

QNB FİNANSBANK ANONİM ŞİRKETİ

**CONSOLIDATED FINANCIAL STATEMENTS AND RELATED
DISCLOSURES AT JUNE 30, 2021 TOGETHER WITH AUDITOR'S
INTERIM REVIEW REPORT**

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



AUDITOR'S REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

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

To the General Assembly of QNB Finansbank Anonim Şirketi;

Introduction

We have reviewed the consolidated balance sheet of QNB Finansbank Anonim Şirketi ("the Bank") and its consolidated subsidiaries (collectively referred to as "the Group") at 30 June 2021 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the consolidated financial statements for the six-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial information in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by the aforementioned regulations. Our responsibility is to express a conclusion on these interim financial information based on our review.

Scope of Review

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



Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying consolidated financial information does not present fairly in all material respects the consolidated financial position of QNB Finansbank Anonim Şirketi and its consolidated subsidiaries at 30 June 2021 and its consolidated financial performance and its consolidated cash flows for the six-month-period then ended in accordance with the BRSA Accounting and Financial Reporting Legislation.

Other Matter

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

Report on other regulatory requirements arising from legislation

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

Additional Paragraph for Convenience Translation:

The effects of differences between accounting principles and standards explained in detail in Section Three and accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying 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.

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

Talar Gül, SMMM
Partner

Istanbul, 29 July 2021

**THE CONSOLIDATED FINANCIAL REPORT OF QNB FINANSBANK A.Ş.
FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

The Parent Bank's;

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Phone number : (0212) 318 50 00
Facsimile number : (0212) 318 56 48
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E-mail address : investor.relations@qnbfinansbank.com

The consolidated financial report for the six month period ended June 30, 2021, designed by the Banking Regulation and Supervision Agency in line with the Communiqué on Financial Statements to be Publicly Announced and the Related Policies and Disclosures consists of the sections listed below:

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON THE ACCOUNTING POLICIES OF THE PARENT BANK
- INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE GROUP
- FOOTNOTES AND EXPLANATIONS ON CONSOLIDATED INTERIM FINANCIAL STATEMENTS
- INTERIM REVIEW REPORT
- INTERIM CONSOLIDATED ACTIVITY REPORT

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

Subsidiaries

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

Entities Under Common Control (Joint Ventures)

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

Structured Entities

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

The accompanying consolidated interim financial statements and related disclosures and footnotes for the six month period then ended June 30, 2021, are prepared and reviewed in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidance and in compliance with the financial records of our Bank. Unless otherwise stated, the accompanying consolidated interim financial statements are presented in **thousands of Turkish Lira (TL)**.

Mehmet Ömer Arif Aras
Chairman of
the Board of Directors

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

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

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

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

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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QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION ONE

GENERAL INFORMATION ABOUT THE PARENT BANK

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

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

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

A share sales agreement has been concluded between National Bank of Greece S.A. (NBG), principal shareholder of the Parent Bank in previous periods, and Qatar National Bank Q.P.S.C. ("QNB") regarding the direct or indirect sales of NBG's shares, owned by affiliates and current associations of the Parent Bank, at the rate of 99.81% to QNB at a price of EUR 2,750 million as of December 21, 2015. On April 7, 2016, BRSA permitted to transfer shares at ratios of 82.23%,7.90%,9.68% owned by National Bank of Greece S.A., NBGI Holdings B.V. and NBG Finance (Dollar) PLC respectively in the capital of the Bank to Qatar National Bank S.A.Q. in the framework of paragraph 1 of article 18 of Banking Law and dropping direct share of National Bank of Greece S.A. to 0% through the aforementioned share transfer. Necessary permissions related to share transfer have been completed on May 4, 2016 before the Competition Authority while permission transactions regarding direct/indirect share ownership which shall realize in related affiliates of the Bank (QNB Finans Yatırım Menkul Değerler A.Ş., QNB Finans Portföy Yönetimi A.Ş., QNB Finans Finansal Kiralama A.Ş. and Cigna Sağlık, Hayat ve Emeklilik A.Ş.) before the related official bodies on May 12, 2016 and share transfer of the Bank has been completed on June 15, 2016.

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

99.88% of shares of Parent Bank are controlled by Qatar National Bank as of June 30, 2021 and remaining 0.12% of related shares are public shares.

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021
 (Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

GENERAL INFORMATION ABOUT THE PARENT BANK (Continued)

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

Name	Title	Date of Appointment	Education
Dr. Ömer A. Aras	Chairman	April 16, 2010	PhD
Sinan Şahinbaş	Deputy Chairman	April 16, 2010	Masters
Ali Teoman Kerem	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 Güzelöglü	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 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 Kurtoglu	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
Çenk 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 Erzençin	Head of the Department of Internal Control and Compliance	September 12, 2012	Graduate
Ersin Emir	Head of Internal Audit	February 18, 2011	Masters
Zeynep Aydın Demirkıran	Head of the Department of Risk Management	September 16, 2011	Masters

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

IV. Information About the Persons and Institutions That Have Qualified Shares on the Parent Bank

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

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

The Parent Bank's activities include trade finance and corporate banking, private and retail banking, SME banking, currency, money markets, securities operations and credit card operations. In addition, the Parent Bank carries out insurance agency activities on behalf of insurance companies through its branches. As of June 30, 2021, the Parent Bank operates through 464 domestic (December 31, 2020 - 473), 1 foreign (December 31, 2020 - 1) and 1 Atatürk Airport Free Trade Zone (December 31, 2020 - 1) branches. As of June 30, 2021, the Group has 12,202 employees (December 31, 2020 - 11,555 employees).

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

GENERAL INFORMATION ABOUT THE PARENT BANK (Continued)

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-fınans 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 and Ulusal Derecelendirme A.Ş. included in subsidiaries are 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, QNBeyond Ventures B.V. and Finance Capital Finance Limited which are not subsidiaries of the Parent Bank, but "Structured Entity", have been included in the scope of consolidation according to TFRS 10 guidance.

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 Statement of Off-Balance Sheet Commitments and Contingencies
- III. Consolidated Statement of Profit or Loss
- IV. Consolidated Statement of Profit or Loss and Other Comprehensive Income
- V. Consolidated Statement of Changes in Shareholders' Equity
- VI. Consolidated Cash Flows Statement

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

QNB FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF BALANCE SHEET
FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021
 (Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

I. CONSOLIDATED BALANCE SHEET – ASSETS

	Secti on 5 Part I	Current Period 30.06.2021			Prior Period 31.12.2020		
		TL	FC	TOTAL	TL	FC	TOTAL
I. FINANCIAL ASSETS (Net)		23,805,109	47,157,427	70,962,536	16,143,002	38,560,665	54,703,667
1.1 Cash and Cash Equivalents		5,691,532	35,477,013	41,168,545	3,190,476	26,470,545	29,661,021
1.1.1 Cash and Balances with The Central Bank	(1)	4,482,168	28,164,896	32,647,064	2,505,744	24,900,717	27,406,461
1.1.2 Banks	(3)	41,784	7,202,250	7,244,034	38,518	1,477,238	1,515,756
1.1.3 Receivables From Money Market	(4)	1,172,180	109,898	1,282,078	659,782	92,610	752,392
1.1.4 Expected Credit Losses (-)		4,600	31	4,631	13,568	20	13,588
1.2 Financial Assets Measured at Fair Value through Profit/Loss	(2)	230,540	355,221	585,761	290,302	333,073	623,375
1.2.1 Public Sector Debt Securities		114,016	52,081	166,097	204,200	87,413	291,613
1.2.2 Equity Securities		93,702	-	93,702	86,102	-	86,102
1.2.3 Other Financial Assets		22,822	303,140	325,962	-	245,660	245,660
1.3 Financial Assets Measured at Fair Value through Other Comprehensive Income	(5)	8,391,441	9,234,534	17,625,975	5,802,565	9,387,549	15,190,114
1.3.1 Public Sector Debt Securities		8,382,248	9,220,813	17,603,061	5,793,173	9,380,242	15,173,415
1.3.2 Equity Securities		9,193	13,721	22,914	9,392	7,307	16,699
1.3.3 Other Financial Assets		-	-	-	-	-	-
1.4 Derivative Financial Assets	(12)	9,491,596	2,090,659	11,582,255	6,859,659	2,369,498	9,229,157
1.4.1 Derivative Financial Assets at Fair Value Through Profit/Loss		7,728,996	1,881,312	9,610,308	5,716,649	2,111,822	7,828,471
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		1,762,600	209,347	1,971,947	1,143,010	257,676	1,400,686
II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (Net)		114,754,381	71,781,886	186,536,267	105,753,485	59,312,306	165,065,791
2.1 Loans	(6)	110,969,716	55,829,244	166,798,960	102,987,227	45,115,006	148,102,233
2.2 Lease Receivables	(11)	2,492,857	5,483,682	7,976,539	2,251,723	4,921,075	7,172,798
2.3 Factoring Receivables	(7)	2,465,313	464,497	2,929,810	1,872,281	338,166	2,210,447
2.4 Other Financial Assets Measured at Amortized Cost	(8)	10,404,400	10,288,460	20,692,860	9,559,633	9,183,723	18,743,356
2.4.1 Public Sector Debt Securities		10,404,400	9,717,637	20,122,037	9,559,633	8,621,942	18,181,575
2.4.2 Other Financial Assets		-	570,823	570,823	-	561,781	561,781
2.5 Expected Credit Losses (-)		11,577,905	283,997	11,861,902	10,917,379	245,664	11,163,043
III. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	(15)	-	-	-	-	-	-
3.1 Held for sale		-	-	-	-	-	-
3.2 Discontinued Operations		-	-	-	-	-	-
IV. INVESTMENTS (Net)		292,090	-	292,090	237,920	-	237,920
4.1 Investment in Associates (Net)	(9)	14,027	-	14,027	14,027	-	14,027
4.1.1 Equity Method Associates		-	-	-	-	-	-
4.1.2 Unconsolidated		14,027	-	14,027	14,027	-	14,027
4.2 Investment in Subsidiaries (Net)		38,038	-	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)	240,025	-	240,025	185,855	-	185,855
4.3.1 Equity method associates		237,225	-	237,225	183,055	-	183,055
4.3.2 Unconsolidated		2,800	-	2,800	2,800	-	2,800
V. TANGIBLE ASSETS (Net)		3,466,431	22	3,466,453	3,489,129	56	3,489,185
VI. INTANGIBLE ASSETS (Net)		581,505	-	581,505	520,715	-	520,715
6.1 Goodwill		-	-	-	-	-	-
6.2 Others		581,505	-	581,505	520,715	-	520,715
VII. INVESTMENT PROPERTIES (Net)	(13)	-	-	-	-	-	-
VIII. CURRENT TAX ASSET		17,412	-	17,412	29,628	-	29,628
IX. DEFERRED TAX ASSET	(14)	694,816	-	694,816	1,034,082	-	1,034,082
X. OTHER ASSETS (Net)	(16)	5,483,180	543,194	6,026,374	4,589,905	5,348,828	9,938,733
TOTAL ASSETS		149,094,924	119,482,529	268,577,453	131,797,866	103,221,855	235,019,721

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

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

**QNB FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF BALANCE SHEET
FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021**

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

I. CONSOLIDATED BALANCE SHEET – LIABILITIES AND EQUITY

	Section 5 Note II	Current Period 30.06.2021			Prior Period 31.12.2020		
		TL	FC	TOTAL	TL	FC	TOTAL
I. DEPOSITS	(1)	65,826,266	87,442,949	153,269,215	48,284,133	81,990,723	130,274,856
II. FUNDS BORROWED	(3)	2,955,389	24,203,002	27,158,391	2,855,756	23,041,134	25,896,890
III. MONEY MARKET BORROWINGS	(4)	4,798,778	10,278,109	15,076,887	4,881,720	10,112,950	14,994,670
IV. SECURITIES ISSUED (NET)	(5)	4,900,611	15,238,594	20,139,205	2,772,537	11,951,421	14,723,958
4.1 Bills		4,900,611	1,749,093	6,649,704	2,561,286	829,044	3,390,330
4.2 Asset Backed Securities		-	-	-	-	-	-
4.3 Bonds		-	13,489,501	13,489,501	211,251	11,122,377	11,333,628
V. FUNDS		-	-	-	-	-	-
5.1 Borrowers' Funds		-	-	-	-	-	-
5.2 Others		-	-	-	-	-	-
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT & LOSS (NET)		-	-	-	-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES		2,509,590	3,104,374	5,613,964	4,766,374	3,390,090	8,156,464
7.1 Derivative Financial Liabilities at Fair Value Through Profit & Loss (Net)	(2)	2,478,916	2,415,716	4,894,632	4,747,273	2,502,528	7,249,801
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(8)	30,674	688,658	719,332	19,101	887,562	906,663
VIII. FACTORING PAYABLES		-	-	-	-	-	-
IX. LEASE PAYABLES (Net)	(7)	414,556	282	414,838	428,999	3,076	432,075
X. PROVISIONS	(9)	1,128,355	-	1,128,355	1,134,132	-	1,134,132
10.1 Restructuring Provisions		-	-	-	-	-	-
10.2 Reserve for Employee Benefits		583,939	-	583,939	631,149	-	631,149
10.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4 Other Provisions		544,416	-	544,416	502,983	-	502,983
XI. CURRENT TAX LIABILITY	(10)	23,784	-	23,784	1,077,742	-	1,077,742
XII. DEFERRED TAX LIABILITY		-	-	-	-	-	-
XIII. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	(11)	-	-	-	-	-	-
13.1 Held for Sale		-	-	-	-	-	-
13.2 Discontinued Operations		-	-	-	-	-	-
XIV. SUBORDINATED DEBT INSTRUMENTS	(12)	-	7,948,775	7,948,775	-	6,704,294	6,704,294
14.1 Subordinated Loans		-	7,948,775	7,948,775	-	6,704,294	6,704,294
14.2 Other Debt Instruments		-	-	-	-	-	-
XV. OTHER LIABILITIES		9,170,127	8,019,381	17,189,508	7,007,486	5,375,926	12,383,412
XVI. SHAREHOLDERS' EQUITY		22,134,051	(1,519,520)	20,614,531	20,440,813	(1,199,585)	19,241,228
16.1 Paid-in Capital	(13)	3,350,000	-	3,350,000	3,350,000	-	3,350,000
16.2 Capital Reserves		714	-	714	714	-	714
16.2.1 Share Premium	(14)	714	-	714	714	-	714
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		-	-	-	-	-	-
16.3 Other Comprehensive Income/Expense Items not to be Reclassified to Profit or Loss		(110,646)	-	(110,646)	(111,564)	-	(111,564)
16.4 Other Comprehensive Income/Expense Items to be Reclassified to Profit or Loss		323,918	(1,519,520)	(1,195,602)	120,560	(1,199,585)	(1,079,025)
16.5 Profit Reserves		17,072,922	-	17,072,922	14,217,872	-	14,217,872
16.5.1 Legal Reserves		757,696	-	757,696	736,513	-	736,513
16.5.2 Status Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		16,315,226	-	16,315,226	13,481,359	-	13,481,359
16.5.4 Other Profit Reserves		-	-	-	-	-	-
16.6 Profit/Loss		1,488,471	-	1,488,471	2,855,050	-	2,855,050
16.6.1 Prior Periods' Profit/Loss		-	-	-	101,267	-	101,267
16.6.2 Current Period's Net Profit/Loss		1,488,471	-	1,488,471	2,753,783	-	2,753,783
16.7 Minority Interest		8,672	-	8,672	8,181	-	8,181
TOTAL LIABILITIES		113,861,507	154,715,946	268,577,453	93,649,692	141,370,029	235,019,721

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

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

**QNB FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF OFF BALANCE SHEET
FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)**

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

	Section 5 Note III	Current Period 30.06.2021			Prior Period 31.12.2020		
		TL	FC	TOTAL	TL	FC	TOTAL
OFF BALANCE SHEET CONTINGENCIES AND							
A. COMMITMENTS (I+II+III)		191,102,151	298,878,560	489,980,711	175,404,906	281,234,421	456,639,327
I. GUARANTEES (1), (2), (3), (4)		11,868,503	25,422,814	37,291,317	11,604,589	21,520,352	33,124,941
1.1. Letters of guarantee		11,719,793	13,434,527	25,154,320	11,304,977	11,362,429	22,667,406
1.1.1. Guarantees subject to State Tender Law		533,825	91,504	625,329	474,847	84,162	559,009
1.1.2. Guarantees given for foreign trade operations		6,774,604	13,343,023	20,117,627	6,665,357	11,278,267	17,943,624
1.1.3. Other letters of guarantee		4,411,364	-	4,411,364	4,164,773	-	4,164,773
1.2. Bank loans		70,610	6,923,328	6,993,938	198,490	6,640,108	6,838,598
1.2.1. Import letter of acceptance		70,610	6,923,328	6,993,938	198,490	6,640,108	6,838,598
1.2.2. Other bank acceptances		-	-	-	-	-	-
1.3. Letters of credit		78,100	5,064,959	5,143,059	101,122	3,517,815	3,618,937
1.3.1. Documentary letters of credit		78,100	4,748,370	4,826,470	101,122	3,315,757	3,416,879
1.3.2. Other letters of credit		-	316,589	316,589	-	202,058	202,058
1.4. Prefinancing given as guarantee		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2. Other endorsements		-	-	-	-	-	-
1.6. Securities issue purchase guarantees		-	-	-	-	-	-
1.7. Factoring guarantees		-	-	-	-	-	-
1.8. Other guarantees		-	-	-	-	-	-
1.9. Other collaterals		-	-	-	-	-	-
II. COMMITMENTS		126,068,637	10,112,390	136,181,027	104,983,869	7,321,485	112,305,354
2.1. Irrevocable commitments (1)		67,399,069	6,299,740	73,698,809	58,424,722	6,640,330	65,065,052
2.1.1. Forward asset purchase commitments		767,533	3,980,526	4,748,059	1,358,290	3,478,001	4,836,291
2.1.2. Forward deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3. Share capital commitment to associates and subsidiaries		-	-	-	-	-	-
2.1.4. Loan granting commitments		22,646,994	871	22,647,865	18,075,052	734	18,075,786
2.1.5. Securities underwriting commitments		-	-	-	-	-	-
2.1.6. Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7. Payment commitment for checks		2,877,633	-	2,877,633	2,423,033	-	2,423,033
2.1.8. Tax and fund liabilities from export commitments		33,096	-	33,096	27,046	-	27,046
2.1.9. Commitments for credit card expenditure limits		40,100,462	-	40,100,462	35,495,520	-	35,495,520
2.1.10. Commitments for promotions related with credit cards and banking activities		56,087	-	56,087	83,078	-	83,078
2.1.11. Receivables from short sale commitments		-	-	-	-	-	-
2.1.12. Payables for short sale commitments		-	-	-	-	-	-
2.1.13. Other irrevocable commitments		917,264	2,318,343	3,235,607	962,703	3,161,595	4,124,298
2.2. Revocable commitments		58,669,568	3,812,650	62,482,218	46,559,147	681,155	47,240,302
2.2.1. Revocable loan granting commitments		58,167,906	2,793,833	60,961,739	46,090,007	-	46,090,007
2.2.2. Other revocable commitments		501,662	1,018,817	1,520,479	469,140	681,155	1,150,295
III. DERIVATIVE FINANCIAL INSTRUMENTS (5), (6)		53,165,011	263,343,356	316,508,367	58,816,448	252,392,584	311,209,032
3.1. Derivative financial instruments for hedging purposes		15,360,355	78,103,178	93,463,533	9,249,782	64,290,416	73,540,198
3.1.1. Fair value hedge		7,885,727	30,313,380	38,199,107	5,114,463	23,064,765	28,179,228
3.1.2. Cash flow hedge		7,474,628	47,789,798	55,264,426	4,135,319	41,225,651	45,360,970
3.1.3. Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2. Held for trading transactions		37,804,656	185,240,178	223,044,834	49,566,666	188,102,168	237,668,834
3.2.1. Forward foreign currency buy/sell transactions		3,689,479	10,038,677	13,728,156	2,110,184	8,853,435	10,963,619
3.2.1.1. Forward foreign currency transactions-buy		2,877,907	4,009,612	6,887,519	1,676,174	3,847,001	5,523,175
3.2.1.2. Forward foreign currency transactions-sell		811,572	6,029,065	6,840,637	434,010	5,006,434	5,440,444
3.2.2. Swap transactions related to foreign currency and interest rates		31,971,271	171,573,790	203,545,061	45,325,821	175,291,457	220,617,278
3.2.2.1. Foreign currency swap-buy		1,933,778	58,755,919	60,689,697	3,298,846	66,005,831	69,304,677
3.2.2.2. Foreign currency swap-sell		21,786,893	39,041,203	60,828,096	30,615,375	40,882,956	71,498,331
3.2.2.3. Interest rate swaps-buy		4,125,300	36,888,334	41,013,634	5,705,800	34,201,335	39,907,135
3.2.2.4. Interest rate swaps-sell		4,125,300	36,888,334	41,013,634	5,705,800	34,201,335	39,907,135
3.2.3. Foreign currency, interest rate and securities options		1,719,184	2,260,803	3,979,987	1,021,265	1,947,660	2,968,925
3.2.3.1. Foreign currency options-buy		894,177	1,158,059	2,052,236	491,416	1,047,539	1,538,955
3.2.3.2. Foreign currency options-sell		825,007	1,102,744	1,927,751	529,849	900,121	1,429,970
3.2.3.3. Interest rate options-buy		-	-	-	-	-	-
3.2.3.4. Interest rate options-sell		-	-	-	-	-	-
3.2.3.5. Securities options-buy		-	-	-	-	-	-
3.2.3.6. Securities options-sell		-	-	-	-	-	-
3.2.4. Foreign currency futures		424,722	409,336	834,058	1,109,396	1,055,351	2,164,747
3.2.4.1. Foreign currency futures-buy		99,986	310,767	410,753	172	1,055,204	1,055,376
3.2.4.2. Foreign currency futures-sell		324,736	98,569	423,305	1,109,224	147	1,109,371
3.2.5. Interest rate futures		-	-	-	-	-	-
3.2.5.1. Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2. Interest rate futures-sell		-	-	-	-	-	-
3.2.6. Other		-	957,572	957,572	-	954,265	954,265
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		1,258,780,732	328,492,261	1,587,272,993	1,239,470,065	271,678,813	1,511,148,878
IV. ITEMS HELD IN CUSTODY		228,695,701	20,451,489	249,147,190	314,812,461	15,999,495	330,811,956
4.1. Assets under management		7,774,196	9	7,774,205	4,313,984	25,795	4,339,779
4.2. Investment securities held in custody		157,739,068	10,867,441	168,606,509	255,806,221	8,043,418	263,849,639
4.3. Checks received for collection		9,171,909	1,931,128	11,103,037	7,616,483	1,484,681	9,101,164
4.4. Commercial notes received for collection		2,051,587	858,057	2,909,644	2,096,904	686,232	2,783,136
4.5. Other assets received for collection		-	-	-	-	-	-
4.6. Assets received for public offering		-	-	-	-	-	-
4.7. Other items under custody		51,958,941	6,794,854	58,753,795	44,978,869	5,759,369	50,738,238
4.8. Custodians		-	-	-	-	-	-
V. PLEDGED ITEMS		595,983,646	189,807,655	785,791,301	540,029,634	160,647,061	700,676,695
5.1. Marketable securities		4,045,752	11,226,429	15,272,181	4,117,442	9,531,425	13,648,867
5.2. Guarantee notes		438,286	675,313	1,113,599	380,407	590,933	971,340
5.3. Commodity		517,485	-	517,485	490,115	-	490,115
5.4. Warranty		-	-	-	-	-	-
5.5. Properties		114,741,415	96,614,149	211,355,564	106,976,494	82,931,319	189,907,813
5.6. Other pledged items		476,240,708	81,291,764	557,532,472	428,065,176	67,593,384	495,658,560
5.7. Pledged items-depository		-	-	-	-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		434,101,385	118,233,117	552,334,502	384,627,970	95,032,257	479,660,227
TOTAL OFF-BALANCE SHEET ACCOUNTS (A+B)		1,449,882,883	627,370,821	2,077,253,704	1,414,874,971	552,913,234	1,967,788,205

