaries have been eliminated as part of the consolidation principles.

12. Information on the hedging derivative financial assets

	Current Period(***)		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge(*)	2.967.614	289.740	2.693.288	133.741
Cash Flow Hedge(**)	1.143.010	257.676	1.314.595	45.247
Net Investment Hedge	-	-	-	-
Total	**4.110.624**	**547.416**	**4.007.883**	**178.988**

(*) Derivative Financial Instruments at fair value consists swaps. As of December 31, 2020, TL289,740 (December 31, 2019 - TL74.535) from securities, TL2,967,614 (December 31, 2019 - TL2,693,288) from loans, represents the fair value of derivatives which are designated as hedging instruments to hedge the fair value. In current period, there is a not balance of securities (December 31, 2019 - TL1,927) and funds borrowed (December 31, 2019 - TL2,390) for the fair value of derivatives which are designated as hedging instruments to hedge the fair value.
(**) Represents the fair value of derivative financial instruments for cash flow hedge of deposits and floating interest borrowings.
(***) Derivative financial assets for the purpose of Hedging the Fair Value Risk are shown in line 1.4.1 in the financial table, and derivative financial assets for Cash Flow Hedging are shown in line 1.4.2 in the financial statements.

13. Explanations on tangible assets

	Land and Buildings	Fixed Assets under Finance Lease	Vehicles	Other Fixed Assets	Total
Prior Period End					
Cost	3,025,698	292,425	71,647	1,767,045	5,156,815
Accumulated Depreciation (-)	263,482	253,280	34,433	1,218,385	1,769,580
Net Book Value	**2,762,216**	**39,145**	**37,214**	**548,660**	**3,387,235**
Current Period End					
Cost at the Beginning of the Period	**3,025,698**	**292,425**	**71,647**	**1,767,045**	**5,156,815**
Costs regarding Subsidiaries					
Additions(*)	162,357	14,929	63,220	274,162	514,668
Disposals (-)	88,488	-	33,255	17,445	139,188
Impairment (-) / (increase)	(2,337)	-	-	-	(2,337)
Current Period Cost	**3,097,230**	**307,354**	**101,612**	**2,023,762**	**5,529,958**
Accumulated Depreciation at the Beginning of the Period	**263,482**	**253,280**	**34,433**	**1,218,385**	**1,769,580**
Accumulated Depreciation regarding Subsidiaries					
Disposals (-)	94,799	-	36,324	16,460	147,583
Transfer (-)	-	-	-	-	-
Depreciation amount	219,186	2,415	28,692	168,483	418,776
Accumulated Depreciation at the End of the Period (-)	**387,869**	**255,695**	**26,801**	**1,370,408**	**2,040,773**
Net Book Value at the End of the Period	**2,709,361**	**51,659**	**74,811**	**653,354**	**3,489,185**

(*) As mentioned in Section 3 footnote IV, the fair value currency difference income amounting to TL27,761 (the amortized) that belongs to the real estate, which is subjected to fair value hedge accounting by the Parent Bank, is shown in the "Additions" line of the Financial Fixed Assets movement table.

a) If impairment on individual asset recorded or reversed in the current period is material for the overall financial statements:

Events and conditions for recording or reversing impairment and amount of recorded or reversed impairment in the financial statements:

The fair values of the buildings are determined by the licensed expertise companies and as a result of the changes in the fair value of these buildings, the impairment loss of TL2,337 has been booked. (December 31, 2019 - TL294 impairment loss has been booked).

b) The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially effecting the overall financial statements, and the reason and conditions for this:

None (December 31, 2019 - None).

c) Pledges, mortgages and other restrictions (if any) on the tangible fixed assets, expenses arising from the construction for tangible fixed assets, commitments given for the purchases of tangible fixed assets:

None (December 31, 2019 - None).

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

14. Explanations on Intangible Assets:

	Rights	Goodwill	Total
Prior Period End			
Cost	1,378,977	-	1,378,977
Accumulated Amortization (-)	925,611	-	925,611
Net Book Value	**453,366**	**-**	**453,366**
Current Period End			
Cost at the Beginning of the Period	**1,378,977**	**-**	**1,378,977**
Costs related to acquisition of subsidiary	219,038	-	219,038
Additions	15	-	15
Disposals (-)	-	-	-
Value Decrease (-) / (increase)	-	-	-
Current Period Cost	**1,598,000**	**-**	**1,598,000**
Acc, Amort, At the Beginning of the Period	**925,611**	**-**	**925,611**
Accrued amortization related to acquisition of subsidiary	-	-	-
Disposals (-)	15	-	15
Amortization charge	151,690	-	151,690
Current Period Accumulated Amortization (-)	**1,077,285**	**-**	**1,077,285**
Net Book Value - End of the Period	**520,715**	**-**	**520,715**

a) Disclosures for book value, description and remaining life to be amortized for a specific intangible fixed asset that is material to the financial statements:

None (December 31, 2019 - None).

b) Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition:

None (December 31, 2019 - None).

c) The method of subsequent measurement for intangible fixed assets that are acquired through government incentives and recorded at fair value at the initial recognition:

None (December 31, 2019 - None).

d) The book value of intangible fixed assets that are pledged or restricted for use:

None (December 31, 2019 - None).

e) Amount of purchase commitments for intangible fixed assets:

None (December 31, 2019 - None).

f) Information on revalued intangible assets according to their types:

None (December 31, 2019 - None).

g) Amount of total research and development expenses recorded in income statement within the period if any:

Amount of total research expenses recorded in income statement within the period is TL14,474 (December 31, 2019 - TL11,629).

h) Positive or negative consolidation goodwill on entity basis:

None (December 31, 2019 - None).

i) Goodwill's book value at beginning , during and end of period:

Explanation about balance sheet's debit accounts and footnotes section specified in number 15 footnote.

15. Information on the investment properties

None (December 31, 2019 - None).

16. Information on deferred tax asset

As of December 31, 2020, the Parent Bank has deferred tax asset amounting to TL1,034,082.

According to TAS 12, deferred tax assets and liabilities are netted off in the financial statements. As of December 31, 2020, the carrying amount of the assets and liabilities in the balance sheet and the tax basis determined in accordance with the tax legislation and deferred tax asset amounting to TL1,437,052 calculated over the amounts to be taken into consideration in the calculation of financial profit / loss in the following periods and deferred tax liability amounting to TL402,970 which are calculated over the amounts to be taken into consideration in the calculation of financial profit / loss in the following periods.

In cases whereby deferred tax differences arising from the differences between the carrying amounts and the taxable amounts of the assets subjected to deferred tax that are related with certain items under the shareholders' equity accounts, the deferred tax benefits/charges are netted under these accounts. The deferred tax assets amounting to TL39,419 are netted under equity.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

(December 31, 2019 - TL220,436 deferred tax assets).

	Temporary Differences		Deferred Tax Assets/(Liabilities)	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Provision for Employee Rights	631,149	560,445	126,230	123,298
Difference Between the Book Value of Financial Assets and Tax Base	1,380,136	1,047,818	276,027	230,520
Other	5,156,827	3,294,221	1,034,795	724,727
Deferred Tax Assets			**1,437,052**	**1,078,545**
Difference Between the Book Value Financial	(381,463)	(279,982)	(76,293)	(61,596)
Fixed Assets and Tax Base	(1,265,063)	(1,834,533)	(253,012)	(403,597)
Difference Between the Book Value of Financial Assets and Tax Base	(368,326)	(764,133)	(73,665)	(168,108)
Other(*)			**(402,970)**	**(633,301)**
Deferred Tax Liabilities			**1,034,082**	**445,244**

(*) Includes accumulated temporary differences regarding expected loss provisions and other provisions.

