

QNB FİNANSBANK ANONİM ŞİRKETİ

**INDEPENDENT AUDITOR’S AUDIT REPORT,
UNCONSOLIDATED FINANCIAL STATEMENTS AND
NOTES FOR THE YEAR ENDED DECEMBER 31, 2020**
(Convenience translation of unconsolidated financial statements and independent
auditor’s audit report originally issued in Turkish, See Note I. of Section three)

To the General Assembly of QNB Finansbank Anonim Şirketi

Report on the Audit of Financial Statements

Opinion

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

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the financial position of QNB Finansbank A.Ş. as at December 31, 2020 and financial performance and its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as in accordance with “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette no.26333 dated 1 November 2006 and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency (BRSA), circulars, interpretations published by BRSA and “BRSA Accounting and Financial Reporting Legislation” which includes the provisions of Turkish Financial Reporting Standards (TFRS) for the matters which are not regulated by these regulations.

Basis for Opinion

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

Key Audit Matters

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



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Key Audit Matter	How the matter is addressed in our audit
<p><i>Recognition of impairment on financial assets within the scope of TFRS 9 “Financial Instruments” Standard and related significant disclosures</i></p> <p>As presented in Section 3 disclosure VIII and Section 5 disclosure I.6, the Bank recognizes expected credit losses of financial assets in accordance with TFRS 9. We considered the impairment of financial assets as a key audit matter since:</p> <ul style="list-style-type: none"> - Amount of on and off balance sheet items that are subject to expected credit loss calculation is material to the financial statements. - There are complex and comprehensive requirements of TFRS 9. - The classification of the financial assets is based on the Bank’s business model and characteristics of the contractual cash flows in accordance with TFRS 9 and the Bank uses significant judgment on the assessment of the business model and identification of the complex contractual cash flow characteristics of financial instruments. - Policies implemented by the Bank management include compliance risk to the regulations and other practices. - Complex and intensive control environment in processes with TFRS 9 - Judgements and estimates used in expected credit loss calculation are complex and comprehensive. - Disclosure requirements of TFRS 9 are comprehensive and complex. 	<p>Our audit procedures included among others include:</p> <ul style="list-style-type: none"> - Evaluating the appropriateness of accounting policies as to the requirements of TFRS 9, Bank’s past experience, local and global practices. - Reviewing and testing of processes which are used to calculate expected credit losses by involving our Information technology and Process audit specialists. - Evaluating the reasonableness of management’s key judgements, estimates and data sources used in expected credit loss calculations including responses to COVID and also considering the standard requirements, sectorial, local and global practices. - Reviewing the appropriateness of criteria in order to identify the financial assets having solely payments of principal and interest and checking the compliance to the Bank’s Business model. - Assessing the appropriateness of definition of significant increase in credit risk, default criteria, modification, probability of default, loss given default, exposure at default and forward looking assumptions together with the significant judgements and estimates used in these calculations to regulations and bank’s past performance. Evaluating the alignment of those forward looking parameters to Bank’s internal processes where applicable. - Evaluating the impact of the Covid-19 outbreak on staging of loans and macroeconomic parameters used in expected credit losses together with forward-looking estimates and significant assumptions. - Assessing the completeness and the accuracy of the data used for expected credit loss calculation. - Testing the mathematical accuracy of expected credit loss calculation on sample basis. - Evaluating the judgments and estimates used for the individually assessed financial assets. - Evaluating the accuracy and the necessity of post-model adjustments. - Auditing of TFRS 9 disclosures.

Responsibilities of Management and Directors for the Unconsolidated Financial Statements

<i>Hedge Accounting</i>	
<p>As explained in Section 5 Note I.12 and II.8, the Bank enters into hedging transactions and applies hedge accounting in order to manage the interest rate and foreign currency rate risks. The Bank uses derivative financial instruments and other hedging relationships to hedge its financial risks such as loans and receivables, financial assets at fair value through other comprehensive income, deposits, securities issued and borrowings. Hedge accounting is considered to be 'key audit matter' due to the potential risks on eligibility of hedge relationship in accordance with TAS 39 'Financial Instruments: Recognition and Measurement', effectiveness of the tests, fair value calculation of financial instruments, documentation and termination of hedge relationship including the effect of termination on the carrying amount of assets.</p>	<p>In addition to general audit procedures our audit procedures include the re-calculation of fair values of derivative financial instruments, assessment of the financial risk components, documentation of all hedging relationships, examination of the effectiveness tests, the review of hedge accounting records, evaluating the appropriateness of the carrying amount of the asset in accordance with the relevant standards in case of a termination.</p>
<i>Valuation of Derivative Financial Instruments</i>	
<p>Foreign currency forward transactions, currency and interest rate swap transactions, money options, money futures transactions and all other derivative financial instruments are recorded at fair value on the balance sheet and their fair values are subject to continuous revaluation. Details of the related amounts are explained in Section 5 Note I.2.c and Note II.2.</p> <p>The fair value of derivative financial instruments is determined by selecting the most appropriate market data and applying valuation techniques for certain products. Due to the assumptions, estimates and subjectivity used in these applications, derivative financial instruments are considered as a key audit matter by us.</p>	<p>In addition to our auditing procedures, include reviewing the fair valuation policies as determined by the Bank Management, checking the fair value calculations of the derivative financial instruments chosen by the sample as valuation experts, evaluating the assumptions and estimates used, operational evaluation and testing.</p>

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

Hatice Dilek Çilingir Köstem, SMMM
Partner



January 28, 2021
Istanbul, Turkey

**THE UNCONSOLIDATED FINANCIAL REPORT OF QNB FINANSBANK A.Ş.
FOR THE YEAR ENDED DECEMBER 31, 2020**

The Bank's;

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Phone number : (0 212) 318 50 00

Facsimile number : (0 212) 318 56 48

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

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

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED YEAR END FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON THE UNCONSOLIDATED YEAR END FINANCIAL STATEMENTS OF THE BANK
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK
- FOOTNOTES AND EXPLANATIONS ON UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDIT REPORT

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

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 Güzelöğlu
General Manager
and Member of the
Board of Directors

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

Ercan Sakarya
Director of Financial, Statutory
Reporting and
Treasury Control

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

Name-Surname/Title : Elif Akan / Financial Reporting Manager

Phone Number : (0 212) 318 57 80

Facsimile Number : (0 212) 318 55 78

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

**QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

**SECTION ONE
GENERAL INFORMATION**

I. Explanatory Note On The Establishment Date, Nature Of Activities And History Of The Bank

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

II. Information About The Bank’s Shareholding Structure, Shareholders Who Individually Or Jointly Have Power To Control The Management And Audit Directly Or Indirectly, Changes Regarding These Subjects During The Year, If Any, And Information About The Controlling Group Of The Bank

A share sales agreement has been concluded between National Bank of Greece S.A. (NBG), principal shareholder of the Bank in previous periods, and Qatar National Bank Q.P.S.C. (“QNB”) regarding the direct or indirect sales of NBG’s shares, owned by affiliates and current associations of the Bank, at the rate of 99.81% to QNB at a price of 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 Bank has decided to change the logo and the name of the company within the scope of the main shareholder change and brand strategies the new logo and the company name of The Bank has started to be used as "QNB FİNANSBANK" as of October 20, 2016 and the company name started to be used with the registration of the General Assembly Resolution dated November 24, 2016 on November 30, 2016. According to the decision dated January 17, 2018 which was taken by the General Assembly. The Bank's trade name is changed from “FİNANS BANK A.Ş” to “QNB FİNANSBANK A.Ş” as of January 19, 2018.

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

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

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QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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

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

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

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

IV. Information About The Persons And Institutions That Have Qualified Shares

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

V. Explanations on the Bank's Services and Activities

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

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AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)**

**QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

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

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

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

All other subsidiaries are fully consolidated.

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

None.

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

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- VI. Statement of Cash Flows
- VII. Statement of Unconsolidated Profit Appropriation

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

QNB FİNANSBANK ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENTS OF BALANCE SHEET – ASSETS (STATEMENT OF FINANCIAL POSITION)

FOR THE YEAR ENDED DECEMBER 31, 2020

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

I. BALANCE SHEET – ASSETS

ASSETS	Section 5 Note I	Audited Current Period 31.12.2020			Audited Prior Period 31.12.2019		
		TL	FC	Total	TL	FC	Total
I. FINANCIAL ASSETS (NET)		15,767,544	38,536,436	54,303,980	16,357,998	26,909,820	43,267,818
1.1 Cash and Cash Equivalents		2,743,414	26,458,913	29,202,327	4,561,447	18,081,828	22,643,275
1.1.1 Cash and Balances with Central Bank	(1)	2,505,740	24,900,717	27,406,457	1,127,557	17,622,984	18,750,541
1.1.2 Banks	(3)	1,117	1,465,586	1,466,703	400,735	458,844	859,579
1.1.3 Money Markets	(4)	250,124	92,610	342,734	3,040,962	-	3,040,962
1.1.4 Expected Credit Losses (-)		13,567	-	13,567	7,807	-	7,807
1.2 Financial Assets at Fair Value Through Profit or Loss	(2)	237,865	333,073	570,938	231,713	103,236	334,949
1.2.1 Government Debt Securities		202,789	87,413	290,202	207,149	16,398	223,547
1.2.2 Equity Instruments		25,099	-	25,099	24,564	-	24,564
1.2.3 Other Financial Assets		9,977	245,660	255,637	-	86,838	86,838
Financial Assets at Fair Value Through Other							
1.3 Comprehensive Income	(5)	5,800,847	9,380,242	15,181,08	4,784,881	7,558,560	12,343,441
1.3.1 Government Debt Securities		5,793,173	9,380,242	15,173,415	4,777,207	7,352,489	12,129,696
1.3.2 Equity Securities		7,674	-	7,674	7,674	182,123	189,797
1.3.3 Other Financial Assets		-	-	-	-	23,948	23,948
1.4 Derivative Financial Assets	(12)	6,985,418	2,364,208	9,349,626	6,779,957	1,166,196	7,946,153
1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss		5,842,408	2,106,532	7,948,940	5,465,362	1,120,949	6,586,311
1.4.2 Derivative Financial Assets at Fair Value Through Other							
1.4.2 Comprehensive Income		1,143,010	257,676	1,400,686	1,314,595	45,247	1,359,842
FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)		102,376,171	54,959,411	157,335,582	83,819,597	42,946,245	126,765,842
2.1 Loans	(6)	103,582,764	45,775,688	149,358,452	83,618,617	35,353,734	118,972,351
2.2 Lease Receivables	(11)	-	-	-	-	-	-
2.3 Factoring Receivables	(11)	-	-	-	-	-	-
2.4 Other Financial Assets Measured at Amortized Cost	(7)	9,559,633	9,183,723	18,743,356	8,588,791	7,592,511	16,181,302
2.4.1 Government Debt Securities		9,559,633	8,621,942	18,181,575	8,588,791	7,028,183	15,616,974
2.4.2 Other Financial Assets		-	561,781	561,781	-	564,328	564,328
2.5 Expected Credit Losses (-)		10,766,226	-	10,766,226	8,387,811	-	8,387,811
III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)	(17)	-	-	-	-	-	-
3.1 Held for Sale Purpose		-	-	-	-	-	-
3.2 Related to Discontinued Operations		-	-	-	-	-	-
IV. EQUITY INVESTMENTS		1,892,950	-	1,892,950	1,492,873	-	1,492,873
4.1 Investments in Associates (Net)	(8)	14,026	-	14,026	5,982	-	5,982
4.1.1 Associates Valued Based on Equity Method		-	-	-	-	-	-
4.1.2 Unconsolidated Associates		14,026	-	14,026	5,982	-	5,982
4.2 Subsidiaries (Net)	(9)	1,596,516	-	1,596,516	1,250,114	-	1,250,114
4.2.1 Unconsolidated Financial Subsidiaries		1,558,470	-	1,558,470	1,212,068	-	1,212,068
4.2.2 Unconsolidated Non-Financial Subsidiaries		38,046	-	38,046	38,046	-	38,046
4.3 Entities under Common Control (Joint Venture) (Net)	(10)	282,408	-	282,408	236,777	-	236,777
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2 Unconsolidated Joint Ventures		282,408	-	282,408	236,777	-	236,777
V. TANGIBLE ASSETS (Net)	(13)	3,476,263	18	3,476,281	3,376,309	40	3,376,349
VI. INTANGIBLE ASSETS (Net)	(14)	504,698	-	504,698	438,280	-	438,280
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		504,698	-	504,698	438,280	-	438,280
VII. INVESTMENT PROPERTY (Net)	(15)	-	-	-	-	-	-
VIII. CURRENT TAX ASSET		-	-	-	-	-	-
IX. DEFERRED TAX ASSET	(16)	931,700	-	931,700	348,688	-	348,688
X. OTHER ASSETS (Net)	(18)	3,779,894	5,028,263	8,808,157	2,778,178	3,212,483	5,990,661
TOTAL ASSETS		128,729,220	98,524,128	227,253,348	108,611,923	73,068,588	181,680,511

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENTS OF BALANCE SHEET – LIABILITIES (STATEMENT OF FINANCIAL POSITION)

FOR THE YEAR ENDED DECEMBER 31, 2020

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

I. BALANCE SHEET – LIABILITIES AND EQUITY

		Audited 31.12.2020			Audited 31.12.2019		
	Section 5 Part II	TL	FC	TOTAL	TL	FC	TOTAL
I. DEPOSITS	(1)	48,414,473	82,145,258	130,559,731	46,797,181	58,828,602	105,625,783
II. FUNDS BORROWED	(3)	486,735	19,705,289	20,192,024	380,249	14,929,160	15,309,409
III. MONEY MARKETS	(4)	4,376,444	10,112,950	14,489,394	267,816	8,797,038	9,064,854
IV. SECURITIES ISSUED (Net)	(5)	1,554,964	11,951,421	13,506,385	3,954,629	9,131,345	13,085,974
4.1 Bills		1,502,745	829,044	2,331,789	3,954,629	116,648	4,071,277
4.2 Asset Backed Securities		-	-	-	-	-	-
4.3 Bonds		52,219	11,122,377	11,174,596	-	9,014,697	9,014,697
V. FUNDS		-	-	-	-	-	-
5.1 Borrower Funds		-	-	-	-	-	-
5.2 Other		-	-	-	-	-	-
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT & LOSS		-	-	-	-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES		4,773,704	3,303,648	8,077,352	3,453,855	1,525,079	4,978,934
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss	(2)	4,754,603	2,416,086	7,170,689	2,966,468	1,292,986	4,259,454
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(8)	19,101	887,562	906,663	487,387	232,093	719,480
VIII. FACTORING PAYABLES		-	-	-	-	-	-
IX. LEASE PAYABLES (Net)	(7)	444,009	2,666	446,675	432,658	15,072	447,730
X. PROVISIONS	(9)	1,064,819	-	1,064,819	875,641	-	875,641
10.1 Restructuring Provisions		-	-	-	-	-	-
10.2 Reserve for Employee Benefits		589,451	-	589,451	529,565	-	529,565
10.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4 Other Provisions		475,368	-	475,368	346,076	-	346,076
XI. CURRENT TAX LIABILITY	(10)	1,063,699	-	1,063,699	205,582	-	205,582
XII. DEFERRED TAX LIABILITY		-	-	-	-	-	-
XIII. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	(11)	-	-	-	-	-	-
13.1 Held for Sale		-	-	-	-	-	-
13.2 Discontinued Operations		-	-	-	-	-	-
XIV. SUBORDINATED DEBT INSTRUMENTS	(12)	-	6,704,294	6,704,294	-	5,432,553	5,432,553
14.1 Subordinated Loans		-	6,704,294	6,704,294	-	5,432,553	5,432,553
14.2 Other Debt Instruments		-	-	-	-	-	-
XV. OTHER LIABILITIES		6,916,521	5,010,033	11,926,554	5,482,130	4,486,862	9,968,992
XVI. SHAREHOLDERS' EQUITY		20,422,006	(1,199,585)	19,222,421	17,318,226	(633,167)	16,685,059
16.1 Paid-in Capital	(13)	3,350,000	-	3,350,000	3,350,000	-	3,350,000
16.2 Capital Reserves		714	-	714	714	-	714
16.2.1 Share Premium	(14)	714	-	714	714	-	714
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		-	-	-	-	-	-
16.3 Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss		1,163,907	-	1,163,907	872,251	101,267	973,518
16.4 Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss		119,918	(1,199,585)	(1,079,667)	(103,930)	(734,434)	(838,364)
16.5 Profit Reserves		13,199,191	-	13,199,191	10,577,034	-	10,577,034
16.5.1 Legal Reserves		670,000	-	670,000	670,000	-	670,000
16.5.2 Status Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		12,529,191	-	12,529,191	9,907,034	-	9,907,034
16.5.4 Other Profit Reserves		-	-	-	-	-	-
16.6 Profit/Loss		2,588,276	-	2,588,276	2,622,157	-	2,622,157
16.6.1 Prior Periods' Profit/Loss		101,267	-	101,267	-	-	-
16.6.2 Current Period's Net Profit/Loss		2,487,009	-	2,487,009	2,622,157	-	2,622,157
16.7 Minority Interest		-	-	-	-	-	-
TOTAL LIABILITIES		89,517,374	137,735,974	227,253,348	79,167,967	102,512,544	181,680,511

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES
FOR THE YEAR ENDED DECEMBER 31, 2020

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

II. STATEMENT OF OFF-BALANCE COMMITMENTS AND CONTINGENCIES

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

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ

**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2020
(STATEMENT OF INCOME/LOSS)**

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

III. STATEMENT OF PROFIT OR LOSS

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

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ

**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME FOR THE YEAR ENDED PERIOD THEN ENDED DECEMBER 31, 2020**

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

IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED PERIOD
THEN ENDED DECEMBER 31, 2020

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

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

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

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

(**) Accumulated amount of cash flow hedge gains / losses, equity attributable to equity holders of the Bank for profit or loss from other comprehensive income and other comprehensive income to be reclassified to other profit or loss

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

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

VI. STATEMENT OF CASH FLOWS

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

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

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

**QNB FİNANSBANK ANONİM ŞİRKETİ
STATEMENT OF UNCONSOLIDATED PROFIT APPROPRIATION
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

VII. STATEMENT OF UNCONSOLIDATED PROFIT APPROPRIATION

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

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

The accompanying notes are an integral part of these financial statements

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED PERIOD THEN ENDED DECEMBER 31, 2020
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION THREE

ACCOUNTING POLICIES

I. Basis of Presentation

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

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

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

Explanation For Convenience Translation to English

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

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

Accounting policies and valuation principles used in the preparation of the financial statements are determined and applied, in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency (“BRSA”), and are consistent with the accounting policies applied in the annual financial statements prepared for the year ended December 31, 2019 with the exception of the application of new regulations, except for note VIII.

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

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED PERIOD THEN ENDED DECEMBER 31, 2020
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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

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

2.1. Changes in accounting policies and disclosures

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

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

1. Strategy for the use of financial instruments

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

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

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

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

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

2. Foreign currency transactions

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

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
US Dollar	TL 7.3405	TL 5.9402
Euro	TL 9.0079	TL 6.6506

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

The foreign currency position of the Bank and the profit / loss from the foreign exchange transactions realized are included in the income statement of foreign exchange gains / losses and income/losses from derivative financial instruments in the income statement. While gain / loss from spot foreign exchange transactions are included in the profit / loss item of foreign exchange gain/loss on balance sheet, profit / loss from derivative transactions (forward, option etc.) for the purpose of hedging related transactions are included in income / loss statement of derivative financial instruments. Therefore, in order to determine the net profit / loss effects of foreign exchange transactions, two balances should be assessed together. As of December 31, 2020, net foreign exchange transaction income is TL 178,376 (December 31, 2019- TL 152,549 net foreign exchange transaction income) when the net interest expense amounting to TL 3,172,168 (December 31, 2019- TL 1,719,400) arising from derivative transactions is excluded from the derivative transactions loss amounting to TL 3,267,584 (December 31, 2019- TL 1,417,439 derivative transactions loss) and foreign exchange income amounting to TL 273,792 (December 31, 2019- TL 149,412 net foreign exchange loss).

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

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

IV. Explanations on Derivative Financial Assets and Liabilities

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

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

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

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

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

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

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

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

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

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

In cash flow hedge accounting:

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

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In fair value hedge accounting:

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

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

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

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

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

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

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

As of September 30, 2018, the Bank terminated the hedge accounting for the fair value hedge of the fair value risk arising from the changes in the exchange rates for the real estates purchased in previous periods in foreign currency and the fair value of which is in foreign currency in the market and as of December 31, 2020, fair value exchange difference adjustment amounting to TL 1,945,441 which is shown intangible assets in the balance sheet, is amortized over the economic life of the property subject to hedging.

V. Explanations on Interest Income and Expenses

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

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

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

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VI. Explanations on Fees and Commission Income and Expenses

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

VII. Explanations and Disclosures on Financial Instruments

Initial recognition of financial instruments

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

Initial measurement of financial instruments

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

Classification of financial instruments

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

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

Assessment of business model

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

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

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

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

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

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

Other business models

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

Measurement categories of financial assets and liabilities

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

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

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

Financial assets at fair value through other comprehensive income

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

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

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

Some portion of the Eurobond portfolio which has been recognized as financial assets at FV through OCI are designated as fair value hedged items, hedged against interest rate fluctuations, starting from March and April 2009, and some portion of the TL government bonds are designated as fair value hedged items, hedged against interest rate fluctuations, starting from July 2011. Those securities are disclosed under financial assets at FV through OCI in order to be in line with balance sheet presentation. The fair value differences of Eurobond and TL government bond hedged items are accounted for under “Trading Account Gain/ Losses” in the income statement.

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

Financial assets measured at amortized cost:

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

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

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

VIII. Explanations on Expected Credit Losses

Bank recognizes a loss allowance for expected credit losses on financial assets and loans measured at amortized cost, financial assets measured at fair value through other comprehensive income, loan commitments and financial guarantee contracts not measured at fair value through profit/loss based on TFRS 9 and the regulation published in the Official Gazette no. 29750 dated June 22, 2016 in connection with “Procedures and Principals regarding Classification of Loans and Allowances Allocated for Such Loans” effective from January 1, 2018. At each reporting date, the Bank shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition. The Bank considers the changes in the default risk of financial instrument, while making the assessment.

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

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

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

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

Stage 1:

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

Stage 2:

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

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Stage 3:

Financial assets are considered as impaired at the reporting date are classified as stage 3. The probability of default is taken into account as 100% in the calculation of impairment provision and Bank accounts lifetime expected credit losses. In determining the impairment, the Bank takes the following criteria into consideration:

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

Calculation of expected credit losses

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

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

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

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

Probability of default (PD)

The PD represents the likelihood of a default over a specified time period. A 12-month PD represents the likelihood of default determined for the next 12 months and a lifetime PD represents the probability of default over the remaining lifetime of the instrument. The lifetime PD calculation is based on a series of 12-month PIT PDs that are derived from through the cycle (TTC) PDs and scenario forecasts.

It is used internal rating systems for both retail and commercial portfolios to measure risk level. The internal rating models used for the commercial portfolio include customer financial information and qualitative survey responses. Whereas behavioral and application scorecards used in the retail portfolio include; the behavioral data of the customer and the product in the Bank, the demographic information of the customer, and the behavioral data of the customer in the sector. Probability of default calculation has been carried out based on past information, current conditions and forward looking macroeconomic parameters.

Loss given default (LGD)

The LGD represents an estimate of the loss at the time of a potential default occurring during the life of a financial instrument. The LGD is calculated taking into account expected future cash flows from collateral and other credit enhancements by considering time value of money.

LGD calculations are performed using historical data which best reflects current conditions, by formation of segments based on certain risk factors that are deemed important for each portfolio and inclusion of forward-looking information and macroeconomic expectations. LGD summarizes all cash flows from customers subsequent to default. It covers all costs and collections that occur during the collection cycle, including collections from collaterals. It also includes the "time value of money" calculated by means of deducting costs

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and additional losses from the present value of collections. The Bank bases its estimates on models for collateralized portfolios and on previous experience for unsecured parties, except for corporate loans that are assigned by the Basel Committee individually or as designated by the Basel Committee.

Exposure at default (EAD):

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

Consideration of the macroeconomic factors

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

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

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

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

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

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

Calculating the expected loss period

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

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Significant increase in credit risk

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

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

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

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

IX. Explanations on Netting of Financial Instruments

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

X. Derecognition of Financial Instruments

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

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

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

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

c) Derecognition of financial liabilities

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

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d) Reclassification of financial instruments

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

e) Restructuring and refinancing of financial instruments

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

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

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

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

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

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

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

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

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

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

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

Securities that are subject to repurchase agreements as at the balance sheet date amounted to TL 18,700,773 (December 31, 2019 – TL 11,992,093).

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

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

XII. Explanations on Assets Held for Sale and Discontinued Operations

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

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

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

XIII. Explanations on Goodwill and Other Intangible Assets

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

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

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

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

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XIV. Explanations on Tangible Assets

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

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

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

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

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

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

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

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

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

XV. Explanations on Leasing Transactions

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

TFRS 16 Leases

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

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

Right of use assets

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

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The right use includes the presence of:

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

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

Lease Liabilities

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

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

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

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

After the effective date of the lease, the Bank measures the lease obligation as follows:

- Increase the carrying amount to reflect the interest on the lease obligation; and
- Decreases the carrying amount to reflect the lease payments made.

In addition, in the event of a change in the lease term, in essence a change in fixed lease payments or a change in the assessment of the option to buy the underlying asset, the value of the lease obligations is remeasured.

Short-term leases and leases of low-value assets

The Bank applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

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

Due to the Bank's implementation of TFRS 16, assets classified under tangible assets as of December 31, 2020 amounted to TL 440,596 (December 31, 2019 – TL 458,369), lease liability amounted to TL 426,407 (December 31, 2019 – TL 431,753), financing expense amounted to TL 52,122 (December 31, 2019 – TL 61,839) and depreciation expense amounted to TL 220,690 (December 31, 2019 – TL 215,641).

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XVI. Explanations on Provisions and Contingent Liabilities

Provisions, other than specific and general provisions for loans and other receivables, and contingent liabilities are provided for in accordance with TAS 37 “Provisions, Contingent Liabilities and Contingent Assets”. Provisions are immediately accounted when obligations arise as a result of past events and a reliable estimate of the obligation is made by the Bank. Whenever the amount of such obligations cannot be measured, they are regarded as “contingent”. In the financial statements, a provision is made for an existing commitment resulted from past events if it is probable that the commitment will be settled, and a reliable estimate can be made of the amount obligation. If these criteria are not met, the Bank discloses these issues in the explanations and notes related to the financial statements. In cases where reliable estimate cannot be made of the amount of the obligation, it is considered contingent liabilities. For contingent liabilities if the probability that the event will occur is greater than the probability that it will not and the amount of the obligation can be measured reliably, a provision is made.

XVII. Explanations on Obligations of the Bank Concerning Employee Benefits

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

In accordance with the existing social legislation in Turkey, the Bank is required to make lump-sum termination indemnities including retirement and notice payments to each employee whose employment is terminated due to resignation or for reasons other than misconduct. The retirement pay is calculated for every working year within the Bank over salary for 30 days or the official ceiling amount per year of employment and the notice pay is calculated for the relevant notice period time as determined based on the number of years worked for the Bank.

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

The Bank does not have any employees who work under limited period contracts with remaining terms longer than 12 months after the balance sheet date.

Provision for the employees’ unused vacations has been booked in accordance with IAS 19 and reflected to the financial statements.

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

XVIII. Explanations on Taxation

1. Corporate tax

In accordance with the Corporate Tax Law No. 5520 published in the Official Gazette No: 26205 dated June 21, 2006, statutory income is subject to corporate tax at 20%. However, according to temporary article 10 added to the Corporate Income Tax Law, the rate of 20% shall be applied as 22% for the corporate earnings of the taxation periods of the companies in 2018, 2019 and 2020 (accounting periods starting within the relevant year for companies appointed for the special accounting period). Advance corporate taxes paid are followed under “Current Tax Liability” or “Current Tax Asset” account and are deducted from the corporate taxes of the current year.

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

Companies calculate their advance tax at the rate of 22% (for taxation periods of 2018, 2019 and 2020) on their quarterly financial profits, declare until the 14th day of the second month following that period and pay until the evening of the seventeenth day. The advance tax paid belongs that year and is offset from the corporation tax that will be calculated on the tax declaration of the companies to be given in the following year. If the advance tax paid amount remains after offsetting, this amount could be either returned as cash or offset.

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

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

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

2. Deferred taxes

The Bank calculates and accounts for deferred income taxes for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with “Turkish Accounting Standard for Income Taxes” (“TAS 12”) and the related decrees of the BRSA concerning income taxes. In calculating deferred tax, legalized tax rates effective as of balance sheet date are used as per tax legislations.

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

The Bank, deferred tax calculation has started to be measured over Stage 1 and Stage 2 expected credit loss provisions accorded.

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

Since the applicable tax rate has been changed to 22% for the 3 years beginning from January 1, 2018, 22% tax rate is used in the deferred tax calculation of December 31, 2020, 20% tax rate is used for the calculation of deferred tax (December 31, 2019 – 22%).

3. Transfer pricing

The article no.13 of the Corporate Tax Law describes the issue of transfer pricing under the title of “disguised profit distribution” by way of transfer pricing. “The General Communiqué on Disguised Profit Distribution by way of Transfer Pricing” published on November 18, 2007 explains the application related issues in detail. According to this Communiqué, 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 Communiqué’s 7.1 Annual Documentation section, taxpayers are required to fill out the “Transfer Pricing, Controlled Foreign Entities and Thin Capitalization” form for the purchase and sale of goods or services conducted with their related parties in a taxation period, attach these forms to their corporate tax returns and submit to the tax offices.

XIX. Explanations on Additional Explanations on Borrowings

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

XX. Explanations on Share Issues

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

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XXI. Explanations on Confirmed Bills of Exchange and Acceptances

Confirmed bills of exchange and acceptances are realized simultaneously with the customer payments and recorded in off-balance sheet accounts as possible debt and commitment, if any.

There are no acceptances and confirmed bills of exchange presented as liabilities against any assets.

XXII. Explanations on Government Incentives

As of December 31, 2020 the Bank does not have any government incentives or grants (As of December 31, 2019 – None).

XXIII. Explanations on Segment Reporting

In addition to corporate banking, retail banking and commercial banking services, the Bank also provides private banking, SME banking, treasury operations and credit card services through branches and alternative channels. The Bank serves its retail banking clients with time and demand deposits, also overdraft services, automatic account services, consumer loans, vehicle loans, housing loans and investment fund services. The Bank provides services including deposit and loans, foreign trade financing, forward and option agreements to its corporate clients. The Bank also serves in trading financial instruments and treasury operations.

The calculations based on the income statement for retail banking (consumer banking and plastic cards), corporate and commercial banking have operational units designated as the main profit centers, have been made according to the product and customer types. During the profitability calculations, the pricing of transfers among these units and treasury unit are made by using cost/return ratios that are determined by the Bank's senior management and which are updated periodically. In this pricing method, general market conditions and the Bank's internal policies are considered.

Corporate and Commercial Banking serves corporate qualified companies with annual turnover of TL 300,000 and above, multinational companies operating in Turkey and commercial firms with annual turnover of TL 60,000 – 300,000. In addition to the financing and investment needs of customers, it offers products that facilitate payment and collection processes in both domestic and foreign trade. With its customer-focused service approach, firm-specific solution approach and long-term partnership building strategy, it produces solutions that will create added value for all customer needs.