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

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

**QNB FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021 (STATEMENT OF INCOME/LOSS)**

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

III. CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Section 5 Part IV	Current Period 01.01- 30.06.2021	Current Period 3 Months 01.04- 30.06.2021	Prior Period 01.01- 30.06.2020	Prior Period 3 Months 01.04- 30.06.2020
I. INTEREST INCOME	(1)	11,548,466	6,162,304	8,474,644	4,137,177
1.1 Interest income on loans		8,867,794	4,682,435	6,681,158	3,240,617
1.2 Interest income on reserve deposits		170,224	111,768	13,568	6,807
1.3 Interest income on banks		29,730	17,329	58,525	23,579
1.4 Interest income on money market transactions		42,856	16,726	111,928	57,083
1.5 Interest income on securities portfolio		1,785,290	991,934	1,220,974	617,222
1.5.1 Financial assets measured at FVTPL		12,647	3,173	16,054	9,465
1.5.2 Financial assets measured at FVOCI		758,289	431,423	536,154	258,520
1.5.3 Financial assets measured at amortized cost		1,014,354	557,338	668,766	349,237
1.6 Financial lease income		375,725	194,954	281,668	141,874
1.7 Other interest income		276,847	147,158	106,823	49,995
II. INTEREST EXPENSE (-)	(2)	6,248,872	3,446,574	3,582,051	1,727,808
2.1 Interest on deposits		4,073,999	2,305,893	1,974,367	917,616
2.2 Interest on funds borrowed		855,078	439,850	679,276	341,632
2.3 Interest on money market transactions		583,297	307,702	250,593	130,809
2.4 Interest on securities issued		681,578	370,337	557,247	280,153
2.5 Interests on leasing		29,960	14,276	28,056	13,905
2.6 Other interest expenses		24,960	8,516	92,512	43,693
III. NET INTEREST INCOME/EXPENSE (I - II)		5,299,594	2,715,730	4,892,593	2,409,369
IV. NET FEES AND COMMISSIONS INCOME/EXPENSES		1,660,615	886,772	1,277,823	571,767
4.1 Fees and commissions received		2,079,866	1,124,729	1,548,591	686,467
4.1.1 Non-cash loans		127,687	65,946	89,432	47,026
4.1.2 Others		1,952,179	1,058,783	1,459,159	639,441
4.2 Fees and commissions paid (-)		419,251	237,957	270,768	114,700
4.2.1 Non-cash loans		1,620	774	843	186
4.2.2 Others		417,631	237,183	269,925	114,514
V. DIVIDEND INCOME	(3)	1,104	758	106	106
VI. TRADING INCOME / LOSS (Net)	(4)	(1,862,112)	(947,038)	(970,280)	(476,198)
6.1 Trading gains / losses on securities		61,546	57,351	174,714	109,381
6.2 Gain/losses from derivative transactions		(2,321,960)	(1,090,147)	(1,392,79)	(655,893)
6.3 Foreign exchange gain/losses		398,302	85,758	247,805	70,314
VII. OTHER OPERATING INCOME	(5)	185,858	30,635	31,853	18,976
VIII. TOTAL OPERATING GROSS PROFIT (III+IV+V+VI+VII)		5,285,059	2,686,857	5,232,095	2,524,020
IX. EXPECTED CREDIT LOSSES (-)	(6)	976,414	391,669	1,351,257	694,991
X. OTHER PROVISION LOSSES (-)		62,514	21,564	76,292	36,347
XI. PERSONNEL EXPENSES (-)		1,031,471	539,412	972,831	468,701
XII. OTHER OPERATING EXPENSES (-)	(7)	1,333,012	684,107	1,164,944	563,387
XIII. NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)		1,881,648	1,050,105	1,666,771	760,594
XIV. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-	-	-	-
XV. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING		57,996	28,228	42,067	19,784
XVI. GAIN/LOSS ON NET MONETARY POSITION		-	-	-	-
XVII. OPERATING PROFIT/LOSS BEFORE TAXES (XII+...+XV)	(8)	1,939,644	1,078,333	1,708,838	780,378
XVIII. PROVISION FOR TAXES OF CONTINUED OPERATIONS (±)	(9)	450,682	240,967	343,756	164,112
18.1 Current tax charge		81,848	31,215	68,684	58,098
18.2 Deferred tax charge (+)		1,042,918	(327,999)	610,913	238,443
18.3 Deferred tax credit (-)		(674,084)	537,751	(335,841)	(132,429)
XIX. NET OPERATING PROFIT/LOSS AFTER TAXES (XVII±XVIII)	(10)	1,488,962	837,366	1,365,082	616,266
XX. INCOME FROM DISCONTINUED OPERATIONS		-	-	-	-
20.1 Income from assets held for sale		-	-	-	-
20.2 Income from sale of associates, subsidiaries and joint-ventures		-	-	-	-
20.3 Others		-	-	-	-
XXI. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	(275)	-	-
21.1 Expenses on assets held for sale		-	(275)	-	-
21.2 Expenses on sale of associates, subsidiaries and joint-ventures		-	-	-	-
21.3 Others		-	-	-	-
PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XX+XXI)		-	275	-	-
XXII. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)		-	-	-	-
23.1 Current tax charge		-	-	-	-
23.2 Deferred tax charge (+)		-	-	-	-
23.3 Deferred tax credit (-)		-	-	-	-
XXIV. NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XXII±XXIII)		-	275	-	-
XXV. NET PROFIT/LOSS (XIX+XXIV)	(11)	1,488,962	837,641	1,365,082	616,266
25.1 Group's profit/loss		1,488,471	837,385	1,364,649	616,058
25.2 Minority interest		491	256	433	208
Earnings Per Share		0.04443	0.0250	0.0407	0.0184

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ

CONSOLIDATED OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021

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

IV. CONSOLIDATED STATEMENT OF PROFIT AND OTHER COMPREHENSIVE INCOME

	Current Period 01.01 – 30.06.2021	Prior Period 01.01 – 30.06.2020
I. CURRENT PERIOD PROFIT/LOSS	1,488,962	1,365,082
II. OTHER COMPREHENSIVE INCOME	(115,659)	(796,297)
2.1 Other Income/Expense Items Not Reclassified Through Profit or Loss	918	21,044
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	1,137	136
2.1.4 Other Income/Expense Items not Reclassified to Profit or Loss	-	22,157
2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	(219)	(1,249)
2.2 Other Income/Expense Items Reclassified to Profit or Loss	(116,577)	(817,341)
2.2.1 Translation Differences	-	-
2.2.2 Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	(458,073)	(750,087)
2.2.3 Gains/losses from Cash Flow Hedges	311,709	(297,578)
2.2.4 Gains/Losses on Hedges of Net Investments in Foreign Operations	-	-
2.2.5 Other Income/Expense Items Reclassified to Profit or Loss	-	-
2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	29,787	230,324
III. TOTAL COMPREHENSIVE INCOME (I+II)	1,373,303	568,785

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

VI. CONSOLIDATED CASH FLOW STATEMENT

	Current Period 01.01 – 30.06.2021	Prior Period 01.01 – 30.06.2020
A. CASH FLOWS FROM / (TO) BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities	1,504,866	6,422,790
1.1.1 Interest received	11,024,437	7,845,860
1.1.2 Interest paid	(5,611,638)	(3,123,491)
1.1.3 Dividend received	1,104	106
1.1.4 Fees and commissions received	2,080,352	1,560,587
1.1.5 Other income	185,858	31,853
1.1.6 Collections from previously written off loans	871,242	676,945
1.1.7 Payments to personnel and service suppliers	(1,098,991)	(694,171)
1.1.8 Taxes paid	(1,594,440)	(607,980)
1.1.9 Other	(4,353,058)	733,081
1.2 Changes in operating assets and liabilities	376,244	4,801,513
1.2.1 Net (increase) decrease in financial assets measured at fair value through profit/loss	(51,039)	(78,220)
1.2.2 Net (increase) decrease in due from banks	(1,365,852)	3,541,849
1.2.3 Net (increase) decrease in loans	(5,673,170)	(6,698,460)
1.2.4 Net (increase) decrease in other assets	294,638	(3,106,679)
1.2.5 Net increase (decrease) in bank deposits	(1,496,586)	(593,087)
1.2.6 Net increase (decrease) in other deposits	8,632,313	8,465,547
1.2.7 Net increase (decrease) in financial liabilities at fair value through profit or loss	-	-
1.2.8 Net increase (decrease) in funds borrowed	(5,124,953)	(654,569)
1.2.9 Net increase (decrease) in matured payables	-	-
1.2.10 Net increase (decrease) in other liabilities	5,160,893	3,925,132
I. Net cash provided from banking operations	1,881,110	11,224,303
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net cash provided from / (used in) investing activities	(1,549,155)	(831,711)
2.1 Cash paid for purchase of entities under common control, associates and subsidiaries	-	-
2.2 Cash obtained from sale of entities under common control, associates and subsidiaries	-	-
2.3 Fixed assets purchases	(274,145)	(112,893)
2.4 Fixed assets sales	77,729	3,332
2.5 Cash paid for purchase of financial assets measured at fair value through other comprehensive income	(6,820,044)	(9,051,426)
2.6 Cash obtained from sale of financial assets measured at fair value through other comprehensive income	5,448,197	7,970,432
2.7 Cash paid for purchase of Financial Assets Measured at Amortized Cost	(1,700,744)	(1,652,760)
2.8 Cash obtained from sale of Financial Assets Measured at Amortized Cost	1,865,253	2,119,388
2.9 Other	(145,401)	(107,784)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash provided from / (used in) financing activities	5,269,942	(556,119)
3.1 Cash obtained from funds borrowed and securities issued	10,218,411	7,101,854
3.2 Cash used for repayment of funds borrowed and securities issued	(4,901,359)	(7,576,395)
3.3 Issued equity instruments	-	-
3.4 Dividends paid	-	-
3.5 Payments for finance leases	-	-
3.6 Other	(47,110)	(81,578)
IV. Effect of foreign currency translation differences on cash and cash equivalents	552,297	219,290
V. Net increase / (decrease) in cash and cash equivalents (I+II+III+IV)	6,154,194	10,055,763
VI. Cash and cash equivalents at the beginning of the period	15,883,101	14,814,910
VII. Cash and cash equivalents at end of the period (V+VI)	22,037,295	24,870,673

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

SECTION THREE

ACCOUNTING POLICIES

I. Basis of Presentation

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

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

Explanation for Convenience Translation to English

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

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

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

Accounting policies and valuation principles used in the preparation of the interim financial statements are determined and applied, in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"), and are consistent with the accounting policies applied in the annual financial statements prepared for the year ended December 31, 2020.

The accounting policies and valuation principles related with current 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/loss, financial assets measured at fair value through other comprehensive income, derivative financial assets and liabilities.

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

ACCOUNTING POLICIES (Continued)

I. Basis of Presentation (Continued)

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

Since it is aimed to update the most recent financial information in the interim financial statements prepared as of June 30, 2021, considering the magnitude of the economic changes due to COVID-19, the Parent Bank made certain estimates in the calculation of expected credit losses and disclosed them in footnote numbered VIII "Explanations on Expected Provisions for Losses". In the upcoming periods, the Parent Bank will update its relevant assumptions as necessary and revise the realizations of past estimates. In addition, explanations regarding the effects of COVID-19 were disclosed in footnotes numbered III "Information on Associates and Subsidiaries and Entities Under Common Control" and No. XV "Explanations on Leasing Transactions".

2.1. Changes in accounting policies and disclosures

In its unconsolidated financial statements, the Parent Bank has announced the Phase 1 amendments to TFRS 9, TAS 39 and TFRS 7 within the scope of the Indicative Interest Rate Reform published by the Public Oversight Authority ("KGK") in the Official Gazette dated 14 December 2019 and numbered 30978. has started to apply since January 1, 2020. According to this; the Bank portfolio that will be affected by the benchmark rate reform; consists of loans, borrowings and derivative transactions together with other debts received, and as of June 30, 2021, the portfolio size is approximately TL 133 billion (December 31, 2020 - TL 107 billion). Within the scope of the reform, a committee is formed within the Bank to coordinate issues such as contract management, information technology infrastructure developments and product design regarding the transition process. It is foreseen that the necessary studies will be completed in 2021. It is not expected to these changes have a significant impact on the financial position 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 Parent Bank are customer deposits, bond issues and funds borrowed from international markets. The customer deposits bear fixed interest rate and have an average maturity of 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 Parent Bank diverts its placements to assets with high return and sufficient collaterals. The Parent Bank manages the liquidity structure to meet its liabilities when due by diversifying the funding sources and keeping sufficient cash and cash equivalents. The maturity of fund sources and maturity and yield of placements are considered to the extent possible within the current market conditions and higher return on long-term placements is aimed.

Besides customer deposits, the Parent Bank funds its long-term fixed interest rate 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 the risk tolerance as a cap. The maximum VAR amounts are determined by interest and currency risk factors, which affect the securities portfolio that is subject to market risk, as well as determining the risk tolerance based on the total value at risk. The above-mentioned limits are revised annually.

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

ACCOUNTING POLICIES (Continued)

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

2. Foreign currency transactions

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

The Group accounts for the transactions denominated in foreign currencies in accordance with TAS 21 “The Effects of Changes in Foreign Exchange Rates”.

Foreign exchange gains and losses arising from transactions that are completed as of June 30, 2021 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 non-monetary items measured at fair value are converted with currency exchange rates at the time of fair value measurement.

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
US Dollar	TL 8,7052	TL 7,3405
Euro	TL 10,3645	TL 9,0079

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 June 30, 2021, net foreign exchange transaction gain is TL 388,028 (June 30, 2020 - TL 85.706 net foreign exchange transaction gain) when the net interest loss amounting to TL 2,311,686 (June 30, 2020 - TL 1,230,700) arising from derivative transactions is excluded from the derivative transactions loss amounting to TL 2.321.960 TL (June 30, 2020- TL 1.392.799 derivative transactions loss) foreign exchange profit amounting to TL 398,302 (June 30, 2020- TL 247,805 net foreign exchange profit).

2.3. Foreign Associates

None.

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

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

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

	Consolidation Method	Place of Establishment	Subject of Operations	Effective Share of the Group (%)	
				June 30, 2021	December 31, 2020
1 QNB Finans Yatırım Menkul Değerler A.Ş. (Finans Yatırım)	Full consolidation	Turkey	Securities Intermediary Services	100.00	100.00
2 QNB Finans Portföy Yönetimi A.Ş. (Finans Portföy)	Full consolidation	Turkey	Portfolio Management	100.00	100.00
3 Hemenal Finansman A.Ş. (Tüketici Finansman)	Full consolidation	Turkey	Consumer Financing	-	100.00
4 QNB Finans Finansal Kiralama A.Ş. (Finans Leasing)	Full consolidation	Turkey	Financial Leasing	99.40	99.40
5 QNB Finans Faktoring A.Ş. (Finans Faktoring)	Full consolidation	Turkey	Factoring Services	100.00	100.00
6 QNB Finans Varlık Kiralama Şirketi A.Ş.	Full consolidation	Turkey	Asset Lease	100.00	100.00
7 Cigna Sağlık, Hayat ve Emeklilik A.Ş.	Equity Method	Turkey	Private Pension and Insurance	49.00	49.00

ACCOUNTING POLICIES (Continued)

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

Subsidiaries maintain their books of accounts and prepare their financial statements in accordance with the regulations on accounting and reporting framework and accounting standards which are determined by the accounting standards promulgated by the Turkish Commercial Code, Financial Leasing Law and Turkish Capital Markets Board (“CMB”) regulations. Certain adjustments and reclassifications were made on the financial statements of the subsidiaries for the purpose of fair presentation in accordance with the prevailing regulations and accounting standards according to regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency (“BRSA”), and in case where a specific regulation is not made by BRSA, in accordance with Turkish Accounting Standards (“TAS”) and Turkish Financial Reporting Standards (“TFRS”) and related additions and interpretations published by Public Accounting and Auditing Oversight Authority (“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 June 30, 2021.

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.

As of June 30, 2021, the Parent Bank has removed Hemenal Finansman A.Ş. from its Subsidiaries account and started to monitor it under the account of Fixed Assets Held for Sale and Discontinued Operations. The related subsidiary has been consolidated on the assets and liabilities part of the balance sheet and the accounts subject to sales transactions in the income statement within the scope of consolidation.

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.

ACCOUNTING POLICIES (Continued)

IV. Explanations on Derivative Financial Assets and Liabilities

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

Besides customer deposits, the Parent Bank funds its long-term fixed interest rate 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 "IFRS 9" and TAS 39 "Financial Instruments: Recognition and Measurement", respectively. Derivative instruments held for trading and derivative instruments hedging purpose are initially recognized at fair value and subsequently measured at fair value. Also, the liabilities and receivables arising from the derivative transactions are recorded as off-balance sheet items at their contractual values. The derivative transactions are accounted for at fair value subsequent to initial recognition and are presented in the "Derivative Financial Assets at Fair Value Through Profit/Loss", "Derivative Financial Liabilities at Fair Value Through Profit & Loss" or "Derivative Financial Assets at Fair Value Through Other Comprehensive Income" and "Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income" items of the balance sheet depending on the resulting positive or negative amounts of the computed value. These amounts of derivative transactions presented on the balance sheet, represent the fair value differences based on the valuation.

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

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

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

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

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

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

Upon valuation of derivative instruments that are not subject to hedge accounting, differences in fair value, except for currency revaluation differences, are recorded in the 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 creditor loans which have floating interest payment. The Parent Bank implements effectiveness tests at the balance sheet dates for hedge accounting; the effective parts are accounted as defined in TAS 39, in financial statements under equity "Other Accumulated Comprehensive Income/Expense Items Reclassified to Profit or Loss" whereas the amount concerning ineffective parts is associated with income statement.

ACCOUNTING POLICIES (Continued)

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

QNB Finans Finansal Kiralama A.Ş., 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 income portfolio against interest rate fluctuations.

The Parent Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to long term 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 A.Ş., 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 A.Ş., the subsidiary of the Parent Bank, applies fair value hedge accounting through interest rate swaps to hedge itself against changes in interest rates related to 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 A.Ş., the subsidiary of the Parent Bank, apply effectiveness tests for fair value hedge accounting.

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

As of September 30, 2018, the Bank terminated the hedge accounting for the fair value hedge of the fair value risk arising from the changes in the exchange rates for the real estates purchased in previous periods in foreign currency and the fair value of which is in foreign currency in the market and as of June 30, 2021, fair value exchange difference adjustment amounting to TL 1,176,979 which is shown intangible assets in the balance sheet, is amortized over the economic life of the property subject to hedging.

ACCOUNTING POLICIES (Continued)

V. Explanations on Interest Income and Expenses

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

VII. Explanations and Disclosures on Financial Instruments

Initial recognition of financial instruments

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

Initial measurement of financial instruments

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

ACCOUNTING POLICIES (Continued)

VII. Explanations and Disclosures on Financial Instruments (Continued)

Classification of financial instruments

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

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

Assessment of business model

As per TFRS 9, the Parent Bank’s business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.
The Parent Bank’s business models are divided into three categories.

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

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

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

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

Other business models:

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

ACCOUNTING POLICIES (Continued)

VII. Explanations and Disclosures on Financial Instruments (Continued)

Measurement categories of financial assets and liabilities

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

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

Financial Assets at the Fair Value Through Profit or Loss:

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

The Parent Bank has stocks, bills and bonds in portfolios of financial assets at fair value through profit and loss that are accounted in accordance with the Group' business model. In accordance with TFRS 9, the Parent Bank has classified cash flows are solely payments of principal and interest at certain dates under financial assets at fair value through profit and loss related to private purpose loans as of December 2018.

Financial Assets at Fair Value Through Other Comprehensive Income:

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

“Unrealized gains and losses” arising from the difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income are not reflected in the income statement of the period until the acquisition of the asset, sale of the asset, the disposal of the asset, and impairment of the asset and are accounted under the “Other Accumulated Comprehensive Income or Expenses Reclassified to Profit or Loss” under shareholders' equity. When the aforementioned securities are collected or disposed, accumulated fair value differences which were reflected under equity, are reflected in the income statement. Equity securities, which are classified as financial assets at fair value through other comprehensive income, that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

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

ACCOUNTING POLICIES (Continued)

VII. Explanations and Disclosures on Financial Instruments (Continued)

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 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 Parent Bank as explained in part IV, “Explanations on Derivative Financial Assets and Liabilities”, performs 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.

Equity Instruments Measured at Fair Value Through Other Comprehensive Income:

At initial recognition, an irrevocable election can be made to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of TFRS 9. Such election is made on an instrument by instrument basis. Fair value differences recognized in other comprehensive income are not transferred to profit or loss in the following periods and transferred to prior years' profit / loss. The equity instruments measured at fair value through other comprehensive income, are not subject to impairment calculation.

VIII. Explanations on Expected Credit Losses:

The Group recognizes a loss allowance for expected credit losses on financial assets and loans measured at amortized cost, financial assets measured at fair value through other comprehensive income, loan commitments and financial guarantee contracts not measured at fair value through profit/loss based on TFRS 9 and the regulation published in the Official Gazette no. 29750 dated 22 June 2016 in connection with “Procedures and Principals regarding Classification of Loans and Allowances Allocated for Such Loans” effective from 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.

ACCOUNTING POLICIES (Continued)

VIII. Explanations on Expected Credit Losses: (Continued)

Within the scope of Article 4 and 5 of the Regulation On Procedures And Principles For Classification Of Loans And Provisions in accordance with the BRSA Decision numbered 9312 dated 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 June 30, 2021. In this manner, in the assessment of whether the debtor defaulted on the loan where the payment is overdue for more than 90 days, consideration is given to whether the debtor's condition is temporary due to COVID-19 pandemic and payment irregularities are related to temporary liquidity constraints. In this context,

- 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 installments.
- In the process of completing the Pro-rata banks protocols, the time to be given to time-consuming operations was extended by a joint agreement.
- Terminatively, this leads the Banks to continue to set aside provisions for such receivables in accordance with their own risk models used in calculation of expected credit losses under TFRS 9.

As of June 30, 2021, the Group has not made any changes regarding the classification and measurement of financial assets and calculation of expected losses, in line with the accounting policies stated in the financial statements as of December 31, 2020. Loans and receivables with past due days exceeding 90 days and past due days less than 180 days are classified according to the Stage 2, but in accordance with their own risk models, the provisions have been calculated according to the Stage 3 rules.

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

Stage 1:

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded in the amount of expected credit losses on the 12-month default risk. It is calculated 12-month expected credit loss based on a probability of default realized within 12 months after the reporting date. Such expected 12-month probability of default is applied on an expected exposure at default, multiplied with loss given default rate and discounted with the original effective interest rate. As of June 30, 2021, 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 the Parent Bank accounts lifetime expected credit losses. In determining the impairment, the Parent Bank takes into consideration the following criteria:

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

ACCOUNTING POLICIES (Continued)

VIII. Explanations on Expected Credit Losses: (Continued)

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 (internal base, internal bad, BRSA adverse) are evaluated. Each of these scenarios was associated with the different PD and LGD.