	Current Period 01.01-31.12.2020	Prior Period 01.01-31.12.2019
Deferred Tax as of January 1 Asset/ (Liability) (Net)	445,244	618,081
Deferred Tax (Loss)/Gain	549,419	(393,272)
Deferred Tax that is Realized Under Shareholder's Equity	39,419	220,435
Deferred Tax Asset/ (Liability) (Net)	**1,034,082**	**445,244**

17. Information on assets held for sale and discontinued operations

	Current Period	Prior Period
Opening Balance Net Book Value	-	-
Additions(*)	-	47,455
Impairment (-)	-	47,455
Closing Net Book Value	-	-

(*) In prior period, within the context of the existing loan agreements, all creditors including the Bank have reached an agreement on restructuring the loans granted to Ojer Telekomünikasyon A.Ş. (OTAŞ) who is the main shareholder of Türk Telekomünikasyon A.Ş. (Türk Telekom) and it is contemplated that Türk Telekom's number of 192,500,000,000 A group shares owned by OTAŞ, representing 55% of its issued share capital corresponding to A group shares have been pledged as a guarantee for the existing facilities would be taken over by a special purpose entity which is incorporated or will be incorporated in the Turkish Republic, and owned by directly or indirectly by all creditors. As per the agreed structure, it is agreed on the corresponding agreements, completed all required corporate and administrative permissions and the transaction is concluded by a transfer of the aforementioned shares to the special purpose entity incorporated in the Turkish Republic, and owned by directly or indirectly by all creditors. In this context, the Bank owned 1.19% of the founded special purpose entity and the related investment is considered within the scope of TFRS 5 "Assets Held for Sale and Discontinued Operation.

18. Information on other assets

Other assets item of the balance sheet does not exceed 10% of the total balance sheet excluding 10% of the balance sheet commitments.

As of September 30, 2020, the bank provisions for other assets to TL8,033 (December 31, 2019 - TL9,213).

19. Information on accrued interest and income

The details of accrued interest and income allocated to the related items on the assets side of the balance sheet are as follows:

	Current Period		Prior Period	
	TL	FC	TL	FC
Derivative Financial Assets	6,859,659	2,369,498	6,736,753	1,202,556
Loans	3,550,643	788,150	3,289,333	477,119
Securities Measured at Amortized Cost	464,532	145,944	175,593	112,638
Financial Assets Measured at Fair Value through Other Comprehensive Income	157,628	199,644	258,970	89,025
Central Bank	23,626	-	5,441	-
Leasing Receivables	-	-	-	-
Banks	183	1	1,567	-
Financial Assets Measured at Fair Value through Profit or Loss	37	1,182	1,648	347
Other Accruals	69,085	522	3,547	1,913
Total	**11,125,393**	**3,504,941**	**10,472,852**	**1,883,598**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION FIVE

Ii. Explanations and Disclosures Related to Consolidated Liabilities

1. Information on maturity structure of deposits:

Current Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulated Deposit Accounts	Total
Saving Deposits	5,796,641	-	8,108,215	17,597,011	1,513,801	780,673	1,205,634	921	35,002,896
Foreign Currency Deposits	25,240,385	-	5,436,916	26,109,923	3,260,457	714,797	1,577,949	3,652	62,344,079
Residents in Turkey	24,144,299	-	5,378,006	25,593,977	3,059,338	680,693	1,159,552	3,652	60,019,517
Residents Abroad	1,096,086	-	58,910	515,946	201,119	34,104	418,397	-	2,324,562
Public Sector Deposits	254,718	-	10,239	284	1,212	-	-	-	266,453
Commercial Deposits	3,790,736	-	3,177,846	4,803,343	158,876	99,557	7,175	-	12,037,533
Other Ins, Deposits	70,423	-	39,727	342,170	2,136	101,130	464	-	556,050
Precious Metal Deposits	14,766,037	-	634	65,986	14,492	4,545	632,807	-	15,484,501
Bank Deposits	123,020	-	3,436,159	1,006,657	17,508	-	-	-	4,583,344
T.R. Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	3,432	-	146,810	-	-	-	-	-	150,242
Foreign Banks	115,234	-	3,289,349	1,006,657	17,508	-	-	-	4,428,748
Participation Banks	4,354	-	-	-	-	-	-	-	4,354
Other	-	-	-	-	-	-	-	-	-
Total	50,041,960	-	20,209,736	49,925,374	4,968,482	1,700,702	3,424,029	4,573	130,274,856

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	4,749,725	-	8,315,746	18,244,106	214,359	247,901	1,113,219	910	32,885,966
Foreign Currency Deposits	13,163,632	-	5,441,324	24,205,278	3,533,737	2,032,562	1,474,563	2,998	49,854,094
Residents in Turkey	12,648,241	-	5,373,650	23,887,001	3,492,160	1,913,436	1,106,461	2,998	48,423,947
Residents Abroad	515,391	-	67,674	318,277	41,577	119,126	368,102	-	1,430,147
Public Sector Deposits	403,375	-	2,296	9,734	569	19	-	-	415,993
Commercial Deposits	3,470,806	-	4,537,787	4,486,426	82,770	35,395	66,801	-	12,679,985
Other Ins, Deposits	63,232	-	31,454	418,746	1,441	40,772	1,847	-	557,492
Precious Metal Deposits	3,517,505	-	1,068	7,602	1,192	2,780	170,215	-	3,700,362
Bank Deposits	194,282	-	3,244,395	1,864,410	74,941	28,333	-	-	5,406,361
T.R. Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	5,126	-	-	-	-	-	-	-	5,126
Foreign Banks	183,473	-	3,244,395	1,864,410	74,941	28,333	-	-	5,395,552
Participation Banks	5,683	-	-	-	-	-	-	-	5,683
Other	-	-	-	-	-	-	-	-	-
Total	25,562,557	-	21,574,070	49,236,302	3,909,009	2,387,762	2,826,645	3,908	105,500,253

QNB FİNANSBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

1.1. Information on savings deposits under the guarantee of the saving deposits insurance fund and exceeding the limit of deposit insurance fund:

	Covered by Deposit Insurance Fund		Exceeding the Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	18,829,545	18,451,527	16,297,157	14,447,019
Foreign Currency Savings Deposits	17,246,257	10,426,031	39,206,519	28,403,256
Other Saving Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
Total	**36,075,802**	**28,877,558**	**55,503,676**	**42,850,275**

1.2. Savings deposits in Turkey are not covered under insurance in another country since headquarter of the Group is not located abroad.

1.3. Savings deposits which are not under the guarantee of saving deposit insurance fund:

	Current Period	Prior Period
Deposits and accounts in branches abroad	12,838	25,886
Deposits of ultimate shareholders and their close family members	-	-
Deposits of Chairperson and members of the Board of Directors and their close family members	223,784	149,317
Deposits obtained through illegal acts defined in the 282nd Article of the 5237 numbered Turkish Criminal Code dated September 26, 2024.	-	-
Saving deposits in banks established in Turkey exclusively for off-shore banking activities	-	-
Total	**236,622**	**175,203**

2. Information on trading derivative financial liabilities

a) Negative differences table for derivative financial liabilities held for trading:

	Current Period(*)		Prior Period	
	TL	FC	TL	FC
Forwards	113,425	296	110,238	-
Swaps	4,620,535	1,721,774	2,559,946	860,117
Futures	-	-	-	-
Options	2,924	26,523	211	34,565
Other	-	-	-	-
Total	**4,736,884**	**1,748,593**	**2,670,395**	**894,682**

(*) Derivative financial liabilities held for trading in the current period are shown on the financial statement in 7.1 Derivative Financial Liabilities line.

3. Information on borrowings

a) Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
T.R. Central Bank Loans	-	-	-	-
Domestic Banks and Institutions	2,428,930	1,857,327	1,561,228	1,093,841
Foreign Banks, Institutions and Funds	426,826	21,183,807	481,728	16,282,520
Total	**2,855,756**	**23,041,134**	**2,042,956**	**17,376,361**

b) Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	2,167,283	6,390,760	1,083,483	1,747,269
Medium and Long-Term	688,473	16,650,374	959,473	15,629,092
Total	**2,855,756**	**23,041,134**	**2,042,956**	**17,376,361**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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. Credits obtained predominantly consist of funds provided by financial institutions abroad having different characteristics and maturity-interest structure such as syndication, securitization, post-financing. There exist no risk concentration on the fund sources of the Bank.

c) Additional information on concentrations of the Group's liabilities:

As of December 31, 2020, the Group's liabilities comprise; 55% deposits (December 31, 2019 - 56%), 11% funds borrowed (December 31, 2019 - 10%), 6% issued bonds (December 31, 2019 - 8%) and 6% Money Market placements (December 31, 2019 - 5%).