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

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		Corporate and		Total
	Retail	Commercial	Treasury and	Operations
Current Period (January 1 – December 31, 2020)	Banking	Banking	Head Office	of the Bank
Net Interest Income	3,328,959	2,716,689	3,810,993	9,856,641
Net Fees and Commissions Income	1,720,225	678,428	(35,834)	2,362,819
Other Operating Income and Net Trading Expense	46,878	14,052	(2,720,264)	(2,659,334)
Dividend Income	-	-	192,343	192,343
Operating Income	5,096,062	3,409,169	1,247,238	9,752,469
Provision for Expected Credit Losses (-)	761,235	1,636,544	7,356	2,405,135
Other Provision Expenses (-)	-	-	138,791	138,791
Personnel Expense (-)	436,022	494,022	963,844	1,893,888
Other Operating Expenses (-)	1,831,148	1,091,462	(607,384)	2,315,226
Profit Before Taxes	2,067,657	187,141	744,631	2,999,429
Provision Tax (-)	-	-	(512,420)	(512,420)
Net Profit/Loss	-	-	-	2,487,009
Total Assets	49,111,844	89,490,537	70,811,072	227,253,348
Segment Assets	49,111,844	89,490,537	70,811,072	209,413,453
Associates, Subsidiaries and Entities Under Common Control	-	-	-	1,892,950
(Joint Ventures)	-	-	-	15,946,945
Undistributed Assets	-	-	-	-
Total Liabilities	88,937,401	37,038,943	67,552,837	227,253,348
Segment Liabilities	88,937,401	37,038,943	67,552,837	193,529,181
Undistributed Liabilities	-	-	-	14,501,746
Equity	-	-	-	19,222,421
Other Segment Accounts	944,222	696,308	(68,711)	1,571,819
Capital Expenditures	615,635	453,994	(48,566)	1,021,063
Depreciation and Amortization	328,587	242,314	(20,145)	550,756

		Corporate and		Total
	Retail	Commercial	Treasury and	Operations
Prior Period (January 1 – December 31, 2019)	Banking	Banking	Head Office	of the Bank
Net Interest Income	2,547,694	2,672,303	2,362,224	7,582,221
Net Fees and Commissions Income	2,023,007	706,904	(38,447)	2,691,464
Other Operating Income and Net Trading Expense	115,515	8,193	(1,502,872)	(1,379,164)
Dividend Income	-	-	51,187	51,187
Operating Income	4,686,216	3,387,400	872,092	8,945,708
Provision for Expected Credit Losses (-)	397,012	1,485,040	(62,462)	1,819,590
Other Provision Expenses (-)	-	-	74,203	74,203
Personnel Expense (-)	411,636	479,835	824,889	1,716,360
Other Operating Expenses (-)	1,795,558	948,280	(588,043)	2,155,795
Profit Before Taxes	2,082,010	474,245	623,505	3,179,760
Provision Tax (-)	-	-	-	(557,603)
Net Profit/Loss	-	-	-	2,622,157
Total Assets	39,730,429	70,865,962	57,792,723	181,680,511
Segment Assets	39,730,429	70,865,962	57,792,723	168,389,114
Associates, Subsidiaries and Entities Under Common Control	-	-	-	1,492,873
(Joint Ventures)	-	-	-	11,798,524
Undistributed Assets	-	-	-	-
Total Liabilities	68,846,852	31,372,536	53,278,117	181,680,511
Segment Liabilities	68,846,852	31,372,536	53,278,117	153,497,505
Undistributed Liabilities	-	-	-	11,497,947
Equity	-	-	-	16,685,059
Other Segment Accounts	1,337,089	706,151	(437,740)	1,605,500
Capital Expenditures	921,353	486,590	(301,742)	1,106,201
Depreciation and Amortization	415,736	219,561	(135,998)	499,299

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XXIV. Explanations on Profit Reserves and Profit Distribution

The Ordinary General Assembly Meeting of the Bank was held on March 26, 2020. In the Ordinary General Assembly, it was decided to pay dividend to the Bank's shareholders from net income of the Bank's 2019 operations.

2019 profit distribution table:

Current Year Profit	2,622,157
A – I. Legal Reserve (Turkish Commercial Code 519/A) at 5%	670,000
C – Extraordinary Reserves	1,952,157

XXV. Earnings Per Share

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

	Current Period	Prior Period
Net Profit for the Period of Bank	2,487,009	2,622,157
Weighted Average Amount of Shares Issued (Thousands)	33,500,000	33,500,000
Earnings Per Share	0.0742	0.0783

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

Amount of issued bonus shared in 2020 is none (Amount of issued bonus shared in 2019 is none).

XXVI. Explanations on Other Matters

1. Changes related to prior period accounting policies

The Bank includes other comprehensive income of investments valued by equity method in the previous period financial statements Accounting Policies, Changes in Accounting Estimates and Errors has been classified in accordance with Turkey Accounting Standard ("TAS 8"). Impact of the relevant corrections for December 31, 2020 has been presented in the second part of Statement of Changes in Equity. Related classification does not have any effect on the loss statement and its effects on the other comprehensive income statement are shown.

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SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK

I. Explanations on Equity

Total capital and capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”. As of December 31, 2020 Bank’s total capital has been calculated as TL 28,207,198 (December 31, 2019 – TL 24,280,307), capital adequacy ratio is 16.44%. (December 31, 2019 – 15.73%). This ratio is well above the minimum ratio required by the legislation.

Based on the press release made by the BRSA on March 23, 2020; due to the fluctuations in the financial markets as a result of the COVID-19 outbreak; in the calculation of the amount subject to credit risk in accordance with the Regulation on Measurement and Evaluation of Capital Adequacy; with monetary assets and non-monetary assets excluding assets that are measured in terms of historical cost in a foreign currency valued amount of items in accordance with TAS and its special provision amounts, spot purchase exchange rate can be used in preparation of financial statements as of simple arithmetic average of the Central Bank foreign exchange buying rates for the last 252 business days before and negative revaluation differences of the securities classified under “Financial Assets Measured at Fair Value through Other Comprehensive Income” which acquired before March 23, 2020 may not be included in capital calculation.

Components of unconsolidated shareholders’ equity items:

	Current Period December 31, 2020	Prior Period December 31, 2019
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	3,350,000	3,350,000
Share issue premiums	714	714
Reserves	13,199,191	10,577,034
Gains recognized in equity as per TAS	1,459,099	1,224,356
Profit	2,588,276	2,622,157
Current Period Profit	2,487,009	2,622,157
Prior Period Profit	101,267	-
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	2,689	2,689
Common Equity Tier 1 Capital Before Deductions	20,599,969	17,776,950
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	-
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	679,619	525,783
Improvement costs for operating leasing	67,193	74,009
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	455,268	396,779
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	-
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be defined by the BRSA	-	-
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	-
Total Deductions From Common Equity Tier 1 Capital	1,202,080	996,571
The positive difference between the expected loan loss provisions under TFRS 9 and the total provision amount calculated before the application of TFRS 9	260,624	390,936
Total Common Equity Tier 1 Capital	19,658,513	17,171,315

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	Current Period December 31, 2020	Prior Period December 31, 2019
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA	3,853,763	3,118,605
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	-
Additional Tier I Capital before Deductions	3,853,763	3,118,605
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other items to be defined by the BRSA	-	-
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity	-	-
Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
Total Deductions From Additional Tier I Capital	-	-
Total Additional Tier I Capital	3,853,763	3,118,605
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	23,512,276	20,289,920
TIER II CAPITAL		
Debt instruments and premiums deemed suitable by the BRSA	-	-
Debt instruments and premiums deemed suitable by BRSA (Temporary Article 4)	2,826,093	2,286,977
Provisions (Article 8 of the Regulation on the Equity of Banks)	1,916,622	1,731,935
Tier II Capital Before Deductions	4,742,715	4,018,912
Deductions From Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	-
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	4,742,715	4,018,912
Total Capital (The sum of Tier I Capital and Tier II Capital)	28,254,991	24,308,832
Deductions from Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	7,400	7,103
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	-
Other items to be defined by the BRSA (-)	40,393	21,422
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking,financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank owns more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank owns more than 10% of the issued common share capital of the entity,mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-

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	Current Period December 31, 2020	Prior Period December 31, 2019
TOTAL CAPITAL		
Total Capital	28,207,198	24,280,307
Total risk weighted amounts	171,587,620	154,338,272
Capital Adequacy Ratios		
Core Capital Adequacy Ratio (%)	11.46	11.13
Tier 1 Capital Adequacy Ratio (%)	13.70	13.15
Capital Adequacy Ratio (%)	16.44	15.73
BUFFERS		
Bank specific total common equity tier 1 capital ratio	2.51	2.51
a) Capital conservation buffer requirement	2.50	2.50
b) Bank specific counter-cyclical buffer requirement	0.01	0.01
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	0.05	0.05
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	282,408	236,777
Amount arising from mortgage-servicing rights	-	-
Amount arising from deferred tax assets based on temporary differences	-	-
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	4,031,306	2,571,026
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	1,916,622	1,731,935
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to &0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	3,853,763	3,118,605
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temporary Article 4	2,826,093	2,286,977
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

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Information on debt instruments included in the calculation of equity:

Information on debt instruments included in the calculation of equity:			
	1	2	3
Issuer	QATAR NATIONAL BANK Q.P.S.C.	QATAR NATIONAL BANK Q.P.S.C.	QATAR NATIONAL BANK Q.P.S.C.
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	-	-	-
Governing law(s) of the instrument	BRSA	BRSA	BRSA
Regulatory treatment	Additional Capital	Supplementary Capital	Supplementary Capital
Transitional Basel III rules	No	No	No
Eligible at stand-alone / consolidated	Standalone - Consolidated	Standalone - Consolidated	Standalone - Consolidated
Instrument type (types to be specified by each jurisdiction)	Loan	Loan	Loan
Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	3,854	918	1,909
Par value of instrument (Currency in million)	3,854	918	1,909
Accounting classification	Liability – Subordinated Loans- amortized cost	Liability – Subordinated Loans- amortized cost	Liability – Subordinated Loans- amortized cost
Original date of issuance	June 30, 2019	April 01, 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 fixed at MS + 7.08	6M LIBOR + 5.75%	6M LIBOR + 3.87%
Existence of a dividend stopper	There will be no interest on the deducted value after the impairment	-	-
Fully discretionary, partially discretionary or mandatory	Optional	-	-

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	1	2	3
Existence of step up or other incentive to redeem	-	-	-
Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative
Convertible or non-convertible	None	Yes	Yes
If convertible, conversion trigger(s)	-	Article number 7-2-i of "Own fund regulation"	Article number 7-2-i of "Own fund regulation"
If convertible, fully or partially	-	All of the remaining capital	All of the remaining capital
If convertible, conversion rate	-	(*)	(*)
If convertible, mandatory or optional conversion	-	Optional	Optional
If convertible, specify instrument type convertible into	-	Equity Share	Equity Share
If convertible, specify issuer of instrument it converts into	-	QNB Finansbank A.Ş.	QNB Finansbank A.Ş.
Write-down feature	Yes	None	None
If write-down, write-down trigger(s)	Non-existence of the core capital ratio is less than 5.125%	-	-
If write-down, full or partial	Full and partial	-	-
If write-down, permanent or temporary	Temporary	-	-
If temporary write-down, description of write-up mechanism	Disappearance of non-existence and higher core capital ratio than 5.125 %	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After borrowing and contribution capital	After borrowing, before additional capital, the same as other contribution capital	After borrowing, before additional capital, the same as other contribution capital
Incompliance with article number 7 and 8 of "Own fund regulation"	Article number 7 of "Own fund regulation"	Article number 8 of "Own fund regulation"	Article number 8 of "Own fund regulation"
Details of incompliances with article number 7 and 8 of "Own fund regulation"	-	-	-

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

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

EQUITY ITEMS	T	T-1	T-2
Common Equity	19,658,513	19,528,202	19,397,889
Transition process not implemented Common Equity	19,397,889	19,397,889	19,397,889
Tier 1 Capital	23,512,276	23,381,964	23,251,652
Transition process not implemented Tier 1 Capital	23,251,652	23,251,652	23,251,652
Total Capital	28,207,198	28,076,886	27,946,574
Transition process not implemented Equity	27,946,574	27,946,574	27,946,574
TOTAL RISK WEIGHTED AMOUNTS			
Total Risk Weighted Amounts	171,587,620	171,587,620	171,587,620
CAPITAL ADEQUACY RATIO			
Common Equity Adequacy Ratio (%)	11.46	11.38	11.30
Transition process not implemented Common Equity Ratio (%)	11.30	11.30	11.30
Tier 1 Capital Adequacy Ratio (%)	13.70	13.63	13.55
Transition process not implemented Tier 1 Capital Adequacy Ratio (%)	13.55	13.55	13.55
Capital Adequacy Ratio (%)	16.44	16.36	16.29
Transition process not implemented Capital Adequacy Ratio (%)	16.29	16.29	16.29
LEVERAGE			
Leverage Ratio Total Risk Amount	347,637,340	347,637,340	347,637,340
Leverage (%)	6.70	6.70	6.70
Transition process not implemented Leverage Ratio (%)	6.62	6.62	6.62

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

There are differences between amounts in the explanation on equity items and amounts on the balance sheet. In this context; up to 1.25% of the amount of the first and second part of the expected loss provisions is taken into account as contribution capital, cash flow hedging and as of March 23, 2020 "Fair Value Difference Other Comprehensive The net negative valuation differences of the securities included in the "Securities Reflected in the Revenue" portfolio Information on items had not taken into account in the table.

II. Explanations On Risk Management

1. Explanations on credit risk

Credit risk represents the risk arising due to the counter party's not fulfilling its responsibilities stated in the agreement either partially or totally.

Loan strategies and policies are determined by the Policy Committees. These policies and strategies are constituted in line with the applications of the Bank, and credit risk is managed according to these policies and strategies. The quality of loan portfolio is monitored regularly with the help of metrics which are in line with the Bank's risk appetite, as specified in Risk Management Strategies.

Credit Risk Management takes place in every step of the Bank's credit process from the beginning. Loan applications are evaluated by non-profit oriented independent loan granting departments. Loan limits are determined on a product basis and in the aggregate for every individual, corporate customer and risk group. Furthermore, concentration on product, industry, region, are monitored within the frame of loan limits in line with the regulation.

The credibility of the debtors is monitored periodically in accordance with the related regulation. The statements presenting the financial position of the borrowers are obtained in accordance with the related regulation.

Loan limits of the loan customers are revised periodically in line with the Bank's loan limit revision procedures.

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

The Bank has control limits over the positions of forward transactions, options and other similar agreements. The credit risk arising from these instruments are managed together with the risks resulting from market fluctuations.

The Bank monitors risks of forward transactions, options and other similar agreements and reduces the risk if necessary.

Indemnified non-cash loans are weighted in the same risk group with the past due but not impaired loans.

The restructured and rescheduled loans are monitored by the Bank in line with Bank's credit risk management procedures. The debtor's financial position and commercial activities are continuously analyzed and the principal and interest payments of rescheduled loans are monitored by the related departments.

The restructured and rescheduled loans are evaluated in the Bank's current internal rating system besides the follow up method determined in the related regulation.

The risk of banking operations abroad and credit transactions is acceptable and there is no significant credit risk density in the international banking market.

The policies implemented by the bank regarding the calculation of expected loss provisions are explained in note VIII of the third part. The bank has taken the general provision for overdue loans and special provision for impaired loans under the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables (the Provisioning Regulation) into consideration.

With the Decision No. 9312 dated December 8, 2020 of the Banking Regulation and Supervision Agency;

As a result of the re-evaluation of Board Resolutions and instructions taken in the past, which brought temporary regulations on banks' obligations, in order to support the real sector, bank customers and banks in a period when uncertainties and risks in global markets are high due to the pandemic, in the current period it would be appropriate to extend those regulations with the same purposes, thus within this framework until June 30, 2021.

- In accordance with the Regulation on Measurement and Assessment of Capital Adequacy of Banks, in calculation of amount subject to credit risk, to calculate the amount of the non-monetary and monetary assets, excluding the items in foreign currencies in accordance with Turkey Accounting Standards and the amount of related specific provisions, it is possible to use simple arithmetic mean of Central Bank's foreign currency buying rates belonging to the last 252 business days from the calculation date
- If the net valuation differences of the securities owned by banks in the "Securities with Fair Value Differences Reflected in Other Comprehensive Income" portfolio are negative, these differences may not be taken into account in the amount of equity to be calculated in accordance with the Regulation On Own Funds Of Banks and used for the capital adequacy ratio,
- As stated in the Board Decision dated March 17, 2020 and numbered 8948, the 90-day delay period foreseen for the non-performing loan classification within the scope of Articles 4 and 5 of Regulation on Procedures and Principles for Classification of Loans and the Provisions to be Set Aside, for these loans it shall be applied as 180 days and continuing to allocate provisions for loans that are still classified in the Second Group despite the delay, according to the banks' own risk models in the calculation of expected credit losses within the scope of TFRS 9,
- As stated in the Board Decision dated March 19, 2020 and numbered 8950, the 90-day delay period specified in the sub-paragraph (a) of the first paragraph of Article 6 of the Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies and the sixth paragraph of the same article, will be applied as 180 days and 240 days for the financial leasing companies and for companies that allocate credit losses scope of TFRS 9, and the companies will continue to make provisions according to their own risk models for the receivables that are not transferred to the "Receivables to be Liquidated" account
- As stated in the Board Decision dated March 27, 2020 and numbered 8970, within the scope of Article 4 of the Regulation on the Procedures and Principles Regarding the Classification of Loans and the Provisions to be Set Aside, the 30 days delay period for the classification of the loans in the Second Group shall be applied as 90 days for the loans followed in the First Group and provisions for loans that continue to be classified in the First

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Group despite the 30-day delay, shall be continued to allocate according to the banks' own risk models in the calculation of expected credit losses within the scope of TFRS 9.

The receivables of the Bank from its top 100 cash loan customers are 27% in the total cash loans (December 31, 2019 – 26%).

The receivables of the Bank from its top 200 cash loan customers are 32% in the total cash loans (December 31, 2019 - 31%).

The receivables of the Bank from its top 100 non-cash loan customers are 50% in the total non-cash loans (December 31, 2019 – 55%).

The receivables of the Bank from its top 200 non-cash loan customers are 60% in the total non-cash loans (December 31, 2019 – 65%).

The share of cash and non-cash receivables of the Bank from its top 100 loan customers in total cash and non - cash loans is 27% (December 31, 2019 – 21%).

The share of cash and non-cash receivables of the Bank from its top 200 loan customers in total cash and non - cash loans is 32% (December 31, 2019 – 25%).

The general loan loss provision taken by the Bank is TL 4,031,306. (December 31, 2019 – TL 2,571,026). As of December 31, 2020, the Bank does not take any provision for probable risks in loan portfolio amounted (December 31, 2019-None).

Exposure Categories	Current Period		Prior Period	
	Risk Amount(*)	Average Risk Amount(**)	Risk Amount(*)	Average Risk Amount (**)
Conditional and unconditional receivables from central governments and Central Banks	60,290,631	51,904,653	45,141,846	44,291,062
Conditional and unconditional receivables from regional or local governments	93,842	94,260	83,191	78,753
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	378,234	303,835	227,552	217,109
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	29,958,190	32,234,642	26,735,151	26,560,790
Conditional and unconditional receivables from corporates	82,079,206	71,315,082	65,142,650	59,307,163
Conditional and unconditional receivables from retail portfolios	71,619,493	66,410,977	61,089,766	56,336,732
Conditional and unconditional receivables secured by mortgages	6,660,262	5,480,412	5,346,690	5,886,562
Past due receivables	1,955,922	1,878,086	2,094,857	1,527,541
Receivables defined under high risk category by BRSA	340,547	227,538	237,429	163,967
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-
Investments similar to collective investment funds	-	-	-	-
Investment in equities	1,900,625	1,709,353	1,682,670	1,485,137
Other receivables	9,497,684	8,960,771	7,829,811	7,248,431

(*)The risk amounts are given after the loan conversion rate, and before Loan Risk Reduction.

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

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Profile of significant exposures in major regions:

Exposure Categories(*)																		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Current Period																		
Domestic	60,290,631	93,842	378,234	-	-	2,917,570	76,903,932	51,191,709	6,659,939	1,782,988	269,682	-	-	-	-	-	9,497,684	209,986,211
EU countries	-	-	-	-	-	22,275,219	477,650	85	89	11	63,104	-	-	-	-	-	-	22,816,158
OECD countries (**)	-	-	-	-	-	423,189	11	-	-	3,760	7,761	-	-	-	-	-	-	434,721
Off-shore banking regions	-	-	-	-	-	2,260,776	247,094	6	-	-	-	-	-	-	-	-	-	2,507,876
USA, Canada	-	-	-	-	-	1,687,202	22,465	164	62	-	-	-	-	-	-	-	-	1,709,893
Other countries	-	-	-	-	-	394,234	4,428,054	20,427,529	172	169,163	-	-	-	-	-	1,900,625	-	27,319,777
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Undistributed Assets / Liabilities(***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	60,290,631	93,842	378,234	-	-	29,958,190	82,079,206	71,619,493	6,660,262	1,955,922	340,547	-	-	-	-	1,900,625	9,497,684	264,774,636
Exposure Categories(*)																		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Prior Period Period																		
Domestic	45,141,846	83,191	227,552	-	-	5,941,878	64,371,437	61,055,271	5,339,891	2,089,677	225,202	-	-	-	-	1,682,670	7,829,811	193,988,426
EU countries	-	-	-	-	-	15,454,668	438,249	117	154	5,173	-	-	-	-	-	-	-	15,898,361
OECD countries (**)	-	-	-	-	-	112,324	10	8	6,223	-	10,687	-	-	-	-	-	-	129,252
Off-shore banking regions	-	-	-	-	-	1,262,615	183,684	1	-	-	1,540	-	-	-	-	-	-	1,447,840
USA, Canada	-	-	-	-	-	880,170	18,726	164	81	-	-	-	-	-	-	-	-	899,141
Other countries	-	-	-	-	-	3,083,496	130,544	34,205	341	7	-	-	-	-	-	-	-	3,248,593
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Undistributed Assets / Liabilities(***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	45,141,846	83,191	227,552	-	-	26,735,151	65,142,650	61,089,766	5,346,690	2,094,857	237,429	-	-	-	-	1,682,670	7,829,811	215,611,613

(*) Exposure categories based on "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks.

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

(***) Includes assets and liability items that cannot be allocated on a consistent basis.

- 1-Conditional and unconditional receivables from central governments or central banks
- 2-Conditional and unconditional receivables from regional or local governments
- 3-Conditional and unconditional receivables from administrative units and non-commercial enterprises
- 4-Conditional and unconditional receivables from multilateral development banks
- 5-Conditional and unconditional receivables from international organizations
- 6-Conditional and unconditional receivables from banks and brokerage houses
- 7-Conditional and unconditional receivables from corporates
- 8-Conditional and unconditional retail receivables
- 9-Conditional and unconditional receivables secured by mortgages
- 10-Past due receivables
- 11-Receivables defined as high risk category by the Regulator
- 12-Mortgage-backed Securities
- 13-Securitization Positions
- 14-Short-Term Receivables and Short-Term Corporate Receivables from banks and brokerage houses
- 15-Investments in the Nature of Collective Investment
- 16-Investment in equities
- 17-Other receivables

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Risk profile by sectors or counterparties:

Current Period	Exposure Categories(*)																	TL	FC	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17			
Agriculture	-	-	107,256	-	-	-	435,251	1,937,651	35,530	94,863	29,852	-	-	-	-	-	-	2,430,613	209,790	2,640,403
Farming and Livestock	-	-	107,256	-	-	-	233,684	1,894,479	35,233	92,363	29,852	-	-	-	-	-	-	2,321,746	71,121	2,392,867
Forestation	-	-	-	-	-	-	1,382	7,143	-	10	-	-	-	-	-	-	-	8,535	-	8,535
Fishing Industry	-	-	-	-	-	-	200,185	36,029	297	2,490	-	-	-	-	-	-	-	100,332	138,669	239,001
Industrial	-	58,796	395	-	-	-	29,494,714	5,266,411	950,528	229,030	47,506	-	-	-	-	-	-	16,844,977	19,202,403	36,047,380
Mining and Quarrying	-	-	-	-	-	-	258,843	101,767	30,689	5,101	585	-	-	-	-	-	-	323,133	73,852	396,985
Manufacturing Industry	-	-	395	-	-	-	24,496,029	5,108,043	919,814	223,877	46,921	-	-	-	-	-	-	16,012,515	14,782,564	30,795,079
Electricity, Gas, Water	-	58,796	-	-	-	-	4,739,842	56,601	25	52	-	-	-	-	-	-	-	509,329	4,345,987	4,855,316
Construction	-	-	-	-	-	-	5,672,624	3,134,377	437,510	277,890	103,387	-	-	-	-	-	-	7,252,153	2,373,635	9,625,788
Services	27,289,714	33	49,485	-	-	26,549,810	41,508,390	12,820,978	2,986,712	974,582	89,885	-	-	-	-	-	-	36,922,232	75,347,357	112,269,589
Wholesale and Retail Trade	-	-	25,421	-	-	-	11,028,794	10,121,938	865,058	483,316	67,121	-	-	-	-	-	-	18,654,625	3,937,023	22,591,648
Hotels and Restaurants	-	-	-	-	-	-	3,667,770	294,520	262,719	24,640	7,052	-	-	-	-	-	-	749,287	3,507,414	4,256,701
Transportation and Communications	-	-	-	-	-	-	14,718,211	859,697	40,471	19,487	1,915	-	-	-	-	-	-	1,460,172	14,179,609	15,639,781
Financial Institutions	27,289,714	33	-	-	-	26,549,810	1,000,928	150,995	6,378	497	452	-	-	-	-	-	-	12,638,631	42,360,176	54,998,807
Real Estate and Rent Services	-	-	-	-	-	-	5,631,076	219,216	1,652,083	393,385	1,094	-	-	-	-	-	-	950,307	6,946,547	7,896,854
Independent Business Services	-	-	23,979	-	-	-	1,150,561	580,126	38,739	21,009	4,655	-	-	-	-	-	-	1,123,023	696,046	1,819,069
Education Services	-	-	2	-	-	-	193,568	205,974	6,639	26,152	7,529	-	-	-	-	-	-	406,008	33,856	439,864
Health and Social Services	-	-	83	-	-	-	4,117,482	388,512	114,625	6,096	67	-	-	-	-	-	-	940,179	3,686,686	4,626,865
Other	33,000,917	35,013	221,098	-	-	3,408,380	4,968,227	48,460,076	2,249,982	379,557	69,917	-	-	-	-	1,900,625	9,497,684	80,663,505	23,527,971	104,191,476
Total	60,290,631	93,842	378,234	-	-	29,958,190	82,079,206	71,619,493	6,660,262	1,955,922	340,547	-	-	-	-	1,900,625	9,497,684	144,113,480	120,661,156	264,774,636

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

- 1-Conditional and unconditional receivables from central governments or central banks
- 2-Conditional and unconditional receivables from regional or local governments
- 3-Conditional and unconditional receivables from administrative units and non-commercial enterprises
- 4-Conditional and unconditional receivables from multilateral development banks
- 5-Conditional and unconditional receivables from international organizations
- 6-Conditional and unconditional receivables from banks and brokerage houses
- 7-Conditional and unconditional receivables from corporates
- 8-Conditional and unconditional retail receivables
- 9-Conditional and unconditional receivables secured by mortgages
- 10-Past due receivables
- 11-Receivables defined as high risk category by the Regulator
- 12-Mortgage-backed Securities
- 13-Securitization Positions
- 14-Short-Term Receivables and Short-Term Corporate Receivables from banks and brokerage houses
- 15-Investments in the Nature of Collective Investment
- 16-Investment in equities
- 17-Other receivable

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Prior Period	Exposure Categories(*)																	TL	FC	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17			
Agriculture	-	-	785	-	-	-	408,037	2,031,409	18,021	129,138	6,933	-	-	-	-	-	-	2,384,817	209,506	2,594,323
Farming and Livestock	-	-	785	-	-	-	212,569	1,990,028	17,307	126,471	6,933	-	-	-	-	-	-	2,335,573	18,520	2,354,093
Forestation	-	-	-	-	-	-	1,022	6,664	627	27	-	-	-	-	-	-	-	8,340	-	8,340
Fishing Industry	-	-	-	-	-	-	194,446	34,717	87	2,640	-	-	-	-	-	-	-	40,904	190,986	231,890
Industrial	-	35,048	10	-	-	-	22,066,676	5,130,777	518,977	301,702	21,918	-	-	-	-	-	-	11,033,307	17,041,801	28,075,108
Mining and Quarrying	-	-	-	-	-	-	266,422	124,927	570	5,023	92	-	-	-	-	-	-	325,965	71,069	397,034
Manufacturing Industry	-	-	10	-	-	-	17,744,577	4,964,756	518,162	296,567	21,826	-	-	-	-	-	-	10,527,019	13,018,879	23,545,898
Electricity, Gas, Water	-	35,048	-	-	-	-	4,055,677	41,094	245	112	-	-	-	-	-	-	-	180,323	3,951,853	4,132,176
Construction	-	-	-	-	-	-	5,387,232	3,032,871	354,812	242,243	149,722	-	-	-	-	-	-	6,832,350	2,334,530	9,166,880
Services	17,338,120	33	30,945	-	-	24,445,719	34,766,341	12,136,169	1,939,170	851,262	41,023	-	-	-	-	-	-	30,905,396	60,643,386	91,548,782
Wholesale and Retail Trade	-	-	8,948	-	-	-	9,124,455	9,584,369	510,020	594,996	29,207	-	-	-	-	-	-	15,423,061	4,428,934	19,851,995
Hotels and Restaurants	-	-	-	-	-	-	3,518,507	331,578	190,756	27,082	1,773	-	-	-	-	-	-	750,039	3,319,657	4,069,696
Transportation and Communications	-	-	-	-	-	-	12,231,364	851,343	33,381	36,485	2,825	-	-	-	-	-	-	1,293,245	11,862,153	13,155,398
Financial Institutions	17,338,120	33	-	-	-	24,445,719	452,457	77,509	1,329	1,668	1,540	-	-	-	-	-	-	10,785,234	31,533,141	42,318,375
Real Estate and Rent Services	-	-	-	-	-	-	4,550,600	195,374	1,145,801	124,189	2,254	-	-	-	-	-	-	484,807	5,533,411	6,018,218
Independent Business Services	-	-	21,781	-	-	-	1,005,046	532,466	21,529	26,260	2,846	-	-	-	-	-	-	920,499	689,429	1,609,928
Education Services	-	-	133	-	-	-	171,977	219,634	12,665	32,798	1	-	-	-	-	-	-	401,233	35,975	437,208
Health and Social Services	-	-	83	-	-	-	3,711,935	343,896	23,689	7,784	577	-	-	-	-	-	-	847,278	3,240,686	4,087,964
Other	27,803,726	48,110	195,812	-	-	2,289,432	2,514,364	38,758,540	2,515,710	570,512	17,833	-	-	-	-	1,682,670	7,829,811	64,818,774	19,407,746	84,226,520
Total	45,141,846	83,191	227,552	-	-	26,735,151	65,142,650	61,089,766	5,346,690	2,094,857	237,429	-	-	-	-	1,682,670	7,829,811	115,974,644	99,636,969	215,611,613

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

- 1-Conditional and unconditional receivables from central governments or central banks
- 2-Conditional and unconditional receivables from regional or local governments
- 3-Conditional and unconditional receivables from administrative units and non-commercial enterprises
- 4-Conditional and unconditional receivables from multilateral development banks
- 5-Conditional and unconditional receivables from international organizations
- 6-Conditional and unconditional receivables from banks and brokerage houses
- 7-Conditional and unconditional receivables from corporates
- 8-Conditional and unconditional retail receivables
- 9-Conditional and unconditional receivables secured by mortgages
- 10-Past due receivables
- 11-Receivables defined as high risk category by the Regulator
- 12-Mortgage-backed Securities
- 13-Securitization Positions
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Analysis of maturity-bearing exposures according to remaining maturities^(*):

Current Period Exposure Categories	Term to Maturity				
	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year
Conditional and unconditional receivables from central governments and Central Banks	5,378,348	601,561	465,873	1,191,926	28,216,576
Conditional and unconditional receivables from regional or local governments	-	-	-	-	93,809
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	790	64,556	77,687	27,861	196,122
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	5,476,687	5,257,721	973,258	1,347,640	5,981,860
Conditional and unconditional receivables from corporates	8,174,090	5,979,785	8,939,981	11,681,043	40,987,825
Conditional and unconditional receivables from retail portfolios	3,228,752	5,064,628	4,859,473	7,533,092	34,580,470
Conditional and unconditional receivables secured by mortgages	60,566	284,686	209,111	428,832	5,595,784
Past due receivables	-	-	-	-	-
Receivables defined under high risk category by BRSA	-	-	350	-	881
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-
Stock investments	7,674	-	-	-	-
Other receivables	-	-	-	-	-
Total	22,326,907	17,252,937	15,525,733	22,210,394	115,653,327

(*)Includes risk amounts before the effect of credit risk mitigation but after the credit conversions and items with maturity items are taken into consideration.