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

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

Probability of Default ("PD")

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

Loss Given Default ("LGD")

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

Exposure at Default ("EAD")

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

ACCOUNTING POLICIES (Continued)

VIII. Explanations on Expected Credit Losses: (Continued)

Consideration of the Macroeconomic Factors

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

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

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

Stages were determined through the models created using internal information for the Parent Bank and QNB Finans Finansal Kiralama A.Ş., the simplified method has been applied for other financial institutions. The Group reflected the possible effects of the COVID-19 outbreak on the estimates and judgments used in the calculation of expected credit losses, using the data obtained with the principle of maximum effort. In the light of the aforementioned data, the Parent Bank revised its macroeconomic expectations and weights in the calculation of expected credit loss. Compared to December 31, 2020, the weight of the worst case scenario was increased by 1000 basis points, and the weight of the base case scenario was reduced by 1000 basis points. The calculation made taking into account the change in PD / LGD has been reflected in the financial statements as of June 30, 2021. Due to the nature of the model effects, events that cause changes and their effects occur at different times, reflected in the financial statements with a delay. For this reason, the Bank has made individual valuations in order to eliminate the timing difference and provided additional provisions for the sector and customers that are considered to have a high impact. This approach, which is preferred in reserve calculations for the second quarter of 2021, will be revised in the following reporting periods, taking into account the impact of the pandemic, portfolio and future expectations.

As of June 30, 2021, the normal risk cost of the loan portfolio purged from the COVID-19 effect was at 52 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 120 basis points incorporate 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 Parent Bank will be exposed to credit risk. The time in financial guarantees and other irrevocable commitments represents the credit maturity for which the liabilities of the Parent Bank. Behavioral maturity analysis has been performed on credit cards and overdraft accounts. With the exception of credit cards and other revolving facilities, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless there is the legal right to call it earlier.

Significant increase in credit risk

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

Within the scope of quantitative assessment, the quantitative reason explaining the significant increase in the credit risk is based on a comparison of the probability of default calculated at the origination of the loan and the probability of default assigned for the same loan as of the reporting date. If there is a significant deterioration in PD, it is considered that there is a significant increase in credit risk and the financial asset is classified as stage 2. In this context, the Parent Bank has calculated thresholds at which point the relative change is a significant deterioration. In the quantitative evaluation of the significant increase in credit risk, the Bank considers the absolute thresholds as well as the relative thresholds as an additional layer. Receivables 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
- When there is a change in the payment plan due to restructuring

ACCOUNTING POLICIES (Continued)

IX. Explanations on Netting of Financial Instruments

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

X. Derecognition of Financial Instruments

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

Based on TFRS 9, the renegotiation or modification of the contractual cash flows of a financial asset could lead to the derecognition of the existing financial asset. When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered as 'new' financial asset. When the Parent Bank assesses the characteristics of the new contractual terms of the financial asset, it evaluates the contractual cash flows including foreign currency rate changes, conversion to equity, counterparty changes and solely principal and interest on principle. When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, it is recalculated the gross carrying amount of the financial asset and recognized a modification gain or loss in profit or loss.

Where all risks and rewards of ownership of the asset have not been transferred to another party and the Parent Bank retains control of the asset, the Parent Bank continues to recognize the remaining portion of the asset and liabilities arising from such asset. When the Parent Bank retains substantially all the risks and rewards of ownership of the transferred asset, the transferred asset continues to be recognized in its entirety and the consideration received is recognized as a liability.

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

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

c) Derecognition of financial liabilities

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

d) Reclassification of financial instruments

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

e) Restructuring and refinancing of financial instruments

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2021
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

ACCOUNTING POLICIES (Continued)

X. Derecognition of Financial Instruments (Continued)

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

- Subsequent to the thorough review of company's financial data and its owners' equity position, at circumstances when it is not anticipated that the owner of the company will face financial difficulties; and it is assessed the restructured debt will be paid on time (starting from the date when the debt is restructured all due principal and interest payments are made on time); and
- At least 1 year should pass over the date of restructuring (or if it later) the date of removal from non-performing loan category, at least 10% (or the ratio specified in the legislation) of the total principal amount at the time restructuring / refinancing shall be paid and payment of all unpaid amounts (principal and interest) during the restructuring / refinancing.

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

- Recovery in debt service;
- At least 1 year should pass over the date restructuring;
- Payment of all accrued and overdue amounts by debtor (interest and principal) since the date of restructuring / refinancing or the date when the debtor is classified as non-performing (earlier date to be considered) and fulfillment of the payment condition of all overdue amounts as of the date of restructuring / refinancing; and
- Collection of all overdue amounts, disappearance of the reasons for classification as nonperforming receivable (based on the conditions mentioned above) and having no overdue more than 30 days as of the date of reclassification.

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

In personnel loans, loans can be restructured in order to give liquidity power to the debtor and to ensure the collection of the receivables of the Parent Bank in case of temporary liquidity problems due to the failure of the payment obligation to the Parent Bank. The exclusion of customers from the scope of restructuring is carried out within the scope of the "Regulation on the Determination of the Qualifications of Loans and Other Receivables by Banks and the Procedures and Principles Regarding the Provisions To Be Set Aside For These".

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

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

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

Securities that are subject to repurchase agreements as at the balance sheet date amounted to TL 17,491,180 (December 31, 2020– TL 18,700,773). As of June 30, 2021, the Parent Bank has no securities that are subject to lending transactions (December 31, 2020 – None).

Securities purchased with a commitment to resell (reverse repurchase agreements) has shown under "Cash and Cash Equivalents" on the line of "Money Market Placements" in the balance sheet. Income rediscount is calculated for the part of the difference between the purchase and resale prices of securities purchased with reverse repo, in the corresponding period.

ACCOUNTING POLICIES (Continued)

XII. Explanations on Assets Held for Sale and Discontinued Operations

In accordance with TFRS 5 (“Assets Held for Sale and Discontinued Operations”), assets classified as held for sale are measured at lower of carrying value or fair value less costs to sell. Amortization on subject asset is ended and these assets are presented separately on financial statements. An asset (or a disposal group) is regarded as “asset held for sale” only when the sale is highly probable and the asset (disposal group) is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset (or a disposal group) should be actively marketed at a price consistent with its fair value. Various events and conditions may prolong the sale procedures for more than one year. In case subject delay is caused by the events and conditions beyond the bank’s control and there is enough evidence that plans to sell subject asset (or a disposal group) continue subject assets continue to be classified as assets held for sale. As of June 30, 2021, the Group has assets held for sale and discontinued operations and it is explained in footnote I.15. of Section Five.

A discontinued operation is a part of the Parent Banks’ business classified as disposed or held-for-sale. The operating results of the discontinued operations are disclosed separately in the income statement.

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

XIII. Explanations on Goodwill and Other Intangible Assets

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

The intangible assets are recorded at their historical cost less accumulated amortization and provision for impairment, if any. Amortization is calculated on a straight-line basis. Software’s have been classified as other intangible fixed assets. The useful life of software’s is determined as 3-5 years.

If there is objective evidence of impairment, the asset’s recoverable amount is estimated in accordance with the Turkish Accounting Standard on Impairment of Assets (TAS 36) and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is made.

XIV. Explanations on Tangible Assets

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

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

Properties	2%
Movables purchased and acquired under finance lease contracts	7 % – 25%

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

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

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 regard to amortization duration, which could have a significant impact on the current and future financial statements. There are no pledges, mortgages or other restrictions on the tangible assets. There are no purchase commitments related to the fixed assets.

ACCOUNTING POLICIES (Continued)

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 right use includes the presence of:

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

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

Lease Liabilities

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

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

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

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

ACCOUNTING POLICIES (Continued)

XV. Explanations on Leasing Transactions (Continued)

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

Due to the Group’s implementation of TFRS 16, assets classified under tangible assets as of June 30, 2021 amounted to TL 420,600 (December 31, 2020 – TL 446,802), lease liability amounted to TL 416,328 (December 31, 2020 – TL 432,075), financing expense amounted to TL 28,962 (December 31, 2020 – TL 52,777) and depreciation expense amounted to TL 110,068 (December 31, 2020 – TL 229,554).

XVI. Explanations on Factoring Receivables

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

XVII. Explanations on Provisions and Contingent Liabilities

Provisions, other than specific and general provisions for loans and other receivables, and contingent liabilities are provided for in accordance with TAS 37 “Provisions, Contingent Liabilities and Contingent Assets”. Provisions are accounted for immediately when obligations arise as a result of past events and a reliable estimate of the obligation is made by the Parent Bank. In cases where reliable estimate cannot be made of the amount of the obligation, it is considered contingent liabilities. For contingent liabilities if the probability that the event will occur is greater than the probability that it will not and the amount of the obligation can be measured reliably, a provision is made.

XVIII. Explanations on Obligations of the Group for Employees Benefits

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

In accordance with the existing social legislation in Turkey, the Group is required to make lump-sum termination indemnities including retirement and notice payments to each employee whose employment is terminated due to resignation or for reasons other than misconduct. The retirement pay is calculated for every working year within the Group over salary for 30 days or the official ceiling amount per year of employment and the notice pay is calculated for the relevant notice period time as determined based on the number of years worked for the Group. The Group has reflected the retirement pay liability amount, which was calculated by an independent actuary, in the accompanying financial statements. According to TAS 19, the Group recognizes all actuarial gains and losses immediately through other comprehensive income. The Group does not have any employees who work under limited period contracts with remaining terms longer than 12 months after the balance sheet date. Provision for the employees’ unused vacations has been booked in accordance with TAS 19 and reflected to the financial statements.

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

ACCOUNTING POLICIES (Continued)

XIX. Explanations on Taxation

1. Corporate Tax

According to the Corporate Tax Law No. 5520 published in the Official Gazette No. 26205 dated June 21, 2006; Corporate tax is calculated at a rate of 20% over the corporate income. However, in accordance with the Provisional Article 10 added to the Corporate Tax Law, the rate of 20% is applied as 22% for the corporate earnings of the institutions for the taxation periods of 2018, 2019 and 2020 (for the accounting periods starting in the relevant year for the institutions assigned a special fiscal period). Prepaid taxes are followed in "Current Tax Liability" or "Current Tax Asset" accounts to be offset against the corporate tax liability of the relevant year. In accordance with the Article 11 of the Law No. 7316 on the Procedure for the Collection of Public Receivables and the Law on Amendments to Certain Laws published in the Official Gazette dated April 22, 2021, and with the temporary Article 13 added to the Corporate Tax Law, the corporate tax rate is 25% for the taxation period of 2021 and this rate will be applied as 23% for the taxation period of 2022. In accordance with Article 14 of the Law, the rate to be applied for the year 2021 will start from the declarations to be submitted as of 1 July 2021 and will be valid for the taxation period starting from 1/1/2021.

50% of gain from the sale of real estate which are held more than two years in the assets of the Parent Bank and 75% of gain on disposal of subsidiary shares which are held for more than two years in the assets of the Parent Bank are exemption from tax according to Corporate Tax Law in condition with adding these gains into equity or allocating into a specific fund account in the Parent Bank's liabilities for five years.

Corporations calculate a temporary tax of 22% for the 2020 taxation period and 25% for the 2021 taxation period over their quarterly financial profits, and declare and pay until the 17th day of the second month following that period. If the advance tax paid amount remains after offsetting, this amount could be either returned as cash or offset.

According to the Corporate Tax Law, financial losses in the declaration can be deducted from the corporate tax base of the period not exceeding 5 years. Declarations and related accounting records can be examined within five years by the tax office. On the other hand, if document subjects to stamp duty and the statute of limitations of tax and penalty is used after the expiry of the time limit, the taxable income of document is regenerated.

The provision for corporate and income taxes for the period is recognized as "Current Tax Charge" in the income statement and current tax effect related to transactions directly recognized in equity are reflected to equity.

Undistributed profit for the period is not subject to withholding tax if it is added to capital or it is distributed to full-fledged taxpayer corporations. However, with the Council of Ministers' decisions numbered 2009/14593 and 2009/14594; published in the Official Gazette No: 27130 dated 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.

ACCOUNTING POLICIES (Continued)

XIX. Explanations on Taxation (Continued)

2. Deferred Taxes

The Group calculates and accounts for deferred income taxes for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with “Turkish Accounting Standard for Income Taxes” (“TAS 12”). In the calculation of the Parent Bank's deferred tax, the enacted tax rates that are valid in accordance with the current tax legislation are used in accordance with the tax period for the related items. The Corporate Tax rate, which is 20% in accordance with the Provisional Article 13 added to the Corporate Tax Law with the 11th Article of the Law on the Amendment of Certain Laws and the Law on the Collection of Public Claims, published in the Official Gazette on April 22, 2021, numbered 7316. It will be applied as 25% for corporate earnings and 23% for 2022. As of 31 December 2020, deferred tax has been calculated over 20% in accordance with the tax legislation in effect in the relevant period.

Deferred tax liabilities are recognized for all temporary differences whereas deferred tax assets calculated from deductible temporary differences are only recognized if it's highly probable that these will in the future create taxable profit.

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

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

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

3. Transfer Pricing

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

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

XX. Additional Explanations on Borrowings

The Parent Bank and consolidated Group companies generate funds from domestically and internationally resident people and institutions by using debt instruments such as syndication, securitization, collateralized debt and bond issuance. Aforementioned transactions are initially recorded at transaction cost plus acquisition cost, reflective of their fair value, and are subsequently measured at amortized cost by using effective interest rate method.

XXI. Explanations on Share Issues

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

XXII. Explanations on Confirmed Bills of Exchange and Acceptances

Confirmed bills of exchange and acceptances are realized simultaneously with the customer payments and recorded in off-balance sheet accounts as possible debt and commitment, if any. There are no acceptances and confirmed bills of exchange presented as liabilities against any assets.

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ACCOUNTING POLICIES (Continued)

XXIII.Explanations on Government Incentives

As of June 30, 2021, the Group does not have any governmental incentives or support (December 31, 2020 – 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 multinational companies operating in Turkey which are institutional, large-scale and which have an annual turnover of 300,000 TL and above. Companies with an annual turnover of 60,000 - 300,000 TL are considered within the scope of "Commercial Enterprise". Great emphasis is placed on commercial segmentation in order to distribute risk and reduce revenue concentration. In addition, the Parent Bank offers sectoral solution packages to small and medium-sized enterprises.

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

Current Period (January 1 – June 30, 2021)	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Group
Net Interest Income	1,652,621	1,791,698	1,855,275	5,299,594
Net Fees and Commissions Income	1,191,760	346,202	122,653	1,660,615
Other Operating Income and Net Trading Income	25,439	30,131	(1,731,824)	(1,676,254)
Dividend Income	-	-	1,104	1,104
Operating Income	2,869,820	2,168,031	247,208	5,285,059
Expected Loss Provisions (-)	500,280	507,332	(31,198)	976,414
Other Loss Provisions (-)	-	-	62,514	62,514
Other Operating Expenses (-)	1,207,287	867,837	289,359	2,364,483
Gain/(Loss) on joint venture accounted for at equity method	-	-	57,996	57,996
Profit Before Taxes	1,162,253	792,862	(15,471)	1,939,644
Tax Provision (-)^(*)	-	-	450,682	450,682
Net Profit/Loss	-	-	-	1,488,962
Total Assets	54,236,568	111,606,839	87,927,810	268,577,453
Segment Assets	54,236,568	111,606,839	87,927,810	253,771,217
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	292,090
Undistributed Assets	-	-	-	14,514,146
Total Liabilities	106,442,486	44,160,607	72,989,384	268,577,453
Segment Liabilities	106,442,486	44,160,607	72,989,384	223,592,477
Undistributed Liabilities	-	-	-	24,370,445
Equity	-	-	-	20,614,531
Other Segment Accounts	498,730	347,732	19,975	866,437
Capital Expenditures	310,592	216,556	21,799	548,947
Depreciation and Amortization	188,138	131,176	(1,824)	317,490

(*) Tax provision is not distributed.

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ACCOUNTING POLICIES (Continued)

XXIV. Explanation on Segment Reporting (Continued)

Prior Period (January 1 - June 30, 2020)	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Group
Net Interest Income	1,628,877	1,288,807	1,974,909	4,892,593
Net Fees and Commissions Income	805,499	393,777	78,547	1,277,823
Other Operating Income and Net Trading Income	20,325	13,326	(972,078)	(938,427)
Dividend Income	-	-	106	106
Operating Income	2,454,701	1,695,910	1,081,484	5,232,095
Expected Loss Provisions (-)	581,293	779,203	(9,239)	1,351,257
Other Loss Provisions (-)	-	-	76,292	76,292
Other Operating Expenses (-)	1,106,628	829,182	201,965	2,137,775
Gain /(Loss) on joint venture accounted for at equity method	-	-	42,067	42,067
Profit Before Taxes	766,780	87,525	854,533	1,708,838
Tax Provision (-)	-	-	343,756	343,756
Net Profit/Loss	-	-	-	1,365,082
Total Assets^(*)	41,368,837	88,334,494	68,277,667	215,156,271
Segment Assets	41,368,837	88,334,494	68,277,667	197,980,998
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	242,942
Undistributed Assets	-	-	-	16,932,331
Total Liabilities^(*)	79,131,000	37,738,998	61,352,121	215,156,271
Segment Liabilities	79,131,000	37,738,998	61,352,121	178,222,119
Undistributed Liabilities	-	-	-	19,600,059
Equity	-	-	-	17,334,093
Other Segment Accounts	453,899	259,974	(140,931)	572,942
Capital Expenditures ^(*)	233,739	133,876	(70,870)	296,745
Depreciation and Amortization	220,160	126,098	(70,061)	276,197

(*) Refers to year-end figures.

XXV. Profit Reserves and Profit Distribution

The General Assembly Meeting of the Parent Bank was held on March 25, 2021. In the Board of Directors, it was decided that profit distribution 2020 operations to be distributed as follows.

2020 Profit Distribution Table:

Current Year Profit	2,588,276
A – First Legal Reserves (Turkish Commercial Code 519/A) 5%	670,000
C – Extraordinary Reserves	1,918,276

XXVI. Earnings Per Share

Earnings per share listed on income statement is calculated by dividing net profit to weighted average amount of shares issued within respective year.

	Current Period	Prior Period
Group's Net Profit for the Period	1,448,471	1,365,082
Weighted Average Amount of Shares Issued (Thousands)	33,500,000	33,500,000
Earnings per Share	0,0432	0,0407

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

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

XXVII. Explanations on Other Matters

None.

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SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP

I. Explanations on Consolidated Equity:

Total capital and Capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks.” As of June 30, 2021, Group’s total capital has been calculated as TL 30,778,530 (December 31, 2020: TL 28,315,865), capital adequacy ratio is 15.15% (December 31, 2020: 15.78%) calculated pursuant to former regulations.

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 until July 1, 2021 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 June 30, 2021	Prior Period December 31, 2020
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	3,350,000	3,350,000
Share issue premiums	714	714
Reserves	17,072,922	14,217,872
Gains recognized in equity as per TAS	123,200	191,067
Profit	1,488,471	2,855,050
Current Period Profit	1,488,471	2,753,783
Prior Period Profit	-	101,267
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	-
Minorities’ Share	8,672	8,181
Common Equity Tier 1 Capital Before Deductions	22,043,979	20,622,884
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	-
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	799,846	684,425
Improvement costs for operating leasing	63,510	68,148
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	555,422	471,285
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	-
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be defined by the BRSA	-	-
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	-
Total Deductions From Common Equity Tier 1 Capital	1,398,778	1,223,858
Positive difference between the amount of expected credit losses before implementation of TFRS 9 and expected credit losses from TFRS 9 adoption	142,258	284,516
Total Common Equity Tier 1 Capital	20,787,459	19,683,542

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(Continued)

I. Explanations on Consolidated Equity: (Continued)

	Current Period June 30, 2021	Prior Period December 31, 2020
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA	4,570,230	3,853,763
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	-
Third parties' share in the Additional Tier I capital	-	-
Third parties' share in the Additional Tier I capital (Temporary Article 5)	-	-
Additional Tier I Capital before Deductions	4,570,230	3,853,763
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other items to be defined by the BRSA	-	-
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
Total Deductions From Additional Tier I Capital	-	-
Total Additional Tier I Capital	-	-
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	25,357,689	23,537,305
TIER II CAPITAL		
Debt instruments and premiums deemed suitable by the BRSA	-	-
Debt instruments and premiums deemed suitable by BRSA (Temporary Article 4)	3,351,502	2,826,093
Third parties' share in the Tier II Capital	-	-
Third parties' share in the Tier II Capital (Temporary Article 3)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	2,267,043	2,000,260
Tier II Capital Before Deductions	5,618,545	4,826,353
Deductions From Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	-
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	5,618,545	4,826,353
Total Capital (The sum of Tier I Capital and Tier II Capital)	30,976,234	28,363,658
Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	6,508	7,400
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	-
Other items to be defined by the BRSA (-)	191,196	40,393
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-

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

I. Explanations on Consolidated Equity: (Continued)

	Current Period June 30, 2021	Prior Period December 31, 2020
TOTAL CAPITAL		
Total Capital	30,778,530	28,315,865
Total risk weighted amounts	203,156,419	179,427,043
Capital Adequacy Ratios		
Consolidated Core Capital Adequacy Ratio (%)	10.23	10.97
Consolidated Tier I Capital Adequacy Ratio (%)	12.48	13.12
Consolidated Capital Adequacy Ratio (%)	15.15	15.78
BUFFERS		
Bank specific total common equity tier 1 capital ratio	3.51	3.51
a) Capital conservation buffer requirement (%)	2.50	2.50
b) Bank specific counter-cyclical buffer requirement (%)	0.01	0.01
c) Systemic significant bank buffer ratio (%)	1.00	1.00
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	4.31	4.97
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	240,024	185,854
Amount arising from mortgage-servicing rights	-	-
Amount arising from deferred tax assets based on temporary differences	-	-
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before ten thousand twenty-five limitation)	4,723,292	4,184,843
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	2,267,043	2,000,260
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	4,570,230	3,853,763
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temporary Article 4	3,351,502	2,826,093

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

I. Explanations on Consolidated Equity: (Continued)

Information on debt instruments included in the calculation of equity:

Information on debt instruments included in the calculation of equity:			
	1	2	3
Issuer	QATAR NATIONAL BANK Q.P.S.C.	QATAR NATIONAL BANK Q.P.S.C.	QATAR NATIONAL BANK Q.P.S.C.
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	-	-	-
Governing law(s) of the instrument	BRSA	BRSA	BRSA
Regulatory treatment	Additional Capital	Secondary Capital	Secondary Capital
Since 1/1/2015 10% reduction by being subject to the application	No	No	No
Eligible at stand-alone / consolidated	Standalone - Consolidated	Standalone - Consolidated	Standalone - Consolidated
Instrument type (types to be specified by each jurisdiction)	Loan	Loan	Loan
Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	4,570	1,088	2,263
Par value of instrument (Currency in million)	4,570	1,088	2,263
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	Undated	Dated	Dated
Original maturity date	-	10 years	10 years
Issuer call subject to prior BRSA approval	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	Every 5 years	5 years	5 years
Subsequent call dates, if applicable	-	-	-
Coupons / dividends	-	-	-
Fixed or floating dividend/coupon	Fixed	Floating	Floating
Coupon rate and any related index	First 5 years fixed at 9.50%, next 5 years at MS + 7.08	6M LIBOR + 5.75 %	6M LIBOR + 3.88 %
Existence of a dividend stopper	There would be any charges for the reduced value after depreciation date.	-	-
Fully discretionary, partially discretionary or mandatory	Optional	-	-

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

I. Explanations on Consolidated Equity: (Continued)

	1	2	3
Existence of step up or other incentive to redeem	-	-	-
Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative
Convertible or non-convertible	None	Yes	Yes
If convertible, conversion trigger (s)	-	Article number 7-2-i of "Own fund regulation"	Article number 7-2-i of "Own fund regulation"
If convertible, fully or partially	-	All of the remaining capital	All of the remaining capital
If convertible, conversion rate	-	(*)	(*)
If convertible, mandatory or optional conversion	-	Discretionary	Discretionary
If convertible, specify instrument type convertible into	-	Equity Share	Equity Share
If convertible, specify issuer of instrument it converts into	-	QNB Finansbank A.Ş.	QNB Finansbank A.Ş.
Write-down feature	Yes	None	None
If write-down, write-down trigger(s)	Disappearance of non-existence and lower core capital ratio than 5,125 %	-	-
If write-down, full or partial	Full and partial	-	-
If write-down, permanent or temporary	Temporary	-	-
If temporary write-down, description of write-up mechanism	Disappearance of non-existence and higher core capital ratio than 5,125 %	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After the senior creditors, and TIER 2	After the senior creditors, before the TIER 1 sub debt, same with TIER 2	After the senior creditors, before the TIER 1 sub debt, same with TIER2
Incompliance with article number 7 and 8 of "Own fund regulation"	It fulfills the conditions within the Article 7 of the Regulation on the Equity of Banks.	It fulfills the conditions within the Article 8 of the Regulation on the Equity of Banks.	It fulfills the conditions within the Article 8 of the Regulation on the Equity of Banks.
Details of incompliances with article number 7 and 8 of "Own fund regulation"	-	-	-

(*) The conversion rate / value will be calculated based on the market data available when the right is exercised.