4. Information on funds provided under repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
From domestic transactions	**3,689,555**	**-**	**255,279**	**-**
Financial institutions and organizations	3,675,307	-	232,383	-
Other institutions and organizations	8,731	-	11,123	-
Real persons	5,517	-	11,773	-
From foreign transactions	**782,537**	**10,112,950**	**2,393**	**8,797,038**
Financial institutions and organizations	775,550	10,112,950	-	8,797,038
Other institutions and organizations	6,987	-	2,393	-
Real persons	-	-	-	-
Total	**4,472,092**	**10,112,950**	**257,672**	**8,797,038**

5. Information on marketable securities issued (Net)

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	2,153,913	829,044	4,459,553	116,648
Asset backed securities	-	-	442,887	-
Bills	618,624	11,122,377	168,227	9,164,232
Total	**2,772,537**	**11,951,421**	**5,070,667**	**9,280,880**

The Parent Bank has government bond issue program (Global Medium Term Note Programme) amounting to USD5 Billion.

6. Information on the subaccounts of other liabilities account that exceeds 20% of the individual other liabilities account exceeding 10% of the total liabilities excluding the off-balance sheet items

Other liabilities does not exceed 10% of total liabilities excluding the off-balance sheet items.

7. Criteria used in the determination of lease installments in the financial lease contracts, renewal and purchase options, restrictions, and significant burdens imposed on the bank on such contracts

Interest rate and cash flows of the Group are the main criteria which are taken into consideration for the determination of payment plans in the leasing contracts.

7.1. Explanations of changes in agreements and further commitments arising:

No changes have been made to the leasing agreements in the current period (December 31, 2019 - None).

7.2. Financial lease payables:

The leasing balances between the Parent Bank and the subsidiaries have been eliminated as part of the consolidation principles.

7.3. Liabilities arising from operational lease:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	83,032	74,656	32,010	25,011
Between 1 - 4 years	388,365	357,258	480,608	412,274
More than 4 years	268	161	-	-
Total	**471,665**	**432,075**	**512,618**	**437,285**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

7.4. Explanations and Notes on operating lease:

Group; It records the lease payments made in accordance with the operating lease agreements in equal amounts during the lease period. The Parent Bank has operating lease agreements for some branches and ATM machines. The lease agreements are amortized during the lease period by measuring the lease obligation at the present value of the lease payments (lease obligation) that has not been paid at that date and by recording 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 Group does not have any sale-and-lease back transactions in the current period (December 31, 2019 - None).

8. Information on the hedging derivative financial liabilities

	Current Period(***)		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge(*)	10,389	753,935	290,333	398,907
Cash Flow Hedge(**)	19,101	887,562	487,387	393,789
Net Investment Hedge	-	-	-	-
Total	**29,490**	**1,641,497**	**777,720**	**792,696**

(*) Derivative financial instruments designated for the fair value hedge purposes comprise of swaps. As of December 31, 2020, TL753,935 from securities (December 31, 2019 - TL355,077), represents the fair value of the derivative financial instruments used in the fair value hedging transaction. Loans have fair value of the derivative financial instruments used in the fair value hedging transaction amounting to 10,389 (December 31, 2019 - TL285,204).
(**) 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 the fair value hedge purposes in the current period are presented in line 7.1 of the financial statements and financial liabilities for the purpose of cash flow hedges are shown in line 7.2.

9. Information on provisions

9.1 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 Information on general provisions:

	Current Period	Prior Period
Provisions for Loans and Receivables in Stage I	119,744	92,437
Provisions for Loans and Receivables in Stage II	13,505	17,471
Provisions for Loans and Receivables in Stage III	48,284	45,614
Total	**181,533**	**155,522**

9.3 Information on reserve for employee rights:

The Group has calculated reserve for employee termination benefits by using actuarial valuations as set out in TAS 19 and reflected these accompanying financial statements.

As of December 31, 2020, TL295,457 (December 31, 2019 - TL240,184) reserve for employee termination benefits was provided in the accompanying financial statements.

As of December 31, 2020, the Group accrued TL51,498 (December 31, 2019 - TL52,660 for the unused vacations under reserve for employee benefits account in the accompanying financial statements.

As of December 31, 2020, TL284,194 (December 31, 2019 - TL267,601) bonus and premium provisions have been provided under reserve for employee benefits account in the accompanying financial statements.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

9.3.1 Movement of employee termination benefits:

	Current Period 01.01-31.12.2020	Prior Period 01.01-31.12.2019
As of January 1	240,182	181,087
Service cost	30,113	22,726
Interest Cost	28,986	28,543
Settlement / curtailment / termination loss	22,485	10,213
Actuarial differences	42,130	29,985
Paid during the period	(68,439)	(32,370)
Total	**295,457**	**240,184**

9.4. Information on other provisions

9.4.1 Information on provisions for possible risks

Apart from the information provided in 9.3, the other provisions are given below as follows:

	Current Period	Prior Period
Provision for Promotion Expenses of Credit Cards	-	-
Other Provisions	321,450	205,940
Total	**321,450**	**205,940**

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 December 31, 2020, after the offsetting, the current tax liability amounting to TL1,223,376 (December 31, 2019 - TL213,410) is disclosed with current tax receivable TL29,628 (December 31, 2019 - TL6,248) and as of December 31, 2020, there is a prepaid tax amounting to TL145,634 (December 31, 2019 - None).

10.1.2. Information on taxes payable

	Current Period	Prior Period
Corporate taxes payable	1,077,742	213,410
Banking and Insurance Transaction Tax (BITT)	100,762	95,128
Taxation on Securities Income	49,371	84,849
Taxation on Real Estates Income	1,726	3,002
VAT Payable	39	21
Other	39,325	35,166
Total	**1,268,965**	**431,576**

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 premium payables:

	Current Period	Prior Period
Social Security Premiums - Employee Share	13,027	12,318
Social Security Premiums - Employer Share	14,488	13,826
Pension Fund Fee and Provisions - Employee Share	22	19
Pension Fund Fee and Provisions - Employer Share	70	58
Unemployment Insurance - Employee Share	916	870
Unemployment Insurance - Employer Share	1,832	1,738
Other	57	46
Total	**30,412**	**28,875**

11. Information on payables related to assets held for sale

None (December 31, 2019 - None).

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

12. Information on subordinated loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Debt Instruments subject to common equity	**-**	**3,855,730**	**-**	**3,120,203**
Subordinated Loans	-	3,855,730	-	3,120,203
Subordinated Debt Instruments	-	-	-	-
Debt Instruments subject to tier 2 common equity	**-**	**2,848,564**	**-**	**2,312,350**
Subordinated Loans	-	2,848,564	-	2,312,350
Subordinated Debt Instruments	-	-	-	-
Total	**-**	**6,704,294**	**-**	**5,432,553**

On April 1, 2019, the subordinated loan of US $ 125 million was renewed as the current valuation 2029 in line with Basel III.

On June 30, 2019, the subordinated loan of US $ 525 million was renewed by doing necessary arrangements in credit prospectus.

13. Information on shareholder's equity

13.1. Presentation of paid-in capital:

	Current Period	Prior Period
Common Stock	3,350,000	3,350,000
Preferred Stock	-	-

13.2. Amount of paid-in capital, explanations as to whether the registered share capital system is applied, if so the amount of registered share capital ceiling:

Capital System	Paid-in Capital	Ceiling
Registered Capital System	3,350,000	12,000,000

13.3. Capital increases and sources in the current period and other information based on increased capital shares:

None (December 31, 2019 - None).

13.4. Information on share capital increases from revaluation fund during the current period:

None (December 31, 2019 - 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, 2019 - None).

13.7. Information on the privileges given to stocks representing the capital

None (December 31, 2019 - None).