Prior Period Exposure Categories	Term to Maturity				
	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year
Conditional and unconditional receivables from central governments and Central Banks	320,559	1,360,426	915,790	703,827	24,377,078
Conditional and unconditional receivables from regional or local governments	-	-	-	-	83,158
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	15,346	5,003	71,560	7,436	120,099
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	7,121,518	4,176,394	1,940,433	696,513	3,985,502
Conditional and unconditional receivables from corporates	6,862,516	3,977,440	5,130,832	9,180,854	35,883,370
Conditional and unconditional receivables from retail portfolios	2,669,055	3,955,263	4,012,856	7,118,817	29,014,711
Conditional and unconditional receivables secured by mortgages	26,914	123,021	150,304	389,094	4,608,845
Past due receivables	-	-	-	-	-
Receivables defined under high risk category by BRSA	1,540	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-
Stock investments	189,797	-	-	-	-
Other receivables	-	-	-	-	-
Total	17,207,245	13,597,547	12,221,775	18,096,541	98,072,763

(*)Includes risk amounts before the effect of credit risk mitigation but after the credit conversions and items with maturity items are taken into consideration.

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Exposures by Risk Weights:

Current Period

Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	2%	Deductions from Equity
1, Exposures Before Credit Risk Mitigation	62,326,488	-	5,952,692	-	23,110,360	74,912,673	98,057,753	340,547	-	-	74,123	570,254
2, Exposures After Credit Risk Mitigation	62,400,737	-	3,064,374	2,266,686	16,279,682	66,654,276	92,243,299	340,530	-	-	74,123	570,254

Prior Period

Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	2%	Deductions from Equity
1, Exposures Before Credit Risk Mitigation	32,669,119	-	6,159,238	-	20,608,157	64,499,745	91,428,444	237,429	-	-	9,481	499,313
2, Exposures After Credit Risk Mitigation	37,503,592	-	1,701,486	2,662,222	14,040,343	55,785,280	87,312,824	237,398	-	-	9,481	499,313

Information by major sectors and type of counterparties:

Information about impaired credits and past due credits and value adjustments and provisioning methods are described in Part IV Footnote 2.

Major Sectors / Counterparties	Loans ^(*)			Provisions	
	Impaired Loans (TFRS 9)		Non-Performing (Regulation of Provision)	Provision For Expected Losses of Credit (TFRS 9)	(Regulation of Provision)
	Significant Increase of Credit Risk (Stage 2)	Default (Stage 3)			
1. Agriculture	502,782	338,010	-	309,211	-
1.1. Farming and Livestock	499,944	326,660	-	299,550	-
1.2. Forestation	1,026	298	-	862	-
1.3. Fishing	1,812	11,052	-	8,799	-
2. Industrial	2,037,183	1,418,854	-	1,581,236	-
2.1. Mining and Quarrying	51,022	16,852	-	24,793	-
2.2. Manufacturing Industry	1,977,375	1,092,735	-	1,246,622	-
2.3. Electricity, Gas, Water	8,786	309,267	-	309,821	-
3. Construction	1,490,881	932,644	-	1,035,847	-
4. Services	7,609,441	3,691,399	-	3,842,309	-
4.1. Wholesale and Retail Commerce	1,697,596	2,136,015	-	1,958,025	-
4.2. Hotel and Restaurant Services	660,514	271,829	-	314,696	-
4.3. Transportation and Communication	361,111	128,060	-	167,467	-
4.4. Financial Corporations	3,793,961	894,050	-	1,020,661	-
4.5. Real Estate and Loan Services	79,298	18,740	-	33,170	-
4.6. Independent Business Services	541,342	120,841	-	173,724	-
4.7. Education Services	47,468	82,938	-	58,136	-
4.8. Health and Social Services	428,151	38,926	-	116,430	-
5. Other	3,230,384	2,746,686	-	2,949,472	-
6. Total	14,870,671	9,127,593	-	9,718,075	-

^(*) Represents the distribution of cash loans.

Major Sectors / Counterparties	Loans ^(*)			Provisions	
	Impaired Loans (TFRS 9)		Non-Performing (Regulation of Provision)	Provision For Expected Losses of Credit (TFRS 9)	(Regulation of Provision)
	Significant Increase of Credit Risk (Stage 2)	Default (Stage 3)			
1. Agriculture	573,663	330,342	-	262,517	-
1.1. Farming and Livestock	570,714	318,254	-	252,912	-
1.2. Forestation	1,109	294	-	366	-
1.3. Fishing	1,840	11,794	-	9,239	-
2. Industrial	1,392,970	1,486,997	-	1,363,930	-
2.1. Mining and Quarrying	48,857	18,438	-	16,867	-
2.2. Manufacturing Industry	1,328,606	1,159,220	-	1,037,056	-
2.3. Electricity, Gas, Water	15,507	309,339	-	310,007	-
3. Construction	1,394,388	860,694	-	728,594	-
4. Services	5,326,163	2,962,883	-	2,734,384	-
4.1. Wholesale and Retail Commerce	1,687,207	2,076,620	-	1,662,178	-
4.2. Hotel and Restaurant Services	446,618	210,944	-	203,787	-
4.3. Transportation and Communication	585,908	141,637	-	279,684	-
4.4. Financial Corporations	2,064,989	274,960	-	429,265	-
4.5. Real Estate and Loan Services	64,477	24,010	-	29,638	-
4.6. Independent Business Services	306,121	112,221	-	34,936	-
4.7. Education Services	58,703	81,995	-	55,240	-
4.8. Health and Social Services	112,140	40,496	-	39,656	-
5. Other	3,432,539	2,633,499	-	2,379,241	-
6. Total	12,119,723	8,274,415	-	7,468,666	-

^(*) Represents the distribution of cash loans.

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Movements in value adjustments and provisions

Current Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments^(*)	Closing Balance
1. Stage 3 Provisions ^(**)	5,943,713	1,682,490	(731,566)	4,867	6,889,770
2. Stage 1-2 Provisions	2,571,026	1,915,938	(455,658)	-	4,031,306

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

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

Prior Period	Opening Balance	TFRS 9 Transition Effect	Provision for Period	Provision Reversals	Other Adjustments^(*)	Closing Balance
1. Stage 3 Provisions ^(**)	4,746,136	2,560,099	(433,276)	(929,246)	5,943,713	4,746,136
2. Stage 1-2 Provisions	2,853,495	431,035	(713,504)	-	2,571,026	2,853,495

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

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

Exposures subject to countercyclical capital buffer:

The exposures subject to countercyclical capital buffer table prepared in accordance with the communiqué “Regulation on Capital Conservation and Countercyclical Capital buffers of Banks” published in the Official Gazette numbered 28812 dated 5 November 2013 is presented below:

Information on private sector receivables:

Current Period	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Country			
Turkey	149,725,713	-	149,725,713
Malta	496,750	-	496,750
Other	615,471	-	615,471
Total	150,837,934	-	150,837,934

Prior Period	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Country			
Turkey	117,688,081	-	117,688,081
Malta	433,209	-	433,209
Other	125,512	-	125,512
Total	118,246,802	-	118,246,802

2. Risk Management and General Disclosures regarding Risk Weighted Amounts

2.1. GBA – Risk management approach of the Bank:

- a) **The way risk profile of the Bank is determined by business model and the interaction between (e.g. key risks related to business model and in which way those risks are reflected to disclosures) and in which way the risk profile of the Bank is related to risk appetite approved by board of directors**

Bank acknowledges that business and strategy risks are material since the Bank’s growth oriented business plan is sensitive to changes in market conditions. From this point of view, Bank classifies business and strategy risk as an important risk. Bank reviews its 5 year long term business plans once a year periodically. If the economic developments and market conditions require, then business plans are reviewed and revised more often.

- b) **Risk management structure: Allocation of responsibilities in the Bank (e.g. supervision and delegation of authorization; separation of responsibilities with respect to their risk type, business unit etc.; relations**

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between structures included in risk management processes (e.g. board of directors, senior management, separate risk committee, risk management unit, legal compliance, internal audit function)

Bank's risk measurement, monitoring, and control functions have clearly defined responsibilities that are sufficiently independent from position/risk taking functions. Risk exposures are directly reported to Senior Management and the Board of Directors/Board Risk Committee. Bank's internal control systems are designed to provide adequate segregation of duties, in order to prevent conflicts of interest with respect to the distinct functions of undertaking, approving, monitoring and controlling risks. In particular the functions that undertake transactions (front line) are administratively and operationally separate from the functions of, confirmation, accounting and settlement of transactions, as well as the safekeeping of the assets of the Bank or its customers.

Risk management governance at the Bank starts with the Board of Directors. The Board Risk Committee ("BRC"), Audit Committee (the "AC"), Assets and Liabilities Committee (the "ALCO"), Corporate and Retail Credit Policy Committee ("CPC"), Operational Risk Management Committee ("ORMC"), Reputation Risk Management and Risk Management Department are the important bodies of the risk management structure. The Board of Directors determines the general risk policy and the risk appetite of the Bank.

The Audit Committee is responsible for supervising whether the Bank complies with the provisions of applicable risk management legislation, and the internal risk management policies and procedures approved by the BoD. The AC reviewing whether the Bank has the methods, instruments and procedures required for identifying, measuring, monitoring and controlling the risk exposures of the Bank.

The ALCO, meeting monthly, is responsible for monitoring and managing the structural asset-liability mismatches of the Bank, as well as monitoring and controlling liquidity risk and foreign currency exchange risk.

The CPC meets monthly and is responsible for monitoring and evaluating the Bank's lending portfolio and determining principles and policies regarding the credit risk management processes such as loan approval, limit setting, rating, monitoring and problem management. The ORMC meets every three months and is responsible for reviewing operational risk issues of the Bank and defining the necessary actions to be taken to minimize these risks. The Reputation Risk Management Committee is established to identify, evaluate and monitor the reputational risks that the Bank is exposed to and to take necessary actions to prevent risks and meets quarterly.

The Risk Management Department, working independently from the executive functions and reporting to the Board of Directors, is organized under three main sections as market risk, credit risk, operational risk and model validation, each having responsibility for identifying, measuring, monitoring, controlling and managing the relevant risks as well as for model validation, assessing the predictive ability of risk estimates and the use of ratings in credit processes.

The Compliance function is ensuring, through proper procedures, that the requirements and deadlines provided for by the regulatory framework in force are observed. This includes in particular anti-money laundering and terrorist financing regulation. In doing so, the compliance function informs all Bank employees on the relevant changes to the regulatory framework and provides guidance on the required changes to internal rules and processes. Moreover, the Compliance function cooperates as appropriate with the Risk Management unit, as compliance risk is considered a subcategory of operational risk.

Internal audit function acts as one of the three lines of defense of Bank risk Management model and provides the independent review function. Risk assessments at internal audit are carried out by internal audit department by paying attention to exposures that Bank has and controls relevant to them during audit works.

c) Channels which are used to extend and apply risk culture in the Bank (e.g. behavior rules, manuals including operation limits or procedures which shall be applied when the risk limits are exceeded, procedures regarding sharing of risk matters between business units and risk units)

The Risk Appetite Statement stands out as the basic risk management policy document in which the Bank defines its risks and determines its risk appetite and management principles. It also defines current and targeted risk profile and appetite, risk management organization, and core risk management capabilities.

Corporate and Retail Loan Policies and application directions also determines the Bank's credit risk management workflow and procedures.

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Corporate Rating Governance Policy regulates the internal governance framework for corporate and commercial segment risk rating system operations.

Capital Management Policy sets a framework for managing capital requirements and adequacy assessment, capital planning, capital measurement and monitoring, capital allocation, risk-adjusted aims to establish performance measurement and pricing principles.

Counterparty Credit Risk Policy, the risk strategy determined by the Bank with risk policies and local legislation in comply with effective and sufficient counterparty credit risk management with caution, constant to establish based on the principles of applicability.

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

The IRRBB Management Policy defines the key principles of the management of interest rate risk arising from non-trading activities.

The liquidity policy outlines the Bank's view and identifies the guidelines for incurring, retaining and managing liquidity risk.

The Operational Risk Management Policy ensures that all the Bank's stakeholders manage operational risk within a formalised framework aligned to business objectives.

Reputation Risk Policy, identifies the rules and frame of managing the reputation risk.

d) Key elements and scope of risk measurement systems

Consistent across the Bank internal risk rating systems appropriate to the nature, size and complexity of each activity and fully integrated in credit processes. The internal risk rating system employs appropriate credit risk rating models the scope and coverage of which are adequate to accommodate the Bank's strategic aspirations and regulatory requirements. In particular, the Bank's internal rating systems form the basis of capital assessment and allocation and constitute a key element of risk adjusted performance measurement, pricing and profitability measurement.

Information systems and analytical techniques that enable measurement of credit risk inherent in all relevant activities, providing adequate information on the composition of the credit portfolio, including identification of any concentrations of risk.

The Market Risk Management Policy determines the key principles underlying the operations of the Bank in money and capital markets. Key principles of Market Risk Management Framework are:

The Board Risk Committee is responsible for ensuring that market risk strategy and policy are consistently implemented. This includes:

- Implementation of the market risk management policy.
- Designation of risk limits
- Definition of responsibilities for every unit involved in market risk management.
- Ongoing market risk monitoring and control, ensuring that risk appetite remains within the approved limits.
- Setting up appropriate IT systems for evaluating and monitoring the risks taken.
- Setting up standard models for market risk positions valuation and performance evaluation.
- Setting up comprehensive reporting and internal control systems.
- Providing for the maintenance of an adequate level of regulatory capital against the market risk undertaken.
- Providing for the disclosure of information regarding the type and level of the market risk assumed and for the implementation of policies for the management thereof.

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

Monthly risk reports are submitted to the Board of Directors and Board Risk Committee. These executive reports include information related to capital adequacy, Market Risk, Credit Risk, Counterparty Credit Risk and Operation Risk.

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Credit Risk section of the report consists of three main sub sections such as General Outlook to the Total Portfolio, Business Loans and Retail Loans, and include;

- Basic risk appetite parameters included in the Bank's Risk Appetite Statement document,
- Exposures by segments, monthly and annual changes, portfolio growth
- Sector concentration and risk metrics
- Delinquency amounts, product types and delinquencies by segments, new NPLs and recoveries from NPLS
- Detailed watchlist analyses for business segments
- Rating distributions, PD distributions, expected loss trend, collateral structure
- New NPLs, vintage analyses, recoveries by segments and products
- Restructured credits by segments
- Derivative products exposures by segments, stress testing
- Credit risk information regarding subsidiaries

The Risk Management Division is required to inform Senior Management and Board Member who is responsible from Internal Systems on Market Risk of Trading Book and AFS portfolio.

Reports are prepared daily and indicatively include the following:

- Estimation of the VaR on aggregate basis and by type of risk (interest rate, FX, equity)
- Estimation of stress VaR on aggregate basis and by type of risk (interest rate, FX, equity)
- Sensitivity of the trading and AFS portfolio
- Nominal values of bond portfolios
- Breakdowns of the portfolio and utilization of the relevant limits
- Utilization of limits on option Greeks
- Subsidiary VaR calculation

In addition, Board of Directors Risk Committee Report is prepared monthly in a way covering abovementioned market risk metrics and stress tests in order to be presented to Board of Directors and Risk Committee.

f) Disclosures regarding stress test (e.g. assets included in stress test, adapted scenarios and used methodologies and use of stress test in risk management)

Stress test constitute the center of capital planning within the scope of the Group's APICA (Assessment Process of Internal Capital Adequacy). The bank's general principles on these stress testing framework can be summarized as follows:

Comprehensive stress testing, aggregated per risk category, is conducted at least annually on year end data and business plan.

- Stress testing is integrated to the ICAAP document which is subject to Board of Directors approval.
- A historical scenario is selected as an anchor scenario to be used on the construct of base adverse scenario for the stress test use. However, final scenario is applied by enriching with hypothetical components as independent from anchor scenario.
- Bank's stress testing framework encompasses sensitivity tests.
- The impact of the stress testing on the Bank's financial strength and capital position are analyzed through some key ratios and key items including but not limited to the following: Non-performing Loan Ratio, Return of Equity, Return on Asset, Leverage Ratio, Core Tier I Ratio, Capital Adequacy Ratio, Loan Balances, Balance Sheet Items, Income Statement Items.
- Stress testing framework encompasses reverse stress testing.

In scenarios using stress testing, as a result of increase in non-performing loans due to significant deterioration in asset quality and a decrease in capital adequacy, The Bank's ability to meet capital-strengthening actions and cash outflows that may occur in case of a possible liquidity crisis were tested. In this context, when the potential risks created and to be created by Covid are evaluated, it is thought that the Bank has the power to be able to act at an adequate level.

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Market Risk Management defines the stress test approaches as below;

- To move the risk factors parallel in one direction.
- To move the risk factors non parallel.
- To perform tests to the existing portfolio based on past extreme situations.

Trading book consists of Financial Assets at Fair Value Through Profit or Loss securities, Financial Assets at Fair Value Through Profit or Loss derivatives and open currency positions which are clearly defined in Market Risk Management Policy.

Within the scope of liquidity stress test to identify possible sources of liquidity weaknesses, scenarios that are specific to the bank, related to the market in general and taking both situations into account have been defined. Thus, the Bank's ability to meet its obligations during a funding crisis is tested. The bank has had four different stress tests measuring how much it can meet its promises, without providing any new funds from the market or at very low levels of funds, cumulative cash outflows. During the coronavirus epidemic, the scenarios were reviewed by observing the financial movements and the minimum life expectancy of the Bank and it has been observed that it is resistant to stress over 30 days.

g) Risk management, protection and mitigation strategies and process of the Bank sourcing from its business model and Monitoring processes of continuing effects of protection and mitigation

First, it is generally the case that internal expectations about the effectiveness of CRM are based on the internal experience of the Bank, incorporated in the respective credit risk control framework, including its lending processes, and are typically conservatively adjusted, using for example recognition rates per collateral type.

Likewise, conservatism is also embedded in regulatory rules through respective haircuts, collateral eligibility requirements and so forth. Furthermore, the collaterals used as a risk mitigant in the Bank's capital adequacy calculations are predominantly cash or equivalent collaterals. The treatment of cash collaterals is straight forward, issues about recovery, and valuation are not relevant.

Regarding the exposure secured with mortgages, the new capital adequacy regime with Basel II increased the operational requirements for the recognition.

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2.2 GB1 – Overview of Risk Weighted Assets:

		Risk Weighted Amount		Minimum Capital Requirement	
		31.12.2020	31.12.2019	31.12.2020	31.12.2019
1	Credit Risk (excluding counterparty Credit Risk)	147,672,351	133,737,010	11,813,788	10,698,961
2	Standardized approach	147,672,351	133,737,010	11,813,788	10,698,961
3	Internal rating-based approach	-	-	-	-
4	Counterparty credit risk	5,657,395	4,817,823	452,592	385,426
5	Standardized approach for counterparty credit Risk	5,657,395	4,817,823	452,592	385,426
6	Internal model method	-	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-	-
8	Investments made in collective investment companies – look-through approach	-	-	-	-
9	Investments made in collective investment companies – mandate-based approach	-	-	-	-
10	Investments made in collective investment companies - 1250% weighted risk approach	-	-	-	-
11	Settlement risk	-	-	-	-
12	Securitization positions in banking accounts	-	-	-	-
13	IRB ratings-based approach	-	-	-	-
14	IRB Supervisory Formula Approach	-	-	-	-
15	SA/simplified supervisory formula approach	-	-	-	-
16	Market risk	3,589,088	3,347,613	287,127	267,809
17	Standardized approach	3,589,088	3,347,613	287,127	267,809
18	Internal model approaches	-	-	-	-
19	Operational Risk	14,668,786	12,435,826	1,173,503	994,866
20	Basic Indicator Approach	14,668,786	12,435,826	1,173,503	994,866
21	Standard Approach	-	-	-	-
22	Advanced measurement approach	-	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-	-
24	Floor adjustment	-	-	-	-
25	TOTAL(1+4+7+8+9+10+11+12+16+19+23+24)	171,587,620	154,338,272	13,727,010	12,347,062

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3.Linkages between financial statements and risk amount

3.1. B1 - Differences and matching between asset and liabilities' carrying values in financial statements and risk amounts

	Carrying values of items in accordance with TAS					
Current Period	Financial statements prepared as per TAS	Subject to credit risk	Subject to counterparty credit risk	Subject to the Securitization framework	Subject to market risk	Not subject to capital requirements or subject to deduction from capital
Assets						
Cash and balances with the Central Bank	27,403,058	27,406,457	-	-	-	-
Trading Financial Assets ^(*)	4,717,414	-	4,711,390	-	2,923,315	-
Financial Assets at Fair Value Through Profit or Loss	570,938	116,829	-	-	315,301	-
Banks	1,456,535	1,466,703	-	-	-	-
Money Market Placements	342,734	-	342,734	-	-	-
Financial Assets Available-for-Sale (net)	15,181,089	15,181,089	7,654,584	-	-	-
Loans and Receivables	138,602,382	142,420,889	-	-	-	47,793
Factoring Receivables	-	-	-	-	-	-
Held-to-maturity investments (net)	18,733,200	18,743,356	7,500,243	-	-	-
Investment in Associates (net)	14,026	14,026	-	-	-	-
Investment in Subsidiaries (net)	1,596,516	1,596,516	-	-	-	-
Investment in Joint ventures (net)	282,408	282,408	-	-	-	-
Lease Receivables	-	-	-	-	-	-
Derivative Financial Assets Held For Hedging ^(*)	4,632,212	-	4,632,211	-	-	-
Property And Equipment (Net)	3,476,281	3,409,088	-	-	-	67,193
Intangible Assets (Net)	504,698	-	-	-	-	455,268
Investment Property (Net)	-	-	-	-	-	-
Tax Asset	931,700	931,700	-	-	-	-
Assets Held For Resale And Related To Discontinued Operations (Net)	-	-	-	-	-	-
Other Assets	8,808,157	8,816,190	-	-	-	-
TOTAL ASSETS	227,253,348	220,385,251	24,841,162	-	3,238,616	570,254
Liabilities						
Deposits	130,559,731	-	-	-	-	-
Derivative Financial Liabilities Held for Trading ^(**)	6,494,380	-	-	-	2,843,562	-
Funds Borrowed	20,192,024	-	-	-	-	-
Money Markets	14,489,394	-	14,489,394	-	-	-
Marketable Securities Issued	13,506,385	-	-	-	-	-
Funds	-	-	-	-	-	-
Miscellaneous Payables ^(***)	9,243,607	-	-	-	-	-
Other Liabilities ^(***)	2,682,947	-	-	-	-	-
Factoring Payables	-	-	-	-	-	-
Lease Payables	446,675	-	-	-	-	-
Derivative Financial Liabilities Held For Hedging ^(**)	1,582,972	-	-	-	-	-
Provisions	1,064,819	-	-	-	-	-
Tax Liability	1,063,699	-	-	-	-	-
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (net)	-	-	-	-	-	-
Subordinated Loans	6,704,294	-	-	-	-	-
Shareholder's Equity	19,222,421	-	-	-	-	-
TOTAL LIABILITIES	227,253,348	-	14,489,394	-	2,843,562	-

^(*)Financial assets held for trading and derivative financial assets for hedging purposes are included in the "Derivative Financial Assets" item in the financial statements.

^(**)Financial liabilities held for trading and derivative financial liabilities for hedging purposes are included in the "Derivative Financial Liabilities" item in the financial statements.

^(***)Miscellaneous payables and other liabilities are presented under "Other Liabilities" items in the financial statements.

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Prior Period	Carrying values of items in accordance with TAS					Not subject to capital requirements or subject to deduction from capital
	Financial statements prepared as per TAS	Subject to credit risk	Subject to counterparty credit risk	Subject to the Securitization framework	Subject to market risk	
Assets						
Cash and balances with the Central Bank	18,748,232	18,750,540	-	-	-	-
Trading Financial Assets	3,814,171	-	3,778,815	-	2,777,147	-
Financial Assets at Fair Value Through Profit or Loss	334,949	86,838	-	-	334,949	-
Banks	854,081	859,580	-	-	-	-
Money Market Placements	3,040,962	-	3,040,962	-	-	-
Financial Assets Available-for-Sale (net)	12,343,441	12,343,441	5,475,062	-	-	-
Loans and Receivables	110,596,392	113,169,631	-	-	-	28,525
Factoring Receivables	-	-	-	-	-	-
Held-to-maturity investments (net)	16,169,450	16,181,302	6,517,031	-	-	-
Investment in Associates (net)	5,982	5,982	-	-	-	-
Investment in Subsidiaries (net)	1,250,114	1,250,114	-	-	-	-
Investment in Joint ventures (net)	236,777	236,777	-	-	-	-
Lease Receivables	-	-	-	-	-	-
Derivative Financial Assets Held For Hedging	4,131,982	-	4,131,982	-	-	-
Property And Equipment (Net)	3,376,349	3,302,340	-	-	-	74,009
Intangible Assets (Net)	438,280	-	-	-	-	396,779
Investment Property (Net)	-	-	-	-	-	-
Tax Asset	348,688	348,688	-	-	-	-
Assets Held For Resale And Related To Discontinued Operations (Net)	-	-	-	-	-	-
Other Assets	5,990,661	5,999,874	-	-	-	-
TOTAL ASSETS	181,680,511	172,535,107	22,943,852	-	3,112,096	499,313
Liabilities						
Deposits	105,625,783	-	-	-	-	105,625,783
Derivative Financial Liabilities Held for Trading	3,619,172	-	-	-	2,630,305	988,867
Funds Borrowed	15,309,409	-	-	-	-	15,309,409
Money Markets	9,064,854	-	9,064,854	-	-	-
Marketable Securities Issued	13,085,974	-	-	-	-	13,085,974
Funds	-	-	-	-	-	-
Miscellaneous Payables	7,596,208	-	-	-	-	7,596,209
Other Liabilities	2,372,784	-	-	-	-	2,372,783
Factoring Payables	-	-	-	-	-	-
Lease Payables	447,730	-	-	-	-	447,730
Derivative Financial Liabilities Held For Hedging	1,359,762	-	-	-	-	1,359,762
Provisions	875,641	-	-	-	-	875,641
Tax Liability	205,582	-	-	-	-	205,582
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (net)	-	-	-	-	-	-
Subordinated Loans	5,432,553	-	-	-	-	5,432,553
Shareholder's Equity	16,685,059	-	-	-	-	16,685,059
TOTAL LIABILITIES	181,680,511	-	9,064,854	-	2,630,305	169,985,352

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3.2. B2-The main sources of the differences between the risk amounts and the amounts assessed in accordance with TAS in the financial statements:

	Current period	Total	Subject To Credit Risk	Subject to the Securitization	Subject To Counterparty Credit Risk	Subject To Market Risk
1	Asset carrying value amount under scope of regulatory consolidation	248,465,029	220,385,251	-	24,841,162	3,238,616
2	Liabilities carrying value amount under regulatory scope of consolidation	17,332,956	-	-	14,489,394	2,843,562
3	Total net amount under regulatory scope of consolidation	231,132,073	220,385,251	-	10,351,768	395,054
4	Off-Balance Sheet Amounts	144,254,314	27,418,139	-	-	-
5	Differences due to different netting rules	3,194,034	-	-	-	3,194,034
6	Repo transactions	2,815,398	-	-	2,815,398	-
7	Potential credit risk amount calculated for the counterparty	1,520,171	-	-	1,520,171	-
8	Differences due to credit risk reduction	(10,611,083)	(3,904,385)	-	(6,706,698)	-
9	Average exchange rate effect(*)	(8,555,937)	(8,555,937)	-	-	-
	Risk Amounts	-	235,343,068	-	7,980,639	3,589,088

(*) It shows the average exchange rate effect used in credit risk calculation within the scope of the BRSA's Resolution dated December 8, 2020.

	Prior period	Total	Subject To Credit Risk	Subject to the Securitization	Subject To Counterparty Credit Risk	Subject To Market Risk
1	Asset carrying value amount under scope of regulatory consolidation	198,591,054	172,535,107	-	22,943,852	3,112,096
2	Liabilities carrying value amount under regulatory scope of consolidation	11,695,159	-	-	9,064,854	2,630,305
3	Total net amount under regulatory scope of consolidation	186,895,895	172,535,107	-	13,878,998	481,791
4	Off-Balance Sheet Amounts	116,905,624	21,647,562	-	-	-
5	Differences due to different netting rules	2,865,822	-	-	-	2,865,822
6	Repo transactions	2,848,164	-	-	2,848,164	-
7	Potential credit risk amount calculated for the counterparty	1,397,176	-	-	1,397,176	-
8	Differences due to credit risk reduction	(13,054,380)	(2,030,934)	-	(11,023,446)	-
	Risk Amounts	-	192,151,735	-	7,100,892	3,347,613

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

- a) None.
- b) There is no significant difference between amounts valued in accordance with TAS included in B2 and risk exposures except for "Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)". There is a significant difference between amounts valued according to TAS and risk exposures, since the securities which are subject to repurchase that include in Money Market Payables account item are subject to counter party risk.
- c) **Valuation methodologies regarding the disclosure related to use of Market Value and Model Value:**

In general terms, market risk is the possibility of making loss as a result of changes occurring in the current market values of financial assets and positions in the bank's trading accounts. In this framework, the following elements of the Bank, which must be reflected on balance sheet over their current market values (market to market), are included in market risk.

Market risk is the likelihood of loss of financial assets and positions in the bank's trading accounts in general terms as a result of changing the current market values.