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

I. Explanations on Consolidated Equity: (Continued)

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

EQUITY ITEMS	T	T-1
Common Equity	20,787,459	20,787,459
Transition process not implemented Common Equity	20,645,202	20,645,202
Tier 1 Capital	25,357,689	25,357,689
Transition process not implemented Tier 1 Capital	25,215,431	25,215,431
Total Capital	30,778,530	30,778,530
Transition process not implemented Equity	30,636,272	30,636,272
TOTAL RISK WEIGHTED AMOUNTS		
Total Risk Weighted Amounts	203,156,419	203,156,419
Capital Adequacy Ratio		
Common Equity Adequacy Ratio (%)	10.23	10.23
Transition process not implemented Common Equity Adequacy Ratio (%)	10.16	10.16
Tier 1 Capital Adequacy Ratio (%)	12.48	12.48
Transition process not implemented Tier 1 Capital Adequacy Ratio (%)	12.41	12.41
Capital Adequacy Ratio (%)	15.15	15.15
Transition process not implemented Capital Adequacy Ratio (%)	15.08	15.08
LEVERAGE		
Leverage Ratio Total Risk Amount	388,696,837	388,696,837
Leverage (%)	6.42	6.42
Transition process not implemented Leverage Ratio (%)	6.49	6.49

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

There are differences between amounts in the explanation on equity items and amounts on the balance sheet. In this context; up to 1.25% of the amount of the first and second part of the expected loss provisions is taken into account as contribution capital, losses from cash flow hedging transactions and as of March 23, 2020 the net negative valuation differences of the securities included in the "Financial Assets Measured at Fair Value through Other Comprehensive Income " portfolio have not been taken into account in the information on equity items.

II. Explanations on Consolidated Risk Management

Notes and explanations in this section have been prepared in accordance with the Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks that have been published in Official Gazette no. 29511 on October 23, 2015 and became effective as of March 31, 2016. The following tables, which must be disclosed quarterly in accordance with the relevant declaration, are not presented as of June 30, 2021, as the standard approach is used in the Bank's capital adequacy calculation:

- RWA flow statements of credit risk exposures under IRB
- RWA flow statements of CCR exposures under the Internal Model Method (IMM)
- RWA flow statements of market risk exposures under an IMA

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

II. Explanations on Consolidated Risk Management (Continued)

GB1 - Overview of risk weighted assets:

		Risk Weighted Assets		Minimum Capital Requirements	
		30.06.2021	31.12.2020	30.06.2021	31.12.2020
1	Credit risk (excluding counterparty credit risk)	174,680,047	154,414,869	13,974,404	12,353,189
2	Standardized approach	174,680,047	154,414,869	13,974,404	12,353,189
3	Internal rating-based approach	-	-	-	-
4	Counterparty credit risk	6,683,387	5,605,940	534,671	448,475
5	Standardized approach for counterparty credit risk	6,683,387	5,605,940	534,671	448,475
6	Internal model method	-	-	-	-
7	Basic risk weight approach to internal model's equity position in the banking account	-	-	-	-
8	Investments made in collective investment companies – look-through approach	-	-	-	-
9	Investments made in collective investment companies – mandate-based approach	-	-	-	-
10	Investments made in collective investment companies – 1250% weighted risk approach	-	-	-	-
11	Settlement risk	-	-	-	-
12	Securitization exposures in banking accounts	-	-	-	-
13	IRB ratings-based approach	-	-	-	-
14	IRB Supervisory Formula Approach	-	-	-	-
15	SA/simplified supervisory formula approach	-	-	-	-
16	Market risk	4,021,550	3,907,213	321,724	312,577
17	Standardized approach	4,021,550	3,907,213	321,724	312,577
18	Internal model approaches	-	-	-	-
19	Operational risk	17,771,435	15,499,021	1,421,715	1,239,922
20	Basic Indicator Approach	17,771,435	15,499,021	1,421,715	1,239,922
21	Standardized Approach	-	-	-	-
22	Advanced Measurement Approach	-	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-	-
24	Floor adjustment	-	-	-	-
25	TOTAL (1+4+7+8+9+10+11+12+16+19+23+24)	203,156,419	179,427,043	16,252,514	14,354,163

Credit Risk Disclosures

a) CR1 – Credit quality of assets:

		Gross carrying values of as per TAS			
Current Period		Defaulted exposures	Non-defaulted exposures	Allowances/impairments	Net values
1	Loans	9,545,350	157,785,948	7,298,010	160,033,288
2	Debt Securities	-	38,295,921	-	38,295,921
	Off-balance sheet				
3	exposures	365,190	105,876,877	49,129	106,192,938
4	Total	9,910,540	301,958,746	7,347,139	304,522,147
		Gross carrying values of as per TAS			
Prior Period		Defaulted exposures	Non-defaulted exposures	Allowances/impairments	Net values
1	Loans	9,523,366	139,091,467	7,133,072	141,481,761
2	Debt Securities	-	33,916,772	-	33,916,772
	Off-balance sheet				
3	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

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

II. Explanations on Consolidated Risk Management (Continued)

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

		Current Period	Prior Period
1	Defaulted loans and debt securities at the end of the previous reporting period	9,523,366	8,731,496
2	Loans and debt securities that have defaulted since the last reporting period	935,079	2,421,720
3	Returned to non-performing status	-	-
4	Amounts written-off (*)	41,874	48,513
5	Other changes (**)	871,221	1,581,337
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	9,545,350	9,523,366

(*) In current period, there is not any balance regarding sales of non-performing loans (December 31, 2020 – None).

(**) Includes collections from credits in default.

c) CR3 – Credit risk mitigation techniques – Overview:

	Current Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	153,379,400	6,653,888	4,630,190	-	-	-	-
2	Debt securities	38,295,921	-	-	-	-	-	-
3	Total	191,675,321	6,653,888	4,630,190	-	-	-	-
4	Of which defaulted	2,551,696	11,705	322	-	-	-	-
	Prior Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	134,818,019	6,663,742	4,062,342	-	-	-	-
2	Debt securities	33,916,772	-	-	-	-	-	-
3	Total	168,734,791	6,663,742	4,062,342	-	-	-	-
4	Of which defaulted	2,682,148	13,185	242	-	-	-	-

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

II. Explanations on Consolidated Risk Management (Continued)

d) CR4 – Standardized Approach – Credit risk exposure and credit risk mitigation (CRM) effects:

Current Period	Exposure Categories	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	62,172,505	-	64,087,002	-	-	-
2	Exposures to regional governments or local authorities	88,854	135	88,854	-	44,427	50%
3	Exposures to public sector entities	216,414	38,502	211,646	12,144	223,790	100%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to institutions	8,288,521	4,195,648	8,288,521	3,140,251	5,021,132	44%
7	Exposures to corporates	75,639,249	54,563,923	72,742,045	21,850,594	94,592,640	100%
8	Retail exposures	77,341,454	108,252,534	73,699,062	3,864,489	58,172,664	75%
9	Exposures secured by residential property	2,053,773	214,585	2,053,773	7,068	721,294	35%
10	Exposures secured by commercial real estate	5,874,054	644,681	5,874,054	262,471	4,385,645	71%
11	Past-due loans	2,000,352	-	2,000,035	-	1,439,773	72%
12	Higher-risk categories by the Agency Board	276,038	-	276,033	-	414,049	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	10,875,880	4,440	10,875,880	-	7,485,667	69%
17	Investment in equities	2,178,966	-	2,178,966	-	2,178,966	100%
18	Total	247,006,060	167,914,448	242,375,871	29,137,017	174,680,047	64%

Prior Period	Exposure Categories	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	56,898,988	-	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	Investment 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

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II. Explanations on Consolidated Risk Management (Continued)

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

Current Period										
Exposure Categories/Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total Credit Risk Exposure Amount ^(*)
1 Exposures to central governments or central banks	64,087,002	-	-	-	-	-	-	-	-	64,087,002
2 Exposures to regional governments or local authorities	-	-	-	-	88,854	-	-	-	-	88,854
3 Exposures to public sector entities	-	-	-	-	-	-	223,790	-	-	223,790
4 Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5 Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6 Exposures to institutions	-	-	3,285,531	-	7,558,431	-	584,810	-	-	11,428,772
7 Exposures to corporates	-	-	-	-	-	-	94,592,639	-	-	94,592,639
8 Retail exposures	-	-	-	-	-	77,563,551	-	-	-	77,563,551
9 Exposures secured by residential property	-	-	-	2,060,841	-	-	-	-	-	2,060,841
10 Exposures secured by commercial real estate	-	-	-	-	3,501,758	-	2,634,767	-	-	6,136,525
11 Past-due loans	-	-	-	-	1,120,523	-	879,512	-	-	2,000,035
12 Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	276,033	-	276,033
13 Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-
14 Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-
15 Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-
16 Investment in equities	-	-	-	-	-	-	2,178,966	-	-	2,178,966
17 Other Assets	3,390,187	-	32	-	-	-	7,485,661	-	-	10,875,880
18 Total	67,477,189	-	3,285,563	2,060,841	12,269,566	77,563,551	108,580,145	276,033	-	271,512,888

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

Prior Period										
Exposure Categories/Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total Credit Risk Exposure Amount
1 Exposures to central governments or central banks	60,546,907	-	-	-	-	-	-	-	-	60,546,907
2 Exposures to regional governments or local authorities	-	-	-	-	98,159	-	-	-	-	98,159
3 Exposures to public sector entities	-	-	-	-	-	-	369,238	-	-	369,238
4 Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5 Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6 Exposures to institutions	-	-	2,090,986	-	6,986,230	-	107,187	-	-	9,184,403
7 Exposures to corporates	-	-	-	-	-	-	83,804,359	-	-	83,804,359
8 Retail exposures	-	-	-	-	-	68,827,749	-	-	-	68,827,749
9 Exposures secured by residential property	-	-	-	2,266,686	-	-	-	-	-	2,266,686
10 Exposures secured by commercial real estate	-	-	-	-	2,334,604	-	2,073,224	-	-	4,407,828
11 Past-due loans	-	-	-	-	1,250,302	-	744,085	-	-	1,994,387
12 Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	489,755	-	489,755
13 Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-
14 Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-
15 Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-
16 Investment 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	-	242,515,554

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II. Explanations on Consolidated Risk Management (Continued)

3) Disclosures regarding counterparty credit risk

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

Current Period		Revaluation Cost	Potential credit risk exposure	EEPE	Alpha used for computing regulatory exposure at default	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standard approach - CCR (for derivatives)	8,372,594	1,696,301	-	1,4	5,389,885	3,201,889
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)	-	-	-	-	4,950,702	2,301,405
5	Repo transactions, marketable securities or commodity lending or borrowing transactions, transactions with a long settlement time, marketable security transactions with credit	-	-	-	-	-	-
6	Total	-	-	-	-	-	5,503,294

Prior Period		Revaluation Cost	Potential credit risk exposure	EEPE	Alpha used for computing regulatory exposure at default	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standard approach - CCR (for derivatives)	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, marketable securities or commodity lending or borrowing transactions, transactions with a long settlement time, marketable security transactions with credit	-	-	-	-	-	-
6	Total	-	-	-	-	-	4,568,939

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

	Exposure (After credit risk mitigation methods)		Risk Weighted Amounts	
	Current Period	Prior Period	Current Period	Prior Period
Total portfolio value with comprehensive approach	-	-	-	-
CVA capital adequacy	-	-	-	-
1 (i) Value at risk component (3*multiplier included)	-	-	-	-
2 (ii) Stressed Value at Risk (3*multiplier included)	-	-	-	-
3 Total portfolio value with simplified approach CVA capital adequacy	5,389,885	3,859,390	1,180,092	1,037,001
4 Total amount of CVA capital adequacy	5,389,885	3,859,390	1,180,092	1,037,001

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II. Explanations on Consolidated Risk Management (Continued)

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

Current Period									
Exposure Categories/ Risk Weight	0%	10%	20%	50%	75%	100%	150%	Others	Total Credit Risk
1 Exposures from central governments or central banks	517,262	-	-	-	-	-	-	29,845	547,107
2 Exposures from regional or local governments	-	-	-	-	-	-	-	-	-
3 Exposures from administrative units and non-commercial enterprises	-	-	-	-	-	3	-	-	3
4 Exposures from multilateral development banks	-	-	-	-	-	-	-	-	-
5 Exposures from international organizations	-	-	-	-	-	-	-	-	-
6 Exposures from banks and brokerage houses	-	-	1,395,718	6,344,001	-	485,056	-	-	8,224,775
7 Exposures from corporates	-	-	-	-	-	1,559,869	-	-	1,559,869
8 Retail receivables	-	-	-	-	8,833	-	-	-	8,833
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	517,262	-	1,395,718	6,344,001	8,833	2,044,928	-	29,845	10,340,587

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	-	-	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

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

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

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II. Explanations on Consolidated Risk Management (Continued)

e) CCR5 – Composition of collateral for CCR exposure:

Current Period	Collaterals for Derivatives				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-Local Currency	-	-	-	-	2,667,421	-
Cash - Foreign Currency	-	6,907,948	-	4,375,694	10,136,649	-
Government bond/bill-domestic	-	-	-	-	-	-
Government bond/bill-other	-	-	-	-	-	-
Public institution bonds	-	-	-	-	-	-
Corporate bond	-	-	-	-	-	-
Equity share	-	-	-	-	-	-
Other collaterals	-	-	-	-	-	-
Total	-	6,907,948	-	4,375,694	12,804,070	-

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

f) CCR6 – Credit derivatives

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

g) CCR8 – Exposures to central counterparties

	Current Period			Prior Period	
	Exposure at Default (Post – CRM)	RWA	Exposure at Default (Post – CRM)	RWA	
1 Exposure to Qualified Central Counterparties (QCCPs) Total	29,845	597	74,123	1,482	
2 Exposures for trades at QCCPs (excluding initial margin and default fund contributions) of which	-	-	-	-	-
3 (i) OTC Derivatives	-	-	-	-	-
4 (ii) Exchange-traded Derivatives	29,845	597	74,123	1,482	
5 (iii) Securities financing transactions	-	-	-	-	-
6 (iv) Netting sets where cross-product netting has been approved	-	-	-	-	-
7 Segregated initial margin	-	-	-	-	-
8 Non-segregated initial margin	-	-	-	-	-
9 Pre-funded default fund contributions	-	-	-	-	-
10 Unfunded default fund contributions	-	-	-	-	-
11 Exposures to non-QCCPs (total)	-	-	-	-	-
12 Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-	-	-	-
13 (i) OTC Derivatives	-	-	-	-	-
14 (ii) Exchange-traded Derivatives	-	-	-	-	-
15 (iii) Securities financing transactions	-	-	-	-	-
16 (iv) Netting sets where cross-product netting has been approved	-	-	-	-	-
17 Segregated initial margin	-	-	-	-	-
18 Non-segregated initial margin	-	-	-	-	-
19 Pre-funded default fund contributions	-	-	-	-	-
20 Unfunded default fund contributions	-	-	-	-	-

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II. Explanations on Consolidated Risk Management (Continued)

4. Securitization exposures:

The Bank has no securitization transactions (December 31, 2020).

5. Market risk under standardized approach

		RWA ^(**)	
		Current Period	Prior Period
	Outright products ^(*)	3,957,289	3,895,138
1	Interest rate risk (general and specific)	1,749,663	1,782,675
2	Equity risk (general and specific)	155,588	194,175
3	Foreign exchange risk	1,674,825	1,847,600
4	Commodity risk	377,213	70,688
	Options	64,263	12,075
5	Simplified approach	-	-
6	Delta-plus method	64,263	12,075
7	Scenario approach	-	-
8	Securitization	-	-
9	Total	4,021,552	3,907,213

(*) Outright Product refer to positioning products that are not optional.

(**) The Market risk represents the capital requirement multiplied by 12,5 times Risk Weighted Amount.

III. Explanations on Consolidated Foreign Exchange Risk

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

The difference between the Parent Bank's foreign currency denominated and foreign currency indexed assets and liabilities is defined as the "Net Foreign Currency Position" and is the basis of currency risk. Foreign currency denominated assets and liabilities, together with purchase and sale commitments, give rise to foreign exchange exposure ("cross currency risk").

Board of Directors has determined the limits considering the consistency with the "Foreign Currency Net General Position." Positions are being followed daily and limits are reviewed at least once a year depending on economic conditions and The Parent Bank strategy and updated as deemed necessary.

In measuring the exchange rate exposure of The Parent Bank, the "standard method" used in the legal reports and the internal method. The measurements made within the scope of the standard method are carried out monthly and the measurements made within the scope of VaR calculations are carried out on a daily basis.

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

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

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

US Dollars purchase rate in the balance sheet date TL 8,7052
 Euro purchase rate in the balance sheet date TL 10,3645

<u>Date</u>	<u>US Dollar</u>	<u>Euro</u>
June 30, 2021	8,7052	10,3645
June 29, 2021	8,7219	10,4077
June 28, 2021	8,6772	10,3646
June 25, 2021	8,6593	10,3356
June 24, 2021	8,6139	10,2828

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

The basic arithmetical average of the Parent Bank's US Dollar and Euro purchase rates for June 2021 are TL 8,5967 and TL 10,3712 respectively.

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III. Explanations on Consolidated Foreign Exchange Risk (Continued)

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⁾	11,096,133	15,330,231	1,738,532	28,164,896
Due From Banks ⁽²⁾	3,663,529	3,376,348	162,342	7,202,219
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL) ⁽³⁾	662,331	1,289,040	204	1,951,575
Money Market Placements	-	109,898	-	109,898
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVTOCI)	1,154,172	8,080,362	-	9,234,534
Loans ⁽⁴⁾	40,370,332	21,394,247	187,799	61,952,378
Investments in Assoc., Subsidiaries and Entities under Common Control	-	-	-	-
Investment Assets Measured at Amortized Cost	790,571	9,497,889	-	10,288,460
Derivative Financial Assets Hedging Purposes	6,261	440,065	-	446,326
Tangible Assets	-	-	22	22
Intangible Assets	-	-	-	-
Other Assets ⁽⁵⁾	358,803	102,296	27,396	488,495
Total Assets	58,102,132	59,620,376	2,116,295	119,838,803
Liabilities				
Bank Deposits	657,128	1,673,857	88,371	2,419,356
Foreign Currency Deposits ⁽⁶⁾	19,468,329	47,847,640	17,707,624	85,023,593
Money Market Borrowings	1,061,188	9,216,921	-	10,278,109
Funds Provided from Other Financial Institutions	12,369,326	19,782,435	16	32,151,777
Securities Issued	-	13,656,433	1,582,161	15,238,594
Miscellaneous Payables	3,553,558	3,685,769	43,561	7,282,888
Derivative Fin. Liabilities Hedging Purposes	105,671	1,302,603	-	1,408,274
Other Liabilities ⁽⁷⁾	910,973	1,155,423	35,337	2,101,733
Total Liabilities	38,126,173	98,321,081	19,457,070	155,904,324
Net Balance Sheet Position	19,975,959	(38,700,705)	(17,340,775)	(36,065,521)
Net Off-Balance Sheet Position				
Financial Derivative Assets	(19,837,947)	37,284,929	17,334,370	34,781,352
Financial Derivative Liabilities	23,377,050	104,447,249	21,911,224	149,735,523
Non-Cash Loans ⁽⁸⁾	43,214,997	67,162,320	4,576,854	114,954,171
Total Assets	11,915,797	12,962,866	544,151	25,422,814
Prior Period				
Total Assets	50,533,172	51,210,990	1,552,446	103,296,608
Total Liabilities	32,535,917	91,772,662	18,079,237	142,387,816
Net Balance Sheet Position	17,997,255	(40,561,672)	(16,526,791)	(39,091,208)
Net Off-Balance Sheet Position	(18,063,554)	38,578,070	16,523,357	37,037,873
Financial Derivative Assets	22,146,538	105,264,338	18,050,019	145,460,895
Financial Derivative Liabilities	40,210,092	66,686,268	1,526,662	108,423,022
Non-Cash Loans	9,935,011	11,239,630	345,711	21,520,352

(1) Cash and Balances with TR Central; Other FC include TL 1,672,847 (December 31, 2020 – TL 1,160,921) precious metal deposit account.

(2) There are foreign bank guarantees amounting to TL 4,067,296 (December 31, 2020 – None).

(3) Does not include TL 266,666 (December 31, 2020 – TL 239,259) of currency income accruals arising from derivative transactions and derivative financial instruments amounting to TL 218,687 (December 31, 2020 – TL 116,829) are not included under financial assets at fair value through profit and loss in accordance with TFRS 9.

(4) Includes TL 460,794 (December 31, 2020 – TL 489,555) FC indexed loans. Does not include repealed financial leasing receivables amounting to TL 1,843 (December 31, 2020 – TL 11,082) accounted as FC in balance sheet. FX indexed factoring receivables accounted as TL in balance sheet is none. (December 31, 2020 – None.)

(5) Does not include FC prepaid expenses amounting to TL 54,699 (December 31, 2020 – TL 47,634) as per BRSA's Communique published in Official Gazette no 26085 on February 19, 2006.

(6) Foreign currency deposits include TL 15,925,947 (December 31, 2020 – TL 15,484,501) of precious metal deposit account.

(7) Other Liabilities do not include the Foreign Currency Index Factoring payables amounting to TL 3,311. (December 31, 2020 – 761 TL).

(8) Does not include currency expense accruals of derivative financial instruments kept in FC accounts amounting to TL 331,141 (December 31, 2020 – TL 181,796)

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

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IV. Explanations on Consolidated Interest Rate Risk

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

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

Besides customer deposits, the Parent Bank funds its long-term fixed interest rate 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.