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

14. Information on 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 TL714.

15. Information on securities value increase fund

	Current Period		Prior Period	
	TL	FC	TL	FC
Associates, Subsidiaries and Entities under Common Control	**2,581**	**-**	**1,283**	**-**
Valuation Differences	4,123	-	1,283	-
Foreign Exchange Rate Differences	(1,542)	-	-	-
Securities Available-for-Sale	**121,632**	**(597,082)**	**210,214**	**(381,200)**
Valuation Differences	121,632	(597,082)	210,214	(381,200)
Foreign Exchange Rate Differences	-	-	-	-
Total	**124,213**	**(597,082)**	**211,497**	**(381,200)**

16. Information on accrued interest and expenses

The details of accrued interest and expenses allocated to the related items on the liabilities side of the balance sheet are as follows:

	Current Period		Prior Period	
	TL	FC	TL	FC
Derivative Financial Liabilities	4,766,374	3,390,090	3,448,115	1,687,378
Deposits	226,006	47,573	234,755	76,634
Funds Borrowed	59,383	118,334	74	55,717
Money Market Borrowings	4,140	86,673	121,497	118,564
Issued Securities	15,002	402,770	22,382	188,376
Other Accruals	244,372	180,671	175,722	159,239
Total	**5,315,277**	**4,226,111**	**4,002,545**	**2,285,908**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION FIVE

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	35,495,520	28,781,240
Commitment For Use Guaranteed Credit Allocation	18,075,786	14,309,950
Payment Commitments for Cheques	4,836,291	5,330,542
Forward Asset Purchase Commitments	4,124,298	2,045,048
Other Irrevocable Commitments	2,423,033	2,377,515
Commitments for Promotions Related with Credit Cards and Banking Activities	83,078	71,447
Tax and Fund Liabilities due to Export Commitments	27,046	29,197
Total	**65,065,052**	**52,944,939**

1.2. Type and amount of probable losses and obligations arising from off-balance sheet items:

Specific provision is provided for the non-cash loans amounting to TL181,534 (December 31, 2019 - TL155,522) followed in the off-balance sheet accounts that are not indemnified and not liquidated yet.

1.3. Non-cash loans including guarantees, bank acceptance loans, collaterals that are accepted as financial guarantees and other letter of credits:

	Current Period	Prior Period
Bank Loans	6,838,598	5,822,343
Other Letters of Guarantee	3,618,937	2,667,496
Total	**10,457,535**	**8,489,839**

1.4. Guarantees, suretyships and other similar transactions:

	Current Period	Prior Period
Provisional Letters of Guarantee	8,674,056	9,374,933
Final Letters of Guarantee	2,969,287	2,421,977
Advance Letters of Guarantee	989,173	990,557
Letters of Guarantee Given to Customs Offices	559,009	483,839
Other Letters of Guarantee	9,475,881	6,742,099
Total	**22,667,406**	**20,013,405**

2. Total amount of non-cash loans

	Current Period	Prior Period
Non-cash Loans granted for Obtaining Cash Loans	**4,036,779**	**2,009,077**
Less Than or Equal to One Year with Original Maturity	371,430	341,272
More Than One Year with Original Maturity	3,665,349	1,667,805
Other Non-cash Loans	**29,088,162**	**26,494,167**
Total	**33,124,941**	**28,503,244**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

3. Other information on non-cash loans

	Current Period				Prior Period			
	TL	%	FC	%	TL	%	FC	%
Agricultural	**41,065**	**0.35**	**92,736**	**0.43**	**37,497**	**0.37**	**69,559**	**0.38**
Farming and Raising Livestock	31,852	0.27	16,889	0.08	32,555	0.32	9,636	0.05
Forestry	5,311	0.05	-	-	3,919	0.04	-	-
Fishing	3,902	0.03	75,847	0.35	1,023	0.01	59,923	0.33
Manufacturing	**2,224,235**	**19.17**	**10,205,325**	**47.42**	**1,645,765**	**16.04**	**8,248,440**	**45.21**
Mining and Quarrying	76,972	0.66	49,413	0.23	73,698	0.72	39,774	0.22
Production	1,948,468	16.80	9,938,395	46.18	1,429,199	13.93	8,147,353	44.65
Electricity, gas and water	198,795	1.71	217,517	1.01	142,868	1.39	61,313	0.34
Construction	**3,590,417**	**30.94**	**3,005,802**	**13.97**	**3,132,469**	**30.54**	**2,776,877**	**15.22**
Services	**5,532,156**	**47.67**	**7,944,905**	**36.92**	**5,271,352**	**51.39**	**7,068,110**	**38.74**
Wholesale and Retail Trade	3,601,179	31.03	2,388,624	11.10	3,305,446	32.22	2,917,959	15.99
Hotel, Food and Beverage Services	129,205	1.11	969,584	4.50	150,928	1.47	661,151	3.63
Transportation&Communication	508,543	4.38	860,884	4.00	411,693	4.01	901,782	4.94
Financial Institutions	822,433	7.09	3,453,939	16.05	1,014,605	9.89	2,028,298	11.12
Real Estate and Renting Services	12,160	0.10	1,351	0.01	13,138	0.13	665	0.00
Self Employment Services	216,990	1.87	126,209	0.59	213,365	2.08	98,682	0.54
Educational Services	8,959	0.08	18,080	0.08	7,721	0.08	13,334	0.07
Health and Social Services	232,687	2.01	126,234	0.59	154,456	1.51	446,239	2.45
Other	**216,716**	**1.87**	**271,584**	**1.26**	**170,694**	**1.66**	**82,481**	**0.45**
Total	**11,604,589**	**100.00**	**21,520,352**	**100.00**	**10,257,777**	**100.00**	**18,245,467**	**100.00**

4. Information on non-cash loans classified under group I and II

Current Period(*)	I. Group		II. Group	
	TL	FC	TL	FC
Letters of Guarantee	11,117,195	11,274,727	139,498	87,702
Bill of Exchange and Acceptances	198,490	6,631,976	-	8,132
Letters of Credit	101,122	3,516,955	-	860
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Collaterals and Sureties	-	-	-	-
Non-cash Loans	**11,416,807**	**21,423,658**	**139,498**	**96,694**

(*) Does not include non-cash loans amounting to TL48,284, for which specific provision is provided, but which are not indemnified and not liquidated yet.

Prior Period(*)	I. Group		II. Group	
	TL	FC	TL	FC
Letters of Guarantee	9,959,260	9,790,859	162,338	55,334
Bill of Exchange and Acceptances	22,742	5,782,178	-	17,423
Letters of Credit	67,823	2,563,908	-	35,765
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Collaterals and Sureties	-	-	-	-
Non-cash Loans	**10,049,825**	**18,136,945**	**162,338**	**108,522**

(*) Does not include non-cash loans amounting to TL45,614 for which specific provision is provided, but which are not indemnified and not liquidated yet.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

5. Information on derivative financial instruments

	Current Period	Prior Period
Types of trading transactions		
Foreign Currency Related Derivative Transactions (I)	**161,736,590**	**114,822,334**
Forward transactions(*)	15,799,910	13,396,912
Swap transactions	140,803,008	87,985,455
Futures transactions	2,164,747	197,110
Option transactions	2,968,925	13,242,857
Interest Related Derivative Transactions (II)	**79,814,270**	**58,871,980**
Forward rate transactions	-	-
Interest rate swap transactions	79,814,270	58,871,980
Interest option transactions	-	-
Futures interest transactions	-	-
Security option transactions	-	-
Other trading derivative transactions (III)	**954,265**	**1,217,741**
A. Total Trading Derivative Transactions (I+II+III)	**242,505,125**	**174,912,055**
Types of hedging transactions		
Fair value hedges	28,179,228	30,105,102
Cash flow hedges	45,360,970	50,106,695
Net investment hedges	-	-
B. Total Hedging Related Derivatives	**73,540,198**	**80,211,797**
Total Derivative Transactions (A+B)	**316,045,323**	**255,123,852**

(*) This line also includes Forward Asset Purchase Commitments accounted for under Commitments.