- Equity shares included in trading, investment fund participation documents, securities such as bonds and bills.
- Open foreign exchange position with respect to each foreign currency.
- Derivative contracts (forwards) sensitive to interest changes and concluded for trading, future transactions, simple or complex options, swaps, credit derivatives.
- Reverse repo transactions.

Classification of Trading Accounts are made in accordance with Appendix-3 of Regulation on Measurement and Evaluation of Bank's Capital Adequacy.

QNB Finansbank calculates its value at market risk with standard method in the framework of "Regulation on Measurement and Evaluation of Bank's Capital Adequacy". Accordingly, capital requirement is reached through multiplying of total of general market risk, commodity risk, settlement risk, exchange risk option risk to 12.5.

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Value at market risk of the Bank is reached through the determination of amounts related to market risk in scope of Basel 2 reporting set. Details of analysis are as follows:

- Commodity risk analysis: Simplified approach (Standard method).
- Interest rate risk analysis: General Market Risk Calculation (Standard method – maturity approach) – Specific risk calculation (standard method).
- Equity share risk analysis: Position risk in equity share investments (Standard method).
- Exchange rate exposure analysis (standard method).
- Option risk analysis: Weighting method with delta factor (standard method).

Securities such as equity share, bond and bills, whose market prices are monitored directly, and derivative products such as futures, which are traded in stock exchange, are reviewed over their transaction prices as of reporting date. If a security included in Financial Assets at Fair Value through Profit/Loss portfolio cannot be treated as of reporting date, it is evaluated over the price determined in scope of precautionary principles.

Market value of products, which are traded at over the counter markets such as forward foreign exchange, foreign exchange swaps and interest swaps, are calculated in line with discounting of cash flows over market interest rates. Market value of option transactions is performed based on softwares which are internationally accepted valuation methodologies.

Definition of independent price approval processes:

There are four main price parameters which shall have an impact on current market value of financial assets and positions held by the Banks:

- Market interest rates (bond, bill and derivative prices)
- Share prices
- Exchange rates
- Gold, other precious metals and commodity prices

Total risk of loss sourcing from price movements (interest, equity share, exchange and commodity risk) related to financial assets and positions are called as “general market risk”.

Independency of price process is ensured through the recording and management of prices to Bank systems by back office. In addition, the pricing and valuation systems in question are also reviewed and validated by Validation Unit. Details belonging to aforementioned valuation and accounting are strictly documented and monitored by Treasury Control Unit.

Processes for valuation adjustments or differences (It includes definition of process and methodology definition for the valuation of trading positions according to type of financial instrument)

TL borrowing instruments included in securities portfolio of Financial Assets at Fair Value through Profit/Loss account consist of government securities. The aforementioned securities are evaluated based on weighted average price traded in BIST. Market price is calculated based on CBT prices for TL securities not traded in BIST. Average of quotation of purchase and sell in the market are accepted as market price for Foreign Currency securities included in the same portfolio.

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4. Credit Risk Disclosures

4.1 General Information on Credit Risk

4.1.1. CRA – General Qualitative Information on Credit Risk

a) Conversion of Bank's business model to components of credit risk profile

The Bank deploys forward looking, risk sensitive measurement systems and tools, including appropriate information technology (IT) applications and management information systems (MIS), to account for expected and unexpected losses in both normal and stress market conditions, for all types of risks as appropriate.

b) Criteria and approach used during the determination of credit risk policy and credit risk limits

Bank credit policies have been established to form effective and satisfactory loan allocation processes based on prudence and applicability principles in a way that it is in line with the risk boundaries set by the Bank, Bank Credit Policies and legal authorities. Pillars of credit risk management policy in Bank are;

- Rules and Regulations of BRSA (Banking Regulation and Supervision Agency)
- Decisions of institutions auditing QNB Bank
- Credit policies and procedures at Bank level
- Risk Appetite Statement Document
- Corporate, commercial and SME banking credit policies and corporate grading management documents
- Individual credit and credit cards policies

Risk Appetite Statement Document comes out as the main risk management policy document in which the Bank defines its risks, determines the risk appetite and the risk management principles. Credit risk limits are reviewed annually, consistent to risk strategy.

c) Structure and organization of credit risk management and control function

All of the process related to direct or indirect credit allocation, extension, monitoring and operation of the Bank in favour of individuals or legal entities are reviewed in scope of credit risk management. Activities related to capital management includes calculation of legal and economic capital requirement of annual and long term business plans of the Bank.

Activities related to Credit Risk and Capital Management are carried out by Credit Risk Analytic, Strategy and Capital Management unit. Bank's Credit Risk organization, duties and responsibilities, related units and responsibilities of those units are identified in detail in the own Credit Policy documents of the Bank, Risk Appetite Statement Document and Risk Management Department operation instruction and also main principles, applications, limits and reporting processes, which are going to be adopted in Credit Risk Management, are included.

Main responsibilities of Credit Risk Management Department are as follows:

- To establish risk management policies and strategies related to risks exposed by the Bank and to submit those policies and strategies for the approval of Board of Directors Risk Committee.
- To ensure fulfilment of risk identification, measurement, analysis, monitoring, control and mitigation activities in accordance with risk management policies and processes approved by Board of Directors and to report all significant in balance and off balance risks which are undertaken at Bank level to senior management.
- To make internal capital adequacy review covering all risks and to make forecasts related to course of capital adequacy ratio in the framework of long term business plans of the Bank.
- To make periodic stress tests and scenario analysis and establish early warning systems.
- To support decision-making processes of the Bank through providing reviews and risk point of view with respect to risk management.
- To develop application and behavior score cards which are used in order to manage credit portfolio and processes in a correct and effective manner and forming main source for DR models.

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- To promote risk awareness and management culture at Bank level.
- To develop of forecasting models/approaches and the measurement monitoring of portfolio credit risk through Probability of Default (PD), Loss Given Default (LGD) and Exposure At Default (EAD).
- Implementation of risk based Credit Classification and Expected Credit Loss (ECL) calculations under TFRS 9, determination of credit risk measurement framework, development and implementation of relevant models / approaches.

d) Relationship between credit risk management, risk control, legal compliance and internal audit functions

Risk governance model includes three lines of defense consisting of:

- The risk taking units (lines of business) at the first level, responsible for assessing and minimizing risks for a given level of return.
- Risk Management Unit, at the second level, identifies, monitors, controls, quantifies risk, provides appropriate tools and methodologies, provides coordination and assistance; measures risk adjusted performance across the business lines; reports to appropriate levels and proposes mitigation measures, being supported by business lines, where the risk is actually created, and specialized units.
- Internal Audit – provides the independent review function.

The Compliance function is ensuring, through proper procedures, that the requirements and deadlines provided for by the regulatory framework in force are observed. This includes in particular anti-money laundering and terrorist financing regulation. In doing so, the compliance function informs all Bank employees on the relevant changes to the regulatory framework and provides guidance on the required changes to internal rules and processes. Moreover, the Compliance function cooperates as appropriate with the Risk Management unit, as compliance risk is considered a subcategory of operational risk.

Internal audit function acts as one of the three lines of defense of Bank risk Management model and provides the independent review function. Risk assessments at internal audit are carried out by internal audit department by paying attention to exposures that Bank has and controls relevant to them during audit works.

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

Monthly risk reports are submitted to the Board of Directors and Board Risk Committee. These executive reports include information related to capital adequacy, Market Risk, Credit Risk, Counterparty Credit Risk and Operation Risk. Report mainly consists of the following; changes in risk parameters, changes in exposures of segments, concentration and risk metrics, stress testing and results, delinquency amounts and ratios by segments, stage 3, stage 2, rating and PD distributions, vintage analyses, collaterals, recoveries, restructurings.

In addition to these monthly reports, a comparative analysis with peer Banks, which is based on quarterly capital adequacy and credit risk metrics, is also reported to senior management and the board of directors.

4.2 CR1 – Credit quality of assets:

Current Period	Gross carrying values of as per TAS		Allowances/ impairments	Net values
	Defaulted exposures	Non-defaulted exposures		
1 Loans ^(*)	9,127,593	140,347,688	6,889,770	142,585,511
2 Debt Securities	-	33,916,772	-	33,916,772
3 Off-balance sheet Exposures	353,323	93,022,977	48,284	93,328,016
4 Total	9,480,916	267,287,437	6,938,054	269,830,299

(*)Includes financial assets at fair value through profit or loss in line with TFRS 9 amounting to TL 116,829 (December 31, 2019: TL 86,838)

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Prior Period	Gross carrying values of as per TAS		Allowances/ impairments	Net values
	Defaulted exposures	Non-defaulted exposures		
1 Loans ^(*)	8,274,415	110,784,773	5,943,713	113,115,475
2 Debt Securities	-	28,334,946	-	28,334,946
3 Off-balance sheet exposures	371,834	75,759,667	45,614	76,085,887
4 Total	8,646,249	214,879,386	5,989,327	217,536,308

(*) Includes financial assets at fair value through profit or loss in line with TFRS 9 amounting to TL 86,838 (December 31, 2019: TL 110,032)

4.3. CR2 – Changes in stock of defaulted loans and debt securities:

	Current Period	Prior Period
1 Defaulted loans and debt securities at end of the previous reporting period	8,274,415	6,155,252
2 Loans and debt securities that have defaulted since the last reporting period	2,352,858	4,357,917
3 Returned to non-defaulted status	-	-
4 Amounts written off ^(*)	4,867	929,246
5 Other changes ^(**)	1,494,813	1,309,508
6 Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	9,127,593	8,274,415

(*) In current period, there is not any balance regarding sales of non-performing loans (December 31, 2019 : TL 918,518)

(**) Includes collections from credits in default.

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

a) The criteria taken into consideration by the Bank in determining the impairment are explained in footnote VIII of the third section. Receivables having more than 90 days overdue are defined as “Past due receivables”. There is no difference between “past due receivables” and “loans subject to provisioning” since all loans with 90 days overdue are subject to specific provisioning.

b) There is no part of past due receivables which is not reviewed as “loans subject to provisioning”.

c) The Bank's specific provision calculation is explained in footnote VIII of the third section. When specific provisions are determined, the minimum specific provision rates are used and the collaterals are not deducted from the risk bases in accordance with the “Regulation on the Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be Set Aside”.

d) In receivables of the customers having difficulties in payment of receivables to the Bank or expected to have possible difficulties in payments then receivables in aforementioned scope are identified as “restructured receivables”.

e) Exposures provisioned according to major regions, major sectors and remaining maturity

Exposures provisioned against by major regions:

Country	Current Period	Prior Period
Turkey	139,129,640	109,998,461
European Union (EU) Countries	499,318	449,498
USA, Canada	23,237	19,487
OECD Countries	187	2,493
Off-Shore Banking Regions	321,970	44,659
Other Countries	373,336	270,176
Total (*)	140,347,688	110,784,774

(*) Includes Financial Assets Measured at fair value through profit or loss amounting to TL 116,829 in accordance with TFRS 9 (31 December 2019 - TL 86,838).

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Exposures provisioned against by major sectors:

	Current Period	Prior Period
1. Agricultural	2,420,350	2,342,906
1.1. Farming and raising livestock	2,242,051	2,165,319
1.2. Forestry	7,661	7,463
1.3. Fishing	170,638	170,124
2. Manufacturing	27,779,424	20,227,280
2.1. Mining and Quarrying	322,996	320,642
2.2. Production	22,666,499	15,932,481
2.3. Electricity, Gas, Water	4,789,929	3,974,157
3. Construction	6,364,791	5,842,486
4. Services	57,340,304	45,263,180
4.1 Wholesale and retail trade	20,158,777	16,057,124
4.2 Hotel, food and beverage services	5,289,989	4,759,454
4.3 Transportation and telecommunication	15,321,475	11,837,609
4.4 Financial institutions	9,718,334	7,065,951
4.5 Real estate and leasing services	360,950	276,556
4.6 Self-employment services	1,606,066	1,333,270
4.7 Education services	411,683	402,373
4.8 Health and social services	4,473,030	3,530,843
5. Other	46,442,819	37,108,922
6. Total (*)	140,347,688	110,784,774

(*) Includes Financial Assets Measured at fair value through profit or loss amounting to TL 116,829 in accordance with TFRS 9 (31 December 2019 – TL 86,838).

Breakdown of Exposures according to remaining maturity:

Current period	Demand	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Loans and Receivables(*)	-	24,183,070	15,121,227	41,880,896	41,330,129	13,849,237	136,364,559

(*) Provision amounts have been deducted from current period balances.

Prior period	Demand	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Loans and Receivables(*)	-	21,248,476	9,383,560	31,665,164	33,504,799	12,463,691	108,265,690

(*) Provision amounts have been deducted from current period balances.

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

Loan Amounts provisioned on the basis of by geographical regions Loans written off during the assets

Current Period	Loans Subject to		
	Provision	Provision	Written-off from Assets
Turkey	9,091,011	6,869,852	4,867
European Union (EU) Countries	20,338	3,674	-
USA,Canada	-	-	-
OECD Countries(*)	-	-	-
Off-Shore Banking Regions	16,225	16,225	-
Other Countries	19	19	-
Total	9,127,593	6,889,770	4,867

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

Prior Period	Loans Subject to		
	Provision	Provision	Written-off from Assets
Turkey	8,239,083	5,924,249	929,246
European Union (EU) Countries	18,903	3,043	-
USA,Canada	-	-	-
OECD Countries(*)	-	-	-
Off-Shore Banking Regions	16,410	16,403	-
Other Countries	19	18	-
Total	8,274,415	5,943,713	929,246

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

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“Exposures provisioned against by major sectors and Loans written off”

	Current Period			Prior Period		
	Loans subject to provision	Provision	Written-off from Assets	Loans subject to provision	Provision	Written-off from Assets
1. Agriculture	338,010	213,087	-	330,343	193,701	8,551
1.1. Farming and Raising Livestock	326,660	204,283	-	318,254	184,370	8,361
1.2. Forestry	298	280	-	294	256	43
1.3. Fishing	11,052	8,524	-	11,795	9,075	147
2. Industrial	1,418,854	1,134,323	44	1,486,996	1,150,456	82,271
2.1. Mining and Quarrying	16,852	11,050	-	18,437	13,158	601
2.2. Production	1,092,735	814,066	44	1,159,220	828,090	81,453
2.3. Electricity. Gas. Water	309,267	309,207	-	309,339	309,208	217
3. Construction	932,644	546,530	35	860,694	461,305	13,735
4. Services	3,691,399	2,550,249	453	2,962,884	1,974,398	288,858
4.1. Wholesale and Retail Trade	2,136,015	1,555,854	348	2,076,620	1,407,994	217,195
4.2. Hotel. Food and Beverage Services	271,829	198,801	43	210,944	137,678	32,407
4.3. Transportation and Communication	128,060	103,880	51	141,637	97,716	17,865
4.4. Financial Institutions	894,050	500,642	-	274,960	151,576	3,761
4.5. Real Estate and Renting Services	18,740	15,975	-	24,010	17,860	2,386
4.6. Self-Employment Services	120,841	93,966	11	112,221	81,572	9,052
4.7. Educational Services	82,938	48,826	-	81,995	48,626	1,945
4.8. Health and Social Services	38,926	32,305	-	40,497	31,376	4,247
5. Other	2,746,686	2,445,581	4,335	2,633,498	2,163,853	535,831
6. Total	9,127,593	6,889,770	4,867	8,274,415	5,943,713	929,246

g) Aging Analysis

Overdue Days	Current Period	Prior Period
0-30	137,506,110	108,487,649
31-60	1,252,025	1,334,197
61-90	660,146	962,928
90+	10,057,000	8,274,415
Total	149,475,281	119,059,189

5. Credit risk mitigation

5.1 CRC - Qualitative disclosure on credit risk mitigation techniques

Collateralization is used as main risk mitigation method. Tangible and intangible assets which can be accepted as collateral and their consideration rates are defined in detail in instructions. The Bank follows a conservative approach in collateral valuation. The value of the collateral is determined both with independent valuation and also internal valuation.

Legality and operational applicability is the precondition for the validity of collaterals. Legal teams should have performed sufficient legal examinations and confirmed all legal regulations related to collateral and validity of collateral before the receipt of the collateral. In addition, all contracts and other related documents should be obtained.

Collateral value should not have a positive correlation with the credit worthiness of the debtor.

Monitoring of collateral values is important to maintain credit quality. Market value of the collateral is periodically reviewed in line with determined frequency in directives and necessary precautions are taken when there is a significant deterioration indication in market value of the collateral.

Insurance policies of the collaterals should be obtained.

Collateral value meets Debt-Collateral ratio determined for credit type or specific sectors legally or in internal application of the Bank.

The Bank takes netting agreements concluded with counterparties into account in the framework of rules mentioned in scope of Appendix-2 of Regulation on Measurement and Evaluation of Bank's Capital Adequacy during the counterparty risk measurement.

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5.2 CR3 Credit risk mitigation techniques – Overview:

Current Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1 Loans	138,189,725	4,395,786	2,290,707	-	-	-	-
2 Debt securities	33,916,772	-	-	-	-	-	-
3 TOTAL	172,106,497	4,395,786	2,290,707	-	-	-	-
4 Of which defaulted	2,526,504	16,358	311	-	-	-	-

Prior Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1 Loans	108,894,571	4,220,904	2,032,650	-	-	-	-
2 Debt securities	28,334,946	-	-	-	-	-	-
3 TOTAL	137,229,517	4,220,904	2,032,650	-	-	-	-
4 Of which defaulted	2,319,740	10,962	321	-	-	-	-

6. Credit risk when standard approach is used

6.1. CRD – Qualitative disclosures which shall be made related to grading marks used by the Banks while calculating credit risk with standard approach:

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

6.2. CR4 – Standard Approach– Credit risk exposure and credit risk mitigation (CRM) effects

Current Period	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Exposure Categories						
1 Exposures to central governments or central banks	56,357,320	-	60,005,239	-	-	-
2 Exposures to regional governments or local authorities	93,809	65	93,809	-	46,904	50%
3 Exposures to public sector entities	364,582	40,275	355,666	12,946	368,612	100%
4 Exposures to multilateral development banks	-	-	-	-	-	-
5 Exposures to international organizations	-	-	-	-	-	-
6 Exposures to institutions	7,892,948	3,469,991	7,886,787	2,463,501	4,580,241	44%
7 Exposures to corporates	60,492,470	44,416,693	57,806,882	19,723,459	77,530,341	100%
8 Retail exposures	67,674,942	93,616,360	62,963,328	3,677,533	49,980,645	75%
9 Exposures secured by residential property	2,257,567	241,199	2,257,566	9,120	793,340	35%
10 Exposures secured by commercial real estate	4,182,164	449,658	4,182,163	211,412	3,233,400	74%
11 Past-due loans	1,955,922	-	1,955,699	-	1,342,017	69%
12 Higher-risk categories by the Agency Board	339,316	8,041	339,299	350	509,473	150%
13 Exposures in the form of covered bonds	-	-	-	-	-	-
14 Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15 Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-
16 Other assets	9,497,684	9,265	9,497,684	-	7,386,753	78%
17 Investments in equities	1,900,625	-	1,900,625	-	1,900,625	100%
18 Total	213,009,349	142,251,547	209,244,747	26,098,321	147,672,351	63%

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Prior Period	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
Exposure Categories						
1 Exposures to central governments or central banks	44,900,241	-	49,934,775	-	14,079,559	28%
2 Exposures to regional governments or local authorities	83,158	65	83,158	-	41,579	50%
3 Exposures to public sector entities	179,878	105,385	179,289	47,232	226,523	100%
4 Exposures to multilateral development banks	-	-	-	-	-	-
5 Exposures to international organizations	-	-	-	-	-	-
6 Exposures to institutions	6,210,450	2,284,548	6,209,132	1,510,750	4,157,233	54%
7 Exposures to corporates	47,584,523	34,947,988	45,587,561	16,440,757	62,028,317	100%
8 Retail exposures	56,504,241	79,033,922	51,436,247	3,531,696	41,225,957	75%
9 Exposures secured by residential property	2,649,968	342,574	2,649,968	12,254	931,778	35%
10 Exposures secured by commercial real estate	2,579,419	169,759	2,579,419	105,049	1,342,234	50%
11 Past-due loans	2,094,858	-	2,094,568	-	1,479,795	71%
12 Higher-risk categories by the Agency Board	235,889	1,540	235,858	1,540	356,096	150%
13 Exposures in the form of covered bonds	-	-	-	-	-	-
14 Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15 Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-
16 Other assets	7,829,811	19,843	7,829,812	-	6,185,269	79%
17 Investments in equities	1,682,670	-	1,682,670	-	1,682,670	100%
18 Total	172,535,106	116,905,624	170,502,457	21,649,278	133,737,010	70%

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

Current Period										Total Credit Risk Exposure Amount
Exposure Categories/ Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	Others	
1 Exposures to central governments or central banks	60,005,239	-	-	-	-	-	-	-	-	60,005,239
2 Exposures to regional governments or local authorities	-	-	-	-	93,809	-	-	-	-	93,809
3 Exposures to public sector entities	-	-	-	-	-	-	368,612	-	-	368,612
4 Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5 Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6 Exposures to institutions	-	-	2,161,262	-	8,082,077	-	106,949	-	-	10,350,288
7 Exposures to corporates	-	-	-	-	-	-	77,530,341	-	-	77,530,341
8 Retail exposures	-	-	-	-	-	66,640,861	-	-	-	66,640,861
9 Exposures secured by residential property	-	-	-	2,266,686	-	-	-	-	-	2,266,686
10 Exposures secured by commercial real estate	-	-	-	-	2,320,351	-	2,073,224	-	-	4,393,575
11 Past-due loans	-	-	-	-	1,227,363	-	728,336	-	-	1,955,699
12 Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	339,649	-	339,649
13 Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-
14 Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-
15 Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-
16 Investments in equities	-	-	-	-	-	-	1,900,625	-	-	1,900,625
17 Other Assets	2,109,980	-	1,189	-	-	-	7,386,515	-	-	9,497,684
18 Total	62,115,219	-	2,162,451	2,266,686	11,723,600	66,640,861	90,094,602	339,649	-	235,343,068

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Prior Period											Total Credit Risk Exposure Amount ^(*)
	Exposure Categories/ Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	Others	
1	Exposures to central governments or central banks	35,855,216	-	-	-	-	-	14,079,559	-	-	49,934,775
2	Exposures to regional governments or local authorities	-	-	-	-	83,158	-	-	-	-	83,158
3	Exposures to public sector entities	-	-	-	-	-	-	226,521	-	-	226,521
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	-	-	1,101,642	-	5,362,670	-	1,255,570	-	-	7,719,882
7	Exposures to corporates	-	-	-	-	-	-	62,028,318	-	-	62,028,318
8	Retail exposures	-	-	-	-	-	54,967,943	-	-	-	54,967,943
9	Exposures secured by residential property	-	-	-	2,662,222	-	-	-	-	-	2,662,222
10	Exposures secured by commercial real estate	-	-	-	-	2,684,468	-	-	-	-	2,684,468
11	Past-due loans	-	-	-	-	1,229,547	-	865,021	-	-	2,094,568
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	237,398	-	237,398
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-
16	Investments in equities	-	-	-	-	-	-	1,682,670	-	-	1,682,670
17	Other Assets	1,644,535	-	8	-	-	-	6,185,269	-	-	7,829,812
18	Total	37,499,751	-	1,101,650	2,662,222	9,359,843	54,967,943	86,322,928	237,398	-	192,151,735

7. Disclosures regarding counterparty credit risk

7.1 Qualitative disclosures regarding DCCR – CCR table:

- a) Counterparty credit risk (CCR) states default risk of counterparty, which is a party to a transaction imposing an obligation to both parties, going into default before the final payment included in cash flow of the transaction in question. CCR causes credit risk for banks carrying out money and capital market transactions. Derivative financial instruments, repo and reverse repo transactions, securities and commodities lending transactions, transactions having long clearing process and margin trading transactions are considered in the aforementioned scope.

The most significant part of CCR in the Bank is sourced from derivative financial instruments. Derivative transactions are made with financial institutions, individual and commercial customers for the purposes of trading, management of interest risk of banking accounts and meeting customer demands.

CCR is managed within the framework of the Counterparty Credit Policy approved by the Board of Directors. In this policy, the scope of the CCR, the risk calculation method, and the distribution of responsibility distribution were determined. The general lines determined in the CCR policy are detailed with the Derivative Products Application Instructions.

Main Bank does not make a distinction between banks, non-bank financial institutions and individual customers with respect to counterparty credit risk. Transactions made with non-bank financial institutions are reviewed in the framework of corporate-commercial credit risk while banks are considered in the framework of financial institutions.

Derivative risk amount which can be carried by the customer is limited within the credit policies framework. Related risk and limit amounts are monitored on a daily basis and when a collateral shortfall exists, shortfall collateral amount is completed in line with given standards in Derivative Products Application Instruction.

- b) A clear definition of risk appetite and its approval by Board of Directors is the precondition to establish a consistent risk limit system. The Bank has determined the following limit structure in order to limit the risk carried over derivative transactions. Those limits are determined in Market Risk Policy and approved by Board of Directors.

- Limits on option sensitivity indexes basis: Maximum risk which can be taken in delta, gama and vega positions is limited.
- Option nominal position limit: Maximum nominal position which can be taken on option type basis is limited.
- Interest sensitivity limit of forward exchanges included in trading accounts: Interest risk which can be carried by swap and forward exchanges made for the purposes of trading.

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Derivative limit on the basis of customer has been prepared in addition to abovementioned limit structure. The Bank has established required control mechanism in order to stay in the framework of determined limits.

- c) CCR is tried to be reduced with various techniques. The Bank uses daily exchange limits in addition to credit support and global repo agreements in order to reduce exchange risk. Limits, defined for financial institutions, are allocated according to creditability of counterparty and monitored as real time and online. Parties, having over the counter transactions with the Bank, are financial institutions which are well known and having a long term of business relationship.
- d) Countertrend risk states that probability of default of counterparty has a positive correlation with general market risk factors. Main Partner Bank monitors impacts of market risk factors such as interest and exchange on customer credit risk. Especially, in periods having sharp financial movements, required actions are taken in line with analysis performed.
- e) If there is a decline in credit rating grade, there is no additional collateral amount which must be provided by the Bank.

7.2 CCR1 – Assessment of Counterparty Credit Risk according to the models of measurement

Current Period	Revaluation Cost	Potential credit risk exposure	EEPE	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
1 Standard approach - CCR (for derivatives)	5,724,175	1,520,171		1,4	3,964,202	2,637,752
2 Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)	-	-	-	-	-	-
3 The simple method used to mitigate credit risk - repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions.	-	-	-	-	-	-
4 Comprehensive method for reducing credit risk - (for repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)	-	-	-	-	4,016,437	1,982,235
5 Repo transactions, securities or commodity lending or borrowing transactions, long-term transactions with risk exposure value for credit securities transactions	-	-	-	-	-	-
6 Total	-	-	-	-	-	4,619,987

Prior Period	Revaluation Cost	Potential credit risk exposure	EEPE	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
1 Standard approach - CCR (for derivatives)	4,846,796	1,397,176	-	1,4	3,134,602	2,040,809
2 Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)	-	-	-	-	-	-
3 The simple method used to mitigate credit risk - repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions.	-	-	-	-	-	-
4 Comprehensive method for reducing credit risk - (for repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)	-	-	-	-	3,966,290	2,022,498
5 Repo transactions, securities or commodity lending or borrowing transactions, long-term transactions with risk exposure value for credit securities transactions	-	-	-	-	-	-
6 Total	-	-	-	-	-	4,063,307

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7.3 CCR2 – Credit valuation adjustment (CVA) capital charge

	Exposure (After credit risk mitigation methods)		Risk Weighted Amounts	
	Current Period	Prior Period	Current Period	Prior Period
Total portfolio value with comprehensive approach CVA capital adequacy	-	-	-	-
1 (i) Value at risk component (3*multiplier included)	-	-	-	-
2 (ii) Stressed Value at Risk (3*multiplier included)	-	-	-	-
3 Total portfolio value with simplified approach CVA capital adequacy	3,964,202	3,134,602	1,037,408	754,518
4 Total amount of CVA capital adequacy	3,964,202	3,134,602	1,037,408	754,518

7.4. CCR3 – Standardised approach – CCR exposures by regulatory portfolio and risk weights

Prior Period										Total Credit Risk
	Exposure Categories/ Risk Weight	0%	10%	20%	50%	75%	100%	150%	Others	
1	Exposures from central governments or central banks	285,518	-	-	-	-	-	-	74,123	359,641
2	Exposures from regional or local governments	-	-	-	-	-	-	-	-	-
3	Exposures from administrative units and non-commercial enterprises	-	-	-	-	-	13	-	-	13
4	Exposures from multilateral development banks	-	-	-	-	-	-	-	-	-
5	Exposures from international organizations	-	-	-	-	-	-	-	-	-
6	Exposures from banks and brokerage houses	-	-	901,923	4,556,082	-	523,753	-	-	5,981,758
7	Exposures from corporates	-	-	-	-	-	1,624,931	-	-	1,624,931
8	Retail receivables	-	-	-	-	13,415	-	-	-	13,415
9	Mortgage receivables	-	-	-	-	-	-	-	-	-
10	Non performing receivables	-	-	-	-	-	-	-	-	-
11	High risk defined receivables	-	-	-	-	-	-	881	-	881
12	Mortgage backed securities	-	-	-	-	-	-	-	-	-
13	Securitization Positions	-	-	-	-	-	-	-	-	-
14	Short term credit rated banks and Intermediary Institutions receivables	-	-	-	-	-	-	-	-	-
15	Collective investment undertaking investments	-	-	-	-	-	-	-	-	-
16	Equity Investments	-	-	-	-	-	-	-	-	-
17	Other Receivables	-	-	-	-	-	-	-	-	-
18	Other Assets	-	-	-	-	-	-	-	-	-
19	Total	285,518	-	901,923	4,556,082	13,415	2,148,697	881	74,123	7,980,639

Prior Period										Total Credit Risk
	Exposure Categories/ Risk Weight	0%	10%	20%	50%	75%	100%	150%	Others	
1	Exposures from central governments or central banks	3,841	-	-	-	-	28,222	-	9,481	41,544
2	Exposures from regional or local governments	-	-	-	-	-	-	-	-	-
3	Exposures from administrative units and non-commercial enterprises	-	-	-	-	-	2	-	-	2
4	Exposures from multilateral development banks	-	-	-	-	-	-	-	-	-
5	Exposures from international organizations	-	-	-	-	-	-	-	-	-
6	Exposures from banks and brokerage houses	-	-	599,836	4,680,501	-	21,980	-	-	5,302,317
7	Exposures from corporates	-	-	-	-	-	939,693	-	-	939,693
8	Retail receivables	-	-	-	-	817,336	-	-	-	817,336
9	Mortgage receivables	-	-	-	-	-	-	-	-	-
10	Non performing receivables	-	-	-	-	-	-	-	-	-
11	High risk defined receivables	-	-	-	-	-	-	-	-	-
12	Mortgage backed securities	-	-	-	-	-	-	-	-	-
13	Securitization Positions	-	-	-	-	-	-	-	-	-
14	Short term credit rated banks and Intermediary Institutions receivables	-	-	-	-	-	-	-	-	-
15	Collective investment undertaking investments	-	-	-	-	-	-	-	-	-
16	Equity Investments	-	-	-	-	-	-	-	-	-
17	Other Receivables	-	-	-	-	-	-	-	-	-
18	Other Assets	-	-	-	-	-	-	-	-	-
19	Total	3,841	-	599,836	4,680,501	817,336	989,897	-	9,481	7,100,892

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7.5 CCR4 – Risk Class and Counterparty Credit Risk on the basis of Possibility of Default

Related table is not presented due to standard method is used for calculation of capital adequacy (December 31, 2019 – None).