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⁾	15,066,309	-	-	-	-	17,576,851	32,643,160
Due From Banks ⁽³⁾	82,800	-	-	-	-	7,160,507	7,243,307
Financial Assets at Fair Value Through Profit/Loss ⁽⁴⁾	23,845	183,465	47,448	59,985	11,917	9,869,409	10,196,069
Money Market Placements	1,282,078	-	-	-	-	-	1,282,078
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) ⁽⁵⁾	1,863,158	1,956,342	3,391,129	4,469,834	6,009,786	1,907,673	19,597,922
Loans and Receivables	37,776,424	18,143,218	60,740,937	41,598,992	5,342,763	2,247,340	165,849,674
Financial Assets Measured at Amortized Cost ⁽⁶⁾	2,241,995	2,525,851	4,907,955	4,921,479	5,519,847	569,466	20,686,593
Other Assets	-	-	-	-	-	11,078,650	11,078,650
Total Assets	58,336,609	22,808,876	69,087,469	51,050,290	16,884,313	50,409,896	268,577,453
Liabilities							
Bank Deposits	1,641,156	666,606	11,031	-	-	347,300	2,666,093
Other Deposits	71,292,783	17,412,704	4,549,680	328,041	200	57,019,714	150,603,122
Money Market Borrowings	6,468,455	5,526,082	2,905,352	176,998	-	-	15,076,887
Miscellaneous Payables	7,093,041	-	-	-	-	5,844,278	12,937,319
Securities Issued	2,241,871	3,197,170	8,759,757	5,940,407	-	-	20,139,205
Funds Borrowed	2,680,806	16,735,573	9,078,992	1,994,867	4,616,140	788	35,107,166
Other Liabilities ⁽⁷⁾	1,165	227	15,907	392,363	-	31,637,999	32,047,661
Total Liabilities	91,419,277	43,538,362	25,320,719	8,832,676	4,616,340	94,850,079	268,577,453
On Balance Sheet Long Position	-	-	43,766,750	42,217,614	12,267,973	-	98,252,337
On Balance Sheet Short Position	(33,082,668)	(20,729,486)	-	-	-	(44,440,183)	(98,252,337)
Off-Balance Sheet Long Position	7,475,927	13,448,602	-	-	-	-	20,924,529
Off-Balance Sheet Short Position	-	-	(813,838)	(3,463,433)	(10,437,577)	-	(14,714,848)
Total Position	(25,606,741)	(7,280,884)	42,952,912	38,754,181	1,830,396	(44,440,183)	6,209,681

(1) Non-Interest-Bearing column includes accruals, provision for losses and derivative financial instruments' fair value valuation difference.
(2) Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank includes amount of TL 3,904 expected loss provisions.
(3) Banks include balance of expected loss provisions amounting to TL 727.
(4) Financial Assets at Fair Value Through Profit/Loss includes Derivative Financial Assets reflected to Profit/Loss amounting to TL 9,610,308.
(5) Financial Assets at Fair Value through Other Comprehensive Income includes Derivative Financial Assets reflected to Other Comprehensive Income amounting to TL 1,971,947.
(6) Financial Assets measured at amortized cost includes the balance of the expected loss provisions amounting to TL 6,267.
(7) Other liabilities includes Derivative Financial Liabilities amounting to TL 5,613,964.

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IV. Explanations on Consolidated Interest Rate Risk (Continued)

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

(Based on repricing dates)

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non- Interest Bearing ⁽¹⁾	Total
Prior Period							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank ⁽²⁾	6,501,977	-	-	-	-	20,901,085	27,403,062
Due from Banks ⁽³⁾	45,846	-	-	-	-	1,459,721	1,505,567
Financial Assets at Fair Value Through Profit/Loss ⁽⁴⁾	1,358	284,489	20,010	78,520	22,848	8,044,622	8,451,847
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	-	-	-	-	-	15,250,262	15,250,262
Total Assets	42,746,337	25,525,462	60,205,995	43,110,305	13,020,375	50,411,247	235,019,721
Liabilities							
Bank Deposits	3,436,159	1,006,656	17,509	-	-	123,020	4,583,344
Other Deposits	55,086,007	16,171,283	4,175,747	339,333	202	49,918,940	125,691,512
Money Market Borrowings	8,059,536	5,050,988	1,638,887	149,074	-	96,185	14,994,670
Miscellaneous Payables	4,589,351	-	-	-	-	4,654,255	9,243,606
Securities Issued	1,069,672	1,461,379	1,075,596	11,117,311	-	-	14,723,958
Funds Borrowed	2,387,990	16,569,149	9,644,636	142,188	3,855,730	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	16,611,903	12,099,794	3,865,864	87,550,367	235,019,721
On Balance Sheet Long Position	-	-	43,594,092	31,010,511	9,154,511	-	83,759,114
On Balance Sheet Short Position	(31,885,272)	(14,734,722)	-	-	-	(37,139,120)	(83,759,114)
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)	43,231,162	28,873,098	(33,808)	(37,139,120)	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 includes amount of TL 3,399 expected loss provisions.

⁽³⁾ Banks include balance of expected loss provisions amounting to TL 10,189.

⁽⁴⁾ Financial Assets at Fair Value Through Profit/Loss includes derivative financial assets reflected to Profit/Loss amounting to TL 7,828,472.

⁽⁵⁾ Financial Assets at Fair Value Through Other Comprehensive Income include 1,400,686 derivative financial assets used for hedging purposes.

⁽⁶⁾ Financial Assets measured at amortized cost includes the balance of the expected loss provisions amounting to TL 10,156.

⁽⁷⁾ Other Liabilities include derivative Financial Liabilities amounting to TL 8,156,463.

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IV. Explanations on Consolidated Interest Rate Risk (Continued)

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	-	-	-	13.50
Due from Banks	0.31	0.62	-	17.30
Financial Assets Measured at Fair Value through Profit/Loss	3.46	5.65	-	19.40
Money Market Placements	-	0.04	-	19.78
Financial Assets Measured at Fair Value through Other Comprehensive Income	2.58	5.35	-	17.81
Loans and Receivables	3.70	4.57	1.77	15.89
Financial Assets Measured at Amortized Cost	4.60	5.60	-	16.74
Liabilities				
Bank Deposits	0.07	0.79	-	17.78
Other Deposits	0.24	0.86	0.54	17.40
Money Market Borrowings	(0.20)	1.29	-	15.55
Miscellaneous Payables	(0.40)	-	-	-
Securities Issued	-	5.50	-	12.93
Funds Borrowed	1.63	4.29	-	12.06

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	-	-	-	12.00
Due from Banks	0.04	0.01	-	8.79
Financial Assets at Fair Value Through Profit/Loss	3.07	5.63	-	17.08
Money Market Placements	-	0.08	-	17.19
Financial Assets at Fair Value through Other Comprehensive Income	2.87	5.30	-	14.29
Loans and Receivables	4.33	5.28	5.23	14.42
Financial Assets Measured at Amortized Cost	3.76	5.55	-	14.04
Liabilities				
Bank Deposits	0.64	1.51	-	16.74
Other Deposits	0.45	1.36	0.62	15.46
Money Market Borrowings	-	1.38	-	16.71
Miscellaneous Payables	(0.39)	-	-	-
Securities Issued	-	5.58	-	17.04
Funds Borrowed	2.35	4.42	-	16.49

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

Equity Securities (shares)	Comparison		
	Carrying Value	Fair Value	Market Value
1. Equity Investments Grade A	62,353	-	62,353
Quoted Securities	62,353	-	62,353
2. Equity Investments Grade B	-	-	-
Quoted Securities	-	-	-
3. Equity Investments Grade C	-	-	-
Quoted Securities	-	-	-
4. Equity Investments Grade Other (*)	292,088	-	-

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

Portfolio	Revaluation Surpluses				Unrealized Gains and Losses	
	Gains/Losses in Current Period	Total	Amount under Supplementary Capital		Amount under Core Capital	Amount under Supplementary Capital
			Total	Total		
1. Private Equity Investments	-	-	-	-	-	-
2. Quoted Shares	53,272	-	-	108	-	108
3. Other Shares	-	-	-	-	-	-
4. Total	53,272	-	-	108	-	108

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

Liquidity Risk of the Parent Bank is monitored and managed in accordance with Liquidity Risk Management Policy. According to this policy, Board of Directors is responsible to review and approve risk profile and appetite of the Parent Bank periodically. Senior Management takes necessary measures to monitor aforementioned risk and controls liquidity risk in line with accepted strategies and policies.

Treasury Department is responsible to carry out liquidity strategy determined and approved by Board of Directors. Risk Management Department is responsible to define, measure, monitor and control liquidity risk besides developing internal and external methods and procedures which are in line with context and structure of applicable activities in The Parent Bank in order to monitor related limits. Senior management of The Parent Bank is informed periodically regarding current liquidity risk amount exposed in order to ensure being under the approved limits of the Parent Bank's liquidity risk profile. Assets and Liabilities Committee (ALCO) meetings, which ensure the necessary monitoring for liquidity risk, are held monthly. Risk Committee reviews the liquidity risk of the Parent Bank monthly in addition to aforementioned meetings and informs Board of Directors. The Parent Bank reviews its liquidity position daily. Internal and legal reports related to liquidity positions are examined in ALCO meetings monthly with the participation of senior management. Several decisions are taken related to management of short- and long-term liquidity in this scope. Internal metrics such as reserve liquidity and deposit concentration are monitored daily besides liquidity coverage rate related to measurement of liquidity coverage. Internal limit and warning level are periodically monitored and reported to related parties by the Board of Directors.

The liquidity management of the Parent Bank is decentralized; each partnership controlled by the Parent Bank is carried out independently from the Parent Bank by the authorities in charge of liquidity management. Each subsidiary subject to consolidation manages its own liquidity position separately from the Parent Bank. The amount of funds to be used by the subsidiaries from the Parent Bank is determined within the framework of the limits.

It is essential for the Parent Bank to monitor its liquidity position and funding strategy consistently. Funding management of the Parent Bank is carried out in line with limits and internal warning systems within the framework of ALCO decisions. Funding and placement strategies are developed through evaluating the liquidity of the Parent Bank. Liquidity position is evaluated and funding strategy is developed taking into consideration customer based concentration and maturity levels. While developing this strategy, it is aimed to fully utilize funding from long term and consistent resources.

A large part of the Parent Bank's liabilities consists of TL, USD and EUR. Gap reports issued based on the aforementioned three currencies are presented in ALCO meetings. Maturity mismatches based on currencies are managed through FX swap and FX forward.

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

Liquidity life cycle approach is determined as the liquidity risk stress test methodology. This approach is a stress test to measure the period in which the Parent Bank can meet its cumulative cash outflows without providing a fund from the market. Liquidity life cycle is calculated according to various scenarios and simulated in line with possible scenarios in crisis situation and the results are reported to Risk Committee and Board of Directors.

Emergency Funding Plan (EMP) of the Parent Bank regulates funding activities to be used in liquidity crisis periods specific to the Parent Bank or in liquidity crisis at financial markets. EMP defines components triggering the crisis and early warning indicators which help to evaluate and manage the liquidity crisis and determine primary funding structure. EMP also defines actions of the Parent Bank against cash and guarantee need. In addition to aforementioned issues, EMP determines duties and responsibilities in performing actions in a liquidity crisis included in risk management and emergency funding plan.

Due to the financial uncertainty caused by the coronavirus epidemic, undemonstrative liquidity management has been one of the top priorities of the Parent Bank. The Parent Bank manages LCR over the limit by keeping its high quality liquid assets at a sufficient level.

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.

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

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

Funding sources of the Group mainly consist of deposits which constitute 57% of total liabilities of the Group (December 31, 2020 - 55%) and also include repo, secured loans, syndication, securitization, bond/security issuance and other instruments including subordinated debts.

The Group effectively uses derivative transactions to manage interest and liquidity risk. Impact of derivative cash flows in terms of liquidity coverage ratio is limited. However, FX swaps used in short term foreign currency liquidity management cause liquidity coverage ratio to fluctuate due to changes in volume and one month maturity. In addition, possible cash outflow caused by margin call requirements of derivative transactions is taken into consideration in accordance with the respective regulations.

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

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

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

Liquidity Coverage Ratio

Current Period – June 30, 2021	Unweighted Amounts ^(*)		Weighted Amounts ^(*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS			47,165,304	32,151,901
1. High Quality Liquid Assets			47,165,304	32,151,901
CASH OUTFLOWS				
2. Retail and Small Business Customers Deposits	114,053,128	63,308,800	10,349,670	6,330,880
3. Stable deposits	21,112,864	-	1,055,643	-
4. Less stable deposits	92,940,264	63,308,800	9,294,027	6,330,880
5. Unsecured Funding other than Retail and Small Business Customers Deposits	41,137,293	25,352,340	22,820,011	14,039,317
6. Operational deposits	1,109,161	265,903	277,290	66,476
7. Non-Operational Deposits	32,396,953	22,028,005	16,358,324	11,161,868
8. Other Unsecured Funding	7,631,179	3,058,432	6,184,397	2,810,973
9. Secured funding			-	-
10. Other Cash Outflows	18,865,204	9,733,052	18,865,204	9,733,052
11. Liquidity needs related to derivatives and market valuation changes on derivatives transactions	18,865,204	9,733,052	18,865,204	9,733,052
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	56,955,381	1,884,586	2,847,769	94,229
15. Other irrevocable or conditionally revocable commitments	105,384,076	28,133,100	7,809,026	2,704,628
16. TOTAL CASH OUTFLOWS			62,691,680	32,902,106
CASH INFLOWS				
17. Secured Lending Transactions	162,639	105,512	-	-
18. Unsecured Lending Transactions	15,166,090	7,243,692	10,283,407	6,059,996
19. Other contractual cash inflows	17,728,035	15,511,965	17,728,034	15,511,966
20. TOTAL CASH INFLOWS	33,056,764	22,861,169	28,011,441	21,571,962
			Capped Amounts	
21. TOTAL HIGH-QUALITY LIQUID ASSETS			47,165,304	32,151,901
22. TOTAL NET CASH OUTFLOWS			34,680,239	11,601,513
23. LIQUIDITY COVERAGE RATIO (%)			136.00%	277.14%

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

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VI. Explanations on Consolidated Liquidity Risk Management and Consolidated Liquidity Coverage Ratio
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Prior 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 Amount	
21. TOTAL HIGH-QUALITY LIQUID ASSETS			40,843,086	27,825,730
22. TOTAL NET CASH OUTFLOWS			35,775,207	14,147,213
23. LIQUIDITY COVERAGE RATIO (%)			114.17%	196.69%

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

Consolidated liquidity coverage ratios related to last three months of 2021 are calculated weekly and explained in the table below according to “Regulation on Liquidity Coverage Ratio Calculation” published in the Official Gazette numbered 28948, dated March 21, 2014.

	Maximum	Week	Minimum	Week	Average
TL+FC	147.86	28/05/2021	123.51	02/05/2021	136.08
FC	448.88	28/05/2021	202.12	20/06/2021	288.54

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

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

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

The Parent Bank effectively uses derivative transactions to manage interest and liquidity risk. Impact of derivative cash flows in terms of liquidity coverage ratio is limited. However, FX swaps used in short term foreign currency liquidity management cause liquidity coverage ratio to fluctuate due to changes in volume and one-month maturity. In addition, possible cash outflow caused by margin call requirements of derivative transactions is taken into consideration in accordance with the respective regulations.

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

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

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

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⁾	17,691,066	14,955,998	-	-	-	-	(3,904)	32,643,160
Due from Banks ⁽³⁾	3,173,156	4,070,878	-	-	-	-	(727)	7,243,307
Financial Assets at Fair Value Through Profit/Loss (FVTPL) ⁽⁴⁾	279,847	263,001	678,327	3,313,125	4,481,899	1,179,870	-	10,196,069
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) ⁽⁵⁾	-	1,282,078	-	-	-	-	-	1,282,078
Loans and Receivables ⁽⁶⁾	22,570	183,243	230,406	1,093,896	8,662,488	9,405,319	-	19,597,922
Financial Assets Measured at Amortized Cost ⁽⁷⁾	-	301,612	233,941	575,004	12,107,744	7,474,559	(6,267)	20,686,593
Other Assets	182	3,166,481	22,571	34,623	1,659,865	90	6,194,838	11,078,650
Total Assets	21,166,821	54,421,115	15,229,351	55,814,254	78,915,852	34,598,780	8,431,280	268,577,453
Liabilities								
Bank Deposits	347,300	1,641,156	666,606	11,031	-	-	-	2,666,093
Other Deposits	57,019,714	71,292,784	17,412,703	4,549,680	328,041	200	-	150,603,122
Funds Borrowed	-	2,025,831	2,465,852	12,283,655	4,860,355	8,899,288	4,572,185	35,107,166
Money Market Borrowings	-	6,036,248	2,651,660	1,876,436	3,284,497	1,228,046	-	15,076,885
Securities Issued	-	1,366,487	2,761,276	8,759,758	7,251,684	-	-	20,139,205
Miscellaneous Payables	-	12,652,814	-	-	-	-	284,505	12,937,319
Other Liabilities ⁽⁸⁾	136,793	4,357,682	138,923	1,256,385	2,088,437	2,316,443	21,752,998	32,047,661
Total Liabilities	57,503,807	99,373,002	26,097,020	28,736,945	17,813,014	12,443,977	26,609,688	268,577,453
Liquidity Excess / (Gap)	(36,336,986)	(44,951,887)	(10,867,669)	27,077,309	61,102,838	22,154,803	(18,178,408)	-
Net Off- Balance Sheet Position ⁽⁹⁾	-	(31,033)	661,438	1,991,700	3,238,008	34	-	5,860,147
Receivables from financial derivative instruments	-	30,908,960	29,702,539	24,875,635	40,467,651	35,229,472	-	161,184,257
Liabilities from derivative financial instruments	-	30,939,993	29,041,101	22,883,935	37,229,643	35,229,438	-	155,324,110
Non-Cash Loans ⁽¹⁰⁾	-	8,679,774	6,855,435	14,623,307	6,696,878	428,288	7,635	37,291,317
Prior period								
Total Assets	15,622,765	48,970,236	17,747,721	47,518,042	67,651,173	28,827,382	8,682,402	235,019,721
Total Liabilities	50,138,957	82,812,471	24,535,753	19,744,618	26,620,789	5,849,926	25,317,207	235,019,721
Liquidity Excess / (Gap)	(34,516,192)	(33,842,235)	(6,788,032)	27,773,424	41,030,384	22,977,456	(16,634,805)	-
Net Off- Balance Sheet Position ⁽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

(1) The assets which are necessary to provide banking services and could not be liquidated in the short-term, such as fixed assets, investments in subsidiaries and associates, office stationery, and prepaid expenses are classified under "Unallocated" column. Unallocated other liabilities include equity amounting to TL 20,614,533, unallocated provisions amounting to TL 1,128,555 and current tax liability amounting to TL 8,237

(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 TL 3,904.

(3) Banks include balance of expected loss provisions amounting to TL 727.

(4) Financial assets at fair value through profit/loss includes fair value derivative financial assets through profit loss amounting to TL 9,610,308 (December 31, 2020 – TL 7,828,472).

(5) Financial assets at fair value through other comprehensive income includes fair value derivative financial assets through other comprehensive income amounting to TL 1,971,947 (December 31, 2020 – TL 1,400,686).

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

(7) Financial assets measured at amortized cost include TL 6,267 of expected loss provisions.

(8) Other Liabilities include Derivative Financial Liabilities amounting to TL 5,613,964 includes derivative financial liabilities reflected in FVOCI.

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

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

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

VII. Explanations on Consolidated Leverage Ratio

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

The Group's leverage ratio, calculated in accordance with the "Regulation on Measurement and Evaluation of Bank's Leverage Levels" is 6.42% (December 31, 2020: 6.60%). Subject level is above the minimum requirement which is determined as 3% by the regulation. Difference between current period and prior period leverage ratios is mostly due to increase in risk amounts of balance sheet asset items.

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

	Current Period^(**)	Prior Period^(**)
1 Total asset amount in consolidated financial statements prepared in accordance with TFRS ^(*)	266,207,124	239,576,091
2 Difference between total asset amount in consolidated financial statements prepared in accordance with TFRS and total asset amount in consolidated financial statements prepared in accordance with the Communiqué on the Preparation of Consolidated Financial Statements	551,173	539,424
3 Difference between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communiqué on the Preparation of Consolidated Financial Statements of derivative financial instruments and credit derivatives	1,713,221	1,708,901
4 Difference between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communiqué on the Preparation of Consolidated Financial Statements of investment securities or financial transaction that are commodity collateralized	79,829	11,722,092
5 Difference between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communiqué on the Preparation of Consolidated Financial Statements of off-balance transactions	121,218,495	102,348,594
6 Other differences between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communiqué on the Preparation of Consolidated Financial Statements	(1,073,005)	(847,141)
7 Total Risk Amount	388,696,837	355,047,961

(*) Consolidated financial statements prepared in accordance with the 5th clause and 6th subclause of Communiqué on the Preparation of Consolidated Financial Statements.

(**) Amounts presented above represent the arithmetic average of the last three months.

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)	254,647,921	228,404,635
(Assets deducted from capital stock)	1,073,005	847,141
Total risk amount related to Assets on Balance sheet	253,574,916	227,557,494
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	12,110,376	11,710,880
Potential credit risk amount of derivative financial instruments and credit derivatives	1,713,221	1,708,901
Total risk amount related to derivative financial instruments and credit derivatives	13,823,597	13,419,781
Financial transactions having security or commodity collateral		
Risk amount of financial transactions having security or commodity collateral	13,682	14,346
Risk amount sourcing from transactions mediated	66,147	11,707,746
Total risk amount related to financial transactions having security or commodity collateral	79,829	11,722,092
Off-Balance sheet Transaction		
Gross nominal amount of off-balance sheet transactions	174,047,550	140,280,531
(Adjustment amount sourcing from multiplying to credit conversion rates)	52,829,055	37,931,937
Total risk amount related to off-balance sheet transactions	121,218,495	102,348,594
Capital and Total Risk		
Core Capital	24,956,528	23,421,166
Amount of total risk	388,696,837	355,047,961
Financial leverage ratio		
Financial leverage ratio	6.42%	%6.60

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

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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

I. Explanations And Disclosures Related To Consolidated Assets

1. a) Information on cash and balances with the Central Bank of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	558,818	2,875,316	616,300	1,486,250
T.R. Central Bank	3,812,514	25,106,965	1,811,815	23,368,532
Others	110,836	182,615	77,629	45,935
Total	4,482,168	28,164,896	2,505,744	24,900,717

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	3,812,514	10,150,967	1,811,815	9,884,092
Restricted Time Deposits	-	14,955,998	-	13,484,440
Total	3,812,514	25,106,965	1,811,815	23,368,532

As of June 30, 2021, amount of TL 3,904 (December 31, 2020 – TL 3,399) provision provided for the account T.R. Central Bank.

As of 30 June 2021, our bank has been appointed to CBRT depending on the maturity structure, the required reserve rates for TL liabilities vary between 3% and 8% 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 according to their maturities. Gold deposit liabilities vary between 18% and 22% for gold liabilities according to their maturities.

In accordance with the “Communiqué Regarding the Reserve Requirements” at CBRT, the reserve requirements can be maintained as TL, USD, EUR and standard gold. In the period of 30 June 2021, the Bank earned interest by using 13.5% interest rate for TL required reserves.

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Given as Collateral/blocked	-	7,470	-	16,933
Subject to repurchase agreement	8,897	-	-	-
Total	8,897	7,470	-	16,933

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	114,250	-	150,165	-
Swap Transactions	2,717,441	1,493,241	2,598,768	1,660,617
Futures	-	-	-	-
Options	679	151,092	102	161,465
Total	2,832,370	1,644,333	2,749,035	1,822,082

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

3. a) Information on banks accounts:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	41,784	7,202,250	38,518	1,477,238
Domestic	41,630	131,167	38,361	127,763
Foreign	154	7,071,083	157	1,349,475
Foreign Head Offices and Branches	-	-	-	-
Total	41,784	7,202,250	38,518	1,477,238

Amount of TL 727 provision established for banks account as of June 30, 2021 (December 31,2020 – TL 10,189).

In accordance with the Uniform Chart of Accounts, which became effective as of January 1, 2021, foreign bank guarantees amounting to TL 4,067,296 as of the balance sheet date, which were among the other assets of the previous period, are reported in the line of foreign banks in the current period, the average maturity of these guarantees is 1 for months.

b) Information on foreign bank accounts:

	Unrestricted Amount		Restricted Amount (**)	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	1,137,360	604,462	4,047,250	4,423
USA and Canada	1,781,959	692,396	2,176	-
OECD Countries (*)	10,661	2,865	-	-
Off-shore Banking Regions	-	-	-	-
Other	72,769	45,486	19,062	-
Total	3,002,749	1,345,209	4,068,488	4,423

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

(**) Includes blocked placements amounting to TL 1,192 at foreign banks (December 31, 2020 - TL 349,987) for the funds borrowed from foreign banks.