Breakdown of the Parent Bank's foreign currency forward and swap and interest rate swap transactions based on currencies are disclosed below in their TL equivalents:

Current Period	Forward Buy(**)	Forward Sell(**)	Swap Buy(*)	Swap Sell(*)	Option Buy	Option Sell	Futures Buy	Futures Sell	Other
TL	2,339,011	1,129,462	10,317,120	45,195,762	491,416	529,849	172	1,109,224	-
USD	2,187,136	4,547,796	102,180,567	62,319,044	668,171	683,083	1,055,204	147	954,265
Euro	2,204,382	928,009	16,137,908	40,909,354	364,602	158,473	-	-	-
Other	1,210,609	1,253,505	16,825,374	272,347	14,766	58,565	-	-	-
Total	**7,941,138**	**7,858,772**	**145,460,969**	**148,696,507**	**1,538,955**	**1,429,970**	**1,055,376**	**1,109,371**	**954,265**

(*) This column also includes hedging purpose derivatives.
(**) This column also includes Forward Asset Purchase Commitments and accounted for under Commitments.

Prior Period	Forward Buy(**)	Forward Sell(**)	Swap Buy(*)	Swap Sell(*)	Option Buy	Option Sell	Futures Buy	Futures Sell	Other
TL	3,137,983	1,025,504	10,336,647	31,944,301	1,385,083	4,320,320	99,198	-	-
USD	1,386,439	4,949,705	85,799,941	51,545,436	4,580,793	1,983,433	-	97,912	1,217,741
Euro	1,716,130	475,852	15,255,300	27,592,548	625,884	287,800	-	-	-
Other	437,012	268,287	4,540,838	54,221	12,948	46,596	-	-	-
Total	**6,677,564**	**6,719,348**	**115,932,726**	**111,136,506**	**6,604,708**	**6,638,149**	**99,198**	**97,912**	**1,217,741**

(*) This column also includes hedging purpose derivatives.
(**) This column also includes Forward Asset Purchase Commitments and accounted for under Commitments.

5.1. Fair value hedge accounting

a) Loans

The Parent Bank enters into swap transactions in order to hedge itself from the changes in the fair value due to the changes in market interest rates of a certain portion of its long-term loans and applies fair value hedge accounting as per TAS 39. As of balance sheet date; the mortgage loans amounting to TL4,324,987 (December 31, 2019 - TL8,122,097) were subject to hedge accounting by swaps with a nominal of TL4,770,807 (December 31, 2019 - TL6,608,353). On December 31, 2020 the net market valuation difference gain amounting to TL9,158 due to the gain from the loans amounting to TL308,501 (December 31, 2019 - TL919,613 gain) and loss from swaps amounting to TL318,039 (December 31, 2019 - TL864,039 loss) is accounted for under "gain / (loss) from financial derivatives transactions" line in the accompanying financial statements.

Subsidiary QNB Finans Finansal Kiralama A.Ş. applies fair value hedge accounting through interest rate swaps in order to protect itself from interest rate changes in relation to its fixed rate foreign currency lease transactions. As of the balance sheet date, swaps amounting to TL118,461 have been subject to hedge accounting as hedging instruments. As a result of the mentioned hedge accounting, in the current period, the net market valuation difference expense amounting to TL525 before tax was recognized in the financial statements as "Profit / Loss from Derivative Financial Transactions".

When the fair value hedge accounting cannot be effectively continued as stated in TAS 39, the fair value hedge accounting is ceased. The fair value differences of the hedged loans are amortized through income statement until the maturity of the hedged loans. The Bank has booked the valuation effect amounting to TL77,019 (December 31, 2019 - TL136,590 loss) related to the loans that are ineffective for hedge accounting under "gain / (loss) from financial derivatives transactions" as loss during the current period.

b) Financial assets at fair value through other comprehensive income

The Parent Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to long term foreign currency Eurobonds with fixed coupon held by the Parent Bank using swaps as hedging instruments. As at the balance sheet date; Eurobonds with a nominal of USD320,759 million and EUR 49,8 million (December 31, 2019 - USD373,663 million and EUR49,8 million) were subject to hedge accounting by interest rate swaps with the same nominal value. On December 31, 2020, the net market valuation difference loss amounting to TL283 due to gain from Eurobonds amounting to TL294,155 (December 31, 2019 - TL215,945 gain) and loss from swaps amounting to TL294,438 (December 31, 2019 - TL215,250 loss) is accounted for under "gain / (loss) from financial derivatives transactions" line in the accompanying financial statements.

The Parent Bank does not apply fair value hedge on TL government bonds in the current period (December 31, 2019 - None).

c) Marketable securities issued

The Parent Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to the foreign currency bonds issued using interest rate swaps as hedging instruments. As of the balance sheet date, bonds with nominal amount of USD730 million (December 31, 2019 - USD780 Million) have been subject to hedge accounting with the same nominal amount of swaps. As of December 31, 2020, TL2,416 net fair valuation difference gain, due to net of TL183,021 (December 31, 2019 - TL69,763 loss) loss from issued bonds and TL180,605 (December 31, 2019 - TL69,801 gain) gain from swaps, has been recorded under "Gain / (loss) from financial derivatives transactions" on accompanying financial statements.

d) Borrowings

The Parent Bank, applies fair value hedge accounting through interest rate swaps in order to protect itself from changes in interest rates with respect to the fixed rate foreign currency loan it uses. In this context; The Bank ended its fair value hedge accounting practice on January 1, 2020, which started on December 27, 2015, regarding the loan amounting to EUR30 million. Accounting application is terminated when fair value hedge accounting is not effectively maintained as defined in TAS 39. According to this; The valuation effects created by the fair value hedge accounting applied on hedged loans are reflected in the income statement throughout the life of the loans. Regarding the said hedge accounting practice whose effectiveness has deteriorated, the Bank has recognized the valuation effect amounting to TL1,628 (December 31, 2019 - None) in the income statement as income in the "Profit / Loss from Derivative Financial Transactions" account. At each balance sheet date, the Bank conducts efficiency tests for hedging accounting, and the active parts are accounted in "hedging funds" under equity in the financial statements as defined in TAS 39, while the amount related to the inactive part is associated with the income statement.

Subsidiary QNB Finans Finansal Kiralama A.Ş. applies fair value hedge accounting through interest and currency swaps in order to protect itself from changes in interest rates in relation to fixed interest rate TL loans. As of the balance sheet date, swaps amounting to TL251,852 were subject to hedge accounting as hedging instruments. As a result of the mentioned hedge accounting, in the current period, the net market valuation difference income amounting to TL1 before tax was recognized in the financial statements as "Profit / Loss from Derivative Financial Transactions".

Subsidiary QNB Finans Finansal Kiralama A.Ş. applies fair value hedge accounting through swaps in order to protect itself from changes in interest rates with respect to TL and foreign currency loans and securities. As of the transaction date, a loan amounting to TL438,497 has been subject to hedge accounting with the same consistent swaps. As of December 31, 2020, net expense of valuation of TL36, including TL306 of income from loans and TL342 of loss from swaps, was accounted in the "Profit / Loss from Derivative Financial Transactions" account in the attached financial statements.

Subsidiary QNB Finans Finansal Kiralama A.Ş. applies fair value hedge accounting through swaps in order to protect itself from changes in interest rates with respect to TL and foreign currency loans and securities. At each balance sheet date, the Bank conducts efficiency tests for hedging accounting, and the active parts are accounted in "hedging funds" under equity in the financial statements as defined in TAS 39, while the amount related to the inactive part is associated with the income statement. As at the balance sheet date, there is not any swap transactions subject to hedge accounting as hedging instruments.

As of December 31, 2020, it is determined that the above mentioned cash flow hedging transactions are effective in the measurement.