7.6 CCR5 – Composition of collateral for CCR exposure:

Current 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	-	4,336,618	-	5,182,028	9,991,880	-
Government bond-domestic	-	-	-	-	250,124	-
Government bond-other	-	-	-	-	-	-
Public institution bonds	-	-	-	-	-	-
Corporate bond	-	-	-	-	-	-
Equity share	-	-	-	-	-	-
Other collaterals	-	-	-	-	-	-
Total	-	4,336,618	-	5,182,028	13,969,933	-

Prior Period	Collaterals for Derivatives				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-Local Currency	-	-	-	-	256,811	-
Cash - Foreign Currency	-	3,792,115	-	3,124,158	7,636,052	-
Government bond-domestic	-	-	-	-	3,040,962	-
Government bond-other	-	-	-	-	-	-
Public institution bonds	-	-	-	-	-	-
Corporate bond	-	-	-	-	-	-
Equity share	-	-	-	-	-	-
Other collaterals	-	-	-	-	-	-
Total	-	3,792,115	-	3,124,158	10,933,825	-

7.7 CCR6 – Credit derivatives exposures

Related table is not presented due to the Bank has no risk arrived from derivative credit received or sold. (December 31, 2019-None)

7.8 CCR7 – RWA changes on CCR within the internal model method

Related table is not presented due to usage of standard approach for the calculation of capital adequacy by the Bank (December 31, 2019-None)

7.9 CCR8 – Exposures to central counterparties

	Current Period		Prior Period	
	Exposure at Default (Post – CRM)	RWA	Exposure at Default (Post – CRM)	RWA
1 Exposure to Qualified Central Counterparties (QCCPs) Total	74,123	1,482	9,481	190
2 Exposures for trades at QCCPs (excluding initial margin and default fund contributions) of which	-	-	-	-
3 (i) OTC Derivatives	-	-	-	-
4 (ii) Exchange-traded Derivatives	74,123	1,482	9,481	190
5 (iii) Securities financing transactions	-	-	-	-
6 (iv) Netting sets where cross-product netting has been approved	-	-	-	-
7 Segregated initial margin	-	-	-	-
8 Non-segregated initial margin	-	-	-	-
9 Pre-funded default fund contributions	-	-	-	-
10 Unfunded default fund contributions	-	-	-	-
11 Exposures to non-QCCPs (total)	-	-	-	-
12 Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-	-	-
13 (i) OTC Derivatives	-	-	-	-
14 (ii) Exchange-traded Derivatives	-	-	-	-
15 (iii) Securities financing transactions	-	-	-	-
16 (iv) Netting sets where cross-product netting has been approved	-	-	-	-
17 Segregated initial margin	-	-	-	-
18 Non-segregated initial margin	-	-	-	-
19 Pre-funded default fund contributions	-	-	-	-
20 Unfunded default fund contributions	-	-	-	-

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8. Securitization exposures:

The Bank has no securitization transactions. (December 31, 2019-None).

9. Disclosures regarding consolidated market risk

9.1 MRD – Qualitative information which shall be disclosed to public related to market risk

- a) Market risk states the risk sourcing from change in market prices on positions held in order to make profit in trading accounts in line with short term expectations in market prices or interest rates. Financial Assets at Fair Value through Profit/Loss accounts covers all derivative products except for financial assets held for trading, open exchange position and having hedging purposes.

The Bank has established a structure to effectively define, monitor and manage the risk sourcing from changes in market prices including interest rates, stocks, bond prices, exchange rates and uncertainty of aforementioned prices in their volatility levels. The aforementioned structure is determined in Market Risk Policy of the Bank which is approved by the Board of Directors. This policy determines principles, measurement methods, processes and limits covering all transactions of the Bank sourcing from market risk.

Market risk is calculated and reported on a monthly basis with standard method for capital adequacy calculation in line with regulation on Measurement and Evaluation of Bank's Capital Adequacy published by BRSA.

Market risk also includes value at risk limits in line with internal policies based on internal model. Limits include value at risk limits, positions, limits on options sensitivity and loss cessation limits for each of the market risk types.

- b) Risk Committee of the Bank is responsible to ensure implementation of market risk strategy and policies in a consistent manner. Market risk unit operates totally independent from risk carrying units and directly subject to Risk Committee of the Bank in given authorization and responsibilities framework.

Internal Control Department is responsible for the evaluation of internal control system related to market risk through periodical independent audits. Required system evaluation reports are shared with Board of Directors and other related authorities. Risk Committee of Board of Directors provides holding of sufficient capital against market risk carried by QNB Finansbank.

- c) QNB Finansbank makes its capital calculation for market risk in accordance with standard method approach defined in Basel II first pillar. Capital calculation method for each risk category is made by BRSA in line with Basel standards as of month-ends as solo or consolidated.

The Bank calculates market risk with value at risk approach for the purpose of monitoring and management of risk at the Bank except for standard method. The aforementioned calculation is made both for the risk of trade portfolio and also total risk of trade portfolio and Securities Available for Sale portfolio. Value at risk calculation is made daily with historical simulation at 99% confidence interval through 252 working days observation period and exponential weighted moving average volatility assumption. Dynamic structure of the volatility is reached through giving weight to recent observations in exponential weighted moving average.

9.2. PR1 –Market risk under standardized approach:

		RWA ^(**)	
		Current Period	Prior Period
Outright products ^(*)		3,579,050	3,271,550
1	Interest rate risk (general and specific)	1,784,175	2,125,287
2	Equity risk (general and specific)	50,200	49,125
3	Foreign exchange risk	1,684,063	923,788
4	Commodity risk	60,612	173,350
Options		10,038	76,063
5	Simplified approach	-	-
6	Delta-plus method	10,038	76,063
7	Scenario approach	-	-
8	Securitization	-	-
9	Total	3,589,088	3,347,613

b

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10. Explanations related to the operational risk

The Bank calculates the amount subject to operational risk based on “Basic Indicator Method” by using 2019, 2018, 2017 year-end gross income balances of the Bank, in accordance with Section 3 of the “Regulation Regarding Measurement and Evaluation of Banks’ Capital Adequacy Ratio”, published in the Official Gazette No. 28337 dated June 28, 2012, namely “The Calculation of the Amount Subject to Operational Risk. As of December 31, 2020, the total amount subject to operational risk is TL 14,668,786 (December 31, 2019 - TL 12,435,825).

Current Year Basic Indicator Method	2 PP Amount	1 PP Amount	CP Amount	Total / No. of Years of Positive Gross	Rate (%)	Total
Gross Income	6,158,155	8,506,036	8,805,867	7,823,353	15	1,173,503
Value at operational risk (Total*12.5)						14,668,786

Prior Year Basic Indicator Method	2 PP Amount	1 PP Amount	CP Amount	Total / No. of Years of Positive Gross	Rate (%)	Total
Gross Income	5,233,130	6,158,155	8,506,036	6,632,440	15	994,866
Value at operational risk (Total*12.5)						12,435,825

The annual gross income is composed of net interest income and net non-interest income after deducting realized gains/losses from the disposal of Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI), extraordinary income and income derived from insurance claims at year-end.

III. Explanations on Foreign Currency Exchange Rate Risk

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

The difference between the Bank’s foreign currency denominated and foreign currency indexed assets and liabilities is defined as the “Net Foreign Currency Position” and is the basis of currency risk. Foreign currency denominated assets and liabilities, together with purchase and sale commitments, give rise to foreign exchange exposure.

The Risk Management Department, which maintains its activities independently from the executive functions and reports to the Board of Directors; as of Credit Risk, Market Risk and Operational Risk each consists of three sub-divisions with responsibility for defining, measuring, controlling, managing and monitoring related risk types and Model Verification team responsible for monitoring the performance of models used in risk estimates.

In measuring the exchange rate exposure of the Bank, the "standard method" is used in the legal reports and the VaR is used in the internal method. The measurements made within the scope of the standard method are carried out monthly and the measurements made within the scope of VaR calculations are carried out on a daily basis. In addition, the maximum foreign currency position that can be taken is determined on the basis of currency types and table, and daily limit compliance control is carried out by Risk Management.

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

The Bank hedges foreign currency borrowings with derivative instruments. The Bank does not hedge net foreign currency investments with derivative instruments. (Details explaining Section Five Part three)

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

US Dollar purchase rate at the date of the balance sheet TL 7.3405
Euro purchase rate at the date of the balance sheet TL 9.0079

Date	US Dollar	Euro
December 31, 2020	7.3405	9.0079
December 30, 2020	7.4063	9.0697
December 29, 2020	7.4738	9.1370
December 28, 2020	7.5517	9.2037
December 25, 2020	7.6190	9.2948

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

The arithmetical average of the Bank's US Dollar and Euro purchase rates for December 2020 are TL 7.7211 and TL 9.3842 respectively.

5. Information on the foreign currency exchange rate risk of the bank (Thousands of TL)

Current Period	EUR	USD	Other FC	Total
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank ⁽¹⁾	10,655,063	13,011,260	1,234,394	24,900,717
Due From Banks	506,668	807,546	151,372	1,465,586
Financial Assets at Fair Value through Profit/Loss ⁽²⁾	747,291	1,070,465	513	1,818,269
Money Market Placements	-	92,610	-	92,610
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	1,954,819	7,425,423	-	9,380,242
Loans and Receivables ⁽³⁾	29,000,373	17,104,228	160,642	46,265,243
Investments in Assoc., Subsidiaries and Entities under Common Control (Joint Vent.)	-	-	-	-
Financial Assets Measured at Amortized Cost	1,617,836	7,565,887	-	9,183,723
Derivative Financial Assets Hedging Purposes	-	522,924	-	522,924
Tangible Assets	-	-	18	18
Intangible Assets	-	-	-	-
Other Assets ⁽⁴⁾	2,597,082	2,383,127	420	4,980,629
Total Assets	47,079,132	49,983,470	1,547,359	98,609,961
Liabilities				
Bank Deposits	525,537	3,428,155	208,452	4,162,144
Foreign Currency Deposits ⁽⁵⁾	16,233,899	44,608,617	17,140,598	77,983,114
Money Market Borrowings	1,147,403	8,965,547	-	10,112,950
Funds Provided from Other Financial Institutions	8,296,151	18,113,432	-	26,409,583
Securities Issues	-	11,228,075	723,346	11,951,421
Sundry Creditors	2,524,874	2,057,804	6,674	4,589,352
Derivative Fin. Liabilities for Hedging Purposes	47,786	1,506,767	-	1,554,553
Other Liabilities ⁽⁶⁾	739,929	1,250,585	130	1,990,644
Total Liabilities	29,515,579	91,158,982	18,079,200	138,753,761
Net Balance Sheet Position	17,563,553	(41,175,512)	(16,531,841)	(40,143,800)
Net Off-Balance Sheet Position	(17,612,330)	39,341,684	16,523,358	38,252,712
Financial Derivative Assets	22,977,930	105,631,951	18,050,019	146,659,900
Financial Derivative Liabilities	40,590,260	66,290,267	1,526,661	108,407,188
Non-Cash Loans ⁽⁷⁾	9,935,011	11,239,630	345,711	21,520,352
Prior Period				
Total Assets	34,267,167	38,569,548	1,023,236	73,859,951
Total Liabilities	24,574,639	72,790,345	5,677,136	103,042,120
Net Balance Sheet Position	9,692,528	(34,220,797)	(4,653,900)	(29,182,169)
Net Off-Balance Sheet Position	(9,599,135)	33,099,527	4,660,214	28,160,606
Financial Derivative Assets	18,473,411	89,357,689	4,984,700	112,815,800
Financial Derivative Liabilities	28,072,546	56,258,162	324,486	84,655,194
Non-Cash Loans ⁽⁷⁾	8,107,684	9,513,266	625,822	18,246,772

(1) Cash and Balances with TR Central Bank; Other FC include TL 1,160,921 (December 31, 2019 – TL 737,276) precious metal deposit account.

(2) Does not include TL 239,259 (December 31, 2019 – TL 167,549) of currency income accruals arising from derivative transactions. In accordance with TFRS 9, TL 116,829 which is accounted under Financial Assets at Fair Value Through profit or Loss is not included.

(3) Includes TL 489,555 (December 31, 2019 – TL 999,190) FC indexed loans.

(4) Does not include FC prepaid expenses amounting to TL 47,634 (December 31, 2019 – TL 37,315) as per BRSA's Communique published in Official Gazette no 26085 on February 19, 2006.

(5) Other foreign currency includes TL 15,484,501 (December 31, 2019 – TL 3,700,363) of precious metal deposit account.

(6) Does not include currency expense accruals of derivative financial instruments kept in FC accounts amounting to TL 181,798 (December 31, 2019 – TL 103,590)

(7) Does not have an effect on Net Off-Balance Sheet Position.

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6. Sensitivity to foreign exchange risk

The Bank is mainly exposed to EUR and USD currencies.

The following table details the Bank's sensitivity to a 10% increase and decrease in USD and EUR. Other variables are assumed to be unchanged.

Change in Currency rate in %		Net Effect on Profit or Loss (After Tax)	Net Effect on Equity (*)	Net Effect on Profit or Loss (After Tax)	Net Effect on Equity (*)
		Current Period	Current Period	Prior Period	Prior Period
US Dollar	10% increase	1,195	(103,901)	(2,253)	(56,153)
	10% decrease	(1,195)	103,901	2,253	56,153
EURO	10% increase	(485)	(3,406)	748	177
	10% decrease	485	3,406	(748)	(177)

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

IV. Explanations on Interest Rate Risk

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

Interest rate sensitivity of assets, liabilities and off balance sheet items is analyzed by top management in the Asset/Liability Committee meetings held every month by taking the market developments into consideration.

The management of the Bank follows the interest rates in the market on a daily basis and revises interest rates of the Bank when necessary.

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

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

(Based on repricing dates)

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing ⁽¹⁾	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank ⁽²⁾	6,501,977	-	-	-	-	20,901,081	27,403,058
Due from Banks ⁽³⁾	72,063	-	-	-	-	1,384,472	1,456,535
Financial Assets at Fair Value Through Profit/Loss ⁽⁴⁾	1,306	284,331	19,797	77,532	22,847	8,114,065	8,519,878
Money Market Placements ⁽⁵⁾	342,734	-	-	-	-	-	342,734
Financial Assets at Fair Value Through Other Comprehensive Income ⁽⁵⁾	1,807,231	1,277,032	3,165,778	3,839,136	4,728,569	1,764,029	16,581,775
Loans and Receivables	29,193,780	20,654,070	51,074,203	31,978,431	3,465,075	2,236,823	138,602,382
Inv. Securities Held to Maturity ⁽⁶⁾	3,072,701	2,305,967	4,811,742	3,274,171	4,668,299	600,320	18,733,200
Other Assets	-	-	-	-	-	15,613,786	15,613,786
Total Assets	40,991,792	24,521,400	59,071,520	39,169,270	12,884,790	50,614,576	227,253,348
Liabilities							
Bank Deposits	3,436,160	1,006,656	17,509	-	-	123,019	4,583,344
Other Deposits	55,272,686	16,188,082	4,175,747	339,333	201	50,000,338	125,976,387
Money Market Borrowings	7,649,908	4,955,340	1,638,887	149,074	-	96,185	14,489,394
Sundry Creditors	4,589,352	-	-	-	-	4,654,255	9,243,607
Securities Issued	583,695	888,815	916,564	11,117,311	-	-	13,506,385
Funds Borrowed	552,633	15,339,786	7,046,313	3,956,096	-	1,490	26,896,318
Other Liabilities ⁽⁷⁾	3,921	2,379	69,607	360,836	9,932	32,111,238	32,557,913
Total Liabilities	72,088,355	38,381,058	13,864,627	15,922,650	10,133	86,986,525	227,253,348
On Balance Sheet Long Position	-	-	45,206,893	23,246,620	12,874,657	-	81,328,170
On Balance Sheet Short Position	(31,096,563)	(13,859,658)	-	-	-	(36,371,949)	(81,328,170)
Off-Balance Sheet Long Position	4,675,623	11,004,983	-	-	-	-	15,680,606
Off-Balance Sheet Short Position	-	-	(237,755)	(1,647,358)	(9,188,319)	-	(11,073,432)
Total Position	(26,420,940)	(2,854,675)	44,969,138	21,599,262	3,686,338	(36,371,949)	4,607,174

⁽¹⁾ Non-Interest Bearing column includes accruals, provision for losses and derivative financial instruments' fair value valuation difference.

⁽²⁾ Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank include amount of TL 3,399 expected loss provisions.

⁽³⁾ Banks include balance of expected loss provisions amounting to TL 10,168.

⁽⁴⁾ Financial Assets at Fair Value Through Profit/Loss include TL 7,948,940 derivative financial assets used for hedging purposes.

⁽⁵⁾ Financial Assets at Fair Value Through Other Comprehensive Income include TL 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 includes Derivative Financial Assets amounting to TL 8,077,352.

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

(Based on repricing dates)

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing ⁽¹⁾	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank ⁽²⁾	5,273,824	-	-	-	-	13,474,408	18,748,232
Due from Banks ⁽³⁾	397,559	-	-	-	-	456,522	854,081
Financial Assets at Fair Value Through Profit/Loss ⁽⁴⁾	105,443	7,324	100,830	83,906	10,890	6,612,867	6,921,260
Money Market Placements ⁽⁵⁾	3,040,962	-	-	-	-	-	3,040,962
Financial Assets at Fair Value Through Other Comprehensive Income ⁽⁶⁾	888,910	951,296	3,187,056	3,129,517	3,756,217	1,790,287	13,703,283
Loans and Receivables	26,662,304	13,675,068	39,329,793	25,677,719	2,920,806	2,330,702	110,596,392
Inv. Securities Held to Maturity ⁽⁷⁾	2,102,380	2,924,348	3,936,398	2,689,458	4,240,487	276,379	16,169,450
Other Assets	-	-	-	-	-	11,646,851	11,646,851
Total Assets	38,471,382	17,558,036	46,554,077	31,580,600	10,928,400	36,588,016	181,680,511
Liabilities							
Bank Deposits	3,244,393	1,864,410	103,274	-	-	194,282	5,406,359
Other Deposits	56,711,063	14,379,041	3,507,554	253,342	149	25,368,275	100,219,424
Money Market Borrowings	3,169,354	3,117,558	2,580,779	47,000	94,372	55,791	9,064,854
Sundry Creditors	3,943,415	-	-	-	-	3,652,793	7,596,208
Securities Issued	1,427,774	2,238,188	406,078	9,013,934	-	-	13,085,974
Funds Borrowed	2,594,108	9,297,887	5,662,540	63,315	3,121,810	2,302	20,741,962
Other Liabilities ⁽⁸⁾	1,426	2,576	26,550	410,576	6,602	25,118,000	25,565,730
Total Liabilities	71,091,533	30,899,660	12,286,775	9,788,167	3,222,933	54,391,443	181,680,511
On Balance Sheet Long Position	-	-	34,267,302	21,792,433	7,705,467	-	63,765,202
On Balance Sheet Short Position	(32,620,151)	(13,341,624)	-	-	-	(17,803,427)	(63,765,202)
Off-Balance Sheet Long Position	2,860,494	15,346,143	-	-	-	-	18,206,637
Off-Balance Sheet Short Position	-	-	(16,962)	(9,826,412)	(3,490,092)	-	(13,333,466)
Total Position	(29,759,657)	2,004,519	34,250,340	11,966,021	4,215,375	(17,803,427)	4,873,171

(1) Non-Interest Bearing column includes accruals, provision for losses and derivative financial instruments' fair value valuation difference.

(2) Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank include amount of TL 2,309 expected loss provisions.

(3) Banks include balance of expected loss provisions amounting to TL 5,498.

(4) Financial Assets at Fair Value Through Profit/Loss include TL 6,586,311 derivative financial assets used for hedging purposes.

(5) Receivables from Money Markets does not have any balance of expected loss provisions .

(6) Financial Assets at Fair Value Through Other Comprehensive Income include 1,359,842 derivative financial assets used for hedging purposes.

(7) Financial Assets measured at amortized cost includes the balance of the expected loss provisions amounting to TL 11,852.

(8) Other Liabilities include derivative Financial Assets Measured at Fair Value through Other Comprehensive Income used for hedging purposes amounting to TL 4,978,934.

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Average interest rates applied to monetary financial instruments

Current Period	EURO	USD	JPY	TL
	%	%	%	%
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the T.R. Central Bank	-	-	-	12.00
Due from Banks	0.05	-	-	-
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	3.07	5.63	-	17.13
Money Market Placements	-	0.01	-	18.16
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	2.87	5.30	-	14.29
Loans and Receivables	4.27	5.14	5.23	14.24
Financial Assets Measured at Amortized Cost	3.76	5.55	-	14.04
Liabilities				
Bank Deposits	0.64	1.51	-	16.74
Other Deposits	0.45	1.36	0.62	15.46
Money Market Borrowings	-	1.38	-	16.71
Sundry Creditors	(0.39)	-	-	-
Securities Issued	-	5.58	-	17.72
Funds Borrowed	2.25	4.43	-	11.59
Prior Period	EURO	USD	JPY	TL
	%	%	%	%
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the T.R. Central Bank	-	-	-	10.00
Due from Banks	-	-	-	11.40
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	2.94	8.64	-	11.82
Money Market Placements	-	-	-	11.55
Investment Securities Available for Sale	2.92	5.27	-	18.00
Loans and Receivables	4.87	6.60	2.46	16.60
Investment Securities Held to Maturity	3.20	5.50	-	12.46
Liabilities				
Bank Deposits	0.33	2.39	-	10.95
Other Deposits	0.22	2.00	0.02	10.16
Money Market Borrowings	0.07	2.06	-	9.87
Sundry Creditors	(0.46)	1.55	-	-
Securities Issued	-	5.74	-	11.79
Funds Borrowed	2.19	5.92	-	12.04

Interest rate risk on banking book

The interest rate risk resulting from banking book comprises of maturity mismatch risk, yield-curve risk, base risk and option risk. Within the scope of the interest rate risk, the Bank analyzes all these risks periodically, and considering market conditions, manages all aspects of interest rate risk on banking book effectively in accordance with the bank strategy. In order to this, within the scope of “Banking Books Interest Rate Risk Management” risks are measured, monitored and limited on a regular basis.

In the calculation of the interest rate risk on banking book, income approach and the economic value approach are applied. The analysis of economic value, duration and gap analysis are calculated twice in a month, analysis of the standard economic value approach is supported by different scenarios. In addition, the sensitivity of the net interest income is monitored, the prepayment rates of loans are considered managing the interest rate risk.

In customer deposits, core deposits analyses are performed regularly on profit center base and the rate of core deposits in demand deposits are considered in economic value, gap and duration analyses. The interest rate risk of uncertain due credits is determined considering the nature of the credit and added to calculations.

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

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Portfolio's risk of the financial assets at fair value to other comprehensive income included in banking accounts are managed and monitored by the interest sensitivity and limit compliance of assets.

The interest rate risk on banking book is measured legally as per the "Regulation on Measurement and Evaluation of Interest Rate Risk Resulted from Banking Book as per Standard Shock Method" published in the Official Gazette No: 28034 dated August 23, 2011, and the legal limit as per this measurement is monitored and reported monthly to the Assets and Liability Committee, the Risk Committee and the Board of Directors.

Type of Currency	Shocks Applied (+/- x basis points)	Gains/Losses	Gains/Equity- Losses/Equity
1. TL	(+500)	(2,342,565)	(8.30)%
	(-400)	2,157,475	7.65%
2. EUR	(+200)	(213,528)	(0.76)%
	(-200)	263,348	0.93%
3. USD	(+200)	(14,062)	(0.05)%
	(-200)	63,239	0.22%
Total (of negative shocks)		2,484,062	8.81%
Total (of positive shocks)		(2,570,155)	(9.11)%

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

Equity Securities (shares)	Carrying Value	Comparison	
		Fair Value	Market Value
1. Investment in Shares- grade A	-	-	-
Quoted Securities	-	-	-
2. Investment in Shares- grade B	-	-	-
Quoted Securities	-	-	-
3. Investment in Shares- grade C	758,848	758,848	-
Quoted Securities	758,848	758,848	-
4. Investment in Shares- grade Other ^(*)	1,134,102	1,079,230	-

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

Portfolio	Gains/Losses in Current Period	Revaluation Surpluses		Unrealized Gains and Losses		
		Total	Amount under Supplementary Capital	Total	Amount under Core Capital	Amount under Supplementary Capital
1. Private Equity Investments	-	1,268,032	1,268,032	-	-	-
2. Quoted Shares	58,055	-	-	-	-	-
3. Other Shares	-	-	-	-	-	-
4. Total	58,055	1,268,032	1,268,032	-	-	-

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VI. Explanations on Remarks regarding Liquidity Risk Management and Liquidity Coverage Rate

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

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

The Bank has no liquidity management center and each entity, which is under control of the Bank, performs its liquidity management separately from the Bank by an authority responsible for liquidity management. Fund amounts, which shall be used by associates from the Bank, are determined in the framework of limits.

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

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

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

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

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

Due to the financial uncertainty caused by the coronavirus epidemic, undemonstrative liquidity management has been one of the top priorities of the Bank. Although a flexibility provided to comply with the minimum ratios of the Liquidity Coverage Ratio (LCR) according to the regulation published by the BRSA on March 26, 2020, the Bank manages LCR above the limit by keeping its high-quality liquid assets at a sufficient level. The Bank has created four different stress test scenarios that measure how long it can meet the cumulative cash outflows, without providing any new funds from the market or by providing very low levels of funding. A new scenario created by

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observing the financial movements that occurred during the coronavirus epidemic process, and it is observed that the Bank's liquid assets can be converted into cash in order to meet its liquidity needs over 30 days, which is the minimum life span of all scenarios.

Liquidity Coverage Ratio

	Consideration Rate Unweighted Amounts ^(*)		Consideration Rate Weighted Amounts ^(*)	
	TL+FC	FC	TL+FC	FC
Current Period – December 31, 2020				
HIGH QUALITY LIQUID ASSETS			40,772,730	27,773,500
1. High Quality Liquid Assets	40,772,730	27,773,500	40,772,730	27,773,500
CASH OUTFLOWS				
2. Retail and Small Business Customers Deposits	102,017,179	63,135,291	9,342,828	6,313,529
3. Stable deposits	17,177,800	-	858,890	-
4. Less stable deposits	84,839,379	63,135,291	8,483,938	6,313,529
5. Unsecured Funding other than Retail and Small Business Customers Deposits	36,395,400	23,157,015	20,197,474	13,025,195
6. Operational deposits	909,730	216,517	227,432	54,130
7. Non-Operational Deposits	29,661,215	21,095,846	15,322,652	11,147,053
8. Other Unsecured Funding	5,824,455	1,844,652	4,647,390	1,824,012
9. Secured funding	-	-	183,579	183,579
10. Other Cash Outflows	46,983,608	33,960,349	46,983,608	33,960,349
11. Liquidity needs related to derivatives and market valuation changes on derivatives transactions	46,983,608	33,960,349	46,983,608	33,960,349
12. Debts related to the structured financial products	-	-	-	-
13. Commitment related to debts to financial markets	-	-	-	-
14. Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	40,300,958	156,391	2,015,048	7,820
15. Other irrevocable or conditionally revocable commitments	94,256,277	26,816,323	7,083,084	2,629,501
16. TOTAL CASH OUTFLOWS	-	-	85,805,621	56,119,973
CASH INFLOWS				
17. Secured Lending Transactions	1,301,667	197,899	-	-
18. Unsecured Lending Transactions	9,223,031	3,061,476	5,950,228	2,609,872
19. Other contractual cash inflows	45,115,134	43,598,765	45,115,134	43,598,765
20. TOTAL CASH INFLOWS	55,639,832	46,858,140	51,065,362	46,208,637
			Capped Amounts	
21. TOTAL HIGH QUALITY LIQUID ASSETS			40,772,730	27,773,500
22. TOTAL NET CASH OUTFLOWS			34,740,259	14,033,946
23. LIQUIDITY COVERAGE RATIO (%)			117.36%	197.90%

^(*) In current period unconsolidated Liquidity Coverage Ratio table, the arithmetic average of the last three months weekly unconsolidated Liquidity Coverage Ratios are used.

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Prior Period – December 31, 2019	Consideration Rate Unweighted Amounts(*)		Consideration Rate Weighted Amounts(*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS			34,400,477	18,771,048
1. High Quality Liquid Assets	34,400,477	18,771,048	34,400,477	18,771,048
CASH OUTFLOWS				
2. Retail and Small Business Customers Deposits	77,257,406	40,168,545	6,967,418	4,016,855
3. Stable deposits	15,166,448	-	758,322	-
4. Less stable deposits	62,090,958	40,168,545	6,209,096	4,016,855
5. Unsecured Funding other than Retail and Small Business Customers Deposits	28,269,106	16,039,720	17,401,992	10,406,087
6. Operational deposits	749,482	114,334	187,371	28,584
7. Non-Operational Deposits	21,017,991	13,336,675	11,940,297	7,803,602
8. Other Unsecured Funding	6,501,633	2,588,711	5,274,324	2,573,901
9. Secured funding	-	-	77,702	77,702
10. Other Cash Outflows	27,051,006	18,854,927	27,051,006	18,854,927
11. Liquidity needs related to derivatives and market valuation changes on derivatives transactions	27,051,006	18,854,927	27,051,006	18,854,927
12. Debts related to the structured financial products	-	-	-	-
13. Commitment related to debts to financial markets	-	-	-	-
14. Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	34,312,602	918,327	1,715,630	45,916
15. Other irrevocable or conditionally revocable commitments	72,972,627	17,233,455	5,279,507	1,500,041
16. TOTAL CASH OUTFLOWS	-	-	58,493,255	34,901,528
CASH INFLOWS				
17. Secured Lending Transactions	2,637,365	-	-	-
18. Unsecured Lending Transactions	7,935,435	1,506,084	4,936,985	1,231,233
19. Other contractual cash inflows	25,236,020	22,949,894	25,236,020	22,949,894
20. TOTAL CASH INFLOWS	35,808,820	24,455,978	30,173,005	24,181,127
			Capped Amounts	
21. TOTAL HIGH QUALITY LIQUID ASSETS			34,400,477	18,771,048
22. TOTAL NET CASH OUTFLOWS			28,320,250	10,793,333
23. LIQUIDITY COVERAGE RATIO (%)			121.47%	173.91%

(*) In prior period unconsolidated Liquidity Coverage Ratio table, the arithmetic average of the last three months weekly unconsolidated Liquidity Coverage Ratios are used

The dates and values of minimum and maximum foreign currency and total liquidity coverage ratios calculated weekly related to the last three months of 2020 are explained in the table below. According to “Regulation on Liquidity Coverage Ratio Calculation” published in the Official Gazette numbered 28948, dated March 21, 2014.

	Maximum	Week	Minimum	Week	Average
TL+FC	124.55	09.10.2020	110.53	30.10.2020	117.55
FC	223.53	11.12.2020	183.06	23.10.2020	199.54

Liquidity coverage ratio is regulated by the BRSA to make sure that the Banks sustain high quality liquid asset stock to cover probable cash outflows in the short term.

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

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Funding sources of the Bank mainly consist of deposits which constitute 57% of total liabilities of the bank (December 31, 2019 – 57%) and also include repo, syndication, securitization, securities issued and other instruments including subordinated debts.