4. Information on receivables from Reverse Repurchase Agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
From domestic transactions	1,172,180	-	250,154	-
T.R. Central Bank	-	-	-	-
Banks	-	-	250,124	-
Brokerage Houses	-	-	-	-
Financial institutions and organizations	1,172,180	-	-	-
Other institutions and organizations	-	-	30	-
Real persons	-	-	-	-
From foreign transactions	-	109,898	-	92,610
T.R. Central Bank	-	-	-	-
Banks	-	109,898	-	92,610
Brokerage Houses	-	-	-	-
Financial institutions and organizations	-	-	-	-
Other institutions and organizations	-	-	-	-
Real persons	-	-	-	-
Total	1,172,180	109,898	250,154	92,610

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Information on Financial Assets Measured at Fair Value through Other Comprehensive Income:

a) Information on financial assets measured at fair value through other comprehensive income subject to repurchase agreements and provided as collateral /blocked

	Current Period		Prior Period	
	TL	FC	TL	FC
Given as Collateral / Blocked	1,985,911	286,194	920,138	303,114
Subject to repurchase agreements	747,429	6,599,303	27,227	7,627,357
Total	2,733,340	6,885,497	947,365	7,930,471

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

	Current Period	Prior Period
Debt securities	18,059,604	15,282,501
Quoted on a stock exchange (*)	18,059,604	15,282,501
Unquoted on a stock exchange	-	-
Share certificates	23,021	16,806
Quoted on a stock exchange	15,240	9,025
Unquoted on a stock exchange	7,781	7,781
Impairment provision (-)**	(456,650)	(109,193)
Total	17,625,975	15,190,114

(*) The Eurobond Portfolio amounting to TL 3,456,990 (December 31, 2020 - TL 3,176,047) which is accounted for as financial assets measured at fair value through other comprehensive income were hedged under fair value hedge accounting starting from March and April 2009.

(**) As of June 30, 2021, amount of TL 3,139 (December 31,2020 – TL 2,083) provision provided for financial assets measured at fair value through other comprehensive income account.

6. Information related to loans:

a) Information on all types of loans and advances given to shareholders and employees of the Parent Bank:

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	-	54,408	2,500	45,878
Corporate Shareholders	-	54,408	2,500	45,878
Individual Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees (*)	152,579	-	149,520	-
Total	152,579	54,408	152,020	45,878

(*) Includes advances given to the bank personnel.

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

b.1) Financial assets measured at amortized cost

	Standard Loans and Other Receivables	Loans Under Close Monitoring ^(*)		
		Loans and Receivables Not Subject to Restructuring	Restructured Loans and Receivables Loans and Receivables with Revised Contract	
Cash Loans			Terms	Refinance
Non-Specialized Loans	141,525,258	7,557,425	320,008	8,243,440
Enterprise Loans	2,663,735	11,208	-	-
Export Loans	6,767,320	45,861	-	-
Import Loans	7,062	-	-	-
Financial Sector Loans	3,056,628	30	-	-
Consumer Loans	31,492,835	1,311,189	188,603	578,277
Credit Cards	21,733,785	1,709,255	-	285,684
Other	75,803,893	4,479,882	131,405	7,379,479
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	141,525,258	7,557,425	320,008	8,243,440

(*) For the Loans and Receivables classified as Stage 2 whose past due days exceed 90 days but less than 180 days and which is disclosed in the third section footnote numbered VIII, TL 958,393 (31 December 2020 - TL 929,407) and TL 539,340 provision was allocated. (31 December 2020 - TL 549,594).

	Standard Loans	Loans Under Close Monitoring
Current Period		
12 Month Expected Credit Losses	1,472,137	-
Significant Increase in Credit Risk	-	3,085,488
Prior Period		
12 Month Expected Credit Losses	1,053,915	-
Significant Increase in Credit Risk	-	2,965,900

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

The Parent Bank has classified the loan amounted to TL 139,817 (December 31, 2020 – TL 116,829) under financial assets 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 Not Subject to Restructuring	Restructured Loans
Short-term Loans	54,704,068	1,709,255	285,684
Medium and Long-term Loans	86,821,190	5,848,170	8,277,764
Total	141,525,258	7,557,425	8,563,448

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

	Short Term	Medium and Long Term	Total
Consumer Loans-TL	1,193,254	29,722,676	30,915,930
Housing Loans	2,107	3,640,670	3,642,777
Automobile Loans	1,227	26,096	27,323
Personal Need Loans	1,189,920	26,055,910	27,245,830
Other	-	-	-
Consumer Loans-FC Indexed	-	1,428	1,428
Housing Loans	-	1,272	1,272
Automobile Loans	-	-	-
Personal Need Loans	-	156	156
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	17,539,568	391,187	17,930,755
Installment	5,977,744	273,468	6,251,212
Non- Installment	11,561,824	117,719	11,679,543
Individual Credit Cards-FC	24,676	67	24,743
Installment	-	-	-
Non- Installment	24,676	67	24,743
Personnel Loans-TL	7,756	81,272	89,028
Housing Loans	-	74	74
Automobile Loans	-	-	-
Personal Need Loans	7,756	81,198	88,954
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	57,861	589	58,450
Installment	19,469	198	19,667
Non-Installment	38,392	391	38,783
Personnel Credit Cards-FC	158	-	158
Installment	-	-	-
Non-Installment	158	-	158
Overdraft Accounts-TL (Real Persons)	2,436,932	127,586	2,564,518
Overdraft Accounts-FC (Real Persons)	-	-	-
Total	21,260,205	30,324,805	51,585,010

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

e) Information on commercial installment loans and corporate credit cards

	Short Term	Medium and Long Term	Total
Commercial Loans with Installment Facility – TL	1,171,537	18,409,243	19,580,780
Real Estate Loans	315	234,887	235,202
Automobile Loans	10,300	516,095	526,395
Personal Need Loans	1,160,922	17,658,261	18,819,183
Other	-	-	-
Commercial Loans with Installment Facility - FC Indexed	-	442,228	442,228
Real Estate Loans	-	3,253	3,253
Automobile Loans	-	3,294	3,294
Personal Need Loans	-	435,681	435,681
Other	-	-	-
Commercial Loans with Installment Facility - FC	-	-	-
Real Estate Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Corporate Credit Cards –TL	5,606,664	105,589	5,712,253
Installment	2,134,423	70,236	2,204,659
Non-Installment	3,472,241	35,353	3,507,594
Corporate Credit Cards –FC	2,359	6	2,365
Installment	-	-	-
Non-Installment	2,359	6	2,365
Overdraft Accounts-TL (Legal Entities)	1,138,541	8,001	1,146,542
Overdraft Accounts-FC (Legal Entities)	-	-	-
Total	7,919,101	18,965,067	26,884,168

f) Allocation of loans by customers^(*)

	Current Period	Prior Period
Public	-	-
Private	157,646,131	138,974,639
Total	157,646,131	138,974,639

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

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

	Current Period	Prior Period
Domestic Loans	156,499,485	137,833,837
Foreign Loans	1,146,646	1,140,802
Total	157,646,131	138,974,639

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

h) Loans granted to subsidiaries and associates

	Current Period	Prior Period
Direct Loans Granted to Subsidiaries and Associates	1,880,299	1,256,220
Indirect Loans Granted to Subsidiaries and Associates	-	-
Total	1,880,299	1,256,220

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

i) Specific provisions for loans:

	Current Period	Prior Period
Provisions		
Loans and Receivables with Limited Collectability	33,762	529,166
Loans and Receivables with Doubtful Collectability	963,671	313,178
Uncollectible Loans and Receivables	6,300,577	6,290,728
Total	7,298,010	7,133,072

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

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

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectability	Loans and Other Receivables with Doubtful Collectability	Uncollectible Loans and Other Receivables
Current Period			
Gross Amounts Before the Provisions	81,374	41,487	237,780
Restructured Loans	81,374	41,487	237,780
Prior Period			
Gross Amounts Before the Provisions	38,242	44,862	316,399
Restructured Loans	38,242	44,862	316,399

j.2) Movement of non-performing loans

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectability	Loans and Other Receivables with Doubtful Collectability	Uncollectible Loans and Other Receivables
Prior Period End Balance	970,934	550,502	8,001,930
Additions (+)	107,149	742,302	85,628
Transfers from Other Categories of Non-Performing Loans (+)	63,374	979,266	499,710
Transfers to Other Categories of Non-Performing Loans (-)	974,449	499,712	68,189
Collections (-)	51,929	138,011	681,281
Non-registered (-)	-	-	257
Write-offs (-)	-	-	41,617
Debt Sells	-	-	41,617
Consumer Loans	-	-	-
Credit Cards	-	-	-
Others	-	-	-
Current Period End Balance	115,079	1,634,347	7,795,924
Specific Provision (-)	33,762	963,671	6,300,577
Net Balances on Balance Sheet	81,317	670,676	1,495,347

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

None (December 31, 2020 – None).

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

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

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectability	Loans and Other Receivables with Doubtful Collectability	Uncollectible Loans and Other Receivables
Current Period (Net)	81,317	670,676	1,495,347
Loans to Real Persons and Legal Entities (Gross)	115,079	1,634,347	7,552,818
Provision (-)	33,762	963,671	6,057,471
Loans to Real Persons and Legal Entities (Net)	81,317	670,676	1,495,347
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	243,106
Provision (-)	-	-	243,106
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	441,768	237,324	1,711,202
Loans to Real Persons and Legal Entities (Gross)	970,934	550,502	7,789,721
Specific 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)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	212,209
Specific provision (-)	-	-	212,209
Other Loans and Receivables (Net)	-	-	-
	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectability	Loans and Other Receivables with Doubtful Collectability	Uncollectible Loans and Other Receivables
Current Period (Net)			
Interest accruals and valuation differences	5,145	521,598	733,696
Provision amount (-)	3,227	305,004	510,304
Prior Period (Net)			
Interest accruals and valuation differences	441,513	61,920	705,452
Provision amount (-)	240,067	32,732	497,744

k) Liquidation policy for uncollectible loans and other receivables:

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

l) Explanations on write-off policy:

The Group'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.

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

7. Information on factoring receivables:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short Term	2,455,233	464,497	1,858,719	338,166
Medium and Long Term	10,080	-	13,562	-
Total	2,465,313	464,497	1,872,281	338,166

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

	Current Period	Prior Period
Prior Period End Balance	82,531	83,938
Provided Provision / (reversal) Net	8,969	11,779
Collections	(2,135)	(13,186)
Write-offs	-	-
Provision at the End of Period	89,365	82,531

8. Information on Financial Assets Measured at Amortized Cost

a) Information on financial assets measured at amortized cost which are subject to repurchase agreements and provided as collateral/blocked :

	Current Period		Prior Period	
	TL	FC	TL	FC
Given as Collateral / Blocked	620,042	118,107	1,943,581	-
Subject to repurchase agreements	2,821,112	7,323,336	3,545,946	7,500,243
Total	3,441,154	7,441,443	5,489,527	7,500,243

b) Information on government debt securities measured at amortized cost:

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bond	10,404,400	9,546,791	9,559,633	8,413,913
Treasury Bill	-	-	-	-
Other Public Sector Debt Securities	-	170,846	-	208,029
Total	10,404,400	9,717,637	9,559,633	8,621,942

c) Information on investments securities measured at amortized cost:

	Current Period		Prior Period	
	TL	FC	TL	FC
Debt Securities	10,404,400	10,288,460	9,559,633	9,183,723
Publicly-traded	10,404,400	10,288,460	9,559,633	9,183,723
Non-publicly traded	-	-	-	-
Provision for losses (-)	-	-	-	-
Total	10,404,400	10,288,460	9,559,633	9,183,723

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

	Current Period	Prior Period
Balance at the beginning of the period	18,743,356	16,181,302
Exchange differences on monetary assets	1,602,024	1,745,496
Acquisitions during the year	1,700,744	2,333,458
Disposals through sales and redemptions	(1,865,253)	(2,260,925)
Impairment provision (-)	-	-
Valuation Effect	511,989	744,025
The sum of end of the period	20,692,860	18,743,356

As of June 30, 2021, a provision amounting to TL 6,267 (December 31, 2020 – TL 10,156) is provided for the financial assets measured at amortized cost.

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

9. Information on investments in associates (Net):

9.1. Information on unconsolidated associates:

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

Total Assets	Shareholder's Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
317,815	262,940	97,700	7,444	-	27,999	8,961	-
34,723	27,961	26,022	639	-	2,467	6,146	-

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

(**) Current period information is based on December 31, 2020 financials. Prior period 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	14,027	5,982
Movements During the Period	-	8,045
Purchases	-	-
Bonus Shares Received	-	8,045
Dividends From Current Year Profit	-	-
Sales	-	-
Reclassifications	-	-
Increase/Decrease in Market Values	-	-
Currency Differences on Foreign Associates	-	-
Impairment Losses (-)	-	-
Balance at the End of the Period	14,027	14,027
Capital Commitments	-	-
Share Percentage at the end of the Period	-	-

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

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

9.4. Quoted Associates:

None (December 31, 2020 - None).

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

9.5. Valuation of investments in associates:

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

9.6. Investments in associates sold during the current period:

None (December 31, 2020 - None).

9.7. Investments on subsidiaries (Net):

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

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

Title	Address (City/Country)	Bank's Share – If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1. Ibtch 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.	68,322	11,752	37,699	-	-	-	(68)	-
2.	37,199	16,951	5,747	1,680	-	4,180	(4,473)	-

(*) Current period information is based on June 30, 2021 financials. Prior period profit and loss amounts are based on June 30, 2020 financials.

b) Information on the Parent Bank's consolidated subsidiaries:

b.1) Information on the consolidated subsidiaries :

Subsidiary	Address (City/Country)	Bank's Share – If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1. QNB Finans Yatırım Menkul Değerler A.Ş.	Istanbul/Turkey	99.80	100.00
2. QNB Finans Finansal Kiralama A.Ş.	Istanbul/Turkey	99.40	99.40
3. QNB Finans Portföy Yönetimi A.Ş.	Istanbul/Turkey	88.89	100.00
4. QNB Finans Faktoring A.Ş.	Istanbul/Turkey	99.99	100.00
5. QNB Finans Varlık Kiralama Şirketi A.Ş.	Istanbul/Turkey	-	100.00

Information on subsidiaries in the order as presented in the table above:

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value ^(*)
1.	1,836,564	445,735	18,069	90,194	3,546	90,953	74,342	584,000
2.	8,870,760	1,119,523	16,755	122,585	-	81,782	72,221	878,846
3.	78,067	71,252	1,267	1,084	-	6,576	5,004	58,610
4.	3,020,453	233,419	16,001	212,443	-	31,566	21,295	315,356
5.	396	383	-	-	-	-	182	-

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

b.2) Movement schedule for consolidated subsidiaries:

	Current Period	Prior Period
Balance at the Beginning of the Period	1,558,470	1,212,068
Movements during the Period	278,342	346,402
Bonus Shares Received	-	-
Purchases ^(*)	124,800	-
Dividends from Current Year Profit	-	-
Disposals ^(**)	(25,651)	-
Revaluation Difference	179,193	346,402
Impairment Provision	1,836,812	1,558,470
Balance at the End of the Period	-	-
Capital Commitments	-	-
Share Percentage at the end of the Period (%)	-	-

(*) QNB Finans Yatırım Menkul Değerler A.Ş. and QNB Finans Portföy Yönetimi A.Ş.'s capital increase in the relevant period.

(**) The sale amount of the Hemenal Finansman A.Ş pursuant to the decision of the Board of Directors dated October 19,2020.

b.3) Sectoral information on consolidated financial subsidiaries and the related carrying amounts:

	Current Period	Prior Period
Factoring Companies	315,356	287,677
Leasing Companies	878,846	758,848
Finance Companies	-	25,650
Other Subsidiaries	642,610	486,295
Total	1,836,812	1,558,470

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

b.4) Subsidiaries quoted on stock exchange

	Current Period	Prior Period
Quoted on Domestic Stock Exchanges	878,846	758,848
Quoted on International Stock Exchanges	-	-
Total	878,846	758,848

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

None.

10. Information on joint ventures:

	Address	Bank's Share-If different, Voting Rights (%)	Bank's Risk Group Share (%)
1.	Cigna Sağlık, Hayat ve Emeklilik A.Ş. Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.	Istanbul/Turkey	49.00
2.		Istanbul/Turkey	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. (*)	1,960,541	201,042	34,829	-	-	101,342	80,717	279,608
2.	162,089	109,652	42,624	-	-	11,195	4,173	-

(*) Cigna Sağlık, Hayat ve Emeklilik A.Ş., which is among the joint ventures of the Parent Bank, is accounted by the fair value method in the unconsolidated financial statements in accordance with the Turkish Financial Reporting Standards.

(**) Current period information is stated as of 31 May 2021, and prior period profit and loss amounts are based on the financial statements prepared as of 30 June 2020.

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

11. Information on lease receivables (Net):

11.1 Maturity analysis of financial lease receivables:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	3,586,700	2,994,936	2,895,127	2,422,825
Between 1-4 years	5,017,382	4,335,442	4,783,923	4,075,716
Over 4 years	679,159	646,161	715,169	674,257
Total	9,283,241	7,976,539	8,394,219	7,172,798

Finance lease receivables include non-performing finance lease receivables amounting to TL 309,911 (December 31, 2020 – TL 315,965) and specific provisions amounting to TL 163,449 (December 31, 2020 – TL 175,025).

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

	Current Period	Prior Period
End of the prior period	175,025	147,827
Provided provision / (reversal), Net	36,730	75,531
Collections	(6,689)	(4,687)
Written-off	(41,617)	(43,646)
Provision at the end of the period	163,449	175,025

11.2 Information on net Investment on Financial Lease

	Current Period	Prior Period
Gross Finance Lease Investments	9,270,340	8,376,480
Unearned Finance Income (-)	1,293,801	1,203,682
Cancelled Leasing Agreements (-)	-	-
Net Investment on Leases	7,976,539	7,172,798

11.3 Information of finance lease contracts of the Parent Bank

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

12. Information on hedging derivative financial assets:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge ^(*)	4,896,626	236,979	2,967,614	289,740
Cash Flow Hedge ^(**)	1,762,600	209,347	1,143,010	257,676
Net Investment Hedge	-	-	-	-
Total	6,659,226	446,326	4,110,624	547,416

^(*) Derivative financial instruments designated for the fair value hedge purposes comprise of swaps. As of June 30, 2021, TL 4,892,654 (December 31, 2020 - TL 2,966,278) from loans, TL 230,718 (December 31, 2020 – TL 265,248) from derivative financial instruments used in hedging the fair value risk of securities represents the fair value of derivatives which are designated as hedging instruments to hedge the fair value. In the current period, securities (December 31, 2020 – TL none) and borrowings (December 31, 2020 – TL none) do not have fair value.

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

13. Information on the investment properties:

None (December 31, 2020- None).

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

14. Information on tax asset

As of June 30, 2021, the Parent Bank has TL 2,159,426 deferred tax asset calculated under the related regulations.

According to TAS 12, the deferred tax assets and liabilities of the consolidated subsidiaries are netted off separately in their financial statements. As of June 30, 2021, the Parent Bank has deferred tax assets amounting to TL 2,159,426 and deferred tax liabilities amounting to TL 1,464,610, which arise between the carrying amount of the assets and liabilities in the balance sheet and the tax bases determined in accordance with tax legislation and calculated over the amounts to be taken into account in the calculation of financial profit / the tax liability is netted and recorded.

In cases whereby deferred tax differences arising from the differences between the carrying amounts and the taxable amounts of the assets subjected to deferred tax that are related with certain items under the shareholders' equity accounts, the deferred tax benefits/charges are netted under these accounts. The deferred tax assets amounting to TL 29,658 are netted under equity. (December 31, 2020 – TL 39,419 deferred tax assets).

	Accumulated Temporary Differences		Deferred Tax Assets/(Liabilities)	
	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
Provision for Employee Rights	583,939	631,149	116,907	126,230
Difference Between the Book Value of Financial Assets and Tax Base	1,717,903	1,380,136	343,581	276,027
Other (*)	8,494,692	5,156,827	1,698,938	1,034,795
Deferred Tax Assets			2,159,426	1,437,052
Difference Between the Book Value Financial Assets and Tax Base	(377,720)	(381,463)	(75,544)	(76,293)
Difference Between the Book Value of Financial Assets and Tax Base	(6,375,054)	(1,265,063)	(1,275,011)	(253,012)
Other	(456,674)	(368,326)	(114,055)	(73,665)
Deferred Tax Liabilities			(1,464,610)	(402,970)
Deferred Tax Assets/(Liabilities), Net			694,816	1,034,082

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

	Current Period 01.01-30.06.2021	Prior Period 01.01-30.06.2020
Deferred Tax as of January 1 Asset/ (Liability)- Net	1,034,082	445,244
Deferred Tax (Loss) / Gain	(368,834)	(275,072)
Deferred Tax that is Realized Under Shareholder's Equity	29,568	229,075
Deferred Tax Asset/ (Liability) – Net	694,816	399,247

15. Information on assets held for sale and discontinued operations

None. (31 December 2020 – None).

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

16. Information on other assets:

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

As of June 30, 2021, provision allocated for other assets amounting to TL 2,157 (December 31, 2020 – TL 8,033).

17. Information on accrued interest and income

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Derivative Financial Assets	9,491,596	2,090,659	6,859,659	2,369,498
Loans	3,883,551	745,295	3,550,643	788,150
Securities Measured at Amortized Cost	429,228	146,506	464,532	145,944
Financial Assets Measured at Fair Value through Other Comprehensive Income	80,529	(167,963)	157,628	199,644
T.R Central Bank	111,768	-	23,626	-
Receivables from Leasing Transactions	-	-	-	-
Banks	817	1	183	1
Financial Assets Measured at Fair Value through Profit/Loss	1,515	559	37	1,182
Other Accruals	33,624	687	69,085	522
Total	14,032,628	2,815,744	11,125,393	3,504,941

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations And Disclosures Related To Consolidated Liabilities

1. Information on maturity structure of deposits:

Current Period

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulated Deposit Accounts	Total
Saving Deposits	7,769,002	-	11,306,766	25,864,212	1,345,228	791,975	1,387,244	940	48,465,367
Foreign Currency	29,231,034	-	6,039,459	24,445,015	6,372,228	1,075,100	1,931,190	4,099	69,098,125
Residents in Turkey	27,654,478	-	5,798,893	23,894,561	6,256,527	1,041,594	1,338,584	4,099	65,988,736
Residents Abroad	1,576,556	-	240,566	550,454	115,701	33,506	592,606	-	3,109,389
Public Sector Deposits	536,524	-	22,081	258	1,265	67	-	-	560,195
Commercial Deposits	4,421,354	-	4,460,734	6,387,895	153,013	268,363	19,925	-	15,711,284
Other Ins. Deposits	84,234	-	39,221	510,975	28,931	178,510	333	-	842,204
Precious Metal Deposits	14,977,566	-	-	48,071	39,469	18,868	841,973	-	15,925,947
Bank Deposits	347,300	-	1,641,156	666,606	9,045	1,986	-	-	2,666,093
T.R. Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	3,929	-	-	-	-	-	-	-	3,929
Foreign Banks	325,334	-	1,641,156	666,606	9,045	1,986	-	-	2,644,127
Participation Banks	18,037	-	-	-	-	-	-	-	18,037
Other	-	-	-	-	-	-	-	-	-
Total	57,367,014	-	23,509,417	57,923,032	7,949,179	2,334,869	4,180,665	5,039	153,269,215

Prior Period

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

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

	Covered by Deposit Insurance Fund		Exceeding the Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
	Saving Deposits	24,385,370	18,829,545	24,079,997
Foreign Currency Savings Deposits	16,017,079	17,246,257	44,945,935	39,206,519
Other Saving Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
Total	40,402,449	36,075,802	69,025,932	55,503,676

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

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

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

	Current Period	Prior Period
Deposits and accounts in branches abroad	2,058	12,838
Deposits of ultimate shareholders and their close family members	-	-
Deposits of chairman and members of the Board of Directors and their close family members	315,023	223,784
Deposits obtained through illegal acts defined in the 282 nd Article of the 5237 numbered Turkish Criminal Code dated September 26, 2004.	-	-
Saving deposits in banks established in Turkey exclusively for off-shore banking activities	-	-
Total	317,081	236,622

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	226,001	-	113,425	296
Swaps	2,252,416	1,628,920	4,620,535	1,721,774
Futures	-	-	-	-
Options	499	21,482	2,924	26,523
Other	-	-	-	-
Total	2,478,916	1,650,402	4,736,884	1,748,593

^(*) Derivative financial liabilities held for trading in the current period are shown on the financial statement in 7.1 Derivative Financial Liabilities line.