5.2 Cash flow hedge accounting

a)Variable Rate Loans

The Parent Bank is subject to cash flow hedge accounting through interest swaps in order to protect a certain part of its long term floating interest rate loans from changes in market interest rates. The Bank conducts effectiveness tests for hedge accounting on every balance sheet date, the active segments are accounted in the "Hedge Funds" account item in the financial statements as defined in TAS 39, and the amount related to the inactive part is associated with the income statement. As of balance sheet date, swaps of nominal amount of USD875 Million (December 31, 2019 - USD875 Million) have been subject to hedge accounting as hedging instruments. As a result of the mentioned hedge accounting, in the current period, fair value income amounting to TL222,484 (December 31, 2019 - TL20,790) before tax was recognized under equity.

b) Deposit

The Parent Bank applies cash flow hedge accounting using interest rate swaps in order to hedge itself from the interest rate changes of deposits that have an average maturity of 3 months, the Bank implements cash flow hedge accounting with interest rate swaps. The Parent Bank implements efficiency tests at the balance sheet dates for hedging purposes; the effective portions are accounted for under equity "Hedging Funds", whereas the ineffective portions are accounted for at income statement as defined in TAS 39. As at the balance sheet date, swaps amounting to TL150,000 are subject to hedge accounting as hedging instruments (December 31, 2019 - TL1,600,000). As a result of the mentioned hedge accounting, fair value loss before taxes amounting to TL61,956 are accounted for under equity during the current period (December 31, 2019 - TL243,972 gain). The ineffective portion is none (December 31, 2019 - TL182 gain)

As of the balance sheet date, swaps with a nominal amount of USD1,708 Million (December 31, 2019 - USD2,529 Million) have been subject to hedge accounting with USD deposits and swaps with a nominal amount of EUR74 Million (December 31, 2019 - EUR104 Million) have been subject to hedge accounting with Euro deposits. As a result of above mentioned hedge accounting, fair value loss before taxes amounting to TL187,599 are accounted under equity during the current period (December 31, 2019 - TL790,817 gain). The loss amounting to TL1,247 (December 31, 2019 - TL1,525 gain) relating to the ineffective portion is accounted under at the income statement.

When the fair value hedge accounting cannot be effectively continued as stated in TAS 39, the fair value hedge accounting is ceased. Effective parts classified under equity due to hedge accounting are amortized through income statement until the maturity of swaps in case of ineffectiveness at periods when the expected cash flows subject to hedge accounting affect profit or loss (as in periods when interest income or expense is recognized). In the current period there is gain of TL56,022 transferred amount from equity to income statement due to ineffectiveness or matured swaps (December 31, 2019 - TL20,045 loss).

c) Floating Rate Liabilities

The Parent Bank applies cash flow hedge accounting through interest rate swaps in order to protect its subordinated loans with variable interest payments from changes in interest rates. The Bank conducts effectiveness tests for hedge accounting on every balance sheet date, the active segments are accounted in the "Hedge Funds" account item in the financial statements as defined in TAS 39, and the amount related to the inactive part is associated with the income statement. As of the balance sheet date, the nominal amount of USD485 Million (December 31, 2019 - USD485 Million) was subject to hedge accounting as hedging instrument. As a result of the mentioned hedge accounting, the fair value expense amounting to TL112,418 (December 31, 2019 - TL94,034) before tax was recognized under equity.

On the other hand; accounting application is terminated when cash flow hedge accounting is not effectively maintained as defined in TAS 39. According to that the effective amounts classified under equity due to hedge accounting are reclassified into profit or loss as the reclassification adjustments during periods or periods when the estimated cash flows subject to hedging in case of deterioration of the event affect profit or loss (such as the periods when interest income or expense is accounted for). Due to hedge accounting practices terminated in the current year, a gain amounting to TL14,038 (December 31, 2019 - TL4,568) was transferred from the "Gain/losses from derivative transactions" to the income statement.

In the measurements made as of December 31, 2020, it has been determined that the above-mentioned cash flow hedging transactions are effective.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

6. Credit derivatives and risk exposures on credit derivatives

As of December 31, 2020, the Bank has no commitments "Credit Linked Notes" (As of December 31, 2019 - None).

As of December 31, 2020, "Other Derivative Financial Instruments" with nominal amount of USD130,000,000 (December 31, 2019 - USD205,000,000) are included in Bank's "Swap Interest Sell Transactions." In aforementioned transaction, The Bank is the seller of the protection for USD130,000,000.

7. Information on contingent liabilities and assets

In accordance with the precautionary principle, a provision amounting to TL157,199 (December 31, 2019 - TL106,152) has been provided for in the lawsuits filed against the Parent Bank. Except those for which provision is made, other ongoing lawsuits do not appear to have a high probability of termination and cash outflow is not anticipated.

8. Information on the services in the name and account of third parties

The Parent Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts.

9. Information on the Parent Bank's rating by international rating institutions

MOODY'S December 2020		FITCH September 2020	
Long-Term Deposit Rating (FC)	B3	Long -Term Foreign Curr.	B+ (Negative)
Long-Term Deposit Rating (TL)	B1	Short-Term Foreign Curr.	B
Short-Term Deposit Rating (FC)	NP	Long-Term TL	BB- (Negative)
Short-Term Deposit Rating (TL)	NP	Short-Term TL	B
Main Credit Evaluation	b3	Long-Term National	AA (tur) (Stable)
Adjusted Main Credit Evaluation	b1	Support	4
Appearance	Negative	Financial Capacity Rating	b+
Long-Term Foreign Currency Denominated Debt (FC)	B2		

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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SECTION FIVE

IV. Explanations and Disclosures Related to Consolidated Income Statement

1. a) Information on interest income on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term Loans	4,629,975	370,731	6,221,810	304,902
Medium and Long-Term Loans	6,687,545	1,952,453	6,882,758	1,726,087
Non-performing Loans	71,879	-	74,324	-
Resource Utilization Support Fund Premiums	-	-	-	-
Total(*)	**11,389,399**	**2,323,184**	**13,178,892**	**2,030,989**

(*) Includes fees and commissions income from cash loans.

b) Information on interest income from banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
T.R. Central Bank(*)	-	-	-	-
Domestic Banks	76,089	689	173,274	5,070
Foreign Banks	1,854	21,145	2,083	78,167
Foreign Headquarters and Branches	-	-	-	-
Total	**77,943**	**21,834**	**175,357**	**83,237**

(*) The interest income on Required Reserve amounting TL47,326 excluded from interest income on Banks. (December 31, 2019 - TL190,664).

c) Information on interest income on marketable securities:

	Current Period	
	TL	FC
Financial Assets Measured at Fair Value through Profit or Loss	27,542	1,374
Financial Assets Measured at Fair Value through Other Comprehensive Income	712,400	406,143
Financial Assets Measured at Amortized Cost	1,217,111	453,382
Total	**1,957,053**	**860,899**

	Prior Period	
	TL	FC
Financial Assets Measured at Fair Value through Profit or Loss	19,218	873
Financial Assets Measured at Fair Value through Other Comprehensive Income	808,182	279,856
Financial Assets Measured at Amortized Cost	981,116	337,801
Total	**1,808,516**	**618,530**

As stated in Section Three disclosure VII, the Bank has inflation indexed (CPI) government bonds in its financial assets measured at fair value through other comprehensive income and financial assets measured at amortized cost portfolios. As disclosed in 'Inflation Indexed Bonds Manual' published by Turkish Treasury, reference index used for the actual payments is determined based on the inflation rates of two months before. The estimated inflation rate used is updated during the year when necessary. The estimated inflation rate used in the valuation of these securities has been updated and updated according to the inflation rate of 11.89% as of December 31, 2020.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

d) Information on interest income received from associates and subsidiaries:

	Current Period	Prior Period
Interest income received from associates and subsidiaries	-	-

2. a) Information on interest expense on borrowings(*):

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	241,663	1,174,535	240,123	1,254,056
T.R. Central Bank	-	-	-	-
Domestic Banks	176,531	58,089	157,495	49,476
Foreign Banks	65,132	1,116,446	82,628	1,204,580
Foreign Headquarters and Branches	-	-	-	-
Other Institutions	-	-	-	-
Total	241,663	1,174,535	240,123	1,254,056

(*) Includes fees and commissions expenses related to the cash loans

b) Information on interest expense paid to associates and subsidiaries:

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	1,203	3,376

c) Information on interest expense paid to securities issued:

As of December 31, 2020 the amount paid to securities issued is TL1,091,416 (December 31, 2019 - TL1,491,444).