The Bank effectively uses derivative transactions to manage interest and liquidity risk. Impact of derivative cash flows in terms of liquidity coverage ratio is limited. However, FX swaps used in short term foreign currency liquidity management cause liquidity coverage ratio to fluctuate due to changes in volume and 1-month maturity. In addition, possible cash outflow caused by margin call requirements of derivative transactions is taken into consideration in accordance with the respective regulations.

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

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

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

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Presentation of assets and liabilities according to their remaining maturities

Current Period	Demand	Up to 1 month	1-3 months	3-12 months	1-5 Years	5 Years and Over	Unallocated ⁽¹⁾	Total
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R Central Bank ⁽²⁾	13,922,017	13,484,440	-	-	-	-	(3,399)	27,403,058
Due from Banks ⁽³⁾	1,394,640	72,063	-	-	-	-	(10,168)	1,456,535
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL) ⁽⁴⁾	163,907	476,147	644,087	2,048,706	3,792,008	1,395,023	-	8,519,878
Money Markets Placements ⁽⁵⁾	-	342,734	-	-	-	-	-	342,734
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) ⁽⁶⁾	7,674	893,258	585,203	1,140,976	7,056,612	6,898,052	-	16,581,775
Loans and Receivables	-	24,183,070	15,121,227	41,880,896	41,330,129	13,850,237	2,236,823	138,602,382
Financial Assets Measured at Amortized Cost ⁽⁷⁾	-	920,449	160,562	1,176,682	9,937,017	6,548,646	(10,156)	18,733,200
Other Assets	-	7,311,530	-	-	1,504,660	-	6,797,596	15,613,786
Total Assets	15,488,238	47,683,691	16,511,079	46,247,260	63,620,426	28,691,958	9,010,696	227,253,348
Liabilities								
Bank Deposits	123,019	3,436,160	1,006,656	17,509	-	-	-	4,583,344
Other Deposits	50,000,338	55,272,686	16,188,082	4,175,747	339,333	201	-	125,976,387
Funds Borrowed	-	242,232	751,737	11,551,952	8,560,850	1,933,817	3,855,730	26,896,318
Money Market Borrowings	-	7,332,089	2,572,677	768,574	2,672,117	1,143,937	-	14,489,394
Securities Issued	-	583,695	888,815	916,564	11,117,311	-	-	13,506,385
Sundry Creditors	-	9,243,607	-	-	-	-	-	9,243,607
Other Liabilities ⁽⁸⁾	-	4,174,414	1,345,472	793,945	2,140,297	2,752,847	21,350,938	32,557,913
Total Liabilities	50,123,357	80,284,883	22,753,439	18,224,291	24,829,908	5,830,802	25,206,668	227,253,348
Liquidity Excess / Gap	(34,635,119)	(32,601,192)	(6,242,360)	28,022,969	38,790,518	22,861,156	(16,195,972)	-
Net Off Balance Sheet Position ⁽⁹⁾	-	(1,117,746)	(804,808)	1,549,989	1,906,623	27,793	-	1,561,851
Receivables from Financial Derivative Instruments	-	42,825,059	26,557,248	14,206,270	41,032,444	32,234,801	-	156,855,822
Liabilities from Derivatives	-	43,942,805	27,362,056	12,656,281	39,125,821	32,207,008	-	155,293,971
Non-cash Loans ⁽¹⁰⁾	-	2,300,899	3,178,517	14,234,830	4,524,946	565,055	8,343,292	33,147,539
Prior Period								
Total Assets	11,270,286	38,086,116	11,944,597	36,170,125	52,780,199	23,471,168	7,958,020	181,680,511
Total Liabilities	25,562,557	76,345,703	22,425,212	11,187,036	21,876,638	6,517,092	17,766,273	181,680,511
Liquidity Gap	(14,292,271)	(38,259,587)	(10,480,615)	24,983,089	30,903,561	16,954,076	(9,808,253)	-
Net-Off Balance Sheet Position ⁽⁹⁾	-	126,237	689,273	1,614,544	1,234,531	73,886	-	3,738,471
Receivables from Derivative Instruments	-	28,122,718	10,960,908	18,695,045	43,542,178	25,704,743	-	127,025,592
Liabilities from Derivative Instruments	-	27,996,481	10,271,635	17,080,501	42,307,647	25,630,857	-	123,287,121
Non-cash Loans ⁽¹⁰⁾	-	1,444,446	3,429,954	10,412,022	5,527,961	574,047	7,128,674	28,517,104

⁽¹⁾ The assets which are necessary to provide banking services and could not be liquidated in the short-term, such as fixed assets, investments in subsidiaries and associates, office stationery, and prepaid expenses are classified under this column. Unallocated other liabilities include shareholders' equity amounting to TL 19,222,421 (December 31, 2019 TL 16,685,059) equity debt of TL 1,063,699 (December 31, 2020 – TL 205,582) and unallocated provisions amounting to TL 1,064,819 (December 31, 2019 TL 875,641)

⁽²⁾ Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R Central Bank includes expected loss provisions the amount of TL 3,399 (December 31, 2019 TL 2,309).

⁽³⁾ Banks include balance of expected loss provisions amounting to TL 10,168 (December 31, 2019 TL 5,498).

⁽⁴⁾ Financial Assets at Fair Value Through Profit/Loss include TL 7,948,940 (December 31, 2019 TL 6,586,311) derivative financial assets used for hedging purposes.

⁽⁵⁾ There is no balance at Receivables from Money Markets include the balance of expected loss provisions.

⁽⁶⁾ Financial Assets at Fair Value Through Other Comprehensive Income include TL 1,400,686 (December 31, 2019 TL 1,359,842) derivative financial assets used for hedging purposes.

⁽⁷⁾ Financial assets measured at amortized cost include TL 10,156 (December 31, 2019 TL 11,852) of expected loss provisions.

⁽⁸⁾ Other Liabilities include Derivative Financial Assets amounting to TL 8,077,352 (December 31, 2019 TL 4,978,934).

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

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

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Analysis of financial liabilities by remaining contractual maturities

The table below shows the Bank's maturity distribution of certain financial liabilities other than derivatives. The tables below are prepared by considering the future cash flows expected on the earliest cash flow dates. The total interest that will be paid for these liabilities is included in the table below.

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total	Carrying Amount
Bank Deposits	123,019	3,439,005	1,012,533	17,588	-	-	4,592,145	4,583,344
Other Deposits	50,000,338	55,443,757	16,333,156	4,220,636	342,026	365	126,340,278	125,976,387
Payables to Money Market	-	7,365,999	2,602,524	841,682	2,760,161	1,150,776	14,721,142	14,489,394
Funds from other Financial Institutions	-	242,735	763,177	11,621,995	8,643,541	5,807,990	27,079,438	26,896,318
Securities Issued	-	613,680	1,088,843	1,325,948	11,846,108	-	14,874,579	13,506,385
Noncash Loans ^(*)	8,343,292	2,300,899	3,178,517	14,234,830	4,524,946	565,055	33,147,539	33,147,539

Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total	Carrying Amount
Bank Deposits	194,282	3,246,963	1,868,951	104,601	-	-	5,414,797	5,406,359
Other Deposits	25,368,275	56,722,858	14,395,382	3,599,000	279,039	181	100,364,735	100,219,424
Payables to Money Market	-	3,219,605	2,488,136	1,409,028	1,260,339	973,950	9,351,058	9,064,854
Funds from other Financial Institutions	-	1,644,340	1,140,613	4,990,327	8,859,897	4,324,269	20,959,446	20,741,962
Securities Issued	-	1,435,503	2,417,890	785,692	10,266,998	-	14,906,083	13,085,974
Noncash Loans ^(*)	7,128,674	1,444,447	3,429,954	10,412,022	5,527,961	574,046	28,517,104	28,517,104

^(*) Amounts related to letters of guarantee represent maturities based on contract and amounts per these maturities and the amounts have the nature to be withdrawn on demand optionally.

The table below shows the remaining maturities of derivative financial assets and liabilities:

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 years and Longer	Total
Forward Contracts Buy ^(**)	3,672,550	1,690,279	1,866,574	708,839	-	7,938,242
Forward Contracts Sell ^(**)	(3,669,530)	(1,653,033)	(1,785,519)	(747,655)	-	(7,855,737)
Swap Contracts Buy ^(*)	40,433,498	23,904,480	11,844,828	40,323,605	32,234,801	148,741,212
Swap Contracts Sell ^(*)	(41,556,068)	(24,746,304)	(10,282,865)	(37,570,711)	(32,207,008)	(146,362,956)
Futures Buy	324,076	609,122	122,178	-	-	1,055,376
Futures Sell	(345,798)	(630,696)	(132,877)	-	-	(1,109,371)
Options Buy	812,899	353,367	372,689	-	-	1,538,955
Options Sell	(789,738)	(332,023)	(308,209)	-	-	(1,429,970)
Other	-	-	146,810	807,455	-	954,265
Total	(1,118,111)	(804,808)	1,843,609	3,521,533	27,793	3,470,016

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

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

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 years and Longer	Total
Forward Contracts Buy ^(**)	2,621,269	1,096,527	2,056,001	903,894	-	6,677,691
Forward Contracts Sell ^(**)	(2,617,388)	(1,110,410)	(1,973,468)	(1,018,211)	-	(6,719,477)
Swap Contracts Buy ^(*)	25,149,800	8,896,943	14,338,786	42,204,173	25,704,743	116,294,445
Swap Contracts Sell ^(*)	(25,002,280)	(8,092,781)	(12,484,916)	(40,083,100)	(25,630,857)	(111,293,934)
Futures Buy	-	94,641	4,557	-	-	99,198
Futures Sell	-	(93,475)	(4,437)	-	-	(97,912)
Options Buy	2,594,100	1,120,796	2,455,702	434,110	-	6,604,708
Options Sell	(2,619,785)	(1,123,475)	(2,460,779)	(434,110)	-	(6,638,149)
Other	-	118,804	326,711	772,226	-	1,217,741
Total	125,716	907,570	2,258,157	2,778,982	73,886	6,144,311

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

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

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VII. Information Regarding Leverage Ratio

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

The Bank's leverage ratio, calculated in accordance with the "Regulation on Measurement and Evaluation of Bank's Leverage Levels" is 6.70% (December 31, 2019: 7.34%). Subject level is above the minimum requirement which is determined as 3% by the regulation. Difference between current period and prior period leverage ratios is mostly due to increase in risk amounts of balance sheet asset items.

The table related to leverage ratio calculated in accordance with the "Regulation on Measurement and Evaluation of Bank's Leverage Levels" published in Official Gazette dated November 5, 2013 and numbered 28812 is below:

	Book Value	
	Current Period ^(*)	Prior Period ^(*)
Assets on Balance sheet		
Assets on Balance sheet (except for derivative financial instruments and credit (Assets deducted from capital stock)	220,618,150	171,361,772
Total risk amount related to Assets on Balance sheet	220,100,577	170,891,420
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	11,863,358	8,793,072
Potential credit risk amount of derivative financial instruments and credit derivatives	1,699,987	268,312
Total risk amount related to derivative financial instruments and credit derivatives	13,563,345	9,061,384
Financial transactions having security or commodity collateral		
Risk amount of financial transactions having security or commodity collateral kıymet veya emtia teminatlı finansman işlemlerinin risk tutarı	14,346	110,193
Risk amount sourcing from transactions mediated	11,707,746	2,245
Total risk amount related to financial transactions having security or commodity collateral	11,722,092	112,438
Off-Balance sheet Transaction		
Gross nominal amount of off-balance sheet transactions	139,102,744	118,646,144
(Adjustment amount sourcing from multiplying to credit conversion rates)	36,851,418	30,571,236
Total risk amount related to off-balance sheet transactions	102,251,326	88,074,908
Capital and Total Risk		
Core Capital	23,284,168	19,678,486
Amount of total risk	347,637,340	268,140,150
Financial leverage ratio		
Financial leverage ratio	6.70%	7.34%

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

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VIII. Explanations Related to Presentation of Financial Assets and Liabilities at Their Fair Value

The fair value of the fixed rate loans is determined based on discounted cash flows using the current market interest rates. Book value of floating rate loans represent their fair value.

The fair value of financial assets measured at amortized cost are determined through market rates. If market rates cannot be spotted, market rates of securities with similar interest, maturity and other characteristics are used instead.

Projected fair value of demand deposit represent the amount to be paid on demand. Fair value of floating rate placements and overnight deposits represents the book value. The estimated fair value of the deposits with fixed rates is determined by calculating discounted cash flows by using the market interest rates used for other liabilities with similar quality and maturities.

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

In the table below; the fair values and the carrying values of some of the financial assets and liabilities are presented. Book value represents the total of cost of subject asset and liabilities and accrued interest.

Current Period	Carrying Value	Fair Value
Financial Assets	174,336,264	171,454,425
Money Market Placements	342,734	342,734
Due from Banks	1,466,703	1,456,535
Fair Value through Other Comprehensive Income (FVOCI)		
Financial Assets Measured at Amortized Cost	18,743,356	19,214,463
Loans Granted	138,602,382	135,259,604
Financial Liabilities	194,695,435	194,781,532
Bank Deposits	4,583,344	4,583,090
Other Deposits	125,976,387	125,931,169
Funds from Other Financial Institutions	26,896,318	27,027,887
Payables to Money Market	14,489,394	14,489,394
Securities Issued	13,506,385	13,506,385
Other Debts	9,243,607	9,243,607
Prior Period	Carrying Value	Fair Value
Financial Assets	143,021,676	142,782,209
Money Market Placements	3,040,962	3,040,962
Due from Banks	859,579	854,081
Loans and Receivables	12,343,441	12,343,441
Available for Sale Financial Assets	16,181,302	16,127,142
Securities Held to Maturity	110,596,392	110,416,583
Financial Liabilities	156,114,782	155,870,674
Bank Deposits	5,406,359	5,406,266
Other Deposits	100,219,424	100,170,401
Funds from Other Financial Institutions	20,741,962	20,702,769
Payables to Money Market	9,064,854	9,064,854
Securities Issued	13,085,974	12,930,175
Other Debts	7,596,209	7,596,209

In accordance with “TFRS 13, Fair Value Measurement” accounts represented at fair value in the face of financial statements are required to be leveled according to the observability of the data used for the calculation of fair value.

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The classification of fair value calculation is as follows.

- a) Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities (market value);
- b) Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);
- c) Level 3: Inputs that are not observable for the asset and liability (Fair value calculations which are not observable).

In the table below, the fair value classification of the financial instruments that are recorded at fair value at the financial statements is presented:

Current Period	Level 1	Level 2	Level 3	Total
Financial Assets	15,458,095	9,509,078	1,964,884	26,932,057
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL) (*)	315,301	128,831	126,806	570,938
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) (**)	15,142,692	30,723	-	15,173,415
Entities Under Common Control, Associates and Subsidiaries	-	-	1,838,078	1,838,078
Derivative Financial Assets	102	9,349,524	-	9,349,626
Financial Liabilities	2,924	8,074,428	-	8,077,352
Derivative Financial Liabilities	2,924	8,074,428	-	8,077,352

(*)The details of the balance are amounting to TL 116,829 under Financial Assets at Fair Value Through Profit or Loss, which is disclosed in Note 6.b.2 of Section Five.

(**)The fair value difference does not include share balance amounting to TL 7,674 which is included in financial assets at financial assets at cost and reflected to other comprehensive income.

Prior Period	Level 1	Level 2	Level 3	Total
Financial Assets	12,204,492	8,325,539	1,532,883	22,062,914
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL) (*)	248,111	-	86,838	334,949
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) (**)	11,955,009	380,758	-	12,335,767
			1,446,04	
Entities Under Common Control, Associates and Subsidiaries	-	-	5	1,446,045
Derivative Financial Assets	1,372	7,944,781	-	7,946,153
Financial Liabilities	212	4,978,722	-	4,978,934
Derivative Financial Liabilities	212	4,978,722	-	4,978,934

(*)The details of the balance are amounting to TL 86,838 under Financial Assets at Fair Value Through Profit or Loss, which is disclosed in Note 6.b.2 of Section Five.

(**)The fair value difference does not include share balance amounting to TL 7,674 which is included in financial assets at financial assets at cost and reflected to other comprehensive income

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

	Current Period	Prior Period
Opening Balance	1,532,883	584,599
Change in total gain/loss	422,024	371,188
<i>Accounted in income statement</i>	<i>29,991</i>	<i>24,261</i>
<i>Accounted in other comprehensive income</i>	<i>392,033</i>	<i>346,927</i>
Purchases and Transfers	9,977	624,551
Disposals	-	-
Matured Loans(*)	-	-
Sales from Level 3	-	(47,455)
Closing Balance	1,964,884	1,532,883

IX. Explanations Related to Transactions Carried on Behalf of Others and Fiduciary Transactions

The Bank provides buying, selling and custody services and management and financial advisory services in the name of the third parties. The Bank does not involve in fiduciary activities.

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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS

I. Explanations And Disclosures Related To Assets

1. a) Cash and balances with the Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	616,296	1,486,250	681,485	944,326
T.R, Central Bank	1,811,815	23,368,532	446,072	16,659,924
Other	77,629	45,935	-	18,734
Total	2,505,740	24,900,717	1,127,557	17,622,984

b) Balances with the Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	1,811,815	9,884,092	446,072	8,505,856
Restricted Time Deposits	-	13,484,440	-	8,154,068
Total	1,811,815	23,368,532	446,072	16,659,924

As of December 31, 2020 amount of TL 3,399 provision provided for the account T.R. Central Bank (December 31, 2019 - TL 2,309)

As of December 31, 2020 our bank has been appointed to C.B.R.T. depending on the maturity structure, the required reserve rates for TL liabilities vary between 1% and 6% for TL deposits and other liabilities according to their maturities. The reserve rates for foreign currency liabilities vary between 5% and 21% for deposit and other foreign currency liabilities, Gold deposit liabilities vary between 18% and 22% for gold liabilities according to their maturities.

In accordance with the "Communiqué Regarding the Reserve Requirements", the reserve requirements can be maintained as TL, USD, EUR and standard gold. As of December 31, 2021 the Bank received an interest rate since the Bank reaches to a credit growth rate of 12%.

2. Further information on financial assets at fair value through profit/loss

a) Information on financial assets at fair value through profit/loss given as collateral or blocked

As of December 31, 2020 amount of financial assets at fair value through profit/loss which has given as collateral or blocked is TL 16,933 (December 31, 2019 – TL 6,227).

b) Financial assets at fair value through profit/loss which subject to repurchase agreement

None (December 31, 2019 – None).

c) Positive differences related to derivative financial assets held for trading

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	150,165	-	65,165	-
Swap Transactions	2,725,863	1,679,819	2,705,538	889,149
Futures Transactions	-	-	-	-
Options	102	161,465	1,371	152,948
Total	2,876,130	1,841,284	2,772,074	1,042,097

3. a) Information on banks accounts

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	965	127,042	400,733	5,806
Foreign	152	1,338,544	2	453,038
Foreign Head Offices and Branches	-	-	-	-
Total	1,117	1,465,586	400,735	458,844

As of December 31, 2020 amount of TL 10,168 provision provided for the Bank account (December 31,2019: TL 5,498).

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b) Information on foreign bank accounts

	Unrestricted Amount		Restricted Amount ^(**)	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	597,949	133,118	-	23,958
USA and Canada	692,396	193,790	-	79,671
OECD Countries ^(*)	2,865	3,084	-	-
Off-shore Banking Regions	-	-	-	-
Other	45,486	19,419	-	-
Total	1,338,696	349,411	-	103,629

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

^(**) Includes blocked placements amounting to TL none at foreign banks (December 31, 2019 - TL 103,629) for the funds borrowed from foreign banks.

4. Information on receivables from reverse repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
Domestic Transactions	250,124	-	3,040,962	-
T.R Central Bank	-	-	-	-
Banks	250,124	-	3,040,962	-
Intermediary Institutions	-	-	-	-
Other Financial Institutions and Organizations	-	-	-	-
Other Institutions and Organization	-	-	-	-
Real Persons	-	-	-	-
Foreign Transactions	-	92,610	-	-
Central Banks	-	-	-	-
Banks	-	92,610	-	-
Intermediary Institutions	-	-	-	-
Other Financial Institutions and Organizations	-	-	-	-
Other Institutions and Organizations	-	-	-	-
Real Persons	-	-	-	-
Total	250,124	92,610	3,040,962	-

5. Information on financial assets measured at fair value through other comprehensive income

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Given as Collateral/ Blocked	920,138	303,114	307,921	533,272
Subject to repurchase agreements	27,227	7,627,357	257,608	5,217,454
Total	947,365	7,930,471	565,529	5,750,726

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

	Current Period	Prior Period
Debt securities	15,282,501	12,315,104
Quoted on a stock exchange ^(*)	15,282,501	12,315,104
Unquoted on a stock exchange	-	-
Share certificates	7,781	189,904
Quoted on a stock exchange	-	-
Unquoted on a stock exchange	7,781	189,904
Impairment provision(-)^(**)	(109,193)	(161,567)
Total	15,181,089	12,343,441

^(*) The Eurobond Portfolio amounting to TL 3,176,047 (December 31, 2019 - TL 2,788,968) which is accounted for as financial assets measured at fair value through other comprehensive income were hedged under fair value hedge accounting starting from March and April 2009. The mentioned financial assets are accounted for as financial assets measured at fair value through other comprehensive income in order to be in line with balance sheet presentation.

^(**) As of December 31, 2020 amount of TL 2,083 provision provided for financial assets measured at fair value through other comprehensive income account. (December 31, 2019 – TL 1,958).

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6. Information related to loans

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	2,500	45,878	3,192	37,126
Corporate Shareholders	2,500	45,878	3,192	37,126
Individual Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees ^(*)	149,520	-	127,384	-
Total	152,020	45,878	130,576	37,126

^(*) Includes the advances given to the bank personnel.

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

b.1) Financial assets measured at amortized cost

Cash Loans ^(*)	Standard Loans	Loans under close monitoring		
		Loans Not Subject to Restructuring	Restructured Loans	
			Loans with Revised Contract Terms	Refinance
Non-specialized Loans	125,360,188	6,920,933	277,925	7,671,813
Discount Notes	1,887,945	7,532	-	-
Export Loans	5,442,346	22,118	-	-
Import Loans	4,502	-	-	-
Loans Given to Financial Sector	3,238,770	-	-	-
Retail Loans	27,318,862	1,134,360	28,516	727,348
Credit Cards	18,798,257	1,475,314	-	260,472
Other	68,669,506	4,281,609	249,409	6,683,993
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	125,360,188	6,920,933	277,925	7,671,813

	Standard Loans	Close Monitoring Loans
Current Period		
Expected loss provisions for 12 months	1,037,995	-
Significant increase at Credit Risk	-	2,828,305
Prior Period		
Expected loss provisions for 12 months	907,293	-
Significant increase at Credit Risk	-	1,524,953

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

In the current period, the Bank is monitoring TL 116,829 loan under financial assets at fair value measured through profit and loss in accordance with TFRS 9. (December 31, 2019 TL 86,838).

c) Loans measured at amortized cost and other receivables according to their maturity structure

Cash Loans	Standard Loans	Loans Under Close Monitoring	
		Loans Not Subject to restructuring	Loans with Restructured Loans
Short-term Loans	49,544,711	1,475,314	260,472
Medium and Long-term Loans	75,815,477	5,445,619	7,689,266
Total	125,360,188	6,920,933	7,949,738

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

	Short Term	Medium and Long Term	Total
Consumer Loans-TL	919,020	26,260,197	27,179,217
Housing Loans	2,676	3,865,370	3,868,046
Automobile Loans	435	25,461	25,896
Personal Need Loans	915,909	22,369,366	23,285,275
Other	-	-	-
Consumer Loans-FC Indexed	-	2,233	2,233
Housing Loans	-	1,963	1,963
Automobile Loans	-	-	-
Personal Need Loans	-	270	270
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	15,363,002	425,551	15,788,553
Installment	6,004,428	344,709	6,349,137
Non- Installment	9,358,574	80,842	9,439,416
Individual Credit Cards-FC	13,440	36	13,476
Installment	-	-	-
Non- Installment	13,440	36	13,476
Personnel Loans-TL	8,606	81,662	90,268
Housing Loans	-	84	84
Automobile Loans	-	-	-
Personal Need Loans	8,606	81,578	90,184
Other	-	-	-
Personnel Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	52,416	453	52,869
Installment	19,471	168	19,639
Non-Installment	32,945	285	33,230
Personnel Credit Cards-FC	92	-	92
Installment	-	-	-
Non-Installment	92	-	92
Overdraft Accounts-TL (Real Persons)	1,853,965	83,403	1,937,368
Overdraft Accounts-FC (Real Persons)	-	-	-
Total	18,210,541	26,853,535	45,064,076

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e) Information on commercial loans with installments and corporate credit cards

	Short Term	Medium and Long Term	Total
Commercial Loans with Installment Facility – TL	2,021,139	17,925,969	19,947,108
Real Estate Loans	1,860	253,012	254,872
Automobile Loans	9,440	333,023	342,463
Personal Need Loans	2,009,839	17,339,934	19,349,773
Other	-	-	-
Commercial Loans with Installment Facility - FC Indexed	-	463,048	463,048
Real Estate Loans	-	4,435	4,435
Automobile Loans	-	6,078	6,078
Personal Need Loans	-	452,535	452,535
Other	-	-	-
Commercial Loans with Installment Facility – FC	-	-	-
Real Estate Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Corporate Credit Cards –TL	4,591,033	86,539	4,677,572
Installment	1,948,612	63,713	2,012,325
Non-Installment	2,642,421	22,826	2,665,247
Corporate Credit Cards –FC	1,477	4	1,481
Installment	-	-	-
Non-Installment	1,477	4	1,481
Overdraft Accounts-TL (Legal Entities)	974,449	4,823	979,272
Overdraft Accounts-FC (Legal Entities)	-	-	-
Total	7,588,098	18,480,383	26,068,481

f) Allocation of loans by customers

	Current Period	Prior Period
Public	-	-
Private	140,230,859	110,697,936
Total	140,230,859	110,697,936

g) Allocation of domestic and foreign loans

	Current Period	Prior Period
Domestic Loans	139,129,640	109,998,461
Foreign Loans	1,101,219	699,475
Total	140,230,859	110,697,936

h) Loans granted to subsidiaries and associates

	Current Period	Prior Period
Direct Loans Granted to Subsidiaries and Associates	1,256,220	1,015,749
Indirect Loans Granted to Subsidiaries and Associates	-	-
Total	1,256,220	1,015,749

i) Specific provisions for loans (Stage III/Specific Provision)

	Current Period	Prior Period
Provisions		
Loans and Receivables with Limited Collectability	501,358	1,093,928
Doubtful Loans and Other Receivables	311,173	892,639
Uncollectible Loans and Receivables	6,077,239	3,957,146
Total	6,889,770	5,943,713

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

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and other receivables
Current Period			
Gross Amounts Before the Provisions	-	31,099	170,246
Restructured Loans	-	31,099	170,246
Prior Period			
Gross Amounts Before the Provisions	264	3,091	67,342
Restructured Loans	264	3,091	67,342

j.2) Movement of total non-performing loans

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and other receivables
Prior Period End Balance	1,914,374	1,437,367	4,922,674
Additions (+)	1,535,957	609,460	207,441
Transfers from Other Categories of Non-Performing Loans (+)	-	2,379,593	3,635,807
Transfers to Other Categories of Non-Performing Loans (-)	2,379,593	3,635,807	-
Collections (-)	138,251	254,884	1,101,678
Write-offs (-)	-	-	4,867
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Others	-	-	-
Current Period End Balance	932,487	535,729	7,659,377
Provision (-)	501,358	311,173	6,077,239
Net Balances on Balance Sheet	431,129	224,556	1,582,138

j.3) Information on foreign currency non-performing loans and other receivables

None (December 31, 2019 - None).

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period (Net)	431,129	224,556	1,581,138
Loans to Real Persons and Legal Entities (Gross)	932,487	535,729	7,447,168
Provision (-)	501,358	311,173	5,865,030
Loans to Real Persons and Legal Entities (Net)	431,129	224,556	1,582,138
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	212,209
Provision (-)	-	-	212,209
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	820,446	544,728	965,528
Loans to Real Persons and Legal Entities (Gross)	1,914,374	1,437,367	4,796,556
Specific provision (-)	1,093,928	892,639	3,831,028
Loans to Real Persons and Legal Entities (Net)	820,446	544,728	965,528
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	126,118
Specific provision (-)	-	-	126,118
Other Loans and Receivables (Net)	-	-	-
	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period (Net)			
Interest Accruals and Valuation Differences	438,835	61,708	704,083
Provision (-)	237,518	32,724	496,538
Prior Period (Net)			
Interest Accruals and Valuation Differences	214,810	149,201	332,194
Provision (-)	137,580	96,472	250,993

k) Liquidation policies for uncollectible loans and other receivables

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

l) Write-off policy

The Bank's general policy for write-offs of loans and receivables under follow-up is to write of taking over such loans and receivables that are proven to be uncollectible in legal follow-up process.

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7. Information on financial assets measured at amortized cost

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Given as Collateral/Blocked Subject to repurchase agreements	1,943,581	-	364,213	116,736
	3,545,946	7,500,243	-	6,517,031
Total	5,489,527	7,500,243	364,213	6,633,767

b) Information on government debt securities measured at amortized cost

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bond	9,559,633	8,413,914	8,588,791	6,727,311
Treasury Bill	-	-	-	-
Other Debt Securities	-	208,028	-	300,872
Total	9,559,633	8,621,942	8,588,791	7,028,183

c) Information on investment securities measured at amortized cost

	Current Period		Prior Period	
	TL	FC	TL	FC
Debt Securities	9,559,633	9,183,723	8,588,791	7,592,511
Publicly-traded	9,559,633	9,183,723	8,588,791	7,592,511
Non-publicly traded	-	-	-	-
Provision for losses (-)	-	-	-	-
Total	9,559,633	9,183,723	8,588,791	7,592,511

d) Movements of financial assets measured at amortized cost

	Current Period	Prior Period
Value at the beginning of the period	16,181,302	12,932,193
Exchange differences on monetary assets	1,745,497	790,412
Acquisitions during the year	2,333,458	3,406,328
Disposals through sales and redemptions	(2,260,925)	(1,496,516)
Provision for losses (-)	-	-
Valuation effect	744,024	548,885
The sum of end of the period	18,743,356	16,181,302

As of December 31, 2020, a provision amounting to TL 10,156 is provided for the financial assets measured at amortized cost (December 31, 2019: TL 11,852)

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8. Investments in associates (Net)

8.1. Investments in associates

a) Information on the unconsolidated associates

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

Total Assets	Shareholder's Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
272,800	217,454	79,380	6,665	-	35,413	17,418	-
31,238	25,827	22,785	1,354	-	6,146	-	-

^(*) Current amounts stated in table are from September 30, 2020 and prior period profit & loss amounts are taken from the financials of September 30, 2019.

^(**) Current amounts stated in table are from December 31, 2019 and prior period profit & loss amounts are taken from the financials of December 31, 2018.

b) Information on the consolidated associates

None (December 31, 2019- None).

8.2. Movement of investments in associates:

	Current Period	Prior Period
Balance at the Beginning of Period	5,982	5,982
Movements During the Period	8,044	-
Purchases	-	-
Bonus Shares Received	8,044	-
Dividends From Current Year Profit	-	-
Sales	-	-
Reclassifications	-	-
Increase/Decrease in Market Values	-	-
Currency Differences on Foreign Associates	-	-
Impairment Losses (-)	-	-
Balance at the End of the Period	14,026	5,982
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

On January 17, 2020, the Bank registered to JCR Avrasya Rating Anonim Şirketi as a Non-Financial Subsidiary, by purchasing 28,559 shares with a nominal value of amounting to TL 28,599 based on the share transfer agreement.