3. Information on funds borrowed:

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	2,815,462	2,392,627	2,428,930	1,857,327
Foreign Banks, Institutions and Funds	139,927	21,810,375	426,826	21,183,807
Total	2,955,389	24,203,002	2,855,756	23,041,134

b) Information on maturity structure of funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	2,049,228	4,642,149	2,167,283	6,390,760
Medium and Long-Term	906,161	19,560,853	688,473	16,650,374
Total	2,955,389	24,203,002	2,855,756	23,041,134

The Parent Bank's fund sources include deposits, funds borrowed, securities issued and money market borrowings. Deposit is the most significant fund source of the Parent Bank and does not present any risk concentration with its consistent structure extended to a wide base. Funds borrowed mainly consist of funds provided by foreign financial institutions which have different characteristics and maturity-interest structure such as syndication, securitization, and post-financing. There isn't risk concentration on the fund sources of the Parent Bank.

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

As of June 30, 2021, the Group's liabilities comprise; 57% deposits (December 31, 2020 – 55%), 10% funds borrowed (December 31, 2020 – 11%), 7% issued bonds (December 31, 2020 – 6%) and 6% funds provided from money market borrowings (December 31, 2020 – 6%).

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

4. Information on funds provided under repurchase agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
From domestic transactions	2,672,643	-	3,689,555	-
Financial institutions and organizations	2,651,666	-	3,675,307	-
Other institutions and organizations	7,512	-	8,731	-
Real persons	13,465	-	5,517	-
From foreign transactions	852,598	10,278,109	782,537	10,112,950
Financial institutions and organizations	849,253	10,278,109	775,550	10,112,950
Other institutions and organizations	3,185	-	6,987	-
Real persons	160	-	-	-
Total	3,525,241	10,278,109	4,472,092	10,112,950

5. Information on marketable securities issued (Net):

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	4,900,611	1,749,093	2,153,913	829,044
Asset-backed securities	-	-	-	-
Bills	-	13,489,501	618,624	11,122,377
Total	4,900,611	15,238,594	2,772,537	11,951,421

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

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

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

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

Interest rate and cash flows of the Group are the main criteria which are taken into consideration for the determination of payment plans in the leasing contracts.

7.1. Explanations of changes in agreements and further commitments arising

No changes have been made to the leasing agreements in the current period (December 31, 2020 – None).

7.2. Information on liabilities arising from financial lease transactions

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

7.3. Information on liabilities arising from operational lease transactions

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	23,015	19,994	83,032	74,656
Between 1 - 4 years	461,610	394,716	388,365	357,258
More than 4 years	214	128	268	161
Total	484,839	414,838	471,665	432,075

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

7.4 Explanations and notes on operational lease

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

7.5. Information on “Sale -and- lease back” agreements

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

8. Information on liabilities arising from hedging purpose derivatives:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge ^(*)	-	765,314	10,389	753,935
Cash Flow Hedge ^(**)	30,674	688,658	19,101	887,562
Net Investment Hedge	-	-	-	-
Total	30,674	1,453,972	29,490	1,641,497

^(*) Derivative financial instruments for fair value hedge purposes consist of swaps. As of June 30, 2021, TL 765,314 (31 December 2020 – TL 753,935) represents the fair value of derivative financial instruments aimed at hedging the fair value risk of securities. Loans do not have value of fair value of the derivative financial instruments used in the fair value hedging transaction (31 December 2020 – TL 10,389).

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

9. Information on provisions:

9.1. Information on provision related with foreign currency difference of foreign indexed loans

	Current Period	Prior Period
Foreign Exchange Provision for Foreign Currency Indexed Loans ^(*)	-	-

^(*) The foreign exchange provision for foreign currency indexed loans netted against “Loans and Receivables” in asset.

9.2. Specific provisions for non-cash loans that are not indemnified and converted into cash or expected loss provisions for non-loans

	Current Period	Prior Period
Stage 1	139,964	119,744
Stage 2	12,649	13,505
Stage 3	49,129	48,284
Total	201,742	181,533

9.3 Information on reserve for employee rights

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

As of June 30, 2021, the Group presented the provision for severance pay of TL 319,974 (December 31, 2020 - TL 295,457) under the “Reserves for Employee Benefits” item in its financial statements.

As of June 30, 2021, the Group has shown a total vacation liability of TL 70,763 (December 31, 2020 – TL 51,498) under the “Reserves for Employee Benefits” in its financial statements.

As of June 30, 2021, TL 193,202 (December 31, 2020–TL 284,194) provision for salaries, bonuses and premiums to be paid to the personnel has been presented under the “Reserves for Employee Benefits” in its financial statements.

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

9.3.1 Movement of employee termination benefits

	Current Period	Prior Period
	01.01-30.06.2021	01.01-30.06.2020
As of January, 1	295,457	240,185
Service cost	18,548	15,910
Interest Cost	19,309	15,208
Settlement / curtailment / termination loss	4,736	2,765
Actuarial differences	(1,137)	(136)
Paid during the period	(16,939)	(17,628)
Total	319,974	256,304

9.4. Information on other provisions

9.4.1 Information on general provisions for possible risks

Other than those stated in footnotes 9.3 above, other provisions are as follows:

	Current Period	Prior Period
Credit Card Promotion Provisions	-	-
Other Provisions	342,673	321,450
Total	342,673	321,450

10. Explanations on Tax Liabilities:

10.1 Information on current tax liability

10.1.1 Information on tax provision

The current tax liability and the prepaid taxes of the consolidated subsidiaries have been offset separately in their financial statements. As of June 30, 2021, The Group's tax liability is amounting to TL 53,463 (December 31, 2020 – TL 1,223,376). As of June 30, 2021, in the attached financial statements, The Group has current tax receivables to TL 17,412 (December 31, 2020 – TL 29,628). The Group have a pre-paid tax amounting to TL 29,678 (December 31, 2020 – TL 145,634).

10.1.2 Information on taxes payable

	Current Period	Prior Period
Corporate taxes payable	23,784	1,077,742
Banking and Insurance Transaction Tax (BITT)	120,954	100,762
Taxation on Securities Income	58,442	49,371
Taxation on Real Estates Income	2,731	1,726
VAT Payable	120	39
Other	34,586	39,325
Total	240,617	1,268,965

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

10.1.3 Information on premiums

	Current Period	Prior Period
Social Security Premiums - Employee Share	14,641	13,027
Social Security Premiums - Employer Share	16,261	14,488
Pension Fund Fee and Provisions – Employee Share	30	22
Pension Fund Fee and Provisions – Employer Share	98	70
Unemployment Insurance - Employee Share	1,030	916
Unemployment Insurance - Employer Share	2,061	1,832
Other	76	57
Total	34,197	30,412

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

11. Information on payables related to assets held for sale:

None (December 31, 2020- None).

12. Information on subordinated loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Debt Instruments subject to common equity	-	4,571,397	-	3,855,730
Subordinated Loans	-	4,571,397	-	3,855,730
Subordinated Debt Instruments	-	-	-	-
Debt Instruments subject to tier 2 common equity	-	3,377,378	-	2,848,564
Subordinated Loans	-	3,377,378	-	2,848,564
Subordinated Debt Instruments	-	-	-	-
Total	-	7,948,775	-	6,704,294

On April 1, 2019, the current due date of subordinated loan of amounting to US \$ 125 million was renewed to 2029 in line with Basel III by incorporating calculation of supplementary capital.

On June 30, 2019, the current due date of subordinated loan of amounting to US \$ 525 million was renewed by applying required arrangements in line with loan 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 amount, explanation as to whether the registered share capital system is applied; if so the amount of registered share capital ceiling

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

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

None (December 31, 2020 – None).

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

None (December 31, 2020 - 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, 2020 - None).

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13.7 Information on the privileges given to stocks representing the capital

None (December 31, 2020 - None).

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

	Current Period		Prior Period	
	TL	FC	TL	FC
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 TL 714.

15. Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TL	FC	TL	FC
Associates, Subsidiaries and Entities under Common Control				
Valuation Differences	-	-	2,581	-
Foreign Exchange Rate Differences	-	-	4,123	-
Securities Measured at FV Through Other Comprehensive Income			(1,542)	-
Total	65,556	(908,223)	121,632	(597,082)
Valuation Differences	65,556	(908,223)	121,632	(597,082)
Foreign Exchange Rate Differences	-	-	-	-
Total	65,556	(908,223)	124,213	(597,082)

16. Information on accrued interest and expenses:

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Derivative Financial Liabilities	2,509,590	3,104,374	4,766,374	3,390,090
Deposits	526,274	54,131	226,006	47,573
Funds Borrowed	97,652	157,391	59,383	118,334
Money Market Borrowings	505	390,200	4,140	86,673
Issued Securities	6,040	28,772	15,002	402,770
Other Accruals	290,068	182,954	244,372	180,671
Total	3,430,129	3,917,822	5,315,277	4,226,111

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

1. Explanations on off-balance-sheet-commitments:

1.1. Type and amount of irrevocable commitments

	Current Period	Prior Period
Credit Cards Limit Commitments	40,100,462	35,495,520
Commitment For Use Guaranteed Credit Allocation	22,647,865	18,075,786
Forward Asset Purchase Commitments	4,748,059	4,836,291
Other Irrevocable Commitments	3,235,607	4,124,298
Payment Commitments for Cheques	2,877,633	2,423,033
Commitments for Promotions Related with Credit Cards and Banking Activities	56,087	83,078
Tax and Fund Liabilities due to Export Commitments	33,096	27,046
Total	73,698,809	65,065,052

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

Special provision is provided for the non-cash loans followed in the off-balance sheet accounts that are not indemnified and not liquidated yet and expected credit loss provisions for non-cash loans amounting to TL 201,742 (December 31, 2020 – TL 181,533).

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	6,993,938	6,838,598
Letters of Credit	5,143,059	3,618,937
Total	12,136,997	10,457,535

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

	Current Period	Prior Period
Final Letters of Guarantee	9,140,023	8,674,056
Letters of Guarantee	3,691,935	2,969,287
Provisional Letters of Guarantee	876,220	989,173
Letters of Guarantee Given to Customs Offices	625,329	559,009
Other Letters of Guarantee	10,820,813	9,475,881
Total	25,154,320	22,667,406

2. Total amount of non-cash loans

	Current Period	Prior Period
Non-Cash Loans granted for Obtaining Cash Loans	4,960,282	4,036,779
Less Than or Equal to One Year with Original Maturity	909,765	371,430
More Than One Year with Original Maturity	4,050,517	3,665,349
Other Non-Cash Loans	32,331,035	29,088,162
Total	37,291,317	33,124,941

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

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

	Current Period				Prior Period			
	TL	%	FC	%	TL	%	FC	%
Agricultural	53,361	0.45	151,317	0.60	41,065	0.35	92,736	0.43
Farming and Raising Livestock	43,246	0.36	16,537	0.07	31,852	0.27	16,889	0.08
Forestry	6,645	0.06	-	-	5,311	0.05	-	-
Fishing	3,470	0.03	134,780	0.53	3,902	0.03	75,847	0.35
Manufacturing	2,304,809	19.42	14,676,083	57.73	2,224,235	19.17	10,205,325	47.42
Mining and Quarrying	50,651	0.43	46,339	0.18	76,972	0.66	49,413	0.23
Production	2,043,577	17.22	14,392,555	56.61	1,948,468	16.80	9,938,395	46.18
Electricity, gas and water	210,581	1.77	237,189	0.93	198,795	1.71	217,517	1.01
Construction	3,624,474	30.54	2,840,133	11.17	3,590,417	30.94	3,005,802	13.97
Services	5,649,110	47.60	7,430,721	29.23	5,532,156	47.67	7,944,905	36.92
Wholesale and Retail Trade	3,698,439	31.16	3,879,401	15.26	3,601,179	31.03	2,388,624	11.10
Hotel, Food and Beverage Services	130,508	1.10	1,073,284	4.22	129,205	1.11	969,584	4.50
Transportation Communication	498,605	4.20	930,266	3.66	508,543	4.38	860,884	4.00
Financial Institutions	869,048	7.32	1,340,964	5.27	822,433	7.09	3,453,939	16.05
Real Estate and Renting Services	20,394	0.17	297	0.00	12,160	0.10	1,351	0.01
Self-Employment Services	241,374	2.03	150,420	0.59	216,990	1.87	126,209	0.59
Educational Services	9,165	0.08	-	-	8,959	0.08	18,080	0.08
Health and Social Services	181,577	1.53	56,089	0.22	232,687	2.01	126,234	0.59
Other	236,749	1.99	324,560	1.28	216,716	1.87	271,584	1.26
Total	11,868,503	100.00	25,422,814	100.00	11,604,589	100.00	21,520,352	100.00

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

Current Period ^(*)	I. Group		II. Group	
	TL	FC	TL	FC
Letters of Guarantee	11,511,985	13,330,091	158,679	104,436
Bill of Exchange and Acceptances	70,610	6,915,117	-	8,211
Letters of Credit	78,100	5,057,789	-	7,170
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Collaterals and Sureties	-	-	-	-
Non-cash Loans	11,660,695	25,302,997	158,679	119,817

^(*) Special provision and ECL provision of non-cash loans amounting to TL 49,129 excluded from provisions that are indemnified and liquidated under off-balance accounts.

Prior 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

^(*) Special provision and ECL provision of non-cash loans amounting to TL 48,284 excluded from provisions that are indemnified and liquidated under off-balance accounts.

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Information related to derivative financial instruments:

	Current Period	Prior Period
Types of trading transactions		
Foreign Currency Related Derivative Transactions (I)	144,808,053	161,736,590
Forward transactions ^(*)	18,476,215	15,799,910
Swap transactions	121,517,793	140,803,008
Futures transactions	834,058	2,164,747
Option transactions	3,979,987	2,968,925
Interest Related Derivative Transactions (II)	82,027,268	79,814,270
Forward rate transactions	-	-
Interest rate swap transactions	82,027,268	79,814,270
Interest option transactions	-	-
Futures interest transactions	-	-
Security option transactions	-	-
Other trading derivative transactions (III)	957,572	954,265
A. Total Trading Derivative Transactions (I+II+III)	227,792,893	242,505,125
Types of hedging transactions		
Fair value hedges	38,199,107	28,179,228
Cash flow hedges	55,264,427	45,360,970
Net investment hedges	-	-
B. Total Hedging Related Derivatives	93,463,534	73,540,198
Total Derivative Transactions (A+B)	321,256,427	316,045,323

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

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

	Forward Buy ^(**)	Forward Sell ^(**)	Swap Buy ^(*)	Swap Sell ^(*)	Option Buy	Option Sell	Futures Buy	Futures Sell	Other
Current Period									
TL	3,082,140	1,374,871	8,442,342	38,889,283	894,177	825,007	99,986	324,736	-
USD	2,902,762	5,651,434	105,049,007	64,660,184	851,601	939,750	310,767	98,569	957,572
Euro	2,923,641	1,449,983	20,615,660	41,399,698	294,785	143,985	-	-	-
Other	352,413	738,971	17,841,606	110,814	11,673	19,009	-	-	-
Total	9,260,956	9,215,259	151,948,615	145,059,979	2,052,236	1,927,751	410,753	423,305	957,572

^(*) This column also includes hedging purpose derivatives.

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

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

^(*) This column also includes hedging purpose derivatives.

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

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

5.1 Fair value hedge accounting

a) Loans

The Parent Bank applies fair value hedge accounting within the framework of TAS 39 by performing swap transactions in order to protect itself against changes that may occur in the fair value of a certain part of its long term fixed interest loans resulting from changes in market interest rates. As of the balance sheet date, the TL installment loan amounting to TL 6,047,261 (31 December 2020 - TL 4,324,987) was subject to hedge accounting with swaps with a nominal amount of TL 7,403,503 (31 December 2020 - TL 4,770,807). On 30 June 2021, a net market valuation difference gain of TL 2,617, arising from TL 318,810 expense the aforementioned loans (December 31, 2020 - TL 308,501 as expense) and TL 321,427 gain from swaps (December 31, 2020 - TL 318,019 gain), is shown under "Gains / Losses From Derivative Transactions" account in the financial statements.

Subsidiary QNB Finans Finansal Kiralama A.Ş. applies fair value hedge accounting through interest rate swaps in order to protect itself from interest rate changes in relation to its fixed rate foreign currency lease transactions. As of the balance sheet date, swaps amounting to TL 98,960 have been subject to hedge accounting as hedging instruments. As a result of the mentioned hedge accounting, in the current period, the net market valuation difference loss amounting to TL 361 before tax was recognized in the financial statements as "Profit / Loss from Derivative Financial Transactions".

According to TAS 39, fair value hedge accounting definitions, some of the fair value hedge accounting applications ceased. The fair value differences of the hedged loans are amortized through income statement until the maturity of the hedged loans. The Bank has booked the valuation effect amounting to TL 33,975 (December 31, 2020 – TL 77,019 loss) related to the loans that are ineffective for hedge accounting under "Gain / (Loss) From Financial Derivatives Transactions" as gain during the current period.

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

The Parent Bank applies fair value hedge accounting through swaps in order to hedge long term fixed coupon foreign currency eurobonds in its portfolio against interest rate fluctuations. As of the balance sheet date, eurobonds with a nominal value of USD 309,059 Million and EUR 49,8 Million (31 December 2020 – USD 320,759 Million and EUR 49,8 Million) were subject to hedge accounting by interest swaps of the same nominal value. On 30 June 2021, net market valuation difference income of TL 19, arising from, TL 54,171 expense from aforementioned eurobonds (December 31, 2020 - TL 294,155 income) and TL 54,190 income from swaps (December 31, 2020 - TL 294,438 expense), is shown under "Gains / Losses From Derivative Transactions" account in the financial statements.

The Parent Bank does not have a TL denominated government bond portfolio subject to fair value hedge accounting in the current period (December 31, 2020 - None).

c) Marketable securities issued

The Parent Bank applies fair value hedge accounting using interest rate swaps in order to hedge against changes in interest rate with regard to fixed rated, FC denominated securities issued . As of the balance sheet date, bonds with a nominal value of USD 730 Million (December 31, 2020 - USD 730 Million) are subject to hedge accounting with the same amount of swaps. As of June 30, 2021, a net market valuation difference income of TL 2,379, consisting of TL 41,148 income from the aforementioned securities (31 December 2020 – TL 183,021 expense) and TL 38,769 expense from swaps (31 December 2020 – TL 180,605 income), is shown under "Gains / Losses From Derivative Transactions" account in the financial statements.

d) Borrowings

The Bank terminates the practice of accounting when fair value hedge accounting cannot be maintained effectively 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. In this context; The Bank terminated the fair value hedge accounting application, which started on 27 December 2015, with regard to the loan amounting to EUR 30 million used, on 1 January 2020. The Bank recognized the valuation effect amounting to TL 926 (December 31, 2020 - TL 1,628) as income in the account item "Profit / Loss from Derivative Financial Transactions" in the current period, in relation to the said hedge accounting application whose effectiveness is deteriorated.

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5.1 Fair value hedge accounting (Continued)

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 TL 349,060 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 TL 1 before tax was recognized in the financial statements as “Profit / Loss from Derivative Financial Transactions”.

Subsidiary QNB Finans Finansal Kiralama A.Ş. applies fair value hedge accounting through interest and currency swaps in order to protect itself from changes in interest rates in relation to fixed interest rate TL loans. As of the balance sheet date, swaps amounting to TL 383,663 were subject to hedge accounting as hedging instruments. As of 30 June 2021, TL 708 income from the aforementioned loans and TL 714 loss from the swaps, TL 6 net market valuation difference loss was accounted in the “Profit / Loss from Derivative Financial Transactions” account in the attached financial statements.

The Subsidiary, QNB Finans Finansal Kiralama A.Ş., applies cash flow hedge accounting through interest and currency swaps in order to protect against changes in interest rate with regard to the variable rated and FC denominated loans and variable rated securities it has used. The Company applies efficiency tests for hedge accounting at every balance sheet date, the active parts are accounted under equity under the “Hedging Funds” account item in the financial statements as defined in TAS 39, and the amount related to the ineffective part is associated with the income statement. As of the balance sheet date, there are no swaps subject to hedge accounting as a hedging instrument (31 December 2020 - None)

As of June 30, 2021, it is determined that the above mentioned cash flow hedging transactions are effective in the measurement.

5.2 Cash flow hedge accounting

a) Floating Rate Loans

The Parent Bank is subject to cash flow 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 USD 875 million (31 December 2020- USD 875 million) have been subject to hedging accounting as hedging instruments. As a result of the mentioned hedging accounting, fair value loss before tax of TL 50,833 (31 December 2020 – TL 222,484) was accounted under equity in the current period. The gain amounting to TL 2 relating to the ineffective portion is accounted for at the income statement.

b) Deposit

The Parent Bank applies cash flow hedge accounting using interest rate swaps in order to hedge itself from the interest rate changes of deposits that have an average maturity of 3 months, the Bank implements cash flow hedge accounting with interest rate swaps. The Parent Bank implements efficiency tests at the balance sheet dates for hedging purposes; the effective portions are accounted for under equity “Hedging Funds”, whereas the ineffective portions are accounted for at income statement as defined in TAS 39. As at the balance sheet date, swaps amounting to TL 150,000 are subject to hedge accounting as hedging instruments (December 31, 2020 – TL 150,000). As a result of the mentioned hedge accounting, fair value gain before taxes amounting to TL 8,990 are accounted for under equity during the current period (December 31, 2020 – TL 61,956 gain). There is no ineffective portion in the mentioned hedge accounting transaction.

As of the balance sheet date, swaps with a nominal amount of USD 1,623 Million (December 31, 2020 – USD 1,708 Million) have been subject to hedge accounting with USD deposits and swaps with a nominal amount of EUR 74 million (December 31, 2020 – EUR 74 million) have been subject to hedge accounting with Euro deposits. As a result of above-mentioned hedge accounting, fair value income before taxes amounting to TL 352,608 are accounted under equity during the current period (December 31, 2020 – TL 187,599 loss). The loss amounting to TL 2,985 (December 31, 2020 – TL 1,247 loss) relating to the ineffective portion is accounted under at the income statement.

When the cash flow hedge accounting cannot be continued effectively as defined in TAS 39, the accounting application is terminated. Effective parts classified under equity due to hedge accounting are subtracted from equity and reclassified into profit or loss as a reclassification adjustment in the period or periods in which the hedged estimated cash flows affect profit or loss (such as the periods in which interest income or expense is recognized). Due to the swaps whose effectiveness was deteriorated or closed in the current period, a loss amounting to TL 14,218 was transferred from equity to the income statement (December 31, 2020 – TL 56,022 loss).

The measurements as of June 30, 2021, hedge of cash flow transactions stated above are determined as effective.