d) Information on maturity structure of interest expenses on deposits:

Current Period	Time Deposits							
Account Name	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year	Accumulated Deposit Account	Total
Turkish Lira								
Bank Deposits	-	12,360	19,468	-	-	-	-	31,828
Saving Deposits	455	724,681	1,729,366	59,948	29,993	119,404	-	2,663,847
Public Sector Deposits	-	348	471	83	-	-	-	902
Commercial Deposits	241	381,894	496,222	24,591	5,061	4,668	-	912,677
Other Deposits	-	3,752	41,816	1,631	6,657	175	-	54,031
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	696	1,123,035	2,287,343	86,253	41,711	124,247	-	3,663,285
Foreign Currency								
Deposits	185	27,125	308,722	55,740	19,774	34,916	-	446,462
Bank Deposits	33	76,490	17,618	407	-	-	-	94,548
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	3,610	-	-	-	-	-	3,610
Total	218	107,225	326,340	56,147	19,774	34,916	-	544,620
Grand Total	914	1,230,260	2,613,683	142,400	61,485	159,163	-	4,207,905

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Prior Period		Time Deposits						
Account Name	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year	Accumulated Deposit Account	Total
Turkish Lira								
Bank Deposits	-	26,051	126	-	-	-	-	26,177
Saving Deposits	42	950,396	3,075,716	214,628	188,647	467,416	-	4,896,845
Public Sector Deposits	-	107	744	124	9	11	-	995
Commercial Deposits	617	796,185	889,521	84,479	30,566	45,345	-	1,846,713
Other Deposits	-	14,002	119,716	3,911	2,848	1,840	-	142,317
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	**659**	**1,786,741**	**4,085,823**	**303,142**	**222,070**	**514,612**	**-**	**6,913,047**
Foreign Currency								
Deposits	3	65,112	573,710	68,374	49,401	34,811	-	791,411
Bank Deposits	576	67,990	40,397	1,615	612	-	-	111,190
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	1,160	-	-	-	-	-	1,160
Total	**579**	**134,262**	**614,107**	**69,989**	**50,013**	**34,811**	**-**	**903,761**
Grand Total	**1,238**	**1,921,003**	**4,699,930**	**373,131**	**272,083**	**549,423**	**-**	**7,816,808**

e) Information on interest expenses on repurchase agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Expenses on Repurchase Agreements(*)	295,142	195,322	186,092	199,000

(*) Disclosed in "Interest on Money Market Transactions".

f) Information on financial lease expenses

	Current Period	Prior Period
Lease expenses	53,928	64,596

g) Information on interest expenses on factoring payables

None (December 31, 2019 - 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	-	172
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-
Other	5,257	2,762
Total	**5,257**	**2,934**

4. Information on trading income/loss

	Current Period	Prior Period
Trading Gain	**15,144,221**	**13,499,674**
Trading account gain	414,612	136,345
Gain from derivative transactions	6,102,131	9,467,493
Foreign exchange gain/losses	8,627,478	3,895,836
Trading Loss (-)	**17,702,961**	**14,840,360**
Losses on Capital Market Operations	81,518	71,242
Derivative Financial Instruments	9,312,717	10,725,825
Foreign Exchange Losses	8,308,726	4,043,293
Net Trading Income/Loss	**(2,558,740)**	**(1,340,686)**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

5. Information on other operating income

The Group recorded the current year collections from loans written off in the previous periods, portfolio management fees and expense accruals cancelations in "Other Operating Income" account.

6. Information on expected credit losses and other provision expenses:

	Current Period	Prior Period
Expected Credit Losses Provisions	**2,529,857**	**1,936,292**
12 Month Expected Credit Loss (Stage I)	129,180	(190,454)
Significant Increase in Credit Risk (Stage 2)	1,306,583	(75,064)
Lifetime ECL Impaired Credits (Stage 3)	1,094,094	2,201,810
Marketable Securities Impairment Provision	**124**	**(17,533)**
Financial Assets Measured at Fair Value Through Profit or Loss	-	-
Financial Assets Measured at Other Comprehensive Income	124	(17,533)
Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease	**-**	**47,455**
Investment in Associates	-	47,455
Subsidiaries	-	-
Joint Ventures	-	-
Other	**142,299**	**27,464**
Total	**2,672,280**	**1,993,678**

7. Information on other operating expenses

	Current Period	Prior Period
Reserve for employee termination benefits(*)	13,145	29,112
Impairment expenses on tangible fixed asset	418,776	385,068
Goodwill impairment expenses	151,690	134,879
Other Operating Expenses	1,255,313	1,231,423
Operational Leasing expenses	*3,072*	*5,872*
Maintenance expenses	*266,067*	*248,895*
Advertisement	*101,489*	*114,314*
Other expenses	*884,685*	*862,342*
Loss on sales of assets	959	491
Other(**)	594,571	500,029
Total	**2,434,454**	**2,281,002**

(*) "Personnel Expenses", which is not included in "Other Operating Expenses" in the income statement as a separate item, is also included this table.
(**) Comprising repayments amounting to TL3,153 (December 31, 2019 - TL5,806) in respect of Consumer Arbitration Committee and courts' decision, which was fees and commissions recognized in previous year as income.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

8. Information on profit/loss before taxes from continued and discontinued operations

Net interest income is TL10,275,450 (December 31, 2019 - TL7,840,099), net fee and commission income is TL2,601,042 (December 31, 2019 - TL2,823,540) among the income items related to the activities ending on December 31, 2019. and other operating revenues have an important place with TL82,214 (December 31, 2019 - TL146,658).

9. Information on provision for taxes from continued and discontinued operations

9.1. Current period taxation benefit or charge and deferred tax benefit or charge

As of December 31, 2020, the Group recorded current tax charge of TL1,175,488 (December 31, 2019 - TL231,430 current tax charge) and a deferred tax charge of TL549,419 (December 31, 2019 - TL393,272 deferred tax loss).

	Current Period	Prior Period
Current Tax Provision	(1,175,488)	(231,430)
Correction in regards to Corporate Tax from Prior Period	-	-
Deferred Tax Income/Expense	549,419	(393,272)
Total	**(626,069)**	**(624,702)**

9.2. Explanations on operating profit/loss after taxes

None (December 31, 2019 - None).

10. Explanations on current period net profit and loss of continued and discontinued operations

Net profit of the Group from continued operations is TL2,754,627 (December 31, 2019 - TL2,864,640).

11. Explanations on net income/loss for the period

11.1. Any further explanation on operating results needed for better understanding of 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

None (December 31, 2019 - None).

11.2. Any changes in the Group's estimations that might have a material effect on current period results:

None.

11.3. Profit or loss attributable to minority shares:

	Current Period	Prior Period
Profit / Loss Attributable to Minority Shares	844	546

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 subaccounts of other items in the income statement account that exceeds 20% of the individual other item exceeding 10% of the income

Fees and commissions from credit cards, transfers and insurance intermediaries are recorded in the "Others" line under "Fees and Commissions Received" account, while fees and commissions given to credit cards are recorded in the "Others" line under "Fees and Commissions Paid" account by the Parent Bank.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION FIVE

V. Explanations and Disclosures Related to Statement of changes in Consolidated Shareholders' Equity

1. Changes resulting from valuation of fair value through profit or loss

Net increase of TL307,727 (December 31, 2019 - TL283,630 net increase) after tax effect resulting from fair value through profit or loss in "Securities Value Increase Fund" account under shareholders equity.

2. Explanations on foreign exchange differences

None

3. Explanations on dividends

3.1 Dividends declared subsequent to the balance sheet date, but before the announcement of the financial statements

There is no dividend notified before the promulgation of financial statements. It was decided to distribute the year 2019 profit as stated below at the Ordinary General Assembly held on March 26, 2020

2019 profit distribution table:

Current Year Profit	2,622,157
A - I. Legal Reserve (Turkish Commercial Code 466/1) at 5%	-
B - The First Dividend for Shareholders(*)	-
C - Profit from Disposal of Associates	-
D - II. Legal Reserves	-
E - Gains on Real estate Sales Fund	-
F - Extraordinary Reserves	(2,622,157)

3.2 Dividends per share proposed subsequent to the balance sheet date

No decision is taken concerning the profit distribution by the General Assembly as of the balance sheet date (December 31, 2019 - None).