As of July 20, 2020, the Bank's non-financial subsidiary The Interbank Card Center (BKM) has increased its capital by TL 5,258.

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

	Current Period	Prior Period
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Associates	14,026	5,982
Total	14,026	5,982

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8.4. Quoted associates

None (December 31, 2019 - None).

8.5. Valuation methods of investments in associates

	Current Period	Prior Period
Valued at Cost	14,026	5,982
Valued at Fair Value	-	-
Valued at Equity Method	-	-
Total	14,026	5,982

9. Investments in subsidiaries (Net)

a) Information on the unconsolidated subsidiaries

Title	Address (City/Country)	Bank's Share-If different, Voting Rights (%)	Bank' Risk Group Share (%)
1. İbtech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek San. ve Tic. A.Ş.	İstanbul/Turkey	99.91	99.99
2. EFINANS Elektronik Ticaret ve Bilişim Hizmetleri A.Ş.	İstanbul/Turkey	100.00	100.00

	Total Assets	Shareholders' Equity	Total Fixed Asset	Interest Income	Securities Income	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1.	48,995	11,752	31,367	-	-	104	(1,457)	-
2.	28,206	12,771	5,061	(110)		(4,128)	5,403	-

b) Information on the consolidated subsidiaries

b.1) Information on the consolidated subsidiaries

Subsidiary	Address (City/Country)	Bank's Share - If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1. QNB Finans Yatırım Menkul Değerler A.Ş.	İstanbul/Turkey	99.80	100.00
2. QNB Finans Finansal Kiralama A.Ş.	İstanbul/Turkey	99.40	99.40
3. Hemenal Finansman A.Ş.	İstanbul/Turkey	100.00	100.00
4. QNB Finans Portföy Yönetimi A.Ş.	İstanbul/Turkey	75.01	100.00
5. QNB Finans Faktoring Hizmetleri A.Ş.	İstanbul/Turkey	99.99	100.00
6. QNB Finans Varlık Kiralama Şirketi A.Ş.	İstanbul/Turkey	-	100.00

Information on subsidiaries in the order presented in the table above

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value ^(*)
1.	1,101,463	358,748	12,925	102,608	3,477	166,706	75,146	454,858
2.	7,834,001	1,037,693	11,268	603,230	-	140,668	90,966	758,848
3.	26,706	25,651	-	4,091	-	6,189	(11,558)	25,650
4.	42,625	37,818	350	628	-	11,616	3,068	31,437
5.	2,195,256	201,852	11,872	218,027	-	31,445	43,808	287,677
6.	393	383	-	-	-	183	-	-

(*) The fair value measurement method of the Subsidiary QNB Finans Finansal Kiralama A.Ş. has been amended, and measurement has been made on data not based on market data as of the balance sheet date.

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b.2) Movement of consolidated subsidiaries:

	Current Period	Prior Period
Balance at the Beginning of the Period	1,212,068	1,103,202
Movements during the period	346,402	108,866
Bonus Shares Received	-	-
Dividends from Current Year Profit	-	-
Disposals	-	-
Changes Due to Reclassification	-	-
Revaluation Increase	346,402	108,866
Impairment Provision	-	-
Balance at the End of the Period	1,558,470	1,212,068
Capital Commitments	-	-
Share Percentage at the end of the Period (%)	-	-

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

	Current Period	Prior Period
Factoring Companies	287,677	266,769
Leasing Companies	758,848	624,551
Finance Companies	25,650	58,395
Other Subsidiaries	486,295	262,353
Total	1,558,470	1,212,068

b.4) Subsidiaries quoted on stock exchange

	Current Period	Prior Period
Quoted on Domestic Stock Exchanges	758,848	624,551
Quoted on International Stock Exchanges	-	-
Total	758,848	624,551

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

The Bank does not have any significant subsidiaries.

10. Information on joint ventures

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

	Total Assets	Shareholders' Equity	Total Fixed Asset	Interest Income	Securities Income	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1. (*)	2,059,719	280,100	32,126	-	-	185,501	154,255	279,608
2.	152,184	107,186	41,975	-	-	27,501	33,356	-

(*) Cigna Sağlık, Hayat ve Emeklilik A.Ş., is accounted with fair value method as Communique on Bank's unconsolidated Turkish Financial Reporting Statement.

11. Information on lease receivables (Net)

None (December 31, 2019 - None).

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12. Information on the hedging derivative financial assets

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge ^(*)	2,966,278	265,248	2,693,288	78,852
Cash Flow Hedge ^(**)	1,143,010	257,676	1,314,595	45,247
Foreign Net Investment Hedges	-	-	-	-
Total	4,109,288	522,924	4,007,883	124,099

^(*) Derivative Financial Instruments at fair value consists swaps. As of December 31, 2020, TL 265,248 (December 31, 2019 - TL 74,535) from securities, TL 2,966,278 (December 31, 2019 - TL 2,693,288) from loans, represents the fair value of derivatives which are designated as hedging instruments to hedge the fair value. In current period, there is a not balance of securities (December 31, 2019 - TL 1,927) and funds borrowed (December 31, 2019 - TL 2,390) for the fair value of derivatives which are designated as hedging instruments to hedge the fair value.

^(**) Represents the fair value of derivative financial instruments for cash flow hedge of deposits and floating interest borrowings.

13. Explanations regarding the investment properties

	Land and Buildings	Operational Fixed Assets Under Finance Lease	Vehicles	Other Tangible Fixed Assets	Total
Prior Year End					
Cost	3,018,868	288,593	63,121	1,753,747	5,124,329
Accumulated Depreciation(-)	260,688	249,151	30,759	1,207,382	1,747,980
Net Book Value	2,758,180	39,442	32,362	546,365	3,376,349
Current Year End					
Cost at the Beginning of the Period	3,018,868	288,593	63,121	1,753,747	5,124,329
Additions ^(*)	154,332	14,929	58,446	270,078	497,785
Disposals (-)	81,715	-	28,878	17,221	127,814
Impairment (-) / (increase)	(2,337)	-	-	-	(2,337)
Current Period Cost	3,089,148	303,522	92,689	2,006,604	5,491,963
Accumulated Depreciation at the Beginning of the Period	260,688	249,151	30,759	1,207,382	1,747,980
Disposals (-)	88,026	-	31,173	16,233	135,432
Depreciation Amount	212,157	2,415	21,821	166,741	403,134
Current Period Accumulated Depreciation (-)	384,819	251,566	21,407	1,357,890	2,015,682
Net Book Value-end of the Period	2,704,329	51,956	71,282	648,714	3,476,281

^(*) As stated in footnote in Section III – Part 4, fair value exchange difference income amortized at an amount of TL 27,761 belonging to immovable property subjected to fair value hedge accounting by the Bank is shown on “Disposals” line in Property, Plant and Equipment movement statement.

a) If impairment on individual asset recorded or reversed in the current period is material for the overall financial statements:

Events and conditions for recording or reversing impairment and amount of recorded or reversed impairment in the financial statements:

The fair values of the buildings are determined by the licensed expertise companies and as a result of the changes in the fair value of these buildings, the impairment loss reverse of TL 2,337 has been booked (December 31, 2019 - TL 294 impairment loss).

b) The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially affecting the overall financial statements, and the reason and conditions for this:

None (December 31, 2019- None).

c) Pledges, mortgages and other restrictions (if any) on the tangible fixed assets, expenses arising from the construction for tangible fixed assets, commitments given for the purchases of tangible fixed assets:

None (December 31, 2019- None).

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14. Explanations on intangible assets

	Rights	Goodwill	Total
Prior Period End			
Cost	1,342,324	-	1,342,324
Accumulated Amortization (-)	904,044	-	904,044
Net Book Value	438,280	-	438,280
Current Period End			
Cost at the Beginning of the Period	1,342,324	-	1,342,324
Additions	214,040	-	214,040
Disposals(-)	-	-	-
Impairment (-) / (increase)	-	-	-
Current Period Cost	1,556,364	-	1,556,364
Accumulated Amortization at the Beginning of the Period	904,044	-	904,044
Disposals(-)	-	-	-
Amortization Charge (-)	147,622	-	147,622
Current Period Accumulated Amortization (-)	1,051,666	-	1,051,666
Net Book Value-End of the Period	504,698	-	504,698

a) Disclosures for book value, description and remaining life to be amortized for a specific intangible fixed asset that is material to the financial statements:

None (December 31, 2019 – None).

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

None (December 31, 2019 – None)

c) The method of subsequent measurement for intangible fixed assets that are acquired through government incentives and recorded at fair value at the initial recognition:

None (December 31, 2019 – None).

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

None (December 31, 2019 – None).

e) Amount of purchase commitments for intangible fixed assets:

None (December 31, 2019 – None).

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

None (December 31, 2019 – None).

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

Amount of total research and development expenses recorded in income statement within the current period TL 14,474 (December 31,2019 – TL11,629).

h) Positive or negative consolidation goodwill on entity basis:

None (December 31, 2019 – None).

i) Information on goodwill:

None (December 31, 2019 – None).

j) Movements on goodwill in the current period:

None (December 31, 2019- None).

15. Information on assets held for sale and discontinued operations

As of December 31, 2019 there is no tangible asset held for sale (December 31, 2019: None).

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16. Information on tax asset

As of December 31, 2020, the Bank has TL 931,700 deferred tax asset calculated under the related regulations.

Deferred tax assets and liabilities are reflected to the financial statements by netting off according to TAS 12. As of December 31, 2020, the Bank has deferred tax assets amounting to TL 1,319,323 and deferred tax liability amounting to TL 387,623, which arise between the carrying amount of the assets and liabilities in the balance sheet and the tax bases determined in accordance with tax legislation and calculated over the amounts to be taken into account in the calculation of financial profit / the tax liability is netted and recorded in the records.

Deferred tax is offset against deferred tax assets or liabilities, if the differences between the carrying amount and the fair value of the related assets are related to the equity account group. The deferred tax asset amounting to TL 39,474 has been netted under equity (December 31, 2019 - TL 220,543 deferred tax asset).

	Accumulated Temporary Differences		Deferred Tax Assets/(Liabilities)	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Provision for Employee Rights	589,451	529,565	117,890	116,504
Difference Between the Book Value of Financial Assets and Tax Base	954,436	663,646	190,887	146,002
Other ^(*)	5,035,574	3,179,775	1,010,546	699,551
Deferred Tax Assets			1,319,323	962,057
Difference Between the Book Value Financial Assets and Tax Base	(378,548)	(277,655)	(75,710)	(61,084)
Difference Between the Book Value of Financial Assets and Tax Base	(1,191,243)	(1,746,251)	(238,248)	(384,175)
Other	(368,326)	(764,133)	(73,665)	(168,110)
Deferred Tax Liabilities			(387,623)	(613,369)
Deferred Tax Assets/(Liabilities), Net			931,700	348,688

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

	Current Period 01.01-31.12.2020	Prior Period 01.01-31.12.2019
Deferred Tax as of January 1 Active/ (Passive) - Net	348,688	522,283
Deferred Tax (Loss) / Gain	543,538	(394,138)
Deferred Tax that is Realized Under Shareholder's Equity	39,474	220,543
Deferred Tax Active/ (Passive) - Net	931,700	348,688

17. Information on assets held for sale and discontinued operations

	Current Period	Prior Period
Opening Balance Net Book Value	-	-
Additions ^(*)	-	47,455
Impairment (-)	-	47,455
Closing Net Book Value	-	-

(*) In prior period, within the context of the existing loan agreements, all creditors including the Bank have reached an agreement on restructuring the loans granted to Ojer Telekomünikasyon A.Ş. (OTAS) who is the main shareholder of Türk Telekomünikasyon A.Ş. (Türk Telekom) and it is contemplated that Türk Telekom's number of 192,500,000,000 A group shares owned by OTAS, representing 55% of its issued share capital corresponding to A group shares have been pledged as a guarantee for the existing facilities would be taken over by a special purpose entity which is incorporated or will be incorporated in the Turkish Republic, and owned by directly or indirectly by all creditors. As per the agreed structure, it is agreed on the corresponding agreements, completed all required corporate and administrative permissions and the transaction is concluded by a transfer of the aforementioned shares to the special purpose entity incorporated in the Turkish Republic, and owned by directly or indirectly by all creditors. In this context, the Bank owned 1.19% of the founded special purpose entity and the related investment is considered within the scope of TFRS 5 "Assets Held for Sale and Discontinued Operation."

18. Information on other assets

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

As of December 31, 2020, the Bank is provided provisions for other assets to TL 8,033 (December 31, 2019 – TL 9,213).

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19. Accrued interest and income

The details of accrued interest and income allocated to the related items on the assets side of the balance sheet are as follows:

	Current Period		Prior Period	
	TL	FC	TL	FC
Derivative Financial Instruments	6,985,418	2,364,208	6,779,957	1,166,196
Loans	3,565,838	788,150	3,289,333	477,119
Financial Assets at Fair Value Through Other Comprehensive Income	155,725	199,644	258,678	89,025
Financial Assets measured at amortized cost	464,532	145,944	175,593	112,638
Central Bank of Turkey	23,626	-	5,441	-
Financial Assets at Fair Value Through Profit or Loss	124	-	1,648	347
Banks	37	1,182	1,089	-
Other Accruals	69,085	522	2,544	1,814
Total	11,264,385	3,499,650	10,514,283	1,847,139

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SECTION FIVE

II. Explanations And Disclosures Related To Liabilities

1. Information on maturity structure of deposits

Current Period

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulated Deposit Accounts	Total
Saving Deposits	5,796,641	-	8,238,554	17,597,011	1,513,801	780,673	1,205,634	921	35,133,235
Foreign Currency	25,321,783	-	5,493,253	26,126,722	3,260,457	714,797	1,577,949	3,652	62,498,613
Residents in Turkey.	24,225,697	-	5,434,343	25,610,776	3,059,338	680,693	1,159,552	3,652	60,174,051
Residents Abroad	1,096,086	-	58,910	515,946	201,119	34,104	418,397	-	2,324,562
Public Sector Deposits	254,718	-	10,239	284	1,212	-	-	-	266,453
Commercial Deposits	3,790,736	-	3,177,846	4,803,343	158,876	99,557	7,175	-	12,037,533
Other Ins. Deposits	70,423	-	39,729	342,170	2,136	101,130	464	-	556,052
Precious Metal Deposits	14,766,037	-	634	65,986	14,492	4,545	632,807	-	15,484,501
Bank Deposits	123,019	-	3,436,160	1,006,657	17,508	-	-	-	4,583,344
T.R Central Bank.	-	-	-	-	-	-	-	-	-
Domestic Banks	3,432	-	146,810	-	-	-	-	-	150,242
Foreign Banks	115,234	-	3,289,350	1,006,657	17,508	-	-	-	4,428,749
Participation Banks	4,353	-	-	-	-	-	-	-	4,353
Other	-	-	-	-	-	-	-	-	-
Total	50,123,357	-	20,396,415	49,942,173	4,968,482	1,700,702	3,424,029	4,573	130,559,731

Prior Period

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulated Deposit Accounts	Total
Saving Deposits	4,749,725	-	8,337,031	18,244,106	214,359	247,901	1,113,219	910	32,907,251
Foreign Currency	13,163,632	-	5,467,902	24,282,951	3,533,737	2,032,562	1,474,559	2,998	49,958,341
Residents in Turkey.	12,648,241	-	5,400,228	23,964,674	3,492,160	1,913,436	1,106,457	2,998	48,528,194
Residents Abroad	515,391	-	67,674	318,277	41,577	119,126	368,102	-	1,430,147
Public Sector Deposits	403,375	-	2,296	9,734	569	19	-	-	415,993
Commercial Deposits	3,470,806	-	4,537,787	4,486,426	82,770	35,395	66,801	-	12,679,985
Other Ins. Deposits	63,232	-	31,454	418,746	1,441	40,772	1,847	-	557,492
Precious Metal Deposits	3,517,505	-	1,068	7,602	1,192	2,780	170,215	-	3,700,362
Bank Deposits	194,282	-	3,244,393	1,864,410	74,941	28,333	-	-	5,406,359
T.R Central Bank.	-	-	-	-	-	-	-	-	-
Domestic Banks	5,128	-	-	-	-	-	-	-	5,128
Foreign Banks	183,471	-	3,244,393	1,864,410	74,941	28,333	-	-	5,395,548
Participation Banks	5,683	-	-	-	-	-	-	-	5,683
Other	-	-	-	-	-	-	-	-	-
Total	25,562,557	-	21,621,931	49,313,975	3,909,009	2,387,762	2,826,641	3,908	105,625,783

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

	Covered by Deposit Insurance Fund		Exceeding Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	18,829,545	18,451,527	16,297,157	14,447,019
Foreign Currency Savings Deposits	17,246,257	10,426,031	39,206,519	28,403,256
Other Saving Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
Total	36,075,802	28,877,558	55,503,676	42,850,275

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

1.3. Savings deposits which are not under the guarantee of saving deposit insurance fund

	Current Period	Prior Period
Deposits and accounts in branches abroad	12,838	25,886
Deposits of ultimate shareholders and their close family members	-	-
Deposits of chairman and members of the Board of Directors and their close family members	223,784	149,317
Deposits obtained through illegal acts defined in the 282 nd Article of the 5237 numbered Turkish Criminal Code dated 26, 2004	-	-
Saving deposits in banks established in Turkey exclusively for off-shore banking activities	-	-
Total	236,622	175,203

2. Information on trading derivative financial liabilities

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

	Current Period(*)		Prior Period	
	TL	FC	TL	FC
Forwards	113,317	-	110,238	-
Swaps	4,629,044	1,722,572	2,570,815	903,344
Futures	-	-	-	-
Options	2,924	26,523	211	34,565
Other	-	-	-	-
Total	4,745,285	1,749,095	2,681,264	937,909

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

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3. Information on funds borrowed

a) Information on banks and other financial institutions

	Current Period		Prior Period	
	TL	FC	TL	FC
T.R. Central Bank Loans	-	-	-	-
Domestic Bank and Institutions	486,735	393,343	380,249	216,059
Foreign Bank, Institutions and Funds	-	19,311,946	-	14,713,101
Total	486,735	19,705,289	380,249	14,929,160

b) Maturity information on funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	486,735	5,547,774	380,249	1,578,044
Medium and Long-Term	-	14,157,515	-	13,351,116
Total	486,735	19,705,289	380,249	14,929,160

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

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

As of December 31, 2020, the Bank's liabilities comprise; 57% deposits (December 31, 2019 – 58%), 9% funds borrowed (December 31, 2019 – 8%), 6% issued bonds (December 31, 2019 – 7%) and 6% Money Market Debts (December 31, 2019 – 5%).

4. Information on funds provided under repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
From domestic transactions	3,593,907	-	255,279	-
Financial institutions and organizations	3,579,659	-	232,383	-
Other institutions and organizations	8,731	-	11,123	-
Real persons	5,517	-	11,773	-
From foreign transactions	782,537	10,112,950	2,393	8,797,038
Financial institutions and organizations	775,550	10,112,950	-	8,797,038
Other institutions and organizations	6,987	-	2,393	-
Real persons	-	-	-	-
Total	4,376,444	10,112,950	257,672	8,797,038

5. Information on securities issued (Net)

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	1,502,745	829,044	3,954,629	116,648
Bills	52,219	11,122,377	-	9,014,697
Total	1,554,964	11,951,421	3,954,629	9,131,345

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

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- 6. If other liabilities account exceeds 10% of total liabilities excluding the off-balance sheet items, information given about components of other liabilities account that exceeds 20% of the individual liability item in the unconsolidated balance sheet**

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

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

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

- 7.1. Changes in agreements and further commitments arising**

No changes have been made to the leasing agreements in the current period (December 31, 2019- None).

- 7.2. Financial Lease Payables**

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	13,086	10,336	12,827	9,373
Between 1-4 years	12,241	9,670	9,035	6,604
More than 4 years	332	262	-	-
Total	25,659	20,268	21,862	15,977

- 7.3. Information on liabilities arising from operational lease transactions**

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	76,052	69,990	29,388	25,177
1-4 Years	387,290	356,417	474,585	406,576
More than 4 years	-	-	-	-
Total	463,342	426,407	503,973	431,753

- 7.4 Information and footnotes on operational lease**

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

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

The Bank does not have any sale-and-lease back transactions in the current period (December 31, 2019 - None).

- 8. Information on liabilities arising from hedging purpose derivatives**

	Current Period ^(***)		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge ^(*)	9,318	666,991	285,204	355,077
Cash Flow Hedge ^(**)	19,101	887,562	487,387	232,093
Net Investment Hedge	-	-	-	-
Total	28,419	1,554,553	772,591	587,170

(*) Derivative financial instruments designated for the fair value hedge purposes comprise of swaps. As of December 31, 2020, TL 666,991 from securities (December 31, 2019 – TL 355,077) and TL 9,318 (December 31, 2019- TL 285,204) represents the fair value of derivative financial instruments for hedging the fair value risk of loans.

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

(***) Derivative financial liabilities for the fair value hedge purposes in the current period are presented in line 7.1 of the financial statements and financial liabilities for the purpose of cash flow hedges are shown in line 7.

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9. Information on provisions

9.1. Provision for currency exchange gain/loss on foreign currency indexed loans

	Current Period	Prior Period
Foreign Exchange Provision for Foreign Currency Indexed Loans ^(*)	-	-
^(*) The foreign exchange provision for foreign currency indexed loans netted against "Loans and Receivables" in asset.		

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

	Current Period	Prior Period
Stage 1	119,744	92,437
Stage 2	13,505	17,471
Stage 3	48,284	45,614
Total	181,533	155,522

9.3. Information on employee termination benefits and unused vacation accrual

The Bank has calculated reserve for employee termination benefits by using actuarial valuations as set out in TAS 19 and reflected these accompanying financial statements.

As of December 31, 2020, TL 282,700 (December 31, 2019 - TL 230,438) reserve for employee termination benefits was provided in the accompanying financial statements.

As of December 31, 2020, the Bank accrued TL 47,661 (December 31, 2019 – TL 48,707) for the unused vacations under reserve for employee benefits account in the accompanying financial statements.

As of December 31, 2020 TL 259,090 (December 31, 2019 - TL 250,420) bonus and premium provisions have been provided under reserve for employee benefits account in the accompanying financial statements.

9.3.1. Movement of employee termination benefits

	Current Period	Prior Period
	01.01-31.12.2020	01.01-31.12.2019
As of January 1	230,436	173,924
Service Cost	28,742	21,755
Interest Cost	27,810	27,469
Settlement / curtailment / termination loss	22,283	9,813
Actuarial Difference	39,496	28,840
Paid during the period	(66,067)	(31,363)
Total	282,700	230,438

9.4. Information on other provisions

Except for those mentioned in footnote 9.2, other provisions of the balance sheet amounting to TL 293,835 (December 31, 2019 – TL 190,554) consist of lawsuits against the Bank.

10. Taxation

10.1. Current taxes

10.1.1. Current tax liability

As of December 31, 2020, the Bank has TL 1,093,718 current tax liability (December 31, 2019- TL 205,582). As of December 31, 2020, the Bank has prepaid tax is TL 30,019. (31 December 2019- None).

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10.1.2. Information on taxes payable

	Current Period	Prior Period
Corporate Taxes Payable	1,063,699	205,582
Banking and Insurance Transaction Tax (BITT)	97,870	93,665
Taxation on Securities Income	49,371	84,849
Taxation on Real Estates Income	1,292	2,591
Other	39,159	34,904
Total	1,251,391	421,591

The “Corporate Taxes Payable” balance is presented in the “Current Tax Liability” account and other taxes are presented in the “Other Liabilities” account in the accompanying unconsolidated financial statements.

10.1.3. Information on premiums

	Current Period	Prior Period
Social Security Premiums - Employee Share	12,222	11,685
Social Security Premiums - Employer Share	13,522	12,914
Unemployment Insurance - Employee Share	859	820
Unemployment Insurance - Employer Share	1,718	1,640
Total	28,321	27,059

11. Information on payables related to assets held for sale

None (December 31, 2019 – None).

12. Information on subordinated loans

	Current Period		Prior Period	
	TL	FC	TL	FC
To be included in the calculation of additional capital	-	3,855,730	-	3,120,203
Subordinated Loans	-	3,855,730	-	3,120,203
Subordinated debt instruments	-	-	-	-
Debt instruments to be included in contribution capital calculation	-	2,848,564	-	2,312,350
Subordinated loans	-	2,848,564	-	2,312,350
Subordinated debt instruments	-	-	-	-
Total	-	6,704,294	-	5,432,553

On April 1, 2019, a subordinated loan amounting to USD 125 million was renewed in accordance with Basel III and included in the calculation of contribution capital as 2029.

On June 30, 2019, subordinated loan amounting to USD 525 million was renewed in compliance with the necessary amendments were made in the capital similar loan prospectus.

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13. Information on shareholder's equity

13.1. Paid-in capital

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

13.2. Paid-in capital amount, explanation as to whether the registered share capital system is applicable at bank; if so the amount of registered share capital

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

13.3. Information on share capital increases and their sources; other information on any increase in capital shares during the current period

None (December 31, 2019 – None).

13.4. Information on share capital increases from revaluation funds

None (December 31, 2019 – None).

13.5. Capital commitments in the last fiscal year and at the end of the following period, the general purpose of these commitments and projected resources required to meet these commitments

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

13.6. Prior periods' indicators related with the Bank's income, profit and liquidity and the possible effects of the uncertainties in these indicators on the Bank's equity

None (December 31, 2019 – None).

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

None (December 31, 2019 – None).

14. Common stock issue premiums, shares and equity instruments

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

(*) Due to the Bank's capital increase at the prior periods, common stock issue premium accounted amounting to TL 714.

15. Securities value increase fund

	Current Period		Prior Period	
	TL	FC	TL	FC
Associates, Subsidiaries and Entities under Common Control	1,268,032	-	942,899	-
Valuation Difference	1,268,032	-	942,899	-
Foreign Exchange Rate Difference	-	-	-	-
Securities Measured at Fair Value Through Other Comprehensive Income (FVOCI)	121,632	(597,082)	210,214	(381,200)
Valuation Difference	121,632	(597,082)	210,214	(381,200)
Foreign Exchange Rate Difference	-	-	-	-
Total	1,389,664	(597,082)	1,153,113	(381,200)

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16. Accrued interest and expenses

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Derivative Financial Liabilities	4,773,704	3,303,648	3,453,855	1,525,079
Deposits	226,067	47,573	234,755	76,634
Funds Borrowed	4,140	86,673	74	55,717
Money Market Borrowings	15,442	402,770	2,100	188,376
Securities Issued	11,395	95,192	7,801	107,553
Other Accruals	244,331	180,671	175,722	159,239
Total	5,275,079	4,116,527	3,874,307	2,112,598

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SECTION FIVE

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

1. Information related to off-balance sheet contingencies

1.1 Type and amount of irrevocable commitments

	Current Period	Prior Period
Credit Cards Limit Commitments	35,495,520	28,781,240
Commitment For Use Guaranteed Credit Allocation	18,075,786	14,309,950
Forward, Asset Purchase Commitments	4,836,291	5,330,542
Payment Commitments for Cheques	4,124,298	2,045,048
Other Irrevocable Commitments	2,423,033	2,377,515
Commitments for Promotions Related with Credit Cards and Banking Activities Prom.	83,078	71,447
Tax and Fund Liabilities due to Export Commitments	27,046	29,197
Total	65,065,052	52,944,939

1.2. Type and amount of possible losses and commitments from off-balance sheet items

Specific provision is provided for the non-cash loans amounting to TL 181,533 (December 31, 2019 - TL 155,522) followed in the off-balance sheet accounts that are not indemnified and liquidated yet.

1.3 Final guarantees, provisional guarantees, sureties and similar transactions

	Current Period	Prior Period
Bank Loans	6,838,598	5,822,343
Letters of Credit	3,618,937	2,667,496
Total	10,457,535	8,489,839

1,4, Final guarantees, provisional guarantees, sureties and similar transactions

	Current Period	Prior Period
Provisional Letters of Guarantee	8,674,056	9,374,933
Final Letters of Guarantee	2,969,287	2,421,977
Advance Letters of Guarantee	989,173	990,557
Letters of Guarantee Given to Customs Offices	559,009	486,170
Other Letters of Guarantee	9,498,479	6,753,628
Total	22,690,004	20,027,265

2, Total amount of non-cash loans

	Current Period	Prior Period
Non-Cash Loans granted for Obtaining Cash Loans	4,036,779	2,009,076
Less Than or Equal to One Year with Original Maturity	371,430	341,272
More Than One Year with Original Maturity	3,665,349	1,667,804
Other Non-Cash Loans	29,110,760	26,508,028
Total	33,147,539	28,517,104

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

	Current Period				Prior Period			
	TL	%	FC	%	TL	%	FC	%
Agricultural	41,065	0.35	92,736	0.43	37,497	0.37	69,559	0.38
Farming and Raising Livestock	31,852	0.27	16,889	0.08	32,555	0.32	9,636	0.05
Forestry	5,311	0.05	-	-	3,919	0.04	-	-
Fishing	3,902	0.03	75,847	0.35	1,023	0.01	59,923	0.33
Manufacturing	2,224,235	19.13	10,205,325	47.42	1,645,765	16.03	8,248,440	45.21
Mining and Quarrying	76,972	0.66	49,413	0.23	73,698	0.72	39,774	0.22
Production	1,948,468	16.76	9,938,395	46.18	1,429,199	13.92	8,147,353	44.65
Electricity, gas and water	198,795	1.71	217,517	1.01	142,868	1.39	61,313	0.34
Construction	3,590,417	30.88	3,005,802	13.97	3,132,469	30.50	2,776,877	15.22
Services	5,532,156	47.58	7,944,905	36.92	5,271,352	51.33	7,068,110	38.73
Wholesale and Retail Trade	3,601,179	30.97	2,388,624	11.10	3,305,446	32.18	2,917,959	15.99
Hotel, Food and Beverage Services	129,205	1.11	969,584	4.51	150,928	1.47	661,151	3.62
Transportation&Communication	508,543	4.37	860,884	4.00	411,693	4.01	901,782	4.94
Financial Institutions	822,433	7.07	3,453,939	16.0	1,014,605	9.88	2,028,298	11.12
Real Estate and Renting Services	12,160	0.10	1,351	0.01	13,138	0.13	665	-
Self Employment Services	216,990	1.87	126,209	0.59	213,365	2.08	98,682	0.54
Educational Services	8,959	0.08	18,080	0.12	7,721	0.08	13,334	0.07
Health and Social Services	232,687	2.00	126,234	0.59	154,456	1.50	446,239	2.45
Other	239,314	2.06	271,584	1.26	183,249	1.77	83,786	0.46
Total	11,627,187	100.00	21,520,352	100.00	10,270,332	100.00	18,246,772	100.00

4. Information on non-cash loans classified in first and second groups

	I. Group		II. Group	
Current Period (*)	TL	FC	TL	FC
Letters of Guarantee	11,139,793	11,274,727	139,498	87,702
Bills of Exchange and Acceptances	198,490	6,631,976	-	8,132
Letters of Credit	101,122	3,516,955	-	860
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Collaterals and Sureties	-	-	-	-
Non-cash Loans	11,439,405	21,423,658	139,498	96,694

(*) Does not include non-cash loans amounting to TL 48,284, for which special provision is provided, but which are not indemnified and not liquidated yet.