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5.3 Cash flow hedge accounting (Continued)

c) Floating Rate Liabilities

The Parent Bank applies cash flow hedge accounting using interest rate swaps in order to hedge its subordinated loans which have floating interest payment. The Bank implements efficiency tests at the balance sheet dates for hedging purposes; the effective portions are accounted for under equity “Hedging Funds”, whereas the ineffective portions are accounted for at income statement as defined in TAS 39. As at the balance sheet date, swaps amounting to USD 469 million are subject to hedge accounting as hedging instruments (December 31, 2020 – USD 485 million). As a result of the mentioned hedge accounting, fair value income before taxes amounting to TL 31,868 are accounted for under equity during the current period (December 31, 2020- TL 112,418 loss). There is no ineffective portion in the mentioned hedge accounting transaction.

On the other hand, accounting application is terminated when cash flow hedge accounting is not effectively maintained as defined in TAS 39. According to this; The valuation effects classified under equity due to hedge accounting are reflected in the income statement throughout the life of the item subject to hedge accounting. In this context; due to hedge accounting practices terminated in the current year, a loss amounting to TL 13,023 (31 December 2020 - TL 14,038) was transferred from the equity to the income statement.

The measurements as of June 30, 2021, hedge of cash flow transactions stated above are determined as effective.

6. Credit derivatives and risk exposures on credit derivatives

As of June 30, 2021, the Parent Bank has no commitments “Credit Linked Notes” (As of December 31, 2020 - None).

As of June 30, 2021, “Other Derivative Financial Instruments” with nominal amount of USD 110,000,000 (December 31, 2020: USD 130,000,000) are included in Parent Bank’s “Credit Default Swap”. In aforementioned transaction, The Bank is the seller of the protection for USD 110,000,000.

7. Information on contingent liabilities and assets

The Parent Bank has recorded a provision of TL 182,717 (December 31, 2020 - TL 157,199) for the lawsuits filed against the Bank with a high probability of occurrence, in accordance with Principle of Prudence. Except for the claims where provisions are recorded, management considers as remote the probability of a negative result in ongoing litigations and therefore does not foresee cash outflow for such claims.

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

The Group acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts.

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

MOODY’S December 2020		FITCH February 2021	
Long-Term Deposit Rating (FC)	B2	Long -Term Issuer Default Rating(FC)	B+ (Stable)
Long-Term Deposit Rating (TL)	B1	Short-Term Issuer Default Rating(FC)	B
Short-Term Deposit Rating (FC)	NP	Long-Term Issuer Default Rating(TL)	BB- (Stable)
Short-Term Deposit Rating (TL)	NP	Short-Term Issuer Default Rating(TL)	B
Main Credit Evaluation	b3	Long-Term National Appearance	AA(tur)(Stable)
Adjusted Main Credit Evaluation	b1	Support	4
Appearance	Negative	Financial Capacity Rating	b+
Long-Term Foreign Currency	B2		
Denominated Debt Rating(FC)			

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations And Disclosures Related To Consolidated Income Statement

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term Loans	3,612,824	235,096	2,211,112	154,795
Medium and Long-Term Loans	3,739,565	1,048,732	3,314,298	974,436
Non-Performing Loans	231,577	-	26,517	-
Resource Utilization Support Fund Premiums	-	-	-	-
Total^(*)	7,583,966	1,283,828	5,551,927	1,129,231

(*) 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	21,220	131	43,091	541
Foreign Banks	2,357	6,022	1,137	13,756
Foreign Headquarters and Branches	-	-	-	-
Total	23,577	6,153	44,228	14,297

(*) The interest income on Required Reserve amounting TL 170,224 excluded from interest income on Banks (June 30, 2020: TL 13,568).

c) Information on interest income on marketable securities

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets Measured at Fair Value through Profit/Loss	11,162	1,485	15,599	455
Financial Assets Measured at Fair Value through Other Comprehensive Income	512,641	245,648	337,729	198,425
Financial Assets Measured at Amortized Cost	746,763	267,591	460,159	208,607
Total	1,270,566	514,724	813,487	407,487

As stated in Section Three disclosure VII.2, the Bank has inflation indexed (CPI) government bonds in its Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) and Financial Assets Measured at Amortized Cost portfolios. As disclosed in 'Inflation Indexed Bonds Manual' published by Republic of Turkey and Ministry of 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. In this context, as of June 30, 2021, valuation of such assets is made according to estimated annual inflation rate of 14%. If valuation of these securities indexed to the CPI had been done by the reference index valid through June 30 2021, the Group's marketable securities valuation differences after tax would be decreased by TL 24 million and net profit would be increased by TL 151 million to TL 1,639,962.

d) Information on interest income received from associates and subsidiaries:

None (June 30, 2020 – None)

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations And Disclosures Related To Consolidated Income Statement (Continued)

2. a) Information on interest expense related to funds borrowed (*):

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	188,191	666,887	99,233	580,043
T.R. Central Bank	-	-	-	-
Domestic Banks	161,629	41,295	68,228	26,028
Foreign Banks	26,562	625,592	31,005	554,015
Foreign Headquarters and Branches	-	-	-	-
Other Institutions	-	-	-	-
Total	188,191	666,887	99,233	580,043

(*) 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	1,629	599

c) Information on interest expense paid to securities issued:

As of June 30, 2021, the amount paid to securities issued is TL 681,578 (June 30, 2020 – TL 557,247).

d) Information on maturity structure of interest expenses on deposits:

Account Name	Current Period		Time Deposits					Accumulated Deposit Account	Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year			
Turkish Lira									
Bank Deposits	-	13,708	24,087	-	-	-	-	-	37,795
Saving Deposits	14	711,579	1,784,598	216,986	77,758	77,977	-	-	2,868,912
Public Sector Deposits	-	773	25	78	1	-	-	-	877
Commercial Deposits	1	357,093	485,926	46,113	17,429	1,021	-	-	907,583
Other Deposits	-	2,236	32,492	6,889	13,041	16	-	-	54,674
7 Days Call Accounts	-	-	-	-	-	-	-	-	-
Total	15	1,085,389	2,327,128	270,066	108,229	79,014	-	-	3,869,841
Foreign Currency									
Deposits	3	8,154	130,262	22,506	5,641	15,270	-	-	181,836
Bank Deposits	109	14,433	4,644	83	18	-	-	-	19,287
7 Days Call Accounts	-	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	3,035	-	-	-	-	-	-	3,035
Total	112	25,622	134,906	22,589	5,659	15,270	-	-	204,158
Grand Total	127	1,111,011	2,462,034	292,655	113,888	94,284	-	-	4,073,999
Prior Period									
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	-	4,624	50	-	-	-	-	-	4,674
Saving Deposits	22	300,575	814,106	18,296	12,087	66,492	-	-	1,211,578
Public Sector Deposits	-	116	297	36	-	-	-	-	449
Commercial Deposits	2	172,958	241,549	11,934	2,008	3,320	-	-	431,771
Other Deposits	-	1,520	26,037	1,125	2,249	124	-	-	31,055
7 Days Call Accounts	-	-	-	-	-	-	-	-	-
Total	24	479,793	1,082,039	31,391	16,344	69,936	-	-	1,679,527
Foreign Currency									
Deposits	51	15,516	155,288	32,935	15,038	20,950	-	-	239,778
Bank Deposits	25	34,152	13,187	6,524	32	-	-	-	53,920
7 Days Call Accounts	-	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	1,142	-	-	-	-	-	-	1,142
Total	76	50,810	168,475	39,459	15,070	20,950	-	-	294,840
Grand Total	100	530,603	1,250,514	70,850	31,414	90,886	-	-	1,974,367

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IV. Explanations And Disclosures Related To Consolidated Income Statement (Continued)

e) Information on interest expenses on repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Expenses on Repurchase Agreements ^(*)	497,646	69,810	148,428	101,088

^(*) Includes "Interest on Money Market Transactions".

f) Information on finance lease expenses

	Current Period	Prior Period
Leasing Expenses	29,960	28,056

g) Information on interest expenses on factoring payables

None (June 30, 2020 – None).

3. Information on dividend income:

	Current Period	Prior Period
Derivative Financial Assets at Fair Value Through Profit or Loss	-	-
Financial Assets at Fair Value Through Profit or Loss	423	106
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-
Other	681	-
Total	1,104	106

4. Information on trading income/loss

	Current Period	Prior Period
Trading Gain	10,166,351	10,210,171
Gain on Capital Market Transactions	107,354	222,588
From Derivative Transactions	3,268,624	4,471,689
Foreign Exchange Gains	6,790,373	5,515,894
Trading Loss (-)	12,028,463	11,180,451
Losses on Capital Market Transactions	45,808	47,874
From Derivative Transactions	5,590,584	5,864,488
Foreign Exchange Losses	6,392,071	5,268,089
Net Trading Income/Loss	(1,862,112)	(970,280)

5. Information on other operating income

The Group recorded the current year collections from loans written off in the previous periods, portfolio management fees and expense accruals cancelations in "Other Operating Income" account.

6. Provision for losses

	Current Period	Prior Period
Expected Credit Losses	975,736	1,350,947
12 Month Expected Credit Loss (Stage 1)	402,869	456,327
Significant Increase in Credit Risk (Stage 2)	153,046	489,798
Lifetime ECL Impaired Credits (Stage 3)	419,821	404,822
Marketable Securities Impairment Provision	678	310
Financial Assets Measured at Fair Value Through Profit/Loss	-	-
Financial Assets Measured at Other Comprehensive Income	678	310
Investments in Associates, Subsidiaries and Held-to-maturity Securities		
Value Decrease		
Investment in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other	62,514	76,292
Total	1,038,928	1,427,549

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations And Disclosures Related To Consolidated Income Statement (Continued)

7. Information on other operating expenses:

	Current Period	Prior Period
Reserve for employee termination benefits ^(*)	25,696	16,255
Depreciation expenses of Fixed Assets	232,877	203,806
Amortization Expenses of Intangible Assets	84,613	72,391
Other Operating Expenses	693,084	618,188
<i>TFRS 16 Leasing expenses</i>	1,462	1,757
<i>Maintenance expenses</i>	185,149	122,315
<i>Advertisement expenses</i>	48,713	43,676
<i>Other expenses</i>	457,760	450,440
Loss on sales of assets	402	109
Other ^(**)	322,036	270,450
Total	1,358,708	1,181,199

^(*) Includes in the Personnel Expenses item in the financial statement.

^(**) Comprising repayments amounting to TL 1,354 (June 30, 2020 - TL 1,504) in respect of Consumer Arbitration Committee and courts' decision, which were fees and commissions recognized in previous year as income. Also, SDIF premium amounts and financial operation fees are included.

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

For the period ended June 30, 2021 net interest income in income items amounting to TL 5,299,594 (June 30, 2020 – TL 4,892,593), net fees and commission income amounting to TL 1,660,615 (June 30, 2020 – TL 1,277,823), and other operating income amounting to TL 185,858 (June 30, 2020 – TL 31,853) 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 June 30, 2021, the Group recorded current tax expense of TL 81,848 (June 30, 2020 - TL 68,684 current tax expense) and a deferred tax expense of TL 368,834 (June 30, 2020 – TL 275,072 deferred tax expense) reflected.

9.2. Explanations on operating profit/loss after taxes

None (June 30, 2020 – None).

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

The profit generated by the Group from continuing operations is TL 1,488,962 (30 June 2020 – TL 1,365,082), and the discontinued operation loss is none. (30 June 2020, None).

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations And Disclosures Related To Consolidated Income Statement (Continued)

11. Explanations on net income/loss for the period

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

None (June 30, 2020 – None).

11.2 Any changes in the Group's accounting estimations that might have a material effect on income statement results.

None (June 30, 2020 – None).

11.3 Profit or loss attributable to minority shares

	Current Period	Prior Period
Profit / Loss Attributable to Minority	491	433

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

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

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

VI. Explanations And Disclosures Related To Consolidated Cash Flows Statement

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

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

1.1. As of June 30, 2021, the Bank’s risk group has deposits amounting to TL 411,515 (December 31, 2020 – TL 312,688), cash loans amounting to TL 2,113 (December 31, 2020 – TL 3,131) and non-cash loans amounting to TL 60,110 (December 31, 2020 – TL 51,145).

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	-	55	2,500	45,878	631	5,212
Balance at the End of the Period	-	527	-	54,408	2,113	5,175
Interest and Commission Income	-	-	-	216	112	-

Prior Period

Parent Bank’s Risk Group ^(*)	Associates and Subsidiaries		Bank’s Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	-	-	3,192	37,126	21	5,524
Balance at the End of the Period	-	55	2,500	45,878	631	5,212
Interest and Commission Income ^(**)	-	-	-	3	3	1

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

^(**) Prior Period represents June 30, 2020 balance.

1.2. Information on deposits held by the Parent Bank’s risk group

Parent Bank’s Risk Group ^(*)	Associates and Subsidiaries		Bank’s Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the Beginning of the Period	19,218	17,880	-	-	293,470	208,189
Balance at the End of the Period	32,039	19,218	-	-	379,476	293,470
Interest on deposits ^(**)	1629	599	-	-	16,187	4,323

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

^(**) Prior Period represents June 30, 2020 balance.

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VII. Explanations And Disclosures Related To The Parent Bank’s Risk Group (Continued)

1.3. Information on forward and option agreements and similar agreements made with the Parent Bank’s risk group

Parent Bank’s Risk Group (*)	Associates and Subsidiaries		Bank’s Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions for Trading Purposes						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Income/Loss(**)	-	-	-	-	-	-
Transactions for Hedging Purposes						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Income/Loss(**)	-	-	-	-	-	-

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

(**) Prior Period represents June 30, 2020 balance.

1.4 Information regarding benefits provided to the Top Management:

As of June 30, 2021, the total amount of remuneration and bonuses paid to key management of the Group is TL 152,300 (June 30, 2020 - TL 128,766).

2. Disclosures of transactions with the Parent Bank’s risk group

2.1. Relations with entities in the risk group of / or controlled by the Parent Bank regardless of the nature of relationship among the parties

Transactions with the risk group are made on an arms-length basis; terms are set according to the market conditions and in compliance with the Banking Law.

2.2 In addition to the structure of the relationship, type of transaction, amount, and share in total transaction volume, amount of significant items, and share in all items, pricing policy and other matters

As of June 30, 2021, the rate of cash loans of the risk group divided by to total loans is 0%; (December 31, 2020 – 0%); the deposits represented 0,3% (December 31, 2020 – 2%), the ratio of total derivative transactions with derivatives risk is 0% (December 31, 2020 – 0%).

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

The Parent Bank enters into finance lease agreements with QNB Finans Finansal Kiralama A.Ş.

The Parent Bank has signed an agreement with Ibtch Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek Sanayi ve Ticaret A.Ş. regarding research, development, advisory and improvement services.

Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş., in which the Parent Bank participated with 33.33% shareholding, provides cash transfer services to the Parent Bank.

Information in regard to subordinate loans the Parent Bank received from Parent’s Bank is explained in Section 5 Note II. 12.

The Parent Bank offers agency services to Cigna Sağlık, Hayat ve Emeklilik A.Ş. that is 49.00% jointly controlled for its insurance services.

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VIII. Explanations and Disclosures Related to Subsequent Events

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

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

Date	Currency	Nominal	Interest Rate (%)	Due Date
02.07.2021	TRY	469,800	21.07%	273
02.07.2021	TRY	189,250	20.47%	98
09.07.2021	TRY	241,150	20.36%	119
14.07.2021	TRY	159,300	20.50%	93

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SECTION SIX

AUDITOR'S REVIEW REPORT

I. Explanations on Auditor's Review Report

The consolidated financial statements for the period ended June 30, 2021 have been reviewed by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. The auditor's report dated July 29, 2021 is presented preceding the consolidated financial statements.

II. Explanations and Notes Prepared by Independent Auditors

None (December 31, 2020 – None).

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SECTION SEVEN
CONSOLIDATED INTERIM ACTIVITY REPORT

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

Message by the Chairman

Dear Shareholders,

We have come to the most important stage in the pandemic period, which we have been living with for about 18 months and left its mark on history. We are hopeful for the second half of the year with a rapid and intensive vaccination program.

In addition to the supportive fiscal and monetary policies, the global economy is following a very strong course this year thanks to the rapid vaccination. In Turkey, robust 7 percent growth rate attained in the first quarter of the year is expected to rise to double digits in the second quarter of 2021. We believe that economic growth will continue in the second half of the year on the back of the recovery in the service sector, especially in the tourism sector, and the momentum in the global economy.

As recovery in the economy is among our top priorities and it is necessary to make this sustainable. It is important that the vaccination continues quickly, so that a possible lockdown is not put into the agenda again. In addition, we believe that the developments in the markets should be closely monitored, and policies that will limit the impacts of possible fluctuations on the economy should be empowered and maintained. Struggling against inflation and maintaining tight fiscal policies are likely to be the most critical topics for the upcoming period.

In addition to these economic developments, we entered a new era in terms of working life and the way of doing business. The pandemic showed us the importance of digitalization and technological infrastructure. We are in a new era now. Institutions that have completed the digitalization process and kept their technological infrastructure strong will progress faster on this path. At QNB Finansbank, we have positioned ourselves among the most powerful banks in this period with our long-standing digitalization investments.

In addition to our banking services, we remember our social responsibility projects and our duties for sustainable development. In May, we increased and renewed our syndicated loan and obtained a total of USD 335 million financing from international banks. This funding was achieved through commitments to sustainable development. We issued our first green bond by EBRD in June. The Bank's first green bond issuance of USD 50 million is also the EBRD's first green bond investment in a bank in Turkey. We continue to work harder in order to prepare more children for the future under the Small Hands Big Dreams ("Minik Eller Büyük Hayaller") platform.

We maintained our steady growth in the fight against COVID, in the first 6 months of 2021. As of 30 June 2021, the total assets of QNB Finansbank increased by 14 percent, compared to the end of 2020, reaching TL 268 billion 577 million, while net loans grew by 13 percent to TL 165 billion 989 million, and customer deposits rose by 20 percent to TL 150 billion 603 million. Within the first 6 months of 2021, the Bank's net period profit realized at TL 1 billion 489 million.

I would like to thank once again all my colleagues for contributing to this growth with their support and dedication, despite the challenging conditions of the pandemic, their families for supporting them throughout the pandemic, our customers, and all our stakeholders for their contributions.

Kind regards,

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

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Message by the General Manager

Dear Shareholders and Board Members,

Although we spent the first half of 2021 with full lockdown under pandemic conditions, we closed this period with promising developments thanks to the studies on health and the start of the rapid vaccination program.

As of 1 July 2021, we entered a very fast recovery period with the implementation of vaccination to all our citizens over the age of 18 and the realization of economic and social opening. We continued to maintain our steady growth in the first 6 months of 2021.

As of 30 June 2021, the total assets of QNB Finansbank increased by 14 percent, compared to the end of 2020, reaching TL 268 billion 577 million. In the same period, net loans grew by 13 percent to TL 165 billion 989 million, while customer deposits increased by 20 percent to TL 150 billion 603 million. Within the first 6 months of 2021, the Bank's net profit increased by 9 percent compared to the same period of the last year, and reached TL 1 billion 489 million.

As had been the case for the last 18 months, we prioritized the protection of the health of our employees and customers in the first 6 months of 2021, and we accelerated our efforts aimed at supporting the economic growth and the real sector.

We continued our support to the real sector without slowing down, with KOSGEB loans, "back to work" loans with no principal payments for 9 months, and interest-free loan options worth TL 20 thousand. Thanks to the Digital Bridge, we enabled many services to support the technological infrastructure of SMEs to quickly adapt to the new digital age.

In this period, we launched the digital intelligence Q, which will be the future of the banking sector and will touch the entire financial life of retail customers by QNB Finansbank. Q enables the banking to reach a new technological dimension.

In May, we increased and renewed our syndicated loan and obtained a total of USD 335 million financing from international banks. With this transaction, which was carried out based on sustainability performance criteria, QNB Finansbank added a new one to its efforts for sustainable development. And in June, our Bank issued its first green bond by EBRD. The Bank's first green bond issuance of USD 50 million is also the EBRD's first green bond investment in a bank in Turkey.

At QNB Finansbank, we made a difference in the first half of 2021 with our digital investments and efforts. Our strength in this area now stands out both in corporate and personal banking.

Our Digital Bridge platform ranked among the top 10 banks worldwide under the "Top Innovations in Corporate Finance" category within the scope of Global Finance "The Innovators 2021". 'Mono' application, one of the first term winners of the idea camp of QNB Finansbank's in-house entrepreneurship program QNBeyond, was awarded the "Best Mobile Application of the Year" under "Software as a Service" category at the IDC Cloud Technologies summit by senior executives of the IT industry.

In addition to our banking activities and our contributions to the economy, we fulfill our responsibilities for a sustainable world. We continue our efforts to contribute to the future of our children under the Small Hands Big Dreams ("Minik Eller Büyük Hayaller") platform.

I would like to thank our devoted employees, supportive customers, and all our strategic business partners and correspondent banks for their efforts in these challenging period.

Kind regards,

Temel Güzeloğlu
General Manager
QNB Finansbank A.Ş.

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Summary Consolidated Financials Belonging to the Period of June 30, 2021

Principal Financial Indicators (Million TL)	June 30, 2021	December 31, 2020
Total Loans	165,989	146,449
Securities	38,759	34,301
Total Assets	268,577	235,020
Customer Deposits	150,603	125,692
Equity	20,615	19,241

	June 30, 2021	June 30, 2020
Net Interest Income	5,300	4,893
Net Fee and Commission Income	1,661	1,278
Provision for Loans and Other Receivables (-)	1,039	1,428
Profit Before Tax	1,940	1,709
Tax Provision	451	344
Net Profit for the Period	1,489	1,365

As of June 30, 2021, compared to 2020 year-end assets of the Group increased by 14% and realized TL 268 billion and 577 million. When compared with the end of year 2020, total loans increased by 13% and reached TL 165 billion and 989 million while Customer Deposits increased by 20% and realized by TL 150 billion and 603 million.

Net interest income of the first six-month of year 2021 compared to same period of the prior year, grew by 8% and reached TL 5 billion 300 million. At the same period, net fees and commission income grew by 30% and reached TL 1 billion 661 million. Consolidated profit of the Group before tax of the first six-month period reached TL 1 billion 940 million and the consolidated net profit came in at TL 1 billion 489 million.

As of June 30, 2021, total consolidated shareholders' equity increased by 7% compared with the end of the year and reached to TL 20 billion 615 million. The capital adequacy ratio of the Group has been realized as 15.15% as of 30 June 2021.

As of June 30, 2021, the Group has operated with 466 branches and 12,202 employees.

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

Assets

The Group maintained its customer-oriented activities during year 2021 and continued to grow mainly in corporate banking and retail loans. As of June 30, 2021, total consolidated performing loans increased by 13% and reached TL 165 billion 989 million in 2021 while total consolidated assets increased by 14% and reached TL 268 billion and 577 million compared to the end of the previous year. In 2021, the Parent Bank continued to grow corporate credits (Corporate, Commercial, SME and Working Capital Loans), which strategically emphasized, and realized a 13% increase in corporate loans compared to the end of 2020.

Liabilities

As of June 30, 2021, shareholders' equity of the Group increased by 7% and reached TL 20 billion and 615 million and total customer deposits of the Group increased by 20% and reached TL 150 billion and 603 million compared to year-end of 2020.

Profitability

In the first six months period of 2021 compared to same period of prior year, the Group's net interest income increased by 8% and reached TL 5 billion and 300 million and net fees and commission income grew by 30% and reached TL 1 billion 661 million. Profit before tax of the Parent Bank reached TL 1 billion 940 million and the net profit for the period reached TL 1 billion 489 million.

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Solvency

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

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

General Grants realized during the Period

General grants realized as of June 30, 2021 was TL 813.

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