3.3 Transfers to legal reserves

	Current Period	Prior Period
Amount Transferred to Reserved from Retained Earnings	-	86,943

4. Information on issuance of share certificates

4.1 The rights, priorities and restrictions regarding the share capital including distribution of income and repayment of the capital

None (December 31, 2019 - None).

5. Information on the other capital increase items in the statement of changes in shareholders' equity

There was no capital increase in 2020 (December 31, 2019 - None).

SECTION FIVE

VI. Explanations and Disclosures Related to Consolidated Cash Flows Statement

1. The effects of the other items stated in the cash flow statement and the changes in foreign currency exchange rates on cash and cash equivalents

“Other items” amounting to TL405,434 (December 31, 2019 - TL1,800,114) in “Operating profit before changes in operating assets and liabilities” consist of decrease in commissions paid amounting to TL571,921 (December 31, 2019 - TL685,172), net trading income/loss decrease in amounting to TL2,855,617 (December 31, 2019 - TL5,789,170 net trading income/loss) and other operating expenses amounting to TL2,689,130 (December 31, 2019 - TL3,303,884).

“Other” item in the “Change in other assets of the field of banking” amounting to TL3,508,168 (December 31, 2019 - TL1,718,085), guarantees given to TL2,057,862 (December 31, 2019 - TL976,455), rental receivables from transactions amounting to TL2,384,641 (December 31, 2019 - TL258,575), factoring receivables amounting to TL658,864 (December 31, 2019 - TL578,579) and other assets of TL1,593,199 (December 31, 2019 - TL421,626).

The “Other” item amounting to TL7,391,875 (December 31, 2019 - TL449,136) included in the “change in other debts subject to banking activity”, TL5,810,713 (December 31, 2019 - TL3,186,627) to money markets and 1,581,162 (December 31, 2019 - TL3,367,491) includes other liabilities.

“Other” item amounting to TL219,056 (December 31, 2019 - TL177,046) included in “Net cash flow from investment activities” includes 151,690 TL intangible assets (December 31, 2019 - 134,879 TL).

The effect of change in foreign exchange rate on cash and cash equivalents is the sum of the foreign exchange differences arising from the conversion of the average balances of cash and cash equivalents in foreign currency to TL at the beginning of the period and at the end of the period. As of December 31, 2020, TL615,145 (December 31, 2019 - TL356,419).

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

2. Information regarding the balances of cash and cash equivalents at the beginning of the period

	December 31, 2019
Cash	**1,644,546**
Cash in TL	681,486
Cash in Foreign Currencies	944,326
Other	18,734
Cash Equivalents	**13,170,364**
Balances with the T.R. Central Bank	8,951,928
Banks and Other Financial Institutions	999,507
Money Market Placements	3,225,937
Less: Accruals	(7,008)
Cash and Cash Equivalents	**14,814,910**

3. Information regarding the balances of cash and cash equivalents at the end of the period

	December 31, 2020
Cash	**2,226,114**
Cash in TL	616,300
Cash in Foreign Currencies	1,486,250
Other	123,564
Cash Equivalents	**13,656,987**
Balances with the T.R. Central Bank	11,695,907
Banks and Other Financial Institutions	1,232,498
Money Market Placements	752,393
Less: Accruals	(23,811)
Cash and Cash Equivalents	**15,883,101**

4. Restricted cash and cash equivalents due to legal requirements or other reasons

A portion of foreign bank accounts amounting to TL283,258 (December 31, 2019 - TL103,628) includes blocked cash for foreign money and capital market transactions and for borrowings from foreign markets.

5. Additional information

5.1. Restrictions on the potential borrowings that can be used for banking operations or capital commitment

None (December 31, 2019 - None).

5.2. The sum of cash flows that show the increases in banking activity capacity, apart from the cash flows needed to maintain current banking activity capacity

None (December 31, 2019 - None).

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION FIVE

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 December 31, 2020, the Parent Bank's risk group has deposits amounting to TL312,688 (December 31, 2019 - TL226,069), cash loans amounting to TL3,131 (December 31, 2019 - TL3,213) and non-cash loans amounting to TL51,145 (December 31, 2019 - TL42,650).

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	-	-	3,192	37,126	21	5,524
Balance at the End of the Period	-	55	2,500	45,878	631	5,212
Interest and Commission Income	-	-	-	9	32	1

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	-	10	1,755	16,572	96	8,887
Balance at the End of the Period	-	-	3,192	37,126	21	5,524
Interest and Commission Income(**)	-	-	-	5	8	64

(*) As described in the Article 49 of Banking Law No 5411.
(**) Represents the balances of December 31, 2019.

1.2. Information on deposits of the Parent Bank's risk group

Parent Bank's Risk Group(*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the Beginning of the Period	17,880	27,885	-	-	208,189	159,107
Balance at the End of the Period	19,218	17,880	-	-	293,470	208,189
Interest on deposits(**)	1,203	3,376	-	-	9,073	21,281

(*) As described in the Article 49 of Banking Law No 5411.
(**) Previous period's balances represent December 31, 2019 balances.

1.3. Information on forward and option agreements and other derivative instruments 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(**)	-	-	-	(191)	-	147
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.
(**) Previous period's balances represent December 31, 2019 balances.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

1.4. Information regarding benefits provided to the Group's top management:

As of December 31, 2020, the total amount of remuneration and bonuses paid to top management of the Group is TL165,446 (December 31, 2019 - TL133,128).

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 December 31, 2020, the rate of cash loans of the risk group divided by to total loans is 0%; (December 31, 2019 - 0%); the deposits represented 2% (December 31, 2019 - 2%) The ratio of total derivative transactions with derivatives is 0%. (December 31, 2019 - 0%)

2.3. Explanations on purchase and sale of real estate and other assets, sales and purchases of services, agent contracts, financial lease agreements, transfer of data obtained from research and development, licensing agreements, financing (including loans and cash and in-kind capital support), guarantees and promissory notes, and management contracts:

The Parent Bank enters into finance lease agreements with QNB Finans Finansal Kiralama A.Ş.

The Parent Bank has signed an agreement with Ibtech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek Sanayi ve Ticaret A.Ş. regarding research, development, advisory and improvement services.

Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş., in which the Parent Bank participated with 33.33% shareholding, provides cash transfer services to the Parent Bank.

Information in regards to subordinate loans the 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 on the Parent Bank's Domestic, Foreign and off-shore Banking Branches and Foreign Representatives of the Group

1. Information relating to the Parent Bank's domestic and foreign branch and representatives

	Number	Employees	Country	Total Assets	Capital
Domestic Branch	474	11,103			
Foreign Branch	1	8	1- Bahrain	20,619,107	-
Off-shore Banking and Region Branches	-	-	-	-	-

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION SIX

OTHER EXPLANATIONS

I. Other Explanations Related to The Parent Bank's Operations

1. Disclosure related to subsequent events and transactions that have not been finalized yet, and their impact on the financial statements

Issue Date	Currency	Nominal Amount	Rate (%)	Maturity
08/01/2021	TL	75,030	Floating	112
15/01/2021	TL	131,600	Floating	126

2. Information on the effects of significant changes in foreign exchange rates after balance sheet date on the items denominated in foreign currency and financial statements and the Group's operations abroad that would affect decision making process of users and foreign operations of the Bank

There are no significant fluctuations in the currency exchange rates after the balance sheet date that would affect the analysis and decision making process of the readers of the financial statements.

3. Other matters

None.

SECTION SEVEN

EXPLANATION ON AUDITOR'S REPORT

I. Explanations on Independent Audit Report

The consolidated financial statements for the year ended December 31, 2020 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst&Young Global Limited). The auditor's audit report dated January 28, 2021 is presented preceding the consolidated financial statements.

II. Explanations and Notes Prepared by Independent Auditors

None (December 31, 2019 - None).

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