	I. Group		II. Group	
Prior Period (*)	TL	FC	TL	FC
Letters of Guarantee	9,971,815	9,792,164	162,338	55,334
Bills of Exchange and Acceptances	22,742	5,782,178	-	17,423
Letters of Credit	67,823	2,563,908	-	35,765
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Collaterals and Sureties	-	-	-	-
Non-cash Loans	10,062,380	18,138,250	162,338	108,522

(*) Specific provision for non-cash loans that are not compensated and non converted into cash but recorded as provisions in the off-balance sheet accounts and the expected loss provisions for non-cash loans amounting to TL 45,614 are excluded.

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5. Information on derivative financial instruments

	Current Period	Prior Period
Types of trading transactions		
Foreign Currency Related Derivative Transactions (I)	161,723,749	115,303,643
Forward transactions ^(*)	15,793,979	13,397,168
Swap transactions	140,796,098	88,466,508
Futures transactions	2,164,747	197,110
Option transactions	2,968,925	13,242,857
Interest Related Derivative Transactions (II)	79,814,270	58,871,980
Forward rate transactions	-	-
Interest rate swap transactions	79,814,270	58,871,980
Interest option transactions	-	-
Futures interest transactions	-	-
Security option transactions	-	-
Other trading derivative transactions (III)	954,265	1,217,741
A. Total Trading Derivative Transactions (I+II+III)	242,492,284	175,393,364
Types of hedging transactions		
Fair value hedges	29,132,830	31,148,040
Cash flow hedges	45,360,970	49,101,851
Net investment hedges	-	-
B. Total Hedging Related Derivatives	74,493,800	80,249,891
Total Derivative Transactions (A+B)	316,986,084	255,643,255

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

As of December 31, 2020, breakdown of the Bank's foreign currency forward and swap and interest rate swap transactions based on currencies are disclosed below in their TL equivalents:

	Forward Buy ^(**)	Forward Sell ^(**)	Swap Buy ^(*)	Swap Sell ^(*)	Option Buy	Option Sell	Future Buy	Futures Sell	Other
Current Period									
TL	2,339,011	1,126,427	9,154,646	45,077,301	491,416	529,849	172	1,109,224	-
USD	2,184,240	4,547,796	102,180,567	61,466,996	668,171	683,083	1,055,204	147	954,265
EURO	2,204,382	928,009	20,580,625	39,546,312	364,602	158,473	-	-	-
Other	1,210,609	1,253,505	16,825,374	272,347	14,766	58,565	-	-	-
Total	7,938,242	7,855,737	148,741,212	146,362,956	1,538,955	1,429,970	1,055,376	1,109,371	954,265

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

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

	Forward Buy ^(**)	Forward Sell ^(**)	Swap Buy ^(*)	Swap Sell ^(*)	Option Buy	Option Sell	Future Buy	Futures Sell	Other
Prior Period									
TL	3,137,983	1,025,633	8,817,491	32,919,897	1,385,083	4,320,320	99,198	-	-
USD	1,386,439	4,949,705	86,440,853	50,819,911	4,580,793	1,983,433	-	97,912	1,217,741
EURO	1,716,257	475,852	16,495,263	27,499,905	625,884	287,800	-	-	-
Other	437,012	268,287	4,540,838	54,221	12,948	46,596	-	-	-
Total	6,677,691	6,719,477	116,294,445	111,293,934	6,604,708	6,638,149	99,198	97,912	1,217,741

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

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

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5.1. Fair value hedge accounting

a) Loans

The Bank enters into swap transactions in order to hedge itself from the changes in the fair value due to the changes in market interest rates of a certain portion of its long-term loans and applies fair value hedge accounting as per TAS 39. As of balance sheet date; the mortgage loans amounting to TL 4,324,987 (December 31, 2019 – TL 8,122,097) were subject to hedge accounting by swaps with a nominal of TL 4,770,807 (December 31, 2019 – TL 6,608,353). Due to the loss from loans amounting to TL 308,501 (December 31, 2019 – TL 919,613 gain) and gain from swaps amounting to TL 318,019 (December 31, 2019 – TL 864,039 loss) is accounted for under “gains / (loss) from financial derivatives transactions” line in the accompanying financial statements.

When the fair value hedge accounting cannot be effectively continued as stated in TAS 39, the fair value hedge accounting is ceased. The fair value differences of the hedged loans are amortized through income statement until the maturity of the hedged loans. The Bank has booked the valuation effect amounting to TL 77,019 (December 31, 2019 – TL 136,590 gain) related to the loans that are ineffective for hedge accounting under “gains / (losses) from financial derivatives transactions” as gain during the current period.

b) Financial Assets Measured at Fair Value through Other Comprehensive Income

The Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to long term foreign currency Eurobonds with fixed coupon held by the Bank using swaps as hedging instruments. As of the balance sheet date; Eurobonds with a nominal of USD 320,759 million and EUR 49,8 million (December 31, 2019 – USD 373,663 million and EUR 49,8 million) were subject to hedge accounting by interest rate swaps with the same nominal value. On December 31, 2020, the net market valuation difference loss amounting to TL 283 , due to gain from Eurobonds amounting to TL 294,155 (December 31, 2019 – TL 215,945 gain) and loss from swaps amounting to TL 294.438 (December 31, 2019 – TL 215,250 loss) is accounted for under “gains / (losses) from financial derivatives transactions” line in the accompanying financial statements.

The Bank does not apply fair value hedge on TL government bonds in the current period. (As of December 31, 2019 - None)

c) Bonds issued

The Bank applies fair value hedge accounting to hedge against the changes in the interest rates related to the foreign currency bonds issued using interest rate swaps as hedging instruments. As of the balance sheet date, bonds with nominal amount of USD 730 million (December 31, 2019 – USD 780 Million) have been subject to hedge accounting with the same nominal amount of swaps. As of the balance sheet date, net of TL 183,021 (December 31, 2019 – TL 69,763 loss) loss from issued securities and TL 180,605 (December 30, 2019 – TL 69,801 gain) gain from swaps, has been recorded under “Gains / (losses) from financial derivatives transactions” on accompanying financial statements.

d) Borrowings

The Bank; applies fair value hedge accounting through interest rate swaps in order to protect itself from changes in interest rates with respect to the fixed rate foreign currency loan it uses. According to this; on hedged loans The valuation effects created by the fair value hedge accounting applied are reflected in the income statement throughout the life of the loans. In this context; The Bank ended its fair value hedge accounting practice on January 1, 2020, which started on December 27, 2015, regarding the loan amounting to EUR 30 million. In the current period, within the scope of application of deteriorated hedge accounting, the Bank accounted the valuation effect which is amounting to TL 1,628 (December 31, 2019- None) as an income in the income statement under “Gain/Losses from Derivative Transactions”.

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5.2 Cash flow hedge accounting

a) Floating Rate Loans

The Bank is subject to cash flow risk protection accounting through interest rate swaps in order to protect a certain portion of its long-term variable rate loans from changes in market interest rates. At each balance sheet date, the Bank conducts efficiency tests for hedging accounting, and the active parts are accounted in “hedging funds” under equity in the financial statements as defined in TAS 39, while the amount related to the inactive part is associated with the income statement. As of the balance sheet date, swaps with a nominal amount of USD 875 million (31 December, 2019 - USD 875 million) have been subject to hedging accounting as hedging instruments. As a result of the said hedging accounting, fair value income before tax of TL 222,484 (31 December 2019 – TL 20,790) was accounted under equity in the current period. The ineffective portion is none.

b) Deposit

The Bank applies cash flow hedge accounting using interest rate swaps in order to hedge itself from the interest rate changes of deposits that have an average maturity until 3 month, the Bank implements cash flow hedge accounting with interest rate swaps. The Bank implements efficiency tests at the balance sheet dates for hedging purposes; the effective portions are accounted for under equity “Hedging Funds”, whereas the ineffective portions are accounted for at income statement as defined in TAS 39. As at the balance sheet date, swaps amounting to TL 150,000 are subject to hedge accounting as hedging instruments (December 31, 2019 – TL 1,600,000). As a result of the mentioned hedge accounting, fair value gain before taxes amounting to TL 61,956 are accounted for under equity during the current period (December 31, 2019 – TL 243,972 loss). The ineffective portion is none (December 31, 2019 – TL 182 gain).

As of the balance sheet date, swaps with a nominal amount of USD 1,708 million (December 31, 2019 – USD 2,529 Million) have been subject to hedge accounting with USD deposits and swaps with a nominal amount of EUR 74 million (December 31, 2019 –EUR 104 million) have been subject to hedge accounting with Euro deposits. As a result of above mentioned hedge accounting, fair value loss before taxes amounting to TL 187,599 are accounted for under equity during the current period (December 31, 2019 – TL 790,817 loss). The loss amounting to TL 1,247 (December 31, 2019 – TL 1,525 loss) relating to the ineffective portion is accounted for at the income statement.

When the fair value hedge accounting cannot be effectively continued as stated in TAS 39, the fair value hedge accounting is ceased. Effective parts classified under equity due to hedge accounting are amortized through income statement until the maturity of swaps in case of ineffectiveness. In the current period there is loss TL 56,022 transferred amount from equity to gain statement due to ineffectiveness or matured swaps. (December 31, 2019 – TL 20,045 income).

The measurements as of December 31, 2020, hedge of cash flow transactions stated above are determined as effective.

c) Floating Rate Liabilities

The Bank applies cash flow hedge accounting using interest rate swaps in order to hedge its subordinated loans which have floating interest payment. The Bank implements efficiency tests at the balance sheet dates for hedging purposes; the effective portions are accounted for under equity “Hedging Funds”, whereas the ineffective portions are accounted for at income statement as defined in TAS 39. As at the balance sheet date, swaps amounting to USD 485 million are subject to hedge accounting as hedging instruments (December 31, 2019 – USD 485 million). As a result of the mentioned hedge accounting, fair value loss before taxes amounting to TL 112,418 are accounted for under equity during the current period (December 31, 2019 – 94,034 loss). There is no ineffective portion in the mentioned hedge accounting transaction.

On the other hand; Accounting application is terminated when cash flow hedge accounting is not effectively maintained as defined in TAS 39. The effective amounts classified under equity due to hedge accounting are reclassified into profit or loss as the reclassification adjustments during periods or periods when the estimated cash flows subject to hedging in case of deterioration of the event affect profit or loss (such as the periods when interest income or expense is accounted for). In this context; In the current year, the Bank ended the hedge accounting practice of the USD 325 million subordinated loan it used for the purpose of hedging cash flow due to the change in the contract conditions. Due to hedge accounting practices terminated in the current year, a gain amounting to TL 14,038 (December 31, 2019 – 4,568) was transferred from the equity to the income statement.

The measurements as of December 31, 2020, hedge of cash flow transactions stated above are determined as effective.

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6. Credit derivatives and risk exposures on credit derivatives

As of December 31, 2020, the Bank has no commitments “Credit Linked Notes” (As of December 31, 2019 - None).

As of December 31, 2020, “Other Derivative Financial Instruments” with nominal amount of USD 130,000,000 (December 31, 2019 - USD 205,000,000) are included in Bank’s “Swap Interest Sell Transactions.” In aforementioned transaction, the Bank is the seller of the protection for USD 130,000,000.

7. Information on contingent liabilities and assets

The Bank has recorded a provision of TL 157,199 (December 31, 2019 - TL 106,152) for litigation and has accounted for it in the accompanying financial statements under the “Other Provisions” account. Except for the claims where provisions are recorded, management considers as remote the probability of a negative result in ongoing litigations and therefore does not foresee cash outflow for such claims.

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

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

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

MOODY’S December 2020		FITCH September 2020	
Long-Term Deposit Rating (FC)	B3	Long -Term Foreign Curr.	B+ (Negative)
Long-Term Deposit Rating (TL)	B1	Short-Term Foreign Curr.	B
Short-Term Deposit Rating (FC)	NP	Long-Term TL	BB- (Negative)
Short-Term Deposit Rating (TL)	NP	Short-Term TL	B
Main Credit Evaluation	b3	Long-Term National	AA(tur) (Stable)
Adjusted Main Credit Evaluation	b1	Support	4
Appearance	Negative	Financial Capacity Rating	b+
Long-Term Foreign Currency Denominated Debt (FC)	B2		

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SECTION FIVE

IV. Explanations And Disclosures Related To The Income Statement

1. a) Information on interest income received from loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term Loans	4,672,331	370,731	6,327,616	304,902
Medium and Long-Term Loans	6,684,471	1,952,453	6,871,108	1,726,087
Non-Performing Loans	71,879	-	74,324	-
Resource Utilization Support Fund Premiums	-	-	-	-
Total^(*)	11,428,681	2,323,184	13,273,048	2,030,989

^(*) Includes fee and commission income related to cash loans.

b) Information on interest income from banks

	Current Period		Prior Period	
	TL	FC	TL	FC
T.R. Central Bank ^(*)	-	-	-	-
Domestic Banks	73,949	112	154,632	257
Foreign Banks	1,854	21,145	2,080	78,168
Foreign Headquarters and Branches	-	-	-	-
Total	75,803	21,257	156,712	78,425

^(*)The interest income on Required Reserve amounting TL 47,326 is not included into interest income on Banks. (December 31, 2019: TL 190,664).

c) Information on interest income from securities portfolio

	Current Period	
	TL	FC
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	11,271	1,374
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	712,400	406,143
Financial Assets Measured at Amortized Cost	1,217,111	453,382
Total	1,940,782	860,899

	Prior Period	
	TL	FC
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	10,374	873
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	808,182	279,856
Financial Assets Measured at Amortized Cost	981,116	337,801
Total	1,799,672	618,530

As stated in Section Three disclosure VII.2, the Bank has inflation indexed (CPI) government bonds in its financial assets measured at fair value through other comprehensive income (FVOCI) and financial assets measured at amortized Cost portfolios. As disclosed in 'Inflation Indexed Bonds Manual' published by Turkish Treasury, reference index used for the actual payments is determined based on the inflation rates of two months before. The Bank determines the estimated inflation rates used for valuation of securities in line with this. The estimated inflation rate used is updated during the year when necessary. The estimated inflation rate used in the valuation of these securities has been updated and updated according to the inflation rate of 11.89% as of December 31, 2020.

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d) Information on interest income received from associates and subsidiaries

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	82,316	119,184

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	42,454	1,076,942	34,528	1,177,856
T.R. Central Bank	-	-	-	-
Domestic Banks	38,638	6,611	30,715	9,403
Foreign Banks	3,816	1,070,331	3,813	1,168,453
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	-	-	-
Total	42,454	1,076,942	34,528	1,177,856

(*) Includes fee and commission expenses related to cash loans.

b) Information on interest expense paid to associates and subsidiaries

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	9,177	21,438

c) Information on interest expense paid to securities issued

As of December 31, 2020 interest paid to securities issued is TL 990,211 (December 31, 2019 – TL 1,268,228).

d) Information on maturity structure of interest expenses on deposits (Current Period)

Account	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	-	12,360	19,468	-	-	-	-	31,828
Saving Deposits	455	733,858	1,729,366	59,948	29,993	119,404	-	2,673,024
Public Sector Deposits	-	348	471	83	-	-	-	902
Commercial Deposits	241	381,894	496,222	24,591	5,061	4,668	-	912,677
Other Deposits	-	3,752	41,816	1,631	6,657	175	-	54,031
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	696	1,132,212	2,287,343	86,253	41,711	124,247	-	3,672,462
Foreign Currency								
Deposits	185	27,125	308,722	55,740	19,774	34,916	-	446,462
Bank Deposits	33	76,490	17,618	407	-	-	-	94,548
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	3,610	-	-	-	-	-	3,610
Total	218	107,225	326,340	56,147	19,774	34,916	-	544,620
Grand Total	914	1,239,437	2,613,683	142,400	61,485	159,163	-	4,217,082

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Information on maturity structure of interest expense on deposits (Prior Period)

Account	Demand Deposits	Time Deposit					Accumulated Deposit Account	Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year		
Turkish Lira								
Bank Deposits	-	26,051	126	-	-	-	-	26,177
Saving Deposits	42	971,834	3,075,716	214,628	188,647	467,416	-	4,918,283
Public Sector Deposits	-	107	744	124	9	11	-	995
Commercial Deposits	617	796,185	889,521	84,479	30,566	45,345	-	1,846,713
Other Deposits	-	14,002	119,716	3,911	2,848	1,840	-	142,317
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	659	1,808,179	4,085,823	303,142	222,070	514,612	-	6,934,485
Foreign Currency								
Deposits	3	65,112	573,710	68,374	49,401	34,811	-	791,411
Bank Deposits	574	67,990	40,397	1,615	614	-	-	111,190
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	1,160	-	-	-	-	-	1,160
Total	577	134,262	614,107	69,989	50,015	34,811	-	903,761
Grand Total	1,236	1,942,441	4,699,930	373,131	272,085	549,423	-	7,838,246

e) **Information on interest expense on repurchase agreements**

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Expense on Repurchase Agreements ^(*)	267,772	195,322	150,765	199,000

(*) Disclosed in "Interest on Money Market Transactions".

f) **Information on finance lease expenses**

	Current Period	Prior Period
Finance Lease Expenses	57,946	67,865

g) **Information on interest expense on factoring payables**

None (December 31, 2019 – None).

3. **Information on dividend income**

	Current Period	Prior Period
Financial Derivative Assets at Fair Value through Profit/Loss (FVTPL)	-	-
From Financial Assets at Fair Value through Profit and Loss	-	-
From Financial Assets at Fair Value through Other Comprehensive Income	-	-
Other	192,343	51,187
Total	192,343	51,187

4. **Information on trading income/loss**

	Current Period	Prior Period
Trading Income	12,678,459	11,938,319
Gains on Capital Market Operations	349,925	121,641
Derivative Financial Instruments	6,043,050	9,289,084
Foreign Exchange Gains	6,285,484	2,527,594
Trading Loss (-)	15,403,844	13,454,771
Losses on Capital Market Operations	81,518	71,242
Losses on Derivative Financial Instruments	9,310,634	10,706,523
Foreign Exchange Losses	6,011,692	2,677,006
Net Trading Income/Loss	(2,725,385)	(1,516,452)

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5. Information on other operating income

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

6. Expenses of Expected Credit Loss and Other Provision

	Current Period	Prior Period
Expected Credit Loss	2,405,011	1,837,123
12 month expected credit loss (stage 1)	133,528	(203,335)
Significant increase in credit risk (stage 2)	1,243,581	(72,400)
Non-performing loans (stage 3)	1,027,902	2,112,858
Marketable Securities Impairment Expense	124	(17,533)
Financial Assets at Fair Value through Profit or Loss	-	-
Financial Assets at Fair Value through Other Comprehensive Income	124	(17,533)
Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease	-	47,455
Investments in Associates	-	47,455
Subsidiaries	-	-
Joint Ventures	-	-
Other	138,791	26,748
Total	2,543,926	1,893,793

7. Information on other operating expenses

	Current Period	Prior Period
Reserve for Employee Termination Benefits(*)	12,768	27,674
Depreciation Expenses of Fixed Assets	403,134	370,479
Amortization Expenses of Intangible Assets	147,622	128,820
Other Operating Expenses	1,165,770	1,151,108
Leasing Expenses Related to TFRS 16 Exemptions	1,895	4,811
Maintenance Expenses	263,072	245,729
Advertisement Expenses	99,951	111,000
Other Expenses	800,852	789,568
Loss on Sales of Assets	959	491
Other(**)	597,741	504,897
Total	2,327,994	2,183,469

(*) Includes "Personnel Expenses" that not exist in the income statement "Other Operating Expenses" line

(**) Comprising repayments amounting to TL 3,153 (December 31, 2019: TL 5,806) in respect of Consumer Arbitration Committee and courts' decision, which was fees and commissions recognized in previous year as income. Also, SDIF premium amount and financial operation fees are included.

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

For the period ended December 31, 2020, net interest income in regards to continued operations of TL 9,856,641 (December 31, 2019 – TL 7,582,221), net fees and commission income of TL 2,362,819 (December 31, 2019 – TL 2,691,464) and other operating income of TL 66,051 (December, 2019 – TL 137,288) constitute an important part of the income.

9. Explanations on tax provision for continued and discontinued operations

9.1. Current period taxation benefit or charge and deferred tax benefit or charge

As of December 31, 2020, the Bank has recorded tax charge TL 1,055,958 (December 31, 2019 – TL 163,465 loss) and a deferred tax loss of TL 19,258 (December 31, 2019 – TL 572,224 deferred tax loss) and a deferred tax income of TL 562,796 (December 31, 2019 – TL 178,086 deferred tax income) from its continuing operations.

9.2. Explanations on operating profit/loss after taxes

None (December 31, 2019 – None).

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

Net profit of the Bank from continued operations is TL 2,487,009 (December 31, 2019 – TL 2,622,157).

11. Explanations on net income/loss for the period

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

None (December 31, 2019 – None).

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11.2. Effect of changes in accounting estimates on income statement for the current and for subsequent periods.

None.

11.3. There is no profit or loss attributable to minority shares.

11.4. There are no changes in the nature and amount of accounting estimates, which have a material effect on current period or expected to have a material effect on subsequent periods.

12. Information on the components of other items in the income statement exceeding 10% of the total, or items that comprise at least 20% of the income statement

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

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SECTION FIVE

V. Explanations And Disclosures Related To Statement Of Changes In Shareholder's Equity

1. Changes resulting from valuation of financial assets measured at fair value through other comprehensive income

Net decrease of TL 304,464 (December 31, 2019 – TL 282,347 net increase) after tax effect resulting from valuation of at financial assets measured at fair value through other comprehensive income is included in “accumulated other comprehensive income or loss reclassified through profit or loss” account under shareholders’ equity.

2. Explanations on foreign exchange differences

None.

3. Explanations on dividend

3.1. Dividends declared subsequent to the balance sheet date, but before the announcement of the financial statements

There is no dividend notified before the promulgation of financial statements. It was decided to distribute the year 2019 profit as stated below at the Ordinary General Assembly held on March 26, 2020.

2019 profit distribution table:

Current Year Profit	2,622,157
A - I. Legal Reserve (Turkish Commercial Code 466/1) at 5%	-
B - The First Dividend for Shareholders	-
C – Profit from Disposal of Associates	-
D- II. Legal Reserves	-
E- Gains on Real estate Sales Fund	-
F - Extraordinary Reserves	(2,622,157)

3.2. Dividends per share proposed subsequent to the balance sheet date

No decision is taken concerning the profit distribution by the General Assembly as of the balance sheet date.

3.3. Transfers to legal reserves

	Current Period	Prior Period
Amount Transferred to Reserved from Retained Earnings	-	85,130

4. Information on issuance of share certificates

4.1 The rights, priorities and restrictions regarding the share capital including distribution of income and repayment of the capital

None (December 31, 2019 - None).

5. Information on the other capital increase items in the statement of changes in shareholders’ equity

There was no capital increase in 2020. (December 31, 2019 :None)

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SECTION FIVE

VI. Explanations And Disclosures Related To Cash Flows Statement

1. The effects of the other items stated in the cash flow statement and the changes in foreign currency exchange rates on cash and cash equivalents

“Other items” amounting to TL 337,616 (December 31, 2019 – TL 2,322,912) in “Operating profit before changes in operating assets and liabilities” consist of commissions paid amounting to TL 528,292 (December 31, 2019 – TL 695,764), net trading income/loss by TL 2,669,734 (December 31, 2019 – TL 5,719,001 net trading income/loss) and other operating expenses amounting to TL 2,479,058 (December 31, 2019 – TL 2,700,325).

“Other items” in changes in operating assets amounting to TL 3,420,081 (December 31, 2019- TL 1,437,206) consist collaterals amounting TL 2,057,862 (December 31, 2019- TL 976,455) and other assets amounting to TL 1,362,219 (December 31, 2019 - TL 460,751).

“Other items” in changes in operating liabilities amounting to TL 6,870,364 (December 31, 2019- TL 1,032,744) consist money market borrowings amounting to TL 5,389,518 (December 31, 2019- TL 4,318,053), other liabilities amounting to TL 1,830,571 (December 31, 2019- TL 2,582,308) and other capital reserves amounting TL 349,725 (December 31, 2019 – TL 702,998).

“Other items” in changes in operating assets amounting to TL 3,420,081 (December 31, 2019 - TL 3.726.562) consist of the increase in collaterals given by TL 976.455 (December 31, 2018- TL 1.769.189 decrease) and the decrease in other assets by TL 460.751 (December 31, 2018 - TL 1.957.373).

“Other items” in changes in operating liabilities amounting to TL 1.032.744 (December 31, 2018- TL 3.914.640) consist of the decrease in money market borrowings by TL 4.318.053 (December 31, 2018- TL 1.780.605), the increase in sundry debtors and other liabilities by TL 2.582.308 (December 31, 2018- TL 5.929.429 increase) and the decrease in other capital reserves by TL 702.998 (December 31, 2018 – TL 234.182).

“Other items” in changes in net cash provided from banking operations amounting to TL 214,040 (December 31, 2019 – TL 169,921) includes the increase in intangible assets.

Effect of change in foreign currency on cash and cash equivalents is calculated as the difference between monthly average balances converted to TL using the currency rate at the beginning and at the end of the period and is TL 615,145 (December 31, 2019 – TL 356,419) as of December 31, 2020.

2. Information regarding the balances of cash and cash equivalents at the beginning of the period

	Prior Period December 31, 2019
Cash	1,644,545
Cash in TL	681,485
Cash in Foreign Currencies	944,326
Other	18,734
Cash Equivalents	12,743,347
Balances with the T.R. Central Bank	8,951,928
Banks	755,951
Money Market Placements	3,041,480
Less: Accruals	(6,012)
Cash and Cash Equivalents	14,387,892

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3. Information regarding the balances of cash and cash equivalents at the end of the period

	Current Period December 31, 2020
Cash	2,226,110
Cash in TL	616,296
Cash in Foreign Currencies	1,486,250
Other	123,564
Cash Equivalents	13,199,372
Balances with the T.R. Central Bank	11,695,907
Banks	1,183,963
Money Market Placements	342,734
Less: Accruals	(23,232)
Cash and Cash Equivalents	15,425,482

4. Restricted cash and cash equivalents due to legal requirements or other reasons

A portion of foreign bank accounts amounting to TL 283,258 (December 31, 2019- TL 103,628) includes blocked cash for foreign money and capital market transactions and for borrowings from foreign markets.

5. Additional information

5.1. Restrictions on the Bank's potential borrowings that can be used for ordinary operations or capital commitment

None (December 31, 2019 - None).

5.2. The sum of cash flows that show the increases in banking activity capacity, apart from the cash flows needed to maintain current banking activity capacity

None (December 31, 2019 – None).

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SECTION FIVE

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

1. Information on the volume of transactions with the Bank's risk group, lending and deposits outstanding at period end and income and expenses in the current period

- 1.1.** As of December 31, 2020, the Bank's risk group has deposits, cash and non-cash loans at the Bank amounting to TL 578,345 (December 31, 2019 – TL 333,718) deposit and TL 1,259,351 (December 31, 2019- TL 1,018,962) cash loans and TL 73,688 (December 31, 2019 – TL 56,511) non-cash loans respectively.

Current Period

Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group(**)	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the	1,015,749	13,860	3,192	37,126	21	5,524
Balance at the End of the Period	1,256,220	22,598	2,500	45,878	631	5,212
Interest and Commission Income	82,316	167	-	9	32	1

Prior Period

Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group(**)	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	548,148	12,011	1,755	16,572	96	8,887
Balance at the End of the Period	1,015,749	13,860	3,192	37,126	21	5,524
Interest and Commission Income(***)	119,184	150	-	5	8	64

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

(**) Includes the loans given to the Bank's indirect subsidiaries.

(***) Prior Period Balance Represents December 31, 2019 balance

1.2 Information on deposits held by the Bank's risk group

Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group(**)	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the Beginning of the Period	125,530	264,237	-	-	208,189	159,107
Balance at the End of the Period	284,875	125,530	-	-	293,470	208,189
Interest on deposits(***)	9,177	21,438	-	-	9,073	21,281

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

(**) Includes the derivative transactions between the Bank's indirect subsidiaries.

(***) Prior Period Balance Represents December 31, 2019 balance.

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

Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group (**)	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions for Trading Purposes						
Beginning of the Period	1,470,504	1,569,213	-	-	-	-
End of the Period	1,506,342	1,470,504	-	-	-	-
Total Income/Loss (***)	25,993	(102,810)	-	(191)	-	147
Transactions for Hedging Purposes						
Beginning of the Period	-	1,100,854	-	-	-	-
End of the Period	-	1,231,126	-	-	-	-
Total Income/Loss (***)	-	41,178	-	-	-	-

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

(**) Includes the derivative transactions between the Bank's indirect subsidiaries.

(***) Prior Period Balance Represents December 31, 2019 balance.

1.4. Information on benefits provided to top management

As of December 31, 2020, the total amount of remuneration and bonuses paid to top management of the Bank is TL 146.728 (December 31, 2019 - TL 117,794).

2. Disclosures of transactions with the Bank's risk group

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

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

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

As of December 31, 2020, cash loans of the risk group represented 0.8% of the Bank's total cash loans (December 31, 2019 – 0.9%), the deposits represented 0.4% of the Bank's total deposits (December 31, 2019 – 0.3%) and derivative transactions represented 0.5% of the Bank's total derivative transactions (December 31, 2019 – 0.6%).

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

The Bank enters into finance lease agreements with QNB Finans Finansal Kiralama A.Ş. As of December 31, 2020, the Bank has net finance lease payables to QNB Finans Finansal Kiralama A.Ş. amounting to TL 20,268 (December 31, 2019 - TL 15,977) relating with finance lease agreements.

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

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

Information about the Bank's subordinated loans is explained under Section 5, Part II. footnote 12. The Bank provides agency services to Cigna Sağlık, Hayat ve Emeklilik ve Hayat A.Ş., which is a jointly controlled entity with 49.00% shares held by the Bank.

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VIII. Explanations on the Bank's Domestic, Foreign and Off-Shore Banking Branches and Foreign Representatives

1. Information relating to the bank's domestic and foreign branch and representatives

	Number	Employees			
Domestic Branch	474	11,103			
Foreign Representation	-	-			
				Total Assets	Capital
Foreign Branch	1	8	1- Bahreyn	20,619,107	-
Off-shore Banking and Region Branches	-	-		-	-

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SECTION SIX

OTHER EXPLANATIONS

I. Other Explanations Related to the Bank's Operations

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

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

<u>Date</u>	<u>Currency</u>	<u>Nominal</u>	<u>Interest Rate (%)</u>	<u>Due Date</u>
08.01.2021	TL	75,030	Variable	112
15.01.2021	TL	131,600	Variable	126

2. Information about effects of significant changes in foreign exchange rates after balance sheet date that would affect decision making process of users and foreign operations of the Bank

There are no significant fluctuations in the currency exchange rates after the balance sheet date that would affect the analysis and decision making process of the readers of the financial statements.

3. Other matters

None

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SECTION SEVEN

INDEPENDENT AUDITOR’S REPORT

I. Explanations on the Independent Auditor’s Report

The unconsolidated financial statements for the period ended December 31, 2020 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst & Young Global Limited). The auditor’s report dated January 28, 2021 is presented preceding the unconsolidated financial statements.

II. Explanations and Notes Prepared by Independent Auditors

None (December 31, 2019 – None).